

Good morning and welcome. Today we begin a two-day public hearing to explore the current state of competition in the railroad industry and possible policy alternatives to facilitate more competition, where appropriate. There has been broad public interest in this hearing and we have already compiled an extensive record. I want to thank everyone who participated for their thoughtful comments. Many have heeded my call to work to find solutions, and many have provided us with ideas worth considering.

Competition lies at the heart of the balance contained in the statute we are governed by – the Interstate Commerce Act, as amended by such laws as the Staggers Rail Act of 1980 and the Interstate Commerce Commission Termination Act of 1995. It directs the Board to “allow, to the maximum extent possible, competition and the demand for services to establish reasonable rates for transportation by rail” and to “minimize the need for Federal regulatory control over the rail transportation system”

That is, our system relies on competition in the first order to regulate the railroad industry. Our economic regulation largely serves as a backstop for shippers where competition does not exist.

And for many shippers this has worked well. The U.S. freight rail system is the envy of the world, providing transportation efficiently and in an environmentally friendly way. Shippers served by two railroads, or who can move their goods by other modes, generally should get good service at reasonable rates. But for some shippers, competition for their business does not exist, and the Board must provide a forum for regulatory relief from unreasonable rates and practices.

The Board has worked diligently over the last several years to ensure that those regulatory processes are working, by reforming large rate cases, establishing new rules for smaller cases, and issuing orders on unreasonable practices. I commend my predecessors for their work in what is always an ongoing process.

The law also contains provisions that allow the Board to take additional action, in certain circumstances, to facilitate rail-to-rail competition.

For example, the Board has authority to order carriers to provide alternate through routes, to provide shippers service over a different route than the one carriers offer to them.

The Board may order “reciprocal” switching services where one railroad switches traffic to another carrier that that carrier cannot physically reach.

And the Board also has authority to order terminal trackage rights to allow one carrier to physically operate over the terminal tracks of another carrier to serve shippers.

One area that this Board has concluded in the past that it may not have full authority to order relief was to require railroads to quote “bottleneck” rates. That is, the agency has ruled that it cannot routinely order a railroad to quote a rate to a point on its system where it interchanges with a second carrier to allow a portion of the move to be subject to competition.

Underlying all of these is the question of how the price of access should be set.

These are the areas that we will hear about in the next two days. This is an important hearing. I don't think it is too debatable to observe that the railroad industry has changed in many significant ways since the Board's competitive access standards were originally adopted in the mid-1980s. Railroads have seen improving economic health, Class 1 carriers have consolidated through mergers, the short line railroad network has grown dramatically, and customers are participating in the provision of more capital such as rolling stock. So it is important that we review these issues now.

This country's economy has faced a serious downturn. It is no secret to anyone in this room that railroads play a central role in making our national economy work. Railroad employees and those of their customers are out there every day overcoming tremendous obstacles to allow our commerce to flow. Right now railroads and their customers are facing historic flooding in parts of the country, working very hard to get our goods to market.

The President has made U.S. exports a priority to lead the economic recovery. The National Export Initiative calls us to "marshal the full resources of the United States government behind American businesses that sell their goods and services abroad." So one area I will be listening very carefully to is how our regulation affects exporters. Certainly, to be competitive internationally, exporters need excellent rail service at reasonable rates. We also are cognizant of the need to foster a healthy domestic economy, as well. Of course, railroads need to earn adequate revenues to allow them to invest in their networks to make all of that happen.

I look forward to the testimony. I know I have a lot of questions and I'm sure my colleagues will as well.

Before we begin, let me just take a few minutes to review a few procedural points about today's hearing. We have two full days of testimony scheduled. We ask all witnesses to, please, summarize their oral 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. And consistent with our practice, we will allow all the witnesses on each panel to make full presentations before the Members ask any questions. You will have a light before you at the front of the room. One minute before your allotted time has expired, a yellow light will appear. When you see the red light, your time has expired. Please conclude your thought at that point.

After the conclusion of the witnesses' presentations, we will rotate among the Members asking questions.

I would remind parties that this hearing is not the proper forum to litigate any specific pending matter. These issues touch many cases under consideration, but arguments as to the merits of any case are best left to those dockets.

If you are scheduled to testify, please make sure that you check in with the Clerk at the front of the room.

I have also been asked to remind witnesses to please speak clearly into the microphone. In addition, the public should be aware that a video archive of the entire hearing will be placed on the STB website within a few days of the close of the hearing.

In the unlikely event that we have a fire alarm or other event requiring evacuation, please proceed in an orderly fashion out of the double doors at the back of the hearing room, and out of the building through the front entrance. Specific instructions have been posted at the back of hearing room for assembly and notification of return, if any, to the hearing room following any evacuation.

Finally, if you have not done so already, please turn your cell phones off.
With that, I'll turn it over to Vice Chairman Begeman.