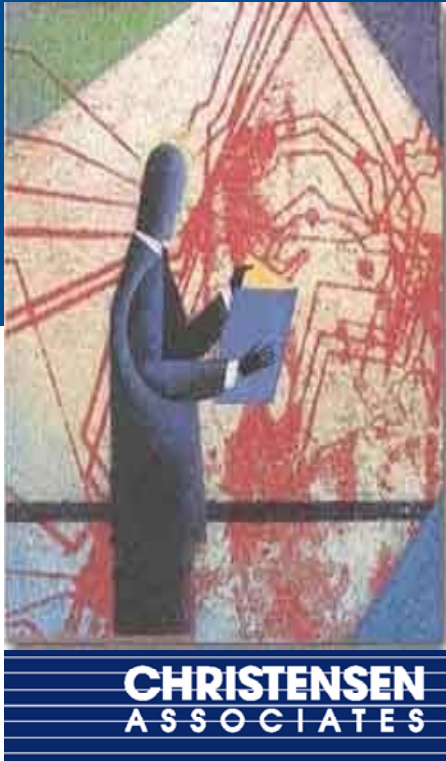


Study of Competition in the Railroad Industry and Analysis of Proposals to Enhance Competition

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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

Project Team

- ❑ 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)

Project Team

- ❑ 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