

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 770

URGENT ISSUES IN FREIGHT RAIL SERVICE

WRITTEN COMMENTS OF
NATIONAL ASSOCIATION OF CHEMICAL DISTRIBUTORS

The National Association of Chemical Distributors (NACD) respectfully submits these comments in response to the Surface Transportation Board's public hearing on Urgent Issues in Freight Rail Service. NACD is pleased that the Board is devoting attention to and collecting information on rail service challenges from a wide range of involved entities. Many NACD members have been adversely impacted by a lack of adequate rail service. In these comments, NACD member Hawkins, Inc. has provided several instances of issues that have arisen in recent weeks as examples of the problems NACD members are experiencing with the rail service on which they depend to serve their customers.

1. Identity and Interest of the National Association of Chemical Distributors and Hawkins, Inc.

NACD, established in 1971, is an international association of chemical distributors and their supply-chain partners. Member companies process, formulate, blend, re-package, warehouse, market, and transport chemical products for over 750,000 customers across the U.S. The industry that NACD represents is a major economic engine that generates \$7.5 billion in tax revenue. NACD's members range from small family-owned businesses to large national and



international organizations. They meet the highest standards in safety and performance through mandatory participation in NACD Responsible Distribution[®], the association's third-party-verified environmental, health, safety, and security program. Through Responsible Distribution, NACD members demonstrate their commitment to continuous improvement in every phase of chemical storage, handling, transportation, and disposal operations.

Transportation is critical to the chemical distribution industry. NACD members make millions of shipments, moving tens of millions of tons of products each year. In 2020, NACD members delivered products safely every 13.2 seconds. A substantial percentage of NACD members receive products via rail cars and depend on timely shipments from the railroads to meet the needs of their customers.

Hawkins, Inc., an active member of NACD, is a formulator, manufacturer, blender, distributor, and sales agent for thousands of industrial chemicals and reagent grade laboratory chemicals sold to municipalities and businesses throughout the United States. Thousands of water treatment facilities, manufacturers, food and dairy producers, research labs and many other organizations depend on Hawkins for the chemical products they need. A large majority of the products Hawkins distributes into these industries is shipped to their manufacturing sites via rail, so the company is highly dependent upon the service freight rail carriers provide.

2. Recent Experience with Deteriorating Freight Rail Service and Examples

Inconsistent deliveries, extended transit times and other countless delays can have a massive impact on the ability of chemical distributors to provide essential materials to the industries that need them to make their products. This is particularly detrimental when dealing with public health industries such as water treatment and food processing. Because of the nature



of certain chemicals such as chlorine, there are no alternative methods to ship, so distributors are 100 percent reliant on the railroads to provide consistent service. For other chemical products that do not absolutely need to be shipped by rail, trucking is not a viable option because of the severe hazardous materials driver capacity shortages that have occurred over the past two years and continue today.

Hawkins, Inc. is the largest bleach manufacturer in the Midwest, and these freight rail service problems are having a critical impact on the company's operations. Following are several examples from just the past few weeks.

- Hawkins was one of many companies that heard from their vendors earlier this month that UP requested that they reduce their outbound shipments by 10 to 30 percent. This has substantially impacted Hawkins' upcoming delivery schedule as vendors have pushed out their scheduled ship dates. This has forced the company to replace over two million pounds of material through other avenues.
- On an aggregate level, Hawkins' transit times have increased 54 percent when compared to the same period last year, with an added five days on average. Some lanes have increased more than 14 days on average.
- Following are some specific recent examples:
 - Rail car UTLX 631776 shipped from Calvert City, KY, to Centralia, IL, on 3/28/2022. With a typical transit time of five days, this car actually arrived early, on 4/1/2022. Instead of delivering upon arrival, BNSF decided the car should go back to the staging yard in Galesburg, IL. Once BNSF realized that Galesburg was congested, they shipped it down to Memphis, TN, to "reduce congestion." This car was eventually placed at its destination on 4/19/2022, 18 days after its departure.
 - Rail car TILX 160491 shipped from Formosa, TX, to Centralia, IL, on 3/10/2022. With a typical transit time of 16 days, this car arrived 33 days later on 4/12/2022. There were no misroutes or repairs causing this delay. The shipment was just slow to move through each of the yards. (UP and BNSF)
 - Chlorine cars ECLX 8116 & PROX 28043 were sitting in Winnipeg for four days when Hawkins entered a service log with CP, pointing out the Federal Railroad Administration violation code regarding toxic by inhalation materials. Per this code, a carrier must forward each shipment of hazardous materials promptly and



within 48 hours after acceptance at the originating point or receipt at any yard, transfer station, or interchange point. CP saw the service log, pushed the estimated arrival time (ETA) out another two days and closed it, stating the revised movement date. Hawkins demanded that CP reopen the log and not close it until the issue was resolved. CP did just that and the cars departed after dwelling for a total of six days. It took another three days for the cars to be placed once they arrived in the town of their final destination.

- CSX transit times from Formosa, TX, to Mulberry, FL, have recently increased from 13 days to 25 – nearly double.
- UP has decreased Hawkins' service days at Terminal One from five days per week to three days per week. UP has also reduced Hawkins' Maximum Inventory Threshold at the company's Rosemount facility from eight cars in the serving yard to five cars. To make matters worse, UP is constantly threatening an embargo situation whenever Hawkins exceeds this storage capacity, regardless of the impact that the railroads' missed service days creates.
- Hydrofluorosilicic Acid car GATX 72724 shipped on 3/11/2022 to Red Rock via CSX to CP railroad. It arrived to Terminal One via the UP on 3/31/2022 because of an electronic data interchange waybill mix-up. It took UP seven days to even respond to the issue and another three days to pull the car from Terminal One to provide it to CP. Red Rock received that car on 4/13/2022 – 33 days after shipment.
- In previous years, Hawkins' Centralia, IL plant received deliveries from BNSF three to four times per week. BNSF recently reduced this to two times per week. This past week, BNSF had gone six days without providing a service switch. This caused Hawkins' Centralia plant to shut down production for two days while waiting for raw materials. When the train did arrive, it had more cars than Hawkins could fit on their tracks. Had the railroad provided some cars earlier in the week, Hawkins could have continued production, offloaded those cars and had them out of their system prior to the next switch. On top of the substantial production impact, Hawkins will now be charged demurrage fees for the five cars currently in the serving yard.

These are just some of many service issues Hawkins has experienced over the past several weeks and also represent the issues many other chemical distributors are experiencing.

Deteriorating rail service is a significant contributor to the severe supply chain problems

American businesses and consumers have been facing in recent months and years.

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3. Conclusion

Hawkins, Inc. and other NACD members need reliable, efficient, and affordable rail service to run their businesses successfully and serve their customers. NACD and Hawkins, Inc. commend the Board for investigating recent rail service deterioration and for holding this important hearing. We look forward to working with the Board to address the immediate service issues and to create a more favorable rail service environment for the thousands of customers who depend on this critical transportation mode to move products and our economy forward.

Respectfully submitted,



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