

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

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Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

**COMMENTS FROM
THE AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION**

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I. Introduction

The American Short Line and Regional Railroad Association (ASLRRA) submits these comments in anticipation of the public hearing that the Board noticed for September 16 and 17, 2024, to gather information about recent trends and strategies for growth in the freight rail industry.¹ The notice explained that, as freight rail is critically important to the nation's economy, the Board has an interest in the health and growth of the industry and the need for rail customers to move their goods efficiently and reliably. While the Board recognized that some shifts in volume may not be primarily within the control of rail carriers, the Board noted that over the past ten years carload volumes have not grown and have in fact decreased.² The Board expressed interest in exploring how industry participants are strategizing and innovating to reverse this recent trend and achieve freight rail growth. In addition to requesting the attendance of executive level officials from the Class I railroads, the Board invited and welcomed testimony

¹ 89 Fed. Reg. 57,497 (July 15, 2024).

² See Federal Reserve Bank of St. Louis, Rail Freight Carloads, <https://fred.stlouisfed.org/series/RAILFRTCARLOADSD11> (last updated June 12, 2024) (data collected by U.S. Dep't of Transportation, Bureau of Transportation Statistics).

from industry analysts, other rail carriers, rail customers, rail suppliers, labor organizations, and other interested parties.

II. Interest of the ASLRRA in this Proceeding

The ASLRRA is a national trade association representing the interests of about 600 short-line and regional railroad members in legislative and regulatory matters. Short lines operate nearly 50,000 route miles in the United States, or approximately 29% of the national freight network, touching in origin or destination one out of every five cars moving on the national railroad system, serving customers who otherwise would be cut off from the national railroad network. Both in legislative matters before Congress and in regulatory and legal proceedings before the Board, other federal agencies, and the courts, ASLRRA advocates for enlightened public policies which promote a strong regional and short line rail component for the national transportation infrastructure.

III. Short Line Railroad Industry Perspective on Growth

Growth in the freight rail business is essential to short line railroads. Carload volume is the lifeblood of the short line industry. Short lines keenly focus on retaining and growing carload volume – and will partner with anyone to better serve a customer or build out a rail option for a new customer. Whether it is one carload of scrap a year that is hauled for a one-man scrap sorter who contacts the railroad, or several hundred carloads a week – there is NO customer that our industry will not work to serve and grow business with. ASLRRA firmly believes that the way short lines do business is the reason short lines grow business so successfully.

Growing business where little existed before is at the heart of the short line story. Since the Staggers Act jumpstarted the modern short line industry, short lines have turned the most

neglected rail lines in America into a thriving collection of small businesses where carload growth has been the lifeblood of success.

ASLRRA member railroads commonly highlight four components as critical to short line freight rail success:

- 1) A deep understanding of our customers – their pain points, their growth strategies – and the ability to provide efficient rail service that is responsive to their specific needs.
- 2) Investment in infrastructure – always with private funds, but also often supported by state or federal funding. Short lines are willing to invest with the long term in mind and are eager and willing to work with public partners when the opportunity arises.
- 3) Working closely with local business development groups such as Chambers of Commerce and government groups such as Economic Development Agencies to develop rail-served commercial properties such as business and industrial parks.
- 4) Strong partnerships with the community and Class Is to develop and efficiently deliver the white-glove excellent customer service our customers depend upon.

The short line rail industry is nimble, necessary, and noted for its attentive and customized service. Shippers rely on local rail service, often a short line, for access to markets regionally and nationwide. By working with local partners, Class Is, other short lines, or economic development agencies, short lines drive growth for the local communities and for the freight rail system one creative solution at a time.

IV. Examples of Short Line Success Stories

While multiple versions of these stories can be found on every short line in the country, the following examples embody the successes that short line railroads have found in creating and enabling carload volume growth.

A. R.J. Corman Railroad: Configuring Service to Meet Customer Needs

Kentucky is home to Novelis, one of the world's largest aluminum can recycling plants, and Logan Aluminum, the largest single can sheet facility in North America. Approximately 180 miles apart, shipments between these two facilities were historically handled by truck. Working closely with the two plants and CSX, R.J. Corman Railroad (RJC) crafted a custom, unit-train service offering that captured that truck traffic. The newly configured service included a trackage rights agreement with CSX allowing for direct short line service to Novelis which reduced transit time and created a competitive solution, building a fleet of specialty railcars that allowed for ease of loading ingots, and building a 200,000+ sq ft storage and warehousing facility. Together it was an innovative and comprehensive approach to moving traffic from truck to rail and has added over 11,000 carloads annually.

B. Kiamichi Railroad: Investing in Improved Service

Tyson Foods needed a new feed mill to replace an older facility that could receive inbound corn and soybean meal cars. Kiamichi Railroad (KRR) offered a 145-acre site in McNab, Arkansas with space for more development and access to three Class Is and Highway 195. While Tyson constructed the mill, KRR invested \$9M in two main line switches and sidetrack at the site and upgraded the entire 180-mile Tyson route, including 80 bridges, to 286k lb. capacity. From the arrival of the first train in May 2022, the project has generated over 11,000 new carloads for the KRR. To maintain the new business KRR has hired at least four new employees, while the mill itself supports 50 jobs in the area.

C. Mission Mountain Railroad: Fighting for Every Carload

The Mission Mountain Railroad (MMT) operated 40 miles of track in northern Montana until 2020 when the 14-mile southern branch was returned to BNSF at the end of the lease agreement. The MMT customer base was lost, and its employees were reduced from 13 to three who worked as-needed for the sole remaining customer on the company-owned 26-mile section, a transloading yard primarily handling lumber. Soon the MMT traffic fell to 12 cars or less a week and in 2023 the transload owner wanted to leave the business. Instead of closing the railroad, which seemed like the obvious outcome, MMT purchased the transloading facility and took aim at the Canada to U.S. lumber market that was shipping by truck across a nearby international point of entry. With the help of BNSF, MMT established a direct relationship with a Canadian lumber shipper that wanted a local sales presence in Montana and was looking to open rail lanes to the southwestern U.S. MMT carloads are now up to 18+ cars per week and direct local lumber sales through the transload facility are providing additional revenue to the railroad. Other local businesses have taken note of this success, and MMT is in the final stages of attracting two additional shippers to the line.

D. Chicago South Shore & South Bend: Working with Class I Partners

United States Steel (USS) loads some 20 rail cars daily at its facility in Portage Indiana, but the ten-mile initial haul to CN's Kirk Yard was subject to delay due to heavy freight and passenger train traffic on NS. The USS supply chain required more predictable logistics to meet its customers' inventory requirements. NS and CN worked with Chicago South Shore & South Bend (CSS) to develop an alternative routing for these high-value shipments over its parallel track on behalf of NS. This "out of the box" creative solution by USS and the three railroads provided reliable, faster movement of steel and faster equipment turns. Prior to CSS taking over the operation, loaded cars took five to seven days to move one way from the Gary Mill to

Portage for finishing. Now, CSS provides a round trip of 3.5 days or less, NS has a more satisfied customer, and the short line has a major piece of new business.

E. Bay Line Railroad: Strong Partnerships with Local Economic Development Agencies

Finding suitable sites for a new rail-served facility is not always as easy as just giving the railroad a call. The shipper must find an available location, find a railroad willing to meet its operating needs, and understand the intricacies of joint line service if more than one railroad is involved. Bay Line Railroad (BAYL) understands that a shipper's first call may be to the local Economic Development Agency (EDA) for help, and developing relationships with those agencies is a top priority. By continually communicating with and educating these agencies on the benefits of potential sites and the existing short line service, BAYL helps ensure that the EDA steers the shipper to its local short line railroad. That was the case for Peak Renewables (PR) which produces biomass wood pellets used in generating electrical power. Exploring areas in Alabama, PR contacted the Dothan Area Chamber of Commerce which recommended a site adjacent to BAYL because they were already well prepared to promote the site and the benefits of working with the short line. One benefit included a full-time industrial engineer dedicated to track design and efficiency who helped with the location and the layout of the rail spur connecting the facility to the BAYL. PR started production in February 2024, has shipped 329 cars to date and expects to reach some 1,500 carloads annually when fully up and running. The commitment of short lines to developing strong relationships with EDAs is a significant force multiplier for its marketing efforts by quickly focusing the potential shipper's attention on the benefits of the short line solution.

F. Sierra Northern Railway: Partnering with Shippers and Leveraging Innovation to Grow Traffic

Sierra Northern Railway's Inland Port and Transload facility is a groundbreaking development in freight movement in California's Central Valley, resulting in thousands of tons of agricultural commodities transiting through the central valley being removed from the roads and moved to end users and port facilities by rail. Sierra Northern recognized that customers lacked the ability to properly load and unload commodities for delivery to and from remote operations. Containerizing commodities at the transload facility has allowed producers to serve growing Asian markets through western ports and to capture growth in eastern markets served by rail.

The environmental benefits of transferring freight from truck to rail are significant. Sierra Northern's intermodal operations, combined with more dependable rail services into ports, have taken a significant amount of truck traffic off the roads – not only in the rural communities around the transload facility, but in the port-adjacent communities as well, where rail service is easing gridlock, port entry delays, and the attendant idling emissions from trucks. Each railcar processed removes three to four trucks from the road, drastically reducing emissions and particulates from tires in the atmosphere and water. In 2023, the railroad processed 400 railcars per month, removing close to an estimated 20,000 truckloads per year.

In addition to employing environmentally friendly rail-based solutions, Sierra Northern has simultaneously implemented a successful business model that allows it to dedicate the needed revenue to ensure its lines are an engine for continued economic growth in the industry for decades to come. Sierra Northern has pursued state and federal funding opportunities to facilitate heavier investments in its rail infrastructure and operations. These investments have led to increased revenues and grown Sierra Northern's business significantly. In fact, in 2017, Sierra Northern shipped less than 3,000 carloads. Today, the railroad is projected to increase this

amount by a factor of five with a forecasted shipment of 15,100 carloads in 2024. This success has only further fostered the growth of Sierra Northern's business, requiring the railroad to undertake additional projects to accommodate the growing capacity and volume. While Sierra Northern continues to grow its operations and overall revenue with each new project, Sierra Northern's underlying enthusiasm to take on these projects is driven by serving the needs of its customers and providing safe and efficient short line service for every carload on its lines.

G. Indiana Rail Road: Capitalizing on Market Conditions with a Strategic Build-out

In 2013, the Indiana Rail Road (INRD) committed to a multi-year, \$6.5 million project build which would increase capacity for West Coast traffic and include new East Coast lanes at its Senate Avenue Terminal. Twelve acres of adjacent land, formerly an unsightly auto salvage yard, were cleared for the expansion, increasing 40-foot equivalent units capacity from 40,000 to 120,000. An additional six acres were procured to allow for an empty container and chassis depot, helping customers to improve fluidity of shipments and reduce handling costs.

After completion of the expansion, and the addition of the equipment depot, INRD posted an 80% increase in volume in 2023. Intermodal volume doubled, export container volume tripled, and new jobs were created. The completed project established the Senate Avenue Terminal as the premier intermodal facility in Indiana, and it is the only dual-serviced intermodal facility in the Midwest.

H. Indiana & Ohio Railway – Supporting a Key Customer's Growth Opportunity

In March 2023, the Indiana & Ohio Railway (IORY) was approached with a challenge to solve for long standing customer North Star BlueScope Recycling, a full-service scrap metal recycler with processing facilities in Waterloo, Indiana, and Delta, Ohio.

The opportunity was driven by sister company North Star BlueScope Steel, who had increased steel coil output by 25%. The steel mill needed an increasing amount of inbound raw materials from BlueScope Recycling to service the demand. BlueScope Steel recognized the positive environmental impact and sustainability of moving freight by rail – even for very short distances. The Ohio Rail Development Commission was enthusiastic about the project, as it would reduce congestion on Ohio State Route 109 and around the mill, while also reducing emissions and truck accidents.

Although the mill had a working rail spur to offer, securing cars and a schedule to make this project work took creativity and coordination. The cars were located on another short line property and delivered by Class I interchange partner CSX. Three strings of seven cars are rotated two times per week, delivering 42 carloads from BlueScope recycling to BlueScope Steel.

The project was a win-win for the customer and the railroad. Three crew members were added, carloads from BlueScope Recycling increased 63%, and 3,700 truckloads were eliminated from the surrounding highways. An additional seven-car string has been requested to support demand. IORY anticipates a 25% increase in carloads in 2024 – which could remove a total of 4,625 truckloads from the road annually.

I. Iowa Interstate Railroad: Growing with Customers through Geographic Competition

Pattison Company, a family-owned aggregates supplier located in Clayton, Iowa on CPKC, began to explore additional markets a decade ago. Critical to their needs was finding the right partner for reliable service at competitive rates, to compete geographically with truck-based suppliers in their target markets.

This was a natural fit for IAIS as the railroad's business model is based on partnerships. In 2017, IAIS offered one of its properties near Atlantic, IA to establish Pattison's first aggregate transload for western Iowa markets. For CPKC this was a short haul move via the critical Davenport interchange, but a long haul for IAIS.

Strong demand for quality aggregate materials from eastern Iowa supports construction projects throughout western Iowa, and rail service has made Pattison competitive in these markets. Due to the initial move to Atlantic, this partnership has led to five transload locations across the IAIS system today, moving over 2,500 annual carloads of various grades of stone.

V. Conclusion

ASLRRA appreciates the opportunity to share the short line railroad perspective on growth in the freight rail industry and looks forward to participating in the upcoming hearing.

Respectfully submitted,



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