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Hunter Harrison
President and CEO

August 24, 2017

The Honorable Ann D. Begeman, Acting Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington D.C. 20423

The Honorable Daniel R. Elliott III, Vice Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington D.C. 20423

The Honorable Deb Miller, Member
United States Surface Transportation Board
395 E Street, S.W.
Washington D.C. 20423

Dear Acting Chairman Begeman, Vice Chairman Elliott and Member Miller:

I am writing in response to your letter dated August 14 regarding the service metrics you requested to publish on the Board's website and your request for further detail on the implementation of CSX's operating plan through the remainder of 2017. On August 22, we were pleased to furnish you with the requested metrics that were also published on CSX's website. As requested, this letter will address our operations and future initiatives.

CSX is implementing Precision Scheduled Railroading (PSR) across our rail network and throughout the organization. PSR is rooted in five pillars: improve service, control costs, optimize asset utilization, operate safely, and develop employees.

From an operating plan perspective, PSR requires a complete and thorough examination of each and every detail of CSX's network and the cars, engines and people that enable safe, efficient and reliable customer service. We are intensely focused on maintaining a balanced train network, reducing freight transit time by minimizing crew handlings, and scheduling each car and train in a manner that delivers optimal results for our customers.

As evidenced by PSR's tenets, CSX is driven to provide superior service. Each efficiency gain translates into long-term service superiority to the direct benefit of our customers. We value our customers and recognize the important role we play in helping them be successful, and we want them to be rewarded with a competitive advantage by choosing CSX.

Since beginning the PSR conversion process, we have undertaken profound, transformational changes. Here are a few of our principal efforts to date:

1. **Balanced the scheduled network** – CSX consolidated inefficient unit trains into the merchandise network, enabling more opportunity for seven days/week service. This gives CSX the ability to optimize train length and reduce the total number of trains, while simultaneously increasing the frequency of service to customers.
2. **Customer service and communications** – CSX is in constant communication with our customers and we work hard to win their business, earn their trust, meet their needs, address concerns and bring legitimate issues expeditiously to resolution. Where there's an opportunity for improvement, we do it. Over the last three weeks, we've placed commercial personnel at challenged field locations to bridge communication gaps and target concerns at the local level. As CSX is implementing PSR and optimizing its operating plan, our commitment to customers remains unwavering and we are striving to meet their individual business needs.
3. **Conversion of hump facilities to flat switching yards** – CSX transitioned hump facilities in Atlanta, Hamlet, Stanley, Cumberland, and Louisville into flat switching operations during the first four months of PSR implementation. This reduced freight handlings and transit time for traffic processed at these terminals. We turned to the southwest part of our network and converted Birmingham and Nashville, and then worked our way north to Avon. We have since resumed humping operations in Avon to relieve regional congestion, leaving us with five active hump yards. The goal is to find the right balance of hump and flat yards as we pursue optimal processing efficiency to best serve our customers.
4. **Asset utilization enhancements** – Early on in our PSR implementation, CSX undertook an extensive review of its assets and found opportunities to right-size its equipment and crew base in line with customer service needs and market demands. Our close monitoring of our assets allows us to adjust asset levels as circumstances warrant.
5. **Updated metrics** – CSX established a series of metrics that more accurately monitor the health and efficiency of our railroad, and hold us accountable for meeting our goals. We take metrics very seriously at CSX – they calibrate our success and drive our performance. For the benefit of our customers and other stakeholders, we've made our metrics available on our website at www.csx.com/servicemetrics.

Since fundamental change cannot be implemented while working from two separate operating plans, the changes occurred over a short period of time to effectively realize the benefits of the new PSR plan. Changes of this magnitude tend to give rise to temporary challenges. We recognize that congestion has impacted traffic flows at various western corridor terminals during parts of July and August, and intermittent service issues have occurred elsewhere on our network. CSX has been and will continue to aggressively address remaining congestion, and has renewed efforts to inform customers during our implementation of PSR.

Going forward, we expect our hard work on terminal efficiency, traffic flow adjustment, and transit time to bring about enhanced service. On that point, allow me to address the five key areas that CSX will focus on for the remainder of the year:

1. **Safety** – Safety is a cornerstone of PSR and I am personally committed to the safety of our employees and the communities we serve. Over the course of my career and the companies I’ve worked with, we’ve achieved best-in-class safety achievements, and that tradition will continue at CSX. The company is committed for the remainder of this year, and for every year thereafter, to improve safety in all aspects of our business.
2. **Service** – Service is everyone’s responsibility at CSX. We’ll continue what we’ve started in 2017 to further a culture of customer advocacy—a mentality of “they win, we win.” We’re placing a particular emphasis on our local operating teams as we instill a habit of proactive communication and problem solving with our customers. We want to be easy to do business with, and we want every interaction with the customer to be a good interaction.
3. **Network Fluidity** – Constant monitoring and optimization of every company asset is required to produce a more fluid and efficient network operation—a process that is fundamental to PSR. CSX will progress the evaluation of hump terminal operations. We have and will continue to remap traffic flows by closely analyzing connections between merchandise road trains, yard jobs, and locals. We have and will continue to evaluate opportunities to run current unit train service in a more efficient and scheduled manner. Traffic flows through critical interchanges will continue to be adjusted as needed in pursuit of the most efficient transfer of freight. We’ll continue to fine tune operations at select locations where changes were implemented with an expectation of more improved fluidity following the Labor Day holiday.
4. **Optimizing Asset Utilization** – Our goals in this area are straightforward: fulfill customer requirements, decrease congestion, speed up the network, and process cars faster for the benefit of our customers. CSX will continue to analyze opportunities to right-size all company assets and align its workforce with business needs. An example of this is our plan to centralize nine of our current dispatching offices to Jacksonville for the better management of key corridors.
5. **Financial Performance** – CSX is striving toward the goal of providing superior service that positions us for growth and achieving a lower operating ratio by eliminating underperforming assets, controlling administrative costs, and investing smartly. We firmly believe that an appropriately resourced and high performing CSX is one where customers, shareholders, and the communities we serve all benefit—we aim for a win-win on every front.

In closing, this is a dynamic time for CSX, our customers, shareholders and employees. CSX is working tirelessly on its operating plan, asset utilization and deployment of resources to provide profound and lasting benefits for stakeholders—all enabled by the hard work and dedication of our valued employees. I remain confident that as CSX implements its PSR model, customers will receive a markedly superior service product.

We appreciate this productive dialogue with the Board, and will continue to update you, our customers, and other stakeholders about our progress going forward. In addition, we look forward to participating in your upcoming Listening Session scheduled for September 12.

Sincerely,



E. Hunter Harrison
President and Chief Executive Officer
CSX