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

Re: Notice of Intent of ARC, et al. to Participate in Hearing in EP 722, Railroad Revenue Adequacy

Dear Ms. Brown:

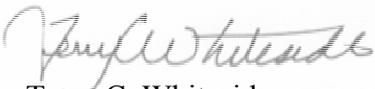
In accordance with the Board's decision served May 8, 2015 in this proceeding, the Board is hereby notified of the intent of the Montana Wheat and Barley Committee, Alliance for Rail Competition (ARC), Colorado Wheat Administrative Committee, Idaho Barley Commission, Idaho Grain Producers Association, Idaho Wheat Commission, Montana Farmers Union, Nebraska Wheat Board, North Dakota Grain Dealers Association, Oklahoma Wheat Commission, Oregon Wheat Commission, South Dakota Wheat Commission, Texas Wheat Producer Board, Washington Grain Commission, Wyoming Wheat Marketing Commission and U.S. Dry Pea & Lentil Council. The Alliance for Rail Competition and the other agricultural shipper and producer interests whose names appear on these parties' joint filings in this proceeding (hereafter "ARC/MWBC, et al.") intend to participate in the oral hearing scheduled for July 22-23, 2015. We request that representatives of ARC/MWBC, et al. be provided 35 minutes for their presentation, to be divided generally as follows:

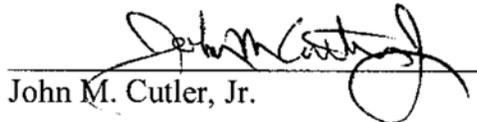
15 minutes – Terry Whiteside/G.W. Fauth, III

20 minutes – John M. Cutler, Jr.

Attached is a summary of key points to be made at the hearing on behalf of ARC/MWBC, et al.

Respectfully submitted,


Terry C. Whiteside


John M. Cutler, Jr.

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ARC, ET AL. SUMMARY OF KEY POINTS

ARC, et al., urge the Board to use the next phase of this proceeding to propose implementation of the revenue adequacy constraint and management efficiency constraint of Constrained Market Pricing.

Implementation of these constraints is fair to the captive shippers and producers who have, for decades, paid higher rates than their non-captive counterparts, thus suffering competitive disadvantages in marketplaces for key commodities, including agricultural commodities, coal, chemicals and fertilizer. Such penalties for being captive should not continue once railroads are found to be long-term revenue adequate, absent compelling justification by the railroad.

Implementation of these constraints is also fair to railroads, which have for decades enjoyed the ability to impose differential pricing on captive traffic with so little regulatory oversight as to operate like unregulated monopolies. The railroads have not come close to showing that future rate increases that are not distorted by differential pricing where they are market dominant will not meet their revenue needs. If such a showing were to be made, a narrowly tailored exception to the revenue adequacy constraint could be crafted, consistent with Constrained Market Pricing principles.

Implementation of the revenue adequacy constraint will also simplify regulatory recourse, as well as negotiated settlement of rate disputes. Captive customers who cannot afford to bring SAC, SSAC or Three Benchmark rate cases will be less exposed to excessive rate increases serving only to allow railroads to exceed revenue adequacy.

Many current rates reflect extensive differential pricing of captive traffic, and there should be better ways to challenge such base rates, as well as future rate increases. ARC, et al., recommend adoption of a Two-Benchmark test, based on RSAM and R/VC>180 levels, for smaller rate cases involving challenges to the base rates of railroads that have exceeded revenue adequacy.

TRB Special Report 318, Modernizing Freight Rail Regulation, calls for rate regulation based on rate levels paid by non-captive shippers. ARC, et al. support this goal, assuming the existence of effective price competition for rail transportation. However, ending differential pricing of captive traffic as called for by TRB, and adoption of final offer arbitration and other alternatives, will be difficult without new legislation. Implementation of the revenue adequacy constraint and a Two-Benchmark option offer the best path forward in the absence of new legislation.