

OPENING STATEMENT OF
CHAIRMAN LINDA J. MORGAN

SURFACE TRANSPORTATION BOARD
HEARING ON
RAIL ACCESS AND COMPETITION ISSUES

April 2, 1998

Good Morning. We are here today at the request of Senators McCain and Hutchison to hold hearings on rail access and competition issues. These issues go to the heart of railroad regulatory oversight, and we are using these hearings to determine the current state of the rail industry and its rates and service, and where we should go from here.

We are at a critical juncture with respect to rail transportation, and any decisions made based on the record compiled in these hearings will have a profound effect on its future. For the first time in many years, the problems of inadequate infrastructure and capacity, a surge in the economy, and shipper concerns regarding rates and service are coming together at the same time. These hearings provide a timely forum for an examination of these important issues. I am glad that Members of the Senate Commerce Committee have directed the Board to play a significant role in moving the debate forward.

During the next two days, we will be hearing from over 50 witnesses. The

speakers and the other parties have submitted to us several hundred pages of information: facts and argument from large and small railroads, from shippers representing a broad spectrum of users, from rail labor, from government entities and ports, and from other interested parties. We appreciate the hard work that went into developing all of this information on short notice. I assure you that we have examined it all carefully, and it has helped us to better understand the positions that many of the parties are taking. However, these issues are serious and complex, and we need to pursue today the long-term implications of the various steps that we or Congress might or might not take.

Today and tomorrow we will hear from shippers who are very concerned about what they perceive to be a rail industry that is not responsive, rail rates that are too high, and a regulatory system that is not accessible. They seek various remedies that they believe will enhance competition, improve service, and reduce their rates. They also are suggesting ways to simplify the regulatory system. I understand and appreciate their concerns. In addressing these concerns, we must search for solutions that will not discourage needed investment in capacity and infrastructure or otherwise degrade service or increase rates over the long term, results which no shipper wants. I will be asking questions with this approach in mind.

We will also hear from railroads who acknowledge service problems in the West, but otherwise indicate that there is no need for concern. The large railroads oppose most of the suggestions made by shippers, asserting that radical regulatory change is not necessary and would be counterproductive to maintaining the long-term viability of the railroad industry and the good service at reasonable rates that it can provide. I understand their positions quite well, but it is clear that the great majority of the users of the larger railroads are not happy. Over the past several months, I have visited with many individual shippers and smaller railroads that are very concerned about their unresponsive, and even arrogant, dealings with the larger railroads and what that means for the future. The railroad industry cannot ignore this reality, and I would hope that the Class Is will address the very real concerns of the shipping public.

Earlier this week, I testified before the Senate Commerce Committee on the reauthorization of the Board. During the course of that hearing, I was asked whether the Board needs additional authority to address the kind of concerns being raised over the next two days. I indicated that I was withholding judgment because these hearings were intended to address just that question. Thus, I expect witnesses, as appropriate, to address the problems that they believe exist with rail transportation today and specifically what additional legislative authority and/or

administrative action, if any, is necessary to address those problems.

As I said earlier, we have read all of the testimony that has been filed. For that reason, and because our orders required each of you to serve your papers on the other parties, you do not need to read your statements again in public. Instead, it would be more productive if you would summarize your position and comment as appropriate on the positions of other parties. Along those lines, please keep in mind that the Board members will be asking questions.

In this regard, as we have noted in our orders, these hearings are intended to be broad in nature, and are not designed to address pending matters related to the rail service emergency in the West or the proposed rail merger in the East. We are addressing those matters in other proceedings, and the Board must be careful today not to prejudge future decisions in those proceedings. Our questions will focus on matters of more general concern.

As you all know, we issued an order setting the time and sequence of speakers; we subsequently modified that order to address conflicts that several parties brought to our attention. If the new order presents problems for any of you in this regard, please see one of the Board's staff about your problem, and we will try to accommodate you.

Let me express my appreciation to the Board staff for all of the work that has

gone into putting together these two days of hearings, and to the staff doing the rest of the work at the Board. The Board Members and the public are indebted to each one of you.