April 14, 2014

The Honorable William Shuster
Chairman, Committee on Transportation and Infrastructure
United States House of Representatives
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member, Committee on Transportation and Infrastructure
United States House of Representatives
Washington, D.C. 20515

The Honorable Jeff Denham
Chairman, Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives
Washington, D.C. 20515

The Honorable Corrine Brown
Ranking Member, Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Shuster, Ranking Member Rahall, Rep. Denham, and Rep. Brown:

On behalf of a broad array of industries with a strong interest in establishing a mutually beneficial relationship between the railroads and the shippers they serve, we would like to respond to your letter to the Surface Transportation Board (STB) of March 14, 2014, regarding its hearing on proposed reforms to promote competition through competitive switching between Class I railroads.

As your letter indicates, and we agree, the nation's freight rail system is critical to the health of the U.S. economy. Freight railroads are a safe and efficient means of transporting bulk commodities, and it is in our collective interests to ensure an economically strong rail network.

Policymakers have long recognized the unique nature of the rail industry, the need for balance between railroads that have market dominance over customers and the legitimate economic needs of those customers, and the need for railroads to make a reasonable return on their invested capital. Virtually the entire U.S. manufacturing sector, our public utilities, and our farmers rely on the government to maintain this equilibrium.

Extraordinary consolidation in the railroad industry has occurred since the last major freight rail oversight by Congress in 1980. These mergers have reduced the number of Class 1 railroads from 26 to seven, with four essentially operating like regional duopolies that control 90 percent of the traffic. This consolidation has resulted in the loss of competitive rail service for many U.S. companies and has contributed to a sharp increase in rates that act as a headwind for rail customers trying to do business in the United States. In fact, since the last major rail merger in 2000, rail rates have increased nearly three times as fast as inflation and trucking rates.

We believe there are common sense regulatory reforms that are consistent with the governing statute and deserve consideration to help address this growing problem. Stated simply, we believe that whenever reasonably possible, rail customers should be able to receive competing bids for their business. This fundamental business tenet is not possible today for rail-dependent customers whose facilities are served by only a single railroad. The National Industrial Transportation League's petition on competitive switching represents a balanced and reasonable step towards creating a more competitive environment for rail customers. It deserves at the very least a thoughtful analysis by the STB that Congress established to deal with this very issue.

The undersigned, representing many of the nation's manufacturers, electric power generation companies, and farmers respectfully request that Congress provide appropriate oversight to update policies that will further reduce the need for government regulation by increasing access to multiple railroads and promoting free market principles. We look forward to working with your Committee to ensure that this important topic is addressed.

Sincerely,

Terry Whiteside
Chairman
Alliance for Rail Competition

Cal Dooley
President and CEO
American Chemistry Council

Frank Reiner
President
The Chlorine Institute

Steve Sharp
President
Consumers United for Rail Equity

Bruce J. Carlton
President and CEO
National Industrial Transportation League

cc: Transportation & Infrastructure Committee Members
The Honorable Daniel R. Elliott III, Chair, Surface Transportation Board
The Honorable Ann D. Begeman, Vice Chair, Surface Transportation Board