

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 754

OVERSIGHT HEARING ON DEMURRAGE
AND ACCESSORIAL CHARGES

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WRITTEN TESTIMONY OF CSX TRANSPORTATION, INC. (“CSX”)

By decision dated April 8, 2019, the Board requested written testimony from participants in the May 22, 2019 oversight hearing on demurrage and accessorial charges (the “hearing”) and encouraged responses to the following topics:

I. CSX’s Recent Experience with Accessorial and Demurrage Charges

i. Largest Drivers of Demurrage and Accessorial Charges

The largest drivers of CSX demurrage are: (i) intermodal terminal storage/premise use;¹ (ii) carrier car demurrage;² and (iii) private car (non-hazmat) storage.³

The largest drivers of CSX accessorials are: (i) intermodal per diem,⁴ and CSX’s performance of (ii) customer switching service and (iii) special train service.⁵

¹ Intermodal terminal storage/premise is a per day charge for customer storage of trailers or containers at a CSX intermodal terminal or ramp facility beyond the credit (free) days granted by CSX.

² Carrier car demurrage is a per day charge for customer retention of railroad-owned or controlled (“carrier”) railcars beyond the credit (free) days granted by CSX.

³ Private car storage is a per day charge for customer storage of customer-owned or controlled (“private”) railcars on CSX tracks beyond the credit (free) days granted by CSX.

⁴ Intermodal per diem is a per day charge for customers’ use and detention of railroad-owned or controlled intermodal equipment beyond the credit (free) days granted by CSX.

⁵ Special train service is specialized rail service for freight that is particularly challenging to move, such as materials that are extraordinarily heavy or large, or that feature a high center of gravity.

ii. Supply Chain Visibility

CSX currently offers a number of online customer service tools via its eSolutions platform, ShipCSX.com, to help customers plan, ship, and trace their shipments. Customers can view shipment exceptions;⁶ shipment details for waybill, transit, equipment specs (UMLER); reference to any notices sent on the shipment; completed events; and trip plan schedule information. In addition to these currently available features, CSX continues to invest in ShipCSX and expand its capabilities. The updated CSX customer pipeline tool, expected to be available in Q4 2019, will provide even greater visibility into the location of customer assets and allow better supply chain management.⁷

iii. Availability and Effectiveness of Online Customer Service Tools

ShipCSX allows for effective management of car ordering and release and provides visibility into current and historical accessorial and demurrage charges. ShipCSX also allows customers to receive daily demurrage summaries by email, and to request a plant switch for cars accruing demurrage. Utilizing these and other ShipCSX tools, customers are able to track demurrage and accessorial exposure and proactively manage their pipelines to reduce the application of charges. In the event a charge is applied, ShipCSX information can be analyzed by location, account, or by specific railcar to evaluate whether the charge has been assessed properly. Customers can dispute charges via the ShipCSX portal, and can review their pending disputes for any open invoice.

CSX is working directly with customers to help them better utilize the existing ShipCSX platform and ensure that the new tools under development are effective and user-friendly. In

⁶ Examples of shipment exceptions include bad orders, overloads and or nobills.

⁷ As an example, the updated pipeline tool will provide a rolling 7-day view of inbound or outbound shipments (currently customers can view 4 weeks into the future), and will issue automatic alerts to customers who have more inbound cars than their capacity allows.

April 2019, the CSX eSolutions team hosted a Customer Workshop, which provided a hands-on opportunity for customers to engage with the new ShipCSX platform⁸ and gather their feedback. Training classes at the workshop covered a wide array of topics, including pipeline management, planning and originating shipments, inventory management, and invoice and dispute management.

CSX consistently receives positive customer feedback about ShipCSX, which we consider to be a best-in-class customer service offering.

iv. Bunching

In CSX's recent experience, bunching issues have become less frequent with continued improvements to our operating performance and resulting transit times. CSX continues to work through customer disputes based on bunching and provides credits to customers when bunching occurs on CSX's network en route to destination.

v. Addressing Demurrage Through Commercial Arrangements

Roughly ninety-five percent of all CSX traffic moves under transportation contracts that adopt the applicable tariffs, including demurrage. Since 2017, CSX and its customers have generally moved away from stand-alone demurrage contracts, which created a patchwork of different rules and standards that were administratively burdensome to manage.

II. Impacts on Shippers, Receivers, 3PLs, and Shortlines

We have seen our customers grow comfortable with the changes we implemented in 2017 and 2018. Our customers and other stakeholders have been highly complimentary of the service product they've been receiving, and generally understand they have a role to play for CSX to provide the reliable, best-in-class rail service they desire. The number of idle cars in our yards,

⁸ The new ShipCSX platform, which was introduced to customers at the Workshop, will continue to be enhanced in phases over the next several years.

terminals and origin-destination endpoints have come down significantly. Customers have learned we are able to handle the same amount of freight with fewer assets, leaving them with less inventory in motion. In Q1 2019, we saw a ten percent (10%) decrease year-over-year in active cars online despite flat overall volume and an increase in both merchandise (3%) and coal (5%) volume year-over-year.

III. Balanced and Appropriate Incentives for Customers and Railroads

Prior to 2017, CSX did not consistently update or enforce its accessorial and demurrage tariff items. As a result, CSX absorbed customer inefficiencies which served as a disincentive for customers to invest more in their plant capacity and appropriately manage their inventory. While particular customers may have felt they were benefitting from this approach, it created inefficiencies in CSX's network to the detriment of other customers.

The changes to CSX's tariffs in 2017 and 2018 properly incentivized customers to manage their pipelines more efficiently and turn cars faster. This helped spur improvements in operational performance, network fluidity, and capacity, which in turn has led to more efficient service for CSX customers:

Efficiency Gains and Service Create Virtuous Cycle



Note: Graphs represent percentage improvement in key metrics since 1Q17

i. Commercial Fairness and Reciprocity

CSX acts with commercial fairness and reciprocity with respect to our accessorial and demurrage tariffs. As stated in our May 1 data submission, CSX employs a team that is dedicated to the review and handling of accessorial and demurrage matters. The CSX team works directly with customers to help them better understand CSX's tariff policies, utilize the ShipCSX tools for pipeline and demurrage management, and review disputed invoices. The CSX team adjusts invoices when a review indicates that the charge was the result of CSX fault. In addition, the CSX team has worked over the past year and a half to understand the particulars of each customer's facility and operations in an effort to help them avoid or reduce these charges in the future.

CSX's goal is to grow our business, and we could not reach that goal if we were acting unfairly towards our customers. CSX feels confident that the service consistency, customer support, and online tools we make available give our customers every ability to manage their inventory to reduce application of accessorial and demurrage charges.

IV. Overview of CSX's Hearing Testimony

CSX intends to address the following four principal areas in its hearing testimony:

i. The purpose of accessorial and demurrage charges is to further the efficient management of assets and promote a fluid transportation pipeline.

Demurrage and accessorials have long been recognized to incentivize customer behavior and account for costs associated with use of railroad assets and ancillary services provided.⁹

⁹ As the Board has stated, "Demurrage has compensatory and penalty functions. It compensates rail carriers for the use of railroad equipment and assets; and, by penalizing those who detain rail cars for too long, it also encourages prompt return of rail cars into the transportation network. Because of these dual roles, demurrage is statutorily recognized as an important tool in ensuring the smooth functioning of the rail system. See 49 U.S.C. § 10746." Demurrage Liability, EP 707, slip op. at 2 (STB served April 11, 2014).

Demurrage, in particular, accounts for costs that include: car hire for other carriers' cars; additional car handling and switching of stored cars; capital and infrastructure expenses; and opportunity costs of a congested network.

ii. Customer engagement is a critical part of CSX's application of its tariff items

CSX's online customer service tools provide customers with the ability to track demurrage and accessorials while enabling them to proactively manage their pipelines to reduce the application of such charges. In addition, CSX's dedicated team works closely with customers to find solutions for operational issues and improve car ordering and pipeline management.

iii. CSX addresses disputes in a commercially fair manner

CSX's process allows for constructive resolution of disputes. The CSX team conducts thorough reviews of customer disputes, and adjusts invoices when the charge was the result of CSX fault.

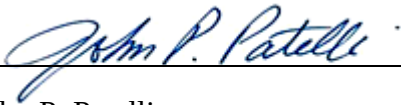
iv. CSX customers are benefitting from CSX's historically strong operating performance

CSX's current accessorial and demurrage tariffs have helped spur improvements in operational performance, network fluidity and capacity. Today, CSX's service to customers is hitting historic highs, as evidenced by CSX's record-setting velocity and dwell metrics for first quarter 2019. These improvements, along with others, have translated into a superior service product for CSX customers.

V. Conclusion

CSX respectfully submits the above pursuant to the Board's April 8, 2019 decision.

Respectfully submitted,

A handwritten signature in blue ink, reading "John P. Patelli", is positioned above a horizontal line.

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Dated: May 8, 2019