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The Honorable Peter A. DeFazio
Chairman
Committee on Transportation and
Infrastructure
2165 Rayburn HOB
Washington, DC 20515

The Honorable Sam Graves
Ranking Member
Committee on Transportation and
Infrastructure
2164 Rayburn HOB
Washington, DC 20515

Dear Chairman DeFazio and Ranking Member Graves,

The United States freight rail system is an essential part of national and global supply chains, including fuels and petrochemicals. A healthy, efficient rail system helps the United States economy thrive and benefits all parties, including railroads, rail shippers, and ultimately consumers. Unfortunately, widespread rail service disruptions are challenging supply chains and negatively impacting a variety of industries and United States consumers.

American Fuel & Petrochemical Manufacturers (“AFPM”) is the leading trade association representing the makers of the fuels that keep us moving, and the petrochemicals that are the essential building blocks for modern life. Our members rely on the rail network to get feedstocks to our facilities and products to market. Annually in the United States, over 2 million carloads of our members’ feedstocks and products, including crude oil, natural gas liquids, refined products, petrochemicals, and plastics are transported by rail.¹

Over the past few decades, through consolidation the number of major United States railroads has drastically contracted resulting in decreased rail competition, degraded rail service, exponential rate increases, and higher prices for consumers.² The negative impacts of this consolidation have been exacerbated more recently by widespread adoption of cost-cutting operating models. By implementing Precision Scheduled Railroading (“PSR”), major railroads abandoned a customer-centric, pro-growth model in favor of lower operating ratios and short-term profits. Railroads have slashed the railroad workforce, shelved rail equipment, and closed railyards across the country.³

The United States economy is now being plagued by chronic and widespread rail service problems — from delays to embargos — that are preventing critical materials and finished goods

¹ See “Freight Rail Facts and Figures” February 2022, see <https://www.aar.org/facts-figures>

² On average, less than 68% of rail cars arrive on time in May 2022 according to STB data. See <https://www.afpm.org/newsroom/blog/freight-rail-america-can-market-be-free-if-theres-almost-no-competition>

³ Class I railroads cut 45,000 jobs from 2016 to 2021 – nearly 30% of their workforce according to STB data.

from getting where they need to go.⁴ Put simply, freight railroads are failing to deliver for refiners and petrochemical manufacturers and these failures are directly impacting consumers.⁵

The Surface Transportation Board (STB) is the sole federal agency charged with resolving commercial freight rail issues, including service, competition, and rates. We applaud STB's recent efforts to improve rail service and address freight rail challenges. But more can be done to address the current widespread rail service problems and ensure that such rail disruptions are not repeated in the future.

AFPM supports bipartisan legislation to reauthorize the STB and provide the STB with the resources and authorities it needs to quickly address rail service issues. Specifically, AFPM encourages Congress to address the following issues when reauthorizing STB:

Enhance the STB's ability to address critical service issues: In the last eighteen months, rail service delivery issues escalated to the point where they have caused facilities in critical industries to slow or temporarily cease operations and caused those same industries to seek costly shipping alternatives, thereby increasing costs to consumers. While the STB has emergency authority powers and has exercised these powers to provide some relief to rail shippers, the current authorities can be improved and strengthened. Congress should grant STB additional emergency authorities to quickly address service disruptions in critical industries such as refining and petrochemical manufacturing.

Improve the data STB receives to better address rail problems: Congress should require railroads to report meaningful data to STB on "first mile/last mile service" to improve performance tracking. Providing STB more transparent data, particularly in the first and last mile, could go a long way to identifying service issues early, and mitigating the impacts of those issues before they reach untenable levels. To facilitate better data exchange, Congress should also encourage the use of global positioning systems and other telemetry technology on freight rail cars to provide real-time rail data.

Provide service standards: Rail carriers are extremely averse to including service delivery standards in contracts, particularly for captive rail shippers. Such standards would improve service reliability and allow manufacturers and refiners to plan accordingly and avoid facility slowdowns or unexpected outages. Congress should clarify service obligations and hold railroads accountable to those standards.

Recognize current state of rail car ownership: Current law allows railroads to charge shippers fees (demurrage) when shippers are slow to load or unload rail cars. Rail car ownership has shifted such that rail customers now own approximately 75 percent of freight rail cars. Despite this shift in ownership and maintenance responsibility, rail car owners do not have the ability to charge fees when the railroads are slow to deliver or

⁴ This spring and summer two Class I railroads announced temporary embargos of shipments that impacted the refining and petrochemical industry.

⁵ Transportation and distribution costs account for between 5-17 percent of the price a consumer pays for a gallon of gasoline or diesel. See [Gasoline and Diesel Fuel Update - U.S. Energy Information Administration \(EIA\)](#).

pick up cars. Congress should recognize that both shippers and railroads have a responsibility to keep rail cars moving and allow shippers who own or lease their own rail cars to assess a fee on railroads when railroads delay moving rail cars efficiently.

Encourage STB to complete outstanding rulemakings: Congress can help support STB by allocating additional resources to the STB to facilitate the expeditious completion of open rulemaking dockets. In addition, Congress should consider efforts to expedite the finalization of delayed rulemakings, specifically Reciprocal Switching (Docket EP 711), as this rule would reintroduce competition in the rail network and prevent future service issues.

Congress recently passed the Ocean Shipping Reform Act of 2022 to address the negative impacts of consolidation in the shipping industry and to alleviate supply chain issues in ocean freight shipping. This bipartisan action was roundly applauded and is helping United States consumers and businesses. However, the supply chain includes all modes of transportation. Congress has an opportunity to continue to address supply chain issues by now focusing on the rail network. Given the current chronic and widespread rail service problems in the rail network, AFPM urges action and supports bipartisan Congressional action in the form of STB reauthorization. This reauthorization could provide needed relief to rail shippers and United States consumers and prevent future rail network failures from happening.

Thanks,



Chet Thompson
President and CEO
American Fuel & Petrochemical Manufacturers