

RAIL CUSTOMER COALITION

December 28, 2016

Dear Governor Nikki R. Haley,

The Rail Customer Coalition (RCC), a broad group of American businesses and some of the nation's largest freight rail customers, urges your office to support pro-competitive rail reforms at the U.S. Surface Transportation Board (STB). We understand that railroad interests have been contacting state governments and state organizations claiming falsely that the STB's proposal for "competitive switching" is unlawful. We ask that you reject any request that would have your office oppose sensible reforms founded on free market principles and firmly grounded in federal law to the detriment of farmers, manufacturers, and energy producers in South Carolina.

As discussed in the attached letter signed by more than fifty RCC member associations, reciprocal switching, also known as competitive switching, would allow a rail customer that is served by a single major railroad to request to have its freight "switched" to another major railroad at a nearby interchange. The customer can then choose the rail carrier that provides the most competitive rates and best service. Competition is the cornerstone of a strong and efficient economy, and policymakers and industry typically embrace it as a better alternative to regulatory oversight. Unfortunately, some in the railroad industry are seeking to fiercely protect decades-old policies that shield railroads from head-to-head competition.

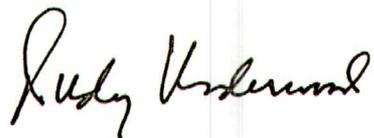
The STB's authority to allow competitive switching could not be clearer. The Staggers Rail Act of 1980, heralded as saving the railroad industry from the brink of overregulation and financial ruin, established competition as a fundamental goal of U.S. freight rail policy and defined competitive switching as a key tool that the STB can use to further this objective.

Unfortunately, outdated STB rules impose such high regulatory burdens that the STB has never granted a shipper's request for switching. Government policies have not kept pace with massive consolidation within the rail industry, which has resulted in just four railroads controlling 90 percent of the country's rail traffic. Thanks to outdated regulatory protections, the rail industry has been allowed to operate like a virtual monopoly because they are insulated from having to compete with each other like the rest of the free market. In turn, freight rail rates have doubled—more than three times the rate of inflation over the past decade—even though the volume of freight carried by the railroads has barely increased.

The STB's proposal to remove regulatory barriers to freight rail competition is not only consistent with the Board's statutory mandate, it is also good for American businesses. The Board should be allowed to proceed with its rulemaking process and not be swayed by hyperbolic claims against removing special regulatory protections.

Thank you for your attention to this matter. Please visit FreightRailReform.com for more information or contact Rudy Underwood at (202) 249-6220 or Rudy_Underwood@americanchemistry.com to discuss this further.

Sincerely,

A handwritten signature in black ink that reads "Rudy Underwood". The signature is written in a cursive style with a large initial "R".

Rudy Underwood
On Behalf of the Rail Customer Coalition
FreightRailReform.com

Attachments

December 15, 2016

The Honorable Mike Pence
Office of President-elect Donald Trump
1800 F Street NW Room G117
Washington, DC 20270-0117

Dear Vice President-elect Pence:

As the leaders of American businesses that are some of our nation's largest customers of freight rail service, we look forward to working with you as you consider personnel decisions in rail-related agencies. Specifically, we want to work with you to ensure that individuals that serve on the Surface Transportation Board (STB) will be committed to eliminating outdated rules and overly bureaucratic procedures that shield the rail industry from competition and impede growth in the U.S.

STB policies have a direct impact on investment decisions in the United States, as affordable and reliable rail transportation is a prerequisite for many businesses. In order to fully realize the benefits of a manufacturing renaissance, we must be sure that the STB is comprised of members that will make decisions that are based on current economic realities and founded on free market solutions.

Over the past decade, obsolete regulatory protections and an overly burdensome STB process have allowed freight rail rates to double—more than three times the rate of inflation—even though the volume of freight carried by the railroads has barely increased. At the same time, rail service has not improved. Many shippers—from factories to farms—are captive to a single railroad, and the STB has been ineffective in addressing widespread complaints about unreasonable rates and poor service.

In light of these facts, the STB's current Commissioners, Republican and Democrat alike, have acknowledged in recent written opinions that the Board's rate review process is not functioning properly. Problems at the STB were also not lost on Senate Commerce Committee Chairman John Thune when he championed STB reform legislation that won unanimous support from Congress and was signed into law last year.

To help resolve the ongoing problems at the STB, small and large businesses across the country have come together to support the adoption of reforms that will promote greater competition between railroads and improve the efficiency and effectiveness of the STB. These reforms are aligned with the pro-growth goals of your administration for many important sectors of the U.S. economy; they will help ensure that commodities, including grain, coal, fertilizer, forestry products, steel, and manufactured goods, can be shipped efficiently to both domestic and international markets.

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In the coming months, the administration will have the opportunity to appoint several new STB members, including a new Chairman. These positions are of great importance to our organizations and will have a large impact on the future of our operations. Board members must be committed to moving the STB forward instead of preserving the status quo. They also need to be fair-minded, objective and innovative when it comes to resolving freight rail issues.

We welcome further discussion with you on these issues, and look forward to working with your administration on policies that support growth across the entire U.S. economy.

Sincerely,

Rob Shama
President
Afton Chemical Corporation

John Riordan
President and CEO
Ardagh Group, Glass-North America

Richard P. Rowe
President & CEO
Arkema Inc

Bradley J. Westfall
President
ASHTA Chemicals, Inc.

Mathew Brainerd
Chairman
Brainerd Chemical Company, Inc.

Mark Nikolich
CEO
Braskem America, Inc.

Markus Klaehn
President and Chief Operating Officer
Brenntag North America, Inc.

Doug Brown
Chief Executive Officer and President
Brown Chemical Company, Inc.

Robert C. Brown
President/CEO
CALAMCO

Mark Rohr
Chairman & CEO
Celanese

W. Anthony Will
President and Chief Executive Officer
CF Industries

Bob Venable
President & COO
Charter Manufacturing

Mark Vergnano
President and CEO
The Chemours Company

Mark Davis
President and Chief Executive Officer
Chemtrade Logistics

Craig A. Rogerson
Chairman, President & CEO
Chemtura Corporation

Cindy Brown
President
Chippewa Valley Bean Co., Inc.

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Joe Alvarado
Chairman, President & CEO
Commercial Metals Co.

Mark Pytosh
President and CEO
CVR Partners, G.P.

Andrew Liveris
Chairman and Chief Executive Officer
The Dow Chemical Company

Edward Polen
President and Chief Executive Officer
EMCO Chemical Distributors, Inc.

Peter Campo
President
Gerdau Long Steel North America

Craig O. Morrison
Chairman, President and CEO
Hexion Inc.

Dennis Seith
President & CEO
INEOS Olefins & Polymers USA

Jeffrey W. Jones
Chairman and CEO
JCI Jones Chemicals, Inc.

Scott Mayfield
President & Chief Administrative Officer
Kenco

Kendra Lee
Chairman of the Board and Chief Executive
Officer
Merichem Company

Robert L. Peterson
President
Occidental Chemical Corporation

Herman J. Haksteen
Chief Executive Officer
Cryo-Trans, Inc.

John D. Williams
President and CEO
Domtar

Edward D. Breen
Chair of the Board and Chief Executive Officer
DuPont

Marc Maseman
Chief Executive Officer and President
Florida Chemical Supply, Inc.

Kevin Mirner
Chief Executive Officer and President
Harcros Chemicals, Inc.

Rebecca B Liebert
President and CEO
Honeywell UOP

Mark S. Sutton
Chairman and Chief Executive Officer
International Paper

Justin Flaten
President and CEO
JM Grain, Inc.

Jeanette Partlow
President
Maryland Chemical Company, Inc.

Joc O'Rourke
President and Chief Executive Officer
The Mosaic Company

John E. Fischer
President and CEO
Olin Corporation

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Mark W. Kowlzan
Chairman and CEO
Packaging Corporation of America

Jochen Tilk
President and CEO
PotashCorp

Clifford Otto
Chief Executive Officer
Saddle Creek Logistics Services

Mike Lacey
President
Solvay America, Inc.

Randy Stephens
President
SureGrow Ag Products, Inc

Ed Dineen
Chairman, President and CEO
TPC Group

Ed Flynn
President
Tronox Alkali

Mark Fenenbock
Chairman
W. Silver, Inc.

Steve Rodgers
Interim President
Yara North America, Inc.

Paul Lambert
President
PL International, LLC

Richard Garneau
President and CEO
Resolute Forest Products

Mark Gardner
President and CEO
Sappi North America

Robert Andersen
Chairman and Chief Executive Officer
Superior Oil Company, Inc.

Piotr Galitzine
Chairman & CEO
TMK IPSCO

Anthony Ridnell
Founder and Chief Executive Officer
TRInternational, Inc.

Joe Gorder
Chairman, President and Chief Executive
Officer
Valero Energy Corporation

Brad Hilleary
Chief Executive Officer
Webb Chemical Service Corp.

IT'S TIME TO MAKE THE SWITCH TO FREIGHT RAIL COMPETITION

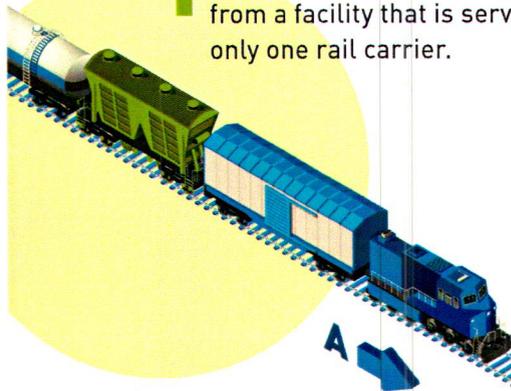
FREIGHT RAIL REFORM

Competitive switching will unlock market forces, improve service, and reduce shipping distances

HOW IT WORKS

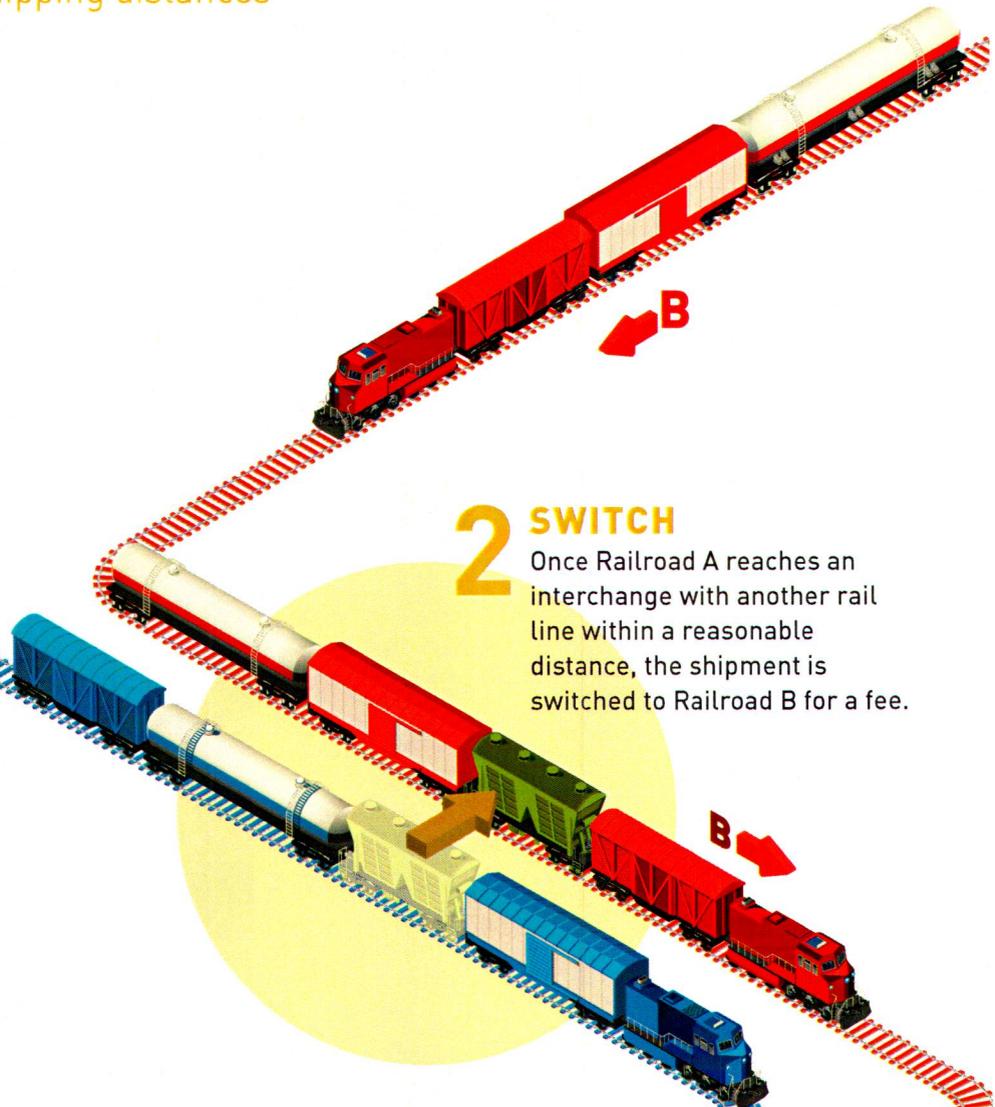
1 ORIGIN

Railroad A picks up a shipment from a facility that is served by only one rail carrier.



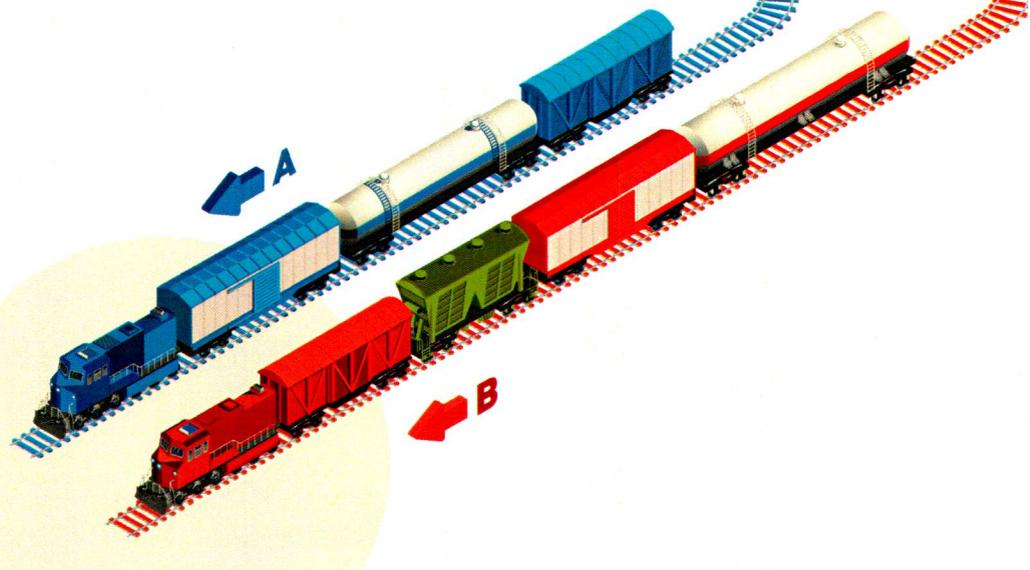
2 SWITCH

Once Railroad A reaches an interchange with another rail line within a reasonable distance, the shipment is switched to Railroad B for a fee.



3 DESTINATION

Railroad B delivers the shipment using its own tracks to the final destination, which is served by both railroads. The shipment picked up at the point of origin is simply transferred to another train, which provides access to another option for transporting the cargo to the destination by rail.



THE GOAL

In an environment where rail competition remains elusive for many shippers, rates have soared and service has suffered. It is long past time for the Surface Transportation Board (STB) to move forward with common-sense reforms that provide regulatory relief and increase free-market competition. Promoting competition among freight railroads benefits manufacturers, farmers, and energy producers, as well as consumers across America. Adopting a sensible competitive switching policy will provide access to more shipping options and will support a strong and competitive freight rail system.

FLAWED POLICY

As it stands now, federal regulators shield railroads from competing with each other. As part of the Staggers Rail Act, Congress envisioned a process that would allow shippers served by a single railroad to have their cargo switched to another nearby carrier as a way to promote rail competition. But due to antiquated rules adopted by the STB, no shipper has been able to successfully request the transfer of their cargo from one railroad to another.

SOUND SOLUTION

The STB is considering a proposal that provides a practical blueprint for competitive switching. The proposal would simply allow certain rail customers to request that their freight be moved to another major railroad only if another rail line is reasonably accessible.

If the switch is shown to be unsafe or harmful to other customers, the railroad can block it. And there is no “free lunch” for the shipper—they would have to pay an appropriate “access” fee to cover the railroad’s costs.

It isn’t really a radical idea since it’s a process that has worked well for more than a century in Canada. As stated by the Canadian Pacific Railway, railroads subject to Canada’s competitive switching requirements are “the two most efficient carriers in the industry today, demonstrating that a low-cost, service-focused carrier can increase revenues, operate efficiently, and reinvest in infrastructure in a competitive environment.”

BROAD SUPPORT

Competitive switching has the strong support of the Rail Customer Coalition, representing the largest users of freight rail service and a broad cross section of manufacturing, agricultural, and energy industries.

The U.S. Department of Agriculture has gone on record saying, “Competitive switching offers a market-based solution to balance the needs of the railroads and shippers and is in keeping with the goals of the Staggers Act.”

Competitive switching offers a far better way to address freight rail rates and service issues than government intervention. Furthermore, market-based competition can lead to innovation and increased efficiencies—just as it does throughout all sectors of the U.S. economy.

It's time for the Surface Transportation Board to remove outdated barriers to competition and put the marketplace back in the driver's seat.

