

TRANSPORTATION, ELEVATOR, AND GRAIN MERCHANTS ASSOCIATION

1300 L STREET, N.W.

SUITE 1020

WASHINGTON, D.C. 20005

202-842-0400

October 2, 2006

Chairman Charles Nottingham
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Dear Chairman Nottingham:

The Transportation, Elevator, and Grain Merchants Association (TEGMA) welcomes the opportunity to respond to the Surface Transportation Board's (STB or Board) proposed measures regarding fuel surcharge practices by railroads outlined in its decision served on August 3, 2006.

TEGMA is a North American trade association that brings together global grain companies, domestic shippers and receivers, railroads, ports, storage houses, inspection agencies and others involved in the shipment of North American grain to customers all over the world. TEGMA's mix of membership provides it with a unique perspective on grain handling and transportation.

The businesses of many of our member depend on access to efficient and competitively-priced transportation in order to compete in the global market. The volatility and generally escalating fuel prices over the last few years have negatively impacted agriculture as well as a number of other industries. TEGMA commends the STB for addressing this important issue. At the STB hearing on May 11, 2006, TEGMA urged the Board to promote uniformity and greater transparency in the application of fuel surcharges among Class I rail carriers. TEGMA is pleased that the STB decision encourages rail carriers to adopt a mileage-based system that measures increases in fuel price from a single, uniform index. These are critical first steps that will allow shippers to effectively manage fuel price risk with an over-the-counter hedging instrument.

While TEGMA generally supports the STB decision, there are several details that TEGMA believes the Board should reevaluate. The STB proposes using the US No. 2 Diesel Retail Sales By All Sellers index to measure fuel price fluctuation. To negate the changing and variable tax applications, TEGMA suggests using a diesel fuel index that reflects wholesale price instead of retail price. For greater transparency and accuracy, TEGMA encourages the STB to select an index that is published regularly, publicly available, searchable, and reflects the type of diesel fuel used by rail carriers. The most appropriate index should also demonstrate a strong correlation to a hedgeable exchange-traded contract, which would allow shippers to develop an efficient, competitively priced risk management instrument.

TEGMA urges the STB to include in its final decision a specific timeframe for railroads to adopt a uniform index. As fuel prices continue to rise and transportation costs rise with them, the competitiveness of US agriculture is jeopardized. The sooner the market can develop a hedging instrument the sooner shippers will be able to manage their fuel price exposure and overall transportation costs.

Finally, TEGMA supports the STB decision to monitor railroad fuel surcharges; however, we are concerned that aggregate reporting, as proposed by the STB, may not fully reflect how fuel

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surcharges are applied across sectors. In an industry that already does a significant amount of reporting, TEGMA believes that any additional reporting requirement should track meaningful and pertinent information. TEGMA would be happy to work with the STB and other industry groups to develop a reporting system that is useful to the rail carriers, shippers and the public.

Thank you for the opportunity to comment. Please contact me at (202) 842-0400 if you have questions or would like to discuss these comments.

Regards,

A handwritten signature in black ink, appearing to read "Julia J. Kinnaird". The signature is fluid and cursive, with a large initial "J" and a long horizontal stroke extending to the right.

JULA J. KINNAIRD
President