

**TESTIMONY OF
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**BEFORE THE SENATE TRANSPORTATION AND SENATE
ENVIRONMENTAL RESOURCES & ENERGY COMMITTEES**

**JOINT HEARING ON SAFE TRANSPORTATION OF CRUDE OIL (AND
OTHER ENERGY PRODUCTS) BY RAIL IN PENNSYLVANIA**

JUNE 9, 2015

**CSX TRANSPORTATION
500 WATER STREET
JACKSONVILLE, FLORIDA 32202**

Opening Comments

Chairmen and Members of the Committees, thank you for the opportunity to appear before you today to discuss CSX's role in safely and efficiently moving goods in the Commonwealth of Pennsylvania. My name is Quintin Kendall and I serve as Vice President of State Government and Community Affairs. In that role, I coordinate with all facets of CSX, including operations, engineering and real estate, to address the interests and concerns of the governments and citizens of the communities we serve.

CSX appreciates that rail safety is a topic of concern for citizens here in Pennsylvania, and across this country. Safety is CSX's highest priority – the safety of communities, employees and customers' freight. We work collaboratively with partners up and down the supply chain to find the best, safest solutions to transport all of the commodities we move.

The following statement will highlight the railroad industry's commitment to safety; its investment in the U.S. transportation network; its efforts to maintain safe rail operations; its partnership with Pennsylvania first responders; and efforts to coordinate the sharing of information about the routes we use and cargo we carry.

Rail shipments of products considered to be hazardous materials are regulated by federal law under the U.S. Department of Transportation and the U.S. Department of Homeland Security. It is important to note that under federal interstate commerce laws, all common carriers including CSX are required to transport any commodity tendered to them in a safe container. That includes tank cars and other railroad cars that are approved by the federal government for use with the commodities they carry. CSX is consistently a safety leader in one of the nation's safest industries; our goal is to move every car to its destination safely. In fact, between 2004 and 2014, CSX improved the company's FRA train accident rate by 58 percent.

About CSX

"Safety is a Way of Life" is a core value of our company, so we maintain a steadfast commitment to the safety of our operations and the communities in which we operate. CSX operates and maintains 21,000 miles of track across 23 states and two Canadian provinces. running an average of 1,300 trains and approximately 20,000 freight cars on our lines each day, carrying things we use every day—the cars we drive, the orange juice we drink, the energy that turns on the lights and the big screen televisions we buy at Wal-Mart. Annually, CSX moves more than six million carloads of finished products and raw materials that are crucial to our economy and our way of life.

In Pennsylvania, CSX operates and maintains nearly 2,000 miles of track. That equates to about 1.8 million loads of freight moved in or through the Commonwealth each year. CSX is a crucial supplier to refineries in eastern Pennsylvania, which have seen a resurgence with the rapid rise of domestic crude oil production. This resurgence is having a profound impact on Pennsylvania's economy, reviving the state's energy sector, spurring job creation and driving economic development. We are proud of our partnership with Philadelphia Energy Solutions, which directly employs nearly 1000 Pennsylvanians and supports thousands of additional jobs in the region. We work with them constantly and they too are committed to the safe transport of their product.

Still, to fully realize the benefits that these domestic energy resources provide, CSX and its partners in the energy supply chain must ensure that the safety of our people, our communities and our environment remain a top priority.

Beyond the energy business, CSX has heavily invested in its Pennsylvania operations in recent years. CSX operates a thriving intermodal terminal in Philadelphia, a modern facility located directly across the street from the Port. Last year we completed a \$30 million program to remove overhead clearance impediments so that modern double stack trains can serve Philadelphia, making the port more competitive. We operate a similar facility in Chambersburg and are in the process of building a new one in the Pittsburgh region, as well.

Additionally, Philadelphia is host to one of the primary hubs of our TRANSFLO system, the largest rail-to-truck network in North America, and we have invested heavily in that facility over the past few years.

In recent years, many policy makers have recognized the "rail renaissance" to offset highway congestion and efficiently meet the growing demand from the American public for consumer goods. For CSX, Pennsylvania is, and will continue to be, a major part of that renaissance.

An Industry Committed to Safety

The U.S. freight rail industry overall has made significant reductions in train accidents involving hazardous materials – improving by 91 percent since 1980, and 38 percent since 2000. Despite several high-profile derailments over the last three years, there is no question that quantifiably, this is a safe industry that continues to get safer.

Noting this fact, when announcing the final rule for the safe transportation of flammable liquids by rail on May 1, U.S. Department of Transportation Secretary Anthony Foxx said,

In 2014, nearly 500,000 carloads containing more than 410 million barrels of Canadian and U.S. crude oil were transported by rail in the United States, and 99.9 percent reached their destination without incident.

But we also wholeheartedly agree with Secretary Foxx’s next comment that “The accidents that have occurred, though, have shown us that 99.9 percent isn’t good enough,” and continue to work toward our goal of zero accidents.

Through significant investment in infrastructure, continuous training of employees to foster a culture of safety, and working with local, state and federal officials on incident prevention, preparedness and mitigation, CSX remains committed to continuously improving the safety and security of rail transportation.

Investing in the U.S. Transportation Network

CSX, like the entire rail industry, invests heavily in its track and infrastructure to ensure a safe, reliable and efficient rail network. CSX’s private capital investments—track, bridges, equipment and technology—are projected to be \$2.5 billion in 2015, meaning that we are committed to investing around 17 percent of revenue into the business, or five times more than the average manufacturing company. This is true of the entire rail industry, where this year alone \$29 billion, or \$80 million per day, will be invested into the 140,000 mile U.S. rail network. It’s private capital, not taxpayer money, that supports the nation’s freight network.

Maintaining Safe Rail Operations

Rail lines, bridges and freight yards are our “physical plant.” As a result, railroads have a vested interest in and fiduciary duty to ensure they are regularly inspected and properly maintained. Approximately 25 percent of the CSX workforce is dedicated to maintaining and improving the company's track, signals and grade crossings, to support safe conditions throughout the network.

The following figures underscore the magnitude of effort involved in keeping our infrastructure in good working order, even before the extra inspections and maintenance we dedicate to our crude oil lines. This year, CSX will

- Replace 3.3 million ties (*see Graphic 1*)
- Replace 510 miles of rail with new rail
- Install 3 million tons of ballast
- Surface more than 5,000 miles of existing rail

Our safety regulatory agency, the Federal Railroad Administration (FRA) has uniform and very specific regulatory standards as to the frequency and protocol by which railroads inspect different types of track (see 49 CFR 213.233).

In the overwhelming majority of instances, CSX and Norfolk Southern have implemented inspection protocols on their lines that carry hazardous and flammable materials that are more rigorous than federal regulatory requirements. For example:

- FRA requires trained track inspectors to conduct regular visual inspections of all mainline track twice per week. CSX performs these inspections at least three times per week on crude oil routes. (*see Graphic 2*)
- CSX also designates upgraded yard landing tracks where loaded crude oil unit trains are staged, and inspects these tracks twice per month.
- FRA regulations require geometry cars to test track structure once a year. The geometry cars assess the shape of the track, gauge, profile, and how worn the rail is, and supplement the routine visual track inspections conducted by maintenance crews. These four rail bound units typically travel 50,000 miles each year, testing the core network an average of three times annually. (*see Graphic 3*)
- FRA regulations require sophisticated ultrasound inspections once a year to detect internal defects and fissures and confirm the integrity of the steel rails. CSX conducts these tests on crude oil routes at least three times per year, using 18 dedicated Sperry vehicles that cover 85,000 miles of rail annually.

If a defect is detected, the railroad immediately restricts speed on that line to 10 mph and will replace the rail within 24 hours. (*see Graphic 4*)

Longstanding Partnerships with Pennsylvania First Responders

Despite the concentrated inspection and maintenance protocols, we know that accidents can and do occur when shipping hazardous materials by rail. That is why CSX and Norfolk Southern both have a long history of working with emergency first responders and emergency planners in how to respond to a rail related emergency.

CSX invests each year in training for first responders to prepare them to handle any rail-related incident. Since 2004, CSX has trained more than 10,000 emergency first responders in Pennsylvania through hands-on sessions, classroom training at local fire stations, exercises and table-top drills, and web-based and self-study training courses. The hands-on and classroom safety training helps strengthen CSX's partnership with first

responders and provide a higher level of emergency readiness, and the costs are borne entirely by the railroad.

Since May of 2014, CSX has trained more than 2,000 first responders from more than 350 organizations in 18 cities through our *Safety Train: Energy Preparedness Program*, which covers hazardous materials response and information about the transport of crude oil. In Pennsylvania, the safety train stopped in Philadelphia, Eddystone and Erie last year, providing more than 500 emergency responders with day-long, hands-on training on a variety of rail equipment, including crude oil tank cars.

Over the past two years, we have offered comprehensive, crude oil-specific table top exercises in Philadelphia, Montgomery, Bucks, Erie and Delaware Counties. More than 2,300 Pennsylvania emergency responders participating in CSX-sponsored fire department training sessions have received our “Emergency Response to Railroad Incidents” course over the last three years. CSX sponsored six responders from Pennsylvania to attend a week-long, hands-on crude oil training class in Pueblo, Colorado. And looking to the future, later this year emergency management coordinators from twelve Pennsylvania counties will begin attending training classes at CSX’s state-of-the-art hazmat training center in Atlanta.

Ensuring First Responders Know What Runs Through Your Community

The railroad industry shares information about our operations, including the routes we use and the cargo we carry, in a way that is sensitive to the security environment that exists in the world today. Federal regulations consider information about the shipment of hazardous materials to be security sensitive, and the industry shares information about the routes we use and the cargo we carry in a way that is consistent with those guidelines.

The rail industry routinely provides detailed information about the cargo we carry and the routes we use to the state and local first-responder organizations that are responsible for protecting the public’s safety in the event of a railroad incident. We have done this voluntarily and in compliance with all federal regulations governing the transport of hazardous materials, and we will continue to do so as part of our commitment to the safety of our employees and the communities where we operate.

However, we continue to seek new and innovative ways to partner with state and local first responders and emergency management agencies to ensure they have the tools to respond in the rare case of a railroad incident.

Both CSX and Norfolk Southern are currently rolling out state-of-the-art information-sharing technology tools for emergency responders. These mobile applications will allow

first responders to obtain information in the field on any type of mobile devices about the contents of single hazmat cars or full train consists.

In addition, a SecureNOW partnership was established with the Pennsylvania Emergency Management Agency (PEMA) in January 2014 that provides PEMA with near real-time tracking and identification of all our trains (and the commodities they are carrying) that enter, move through and depart the Commonwealth. This information allows for quick identification of trains by type – including those transporting crude oil. The PEMA partnership proved so successful that a SecureNOW partnership was established with the Philadelphia Office of Emergency Management last fall, one of only two cities where the system is installed. (*see Graphic 5*)

Closing Comments

Chairmen and Members of the Committees, CSX commends your leadership and appreciates both your concern and the opportunity to speak to you today on this important topic. We also appreciate Governor Wolf's interest in rail safety and are committed to work with the Governor and his staff as part of our mutual interest in the safe transportation of rail freight.

The ongoing rail renaissance represents a tremendous opportunity for our nation to move closer to energy independence, to grow our economy and to create jobs. But with this opportunity comes great responsibility, and CSX and Norfolk Southern will continue to work with federal regulators, state and local officials and communities to make the safe transportation of hazardous materials even safer.

As you have heard, taking into account both the safety improvements required by the USDOT and those voluntarily undertaken by CSX and Norfolk Southern, much has already been done to enhance rail safety in Pennsylvania. And we believe that transport of crude oil will only get safer with the implementation of stronger tank cars.

So we pledge to continually work to make the rail industry safer, not only for rail traffic but for the communities we serve. Thank you again for giving us the opportunity to discuss these important issues. This concludes my statement. I will be happy to address any questions you may have. Thank you.