



*An Introduction to the Surface
Transportation Board*

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Pittsburgh, Pennsylvania
June 17, 2008



Railroads & the U.S. Economy

- First railroad: B&O in 1829
- Rail network grew rapidly after Civil War.
- Abuses by railroads and anti-monopoly sentiment led to demand for regulation.



Development of Transportation Regulation

- The Granger Laws
- The Interstate Commerce Act 1887
 - Early Problems with the Act
 - Congressional Responses
- Strengthening & Expanding Transportation Regulation



The Deregulation Movement

- Air Cargo Deregulation Act of 1977
- Airline Deregulation Act of 1978
- Motor Carrier Act of 1980
- Staggers Rail Act of 1980
- Bus Regulatory Reform Act of 1982
- Interstate Commerce Commission Termination Act of 1995



RR Industry Pre-Staggers

- 40 Class I Railroads
- 9 Railroads bankrupt
- Industry-wide low return-on-investment
- Railroads unable to raise capital
- Railroads faced steadily declining market share
- Regulation prevented RRs from any flexibility in pricing to compete with other modes
- Carriers could not abandon redundant or light density lines to cut costs
- Rates could not cover inflation due to regulatory lag in rate adjustments

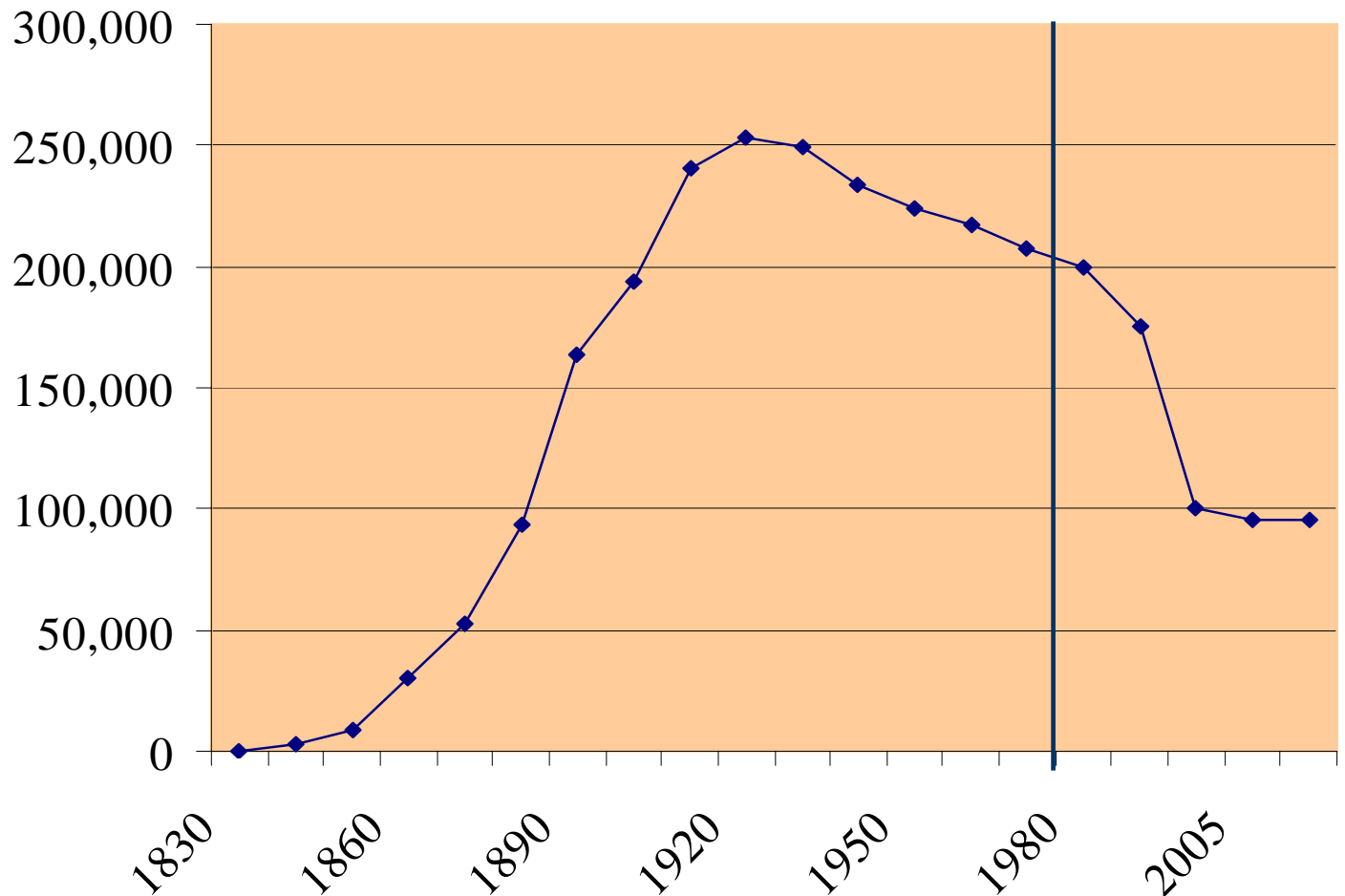


Staggers Rail Act of 1980

- Railroads given freedom to set rail rates based on demand
- Streamlined procedures for the abandonment and sale of rail lines
- Encouraged Railroad-Shipper contracts
- Expanded ICC power to exempt categories of traffic
- Rates evaluated by ICC under a reasonableness test

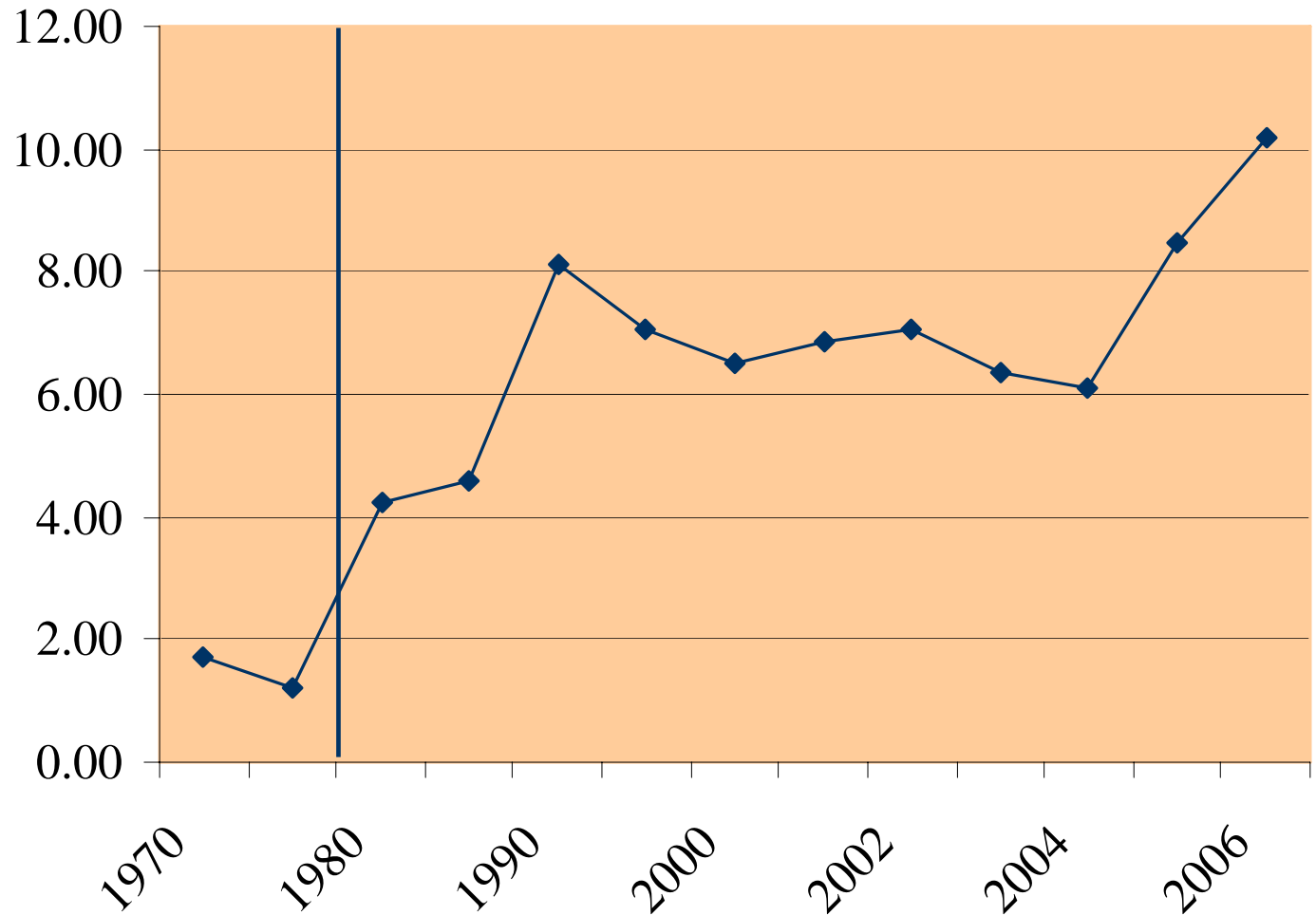


Class I Rail Miles 1830 - 2006



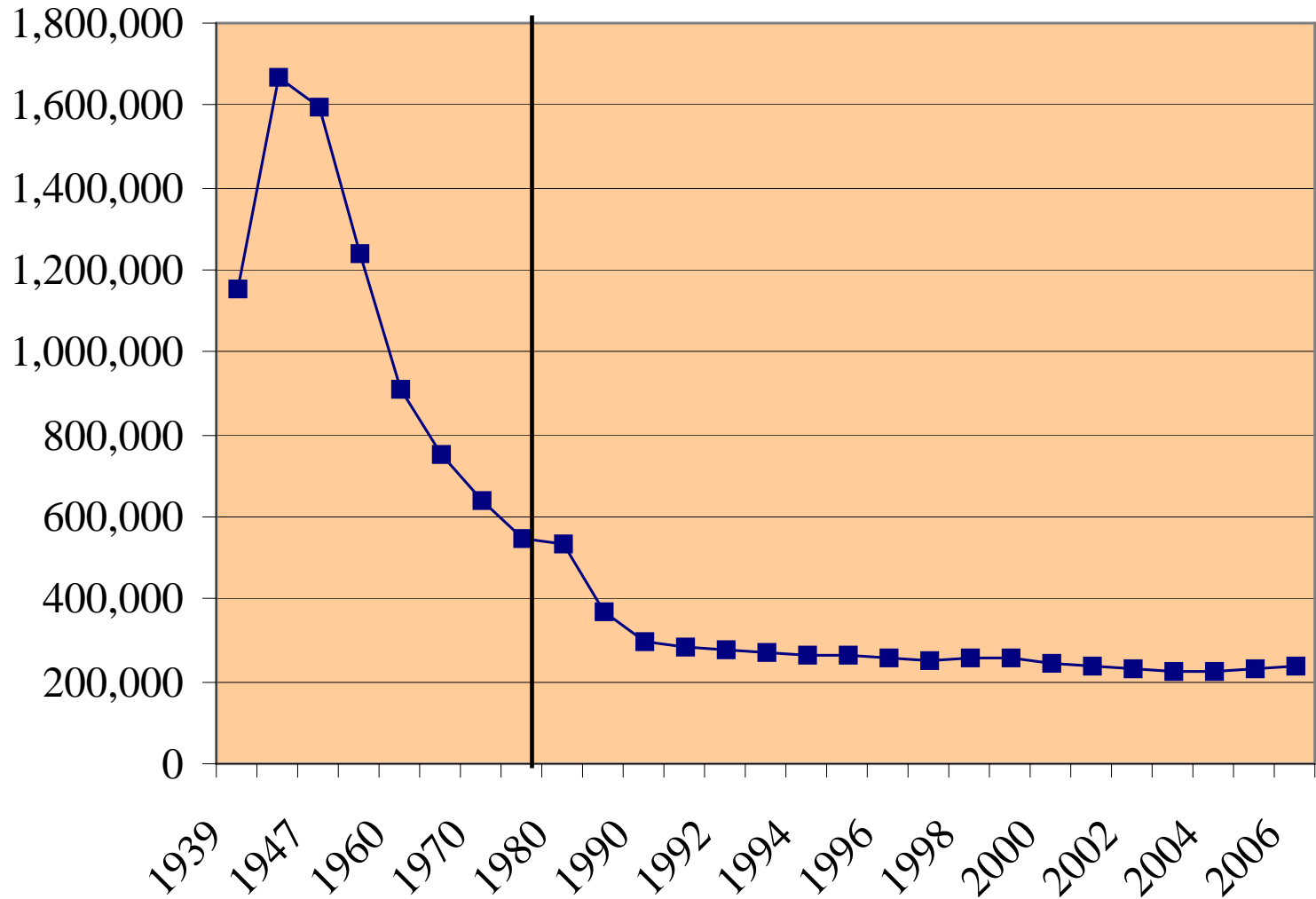


Railroad ROI 1970 - 2006





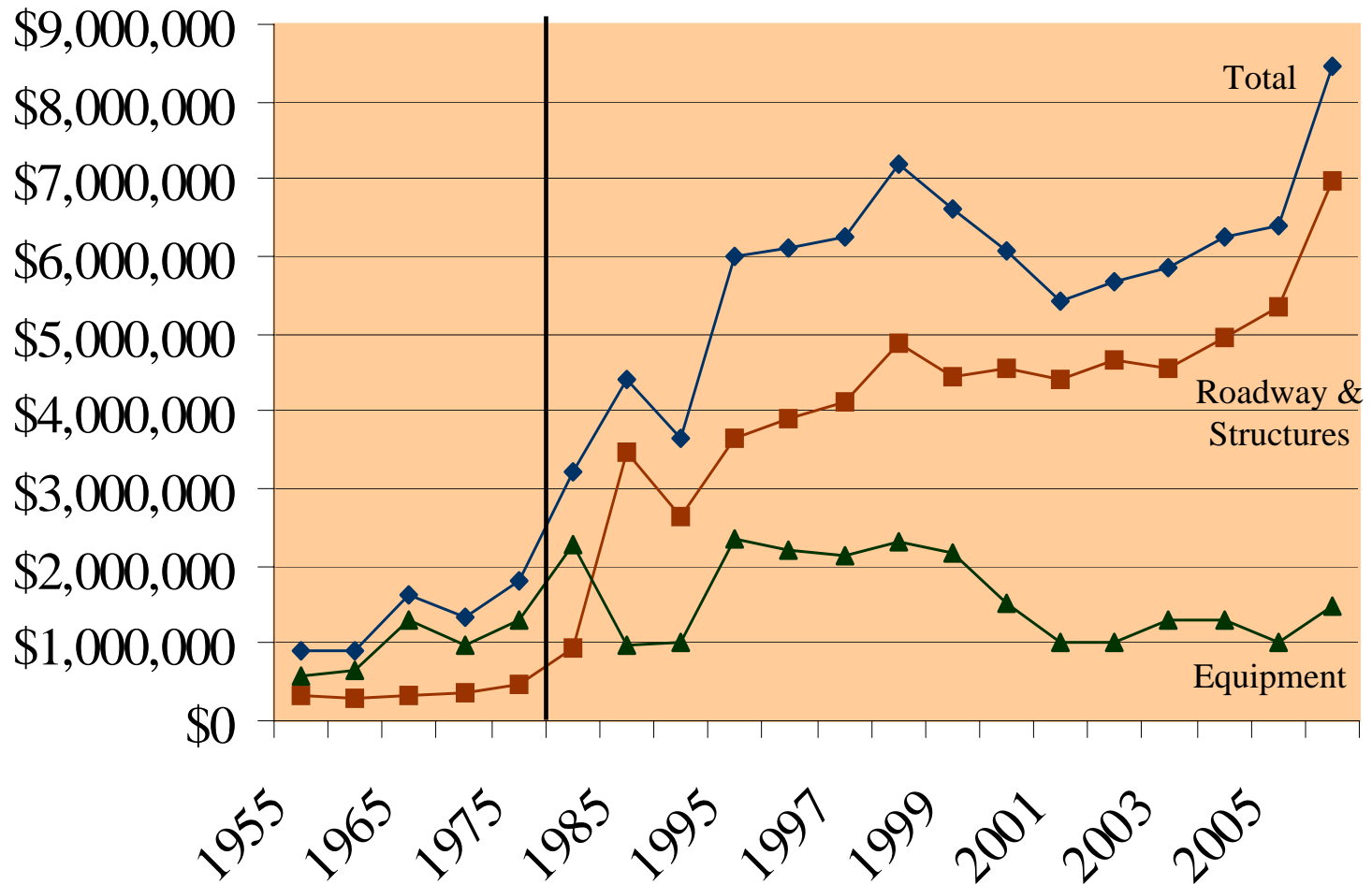
RR Employment 1939-2006





RR Capital Expenditures 1955-2006

(Amounts shown in Thousands)





Since Staggers

- Rail industry market share has increased from 37.5% to 41.7%
- Rail rates down 55% on average (inflation adjusted)
- Railroads' ROI increased
- Railroads substantially increased investment in infrastructure
- Improvement in safety performance



The Railroad Industry Today

- 7 Class I Railroads
- 525 Class II and Class III railroads
- Much reduced system through rationalization
- Average length of haul – 900 miles



The Surface Transportation Board Today

- Created by ICC Termination Act of 1995
- Three Board Members
- Residual economic regulation of the railroads
- Reduced scope of regulatory activity--
many rail movements deemed competitive
- Smaller staff



STB Mission

- Exclusive review and approval of rail mergers
- Review rail rates and practices to ensure they are reasonable and not discriminatory
- Approval, including environmental review, of
 - (i) construction of any new rail line or
 - (ii) abandonment of existing lines
- Rates for water carriers in non-contiguous domestic trade
- Rates for pipelines not carrying energy products



STB Merger Authority

- Mergers in the post-Staggers Era
- STB merger policy in 1990's
- Merger moratorium
- Categories of merger transactions (major, significant and minor)
- Mergers and downstream impacts
- STB merger policy today



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
- Policies should allow railroads to earn adequate revenues
- Determine the railroads' cost of capital and whether they are revenue adequate



Environmental Review

- Approval of new construction
 - DM&E
 - Yucca Mountain
- Abandonment cases (OFAs)
- Rails to Trails
- Rail transload facilities



Other STB Powers

- Amtrak - Directed Service Orders
- Emergency service orders
- Operating issues (e.g. car supply, unreasonable practices)
- Industry specific meetings
- Ongoing monitoring
 - Issues of national significance
 - Certain local disputes needing STB attention



Current Issues

- Railroads' Common Carrier Obligation
 - July 16: Transport of Hazmats
- Large vs. Small rate case handling
- Rail Fuel Surcharges
- Paper Barriers
- Rail Cost of Capital
- Investment in Rail Industry
- Competition Study
- Rail Customer & Public Assistance Program



Thank you. Questions?