

U.S. SENATOR HEIDI HEITKAMP

Statement for the Record
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Thank you for the opportunity to discuss an important issue facing North Dakota—the failure of the railroads to meet the needs of their customers. I appreciate the attention of the Board to this critical issue and for your willingness to hold this hearing to hear from federal, state, and local officials, farmers, grain elevators, and many more across the region on their concerns about rail service. This hearing is another important step toward looking into the failure of the railroads to meet the needs of their customers – our farmers and grain elevators who are just trying to do their jobs.

I do not have to tell anyone here that railroads are a vital piece of North Dakota’s economy. They are integral for transporting supplies into the state and delivering the many commodities North Dakota produces to customers around the United States and the world.

The agriculture shipment delays– which have been going on for months -- have had real impacts on North Dakota, where agriculture makes up 25 percent of our economy. Additionally, the impacts have affected our customers in milling, baking and other industries around the country.

Since last February, I have been working to address the agricultural shipment delays. Farmers and elevators across the state shared their concerns with me that the railroad may not be able to move out last year’s crops in time for the coming crop year’s harvest due to extensive delays. North Dakota farmers are extremely patient people, but that patience is wearing thin. Our farmers and ranchers should know that their crops will get to market and not sit on the side of the road for weeks or months. I’ve been pressing both Burlington Northern Santa Fe (BNSF) and Canadian Pacific to address the backlog of rail cars and make investments to prevent similar situations in the future.

I was recently with a group of six shippers in North Dakota. Just among those six they calculated over a half million dollars in losses due to the inability to get their products to market by rail. North Dakota State University is in the process of updating a study on the cost of these delays, and I expect the cost will be over \$100 million. With forecasts from the USDA’s Economic Research Service that net farm income will be down almost 14 percent this year, North Dakota’s farmers and elevators should not be subject to further uncertainty and financial hardship due to poor rail service.

With harvest already underway, grain bins are almost full. I am not convinced, despite claims to the contrary, the railroads will actually move the entire 2013 crop ahead of this year’s harvest. I’m also concerned that without a long-term solution to these problems, we could be back here in a year worrying about moving the 2015 harvest. That would be unacceptable.

I think it is important to note that while the railroads claim to be moving more grain than ever before, North Dakota Public Service Commission data does not support these claims. Compared

to both the five and ten year averages of all grain and oilseed movement, neither railroad has shipped as much grain this year as in the past. BNSF and CP should provide data on past performance in addition to current performance so that we can better hold them accountable.

Rail Shipments		
(Includes affiliated Shortlines)		
	BNSF	CP
2013-14 Crop Year (preliminary)	368,968	128,399
Recent 5-yr Average	419,186	178,058
Simple Average, Prev. 10 years	373,734	186,734
Olympic Average, Prev. 10 years	372,275	189,290

While the railroads are making some improvements, it is not enough. Canadian Pacific especially has not put forth a clear plan for clearing up existing delays and avoiding new delays this winter and in the future. Winter is just around the corner here in North Dakota. CP must provide clear and realistic plans to avoid the situation we were in last winter.

In an effort to address the shipment delays, Canadian Pacific has put forward a new rail car ordering system. The new system requires shippers to cancel most of their outstanding orders—which ignores the fact that elevators and farmers’ bins are still full of grain. It’s unbelievable that the cancelations are required even without a commitment from CP to fulfil what orders remain. The new system will also limit the number of cars grain elevators can order at one time which could hurt grain elevators as they are trying to get grain to market. This limits their past due car total from going up without making any guarantees that the orders that are allowed will be fulfilled.

In a roundtable here in North Dakota on August 11, CP CEO Hunter Harrison said the system will include penalties to the company for not fulfilling orders in time. I firmly believe this system must be implemented to make sure CP has some skin in the game and has incentives to improve performance.

It is important CP provide information on the shuttle turn times in the new system as well as require that they not just ship to preferred destinations out west. North Dakota producers sell all around the country and to Mexico, not just for export out of the Pacific Northwest, and they should not be penalized for going where the demand is.

The STB should demand more info on investments CP is making to address the current backlog and prevent future ones. For example – How many new sidings are being installed and where? How many employees are they hiring, and how many of them are new as opposed to filling vacant positions? Will centralized train control really facilitate enough traffic to prevent delays?

I was surprised to learn that CP is not a member of the Chicago Transportation Coordinating Office (CTCO) in light of the complaints they have about delays around Chicago. It would be in

everyone's best interest if CP were to come to the table at the CTCO and work toward solutions instead of relying solely on rerouting through Canada or pointing fingers at Chicago congestion.

If all sides work together and try to make needed changes – particularly the railroads – we can reduce this backlog. But we need the railroads to play a major role. I'm hopeful this hearing will help push them even more.