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Acting Chairman
Surface Transportation Board

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Recent Changes at the STB

- Commissioner Doug Buttrey left the Board
- Currently, only two STB Commissioners on Board, but not an unprecedented situation
- President Obama named Mulvey Acting Chairman in March 2009



STB's Responsibilities

- Focus is on regulating railroads—rates for captive shippers, mergers and acquisitions, abandonments and new construction, service levels
- Residual responsibility for water carriage, pipelines, and trucking



The Mission of the STB

- Despite changes in STB leadership primary mission of the STB remains unchanged
- STB must balance need for railroads to earn adequate revenues with shippers' need for reasonable rates
- Ensures structural changes in the railroad industry are in public interest
- STB must adapt to changing conditions



Recent Activities at the STB

- Streamlined procedures to reduce time and cost for adjudicating large rate cases upheld in court
- First large rate cases handled under new guidelines—AEP North Texas, Western Fuels, KCPL
- Major shipper “win” in Western Fuels
- Major case involving DuPont and CSX resolved through STB facilitated mediation
- Small rate case guidelines applied in DuPont cases and upheld in court



Recent Activities

- Further revisions to STB's methodology for calculating the railroads' cost of capital—multi-stage discounted cash flow averaged with capital asset pricing model
- Disclosure Rules for new Paper Barriers—Entergy Case
- Continued meetings of Rail Shipper Transportation Advisory Council and Rail Energy Transportation Advisory Council



Recent Activities

- In response to GAO report (Oct. 2006) STB commissioned a study by Christensen Associates on state of competition in rail industry
- Christensen competition study released in November 2008
- Principal findings were that recent increases in nominal rail rates were not due to market power but reflected higher operating costs and the Revenue to Variable Cost ratio is not a good measure of market power



Recent Activities

- STB commissioned a second study by Christensen Associates examining capacity needs in rail industry
- Report issued in March 2009
- Report found that previous projections of rail capacity needs were likely overstated
- Report had benefit of incorporating recent economic contraction, but also disaggregated traffic forecasts



Recent Activities

- April 30 Hearing on the Uniform Railroad Costing System (URCS)
- Staff examining potential approaches to updating or replacing URCS
- Continuing oversight of CN/EJE merger
- No new large merger applications filed
- Reviewing the status of DOE's Yucca Mountain rail construction application



Legislative Activities Affecting the STB and/or the Railroad Industry

- Both Chairmen of Senate Commerce Committee and House T&I Committee want to reauthorize the STB
- Both Senate and House bills could change the regulatory framework—unclear at this point what final bills will look like
- Proposed change to railroads' anti-trust exemption will now be considered as part of STB reauthorization bill



Legislative Activities

- Passenger Rail Investment and Improvement Act gives STB new responsibilities in resolving disputes between Freight RRs and Amtrak over causes of passenger train delays
- Bill also directs STB to mediate in cases where commuter rail seeks access to freight railroad rights-of-way.
- Clean Railroads Act defines STB's role in preempting state and local regulation of solid waste transfer facilities on railroad property
- Shortline Railroad Investment Tax Credit
- Class I Railroad Investment Tax Credit



Thank you
Any Questions?