



AUTO ALLIANCE
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April 17, 2014

BY E-FILING

Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

ENTERED
Office of Proceedings
April 17, 2014
Part of
Public Record

Re: STB Docket No. EP 724, United States Rail Service Issues

Dear Ms. Brown:

The Alliance of Automobile Manufacturers (Alliance) is a trade association of twelve car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group and Volvo Cars. Together, our members represent approximately three-fourths of new car sales in the United States. On behalf of the Alliance, we appreciate the opportunity to comment on rail service issues in Docket EP 724.

The auto industry is the largest manufacturing sector in the United States (U.S.), supporting eight million American jobs, \$500 billion in annual compensation, and \$70 billion in personal tax revenues. Rail is an essential component of the automotive industry's national supply chain. Auto manufacturers ship tens of thousands of vehicles daily in North America, primarily on U.S. railroads. According to the Association of American Railroads, railroads transport about 70 percent of finished motor vehicles and automotive traffic represents nearly \$5 billion in annual railroad freight charges.

Auto manufacturers utilize a combination of rail and trucking to transport finished vehicles from assembly plants to dealer lots and ports. Generally, shipping vehicles by rail is the more economical means of transporting vehicles over long distances. Over the past several years, as the auto industry has rebounded from the economic downturn, auto manufacturers have encountered persistent rail service issues. By far, the greatest logistics problem faced by auto manufacturers is the carriers' failure to provide a sufficient supply of empty railcars to transport finished vehicles. Auto manufacturers have also incurred significant delays in the movement of railcars loaded with finished vehicles.

The most recent rail industry service problems have caused an unprecedented disruption in the ability of auto manufacturers to deliver vehicles to their customers. As a result of the rail

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service disruption, auto manufacturers are spending tens of millions of dollars a month to find other means of moving stranded vehicles or to store them until rail service is available. These vehicles otherwise should have been transported much sooner via contracted rail services to dealerships for sale or delivery to consumers. Vehicle inventory worth billions of dollars sit in rented storage yards all around North America. In particular, for the past several weeks, more than 100,000 excess vehicles have been held in storage yards in and around automotive assembly plants. Where possible, auto manufacturers have had to rely on alternate, more expensive means to move vehicles to dealers.

Although the April 10, 2014 Surface Transportation Board (STB) hearing focused on rail service issues in the upper Midwest on the Canadian Pacific Railway Company (CP) and the BNFS Railway Company (BSNF) systems, it is important to note that rail service disruptions and failures are not limited to these two particular carriers and this region. The availability of empty multilevel railcars at loading locations served by all of the North American Class I railroads has been woefully inadequate. All automakers, regardless of which carrier they use to ship vehicles, have been adversely impacted by rail service disruptions.

Moreover, this problem is not limited to the upper Midwest. While many auto manufacturing assembly plants are located in the regions where the rail carriers have blamed severe weather for the service delays, including Illinois, Indiana, Michigan and Ohio, auto manufacturers with assembly plants in other parts of the country, in particular the Southeast, have also experienced delays. The failure of the rail carriers to supply a sufficient number of railcars in these areas has forced auto manufacturers to store vehicles at these plants, as well.

The carriers' poor service has deteriorated even more over the past two months. While the supply of railcars has improved slightly, auto manufacturers are still short approximately 1,000 railcars every day. Unfortunately, the carriers have not been able to provide any meaningful assurances of when auto manufacturers should expect to see any improvement in service. Vague promises that service will improve soon have translated into insignificant, slow and irregular progress.

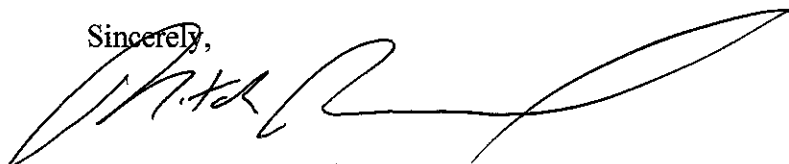
Automakers understand that winter weather this year was extreme and that the rail network is highly connected such that severe weather in Chicago can have ripple effects throughout North America. Were this the only source of delay – and this more extreme winter the exception in terms of disruptions – automakers would understand. But, extreme weather is not entirely to blame. The railroads have been slow to react to this problem. For example, thousands of multilevel railcars were in storage in early February although they were needed for loading at automotive assembly plants throughout North America. Moreover, while this winter may have been more disruptive than in prior years, auto manufacturers annually encounter service delays during the winter months.

Auto manufacturers and rail carriers communicate on a regular basis to discuss rail service issues, but the rail industry generally has been slow to respond to our industry's concerns. Excuses are not providing the solutions needed to resolve the service predicament. If limited competition is a source of the underlying problem here, there may be a need to take other

steps to address the current issues. A systematic problem inherent in the rail system appears to be the limited competitive pressure within the rail industry to improve service.

Auto manufacturers were encouraged by the STB's decision to hold a public hearing on recent railroad service disruptions. As STB considers what, if any, steps it can or should take to address the concerns of other industries affected by recent rail service disruptions, automakers want to make sure our concerns are recognized and included in those considerations. We look forward to working with the STB on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Bainwol', with a long, sweeping horizontal stroke extending to the right.

Mitch Bainwol
President & CEO
Alliance of Automobile Manufacturers