

STEEL MANUFACTURERS ASSOCIATION

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Ms. Cynthia Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
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Washington, D.C. 20423-0001

010-010-01093

AUG 17 2011

Part of
Public Record

230825

August 17, 2011

Re: STB Ex Parte No. 711, *Petition for Rulemaking to Adopt Revised Competitive Switching Rules*

Dear Ms. Brown:

I am writing on behalf of the members of the Steel Manufacturers Association ("SMA"), in support of the National Industrial Transportation League's ("NITL") petition for a rulemaking to adopt revised competitive switching rules.

Many of SMA's electric arc furnace ("EAF") steel producer member companies – particularly those that are captive to a single Class 1 railroad – have been subjected to rapidly increasing rail rates. With a lack of effective alternate means of transportation, these companies have had no choice but to accept the increasing rates, which are at times combined with bidding programs and other non-competitive practices. These increased costs threaten the competitiveness of U.S. EAF steel producers versus our global trading partners.

Current statute authorizes the STB to order reciprocal switching in the event that the agency finds that switching is either "practicable and in the public interest", or "necessary to provide competitive rail service". Shippers are required to show competitive abuse or serious inadequate service. These high standards have never been met.

SMA views expanded access to reciprocal switching as a necessary method to promote competition in rail markets in which competition is too often severely strained. We support NITL's proposal for elimination of the current rules and precedent for reciprocal switching, along with the establishment of new rules for competitive switching, with conditions outlined by NITL.

SMA very much appreciates recent efforts of the STB to provide greater agency access for shippers, and views a rulemaking to adopt revised competitive switching rules as a positive step that the STB could take to promote improved competition in the rail industry.

Sincerely,



Thomas A. Danjczek

* The SMA is the primary trade association for EAF steel producers, often referred to as "minimills." SMA's members account for over seventy-five percent of total U.S. steel production.