

SURFACE TRANSPORTATION BOARD APPROVES AGREEMENT TO ENHANCE ROLE OF SMALLER RAILROADS

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has approved portions of an agreement between large and small railroads designed to enhance the role of smaller railroads and promote their ability to meet the needs of the shipping public.

In its decision in *Review of Rail Access and Competition Issues*, STB Ex Parte No. 575 (issued by the Board on April 17, 1998), which was issued after the Board conducted two days of informational hearings to examine issues of rail access and competition in today's railroad industry, the Board discussed impediments to the ability of smaller railroads to reach their full potential in providing service to the shipping public. Noting its preference for private-sector over government-mandated solutions, the Board urged the railroads to address and resolve these issues expeditiously. The railroads responded to the Board's request, and over a period of several months, the Association of American Railroads (AAR) and the American Short Line and Regional Railroad Association (ASLRRA) and their members worked cooperatively to reach agreement on these difficult and important issues. On September 10, 1998, an agreement was announced that addressed issues of car supply, service, paper barriers, switching, heavy axle loads, and certain rate policies, establishing arbitration as a means of dispute resolution.

Some of the provisions of the agreement concern (1) switching fees charged by large railroads to small railroads and (2) the way in which rates are charged, and revenues divided between large and small railroads, for certain types of services. Although these provisions do not result in "collective ratemaking" (a process under which competitors meet to discuss rates for particular services), they do "relate to" rates. The law gives the Board authority to approve rate-related agreements that further the rail transportation policy (RTP), and Board approval immunizes activities conducted under such agreements from the antitrust laws. On September 11, 1998, AAR and ASLRRA asked the Board to approve the rate-related aspects of the agreement.

In its decision, the Board found that application of the rate-related portions of the agreement will assist smaller railroads in reaching their potential and playing a more significant role in providing reasonably priced high-quality and efficient service to the shipping public, thereby enhancing the overall strength, efficiency, and responsiveness of the Nation's rail network. By encouraging a more rational, efficient and cooperative relationship between Class I carriers and smaller railroads, the Board found, the rate-related provisions of the agreement will promote the RTP and ensure the development of a safe and efficient rail transportation system.

The Board's decision was issued today in *Association of American Railroads and American Short Line and Regional Railroad Association--Agreement--Application Under 49 U.S.C. 10706*, STB Docket No. S5R 100. The decision is available on the Board's web site at **www.stb.dot.gov**.

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