

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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Docket No. EP 767

FIRST-MILE / LAST-MILE SERVICE

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COMMENTS

submitted by

NATIONAL ASSOCIATION OF CHEMICAL DISTRIBUTORS (NACD)

Dated: December 16, 2021

The National Association of Chemical Distributors (NACD) respectfully submits these comments in response to the Surface Transportation Board's request for comment on First-Mile / Last-Mile Service, Docket No. EP 767. NACD is pleased that the Board is examining the important issue of first-mile / last-mile rail service as NACD members have experienced substantial service problems at this stage of the freight rail transportation system.

**Identity and Interest of the National Association of Chemical Distributors**

The National Association of Chemical Distributors (NACD), established in 1971, is an international association of chemical distributors and their supply-chain partners. Member companies process, formulate, blend, re-package, warehouse, market, and transport chemical products for over 750,000 customers across the U.S. The industry that NACD represents is a major economic engine that generates \$7.5 billion in tax revenue.

NACD's members represent more than 85% of the chemical distribution capacity in the nation and 90% of the industry's gross revenue. They range from small family-owned businesses to large national and international organizations. NACD members meet the highest standards in safety and performance through mandatory participation in NACD Responsible Distribution<sup>®</sup>, the association's third-party-verified environmental, health, safety, and security program. Through this verification, NACD members demonstrate their commitment to continuous improvement in every phase of chemical storage, handling, transportation, and disposal operations.

The availability of safe, reliable, and efficient rail transportation is critical to the chemical distribution industry. In 2020, NACD members were responsible for 4.15 million chemical shipments, totaling 32.6 million tons of product. A substantial percentage of NACD members receive products via rail cars and greatly depend on reliable and affordable rail service to meet the needs of their customers and remain competitive in the global market.

NACD is also an active member of the Rail Customer Coalition, which wrote to the Board earlier this year with a list of policy recommendations, including the adoption of new reporting metrics to provide a more complete and useful picture of rail service, including first-mile/last-mile performance.

#### **NACD Member Examples of First-Mile / Last-Mile Issues**

NACD members report numerous instances of first-mile / last-mile rail service problems that have disrupted their operations and cost their firms substantial resources.

One of the most common problems experienced is cars not being placed in a timely manner. One NACD member company reports these delays range from two days after the car is

ordered to more than five days. Between January 1 and October 1, 2021, 31 percent of all the cars this company ordered were placed more than two days after they were ordered. This company's rail carrier, CSX, usually cites the cause of the delay as "due to a railroad reason" so the actual cause is not clear. For the NACD member company, these delays have caused canceled orders, short production runs, and even plant shutdowns. If that were not bad enough, CSX has charged the NACD member company demurrage fees for the delays even though they were not the company's fault. This company has also received several inaccurate detention bills from CSX that have misstated the dates the company orders cars, creating false detention days. The company disputes each of these bills with meticulous detail, and after several months, the railroad comes back without waiving the charges. This resulted in charges of \$13,000 between January 1 and October 1, 2021, with only \$1,000-\$2,000 of this possibly being legitimate.

The company reports these problems intensified upon CSX's adoption of precision scheduled railroading (PSR), which led to the closing of multiple switching yards. This changed the time of railcar travel from Texas to Georgia from 7-10 days to 21-30 days. To attempt to have problems addressed, this company first contacts CSX customer service, then the yard master, then the yard master's boss, and finally the Board's Rail Customer and Public Assistance Program.

This is exacerbated by the rail carriers' reduction in service days over recent years. One NACD member reports that for decades, CSX served their spur four days per week, but this was reduced to two days per week upon the adoption of precision scheduled railroading (PSR). This company operates seven days per week and receives approximately 300 cars per year. The service reduction has impacted the company's ability to serve their customers.

Another NACD member reports that one of their company's facilities in North Carolina frequently experiences service delays, incomplete equipment reporting, and canceled work orders with no notification. The company reports these problems occur about once every other week without explanation from the railroad, CSX. The delays impact downstream activities, including packaging orders and sending them out on trucks. It also leads to increased labor costs resulting from delays and schedule changes. Additional financial impacts include lost business and revenue and extra trucking charges. The company attempts to have the problems addressed through the CSX automated portal.

The same company also provides another example from another facility in Ohio. The problem is that the railroad does not meet the work order and cars are not brought in even though the request was submitted in a timely manner. For example, the company placed a request for three cars on Sunday, October 10, 2021, and the railroad failed to deliver the cars on Monday, October 11, 2021. With a severe shortage of intermediate bulk containers, the company needed these railcars to continue the operation of packaging the product into drums. This facility reports that similar incidents occur about once every two months and that they do not receive an adequate explanation from the railroad on the cause of the delays. Depending on the amount of other railcar inventory the facility has onsite, these delayed car placements have the potential to shut down production. The delays also have significant impacts on the labor schedule, ultimately resulting in turnover in some cases. There is a financial impact on the facility's operations through the generation of non-revenue labor accrued and/or lost work hours for their employees, resulting in turnover and additional hiring costs. It can also result in the railroad's imposition of demurrage being assessed on the cars for sitting in the yard that will later need to be disputed, resulting in further non-revenue generating labor. The company attempts to have the problem

addressed by filing a complaint/help ticket, and the response is typically, “We will place the cars on the next switch.”

Another company, a producer affiliate of NACD, reports that missed car deliveries occur a minimum of two to four times per month. This company has service dates to bring in and take out cars from their facility on Tuesdays, Thursdays, and Sundays. The company receives an automated message from CSX customer service for any cars that are scheduled to come in from the service yard and any cars that are in the CSX system to be pulled on the day of service. The typical message is, “Our train crew reports they were unable to pull this car due to the loading or unloading not being completed. The release date on the car will be adjusted and the requested pull of this car will be rescheduled to your next service date.”

This stated reason for not pulling the car makes no sense to the company. On at least one occasion, the CSX crew serviced the plant and took some cars but not all of the cars that were in line to pull out. When asked why this problem was occurring, CSX has told the company that they are in the midst of a manpower issue with not enough crews/people trained to pull hazardous flammable products in bulk liquid cars. The missed service results in a major disruption to operations when planning to process material coming into the plant that will be going out of the plant after processing. Plans are re-done two or three times when these misses occur. The rail cars do not come in as advertised, and this is only being relayed to the company’s team after the fact, making operations extremely difficult to plan.

Similar to the previous examples, this company has gone from five service days to three service days recently, which has severely impacted their ability to turn product around. Further, CSX did not communicate this service cut in advance. The company only “found out” after the fact.

To try to address the issue, the company regularly enters issues to the CSX portal. CSX rarely corrects the problems in real time. Production must wait until the next service date with the hope that the cars will be brought into the plant or taken out of the plant. This is also difficult on the company's end users, who are located all over the U.S., Canada, and Mexico. These delays have lasted up to three weeks before cars are pulled in or picked up, and the company is consistently forced to play catch-up because of the railroad's delays.

Another NACD member reports an additional problem has recently started occurring when a shipment originates on one railroad and ends on another railroad. One of the company's customers ships from a mill in Montana on BNSF delivering to their 3PL warehouse in Houston on UP. Both railroads want the long haul. Rather than sharing the long haul move rate by handing off at a midway point, each railroad would prefer to cover the entire long haul. The railroad not covering the long haul responds with a punitive and exorbitant first-/last-mile switch fee upward of \$2,000. This unnecessarily jeopardizes the NACD member's business.

### **Recommendations for Metrics to Measure First-Mile / Last-Mile Service**

NACD supports the establishment of additional metrics to increase transparency and measure first-mile / last-mile rail service.

It would be helpful if the local yard's schedule for the day was published online. This would give rail customers an idea where they are in the queue. In addition, information on rail transit time, improper spotting, number of days not switched, and reasons for/problems with the delayed switches would be illuminating.

NACD recommends that metrics measure both first-mile / last-mile service as well as additional information to more broadly measure service that may relate to or involve first-mile /last-mile service, such as metrics on car trip plan compliance. First-mile /last-mile information

should include the number of days a car arrives in the first-mile / last-mile and no action is taken. Information would be helpful on when a car has been requested of the customer's facility and the railroad fails to move it (resulting in demurrage bills from suppliers) or pulls the wrong car. All of these metrics would be useful to the Board which would use them to design solutions to address the problems.

### **Conclusion**

NACD commends the Board for examining the issue of first-mile / last-mile rail service. We look forward to working with the Board to increase transparency and develop solutions to make critical rail service more dependable. If you have questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jennifer C. Gibson".

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