

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

**Summary of Ex Parte Meeting between The Dow Chemical Company
and Member Karen Hedlund**

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Office of Proceedings
May 9, 2022
Part of
Public Record

May 4, 2022

Dow Attendees:

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

STB Attendees:

- Karen Hedlund, Board Member
- Charles Vance, Attorney Advisor

Meeting Summary:

Dow provided an overview of its business, explaining that it has a large nexus to the U.S. Gulf Coast, its three largest rail-served facilities are captive to a single railroad, and it heavily relies on rail transportation.

Dow explained that access to rail competition via reciprocal switching is important to Dow in part because most of its rail-served facilities and its rail traffic are captive to a single rail carrier. It further explained that trucks do not provide an effective competitive alternative for this traffic.

Mr. Vance asked Dow to quantify the amount of its competitive rail traffic that moves under contract, and Dow responded that virtually all of that traffic moves under contract. Member Hedlund asked if a benefit of reciprocal switching is that additional traffic would move under contract. Dow responded that this was a benefit.

Dow explained that the primary benefit of reciprocal switching is that it would incentivize railroads to provide better service and a secondary benefit was that it would place competitive pressure on rates.

Dow used its experience with rail transportation from its Taft and Plaquemine, Louisiana, facilities as an example of how reciprocal switching could provide an incentive to improve service and efficiency. It explained that both facilities are within the New Orleans terminal area, where the serving carrier interchanges with competitors that can handle some of the facilities' traffic, but the serving railroad does not allow Dow to switch some of this traffic to competitors

at New Orleans even though this can provide more direct and faster routing. Dow also explained that access to competition at New Orleans could spur investment in better service through New Orleans and more efficient rail transportation options. Dow further explained that, while the incumbent has raised concerns about congestion at New Orleans, it does not adjust its routing protocols to allow Dow to interchange additional Taft and Plaquemine traffic at New Orleans even when rail operations are fluid in the New Orleans area.

Dow discussed its experience with Canadian interswitching. It explained that, even though most of its traffic stays with the incumbent where interswitching is available, the incumbent has an incentive to provide better service because competition is present. It further explained that it sees carriers try to win Dow's traffic where interswitching is available, through service innovation and other measures, and carriers typically do not try to improve service at single-served sites. Dow also explained that, when deciding to shift this traffic to the competing carrier, it primarily looks at the service implications and considers whether there are any infrastructure constraints that would cause interswitching to be unsuccessful. Member Hedlund asked how long the procurement process takes when moving traffic to a competitor. Dow responded that it generally is a three-to-six-month process that includes a review of volumes, density, and the carrier's service record. Member Hedlund asked if Dow has used interswitching to address a service issue, and Dow provided an example where it shifted traffic to a competing carrier that could avoid a problematic interchange with the destination carrier. Dow also explained that, in this example, it had many discussions with the incumbent regarding the service issue and Dow's plan to use interswitching.

Member Hedlund asked if Dow has seen rail service decline in the past two years. Dow explained that it has seen a significant across-the-board decline since before the COVID pandemic and that its transit times have increased by 16%.

Member Hedlund asked if Dow has experienced service issues that have caused shutdowns. Dow responded that these types of issues are a weekly occurrence and provided examples.

Dow explained that reciprocal switching would not have a chilling effect on railroad investment. It provided an example of how one railroad was willing to make investments to increase its access to a facility in return for commitments from Dow.

Member Hedlund asked what Dow felt was important regarding reciprocal switching. Dow responded that the incentive it provides to improve service was important because reliable service helps Dow meet its customers' expectations.