



August 30, 2024

308659

The Honorable Chairman Robert E. Primus
Surface Transportation Board
395 E Street SW
Washington, DC 20423

ENTERED
Office of Proceedings
August 30, 2024
Part of
Public Record

Submitted via <https://www.stb.gov/proceedings-actions/e-filing/>

Attn: Surface Transportation Board Docket No. EP_775 (Growth in the Freight Rail Industry)

The National Mining Association (NMA) appreciates the opportunity to provide this testimony at the Surface Transportation Board (STB) hearing regarding growth in the freight rail industry. The NMA is the only national trade organization that serves as the voice of the U.S. mining industry and the hundreds of thousands of American workers it employs before Congress, the federal agencies, the judiciary and the media, advocating for public policies that will help America fully and responsibly utilize its vast natural resources. We work to ensure America has secure and reliable supply chains, abundant and affordable energy, and the American-sourced materials necessary for U.S. manufacturing, national security and economic security, all delivered under world-leading environmental, safety and labor standards. The NMA's members conduct mining operations throughout the United States and rely on Class I rail carriers to transport mined materials, including coal.

Coal is America's most reliable and abundant energy resource. At current consumption rates, the U.S. has more than 250 years of remaining coal reserves.¹ Not only is coal vital for reliable and affordable energy, but roads, railways, appliances, buildings, stadiums, bridges, airports, and other structures are supported by steel — a material dependent on metallurgical coal. The U.S. is one of the largest metallurgical coal exporters in the world and demand is only expected to increase. In the first quarter of 2024, U.S. metallurgical coal exports were already 13 percent higher than the fourth quarter of 2023.²

¹ U.S. Energy Information Administration, Coal Explained: How much coal is left?, available at <https://www.eia.gov/energyexplained/coal/how-much-coal-is-left.php> (last visited Aug. 30, 2024).

² U.S. Energy Information Administration, Quarterly Coal Report, available at <https://www.eia.gov/coal/production/quarterly/#:~:text=Metallurgical%20coal%20e>

While coal is an inexpensive, efficient, energy and infrastructure resource right here at home, mining companies are facing enormous difficulties getting coal to the consumer. Rail continues to be the primary mode of transportation for coal across the U.S. Coal produced in the Powder River Basin can be transported over 1,000 miles, and as far away as Georgia, Oregon, and Texas. These operations run 24 hours a day, 7 days a week, and 365 days a year to meet the needs of consumers.

However, just because the mines are running, it does not necessarily mean that coal is moving across the country by rail. Recognizing some of the logistical problems that our members were experiencing, a few years ago the NMA began issuing an anonymous quarterly rail survey to our members to assess the ebbs and flows of freight rail service and capacity across the nation. The most recent quarterly rail survey ending in July 2024 indicates that freight rail, at the moment, is steady. However, the mining industry has seen first-hand how this balance can quickly become unstable.

Presently, there has been a slowing demand for thermal coal for power generation which has also helped alleviate pressure on rail service. However, it is important to remember that pullbacks in demand for coal, such as when natural gas prices are lower, are an inherent factor in commodity markets generally and energy markets specifically. Such cycles come and go over the years, and dips will inevitably be followed by surges – whether as a result of severe weather, disruptions in competing fuel markets, or accelerating economic growth and electricity demand or some other driver. Increasingly, this includes the impact of the global energy business to which the U.S. coal industry is also bound.

Further, global coal consumption shows no signs of slowing, as developing nations seek to alleviate poverty and grow their economies, and as developed nations seek to find new sources of supply. Between 2020 and 2023, U.S. coal exports increased nearly 25 percent.³ Given years of underinvestment in global coal supply, we fully expect such export opportunities to continue to grow.

To capitalize on this export trend – and to continue to meet the needs of our friends and allies overseas – U.S. coal producers will need the continued support of the freight rail industry. Importantly, the U.S. can play a central

[ports%20total%2014.3,the%20first%20quarter%20of%202023](#). (last visited Aug. 30, 2024).

³ S&P Global, U.S. Thermal Coal Exports Jump 26.4% on year to 44 million mt in 2023:Census, *available at* <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/coal/020724-us-thermal-coal-exports-jump-264-on-year-to-44-million-mt-in-2023-census#:~:text=The%20US%20exported%2046.5%20million,coal%20exports%20were%2026%25%20higher>. (last visited Aug. 30, 2024).

role in addressing global needs, with some of the most outstanding safety, reclamation and modern operating practices in the world.

I will give a couple of anonymous examples from our members to illustrate some of the ongoing frustrations. One coal producer has an international customer interested in their coal. However, the railroad has been unwilling, or unable, to move trains from the mine to the export terminal, while at the same time will move trains for a domestic customer from the same mine. The inability to export to a potential new international customer is causing the company to re-evaluate its business practices. The inconsistency in this example suggests a lack of capacity by this carrier.

Another coal producer has lost nearly \$40 million so far this year in contractual revenue due to diminished rail capacity. For the first half of August, that producer lost nearly \$3 million alone. The demand is there, and the customer wants the coal. The coal just cannot get to the customer. It is critically important to recognize that this revenue cannot be made up by the coal producer. Once it is gone, it is impossible to recoup.

Given these issues, the NMA urges the railroads to proceed cautiously as they assess future shipper requirements, and to prioritize readiness for the sudden upticks in demand that are inevitable in our business. We also urge the railroads to maintain the operating flexibility and spare capacity necessary to efficiently and effectively respond to current and future increases in export demands. It is our view that the railroads in the recent past have been too hasty in paring back service and redirecting resources during periods of temporary softness, and that has come at a significant cost to all shippers, not just the coal industry.

Another vital component to freight rail growth is sufficient staffing and stability in the freight rail workforce. In our view, there is tremendous experience, talent and institutional knowledge in place at U.S. rail carriers, and shippers, like coal producers, rely heavily on that highly skilled workforce. In 2023, the railroads pledged and maintained relatively stable staffing levels. However, this commitment was seemingly short-lived as layoffs this spring were announced.⁴ These layoffs have resulted in cutting mechanical forces across key coal yard locations and further strained capacity to crew, power, and move train sets. Importantly, once terminated, railroad employees are highly unlikely to return to the industry, and often move forward with a different career path. This reality makes it difficult for railroads to quickly restaff the necessary workforce as market conditions fluctuate.

⁴ Latest Freight Railroad Layoffs and Wall Street Pressure Renew Concerns about Safety and Service, March 4, 2024, *available at* <https://www.usnews.com/news/best-states/nebraska/articles/2024-03-01/latest-freight-railroad-layoffs-and-wall-street-pressure-renew-concerns-about-safety-and-service> (last visited Aug. 30, 2024).

Staffing inadequacies are found at every level of rail operations, from train crews, to rail yard locations, and at the corporate level in logistics for commodity groups. Members have found that the lack of corporate attention paid to service for shippers has made service delays lengthen and shippers lose valuable customers if they cannot get coal delivered in time for domestic customers and pay demurrage fees for exports as docked vessels await deliveries. To the extent possible, the NMA urges the railroads to continue to cultivate a high-performing workforce and a deep bench, and to avoid the kind of churn that can lead to an erosion in overall performance.

The NMA and its members want to be part of the solution – that is why we are here. We need to be able to move both thermal and metallurgical coal domestically and to our international business partners, who increasingly require it to keep the global economy healthy and functioning. All this depends on a high-performing rail system with consistent and reliable service, and the NMA and its member companies stand at the ready to assist in any way possible.

Thank you again for the opportunity to provide this testimony. If there are any questions, please reach out to me at kmills@nma.org.

Sincerely,

Katie Mills

Katie Mills
Associate General Counsel