

SURFACE TRANSPORTATION BOARD

Docket No. EP 711 (Sub-No. 1)

RECIPROCAL SWITCHING

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March 10, 2017
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Summary of Ex Parte Meeting Between CF Industries Holdings, Inc. (“CF Industries” or “CF”)
and Surface Transportation Board (“STB” or “Board”) Member

Held March 7, 2017, 1:40 PM – 2:10 PM

CF Industries Attendees: Terry Huch, Vice President, Supply Chain; Ken Zintak, Director, Rail; Rosemary O’Brien, Vice President, Public Affairs; Alex Stege, Manager, Public Affairs Policy

STB Attendees: Vice Chairman Daniel R. Elliott III; Janie Sheng, Chief of Staff

CF Industries began by expressing its appreciation for the opportunity to meet with Vice Chairman Elliott and his staff to discuss its views on the Board’s proposed rule to allow reciprocal switching in certain situations. Vice Chairman Elliott thanked CF for arranging the meeting.

CF provided a PowerPoint presentation to guide the discussion. CF first provided an overview of the company, noting that it is North America’s largest producer of nitrogen fertilizer products. CF explained that nitrogen is one of three essential nutrients to plant growth, that nitrogen fertilizers help to increase crop yields on farms across the globe, and that the importance of synthetic fertilizers will grow with a rising global population.

CF then provided an overview of its key nitrogen products, including ammonia, urea, UAN solution, and Diesel Exhaust Fluid. CF described its operations, including that it operates five nitrogen complexes in the U.S., two in Canada, and two more in the U.K.

CF noted that it is the nation’s largest shipper by rail of nitrogen fertilizer, moving between four and five million tons annually at a cost of approximately \$500 million. CF further noted that each of its five U.S. manufacturing plants is captive to a single Class I railroad.

CF expressed its support for the Board’s proposed rule to allow competitive switching. CF noted that it agrees with the comments submitted by The Shipper Coalition for Rail Competition in support of the proposal. Specifically, CF explained that it believes that the Board has legal authority to promulgate the rule and that the proposed rule would increase competition for captive shippers and thus result in improved system-wide performance.

CF further expressed its opinion that competitive switching would allow competition to replace regulation of the rail industry, because Competition through competitive switching will reduce reliance upon existing STB rate regulation.

CF further expressed its view that if competitive switching were allowed, it is likely that few cases would actually be brought to the Board because the potential for such a case would provide an incentive for railroads to meet their customers' needs in situations where that is not currently the case.

CF then presented case studies to demonstrate how competitive switching could benefit its ability to serve its agricultural customers. Specifically, CF highlighted potential switching arrangements close to two different manufacturing sites that would significantly reduce the distance and time its rail cars would have to travel to reach key agricultural markets.