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May 8, 2019

Honorable Ann Begeman, Chairman  
Surface Transportation Board  
395 E Street, S.W.  
Washington, DC 20423- 0001

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Dear Chairman Begeman:

As the Director of Governmental Affairs for the California League of Food Producers (CLFP), I am submitting these comments at the request of some of our members who have expressed concerns regarding significant increases in demurrage rates and the adverse impacts they pose to their operations and markets should they continue.

CLFP is a non-profit trade association based in Sacramento representing forty-five major industrial food processing companies with operations in California. Our member companies are primarily canners, freezers, dryers and dehydrators of fruits and vegetables. Additional processor members produce a wide array of olive oils, sauces, snack foods, juices, cheese and dairy products and specialty products.

A number of our members have informed CLFP that they, or their contracted 3PL, have seen a significant increase in shipping costs for their products due to changes the railroads have made since implementing Precision Scheduled Railroading (PSR) in January of this year. A few of the issues our members have communicated to CLFP concern changes related to reductions in allotted free time to load/unload, demurrage rates, reductions in days of service, and the timing and method of imposing and assessing demurrage on shippers or 3PLs.

3PLs also have informed CLFP members that the railroads have been cutting back operations through the consolidation or eliminations of serving yards and the retiring of engines and boxcars due to implementing PSR -- both of which the 3PLs believe are contributing factors to the significant increase in demurrage charges. According to the 3PLs, it is becoming increasingly common for demurrage charges to exceed the revenues for unloading the cars. And unfortunately, these charges are being passed on to food processors, either directly by the railroads or by 3PLs. This is especially frustrating as our members are essentially paying for problems occurring as the result of PSR implementation yet they have no control or ability to direct either the implementation of PSR or the physical unloading of cars once they've reached the destination.

The increased costs are being cited as the reason behind some food shippers seeking or being forced to change their traditional mode of transportation from rail (boxcar) to intermodal or over the road truck.

As shippers of agricultural products, rail is one of the most efficient and economical ways to move products from West coast facilities to markets and customers in the east. CLFP's concern, among many, is that these changes, implemented by the railroads, while unreasonably increasing rail shipping costs, come without a commensurate increase in either goods movement efficiency or customer services.

Additionally, a few CLFP members have expressed an interest in having the STB look into how the automated systems are audited and whether a dispute resolution team is available to deal with disputes directly with customers. Also, there has been some interest expressed by CLFP members in requesting that STB examine the per car cost charged by Class 1s. Essentially, my members are seeking a reasonable explanation of how the railroad arrived at the per day costs for both empty and loaded cars.

On behalf of our members affected by this issue, CLFP wishes to thank Chairman Begeman and the members of the Surface Transportation Board (STB) for scheduling this public hearing and hopes the Board can find a quick and fair resolution that will assuage the harm being done to businesses and industries dependent on railroads for efficient, effective, and economical transport of marketable goods.

Sincerely,

A handwritten signature in black ink, appearing to read "John Larrea", followed by a long horizontal flourish.

John Larrea  
Government Affairs Director  
California League of Food Producers