



ARC

Alliance for Rail Competition

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Summary of Comments by Montana Shipper Interests and Alliance for Rail Competition Of Christensen Study – Ex Parte No. 680

- Filed on behalf of Montana shippers of grain and other agricultural and related commodities, Montana Wheat and Barley Committee and Montana producers and the Alliance for Rail Competition.
- Comments focused on three aspects of the Report:
 - Montana wheat shippers have in the past paid and continue to pay exceptionally high rates
 - Confirms the previous reports in particular the GAO report of 2006
 - Montana's Revenue/Variable Cost is the highest of the five states moving wheat to the Pacific Northwest.
 - Agreed with the Christensen Report's support for Final Offer Arbitration with several qualifications:
 - The report cites the ease that FOA is used in Canada to settle disputes. The disputes are resolved informally without having to go to FOA. It gives shippers some negotiating leverage, which shippers, especially captive ones, do not have in this country.
 - The comments agree that knowledgeable arbitrators are needed – although knowledge in addition to railroad economics should be in shipper economics as well.
 - The comments also address some of the shortcomings in the Christensen report:
 - Study did not address its purpose which was to give recommendations to address STB regulatory shortcomings and/or recommend changes in areas that are captive as outlined in the 2006 GAO report.

- The study criticized Revenue/Variable cost as a sole indicator of captivity and recommended use of the Lerner index to confirm captivity, an index that clearly has serious issues.
- The study also appears that the economists did not understand that Revenue /Variable cost less than 100% means one customer class could be subsidizing other classes.
- All in all the Christensen report shied away from taking a stand on policy issues which would address the large areas of the country that are served by single railroad and are thus captive – a serious concern of the GAO in report entitled: GAO-07-94, Freight Railroads, issued in October 2006 with the subtitle “Industry Health has Improved, but Concerns about Competition and Capacity Should be Addressed,”
- The Christensen report did not address or suggest methodology to address the lack of rail competition in this country.