



247664

8901 Forney Road
Dallas, TX 75227
214-381-5050

ENTERED
Office of Proceedings
May 7, 2019
Part of
Public Record

May 7, 2019

Honorable Chairman Ann Begeman
Honorable Vice Chairman Patrick Fuchs
Honorable Board Member Marty Oberman

Surface Transportation Board
395 East Street, SW
Washington, DC 20423

Dear Honorable Chairman Ann Begeman, Vice Chairman Patrick Fuchs, Honorable Board Member Marty Oberman,

I would like to thank the Board for this effort to investigate the situation of the changing rules of the major US rail carriers as they relate to demurrage and accessorial charges.

I am Ken Johnson, CEO of The Shippers Warehouse Co., dba The Shippers Group. We are a third-party provider (3PL) of supply chain services throughout the continental US. With 12 facilities in 5 states, we service virtually all of the US. Our warehouses in the southeast are served by the Norfolk Southern Railroad, in Texas by the Union Pacific Railroad.

As a 3PL, we do not own the goods that we store and ship on behalf of our clients. We do not control when they ship to us from their manufacturing facilities, nor do we control when they ship back out to the end user, their customers.

All of our rail served facilities are multi-client, meaning no one client utilizes 100% of our boxcar capacity at any location.

Both the UP and the Norfolk Southern have recently changed their rules related to demurrage charges going forward that will simply by their implementation cause The Shippers Group to incur demurrage charges. Additionally, they have arbitrarily reduced switching days in both locations. In one of our Texas locations we immediately were assessed an \$11K demurrage fee for the month of November, 2018 after the railroad (UP) arbitrarily decided to reduce our switching days per week from 5 (Monday – Friday) to 2 (Monday, Thursday). The facility at which this occurred had been in operation for 3 years prior to the change in switching days, and had never had a demurrage bill.

In Texas, switching days were reduced at two of our facilities from 5 to 2 per week, even though a train servicing a beer distributorship about ¼ mile down the track drives right by both of our facilities every single day (the beer distributorship gets switched every day).

Since the UP informed us in August of 2018 that they were reducing our switching days from 5 days a week to 2 (Monday and Thursday), they have switched our facilities on other days 33% of the time – literally every other day of the week including Saturday and Sunday, and with no consistency as to the time of the switch. It is impossible to plan labor to handle this workload when the servicing railroad misses their scheduled switch day 33% of the time, and the time of day when they do switch has no consistency.



8901 Forney Road
Dallas, TX 75227
214-381-5050

As you might imagine, we have had various discussions with the railroads about the reasonableness of these changes (or lack thereof). I have had railroad management personnel tell me that “you should control your customer’s flow of goods into your facilities”. That is clearly the sort of thing that a business that operates as a monopoly thinks is reasonable, but those of us in the competitive marketplace know to be impossible.

I have also had railroad management tell me that “bunching” in transit is necessary for the efficient utilization of the trains. I have no argument with that logic, but it is not taken into consideration when the formula utilized to determine demurrage charges is applied. When boxcars are bunched in transit and switching days to the warehouse have been reduced, cars that arrive at the servicing railyard (constructive place in railroad terminology) are now on the clock for demurrage. Had they not been bunched in transit, there would be a more even flow of equipment to the receiving warehouse and consequently no buildup of demurrage charges.

The only fair and reasonable basis upon which demurrage charges should be billed is a system based upon actual placement of the boxcars at a warehouse facility, at which time the warehouse operator now has complete control over how long that piece of equipment dwells there until its release back to the railroad, with an allowed “free time” from the time the boxcar is spotted until it is released back to the servicing railroad of 48 hours.

The current trend of “precision railroading” that permeates the US railroad industry carries along with it these changes to demurrage billing and switching day reductions. It is my feeling that this is simply another profit center for US railroads, which according to their public financial records operate at profit margins far beyond those that are experienced in the market in which The Shippers Group and all other 3PL entities exist. These charges are unfair, and left unchanged will result in a serious loss of business to our industry and contribute to an already serious shortage of over-the-road trucking capacity and further deterioration of our highway infrastructure. Many rail-served 3PL’s (including The Shippers Group) will simply stop receiving goods via boxcar service, and turn to standard trucking or intermodal modes of transportation.

Thank you for the opportunity to present to the Surface Transportation Board these very real unfair practices of changes to the calculation of demurrage charges and these severe reductions in switching days to warehouse facilities.

I look forward to addressing the Board in person on May 22.

Sincerely,

Ken B. Johnson
CEO
The Shippers Group
(214) 275-1033 – Office
(214) 876-4479 – (Cell)
kjohnson@shipperswarehouse.com