

Surface Transportation Board
Docket No. EP 704 (Sub-No. 1), *Review of Commodity, Boxcar, and TOFC/COFC*
Exemptions

247998

Summary of Ex Parte Meeting Between the Portland Cement Association (PCA)

and
STB Vice Chairman Patrick Fuchs

ENTERED

Office of Proceedings

June 21, 2019

Part of

Public Record

Date and Location of Meeting: June 17, 2019, Surface Transportation Board offices

Names and Titles of Persons Attending:

PCA: Charles Franklin, Vice President and Counsel for Government Affairs
Katy Hartnett, Director, Government Affairs

Peter Pfohl – Partner, Slover & Loftus, outside counsel for PCA

PCA Members:

Ash Grove Cement: Curtis Leslie, Vice President of Environmental Affairs

CEMEX: Romeo Trevino, Vice President of Logistics

Humberto H. Garza, Vice President of Logistics

Robert Sullivan, Vice President of Government Affairs

Lehigh Cement Company: Thomas Malinaric, Director, Logistics and Distribution

Titan America Companies: David Brinkley, Director of Distribution and Customer Resources

STB: Vice Chairman Patrick Fuchs

Lisa Novins, Attorney Advisor

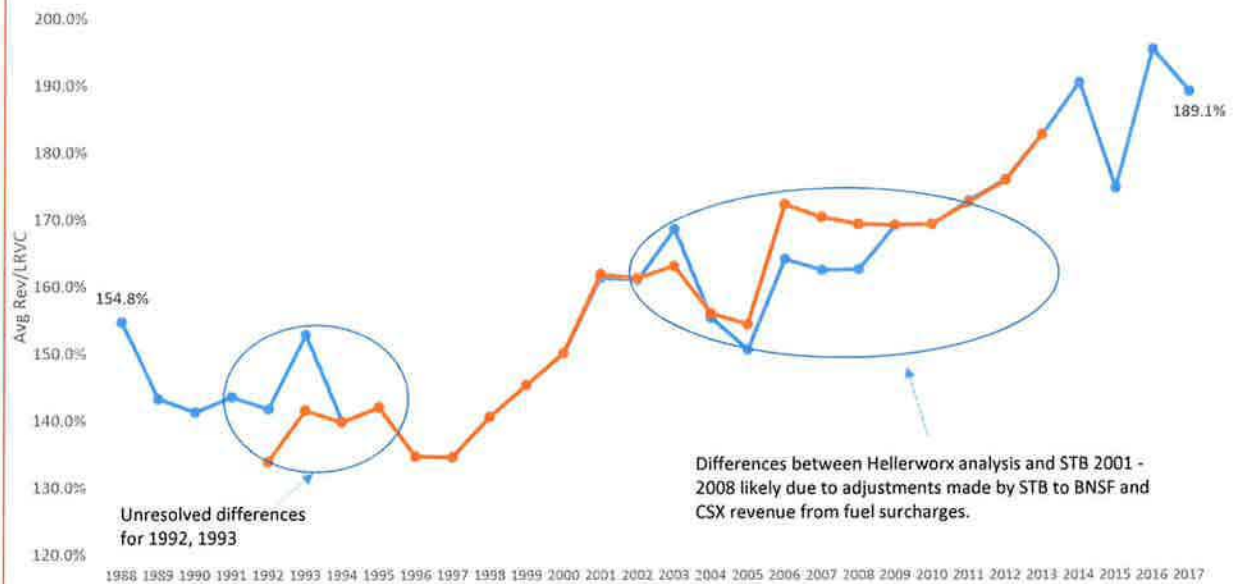
Douglas Pelsey, Office of Economics

Summary of Meeting:

- Each of the meeting participants introduced themselves.
- Each of the representatives of Ash Grove, CEMEX, Lehigh Cement Company, and Titan America Companies described their businesses and responded to questions from the Vice Chairman on general transportation logistics matters, including: the number and locations of their plants and terminals; the volume of portland cement and other commodities shipped; the general transportation options by plant and traffic lane for the shipments; the individual railroads serving their plants and terminals; the amount of traffic shipped by mode; the distances of shipments by rail and truck; recent plant shutdowns; environmental rules affecting cement manufacturers and the consolidation of plants generally.
- Each of the members then described and responded to questions from the Vice Chairman on general competitive issues with the railroads; rail rate increases generally; the very high cost of rail service as an overall cost of the production and distribution process; rail service and service variability issues; the predominant and growing use of shipper supplied cars versus railroad supplied cars; the contract negotiation posture of railroads generally; the large investments made by cement shippers in their rail transportation infrastructure; recent aggressive railroad demurrage assessment issues; and a lack of reasonable, balanced, and reciprocal railroad demurrage tariffs.

- In response to questions about the concerns of the cement shippers over their status as exempt commodity shippers, the representatives discussed the concern of a lack of backstop regulatory protections and the lack of full access to the Board's regulatory oversight and processes.
- The participants discussed R/VC ratios, length of haul, and other indicators of railroad market power over cement for significant portions of their transportation.
- The representatives also discussed an update of their economic analysis and costing studies included in their opening and reply comments. Those studies were provided to the Board at the meeting and are attached to this memorandum. The latest STB waybill data (through 2017) continues to verify and confirm that a majority of cement traffic is subject to captive pricing and railroad rates remain far above costs – reflecting the lack of effective competition; average R/VC ratios for the commodities are close to or exceed the level of other regulated traffic; and rates measured on a RPTM basis have risen appreciably above rail costs, further reflecting the market power.

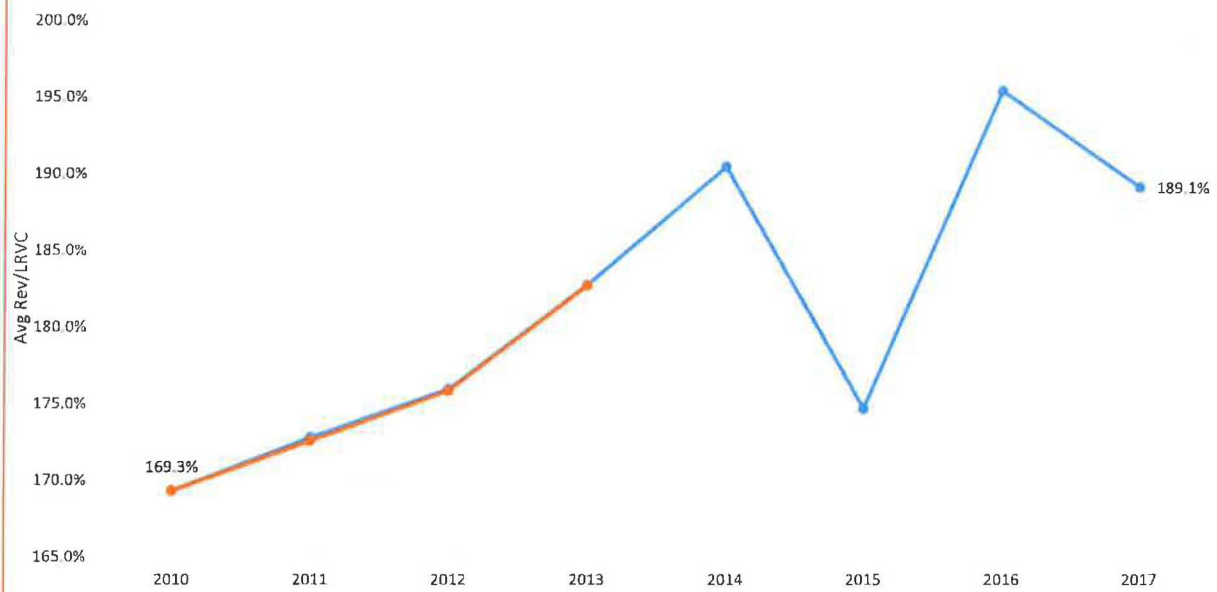
STCC 32-4
Average Revenue/LRVC Ratio
1988-2017



Excludes shipments in exempt or intermodal car types Change in Average Rev/LRVC 1988 - 2017: 34.3%
Source: STB Carload Waybill Sample, Hellerworx analysis

—●— Hellerworx Average Rev/LRVC
—●— STB Average Rev/LRVC

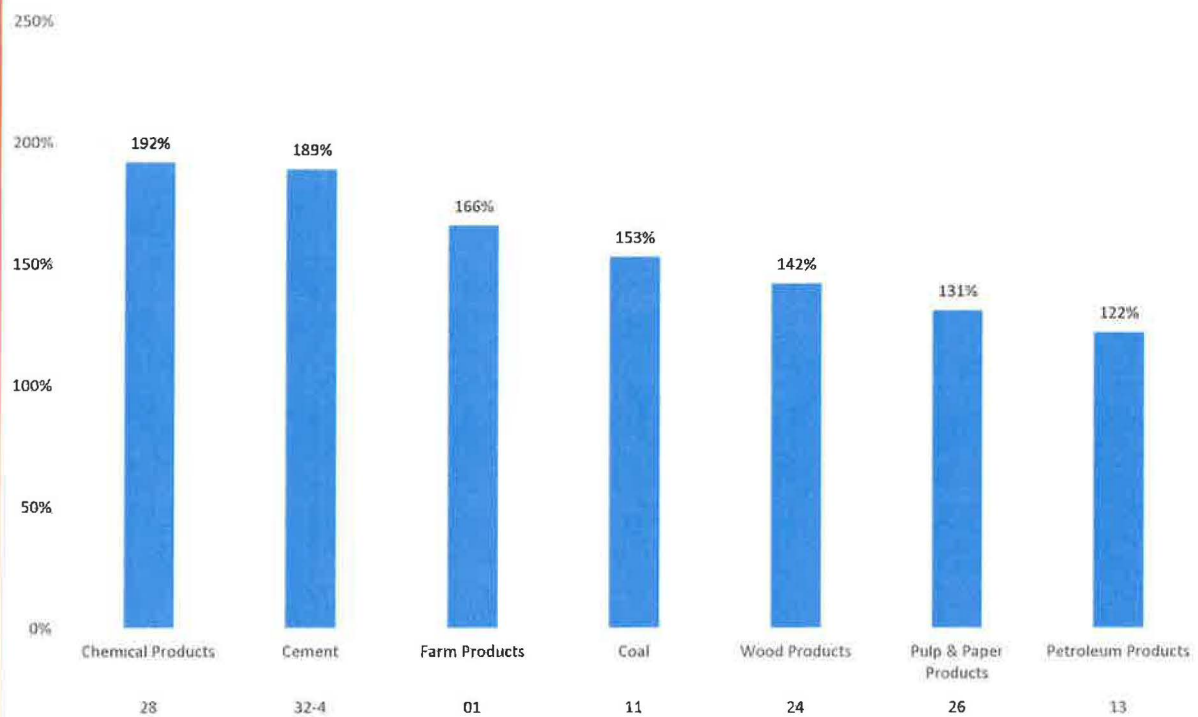
STCC 32-4
Average Revenue/LRVC Ratio
2010 -2017



Excludes shipments in exempt or intermodal car types Change in Average Rev/LRVC 2010- 2017: 19.8%
Source: STB Carload Waybill Sample, Hellerworx analysis

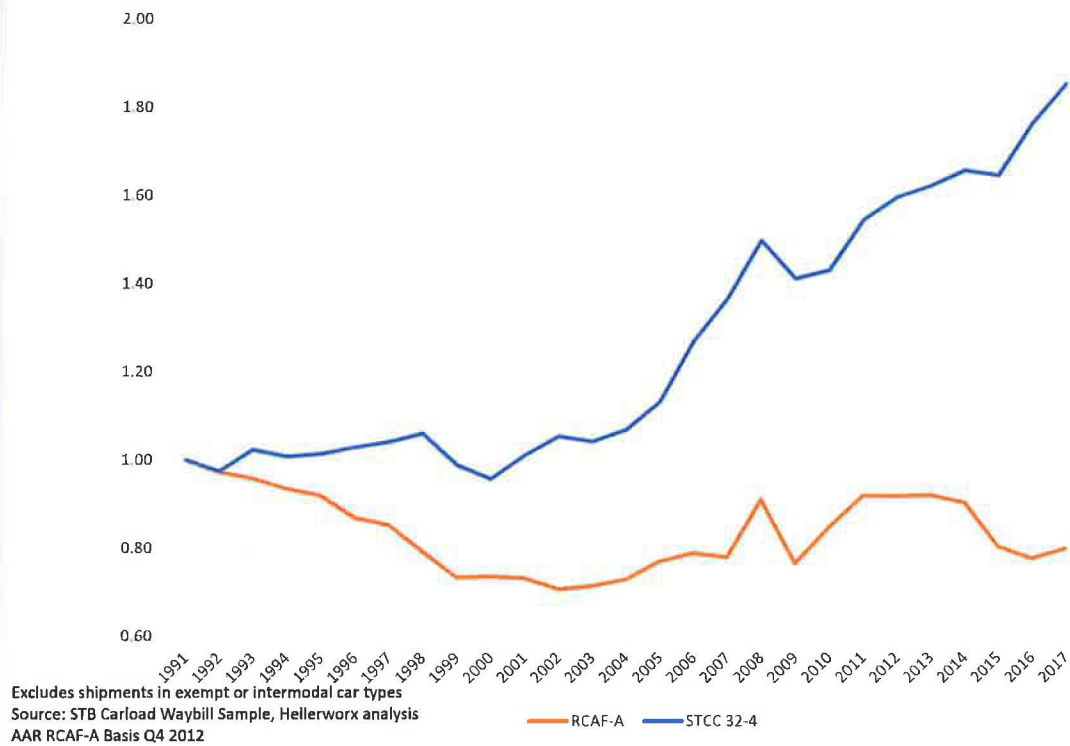
—●— Hellerworx Average Rev/LRVC
—●— STB Average Rev/LRVC

Avg Revenue/LRVC Ratio 2017



Source: STB Carload Waybill Sample (32-4) and
STB Commodity Revenue Stratification Report

STCC 32-4
 Change in Average Revenue Per Revenue Ton Mile and RCAF-A
 1991 - 2017
 1991 = 1



STCC 32-4
Percent Potentially Captive
By Revenue
1988-2017

