

Presentation to the **Surface Transportation Board**

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Company: Graniterock
P.O. Box 50001
Watsonville, Ca. 95077-5001

Speaker: Dan Slavin
Rail Services Manager
(831) 768-2369
dslavin@graniterock.com

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Text:

Graniterock is a 105-year old family-owned Construction Materials Supplier and General Engineering Contractor. In 1992, Graniterock was a recipient of the Malcolm Baldrige National Quality Award. Graniterock has been doing business with the railroad for its' entire 105 years as the very foundation of the company has first centered around supplying ballast for the railroad's expansion. Later construction applications took over as the predominant user of our products; however, these construction materials are shipped by rail. In 1900, the companies' main quarry, now called the A.R. Wilson Quarry, was opened in the town of Aromas, east of Watsonville, California on the Southern Pacific Railroad's Coastal Mainline. The company has grown to incorporate rail-served locations from San Jose to San Francisco. These branch locations rely heavily on the single Class 1 railroad for daily rail service as congestion on highways and in surrounding neighborhoods makes delivery of aggregate by truck impractical and undesired by local municipalities. In the peak construction season, rail shipments run between 90 and 115 railcars per day.

For many years rail service has been adequate with a strong sense of teamwork between Graniterock and the railroad. Recently service quality level in our area has plummeted as the railroad has sold a main rail yard in San Jose and re-arranged equipment & crews. Although a new service plan developed by the railroad has been put into place, it has been poorly executed so that significant delivery problems regularly occur. It is disturbing to hear from a Class 1 railroads senior management, "don't expect service levels to improve. As a matter of fact it will probably get worse." Keep in mind that our service route and pattern have not changed since the 1960s. I believe that this problem is more widespread than just to Graniterock. I would encourage the STB to encourage the railroads to set service standards such as on-time delivery and avoidance of lost railcars, and to start to measure themselves against these key standards. The rest of America has been doing this for years. Surely the concerns about the railroads go far beyond their daily failure to perform for customers. The railroad's position seems to be one of driving

customers away in a "de-marketing program." This really is a failure to perform in support of American business and American citizens in a global economy.

I would also recommend that the STB hold hearings on the rail rate and fuel surcharge practices of the railroads. Based on publicly available financial information, we have determined that the fuel surcharge is providing the railroad with a "hidden rate increase" because the surcharge amounts far exceed what is needed to pay for increased diesel costs. Recent rate increases are not supported by the local market and work to drive freight back on to the highway. Compared to the fuel surcharges of other industries, including trucking, the railroad's practice of charging much more than is needed for diesel fuel increases in their surcharge is a demonstration of their monopoly power that is disruptive to the economy.

Finally, there needs to be a better way to resolve differences between industry and the railroads. After deregulation, it is now too easy for the railroads to lose touch with their responsibility to their customers and the national economy. In a market area like Graniterock's, where there is no other rail options with only one Class I railroad, I would encourage the STB to facilitate a method of arbitrating differences between the railroads and industry when they arise. For example, the railroad will make operational changes that increase railcar cycle times that are harmful to both the shipper and the railroad. At the same time, the railroad will say that it has no additional equipment. Over the last ten years, most of the changes made by the railroad appear to us to encourage added cost with no benefit in improved service.