



United States Department of Agriculture

Office of the Secretary
Washington D.C. 20250

AUG 8 2014

Chairman Daniel R. Elliott III
U.S. Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Chairman Elliott,

Thank you for your leadership in helping to address the current rail service issues affecting agricultural shippers. The hearing in April; the follow-up field hearings; and the Board's order on June 20, 2014, for BNSF Railways (BNSF) and Canadian Pacific Railways Company (CP) to publicly file plans on how they will resolve their backlogs of grain car orders were positive steps. USDA greatly appreciates your and the Board's efforts to resolve this serious situation as soon as possible. Despite some progress, however, USDA remains concerned about CP's ability to resolve its backlog and the lack of transparency in CP's reporting to the Board. With remaining grain in storage due to the backlog, grain elevators in some locations, such as South Dakota and Minnesota, could run out of storage capacity during the upcoming harvest, requiring grain be stored on the ground and running the risk of spoiling. The projected size of the upcoming harvest creates a high potential for loss in the affected States.

USDA is concerned the pace of CP's weekly progress on reducing the backlog of late grain cars is insufficient to meet its obligation of fulfilling the 29,650 open requests for service before October. We estimate CP would need to move about 4,725 cars per week to clear the grain backlog by October 3. This includes about 3,300 past due cars and about 1,425 new requests per week, the weekly average of new requests in July. However, CP's weekly reports to the Board show it has only been moving an average of 1,969 cars per week in July, which would leave a significant amount of the grain backlog remaining in October. I encourage the Board to seek clarification from CP about its ability to clear the grain backlog by October and to explore remedies available to the Board should CP be unable to meet its obligation.

Regarding the data reporting, since July 5, 2013, CP is the only Class I railroad not reporting its Railroad Performance Measures through the Association of American Railroads. At the request of the Board, the Class I railroads agreed to report these Railroad Performance Measures subsequent to the rail service difficulties of 1997 and 1998. These performance measures provide transparency and insight regarding the performance of individual railroads at a broad level, and current rail service problems have highlighted the need for these measures. I respectfully ask the Board to require CP report these numbers in the future.

Thank you for your consideration of these requests. Please let me know if I or my staff can be of any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Avalos", written over a horizontal line.

Edward Avalos
Under Secretary
Marketing and Regulatory Programs