



ASSOCIATION OF AMERICAN RAILROADS

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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Re: STB Docket No. EP 724, *United States Rail Service Issues*

Dear Ms. Brown:

Pursuant to the notice served in this proceeding on April 9, 2014, attached please find the comments of the Association of American Railroads.

Respectfully submitted,

Timothy J. Strafford
Counsel for the Association of
American Railroads

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 724

UNITED STATES RAIL SERVICE ISSUES

COMMENTS OF THE ASSOCIATION
OF AMERICAN RAILROADS

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BEFORE THE
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UNITED STATES RAIL SERVICE ISSUES

COMMENTS OF THE ASSOCIATION
OF AMERICAN RAILROADS

The Association of American Railroads (“AAR”), on behalf of its freight railroad members, commends the Surface Transportation Board (“Board”) for holding a public hearing regarding rail service and allowing the freight railroad industry the opportunity to explain how it has sought to address several significant challenges that converged over the past few months.

Railroads have been working ceaselessly to mitigate a confluence of events that have affected rail service in particular regions of the country. These included a historically harsh winter that forced railroads to dramatically shorten train lengths and limit crew exposure to the elements; a record grain harvest and unexpected surge in grain exports; and higher coal volumes as utilities sought to replenish stockpiles consumed when generating additional electricity that this winter demanded. In a winter when Chicago saw federal, state, and local governments forced to shut down, airports idled and planes grounded, and the interstates closed, the railroads and their employees never stopped working to move freight through this critical terminal.

Despite the challenges the industry faced, railroads managed to move vast volumes of goods safely and efficiently. In March 2014, U.S. railroads originated nearly 39,000 more carloads and nearly 93,000 more containers and trailers than in March 2013. They transported higher average weekly intermodal volume than in any March in history, and the fourth highest of any month in history. Average weekly U.S. rail carloads of coal in March were the highest in six months; carloads of chemicals (the category that includes ethanol) were the highest in 23 months; motor vehicles were the highest in 12 months; lumber was the highest in 67 months; and nonmetallic minerals were the highest in six months.

At the hearing and in written comments to the Board, it was suggested that railroads need to invest in capacity to alleviate recent service issues. It is beyond question that the railroad industry is committed to making investments in the network designed to meet the demand for rail service now and in the future. The nation's freight railroads project that they will spend approximately \$26 billion this year to build, maintain, and upgrade their nationwide rail network. Railroads also expect to hire more than 12,000 people in 2014.

Freight railroads have poured approximately \$550 billion of private investment into the rail network since 1980 – approximately 40 cents of every revenue dollar – including \$115 billion in the past five years alone. From upgrades to bridges and tunnels to new tracks and facilities, freight rail infrastructure is constantly maintained and upgraded to meet the demands of an evolving economy. On average, railroads reinvest at five times the rate of U.S. manufacturers, building the infrastructure upon which

America's economy rides. In fact, the four largest U.S. freight railroads each spend more on their infrastructure than most state highway agencies spend on roadways.

Delays associated with Chicago during the historically harsh winter were ameliorated, in part, by continued and sustained investment by railroads and their partners in federal, state, and local government. A partnership between Illinois, Chicago, Metra, Amtrak, U.S. DOT, and six railroads — BNSF Railway, Canadian Pacific, Canadian National, CSX Transportation, Norfolk Southern, and Union Pacific - the CREATE project is designed to improve the efficiency and reliability of freight rail service through Chicago, Ill., while reducing local traffic and passenger rail delays.

CREATE includes construction of 31 new overpasses or underpasses; enhanced grade crossing safety; and extensive upgrades to tracks, switches and signal systems. Approximately 42 percent of the 70 projects associated with CREATE are complete or under construction. The program has spent \$500 million of the \$1.2 billion available and currently estimates the full build out will require an additional \$2.5 billion for remaining design and construction.

In order for railroads to continue to invest at levels necessary to meet increasing demand for rail service, a necessary predicate is a regulatory environment that will not undercut the industry's ability to do so. The Board should carefully consider any proposals or initiatives that would upset today's balanced regulatory framework that protects shippers and consumers while giving railroads the freedom to operate in the competitive marketplace to serve the public. The AAR and its freight railroad members respectfully submit that possible regulatory relief suggested at the hearing for alternative carrier service through directed service orders or the adoption of proposals such as the

National Industrial Transportation League's proposal for forced switching in EP 711 would not have remedied the recent service issues on a badly congested rail network. Rather, such proposals would have exacerbated congestion by increasing the number of local work events needed to move cars while imposing significant additional costs on the industry that could compromise the very investments in capacity that shippers called for at the April 10 hearing.

Respectfully Submitted,

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