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Surface Transportation Board
Docket No. EP 711 (Sub-No. 1)
RECIPROCAL SWITCHING

The American Association of Senior Citizens, 60 Plus Association, respectfully submits these comments in response to the Notice of Proposed Rulemaking ("NPRM"), served on December 28th, 2021, in which the board proposes changes to the requirements necessary to mandate reciprocal switching.

The 60 Plus Association is one of the leading groups representing America's senior citizens. We educate and advance the issues that matter most to seniors and their families, including retirement security. The 60 Plus Association has a strong interest in this rulemaking and ensuring the Board's changes do not jeopardizing the retirement funds and pensions of senior citizens across the U.S. and retired rail workers.

The proposed regulatory changes will hurt rail revenues, reducing fund returns for almost all U.S. senior citizens invested in market-based retirement accounts and jeopardizing the pensions of retired rail workers. As of January 24th, 2022, U.S. Class I Railroads totaled \$456.5 billion in market capitalization, much of which is owned by U.S. retirement accounts. Retirement managers Blackrock and Vanguard are among the top five shareholders of Union Pacific, CSX, and Norfolk Southern stock, and Vanguard is also a top ten shareholder of Canadian Pacific and Canadian National. Just a small decrease in the market value of these companies can wipe out billions of dollars in value for retirement accounts.

Furthermore, reciprocal switching regulations threaten to undermine the long-term value proposition for a set of investments that has been a bedrock of many retirement accounts. Since 2000, rail stocks have on average returned 14.4% per year, outpacing the S&P 500 by over 10 percentage points a year. Railroads have achieved these returns while continuing to spend a far higher percentage of their revenue on capital expenditures than any other mode of transport. Increased reciprocal switching regulations will result in lost revenues for railroads, which will in turn lead to decreased infrastructure investments and network shrinkage. The regulations could trigger a vicious cycle of decline, with falling rail revenues leading to network shrinkage, and network shrinkage causing declining revenues. Indeed, many investors are recognizing this risk and according

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to Wolfe Research, 58% would be far less likely to invest in railroads if the STB imposed price restrictive regulations. These regulations endanger an asset class that has been reliable, low-risk, and high-return for retirees and senior citizens.

While the reciprocal switching regulation will financially hurt all retirees, it will have a disproportionate negative impact on retired rail workers. The revenues of the Railroad Retirement Board (RRB), which paid out retirement or survivors benefits to 528,000 former rail workers and their families in 2021, are heavily reliant on railroads being able to continue and expand their operations without undue and burdensome regulatory restrictions.

The primary funding mechanism for the RRB is payroll taxes on current railroad employees, making rail workforce size the main determinant for solvency. The reciprocal switching regulations proposed would cut into Class I railroad revenues, and as a result could lead to workforce reductions in the industry. This acts as a double punch for the RRB, which sees both a fall in payroll revenue and a rise in unemployment benefit expenditures. The Railroad Retirement Board itself has said that "the financial condition of the railroad retirement system is closely related to the size of the railroad work force" and that one of the few situations that could endanger the cash flow of the board is "a sudden, unanticipated, large decrease in railroad employment." Any burdensome and revenue negative regulations, such as reciprocal switching, that threatens the jobs of rail workers, will threaten the pensions of all those who rely upon the solvency of the Railroad Retirement Board.

The Board should not adopt the proposed changes to reciprocal switching. Doing so would hurt retirees and threaten the pensions and benefits of over half a million RRB beneficiaries. At a time when many are retirees are financially struggling, the board should not side with corporate shippers over vulnerable seniors.

Respectfully submitted,



James Martin
Founder & Chairman



Saul Anuzis
President

¹ "Railroad Retirement Board Handbook 2021," [Railroad Retirement Board](#), July 2021, P.50

² Ibid