

**STB Hearings: Going Through the Motions?**

**IN THE JAN. 24** Cover Story, “The Regulators Ramp Up,” Associate Editor John Boyd noted the Surface Transportation Board “is about to launch hearings that could tilt some of its far-reaching policies toward soothing disgruntled shippers, putting some of the railroads’ billions of dollars in profits at risk.”

He was referring to two proceedings initiated by the STB to determine whether its current policies of regulating the nation’s railroads should be re-examined in view of the changes in the industry since enactment of the Staggers Rail Act more than 30 years ago.

Mr. Boyd’s expectations of the potential consequences of the STB’s proceedings are well-founded.

In the first of the two proceedings, scheduled for a hearing Feb. 24, the STB is determined to look at the need for continuing to deny shippers of many commodities exempted from regulation, and any freight transported in boxcars, the right to file complaints with the STB about railroad rates or services.

The rationale behind the exemption was that truck competition served to restrain the railroads’ actions and obviated the need for the agency’s regulation. The STB wanted to learn whether the premise for the exemptions had continuing validity.

In the other proceeding, scheduled for May 3, the STB seeks to learn whether its denial of shipper access to the statutory provisions affording competitive access and its decisions barring access to bottleneck rail lines should be re-examined in light of today’s oligopolistic state of the railroad industry.

In the meantime, the railroads have done their homework. They managed to have House Transportation and Infrastructure Committee Chairman John Mica, R-Fla., joined by Ranking Minority Member Nick Rayhall, D-W.Va., send a letter to STB Chairman Daniel Elliott.

Their letter expressed their opinion that “passage of the Staggers Act in 1980 created a balanced regulatory system that has allowed the rail industry to build the world’s best freight rail system, while protecting shippers where there is no effective competition.” And they concluded with the

warning, “Any policy change made by the STB which restricts the railroads’ abilities to invest, grow their networks and meet the nation’s freight transportation demands will be opposed by the committee.”

A couple of days later, Ed Hamberger of the Association of American Railroads and railroad industry executives met at the White House with Austan Goosbee, chairman of the Council of Economic Advisers. The result of that meeting? The administration’s position was articulated in a Department of Transportation statement in which they made clear the department “believes that, overall, the regulatory environment since the Staggers Act was enacted has allowed the railroads to respond to market forces that demanded lower costs, greater productivity, and innovation in the form of new transportation products and services.”

The hearings the STB scheduled might as well be canceled, for nothing of significance is likely to come from them.

The STB likes to think of itself as being an independent agency. The STB, however, isn’t about to take on both the administration and Congress when they’re in agreement that the prevailing regulatory balance between shippers and the railroads shouldn’t be disturbed by the agency.

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**It’s Time to Change US Dredging Policy**

**I WANT TO** congratulate Dave Sanford of the American Association of Port Authorities for his thorough response to my commentary, “Paying for Benefits,” in the Jan. 3 JOC, and for opening the issue of financing port channels for a long-due public debate. As he correctly notes, the current formula was established in 1986, long before the emergence of today’s giant container ships.

The real issue at stake, however, is the federal government in financing of port channels and whether this formula and the controversial studies mandated by the government are necessary. I see no compelling reason for Congress to vote on whether a channel at Savannah, Ga., a regional South Atlantic port, should be deepened. The main

**On ‘Ghosts of Shipyards Past’**

*I cannot imagine a carrier today building ships in the U.S. We had our day. It moved to Japan then Korea, and now China will dominate shipbuilding. It is a ghost industry. We cannot hope to compete in our wildest dreams. My company studies China’s port infrastructure development. We need to ensure we remain competitive as a port or that too will present us with problems.*

– By ChinaPorts on 2/1/11

players in this marketplace — port authorities and global port operators — have access to vast financial resources, and can finance their own facilities.

A point in case is New York’s recent decision to invest \$1 billion of its own resources, almost twice the \$550 million required for Savannah’s channel, to increase the air draft of its channel by raising the Bayonne Bridge. I propose that our government role in financing channels and other port infrastructure should focus mainly on regulatory matters, while leaving port financing to function according to highly competitive market forces.

This would amount to deregulation of port channels, shifting the financial responsibility for channels to regional port authorities, including the right to deepen them and collect fees to recover the cost of deepening. This would allow ports to respond quickly to changing market conditions, if economically warranted. And it would allow ports to employ more market-oriented channel fees, based on benefits derived by their direct users, the shipping lines. The carriers, in turn, are likely to consider these fees in their ship deployment decisions, resulting in a lower total system cost, incorporating both ship and port cost.

I urge the AAPA to spearhead the initiative to overhaul the current system of channel financing.

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