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February 29, 2024

Ms. Cynthia Brown, Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street SW
Washington, DC 20423

ENTERED
Office of Proceedings
February 29, 2024
Part of
Public Record

RE: Docket No. EP 770 (Sub No. 1), Urgent Issues in Freight Rail Service — Railroad Reporting

Dear Ms. Brown:

Pursuant to the Board's January 31, 2024 decision in this proceeding, BNSF Railway Company submits the attached Interim Update providing six-month and one-year workforce targets, as well as information concerning BNSF's plans to maintain a labor supply adequate to our projected volumes.

On February 14, Union Pacific Railroad Company ("UP") filed a motion for a protective order to cover employment data it submitted in this proceeding. As of the time of this writing, the Board has not ruled on UP's motion and UP's interim update has not been posted to the docket. While BNSF does not take any position on the merits of UP's motion, we request that, however the Board resolves the issues raised there, it extend consistent treatment to any similar information submitted by BNSF.

When the Board rules on UP's motion, we would of course promptly make any necessary changes to impacted submissions.

Sincerely,

Travis Owsley
Senior General Attorney

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 January 31, 2024 decision in this proceeding,¹ BNSF Railway Company provides the following Interim Update regarding BNSF’s ongoing efforts to ensure that our workforce is sized to meet our customers’ service needs, as well as provide the Board with six-month and one-year targets for employees in active service.

As BNSF described in our December 2, 2022 Interim Update, at the time of that update, service on our network had largely been restored to pre-pandemic levels, and thus our targets reflected our efforts to consistently sustain that service recovery and incrementally improve upon it.² As the Board noted in the January 30 Decision, BNSF has been successful overall in meeting the service and employment targets contained in that Interim Update.³ With respect to workforce levels specifically, BNSF was on target or excess of 95% of target for each of the main operating departments throughout the year.

BNSF Employees in Active Service, Percentage to Target, 2023

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
T&E	102%	102%	102%	103%	103%	104%	98%	99%	100%	100%	102%	101%
MOW	95%	98%	99%	100%	100%	101%	100%	99%	100%	100%	99%	99%
MOE	103%	101%	102%	103%	104%	104%	102%	102%	102%	101%	101%	101%

* Performance against one-year target from July to December

BNSF understands that the Board’s focus on workforce levels is rooted in its interest in service, so it is important to note at the outset that service performance is driven by myriad complex factors. In addition to the size of our workforce, factors such as demand fluctuations, capacity expansion, productivity enhancements, changes in economic or weather conditions, and volume mix all have the potential to significantly impact service levels. As BNSF described in our Supplemental Service Recovery Plan, recovering from the unprecedented impacts of COVID-19 on our railroad required not just aggressive hiring efforts, but commensurate focus on increasing

¹ *Urgent Issues in Freight Rail Service—Railroad Reporting*, Ex Parte No. 770 (Sub-No. 1) (Jan. 30, 2024) (“January 30 Decision”).

² Interim Update of BNSF Railway Company, *Urgent Issues in Freight Rail Service—Railroad Reporting*, Ex Parte No. 770 (Sub-No. 1), at 1, 7 (Dec. 2, 2022) (“First Interim Update”).

³ January 30 Decision at 5.

locomotive availability and reducing railcar inventory.⁴ We are proud of the commitment our entire team showed in pursuing and achieving our service recovery.

We are also proud of the commitment our team showed to accomplishing that recovery without losing focus on safety. BNSF's vision is to operate our network free of accidents and injuries, and we pushed closer to that vision in 2023 than ever before. The BNSF team achieved the lowest injury frequency in our railroad's history (0.81), which represented a 20% year over year reduction, while also reducing our injury severity rate by nearly 35% year over year.⁵ Operating safely is a key to being able to consistently provide effective service to our customers, and we have aggressive plans to improve our safety performance even more in 2024.

Our service performance is also inextricably tied to our continued commitment to reinvesting in our network. BNSF's 2024 capital expenditure plan is approximately \$3.9 billion, bringing the total over the past ten years to approximately \$38 billion. During that time, BNSF has invested billions of dollars into major expansion projects to unlock capacity on our network and numerous double and triple-tracking projects along our Southern Transcon Corridor. Likewise, BNSF has made substantial investments to harden our network and provide greater resiliency to operate under extreme conditions, such as supplementing our locomotive fleet with modern high-traction A/C locomotives and pursuing projects, like permanently raising track beds in flood-prone areas, that mitigate local environmental impacts throughout our network.

BNSF has also driven greater productivity and service performance by developing and implementing new technologies and methods, such as our automated track inspection and brake health effectiveness programs, which have made our network safer and more efficient. The collective impact of these and other measures has facilitated the service improvements on BNSF's network and illustrates that any assumptions of improved service being solely determined by increased headcount do not take into account the full picture of variables impacting service and are not supported by data.

II. Employment Outlook for 2024

While the Board has predicted increasing volumes in 2024 and is correct with respect to BNSF's intention to aggressively pursue volume growth,⁶ market indicators suggest that the freight environment in 2024 will continue to be highly dynamic and variable. For instance, while demand in the carload space is softening, we are experiencing a boost in intermodal demand that is expected to be short term as external events such as shipping attacks in the Red Sea and Panama Canal water levels drive more shipments to west coast ports. Even so, one ocean shipping line announced workforce reductions late last year due to worsening market projections.⁷ At a macro level, the minutes of the January meeting of the Federal Reserve indicate a continued focus on inflation reduction that may forestall interest rate cuts, affecting economic growth and demand for

⁴ Supplemental Service Recovery Plan of BNSF Railway Company, *Urgent Issues in Freight Rail Service—Railroad Reporting*, Ex Parte No. 770 (Sub-No. 1), at 5 (June 23, 2023) ("Supplemental SRP").

⁵ For more information regarding BNSF's 2023 safety performance, see our Dec. 15, 2023 Bi-Weekly Update in this proceeding.

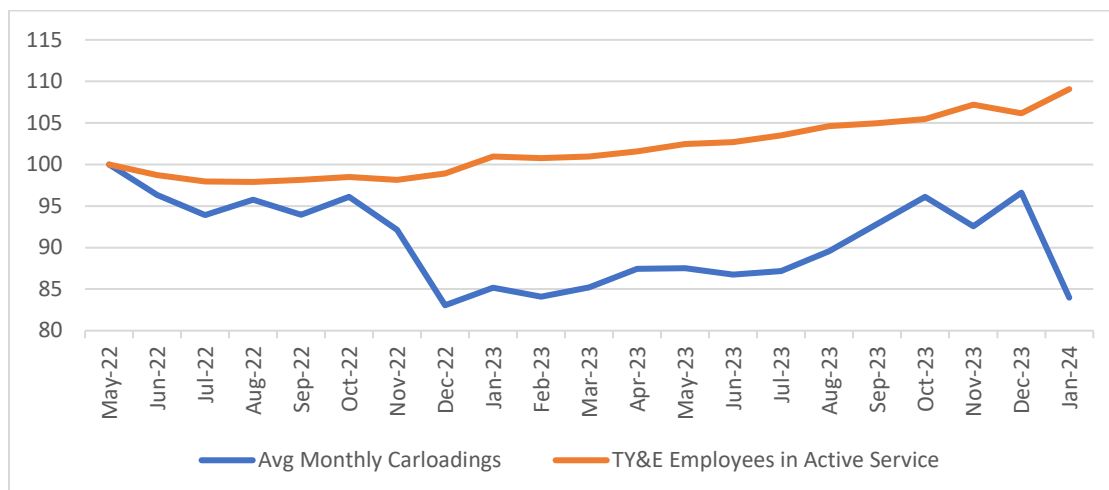
⁶ See January 30 Decision at 7–8.

⁷ Greg Miller, *Maersk Cutting 10,000 Jobs in Face of 'Worsening Market Conditions'*, FREIGHT WAVES, available at <https://www.freightwaves.com/news/maersk-cutting-10000-jobs-in-face-of-worsening-market-conditions> (Nov. 3, 2023).

goods.⁸ On the whole, the uncertain demand environment railroads experienced in 2023, an environment which contributed to our carloadings in 2023 reaching the lowest levels since 2009, seems more likely than not to continue into 2024. As always, BNSF is staying in close contact with our customers to understand anticipated freight rail demand as much as possible. At the moment, these conversations, particularly in the industrial and energy sectors, continue to suggest headwinds in their areas, not tail winds. Growth in 2024 is not going to land in BNSF's lap as a result of a rising economic environment—instead, it will be imperative for BNSF to be agile and move quickly to meet narrower, commodity-specific and geographic-specific opportunities in real time.

As volume levels declined in 2023, BNSF did not follow historical norms to adjust the transportation employee service boards to track demand. Instead of adjusting the boards in low volume areas and allowing the work and our resources to flow to areas with higher volumes, BNSF artificially kept the board numbers high to avoid employees falling into furlough status as normally contemplated under collectively bargained agreements. This resulted in a number of locations with a significant portion of the crew base sitting idle from lack of volume, while at the same time, areas with significant volume struggled from a lack of local crews. To counterbalance the lack of movement on the boards, BNSF aggressively engaged in hiring programs in those locations with high demand. In fact, BNSF even pulled forward our 2024 hiring plan into 2023 to further increase our workforce in our most challenged geographies. As a result, throughout 2023 and into 2024, BNSF remained over-resourced relative to volumes on a systemwide basis, which affected our ability to compete in the marketplace. As the largest intermodal carrier in North America, a key aspect of our successful growth strategy is competing in highly elastic, truck-competitive markets, and maintaining an oversupply of underutilized resources is a detriment to our ability to grow rail volumes and take trucks off the road.

Change in TY&E Headcount and Average Monthly Carloadings, Indexed to Beginning of EP 770 Reporting Period



⁸ Jeanna Smialek, *Fed Minutes Show Embrace of Inflation Progress but No Hurry to Cut Rates*, THE NEW YORK TIMES, available at <https://www.nytimes.com/2024/02/21/business/economy/fed-minutes-show-embrace-of-inflation-progress-but-no-hurry-to-cut-rates.html> (February 21, 2024).

Our 2024 goal regarding our employee base is, as always, to have the right number of people in the areas of our network where they are needed to meet customer demand. BNSF's hiring process has evolved away from hard targets in recent years to include weekly conversations about market outlook, the workforce needed to service that outlook, and the timelines associated with hiring and training newly hired employees. Hiring numbers are no longer "set" at the beginning of the year, but instead evolve throughout the year to meet new demand, growth opportunities and evolving work needs by customer and by geography. Given the dynamic 2024 market environment, the lessons learned from our experience during and after the pandemic regarding the fluidity of both the workforce and market forces, and our now more iterative hiring plan process, providing a firm year-end headcount number in February is more a theoretical exercise than a reliable projection reflecting the changing needs of our business.

The targets set forth below project overall decreases in system total headcount to better align our resources with what our customers are currently telling us about likely freight demand. These targets are our current expectation based on current conditions and are created at the Board's request as of a specific moment in time and should not be confused for BNSF's plan. Our plan is fluid and we will continue to carefully monitor and adjust it in real time to meet the moment in terms of current volume and evolving opportunities. We will continue to engage in our iterative hiring process to ensure that we have the right people, in the right locations, to meet customer demand. We anticipate much of the forecasted decrease will occur through attrition; however, some limited, location-specific workforce actions will also be a component of this reduction. As the Board acknowledged in its June 13, 2022 decision in this proceeding, adjustments such as these can be dictated by market conditions,⁹ which is the case here. Given the extent to which BNSF had grown our workforce beyond what was needed for volumes in 2023, we expect to remain adequately resourced for projected volumes, as well as growth opportunities, in 2024.

One exception to the iterative process described above is in our Mechanical workforce. The decreases shown in the chart below reflect the need to correct a misalignment between where the majority of the work exists—in our running repair shops—and where a significant portion of our resources are located—in back shops and smaller locations where we no longer have the volume of work we had historically. Today, ninety-five percent of BNSF mechanical work occurs in 11 major locations, and we are working to better align the resources we have to the level and location of the available work.

⁹ See *Urgent Issues in Freight Rail Service—Railroad Reporting*, Ex Parte No. 770 (Sub-No. 1), at 7 n. 14 (June 13, 2022) ("June 13 Decision") ("The Board recognizes that circumstances can change substantially in a year and that such changes could affect or supersede the one-year labor force target that the Carriers will provide in response to this direction.").

Projected Workforce Levels for 2024¹⁰

Category	Expected Employees Six Months (July 1, 2024)	Expected Employees One Year (December 31, 2024)
L300 – MOW & Structures	8,150	8,000
L400 – Maintenance of Equipment & Stores	6,100	6,000
L600 – Transportation (T&E)	14,600	14,400
Customer Service	75	75
Other	7,083	7,083
Total	36,008	35,558

III. Policies and Programs to Ensure Workforce Levels Adequate to Demand

As BNSF has previously noted, systemwide headcount numbers do not tell the entire story of the factors impacting service to our varied customer base.¹¹ Having a workforce oversupply on a systemwide basis does not ensure we have a workforce adequate to meet demand at each location on our network. In particular, geographies where tight labor market conditions persist, such as the Pacific Northwest and Southern California, continue to remain a focus for hiring and employee-transfer efforts even as we are over-resourced on other parts of our network. To be clear, BNSF expects to maintain a hiring program across all crafts during 2024.

In our Supplemental Service Recovery Plan, BNSF comprehensively detailed the tools we were utilizing to attract and retain the workforce necessary to recover from the unprecedented labor market disruptions caused by the pandemic.¹² Those tools included increasing the number of offers made to candidates to compensate for decreasing acceptance rates and onboarding attrition and offering significant incentives to both current and prospective employees to locate in our highest need areas. With respect to hiring, these generally remain the tools that BNSF will utilize to ensure we have the workforce we need in 2024. To provide a specific example, we have extended employment offers to 543 TY&E job candidates against a year-to-date hiring plan target of 405 in order to account for a fall out rate of 30% as 165 candidates have either dropped out of the onboarding process or failed to clear necessary pre-employment checks.

Additionally, given the anticipated movement in our overall workforce levels, BNSF is offering a number of measures to incentivize employees in over-resourced areas to keep working by taking on open roles in areas with pressing needs. Historically, workforce levels reached equilibrium with staffing needs as furloughed employees in over-resourced areas who wished to maximize their earnings chose to accept offers to temporarily or permanently transfer to terminals or crafts with a need for additional manpower. After taking several actions in 2023 designed to keep extra boards artificially inflated and prevent any transportation employees from going into

¹⁰ The target for Other represents our projections for employees in job categories L100, L200, and L500 plus those employees in categories L300, L400, and L600 who do not appear as Employees in Active Service due to being in training or on paid leave, less the employees reported separately for customer service.

¹¹ See First Interim Update at 6.

¹² Supplemental SRP at 6–7.

furlough status, we have observed that many of our employees responded by choosing to stay in overstaffed areas even when that meant earning significantly less than what was available elsewhere.¹³

The resulting demand-staffing disequilibrium has made it necessary to return to the collectively bargained-for process around setting the train service boards and the extra boards based on changes in volumes at a crew district level. BNSF has historically been able to respond to dynamic market conditions using the traditional collectively bargained structure, and artificially suspending aspects of those agreements has compromised our ability to match human resources to the work around our network. Under those negotiated agreements, excess employees are moved from the boards and provided opportunities to bid into other work groups, after which they may end up in furlough status. Our current expectation is that the number of transportation employees affected by contemplated workforce adjustments in oversupplied crew districts will be mitigated by us once again offering opportunities to permanently or temporarily transfer to terminals where there is a staffing need. Similarly, in the mechanical space, we are working with the labor organizations representing our employees to identify opportunities for location and craft transfers (including re-training) from oversupplied areas to areas where there is a need for personnel.

As we have stated, BNSF recognizes that historical patterns of furlough and recall in the industry were substantially disrupted during the pandemic, and the active workforce reduction measures we are taking in oversupplied areas do not rely on historical conceptions of recall rates. To ensure an ability to scale up with demand while also mitigating the impacts of necessary workforce reductions on our employees, we are in negotiations with our union partners concerning opportunities short of furlough to secure additional layers of buffer in our workforce. These measures include the following:

- **Work Retention Boards.** Under this program, employees could bid onto Work Retention Boards and would receive a stipend for each half-month they are on the board along with the continuation of their health and welfare benefits. Employees would not be subject to being called for service while on a Work Retention Board.
- **Voluntary Unpaid Service Boards.** Under this program, employees would not be paid or receive a stipend, but their health and welfare benefits would continue and they would not be subject to potential recall for a stipulated period of time.
- **Location and Craft Transfers.** In some areas and crafts, we have offered and will offer employees the opportunity to relocate to areas where there are open positions. Employees wishing to transfer from a craft without open positions to another craft that does have open positions will be given the opportunity and necessary vocational training to effectuate a successful transfer.
- **Short- and Long-Term Temporary Transfers.** Under these programs, employees can bid onto jobs in locations with staffing challenges. In some

¹³ For instance, we have seen a much lower bid rate for incentivized temporary transfer opportunities to focus terminals and employees choosing to remain on crew pools that are only paying the basic guaranteed rate as opposed to bidding for manned helper jobs that would pay trip rates above the basic guarantee.

instances, the employees receive incentive payments for agreeing to be away from home for an agreed upon period of time.

- **Early Retirement Opportunities.** In some areas and crafts, we are negotiating early retirement incentives that include the waiver of prequalification for vacation benefits.

IV. Conclusion

BNSF is well-positioned to meet our customers' service needs in 2024 and help their businesses grow. Growth is an imperative for BNSF; we are off to a strong start in some areas of our business in 2024 and working hard to build on that momentum by vigorously competing to bring volume to our railroad. While there will always be variability inherent to rail transportation, our network is more resilient than ever, and the entire BNSF team is committed to succeeding for our customers. We have recently demonstrated that resiliency and commitment with the speed at which we recovered from the Polar Vortex event last month. BNSF looks forward to building on the successes we've achieved over the past year in order to continue delivering service that meets our customers' expectations.

Respectfully submitted,

/s/ Tamara Middleton

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Dated: February 29, 2024