



**National Grain
and Feed Association**

www.ngfa.org ngfa@ngfa.com

1400 Crystal Drive, Suite 260
Arlington, VA 22202

P: (202) 289-0873

F: (202) 289-5388

244655

Written Statement

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National Grain and Feed Association

on CSX Transportation Inc.'s Rail Service Issues

(EP 742)

Submitted following the October 11, 2017

Public Listening Session

of the

Surface Transportation Board

November 2, 2017

The National Grain and Feed Association (NGFA) respectfully submits this written statement to the Surface Transportation Board (“Board” or “STB”) as a follow up to the oral statement presented during the Board’s October 11, 2017 public “listening session” on CSX Transportation Co. rail service issues.

The NGFA consists of more than 1,000 member companies that operate more than 7,000 facilities. Its 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, who are Transportation Members of NGFA. In addition, 34 affiliated State and Regional Grain and Feed Associations are NGFA members.

The NGFA again expresses appreciation to the Board, on behalf of itself and the Agricultural Transportation Working Group, whose activities the NGFA coordinates, for conducting the important October 11, 2017 listening session to enable agricultural and other shippers to convey the “ground truth” on rail service issues being experienced by CSXT rail customers. The Agricultural Transportation Working Group, including NGFA, in an August 17, 2017 letter to the Board 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 taking.

The NGFA also commends 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 convey their service-related experiences with CSXT and 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 STB Office yet again has demonstrated its great value and utility.

As it did in its oral testimony, the NGFA within this statement focuses on three major topics:

- First, the NGFA presents observations about service conditions and problems **currently** being experienced by a significant number of its member companies that are CSXT customers.
- Second, the NGFA respectfully wishes to recommend several additional rail service performance metrics that it believes 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. NGFA believes that doing so will help narrow the "disconnect" that currently exists between what is being reported to the Board versus what actually 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, as required under 49 U.S.C. §11101. NGFA believes 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 Reported by NGFA-Member Companies

First, the NGFA provides an overview of CSXT service problems that continue to be reported by its member companies.

The two biggest overarching complaints NGFA consistently and repeatedly receives from its member companies concern: 1) the abrupt failure of CSXT to provide the reliable, consistent and predictable service its customers generally experienced prior to implementation of CSXT's new operating plan earlier this year; and 2) the inability of rail customers to access or obtain accurate or meaningful actionable information from CSXT customer service personnel. 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 June 2017, NGFA-member companies reported that CSXT generally met those needs. However, our members report neither is occurring today on a consistent basis.

In some cases, our members have said they simply have given up, alleging that answers provided by CSXT personnel – if and when they can access them – often are opaque and vague. Of course, communications problems initially arose with the lack of advance notice on how quickly CSXT planned to drastically overhaul its system to implement Mr. Harrison's so-called "precision scheduled railroading" model. This lack of notice and abrupt change created significant service and operational disruptions in our industry sector, starting in late July, becoming more severe in August, and continuing largely unabated in September.

While some NGFA-member companies anecdotally reported incremental improvement in CSXT's service starting in early October, 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 by switching products or ingredients, changing suppliers, or by adding inventory, even to the point of using and paying demurrage for rail cars to store sufficient commodities and ingredients to continue operating when the manufacturing or processing facility lacks sufficient storage capacity on site.

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 from CSXT.

NGFA-member companies also continue to report the following service-related problems with CSXT:

- 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 starting 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 – arriving late.
- Loaded trains waiting five to seven days at origin to be pulled by CSXT locomotives and crews.
- Unloaded cars waiting at destination for several days to be pulled from the receiving facility, which ties up the plant’s track space and unloading capability.
- Misdirected, misrouting and circuitous routing of CSXT trains. We’ve been told that shuttles and single cars at times seemingly “float around” CSXT’s rail network for days because of congestion at rail yards and problems finding crews with sufficient duty hours remaining.
- Erroneous billing instructions for shipments, which result in misrouting of cars.
- Problems 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.
- Another 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 same diversion practice 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. This policy evidently has created the intended chilling effect on such approvals. This policy of denying rail customer requests for rail car diversions appears consistent with Mr. Harrison's approach at the Canadian Pacific Railroad. Not allowing diversions further exacerbates instances of misdirected and misrouted shipper- owned and leased cars, creating inefficiencies and excessive transit times for customer equipment. It also eliminates the ability of a multi-location customer to load balance at various origins or destinations. And it can lead to increased storage charges that must be paid by the customer. In essence, CSX operational issues are causing the affected customer to pay CSX *more* for poor or inconsistent service. Further, prohibiting diversions also may cause CSX to embargo a particular location for having too many cars in the pipeline, even though the customer may have wanted to divert cars.

Again, it is important to stress the differential treatment here. This CSXT policy on diversions for customer cars is the polar opposite of the diversion practices it deploys for its own benefit with respect to its own equipment.

Before shifting topics, the NGFA does 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, the National Milk Producers Federation (NMPF), the Florida Department of Agriculture, the American Feed Industry Association, the American and Florida Farm Bureau Federations, the previously cited STB Office of Rail Customer and Public Assistance, and others for stellar efforts to expedite delivery of an overdue CSXT train overnight in mid-September from Georgia to Okeechobee County, Fla. Several mills in that region literally had run out of corn and other ingredients to manufacture feed in this heavy dairy cattle area. But however exemplary CSX's actions were in this instance, they unfortunately were necessitated by the fact that the affected cars were delayed by several days from reaching their destination – well before the onset of Hurricane Irma. And, as Mr. Detlefsen of NMPF explained 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 supplies; and economic losses incurred by rail car lessees and those operating private car fleets. Combined, these constitute 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 Board

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 are included as an appendix to this statement, and are being submitted in a separate, stand-alone filing with the Board. To summarize:

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 to be 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 are reliant upon manifest service, we believe the following additional data should be reported:

- **Origin Customer (Industry) Dwell Time – Loaded Manifest Grain / Grain Product Cars.** Measured as the elapsed time between Loaded Billing and Departure from Industry Facility (Customer).
- **Destination Customer (Industry) Dwell Time – Empty Manifest Grain / Grain Product Cars.** Measured as the elapsed time between Empty Released and Departure from Industry Facility (Customer).
- NGFA also suggests similar metrics for unit trains and express trains operated by CSXT.

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 submitted by CSXT. But as noted previously, Local Service Measurement does not reflect the true efficiency of a movement because it does not measure whether this was accomplished on time or even on the same day because it does not include the length of time the cars may have

waited at origin to be pulled by CSXT locomotives and crews. To address this disparity, NGFA recommends that CSXT should be required to measure and report the time that elapses between “loaded billing” until the “actual time” the train is pulled from the facility, with separate categories delineated by privately owned and leased cars versus the treatment accorded to CSXT-owned cars.

In a related matter, 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, it would be useful for the Board to require CSXT to report the amount of time cars spend on the origin and/or destination short line.

Fifth, NGFA recognizes and appreciates that the Board is requiring CSXT to report problem logs. But here again, there may be a disconnect between the data being reported and ground-truth reality. For instance, NGFA has received reports from member companies 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, NGFA has 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, the NGFA believes it would be enlightening and illustrative for CSXT to report the comparable number of employees working since 2014/15 in specific service-relevant departments and functions, such as customer service, sales, marketing and by operational area (such as trainmasters, division managers, crews, switch yard personnel, maintenance, etc.).

Concerning metrics reporting, the NGFA also wishes to commend Secretary of Agriculture Sonny Perdue and the Agricultural Marketing Service’s Office of Transportation for the September 7, 2017 letter to the Board in which Secretary Perdue 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 reporting of 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. We also support Secretary Perdue’s call for more detailed methodological explanations of existing data, such as CSXT grain cars loaded and billed, which is not correlated with CSXT’s grain car loadings, and endorse his call for the Board to investigate CSXT grain car orders’ data and methodology, such as unfilled car orders.

Finally, consistent with Secretary Perdue’s request and one made previously by the Agricultural Transportation Working Group, the NGFA believes the Board should require CSXT to state the precise methodology it is using to calculate and report all service-performance metrics. For example, concerning the October 3, 2017 CSXT update posted on the Board’s website, several questions arise:

- What constitutes an “on-time origination” (CSXT slide #4)? Are “unscheduled” grain and grain product trains included in this category? Or are they accounted for in another manner? NGFA member companies observe that for unscheduled grain trains, reservations are submitted through the “Ship CSX Unit Train Management Tool,” but sit for several days or longer before the reservation date prior to being pulled. This raises the question of how CSXT measures on-time performance of departing trains. It also is worth noting NGFA has received reports that CSXT regularly changes reservation dates manually at its own discretion without providing notice to shippers, which also can appear to reduce transit times artificially. Further, as noted earlier, more granularity in metrics reporting is needed to determine the amount of time cars actually spend on the origin and/or destination short line that interchanges with CSXT.
- Similarly, it appears CSXT is measuring dwell time only at its terminals. While an important metric, as noted earlier, obtaining a more accurate picture requires garnering information about the amount of time that elapses between the loaded billing of the train and its actual departure from the facility to destination, as well as delays that may be occurring with cars sitting on the origin and/or destination short line that interchanges with CSXT.
- The same applies to the velocity metric, the measurement of which should include the time a train sits at the customer’s location before being pulled. As discussed previously, we believe velocity should be measured so as to include the time that elapses between loaded billing until the time empty cars physically are pulled from the facility after being released empty.

Recommendation for CSXT to Submit Specific Service Recovery Plan and Timetable 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 has significantly disrupted and economically harmed its customers constitutes a violation of its obligations under federal law. While the Board thus far has refrained from instituting a formal investigation of whether statutory violations have occurred, we respectfully submit that the seriousness of CSXT’s actions nevertheless call for more robust oversight by the Board until the harm to its customers is alleviated. NGFA accordingly respectfully urges the Board to expand upon the weekly conference call updates with CSXT senior management and 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 to restore 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 common-carrier obligation, or, conversely, result in a substantially “lower bar” for future service performance.

In addition, and importantly, the NGFA believes the Board – particularly given recent senior rail management personnel changes announced by CSXT, and consistent with the offer by Mr. Harrison during the October listening session – should schedule another listening session to receive an update from CSXT and its customers by no later than January 31, 2018. This timing would be advantageous, given the completion of the fall grain and oilseed harvest and the peak holiday intermodal shipping season.

Conclusion

In conclusion, the NGFA again commends the Board for conducting the October listening session and for its continued focus on CSXT’s service problems and efforts to hold CSXT senior management accountable. In this regard, we also appreciate the Board’s consideration of NGFA’s recommendations herein.

Respectfully submitted,



Randall C. Gordon
President

APPENDIX

NGFA-Suggested Additional CSXT Service Performance Reporting Metrics

The National Grain and Feed Association (NGFA) herein recommends 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.

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 herein – 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 since they 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 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 be simply "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 service categories, 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 weekly number of diversions requested by shippers for customer- owned or leased cars versus the number denied, as well as the number of diversions executed by CSXT for its own equipment. The NGFA believes this

would help demonstrate the inconsistency with diversions for 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., trainmasters, division managers, crews, switch yard personnel, maintenance, etc.).

Finally, the NGFA recommends that the Board require CSXT to state precisely the methodology it uses to calculate and report all service-performance metrics being submitted to the Board – and to make that methodology public – 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 the Board, rail customers and CSXT gain a better understanding of service performance and issues that still require attention and improvement.