



James M. Foote
President & Chief
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500 Water St., C900
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March 6, 2018

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

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

Dear Acting Chairman Begeman and Vice Chairman Miller:

Attached please find a recent article from the Wall Street Journal, entitled "Canadian Pacific, CSX Seek to Woo Back Customers Upset by ex-CEO Hunter Harrison". As I emphasized when we met on February 1, our Sales and Marketing team and I have met personally with many customers, apologized for the service issues, and pledged better service and communication. I spoke at the Southwest Association of Rail Shippers two weeks ago and echoed those themes. It is unfortunate that some continue to use the STB oversight and the positive steps we are taking to better communicate with our customers as a vehicle to criticize not only the company, but as the article reflects Hunter Harrison. In fact, these particular reporters actually sought comment from Hunter's family about the fact that CP and CSX were having to "apologize" for his actions.

This recent article is all the more troubling because it is clear that throughout STB's monitoring of CSXT, our service improvements began to visibly improve by October of 2017, and continued long before the untimely death of my friend, Hunter Harrison. Hunter knew that CSXT's operating culture fundamentally had to change. He did the hard work, which led first to service disruptions, but ultimately to outstanding service metrics, and to renewed customer relationships.

We will continue to hone our service product, to earn back those customers we lost, and to meet or exceed the operating metrics of our railroad colleagues. We look forward to the cessation of the STB monitoring to validate all the improvements and efforts we have made.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim", with a large, stylized flourish that loops around the name.

James M. Foote

Enclosure

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Canadian Pacific, CSX Seek to Woo Back Customers Upset by ex-CEO Hunter Harrison

2-26-18 10:07 AM EST

By David George-Cosh and Paul Ziobro

TORONTO -- Canadian Pacific Railway Ltd. is turning to a charm offensive to woo customers back to its fold after many felt alienated by what they called the hard-nosed style of the former chief executive, the late Hunter Harrison.

CP's focus on improving customer relations has been key to the railroad's strategy after Mr. Harrison stepped down in January 2017 and went on to run Jacksonville, Fla.-based CSX Corp. He died in December at the age of 73 after a brief leave from CSX. That railway is also in the midst of an apology tour after suffering widespread disruption from implementing Mr. Harrison's turnaround strategy.

Mr. Harrison was best-known for revolutionizing the industry with his "precision railroading" strategy, used to reshape four of North America's major railroads throughout his five-decade career. The strategy aims to cut costs in part by having the railroad dictate deadlines for customers' cargo, instead of having railroads beholden to customers' schedules.

During Mr. Harrison's 4 1/2 years of running CP, he cut the workforce to 11,700 from about 19,500, parked about 500 locomotives, sidelined 12,500 railcars and shut down rail yards in several of CP's U.S. and Canadian hubs. The railroad's share price more than doubled during that period.

The changes upset some customers, but Mr. Harrison's efforts are still widely applauded for transforming the railroads he headed, improving profit and boosting share price. CSX shares added about \$10 billion in market value in January 2017 after he joined the company to pursue a turnaround. Shareholders also voted overwhelmingly to grant him \$84 million to reimburse him for compensation he gave up in the move.

"In the longer term, the shippers are better served by a more efficient railroad than they would have been if that efficiency drive wasn't put in place," RBC Capital Markets transportation analyst Walter Spracklin said.

At CP, where Mr. Harrison often worked from a home office enabled with screens and a computer that could monitor the railroad's entire network, he initially confused customers by demanding that trains be loaded seven days a week despite periods of low traffic, a feature of precision railroading.

"There were several bumps in the road," said Dan Mack, vice president of transportation and terminal operations at CHS Inc., an agricultural company that uses the railroad.

Mr. Harrison's approach was partly responsible for CP losing some key shipping contracts to its bigger rival Canadian National Railway Co. That pushed CP's 2016 revenue down 7% to C\$6.2 billion (US\$4.91 billion) despite improving its operating ratio, a measure of efficiency.

Mr. Harrison's family members didn't immediately respond to messages requesting comment.

To buck further declines, CP's CEO Keith Creel, who took over from Mr. Harrison, is looking to turn the railroad into a kinder company. He is crisscrossing the U.S. and Canada to meet customers personally and holds regular town halls to fix relations and regain trust with workers. CP's revenue in Mr. Creel's first year as CEO improved by 5% to C\$6.5 billion at the end of its most-recent fiscal year.

"When you take the time to listen, it allowed us to connect in a way that we haven't in a long time given the changes that we drove [in the past five years]," Mr. Creel said in a recent interview.

About a year after Mr. Creel took over, CP held a special meeting for 16 customers. The event kicked off with dinner in a refurbished business car at the railroad's Calgary headquarters, where a sommelier paired wines with a four-course meal that included watermelon carpaccio, halibut, roasted lamb and gelato.

Several CP customers welcomed the opportunity to air their grievances. The day after the railroad's lavish meal, customers told executives about CP's past failures, including calls to customer representatives that went straight to voice mail, according to some customers who attended the meetings.

"It was critical where they need to hear where they're failing and not providing the right amount of help to us," said Josi Santia, a vice president for Brampton, Ontario-based intermodal shipper Maritime-Ontario Freight Lines Ltd.

At CSX, the task of mending relations with customers has fallen to Jim Foote, who assumed the CEO position after Mr. Harrison died. An experienced railroad marketer, Mr. Foote has tried to smooth over frayed relationships with shippers in face-to-face meetings. Last week, he appeared before a regional gathering of shippers where he spoke during a keynote about "charting a new course" for the railroad operator.

"I get on an airplane, go to someone's office with my hat in my hand and say, 'I'm sorry about last year, we screwed up and we didn't do a really good job for you,' " Mr. Foote said in an interview last month.

CSX has also signaled some openness to return to projects that Mr. Harrison opposed. Soon after becoming CEO, Mr. Foote met with Maryland's congressional delegation about CSX's previous plans to back out of the expansion of a tunnel into the Baltimore ports. The company is now reconsidering the project.

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(END) Dow Jones Newswires

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