

**Commissioner Buttrey's Opening Remarks
Public Hearing, Nov. 2, 2006
Rail Transportation of Grain, STB Ex Parte No. 665**

I am very much looking forward to today's hearing on the important topic of rail transportation of grain. As some of you may know, I grew up on a farm. That may explain why I have a soft place in my heart for farmers — and I'm not the only one. Outside the beltway, anyhow, there are a lot of people in this country who seem to have a soft spot in their heart for farmers.

I saw an article in the local Washington newspaper not long ago, trying to make the point that farmers, on average, get more benefits from the government than the typical citizen does. But in my mind, this makes some sense. It would be hard to find a riskier business than farming, or one more essential to the well-being of this country and all of its citizens. We may not think about farmers that much, because so few of us have ever gone hungry. If we had, that might be different.

When I was preparing to come to the Board a couple of years ago, I started looking at issues relating to grain transportation in some depth. I talked to farmers, people who run elevators, grain traders, railroads, folks on the Hill, and so on. During my tenure here, I have been out to Montana and Nebraska twice and to North Dakota once. I have met face-to-face with grain farmers in their offices and in their fields, and you can find the pictures on the Board's website to prove it! I have stood next to grain piles as big as condominium complexes outside in the elements and I have seen the looks of desperation on the faces of growers who wonder if this year's crop will be their last.

After studying the matter for some time, I have concluded that the grain market, for whatever reason, seems to be standing on its head. In just about every other business endeavor I can think of, the accumulating costs of getting the product to the end consumer is paid by the end consumer. But in the grain business, that's not true. In the grain business, the cost of transportation is paid up front, in advance, by the farmer. It is typically taken out of the proceeds from the sale of his grain at the elevator before he is paid. This is a serious concern, because these farmers are struggling to make it. This added cost can make the difference between success and failure for them, and it is a cost they do not and cannot control.

We all know that in today's world, grain competes in a global marketplace. To be competitive, our domestic grain industry, including the transportation component, must be as efficient as possible. Great strides have been made in recent years to improve the efficiency and cost-effectiveness of the rail transportation of grain. Today, more unit trains and large-capacity, high-speed loading facilities have reduced costs and improved equipment utilization. But not every farmer has access to these innovations or the ability to participate and share in these efficiencies and cost savings, at least not at the present time. It would be great if every grain farmer in America could have ready access to a new, 110-car shuttle loading facility today. That would level the playing field in terms of service and cost of transportation. But we're not at that point yet. So the question is, how best to manage the inequities flowing from this lack of balance during the transition.

Today, it seems to me that the smaller operators are being penalized through no fault of their own. They have just as much right to receive service and pricing that suits their needs in the marketplace as the corporate behemoths do. And the last time I looked, the common carrier obligation is still part of the statute. The challenge for the industry, and for the Board, is to work through what that means in today's situation. There needs to be a way to include the smaller operators in the benefits of efficiencies while the entire supply chain is being reinvented. Perhaps through creation of new cooperative arrangements, or state-sponsored consortia, the industry can take a larger view when looking at issues of pricing, car supply, siting of new facilities, etc. I hope to hear some fresh ideas and innovative suggestions on this subject from the witnesses who will appear before us today.

I'm also interested to hear from today's witnesses about the impact the Canadian system might have on the U.S. grain business. We all know that Canada has a different regulatory system than we do. North of the border, the Canadian Wheat Board controls prices, marketing and car supply for most of the Canadian-grown wheat, durum and barley, and there are government-regulated yearly revenue caps in place for rail transportation. I hope to hear from the witnesses today whether they believe that U.S. producers are disadvantaged by the existence of the Canadian cartel-style regulation.

I've heard it said that one definition of insanity is continuing to do the same thing over and over, expecting different results. In my view, that's not a bad description of some of the dialogue I've heard in the past about problems relating to the rail transportation of grain. Grain industry reps and

railroad people seem to talk past each other — ships passing in the night, as it were. It's time for this to change. I'd dearly love to hear some fresh, innovative ideas about how to solve the problems that have plagued this industry for many, many years. Don't forget, problems with grain transportation were the main reason the old ICC was created in the first place, back in 1887!

I know that there are some really bright, talented people out there. At the risk of sounding like Don Quixote, I would hope that some witnesses today would have the courage to proffer some new ideas and suggest some possible solutions, not just keep recycling the same old threadbare rhetoric. It does sound like an impossible dream, but if this hearing today can be a starting point for a fresh new dialogue relating to the rail transportation of grain, then we will have accomplished something important! So I challenge every witness today — please, please tell us something we haven't already heard!

Thank you.