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Acting Chair Begeman and Commissioner Miller, I want to thank you for holding this public Listening Session today on the rail service problems involving CSX Transportation ("CSX") and for inviting industry stakeholders to share our recent experiences and concerns with CSX service.

I am Bruce Ridley and I am the Vice President over Environmental, Health & Safety and Operations. I have been with PCA since July of 1999 and in my current position for over 6 years. One of the areas I am responsible for is transporting the containerboard roll stock from the mills to our converting operations and for transporting our white paper from the mills and converting operations to distribution centers and to our customers.

Packaging Corporation of America (PCA) is one of the largest producers of containerboard and corrugated packaging in the United States and the third largest producer of uncoated freesheet in North America, based on production capacity. We have approximately 14,000 employees, with operations primarily in the United States.

PCA's Packaging segment includes five containerboard mills, one containerboard machine at our Wallula, Washington white paper mill and 94 converting operations. In 2016 PCA produced about 3.7 million tons of containerboard and shipped about 51.3 billion square feet (BSF) of corrugated products.

PCA's Paper segment operates under the trade name Boise Paper, a Division of Packaging Corporation of America. We manufacture and sell white papers, including both commodity and specialty papers at three white paper mills located in the United States.

PCA's net sales for 2016 were \$5.8 billion. The company's headquarters are located in Lake Forest, Illinois, a suburb approximately 30 miles north of downtown Chicago.

In 2016 PCA shipped about 3.7 million tons of corrugated paper, 58 inches in diameter by 36 – 132 inches tall. For this commodity, our modal share was Rail 58%, truck 40% and intermodal 2%.

Also that year we shipped approximately 1.1 million tons of white paper either rolls or palletized. For our paper shipments our modal share was Rail 61%, truck 38% and intermodal 1%. As you can see, rail transportation is the most used transportation mode for both of our primary business segments.

Let me start by stating that I am only summarizing our service issues and not providing any financial data, since this will be a public statement. PCA is currently and has been having many issues at our facilities, both at origination and destination with CSX service and car supply starting in Q2 of this year.

Most of our originating locations (paper mills) are served by short line carriers that interchange with a Class 1 railroad for furtherance. This is the case for our Filer City, MI plant that is served by CSX as the originating Class 1 carrier. This facility has not been receiving what has been the normal car supply since the middle of April. As an example, at our Filer City mill, CSX has reduced the maximum car order allowed to be well below our normal average and has forced PCA to transport finished goods by other modes at increased expense, despite our clear preference for rail. When ordering cars, there are times when the supply was drastically reduced from this average (e.g. order 20, get 1), and times when CSX locked out the Car Management System so this facility could not order any box cars. This does two things, one it increases PCA's freight costs and two makes CSX's metric on car order fulfillment look substantially better than reality.

Here are some examples of the car supply issues we have been facing at this facility:

Filer City, MI Facility: CSX Issues	
<u>Date of Incident</u>	<u>Information</u>
4/12/2017	"I was only able to order 3 Plate F Cars next week. The CSX System will not allow me to request more than that."
4/19/2017	"The CSX System would only let me order 14 additional cars for next week"
4/28/2017	"I am trying to order 15 Plate F box cars for PCA Filer City for next week but the system will only let me order 1 car."
5/1/2017	"THE CSX System has a restriction on how many cars it would let me order. I talked and emailed Lynne Kimball from car management asking her to assist in getting these cars on order. She explained that the system has a restriction due to a couple of things. One is demand now is a lot higher than it used to be and they need to take a look and see if the cars they are providing are being shipped back out via CSX."
6/22/2017	The CSX System will only let me order one Plate F Car under order# co 955511. I talked to CSX Car management concerning their system having a restriction on plate F Boxes and requested that they lift this restriction. So far they not have not lifted it. If you would wish to express your concerns you can contact Sharon Weeked at 904.359.3927. I am told that the restriction is based on past utilization of these cars."
8/24/2017	I was only able to increase next week's plate C order by 3 cars due to CSX restriction.
8/25/2017	"There is a restriction on your plate C profile that restricts the maximum cars allowed for me to order. That maximum is 24 cars per week. Your plate F Orders have been submitted."

With 94 box plants spread across the country, PCA, like a lot of businesses, have some seasonality by our customers. So depending on the needs of our customers, such as agricultural, beef, dairy, etc., our lane volume will change but the total average cars needed does not fluctuate that much. By putting restrictions on how many cars we can receive, CSX forces us to supply our plants by other transportation modes and typically at a higher cost.

CSX has also dropped out of the North American Box Car Pool. This not only limits the amount of box cars available at our facilities, it has many ripple effects. This pool was built to increase the loaded miles on a box car which generally has fewer turns than other car types. By dropping out of the pool, the cars most often return empty instead of hauling another commodity to the next destination. The facility that missed the reload, now has to order a separate car, diminishing the efficiency of the box car pool. This has also effected other carriers who are concerned about their car availability and they want us to only load their cars to destinations within their network. Again, reducing the efficiency of an already shrinking box car fleet.

I will add on the positive side, that 50 foot plate C box cars are extremely important to our industry and while other carriers are forcing the 60 foot fleet into service, CSX has stood strong investing in the 50 foot car fleet and we very much appreciate their efforts in that regard.

I will now discuss some of the service issues we are having at the receiving plants. I'll start with Florida since it has been the area where problems began and remains a concern today.

Our Miami plant was the first to see crew and equipment cut backs and immediate service issues. Missed switches at this plant started getting really bad the second week of April. These box cars contain rolls of liner and medium paper which is combined and glued to make a box. When inventories got low, we moved 100% of our deliveries to truck and some intermodal for two weeks. For the following two weeks we were at 50% before getting back closer to normal service. Remember, it takes two to three trucks to haul what one rail car can haul. Not only was the plant missing complete switches, some switches only had three or four cars when the facility can unload six, adversely impacting the efficiency of our operations. At times CSX would ask us which cars were most needed and after we gave them our priority list of car numbers, they still brought us whatever cars they wanted. This poor service added delays and uncertainty to the supply chain and, thereby reduced the reliability of our delivery of raw material to supply our customers.

On May 9th, myself and other PCA managers went to Jacksonville to meet with CSX management to try to understand what operational changes were

happening, what was the plan going forward, how can PCA help the process and put in place some defined communication strategy. It was a worthwhile meeting but had little effect on the path forward. My main contact was later reassigned and I have not gotten a replacement name yet. The “plan” was broadly summarized in an email we got on May 17th, of network enhancements beginning April 1, over a month after the fact.

I will not go into all the missed switches at this plant which have numbered in the dozens. As an example, there were two missed switches the week of August 21st. Not only did we not get any of the six cars on August 24th, there was 22 cars sitting idle in the nearby CSX yard and they charged us demurrage for these. Obviously very frustrating and time consuming. On Sept. 22nd we went two and a half days without a switch while there were 29 rail cars in the local yard.

I should also mention, when we have missed switches, it does not allow us to unload these box cars on a timely basis and therefore we are not getting the cars back to the mills for reloading. Again, this impedes the supply of box cars and the efficiency of our operations.

The glue I previously mentioned is made from starch which this facility receives on one switch per week. This switch has been repeatedly missed and at least four times resulted in the plant being within a few hours of shutting down. The last one was on September 19th.

Even more concerning is the fact that CSX has now notified us that service at the Miami facility will be reduced further from 5 to 3 days per week, creating further disruptions for us and our customers.

Other PCA plants in Florida have similar stories, notably those located in Winter Haven and Jacksonville.

As the summer moved on, conditions rapidly degraded for movements to the north of Florida. Our Honea Path, SC. plant started having the same issues at the end of April. Our Plymouth, MI. plant started seeing issues beginning the middle of May. The Richmond, VA. Plant was effected starting in July.

One example is a box car that left our Counce, TN mill on May 27th to go to Plymouth, MI., was in Ohio on June 12th where it got caught up in congestion,

was misclassified, and moved to Greenwood, SC. before this was discovered. The car was then rerouted to the original destination almost a month later on June 19.

This was similar for our Richmond plant as transit times from any of the three mill origins took a week longer than usual.

Also in July, box cars shipped from the Counce, TN. Mill that went thru the Birmingham yard, sat for 7-14 days in Birmingham.

In September, we experienced another issue that came close to shutting down our Valdosta, GA paper mill over Labor Day weekend. Here is a quick summary:

Saturday 9/2

13:00 – Notified, engine down

13:30 – CSX checking on status

19:07 – Still no update

20:04 – CSX just got engine, interchange tomorrow, ask for it ASAP

Sunday 9/3

11:12 Mill asking for trucks, no rail cars, floor very full

14:55 CSX - 20 cars in Valdosta, checking on status of interchange

15:51 CSX - Only 4 empties available, the 20 are on a siding outside Valdosta where the engine died. Crew timed out and extra board is very thin.

Monday 9/4

11:33 9 empties at interchange, should have all 20 before long.

17:10 all empties available at interchange.

This is just another example of issues we are experiencing with CSX equipment, crews and communication that have disrupted the supply chain for PCA. It would seem like a reasonable expectation that a major rail yard in the southeast would have spare power but that was not the case with CSX. Neither did CSX recrew

when they could of. In the recent weeks we have experienced more engine failures along with crew time-outs without a recrew.

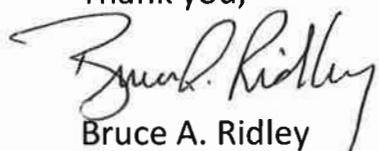
Although I understand and take no issue with CSX changing the metrics they use to manage their business, I believe CSX should in their reporting to the STB, use metrics that are defined by the AAR and are comparable to other Class Is, so that there is a single industry standard used in reporting.

There are more examples but let me emphasize one more main point. It is a known fact that Packaging Corporation of America is a paper and forest products company that ships in box cars. As such, we ship exempt commodities and do not have direct access to the more formal processes and remedies of the Surface Transportation Board to address our service issues. I have some concern that our exempt status may influence the attention provided by CSX to our service issues and question whether they are honoring their common carrier obligation when it comes to car supply and switching services. Our exempt status would appear to place PCA at a disadvantage as compared to other non-exempt shippers using CSX.

PCA is very concerned with the long-term impacts of CSX's reduced service levels and believes that the Board should more closely monitor the severe cut backs in car supply, switches, and necessary operating personnel. Further, CSX should be required to add resources to help restore service levels and work with its customers with respect to the timing and impacts of planned operational changes. Our fear is that CSX intends the current atrocious service levels to become the new normal.

In closing, I want to thank you for this opportunity to discuss this urgent matter. Although our supply chain for getting products out of our mills to our box plants has been severely disrupted for months due to CSX's poor service, we have done extraordinary things at elevated costs to make sure we service our customers.

Thank you,


Bruce A. Ridley

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