

EP 742

CSX rail service shortcomings
Bryan

Tolar
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Commerce
GA
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Georgia Agribusiness Council
My name is Bryan Tolar and I serve as the president of the Georgia Agribusiness Council.

Our organization has been leading this diverse industry for over 50 years and we currently represent over 1,075 agribusinesses to state our deep concerns regarding the numerous failures of agricultural freight management by CSX Transportation.

Attached is a letter we provided to CSX on August 9, 2017. It outlines the challenges faced by several of our members that utilize CSX services or maintain a spur for transportation options.

Although the frustrations run deep, it is of the utmost importance for agribusinesses and rural economies as a whole to work in good faith to build a positive relationship with CSX. The opportunities of rail service need to work, both efficiently and effectively for all involved. We need improved communications and effective rail management to be bold and forthright so trust can be re-established. This needs to happen sooner rather than later.

You know trust is broken when a business with a CSX spur abandons its use and instead trucks product 120 miles to a qualified handler to load railcars on the Norfolk Southern line. Not only does it triple the handling requirement, it consumes in excess of 3% in additional overall cost to each such sales, thus reducing any available margins for the seller. We understand that in recent months alone, the J. M. Smucker Company, also known as Smuckers, has paid an additional \$3 million in freight charges due to the service failures of CSX. These expenses continue to mount for Smuckers and countless others.

Sadly, all signs point to CSX interest abandoning smaller, rural shippers and buyers to focus on more profitable rail services, primarily those with large loads upwards of 60 railcars. This puts smaller shippers at a deep disadvantage with very weak options to

address such shortcomings.

To make matters worse, CSX has initiated large increases for the Annual Continuation Charges (ACC) for those operating a CSX spur. This exacerbates the challenge of achieving economies of scale for shipping in few railcars by adding a fee that appears to be intent on shutting down the use of the spur altogether. For example, multiple grain and feed dealers received letters from CSX stating that they owe \$10,000 for lack of use of their spur 2016 and the fee would be \$25,000 for 2017. When CSX was confronted, the agribusinesses are told to pay the fees or abandon the spur. This is clearly an attempt to push lower volume customers out of the way. I've provided an attachment reflecting these exorbitant ACC fees and letters.

In summary, rural Georgia and rural America need your help. We need increased accountability and transparency. We need to know that efforts are being made to restore trust by injecting oversight into the rail systems as a whole. We need opportunities to make rail freight sustainable for all rail customers, not just some. We need you to take a stand with rail customers across the nation to restore the purpose and the opportunities rail service was designed to provide. We need you.

Thank you for your consideration of our comments. We stand ready to assist in any way possible.

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GEORGIA AGRIBUSINESS COUNCIL

COUNCIL MISSION: "To advance the business of agriculture through economic development, environmental stewardship and education to improve the quality of life for all Georgians."

August 9, 2017

Mr. Craig Camuso
Regional VP for State Government Affairs
CSX Transportation
1590 Marietta Blvd.
Atlanta, GA 30318

Dear Craig:

It was good seeing you last week to discuss the challenges our industry is experiencing with CSX. As a follow-up, I write to you today on behalf of the more than 1000-member companies of the Council to state our deep concerns regarding the numerous failures of agricultural freight management by CSX Transportation. We are grateful for your partnership on a variety of agribusiness issues and for your concern for our industry on these very important challenges.

As discussed, over the past several weeks we have heard examples of CSX customers experiencing extensive delays in freight delivery, retroactive rail continuation charges, unpredictable transit times, and a lack of access to the volume of railcars needed for inventory and logistics management. As such, there have been unnecessary disruptions to feed mills, farm input suppliers, and peanut buying points, among others, in numerous locations across Georgia and the region.

We respect the CSX team for seeking to refine and better facilitate your rail services, but at what cost? Any delays will have an impact, but disrupting the food and farm product delivery chain can have devastating consequences. We recognize the role of economies of scale for CSX, but that holds true for those shipping and receiving freight in our industry as well. Inventory management and freight costs are important to the success of agribusiness suppliers. Our farmers, food processors, poultry facilities, fertilizer dealers, and livestock producers do not have a way to stop their operations to wait on CSX to figure out its rail service strategy. Maintaining your customer commitments without fail must be job one. Some specific instances include:

1. Commodity buyers in neighboring states are unable to get railcars to and from Georgia sellers in a timely manner on CSX, forcing them to examine alternative transportation options. Some of the worst offenses were railcars that had been sitting for 9 days without movement. As of today, we are aware of railcar shipments that have been sitting 5 days or more. This is unacceptable. It should be noted that other suppliers who were on Norfolk Southern lines were not having these issues.
2. Adjustments could be forthcoming in that there is an examination of shipping by truck to a facility that could transfer onto a railcar on a Norfolk Southern line. The logistics and expense of doing so is quite challenging, but with CSX's deficient performance and erratic communications of late, the feasibility must be considered. Losing product and/or customers is not an option.

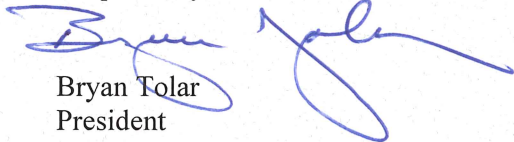


3. Agribusiness customers are having to contact CSX's marketing staff to learn the details of service changes after the fact. Sadly, even CSX staff is uncertain as to how long these issues might continue. Some CSX customers are now taking additional time to enter the complaints into the ShipCSX web portal in addition to watching carefully to ensure that railcars do not get stuck in terminals.
4. Penalties for smaller customers have become exorbitant and they have received letters stating such penalties are retroactive to the first of the year. Ironically, these same agribusiness facilities could become bigger CSX customers if services were improved. We are aware that annual continuation charges (ACC) grew 50% in 2017 for some CSX customers. These penalties are enforced even though there are times when businesses cannot access the number of railcars needed to meet the ACC thresholds. These businesses need the support of CSX services and they should not be penalized because your parameters change or needed railcar capacities cannot be met.

CSX plays an important role in the success or failure of the agribusiness industry, as well as the economic health of rural communities in particular. We raise these concerns to your attention because of the critical role rail transportation has long played in the success of the agribusiness economy here in Georgia.

We welcome your response to these concerns that we can share with our membership as well as state elected officials and leaders. Continued rail management failures and overbearing ACC policies by CSX must not become the new normal. The reputation of CSX and the livelihoods of many families across Georgia and the nation covet your immediate remedy to these shortcomings.

Respectfully,


Bryan Tolar
President



August 2, 2017

FLINT RIVER MILLS INC
P O BOX 280
BAINBRIDGE, GA 39818

RE: Contract No.: TRF814006

This is Not a Bill

This letter is in reference to the private sidetrack serving your facility at Bainbridge, GA which connects to the CSX Transportation (CSXT) Network.

CSXT reserves the right to adjust both the minimum carload amount and the amount of the Annual Continuation Charge (ACC) on a periodic basis, but not more than once a year. Also, please note that the ACC may be waived in a future year if CSXT is notified that carload freight shipments have increased to a sufficient level.

Effective January 2017, the new ACC for cars handled in 2017 and moving forward are as follows:

<i>Level of Traffic</i>	<i>Initial Annual Continuation Charge</i>
0 cars shipped or received	\$25,000
1-12 cars shipped or received	\$16,000

Please review the attached statement of fees and should you have any questions or wish to discuss this further, please contact CSX at 904-279-3880 or Melanie_Perea@CSX.com

Sincerely,

Melanie Perea



June 30, 2017

Flint River Mills
Po Box 280
Bainbridge, GA 39818

RE: Customer Key No. AN 7290127

This letter is in reference to the private sidetrack serving your facility at Bainbridge, GA which connects to the CSX Transportation (CSXT) Network. Our records indicate that 4 carloads of freight were tendered or received over this sidetrack during the 2016 calendar year. Keeping in mind the many factors that may be contributing to the lack of use, connection to a dormant sidetrack creates a risk to the CSXT Network.

CSXT cannot continue to bear the sole expense and risk of keeping the connection to your sidetrack in place at the current level of use. However, your company may want to preserve rail access at this location for the additional logistical options rail service provides. As an alternative to the removal of the switch connection, CSXT is willing to keep the switch connection and any sidetrack agreement.

The current initial Annual Continuation Charge (ACC) for your level of traffic is TEN THOUSAND and 00/100 U.S. Dollars (\$10,000.00). CSXT reserves the right to adjust both the minimum carload amount and the amount of the ACC on a periodic basis, but not more than once a year. Also, please note that the ACC may be waived in a future year if CSXT is notified that carload freight shipments have increased to a sufficient level.

Effective January 2017, the new ACC for cars handled in 2017 and moving forward are as follows:

<i>Level of Traffic</i>	<i>Initial Annual Continuation Charge</i>
0 cars shipped or received	\$25,000
1-12 cars shipped or received	\$16,000

Please review the attached statement of fees and remit payment within 30 days via the address listed on the statement of fees. Should you have any questions or wish to discuss this option further, please contact CSX at 904-279-3867 or Sara_French@CSX.com.

Sincerely,

Sara French

"How Tomorrow Moves"

CSX Transportation – 500 Water Street, J180, Jacksonville, Florida 32202



Due Date: 7/30/2017
Amount Due: \$10,000.00

Flint River Mills
Po Box 280
Bainbridge, GA 39818

RE: Customer Key No. AN 7290127

ANNUAL CONTINUATION CHARGE FOR SIDETRACK LOCATED IN Bainbridge, GA	\$10,000.00
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Statement Total	\$10,000.00
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PAYMENT SHOULD BE REMITTED COLLECTIVELY TO:

CSX Transportation, Inc.
500 Water Street, J-180
Attn: Sara French
Jacksonville, FL 32202

Due Date: 7/30/2017
Amount Due: \$10,000.00

If you have any questions concerning this Statement of Fees or if you need to correct your name or address, please contact 904-279-3867 or Sara_French@CSX.com.

John Powell

From: Horton, Eric <Eric_Horton@csx.com>
Sent: Wednesday, March 16, 2016 1:55 PM
To: John Powell
Subject: RE: F-R-M Rail Traffic

Mr. Powell,

Good afternoon – I spoke with my management regarding the proposal in your email below. With a shipping commitment of 16 cars, I can reduce the bill by half to \$3,750 for the 2015 year. Going forward, if the volume remains above 10 cars per year, the ACC will be waived for future years.

Best regards,

Eric Horton | CSX Real Property Inc.

6737 Southpoint Drive South, Suite 100, Jacksonville, FL 32216
Work: 904.279.3806 | Fax: 904.516.6320

From: John Powell [mailto:JohnPowell@f-r-m.com]
Sent: Tuesday, March 15, 2016 2:04 PM
To: Horton, Eric <Eric_Horton@csx.com>
Subject: RE: F-R-M Rail Traffic

Good morning Eric,

I have discussed the situation involving continuation of service to our sidetrack in Bainbridge with key plant personnel. Everyone is in agreement that we need the versatility of retaining and maintaining our sidetrack, and continuing service to it. I have entered into negotiations with our ingredient sources who have rail capability, and we will be working together to ensure we meet, or exceed the minimum number of cars required for continued service for current, and future years.

In addition, I would like to propose an idea for your consideration if I may. We received a total of 6 cars for the 2015 calendar year, and have received 2 cars thus far this year, with 2 more in route at this time. If we agree to a minimum of 16 cars for the 2016 calendar year, would you be in agreement to waive the \$7,500 ACC for 2015? In return for this consideration, we would continue to work more closely, and negotiate more aggressively with our ingredient suppliers to precipitate continued growth of inbound rail ingredients.

Thank you in advance for your consideration!

Regards,
John

From: Horton, Eric [mailto:Eric_Horton@csx.com]
Sent: Friday, March 04, 2016 12:59 PM
To: John Powell <JohnPowell@f-r-m.com>
Subject: RE: F-R-M Rail Traffic

Mr. Powell,

Per our phone conversation, the \$7,500 charge for the 2015 calendar year is still due, but going forward the charge will be waived in future years if a minimum of 10 rail cars is tendered over the switch per calendar year. The current volumes and charges are attached.

Please feel free to reach out to me with any questions or concerns.

Regards,

Eric Horton | CSX Real Property Inc.

6737 Southpoint Drive South, Suite 100, Jacksonville, FL 32216

Work: 904.279.3806 | Fax: 904.516.6320

From: John Powell [<mailto:JohnPowell@f-r-m.com>]

Sent: Friday, March 04, 2016 11:53 AM

To: Horton, Eric <Eric.Horton@csx.com>

Subject: F-R-M Rail Traffic

Morning Eric,

Thank you for assisting with resolution in regards to keeping our sidetrack in active status. As per our telephone conversation, please confirm our agreement to receive a minimum of 10 rail cars per calendar year to maintain this status and waive annual continuation charge of \$7,500.00

Regards,
John

John Powell

F-R-M FEEDS

P.O. Box 280

Bainbridge, GA 39818

Tel: 229-243-5262

Cell: 229-254-3798

Fax: 229-243-5263

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