

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 11, 2019 between
the Georgia Pacific LLC, American Forest and Paper Association
and Board Member Oberman

Georgia Pacific LLC (“GP”) and American Forest and Paper Association (“AF&PA”)
Attendees:

- Christie Loucks, Senior Director Rail Logistics, GP
- Julie Landry, American Forest & Paper Association
- Karyn Booth, Thompson Hine LLP
- Kerem Bilge, Thompson Hine LLP

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STB Attendees:

- Board Member Martin J. Oberman (by phone)
- Katherine C. Bourdon, Attorney Advisor

Meeting Summary:

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

GP presented Member Oberman and the STB attendees an overview of GP’s business and product lines, including that GP is a leading manufacturer of building products (plywood, lumber and wallboard), consumer products and pulp/cellulose that is used in many consumer products. It also provided information regarding its rail volumes and equipment needs. GP explained reliance on rail transportation for inbound and outbound traffic based on its facility types. For example, its consumer products mills are heavily dependent on rail for inbound materials, whereas its paper mills ship a high percentage of rail outbound. Its building products mills also use rail for outbound production. (See Exhibit-1).

GP clarified that mileage is not the primary factor determining its preference of rail over truck transportation but rather facility design for shipping and receiving and product dimensions and weight dictate and require its use of rail. Many facilities were built near railroad tracks due to the large and heavy nature of the products manufactured and the costs to configure the mills for only truck transportation is not economical.

GP explained its concerns in connection with railroad rates, de-marketing, service, car supply, service windows, and demurrage. GP stated that its demurrage bills have increased significantly during the last two years. GP also stated the railroads’ shift to 60-foot box cars adversely affects its business, as some of its facilities are dependent on 50-foot box cars for the transportation of brown paper products due to their size. GP also explained a Class I railroad’s practice of not guaranteeing car supply for certain lanes that it designates as low velocity. GP also stated that a Class-I railroad charges \$900 to void a waybill, if the receiving facility is embargoed by the railroad. However, GP is not informed of the embargo before loading the car.

Member Oberman asked why GP does not utilize truck despite price advantages. GP explained that the volume and size of paper rolls make it challenging for these products to be sent by truck. Furthermore, GP does not have the warehouse space to load trucks, which takes longer. GP also explained that its facilities are designed with rail infrastructure, and rail transportation is more efficient, albeit not cheaper in many instances.

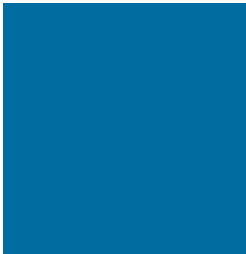
Member Oberman asked whether GP uses all Class I railroads. GP explained the number of different railroads they work with in a volume sample demonstrated in the presentation (*See Exhibit-1*).

GP explained that some of the lanes they utilize have increasing R/VC ratios above 180% and that other lanes have been demarketed where railroads refuse to compete with truck, even though truck prices have risen in recent years. GP stated that it experiences significant difficulties in negotiating contracts with Class I railroads due to the exempt status of commodities they ship. GP also explained that it needs STB oversight and an avenue for recourse against the railroads to ensure reasonable rates, practices and service. GP also stated that it hopes to be able to benefit from any future regulatory changes that the Board may adopt on rail rates, competition and demurrage practices.

Member Oberman and GP discussed changes in railroad practices, and the implementation of PSR. GP provided feedback.

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

Exhibit-1



WWW.GP.COM

Georgia-Pacific Overview



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GEORGIA-PACIFIC OVERVIEW

Georgia-Pacific is a major player in three primary areas of business:

- Major producer of tissue, towels, napkins and tableware for homes and businesses
- Respected brand name in North American building products
- A top maker of fiber-based packaging
- Global supplier of market, fluff & specialty pulps for thousands of products

BUILDING PRODUCTS



CONSUMER PRODUCTS



PACKAGING + CELLULOSE



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BUILDING PRODUCTS

Our Building Products are strong, durable and sustainable.



Founded in 1927 as a hardwood lumber wholesaler, we are now North America's largest producer of wood structural panels



We offer industry leading innovations in gypsum panels with the Dens® product line



We are recognized for contributing to the sustainability of commercial and residential buildings



We are major supplier to leading do-it-yourself warehouse chains across North America



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CONSUMER PRODUCTS GROUP

- From bathroom to kitchen to backyard barbeque, we have products to make your life a little easier
- Our retail business makes household tissue, towels and tabletop products we all use every day and many top sellers in mass retail, club and dollar stores
 - Quilted Northern®, Angel Soft® tissue
 - Brawny®, Sparkle® towels
 - Dixie® plates and cups



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GP PACKAGING & CELLULOSE



GP is a global leader in customer-focused, fiber-based solutions



We are committed to operating responsibly and sustainably in 45 communities that are home to our packaging plants and paper mills



Our fluff and specialty pulps enhance thousands (maybe millions) of everyday products that improve your life



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WE ARE LARGE IN SCALE ...



Shipments

- Our consumer products business ships approximately 27,000 truckloads per month to customers
- Each day, we handle nearly 1 million cases of paper products
- Number of wood and log trucks delivering to us daily would stretch from Atlanta all the way to Chattanooga (~100 miles)



Brands

- We have two billion-dollar brands - Angel Soft and Dixie
- Number of GP products in average grocery or mass retailer: 30
- GP consumer brands are in about 65% of U.S. households
- GP products are used in commercial settings around the world



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WE TOUCH HUNDREDS OF SMALL COMMUNITIES ...



2018 Carload Volume =

Type	Carloads	Tons	% of Total
Outbound	48169	3,772,081	43.45%
Inbound	33416	2,996,809	30.14%
Intracompany	26832	2,121,242	24.20%
External	2447	218,455	2.21%



Rail Volume % by Mileage Range

- < 300 miles = 25% of rail volume
- 301-500 miles = 40% of rail volume
- > 500 miles = 35% of rail volume

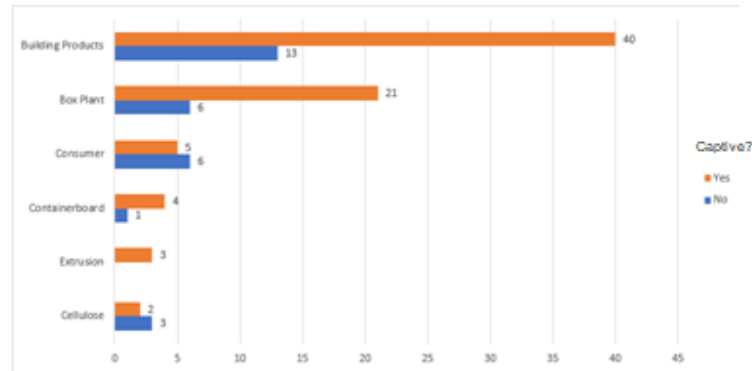


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104 - GP Rail Served Locations by Type

- Box Plants – 27
- Building Products – 53
- Cellulose – 5
- Consumer Products – 11
- Containerboard Mills – 5
- Extrusion Plants – 3



- 70% of GP locations are "captive" to a single Class I RR

2018 – Rail Volume; Key Shipping Data Points

- 110,864 Carloads – over 9 million tons of product
 - 70% of volume is produced by GP and shipped outbound
 - 30% of volume is consumed by GP and shipped inbound
- >3200 unique origin – destination point pairs
 - 400 lanes make up 80% of the volume
- 195 different RR's touched GP Freight includes all Class I RR's
 - GP manages tariff and rules for all; including 70 fuel surcharge scales
- 45 different commodities shipped / received
- >26 different car types/sizes are used
 - GP leases or owns ~30% of equipment used
 - 70% of car need supplied by RR; primarily boxcars

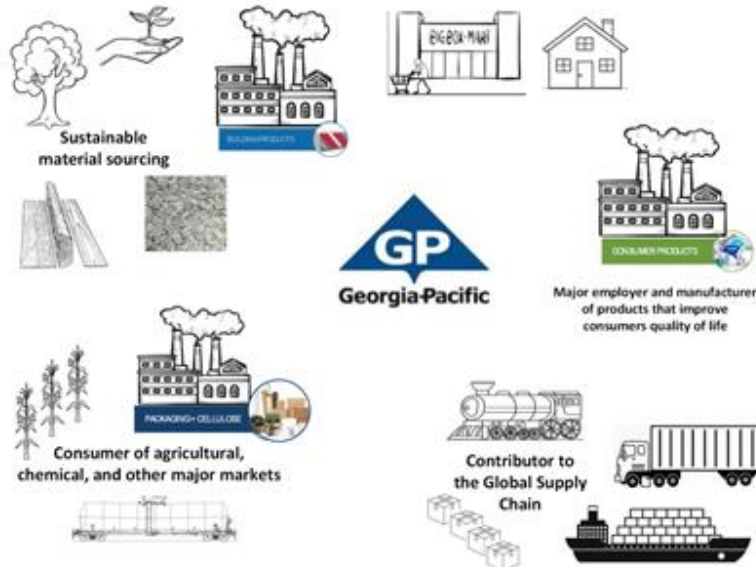
80% Volume Sample: by RR, by Commodity, by GP Origin

RR in Route	Carload Count	% of total
CSXT	40223	18.2196%
NS	24626	11.1547%
UP	23713	10.7411%
CN	18025	8.1647%
CIRR	12497	5.6607%
BNSF	12426	5.6285%
KCS	9372	4.2452%
AGR	8994	4.0740%
ALM	6511	2.9492%
MNBR	6474	2.9325%
HAL	5789	2.6222%
OAR	4208	1.9061%
PNWR	4167	1.8875%
CPRS	3411	1.5451%
GFRR	2554	1.1569%
TASD	2345	1.0622%
SAN	2295	1.0396%

Commodity	Count	% of Total
PULPBOARD	31749	28.64%
WOOD CHIPS	16682	15.05%
WOOD PULP	14658	13.22%
PLYWOOD	6024	5.43%
SCRAP	6010	5.42%
GYP SUM WALLBOARD	5075	4.58%
LUMBER	4617	4.16%
OSB	4383	3.95%
CAUSTIC	3065	2.79%
COAL	3742	3.38%
SODIUM COMPOUNDS	1831	1.65%
SULPHURIC ACID	1807	1.63%
PET OILKE	1526	1.38%

Origin	Count	% of Total
CEDAR SPRINGS, GA	10048	13.40%
MONTICELLO, MS	6504	8.67%
TOLEDO, OH	5422	7.23%
FOUNTAIN, AL	4547	6.06%
AUGUSTA, MS	3216	4.29%
NAHEOLA, AL	2748	3.66%
CROSSETT, AR	2584	3.45%
FOLEY, FL	2298	3.06%
BIG ISLAND, VA	2138	2.85%
MADISON, GA	1997	2.66%
ENGLEHART, ON	1954	2.61%
CUMBERLAND CITY, TN	1842	2.46%
LOUISVILLE, MS	1830	2.44%
PROSPERITY, SC	1753	2.34%
BREWTON, AL	1724	2.30%
MCCORMICK, SC	1693	2.26%
BEK, AL	1622	2.16%
GURDON, AR	1382	1.84%
DUDLEY, NC	1271	1.69%
ACME, TX	1243	1.66%
HIMES, WY	1107	1.48%

Supply Chain Overview



Typical Mill Layouts

