BIG SPRING RAIL SYSTEM, INC.

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Surface Transportation Board
395 E Street, S.W.
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Attention: Docket No. EP 711 (Sub-No. 1)

To whomever it may concern:

The decision of 27 Jul 2016 for the subject docket, which concerns reciprocal switching, solicits "comments on this issue in order to consider whether the Board should, now or in the future, extend the rules to include smaller carriers." Big Spring Rail (BSR), a Class III carrier, would like to document its support for limiting the proposed Part 1145 to reciprocal switching by Class I's.

Why do railroads have only a 6% market share of U.S. logistics costs, at least according to the latest *State of Logistics Report* by the Council of Supply Chain Management Professionals? Of course there are many interdependent reasons, but we would suggest that the biggest underlying problem is the organizational structure of the Class I's themselves. In its remarks to the STB for the subject docket, Olin wondered out loud whether "the railroads are actually interested in competing for business." We submit that the Class III carriers that retain independent local decision-making authority are the best antidote to unresponsive and unimaginative railroading. Independent Class III's live or die according to how well they identify, solicit, and service carload business, which represents over ten times the revenue potential of unit train and intermodal (COFC/TOFC) traffic.

An unintended consequence of extending reciprocal switching to Class II and certainly Class III carriers might be eviscerating the ability of small roads to ferret out and customize rail solutions for shippers. If a Class I could force entry into a Class III's customer at some arbitrary fee, it could take away the Class III's entrepreneurial prerogative to negotiate either a lower truck-competitive factor or a higher factor that amortizes the cost the building necessary rail infrastructure. Note that the incentives built into the current Class I organizational structure are often dysfunctional, such as measuring the performance of marketing officers by revenue instead of contribution to overhead.

For example, BSR was created in 2012 in order to service one baseload customer, Coca-Cola's bottle-maker in Big Spring, TX, which had been told by Union Pacific that it would not put a city-owned branch line to Coca-Cola back into service without $8 million in track rehabilitation and new local serving tracks. BSR was able to lease the line and to restore safe service with less than $1 million in track improvements, but we still had to charge Coca-Cola a high rate, $938 per car, in order to amortize our investment. If UP had been able to force BSR to accept a smaller factor, we would never have made the investment. Parenthetically, Coke has decided to relocate its bottle-making to other plants effective 1 Oct 16, but BSR has found other traffic in the interim to stay in business with lower factors.

Sincerely,

Thomas F. Erickson, Jr.

Thomas F. Erickson, Jr.
BSR Board Member