

Docket Number: EP 742

Case Title: Public Listening Session Regarding CSX Transportation, Inc.'s Rail Service Issues

Action: Prepared Remarks for the STB Listening Session, October 11th, 2017 at 9:30am

Address of Listening Session: 395 E. Street, S.W., Washington, DC 20423, First Floor Hearing Room

Good morning Acting Chairwoman Begeman, Commissioner Miller and Ladies and Gentlemen of the Surface Transportation Board,

My name is Herman Haksteen and I am here today representing the Rail Customer Coalition, as I am the President of the Private Railcar Food and Beverage Association which is an active member of the RCC.

I would like to thank you for the opportunity to speak today on behalf of the Rail Customer Coalition.

First, let me thank Mr. Harrison and the CSX for the response letter to the RCC, dated August 16. We appreciate you taking the time to address our concerns which were addressed in a letter, dated August 14th, to the Congressional Authorizing Committees and the STB. I would like to take a moment to clarify who the Rail Customer Coalition is because in the letter Mr. Harrison stated that "coalitions do not have service issues" and therefore there was no need to further discuss customer service issues. To clarify, I am a CSX rail receiving customer, a board member of the Private Railcar Food and Beverage Shippers association and a member of the RCC. The RCC is a large collection of trade associations representing a broad cross section of manufacturing, agricultural and energy industries that depend on the railroads to deliver reliable and affordable service in order to remain competitive in a global market. Their members are essential to a healthy US economy with operations and employees throughout the country. Collectively, they provide more than 7 million jobs and produce more than 4.8 trillion in economic output.

Make no mistake, RCC members are major transportation stakeholders and the largest users of rail freight. They account for more than half of the total volume of cargo shipped by rail and generate more than three quarters of the revenue collected by the railroads. The RCC was formed because rail customers across the country are very concerned about growing problems that are severely impacting their operations, including the ongoing CSX service failures.

Allow me to further clarify why the RCC was formed ... *customers* over the years have been ignored and their voices have *not* been heard by the Railroads. The fact is, that the

Class 1 Railroads have grown *so large* and *so powerful*, that they act as if they no longer need to listen to the concerns of individual customers. The recent events at the CSX have certainly shown that CSX **DOES NOT** listen to the needs or concerns of individual customers. Those customers, having no other practical choice, have joined trade associations to get a **LOUDER** voice. Seemingly, those trade associations still did not have a large enough **VOICE** to be heard by the Railroads ... and so, those associations joined **COALITIONS**. All in the hopes of getting **HEARD** by the Railroads and policymakers to finally address the systemic problems and marketplace failures within the freight rail network. Make no mistake, Coalitions represent shippers. They represent *real shipper's* concerns, but most importantly for today's topic the RCC represents *75%* of CSX's customers.

In that same letter the subject of reciprocal switching was raised, as was an *openness* to speak on that subject with the **COALITION** at any time. At this point, I do not think anymore talking about the subject is required, and for that we thank you.

We thank Mr. Harrison and his investors, who were responsible, for the changes that were made at the CSX. In the past several months, he and his investors have provided the strongest reason and evidence, to date, as to why reciprocal switching must become an option in the United States Railroad system.

Mr. Harrison and his investors have created a text book **nightmare case study** that illustrates how one industry that has too much power can stop the wheels of commerce and bring many other industries to a complete state of inefficiency. It shows how one powerful industry, using monopoly power created by outdated regulatory protections, can lead to the total disruption of commerce in this country.

Those industries that have been affected by the abrupt changes at CSX are industries that have built their business around a rail-based supply chain. These are companies, shippers, *CSX customers*, that have invested in rail sidings, rail specific infrastructure, such as loading and unloading docks and specific railcar equipment. They have built their production around the flow of reliable *rail service*. And let there be no misunderstanding, these companies don't have a choice not to use freight rail. They simply cannot "flip a switch" and go from shipping rail to shipping via truck. Their entire supply chain and infrastructure is built around rail. Their assets to move their products are railcars. They cannot move their railcars across the interstate highways on the back of a truck. These companies can't have a truck back up to their rail unloading terminal or move a tank car of goods into their production plants through truck unloading docks. Many of the industries in our Coalition are these companies, companies that through their investments are "*all in*" rail users. These are companies that should be CSX's preferred customers, because they have invested in

CSX's services and support rail transportation. These are companies and industries that CSX should not be taking advantage of simply because they don't have a choice.

The CSX disruptions over the past several months have shown how vulnerable these industries are without a reliable rail option. They are not vulnerable because of the service disruptions. They are vulnerable because of rail regulations and powerful Railroad lobbying groups that continue to prevent customers from having greater access to rail-to-rail competition and choice of last mile Rail providers when their plants are only served by one carrier.

Again, I would like to thank Mr. Harrison for bringing up the topic of reciprocal switching in his letter to the RCC. Not only has he raised the level of awareness for the need for reciprocal switching by his actions at CSX, but through his distinguished career has single-handedly made this decision easy for our lawmakers and the STB to adopt this common-sense reform.

The rail industry and their lobbyists over the years have fought hard against reciprocal switching stating that it creates operating inefficiencies. They *claim* it will drive up additional costs and even create unsafe working environments.

In fact, Mr. Harrison ran and operated two of the most efficient railroads in the Class One Railroad network, the CN and later the CP and did so in an environment that allows reciprocal switching for customers. These class ones while under his control, had safety records and operating efficiencies that were top of class and financials that showed operating ratios and profits that were industry bests.

Today, Mr. Harrison has not only brought it to the attention of the STB and our lawmakers that we need reciprocal switching, his past success has proven, that Class One railroads can operate just as safely, efficiently and profitably in an environment that has reciprocal switching.

Let there be no mistake, the service failures created by CSX railroad these past several months have resulted in huge additional expenses and inefficiencies for its customers and our members. We also know that there will be very little opportunity for these customers to recover those additional costs. The increased costs are the price these customers had to pay for the CSX to drive cost out of its system. Mr. Harrison actions of transforming a railroad has not created a more efficient railroad it has simply pushed cost to its customers.

If there is any good to be gained from any of this it should that the Board recognizes that business as usual is no longer working. These problems will not just fade away or fix themselves. Action is needed.

Adopting a sensible competitive switching policy is a good place to start. Doing so should help stave off future service failures as a result of a single railroad by providing access to more shipping options. And as we have seen with the CN and CP, it will support a strong and competitive freight rail system.

At the end of the day, the recent action of Mr. Harrison, his investors and the CSX may very well be the event that drives this needed change, so, for that we thank him for bringing this very painful time of change to the American railroad system.

Respectfully submitted,

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