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May 15, 2020

The Honorable Ann Begeman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Dear Chairman Begeman:

I write in response to your letter of May 7, 2020 requesting information about BNSF's preparedness to meet anticipated future demand for freight rail service as the country transitions into recovery. At the outset, I want to recognize your comments about the responsiveness of the freight rail industry and its employees during these difficult times. Your sentiments were well received and appreciated – I could not be more proud of the hard work and dedication of our people in the face of the COVID-19 pandemic. As you are aware, the pandemic has rapidly changed many, if not most, aspects of daily life. One thing that hasn't changed is BNSF continuing to deliver the essential freight necessary during this crisis to our customers, our communities, and our nation. Despite this monumental public health challenge, our entire BNSF team has shown incredible perseverance as they have continued to safely and efficiently ensure essential goods are delivered.

From the outset, we've had two main objectives: Protect the health of our employees and keep trains running. As the situation and environment around us has evolved, we have continued to evolve with it. We've grounded our decisions in CDC guidance and made adjustments to our policies and protocols to protect the health of our employees and the integrity of our operations. Recognition of railroaders as essential critical infrastructure workers across all levels of government – including by the Surface Transportation Board – reinforced that our people needed to come to work to maintain fluid and efficient train operations.

While there is still considerable uncertainty as to how and when the country will reopen, we are well-positioned and confident in our ability to handle our customers' freight when the economic recovery begins.

In regard to your specific questions regarding the state of our operations and preparedness, I provide further detail below. Our first quarter demurrage and accessorial reporting will be submitted next week under separate cover.

Safety

In addition to the measures undertaken to protect employee health in response to COVID-19 conditions, we continue our drive towards achieving a workplace free of operating injuries,



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making good progress reducing the frequency and severity of workplace injuries. Year-to-date through April, our employee injury frequency ratio is 0.81, a year-over-year reduction of 17% and an all-time record low for BNSF.

We have also been able to drive impressive reductions in the number of equipment incidents, reducing the number of service interruptions with positive impacts for our employees and for our customers who rely on the fluidity of our network. We remain the industry leader with the lowest number of reportable rail equipment incidents. BNSF's year-to-date through April reportable rail equipment incidents are down year-over-year by 20%.

Locomotive Availability

We currently have approximately 5,200 locomotives in our total active fleet, with an all-time high 3,160 units available in storage. With this large number of locomotives in reserve and positioned across our network, we have sufficient surge capacity ready to deploy in response to a rapid uptick in freight demand. In addition, BNSF is purchasing 64 new high-horsepower units this year to add to our fleet.

Railcar Availability

We currently have approximately 24,000 BNSF-controlled rail cars in available storage to service our carload, coal, and agriculture customers. We have surge capacity of 25% or more in each major fleet and continually work with our customers to forecast future demand needs. Our stored automotive fleet represents more than 70% surge capacity, and our stored intermodal platform fleet represents more than 35% surge capacity. In all fleets, we have cars/platforms stored in strategic areas ready to deploy if needed, along with leveraging our network performance and shipper productivity to generate capacity. We have achieved significant velocity gains that we expect to maintain and even improve.

Our level of service performance turns assets more frequently, so we anticipate that fewer locomotives and rail cars will be necessary as volumes increase.

Employee Resources

Our people have stepped up and answered the call in protecting the integrity of our operation and meeting our customers' expectations during these difficult times. We have continued our 24/7 operation throughout this health crisis. Unfortunately, due to the sudden economic downturn and



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much lower traffic levels on the network, approximately 5,800 TY&E employees are currently on furlough. We believe that most of these employees will be available to quickly return to active status as needed. As economic conditions improve and demand for freight transportation increases, we hope to call back a significant number of furloughed workers in the weeks and months ahead.

Local Service Performance

BNSF knows the efficiency of supply chains are vital to the success of their customers' businesses. In this challenging environment, our local service has remained consistent and reliable. BNSF industry performance scores are currently exceeding 93% as our compliance with customers' first mile/last mile service plans has steadily increased this year.

Communications

BNSF consistently and frequently communicates with our customers in order to provide transparent, actionable information so that they can make decisions about their business. We provide a general bi-weekly update categorized by business unit that provides overall information on the state of our network and service levels. At the onset of the pandemic, we increased the frequency of our service updates to weekly, for several weeks, to ensure customers were kept informed of the precautions we were taking to protect the health and safety of our employees and contractors, customers and communities we serve, as well as the continuity of our operations.

We have and continue to work with our customers to identify and closely monitor critical shipments, such as medical and cleaning supplies, and take action to ensure that they make it to destination on time. We also launched a COVID-19 webpage on BNSF.com with information about our response, FAQs, and links to helpful resources, as well as a Facility Disruption Form for customers to notify us if their facilities' ability to operate has been impacted.

Any emergent issues regarding service continue to be communicated in real time via customer notification emails that describe the issue, any impacts to the customer, and expectations for resolution. Of course, the most important communication happens in the frequent direct interactions between our Sales & Marketing team and their respective customers. This vital sharing of information allows us to better plan our operation to ensure appropriate resources are in place to handle anticipated business levels and provides our customers with the necessary visibility to plan their business.



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Capacity Update

BNSF's ongoing capital investments play a key role in our ability to operate a safe and reliable network as well as meet the needs of our customers. At the beginning of 2020, we announced a plan to invest approximately \$3.4 billion, reflecting our continued focus on maintaining a strong, fluid network that allows us to meet changing customer demands. Of course, in the normal course of business BNSF always reevaluates our capital plan throughout the year, and we adjust as appropriate to reflect the changing freight environment. We expect our capital to be lower with current volume levels. At this time our 2020 projects are ahead of schedule, as our Engineering teams have leveraged additional capital gang windows while volumes are lower than usual on the network.

The largest component of the 2020 plan will be to replace and maintain BNSF's core network to ensure trains can run safely and limit the need for unscheduled service outages that can slow down the rail network and reduce capacity. It will include approximately 11,000 miles of track surfacing and/or undercutting work and the replacement of 489 miles of rail and nearly 2.7 million rail ties.

Conclusion

BNSF is working closely with customers and partners to ensure that resources are positioned where they are needed so that we can continue to provide reliable transportation solutions when volumes ramp up. Our network is in excellent condition and the railroad is performing well, with car velocity exceeding the average level reported for last month as well as year-to-date. The positive momentum that our hard-working operations teams have generated will stay with us as volumes return to the network. We expect the efficiencies and service levels we have achieved will continue and we will require fewer resources as volume returns to the railroad. As always, BNSF is proud to be a key part of our nation's critical transportation infrastructure. We are prepared to quickly adjust to changing demands and provide the most reliable, efficient freight transportation to our customers and supply chains.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl R. Ice". The signature is fluid and cursive, with the first name "Carl" being the most prominent.

Carl R. Ice
President & Chief Executive Officer