



James M. Foote
President & Chief
Executive Officer

500 Water St., C900
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November 2, 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 October 18 letter requesting information related to service performance. Your letter referenced anecdotal service incidents, service metrics and employee figures. You also requested an update on the current state of CSX's network and our plans looking ahead to meet our customer's needs.

Current State of CSX's Network

Everything starts with our employees and their performance has been exemplary in delivering the nation's freight to our customers throughout this period of pandemic recovery and the challenges we face in the global supply chain. I am grateful for their resilience and dedication.

Industrial America is facing a constrained labor market, extended lead times, scarce storage capacity, port congestion and material shortages. The path forward requires practical solutions. Shippers, receivers, steamship lines, ports, trucks, equipment owners/lessors, and railroads must continue working on heightened levels of communication and around-the-clock execution. Our railroad continues to operate 24-7 to facilitate traffic flows and we've seen other segments of the pipeline implement similar practices.

We previously provided intermodal-related information related to CSX's global supply chain efforts in various updates including my August 2 letter. It is noteworthy that additional participants in the supply chain have since ramped up their efforts in similar ways. Should you need additional information on this front, we will be glad to assist.

On the carload side of our business, CSX continues to work towards the goal of delivering our customer freight in the most efficient and reliable manner. Our recent progress includes the following:

- Consolidated train starts by creating multi-purpose trains where possible, which includes the combining of intermodal, automotive and merchandise traffic types;
- Eliminated unnecessary train stops or reduced time at intermediate yards to increase line of road fluidity;
- Extended sidings at select locations that add capacity and improve transit times;
- Upgraded locomotives with distributed power capability which allows for higher tonnage trains and flexibility in balancing the train plan;
- Strategically positioned locomotives throughout the network in preparation of anticipated upticks in business, e.g., agriculture products during harvest;
- Upgraded hump yards to increase efficiencies for car switching and classification;
- Ongoing adjustment of blocking plans to optimize car flows in line with traffic patterns, e.g., the recent variability of auto plant openings and closings.

Customer Service

Your letter began with a series of service complaint anecdotes. Our customer solutions department has not seen a recent increase in service inquiries and we were not aware of informal complaints increasing to your public affairs office. We serve more than 5,000 customer facilities and to address issues we need to know certain key facts: when, where and which customer facility.

When we have issues raised by a specific customer, we're able to constructively work towards resolution. Effective solutions generally require collaboration and we urge our customers to contact us directly. Most customers don't hesitate to let us know when there is a problem to be solved.

CSX continues to enhance proactive communications with our customers. We've expanded our customer solutions team by more than 40% this year to increase our responsiveness. In October, we hosted our second customer engagement forum for the year. It was offered in-person over two days and we highlighted certain growth initiatives, our hiring efforts and enhanced customer-facing technologies.

Your letter compared our STB metrics for August 2021 to August 2019 and observed that CSX compares unfavorably on velocity (-6%), dwell (+16%) and average loaded cars not moving in 48 hours (+98%). CSX is committed to service excellence. However, our current service levels are not where we want them to be. CSX, like all businesses, has been impacted by regional COVID case surges and the supply chain challenges. The CSX of 2019 would be a difficult comparison for any railroad. At this time in pre-pandemic 2019, we were an industry leader in all three categories:

STB Metrics - 2019 YTD (ended 10/30/19)	CSX	NS	BNSF	UP	U.S. Avg
Avg. Terminal Dwell Time	18.5	19.4	29.2	24.8	23.0
Avg. Cars Not Moved >48 Hours	1,195	3,482	11,906	5,833	5,604
Avg. Train Speed (MPH)	25.0	22.1	23.4	23.5	23.5

Our 2019 service levels reflect the service we are accustomed to providing. We are working to resume and ultimately exceed those levels. Nonetheless, we continue to perform well on an industry-wide basis. Amongst the four largest U.S. Class Is, we are the leader in lowest dwell and lowest 48 hour cars, and we have the highest velocity in the East:

STB Metrics - 2021 YTD (ended 10/27/21)	CSX	NS	BNSF	UP	U.S. Avg
Avg. Terminal Dwell Time	21.3	23.1	25.1	23.6	23.3
Avg. Cars Not Moved >48 Hours	3,255	4,057	10,254	4,364	5,483
Avg. Train Speed (MPH)	23.8	20.5	25.5	24.8	23.7

STB Metrics – Last 4 Weeks (ended 10/27/21)	CSX	NS	BNSF	UP	U.S. Avg
Avg. Terminal Dwell Time	21.1	23.1	24.7	24.2	23.3
Avg. Cars Not Moved >48 Hours	2,685	4,855	9,805	3,824	5,292
Avg. Train Speed (MPH)	24.3	19.0	24.7	24.2	23.1

T&E Transportation Personnel

Your letter noted that in August 2019 we had approximately one thousand more transportation employees than we did in August of this year. As I explained in my June letter, hiring additional conductors has been a top initiative and our efforts include:

- Redesigned our recruiting process to significantly shorten the time from application to offer;
- Increased conductor pay in the training phase by roughly 38% to nearly \$25 per hour;
- Established a multimedia recruitment campaign in 20 key markets through targeted radio advertisements, podcasts and social media platforms;
- Implemented an internal referral program that includes cash bonuses for current employees that refer a successful candidate;
- Offered incentives for mechanical and engineering personnel to train and become a conductor;
- Increased the size and frequency of our conductor classes, with a goal of filling a class of 40 conductors every week; and
- Created new incentive programs to reward great attendance with stock awards, cash prizes and truck giveaways, and a vacation buyback program that allows CSX to better utilize our existing personnel to move more freight for our customers.

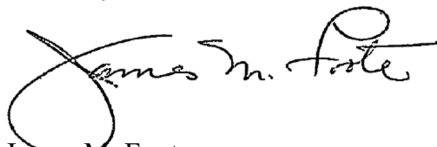
We have been undertaking these efforts despite substantial headwinds. The transportation industry is facing a particularly tight labor market with longer hiring lead times. Against this backdrop, we're seeing high attrition rates during the on-boarding, training and first year of service for conductors. On top of this are the COVID cases which have been as high as 5% of the T&E workforce early in the year, although we're below 2% today.

The good news is we've seen sequential improvements in our new hire rates. In fact, our new hire pipeline has increased by almost 300% since July. These efforts will continue through the remainder of the year and into 2022. We will continue hiring until we have staffed the network to match demand.

We are committed to assisting our customers and supply chain partners in overcoming the current supply chain challenges. We will continue to partner with our customers on growth and work with them 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 fluid and cursive, with a large loop at the end of the word "Foote".

James M. Foote