

ILLINOIS COMMERCE COMMISSION

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CLASS I RAILROAD SUPPLIER DIVERSITY REPORT

2018 REPORT

RAILROAD NAME:

BNSF Railway

HEADQUARTERS ADDRESS:

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Fort Worth, TX 76131

SUBMITTED BY (Name & Title):

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Executive Director State Government Affairs

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<http://www.bnsf.com/suppliers/diverse-business-enterprise.html>

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TABLE OF CONTENTS

Introduction

Supplier Diversity Program Components

- Structure
- Process, Scope, and Tools

Program Size and Results

- Certified Diverse Spend
- Success Stories

INTRODUCTION:

BNSF Railway is very proud of our Supplier Diversity Program which is a key component of our overall Diversity and Inclusion strategy. The program provides *value and competition in the supply chain* through: inclusion in the RFP process; local, regional, national, and internal stakeholder outreach; partnerships with certification Councils and other Supplier Diversity Professionals; and, finally, through utilizing the Supplier Pre-Assessment Tool. BNSF believes that our supply base should *mirror our diverse workforce, as well as mirror the diverse communities and the diverse customers that we serve*. Additionally, our program *provides compliance for state and federally funded projects* (self-performed projects vs. purchased goods and services), as well as allows us to *comply with our customers' requirements*.

BNSF operates in 28 states and 3 Canadian provinces utilizing 32,500 miles of track. Overall, our workforce represents the communities through which we operate. BNSF is proud to report that in 2016, fifty-nine percent of our new hires were minorities and women. In 2018, twenty percent of our new hires were veterans. BNSF is an industry leader in diversity having been recognized for the fifth year as a Top 50 STEM Native American Employer, and included in *Minority Engineer Magazine's* Annual Top 50 Employer list for 2018. Much of the work performed throughout our network is done by our diverse, full time workforce; however, when we have the opportunity to engage suppliers, we strive to identify qualified diverse-owned companies.

SUPPLIER DIVERSITY PROGRAM COMPONENTS:

- **Structure:**
 - **Organizational:** Housed within Strategic Sourcing & Supply to ensure a strong connection between Sourcing professionals and internal customers.
 - **Categories Measured:** Suppliers must be certified by a recognized Council/Agency.
 - Minority
 - Woman
 - Veteran
 - HUBZone
 - 8A (Business owned by an economically or socially disadvantaged person(s))
 - Small Disadvantaged Businesses
 - DOT
 - **Affiliated Certification Agencies and Councils** that BNSF works with, supports, and sponsors include, but are not limited to, the following:
 - **National Level:**
 - National Center for American Indian Enterprise Development (NCAIED)
 - National Minority Supplier Development Council (NMSDC)
 - NMSDC Railroad Industry Group
 - U.S. Hispanic Chamber of Commerce (USHCC)
 - U.S. Pan Asian American Chamber of Commerce (USPAACC)
 - Women’s Business Enterprise Council (WBENC)
 - Woman Owned Small Business (WOSB)
 - Various Veteran support groups
 - **Local/Regional:**
 - Agenda for Building Capacity
 - Hispanic Contractors Association
 - Hispanic American Construction Industry Association (HACIA)
 - Supplier Diversity Professional Work Group (40+ members)
 - Regional Affiliates of NMSDC (23 exist including the Chicago MSDC)
 - Regional Councils of USPAACC (5 exist)
 - USHCC
 - Regional Partner Organizations of WBENC (14 exist)
 - Veteran-Owned support groups
 - **Highest Level of Active Management Participation:**
 - VP Sourcing / Chief Sourcing Officer
 - VP Human Resources

- **Illinois Activities:** National conferences rotate each year to different cities to provide cost effective attendance by suppliers. BNSF attends the major conferences each year. Below are those held in Illinois:
 - Chicago Business Fair (2019)
 - Get On Board (2013 and 2019 – Not held every year)
 - NMSDC National Conference (2016 in Chicago)
 - USHCC National Conference (2013 in Chicago; Did not attend in 2018)

Additionally, we attend the National Native American Reservation Economic Summit that is always held in Nevada.

- **Process, Scope, and Tools:**

Freight railroads are extensively regulated by the federal government. Because of the nature of the railroad business, railroads are held to the highest safety standards. It is, therefore, imperative that railroads employ and contract with only the most qualified, highly-trained individuals that are certified to the highest safety standards.

Diverse-owned suppliers are afforded an equal opportunity to compete for all contracts and sub-contracts where the supplier can satisfy the plans, specifications, and requirements of the project. A supplier is awarded a contract or sub-contract when it can satisfy all project requirements and provide the lowest total cost of ownership.

- **Best Practices of BNSF's Program:**
 - Employ a full time Supplier Diversity Manager within the Strategic Sourcing & Supply Organization.
 - Connect current and potential diverse-owned suppliers with buyers of other corporations in order to foster opportunities throughout the supply chain.
 - Report spend with diverse-owned suppliers certified by a recognized agency or council. Certification is very cost effective (\$500 – \$950) for a supplier to obtain, and it greatly enhances the credibility of the supplier. The benefits to the supplier far exceed the cost.
 - Participate in and sponsor Council events at a National, Regional, and Local level. These events provide opportunities for one-on-one matchmaker meetings, roundtable sessions, business fairs, developmental sessions, new member orientations, etc. In order to engage diverse-owned business professionals to potentially be included in our supply chain, Managed Service Providers (MSP) and General Contractors (GC) regularly accompany the Supplier Diversity Team to these events. In 2018 alone, we participated in 52 events.
- **Best Practices of BNSF's Program (continued):**
 - Serve on Board of Director's and committees (On the BOD of a regional Women's Business Enterprise Council affiliate, Chair of National Minority Supplier Development Council's Railroad Industry Group, and member of the NMSDC's Transportation Group).

- Serve as both an active member and an officer of the Dallas/Fort Worth Supplier Diversity Professional Work Group where 40+ members of major corporations share best practices.
 - Actively consult with Supplier Diversity peers across the US. In the past eight plus years, a representative has regularly attended the NMSDC's Program Management Seminar in Chicago. However, due to the Council's decision to hold the 2018 seminar in Puerto Rico, BNSF was unable to attend.
 - Advocate internally for qualified suppliers through ongoing status meetings, supplier review sessions, buyer participation in events, etc.
 - Guide non-certified suppliers to become certified. For example, we have a Hispanic owned trucking company that provides drayage services. The Sourcing Manager for this contract advised the Supplier Diversity Manager who worked with the supplier to submit their application for certification.
 - Frequent contributor of articles to Minority publications
 - Actively require diverse-owned suppliers be included in bids. During the pre-assessment process, candidates' capabilities are analyzed to determine whether or not they qualify to be offered a bid opportunity. BNSF's Supplier Diversity Manager provides candidate listings and feedback to the Sourcing team throughout this process.
 - Report Tier 2 spend to our key customers.
 - Align Supplier Diversity Program goals with our overall diversity and inclusion strategy though participation in Chamber and other outreach activities.
- **Onboarding:**
BNSF utilizes a web-based portal (Supplier Pre-Assessment Tool - SPT) for potential suppliers to submit a profile of their company. This is a key method for a supplier to make themselves known to BNSF, and to remain visible on an on-going basis. Based on the materials and services noted, the profile is immediately routed to the appropriate Sourcing team. Supplier Diversity Manager actively monitors and serves as a liaison between buyers and suppliers on a consistent basis. Content includes safety ratings, railroad experience, e-Railsafe certification, insurance and bonding levels, and geographic service area.

Access to the Supplier Pre-Assessment Tool is very convenient via our internet site: <http://www.bnsf.com/suppliers/diverse-business-enterprise.html>

Of the 687 suppliers (diverse and non-diverse) that have profiles in the Supplier Pre-Assessment Tool, 63 are based in Illinois of which nine are categorized as diverse-owned.

PROGRAM SIZE AND RESULTS:

Supplier Diversity spend is measured as Prime and Tier 2.

- Prime Diverse Spend – Payments to a diverse-owned supplier that provides materials and services directly to BNSF.
- Tier 2 Diverse Spend – Diverse spend paid by a prime supplier (diverse and non-diverse) that is either directly or indirectly related to materials and services provided to BNSF.

We do not track spend by state for reasons that include:

- (1) Many of our agreements are at a national level to ensure consistency in safety, quality, pricing, etc.
- (2) Suppliers can be based in a different state than where the service is provided.
- (3) Several of our purchased services are outsourced and managed by a Managed Service Provider or a General Contractor. Diverse spend with MSP's and GC's is reported as Tier 2, but not by state.
- (4) Releasing spend by state has the potential to interfere with the confidential bid process.

The range of materials and services purchased from diverse-owned suppliers include: Constructions Services, Customer Event Coordination, Equipment Rentals, Environmental Services, Information Technology Services, Leadership Training, Legal Services, Lodging, Machining & Tooling, Railcar Lubricants, Staff Augmentation, Telecom Materials, Positive Train Control Materials, Signal Materials and Video Production Services.

- **Certified Diverse Spend for 2018:**

	\$MM
PRIME	
Woman	\$ 221
Minority	45
Small Disadvantaged Business	15
Veteran	210
TOTAL PRIME	\$ 491
TIER 2	95
TOTAL	\$ 586
# of Diverse Owned Suppliers	229

The above certified diverse spend reflects that a supplier may have multiple certifications. For example, they could be owned by a minority who is a woman and/or a veteran.

In addition to certified spend, we have 624 suppliers with total spend in 2018 of \$183 million that may meet the requirements to be classified as diverse-owned but are not certified by a recognized Council/Agency. Without verification, we will not include this spend. Another 1,560 suppliers with total spend of \$842 million are registered in the System for Award Management (SAM). This is where a supplier registers as a small business with a goal of bidding on government contracts. BNSF does not recognize this registration because diversity status is not validated by SAM.

- **Success Stories:**

- Individual and Corporate recognitions include:
 - National Champion of Diversity
 - National Best of the Decade
 - National Top 100
 - National Minority Business News Advisory Board member
- Nominations are inclusive of:
 - Corporate Advocate of the Year
 - Supplier Diversity Manager of the Year
 - Corporation of the Year
- BNSF's General Contractors utilized multiple diverse-owned sub-contractors on the CREATE Panhandle WA4 Project between 2010 and 2017. The total diverse spend was \$7 million and the total with a disadvantaged woman-owned Chicago steel and concrete contractor was \$5 million. Due to the completion status of the CREATE project, there was limited spend in 2018. This demonstrates our on-going initiative to ensure our prime suppliers also support our supplier diversity goals.
- BNSF has utilized a woman-owned Managed Service Provider for over 10 years for staff augmentation purposes. Spend through this MSP was \$40 million in 2018. As a testament to BNSF's efforts to mentor and support the development of diverse-owned suppliers, we were recently advised that the supplier is being purchased by a non-diverse-owned company. While this will be reflected as a significant decrease in our diverse spend in 2019, we are proud of BNSF's efforts to have supported the business owner's achievement.