

DAIMLERCHRYSLER



Finished Vehicle Logistics Groups

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

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Re.: Finance Docket No. 27590 (Sub No. 3)
Application of TTX Company for Approval of Pooling of Car Service with
Respect to Flatcars

Dear Secretary Williams,

Please consider this letter as the opinion and recommendation statement of the North American Corporate Logistics groups of the DaimlerChrysler Corporation and Ford Motor Company for inclusion in the above-captioned proceeding, specifically relating to the term and conditions of the TTX Corporation's re-authorization petition.

Opinion:

It is the independent opinion, expressed jointly, of the above mentioned companies that the term length of 15 years proposed by the TTX Corporation is of an unreasonable duration given the speed of change in the Global automotive industry, the high reliance on rail by the North American automotive industry, the significant consolidation of the Rail industry, the uncertainty of change in supply chain management, and the capacity constraint forecasts expected in North America over the next 15 years (AASHTO - 2003 Freight Rail Bottom-Line Report). With so much uncertainty in our environment, flexibility in asset management policy, balanced shipper/carrier requirements planning, and competitive checks and balances far outweigh any limited carrier benefits to a 15 year term. Term of re-authorization should not have a significant impact on capital financing as TTX is financed through railroad ownership and any purchase plans will be underwritten by the railroads and amortized appropriately within the railroads accounting structures.

The lack of automotive multi-level equipment supply, either through poor supply modeling, poor productivity, or limited re-investment, has significantly impacted our ability to deliver product to market. The railroads' re-investment in equipment to support their contracted automotive customers has not kept pace with growth in North American sales over the last 10 years, and the role that Global manufacturers have played in the marketplace. The railroads haven't reacted quickly enough to the current TTX modeling methodology to effectively include all manufacturers' requirements, which puts an undue burden on those manufacturers who are subscribed to the current model. This also results in an inequitable and inconsistent distribution of the current pool, an inability to properly certify and maintain the current fleet, and a lack of understanding of the North American markets requirements that further hinders re-investment.

The TTX Corporation provides a valuable service to the automotive industry and is a vital part of our success, however, we cannot support a re-authorization period of 15 years for automotive multi-level pools and suggest that all parties would be better served in the near future with some minor changes to the current mandate.

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Recommendation:

It is recommended that the TTX re-authorization be considered with the following conditions:

- The term of re-authorization be limited to a period of 5 years
- That, separate to the AILSC – AQIEPC committees, the re-authorization include the creation of a Balanced Commodity Equipment Planning Board that includes shippers, TTX, and carrier representation to:
 - Baseline the current asset requirements modeling process, by specific commodity
 - Identify the gaps in the current methodology
 - Reconcile the needs of the shippers and carriers, in a balanced manner
 - Develop robust assignment and allocation processes, by specific commodity
 - Address the service implications of unplanned events in specific commodity distribution chains throughout the period of re-authorization
- That the creation of, the participation in, and the maintenance of, the Balanced Commodity Equipment Planning Board be a component of future re-authorization petitions

It is our joint opinion that both the shippers and carriers will benefit from the recommendation outlined above and that, through better communication, more robust planning, and effective exception management of the pool process, we will reduce the risk that inadequate car supply planning will impact a shipper's ability to get product to market in the future.

Thank you in advance for your consideration.

Sincerely,

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