STB Chairman Robert E. Primus
Midwest Association of Rail Shippers 2025 Winter Meeting
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Good morning, Happy New Year, and thank you for the opportunity to offer a few words from the Board.

A lot has happened at the Board over the past year. For starters, 2024 saw a significant change in command, with my predecessor, Marty Oberman, retiring and the departure of two long serving office directors, our General Counsel and Director of the Office of Economics. In their place, we now have two new extremely talented and forward-thinking directors who have already proven they are more than up to the task of taking on the challenges that come before their respective offices.

In the wake of Marty's departure, the Board continues to sit at four members and, I can tell you, moving a two-two Board to consensus is a far more difficult endeavor than doing so with five members and a three-two majority. Because there is no outright majority, opinions become amplified, and everyone has greater influence with respect to the outcome. No one has the upper hand, not even the Chairman. That said, I've heard the concerns and the complaints about us taking longer than expected on a couple of recent transactions. For the record, I don't like missing deadlines either, applicants deserve to have decisions rendered in a timely manner. The reality is with the current Board makeup, negotiations and deliberations take longer, and consensus can be harder to come by. Sometimes, there are clear philosophical differences that must be considered and addressed. Herding cats, it is not, but it is very difficult, nonetheless.

That said, I am pleased to say 2024 was a very busy and productive year at the Board, and 2025 has begun in similar fashion. Last year, the Board rendered 92 Entire Board decisions and another 281 Director Orders in support of activities along our nation's freight rail network. During my time as Chairman, we were able to close out some difficult and substantial decisions. Among them was an abandonment proceeding involving Conrail and its Harsimus branch line that, due to a long and drawn-out litigation effort, lasted more than 15 years. For those who are counting, that was six chairmen ago!

Early last year, we adopted a final rule amending our emergency service regulations that provides immediate relief for shippers in certain situations. The Board also delivered a long-awaited rule that moved forward reciprocal switching. In October, we rendered a unanimous decision for the Meridian and Bigbee transaction, which was a major win for the network with respect to creating further opportunities for collaboration and competition.

I'd be remiss if I didn't mention two other important proceedings that received a considerable amount of attention by the Board in 2024 and were subsequently approved just a few days ago. The first being the NAFCA decision, an extremely complex case, regarding the costs associated with empty tank car movements, that came to the Board a decade ago. The other is the acquisition of the Iowa Northern Railway by Canadian National. In both instances it took a considerable amount time and effort by the Board to work out differences and cobble together agreements to affirm the respective decisions. Not everyone ended up on the same page, I was the lone dissent in the CN-Iowa Northern transaction. However, in the spirit of moving things forward, once a majority was reached, I moved to get it done.

And while the Board was successful in moving these measures through, I regret that we were not able to move on other items of importance to the network. Given the upcoming change in Administrations, my time as Chairman likely will soon come to an end. While I am not leaving the Board – there has to be a loyal opposition – if I had more time in the Chair, I would have moved on issues associated with competition, private rail cars and commodity exemptions – issues that many of you in this room have raised to the Board. Moreover, the Board is long overdue for a reauthorization, and I would have liked to have led that effort as well. There are several extremely important issues, like the common carrier obligation, that Congress desperately needs to address.

There is one matter that I am truly disappointed the Board did not act upon during my time as Chairman – and that is acknowledging and addressing the pervasiveness of retaliation and intimidation around the network. Since coming to the Board, I have heard from numerous shippers, rail labor and even short lines that such malfeasance is real and pervasive. While I do not believe the leadership of Class Is promotes, or even tolerates, this behavior, it nonetheless continues to permeate through the ranks and its impact has directly affected the Board's ability do its work. Quite simply, it is wrong and must be addressed. Sadly, the Board was unable to act upon a straightforward, non-binding policy statement I proposed. Moving forward, I hope the Board finds the courage to confront this troubling issue, sooner rather than later.

In addition to moving dockets, the Board spent a considerable amount of time on a number of emerging issues facing the network. This included the East Coast port strike and the corresponding surge of intermodal freight rail traffic moving through the West Coast ports, particularly at Los Angeles and Long Beach; issues concerning U.S. agricultural shipments to Mexico along FXE's rail network; the Canadian rail strike, rail movements to and from the PNW in support of the U.S. harvest; and the impact of Hurricanes Helene and Milton. The Board also began to take a harder look at the data we collect – I'm sure you all saw my letter to AAR on RCAF which, by the way, is back on track. Don't be surprised to see activity surrounding URCS and Cost of Capital in the coming year.

The STB, in many instances, worked in concert with the Class Is as we monitored and addressed concerns associated with these emerging issues. Last summer, I spent time with executives from both BNSF and Union Pacific in Southern California to talk through their respective operational capabilities at the ports. Jim Vena was kind enough to bring the UP business train and nearly his entire executive team out to brief me, which I greatly appreciated. I also had an opportunity to spend time with the executive team from the Pacific Harbor Line, an amazing short line that has done a phenomenal job serving UP, BNSF and the ports.

As the Board moved to address issues associated with the FXE, I was in regular contact with both Katie Farmer and Jim Vena as I sought to build a federal coalition to assist the STB in rectifying the situation south of the border. This included meetings with Katherine Tai, the US Trade Representative; Tom Vilsack, our Agriculture Secretary, and culminating with a meeting at the White House with the National Economic Council. I'm pleased this coordinated effort has resulted in the easing of embargoes against U.S. agricultural products into Mexico and fostered a greater dialogue on the issue on both sides of the border.

I highlight these collaborative efforts to throw a little cold water on the thinking that this STB is somehow more pro shipper, and, God forbid, pro labor, than it is pro Class I. This could not be further from the truth. Above all, including the mighty Wall Street, the STB has the greatest interest in wanting our Class Is to be successful and our national freight rail network to thrive. In doing so, it is our responsibility to challenge, coax and course correct our Class I partners when we feel it is necessary. So, I don't apologize for any letter I may have sent or statement I may have made that underscores the Board's concerns about potential problems, deficiencies, discrepancies on behalf of the railroads or its advocates. I'm not here to make friends, nor make people feel good. That is not my job, nor is it the job the agency. It would be irresponsible not speak out and I will continue to do so as long as I am a member of this Board. And for those asking, my term ends in 2027.

Now, let's talk about the current state of the network. I am pleased to say that in the four years since I have been on the Board, this is the best I've seen the network running. It's by no means perfect, but I do think, for the most part, operationally we are trending in the right direction. While we haven't totally gotten rid of the PSR mentality or our Wall Street idol worship, there are several initiatives that are bucking that trend and making a real difference. Like what Joe Hinrichs is doing under the banner of ONE CSX with respect to labor relations and a new, service oriented, customer centric focus. Or what Norfolk Southern is through its Short Line Performance Project and its First and Final Business Group. I'm also impressed with CN's Local Service Commitment Plan which measures whether CN has delivered the right cars, on the right day, in the correct switch window, and has been hitting the mark at over 90 percent since 2023. I also must acknowledge the tremendous work the short lines have done to further strengthen and grow the network. The future is bright, right? Well, yes and no.

In September of last year, the Board convened a two-day hearing on growth within our nation's freight rail network. The hearing was intended to shed light on how various stakeholders – including the railroads – assess what is happening with rail volumes and rail service and offer suggestions for what is needed to facilitate growth. Without question, railroads are a key component to growing the nation's economy. In 2022, $50.2 billion of our country's GDP was attributed to freight rail, and in 2024, roughly $100 million worth of goods was transported between the US and Canada via rail and a similar amount transported between the US and Mexico. However, we also learned that a lack of rail growth can hinder the US economy and contribute to supply chain uncertainty.

We are the largest, safest, most cost efficient and energy conscious freight rail system in the world. And yet, we struggle to grow, even when growth opportunities exist. For the past several years, we have continually lost market share to our chief competitor who has seen better days. While all six Class Is are enjoying a period of strong, if not record, profits and the ability to provide billions in stock buybacks to their respective shareholders, 3 of the top 4 LTL trucking firms have struggled financially over the past few years, with significantly decreased earnings. It's like Muhammed Ali in his prime getting out boxed by Jake Paul. It's not only unbelievable, but unconscionable.

From 2003 until 2023, freight rail has experienced negative growth across most business sectors. At the September hearing, AAR rightly pointed out that the demand for rail transportation is a derived demand and depends on the demands for moving key commodities. And yet, intermodal freight and agricultural output have grown in the US over the past several years, while the rail volumes of both sectors have not kept pace. AAR also used carefully parsed data to suggest an upward growth slope for the network. But even their data aligned with those presented by other stakeholders and the STB's own analysis reveals the truth: volumes continue to decline, even when excluding coal from the analysis.

From STB's internal analysis of Waybill data, overall revenue ton-miles declined roughly 15% between 2018 and 2022. With respect to intermodal freight, which the railroads and others point to as potential sources of growth, that business also declined in terms of revenue ton-miles. In fact, Intermodal tonnage hauled by truck from 2006-2023 was up 35%, while intermodal tonnage hauled by rail was down 16% during the same period. Additionally, real spending on consumer durables increased 5% between November 2023 and November 2024 with no real impact on rail volumes.

Even with a constant modal share, economic growth can only happen with an increase of freight moving via rail, and we see the opposite. Unfortunately, the future does not appear to be any brighter. Recent forecasts from the Department of Transportation show growth in US freight transportation between now and 2050, except for rail.

The question, then, is why? Why are we hemorrhaging market share to truck? Why can't we have sustained, long-term growth at the Class I level? The STB growth hearing produced thoughtful, detailed, data-oriented feedback from a broad cross-section of stakeholders and some clear causes became glaringly apparent:

1. Inconsistent and unreliable rail service has caused shippers to leave the network.

2. Rates are high and not commensurate to the rail services rendered.

3. There is a clear communications failure. Class Is do not provide adequate customer service nor information about freight status and schedules. Short lines are considered the gold standard for rail customer service, and trucking companies provide better customer service, including better visibility (where the product is and when it will be delivered) than Class Is.

4. Railroads have inadequate employment for growth. Under the banner of PSR, Class Is cut employment to the bone and service suffered as a result. Though hiring levels have improved since the COVID bottoming out, there is concern that there is not enough labor for the Class Is to meet future growth demands.
5. Railroads prioritize short-term gains at the expense of expanding the capacity of their network. The trade-off between short-run focus and long-run focus is especially important. Multiple commenters at the hearing identified the disconnect between an

industry that requires a long-term focus to ensure adequate staffing, equipment, and infrastructure and Wall Street's focus on short-term profit and OR gains.

When you add all of this up, what we have, in the words of the late President Jimmy Carter, is a Crisis of Confidence. Far too many shippers have simply lost confidence in our freight rail network. It's why a 2020 Oliver Wyman survey found 100 percent of the large shippers polled believed truck to be superior to rail on key attributes of the customer experience. It's why freight rail volumes have declined by twenty-eight percent over the past decade. It's why freight rail is projected to have the slowest growth among all transportation modes through 2030. It's why we must wake up and do better.

Service must be consistently reliable; rates must be seen as reasonable, especially in sole served markets; customer service must be robust, elevated, and enhanced; the network must have an adequate labor force and be better resilient; and we need to shift our focus from short-term profit to long-term, sustainable growth. Sounds impossible, right? Well, what I just described is exactly what our nation's short lines are doing and THEY are seeing tremendous double-digit volume growth. It can be done because it is being done.

As I mentioned earlier, there are signs that some Class Is recognize the growth challenge and are attempting change, but more is needed by all. In particular, the network must move into the 21st century when it comes to technology and customer visibility. Frankly, the slow adoption of modern technology is painful. All across our nation's supply chain network, cutting edge technology is allowing customers to ascertain various data points of a product in transit. Whether it's a package from Amazon, or pizza from Dominos, such technology is at play. With freight rail, not so much.

However, I am a huge supporter of RailPulse, for two reasons. One, it is the first real collaborative effort involving Class Is, shippers, car manufacturers, car lessors and others to develop a universal telematics platform that can be used by the entire network; and two it will shrink the competitive gap between rail and truck. If we get this right, it could be a real gamechanger. My only gripe is we only have four out of the six Class Is participating. That's unacceptable and a reminder that the stovepipe mentality still exists among us. Neither BNSF nor CN could give me a good reason why they are not on board. I hope they figure it out soon and join the party.

In closing, I want to leave you with a PowerPoint presentation. And for those who are about to run for the doors, relax, it's only one slide. [See slide] This Peanuts cartoon, in my opinion, sums up the network's relationship between Class Is, their customers, and the Crisis of Confidence that exists. Time and time again, Charlie Brown has relied on Lucy to consistently set the ball in place so he can kick it and score. Time and time again, Lucy fails to deliver. The result is a missed opportunity, disappointment and ultimately failure. We must stop treating our customers like Charlie Brown. If we don't, growth will simply not be an option.


PEANUTS
by SCHULZ
THERE! IS THAT ABOUT RIGHT?
IS THAT ABOUT RIGHT FOR WHAT?
I'LL HOLD THE BALL, CHARLIE BROWN, AND YOU KICK IT!
ARE YOU CRAZY?
YOU'LL JERK IT AWAY, AND I'LL BREAK MY NECK! DO YOU THINK YOU CAN FOOL ME WITH THE SAME STUPID TRICK YEAR AFTER YEAR AFTER YEAR?!
BUT THAT'S THE WHOLE IDEA, CHARLIE BROWN.. THE ODDS NOW ARE REALLY IN YOUR FAVOR!
ONE OF THESE TIMES I MAY **NOT** JERK THE BALL AWAY! ONE OF THESE TIMES I MAY ACTUALLY HOLD ON TO IT!
I NEVER THOUGHT OF IT THAT WAY...
OKAY... YOU HOLD THE BALL, AND I'LL COME RUNNING UP, AND KICK IT!
10-16
AAUGH!
WHAM
I'M SORRY... THIS WASN'T THE TIME!
SCHULZ