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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

RECIPROCAL SWITCHING

Docket No. EP 711 (Sub-No. 1)

**WRITTEN TESTIMONY OF
CSX TRANSPORTATION, INC.**

John P. Patelli
Jason M. Marques
CSX TRANSPORTATION, INC.
500 Water Street
Jacksonville, FL 32202

Counsel for CSX Transportation, Inc.

Dated: February 14, 2022

CSX Transportation, Inc. (“CSX”) hereby submits written testimony pursuant to the Board’s notice of public hearing served on December 28, 2021. CSX has actively participated in this long-standing proceeding and continues to have serious concerns about the Board’s 2016 proposal.¹ CSX joins in the supplemental comments of the Association of American Railroads.

CSX’s hearing testimony will be delivered by Sean R. Pelkey, Executive Vice President and Chief Financial Officer, and Raymond A. Atkins of Sidley Austin LLP. Mr. Pelkey will explain why he disagrees with the arguments made in ex parte meetings that the 2016 proposal would encourage greater investment in the rail network.² Mr. Atkins will address comments in ex parte meetings which suggest that a revised reciprocal switching regulation is being sought as a means to drive down rates.³

The following is a summary of the testimony that Mr. Pelkey and Mr. Atkins intend to provide on behalf of CSX.

¹ *Reciprocal Switching*, Docket No. EP 711 (Sub-No. 1) (STB served July 27, 2016).

² See, e.g., Shipper Associations Ex Parte Meeting Summary, at 5, 7 (Aug. 12, 2021); American Chemistry Council and National Industrial Transportation League Ex Parte Meeting Summary, at 3-5 (Apr. 11, 2019); American Petroleum Institute Ex Parte Meeting Summary (Apr. 10, 2017).

³ See, e.g., CF Industries Ex Parte Meeting Summary (June 25, 2019) (“CF further expressed its opinion that competitive switching would allow competition and markets to help set fair rates, and so would reduce the need for STB rate regulation.”); Mississippi Lime Company Ex Parte Meeting Summary (July 2, 2019) (expressing concern over rate increases and stating that reciprocal switching is “[t]o create competitive rail rates”); INEOUS USA LLC Ex Parte Meeting Summary (Feb. 8, 2017).

Testimony of Sean R. Pelkey

Mr. Pelkey will explain how CSX invests significantly in maintaining its network and adding capacity. He will explain that growth is essential for the railroad industry's continued success in increasing market share for freight rail traffic.

Mr. Pelkey will also explain how CSX must account for uncertainty and risk when making decisions about how to allocate and invest capital, and how investing for growth is heavily dependent on having the right incentives in place to justify that investment. He will explain why the 2016 proposal is problematic from an investment perspective and will provide examples illustrating his concerns.

Mr. Pelkey will encourage the Board to foster a regulatory environment that promotes and encourages growth investment so that rail can compete more effectively with the trucking industry.

Testimony of Raymond A. Atkins

Mr. Atkins will explain why expanded reciprocal switching is not a solution to service issues or inefficient routes, but rather is endorsed by shippers as a means to drive down rates. He will explain why adopting a policy that drives rates below the maximum level permitted by law is improper and unlawful.

Mr. Atkins will explain why the Board's proposal would fundamentally restructure the freight rail system, and the unintended consequences that would result. He will explain the history of the existing standard and explain why any change to the standard governing switching should be made by Congress.

Respectfully submitted,

/s/ John P. Patelli

John P. Patelli

Jason M. Marques

CSX TRANSPORTATION, INC.

500 Water Street

Jacksonville, FL 32202

Counsel for CSX Transportation, Inc.

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