

**Surface Transportation Board
Ex Parte 711 (Sub-No. 2)—Reciprocal Switching**

Summary of Ex Parte Meeting held on November 8, 2023, between
American Forest & Paper Association
and Chairman Oberman

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American Forest & Paper Association (“AF&PA”) Attendees:

- Maria Komourdjian, Director of Transportation, Resolute Forest Products
- Bruce Ridley, Senior Vice President, Packaging Corporation of America
- Ross Corthell, Vice President of Transportation, Packaging Corporation of America
- Julie Alsup, Director, International Paper
- Shannon Wiley, International Paper
- Tyne Brownlow, International Paper
- Mona Moorman, Domtar
- David Ross, Manager, Government Affairs, AF&PA
- Karyn Booth, Thompson Hine LLP
- Richard Couch, Thompson Hine LLP

STB Attendees:

- Chairman Martin J. Oberman
- Ellen Erichsen
- Jetta Sandin

Meeting Summary:

The meeting began with introductions. AF&PA and its members thanked the STB Attendees for the opportunity to meet and discuss the Board’s proposed rule and the issues in this proceeding.

AF&PA acknowledged that the Board’s Reciprocal Switching Notice of Proposed Rulemaking (“NPRM”) was a step in the right direction to address inadequate rail service and that it also supports additional regulatory changes to increase competition in rail service more broadly.

AF&PA stated that the forest and paper products industry has experienced rail service reliability and car supply challenges for years, especially since the rail industry implemented precision scheduled railroading. Specifically, AF&PA members’ respective businesses have been adversely impacted by rail service issues such as box car cleanliness, missed switches, inadequate car supply, and delayed transit times. AF&PA emphasized that the exempt status of most paper and forest products minimizes options to address these challenges. One AF&PA member stated that although service has improved as compared to the severe disruptions during implementation of precision scheduled railroading and the COVID-19 pandemic, the improvements do not equate to reliable rail service that meets its business needs and expectations. The member expressed concern that the NPRM metrics are based on extremely poor rail performance. Chairman Oberman understood the point and asked whether rail service

was reliable even at pre-COVID-19 service levels. One AF&PA member responded that with decreasing rail service over the years expectations have lowered but the railroads should be held more accountable. The member added that it believes that the rail service reliability bar in the NPRM was set too low because if a facility experiences a reliability service level of only 60% as contemplated by the NPRM, they would experience significant disruption and likely a production shut down.

Chairman Oberman asked whether any attendees have experienced service reliability below 60%, as that metric is contemplated in the NPRM. One member responded that its service was episodic and highly variable, whereby it experiences inadequate service, followed by improvements, followed by inadequate service for varying periods of time. Because of this, the member expressed concern with measuring the 60% service reliability metric over consecutive 12-week periods as proposed in the NPRM. Chairman Oberman stated he understood the point, and observed that episodic service may be fatal to some industries but not fatal to others.

AF&PA recommended that the Board consider a graduated reliability metric (e.g., 70% within 24 hours, 80% within 48 hours, and 90% within 72 hours) for both early and late deliveries which would further incentivize railroads to meet their own OETAs. Chairman Oberman stated it was an interesting suggestion that should be further developed in the comments for the Board's consideration.

Chairman Oberman continued, stating that it would help the Board if commenters included examples of what would occur if the reliability metric remained at 60%. AF&PA responded that if a shipper provided its customers with 70% of its order within 24 hours, the shipper would not be in business.

AF&PA agreed that transit times have increased over the past two years despite an increase in velocity. One member stated that the number of service days are less, and that when measuring the train's velocity there is no accounting for yard time. The member added that a contributing factor to increased transit times is the manner in which railroads organize and break down trains which can result in multiple dwell times.

Another AF&PA member noted that the transit time metric is important, but more important was reducing variability and increasing consistency. The member stated that it restocks inventory based in part on transit time. For this member, so long as the transit time is consistent there is predictability and increased efficiency. AF&PA added that many forest and paper product facilities are built to be serviced only by rail, not other modes of transportation, and that their customers also want to be serviced by rail. Another AF&PA member concurred, and added that they had lost customers because of inconsistent rail service or because they were forced to use another mode. Chairman Oberman observed that shippers should be able to increase output if possible based on reliable rail service and that the NPRM was a first step to incentivizing adequate rail service that would benefit the network at large.

AF&PA proposed that the Board add a “no show” metric to the ISP standards. While partial deliveries are problematic they can sometimes be made up later, and AF&PA stated that consecutive service windows that are missed have significant, negative impacts on their operations and customers. Chairman Oberman stated he understood the point and asked whether service issues primarily arise on the local level rather than the line haul. AF&PA members stated that both are important but local service issues have been the most acute.

AF&PA concluded stating that its members have experienced substantial rail service challenges as documented in other STB proceedings and they have a need for the inadequate service remedy proposed in the NPRM. AF&PA members want to benefit from the NPRM and believe that exemption revocation would be consistent with the rail transportation policy and the public interest. Accordingly, AF&PA informed Chairman Oberman that it will be requesting in its comments that the Board should partially revoke the exemptions for forest and paper products. AF&PA added that when railroads prioritize which traffic they are going to service, exempt commodities are likely moved to the bottom of the list. Chairman Oberman acknowledged the exemption and stated that AF&PA should address in its comments if the Board had the authority to partially revoke the exemptions in this proceeding.

The meeting concluded with each side thanking the other for participating in the meeting.