

Private Railcar Food and Beverage Association, Inc.

242270

BEFORE THE SURFACE TRANSPORTATION BOARD
Docket Number: EP 711 Sub-No. 1
Title: Reciprocal Switching
Re-Comments
Date: December 6th, 2016

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Surface Transportation board
395 E Street SW
Washington, DC 20423

Dear STB Commissioners,

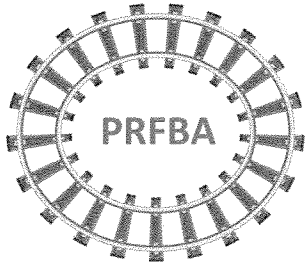
The Private Railcar Food and Beverage Shippers Association (PRFBA) appreciates the opportunity to respond to the many comments made in favor of, non-action by the STB, in the matter of reciprocal switching.

The word competition seems to be a central point of many of the comments, so I think it's important that we first define what competition is. According to the Webster's dictionary, competition is defined as the effort of two or more parties, acting independently, to secure the business of a third-party by offering the most favorable terms for their products or services.

Railroads claim that their competition comes from trucks and barges or other modes of transportation (non-railroad). We would ask you to consider that other modes of transportation are not direct competition to the railroads. This is due to two reasons: 1) the true definition of competition, as noted above and 2) through the actions of industry and consumers who view rail service as its own facet within transportation. An illustration of this obscured view is as follows: hockey teams do not compete with football teams. They are both in the sport category, but they don't actually compete with one another because they are two entirely different activities. The same goes with products that are sold at a grocery store. Grocery store shelves display bottled water, carbonated beverages, juices and even in some cases, wine and they are all on the same shelves. Even though all these products are designed to quench a consumer's thirst, they don't directly compete with each other because they are different facets of the same category.

In the AAR response, they chose to highlight Pepsi and Coke. The AAR suggested that asking the railroad's to compete would be like asking Pepsi to use its facility to produce Coke. Although that may be an unlikely scenario, what is accurate is that Pepsi and Coke both produce the same exact portfolio of beverages: carbonated drinks, bottled waters, and a variety of juices. In the railroad mentality, it would seem that Pepsi and Coke are creating products to compete against themselves. However, in fact, greater beverage options, has resulted in the biggest growth sector for these two companies over the past decade. Bottled water does not compete with juice or soda, just like hockey is not competition to football or baseball, just like railroading is not competition to trucking or barges.

Our rail shippers don't want to be forced to choose "water" over "juice" and they don't want to be forced to use truck or barge services over rail. If a shipper wants to utilize a rail spur at the back of their facility, and they want to ship by rail, they deserve a rail service that has the same competitive business pressures as any other sector of the transportation industry.



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America needs to move more products by rail and less by truck for the sake of the environment, for reduced wear and tear on our highway infrastructure, to reduce highway congestion and for the overall safety of the general public. Rail is the right choice to move freight. However, for many shippers to choose rail, means to commit to one supplier of rail services. Their single source rail provider can at any time adjust pricing or service based on their own needs because they do not have any competition to keep them competitive. Creating real "rail to rail competition" will drive more shippers to rail. Shippers will invest in more rail served plants and warehouses (and create more jobs domestically), if they are comfortable that railroads will not take advantage of them once they've established service by increasing prices or reducing services. More competition in the railroad arena, means more products shipped by rail, which translates to less traffic on our highways, less infrastructure wear and tear, lower freight costs for shippers and more affordable products for the consumer.

In the AAR comments, they seem proud to announce that 24% of the nation's grain and approximately 20% of the nation's chemical shipments move by rail. In the refrigerated food industry, less than 3% of the refrigerated foods processed in California moved across this country by rail. This is deplorable. These numbers are way too low. Our nation's rail carriers should be trying to improve the percentage of products shipped via rail. More competition within the railroad arena, would be the first step to allow this to happen. In our very small but crucial industry (food and beverage), we have seen severe changes. In the past three months alone, three of our major shippers chose to move more shipments away from rail, because of railroad rates. The railroads have continued to increase their pricing at a time when all other modes of transport are flat or are reducing rates. Increasing price during a time when the market is down can only be manipulated by industries that are not subject to any real competition. Reciprocal switching will help reverse this trend. Real competition amongst the railroads, will stabilize pricing, improve service and provide shippers with a comfort level that will bring more freight back to rail.

The comments you have received by "pro" rail industry groups, such as the AAR, are purely designed to prevent the railroads from being held accountable and to prevent the railroads from conducting themselves like a real business, with real competition.

I encourage you to not be swayed by these self-serving opinions and comments, and I implore you to continue your quest to drive efficiencies and competition into our nation's railroad system. Rail shippers need your support. Our US citizens need less trucks on the roads and highways and more freight on the railroads to reduce the highway congestion. Consumers need the railroads to carry more freight and they deserve the efficiencies and cost benefits of a competitive rail transportation marketplace.

Sincerely,



Herman J. Haksteen
President, PRFBA
On behalf of Board of Directors