MARKET TRENDS
MARCH 2014

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Market Trends & Analysis

Truckload Freight Index Performance

The changes in Hours of Service Regulations (mandatory rest/re-start periods) have had a greater than expected impact on driver capacity, beginning in Q3 of 2013 and accelerating through the end of the year. A modestly stronger economy, increased expenditures in construction and infrastructure projects, and heavy winter weather exacerbated the capacity issues. The Morgan Stanley Truck Load Freight Index (Exhibit 1) has continued to trend upward in Q1 of 2014 indicating there is a significant imbalance in freight demand and capacity supply. While the demand component of the index was in line with historical averages, supply tightened greatly, pushing the overall index into unprecedented territory. All of these capacity issues combined are impacting truckload pricing in a manner we have not seen in a decade.

Exhibit 1

Morgan Stanley Dry Van ONLY Truckload Freight Index.

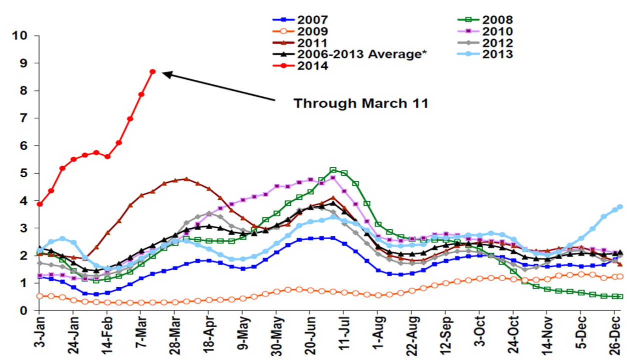
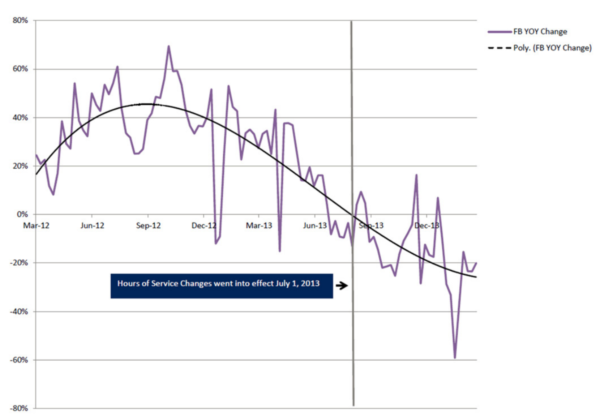


EXHIBIT1 The index measures the incremental demand for Dry-Van Truckload services compared to the incremental supply. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity. *Straight-Line Forecast is based on 2006-2013 average trend line, which excludes financial crisis years of 2008 and 2009; Source: Morgan Stanley Research, Data as of 3/11/2014

Flatbed YOY Change



Flatbed capacity is currently at lower than historical levels. Capacity peaked in late 2012 and has steadily declined over the past 15 months to current levels which are down 30% to 40% since that time. Average capacity for 2014 is running approximately 49,000 which is 17% lower than average weekly capacity in 2013. This sector has been significantly impacted by recovery in the general economy and specifically construction.

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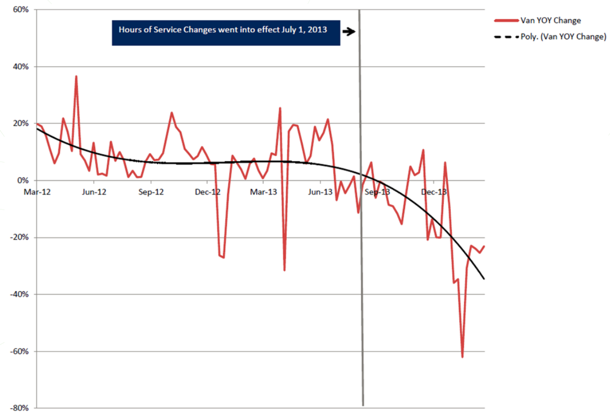
Van YOY Change



While there is some volatility present in the week to week changes it is clear that the hours of service changes that went into effect July 1, 2013 are having a significant impact on capacity. Since the hours of service regulations took place, capacity has declined by 18% and is not recovering as capacity hit its lowest point since 2011 during the last week of January 2014. While capacity has increased slightly since that point it is still well below historical norms with the average weekly capacity for 2014 at 125,475, 30% lower than the average capacity before the hours of service changes went into effect.

Summary and Outlook

BNSF Logistics interfaces with approximately 75 different capacity provision services, links directly with some carriers, and also allows carriers to post capacity into our TMS application. In 2012 and 2013, these sources provided an average weekly capacity of approximately 250,000 power units; however, since the week of January 11, 2014, our capacity has declined approximately 40% per week versus seasonal historical norms.

Broader truckload market indicators suggest that carriers are gaining pricing power, as February rates are approximately 2.6% higher than prior year, and approximately 11% higher than 2011 (Cass Truckload Linehaul Index). Furthermore, the DAT Trendlines report indicated that February dry van rates were approximately 13% higher than prior year.

COO's Market View Eric Wolfe

A confluence of factors are impacting truckload pricing to an extent similar to 2004. According to Avondale Partners, which provides analytics for Cass, there has been an unusual amount of truckload capacity leaving the market in the last two quarters. In addition, carriers are facing utilization challenges with the 2013 HOS changes combined with increasing highway congestion. Tonnage also continues to be at or near all-time highs.

Recovering industries such as automotive and construction are putting pressure on the always problematic issue of hiring and retaining qualified drivers (Q4 2013 driver turnover was at 91%, per the ATA).

The end result is that carrier rate increases are legitimate, higher than what the shipping public is accustomed to, and are certainly well ahead of typical inflationary adjustments.