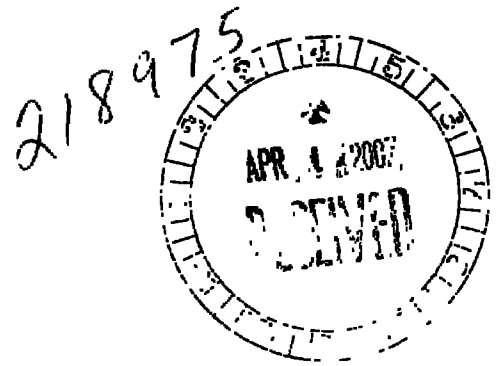




Summary of Testimony

Of

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**Surface Transportation Board Public Hearing
Rail Capacity and Infrastructure Requirements
STB Ex Parte No. 671
April 11, 2007**

I. Introduction

America is at a critical point at which key policy decisions must be made to ensure the fluidity of freight mobility and ensure enough capacity is available to move goods to meet the increasing appetites of our nation's consumers and industries.

II. What Do We Need to Do?

- Develop a national freight transportation policy to create an integrated infrastructure that has the capacity to meet goods movement needs, address highway congestion and improve passenger mobility on a continuous basis.
- The following are issues for the Board to consider:
 - How to encourage more investment in freight railroad infrastructure.
 - The roles local, state, and federal governments can play to implement more public-private partnerships for freight railroad infrastructure where the fundamental purpose of the project would provide public benefits or meet public needs.
 - Ways to reduce or remove statutory, regulatory, and institutional barriers to make freight rail infrastructure construction and operations more efficient.
 - How security mandates can strike a proper balance between security and providing for the free flow of commerce.

III. Capacity Drivers

- There are four areas that define capacity: volume, train density, physical plant elements, and productivity.

A. Volume

- Volume is the first capacity driver.
- In the last ten 10 years, the industry has grown at more than 7 million units, an 18.5 percent increase.
- During the same time, BNSF's volume has grown more than 53 percent.

B. Train Density

- Train density is the second capacity driver.
- BNSF continuously analyzes the number of trains, types of trains and the lengths of the trains on each of its subdivisions to gain a better understanding of where it can and cannot add more train spots.

C. Physical Plant Elements

- The third capacity driver is elements of the physical plant. These include: siding lengths, distances between sidings, slow orders and terminal capacity.

D. Productivity

- The final driver of capacity is productivity, or being able to get more capacity out of the existing network through operational changes.
- Through initiatives such as increasing train length and units per train, revising intermodal storage policies and reshaping the carload network, BNSF has made great productivity increases.

IV. Ways to Increase Capacity

There are five ways to increase capacity within the rail industry.

- Maintain quality infrastructure.
- Better throughput within the existing plant.
- Safety regulations that embrace technology.
- Local and public policy that recognizes federal standards.
- Expand physical capacity.

V. Rail Industry Volume Growth

The industry is concerned about capacity because of the significant volume growth over the past 10 years.

- Since 1996, BNSF's volume has grown more than 53 percent. The largest growth has come from the Consumer Products business segment which grew more than 95 percent since 1996.

- **Coal tonnage has grown at a 3.6 percent compound annual growth rate since 1996.**
 - **To accommodate this growth, BNSF has invested \$2.3 billion in coal alone since 1996.**
 - **BNSF continues to invest in the coal business this year as well. For 2007, BNSF plans to put \$618 million into this business in things like, double-, triple- and quadruple-track; locomotives; train sets and a broken wheel and switch point monitoring system.**
- **While not at the same pace as the coal volume, BNSF's Industrial Products volume has also increased. Since 1996, this business segment has grown at a 0.6 percent compound annual growth rate.**
- **BNSF's Agricultural Products volume has grown at a compound annual growth rate of 1.8 percent since 1996; the bulk of the growth occurred within the last four years.**
 - **Handling the increased volume in Agriculture has been possible because of investments in the business and velocity improvements.**
- **The biggest driver of BNSF's growth has been its intermodal business.**
 - **Double-digit increases in international intermodal are due to increased U.S. trade with China. This business has grown at a 14.6 percent compound annual growth rate since 1996.**
 - **The domestic intermodal business also continued to grow. Since 1996, domestic intermodal has grown at a 2.9 percent compound annual growth rate, mainly due to increased demand from our**

trucking partners and increases in long-haul trailer and container traffic.

VI. How BNSF Has Responded to the Growth

BNSF has coped with the volume increase through velocity improvements and capital expansion.

- Since 1996, BNSF has invested more than \$8.32 billion in locomotives and expansion capital.
- Some major expansion projects in 2007 include double- or triple-track on about 40 miles on BNSF's Southern Transcontinental Route between Southern California and Chicago and continuing to build a second main line through Abo Canyon in New Mexico.
- On the coal route, BNSF is adding about 60 miles of third and fourth main track in the Powder River Basin and complete about 50 miles of double track in Nebraska and Wyoming.
- BNSF will also install multiple sidings between Springfield, Missouri, and Birmingham, Alabama.
- Expanding intermodal facilities at Alliance, Texas; Seattle, Washington; Los Angeles, California; Memphis, Tennessee; Chicago, Illinois; and Stockton, California.
- Other planned infrastructure improvements include sidings in South Dakota and Oklahoma, and fueling and mechanical facilities in Illinois and Texas.

VII. All Customers Benefit from Capital Investments

- On the Transcon between Chicago and Los Angeles, the addition of second and third main track, as well as improvements at places like Needles and Belen, New Mexico to improve flow through terminals, benefits carload customers as well as importers and other intermodal shippers. BNSF's ethanol unit train and shuttle train customers hauling feed for cattle are also benefiting from these investments.
- Even on what are commonly viewed as coal corridors, projects like the double track work between Ashland and South Bend help expand BNSF network's capacity to handle growth in all types of traffic.
- And to the extent these investments improve locomotive and equipment velocity, they provide benefits to all BNSF customers, including those who may not move any shipments on the routes where improvements are being made. These investments improve network fluidity and improve overall service.

VIII. Earning Adequate Returns

- While more rail capacity is clearly needed, BNSF believes the regulatory model is working exactly as intended.
- Appropriate levels of return will allow BNSF to make the investments required to improve velocity and efficiency.
- And we must be able to sustain our returns to reinvest at the right levels in our network. As long as volume is forecasted to grow, and BNSF can receive

proper value for our transportation services, BNSF will invest capital at the appropriate levels. A return to rate and service regulation would not have a positive outcome for BNSF's customers, the economy and the company.

IX. Summary

- A national freight transportation policy is needed to meet forecasted growth demands, address highway congestion and improve passenger mobility.
- Security mandates need to strike a proper balance between security and providing for the free flow of commerce.
- We need to reduce/remove statutory, regulatory and institutional barriers to make freight rail infrastructure construction and operations more efficient.
- We need to implement more public-private partnerships for freight railroad infrastructure where the fundamental purpose of the project would provide public benefits or meet public needs.
- Railroads are investing record amounts of capital, but future growth in demand will challenge the capacity of our national rail network. We need to encourage investment in freight railroad infrastructure by supplementing the current model with a stimulus, such as the Investment Tax Credit.