

**OPENING STATEMENT of  
CHARLES D. NOTTINGHAM, CHAIRMAN**

**STB PUBLIC MEETING ON  
CHRISTENSEN ASSOCIATES RAIL COMPETITION STUDY  
November 6, 2008**

Good morning. I'd like to call to order this morning's meeting of the Surface Transportation Board. The Board is meeting this morning to discuss the comprehensive study of competition and related issues in the freight rail industry recently completed by Christensen Associates and released to the public this past Monday. The study is available for downloading from the Board's website at [www.stb.dot.gov](http://www.stb.dot.gov).

Christensen carried out its study under a contract the Board awarded in September of 2007 following a competitive procurement process. We engaged Christensen to undertake a comprehensive analysis of a wide range of issues including

competition and capacity in the freight rail industry, and the interplay between the two.

The Board commissioned this study because of the important role that competitive considerations play in much of the Board's work. Indeed, effective competition is a recurring theme in the National Rail Transportation Policy – the set of principles enacted by Congress that guide the Board's regulation of the rail industry. For example, that policy provides, in part, that in regulating the railroad industry, "it is the policy of the United States Government . . . to ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers and with other modes." The RTP also includes "allow[ing], to the maximum extent possible, competition and the demand for services to establish reasonable rates for transportation by rail," and "avoid[ing] undue concentrations of market power."

Every day, competitive forces are at work in the freight rail industry, as railroads compete against other railroads and other transportation modes, such as truck and barge, for customers' business. Indeed, the rail shipment of certain types of commodities, including, for example, all intermodal traffic (a fast-growing category in recent years), is exempt from our rate regulation because of the effective competition available to shippers of those commodities. Moreover, rail traffic that moves at common carrier rates producing revenues that are less than 180 percent of the variable cost of the move are presumed by law to be subject to competitive forces. A substantial percentage of freight rail movements fall into one of these categories.

All of this is not to say that all rail customers enjoy competitive options – far from it. Many rail shippers do not have effective access to more than one rail carrier or to other modes of transportation.

Indeed, in October 2006, the Government Accountability Office (GAO) expressed concerns over competition and shipper captivity in the rail industry. The GAO recommended that the Board conduct a rigorous analysis of competition in the industry and consider actions to address problems associated with abuses of market power.

So it is altogether fitting that the Board chose to engage Christensen to provide a thorough, and independent, examination of this important issue. Over the past 14 months, Christensen has not only undertaken significant quantitative research, but has conducted extensive qualitative research as well, interviewing numerous shippers, railroads, and other stakeholders.

Today, we are pleased to welcome two representatives of the Christensen team that conducted the study, Dr. Mark

Meitzen and Dr. Kelly Eakin. Dr. Meitzen and Dr. Eakin will first give a presentation generally summarizing the study process, its results and recommendations. Following that presentation, my colleagues and I will have an opportunity to ask questions and engage in what I know will be a lively dialogue.

I look forward to this morning's presentation and discussion. Before turning the floor over to Dr. Meitzen and Dr. Eakin, I would now like to turn to my colleagues for their opening remarks. Vice Chairman Mulvey?