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The Honorable Martin J. Oberman
The Honorable Karen J. Hedlund
The Honorable Patrick J. Fuchs
The Honorable Michelle A. Schultz
The Honorable Robert E. Primus
Surface Transportation Board
395 E Street, SW
Washington, DC 20423
(via email: martin.oberman@stb.gov)

Re: Docket EP 334 (Sub-No. 8A), Petition to Reopen

Dear Chairman Oberman and Members of the Surface Transportation Board:

Please accept this letter from Trinity Industries, Inc., ('Trinity') in support of the Railway Supply Institute's Petition to Reopen Docket No. EP 334 (Sub-No. 8A) and examine its approval of Rule 25 of the Code of Car Hire (the "Arbitration Rule").

Trinity is concerned that the current Arbitration Rule in effect jeopardizes the long-term availability of boxcars and negatively impacts this important North American fleet for shippers. Boxcars are essential for the transportation of many important commodities, including agricultural, forest, and industrial products. Boxcar transportation is often the only practical option for certain commodities and routings.

The current Arbitration Rule in effect has greatly disincentivized investment in new railroad-marked boxcars, causing shippers across the country to seek other modes of transportation or face an impending boxcar shortfall unless the Arbitration Rule is changed.

Specifically, the current Arbitration Rule in effect establishes a default-rate standard, which effectively assigns all new cars a car-hire rate equal to the lowest negotiated rate in effect for the car type at the end of the previous calendar quarter. While the current Arbitration Rule allows car owners to negotiate rates with individual railroads, and these rates will supersede a car's default rate as to that railroad, the boxcar market lacks demand-based pricing signals to inform negotiated rates because car owners cannot practically allocate boxcars to railroad users based on the car hire rate they are willing to pay.

Also, while the current Arbitration Rule provides an arbitration mechanism when car owners and users are unable to agree on a car-hire rate, the absence of demand-based pricing signals effectively encourages owners and users to agree on a rate that



reflects avoidance of arbitration costs rather than anything that would resemble a true market rate.

Because of these factors, the current Arbitration Rule effectively limits boxcar car-hire rates to levels that do not reflect the true cost of providing and maintaining boxcars, especially as the existing fleet ages and deteriorates.

In addition, the current Arbitration Rule gives TTX an anticompetitive advantage, since TTX is not subject to the Arbitration Rule. As the Arbitration Rule squeezes TTX's competitors out of the boxcar market, it has allowed TTX to double its boxcar market share, charging rates for its boxcars that are higher than rates for boxcars under the Arbitration Rule. As a result, TTX and the railroads have taken a leading role in boxcar investment and have grown their combined market share to nearly 60% even as the overall railroad-marked boxcar fleet has declined.

Fair market rates and competition are essential elements of a system that supports all stakeholders and serves the best interest of the American public. Trinity has concerns that a failure to address the issues with the current Arbitration Rule will lead to increased costs and boxcar shortages that would negatively impact railroad operations and the use of rail as a mode of transportation, as well as have a detrimental impact on the customers that rely on boxcars to ship products.

Railroad transportation supports the companies and industries that are the economic engine of our country. From forest products to automotive parts, appliances, food products, beverages, grain, and other manufactured goods, these important commodities depend on a healthy boxcar fleet for reliable, efficient transportation throughout our country.

Trinity asks the Surface Transportation Board to promote a healthy boxcar fleet by reexamining its continued approval of the current Arbitration Rule. This includes developing updated approval conditions that would improve the car-hire system for all stakeholders: rail customers and shippers, short line railroads, Class I railroads, railcar lessors, railcar manufacturers, and others.

Trinity appreciates your consideration on this critical issue and encourages the Board to grant the Petition.

Sincerely,



Jack L. Todd
Vice President, Public Affairs
Trinity Industries, Inc.