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To ARC Membership,

On May 30 reply statements in EP 711 - STB's look at changing the Competitive Switching provisions were filed on behalf of the ALLIANCE FOR RAIL COMPETITION, COLORADO WHEAT ADMINISTRATIVE COMMITTEE, IDAHO BARLEY COMMISSION, IDAHO WHEAT COMMISSION, MONTANA FARMERS UNION, MONTANA WHEAT & BARLEY COMMITTEE, NEBRASKA WHEAT BOARD, OKLAHOMA WHEAT COMMISSION, SOUTH DAKOTA WHEAT COMMISSION, TEXAS WHEAT PRODUCERS BOARD, WASHINGTON GRAIN COMMISSION, WYOMING WHEAT MARKETING COMMISSION, AND THE NATIONAL ASSOCIATION OF WHEAT GROWERS.

In short - the RR's have stated to the STB in this proceeding that any requirement put on them to provide competitive switching (such as allow shippers to have access to another railroad in a town) will lead to "inefficiencies" and thus higher costs for the railroads nationally. In railroad parlance: they make the extreme argument that competition itself is a bad thing for their industry. Even the opportunity to seek rail service by a competitor is, in the railroads' view, a threat to economic efficiency, profit maximization, and the long term best interests of railroads and shippers (both captive and non-captive). Accordingly, the railroads call on the Board to preserve the status quo.

We countered with five theme arguments to this absurd posturing:

- **access to a second railroad does not guarantee any reduction in rail rates, let alone a reduction in rail rates to reasonable levels**
- **we have consistently called on the Board to improve the effectiveness of regulatory (as opposed to competitive) remedies for abuses of railroad market power, including unreasonable rates, charges and practices.**
- **we regard the regulatory and competitive status quo as entirely too favorable to major railroads with enormous market power**
- **In arguing against increased rail-to-rail competition as inefficient, the AAR and other major railroads assume that the law favors efficiency over a competitive market**

· If the railroads argument for no competition were the law of this land, Wal-Mart and Target could reasonably argue that neither should open a store in a market served by the other. Imagine the efficiency gains if each retailer knew that every purchase of discount housewares and clothing in each town in which it operated would take place at its checkout counters. Inventories could be minimized, supply chains rationalized, fuel saved, parking lots and sales staffs optimized, etc. The same benefits could be achieved if all groceries, gasoline, hardware, office supplies, and automobiles were sold by a single dominant retailer. But this is not the economic model this country has chosen.

· the government has promoted competition in the electric utility industry by requiring utilities to offer transmission and distribution of power generated by others over the utilities' networks of power lines and finally, The railroads cannot have it both ways. If even the modest increase in competition proposed by NITL is not to be implemented, the case becomes all the stronger for more effective regulatory remedies – against unreasonable railroad rates, charges and practices – for the thousands of captive shippers with no other means of countering abuses of railroad market power.

A copy of the filing is attached and also in the ARC website.