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Chairman
Surface Transportation Board

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Surface Transportation Board

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Member
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Hon. Michelle Schultz
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Hon. Karen Hedlund
Member
Surface Transportation Board

Re: Proposed Rule on Reciprocal Switching (Docket No. EP 711)

My name is Gary Minardi. I am the President of San Jose Distribution Services Inc. located in San Jose, California. San Jose Distribution Services Inc. strongly supports the adoption of the Board's proposed reciprocal switching rules that will help facilitate greater rail competition. Our company's San Jose, California facility is served by a single Class I rail carrier, the Union Pacific Railroad, although technically, San Jose Distribution Services location is a "two for one track" with BNSF access. Several substantial opportunities with the BNSF have failed simply because the cars interchanges between the railroads delayed transit times six days.

We applaud the Surface Transportation Board's ("STB") decision to proceed with this rulemaking and agree that new switching rules are needed. The Staggers Act of 1980 specifically empowers the STB to grant reciprocal switching when it is in the public interest or necessary to provide competitive rail service. The Board's existing rules impose such high regulatory hurdles that no shipper has ever been able to successfully request switching.

The rail industry today is vastly different than the industry of the 1980s and there are far fewer competitive options. The Board's recent Annual Rail Rate Index Study shows that since 2004, real rail rates (adjusted for inflation) have increased by 30%. Many shippers remain captive to their railroad, even when reciprocal switching could help relieve railroad service disruptions and congestion.

Based on the extensive evidence already submitted in this proceeding, we believe reciprocal switching can be implemented without compromising railroads' ability to invest in the rail network or harming service for other rail customers. The proposed case-by-case approach allows the Board to appropriately consider the interests of all stakeholders based upon the facts of each individual switching request.

The AAR's argument that reciprocal switching is anti competitive is fictitious and misleading. It is a very well known fact that railroads have extensive joint rate agreements with each other that involve car interchanges. Essentially, these interchanges are cooperative reciprocal switching and has been a common practice by the railroads for decades.

We encourage the Board to finalize reciprocal switching rules that will provide shippers, receivers, third party warehouses, with greater access to competitive rail options. This would help create a more responsive, efficient and competitive freight rail system.

We appreciate the Board's consideration of this letter.

Respectfully submitted,
San Jose Distribution Services Inc.

Gary Minardi
President

A handwritten signature in cursive script, appearing to read 'G Minardi', is written in dark ink.