

SURFACE TRANSPORTATION BOARD**Docket No. EP 711 (Sub. No. 1)*****Reciprocal Switching*****Summary of Ex Parte Meeting Between CN
and Surface Transportation Board Member Karen Hedlund****May 4, 2022****ENTERED
Office of Proceedings
May 9, 2022
Part of
Public Record**

CN Attendees: Rob Reilly, Executive Vice-President and Chief Operating Officer; Bernd Beyer, Vice-President and Treasurer; Kathryn Gainey, Deputy General Counsel; Andreas Aeppli, Cambridge Systematics; Matthew Warren, Sidley Austin LLP

STB Attendees: Karen Hedlund, Board Member; Charles Vance, Attorney Advisor

CN thanked Member Hedlund for the opportunity to meet. Because of time constraints on the last day of the hearing, CN explained that it wanted to provide Mr. Aeppli's modal market share presentation and allow an opportunity for any questions.

Mr. Aeppli provided an overview of his analysis using 2019 Transearch data, which showed truck having a larger market share than rail carload for all commodities except coal and metallic ores. Mr. Aeppli described his analysis by mileage bands and explained that, if coal is excluded from the analysis, there are no distance ranges where the mode share for rail carload exceeds highway.

Member Hedlund asked about the market share of pipelines. Mr. Aeppli explained that pipeline volumes are not fully reported in the Transearch data set. He estimated that, for chemicals and energy commodities, pipelines probably have approximately 15% or slightly higher market share.

Member Hedlund and CN discussed the recent service hearing. CN discussed the advance planning that is required to hire crews, add capacity, and acquire railcars and locomotives. CN also discussed the importance of demand forecasts and having sufficient resources to respond to unanticipated changes in demand. CN explained that its U.S. network had record volumes for March and April and noted that demand has been strong for several commodities, including grain, iron ore, sand, coal, and crude. CN discussed how it partners with its customers as they grow and how CN plans for that growth.

Member Hedlund and CN discussed barge competition, including for grain movements on the Mississippi River. CN and Member Hedlund also discussed the impact of the war in Ukraine on commodities such as grain, coal, crude, and potash.

Member Hedlund and CN discussed anticipated areas of growth on CN's network, including intermodal containers going to Chicago and Memphis, iron ore, export grain from the Upper Midwest, finished autos from Detroit, and the ports of Mobile and New Orleans.

CN and Member Hedlund thanked each other for their time.



EP 711 (Sub-No. 1) Hearing

presented to

US Surface Transportation Board

March 16, 2022

3.10.22

presented by

Cambridge Systematics, Inc.

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Purpose & Approach

High level examination of the freight marketplace, and the degree to which competition is inter- vs. intra-modal, and how this may affect consideration of the reciprocal switching scheme that is being debated in EP 711 (Sub-No. 1).

We examined modal market share across major commodities and by length of haul to assess the level of modal competition across the primary modes – highway, rail, and water – for freight shipments handled within the US.

Focus on originated tonnage, since shippers and markets are concerned with volumes shipped, not transportation system production that is most commonly measured through ton-miles.

Analysis utilized S & P Global Market Intelligence Transearch for the year 2019, an industry standard freight flow database that reports commodities consistent with STB and rail industry usage.

US Domestic Shipments Originated Tonnage by Mode, All Commodities, 2019

Mode ^a	Tons		Ton-Miles		Average Length of Haul (miles)
	Amount (billions)	% of modal total	Amount (trillions)	% of modal total	
Truck	8.8	78.5%	1.86	53%	211
Rail	1.63	14.5%	1.27	36%	784
Carload	1.45	13%	1.03	30%	712
Intermodal	0.18	1.5%	0.24	7%	1,380
Water	0.8	7%	0.35	10%	449
Total	11.0	100%	3.48	100%	311

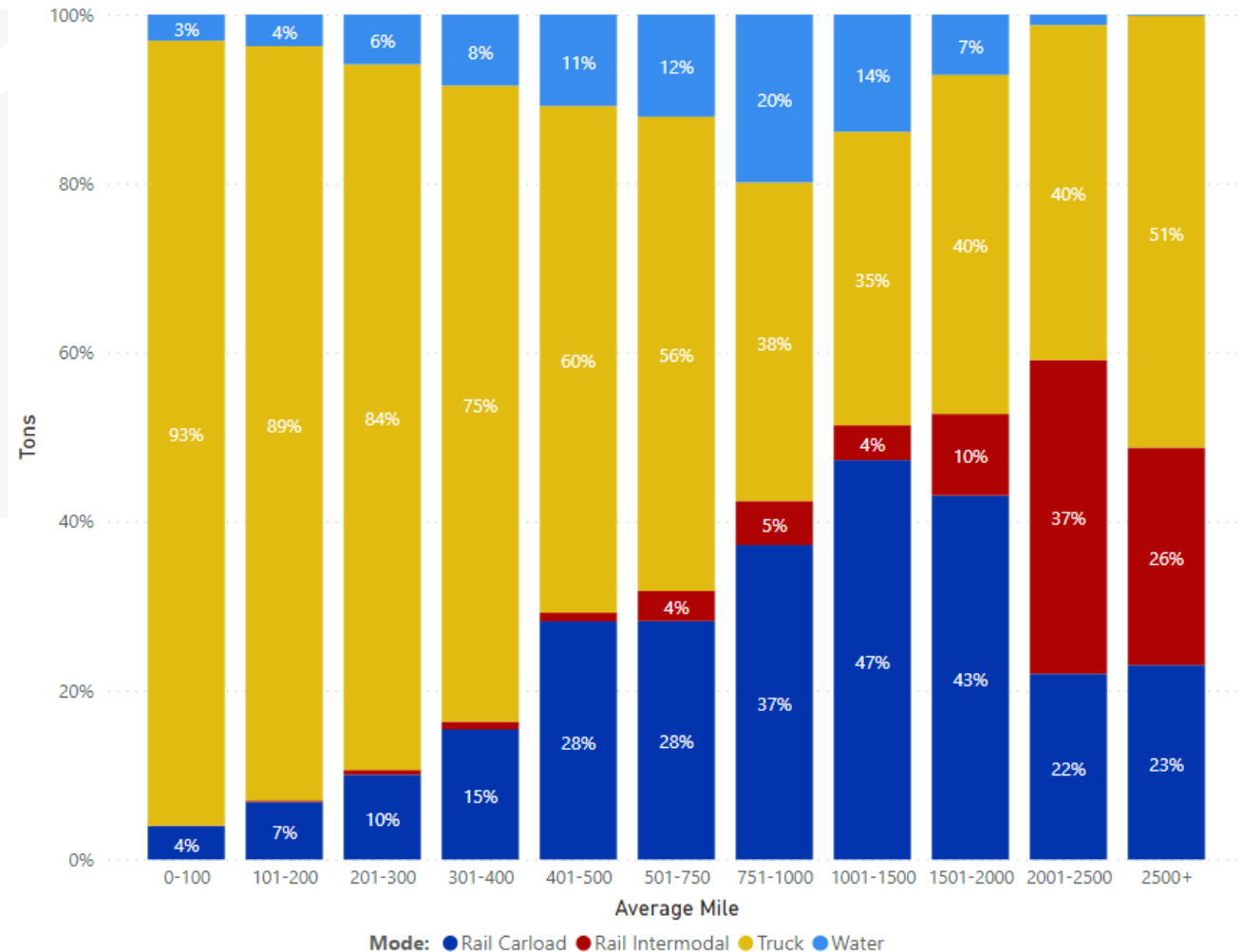
^aExcludes air and pipeline. Air constitutes a negligible portion of domestic freight tonnage, and pipeline volumes are only partially reported in Transearch, and thus were not included in analysis.

Source: S & P Global Transearch

Domestic Tonnage by Distance

All Commodities, 2019

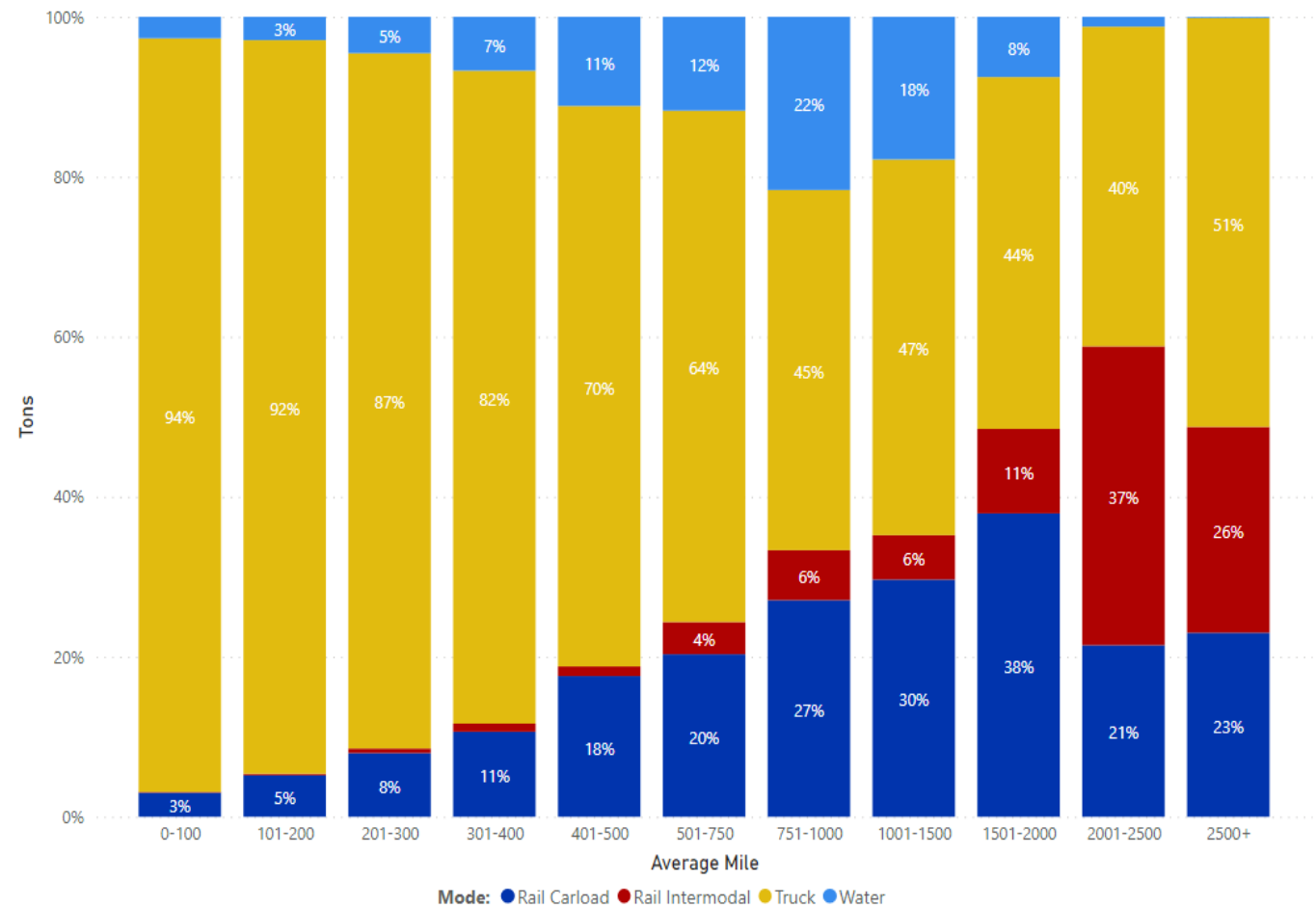
- *Modal share for rail carload service exceeds highway only in the 1,001-1,500 and 1,501-2,000 mile bands.*
- *Rail carload and highway share are roughly equal for the 751-1,000 mile bands.*
- *This is directly related to the high volumes of coal coming out of the Powder River Basin headed to destinations in the south and east.*
- *For all other distance bands, highway mode share exceeds carload rail significantly.*



Note: Excludes crude petroleum, shipping containers and hazmat products due to incomplete reporting
Source: S&P Global Transearch

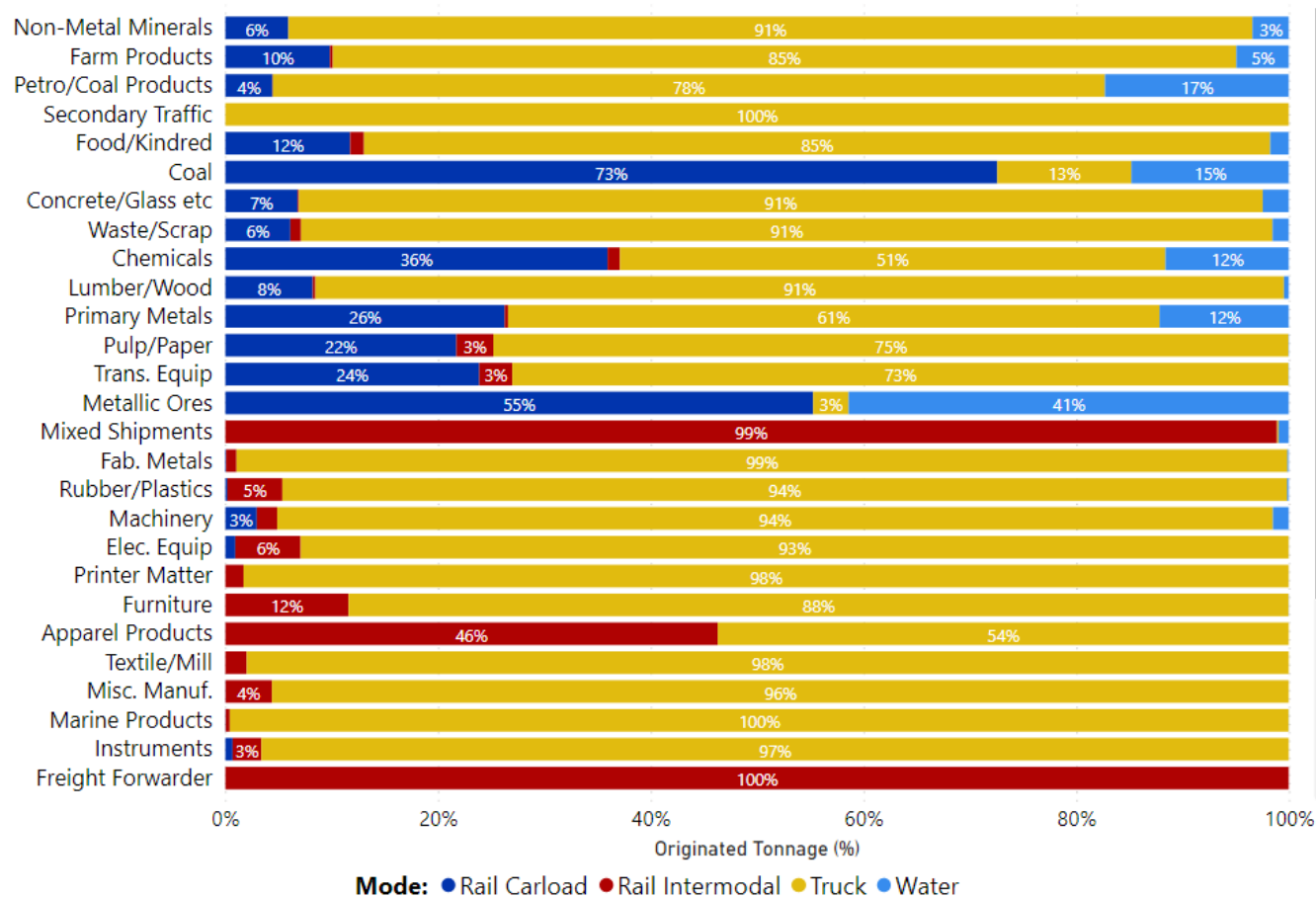
- A clearer picture of modal competitiveness across distance emerges when coal, with its particular characteristics that are not representative of most rail-competitive markets, is excluded.
- Excluding coal, there are no distance ranges where mode share for carload rail exceeds highway. The closest is in the 1,501-2,000 mile range, where carload rail tonnage accounted for 38% vs. 44% for highway.
- Even in distances exceeding 750 miles where carload rail tends to be most competitive, highway still outperforms rail.

Domestic Tonnage by Distance Excluding Coal, 2019



Note: Excludes crude petroleum, shipping containers and hazmat products due to incomplete reporting
Source: S&P Global Transearch

Domestic Originated Tonnage by Mode



- *Commodities with carload rail mode share exceeding 25%: coal, chemicals, primary metals, and metallic ores.*
- *Commodities with carload rail mode share exceeding 50%: coal and metallic ores.*

Note: Excludes crude petroleum, shipping containers and hazmat products due to incomplete reporting
 Source: S&P Global Transearch