

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

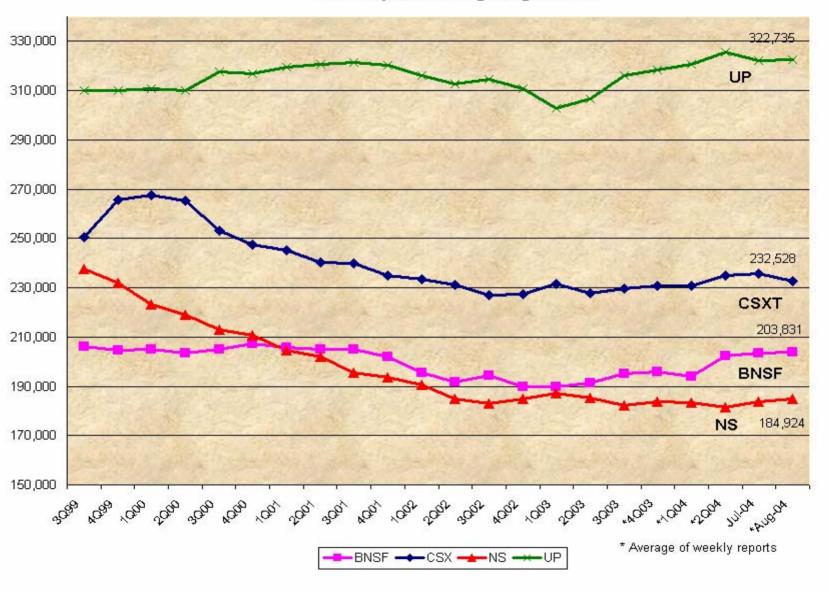
- Agency's current regulatory powers center around a few doctrines:
 - common-carrier obligation
 - reasonableness of rates and practices
 - discrimination
- Laws intended for different situation
- Current demand-driven service situation
- Customers want fairness

STB Response in 2004

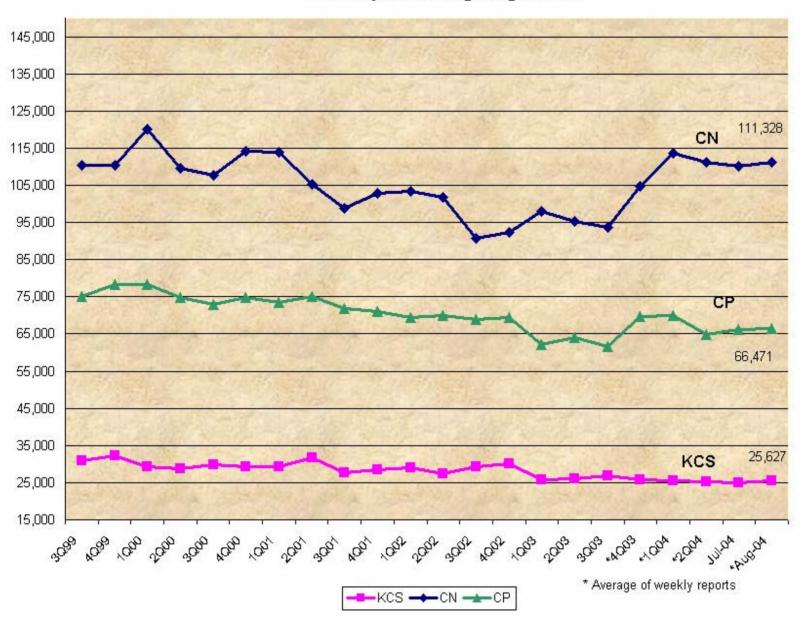
- Continual review of service trends
- Urged open communication between railroads and shippers
- Asked railroads to submit their fall peak plans
- Participated in NITL/UP and NITL/CSX forums
- Met with senior management of railroads
- Entire Board attending this meeting



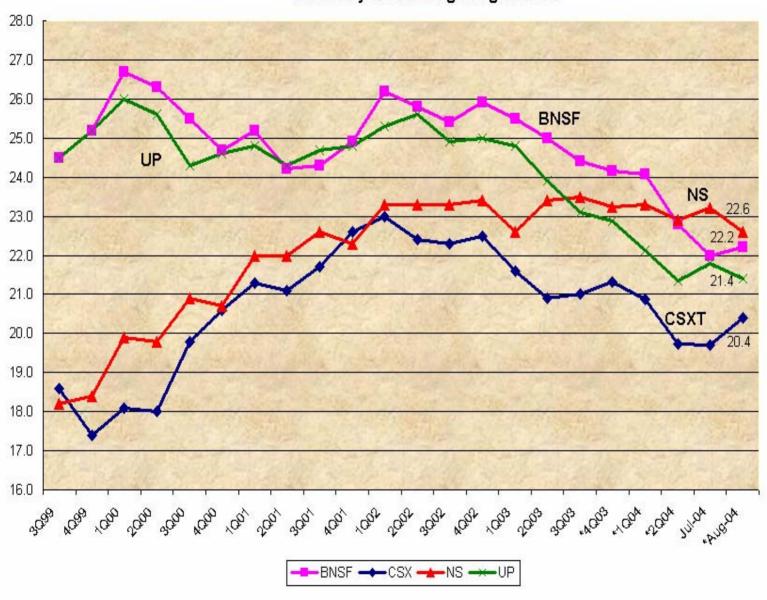
Quarterly Average Total Cars-On-Line From July 1999 through August 2004



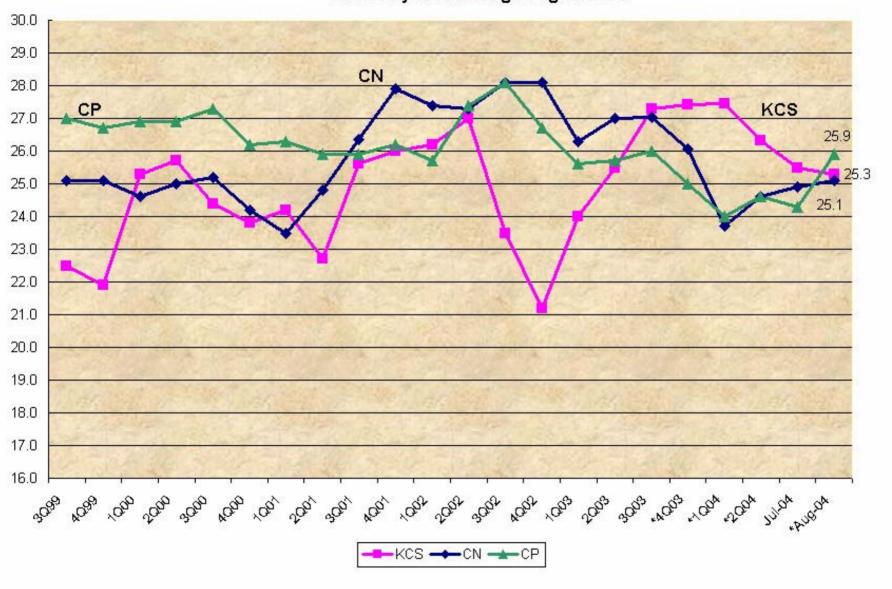
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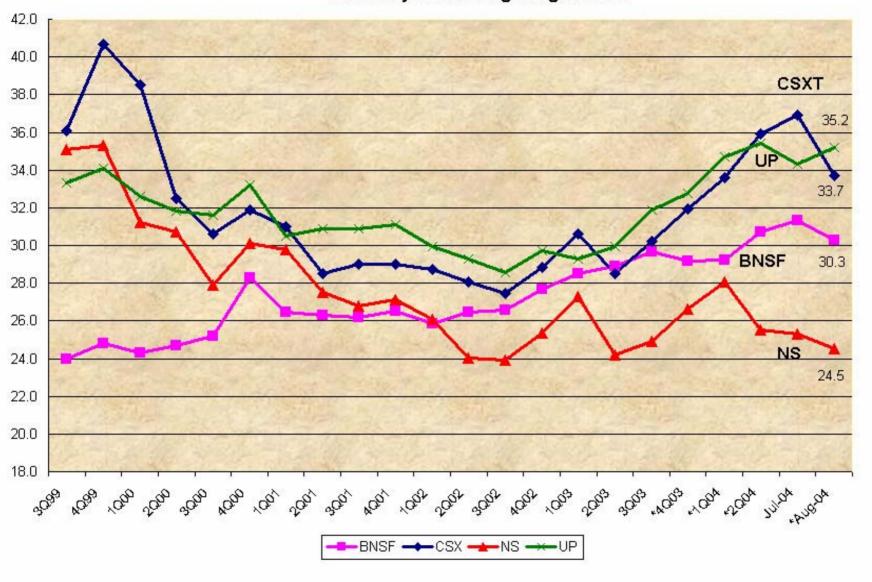
Quarterly Average Train Speeds From July 1999 through August 2004



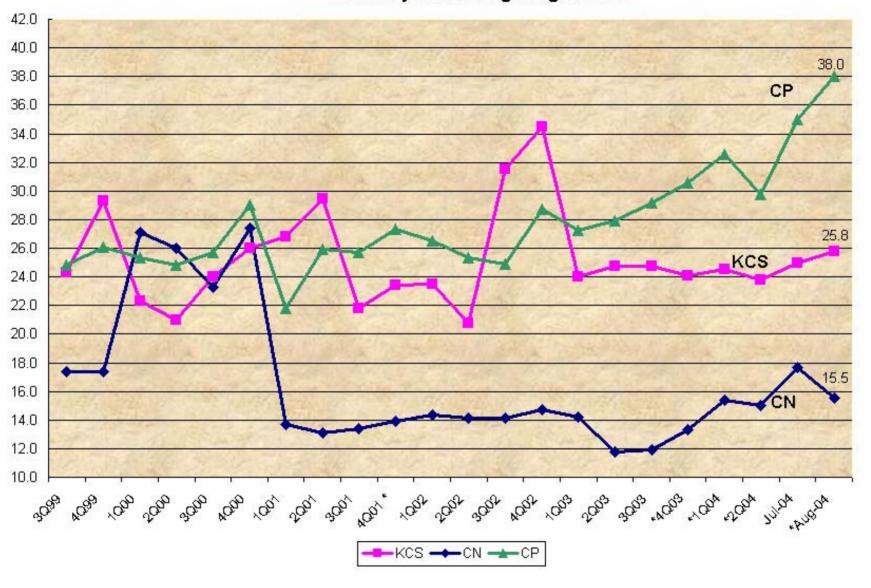
Quarterly Average Train Speeds From July 1999 through August 2004



Quarterly Average Terminal Dwell From July 1999 through August 2004



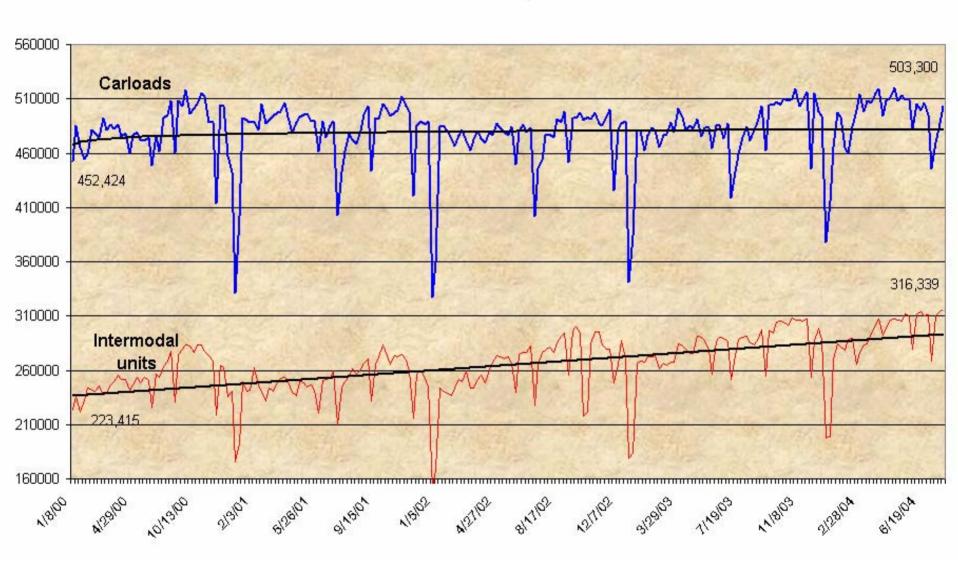
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Traffic Volume

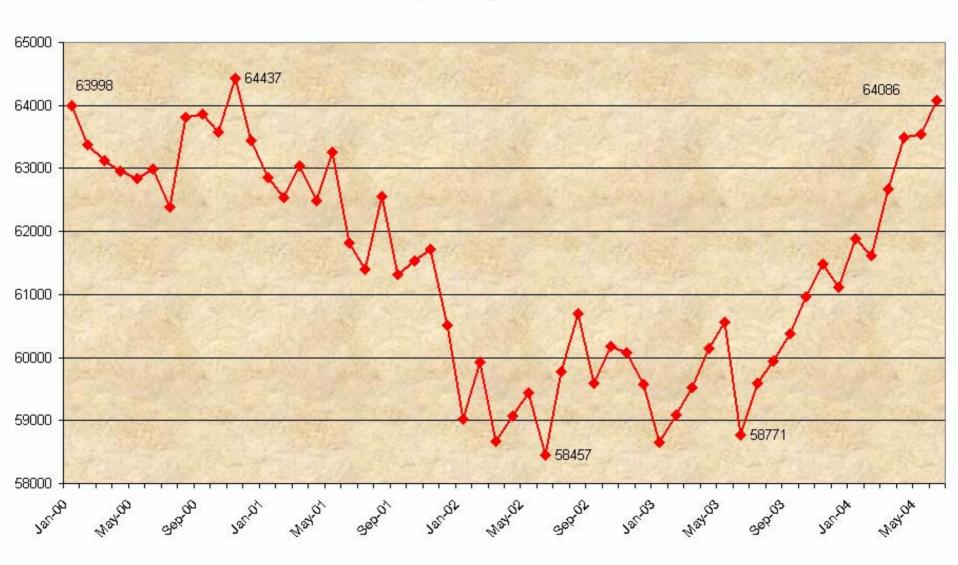
U.S. Class I Railroads

Source: AAR Weekly Traffic



Train and Engine Employees Class I Railroads

Source: STB Wage Forms A&B





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

