



June 8, 2021

Hon. Martin Oberman
Chairman
Surface Transportation Board
Via electronic mail

RE: Rail Service Issues for U.S. Chemical Shippers

Dear Chairman Oberman:

Thank you for your continued attention to rail service issues, including your recent letters to Class I railroads requesting updated information on their preparedness to meet anticipated future demand. The American Chemistry Council (ACC) wishes to provide the STB with information about recent rail service challenges experienced by chemical shippers, as well as our recommendations to help address these concerns.

ACC member companies manufacture a wide variety of products that make our lives better and our world healthier, safer, and more sustainable. To deliver these beneficial products, ACC members depend upon the U.S. transportation system, especially rail. In 2020, railroads transported 2.3 million carloads of chemicals and plastics. Because of our industry's investments in new capacity, shipments are expected to increase by nearly 200,000 carloads annually by 2030.

Unfortunately, U.S. chemical shippers are experiencing widespread and persistent rail service challenges. These failures and delays are harming manufacturing operations, supply chains, and our ability to compete globally. While recognizing that the COVID-19 pandemic created daunting challenges for railroads, particularly with crew availability, we believe the current issues reveal systematic capacity constraints caused by cost cutting and major operational changes over the past several years.

ACC Member Survey Results

After hearing anecdotal reports about service concerns, ACC surveyed members of our Distribution Committee to gain a more complete picture of their experiences with Class I railroads over the last six months. We received responses from fourteen member companies that ship by rail. Below is a summary of the key findings.

ACC members report significant and persistent rail service challenges, particularly with CSX: Among companies that responded, 93% report that they have experienced significant rail service challenges within the last six months. While numerous railroads were mentioned, concerns are not evenly spread. Nearly all respondents (86%) reported problems on CSX, with most characterizing that railroad as a particular concern. The next most cited railroad was KCS/KCSM (57%), followed by NS (43%).

Companies report that problems are ongoing. Even where some improvement is noted, companies report that conditions are “still below acceptable levels.” Companies report mixed responses from railroads, with one stating, “Across most Class I railroads we see lack of proactive communication for impacts to the network...and lack of concrete plans or actions to address areas of concern.” Another company stated, “CSX has acknowledged our concerns but has not resolved the operational issues or been able to advise on the immediate action plan to resolve the current operations meltdown.”

Problems are widespread, with major issues in the Gulf Coast and Southeastern U.S.: ACC members report major issues with CSX in the Southeastern U.S., including Atlanta, Mobile, Jacksonville, and at the New Orleans interchange with western carriers. Problems include delays at interchange, congestion, bunching, cars dwelling for 7 or more days, and local service failures. Serious concerns are also reported on the KCS, particularly around Laredo, TX, with dwell times sometimes reaching 8-10 days. Respondents raised additional concerns about service from other Class I's in the Pacific Northwest, Midwest, and Northeast.

Rail service failures are harming U.S. manufacturing operations and supply chains: Current rail service challenges are harming ACC member companies, disrupting supply chains, restricting manufacturing, increasing costs, and preventing companies from meeting customer expectations. Survey respondents provided the following examples of these impacts.

- *There have been numerous situations where our customers (or our own terminals) were stocked out and close to shutting down forcing us to scramble trucks to resupply material or source material from alternate locations. We've missed sales orders and our customers have been forced to curtail production rates to avoid shutting down completely.*
- *We have 2 main routes we use with CSX. One route has seen a 150% increase in transit time in the last 3 months vs. historical performance. The second route has seen a 40% increase in transit time with an increase in Standard Deviation in transit from 0.8 days up to 2 days.*
- *To mitigate impacts of rail material not arriving as scheduled...we've seen significant increases in bulk truck shipments which: 1) strains an already tight bulk truck market; 2) results in higher costs; and 3) creates additional effort across entire supply chain.*
- *Lack of movement of railcars caused tank trucks to be needed to service customers. This resulted in a much higher freight expense.*
- *Reduction of service days at points of delivery causes congestion for our customers or inability to receive multiple cars at once - generating demurrage expenses.*
- *Despite several escalating calls plus a teleconference, it took 6 days for CSX to move our product the “final leg” which was 15 miles from our plant.*
- *[S]evere switching issues...for both inbound and outbound railcars resulting in us receiving complete switches only about 60-70% of the time.*
- *Lack of movement [around Charleston, SC] has caused delays in packaging off hopper cars which led to rolled steamship line bookings and late product delivery to customers in Asia, Europe and South America.*

- *We are unable to service our customers in Mexico as cars are stuck either on the US side, at the border, or in MX. This has led to customer shutdowns and requests for bulk trucking from the [Mid-Atlantic] area to Mexico.*
- *Our customers, our Logistics Service Providers, and our own manufacturing sites have been forced to reduce production and have experienced down time due to delayed rail shipments over the last 6 months. We have also been forced to supplement with truck in many cases to cover the inventory shortfall.*

Policy Recommendations

The Board must take additional steps to help resolve current service challenges, strengthen network resiliency, and increase carrier accountability. Specifically, ACC recommends:

- **Enhanced oversight of CSX** – It is clear that CSX has not adequately prepared to meet customer demand, and has failed to live up to past commitments “to work closely with customers to meet changing demand and to address any operational concerns as they arise.”¹ The Board should utilize its oversight authority to identify the root cause of CSX’s service disruptions and assess the long-term impacts of operational changes on capacity and network resiliency.
- **Emergency Service Relief** - The Board should adopt an expedited process to provide alternative service options to groups of impacted shippers when a carrier is experiencing regional or system-wide service problems. During informal stakeholder meetings with the STB in 2018, ACC proposed a series of specific changes to improve the Board’s directed service regulations. The Board should open a formal rulemaking proceeding to consider these proposals.
- **Accountability for service failures** – Rail customers are forced to pay a steep price for railroad service failures. Currently, however, there are few consequences to the railroad. The STB should hold the carriers responsible for service failures by allowing customers to recover damages for the additional cost of alternative service and compensation for lost production and/or sales.
- **Minimum volume requirements** – The STB should encourage or require carriers to suspend minimum volume commitments (MVCs) when a railroad is failing to provide reasonable service. A shipper that is forced to use non-optimal transportation options due to railroad failures should not be penalized by the same railroad for failing to meet MVCs.
- **Competitive rail service** – One of the best ways for the STB to head off future service problems would be to enact policies to promote greater rail-to-rail competition. As ACC stated during the STB’s public listening session in October 2017, “CSX’s indifference to its customers would be almost unimaginable for any company operating in a truly competitive environment.” The Board should move forward with its long-dormant proposal for reciprocal switching, which would allow more shippers to access an alternative rail carrier.

¹ CSX Response Letter to STB and FRA regarding Rail Service, September 1, 2020.

Again, ACC appreciates the STB's ongoing attention to rail service issues and is committed to working towards constructive solutions. For more information, please contact Jeff Sloan of my staff at (202) 249-6710 or jeffrey_sloan@americanchemistry.com.

Sincerely,



Chris Jahn
President and CEO

cc: STB Vice Chairman Robert Primus
STB Member Ann Begeman
STB Member Patrick Fuchs
STB Member Michelle Schultz
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