

# SHORTLINE

Connection



First Quarter 2014

## Shortline Message

# Good communication is critical in '14

If your 2014 calendar is like ours, the days have quickly filled up with the momentum of a new year.

BNSF is excited to work on new opportunities while wrapping up projects that were near the finish line at the end of last year. We also face the challenges of increasing volumes across most of our commodity groups in combination with a severe winter.



We welcome you to our newly redesigned *Shortline Connection* to enhance our communications with a more user-friendly and tech savvy publication.

First, we modified our quarterly newsletter to work at your fingertips with a mobile version. In addition, we will continue to publish updates on key initiatives that help us move cars more effectively through the system and recap our joint efforts to increase business.

We've included a velocity snapshot that reflects dwell time on our shortline connections (p.2), and an opportunity summary showing opportunities won and lost (p.5).

In addition, we are updating our outward facing Shortline web site to make it more user friendly and to accurately reflect information regarding your business.

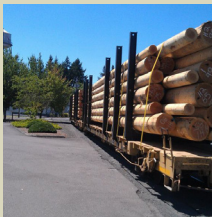
Good communication is critical for reaching our goals in 2014. Please let your BNSF shortline director know if any information has become stale and needs to be refreshed.

We hope everyone was recently able to participate in Railroad Day on the Hill in Washington, D.C., and we look forward to seeing everyone at the ASLRRRA Annual Conference in San Diego.

*Richard Cal*

## Inside

Some Pacific Northwest shortlines are re-investing in the forest products business in the aftermath of one of the worst economic downturns in modern-day history. Please see page 3



With its improved SLVT tool, tracking railcar dwell is becoming an exact science. Please see page 2

BNSF needs your help returning locomotive voice radios, HEDs, and ETDs. Please see page 5



## BNSF now has an app for that

*Shortline Connection is available in a mobile version*

The *Shortline Connection* is now more user friendly than ever.

With this issue, our quarterly newsletter is now mobile friendly with iOS, Android, BlackBerry and Windows platforms, and the traditional PDF format.

When *Shortline Connection* is ready for viewing, subscribers will receive an email with several reader options, including Flipboard magazine format, a mobile web version compatible with any modern web browser, numerous RSS reader options such as Feedly, and



Adobe Reader. We encourage you to install the free Flipboard app on your mobile device to be ready.

It's as easy as 1-2-3. Simply Select, Click and Enjoy!

# New, improved SLVT provides users better look at dwell times

BNSF's new and improved Shortline Velocity Tool (SLVT), which debuted in the fourth quarter of 2013, provides users with a better perspective on dwell times by allowing users to drill down into details. The tool is designed to improve the efficiency, velocity and capacity of equipment. Dwell time is tracked from the time a railcar is delivered to a shortline by BNSF until its return delivery back to BNSF.

Ken Jacobs, BNSF's director of system support, gave an overview of the new tool at BNSF's 2013 Shortline Conference. "Improving dwell times has a significant effect on the bottom line for BNSF, shortlines and our customers," said Jacobs.

Railcar dwell for BNSF Shortlines averaged approximately 8-9 days in 2013. Shaving just one-tenth of a day from this average dwell equates to nearly \$500,000 in annual car hire savings for the BNSF Shortline Community.

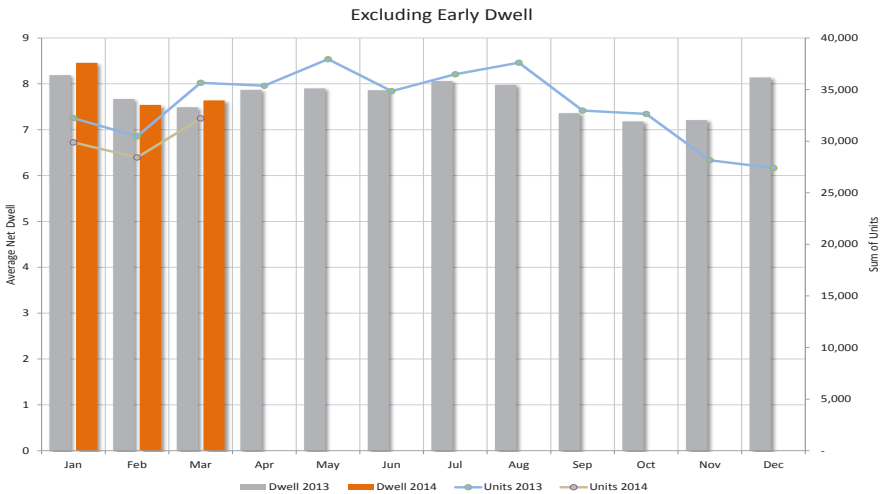
While car hire expense may seem costly, the loss of prospective business because of slow delivery times and late arrivals is even greater.

"It's really important to think about how we can turn cars quicker and move cars efficiently over our network," said Dick Ebel, BNSF assistant vice president, Shortline Development. "We know customers have alternatives, primarily trucks. Once customers convert to trucks,

## Inside the Numbers



### BNSF Dwell Trend thru 3/31/14



it is difficult to get them back. We all want to play in this together."

The new SLVT tool enables better tracking and management of dwell times. The new features in the SLVT tool include an adjusted dwell column and a section detailing performance under applicable Interline Service Agreements (ISAs).

The adjusted dwell figure shows the total dwell less the time when a railcar is delivered to a shortline before the "want" date of the customer. In the ISA section, details concerning interchange performance between BNSF and shortlines are available.

In addition, BNSF has a new streamlined navigation and dwell trend graph and summary reports.

This means navigation is easier and enables the user to drill down

from overall dwell and car counts to the car and station levels.

Dwell trends may be tracked within a given date range, including multiple years. A tabular year-over-year dwell comparison report is also accessible. The year-over-year report includes percentage changes, car counts, early dwell, total dwell and total dwell minus early dwell.

"We definitely have the ability to drill down with the new tool," Jacobs said.

Brochures that give a short overview of the new tool are available upon request from your shortline director. Users need to register at BNSF.com if they have not already created a User ID in order to use the new tool.

For further assistance with registration for the tool, please contact ebusiness at (888) 428-2673.

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**Shortline Mission Statement:** Our vision is to realize the potential of BNSF's shortline connections by leveraging the capabilities of both BNSF and its shortline connections to drive profitable growth.

# Re-investing in PNW Forest Products



With its eye on future growth, the Albany & Eastern Railroad has invested heavily in infrastructure. Likewise, Montana Rail Link (below) upgraded its fleet of woodchip gondolas to attract new business.

What do you do when the housing boom busts and the economy goes flat? You reinvest in your railroads. At least that's what some Pacific Northwest shortlines did in the aftermath of one of the worst economic downturns in modern-day history.

Montana Rail Link (MRL), Portland & Western Railroad (PNWR) and the Albany & Eastern Railroad (AERC) deployed capital after the Great Recession to improve infrastructure in anticipation that lumber and other wood-related carloads would return as the economy recovered.

So far, the plan is working.

MRL identified how regional movements of logs and woodchips could help sustain Montana's forest products mills and its own fleet of log cars and woodchip gondolas, while PNWR and AERC track investments and fleet improvements helped stimulate incremental and new traffic.

Each shortline's forest products volumes are approaching pre-2008 levels.

## Montana Rail Link charts new path through the woods

MRL, which once enjoyed a brisk finished lumber and paper business, is on the way to return its forest products business to pre-recession levels. The Class II carrier worked with Willis Enterprises and Packaging Corp. of America (PCA) to construct a large woodchip facility at a former mill site in Bonner, Montana to supply PCA's paper mill at Wallula, Wash. Pulpwood chips are moved by MRL to Spokane, Wash. where they are interchanged with BNSF for movement to Wallula.

Approximately 16 carloads of wood chips are shipped daily. In 2013, MRL hauled 2,400 outbound chip loads and approximately 300 log cars inbound from other points on MRL.

"It's significant business for us," MRL President Tom Walsh said. "The Packaging Corp. of America is our fifth largest customer now, which is

something, because they didn't exist two years ago."

To accommodate the business, MRL spent \$1.5 million to upgrade its fleet of woodchip gondolas, some of the few remaining in service in the United States today.

MRL's cars have been used to move logs to a woodchip mill in Longview, Wash., where they are converted to woodchips for Weyerhaeuser's paper mill. MRL's log cars also haul inbound shipments that move to Tricon Timber's lumber mill at St. Regis, Mont.



After losing some of its largest forest customers between 2008 and 2010, Walsh and his team began aggressively looking for alternative wood products to rebuild its portfolio. Cold calls were made at paper mills on the West Coast and Japan, in addition to exporters in Vancouver, Canada.

Through discussions with industry representatives, legislators and economic development officials, MRL discovered an opportunity to bring logs into Bonner and take wood chips out, which ultimately led to conversations with Willis Enterprises and PCA.

"Our forest products business got decimated," Walsh said. "We looked at what we could do differently to bring some of that business back. It was us working with a whole host of people to find a solution."

Walsh said MRL is optimistic that volume will continue to grow based on increased demand and anticipated growth in the Montana forest products industry.



**Since making investments, AERC has added three new customers and boosted carloads of raw logs, lumber and wood chips to 7,800 in 2013 — nearly 3,500 more than the year before.**

### Preparing for market's return pays off for AERC

Like the PNWR, AERC invested significantly in infrastructure in preparation for growth in the forest products market.

AERC serves the mid-Willamette Valley and interchanges with BNSF and Union Pacific. AERC's business portfolio includes a significant portion of lumber and log commodities.

After the market collapse forced closures of four out of five mills on AERC's Sweet Home branch, the railroad set a plan in motion to stimulate new business. AERC applied for and received federal grant money to upgrade its network and spent \$20 million over five years for rehabilitation of all of its lines.

Improvements included converting seven miles of the line to Crabtree, Ore., to continuous-weld rail and upgrading track on the 35-mile run from Mill City and Lyons to Lebanon resulting in quicker transit times. AERC also built new sidings and a facility at its transload yard in Crabtree, all with help from Connect Oregon, federal grants and significant private

### Improvements position PNWR for slow climb

PNWR made significant infrastructure improvements on its Astoria Line between Portland and Astoria, Ore., to handle increased shipments of utility poles, wood chips and wallboard. PNWR upgraded the rail and replaced or refurbished five bridges.

The improvements positioned PNWR to attract new business and prepared it to handle growth of existing customers. Lumber, pulp paper and other forest products account for about half of the railroad's business.

David Anzur, PNWR director of marketing and sales, said carloads of domestic lumber increased the past few years with PNWR experiencing strong fourth quarter performance in 2013.

"When you look at our lumber and forest products numbers, the panel-type of products and utility poles have been on a steady increase for the past few years," he said. "A lot of utility pole shipments are going to East Coast markets and overseas to Europe. One-hundred-foot-long poles are beginning to be railed across the U.S."

One of PNWR's largest customers recently acquired a couple of mills, which means more PNWR carloads. Additionally, a PNWR wallboard customer is producing more sheet rock for construction in N.D. and Canada. Anzur said PNWR worked closely with BNSF to capture this business, and handle increased demand for domestic lumber. BNSF-owned and PNWR-leased centerbeam cars were brought out of storage for short-term deals to handle additional business.

But the surge in carloads didn't occur overnight.

"It's been a slow climb back," Anzur said. "In the depth of the recession our business declined 50 percent from 2005 to 2009 for all commodities."

Last year, lumber and forest products increased about 3 percent over 2012, and this year PNWR is projecting a 5 percent boost. With an improved infrastructure, the line is ready to meet demand today and into the future.

"We are working closely with customers on their growth plans to make sure the capacity is there to handle the growth," Anzur said. "We are making more investments in track, bridges and capacity in 2014."

investment. AERC now operates at Class II standards, having improved 67 miles of track from 5 to 25 mph.

AERC also brought on 96 center beam cars and purchased 62 log cars over the last three years.

All the work is paying off. Since making these investments, AERC added three new customers and boosted carloads of raw logs, lumber and wood chips to 7,800 in 2013 — nearly 3,500 more than the previous year.

"Forest products remain our biggest growth area," said AERC operations manager Ginny Wood. "All growth was possible because of our investments. Historically, our rail structure was not set up to handle that type of traffic volume."

The investments have positioned AERC to diversify its portfolio into other commodities, including gas and propane. Jared Cornell, vice president of parent company Rick Franklin

Corporation, said discussions are also under way with producers in the rich Willamette Valley to begin transload operations of other commodities such as straw, hay and wheat.

While diversification is fundamental to the successes of most businesses, AERC is not taking its eyes off hauling lumber and logs for export markets to Japan and China — in addition to consumers in the U.S.

"Forest products and dimensional lumber are always going to be a big part of AERC, and we hope that it stays that way," Cornell said. "I hope it grows, but I also hope that we continue our efforts to diversify our business. We don't want to set ourselves up to take another huge hit if something wild happens again with the housing market. We're in a global economy, so we're affected every day by things that are not in our complete control."

# BNSF seeks help in returning devices

Due to the mobile nature of locomotive voice radios and Head-of-Train Devices (HEDs), it is relatively easy for these devices to unexpectedly transfer from one locomotive to another. With the high volume of interchange and interline transfers of trains and leased locomotives, it is fairly common for one railroad's locomotive voice radios, HEDs, and/or End of Train Devices (ETDs) to find their way into another railroad's inventory.

BNSF Railway requests the help of other carriers in returning any BNSF locomotive voice radios, HEDs, and ETDs that they may discover in their inventory.

BNSF currently uses three vendors for locomotive voice radios, and ETDs, and two vendors for HEDs.

Voice radio vendors include General Electric (currently Quest Rail), JEM Communications and Ritron. Each voice radio is clearly marked with "BNSF" on the front panel.

HEDs are marked on the top or side with "BNSF" or "BNQ," along with the device's serial number. Wabtec and Siemens (formerly Quantum, Safetran and Invensys) are the HED device vendors.

BNSF ETDs are the color orange and have the identifying initials "BNQ." To help identify ETDs that belong to BNSF, note the following ID numbers and vendors:

- DPS Electronics – BNQ 0100 through BNQ 01099
- Wabtec – BNQ 45000 through BNQ 46099
- DPS Electronics – BNQ 01300 through BNQ 02611
- Siemens – BNQ 42000 through BNQ 43999
- Siemens – BNQ 47000 through BNQ 47808

Please return all equipment to

BNSF Central Repair Facility, 4501 Kansas Ave., Kansas City, KS 66106.

Likewise, BNSF will make every effort to return locomotive voice radios, HEDs and ETDs to other railroads in a timely manner.

If you have any questions or comments, please contact Chuck



Magnuson by phone at 913-551-4617 or via email at [charles.magnuson@bnsf.com](mailto:charles.magnuson@bnsf.com).

## Inside the Numbers



<b>BNSF RAILWAY</b>		<b>Shortline Business Opportunity Report</b>				
		<b>2014 March</b>				
<b>Monthly Summary - Closed &amp; New Opportunities</b>						
	<b>Won</b>	<b>Not Won</b>	<b>Executive Summary</b>			
Opportunities	4	3	2014 opportunities are down, both won and not won			
Projected Units	4,212	1,840	March Won opportunities were led by a sand opportunity			
Average Close (days)	146	587	2014 Won vs. Not Won Opportunities is 43%			
Median Close (days)	127	576				
<b>Year To Date Change - Closed Opportunities</b>						
	Won	Won	Won	Not Won	Not Won	Not Won
	YTD 2013	YTD 2014	YOY Change	YTD 2013	YTD 2014	YOY Change
Opportunities	31	15	-16	32	20	-12
Projected Units	7,437	9,710	2273	20,474	7,357	-13117
Average Close (days)	570	413	-157	719	737	18
Median Close (days)	1422	537	-885	540	682	142

## Upcoming events

### BNSF

BNSF Shortline Conference  
Oct. 22-24, 2014  
Worthington Renaissance Hotel  
Fort Worth, Texas

### ASLRRR

2014 ASLRRR Annual Convention  
April 22-25, 2014  
Hilton San Diego Bayfront Hotel  
San Diego, Calif.