Surface Transportation Board Update

American Association of State Highway and Transportation Officials

Commissioner Francis P. Mulvey
March 15, 2011
STB Basics

• Independent economic regulatory agency for the railroad industry

• Handles
  - Railroad rate and service disputes
  - Railroad mergers and acquisitions
  - Rail line abandonments and construction
  - Freight/passenger rail relationships
  - Limited jurisdiction over other modes
Board Members

• 3 Board members
• Nominated by President, confirmed by Senate for 5-year terms
• Ann Begeman nominated Dec. 2010; hearing held Mar. 10, 2011
• Begeman to replace STB member Charles Nottingham
STB STAFF

- Highly educated professional staff - lawyers, economists, financial analysts, environmental and railroad operational specialists
- Named #1 small agency - annual federal employee survey for past 2 years
- “One of the most obscure corners of the federal government . . . . train geeks and experts”  
  Washington Post
STB Interaction with State Officials

• State highway construction projects
  – Oklahoma City’s I-40 project required BNSF line relocation and abandonment

• Acquisitions of rail lines by state
  – Maine acquisition of Montreal, Maine & Atlantic lines

• Questions of federal preemption of state/local laws; environmental review

• Issues impacting shippers in state
Rail Industry Trends

• Data point to a significant upswing in rail traffic
  – 13 straight months of traffic gains
  – Nearly all commodities up from the same period 1 year ago
  – Intermodal traffic at record highs (this week’s gain modest at 1.5% over last year)
  – Carload volume up 5.5% compared to one year ago
  – Total traffic volumes expected to continue to trend upward
  – Some exceptions: finished automobiles & parts, construction materials, forest products
Freight Rail Traffic Trends

Total Traffic
U.S. Class I Railroads 2007- Present

Carloads Originated

2007  2008  2009  2010
Capital Investment

• Railroad capital spending up - $12B planned according to AAR
  – Laying track
  – Large projects to increase efficiency
  – Increasing workforce (re-hiring & new hires)

• Fewer cars in storage; equipment purchases up
Congressional Agenda (Senate)

- STB Reauthorization bill - reintroduced 1/25/11
- Railroad antitrust bill – voted out of Senate Judiciary Cmte 3/3/11 on bi-partisan vote
- PTC hazmat bill–removes 10,000 miles from PTC mandate by changing date to determine hazmat movement (FRA settlement with AAR addresses same issue)
- BUDGET
Congressional Agenda (House)

• New T&I Chairman John Mica
  – Multi-year transportation spending bill
  – Aviation bill
  – Transportation infrastructure repair
  – Review DOT high speed rail grants, RRIF loans
  – Freight RR capital spending, tax credits

• New Railroad Subcommittee Chairman Bill Shuster
Recent STB Decisions

- BNSF coal dust tariff – found unreasonable
- NYC tour bus – denied approval for JV of NYC’s two hop-on/hop-off tour bus companies (reconsideration pending)
- Upheld arbitration award in 1968 Penn Central merger ($13.4 benefits/interest)
Hearing on Exemptions

- Informational hearing held Feb. 24
- Railroads
  - Exemptions fostered growth
  - Railroads face intense competition from other modes on exempt commodities
- Shippers (Auto, Forest/Paper, Cement)
  - No benefits to exemption post-ICCTA
  - Changes in industry support reexamination
  - High rates in certain exempt commodities
Hearing on Competition in the Railroad Industry

• To be held June 22
• Will address wide range of issues
  – Competitive access, “bottleneck” decisions
  – Reciprocal switching
  – Alternative route prescriptions
  – Financial status of rail industry
  – Impact of any rule changes
Major STB Matters Pending

- Large rate cases
  - AEPCO v. BNSF/UP
  - Total Petrochemicals v. CSXT
  - M&G Polymers v. CSXT
  - Intermountain Power v. UP
  - South Mississippi Electric v. NS

- Tariff issues - fuel surcharges, tank car routing

- Treatment of PTC implementation costs
Additional Announced STB Initiatives

• Update to Uniform Railroad Costing System
  – Internal evaluation continuing
  – Budget

• Increased Transparency
  – Decision digests
  – Oral arguments/hearings

• More active monitoring of industry
  – Increased audits
  – Increased reporting
Future of STB

- Fate of reauthorization legislation
- Funding level for agency
- Increased rail traffic
- Opportunities for Board to address important railroad/shipper issues
- Stay tuned . . .
Thank you
Any Questions?