Taking AIM: Phoenix, Denver Targeted
A primary objective of AIM (Assess. Improve. Minimize.) is to reduce local network service complexity. To establish that the initiative is achievable, AIM was piloted this year in Phoenix and Denver.

Cajon Pass: From Double- to Triple-Track
BNSF will soon complete triple-tracking of nearly 16 miles of double-track main line on the Cajon Subdivision, a key portion on BNSF’s Transcon route connecting Southern California with the rest of the network.

Also Inside
2007 Reflections
Chairman, President and CEO Matt Rose looks back on the year, which brought BNSF a mix of both challenges and successes.

Strategy for Success: Focus on Return
Under this Strategic Focus Area are six initiatives, all focusing on how well we run the company to earn a profit.

Vehicle Containerization: Box It Up
The Automotive Marketing team may have found a new use for westbound empty intermodal containers: transporting cars and trucks.
For all of us at BNSF, 2007 was a year of hard work with both challenges and successes. As I look back, it’s not the highs and lows that stand out, but the progress and commitment that each and every one of you has made to our five strategic focus areas (Franchise, Service, Return, People and Community). It is dedication to these initiatives that will help us achieve our vision “to realize the tremendous potential of BNSF by providing transportation services that consistently meet our customers’ expectations.”

At BNSF, we want to achieve our potential, but we must do it safely. Sadly, we lost three members of the BNSF family this year due to fatal incidents on the job. Systemwide, our frequency ratio and reportable injuries for the year are also up.

The one thing I want to stress is that every accident is preventable. Safety is for all of us. We must make significant improvements in 2008, and we will have a strong focus on our core safety principles in an effort to achieve our safety goal of an injury-free and accident-free workplace.

In terms of the business, railroading is, to some degree, sensitive to economic cycles. As we all know, the economy has become sluggish, and as a result, volumes are down. Some of our business units have been affected more than others; for example, all of our commodities related to housing have been down dramatically this year. However, during the fourth quarter, our Industrial Products segment is showing signs of improvement, which bodes well for 2008.

Despite the market conditions, we have done an outstanding job finding new opportunities, so while volumes were down, we still handled more volume than any other Class 1 railroad in 2007. And our customers have continued to recognize the value of our services, which has resulted in a succession of record-revenue quarters.

The slowdown in our volumes validates the focus we must place on service to our customers. We need to “provide transportation services that consistently meet our customers’ expectations” – and by doing so, our customers will continue to offer us more business.

Our Operations Department faced challenges beyond its control this past year, and yet team BNSF rose to the occasion and got the network back on track as quickly as possible. Floods in the Southeast in late June, followed by more flooding in the Upper Midwest, affected our operations. And during December, the Puget Sound region experienced the largest natural disaster since the eruption of Mount Saint Helens when a series of storms dumped up to 10 inches of rain in less than 24 hours and impacted all modes of land transportation. If it wasn’t rain and mud taking their toll, it was fire, which caused some delays for us in October when wildfires swept through portions of Southern California. I want to thank everyone who played a role in these recovery efforts.

In terms of velocity, we had mixed results for the year, but we did show some improvements throughout 2007. I am confident that the initiatives we have in place will help us improve our service to our customers.

Looking forward to 2008, we need to renew our focus on our customers. We have made a lot of progress on improving velocity and reliability; the result has been increased capacity and improved service. But we can’t stop here.

I want all of us to work toward achieving our vision. And we can only do this with a strong focus on the customer. Not only do we need to treat our customers the way we want to be treated, but we need to ask our customers what more can we do for them.

I want us all to push to do better and try harder every day. We need to strive for continuous improvement and build on the successes of yesterday.

In closing, I would like to thank each of you for your contribution to making BNSF so successful. Over the years, BNSF has seen a lot of changes. Adjustments in the marketplace have certainly modified the way we’ve had to do our jobs. But the one thing that remains constant is the core of our beliefs and what defines who we are: our Vision and Values. All of you are making BNSF a stronger community by living them every day. You should take great pride in the role you play and know that it makes a difference.

I wish you and your loved ones a safe and happy holiday season.

Sincerely,

Matthew K. Rose
BNSF Chairman, President and CEO
With a shortage of wheat in countries that typically produce strong exports and a weakened U.S. dollar, demand for U.S. wheat soared this past August, September and October.

"Australia is one of the world’s major wheat exporters and typically exports about 15 million metric tons. This last harvest, Australia is projected to export about 9.5 million metric tons. In other areas, such as Northern Europe and Southern Europe, too much or not enough rain significantly reduced their crops," explains Kevin Kaufman, group vice president, Agricultural Products. “This opened the door for U.S. exports.”

According to the Association of American Railroads, U.S. Gulf wheat exports for the July-September quarter increased from 41 million bushels in 2006 to 128 million bushels in 2007. During the same time, BNSF moved more than 26 percent more whole grains to the Gulf. Additionally, BNSF moved 23 percent more wheat from North Dakota and Montana this harvest compared with 2006.

In order to successfully handle this demand, BNSF not only added both shuttle and non-shuttle capacity to its railcar fleet, but it used new tools to communicate to its customers and grain producers.

New this harvest, BNSF began producing weekly Podcasts to communicate directly with producers and customers on a regular basis. Podcasts are audio broadcasts that are posted on the Internet and can be downloaded to a personal audio player or listened to directly on the Web.

“Our goal this year was to communicate more details more frequently to the grain producers so that we can better work together,” Kaufman says. “The Podcasts proved to be a perfect way for us to provide information on a timely basis to an audience that is used to getting news in an audio format. Unlike other business units where customers may read trade publications for information, the farming community tends to rely on news radio for commodity prices and current events, making the Podcast a perfect fit.”

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In addition to the 20 Podcasts produced this year, BNSF heavily relied on farm broadcasting radio stations and local newspapers to keep producers informed about rail transportation services. All told, more than 50 radio and print stories helped keep producers informed throughout the season.

“Producers have appreciated our open, honest and candid feedback,” Kaufman says. “Because of our personal visits, regular conversations and these new communication tools, BNSF has been able to improve its reliability and service to deliver more grain to the world.”

Contributed by Suann Landsberg
This is the fifth and final article in our series examining BNSF’s five Strategic Focus Areas: People, Service, Return, Franchise and Community.

In this issue, we’ll discuss BNSF’s 2007 Return Initiatives, which are as follows:
- Improving Rolling Stock Reliability
- Physical Infrastructure Reliability
- Public Investment and Incentives
- Future Equipment Capacity
- Advance Economic Regulatory Policy
- Fuel Alternatives

When we talk about return, we’re talking about how well we run the company, especially in terms of how we utilize our assets — equipment, roadway, facilities, etc. We must make sure we maximize our returns by investing in the right assets at the right time, then effectively using those assets to keep our core network strong and to build additional capacity. In other words, BNSF’s business units must ensure that the investments they pursue earn a return greater than other alternatives.

Returns are generated by a combination of the volumes we ship, the efficiencies with which we ship them, the prices they generate and how we use our assets. Various departments contribute to this Strategic Focus Area, and they all strived in 2007 to earn the best return possible by focusing on these areas.

Improving Rolling Stock Reliability

In addition to ensuring regular maintenance and repair of our rolling stock, BNSF’s investment in new detection technologies over the years has immensely improved their reliability, thereby reducing service interruptions and improving the overall fluidity of the network — which can lead to more and more shipments on our network. The Catch-22 is that while higher shipping volumes generally mean higher returns, the more volume we handle, the more wear and tear on our assets, which detection technologies can help minimize.

One such technology that has helped improve BNSF rolling stock’s reliability is the hot/cold wheel detector. This device analyzes the locomotive engine, components and electrical system using cylinder pressure analysis, vibration and ultrasound analysis, and infrared technology simultaneously on a bi-annual basis.

The alarming system determines possible causes for elevated temperatures, such as defective handbrakes or air-brake components that could cause an undesired service interruption.

In 2006, BNSF installed 11 hot-wheel and three cold-wheel wayside detection systems on the Northern Transcon. The 2007 plan includes the installation of 24 additional hot/cold wheel detection devices for the Southern Transcon and coal route.

Another technology BNSF is implementing is Automated Diagnostic Locomotive Inspection (ADLI). ADLI is designed to automatically collect data about the locomotive engine, components and electrical system using cylinder pressure analysis, vibration and ultrasound analysis, and infrared technology simultaneously on a bi-annual basis.

Previously, BNSF’s electricians conducted these checks manually, and the information they collected was sent to an outside diagnostic laboratory for analysis. Using ADLI technology, however, all cylinders and electrical checkpots can be hooked up and checked at once, reducing the time it takes to gather the data by as much as two hours. Seven ADLI systems were purchased and delivered for installation in 2007 at four of BNSF’s locomotive shops: Northtown (Minneapolis), Kansas City, Havre, Mont., and Interbay (Seattle).

Physical Infrastructure Reliability

In addition to improving the reliability of its rolling stock, BNSF is working to improve the reliability of its physical plant by implementing technology-enabled, standardized processes. The processes are designed to better schedule maintenance activities with the movement of trains and advance BNSF’s maintenance practices to be more predictive and preventative instead of reactive “firefighting.”

In March, the California, Texas and Gulf divisions finished their training and implementation of BNSF’s Maintenance Excellence Planning and Scheduling processes, thus completing the rollout of Maintenance Excellence to all 13 divisions. The goals of this change initiative are:
- For BNSF to become proactive versus reactive in our maintenance activities;
- To better coordinate maintenance activities with Transportation for least impact on service; and
- To better utilize maintenance resources for improved productivity.

Along with the rollout, through 2007 focus was given to assessing the divisions for their compliance to the planning and scheduling principles and processes of Maintenance Excellence. Following each assessment, division leaders formulated action plans to move their division toward the goal of having these principles and processes embedded and sustained in their organization’s everyday practices.

These assessments highlighted the need for additional training and coaching within all levels of each division’s Engineering and Transportation organizations.

Also in 2007, system planned activities, such as rail defect detection, rail grinding and geometry car inspections, were incorporated into the divisions’ maintenance planning processes. Additionally, a Dashboard program was created to monitor Maintenance Excellence performance metrics at the region, division and subdivision levels.

“Maintenance Excellence is taking us to the next level where we want to be in terms of performing infrastructure maintenance,” says Steve Millsap, assistant vice president, Structures, and initiative leader. “By embedding and sustaining the principles and processes, BNSF will achieve the goals of this significant change initiative.”

The focus in 2008 will be driving coordination and efficiencies between the Maintenance Scheduling office in the Network Operations Center and the Division Maintenance Planning offices, says Millsap.
“There are great synergies there that will allow us to capitalize on the usage of valuable track windows for accomplishing both production work and routine maintenance,” he says. “These synergies, processes and continued focus will drive the Engineering and Transportation teams to hit our capital maintenance plan’s productivity goals, which means we will get the planned units installed at the planned costs per unit. This alone will result in a more reliable and efficient infrastructure.”

Public Investment and Incentives

This endeavor relates to BNSF’s efforts to secure public investment to support BNSF technology, equipment, operations and infrastructure through direct funding, alternative financing and changes in tax and other policies to benefit BNSF, the public and our customers. Additionally, in anticipation of the expiration of current surface transportation policy, part of the initiative also includes the analysis, development and advocacy of proposals that facilitate public-private partnerships for consideration by elected officials.

A major problem facing the United States is ensuring that the nation’s transportation network can accommodate projected increases in freight levels. Fixing bottlenecks and expanding rail capacity is an important part of solving this problem.

Currently, Congress is considering a 25-percent investment tax credit for taxpaying organizations that make capital investments in new freight transportation infrastructure where none currently exists. This can include investments in new track, sidings, bridges, customer trackage and transload facilities, among many others.

A host of organizations, both public and private, are working together to help get the bill passed. Among the bill's many supporters are the American Association of Port Authorities, the National Mining Association, the U.S. Chamber of Commerce and the American Council for an Energy-Efficient Economy.

BNSF is also working with the public to expand capacity through public-private partnerships. The Tehachapi rail expansion project in California is one example. By sharing the cost of the expansion with the state, BNSF will be able to make some big improvements to Tehachapi—a key bottleneck for moving goods to and from the Port of Oakland and central valley to other parts of the country, and the only major rail freight corridor connecting Northern and Southern California.

BNSF’s Nate Asplund, director, Public-Marketplace, says the Tehachapi improvements would include connecting and extending sidings to increase capacity and improve train operations in mountainous terrain. The biggest immediate win for BNSF and the public would be to have the capacity to move more California freight via rail.

(Preliminary projections indicate the project would allow the corridor to handle the equivalent of 1 million additional truckloads per year, improving air quality and reducing congestion and energy use.)

Another example involves an initiative in Texas. With the help of public funding, BNSF was able to purchase more fuel-efficient, environmentally friendly switch engines for its switchyards in Dallas-Fort Worth and Houston. BNSF and these metropolitan areas, each of which faces serious air-quality problems, have benefited as a result.

Future Equipment Capacity

The purpose of this effort is to develop a 10-year plan optimizing the cost-effectiveness and flexibility of BNSF’s equipment capacity to meet the demand forecasted by Marketing for the next decade. To support this initiative, the Equipment Management team enhanced its mid-year strategic planning process to identify optimal fleet ownership portfolios over time for both revenue and Maintenance of Way equipment. This plan will be regularly updated to ensure it remains relevant in the context of changing demand and a dynamic equipment supply market.

The company’s strategic Sourcing group is now assessing the equipment, component and contract maintenance markets for opportunities that would allow BNSF to take advantage of excess capacity and broaden our equipment supplier bases.

Sourcing is also working with Equipment Management and Finance to achieve an optimal portfolio mix specified by the new plan. Equipment lease terms can range from less than a year to more than 20 years in some cases, explains Rick Margl, BNSF’s assistant vice president, Carload Equipment. The long-term leases are typically less expensive per car day, but provide less fleet-sizing flexibility since they expire less frequently. The team expects to achieve the needed flexibility through selectively modifying existing lease expiration dates and adding terms on new leases, Margl says.

Through the Future Equipment Capacity initiative, the coordinated efforts of Equipment Management, Strategic Sourcing, Engineering, Finance, Operations and other teams will increase equipment velocity and reduce the inventory required to support growth.

Advance Economic Regulatory Policy

This initiative promotes sound economic regulatory policy by helping legislators, government agencies and the public understand the problems associated with re-regulating the nation’s railroads. In 2007, BNSF’s Government Affairs and Corporate Relations groups expanded their efforts to educate the public about re-regulation. The groups have done so by strengthening BNSF’s relationships with officials at various government levels and improving the company’s media coverage related to different proposed regulatory policies. We are also talking with customers about re-regulation and how this burdensome legislation could negatively impact them as well.

Fuel Alternatives

In 2005, BNSF staffers came up with the idea to develop a switch locomotive powered by a hydrogen fuel cell. Ultimately this could lead to the commercial production of locomotives that reduce air pollution, use less fuel and serve as mobile backup power sources for military and civilian disaster relief efforts.

In 2007, BNSF moved a few steps closer to turning the idea into reality. The company has been working with Vehicle Projects, a Denver-based integrator of hybrid transportation equipment, to adapt a hydrogen fuel cell-powered module to an existing RailPower diesel-electric hybrid switch locomotive.

The fabrication of the locomotive’s platform wrapped up this year at RailPower’s facility in Montreal, Quebec.

According to Birdie Sadberry, director, Planning and Administration, Mechanical, the locomotive was recently moved to the company’s Topeka, Kan., locomotive shop, where its fuel cell power modules, hydrogen storage tanks and electrical transmission and control systems will be integrated. The field testing of the engine is scheduled for the first half of 2008.

Looking to 2008, BNSF will continue to move forward with these initiatives as well as the others previously highlighted; some will be refined, others will be completed, and still others may be introduced.

“It believe the key to our continued success,” says Matt Rose, chairman, president and CEO, “is when our more than 40,000 employees are better aligned and engaged with our strategies and initiatives so we all are moving in the same direction every day. By doing so, we will ensure that we are well-positioned for continued growth and effectiveness.”

Railway and other BNSF publications will continue to report on BNSF’s progress to achieve our strategies and initiatives. If you want to learn more about a specific initiative or subject, please e-mail Communications, Corporate via Outlook.

Contributed by Amy Ray
In Southern California, a railroad-rebuilding project is taking place that is as important and large-scale as the massive construction efforts of the 19th century, when U.S. railroads were aggressively expanding into the uncharted regions of the West.

BNSF began triple-tracking nearly 16 miles of double-track main line this summer on the Cajon Subdivision of the California Division, part of BNSF’s Chicago-Los Angeles “Transcon.” The work, planning for which began several years ago, is taking place between Keenbrook (near Devore), Calif., and a point just beyond Summit, high atop Cajon Pass in the mountains that separate metropolitan Southern California from the vast deserts to the east. The goal is to expand capacity on the only BNSF route connecting Southern California with the rest of the network.

The project is necessitated by the astronomical increase in rail traffic, not only coming from domestic shippers, but also from Pacific Rim nations delivering a seemingly endless chain of containers. Arriving on ships at the side-by-side ports of Los Angeles and Long Beach, the containers are put on trains for destinations all across the country.

Although eliminating single track and adding multiple main tracks along all of the Los Angeles-Chicago main line has been an ongoing project for BNSF, the Cajon Pass project is especially challenging given the demanding topography. The line has grades ranging anywhere from 2.2 to more than 3 percent, and the climb can test heavy trains, which is why a third track is needed to maintain fluid operations as traffic volumes increase.

BNSF, in conjunction with local, state and federal government agencies, is spending more than $90 million on the project, and the work is being done while trains are still rolling — from 80 to 100-plus per day.

The project is the third of three independent segments, according to Bob Brendza, director, Facility Development. The first was from Baseline, just outside of San Bernardino, to Verdemont, with approximately five miles completed in August of 2004; the second segment, approximately six miles from Verdemont to Keenbrook, was completed in January of 2006; and the third segment is from Cajon to Summit, paralleling the alignment of the lesser-grade No. 1 track. From Summit, the triple-tracking ties into an existing siding continuing another 13,000 feet east. From that point, the line will remain double track to Barstow.

At the point where the triple track ends and double-tracking begins would seem to be a likely bottleneck. But Brendza explains that the higher freight train speeds on the east side of the Cajon Pass result in more capacity over the existing tracks. It is the slower train speeds up and down the pass itself along with the inherent challenges of mountain grade operations that create the bottleneck.

**Room for More**

The triple-tracking, then, will expand BNSF’s capacity to meet the growing demand for goods movement and make this entire segment of the Transcon run smoother — with room for up to 150 trains per day (the line also sees Union Pacific movements via trackage rights and Amtrak’s Southwest Chief) versus the current 100. Velocity also will be improved and efficiencies gained both for transportation and maintenance activities.

“We have days where well over 100 trains operate over the mountain,” says Brendza. “Such sustained volumes don’t provide an adequate cushion to allow recovery from unanticipated events, plus they place strain on maintenance resources attempting to get time to work on the track — sometimes resulting in trains having to stop. When this project is complete, we will have increased the sustainable capacity of the line to 150 trains per day, which will eliminate the bottleneck of trains waiting to traverse Cajon Pass.”

One of the reasons Brendza and David Miller, manager, Engineering, feel the project has gone so smoothly is a result of the tremendous planning that was done before the first shovel of earth was moved. The first people to get involved (civil engineers and environmental consultants) were brought in from the outset to determine what needed to be done not only to build the track, but to protect the environment and work with the various agencies to ensure a balanced approach to development and allow for input and buy-in from external stakeholders. Planning began as far back as 2003, with construction of the final section beginning on July 1, 2007.

“The previous independent triple-track projects were easier,” says Brendza. “It was the third segment, the one started this summer, that has taken more than two years of preparation and permitting.”

In a project of this magnitude, success comes from a combined developmental approach, which balances engineering design with environmental sensitivity to optimize the ultimate project cost and delivery timeline, says Brendza, adding: “If we can avoid potential environmental impacts by designing around them, we want to ensure we’ve fully analyzed alternatives. For example, instead of cutting back a slope that contains protected species or habitat, or placing fill in a river, we evaluate the potential to avoid impacts through construction of retaining walls. Our first preference is to avoid. If we can’t avoid, we attempt to reduce impacts; and, if we can do neither, we look at how the impacts can be mitigated.”

**BNSF is spending more than $90 million to triple-track 16 miles of main line on the Cajon Subdivision. Above left: Bob Brendza (left), director, Facility Development, pictured with David Miller, manager, Engineering, says this critically important project has been one of the most fulfilling of his career.**
A Lot of Dirt

So how will this nearly 16 miles of BNSF right-of-way look when the almost 200 BNSF workers and contractors, some bringing their specific trades in from other divisions, finish up and the project is declared complete in early fourth quarter of 2008?

The route up and over the San Bernardino Mountains has two tunnels: No. 1 (about 400 feet long) and No. 2 (about 500 feet long) near Alray just east of the I-15 Freeway. Tunnel No. 2 was eliminated, with the earth over it removed first and then its concrete linings broken up and hauled away. A shoo-fly track (temporary by-pass track) will be installed around Tunnel No. 1 so as not to impede daily train operations while it is dismantled. The second track then will be constructed on a parallel alignment with the original track through a large cut where the tunnels have stood since 1913. The removal of the tunnels will allow for more efficient track maintenance as well as provide improved access to support train operations.

Eighteen-high speed turnouts allowing trains to switch from one track to another without slowing down track speed are being installed strategically at Summit, Silverwood, Alray, Cajon and Keenbrook.

In addition, says Miller, every control point, even if it keeps its old name, will be rebuilt. “Every signal a train goes by will be new,” he says. Some bridges will be new while others will be modified to take the increased loads and stresses. Wherever possible, technology upgrades will be installed.

Concrete ties will be installed everywhere except on bridges and under turnouts, and the line will be laid with 141-pound rail.

“This project will move about 1 million cubic yards of dirt,” says Miller. “We’ll have a lot of excess dirt on our hands. But we’ve found a home for all of it, and, more importantly, we have completed the first five months of this huge project safely and with minimal train delay.”

“Given the tremendous developmental challenges associated with this project, the number of diverse public agencies involved, the level of internal and external teamwork and cooperation required, and the fact that it will eliminate one of the biggest chokepoints on the southern transcontinental railroad,” says Brendza, “Cajon is one of the most critically important and professionally fulfilling projects of my career.”

Contributed by David Lustig

Wildfires Threatened Cajon Pass Project

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tone dry conditions, gale-like winds and sparks from downed power lines triggered a fire Oct. 22 near Cajon Pass, where BNSF is building a third main transcontinental line. The fire was one of more than a dozen that burned in Southern California, damaging or destroying more than 700 square miles of property and 1,600 homes.

Even before the first signs of smoke, BNSF crews at the Cajon Pass construction site were prepared, as a fire plan was in place, a normal operating procedure for this arid region. Precautions, such as stopping all cutting/clearing as well as all welding and gridding activities, were taken, and Maintenance of Way and Transportation teams were on site to continuously monitor the danger.

“Just about every year, we see this kind of thing, and we’re always concerned that the wood ties will catch on fire,” says David Miller, BNSF senior vice president/Engineering, noting that while the new Cajon Pass track uses concrete ties, there are wooden ties under the switches.

“We’d been communicating with the San Bernardino National Forest and the California Department of Forestry throughout the weekend as they were concerned because of the strong winds,” says Miller. “As soon as the fire broke out (at 11:30 a.m. Monday), we were asked to stop work.” All the construction workers, with the exception of some supervisors, left the site.

In addition to the construction coming to a temporary halt, the wildfires resulted in delayed or suspended freight train service at different times over a three-day period through Cajon Pass.

With no hydrants in the remote area to feed their water supply, firefighters were challenged. So BNSF, which had water trucks on hand for controlling dust during the construction, quickly mobilized and supplied water to the firetrucks.

The water trucks were also used to wet down the wood ties, preventing them from burning. In some spots, the fire “jumped” over the rail, says Miller, but no track was damaged.

Once the fires were contained, freight traffic and the Cajon Pass construction quickly resumed. Miller and others from BNSF met with Forestry representatives, who expressed their appreciation to BNSF, not only for assisting them with replenishing water, but for quickly moving people out of the site.

In addition to the Barstow-to-San Bernardino main line and Cajon Pass construction being affected by fires, operations were also impacted in the San Diego area.

To offer aid, BNSF set up an 800 number for all impacted employees to call. Those who were not able to reach their homes due to the highway closures were placed in hotels and continued to work throughout the closures. Seven evacuated employees were given assistance through a BNSF hardship grant, and the BNSF Foundation also contributed $25,000 to the American Red Cross.

Contributed by Susan Green
Taking AIM: Phoenix, Denver Targeted

BNSF strives to improve consistency and velocity across its entire network, and on the carload network, that means identifying and solving service variability, especially at the “first” and “last” mile where so much of that unpredictability takes place.

A
n initiative is currently under way that is taking “aim” (in a word) at improving how we operate the carload network, the most complex on the BNSF system, serving more than 6,000 unique locations each day by 800 locals, road switchers and yard jobs.

AIM – Assess. Improve. Maximize. (see box) was born from BNSF’s Reshaping the Carload Network strategy early in 2006. It requires the collaborative effort of many departments, including Operations, Marketing, Network Development and Economic Development, among others. The primary objective for all is the same: to reduce local network service complexity.

Optimizing rail service and maximizing future growth are among the goals of AIM, according to Dave Garin, group vice president, Industrial Products, and sponsor of the initiative. “AIM allows us to gauge our service from three different perspectives – improving our reliability to customers, maximizing operating effectiveness and capitalizing on growth for both BNSF and our customers,” he says. “Effective communication, efficient and reliable service, and profitable growth are its foundation.”

To put the initiative to the test, Industrial Products piloted AIM in early 2007 in Phoenix and Denver. Phoenix has been identified as a “megapolitan” center that will increasingly need more industrial products in coming years (please see sidebar), and the Denver terminal, which often experiences congestion from weather or seasonality issues, made it a good candidate for the AIM initiative.

Face-to-Face Service

For the “assess” part in the process, members of the AIM team first conducted on-site visits to every BNSF customer in Phoenix and Denver.

“We’ve been able to reach out not only to shippers but receivers as well, which is probably refreshing for them,” says Jim Pang, director of Industrial Products Marketing and leader of the Phoenix AIM team. “We gave the receivers an opportunity to communicate their needs to us and listen to our recommendations.”

The AIM team is charged with looking at the “first” and “last” mile, where carload traffic is received and then distributed. This process includes evaluating each customer’s facility requirements since their needs have the potential to impact the service of other customers down the line.

“We maximize throughput, efficient flow from our yard to our customers’ facilities is necessary,” says Steve McCrorey, director, Industrial Products and leader of the Denver AIM team. “With AIM, we determine whether our customers’ facilities are set up for those efficiencies. We work with our customers to reduce the variability of the work requirement.”

This highly successful collaboration has led to positive changes such as realigning track, adding spots for customers and alleviating congestion.

“BNSF will continue its commitment in the carload business, but less time spent switching cars equals additional customers served,” McCrorey says.

“Some of the plans we worked on in Denver and Phoenix mean customers will be able to increase their business because of the improvements in efficiencies. If we can manage and reduce variability in these pilot locations, then we can take what we learn there and replicate it in other places in the system,” McCrorey adds.

Collaborative Effort

The AIM teams examine the customers’ needs, operations and physical plant with the ultimate goal of improving service. Identifying inefficiencies and proposing solutions together strengthens BNSF’s customer service.

For example, Western Refining struggled with rail congestion at its Phoenix facility, where the company refines crude oil into products such as asphalt and propane. BNSF and Western Refining created a plan to bypass the downtown Phoenix rail yard and bring rail cars directly to Western’s facility. The plan
calls for adding five spots to Western’s facility track and 10 spots outside the plant using existing track.

“With this plan, arriving cars would be spotted outside the facility, and cars may be switched out at Western Refinery’s convenience. Additionally, BNSF will reduce the number of stored cars,” says Pang.

“In the past we had extra capacity and didn’t mind storing cars for customers,” Pang says.

“Three or four years ago, we had 190,000 cars on line. Today, that number is 225,000, so we need every inch in the yard to efficiently process those cars. Part of our purpose in Phoenix was to identify which cars are eating up yard capacity and work with customers to reduce that inventory.”

On Target

Maximizing future growth is the third piece of the initiative and the foundation for a profitable partnership between BNSF and its customers.

“We’re working with our customers to set the stage for future growth,” says McCrorey. “It’s best if we prepare for it now, and there’s no constraint for us or our customers when growth occurs.”

Denver and Phoenix served as proving grounds for AIM, not only because of their congestion issues, but also for their growth rates.

“We’ve been able to mine growth opportunities for customers that may not have been clear to them,” says Mark Kotter, vice president, Customer Integration. “We asked the questions, ‘Are you planning to grow?’ and ‘How?’”

Once growth plans are determined, the process goes full circle and BNSF assesses the customers’ processes. How does the customer unload cars? Does the procedure create unnecessary complexities or waste time?

“It’s important to ask, ‘Why?’ Is it the facility configuration or the way product is stored in the warehouse?” adds Kotter. “It’s been a great collaboration.”

The AIM team also helps customers identify capital need and return on investment, Kotter says. For example, Phoenix customer Arizona Ag Marketing & Consulting Group increased its spots from four to 11. The expansion allows the feed merchandising company to consider marketing to other industries besides animal feed, something it couldn’t have done with only four spots.

“This is a different and deeper discussion than we typically have with customers,” Garin says. “This approach compels customers to understand their culpability. And it’s a shared culpability.”

AIM is moving from an initiative into a permanent process.

“I see AIM as part of the fabric and playbook of how we do business,” Garin says. “It’s a new approach to an old, industrywide problem. But with this approach, we’re taking a complete geographic view of all the customers served by a local rather than a fragmented approach to individual customer locations.”

Look for announcements of new AIM locations during the first quarter of 2008.

Contributed by Kelli Rodda

AIM: What It Means

ASSESS: analyze the operations of every carload customer to understand the unique requirements and structural limitations affecting efficiency and to clearly define the BNSF carload product.

IMPROVE: use the information gathered to implement clearly defined services and collaborate with customers to develop solutions that enable all involved to realize the value of more efficient carload operations.

MAXIMIZE: increase the consistency and velocity of the entire carload network by implementing efficiency-enhancing systems and through ongoing communication with customers.

Population Explosion

As cities grow, so does the demand for carload service.

The population of Phoenix is estimated to grow twice the United States’ growth rate during the next 20 years, according to the Arizona Department of Economic Security and the U.S. Bureau of Census.

Phoenix will need more than 2 million homes built to keep up with the demand, which drives the need for industrial products. BNSF estimates that by 2031 it will handle three times the number of industrial product carloads compared with 2006.

Contributed by Kelli Rodda
Growing up and living in a children’s home, one of the traditions we had for Christmas was on Christmas morning. Since there were 10 children to contend with and each of us got up at the crack of dawn eager to see what Santa brought us our housemother would have us all stay in our bedrooms until we heard “Santa Claus is Coming to Town” on the piano. Once we heard that melody, the doors flew open and you have never seen so many girls move that fast! Other traditions that we now hold dear are: When we decorate the tree (day after Thanksgiving), we put a pot of homemade stew on the stove, apple cider simmering and old Christmas tunes playing. It becomes an all- day ordeal as we decorate the whole house in Christmas and reminisce about every decoration and its origin. Of course, we have to laugh at all the old pictures that have become ornaments on the tree. We also have a cookie-baking day that takes all day because it’s a recipe that you roll out and decorate every cookie. It started years ago when we were in grade school, but the recipe has been improved through the years.

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- Erin Elledge
  Dispatcher, Fort Worth

My son and I usually start watching Christmas movies in November. I have no idea how many VHS and DVD movies we have. One of our favorites is Christmas Story. We both have three different T-shirts from different scenes from the movie. Along with watching movies, we also put up our outside Christmas lights so they will be ready to turn on after Thanksgiving. He and I also volunteer at different charity organizations to help with distribution of gifts to the needy in our community. Our church performs a Living Christmas Tree each year, and Nathan and I have been a part of the drama, with me portraying a “Magi” and he as my present-bearer. Our church also distributes gifts to the community, and Nathan and I are usually there most of the day providing whatever services that are needed. Usually in the first week of December, we trim the tree while awaiting the visit from good Ol’ St. Nick. Our family always attends Christmas Eve service to remind us why we are celebrating the season.

- Gary Roberts
  Service & Support, Fort Worth

Holiday traditions come in all shapes and sizes. Often what initially seems insignificant creates the fondest of memories.

Tony Johnson, Memphis locomotive engineer, and his wife, Suzie, were high school sweethearts. When their children were young, the seeds of a unique family holiday tradition took hold. The Johnsons had always been fairly typical in their holiday activities, yet one aspect of their celebrations hinged on a need.

“When our kids were small, their pajamas were always worn out when Christmas rolled around,” Suzie says. “After a few years of giving the kids pajamas at Christmas, we thought it would be a good idea if the kids get their new pajamas on Christmas Eve.”

Each year the Johnsons’ three children were allowed to open only one present on Christmas Eve – their new pajamas.

The Johnson children are now in their 30s and have their own children, yet the tradition lives on. Suzie continues to sew pajamas, but only for her grandchildren. The adults receive their pajamas on Christmas Eve; however, they are bought then personalized with monograms and embroidery. What used to be a three-pairs-of-pajamas job has swelled to 15 pairs.

- Debbie Jacob
  Senior Analyst, eBusiness, Fort Worth

One of the longest-running holiday traditions for BNSF is operating the Santa Claus Express in Southern California. This was the 17th year the special train operated, but the first time the train visited the Los Angeles/Long Beach Harbor area, with children aboard from various local and community organizations.

More than 1,500 deserving children were on board and received gifts from Santa and Mrs. Claus. The train began operating Nov. 29 and concluded Dec. 3.

“Watching the smiles on the children’s faces reminded me what the holiday season is really about,” says Mark Kirschinger, general manager, California Division. “This long-standing event is such a special opportunity for BNSF to give back to the many communities we serve, and our employee-volunteers enjoy it every year.”

The thing that I love the most about the Christmas season is getting together with family, drinking hot cider and eating warm chocolate chip cookies on a cold, snowy day sitting by a blazing fireplace. And all of us calling to mind the real reason for the season: our Lord and Savior Jesus Christ, and giving thanks for him being born so we could live.

- Cory Settle
  Locomotive Electrician, Lubbock, Texas

BNSF has also had some employees share their favorite traditions. Below are some of the stories we received...

One holiday I buy my kids new holiday pajamas and a new ornament that reflects what they liked that year. Here’s a picture of my kids in their new pajamas last year.

- Suzie Johnson
  Baseball Engineer, Memphis

Each holiday I buy my kids new holiday pajamas and a new ornament that reflects what they liked that year. Here’s a picture of my kids in their new pajamas last year.

- Jake Johnson
  Software Engineer, Fort Worth

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  Software Engineer, Fort Worth
Each day on BNSF, thousands of international containers loaded by BNSF move from the West Coast ports to inland markets. But the majority return empty, to be loaded back onto container ships to resume the supply chain process. As the international business has grown over the last several years, BNSF’s challenge has been to find viable service options for this excess westbound empty “space” to both help customers reduce their round-trip costs as well as to better utilize our infrastructure.

Moving grain for export in containers has been one option. Most recently, BNSF’s Automotive Marketing team, working with Operations and International Marketing, may have found an additional use for these steel boxes.

Vehicle containerization, while common in other countries, is not broadly accepted in the United States. Starting this fall, BNSF began testing the transportation of vehicles in intermodal containers, a move that not only helps to eliminate the glut of empty containers returning west, but also helps balance demand for multilevel railcars.

“Finished passenger cars and trucks traditionally come out of the Midwest and the Southeast,” says Marc Allen, assistant vice president, Automotive Marketing. “A large amount of traffic moves to markets in California, Washington and Oregon. We want to address the equipment imbalance and do so economically.”

Recognizing that there is a large supply of empty containers moving to the West Coast and that BNSF’s steamship customers are looking for a means to reposition those at a cost savings, BNSF’s Containerized Vehicle program was launched. The program is still in pilot stage, but the automotive group hopes to eventually make it a full-blown service offering.

Before the test began, the team looked at several options of containerizing vehicles and ultimately chose a device to easily load and secure vehicles inside the containers. Manufactured by Kar-Tainer, the cassette and vehicle are raised by forklift for loading into the container. Up to two vehicles can be positioned in each container, and then the containers can be stacked two deep for transport.

Working with Ford and General Motors, a BNSF team first set about to verify if the concept would work, beginning Oct. 18 with a test of 40 vehicles (20 GM Silverado trucks and 20 Ford Tauruses). The vehicles were tracked from the manufacturing plants to BNSF’s Logistics Park-Chicago (LPC) facility for loading into containers.

The loading was watched closely by BNSF’s Load and Ride Solutions (LARS) team from a damage-prevention aspect. Because the vehicles are fully enclosed and there is less handling, damage of vehicles during transport – a big issue for carmakers – is expected to be reduced.

Following the loading of the 40 vehicles into 20 containers at LPC, the stack train moved west some 2,100 miles, and the containers were unloaded at BNSF’s Los Angeles intermodal terminal. The vehicles and cassettes were then unloaded and inspected. All the vehicles arrived in very good condition, according to Stephen Griego, senior manager, LARS.

Following their inspection, the vehicles were trucked to local dealerships.

Once unloaded, the cassettes can be stacked, 40 to a container, then moved back to origin for more loading. Down the road, adjacent or off-site lots will be needed for both loading and unloading containers, but the investment should not be significant, says JR Nunez, director, Consumer Products Marketing Support.

“It’s a low-tech, capital-light growth approach and a relatively simple one that offers multiple benefits,” says Nunez, of the containerization program, noting Phase 2 of the pilot will take place in late January.

“This is a creative approach that took a lot of teamwork,” says Steve Branscum, group vice president, Consumer Products Marketing.

“At BNSF, we’re always looking for ways to better serve customers and improve BNSF operations. Pulling the needs of our auto and steamship line customers together makes containerization work.”

Contributed by Susan Green

BNSF Performance Measures

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<td>Coal</td>
<td>2,275,830</td>
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<td>Agricultural Products</td>
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<th>2007 BNSF Velocity Performance</th>
<th>Quarter-to-Date through Dec. 2, 2007</th>
<th>4th Qtr Goal</th>
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<tr>
<td>Locomotive miles per day</td>
<td>393.5</td>
<td>296.5</td>
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<td>Agricultural car miles per day</td>
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<td>Merchandise car miles per day</td>
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<td>Coal cycle index</td>
<td>135.4</td>
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<td>Intermodal stock transit days*</td>
<td>4.78</td>
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<tr>
<td>Intermodal trailer transit days*</td>
<td>2.29</td>
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*With these measures, the lower the number, the better.

BNSF Reportable Injuries

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<tr>
<th>BNSF Stock</th>
<th>12-month through Dec. 31, 2007</th>
<th>S&amp;P 500 Index</th>
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BNSF Reportable Injuries

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<tr>
<th>Year-to-Date through Dec. 2, 2007</th>
<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td></td>
<td>731</td>
<td>558</td>
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It's time for high school seniors to apply for college scholarships, including those offered through the Burlington Northern Santa Fe Foundation Scholarship Program. Once again, the BNSF Foundation will award up to 35 scholarships, $2,500 each, for the 2008-2009 college year.

A direct Web site link is available again so applicants can electronically fill out an application request. [Details included below.]

Here are answers to the most frequently asked questions.

When are applications due?
Applications for the 2008-2009 BNSF Scholarship Program must be postmarked no later than April 1, 2008. Requests for applications will be accepted starting Jan. 1, 2008.

Who is eligible?
The program is available to current high school seniors who are the dependent sons, daughters or stepchildren of full-time BNSF employees or retired, disabled or deceased employees of BNSF or its predecessor companies. Full-time employees must have at least two years of service as of Jan. 1, 2008, and must still be employed by BNSF when winners are selected in April. Retired, disabled or deceased employees must have completed the two-year requirement prior to ending their service with BNSF.

How many scholarships are available?
Up to 35 scholarships, $2,500 each, will be awarded for full-time students in four-year colleges/universities in the United States. With satisfactory academic progress, the scholarships are renewable for three additional years. Twenty-five scholarships will be awarded through Scholarship Program Administrators, Inc. (SPA), and up to 10 through the National Merit Scholarship Corporation (NMSC). The NMSC then notifies sponsors, such as BNSF, about award acceptance for patrons.

What information is required?
For the scholarships handled by SPA, winners are selected largely on the basis of academic merit, in addition to consideration for past academic performance, leadership and participation in school and community activities, and an essay. ACT or SAT scores are acceptable. Guidance counselors routinely supply the required test scores on the high school records accompanying the applications.

Who is eligible for National Merit Scholarships?
To be eligible, students must take the PSAT in their junior year. Therefore, seniors this year should have taken the PSAT in 2006 when they were juniors to qualify for the program sponsored by the NMSC. The NMSC then notifies sponsors, such as BNSF, about award acceptances and provides scholarship certificates for presentation to winners.

Can more than one scholarship be awarded to an individual?
No. A student cannot win more than one scholarship funded by the BNSF Foundation. Since neither award is guaranteed, it is recommended that National Merit Finalists apply for the scholarships handled by SPA. However, students who do win Merit scholarships are automatically withdrawn from consideration for scholarships handled by SPA.

How do I get an application?
To obtain an application and descriptive brochure, please complete and return the application request form by March 1, 2008. You may request an application starting Jan. 1, 2008, by either mailing or faxing in the request. You may also request an application or apply directly online by accessing the following Web site: https://www.scholarshipadministrators.net and following the instructions. You will be asked to use the access code BNSF.

NOTE: The application must be postmarked no later than April 1, 2008.

What is the contact information?
• Mail: Scholarship Program Administrators* P.O. Box 23737 Nashville, TN 37202-3737 • Phone: 615-320-3149, ext. 106 • Fax: 615-320-3151 • Web site: https://www.scholarshipadministrators.net/emailrequestform.asp • E-mail: info@scholarshipadministrators.com *SPA will not be able to provide applications until Jan. 1, 2008.

Request for BNSF Scholarship Application

Please send an application for a BNSF scholarship and a brochure to the high school senior listed below. (Please print)

First Name Middle Initial Last Name
Student’s Social Security Number
Street Address
City State ZIP
Home Telephone Number
E-mail Address

Burlington Northern Santa Fe Corporation
P.O. Box 961057
Fort Worth, Texas 76161-0057