



# AmericanCoatings

ASSOCIATION<sup>SM</sup>

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April 22, 2022

Surface Transportation Board  
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Re: Hearing on "Urgent Issues in Freight Rail Service"

Dear Members of the Surface Transportation Board:

On behalf of the American Coatings Association (ACA) and the more than 315,000 employees in the paint and coatings industry, I write to express ACA's strong support for the need for reliable rail service to the paint and coatings industry, and to commend the Board for conducting the April 26 -27 hearing on "Urgent Issues in Freight Rail Service."

As you may know, ACA is the premier trade association dedicated to advancing the interests of the coatings industry and represents paint and coatings manufacturers, suppliers, distributors, and technical professionals. Many of today's paints and coatings may go unnoticed by the consumer, but they play increasingly valuable roles in delivering high-quality foodstuffs, durable goods, housing, furniture, and thousands of other products to market. Over the past several decades, paint manufacturers have advanced coatings technology to create more environmentally conscious and sustainable products. The results are myriad safer and easier-to-use paints that deliver top quality aesthetics and durability.

Raw materials and other inputs to coatings formulas are delivered to manufacturers primarily by road and rail. In 2020, trucks accounted for 57% of chemical tonnage shipped and railroads shipped approximately 19%.<sup>1</sup> In 2020, Class I railroads originated 2.1 million carloads and 175 million tons of chemicals were shipped in the United States, generating revenue of over \$10 billion.<sup>2</sup> A portion of these chemicals were used in the formulation of paint and coatings products. Coatings manufacturers rely upon the railroads to bring the necessary raw materials directly to the manufacturing facility.

Although some manufacturers have already transitioned a portion of raw materials delivery from rail to trucks,<sup>3</sup> it is not possible to completely make this transition because of sheer volume. Typically, tank cars have up to five times the capacity of a truck, holding between 6,500 gallons to more than 31,000 gallons of liquid<sup>4</sup>, and a typical freight train can have as many as 110 to 170 railcars. One raw material supplier in the coatings industry estimated that to replace the rail shipments with truckload shipments would require an

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<sup>1</sup> "What Railroads Haul: Chemicals", January 2022 Association of American Railroads

<sup>2</sup> Ibid.

<sup>3</sup> In 2021, trucks were carrying 5% of total slurry shipments. Year-to-date in 2022, this has doubled to 10%.

<sup>4</sup> Union Pacific website: <https://www.up.com/customers/track-record/tr052521-what-is-a-rail-tank-car.htm>

additional 850 trucks delivering to their facility. Nor is it desirable to shift from rail to highway from a financial perspective or when considering sustainability issues. On average, trucks are approximately 30% more expensive per metric tonne and emit 75% more greenhouse gas emissions than rail.<sup>5</sup>

The coatings industry has experienced unpredictable and reduced service from railroads recently. Here are a few examples:

- *Workforce Issues Appear to be Causing Missed Switches:* The availability of crews to build trains and deliver shipments is a significant problem. Many shipments have failed to arrive at facilities because there are not enough crews available to build the trains and accomplish the “switch” that is necessary for the finished train to make a delivery. This lack of manpower appears to be related to ‘hours of service’ requirements as well as a lack of workers.
- *Reduction in the amount of service days:* Several manufacturers have reported that rail service providers have cut the number of service days. In addition, even the reduced number of service days are not reliable as some service days are just “missed” on a regular basis.
- *Congestion and longer transit times:* Apparently, rail cars waiting for a “call in” are staged at various terminals. In some cases, rail cars are moved to terminals significantly far from anticipated delivery and then the “call” is made, the rail cars are anywhere from 5 – 7 days away.
- *Failure to communicate delivery interruptions in a timely fashion:* Manufacturers indicate that service delays and interruptions are not communicated to them until the scheduled delivery date, requiring companies to scramble to determine what coatings could be manufactured on any given day and completely disregarding planned production schedules. More timely notice regarding any delays or interruptions will provide manufacturers precious time to rework the production schedule.
- Congested and overloaded rail yards have caused intermodal inter-regional and intra-regional ocean containers to be delayed and even lost for several weeks.

Specifically, unreliable or unpredictable rail service can result in the following:

- Many coatings companies and raw materials suppliers operate facilities on a 24-hour cycle, seven days a week. In companies working around the clock, slurry tanks are in constant use. However, if rail service is suspended and a facility does not get rail shipments for 4 days, the slurry tanks, even at 15,000 gallons, are not big enough to maintain production at the expected rate.
- The practice of “calling in rail cars” or scheduling a delivery is completely unreliable. Despite a firm delivery date agreed upon, rail cars may not show up until several days later. This causes the facility to rework the manufacturing schedule and pivot to manufacturing one product to another. This is currently extremely difficult since facilities do not have surplus raw materials in inventory.
- Finished paint products like architectural coatings, industrial coatings, and specialty products rely upon the intermediate raw materials provided by chemical suppliers to the industry. These chemical suppliers rely more heavily on rail cars. If these chemical suppliers cannot obtain deliveries of raw materials and cannot make the intermediate raw materials, paint manufacturers will not be able to make paint.

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<sup>5</sup> “Freight Rail & Preserving the Environment”, April 2021 Association of American Railroads

- The additional non-value-added cost of using alternate freight methods and diverted manpower to attempt to keep production lines going serves to add additional production costs thus contributing towards inflationary pressure.

The impact on the coatings industry is significant and can result in the inability to produce paints and coatings for a wide spectrum of end uses. In severe cases, manufacturing facilities may have to suspend operations until raw materials can be supplied by alternative modes of transportation. These delays not only affect our industry, but related industries as well. For instance, there are significant delays in the closing of new home construction due in part to the reduced supply of building products, including paint and coatings.

The paint and coatings industry contributes over \$27 billion to the US economy. Every single manufacturing process that results in the production of a non-liquid product includes a process for coating the finished good, making the coatings industry an integral part of and partner to the larger manufacturing industry. Our members produce the coatings for life-saving equipment, defense applications like Chemical Agent Resistant Coatings, corrosion-resistant coatings for critical infrastructure, and wall paint for architectural projects as well as the floor finishes highlighted during March Madness. But these coatings can only be produced if the raw materials show up on time and on a reliable schedule.

The coatings industry is eager to work with the railroads to develop solutions to these issues and welcome outreach to determine potential pathways to more efficient and reliable service by rail.

If you have any questions or if I may provide additional information, please do not hesitate to contact me directly at [hmcauliffe@paint.org](mailto:hmcauliffe@paint.org).

Best regards,

A handwritten signature in blue ink, reading "Heidi K. McAuliffe". The signature is fluid and cursive, with the first name "Heidi" and last name "McAuliffe" clearly legible.

Heidi K. McAuliffe, Esq.  
Vice President, Government Affairs