



James M. Foote
President & Chief
Executive Officer

500 Water St., C900
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June 17, 2021

The Honorable Martin Oberman, Chairman
United States Surface Transportation Board
395 E Street SW
Washington, DC 20423

Dear Chairman Oberman:

I am writing in response to your May 27th letter requesting information related to our service, hiring plans and asset availability as the country continues to recover from the economic upheavals of the pandemic. I'd like to begin by expressing my appreciation to CSX's dedicated and resilient employees. They have surmounted many challenges over the past fifteen months, working with professionalism and tenacity to safely deliver goods for our customers.

As COVID-19 struck the nation, CSX took preventative measures to safeguard our people and operations. We were able to pivot quickly in an era of uncertainty, scaling down operations as volumes dipped, and ramping back up in anticipation of volumes returning. We continuously engaged our customers throughout this period and worked hard to respond to their changing needs. We are committed to service excellence, which includes frequent, proactive communication with our customers, having the right resources in place to meet anticipated demand and investing in our network to ensure safe and reliable operations. For this reason, we are taking the letters from the shipper trade associations seriously and will be addressing them more fully below.

I'll now turn to your questions on personnel and equipment followed by updates on rail volumes, service and investment.

Personnel

CSX's T&E active staffing levels have been brought back to within 4% of the pre-pandemic levels (6,851 now versus 7,132 March 2020) and we continue to hire and train employees in effort to get ahead of rising demand. As of June 1, 2021 less than 1% of CSX T&E employees remain furloughed. The few places they remain on furlough are in locations with less volume recovery.

As volumes began increasing at the start of the year, we already had begun training new conductors. To date, we have hired almost as many new conductors in 2021 (300) as we did in 2019 and 2020 combined (344). We have expanded our hiring program with the goal of hiring more than twice as many conductors in 2021 as we hired in 2020 (214), and 2020 was nearly a 65% increase over our hiring in 2019 (130). We expect to bring on nearly 500 new conductors before year end.

We have also been expanding our training capacity. We have been qualifying 10-12 new conductors every week since the start of the year. In February, we began hosting twice as many training classes and in March we expanded our class sizes by 25%. In June, we have added yet another class. In the weeks ahead, we expect these new hires will help us react more quickly to changing circumstances.

Across the vast majority of our network, staffing levels for CSX maintenance and engineering employees have largely been unaffected by COVID-19. Throughout the pandemic, we took the opportunity to expand our track maintenance efforts during the enhanced work windows created by the drop in volume. Our pre-pandemic and current maintenance employee numbers are set out in the table below:

	March-20				June-21			
	Active	Leave	Furlough	Total	Active	Leave	Furlough	Total
Maintenance of Way	4,124	301	87	4,512	4,121	320	82	4,523
Communications and Signals	1,696	434	261	2,391	1,590	455	246	2,291
Mechanical	2,574	282	369	3,225	2,115	282	544	2,941

Our hiring plan is reviewed on a weekly basis, and modified to adjust for our business needs as necessary. CSX will set our 2022 hiring plan in the fall as part of our annual planning process when we have better insight into next year’s volume projections.

Equipment

CSX is well-positioned to address returning volumes with reserve equipment. CSX has 2,349 active locomotives, 70 locomotives stored in a ready-state for immediate service, and 400 locomotives in longer term storage. As demand increases, we activate the ready-state locomotives first and backfill the fleet with locomotives from long-term storage as needed.

Likewise, CSX has 11,945 of our 120,241 railcars stored. These cars are strategically located across our system so they can be returned to service quickly as demand dictates.

Rail Volumes Update

Overall CSX volumes have returned to pre-pandemic levels. Here’s the breakdown:

- Non-auto merchandise. May volumes shrank from 198,245 loads in 2019 to 168,299 loads in 2020 and have increased to 194,005 loads in 2021.
- Automotive. Production challenges still constrain auto volumes which remain around two-thirds pre-pandemic levels. May volumes shrank from 41,171 in 2019 to 6,234 loads in 2020 and have increased to 26,503 loads in 2021.
- Coal. May volumes shrank from 74,354 loads in 2019 to 39,505 in May 2020 and have increased 55% to 61,139 loads in 2021.
- Intermodal. Volumes for May have surged to 249,623 loads, which represents increases of 11% from 225,309 in 2019 and 33% from 188,361 in 2020.
- Total volumes in May were 1% lower than at the same time in 2019 (531,324 versus 539,079 respectively), but up 32% from May 2020 (402,399).

Service Update

No country, business, or individual was prepared for what 2020 would bring or had clear expectations of how recovery would proceed in 2021. The industry has seen a surge in volume being pushed through the supply chain following the COVID-19 shutdowns. At the same time, the supply chain has endured a variety of capacity constraints among various transport modes, shippers and receivers – no one railroad or any other segment of the freight pipeline has remained unaffected.

Our service across the 5,000-plus customer facilities on our network began to experience some service disruption in certain areas during the fourth quarter of 2020, particularly in the Gulf region. The challenges were attributable to a combination of the pandemic, winter conditions and altering market dynamics. In response, we implemented a variety of strategies to work around congested areas. For some traffic we were able to move blocking to fluid yards and bypass constrained yards to provide more direct routing to customers. We also partnered with other railroads to increase hand-off efficiencies and avoid congested interchanges where possible. For example, we moved a number of trains from the crowded New Orleans gateway to the more fluid Memphis gateway.

In part due to these efforts and our targeted hiring and training programs, we are showing improvement in the Gulf region and throughout the network. CSX's velocity metric reported to the STB averaged 23.5 between March-May 2021 but has now climbed to 24.3 month-to-date in June. Similarly our dwell STB metric averaged 21.2 during March-May 2021 but has now lowered to 20.1. Among the four largest U.S. Class I carriers, CSX is showing the lowest system-wide dwell reported to the STB through 2021.

We are actively working to address the concerns recently expressed by TFI and ACC. Upon receiving the letters, we assembled a team to undertake an extensive review of their concerns. We have been performing outreach to the TFI and ACC members that we know are shippers or receivers on CSX. We have also had initial outreach to both trade associations with additional meetings forthcoming. Our review to date has pointed to the Gulf region coupled with a few other isolated spots and most of the identified concerns relate to conditions earlier in the year. We are working directly with customers to resolve any concerns that remain. We encourage members of both trade groups to contact CSX directly for the most efficient handling of specific concerns going forward. We will continue to keep your staff informed about our progress.

Turning to intermodal terminals, the industry is experiencing a dramatic volume surge combined with driver shortages as well as labor shortages at customer facilities. This is delaying the unloading of containers and consuming additional chassis that are in short supply. Loaded containers are waiting much longer for truck pickup causing significantly higher dwell times at certain terminals compared to pre-pandemic dwell. We are also seeing unloading delays at customer facilities which is constraining chassis resources (which we don't own). Many new chassis that have been ordered will not arrive until next year.

CSX has been working closely with customers to reduce container dwell to maintain terminal fluidity. We provide reports to customers on terminal dwell, and we've employed the use of off-site container yards to move dwelling cargo at terminals such as Memphis and Indianapolis. We consistently discuss volume forecasts with our customers to optimize planning and we coordinate daily with East coast ports to understand current and projected flows. In Chicago, we recently shifted a large portion of international traffic out of Bedford Park into our 59th Street terminal while moving a large portion of

domestic traffic from 59th Street to Bedford Park. Re-grouping the traffic together in this way creates efficiencies and enhanced fluidity at each terminal.

CSX continues to leverage our reservation system that provides drivers with advance notice that their load will be accepted. The system meters inbound volume in alignment with train capacity to maintain terminal fluidity which enables us to keep our gates open and continue the flow of outbound loads for our customers. CSX is committed to assisting our customers and leveraging our capacity to handle as much volume as we can while providing top-tier service.

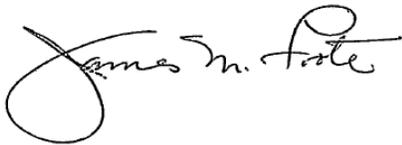
Investment

CSX has maintained investment through the pandemic downturn (\$1.6-1.7 billion in both 2019 and 2020) and we're targeting this year to increase capital expenditure to \$1.7-1.8 billion. In addition to increasing core infrastructure investment over the last few years, we also continue to invest in technologies that streamline supply chains and create more effective communication with our customers. A significant investment has been the upgrading of our ShipCSX tool. In 2020, we embarked on a multi-year effort to rebuild the ShipCSX website to enhance the customer experience with user-friendly tools and faster quotes. We also gave our Customer Engagement team the ability to screen share with customers and assist users in real-time. To further integrate our customer service capabilities, we developed a hub for event streaming and data processing to improve visibility, planning and analytics. Members of our team were pleased to provide a tutorial of these enhanced features to your Office of Public Affairs team last month.

We rose to a new set of challenges over the last fifteen months, leveraging our network differently and working hard to position the company for recovery and growth in 2021 and beyond. We recognize that CSX must handle change quickly and efficiently. This applies to every aspect of our business – from implementing new technologies and innovations, to partnering with our customers to meet their efficiency needs and environmental goals, to engaging and empowering our employees with a safe and rewarding work environment. We're making significant progress and we recognize there is more to be done. We are investing in our workforce and network while engaging frequently with our customers to ensure their freight is reaching consumers in a safe and reliable manner.

Should you have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "James M. Foote". The signature is written in a cursive style with a large, looping initial "J".

James M. Foote