



March 12, 2018

Lucille Marvin
Director
Office of Public Assistance, Governmental Affairs, and Compliance
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Subject: Rail service delays impacting automakers

Dear Ms. Marvin:

On behalf of the Alliance of Automobile Manufacturers (“Alliance”), I am writing to inform the Surface Transportation Board (“Board”) of serious service declines affecting the rail transportation of finished vehicles and to request the assistance of the Board’s Office of Public Assistance, Government Affairs and Compliance (“OPAGAC”) to identify and address the causes of these problems. The Alliance is a trade association of twelve car and light truck manufacturers comprised of BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars, Toyota, Volkswagen Group and Volvo Cars. Together, Alliance members account for roughly three out of every four new vehicles sold in the U.S. each year.

Many Alliance members are experiencing substantial consequences due to service declines throughout the North American rail network and will continue to do so until the underlying causes are resolved. Specifically, a serious shortage of bi-level and tri-level rail cars for transporting finished vehicles occurred in February and has worsened in March. TTX manages the automotive rail car fleet through a pooling agreement designed to maximize car utilization. Multiple performance targets have not been met in February and continue to deteriorate in March.

For example, the rail industry has significantly missed its targets for fulfilling rail car orders, the loaded vs. empty rail car ratio, and shippable vehicle ground counts (i.e., units awaiting a rail car). In addition, delayed loads (no reported movement in 48 hours) have increased substantially over prior years. Although the Alliance very much would like to share the targets and actual performance data that TTX tracks, TTX and

its railroad owners have designated that information as confidential and refuse to permit us to share it with the Board.

This data reflects a general network slowdown that is delaying the delivery of loaded rail cars and the return of empty cars for subsequent loading, and the overall inability of railroads to fulfill empty rail car orders. The foregoing performance deficiencies cannot be attributed to a spike in demand for transportation of finished vehicles, as no such spike has occurred. Rather, it is due to an overall slowdown in the rail transportation network.

Alliance members have met with each of the Class I railroads to discern the causes of these service declines and what remedial actions the railroads are taking. Those meetings have largely been unsatisfactory. The responses have varied widely, including IT issues, network changes, weather, and Positive Train Control implementation. Alliance members have not perceived even the semblance of a concerted plan or timeframe to restore effective car service for transporting finished vehicles.

As a consequence of these service declines, Alliance members have experienced substantial delays getting vehicles to customers. They also they have incurred significant costs to transport to, and store vehicles at, off-site locations, as vehicle inventory has exceeded assembly plant capacity. Certain assembly plants even run the risk of shut down due to lack of plant yard and off-site space. In addition, Alliance members have paid premium freight costs to divert vehicles to alternative transportation modes where possible.

It is not clear to the Alliance whether these problems are unique to finished vehicles or if they are simply manifesting themselves earlier than for other sectors (perhaps due to the nature of the TTX pooling agreement). Certainly, the explanations that railroads have provided to Alliance members are not unique to the transportation of finished vehicles. Thus, the Alliance members may be the canary in the coal mine warning of broader service declines just around the corner. On the other hand, if the experience of Alliance members is not indicative of broader problems, the explanations provided by the railroads cannot be accurate and questions arise as to why automotive shipments alone are experiencing disproportionate delays. Either way, these are serious concerns that warrant additional scrutiny and attention to prevent further degradations.

The Alliance, therefore, is requesting the assistance of OPAGAC to investigate the cause(s) of the rail car shortage for transporting finished vehicles and to identify solutions that will address this threat to the automotive industry and potentially to the fluidity of the nation's rail network for all commodities.

We appreciate your prompt attention to this matter. Please do not hesitate to contact my colleague, Jennifer Thomas, at jthomas@autoalliance.org or 202-326-5538 should you have any questions or need additional information.

Sincerely,



Dave Schwietert
Executive Vice President, Federal Government Relations & Public Policy

cc: Ann Begeman, Acting Chairman, Surface Transportation Board
Deb Miller, Vice Chairman, Surface Transportation Board
Senator John Thune, Chair, Senate Committee on Commerce, Science, and Transportation
Senator Bill Nelson, Ranking Member, Senate Committee on Commerce, Science, and Transportation
Senator Deb Fischer, Chair, Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security
Senator Gary Peters, Ranking Member, Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security
Representative Bill Shuster, Chair, House Committee on Transportation and Infrastructure
Representative Peter DeFazio, Ranking Member, House Committee on Transportation and Infrastructure
Representative Jeff Denham, Chair, House Subcommittee on Railroads, Pipelines, and Hazardous Materials
Representative Mike Capuano, Ranking Member, House Subcommittee on Railroads, Pipelines, and Hazardous Materials