



Class I Railroad “Fall Peak Season” Forum

September 9, 2004

Surface Transportation Board

Chairman, Roger Nober

STB Responsibilities over Rates and Service

- Oversee and monitor rail practices nationally
- Enforce common carrier obligation
- Ensure rail practices are reasonable
- Ensure that rates charged captive customers are reasonable
- Assist railroads to earn adequate revenues

STB Is Concerned About Rail Service This Fall

- Agency's top priority
- Responsibility is to rail system as a whole
- Carefully monitoring rail trends and performance
- Working with railroads and shippers on service issues

New Kind of Regulatory Problem

- Agency's current regulatory powers center around a few doctrines:
 - common-carrier obligation
 - reasonableness of rates and practices
 - discrimination
- Laws intended for different situation
- Current demand-driven service situation
- Customers want fairness

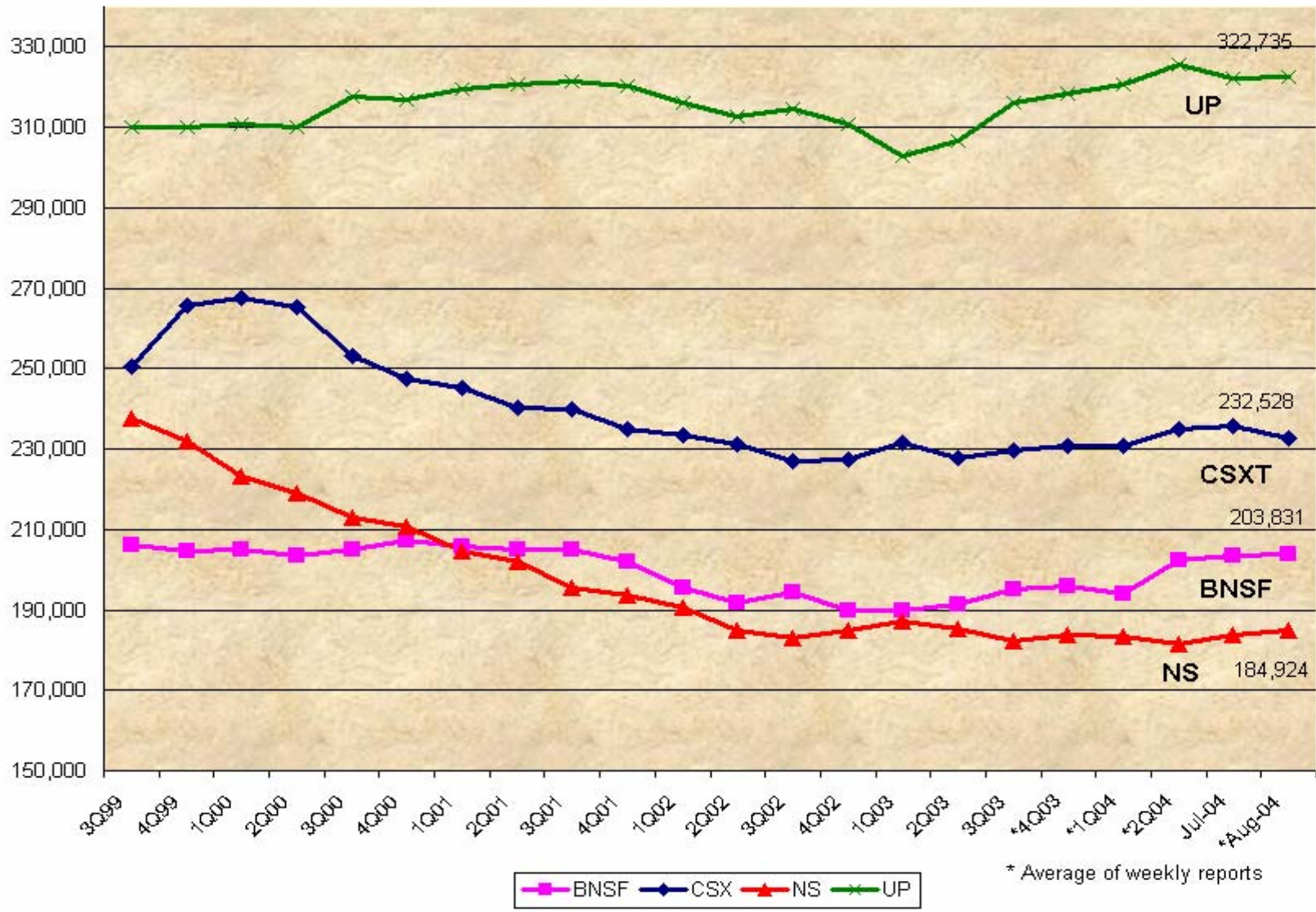
STB Response in 2004

- Continual review of service trends
- Urged open communication between railroads and shippers
- Asked railroads to submit their fall peak plans
- Participated in NITL/UP and NITL/CSX forums
- Met with senior management of railroads
- Entire Board attending this meeting

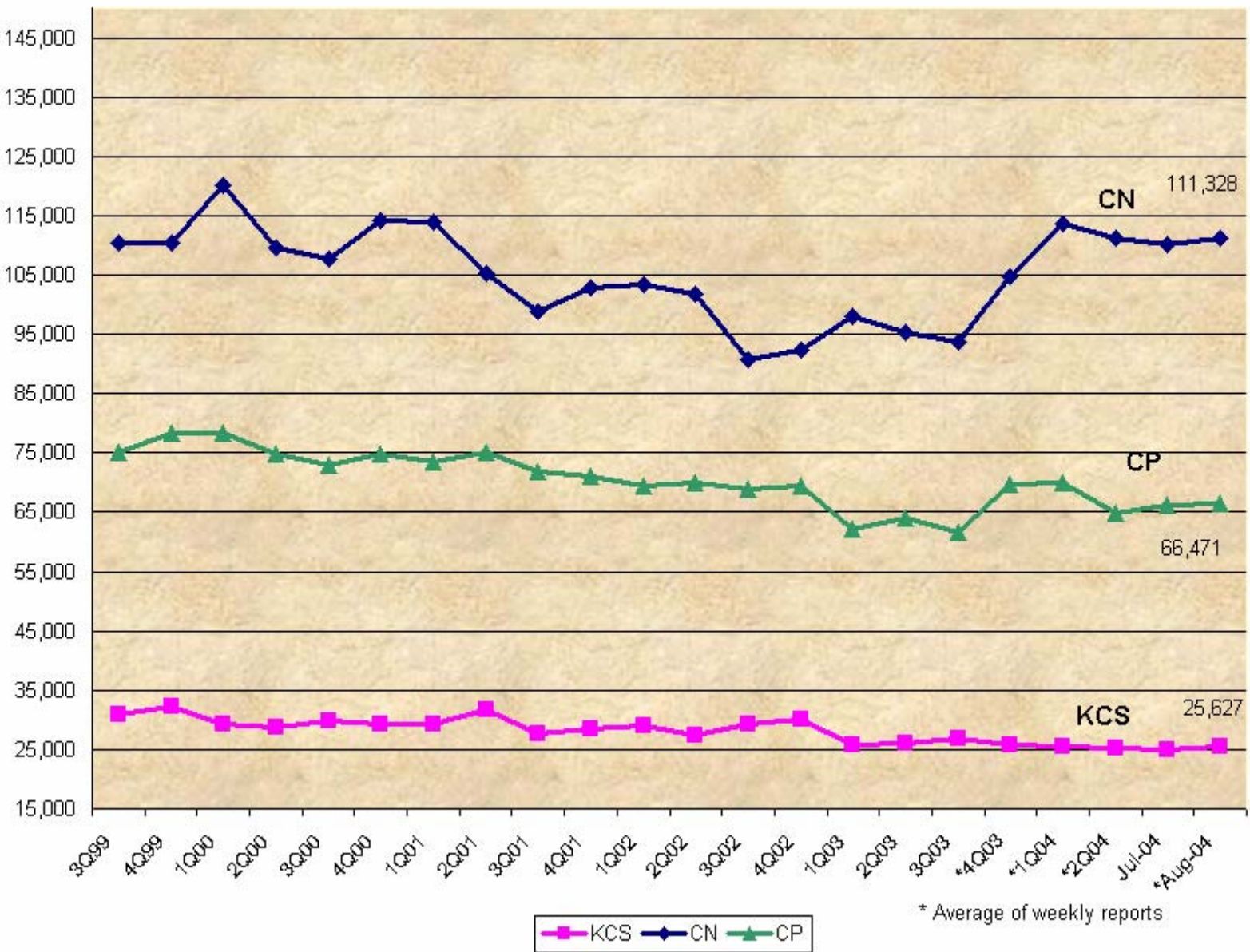
The seal of the Surface Transportation Board is a circular emblem. It features an eagle with its wings spread, perched atop a shield with vertical stripes. The eagle is surrounded by a laurel wreath. The words "SURFACE TRANSPORTATION BOARD" are inscribed in a circular path around the eagle. At the bottom of the seal, the year "1996" is flanked by two stars.

Long-Term Class I Railroad Metrics

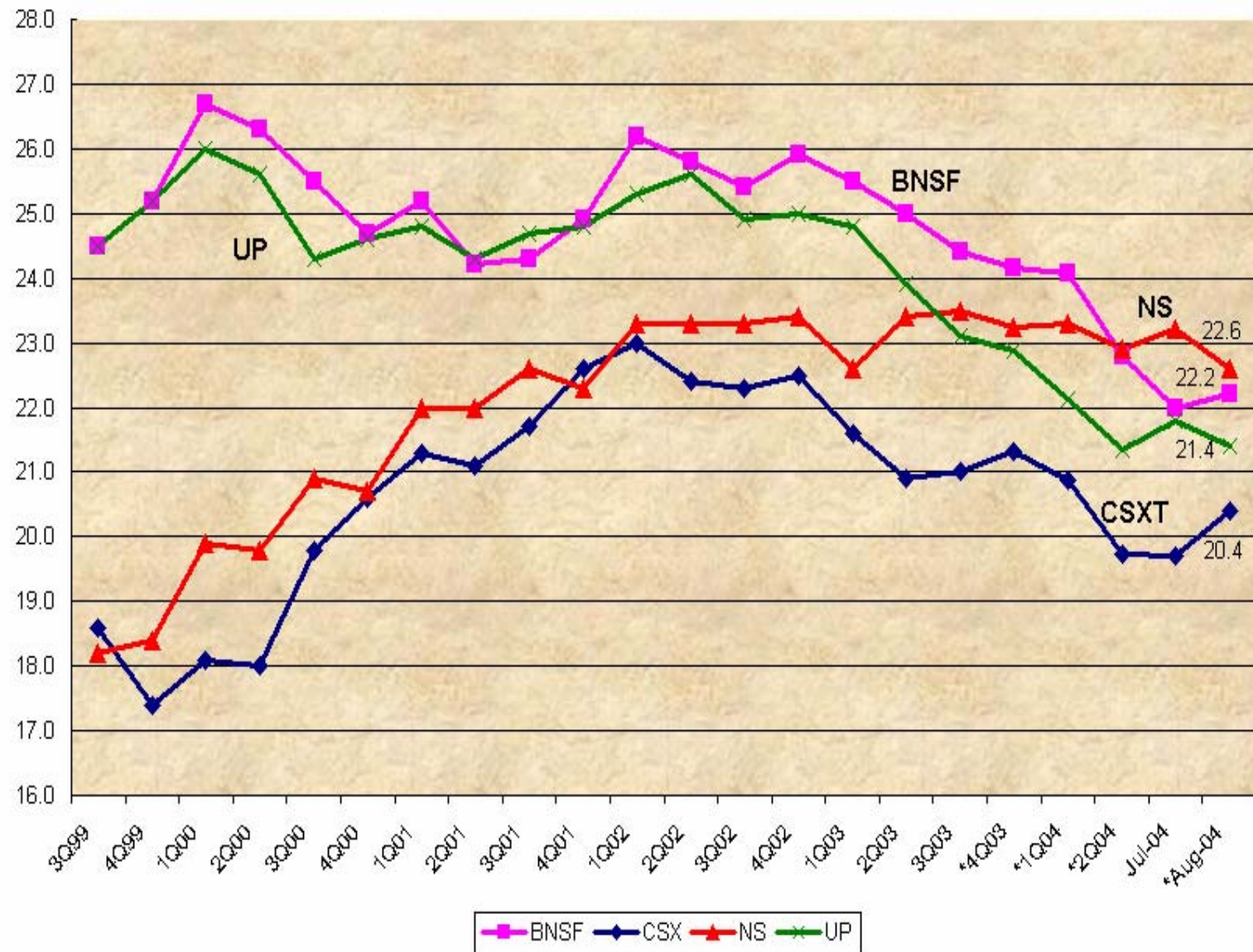
Quarterly Average Total Cars-On-Line
From July 1999 through August 2004



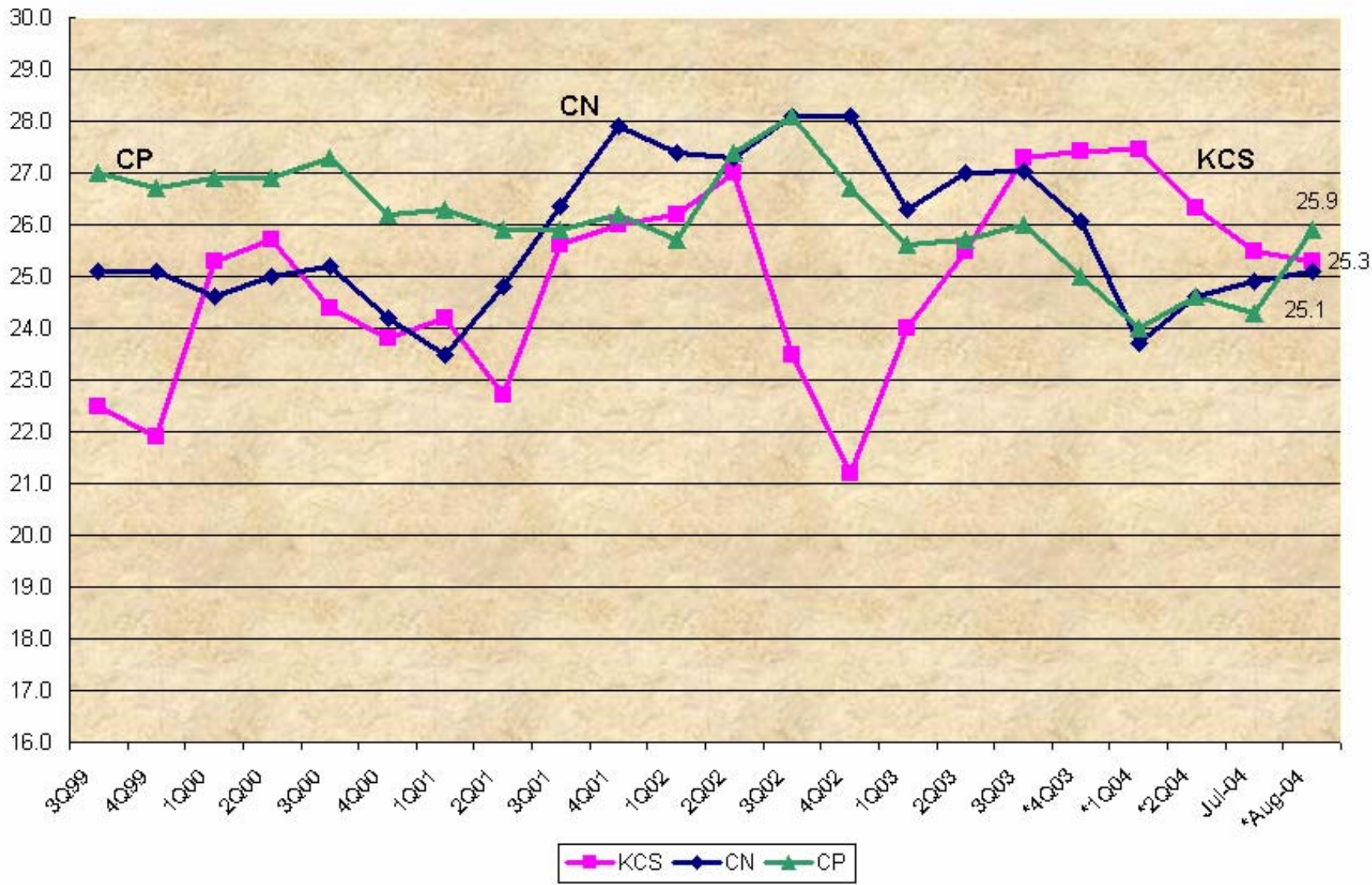
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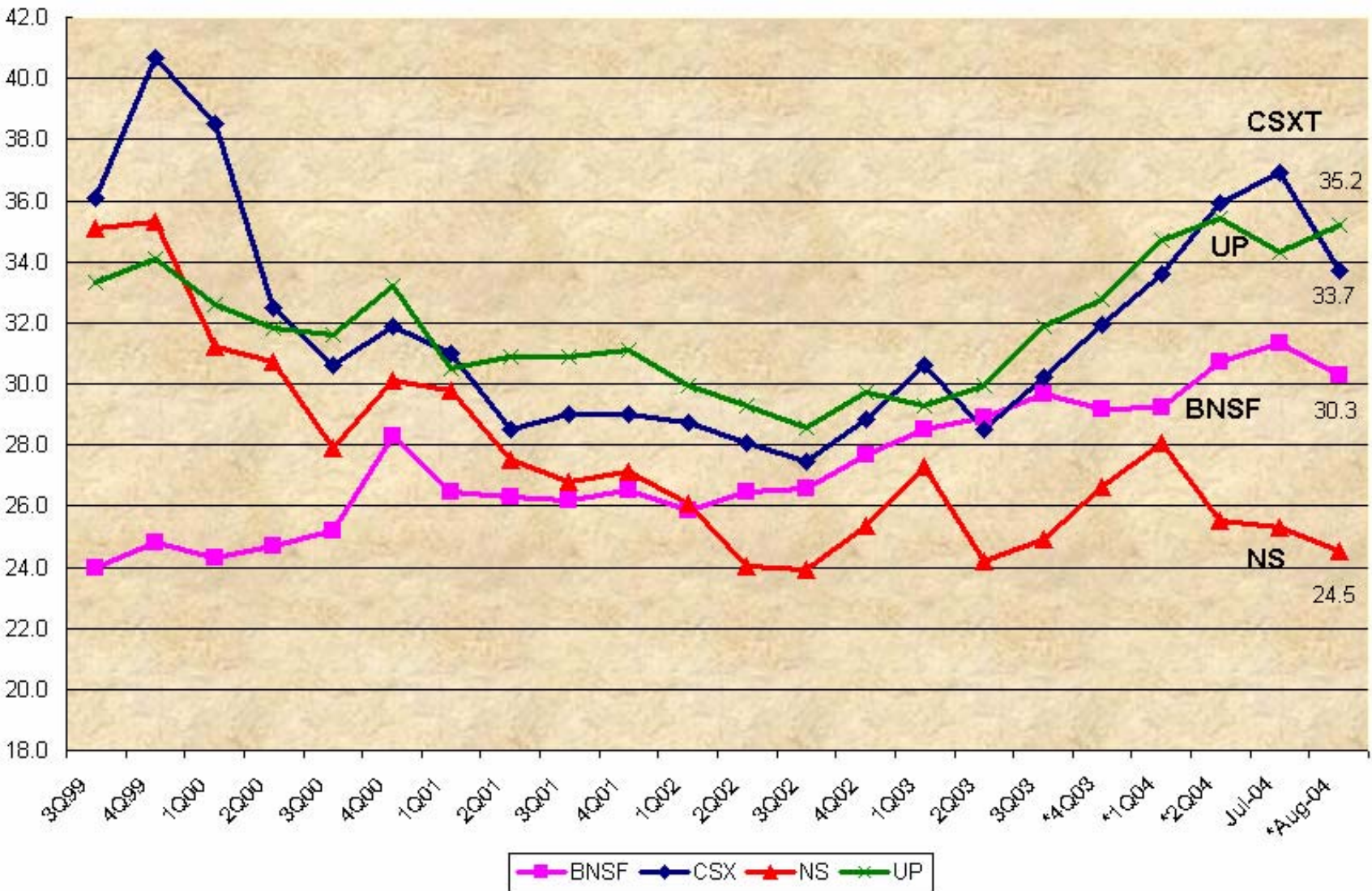
Quarterly Average Train Speeds
From July 1999 through August 2004



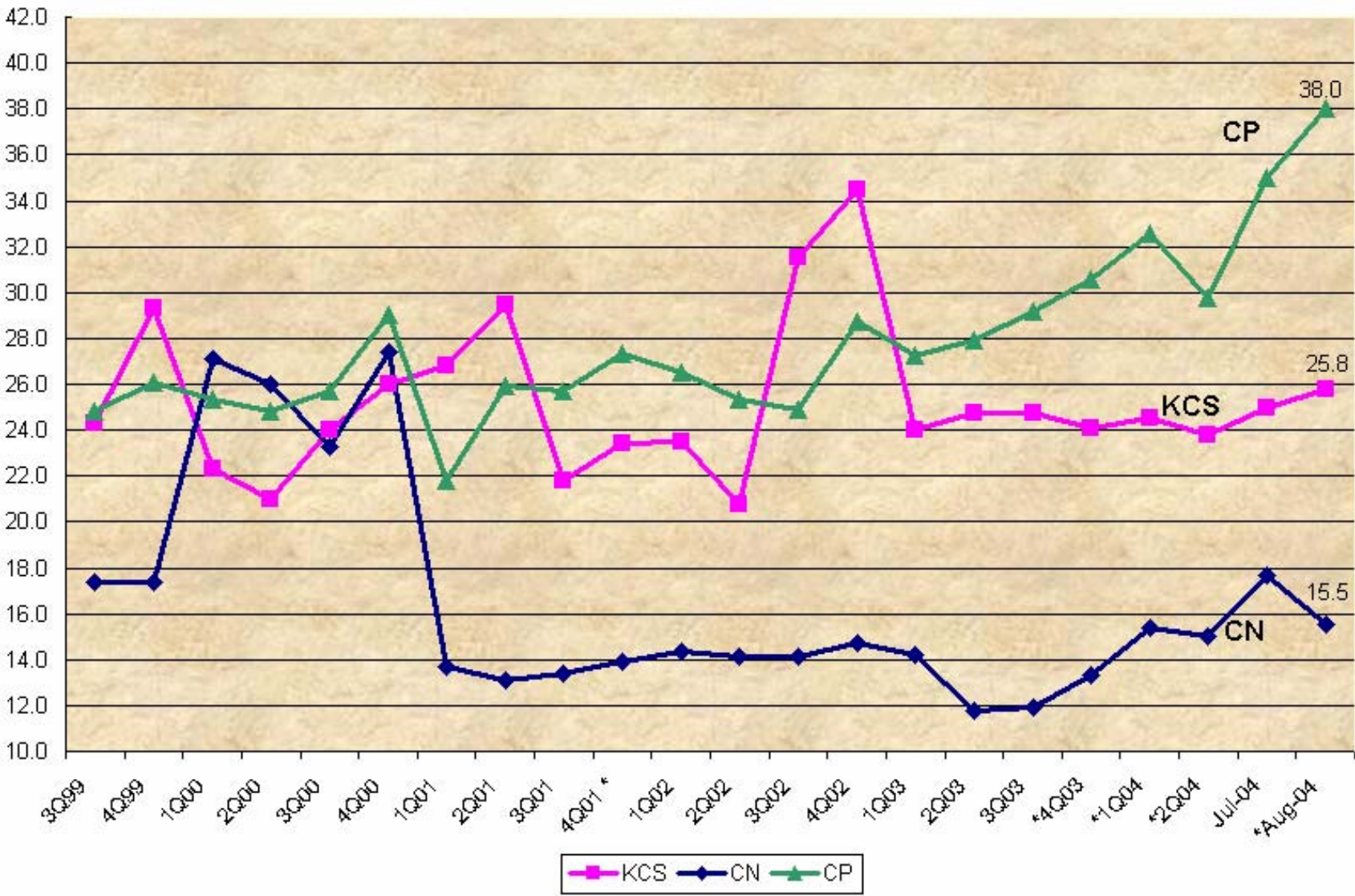
Quarterly Average Train Speeds
From July 1999 through August 2004



Quarterly Average Terminal Dwell
From July 1999 through August 2004



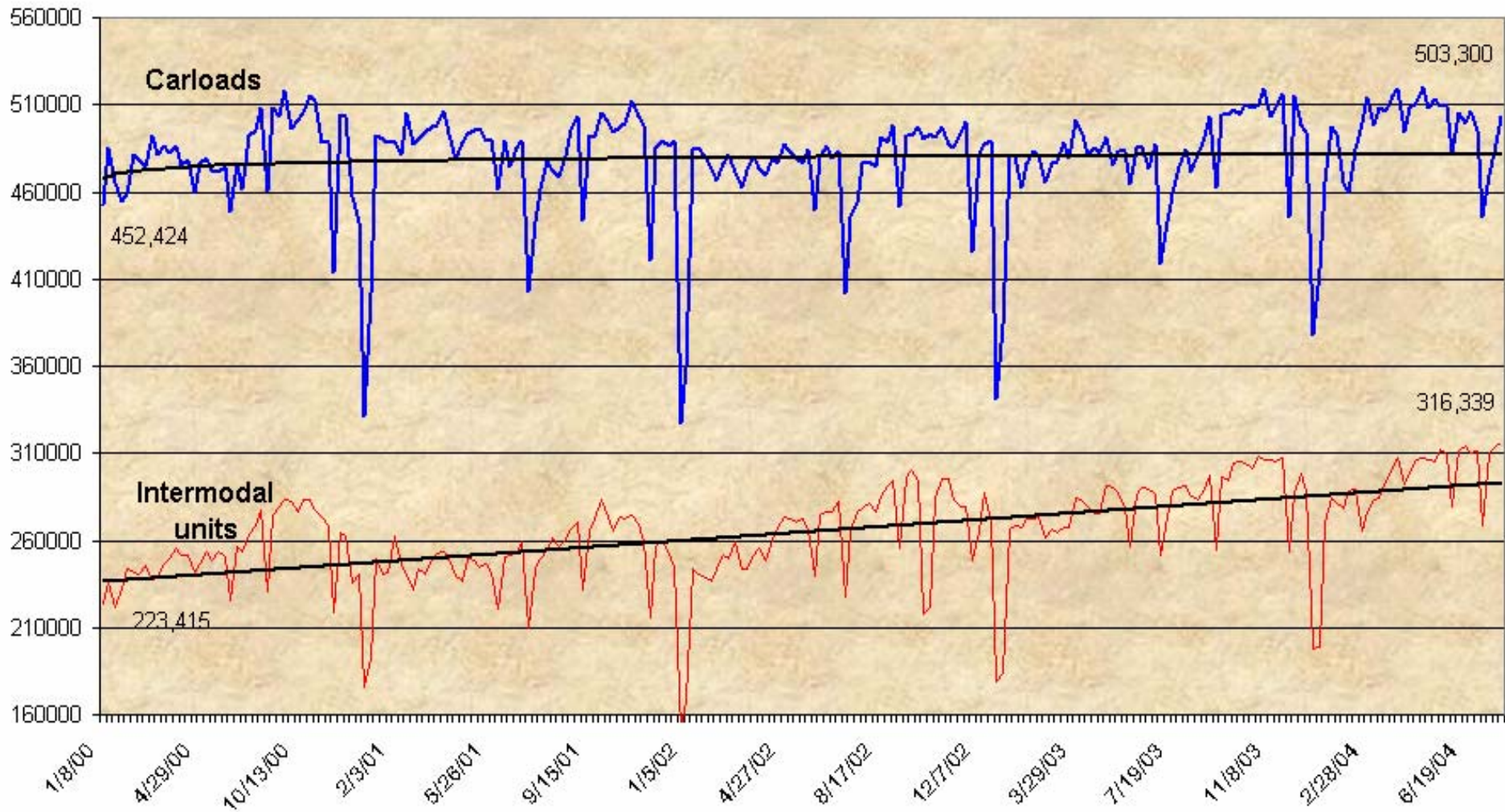
Quarterly Average Terminal Dwell
From July 1999 through August 2004



Traffic Volume

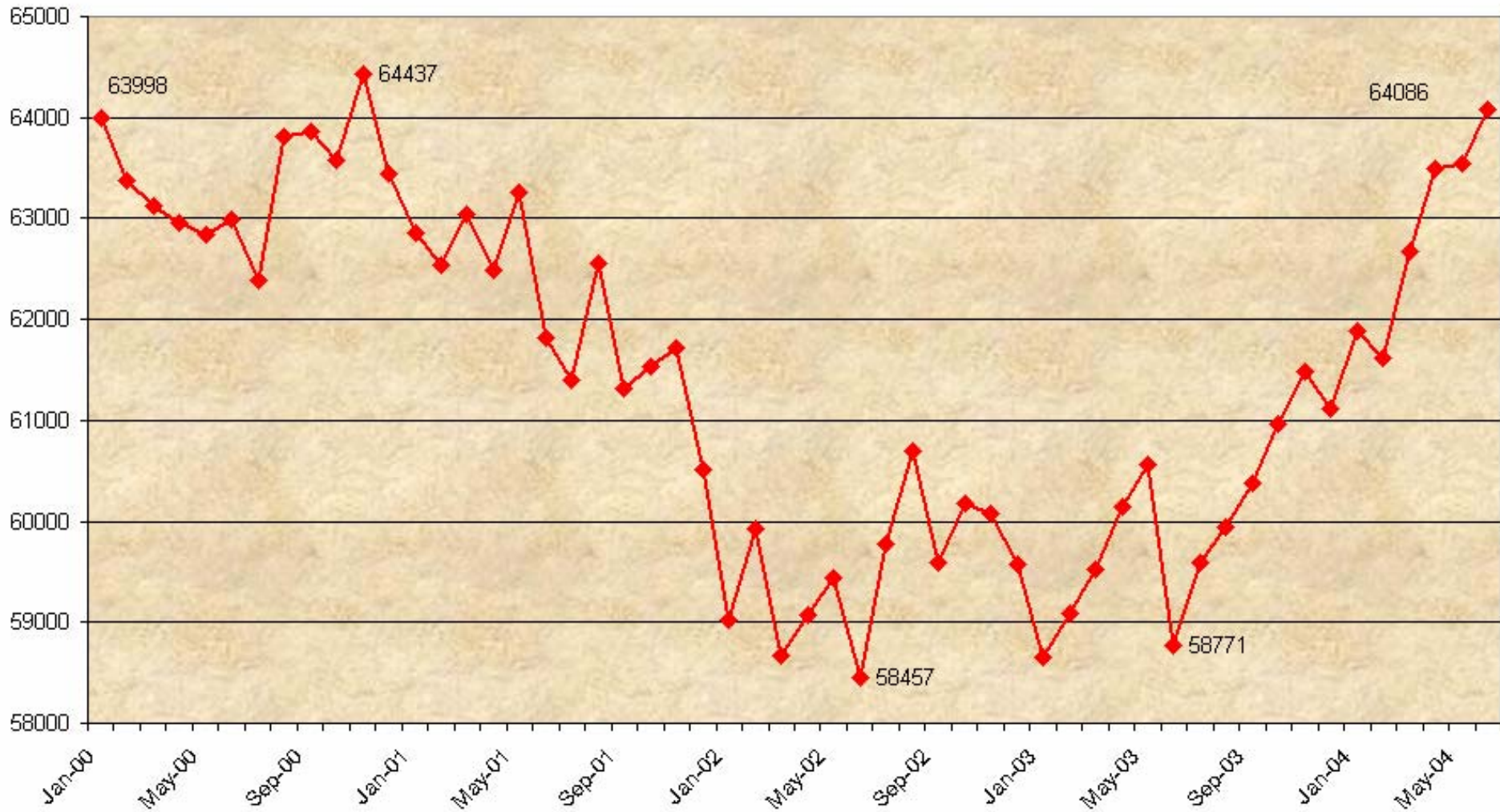
U.S. Class I Railroads

Source: AAR Weekly Traffic



Train and Engine Employees Class I Railroads

Source: STB Wage Forms A&B



Communications



STB Fall Peak Preparation

Letter to all Class I Carriers

“...I request that you provide... the specifics of your goals and ‘Fall Peak’ action plan...”

In this regard, I hope that you will provide the Board with this valuable discussion of your view of upcoming service demands by customers and the plans to effectively satisfy those demands.”

---June 9, 2004

Carrier Responses

- *BNSF: 3700 new flatcars, nearly 1800 new hires*
- *CN: Working to improve fluidity throughout their system*
- *CP: Advanced lease of 500 hoppers, hired addt'l crews*
- *CSXT: 1,400 new T&E employees, 110 new locomotives*
- *KCS: Acquired 52 locomotives, enhancing infrastructure*
- *NS: Hiring 1,333 conductors, growing locomotive fleet*
- *UP: Added 500 locomotives, increased 2004 hiring by 1000 T&E employees*

Capacity Issues – Short-term Causes

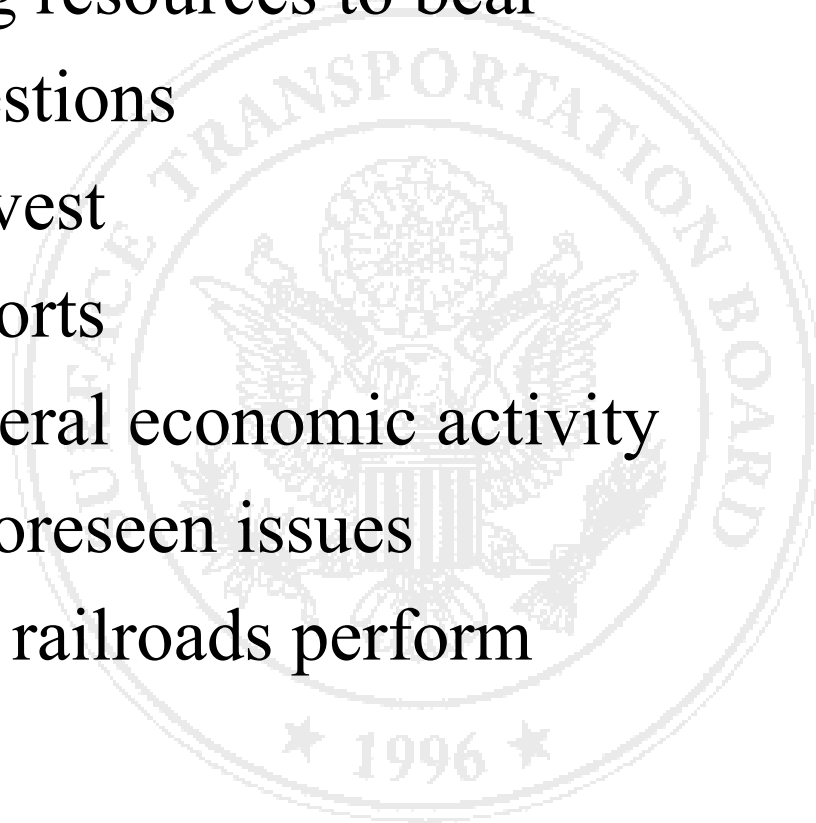
- Increased rail demand and tightness in rail capacity
 - ✓ Expanding economy increased imports
 - ✓ Large grain harvests in 2003 and 2004
 - ✓ Shortness of crew and equipment
- Trucking capacity is also tight
 - ✓ Increased fuel prices
 - ✓ Driver shortages
 - ✓ High insurance costs
 - ✓ Uncertain hours of service rules

Capacity Issues – Long-term Issues

- Future demand for freight movement predicted to increase
- Challenge for private companies to meet that demand
- Constraints on capital investment
 - Railroads inability to earn cost of capital
 - Demands of investors
 - Under capacity and over capacity at the same time
- Demands of changing freight flows

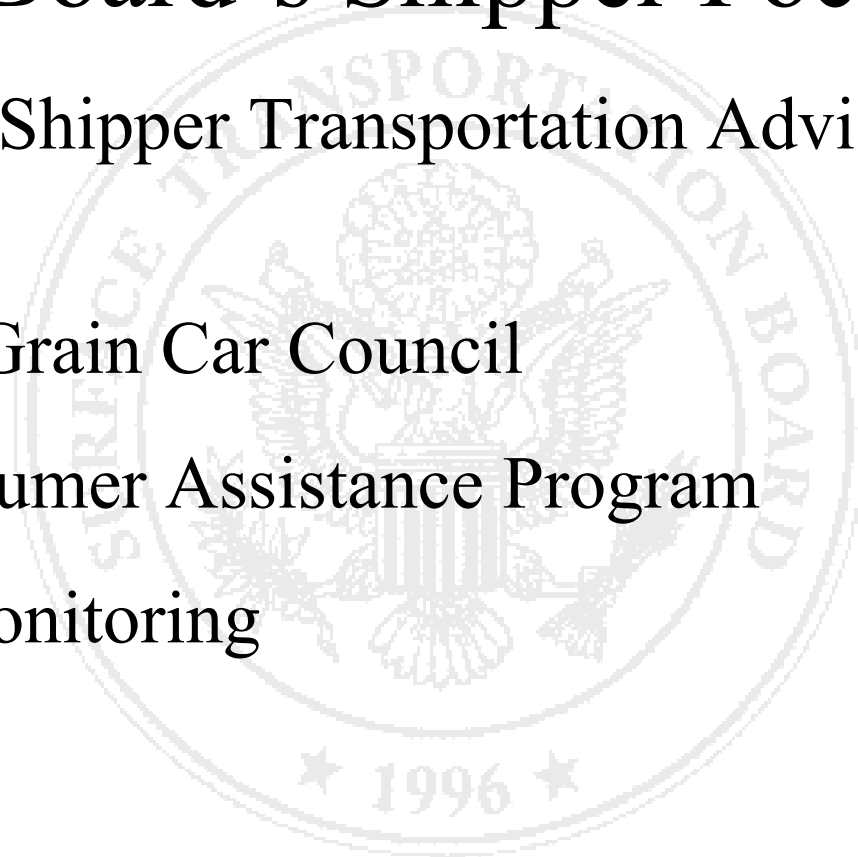
Outlook for Peak Season 2004

- Bringing resources to bear
- Key questions
 - ? Harvest
 - ? Imports
 - ? General economic activity
 - ? Unforeseen issues
 - ? Can railroads perform



Board's Shipper Focus

- Railroad-Shipper Transportation Advisory Council (RSTAC)
- National Grain Car Council
- Rail Consumer Assistance Program
- Class I Monitoring



Rail Consumer Assistance Program

- *Informal* assistance from STB
- Any type of rail-related transportation issue
- Administered by STB's Office of Compliance and Enforcement
- Contact information
 - *Toll Free - 866-254-1792*
 - *Email railconsumer@stb.dot.gov*
 - *Fax - 202-565-9011*

