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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**STB Ex Parte No. 661
RAIL FUEL SURCHARGES**

**COMMENTS OF THE
SPRINGFIELD TERMINAL RAILWAY COMPANY**

Pursuant to the Board's March 14, 2006 Notice served in the above referenced action, the Springfield Terminal Railway Company ("ST") hereby submits its response to the two questions raised by the Notice.

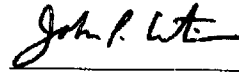
Before reaching the details of its response, however, ST feels compelled to point out that this proceeding threatens to undermine perhaps the most important development in the history of the rail industry, deregulation, by potentially limiting a rail carrier's ability to respond to fast changing economic conditions. As discussed below, ST has developed and implemented an equitable fuel surcharge program, in concert with our customers, whereby this carrier shares a large portion of the burden created by rising fuel costs. ST realizes that its customers are facing similar challenges and that due to the intense competition from truck and other transportation modes in the Northeast, the customer's alternatives to other modal choices are wide open. However, there is also some concern that Board action on this issue—particularly where it is not necessary from ST's perspective—could imperil the ability for ST to continue to adapt quickly and

efficiently in this volatile environment, a major aim of deregulation and a critical aspect of the recovery of the railroad industry from the difficulties of an overly regulated environment. In short, ST believes that flexibility in assessing fuel surcharges is absolutely essential to ensure that rail carriers can provide the level of service increasingly demanded of them, and that competitive market forces will continue to act as they have for the past 20 plus years to minimize any possibility of the abuse of this important tool by carriers.

As for ST's own fuel surcharge program, it is generally implemented via its Freight Tariff, ST 9001, which adopts the U.S. Average Price of Retail On-Highway Diesel Fuel (HDF) index, the same index utilized by the trucking industry and developed independently from ST. In some instances, however, fuel surcharges are also implemented through contracts with customers, where the rate is arrived at through good faith bargaining to reach a mutually acceptable means of addressing rising fuel costs, while in other cases no fuel surcharges are assessed due to arrangements made by ST's connecting carriers, again through good faith bargaining with shippers. In other words, if shippers are not comfortable with ST's Tariff fuel surcharge rate, ST has shown and will continue to show a willingness to negotiate this item, and where ST's customers do not raise the issue, they are still subject only to an independently developed fuel surcharge formula that is equitably applied. Moreover, in answer to the Board's second request, ST's research does show that, while its fuel surcharge program provides needed assistance, the level of surcharges applied since the program began in November of 2004 has lagged behind actual increases in fuel costs during that same time period. Therefore, ST believes that its fuel surcharge program does fairly reflect the increase in fuel costs,

and that ST is willing to assume a large portion of this burden while not profiting in any way.

Respectfully submitted,



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