



**RTA COMMENT: Proposed
Hardwood Checkoff Program**
RTA issued the following comments
to the USDA in January.



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U.S. Department of Agriculture (delivered also to <http://www.regulations.gov>)
Promotion and Economics Division
Fruit and Vegetable Program
Agricultural Marketing Service
Attention: Docket ID # AMS-FV-11-0074; PR-A1
1400 Independence Avenue SW
Room 1406-S, Stop 0244
Washington, DC 20250-0244

**Re: Comments On Proposed Hardwood Lumber & Hardwood Plywood Promotion,
Research & Information Order Docket # AMS-FV-11-0074; PR-A1**

Dear Sir/Madam:

The Railway Tie Association (RTA) is pleased to submit these comments on the proposed Hardwood Lumber and Hardwood Plywood Promotion, Research and Information Order (AMS-FV-11-0074; PR-A1), as noticed by the U.S. Department of Agriculture (USDA or Department) on November 13, 2013, at 78 Fed. Reg. 68297.

RTA is an international association of more than 2,900 members. Membership includes over 2,000 hardwood sawmills that produce sawn hardwood products, companies that pressure-treat sawn hardwood products, such as hardwood crossties, companies that produce chemicals for the pressure-treatment of sawn hardwood products, suppliers to these members, and railroad and railroad contractor users of sawn hardwood crossties.

RTA understands from the Notice that the purpose of this Program is to strengthen the position of hardwood lumber and hardwood plywood in the marketplace, and maintain and expand markets for hardwood lumber and hardwood plywood.

RTA further understands from the Notice that the Program will be funded in part from an initial annual assessment rate of \$1 per \$1,000 in sales coming from sawmills that cut hardwood logs into hardwood lumber (including crossties).

The Notice claims the Program is needed by citing significant losses in hardwood consumption in the cabinet, furniture and home construction (flooring and paneling) industries. The Notice does not provide any rationale that the Program is intended for pure business-to-business industrial products such as the hardwood crosstie industry. In fact, for reasons to be enumerated below, it would appear the program is unnecessary for the hardwood crosstie industry, as demand and production of these products has increased some 55 percent since 1990. This increase in hardwood tie production is a significant reason the existing hardwood sawmill base has remained as healthy as it has even as some other hardwood markets have contracted.

In light of the hardwood crosstie industry's relative market strength and dominance, RTA members believe that the bulk of any assessed funds would be directed to high-grade consumer targeted hardwood products, such as molding, paneling, furniture, doors, flooring and cabinetry, and for this reason oppose being included in the Program as written.



Background On Hardwood Crossties:

Hardwood Ties – Essential To National Supply & Freight Transportation Network

Hardwood crossties are the primary product used in the railroad industry for maintaining and building track infrastructure. Twenty-three to 25 million hardwood ties are sold each year to Class 1 and short line railroads, railroad contractors, industrial and government users. These users account for approximately \$80 billion in freight revenues generated in the United States, efficiently moving over 2 billion tons of freight annually. The market share for hardwood crossties and sawn railroad timber products remains approximately 94 percent of all ties consumed by the railroad industry. Sawn hardwood crosstie products represent approximately 25 percent of the hardwood industrial products produced in the United States. Industrial products make up approximately 60 percent of all sawn hardwood products produced, making industrial products the largest segment of the U.S. hardwood products industry.

Hardwood Ties – Safe & Efficient Products Proven With Over 150 Years Of Use

For over 150 years hardwood ties have been the mainstay for efficient railroad operations. This is backed by numerous RTA economic, environmental and engineering-based performance studies that have been conducted and published throughout the years. These products are produced in an environmentally sound manner, assuring not only sustainability for the forest resource, but also safe and economically efficient application in all track applications and in reuse, disposal or energy production following their removal from track.

Basis for Opposition:

Many RTA members have expressed firm opposition to this program and have encouraged RTA to make that position known. Members have also recommended that along with expressing opposition RTA provide a more detailed outline of the rationale for eliminating business-to-business, low-grade hardwood industrial products, such as crossties, from the aggregate of assessed products. Below is a brief outline of activities the RTA provides to its members through a dues structure voluntarily financed by hardwood sawmills and associated businesses.

Outline of RTA Research, Educational, Promotional & Industry Efforts:

Since 1919, RTA has accomplished for the hardwood sawn crosstie and railroad timber products (switch ties, crossing timbers, flanges, bridge timbers, etc.) what the new Hardwood Check-Off proposes to start doing in 2014; that is, rally producers to fund the promotional, educational, legislative, and research needs of its members to assure that hardwood crossties are fairly represented in the marketplace in comparison to alternative competitive products. The result of these RTA efforts is that hardwood crossties maintain a 94 percent share of the market for all newly produced and installed ties in the U.S. and Canadian railroad industry.

The following highly condensed list of activities, programs and accomplishments of the last three decades have been funded by hardwood sawmills and wood treaters in a voluntary manner with a 2-cent-per-tie program. Fifty percent of these dues or 1 cent per tie of these voluntary contributions is attributed to hardwood sawmills.

1. Research

Since 1987, RTA has sponsored well over 30 major research efforts and has published either digitally or in print over 220 research papers dedicated to pressure-treated hardwood crossties, the engineering/economics and life cycle performance of those products, as well as the environmental considerations for using hardwood crossties both during and following primary use in railroad applications.

Most notable among these efforts are the research programs responsible for a recent paradigm shift in ►



wood preservation technologies that has occurred with dual-treatment products. These newly proven technologies have increased the life of wood crossties by over 14 percent to an expected average life in track of over 41 years system-wide. The net present value economic benefit to railroads is in the billions of dollars due to this advancement developed and promoted by RTA and its members.

Other key research efforts have led to the development of computer software models that illustrate the ROI of wood vs. alternative products and now include long-termed wood preservation research into additional wood preservation technologies to extend the life of wood ties even further.

2. Education

In the last 30 years, RTA has conducted well over 80 events dedicated to the education of the public and its producer and user members. RTA's Tie Grading Seminar has taught over 1,000 tie graders how to improve their grading skills. Since 1987, the annual technical conference of the association (which has been held continuously since 1919) has hosted 8,000 attendees to receive the latest information on hardwood crossties. The annual Field Trip of the association has afforded over 1,000 members the opportunity to improve plant safety and manufacturing techniques ostensibly to improve the quality of the hardwood crossties that make it into track.

Other educational efforts include over 60 video or CD-ROM training modules, complete econometric-based demand forecasting tools and interactive spreadsheets, and tie defect posters and handouts for the hardwood sawmills that produce crossties. RTA developed and maintained in-depth industry statistics, the origins of which date back to the beginning of the 20th century, that are extensively referenced by the media, Wall Street analysts, tie producers and railroad users.

3. Promotional Efforts

Through over 1,000 printed and now also digitally published issues of *Crossties* magazine (and its predecessor *The Crosstie Bulletin*) RTA has communicated with users and producers about the benefits of using hardwood crossties. Encyclopedic volumes such as the TieGuide and the Engineering Principles Behind the Hardwood Crosstie along with Performance-Based Tie and Tie Fastener Specifications, Tie Grading Specifications, a From-Tree-to-Track outline and over 50 additional publications have been printed to tell the hardwood crosstie story.

The RTA website, www.rta.org, has over 150 individual pages that connect members and users to hardwood crosstie producers and to information and educational content that few industry associations are capable of providing in such depth.

Additionally, RTA has provided over 100 image-building advertisements in railroad publications along with dozens of staff presentations or trade show representations to customers throughout the United States, Canada and Mexico over the past 30 years.

Numerous business-to-business PR campaigns over the past three decades have been conducted to improve the environmental friendliness of hardwood ties and illustrate their suitability for use in higher tonnage and passenger/transit applications.

4. Legislative & Agency Work

RTA has for the past 30 years worked side-by-side with railroad associations to bring about favorable legislation for railroad infrastructure investment. The most notable is the bipartisan passage of the 45G Short Line Tax



Credit. This legislation has allowed small, undercapitalized roads to improve infrastructure by investing in hardwood ties in a way previously not available to this market. The credit has been in effect since 2005 due in large part to this cooperative effort and has been responsible for a demand increase of approximately 1,000,000 hardwood ties annually during that time.

Other work on behalf of hardwood producers has come in the form of numerous cooperative business efforts aimed at the US-EPA and other governmental agencies to maintain product registrations and the environmental acceptability of treated hardwood crossties.

Suggested Course Of Action:

The above is only a small portion of the efforts RTA has made on the hardwood crosstie's behalf over the last 30 or more years. These efforts have been voluntarily funded by hardwood crosstie sawmills and hardwood crosstie wood treaters.

Solution 1: For this reason, USDA should amend the Order for the Hardwood Checkoff Program to eliminate hardwood crossties and other industrial hardwood products for railroad use (switch ties, crossing timbers, flanges, bridge timbers, etc.) from the list of assessed items produced by hardwood sawmills.

Solution 2: As an alternative, the USDA should offer a credit mechanism for producers that saw hardwood crossties. The purpose of this credit is to allow those producers that voluntarily contribute to RTA programs to receive dollar-for-dollar credit for those documented contributions toward the assessment imposed on hardwood crosstie production.

Additional Suggestion:

It is our understanding that others in the hardwood manufacturing industry will ask for an extension of the comment period given the timing of the 60-day period ending January 13, 2014, which included several major holiday periods. RTA supports any position requesting a delay and/or extension of the comment period.

Conclusion:

RTA encourages USDA to eliminate or offer credit to crossties as an assessed item in the mandatory Hardwood Checkoff Program, especially since hardwood sawmills already have a proven and successful voluntary mechanism in which to research and improve, educate about, and promote their hardwood products.

We appreciate the opportunity to submit these comments to the Department. Please contact me if you have any additional questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James C. Gauntt".

James C. Gauntt,
Executive Director