

**CHAIRMAN NOTTINGHAM'S OPENING STATEMENT  
GRAIN HEARING  
NOVEMBER 2, 2006**

Good morning. I'd like to extend a warm welcome to all of our visitors today and a special welcome to those of you who traveled from out of town to be here. Today's Surface Transportation Board hearing will focus on issues related to the transportation of grain by rail. As many of you know, this is my first hearing as Chairman of the STB. I would like to thank all of the staff here at the STB who helped plan and prepare for this hearing, which was originally announced by my fellow Commissioners in July, before I became a member. I am glad to follow through on that announcement by holding this hearing today.

On the macro, big-picture level, the United States has much to be proud of when it comes to agricultural and freight railroad productivity. Our U.S. farmers are the most productive in the world and produce a wide variety of crops at very competitive prices, while meeting or exceeding strict safety and nutritional requirements. U.S. consumers have more affordable and available food choices than ever and

spend a much smaller percentage of income on food as compared with other developed nations.

Similarly, the U.S. freight railroad industry manages the most productive and profitable freight rail network in the world. No other nation moves the volumes of freight by rail that we do.

While we should be proud of our agricultural and transportation successes, we will hear today that many farmers feel economically threatened by our freight rail system and by what farmers see as a rail market that offers too few choices and too high costs – both direct rate costs, as well as the indirect costs of doing business with a railroad.

While I understand that tension between farmers and railroads is not a new phenomenon, I am hopeful that through improved communication, information sharing, customer service, infrastructure investment, and, if necessary, new public policy, some of this tension can be reduced.

It is in our national interest to promote a healthy and strong agriculture sector as well as a healthy and strong freight railroad industry. I am hopeful that today's hearing will shed light on both of these goals while demonstrating to us that agricultural and freight railroad interests do not necessarily need to be in conflict.

In my first few months at the Board, I have heard much about the issues we will be discussing today. In October, I personally visited grain producers in Montana and I am glad to see some of those folks here today. I was concerned to hear reports from them that they believe they are shouldering more transportation costs today than in past years. I have heard concerns from grain producers about high rates, lack of car availability, the shifting of costs such as car ownership from railroads to farmers, and inadequate service. So that there can be a real dialogue on this issue, I'm glad to see U.S. and Canadian railroads appearing here today. I look forward to hearing about the interplay of the Canadian and U.S. wheat markets and what impact that may have on grain transportation in the U.S.

I am glad to see on our docket today fellow government agencies directly involved in these issues. I believe the backbone of the U.S. economy is our highly efficient agricultural system, and I look forward to hearing today from the Department of Agriculture to learn its perspective on how rail transportation of grain affects that system.

As the notice for this hearing indicated, one issue we would like to explore is the GAO's October 6, 2006 report in which it observed that while most freight rates have declined since 1985, grain rates have diverged from the industry trends. According to the GAO report, the amount of grain traffic with comparatively high markups over variable cost increased notably between 1985 and 2004. I am pleased that GAO is here today so that we can further explore those observations.

The agricultural sector is highly dependent upon freight rail and I want to make sure that nothing under the STB's purview impedes agriculture either in domestic or international markets. I also want to encourage shippers and carriers to work together to make transportation of grain efficient, productive and profitable. This informational hearing is a good opportunity for me and my fellow

Commissioners to learn about this important sector of our economy. Indeed, I believe informational hearings are useful tools to stay abreast of issues important to the industry and to discern what role, if any, the Board should play in addressing the issues.

Now, before we begin, let me just take a few minutes to review a few procedural points about today's hearing. We will hear from Panels with breaks as appropriate. We will hear from all the speakers on a Panel. Speakers, you will see a green light when you have one minute remaining in your allotted time, and a red light when your time has expired. After hearing from the entire panel, we will rotate with questions at five minutes per Board Member until we have exhausted the questions.

I ask all witnesses to, please, summarize their written statements in the interest of time. I think I can speak for everyone and say that we have all read each of your full statements and you should not feel obligated to use every second of the time allotted. Additionally, the official record of this hearing will remain open until January 12, 2007 to allow supplemental information to be provided to the Board.

Consistent with what I understand to be Board practice, we will allow all the witnesses on each panel to make full presentations before the Members ask any questions. So with that, I certainly look forward to a very interesting day of testimony. I know I have a lot of questions and I'm sure that my fellow Commissioners do as well. And with that I will recognize Vice Chairman Mulvey for any opening statement he may have.