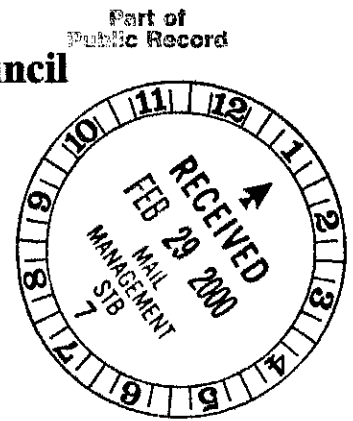


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**Summary of  
Railroad-Shipper Transportation Advisory Council  
Testimony  
Before the Surface Transportation Board  
(STB Ex Parte No. 582)**

**March 7, 2000  
Washington, DC**



Under the Interstate Commerce Commission Transportation Act of 1995, Congress created the Railroad-Shipper Transportation Advisory Council (RSTAC) for the purpose of advising Congress, the Department of Transportation and the Surface Transportation Board (STB) on rail issues affecting small shippers and small railroads.

At the hearing, RSTAC expects to provide testimony as outlined in the following summary.

➤ RSTAC will briefly summarize its white papers:

- "White Paper I" was written in response to the serious rail transportation disruptions of 1997. At the time, the popular rhetoric called for open or competitive access as the solution to these disruptions. RSTAC concluded that the issue was not really access but capacity – the overall demand for service had grown beyond the system's operational capacity limits. These capacity limits were further constrained by federal regulations and the misallocation of scarce capital resources by inefficient railroad management. The visible result was severe service disruptions.
- In "White Paper II", RSTAC argued that we are now faced with a post-Staggers dilemma of consolidation versus capacity constraints that demands public-policy consideration. RSTAC asked the question: What public sector role is appropriate to balance the need to preserve the economic viability of small shippers and small railroads without undermining the overall efficiency of the rail transportation system?

RSTAC concluded the public interest requires a shift in regulatory policy toward small shippers and small railroads. Recent events would suggest that consolidation has moved the industry too far away from traditional public sector demand for general transportation access in the name of economic efficiency. RSTAC made the following public policy recommendations:

1. Public policy must level the playing field in the distribution of public transportation dollars. The allocation of public funding should promote the efficiency and connectivity of the entire U.S. transportation system instead of concentrating on specific modes.
2. The connectivity of the rail gathering network, where efficient, should be preserved and, where necessary, should be supported with public funding.

3. Limited economic access must be provided to small shippers and small railroads. Two areas where economic accountability would increase capacity and efficiency are:
    1. mandatory switching or routing options over least-cost/most efficient interchanges equipped to handle cars between railroads and
    2. modifications of the Bottleneck Decision to require railroads to quote commercially competitive rates for the most efficient interchanges and routings.
- RSTAC will present its “White Paper III” in early March 2000. This paper concludes that the capital available from within the rail industry or from private financial markets is not adequate for growing and maintaining the nation’s light density short line and secondary line gathering network. Further, the rail industry cannot compete with other transportation modes, which are provided “free capital” through public dollars.

The rail industry is in desperate need of public commitment to the advantages rail transportation can offer.

The RSTAC strongly recommends that it is in the public’s best interest to support and maintain an efficient rail-gathering network and that public dollars should be available to support this effort.