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Statement of National Grain and Feed Association

on CSX Transportation Inc.'s Rail Service Issues (EP 742)

Presented at the Public Listening Session

of the

Surface Transportation Board

October 11, 2017

Good morning, Acting Chairman Begeman and Vice Chairman Miller.

I am Randy Gordon, president of the National Grain and Feed Association, on whose behalf I appear today.

The NGFA consists of more than 1,000 member companies that operate more than 7,000 facilities. Our member companies handle more than 70 percent of the U.S. grain and oilseed crop, and consist of all sectors of the industry, including grain

elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors and millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation's grain, feed and processing industry. That latter category includes Class I and shortline rail carriers, including CSXT, which are Transportation members of the NGFA. In addition, 34 affiliated State and Regional Grain and Feed Associations are NGFA members.

I want to start by expressing appreciation to the Board, on behalf of the NGFA and the Agricultural Transportation Working Group, which we coordinate, for conducting this important listening session to enable agricultural and other shippers to convey the "ground truth" on what our member companies currently are experiencing concerning CSXT's rail service issues. As you know, in an August 17, 2017 letter to the Board, the Agricultural Transportation Working Group requested an opportunity like this to provide additional transparency on the extent of CSXT's service problems and to suggest potential future actions that the Board may wish to consider.

We also commend the Board for convening, starting in August, confidential weekly calls to engage in candid conversations with CSXT senior management on the railroad's service performance, and for posting the railroad's presentations on the agency's public website. Following this listening session, we encourage the Board to explore additional ways for rail customers to interact directly with the Board to point out instances in which CSXT's reporting of service performance metrics do not correlate with reality.

In this regard, NGFA and the Agricultural Transportation Working Group also want to commend the Board's Rail Customer and Public Assistance Office for its interaction with directly affected rail users in trying to resolve specific instances of degraded CSXT rail service. This Office yet again has demonstrated its great value and utility.

Today, the NGFA wishes to touch on three major topics.

First, we want to present observations about service conditions and problems *currently* being experienced by a significant number of our member companies that are CSXT customers.

Second, the NGFA respectfully wishes to recommend several additional rail service performance metrics that we believe the Board should require CSXT to report to enable the Board and rail customers to better assess the true status and level of improvement in CSXT's service levels. We believe that doing so will help narrow the "disconnect" that currently exists between what is being reported to the Board versus what is being experienced by individual facilities.

And third, the NGFA believes there is a legitimate question as to whether CSXT's service failures in 2017 contravene the statutory requirement to provide service upon reasonable request. We believe the seriousness of CSXT's service failures warrants the Board requiring CSXT to develop and submit a specific service recovery plan to restore service in a manner that complies with federal law.

Current CSXT Service-Related Problems Experienced by NGFA-Member Companies

Let me begin by citing CSXT service problems that continue to be reported by NGFA-member companies.

The two biggest overarching complaints we consistently and repeatedly receive concern: 1) the abrupt failure of CSXT to provide the reliable, consistent and predictable service its customers generally experienced prior to implementation of its new operating plan earlier this year; and 2) the inability of CSXT customer service personnel to respond to inquiries from rail customers. Receiving consistent, predictable rail service and obtaining ongoing, accurate information from a carrier are essential for agricultural rail shippers and receivers to operate efficiently. Prior to July of this year, CSXT generally met those needs. However, our members report neither is occurring today on a consistent basis.

While some NGFA-member companies anecdotally reported incremental improvement in CSXT's service in recent weeks, NGFA continues to receive numerous reports that trains still typically are arriving four, to as many as seven or more, days behind schedule. Yet, there are other weeks when trains arrive at the same facilities on time. This unpredictability and inconsistency obviously disrupts both logistics and supply chain planning. First, it makes it difficult for facilities to schedule sufficient crews to be on hand to unload and load cars when they arrive. Second, it forces facilities that are captive to CSXT to shift to much higher-cost truck transportation simply to obtain sufficient supplies to continue operating, even on a reduced schedule, to meet contract commitments to their downstream customers. Alternatively, it can force traditional customers to change their supply chains, either by switching products or ingredients, changing suppliers or by adding inventory and using rail cars as added storage to have sufficient commodities and ingredients available to continue operating to meet sales contract commitments.

In any event, several NGFA-member companies whose operations include flour and dry corn milling, feed manufacturing and grain processing have reported having to shut down or reduce operations at plants at critical times because of the lack of commodities and needed ingredients caused by unpredictable and inconsistent service by CSXT.

Let me cite several specific service-related problems being reported by NGFA members:

- First, manifest train cycle times increased significantly in August – by up to a week or more – compared to the same period in 2016. Some improvement has been reported in September, but transit times remain longer than experienced during a similar period a year ago. In some cases, cars in CSXT manifest service also seemingly get a tour of eastern half of the United States, after being combined in trains that traverse north, west and east before beginning their journey to their intended destination in the southeast, ultimately arriving late.

- Second, loaded trains reportedly wait five to seven days at origin to be pulled by CSXT locomotives and crews.
- Third, unloaded cars wait at destination for several days to be pulled from the receiving facility, which ties up the plant's track space and unloading capability.
- A fourth issue involves misdirected, misrouted and circuitous routing of CSXT trains.
- Fifth, there are instances of erroneous billing instructions for shipments, which result in misrouting of cars.
- Sixth, there are problems in resolving bad-order cars and getting them removed from manifest or unit trains. NGFA has received reports that CSXT sometimes changes the billing instructions for unknown reasons for cars that are bad-ordered or released from bad-order status, again resulting in misrouting of cars.
- A seventh, and major issue, involves what apparently is a CSXT policy change that generally prohibits or routinely denies customers' requests to divert cars to different loading and receiving points. NGFA's understanding is that CSXT customers previously could use a web-based platform to efficiently and timely divert privately owned or leased cars to origin or destination points within the railroad's network. Now, however, it is our understanding that such requests routinely are denied for rail customers, even though CSXT continues to utilize the diversion practice to its benefit with respect to its own pool of railroad-owned cars, including those in intermodal and auto service. Further, NGFA members have been informed that Mr. Harrison has instructed that if a rail customer's diversion request is approved, the user name linked to the CSXT employee granting the request must be forwarded directly to CSXT's management team, which has had the

evidently intended chilling effect on such approvals. Again, it is important to stress the differential treatment here; this CSXT policy on diversions for customer cars is inconsistent with diversions it utilizes for its own equipment.

Before changing subjects, I do want to acknowledge and give appropriate credit to CSXT and its Agricultural and Fertilizer Products and Operations Teams for working with several organizations, including NGFA, my colleague Mr. Detlefsen with the National Milk Producers Federation, the Florida Department of Agriculture, the American Feed Industry Association, the American and Florida Farm Bureau Federations, and the previously cited STB's RSPCA, to expedite delivery of an overdue CSXT train overnight in mid-September from Georgia to Okeechobee County, Fla., where several mills literally had run out of corn and other ingredients to manufacture feed in this heavy dairy cattle region. However exemplary this action was, it was necessitated by the fact that the affected cars were delayed by several days from reaching their destination well before the advent of Hurricane Irma. And, as Mr. Detlefsen will explain in his testimony, feed mills in Florida that are captive to CSXT again are experiencing significant delays and ping-pong movements of cars that are disrupting deliveries of corn and feed ingredients to the region.

For our industry, the net result of these CSXT service disruptions has been additional freight costs for truck movements; lost sales of commodities and ingredients; changes to supply chain and customer relationships; reduced operating efficiency at processing plants, flour and feed mills – some of which now are operating at 70 to 80 percent of capacity because of the lack of inbound supply; and economic losses incurred by rail car lessees and those operating private car fleets. Combined, these amount to literally millions of dollars of additional shipping costs and lost earnings to our industry.

NGFA Recommendations for Additional Rail Service Performance Metrics to be Provided by CSXT to the STB

Next, the NGFA wishes to recommend several additional rail service performance metrics that it believes the Board should require from CSXT to enable the STB and rail users to better track the carrier's efforts to restore service to acceptable levels.

These NGFA recommendations on additional metrics will be included as an appendix to the written version of this statement that will be filed with the Board, and will be included in a separate, stand-alone submittal to the Board. But let me highlight a few examples:

First, NGFA believes it is important that existing rail service performance metrics reported weekly by CSXT to the STB – as well as the additional metrics being requested by NGFA – be benchmarked against data for the same service performance dating to at least 2014/15 to enable CSXT, the Board and rail customers to be aware of how current service performance compares to previous norms.

Second, while the Performance Data Reporting (PDR) on Rail Service Issues available on the STB website is excellent, we believe some additional information would illustrate other service issues affecting CSXT rail customers. For instance, the PDR Origin Dwell Time metric is specific *only* to unit train shipments ("4. Weekly Average Dwell Time at Origin for Unit Train Shipments Measured in Hours"). But many CSXT customers no longer have access to unit train service given the railroad's decision to discontinue 65-car unit trains effective October 1, 2017. Therefore, it would be useful to break out PDR by Unit Train, Express Unit Train, and Manifest Shipments, as "express loaders" are qualified to use CSXT locomotives while loading their trains.

Third, given that many CSXT customers now rely on manifest service, we believe additional data should be reported on the dwell time for loaded and empty manifest cars at origin and destination, respectively, with similar metrics for unit trains and express trains operated by the railroad, with separate categories delineated by privately owned and leased cars versus CSXT-owned cars.

Fourth, we commend the Board for requiring first mile/last mile spot-and-pull reporting by CSXT, and believe that should be retained in any future Local Service Measurement reporting done by the railroad. But as noted previously, NGFA recommends that CSXT also should be required to measure and report the time that elapses between “loaded billing” of cars until the “actual time” the train is pulled from the origin facility, as well as the time elapsing between the time cars are emptied at destination and when empty cars are pulled from the facility.

Further, we believe the Board and rail customers need to know how CSXT’s service reporting metrics are influenced by the length of time CSXT cars sit at a shortline carrier’s interchange point waiting to be pulled. To address this issue, perhaps it would be useful for the Board to require CSXT in its reporting to include the amount of time cars spend on the origin and/or destination short line.

Fifth, we recognize and appreciate that the Board is requiring CSXT to report problem logs. But here again, we believe there may be a disconnect between the data being reported and ground-truth reality. For instance, NGFA has received reports that when CSXT logs are opened related to service delays, once the carrier merely develops a *plan* for departure of the train, the log is officially “closed” even though the cars actually may *not* have departed the facility. In addition, we have received questions on whether CSXT is following through on delayed cars’ transit times to destination. For example, for cars delayed in Atlanta and later transiting to New Jersey, is the log being closed and the train not being followed or monitored until it reaches New Jersey?

Sixth, we believe it would be enlightening and illustrative for CSXT to report the number of employees working in specific service-relevant departments and functions, such as customer service, sales, marketing and by operational area (such as trainmasters, crews, switch personnel, division managers, maintenance, etc.).

NGFA also wishes to commend Secretary of Agriculture Sonny Perdue for his September 7, 2017 letter to the Board in which he cites the impacts CSXT’s service degradation has had on the agricultural sector. In this regard, NGFA fully supports Secretary Perdue’s request that the Board require additional metrics reporting, including system-level train speeds and other pertinent metrics in key

traffic corridors, particularly for lanes serving Midwestern origination points and important destinations in the northeast, mid- and south-Atlantic and Southeastern and Southern states.

And finally, NGFA believes the Board should require CSXT to state the precise methodology it is using to calculate and report all service-performance metrics. In its written statement, NGFA provides several examples of why current reporting metrics may be misleading.

Recommendation for CSXT to Submit Specific Service Recovery Plan to the Board

Finally, as mentioned previously, NGFA believes there is a legitimate question as to whether CSXT's abrupt implementation of drastic changes to its operations that have significantly disrupted and economically harmed its customers undermines its obligations under federal law. While the Board thus far has refrained from instituting a formal investigation of whether statutory violations occurred, we respectfully submit that the seriousness of CSXT's actions nevertheless call for more robust oversight by the Board until the harm is alleviated. NGFA accordingly respectfully recommends that the Board take the additional step of requiring that the carrier submit a specific, detailed rail service recovery plan with meaningful and measurable metrics and a timetable for restoring service to acceptable levels.

As noted in the Agricultural Transportation Working Group's August 17, 2017 letter to the Board, this request extends beyond the STB's request in its August 14, 2017 letter to CSXT to provide a detailed schedule for implementing its "new operating plan" for precision scheduled railroading. Respectfully, the jury is still out on whether CSXT's new operating plan, as currently envisioned, will be sufficient to restore service to acceptable levels that meet its statutory obligation, or, conversely, substantially "lower bar" for future service performance.

Conclusion

In closing, the NGFA again commends the Board for conducting this listening session and for its continuing focus on CSXT's service problems and its efforts to hold CSXT management accountable. We also appreciate your consideration of NGFA's recommendations in this regard.

Thank you, and I will be pleased to respond to questions at the appropriate time.

APPENDIX

NGFA-Suggested Additional CSXT Service Performance Metrics

1. Comparisons of Service Performance Metrics to Previous Years: The NGFA believes it is important that existing rail service performance metrics reported weekly by CSXT to the STB – as well as the additional metrics requested by the NGFA below – be benchmarked against data for the same service-performance dating to at least 2014/15 to enable CSXT, the STB, and rail customers to be aware of how current service performance compares against previous norms.

2. The Performance Data Reporting (PDR) on Rail Service Issues available on the STB website is excellent; but some additional information would illustrate other service issues affecting CSXT rail customers. For instance, the PDR Origin Dwell Time metric is specific *only* to unit train shipments ("4. Weekly Average Dwell Time at Origin for Unit Train Shipments Measured in Hours"). But many CSXT customers no longer have access to unit train service and their efficiencies. Therefore, it would be useful to break out PDR by Unit Train, Express Unit Train, and Manifest Shipments, as "express loaders" are qualified to use CSXT locomotives while loading their trains.
 - **Manifest Service** (since many customers have been forced to use manifest service and no longer are authorized as unit train loaders by CSXT), the following data should be required:
 - a. **Origin Customer (Industry) Dwell Time – Loaded Manifest Grain / Grain Product Cars.** Measured as elapsed time between Loaded Billing and Departure from Industry Facility (Customer).
 - b. **Destination Customer (Industry) Dwell Time – Empty Manifest Grain / Grain Product Cars.** Measured as elapsed time between Empty Released and Departure from Industry Facility (Customer).

 - **Unit Trains (non-express)**
 - a. **Origin Customer (Industry) Dwell Time – Loaded Unit Train Grain / Grain Product Trains.** Measured as elapsed time between Loaded Billing and Departure from Industry Facility (Customer).
 - b. **Destination Customer (Industry) Dwell Time – Empty Unit Train Grain / Grain Product Trains.** Measured as elapsed time between Empty Released and Departure from Industry Facility (Customer).

- **Express Unit Trains**
 - a. **Origin Customer (Industry) Dwell Time – Loaded Express Unit Train Grain / Grain Product Trains.** Measured as elapsed time between Loaded Billing and Departure from Industry Facility (Customer).
 - b. **Destination Customer (Industry) Dwell Time – Empty Express Unit Train Grain / Grain Product Trains.** Measured as elapsed time between Empty Released and Departure from Industry Facility (Customer).
3. In addition to these more useful PDR Origin/Destination Dwell calculations, NGFA suggests narrowing the definition of Terminal Dwell ("2. Weekly Average Terminal Dwell Time Excluding Cars on Run-Through Trains Measured in Hours for 10 Largest Terminals and Overall System in Terms of Railcars Processed") to simply be "Terminal Dwell on Private Cars in Manifest Service for 10 Largest Terminals and Overall System in Terms of Railcars Processed."
 4. To assist the STB, CSXT and rail customers in best interpreting these data, NGFA also recommends that, instead of simply reporting averages in each of the aforementioned examples, CSXT also be required to report the upper and lower limits (or range) of dwell times in the samples.
 5. Other possible service performance metrics that the STB should consider requesting from CSXT include:
 - **Gateway (Interchange) Dwell Time** for Lima, Chicago, Memphis and East St. Louis. This metric would be measured as the time elapsed from (Interchange Offered) from another railroad and when the trains or cars actually are received and pulled – both loaded and empties.
 - **Diversion Requests and Denials.** The number of diversions requested weekly versus the number denied. The NGFA believes this would help determine reporting consistency with railroad-controlled pools (i.e., automotive, intermodal and boxcars).
 - **Problem Logs:** NGFA has received reports that when CSXT logs are opened related to service delays, once the CSXT merely develops a "plan" for departure, the log is closed – even though the cars may not have departed. In addition, CSXT allegedly is not following through on delayed cars' transit to destination; for example, for cars delayed in Atlanta and later transiting to New Jersey, CSXT allegedly may be closing the log and not following or monitoring the car until it arrives in New Jersey.
 6. **CSX Employment:** Weekly data on the number of CSXT employees working in service-specific departments and functions, including customer service, sales, marketing and by operational area (e.g., trainmaster, division manager, maintenance, etc.).

NGFA also wishes to reiterate this important point from the Agricultural Transportation Working Group's August 17, 2017 letter to the Board: The STB should require CSXT to precisely state the methodology being used to calculate and report all service-performance metrics submitted to the Board to make the data more user-friendly and to reduce the potential for manipulation of data that portrays a rosier situation than truly exists.

It is NGFA's hope that these additional metrics will help rail customers, the Board and CSXT gain a better understanding of service performance and issues that still require attention and improvement.