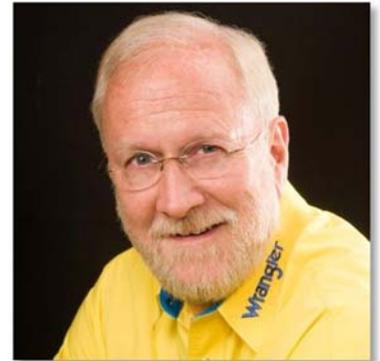


TRANSPORTATION REPORT

From: Terry Whiteside

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HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE (T&I) HOLDS HEARING ON RAIL REGULATORY ISSUES

The House Transportation Committee held its hearing on rail regulatory issues yesterday. This was the first hearing the Committee has held on these issues for at least 5 years, and the panel included acting Chairwoman of the STB Deb Miller, ACC President Cal Dooley, AAR President Ed Hamberger, Short Line Association President Linda Darr, and Georgetown Professor John Mayo.

The purpose of the hearing was to review the economic regulatory landscape for the freight rail industry. Predictably, there was a lot of discussion of the freight rail renaissance, and the capital investments needed to maintain and grow the rail network. Both Deb Miller (Acting Chairman of STB) and Cal Dooley (CEO of the American Chemistry Council and members of the Rail Customer Coalition) effectively highlighted many of the issues that this coalition supports—related to the lack of efficiency and effectiveness at the STB, and the actions underway at the agency.

There was also conversation about the unreasonable cost and burden associated with the current system, and the chilling effect that puts on rail shippers to utilize the process. Ms. Miller spoke at length about the efforts underway at the STB to implement reforms, and Mr. Dooley highlighted that even in an industry where companies can sometimes afford to dispute a rate, few do because of numerous institutional and structural barriers. For smaller rail shippers, the existing process is effectively useless.

Mr. Dooley also highlighted this quote from Mr. Hamberger's testimony that needs to be shared with this Coalition and all rail shippers, that was part of AAR's lengthy attack on the merits of the Rail Customer Coalition's policy objectives:

“Indeed, when one looks behind the actions that proponents of reregulation are urging upon Congress and the STB to “reform” freight rail policy, it is clear that “reform” is a euphemism for “force railroads to subsidize us” and that the needs of the railroads and the general public are a distant second to their own narrow desires.”

It should be pointed out that the Rail Customer Coalition does not support “reregulation” (and Mr. Hamberger/AAR knows it)—it supports reasonable, non-prescriptive reforms to the STB to improve their processes, such as those in S. 808, as well as policies to promote competition that are consistent with the principals in the Staggers Act.

AAR's advocacy focuses on protecting what even the STB Board Members acknowledge is an unacceptable status quo at the STB, and preventing railroads from having to compete with each other for business.

Another note of fact: we also wanted to note that the Professor/ Economist on the panel-- that was called on by members of the Committee for "unbiased" opinions on the state of rail regulation-- recently authored an academic paper on railroad revenue adequacy that was financed by the Association of American Railroads. This was not disclosed during the hearing or in any of the associated materials made available to us.

As stated by one of the shippers – in a discussion with Congress and the railroads, sadly the first casualty may be the truthfulness of the railroad experts.

The Rail Customer Coalition is a strong shipper based DC organization with members from a broad array of industries. Outlined below is copies of the Rail Customer Coalition webpages outlining current events occurring in rail transportation around Washington DC. www.FreightRailReform.org

RAIL CUSTOMER COALITION



Thanks to our collective efforts through the Rail Customer Coalition, momentum is continuing to build for modernizing the Surface Transportation Board (STB). This is a quick summary of some of the more notable developments.

STB Nomination Hearing in the Senate

Earlier this week, the Senate Committee on Commerce, Science, and Transportation again examined STB issues during the hearing to renominate Dan Elliott to the Surface Transportation Board. As you may know, the STB has been operating with only two of its three board positions filled. Returning Elliott to the STB will bring the Board back up to full strength and help put it in a better position to address ongoing rate and service issues.

There were many positive statements during the hearing that underscored Chairman Thune's

commitment to STB reform and made it clear that Dan Elliott understands the serious issues facing the Board. Here are some excerpts and links to the opening statements:

[Chairman Thune](#)

"Mr. Elliott previously joined the STB as its chairman in 2009. During his tenure, he worked on important policy questions concerning competitive access, class exemptions from regulation, revenue adequacy and rate regulation. These are complex and interrelated issues that this Committee and various stakeholders believe that the board must confront more effectively. That is why I have worked with Ranking Member Nelson to pass a bill out of this Committee that would reform the STB, known as the STB Reauthorization Act of 2015 (S. 808)."

[Dan Elliott](#)

"Many of the agency's longstanding policies were adopted decades ago when the rail industry was struggling to stay alive. Now that the industry is both financially healthier and restructured with far fewer large railroads, I believe the Board should continue the process I started to examine its core policies to ensure that they fit today's modern rail industry and meet the goals that Congress laid out for the agency. Throughout this inquiry, the Board must fulfill the mandate we received from Congress - balancing the 15 Rail Transportation Policy factors in the Interstate Commerce Act in a manner that serves the public.

"To this end, over the last 5 years, I led the Board to an ongoing review of competitive access, rate regulation, revenue adequacy, commodity exemptions and other core policies.

"... This is the time to consider new ideas and invite our stakeholders to participate in that process so that the Board has an effective regulatory process that makes sense today."

Several other Senators pressed Elliott on the need for reform, and he agreed that the STB's processes are not fair and are cumbersome. Judging from the comments throughout the hearing, we have clearly reached another milestone on the way to STB reform and our advocacy is having an

impact on moving things forward.

You can get more information and view an archived webcast of the hearing

here: http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=27653948-36bf-4d2d-965d-c06969d4ba87

House Transportation and Infrastructure Committee

As mentioned earlier this week, the Subcommittee on Railroads, Pipelines, and Hazardous Materials will hold a hearing next Wednesday entitled “The 35th Anniversary of the Staggers Rail Act: Railroad Deregulation Past, Present, and Future.” Coalition members have been meeting with members of the House Transportation and Infrastructure Committee to help them understand the growing rate and service issues our members are facing and what changes we think are needed to make the STB run more efficiently. I want to thank everyone who is has been able to participate in the meetings so far and to encourage folks to keep the outreach going leading up to the hearing. This hearing is a good chance for us to make our case and generate support in the House for the reasonable reforms we are proposing.

Updates to the Coalition Website

We have added an updated list of members of the Rail Customer Coalition to the [“about us” section](#) of the [website](#). If your organization is not listed and you want to be added, please let me know. We also added several new posts to the “news” section, including an [overview of the Senate bill](#), a [summary of the latest research](#) on freight rail rates, and [examination of the revenue adequacy issue](#). We also welcome any ideas and offers to author future posts.

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