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Subject: Comments on EP 711 (Sub-No. 1), Reciprocal Switching

Dear Ms. Brown:

As the Director of Supply Chain Americas, I oversee the operations and commercial aspects of rail transportation and logistics for Lyondell Chemical Company, Equistar Chemicals, LP, LyondellBasell Acetyls, LLC, and LyondellBasell Advanced Polymers Inc. (collectively, "LyondellBasell"). Competitive rail transportation services facilitate LyondellBasell's operations and allow LyondellBasell to compete for business in both the United States and global markets. LyondellBasell supports a broad implementation of competitive switching across the United States, and thanks the Surface Transportation Board for its attention to the matter and moving the long-standing EP 711 rulemaking forward.

These comments provide the Board with LyondellBasell's observations, based on its experience using reciprocal switching at multiple facilities in the United States, that reciprocal switching provides significant benefits without creating service issues. They also explain that LyondellBasell urgently needs access to reciprocal switching at other captive facilities where it is not available.

As a member of the American Chemistry Council, LyondellBasell also supports ACC's written testimony being filed contemporaneously with these comments and ACC's past comments in this proceeding.

### **Scope of LyondellBasell's North American Rail Operations**

LyondellBasell has 19 rail-served manufacturing facilities located in Iowa, Illinois, Indiana, Louisiana, Tennessee, Texas, and Virginia. These facilities receive service from all 7 Class I railroads via either single-carrier access service, multi-carrier access service, or reciprocal switching. From these facilities, LyondellBasell originates approximately 70,000 rail shipments per year of polyolefins and liquid chemicals, including hazardous materials and toxic inhalation hazard (TIH) materials. To support this rail operation, LyondellBasell operates 18,000 private railcars comprising covered hopper cars and tank cars. And more than half of LyondellBasell's North America logistics expenses arise from rail logistics.

### **LyondellBasell's Multi-Carrier Access and Experience Relating to Reciprocal Switching**

Eight LyondellBasell facilities spread across the U.S. Gulf Coast and Midwest have access to rail competition through reciprocal switching. Reciprocal switching at these facilities has not posed any special operational issues, likely because it generally awards the reciprocal-switch traffic under multi-year contracts that provide predictability to LyondellBasell and the railroads, the railroads establish and follow operating plans to serve the traffic, and the railroads coordinate as necessary, producing an efficient operation. Reciprocal switching has even proven less complex than the multi-carrier direct service<sup>1</sup> that LyondellBasell receives at another facility since reciprocal switching involves less coordination between the carriers and LyondellBasell. In sum, reciprocal switching has produced efficiencies for LyondellBasell without any operational dysfunction.

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<sup>1</sup> Multi-carrier direct service involves two carriers directly accessing a facility over shared track. It is a close cousin of reciprocal switching insofar as it provides a facility with access to multiple rail carriers.

When awarding traffic that is open to reciprocal switching or multi-carrier direct service, LyondellBasell conducts a full cost-benefit analysis in which operational impacts play a significant role. This analysis includes consideration of at least the following factors:

- Operational impacts
  - o Route efficiency: An origin-destination routing over the incumbent carrier may be significantly longer in distance or duration than the routing via a reciprocal switch. This often is the case for joint-line movements and increases LyondellBasell's private car fleet and supporting infrastructure needs, rail-network congestion, the potential for service disruptions, and the environmental footprint of shipments. LyondellBasell thus has a strong preference for efficient routing.
  - o Gross rail weight limitations: Although railroads continue to make significant investments to upgrade gross rail weight across the network, bridge and track restrictions still exist and produce inefficiency. One carrier may be able to accommodate 286,000-pound gross rail weight shipments for certain traffic, while another only 263,000-pound gross rail weight shipments for the same traffic. LyondellBasell prefers routings with higher railcar gross weight limits because they reduce the number of railcars required to support a given volume of business and thus reduce rail congestion and LyondellBasell's private-car fleet and associated infrastructure needs.
  - o Infrastructure support: Polyolefin producers, such as LyondellBasell, generally require significant storage-in-transit to manage inventory needs. Thus, when considering reciprocal switch options, LyondellBasell evaluates railroad and private storage options on each carrier's line. By using carriers who offer or have access to railcar storage facilities, LyondellBasell is able to reduce the risk of congesting local yards and incurring associated storage charges.
  - o Reliability Risk: Reliable rail service is critical to LyondellBasell and its customers. It reduces the need for a safety buffer of railcars and inventory. It also reduces the risk of supply disruptions and, thus, the need to use premium truck transportation to cover delayed shipments, which typically involves four trucks for a single railcar. For these reasons, LyondellBasell favors routing traffic over the most reliable route.
- Commercial offers: Commercial offers from an incumbent and competing railroad typically are similar. But in some cases, LyondellBasell may realize a rate benefit in excess of 30%. These rates do not, however, translate to negative operational impacts since even a minor degradation in service or reliability typically places a high burden on LyondellBasell.

The benefits of reciprocal switching and rail competition are so significant that, over the past ten years, LyondellBasell has added more than 2,200 storage-in-transit car spots across four facilities to allow access to the reciprocal switching and multi-carrier service options available at those facilities. These investments reflect that the competition afforded by reciprocal switching and multi-carrier direct service provides a strong incentive for LyondellBasell to make rail-infrastructure investments. In many cases, these investments reduce the investments that carriers involved in a reciprocal switch or multi-carrier direct service would need to make to provide service to LyondellBasell's traffic.

Carriers also are investing in traffic that is open to reciprocal switching. For example, BNSF Railway built its Lacassine yard to serve traffic around Lake Charles, LA, which it accesses via reciprocal switching. Thus, reciprocal switching does not appear to have materially reduced carrier investment.

Further, reciprocal switching provides important flexibility to address rail-service disruptions, which arise often. Railroads may experience service disruptions from myriad issues, including the railroad's operational missteps and external forces, like extreme weather events. Where available, LyondellBasell has used reciprocal switching and multi-carrier direct service to change routing and move traffic to alleviate service disruptions. This helps reduce LyondellBasell's railcar fleet

requirements and avoid premium truck shipments, which would otherwise be necessary if a car was delayed.

### **LyondellBasell's Need for the Proposed Reciprocal Switching Rules**

While LyondellBasell currently has multiple facilities open to reciprocal switching, it still has ten facilities that are captive to a single railroad and have a nearby interchange with a competing carrier, but are not open to reciprocal switching. Many of its customers' facilities are also captive and have a nearby interchange to a competitor. LyondellBasell's captive traffic involving these LyondellBasell and customer facilities is subject to operational inefficiencies and risks similar to those that reciprocal switching, where available, has helped LyondellBasell mitigate, as described above. Also, this traffic cannot be shifted around disruptions on the line of the carrier who holds it captive unless LyondellBasell uses truck shipments. Thus, even though LyondellBasell has several facilities open to reciprocal switching, it still has an urgent need for revised reciprocal switching rules.

### **Additional Reciprocal Switching Considerations**

Reciprocal switching promises many benefits, but "paper barriers" (i.e., contractual provisions included with a sale or lease of a rail line that limit the incentive or the ability of the purchaser or tenant carrier to interchange traffic with rail carriers other than the seller or lessor railroad) may deprive many shippers of those benefits by imposing penalties on a railroad for engaging in a reciprocal switch. Also, in LyondellBasell's experience, paper barriers often lead to irrational or absurd results. For example, one current LyondellBasell facility can originate interstate traffic with two railroads via a reciprocal switch, but the same switch is unavailable for intrastate shipments. The Board thus should make clear that a reciprocal switching order supersedes any paper barrier involving the switch.

### **Closing Comments**

LyondellBasell anticipates that shippers will realize significant benefits from reciprocal switching, and LyondellBasell's experience with reciprocal switching at its facilities demonstrates that railroads can implement reciprocal switching without adverse operational impacts. Further, rail competition from reciprocal switching will enable LyondellBasell and other rail shippers to remain competitive in the global marketplace. LyondellBasell thus asks the Board to immediately adopt its proposed reciprocal switching rules.

Sincerely,

/s/Scott Campbell  
Scott Campbell  
Director of Supply Chain Americas