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BEFORE THE SURFACE TRANSPORTATION BOARD

Docket Number: EP 711 Sub-No. 1

Title: Reciprocal Switching

Comments of the Private Railcar Food and Beverage Association, Inc.

Date: October 18, 2016

Surface Transportation board
395 E Street SW
Washington, DC 20423

Dear STB Commissioners,

Kraft Heinz Foods Company supports the National Industrial Transportation League's proposal to the Surface Transportation Board ("STB") regarding "Alternative Access by the Class 1 Railroads" and initiatives that would enhance intramodal competition within the US Railroad network. If enacted, these changes would allow all shippers to more efficiently move freight with more railroad options, which would effectively help control prices for everyday grocery staples and in turn, costs to the consumer.

Ex Parte (EP) 711 Sub-No. 1, RECIPROCAL SWITCHING, outlines the significant changes that have taken place in the railroad industry since the Interstate Commerce Commission (ICC) adopted rules for reciprocal switching in 1985. The EP also indicates that the agency has the power to change those rules. Most importantly, the EP sets forth a detailed proposal for a new regime of competitive switching, under which competitive switching would be made available to shippers who are served by on a single, Class I rail carrier and who lack effective inter- or intramodal competition.

Kraft Heinz Foods Company supports STB efforts to liberalize the rules to allow shippers to obtain alternate access. We believe the establishment of a systematic and mandatory program under fair and equitable terms is the best way to achieve this goal. Kraft Heinz Foods Company encourages the STB to elaborate to the fullest extent possible the conditions under which the Board would be prepared to grant alternate access to enable:

- Freedom to choose the appropriate route for our business for various reasons (cost, quality, lead time, etc.)
- Standardized, cost based fee structures that promote fair competition among railroads
- Alternative for shippers limited to one railroad to obtain cost based transportation rates (captive shippers pay, on average, 30% more than dual served shippers according to a 2012 ACC Rail Issues Survey report)

Absent such guidance, the Kraft Heinz Foods Company foresees that the uncertainty created by the Board policy would diminish the utility and practicality of the new rules to shippers.

The Kraft Heinz Foods Company, which is co-headquartered in Chicago, Illinois and Pittsburgh, Pennsylvania, is the third largest food and beverage company in North America, whose products are found in ~98% of North American households. We ship a wide variety of foods and beverages across the United States and North America, most of which are iconic staples such as Kool Aid, Planters Peanuts, Oscar Mayer, and Ore-Ida Potatoes, in addition to our namesake cheeses and condiments. A healthy, well-functioning railroad network is critical to our success. Our shipments generally require specialized equipment (i.e., refrigerated or insulated box cars), much of which is on our own private equipment. Also, our shipments move in carload quantities

between hundreds of origins and destinations. Thus, the Kraft Heinz Foods Company is heavily committed to rail transportation and a consistent, efficient carload/merchandise network.

Kraft Heinz Foods Company is in full support of initiatives that further competition amongst the railroads. Industry consolidation has greatly increased the market power of the railroads in the past thirty-six years, since the passing of the Staggers Rail Act in 1980. At the same time, the weight of our commodities and long distances of our shipments naturally limit the intermodal (i.e., direct motor carrier or TOFC/COFC) options available. We strongly believe that by allowing alternative access by the competing railroads, it will allow shippers more options, better service and ultimately a lower cost to the consumer.

We are in support of EP 711 Sub-No. 1 (RECIPROCAL SWITCHING). We strongly urge the STB to move forward with implementation of the reciprocal switching initiative. Kraft Heinz Foods Company believes that EP 711 Sub-No. 1 represents a fair and balanced effort to improve the state of competition in the rail transportation industry, and would provide increased competition for captive shippers without adversely impacting carriers.

Widespread alternative access switching would create a more competitive posture for the rail industry which we believe is good for the economy and will drive out unnecessary costs and burdens being levied against the shippers today.

We respectfully request and hope that you will support "alternative access switching" for both the US shipping community and the American consumers.

Sincerely,

A handwritten signature in black ink, appearing to read "Rocco Palmieri".

Rocco Palmieri,
Director, Logistics
Kraft Heinz Foods Company