

EXPEDITED CONSIDERATION REQUESTED

BEFORE THE
SURFACE TRANSPORTATION BOARD

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JOINT PETITION OF FORESIGHT COAL SALES, LLC,	)	
SUGAR CAMP ENERGY, LLC, WILLIAMSON	)	
ENERGY, LLC, AND CONSOLIDATION COAL	)	
COMPANY TO INSTITUTE A PROCEEDING TO	)	Docket No. EP-741
ADDRESS THE ADEQUACY OF CSX	)	
TRANSPORTATION, INC.'S COAL	)	
TRANSPORTATION SERVICE ORIGINATING	)	
IN THE ILLINOIS BASIN AND NORTHERN	)	
APPALACHIA	)	

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JOINT PETITION OF FORESIGHT COAL SALES, LLC, SUGAR CAMP ENERGY, LLC, WILLIAMSON ENERGY, LLC, AND CONSOLIDATION COAL COMPANY TO ADDRESS THE ADEQUACY OF CSXT'S COAL TRANSPORTATION SERVICE ORIGINATING IN THE ILLINOIS BASIN AND NORTHERN APPALACHIA

INTRODUCTION

Petitioners, Foresight Coal Sales, LLC (“Foresight”), Sugar Camp Energy, LLC (“Sugar Camp”), Williamson Energy, LLC (“Williamson Energy”), and Consolidation Coal Company (“Consolidation Coal”), ask that the Board institute a formal proceeding to investigate CSX Transportation, Inc.'s ("CSXT") service problems and to immediately take the following actions:

(1) institute a public hearing to address CSXT's specific plans to exigently remedy its service failures, particularly for the coal industry, and

(2) order CSXT to submit periodic public filings to identify what steps CSXT has taken in its service recovery plan and what impact those steps have had in restoring service to the coal industry.

These actions are necessary to address CSXT's open refusal to devote resources to the transportation of coal, which has created a dire situation for Petitioners and many others in the coal industry. The situation continues to worsen without relief in sight. CSXT's recently well-publicized service problems have had a destructive impact not only on the coal industry but on a broader scale, as well.

JURISDICTION

This Petition is filed pursuant to 49 C.F.R. § 1117.1 (petitions for relief not otherwise covered) and invokes the Board's regulatory jurisdiction under 49 U.S.C. § 1321(b) (granting the Board authority to make inquiry and obtain information from rail carriers) and 49 U.S.C. § 11145(a)(l) (granting the Board the authority to require carriers to file "special reports with the Board containing answers to questions asked by it").

BACKGROUND

Consolidation Coal is a subsidiary of Murray Energy Corporation ("Murray Energy"). Murray Energy is the largest privately owned coal company in the United States operating mines at nine (9) mining complexes located in three (3) of the major coal producing regions - Northern Appalachia, the Illinois Basin and the Uintah Basin in Utah. Consolidation Coal operates coal mines in the Northern Appalachian region. As such, Consolidation Coal has entered into coal supply contracts with various coal purchasers to supply coal from the Monongalia County Mine, the Marion County Mine, the Marshall County Mine, the Ohio County Mine, and the Harrison County Mine, all in West Virginia.

Foresight is a subsidiary of Foresight Energy, LLC. Foresight acts as contracting agent for Sugar Camp Energy, LLC ("Sugar Camp") and Williamson Energy, LLC ("Williamson") for

the purpose of selling coal from the MC#1 and Viking Mines located in Illinois.

For Foresight Energy, LLC, Murray Energy Corporation, and Petitioners, the availability of reliable rail transportation for the delivery of coal to Petitioners' customers is absolutely essential. Moreover, the timely and regular receipt of coal is of equal importance to Petitioners' customers that use the coal in generating the electricity that powers the nation's industrial base and provides heat and light to its residents. Many of Petitioners' customers use CSXT for rail transportation of the coal.

A. CSXT's open hostility to the coal industry must be remedied.

CSXT has cavalierly announced its intention to neglect the entire segment within which Petitioners operate: the coal industry. During an earnings call with analysts on July 19, 2017, CSX Corporation's Chief Executive Officer E. Hunter Harrison declared that "fossil fuels are dead." See Exhibit 1 (*Boss of Coal-Hauling Railroad Says 'Fossil Fuels are Dead'*, Huffington Post, July 19, 2017). Mr. Harrison went on to explain, based on that sentiment, that CSXT has no intention of investing resources to transport coal. *Id.* Regrettably, this sentiment conforms to Petitioners' experience.

CSXT's open disregard for the coal industry is destructive not only to Petitioners' business, but also to the economic and national security of the United States:

The Board views the reliability of the nation's energy supply as crucial to this nation's economic and national security, and the transportation by rail of coal and other energy resources as a vital link in the energy supply chain.

See Establishment of a Rail Energy Transportation Advisory Committee, Docket No. EP 670 (Decision served July 17, 2007) at 2. CSXT intends to choke off this "crucial" supply chain by refusing to devote further resources to it. This merits a formal and immediate investigation by the

Board. *Accord Discussions with Utility and Railroad Representatives on Market and Reliability Matters*, 71 Fed. Reg. 33746 (June 12, 2006) (addressing railroad coal-delivery matters and their impact on markets and electric reliability).

Indicative of CSXT's public disdain for the coal industry, Petitioners have experienced numerous service disruptions, which have only been exacerbated in 2017 since Mr. Harrison became CEO of CSX Corporation. Some examples of these service deficiencies are

- CSXT failing to provide trains and crews on schedule;
- CSXT failing to provide a sufficient number of trains;
- CSXT failing to pull loaded trains on schedule;
- CSXT delaying in-transit shipments;
- CSXT prioritizing other shipments without a valid cause;
- CSXT failing to communicate critical logistics information to Petitioners.

For instance, during January through June of 2017, CSXT failed to provide approximately one (1) out of every five (5) trains that Foresight requested and scheduled. As a result, coal is piling up to alarming levels at the mines operated by Petitioners, causing significant and debilitating operational delays and inefficiencies, as well as dire economic consequences.

B. CSXT's service disruptions extend well beyond the coal industry.

At this point, the quality and quantity of service that CSXT is providing to its customers is abysmal and has thrown its customers into crisis mode.

Members of the Rail Customer Coalition ("RCC") are experiencing "serious and

disruptive rail service problems” caused by CSXT “which are impacting the entire North American rail network.” See Exhibit 2 at p. 1 (August 14, 2017 letter from RCC to U.S. Senate Committee on Commerce, Science, and Transportation; and to U.S. House Committee on Transportation and Infrastructure; copying the members of the Surface Transportation Board, *et al.*) (“*RCC Letter*”). The affected industries joining in the RCC’s letter range from agricultural to manufacturing to chemical to fuel. *Id.* at pp. 2-4. CSXT “has put rail dependent business operations throughout the U.S. at risk of shutting down.” *Id.* at p.1.

“Some petrochemical, coal, fracking and agricultural shippers complained that their loads have been idle up to four weeks without a clear answer on a delivery date.” See Exhibit 3 at p. 1 (*CSX Service Delays Vex Shippers*, Transport Topics, Aug. 9, 2017) (“*Transport Topics*”). Members of the National Industrial Transportation League are “very frustrated.” *Id.* “[B]akers are experiencing significant service disruptions with the delivery of grain and other ingredients to facilities in Tennessee, New York, New Mexico, Ohio and Georgia by the rail provider CSX,” according to a spokesman for the American Bakers Association. See Exhibit 4 at p. 1 (*U.S. grain industry seeks solution to CSX service problems*, World-Grain.com, 8/17/2017). The organizations comprising the Agricultural Transportation Working Group, in their August 17, 2017 letter to members of the Board, have experienced “precipitous, deteriorating rail service being provided” by CSXT. See Exhibit 8 at p. 1. The “alarming degradation in rail service that worsened in July” appears to be getting worse. *Id.* (reciting a litany of CSXT’s service deficiencies very similar to those experienced by Petitioners).

"The rail performance statistics indicate that CSX is currently far from precision railroading and in fact, is heading in the wrong direction," said Larry Gross, a rail analyst with FTR Transportation Intelligence.... "The trend is unfavorable and as yet shows no sign of turning," he said.

See Exhibit 5 at p. 3 (*Harrison's changes bring slowdowns and complaints to CSX*, Jacksonville.com, Aug. 1, 2017) ("*Jacksonville.com*").

According to the RCC, "CSX's response to customer complaints has been woefully inadequate," and "RCC members are concerned that the severe deterioration of service will continue for the foreseeable future." See Exhibit 2 at p. 1 (*RCC Letter*).

"Paul Lang, COO of Arch Coal Inc., the nation's second largest U.S. coal producer behind Peabody Energy Co., observed during a July 27 earnings conference call, 'Frankly, the problems have gotten worse in the last 10 days,' and noted that the poor service is negatively impacting export coal shipments." See Exhibit 6 at p. 2 (*CSX Service Deterioration Is Driving Freight to Other Railroads and Trucks*, Material Handling & Logistics, Aug. 11, 2017) ("*MH&L*"). "More than 80% of the CSX shippers who responded to [a financial research company]'s survey said service declined after [E. Hunter] Harrison took charge." *Id.* at p. 3.

"We're getting a lot of pushback from CSX. Their customer service is really troubled right now," said Stephen Hamilton, managing director of Chemlogix Global, a subsidiary of CLX Logistics, which specializes in chemical transportation. He continued, "One of the major issues is that there is a complete vacuum of information. Our customers don't have any confidence in reliable transportation or answers on how long a load will take to get to its destination. It's an informational black hole...."

See Exhibit 3 at p. 2 (*Transport Topics*).

When an equity research firm released a survey of CSX customers on July 31, 2017, most of the customer comments about CSXT's service were unfavorable, to put it mildly: "a complete disaster" (see Exhibit 6 (*MH&L*) at p. 2); "Truly awful!" (see Exhibit 6 (*MH&L*) at p. 2); "a dumpster fire" (see Exhibit 5 (*Jacksonville.com*) at p. 4).

C. CSXT falls far short of showing any significant improvement within a meaningful time frame.

Since 2015 and continuing to the present time, Petitioners have proactively engaged CSXT personnel at all levels, from the hands-on logistical level to the highest executive levels, to express their extreme dissatisfaction with CSXT's severe service inadequacies and to discuss options to remedy the critical situation. CSXT's service has not improved.

On July 19, 2017, Foresight and Consolidation Coal availed themselves of the Board's Rail Customer and Public Assistance Program in an effort to resolve CSXT's ongoing service failures. Regrettably, this process did not improve CSXT's awful service.

By an email from Mr. Harrison dated July 31, 2017, CSXT acknowledged Petitioners as "valued customer[s]," but offered no plan of action or timetable to resolve the service issues. *See Exhibit 7.* As the Board noted in its letter of August 14, 2017 to Mr. Harrison, information that CSXT has provided to the Board in response to the Board's July 27, 2017 letter to Mr. Harrison has been in "narrative form" and devoid of any concrete data. Of the concrete data that is available, the Board noted in its August 14, 2017 letter that "CSX's performance continues to deteriorate."

Petitioners appreciate the Board's acknowledgement of CSXT's service deficiencies, as well as the Board's efforts to engage CSXT on an informal basis to address this important issue. However, CSXT has utterly failed to respond to this situation with the gravity and speed that is required for circumstances of this magnitude. Alarming, Mr. Harrison has done nothing whatsoever to "walk back" his strategy, revealed during the July 19, 2017 earnings call, to stop devoting CSXT's resources to coal transportation. Thus, the Board should bring additional pressure to bear on CSXT.

REQUESTED ACTIONS

A. Institute a Formal Proceeding

Petitioners request that the Board take a necessary first step: institute a formal proceeding to address CSXT's brazen refusal to meet the demands for coal transportation. The Board clearly has the authority to institute investigations on matters of public importance involving regulated rail carriers such as CSXT, as demonstrated by previous proceedings to address critical transportation issues of regional, or industry-wide significance. *See* 49 U.S.C. § 1321(b); 49 U.S.C. § 11701. *See, e.g., Rail Fuel Surcharges*, Docket No. EP 661 (Notice served Mar. 14, 2006) (instituting proceeding to address railroad fuel surcharge practices) ("*Rail Fuel Surcharges*"); *Twenty-Five Years of Rail Banking: A Review and Look Ahead*, Docket No. EP 690 (Notice served May 21, 2009) (instituting a proceeding to address rail banking under the National Trails System Act) ("*Rail Banking*"); *Review of the Surface Transportation Board's General Purpose Costing System*, Docket No. EP 431 (Sub-No. 3) (Decision served Apr. 25, 2009) (instituting a new sub-docket to address rail costing issues) ("*General Purpose Costing System*"); *Policy Alternatives to Increase Competition in the Railroad Industry*, Docket No. EP 688 (Notice served Apr. 14, 2009) ("*Competition Policy*") (instituting a proceeding to address railroad access and competition issues); *Common Carrier Obligation of Railroads*, Docket No. EP 677 (Notice served Feb. 22, 2008) (instituting a proceeding to address railroad common carrier obligations including topics such as service limitations) ("*Common Carrier Obligation*"); *Rail Capacity and Infrastructure Requirements*, Docket No. EP 671 (Notice served Mar. 6, 2007) (instituting a proceeding to address rail infrastructure issues) ("*Rail Infrastructure*").

Precedent also exists for the institution of formal proceedings when service disruptions

have hindered the transportation of coal. *See Rail Service in the Western United States*, Docket No. EP 573 (Decisions served Oct. 2 and Oct. 16, 1997) ("*1997 Rail Service*"); *Rail Transportation of Resources Critical to the Nation's Energy Supply*, Docket No. EP 672 (Notice served June 6, 2007) ("*2007 Rail Service*"); *Western Coal Traffic League Petition to Institute a Proceeding to Address the Adequacy of Coal Transportation Service Originating in the Western United States*, Docket No. EP 723 (filed Mar. 24, 2014) (Notice of proceeding to address service problems served April 1, 2014 under Docket No. EP 724 ("*2014 Rail Service*")).

B. Hold a Public Hearing

Following the initiation of formal proceedings, public hearings are appropriate to address involved issues. *See, e.g., Part A, supra (1997 Rail Service; 2007 Rail Service; 2014 Rail Service; Rail Fuel Surcharges; Rail Banking; General Purpose Costing System; Competition Policy; Common Carrier Obligation; Rail infrastructure)*. Here, the Board should act promptly so as to impel CSXT to quickly identify and implement measures that are needed to drastically improve the current level of service.

A public hearing will afford the Board and interested industry stakeholders the opportunity to learn directly from CSXT how CSXT intends to provide necessary improvements, apart from bland form letters containing empty and non-specific assurances. *See Exhibit 7*. A public hearing can also assist the Board in developing the record necessary to determine the most effective formal remedial actions to assist coal shippers in desperate need of service. *See, e.g., Joint Petition for Service Order*, Service Order No. 1518 (Decisions served Oct. 31 and Dec. 4, 1997, and February 25, 1998) (STB issues remedial service orders following public hearings).

At the public hearing, Petitioners expect CSXT to respond to two critical issues: (1) what steps CSXT is taking to improve its service; and (2) when these steps will be implemented.

Notably, Mr. Harrison has not yet backed away from his stated intention to neglect coal transportation. If Mr. Harrison maintains this position on the record during a public hearing, it should be obvious that the Board will need to swiftly impose measures to provide relief to all those affected by coal transportation.

C. Require CSXT to provide regular status reports

The Board clearly has the authority to order rail carriers to provide service related data that would help to answer coal shippers' informational needs. *See* 49 U.S.C. § 49 U.S.C. § 1321(b) (Board may obtain information from regulated carriers); 49 U.S.C. § 11145 (Board may obtain "special reports" from regulated carriers "containing answers to questions asked by it"); *Joint Petition for Service Order*, Service Order No. 1518 (Decision served Dec. 4, 1997) (directing rail carrier to file reports covering numerous operational categories in response to on-going rail service crisis); *2014 Rail Service* (Decision served Dec. 30, 2014) (ordering carrier to submit "a detailed description of the contingency plans it would use to mitigate" the coal transportation service disruption identified by the Board).

However, further data submissions which only serve to confirm that CSXT is woefully failing to meet shipper demand is not helpful. Thus, Petitioners request that the status reports focus on the content and pace of CSXT's plan to restore service to coal shippers.

CONCLUSION

Petitioners respectfully request that the Board grant this Petition for the reasons set forth above.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 21, 2017, a copy of the foregoing was sent to the following by overnight express courier:

Ellen M. Fitzsimmons
Executive Vice President of Law and Public Affairs, General Counsel and Corporate Secretary
CSX Corporate Headquarters
500 Water Street, 15th Floor
Jacksonville, FL 32202



THE
HUFFINGTON
POST

Boss Of Coal-Hauling Railroad Says ‘Fossil Fuels Are Dead’

As President Donald Trump works to reverse coal’s decline, the CEO of CSX Corp. said his company will stop new investments in transporting the energy source.

By Chris D’Angelo
07/19/2017 08:02 pm ET

The CEO of freight railroad CSX Corp., one of the largest U.S. haulers of coal, warns that the days of transporting and burning coal are numbered.

“Fossil fuels are dead,” Hunter Harrison told analysts Wednesday, according to media reports. “That’s a long-term view. It’s not going to happen overnight. It’s not going to be two or three years, but it’s going away in my view.”

For that reason, he said, CSX will cease making investments in coal.

“Unless something changes drastically in the market, we’re not going to go out and put a double track in, or buy locomotives or anything for coal,” Harrison said, according to E&E News. “Having said that, the last carload of coal that’s shipped out of this country, I want to be the carrier that shipped it.”

Harrison joins a growing list of industry experts to signal that President Donald Trump’s promises to revive the dying coal industry and put miners back to work likely won’t prove fruitful.

“My administration is putting an end to the war on coal,” Trump said at an executive order signing ceremony in March. “We’re going to have clean coal, really clean coal.”

That same month, Robert Murray, owner of the world’s largest private coal company, said he told Trump to “temper his expectations” about reversing coal’s decline. And in May, Gary Cohn, director of the White House National Economic Council, told reporters that coal “doesn’t make sense anymore.”

Still, Trump continues to advocate for the coal sector in his push for “energy dominance.”

Just this week, Trump took credit for creating tens of thousands of new mining jobs — a claim that appears patently false — and said “miners are very happy with Trump and with [Vice President Mike] Pence.”

August 14, 2017

The Honorable John Thune
Chairman
Committee on Commerce, Science,
and Transportation
United States Senate
Washington, DC 20510

The Honorable Bill Nelson
Ranking Member
Committee on Commerce, Science,
and Transportation
United States Senate
Washington, DC 20510

The Honorable Bill Shuster
Chairman
Committee on Transportation and Infrastructure
United States House of Representatives
Washington, DC 20515

The Honorable Peter DeFazio
Ranking Member
Committee on Transportation and Infrastructure
United States House of Representatives
Washington, DC 20515

Dear Chairman Thune, Ranking Member Nelson, Chairman Shuster, and
Ranking Member DeFazio:

The undersigned groups are writing to you on behalf of the Rail Customer Coalition (RCC) to express our strong concerns regarding the serious and disruptive rail service problems our members are experiencing due to major changes that have upended the CSX network.

The RCC is a large collection of trade associations representing a broad range of manufacturing, agricultural, and energy industries that depend on the railroads to deliver reliable service to support our operations and customers across the country.

As has been widely reported, there are chronic service failures occurring across the CSX network which are impacting the entire North American rail network. Major service changes have been imposed with little advance notice, and CSX's response to customer complaints has been woefully inadequate. Rail customers have had to take extraordinary steps at great cost to meet the needs of their customers because CSX has repeatedly failed to pick up and deliver cars. This has put rail dependent business operations throughout the U.S. at risk of shutting down, caused severe bottlenecks in the delivery of key goods and services, and has put the health of our nation's economy in jeopardy.

RCC members are concerned that the severe deterioration of service will continue for the foreseeable future, and that changes imposed by CSX may fundamentally degrade the long-term resiliency of the national rail network. While we were pleased that the STB recently sent a letter to CSX and has requested calls with CSX on a weekly basis, additional action is urgently needed.

The RCC worked closely with Congress to pass common-sense reforms to help make the Surface Transportation Board (STB) a more viable and effective intermediary between railroads and their customers when service issues exist. The STB Reauthorization Act of 2015 gives the Board clear authority to investigate on its own initiative rail issues of national or regional significance. Congress should now urge the STB to utilize this important authority (as defined in 49 USC

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11701) to formally open an investigation of recent CSX service problems, addressing the underlying causes as well as the short and long-term impacts, including whether CSX is meeting its common carrier obligations.

Additionally, the RCC requests that Congress encourage the STB to expedite its work in pending proceedings related to reciprocal switching. This long-delayed action could provide captive shippers with access to alternative railroad options, which could help address service failures like those our member companies are currently experiencing with CSX.

Finally, we respectfully ask Congress to examine the ramifications of the CSX service breakdown, and whether there are adequate means available to the STB to mitigate the adverse impacts to the rail network. The fact that many businesses have no choice when it comes to their rail provider has greatly exacerbated CSX service failures. Unfortunately, rail service is dictating the fate of many shippers and their customers who have no effective transportation option to alleviate this failure in the marketplace.

With service disruptions continuing to mount and no solution in sight, our members need decisive action from Congress and the STB.

Agricultural Retailers Association

Alliance for Rail Competition

Alliance of Automobile Manufacturers

American Chemistry Council

American Forest & Paper Association

American Fuel & Petrochemical Manufacturers

American Malting Barley Association, Inc.

American Petroleum Institute

Association of Global Automakers

Beer Institute

Chemical Industry Council of Delaware

Chemical Industry Council of Illinois

Chemistry Council of Missouri

Chemistry Council of New Jersey

The Chlorine Institute

Corn Refiners Association

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The Fertilizer Institute

Georgia Chemistry Council

Glass Packaging Institute

Global Automakers

Grocery Manufacturers Association

Institute of Scrap Recycling Industries, Inc.

International Warehouse Logistics Association

Louisiana Chemical Association

Manufacture Alabama

Manufacturers Association of Florida

Massachusetts Chemistry & Technology Alliance, Inc.

Michigan Chemistry Council

National Association of Chemical Distributors

National Barley Growers Association

National Farmers Union

National Industrial Transportation League

New York State Chemistry Council

North Carolina Manufacturers Alliance

Ohio Chemistry Technology Council

Pennsylvania Chemical Industry Council

Private Railcar Food and Beverage Association

South Carolina Manufacturers Alliance

Southeastern Lumber Manufacturers Association, Inc.

Steel Manufacturers Association

The Sulphur Institute

Texas Chemical Council

Vinyl Institute

Virginia Chemistry Council

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Virginia Forestry Association

West Virginia Manufacturers Association

cc: The Honorable Ann Begeman, Acting Chairman, Surface Transportation Board
The Honorable Daniel Elliott, Vice Chairman, Surface Transportation Board
The Honorable Deb Miller, Surface Transportation Board
The Honorable Deb Fischer, Chairman, Subcommittee on Surface Transportation and
Merchant Marine Infrastructure, Safety and Security, Committee on Commerce, Science,
and Transportation
The Honorable Cory Booker, Ranking Member, Subcommittee on Surface Transportation
and Merchant Marine Infrastructure, Safety and Security, Committee on Commerce,
Science, and Transportation
The Honorable Jeff Denham, Chairman, Subcommittee on Railroads, Pipelines, and
Hazardous Materials, Committee on Transportation and Infrastructure
The Honorable Michael Capuano, Ranking Member, Subcommittee on Railroads, Pipelines,
and Hazardous Materials, Committee on Transportation and Infrastructure

Ari Ashe | Staff Reporter

August 9, 2017 3:30 PM, EDT

CSX Service Delays Vex Shippers

They're Moving Loads to Trucks in Short Term



Extended service delays have shippers fed up. (CSX Corp.)

Shippers frustrated with CSX Corp. deterring railroad service and extended delays are choosing to move some shipments to trucks to satisfy their urgent transportation needs, according to industry insiders.

Meanwhile, federal officials and some shippers have ratcheted up the pressure on the railroad's new CEO, Hunter Harrison, to explain why service has worsened and when the delays will be resolved.

Some petrochemical, coal, fracking and agricultural shippers complained that their loads have been idle up to four weeks without a clear answer on a delivery date.

"Our members being 'bothered' would be an understatement. They're very frustrated right now," said Jennifer Hedrick, executive director of the National Industrial Transportation League, a trade association representing U.S. shippers. "In some cases,

EXHIBIT 3

they've had to make wholesale changes to their operations because they're now having to look for alternatives such as trucks to ensure that their plants don't shut down and avoid further disruptions in the supply chain."

"We're getting a lot of pushback from CSX. Their customer service is really troubled right now," said Stephen Hamilton, managing director of Chemlogix Global, a subsidiary of CLX Logistics, which specializes in chemical transportation.

He continued, "One of the major issues is that there is a complete vacuum of information. Our customers don't have any confidence in reliable transportation or answers on how long a load will take to get to its destination. It's an informational black hole, and I'm frustrated that I can't give our customers any answers as to when this will end."

Loads Go to Other Railways, Trucks

According to a survey from Cowen & Co., nearly 50% of shippers (with other options) have moved business to Norfolk Southern and 76% have switched some freight to trucking.

"I think we've already seen some of this in July with some companies saying the month was slightly above seasonal. We can't infer which type of trucking is benefiting, but there is definitely a temporary shift," Cowen & Co. analyst Jason Seidl acknowledged.

Randy Wright, executive vice president at Intermodal Cartage Co., told Transport Topics that about 25% of its railroad drayage is with CSX and about 25% of those customers have moved business to Norfolk Southern or onto trucks because the delays have included a chassis shortage at the Memphis intermodal ramp. Intermodal Cartage's parent company, IMC Cos., ranks No. 84 on the Transport Topics Top 100 list of the largest North American for-hire carriers.

ChemLogix has also offered clients room on Norfolk Southern and trucking options as an alternative.

Bulk Fr8, which specializes in tank truck brokerage, told TT that year-over-year volumes doubled last month and are on pace to do so again this month, including nearly a dozen new CSX-beleaguered customers in the last 30 days.

"All of the companies affected by this are coming to us asking for trucks to pickup yesterday. Their moods are frantic and the price is not the concern. For many of the chemical companies they are looking to make sure they meet their [service level agreements]. For the paper mills, they are just doing anything they can to avoid shutting down," Bulk Fr8 President Wayne Levinson said.

Hamilton added the extended delays force the chemical suppliers to shift to trucks in order to keep their customers happy.

“How long companies can continue to make the switch without changing prices to their customers is anyone’s guess, but I cannot imagine anyone is looking to trucks as a long-term solution. CSX has to get its house in order,” he said.

STB Intervenes

The Surface Transportation Board interceded in late July to find a resolution after shippers flooded the agency with complaints.

“Dealing with CSX has become impossible as person after person we work with one day are gone (with no replacement) the next,” Eddie Johnston, federal government affairs manager at The Chemours Co., said in written testimony. “This behavior is inexcusable!”

A few days later the STB sent a letter to Harrison requesting weekly service calls to “better understand the scope and magnitude of CSX’s railroad performance issues and its efforts to resolve these problems.”



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CSX chief executive attributes service disruptions to employee push-back reut.rs/2vqU2QQ

7:40 PM - Aug 1, 2017

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Harrison apologized to customers in a July 31 e-mail obtained by TT. However, he also laid much of the blame on his employees.

“The pace of change at CSX has been extremely rapid, and while most people at the company have embraced the new plan, unfortunately, a few have pushed back and continue to do so. This resistance to change has resulted in some service disruptions,” Hunter wrote.

Hedrick responded: “While some of our members appreciated the acknowledgment, I think they found his note inadequate and short on details about how ongoing issues will be addressed.”

Harrison previously brushed off the concerns in mid-July as similar in scope to those he temporarily faced when turning around Canadian Pacific Railway and Canadian National Railway.

“This is a freight line that runs through Washington, D.C., and New York. It comes with a bigger magnifying glass being located on the East Coast of the United States,” said Anthony Hatch, rail expert with ABH Consulting. “I think everyone was waiting for the first punch. I expected to see this commentary over the summer, but I didn’t think the issue would spiral as quickly as it did.”

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U.S. grain industry seeks solution to CSX service problems
STB institutes weekly calls with railroad.
World-Grain.com, 8/17/2017
by Ron Sterk



KANSAS CITY, MISSOURI, U.S. — Significant service issues with CSX Transportation, Inc., noted by the grain, milling and baking industries, as well as coal, chemical and other major shippers, have prompted the U.S. Department of Transportation's Surface Transportation Board (STB) to institute weekly calls with the railroad to resolve the problems.

The American Bakers Association (ABA), the North American Millers' Association (NAMA), the National Grain and Feed Association (NGFA) and others have encouraged their members to directly contact the STB about shipment problems on CSX.



Mike Goscinski, ABA
director of government
relations.

"We have become aware that some bakers are experiencing significant service disruptions with the delivery of grain and other ingredients to facilities in Tennessee, New York, New Mexico, Ohio and Georgia by the rail provider CSX," Mike Goscinski, ABA director of government relations, said in a note to members of the ABA's Commodity and Agriculture Policy Committee. "ABA is seeking feedback from our members that may be experiencing disruptions so we can gauge the scale of the impact to the industry and assess whether further action is needed."

A source at a major milling company said service from CSX was "definitely down" for their flour shipping operations, and that they were closely monitoring yard closures and delays. He said it was fortunate that pipelines mostly were in good shape at this time of year. He also noted that some CSX cars had been parked on the company's private tracks, which may allow CSX to "massage" the numbers since cars on private tracks aren't counted in dwell time and certain other statistics.

In a recent quarterly earnings call, CSX chief executive officer Hunter Harrison said there's going to be "a little pain and suffering" when asked about customer reaction to changes at the railroad.

"Well, we're feeling the pain," one high-level grain company executive told *Milling & Baking News*, a sister publication of *World Grain*. He blamed the problems "100% on new CSX leadership that doesn't care about customers."

EXHIBIT 4

The STB sent a letter to Harrison on July 27 “expressing concerns about deteriorated service resulting from the railroad’s recent operating changes.”

“Recently, the board has received a number of informal complaints from shippers who rely upon CSX rail service,” the STB letter said. “These shippers have reported that CSX’s service deteriorated markedly during the second quarter of 2017, which coincided with CSX’s implementation of significant changes to its operating plan.”

The STB said shippers complained about increased and unpredictable transit times, loaded and empty rail cars sitting for days at yards, inconsistent and unreliable switching operations, circuitous and inefficient car routings and the lack of meaningful assistance from CSX customer service. The STB also was notified of delays from CSX congestion at critical gateways, including New Orleans and St. Louis.

“We understand that these disruptions have forced a number of rail shippers and their customers to curtail production, temporarily halt operations and/or utilize other transportation options that have added additional expense and inefficiencies to their operations,” the STB said.

The board also noted in its letter that shippers complained that CSX “initiated the changes to its operating plan without sufficient lead time and coordination efforts that would have allowed them to adjust their production schedules and supply chain logistics. It appears that rather than doing proactive outreach, CSX put its customers in the position of having to contact CSX’s marketing staff to learn the details of service changes after the fact. We are very troubled by the apparent lack of communication with customers and urge your immediate attention to remedy this situation.”



In the letter the STB requested CSX senior level personnel conduct weekly service calls with the board’s Rail Customer and Public Assistance staff “so we may better understand the scope and magnitude of CSX’s railroad performance issues and its efforts to resolve these problems.”

The STB also urged CSX to establish a service hotline for its customers and provide frequent operations updates to customers directly and in web postings.

Harrison apologized in a personal email to customers on July 31, and in part blamed the service disruptions on “pushback” by some employees to rapid changes instituted at CSX.

A spokesman for the union that represents CSX operations employees strongly disagreed with Harrison, saying “no one is more to blame” for the service disruptions than Harrison.

CSX spokesman Rob Doolittle acknowledged to *Milling & Baking News* that some customers were having service issues as transitions were being implemented, and cited Harrison's letter to customers that offered an apology and restated the company's commitment to work with customers to resolve service issues.

"Throughout our transformation, CSX's dedication to our customers and the effort we put forth to deliver customer service have remained constant," Doolittle said. "Our customer service teams have recommitted themselves to working through and resolving service issues as quickly as possible. Ultimately this transition will result in better service to our customers, and we are committed to working with customers to ensure they receive the support they require to meet their business needs as we move forward."

The company's stock price climbed to an all-time high shortly after Harrison took the helm at CSX in March. He joined the company in January from the Canadian Pacific Railway, Ltd. But CSX shares tumbled as the result of a surprise announcement on the company's second-quarter earnings conference call in mid-July that his tenure at CSX would be short. Stock values continued to decline amid the ongoing service problems. He is credited with turning around the struggling Canadian Pacific and Canadian National railroads.

CSX is the nation's third largest Class 1 railroad with 21,000 miles of track serving major markets in 23 states, the District of Columbia and two Canadian provinces. Its tracks are east of the Mississippi river with service to the West coast through alliances with western railroads.

Posted August 1, 2017 05:58 pm | Updated 06:14 pm
By Roger Bull (/authors/roger-bull-0)

Harrison's changes bring slowdowns and complaints to CSX



Hunter Harrison became president and CEO of CSX in March.

CSX's efforts to streamline its operations have brought complaints from

EXHIBIT 5

customers about deteriorating service. But the head of the railroad is blaming the problems on resistance to change within the company.

According to the federal Surface Transportation Board, the complaints include significantly slower and unpredictable transit times while loaded and empty cars sit idle for days. The problems have forced some shippers to reduce or stop production or find other transportation, it said.

Furthermore, equity research firm Cowen and Company reports that 80 percent of respondents to its survey have experienced service issues since Hunter Harrison took over as CSX president and CEO in March. Many have switched freight to Norfolk Southern railroad or to a trucker. Cowen also said the problems should be temporary.

The Surface Transportation Board met with members of the the railroad's senior staff last week and then sent a letter to Harrison urging him to fix the problems.

SEE ALSO

CSX: Up to 700 more job cuts possible; CEO defends restructuring progress (<http://jacksonville.com/business/2017-07-19/csx-700-more-job-cuts-possible-ceo-defends-restructuring-progress>)

CSX reaches deal with hedge fund, hires Hunter Harrison as new railroad CEO (<http://jacksonville.com/business/2017-03-07/csx-reaches-deal-hedge-fund-hires-hunter-harrison-new-railroad-ceo>)

On Monday, Harrison followed up with a letter to customers apologizing for the problems.

"The pace of change at CSX has been extremely rapid, and while most people at the company have embraced the new plan, unfortunately, a few have pushed back and continue to do so," he wrote. "This resistance to change has resulted in some service disruptions. To those customers that have



experienced such issues, we sincerely apologize. As we move forward, we will continue to address these internal personnel matters.”

Harrison's move to CSX was highly publicized throughout the railroading and financial world. An industry veteran who has turned around several railroads, he is the leading proponent of what's called precision railroading, with every piece working together like one continuous conveyor belt.

The railroad has taken nearly 900 locomotives and 60,000 freight cars out of service and laid off 2,300 people this year. And last month, Harrison that 700 more positions could be gone by the end of the year.

Meanwhile, trains are slowing and customers are complaining.

“The rail performance statistics indicate that CSX is currently far from precision railroading and in fact, is heading in the wrong direction,” said Larry Gross, a rail analyst with FTR Transportation Intelligence. “After a swift improvement in the weeks following Harrison's assumption of command, the statistics have turned around and are heading in the wrong direction.

“Average train speeds have fallen for the past seven weeks straight from a recent peak of 22.5 mph to 19.2 mph in the most recent week. The average over the last four weeks is over 3 percent slower than the average performance of the company over the past 10 years and headed downward.”

Gross also pointed to the railroad's own stats that show the average time cars spend idle in yards between trains, called yard dwell, has increased from 24 hours to 28 hours in the past four weeks.

“The trend is unfavorable and as yet shows no sign of turning,” he said.

CSX's stock has fallen since the letter was released, from Thursday's opening of \$52.09 to \$48.60 at Tuesday's close. But it's still well above the \$38.09 it was in mid-January was when word of Hunter's interest in taking over the railroad first broke.

In its letter, the Surface Transportation Board asked CSX's senior staff to begin weekly calls with its Rail Customer and Public Assistance staff to discuss the problems and the steps being taken to resolve them.

A spokesman for CSX said the first call happened Monday.



initiatives that will be responsive to the Board's concerns, including efforts to provide more information about the rapid changes that CSX is implementing to improve the railroad's customer service, safety and efficiency through precision scheduled railroading," said spokesman Rob Doolittle.

Doolittle said he could not address the specific complaints about service.

Cowen and Company's report, which came out Monday, included dozens of comments from CSX customers, most of them negative.

"It has been a dumpster fire," said one. "I have had cars sit on my siding for weeks with no local service, I have had cars ping-pong back and forth between terminals, I have had cars sit in intermediate yards for weeks on end with no crews or power to move them. Dealing with the CSXT has become a frustrating process that at times, is not worth the effort."

The report said that 40 percent of the firms Cowen and Company talked to have switched freight from CSX to Norfolk Southern and that two-thirds have switched freight to a trucker.

But its analysis did offer this promising note: "We also think CSX's issues are transitory. While it is painful for many shippers today, we expect that over the next 12-18 months CSX customers will be more pleased with the rail's service quality."

Gross also suggested a wait-and-see approach.

"From my perspective it is simply too soon to tell whether this is the to-be-expected indigestion stemming from radical change or something more profound," he said. "Certainly the pace of change at CSX is very fast, perhaps too fast for the organization to absorb. It may be that because of age/physical condition concerns, Hunter Harrison feels that he needs to drive as fast as possible to get things done within his available time window. Alternatively, this may just be his natural pace."

Roger Bull: (904) 359-4296

Here is the full text of Hunter Harrison's letter sent to CSX customers on Monday:

To our valued customer,

Harrison's changes bring slowdowns and complaints to CSX - By Roger Bull (/authors/roger-bull-0)
roger.bull@jacksonville.com



Over the past four months, CSX has been undergoing a tremendous amount of change, including an operational transformation that will ultimately result in better service to our customers. We're not at the finish line yet, but I'm personally writing you today to reaffirm our commitment to working with you individually to ensure you receive the support you require to meet your business needs.

I think we can agree that more-reliable service and improved asset utilization is a win-win for your business and ours. It is with these intentions that we have focused our efforts – moving our customer's freight consistently, reliably and cost efficiently.

The pace of change at CSX has been extremely rapid, and while most people at the company have embraced the new plan, unfortunately, a few have pushed back and continue to do so. This resistance to change has resulted in some service disruptions. To those customers that have experienced such issues, we sincerely apologize. As we move forward, we will continue to address these internal personnel matters and our teams have recommitted themselves to reaching out to those affected to work through any service issues and resolve them as quickly as possible.

Throughout our transformation, one thing that has remained constant is our dedication to our customers and the great effort we put forth to deliver the service you expect from CSX. Our operating and sales and marketing teams are collaborating closely to better ensure you are prepared for and work through any planned changes that may occur. I will remain engaged in overseeing our customer service and communications efforts, and appreciate your partnership and willingness to also remain engaged.

We value your business and thank you for the opportunity to be your transportation provider.





TRANSPORTATION & DISTRIBUTION

CSX Service Deterioration Is Driving Freight to Other Railroads and Trucks

Sweeping operational changes by new CEO Hunter Harrison also draw intervention by the STB and criticism from unions.

David Sparkman | Aug 11, 2017

Just how bad has service deteriorated since new CEO Hunter Harrison took over Class I railroad CSX Transportation a few months ago? Listen to what shippers have to say:

EXHIBIT 6

“Truly awful! Could not have done a better job designing the worst possible service model. On most days we do not get a switch even though we are scheduled for five a week,” one shipper told financial research company Cowen & Co. in a recent survey of CSX customers.

“After begging we might get one; however, we do not get the correct number of cars or even the right car numbers. This is what happens when you place shareholder value ahead of customer success. I hope you are happy—we aren’t.”

Another shipper told the Cowen researchers: “Been a complete disaster. Little communication. When there is, the info is wrong. Major delays in transit. Empty cars not getting returned timely. Missed switches. Converting to truck where we can. Experienced some plant downtime as a result.”

Even coal shippers, usually favored by freight railroads, have suffered badly. Chairman Robert Murray of Murray Energy Corp. told the Surface Transportation Board that CSX service has worsened significantly since Harrison joined the railroad last March. “This situation has become absolutely intolerable and must be resolved immediately,” he said.

Paul Lang, COO of Arch Coal Inc., the nation’s second largest U.S. coal producer behind Peabody Energy Co., observed during a July 27 earnings conference call, “Frankly, the problems have gotten worse in the last 10 days,” and noted that the poor service is negatively impacting export coal shipments.

In fact, so many shippers are abandoning CSX for its direct rail competitor Norfolk Southern that Cowen is predicting third quarter earnings gains for NS as a result. Where shippers cannot leave CSX for NS, they are switching

freight to over-the-road trucking, and where they can't do either, they are stewing and complaining to the government.

More than 80% of the CSX shippers who responded to Cowen's survey said service declined after Harrison took charge. "Shippers are moving or have already moved freight off of CSX where they can," Cowen said. Nearly 40% of those polled say they switched some freight to NS and 67% have transferred freight to trucks where they can.

Once you remove from the mix those shippers who are incapable of moving their freight away from CSX, the situation darkens considerably. For those shippers who are not considered captive (meaning they have no access to any railroad other than CSX), nearly half are moving at least some of their business to NS. When you exclude the shippers who are unable to move their freight to trucks, 76% of those who can do so report they have switched at least some freight to truckers.

The STB Intervenes

STB also met with senior CSX officials in late July to discuss the service deterioration. On July 27 the commissioners sent a letter to Harrison that instructed him to call the STB on a weekly basis to discuss the railroad's performance issues and how CSX management is working to resolve them.

"We are very troubled by the apparent lack of communication with customers and urge your immediate attention to remedy this situation," the board told Harrison. CSX later stated publicly that it will provide the information requested and "will respond fully and factually to the STB complaint."

The STB expects CSX to supply data regarding yard congestion, interchanges with other Class I railroads, and equipment and manpower availability, local spot and pull reports, as well as service to customers with critical needs. The board also told the company to set up a service hotline for its customers, and provide frequent operations updates to its customers, both directly and through the CSX website.

Shipper complaints the board received include increased transit times, unreliable switching operations, inefficient car routings, poor communications and coordination with CSX customer service, and acute disruption to customers' business operations.

Since taking charge of CSX earlier this year, Harrison has cut 2,300 employees and sidelined 900 pieces of rolling stock in his quest for a lower operating ratio, admitting that this effort would result in a decline of service in some areas. He recently added that he expects 300 more jobs will be lost and 100 more pieces of equipment taken out of service by the end of the year. Harrison also said that while the railroad started the year with 12 hump yards, those could be reduced to only three by the end of 2017.

Harrison joined CSX this spring after the rail company's board agreed to pay him \$300 million in compensation for losses in payments from Canadian Pacific when he walked away from that firm. His way was smoothed by a hedge fund that had invested in CSX to the extent of being able to place members on the company's board.

In 2015-16 Harrison had been deeply involved in an attempted takeover of CSX by CP that had been ramrodded by a different hedge fund operator with a significant stake in CP. That merger proposal failed after it ran into a buzz saw of opposition from CSX management, other railroads and shippers, and questions raised by the STB.

Both last year's merger attempt and the recent deal to install Harrison as CEO were predicated on the notion that he could make the same operational and managerial changes he did at CP to lower CSX's operating ratio, which would increase the rail company's stock value.

Once again shippers are looking to the STB to intervene on their behalf. Although the board's directives were phrased as requests, they represent a tougher stance than it has taken towards the railroads in a long time, much to the consternation of shipper groups who want to see the board act more swiftly and decisively. Congress passed a law in 2015 adding to the board's powers and expanding its membership from the current three to five members, but neither Obama nor Trump moved to fill those additional seats.

"Without a full set of members for the STB, none of these reforms can move forward, and shippers across the nation will remain at the mercy of rail carriers that face no competition," Donna Harman, president of the American Forest & Paper Association, and Mark Kowlzan, chairman and CEO of Packaging Corporation of America, declared in a recent joint public statement.

"The bad news is that the STB has two open board seats, and until they get nominated by the President and confirmed by the Senate, efforts to better protect shippers are stalled," they stressed. "The President and the Senate should act now to nominate and confirm objective candidates committed to moving the STB forward instead of preserving the status quo."

Harrison's Wild Words

Harrison's attempt at a public apology did little to assuage shipper criticism and actually may have made things worse because he appeared to shift the blame to the railroad's workforce, provoking CSX's unions to jump into the debate.

In his Aug. 2 e-mail to customers, Harrison wrote, "The pace of change at CSX has been extremely rapid, and while most people at the company have embraced the new plan, unfortunately, a few have pushed back and continue to do so. This resistance to change has resulted in some service disruptions. To those customers that have experienced such issues, we sincerely apologize."

John Risch, national legislative director of the SMART Union Transportation Division, which represents many of CSX's operations employees, took issue with Harrison's statement, blaming the widespread train delays on operational changes made by the CEO, including the doubling of train sizes and shutting down hump yards. "No one is more to blame for CSX's service disruptions than the man who ordered the dramatic changes to operations, and that's Hunter Harrison," he stated.

The SMART union's top leadership responded in an Aug. 3 letter to Harrison that noted their union members have had no opportunity to provide input about the operational changes. They also slammed management's failure to communicate adequately with its employees about those changes.

The union's leaders termed Harrison's criticism of their members as "a personal attack on their professionalism. Your letter was a kick to the gut and a severe blow to their morale," they wrote in a letter to Harrison. Other CSX unions have said they agreed with SMART's response.

This wasn't the first time Harrison's words have gotten him in trouble. During a July 19 earnings conference call, he reported that the changes he instituted caused CSX's operating ratio to decline slightly from 69.4 in 2016 to 67.4 in the second quarter. Revenue climbed 8% and second quarter net earnings were \$510 million, \$65 million above the same quarter last year.

Explaining the thousands of firings, Harrison explained at that time, "We can't carry dead weight. Everybody has to do their job, everybody has to do their part."

CSX stock took an immediate hit after the 73-year-old Harrison said, "I'm a short-timer here. I'm the interim person that's going to try to get this company to the next step and good foundation." Last May, he admitted to using an oxygen tank and having to work from home several days a week because of an undisclosed medical condition.

Harrison also grabbed headlines by predicting that environmental restrictions will result in the end of coal hauling for the railroads. "Fossil fuels are dead," he declared. "It's not going to happen overnight. Coal is not a long-term issue. It's not going to be two or three years, but it's going away, in my view."

As a result, Harrison said that unless something changes drastically, "we're not going to go out and put a double track in, or buy locomotives or anything for coal." However, coal hauling has been one of the few bright spots when it comes to CSX traffic. In its second quarter it hauled 195,233 carloads of coal compared with 176,342 carloads in the second quarter of 2016.

Other business lines declined in the second quarter, including grain, which dropped 10.5%; petroleum, which plunged 12.5%; forest products, down 11%; and iron, steel and scrap, also off 11%. By contrast, intermodal traffic was up

3% for the quarter, although that is expected to decline because of Harrison's emphasis on higher-profit freight.

Source URL: <http://www.mhlnews.com/transportation-distribution/csx-service-deterioration-driving-freight-other-railroads-and-trucks>

Schafer, Lindsay

From: Hunter Harrison <info@csx.messages2.com>
Sent: Monday, July 31, 2017 2:56 PM
To: Murray, Bob
Subject: CSX Service Update

To our valued customer,

Over the past four months, CSX has been undergoing a tremendous amount of change, including an operational transformation that will ultimately result in better service to our customers. We're not at the finish line yet, but I'm personally writing you today to reaffirm our commitment to working with you individually to ensure you receive the support you require to meet your business needs.

I think we can agree that more-reliable service and improved asset utilization is a win-win for your business and ours. It is with these intentions that we have focused our efforts – moving our customer's freight consistently, reliably and cost efficiently.

The pace of change at CSX has been extremely rapid, and while most people at the company have embraced the new plan, unfortunately, a few have pushed back and continue to do so. This resistance to change has resulted in some service disruptions. To those customers that have experienced such issues, we sincerely apologize. As we move forward, we will continue to address these internal personnel matters and our teams have recommitted themselves to reaching out to those affected to work through any service issues and resolve them as quickly as possible.

Throughout our transformation, one thing that has remained constant is our dedication to our customers and the great effort we put forth to deliver the service you expect from CSX. Our operating and sales and marketing teams are collaborating closely to better ensure you are prepared for and work through any planned changes that may occur. I will remain engaged in overseeing our customer service and communications efforts, and appreciate your partnership and willingness to also remain engaged.

We value your business and thank you for the opportunity to be your transportation provider.

Sincerely,



Hunter

Agricultural Transportation Working Group

August 17, 2017

The Honorable Ann D. Begeman
Acting Chairman
Surface Transportation Board
395 E St., S.W.
Washington, D.C., 20423

The Honorable Daniel Elliott
Vice Chairman
Surface Transportation Board
395 E St., S.W.
Washington, D.C., 20423

The Honorable Deb Miller
Commissioner
Surface Transportation Board
395 E St., S.W.
Washington, D.C., 20423

Dear Acting Chairman Begeman, Vice Chairman Elliott and Commissioner Miller:

The undersigned organizations respectfully urge the Surface Transportation Board to aggressively continue its recent efforts to examine the underlying reasons for the precipitous, deteriorating rail service being provided by the CSX Transportation Co. (CSXT), and to press the CSXT for its plan to rectify the harm it has caused to its customers over the past few months and restore service to levels that comply with CSXT's statutory obligations.

Collectively, our members represent a diverse array of agricultural producers and agribusinesses that rely heavily on freight rail service. America's transportation infrastructure – including freight rail – is an essential component of U.S. agriculture's world-class productivity and competitiveness, which contribute substantially to American job creation, U.S. economic growth and world food security. Farmers, ranchers, agribusinesses and the food industry rely heavily upon freight rail to move agricultural products from geographically diverse sources of production to domestic and export markets, as well as to provide critical farm inputs like fertilizer, seed and agricultural chemicals to producers. Freight railroads account for about 24 percent of agricultural commodity shipment volumes, and rail customers frequently are captive to a single Class I carrier for service.

Unfortunately, starting in June, a wide range and growing number of agricultural facilities and manufacturing plants dependent upon CSXT have experienced an alarming degradation in rail service that worsened in July and does not appear to be abating. In fact, reports we're receiving from many of our member CSXT rail customers indicate it is becoming worse. Reports received from various agricultural rail users show that a significant number grain elevators, feed manufacturers, livestock and poultry feeders, flour millers, bakers, edible fat and oil refiners, and fertilizer plants are being affected adversely by CSXT's service problems, which have rippled throughout the Midwest, Eastern and Southeastern United States. Reported problems in multiple states within these regions include:

- CSXT-served rail customers experiencing unpredictable and inconsistent local service and extremely lengthy transit times;

- CSXT-served feed manufacturers and grain processors waiting for several weeks for scheduled trains. Delays in train placements have led to reduced oilseed processing crush levels at numerous plants and/or resulted in critical plant shutdowns;
- CSXT yard closures, which have contributed to circuitous and inefficient rail car routings and trains traversing literally thousands of miles out-of-route;
- loaded and empty cars dwelling excessively in transit;
- CSXT-served poultry feeders experiencing delays of nearly three weeks in the arrival of feed and feed ingredients, and incurring hundreds of thousands of dollars in additional business costs to make emergency purchases of ingredients transported by truck to keep poultry alive;
- millers and bakery manufacturing facilities throughout the CSXT network, particularly in Tennessee, experiencing inconsistent rail deliveries of essential ingredients (including sugar, corn, wheat and rice flour, tomato paste, corn and corn starch), as well as returns of empty railcars to suppliers for reloading, which have reduced plant operating capacity and production significantly. This severe service disruption has occurred during the highest production season for the baking industry, and adversely affected its ability to keep retail stores stocked with adequate supplies of freshly baked products;
- the change in the diversion process instituted by CSXT without notice on July 24th has led to 90 percent or more of all diversions being rejected, without explanation of the new process and rejections. As a result, fertilizer, grain and grain processing facilities have experienced CSXT trains they have ordered diverted to other locations instead being diverted to different destinations and later either being canceled without notification or even being misrouted and returned to the origin shipping location – often without notice. This has adversely affected facilities’ ability to manage shipper-supplied private fleets, created demurrage exposure and disrupted fluid shipments at manufacturing facilities;
- loaded rail cars parked by CSXT for days waiting for locomotive power and crews due to critical shortages caused by CSXT’s precipitous downsizing of its assets and personnel;
- unilateral changes to CSXT rail operations, including elimination of unit-train movements in favor of single-car manifest service, that have caused disruptions in supply chains; and
- adverse interchange capacity impacts with other railroads resulting from CSXT network congestion, which also has adversely affected car cycle times to and from facilities that are off-line.

We acknowledge, appreciate and commend the action taken by the STB in its July 27 letter to CSXT President and Chief Executive Officer E. Hunter Harrison requesting that senior CSXT railroad officials engage in weekly conference call updates with the Board’s Rail Customer and Public Assistance Office. We also commend the Board for its follow up letter sent August 14 to Mr. Harrison expressing its continued concern over CSXT’s service and requesting specific data addressing various performance indicators. We respectfully believe that the gravity and

widespread geographical nature of CSXT's service disruptions warrant further action by the Board to determine the underlying causes, the short- and long-term implications to rail customers, and the adequacy of any service recovery plan(s) being contemplated by CSXT. This exceeds the Board's request in its August 14 letter for CSXT to provide a detailed schedule for implementing its "new operating plan" by August 24; indeed, the "new operating plan," may be contributing to the serious degradation in CSXT's service. We also commend the Board for seeking additional service-performance metrics from CSXT, but would request that it also be diligent in determining from CSXT management precisely how those metrics are being calculated.

We respectfully submit that CSXT is and has not been meeting its common carrier obligation to provide reasonable service upon reasonable request as required under 49 U.S.C. §11101. In addition, we are concerned that CSXT's already-chronic service problems may only worsen as demand for rail service increases during the fall peak season, which will include near-record grain and oilseed harvests.

In addition, our organizations respectfully ask the STB to take the following actions in an expeditious manner:

- Consider making available a general summary of the Board's weekly rail service calls with CSXT senior management, or provide a mechanism under which interested parties can contact designated Board staff to discuss the general substantive content of such calls. We understand the desire by the Board to have candid conversations with CSXT during these calls. But having access to timely information, and an opportunity to provide feedback to the Board, on CSXT's service recovery plan and its performance against key, measurable service metrics are essential for rail customers to make logistics plans and decisions. From our members' perspectives, CSXT has been woefully lacking in providing adequate communications to its customers.

In this regard, we appreciate and recognize the Board's initial steps at increased transparency in its August 14 letter to Mr. Harrison, in which it states its intent to post on the STB website CSXT's weekly slide presentations provided to the agency in conjunction with its weekly scheduled calls. But we request that the STB explore ways to make available to rail customers additional substantive information that may result from its ongoing dialogue with the CSXT without undermining the necessary information-exchange that occurs during those weekly calls.

- Holding the CSXT accountable to meet measurable targets for restoring service under its recovery plan.
- Consider the appropriateness of conducting a public hearing at some point in the future involving CSXT senior management and associations representing rail customers to provide additional transparency on the extent of the CSXT service problems, any service recovery plans, and potential future actions that may be warranted by the Board, particularly if service does not improve significantly in the next few weeks.
- Promptly resume activity on existing Board proceedings related to enhancing rail competition, particularly EP 711 (Sub-No. 1) to replace the agency's outdated rules

governing orders for railroads to provide reciprocal switching. Even if they are not finalized in time to provide assistance with CSXT's current service failures, workable revised rules governing reciprocal switching could alleviate some of the harm to captive shippers caused by an incumbent railroad's future service failures by enabling shippers to receive service from an alternative railroad if access can be acquired through reciprocal switching.

We appreciate the Board's actions and consideration of this request, and would be pleased to respond to any questions it may have.

Sincerely,

***Agricultural Retailers Association
American Bakers Association
American Farm Bureau Federation
American Soybean Association
Corn Refiners Association
Institute of Shortening and Edible Oils
National Association of Wheat Growers
National Barley Growers Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Farmers Union
National Grain and Feed Association
National Oilseed Processors Association
National Pasta Association
National Sorghum Producers
North American Millers' Association
Pet Food Institute
The Fertilizer Institute***

cc: The Honorable John Thune, Chairman, Senate Commerce, Science and Transportation Committee
The Honorable Bill Nelson, Ranking Member, Senate Commerce, Science and Transportation Committee
The Honorable Deb Fischer, Chairman, Surface Transportation and Merchant Marine Infrastructure, Safety and Security Subcommittee, Senate Commerce, Science and Transportation Committee
The Honorable Cory Booker, Ranking Member, Surface Transportation and Merchant Marine Infrastructure, Safety and Security Subcommittee, Senate Commerce, Science and Transportation Committee
The Honorable Bill Shuster, Chairman, House Transportation and Infrastructure Committee
The Honorable Peter DeFazio, Ranking Member, House Transportation and Infrastructure Committee
The Honorable Jeff Denham, Chairman, Railroads, Pipelines and Hazardous Materials Subcommittee, House Transportation and Infrastructure Committee
The Honorable Michael Capuano, Ranking Member, Railroads, Pipelines and Hazardous Materials Subcommittee, House Transportation and Infrastructure Committee