Good morning, Board Members and RETAC committee members,

I appreciate the opportunity to share this perspective from the refining and petrochemical sectors. Our companies play a key role in supplying energy and consumer products for our country. Refiners rely on railroads to deliver raw materials, blend stocks, and finished goods safely and efficiently from our refineries and terminals. The railroads provide a vital link between production sites and manufacturing sites. Most of our rail traffic moves in single carload manifest service, although we do have a sizable number of unit trains that move in ethanol and crude oil service. The critical products we make typically do not change much on a day-to-day basis.

In past RETAC meetings, the refining segment focused on the movement of crude oil trains and the rail service associated with those shipments. Due to the decline in crude-by-rail traffic, I plan to focus my comments on the traffic that accounts for the majority of our business and the issues that matter most to our industry. Today, I will discuss my industry's perspective on rail service, private railcar supply, empty mileage charges, rail labor, liability, and competition. Everyone at this table is interested in the success and growth of our North American freight rail system. Our industry firmly believes that addressing the concerns we have will go a long way towards promoting increased rail carloads and moving more freight from truck to rail.

Our industry is working with the American Fuel and Petrochemical Manufacturers, or AFPM, to develop metrics that will provide the board with data that shows how rail traffic is impacting our business and our ability to reliably provide fuel to our customers. This will closely align with the presentation that our colleagues from the utilities provide. We have completed a trial run of this survey and data collection and have provided those results. In addition, we are continuing to refine the survey and ensure robust and meaningful participation from our industries.

In the meantime, I will speak at a high level based on feedback I have received from refining and petrochemical sectors. Overall, our industry is pleased with rail transit times and the speed of the rail system. Carloads and trains move relatively close to trip plans and the railroads have done a respectable job recovering from the impacts of Hurricane Helene and the various winter storms that impacted our nation.

The two areas of service that continue to lag are final mile service and locomotive availability. Our industry relies heavily on the railroads' ability to spot and pull our facilities. In many ways, these movements support the day-to-day operations of our facilities by bringing in raw materials and blend stocks or by clearing outbound products for goods headed to the market or for byproducts intended for additional manufacturing. When these switches do not occur as planned, it can lead to reduced production, market runouts, and lost revenue. We are also at the mercy of the railroads to decide the number of days of service they will provide as well as the type of service. There are no guidelines that dictate how often a railroad will service a facility and there are several locations where our industry feels the service does not match the traffic.

Irregular local service matters to shippers that move a broad mix of commodities. While tank cars may look similar from the outside, I can assure you that the contents of tank cars are wildly different. This is why service plans such as spot by quantity are so difficult for our industry. With this type of service, a railroad specifies that they will bring in a quantity of cars on the service day based on the amount of space the railroad shows the facility has available. The problem is that the shipper does not get to select the commodity they receive; the railroad chooses. You can imagine, the challenge presented when a facility requires empties to load products only to have the railroad bring nothing but loaded cars. This type of service does not happen everywhere, but the point is that shippers that move a diverse mix of products must have a say in what is delivered to their facilities. Just as railroads will charge demurrage for an industry not taking cars, the industry should have an equal ability to charge for bringing in the wrong cars.

Regarding tank cars, it is a well-known fact that our industry supplies the vast majority of the tank cars used to support our shipments, Because the railroads do not supply tank cars, we must provide private railcars, and the railroads are not adequately compensating our industry for the resulting ownership costs. We have endured the costs of the DOT-111 to DOT-117 retrofits, the cost of similar tank car retrofits for poison inhalation and toxic inhalation fleets, the costs of an ever-increasing AAR-labor rate and other associated charges that the railroads have levied on us with little to no-offset of those costs recognized through zero-mileage rates. Therefore, the industry will move to require railroads to supply mileage allowance rates and railroad-supplied equipment rates to go along with zero-mileage quotes. It is our hope that we will see a concerted effort by the carriers to recognize the value these cars provide for the railroads as well as the costs the shippers incur annually to supply the fleets.

Another major concern among our industry is the adherence to the provisions spelled out in Ex Parte 328. This concern is not about tank car movements to repair facilities; rather, it is a concern about deliberately removing empty tank cars from mileage equalization and placing them on chargeable empty rebills. While this is not a widespread practice among the carriers, it does bring into question our ability to refute charges that clearly depart from the intention and provisions of Ex Parte 328. If a carrier is unhappy with the rules of EP 328 adopted in 1986, they should follow the same procedure a shipper would follow to change it.

As highlighted previously, our industry is mostly satisfied with the railroads' ability to move carloads between origin and destination. The railroads appear to have corrected previous labor deficiencies to move their in-transit business. Our primary labor concerns reside with the crews available for local service and the mechanical personnel entrusted with inspecting and repairing railcars. We would like to see the carriers develop more resilience to respond to crew layoffs that occur with local switches. It is very frustrating to hear that we will not receive service because crews are unavailable. We also believe that the rail labor reports should show the trends in mechanical personnel relative to train and engine personnel. Both should move in similar directions based on increased or decreased traffic, but a recent examination of the numbers shows that is not necessarily the case. Adequate staffing to identify and correct bad order railcars is essential to the safe operation of a railroad.

The railroads require that our cars be under their care and custody while in transportation. They also control the track, operations, personnel, and inspections associated with these movements. Yet the railroads are attempting to assign liability to shippers if private railcars are found to contribute to a derailment. This language is also getting carried into private contracts where a shipper is captive. It is unreasonable for the carriers to try and shift liability when they are the ones conducting the inspections. Refiners must make sure we offer a compliant package into transportation, and we take that responsibility seriously. The railroad's responsibility is to maintain adequate staffing levels. We simply want to make sure the railroads are doing their part by staffing their mechanical ranks.

Finally, I would like to address the single largest detriment to growth in freight rail. Quite simply, it is a lack of competition. Most of our industry facilities are captive to a single carrier and many of these facilities do not have other modes of transportation that compete with rail for the large quantities we ship. In this situation, we are at the mercy of the railroads when it comes to pricing. We endure tariff pricing changes that sometimes occur multiple times per year, and we are exposed to an array of accessorial charges that the railroads levy at will. We do not have an opportunity to change service providers if we are dissatisfied with the safety performance, the service, or the rates. We understand that the Congressional intent behind the Staggers Rail Act was to let the market dictate how the railroads charge for service. Due to the mergers that have occurred over the past 40 years, that market, in most cases, no longer exists.

I appreciate the Board taking the time to listen to our industry's feedback. We stand ready to collaborate with the carriers and car owners to develop solutions that will provide benefits for all parties while ensuring the overall health of our nation's freight rail network.

Thank you.