

SHORTLINE

Connection



Second Quarter 2014

Shortline Message

Let's talk about growth opportunities

Welcome to the second quarter edition of *Shortline Connection*. With the quick transition from winter, to spring and now summer, we are all extremely busy completing maintenance projects.



Industry volumes continue to show strong growth; however, the upticks are not spread evenly across our networks. This additional volume creates unique challenges for the industry. As we have highlighted in the past, it is critical that we have excellent communications at the local level. Collectively, we cannot afford to miss the plan to execute as our ability to recover is impacted by the

intense volumes moving around the combined network.

Through June, BNSF shortlines have experienced 35 new Business Opportunity wins compared with 61 wins last year. Though the number of opportunities is smaller, the carloads coming with each opportunity are much larger – anticipated volumes are 22,728 incremental loads this year versus 25,958 incremental loads in 2013.

Also of note, we have had 39 Business Opportunity losses this year as opposed to 67 losses last year. Only 26,000 carloads were in the opportunities not won in 2014 versus 78,000 last year.

We encourage you to continue to bring new opportunities forward through your interactions with BNSF. Planning for growth is critical given the flow patterns moving on the rail system.

Dwell time on BNSF shortlines is a continued area of concentration with your Shortline Directors. Year-to-date, the overall dwell on BNSF shortlines (excluding cars arriving early to want date) is 5.88 days compared to 5.56 days last year. January, February, May and June showed significant increases in dwell time compared to the previous year. Thus, collectively we are seeing longer turn times on cars when there is intense pressure to move the assets faster to protect the loads of our customers.

Please continue to focus on safe production!

By now you should have received the "Save the Date" notice for our BNSF Shortline Conference Oct. 22-24. We are actively planning the related activities.

Richard Cole

BNSF RAILWAY		Shortline Business Opportunity Report				
		2014 June				
Monthly Summary - Closed & New Opportunities						
	Won	Not Won	New Opportunities	Executive Summary		
Opportunities	8	6	17	-The count of all 2014 Opportunities continues to be down, but total units won is near equal.		
Projected Units	668	14,479	7,400	-June Won opportunities were led by a cement opportunity.		
Average Close (days)	177	157		-2014 Won vs. Not Won Opportunities is 47%, which is equal to mid-year 2013.		
Median Close (days)	85	132		-June New Opportunities were led by a canned food opportunity out of Lodi, CA.		
Year To Date Change - Closed Opportunities						
	Won	Not Won	YOY Change	Not Won	Not Won	Not Won
	YTD 2013	YTD 2014		YTD 2013	YTD 2014	YOY Change
Opportunities	61	35	-26	67	39	-28
Projected Units	25,958	22,728	-3,230	78,181	26,180	-52,001

	YTD 2014	YTD 2013
Won	47%	47%
Not Won	53%	53%

Inside

BNSF provides a useful tool to quickly find marketing information. *Please see page 2*

The boom in the oil field is opening more opportunities for shortlines to increase car volumes of non-petroleum-related products. *Please see page 3*



We offer three tips to prevent right-of-way fires. *Please see page 5*

BNSF salutes ASLRRRA convention winners. *Please see page 6*



Locate BNSF Marketing much easier

BNSF provides useful tool to find shipping info quickly

Finding the correct BNSF marketing representative is just a few short clicks away on BNSF.com.

BNSF marketing managers have broad knowledge of their specialized commodity areas and related market factors. BNSF provides a useful tool to locate the appropriate marketing manager for the commodity of interest.

To locate and search in the look-up tool:

- Visit the BNSF customer facing website at bnsf.com, and click on the “Customers” tab at the top
- In the drop-down menu, click on “What Can I Ship”
- Look for the “Customer Tools” box at the right of the page and select “Quick Links”
- In the drop-down list, click on “STCC/Commodity Lookup”

In the “Customer Contact Search” box, searches are possible by STCC number, commodity type or marketing employee name. When searching by STCC number, it is recommended to enter at least five of the seven digits, but searches may be achieved with fewer digits.

The tool will help put you in touch with the correct BNSF marketing representative. [Visit our site](#) and begin your search!



Customer Contact Search

To determine the Marketing Contact for a commodity, please enter the partial STCC or commodity description.

Note - Hazardous materials are listed by actual STCC, not the DOT Haz code.

Please provide one of the following input parameters:

STCC Number:	<input type="text"/> (1 to 7 digits)
Commodity Description:	<input type="text"/>
Mktg. Employee Name:	<input type="text"/>
Output:	<input checked="" type="radio"/> Normal <input type="radio"/> Text

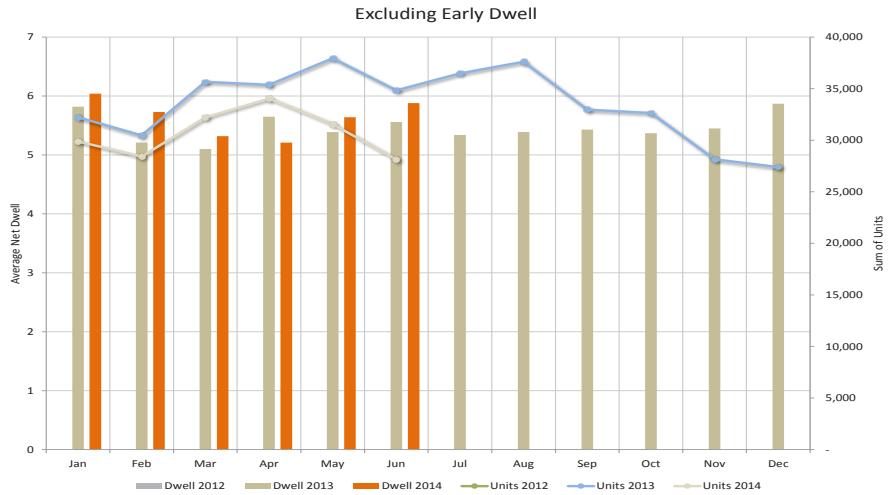
For Intermodal Marketing Contacts, please reference the [BNSF Intermodal Information Page](#).

For questions or modifications to the Marketing Contact Search Page, [please email us](#).

Inside the Numbers



BNSF Dwell Trend thru 6/30/14



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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.

Playing the field



Oil patch producing more opportunities in other commodities for shortlines, BNSF

The Texas Tea and Black Gold that flow from the Eagle Ford, Permian Basin and Bakken shale plays have been the source of rapid growth for Class I and shortline railroads in recent years. Carloads of crude oil have re-invigorated lines hit by the Great Recession.

Since 2010, carloads of petroleum and petroleum products continue to reach new traffic peaks.

But just as crude car loadings have increased, so have other commodities related to the production of crude and natural gas. Shortlines are working with BNSF to provide a steady stream of deliveries to and from customers related to oil and gas production, including sand, pipe, aggregates and other commodities.

The energy boom means the rail industry, including the Burlington Junction Railway (BJRY), the West Texas & Lubbock Railway (WTLC), St. Croix Valley Railway (SCXY) and the Heart of Texas Railroad (HTR), is handling more materials to keep drilling rigs in North Dakota and Texas producing record levels of oil.

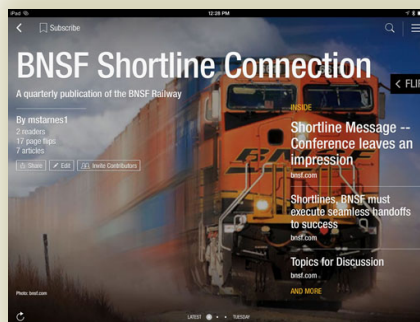
Railroads are seeing volumes of fracking sand double historic volumes and the rail industry anticipates additional growth opportunities on the horizon.

In west Texas, the West Texas & Lubbock Railway (WTLC) has quietly witnessed significant growth of business related to the oil fields and a level of customer commitment that is considered far from short term.

"The Permian is seeing strong growth," says Bruce Carswell, vice president of Permian Basin Logistics. "The numbers aren't quite as dramatic

as the Bakken, but our increase in production over the next 10 years looks similar. We didn't make the headlines, but it's pretty dramatic. Based on all the data and expert information, the outlook is long term."

Carswell says that customers are getting "serious about investment" and putting together efficient operations to capture opportunities, which translate into more carloads for the Iowa Pacific Holdings subsidiary. WTLC has also experienced inbound growth for fracking sand as Permian Basin production has grown exponentially in



Get mobile with BNSF

In case you missed it, *Shortline Connection* rolled out its new mobile version with the last issue.

We encourage you to install the free Flipboard app on your mobile device to get connected while on the go.

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

recent years.

In the last 12-18 months, WTLC teamed with Mississippi Sands to build a loop train sand facility in Seagraves, Texas. The facility, which ships on BNSF and Union Pacific, is unique to the Permian Basin because it dries and screens wet, unprocessed sand.

Up the road in Levelland, there is also a WTLC transload facility where loads of processed sand from the Midwest are shipped to oil fields.

However, sand is not the only commodity experiencing substantial growth. WTLC is also seeing additional car volumes of methanol, hydrochloric acid, drilling muds and natural gas liquids related to oil and gas production. In the past year, five new acid and mud customers have come on board at WTLC, Carswell said.

Those commodities are enabling WTLC to sustain a significant pace of growth that began only a few years ago.

“Our 2012 and 2013 growth has been in the double digits and we’re expecting similar double-digit growth in 2014 based on what we’re seeing today,” he said.

A big year at the BJRY

Several hundred miles away, the Burlington Junction Railway is loading sand in single cars and unit trains at its Valley Park, Missouri, and Rochelle, Illinois, facilities destined to Texas and Colorado.

Both loading operations started last year, and the numbers look impressive. After working with a customer to put in additional track and facilities, BJRY is moving an additional 2,000-3,000 carloads annually of sand from the Missouri facility. In Rochelle, another customer is projected to move up to 6,000 carloads.

“This will be our biggest year,” BJRY General Manager Bob Wingate said. “The oil industry is either booming or busting. And it’s booming for us.”

An additional source of revenue is coming from staging empty oil trains at Valley Park. Up to four trains are held on BJRY until slots open in North Dakota, then are moved north to load crude.

“We also provide surge capacity

for energy companies,” Wingate said. “We help even out flow so trains don’t arrive in North Dakota the same day. When things get backed up, they use our yard to hold the trains.”



The boom in the oil industry means higher car volumes for the Burlington Junction Railway.

New markets opening

Cars also aren’t sitting idle on the St. Croix Valley Railway (SCXY). A new frac facility situated near North Branch, Minnesota, on the 36-mile SCXY line that runs to Hinckley is providing customers with another rail option for moving sand to the Bakken and other shale plays. Much of the sand in the region is produced in Wisconsin, but by teaming with SCXY new markets are opening.

The North Branch facility, which came on line in April 2013, dries and sizes raw sand trucked from mining locations in Wisconsin. The sand is subsequently loaded into rail cars for shipment to North Dakota, Colorado and Texas. The facility is projected to load 4,500 cars per year, says Lee Lutt, SCXY’s Manager of Administration & Business Development.

“Having that facility is attractive because you can get BNSF direct routing on it,” he said. “That is our contribution to the oil industry.”

Railroad renaissance

Sand loads are a welcome addition to SCXY’s usual business base of 3,000 annual carloads of fertilizer, flour, propane and sulfuric acid. The surge in business has required SCXY and BNSF to increase interchanges from three days a week to five days.

Jason Jacoby, one of four partners for the Heart of Texas Railroad, envisions the day that the central Texas railroad will need to hand off more cars to BNSF. Formerly the

Gulf, Colorado & San Saba, the HTR is starting to make inroads in the frac sand business now that a key link along its line has been restored.

In May 2014, a wood trestle bridge that crosses the Colorado River reopened and essentially put HTR back in business. Jacoby and his partners purchased the 67.5 mile-line between Lometa and Brady, Texas, in January 2013.

The new bridge connects HTR to five large sand plants in Brady that supply product to the oil fields, through a vital connection with BNSF at Lometa. HTR’s first shipments of frac sand began May 17th and Jacoby believes it is the start of something big, just like the ownership group envisioned when buying the line.

“We’ve handled a few (carloads) so far, we’re trying to get the pipeline primed, so to speak,” he said. “We are open for business and looking for growth opportunities.”

HTR hopes to capture an estimated 5,000-7,000 carloads currently being hauled by truck to the Eagle Ford shale play, West Texas and California.

“I feel like we’ve got a great spot, right in the center of Texas,” Jacoby said. “We’re excited about getting the line open and trying to get it back to where it needs to be.”

HTR has made a significant investment in the future of frac sand, much like other railroads. The additional volumes of commodities related to oil and gas production means millions of dollars are being spent to upgrade and maintain lines, as well as purchase equipment and add more personnel.

Iowa Pacific Holdings has spent approximately \$13 million since 2010 to put WTLC in the middle of the oil field, and more money is being sought for rehabilitation of five miles of track in Levelland. Locomotives have been reassigned within the corporation to give WTLC a boost in motive power, and headcount has increased 20-30 percent, says Carswell.

At SCXY, the staff has doubled and there is recognition that this is a special time for railroads.

“It’s very much in tune with what’s going on across the entire railroad industry,” Lutt says. “We’re not the exception to the rule. Looking back at this time in history, this will be considered a railroad renaissance.”

Three tips to prevent right-of-way fires

Given the arrival of summer and multiple drought-stricken parts of the U.S., practicing right-of-way fire prevention should be top of mind for railroads. Railroads should be vigilant to prevent fires resulting from the movement of equipment.

A number of day-to-day operating factors may cause right-of-way fires, including handling of motive power, braking, and even train make-up.

Keep these items in mind to help prevent fires along railroad rights-of-way:

Locomotive Exhaust

Some locomotives will discharge sparks from the exhaust stacks, especially after long periods of idling. Controlling throttle advancement and braking will help minimize sparking.

- Prior to departure of a locomotive that has been idling for six to eight hours, engineers should advance the throttle to notch 5 for at least 10 minutes before working locomotives under a heavy load. Extra care should be taken near open-top bulk sulphur trains.
- Decreasing the throttle while operating under a heavy load will shorten the distance and reduce the size and heat content of sparks that are thrown.
- While en route, if the locomotive has been “drifting” in idle or operating at a low throttle setting for several miles, the engineer should advance the throttle slowly – one notch at a time – when accelerating.
- Use throttle modulation by allowing the natural resistance of grade, curvature and friction to slow the train.

Train crews should be watchful of sparking, and any locomotive suspected of excessive spark emission should be shut down immediately. Also, yard engines should be moved dead or isolated to their destinations on freight trains.

Deceleration and Downgrades

Use of air brakes tends to increase risk of throwing sparks, while dynamic braking has proven to reduce right-of-way fires. Slowing down a train by “stretch braking” and



“balanced braking” may cause excessive heating of brake shoes and wheels, which may result in a fire.

Also, during combination air and dynamic braking, air brakes are given less than a full service brake pipe reduction. Stuck or dragging brakes can result in excessive friction or slack in the brake rigging on any car in the train, and release of the minimum set may not always release the brakes on those cars.

To minimize the possibility of sticking brakes, when a running release of the train brakes is to be made, if operating conditions permit, increase the brake pipe reduction to at least 10 psi and allow brake pipe exhaust to stop for at least 20 seconds before releasing.

Wheel Slip

Wheel slips can create flakes or chips of metal that often are tossed along the right-of-way. Wheel slippage happens for a number of reasons, including excessive power applied to locomotive wheels, emergency braking and retainers, plus dragging brake shoes, unreleased hand brakes and various malfunctions in the brake system. Wheel slip typically does not cause fires but operators should nonetheless operate with care to avoid as much sparking as possible.

Upcoming events

BNSF

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

IANA

2014 Intermodal Association of North America Expo
Sept. 21-23, 2014
Long Beach Convention Center
Long Beach, Calif.

The envelope please!

ASLRRA awards shortline winners, makes a point about safety

Safety was top of mind at the American Short Line and Regional Railroad Association (ASLRRA) annual meeting in San Diego in April.

ASLRRA announced a new safety initiative and the launch of the Short Line Safety Institute to those attending the event.

The ShortLine Safety Institute intends to enhance and improve safety performance on U.S. Class II and III railroads, and will be implemented in cooperation with the Federal Railroad Association (FRA) to perform a safety culture assessment, safety compliance assessment and manager education.

FRA Administrator Joseph Szabo commented during the general session how the rail industry still faces challenges even though safety performance has improved over the last decade. Two-thirds of all accidents in fiscal year 2013 were caused by human error and track defects; and 96 percent of all rail-related fatalities were due to rail trespassing and highway-rail grade-crossing accidents.

"We owe it to the public to do better," Szabo stated. "We expect it from ourselves at FRA, and we expect it from the industry we regulate."

Szabo shared his vision for the next generation of safety which includes strong oversight and enforcement driven by data, more proactive safety programs that identify and mitigate risk in advance of an accident, and predictable and sustainable federal funding for rail to develop new safety technologies.

ASLRRA's new safety mission is "to build a stronger and sustainable safety culture for shortlines through non-punitive and voluntary partnerships with individual ASLRRA member railroads."

The safety initiative will be launched by ASLRRA as a pilot project with tools to assess current levels of regulatory and safety compliance on shortline railroads involved with the transport of crude oil.

The pilot is expected to last between six and 12 months.

ASLRRA also recognized six railroads and two professionals for

their safety efforts in 2013. Union Railroad, Pacific Harbor Line, Missouri & Northern Arkansas Railroad, Ohio Central Railroad and Minnesota, Dakota & Western Railway each received the President's Safety Award for injury-free hours of operation.

Northern Plains Railroad also won Most Improved Safety Record.

Pacific Harbor Line's Ozzie Espana was named Safety Person of the Year; and Anacostia Rail Holdings' Tom Leopold was named Safety Professional of the Year.



Coos Bay Rail Link received *Railway Age's* 2014 Short Line Railroad of the Year award at this year's ASLRRA convention in San Diego. — Courtesy ASLRRA

BNSF Salutes 2014 ASLRRA Winners!



ASLRRA President's Safety Awards

- 500,000 or more person-hours injury free: Union Railroad
- 250,000 to 500,000 person-hours injury-free: Pacific Harbor Line
- 150,000 to 250,000 person-hours injury-free: Missouri & Northern Arkansas Railroad
- 50,000 to 150,000 person-hours injury-free: Ohio Central Railroad
- Less than 50,000 person-hours injury-free: Minnesota, Dakota & Western Railway
- Most Improved Safety Record: Northern Plains Railroad
- Safety Person of the Year: Ozzie Espana, Pacific Harbor Line
- Safety Professional of the Year: Tom Leopold, Anacostia Rail Holdings

ASLRRA Marketing Awards

- Green Mountain Railroad (Vermont Rail System)
- Montana Rail Link
- Reading & Northern

ASLRRA Schlosser Distinguished Service Award Judy Petry, Farmrail

Railway Age 2014 Short Line Railroad of the Year Coos Bay Rail Link

Railway Age 2014 Regional Railroad of the Year Arkansas & Missouri Railroad

Susan C. Murray Memorial Women's Scholarship Kelly Marie Smith, daughter of Robert Smith of Watco Companies