

June 9, 2004

[Railroad Address Block]

Re: Fall Peak Service Demands

Dear Mr. [CEO]:

The United States Surface Transportation Board has a statutory responsibility to monitor freight rail service and to ensure that such service is adequate. In carrying out this duty, the Board carefully monitors the Class I railroads' performance levels, and works in close cooperation with both rail carriers and their customers on service issues.

At the outset, the significant progress made by the railroad industry in general, and [Railroad] in particular, to improve customer communications and confidence, inter-carrier coordination and cooperation, and to develop new service offerings is encouraging. I know that [Railroad] is continuing to work to attain further operational and customer service improvements.

This progress is reflected in the fact that, in the past several months, there has been a significant increase in demand for freight rail services. This demand surge is unprecedented since the passage of the Staggers Act in 1980, and demonstrates the fundamental importance of freight rail services to our nation's economic health. But as all who follow the freight rail industry are aware, this increase in demand is putting significant strains on the freight rail system, and challenging the ability of Class I carriers to provide the necessary crew, equipment and track capacity to carry this freight.

The Board's Office of Compliance and Enforcement continually monitors railroad operations to assess the overall performance of the freight rail system. In particular, the Board reviews the following measures on a constant basis:

Cars on Line
System Train Velocity;
System Yard Dwell Time;
On Time Performance - Chicago Connections;
On Time Terminal Arrivals and Departures;
Train and Engine Crew Utilization, including Recrews;
Locomotive Utilization; and
Infrastructure and Capacity Improvements.

These performance areas, many of which are included in the weekly metrics reported to the Association of American Railroads, are important indicators of the performance of the freight rail industry and are closely watched. While the Class I railroads have been able to handle the increases in freight that has occurred over the past nine months, the performance of Class I railroads as reflected in these metrics raises concerns about their ability to meet the ever increasing service demands being placed on them.

Looking forward, there may soon be a further increase in demand from rail customers during this year's fall shipping season – the "Fall Peak." I am interested to know your view of this year's expected "Fall Peak" demands, and how you believe those demands will affect [Railroad] and the industry. Therefore, I request that you provide to the Director of the Office of Compliance and Enforcement the specifics of your goals and "Fall Peak" Action Plan. In particular, please focus on:

The steps [Railroad] is taking to ascertain demand for, and prepare for the "Fall Peak;"
What [Railroad's] performance goals will be for at least the next 120 days, with a view toward meeting the service demands for the "Fall Peak;" and
What is [Railroad's] plan for achieving those goals.

As with other performance data that the Board receives, the information that you provide can be kept confidential to the extent confidentiality is appropriate.

Finally, it is important to communicate these goals and plans not only to the Board and your employees, but to the customer community you serve. Therefore, please describe how you intend to share your plans for the "Fall Peak" with your customers.

Our shared objective must continue to be to work toward achieving the highest possible level of operational efficiency for the railroad industry and service performance for the shipping public. In this regard, I hope that you will provide the Board with this valuable discussion of your view of upcoming service demands by customers and the plans to effectively satisfy those demands.

Mr. [CEO]
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I am pleased that we share a mutual interest in the providing the best in rail service possible to the shipping public, and look forward to working together on this important matter.

Sincerely,

Roger Nober
Chairman

cc: The Honorable W. Douglas Buttrey
The Honorable Francis Mulvey
The Honorable Allan Rutter
Edward R. Hamberger