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August 4, 2021

The Honorable Martin Oberman  
Chairman  
United States Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Dear Chairman Oberman:

I write in response to your letter of July 22, 2021 regarding your concerns about the significant challenges throughout the international intermodal supply chain, including heightened container congestion in rail terminals. I appreciate the opportunity to highlight BNSF's performance during this period of unprecedented demand, including the efforts we are taking to alleviate congestion and maintain fluidity on our network and in our terminals, which we know are essential to our nation's continued economic recovery from the COVID-19 pandemic. Also, in response to your specific questions, I am including an overview of BNSF's storage policies and practices around container shipment storage and of the critical role those policies play in managing terminal throughput for all of our customers and maintaining supply chain integrity during periods of heightened volumes.

When I wrote to you last month, I described the considerable increase in overall volumes moving across our railroad, from the pandemic lows (approximately 150,000 units a week) to a current average run rate of approximately 200,000 units per week. We have continued to take the measures I outlined in my letter to scale up operations to meet the significant increase in demand. More specifically, with respect to intermodal volumes, so far in 2021 we are moving significantly more intermodal containers/trailers than we did in the intermodal industry peak year of 2018. I am extremely proud of the hard work and dedication our employees continue to put forward to support economic recovery and meet the strong demand we are seeing from our customers.

As you know, the complexity of the supply chain relies on the performance of numerous entities operating across ports, roadways, railroads, waterways, and shipper and receiver facilities. The challenges being experienced across the entire supply chain that I raised in early July are now well documented and continuing. As even more freight is being put into the global intermodal pipeline, the shortage of chassis, drivers, and labor to support distribution center unloading is causing shipments to back up into rail facilities. The backlog is not limited to our physical intermodal terminals either – at any given time we have around 30 trains (holding around 7500 containers) staged for prolonged periods outside our intermodal facilities because there simply is not space in our hub to get those containers unloaded for pickup until the appropriate party coordinates the pickup of the older containers for delivery to processing locations.

We have continued to take the aggressive measures I shared in July to increase capacity, improve rail performance, and get the most out of our assets. However, the measures we take to maximize efficiency in our handling of cars across our network and within our terminals are largely rendered meaningless



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if receivers are not ready to pick up those containers from our facility. For example, while we are transporting and unloading volumes this year at a pace exceeding our peak year of 2018, international containers are dwelling in our yard after unloading nearly 30% longer. The reality is that significantly more freight is coming into BNSF facilities than is being picked up and that simply is not sustainable.

As a railroad carrying containers between points where we are not the origination or the final destination of a load, BNSF has relatively few options to maintain the fluidity of our intermodal terminals if containers are not picked up by customers on a timely basis. Unless BNSF can utilize the few tools we have available to incentivize timely pickup – including storage charges when containers are left in our yards beyond free time – rail operations will degrade and ultimately come to a halt. This Board has recognized the importance of demurrage and storage charges to incentivize the efficient use of rail assets (both equipment and track) by holding rail users accountable when they use those resources beyond a specified period of time. Our collective customers benefit as well when there is accountability across all users for effective management of resource use across the supply chain. The increased demand we face makes it imperative for us and our customers that we implement those reasonable accountability measures to support fluidity and maximum utility of rail capacity.

We do believe that there is enough physical capacity present across the national supply chain to handle the current volumes. The amount of chassis, port and rail terminal capacity, rail equipment, and employee resources is sufficient to handle the current volumes, but only if all parts of the supply chain do their part. Operating 24/7 in all parts of the supply chain, not just rail, would generate substantial capacity immediately.

BNSF strives to ensure that our storage rules are reasonable and designed to incent the behavior needed to support rail terminal fluidity. As we discuss below, we believe our rules are clear and easy to apply, providing transparency around the triggering events for charges and where opportunities exist to avoid charges. It is our practice to ensure that we are only charging a storage fee when the box is actually available for pickup. We have robust processes supported by customer tools and other technologies to provide real-time information about container location and availability for pickup, to manage storage charges and to ensure an opportunity for customer feedback and dispensation depending on individual circumstances. As BNSF has stated numerous times in the past, our strong preference would be to receive no storage revenue at all because our customers are efficiently removing units from our facilities. I will turn now to a more detailed discussion of those rules and practices, and the specific questions contained in your letter.

**Overview of BNSF's Storage Policy:** The policies and rules applicable to containers moving on our network are contained in the BNSF Intermodal Rules & Policies Guide (R&PG). Storage rules appear in Item 37: Storage (Dwell) and supplemented with additional information and graphics in Appendix F: Storage at the end of the R&PG. The most current version of our R&PG can be found on our website at [www.bnsf.com/bnsf-resources/pdf/ship-with-bnsf/intermodal/intermodal-r-and-pg.pdf](http://www.bnsf.com/bnsf-resources/pdf/ship-with-bnsf/intermodal/intermodal-r-and-pg.pdf).



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- 1. Number of “free days” allowed for container storage before demurrage fees begin to accrue.** BNSF provides either 24 or 48 hours of Free Time (FT) on all container and trailer shipments depending on whether the facility is a Group 1 or Group 2 facility. Attachment B to this letter is taken from our R&PG and shows our current grouping by facility; whether a BNSF facility is Group 1 or 2 can change over time and reflects several factors, including demand patterns, facility layout, in-facility operations, and regional market characteristics. FT does not begin until Notification is given, which is the BNSF-generated message that the container is physically available for pickup. This notice is forwarded electronically to the party or parties designated by our customer in the waybill and is also available through our suite of online customer tools. It is important to note that BNSF FT does not begin until a unit is actually available for pickup. That means that (1) if a container is held on a train prior to being unloaded at a BNSF facility or (2) if a container is unloaded but placed in a part of the BNSF facility where it is not accessible for pickup, that time is not deducted from FT and no charges will accrue for that time. Finally, FT only begins at 12:01 on the day after Notification is provided, meaning that an available container can receive up to 24 hours additional free dwell time depending on the time of day Notification is given.
- 2. Daily fee schedule after any free days expire.** As reflected in Attachment B (taken from our R&PG), all facilities have an initial charge of \$150/day for Day 1 and Day 2 following the expiration of any FT. The charge increases to \$225/day for Day 3 following expiration of FT and any additional days beyond that the container continues to dwell in the facility. BNSF announced last month, in the face of unprecedented congestion and dwell at our Logistics Park Chicago (LPC) terminal, that LPC would become a Group 1 facility with 24 hours of FT and that LPC storage charges would increase to \$500/day on the 5<sup>th</sup> day following expiration of the FT (as noted below, we implemented weekend credits at LPC as well). These changes were effective August 2.
- 3. Increase or decrease in storage fees and free time since January 2021.** BNSF does make tailored adjustments to our storage charge structure in response to changed circumstances. In April 2021, BNSF announced several changes to our storage policy that were implemented in June. For both Group 1 and 2 facilities, BNSF modified the second tier of charges for containers exceeding FT by increasing the rate from \$200 to \$225 and having it start on Day 3 instead of Day 4 after FT has expired. In addition, BNSF instituted a one-day storage credit for any unit out-gated on a holiday that can be applied to offset charges on any current or future unit. More recently, BNSF announced the changes referenced above at LPC. First, LPC is now designated as a Group 1 facility receiving FT of 24 hours starting the day after Notification is given. Second, we implemented a third-tier charge of \$500 for units that continue to dwell 5 days or longer after FT has expired. Finally, we implemented a one-day storage credit for any unit out-gated from LPC on weekends (Saturday or Sunday) that can be applied to any pending or future intermodal storage. All these changes were focused on creating better incentives around timely removal of containers



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from key peak-volume terminals while also rewarding behavior that helps to smooth the overall supply chain (e.g., credits for holiday and weekend container retrieval). While BNSF will institute changes in response to evolving circumstances, those changes occur within a long-standing practice of advance notification to our customers prior to any change.

4. **Any fee “caps” that are currently in place.** The purpose and design of our storage charges is to incent parties to move containers out of BNSF facilities in a timely manner to maintain the fluidity necessary to serve all our customers. We do not have caps or other across-the-board limits on the charges that can accrue when containers occupy productive capacity in our terminals. The limited capacity we do have is essential for processing freight to support supply chain fluidity and can’t be used as long-term storage. We have built in flexibility to other aspects of our program like our FT and Notification practices. We also have other measures to facilitate unique needs of our customers including maintaining partnerships with offsite storage facilities around our facilities to provide more customer optionality.
5. **Whether receivers are being permitted to provide their own chassis to retrieve containers.** As I described in my July 9 letter, BNSF does not control the chassis supply in our facilities and instead relies on our customers practically (and contractually) to ensure sufficient resources exist to support movement of the container once we deramp. That includes securing an adequate supply of chassis prior to releasing shipments into the national supply chain. BNSF does facilitate on-property chassis pools which we have found to be the most efficient way to maximize the chassis fleet. In addition, a receiver can provide their own private chassis. Because that is more of an exception, it may entail more pre-planning by the drayman and more handling by our rail operators; the rules and procedures for initiating that type of service are also contained in our R&PG.
6. **Average daily volume of stored containers, broken out by month from July 2020 to the most recent month for which data is available.** Attachment A to this letter shows the average daily volume of stored containers at our largest 10 terminals, by total units handled, from July 2020 through July 2021. While these are containers that are stored, that does not mean that these containers have incurred storage fees. Even as aggregate dwell times have increased significantly, the majority of international units that are deramped for pickup in our facilities do not incur any charges.
7. **Description of efforts made, if any, to reduce storage charges where delay is not within the control of the shipper or receiver.** BNSF does not approach our storage program as a revenue generating opportunity. It is an important mechanism supporting network efficiency for the benefit of all our customers and our very strong preference is not to collect a charge but instead to have all containers removed from our facilities in a reasonable time period to free up our critical facility



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capacity to serve all of our customers. There are a number of elements of our program and practices that are aimed at ensuring that storage charges are being put in place to incent behavior while ensuring our customers have meaningful opportunities to avoid them. I would like to highlight several here:

- As detailed above, we have structured our storage program to provide significant flexibility in the form of free time beyond the point of Notification. In addition, Notification on BNSF's system does not occur when a container is not available for removal, either because it is being held on a train or because it has been deramped but is not operationally available to the customer.
- While Notification is the key process element in the management of charges for customers, there are a significant number of resources we make available to give full visibility to our customers and their agents throughout a container's journey on BNSF. We believe a key to maximizing the full supply chain is a high level of real-time communication and we accomplish this through our online tools, apps, and other technology we continue to develop. As a recent example, BNSF just enhanced our API tool to allow dray carriers the ability to identify the location of individual containers within our facilities, including which stack they may be located in. This allows those operators to more efficiently prioritize their retrieval activity and time in facility and improve their own over-the-road turn times.
- BNSF maintains a suite of customer tools that provides the ability to trace individual shipments in real time as they move across the BNSF network, know when containers have been deramped, and know how long containers have been sitting after Notification. We also provide intermodal network and facility updates, service advisories, and maintenance overviews. It is important to note that while freight congestion caused by container dwell and longer-than-normal street turn times are "back end" challenges that may be difficult for a shipper/receiver to manage, these are driven by "front end" decisions including continued ordering of freight shipments without the resources to move the container beyond the rail terminal. While BNSF does not have the level of visibility across the supply chain that shippers do, we think it is important to provide as much visibility as we can around performance and status across the BNSF system to support better planning around future shipments. In addition to providing significant resources on the front end to empower better pipeline management (and ultimately to avoid storage charges), we also have extensive tools allowing the tracking, paying, and disputing of charges backed up by an experienced team of professionals.
- In addition to continuing the equipment and personnel initiatives I shared last month, BNSF is also continuing to take every opportunity to find more capacity in our terminals, operationally and physically. As one example, in LPC we have taken two 8,000-foot segments of production track out of service from one of our widespan crane modules to provide more space to ground



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containers coming into the yard. This required laying down specialized mats over these rail tracks to allow for the deramping and stacking of additional customer units, as shown in the photo in Attachment C. Taking these two tracks out of service allows us to stack the equivalent of an additional ten trains of inventory on the same footprint and free up ten railcar sets to return to the west coast. However, this footprint modification came with considerable expense and the loss of rail production capacity. I am hopeful that as all parts of the supply chain continue to adjust to the increased demand we are all facing, we will be able to return these assets to the work of processing freight for our customers.

- Earlier this year, BNSF initiated an offsite dray program at several of our intermodal facilities including Alliance, Texas, Logistics Park Kansas City, and Memphis, Tennessee. BNSF has taken the step to dray long-dwelling units at BNSF's expense from our facilities to offsite lots. These units remain in BNSF's inventory, and thus visible to our customers through our existing customer tools and available for pickup, but mitigate the inefficiency by clearing space in the BNSF facility to support our 24/7 operations on behalf of other customers.

This list is not exhaustive of BNSF efforts or the efforts we are seeing from many of our customers to protect and support the national supply chain. We continue to engage directly with our customers to understand, inform, and support those efforts and to ensure we understand their needs.

I appreciate the opportunity to hear your concerns about congestion and the resulting high level of rail container charges. Improved movement of containers to and through our rail terminals will result in lower storage charges, and that is something both BNSF and our customers are working hard to achieve. I hope the information provided here helps the Board understand how BNSF works to maintain a balanced, responsive container storage program tailored to achieve results that benefit all of our customers. We are hopeful that as all the participants in the supply chain make adjustments to support the increased demand, that will be reflected in our customer experience.

Sincerely,

A handwritten signature in black ink that reads "Katie Farmer". The signature is written in a cursive, flowing style.

Katie Farmer  
President and Chief Executive Officer

cc: Honorable Pete Buttigieg, Secretary, U.S. Department of Transportation  
Honorable Daniel B. Maffei, Chairman, Federal Maritime Commission  
Mr. Amit Bose, Deputy Administrator, Federal Railroad Administration  
Honorable Senator Maria Cantwell, Chair, Senate Committee on Commerce, Science and Transportation  
Honorable Representative Peter A. DeFazio, Chair, House Committee on Transportation and Infrastructure

**Attachment A**  
**Top 10 BNSF Intermodal Facilities--Average Daily Inventory of Stored Units**

| <b>Facility</b>                       | <b>Jul-20</b> | <b>Aug-20</b> | <b>Sep-20</b> | <b>Oct-20</b> | <b>Nov-20</b> | <b>Dec-20</b> | <b>Jan-21</b> | <b>Feb-21</b> | <b>Mar-21</b> | <b>Apr-21</b> | <b>May-21</b> | <b>Jun-21</b> | <b>Jul-21</b> |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Logistic Park Chicago, IL</b>      | 1,710         | 2,032         | 2,382         | 2,354         | 2,769         | 3,220         | 3,610         | 3,608         | 3,925         | 4,032         | 4,829         | 7,432         | 7,816         |
| <b>Memphis, TN</b>                    | 868           | 1,097         | 1,346         | 1,351         | 1,066         | 1,298         | 1,307         | 1,877         | 2,050         | 1,801         | 1,957         | 2,771         | 3,054         |
| <b>Alliance, TX</b>                   | 2,161         | 2,441         | 2,754         | 2,611         | 2,893         | 2,838         | 2,703         | 3,938         | 3,421         | 2,961         | 2,781         | 3,246         | 3,559         |
| <b>Los Angeles, CA</b>                | 878           | 1,121         | 1,014         | 1,161         | 1,354         | 1,381         | 1,356         | 1,089         | 1,143         | 1,002         | 1,168         | 1,233         | 1,247         |
| <b>Logistics Park Kansas City, KS</b> | 841           | 1,177         | 1,262         | 1,054         | 1,244         | 1,149         | 1,034         | 1,314         | 1,343         | 1,371         | 1,359         | 1,325         | 1,256         |
| <b>St. Louis, MO</b>                  | 167           | 197           | 228           | 232           | 256           | 233           | 212           | 247           | 228           | 222           | 133           | 291           | 318           |
| <b>Corwith, IL</b>                    | 1,181         | 1,362         | 1,512         | 1,464         | 1,722         | 1,909         | 1,507         | 2,170         | 1,817         | 1,735         | 2,089         | 2,025         | 1,969         |
| <b>San Bernardino, CA</b>             | 1,348         | 1,306         | 1,260         | 1,425         | 1,362         | 1,484         | 1,534         | 1,040         | 1,199         | 1,051         | 1,189         | 1,155         | 1,285         |
| <b>Cicero, IL</b>                     | 729           | 811           | 762           | 718           | 878           | 856           | 770           | 870           | 910           | 842           | 966           | 894           | 917           |
| <b>St. Paul, MN</b>                   | 328           | 386           | 448           | 427           | 497           | 449           | 573           | 388           | 525           | 519           | 533           | 708           | 619           |



**Attachment B:  
Free Time and Storage Charges per BNSF R&PG (Appendix F)**

| Facility Group | Facility                                | Free Time = Notification Day +  | Storage Charge (Day 1-2) | Storage Charge (Day 3+) |
|----------------|---|---|--------------------------|-------------------------|
| 1              | Alliance, TX ((Domestic units only)     | 24 Hours  | \$150 per day            | \$225 per day           |
|                | Barstow, CA                             |   |                          |                         |
|                | Chicago (Cicero), IL                    |   |                          |                         |
|                | Chicago (Corwith), IL                   |   |                          |                         |
|                | Chicago (Willow Springs), IL            |   |                          |                         |
|                | Denver, CO                              |   |                          |                         |
|                | Los Angeles, CA                         |   |                          |                         |
|                | Phoenix, AZ                             |   |                          |                         |
|                | Portland, OR                            |   |                          |                         |
|                | San Bernardino, CA                      |   |                          |                         |
|                | South Seattle, WA                       |   |                          |                         |
|                | Stockton, CA                            |   |                          |                         |
|                | St. Louis, MO                           |   |                          |                         |
|                | Logistics Park Chicago, IL*             |   |                          | *Day 5+ \$500           |
| Facility Group | Facility                                | Free Time = Notification Day +  | Storage Charge (Day 1-2) | Storage Charge (Day 3+) |
| 2              | Alliance, TX (International units only) | 48 Hours  | \$150 per day            | \$225 per day           |
|                | Albuquerque, NM                         |   |                          |                         |
|                | Atlanta, GA                             |   |                          |                         |
|                | El Paso, TX                             |   |                          |                         |
|                | Houston, TX                             |   |                          |                         |
|                | Logistics Park Kansas City, KS          |   |                          |                         |
|                | Memphis, TN                             |   |                          |                         |
|                | Oakland International Gateway, CA       |   |                          |                         |
|                | Omaha, NE                               |   |                          |                         |
|                | Seattle (SIG), WA                       |   |                          |                         |
|                | Spokane, WA                             |   |                          |                         |
|                | St. Paul, MN                            |   |                          |                         |
|                | Facility Group                          |   |                          |                         |
| 3              | Northwest Ohio ICTF, OH                 | Governed by the CSX Transportation, Inc. Intermodal Service Directory No. 1 |                          |                         |



**Attachment C:**  
**Logistics Park Chicago Production Track Converted to Customer Storage**

