

May 26, 2022

Brian Deese
Assistant to the President for Economic Policy and
Director for National Economic Council
Via electronic mail

RE: Railroad Service Problems Impacting U.S. Supply Chains

Dear Mr. Deese:

On behalf of the Rail Customer Coalition (RCC), the undersigned organizations are writing to you regarding urgent freight rail service problems that are negatively impacting every part of the U.S. economy. If left unresolved, these problems will further drive inflation and continue contributing to supply chain disruptions for food, energy, and manufactured goods. We urge the National Economic Council to address freight rail service as a critical element of strengthening the nation's supply chains.

The RCC represents a broad cross-section of manufacturing, agricultural, and energy industries that depend on freight railroads to deliver reliable and affordable service. Our members are essential to a healthy U.S. economy, with operations and employees throughout the country – collectively providing more than 7 million jobs and producing more than \$4.8 trillion in economic output.

Over the past few months at hearings held by Congress and the Surface Transportation Board (STB), freight rail shippers have detailed how growing service problems are harming their operations across the country which is severely hindering the ability to manufacture products and deliver goods to the communities and customers we serve. This testimony has highlighted problems for key product sectors, including the following.

Agricultural Commodities: The ongoing rail service breakdown is the most significant supply chain constraint for many agricultural commodities and is impacting farmgate commodity prices and elevating food prices for consumers. The current inability for several Class I railroads to reliably provide rail service is leading to slow downs and shutdowns of agricultural operations that produce products such as flour, meat, poultry, dairy, cotton, and biofuels. In turn, the reduced output from these operations is limiting the available supply of agricultural products to domestic and foreign consumers.

Fertilizer: Half of all food grown around the world is made possible through the use of fertilizer, and over half of all fertilizer moves by rail. The timeliness and reliability of fertilizer shipments is important year-round, but it is crucial during the Spring season. Poor rail service has impeded fertilizer shipments just as the industry pre-positions this essential product for the busy Spring planting season.

Fuel Supplies: The U.S. Energy Information Administration reports that 12% of the cost of a gallon of gas and 18% the cost of a gallon of diesel is related to “transportation and distribution

costs.” Nearly 80 percent of U.S. fuel refiners and petrochemical manufacturers are “captive shippers,” meaning they have just one freight rail option and are stuck with whatever prices and service schedules that one provider sets. As a result, American consumers are being forced to pay more for everyday necessities.

Chemical Products: U.S. chemical production plays a vital role in the creation of ground-breaking products that make our lives and our world healthier, safer, more sustainable, and more productive. The industry supports over 25% of the U.S. GDP and directly touches nearly all manufactured goods. Delayed, inconsistent, and inadequate freight rail service means lost production for manufacturers and their customers. This further constrains supply chains for thousands of downstream products. Poor rail service has forced many companies to shift traffic to different modes where possible, adding to highway congestion and increasing fuel consumption.

The rail service problems we are experiencing today are not solely the result of the COVID-19 pandemic. Years of railroad decisions to cut tens of thousands of jobs, eliminate switch yards, and idle locomotives prior to COVID-19 have gutted network resilience. As a result, service disruptions have become more frequent, severe, and long-lasting. As stated by STB Chairman Oberman in his testimony to the Railroad Subcommittee of the House Transportation and Infrastructure Committee,

The railroad industry cannot thrive without redundancy. They must maintain a workforce and equipment at a level which provides an essential cushion to protect their operations against external shocks. When they fail to do so, then ultimately, not only will they suffer but, even worse, their customers and the public suffers more. What could not be more clear is that the major railroads do not have sufficient redundancy.

RCC members strongly support STB reforms to increase access to competitive freight rail service, create better service performance metrics, and ensure accountability for railroad service failures. We appreciate the Biden Administration’s engagement and support for reforms, including testimony by Transportation Secretary Buttigieg and Deputy Secretary of Agriculture Bronaugh at the STB’s April 26-27 hearing on Urgent Issues in Freight Rail Service.

Since the solutions to these challenges are broader than the reform efforts underway at the STB, the NEC should continue its engagement to help correct the current dismal rail service problems and take steps to prevent future rail service disruptions. It will be critical to ensure that major freight railroads have the proper incentives to deliver the level of service and reliability needed to support U.S. supply chains.

Thank you for your attention to this urgent matter. Our organizations stand willing to work with you and the Administration to promote a more reliable, resilient, and competitive freight rail system and help keep our economy moving.

Sincerely,

The Rail Customer Coalition Members:

Agricultural Retailers Association
Agriculture Transportation Coalition
Alliance for Automobile Innovation
Alliance for Rail Competition
American Bakers Association
American Chemistry Council
American Farm Bureau Federation
American Fuel & Petrochemical Manufacturers
American Forest & Paper Association
American Malting Barley Association, Inc.
American Petroleum Institute
American Public Power Association of Global Automakers
Associated Industries of Massachusetts
Chemistry Council of Missouri
Chemistry Council of New Jersey
Chemical Industry Council of California
Chemical Industry Council of Delaware
Chemical Industry Council of Illinois
The Chlorine Institute
Consumer Brands Association
Corn Refiners Association
Defoamer Industry Trade Association
The Fertilizer Institute
Freight Rail Customer Alliance
Foundry Association of Michigan
Georgia Chemistry Council
Glass Packaging Institute
Growth Energy
Idaho Grain Producers Association
Independent Lubricant Manufacturers Association
Industrial Minerals Association — North America
Institute of Scrap Recycling Industries, Inc.
International Warehouse Logistics Association
Louisiana Chemical Association
Manufacture Alabama Chemistry Advisory Council
Manufacturers Association of Florida
Massachusetts Chemistry Technology Alliance
Michigan Chemistry Council
Motorcycle Industry Council
National Association of Chemical Distributors
National Barley Growers Association
National Coal Transportation Association
National Cotton Council
National Farmers Union

National Grange
National Industrial Transportation League
National Mining Association
National Pork Producers Council
National Rural Electric Cooperative Association
National Sorghum Producers
Nebraska Wheat Board
New York State Chemistry Council
North Carolina Manufacturers Alliance
Ohio Chemistry Technology Council
Ohio Manufactures' Association
Pennsylvania Chemical Industry Council
Plastics Industry Association
Plastic Pipe and Fittings Association
Portland Cement Association
Private Railcar Food and Beverage Association
PVC Pipe Association
Renewable Fuels Association
Resilient Floor Covering Institute
Shippers Coalition
Society of Chemical Manufacturers and Affiliates
Southeastern Lumber Manufacturers Association
South Carolina Manufacturers Association
Steel Manufacturers Association
The Sulphur Institute
Tennessee Chamber of Commerce & Industry
Texas Chemical Council
United States Fashion Industry Association
Vinyl Building Council
The Vinyl Institute
Vinyl Siding Institute
West Virginia Manufacturers Association
Wyoming Wheat Marketing Commission

cc: Chairman Martin Oberman
Vice Chairman Michelle Schultz
Board Member Karen Hedlund
Board Member Patrick Fuchs
Board Member Robert Primus