FreightCar America

April 14, 2011

The Honorable Daniel R. Elliott, III
Chairman, Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001.

RE: Docket No. EP 705

Dear Chairman Elliott and Members of the Board:

We are writing in connection with the Board's hearings to review the regulatory framework under which this country's rail industry currently operates. We respectfully submit that the regulatory framework in place today is both balanced and reasonable, and that any re-regulation of the rail industry could have serious adverse effects.

Our own sector of the rail industry has suffered significantly as a result of the recession, as further detailed below. We are now seeing the beginnings of a recovery in our marketplace, and we are extremely concerned about the potential for regulatory actions that might discourage private investments in rail infrastructure and equipment.

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FreightCar America, Inc. (FCA) is America's leading designer and manufacturer of aluminum coal-carrying railcars—and the only North American coal car manufacturer that has not relocated manufacturing operations to Mexico. Despite strong cost competition due to our competitors' lower labor and environmental costs, FCA has earned a 70% share of the North American coal car market. We are headquartered in Chicago and manufacture our railcars in Danville, Illinois and Roanoke, Virginia.

The current economic recession has had a severe impact on the entire freight railcar manufacturing business and particularly on coal car manufacturing. As you are no doubt aware, U.S. coal consumption and shipments are heavily dependent upon the demand for electrical power. Approximately 93 percent of the coal used in the U.S. is burned to generate electricity, and more than two-thirds of all U.S.-produced coal is shipped by rail. In fact, coal makes up 45 percent of all freight tonnage carried by Class I railroads.

For some time, the railroads, utilities and leasing companies who actually own coal cars have been replacing their obsolete, heavy steel cars with lightweight aluminum and hybrid (aluminum/stainless steel) cars that weigh 20% less and can carry 20% more payload —as much as 21 tons more coal—than the old cars.

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The lightweight cars are both more cost-effective and "greener." They transport 20% more coal on the same amount of fuel, and they are lighter and cheaper to move when empty.

Over the past few years, however, the reduced demand for coal has interrupted this fleet transition and had a dramatic negative effect on our manufacturing business. Between 2006 and 2010, railcars delivered by FCA declined steadily—from 18,764 to only 2,229 per year—a reduction of 88.1% per year. As a result of this decline, FCA posted a net loss of $12.8 million in 2010. Our Illinois plant has been operating at only a fraction of its capacity and until recently, our Roanoke facility has been mothballed.

The decline in our own business is of course reflected throughout our supply pipeline. With fewer freight cars to build, our orders for components and other equipment also declined substantially—from $1.2 billion in 2006 to $214 million in 2009—resulting in further employment losses in many struggling Rust Belt communities.

As we move through the second quarter of 2011, I am pleased to report that our outlook has improved. Total U.S. coal consumption is increasing once again—up by 15.5 percent between the second and third quarters of 2010—and this upswing and the decrease in consumer coal stocks are being reflected in our business. Since the beginning of 2011, FreightCar America has received orders for more than 3,000 new railcars to be manufactured and delivered during 2011 and 2012. While it is difficult to assess when sustained demand for coal cars will return, we are encouraged by the positive signs in the market. We believe this activity will translate into increased demand for coal cars over the long term.

The future of our business depends heavily on the continued viability of America's privately owned freight rail system. At this promising but challenging time, it is vitally important that our nation's freight rail companies be allowed to continue to operate productively and to invest necessary resources into infrastructure and equipment. FreightCar America urges you to reject any and all proposals that would discourage this needed investment.

Thank you for your consideration.

Very truly yours,

Laurence M. Trusdell
General Counsel and Corporate Secretary