

# 20 Questions on Railroads

What? Where? And Why?



## The Starting Gate

- **Bob Bray – State of Ohio**
  - Posted Railroad Questions on FTA Listserv
  - Presented Questions at Uniformity Meeting
    - January 2005, Dana Point CA
  - Questionnaires were sent to a number of railroads
  - North Carolina and Ohio were attempting to contact railroads operating in their states.
- **FTA Pacific Regional Meeting**
  - Yellowstone Pipeline Presentation
  - Informal discussion with some railroads in attendance



## Questions and Answers

- What Paperwork is maintained by the railroads for shipping products to various destinations?
  - Railroads typically receive, transmit and maintain shipping records electronically (Electronic bills of lading).
  - In 1922 the Interstate Commerce Commission prescribed a uniform bill of lading form railroads.
  - The information on railroad bills of lading appear to be fairly uniform. The order and presentation of this information is in many different forms.



## Questions and Answers

- What information may be included on the bills of lading?
  - Car Number and Type
  - Loaded Car or Empty Car
  - Origin, Destination, Route
  - Shipper (person paying the freight bill)
  - Consignee (person receiving the shipment)
  - Shipping costs prepaid or to be invoiced
  - Product / weight (may be provided by the shipper)
  - The information is provided and submitted by the shipper to the railroad.



## Questions and Answers

- How is the railroad paid for delivering products?
  - Shipping rates may be influenced by...
    - Origin, Destination, Origin weight, Destination weight
    - Distance and Route
    - Property Value
    - Number of Cars
  - Payments are usually made electronically.



## Questions and Answers

- What is the capacity and configuration of a railcar?
  - Railcars vary in size and configuration.
  - Some cars contain multiple compartments. (Cars with Hazardous materials must be connected in a certain sequence on a train. (This makes it less likely to have different products in one car.)
  - Railcars may be as small as 8,000 gallons.
  - Railcars may be as large as 36,000 gallons



## Questions and Answers

- Are railcars tracked as they move around the country?
  - Railroads use a sophisticated tracking system to keep track of where a rail car is.
    - The system records the movement of cars along the rail transportation system. Essentially each railcar has it's own "bar code" for tracking.
    - The system is used for billing by the railroads.
    - Shippers may request access to web based systems for this same information. (RailTrac / SteelRoads)
    - Consigners (receivers) may request access to the web based systems through their shippers.



## Questions and Answers

- Why would fuels be shipped by rail instead of truck?
  - Certain products may not be allowed by pipelines due to product quality issues.
    - AvGas, Low Sulfur Diesel (ULS Diesel), Blend stocks, Industrial solvents
  - No pipeline exists between the Origin and Destination. Not all Facilities are connected to pipelines (bulk plants, industrial users)
    - Railcars have a larger capacity than trucks
    - Railcars may be used as storage (ownership of the car)



## Questions and Answers

- The economics of shipping by rail compared to truck improve as the distance between the shipping points increase.
- It is possible to use multiple railcars on dedicated trains to simulate a pipeline. (Even though it may act like a pipeline, this still isn't a bulk shipment).
- Railcars may be used as storage. Ownership or lease agreements are necessary for this to occur without potential demurrage charges applying.



## Questions and Answers

- Are there disadvantages to shipping fuel by rail?
  - Shipments by rail can take longer compared to shipments made by trucks.
    - Railcars may not take the most direct route.
    - Railcars may be stationary waiting for a train.
    - Railcars are transported by trip segments.
    - Multiple railcars shipped may not arrive at the same time.
    - Occasionally, railcars can be lost



## Questions and Answers

- Shipments by rail are not considered bulk transfers.
  - Federal tax is imposed on taxable fuels
  - State taxes may also be imposed depending on the law
  - Tax paid inventories can exist
  - Tax collected multiple times / Refund issues
- Shipments by rail can create inventory issues.
  - Railcars in transit
    - State import/export issues (when is the railcar received?)
    - State tax reporting compared to Inventory accounting
  - Differences between the loaded and unloaded quantities
    - Temperature differences (Houston vs. Grand Junction)
    - Net vs. Gross gallons (State reporting Origin/Destination)



## Questions and Answers

- Railcar Storage Concerns
  - It takes a significant area to hold multiple railcars.
  - Equipment is needed to move railcars for loading / unloading
    - Some facilities rely on the railroad to move cars
  - Facilities have to contact the railroad in advance to pick up railcars for transportation.
  - Occasionally, railcars can get trapped behind other cars on a rail line in the yard (empty car trapped by full cars or a full car trapped by empty cars).



## Finish Line

- Railroads provide a viable alternative to truck transportation in many instances.
- The Compliance Sub-Committee of FTA Uniformity will continue to pursue communications with railroad companies for a better understanding of the rail system.

