TODAY’S RAILROADS: READY TO SERVE, LOOKING TO GROW

Jon S. Meyer
Senior Account Manager - CSX Transportation
July 15, 2003

TRB 28th Annual Summer Ports, Waterways, Freight & International Trade Conference
July 13-16, 2003  Portland, OR
Rail Support for Operation Iraqi Freedom (OIF)

- CSX Background
- OIF Emerging Findings
- Rail Deployment Problems
- Recommendations
CSX Corporation largely combines rail, intermodal, container-shipping, and logistics services.
As the largest eastern U.S. railroad, CSXT is expecting to grow.

**SYSTEM FACTS**
- 23,000 track miles
- 35,000 employees
- Serve over 70 ocean, lake & river ports
- Average 1,600 trains daily
Many major installations utilize rail service.
Five carriers account for most of the rail revenue.

FY2002 REVENUE - MAJOR RAIL CARRIERS

SOURCE: Military Traffic Management Command
There are challenges in meeting the military demand.

- Resource planning – esp., deployment
- Peace time traffic opportunities
- Equipment utilization
- Declining fleet
The decline in available equipment is a significant issue.

Net Number of Chain Tie-Down Flatcars

- 60 foot
- 89 foot
- Total

<table>
<thead>
<tr>
<th>Year</th>
<th>60 foot</th>
<th>89 foot</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
OIF Emerging Findings

• Rail deployment in general went well
  – Most supporting railroads were proactive and did an excellent job
  – Early-on port congestion at Corpus Christi and Blount Island

• Rail car ordering process needs more discipline
  – MTMC notice to ITOs out late – 3/31/03
  – Some ITOs order through IntelliTrans
  – Some ITOs order through local rail rep

SOURCE: Military Traffic Management Command & Class I Railroads
Rail car availability was generally good
  – Some spot shortages
  – Some instances of poor equipment utilization
    • CTDFCs used for containers at Ft Hood

Significant use of motor carriers required
  – Small shipments of UE and Ammo
  – Short reaction time between notifications and due dates at port
  – Some installations within reasonable driving distance of ports

SOURCE: Military Traffic Management Command & Class I Railroads
MTMC’s rail traffic mgmt process/procedures evolved.
  - Daily conference calls with railroads and installations enhanced coordination
  - Use of LNOs at PPPs facilitated the information flow to MTMC
  - Daily rail status reports gave good overall picture of railcar requirements
  - Establishment of MCC cell in MTMC COC facilitated ITV

SOURCE: Military Traffic Management Command & Class I Railroads
OIF Emerging Findings (Con’t)

- ASMP facility upgrades met deployment challenge.
  - Issues still remain concerning CHE and operating crew availability at PPPs, e.g., Fort Campbell

SOURCE: Military Traffic Management Command & Class I Railroads
RAIL DEPLOYMENT PROBLEMS

• PORT CALLS
  – NOT ISSUED ACCORDING TO PLANS
    • NO PRIORITY RANKING
  – SHORT NOTICE
    • ACTING ON RUMORS (LOADING CARS, DISTRIBUTING CARS)
    • ‘PARALYSIS BY RUMOR’
    • WRONG GUESSES
  – INADEQUATE TRANSIT TIME

• MARKET PENETRATION
  – SOME INSTALLATIONS CHOSE NOT TO USE RAIL

Source: MTMC, USTRANSCOM & Class I Railroads
RAIL DEPLOYMENT PROBLEMS - CARS

- MECHANICAL ISSUES
  - EXPIRED SCABT DATES ON DODX PREPOSITIONED CARS
  - DETERIORATED DECKING
  - CHAIN-TIEDOWN SPOT SHORTAGES
- OWNERSHIP ISSUES
  - INSTALLATIONS HOARDING DODX PREPOSITIONED CARS
  - TTX CARS NOT OPERATED AS POOLED FLEET
  - RAILROADS NOT COMPLYING WITH DODX CAR ORDERS
- DEPLOYMENT ISSUES
  - NO PLAN, SHORT PORT CALLS, MULTIPLE SIMUTANEOUS SHIPPERS
  - MAJORITY OF CARS IN CYCLE ALWAYS EMPTY AT INSTALLATIONS
  - LOST TRAFFIC ACCOUNT MALPOSITIONED CARS

Source: MTMC, USTRANSCOM & Class I Railroads
RAIL DEPLOYMENT PROBLEMS - SUGGESTED SOLUTIONS

• PORT CALLS
  – TAKE FORT-TO-PORT DISTANCE INTO ACCOUNT WHEN ISSUING ORDERS
  – DAILY REVIEW AND UPDATE OF PORT CALL WINDOW DATES BASED ON SHIP EVENTS

• CARS
  – OPERATE TTX CHAIN-TIEDOWN CARS AS A TRUE POOL,
  – CONTINUE PROGRAM TO SUBSIDIZE INSTALLATION OF NATIONAL DEFENSE FEATURES ON COMPATIBLE FLAT CARS
  – PREPOSITION DOD-OWNED FLATRACKS AND REACH-STACKERS AT PPPs TO LOAD VEHICLES ON INTERMODAL CARS

• MARKETING
  – USE REDEPLOYMENT TO SERVE DEPLOYMENT ROAD SHIPPERS
  – INVESTIGATE & ACT ON WHY ROAD SHIPPERS USED ROAD

Source: MTMC, USTRANSCOM & Class I Railroads
RAIL DEPLOYMENT COLLATERAL IMPACTS

• Commercial shippers forced to used motor carrier
  – Case New Holland
    • East Moline, IL (Combines)
    • Fargo, ND (Tractors)
  – John Deere
    • East Moline, IL (Combines)

• Power & Crew redistribution
  – No excess capacity
  – Impossible to calculate cost of ill-will on non-DoD shippers
We look forward to continue supporting the military

- Establish greater installation contact
- Identify more “peace time” traffic
- Assist with readiness & deployment
- Participate in industry forums

CSX Transportation