Statement

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NEW RESEARCH SHOWS FREIGHT RAIL RATES SKYROCKETED FOLLOWING RAILROAD INDUSTRY CONSOLIDATION

ACC urges STB to take action and adopt competitive switching reforms

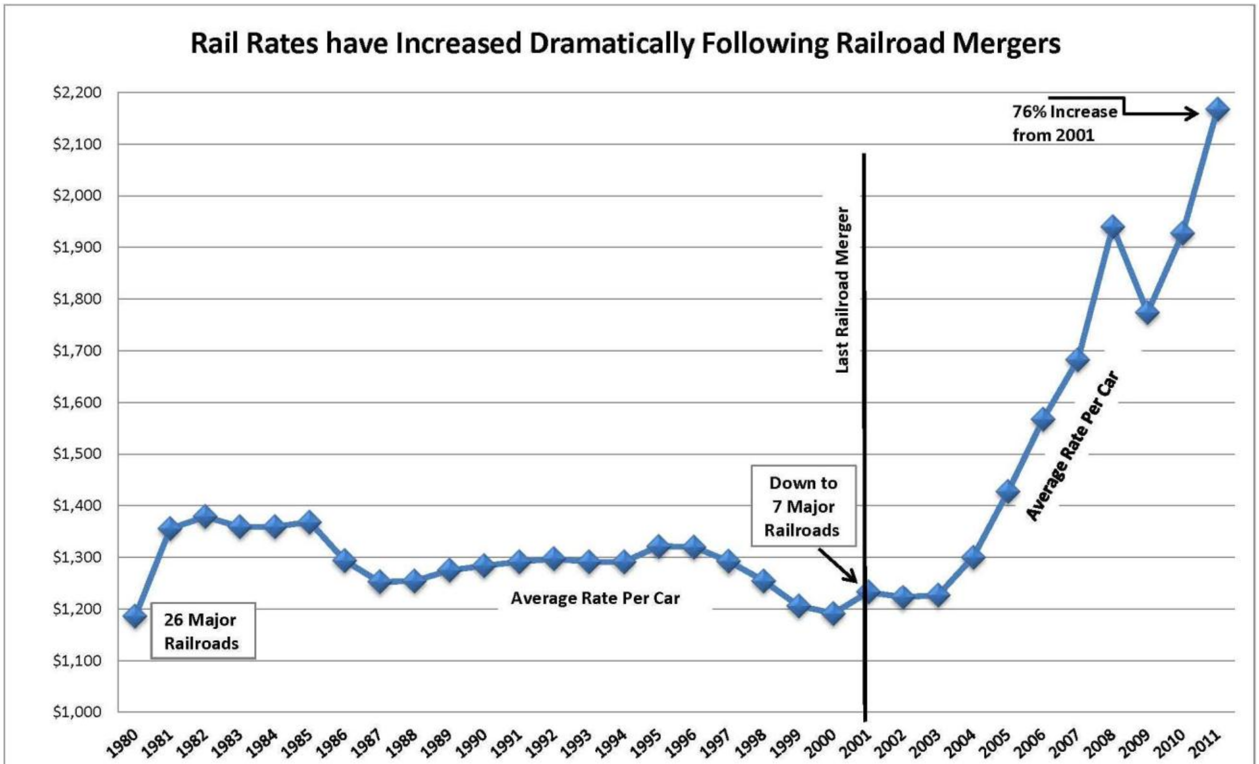
WASHINGTON (June 5, 2013) – New research shows that freight rail rates have skyrocketed by 76 percent over the past decade following dramatic consolidation in the railroad industry. The research, conducted by Escalation Consultants on behalf of the American Chemistry Council (ACC), was released after ACC urged the Surface Transportation Board (STB) to take action on reforms that would benefit U.S. manufacturing and the economy by increasing access to competitive freight rail service for domestic producers.

In its most recent comments filed with the STB (in Docket Ex Parte 711), ACC urged the agency to adopt competitive switching reforms proposed by the National Industrial Transportation League (NITL). The NITL proposal would require a Class I railroad to allow a shipper or receiver to have its freight moved to a competing rail line. The shipper or receiver would have to demonstrate its facility is eligible for competitive switching and pay an appropriate fee. "Given the dramatic consolidation of the railroad industry and skyrocketing freight rail rates, federal policies must be re-evaluated and modernized," said Thomas Schick, ACC's Senior Director, Regulatory & Technical Affairs. "Competitive switching reforms would be a key step to inject a measure of fair competition into what are now closed markets."

New Research Shows Railroad Consolidation Has Led to Higher Rates

ACC's new research found that railroad rates remained relatively flat during the two decades that followed the enactment of the last major railroad reform legislation passed by Congress – the Staggers Rail Act of 1980. The reforms enabled efficiency gains and greatly improved the financial strength of U.S. railroads.

However, a series of railroad mergers ultimately reduced the number of Class I railroads from 26 in 1981 to just seven in 2001. With only seven Class I railroads, and with just four dominating 90 percent of the market, railroad rates have surged 76 percent over the last decade – nearly three times the rate of inflation. Moreover, rail rates have increased by three times as much as truck rates over the same period of time.



The number of large railroads in the US have reduced from 26 in 1980 to only 7 by 2001. The lack of rail competition resulting from rail mergers has caused the cost of shipping by rail to increase substantially since 2001 .

Source: AAR "Railroad Facts"   * Rates are based on average revenue per car unadjusted for inflation (nominal dollars).

"The Staggers Act reforms worked only when there was a competitive marketplace. Unfortunately, the market has been far from competitive over the last ten years and U.S. manufacturers and other shippers are feeling the pain in an increasingly global economy," said Schick. "Given this new and compelling economic data, we call on the STB to eliminate regulatory barriers and foster greater competition in the rail industry, starting with a formal rulemaking for competitive switching reforms."

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