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October 26, 2016

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The Hon. Daniel R. Elliott, III
The Hon. Deb Miller
The Hon. Ann D. Begeman
U.S. Surface Transportation Board
395 E Street, SW
Washington, DC 20423

ENTERED
Office of Proceedings
October 26, 2016
Part of
Public Record

Re: STB Ex Parte No. 711 (Sub-No. 1), Reciprocal Switching

Dear Chairman Elliott, Vice Chairman Miller and Member Begeman:

UPS operates the world's largest private multimodal transportation services and solutions network, combining air, truck, rail and ocean movements into a seamless mosaic to service customers around the world. This sophisticated transportation operation moves, on a daily basis, goods equaling approximately 6% of the nation's gross domestic product. More than 444,000 worldwide employees work in concert to meet our customers' needs and deliver approximately 18.3 million packages, documents and freight shipments a day, whether it be across town, or across the globe.

For almost 40 years, UPS has utilized truck-rail intermodal transportation to service our customers throughout the United States. Today, UPS is one of the nation's largest corporate customers of the Class I railroad industry, moving approximately 3,000 containers and trailers on the rail network each business day.

The freight rail intermodal franchise provides UPS a safe, efficient, sustainable manner to move commercial vehicles off the highway as we transport both small packages and palletized freight throughout the United States. While trucks ultimately make final-mile delivery for all UPS shipments, the rail intermodal component is critical in helping to alleviate highway congestion, promote air quality, and mitigate highway infrastructure degradation. UPS works closely with all Class I freight railroads to maximize opportunities to move intermodal rail traffic, while balancing financial and time-in-transit constraints of rail transportation.

UPS is keenly aware of the challenging dynamics facing rail shippers, the Class I railroads, and the STB as it relates to proposed new regulations governing reciprocal switching. In short, UPS opposes an increased regulatory scope imposed on the railroads. UPS's experience in other contexts leads us to conclude that implementation of a new reciprocal switching scheme will lead to decreased network velocity, diminished capital investments into the freight rail network, and deteriorating rail intermodal service levels.

Ultimately, if rail intermodal service levels fall below UPS time-in-transit obligation standards, we would have no business option but to move these containers and trailers back

onto the highway, thus defeating the efficiency objectives of intermodal transportation, which would merely exacerbate current challenges (i.e., congestion, surface transportation wear/tear, air quality standards) related to highway transportation.

The UPS conclusion is that implementation of the reciprocal switching regulatory scheme proposed in Ex Parte 711 would have a net negative effect on the freight rail network and result in unintended consequences detrimental to the efficient move of freight.

We encourage the Board to continue to pursue a thoughtful, balanced, approach when deliberating on this issue, and in future matters. If you or STB staff has questions or concerns about UPS's position on this issue, or other matters, please feel free to contact us as referenced below.

Respectfully,



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