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U.S. Surface Transportation Board

The STB, Shippers and Railroad Capacity
Southwest Association of Rail Shippers
Scottsdale, Arizona, October 5, 2006

STB Overview

- Board now at full strength
- Board very active in past year
- STB continues to be sensitive to shipper concerns
 - Access to Board for relief
 - Levels of rail service



Recent Board Initiatives

- Fuel surcharge Proposed Rulemaking
- Small Rate cases
- Issues in Large rate cases
- Paper Barriers
- Rate of Return Calculation



Fuel Surcharges

- Proposal regarding fuel surcharge practices issued for public comment on August 3
 - RR's fuel surcharge computation should be more closely linked to its increased fuel costs attributable to that movement
 - Railroads would be prohibited from "double dipping"
 - Railroads would be required to use a single, uniform index, e.g. EIA's "U.S. No. 2 Diesel Retail Sales by All Sellers"
 - Each Class I would submit a monthly report to the agency
- Comments due by October 2



Small Rate Cases

- July 28 Issued NPR on simplified standards for rate cases
- Specifically STB proposes:
 1. Creation of a simplified SAC procedure to use in medium-size rate disputes
 2. Retaining the current "Three-Benchmark" method of the existing simplified guidelines for small rate disputes
 3. Establish eligibility presumptions based on the maximum value of the case to distinguish between large, medium, and small rail rate disputes

Large Rate Cases

NPR on “Major Issues in Rail Rate Cases”

STB is addressing

1. Alternatives to the percent reduction method to determine maximum reasonable rates
2. Allocation of revenue from cross-over traffic
3. Changing how we account for productivity gains
4. Movement-specific adjustments to the Board’s Uniform Railroad Costing System
5. Time frame for the SAC analyses and corresponding rate prescriptions
6. Standards for reopening and vacating a prior SAC decision

Paper Barriers & Rate of Return Calculation

- July 27 Hearing on Paper Barriers
- Rate of Return Calculation assessment

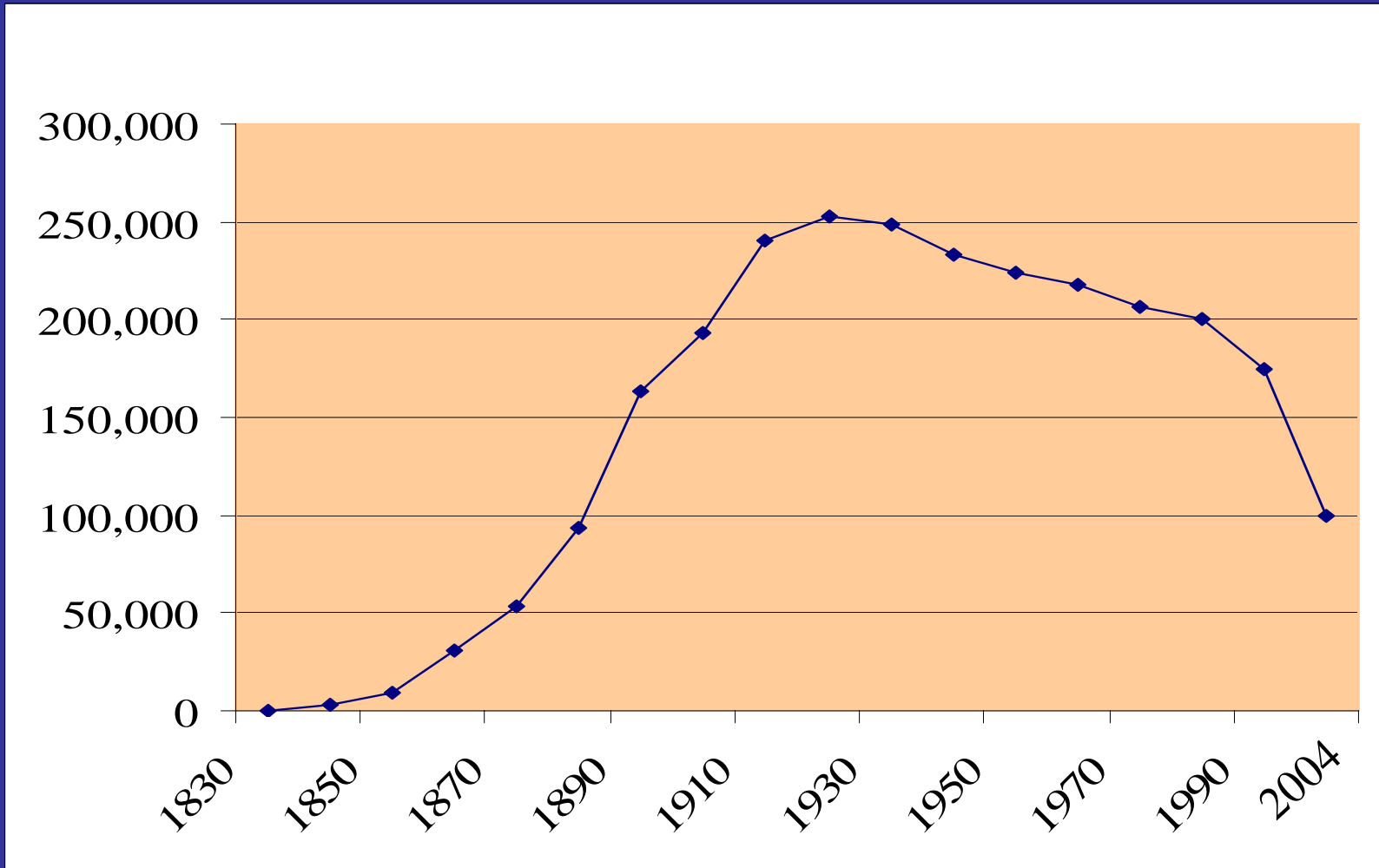


Capacity Concerns

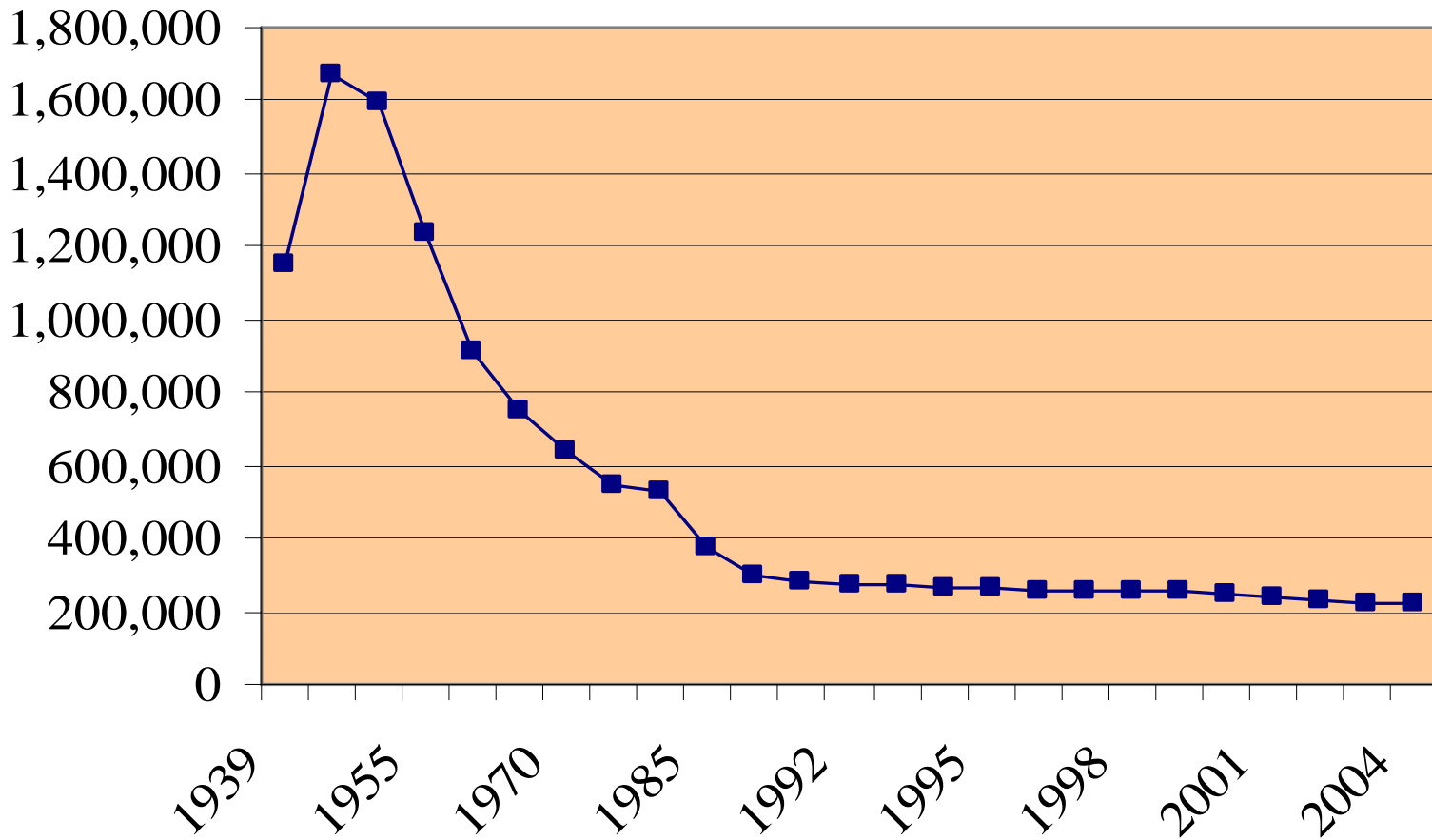
- Historically RR's shrinking capacity
- Current capacity constrained environment – 1st time in decades
- RR's are responding
 - Addressed infrastructure improvements at Rail Customer Forum
- Is this enough to meet projected growth in demand?



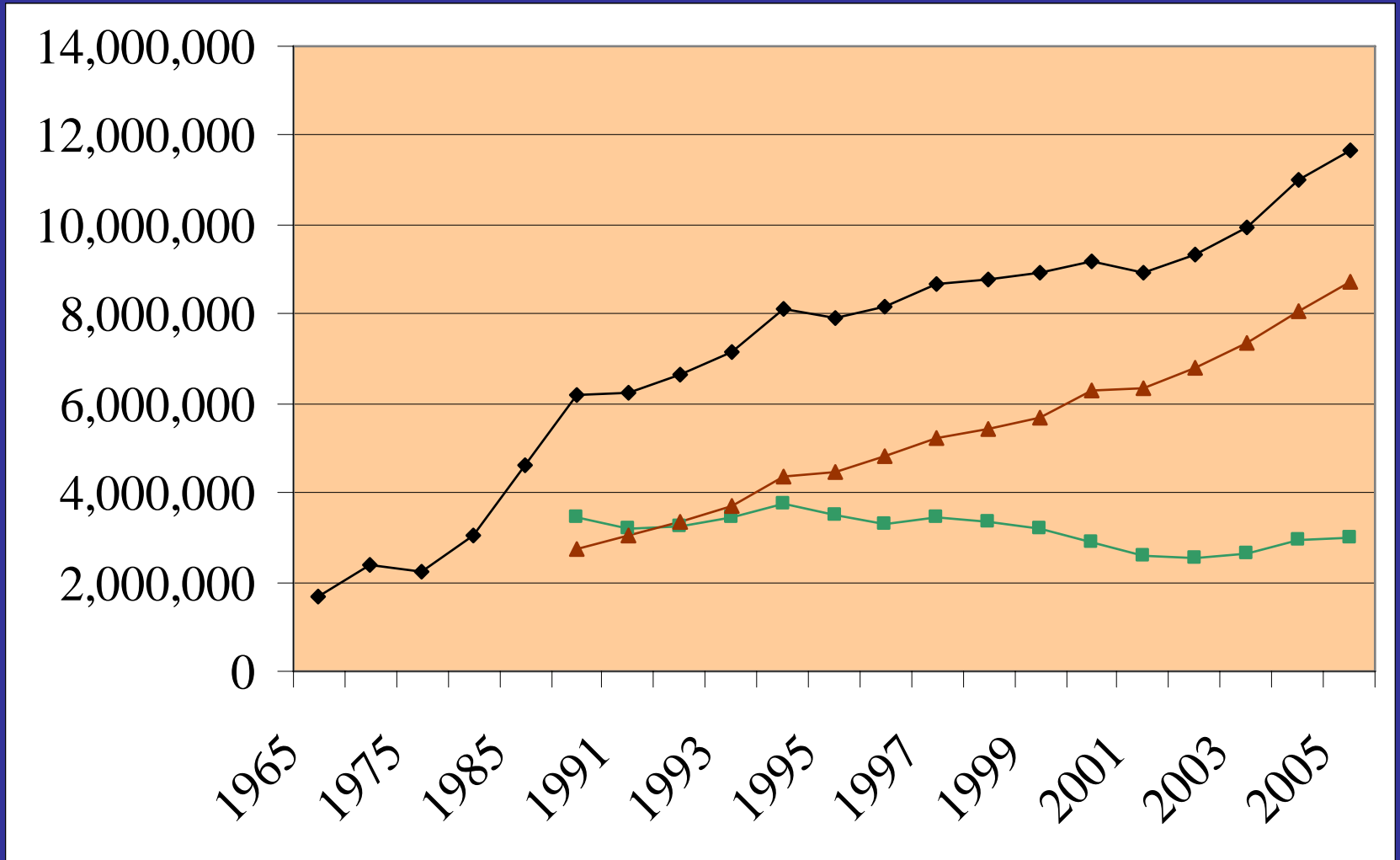
Growth & Decline of Class I Railroad Mileage



Railroad Employment 1939 – 2004

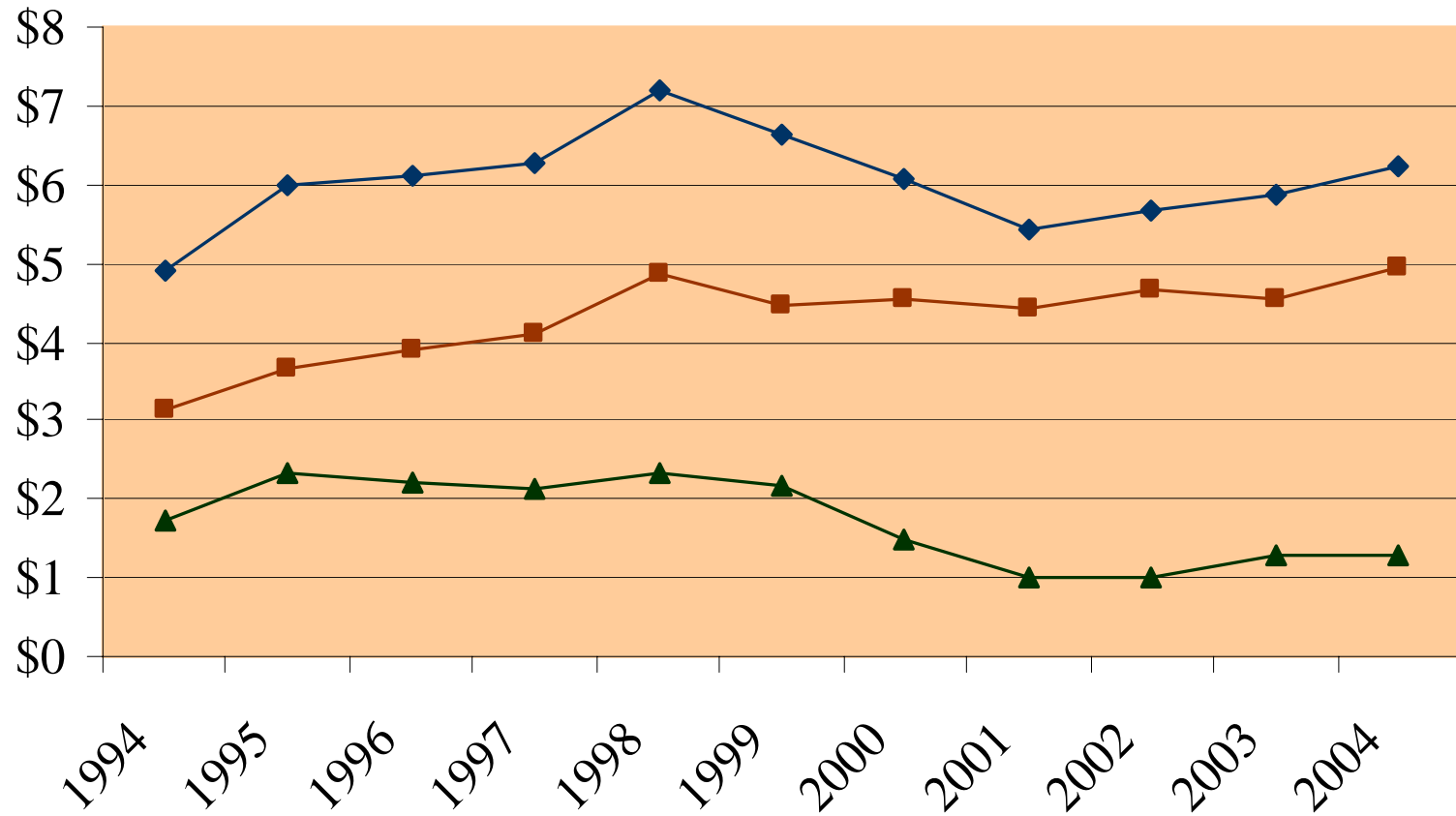


Intermodal Shipments Beginning 1965



Class I Capital Expenditures 1994 - 2004

Billions



Public Investment in Rail Infrastructure

- Public Private Partnerships (PPPs)
 - Shellpot Bridge
 - Alameda Corridor
 - CREATE
- Investment tax credits
- SAFETEA-LU – 2 years late, \$90 Billion Short
- \$286.5 Billion over 6 years
 - 38% more than TEA-21 in 1998
 - Far short of \$375 Billion estimated needed
- Contains rail title but far from intermodal legislation
- Expands the RIFF program to \$35 Billion, makes shippers eligible
- Railroad Trust Fund concept – Class I opposition

Rail Consumer Assistance Program

Three ways to get help:

- Telephone call – **Toll Free (866) 254-1792**
- Written statement of problem
 - **Email RailConsumer@stb.dot.gov**
 - **Fax (202) 565-9011**
- Web Form at www.stb.dot.gov