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

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RE: Ex Part No. 704, *Review of Commodity, Boxcar and TOFC/COFC Exemptions* --
Comments of General Motors LLC

Dear Ms Brown:

General Motors LLC ("GM") welcomes the invitation of the Surface Transportation Board ("Board") to provide comments on the continuing utility of, and issues surrounding, the commodity exemptions under 49 C.F.R. § 1039.11. Although GM will not testify at the Board's hearing scheduled for February 24, 2011, GM requests that the Board accept these written comments. GM believes that changes in both the automotive and rail industries warrant a re-examination of the Board's categorical exemptions for automotive parts and vehicles under 49 U.S.C. § 10502.

GM is one of the nation's largest automobile manufacturers and relies on rail transportation to supply parts to its manufacturing facilities and to distribute finished motor vehicles ("FMVs") to dealers for sale. Rail transportation is essential to the delivery of key inbound parts, such as transmissions, frames, engines, and other large and heavy components. Further, rail transportation of FMVs is often necessary due to the high volumes of FMVs that GM ships, transportation costs at longer distances, and efficiencies realized due to less handling.

The commodity exemptions at 49 C.F.R. § 1039.11 provide exemptions for rail shipments of inbound motor vehicle parts and finished motor vehicles (collectively, "Automobile Exemptions"). GM ships 3.1 million finished vehicles per year, 75% of which move by rail. In addition, approximately 25% of GM's inbound parts are delivered by rail. GM has very few alternatives to rail for transporting this traffic. Consequently, GM believes that this traffic is captive and should be afforded the regulatory protections that presently are denied because of the Automobile Exemptions.

GM has observed a reduction in the number of competing Class I rail carriers since 1993 as a result of carrier consolidation. In 1993, twelve Class I carriers existed. Today, only seven Class I carriers exist. Due to this reduction in competing carriers, the eastern and western halves of the nation's rail system are effectively served by only two Class I carriers each. Most GM facilities are captive to a single railroad. Carrier consolidation has increased the length of these bottleneck segments, and therefore, the distances over which GM is captive to a single rail carrier.

GM also has experienced significant changes since 1993. We are a much leaner and more efficient company that produces cars at fewer, larger facilities. We also have implemented "just-in-time"

production, which reduces inventory but requires very precise delivery schedules for inbound parts. The combination of fewer GM facilities and fewer railroads means that GM is much more dependent upon a smaller number of rail carriers to fulfill its rail transportation needs.

GM's rail transportation needs differ for the outbound shipment of FMVs and the inbound delivery of parts and accessories. GM depends heavily upon rail for the outbound transportation of approximately 75% of its FMVs. Although GM only relies upon rail for 25% of its total transportation of inbound parts, that figure represents nearly all of GM's shipments of large and/or heavy parts, such as frames, engines, transmissions and axles. Such high percentages move by rail because trucks are not effective competitive alternatives.

For FMVs, motor carriage is a limited transportation alternative to rail. GM's use of trucks to transport FMVs is mostly over short distances directly from a manufacturing facility to a dealer or from a rail distribution center to a dealer. GM's break-even threshold distance for using truck versus rail, based upon cost, has increased from 250 miles to approximately 400 miles in the span of just five years, because rail rates have increased at a much greater pace than truck rates during this time. At longer distances, trucks are not a practical alternative to rail because they do not offer the capacity or efficiencies of rail.

GM does not have the ability to discipline rail rates by trucking FMVs around rail bottlenecks to the rail head of a competing railroad. Sufficient truck capacity simply does not exist to do this except at the margins. Moreover, the added cost and transit time deters the extensive use of truck-arounds. Further, the extra vehicle handling required by transloading from truck to rail increases the potential for damage to FMVs, which impacts sales and customer perceptions of quality. Because of the difficulty and added costs of transloading around bottleneck segments, GM only does so on isolated lanes where there is a service failure by a railroad or other significant rail quality concern.

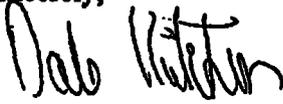
GM's "just-in-time" production means that we already receive most inbound parts by truck. Rail simply cannot meet the service and transit time requirements of "just-in-time" production. This is another major change since 1993. Consequently, just about every inbound part that can be delivered efficiently by truck is delivered to a GM plant by truck today. The 25% of parts that currently move by rail simply cannot be transported cost-effectively by truck because they are heavy and/or large components, such as frames, engines, transmissions, and axles. If trucks were a viable competitive option for these shipments, GM almost certainly would be using trucks today, because it must carry a larger inventory of rail-delivered parts due to less precise rail service windows. Thus, GM is captive to rail for these parts.

Another significant change since 1993 has been passage of the ICC Termination Act in 1995 ("ICCTA"). When the ICC granted the Automobile Exemptions, it noted that the exemptions would relieve administrative and paperwork burdens associated with tariff filing and contract summary filing, insulate the issue traffic from frivolous, but potentially burdensome regulatory proceedings, and allow quick and unhindered rate and service adjustments when changed market conditions require them. Just two years later, ICCTA provided these same benefits to all railroads and shippers without exemptions. For instance, ICCTA repealed the tariff and contract filing requirements, and increased the railroads' flexibility to make rate and service adjustments. From a shipper's perspective, there no longer are any benefits to exemptions to offset the loss of regulatory protections.

Many of the circumstances that motivated the ICC to establish the Automobile Exemptions have changed since 1993. Today, GM has fewer rail transportation options and is captive to a single rail carrier at more plants and over greater distances. GM also has optimized its use of transportation modes in such a

manner that, where it currently ships by rail, GM cannot make extensive use of other transportation modes. Because GM must use rail in those instances, it is just as captive as most non-exempt rail traffic. Therefore, GM supports an in-depth review of the Automobile Exemptions and whether automobile manufacturers require protection from abuses of market power.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale Kitchen". The signature is written in a cursive, slightly slanted style.

Dale Kitchen
Executive Director, Global Logistics and Containers