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Surface Transportation Board
Attn: Docket No. EP 711 (Sub-No. 1)
395 E. Street, S.W.
Washington, DC 20423-0001

Re: Comments on Docket No. EP 711 (Sub-No.1) Reciprocal Switching

Nutrien appreciates the opportunity to provide written comments in response to the Surface Transportation Board's (STB or Board) December 28, 2021, notice of a public hearing regarding proposed changes to reciprocal switching regulations. Nutrien is pleased with the Board's interest in promoting competition in the rail shipping industry. The information herein represents Nutrien's experience with respect to the benefits reciprocal switching can provide American manufacturers in general, the fertilizer industry in particular, and indirectly our farmer customers.

Background and Interest

Nutrien is a leading crop input producer in the United States and around the world, helping farmers increase food production in a sustainable manner. We employ over 25,000 employees, produce 27 million metric tons of fertilizer, and service 500,000 growers and farmers around the world. Rail transportation is essential to our operations throughout North America. In 2021, we spent over \$700 million in rail freight, moving over 10 million metric tons, with the majority of these movements occurring in the United States. Nutrien has 22 plant origins, over 400 distribution locations, shipping to 10,000 farm retail customers in North America. Our own 1,200 farm retail locations serve tens of thousands of farmers across America. Nutrien's focus on safely shipping products has earned it many safe shipper awards from class 1 carriers, including 4 in 2020.

In the United States, more than half of all fertilizer moves by rail. U.S. government data indicates that fertilizer relies more on rail transportation than other agricultural

commodities.¹ As such, having competitive options for rail shipping is critical to our customers and to our business.

U.S. Experience

Nutrien has strong relationships with all the large rail carriers in the United States. In North America, because we often compete with imported fertilizers that are transported by less expensive ocean and/or barge freight, competitive rail service is important to maintain our competitiveness against those imports. We see distinct differences between both pricing and service levels with major railroads depending on the degree of competition at either origin or destination. Our Canadian footprint and experience with rail regulatory reform in Canada over the past 25 years further informs our perspective on the value an improved competitive environment provides. Competition improves the ability to serve our customers and to sustain domestic North American manufacturing in a globally competitive commodity industry. Reciprocal switching would promote North American production of essential fertilizers through better rate and service options to support the downstream farmer customers who depend on supply certainty at competitive prices.

Nutrien has existing facilities that currently benefit from rail competition at Lima, OH, Augusta, GA, Aurora, NC (CSXT and NS), and Kennewick, WA (UP/BN). Nutrien has seen how competition can work at these locations. Where a destination is captive to one railroad, Nutrien is forced to use that railroad's single-line route rather than a shorter more efficient joint line route with the other railroad. This single-line route can be hundreds of miles longer, creating both a negative environmental impact due to the increased fuel required and a negative efficiency impact as we must maintain a larger rail car fleet to facilitate the longer cycle times. As with many other rail shippers, Nutrien maintains a fleet of over 16,000 railcars which rail carriers then use to transport our products. Unnecessarily inefficient cycle times is a cost that impacts us and our customers.

On competitive gateway traffic, Nutrien routinely commits its traffic to one carrier for a fixed term contract after a competitive process. Nutrien shifts traffic between carriers only when there are service problems or when contracts are up for renewal or expire. These options are not available at sites that are captive to a single railway.

Sometimes, the impact of excessively high rail rates due to a lack of competition results in other inefficiencies. For example, at our Borger, TX, facility we ship a significant volume of finished product almost 700 miles via truck to a rail served destination due to extremely high rail rates that are subject to double digit percent annual increases. We have limited regulatory remedies because the U.S. rate review process is exceedingly onerous. With competitive rail access, we potentially could offer this volume for bid to another railroad who may be willing to quote economically viable rates that enable the movement of these volumes via rail, thereby realizing the environmental and cost benefits of reducing the amount of trucks on the road.

¹ [The Importance of Highways to U.S. Agriculture](#), USDA, December 2020, Page 13,

In today's environment we are experiencing service-related issues with all our U.S. rail carriers due to Covid-19 related challenges and significant demand increases. Nutrien has been able to shift inbound raw material and outbound finished product freight at sites where we have competitive rail service to mitigate this impact and continue to reliably service customers. The unique ability to shift traffic at these locations (similar to interswitching or reciprocal switching) has helped Nutrien alleviate current and past service problems where competitive rail service exists. This ability to mitigate impacts to the supply chain is not present at sites without access to competitive rail service. Reciprocal switching would have a positive impact on the reliability of America's agricultural supply chain.

Canadian Experience

In Canada where interswitching is automatic at qualifying locations, CN and CP railways work together seamlessly to service our potash mines in Saskatchewan and our Nitrogen manufacturing facilities in Northern Alberta. Within the context of this competitive environment, our experience is that service levels are the same or better than our facilities that are served by only one railroad and those railroads compete on both price and service. Where competition exists (in both the U.S. and Canada), we see a material difference in the freight rates we are quoted by the railroads. This in turn improves the economic sustainability of our manufacturing facilities and jobs. In addition, we continue to see robust investment from the Canadian railways in infrastructure, including projects where the railroads have an interest in co-investing with us to increase service and/or capacity for both our facilities and their network.

The Canadian process is effective and well used, and the predictability of interswitching rates is key in ensuring this regulatory mechanism retains its usefulness.

Our experience in Canada has been positive. The Canadian railroads continue to attract investment with service comparable to their U.S. counterparts.

Summary and Conclusion

In Canada and in select locations in the United States, Nutrien has seen how interswitching and reciprocal switching, respectively, can improve service, cost, and reliability. In our industry, this is critically important due to our exposure to global competition and time sensitivity to delivering our products to the farm in time for the spring planting season. Our experience has been that rail carriers are more competitive in their rates and more responsive in service when competition via interswitching and reciprocal switching is available. The ability to have reciprocal switching will provide Nutrien the opportunity to:

1. Improve the reliability of our supply chain;
2. Negotiate more competitive rates and service, improving the economic sustainability of our American agriculture industry;

3. Adjust traffic flow for potential service disruptions (e.g. weather, labor, pandemic impacts);
4. Improve transit times and service to specific geographic areas by using the most efficient routes, reducing fuel consumption, and increasing efficiency; and
5. Enhance rail service to improve our ability to reliably deliver crop inputs and services to our farmer customers.

We are encouraged that the Board is at last advancing reciprocal switching to facilitate rail competition and thereby improve cost, service and reliability, and ultimately the competitiveness of American manufacturing in the global context.

Respectfully,



Christine Gillespie
Vice President, Transportation, Distribution & Logistics
Nutrien