



AMERICAN FARM BUREAU FEDERATION*

600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024

ph. 202.406.3600
f. 202.406.3606
www.fb.org

October 30, 2006

Surface Transportation Board
Attn: STB Ex Parte No. 665
1925 K Street, N.W.
Washington, DC 20423-0001

**RE: Notice of Public Hearing: "Rail Transportation of Grain"; Ex Parte No. 665
(November 2, 2006)**

Dear Sir or Madam:

The American Farm Bureau Federation appreciates the opportunity to submit these comments in connection with the above-captioned hearing before the Surface Transportation Board (STB).

On Oct. 6, 2006, the Government Accountability Office issued a report on rates, competition and capacity issues in the American rail freight industry. We would like to highlight several of the conclusions from the report:

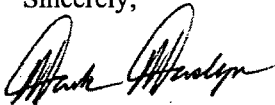
- "...[R]ail rates have not declined uniformly, and some commodities are paying significantly higher rates than others. For example, from 1985 through 2004, coal rates declined 35 percent while grain rates increased 9 percent."
- "...[O]ther costs have been passed on to shippers, some of which STB has not accurately tracked... According to some shippers, costs have shifted from the railroads to shipping companies, including the costs of railcar ownership."
- "Concerns about competition and captivity remain because traffic is concentrated in fewer railroads.... [T]he percentage of traffic traveling at rates substantially over the threshold for rate relief has increased."
- "[S]ome areas of the country with access to only one Class I railroad have higher levels of traffic traveling at rates over the statutory threshold for rate relief... [T]he results of our analysis suggest that shippers in selected markets may be paying excessive rates, meriting further inquiry and analysis."
- "A reduction in competitive options can have a significant impact on the rates railroads charge shippers. ...The rates for the Minot route [which is served by one Class 1 railroad] are roughly double the rates for the Sioux Falls route [served by two Class 1 railroads]."
- "Despite STB's actions, there is little effective relief for captive shippers because STB's standard rate relief process is largely inaccessible... [C]hanges to the rate relief process could provide greater protection from unreasonable rates."

Farm Bureau believes that these conclusions merit further consideration by the board. The analysis is based on multiple data sources upon which STB relies combined with interviews with recognized experts in this field. We note that the report confirms the many concerns that U.S. agriculture has been raising for years.

Based on this, we urge STB to re-examine its role in the grain transportation market. It is clear from the report that more can and should be done to level the playing field among all freight modes, including grain transportation. Specifically, STB should:

- 1) Re-propose its "Simplified Standards for Rail Rate Cases" (Ex Parte No. 646 (Sub-No. 1)) after addressing comments submitted by the agricultural community so that smaller shippers would have the opportunity to challenge excessive freight rates.
- 2) Improve reporting, tracking and transparency of any charge above the freight rate, especially any fuel surcharge, and take whatever steps necessary to ensure that any surcharge corresponds directly to permissible levels.
- 3) Identify areas containing captive shippers and use any and all available authority to improve competition in those areas. For example, the pending loan application for the Powder River Basin Expansion would appear to provide a specific means of improving competition. Given the demonstrated need for such competition and the salutary impact it would have on freight rates for grain shippers, we urge the STB immediately to consider and approve the loan for the Powder River Basin Expansion Project.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Maslyn", with a stylized flourish at the end.

Mark Maslyn
Executive Director
Public Policy