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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: STB Docket No. EP 770, *Urgent Issues in Freight Rail Service*

Archer Daniels Midland Company (“ADM”) respectfully submits these comments in response to the Surface Transportation Board’s (“STB” or “Board”) Notice of Public Hearing (“Notice”) addressing railroad service problems and recovery efforts. ADM strongly agrees with the Board about the fundamental need for reliable freight rail service. As discussed below, the railroads need to make a commitment to provide its customers with acceptable service, take proactive and immediate steps to repair their current inadequate service, ensure there is balance and reciprocity in the protection of shipper investments, and commit to preventing similar future lapses.

IDENTITY AND INTEREST

ADM has a significant interest in this hearing, as it is a major rail transportation shipper of agricultural and related commodities. ADM is one of the world’s largest processors of agricultural commodities and a leading manufacturer of value-added food and feed ingredients. ADM buys, sells, transports, stores and processes corn, oilseeds, wheat, and many other agricultural crops into products for food, animal feed, industrial, and energy uses at its hundreds of plants and sourcing facilities. ADM requires efficient and cost-effective rail transportation service in order to meet its essential business needs in transporting its bulk commodities it ships to and from its plants and facilities. ADM ships approximately 1 million loaded and empty railcars annually in North America. ADM controls a private fleet of approximately 30,000 private railcars required to fill both its and its customers’ needs. Notably, the railcar types and sizes in ADM’s private fleet are not offered by railroads.



COMMENTS

It is imperative to require the execution of an acceptable level of service and accountability in the event there is a failure by a railroad to provide such service.

A. ADM's Rail Service Needs

ADM relies on an efficient railroad network to run its global business. Generally speaking, ADM's service requirements are straightforward. ADM requires core operating services, including but not limited to scheduled regular local switch service, consistent transit times, timely issue resolution, adequate supply of rolling stock, and prompt placement of railroad-controlled train sets. Without these core operating services, pipelines will fail and often result in production capacity reduction for ADM and its customers.

ADM values its strong and productive relationship with Class I railroads and views the railroads as its partners. ADM continues to actively help the railroads become more efficient and help them provide its customers efficient operations. Most importantly, ADM expects the railroads to commit to execution of an acceptable level of service, and to uphold their service commitments, as a fundamental business principle. ADM appreciates this partnership and ability to continue to work together to achieve best practices and efficiencies in the movement of railcars and product.

B. Railroad Planning and Operations

ADM does not presume to know the best, most efficient operating model for railroads. Conversely, we know that railroads do not presume to know the best way to operate an agricultural processing company. ADM wants railroads to utilize the appropriate operating model that provides the industry the best, most robust, cost effective, efficient, and resilient service.

For example, many blame the railroads' current and existing problems on the implementation of Precision Scheduled Railroading ("PSR"). The carriers generally admitted problems with "crew shortages", "congestion", or "lack of power". ADM is not opposed to the stated principles of PSR in terms of offering improved and more efficient service at lower cost. However, ADM is opposed to an inadequate amount of crews and locomotives to handle its business, regardless of the operating model. ADM is not in a position to tell each railroad how many crew or locomotives they should have, what equipment or other investments they should make, or what operating systems they should employ for their business. ADM simply needs to know that whatever systems are implemented by the railroads, the railroads will be able to meet our service requirements and to protect ADM's significant investments in railroad facilities, equipment, and customers. The specific operating philosophies or systems the railroads choose to employ, whether PSR or something else, are their own choice, and are not ADM's to choose or determine.



C. Recent Rail Service Lapses

ADM has serious concerns about the recent and ongoing failures of several Class 1 railroads to meet acceptable service requirements. The main areas of recent and ongoing failures include but are not limited to lengthened transit times, inconsistent transit times, sporadic local switching, deviation from trip plans, and delayed placement of railroad-controlled train sets.

These failures result in reduced production rates at ADM processing plants, shut down of ADM customers' production facilities, and a highly underutilized private railcar fleet. ADM's customers include some of North America's largest producers, sellers, and marketers of food, feed, energy, nutrition, and consumer products. ADM's ability to ship products and satisfy its customers' needs by other means (trucking and barge) are very limited.

D. Remedying Railroad Service Lapses

Unfortunately, this is not the first time (although hopefully will be the last) railroad service deteriorated to a point that STB assistance was requested by a large number of shippers and receivers. ADM believes there are four items that should be utilized in order to obtain a viable resolution of the current challenges, and to sufficiently prevent future challenges:

- 1. Identify the Root Cause of the existing operating challenges.**
 - a. Require railroads to adequately identify the current operating challenges in sufficient and reasonable detail.
 - b. Require railroads to complete a root cause analysis for all operating challenges and share results with the industry within a reasonable timeframe.
- 2. Define an appropriate recovery timeline**
 - a. Railroads must provide more specific recovery forecasting detail.
 - b. Require railroads to commit to a date by which recovery will be complete.
 - c. Follow up at regular intervals to make sure the railroads' plans are progressing as outlined in the root cause analysis action plan.
- 3. Require Reciprocity**
 - a. Implement a program of financial penalties paid by railroads to shippers when service failures occur (Reciprocity).

ADM continues to support common sense accessorial programs that are fairly implemented and executed. A well-designed and fair accessorial program can lead to investments in efficiency and pipeline resiliency. Reciprocity provides additional financial incentive to prevent future service meltdowns. Adequate financial compensation for service failures will force the railroads to be more cautious when reducing their crews



and power base, while leading to an investment and changed behavior to improve the overall operational health of the rail network in North America.

4. Prevention of future service issues.

- a. Reciprocity is key to the prevention of future service failures.
- b. Railroads must establish and provide a strategic, long-term action plan to prevent and mitigate future operational issues.

Unfortunately, the railroad service failure is a repetitive cycle. It's not a unique event. When there are service failures, the focus always is fixing the current problem, not prevention of future problems. The execution of a long-term action plan, along with reciprocity will be key in preventing future service issues.

CONCLUSION

ADM appreciates the opportunity to submit these comments and looks forward to continued partnerships with the railroads. The time has come for more decisive actions, including the implementation of the above-referenced action items, to address recurring service failures. The utilization of an efficient service and accountability system for the Railroads is imperative to the success of both the rail industry as well as the customers who rely on such services.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Christopher L. Boerm", with a long horizontal flourish extending to the right.

Christopher L. Boerm
President, Transportation