Welcome to our 4th Quarter edition of the Shortline Connection. I would like to personally thank Dick Ebel for his contributions to the shortline team over the past three years. Dick recently retired from BNSF after 36 years with the railroad. The shortline team has made great strides under his leadership.

Let me begin by telling you a little bit about myself. I have been fortunate to work for BNSF the past 26 years. Most of my time has been in marketing or sales in various roles. For the last six years, I led our sales efforts with BNSF’s sand, cement and clay customers. I also spent time in BNSF’s forest products and chemical and plastics business groups.

For those of you who were able to attend, I hope you enjoyed our recent shortline conference in Fort Worth, Texas. Initial feedback from the post-conference survey was very positive. The majority of survey respondents rated the conference as “excellent” or “very good.” The attendees especially enjoyed the sessions on “Economic Outlook” and “The Future of Autonomous Vehicles”. Food and accommodations at the Worthington Renaissance Hotel received high marks and we received the same positive feedback about the downtown Fort Worth location. We appreciate your feedback because it helps us improve and plan for future conferences.

During my first 45 days in this new leadership position, I have enjoyed meeting some of you in person and at our conference. I appreciate you taking time to seek me out and discuss your shortlines. I am impressed with the focus on safety in your operations, your entrepreneurial spirit and dedication to our joint customers.

We will continue to build on our current goals with BNSF shortline connections. Safety will continue to be our number one priority. BNSF is also committed to restoring service on our line. We expect service levels to continue to improve in 2015. We look forward to working with you to provide a higher level of service to our joint customers.

Velocity and dwell on shortlines will also be key focus areas in 2015.

Shortline dwell deteriorated year-over-year. We will continue reaching out to you to jointly discuss and identify areas for improving dwell times.

We also want to continue to pursue new business opportunities and investments in 2015. Please reach out to us as you identify new opportunities on your shortlines. We want to ensure we engage the right groups within BNSF to evaluate and jointly win these opportunities.

I am fortunate to inherit a strong group of professionals on our shortline development team. We have a lot to look forward to as the economy continues to improve, including record grain harvests and the continued strength in the oil and gas sector. We look forward to working with you in 2015.

Merv D. Lieb

Upcoming events

2015 ASLRRA Connections
March 28-31, 2015
Hilton Orlando Hotel
Orlando, Fla.

2015 Railroad Day on Capitol Hill
June 4, 2015
Washington, D.C.

2015 BNSF Shortline Conference
Oct. 21-23, 2015
Worthington Renaissance Hotel
Fort Worth, Texas

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A time to grow, serve, invest

BNSF, shortline attendees unite at conference

A few blocks away from the Worthington Renaissance Hotel, BNSF freight trains moved through the recently remodeled Tower 55 while passenger trains flowed in and out of the Fort Worth Intermodal Center.

Tower 55 and the Intermodal Center were perfect backdrops for BNSF’s annual Shortline Conference, which focused on growing business, serving customers and investing for the future.

BNSF executives, representatives and shortline industry members gathered in downtown Fort Worth in late October to further relationships, discuss new opportunities and put faces with names. Attendees received updates from BNSF leaders and participated in commercial team workshops hosted by commodity representatives. Attendees also had the opportunity to meet one-on-one with their BNSF shortline development directors.

In the past two years, the growing economy has created demand for more rail, which is tasking both Class I and shortline leaders to meet increased volumes and maintain high levels of customer service while managing velocity. The job at hand is eliminating backlogs and getting shipments delivered on time.

“We’re at a point now where we need to get capacity caught up,” said Steve Bobb, BNSF executive vice president and chief marketing officer. “Our volume growth has impacted all of our customers. Every customer segment would likely say they are not getting the service they expect. We’ve seen challenges flow across all of the geographies that we serve.”

While oil and gas plays continue to provide steady growth across the BNSF network, rebounds in other commodities are adding to the demand for cars and time. Record corn and soybean crops and other historic volumes are contributing to service challenges.

More resources are being devoted to handle the growth and improvements are becoming more apparent. For example, BNSF recently restored fluidity to much of its grain network.

For the long-term, BNSF officials shared how more capital will be...
BNSF has also maintained transparency and frequent communication with customers, regulators and elected officials.

On the horizon, BNSF believes intermodal will continue to be a leading growth segment over the long term. And while Bobb said intermodal customers are “struggling” across the Northern Corridor, process changes are being put into place to alleviate service issues so that more volume can be added.

“We’re making progress, and expect to continue to make progress across all regions,” Freeman said. “The South and Central will come quicker than the North, given the increased volumes up there. It is improving, we’re picking up the pace. We’ve seen good positive trends in the last few weeks and months. We’re on the right path.”

BNSF president and chief executive officer Carl Ice said shortlines can play a critical role in helping the company stimulate growth, serve customers and build the infrastructure that helps everybody succeed.

“Together we have to provide customers service, be safe and work together to find those growth opportunities,” Ice said.

That is especially true now that the economy is gaining steam.

BNSF chief economist Sam Kyei said the economy should continue to gain momentum next year although growth will continue to be slow.

He said while the Blue Chip Consensus for Real Gross Domestic Product growth is projected at 3.1 percent for 2015, a more realistic number is 2.7 percent, which is up from 2.3 percent in 2014. Traditional manufacturing, which drives railroad volumes, should grow 3 percent as the housing market continues to recover and unemployment falls to between 5 and 5.5 percent.

Dr. Lawrence Burns of the University of Michigan presented the conference’s final session about autonomous vehicles as the driverless car is quickly becoming a possibility as Google is working to master the new technology. Burns said these cars could hit the market as early as 2018.

Meanwhile, truck automation projects are currently under way using the same technology. The future of trucking could see drivers becoming logistics managers while the truck is driving itself.

So, how could driverless trucks impact rail?

Burn’s presentation revealed there is potential for a 40 percent cost reduction for trucks by saving driver, tractor, fuel and insurance expenses. The first applications to appear will likely involve “platooning” — electronically connected trucks moving in tight formations to improve aerodynamics and reduce fuel costs. While it is easy to envision many barriers to rapid implementation of “driverless trucks”, it will be important to monitor the deployment of this potential game changer.

Assistant Vice President Shortline Development, Dick Ebel, closed the conference by saying farewell to railroading and the shortline industry. “I have gained some lifetime friendships by working in this industry, and that’s true of the people in this room,” he said. “We haven’t always had the best conversations, but we’ve always been honest and truthful. We worked hard to find the right solutions together to work forward.”
2014 conference earns high marks

This year’s shortline conference earned higher marks than prior years. Eighty-four percent of survey participants gave the conference either an “Excellent” or “Very Good” rating, up eight percentage points from a year ago. About half of the conference attendees participated in the post-conference survey.

“The speakers provided good information, it was well organized and the location was great,” commented one attendee. “I thought the distance from the airport was far, but I like being downtown with lots of options for entertainment. I liked the breakout workshops.”

The Automobile Vehicle presentation by Dr. Lawrence Burns of the University of Michigan and the Economic Update by BNSF chief economist Sam Kyei also received positive reviews. Those presentations and five others earned high marks along with networking opportunities. The new conference location in downtown Fort Worth also received favorable comments. Next year’s convention will return to the Worthington Renaissance Hotel in Fort Worth.

The Building Products commercial team meeting was the most popular workshop with 70 percent of survey respondents rating the session “Very Good.” Attendees also liked the opportunity to interface with various BNSF representatives and people from the shortline industry. Mingling over dinner, during breaks and at receptions were favorite times for attendees to meet and greet and swap contact information.

Many respondents offered suggestions for how to improve future shortline conferences. More interaction with BNSF representatives, additional networking opportunities and more time to chat at the pre-dinner reception were suggestions for future success.

Conference Feedback

“I found it very informative. Generally what I try to get out of a shortline conference is I try to understand the Class I vision and what they foresee in different markets, develop relationships and gather any market intelligence they are willing to share.” – Dave Geraci, VP Sales & Marketing Central Region Railroads, Genesee & Wyoming

“The BNSF Conference is important for us to attend as it gives us the opportunity to meet with the marketing managers we work with all year long via phone and email. It gives us a chance to connect faces with names and make working together much easier. Networking during the conference is another important aspect for us, as is hearing the economic forecast for the coming year.” – Michelle Renfrew, Senior Account Manager, Alaska Railroad Corp.

“I found the conference this year to be very educational and a wonderful way to network with BNSF personnel and the other Shortline representatives. I especially liked the break-out sessions on the first morning when we heard the updates about the various markets and had an opportunity to speak with the BNSF managers. The Executive presentation is always interesting and gave an overview of the issues facing the railroad and plans going forward. Overall I found the meeting very beneficial and always look forward to it each year. I especially liked the venue this year. It was wonderful being in downtown Ft. Worth.” – Barbara O’Neill, Director of Marketing, Richmond Pacific Railroad Corp.
Over the past 17 years, traffic along the heavily populated Wasatch Front Corridor traversed by the Utah Railway has taken on a different look. Coal trains that almost exclusively rumbled over the route during much of Utah’s 100-year history are now blending with movements of other commodities.

Today, Utah Railway trains haul a diverse portfolio of products including petroleum, industrial products and agriculture. And while lumps of coal from the traditional coal fields of Utah are still a big player for Utah Railway, the shortline is developing other energy business.

“We are committed to unlocking the potential for the state of Utah, and our teamwork with BNSF allows more shippers to increase their business,” said Clint Ashmead, Utah’s vice president of marketing. “Before we began working with BNSF, our business was mainly the movement of coal. Now, Utah Railway moves many other commodities because shippers have access to the BNSF network.”

Diversifying its portfolio and working to grow its business are among the reasons why Utah was named BNSF Railway’s 2014 Shortline of the Year at the annual BNSF Shortline Conference in Fort Worth.

“Utah Railway demonstrated outstanding performance over the last year as we worked together to grow our businesses and serve mutual customers in petroleum, coal, industrial products and agriculture,” said Dean Wise, BNSF vice president of Network Strategy. “We congratulate Utah Railway on their achievements and we honor them for making a difference to expand our supply chain network.”

Utah Railway, which was acquired by Genesee & Wyoming in 2002, plays a vital role in connecting Utah industries to BNSF’s network, resources and expertise. Utah’s customer service focus and excellent safety record make them a shortline industry leader and a natural choice for this year’s award, Wise said.

Much of the railroad’s success is attributed to its ongoing focus on enhancing customer service, focusing on network and terminal velocity initiatives, responding to changes in traffic volume, and investing in infrastructure while always emphasizing that the safety of employees is top priority.

“As far as our success at Utah Railway, it’s pretty simple,” President Brad Ovitt said. “Every day it’s being the safest railroad in the industry, that’s the number one goal. Our number two goal is to exceed our customers’ expectations.

Ovitt said Utah’s 60 employees have a sense of pride and ownership in the railroad, averaging 17 years of service with the company.

“There’s a long history here that means a lot to them,” he said. “And they have a good work ethic. They are really what drive our success.”

The desire to achieve top-tier customer service has helped Utah make the most of its opportunities in the petroleum sector, an area that is targeted for future growth. In the past two years, exports of crude petroleum have been a key driver for new business with help from BNSF.

“Our relationship with BNSF is strong, and it’s been that way since 1997 when we started doing business together,” Ashmead said. “We’re constantly communicating with one another and working together. We value our relationship with BNSF because they offer us a lot of opportunities to serve freight customers within the state. But it does take us working together, and we do that very well.”

With an emphasis on safety, Utah recently celebrated 1,000 injury-free days. Ovitt says the milestone helps build trust with customers. Customers want assurance that Utah personnel working in their facilities are meeting the same safety expectations or exceeding what they require.

“Hopefully by working with BNSF, we can find new lanes and new opportunities, particularly in the energy sector,” Ovitt said. “While we’re close to the commodity itself, BNSF has the network. It works out to be a perfect pairing.”
Trackside chat
Darr leaning into ASLRRA’s top leadership role

Linda Bauer Darr was recently appointed as the successor to General Richard Timmons as president of the American Short Line and Regional Railroad Association (ASLRRA). Darr comes to the ASLRRA with multi-modal transportation experience and trade association leadership.

A native of Bowie, Maryland; which is midway between Washington, D.C. and Annapolis; she grew up in a family experienced in public service, investment banking and labor issues.

Prior to joining ASLRRA, Darr worked with several major modes of transportation – either as an advocate or a government official. Her most recent position was president and chief executive officer for the American Moving & Storage Association.

At October’s BNSF Shortline Conference, the Shortline Connection sat down with Darr. Here are some excerpts from our conversation:

Q: If there is one thing that you’d like short line owners and operators to know about you – personally or professionally – what would it be?

A: There are so many things that define a person. When I started association work in 1989, I was actually terrified of public speaking. Over the years, I just kept working at it. I kept trying to find different ways to stare it down because I knew it was something that I had to master. Eventually I came to the point where I am now, and I fully enjoy it. I think about how that translates into the leadership that I will show at the Association. If a problem comes forward I’m not going to move away from it. I’m going to lean into it.

Q: You’ve been involved in all aspects of transportation, more recently buses and trucking. How does that prepare you for your new role?

A: I think it’s all about perspective. There was a quote, “everything we see is a perspective, not the truth.” I’ve come to believe that in life – and certainly in my career. I believe that my perspective from working with the various modes of transportation; combined with the different experiences; allows me to add additional depth to my work. If you add that to the rich pool of knowledge in this industry; I think it’s a powerful combination. The key is for us to listen to one another and collaborate.

Q: You’ve obviously had a lot of experience in trucking. While shortlines are working more and more with the trucking industry, trucks are still viewed as a competitor. Do you think you’ll have an easy time of being accepted by railroaders who may wonder about your loyalties toward trucking companies?

A: I think people by their nature can be skeptical at times and they will be looking for signs of me having a modal bias one way or another. But I work for the people who pay me. I can’t do a good job unless I am totally bought in. And it’s not going to take me long to be bought in to an industry like this. The pride is enormous. The people are very welcoming and very down to earth.

Q: Transportation is booming privately and publicly, and the time seems right for future investment. Yet, Congress can’t seem to get a long-term transportation bill done. How do short lines plan for the future and how do we get that long-term bill done?

A: There’s not a good answer to that. That’s an environment we’ve been in quite a while. I don’t know that anyone expects it to change any time soon. But we need to make sure we’re playing on the right playing field. So if all the activity is going to be happening in the administration, then we need to make sure we focus as much energy and attention as we can on getting things done there. Regardless of how frustrating it is and regardless of whether we believe it’s right or wrong that they’ve taken on this role of executive power.

Q: What would be your advice to short lines that depend on tax credits and may feel apprehensive about investment because a long-term plan isn’t in place?

A: I think we’re going to be able to get it done. I wouldn’t necessarily alter my plans dramatically one way or another. I think we have the support we need as an industry. Both Democrats and Republicans can find reason to support what we’re doing. So, it’s really a matter of finding the right vehicle to move legislation forward, and that would be a vehicle that is non-controversial and had lots of buy-in.

Q: Do you see younger people coming to the railroad industry, or will it be a hard sell for railroads to replace retiring railroaders at a time when today’s workers are looking for jobs that don’t require a hard hat?

A: It certainly will be a challenge, but it’s not insurmountable. The first place you look is railroading families, people who’ve already got it in their blood. You make sure every opportunity is there for that next generation of railroaders to be handed the mantle. You go beyond that to veterans and trade schools and people who are not necessarily interested in going the collegiate path. And you have to market the industry in the right places.

Q: Do you have a fond memory of a railroad or experience with trains?

A: When I was about 18-years-old I drove a train. I was a train engineer at Jolly Rogers Amusement Park in Ocean City, Maryland, and I did the best job I could with the equipment I was given. I kept the bell very shiny. It was always well-polished. Every now and then the train would go off the track, and luckily I had “Bubbles” and “Willy” around. They were the park engineers who would come and save the day and get me back on the track.