

BNSF to spend \$6B in 2015 to ease gridlock

NEW YORK – BNSF Railway Co., the railroad owned by Warren Buffett's Berkshire Hathaway Inc., plans to spend a record \$6 billion next year to help speed trains and improve service crimped by surging grain and oil shipments.

Almost \$1.5 billion will go for expansion projects, BNSF said Thursday, with a third of that for the northern U.S. region where the carrier collects oil from North Dakota's Bakken shale formation and grain. BNSF said this year's capital spending will be \$5.5 billion, up from \$5 billion announced in February.

The spending plan shows regulators and customers that BNSF is committed to remedying delays that have left grain farmers and coal shippers without rail cars, said David Vernon, an analyst at Sanford C. Bernstein & Co. in New York. The U.S. Surface Transportation Board has convened hearings on rail service and ordered BNSF to report delays on a weekly basis.

"If you have service problems, you need to throw capital at the problem to make it go away," Vernon said. "You've probably got another build season before you can address some of those remaining capacity bottlenecks."

Service for Fort Worth, Texas-based BNSF and other major U.S. railroads, including Union Pacific Corp. and CSX Corp., deteriorated after a harsh winter slowed trains just as freight volumes rose more than expected.

Railroads hauled 12 million carloads in the third quarter, the most since at least 2006, according to Association of American Railroads data compiled by Bloomberg. This year through mid-November, shipments rose 14 percent for grain and 13 percent for petroleum products, which are mostly crude oil, the data show.

Train speeds have fallen to about 22 miles per hour in November, slower by 2 mph from a year earlier and 4 mph from 2012. The time that shipments sit in terminals awaiting continued movement rose to 23 hours in mid-November from 20 hours a year earlier.

Source: Bloomberg News / Minneapolis Star Tribune