

BEFORE THE
SURFACE TRANSPORTATION BOARD

239267

TTX Company – Application for Approval of Pooling
of Car Service With Respect to Flatcars

ENTERED
Office of Proceedings
September 29, 2015
Part of
Public Record

Finance Docket No. 27590 (Sub-No. 4)

TTX COMPANY'S STATUS REPORT

PATRICK B. LOFTUS
SHANNON K. BAGATO
TTX Company
101 North Wacker Drive
Chicago, Illinois 60606
(312) 984-3838

MICHAEL L. ROSENTHAL
Covington & Burling LLP
One CityCenter
859 Tenth Street, NW
Washington, DC 20001
(202) 662-6000

DAVID L. MEYER
Morrison & Foerster LLP
2000 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-1519

Attorneys for TTX Company

September 29, 2015

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**TTX Company – Application for Approval of Pooling
of Car Service With Respect to Flatcars**

Finance Docket No. 27590 (Sub-No. 4)

TTX COMPANY’S STATUS REPORT

Pursuant to the Board’s decision served October 1, 2014, which approved and re-authorized TTX’s flatcar pool for a period of 15 years, TTX is providing this report on the status of its discussions with the U.S. Army’s Military Surface Deployment and Distribution Command (“SDDC”) concerning “mechanisms that might address the military’s need for an adequate and efficient supply of chain tie-down flatcars.” Decision at 7.

BACKGROUND

SDDC manages the U.S. military’s procurement of freight transportation services, an important aspect of which is the movement of military vehicles by rail using various railcars including chain tie-down flatcars, the largest fleet of which is owned by TTX for use by its railroad participants. The Board’s 2014 decision noted SDDC’s support for the re-authorization of TTX’s flatcar pool. SDDC specifically observed that the TTX pool “ensures availability of the chain tie-down flatcars in an efficient and cost effective manner” and that TTX is able to support a “larger total chain tie-down fleet than the individual railroads collectively would if they each owned their own flatcar fleets.” SDDC Comments at 1. SDDC accordingly urged the Board to approve TTX’s request for a 15-year reauthorization of pooling authority “to ensure continued pooling, which is far more effective than individual railroad ownership.” *Id.* at 2.

As the Board also noted, SDDC expressed some concern about the future availability of the chain tie-down cars it uses. First, SDDC had concerns about the potential for future flatcar shortages, which it emphasized would be *less likely* to occur with TTX's pooled fleet than if cars were owned by individual railroads. *Id.* at 1. Second, SDDC saw room for improvement in the management of TTX's fleet of chain tie-down flatcars, in particular the placement of those cars in so-called Rule 16(c) pools assigned to individual railroads, which SDDC viewed as hindering the optimum availability of cars when and where needed "during wartime or other periods of highly elevated military demand." *Id.* at 2. SDDC thus desired "more responsive management of chain tie-down flatcars to better facilitate execution of the DoD transportation mission in times of national defense need." *Id.*; *see also* Decision at 5.

Consistent with SDDC's support for TTX's Application, the Board made clear that it was not conditioning approval on TTX's implementation of "any particular mitigation measures." Decision at 6. Instead, it directed TTX to "continue discussions with SDDC regarding mechanisms that might alleviate the issues it has identified" and to file a status report on those discussions no later than October 1, 2015. *Id.*

REPORT

During the past year, TTX and its participating railroads have continued their constructive working relationship with SDDC, engaging in extensive dialogue with SDDC about the availability and management of the TTX chain tie-down flatcars SDDC uses, and taking several concrete steps to address the issues SDDC raised in its 2014 Comments.

In May 2015, TTX organized a "Chain Flat Summit" at which TTX, representatives of TTX's participating railroads, and SDDC representatives met to discuss the availability and utilization of TTX's flatcars. Taking into consideration the views of SDDC, TTX and its participating railroads discussed and ultimately decided to adopt a revised approach to the

management of TTX's fleet of chain tie-down cars. The new approach, which was formally implemented in Supplement No. 235 to TTX's Form A Car Contract,¹ takes TTX's 60-ft. and 89-ft. chain tie-down railcars out of 16(c) assignments and places them into a "free-running" pool.

TTX and representatives of its participating railroads met again with SDDC in July 2015 at SDDC's headquarters at Scott Air Force Base to discuss the new approach, to which SDDC reacted favorably. Under the new approach, TTX will play a central role in assuring that any frictions in the distribution of flatcars used by SDDC are addressed so that cars are distributed as needed by SDDC for military loadings.

TTX has also discussed with SDDC other concrete steps it is taking to improve the availability of flatcars suitable for transporting military vehicles. Among those steps:

- TTX plans to acquire approximately 850 new 89-ft. chain tie-down flatcars over the next few years. TTX forecasts that by adding these railcars it will maintain a fleet of approximately 1,500 89-foot chain tie-down cars despite the anticipated retirement of older cars as they reach the end of their useful lives.
- As part of TTX's effort to maintain a sizeable fleet of chain tie-down flatcars, TTX plans to upgrade approximately 600 60-foot chain tie-down cars over the next few years, taking advantage of approval TTX previously obtained to extend the useful lives of cars built before July 1, 1974 from 50 years to 65 years.
- TTX also plans to add approximately 1,900 additional general purpose 89-foot flatcars to its fleet by 2018. These cars will have an anchor-hole chain design

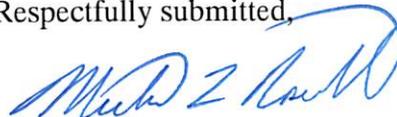
¹ Supplement No. 235 was approved by TTX's railroad participants on June 11, 2015 and filed with the Board on June 18, 2015. *See* Finance Docket No 27590, Letter from Anne Treadway (June 18, 2015).

making them “military-ready,” so that they could be quickly configured for use by SDDC in the event of a military contingency.

- TTX is also working with its component suppliers to develop a universal chain assembly that would allow for more flexible and efficient use of TTX’s chain tie-down cars. Currently, some shipments use 3/8-inch chains to secure loads, while others use 1/2-inch chains. Converting to a single, universal chain assembly would expand the effective size of the fleet available to the military by making every chain tie-down car capable of handling any load. TTX hopes to finalize the design and conclude testing early in 2016.

TTX and its participating railroads are proud of our record of service in furtherance of SDDC’s important mission. We are eager to maintain our close and constructive working relationship with SDDC, and to work cooperatively with SDDC to facilitate the availability and efficient utilization of flatcars capable of meeting SDDC’s future needs.

Respectfully submitted,



MICHAEL L. ROSENTHAL
Covington & Burling LLP
One CityCenter
850 Tenth Street, NW
Washington, DC 20001
(202) 662-6000

DAVID L. MEYER
Morrison & Foerster LLP
2000 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-1519

Attorneys for TTX Company

September 29, 2015

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of September, 2015, I caused a copy of the foregoing document to be served by first-class mail, postage prepaid, on all parties of record in Finance Docket No. 27590 (Sub-No. 4).



Michael L. Rosenthal