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316 Pennsylvania Ave, S.E.
Suite 300
Washington, DC 20003
202.675.4220 Tel



29 September 2006

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

Re: Ex Parte No. 661, Rail Fuel Surcharges

Dear Secretary Williams:

As one of the nation's largest customers of Class I railroad service, UPS commends the Surface Transportation Board for addressing measures related to railroad practices involving fuel surcharges. With more than 30 years of experience as a major intermodal rail shipper, and almost 100 years as a transportation service provider, UPS recognizes the delicate balance between maximizing operational efficiency and the challenging fuel environment which currently faces all modes of transportation.

UPS has implemented a fuel surcharge, for ground and air shipments, for the past several years. Furthermore, UPS does not object to the concept of an equitably-calculated fuel surcharge for rail transportation. However, the current fuel surcharge rates paid to our railroad service partners remain significantly higher than those UPS charges to our customers. Fuel surcharges that are based on a percentage of railroad base rates are inequitable and do not correlate with actual fuel consumption. By any objective measure, the unfair implementation of these charges is driving profitability for the rails, to the detriment of its customers and the shipping community.

In general, UPS pays Class I railroads fuel surcharges on a contracted monthly formula representing a percentage of our gross railroad transportation charges. Current rates, oftentimes in excess of 20%, more than exceed the incremental, inflated costs of fuel. Like many shippers, UPS continues to struggle with increased rail costs, declining service levels, limited capacity, and lack of customer responsiveness. Given these dynamics, it is easy to understand how the railroads' fuel surcharge practices have exacerbated shippers' frustration with the current state of the rail network.

Once again, UPS applauds the STB for reviewing this issue. UPS encourages the Board to implement procedures that would promote uniformity, equity, and greater transparency among railroad fuel surcharge practices. Implementation of these guidelines, and greater regulatory oversight, will be beneficial to railroad shippers, their customers, and the public alike.

Sincerely,

A handwritten signature in cursive script that reads "Thomas F. Jensen".

Thomas F. Jensen
Vice President