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Office of Chief Counsel
June 17, 2026
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June 17, 2026

Via E-Filing

Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: Ex Parte No. 334 (Sub-No. 8A), *Joint Petition for Exemption of Arbitration Rule from Application of 49 U.S.C. § 10706 and Motion to Dismiss*

Dear Chief of Case Administration:

In a Decision dated May 18, 2026, the Surface Transportation Board (“Board”) denied a petition by the Railway Supply Institute (“RSI”) requesting that the Board review Rule 25 of the Code of Car Hire (“Rule 25”). The Board also directed the Association of American Railroads (“AAR”) to review whether “the possibility of a two-carrier veto materially affected the [Rule 25 Technical Advisory Group’s] recommendations and the [Equipment Assets Committee/Safety and Operations Management Committee] vote” and “notify the Board when it has reviewed and addressed this issue, and if necessary, to promptly seek any required action from the Board.”¹

AAR has reviewed the voting issue and, as explained below, confirms that proper voting procedures were followed by AAR’s Equipment Assets Committee (“EAC”) in making the recent changes to Rules 1 and 25 of the Code of Car Hire (“Car Hire”). To be clear, the changes to both rules were adopted by an overwhelming majority, meaning the “two-carrier veto” did not impact any vote during this process.

Voting Structure

In its petition filed with the Board seeking a review of Rule 25, “RSI contend[ed] that reopening is warranted based on the current EAC voting structure—namely, that two carriers

¹ *Joint Petition for Exemption of Arbitration Rule from Application of 49 USC § 10706 and Motion to Dismiss*, Docket No. EP 334 (Sub-No. 8A), at 12 (STB served May 18, 2026) (Decision).

have enough voting shares to jointly block any amendment, inconsistent with the sole modification the ICC made when it approved [Rule 25] under 49 U.S.C. § 10706(a).”² In 1992, the I.C.C. lowered the voting percentage required for making changes to Rule 25 from 80% to 67% of members’ cars to eliminate the possibility of as few as two major car owning carriers blocking changes from occurring.³

First, it is important to note that the provision establishing a required voting percentage only applies to Rule 25, or as it is more commonly known, the Arbitration Rule.⁴ It does not apply to any other Car Hire rule, including Rule 1 where the default rate is found. Specifically, Rule 25, at Part D.1 “Voting Procedures,” states:

Adoption of any amendment to [Rule 25] requires the affirmative vote of the members of the Equipment Assets Committee owning not less than 67 percent of the revenue freight cars owned by such members.⁵

The Code of Car Hire is not applicable to privately-owned cars not bearing railroad marks.⁶ This means that changes to Rule 25 need a vote of the EAC members that represent more than 67 percent of the freight cars owned by such railroad members.

The voting procedures for changes to Rule 1 (the default rate) are different. Changes to Rule 1 follow the general voting provisions of the EAC as found in AAR EAC Rules of Order (Nov. 1, 2016). These rules set out that “[m]otions before the [EAC] shall be passed if the motion is supported by a simple majority of the total votes of the members present.”⁷ Members of the EAC include Class I railroads, short-line railroads, a representative of AAR affiliate railroads, and two associate members (who are currently private railcar owners). It is important to reiterate

² Decision at 12 (citing RSI, Petition to Reopen and Condition or Revoke Approval, Joint Petition for Exemption of Arbitration Rule from Application of 49 U.S.C. § 10706 and Motion to Dismiss, EP 334 (Sub.-No. 8A) (Mar. 25, 2024) at 17-18.

³ Review of Car Hire Regul., EP 334 (Sub-No. 6) et al., slip op. at 7.

⁴ AAR Circular No. OT-10, Code of Car Hire Rule 25, Part D.1.

⁵ *Id.*

⁶ As AAR has explained previously, any private, non-railroad owner may avoid the entire Car Hire system, including Rule 25 arbitration and Rule 1 default rates, by simply electing not to mark their cars with a railroad mark.

⁷ AAR, Equipment Assets Committee, Rules of Order, Article IV(a) (Nov. 1, 2016). Additionally, “[a] Committee member may request a roll call vote of a motion before the Committee. When a roll call vote is requested, the motion shall pass the roll call vote if: 1) The motion is supported by a simple majority of the total votes of the members present, and 2) The motion is supported by members with weighted votes representing a simple majority of those members present.” *Id.* at IV(b). “The weighted vote shall be calculated by each member’s total ownership of revenue freight cars owned or leased as of January 1 of the current calendar year that are subject to the Code of Car Hire Rules. The AAR Affiliate member weighted vote will consist of all railroad marked and controlled cars not included in the ownership of other EAC members companies.” *Id.* at IV(c).

that the default rate, which is fundamentally the matter that RSI complained about, is found in Rule 1 of the Code of Car Hire.⁸

Voting in the Instant Matter

As AAR explained in its previous update to the Board, AAR worked within its EAC, which is responsible for the Car Hire Rules, to address the issues raised in RSI's petition.⁹ The EAC created a TAG composed of representatives from Class I railroads, railcar owners and lessors, and short-line railroads. Many TAG members also represented RSI members, and RSI's counsel and economist attended all open TAG meetings.

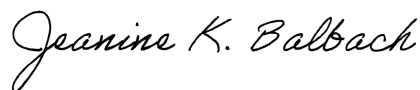
The TAG issued recommendations to the EAC, including changes to both Rule 1 and Rule 25. While the changes to Rule 25 were merely conforming in nature, we have confirmed that the TAG vote exceeded the threshold of 67 percent, in compliance with the special voting rule for Rule 25. Similarly, on November 10, 2025, the EAC approved the changes to both rules, by more than a simple majority and by railroads owning greater than 67% of the cars owned. Finally, on November 18, 2025, AAR's Safety & Operations Management Committee also approved the changes by a unanimous vote.

Conclusion

The TAG continues to meet to review the Car Hire rules and consider further improvements to the negotiation and arbitration procedures. As its ongoing review of Rule 25 continues, the TAG also will consider the voting question the Board raised. AAR will update the Board if further changes to the Rule are made.

AAR appreciates the thorough review and careful consideration the Board has provided on this matter.

Sincerely,



Jeanine K. Balbach
Counsel for the Association of American Railroads

⁸ As explained in AAR's Nov. 24, 2025 Update to the Board, "[o]nce the EAC/TAG review of Rule 25 commenced, it became apparent that RSI's actual complaint was not about Rule 25 and was not driven by concerns about investment in new boxcars or a "boxcar cliff." Rather, RSI was demanding an increase in the default car hire rate for cars of all types, for both newly built and existing equipment. The default rate calculation is contained in Rule 1. RSI argued that the issue was one of fairness or "market fidelity," and demanded a "market rate" default rate for car owners and lessors that elect to opt into the Code of Car Hire." AAR Update Nov. 24, 2025 at 5.

⁹ *Id.* at 2-4.