



THE
NATIONAL
INDUSTRIAL
TRANSPORTATION
LEAGUE

June 23, 2016

Timothy Lemmer, Letters Editor
The Wall Street Journal
wsj.ltrs@wsj.com

Dear Mr. Lemmer,

America's freight rail industry is a crucial element of the nation's economic success. But when railroads have a monopoly over their customers and charge excessive rates by exerting inordinate market power over these captive customers, we believe the rules have to change to bring fair competition to that market. ("Freight Railroads are Braking for Regulatory Creep," June 15, 2016)

Today's federal regulations stifle rail-to-rail competition by blocking shipper access to a nearby competing rail line, often leaving shippers captive to the excessive rates of their sole railroad. The National Industrial Transportation League has advocated for quite some time to bring competitive choices to those now-closed markets, and developed a proposal for the Surface Transportation Board that provides a conservative blueprint for action. The new rule we've proposed would not set rates for any railroad or shipper, nor is it a bid for unconstrained "open access" to rail lines. It would, however, create an opportunity for captive shippers paying the highest rates to seek a competitive bid for their business from another railroad. While the Association of American Railroads' CEO Edward Hamberger says shippers are trying to force "railroads to open up their tracks and facilities to other railroad competitors", the reality of our proposal is quite different.

Grounded in existing U.S. law, the rule we seek would expand the current practice of "competitive switching" by allowing companies with access to only one railroad the opportunity to "switch" their service to another nearby railroad in order to obtain competitive pricing and service. The proposed rule asks the Surface Transportation Board to exercise its existing authority to promote competitive switching arrangements that serve the public interest. The League's rule also reflects the competitive access policy under which Canadian rail lines and their customers have prospered for decades, with one important difference. In Canada shippers can access a competing line as a matter of right. Under our proposal, captive shippers would have to first pass a set of limiting tests. If successful, they could then negotiate with a second railroad just like their Canadian counterparts. The incumbent railroad rarely loses its customer to the other line in Canada. Why? Because they compete vigorously to keep their customers.

We wholeheartedly agree with Mr. Hamberger that the Surface Transportation Board should develop regulations that adapt to and promote innovation and industry investment in infrastructure. Our member companies want and need a financially strong rail industry. They compete for business and wouldn't have it any other way. Competition is the cornerstone of the American economy, and American railroads should embrace it.

Sincerely yours,

Jennifer Hedrick
Executive Director
National Industrial Transportation League