

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

**Summary of Ex Parte Meeting between The Dow Chemical Company
and Chairman Martin Oberman**

May 3, 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:

- Martin Oberman, Chairman
- Ellen Erichsen, Chief of Staff
- Adam Kress, Attorney Advisor
- Laura Wilson, Office of General Counsel

Meeting Summary:

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.

Dow explained that it supports reciprocal switching because it would help improve service and incentivize more competitive pricing. Dow explained that its captive traffic is subject to an approximately 20% rate premium compared to its competitive traffic. Dow also explained that rail service is critical and the key factor that Dow considers when evaluating rail transportation options.

As an example of the potential benefits that reciprocal switching could provide at many locations, Dow explained that a reciprocal switch for some of its traffic originating at its facilities in Taft, LA, and Plaquemine, LA, could potentially reduce transit times and reduce the transit distance and duration of certain hazardous-material traffic. Chairman Oberman asked several questions to identify the locations of these facilities and the specific routing and handling of this traffic. Dow explained that the facilities are between New Orleans and Baton Rouge, LA, with Taft 30 miles from New Orleans and Plaquemine approximately 90 miles from New Orleans. Dow further explained that the facilities are sole-served by Union Pacific Railroad, their traffic moves in manifest service, and UP routes the facilities' traffic to its Livonia yard, which is slightly west of Baton Rouge. Dow also explained that some of the traffic moves from

Livonia back along the line that serves Plaquemine and Taft to New Orleans and about 60% moves north to East St. Louis for interchange to an eastern carrier. Dow also described the routing of traffic from Plaquemine to Institute, WV, explaining that it moved north to East St. Louis, where it interchanges with CSX, and then east over a route of approximately 1450 miles. Dow further explained that, if this traffic moved through New Orleans, it would travel approximately 1200 miles since it would move on a straighter northeasterly route.

During the Plaquemine and Taft discussion, Chairman Oberman asked whether CSX has a preference over the gateway that Dow uses, and Dow responded that CSX has never directed Dow to use a specific gateway for this traffic. Chairman Oberman asked whether switching the traffic at New Orleans would involve CSX's Gulf Coast line, and Dow responded that it would, but the switch would not involve adding a train on the line and Dow would expect that the opportunity to handle this traffic would incentivize investment to improve service along the route. Chairman Oberman asked whether a 30-mile limit would be helpful regarding Plaquemine and Taft. Dow responded that, while the limit might cover Taft and not Plaquemine, the Board should make switching available from a terminal perspective. Chairman Oberman then asked whether this is a bottleneck issue or a reciprocal switching issue. Dow responded that this is a reciprocal switching issue because it involves switching the traffic at an interchange in the New Orleans terminal area, like a reciprocal switch between Union and BNSF in Houston for traffic that originates in the Houston terminal area and would otherwise interchange with BNSF closer to its destination. Dow also explained that, in the example, the Livonia yard plays a supporting role in the New Orleans terminal.

Chairman Oberman asked whether reciprocal switching causes congestion where it is currently available to Dow. Dow indicated that reciprocal switching is only available at one of its U.S. locations and does not cause congestion there. Chairman Oberman also asked about the impact of limiting reciprocal switching to locations where other shippers have access to it. Dow responded that this limitation does not appear to allow reciprocal switching at its three largest rail-served facilities that are captive to a single carrier, but Dow would review carrier switching tariffs and follow up with the Chairman's office.

Dow explained that, based on its experience with interswitching in Canada, it would not switch traffic just because reciprocal switching is available.

Chairman Oberman asked how Dow would use reciprocal switching. Dow responded that it would use reciprocal switching as leverage during contract negotiations primarily to help drive improvements in innovation and service, and also to lower costs. Dow explained that it has productive contract negotiations involving traffic originating at its Canadian facility that is open to interswitching because interswitching provides access to two carriers and both want to win the facility's traffic. Dow also explained that it does not anticipate that reciprocal switching would provide immediate relief for the current service crises, but instead would provide a long-term competitive alternative that would help avoid one-sided rail contracts that are favorable to railroads and thus, promote, long term service and infrastructure improvements.

Chairman Oberman asked Dow to explain how it determined that it pays a 20% captivity premium. Dow explained that, to facilitate an apples-to-apples comparison of captive and competitive rates, the figure is based on the rate difference between captive and competitive traffic moving between similar geographic points where the commodities and traffic volumes are similar.

Chairman Oberman asked how much total traffic would be eligible for reciprocal switching. Dow explained that, based on AAR's analysis, approximately 6% of traffic might benefit from reciprocal switching. Dow further explained that this figure includes traffic that moves in joint-line service but does not include traffic moving in single-line service because converting single-line routes to joint-line routes would add a switch, making them inefficient. Dow also explained that this figure likely overestimates the traffic that might benefit from reciprocal switching because it does not exclude all ineligible traffic.