

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 770 (Sub-No. 1)

URGENT ISSUES IN FREIGHT RAIL SERVICE—RAILROAD REPORTING

INTERIM UPDATE OF BNSF RAILWAY COMPANY

I. Introduction

In accordance with the Board's October 28, 2022 decision in this proceeding ("October 28 Decision"), BNSF provides the following interim update on the progress of our Service Recovery Plan ("SRP").¹

From the March 4, 2022 baseline that we identified as the touchstone for our service recovery efforts through today, all of BNSF's employees have worked vigorously to restore our service to levels that meet our customers' expectations. As BNSF has advised the Board to expect throughout the pendency of this proceeding, our service recovery effort has not followed a linear path and we have experienced periods of variability in our performance against the Key Performance Indicators identified in our SRP. Choppy performance in late spring and early summer gave way to steady improvement across our KPIs in the late summer and fall. While we expect some additional choppiness against our KPIs heading into the difficult winter operating conditions, we have built significant and sustained momentum towards moving our network past a service recovery posture and, as discussed below, largely returned our service performance to pre-pandemic levels.

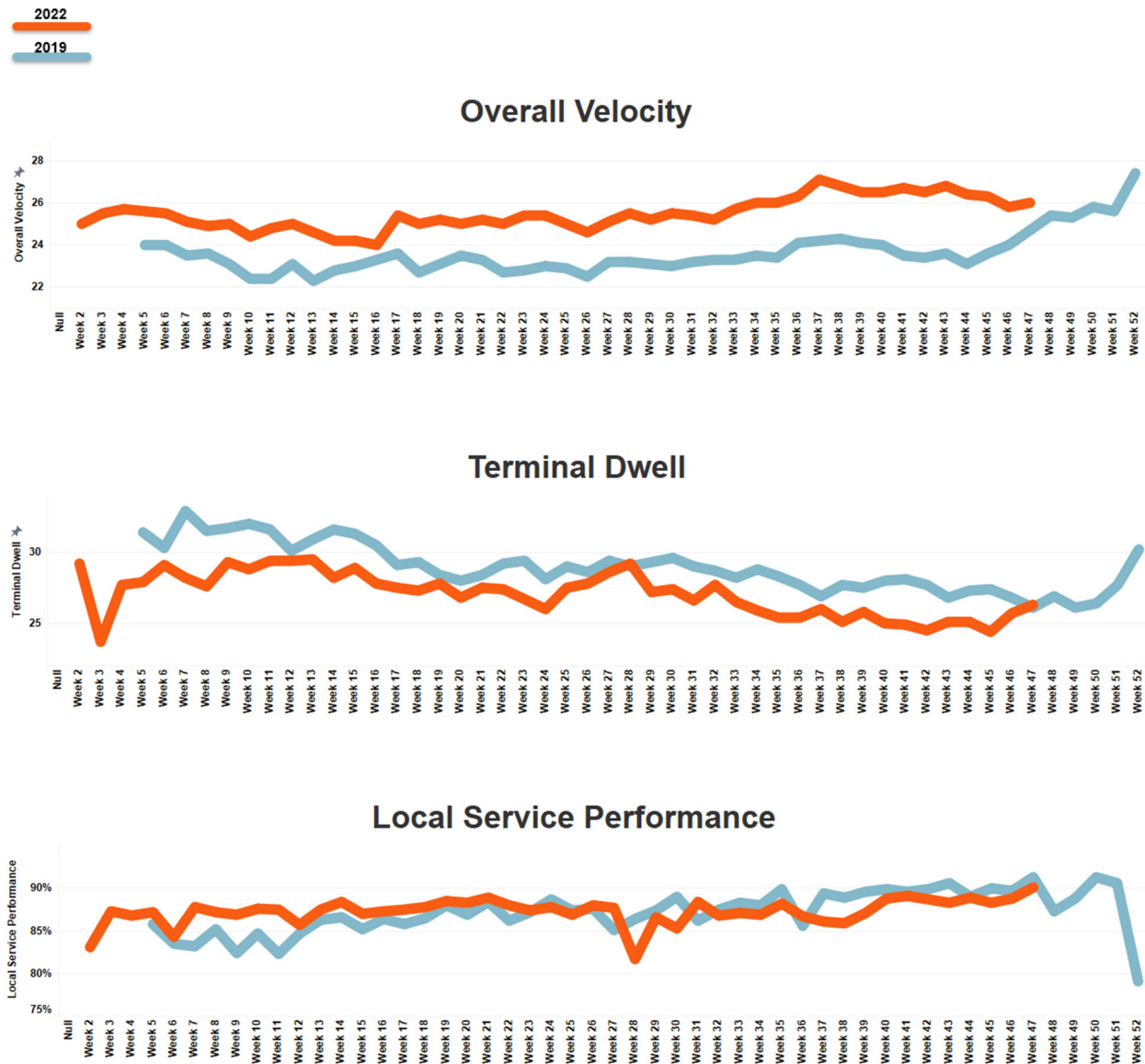
This interim update will provide a brief review of BNSF's current performance and the outlook for the components of our SRP going forward. Additionally, this update provides new KPI targets and updated labor force targets in accordance with the October 28 Decision. It is important to note that, as the STB has recognized,² a number of factors inform our selection of targets and will ultimately impact our performance against those targets. Regarding employee headcount, for example, attrition levels remain fluid and may require adjustments to our hiring plans over the next six months. We continue to monitor near-term trends for BNSF and the broader labor market on both an overall basis and for individual geographies. Regarding our new KPI targets, we have seen recent shifts in transportation demand that will impact not only the overall volume of shipments, but also the commodity mix and geographical footprint of rail movements. BNSF will continue to monitor these trends as well, work closely with our customers to understand their freight service needs, and adjust our hiring and service plans as appropriate.

¹ As used herein, "SRP" refers to both BNSF's May 20 Service Recovery Plan and our June 23 Supplemental Service Recovery Plan.

² *Urgent Issues in Freight Rail Service*, EP 770 (Sub-No. 1), slip op. at 19, n. 87 (Oct. 28, 2022).

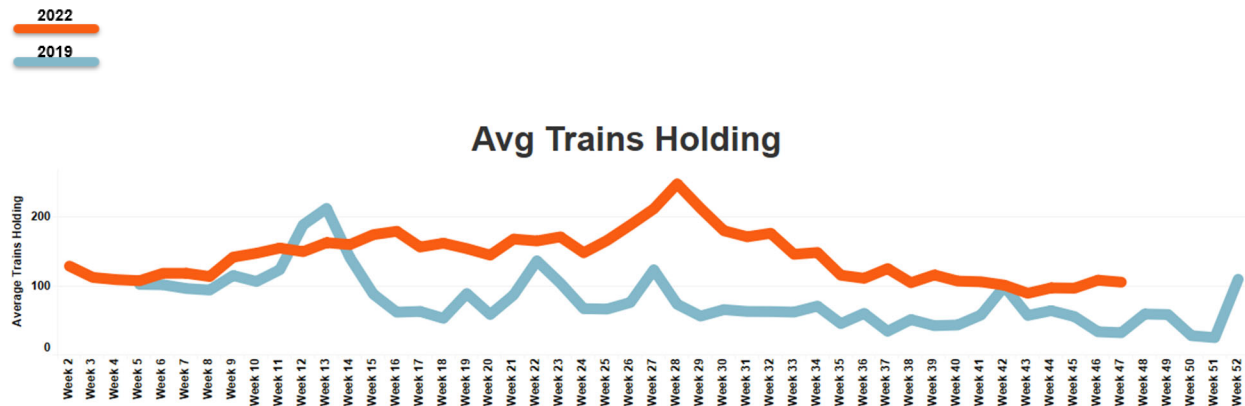
II. Overview of Current Performance

Overall, BNSF's service performance has substantially improved over the initial six-month reporting period in this proceeding and performance against our KPIs reflects a network that has largely returned to pre-pandemic levels. As shown in the charts below, our Velocity and Terminal Dwell performance in 2022 has outpaced our performance during the same time frames in 2019, while our Local Service performance has remained consistent with 2019 performance.



While our Average Trains Holding performance predictably lagged during the peak summer vacation period in July,³ it has since shown steady improvement and is now trending towards 2019 performance levels.

³ Summer holidays are significant because of the effect of vacation usage on service variability. As BNSF explained in our Supplemental SRP, vacation usage tends to peak in July and gradually tails off through the remainder of the summer. (Supplemental SRP at 2–3).



Focusing more closely on service performance in recent months, we have consistently met or only narrowly missed our targets for Velocity, Dwell, Intermodal OTP, Merchandise OTP, and Auto OTP since the beginning of August. Our Average Trains Holding performance has shown dramatic improvement since the beginning of August, and after staying within 2% of our Local Service target for seven straight weeks, we then achieved that target for the first time since the start of reporting in this proceeding.⁴ While performance against our Coal OTP and Crude OTP KPIs has been more variable, we have averaged 89% of target for Crude OTP and 91% of target for Coal OTP over the past sixteen weeks. Our Grain OTP performance declined in October due to late harvest and bunching of trains, but as we have indicated in prior bi-weekly Progress Reports and update calls with Board staff, such a decline was not unexpected. Our performance has since improved and in October we nevertheless matched our all-time monthly record for PNW export grain shipments.

BNSF Key Performance Indicators Percentage of Target Over Preceding Sixteen Weeks

Week No.	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	16-Wk Avg.
Velocity	99%	100%	100%	101%	104%	103%	102%	102%	103%	102%	103%	102%	101%	99%	100%	104%	102%
Dwell	98%	100%	102%	102%	100%	104%	101%	104%	104%	106%	104%	104%	102%	101%	99%	96%	102%
Trains Holding	65%	64%	73%	86%	76%	91%	82%	89%	90%	94%	107%	98%	98%	86%	89%	74%	85%
Local Service	97%	97%	98%	96%	96%	95%	97%	99%	99%	99%	98%	99%	98%	99%	100%	96%	98%
Intermodal OTP	85%	90%	92%	100%	100%	105%	112%	112%	112%	109%	113%	113%	112%	117%	118%	118%	107%
Coal OTP	87%	87%	88%	97%	94%	90%	90%	91%	92%	103%	95%	92%	95%	84%	83%	89%	91%
Merch OTP	90%	94%	92%	99%	113%	114%	106%	107%	103%	102%	100%	102%	100%	98%	96%	93%	101%
Grain OTP	65%	84%	96%	92%	105%	103%	105%	96%	89%	74%	60%	64%	69%	70%	78%	81%	83%
Crude OTP	81%	79%	72%	90%	105%	105%	104%	106%	97%	99%	87%	85%	86%	80%	78%	73%	89%
Auto OTP	89%	90%	112%	102%	113%	114%	112%	108%	114%	110%	110%	113%	102%	95%	106%	102%	106%
Ethanol OTP	67%	58%	39%	65%	88%	72%	68%	88%	81%	88%	72%	77%	56%	59%	61%	78%	70%

Our Ethanol Unit OTP remains an outlier that appears to significantly lag our other service performance. For the reasons we have explained previously, however, this OTP measure presents a misleading picture because it does not accurately reflect how ethanol actually moves on BNSF. There are no ethanol unit train origin loading facilities on BNSF's network. BNSF's ethanol service instead begins with single car loadings at disparate origin locations. Those single cars are

⁴ It is important to note that data for Week 47 represents performance during the week of Thanksgiving when crew availability is lessened due to scheduled vacations and performance against KPIs can be negatively impacted as a result.

moved in manifest service to an intermediate point where they are then assembled into a unit train and moved to a destination facility. While this traffic moves in manifest service for a portion of its journey and may hold until a unit train is built, the original ETA is calculated from the time the individual cars are released from their loading origins. Accordingly, the portion of each car's movement in manifest service is incorporated into the OTP metric that is intended to reflect only unit train service, and serves to significantly depress our performance against that metric.

For these reasons, it was extremely difficult for BNSF to forecast an appropriate Ethanol OTP target in our June 23 SSRP and, frankly, it is not surprising that we misjudged our ability to meet the abstract target we ultimately chose. As the disconnect between the calculation of Ethanol OTP as required by the Board and how our ethanol network actually operates still exists, our new target remains simply a good faith attempt to be responsive. BNSF believes the better course would be for the STB to eliminate the Ethanol OTP metric altogether as a tool to judge BNSF's service performance.

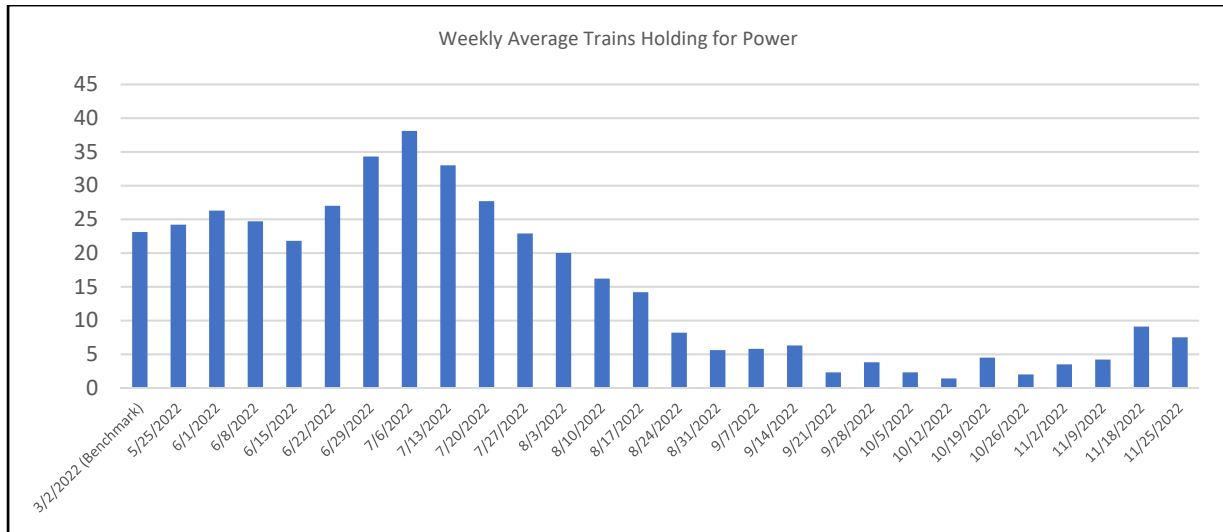
III. Service Recovery Plan Outlook

From the outset, BNSF's SRP has focused on three key areas: bringing additional crews and locomotives online to have the resources necessary to meet customer demand, and reducing excess cars on our network to clear congestion and more fluidly move our customers' freight. As BNSF transitions out of network recovery mode, the specific actions and initiatives BNSF undertakes to drive that improvement will be more dynamic, but ensuring adequate crews and power and avoiding unproductive car inventory will always remain key components of delivering adequate service to customers. The current status of each of these components is set forth below.

A. Locomotive Availability

At the outset of our service recovery effort, BNSF increased the size of our active locomotive fleet by 350 units, which entailed bringing reserve locomotives out of storage and restoring them to serviceable status. This effort also entailed leasing an additional 75 modern locomotives to supplement our fleet and mitigate our reliance on older, less reliable locomotives pulled from the reserve. To facilitate the additions to the fleet and to minimize locomotive downtime generally, BNSF added additional mechanical responders to perform more repairs in the field and avoid moving locomotives out of needed areas to repair shops.

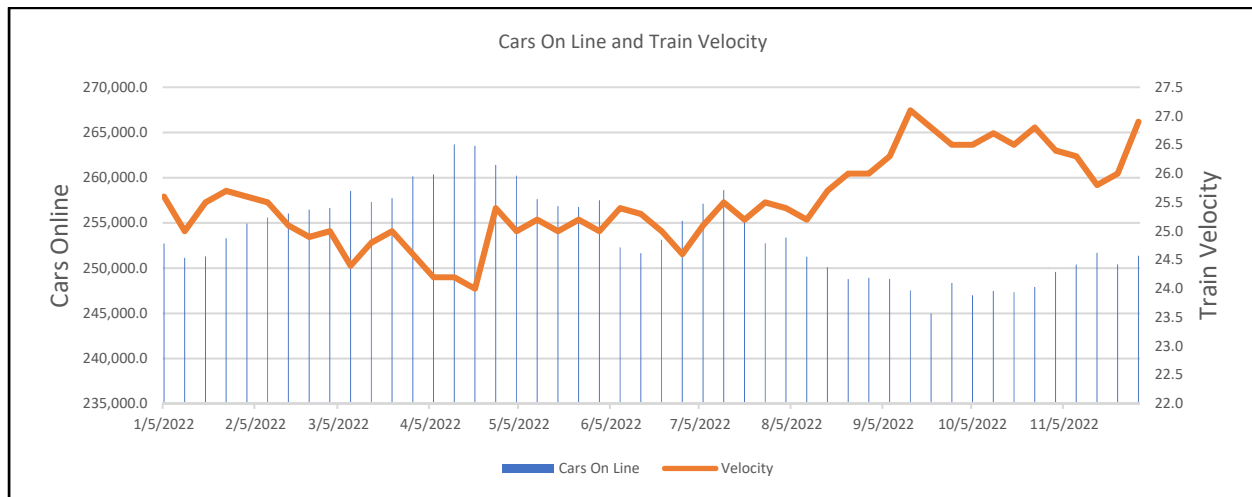
Our efforts to improve locomotive availability were successful. As the chart below indicates, the average weekly number of trains holding for power has dropped to a nominal level over the course of the reporting period. As system velocity has improved, the need for additional power diminishes. BNSF will actively manage our locomotive fleet to avoid committing maintenance resources to unproductive and unneeded locomotives, and store locomotives in areas that will allow for rapid deployment in response to surges in need.



Source: BNSF Weekly Performance Data filed in Ex Parte 724.

B. Railcar Inventory

As BNSF and other railroads have stated throughout this proceeding, the excess of unproductive railcars across the rail network created significant congestion and was a substantial driver of service difficulties. Throughout the reporting period, BNSF has worked with customers to identify opportunities to store unneeded and unproductive cars and manage facility pipelines. Working closely with our customers, we ultimately obtained the reductions in active railcar inventory that were necessary at that time to unlock the network and drive improved velocity. As the chart below shows, the improvements in velocity coincided with the progress made in reducing the number of unproductive cars on our network.



Source: BNSF Weekly Performance Data filed in Ex Parte 724 and Ex Parte 770.

Going forward, BNSF will continue to closely monitor rail car inventory both across our network and with respect to individual customer pipelines. Our goal will be to work proactively with customers to identify potential problem areas and manage their pipelines before congestion develops. As we have communicated to our customers and the Board previously, our customer-

centric approach to maintaining network fluidity utilizes a variety of tools in collaboration with our customers, and considers the use of embargoes only as a last resort.

C. Workforce

Ensuring that BNSF has the people we need in the right places to deliver on our service commitment remains a critical yet challenging aspect of our ongoing service improvement effort. BNSF embarked on an aggressive hiring plan in 2022 to offset atypically high levels of attrition and failure to recall in our workforce. We had a goal of hiring 3,000 new employees this year, including 1,800 Train, Yard and Engine (TY&E) employees, and anticipated that would result in our headcount levels remaining generally flat throughout 2022. BNSF is on track with our hiring plan. Year to date, BNSF has hired over 3,000 new employees including approximately 1,670 new TY&E employees. Of the TY&E new hires, more than 660 employees have completed training and are on the job, more than 630 are already in training, and more than 350 are scheduled to begin training this month. Additionally, BNSF has hired more than 1,000 new employees into our Engineering, Mechanical, and Dispatcher teams in 2022.

Through the extensive hiring efforts BNSF detailed in our Supplemental SRP, BNSF has met the six-month headcount targets set out in our Supplemental SRP according to the criteria we intended those targets to reflect. BNSF's targets tracked our active headcount as expressed on our monthly Form C filings, which we believe reflected the requirement to count employees actually on the job (i.e., not furloughed).⁵ Expressed in terms of the supplemental employment data reported in this proceeding, our headcount targets considered the employees in active service measure plus those measures capturing employees in various stages of the training pipeline.

BNSF Employees Actually on the Job (Form C View) to Target as of October 2022

Craft	EEs in Active Service	Training Pipeline			Total	Six-Month Target	% to Target
		Entering Training	Currently in Training	Completing Training			
Maintenance of Way & Structures	7,969	99	0	56	8,124	7,800	104%
Mechanical	6,253	98	82	58	6,491	6,400	101%
TY&E	13,925	175	850	101	15,051	15,000	100%

Source: BNSF Supplemental Employment Data Reported in EP 770.

When adjusting the measure to exclude employees in the training pipeline, as the Board clarified in its October 28 decision, the percentage to target for the three crafts drops to 102% for Maintenance of Way, 98% for Mechanical, and 93% for TY&E.

While BNSF has either reached or is close to the six-month targets for each craft, depending on the measure, this does not tell the whole story. The labor market remains tight across the country, but recruiting remains acutely challenging in particular BNSF markets such as Southern California, Washington, and Montana. Despite offering substantial hiring and transfer bonuses, BNSF continues to face staffing headwinds in some regions. We anticipate these challenges will be exacerbated in the near-term by increased attrition as employees collect back pay following the conclusion of the collective bargaining process. Given these challenges, it will be important for

⁵ *Urgent Issues in Freight Rail Service*, EP 770 (Sub-No. 1), slip op. at 7, n. 13 (June 13, 2022) (“[Employees actually on the job] signifies those employees that are not furloughed.”).

BNSF to remain focused on the measures to attract qualified candidates that we have detailed in our previous filings in this proceeding.

In accordance with the Board’s directive to provide revised labor force targets based on the Employees in Active Service measure reported in the supplemental employment data in this proceeding, BNSF provides the following targets:

Craft	Expected Employees Six Months (November 6, 2022)	Expected Employees One Year (May 6, 2023)
L300 – MOW & Structures	8,065	8,094
L400 – Maintenance of Equipment & Stores	6,233	6,348
L500 – Transportation (Other than T&E)	1,577	1,640
L600 – Transportation (T&E)	14,001	14,905

IV. New KPI Targets

Below are BNSF’s new six-month targets in accordance with the Board’s October 28 Decision. Generally speaking, these targets reflect a priority on achieving the consistent service that our customers expect where there has thus far been more variability, and aspiring to achieve incremental improvement in areas where our momentum has been relatively stronger. Like our prior KPI targets, the new targets below are set by reference to our service levels from 2019 through today, but as described in our June 23 SSRP, our service improvement efforts constantly evolve to reflect changing traffic mix and growth patterns driven by market demand. As such, we are not solely focused on achieving these KPI targets or surpassing 2019 service levels, but instead focused on our overarching goal to provide continued service improvement for the benefit of our customers. As can be seen from the charts in Section II above, our new Velocity, Dwell, and Local Service targets all represent significant improvement against our average 2019 performance for those metrics. This reflects our intent to maintain our industry leading velocity while improving our customers’ local service experience.

New Key Performance Indicator Six-Month Targets

KPI	Current Target	New May 5, 2023 Target
Overall Velocity	26 mph	26 mph
Terminal Dwell	26 hours	25.5 hours
Local Service Performance	90%	91%
Average Trains Holding	95	95
Intermodal OTP	70%	75%
Coal Unit OTP	75%	75%
Merchandise OTP	63%	65%
Grain Unit OTP	75%	75%
Crude Unit OTP	70%	70%
Auto Unit OTP	63%	70%
Ethanol Unit OTP	50%	50%

V. Conclusion

BNSF is acutely aware of the critical role that we play in transporting the goods that sustain our communities and our economy. Over the past two years, BNSF's employees have faced challenging and unprecedented circumstances, yet their commitment to provide our customers the service they need has never wavered. BNSF is proud of and immensely grateful for that commitment. We have achieved significant service improvements since this spring, and we will build on that momentum to return our service to the consistent levels that our customers expect. We remain committed to active and transparent communication with the Board, our customers, and the communities we serve regarding the state of our network. While work remains to be done, we are confident the BNSF team will get the job done.

Respectfully submitted,



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