

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