BEFORE THE

ILLINOIS COMMERCE COMMISSION

SECOND ANNUAL

RAILROAD SUPPLIER DIVERSITY POLICY SESSION

Friday, September 13, 2019

Chicago, Illinois

Met pursuant to notice at 11:00 a.m. at 160 North LaSalle Street, Chicago, Illinois.

PRESENT:

CARRIE ZALEWSKI, Chairman

SADZI M. OLIVA, Commissioner

D. ETHAN KIMBREL, Commissioner

BRIEN J. SHEAHAN, Commissioner

MARIA S. BOCANEGRA, Commissioner

SULLIVAN REPORTING COMPANY
BY: JO ANN KROLICKI, CSR
License No. 084-002215
CHAIRMAN ZALEWSKI: Good morning. I have 11:00 o'clock, so I'm going to go ahead and get started.

Welcome. We're excited to have you here for the Illinois Commerce Commission's Annual Railroad Supplier Diversity Policy Session. We have Commissioners Bocanegra, Kimbrel, Oliva, and Sheahan with us here in Chicago. We have a quorum.

I'd like to thank all of you for being here today to come and listen to our panelists, for providing us the important information which is the topic of our discussion.

Each of you has a unique perspective that is critically important to helping us move the ball forward on supplier diversity issues.

Today's session is in response to the Railroad Supplier Diversity Act, Public Act 100-0423 stating that Class 1 railroads may submit to the Commission an Annual Report on Supplier Diversity containing information described in Section 5-117 of the Public Utilities Act.

The Act also requires the Commission
to hold an annual session to hear from railroads or advocates about solutions to improve supplier diversity.

Under this statute, the reporting by the railroads is voluntary. This is the second year that Class 1 railroads have reported to the ICC. As a direct response, too, from last year's comments, there are individual reports from each railroad. We appreciate you working with us on that.

According to the reports, the total annual diverse spend among Class 1 railroads is more than $1.5 billion.

Illinois needs to work collaboratively with the railroads and their advocates to strive to make inclusion and opportunities for diverse suppliers a priority.

Today, you'll hear about the state of supplier diversity among railroads and discuss opportunities to collaboratively seek solutions to encourage diversity in the supply chain.

We have railroad representatives to speak about their supplier diversity experiences, the
challenges they face, the strategies and best practices to scale opportunities and overcome the challenges.

We know we won't find a solution to every challenge here today; rather, this is more of a way to open discussion and, hopefully, some of the comments and suggestions that are made here today will be used to go in the next year and, hopefully, increase the supplier diversity spend even more.

In facilitating this discussion, the ICC seeks to encourage an increase of the dollars spent in diverse suppliers, the creation of significant, additional, meaningful opportunities for more diverse businesses throughout the state, and finally, to continue to identify as much state specific data as possible.

ICC is proud to be one of the most diverse Commissions in the country. Studies show that diversity sparks innovation in the workplace and creates a more inclusive work environment. Embracing and encouraging diversity in the supply chain and at
the Commission is something that the Commission is committed to and will continue to work on.

Let's get started with the session.

I am going to hand it over to my legal advisor, Tetyana Rabczak, who will introduce the panelists and run our policy session.

MS. RABCZAK: Thank you, Chairman.

Good morning, everyone. And welcome again to our 2019 Annual Railroad Supplier Diversity Policy Session.

As Chairman mentioned, Section 10 of the Railroad Supplier Diversity Act states that Class 1 railroad companies may no later than April 15 of each year submit to the Commission an Annual Report containing information described in Sections B, C, D, and E of the Section 5-117 of the Public Utilities Act and any additional information, including a National Supplier Diversity Report.

This morning, we have this esteemed panel of railroad companies' representatives who will highlight -- provide highlights from their Railroad Supplier Diversity Reports 2018 as well as share the
company supplier diversity spend best practices their supplier diversity teams had in 2019 and any changes they anticipate for the next year.

With that, I would like to mention that each of our presenters have five minutes to present, and we will have a time on the screen that you can see in front of you.

After that, we'll open a Q&A session to the Commissioners, and if we have time at the end of this policy session, we'll open the floor to the public. I just wanted to remind everyone that the subject of this discussion is limited to the agenda, and we cannot discuss any of the open dockets.

With that, I would like to present our representatives of the railroads. To the very far end from me is Wes Hutcherson, and I apologize if I butcher anyone's names.

Mr. Hutcherson is the General Director of Strategic Sourcing of Supply Chains for Union Pacific.

Next, we have Peter Skosey, who is the Executive Director of State Government Affairs.
from BNSF Railway Company.

Next, we have Brett Guarino, who is CSX Transportation and the CREATE Project Manager for CSX.

We also have Arielle Giordano, who is the Director of Federal and State Government Affairs from Canadian Pacific.

On the phone, we also have Larry Lloyd.

Mr. Lloyd, are you with us?

MR. LLOYD: I am. Thank you.

MS. RABEZAK: Thank you.

Mr. Lloyd is the Manager of Government and Public Affairs Corporate Services for CN.

Also, on the phone, we have Melissa Smith.

Miss Smith, are you on the phone?

MS. SMITH: I am. Good morning.

MS. RABEZAK: Thank you very much.

Melissa is the Manager of Procurement from Kansas City Southern.
We also have on the phone, Lisa Hollman.

Ms. Hollman, are you there?

MS. HOLLMAN: I am. Good morning.

MS. RABczAK: Thank you very much.

Miss Hollman is Sourcing from Norfolk Southern -- Representative of the Sourcing from the Norfolk Southern Company.

With that, I would like to open the floor to Mr. Hutcherson. Thank you.

MR. HUTCHERSON: Good morning. Union Pacific as well as all railroads is participating in this policy session at the request of the Illinois Commerce Commission. Our purpose is participating -- in participating is to provide the Commission with information regarding supplier diversity.

Compliance with all laws, particularly the antitrust laws, is a paramount policy for all railroads. It is undoubtedly a policy for all companies and entities represented at this policy session.

To ensure compliance with antitrust
laws, we will not discuss the following topics:
Transportation terms and conditions of any carrier or any receiver -- shipper receiver, or passenger carrier; standardizing or stabilizing prices to, from, or among competitors for transportation equipment, supply and equipment repairs; boycotts or refusals to deal with any particular entity, carrier, vendor or shipper's pricing or marketing practices; modifications to carrier, vendor, or shipper specific rate or charges; industrywide guidance, standard procedures, or agreements that would restrict competition; any topic that might give the appearance of discussing the prohibited topics I have just mentioned.

While collective action to support the development of sound public policy, legislation, and regulations enjoys qualified antitrust immunity, that immunity should always apply narrowly, so we should be careful and we encourage all other companies and entities represented here to be similarly careful even in this official government setting in avoiding inappropriate subjects and in
carrying out our important obligations under federal and state antitrust laws.

We appreciate the opportunity to provide the Commission with information concerning our supplier diversity programs.

Union Pacific is the largest railroad in North America, covering 23 states across two thirds of the United States. Our Supplier Diversity Program is a key component of our company's overall diversity and inclusion strategy.

In 1982, Union Pacific was the first Class 1 railroad to establish a formal companywide supplier diversity program. Union Pacific sees a return on investment within our program through customer alignment, competitive marketing leverage, and corporate responsibility, which is most important.

Our vision is building America and through the supplier diversity programs, UP helps build America in providing opportunities to diverse suppliers every day.

Suppliers support our operations with
fuel, engineering services, construction material, and other contracted services and much more.

Our spending with diverse suppliers continues to grow. In 2018, Union Pacific purchased approximately $357 million in goods and services from more than 2100 minority, women, and veteran owned businesses in 45 states.

In Illinois, Union Pacific spent approximately 22 million or 1.5 percent with diverse suppliers in 2018. While our goal is to grow the supplier base and see this number grow, we believe there are many opportunities for diverse suppliers.

Union Pacific is committed to grow and expand -- and expansion of its program is working to align supplier base to implement programs within their organization.

Earlier this year, my team and I had the opportunity to meet representatives from different Illinois minority organizations, including HSEIA, and the Chicago chapter of the MSDC.

Union Pacific conducts annual performance reviews with our strategic suppliers. As
part of the annual review, suppliers are evaluated based on their performance with diverse suppliers. Scoring is based on the following criteria: One, do UP strategic suppliers report Tier 2 spending, and, two, do they have a formal Supplier Diversity Program or policy.

Union Pacific works with local, regional, and national supplier diversity organizations. UP is interested in partnering with these organizations and local state chambers to host focused meetings with qualified vendors to help them gain supplier approval status in our system so that we can create and be able to bid on projects.

Union Pacific is a member of the Mountain Plains Minority Supplier Development Council, and I serve as a board member. In fact, Union Pacific has had board representation with this group for over 11 years.

Union Pacific also mentors for other local companies who are interested in supplier diversity. In addition and separate from supplier diversity, Union Pacific employees diversity
mirrors the communities which we operate in. That is because our employees not only work, but live in the communities across Illinois and our 23-state network.

    Thank you.

    MS. RABCZAK: Thank you, Wes.

    With that, I would like to invite Larry Lloyd.

    Larry, are you with us?

    MR. LLOYD: I am. Thank you very much.

    Good morning to the Commissioners. I just want to take a quick second to say I really appreciate being given the opportunity to highlight CN's role as the backbone of the North American economy as well as the work we do to promote diversity across the continent.

    I really apologize for not being there in person. We've had a confluence of events where we have four members of Congress that wanted to meet with CN and some other railroads in Michigan. So unfortunately, I'm there attending that and not there with you in person. But, again, I really
appreciate the opportunity to chat with you a minute about it.

So 2019 marks the 100th year of business for CN. We're a leading transportation and logistics company and the only transcontinental railroad in North America. Our nearly 20,000 miles of networks span Canada and middle America, connecting nine cords on three coasts and in the Great Lakes.

Our resource rich and manufacturing intensive network provides connections to 75 percent of consumers across North America. When we say CN is the true backbone of the economy, it reflects the key role we play in fostering the prosperity of the communities we serve.

Our ability to fully integrate rail logistics -- Intermodal Trucking was the safest highway trucking company in Illinois in 2018, by the way, and reshipping allows us to transport over 300 tons of cargo worth $250 billion.

The home of Illinois Central acquired by CN in 1998, the Prairie State is CN's largest
state in terms of operations, with 1,250 miles of track and over 1,700 employees. Our North American route converged in Chicago and linked the former Elgin Joliet and Eastern Railway acquired in 2009, and this forms CN's core route around Chicagoland, itself.

Homewood, a Chicago suburb, is home to CN's U.S. corporate headquarters and our $25 million state-of-the-art training center, which opened in 2014. Our CN campus, as we call it, delivers our enhanced railroader training program focused on instilling and reenforcing a strong safety culture across our whole continental network.

Adjacent to the CN campus is our Markham yard and the Woodcrest (sic) shop, which are the center of CN's mechanical functions in the entire United States along with our Chicago intermodal terminal.

CN's Illinois network serves some of the state's biggest cities with significant operations and yards in Centralia, Carbondale, Decatur, Champaign-Urbana, Rockford, Springfield,
Freeport, and East St. Louis.

CN is committed to inclusivity and diversity at the highest levels of the company. CN recognizes the contributions of diverse persons to all aspects of our business, including board leadership and internal talent. Nearly 20 percent of CN's executive leadership are women.

CN has adopted an active recruitment policy to ensure that its executive leaders remain a diverse cross-section. One out of every three newly-hired employees in 2018 identified as a minority or disadvantaged person. Our diversity leadership council is responsible for enhancing diversity and CN's cultural competence while providing oversight on targeted diversity outreach programs which cover aboriginal people, women, persons with disabilities, and minorities.

CN's procurement and supply management spent nearly $10 million in 2018 and more than $24 million in 2017 with diverse-owned suppliers. This includes purchases across CN's network in the United States and Canada. We know,
however, that these totals are greatly understated, because they do not include CN's spending on diverse-owned suppliers from other departments which include engineering and environmental.

CN is implementing a procurement policy that recognizes the inclusion of diverse suppliers and a commitment from its suppliers generally. CN also is implementing new tools used to monitor sourcing, including a new internal supplier profile for procurement and supply management that we hope to utilize as a way to identify more diverse-owned suppliers.

We may -- CN may consider supplier diversity and suppliers' commitment towards sustainable development as a criteria for evaluating supplier qualifications. Diverse-owned suppliers may compete for opportunities to work with CN where they satisfy CN's standards for the projects.

CN, like our other railroads, is regulated by the federal government, including the Federal Railroad Administration, and CN has specialized purchasing requirements to maintain the
highest safety standards consistent with federal
regulation and ensure safety on the North American
crail network.

Our purchasing decisions -- we make
our purchasing decisions on a network basis as CN's
network spans multiple states in the U.S. and
provinces in Canada. Other evaluations include, but
are not limited to, safety performance, product and
service quality, technical capacity. CN awards
contracts for goods and services to suppliers deemed
to provide the best overall value to CN in these and
other areas of performance.

CN expects quality, costs, and
service requirements of every one of our
suppliers.

CN has a relatively new business
presence in the U.S.; however, our commitment to
diversity has been widely recognized in Canada. We
are one of Canada's top 100 employees for diversity.
The Canadian Council For Aboriginal Business has made
us procurement champions, and 19 percent of
promotions in Canada were filled by women, and across
our network, the number of women hired in skilled trained positions has more than doubled on a year-to-year basis in -- since 2014.

These success stories are driving us to speak out and develop like-minded initiatives in the U.S., such as our new support for the National Society of Black Engineers. This new partnership, we hope, will allow us to not only recruit a more diverse workforce, but also open up additional opportunities for suppliers to interact and obtain contracts with CN.

Having a workforce with unique talents that reflects the diversity of our customers we serve and the communities in which we operate we identify as being a key contributor to our future success.

And with that, I'll be willing to answer any of your questions or concerns later in the program. Thank you very much.

MS. RABCZAK: Thank you, Larry.

With that, I would like to pass the microphone to Peter Skosey.
MR. SKOSEY: Good morning. Peter Skosey.

I'm Executive Director of Government Affairs for BNSF Railway. It's a pleasure to be here this morning.

BNSF railway is very proud of our supplier diversity program, which is a key component of our overall diversity and inclusion strategy. The program provides value and competition in the supply chain through inclusion in the RFP process, local, regional, and national stakeholder outreach, partnership with certification councils and other supplier diversity professionals, and finally, through utilizing BNSF's supplier pre-assessment tool.

BNSF believes that our supply base should mirror our diverse workforce as well as mirror the diverse communities and diverse customers that we serve.

BNSF operates in 28 states and three Canadian provinces utilizing 32,500 miles of track. Overall, our workforce represents the communities through which we operate.
BNSF is proud to report that in 2018, 40 percent of our new hires were minorities and women. BNSF is an industry leader in diversity, having been recognized for the fifth year as a top-50-stem Native American employer and included in Minority Engineer Magazine's annual top 50 employer lists for 2018.

Much of the work performed throughout our network is done by our diverse full-time work force. However, when we have the opportunity to engage suppliers, we strive to identify qualified diverse-owned companies.

Some of the affiliated certification agencies and councils that BNSF works with, supports, and sponsors include the National Center for American Indian Enterprise Development, National Minority Supplier Development Council, U.S. Hispanic Chamber of Commerce, Women's Business Enterprise Council.

In Illinois specifically -- national conferences rotate across the country and occasionally land in Illinois. BNSF attends those major conferences each year in any state, but those
that have been held in Illinois recently include the Chicago Business Fair on Navy Pier this past -- I believe it was April or May. We were a sponsor and spent three days on Navy Pier speaking with Illinois and other diverse suppliers, the Get on Board events in 2013 and 2019, the National Minority Supplier Diversity Council National Conference, which was held in Chicago in 2016, and the U.S. Hispanic Chamber of Commerce National Conference, which was held in 2013.

Additionally, we attend the Native American Reservation Economic Summit. That is always held in Nevada.

BNSF serves on the board of directors and committees for the Women's Business Enterprise Council affiliate, the Chair of the National Minority Supplier Development Council's Railroad Industry Group, and as a member of that transportation group.

BNSF utilizes a web-based portal, the aforementioned supplier pre-assessment tool, for potential suppliers to submit a profile of their company. This is a critical step for a supplier to
make themselves known to BNSF and to remain visible on an ongoing basis. Based on the materials and services noted in the profile, it is immediately routed to the appropriate sourcing team.

Our supplier diversity manager actively monitors and serves as a liaison between buyers and suppliers on a consistent basis. Of the 687 suppliers, diverse and nondiverse, that have profiles in the supplier pre-assessment tool, 63 are based in Illinois and 9 are categorized as diverse owned.

The range of materials and services purchased from diverse-owned suppliers include construction services, customer event coordination, equipment rentals, environmental services, information technology services, leadership training, legal services, lodging, machining and tooling, rail car lubricants, staff augmentation, telecom materials, positive train control materials, signal materials, and video production services.

Note, fuel, electromotives, and rail were -- for fuel electromotives and rail, there are
currently no diverse suppliers.

We do a lot of maintenance with our own workforce on a day-by-day basis.

We are trying to get our prime suppliers to do a better job reporting their Tier 2 spend to us, and this number is increasing dramatically. We anticipate an increase in this category for 2019.

In 2018, BNSF spent a total of $586 million on diverse suppliers. 491 million of that was in prime, and 95 million was in Tier 2. Of the 491 million prime, 221 million was women owned, 45 million minority, 15 small disadvantaged business, and 210 veteran.

I'll save the other remarks for comments if we have them. Thank you.

MS. RABCZAK: Thank you, Peter.

Melissa, are you still with us?

MS. SMITH: Yes.

MS. RABCZAK: Thank you. The floor is yours.

MS. SMITH: Good morning. I'm Mel Smith,
Manager of Procurement here. Thank you for the opportunity to speak with you this morning.

As a little bit of background, I'm headquartered or in the headquarter location here in Kansas City, Missouri, and our company was founded in 1887 by Arthur Stonewall. We operate in the United States, Mexico, and Panama, and we have three railroads, the Kansas City Southern Railway Company in the U.S., Kansas City Southern New Mexico in Mexico, and we have the Panama Canal Railway.

We operate in ten states here, so we're not nearly as big a footprint as some of the other roads, and we have obviously a presence in Mexico.

We have an established supplier diversity program and it falls under my responsibility as the procurement manager, but there is not a dedicated resource for this initiative as there was historically. And as such, 2018 brought a lot of increases throughout our program.

We've got 54 million in diverse spend. We've been signing contracts with some larger
Asian-owned firms that have dramatically increased our spend in the category, which you'll see on the slide that I sent in.

To help with our efforts here in Kansas City, we're a member of the procurement round table here locally, and there's a supplier diversity subcommittee that participants in local events through the Kansas City Chamber of Commerce and community college diversity events. We partner with a lot of colleges. For example, there's a Veteran's Day event coming up, and all of the suppliers that are going to be there are veteran-owned businesses looking for an opportunity with local companies.

Because of our commitment to project excellence, the Supplier Diversity Program is maybe a little bit more organic than others. We don't target specific businesses based on the size or try to increase spend in our categories.

We're really connected with our business partners internally to secure the best vendor for the work regardless of their status. We
don't have stated spend goals for the program. It's really purposeful to try to award the business to the supplier that is best for Kansas City Southern, but we do make a concerted effort to increase our supplier diversity by making sure that all bids that we send out have a diverse supplier when possible. It's mandatory as long as there's a supplier in the market that can provide these types of services.

We allow suppliers to register on our website, and we rely heavily on that procurement round table if we're struggling to find a supplier in the area for big corporations in Kansas City that already have this figured out that have locations in areas similar that we have.

So that's my summary. I'm happy to take any questions at the end.

MS. RABEZKA: Thank you, Melissa.

Next we have Miss Arielle Giordano.

MS. GIORDANO: Good morning, Chairman Zalewski, Commissioner Kimbrel, Commissioner Sheahan, Commissioner Bocanegra, Commissioner Oliva.
My name is Arielle Giordano, and I'm Canadian Pacific's Director of Federal and State Government Affairs, and I thank you for allowing me to be here.

CP is connected to increasing diversity. This includes striving to maintain and increase diversity at the board level due to our executives, senior management, and employees. CP is a founding member of the Canadian Board Diversity Council, an organization that is dedicated to advancing diversity on Canadian boards.

CP is also a corporate partner of the League of Railway Women. CP is actually excited to announce that our new Chair of the Board that took over this May, Miss Isabelle Courville is the first female Chair of any board of any Class 1 railroad.

CP is also a member of the 30 Percent Club, a leading international organization created with the aim of achieving gender balance at all levels of an organization. CP understands that a diverse and inclusive work environment provides a broader range of experience and perspectives that in
turn create a stronger and more successful railway.

CP's Disadvantaged Business
Enterprise Program has a number of different
components.

CP is committed to its policy of
nondiscrimination in its purchase of goods and
services throughout North America. Our policy is to
offer equal opportunity to all capable vendors
regardless of race, color, religion, national origin,
sex, age, or physical handicap.

CP recognizes the importance of
objectives of the DBE program, which provides
opportunities for businesses in which at least 51
percent of the ownership and the management are
controlled by U.S. citizens from one or more of the
following groups: African Americans, Hispanics,
Portuguese, Asian Americans, Native Americans,
Alaskan natives, and females of any race.

CP's diversity spend has 35 active
suppliers across the network that are identified as
diverse suppliers and 97 percent of those are based
in the United States. 46 percent identified as
female, 40 percent identified as minority, 9 percent identified as Asian, 5 percent identified as Hispanic.

Our diverse spend in Illinois for 2018 is determined using the following three criteria: First, supplier is identified as a diverse supplier. Second, the supplier's headquarters has to be located in Illinois. It cannot be a branch location. And third, the work or services were or will be performed in Illinois or the goods were produced in Illinois.

We have three diverse suppliers identified in the State of Illinois. Our 2018 spend for those were 6.8 million U.S. dollars, and that's 5 percent of our Illinois spend.

CP has a plan to increase participation in our program. First is information. We need to encourage increased participation by DBEs across our network.

Second is technology. We want to explore technology to incorporate additional diversity categories at the initial stage of the
supplier on-boarding process. We want to improve diversity metrics reporting as well.

Third is consultation. We would like to consult with Rail Marketplace to identify current and potential future minority suppliers by location and spend category. Rail Marketplace is an e-commerce exchange created by North America's largest railroads to enable communities to maximize their supply chain processes.

Fourth is membership to different organizations beyond what we are already a part of. We are currently considering a membership to the U.S. National Minority Supplier Development Council.

Again, I would like to thank the Chairman, remaining Commissioners for having me here today. I welcome any and all questions, and I welcome any lists you have of DBEs in the State of Illinois.

Thank you.

MS. RABCKZAK: Thank you, Arielle.

Next we have Lisa Hollman.

Are you still with us?
MS. HOLLMAN: I am.

MS. RABczAK: Thank you, Lisa.

MS. HOLLMAN: Good morning. I'm Lisa Hollman, a staffer in Norfolk Southern's Sourcing Department who oversees the company's Supplier Diversity Program.

Norfolk Southern Corporation is one of the nation's premier transportation companies. Its Norfolk Southern Railway Company subsidiary operates approximately 19,500 route miles in 22 states and the District of Columbia. It serves every major container port in the eastern United States and provides efficient connections to other rail carriers.

Norfolk Southern is a major transporter of industrial products, including chemicals, agriculture, and metals and construction materials. In addition, the railroad operates the most extensive intermodal network in the east and is a principal carrier of coal, automobiles, and automotive parts.

In 2018, Norfolk Southern utilized
DBEs at 261 count with a spend of $167.6 million. Norfolk Southern is in the process of rolling out a new database by the end of 2020 which should help us better track diverse suppliers.

With the Ariba Marketplace, we will be able to tap into a broader diverse group of suppliers giving us a new procurement platform for suppliers in general, a better way to manage our own day-to-day activities.

Ariba will be taking on a lot of what we currently do manually, particularly with gathering certificates and allowing suppliers to self-report their updates.

Norfolk Southern participated in the January 2019 CREATE Get on Board event. While in attendance, we met a number of diverse spenders that were interested in doing business with NS. We discussed our on-board process and recommended DBEs gain access to the projects working as a Tier 2 under a prime, which will allow them to get their foot in the door while building up a track record of their own.
In May 2019, NS participated in the CREATE project EW-2 event where we selected a team with one prime consultant and 11 subconsultants, of which 8 of those 11 were DBEs. NS will provide program management and track design services for a portion of the CREATE project EW-2. This is one of the four projects that make up the 75th Street Corridor Improvement Project.

The CREATE partners' commitment to creating economic opportunities in the surrounding neighborhoods is reflected in both the DBE participation goal of 25 percent for this work as well as the number and size of project elements in the RSP. Alford Emission Company (phonetic), which is the project prime, has pledged to create a mentor-protege' program for three of the DBE firms that will perform design work for this project. This arrangement will include close guidance and assistance to develop railway's design expertise. This mentor-protege' program goes beyond including DBEs in the contract for fostering a wider talent pool of more experienced DBE firms to
performing railroad bridge and track design work on future projects.

The final design of Project EW-2 is anticipated to begin later this year. There will be additional RFP packages for bridge design engineering on Project EW-2 in 2020 and design engineer, construction, and supplier opportunities on an ongoing basis for the 75th Street Corridor Improvement Project.

DBE firms are encouraged to register through the CREATE website for email invitations to respond to professional service bids, opportunities for contracted work.

Norfolk Southern appreciates the opportunity to address the ICC today and for continuing our partnership. Thank you.

MS. RABczAK: Thank you, Lisa.

And, also, we have with us Brett Guarino. Thank you.

MS. GUARINO: Thank you, Madam Chair. My name is Brett Guarino from CSX Transportation based here in Chicago, and I'm also CSX's Project Manager
to the Chicago Environmental and Regional Transportation Efficiency Program or the CREATE Program.

I have been with CSX for nine years. Here in Chicago for four. And I have a civil engineering background.

I'm also joined today by Tom Livingston, who is our head of State Government and Community Affairs, and Tom is also based here in Chicago.

CSX is headquartered in Jacksonville, Florida, and our network is across 21,000 miles of track east of the Mississippi River, to the Atlantic Ocean, south to the Gulf of Mexico, and north to the ports of New York.

In Illinois, we have 870 miles -- 75 miles of track, with terminals in East St. Louis, Ottawa, Danville, Riverdale, Chicago, and Bedford Park.

CSX also participates -- also appreciates the partnership with the Illinois Commerce Commission in rail safety, the development
of quiet zones, and improvements from the Grade Crossing Protection Fund.

CSX has several network-wide minority suppliers that include office supplies, technology, and legal work.

Presently, CSX has broken ground on one of the CREATE rail crossover projects in Bridgeview and Summit, Illinois. This is a $34 million project to improve train movements, allowing trains to pass around each other through parallel movements. The work was designed by STV Engineering, and there is a 20 percent minority project commitment throughout the construction management as well as the construction, itself.

The project in Bridgeview is a subset of the larger CREATE program and projects called the 75th Street Corridor Improvement Project. The Corridor Improvement Project is $474 million, of which CSX and the freight railroads are committed to contributing $110 million of support, and CSX and the railroads will maintain these projects and care for them in perpetuity. Few if any other industry or
modes of transportation offers this.

Earlier this year, CSX selected Parsons and Patrick Engineering (sic) as a team for the larger portion of the corridor -- 75th Street Corridor Improvement Project, which is a P3 project. The project will include raising CSX over the Union Pacific, Norfolk Southern, and the Belt Railway of Chicago, as well as a grade separation on 71st Street through West Englewood. This grade separation will be a bridge that will help the community with better mobility.

Last week, CSX joined Parsons, who hosted a meeting to create community awareness around the project as it relates to MBE and DBE firms, and their contract also contains a 30 percent minority participation commitment.

CSX is committed to successfully working with Parsons and the minority contract and supplier community.

Year to date, CSX's diversity spend in our network is $50.5 million. Year to date, CSX has conducted business with 123 diverse suppliers, 62
of which are women-owned businesses, 13 veteran-owned businesses, 31 minority-owned businesses, and 17 certified small businesses. Eight of those 123 diverse suppliers are located here, specifically headquartered here in Illinois, as well as many others across our network.

Our Illinois-based minority suppliers include legal work, catering, building demolition, trucking, and communications.

We are also members of HSEIA, the Cook County Forest Preserve Foundation, and participants in many national conferences dedicated to supplier diversity.

Again, CSX is committed to promoting and fostering an inclusive procurement process that provides opportunities for all suppliers regardless of size or social or economic distinction, such as age, race, creed, color, sex, ancestry, or national origin.

In order to ensure that diverse business enterprises have an opportunity to supply the required services and commodities, CSX initiated
a diverse supplier procurement program under which we will ensure a continued focus on improving supplier relationships with small minority and women owned businesses.

Demonstration of CSX commitment to promote the maintenance and growth of diverse suppliers under the Diverse Supplier Procurement Program will take the form of attending events on attracting diverse suppliers. One, in order to familiarize such suppliers to the products and services that are essential to the operations of CSX and, two, to increase CSX's awareness of diverse suppliers that meet those needs.

Diverse suppliers with whom the company has developed a business relationship are also strongly encouraged to develop a broad customer base to ensure an orderly growth and business environment.

CSX recognizes the propriety nature of supplier revenue and will preserve the privacy of our suppliers by only reporting aggregated spend information.
Thank you so much for this time today.

MS. RABczAK: Thank you, Brett, and thank you everybody for your highlights.

With that, I would like to open the floor to the questions. Does any Commissioner or the Chair have any questions?

CHAIRMAN ZALEWSKI: Hi. Thank you. I appreciate all of your presentations. I appreciate your filing. I know it's not mandatory.

I have more of a request. Looking through the different reports, what I think would be very helpful for us to have a better understanding, you explain some of your programs and what you're doing to increase the numbers, but it's easiest I think to see it reported in a chart.

I know you guys are great about each doing an individual report, which is helpful, but it seems the charts -- they're kind of all different, and if there was kind of a combination between UP's and BNSF for next year where it's broken down by dollars spent, percentage, and the type of
category, and then broken down by whether it's minority owned or veteran owned. It makes it easier and more digestible and understandable. So that would be my request for next year.

COMMISSIONER BOCANEGRA: I'm Commissioner Bocanegra.

That might answer some of my questions. Most of it was related to actual categories of spend.

For example, I think, Mr. Skosey, you gave your numbers, but my question for you was what were the biggest areas of spend in terms of services, if you know?

MR. SKOSEY: Yes. So we did not break it out in terms of services. Some of the contracts are smaller than others and some of them are single contracts. There's a -- there's a concern that that might then reveal what the actual contract amount was, because you could very easily deduce then the supplier in that specific contract.

That's, of course, not true for all of the diverse spend, but it's true for a couple of
them, and it made it a little difficult to break out some and not others. So we did not report on specifically the services rendered by the diverse suppliers.

COMMISSIONER BOCANEGRA: One of the questions I had, I guess -- Mr. Skosey, this is still for you. You mentioned that you guys had a certain percentage of new hires. Can you share with us in what areas?

MR. SKOSEY: Oh, I mean, there's 40,000 BNSF employees, so that's literally across every aspect of hiring throughout the company. So that's everybody from headquarters in Ft. Worth to all the people that keep the trains running on the lines, to the folks in the various stations. It was an aggregate total of the entire bundle.

COMMISSIONER BOCANEGRA: Thank you.

I had one more question.

Do you guys have anything else right now? Give me just a minute.

COMMISSIONER KIMBREL: I think I'd just like to emphasize the fact that we're not seeing
uniformity in the reports. I think as the Chair mentioned, a combination of a few of the reports would kind of help bring things together.

But the Illinois spend versus the overall spend, the Illinois diverse spend versus the overall diverse spend, the categories of spend and the categories of diversity. They're all glaring. You guys are not covering everything.

We need you guys to bring that together for us so we can kind of see what's happening and, hopefully, you guys can end up working together and find the diverse suppliers that you need to meet these requirements.

Are there any challenges you face in attempting to accomplish that?

MR. SKOSEY: I have not studied the other reports, I suppose, to the extent that you're suggesting in terms of which categories we're reporting on versus my peers. So without doing that, I can't say.

But we'll take a look at that, and it's certainly something we can work on for next
COMMISSIONER KIMBREL: Would everyone be open to working together to give us a more complete report and a uniform report? Is that a possibility?

MR. HUTCHERSON: Yes. It is possible. Just keep in mind, all of us have different systems, and the way that we may report our spend in our system may be slightly different.

We -- at Union Pacific, we break our spend out into 16 separate categories. We can do a deep dive in each one of those categories. We can give you a lot more detail.

The concern that I would have honestly is BN's breakdown might be slightly different than ours. So I'm not sure you would get the true apples-to-apples comparison that maybe you're looking for. We'll do the best we can. I'll say that.

COMMISSIONER KIMBREL: I think that would be very much appreciated, and I understand the challenge.
MR. SKOSEY: Just throwing in another comment, if I may, to that end. There are -- I saved these comments until the end, but in addition to the certified spend that we reported on the chart, we do have 624 suppliers with a total spend in 2018 of 183 million that may meet the requirements. Those suppliers were not certified by a recognized council or agency, so we did not report those.

We're trying to work with those folks to get them certified. That's up to them. Obviously, we can't force them to do that.

And in addition to that 183 million, there was another 842 million spent on 1500 suppliers in what is called the System Forward Management Data Base. This is where suppliers register as a small business, but they, again, also are not categorized as diverse.

So to your point, and I guess to the challenge of some of this aggregation, being able to categorize people in the proper bucket, so to speak, is even challenging for us as we're trying to work through these numbers as well.
COMMISSIONER BOCANEGRA: I have a question for Mr. Lloyd.

MS. RABCZAK: He had to leave early, so I'm not sure if he's still there.

Mr. Lloyd, are you still there?

(No response.)

COMMISSIONER BOCANEGRA: I'll just state for the record, my question would have been why did spend -- if I wrote this correctly -- why did it decrease from 2018 compared to 2017. Thank you.

MS. RABCZAK: Does anybody on the phone have any comments?

(No response.)

MS. RABCZAK: Do we have any more questions from the Commissioners?

COMMISSIONER KIMBREL: I guess I would have another suggestion that, perhaps, you come in and meet with us prior to the annual meeting and prior to the submission of your reports and that we could work together on the issues that you're facing.

MS. RABCZAK: Thank you.

With that, we don't have anymore
questions from the Commissioners.

Does anybody in the audience have any questions? Can you please state your name for the court reporter and who you represent? Thank you.

MR. JOHNSON: Hi. Dan Johnson. I work with HSEIA and the Federation of Women Contractors. I just want to thank the Chair for her zealous advocacy to implement this law and the Class 1 railroads for showing up.

Just a quick question. Would any of the railroads be able to share what opportunities you see coming down the track, so to speak, for potential entrepreneurs to look at who might be able to work with you, what sort of things you might be looking for that and we can get the word out for folks to come and contact you about? Thank you.

MR. HUTCHERSON: Well, one of the opportunities -- and I was fortunate enough to meet with the HSEIA group earlier -- late last month, and we talked about some of the opportunities that we see coming in the next few months, and I'll just speak broadly in certain categories.
Categories such as construction, asphalt maintenance, with the upcoming winter, snow removal, demolition. Those were some of the opportunities.

We were fortunate enough during the meeting that we were able to receive a list from HSEIA of potential suppliers, and we are in the process of working to have those suppliers register.

And I will tell you, at Union Pacific, our registration process is pretty rigorous. It takes some time. I tell many of the suppliers, get a cup of coffee and just be prepared to sit there for a couple of hours, because we need quite a bit of information from you.

So what we really hope to do as time goes on is not only just ask them to register, but we want to be able to provide ongoing support. Myself, I have a manager who is responsible for diversity as well. We want to be available to a lot of those suppliers who may have questions, concerns, timing of bids, those type of things.

So we're making every effort to make
ourselves not only available to them for questions, but also to let them know or give them some insight as to when we believe those opportunities for bids will come up.

MS. RABCZAK: Does anybody on the phone want to answer that question?

(No response.)

MS. RABCZAK: We have room for one more question, and then we'll close the session. Do we have any questions from the audience?

I will just end with the last question.

Are there any challenges that you see attracting Illinois diverse suppliers? Thank you.

MR. SKOSEY: I don't think the challenges with attracting Illinois diverse suppliers are any different than the challenge of attracting any diverse suppliers.

We do make a very good effort to get out to the relevant forums, the relevant conferences, talk about the process for engaging with BNSF, as we all do.
And I mean, to the extent that it's a challenge, it's getting people to follow up and follow through on that.

And I guess I would answer, Dan, your question that if there is a provider out there who can provide a service potentially to the railroad, I would get them in the queue now. I mean, whether or not there's a specific need for that service in the next month or two or three, let's just get that ball rolling now. Some of it goes out quickly. Some of it is more planned and timely, but might as well get that ball rolling sooner rather than later.

MR. HUTCHERSON: I would also like to just comment briefly. When I think about challenges, we do run into challenges as far as finding diverse suppliers who understand railroad operations and all things associated with railroad operations.

When we have, especially construction projects at or near our rails, there are certain requirements we're required to follow, and it's important that diversity suppliers understand what those requirements are. Many times, we will
start diverse suppliers on smaller projects just
to ensure they're comfortable with those
requirements.

So the challenge is -- for us is
finding suppliers that are willing to work with us
and to develop a relationship over time. Because it
takes time in order to -- you know, if you have never
worked in the rail industry or worked at or near a
rail or tracks, it's different, and we just need
suppliers who are willing to work and to -- to work
with us and to -- let's nurture a long-term
relationship.

MS. RABCZAK: Thank you.

CHAIRMAN ZALEWSKI: I have a question. I
appreciate what you're saying, Mr. Hutcherson. I'm
wondering, is there an opportunity for -- I just
wonder if there's an opportunity for the railroads to
get together to collaborate both on ideas of ways to
increase diverse spend, but also potentially share a
data base of diverse suppliers. If there isn't, if
there's a potential going forward? I'll direct it to
anybody.
MR. HUTCHERSON: I can tell you -- I mean, all of us are part of what's called Rail Marketplace. It's a rail initiative that all Class 1 railroads participate in.

We do several benchmark exercises throughout the year, and I know one that we've recently done was dealing with supplier diversity. We believe that there are opportunities to really share information between the railroads. I'm not sure how that study ended. It was really more of a benchmarking that we did, I think, last year.

But there are opportunities that we can learn from each other to identify other diverse suppliers who may not work in our particular -- for our particular railroad.

CHAIRMAN ZALEWSKI: Okay. That's great. I'd love to hear more about it maybe next year in the reports, too.

Thank you. We appreciate you all being here today. We do appreciate the individual filings. That is helpful. I think there were some great suggestions here by the Commissioners, so
hopefully we can just build on this and work for even more complete reporting next year.

With that, I, again, appreciate your attendance and everyone who is here from the audience, and the meeting is adjourned. Thank you.

(WHEREUPON, the meeting was adjourned.)