



NGFA Statement on Issuance of Surface Transportation Board Rate Reform Task Force Report

The National Grain and Feed Association (NGFA) commends the Surface Transportation Board (STB) for issuing the completed staff report of its Rail Rate Reform Task Force.

Based upon an initial review, the NGFA believes the task force has produced a thoughtful, succinct and good-faith document that contains an accurate portrayal of the systemic problems with each of the STB's existing methodologies and procedures available to rail customers to exercise their legal right to challenge unreasonable rail rates. The NGFA said it is evident from the report that the task force listened and earnestly evaluated comments and input made by the NGFA and other rail stakeholders during its year-long process of reaching out to rail customers and carriers alike.

The NGFA said it was pleased that the task force report also contains several new, innovative and intriguing concepts that it said warrant consideration as the STB and stakeholders examine ways to improve and, in some cases replace, the agency's current rate-challenge methodologies and procedures to establish more streamlined, timely, less cumbersome and more cost-effective ways for rail customers to challenge unreasonable rail rates, which NGFA members believe have become more prevalent and significant given the rapid consolidation of the North American rail marketplace. As NGFA's Rail Arbitration System, established in 1998, has shown, merely having realistic access to a workable forum for resolving disputes can help discipline business conduct.

The NGFA also commended STB Chairman Ann Begeman, who in an [April 29 statement](#) accompanying release of the task force report, cited rail rate reform as her "top priority" and further stated that the "only option not on the table is one where we (the STB) do nothing," something with which the NGFA wholeheartedly concurs.

The NGFA said it was pleased that several of the concepts it conveyed during its two meetings with the STB task force are referenced and explored in the staff report, including the following: 1) procedural limitations to constrain the cost and complexity of rate cases, such as limiting or eliminating the "other relevant factors" submissions in some rate cases; 2) including a comparison-group of similar traffic to demonstrate that a given railroad's rate is unreasonable; 3) allowing all rates for specific types of traffic (not just those exceeding the 180-percent-of-variable-cost statutory threshold for challenging a rate) to be evaluated in a rate challenge; 4) imposing strict timelines that could lead to cases being decided within 90 days; 5) not imposing a limit on the number of rate challenges that can be brought by an individual rail customer; 6) reversing the STB's long-standing "bottleneck" decisions so rail customers can direct certain revenue-adequate carriers to deliver movements to a feasible interchange of the shipper's choice; and 7) significantly streamlining the STB's most stringent rate-challenge methodology – the Stand Alone Cost (SAC) methodology. One way the task force proposes to do that is to eliminate the requirement for a rail customer in a SAC case to create a hypothetical railroad to compare against the defendant railroad whose rate is being challenged; as an alternative, the task force proposes that the STB examine the property, operations and cost structure of the defendant railroad and the portions of its network involved in the traffic route of the challenged rate.



The NGFA also commended the task force for recognizing the statutory constraints imposed by Congress on railroads' ability to differentially price their traffic – charging higher rates to some customers of similar traffic compared to others – once the carriers attain revenue adequacy.

The NGFA in 2011 had developed and proposed to the STB a new, simplified rate-challenge methodology intended to be workable for agricultural shippers and receivers. NGFA said it looks forward to participating fully in future STB forums that are expected to be organized to solicit feedback on its task force report and ways to refine, build upon and pursue its recommendations. NGFA said it would provide additional reaction, input and recommendations concerning the task force report at that time.

Background: STB Chairman Ann Begeman established the STB Rail Rate Reform Task Force in January 2018 to recommend improvements to the agency's existing rate-review processes and to propose new rate-review methodologies that are more attuned to the realities of the current transportation environment. The task force's mission was to develop more affordable, accessible and practical procedures for handling both large and small rate disputes.

In its [April 29 statement](#), the STB indicated it will be soliciting public input on the report “in the near future.” The STB Rail Rate Reform Task Force report may be accessed [here](#).

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