

Surface Transportation Board
Ex Parte 704 (Sub-No. 1)—Review of Commodity, Boxcar, and TOFC/COFC Exemptions

Summary of Ex Parte Meeting held on June 7, 2019 between
Domtar Corporation, American Forest & Paper Association
and Board Member Oberman

Domtar Corporation (“Domtar”) and American Forest & Paper Association (“AF&PA”)
Attendees:

- Thomas Howard, Vice President – Government Relations, Domtar
- Julie Landry, Director – Government Affairs, AF&PA
- Karyn Booth, Thompson Hine LLP
- Kerem Bilge, Thompson Hine LLP

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STB Attendees:

- Board Member Martin J. Oberman
- Katherine C. Bourdon, Attorney Advisor

Meeting Summary:

The meeting began with introductions, and Domtar thanked the STB Attendees for the opportunity to meet and discuss the Board’s proposed rule and the issues in this proceeding.

Domtar explained that it is the largest integrated manufacturer of uncoated freesheet paper in North America, and one of the largest manufacturers of pulp in the world. Domtar also explained that it has a personal care division that relies heavily on pulp products. Currently, Domtar has 13 pulp and paper mills, 9 in the United States and 4 in Canada. Domtar explained its manufacturing operations and product lines, including paper and pulp operations. Domtar uses multiple Class I railroads.

Regarding its paper mill operations, Domtar explained that its use of rail typically depends on its customers’ demands and that its customers whose facilities are configured for rail would change suppliers if they do not receive the products by rail. Many of Domtar’s customer facilities are set up for 50-foot box cars, and the railroads’ shift to 60-foot cars creates significant inefficiencies. Domtar explained that it ships paper products that are manufactured in large rolls that can weigh up to 17 tons, and these products are shipped most efficiently by rail in 50-foot box cars. Due to the weight of the rolls it is impossible to move them by truck.

Domtar explained that the paper rolls are then converted to a final product of white paper that is found in large office stores. The outbound movement of the finished office paper moves by truck.

Domtar explained that it has pulp and personal care product lines and has recently repurposed two paper mills into market pulp and fluff pulp manufacturing facilities. Domtar explained that both market pulp and fluff pulp are intermediary products that they export overseas, especially to

Asia. Board Member Oberman asked how these products are shipped. Domtar explained that they are shipped from Domtar facilities to the ports by rail, and then transloaded from a box car to a container.

Domtar explained that the fluff pulp products have unique characteristics that creates extra challenges in rail shipments. Fluff pulp products can be susceptible to contamination because they are personal care products. Therefore, Domtar cannot utilize railroad supplied cars that are not clean, and it must reject dirty cars, resulting in delays. Domtar also explained that any damage to the product during transportation may result in temporary stops in the manufacturing process.

Domtar explained that the Class I railroads have been de-marketing certain lanes by raising prices to create a shift to truck. Domtar stated that each box car corresponds to 3-4 trucks moving on the highways. Domtar also explained that it would be helpful if short-line railroads would provide service in de-marketed lanes. Domtar explained that its supply chain is more unique based on its ability to use barge for a small percentage of its inbound shipments and that it also uses truck for inbound materials in part due to de-marketing, especially for inbound wood chips.

Board Member Oberman asked Domtar's experiences with demurrage. Domtar explained that PSR implementation has been painful, and created increasing demurrage bills for Domtar due to bunching. Domtar also explained that bunching is especially troublesome when it occurs on the originating railroad for which they have no recourse. Domtar also explained that PSR is a good concept for high volume shippers, however Domtar may have 10 box cars to move to 7 locations and PSR does not readily lend itself to movements like these.

Board Member Oberman asked whether Domtar would shift any shipments to rail if the service was on reasonable terms. Domtar explained that if rail service was more reliable, it would be able to shift approximately 30-40% of its transportation spend to rail.

Domtar explained that the exemption creates an extra burden on the industry, and that STB oversight is needed to address railroad market power. Thompson Hine explained that the forest and paper industry joined the railroads in asking for the exemption in 1995 in order to increase competition between truck and rail and to decrease the regulatory burden (i.e., tariff filing and 20 days waiting period) on the railroads. However, with the enactment of ICC Termination Act of 1995, these regulatory burdens were eliminated. Furthermore, railroads have undergone significant consolidation. Today, the industry does not benefit from the exemption and requests its revocation.

The meeting concluded with each side thanking the other for participating in the meeting.