Class I Railroad “Fall Peak Season” Forum

September 9, 2004

Surface Transportation Board

Chairman, Roger Nober
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
- Assist railroads to earn adequate revenues
STB Is Concerned About Rail Service This Fall

• Agency’s top priority
• Responsibility is to rail system as a whole
• Carefully monitoring rail trends and performance
• Working with railroads and shippers on service issues
New Kind of Regulatory Problem

• Agency’s current regulatory powers center around a few doctrines:
  – common-carrier obligation
  – reasonableness of rates and practices
  – discrimination

• Laws intended for different situation

• Current demand-driven service situation

• Customers want fairness
STB Response in 2004

• Continual review of service trends
• Urged open communication between railroads and shippers
• Asked railroads to submit their fall peak plans
• Participated in NITL/UP and NITL/CSX forums
• Met with senior management of railroads
• Entire Board attending this meeting
Long-Term
Class I Railroad Metrics
Quarterly Average Total Cars-On-Line
From July 1999 through August 2004

* Average of weekly reports
Quarterly Average Train Speeds
From July 1999 through August 2004
Quarterly Average Terminal Dwell
From July 1999 through August 2004

CSXT

35.2

UP

33.7

BNSF

30.3

NS

24.5
Quarterly Average Terminal Dwell
From July 1999 through August 2004

KCS, CN, CP
Traffic Volume
U.S. Class I Railroads
Source: AAR Weekly Traffic
Train and Engine Employees
Class I Railroads
Source: STB Wage Forms A&B
Communications
STB Fall Peak Preparation

Letter to all Class I Carriers

“...I request that you provide... the specifics of your goals and ‘Fall Peak’ action plan...

In this regard, I hope that you will provide the Board with this valuable discussion of your view of upcoming service demands by customers and the plans to effectively satisfy those demands.”

---June 9, 2004
Carrier Responses

• BNSF: 3700 new flatcars, nearly 1800 new hires
• CN: Working to improve fluidity throughout their system
• CP: Advanced lease of 500 hoppers, hired addt’l crews
• CSXT: 1,400 new T&E employees, 110 new locomotives
• KCS: Acquired 52 locomotives, enhancing infrastructure
• NS: Hiring 1,333 conductors, growing locomotive fleet
• UP: Added 500 locomotives, increased 2004 hiring by 1000 T&E employees
Capacity Issues – Short-term Causes

- Increased rail demand and tightness in rail capacity
  - Expanding economy increased imports
  - Large grain harvests in 2003 and 2004
  - Shortness of crew and equipment
- Trucking capacity is also tight
  - Increased fuel prices
  - Driver shortages
  - High insurance costs
  - Uncertain hours of service rules
Capacity Issues – Long-term Issues

• Future demand for freight movement predicted to increase
• Challenge for private companies to meet that demand
• Constraints on capital investment
   Railroads inability to earn cost of capital
   Demands of investors
   Under capacity and over capacity at the same time
• Demands of changing freight flows
Outlook for Peak Season 2004

- Bringing resources to bear
- Key questions
  - Harvest
  - Imports
  - General economic activity
  - Unforeseen issues
  - Can railroads perform
Board’s Shipper Focus

- Railroad-Shipper Transportation Advisory Council (RSTAC)
- National Grain Car Council
- Rail Consumer Assistance Program
- Class I Monitoring
Rail Consumer Assistance Program

- *Informal* assistance from STB
- Any type of rail-related transportation issue
- Administered by STB’s Office of Compliance and Enforcement
- Contact information
  - *Toll Free* - 866-254-1792
  - *Email* railconsumer@stb.dot.gov
  - *Fax* - 202-565-9011