

**Surface Transportation Board  
Ex Parte 711 (Sub No. 1)**

**Summary of Ex Parte Meeting between The Dow Chemical Company  
and Member Patrick Fuchs**

**March 24, 2022**

**Dow Attendees:**

- Jacqueline Faseler, Supply Chain Sustainability & EHS Global Director
- Michael Gebo, Supply Chain NA Rail Logistics Director
- John Heater, Supply Chain Global Advocacy Leader
- Jeffrey Hymel, Senior Category Leader – Rail Services
- Jeffrey Moreno, Counsel to Dow
- Jason Tutrone, Counsel to Dow

**STB Attendees:**

- Patrick Fuchs, Board Member
- Lisa Novins, Attorney Advisor
- Stephanie Borges, Assistant

**Meeting Summary:**

Dow explained that access to rail competition via reciprocal switching is important to Dow because most of its rail-served facilities and its rail traffic are captive to a single rail carrier. It further explained that trucks and other modes do not provide an effective competitive alternative for this traffic. And Dow stated build-ins to access rail competition are infeasible at nearly all Dow's captive facilities.

Dow explained that it supports reciprocal switching mainly because of the service benefits it provides. Dow stated reciprocal switching also would help address the high and rapidly rising rates that apply to its captive rail traffic. Dow and Member Fuchs discussed the captivity rate premium and the service levels that Dow observes concerning its captive traffic. Dow explained that it generally receives better service at competitive sites. Additionally, where Dow has access to competition, Dow can leverage traffic to incentivize service improvements, which is not an option for captive traffic.

Dow and Member Fuchs discussed railroad investment to increase access to dual-served traffic. As an example, Dow described investments that Union Pacific made to increase access to Dow's traffic at its Seadrift, TX, facility. Dow stated these investments increased UP's access to the site's traffic, and in return, Dow made commitments to encourage the investment.

Member Fuchs asked about how Dow measures rail service performance. Dow explained that it looks at performance to switch windows, transit times, and dwell times. Dow also explained that analyzing trip plan performance was infeasible because trip plan information is not readily available.

Dow described its experience with interswitching, which is available at its Fort Saskatchewan facility. Dow stated that there, the incumbent competes and serves nearly all the traffic. Also, the competition has helped the incumbent carrier by providing an alternative option for traffic that is not a good fit for its network.

Dow also reviewed the Plaquemine and Taft example in its written comments, explaining how a reciprocal switch in that context could have significant benefits related to service, railcar fleet requirements, and inventory requirements. Member Fuchs asked whether movements from those facilities would qualify as a switch because of their distance from an interchange point. Dow clarified that the Taft facility is only 30 miles from New Orleans, which appears reasonable. The eligibility of the Plaquemine facility, which is 87 miles from New Orleans, is not as clear cut from a distance perspective, but Dow noted that some of its traffic moves through New Orleans today and thus additional traffic potentially could move through New Orleans via the same operations.

Dow explained that it has strong incentives to ensure that it uses reciprocal switching in a way that promotes service reliability and consistency over the long term. Thus, it expects that it would enter into multi-year rail transportation agreements involving traffic open to reciprocal switching, like it does with competitive traffic today. Also, it does not foresee using a switch that adds congestion or delay, because this would reduce reliability.

Dow provided an example of how it has used interswitching to address a service issue. It explained that the incumbent was experiencing issues with an interchange to a connecting carrier and could not resolve the issues after extensive discussions with the Dow team. Dow thus moved the traffic to the competitor. Dow stated this did not impact the incumbent's network nor did the incumbent object to it. And Dow stated that, without this capability, it may have lost a customer.

Member Fuchs and Dow discussed whether reciprocal switching rules should include service degradation thresholds. Dow explained that the challenge with that approach is it would provide reciprocal switching on a temporary basis, only until the service is restored. According to Dow, a temporary reciprocal switch would not expose the incumbent to competitive forces because the traffic would not be attractive to a competitor. Thus, Dow stated that service levels and pricing would not benefit. Dow further explained that a service degradation standard is not necessary given the small scope of traffic for which reciprocal switching is attractive. Dow stated shippers are unlikely to use reciprocal switching to convert single-line moves that are captive at both ends to joint line moves, since this would involve two switches—one from the incumbent at the origin and another back to the incumbent at the destination—and two switch fees. Dow stated that, instead, reciprocal switching would be most attractive for joint line moves that are captive at an origin or destination near an existing interchange. Dow noted that,

according to AAR's witness Baranowski's estimates, just 6.7% of traffic potentially eligible for reciprocal switching meet these criteria. Dow concluded the discussion by observing that a service standard would deprive shippers of the full benefit of reciprocal switching.