

Overview of U.S. Transportation System

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Waterways

- Should we invest in Upper Mississippi & Illinois Rivers?
- Roughly 1/3 of all exports originate from these river ranges

Rail Market Share for Agriculture

1980

50%

2008

33%

WHY?

The Laws Governing Rail

- Staggers Rail Act of 1980
 - More rail pricing freedom on rates
 - Contracting freedom
 - Easier to merge RRs, easier to abandon rail lines
- ICCTA of 1995
 - Rail rates challengeable on the basis of the value of the case

A Little History

- Why don't we have more “competition” than apparently exists today?
- Rail Contracting: How much transparency is advisable?

Economics of Railroads

% Change 2007 to 2008

	UP	BNSF	NS	CSX
<u>All</u> Carloads	-5%	-3%	-3%	-9%
Revenue per car load	16%	18%	17%	14%
Gross Revenue	11%	14%	13%	4%

Economics of Railroads

% Change 2007 to 2008

	UP	BNSF	NS	CSX
<u>Ag</u> Carloads	5%	3%	2%	-13%
Ag Revenue per car load	16%	23%	20%	22%
Gross Ag Revenue	22%	26%	22%	6%

2005 Waybill Sample Total Grains and Oilseeds (STCC 01)

	% of Traffic	Average Rev. to Var. Cost
Traffic greater than 300% VC	7.6%	362%
Traffic 180% to 300% VC	35.5%	222%
Traffic less than 180% VC	56.9%	133%
Total	100%	165%

Challenging Rail Rates that Affect Agriculture

- ICCTA has had very little impact on the situation (ag is very compromised by this)
- What is the answer for Ag? Baseball style arbitration?

Rail Arbitration on Issues (besides rates and service) initiated at NGFA

- Some thought we would see an avalanche of cases
- Business to business disputes; not a traditional plaintiff attorney environment

Where Do We Go From Here?

- RR revenue per car still increasing faster than other modes, in a declining business environment; Is it sustainable?
- Do we change antitrust laws to make railroads more “compliant”?
- Change the basis for challenging railroad rates that are “unreasonable”?
 - If so, what is the standard for reasonableness of a rate?
- Can we change the business terms of tariffs that make shippers responsible for situations that they cannot control?

The Long Term

- Ag needs competitively priced transportation to markets (all markets that are reasonably viable). If railroads do not care what the price is relative to the volume of business (product moved and transacted) we are in trouble.
- Agriculture also has to be realistic. Just as we want rail and the rates offered by railroads to help us connect to markets, we must recognize that there are other facets to the railroads' businesses. Ag is ultimately competing against other sectors of the U.S. marketplace for rail, barge and truck service.