

The Surface Transportation Board

Ex Parte 742 – Public Listening Session Regarding CSX Transportation, Inc.’s Rail Service Issues

October 11, 2017

Statement of Mary Pileggi

**Chair of the Board of Directors,
The National Industrial Transportation League**

Acting Chairman Begeman and Vice Chair Miller, good afternoon. My name is Mary Pileggi and I am the Chair of the Board of Directors for the National Industrial Transportation League and I am also the Sourcing & Logistics Manager of the Fluoroproducts Business of The Chemours Company, but I am speaking today on behalf of the League’s membership. The League extends its sincere gratitude to the Board for all of its efforts to address the serious problems that American industry is experiencing due to the rail service failures of CSX.

The League represents a broad cross-section of American business, united in their need for reliable, efficient, and competitive transportation services. Our rail members ship chemicals, petroleum, agricultural products, and paper and forest products, among other commodities. Our members operate in highly competitive domestic and global markets and have developed complex supply chains to support

their operations. Reliable rail service is absolutely critical to maintaining the supply of goods required to meet the demand of American businesses, consumers, and our economy at large.

Back in July, the League collected and provided to the Board extensive information from its members regarding CSX's service problems. In the past two weeks, the League collected additional feedback from its members who ship via CSX to ensure that our Statement today is based on the most current information.

Based on our data collection, League members who depend on CSX have experienced a variety of service problems over the past five months, and are continuing to experience problems in several geographic areas. (OH, IN, IL, AL, GA, TN, and LA). Generally, the types of problems that are occurring include:

1. Delayed and lost cars.
2. Missed switches.
3. Inadequate Railcar Supply.
4. Circuitous routing and substantially increased transit times.
5. Cars idled and stuck in route to their destination, in some cases, for weeks at a time.
6. Yard congestion and substantially increased yard dwell time.
7. A failure in CSX communication regarding its operational changes and poor responsiveness to customer service complaints.

To provide more specifics, many members reported substantially increased transit times, with some shipments taking several weeks longer than usual. Some of the delays are being caused by insufficient CSX crews, yard closures (such as Avon, IN), missed switches at yards (such as Evansville, IN), or cars being unreasonably held at interchange terminals. In other cases, the delays are caused by CSX's use of more circuitous routes. CSX yards in Alabama were reported to have inadequate service and switches, causing transit times to increase from 2-4 days to 9-11 days, impacting hundreds of cars each month. Other members stated that their cars have sat idle for 20, 25, or more days in CSX rail yards, awaiting further movement.

To add insult to the injury, one League member reported that when CSX failed to provide its regularly scheduled switching service, it began charging a "special switch fee" to perform switching services on alternative "unscheduled" days to make up for the missed service.

League members are frustrated by the lack of sufficient notice of the operational changes that were imposed suddenly and unilaterally by CSX. The inability of members to plan for reduced or altered rail service created unnecessary business interruptions and forced companies to shift to more expensive truck transportation to keep their facilities running and meet their own customers'

delivery demands. Where possible, members moved their traffic to Norfolk Southern or other railroads; but shippers captive to CSX are not so fortunate. They must endure the disruption and higher costs. According to League members, the cost impacts range from hundreds of thousands of dollars to several million dollars since the service crisis began.

Mr. Harrison mentioned today that Precision Scheduled Railroading provides a plan for each railcar. He also mentioned a metric of achieving 90% of the plan. This target is not good enough for our members when they are measured by their customers to much higher standards.

Good people work at CSX, but the railroad's overall responsiveness to customer concerns has fallen short. In the League's recent feedback, a majority of respondents reported continuing to raise service issues with CSX, but a minority were satisfied with the response; the others were either dissatisfied or neutral regarding CSX's response. Persistent communication and escalation of problems to senior CSX personnel can help to get individual cars moving again, but this is not a viable long-term solution. Railroad customers should not be required to beg to get their shipments delivered within a reasonable time period.

The League understands that the Board would like to know whether CSX service is improving, worsening or is about the same. Based on the League's survey, the answer is mixed. The good news is that some League members

reported improvements in the last month and very few reported that service is getting worse. However, for those who experienced improvements, service has not been restored to prior levels before the operational changes were implemented. Other companies reported that their service is still poor and has stabilized at the unacceptable levels occurring in July or August. Members are concerned that the current mediocre to poor service levels may become the “new normal.”

League members need a competitive and efficient rail industry that can effectively support American manufacturing and business growth. A single railroad should not be able to impose major operational changes upon its customers without notice or coordination, and then expect its customers to absorb the added costs.

As the Board knows, CSX has significant market power over many of its captive customers. For those companies, there is no rail alternative. In a market that is robustly competitive, CSX would suffer the consequences of their actions in the form of lost customers. In an oligopoly with many captive customers, CSX is insulated from a severe loss of business.

Therefore, we have to ask, what more can this Board do to protect the interests of American manufacturers and businesses affected by CSX’s poor performance?

We very much appreciate the efforts of the Board's Office of Consumer Affairs in helping to resolve individual company complaints, but the magnitude of the problems and vast number of impacted companies make a case-by-case mediation approach impracticable.

We also appreciate the Board's collection of CSX service metrics which do help the Board and public measure changes in CSX's service. However, the metrics do not specifically require CSX to address the concerns of its many customers whose service is still not adequate.

The Board has authority to issue an Emergency Service Order, but this remedy has rarely been used and often requires the cooperation of a second railroad, rendering it unworkable in many cases.

CSX has a common carrier obligation to provide service upon reasonable request. Does the Board believe that CSX is meeting its common carrier obligation to its customers? Impacted League members do not think so. If the Board agrees, then we would ask that you consider directing CSX to add equipment, personnel, and other resources that are needed to meet the reasonable demands of its customers and its statutory service obligation. The Board could help CSX customers and monitor CSX's compliance with the common carrier obligation by maintaining closer scrutiny over the resolution of customer complaints, including asking CSX to re-emphasize the importance of customer

service, to share the complaints from its customer's as documented in their customer service database, summarize the issues and shipper concerns, share how CSX has responded to them, and have CSX report the length of time it takes for issues to be resolved. Where issues are not being resolved in a timely manner the Board should intervene where it has jurisdiction to do so.

Finally, the League believes that expanded reciprocal switching could help to alleviate some of the service problems occurring on the CSX system, and we urge the Board to continue its important work in EP 711. Allowing an impacted CSX customer to switch its traffic to an alternative carrier would help to protect American industry in some situations from the disruptive and costly consequences of poor rail service.

On behalf of the League, I would like to thank the Board again and appreciate the opportunity to express our concerns and perspective. The League will be filing a more detailed version of this Statement in the EP 742 docket today and I request that it be entered in the record. I would be happy to answer any questions.

Thank you.