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BEFORE THE
SURFACE TRANSPORTATION BOARD

URGENT ISSUES IN FREIGHT RAIL SERVICE	)	**Docket No. EP 770**

STATEMENT OF STEVE AMROSE
VICE PRESIDENT OF CEMENT SALES AND LOGISTICS GCC OF AMERICA

Chairman Oberman and members of the Surface Transportation Board (Board), thank you for holding today's hearing *Urgent Issues in Freight Rail Service.* My name is Steve Ambrose and I am the Vice President of Cement Sales and Logistics at GCC of America. I am here on behalf of the Portland Cement Association, which represents the majority of the nation's cement manufacturers, to talk about our recent experiences of shipping cement to market. Over the past year many cement manufacturers have experienced significant declines in rail service that have hindered our ability to get our product to market in a timely manner.

Portland cement is a manufactured powder that is the primarily ingredient in concrete. More specifically, portland cement is the bonding agent in concrete, similar to the role of flour in cake mix. As an essential construction material and a basic component of our nation's infrastructure, portland cement is used in virtually all construction applications, including highways, bridges, mass transit, airports, schools, offices, homes, commercial and residential buildings, dams, and water resource systems and facilities. The low cost and universal availability of portland cement ensure concrete remains one of the nation's most essential and widely used construction materials. Literally nothing in the modern world can be constructed without it.

Approximately 87 million metric tons of portland cement were produced domestically in 2020 at the 100 cement manufacturing plants in 34 states across the country.[1] GCC of America has five cement plants in the United States and 26 terminals in 12 states. Generally, GCC of America's product is used in construction in all the mountain and some west central states.

We expect the demand for cement to increase as the economic recovery continues and states and communities implement the infrastructure projects funded in large part by the investments made through the recent Infrastructure Investment and Job Act. For example, based on Portland Cement Association's Market Intelligence forecasts, the investments made by the Infrastructure Investment and

[1] https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-cement.pdf

Jobs Act will result in 46 million metric tons over the five-year program, which is a significant increase in consumption.

The cement industry is regional in nature. Most cement manufacturing plants are located near large limestone deposits, the principal ingredient used to produce portland cement. In recognition of the regional nature of the cement industry, it is critical to have reliable and cost-effective transportation options. The majority of cement shipped in the United States is shipped by rail, and very few cement manufacturing plants or terminals are serviced by more than one railroad. Additionally, many cement manufacturing plants are located in close proximately to a freight rail line. The average cement shipments by rail range between 250 and 300 miles. Truck transportation is traditionally not economically viable beyond 100 to 125 miles.

As such, the cement industry relies substantially on railroads to deliver our product to the marketplace beyond the economical range of trucks. In addition, some cement plants also have access to water transportation for domestic shipments. These plants look to rail, barge, and trucks to transport their product. Most bulk cement shipment are from the manufacturing plants to the regional distribution terminals, where the cement is then delivered by truck to the distribution network consisting primarily of local contractors and ready mixed concrete producers. In summary, the nation's cement manufacturers have historically relied heavily on rail transportation to move the majority of shipments between cement plants and distribution terminals, and that reliance has only grown in recent years.

It is therefore absolutely critical to cement manufacturers that the railroads provide reliable, efficient, sustainable, and cost-effective service to meet the widespread and growing demand for our product. With this background, the cement industry is working to meet carbon neutrality by 2050 across the cement and concrete value chain. Cement manufacturers look to rail as a highly sustainable mode of transportation to move their product to market as we work to achieve carbon neutrality.

The overwhelming majority of cement manufacturing plants are captive to a single railroad. For example, west of the Mississippi River is dominated by two Class I railroads, BNSF Railway Company and Union Pacific Railroad Company, and their tracks typically do not parallel each other. East of the Mississippi River, CSX Transportation, Inc. and Norfolk Southern Railway Company are the two dominant Class I railroads. It is rare that a cement manufacturing plant is not captive to one railroad as it is rare that rail lines parallel each other at or near the locations where cement plants exist. For example, GCC of America's cement plant in Odessa, Texas is captive to Union Pacific and the closest BNSF track is located 129 miles east and 196 miles west of the plant.

When the Class I rail carriers moved to precision scheduled railroading in recent years, cement manufacturers experienced a significant decline in service. Prior to this shift, cement manufacturers were already facing challenges with consistent service. The shift to precision scheduled railroading has resulted in a significant increase in missed switches and increased demurrage billings as more cars had to be added to runs to accomplish the same volumes prior. For example, in a manifest run that prior to precision scheduled railroading took seven days now takes 10 days to accomplish the same volume.

Collectively, this is has led to increased costs to cement manufacturers not only through increased demurrage but also lost sales.

For example, not only is the above example playing out in manifest shipments it is also playing out in unit train service. Up until two years ago and for the past eight years prior GCC of America has run a 100 unit car train from Pueblo, Colorado to Denver, Colorado on seven day average intervals. Two years ago, the intervals changed to 10 days. Our records show the reasons given were lack of crews, locomotive availability, and in some cases both. As a result, GCC of America ran out of cement in the Denver market seven times in 2021. However, this does not just impact us. It is important to consider the impact to our customers and the construction of airports, highways, city streets, and then finally the average citizen who experiences delays and increased costs.

Cement manufacturers have seen a further degradation in rail service over the past year. Many of the railroads point to staffing cuts and challenges associated with the COVID-19 pandemic. While large parts of the economy were impacted by various restrictions, construction in many cases remained in place as an essential activity, and in some cases volumes and demand for construction materials, including cement, increased as projects were accelerated due to reduced traffic levels on our roadways. This coincides with Class I freight railroads announcing further service cuts. Coupling the reduction in service through staffing cuts, precision scheduled railroading, and continued or increased demand for construction materials has left cement shippers in some very difficult situations of not being able to fulfill orders in a timely manner.

At the beginning of the pandemic there were many uncertainties. For example, the cement industry was concerned about a slowdown in construction, when in fact that did not happen. After initially scaling back service significantly, the Class I railroads have had ample time to hire enough workers to meet the continued and increasing demands for rail shipping. The time for the railroads to continue to point to reduced staff and service because of the COVID-19 pandemic has long passed.

For cement manufacturers, as we anticipate increases in cement demand over the next couple years, we need to know we can rely on the railroads to help us meet these critical shipping need and ask each of the Class I railroads what their plan is to address backlogs in service in a timely manner.

While cement is a small percentage of any Class I railroad's annual business, it is important to note that the declines in rail service are facing all shippers and for cement shipping in many instances there is not a cost competitive alternative to rail. Finally, and perhaps most concerning in this current situation, the exemption of Board oversight of hydraulic cement prevents this essential industry from having a formal means to raise specific concerns with the Board. This is an issue that in our opinion needs to be addressed by the Board, and the Portland Cement Association continues to work diligently toward resolution on this matter.

In closing, thank you for allowing me to testify today on the perspective of cement manufacturers. The cement industry appreciates the Surface Transportation Board giving thought to actions that can be taken to help all shippers get their product to market in a timely fashion. The Portland Cement

Association continues to stand ready to provide information, support and act as a resource for the Surface Transportation Board in these ongoing considerations.

Respectfully submitted

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