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June 23, 2011

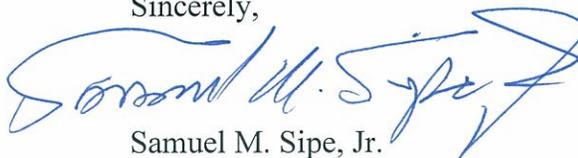
Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington DC 20423

Re: STB Ex Parte 705 - Competition in the Railroad Industry

Dear Ms. Brown:

Please find included with this letter a copy of the PowerPoint presentation that accompanied the testimony of Association of American Railroads witness William J. Rennie at the hearing in the above-referenced proceeding on June 22, 2011.

Sincerely,



Samuel M. Sipe, Jr.

*Counsel for Association of American
Railroads*

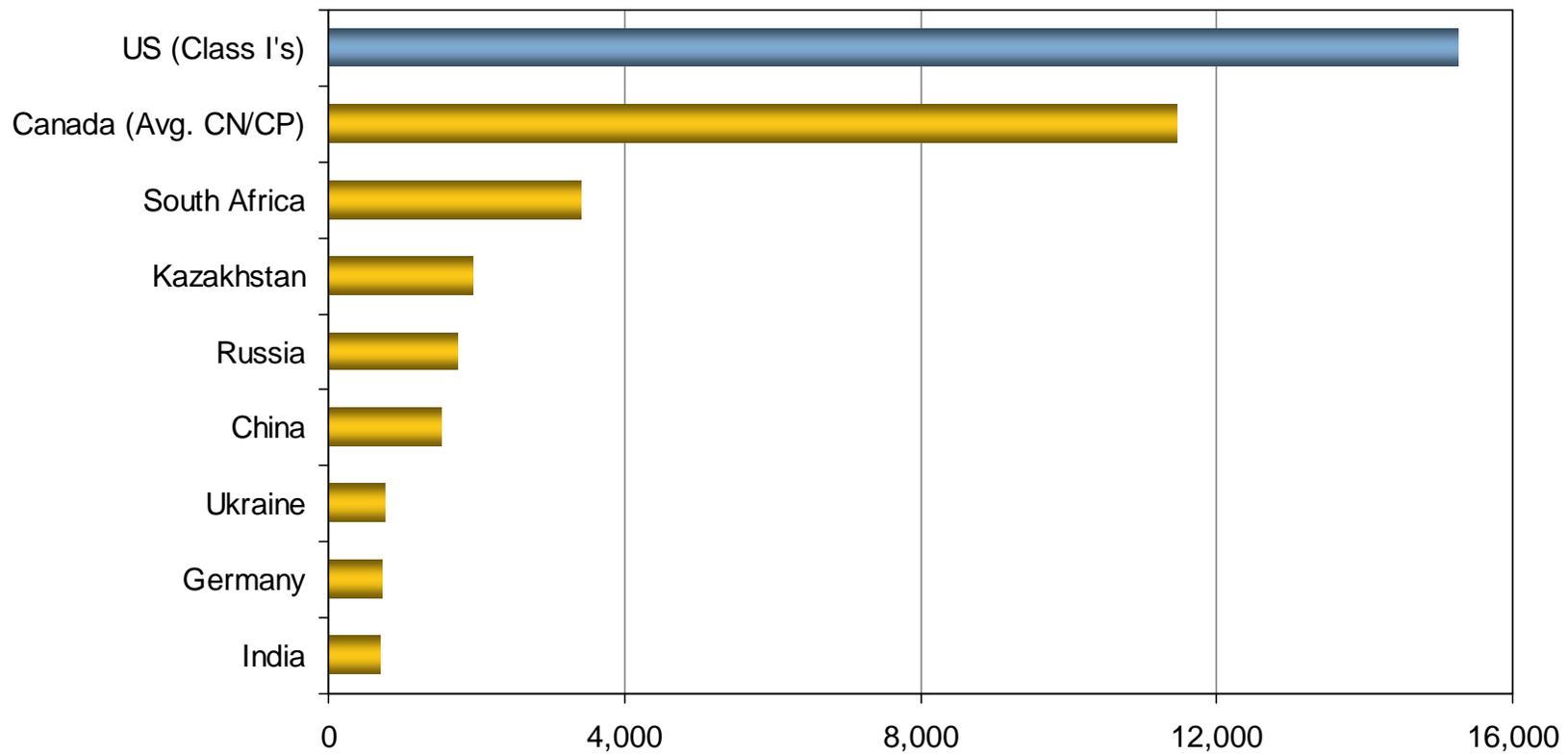
OLIVER WYMAN

June 22, 2011

STB Ex Parte No. 705 Competition in the Railroad Industry

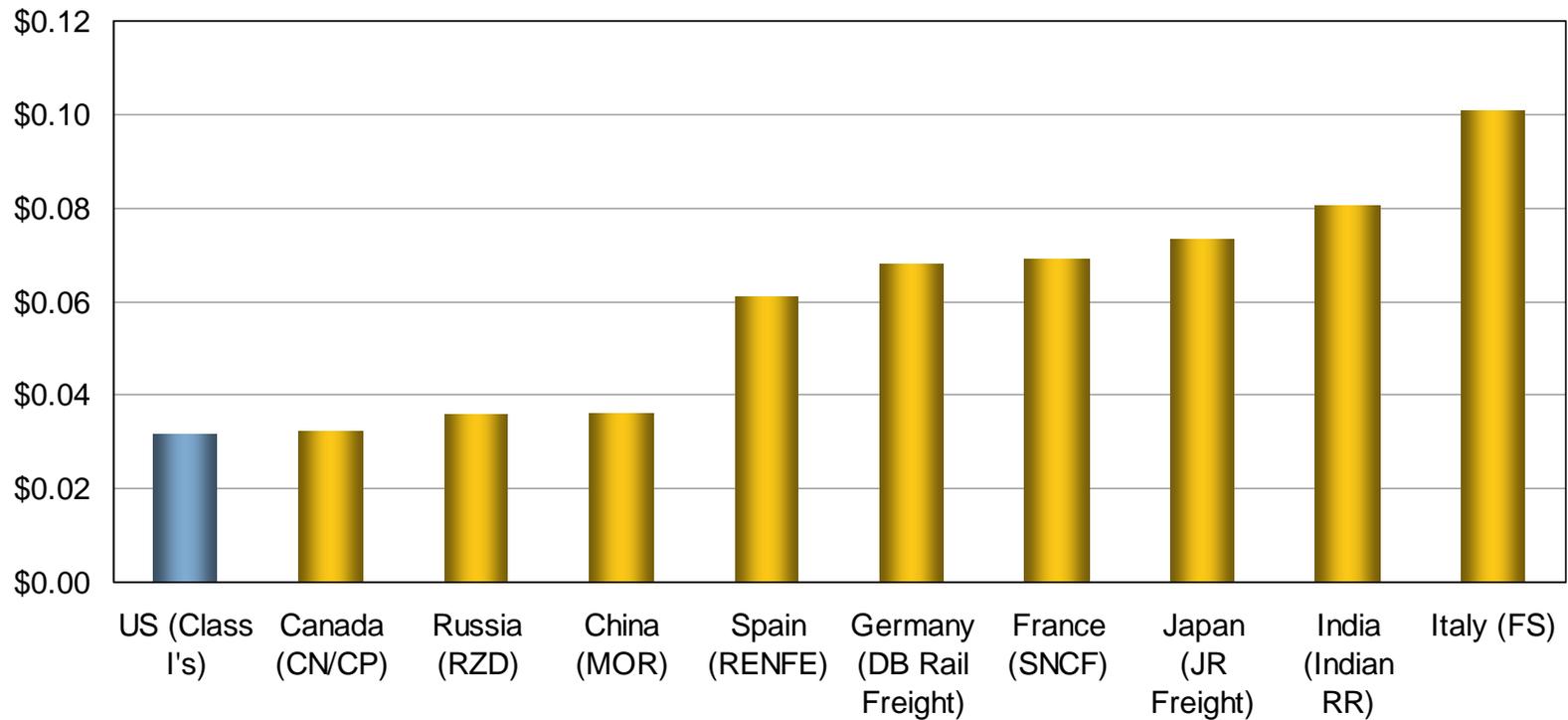
Exhibits in Support of Statement
by William J. Rennie

Major World Rail Systems (by tkm): Employee Productivity



Source: World Bank Railways Database, May 2007. Employee productivity = tkm+pkm per employee.

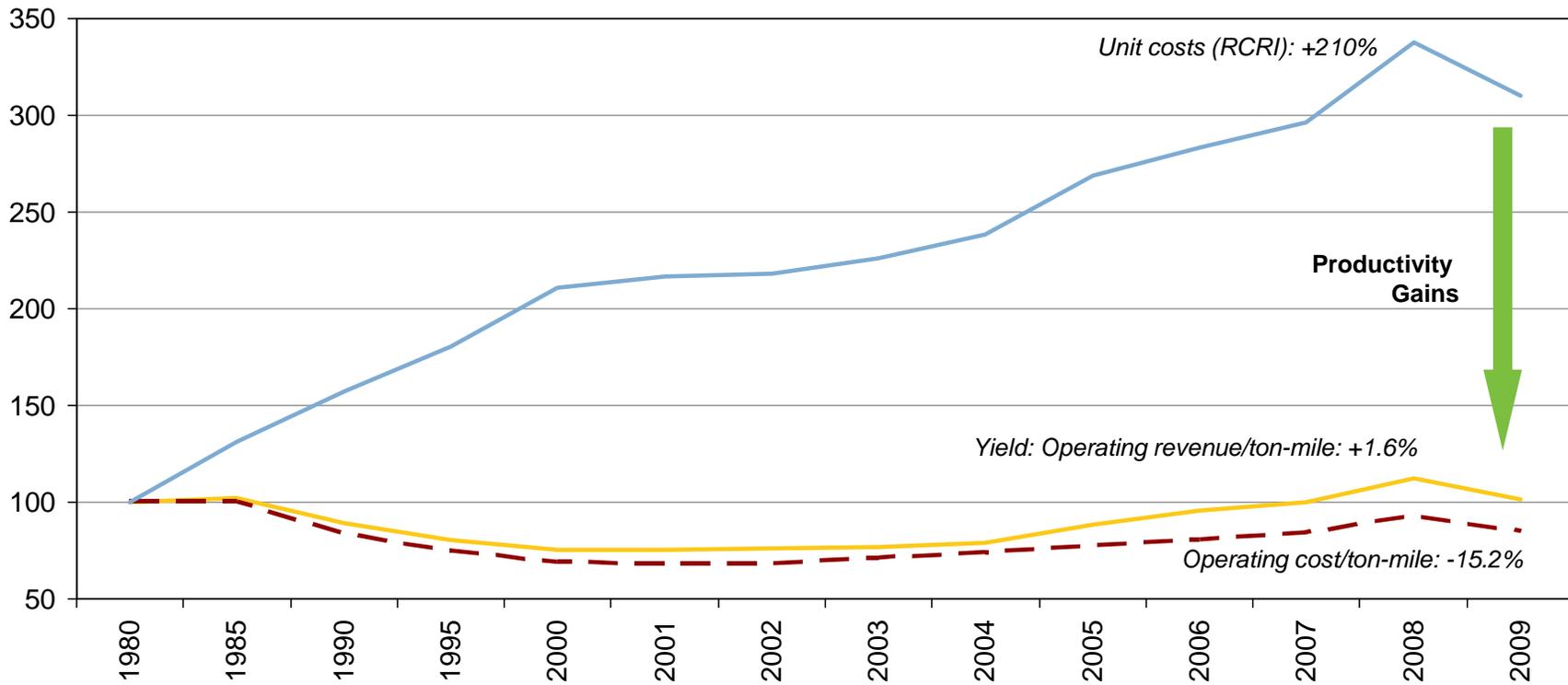
International Rail Freight Charges: PPP Freight Revenue per TKM



Data for named rail systems only, adjusted for purchasing power parity and based on 2006-2008 averages.
 Source: Various international railroads and rail associations, World Bank.

Indexed Average Revenues and Unit Costs, 1980-2009

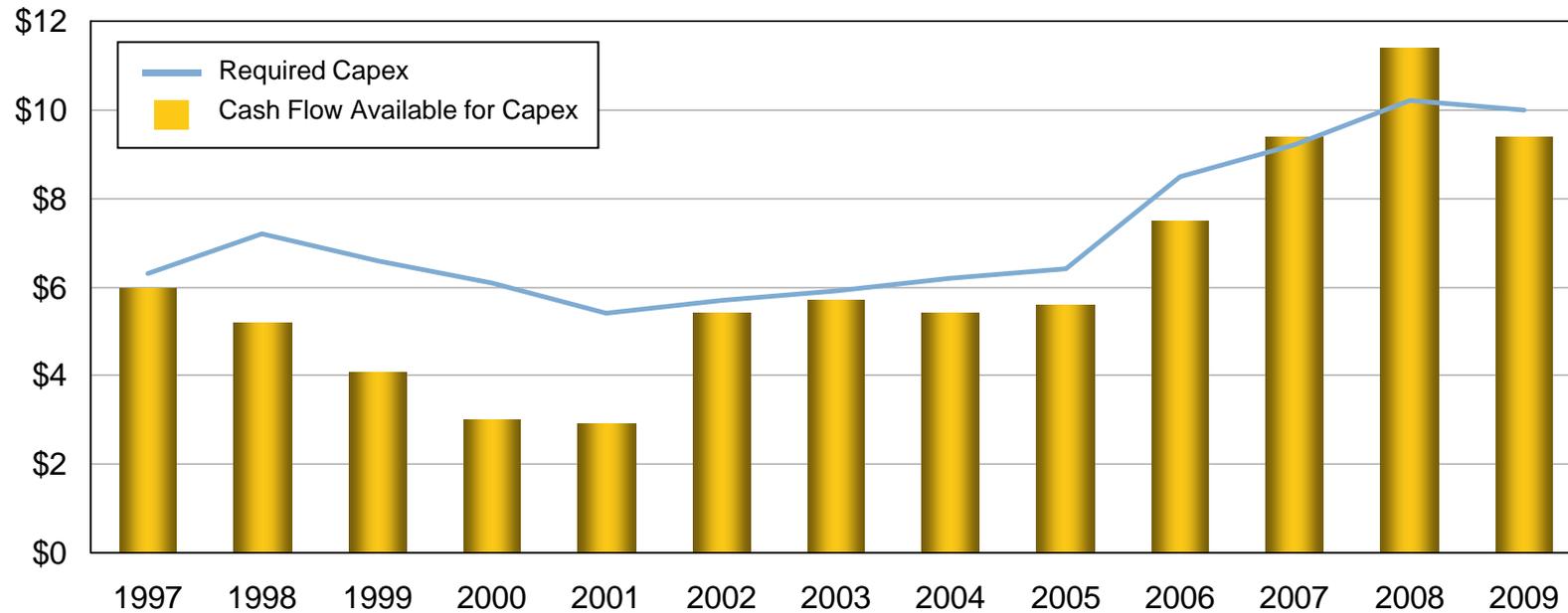
1980=100



Note: RCRI= rail cost recovery index.

Source: AAR Analysis of Class I Railroads, AAR Railroad Fact Book 2010, Oliver Wyman analysis.

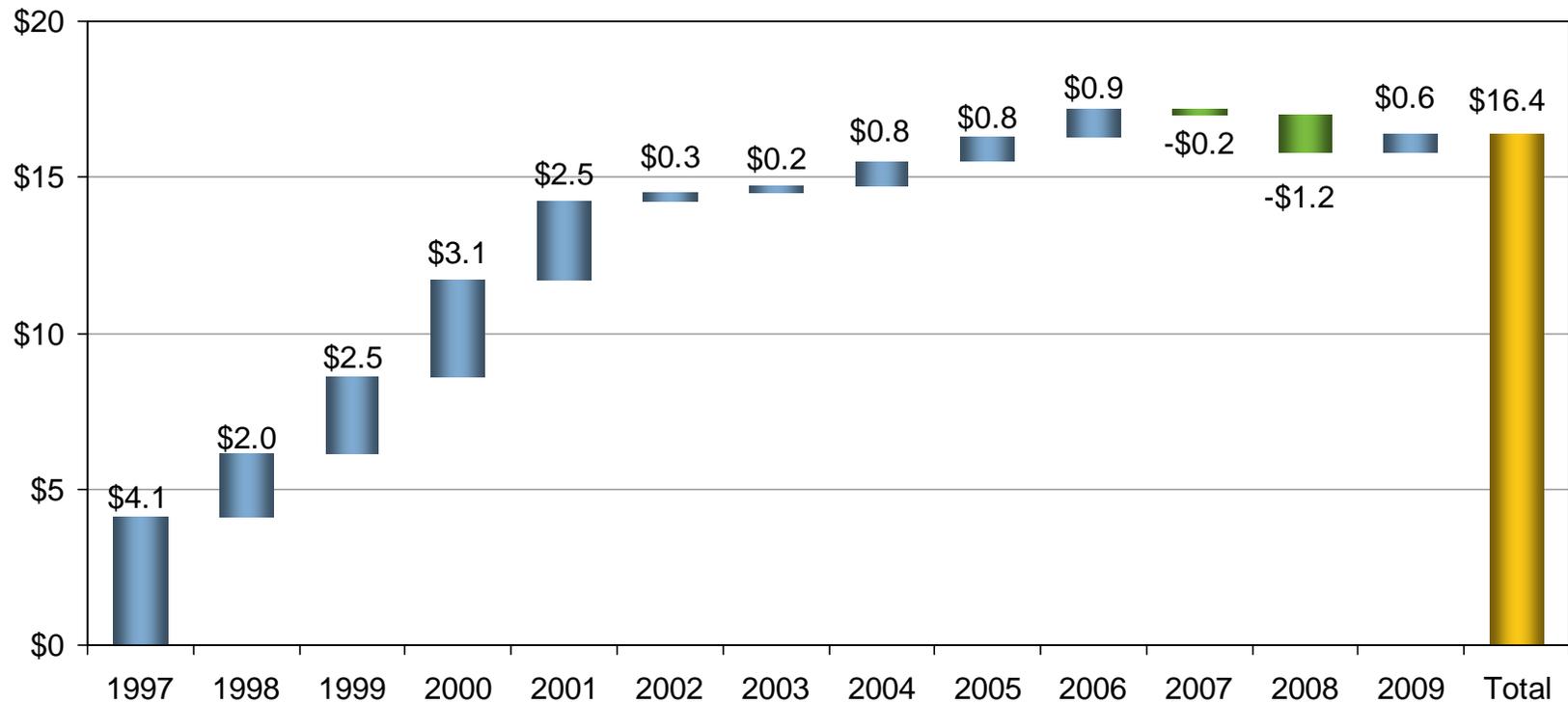
Funding for Rail Capital Expenditures from Cash Flow vs. Required Capex \$ billions



Note: Cash Flow = Net Income + Depreciation + Deferred Taxes +/- Subsidiary Adjustment - Dividends - Debt Repayment. Capex = Equipment and roadway and structures only.
Source: AAR Ten Year Trends, Oliver Wyman analysis.

Cumulative Operating Cash Flow Shortfall to Fund Class I Railroad Capital Spending, 1996-2009

\$ billions



Source: AAR Railroad Ten-Year Trends, AAR Analysis of Class I Railroads, and Oliver Wyman analysis.

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