

Insights: BNSF performance through Q4, 2023

1/23/2024

Although we faced unfavorable economic and market conditions throughout 2023, we did not allow our year to be defined by those challenges. In fact, against prevailing headwinds, we found success—most notably in safety. The following is a brief overview of our collective performance in 2023.

Safety Performance

The year 2023 will certainly be remembered for our work together to deliver record safety results. Not only did we operate our railroad without loss of life, but we had the fewest number of injuries and the lowest injury frequency rate in BNSF's 175-year history. Thanks to your focus through the back half of the year, we ended 2023 with a reportable injury frequency rate of 0.81. This is a giant step forward toward achieving our safety vision.

Our success is a credit to our Operations teams approaching one another about safety, building strong intentional relationships and making wise decisions with safety as the foundation. Looking at our 10 cross-functional division teams, the Heartland Division led the pack ending 2023 with a strong 0.59 injury frequency rate (IFR). Our Kansas Division team was very close behind with an IFR of 0.60 and the Northwest Division finished at 0.66. So many local teams across the BNSF network have been working injury free for many years, proving every day that our safety vision is absolutely within our reach.

While we take pride in our record safety results, we also know our work in safety is never done. As we continue to advance processes, training and technology to achieve our safety vision of a workplace free of injuries and accidents, I challenge all of us to think about the role we'll play in 2024 to build on this success and ensure everyone goes home safely at the end of the workday.

Service Performance

We continued to make headway to restore service through the fourth quarter. While we fell short of our overall service goals for 2023, train velocity improved over the previous year and we made gains in terminal dwell, which was down 15% year over year.

Overall, we can take pride in our service performance in 2023. We delivered a strong harvest after a slow start and quickly ramped up to a peak of 155 shuttle sets. We delivered more than 85 million packages through a successful Parcel Peak. And, when domestic peak was larger than anticipated, Corwith achieved an all-time-record month for production in October with a 25% increase over the previous month. Corwith's achievement combined with the performance delivered by our Cicero, Willow Springs and Joliet terminals enabled us to deliver an all-time-record month for volume in our truckload segment in October during

Domestic Peak Season. Additionally, our Los Angeles team at Hobart achieved an on-time departure record and their most efficient year in a decade.

Volume may not have been on our side in 2023, but our ability to meet customer expectations helped us hold on to, and win, available business in the marketplace. I continually hear from customers how much they appreciate your work to meet their freight needs. Safety, consistency and reliability remain vital to our success. With a fluid network and capacity to take on new business, we have every opportunity to build on our progress and grow with our customers in the new year.

Volume and Financial Performance

The most challenging part of 2023 was the relatively weak demand for freight rail service, which prevented us from reaching our financial expectations. We'll share more details in our 2023 Financial Report following the release of the Berkshire financials in February.

Overall volume for BNSF was down 6% year over year. Consumer Products volume decreased 8.4% compared to 2022 mainly due to depressed U.S. West Coast imports as retailers normalized inventories and excess capacity in the truck market persisted. Industrial Products volume ended the year down 0.8%, driven by softening industrial and manufacturing markets. Coal was down 4% from 2022 mostly as a result of low natural gas prices. Agricultural Products volume decreased 2.8% because of lower grain exports due to the U.S being uncompetitive in global markets.

Despite these headwinds, we controlled what we could control, and we made significant gains in market share to set us up for success in 2024. Domestic Intermodal started the year down after the loss of a major customer to a competitor. However, our team responded aggressively, and we finished 2023 ahead as our growth initiatives with JB Hunt and Amazon exceeded the business we lost. We also reached multi-year contract extensions with several of our Consumer Products customers, demonstrating the strength of our industry-leading product. In Agricultural Products, we capitalized on the emergence of new markets to deliver a full-year volume record for grain products like renewable diesel, feedstocks and oilseed/meals. Industrial Products also achieved a share increase in Building Products and Construction Products due to continued solid infrastructure demand and service improvement.

At BNSF, we don't sit back and accept market conditions. We adjust and adapt and continue to grow with our customers. You can see this in our new service offerings like our Quantum intermodal service or our recently announced Mexico service. You see this in the way we get ahead of emerging markets like renewable diesel, positioning BNSF to be the carrier of choice as new opportunities arise. We also need to give credit to so many of our teams that worked hard in 2023 to be even more efficient and find productivity improvements where possible. All these efforts helped maintain our competitive edge and brought value to our customers, despite the uncertain market conditions.

The good news is that BNSF remains fiscally strong, we continue to have outstanding support from our owner, and we're positioned for a strong start to 2024.

ICP Announcement and Conclusion

In conclusion, although 2023 had its challenges, we can feel good about our ability to power ahead, adapt and overcome in many ways.

Considering our overall results, we know that we are not where we need to be and did not meet our financial targets. Despite these challenges, we achieved record-breaking safety results as well as successfully restored service for our customers, creating momentum for 2024. Taking all these factors into consideration, I'm pleased to report that the 2023 ICP award will be 100% of target. It's important to note that our ability to deliver ICP awards at this level or better will require continuous improvement and building on what we have achieved in safety, service and productivity in the years ahead. Eligible scheduled and salaried employees may view their ICP payout amount beginning the afternoon of Jan. 29 by clicking on the myTotalRewards link from the Employee tab on the BNSF Employee Portal. ICP payout will occur on Jan. 31.

The 2023 merit pool for salaried employees will be 3.5%. Individual merit increases will vary as they are based on individual performance and relative pay equity. Merit raises will take effect Feb. 1. Beginning Feb. 15, team members can access their merit increase statement through the myBNSFcareer website.

Every day at BNSF, each of us has an opportunity to contribute to something vital to our customers, our communities and our nation. What we do matters—day in and day out, and we've got a lot going for us in the new year. We've got strong momentum in safety. We've restored service and made gains in market share, with even more capacity to grow. I also know we're all excited to welcome back to BNSF a special group of experienced railroaders from the MRL. The future remains bright for us here at BNSF.

Thank you for your efforts in 2023 to safely deliver the goods and materials that sustain the American way of life. I'm excited to see all we'll accomplish together in 2024.

With gratitude,

Katie Farmer
President and CEO
BNSF Railway