Study of Competition in the Railroad Industry and Analysis of Proposals to Enhance Competition

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Outline

- Assignment
- Project team
- Project overview
- We want your input
Assignment

- As a follow up to the GAO study of railroads, the Board issued an RFP to
  - Study competition and captivity in the industry
  - Review and analyze of various proposals that might enhance competition

- The Christensen Associates team was selected to conduct an independent, rigorous study
  - Study to be completed by November 1, 2008
Christensen Associates

- Founded in 1976 - located in Madison, WI
- We have been producing high-caliber analysis to help clients solve complex problems in rapidly changing markets
- We employ about 55 economists, engineers, and market research specialists
- We have several affiliates with stellar backgrounds in business, economics, finance, geography, engineering and market research
Expertise in Network Industries

- Christensen Associates has institutional knowledge of numerous domestic and international industries including:
  - Transportation
  - Postal Service
  - Energy
  - Telecommunications
  - Health care
Project Team

- Christensen Associates has assembled a team of consultants and academics with wide-ranging railroad industry experience
  - In addition to economic theory and statistics, team members possess solid understanding of railroad industry
  - Team members have represented various stakeholders including shippers, railroads and government
We have reassembled the team that conducted seminal research in railroad cost and productivity analysis over the last 25 years

- Drs. Douglas Caves and Laurits Christensen of Christensen Associates
- Dr. Joseph Swanson of Jos. Swanson & Co.

Their research and methods are used to this day

Their work includes
- Revenue adequacy (Swanson)
- RCAF-A (Caves, Christensen)
In addition to Caves, Christensen and Swanson, other key personnel include

- Dr. Kelly Eakin – Christensen Associates
- Dr. Mark Meitzen – Christensen Associates
- Dr. John Hudson – Northwestern University
- Dr. Wesley Wilson – University of Oregon
Project Overview

- Analysis of industry competition, capacity and service quality
- Analysis of policy reforms and likely effects
Analysis of Industry Competition, Capacity and Service Quality

- Is recent increase in rates the result of capacity constraints or the exercise of market power?
  - Current state of competition and assessment of captivity
    - Nationwide and by location, commodity
  - Current and near-future capacity constraints
  - Investment incentives
  - Service quality issues and their causes
Analysis of Policy Reforms and Their Likely Effects

- What are the likely economic effects of proposed policy reforms?
  - Reciprocal switching, trackage rights, bottleneck rates, paper barriers, etc.
  - Repeal antitrust exemptions
  - Use of arbitration in STB proceedings
Project Phases

- Phase 1 – Qualitative Research
  - Now through January
- Phase 2 – Quantitative Analysis
  - January through Summer
- Phase 3 – Reporting
  - August through October

Final Report November 1, 2008
Qualitative Research
We Want Your Input!

- Before conducting any analysis, we want to make sure we are investigating the appropriate issues.
- To accomplish this we will obtain input from various industry stakeholders, including:
  - Railroads
  - Shippers
  - Industry analysts
  - Policy makers and regulators
  - Other interested parties
We Want Your Input

- We are designing a plan to select representative stakeholders to interview
- However, we want to hear from any stakeholders who want to express their views
  - We want to ensure the process is open to all
We Want Your Input

- We have designed a system for stakeholders to come to us with their input
- We have a website and electronic forum for registered parties to express their opinions

www.LRCA.com/railroadstudy
We Want Your Input

- **Website**
  - Allows project team to provide information to stakeholders
  - Allows stakeholders to provide limited information to the project team (for example contact information, requests for access to forum, etc.)
  - Hosted on a Christensen server
We Want Your Input

- **Electronic Forum**
  - Stakeholders have access to project team to provide information
  - Forum is arranged around topics
  - We anticipate forum discussions will produce additional topics
  - Issues discussed in the forum to be considered in formulating a final research plan
We Want Your Input

Remember -
go to

www.LRCA.com/railroadstudy

and let us know what you think