



NATIONAL STONE, SAND
& GRAVEL ASSOCIATION

April 26, 2023

Martin J. Oberman
Chairman
Surface Transportation Board
395 E Street SW, Washington, DC 20423

Dear Chairman Oberman:

On behalf of the members of the National Stone, Sand & Gravel Association (NSSGA), I am writing to again thank the Surface Transportation Board (STB) for meeting with us on January 24th and to update the STB on issues that we have confronted with freight rail service in early 2023.

As a reminder, the NSSGA membership comprises of stone, sand, and gravel manufacturers and the equipment makers and service providers who facilitate their operations. Our member firms contribute to over 90% of the crushed stone and 70% of the sand and gravel used yearly in the United States. Aggregates are the backbone of crucial structures such as residences, schools, hospitals, and communities. From housing to transportation, aggregates play a vital role in every aspect of our daily lives. The NSSGA also includes industrial sand companies, including the two largest producers in the United States. Industrial sand is the primary raw material for all glass, is used to make almost all metal casting and is a proppant that is essential to the production of US oil and gas. NSSGA members rely on freight rail to transport aggregates, especially in rapidly growing urban regions. According to the Association of American Railroads ("AAR"), in 2020, freight rail was responsible for transporting 1.1 million rail cars of stone, sand, and gravel, and this number is expected to rise. The industrial sand industry ships over 30% of product by freight rail; the largest producer in the US ships about 50% of its industrial sand by freight rail.

We wanted to highlight several issues from early 2023 in our update to the STB:

CSX/NS Performance Metrics

It is vitally important that the freight rail industry report accurate, real-time performance measures. Data published each reporting period are essential tools to assess where problems exist and what they may be, so we need data that is being properly collected, managed and processed in order to reach the best possible solutions. According to the Performance Measures on CSX's website, Train Velocity Metrics currently has aggregates and industrial sand grouped into a category labeled "Merchandise" when calculating average velocity per shipping product. The NS also includes aggregates and industrial sand in a generic category (which one is unclear), not a product specific category. Freight rail performance with regard to



agregates and industrial sand cannot be assessed with these reporting metrics. The solution is to report a separate data set in order to provide transparency on freight rail performance. It is a truism that one cannot manage (i.e., improve) that which one does not measure. We are asking the STB to work with the rail roads to change their performance metrics to separately report aggregates and industrial sand.

BNSF Performance Issues

The BNSF experienced a number of problems in March, which led to disruptions in service to a member company. The following describes several BNSF problems with the negative impacts that these problems had on the business of a member.

- Belt Railway of Chicago (BRC) Congestion – Traffic backed up on the BRC as a result of the Ohio NS derailment. Once it started moving, there was a massive amount of traffic for the BRC to clear in Chicago that effected traffic going to the BRC as well. The problems highlight that the Class 1's can't recover from any significant disruption to the network. If there is a significant incident, it impacts all freight rail because the Class 1's are so understaffed and lacking sufficient power.
- BNSF serving yard derailment on March 12, 2023 put a track out of service. It was repaired on April 1, 2023 – 20 days. The company was told this took so long because a switch or some specific piece of rail infrastructure that needed to be replaced had to be ordered.
- Arizona/California mainline derailment on March 15th. Service was restored to both mainlines on March 17 and 18. This derailment stopped the flow of any traffic into or out of Southern California (ports) and contributed to an imbalance in the locomotive network; for example, Chicagoland was without the usual amount of locomotive power to depart trains. (They had locomotives in storage, but would not pull them out to help their customers.)

The three incidents described above had significant commercial impact to a member company.

- Unit Trains
 - For a 2-2.5 week period, unit trains departures from a facility were delayed by 24-48 hours.
 - Once trains reach the BNSF serving yard, there have been 48-72 hour delays with these trains not having crews and/or power to depart the BNSF serving yard.
- Manifest Traffic
 - As of April 4, 2023, this company has manifest traffic in the BNSF serving yard from March 12 as a direct result of the derailment in the BNSF serving yard on March 12.
 - At this company's peak point of degraded service, it had 200+ loaded manifest cars in the BNSF serving yard waiting to depart for about 2 weeks.
 - The BNSF advises the congestion and slow departures from serving yards will persist through April.

We have had reports from other member companies regarding delays (3 to 6 days) in the Chicago area due to the lack of locomotives (and likely the lack of crews).

CP Performance Issues

The CP has suffered significant operational challenges in 2023, leading to significant commercial hardship for a member company's Wisconsin operations. The company has tried to communicate its concerns to the CP, but the CP has avoided engaging and does not provide a single point of contact to facilitate communications. Because of the CP's poor performance in 2023 (caused by lack of crews, power and



poor customer service), this company has foregone millions of dollars of potential revenue because it has no confidence that additional product that is in demand can be shipped by freight rail. Additionally, this company has incurred at least \$500,000 in unnecessary costs in 2023 because of CP service failures.

The CP's poor performance in 2023 has impacted another member company's Wisconsin operations. The CP has failed to pull loaded cars when scheduled, delaying moves and customer deliveries resulting in the company's customers having to cancel or reschedule production. Additionally, the failure to the CP to provide on time deliveries has resulted in customers incurring additional unbudgeted expenses to pay for trucks to meet critical material needs. The general chaos that characterizes the CP's operations – the failure to pick up loaded cars when scheduled, the failure to deliver empty cars when scheduled – has resulted in the member company incurring unbudgeted overtime costs and even unplanned plant shutdowns.

UP Threat of Embargo

A member company has spent about \$1,000,000 in the last 12 months to move empty cars at one facility at the request of the UP, which required the move or it would have imposed an embargo.

Thank you for the opportunity to share information concerning freight rail issues with the STB. As we discussed at our January 24th meeting, it is important for the STB to hear the experiences of freight rail shippers to get a complete picture of the state of freight rail. We remain ready to work with the STB and others on measures to improve freight rail service.

If you have any questions, please contact me at any time.

Sincerely,



Michael W. Johnson
President and CEO
National Stone, Sand & Gravel Association

