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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Docket No. EP 711 (Sub-No. 1)

RECIPROCAL SWITCHING

ENTERED
Office of Proceedings
April 5, 2022
Part of
Public Record

UNION PACIFIC RAILROAD COMPANY'S SUPPLEMENTAL COMMENTS

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April 4, 2022

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SURFACE TRANSPORTATION BOARD

Docket No. EP 711 (Sub-No. 1)

RECIPROCAL SWITCHING

UNION PACIFIC RAILROAD COMPANY'S SUPPLEMENTAL COMMENTS

In accordance with the Board's decision served March 23, 2022, Union Pacific Railroad Company submits the following supplemental comments on issues raised at the hearing held in this matter on March 15 and 16, 2022.

1. Routing Protocols

At the hearing, the Board asked Union Pacific's witnesses about comments filed by The Dow Chemical Company complaining that Union Pacific routes some percentage of traffic from Dow facilities at Taft and Plaquemine, Louisiana, to eastern destinations via an interchange at East St. Louis, when total route miles could be reduced if Union Pacific interchanged the traffic at New Orleans. The issue is not new and does not require any attention from the Board.

Union Pacific addressed essentially the same interline routing issue more than a decade ago, in a May 2011 reply verified statement filed in EP 705, *Competition in the Railroad Industry*. See Exhibit A hereto. Union Pacific also addressed the issue in reply comments filed in this docket in January 2017. See Exhibit B hereto. As Union Pacific has consistently explained, the gateways used to interchange the traffic at issue reflect routing protocols developed between Union Pacific and connecting carriers to provide each railroad's mutual customers the most efficient, most reliable service possible,

taking into account each railroad's network structure and the traffic flows of *all* customers moving over the two networks.

Union Pacific's routing protocols are not a secret. Union Pacific's website contains diagrams and charts identifying the gateways primarily used to handle traffic moving between Union Pacific-served regions, on the one hand, CSX- and NS-served regions, on the other hand, depending on the movement's origin and destination. *See* https://www.up.com/customers/shortline/interline_agree/index.htm

2. Reciprocal Switching Mechanics

At the hearing, the Board appeared to suggest an exhibit submitted by the Association of American Railroads was inconsistent with testimony by a Union Pacific witness regarding the mechanics of reciprocal switching. No inconsistency exists. Union Pacific's witness explained that reciprocal switching requires an extra movement of an empty car from the line-haul railroad to the serving railroad, and an extra movement of a loaded car from the serving railroad to the line-haul railroad, and that each such extra movement typically adds 24 to 48 hours of transit time for the car. The AAR exhibit illustrated that each of those extra movements could involve several distinct activities (*e.g.*, coupling and uncoupling cars, running locomotives from one end of a train to the other, interchanges between yard trains and way trains, classification of cars in yards, interchanges between different railroads), each carrying a risk of failure. The number of distinct activities required to move a car from one railroad to another in any particular situation would depend on, among other things, the operating plan each railroad follows (or develops) for interchanging cars, the amount of traffic interchanged, the facilities available for interchange, and the configuration and relative locations of the two railroads' tracks and yards.

3. Congestion at Locations Currently Open to Reciprocal Switching

At the hearing, the Board asked Union Pacific's witnesses about evidence that locations where customers that use reciprocal switching have experienced congestion. Union Pacific's experience with congestion where it voluntarily provides reciprocal switching to specified customers would not be predictive of congestion under the new rule. Union Pacific (and its predecessors) would not have agreed to provide reciprocal switching to those customers if it did not believe the existing facilities and operations could accommodate the expected volumes of reciprocal switching.

By contrast, the proposed rule would require Union Pacific to provide reciprocal switching where it never concluded it could accommodate reciprocal switching. Where Union Pacific is currently providing some reciprocal switching to some customers, the proposed rule would require Union Pacific to provide reciprocal switching to customers whose potential switching demand Union Pacific (or its predecessors) never considered when evaluating the feasibility of providing reciprocal switching to other customers. Union Pacific's "real world" experience with voluntary reciprocal switching therefore provides no meaningful guidance regarding the potential impacts of the proposed rule, except for the indisputable fact that reciprocally switched traffic would consume more capacity and other critical operating resources than traffic not subject to switching.

To be clear, Union Pacific is not saying congestion issues never arise where it voluntarily provides reciprocal switching. To the contrary, and just as an example, Union Pacific performs a relatively significant amount of reciprocal switching in the Houston area, and Union Pacific's Houston-area yards have historically experienced congestion issues. These congestion issues have undoubtedly been exacerbated by the capacity and operating demands associated with providing reciprocal switching: all else being equal,

traffic Union Pacific handles directly consumes less yard capacity and fewer resources than traffic switched between BNSF and Union Pacific in Houston.

Union Pacific would welcome the opportunity to host Board members and staff on a visit to Houston or some other location where Union Pacific performs a relatively significant amount of reciprocal switching to help provide a deeper understanding of these issues.

Respectfully submitted,

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April 4, 2022

REDACTED – TO BE PLACED ON PUBLIC FILE

BEFORE THE
SURFACE TRANSPORTATION BOARD

Ex Parte No. 705

COMPETITION IN THE RAILROAD INDUSTRY

**REPLY COMMENTS OF
UNION PACIFIC RAILROAD COMPANY**

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May 27, 2011

Contains Color Images

those commenters could see into the future what they advocate, they would shudder at the deteriorating service and the exploding costs that they and other shippers would experience.

I explained, with examples, how opening little-used interchanges and rerouting traffic would wreck efficient through-train operations, squander investments that Union Pacific has made in today's routes, and impose new capital and operating costs that would reduce our ability to make the investments that would truly benefit the rail network and our customers. I focused in particular on how increasing interchanges within terminals, which a number of people seem to think is not worth worrying about, would cause congestion and operations conflicts that could melt down some of the nation's largest terminals, such as Houston. Interchanges within terminals are costly and slow. They require capacity that does not exist.

The Board should ignore "don't worry about it" comments from those who have not thought about the impact of all the new interchange movements, delays, and costs that their proposals would create. At Union Pacific, we learned that lesson in 1997-1998. One factor that caused Houston and the entire Union Pacific network to experience a service crisis was that both shippers and Union Pacific decided to shift large volumes of traffic from SP routes to Union Pacific routes before we could make the two systems operate as one (with crew agreements, information technologies support, and directional operations).

A. Interline Routing Protocols

A few shippers highlight their disregard of railroad operations and efficiencies by attacking our use of interline routing protocols. They say that railroads use routing protocols to "extend" bottlenecks or employ inefficient routes for self-serving purposes. These complaints are inaccurate. As I previously explained, railroads use interline routing protocols to concentrate traffic on selected routes to improve efficiency, taking into account capacity, track conditions,

geography, congestion, service capabilities, and other factors. The concept of “extending” bottlenecks makes no sense, because neither railroad will allow the other to obtain an unreasonable economic advantage by extending its routes – and thereby expanding its revenues – at the other railroad’s overall expense. The suggestion that eastern and western railroads use routing protocols to increase fuel-surcharge revenues is also mistaken, because the East-West protocols preceded development of fuel surcharges by various railroads. Union Pacific-Norfolk Southern and Union Pacific-CSX routing protocols were developed at the time of the Conrail breakup in the late 1990s, when we had to decide how to adjust our operations to the new eastern rail systems.

Imposing customer selection of interchange points would do severe damage to rail service. For example, Occidental Chemical and The Fertilizer Institute argue that more shipments should be routed via New Orleans, instead of gateways further north. New Orleans should be the poster child for why shipper routing selections could wreck the rail network. New Orleans cannot handle more trains, and many New Orleans interests are fighting to curtail current use of this gateway. If a number of shippers were able to reroute their traffic via New Orleans, rail service on the southern tier of the American rail system would break down in a matter of days.

New Orleans has been a major congestion point for decades, and it is the single worst congestion point affecting the Union Pacific system today. Because of extreme delays and capacity constraints, trains routinely sit for hours, and sometimes a day or more, before reaching a connecting carrier in New Orleans. For example, during April 2011, the highest priority eastbound train from Union Pacific to CSX, the ZLCAT from Los Angeles to Atlanta, averaged

14.2 hours – more than a crew shift – within New Orleans after leaving Union Pacific control.

And that is our fastest train on the route.

The following map illustrates the rail complexity in New Orleans, highlighting the primary “Back Belt” route in yellow.

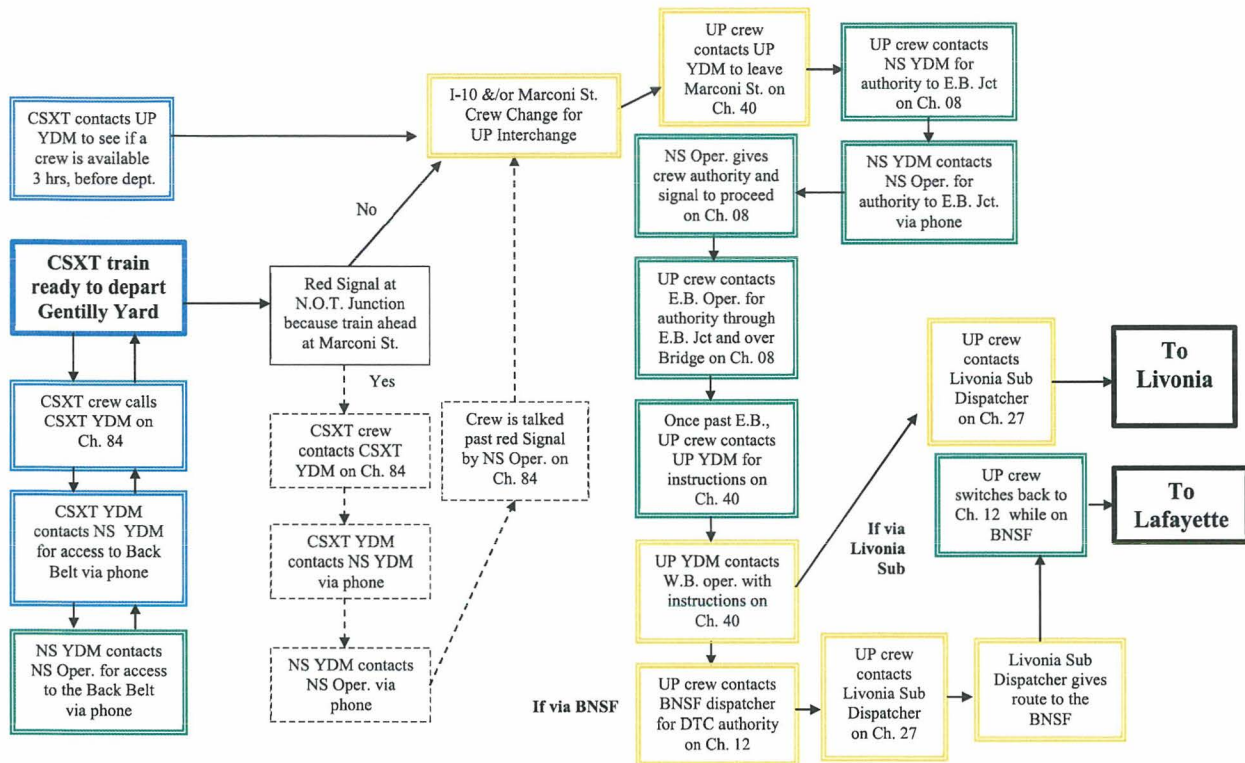


Starting from the west, the massive Huey P. Long Bridge over the Mississippi River provides the only route connecting Union Pacific and BNSF on the west side of the river with NS, CSX, KCS, and CN on the east. The bridge is owned by a city-owned entity called the New Orleans Public Belt (NOPB), which often finds itself caught between the demands of five competing carriers for use of the bridge and related trackage. In addition, the independent NOPB has its own ideas about how to run the bridge. For example, NOPB recently proposed shutting down one of the two tracks over the bridge for a few hours in the evening to operate a dinner train to the top of the bridge for passengers to enjoy the view – a proposal that would force freight railroads to divert traffic to other gateways.

The double-track bridge feeds into a railroad called “the Back Belt,” the primary interline route through New Orleans, a portion of which is single track. Trains exiting the bridge must immediately cross busy CN and KCS tracks serving New Orleans. Once beyond that hurdle, trains must get clearance to use the Back Belt. Moreover, NS and CSX sometimes cannot accept Union Pacific trains, causing added delay. The alternative route on NOPB, the Front Belt, is hopelessly circuitous and delay-prone, and traverses the most popular tourist attractions in New Orleans, next to the French Quarter.

Moving a train across New Orleans also confronts many barriers. As the following chart shows, to move a train from CSX to Union Pacific via the Back Belt requires calling ten or eleven contacts to obtain movement authority and involves 13 to 16 communications steps, every one of which can be a source of delay.

CSXT to UP Interchange via Back Belt – Communication Process



Note: There are 8:00am, 15:00 and 22:00 conference calls between UP, CSXT, NS and BNSF to discuss daily interchange plans. NS Operator is in Birmingham, AL (E.B. = East Bridge Jct., W.B. = West Bridge Jct.)

	(via Livonia)	(via Lafayette)
Number of people involved	10	11
Number of communication steps	13	16

Meanwhile, public officials (including some in Washington) and several citizen groups oppose any additional train operations on the Back Belt. At the same time, there is strong opposition, including from more than a dozen shippers and the New Orleans Board of Trade, to any use of the Front Belt for through-train movements. Even without changing the competition rules, the Board and the nation already face a major challenge in maintaining, much less expanding, this gateway of national significance for rail traffic. The Board should consider New Orleans a warning flag for this proceeding, although it is only one example.

In contrast, in recent years the Class 1 railroads have developed interchanges for interline through trains in locations like Memphis or Salem, Illinois, which involve little delay and save hours or even days of transit time. Union Pacific and its connecting carriers created the

rural Illinois gateways at great cost over many years and designed their service plans to avoid more congested terminals. Union Pacific and other railroads need to retain the right to determine interchange points to maintain fluid operations that benefit all shippers.

B. Expanded Terminal Access Would Reduce Productivity and Service

A number of commenting parties appear to believe that increasing inter-carrier switching, especially in rail terminals, is innocent or minimally intrusive. This is a mistake that can cause severe damage to the national rail network. Mr. Manion of Norfolk Southern and I have already explained that interchanges are inherently inefficient. They delay rail cars and require railroads to use more capacity in terms of rail cars, locomotives, crews, and track to move a given volume of traffic. They require additional work, and all of this increases cost. As the New Orleans example shows, forced interchanges may add switching demands where there is no rail capacity, crippling service. If shippers can decide whether, where and when a railroad must hand-off cars to another, the national rail network will become unmanageable.

Reciprocal switching has less visible impacts as well. Union Pacific works closely with its customers to ensure that car flows are compatible with our capacity and with theirs. For example, it does no one any good to jam 30 shipments into a busy terminal when the customer can unload only four cars per day. We must control car flows to keep the customer supplied, without delaying its goods or congesting our facilities. When reciprocal switching is imposed, the railroad serving the customer no longer participates in the line haul and loses both visibility of shipments and the ability to control how many cars are coming via the connecting carrier. The serving carrier is forced to become the “buffer,” whether or not it has any buffering capacity. We cannot see the shipments coming, and have no ability to plan for them. This is an especially serious problem if empty cars pile up for shippers, and the shippers – contrary to OT-5

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Docket No. EP 711 (Sub-No. 1)

RECIPROCAL SWITCHING

**REPLY COMMENTS AND EVIDENCE
OF UNION PACIFIC RAILROAD COMPANY**

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January 13, 2017

case basis.”⁴¹ All of these proposals are arbitrary and fail to recognize the difference between reciprocal switching under § 11102 and prescription of an interline route under § 10705(a).

Dow Chemical’s comments particularly illustrate how an improper definition of “reasonable distance” would allow shippers to obtain prescribed through routes in violation of § 10705 and potentially do great harm to rail operations. Dow operates a plant in Taft, Louisiana, served exclusively by Union Pacific. Union Pacific interchanges a substantial amount of Dow traffic originating in Taft with Norfolk Southern (“NS”), CSX Transportation (“CSXT”), and Canadian National (“CN”).⁴² The gateways that we use for interchange are based on routing protocols we have developed with these connecting carriers. The carriers use the routing protocols to concentrate traffic on selected routes to improve efficiency—by allowing cars to move in fewer, larger trains, with the fewest possible stops for switching or other work events—taking into account yard and line capacity, track conditions, geography, congestion, service capabilities, and other factors.

Dow argues that the Board should define “reasonable distance” such that Dow could force Union Pacific to provide “reciprocal switching” over nearly 30 miles of track between Taft and New Orleans.⁴³ Dow complains that Union Pacific moves most of Dow’s Taft traffic north to Union Pacific’s yard in Livonia, then to interchange points other than New Orleans.⁴⁴ Dow says that it wants “greater routing flexibility for its gateway traffic by opening routes through

⁴¹ NGFA Comments at 7.

⁴² Dow Comments at 6.

⁴³ *Id.* at 6-7.

⁴⁴ *Id.* at 6.

New Orleans if Dow could obtain better rates and service from CN, NS or CSXT, allowing them to handle these joint line moves over greater distances.”⁴⁵

However, the “routing flexibility” that Dow wants—the ability to select among possible interchange points—would require the prescription of a through route under § 10705(a)(2), not a reciprocal switching order under § 11102(c). *See Central Power & Light*, 1 S.T.B. at 1065 (“The carrier is not required to open an additional route through a different interchange simply because the shipper asks it to do so, without regard to the criteria of 49 U.S.C. [§] 10705(a).”).

Moreover, Dow’s discussion about routing more traffic via New Orleans illustrates precisely why shippers should not be allowed to make routing decisions: most shippers do not understand the details of railroad operations and thus could not appreciate the adverse consequences of their decisions. Dow appears to be operating under the misconception that Union Pacific routes some of Dow’s Taft traffic directly to New Orleans and could simply chose to route more Dow traffic directly to New Orleans. In fact, Union Pacific routes *all* Dow’s Taft traffic via Livonia—even cars we will interchange in New Orleans.⁴⁶ When Dow releases cars at Taft, those cars could be waybilled to any of more than a hundred different destinations. Union Pacific must sort Dow’s Taft traffic somewhere, and Livonia is the most efficient yard for that activity. Livonia is a system classification yard for traffic moving to and from Eastern Texas and Louisiana. In Livonia, we sort Dow’s traffic by destination and combine Dow’s traffic with other shippers’ traffic to build solid blocks of cars that we can move to other yards on our network, or over New Orleans and other gateways to other railroads’ major yards, without the need for the

⁴⁵ *Id.* at 7.

⁴⁶ The factual information in this paragraph and the next two paragraphs is being verified by Thomas C. Haley, Union Pacific’s Vice President – Network Planning and Operations.

additional sorting of cars at intermediate points. The ability to build solid blocks of cars that minimize the need to re-sort cars en route creates substantial efficiencies for us and our connecting carriers.⁴⁷ And the key to building solid blocks of cars and moving them farther without stopping is traffic density. Thus, even if Dow could force us to move more of its Taft traffic over the New Orleans gateway, we likely would still move the traffic through Livonia en route to New Orleans to include it in blocks with other cars moving to connecting carriers over New Orleans. Such a routing likely would be the most efficient way to handle Dow's traffic and other traffic over New Orleans, given all of the other traffic we must move over our network.⁴⁸

Furthermore, if Dow and other shippers could control which interchanges the railroads use, that would reduce or eliminate the efficiencies we currently achieve. If shippers could fragment traffic among gateways or shift gateways at will, we would not have the density or predictability required to implement efficient blocking plans.⁴⁹ We would be facing the same issues that we would face in developing efficient single-line service.⁵⁰ Our trains to gateways would have to stop more often at intermediate points to pick up and set out traffic before reaching the gateway. In addition, to build sufficient volume, the trains would likely have to carry traffic to a wider variety of destinations, which would mean more sorting for our

⁴⁷ See, e.g., Opening Comments of CSX Transportation, Inc. ("CSXT Comments"), Verified Statement of Cindy M. Sanborn ("Sanborn VS") at 5-7.

⁴⁸ If we were not permitted to move Dow's New Orleans cars through Livonia, the alternatives would be much less efficient for us and for our other customers with cars moving over the New Orleans gateway. For example, even if we could efficiently use our Avondale yard (between Taft and New Orleans) to integrate Dow cars into blocks we build in Livonia, which we could not do, that would mean added handling and an extra day of transit time for all of the cars we blocked in Livonia.

⁴⁹ See Sanborn VS at 7-8.

⁵⁰ See Haley VS at 6-8.

connecting carriers (and more sorting for us when we receive trains at gateways, because our connecting carriers would be facing the same circumstances).

Giving shippers the ability to route more traffic through the New Orleans gateway would be especially problematic.⁵¹ Union Pacific's current CEO, Lance Fritz, described in detail the difficulties of interchanging traffic in New Orleans in Ex Parte No. 705. His description remains true today. New Orleans is perhaps the least capable gateway for handling more traffic. "If a number of shippers were to reroute their traffic via New Orleans, rail service on the southern tier of the American rail system would break down in a matter of days."⁵² Union Pacific routes trains through New Orleans only when no alternative interchange makes sense. "[T]rains routinely sit for hours, and sometimes a day or more, before reaching a connecting carrier in New Orleans."⁵³ Union Pacific and our connecting carriers developed interchanges for interline trains in locations like Salem, Illinois, and Memphis, Tennessee, which involve little delay and save hours or even days of transit time, precisely to avoid more congested terminals, such as New Orleans.

Section 10705(a)'s standards for prescribing through routes correctly limit litigation of railroad operating decisions. The Board should not, and may not, override those standards by suggesting that it may issue reciprocal switching orders when the affected operations are not confined to a terminal area.

⁵¹ Dow is not the only shipper to suggest an interest in routing additional traffic via New Orleans. See, e.g., Comments of Occidental Chemical Corporation at 5, *Competition in the Rail Industry*, EP 705 (Apr. 12, 2011) (arguing that shippers should have a right to route their traffic via New Orleans); Comments of the Fertilizer Institute at 13, *Competition in the Rail Industry*, EP 705 (Apr. 12, 2011) (same).

⁵² Reply Comments of Union Pacific Railroad Company, Reply Verified Statement of Lance M. Fritz ("Fritz VS") at 7, *Competition in the Railroad Industry*, EP 705 (May 27, 2011). The relevant portion of Mr. Fritz's testimony is attached hereto as Exhibit A.

⁵³ Fritz VS at 7.