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EP 742 - Public Listening Session Regarding CSX Transportation Inc.'s Rail Service Issues

October 11, 2017

Good morning, Commissioner's Begeman and Miller. I'm Brad Hildebrand, Vice President and Global Rail and Barge Lead for Cargill. Cargill provides food, agriculture, financial, industrial products and services to the world. We have a total of 20 processing facilities and elevators located on the CSX railroad. Cargill sells grains and grain products to a number of customers in the eastern United States. We also provide markets to our producer customers to sell their grain and oilseeds.

I appreciate the opportunity to speak with you today on behalf of Cargill and the many customers we serve. In my remarks, I would like to describe some of the issues we have experienced with the CSX's service and the impact it has had on Cargill and our customers. I would also like to reach out to the STB and the CSX to make sure everyone is doing their part to restore the reliability of service that is necessary to handle not only the harvest upon us, but our business operations going forward.

Since the beginning of June, we have experienced a number of service disruptions at our CSX served locations. These disruptions have resulted in Cargill plant closures, plant slow-downs, as well as numerous operational challenges for our customers. CSX service issues have also impacted our producer customers as they market their grains and oilseeds to Cargill. As you can see, failures by the railroad have had a serious impact on the entire food supply chain.

Over the summer and continuing into this fall, we have been forced to move hundreds of trucks monthly to CSX destinations in order to keep our customers' production lines operating. These are additional costs Cargill and our customers have borne, while the CSX implements "precision scheduled railroading" or PSR.

As mentioned earlier, our troubles with the CSX started in June as tank cars loaded with corn sweetener from our plant in Dayton, OH were parked for up to two weeks. Our cars were parked to keep traffic away from the Cincinnati yard, while the CSX changed their operating plan and rolled out a new operating system. These changes were all part of the CSX's effort to

implement PSR. The inability to get loaded cars moving during this period resulted in our customers running out of sweetener, and ultimately shutting down production lines. The delays forced us to ship trucks long distances and divert production from our plants in the west in order to avoid running more customers out of our product.

In early August, the temporary closure of the CSX's Avon yard in Indiana resulted in cars backed up heading into our soybean plant in Sidney, OH. These delays forced us to shut down the plant on August 13, when we ran out of empty cars to load soybean meal. Customers that would normally receive meal from this plant via rail, had to truck meal into their mills in order to feed their chickens and turkeys. After seeing their system almost seize up, the CSX decided to re-open Avon as a hump yard to alleviate the congestion in their network.

In September, the CSX struggled to get cars moving in and out of our corn dry mill in Paris, IL. Changes in how empty cars routed to our plant, and moved after loading, severely hurt our ability to run the plant at our desired production level.

We are also seeing our cars "ping pong" around the CSX's network as they move trains to make room for more cars in congested yards. Empty cars are being routed in many different ways as they head back to our plants. It becomes very difficult to plan production and fulfill our obligations when we cannot rely on consistent transit times.

These are just a few examples of the issues that we have faced since June.

The CSX announced in the Wall Street Journal this week that the transitional issues are resolved. They would have you believe that things are actually better than in 2016. Let me assure you our service and that of our customers is certainly not better than it was prior to the current management taking over.

While we would agree that we have seen an improvement in their transit times since August, we are only back to average, relative to the last 9 months. I would caution people that one month does not make a trend.

What has not improved, and actually gotten worse at some locations, is our local switch service. The first mile and last mile service is probably more important to us than how fast our cars run between points A and B. If crews do not show up or bring us the cars we need to run our plants consistently, we have to slow or shut down plants, turn away farmers, and truck products to our customers.

So why is this happening?

In many cases, we have seen local crews reduced and jobs eliminated. The crews that remain are being asked to switch more customers on a given shift. In some cases, we are being told the number of days per week we will receive service is being cut. As a result, any hiccup on the CSX will force us to either slow our processing rate or shut down the plant all together.

For example, Cargill shut the Sidney Ohio soybean plant down on September 30 and October 1 due to a lack of cars. The CSX blamed this on a locomotive failure. This past Monday, the Lafayette, IN soybean plant was down in the morning because the local crew could not pull our loads because they ran out of hours. The local crews that serve us are doing the best job that they can. These are good people, but they are being ask to do more work than they are capable of doing with the resources that they are being given.

On top of lost production and sales, Cargill teams spend many man hours attempting to get CSX to move our cars and switch our plants. We are constantly redoing our operating plans to adjust for the inconsistent service and variable transit times we have been experiencing. Our people are working long hours each week to keep our plants running and our customers from running out of product.

Mr. Harrison has publicly stated that we, the shippers, need to bear some pain and suffering for the changes that are being rolled out. I would like to ask you, where in business today would a company put their customers through this type of pain in order to implement a supposed new and improved operating model? As a shipper, Precision Scheduled Railroading means having to accept less service and adjusting our operations to accommodate how the CSX has structured the railroad. In a nutshell, PSR means having to do less, with less.

This is why we need a strong governing body to ensure the CSX is doing everything in its power to restore service and reliability to their network. Cargill applauds the actions taken by the STB to hold the CSX accountable and require them to report on their progress. We request the STB to ask CSX for a detailed plan on their changes and how they are going to keep our service from deteriorating - both short term and long term. We also ask that you keep the weekly calls in place until the railroad has demonstrated consistent and sustainable service levels for a significant period of time. We also request to make the minutes of these conversations public for all stakeholders to view.

For the CSX, I would ask that you restore our local service to a level that enables us to run our plants at the desired rate. We ask that you add some resources back to your network to enable some resiliency. We also ask before you reduce switching at any of our plants that you first communicate and plan the changes with us. In some cases, we may be able to accommodate fewer switches. Finally, please restore faith and trust that you can provide a level of service that is worthy of shippers providing you our continued business. Cargill is counting on you. Our customers are counting on you.

I thank you for the time and the opportunity to speak on behalf of Cargill and our customers. This concludes my comments.