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)

APPLICATION FOR REAUTHORIZATION OF THE TTX FLATCAR POOL

VOLUME II OF II

SUPPORTING STATEMENTS

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Contains Color Images

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VERIFIED STATEMENT

OF

THOMAS F. WELLS

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VERIFIED STATEMENT

OF

THOMAS F. WELLS

My name is Thomas F. Wells. Since December 2008, I have been President and Chief Executive Officer of TTX Company ("TTX"). I have over 29 years of experience in the railroad industry. I joined TTX in 2001 as Senior Vice President – Fleet Management. In that position, I was responsible for railcar management, business and market planning, and purchasing and supply services at TTX. In 2006, I was named Executive Vice President and was given the additional responsibility of managing research, development, procurement, and new railcar design at TTX. I also managed the company's maintenance strategy.

Prior to joining TTX, I spent over 17 years with Norfolk Southern Corporation, where I served in a variety of management positions, including Assistant Vice President – Intermodal Services. In that position, I was responsible for Norfolk Southern's intermodal car management and capital budgeting. I was also responsible for intermodal terminal design and development; containers, trailers, chassis, and lift equipment used in intermodal service; intermodal computer systems and communications networks; and intermodal billing and other back office processes. I hold a B.A. with a double major in Business and Communications from Muskingum College in New Concord, Ohio, and an M.B.A. from Miami University in Oxford, Ohio.

The participants in TTX's flatcar pool have unanimously agreed to extend their flatcar pooling agreement for an additional 15-year term, and they are joining with TTX to submit this application for reauthorization of that agreement. TTX's flatcar pool has served the railroad industry and its customers well since it obtained federal authorization 40 years ago. TTX's experience providing flatcars to the industry dates back even further, to the founding of its

predecessor, Trailer Train Company, in 1955. As I and other witnesses explain, the Board should approve this application so that TTX can continue to produce the efficiencies and other benefits that help railroads and their customers meet their flatcar needs.

TTX continues to be one of railroading's great success stories. The public benefits of the TTX flatcar pool have been repeatedly recognized in this agency's prior decisions regarding the pool. Those benefits are equally present today. In its most recent decision reauthorizing the pool, the Surface Transportation Board recognized that "TTX has adapted and consistently has produced significant, undeniable benefits to railroads and shippers that could not have been achieved as easily, if at all, in the absence of the TTX flatcar pool."[1] As I will explain, the past ten years have underscored the truth of that conclusion. It also remains true, as the Board found in 2004, that the pool "permits TTX's member railroads to spread the risk of investment in equipment," "produces substantial capital savings by maximizing the efficient use and distribution of pooled equipment," "permits standardized fleet repair and maintenance to reduce costs," and "promotes research and development of new and innovative equipment."[2] In its 2010 decision at the conclusion of the monitoring period established by the last reauthorization proceeding, the Board found that "the pooling agreement is operating as the Board expected."[3] I believe it is fair to say that TTX in fact continues to exceed expectations by uncovering new ways to bring the benefits of pooling to the rail industry and the shippers it serves.

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[1] *TTX Co. – Application for Approval of Pooling of Car Service With Respect to Flatcars*, 7 S.T.B. 778, 786 (2004).

[2] *Id.*

[3] *TTX Co. – Application for Approval of Pooling of Car Service With Respect to Flatcars*, FD 27590 (Sub-No. 3), slip op. at 4 (STB served Aug. 17, 2010).

Forty years of experience under federal regulation has proven beyond any doubt that the TTX flatcar pool plays a valuable role in the efficient supply of cars to the North American rail network. It has become routine for TTX witnesses to testify that TTX fills an essential function in helping the industry meet the constantly evolving demand for flatcars by acquiring new cars and redeploying older equipment to new uses, that TTX management of the pool enables flatcars to flow efficiently across the entire rail network so as to satisfy the need for flatcar equipment wherever it arises, that TTX keeps equipment costs low by employing a life-cycle approach to car maintenance that considers the system-wide costs of car ownership and operation, and that TTX has a proven record of fostering innovations in car and component design.

These and the flatcar pool's many other benefits may now be familiar, but they should not be taken for granted. TTX has succeeded because it operates in the interest of its railroad owners and thus for the benefit of the rail network as a whole, actively working to identify and implement better, more cost-effective ways to meet the railroads' collective need for intermodal, automotive, and other flatcars. TTX's structure, which perfectly aligns its owners' interests with its customers' interests—because TTX's owners are its customers—has produced extraordinary efficiencies because TTX exists to serve the interests of its owners in ensuring the availability of a low-cost, well-maintained fleet.

But the last ten years have also confirmed the resilience of the pooling concept that TTX implements so well. TTX helped its participating railroads weather the first major downturn in rail traffic in decades, while investing to keep them positioned to handle continued growth in domestic intermodal traffic and renewed growth in other commodity flows. TTX has also made major investments in new technology that have allowed it to hone the efficiency of the pool still further.

My verified statement addresses two principal topics: (1) why the Board should extend TTX's pooling authority; and (2) why a 15-year reauthorization is appropriate. I explain that the flatcar pool has continued and will continue to provide a wide range of benefits to the railroad industry by spreading the risk of investing in new equipment and supplying the capital to fund that investment, promoting efficient utilization of flatcars through distribution rules that assure members' flatcar needs will be met, employing maintenance strategies designed to ensure the longevity and reliability of the flatcar fleet, and engaging in research and development activities to meet the evolving demand for flatcars.

Before turning to these subjects, however, I offer an overview of TTX's experience since the 2004 reauthorization proceeding—a period during which dramatic changes in the economic climate tested the flatcar pool's resilience and provided a powerful demonstration of the pool's continuing value to the rail network.

I. TTX'S EXPERIENCE SINCE 2004 CONFIRMS THE BENEFITS OF TTX'S FLATCAR POOL

The years immediately following TTX's reauthorization in 2004 were a period of high economic activity for railroads and high utilization of cars in the flatcar pool, particularly the double-stack and general service fleets. From January 1, 2004, through December 31, 2006, TTX acquired more than 45,000 double-stack platforms, and almost 97 percent of the double-stack fleet was in service during 2006. TTX also acquired approximately 3,760 non-automotive general service flatcars, and most of the general service fleet was in service—bulkhead flats were at 99 percent, centerbeams were at 87 percent, and pipe cars were at 94 percent. The fact that railroads were able to use pool cars to fill their equipment needs minimized shortages and facilitated the movement of record levels of freight.

Economic conditions changed dramatically with the Great Recession in 2007, producing extraordinary traffic reductions in the markets served by flatcars. For example, North American

intermodal traffic fell by nearly 20 percent from 2006 through 2009. Under these circumstances, TTX's member railroads exercised their right under the pooling agreement to "turn back" idle flatcars and thereby avoid car usage charges. During 2009, only 72 percent of the pool's double-stack fleet remained in service, and only 44 percent of bulkhead flats, 30 percent of centerbeams, and 50 percent of pipe cars. TTX absorbed the ownership costs of the out-of-service cars and in the process saved its member railroads nearly $450 million from 2007 through 2009.

Despite this dramatic downturn, TTX weathered the storm. Unlike many other transportation companies, including car leasing companies, TTX never had its credit rating downgraded. TTX has maintained the high-quality credit rating it earned over many years by developing a strong reputation in the finance community as an efficient provider of flatcar equipment. At a time when tight credit markets have made borrowing difficult for many companies, TTX has remained in a position to obtain financing for new equipment at favorable rates, which allows it to offer lower usage charges.

TTX has done more than just survive. TTX is not shying away from new investments in flatcars when they are warranted by market conditions. In fact, from 2011 through 2013, TTX's capital spending on new flatcars totaled $1.37 billion, or an average of $460 million per year, which significantly exceeded its pace of capital spending in the ten-year period before TTX's reauthorization in 2004.

TTX also has continued to evolve to meet changing market demands and to advance its mission of providing cars to its railroad participants efficiently and at the lowest rates possible. For example, before the Great Recession, the most significant source of growth of intermodal traffic was international shipments moving on double-stack cars that efficiently accommodate 20-foot and 40-foot containers. Over the years, TTX invested billions of dollars in new flatcars

designed to carry international containers efficiently and in converting older, less desirable 48-foot cars into 40-foot cars. More recently, the most rapid growth in intermodal traffic has come from domestic shipments moving in 53-foot containers. TTX has responded to this change by spending approximately $920 million to acquire new 53-foot double-stack cars and convert 48-foot cars into 53-foot cars, thus increasing the capacity of its fleet of 53-foot well cars by more than 46 percent between December 2010 and December 2013.

TTX's car distribution methodologies have also continued to evolve to meet changing demands and enhance the efficient use of the fleet. In April 2011, TTX recognized the ongoing evolution in car demand and shipping patterns by modifying its formula for distributing intermodal equipment to distinguish between cars with 40-foot and 53-foot wells. In general terms, this means participants that need to transport 40-foot containers can specifically request 40-foot cars, and participants that need to transport 53-foot containers can specifically request 53-foot cars. This improvement in matching car size with container size will improve utilization of both car types and also avoid operational inefficiencies associated with moving international containers in cars that are longer than necessary (allowing railroads to move more containers in the same length of train, generating higher productivity). The new methodology is especially beneficial given the growth of domestic shipments in 53-foot containers. These containers cannot fit in 40-foot wells, and thus they must be delayed or loaded onto less efficient conventional flatcars when 53-foot double-stack cars are not available.

TTX has also made significant investments in information technologies. Rather than view information technology as a cost to be minimized, TTX has made a massive investment in the future under a program we call Strategic Technology Transformation ("STT"). This new investment touches every one of TTX's core functions. It provides new methods of collecting

and applying data to maximize fleet utilization, which allows TTX to provide more, and more reliable service using fewer cars. For example, TTX's new Unified Fleet Distribution ("UFD®") system allows TTX to more closely monitor and manage movement of cars in the fleet than ever before, thus increasing the overall efficiency of the fleet. Car mileage data feed into a new maintenance management and planning system based on a platform used in the aviation industry, called Maximo, which is allowing TTX to move from a maintenance approach focused on scheduled maintenance to one focused on condition-based maintenance. That is, TTX still adheres to its core strategy of performing maintenance before any indications of trouble, but now it will be able to plan maintenance based on information about the actual condition of each individual car, which will enable it to keep cars in service a higher percentage of the time. Two core features of the TTX flatcar pool enable TTX to justify these investments in technology: (1) its core mission to be an efficient supplier of equipment, and (2) its network-wide reach, which allows TTX and its participants to benefit from our investments in providing high-quality, well-maintained cars wherever those cars are deployed across the entire North American rail network.

In sum, TTX has adhered to its core mission while adapting to a dynamic and often challenging environment. It has continued to perform its important role without any adverse effects on competition. TTX is purely a pro-competitive force. Participation in the pool entails no restriction whatsoever on any railroad's ability to provide for its equipment needs in any way it chooses, including through the acquisition (or lease) of cars outside the pool. TTX's goal is to make its service more attractive than other options, and its future success hinges on being able to continue the benefits that have characterized the pool for more than 40 years.

II. THE BOARD SHOULD EXTEND TTX'S POOLING AUTHORITY

As the application explains, TTX and its participants are seeking reauthorization of TTX's flatcar pool under 49 U.S.C. § 11322. Under the statutory standard—and the same criteria that the Board and the ICC applied when they approved TTX's reauthorizations in 1989, 1994, and 2004—there should be no question that the current application should be approved. TTX's pooling operations continue to provide public interest benefits in the form of improved service to the public and economy of operation. TTX also continues to play a crucial role in promoting the growth of intermodal service and fostering competition in surface freight transportation. Rail intermodal traffic has grown tremendously in the past several decades, and the prospects for continued growth remain strong. And, TTX plays a critical role in supplying other types of flatcars to railroads and shippers, including many types of equipment that experience highly fluctuating demand, where TTX plays an important role in spreading the risk of investment.

TTX and its participants are requesting reauthorization for a 15-year term, rather than the 10-year term granted in 1994 and 2004. TTX now has a 40-year track record before this agency demonstrating that it delivers significant benefits to railroads, shippers, and the public without causing harm to competition. None of the concerns raised by parties seeking shorter terms has ever come to pass, and a longer term would reduce the regulatory burdens on TTX.

TTX's basic mission in operating the flatcar pool is to provide the railroad industry with an efficient and adequate supply of high-quality flatcar equipment. TTX exists to serve the interests of its owners by acquiring cars to meet user demand, maintaining them to a high standard, and distributing them where needed, all at the lowest cost possible.

TTX must adhere to its pro-competitive, efficiency-creating role in the industry because it is accountable to its owners. TTX's responsibility is to maximize efficiencies, not maximize

its own profits. TTX's owners would not tolerate unwarranted increases in price, decreases in car supply, or reductions in service quality. They would either demand that TTX meet their needs better or turn elsewhere for their flatcars, as they remain free to do.

I will not repeat here the substance of the evidence that is contained in the verified statements of Mr. Casey, Ms. Harmsworth, and the other witnesses supporting the application. Those statements describe in detail the benefits associated with TTX's car supply, maintenance, distribution, and research and development functions. However, it is important that the Board understand the pooling functions TTX performs, the significant benefits it creates, and the important role it continues to play in the railroad industry.

A. A Summary of TTX's Pooling Functions

1. Car Supply

TTX fulfills its car supply function by acquiring new equipment and by modifying and upgrading cars in its existing fleet. From 2004 through 2013, TTX spent more than $3.12 billion to acquire 81,200 new intermodal platforms and 9,700 other flatcars, including 5,500 flatcars for handling automotive shipments.[4] It also spent almost $550 million on conversion programs and other modifications to existing flatcars. It acquires cars using its own capital, not railroad funds, thus significantly reducing railroads' cost structures and releasing capital for other applications. It also uses its own funds to develop and test new equipment.

TTX also meets its participants' car supply needs by extending the life of its existing fleet and redeploying equipment. For example, as discussed above, TTX proactively adjusted its fleet to accommodate the transition in industry demand away from the use of 48-foot containers for

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[4] TTX also spent over $980 million to acquire new boxcars for its boxcar pool and new gondolas for its gondola pool.

domestic shipments by converting thousands of its 48-foot well cars into equipment that can more efficiently handle 40-foot international containers and 53-foot domestic containers. In addition, over the past ten years, TTX has converted approximately 4,500 older cars into more modern bi-level autorack cars to help participants meet the needs of auto shippers. As another example, to meet the business needs of its participants to transport large diameter pipe, TTX has converted more than 1,670 excess 89-foot flatcars into cars capable of supporting all major pipe diameters and lengths. It has also converted other 89-foot flatcars to log service by equipping them with a new, TTX-designed restraint system that improves on the prior method of restraining logs to prevent lateral load shifts. Because TTX owns the cars in the flatcar pool, it has strong incentives to re-purpose them and extend their useful lives.

2. Car Distribution

TTX is uniquely positioned to ensure that pooled equipment is distributed across the rail network to provide railroads and shippers with the cars they need in a manner that maximizes utilization while minimizing costs. Its operation of a free-running flatcar fleet means that its participants have access to a shared supply of cars that flow without restriction throughout the North American rail network, thereby avoiding unproductive, empty movements. It uses agreed-upon procedures to establish pool participants' "entitlement" to cars based on the demand they face, and TTX can issue Distribution Instructions to ensure that those entitlements are fulfilled. TTX proactively evaluates the effectiveness of its distribution rules and has on occasion revised those rules to improve the efficiency of the fleet or to respond to evolving market conditions. For example, as discussed above, TTX recently established separate entitlements to 40-foot and 53-foot double-stack cars.

TTX also avoids unproductive empty movements through a "turn-back" rule, which allows participants to discontinue their responsibility to pay for car usage without being required

to move unused cars off their lines. As I discussed above, many participants took advantage of turn-back during the Great Recession to avoid paying for unneeded cars. In fact, since the end of 2006, turn-back has saved participants more than $872 million in car usage payments alone.

TTX's efficient distribution of pool cars makes it possible to achieve levels of equipment utilization and operating efficiencies that railroads cannot achieve using separately owned fleets. As Mr. Casey explains in his statement, in 2012 TTX intermodal cars operated empty only 7.1 miles for every 100 miles that they traveled. TTX's distribution rules reduce the capital outlay necessary to allow the railroad industry's flatcar fleet to keep pace with intermodal and other traffic growth. Mr. Rennicke calculates that TTX's distribution methodology saves the rail industry approximately $345 million in annual operating expenses and annual capital carrying costs.

Moreover, TTX's ability to reallocate intermodal and general service equipment across the entire North American rail network to match demand shifts—from railroad to railroad, from region to region, and from commodity flow to commodity flow—allows TTX to substantially reduce the risk of owning flatcar equipment. This is an especially potent benefit for the non-intermodal and non-automotive flatcars that TTX has invested in, since the commodity flows that drive demand for those cars are subject to pronounced fluctuations. Because of its ownership of a continent-wide pool, TTX can purchase equipment so its participants can pursue new business in situations in which individual railroads would not take on the financial risks of acquiring additional cars.

3. Car Maintenance

TTX's participants depend on a smooth-running rail network. TTX therefore has strong incentives to provide well-maintained, highly reliable cars and engage in preventive maintenance

to help its participants avoid the costs of service interruptions and switching bad-order cars that can result from car maintenance deficiencies. In addition, as the owner of the cars in the flatcar pool, TTX has a distinct interest in keeping its cars in productive service on a day-to-day basis and over their 40-plus year life. It also benefits directly from maintenance practices that extend the life of fleet equipment. TTX thus considers life-cycle costs in designing maintenance plans and quality assurance standards—that is, it plans and performs maintenance activities with a view toward the total maintenance costs that will be incurred over the car's life, not just the short-term costs necessary to keep a car running. TTX expects that its recent investment in its Maximo maintenance management and planning system will produce substantial benefits by allowing it to track and plan for maintenance of its flatcars on an individualized basis.

To assure high-quality maintenance, TTX performs shop repairs at its own facilities in Florida, South Carolina, California, and Michigan, as well as at independent facilities that are under contract with TTX. TTX performs repairs and inspections at over 45 Field Maintenance Operations located at major intermodal facilities and other strategically located sites throughout the United States and Canada. TTX has also begun to employ Mobile Repair Operations to work on equipment that might not normally pass through a location with a Field Maintenance Operation. Use of Mobile Repair Operations allows TTX to perform repair work and avoids the out-of-service time that would otherwise be required to send cars to a repair facility. TTX's extensive experience and expertise allows it to operate in a cost-effective manner while keeping the fleet up and running to the standards demanded by its railroad owners.

4. Research and Development

Research and development activities are an integral part of TTX's car acquisition and maintenance functions. Because TTX is focused on railcars, it can justify employing a sizeable

staff of engineers who focus on improving the quality of cars and car components. And TTX has invested in building a strong engineering staff and equipping them with state-of-the-art tools that they use to model car and component performance. As a result, TTX research and development personnel have played an important role in designing new car types and working with equipment suppliers to implement production of new equipment and improvements to the existing fleet. For example, TTX personnel played a central role in designing and executing the double-stack car conversion programs described above. TTX also engages in comprehensive testing of existing equipment in order to improve performance and extend equipment life. Since 2004, TTX has invested over $40 million in the design and testing of critical flatcar components to improve the reliability and performance of its cars. TTX engineers successfully developed a new and innovative coupler assembly and a knuckle that was the first to pass a new, strict fatigue test developed by the Association of American Railroads ("AAR"). TTX also is one of the most active users of the AAR's Transportation Technology Center testing facilities in Pueblo, Colorado, and it has its own testing facilities in Crest Hill, Illinois.

B. TTX's Flatcar Pool Generates Significant Benefits

The TTX flatcar pool provides significant benefits not only to TTX participants, but also to the transportation industry as a whole, including the shipping public. Mr. Casey, Ms. Harmsworth, and other witnesses discuss those benefits in detail. Here, I provide a brief overview of those benefits.

The flatcar pool's benefits with respect to rail intermodal transportation are well known. In 2012, intermodal accounted for nearly 23 percent of revenue for major U.S. railroads, second only to coal among all traffic segments. In fact, since the Board reauthorized the flatcar pool in 2004, and despite lingering impacts of the Great Recession, North American intermodal loadings

have increased by nearly 15 percent. At the same time, intermodal competition among railroads, steamship lines, and motor carriers continues to intensify, to the benefit of the shipping public.

TTX's role in fueling the continued growth of rail intermodal and fostering intermodal competition cannot be overstated. TTX's ability to meet the growing intermodal demand with a supply of high-quality equipment is the foundation upon which these developments have been based. These accomplishments are all the more remarkable because the nature of intermodal business has shifted dramatically in a relatively short period. In 1990, containers accounted for 41 percent of intermodal volume. By 2000, the share was 72 percent. By 2012, it was a record 89 percent. TTX responded by acquiring billions of dollars of double-stack equipment, which allowed railroads to become much more productive and thus much more competitive with all-truck alternatives. TTX's role in acquiring new flatcars continues to be essential as growth opportunities shift from the intermodal market to the domestic market. Without the TTX pool, the limitations on railroad resources, the financial risks associated with car purchases, and the difficulties experienced by individual railroads in maintaining their own and each other's cars would have limited the growth of rail intermodal business and diminished the level of competition in the transportation markets served by intermodal carriers.

The flatcar pool's benefits with respect to non-intermodal traffic are often less visible to the public, but they are no less important to railroads and shippers that depend on the TTX fleet. Pooling allows railroads to share the risks of acquiring and maintaining fleets of cars adequate to meet demand peaks that no railroad would be prepared to meet individually. Pooled cars can be, and are, shifted seamlessly on short notice from one railroad to another in response to shifts in demand. This allows railroads to compete for business with the confidence that the cars they need will be available. Pooled non-intermodal flatcars also benefit from TTX's approach to

maintenance, which lowers the railroads' costs of operating the fleet. And, these cars benefit from TTX's development and implementation of improvements and innovations that allows them to be reconfigured and redeployed in a manner that is most efficient for the railroad network as a whole. Ms. Harmsworth's statement provides abundant evidence of TTX's continuing efforts to improve its non-intermodal flatcars, and the benefits of TTX's pooling activities are confirmed by the many non-intermodal shippers supporting the application.

TTX has succeeded because of the broad range of pooling functions that it performs. TTX uses its own capital to acquire flatcars and spreads the risk of car ownership among its participants. Its car distribution system employs a network-wide view to make available railcars to pool participants in a manner that maximizes utilization and reduces transportation costs. In times of high demand, it discourages inefficient car hording by monitoring equipment flows and assuring participants that their flatcar needs will be met. In times of slow demand, it discourages inefficient movements of empty cars by relieving participants of any responsibility to pay for car usage. TTX maintains its fleet to the highest standards, minimizing service interruptions and keeping cars in productive service. And, TTX uses its considerable engineering expertise to contribute to the continued improvement of flatcar technology through research and development. All of these activities contribute substantially to TTX's ability to achieve its owners' goals.

III. THE BOARD SHOULD REAUTHORIZE THE FLATCAR POOL FOR A 15-YEAR TERM

A. The Continuing Need for the TTX Flatcar Pool

TTX's participants are seeking reauthorization of TTX's flatcar pool because they recognize that it continues to play a critical role in the railroad industry. All of the benefits related to the flatcar pool—adequate car supply, high maintenance standards, efficient car distribution, continuing research and development—are just as important today as they were

when the Board reauthorized the pool in 2004. If the TTX pool is reauthorized, it will continue to provide an efficient source of capital for the acquisition of new equipment; it will continue to take a life-cycle perspective with respect to maintenance; it will continue its efficient car distribution policies; and it will continue to invest in research and development.

B. The Board Should Approve the Proposed 15-Year Term

As part of this application, TTX's participants are seeking a 15-year reauthorization of their pooling agreement. A 15-year term will promote certainty and stability for TTX, its participants, rail shippers, and lenders. It will also help reduce the regulatory burdens on TTX.

The 1974 flatcar pooling agreement approved by the ICC contained an initial 15-year term. Once the initial term expired, the agreement provided for automatic extensions for successive one-year periods until terminated by the parties.

In 1989, in the first TTX reauthorization proceeding, the ICC responded to concerns about the dynamic nature of the market and the regulatory climate, including the then-nascent emergence of independent car leasing companies, as well as a controversy involving TTX's practices of allocating and assigning railcars, and reauthorized the flatcar pool for only a five-year term.

In 1994, in the second reauthorization proceeding, the ICC reauthorized the flatcar pool for an additional ten-year term. Although TTX requested a return to the original 15-year term, the ICC stated that a shorter term was preferable because conditions were still dynamic and changing. It also directed its Office of Compliance and Enforcement to prepare periodic reports on TTX's activities. After observing that it had not received a single negative comment, the Board discontinued monitoring in 2001.

In 2004, in the third reauthorization, the Board reauthorized the flatcar pool for an additional 10-year term, despite TTX's request for a return for 15-year term. The Board noted

TTX's 30-year track record since 1974 but settled again on a ten-year term. It also directed the Office of Compliance and Enforcement to prepare a monitoring report at the end of year five. The Board completed the monitoring process in 2010, and it concluded that the pool was operating as expected.

TTX now has a 40-year track record in which this agency has repeatedly found the flatcar pool to be in the interest of better service to the public or of economy of operation, and that an extension of TTX's pooling authority will not unreasonably restrain competition. TTX has proven its value to all industry stakeholders time and time again, during periods of growth and periods of lower demand for cars, and it has done so without reducing or restricting access of railroads or their customers to other railcar sources. The Board also affirmed in its recent monitoring report that "the pooling agreement is operating as the Board expected." In light of TTX's extensive record of pro-competitive activities, the Board should reauthorize the TTX flatcar pool for a 15-year term.

IV. CONCLUSION

The TTX flatcar pool continues to be one of the railroad industry's great success stories. It generates extraordinary efficiencies. Those efficiencies benefit the shipping public in the form of improved service and enhanced competition. Neither railroads nor any other supplier of flatcars acting independently could produce the level of benefits that TTX provides to the railroad network and its customers.

TTX has long played a critical role in the railroad industry. With renewed authorization, it will continue to play a critical role for the foreseeable future. It will continue to help railroads meet the considerable challenge of financing equipment acquisition, ensure that the equipment it provides is well-maintained and reliable, promote efficient sharing of equipment, and invest to improve that equipment.

TTX and its nine railroad participants therefore ask the Board to reauthorize TTX's flatcar pool so that the pool can continue to provide the same kinds of benefits it has provided for the past 40 years. We urge the Board to approve the application as filed.

VERIFICATION

STATE OF ILLINOIS)
) **ss**
COUNTY OF COOK)

THOMAS F. WELLS, President and Chief Executive Officer of TTX Company, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true as stated therein.

THOMAS F. WELLS

Sworn to and subscribed before me
this 15th day of January, 2014

Notary Public

OFFICIAL SEAL
ELIZABETH G. FLORES
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 04/25/2017

My commission expires 4-25-17.

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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)

VERIFIED STATEMENT

OF

PATRICK J. CASEY

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VERIFIED STATEMENT

OF

PATRICK J. CASEY

My name is Patrick J. Casey. I am Vice President of Fleet Management for TTX Company ("TTX"). I have held that position since January 2007. I joined TTX in May 2000 as Director-Business Forecasting & Planning, and I was promoted to Assistant Vice President of that department in September 2005. In both positions, I was responsible for forecasting TTX's fleet usage and new railcar needs and for providing analysis on economic trends and their implications for rail industry activity. In my current role, I am responsible for managing TTX's railcar fleet, overseeing logistics and supply chain functions, and also for the Company's marketing, planning, forecasting, and capital budgeting.

Prior to joining TTX, I spent 17 years with CSX Corporation. I began my career in the Marketing Department at Chessie System Railroads in 1983. I later held a variety of marketing and forecasting positions at CSX Intermodal and was ultimately promoted to Director of Marketing. In that role, I managed the company's planning and forecasting process, provided commercial leadership for a major network re-design and for development of the company's e-commerce strategy, developed market and product plans in support of the CSX-Conrail merger and managed the growth of the company's domestic container fleet.

I hold a B.A. in Economics from Towson State University (currently Towson University) in Towson, Maryland, as well as a Masters in Economics from the University of Delaware. I am currently a member of the Board of Directors of the Railway Supply Institute and the Intermodal Transportation Institute at the University of Denver. I also serve as Vice Chairman for the Conference of Business Economists.

In this verified statement, I describe and quantify the important benefits to the railroad industry that are created by TTX's management of a national pool of TTX-owned flatcars, and I discuss how these efficiencies are passed through to TTX's owners.

I. TTX'S MANAGEMENT OF A NATIONAL POOL OF TTX-OWNED FLATCARS CREATES A BROAD ARRAY OF IMPORTANT BENEFITS TO THE RAILROAD INDUSTRY

A. TTX's Flatcar Pool Is More than Just a Fleet of Cars

TTX has a well-deserved reputation for efficiently managing the distribution of flatcars for the benefit of its participating railroads and the shippers they serve. Its distribution protocols produce substantial efficiencies because TTX maintains a whole-network perspective on flatcar distribution—that is, a perspective focused on maximizing the efficient usage of its equipment on an industry-wide basis. But the benefits of TTX's flatcar pooling activities involve much more than the efficient distribution of flatcars. TTX performs a broad range of functions aimed at providing an adequate, well-maintained fleet of high-quality flatcars in the most cost-effective manner possible. TTX's roles in flatcar acquisition, maintenance, and redeployment efforts are also driven by TTX's whole-network, cradle-to-grave perspective. These activities generate extraordinary benefits for TTX's participating railroads and their shippers that could not be achieved without the TTX flatcar pool.

In the sections below, I describe the benefits generated by the TTX flatcar pool. First, I discuss TTX's role in car acquisition and explain how it promotes the growth of rail traffic while allowing railroads to use their capital for other projects. I also explain how TTX's ownership of flatcars helped participating railroads weather the Great Recession. Next, I explain how TTX's flatcar distribution protocols and other tools reduce inefficient empty movements and allow car supply to follow demand. Finally, I briefly discuss the maintenance benefits and long-term asset

redeployment benefits that arise from TTX's car ownership and life-cycle approach to pooled equipment.

B. TTX's Role in Acquiring Cars

One of the key functions TTX performs is in acquiring flatcars for shared use by its participating railroads. Because it operates an industry-wide pool on behalf of its participants, TTX shares their interest in having the cars they need to meet shipper demand wherever it might arise. TTX facilitates investment in additional flatcars because its whole-network, cradle-to-grave perspective reduces the risks and costs of owning new flatcar equipment. TTX's investments are less risky than individual railroad expenditures because its cars operate more efficiently, because they can be redeployed to meet new demands anywhere in North America they arise, and because TTX's life-cycle approach to maintenance and investments in reconfiguring cars to meet new demands ensures that TTX will get the most productive value out of the cars that it buys. TTX also reduces the costs of investing in flatcars by maintaining a strong credit rating. TTX's experience during the dramatically shifting economic conditions since the Board last reauthorized the flatcar pool demonstrates the substantial benefits associated with TTX's role in acquiring and owning flatcars.

1. Overview of TTX's Car Acquisition Program

TTX bases its flatcar acquisition decisions on the benefits that will flow to its railroad participants, not the profits that will flow to TTX. TTX draws on its experience, its participants' forecasts (which are treated confidentially), and other sources of data regarding the rail industry and the general economy to develop sophisticated forecasts of traffic growth and the equipment

needed to handle anticipated traffic levels.[1] It then designs an acquisition program to ensure those needs are met. TTX is indifferent to which railroad ends up handling the traffic. TTX's sole focus in acquiring flatcars is to provide a fleet sufficient in both size and configuration to satisfy overall market demand.

TTX's acquisition program encourages greater investment in flatcars. No single railroad would purchase enough equipment to cover the maximum possible demand because it could not be sure that it would capture and retain the business. Such uncertainty makes investment more risky, and that risk discourages investment. TTX overcomes these investment-limiting risks by focusing on market-wide demand, and its record of acquisitions reflects that important benefit.

TTX's acquisition program has resulted in tremendous investment in flatcars throughout the pool's existence, including the years since the Board reauthorized the pool in 2004. From 2004 through 2013, TTX invested more than $3.12 billion in new flatcars of all types. TTX acquired 81,200 intermodal platforms and 9,700 other flatcars, including centerbeam cars, bulkhead flatcars, pipe cars, and flatcars for handling automotive shipments.[2] TTX's acquisitions over the past ten years are even more impressive when considering that this period includes the Great Recession. As Mr. Wells explains in his statement, TTX made substantial investments in new equipment in the period before the recession hit, and as the recession eased,

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[1] TTX's traffic forecasts are based in part on statistical analyses of the historical relationship between economic factors and rail volumes. The results of these analyses are enhanced by review and discussion with railroads and other key industry players. TTX considers not only aggregate changes in traffic volumes, but also changes in the mix of traffic and the car types needed to support the projected mix. It uses that information, as well as information about trends in equipment efficiency, to forecast equipment needs.

[2] TTX tracks the number of intermodal platforms—*i.e.*, the capacity to carry one 40- to 53-foot container—because of the diversity of intermodal equipment.

TTX ramped up investment quickly. From 2011 through 2013, TTX's spending on new flatcars has totaled $1.37 billion, or an average of $460 million per year, a significantly higher pace of spending than over the ten-year period preceding TTX's reauthorization in 2004, reflecting TTX's commitment to meeting the needs of a recovering market.

TTX's role in acquiring flatcars has helped the railroad industry pursue and promote growth in the rail transportation of commodities that require flatcars, secure in the knowledge that flatcars will be available to satisfy that demand efficiently. TTX's car acquisition activities have been especially important with respect to intermodal traffic, but they have also played a significant role in helping railroads provide service to the many shippers that rely on other types of flatcars.

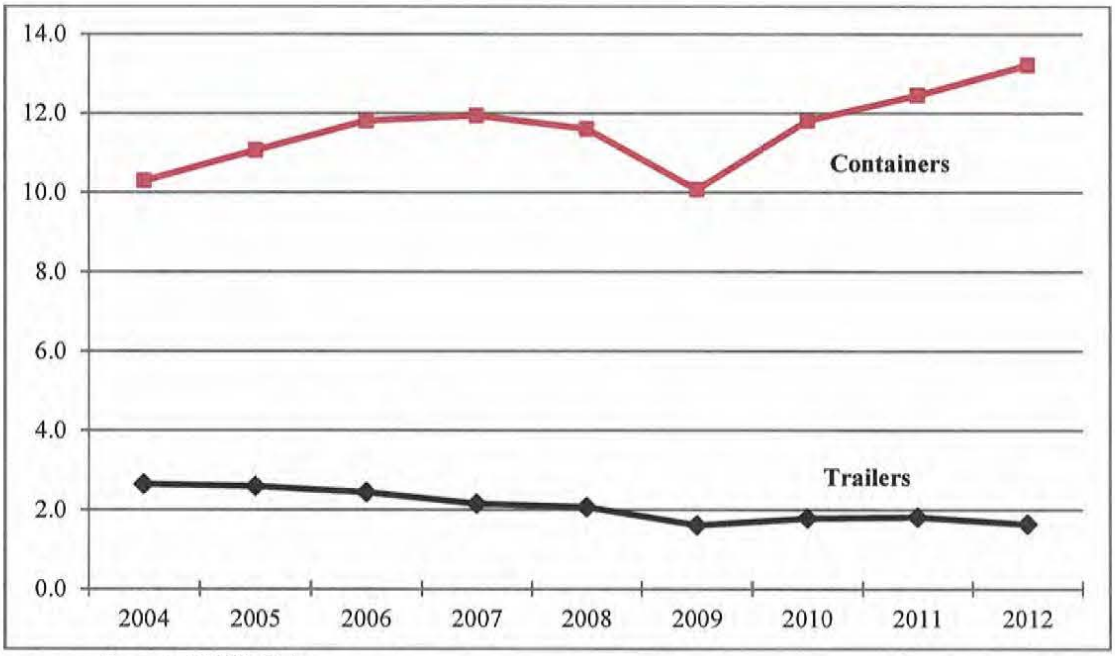
Intermodal Flatcars

TTX was originally formed to promote rail intermodal growth, and that goal remains at the forefront of TTX's car acquisition efforts. Since the pool was last reauthorized, railroads have continued to invest heavily in infrastructure to promote the growth of intermodal traffic, including Norfolk Southern's Crescent Corridor, CSX's National Gateway, BNSF's Logistics Park Kansas City, and Union Pacific's Santa Teresa Intermodal Terminal. TTX's acquisitions of intermodal cars in this period have played a vital role in supporting the continuing growth of intermodal traffic, while also allowing the railroads to keep pace with significant changes in the nature of that demand. From 2004 through 2012, North American intermodal volumes grew only about 15 percent, reflecting the effects of the Great Recession and the slow recovery. However, that aggregate figure masks three very significant changes in the composition of demand to which TTX was able to adapt. First, over the same period that overall demand was

increasing gradually, trailer volumes dropped 38 percent while container volumes climbed 29 percent, as shown in Chart 1.

CHART 1

NORTH AMERICAN INTERMODAL TRAFFIC
TRAILERS VS. CONTAINERS
(IN MILLIONS)



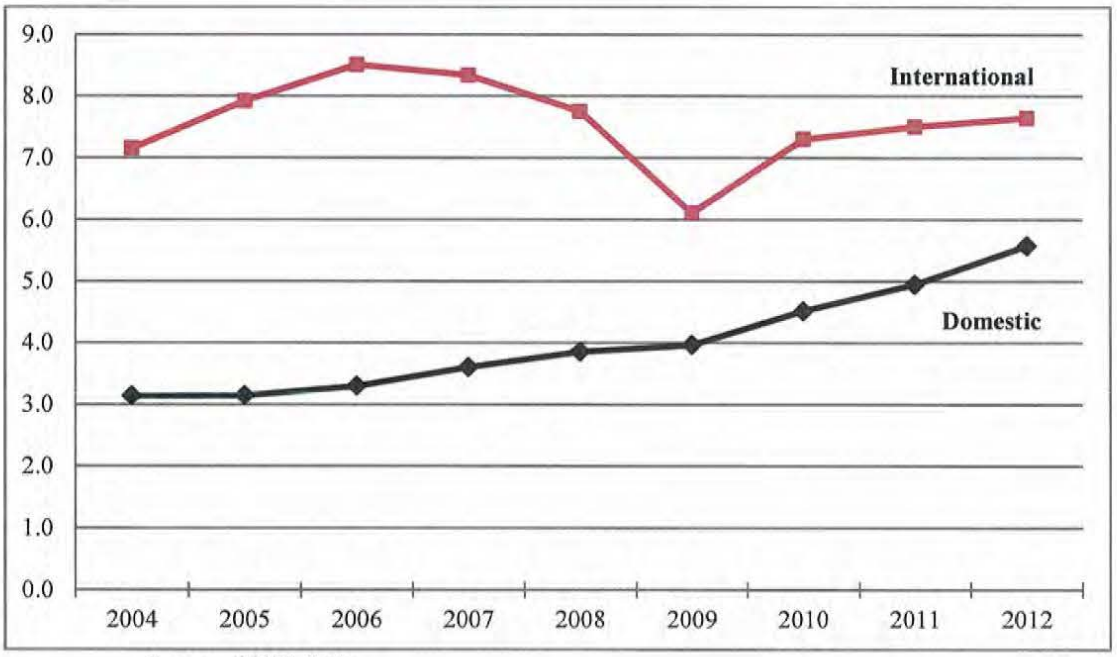
Source: IANA Data

Second, the mix of container volume shifted just as dramatically. Before the Great Recession, international intermodal traffic, moving primarily in 20- and 40-foot containers, was the driving force behind the rapid growth of rail intermodal traffic. In 2006, approximately 72 percent of container volume was international traffic, and 28 percent was domestic traffic moving primarily in 48- and 53-foot containers. That mix has shifted markedly since 2007. International traffic volumes declined during the recession and have not yet returned to pre-recession levels, while domestic traffic has been growing rapidly. As a result, by 2012, more than 42 percent of container volume was domestic traffic, while less than 58 percent was

international traffic, as shown in Chart 2. The fleet of intermodal flatcars available to North American railroads has had to evolve rapidly towards equipment capable of carrying larger, domestic containers in order to keep pace.

CHART 2

NORTH AMERICAN INTERMODAL TRAFFIC
INTERNATIONAL CONTAINERS VS. DOMESTIC CONTAINERS
(IN MILLIONS)

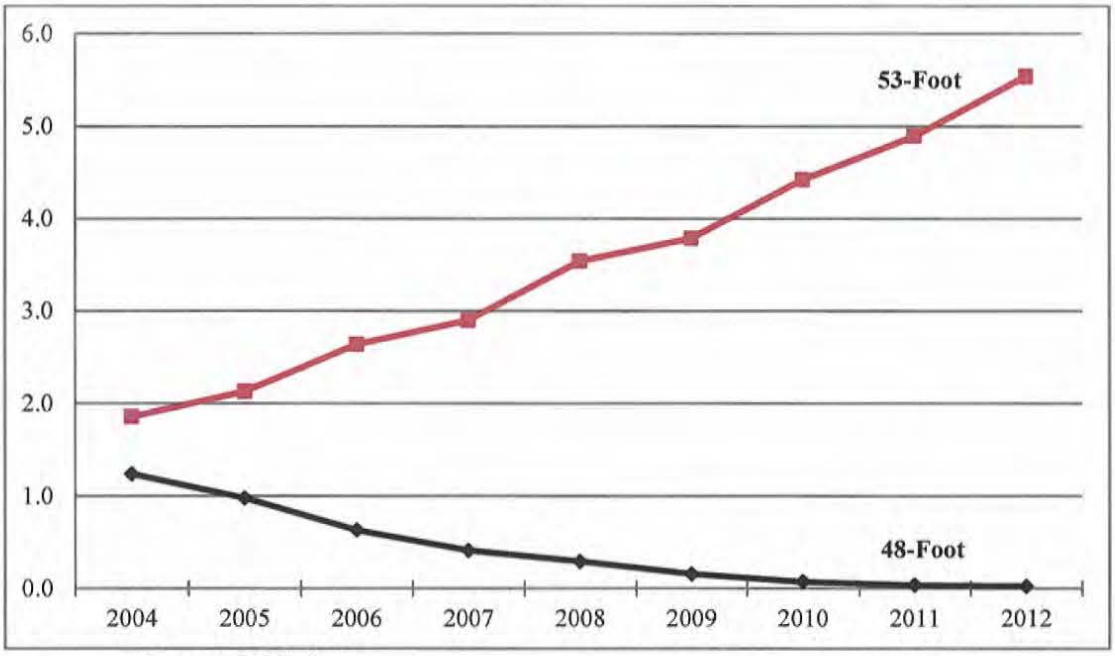


Source: IANA Data

Third, the size of the containers used to carry domestic intermodal shipments—and the size of the intermodal flatcars used to move them—has also evolved rapidly. In 2000, approximately 70 percent of containerized domestic intermodal traffic moved in 48-foot containers and just 30 percent moved in 53-foot containers. By 2004, the relationship had more than reversed, with 60 percent of containerized domestic traffic moving in 53-foot containers. By 2012, more than 99 percent of containerized domestic intermodal traffic moved in 53-foot containers—the 48-foot container had essentially disappeared, as shown in Chart 3.

CHART 3

NORTH AMERICAN CONTAINERIZED DOMESTIC INTERMODAL TRAFFIC
48-FOOT CONTAINERS VS. 53-FOOT CONTAINERS
(IN MILLIONS)



Source: IANA Data

TTX has responded to all of these changes in traffic mix and equipment preference, while simultaneously keeping pace with overall growth. From January 2004 through December 2013, TTX acquired 78,900 new double-stack platforms to support the continued growth of the container business. Of these new platforms, 80 percent were 53-foot equipment, while only 20 percent were 40-foot equipment. The cost of acquiring this new capacity was $2.2 billion.[3]

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[3] From 2004 through 2013, TTX also spent more than $212 million to convert less efficient 48-foot double-stack equipment into cars for handling 40-foot containers and cars for handling 53-foot containers. As discussed below, TTX's ownership of flatcars enables TTX to redeploy assets to new uses, expanding capacity at a much lower cost than if it had to acquire new equipment.

Individual railroads would not have been able to meet the changing level and nature of demand for intermodal equipment by investing in double-stack equipment to the same extent as TTX, especially in the period following the Great Recession. Railroads would have had to bear the full market risk associated with these investments—including the risk that traffic would not materialize or that the business would be won by a competitor. TTX, on the strength of its solid credit rating, was able rapidly to resume its investments in new intermodal equipment as soon as the economy began to recover.

General Service Flatcar Equipment

TTX also plays an important role in the acquisition of other flatcar equipment. From 2004 through 2013, TTX invested $546 million to acquire more than 5,700 cars for handling finished vehicles, and TTX flat cars comprise a large part of that North American fleet.[4] In the same period, TTX invested an additional $299 million to acquire more than 4,000 other types of flatcars that are used to move commodities such as lumber, pipe, and structural steel. TTX's acquisitions have reflected market conditions both during and after the Great Recession. As the economy heated up in the pre-recession period, TTX acquired new centerbeam cars (used for lumber shipments), new bulkhead flatcars (used for metals and other commodities), and new pipe cars to stay ahead of the rapidly rising demand for rail transportation. However, the Great Recession saw a steep decline in these commodity flows. During 2010, only 47 percent of TTX's non-automotive general service fleet was in service, and while the situation has been improving, only 68 percent of these cars were in service during 2013.

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[4] For the most part, multi-level autorack cars consist of a flatcar (in most cases owned by TTX) and a separate "rack" owned or leased by an individual railroad.

Not surprisingly, market conditions have not warranted significant investment by TTX in new cars when substantial numbers of identical (or comparable) cars are sitting idle. But even with the recent overall declines in rail traffic that makes use of this general service fleet, demand for flatcars to transport certain commodities has been strong and growing. Because TTX owns a fleet of cars on behalf of all of North America's major railroads, it has both the incentive and ability to make the investments needed to redeploy these cars to meet emerging needs. For example, between 2008 and 2012, TTX outfitted more than 810 older flatcars with specialized equipment so they could carry wind power components. These conversions would have been much less likely had those cars been owned by a railroad or another entity that did not perceive a need to have its own wind power-capable fleet of cars.

More generally, TTX is uniquely situated to make ongoing investments in flatcar types that individual railroads may view as unduly risky because of uneven or unpredictable shipping patterns. For example, TTX owns a large fleet of heavy-duty flatcars, which are used for the movement of electrical generating equipment and other unusually large or heavy loads. These movements are relatively infrequent, and opportunities for them arise on different railroads at different times. TTX's ownership of the equipment capable of moving these loads spreads the investment risk among TTX participants, while ensuring that the cars are available and can be directed to its participants when they are needed. The same is true of the other flatcar types that TTX owns—TTX is able to justify investments in centerbeams, bulkhead flatcars, chain tie-down cars, pipe cars and other general purpose flatcars based on the predicted needs of the participating railroads as a group, reducing risks and thus encouraging more overall investment to meet shipper demand.

2. TTX Allows Railroads to Invest Their Capital in Other Projects

The billions of dollars TTX has invested in flatcars in the past ten years have allowed its participants to use their own capital funds to invest to meet other pressing needs. Railroading is a capital-intensive business. Railroads invest far more of their revenue back into their business —an average of 17 percent of revenue—than other major industries, which invest less than four percent on average.[5] Railroads face many competing demands for their capital dollars, and they cannot invest in every project that is cost-justified. TTX's car acquisition program means that investment in flatcars does not need to compete for scarce capital with vital rail infrastructure improvements and other projects. TTX thus creates a win-win situation: investment in flatcars is higher than it could have been otherwise, and railroads can devote additional dollars to upgrading and expanding the nation's rail network.

This win-win situation is possible because TTX's participants know that they can rely on TTX to provide high-quality cars in the most cost-effective manner possible.

3. TTX's Ownership of Flatcars in the Fleet Saved Participants Hundreds of Millions of Dollars During the Great Recession

TTX's role in reducing the risks of flatcar investments has likely never been as apparent as it was during the Great Recession. Had TTX's pooled cars instead been owned or leased by individual railroads, those railroads would have shouldered very heavy burdens of paying for cars they were no longer using because demand had dropped so sharply. Those burdens are precisely the sort that would discourage individual railroad investments in new cars, as well as investments in maintaining and extending the life of existing cars. By contrast, under the rules governing the TTX pool, participants are permitted to "turn-back" any unneeded cars upon five

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[5] https://www.aar.org/keyissues/Documents/Background-Papers/Overview-US-Freight-RRs.pdf.

days' notice,[6] thereby relieving themselves of the obligation to pay car usage charges, without the need to move the railcars off their lines. In its day-to-day application, turn-back reduces participants' incentives to engage in inefficient, empty movements. During the Great Recession, as during other significant economic downturns, turn-back also had the more significant effect of shifting the ownership costs of idle equipment away from participating railroads and back onto TTX. If the railroad participants had directly owned or leased all of their cars, they likely would have been obligated to continue paying financing charges or making lease payments, regardless of whether they were using the cars. However, as shown in Chart 4 below, by invoking turn-back between 2007, when rail traffic began falling off noticeably, and August, 2013, participants avoided more than $872 million in flatcar usage costs. In short, the pool enabled railroad participants to hold onto the flatcars and call on those cars as the economy recovered, while also obtaining relief from paying for that investment during this challenging time.[7]

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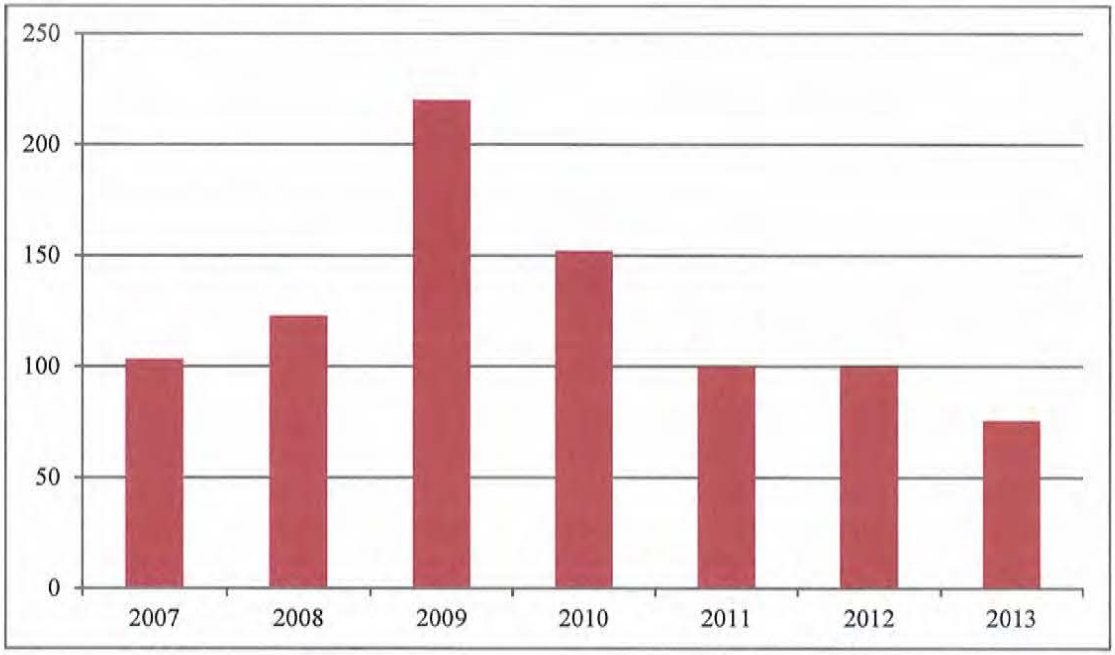
[6] A 15-day turn-back period applies to small subset of cars used to transport finished motor vehicles.

[7] Even when the economy is strong, the pool reinforces investment incentives by allowing participating railroads to avoid ownership costs during the down cycles in seasonal traffic flows, and doing so (via turn-back) without requiring inefficient empty movements of cars back to their owners.

CHART 4

USAGE FEE SAVINGS FROM TURN-BACK
2007-AUGUST 2013
(IN MILLIONS OF DOLLARS)



4. TTX's Role as the Owner of the Flatcars in the Pool Fosters Efficient Maintenance Practices and Advances in Research and Development

TTX's ownership of the pooled equipment is also directly related to other significant benefits the pool provides. In particular, TTX would not have the same incentives it currently has to apply a life-cycle approach to flatcar maintenance and to devote substantial resources to research and development activities if it did not own the cars in the pool. In its 2004 decision reauthorizing the flatcar pool, the Surface Transportation Board recognized that TTX's "highly effective car maintenance program" is "an integral part of the flatcar pooling activity in which it

engages."[8] As Ms. Harmsworth discusses in her verified statement, TTX continues to generate substantial efficiencies through its car maintenance program, which focuses on extending the productive life of its assets. As the owner of the equipment, TTX's goal is not to perform the minimum amount of maintenance necessary to keep a car in service, but rather to minimize costs over the life of the asset and extend the asset's life. TTX would have less incentive to apply a life-cycle approach to maintenance if equipment was owned by individual participants or third parties and could be removed from the pool before the rewards from such expenditures were realized.

Similarly, in its 2004 decision reauthorizing the flatcar pool, the Board recognized that TTX "fosters innovation and promotes reconfiguration and redeployment of equipment to meet changing flatcar demands."[9] TTX continues to invest in such activities, driven by its ability to achieve the benefits of these investments across the entire fleet of cars that TTX owns and over the entire life of those cars. As Ms. Harmsworth explains in her statement, TTX continues to devote substantial resources to its own research and development activities and to working with car builders and component suppliers to design new and improved equipment. As the owner of the cars in the fleet, TTX has a strong interest in facilitating development and implementation of improvements that increase the quality of service while decreasing costs associated with product damage, out-of-service time, and derailments. And as I explain in more detail below, TTX also has a strong interest in making investments to reconfigure its flatcars to keep pace with evolving demand and extend their useful lives—such as the $240 million TTX spent from 2004 through

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[8] *TTX Co. – Application for Approval of Pooling of Car Service With Respect to Flatcars*, 7 S.T.B. 778, 790 (2004).

[9] *Id.* at 789.

2013 on a program to cut down 48-foot double-stack cars to handle 40-foot containers more efficiently and stretch other 48-foot cars to handle 53-foot containers or trailers. TTX would not have generated these benefits if it were merely the manager of equipment owned by others.

C. TTX's Role in Fleet Management

Another consistent hallmark of TTX's success has been its commitment to the highly efficient utilization of the multi-billion dollar asset its flatcars represent. TTX achieves that goal through its proactive management of the pool, including its investment in technology to make the pool run even more efficiently.

TTX's fleet management function is vital both in improving fleet productivity—*i.e.*, allowing participating railroads to achieve the greatest possible output of transportation services using TTX's cars—and also in making investments in additional flatcar capacity more attractive economically. By improving the productive output of flatcars in the pool, consistently efficient fleet management is one of the key factors that reduces investment risks.

1. The Free-Running Fleet Promotes Efficient Equipment Use

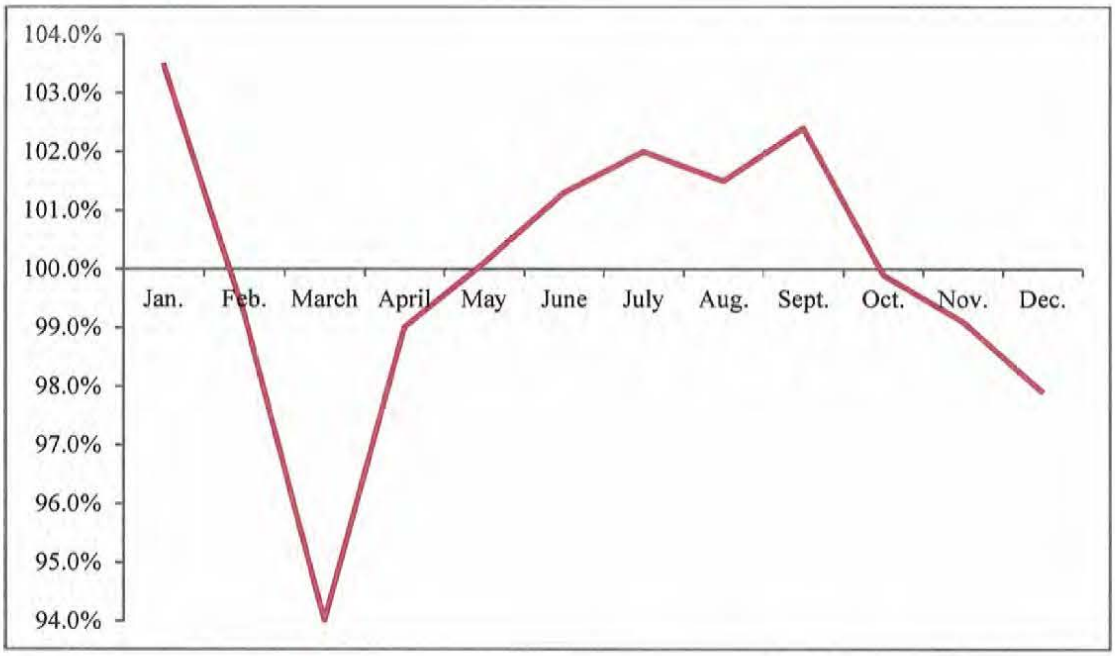
The cars in TTX's flatcar pool form a "free-running" fleet that, as a result of being centrally owned and managed, avoids parochial incentives that arise when cars are individually owned or leased and that can lead to inefficient behavior like hoarding in times of shortage and empty repositioning in times of surplus. Under TTX management, pooled cars flow efficiently over the North American railroad network to meet participating railroads' needs. Participating railroads can load TTX flatcars at any point on their lines and direct them to any destination on any railroad. When the natural flow of pooled cars creates an imbalance between supply and demand for empty equipment, TTX will step in to direct movements of empty cars from a railroad with excess capacity to a railroad with a deficit in order to restore balance.

Moreover, consistent with TTX's core efficiency-driven objectives, TTX's pricing structure is set up to discourage inefficient behavior. First, TTX's low, cost-based usage charges ensure that participating railroads hold cars for loads when that would optimize overall system productivity, rather than move them off-line empty to avoid incurring usage charges. Second, under TTX's pooling agreement, participants can turn back idle pool cars, thus suspending their obligation to pay car usage charges without moving the cars off-line. Railroads are thus assured of access to cars when they need them, and they are not burdened by the fleet when they do not.

In the absence of the TTX pool, the railroad industry would be more prone to inefficient equipment use. Normal traffic flows often result in temporary imbalances of empty equipment between railroads. One source of those imbalances is seasonal shipping patterns that vary significantly by region. Chart 5 provides one illustration of these fluctuations: it depicts the relative volume (indexed to average monthly volume) of intermodal originations in the West as compared to the East. For example, in March there are only fourteen originations in the West for every fifteen originations in the East (for a ratio of 94%), whereas in January there are 28 originations in the West for every 27 in the East (for a ratio of 104%). What this means in practice is that during part of the year empties would build up in the West, and at other times empties would build up in the East. Other regional break-downs would reveal similar patterns. With the TTX pool, the distribution of empty cars can be managed to ensure that empty TTX flatcars are directed from one region back to another that has a demand for that equipment. In the absence of the pool, there would be reduced incentives for the separate owners of separate car fleets to arrive at this outcome.

CHART 5

SEASONAL FLUCTUATIONS IN REGIONAL INTERMODAL SHIPPING PATTERNS
LOADING IMBALANCE
(AS A PERCENTAGE OF WEST SHIPMENTS OVER EAST SHIPMENTS)



In addition to inefficiencies generated by normal traffic flows, railroads are subject to a range of incentives that contribute to underutilization of equipment. For example, railroads want to guarantee car supply for their own customers, so they have been known to hoard cars that may be needed when demand is high. They also have incentives to use their own equipment whenever possible, sending other railroads' cars home empty to avoid paying car hire when low demand makes cars more readily available. As a result, without a pool, cars would often run empty in opposite directions, incurring costly and unproductive mileage and causing wear and tear on both the cars and the physical plant. These movements would also cause the cars to be unavailable for shipper loadings, requiring additional investment to carry the available traffic.

The TTX pool, however, provides a successful mechanism for overcoming barriers to efficient utilization—by getting the incentives right and providing TTX with the management tools to ensure optimal results. The rules governing pool operations minimize the incentives that lead to inefficient utilization. Railroads can be confident that they will receive access to a share of the fleet roughly commensurate with their relative needs. This ameliorates incentives to hoard equipment or to interchange it to earn or avoid car hire, meaning that the railroads have every reason to use TTX cars efficiently.

TTX also has the mechanisms needed to ensure that efficient solutions are realized in practice and the expertise to implement those solutions to correct equipment imbalances that arise from normal traffic flows and other events. One of those mechanisms is the formula that establishes each TTX pool participant's equipment entitlement. A major factor in the formula is each railroad's historic use of TTX cars. If a railroad has more cars than its entitlement level, it can be required to send cars to another railroad that has fewer cars than its entitlement, so as to facilitate the second railroad's continued ability to have cars available to meets the demand patterns of its shippers. TTX's authority to issue Distribution Instructions to participants when necessary provides a backstop that encourages railroads to allow TTX cars to flow freely and efficiently in response to shipping patterns, thus minimizing the number of situations in which TTX must exercise its authority to issue Distribution Instructions. However, TTX does intervene when necessary. For example, in 2012, TTX issued 171 Distribution Instructions affecting the movement of 48,128 intermodal platforms.

Recent operating statistics prove the efficiency of the TTX pool. In 2012, for example, TTX intermodal cars operated empty only 7.1 miles for every 100 miles that they traveled.

In 2004, TTX submitted to the Board the results of a quantitative study of the operating efficiencies the TTX pool is able to generate, and the millions of dollars in empty repositioning costs that TTX is able to save the industry. William Rennicke of Oliver Wyman has performed a similar analysis using more recent data that confirms that the TTX flatcar pool continues to generate substantial benefits. As Mr. Rennicke explains, without TTX, empty miles could be expected to increase more than 45 percent for intermodal cars, and railroads would need to purchase thousands of additional cars to haul the same number of loaded containers and trailers they currently handle. A conservative estimate of the additional annual costs faced by the railroad industry would be approximately $345 million. The free-running nature of the TTX fleet also creates significant additional benefits that cannot as readily be quantified. For example, railroads do not incur the switching costs they would otherwise bear to send empty, foreign intermodal equipment back to its home road. Instead, they can load any available TTX cars for movement to any point in North America.

2. The Free-Running Fleet Promotes Vigorous Rail Competition

The existence of the TTX flatcar pool creates an environment in which railroads can be aggressive in seeking new business and equally aggressive in competing for traffic that already moves by rail. It does this by taking investment in flatcar supply off the list of steps a railroad must address in pursuing new competitive opportunities. Instead, with the pool, all of the railroads competing to handle the traffic know that the flatcars needed to handle the traffic will be available from TTX without the need for large and risky up-front investment by the railroad.

This advantage applies both for traffic that is already moving by railroad, as well as for initiatives aimed at attracting new traffic to the rail system. As to existing traffic flows, railroads can be aggressive in seeking new flatcar traffic because they do not need to factor in the cost to

acquire additional equipment to handle the traffic before deciding to bid on the business. They know they can draw upon their entitlement to pooled equipment if they win the business. Moreover, they do not need to factor in the costs of idle equipment if the business disappears or is subsequently recaptured by a competitor. If the business goes away, the pool's turn-back provisions ensure that the railroad is not burdened by the costs of unproductive cars. The equipment will flow efficiently from one carrier to another along with the traffic.

This benefit is perhaps even more pronounced with respect to railroad initiatives to win new traffic from other modes. A railroad can use some of the TTX equipment to which it is entitled on a new service without bearing the risks associated with the long-term acquisition of the equipment needed to introduce such a new service. If the new effort succeeds, TTX will ultimately purchase additional cars to accommodate the general increase in business. This core feature of TTX's flatcar pool is a large part of the reason why rail intermodal was able to expand from a risky idea to what has become one of the industry's largest sources of revenue. It also facilitates railroads' continuing efforts to introduce intermodal service on new routes and expand service on existing routes to attract business. And the same principle also applies to railroad efforts to attract new traffic opportunities that move in other flatcar types, such as wind power parts or pipes used for fracking—railroads have been able to explore and win important new business opportunities with little downside equipment-related risk.

Shippers are, of course, the beneficiaries of these car supply economies and the competition they facilitate. Participating railroads are able to reflect the reduced risks and reduced out-of -pocket investment needs directly in their own (separate) favorable rate and service offerings. And shippers also benefit from the ability to focus their dealings with railroads

on price and service, knowing that whichever railroad captures their business will have access to high-quality equipment that meets their needs.

3. Improving Management of the Free-Running Fleet

TTX has not rested on its laurels. It continues to find ways to improve its management of the TTX flatcar fleet. It works to refine its fleet distribution mechanisms and improve its fleet planning process, and it has made strategic investments in technology aimed at improving transparency and proactive management of car availability and repositioning.

One recent innovation in TTX's fleet distribution methodology for intermodal equipment has substantially improved railroads' ability to match their intermodal loads with the double-stack platforms best suited to handling them efficiently. In April 2011, TTX implemented a new formula for determining entitlements to intermodal equipment that distinguishes between cars with 40-foot or 48-foot wells and cars with 53-foot wells. The new formula advances efforts by railroad participants to better match car size with container size. The improved matching allows railroads to obtain the cars they need and to move more containers in the same length of train, thereby increasing productivity. Previously, railroads could order only by the number of platforms, but 53-foot domestic containers cannot fit in 40-foot wells, and thus railroads receiving 40-foot well cars in response to a directive had to delay the shipments and wait for longer wells or load the containers onto less efficient, conventional flatcars. Similarly, while 40-foot international containers can be loaded into 53-foot wells, railroads would need longer trains to transport the same number of containers that would have fit in 40-foot wells. The new distribution rules are working well. Participating railroads have been able to load a higher percentage of intermodal containers in the car best suited to the movement—most notably

minimizing the need to move 53-foot containers on conventional equipment for want of 53-foot double-stack cars at terminals serving domestic intermodal flows.[10]

TTX and its participants have also sought to change the operating dynamics of other flatcar types by removing certain non-intermodal flatcars from so-called "16(c)" pools.[11] A 16(c) designation means that empty returns are directed back to a specified loading point that has a continuing need for empty equipment. Beginning in 2005, TTX increased the portion of its centerbeam and bulkhead flatcar fleets that are available for reloading for movement in any direction when the cars become empty. TTX participants, however, retain the flexibility to use 16(c) designations where that approach is the most efficacious response to market conditions.

As another example of an innovation, TTX and its participants have implemented a process known as "gifting." This allows one railroad to temporarily share its entitlement to centerbeam or bulkhead flatcars with another railroad.

TTX's commitment to improving its management of the flatcar pool is also demonstrated by its significant investments in fleet management technology. As part of TTX's broad Strategic Technology Transformation project, TTX developed and implemented a new highly-integrated software platform used to manage the flatcar (and other) fleets and interface with users of pooled cars. That system—referred to as Unified Fleet Distribution ("UFD®")—is a powerful tool that combines many distribution processes that previously were performed manually into a

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[10] TTX's ability to track these improvements is one of the benefits of TTX's investment in its Unified Fleet Distribution system, which I discuss below.

[11] The 16(c) designation comes from AAR Car Service Rule 16(c), which allows a car to be placed into a group of cars (a so-called "pool") subject to a defined set of routing instructions often to facilitate a particular shipper's routine access to a given type and number of cars. The pool may call for routing to a particular shipper at a point, or to a serving yard for multiple shippers, or for loading with a specific commodity.

comprehensive, automated car management system. UFD® has greatly improved TTX's ability to monitor the status of cars in the fleet and, when necessary, to direct movements of empty cars to ensure that railroad participants get the cars to which they are entitled. TTX expects UFD® to generate substantial savings through improvement in car utilization. UFD® has also given TTX's participating railroads greater visibility into the location of TTX cars—both on the participant's own network as well as cars off-line but already en route to destinations on that participant's network. This visibility facilitates the matching of car demand with car supply, avoiding unnecessary intervention when cars are flowing in the direction of need, and also allowing participants to place orders for additional cars when the natural flow of cars will result in a shortfall, enabling more prompt and more efficient repositioning by TTX.

UFD® also facilitates changes in response to demand to improve the functioning of the pool. For example, UFD® allowed TTX to implement its new, distribution-by-length approach in three weeks instead of the *six months* that would have been needed without UFD®. As a result, the new distribution approach could be implemented in time for the autumn 2010 peak intermodal shipping season, when the need to optimize intermodal car availability was most acute. UFD® has allowed TTX more readily to move flatcars into and out of 16(c) pools and to swap cars among 16(c) pools. UFD® allows participants to monitor the status of TTX railcars in their possession, enabling them to more easily identify and seek relief from car usage charges when cars are deemed surplus. UFD® also greatly improves TTX's ability to monitor the location and status of cars in the fleet that have been slated for scheduled maintenance programs and to direct the movements of those empty cars to repair facilities in the most efficient manner possible, thereby reducing overall out-of-service time and mileage.

D. TTX's Role in Maintaining the Flatcar Fleet

Motivated by its unique whole-network, cradle-to-grave perspective, TTX achieves car repair efficiencies that would not realistically be attainable by any railroad for cars it owned or leased individually. As Ms. Harmsworth explains in her verified statement, TTX achieves substantial savings by employing strategies designed to reduce car maintenance costs over a lifetime of service and to reduce maintenance-related disruptions to the rail network as a whole. TTX is using its new investments in technology not only to manage distribution of its fleet, but also to collect data regarding individual cars that feed directly into its reliability-based approach to maintenance. TTX also achieves maintenance efficiencies from its continent-wide network of repair shops and field maintenance operations, which helps minimize empty movements of bad-ordered equipment.

E. TTX's Role in the Long-Term Redeployment of Flatcars

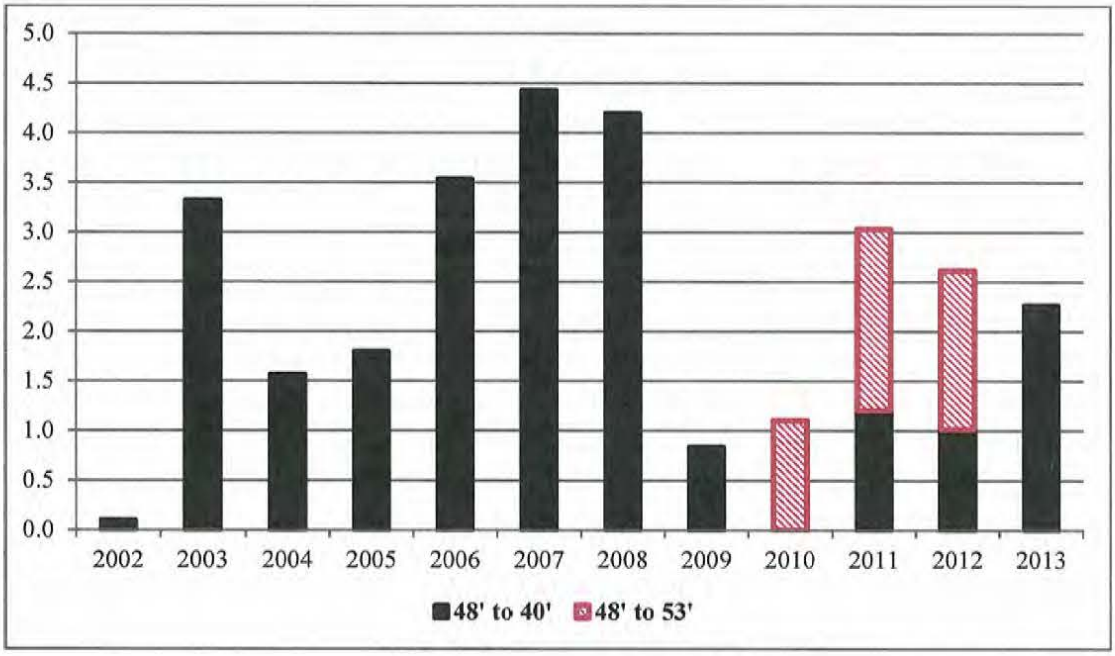
TTX's perspective on maximizing the value of its flatcars also yields significant benefits through the redeployment of the cars to new productive uses. TTX Marketing personnel work with TTX's participants and others to find new opportunities to make use of older, less efficient assets. Because of its perspective and network reach, TTX has opportunities to repurpose its cars to extend their useful life and maximize their utility.

One of the most significant examples of TTX's role in asset redeployment involves TTX's once-extensive fleet of 48-foot double-stack cars. At one time, 48-foot containers were the core of the domestic intermodal business, and TTX invested to facilitate railroads' efforts to grow this business. The 48-foot cars were also used in international intermodal service, carrying 40-foot international shipping containers. As noted above, however, 48-foot cars have become functionally obsolete in domestic lanes and are relatively inefficient for handling shipments in international service because of the extra length and tare weight. TTX responded to these trends

by reconfiguring many of its 48-foot cars through major modifications that involve removing eight feet of length from each articulated unit to make them more efficient for international service or adding length to allow the cars to handle 53-foot domestic containers. These conversions are shown in Chart 6.

CHART 6

CONVERSIONS OF 48-FOOT DOUBLE-STACK CARS (IN THOUSANDS OF UNITS)



Both the cut-down and extension programs have allowed TTX to squeeze additional life out of its 48-foot cars and obtain a fleet that can more efficiently handle containers at a far lower cost than if TTX had to rely entirely on the acquisition of new equipment.

Over the past ten years, TTX has also responded to shifting markets by redeploying flatcars in myriad other ways. To cite a few other examples:

- *Conversion of general-purpose flatcars to log service.* In 2007, TTX turned to our 89-foot flatcar fleet to facilitate railroad handling of heavy logs. TTX began a

program to design and construct robust steel log bunks for these cars that would more safely cradle a heavy log load and minimize shifting. Previously, the flatcars held the logs by wood stakes, but that design permitted lateral load shifts. The new design gained AAR acceptance and TTX has now modified approximately 170 cars to log service.

- *Conversion of general purpose flatcars to pipe service.* Since 2006, TTX has converted nearly 1,670 excess 89-foot flatcars for pipe service by equipping them with restraint appurtenances and risers capable of supporting all major pipe diameters and lengths.

- *Conversion of intermodal cars to wind-energy service.* This past decade has seen strong growth in wind power generation across North America. This growth has created new demand for the shipment of wind turbines. Wind turbines include several very large components that can only be moved efficiently by rail. Since 2008, TTX has converted more than 810 excess flatcars to wind energy service by installing customized equipment to permit loading of turbine components.

- *Raised deck on low-level automotive flatcars.* In 2004, TTX had a surplus of de-racked, low level, flush deck cars specifically designed for a tri-level rack that, because of their particular design, could not be converted into any other service than autorack service. At the time, there was a need for additional bi-level racks, so working with Trinity Industries (a major manufacturer of autoracks), TTX designed a new floor structure that could be applied on the top of the existing deck of the car. TTX modified more than 2,470 cars in this way.

- *Conversion of bi-level autoracks.* In 2007, facing industry need for additional bi-level autorack cars, TTX again turned to redeployment. TTX had surplus 70-ton standard level 89-foot flatcars with an 87-inch A-deck setting, but the industry had moved to a rack that has an 89-inch A-deck setting. TTX again partnered with Trinity Industries on a solution that achieved this new clearance requirement and, thus far, has modified and placed into service approximately 2,000 additional autorack cars in this way.

F. TTX's Benefits Extend to All of the Flatcar Types Owned by TTX

TTX is best known for its fleet of intermodal flatcars, but all the benefits of its pooling activities extend to all the flatcar types it owns. That is, all of the flatcar types benefit from TTX's role in acquiring flatcars, managing them, maintaining them, and engaging in research and development efforts to improve them and extend their useful lives. Some segments of the fleet provide particularly strong examples of these benefits. For example:

TTX's centerbeam and bulkhead flatcar fleets illustrate the benefits of sharing the risks of acquiring non-intermodal flatcars. These fleets provide participating railroads with a form of insurance—they allow railroads to meet peaks in demand and shifting demands that none could afford to meet if they had to acquire the cars themselves. To take a dramatic example, in 2006, 99 percent of TTX's bulkhead flatcars and 87 percent of TTX's centerbeam cars were in service, allowing railroads to meet customers' demands as the economy rapidly expanded. However, as economic conditions changed, railroads were able to turn back these cars, avoiding the ownership costs that they would have incurred had they bought the cars or leased them on a long-term basis.

TTX's centerbeam and bulkhead flatcars also benefit from TTX's expertise in fleet management. As noted above, TTX has removed many of these cars from 16(c) pools to change their operating dynamics. But even when cars remain in 16(c) pools, TTX can swap cars between pools when swapping would lead to greater efficiency.

TTX's fleet of heavy duty flatcars also illustrates the benefits of risk sharing. As noted above, these cars are used relatively infrequently—typically, only 50 percent are in service at any one time—so no one railroad would maintain a fleet large enough to meet its potential needs. Pooled heavy duty flatcars allow railroads to compete for business without facing the burdens of unnecessary and duplicative investment in specialized cars because TTX can and does shift cars seamlessly and on short notice from one railroad to another in response to shifts in demand.

TTX's chain tie-down flatcar fleet illustrates the benefits of TTX's research and development activities. TTX has been engaged in a program designed to extend the useful life of these cars. TTX is also currently testing the use of composite materials in place of wood on its wood-deck chain tie-down fleet, which holds the promise of extending the serviceable life of the deck. The chain tie-down fleet also illustrates the benefits of shared acquisition risk. These cars are particularly important for handling military shipments, but the sporadic and shifting nature of the demand means no one railroad could justify investing in a fleet large enough to accommodate the military's needs. TTX's work to extend the life of its fleet is helping ensure that sufficient cars remain available to meet the military's needs.

TTX's fleets of pipe cars and cars for handling wind power parts also illustrate a wide range of benefits from TTX's ownership and management of flatcars. The cars used in these services are almost all cars that were modified and redeployed from other uses. As the owner of the cars, TTX had the incentive to extend their economic lives, and it had the expertise to design

and implement the necessary modifications. TTX's ownership and management of these fleets also foster competition and increase asset utilization. The demand for cars to ship pipe can shift substantially as various projects begin and end around the country. TTX ownership helps ensure an efficiently-sized fleet that can move from region to region and railroad to railroad depending on the location of the project and which carrier wins the business. Similarly, wind power parts traffic is sporadic, and TTX's ownership of a fleet of cars allows railroads to compete for new opportunities with the confidence that they will have access to the cars necessary to handle the business.

Finally, TTX's fleet of automotive flatcars also illustrates many benefits of pooling. The development of the 89-foot autorack flatcar provided an efficient means of reusing TTX's standard 89-foot intermodal flatcars as that design fell out of favor with the shift in the intermodal arena towards more-efficient double-stack and spine-car equipment. As automotive traffic has continued to grow, TTX has played a leading role in developing new cars and continuously improving ride quality to meet the needs of the automotive industry. And, as discussed above, TTX has continued to respond to market needs by acquiring new cars and through conversion programs. TTX's automotive flatcars also achieve a very high degree of utilization efficiencies through intensive management of autorack distribution by the Multilevel Reload Pool. Although the Reload Pool's distribution functions are separate from TTX's flatcar pool, they could not function effectively unless the flatcars underlying the racks were regarded by the railroads as fungible, free-running cars.

II. TTX PASSES THROUGH ITS EFFICIENCIES IN THE FORM OF LOW RATES

The operational and investment efficiencies enabled by the TTX flatcar pool are reflected in low usage charges for participating railroads, and ultimately facilitate lower transportation

rates for rail shippers. TTX's pooling agreement requires TTX to set rates "at the lowest level required to meet TTX's ordinary and necessary costs and expenses" and "to maintain a financial position enabling it to finance flat car acquisitions on reasonable terms and to keep the cars in proper condition for operation at the highest point of efficiency and to accumulate retained earnings sufficient to support continued reasonable enlargement of the number of cars in the pool."[12] In other words, profit is not TTX's motive, other than to support the needs of the pool and maintain its credit rating. Equally fundamental, TTX must pass its efficiencies along to its participants to remain competitive with other car suppliers. Railroads are not forced to use TTX flatcars, and they will not use them unless price and quality are competitive. TTX is also highly motivated to ensure that its participants benefit from TTX's efficiencies so that they are able to compete effectively with other transportation modes—especially trucks—for the commodities handled on TTX flatcars.

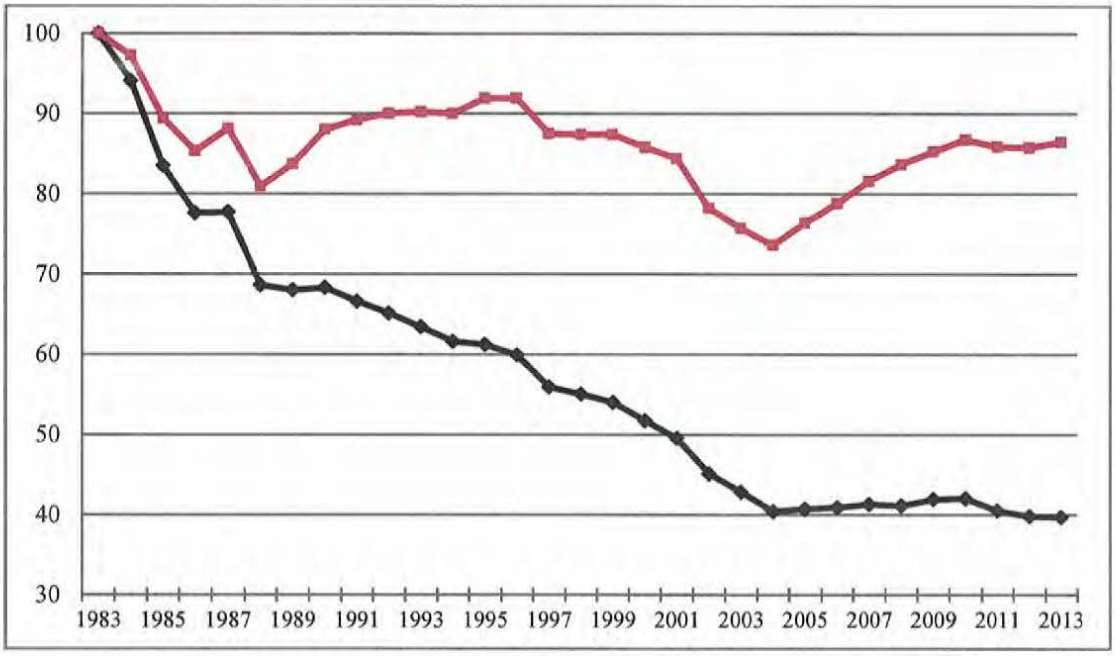
A. TTX Provides Its Cars to Railroads at Low Rates

As measured in current dollars, TTX's average usage charges in 2013 were moderately higher than they were in 2003, reflecting TTX's substantial investment in new equipment as the economy expanded in the first half of the decade. Adjusted for inflation, however, TTX's rates have fallen since 2003, as shown in Chart 7, below.

[12] TTX Pooling Agreement § 7.10.

CHART 7

TTX RATES IN NOMINAL AND REAL TERMS
(INDEXED TO 100 AS OF 1983)



TTX has been able to keep its usage charges low by taking advantage of the efficiencies described above, as well as by careful attention to cost control during the recent recession.

B. Alternative Channels for the Supply of Flatcars Ensure that TTX Will Remain Important Only If It Continues to Provide Benefits to the Rail Industry and Its Customers

The TTX flatcar pool expands the car supply options available to participating railroads and their shippers; it does not reduce those options. As I noted above, TTX is only one among many available sources of flatcar equipment to which TTX's participating railroads can turn. Participating railroads retain the option of buying their own flatcars or leasing them from third parties. In fact, participating railroads can choose at any time to turn back the TTX flatcars they are using, with no penalty, and meet their car needs with equipment acquired from other sources. If instead of increasing the supply of cars, improving car quality, and enhancing the efficiency of

car utilization, TTX were to take steps to restrict output, decrease quality or restrict supply, such efforts would quickly drive TTX's participants to other sources. TTX has been successful because participating railroads choose to use its equipment, and it will remain successful only as long as it continues to provide an attractive car supply option. The Board can rest assured that to the extent participating railroads continue to turn to TTX to supply flatcars, it will be because of the benefits that TTX's management of the pool creates by supplying high-quality cars at the lowest possible cost.

III. CONCLUSION

TTX provides significant benefits to the rail industry by acquiring flatcars for the pool, managing the pooled fleet efficiently, and maintaining and redeploying flatcars using a whole-network, cradle-to-grave approach to its pooled equipment. In times of economic boom and economic struggles, TTX's pooling activities have allowed participating railroads to meet the demand for high-quality flatcar equipment at the lowest possible cost, allowing them to use their scarce capital for other vital projects. The efficiencies generated by the pool are reflected in lower charges for its participating railroads and efficient access to these cars by the shippers those railroads serve.

VERIFICATION

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

PATRICK J. CASEY, Vice President of Fleet Management for TTX Company, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true as stated therein.

PATRICK J. CASEY

Sworn to and subscribed before me
this 16th day of January, 2014

Notary Public

OFFICIAL SEAL
ELIZABETH G. FLORES
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 04/25/2017

My commission expires 4-25-2017.

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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)

VERIFIED STATEMENT

OF

SHARON L. HARMSWORTH

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VERIFIED STATEMENT

OF

SHARON L. HARMSWORTH

My name is Sharon L. Harmsworth, and I am Vice President of Equipment for TTX Company ("TTX"). I have been in my present position since January 2008. I have a total of 25 years of engineering-related experience in the freight rail industry. Prior to joining TTX, I was employed for 20 years in General Motors' Electro-Motive Division (known as "EMD") and its successor Electro-Motive Diesel, one of North America's leading manufacturers of locomotives. That experience culminated with my service as Vice President, Engineering and Program Management for Electro-Motive Diesel. Before that, I served at EMD as a Vehicle Line Executive; as Director, Program Management; and in a variety of other positions. I hold a B.S. degree in Industrial and Systems Engineering from Ohio University, an M.S. degree in Engineering Management from Northwestern University, and a J.D. from The John Marshall Law School.

I am providing this statement to explain how TTX's engineering-related functions – especially its equipment maintenance programs and its investments in research, development, and testing – help carry out TTX's core mission to provide safe and efficient railcars for use by TTX's railroad participants and their shippers across the entire North American rail network.

I. TTX'S ENGINEERING FUNCTIONS FURTHER TTX'S CORE MISSION

As was the case ten years ago when the Board last reauthorized TTX's flatcar pool – and my predecessor, Robert Hulick, testified regarding TTX's engineering-related practices – TTX's mission is to supply its participants with well-maintained, safe, and reliable equipment that meets their needs most efficiently and at the lowest cost consistent with these core objectives. Our

approach internalizes the interest of our participants: it considers all of the costs and benefits of flatcar ownership and operation over the entire life of the railcar assets in which we invest.

TTX's approach is not short-term oriented. We do not simply purchase cars, send them out onto the network, and then maintain them by fixing them when something fails in service or is found to be defective during a routine inspection. Instead, we take a broader perspective that views investments in design and maintenance holistically. We invest in innovative and high-quality cars and components – fostered in part by our supplier relationships – that are designed both to improve the safety, performance, and service life of the TTX fleet and to allow railroads to better meet the needs of their shippers. We invest in processes that improve our ability to maintain our equipment cost-effectively. We invest in techniques and programs to reconfigure our cars to adapt to evolving marketplace needs and thereby extend their useful lives. And we invest in resources and technology to monitor the performance of our equipment, so that we can intervene appropriately by targeting the repairs needed to minimize failures of our cars while they are in service. In so doing, we are uniquely able to draw upon experience and resources – including a network of our own repair facilities – across the entire North American rail network to implement this vision.

Equally important, TTX internalizes the needs of our participating railroads. In evaluating the appropriateness of investments in equipment quality and reliability, we do not focus solely on our own equipment-related costs. Rather, we consider the impact of our cars on the costs the railroads will bear when they operate our cars over their networks. For example, stopping a train to set out a bad-ordered car can impose tremendous costs on the railroad and the shippers it serves. The whole train is delayed, increasing labor and other costs and potentially interfering with shippers' service expectations. Often more important, one operational disruption

that blocks a busy mainline can create ripple effects that degrade the performance of trains many miles away. TTX is keenly aware of these costs and is highly motivated to make cost-effective investments in the reliability of its equipment.

TTX has always applied these perspectives in its design and maintenance of railcars, and the Board has repeatedly recognized the significant benefits they generate for the users of the flatcar pool and the public interest. This statement will focus in detail on the developments of the last ten years, which have built upon TTX's already-strong foundation.

As I describe below, one key theme of the past decade has been the rapid evolution of technology, which TTX has embraced vigorously to improve the life-cycle performance of TTX's fleet of flatcars. I describe in more detail in Section II how we are working to integrate information from the railroads' rapidly growing network of sophisticated wayside detectors into the systems we use to determine when, where, and how to perform maintenance work on TTX flatcars. I also explain how we have invested in automated tools to assist in making repairs in a manner that allows TTX's cars to spend more time in service and less time moving to and from heavy repair shops. And in Section III, I describe our recent investments in sophisticated software to strengthen the capabilities of our engineering staff to design cars and components that better meet the demands of our participating railroads for reliable equipment that enables them to better serve their customers.

II. TTX'S EFFICIENCY-ENHANCING ROLE IN EQUIPMENT MAINTENANCE

TTX takes a proactive approach to the repair and maintenance of TTX's flatcar fleet. Our approach starts at the beginning of the car's life, with car and component specifications and designs that ensure that our cars will survive the rigors of rail operations while continuing to meet shipper needs. Over the life of each car, we undertake maintenance efforts designed to keep the car in service, rather than in the shop, while also prolonging the car's useful life. Those

efforts link together our "TTX Way" maintenance standards – which are informed by our extensive network-wide experience with how our cars respond to day-to-day operating challenges – with our nationwide network of TTX shop and repair facilities where TTX standards can be put into practice and with sophisticated modern technologies that assist us in monitoring the condition of our cars and intervening to address conditions when and where it is most cost-effective to do so.

TTX's maintenance operations also achieve efficiencies through standardization. Because of the commonality in design and componentry of TTX cars, as compared to the wide variety of cars and componentry that most shops must handle when repairing non-TTX cars, TTX is able to reduce its inventories of parts (saving significant costs) while also improving the availability of needed parts on a timely basis.

A. TTX's Approach to Maintenance Continues to Achieve Positive Results

As the Board has repeatedly found, TTX has been able to accomplish excellent results through its approach to car maintenance. TTX flatcars spend less time in shops – and moving to shops – for repair than the rest of the flatcar fleet. And data from wayside detectors show that TTX's holistic approach to railcar quality – through investment in quality components and proactive maintenance attention – yields improved car performance. For example, data from the railroads' network of truck hunting detectors, which I describe in somewhat more detail at pages 15-18 below, confirm that TTX's flatcars are less prone to damaging and potentially-dangerous truck hunting conditions, as reflected in their lower rate of truck hunting alerts than other fleets. *See* Figure 1 below.

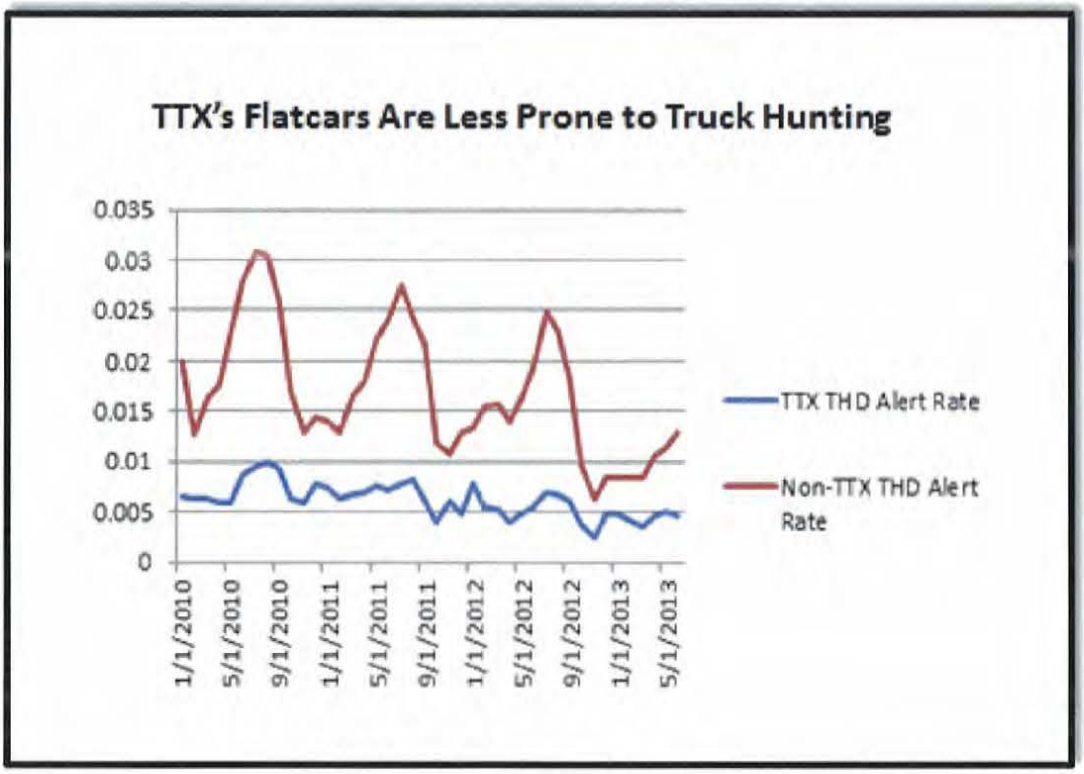

FIGURE 1

B. TTX's Invests in a Nationwide Network of Maintenance Facilities

The foundation of TTX's maintenance program is TTX's nationwide network of maintenance facilities. TTX's network consists of over 45 field maintenance operations ("FMOs"), backed up by four TTX-owned heavy repair facilities. TTX also maintains contractual relationships with over 30 independent repair facilities ("IRFs") throughout North America, and we have recently introduced mobile repair operations (or "MROs") that enable TTX crews to repair TTX cars away from TTX's fixed repair facilities. These maintenance capabilities work together as an integrated network, allowing TTX to apply its own maintenance standards honed by years of experience, and to do so at the facilities best positioned to make repairs efficiently and with minimum out-of-service time. Figure 2 below depicts TTX's network of FMOs and TTX-owned shops.

FIGURE 2

Field Maintenance Operations. TTX's FMOs are the backbone of TTX's maintenance network. FMOs are in many ways the "eyes and ears" of our maintenance program. Located primarily at intermodal terminals where TTX cars are routinely loaded and unloaded, FMOs provide TTX with tremendous insight into how TTX's flatcars and their components are performing in service and enable us to take appropriate action when issues arise.

The concept of a localized maintenance presence originated many years ago, when intermodal flatcars were a novel car type. TTX stationed mobile repair trucks near intermodal facilities in order to keep its (then-unusual) cars in service. Prompted by the success of this approach, in 1984 TTX began to establish more robust repair capabilities at key intermodal terminals. TTX's FMO network has grown along with the railroads' intermodal traffic flows.

The FMO network provides three key benefits. First, it places well-equipped maintenance facilities in close proximity to the flow of TTX's intermodal and other flatcars. By allowing cars to be repaired near where they are unloaded, FMOs save substantial time and avoid the costs (in terms of switching and mileage) that would be incurred moving cars to and from a distant shop facility for repair. We estimate that our FMOs save us over $1.6 million annually in transportation mileage and switching costs alone. More important, repairing TTX cars at an FMO location also gets the car back into service much more quickly – in days instead of weeks. For example, as I explain below, being able to recondition the articulated connectors on our double-stack fleet at FMOs saves an average of four weeks of cycle-time as compared to performing the same work at a shop.

These savings are equivalent to having extra cars in our fleet, which is especially valuable for high-demand intermodal equipment. We estimate that our FMO network saves over 250,000 car days of maintenance-related down-time annually and, given that many intermodal cars have multiple wells, the equivalent of more than 575,000 platform days annually.

Second, the FMO network allows TTX to maintain greater control over the scope and quality of maintenance completed on our cars because we can implement our own standards more effectively. We deploy maintenance standards with the goal of maximizing the productivity of the car over its entire life, which leads us to perform preventative maintenance that is not mandated by the FRA or AAR's Interchange Rules. Applying our own standards is in part responsible for the high reliability of TTX flatcars in high-mileage service. In addition, the fact that our maintenance forces have more direct, hands-on involvement in fleet maintenance gives us better insight into the conditions our cars encounter in service, allowing us to further

tailor our maintenance standards and also identify equipment improvements that can enhance the reliability and durability of our cars.

Third, the FMO network saves substantial costs relative to repair of TTX cars by third parties. Repairs are less costly at FMOs because TTX uses its own labor and centrally purchases FMO material. For example, wheels are TTX's single largest maintenance expense. We replace over 100,000 wheelsets annually, and we spend hundreds of dollars less when we can change out a wheelset at an FMO instead of having the same wheelset changed out by a third-party repair agent. These and other savings are passed through to our participating railroads through lower car usage charges.

TTX's Versatile Heavy Repair Shops. TTX owns four heavy repair facilities in the United States that perform work beyond the capabilities of our FMO network: North Augusta, South Carolina; Jacksonville, Florida; Waterford, Michigan (focusing primarily on our fleet of automotive frame flatcars); and Mira Loma, California. In addition to performing routine heavy maintenance work, these shops provide TTX with the ability to reconfigure cars to new uses, furthering TTX's aim of maximizing the productive life of our cars. For example, the North Augusta and Jacksonville shops have been tasked with converting nearly 30,000 48-foot wells in our double-stack fleet to 40-foot or 53-foot well configuration, a project that I discuss in greater detail at pages 25-27 below.

Mobile Repair Operations. As mentioned above, the idea of a mobile repair operation is a familiar one to TTX, and we have recently extended the concept to improve our ability to maintain the many types of flatcars (such as lumber cars, pipe cars, and others) that do not visit the intermodal terminals where FMOs are located. Beginning in 2011 we invested in a new organization and mobile repair trucks that support maintenance efforts wherever TTX cars may

be located. This allows us to repair cars at the shipper's facility, which makes repairs more cost-effective and results in less out-of-service time. In 2013 our MROs performed more than 2,500 repairs, allowing our cars to be available for service more than 100,000 additional days. An ancillary benefit of our MRO capability has been an improved ability to upgrade the condition of our cars (*e.g.*, fixing deteriorated wood decks, also shown in Figure 3) without taking them out of service or consuming capacity at our heavy repair shops.

TTX Mobile Repair Operations

FIGURE 3

Commitment to Workplace Safety. At all of TTX's maintenance facilities, our goal is an injury-free workplace. In 2009 we implemented a rigorous program to improve worker safety using six sigma tools to facilitate organizing our workplaces. In addition, we completed job hazard analyses on each of the tasks included in our "TTX Way" maintenance procedures to ensure that the work can be completed safely. Those analyses also identified the proper personal protective equipment to wear to allow the tasks to be completed safety.

Results have been extraordinarily positive. During the period 2000 to 2008, TTX's average OSHA recordable injury rate was 0.98 injuries per 200,000 hours worked. From 2009 through 2013, TTX's injury rate was lower by half – at 0.47 per 200,000 hours worked. *See* Figure 4 below. We are proud of our outstanding safety record.

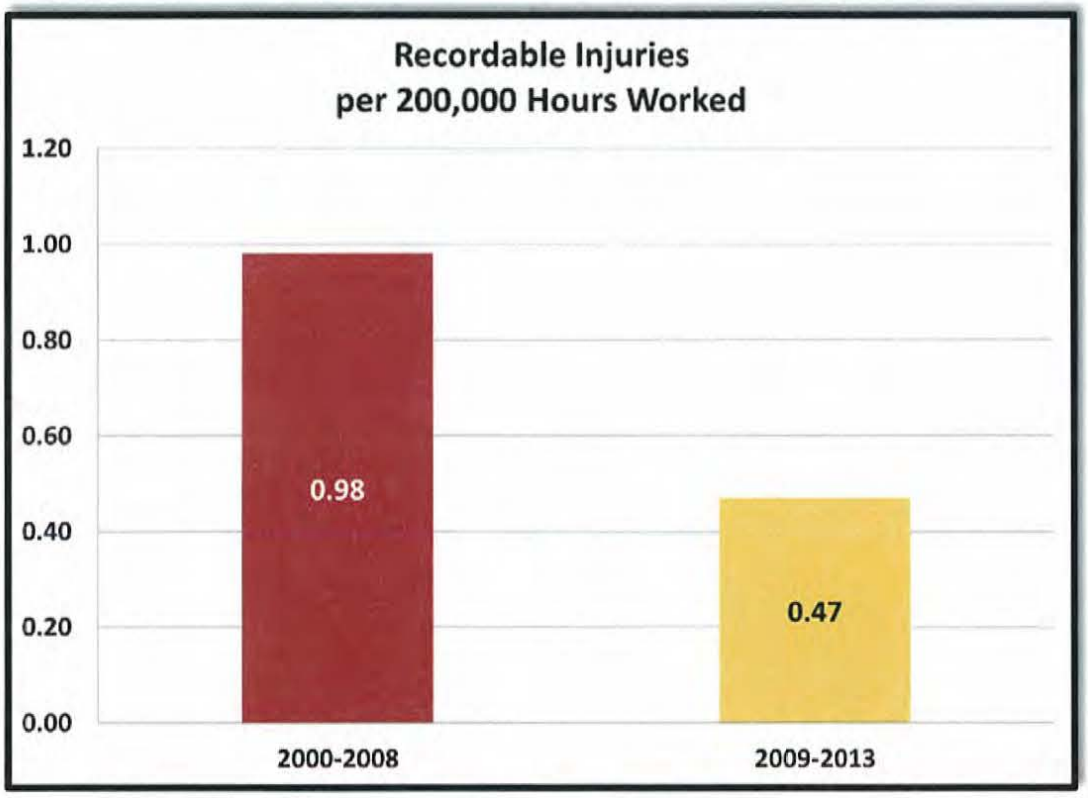

FIGURE 4

C. TTX Is Improving Its Maintenance Practices through an Integrated Approach to the Use of Technology and Data

TTX has always approached maintenance proactively by instituting rigorous programs of scheduled maintenance designed to keep our cars in high-quality condition and prevent service failures. With experience and recent advances in technology, TTX is taking a further step forward. We are transitioning from "preventative" maintenance driven solely by the age and mileage accumulated on TTX cars towards a "predictive," "reliability-centered" maintenance

approach. Instead of scheduling maintenance at pre-determined car-mileage intervals, we are moving rapidly towards specifying maintenance based on *component* mileage and condition, taking advantage of technology that allows us to gather and synthesize data more effectively. The goal is to use our repair network to provide our cars with the right kind of maintenance attention in the right place and at the right time: not too late, and not too soon.

TTX's evolving approach to maintenance embraces the integration of technology and data. The backbone of this new approach is a cluster of highly-capable systems that enable us to make efficient use of data relating to the maintenance needs of each car in our fleet. We have rolled out handheld devices to our field maintenance forces. Today, we use those devices for repair billing and inventory control. Our goal is to expand the use of these devices to display the information our mechanics need to work on individual cars. And we are moving ahead to take full advantage of the advanced-technology wayside detectors railroads have installed on the rail network. When our transition is completed, our maintenance program will use detector data and other data to monitor the condition of cars in operation. Our systems will process the data and use it to develop a maintenance plan for each car, taking into account what work was previously performed on the car. Drawing upon the known movements of our cars across the network, the system will communicate the maintenance plan to the appropriate facility so that TTX's maintenance forces can take action where and when they next see the car.

The first stages of our implementation of this integrated approach have proven successful. We are already improving our ability to address issues on TTX cars before those issues lead to a possible failure in operation, thereby improving safety and reducing maintenance costs.

1. Systems to Enable Optimal Use of Data

TTX has invested in two key systems to enable its maintenance programs to take advantage of advances in technology and the massive amounts of information these advances have unlocked. First, TTX recently implemented Maximo, a maintenance management and planning system that IBM developed to assist companies in the aviation and other industries in planning and scheduling maintenance work on high-value assets. Although we are less than one full year into the implementation of Maximo, the tool is already playing a key role in our transition to a reliability-centered maintenance approach.

We have paired Maximo's data management functions with SAS software, a statistical analysis tool we began to use in 2011. SAS enables us to better evaluate component performance in order to predict future maintenance needs and model potential maintenance scenarios. For example, we are using SAS-based analysis to determine when individual railcar components warrant detailed investigation and possible corrective action.

2. Handheld Technology to Bring Data to the Point of Use

As noted above, TTX has adopted handheld data communications technology a primary purpose of which is to allow our maintenance forces to record and access information and instructions at the job site. Today, these handheld systems enable our maintenance forces to document repairs on TTX cars more efficiently, replacing manual billing systems that involved manual note-taking and subsequent entry into TTX computer systems. We estimate that using these handheld units will reduce the labor hours spent on car repair billing alone by 75 percent, saving over $1 million annually. These savings translate directly into more manpower available to complete higher-value maintenance tasks. And as I describe in the next section, the handheld systems will also support our ongoing transition to a reliability-centered maintenance approach

by giving our field forces access to detailed information about the maintenance needs of each car arriving at a facility.

3. Harnessing Data from Sophisticated Wayside Detectors

Using our new systems, TTX has put itself in position to harness the wealth of real-time information available from wayside detector technologies to track the maintenance needs of our fleet. The past ten years have seen rapid development and deployment by North American railroads of wayside detector technologies and sophisticated tools for analyzing the massive amounts of data available from these detectors and other sources. Railroads are using these technologies widely, and TTX has been a leader in using these data to develop improved maintenance practices. Our initial focus has been on data from detectors that monitor the condition of wheels and trucks.

WILD Detectors. As noted, wheels are TTX's number one maintenance expense, accounting for more than $160 million in repair costs annually. As a result, we have been an active participant in the development and use of data from the railroads' network of wheel-impact load detectors (or "WILD"). These wayside detectors measure rail/wheel impact forces and automatically communicate the data to car owners. High impacts can indicate a flat spot or other defect that warrants attention.

Truck Condition Detectors. Another key area of maintenance focus involves the performance of the trucks on our high-mileage intermodal cars. The truck is the assembly on which a railcar sits, and consists of two wheelsets (wheels mounted on an axle), two side frames, a bolster, and numerous other smaller parts. Truck performance is important for several reasons. A poor-performing truck can lead to heightened safety concerns, create drag resulting in excessive fuel consumption, cause excessive wear on the track structure, and lead to vibrations

that can accelerate deterioration in other railcar components and even potentially damage the lading.

In recent years, we have worked to integrate data from two sets of detectors that railroads have installed on their networks to assess the condition of the truck components: truck hunting detectors ("THDs") and truck-performance detectors ("TPDs").

As the name implies, THDs detect when trucks are "hunting." Truck hunting is a lateral motion, by which the truck bolster rotates as the wheel sets move laterally back and forth between the rails. A diagram of this movement is in the left-hand portion of Figure 5 below. The lateral movement of the truck, particularly at high speed, causes rail and truck wear, can damage the railcar and its lading, leads to accelerated deterioration of truck and railcar components, and potentially can lead to a derailment.

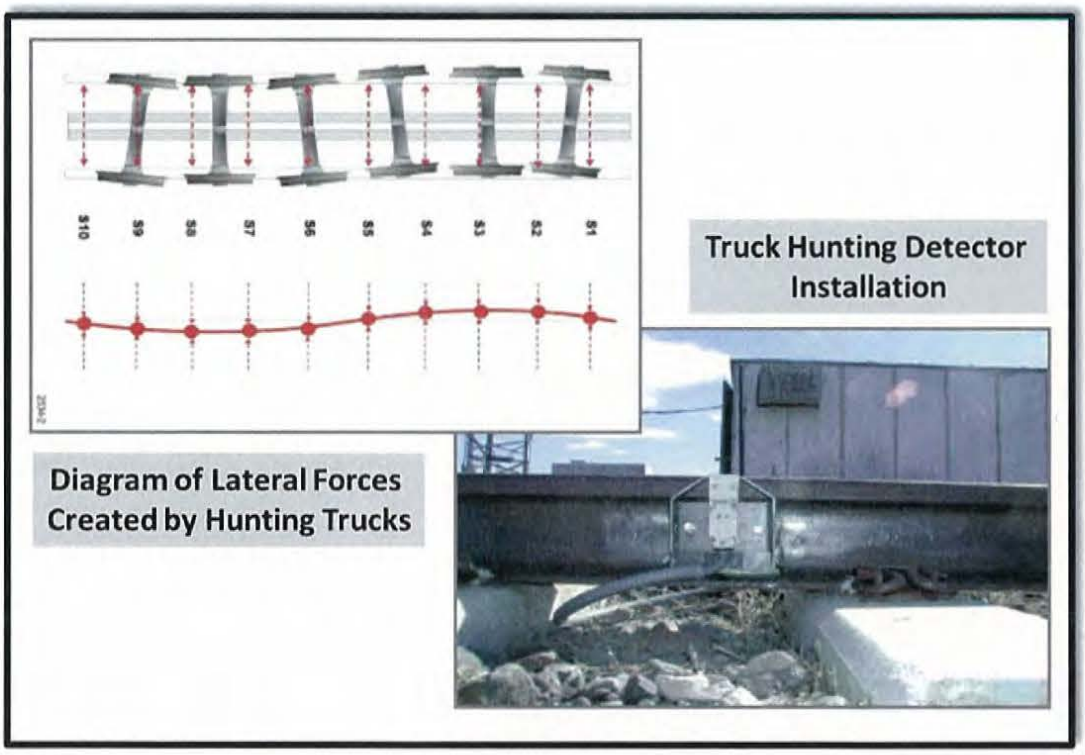

FIGURE 5

Truck hunting has been a particularly acute concern of automotive shippers, who cannot tolerate damage to new automobiles when they are being moved to market by rail. Such concerns led TTX to install premium trucks, premium truck components (such as yaw dampers), and high-performing constant contact side bearings on our autorack flatcars. TTX was instrumental in developing the high-performing long-travel constant contact side bearings, and we began to upgrade the side bearings in our fleets a decade before the AAR Interchange Rules were revised to incorporate this development.

THDs are sophisticated devices installed on the rail that can identify whether trucks on passing trains are hunting. These detectors report a numeric measure referred to as a "hunting index" that quantifies the degree to which a railcar's trucks are hunting. "Alerts" are sent to railcar owners when hunting index values exceed certain predetermined thresholds, so that required maintenance can be completed on these cars. The goal is to enable car owners to resolve truck hunting conditions before they become more serious.

TTX has aggressively used THD data to hone our own maintenance programs. First, we use the truck hunting alerts to notify us of poor-performing cars we need to capture and repair, as AAR rules contemplate. Second, we use these data to identify occasions when routine truck repairs should be upgraded to a full truck rebuild. Third, we maintain statistics on alerted cars by mileage and truck type, which we use to rate the performance of the trucks and monitor for any anomalous trends. Trucks that alert at lower-than-expected miles are monitored for additional alerts, and if the alerts continue, then the car is brought into a shop for a thorough inspection and review of its repair history. TTX's proactive repair actions and detector data monitoring allow our cars to achieve truck performance levels that are significantly better than the national fleet average, as noted above (at page 6). We are also developing technology to tailor our truck

maintenance efforts to perform work on trucks even before the THD data indicate a hunting condition at the "condemnable" level – *i.e.*, the level at which AAR rules call for truck repairs. In addition, we have worked with industry groups to improve truck maintenance procedures aimed at reducing the frequency of THD alerts, and we conducted several workshops to assist car owners with managing THD alerts.

TPDs detect high warp trucks, a condition typically associated with worn or defective truck components. Alerts from TPDs often indicate a wheel problem, a cracked center plate, broken or worn springs, or worn or missing wear plates. Resolving these conditions is important because, as shown in Figure 6 below, truck warp can cause accelerated rail wear, wheel wear, and potential safety issues. As with data from THDs, TTX uses TPD data to optimize our maintenance programs.

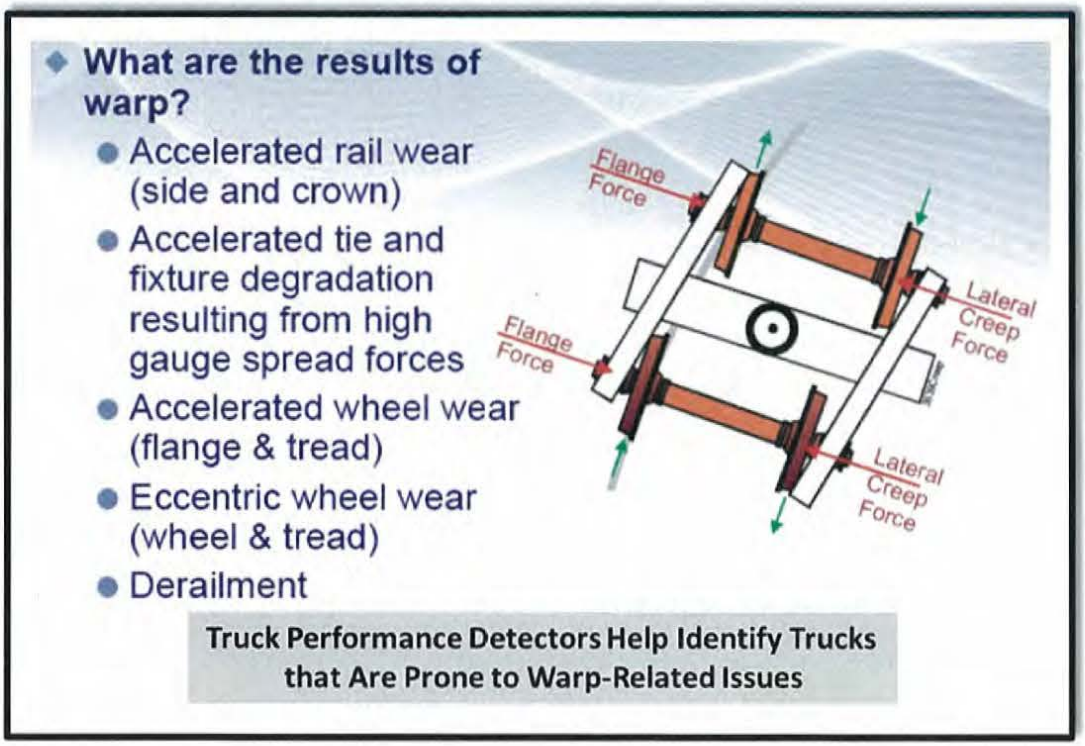

FIGURE 6

4. Integrating These Systems to Support Reliability-Centered Maintenance

TTX is working hard to further harness available technology and data to complete our transformation to reliability-centered maintenance. Our near-term goal is to integrate data from the detector network with information on the maintenance and operation patterns of our fleet to generate customized prescriptions for our maintenance forces on a car-by-car basis, with that prescription delivered directly to personnel in the field (or on the shop floor) via handheld devices.

For example, instead of waiting for a railcar truck to accumulate a certain number of miles or pass a wayside detector displaying a condemnable condition, our goal is to use the Maximo system to determine, based on detector data and the monthly mileage the car is accumulating, that the truck – or individual components of the truck – will need to be replaced within a certain time frame and follow that up with appropriate work instructions to the next TTX FMO the car visits. This proactive and customized planning will allow us to replace trucks and other components at the optimal time – not too late and not too early – reducing expenditures while simultaneously improving car availability and reliability.

III. TTX Engages in Extensive Research, Development, and Testing in Pursuit of Its Mission to Provide Efficient and High-Quality Flatcar Equipment to Meet Railroad and Shipper Needs

TTX plays an active and important role in the ongoing improvement of the flatcars used by North America's railroads. As the Board has previously noted, TTX's research and development activities have generated important advances in flatcar design. As with its other core functions, TTX brings a long-term perspective to R&D, with the aim of enhancing the value of our investments and reducing costs for the benefit of our participating railroads and their shippers across the entire North American rail network.

TTX's ownership and management of large numbers of flatcars to meet the collective needs of participating railroads yields benefits for our design and engineering functions. Every day, TTX gains on-the-ground experience with how flatcar equipment responds to the challenges of the rail operating environment. When problems or issues with cars arise, we can make a swift diagnosis and implement appropriate solutions across the fleet. Every day, TTX interacts with its participating railroads about the evolving flatcar-related needs of their shippers across the entire rail network. When new shipper needs arise, TTX often can identify innovative and cost-effective solutions that take advantage of assets already in our pooled fleet. And every day TTX works with our own shop forces – and with car builders and component suppliers – to take advantage of our collective experience to help improve equipment and equipment-related processes, thereby better meeting evolving customer needs.

A. TTX Invests in Advanced Design and Testing Capabilities to Further Its Mission

TTX has assembled a tremendous body of expertise and resources devoted to the development and continuous improvement of railroad flatcars. TTX has a large staff of dedicated and degreed engineers whose mission is to improve flatcar performance through better design and enhanced maintenance practices. TTX continues to invest heavily in state-of-the-art design and testing capabilities that assist its engineers in bringing new equipment-related innovations to fruition. And TTX works closely with its car builders and component suppliers to assure that it is able to obtain cars and components of the highest quality and also bring new ideas into actual practice in the railcar industry.

Investments in Technology. Consistent with TTX's commitment to technological progress, TTX has invested in advanced tools to assist in the design and testing of new engineering solutions aimed at improving TTX flatcars of all types. Over the past decade, TTX

has acquired software tools that facilitate (1) design modeling – allowing the virtual construction of parts and assemblies for use in detailed manufacturing drawings and the design of new parts; (2) structural analysis – including so-called "finite element analysis," a mathematical technique for analyzing stress in physical structures, which TTX engineers use to expedite the development of new car and component designs; (3) simulating manufacturing processes – including Magma Soft® software, which TTX uses to simulate the metal casting process to aid in the design of manufacturing processes for high-quality castings (like couplers) before costly tooling is built; and (4) simulating the dynamic performance of railcars in service and the forces placed on railcar components and track structure, with the aim of reducing the amount of costly, on-track testing needed to evaluate new car designs and components. TTX has also invested in technology that enables TTX engineers to conduct 3D scanning and dimensional analysis of railcar components so as to evaluate their performance through the measurement of wear.

Investment in Real-World Testing Capabilities. TTX takes advantage of its unique position as the operator of a large fleet of flatcars across the entire North American rail network to monitor the performance of components in service, identify opportunities for design changes that improve performance or save cost or better meet customer needs, and then test those innovations in real-world conditions before rolling them out on the entire fleet.

TTX conducts extensive over-the-road track testing, taking advantage of its continent-wide scope and extensive network of FMOs to validate equipment under real-world operating conditions in revenue service. In addition, TTX makes extensive use of Transportation Technology Center ("TTCI") facilities in Pueblo, Colorado. TTX spends almost $1 million annually at TTCI on permanent staff, facilities, and testing. TTX has a building at TTCI housing advanced instrumentation and test equipment, and we transformed two freight cars into

sophisticated test cars that we use to conduct field tests on TTX equipment using TTCI's test track. Figure 7 below shows TTX equipment being tested on TTCI's test track.

FIGURE 7

Among the wide array of flatcar-related equipment that TTX has tested in recent years are: (a) wheels manufactured using new more durable metallurgical compositions; (b) the use of composite materials in place of wood on our wood-deck chain tie-down fleet to extend the life cycle of these materials under real-world service conditions; (c) the wedges and wear plates used on freight car trucks, with the aim of finding materials and manufacturing techniques that can improve durability and performance; and (d) the addition of hydraulic yaw dampers, which are akin to shock absorbers that help control truck hunting on articulated double-stack cars.

B. TTX Continues to Make Concrete Improvements to the Flatcar Fleet

TTX has a proven track record of fostering the development and implementation of important advances in car and component design. We have spent over $40 million on these efforts since 2004. Some of the results are highly visible – in the form of new types of freight cars designed to meet emerging needs of rail shippers. But much of TTX's development activity has taken place behind the scenes on important but little-noticed railcar components and the

processes used to manufacture and maintain them. I highlight below some of the recent successes of TTX's R&D activities.

1. Innovation in Maintenance and Equipment Repair Processes

As discussed above, a major focus of TTX's responsibilities as the owner of pooled flatcars is to ensure that those cars are maintained to high standards as efficiently as possible. This objective has stimulated TTX's investments in the development of the sophisticated maintenance techniques and processes discussed at pages 6-18 above. In addition, TTX has successfully developed techniques that help TTX maintenance forces perform specific repair tasks at lower cost and – equally important – with less down-time in the cars' availability for revenue loads. One example is TTX's development of an innovative solution for maintaining the tens of thousands of articulated connectors that are used in lieu of couplers on TTX's multiple-well double-stack cars and multiple-platform spine cars. Those cars (of which TTX owns over 29,000) use fixed connectors to connect separate units (*i.e.*, a well or platform), avoiding the need for separate trucks and coupler systems for each unit (as illustrated in Figure 8). These cars can carry the same number of containers or trailers as several separate cars, but with less empty weight and less length – enabling railroads to increase carrying capacity for a given length of train and saving fuel.

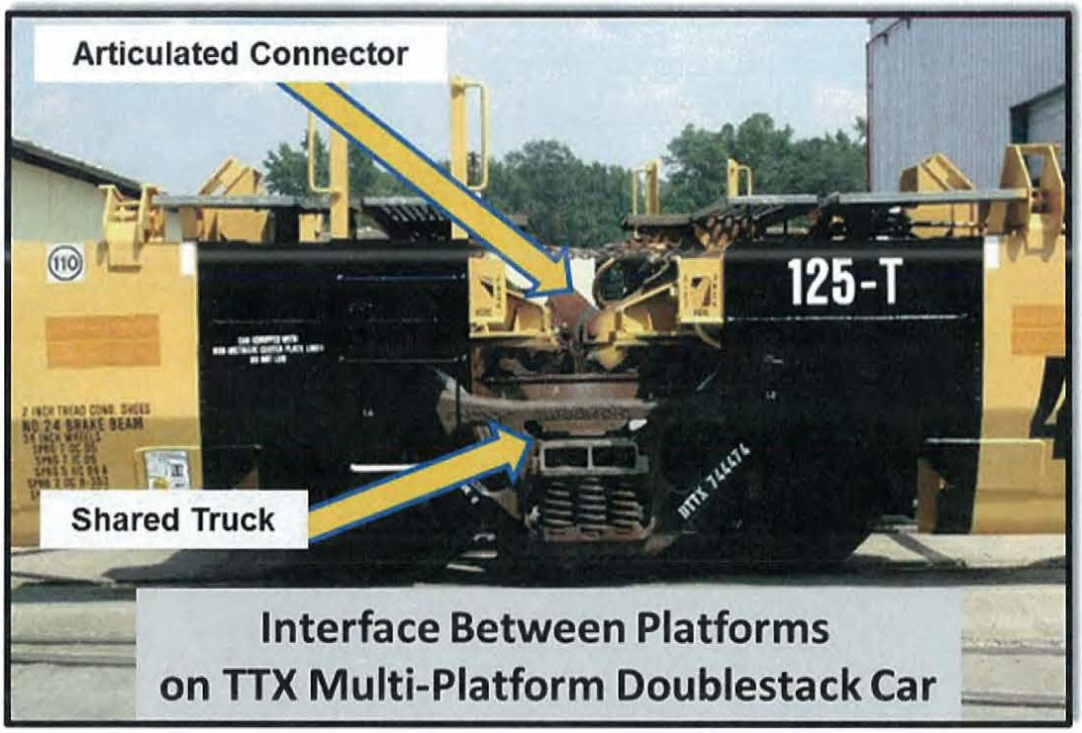

FIGURE 8

The articulated connector, of course, is a vital component, and it experiences considerable wear as a result of train dynamics in high-speed and high-mileage service. Historically, reconditioning articulated connector castings required moving these cars to a heavy repair shop, so that the individual units could be separated and inverted to permit shop employees to perform manual reconditioning work on the separate connector parts (depicted in Figure 9 below). This laborious process took these high-demand cars from revenue service for an average of five weeks at a time.

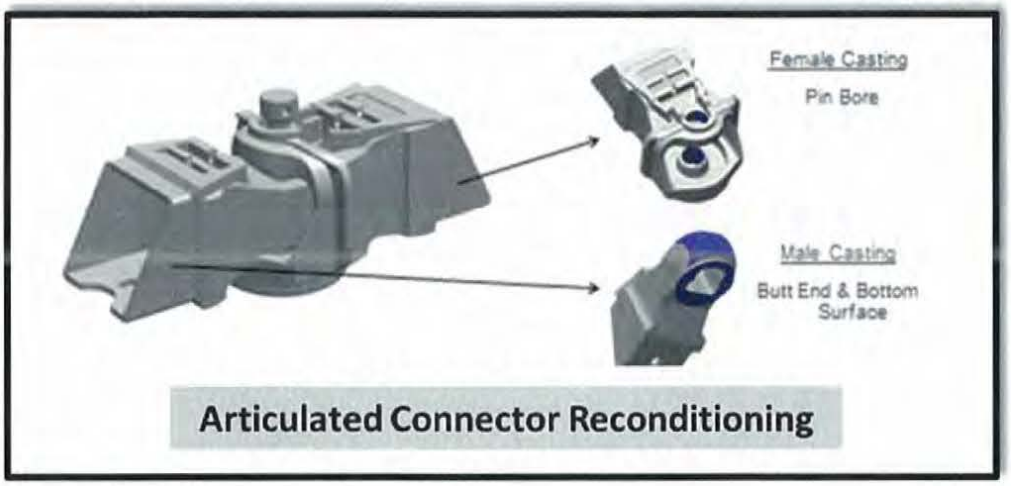

FIGURE 9

Motivated by the desire to save costs and improve car cycle-time, TTX developed a new methodology for reconditioning articulated connector parts in the field. TTX's technique (for which patents are pending) uses mechanical automation to recondition the butt end and bottom surface of the male casting as well as the pin bore of the female casting, all without the need to invert the car. This new process will enable reconditioning work to be performed at any TTX FMO location with an indoor repair track, allowing the cars to be returned to service in just one week instead of five, while lowering the cost of repair and improving worker safety.

2. Innovation in Railcar Redeployment

As Mr. Casey explains, TTX seeks to maximize the utility of its flatcars by investing in the redeployment of those assets to meet evolving shipper needs. TTX's engineering forces support those efforts by designing and implementing the changes needed to reconfigure TTX cars for new service.

Conversion of 48-foot Double-stack Well Cars. The most visible and significant recent investment by TTX in the redeployment of its flatcars is the multi-year program to shorten 48-foot double-stack well cars to 40-foot cars and lengthen other 48-foot cars into 53-foot cars.

TTX's engineering expertise played an instrumental role in the success of this program, allowing significant alterations to these high-mileage cars while maintaining their structural integrity.

FIGURE 10

Substantial modifications like those undertaken in connection with this project are not easy. The car body must be cut at each end, with a section removed to shorten a 48-foot car to a 40-foot configuration or added to lengthen the well to a 53-foot configuration. (One of these initial cuts is shown in Figure 10 above.) TTX undertook substantial engineering analysis and design work in order to ensure that the new car configurations would have the structural integrity needed for the challenging operational demands imposed on these cars. Our investments in technology accelerated the design process – we used "finite element analyses" to identify areas of the car that needed strengthening to address high concentrations of stress resulting from the

new configuration. TTX Engineering then developed streamlined work instructions to enable our heavy repair shops to cost-effectively complete the modification of 24,200 of our 48-foot wells to a 40-foot configuration and 4,500 to a 53-foot configuration. The newly-configured cars are performing well in the field, without any adverse structural issues. TTX's recognized expertise and experience in performing the engineering and production work on these conversions has enabled us to perform similar modifications on 48-foot double-stack cars for other owners.

Conversion of 48-foot "Spine" Cars to Handle 53-foot Containers. TTX took a similar approach when it converted its 48-foot "spine" cars to accommodate the movement of 53-foot containers. (Spine cars are single-level cars designed to carry containers or trailers on a skeletal structure rather than a floor.) In 2004, TTX engineers developed an efficient production-line-style process that we used to convert approximately 1,850 spine-car platforms.

Conversion of Surplus Flatcars into Modern Bi-Level Autorack Cars. TTX's engineering capabilities were also instrumental in TTX's redeployment of two surplus car types into service as modern bi-level autoracks, as Mr. Casey describes.

One program converted thousands of low-level flush deck cars that had been designed for tri-level autorack service but had become surplus and had their racks removed. TTX explored ways to redeploy these cars to bi-level service, for which there continued to be high demand. Working with Trinity Industries (a major manufacturer of autoracks), we designed a new floor structure that could be applied on top of the existing deck of the car, bringing the floor to the same level as other bi-level cars and thereby enabling the cars' use in bi-level service. A flatcar undergoing this work is shown in Figure 11 below.

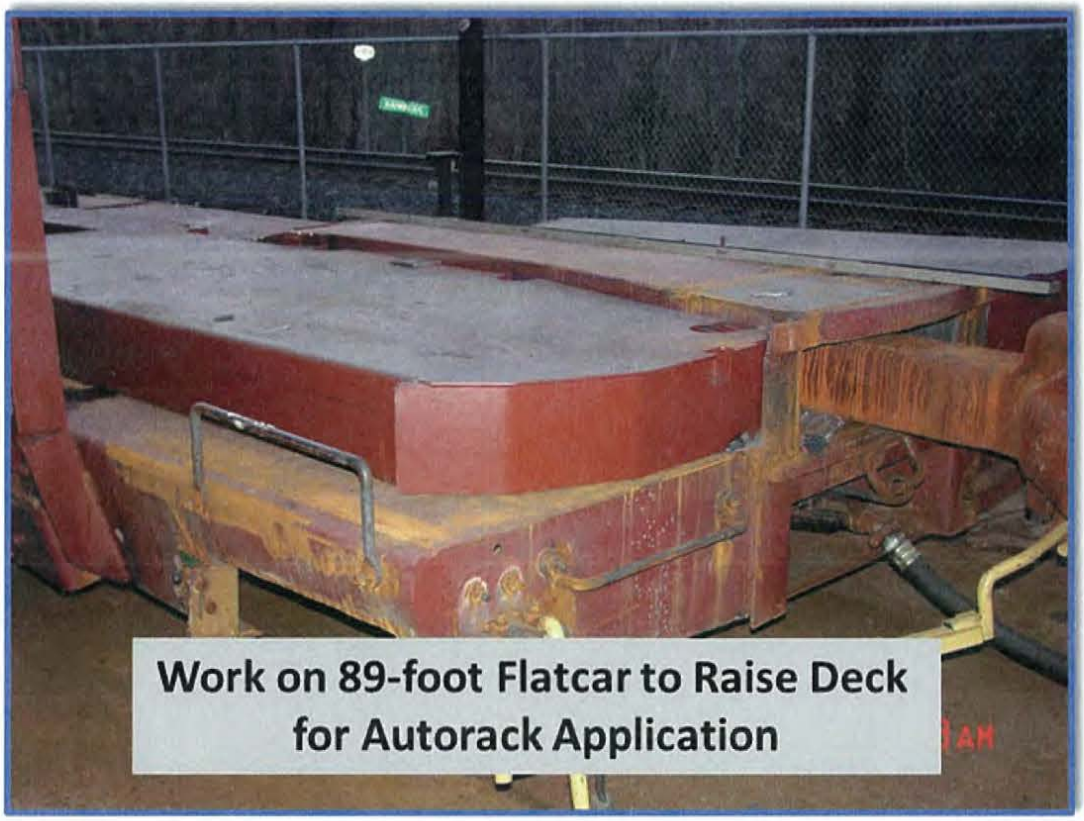

FIGURE 11

In another program, over 1,800 surplus 70-ton, standard-level cars were converted to bi-level autorack cars. These cars had been used in bi-level autorack service in the past, but the cars' deck was too high to permit the cars to be used with modern racks, which have two-inches of additional clearance on the bottom deck to accommodate taller vehicles like SUVs. TTX again partnered with Trinity Industries to enable these conversions. Trinity was able to take three-quarters of an inch of height out of their rack structure, and TTX was able to lower the car body on these cars by one-and-a-quarter inches. TTX accomplished this by redesigning the car's center plate, installing a revised spring group in the trucks, and adhering to tighter manufacturing tolerances. The resulting car/rack combination unlocked two extra inches of height for the bottom deck without increasing the overall height of the autorack.

3. Innovation in Railcar Design

TTX has continued to devote attention to the development of entirely new flatcar designs that enable participating railroads to enter new markets and serve existing ones more efficiently. TTX has a long track record of car design innovation, which Mr. Hulick reviewed in his 2004 testimony. One of the TTX innovations he highlighted was the Uni-Level flatcar, which went into full production in 2007. TTX now owns 190 of these cars (one example of which is shown in Figure 12 below). That car made it possible for railroads to offer damage-free transportation of buses and large trucks.

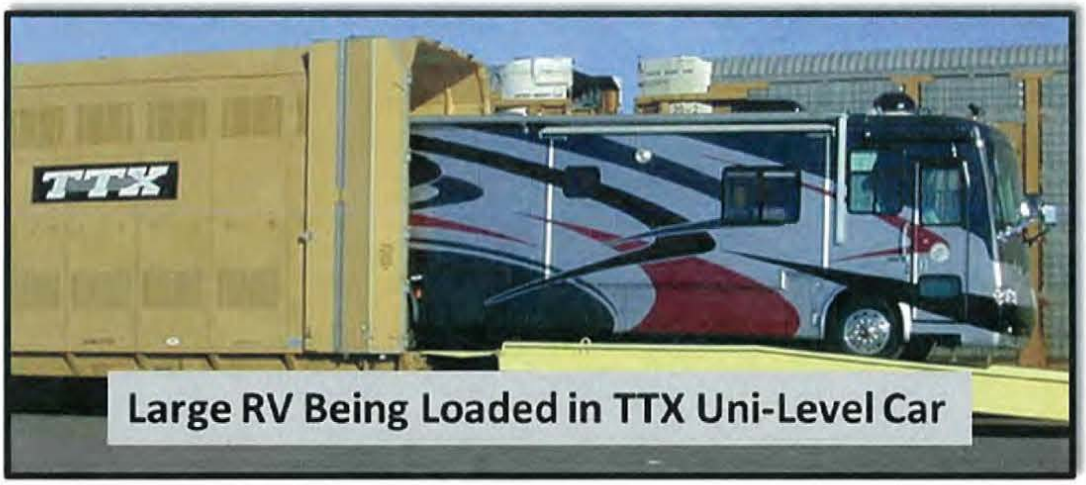

FIGURE 12

More recently, TTX developed innovative new specifications for an 89-foot multi-purpose 110-ton flush deck flatcar designed to provide railroads with a versatile platform that could easily be adapted to carry a wide variety of different commodities. TTX's engineering staff incorporated numerous flexibility-enhancing features into the design of the car, including deck holes that allow it to be used in a chain-tie-down configuration and fastening points for risers that allow it to carry pipe and other commodities that require such appurtenances. The design is ideal for relatively low-

volume commodity flows that would not support investment in a car dedicated to a single use. It can carry pipe one month, and can easily be reconfigured to carry sheet steel or any number of other commodities the next. TTX has invested in several hundred of these cars. One example, configured to carry pipe, is shown in Figure 13 below.

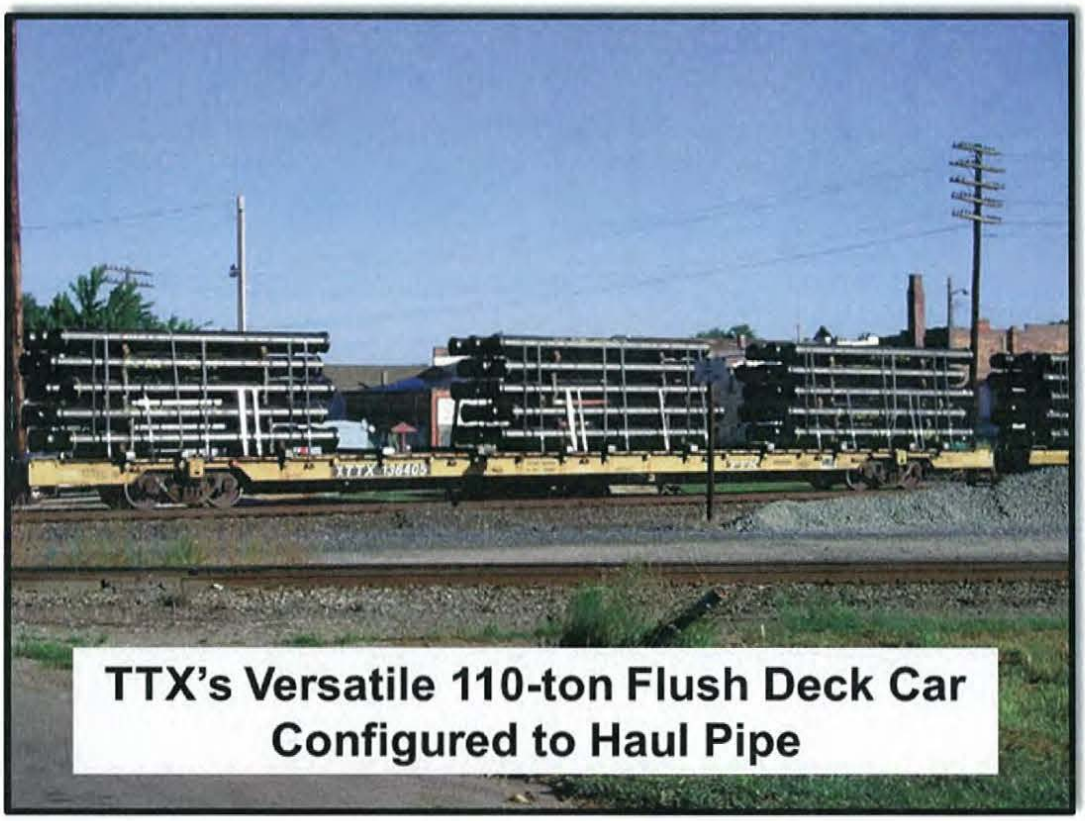

FIGURE 13

4. Innovation in Component Design

In addition to our efforts directed at innovative railcar design, TTX also deploys its engineering expertise to improve the components used on TTX railcars. I discuss three recent examples of efforts that have improved important fleet components.

Split-wedge trucks. TTX has been an active participant in the development and certification of truck components designed to lower rolling resistance, increase wheel life and reduce stress on the rail. Specifically, we invested nearly $200,000 to research and obtain AAR

M-976 certification for the Barber S2-HD Split Wedge truck for 110-ton flatcars cars. This effort enabled TTX and other owners of flatcars to benefit from access to a new truck system that could be manufactured by multiple AAR-approved casting suppliers, providing a lower cost option for meeting new performance standards.

Manganese bowl liners. TTX recently designed and obtained approval to install "bowl liners" made of manganese in place of more-costly plastic components. Bowl-liners are components that line the concave surface on which the car rests when it is placed onto the truck. They reduce friction and allow the truck to move freely through curves. After some derailments in the late 1980s were attributed to metallic bowl liners on double-stack cars, the AAR Interchange Rules were revised to require the use of non-metallic bowl liners. The plastic components that met this new standard were expensive, so TTX studied less-costly alternative materials. TTX tested manganese liners with favorable results, and in 2010 received permission to apply thousands of manganese bowl liners on cars already in service.

Bedloe Coupler System. Another prominent example of TTX's innovation is the Bedloe Coupler. The standard railroad coupler system (consisting of a coupler body, knuckle, and associated smaller parts) is a crucial component on all railcars and its design has remained largely unchanged for many decades. Coupler systems for new cars as well as replacement parts for existing cars represent a significant expense for TTX. The cost of these components had escalated over time, and the durability of the castings – particularly the knuckles – presented an opportunity for improvement. To address these concerns, TTX engineers pursued an improved design using the analytical tools discussed above, taking advantage of advanced design and manufacturing techniques and drawing upon TTX's own experience as a heavy user of steel castings for rail service.

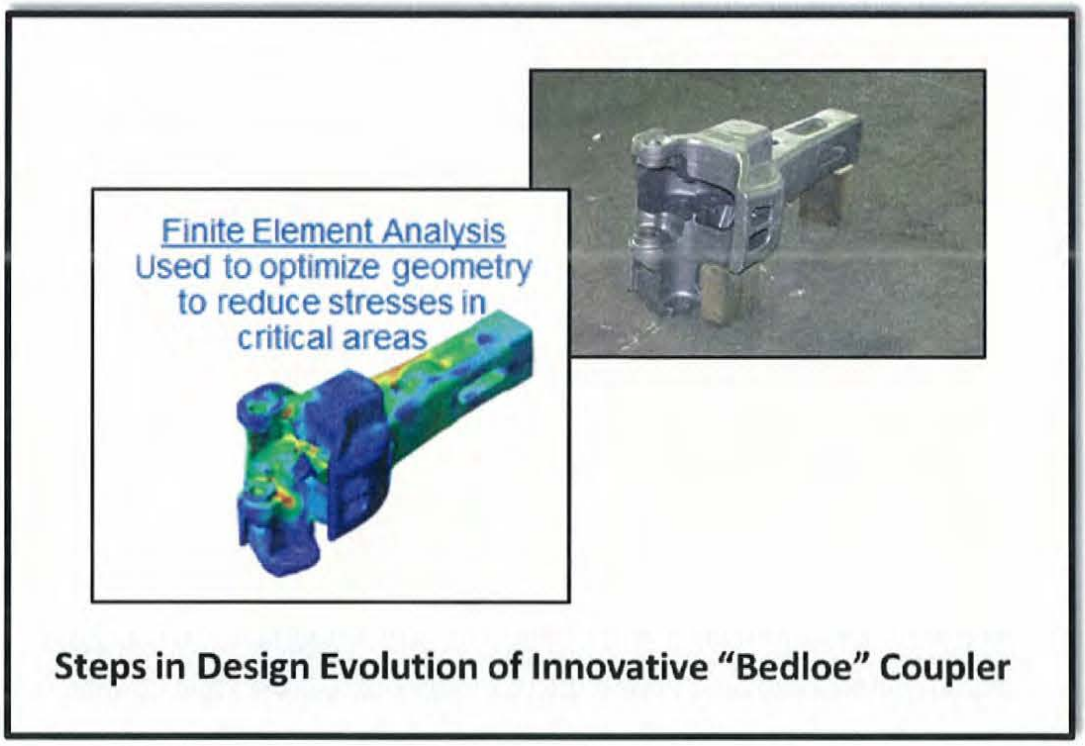

FIGURE 14

The results of our efforts was a new, patented design for a standard coupler system (compatible with all other couplers in service) that is known as the Bedloe Coupler, after the TTX subsidiary that holds the associated patents. The new coupler design is depicted in Figure 14 above. TTX subjected its new coupler to intensive testing in the field, and the Bedloe Coupler's knuckle was the first to satisfy the AAR's stringent new M-216 fatigue standard. TTX's in-the-field experience demonstrates that the coupler system is considerably less prone to fatigue-related failure under real-world operating conditions. The Bedloe knuckle has a 98% chance of surviving 300,000 miles and, as shown in Figure 15, TTX's own maintenance experience shows that the Bedloe knuckle's improved fatigue life allows it to last much longer than other knuckles before requiring replacement. TTX anticipates that the Bedloe knuckle's improved durability will reduce replacement-related costs as well as the risk of in-service failure – which could result in train pull-aparts that disrupt rail operations.

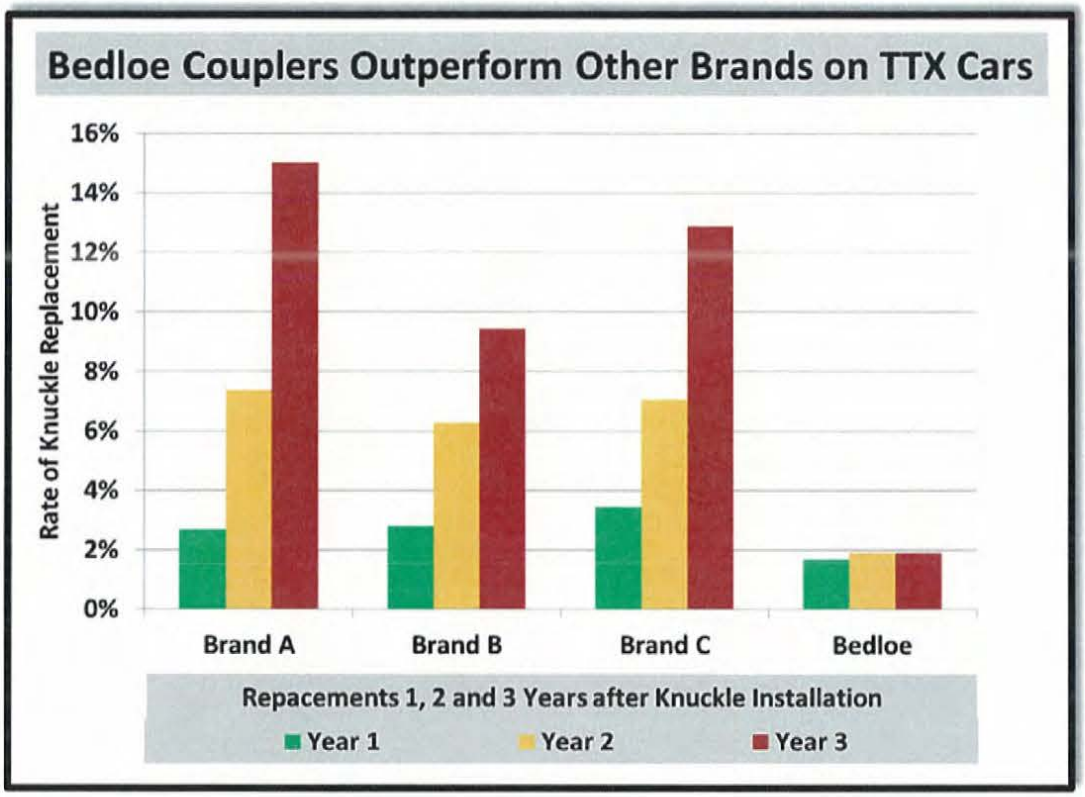

FIGURE 15

IV. CONCLUSION

TTX is dedicated to supplying its participating railroads and their shippers with cars best suited to their needs at lowest life-cycle costs. We are dedicated to improving those cars to better meet customer needs and to prolong their useful lives. Our maintenance efforts and intensive focus on innovation have made significant contributions to meeting these needs, and we will continue to invest in the people, tools, and the other resources we need to carry forward these initiatives.

VERIFICATION

STATE OF ILLINOIS)
) **ss**
COUNTY OF COOK)

SHARON L. HARMSWORTH, Vice President of Equipment for TTX Company, being duly sworn, deposes and says that she has read the foregoing statement, knows the contents thereof, and that the same are true and correct as stated therein.

Sharon L. Harmsworth
SHARON L. HARMSWORTH

Sworn to and subscribed before me
this 16th day of January, 2014.

Elizabeth G. Flores
Notary Public

OFFICIAL SEAL
ELIZABETH G. FLORES
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 04/25/2017

My commission expires 4-25-17.

TAB L

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)

VERIFIED STATEMENT

OF

WILLIAM J. RENNICKE

Table of Contents

Verrified Statement of William J. Rennicke, Partner, Oliver Wyman

I. Introduction and Qualifications

I am William J. Rennicke, a Partner with Oliver Wyman, Inc. Oliver Wyman is a leading general management consulting firm. It maintains one of the largest practices in the world dedicated to serving the transportation and logistics sectors, which provides a comprehensive set of services and capabilities to transportation carriers across all modes, and to the users and regulators of transportation services. Oliver Wyman's transportation clients include national and regional governments on six continents, as well as many of the world's largest users of rail services, railroads, motor carriers, leasing companies, and industrial and consumer manufacturing firms.

I have been a railroad executive and a consultant to railroads for more than 40 years. I have worked extensively with the railroad industry in the United States and Canada, and I also have worked with railways in Europe, Asia, South America, Australia, and Africa. I specialize in railroad strategic planning, cost analysis, revenue management, and operations. I have particular expertise in transportation pricing, restructuring, organizational design, and transactions (including mergers and acquisitions) to improve the performance of rail operators, major rail equipment suppliers, and users of transportation services. I have worked with senior executives at all of the major North American railroads, as well as with senior officials at many government-owned railroads worldwide. I have testified before the United States Congress and the Canadian Parliament, as well as federal transportation agencies, concerning railroad regulation, rate policy, access issues, and rail mergers.

I have spoken and published widely on issues affecting the railroad industry. Some of my recent work that is relevant to this proceeding includes assessing locomotive technologies for

utilization improvement for one of the world's largest rail equipment manufacturers; analyzing car utilization impacts across the entire US rail network from potential regulatory changes under STB Ex Parte No. 711, "Petition for Rulemaking to Adopt Revised Competitive Switching Rules"; and assessing the equipment utilization impacts from the implementation of positive train control (PTC). I also serve regularly as the keynote speaker at the Rail Equipment Finance Conference, the industry's major annual conference on rail equipment trends. As part of a rail equipment asset valuation practice, I closely and continuously monitor the performance of the North American railcar fleets.

Before joining Oliver Wyman, I was a vice president of the Boston & Maine Railroad. During my tenure, I managed rail industry service performance project case studies as part of the industry-wide Freight Car Utilization Program. I also have held operating positions with the Southern Pacific (now Union Pacific) and New Haven (now CSX) railroads and was a transportation consultant with Deloitte Haskins & Sells (the predecessor of Deloitte & Touche). I have a B.S.B.A. in accounting from the School of Business Administration at Georgetown University and an M.B.A. with a concentration in transportation and logistics from the University of Minnesota. I am also a member of the Council of Supply Chain Management Professionals.

I was asked by TTX Company (TTX) to assess the benefits provided by TTX's flatcar pooling activities and the potential consequences for the railroad industry if TTX were no longer authorized to engage in pooling. I focused my analysis on TTX's intermodal flatcars because sufficient reliable data were available to analyze the differences in the actual operation of TTX and non-TTX flatcars. My general assessment of the benefits of pooling is equally applicable, however, to all of TTX's equipment types.

My key quantitative finding is that without the TTX pool as a source of efficient, free-running intermodal flatcars, railroads and their customers would suffer serious disadvantages in terms of meeting the growing demand for intermodal transportation. The reasons for this include:

- Railroads achieve greater efficiencies with the TTX pool of intermodal flatcars than they could achieve on their own. Without pooling, railroads' effective capacity to handle intermodal traffic would shrink: cars would move empty more often, meaning that fewer shipments could be served with the existing fleet. Replacing the lost capacity associated with the increase in empty movements would require additional annual expenditures of approximately $345 million by TTX's owner railroads.

- In addition, without pooling, railroads would incur other, less readily quantifiable costs associated with increased empty movements and the need to handle additional cars, including the costs of increased yard congestion, increased switching, and the increased potential for employee accidents.

- Intermodal transportation would become a less attractive option for shippers in the absence of the TTX pool. Reduced efficiency and increased costs would adversely affect the ability of rail intermodal to compete for truckable freight and meet projected growth in US transportation demand. Further, if the railroads were unable or unwilling to obtain the additional cars needed to offset inefficiencies, unmet demand would shift to trucks, adding more congestion to the Nation's roadways each year, and consequently increasing fuel usage, greenhouse gas emissions, and highway maintenance costs.

In Part II of this statement, I discuss the benefits created by the TTX flatcar pool, focusing on the benefits associated with the high levels of equipment utilization that the pool achieves. In Part III, I present the results of a simulation that addresses potential outcomes should the Board not reauthorize the pooling of intermodal flatcars.

II. TTX's Pooling Activities Create Significant Benefits

Rail intermodal traffic has grown steadily over the past several decades – from 3.1 million containers and trailers in 1980, to 9.1 million in 2000, and 12.3 million in 2012.[1] According to the Association of American Railroads, "As of September 2013, intermodal accounted for 22.6 percent of revenue for major US railroads, more than any other single commodity group."[2] Intermodal traffic saw record growth in 2013, totaling 12.8 million units, an increase of 4.6 percent over 2012.[3]

TTX's flatcar pool has played an important role in promoting and supporting this growth. Rail intermodal is in many respects an attractive method of transportation, but the margins it generates for railroads are small because trucking is a highly competitive alternative in all markets. TTX's pooling activities create a range of benefits that enable railroads to both compete with and cooperate with motor carriers in creating efficient, cost-effective supply chains to meet growing shipper demands for intermodal transportation. These activities include acquiring an adequate supply of high-quality railcars to meet market demand and managing and maintaining the fleet to maximize uptime and loaded miles. Exhibit 1 shows the range of benefits created by the flatcar pool, which I discuss in detail in the remainder of Part II.

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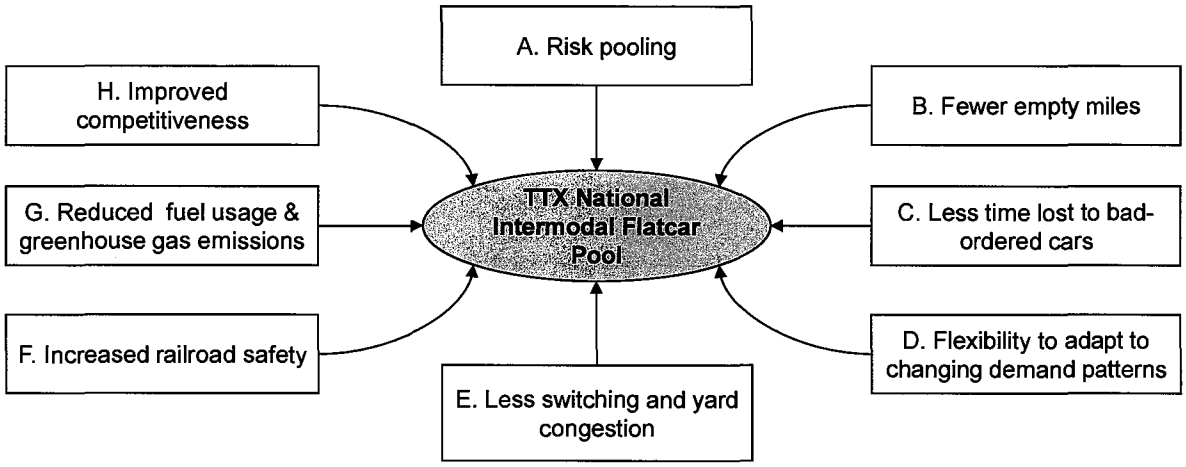
[1] "Rail Intermodal Keeps America Moving," Association of American Railroads, November 2013.
[2] Ibid.
[3] "Weekly Rail Traffic Summary," Association of American Railroads, January 9, 2014.

Exhibit 1: Benefits of the TTX Intermodal Railcar Pool



A. Risk Pooling

TTX allows the railroad industry to make more efficient use of flatcar equipment, producing more transportation at a lower cost than would be possible without pooling. TTX acquires cars based on industry-wide demand. It is indifferent to which railroad ends up handling traffic – its focus is on providing a fleet that is adequate in both size and composition to satisfy overall market demand for transportation. TTX's flatcar distribution rules play an important role in ensuring that the fleet is efficiently used to meet growing and shifting demand. These distribution rules support and encourage traffic growth, while at the same time ensuring that capital invested in railcars is well spent. The rules encourage equipment to flow freely across the rail network in response to demand, while also allowing TTX to actively rebalance the number of cars on owner railroads both in the short term and long term to ensure an adequate supply reflective of market demand.

TTX's approach is similar to the supply chain management concept known as "risk pooling." In risk pooling, demand variability is reduced by aggregating demand across locations. Through risk pooling, "it becomes more likely that high demand from one customer will be

offset by low demand from another."[4] The classic use of risk pooling, in retail, is to aggregate inventory at a central point, rather than at individual stores, improving the retailer's ability to meet overall market demand while maintaining lower inventory levels and lowering operating costs.

TTX engages in risk pooling by aggregating demand for flatcar transportation by its owner railroads and offering a central source of cars that can flow where they are needed. As a result, car utilization is higher than it would be otherwise, and railroads can move more traffic at an overall lower cost than if they had to devote more of their individual capital resources to acquiring intermodal equipment.

B. Fewer Empty Miles

The free-running nature of TTX's fleet and TTX's low, cost-based usage charges promote efficient equipment use. TTX intermodal cars operate more efficiently than the same type of cars owned by TTX's owner railroads. In 2012, TTX's intermodal cars moved empty only 7.1 miles out of every 100 miles. By comparison, the same car types owned by TTX's owner railroads moved empty 10.3 miles out of every 100 miles.[5] Even this 45 percentage point difference is likely understated, because the owner railroads' empty to total mile ratio likely benefits from the presence of TTX's pooled flatcars in two ways. First, railroads can obtain better utilization of their own fleets by assigning their equipment to high-density lanes with good backhaul opportunities, while choosing to use TTX equipment to meet the demand for more

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[4] *Designing and Managing the Supply Chain*, David Simchi-Levi et al, Boston: Irwin McGraw-Hill, 2000, p. 59.
[5] In 2004, TTX presented data that compared TTX-owned intermodal flatcars to all non-TTX-owned intermodal flatcars. *See TTX Co. – Application for Approval of Pooling of Car Service With Respect to Flatcars*, FD 27590 (Sub-No. 3),Verified Statement of Dean H. Wise (Jan. 6, 2004). However, due to data confidentiality concerns, car movement records for private owner and non-TTX railroad-owned fleets were not available for the analysis I describe in this verified statement.

complex traffic flows. Second, the presence of pooled flatcars likely has a "coattails" effect: A railroad with TTX and foreign cars (i.e., cars owned by another railroad) intermingled in its yard may find it more efficient to treat the foreign cars like it treats the TTX cars and load them for the next movement, regardless of whether the movement sends them back in the direction of their home road.

The lower empty mileage ratio achieved by the TTX fleet has significant implications; namely, if TTX operated with the same empty to total mile ratio as the owner fleet, it would have generated an additional 649 million empty platform-miles in 2012. As I discuss in more detail in Part III, this increase in empty miles would produce substantial cost penalties to handle the same volume of intermodal traffic, as railroads would incur additional annual operating expenses of several hundred million dollars to move cars over these additional empty miles, as well as tens of millions of dollars in capital costs to acquire the new cars that would become necessary if existing cars were not used efficiently to meet existing transportation demand.

C. Less Time Lost to Bad Ordered Cars

TTX's flatcars benefit from TTX's efficient maintenance practices and continent-wide network of repair shops and Field Maintenance Operations. These benefits can be observed in car movement data, which show that TTX's intermodal cars have less than half the downtime of railroad-owned cars due to mechanical failures and bad orders. In 2012, TTX cars spent only 0.7 percent of car-days in "bad order" status. By comparison, the same car types owned by TTX's owner railroads spent 1.5 percent of car-days in "bad order" status. This means that TTX-owned cars lose only 2.6 days on average per year, compared to 5.5 days per year for non-TTX cars. Again, the difference has significant implications for equipment utilization and avoided costs: TTX would need an additional 330 cars in its fleet if its equipment were in "bad order" status an

average of 5.5 days per year rather than 2.6 days per year. Moreover, as discussed below, the ability of the railroads to provide well-maintained, reliable cars is essential to their continuing ability to maintain and expand their intermodal business by attracting traffic that would otherwise move by truck.

D. Flexibility to Adapt to Changing Demand Patterns

TTX also provides equipment utilization benefits by offering railroads the flexibility to adapt to changing demand patterns. One element of this flexibility highlighted by the quantitative data is that TTX cars spend more time in storage than owner railroad cars. The storage figures reflect one of the key advantages of TTX's pool: when demand falls, railroads can "turn back" TTX cars. Turning back cars – which merely means that the railroad can stop paying car hire upon 5 days' notice – relieves the railroads of paying car usage charges for unneeded TTX cars and allows them to maintain high utilization rates for the cars they own. When demand rises, the TTX cars are available for rapid deployment. Thus, the existence of the TTX pool ensures that risks associated with demand fluctuations can be quickly mitigated – an important feature of the intermodal pool, given that many containerized goods are subject to seasonal changes in the retail cycle. (IHS Global Insight reports that "consumer goods such as electronics and clothing make up about 72 percent of containerized freight."[6])

This adaptability of the pool will also be crucial when the Panama Canal expansion is completed in 2015. The expansion will double the Canal's capacity, and therefore is expected to increase intermodal traffic flows to/from US Gulf and East coast locations.[7] While owner railroads' fleets are primarily "locked up" in balanced, high-density lanes, the TTX pool can

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[6] "Rail-Truck Shipments Indicate Holiday Sales Poised to Rise," *Money News*, August 16, 2013.

respond flexibly to whatever shifts in intermodal traffic may occur at a national level as a result of changes in intermodal distribution patterns, such as changes in rail demand at ports impacted by the Canal's expansion.

E. Less Switching and Yard Congestion

The cost effective, free-running nature of TTX's pooled flatcars means that railroads can spend less time and resources than they otherwise would switching and interchanging empty cars to return them to their owners. (If a railroad has no immediate need for foreign equipment located in its yards, those cars are generally returned to their home railroad promptly to avoid car hire charges.) In 2012, TTX's empty intermodal cars were interchanged between railroads at half the rate that TTX's owner railroads' empty intermodal cars were interchanged. And, for reasons discussed above, the difference in treatment of TTX and non-TTX cars is likely understated because of TTX's "coattails" effect.

Reduced switching and interchange have a direct impact not only on the costs of conducting switching operations, but also on operational and capital investment costs relating to yard congestion. The existence of TTX's pooled fleet reduces yard congestion because there is less need to devote yard capacity to switching and interchanging empty cars to return equipment to owners. This means existing yard track can be used for more productive purposes.

The TTX pool also helps reduce yard congestion because a smaller overall fleet is required to handle any given level of demand, as discussed above. An increased number of railcars to haul the same number of loads would mean that cars would be used less efficiently

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[7] Panama Canal throughput is projected to increase from 300 million Panama Canal Universal Measurement System (PCUMS) tons to 600 million PCUMS tons. *See*: "Panama Canal Expansion Study, Phase I Report," Maritime Administration, US Department of Transportation, November 2013, p. 130.

and incur more delays and dwell time at yards. As yards become more congested, railroads must incur higher costs to operate in crowded yards, invest in additional yard capacity, or both. TTX's pool helps ensure that existing yard capacity is used as efficiently as possible.

F. Increased Railroad Safety

The reduction in switching made possible by the TTX flatcar pool has significant safety benefits. Safety of rail employees and the public is one of the highest priorities at every railroad, and through continued investments and process improvements, rates of injuries and fatalities have been sharply reduced.[8] Railroading is by nature dangerous, however, and any increase in activity will increase the number of injuries and fatalities. The FRA recently issued an industry-wide safety advisory to railroads on the hazards of flat switching, which is the type of switching that occurs in intermodal operations, due to the fatal injury of six railroad employees in flat switching accidents since 2009.[9] Any increase in the return of empty intermodal cars to their owners creates additional flat switching events, exposing rail yard workers to more potential accidents. By reducing the need to return cars home, the TTX fleet reduces this exposure.

TTX's lower empty to total mile ratio also reduces the potential for accidents and fatalities, as it equates to a savings of millions of empty movements each year, thereby reducing exposure to derailments, train collisions, grade-crossing accidents, and other incidents.

G. Reduced Fuel Usage and Greenhouse Gas Emissions

The reduction in empty miles made possible by the TTX flatcar pool also reduces fuel usage by railroads. Even more significant, however, are the environmental benefits associated with making rail a stronger competitor with trucks. Freight trains are on average four times more

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[8] See, for example, the Association of American Railroads, "Railroads: Moving America Safely," May 2013.

fuel efficient than trucks, and "each ton-mile of freight moved by rail rather than highway reduces greenhouse gas emissions by 75 percent."[10] Thus, reducing the demand for truck service by increasing rail's competitiveness increases the fuel efficiency of the Nation's transportation system and reduces greenhouse gas emissions. As discussed next, the TTX pool increases the competitiveness of rail service.

H. Improved Rail Competitiveness

The TTX pool increases the competitiveness of rail service both by enhancing efficiency and minimizing equipment usage costs. Truckload service is the prime competitor for freight that moves via rail intermodal service, and trucks have advantages that railroads must work hard to overcome by offering reliable service at lower rates. These advantages include the flexibility to serve virtually any origin or destination point ("door-to-door" service) within narrow windows (e.g., to provide "just-in-time" delivery). Additionally, the "first mile" and the "last mile" for a rail intermodal movement is usually performed by a truck, so railroads must be able to offer significant cost savings on the rail portion if they want to participate in these multimodal movements.

At the same time, railroads have opportunities to increase their business by collaborating with the trucking industry, if they can provide reliable, cost-effective service. Truck competes with rail, but the trucking industry also cooperates with railroads by making use of rail intermodal for long-distance haulage (with trucking handling the short haul from intermodal terminals at either end of a long-distance move) – a trend that is expected to grow in the future. The American Trucking Association noted in its forecast of US freight transportation needs

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[9] "Federal Railroad Administration Cautions Railroads about Flat Switching Operations Safety," US Department of Transportation press release, May 3, 2013 (http://www.fra.dot.gov/eLib/details/L04557).

through 2023 that it expects "trucking companies [to] increase their use of rail services as a way of offsetting shortages in drivers and streamlining and improving their long-distance services."[11] To ensure this collaboration continues to expand, railroads must be able to provide reliable, cost-effective intermodal service, which TTX's pool supports.

Both the competitiveness and cooperation of railroads and motor carriers in intermodal supply chains ultimately benefits shippers and consumers by reducing overall logistics costs, increasing service efficiency, and ensuring a wider array of transportation options. The equipment utilization benefits and other efficiencies made possible by the TTX flatcar pool are an important part of making rail an attractive option versus over-the-road trucking.

[10] "Energy and Environment," Association of American Railroads (https://www.aar.org/keyissues/Pages/Energy-And-Environment.aspx).
[11] "US Freight Transportation Forecast to 2023," American Trucking Association, pp. 42-43.

III. TTX's Efficient Fleet Management Produces Quantifiable Cost Savings

As discussed above, TTX's operation of the flatcar pool generates significant benefits by improving equipment utilization. These benefits include operating savings and investment savings. Operating savings are savings in costs that result from reduced empty movements and switching and maintenance costs that can be avoided. Investment savings are savings that result from being able to handle existing traffic volumes with fewer cars than would otherwise be necessary. The analysis I performed quantified $345 million in annual savings that are generated as a result of TTX's management of pooled intermodal flatcars.

A. Methodology for Quantifying TTX's Benefits

To quantify the savings resulting from TTX's management of pooled intermodal flatcars, I used a simulation model developed by Oliver Wyman to model the movements of actual loaded and empty intermodal platforms in 2012. I developed three alternative scenarios to explore a range of outcomes that might result from the absence of the TTX pool.

The modeling exercise involved three steps:

First, I obtained data on actual loaded and empty North American intermodal movements in cars owned by TTX and TTX's owner railroads.[12] The data were processed to identify cars, movement events, car cycles, loaded and empty portions of cycles, and mileages between event locations. The result was a record of actual car movements in 2012 for the two groups of cars. The data also were processed to develop summary statistics for the two groups, including empty to total platform-mile ratios, time in storage, and time in mechanical/bad order status.

[12] Data regarding TTX cars were obtained directly from TTX. Data regarding cars owned by TTX's owner railroads were obtained from Railinc, with the permission of TTX's owners.

Second, I developed car usage rules that would replicate the process of assigning empty intermodal railcars to meet existing demands for the movement of intermodal trailers and containers. I based the car usage rules on information obtained from interviews with rail intermodal specialists. The rules address such matters as which car types can be used for which shipments (e.g., trailer or container), how long a railroad will hold empty foreign cars in its yards before returning them to their home roads, the locations to which a railroad would look if it had insufficient empty equipment at the origin, and a railroad's order of preference in loading foreign cars. The rules also account for the potential need to acquire new platform capacity if an empty car would not be available to handle a load.

Third, I developed a primary "no-TTX" scenario by assigning TTX's fleet to individual railroad owners and then modeling how those cars, when combined with the cars already owned by those separate railroads, could be used to transport the intermodal loads that were actually moved by the fleet in 2012 under the current structure (i.e., owned by TTX and its owner railroads). This was labeled "Scenario 1."

I also developed two alternate "no-TTX" scenarios to illustrate a range of potential outcomes, depending on how railroads might reorder their flatcar supply arrangements in the absence of a pool of shared TTX flatcars. In "Scenario 2," the car usage rules in the model were set to reflect a stronger preference by railroads to use their own cars and return foreign cars to their owners. Railroads would not hold empty foreign cars for as long as in Scenario 1, and they could search anywhere on their network for one of their own cars when they needed an empty car. This scenario mimics what actually occurs during car surpluses for non-pooled freight cars, with railroads seeking to return foreign cars so as to minimize the per diem payments owed to the car owner.

In "Scenario 3," the car usage rules in the model were set to reflect a stronger preference by railroads to hold empty cars in their yards to prevent running out of cars. Railroads would hold their own cars and foreign cars in destination yards for longer time periods, or until a large number of empty cars had accumulated. This scenario mimics real-world experience for non-pooled fleets during car shortages, when railroads store railcars on sidings, lightly-used industrial spurs, and other locations to ensure car availability for their active customers.

The car usage rules for these three scenarios are briefly summarized in Exhibit 2.

Exhibit 2: Summary of Scenario Car Usage Rules

Scenario 1
Normal operations: **Cars returned to owners balanced against holding cars in yards**
Scenario 2
Car surplus: **Cars returned to owners to avoid per diem charges, unless there is an immediate need for the cars**
Scenario 3
Car shortage: **Cars held in yards to ensure customer demands can be met, unless empty cars are accumulating**

B. Model Results: Empty Platform-Miles and Fleet Size

By comparing the results of the three simulations to actual operating statistics from 2012, I was able to estimate (i) the additional empty miles that railroads would incur if there were no TTX flatcar pool, and (ii) the additional railcar capacity that railroads would need to acquire in order to handle current demand levels given the added inefficiency. The simulations illustrate that the alternative flatcar supply arrangements involve a trade-off between minimizing the increase in empty miles and minimizing the amount of additional capacity that would be required

in the absence of TTX. In each case, however, railroad operations would be significantly less efficient in the absence of the flatcar pool.

As shown in Exhibit 3, if the intermodal flatcars currently owned by TTX were instead owned by individual railroads and operated under rules similar to how TTX's owner railroads' own intermodal flatcars are operated today (Scenario 1), empty platform-miles would increase by an estimated 830 million miles (from 1.73 billion to 2.56 billion). This increase would translate directly into fewer platforms available for loading – as cars would be spending more time moving empty. Thus, as also shown in Exhibit 3, the total intermodal fleet size would have to increase by approximately 23,450 platforms, or 9.2 percent, for the railroads to handle the same amount of traffic as handled in 2012. If the railroads did not purchase these extra cars, equipment shortages stemming from lower car utilization rates would lead to unmet demand.

Exhibit 3: "No TTX" Scenarios: Platform-Miles and Fleet Size Requirements

	Scenario 1	Scenario 2 (Immediate car returns)	Scenario 3 (Cars held at yards)
Loaded Platform-Miles	20.8B		
Empty Platform-Miles[13]	2.56B	3.26B	1.79B
Empty/Total Platform-Miles	11.0%	13.6%	7.9%
Total Platform Inventory	254,586		
Additional Platforms Required	23,453	3,061	157,444
Percent Increase in Platforms	9.2%	1.2%	61.8%

The existence of any unmet demand would have significant adverse consequences for the future of intermodal service. Essentially, railroads would be abandoning profitable business to truck. Moreover, the traffic losses would likely be even greater than the modeling indicates. If a

railroad is currently handling 100 percent of a customer's demand in a particular lane but must cut back service, the customer might well redesign its supply chain so that it would not use rail for any of its traffic in that lane. As demand in existing lanes falls due to railcar shortages, the railroads may conclude that it is no longer profitable to operate in those lanes at lower densities or with the attractive frequencies that attract business from truck in today's markets. As a result, railroads might elect to eliminate service entirely or customers might shift even more traffic to truck as service frequencies decline, creating a downward spiral. Finally, it almost goes without saying that the shippers would be much less likely to increase their use of intermodal service if the railroads could not meet existing levels of demand.

As shown in the results of Scenarios 2 and 3, different railroad behaviors in the absence of a TTX flatcar pool would produce different trade-offs between the number of additional empty platform-miles and the number of additional cars that railroads would have to purchase to handle current demand levels, but none of the trade-offs would produce attractive results. Under Scenario 2, which models a world in which railroads strongly prefer to use their own cars, less additional capacity would be required than under Scenario 1 because railroads would look farther away for empty system cars and empty foreign cars would be more quickly returned to their owners for reloading, but empty platform-miles would increase because there would be more movements of empty cars. Under Scenario 3, which models a world in which railroads are more willing to hold foreign cars, empty platform-miles would be lower than in Scenario 1, but those cars would not be available for loading elsewhere, meaning that a much larger number of additional platforms would be required to handle existing traffic.

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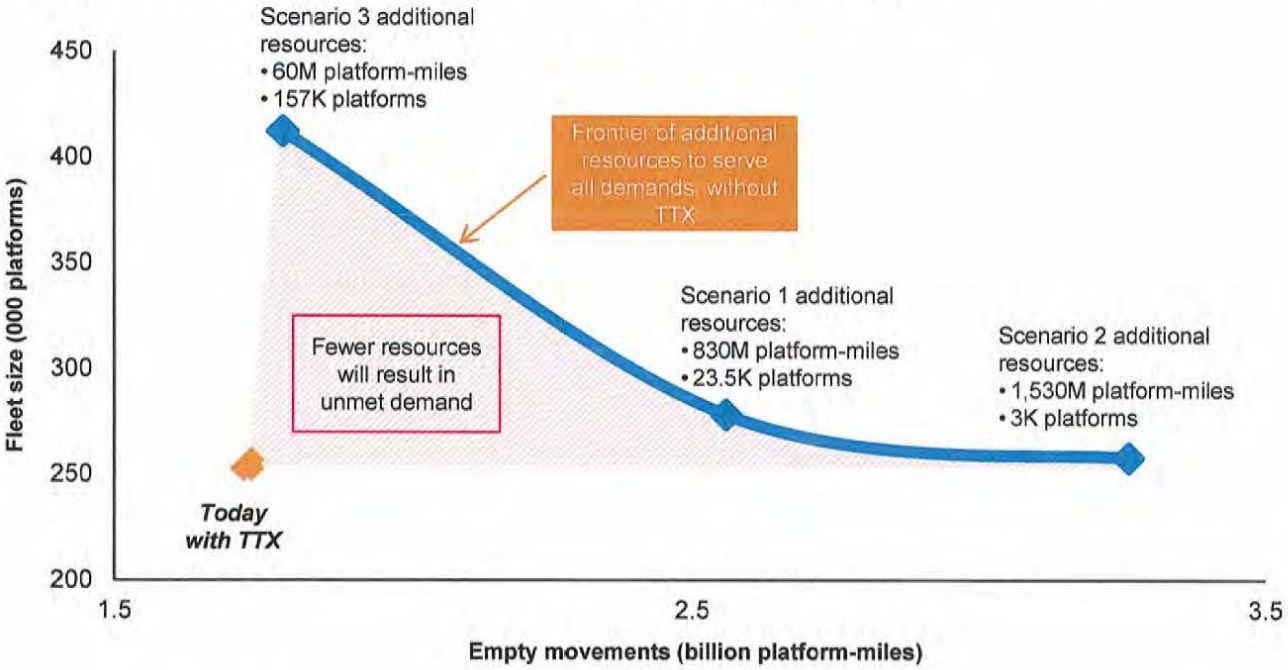
[13] Historical 2012 empty platform-miles for the combined TTX and owner railroad data were 1.73 billion.

Exhibit 4 demonstrates graphically the broad range of potential trade-offs between the number of empty platform-miles and the amount of additional capacity required to meet the constraint of serving existing demand in the absence of TTX. These trade-offs, however, all reflect significantly less-efficient equipment utilization than in a world with a TTX pool.

Exhibit 4: Additional Resources Required to Meet All Demand, Without TTX[14]



In Exhibit 4, the current "baseline" for empty platform-miles and fleet size as historically observed (with the existing TTX pool) is shown as a point marked "Today with TTX." The increases in fleet size and empty miles modeled for Scenarios 1, 2, and 3 are plotted on the graph, and the curved line connecting these points shows the "frontier" of additional resources that could be required under a variety of different assumptions, just to move exactly the same number of loads as were moved in 2012, but without the advantages of TTX. If these additional

[14] Based on 2012 TTX and owner railroad data for car types P, Q, and S.

resources were not obtained, then a scenario without TTX would fall somewhere in the red-shaded region, which indicates unmet demand and a corresponding loss in railroad revenue.

C. Model Results: Operating and Capital Costs

The results of Scenarios 1, 2, and 3 provide a basis for quantifying the increased operating and investment costs the railroads could expect to experience in the absence of TTX. The presence of TTX allows the railroad industry to avoid these costs, so they can also be regarded as the cost savings to the rail industry that are produced by TTX.

As discussed above, in the absence of TTX, railroads would incur increased operating costs associated with the transportation of empty cars. The costs would include costs for locomotive power, fuel, crew wages, and maintenance-of-way. A reasonable estimate of the transportation costs incurred to move an empty platform is at least 27.2 cents per platform-mile.[15] Railroads would also incur increased costs associated with the need for additional investment in railcars. These costs would include both the annualized costs of owning the cars and the costs of maintaining these additional cars. A reasonable estimate of the additional investment cost associated with each additional platform is $29,750, which can be converted into an annual carrying cost of $3,300, and each such platform would have an annual maintenance expense of approximately $1,820.[16]

The results of applying these costs to each of the three scenarios are shown in Exhibit 5.

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[15] AAR's Analysis of Class I Railroads, Line 2, Total Operating Expense, divided by Line 658, Total Freight Car Miles. This value was adjusted by an average of 5.09 platforms/car, which was calculated from the 2012 TTX and owner railroad P, Q, and S car fleets used in this study.

[16] TTX data. The Surface Transportation Board's 2012 cost of capital of 11.11 percent was used to convert total new platform cost – $29,750 based on TTX data – to an annual carrying cost.

Exhibit 5: Additional Annual Costs to the Railroad Industry Without TTX[17]

Scenario 1	Quantity	Unit Price	Total	Annual
Operating Expense (increased empty miles)	827.3M	$0.272		$ 224.8M
New Platforms	23,453	$29,750	$ 697.7M	$ 77.5M
Maintenance (for additional new platforms)	23,453	$1,822		$ 42.7M
Total				$ 345.0M

Scenario 2	Quantity	Unit Price	Total	Annual
Operating Expense (increased empty miles)	1,528M	$0.272		$ 415.1M
New Platforms	3,061	$29,750	$ 91.1M	$ 10.1M
Maintenance (for additional new platforms)	3,061	$1,822		$ 5.6M
Total				$ 430.8M

Scenario 3	Quantity	Unit Price	Total	Annual
Operating Expense (increased empty miles)	55.0M	$0.272		$ 14.9M
New Platforms	157,444	$29,750	$ 4,684M	$ 520.4M
Maintenance (for additional new platforms)	157,444	$1,822		$ 286.9M
Total				$ 822.2M

Under Scenario 1, the simulation model projects that the additional cost to the railroad industry would be $345 million per year. As Exhibit 5 shows, this additional cost has three components:

- Increased empty platform-miles from additional car repositioning would generate an additional $225 million in annual operating expenses for the railroads.
- The rail industry would need an additional 23,453 intermodal platforms, at a total cost of $698 million. Using an 11.1 percent cost of capital, this would amount to $78 million in annual carrying costs.

[17] Numbers will not add due to rounding.

- Maintenance on the new cars purchased would equal $43 million annually.

In Exhibit 5, Scenarios 2 and 3 again reflect different trade-offs between minimizing empty platform-miles and minimizing the need for additional capacity – here in terms of annual costs. In the absence of TTX, railroads would have to find the best balance between purchases of new equipment and an increase in empty miles, just to serve the same number of containers and trailers. Under all scenarios, however, a loss of the TTX pooled fleet would burden the railroad industry with significant new capital and operating expenses.

Finally, it is important to emphasize that the results presented above reflect only certain readily quantifiable costs addressed in the model. The model does not address switching costs associated with additional movements of empty cars in yards, the costs of storing additional empty cars in yards, the safety-related costs associated with increased switching and empty movements, or the many downstream consequences of less-efficient intermodal service.

D. The Railroad Industry in the Absence of TTX

As the above analysis shows, in the absence of the TTX flatcar pool as a source for the supply of efficient, reliable, free-running flatcars to serve potential shipper demand, railroads and their customers could suffer a wide range of adverse consequences. The precise outcomes are hard to predict, because we do not have direct evidence of how the railroads would behave in the absence of TTX, but these outcomes would surely involve some combination of the following:

- Less efficient utilization of the flatcars available to railroads;
- The need to purchase additional flatcars to overcome utilization inefficiencies and meet existing transportation demand; and
- The real potential that fewer shipments could be served.

Even holding as a binding constraint that flatcar supply must allow all existing intermodal shipments to be handled, the consequences would be severe. With railroads lacking the ability to call upon a shared pool of cars, and thus dependent entirely on their separate fleets, the self-interest of individual owners would result in inefficient operating and maintenance practices. The likely result would be that each flatcar would spend more time traveling empty, over longer distances, because cars would be demanded back by their owners, in turn requiring railroads in need of empty cars to look farther away and wait longer to obtain those empties.

Another manifestation of the decline in car availability is that railroads could be forced to choose sub-optimal equipment more often to move containers or trailers, as optimal equipment would be unavailable more often (e.g., moving 40-foot containers in 53-foot wells, or using conventional 53-foot cars instead of double-stack cars).

The result of these inefficiencies would be not only higher costs and longer waits for empty equipment, but less capacity to move loads, reduced quality of service provided to shippers, and less development of new or improved intermodal services. These factors would tend to drive a reduction in output – with railroads losing share to trucks.

To avoid some of these inefficiencies and substitution away from rail, railroads might increase their purchases of flatcars. As discussed above, railroads would need to acquire more cars just to provide the same level of capacity available through TTX's pool. But it is not clear whether the railroads would make the necessary investment, since acquiring additional cars would divert capital dollars away from other projects that would benefit railroads and their customers. Moreover, it is not clear whether railroads would ever invest enough in initiating new or improved services to support market growth. In many cases, railroads must invest ahead of demand – they must demonstrate their ability to provide service that will meet customer needs

before their customers will shift traffic from truck. The availability of TTX equipment allows railroads to invest in new services without making major investments in new equipment. It is unclear whether railroads would make such investments on their own, because they would risk stranding the investment in new equipment if the business failed to materialize.

Even if railroads did increase their investments in equipment, the new cars could not replicate the efficiencies and other benefits provided by TTX's operation of a pooled fleet. The benefits of risk pooling would be lost, as would the flexibility to respond to sudden changes in demand.

In addition, railroads would suffer increased switching and yard congestion and increased maintenance costs. These higher costs and loss of operating efficiencies would make them less able to compete successfully with trucks for truckload freight. Indeed, the intermodal business would become much less attractive to railroads as the costs of doing business increased, and shippers and consumers would lose out on the many benefits that have accrued from the development of rail intermodal service.

IV. Conclusions

The TTX flatcar pool creates significant benefits for railroads, shippers, and the general public. TTX's pooling operation saves railroads hundreds of millions of dollars each year in equipment utilization benefits alone. As my modeling exercise shows, without the intermodal flatcar pool, railroads would have to spend hundreds of millions of dollars more than they do today just to move the same number of intermodal loads as they move now. Without TTX, equipment would be less available, costs would rise, and railroads would be less competitive in the market for intermodal transportation.

VERIFICATION

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

WILLIAM J. RENNICKE, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true and correct as stated therein.

WILLIAM J. RENNICKE

Sworn to and subscribed before me
this 15th day of January, 2014

Daniel P. Cope
Notary Public - State of New York
No. 01CO6152906
Qualified in New York County
My Commission Expires September 25, 2014

Notary Public

My commission expires September 25, 2014.

TAB
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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)

VERIFIED STATEMENT

OF

THOMAS R. BROWN

VERIFIED STATEMENT

OF

THOMAS R. BROWN

My name is Thomas R. Brown. I am President of Streamline, a subsidiary of Union Pacific Railroad Company (UP) that provides UP's sales intermediaries with seamless door-to-door rail intermodal services in railroad-owned containers. Streamline offers its services throughout UP's local intermodal network, as well as in the transcontinental intermodal lanes served by the UP- Norfolk Southern and UP-CSX domestic container programs and in international lanes between the United States and Mexico. I am providing this statement to support reauthorization of TTX's flatcar pool, which for reasons I explain further below, has been and continues to be instrumental in enabling the entire rail intermodal community to offer efficient and competitive rail intermodal services.

When TTX was last before the Surface Transportation Board seeking reauthorization in 2004, I testified in support of reauthorization based on my four decades of intermodal experience, spanning both the "wholesale" and "retail"[1] sides of the rail and intermodal businesses. In the ten years since, I have witnessed the benefits of TTX's flatcar pool from my new vantage at Streamline, and I am more convinced than ever of the vital importance of TTX's intermodal flatcar pool to the ability of market participants to serve their customers efficiently.

My experience with rail intermodal transportation began in 1976 in the Operating Department at the Western Pacific Railroad. After holding various positions in operations and

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[1] Unlike the rest of the railroads' business portfolio, where they sell directly to shippers, with domestic intermodal the railroads "wholesale" their services to a network of sales intermediaries (i.e. intermodal marketing companies, motor carriers and truck brokers) who then resell, or "retail," those services to shippers.

marketing, I ultimately served as Western Pacific's Senior Vice President of Intermodal, a position I held at the time the railroad was acquired by Union Pacific in 1980. I subsequently founded and operated a major intermodal marketing company, where I viewed intermodal from the vantage of an intermediary in direct and daily contact with shippers of intermodal freight. I then transitioned to a role as an independent consultant, providing advice on intermodal matters to an array of public and private sector clients.

In 2006, I returned to Union Pacific to develop a business plan for, and lead a team to develop and bring to market, a new subsidiary, Streamline, that would enable Union Pacific to offer wholesale door-to-door intermodal services. The development of Streamline reflects Union Pacific's recognition that the real competition in domestic intermodal is at the door-to-door level. As a result, Union Pacific chose to vertically extend its intermodal offerings by adding a domestic, wholesale, door-to-door product to its portfolio. Streamline competes head-on with trucks, enabling our sales intermediaries to offer shippers the truck-like service that is essential to converting freight from the highway to rail intermodal. As President of Streamline, I have witnessed first-hand the continued growth and evolution of the rail intermodal marketplace as well as TTX's indispensable role in facilitating that growth. Streamline was able to grow from a zero base in 2007 to become a significant portion of Union Pacific's domestic intermodal business today in an environment where we could rely on economical and high-quality flatcars being available where and when needed to meet customer demand.

Although my particular vantage for observing the benefits of TTX over the past seven-plus years has been at Streamline, I firmly believe that Streamline's experiences are broadly representative of the core benefits offered by TTX to all of its participating railroads and their customers. As I summarize in further detail below: TTX's flatcar pool provides an efficient and

reliable source of the flatcars railroads and their intermediaries need to provide customers with rail intermodal services, and in the process TTX's pool encourages railroads to make their own investments – in the other assets and capabilities needed to serve shippers, and in the competitive risk-taking that provides benefits to those shippers and helps divert freight from America's highways.

TTX Facilitates Railroad Investment in New Competitive Initiatives

My experience at Streamline has demonstrated vividly how TTX's flatcar pool and its continuing investments in expanding and reconfiguring that pool facilitate new competitive initiatives. By removing the worry, expense, and risks that would otherwise arise in securing flatcars needed to serve new traffic, the TTX flatcar pool efficiently facilitates intermodal growth and new pro-competitive service offerings. Railroads and other industry participants are freed to focus their attentions and resources on designing, investing in, and marketing the efficient intermodal services that shippers demand.

My experience at Streamline is illustrative. To develop Streamline's business plan, our team at Union Pacific had to consider many business requirements and how to overcome certain resource constraints in pursuing new intermodal traffic in competition with trucks. But one resource we did not have to concern ourselves about was intermodal flatcars, thanks to the TTX flatcar pool. TTX has a proven track record of ensuring access to high-quality equipment on a continent- and network-wide basis. TTX avoids the parochial incentives that sometimes grip individual railroads, which can be tempted to protect the needs of their own on-line business by taking actions at the expense of the network as a whole, such as holding empty cars to serve local shippers. Years of experience had given us confidence that TTX would ensure that sufficient high-quality flatcar capacity would be available to serve our car supply needs – even with the rapid growth in new business we hoped to generate with our Streamline initiative.

As a result, throughout Streamline's rapid growth over the past six years, my team and I have had no concern about the source of flatcar supply or its potential impact on our business plans. TTX's pool and TTX's efficient growth and adaptation of its fleet to a changing marketplace have ensured that flatcars are there when we need them. This has freed us to focus on the other issues and tasks critical to the development of an entirely new company and a new intermodal product for Union Pacific.

As with Streamline, TTX's flatcar pool plays a key role in enabling *any railroad* to make investments to obtain new traffic because, in order to pursue that business the railroad does not have to directly provide the capital for additional flatcars. Streamline was a new and untested business initiative when we launched it in 2007. Had we not been able to rely on the TTX pool for the flatcars needed to move our traffic, we would have needed to secure a fleet of flatcars to support the traffic ourselves (and reliably meet customer and railroad operational needs), resulting in higher start-up costs, greater investment risks, and additional complexities that would have been a drain on our management resources. Streamline's growth meant that we have needed more and more cars available to meet the demand of our customers. But at the outset, all of this was uncertain, so investing in or even leasing a fleet of cars would have imposed up-front costs and entailed the risk of being saddled with a big bill for equipment that we did not need. With TTX, we had access to what we needed, and only had to pay for what we used, as we used it.

Reliable car supply is especially important in the domestic intermodal arena in which Streamline operates. That marketplace is one in which Streamline and other intermodal service providers face the daily challenge of offering new, truck-competitive, door-to-door intermodal services. (Railroads are traditionally thought of as providing principally ramp-to-ramp

transportation services with other parties arranging for the over-the-road door-to-ramp and ramp-to-door legs of the movement.) In this arena, where customer expectations and competitive pressures from trucks are at their zenith, reliable flatcar supply is an absolutely critical input into any successful railroad service offering. I know this from my many years of experience understanding the intermodal requirements of current and potential intermodal shippers. The point has been driven home during my time at Streamline, where I have been focused on meeting the requirements of our sales intermediaries – the intermodal marketing companies ("IMCs"), motor carriers, and truck brokers who bring the railroad's intermodal product to market – while also maintaining direct contact with numerous shippers and participating in railroad-shipper discussions and forums. It is striking to me how consistent the expectations of shippers and our sales intermediaries have been over time: to be credible as a truck-competitive product, rail intermodal has to be truck-like in its accessibility, reliability, and transit time. These expectations leave no room for service to be curtailed or delayed because equipment is unavailable. If equipment is not available in sufficient capacity to meet demand, commercial opportunities are lost. And one failure can have a lasting effect, discouraging shippers from giving railroads another chance. The TTX flatcar pool is a vital resource that ensures that reliable flatcar supply is one challenge that railroads can count on meeting as they seek to grow their domestic intermodal traffic.

TTX's role will be increasingly important going forward, as railroads continue to pursue opportunities for intermodal growth. Domestic intermodal growth is anticipated to continue to be robust in the future and to be fueled by the conversion of freight from highway to rail intermodal. In this context, we expect to see growth in the traditional long haul lanes as well as growth in shorter lanes and both will mean a continued intense focus on providing truck-like

service. As I have noted above, the industry depends on the efficiency and the effectiveness of TTX's pool management and fleet planning to facilitate its growth in a seamless, customer-friendly manner.

TTX Has Facilitated Growth in Domestic Intermodal Freight

Working inside Union Pacific has given me the opportunity to see how the rail intermodal product is made, both operationally and commercially, and has provided a new perspective on the benefits that TTX delivers in the intermodal equipment arena. The benefits that flow from the TTX flatcar pool are in many ways straightforward, and they are extensively cataloged in the Board's prior record. I will focus on a few of the ways that my experiences at Streamline over the past eight years has confirmed those benefits. From my perspective, the most important intermodal trend in the last eight years has been the continuing robust growth in domestic intermodal traffic. TTX has acted to facilitate that growth in numerous ways.

First, TTX's financial strength allowed it to continue to invest to support the rapidly growing domestic segment of the intermodal business despite the broader economic downturn of the Great Recession. TTX has invested over $1.3 billion in new domestic intermodal capacity in the last eight years. It recently placed a series of major orders for new 53-foot doublestack cars, adding a total of 27,600 platforms of new container capacity to the domestic intermodal fleet so as to keep pace with traffic growth. During the Great Recession, TTX also invested $63 million to convert hundreds of its older 48-foot-well doublestack cars into 53-foot platforms capable of handling the longer containers now used in the domestic intermodal business, adding more than 9,000 platforms to the 53-foot doublestack fleet. It is hard to imagine the same transformation occurring as quickly and efficiently if left to an array of individual car owners. In no small part because of TTX's ability to modify and expand its fleet capacity, domestic intermodal is now the

growth engine of rail intermodal, and tens of thousands of loads that would have moved over our congested highways now move via more environmentally friendly intermodal service

Second, TTX was able to secure this additional capacity in a timely fashion because it has the expertise and industry-wide perspective that enables it to analyze market trends and make adjustments to adapt to changing market conditions and demand. TTX's planning and analysis team (part of its "Marketing" function) has long experience in the industry and deep knowledge of shipper supply chains and shipping requirements. TTX's perspective and sophisticated planning capabilities enable it to anticipate market demand as a whole to make sure that the railroads will have sufficient capacity to meet needs demanded of the pool, even when changing commercial requirements drive changes in the character of demand (*e.g.*, more 53-foot platforms) in a more immediate time frame than typical car and economic life cycles would traditionally allow.

Third, TTX has innovated in the way it manages the distribution of its intermodal flatcars to recognize the distinct demand for equipment capable of moving domestic containers. It transformed its distribution system to distinguish between well cars that can handle 53-foot containers and those that cannot. The result is a twofold benefit. The 53-foot well cars are more often available when needed to transport domestic containers, so that these longer containers do not have to be delayed waiting for empty cars or moved on less-efficient conventional equipment. In addition, international intermodal shipments, using shorter 40-foot ISO boxes, are moved more often in 40-foot well cars rather than 53-foot (or 48-foot) wells, enabling railroads to increase the capacity of their trains. Since railroads typically have operational limits on train lengths, less wasted space in each car translates into capacity to move more containers on each train.

Fourth, TTX has invested heavily in state-of the art computer systems to improve the distribution of fleet cars to the railroads and locations where they are needed. Many of TTX's technology investments are not visible to car users, except in the bottom line results of efficiency and reliability. One system that is visible to users of TTX equipment is TTX's Unified Fleet Distribution system, which fosters improved car utilization – and railroad operations – by (among other things) giving railroads visibility into the flow of TTX equipment in the direction of terminals where loads are anticipated. Investments in technology aimed at improving efficiency and the user experience are hallmarks of TTX's consistent quest to serve the needs of railroads and their shippers for intermodal and other flatcars.

TTX Enhances Competition

The tangible benefits I have described illustrate how TTX promotes greater competition and competitiveness. The availability of sufficient, efficiently utilized TTX cars is a catalyst that allows the engines of intermodal competition to work harder. Without TTX, there would be less capacity and what capacity existed would be utilized less effectively. Without TTX there would be greater risk associated with the equipment investments needed to serve new traffic and therefore fewer initiatives aimed at capturing that traffic.

These conclusions are obvious to anyone who has benefitted from TTX's role in the intermodal arena. But the structure of marketplace would allow for no other conclusion. The discipline of the fiercely competitive intermodal marketplace will ensure that TTX continues to serve the interests of efficiency and competition. Railroads are not required to use TTX equipment. The instant TTX stopped investing to meet the needs of railroads and their shippers, railroads would turn elsewhere for the equipment they needed, whether through direct investments or leases from third parties. I can attest that railroads and their partners in pursuing

intermodal growth yearn for a stable supply of equipment to grow their intermodal business and would not tolerate any actions that interfered with that objective. The fact that TTX has succeeded in meeting those needs and continues to be relied upon to supply equipment to the rail industry is a credit to the continuing vitality of TTX's core mission.

The Board Should Reauthorize TTX's Flatcar Pool for a Period of Fifteen Years

I strongly urge the Board to reauthorize TTX. Reauthorizing TTX is vitally important to sustain the health of the rail intermodal marketplace. After 40-plus years of experience, the pool's unambiguously beneficial role should be beyond serious question. Its benefits cannot be duplicated any other way, and the disruption the industry would suffer if the pool were forced to disband would be hard to overcome.

Equally important, I believe it is important for the Board to grant TTX a longer period of reauthorization. The TTX pool has stood the test of time and change. It is a proven concept that need not be subject to the threat of extinction every decade. If the pool ever did stop being a procompetitive force, it likely would wither commercially. But the Board need not be concerned in any event. Because nobody in this industry is bashful, if the pool evolves in a way that creates issues or problems, concerned stakeholders will surely speak up.

VERIFICATION

STATE OF Nebraska)
) **SS**
COUNTY OF Douglas)

Thomas R. Brown, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true and correct as stated therein.

THOMAS R. BROWN

Sworn to and subscribed before me
this 10th day of January, 2014.

GENERAL NOTARY - State of Nebraska
MAUREEN FONG HINNERS
My Comm. Exp. December 5, 2015

Notary Public

My commission expires 12-5-15.

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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)

VERIFIED STATEMENT OF

JOSEPH P. KALT, PHD
JANUARY 16, 2014

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I. INTRODUCTION

A. Witness Introduction

My name is Joseph P. Kalt. I am the Ford Foundation Professor (Emeritus) of International Political Economy at the John F. Kennedy School of Government at Harvard University. The Kennedy School of Government is Harvard's graduate school for public policy and public administration.

I joined the faculty at Harvard in 1978, serving first as an Instructor, then as an Assistant Professor and Associate Professor of Economics in the Department of Economics. I joined the faculty of the Kennedy School of Government as a Professor of Public Policy with tenure in 1986. At the Kennedy School, my teaching responsibilities have included economics for public policy; the economics of regulation and antitrust; natural resource and environmental policy; and economic development.

During 2005-2009, I served as a visiting professor at the University of Arizona's Eller College of Management. Since 2008, I have been a visiting professor at the University of Arizona's Rogers College of Law. My teaching at the University of Arizona has included the economics of regulation and antitrust, as well as economic development policy.

I am also a senior economist with Compass Lexecon, an economics consulting firm with offices in Boston, MA; Washington, DC; Los Angeles, CA; Chicago, IL; Oakland, CA; Pasadena, CA; Princeton, NJ; Tucson, AZ; Houston, TX; New York, NY; Europe; and Latin America. I hold B.A., M.A., and Ph.D. degrees in economics.

Throughout my career, I have engaged in extensive research, teaching, and consulting on the economics of regulated markets, as well as on competition economics and policy more generally. In addition to my university teaching, I have taught on such topics in programs for working journalists, state legislators, federal administrative law judges, and business and non-profit sector leaders. Over the last 30 years, I have testified on numerous occasions before state, federal, and international courts, tribunals and commissions, as well as before the U.S. Senate and the U.S. House of Representatives, regarding the economics and policy of competition and regulated industries.

With regard to the railroad sector, I have provided expert testimony before the Surface Transportation Board ("STB") and various federal and international tribunals on a wide range of matters, including major rail mergers, rate making and rate regulation exemptions, competitive access policy, and a number of antitrust matters. I have also been invited on multiple occasions to provide education on the basic economics of the railroad sector and its regulation to STB members, congressional staff, and federal administrative law judges.

My curriculum vita is attached as Appendix A and lists my prior testimony as an expert, my publications, and my other professional activities.

B. Purpose and Summary of Findings

I have been asked by TTX Company ("TTX") to provide analysis related to its Application seeking reauthorization of its flatcar pooling authority. In particular, I have been asked to assess the public benefits and analyze the competitive impacts of the TTX flatcar pooling agreement.

I provided testimony on behalf of TTX in its 2004 reauthorization proceeding.[1] In that testimony, I analyzed the public benefits and competitive effects of TTX. My conclusions included:

- TTX contributes significantly to the efficient operation of the U.S. rail system and, as a result, promotes railroads' ability to compete effectively with other modes of transportation.
- TTX generates public benefits and efficiencies in rail operations by: allowing risk sharing in investment, which fosters expanded investment in long-lived capital assets; efficiently managing the railcar fleet, which allows individual railroads to operate efficiently at lower costs than would be possible absent the pooling agreement; and by internalizing and optimizing maintenance decisions and promoting innovation.
- TTX does not raise any competitive concerns. TTX lacks the ability to adversely influence markets either as a hypothetical monopolist (by restricting the supply and raising lease prices of flatcars above competitive levels) or as a hypothetical monopsonist (by using its status as a large purchaser to hold the purchase price of flatcars below competitive levels).

I have reviewed my prior testimony and evaluated additional data and material related to TTX's operations and general rail industry performance since 2004. The evidence I have reviewed confirms that the conclusions I presented in my prior testimony remain true today. Specifically, I find:

- The data show that TTX does not pose a threat to competition as either a provider or purchaser of railcars. Over the last 25 years, the reauthorization process has raised (and the Board has rejected) two theoretical ways in which an enterprise like TTX might generate harm to competition: as a monopolistic supplier of flatcars to customers or as a monopsonistic purchaser of flatcars from flatcar manufacturers. Neither prospect is supported by the actual

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[1] *TTX Co. – Application for Approval of Pooling Of Car Service With Respect to Flatcars* – Finance Docket No. 27590 (Sub-No. 3), Verified Statement of Joseph P. Kalt, filed January 5, 2004 (hereafter, 2004 Kalt Statement).

structure and performance of TTX, or by the relevant characteristics of the markets in which TTX operates.

- The evidence shows that TTX is unable to effect a monopolistic restriction in the supply of flatcars. As a threshold matter, such a restriction would be against the interests of TTX's railroad owners. Beyond that, TTX simply lacks the ability to raise prices above competitive levels by profitably restricting the supply of flatcars. This is because there are other sources of flatcars available to users of flatcars and because participation in TTX's pool is entirely optional, meaning that individual railroads, shippers, and leasing companies can, and do, obtain flatcars or flatcar services from these other sources.

- TTX's consistently modest share of flatcar purchases relative to the overall railcar market means that TTX cannot effect a monopsonistic restriction of the demand for the purchase of flatcars. As the data show, TTX has not influenced – indeed, realistically could not influence – either the overall quantity of railcars purchased or the supply of flatcars made available to customers to the degree required to impose any anticompetitive harm on the markets.

- The data further indicate that over the last decade, TTX has continued to provide significant public benefits. These ongoing benefits include enhancing the efficiency of the nation's freight rail network through centralized fleet management; providing risk-sharing in capital investment; internalizing maintenance and repair decisions; and fostering investment in innovation.

- TTX played and continues to play a crucial role in helping the rail industry weather – and recover from – the still-lingering effects of the Great Recession of 2007-2009. The pooled nature of TTX's fleet eliminates the need for individual railroads to invest in and maintain separate, private fleets at sufficient levels to meet each railroad's peak demand. As a result, individual railroads have less capital at risk during economic downturns and can avoid costs of railcars sitting idle when demand declines. TTX deploys an efficiently-sized overall portfolio of cars that is used more intensively to meet fluctuating demand levels. The enhanced ability to invest overall in a fleet of cars that can meet peak demands in an efficient manner benefits the railroads, shippers, and the nation's economy.

- The pool's risk diversification allows TTX to support shippers by purchasing and deploying specialized railcars to meet needs in markets with sporadic demand (e.g., transportation of unusually large or heavy loads). The

unpredictable shipping patterns in these markets create investment risks that railroad companies can be unwilling to undertake on an individual basis.

- TTX continues to be an important contributor to the rail industry's ability to compete effectively in the overall freight transportation sector. TTX's fleet management, maintenance, investment, and innovation continue to position railroads to be able to offer high-quality service at low costs, positioning rail transportation as an attractive transportation alternative for many shippers.

C. Background

TTX is a railcar pooling company that is owned by nine North American railroads.[2] The company owns and manages a fleet of more than 128,500 railcars – including flatcars, boxcars, and gondolas.[3] Through its flatcar pool, TTX supports services to shippers in a wide array of industries, including intermodal, automotive, paper and forest products, metals, machinery, and wind energy.[4]

Pooling arrangements such as the agreement at the heart of TTX's flatcar pool are subject to regulatory review. The STB may approve a pooling agreement if it finds that the proposal: "(1) will be in the interest of better service to the public or of economy of operation, and (2) will not unreasonably restrain competition."[5]

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[2] http://www.ttx.com/TTXHome.aspx, accessed 9/17/2013 and Wells at 20.

[3] In the intermodal industry, capacity is frequently expressed in platforms. TTX has approximately 47,500 intermodal flatcars, which provides 227,400 platforms of intermodal capacity. Application for Reauthorization of TTX Flatcar Pool, Narrative at 12-13.

[4] http://www.ttx.com/TTXHome.aspx, accessed 9/17/2013.

[5] 49 U.S.C. § 11322.

TTX was first granted regulatory approval by the Interstate Commerce Commission in 1974.[6] Since that time, TTX's pooling operations have been reviewed and reauthorized by the STB (or its predecessor) three additional times: once in 1989 for five years, and again in 1994 and 2004, for ten years each. In each of these decisions, the agency found that TTX's pool generates significant public benefits and does not restrain competition. In the most recent reauthorization decision, the STB detailed the significant benefits generated by TTX, including:

- Promoting research and development of new and innovative equipment;
- Permitting standardized fleet repair and maintenance to reduce costs;
- Allowing TTX member railroads to share investment costs and risks;
- Enabling effective and efficient responses to the dynamic conditions on the nation's rail network; and
- Generating substantial cost savings and promoting member railroad revenue adequacy.[7]

As I detail below, I find that TTX continues to generate significant and procompetitive public benefits and will do so into the foreseeable future, and it generates these benefits without creating any threat to competition.

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[6] See *TTX Co. – Application for Approval of Pooling Of Car Service With Respect to Flatcars* – Finance Docket No. 27590 (Sub-No. 3) (STB served Aug. 31, 2004) (hereafter, 2004 Authorization Decision) at 1-2.

[7] 2004 Authorization Decision at 10.

II. PUBLIC BENEFITS

A. Overview

It is in the public's interest to have a stable, efficient, and well-functioning rail industry that is positioned to compete effectively with other modes of transportation and contribute to the efficient, cost-effective movement of goods throughout the nation's economy. TTX satisfies these requirements of the public interest. TTX demonstrably contributes to the rail industry's ability to meet customer demands and the economy's needs in a number of key ways.

As a network industry, railroads are subject to economies of scale, scope, and density. These attributes mean that costs fall with increases in the scale of operations (i.e., volume), the scope of operations (i.e., across traffic types and services), and traffic density on the network (i.e., utilization of any given substantial segment of the network). By operating a continent-wide portfolio of free-running cars, TTX plays a critical role in positioning the rail industry to take advantage of these scale economies and to enhance the efficiency and competitiveness of the rail industry as a whole.

Over the course of its successful operation of the pool, TTX has provided and continues to provide the rail industry with an efficiently managed and maintained supply of railcars. As described in detail by Patrick Casey, TTX's Vice President of Fleet Management, TTX's portfolio of centrally owned and managed, free-running cars generates operational and

cost efficiencies that would not realistically be attainable absent the pooling agreement.[8] From an economic and policy perspective, these operational efficiencies and cost improvements reinforce TTX's important role in the competitive success of the railroad industry. By generating these benefits, the TTX pool serves to expand both capacity and demand for railroad transportation services and improve the railroads' competitiveness. TTX furthers the public's interest in creating a stable, efficient, and well-functioning rail industry by helping to ensure the availability of high-quality railcars at low cost, positioning railroads to compete aggressively for new and existing business against other modes of transportation.[9]

B. Operational Benefits

All else equal, the nation's economy and the public in general benefit when any given level of economic activity – production of goods and services – can be accomplished with minimal cost – i.e., efficiently. When costs can be reduced, as TTX has done successfully for years, resources are freed up to be employed in producing other goods and services the public demands.[10] These additional goods and services are the real benefits of economic efficiency.

These efficiency benefits emanate from TTX because TTX owns and operates a *portfolio.* Economically speaking, portfolios are cost- and risk-minimizing devices through which portfolio managers can utilize a mix of assets to smooth out and optimize overall asset

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[8] Operational and cost efficiencies include reduction of empty movements (or miles) and matching fleet availability to fluctuations in demand, for example. For a detailed discussion see Casey at 17-21.

[9] Casey at 21-23.

[10] One example of this is recent investment (e.g., terminals, tracks, etc.) by individual railroads to support increased demand for rail transportation of domestic oil. See Association of American Railroads' White Paper "Moving Crude Oil by Rail," *available at* https://www.aar.org/keyissues/Documents/Background-Papers/Crude-oil-by-rail.pdf.

allocation in the face of fluctuating economic conditions. Rail transportation is most certainly subject to vacillating economic conditions, weathering the ups and downs of the economy's overall business cycles as well as seasonal, cyclical, and geographic variations in the transportation needs of sectors ranging from agriculture and coal to construction and manufacturing.

In TTX's case, the benefits of its portfolio approach to car acquisition and deployment are manifested in its ability to adjust the locations and types of cars to smoothly meet surging demand or retreat from sagging demand as conditions dictate. This whole-network flexibility reduces the need for each individual railroad to hold sufficient cars to meet peak demands while suffering the cost burden of carrying unused cars during off-peak periods.[11]

Individual railroads facing these types of demand fluctuations are constrained by the challenges and costs associated with coordinating numerous independent actors with varying interests across a national rail network. Consider, in particular, the frictions and transaction costs of trying to adjust to railroads' needs in real-time via a panoply of one-off, arm's-length transactions among multiple railroads, each with its own – often different and inharmonious – priorities, objectives, and incentives.[12] TTX, in contrast, is uniquely able to deploy its pooled cars in response to these types of dynamic demand conditions and avoid these types of frictions.[13] From an economic and policy perspective, the results of TTX's portfolio approach

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[11] One example of TTX's ability to help railroads avoid the substantial cost burdens (or capacity constraints) imposed by varying demand cycles is TTX's pooled management of seasonal shipping patterns. For a complete discussion see Casey at 18-19.

[12] Casey at 19.

[13] For a complete discussion of TTX's ability to deploy and redistribute cars efficiently see Casey beginning at 17.

to management of car flow are significant efficiencies and cost savings. These take the form of, for example, minimization of labor, maintenance, and energy costs otherwise associated with the repositioning of empty cars.[14]

C. Risk Reduction and Promotion of Investment

Because risk is the key deterrent to investment, and portfolios are risk reduction devices, TTX's portfolio ownership and management of flatcars play important roles in supporting investment of the size and type needed by the nation's rail system. In the nine years since its last reauthorization, TTX has continued to make significant investments – more than $3.12 billion in new equipment from 2004 through 2013, and tellingly, $1.37 billion or nearly $460 million per year from 2011 through 2013 as the industry emerged from the Great Recession.[15] This rate of investment, expressed on an annualized basis, has significantly exceeded the pace of annual spending seen in the ten-year period prior to TTX's most recent reauthorization.[16]

As explained by Mr. Casey, TTX's high levels of investment are a direct result of TTX's portfolio approach to flatcar acquisition and management.[17] Absent the pool, individual railroads would invest in private fleets based on each railroad's assessment of their *individual* market position. An individual railroad's economic incentive is to invest at a level that allows the railroad to meet *its* customers' demands, but rationally tempered by the need to

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[14] See Casey at 20 for statistics on TTX performance: TTX cars operated empty 7.1 of every 100 miles. See also the Verified Statement of William Rennicke.

[15] Casey at 6-7.

[16] Casey at 6-7.

[17] Casey at 5-6.

minimize the risk that an investment (i.e., railcars) will sit idle and incur costs but generate no revenue if business does not materialize, if shipping patterns change, or if customers ultimately switch to competitors.

In contrast, TTX's economic incentive is to invest at levels sufficient to meet *market* demand, regardless of which railroad handles the traffic, with the portfolio effect of its scope acting to hold down risks of mismatches of supply and demand and idle equipment, and mitigate risks of overall business cycles. Because of this market-wide focus, and because TTX can effectively manage the distribution of cars across railroads, the resulting reductions in risk leave TTX with a very strong credit rating and excellent access to capital.[18] The economic benefit that results is that TTX is able to invest at generally higher levels (making investments that individual railroads might well decline to make when spending their own constrained capital dollars) and at a lower cost than would be expected if car fleets were individually managed and each individual railroad was left to make individualized investment decisions.[19] Shippers in these markets will benefit from this increased efficiency and lowered costs.

The economic benefits to railroad customers of TTX's portfolio investment strategy manifest themselves concretely in TTX's "turn-back" provisions for pool participants. Under this framework railroads are permitted to "turn-back" unused cars upon five-days' notice,

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[18] Casey at 5 and 11.

[19] For example, individual railroads may be deterred from investing in specialized flatcars (e.g., heavy-duty flatcars, bulkhead flat cars, etc.) to serve new, but potentially smaller, lines of business with unproven or otherwise inconsistent demand patterns. By pooling ownership across railroads, TTX shares the investment risks and returns, and thus is better able to invest in specialized flatcars despite their limited use and higher cost (relative to typical intermodal flatcars). See Casey at 12.

allowing them to avoid car usage fees.[20] "Turn-back" allows for day-to-day efficiencies by reducing the incentive for railroads to make inefficient empty movements simply to get unneeded cars off their lines. In a recession, "turn-back" also shifts the costs of ownership – the financing charges or lease payments – away from individual railroads. Individual railroads thus avoid the fixed costs of ownership or contractually-binding leases and pay usage fees only for cars they choose to place into revenue service.[21] This flexibility saved railroads on the order of $872 million in flatcar usage costs during the recession and facilitated a quicker recovery than would have been possible absent the pool.[22]

"Turn-back" is a specific example of how TTX more generally generates public benefits by facilitating railroads' abilities to cope with – and recover from – downturns such as the Great Recession. Recessions tend to have different impacts on different geographic regions and across different commodities, and recovery comes at different paces in different sectors and regions. As discussed in detail by Mr. Casey, TTX is better positioned than unilaterally-motivated individual railroads to deploy cars across the national network, get idle capacity back on-line quickly, and facilitate the industry's recovery. In short, TTX's pooling of cars cushions the burden of a recession for individual railroads and for the industry as a whole. To close the circle, such diversification of risk holds down capital costs across the industry, supports individual railroads' investment in meeting their railroad-specific needs, and furthers the public's interest in a strong and well-functioning rail industry.

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[20] Casey at 13-14.
[21] Casey at 13-14.
[22] Casey at 14.

TTX's record of aggregate investment is complemented by the company's channeling of its capital to match changes in traffic and equipment preferences. Mr. Casey provides a detailed discussion of TTX's efforts to meet railroad and shipper needs in a changing intermodal market and highlights similar investments TTX has made to meet demand in other markets.[23] From an economic and policy perspective these investments – unlikely to be cost-effective for any individual railroad – have created significant benefits to railroads, their customers, and the general public by expanding capacity and putting railroads in a better position to compete in transportation markets.

TTX also continues to invest in research and development aimed at improving TTX's flatcar fleet. The benefits of TTX's innovation flow directly from the pooling agreement, arising from TTX's experience with a national fleet of cars and its interest in bringing benefits to its users. These innovations are financially viable because of the scale and scope of TTX's fleet. They would be unlikely, or certainly less likely, to be undertaken by any individual railroad. An illustrative example, here, of TTX's recent innovation efforts involves its investment in developing an improved coupler assembly for use on its fleet of cars and making that system available more broadly to all freight car owners. This initiative by TTX is discussed in more detail by TTX's Sharon Harmsworth, TTX's Vice President of Equipment.[24]

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[23] Casey at 7-11, 26-31.

[24] See Harmsworth at 31-33. For more specific examples see Harmsworth beginning at 19. See also, Casey at 15-17.

D. Maintenance and Repair

Given the nature of the rail industry – that is, a network of interconnected, yet individually owned, railroads – the rolling stock of one railroad often spends significant time operating on "foreign" railroads. In addition to coordination and car distribution problems, this can introduce conflicting interests and inefficiencies in decisions about maintenance and repair. An operating railroad in custody of "foreign" cars as well as its own cars is inevitably faced with decisions about whether, when, and how much to invest in maintenance and repairs. An operating railroad's incentive to repair and maintain "foreign" cars is not necessarily in line with the "foreign" railcar owner's incentives. Even if the two railroads were able to reach agreement on the timing, extent, and cost of repairs, the owning railroad's ability to monitor the agreement is limited, and monitoring and enforcement are costly. This implies no malfeasance on the part of any party; it merely reflects the reality of having to weigh alternative options in the face of conflicting interests. From an efficiency perspective, it is much more effective to eliminate these conflicting interests when making decisions about maintenance and repair.

As the owner and operator of a large, pool-managed fleet of railcars, TTX has realized precisely this type of efficiency. By its very design, TTX avoids the impediments of having "home" or "foreign" railcars: its cars are always "home," and they are directly within TTX's control when they are serviced at TTX's nationwide network of field maintenance facilities. With its economies of scale, TTX's incentives are to efficiently and cost-effectively maintain and repair the entire fleet to maximize fleet availability, performance, and the productive life

of its assets while minimizing maintenance costs over the life of an asset.[25] As discussed by Ms. Harmsworth, maintenance operations continue to be quite successful, with high reliability and car quality that exceeds industry averages.[26]

E. Summary

TTX demonstrably provides solutions to a fundamental problem of network industries: the efficient coordination of investment, operations, and standards across a shared system. The national rail network is the product of numerous, interconnected but individually owned and operated rail systems. The efficient movement of traffic across the national rail system requires significant coordination and standardization. This is particularly true of the system's fleet of flatcars, which for each basic car type are fairly fungible across individual railroads and which need to be matched in a more or less continuously flowing system to the varying locations and types of service demanded by shippers.

The coordination and standardization of the rail network's fleet of flatcars might theoretically be possible through separate, bilateral negotiations between individual railroads. However, because each party to a negotiation has its own financial circumstances, operational concerns, and business strategies to consider, the costs of these negotiations can be extremely – in some cases prohibitively – high. Further, the difficulty of contracting in a manner that anticipates every potential scenario, the costs of monitoring any agreement, and the limitations on enforceability often make contracting functionally impossible. At the very least,

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[25] Harmsworth at 6. Ms. Harmsworth provides more information on specific details of TTX's maintenance and repair operations. See also, Casey at 15-16.

[26] Harmsworth at 6-7 and Figure 1.

attempting to deploy and coordinate car types, locations, designs, and quantities across the nation's rail network via innumerable, bilaterally-negotiated individual agreements among railroads implies substantial transactions costs and associated frictions that would impede the efficient operation of intermodal and other flatcar rail service.

TTX minimizes these problems by bringing the development and operation of a core whole-network flatcar fleet under the unified direction and incentives of a single firm. In fact, this ability of a single firm to solve the challenges of efficiently coordinating integrated decisions and operations is at the heart of Nobel Prize-winning analyses of the economics of the contributions that business firms make to a well-functioning economy.[27] Applied to the rail industry, the limits of contracting are illustrated by railroads' past difficulties overcoming the so-called "watershed" problem. Because of their differing motivations and perceptions (such as the ease of traffic coordination and perceptions of costs), connecting railroads are often unable to take full advantage of interline routings over the most efficient gateways. This problem has come up over and over again in end-to-end merger proceedings. One example that arose in a proceeding in which I testified as an expert concerned the Avard Gateway, where the Santa Fe and Burlington Northern railroads interchanged traffic prior to their merger. Although in theory this gateway provided a very efficient joint Santa Fe-Avard-Burlington Northern route between Santa Fe points in the Southwest and points in the U.S. Southeast reached via Burlington's routes to Memphis and Birmingham, Alabama, the two

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[27] See, specifically, the research of Nobel Laureate Ronald C. Coase in, especially, "The Nature of the Firm," *Economica*, New Series, Vol. 4, No.16. (Nov. 1937), pp 386-405.

railroads had been unable to exploit the routes effectively as separate companies.[28] Evidence presented in the BN/Santa Fe merger case showed the limits of the railroads' ability to coordinate effective service on a contractual basis.[29] Independent research has found that, post-merger, the use of gateways and other routing changes improved substantially, to the benefit of customers seeking improved service.[30] This episode, like many others, teaches the advantages of coordinating network operations within the unified management of the single firm.

In the jargon of economics, TTX is a single-firm answer to the challenges of efficient coordination of the purchase and distribution of railcars across the national rail network. TTX eliminates conflicting financial, operational, and strategic issues that would be involved if individual railroads had to try to solve the continuous problem of car compensation, scheduling, maintenance, and investment by negotiating complex, bilateral contracts among themselves. By operating a whole-network portfolio of cars, TTX diversifies risks across pool participants. In so doing, it encourages investment in the equipment and innovation needed to keep rail service competitive with other modes of transportation. At the same time, TTX's ability to plan and execute car distribution decisions, maintenance, and design so as to match car supplies to where and when they are in greatest demand directly benefits railroads and

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[28] *Burlington Northern Railroad Company – Control and Merger – The Atchison, Topeka, and Santa Fe Railway Company*, Finance Docket No. 32549, Verified Statement of Joseph P. Kalt, filed October 11, 1994 (hereafter, Kalt BN Statement) at 50.

[29] *Id.* at 50.

[30] Winston, Clifford; Vikram Maheshri, and Scott Dennis, "Long Run Effects of Mergers: The Case of U.S. Western Railroads." Journal of Law and Economics, 2011, vol. 54, issue 2, pp 275-304.

their shipping customers. These benefits would not realistically be achieved in full measure without the whole-network solutions provided by TTX.

III. IMPLICATIONS OF TTX FOR MARKET COMPETITIVENESS

A. Overview

While bringing a core fleet of flatcars under the unified decision making of a single firm produces demonstrable benefits via enhanced efficiency in investment, maintenance, and operations, "unified decision making" could, in theory, pose risks of reduced competition in either the supplying of cars to railroad customers or the acquiring of cars from suppliers. Based on my knowledge of the railroad industry and the evidence that I have reviewed, I do not find that these risks are borne out here. In fact, TTX's portfolio management of a whole-network fleet of flatcars is pro-competitive, supporting the ability of railroads to compete more effectively against each other and against other modes of transportation.

B. Competitive Impacts

As noted above, the Board and its predecessor agency have reviewed the competitive impacts of TTX's flatcar pool four separate times. Each time, the STB and the ICC found that the pool does not pose threats to competition in either the purchase or supply of flatcars. When I analyzed the matter and testified in support of TTX's reauthorization in 2004, I concluded that TTX posed no threat to competition. My analysis in the present proceeding confirms and continues to support that conclusion.

The many benefits detailed above illustrate the inherently pro-competitive nature of TTX's flatcar pool. These efficiencies highlight TTX's fundamental role in maximizing productive output of transportation services while simultaneously driving down costs for both

the railroads and the shippers they serve. Railroads have more cars, and more effective carrying capacity, enabling them to increase output of transportation services and lower the cost of providing that service, which in turn further satisfies the demand for railcars. As a result, TTX enhances, rather than detracts from, the competitiveness of the entire rail industry within the country's overall transportation system.

There is no potential for anticompetitive harm that could offset these core benefits of the TTX flatcar pool. As noted, as a matter of economic theory there are two ways that TTX could potentially create competitive harm:

(1) Some hypothesized *monopolistic* (i.e., seller-side) restriction of the supply of flatcars to the railroads and, in turn, the transportation services railroads provide using flatcars. As discussed in more detail below, in the context of the market for the supply of flatcar services, any hypothetical competitive harm from a monopolistic restriction of supply would take the form of above-competitive prices for the provision of flatcar services. This would result from some artificial restriction in the supply of flatcars that puts upward pressure on the rates ultimately paid by shippers, and handcuffs railroads in their attempts to compete against other modes of transportation.

(2) Some hypothesized *monopsonistic* (i.e., buyer side) restriction of demand in the market for the acquisition of the assets (i.e., flatcars) used to provide flatcar service. Hypothetical competitive harm resulting from a potential monopsonistic restriction of demand for flatcars would, in the context of this case, lead to artificially reduced prices paid to car manufacturers for the purchase of flatcars. The public harm from such a restriction would be an artificial contraction in supply of flatcars by car manufacturers, which would have effects on railroads and shippers that would tend to mirror those of monopolistic pricing of flatcars: the ultimate result would be concomitant shrinking of railroads' supplies of intermodal service and, hence, *upward* pressure on intermodal rail rates and/or diversion of intermodal shippers' business away from rail to other modes of freight transportation.

The economic evidence in this case is inconsistent with either of these hypothetical sources of potential harm to competition. I reach this conclusion based on three separate

bodies of evidence: the structure of the TTX pool itself; TTX's track record in expanding, rather than artificially restricting, output and car purchases; and structural characteristics of the markets in which TTX operates that would tend to rule out any possibility of anticompetitive effects.

1. The Structure of the TTX Flatcar Pool

The structure of the TTX pool itself ensures that it will remain pro-competitive and is not likely to unreasonably restrain competition. First and foremost, TTX's pool is entirely optional – railroads are free to meet their flatcar supply needs outside the pool in any manner they choose. Thus, when they see fit, railroads can and do acquire flatcars directly (either through purchase or third-party lease) and operate them outside of the TTX pool. Indeed, as illustrated by the railcar leasing companies who filed comments with the Board in 2009 during the course of the interim review, there is a competitive rail equipment leasing market ready to step in and provide flatcars at any opportunity. Thus, if TTX were to attempt to raise flatcar usage fees above competitive levels, railroads would have multiple alternative sources to turn to for their flatcar needs. Similarly, if TTX were to attempt to depress the price paid to railcar manufacturers, those manufacturers would have alternative buyers to whom they could turn.

Moreover, the economic self-interest of TTX's owners – individual railroads – makes implausible a scenario in which TTX would attempt to artificially raise the rates. In fact, TTX's pooling agreement establishes parameters governing TTX's pricing structure that are inconsistent with any attempt to exercise market power. As Mr. Casey explains, under the pooling agreement TTX employs cost-based usage charges. Its pricing structure is designed

to "discourage inefficient behavior."[31] As discussed by Mr. Casey, the results are that TTX passes through the efficiencies and cost-savings it generates and its rates (even ignoring such factors as the economic value of "turn-back") have not kept pace with even the modest general inflation in the U.S. economy.[32] In other words, TTX's rates are now lower in real (i.e., inflation-adjusted) terms than they were at the time of the last reauthorization. This pattern is inconsistent with any exercise of monopoly market power.

2. TTX's Procompetitive Track Record

These conclusions regarding the lack of threat to competition are reinforced by TTX's consistent track record of investment, innovation, and operational improvements (reviewed above). TTX's demonstrated conduct has been wholly consistent with a company acting to *expand* supplies by major purchases of equipment and related inputs, and putting those supplies into service – not one acting to suppress output artificially. The operational coordination and the cost- and risk-sharing facilitated by TTX support and have enhanced railroads' ability to compete for and capture traffic from other modes of transportation.

The largest component of TTX's flatcar fleet is intermodal cars, and the effect of TTX's pooling would thus be expected to show up most prominently in that arena. The clear evidence is that TTX has fostered the dramatic *expansion* of intermodal transportation through growth in the number and carrying capacity of intermodal cars, and the efficient utilization of that capacity.

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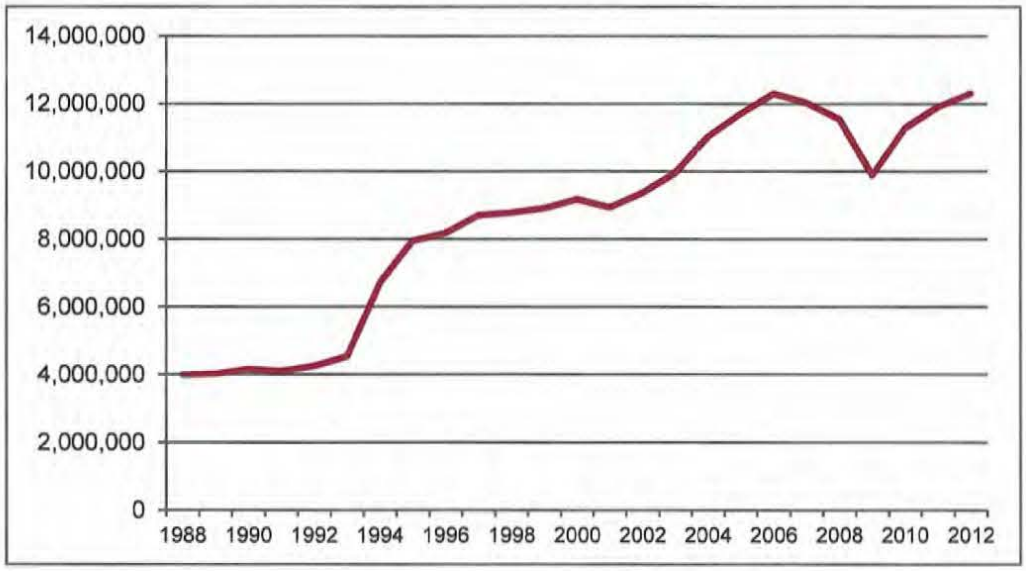
[31] Casey at 18.

[32] Casey at 32 and Chart 7.

FIGURE 1

GROWTH IN ORIGINATED U.S. INTERMODAL TRAFFIC



Source: Association of American Railroads

As shown above in Figure 1, rail intermodal traffic has continued to grow except during the Great Recession, when the whole economy shrank. In fact, the recession cut into intermodal traffic with a drop of nearly 20% from 2006 to 2009, but Figure 1 indicates that volumes returned to pre-recession levels by 2012.

More generally, TTX's conduct has been demonstrably pro-competitive. Even in periods of tight capacity, there have not been shortages of TTX cars and no evidence of attempts by TTX to restrict supply. In fact, the investments, car redesigns and redeployments, maintenance, and operational processes described above constitute concrete steps to expand capacity and improve railroads' competitiveness. As discussed above, the company has a clear track record of extensive investment in flatcar equipment, with total capital spending exceeding $3 billion since 2004 and the rate of investment coming out of the Great Recession

exceeding the rates seen in the decade prior to the last reauthorization.[33] The results have been direct expansion of the supply of cars since 2004, with TTX adding approximately 78,900 new double-stack intermodal platforms to service over 2004-13, accompanied by more than 5,700 automotive cars and more than 4,000 other cars that handle commodities such as forest products, pipe, and structural steel.[34]

3. Market Structure Rules Out Anticompetitive Harm

Structural conditions of the markets in which TTX operates – the supply of flatcars and the acquisition of flatcars – further rule out any potential for anticompetitive effects. Consider first the question of the potential for *monopolistic* harm in the market for the supply of flatcars. As noted, concerns about possible monopolistic market power are concerns that a seller can profit by artificially restricting the supply of a good or service, thereby putting upward pressure on prices and prospectively raising them above competitive levels. For this to have the prospect of being a viable strategy, the would-be monopolist's restrictions of supply must leave aggregate supply from all sellers reduced. If others, induced by the prospect of capturing business left on the table by the would-be monopolist, can offset the latter's attempt to withhold supply, no aggregate supply reduction will result and upward pressure on prices is thwarted.

TTX has no ability to artificially restrict the aggregate supply of flatcars or associated flatcar transportation services available in the railroad sector. As shown in Figure 2 below, non-TTX purchases of flatcars have exceeded TTX purchases in six of the past ten years. If –

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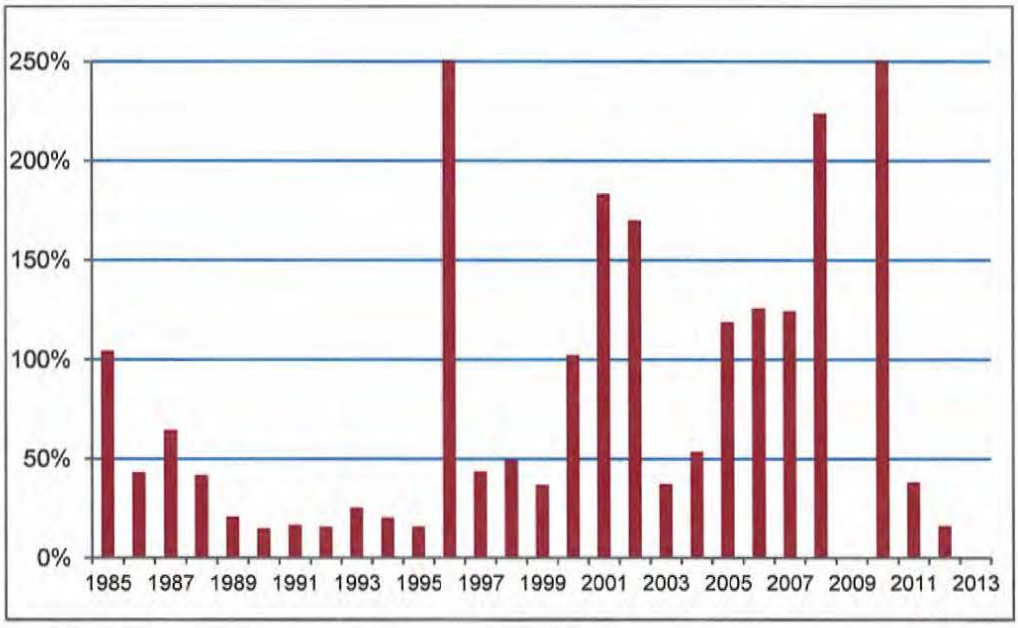
[33] Casey at 6-7.

[34] Casey at 10-11.

contrary to the interests of the railroads that control TTX, and the requirements of TTX's pooling agreement relating to TTX's pricing – TTX nonetheless sought to reduce its purchases of flatcars or increase its flatcar rates by withholding supply of its own cars, the attempt would be unsuccessful. Railroads, lessors and shippers would have the ready ability to turn to non-TTX-owned suppliers. The exercise of monopolistic market power under such circumstances is not a credible prospect.

FIGURE 2

NON-TTX FLATCAR DELIVERIES AS A PERCENTAGE OF TTX FLATCAR DELIVERIES



Source: TTX and the Railway Supply Institute, Inc. - American Railway Car Institute Committee (ARCI) quarterly data on Freight Car Orders, Deliveries, and Backlogs.

Likewise, structural market characteristics would preclude exercise of any *monopsonistic* (buyer-side) suppression of the prices paid for flatcars. First, as shown in Figure 2, TTX cannot and does not prevent railroads or other lessors from acquiring flatcars

from other sources. In six of the past ten years, non-TTX flatcar purchases have exceeded TTX's total purchases.[35] These data clearly show that other industry participants are fully capable of purchasing cars from other suppliers in the marketplace.

Second, even if we ignore TTX's relatively modest share of flatcar purchases, the potential for anticompetitive harm is further ruled out by the high elasticity of supply of flatcars and other types of railcars. As the Board has previously recognized, a precondition for any concern about the exercise of monopsony power is a firm's control of a large share of all purchases of a particular product along with its economic substitutes. Thus, if TTX (or any other buyer) attempted somehow to restrict the quantity purchased and put downward pressure on railcar prices, car manufacturers would have incentives to – and could – switch production away from flatcars to other railcars, and in some cases other fabricated steel products.[36] As shown in Figure 3, below, TTX's purchases of flatcars represent a small and declining share of all non-tank, railcar deliveries. Indeed, since 2004 TTX's purchases have never exceeded 20 percent of the total purchases of non-tank cars.[37] Given TTX's modest share of total purchases, it would be in no position to profit by attempting to restrict the total quantity of railcars purchased.

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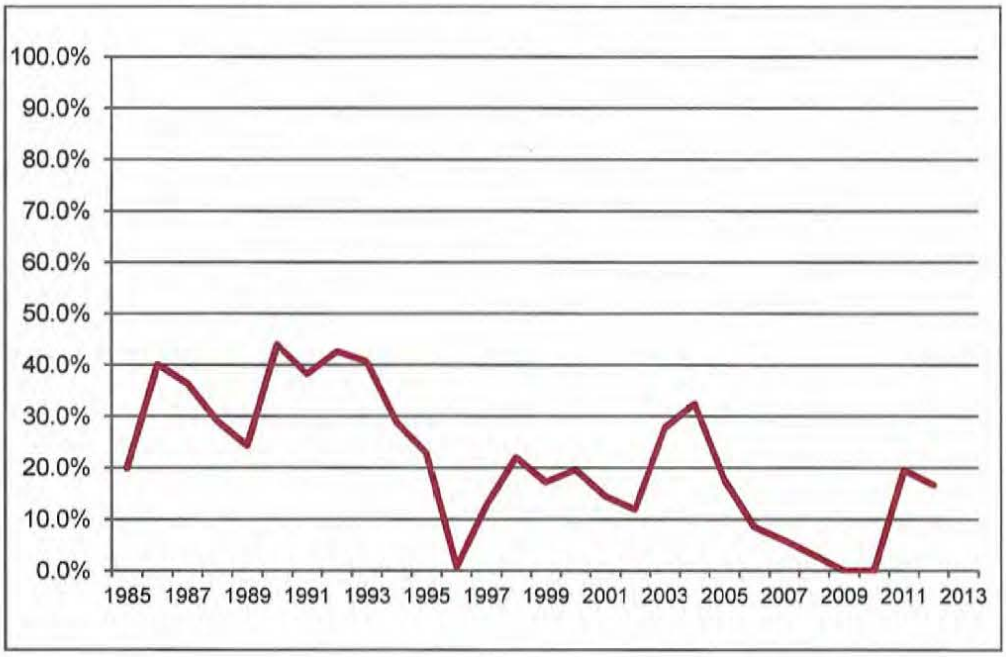
[35] In 2003 and 2004 TTX flatcar purchases were greater than non-TTX purchases. However, from 2005 through 2010 the reverse was true: non-TTX purchases exceeded TTX purchases. TTX purchased no flatcars in 2009 and only 9 in 2010. TTX flatcar purchases in 2011 and 2012 were greater than non-TTX flatcar purchases."

[36] See, for example, The Greenbrier Companies Annual Report: "[The] manufacturing facility, located on a deep water port on the Willamette River, includes marine vessel fabrication capabilities. The marine facilities also increase utilization of steel plate burning and fabrication capacity providing flexibility for railcar production." *See* The Greenbrier Companies, Annual Report (2013), at 4, *available at* http://phx.corporate-ir.net/phoenix.zhtml?c=98215&p=irol-irhome.

[37] The U.S. Department of Justice ("DOJ") defined the market as all cars less tank cars in 1989, as reported in 5 I.C.C. 2d 552. It is conservative to exclude them from the analysis.

FIGURE 3

TTX FLATCAR DELIVERIES AS A PERCENTAGE OF TOTAL NON-TANK RAILCAR DELIVERIES



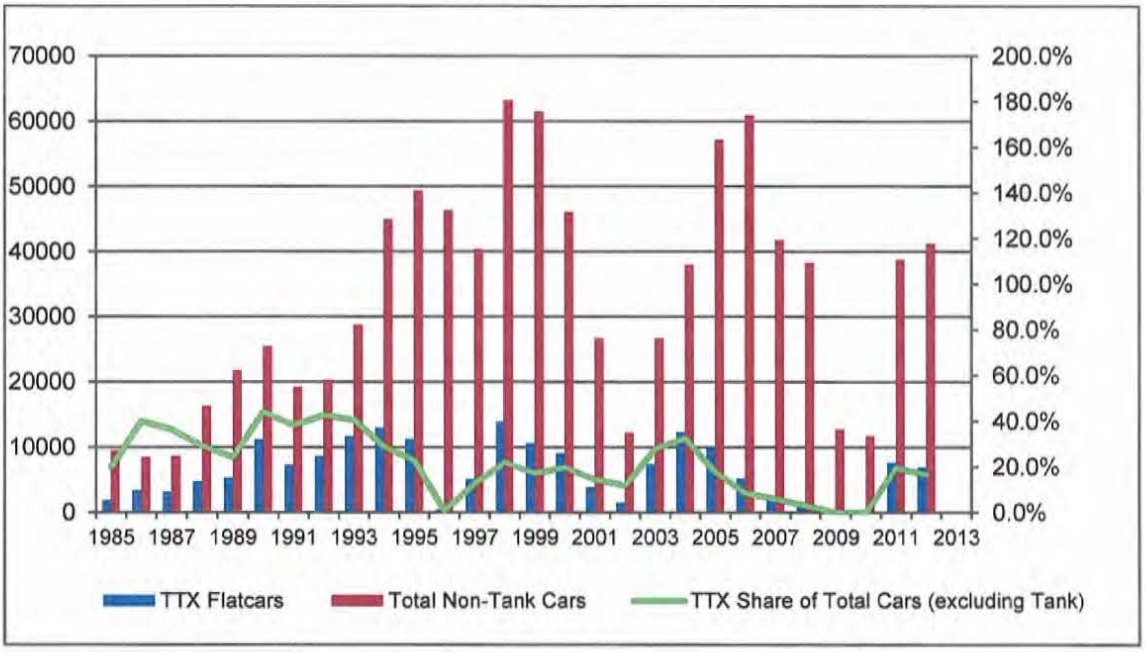
Source: TTX and the Railway Supply Institute, Inc. - American Railway Car Institute Committee (ARCI) quarterly data on Freight Car Orders, Deliveries, and Backlogs.

Indeed, manufacturers have demonstrably been able to expand and contract flatcar production in response to changes in demand without wild swings in prices. Figure 4 shows total railcar deliveries and TTX's share of those deliveries. As Figure 4 depicts, there have been large fluctuations in the total number of railcars delivered over the past 20 years, indicating that producers have the ability to adjust to demand fluctuations. That flexibility serves as a limit on any buyer's ability to exercise monopsonistic market power, which in turn counteracts any buyers' monopsony incentives since it means that sellers can readily avoid

having to accept low prices if demand is constricted by recession, buyer attempts to depress prices, or any other source.

FIGURE 4

TTX FLATCAR DELIVERIES AS A PERCENTAGE OF TOTAL NON-TANK RAILCAR DELIVERIES (UNDERLYING DATA)



Source: TTX and the Railway Supply Institute, Inc. - American Railway Car Institute Committee (ARCI) quarterly data on Freight Car Orders, Deliveries, and Backlogs.

Finally, any concerns regarding monopsony are further diminished by the continuing trend of railcar manufacturers to diversify their equipment production in ways that increase their ability to sell to other entities in the face of any TTX attempt to suppress flatcar purchases. Railcar manufacturers have adopted flexible manufacturing processes that permit them to efficiently shift supply from one railcar type to another. And, fueled by the country's oil boom and a heightened demand for petroleum transportation services, railcar manufacturers have also been increasingly shifting their capacity towards the manufacture of

tank cars in addition to other car types.[38] These trends further lessen the importance of TTX's purchases for the car manufacturing industry and thus further underscores that TTX lacks any ability to exercise monopsony power.

IV. SUMMARY

I find there is no economically credible basis for concluding that TTX is failing to meet the criterion for reauthorization enunciated by the Board at the time of TTX's prior reauthorization. No evidence of competitive harm from TTX was found in the three previous reauthorizations, and I find no new evidence to support a theory of competitive harm now. To the contrary, the evidence is overwhelming that TTX meets the regulatory standards of providing "better service to the public…[and] economy of operation" than would be available absent the agreement.[39]

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[38] For example, in 2012, Trinity Rail Group, one of the largest manufacturers of flatcars and other railcars, reconfigured its resources to increase production of tank cars, including the creation of "multipurpose manufacturing facilities" to better "support North America's energy renaissance." *See* Trinity Industries, Inc., Annual Report (2012), at 4, *available at* http://www.trin.net/invsrela/default.asp. Likewise, American Railcar Industries has shifted production to tank cars in response to this increased demand and developed "flexible and vertically integrated manufacturing facilities that can produce multiple railcar types including non-pressure and high pressure tank railcars, intermodal, open top and specialty covered hopper cars." *See* American Railcar Industries, Inc., Annual Report (2012), at 2, *available at* http://investors.americanrailcar.com/annual-proxy.cfm.

[39] 2004 Authorization Decision at 9.

VERIFICATION

STATE OF MASSACHUSETTS)
) ss
COUNTY OF SUFFOLK)

JOSEPH P. KALT, Senior Economist of Compass Lexecon, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true as stated therein.

JOSEPH P. KALT

Sworn to and subscribed before me
this 16 day of January, 2014

Notary Public

My commission expires 7/3/20.

BETHANY MARION
Notary Public, Commonwealth of Massachusetts
My Commission Expires July 3, 2020

COMPASS LEXECON

APPENDIX A

CURRICULUM VITA

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Faculty Chair, Harvard University Native American Program, 2000-2006

Chair, Economics and Quantitative Methods Cluster, 1995-2000

Professor of Political Economy, 1986-1992

Faculty Chair and Academic Dean for Research, 1992-1994

Chairman, Environment and Natural Resources Program, Center for Science and International Affairs, 1990-1994

Chairman of Degree Programs, 1990-1992

Chairman of Ph.D. Programs, 1989-1990

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Visiting Professor, Eller College of Management, 2005-2010

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Doctoral Dissertation: *Federal Control of Petroleum Prices: A Case Study of the Theory of Regulation*

Stanford University, Stanford, CA, B.A. in Economics (Honors), 1973

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"Economics, Law, and Politics: What Will Drive Energy's Future," in *Proceedings of the 50th Annual Institute of the Rocky Mountain Mineral Law Foundation*, vol. 50, p. 1-1 (2004), December 2005.

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"Reloading the Dice: Improving the Chances for Economic Development on American Indian Reservations" (with Stephen Cornell), in J. P. Kalt and S. Cornell, eds., *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development*, University of California, 1992, pp. 1-59.

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"The Apparent Ideological Behavior of Legislators: On-the-Job Consumption or Just a Residual?" (with Mark A. Zupan), *Journal of Law and Economics* 33 (April 1990), pp. 103-32.

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"Public Choice, Culture and American Indian Economic Development" (with Stephen E. Cornell), *Project Report*, Harvard Project on American Indian Economic Development, July 1988.

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"The Use of Political Pressure as a Policy Tool During the 1979 Oil Supply Crisis" (with Stephen Erfle and John Pound), *Discussion Paper Series*, John F. Kennedy School of Government, Harvard University, April 1981.

"Problems of Minority Fuel Oil Dealers" (with Henry Lee), *Discussion Paper Series*, Energy and Environmental Policy Center, John F. Kennedy School of Government, Harvard University, April 1981.

OTHER PUBLICATIONS AND LEGISLATIVE TESTIMONY

"Tucson must not become bottom feeder underneath Phoenix's sprawl machine," *Arizona Daily Star*, Opinion, May 28, 2010.

Statement to U.S. House of Representatives Committee on Appropriations, Subcommittee on Interior, Environment, and Related Agencies, *The State of Indian America*, March 13, 2007.

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"Institution Building: Organizing for Effective Management" in *Building Native Nations: Environment, Natural Resources, and Governance*, ed. by Stephanie Carroll Rainie, Udall Center for Studies in Public Policy, The University of Arizona, 2003.

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"Windfall Profits Tax Will Reap Bonanza—But For Whom?" (with Peter Navarro), *The Miami Herald*, December 23, 1979, editorial page.

SELECTED PRESENTATIONS

"Indigenous Self-Government: The Political Economy of the Only Policy That Has Ever Worked," Ministry of Business, Innovation and Employment, Government of New Zealand, Wellington, NZ, April 18, 2013.

"American Indian Self-Government: The Political Economy of a Policy That's Worked," Dean's Distinguished Speakers Series, University of Auckland (NZ) Business School, April 16, 2013.

Keynote Address: "Harvesting Creosote to Build Houses: Is Arizona's Economic Model Sustainable?" 96th Arizona Town Hall, Tucson, AZ, April 26, 2010.

Keynote Address: "Resurgence and Renaissance in Indian America," Native American Business Association Annual Convention, Mississippi Choctaw Nation, April 29, 2008.

"Standard Oil to Today: Antitrust Enforcement in the Oil Industry," American Bar Association, 56th Antitrust Law Spring Meeting, Washington, D.C., March 27, 2008.

Keynote Address: "Nation Building: Lessons from Indian Country," National Native American Economic Policy Statement, Phoenix, AZ, May 15, 2007.

Keynote Address: "A Conversation on the State of the Native Nations: A Gathering of Leaders," Res 2007, Las Vegas, NV, March 14, 2007.

"Foundations of Nation Building: The Roles of Culture, Institutions, & Leadership Among Contemporary American Indian Nations," a lecture to faculty, staff and students, Marine Corps University, Quantico, VA, March 12, 2007.

Keynote Address: "The Universal Challenge of Nation Building," First Annual Great Lakes Tribal Economic Development Symposium, Traverse City, MI, October 25-26, 2006.

Transcript of Keynote Address, "Setting the Agenda: What Will Drive Energy's Future?" *Congressional Quarterly Forum*, "The Politics of Oil: U.S. Imperatives, Foreign Consequences," Washington, D.C., September 13, 2005.

"The Role of the Tribal Courts and Economic Development," Bureau of Indian Affairs, *Tribal Courts in the 21st Century*, Billings, MT, August 16, 2005.

"Linking Tribal Sovereignty to Economic Self-Determination in Indian Country," *The Tribal Leaders Forum*, "Sovereignty in Crisis," Las Vegas, NV, May 27, 2005.

"Competition and Regulation in the North American Electricity Industry: Can These Two Seemingly Opposed Forces Coexist?" (with Charles Augustine and Joseph Cavicchi), 24th Annual North American Conference, USAEE/IAEE, Energy, Environment, and Economics in a New Era, Washington, DC, July 8-10, 2004.

"The State of U.S. Railroads and the Challenges Ahead," briefing of Capitol Hill staff, Association of American Railroads, April 17, 2003.

"The State of the Railroad Industry and the Challenges Ahead," briefing of Roger Nober, Chairman, US Surface Transportation Board, Association of American Railroads, January 28, 2003.

"The Wealth of American Indian Nations: Culture and Institutions," Federal Reserve Bank of Boston, December 11, 2002.

"The Roots of California's Energy Crisis: Law, Policy, Politics, and Economics," Regulation Seminar, Center for Business and Government, Kennedy School, Harvard University, November 7, 2002.

"Public Policy Foundations of Nation Building in Indian Country," National Symposium on Legal Foundations of American Indian Self-Governance," Mashantucket Pequot Nation, February 9, 2001.

"Twenty-Five Years of Self-Determination: Lessons from the Harvard Project on American Indian Economic Development," Udall Center for Studies in Public Policy, University of Arizona, November 13-14, 1999.

Proceedings of the Fourth Annual DOE-NARUC Natural Gas Conference, Orlando, FL, February 1995.

Keynote Address, "Sovereignty and American Indian Economic Development," Arizona Town Hall, Grand Canyon, AZ, October 1994.

"Is the Movement Toward a Less-Regulated, More Competitive LDC Sector Inexorable?, (Re)Inventing State/Federal Partnerships: Policies for Optimal Gas Use," U.S. Department of Energy and The National Association of Regulatory Utility Commissioners Annual Conference, Nashville, TN, February 1994.

"Cultural Evolution and Constitutional Public Choice: Institutional Diversity and Economic Performance on American Indian Reservations," Festschrift in Honor of Armen A. Alchian, Western Economic Association, Vancouver, BC, July 1994.

"Precedent and Legal Argument in U.S. Trade Policy: Do they Matter to the Political Economy of the Lumber Dispute?" National Bureau of Economic Research, Conference on Political Economy of Trade Protection, February, September 1994.

"The Redesign of Rate Structures and Capacity Auctioning in the Natural Gas Pipeline Industry," Natural Gas Supply Association, Houston, TX, March 1988.

"Property Rights and American Indian Economic Development," Pacific Research Institute Conference, Alexandria, VA, May 1987.

"The Development of Private Property Markets in Wilderness Recreation: An Assessment of the Policy of Self-Determination by American Indians," Political Economy Research Center Conference, Big Sky, MT, December 4-7, 1985.

"Lessons from the U.S, Experience with Energy Price Regulation," International Association of Energy Economists Delegation to the People's Republic of China, Beijing and Shanghai, PRC, June 1985.

"The Impact of Domestic Regulation on the International Competitiveness of American Industry," Harvard/NEC Conference on International Competition, Ft. Lauderdale, FL, March 7-9, 1985.

"The Welfare and Competitive Effects of Natural Gas Pricing," American Economic Association Annual Meetings, December 1984.

"The Ideological Behavior of Legislators," Stanford University Conference on the Political Economy of Public Policy, March 1984.

"Principal-Agent Slack in the Theory of Bureaucratic Behavior," Columbia University Center for Law and Economic Studies, 1984.

"The Political Power of the Underground Coal Industry," FTC Conference on the Strategic Use of Regulation, March 1984.

"Decontrolling Natural Gas Prices: The Intertemporal Implications of Theory," International Association of Energy Economists Annual Meetings, Houston, TX, November 1981.

"The Role of Government and the Marketplace in the Production and Distribution of Energy," Brown University Symposium on Energy and Economics, March 1981.

"A Political Pressure Theory of Oil Pricing," Conference on New Strategies for Managing U.S. Oil Shortages, Yale University, November 1980.

"The Politics of Energy," Eastern Economic Association Annual Meetings, 1977.

WORKSHOPS PRESENTED

University of Auckland; Ministry of Business, Innovation and Employment, Government of New Zealand; Federal Reserve Bank of Boston; University of Indiana; University of Montana; Oglala Lakota College; University of New Mexico; Columbia University Law School; Department of Economics and John F. Kennedy School of Government, Harvard University; MIT; University of Chicago; Duke University; University of Rochester; Yale University; Virginia Polytechnic Institute; U.S. Federal Trade Commission; University of Texas; University of Arizona; Federal Reserve Bank of Dallas; U.S. Department of Justice; Rice University; Washington University; University of Michigan; University of Saskatchewan; Montana State University; UCLA; University of Maryland; National Bureau of Economic Research; University of Southern California.

TEACHING

Markets and Market Failure with Cases (Harvard Kennedy School of Government, graduate); Native Americans in the 21st Century: Nation Building I & II (Harvard, University-wide, graduate and undergraduate); Competition, Strategy, and Regulation (Harvard Kennedy School of Government, graduate); Introduction to Nation Building/The Law, Policy, and Economics of Contemporary Tribal Economic Development (University of Arizona, School of Law and College of Management,

graduate); Introduction to Environment and Natural Resource Policy (Harvard Kennedy School of Government, graduate); Seminar in Positive Political Economy (Harvard Kennedy School of Government, graduate); Intermediate Microeconomics for Public Policy (Harvard Kennedy School of Government, graduate); Natural Resources and Public Lands Policy (Harvard Kennedy School of Government, graduate); Economics of Regulation and Antitrust (Harvard Department of Economics, graduate); Economics of Regulation (Harvard Department of Economics, undergraduate); Introduction to Energy and Environmental Policy (Harvard Kennedy School of Government, graduate); Graduate Seminar in Industrial Organization and Regulation (Harvard Department of Economics, graduate); Intermediate Microeconomics (Harvard Department of Economics, undergraduate); Principles of Economics (Harvard Department of Economics, undergraduate); Seminar in Energy and Environmental Policy (Harvard Kennedy School of Government, graduate)

OTHER PROFESSIONAL ACTIVITIES

Working Advisory Board, National Institute for Civil Discourse, 2011-present

Board of Directors, Sonoran Institute, 2008-present

National Advisory Board, Big Sky Institute, Montana State University, 2007-present

Board of Trustees, The Communications Institute, 2003-present

Board of Trustees, Fort Apache Heritage Foundation, 2000-present (Chair, 2010-present)

Mediator (with Keith G. Allred), Nez Perce Tribe and the North Central Idaho Jurisdictional Alliance, MOU signed December 2002

Mediator, *In the Matter of the White Mountain Apache Tribe v. United States Fish and Wildlife Service*, re: endangered species management authority, May-December, 1994

Steering Committee, National Park Service, 75th Anniversary Symposium, 1991-1993

Board of Trustees, Foundation for American Communications, 1989-2003

Editorial Board, *Economic Inquiry*, 1988-2002

Advisory Committee, Oak Ridge National Laboratory, Energy Division, 1987-1989

Commissioner, President's Aviation Safety Commission, 1987-1988

Principal Lecturer in the Program of Economics for Journalists, Foundation for American Communications, teaching economic principles to working journalists in the broadcast and print media, 1979-2000

Lecturer in the Economics Institute for Federal Administrative Law Judges, University of Miami School of Law, 1983-1991

Research Fellow, Energy and Environmental Policy Center, John F. Kennedy School of Government, Harvard University, 1981-1987

Editorial Board, MIT Press Series on *Regulation of Economic Activity*, 1984-1992

Research Advisory Committee, American Enterprise Institute, 1979-1985

Editor, *Quarterly Journal of Economics*, 1979-1984

Referee for *American Economic Review, Bell Journal of Economics, Economic Inquiry, Journal of Political Economy, Review of Economics and Statistics, Science Magazine, Journal of Policy Analysis and Management, Social Choice and Welfare, Quarterly Journal of Economics*, MIT Press, North-Holland Press, Harvard University Press, *American Indian Culture and Research Journal*

SELECTED HONORS AND AWARDS

Distinguished Visiting Professor, University of Auckland Business School, April 2013.

Public *Sector Leadership Award*, National Congress of American Indians, Washington, DC, March 1, 2010.

First American Public Policy Award, First American Leadership Awards 2005, "Realizing the Vision: Healthy Communities, Businesses, and Economies," National Center for American Indian Enterprise Development, Phoenix, AZ, June 9, 2005.

Allyn Young Prize for Excellence in the Teaching of the Principles of Economics, Harvard University, 1978-1979 and 1979-1980.

Chancellor's Intern Fellowship in Economics, September 1973 to July 1978, one of two awarded in 1973, University of California, Los Angeles.

Smith-Richardson Dissertation Fellowship in Political Economy, Foundation for Research in Economics and Education, June 1977 to September 1977, UCLA.

Summer Research Fellowship, UCLA Foundation, June 1976 to September 1976.

Dissertation Fellowship, Hoover Institution, Stanford University, September 1977 to June 1978.

Four years of undergraduate academic scholarships, 1969-1973; graduated with University Distinction and Departmental Honors, Stanford University.

Research funding sources have included: Annie E. Casey Foundation; Nathan Cummings Foundation; Department of Indian Affairs and Northern Development (Canada); National Indian Gaming Association; The National Science Foundation; USAID (IRIS Foundation); Pew Charitable Trust; Christian A. Johnson Family Endeavor Foundation; The Ford Foundation; The Kellogg Foundation; Harvard Program on the Environment; The Northwest Area Foundation; the U.S. Department of Energy; the Research Center for

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TAB O

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)

VERIFIED STATEMENT

OF

GEORGE C. WOODWARD

TABLE OF CONTENTS

VERIFIED STATEMENT

OF

GEORGE C. WOODWARD

My name is George C. Woodward. I am an independent consultant. Since 2001, I have served as President of the Board of Directors of the Intermodal Transportation Institute ("ITI") at the University of Denver. The ITI is an industry-academic educational partnership focused on developing graduate business management programs for the transportation industry. The ITI also serves as a forum to increase public visibility of transportation related issues.

As ITI Board President, I have played a lead role in guiding ITI's educational programs, research projects, and industry outreach, with the goal of increasing public awareness of the need for an "intermodal approach" to America's transportation systems that exploits the strengths of all modes and minimizes their weaknesses. A key theme of the Institute's educational and research agenda has been the vital importance of shared intermodal transportation systems to make efficient use of the Nation's scarce capital and infrastructure resources.

My current educational and industry outreach role draws upon my three decades of first-hand experience in the intermodal transportation field. My experience at railroads and as a consultant to transportation service providers has given me in-depth knowledge of how intermodal transportation works and the essential role that the TTX flatcar pool plays in facilitating the growth of the intermodal transportation business.

From 1991 to 2001, I was Senior Vice President-Chief Commercial Officer at ALK Technologies, Inc., where I led the company's strategic consulting services that focused on transportation industry issues. I have participated in numerous management consulting and information technology development assignments for major rail carriers, trucking companies,

and ocean carriers in connection with mergers and acquisitions, corporate restructurings, traffic analyses and the development of decision support systems to improve equipment utilization.

I have also held senior management positions at two major railroads with responsibility for intermodal matters. From 1987 to 1991, I was employed at Southern Pacific Transportation Company, where I served as Senior Vice-President-Marketing and Sales, and then Executive Vice President-Distribution Services. From 1978 to 1987, I was with Consolidated Rail Corporation, where I served as Director-Boxcar/Intermodal Planning; Assistant Vice President-Car Management; Assistant Vice President-Automotive, Gondola, Flatcar Business Group; and Vice President-Marketing. From 1972 to 1978, I held various engineering, operating and marketing positions at Southern Pacific Transportation Company.

I received an MBA with a major in Finance from the University of Pennsylvania's Wharton Business School and a BS in Physics from the Georgia Institute of Technology.

In this statement, I describe the important contributions that TTX's flatcar pool has made and continues to make to the efficient functioning and growth of rail intermodal transportation. I also explain why the reauthorization of TTX's flatcar pool is crucial to the ability of railroads to deliver to the shipping public the many benefits of moving freight off highways and onto rails.

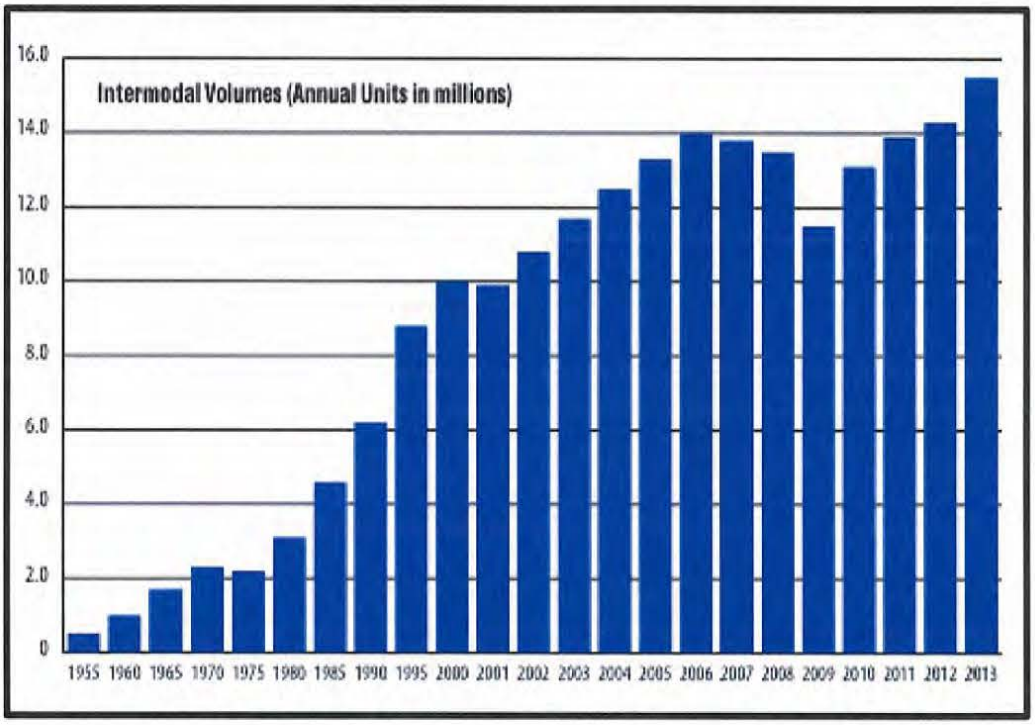
I. TTX HAS FOSTERED GROWTH IN RAIL INTERMODAL TRANSPORTATION

The past 40 years have seen the extraordinary growth of rail intermodal transportation as a robust competitive option to the transportation of freight by motor carriers in North America. In 1975, North American railroads transported approximately 2.3 million trailers and containers of freight. By 2013, the annual volume had grown by over 600 percent, to more than 15.5 million trailers and containers. This sustained pattern of growth is shown in Figure 1.

In the last decade railroads have focused increased attention on corridors with shorter length of haul, where they face the acute competition with over-the-road trucking for intercity

freight. Industry data show that railroads have made inroads in these corridors, especially in the Eastern United States where major markets are closer to one another and better able to support diversion of truck traffic to relatively-dense, shorter-haul intermodal lanes.

FIGURE 1
INTERMODAL ANNUAL VOLUME GROWTH (1955-2013)



The TTX flatcar pool (initially authorized by the ICC in 1974) has played an indispensable role in making possible the impressive growth of rail intermodal traffic. The pool's importance cannot be overstated. The pool has been a critical source of freight cars needed to meet the dynamic demands of the rail carriers in serving the truck competitive transportation market. The advantages the TTX flatcar pool provides boil down to efficiency and reliability. Shippers will move their traffic by rail instead of truck only if they can reduce their costs while maintaining a truck-like quality of service. TTX helps railroads meet these needs by investing in a reliable and shared pool of high-quality intermodal flatcars and then

enabling those cars to be used more efficiently than separately-controlled fleets to move traffic from any origin to any destination in North America. With assured access to cars in the pool, railroads can market their intermodal services aggressively, secure in the knowledge that the equipment will be available to handle the traffic. TTX's substantial investment in shared flatcar capacity also frees railroads to direct their capital expenditures toward the many other assets needed to support intermodal growth, including infrastructure projects that expand capacity, such as new and improved intermodal terminals and increased clearances on key intermodal corridors to permit movement of double-stack traffic.

A. Operating Benefits

A central feature of the TTX flatcar pool is its role in squeezing greater productivity – in essence, more effective capacity – out of each car in the fleet. Numerous other witnesses in prior TTX reauthorization proceedings have addressed this aspect of the TTX pool, and I do not wish to repeat here all that has been said before.

However, from my perspective, one of the key ways that TTX's flatcar pool achieves greater efficiency is by enabling the railroad network to mimic more closely the network efficiencies available to long-haul truckers. The problem of equipment management for a motor carrier's individual containers and trailers using the highway system is significantly less complex than the challenge of balancing and/or triangulating trainloads of containers and trailers and the underlying intermodal flatcar fleet. Motor carriers, operating across a nationwide highway grid, are able to use repositioning moves of single (loaded or empty) trailers to balance demand within the complex and national network of intercity freight flows.

For example, a motor carrier transporting a container or trailer load from Los Angeles to Chicago can easily make an empty repositioning move to Ft. Wayne, Indiana, and then pick up a subsequent load to Houston, Texas, before continuing with the next load to Los Angeles. To

achieve similar efficiencies, railroads, by contrast, must find a way to reposition entire trainloads or blocks of empty flatcars (and containers) from consuming areas where empty cars are surplus to production areas where cars are needed to support container and trailer loadings. Optimal repositioning often must span the boundaries of individual railroads' route networks.

Because the TTX fleet is shared continent-wide, TTX's fleet distribution rules are able to simulate more closely the manner in which trucks are able to pursue operating and asset-utilization efficiencies by rebalancing and triangulating loads. Thus, the pool allows the separate networks of individual rail carriers to function as a national rail intermodal transportation network for inter-city containerized freight, facilitating the development of a cost competitive rail/truck intermodal transportation option to over-the-road trucking. The network efficiencies unlocked by the TTX flatcar pool are reflected in TTX's impressively low ratio of empty-to loaded platform miles, which rivals the utilization rates that motor carriers are able to achieve.[1]

B. Acquisition Benefits

Equally important, TTX's flatcar pool achieves important efficiencies that support the *acquisition* of the flatcars railroads need to meet expanding traffic volumes. By pooling the cars it acquires, TTX reduces the risk for individual carriers of investing in new cars. TTX plans for (and invests) in a fleet of rail intermodal flatcars that will help meet the needs of the aggregate North American rail intermodal market. TTX invests in the optimal level of overall capacity needed to meet projected network demand, effectively hedging the risks associated with potential variations across the separate components of that network. With its network-wide perspective,

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[1] Utilization rates for long-haul truckers indicate that approximately 90 percent of all truck miles are loaded, with trucks generating a new load every three days. *See* DAT Carrier Benchmark Survey, 1Q 2013, http://www.dat.com/Resources/~/media/Files/DAT/Resources/Whitepapers/2013_Carrier_BenchMark_Surveyfinal.ashx.

TTX does not need to be concerned that traffic might shift from one railroad to another, or from one geographic region to another, because the TTX fleet can be repositioned to follow that demand. Individual railroads would confront these risks and thus would be less likely to invest in the same level of railcar capacity.

In addition, as the owner of a diverse fleet of flatcars, TTX has demonstrated its ability to "recycle" its equipment to meet evolving demand across the network as a whole, extending the equipment's useful life and effectively increasing incentives to invest in equipment in the first place. TTX's reuse of early-generation trailer-oriented flatcars as the foundation for multi-level vehicle flatcars is an excellent illustration. TTX has continued to make similar investments in recent years. For example, TTX has recently invested in stretching many of its double-stack cars to respond to the market's shift toward longer domestic containers.

C. The Bottom Line: A Reliably Efficient Source of Flatcar Supply that Supports Competition for Truckload Freight

The efficiencies TTX generates translate into a reliable and efficient source of the flatcars railroad need to serve their intermodal customers. The TTX flatcar pool helps the railroads ensure that intermodal cars are available where and when they are needed by shippers. Without TTX, the railroads would have to make tradeoffs between (1) holding additional and costly excess car capacity to meet swings in demand or (2) risking the loss of certain traffic to over-the-road trucking as a result of cars not being available when and where they are needed to handle loads. Because railroads can count on efficient TTX cars being available, they are able to pursue intermodal business more aggressively.

D. TTX's Pool Allows Railroads to Focus Their Investment Dollars on the Other Critical Assets Needed to Facilitate Intermodal Growth

By generating operating efficiencies and reducing the capital that must be expended by individual railroads on expensive rolling stock, TTX's flatcar pool allows individual rail carriers

to invest their scarce capital in the many other high-cost assets needed to support the growth and development of the rail intermodal transportation options for the shipping public. With the confidence TTX provides in an appropriately-sized fleet of high-quality and readily available intermodal flatcars, railroads have been freed to spend billions on locomotives, containers, route clearance improvements, terminal projects, and other assets needed to serve intermodal traffic. To name just a few of the high-profile investments railroads have made in the Nation's intermodal transportation infrastructure, Norfolk Southern has expanded capacity on its Crescent Corridor, CSX cleared its National Gateway between the mid-Atlantic states and the Midwest, UP is double-tracking much of its Sunset Corridor, CSX has spent millions on its National Heartland project, and all of the railroads have made major investments in new and expanded intermodal terminals, such as UP's ICTF in Los Angeles/Long Beach, BNSF's proposed near-dock terminal near the Ports of Los Angeles/Long Beach, CSX's North Baltimore, Ohio, project, and many others.

All of these investments are being made against the backdrop of railroads – in significant part through TTX's flatcar pool – having assured access to appropriate quantities of well-maintained intermodal flatcars that are, when necessary, repositioned by TTX to optimize the output available from each car. Without TTX's pooled intermodal flatcars and associated fleet management capabilities, the railroads' intermodal projects would have to compete for funding with the need for additional railcars – and that need would be magnified without TTX, since each car would provide less capacity without the efficiencies achieved by the TTX fleet. It is hard to imagine North America's railroad maintaining their rapid pace of intermodal traffic growth under such conditions.

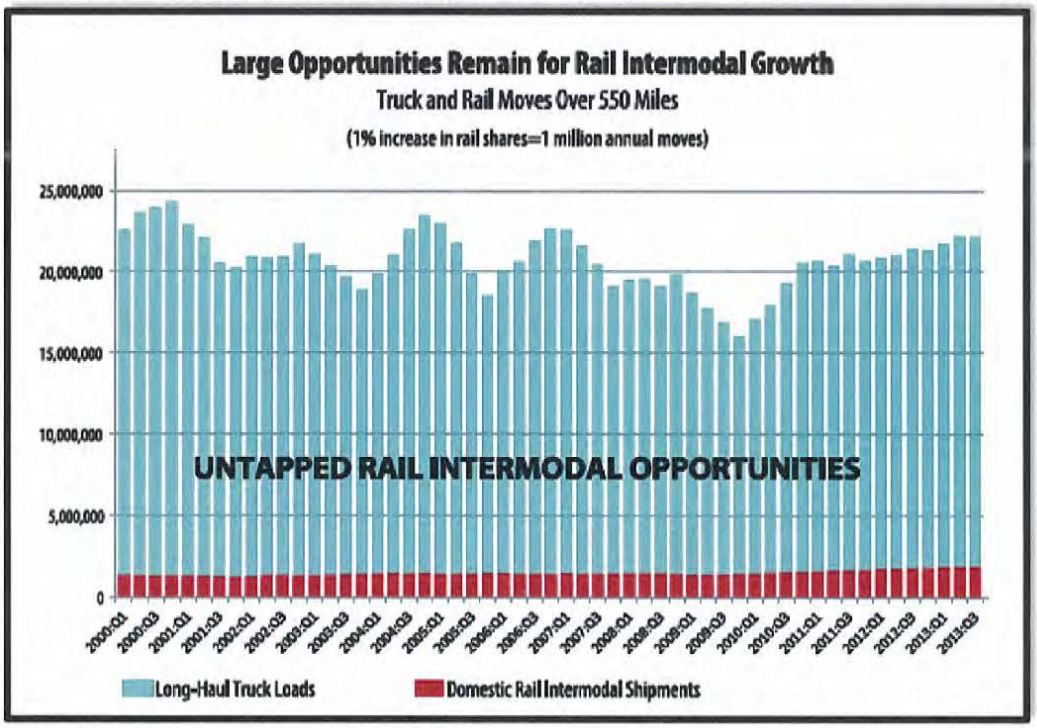
II. BY SUPPORTING THE CONTINUED GROWTH OF RAIL INTERMODAL TRANSPORTATION, REAUTHORIZATION OF TTX'S FLATCAR POOL IS STRONGLY IN THE PUBLIC INTEREST

The growth of rail intermodal traffic over the past 40 years has been impressive, thanks in no small part to the efficiencies and economies created by the TTX flatcar pool. TTX is needed if North America's railroads are to sustain that success, and TTX will be all the more important in unlocking the benefits available from further shifts of domestic inter-city freight from truck to rail. If railroads can take advantage of their opportunities to expand intermodal service, the benefits will flow not only to the participants in intermodal transportation, but to the public at large.

A. There Are Tremendous Opportunities for Further Rail Intermodal Growth

The potential for growth is significant. In 2012, intermodal traffic accounted for approximately $14.7 billion of railroad revenue for railroads in the U.S. That made rail intermodal traffic second only to coal as a source of revenue. However, that $14.7 billion represents a relatively small share of the overall market for intercity freight. It amounts to less than five percent of over-the-road intercity trucking revenues, which were estimated at $321 billion in 2012 – and less than nine percent of all domestic truck moves over 550 miles, as shown in Figure 2 below. The vast majority of traffic still moves entirely by over-the-road truck.

FIGURE 2
OPPORTUNITIES FOR RAIL INTERMODAL GROWTH



B. TTX Enables Further Rail Intermodal Growth, Which Will Generate Public Benefits

By supporting the shift of containerized (or containerizable) freight from truck to rail intermodal service, TTX's flatcar pool is strongly in the public interest.

First and foremost, when traffic shifts from truck to rail, the shift is driven by shippers' choices, which reflect the relative value of the available transportation alternatives. TTX facilitates efforts by individual railroads to offer intermodal services that shippers choose because they meet shippers' needs for efficiency, reliability and service quality. When shippers express their preferences by choosing rail intermodal options, they confirm that intermodal represents the best allocation of society's resources and those choices thus strongly endorse TTX's public interest benefits.

The public will also benefit from TTX's role in supporting rail intermodal growth because of the many positive externalities associated with moving freight off the highways that are not fully reflected in relative levels of shipping rates. A single intermodal train is capable of handling up to 280 truck-equivalent containers.[2] With each TTX intermodal flatcar capable of moving an average of five loaded containers, and taking advantage of the high utilization rate of those cars, every 100 TTX intermodal flatcars is capable of shifting more than 40,000 highway truckload movements of 1,000 miles in length off of the highways each year. The shift to rail intermodal will help society improve safety, save fuel, and reduce harm to the environment, and in the process reduce highway congestion and address highway infrastructure challenges.

Highway Safety Benefits. Moving freight by rail is far safer than moving it by highway. As depicted in Figure 3, the GAO estimates that, between 2003 and 2007, freight rail averaged 0.39 fatalities per billion ton-miles while trucking averaged 2.54 fatalities.[3] Large trucks share crowded highways with passenger vehicles that weight 20-30 times less, and the results are often deadly. Between 2002 and 2011, 45,156 people were killed and more than one million were injured in crashes with large trucks.[4] Although overall traffic fatalities have declined in recent years, those involving large trucks have been increasing. Accidents involving commercial vehicles cost society $83 billion annually.[5]

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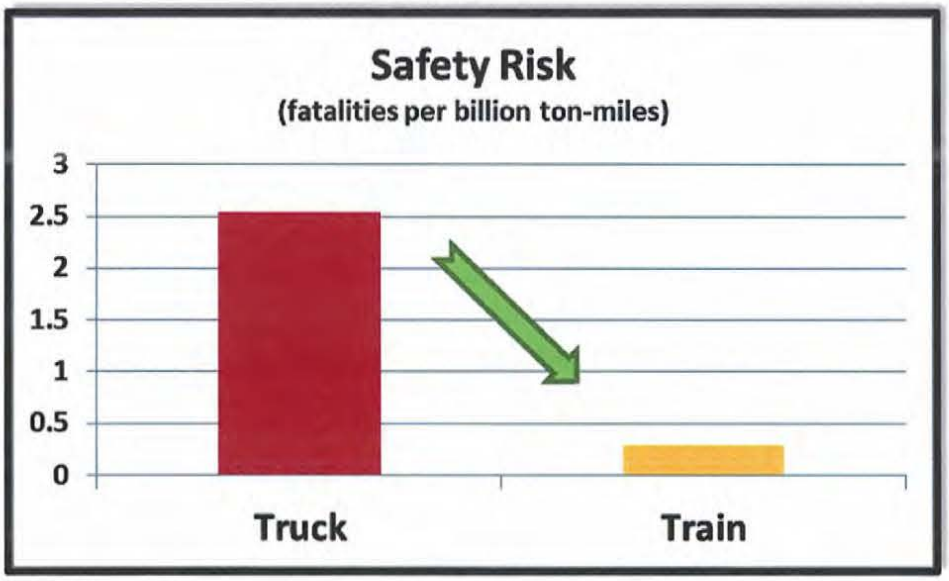
2 "Rail Benefits," http://gorail.org/rail-benefits/congestion/.

3 "Intercity Passenger and Freight Rail," http://www.gao.gov/new.items/d11290.pdf.

4 SafeRoads.org, "The Dangers of Large Trucks," http://saferoads.org/dangers-large-trucks (citing NHTSA reports).

5 *Id.* (citing the Federal Motor Carrier Safety Administration).

FIGURE 3
SAFETY RISK



Fuel Efficiency Benefits. Railroads can move a ton of freight almost 500 miles on a gallon of fuel.[6] As shown in Figure 4 below, railroads are on average four times more fuel efficient than trucks.[7] The Federal Railroad Administration has estimated that shifting only ten percent of long haul freight from truck to rail could save nearly one billion gallons of fuel annually.[8]

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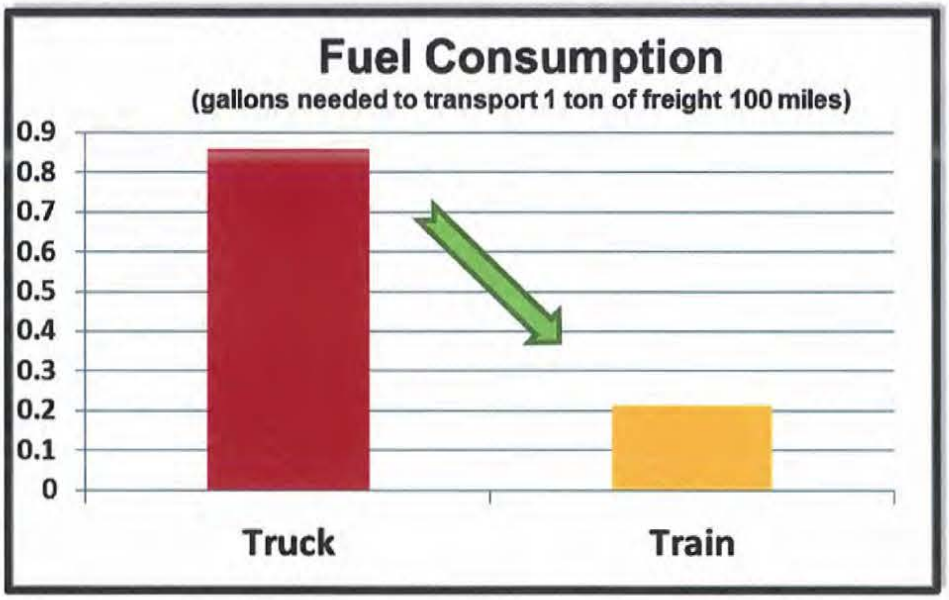
6 AAR, "Environment," https://www.aar.org/environment/Pages/default.aspx#.Urh_lfRDuHI (average of 476 miles in 2012).

7 "Rail Benefits," http://gorail.org/rail-benefits/environment/.

8 American Association of Railroads, https://www.aar.org/environment/Pages/default.aspx#.Urh_lfRDuHI.

FIGURE 4
FUEL CONSUMPTION



Environmental Benefits. Shifts in truck traffic from the highways to rail intermodal would also contribute meaningfully to a reduction in greenhouse gas emissions. Because such emissions are directly related to fuel consumption, moving freight by rail instead of truck reduces greenhouse gas emissions by 75 percent. As shown in Figure 5 below, trains emit approximately 5.4 pounds of carbon dioxide per 100 ton-miles compared to 19.8 pounds for over-the-road trucks. Even a ten percent shift of truck-based freight to rail would save 11 million tons of greenhouse gas emissions annually, a reduction in total transportation-related emissions of nearly one percent.[9]

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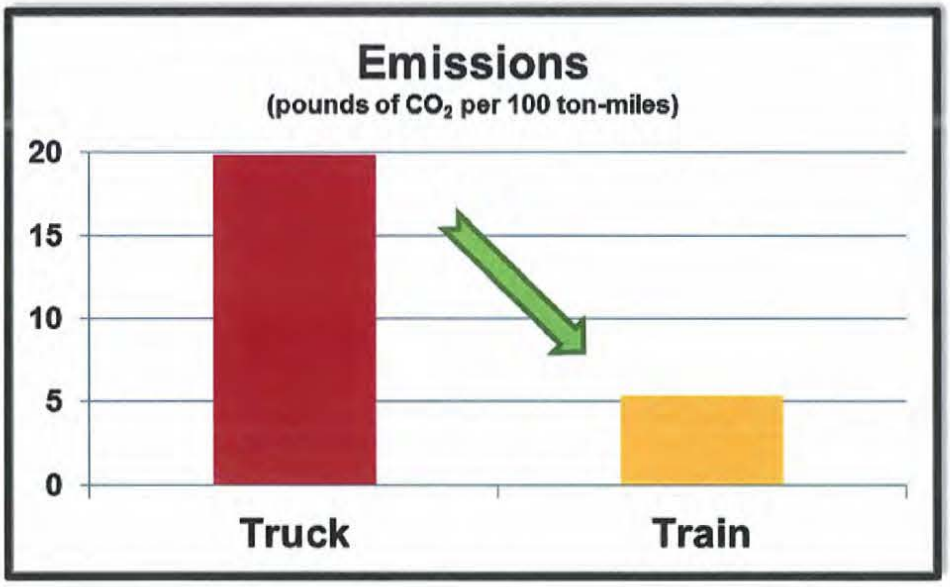
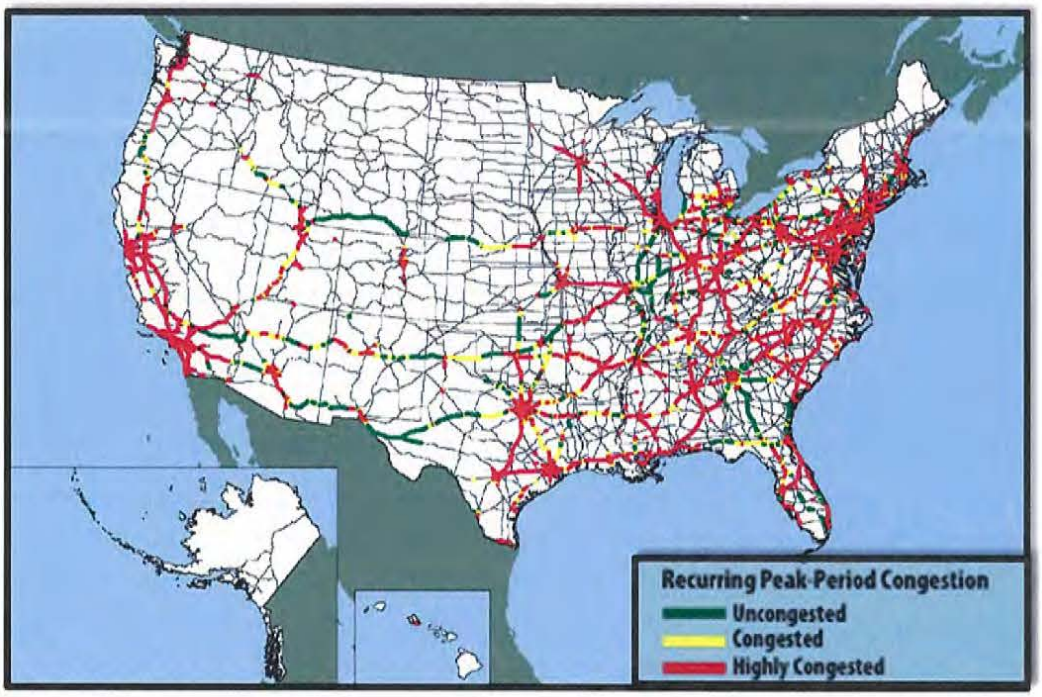
[9] *See* AAR, "Freight Railroads Help Reduce Greenhouse Gas Emissions," https://www.aar.org/keyissues/Documents/Background-Papers/Freight-RR-Help-Reduce-Emissions.pdf; EPA, "Transportation Sector Emissions," http://www.epa.gov/climatechange/ghgemissions/sources/transportation.html.

FIGURE 5
EMISSIONS



Productivity Benefits. The widely-recognized pressures on our Nation's highway infrastructure are expected to grow with continued increases in truck traffic. Crippling congestion is likely unless the capacity of the Nation's highways is expanded rapidly and at extraordinary cost. The American Association of State and Highway Transportation Officials in 2011 projected that the intercity over-the-road trucking business segment for which rail intermodal provides a viable option will grow 37% by 2024. This is the equivalent of adding more than one additional truck for every three trucks on the road today. The Federal Highway Administration predicts extraordinary congestion by 2035 absent massive investments to expand the network, as shown in Figure 6 below.

FIGURE 6
HIGHWAY CONGESTION



In 2011, the Texas Transportation Institute estimated that congestion on America's highways cost over $121 billion, squandering over 5.5 billion hours of otherwise productive time and wasting over 2.9 billion gallons of fuel.[10] Shifts of truck traffic from highways to rail intermodal promise to help alleviate the productivity losses associated with congestion.

Infrastructure Investment Savings. Shifting freight to rail intermodal will also help avoid the many billions highway infrastructure spending needed just to maintain the existing system, much less expand it to handle growing truck volumes. The United States already spends over $70 billion annually to build and maintain roads and bridges,[11] and with the heaviest vehicles

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10 "Annual Urban Mobility Report," http://mobility.tamu.edu/ums/.

11 *See* Disbursements for State-Administered Highways, http://www.fhwa.dot.gov/policyinformation/statistics/2010/sf4.cfm.

causing the greatest wear, infrastructure costs will increase dramatically if over-the-road trucking grows as expected.[12]

C. TTX Should Be Reauthorized to Unlock These Benefits

As I have explained above, TTX's intermodal flatcar pool has been an important factor in fostering the pro-competitive growth of rail intermodal transportation options for the shipping public, but only with the Board's reauthorization can the pool continue to play this role. And reauthorizing TTX's flatcar pool is necessary to enable the rail industry to meet the many challenges posed by the need to expand intermodal capacity to support the dramatic growth in intermodal traffic that this Nation needs.

I urge the Board to reauthorize TTX's flatcar pooling agreement for an additional 15 years to insure the continued pro-competitive growth of the rail intermodal transportation system.

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[12] *See* "What Can Be Done to Enhance HVUT Revenues," http://www.fhwa.dot.gov/policy/091116/03.htm.

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) **SS**
COUNTY OF PHILADELPHIA)

George C. Woodward, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true and correct as stated therein.

George C. Woodward

NOTARIAL SEAL
DONNA H DEAL
Notary Public
PHILADELPHIA CITY, PHILADELPHIA CNTY
My Commission Expires Jul 18, 2015

Sworn to and subscribed before me
this 14 day of January, 2014.

Notary Public

My commission expires 7-18-15.

TAB P

STATEMENTS SUPPORTING
UNCONDITIONED APPROVAL OF THE APPLICATION
(AS OF JANUARY 16, 2014)

SUPPORTER

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
AMERICAN CAST IRON PIPE COMPANY
AMERICAN WIND ENERGY ASSOCIATION
AMSTED RAIL COMPANY
APL LOGISTICS
BNSF LOGISTICS
C.H. ROBINSON
CANADIAN TIRE CORPORATION
CHATHAM STEEL CORPORATION
DEERE AND COMPANY
EVRAZ NORTH AMERICA
GENERAL MOTORS
GEORGIA PORTS AUTHORITY
GEORGIA-PACIFIC
GLOVIS AMERICA
HAPAG-LLOYD
HOME DEPOT
HUB GROUP
HYUNDAI INTERMODAL
INTERMODAL ASSOCIATION OF NORTH AMERICA
JB HUNT TRANSPORT
"K" LINE AMERICA
LOGISTICUS PROJECTS GROUP
LOWE'S
MAERSK LINE
MAMMOET USA
MARITIME WORLD LOGISTICS
MINER ENTERPRISES
MOL (AMERICA)
MORTON MANUFACTURING COMPANY
NISSAN NORTH AMERICA
PENNSY CORP.
PHOENIX BEARINGS

SUPPORTER

PLUM CREEK MARKETING
PORT AUTHORITY OF NY&NJ
PORT MIAMI
PORT OF LONG BEACH
PORT OF LOS ANGELES
PORT OF SEATTLE
PORT OF TACOMA
R.H. LITTLE COMPANY
RAIL EXCHANGE
ROSEBURG FOREST PRODUCTS
SCHNEIDER NATIONAL
SOUTH CAROLINA STATE PORTS AUTHORITY
SPX TRANSFORMER SOLUTIONS
STANDARD STEEL
SWIFT TRANSPORTATION COMPANY
TIMKEN COMPANY
TOYOTA LOGISTICS SERVICES
TRANSPORTATION COMMUNICATIONS UNION/IAM
UNIVERSAL WAREHOUSE CO.
WABTEC CORPORATION
WERNER ENTERPRISES

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
ONE CIVIC PLAZA, SUITE 350, CARSON, CALIFORNIA 90745 - TEL. (310) 233-7480 • FAX (310) 233-7483

November 25, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is John Doherty and I represent the Alameda Corridor Transportation Authority (ACTA) as its Chief Executive Officer. I have 45 years of experience in the transportation industry and I have been with ACTA since 1995, holding various positions in engineering and management before being named CEO in 2003.

ACTA is a joint powers authority under California Law, officially established in 1989 by the City of Los Angeles and the City of Long Beach for the purpose of planning, funding, constructing, and operating the Alameda Corridor, which is a rail corridor between Class 1 railroad mainlines located just east of downtown Los Angeles and the ports (approximately 20 miles to the south). Opened in 2002, the line now sees 45 trains per day and we estimate the corridor will handle 4.3 million TEUs in 2013.

Planning for the ACTA began in 1981, in response to growing concerns about the ability of the ground transportation network to handle ever increasing levels of imports and exports through the ports of Long Beach and Los Angeles. Together the ports of Los Angeles and Long Beach handle over 40% of US waterborne imports and over 25% of US exports. About half of that volume moves by rail to and from all points east of the Rockies.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because it will strengthen the intermodal transportation system that we serve.

Some of the benefits we see from TTX include:

Benefits from TTX Investment in Equipment: TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in eras of high demand on railroad, port authority and other governmental agency capital.

Benefits from TTX Management of a Pooled Fleet: The availability of a shared pool of intermodal cars ensures that, whichever railroad is serving the port or our regions, it will have access to a supply of railcars that meet intermodal shippers' needs, particularly double-stack cars with 40-foot wells. The TTX pool ensures that railroad and port terminals remain as fluid as possible, rather than being tied up by switching of cars of different ownership.

Benefits in Promoting Growth of Intermodal Traffic: Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy productive economy. Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our local roads and national highways, and TTX's flatcar pool is the base upon which rail intermodal's success is built.

In conclusion, the southern California ports heavily compete for container traffic and TTX is critical to our mission. Accordingly, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Alameda Corridor Transportation Authority

John T. Doherty, P.E.
Chief Executive Officer

December 2, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Scott Norton and I currently hold the title of Director of Traffic and Transportation for American located in Birmingham, Alabama. I have a degree in Logistics from Auburn University as well as a MBA from Samford University. Throughout my tenure at American I have worked in various capacities in our Traffic Department for over twenty five years. As a general statement, our Traffic Department is responsible for the safe and efficient movement of material to our customers. Also, due to the competitive nature of our business, our costs must be managed as closely as possible.

American has two separate commodities that we ship from our Birmingham, Alabama facility. The first is electric resistance welded (ERW) steel pipe which is used for the oil and gas industry. The second product shipped from Birmingham is ductile iron pipe which is used in the transport of water and sewerage. We have a second facility which is located in Columbia, South Carolina. This facility produces spiral welded pipe that is used for the water and sewerage industry as well. Our market is not only domestic, but international as well.

At American we utilize rail for a large portion of our business that is shipped. Of the products previously mentioned, when we rail, we utilize TTX 89' flat cars exclusively. Volumes over the past few years have averaged approximately 3,500 – 4,000 cars annually. We have nine distribution centers that we rail to throughout the county for our ductile iron pipe. As for the ERW steel pipe, this material is shipped to various rail sidings throughout the country according to the customers needs. Without rail transportation and proper equipment supply we could not compete in other parts of the country due to our competitions plant locations.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely heavily on the smooth functioning of the TTX flatcar pool for the continued growth and success of our business. Listed below are some benefits experienced by American given the current operation of the TTX pool concept.

American is served by three class 1 railroads. (BNSF, CSX and NS) Each of these railroads utilizes various quantities of TTX 89' flat cars. At times one of the railroads may be in short

or tight supply of 89' flat cars. Because of the pooled car fleet concept, along with the railroads help, this allows American to pull cars from one railroad to another in order to meet our demands when supply may be short. This makes for better utilization of the 89' pipe fleet and cuts down on congestion and storage issues for those that might be long on equipment.

If this pool concept were not in place, each railroad would need to lease/own cars according to the needs of those customers that they directly serve. Due to the project oriented concept, particularly for ERW pipe, this would lend itself to a feast or famine utilization of equipment. A pool of shared flatcars ensures that cars can move freely across the rail network and are available for shipments on all railroads in all lanes.

American has also worked with TTX to have an on-site repair facility in order to help facilitate optimal utilization of equipment should repairs become necessary on the flat cars. TTX's proactive and efficient maintenance practice makes their equipment more dependable and allows the rail network to operate more reliably, thus lowering our company's costs from delays due to sub-standard equipment.

Regarding innovations, American has been involved in a number of projects with TTX regarding the designing and/or refining of their existing fleet of cars. These improvements were done in conjunction with the American Association of Railroads (AAR) in order to better assist the railroads in the handling of pipe throughout the country. Again, the pool car concept allowed a quick fix once the problem was identified and a solution was found. This would have been appreciably more difficult given a wide range of suppliers and equipment types.

TTX is a proven innovator in flatcar design, with extra incentives to take advantage of the flexibility and efficiencies of its network-wide scope. The new 100 N.T. capacity 89' flat car allows multiple commodities to be shipped which again contributes to less rail ownership in equipment and a more fluid flow of needed equipment across the rail system.

Again, we support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. This fleet is vital not only to American, but pipe shippers as well across the country.

Sincerely,

R. Scott Norton
Director of Traffic and Transportation

November 26, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Amanda Fortner. I am Member Services Coordinator for the American Wind Energy Association (AWEA). I have held this position for two years and have been involved with wind energy transportation for over 5 years.

The American Wind Energy Association (AWEA) is the national trade association for the U.S. wind industry – the country's fastest growing energy industry. Our members are wind power project developers and parts manufacturers; utilities and researchers. Wind energy manufacturers across North America require railcars that can move across the railroad network without restrictions in order for components such a wind turbine towers and blades to reach their destinations in a safe and efficient manner.

TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained flatcars. Leading up to the December 31, 2012 expiration of the Production Tax Credit (PTC), TTX nearly doubled the size of its wind energy fleet to ensure adequate capacity would be available to handle the incredible surge in demand for wind energy shipments.

We understand that TTX is seeking reauthorization of its flatcar pooling authority. Pooling authority is important to the wind industry because it allows for capital avoidance, less cost, and shared risk, which all benefit the wind industry by allowing it to cost-effectively gets its products to market.

Sincerely,

Amanda Fortner
Transportation and Logistics Working Group - AWEA

Amsted Rail Company, Inc.| 311 S. Wacker, Suite 5300, Chicago, IL 60606
(312)922-4507 tel | (312)922-4517 fax | www.amstedrail.com

January 13, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is John Wories, President of **Amsted Rail Company Inc.**, a Chicago, Illinois based component supplier in the railroad industry. I have been a railroad industry employee for more than 40 years all with the same organization and have held various positions from operations to purchasing and various executive positions leading to my current role.

Amsted Rail's business is largely focused on the processing and production of highly technical steel-based products that include high levels of "value add" to ensure safety, performance, and reliability as related to Railcars and Locomotives. Our products are purchased by a wide array of companies including Railroads, Railcar Manufacturers, Leasing Companies, Private Producers/Shippers, and some Passenger related companies.

We have multiple manufacturing facilities spread across in ten (10) states here in the U.S. that employ nearly 4,000 people. Many of our products contribute to the safety and reliability of our Railroading industry including railway wheels, tapered roller bearings, railway axles, cast steel railcar trucks, and many other key products responsible for the ride quality of railcars. Amsted Rail's multiple divisions have more than 100 years of technology contributions to our industry and we are proud of the role we play in supporting its growth.

Growth in railroad freight transportation means continued job growth and more importantly long term financial security for our employees as we are an ESOP structured organization. However, it is not just our company that benefits from the trickle-effect of TTX's success. How we view the role TTX plays in our industry is their concerted effort to ensure that all facets of our market have an opportunity to collective and creatively benefit from shifts in modal share to Rail. TTX has done an excellent job in taking a leadership role in providing levels of stability to the entire supply chain for decades, ensuring opportunities are available by:

- Acquiring new railcar assets such as flat cars
- Aiding repair shops to maintain work for their employees,
- Providing business volumes that allow us to retain as many employees as possible during downturns in the economy.

AmstedRail Amsted Rail Company, Inc.| 311 S. Wacker, Suite 5300, Chicago, IL 60606
(312)922-4507 tel | (312)922-4517 fax | www.amstedrail.com

Our position as it relates to TTX's request for reauthorization of its flatcar pool is that at times it's been the life-blood in keeping various suppliers and rail shop operators in demand; enough so, that a portion of the financial health of our industry has been able to weather some tough economic periods. The strategic role TTX plays would be very difficult to duplicate given 1) the ownership profile of TTX and the concerted effort to support intermodal freight volumes and 2) the years of hard work to create the type of business model they have today. If the reauthorization of the flatcar pooling is not extended it could lead to a weakened financial position for many rail-related companies due to the creative acquisitions and capital programs that sustain portions of our industry.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority because it will continue to strengthen intermodal transportation in an area from which many participate and benefit. Additionally, their role of assisting in the shipment of newly manufactured automobiles is crucial to the resurgence of North Americas manufacturing prowess.

The following list supports many of the key reasons why we have taken this position:

- ✓ TTX maintained investment in domestic intermodal cars during the downturn in international shipping.
- ✓ TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply so that this vital need is not underserved in an era of high demand on railroad capital.
- ✓ TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained railcars, thereby providing component demands in years when car builds are minimal.
- ✓ Intermodal transportation has grown dramatically, and its future expansion is critical to our growth expectations.
- ✓ TTX's flatcar pool is the base upon which rail intermodal's success is built.

Thank you for your consideration of this matter.

Sincerely,

John Wories

John Wories
President

December 13, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is David Howland and I am Vice President-Land Transport Services for APL. APL is one of the world's largest steamship lines with operations throughout Asia, Europe and North America. The APL family handles over 3.0 million annual containers world-wide with a myriad of goods for thousands of different customers. My role at APL is to manage the sales, marketing and operations of our North American land-based network.

My background in the intermodal market is extensive; it is this background that allows me to comment on TTX's value from multiple perspectives. I have been at APL, an international freight company, for nearly 4 years. Prior to APL I was Vice President of Intermodal Operations for Schneider National, with increasing levels of responsibility, in a career of over 8 years. At Schneider, we developed a successful intermodal service to extend a product line that revolved around a trucking operation. Prior to Schneider, I was Vice President and General Manager-Rail for C.H. Robinson where I directed all rail activity for over 5 years. My roots are in rail – my career at Burlington Northern Railroad and BNSF Railway spanned 26 years. During this time I had ever increasing levels of responsibility over intermodal fleet and terminal operations, sales and marketing, and rail operations. In each of these roles I relied heavily on TTX's equipment and benefited from TTX's pool.

A key part of APL's North American network is the intermodal rail operation -- annually we ship over 100,000 loads. APL's intermodal footprint covers the inland portion of international moves as well as pure domestic freight for our APL Logistics arm. The reach of our operations is wide, covering freight originating on the U.S. West Coast, the U.S. East Coast, Canada and Mexico. On any given day we handle imported electronics from Los Angeles, exported grain from Iowa,

APL Logistics
16220 North Scottsdale Road
Suite #300
Scottsdale, Arizona 85254
www.apllogistics.com

Part of the NOL Group

appliances from Mexico, and a myriad of other freight in many industries. Domestic traffic moves in our APL-marked 53-foot domestic containers, in our ocean-going 20, 40, and 45-foot containers, and in containers we might ship using other provider's equipment.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Our reliance on TTX is significant:

- At APL Logistics we offer a diverse network of origins and destinations. Having equipment available at any origin is critical. We know that TTX's fleet free-flows throughout North America and can be distributed to handle any need that we might have throughout the U.S., Canada, and Mexico.

- TTX has kept pace with our quickly growing domestic container industry with 53-foot double-stack railcars. They efficiently transitioned from the once-standard 48-foot well to the now-standard 53-foot well without causing our company any set-backs.

- Our domestic customers rely on the consistent availability of rail equipment in order to compete with over-the-road services. Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment has occurred more rapidly in response to market demands.

- Our international customers expect that freight will move smoothly and quickly from dock to rail regardless of the port of arrival. The availability of a shared pool of intermodal cars ensures that, whichever railroad we use, and whichever lanes we use, we will have access to a supply of railcars that are tailored to our needs, particularly double-stack cars with 40-foot wells.

- TTX has made the international product more efficient by responding to rapid shifts in equipment demand with increased investment. Over the last decade, TTX has cut down thousands of 48-foot intermodal cars to more efficiently handle the 20-foot and 40-foot containers used in international shipping.

- At APL we provide transloading services for our international customers as well as inland transportation of international containers. This means that we can offer the choice to our customers of either domestic or international containers knowing that TTX has provided sufficient capacity for both products and is nimble enough to keep pace with our changing needs as the volume of transloaded business ebbs and flows.

- TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in eras of high demand on railroad capital.

- Some other comments on TTX:

    - The TTX pool eliminates car supply issues as a possible impediment to pursuing traffic opportunities in competition with trucks.
    - The TTX pool of intermodal railcars moves across the railroad network without restrictions.
    - The TTX pool accommodates seasonal, competitive, and other shifts in demand for intermodal flatcars.
    - The size of TTX's fleet and its ability to move flatcars among rail carriers has allowed us to expand our business, relying on TTX's ability to fill the need for flatcars.
    - The TTX pool ensures that railroad terminals we use remain as fluid as possible, rather than being tied up by switching of cars of different ownership.
    - TTX's fleet is high-quality and well-maintained.
    - TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably, lowering our company's costs from delays due to malfunctioning equipment.

Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy, productive economy. TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic. Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our nation's highways. TTX's flatcar pool is the base upon which rail intermodal's success is built. The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will increase our company's ability to operate successfully.

APL fully supports a fifteen-year extension of TTX's pooling authority to ensure that the company will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

David Howland
Vice President, Logistics

BNSF LOGISTICS™
Yeah, We Can Do That.

December 6, 2013
Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 East Street S.W.
Washington, DC 20423

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

BNSF Logistics, LLC is a freight forwarding company that, beyond normal flatcars, requires the usage of 4-, 8- and 12-axle railcars to transport power industry equipment. Over the past 10 years we have moved over 1,000 power transformers that have impacted the availability of electricity in all 50 states.

I have been in the heavy lift industry for the past 20 years and have seen continued growth in the need for the heavy duty car industry. The Department of Energy has produced a report that states the power industry will continue at its current need for power transformers until the year 2020. This means that the need for heavy duty flatcars will remain until that time.

BNSF Logistics, LLC provides transportation requirements for all major power distribution manufacturers including, but not limited to, HICO, Hyundai, Siemens, SMIT and Alstom.

Due to the requirements of most State Departments of Transportation, the only way to transport many of the power transformers is by the use of rail transportation. Providing this rail transportation requires the use of heavy duty depressed and flatcars. Without these railcars there would be hardships for all utilities. In 2013, we transported over 130 power transformers within the US and 90 percent of these were transported on rail. In 2014, we are anticipating over 150 transformers will be moved.

I understand TTX is seeking reauthorization of its flatcar pool. From our point of view, it is critical that this be granted to meet the needs of the power industry. We strongly support an extension of TTX's flatcar pooling authority because we rely on the continued availability for the growth and success of the power generation industry.

Sincerely,

Justin H Gilmet
Vice President / Branch Manager
BNSF Logistics, LLC

CANADIAN TIRE

November 14, 2013

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

Re: Finance Docket No 27590 (Sub-No. 4)
TTX Company- Application for Pooling Reauthorization

Dear Ms. Brown:

Regarding TTX's request for reauthorization, our position has not changed from our 2004 position. We recommend your approval to their application to extend TTX's flatcar pooling authority.

Canadian Tire is Canada's largest importer and North Americas 24th largest importer. We import 60,000 Twenty Foot Equivalent units (TEU's) into Vancouver, Halifax, Los Angeles and New Jersey yearly. Our goods movement is planned and predicated on minimizing cost as well and GHG emissions. That being said a significant channel of transportation is via the rail intermodal network in Canada as well as inbound from the US.

We have 6,000 53' domestic containers in our network. The benefits of a single shared pool managed by TTX, enables seamless movement across all rails in all lanes. Rail movement reduces over the road congestion and aligns with our internal environmental strategies. Canadian Tire has been recognized for their commitment to Green Initiatives and Green Initiative reporting.

Intermodal transportation benefits the North American economy and environment. A shared equipment pool as opposed to private pools independently managed, is an enabler to grow this channel. In conclusion, we reiterate our support for TTX's application for a 15 year extension of its pooling authority to ensure the continued proper management of an economical and sustainable flat car service.

Sincerely,

Neil McKenna
VP Transportation, Canadian Tire
(B) 905-792-4988
(C) 416-996-2536

CANADIAN TIRE CORPORATION, LIMITED
2180 YONGE ST. P.O. BOX 770, STATION K, TORONTO, ONTARIO, CANADA M4P 2V8
TELEPHONE 416 480-3000 FAX 416 544-7715

C.H. ROBINSON
www.chrobinson.com

January 7, 2014

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

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

TTX Company – Application For Pooling Reauthorization

C.H. Robinson is one of the nation's largest Third Party Logistics providers with over 175 offices across the United States. As a mode neutral transportation provider, we are also one of the nation's largest IMC's. We are a Fortune 250 company with annual revenues of more than $12 billion serving manufacturing, retail and wholesale customers of all types across the economic spectrum.

C.H. Robinson routinely flexes capacity between truck and rail based on continuously changing market conditions and we rely on a strong rail system to meet our customers' needs and manage cost and service levels. One key component the industry has relied on is the flatcar pooling services provided by TTX.

C.H. Robinson fully supports the TTX application for pooling reauthorization. We fully appreciate the significant investment TTX has made in flatcars in order to keep rail service levels high by providing well maintained equipment to the industry. We strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Phil Shook
Director of Intermodal
C.H. Robinson

Chatham Steel
corporation

January 8, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

On behalf of Chatham Steel, I am writing to you in support of TTX and their application for pooling reauthorization. I have been President of Chatham for the past year. Previously, I was employed by Liebovich Brothers Inc. in Rockford, IL for nearly 30 years, most recently holding the position of Executive Vice President.

Chatham Steel is a metals service center providing materials, processing and service to a variety of industries. Headquartered in Savannah, GA, Chatham has five divisions in the southeast providing jobs to 266 employees. In addition to the home base in Savannah, locations include Durham, NC, Columbia, SC, Orlando, FL and Birmingham, AL. Chatham provides raw material and processed parts to TTX. Our industry also benefits from steel products shipped by rail from producing mills across the country to our individual locations. Products are shipped via flatcars and covered gondolas, so availability of the pool of cars required is important to our company.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority as we believe that it will strengthen the intermodal transportation system in which we participate. In addition, as a customer of Chatham, TTX purchases raw material and processed parts to maintain and modify the pool of cars that it owns. These purchases are very important to our business. TTX is also an important customer because of their Supplier Excellence Council (Committee), known as SECO. The SECO process provides us with opportunities to evaluate our product performance and ensure that the bar is set to providing the highest quality of products and processing. In conjunction with our ISO and ASME Nuclear certifications, SECO helps Chatham to be a world class supplier of metals goods and services.

TTX's ability to achieve operational and maintenance savings creates lower car costs. As these lower costs are passed on to our suppliers that utilize rail transportation, intermodal transportation remains a competitive option to shipping by truck.

We consider approval of TTX's application to be of critical importance to the continued growth and success of our business.

Sincerely,

Jerry Rooney
President
Chatham Steel

Chatham Steel
corporation

Deere & Company
3400 80th St Moline, IL 61265 USA

Michael Heckart
Manager, NA Strategic Sourcing
Worldwide Logistics

11 November 2013

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

Re. Finance Docket No. 27590 (Sub-No. 4)
TTX Company-Application For Pooling Reauthorization

Dear Ms. Brown

My name is Michael Heckart and I am the Manager of North American Strategic Sourcing for ground transportation for Deere & Company. I am responsible for all John Deere modes of ground transportation within North America. John Deere is a world's leader in Agricultural, Construction and Consumer equipment. I have been in the logistics industry for over 20 years and in my current position for over 5 years.

Today, John Deere relies heavily on the rail car transportation to move our complete good shipments from our Midwest and southeast factory locations to all the major ports of exit from Baltimore to Seattle and throughout North America to our John Deere dealer locations. John Deere relies heavily on the availability and usage of 60' and 89' flat cars.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the expected growth and success of our business.

Benefits from TTX investment in equipment: TTX facilitates continuing investment by the U.S. railroad industry in flatcar equipment supply.

- TTX's investment in a shared fleet of chain tie-down, and other flatcars provides a critical resource ensuring that car supply issues do not prevent us from shipping our products.

Benefits from TTX management of a pooled fleet: A pool of shared flatcars ensures that cars can move freely across the rail network and are available for shipments on all railroads in all lanes.

- We have benefited from TTX's ability to redeploy its flatcars for loading by any railroad anywhere in the continent; this flexibility makes cars less risky to own and helps ensure that cars are available when new shipping needs emerge.

Benefits from TTX's efficient and high-quality maintenance: TTX provides high-quality, well-maintained flatcars and maintains them efficiently.

- TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained flatcars.

- ❖ TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably, lowering our company's costs from delays due to malfunctioning equipment.

- ❖ By maintaining its cars to achieve a high degree of reliability, TTX contributes substantially to the efficiencies of railroad transportation.

Benefits from TTX's research and design activities: TTX has worked with car builders, parts suppliers, and shippers to develop new equipment types and improve the performance of existing flatcars in its fleet.

- ❖ We have benefited from TTX's investments in alterations to cars to allow them to meet new or evolving needs; for example, TTX's conversion of older 89-foot flatcars to carry shipments of John Deere Tractors.

TTX does not foreclose any other equipment supply options: If other equipment supply options – such as car leasing – could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

In closing, TTX is a key source for our continued success as we expand markets and look for non-trucking modes to move our product. We support TTX's application for a fifteen – year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. We consider approval of the TTX application to be a critical importance to the continued growth and success of our business.
Sincerely,

Michael Heckart
Manager, North American Strategic Sourcing

15 Nov. 2013

EVRAZ

Charles R. Black
Director, Transportation
phone: 312-533-3530
email: charlie.black@evrazna.com

December 5, 2013

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

Subject: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is Charles R. Black and I am the Director, Transportation for EVRAZ North America a manufacturer of steel products including long products (rail, rod and bar), tubular products (a large variety of large diameter pipe, oil country tubular goods, seamless pipe, etc.), and plate and coiled steel for numerous applications. I have worked in the transportation and logistics field since 1991, including several years spent as an employee of a Class I railroad.

EVRAZ North America's success is highly dependent upon rail transportation due to the very dense nature of our products, long distances to many of our markets, and sometimes due to the large dimensions of some of our products. In addition to other car types, our company utilizes many types of flat cars in our daily operations:

- We ship plate on chain tie-down flat cars from our Portland, OR mill to our pipe manufacturing facility in Camrose, AB, and to outside customers located in the western United States but also to other US regions as well as Canada and Mexico.
- As the largest North American manufacturer of large diameter pipe, we use pipe flat cars to ship from our facilities in Portland, OR and Regina, SK to pipeline project destinations in western Canada, the Midwestern United States, the central plains, and other regions with active pipeline project work.
- We ship oil country tubular goods (OCTG) on standard and bulkhead flat cars to various distributors and end market user destinations to service energy companies.
- Some of our pipe travels on flat cars from our manufacturing facilities to vendors who apply protective coating in accordance with customer specifications.
- As the largest North American manufacturer of rail, our Pueblo, CO facility ships rail on "rail flat cars" all across North America, and also ships to ports to access ocean freight to export markets.

With so many of our supply chains, both external and internal, dependent upon the uninterrupted flow of products on flat cars, it is evident that flat car availability is important to

EVRAZ

EVRAZ North America. We believe TTX plays an important role in the industrial business segment by providing high quality, well maintained cars to shippers through the participating railroads.

These TTX cars are more likely than system equipment to have high utilization rates due to the free running nature of the equipment pools. Having at least a portion of their customers' equipment needs serviced by TTX pools instead of system equipment allows the railroads to mitigate risk of business cycles and seasonality. This, in turn, frees capital for more efficient use at the participating railroads. We believe the high utilization rates of the pools, and the mitigation of risk for the railroads, provides the best environment for industries such as ours to have adequate access to the equipment we need to run our businesses. This is why EVRAZ North America supports TTX's application for STB reauthorization of the TTX flatcar pool.

This fall, the flexibility of the TTX fleet enabled us to maintain our shipping schedule to one of our largest customers. TTX pipe flats were redeployed from UP lines servicing our Portland, OR mill to CPRS lines servicing our Regina, SK mill to meet the needs of surging demand from the Regina facility. The sharing of this fleet was made nearly seamless to us by the TTX pool and almost certainly was accomplished much more quickly due to the nature of the equipment pooling structure shared by the major railroads.

EVRAZ North America is in full support of the subject reauthorization as we see this as an important part of our rail transportation success. This helps us directly, where TTX cars are actually used in service of EVRAZ North America freight, and indirectly where we use system flat cars, but in an environment in which the TTX pools make the railroads' total investment in equipment more efficient. Thank you for your consideration of our interest in this docket.

Regards,

Charles R. Black

Charles R. Black
Director, Transportation

GM Global Purchasing and Supply Chain
30001 Van Dyke Avenue
Warren, MI 48090

November 27, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company - Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Bryan Burkhardt, Director – North American Finished Vehicle Logistics for General Motors. I have responsibility for getting all GM vehicles produced from our North American assembly plants to our dealers and customers.

We produce approximately 3.5 million vehicles annually in North America and over 70% are shipped via rail. Rail is our primary mode of transportation for finished vehicles and TTX plays a critical role in distributing railcars from the Reload pool to our assembly plants.

I understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Sincerely,

Bryan Burkhardt
Director, North American Finished Vehicle Logistics
General Motors

Georgia-Pacific LLC
133 Peachtree Street N.E
Atlanta, Georgia 30303

www.gp.com

December 16, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown,

Georgia-Pacific is one of the world's leading manufacturers of tissue, pulp, paper, packaging, building products and related chemicals, with nearly 35,000 employees. Georgia-Pacific LLC's annual expense for rail transportation exceeds $350 million dollars and is a vital part of our logistics network. The use of flatcars is integral to our rail transportation requirements and necessary to provide our products to our customers. In 2012, forty three percent (43%) of Georgia-Pacific's shipments requiring flatcars were on TTX equipment.

In support of the continued availability of flatcars and the efficient utilization of those cars throughout the railroad industry, Georgia-Pacific LLC supports the extension of TTX's flatcar pooling authority in Finance Docket No. 27590 (Sub-No. 4).

Sincerely,

Glen Courtwright

Glen W. Courtwright
Director Strategic Rail Operations
Georgia-Pacific LLC

Georgia Ports Authority

Telephone: 912.964.3811
Toll Free (in U.S.): 800.342.8012

P.O. Box 2406
Savannah, GA 31402
USA

John D. Trent
Senior Director of Strategic Operations and Safety

Email: jtrent@gaports.com
Call Direct: 912.964.3847
Fax: 912.963.5477

December 9, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is John Trent. I am Senior Director of Strategic Operations and Safety for Georgia Ports Authority (GPA) based in Savannah, GA. I have held this position for 5 years and have been involved with intermodal transportation for over 20 years.

GPA operates the fourth largest container port in the United States, handling nearly 3 million TEUs in FY 2013. We handle a wide variety of cargoes, and nearly 20% of our container volume moves by rail into or out of Savannah. GPA is poised for growth with the recent addition of four super post-Panamax container cranes. In addition, we are moving forward with deepening the Savannah River to 47 feet to more efficiently serve the growing demands of world trade. Rail is, and will remain, an essential link to our primary Southeast and Gulf service regions.

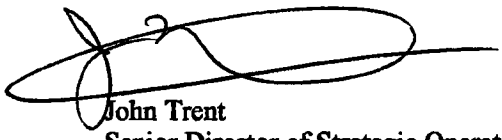
We understand that TTX is seeking reauthorization of its flatcar pool. GPA strongly supports an extension of TTX's flatcar pooling authority because we rely on the smooth functioning of the pool for the continued growth and success of our business.

It is essential that intermodal railcars be able to move across the railroad network without restrictions in order for our ocean carrier-partners to efficiently service their accounts. TTX further benefits GPA's stakeholders by:

- Providing pooled equipment that ensures railcar supply regardless of the rail carrier;
- Facilitating continuing investment in fleet capacity and maintenance, and assuming ownership risk to permit rapid responses to changing market demands; and
- Accommodating seasonal, competitive, and geographic demand shifts.

In conclusion, GPA strongly supports TTX's application for a 15-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,



John Trent
Senior Director of Strategic Operations and Safety

GLOVIS
AMERICA INC

January 13, 2014

Sent via FedEx

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Arthur Lim, director of operations for GLOVIS America, Inc. and responsible for the development and enforcement of operational & administrative processes, policies and procedures relating to the receipt, storage, processing, and physical distribution of our customers' new finished vehicles. I have a Bachelor of Science degree in Business Administration from California State University, Los Angeles specializing in Marketing and Transportation. I've held this position for over six (6) years and prior to that I worked with Nissan Motor Corporation U.S.A. and their logistics subsidiary in various progressively responsible logistics management positions with a total of 32 years in the automotive industry. GLOVIS America, Inc. is a wholly-owned subsidiary of Hyundai GLOVIS Co., Ltd. headquartered in Seoul, Korea. Our primary customers are Hyundai Motor America and Kia Motors America. The combined 2013 sales volume of both companies was 1.3 million new vehicles retailed in the U.S.

Our company maintains presence at six (6) U.S. ports of entry (West Coast @ 4 and East Coast @ 2) to receive, process and ship new vehicles arriving from assembly plants in South Korea. Of the four (4) West Coast ports, three (3) are heavily depended upon rail service to transport vehicles to the Midwest destinations. GLOVIS America also operates an inland processing center in Midlothian, Texas which receives 100% of their vehicles via rail service from the West Coast.

Additionally, GLOVIS America assumes care, custody and control of vehicles manufactured at our customers' auto assembly plants located in Montgomery, Alabama and West Point, Georgia. The two (2) locations transport approximately 65 percent of the newly manufactured vehicles via rail service to various destinations in the U.S. and Canada. On a combined, aggregate basis, GLOVIS America utilizes rail service for over 50 percent of all vehicles retailed in the U.S. by Hyundai and Kia.

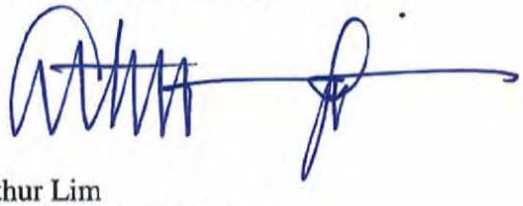
GLOVIS America, Inc., 17305 Von Karman Avenue, Suite 200, Irvine, CA 92614-0914
Phone: 714.435.2960

As you are aware, our vehicles are transported by rail in multilevel autorack railcars. Most autorack railcars consist of a TTX pooled flatcar which is mounted on a railroad-owned rack. To ensure equitability of use of these limited resources, TTX Company manages the Reload pool in North America. The Reload pool has for years relied on the investment by TTX in flatcars. TTX fosters the railroads' participation by supplying the underlying equipment and alleviating the burden of investment in those cars from the railroads.

We understand that TTX has applied for an extension of its flatcar pooling authority. We strongly support reauthorization of TTX's flatcar pool, because it will maintain the transportation system in which we participate.

Sincerely,

GLOVIS AMERICA, INC.



Arthur Lim
Director of Operations

GLOVIS America, Inc., 17305 Von Karman Avenue, Suite 200, Irvine, CA 92614-0914
Phone: 714.435.2960

Hapag-Lloyd

December 12, 2013

Hapag-Lloyd (America) Inc.
399 Hoes Lane
Piscataway, NJ 08854
Phone (732) 562-1800
Fax (732) 885-6132
www.hapag-lloyd.com

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am writing to you in support of TTX's application for a 15-year extension of TTX's flatcar pooling authority.

I am Director of Corporate Logistics for Hapag-Lloyd (America) Inc., headquartered in Piscataway, NJ. Hapag-Lloyd is a global transportation carrier that is heavily involved in the movement of containers to and from North America. We handle a wide variety of consumer and industrial goods, primarily between overseas locations and points throughout North America.

Rail-oriented intermodal is integral to our business activities in North America. Over 50% of our international container traffic moves via rail through the U.S. and Canada. We serve every major market in the U.S. and Canada by rail from many different ports. Hapag-Lloyd owns or charters the vessels it operates, but contracts with the railroads for services in the U.S. Railcar supply is a critical service component, as we offer a scheduled product that requires a reliable flow in order to support production line and distribution demands.

We understand that TTX is applying with the STB to extend its flatcar pooling authorization for 15 years. As in 2004, Hapag-Lloyd strongly supports an extension of TTX's pooling authority. A reliable, efficient supply of railcars is essential for our customer's supply chains and the stability of the intermodal product.

The TTX railcar pool has provided stability due to TTX's ability to react to rapid market demand shifts through effective fleet management and capital investment. TTX's structure ensures that cars flow freely between the railroads, car quality is maintained, and sufficient capacity is available to support fluctuating demand. Without a shared railcar pool, costs would rise, impeding the continued growth of intermodal transportation. More cargo would shift to the highway, increasing the cost of consumer products we use every day.

Hapag-Lloyd considers the approval of TTX's application to be of great importance to the continued growth of our business.

Sincerely,

Thomas Barattini
Director
Corporate Logistics

2455 Paces Ferry Road, S.E. • Atlanta, GA 30339-4024
(770) 433-8211

December 18, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Brad Kindschy. I am the Senior Logistics Analyst for The Home Depot USA Inc., responsible for all rail & intermodal operations & strategy. I have held this position for 5 years and have been involved with transportation and logistics for over 13 years. I am writing to convey my support the extension of TTX Company's flatcar pooling authority for fifteen years, in the proceeding referred to above.

The Home Depot (THD) is the world's largest home improvement specialty retailer, operating nearly 2,000 stores in the U.S., as well as substantial operations in Canada and Mexico. Additionally, the Company operates a comprehensive distribution center network to support fulfillment operations for those retail outlets.

The Company's supply chain activities require extensive use of intermodal and rail services and, by extension, TTX Company's flatcar pool. THD's containerized imports and domestic intermodal both utilize TTX intermodal doublestack equipment to our regional distribution centers. Also, TTX centerbeam flatcars are utilized for lumber shipments to our bulk distribution centers. Since 2004, our intermodal volume has grown 4,000%, reflecting both our business growth and a shift from truck to intermodal realizing both cost and environmental benefits. We are a top 5 intermodal beneficial owner with all US Class I Railroads and are the largest receiver of lumber products.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, as we rely on the smooth functioning of the TTX flatcar pool for the continued growth and success of our business.

Some of the benefits we see from TTX include:

Benefits from TTX Investment in Equipment: TTX has been able to respond rapidly to shifts in equipment demand with increased investment in and conversions of particular

equipment types. It is absolutely clear that TTX has supported the rapid growth of imports and intermodal over the past decade.

Benefits from TTX Management of a Pooled Fleet: The availability of shared pools of 40-ft international and 53-ft domestic intermodal cars, as well as centerbeam flatcars for lumber, ensure access to capacity regardless of which railroad we use and over which lanes we ship. This is a critical benefit to us as we need to know that we can reliably transport product to ensure it is where our customers can access it.

In conclusion, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Our intent to expand the use of rail intermodal makes it essential that TTX's application be approved.

Sincerely,

Bradley R Kindschy
The Home Depot
2455 Paces Ferry Rd SE, Atlanta, GA, 30339
Bradley_R_Kindschy@homedepot.com
770-433-8211 x85998

Hub Group

3050 Highland Parkway
Suite 100
Downers Grove, IL 60515

P 630.271.3600
F 630.964.6475
HUBGROUP.COM

December 13, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Mark Yeager and I am Vice Chairman of the Board, President and Chief Operating Officer of Hub Group, Inc. Hub Group is the nation's largest intermodal marketing company with annual revenues over $3 billion. We generate in excess of 800,000 intermodal shipments per year.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business. In addition, TTX facilitates continuing investment by the U.S. railroad industry in the intermodal equipment supply. We believe TTX's pooling arrangements are the foundation for an effective and efficient U.S. intermodal network.

TTX has continually demonstrated its commitments to provide a fleet of high quality, well-maintained intermodal cars. Their experience and expertise in maintaining this equipment ensures that our rail traffic moves with minimum disruption. TTX has worked well with us and others in developing new and improved intermodal equipment to meet our evolving needs.

In conclusion, we support TTX's application for a 15-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. We encourage your approval of the TTX application.

Very truly yours,

Mark A. Yeager

Kirk J Douglas
Vice President

Hyundai Intermodal Inc.
7701 Las Colinas Ridge, Suite 400
Irving, TX 75063
hikid@hii21.com
972 373-3217

November 25, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is Kirk J Douglas, I am Vice President, representing Hyundai Intermodal Inc., a transportation provider for Hyundai Merchant Marine (HMM). I have held this position for 9 years and have been involved with intermodal transportation for over 30 years.

HII's primary responsibility is to plan and execute all logistics operational functions of our steamship client, HMM. HII is one of North American railroads' largest international customers. In 2012 we spent over $300,000,000 for intermodal rail transportation.

Our company is heavily reliant on the North American railroads to provide inland transportation for our international intermodal cargo. The service our customers demand requires seamless and efficient rail operations. The ability to flow equipment between railroads is crucial. Without this capability, our customer base will not support the resulting delays and added cost.

As we did in 2004, Hyundai strongly supports an extension of TTX's flatcar pooling authority. Hyundai's reasons for supporting the pooling authority are, but not limited to the following:

- TTX facilitates continued investment by the U.S. rail industry in intermodal equipment.
- A single pool of shared intermodal railcars ensures that capacity can move freely across the rail network, and be available for shipments on all railroads and in all lanes.
- Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment can occur more rapidly in response to market demands.
- TTX's ongoing 48-ft to 40-ft well car conversion program has been of great benefit to the international shipping community and exemplifies the Company's commitment to be customer-responsive in the face of changing circumstances.

HYUNDAI
INTERMODAL, INC.

In conclusion, HII supports TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Kirk J Douglas, VP

Chairman
Phil Shook
C.H. Robinson

President and CEO
Joanne F. Casey

INTERMODAL ASSOCIATION OF NORTH AMERICA

January 10, 2014

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

RE: Finance Docket No. 27590 (Sub-No.4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

On behalf of the Intermodal Association of North America (IANA), I would like to encourage the Surface Transportation Board to reauthorize the flatcar pooling authority for TTX Company.

IANA represents the combined interests of over 1,000 intermodal freight transportation companies, including railroads, intermodal drayage and highway motor carriers, third-party logistics providers, ocean carriers and industry equipment and service suppliers. IANA promotes the benefits of intermodal freight transportation and encourages growth of the industry through innovation, improved service and operating efficiencies. Its members represent both customers and providers of intermodal services..

It is my understanding that TTX has applied for an extension of its flatcar pooling authority. IANA strongly supports the reauthorization of this authority. The intermodal equipment pool provided and managed by TTX is an integral part of the overall intermodal transportation system that the Association represents, and has been a major factor in the growth of domestic intermodal services in North America.

Specific benefits that are an outgrowth of the TTX flatcar pool include:

- Operating efficiencies and service enhancements resulting from increased equipment utilization;
- Facilitation and consistency in capital investment in intermodal equipment;
- Ability to take advantage of new technology and equipment innovations; and
- Increased intermodal line haul capacity, which in turn, reduces highway congestion and wear and tear of our nation's roads, while conserving fuel and being environmentally friendly.

Intermodal freight transportation continues to be one of the fastest growing segments of our country's transportation network. With cargo volumes projected to increase by at least twenty-five (25) percent in the next ten years, equipment pools, such as those operated by TTX, will be necessary to ensure that there is sufficient capacity to handle the growth in freight shipments, a large portion of which will travel in intermodal service on our nation's railroads. IANA, therefore, respectfully urges the Surface Transportation Board to approve the TTX application for a fifteen-year extension of its pooling authority.

Sincerely,

Joanne F. Casey

11785 Beltsville Drive, Suite 1100 ■ Calverton, MD 20705-4048 ■ Phone: 301-982-3400 ■ Fax: 301-982-4815
Email: iana@intermodal.org ■ Website: www.intermodal.org

J.B. HUNT TRANSPORT, INC.

December 2, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Terry Matthews and I am the President of J.B. Hunt Intermodal. I have worked at Hunt for over 27 years. Prior to my current appointment, I was the Executive Vice President of Sales of J. B. Hunt Transport Services, the parent firm. J.B. Hunt is one of the largest (if not the largest) Intermodal company in North America, and we ship over 1.5 million containers on the North American rail network. I am writing to support the Application by TTX Company to extend its Flatcar Pooling Authority in the proceeding referenced above for 15 years.

In 2004, J.B. Hunt was a strong supporter of TTX's reauthorization and at that time my predecessor, Paul Bergant wrote to the STB stating, "We generate approx. 750,000 intermodal rail car events per year with about 10 different railroads. Our expectation has been that when a load of our freight arrives at the railroads' terminal, there will be a flatcar waiting for it. Our expectations, over the last 15 years, have largely been met…Over these last 15 years, TTX has clearly kept its promise of providing a clean, up to date, and well maintained fleet of railcars."

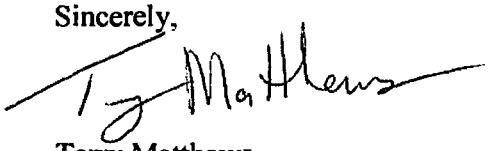
Since that letter was written a decade ago, J.B. Hunt's intermodal volume has nearly doubled (even during the "Great Recession" volumes increased) and TTX supported our growth and kept their promise of providing high quality, well-maintained cars in sufficient supply. We see that pool cars move across railroads (and international borders) without restrictions. Moreover, the availability of a shared pool of intermodal cars ensures that, whichever railroad we use, and whichever lanes we use, we will have access to a supply of railcars that meet our needs, particularly 53-foot double-stack intermodal cars. Also, the availability of a shared pool increases rail-to-rail competition by eliminating car supply issues as a possible impediment to service and competition.

Last, regarding TTX's research and design capabilities, we note that 10 years ago the 48-foot container was a large percentage of J.B. Hunt's container fleet, but we were rapidly replacing

them with larger 53-foot containers. Much of the freight we transport is relatively light and the larger cubic capacity of the 53-foot containers provides substantial benefits. To support this change, TTX stretched many of its 48-foot well cars to 53-feet, enabling us to become more efficient and better serve our customers. Clearly, TTX is willing to be flexible and tailor its fleet to the demands of the marketplace.

In conclusion, we expect continued strong growth in domestic intermodal traffic and TTX is of critical importance to J.B. Hunt. Accordingly, we ask for your approval of their application.

Sincerely,



Terry Matthews
President of Intermodal

TM:cg

"K" LINE AMERICA, INC.

8730 Stony Point Parkway, Suite 400
Richmond, VA 23235

December 9, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am writing to you in support of TTX's application for a 15-year extension of TTX's flatcar pooling authority.

I am Vice President Liner Operations & Product Management for "K" Line America, Inc., headquartered in Richmond, Virginia. "K" Line America, Inc. is a global transportation carrier that is heavily involved in the movement of containers to and from North America. We handle a wide variety of consumer and industrial goods, primarily between overseas locations and points throughout North America.

Rail-oriented intermodal is integral to our business activities in North America. Over 60% of our international container traffic moves via rail through the U.S. and Canada. We serve every major market in the U.S. and Canada by rail from many different ports. "K" Line America, Inc. owns or charters the vessels it operates, but contracts with the railroads for services in the U.S. Railcar supply is a critical service component, as we offer a scheduled product that requires a reliable flow in order to support production line and distribution demands.

We understand that TTX is applying with the STB to extend its flatcar pooling authorization for 15 years. As in 2004, "K" Line America, Inc. strongly supports an extension of TTX's pooling authority. A reliable, efficient supply of railcars is essential for our customer's supply chains and the stability of the intermodal product.

The TTX railcar pool has provided stability due to TTX's ability to react to rapid market demand shifts through effective fleet management and capital investment. TTX's structure ensures that cars flow freely between the railroads, car quality is maintained, and sufficient capacity is available to support fluctuating demand. Without a shared railcar pool, costs would rise, impeding the continued growth of intermodal transportation. More cargo would shift to the highway, increasing the cost of consumer products we use every day.

"K" Line America, Inc. considers the approval of TTX's application to be of great importance to the continued growth of our business.

Sincerely,

Dave Daly
Vice President Liner Operations & Product Management

LOGISTICUS
PROJECTS GROUP

VIKASH PATEL
PRESIDENT

20 WEST NORTH STREET
GREENVILLE, SC 29601

December 12, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Vikash Patel. I am President of Logisticus Projects Group. I have held this position since 2012 but have been involved with managing rail transportation for wind energy turbines and heavy cargo for over eight years. In 2012, I executed the largest Superload Transportation move in North American history. Over 20,000 Super-load cargos were individually transported from various origins via barge, rail and road to project locations across North America.

Prior to my career at Logisticus, I spent nearly 7 years working for GE Energy where I created the project cargo purchasing/delivery strategy for over 250 wind turbine projects and various other power projects with a yearly average spend of $300 to $500 million. TTX was a pivotal part of GE's success.

TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained flatcars. We have benefited from TTX's investments in alterations to cars to allow them to meet new or evolving needs; for example, TTX's conversion of older 89-foot flatcars to carry shipments of wind blades and towers. By maintaining its cars to achieve a high degree of reliability, TTX contributes substantially to the efficiencies of railroad transportation.

We understand that TTX is seeking reauthorization of its flatcar pool. Logisticus Projects Group strongly supports an extension of TTX's flatcar pooling authority because heavy cargo relies on the smooth functioning of the TTX flatcar pool to remain competitive in the United States. TTX facilitates investment in equipment that is vital to our business but might get overlooked by railroads given relatively infrequent use of heavy duty flatcars and other pressing investment needs.

In conclusion, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Respects,

Vikash Patel
President

December 17, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Kevin Perry and I am the Director of Inbound Transportation for Lowe's Companies, Inc. In this role, my responsibilities include managing our intermodal and railroad suppliers. Lowes operates over 1,750 home improvement stores in the U.S., Canada, and Mexico, selling appliances, hardware and tools, paint, lumber, interior decorations, plumbing supplies, lighting fixtures, and nursery products with annual revenues over $50 billion.

Lowe's freight spend exceeds $1 Billion annually for transportation and logistics services. Further, intermodal volumes have grown significantly since 2004, due in part to growth in shorter haul lanes, such as the Southeast to our Regional Distribution Centers in Pennsylvania, and I estimate that 40% - 50% of our total container and trailer miles move via rail. Lowe's also receives thousands of lumber carloads annually, and many of those loads use TTX centerbeams.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX pooled fleet for the growth and success of our business.

Some of the benefits we see from TTX include:

Benefits from TTX Investment in Equipment: Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment can occur more rapidly in response to market demands. Over the last decade, TTX has cut down thousands of 48-foot intermodal cars to allow the railroads to handle the 20-foot and 40-foot containers used in international shipping more efficiently. But more than that, many of our international shipments "transload" from marine containers into 53-foot containers at the ports and then ship inland by rail. Transloading improves our ability to place inventory where it is needed, and TTX's investment in 53-foot well cars helps Lowes (and many other firms in the retail industry) execute this logistics strategy.

Benefits from TTX Management of a Pooled Fleet: The TTX pool accommodates seasonal, competitive, and other shifts in demand for intermodal flat cars, which is very important given our shipping patterns. The availability of a shared pool of intermodal cars ensures that, whichever railroad we use, whichever lanes we use, and whichever container sizes we ship, we will have access to a supply of railcars that are tailored to our needs. Regarding our lumber shipments, the TTX centerbeam fleet has consistently been there to help us move lumber in an especially volatile market.

In conclusion, we strongly support TTX's application for a 15 extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Kevin Perry
Director, Inbound Transportation
Lowe's Companies, Inc.

MAERSK LINE

Maersk Line Agency
9300 Arrowpoint Blvd
Charlotte, NC 28273

Phone: 704-571-2000
maerskline.com

November 19, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Craig Mygatt, Senior Vice President of Country Operations for Maersk Line. I have 24 years experience with ocean shipping and have served as a Board member of Maersk agencies throughout the Americas. I have held this latest position for nearly 3 years and hold a Master of Science degree in Transportation from the University of Denver.

A.P. Moller - Maersk was established in 1904 and Maersk Inc was established in New York in 1943 as the General Agent in North America for the A.P. Moller-Maersk Group. Maersk Line is the container shipping segment of A.P. Moller – Maersk group handling over 600 vessels, of which the new 18,000 teu 'Triple E' ships are a part of. Maersk Line has over 3.4 million containers in the fleet and makes a port call every 15 minutes.

As part of the container shipping activities, Maersk Line serves the majority of significant cities in North America with 600,000 containers annually moving to inland destinations. We work closely with every class 1 railroad and collaborate with over 1,000 truckers. We serve important markets such as Chicago, Columbus, Ohio, Memphis, TN, Dallas, TX, Kansas City, Kansas, St. Louis, Missouri along with the port portfolio. We also have dedicated services and a U.S. Flag company, Maersk Line Limited, to serve the U.S. Government activities such as military goods, food aid and embassy stores.

Our rail cargo moves throughout the rail network with railcars primarily supplied and managed through the TTX pooling arrangements. With the volume handled through the Maersk Line activities, it is important that we have reliable, consistent, economical and an environmentally friendly service. TTX's management of the rail flatcar fleet is the best option in rail car management to support our achievement of these goals in rail transportation.

We understand that TTX has applied for an extension of its flatcar pooling authority. We strongly support reauthorization of TTX's flatcar pool, because it will strengthen the intermodal transportation system in which we participate.

The benefits we see include

MAERSK LINE

Maersk Line Agency
9300 Arrowpoint Blvd
Charlotte, NC 28273

Phone: 704-571-2000
maerskline.com

- TTX has been able to respond rapidly to shifts in equipment demand with increased investment in particular equipment types. Over the last decade, TTX has cut down thousands of 48-foot intermodal cars to more efficiently handle the 20-foot and 40-foot containers used in international shipping.
- Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment can occur more rapidly in response to market demands.
- TTX pool cars move across the railroad network without restrictions.
- The TTX pool accommodates seasonal, competitive, and other shifts in demand for intermodal flatcars.
- The availability of a shared pool of intermodal cars ensures that, whichever railroad we use, and whichever lanes we use, we will have access to a supply of railcars that are tailored to our needs, particularly double-stack cars with 40-foot wells.
- TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained intermodal cars.
- Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy, productive economy.
- Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our nation's highways.
- The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will increase our company's ability to operate successfully.

In conclusion, Maersk Line support's TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Maersk Line continues to see growth in the North American intermodal market and believe that TTX pooling is the best option to support the growth and management of rail flatcars.

Sincerely,

Maersk Line Agency North America

Craig Mygatt
Senior Vice President
Country Operations

MAMMOET

December 3, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown,

I am the Vice President of Rail for Mammoet USA. We transport large, heavy commodities and best serve our customers by managing how we move their products safely, damage free and on time. With smart solutions, we safely and professionally move deadlines forward, improve uptime and reduce cost of ownership. It is the challenge of pushing boundaries, creating new possibilities, and accomplishing the exceptional that moves us, as a team. While we transport many large and important products, the biggest thing we feel we move is time.

In North American, Heavy-Duty Railcars are those considered in excess of 4 axles with a combined capacity and tare weight greater than 286,000 pounds. Mammoet has a small fleet of Heavy-Duty Railcars with 8, 12, 18, 24 and 44 axles capable of carrying capacity from 200 to 1200 metric tonnes. The 18, 24 and 44 axle cars can be shifted horizontally and vertically which allows greater clearance opportunities when moving dimensionally-sized loads. All rail cars require a locomotive to pull and/or push cars from point to point.

Our rail department mostly focuses in the power generating and petro-chemical industries. We manage moves all throughout North America, as well as internationally between Europe, South/Central America, Asia and Australia. We utilize the heavy duty rail fleet for the majority of these shipments. This year alone we had over 100 shipments in rail.

With the highway infrastructure the way it is today, the use of rail has become more important than ever. In most cases it is physically impossible to move heavy loads over the roads. Environmentally speaking, it is much better to use the rail than transportation over the road.

Mammoet understands that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on smooth functioning of the TTX flatcar pool for the growth and success of our business and for our customers. We utilize the TTX pool for 90% of our shipments, keeping our small pool for small, time sensitive projects.

MAMMOET

Our Supporting reasons include:

- TTX facilitates continuing investment by the U.S. railroad industry in flatcar equipment supply. TTX maintains their own fleet.
  - ❖ TTX facilitates investment in equipment that is vital to our business but might get overlooked by railroads given relatively infrequent use of heavy duty flatcars and other pressing investment needs. Our main objective is safety, while saving our customers time and money. TTX facilitates this for us.
  - ❖ Heavy duty flatcars are used relatively infrequently and absent TTX individual railroads might not have incentives to invest in these cars on their own.
- Our customers range all over North America, therefore a pool of shared flatcars ensures that cars can move freely across the rail network and are available for shipments on all railroads in all lanes.
  - ❖ TTX's pool of heavy-duty flatcars provides an indispensable resource.
  - ❖ When we are done with a car, it can be sent on any railroad to anywhere in North America for the next load; this flexibility allows cars to remain in revenue service, which reduces the rates we must pay for our relatively infrequent movements. When Mammoet completes a job and releases the empty car, the car is able to be loaded anywhere in North America on any railroad by maximizing efficiency of the entire fleet.
- TTX's continuing maintenance program provides high-quality, well-maintained flatcars and maintains them efficiently.
  - ❖ TTX's proactive maintenance program makes the heavy duty fleet more dependable and allows rail networks to operate more reliably, lowering Mammoet's costs from delays due to malfunctioning equipment. Example: the maintenance program all but eliminates the risk of excessive car cleaning or rejecting the equipment due to a small maintenance issue.
- TTX does not foreclose any other equipment supply options: If other equipment supply options – such as car leasing – could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

In conclusion, Mammoet wholeheartedly supports TTX's pooling authority which widely benefits the industry and Mammoet's goals of safety, cost, and efficiency.

Sincerely,

James C. Hamilton
Vice President Rail
Mammoet USA
20525 FM 532
Rosharon, TX 77583

December 4, 2013

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

Fr:
Michael J. DiPenta
President
Maritime World Logistics Inc.
Dartmouth NS
Canada

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

Maritime World Logistics Inc. is a third party logistics company specializing in the transport of heavy cargo throughout NA. The core of our business, (in excess of 80%) we move by rail and have close relationships with all 6 North American class 1 roads as well as many class 2's and short line operators.

Prior to starting Maritime World Logistics I spent 25 years with CN Rail and for the majority of that time facilitating rail handling of project cargo was a major part of my responsibilities. My time filling this function pre-dates the era when TTX centralized the control of special heavy duty flats and each railroad maintained their own fleet. The reality of those days meant for the most part my job was complicated by the limitations of availability and lack of diversity of equipment type. Centralizing the control and responsibility for maintaining this equipment so that it is available throughout the US and Canada maximizes the efficiency and usefulness of the fleet. It expands the number and types of platforms available when and where they are needed.

I suggest that a flexible supply of special heavy duty rail flat cars is not only essential to my business but is an irreplaceable asset to both the US and Canadian economies.

For many reasons including constant demands to improve productivity, reduce costs, and reduce pollution while providing an ever increasing demand for cleaner and lower cost energy has resulted in a dramatically growing demand for machinery that is both increasingly large and heavy. This cargo no longer comes from a few manufacturers at fixed locations moving to limited and predictable destinations. The availability of rail equipment where and when it is needed reduces costs and improves the productivity of the transportation component.

Since our inception Maritime World Logistics has moved heavy lifts by rail throughout Canada and the US including Alaska; through every major port both import and export, all across Canada and most continental states. We have moved power generating equipment, cranes, excavators, foundation machinery, presses, pipe, mining equipment, oil rig and refining components, bridge components and heavy haul transporters and have used most of TTX's fleet at one time or another. A large part of the roll we play in improving the efficiency of moving this broad spectrum of machinery is finding the most effective equipment type for the

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176 Crichton Ave.
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B3A 3R5

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e-mail; info@mwlinc.ca

job to be done so I speak with all sincerity about the importance of having the right equipment available when and where it is needed.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority. Without any doubt the end of TTX's role in maintaining and distributing the fleet where and when it is needed would result in inefficiencies that would negatively impact the ability to move essential machinery and equipment and would have a major negative impact on my business, on rail handling in general and would down load costs to the mining, manufacturing, power generation and oil refining and exploration industries and through them to consumers throughout both countries.

Increasingly all six class 1 rail roads have become extremely efficient and profitable organizations. The cornerstone of their profitability has been a concentration on volume moves and standardization of service, concentrating on traffic that can move repetitively in exactly the same fashion such as containerized cargo, bulk shipments of grains and ores, unit trains that move through specific corridors with fixed origins and destinations. Although moving heavy and large machinery remains profitable for the railways the volumes involved although growing remains a tiny fraction compared the millions of TEU's of containers, hundreds of thousands of tonnes of grain, coal, potash, etc not to mention thousands of car loads of automobiles. Dimensional cargo requires special handling quite often to destinations that are not served directly by rail and so require special switching to rail sidings that are not always often used. The railways all have teams in house to deal with dimensional cargo but it requires exception management on almost a car by car basis, all of which detracts from the railroads' focus on the billions of dollars of freight revenue generated by the high volume commodities.

It is not my intent to fault the railways in any way, they are capable professionals but the reality is that adding the maintaining and distribution of specialized equipment especially with the understanding that the fleet must either be equally available through the continent or each railroad would have to dramatically increase their individual fleets would most assuredly relegate the handling of dimensional cargo even further to the back burner.

With the current system I know that regardless of the project I am asked to work on I can freely look at the best type of equipment for the job and as soon as the car type is available, regardless of where it is in North America it will be made available efficiently and even handedly. There are a handful of heavy cargo specialists moving cargo by rail; knowing where to turn to obtain specialized rail equipment is essential not only to us but is also essential to the major industries who use our services.

Let me conclude by saying that I fully support TTX's application for a 15 year extension to their mandate, a period sufficient to encourage the continuations of their fleet maintenance and expansion. In addition we do use private rail car leasing from other than TTX's fleet. TTX has shown full cooperation with private rail car suppliers and should continue to display that flexibility.

Sincerely

Michael J. DiPenta
President
Maritime World Logistics Inc

Maritime World Logistics Inc.
176 Crichton Ave.
Dartmouth, N.S.
B3A 3R5

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W. H. MINER DIVISION
1200 EAST STATE STREET
GENEVA, ILLINOIS 60134
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FAX: 630-232-3123
WWW.MINERENT.COM

January 8, 2014

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

Dear Ms. Brown:

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

I am Ric Biehl, President of Miner. The functional areas necessary to deliver the products Miner provides to the freight railcar market are under my organizational authority. I have worked for Miner for over 30 years, most of that time in Sales & Marketing. I have been in my current position for 1 ½ years.

For over 100 years, Miner Enterprises, Inc. has been a worldwide supplier to the Railroad Industry of the following products:

- AggreGate® Ballast Gates
- AutoLOK™ gates, SaniLOK™ Gates
- Enterprise Versa Flow™
- European TecsPak® Buffer and Traction Springs
- Higher capacity AAR approved Draft Gears
- Series 2000 Brake Beams
- TecsPak® Constant Contact Side Bearings
- Type "D" Mechanisms

Our customers can rely on Miner products to maximize their railcar value and minimize railcar life cycle costs. Miner products are backed by exhaustive R&D testing, comprehensive service analysis and over a century of real-world rail experience. Miner supplies TTX Company with brake beams, constant contact side bearings, and draft gears.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because TTX is an important customer, and because its successful growth will benefit us as a manufacturing business.

Benefits from TTX investment in equipment: TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply.

- TTX rapidly expanded its fleet of 53-foot double-stack cars in response to accelerating growth in shipments of domestic containers with the shift within this segment away from 48-foot containers in favor of 53-foot containers..
- TTX maintained investment in domestic intermodal cars during the downturn in international shipping.
- We do not believe that individual railroads alone could have sustained the same level of investment and growth in car supply without the capital TTX makes available and the efficiencies of operation that TTX achieves.

Benefits from TTX's research, design, and acquisition activities: TTX has worked with car builders, parts suppliers, and shippers to develop new equipment types and improve the performance of existing cars in its fleet.

- TTX chooses suppliers based on objective criteria embodied in its SECO program.
- TTX's SECO program benefits the entire industry, not just TTX; it allows our company to offer buyers a measure of the quality we provide and helps us compete for orders.
- TTX works closely with us to improve the design and reliability of our products.
- TTX facilitates rapid adoption of new ideas and new technologies for improving equipment in the flatcar fleet.
- TTX orders reflect an acknowledgement of quality that is an important selling point in our sales to other product buyers.
- TTX has worked with us and other suppliers to provide improved products to meet the industry's evolving needs.

TTX's benefits in promoting the growth of rail intermodal traffic: TTX promotes intermodal growth through all of its efforts to provide an efficient and adequate supply of high-quality flatcars.

- Over the past 30 years, TTX has played a critical role in promoting the growth of rail intermodal traffic. The continued expansion of rail intermodal traffic is critical to the growth of the car building and equipment supply industries.
- The continued growth of intermodal transportation and success of TTX will help assure the continued growth and success of our company.
- TTX's efforts to promote intermodal growth have paid off and resulted in far higher sales than could have been achieved independent of TTX.

TTX does not foreclose any other equipment supply options: If other equipment supply options such as car leasing could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

TTX's activities have been procompetitive and have increased the supply of flatcar equipment.

We support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Yours truly,

Richard B. Biehl
President & General Manager

MOL (America) Inc.

700 E. Butterfield Road, Suite 250, Lombard, IL 60148 Telephone: 630-812-3700

November 21, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Richard Jung and I am currently employed by MOL (America) Inc as the Assistant Vice President of Sales for the Central Region. I am responsible for sales and sales support in a twenty one state territory for the tenth largest ocean container transport provider in the world. I have been selling in this industry for over twenty five years. Prior to working for MOL I was employed at Maersk Line (the world's largest container carrier) for thirteen years.

Our company uses the network of rail carriers to transport our cargo from our marine ports of discharge to and from inland points for delivery or pick up to our many customers. The rail service providers are an indispensible component of our business. Our cargo moves from the west coast and east coast to all points in between. My company will move roughly 336,000 twenty foot equivalent units on the rail in calendar year 2013.

With that said you can clearly see why intermodal transportation in general and flatcar availability specifically is important to our company's operations. Without it- we would not be able to serve a third of our customer base.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Without availability of flatcars where we need them, when we need them our customer base would not be able to keep internal commitments on transit times nor would inland delivery or pickup be economically feasable. Factory lines would go down and retail shelves would be empty. Good flatcar available is a must for the transportation services we offer.

MOL (America) Inc.

700 E. Butterfield Road, Suite 250, Lombard, IL 60148 Telephone: 630-812-3700

In that regard, we support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Richard Jung
Assistant Vice President of Sales
MOL (America) Inc.
700 East Butterfield Road
Lombard, IL 60148

Count On MOL.

PHONE (847) 362-5400
FAX (847) 362-5434

TOLL FREE: (877) 667-8634
www.mortonmfg.com

Morton Manufacturing Company SINCE 1903
700 LIBERTY DRIVE LIBERTYVILLE, ILLINOIS 60048 - 2376

January 7, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:
My name is Mike Hendricks, VP Sales for Morton Manufacturing Company, A Unit of Jason Inc. and a long time proud supplier of Running Boards to the Rail Industry.

I have been with Morton since 1991 and have always valued my experience in working closely with all our rail customers, including TTX. Morton was a fourth generation family owned company with its roots dating back to 1903. During all those years, Morton supplied parts to the Rail industry from transit doors, fabrications, locomotive steps, running boards etc.. Bill Morton was the last owner of Morton Manufacturing and he decided to sell to Jason Inc. a diversified family of niche manufacturing companies in Oct 2011.

Our line of safety grating products are sold to a wide variety of industrial markets in addition to rail. However, rail remains the most significant market that we sell. We supply running boards, end platforms, brake steps, intermodal platforms etc to all the Class 1 Railroads , Car Repair shops, and new Car Builders in North America. Our products are AAR approved and included in the safety appliance section of the AAR manual.

The rail portion our revenues are appx 50%, therefore, it is critical to our sustainability that rail be healthy and thriving. We have a 170,000 sq ft plant located in Libertyville, Illinois and employ appx 230 people.

We understand that TTX has applied for an extension of its flatcar pooling authority. We strongly support re authorization of TTX's flatcar pool, because it will strengthen the intermodal transportation system in which we all participate.
In our participation in the rail market, the intermodal business is vital since our exposure and volume of parts is so great. We need and appreciate the business that TTX provides for new cars and fleet repair.

PHONE (847) 362-5400
FAX (847) 362-5434

TOLL FREE: (877) 667-8634
www.mortonmfg.com

Morton Manufacturing Company SINCE 1903
700 LIBERTY DRIVE LIBERTYVILLE, ILLINOIS 60048 – 2376

In addition, we at Morton feel strongly about the SECO program that TTX provides as a measuring tool for their suppliers. We have been a fortunate winner of this award for many years. It has helped make us a better company due to its high quality standards.

We consider approval of TTX's application to be of critical importance to the continued growth and success of our business. Therefore, we support TTX's applications for a fifteen year extension of its pooling authority.

Sincerely,
Michael Hendricks
VP Sales

Michael D. Hendricks
1/8/2014

NISSAN NORTH AMERICA, INC.
983 Nissan Drive
Smyrna, TN 37167-4000
Telephone: 615.459.1400
Fax: 615.459.1554

December 12, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Donald Hawkins and I am the Senior Manager for Finished Vehicle Logistics for Nissan North America, Inc. My primary responsibilities include managing the shipment of finished vehicles to our dealerships from Nissan's North American manufacturing plants in Tennessee, Mississippi and in Mexico for sales within the United States. Additionally, I have responsibility for finished vehicles imported into the United States through ports located in California, Florida, Maryland, Virginia and New Jersey.

Nissan North America plans to increase our domestic US production by 9% from 2013 to 2014. For Mexico production, we have added another manufacturing facility and will produce over 839,000 vehicles. We also have plans to reduce our imports from Japan. These changes will net an approximate increase of over 50,000 vehicles year on year.

Nissan averages 65% of all shipments via railroad making the role TTX's in supporting the Reload pool extremely critical to our continued ability to satisfy the demands from our dealer network for timely and damage free deliveries.

The Reload pool has for years relied on the investment by TTX in flatcars – TTX fosters the railroads' participation by supplying the underlying equipment and lifting the burden of investment in those cars from the railroads.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Sincerely,

Donald R. Hawkins
Senior Manager, Finished Vehicle Logistics

Nissan North America, Inc.

PENNSY
Progressive thinking. Solid engineering.

January 6, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am Manuel Tavares, President – Pennsy Corporation.

I have been President of Pennsy Corp for 5 years. We are a leading engineering firm supplying the railroads with new and updated parts to help railroad cars run more economically and more efficiently. Prior to Pennsy I worked in the automotive industry in product development involving polymer technology.

We produce many products for TTX and other railroad companies. Some of the products are Air Hose Supports, Deck plugs, Lumber Corner Protectors, Slack Adjusters, Flexible Hitch Barriers, Train Line Trolley Polymer Shackles and TTX Actuator indicators.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business and it will strengthen the intermodal transportation system in which we participate. We have earned their Supplier Excellence Award (SECO) since 1996.

Benefits from TTX Investment in Equipment

TTX rapidly expanded its fleet of 53-foot double-stack cars in response to accelerating growth in shipments of domestic containers and the shift within this segment away from 48-foot containers in favor of 53-foot containers.

TTX maintained investment in domestic intermodal cars during the downturn in international shipping.

PENNSY Corporation
515 S. Franklin Street, Ste 100
West Chester, PA 19382
(610) 692-8618 Phone (610) 692-6478 Fax
Online at www.Pennsy.com

TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in an era of high demand on railroad capital.

Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment can occur more rapidly in response to market demands.

Benefits from TTX Management of a Pooled Fleet

The TTX pool accommodates seasonal, competitive, and other shifts in domestic intermodal flatcar demand.

The size of TTX's fleet and its ability to move flatcars among rail carriers has allowed us to expand our business, relying on TTX's ability to provide a higher number of flatcars as needed.

Benefits from TTX's Efficient and High-Quality Maintenance

TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained railcars, thereby providing component demands in years when car builds are minimal.

TTX's SECO process provides us with opportunities to evaluate our product performance and ensure the bar is set to providing the highest quality products.

TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably.

Benefits from TTX Research and Design Activities

TTX has demonstrated a commitment to improve the quality of its fleet.

TTX has worked with us and other suppliers to provide improved products to meet the industry's evolving needs.

PENNSY Corporation
515 S. Franklin Street, Ste 100
West Chester, PA 19382
(610) 692-8618 Phone (610) 692-6478 Fax
Online at www.Pennsy.com

Benefits in Promoting the Growth of Intermodal Traffic

Intermodal transportation has grown dramatically, and its future expansion is critical to our growth expectations.

TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic.

TTX's flatcar pool is the base upon which rail intermodal's success is built.

The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will increase our company's ability to operate successfully.

We support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Our desire to expand the use of rail intermodal makes it essential that TTX's application be approved. We consider approval of TTX's application to be of critical importance to the continued growth and success of our business.

Sincerely,

Manuel Tavares
President
Pennsy Corporation
515 S. Franklin St.
West Chester, PA 19382

PHOENIX BEARINGS
319 Peterson Drive
Elizabethtown, KY 42702
270-765-2880

January 10, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Michael Paul and I am the president of Phoenix Bearings. I am writing to you in support of the TTX Company – Application for Pooling Reauthorization.

Phoenix Bearings is a supplier of tapered journal roller bearings for TTX railcars. I have supplied TTX, and the North American Railroad Industry, for the past 30 years as former vice president of operations for Roller Bearing Industries for 20 years and president of Phoenix Bearings for the last 10. We provide a competitive presence in the market place and inspire quality of research developments among our competitors. Our success is directly the result of TTX and its related pooling operations.

Our processes involve the receipt of said bearings – their break down, cleaning, inspection, repair and re-assembly and finally return. Our services provide an economic maintenance alternative that enhances quality and safety while allowing the industry to invest the saved capital in other areas of their businesses.

TTX and the railroad industry are vital to my business as our non-rail business is not a major contributing factor to our operations as such; we support TTX's application for Pooling Reauthorization.

TTX provides a unique and needed role for the rail industry. First, TTX provides management and maintenance of industry pool fleets allowing the railroads and other car owners to focus on their core activities. In executing its tasks, TTX established a sophisticated vendor list that supports multiple sources of supply for needed components unlike other industries where single sourcing is prevalent resulting in the elimination of vital suppliers and competition. TTX has developed a supplier evaluation tool known as SECO that has increased quality, product development and competition. Others have modeled similar programs.

PHOENIX BEARINGS
319 Peterson Drive
Elizabethtown, KY 42702
270-765-2880

As the world becomes more competitive and encroaching on our markets, TTX's efficient management of pool fleets supports US rail initiatives particularity during market downturns when layoffs can occur and the loss of knowledge and expertise is a risk.

In closing, TTX pooling activities provides numerous benefits to railroads, car owners, rail customers, suppliers, supporting industry, and US commerce. Although, TTX is formally requesting this reauthorization, we know the industry also supports this request.

Sincerely,

Michael E. Paul
President

Plum Creek Marketing, Inc.
PO Box 1990
500 12th Avenue West
Columbia Falls, MT 59912
406-892-6200

Plum Creek

December 19, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is Jennifer Krueger, Manager Traffic and Freight Services, for Plum Creek Marketing, Inc. located in Columbia Falls, Montana. I have held my current position for thirteen years and have worked in transportation for twenty-two years.

Plum Creek is one of the largest timber land owners in the US. We also own forest products manufacturing facilities in Northwest Montana and one in Meridian, ID. We produce lumber, studs, remanufactured lumber, plywood, and Medium Density Fiberboard. We ship centerbeams, bulkhead flats, and boxcars. We ship approximately 425 bulkheads and 1200 centerbeams per year.

Our products are shipped all over the US. We rely heavily on rail transportation as the least cost mode. While least cost transportation is important, having equipment available when we need it is equally important.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business. Although most of the flatcars we use are not owned by TTX, TTX is an important source of investment by the US railroad industry in centerbeam and bulkhead flatcars used for shipments of lumber. TTX's investment in a shared fleet of centerbeams and other flatcar types provides a critical resource helping to ensure that car supply issues do not prevent us from shipping our products.

TTX has demonstrated its commitment to provide a fleet of high-quality well-maintained centerbeam and other building products flatcars. TTX's proactive and efficient maintenance practices make TTX equipment dependable and allow rail networks to operate more reliably.

We support TTX's application for a fifteen year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Jennifer L Krueger
Manager Traffic & Freight Services

December 4, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is Mark Hoffer and I am the Director of New Port Initiatives in the Port Commerce Department of the Port Authority of New York and New Jersey (Port Authority). My responsibilities include providing support for planning and operating decisions related to the movement of cargo by rail between the Port of New York and New Jersey (PONYNJ or the Port) and inland markets.

The Port Authority is a bi-state transportation and economic development agency dedicated to the protection and advancement of commerce within the New York/New Jersey Port District. The agency was established in 1921 by interstate compact between the States of New York and New Jersey and consented to by the Congress of the United States. The compact defines Port Authority jurisdiction as extending to an area (known as the Port District) that is roughly a 25 mile radius around the Statute of Liberty.

The Port of New York and New Jersey is the nation's third largest container port and the largest port on the East Coast. It is a key gateway for intermodal cargo to and from Asia and Europe and the United States. The efficient operation of our Port facilities requires that goods move freely between the Port and inland points of origin or destination. Highway congestion is endemic in this region and most area bridges and tunnels are already operating at or close to capacity. As such, the Port Authority is spearheading efforts to make greater use of the rail network serving the Port both as a means of moving goods more efficiently and also mitigating some of the problems associated with truck transport (e.g., greater wear and tear on area highways and roads, increased incidence of vehicular accidents, and increased air pollution associated with diesel truck exhaust). These efforts are premised on the availability of railroad equipment as and when needed including railroad flatcars –particularly intermodal double stack and conventional units—in order to ensure that rail remains a viable element in the greater New York/New Jersey metropolitan area supply chain.

The timely and sufficient supply of intermodal flatcars is a vital feature of our partnership with the two US Class 1 railroads serving the Port -- CSX & NS -- in successfully expanding rail throughput over the past two decades. Over the past 20 years, the Port Authority has spent over a half billion dollars in improving on-dock rail access at the Port -- and will invest an additional $150 million over the next

225 Park Avenue South - 11th Floor
Port Commerce Department
New York, NY 10003

several years. Container volumes moving by rail have increased from 50,000 in 1993 to nearly 230,000 in 2003. In 2012, over 433,000 containers moved by rail from our port. It is hard to imagine how this growth would have been possible without the pooling arrangements that met our needs as well as those of other international and domestic rail customers, which cumulatively enjoyed a broad surge in intermodal rail volumes.

Therefore, the Port Authority wishes to express its support for TTX's application for STB reauthorization of the flatcar pool. We believe that without this pooling arrangement, there could be frequent disruptions in intermodal equipment supply operations at critical times. TTX provides professional projections of future equipment needs, allowing a prompt response to market changes and the supportive capital investment required for efficient management of a national fleet. Additionally, the TTX system does not prevent any other equipment supply options. If other equipment supply options, such as car leasing, could provide additional benefits, the existence of the TTX pool would not prevent railroads from taking advantage of those options.

The following is a summary of some of the advantages we believe result from the TTX pooled fleet system:

Benefits from TTX management of a pooled fleet

- TTX pool cars move across the national rail freight network without restrictions.
- The TTX pool accommodates seasonal, competitive, and other shifts in demand.
- The availability of a shared pool of intermodal cars ensures that Port customers will have access to a supply of rail cars -- whichever railroad or traffic lane they choose.
- The availability of a shared pool of intermodal flatcars increases rail-to-rail competition by eliminating car supply issues as a possible impediment to competition.
- The size of TTX's fleet and its ability to move flatcars among rail carriers has supported the annual growth of Port Authority intermodal business, which for the last decade, has averaged 4.8%.

Benefits from TTX's efficient and high quality maintenance

- TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained intermodal cars.
- TTX's experience and expertise in maintaining intermodal cars and its incentive to provide high quality equipment helps ensure that our rail traffic moves with minimum disruption.

Benefits from TTX Research and Design Activities

- TTX has demonstrated a commitment to improve the quality of its fleet.

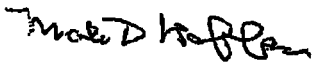
- Port Authority customers have benefited from TTX's efforts to redeploy new and existing equipment in response to evolving demand.

Benefits that promote growth of intermodal traffic

- Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy productive economy.
- Increased use of intermodal transportation conserves fuel and reduces congestion at our port gates and on our nation's highways.
- The TTX flatcar pool is the equipment base upon which rail intermodal success is built.
- TTX's ability to achieve operational and maintenance savings creates lower car costs which can be passed on to the shipper community, thus encouraging future growth of intermodal traffic.
- The continued growth of intermodal transportation and the continuation of the TTX flatcar pool create efficiencies, which help our port to operate successfully.

In closing, the Port Authority would like to emphasize again that steady expansion of intermodal rail to and from our region makes it imperative that the STB approve the TTX application. Not doing so would cause disruption to international trade and commerce that would have negative consequences to the regional as well as the national economy.

Sincerely,



Mark D. Hoffer
Director, New Port Initiatives
Port Commerce Department
225 Park Avenue South, 11th Floor
New York, NY 10003
(212) 435-7276

Cc: T. Hannan
R. James

925 Harbor Plaza, Long Beach, CA 90802 Tel 562.437.0041 Fax 562.901.1725

The Port of
LONG BEACH

December 9, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am Don Snyder, Director of Trade Development for the Port of Long Beach, California, the second largest port in the United States. We are a landlord port, leasing facilities to numerous private sector companies that load and discharge oceangoing vessels. In CY2012, our terminals handled over 6 million twenty-foot/equivalent containers. A considerable portion of the cargo moves by rail. Numerous studies indicate that international trade, specifically trade with Pacific Rim countries, will grow substantially by 2020. The Port of Long Beach is investing billions of dollars to build and modernize our infrastructure to deal with this growth.

Likewise, we are concerned about the American railroad's capacity and ability to move these massive amounts of cargo into the future. For this reason, we strongly support reauthorization of TTX's flatcar pool, because it will strengthen the intermodal transportation system in which we participate. In recent years, there have been occasions when a shortage of intermodal rail cars has delayed movement of international cargo into and out of Southern California. With approximately one-third of US waterborne containerized trade moving through the Ports of Los Angeles and Long Beach, we must have an adequate supply of rail equipment. Intermodal growth is important to the U.S. economy, and TTX promotes intermodal growth through all of its efforts to provide an efficient and adequate supply of high-quality flatcars. Further, TTX facilitates continuing investment in the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in eras of high demand on railroad capital.

We support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. We consider approval of TTX's application to be of critical importance to the continued growth and success of our business.

Sincerely,

Donald B. Snyder
Director of Trade Development
Port of Long Beach

THE PORT OF LOS ANGELES
425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

January 13, 2014

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

SUBJECT: FINANCE DOCKET NO. 27590 (SUB-NO.4)
TTX COMPANY - APPLICATION FOR POOLING REAUTHORIZATION

Dear Ms. Brown:

The Port of Los Angeles is the largest container port in the United States and is the key gateway for intermodal cargo between Asia and the United States. Approximately one half of our inbound cargo is railed to markets throughout the country. The need for a sufficient supply of flat cars for this intermodal trade is vital to ensuring the smooth flow of commerce for the nation.

Therefore, we wish to express our support for TTX's application for STB reauthorization of the flatcar pool. Without this pooling arrangement we feel that there would be frequent disruption to intermodal equipment supply operations at critical times.

In terms of professional projections of future equipment need, prompt response to market changes, massive capital investment and the efficient management of a very complex national fleet, there is no doubt that TTX supplies an invaluable need to our Port complex and to the nation.

Additionally, the TTX system does not prevent any other equipment supply options. If other equipment supply options – such as car leasing – could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

Following is a summary of the advantages derived from the TTX pooled fleet system:

Benefits form TTX Management of a Pooled Fleet

- TTX pool cars move across the railroad network without restrictions.

- The TTX pool accommodates seasonal, competitive, and other shifts in demand.

- The availability of a shared pool of intermodal cars ensures that, whichever railroad our customers use, and whichever lanes our customers use, our customers will have access to a supply of railcars.

- The availability of a shared pool of intermodal flatcars increases rail-to-rail competition by eliminating car supply issues as a possible impediment to competition.

- The size of TTX's fleet and its ability to move flatcars among rail carriers has allowed our customers to expand our business, relying on TTX's ability to provide a higher number of flatcars as needed.

- The TTX pool ensures that railroad terminals our customers use remain as fluid as possible, rather than being tied up by switching of cars of different ownership.

Benefits from TTX's Efficient and High-Quality Maintenance

- TTX has demonstrated its commitment to provide a fleet or high-quality, well-maintained intermodal cars.

- TTX's experience and expertise in maintaining intermodal cars and its incentives to provide high-quality equipment ensures that rail traffic moves with minimum disruption.

- TTX's proactive and efficient maintenance practices make TTX equipment dependable and allow rail networks to operate more reliably.

Benefits from TTX Research and Design Activities

- TTX has demonstrated a commitment to improve the quality of its fleet.

- TTX has worked with shippers to develop new and improved intermodal equipment to meet our evolving needs.

- The port and transportation sector has benefited from TTX's research and design efforts to develop new types of intermodal equipment and improve the quality of existing equipment.

- The port and transportation sector has benefited from TTX's efforts to redeploy existing equipment to new uses in response to evolving demand.

- TTX is involved in a major effort to convert 48-foot well cars into cars more suited to carrying 20-foot and 40-foot international containers.

- TTX is undertaking a new effort to modify 48-foot spine cars to handle 53-foot trailers.

Benefits in Promoting the Growth of Intermodal Traffic

- Intermodal transportation has grown dramatically, and its' future expansion is critical to a healthy, productive economy.

- Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our nation's highways.

- TTX provides a national vision of intermodal car needs.

- TTX's flatcar pool is the base upon which rail intermodal's success is built.

- TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic.

In closing, we wish to state that the steady expansion of intermodal rail from our region makes it important to approve the TTX application. The alternative would be a disruption to international trade and commerce that might have negative consequences to both the local and national economy.

Sincerely,

Michael DiBernardo

MICHAEL DIBERNARDO
Director of Business Development

MD:CC:ma

PORTMIAMI

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November 27, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am the Assistant Port Director at Port Miami. My role at the port involves management of the smooth flow of containers and other cargoes on and off the port. Port Miami handles over one million container truck moves annually and is poised to grow rapidly in the near future. I have been with Port Miami since 2006, progressing through various positions in operations and management.

As I said above, Port Miami is preparing for growth that is expected to follow the 2015 opening of the expanded Panama Canal. Today, containerized goods from Asia cross the Pacific and often move through the Panama Canal to reach the East Coast but ship size is limited to about 4,500 twenty-foot equivalent units (TEUs). After expansion, ships capable of holding up to 12,000 TEUs will be able to move through the Canal. We believe that the improved economics of larger containerized vessels will bring more traffic to the East Coast. Of course the larger ships sit deeper in the water and will require at least 50-feet of draft; after our channel/harbor dredging project completes in 2015, Port Miami will be the only port south of Virginia able to accommodate these larger ships. Therefore, we expect to see increased throughput.

How will it all move? The Port has partnered with government and private enterprise to create a tunnel connecting the Port to I-95, but trucking has its limitations and other options are needed. To meet this challenge, the Port is also coordinating with the local railroad to build on-dock rail. This rail capacity will be a critical link to reach hinterland in a competitive, efficient and environmentally sustainable way.

PortMiami is the largest TIGER grand award winner to date for an on-dock intermodal rail system. Port Miami must rely on a smooth functioning rail product in order to handle the expected throughput with minimum rail footprint given land constraints on the Port.

There will not be sufficient capacity available to switch different railcars to handle the outbound – we must be able to use the inbound capacity. We know that TTX railcars make this possible.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because it will strengthen the intermodal transportation system that links us to inland markets.

Some of the benefits we see from TTX include:

Benefits from TTX's Investment in Railcars: TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in eras of high demand on railroad, port authority, and other capital sources such as government.

Benefits from TTX Management: The shared pool ensures that, whichever railroad is serving the Port or our regions, it will have access to a supply of railcars that meet intermodal shippers' needs, particularly double-stack cars with 40-foot wells. The TTX pool ensures that railroad and Port remain as fluid as possible, rather than being tied up by switching of cars of different ownership. The flexibility of the pool's operation will mean that as containerized traffic shifts between regions that the TTX capacity can shift with it.

Benefits in Promoting Growth of Intermodal Traffic: Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy productive economy. Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our local roads and national highways, and TTX's flatcar pool is the base upon which rail intermodal's success is built.

In conclusion, Port Miami is ready to grow to serve the needs of shippers and consumers, but TTX is important to our mission. Accordingly, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Kevin Lynskey
Assistant Port Director

Port of Seattle

P.O. Box 1209
Seattle, WA 98111-1209
Tel: (206) 787-3000

www.portseattle.org

January 13, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

As Managing Director of the Port of Seattle Seaport Division, I am writing to express our support of TTX's application to the Surface transportation Board for reauthorization of its flatcar pooling authority. The Seaport Division is responsible for overseeing cargo and cruise terminals, harbor services, business development, property management, and professional and technical service groups.

The Port of Seattle, our nation's 8th largest load port in 2012, relies heavily on rail intermodal transportation to service customers throughout the country. Over 60% of 1.9M TEU (twenty foot equivalent unit) containers handled in 2012 involved railroad use.

Reliable railroad intermodal transportation in general and flatcar availability in particular, are essential for the Port of Seattle to continue to provide consistent service to shippers in key target locations such as the Midwest and East Coast markets.

Management of a pooled fleet by TTX ensures that cars can move freely across the rail network, increasing availability for shipments on all lanes and across all railroads.

The Port of Seattle's Century Agenda growth plan for increasing container throughput to 3.5 million TEU in the next 25 years will result in greater reliance on railroad terminals' fluidity. The availability of a shared pool of intermodal flatcars works to eliminate car supply issues by increasing rail-to-rail competition.

We strongly support a fifteen-year extension of TTX pooling authority to assist the Port of Seattle continue to supply efficient and economically viable intermodal solutions to our customers.

Sincerely,

Linda Styrk
Managing Director, Seaport Division

Port of Tacoma
People. Partnership. Performance.
P.O. Box 1837
Tacoma, WA 98401-1837
www.portoftacoma.com

December 6, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Michael Reilly. I am the Director, Business Development, Intermodal Services for the Port of Tacoma. I have held this position for the last four and one-half years. My previous job at the Port of Tacoma was the Director of Container Terminal Contracts and I did that for three years.

Prior to joining the Port of Tacoma in 2006, I spent over 25 years in the Transportation and Logistics industries. While working in these industries, I held various levels of Sales and Operations positions that lead to Senior Management and Executive Management positions.

The Port of Tacoma is the ninth largest port in the contiguous United States handling 1,711,289 TEU's in 2012. One of the ten, best, natural deep water ports in the world, Tacoma lies at the western end of one of our country's most significant trade corridors.

The Port is a gateway port, meaning a very high percentage (estimated at 60+%) of the import containers handled by our port are moving on through bills of lading via rail destined to/arriving from inland destinations or origins. The majority of this traffic moves across the northern tier of the U.S. to/from Chicago and points east. Most of our traffic moves via doublestack rail equipment with some conventional and a few spine cars. In 2009, the Port of Tacoma started handling Domestic Intermodal (53' Containers) via our South Intermodal Yard. That business has grown dramatically and provides daily service to Chicago and the Midwest while providing connection with the CSX and Norfolk Southern to customers up and down the East Coast. This domestic business is continuing to grow and we have now added service to and from California on a daily basis. The domestic intermodal business is forecasted to continue growing in the high single digits for at least the next three years. One of the major reasons for the anticipated growth will be the conversion of long haul trucking to domestic intermodal. With respect to international intermodal, the forecast for that business is to be flat in 2014 and low single digit growth for 2015 -2017.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support the extension of TTX's flatcar pooling authority, because it will strengthen the Intermodal transportation system in which we are a vital link. The TTX pool ensures that the four on-dock Intermodal yards the Port of Tacoma has built remain as fluid as possible, rather than being tied up by switching of cars of different ownership. The availability of a shared pool of intermodal cars ensures that, whichever railroad our customers use, and whichever lanes our customers use, there will be open access to a supply of railcars.

The availability of a shared pool of intermodal flatcars increases rail-to-rail competition by eliminating car supply issues as a possible impediment to competition. Intermodal growth is important to the U.S. economy. The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will increase our company and our customers' ability to operate successfully.

Benefits from TTX Investment in Equipment

- TTX has been able to respond rapidly to shifts in equipment demand with increased investment in particular equipment types. Over the last decade, TTX has cut down thousands of 48-foot intermodal cars to more efficiently handle the 20-foot and 40-foot containers used in international shipping.

- TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in eras of high demand on railroad capital.

- Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment can occur more rapidly in response to market demands.

Benefits from TTX Management of a Pooled Fleet

- The TTX pool eliminates car supply issues as a possible impediment to a railroad pursuing traffic opportunities in competition with trucks or other railroads.

- TTX pool cars move across the railroad network without restrictions.

- The TTX pool accommodates seasonal, competitive, and other shifts in demand for intermodal flatcars.

- The availability of a shared pool of intermodal cars ensures that, whichever railroad we use, and whichever lanes we use, we will have access to a supply of railcars that are tailored to our needs, particularly double-stack cars with 40-foot wells.

- The size of TTX's fleet and its ability to move flatcars among rail carriers has allowed us to expand our business, relying on TTX's ability to provide a higher number of flatcars as needed.

- The TTX pool ensures that railroad terminals we use remain as fluid as possible, rather than being tied up by switching of cars of different ownership.

- The TTX pool ensures that railroad terminals we use remain as fluid as possible, rather than being tied up by switching of cars of different ownership.

Benefits from TTX's Efficient and High-Quality Maintenance

- TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained intermodal cars.
- TTX's experience and expertise in maintaining intermodal cars and its incentives to provide high-quality equipment ensure that our rail traffic moves with minimum disruption.
- TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably, lowering our company's costs from delays due to malfunctioning equipment.

Benefits in Promoting the Growth of Intermodal Traffic

- Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy, productive economy.
- TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic.
- Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our nation's highways.
- TTX's flatcar pool is the base upon which rail intermodal's success is built.
- The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will increase our company's ability to operate successfully.

We consider approval of TTX's application to be of critical importance to the continued growth and success of our business. Thus, we support TTX's request for a fifteen-year extension of its carpooling authority.

Sincerely,

Michael Reilly
Director, Business Development Intermodal Services
Port of Tacoma

January 7, 2014

Rail Exchange inc.

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company- Application For Pooling Reauthorization

Dear Ms. Brown:

I am Dean M. Bartolini, President and CEO, Rail Exchange, Inc. We have just completed our 35th Anniversary in the Railroad supply business.

Founded in 1979 Rail Exchange has been a mainstay in the railway industry, supplying both the locomotive and freight car markets.

TTX has been a customer of ours for all of the 35 years. Rail Exchange supplies TTX safety appliances, assorted pins and miscellaneous other parts.

The Rail Supply industry is our market. TTX is a big part of that market and thus our support for TTX is essential and imperative.

Intermodal growth in our industry is very significant. TTX plays a major role in that maturation, which works it way down to companies like Rail Exchange. Our products go on all railcars and this growth helps ease Rail Exchange stability. Rail Exchange benefits from TTX investment in equipment and this is vital to our financial health.

We at Rail Exchange consider approval of TTX's application to be of critical importance to continued development and prosperity of our business.

Thank you,

Dean M. Bartolini
President and CEO

P.O. BOX 340 • CHICAGO HEIGHTS, IL 60412-0340 • PHONE: (708) 757-3317 • FAX: (708) 757-6828

R. H. LITTLE COMPANY

4434 Southway St., S.W.
CANTON, OHIO 44706

Phone: (330) 477-3455

Fax: (330) 477-7312

January 9, 2014

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

Re: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

Please let me introduce myself. I am David Little, President of the R.H. Little Company, a primary supplier of Roller Bearing Adapters to TTX.

The R.H. Little Co. has been producing railroad related machined parts since August 1940 and has specialized in bearing adapters since 1959. We make only bearing adapters and have led the industry in their production for many years, developing new designs for domestic and Foreign Service. Since bearing adapters are germane to only freight cars, it is imperative that the flatcar segment of American freight handling remain strong.

It is our understanding that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority. The R.H. Little Co. relies heavily on TTX's flatcar pool business and the benefits of a strong intermodal transportation system.

TTX has demonstrated a commitment to continually grow and improve the quality of its fleet through proactive maintenance practices, and the SECO quality assurance program. During the downturn in international shipping, TTX maintained investment in high quality domestic intermodal cars, expanding its fleet of 53-foot double-stack cars. Furthermore, since TTX takes the capital and ownership risk, expansion of the intermodal fleet and modified equipment can occur more rapidly in response to market demands.

TTX has consistently proven itself as the industry leader of intermodal service. Therefore the R.H. Little Co. strongly supports TTX's application for a fifteen-year extension of its pooling authority. We consider the approval to be of critical importance to our company's continued growth in the American freight system.

Sincerely,

David Little, President R.H. Little Co.

ROSEBURG

December 18th, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

- Kevin Donnelly, Rail Manager- Roseburg Forest Products (RFP)

  I am responsible for all rail shipments by RFP. We ship on average 13,000 cars per year. My duties include freight rate negotiations, auditing freight bills, and filing claims (freight & damage). I lend guidance to our mills, sales force and customers in regards to loading procedures, claim procedures, demurrage, and car supply. I have been with RFP since March 2013, before that I worked in the steel industry and grain industry totaling 25 years in rail management. Roseburg Forest Products is a manufacturer of lumber, plywood, particleboard, and engineered wood products. We currently have 11 mills across the country.

- Roseburg Forrest Products ships to destinations across the United States, but our primary markets are in the east, mid west and California. In most cases our mills are in remote locations from their destination markets. We at RFP rely heavily on rail to access our markets in an efficient and low cost manner. At present we ship in a mix of box (60' + 50'/52'), flat (60' bulkhead) and center beam (60' +73'), with the greatest portion going by box car. We at RFP are seeing a greater demand for flat cars to meet our customers

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www.Roseburg.com

demand for mixed product shipments, with no reason to think this trend will abate in the near future.

This letter is in regards to TTX seeking reauthorization of its flatcar pool RFP supports the extension of TTX's flatcar pooling authority. The TTX flatcar pool has been a reliable source of equipment that shippers like us and railroads have relied upon for quite a number of years. Maintaining the flatcar pool in its present state is imperative to ensure RFP's growth and success in the forest products industry.

TTX facilitates continuing investment by the U.S. railroad industry in flatcar equipment supply. Although most of the flatcars we use are not owned by TTX, TTX is an important source of investment by the U.S. railroad industry in center-beam, bulkhead, and other flatcars used for shipments of lumber and other building products.

TTX's investment in a shared fleet of centerbeams and other flatcar types provides a critical resource ensuring that car supply issues do not prevent us from shipping our products. A pool of shared flatcars ensures that cars can move freely across the rail network and are available for shipments on all railroads in all lanes. TTX has shown flexibility in distributing centerbeam cars, establishing a free-running pool. Many of the centerbeams and other flatcars we use are part of TTX's commonly-owned and shared pool of flatcars, they provide important benefits in ensuring that the cars can follow loads and that whichever railroad we use we will have access to a sufficient number of low-cost cars available for placement in our shipper pool. We also use centerbeam cars in TTX's free-running fleet, which benefit from the efficiencies of TTX's fleet management, further reducing our shipping costs.

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FX 541.679.9150
www.roseburg.com

Also, TTX provides high-quality, well-maintained flatcars and maintains them efficiently. TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained centerbeam and other building products flatcars. TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably, lowering our company's costs from delays due to malfunctioning equipment. By maintaining its cars to achieve a high degree of reliability, TTX contributes substantially to the efficiencies of railroad transportation.

"We consider approval of TTX's application to be of critical importance to the continued growth and success of our business."

Sincerely,

Kevin Donnelly
Transportation Manager - Rail

P.O. Box 1088
Roseburg, OR 97470
PH 541.679.3311
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FX 541.679.9150
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South Carolina State **PORTS AUTHORITY**

November 18, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is William A. McLean. I am the Senior Vice President & Chief Operations Officer for South Carolina State Ports Authority (SCSPA) based in Charleston, South Carolina. I have held a position of Senior Management at the SCSPA for sixteen years and have been involved with intermodal transportation for over twenty one years.

SCSPA is one of the largest Port Authorities in the United States. We handle a variety and mix of cargoes that require intermodal railcars that can move across the railroad network without restrictions in order for our carrier-partners to efficiently service their accounts. Of the top ten global container shipping lines, as ranked by Alphaliner, all ten currently serve their customers through facilities owned and operated by SCSPA. The Port Authority serves markets in the Southeast, Midwest and Gulf regions of the United States.

We understand that TTX is seeking reauthorization of its flatcar pool. As we did in 2004, SCSPA strongly supports an extension of TTX's flatcar pooling authority because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Containerized throughput at SCSPA is approximately 1.3 million TEU's annually, of which 20% moves either in or out of Charleston via rail. The Port's reliance on rail connections is expected to grow. A demonstration of our commitment to rail is exemplified by the recent opening of the South Carolina Inland Port (SCIP) in Greer, SC, which extends the reach of SCSPA's marine facilities more than 200 miles inland. The facility improves the efficiency of international freight movements between the Port of Charleston and companies across the Southeast region while spurring additional economic investment in the area. Without the timely and consistent availability of intermodal railcars at the Port of Charleston, initiatives such as SCIP would not be viable and we would otherwise become non-competitive with other East Coast ports, creating a major hindrance to the continued economic well-being of the State of South Carolina.

In conclusion, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Our continuing efforts to promote the use of rail intermodal make it essential that TTX's application be approved.

Sincerely,

William A. McLean
Senior Vice President & Chief Operations Officer

SCHNEIDER NATIONAL

January 8, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Steve Rhode. I am Vice President, Intermodal Rail Management for Schneider National, Inc. I have held this position for 3 years and have been involved with intermodal transportation for nearly 10 years.

In addition to being one of North America's largest truckload carriers, Schneider National, Inc. is the third largest provider of domestic intermodal services. Our success is due, in part, to our rail carrier-partners having shared access to TTX's pool of intermodal flatcars. We understand that TTX is seeking reauthorization of its flatcar pool. Schneider National, Inc. strongly supports an extension of TTX's flatcar pooling authority.

We were a supporter of TTX's 2004 pooling reauthorization. In the decade since, the domestic intermodal market has grown 27%; Schneider National's volume has grown accordingly. The industry has also evolved in that time: intermodal trailers have been largely supplanted by domestic containers as the highway vehicle of choice, and 48-ft trailers and containers have been replaced by 53-ft equipment. These changes in highway equipment preferences, combined with market growth, have required massive investment in intermodal railcar assets. TTX has played a vital role in expanding rail transport capacity during this time.

TTX continues to support our growth by providing a consistent supply of high quality, well-maintained cars to our rail carrier-partners. The availability of a shared intermodal car pool eliminates car supply as a possible impediment to service and rail competition and ensures Schneider National's access to intermodal capacity, regardless of railroad or traffic lane. TTX responds promptly to shifts in market needs such as the industry's conversion from 48-ft to more efficient 53-ft containers over the past decade.

In conclusion, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Our intent to expand the use of rail intermodal makes it essential that TTX's application be approved.

Sincerely,

Steve Rhode

Steve Rhode
Vice President, Intermodal Rail Management

3101 S. Packerland Drive
P.O. Box 2545
Green Bay, WI 54306-2545
www.schneider.com

SPX

January 6, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Randall Grams. I am Traffic Manager for SPX Transformer Solutions, Inc. I am responsible for the transportation and delivery of our product (power transformers) nationwide. I have been in the transportation business for 34 years. My responsibilities include working with our internal engineering department and the nation's railroads to make sure that our product will be properly designed to pre-clear and ship the various routes that are needed to provide the safe delivery of our product.

We manufacture a wide range of power transformers to both the utility industries and private manufactures who both generate or use large amounts of electricity in their business. Our power transformers can vary in size and are shipped either by specialized truck or by specialized rail flat cars.

The railroad flat cars that we currently use range from a 4, 8 and 12 axle fully depressed rail car variety. In the future we plan on using even larger and more complex rail cars. The type of rail car used is dependent on the size and weight of each unit we ship. Our shipping lanes originate from Wisconsin and can reach to all corners of the United States. We will ship anywhere from130 or more transformers per year. Rail transportation of dimensional equipment can be very complex depending on the route that is chosen. We are very dependent on TTX and the services they provide. They have done a good job of supplying our needs for these rail cars and we are planning to use their services even more in the future as our business continues to grow.

We understand that TTX is seeking reauthorization of its flatcar pool. SPX Transformer Solutions strongly supports an extension of TTX's flatcar pooling authority because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business. If other equipment supply options – such as car leasing – could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

WAUKESHA

SPX TRANSFORMER SOLUTIONS, INC
400 SOUTH PRAIRIE AVENUE
WAUKESHA, WI 53186-5969
UNITED STATES OF AMERICA

TEL 262 547 0121
800 835 2732
FAX 262 521 0145

www.spxwaukesha.com

SPX TRANSFORMER SOLUTIONS, INC.

TTX has demonstrated its commitment to provide a fleet of high-quality, well-maintained heavy duty flatcars, thus, contributing substantially to the efficiencies of railroad transportation. This equipment is vital to our business but might get overlooked by railroads given the relatively infrequent use of heavy duty flatcars and other pressing investment needs.

In conclusion, we strongly support TTX's application for a fifteen-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

SPX Transformer Solutions, Inc.

Randall Grams

Transportation Manager

William R. Hegeman

President

Standard Steel, LLC
500 North Walnut Street
Burnham, PA 17009
717-248-4911

STANDARD STEEL
An ISO 9001 Company

January 8, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

Since September of 2011, I have been the Chief Executive Officer of Standard Steel LLC, a supplier of wheels and axles to the railroad industry. We work very closely with railcar builders throughout North America. Prior to this position, I was President and CEO of International Crankshaft Inc., a subsidiary company of the current owner of Standard Steel, Nippon Steel and Sumitomo Metal Corporation. I have worked for this company for twenty-one years.

Standard Steel is a historical company having American manufacturing roots that date back to 1795. We are currently a key supplier of forged railroad wheels and axles to the North American Railway industry. It is our sole focus and expertise.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because it will strengthen the intermodal transportation system in which we participate. TTX facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply, so that this vital need is not underserved in an era of high demand on railroad capital.

TTX promotes intermodal growth through all of its efforts to provide an efficient and adequate supply of high quality flatcars. Over the past forty years TTX has played a critical role in promoting the growth of rail intermodal traffic. The continued expansion of rail intermodal traffic is critical to the growth of the car building and equipment supply industries. The continued growth of intermodal transportation and

success of TTX will help assure the continued growth and success of Standard Steel. TTX's efforts to promote intermodal growth have paid off and resulted in far higher sales than could have been achieved if railroads were left to their own devices. However, if other equipment supply options – such as leasing – could provide additional benefits, TTX would not prevent railroads from taking advantage of those options.

TTX continues to be a significant buyer of flatcars and related equipment. In the course of these purchasing activities we have noted TTX to be procompetitive and increase the supply of flatcar equipment.

We strongly support TTX's application for a fifteen year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. We consider approval of TTX's application to be of critical importance to the continued growth and success of our business.

Sincerely.

Daniel J. Condon
Chief Executive Officer

SWIFT
Transportation Company

P.O. Box 29243 • Phoenix, Arizona 85038-9243
2200 S. 75th Avenue • Phoenix, Arizona 85043
(800) 800-2200

December 23, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Richard Stocking, and I am President and Chief Operating Officer at Swift Transportation Company ("Swift"). Swift is one of North America's largest transportation companies with revenues over $4.0 billion and a fleet of trucks exceeding 17,500. Our operations span the U.S., Canada and Mexico with a myriad of both over-the-road and rail logistics products. My role at Swift is to provide seamless, high quality services to our many customers across all of North America. My background at Swift includes 23 years of progressively increasing responsibility in nearly all segments of our business.

Intermodal services have become an important and ever-increasing part of our product offering. Intermodal allows us to combine the economy of rail with Swift's over-the-road handling for seamless door-to-door service and savings. Proof of our commitment to this market is our fleet of over 8,800 domestic 53-foot containers. Swift also has a fleet of over 56,000 53-foot trailers capable of rail movement.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business.

Our reliance on TTX is significant:

- At Swift we offer a diverse network of origins and destinations. Having equipment available at any origin is critical. We know that TTX's fleet free-flows throughout North America and can be distributed to handle any need that we might have throughout the U.S., Canada, and Mexico.

- TTX has kept pace with our quickly growing domestic container industry with 53-foot double-stack railcars. They efficiently transitioned from the once-standard 48-foot well to the now-standard 53-foot well without causing our company any set-backs.

- Our customers rely on the consistent availability of rail equipment in order to be competitive with over-the-road services. Since TTX takes the capital and ownership risk, expansion of the intermodal fleet with new and modified equipment has occurred more rapidly in response to market demands.

- The TTX pool eliminates car supply issues as a possible impediment to pursuing traffic opportunities.

- The size of TTX's fleet and its ability to move flatcars among rail carriers has allowed us to expand our business, relying on TTX's ability to fill the need for flatcars.

- TTX's proactive and efficient maintenance practices make TTX equipment more dependable and allow rail networks to operate more reliably, lowering our company's costs from delays due to malfunctioning equipment.

Intermodal transportation has grown dramatically, and its future expansion is critical to a healthy, productive economy. TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic. Increased use of intermodal transportation conserves fuel and reduces congestion and wear on our nation's highways. TTX's flatcar pool is the base upon which rail intermodal's success is built. The continued growth of intermodal transportation and the continuation of the TTX flatcar pool will improve our company's ability to operate successfully.

Swift Transportation Company fully supports a fifteen-year extension of TTX's pooling authority to ensure that the company will continue to supply efficient and economical flatcar service in the years to come.

Sincerely,

Richard Stocking
President and COO

TIMKEN

Brian Ruel
President - Mobile Industries

T 330-471-4256
M 734-812-6139
brian.ruel@timken.com

January 10, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown,

The Timken Company is a US Based $5 billion global manufacture of bearings and steel. One of our core businesses is serving the US railroad market.

We understand that TTX has applied for an extension of its flatcar pooling authority. We strongly support reauthorization of TTX's flatcar pool, because we rely on the smooth functioning of the TTX flatcar pool for growth and success of our business.

TTX's SECO process provides us with opportunities to evaluate our product performance and ensure the bar is set to providing the highest quality products.

We consider approval of TTX's application to be critical importance to the continued growth and success of our business.

Thank you for your consideration,

Brian J. Ruel

The Timken Company
Mail Code: GCH-14
1835 Dueber Ave SW
PO Box 6929
Canton, OH 44706-0929
United States

TOYOTA

Toyota Logistics Services, Inc.
19001 S. Western Avenue
Torrance, CA 90509

December 10, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application for Pooling Reauthorization

Dear Ms. Brown:

My name is Michael Nelson and I am the National Rail Strategy and Operations Manager for Toyota Logistics Services, Inc. My responsibilities include all aspects of rail shipments of finished vehicles for Toyota Motor Sales, USA, Inc. in the United States and Mexico. I have been in the Automotive Logistics business for over 40 years, the last 19 being with Toyota. I have been in this position since the fall of 2011 and prior to that, I held responsibility for all Toyota Logistics Services US truck operations.

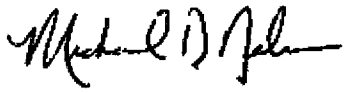
Toyota Logistics Services, Inc. is responsible for the delivery of all Toyota/Lexus motor vehicles that are either manufactured in this country or imported from Japan or Europe. Toyota currently has 12 origins, 8 plant sites, 3 port facilities and 1 mixing center in the US, that originate rail shipments to 36 rail distribution centers across the US, Canada and Mexico for final delivery to our Toyota and Lexus dealers. Toyota will deliver over 2 million vehicles to our dealer body in the US this year and approximately 70% of those will move by rail.

Toyota, along with all other automobile manufacturers in the US, transports their vehicles on rail utilizing a shared multi-level fleet that is managed by TTX. TTX also supports the Reload Pool through its ownership of TTX owned pooled flatcars on which is mounted a railroad-owned auto rack (subject to the Reload pool distribution rules).

The Reload pool has, for many years, relied on the investment by TTX in flatcars. TTX fosters the railroad's participation by supplying the underlying equipment and lifting the burden of investment of those cars from the railroads.

Toyota Logistics Services, Inc. understands that TTX is seeking, from the Surface Transportation Board, reauthorization of its flatcar pool. Toyota strongly supports an extension of TTX's flatcar pooling authority, as we rely and depend on the smooth functioning of the TTX flatcar pool for the continued growth and success of our business. Also, we strongly support this application for re-authorization as it will serve to maintain the current rail transportation system in which we participate.

Sincerely,



Michael Nelson
National Manager,
Rail Strategy and Operations
Toyota Logistics Services, Inc.

Transportation Communications Union/IAM
International Association of Machinists and Aerospace Workers

Robert A. Scardelletti
National President

December 12, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

We understand TTX is seeking reauthorization of its flatcar pool. The Transportation Communications Union/IAM strongly supports an extension of TTX Company's flatcar pooling authority, as we rely on TTX to provide stable employment for our members.

Our organization is responsible for the inspection and repair of railcars across North America. At TTX, over 600 TCU/IAM members repair railcars at 40 locations around the country. We contribute to TTX Company's goal of providing a quality, well-maintained railcar fleet that is available for use by any national rail carrier. In doing so, we also maintain a high level of safety. In fact, TTX facilities are among the safest railroad repair facilities in the country, as evidenced by an exceptionally low recordable injury rate. As such, we endorse the continuation of TTX as a quality, safe railcar service provider and employer.

We support TTX Company's application for a 15-year extension of its pooling authority to ensure TTX continues to provide efficient flatcar service in the years to come.

Sincerely,

Robert A. Scardelletti
National President

cc: R. Johnson, NVP

♦ 3 Research Place ♦ Rockville, Maryland 20850-3279 ♦ E-mail–scardellettir@tcunion.org ♦
Phone–301-840-8701 ♦ FAX–301-330-7664 ♦ Website–www.tcunion.org

UNIVERSAL WAREHOUSE CO.

2850 East Del Amo Blvd.
P.O. Box 7547
Long Beach, CA 90807

November 25, 2013

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Don Grot, Vice President of Universal Warehouse Co., located approximately 8 miles from the ports of Los Angeles and Long Beach. UWC has been in business since 1986 and is a warehouse provider for transloading and distribution services to retailers, manufacturers and other importers/exporters operating throughout the U.S.

We understand that TTX is seeking reauthorization of its flatcar pool. We strongly support an extension of TTX's flatcar pooling authority, because our customers rely upon the smooth functioning of the intermodal transportation network, to support our business and because TTX is an integral component in that rail network.

Our main role in the supply chain is to help shippers (typically retailers and merchandisers) reduce their overall distribution and supply costs through increased efficiency and flexibility. In this sense it is similar to the role that TTX plays, and from observations based on my 33 year's experience in the southern California logistics business, they perform this role very well.

Over the past 15 - 18 years, import volumes have quadrupled in southern California (and most other port areas of the country as well). Much of the import merchandise requires inland transportation after the ocean containers discharge at the ports, and typically (at least from southern California), many of the containers are routed inland by rail. TTX has expanded its fleet to keep up with this unprecedented container and intermodal demand growth.

TTX also provides flexibility. In one sense TTX's pool ensures that whichever railroad our customers chose, their shipments will have access to available railcars. Port terminal operations remain as fluid as possible too, since using pool equipment helps reduce railcar switching. The pool also accommodates seasonal peaks and encourages truck-rail and rail-to-rail competition, since car supply issues are not an impediment to competing for traffic.

Besides flexibility between carriers and modes, the TTX pool helps give our customers choices between transloading or shipping marine containers intact to inland destinations. Transloading refers to transferring the contents of marine containers into 53-foot containers or trailers for transportation to customers warehouses, distribution centers or direct store delivery, throughout North America. Transloading can reduce overall transportation costs and/or improve retailers' ability to replenish inventory. However, depending upon a retailer's distribution center network, shipping marine containers directly inland may be beneficial. In either case, the TTX pool provides a right-sized intermodal car (marine containers typically use 40-foot well cars and transloads use 53-ft well cars). In my experience, customers always have a choice between transloading or shipping containers intact because railcars are readily available; in other words, the TTX pool is working to provide these rail cars, as it should.

Regarding efficiency and cost, most of our intermodal loads are service sensitive and subject to truck diversion. TTX's well-maintained cars help keep service disruptions to a minimum, and their operational savings help make intermodal the least cost option in many traffic lanes.

We strongly support TTX's application for a 15-year extension of its pooling authority. We consider approval of TTX's application to be critical to the continued growth and success of our business, and the economy in Southern California, which is dependent upon the Los Angeles – Long Beach ports.

Sincerely,

Universal Warehouse Co.

Don Grot
Vice President

Wabtec CORPORATION

1001 Air Brake Avenue
Wilmerding, PA 15148

Albert J. Neupaver
Chairman of the Board & Chief Executive Officer
Phone: 412.825.1365
Fax: 412.825.1156
www.wabtec.com

January 10, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

I am the Chairman and Chief Executive Officer of Wabtec Corp., a railroad equipment manufacturer with annual revenues of more than $2.5 billion. Wabtec's roots date to 1869, when George Westinghouse invented the air brake and started his first company. I've been involved with the company for the past eight years.

Wabtec is an industry leader in providing a variety of highly engineered, value-added products, systems and services to freight railroads and passenger transit authorities in the U.S. and around the world. Through our subsidiaries, we manufacture a range of products for locomotives, freight cars and passenger transit vehicles; and build new commuter and switcher locomotives. We invest millions of dollars annually in new technologies to help our customers increase their safety, efficiency and productivity.

We understand that TTX is seeking reauthorization of its flatcar pool, and we strongly support this extension. We and the industry value the smooth functioning of the TTX flatcar pool and we believe an extension strengthens the intermodal transportation system in which our industry participates. TTX is an important participant in the U.S. rail network: It maintained investment in domestic intermodal cars even during the downturn in international shipping; it facilitates continuing investment by the U.S. railroad industry in intermodal equipment supply; and its pool accommodates seasonal, competitive, and other shifts in domestic intermodal flatcar demand.

We believe the size of TTX's fleet and its ability to move flatcars among rail carriers has helped our freight-related businesses, and we value TTX's commitment to provide a fleet of high-quality, well-maintained railcars, thereby providing demand for our components even in years when industry new car builds are below average. TTX also makes an invaluable contribution to the growth and success of intermodal transportation in the U.S., a trend that benefits shippers, manufacturing companies and the public. We believe TTX's ability to achieve operational and maintenance savings creates lower car costs, which can be passed along to the shipper community, thus encouraging further growth of intermodal traffic.

In conclusion, we support TTX's application for a 15-year extension of its pooling authority to ensure that TTX will continue to supply efficient and economical flatcar service in the years to come. Wabtec considers approval of TTX's application to be of critical importance to the industry and our railroad-related businesses.

Sincerely,

Albert J. Neupaver

January 13, 2014

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

RE: Finance Docket No. 27590 (Sub-No. 4)
TTX Company – Application For Pooling Reauthorization

Dear Ms. Brown:

My name is Matt Parry and I am the SVP of Logitics for Werner Enterprises. I have responsibility for our intermodal transportation strategy and execution for the past three years.

Werner is one of the five largest truckload carriers in the U.S. and we provide a diverse portfolio of transportation services including intermodal operations on 7 railroads throughout North America. Revenues from intermodal exceed $300 million per year and have grown nearly 30% since 2010. Our success is due, in part, to our rail carrier-partners having shared access to TTX's pool of intermodal flatcars.

We understand that TTX is seeking reauthorization of its flatcar pool. Werner Enterprises strongly supports an extension of TTX's flatcar pooling authority, because we rely on the smooth functioning of the TTX flatcar pool for the growth and success of our business. Some of the benefits we see include:

- TTX Investment in Equipment: TTX has been able to respond rapidly to shifts in equipment demand with increased investment in particular equipment types. For instance, TTX's fleet size has grown substantially over the past few years, keeping up with and fostering strong intermodal growth rates. Further, the TTX pool supports seasonal swings in intermodal traffic demand.

- TTX Management of a Pooled Fleet: The availability of a shared pool of intermodal cars ensures that, whichever railroad we use, and whichever lanes we use, Werner will have access to a supply of railcars that are tailored to our needs, particularly cars that carry 53-foot containers and trailers.

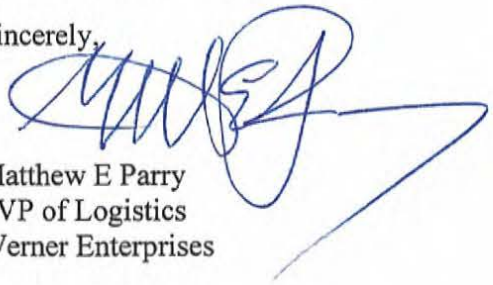
- TTX's Efficient and High-Quality Maintenance: One of Werner's main intermodal markets is temperature controlled traffic, which is highly sensitive to service. TTX's experience and expertise in maintaining intermodal cars ensures that our refrigerated traffic moves with minimal disruption.

- TTX Research and Design: In 2004, the industry standard length for domestic intermodal trailers and containers was 48-feet, but that equipment has been replaced by larger, 53-

foot equipment during the last 10 years. To help keep up with this significant change, TTX stretched 48-foot well cars to 53-feet to accommodate the larger containers.

In conclusion, Werner strongly supports TTX's application for a fifteen-year extension of its pooling authority. Intermodal helps conserve fuel and reduce highway congestion and pollution, and TTX's flat car pool is vital to intermodal's continued success and growth. It is essential that TTX's application be approved.

Sincerely,



Matthew E Parry
SVP of Logistics
Werner Enterprises