



CROWN IMPORTS

CROWN IMPORTS LLC
1 S. Dearborn St., Suite 1700, Chicago, IL 60603

Phone: (312) 873-9600
Fax: (312) 873-9630

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The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street SW
Washington, DC 20423

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Dear Chairman Elliott:

I am writing on behalf of Crown Imports, the third largest beer supplier in the United States. Our company is a joint venture between Constellation Brands, Inc., which operates wineries and other facilities throughout the United States, and Grupo Modelo, the leading brewer in Mexico. Crown is the exclusive importer for the Grupo Modelo brand portfolio to include the likes of Corona Extra, the largest imported beer brand in the USA, Corona Light and Modelo Especial and St. Pauli Girl from Germany and Tsingtao from China. More than 30,000 freight cars of Corona Extra and other Modelo products are shipped annually from Mexico to the United States. Our distribution network relies heavily on efficient and competitively priced rail transportation. This is fundamental to our overall business model and to the more than 500,000 retail customers that sell our brands to U.S. consumers.

I understand that some members of Congress and groups representing shippers are urging the Surface Transportation Board (STB) to review the manner in which the federal government regulates rail transportation. I accept the need that a certain level of government regulation of commerce is necessary in our complex economy. Certainly industry-specific safety standards and general federal laws governing business practices are appropriate, and already in place. For Crown, virtually every aspect of the beer industry, including transportation, is heavily regulated by a number of federal and state agencies. Experience in many aspects of our industry has convinced me that serious practical limits exist on the ability of government to respond quickly and adequately to regulate rates and specific business practices in a complex global transportation network.

When I began my career in the beer industry, rail was a major component of the transportation of beer as well as the transportation of agricultural products and materials to breweries. Rail transportation remained important to the beer industry, but its role significantly diminished in the 1960s and 1970s when the heavily regulated rail system became mired in endless political and legal disputes that stalled necessary changes. Railroads were unable to respond effectively to competing transportation networks. Resulting losses in cargo volumes caused catastrophic and long-lasting damage to the overall system, individual companies, and numerous railroad workers. Our nation was left with an undercapitalized and poorly maintained rail network with numerous service problems and inefficiencies. Under the more market-oriented regulatory structure of the last three decades, the freight rail system was gradually reinvigorated and its ability to serve the needs of

Crown and other customers has improved dramatically as shown by our successful employment of freight rail.

Crown is a case study for successful North American trade and representative of what I hope is the future of integrated and mutually beneficial commercial relationships between the U.S. and Mexico. Rail transportation is an essential component of that relationship, and placing new layers of regulation on the rail system would almost certainly make it harder for individuals and businesses in the North American marketplace. Continuous change is required to maintain a system that is flexible enough to respond to customer needs and constant economic challenges, such as competition from other modes of transportation.

Your publicly stated goal of improving the Surface Transportation Boards arbitration and dispute resolution mechanisms is an excellent means of resolving complaints lodged by railroad customers in areas where competition may be limited or other unique factors affect rates or availability of services. Assuming that many of these issues are regional or industry-specific in nature, they require tailored solutions that national regulation is not likely to provide.

I urge you to continue efforts to improve mechanisms that encourage private parties to work out disputes involving rail transportation and to refrain from any measures that would substitute a legal and political process for fundamental economic decisions by railroads and their customers.

We have in-house and outside expertise at Crown and would be happy to provide the Board with additional background on our use and experience with the U.S. freight rail system.

Thank you very much for your consideration.

Sincerely,



William F. Hackett
President
Crown Imports LLC

WFH/kmt

cc: Brian Bulgarelli, Terry Obele, Jim Ryan