

SURFACE TRANSPORTATION BOARD

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

RECIPROCAL SWITCHING

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Summary of Ex Parte Meeting Between The Chemours Company ("Chemours") and Surface
Transportation Board ("STB") Member

Held June 29, 2017, 10:48AM – 12:00PM

Chemours Attendees: Eddie Johnston, Federal Government Affairs Manager; Kevin Acker, Logistics Business Leader; Mary Pileggi, Sourcing & Logistics Manager

STB Attendees: Commissioner Deb Miller; Brian O'Boyle, Attorney-Advisor; William J Brennan, Ph.D., Deputy Director, Office of Economics

Chemours began by thanking Commissioner Miller and her staff for the opportunity to meet with them and share its views on the Board's proposed rule to allow reciprocal switching in certain situations. Commissioner Miller thanked Chemours for coming to share its views on the reciprocal switching proposed rules and expressed appreciation that discussions like these could be held with stakeholders.

Chemours shared a PowerPoint presentation that was created to help with the discussion on the proposed rules. Chemours noted it is a member of The American Chemistry Council (ACC), The Chlorine Institute, and The National Industrial Transportation League (NITL) and supports comments submitted by those parties in support of this proceeding. Chemours referenced its letter filed with the STB in support of reciprocal switching and shared its beliefs that implementing reciprocal switching will promote healthy rail carrier competition, innovation and continuous improvement, economic growth through enhanced competitiveness and increased domestic production and displaced imports.

Chemours provided an overview of its company, including its businesses and the products that it manufactures. Chemours described the end uses of its products and the global reach of its company with the more than 130 countries where it serves customers. Commissioner Miller asked some specific questions on Chemours and the end uses of titanium dioxide and fluoroproducts to better understand the company. More details were shared about the Chemours businesses along with the importance of rail transportation to the supply chain. Chemours further shared that its products are a mixture of hazardous and non-hazardous materials and it has thirteen (13) rail served facilities. Given the nature of the rail carrier service at each of its sites and the rail carriers serving many of its customers, Chemours is a

prime example of a captive rail customer as there is single line rail service for 96% of its loaded shipments.

Chemours described the rail service at the few of its sites where there is reciprocal switching and confirmed to the STB that the presence and operation of reciprocal switching has not caused congestion nor poor rail service for these sites. The failure in rail service comes from poorly executed operating plans that extend beyond the reciprocal switching areas. Rail carriers have cooperated in reciprocal switching arrangements for many years and have used these arrangements to eliminate duplicate rail service and create efficiency in commonly served areas. Commissioner Miller asked if Chemours was more interested in better rates or improved rail service. Chemours responded that reciprocal switching has always been about more efficient rail service as a primary goal and in a more competitive marketplace brought on by reciprocal switching, the marketplace will establish the rates. Commissioner Miller asked if railroads take an interest in Chemours' business. Chemours responded that railroads generally do not seem interested in exploring creative ideas to grow their business with Chemours, and sometimes even act like they do not value Chemours' business.

The service discussion led Chemours to share some service issues caused by changes to the CSX operating plan. Erratic service at one site has forced Chemours to use alternative means of transport to serve some of the largest customers at great expense when the carrier is not performing.

Chemours provided five specific examples of its rail served manufacturing sites and the distance to the nearest interchange of a competing rail carrier. These examples provided the STB with background as to why Chemours believes the distance to interchange should be broadened to at least 200 rail miles vs the current proposal. Chemours recommends that rail served facilities within the defined 200 mile radius of an operating interchange should have rights to switching and facilities with interchanges beyond that distance should be on a case by case basis for application to switching rights. Commissioner Miller asked Chemours if the examples shared with the STB meant that Chemours could not benefit from the proposed rules. Chemours responded that the current proposal would not benefit the Chemours sites due to the distance to the nearest competing rail interchanges.

Chemours also shared that the presence of a competitive interchange would not necessarily mean that reciprocal switching would be used at each site, as it expects rail competitiveness to drive current rail carriers to want to improve the product to keep their customers. Chemours noted that it must compete for its customers' business every day and poor customer service and product quality are not rewarded with continued business. Competition makes Chemours a stronger company and Chemours expects rail competition would do the same in the rail industry.

Chemours further expressed its opinion that the existence of rail interchanges would need to be monitored by the STB once reciprocal switching was put in place. It noted that active rail

interchanges are difficult to monitor and carriers can change them without notice or oversight by any party. Chemours would expect the STB to ensure that active rail interchanges would be maintained so reciprocal switching could not be reduced by the closure of these interchanges.

Chemours recommended that short line rail carriers be included in reciprocal switching rules and their application. Chemours further noted that reciprocal switching fees should be prescribed based on rail variable costs plus a reasonable profit margin, not negotiated between shippers and rail carriers. Chemours suggested this methodology as shippers will be disadvantaged to negotiate with rail carriers on a fair reciprocal switching fee. Any reasonable profit margin applied to rail variable costs should not include lost contribution and any other profit mark-up. The process to determine the applicability of reciprocal switching needs to be simple, straight forward and not implemented like a rate case where the time for resolution is costly and lengthy. The creation of a reciprocal switching process that is complex and involves the filing of lengthy legal documents will not be used by shippers and will not promote the rail competition that it was intended to create. Chemours shared that speed in the process is key as rail shippers cannot wait years for decisions and will move to make decisions for their business as global competition continues to flourish. Chemours further discussed how supply chains makes decisions and invited the STB to meet with a Chemours Supply Chain team to better understand the importance and dependence on rail transportation. Chemours suggested that the STB not use market dominance testing to determine reciprocal switching. Chemours extended the invitation to the STB to be used as a resource if there were future questions on the proposed reciprocal switching rules.

In closing, Chemours emphasized with Commissioner Miller that rail-to-rail competition is healthy for railroads and shippers alike, and in the public interest. Reciprocal switching should be advanced as one means of promoting greater rail-to-rail competition. Efforts to increase rail competition will not succeed in all cases due to the current structure of the rail industry. Captive shippers who do not have access to real competitive rail service must have access to a better rate resolution process. As the Board has observed, today's process is too costly, too time consuming, and incapable of delivering real remedies for carload shippers. As we have argued before the Board and Congress, reform of the rate complaint process must remain a priority for the Board if captive, carload shippers like Chemours are to have access to real remedies. Finally, we believe a strong, fully funded and fully staffed STB is needed to fulfill the mission assigned by Congress.

Commissioner Miller and her staff thanked Chemours for providing specific examples on reciprocal switching applicability and being willing to discuss details to help the STB better understand the perspective of a shipper.

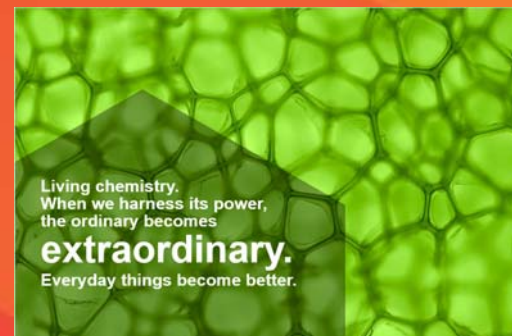


The Chemours Company

Surface Transportation Board Meetings

Ex Parte No. 711 (Sub-No. 1)

June 29, 2017



Ex Parte No. 711 (Sub-No. 1)

Chemours is grateful to the Board for opening this proceeding and urges it to act promptly to adopt new reciprocal switching standards (ID 241884)

Chemours appreciates the Board's suspending its rules and allowing stakeholders the opportunity for face-to-face meetings to discuss the proposed rule

Chemours is a member of The American Chemistry Council (ACC), The Chlorine Institute, and The National Industrial Transportation League (NITL) and supports comments submitted by those parties in support of this proceeding

Chemours believes that new switching standards will promote:

- ✓ healthy carrier-to-carrier competition
- ✓ innovation and continuous improvement
- ✓ economic growth through enhanced competitiveness
- ✓ increased domestic production and displaced imports

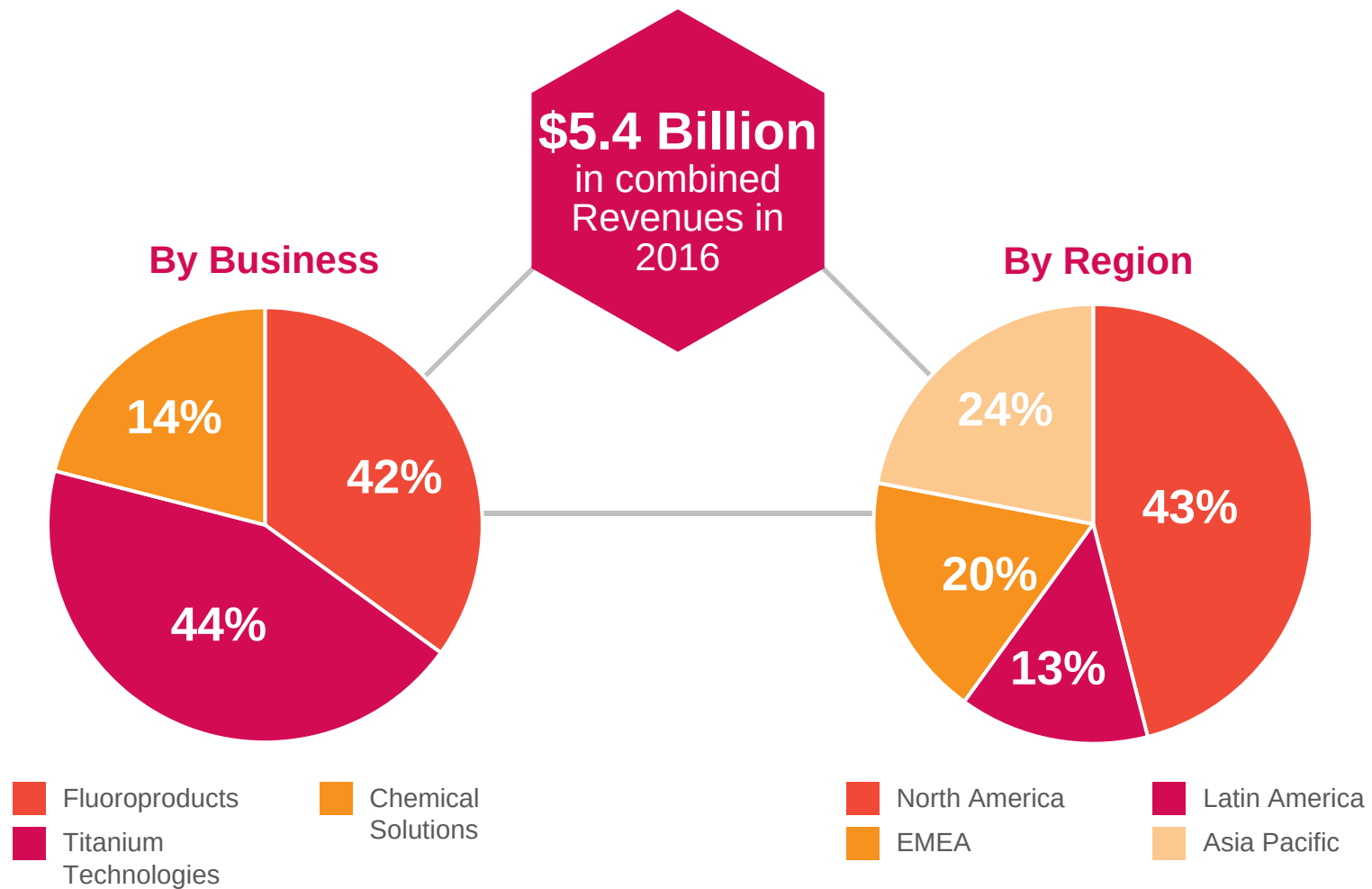
We unleash the power of chemistry, working hand-in-hand with our customers

- Created from DuPont's Performance Chemicals businesses; separated 7/1/15
- More than two centuries of experience in the chemical industry making us a 200 year old start-up
- A rich history of innovation and industry-firsts
- A market leader in safety and responsible handling of chemicals

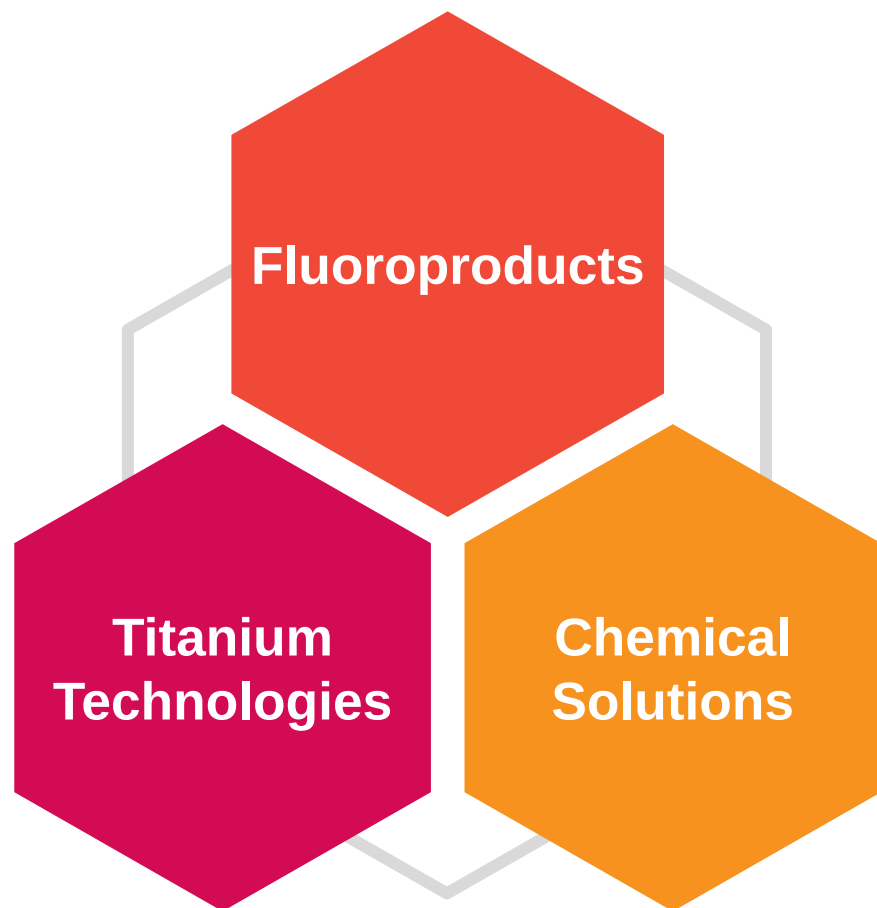
Our Global Reach



Our 2016 Sales



Our Businesses



Market Leader

In safe production & manufacture of performance chemicals. Combining leading products, applications expertise, and market-shaping chemistry

#1

- in market share of fluoropolymers

#1

- brand of TiO₂ in the market

Industry Leader

- in safe and efficient production of industrial chemicals; unparalleled safety, stewardship, and service

Our Businesses: Titanium Technologies



#1

- manufacturer of titanium dioxide

80+

years of
leadership in TiO_2

Segments

coatings, plastics,
laminate and
paper products

Brands

Ti-Pure™

Our Businesses: Fluoroproducts



#1 • in market share
of fluoropolymers

75+ years of
experience

Segments

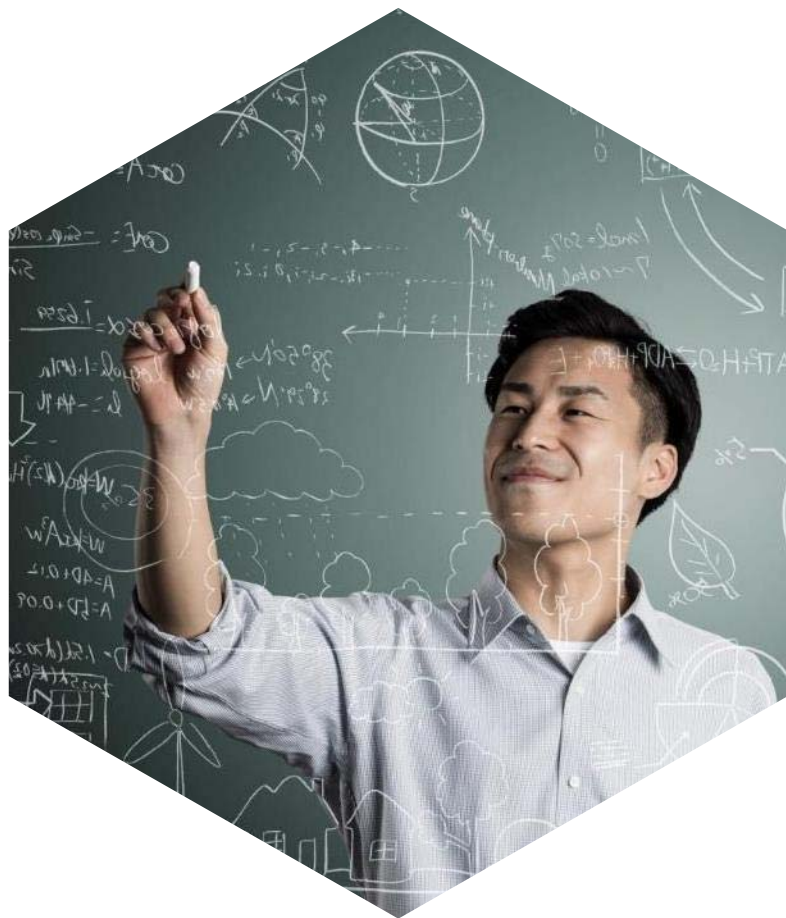
refrigerants,
specialties,
industrial resins,
monomers, melts,
surface protection

Brands

Teflon™,
Opteon™, Krytox™

**First
fluoropolymer**
discovered in 1938

Our Businesses: Chemical Solutions



High Credibility

in the safe and efficient manufacture of bulk chemicals

Segments

bulk and commodity chemicals, industrial chemicals, and mining solutions

Products

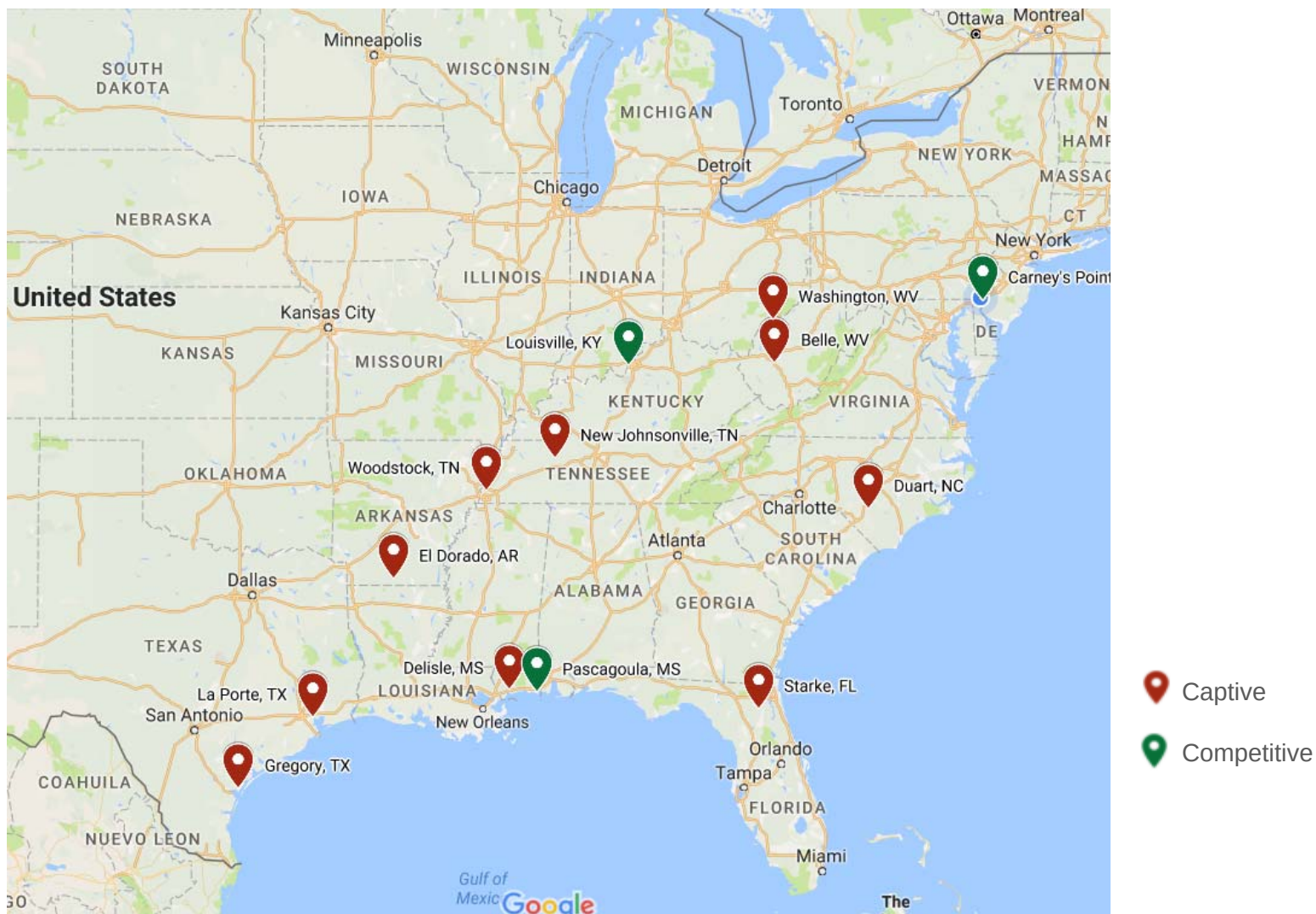
cyanide, aniline, glycolic acid

Chemours U.S. Rail Business

- ✓ Annual rail spend ~\$115M
- ✓ Over 26K shipments to / from 13 rail served sites
- ✓ 63% hazardous
- ✓ Fleet of 1850 railcars
- ✓ 77% of production sites are captive to one carrier
- ✓ 96% of loaded shipments are captive to one carrier
- ✓ Currently benefit from reciprocal switch arrangements at Louisville, KY and Pascagoula, MS and have never experienced any operational inefficiencies from these arrangements
- ✓ Also benefit from a Shared Asset location from the CR transaction, and again, we've experienced no operational inefficiencies

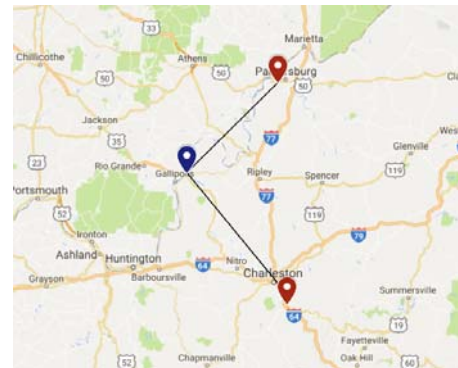
Chemours Production Site	Serving Carrier	Captive (Y/N)	% Loads Captive
Belle, WV	KNWA (NS)	Y	100%
Carney's Point, NJ	CR	N	69%
Delisle, MS	KCS	Y	100%
Duart, NC	CSX	Y	N/A
El Dorado, AR	OUCH (UP)	Y	100%
Gregory, TX	UP	Y	100%
La Porte, TX	UP	Y (intra-state)	72%
Louisville, KY	NS	N	45%
New Johnsonville, TN	CSX	Y	100%
Pascagoula, MS	CSX	N	65%
Starke, FL	CSX	Y	100%
Washington, WV	CSX	Y	100%
Woodstock, TN	CN	Y	100%

Chemours U.S. Production Sites

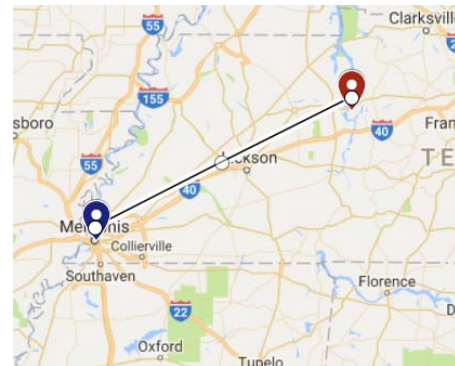


Expanded Reciprocal Switch Opportunities

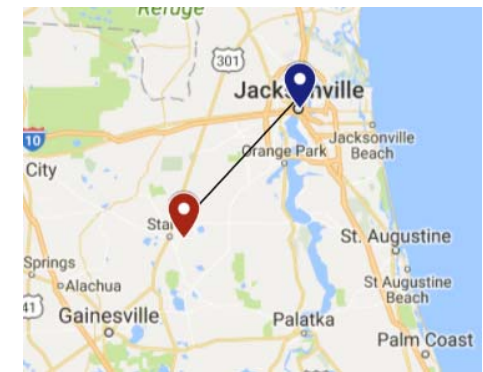
- ✓ Belle, WV (NS) – CSX interchange at Point Pleasant, WV (68 miles)
754 cars annually
- ✓ Washington, WV (CSX) – NS interchange at Point Pleasant, WV (73 miles)
1717 cars annually
- ✓ Starke, FL (CSX) – NS interchange at Jacksonville, FL (47 miles)
1419 cars annually
- ✓ New Johnsonville, TN (CSX) – UP interchange at Memphis, TN (154 miles)
5479 cars annually
- ✓ Gregory, TX (UP) – KCS Yard in Corpus Christi, TX (30 miles but not a current interchange point)
1606 cars annually



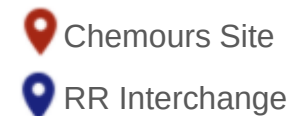
Belle & Washington, WV



New Johnsonville, TN



Starke, FL



The Board should consider allowing reciprocal switching at interchanges within a 200 mile radius of a rail customer to encourage an appropriate level of competition

Conclusion

- ✓ Chemours strongly **supports the Board's proposed expansion of reciprocal switching** to provide a competitive alternative to captive rail shippers
- ✓ Chemours **encourages the Board to ensure the process to award reciprocal switching is optimized** to minimize cost and time to the shipper and the carrier
- ✓ Chemours believes that **reciprocal switching allows market forces to act** in setting line haul rail transportation rates and is therefore deregulating in nature
- ✓ Chemours believes that **competition benefits the carrier community** through improved service offerings and efficiencies that lead to lower operating costs
- ✓ Chemours suggests **switching fees be based on a carrier's variable cost** with a reasonable margin applied **and at such a distance to interchange that its use is promoted**
- ✓ Chemours is **committed to assisting the Board** as it considers the issues of reciprocal switching



Thank you