News Release

For Immediate Release
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NEW RESEARCH: THE LACK OF RAIL COMPETITION AND RISING RAIL RATES HARM CHEMICAL AND PLASTIC SHIPPERS AS WELL AS THE ECONOMY

ACC Calls for Policy Reforms to Ensure the Freight Rail Marketplace Functions Properly

WASHINGTON, D.C. (January 31, 2013) – Higher rail freight rates driven by a lack of access to competitive rail service are negatively impacting chemical and plastic shippers as well as the U.S. economy according to a new economic study and industry survey conducted on behalf of the American Chemistry Council (ACC).

“This new research shows that the lack of rail competition and rising rail freight rates are hurting the chemical industry’s ability to meet customer needs, hindering investment decisions, and harming our nation’s economy,” said Cal Dooley, President and CEO of ACC.

ACC released an economic study that examined freight rail rates for chemical and plastics shipments, a survey of chemical companies that detailed the impact of rising rates, and recommended a series of policy recommendations to improve access to competitive rail service.

Study: Chemical Shippers are Charged a Significant Premium on Rail Shipments

Using data submitted by the railroads and maintained by the federal government, Escalation Consultants published a report that examines rail rates for chemical shipments in 2010 and 2005. The report found:

- The premium paid by chemical and plastic shippers for rates above the railroad’s ratio of 180 percent Revenue to Variable Cost (RVC) exceeded $3.9 billion in 2010 alone – a 75 percent increase from 2005. The RVC is an important indicator because traffic with rates greater than 180 percent RVC are subject to potential Surface Transportation Board (STB) review for being unreasonably high;
- In 2010, three-quarters of all chemical traffic in the U.S. moved at rates that exceeded 180 percent RVC;
- Many shipments moved at much higher rates. Half of all chemical shipments moved at rates above 240 percent RVC and a third of chemical shipments moved at rates above 300 percent RVC in 2010; and
- The premium for shipments of plastic materials exceeded $1 billion in 2010 – the highest of any chemical commodity.

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ACC estimates that reducing the rate premiums reported by Escalation Consultants would allow the chemical industry to increase economic output by as much as $6.8 billion – helping to create up to 24,000 new U.S. jobs.

“The railroads are important partners and must be economically strong for us to be successful, but current federal policies prevent many chemical production facilities from obtaining competitive freight rail service, leading to artificially high rates – and the problem is getting worse,” Dooley said. “These high rates are a drain on the U.S. economy and significantly impede manufacturing investment and job growth.”

**Survey: Lack of Competition and High Rates Hurt the Ability to Meet Customer Needs and Hinder Investment Decisions**
A survey of ACC member companies and other chemical shippers and receivers conducted by Veris Consulting on behalf of ACC found:

- More than two-thirds of chemical facilities reported being captive to a single Class I railroad and that rail rates, on average, for captive production facilities are 30% higher;
- Seven out of ten chemical shippers and receivers reported that captivity and associated rail rates and service problems hurt their ability to meet customer demand; and
- More than a quarter of the respondents reported captivity and associated rail rates and service problems hindered their company from making domestic investments.

“Captivity and higher rates are not just impacting chemical shippers – they are taking a toll on the broader U.S. economy,” Dooley said. “Federal policies should no longer protect railroads from competing with each other.”

**ACC Calls for Reforms to Promote Rail Competition**
ACC urges policymakers to take a fresh look at rail competition reform. Dooley said that Congress and the STB should promote greater rail-to-rail competition.

“Increased rail-to-rail competition would allow free markets to determine fair rates – reducing the burden on government which is currently forced to adjudicate costly rate cases,” Dooley said. “Addressing this issue is particularly important now that affordable natural gas is helping to rejuvenate America’s chemistry industry, strengthen U.S. manufacturing, boost exports, and create jobs. By ensuring a competitive freight rail system, policy makers can help maximize this advantage for the U.S. economy.”

Specific reforms include requiring competitive switching to serve shippers in terminal areas and requiring railroads to provide reasonable rates over bottleneck segments.

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The American Chemistry Council (ACC) represents the leading companies engaged in the business of chemistry. ACC members apply the science of chemistry to make innovative products and services that make people’s lives better, healthier and safer. ACC is committed to improved environmental, health and safety performance through Responsible Care®, common sense advocacy designed to address major public policy issues, and health and environmental research and product testing. The business of chemistry is a $760 billion enterprise and a key element of the nation’s economy. It is the largest exporting sector in the U.S., accounting for 12 percent of U.S. exports. Chemistry companies are among the largest investors in research and development. Safety and security have always been primary concerns of ACC members, and they have intensified their efforts, working closely with government agencies to improve security and to defend against any threat to the nation’s critical infrastructure.