

September 13, 2016

The Honorable Daniel Elliott III
Chairman
United States Surface Transportation Board
Washington, DC 20423

The Honorable Deb Miller
Vice Chairman
United States Surface Transportation Board
Washington, DC 20423

The Honorable Ann Begeman
Commissioner
United States Surface Transportation Board
Washington, DC 20423

Dear Chairman Elliott, Vice Chairman Miller, and Commissioner Begeman:

The undersigned groups are writing to you on behalf of the Rail Customer Coalition (RCC) to express our strong support for competitive switching. Competitive switching is among the most important potential reforms to outdated and excessively restrictive regulations that prevent competition among railroads. The RCC is a large collection of trade associations representing a broad range of manufacturing, agricultural, and energy industries that depend on the railroads to deliver reliable and affordable service in order to remain competitive in a global market.

Last year, RCC members worked closely with Congress to pass common-sense reforms to help make the Surface Transportation Board (STB) a more viable and effective intermediary between railroads and their customers when rate and service issues exist. There is widespread recognition in Congress and among virtually all rail customers that modernization of current STB rules is badly needed, and the Board has taken the first step to allow for competitive switching. The RCC also urges the Board to move forward quickly with a viable alternative to the overly time-consuming and expensive “Stand Alone Cost” rate case process and other essential reforms.

The Board’s competitive switching proposed rule would allow rail customers with no competitive rail service or other modal options to request to have their freight moved to a nearby rail line, for a fee, if another Class I railroad is reasonably accessible. Competitive switching is expressly allowed by statute, but it has never been permitted by the STB because of overly restrictive regulations at the Board. The RCC recognizes that the Notice of Proposed Rulemaking provides a starting point for reform. We support the principles underlying the proposed rule and will work with the Board to develop an appropriate final rule.

Notably, the U.S. Department of Agriculture told the Board, “Competitive Switching offers a market based solution to balance the needs of the railroads and shippers and is in keeping with the goals of the Staggers Act.”

Competitive switching is not a threat or untested theory; competitive switching has been available for decades in Canada, and it works well. As stated by the Canadian Pacific Railway, railroads that operate under Canada’s competitive switching system are “the two most efficient carriers in the industry today, demonstrating that a low-cost, service-focused carrier can increase revenues, operate efficiently, and reinvest in infrastructure in a competitive environment.” The

September 7, 2016

Page 2 of 4

notion that an improved competitive environment will damage the fundamental economics of the U.S. freight rail system is simply unfounded and runs counter to basic free market principles.

The RCC looks forward to continuing to work with the STB to modernize rail policy and create more competitive freight rail service.

Agricultural Retailers Association

Alliance for Rail Competition

Alliance of Automobile Manufacturers

American Chemistry Council

American Farm Bureau Federation

American Forest & Paper Association

American Fuel & Petrochemical Manufacturers

American Malting Barley Association, Inc.

Associated Industries of Massachusetts

Association of Global Automakers

Chemical Industry Council of Delaware

Chemical Industry Council of Illinois

Chemistry Council of New Jersey

The Chlorine Institute

The Fertilizer Institute

Georgia Chemistry Council

Glass Packaging Institute

Glass Producers Transportation Council

Idaho Barley Commission

Idaho Grain Producers Association

September 7, 2016

Page 3 of 4

Idaho Wheat Commission

Institute of Makers of Explosives

Institute of Scrap Recycling Industries, Inc.

International Warehouse Logistics Association

Louisiana Chemical Association

Manufacture Alabama

Massachusetts Chemistry & Technology Alliance, Inc.

Michigan Agri-Business Association

Michigan Bean Shippers Association

Michigan Chemistry Council

Michigan Forest Products Council

Minnesota Farmers Union

Montana Farmers Union

National Association of Chemical Distributors

National Barley Growers Association

National Corn Growers Association

National Farmers Union

National Industrial Transportation League

Nebraska Wheat Board

North Dakota Farmers Union

New York State Chemistry Council

North Dakota Grain Dealers Association

Ohio Chemistry Technology Council

September 7, 2016

Page 4 of 4

Oklahoma Wheat Commission

Oregon Wheat Commission

Pennsylvania Chemical Industry Council

Resilient Floor Covering Institute

Society of Chemical Manufacturers and Affiliates

South Carolina Manufacturers Alliance

South Dakota Farmers Union

Steel Manufacturers Association

The Sulphur Institute

Texas Chemical Council

Texas Wheat Producers Association

The Vinyl Institute

Washington Grain Commission

West Virginia Manufacturers Association

Wisconsin Farmers Union

Wyoming Wheat Marketing Commission