



Surface Transportation Board Update

American Association of State
Highway and Transportation
Officials

Commissioner Francis P. Mulvey

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STB Basics

- Independent economic regulatory agency for the railroad industry
- Handles
 - Railroad rate and service disputes
 - Railroad mergers and acquisitions
 - Rail line abandonments and construction
 - Freight/passenger rail relationships
 - Limited jurisdiction over other modes



Board Members

- 3 Board members
- Nominated by President, confirmed by Senate for 5-year terms
- Ann Begeman nominated Dec. 2010; hearing held Mar. 10, 2011
- Begeman to replace STB member Charles Nottingham



STB STAFF

- Highly educated professional staff - lawyers, economists, financial analysts, environmental and railroad operational specialists
- Named #1 small agency - annual federal employee survey for past 2 years
- “One of the most obscure corners of the federal government train geeks and experts” *Washington Post*



STB Interaction with State Officials

- State highway construction projects
 - Oklahoma City's I-40 project required BNSF line relocation and abandonment
- Acquisitions of rail lines by state
 - Maine acquisition of Montreal, Maine & Atlantic lines
- Questions of federal preemption of state/local laws; environmental review
- Issues impacting shippers in state



Rail Industry Trends

- Data point to a significant upswing in rail traffic
 - 13 straight months of traffic gains
 - Nearly all commodities up from the same period 1 year ago
 - Intermodal traffic at record highs (this week's gain modest at 1.5% over last year)
 - Carload volume up 5.5% compared to one year ago
 - Total traffic volumes expected to continue to trend upward
 - Some exceptions: finished automobiles & parts, construction materials, forest products



Capital Investment

- Railroad capital spending up - \$12B planned according to AAR
 - Laying track
 - Large projects to increase efficiency
 - Increasing workforce (re-hiring & new hires)
- Fewer cars in storage; equipment purchases up



Congressional Agenda (Senate)

- STB Reauthorization bill - reintroduced 1/25/11
- Railroad antitrust bill – voted out of Senate Judiciary Cmte 3/3/11 on bi-partisan vote
- PTC hazmat bill—removes 10,000 miles from PTC mandate by changing date to determine hazmat movement (FRA settlement with AAR addresses same issue)
- BUDGET



Congressional Agenda (House)

- New T&I Chairman John Mica
 - Multi-year transportation spending bill
 - Aviation bill
 - Transportation infrastructure repair
 - Review DOT high speed rail grants, RRIF loans
 - Freight RR capital spending, tax credits
- New Railroad Subcommittee Chairman Bill Shuster



Recent STB Decisions

- BNSF coal dust tariff – found unreasonable
- NYC tour bus – denied approval for JV of NYC's two hop-on/hop-off tour bus companies (reconsideration pending)
- Upheld arbitration award in 1968 Penn Central merger (\$13.4 benefits/interest)



Hearing on Exemptions

- Informational hearing held Feb. 24
- Railroads
 - Exemptions fostered growth
 - Railroads face intense competition from other modes on exempt commodities
- Shippers (Auto, Forest/Paper, Cement)
 - No benefits to exemption post-ICCTA
 - Changes in industry support reexamination
 - High rates in certain exempt commodities



Hearing on Competition in the Railroad Industry

- To be held June 22
- Will address wide range of issues
 - Competitive access, “bottleneck” decisions
 - Reciprocal switching
 - Alternative route prescriptions
 - Financial status of rail industry
 - Impact of any rule changes



Major STB Matters Pending

- Large rate cases
 - AEPCO v. BNSF/UP
 - Total Petrochemicals v. CSXT
 - M&G Polymers v. CSXT
 - Intermountain Power v. UP
 - South Mississippi Electric v. NS
- Tariff issues - fuel surcharges, tank car routing
- Treatment of PTC implementation costs



Additional Announced STB Initiatives

- Update to Uniform Railroad Costing System
 - Internal evaluation continuing
 - Budget
- Increased Transparency
 - Decision digests
 - Oral arguments/hearings
- More active monitoring of industry
 - Increased audits
 - Increased reporting



Future of STB

- Fate of reauthorization legislation
- Funding level for agency
- Increased rail traffic
- Opportunities for Board to address important railroad/shipper issues
- Stay tuned . . .



Thank you
Any Questions?

