

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Ex Parte No. 767

FIRST-MILE/LAST-MILE SERVICE

**COMMENTS OF
DIVERSIFIED CPC INTERNATIONAL, INC.**

SUBMITTED BY:

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My name is Sandra J. Dearden. I am President and Executive Consultant for Highroad Consulting, Ltd. (Highroad). I am filing these comments on behalf of Diversified CPC International, Inc. (Diversified CPC). Highroad has managed rail transportation for Diversified CPC for twenty-four (24) years.

Diversified CPC commends the Board for opening this important proceeding. Rail transportation is critical to our operation, and timely delivery of our products is important to our customers, so we believe it is imperative to address the current capacity crisis and to ensure the future health of the railroad industry.

Diversified CPC is a global leader in the design, production, and distribution of high-quality aerosol propellants, high purity hydrocarbon refrigerants, and specialty applications, including biomass solvent extraction products. Our headquarter plant is located in Channahon (rail station Lorenzo), Illinois served by BNSF Railway (BNSF). Other plants are located in Anaheim, CA, served by Union Pacific Railroad (UP); Sparta, NJ, which is in the Conrail shared asset area served by the New York, Susquehanna and Western Railway (NYSW); Petal (rail station Dragon), Mississippi which is local on Norfolk Southern Railroad; and Sebring, Florida served by CSX Transportation. In 2020, we opened a new terminal in Beaumont (rail station Amelia), Texas which is jointly served by BNSF and UP.

Diversified CPC provides unique purity specifications that assist our customers in increasing plant productivity, improving product performance while decreasing environmental footprints. Our strong base of customers rely on the quality of our products, our responsible innovation mindset, competitive price terms, and steady, unique service, including timely deliveries of key products used in manufacturing. This can only be achieved if there are no disruptions in our

production because raw materials arrive on time, and when transportation carriers deliver our products to our customers on a timely basis.

1.0 FIRST MILE LAST MILE (FMLM) SERVICE AT DIVERSIFIED CPC'S PLANTS

The shortage of capacity in the transportation industry is not a new problem. In 2011, Highroad Consulting, Ltd. conducted a seminar, *Future Shock!* Even then, industry experts discussed the need for shippers and receivers of freight to drive efficiencies into their supply chains due to the developing shortage of truck drivers and regulatory changes, concurrent with increasing freight volumes as forecasted by USDOT! (Underscore for emphasis). In their most recent forecast, the Bureau of Transportation Statistics predicts freight volumes will increase 50% to 28.7 billion tons by 2050, while freight will double in value to \$36.2 trillion.¹ In prior forecasts, due to the truck driver shortage and regulatory changes, DOT predicted 90% of the growth will move on rail.

The current service/capacity issues are symptomatic of a greater underlying issue – one being the industry has not kept pace over time with the changing dynamics and requirements of the transportation network. The railroads will cite Precision Railroading (PSR); however, we have not seen any improvement in rail service attributable to PSR. If anything, PSR seems to have exacerbated the current capacity problems as the railroads, anticipating productivity gains, reduced labor forces and now, the railroads cite the labor shortage as the primary cause of poor service.

In its Decision opening this proceeding, the Board asked many good questions, so many it is not unlike opening a brisk brainstorming session.

¹ Bureau of Transportation Statistics freight flows forecast data, Freight Analysis Framework, November 22, 2021.

However, the questions seem to focus on two specific areas: (1) Rail Customer Experience, and (2) Design of Metrics, which seems to be a logical two-step approach to creating a plan, as the metrics needed will surface based on the customers' experiences.

Highroad Consulting, Ltd. (Highroad) tracks FMLM service at all of our plants. In addition to daily tracking of our inbound and outbound shipments, Highroad developed a form that is submitted by the Plant Managers weekly, to report FMLM service. Of course, this includes the obvious, which is missed switches; however, the quality of switching is as important as switching on schedule.

Diversified CPC receives various raw materials, and they order cars in, based on the products in the cars that are needed on that day for production. There have been times when cars ordered were not delivered, while other cars not ordered in were received. Also, products received and placed on our siding must be loaded and unloaded through piping, so when cars are ordered in, Diversified CPC includes instructions regarding where cars (loaded and empty) are to be placed so they are properly positioned for loading and unloading under the loading and unloading racks.

Diversified CPC does not have equipment and personnel to move railcars. Therefore, if a car is not properly placed and plant personnel cannot load or unload the car as needed, the car may as well be back in the rail yard. Therefore, when cars ordered in are not received, if the railroad pulls the wrong car, or if cars are not properly positioned, we consider the switch on that day as a FMLM error, aka, a missed switch.

The railroads' excuse for FMLM service failures during the last six months has been the industry's labor shortage. When reviewing the data that we have collected, there have been a number of missed switches, but a significant number of errors were simply the result of not following the work orders. Examples include pulling the wrong car, incorrect placement of cars on the track, and only completing part of the switch because they ran out of time.

The railroad serving our headquarter plant has cited a labor shortage as the root cause of frequent missed switches. Diversified CPC is last in line in the industrial park to be switched and the crews frequently run out of time. While the railroad has ramped up personnel, missed switches continued into December 2021.

Highroad's decision to track FMLM service on a weekly basis gives Highroad personnel the ability to proactively work with the carriers on repetitive service issues. Certainly, FMLM service is important, and it is a good first step to addressing railroad service issues. However, the fact that carriers may comply with the switching schedules 100% of the time, is not necessarily a good indication of the quality of service, as it does not take into account cars that did not arrive according to trip plans because they were delayed in transit.

2.0 REPORTING METRICS

Increasing transparency can result in clear benefits for all of the stakeholders. Customers can plan and make appropriate changes to their supply chains instead of sitting around and waiting for the problems to correct themselves, and the carriers will have enhanced flexibility needed to initiate and manage change.

The railroad sales and marketing managers that we work with on service issues have been understanding and we have mitigated demurrage in some instances. Also, when COVID first surfaced, CSX contacted us and advised they had furloughed personnel, and they were changing the switching schedule at our Sebring, Florida plant to different days, and from three days to two days/week. After we showed them the negative impact the new schedule would have on our production, they responded by restoring the original switching schedule. This is just one example of our experience addressing service issues with railroad personnel who are on line with the customers. However, in more recent weeks, the general response from all of the railroads has been they are working on it, and there is little that the railroad can do until they hire more people.

One of the questions posed by the Board in its decision is how to consider the potential burden on types of carriers, including Class II or Class III railroads. The challenge is to design reporting standards that will be meaningful, yet practical and manageable for the carriers. Diversified CPC's plant at Sparta, NJ is served by NYSW, a Class II railroad. FMLM service at the Sparta plant has been flawless; while we cannot speak on their behalf, they do an excellent job of managing their operations, but they have fewer miles and customers, so they may not view performance reports as overly burdensome.

The greater challenge is to design metrics for the Class I railroads that will provide detail needed to address repetitive problems, considering the expansive geography of the Class I's, and the extensive number of locations, yards, and customers. Averages and system-wide reports can lack meaning as service problems that may be occurring in certain regions on lines, with some customers

can become lost in the data. One example is customers that experience missed switches because they are last in line and the crews run out of time, while neighboring industries in the same industrial park do not experience missed switches.

System-wide reports, such as average train speeds continue to be meaningful. Tracking terminal dwell times can be relevant, but a report system-wide does not highlight those yards and interchanges that have repetitive delays. The railroads have this information, but it is not made available to customers. Probably the most efficient reporting system that would provide detail needed to highlight problem areas would involve exception reporting. In the case of excessive dwell times, the Board could establish a maximum standard, so the railroads would only report dwell times for those locations that exceed the standard.

Labor and locomotive power are important parts of capacity but counting numbers of new hires does not paint an accurate picture as it would not take into consideration attrition or changes in volumes handled. Also, a simple count of the number of locomotive units is not meaningful as there are different types of locomotives (switch vs. road), and technology has changed so a newer unit will replace more than one unit.

Reporting metrics to track labor could include (1) quarterly ton-miles; (2) total employees per ton-mile; and (3) T&E employees per ton-mile. A similar approach could be used to track the availability of locomotive power. Separate metrics would be submitted for locomotives in service and locomotives in storage. The railroads already track locomotive availability, which is one standard. Others include: (1) number of over-the-road locomotives in service and number of over-

the-road locomotives in storage; (2) available horsepower per ton-mile; (3) horsepower hours traded in run-through service (debit/credit, total and by connecting carrier).

Tracking FMLM service performance requires more detail, presenting a greater challenge. Again, the solution is not to create reports that lack substance simply for the sake of creating reports. Instead, it will be more meaningful if the railroads report exceptions. The trainmasters know when their crews have missed a switch, and when they have run out of time. They are also on the receiving end, when customers complain because the crews did not follow work orders. The data could be reported regionally, based on the number of customers served and the number of exceptions.

For each metric, it will be imperative for the Board to clearly define standards, such as missed switches/quality switching so there is no misinterpretation of the rules. Some years ago, we investigated higher than normal average train speeds reported by one railroad, and we learned they were not including terminal dwells in their calculations. It will be important for the railroads to comply with the rules and the standards, and any outliers that may be suspect, should be investigated.

3.0 CONCLUSION

It is not our intent to submit comments that will set standards and metrics for reporting railroad service performance. Instead, we view this as an opportunity to emphasize the significance of quality railroad service, and to submit some potential ideas for metrics to be included in the conversation. We do not view the current capacity crisis in transportation, which is of national significance, as a short-

term issue. It has been developing for more than ten years and will continue to grow, absent change.

There cannot be too much transparency. However, it's going to take more than a collection of data to solve the problem. There are some obvious inefficiencies in the transportation network (truck and rail) that consume major capacity. The purpose of today's metrics should be to identify service issues that need to be addressed but absent change, the existing network will not be adequate to accommodate future growth.

Respectfully Submitted:



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