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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: Comments of Nucor Corporation
STB Docket No. EP 724, *United States Rail Service Issues*

Dear Ms. Brown:

Nucor Corporation is the nation's largest steel manufacturer and recycler, operating 23 scrap-based steel mills. Nucor mills have the capacity to produce more than 27 million tons of steel annually. Last year, the company recycled more than 19 million tons of scrap steel. Nucor also has several wholly-owned subsidiaries including Harris Steel, The David J. Joseph Company and Skyline Steel. Together, we are a company of over 22,000 teammates located at more than 200 facilities primarily in the U.S. and Canada.

Our nation's rail system is a critical component of Nucor's logistical operations. Annually, we transport tens of thousands of railcar loads containing millions of tons of scrap steel and other raw materials into our steel mills, and finished products back out to market.

The biggest challenge that we and many rail customers face is that we are served by a single major railroad. Most Nucor facilities are "captive" shippers in that they only have access to a single rail carrier and thus pay a premium to move their products because of the lack of rail competition. In recent years, the rail industry has seen significant private investment. However, these investments are often passed on to the rail industry's customer base, resulting in higher premiums and costs for captive shippers, who are still without the ability to choose which rail carrier they use.

According to a report released last month by Escalation Consultants Inc. on behalf of the Steel Manufacturers Association, the American Chemistry Council and other shippers, the rail shipment premium rose 90 percent from 2005 to 2011, despite a drop in demand "as market forces all but vanished from the freight rail system for most rail traffic."

These statistics reflect our own experience. In the last three years, the premium on our freight shipments from one of our largest Class I railroad has increased an average of fifteen percent per year, while the reliability and timeliness of the service has decreased.

Unlike the railroads, we cannot pass the increased costs of transportation on to our customers. We have to absorb them because the U.S. steel market is still being flooded with illegally subsidized foreign products that are often sold below cost. While it is true that we have the ability to use other modes of transportation, it is not always feasible logistically or economically.

In addition, despite the investments made by the rail industry and increasing rates for shippers, there is a shortage of rail cars. Accordingly, a rail carrier will pick and choose only the most profitable products and routes, leaving many of our facilities underserved.

For example, *The Economist* recently reported that profitable oil shipments have increased by 28,000 percent between 2008 and 2013, because pipelines are running at full capacity. We cannot expect general merchandise customers to wait months on delivery of a necessary product because service from our rail carriers has deteriorated.

As a result of the performance failures of the rail carriers and the rail network, we have been forced to pay excessive and ever-increasing demurrage charges for idle time that our raw materials (scrap, pig iron and direct reduced iron) sit in barges waiting on rail car transport. These are raw materials we need to operate our facilities.

In a competitive market, a competing carrier would step in to fill this gap in service; but in the current market, this does not happen. Just in the first quarter of this year, our managers have noted that railcars that would normally arrive at their destinations within two weeks have been taking up to two months. These delays affected our customers and many have been forced to utilize trucks at a much higher cost. We've lost business because we've been unable to deliver our products in a timely and cost-efficient manner using the rail system. Inventory is backing up in our mills because we cannot get it to market, and we have to slow our operations – which results in reduced wages for our teammates. The service failures of the rail carriers and rail network severely affected our profitability in the first quarter of 2014.

We acknowledge that severe weather during the winter of 2013-2014 negatively affected Class 1 railroad service. However, the recovery and contingency plans which were developed by our Class 1 rail service providers were woefully inadequate. Implementation was slow and ineffective. An effective contingency plan should have provided for increased crews, increased locomotives, and the removal of railcars from storage in a much timelier manner.

Furthermore, we are not seeing improvement now that the weather has improved. In fact, we have even experienced a decline in service in several areas. This should not occur, because all engines and equipment are now out of storage and furloughed crews have returned. Meanwhile, our rates and demurrage charges have continued to increase.

The bottom line is that railcar shortages, escalating premiums and the lack of rail service competition are putting a strain on manufacturing, and having a negative impact on the growth of our economy. As such, we believe that the Surface Transportation Board (STB) needs to evaluate the nation's rail fleet and the lack of rail competition to ensure there are enough railcars to support America's manufacturers and adequate rail competition to support our continued economic recovery.

U.S.-based manufacturing holds the key to reinvigorating economic growth. This fact is finally receiving the attention it deserves. While a national discussion is welcome, at the end of the day all that matters is action. There are approximately 21 to 22 million Americans who are currently unemployed or involuntarily working part-time. In the manufacturing sector, employment is still near the 50-year low that it hit in 2010. The United States has shed 3 million manufacturing jobs in the past decade and 6 million manufacturing jobs in the last 15 years. We have to do better. Our economy is simply not going to fully recover until we get Americans back to work.

To be clear, Nucor does not support the re-regulation of the railroad industry. However, we do support action to address the need for more competition for rail service in many parts of the country. This is necessary to restore market-driven rail freight costs, availability and access.

Nucor, like all businesses, succeeds when there is certainty. Ensuring the freight rail marketplace functions properly is the best way we can promote certainty in our freight transportation system.

Nucor appreciates recent efforts of the STB to provide greater agency access for shippers, and views this hearing as a positive step that the STB is taking to promote improved competition and efficiency in the rail industry. Now the STB must take firm and decisive *action* in order to provide competitive and reliable rail service to our nation's manufacturers.

We look forward to working with the STB on these issues. Thank you.

Sincerely,

Jennifer L Diggins

Jennifer L. Diggins
Director of Public Affairs
Nucor Corporation