

U.S. FREIGHTRAIL POLICY REPORT

The Staggers Rail Act of 1980 reformed U.S. transportation policy to help foster a healthy and competitive freight rail system. While the financial health of the railroads has improved, the lack of freight rail competition is increasingly costly to American businesses and harms their ability to compete globally.

Congress should review current rail transportation policies and ensure they are meeting all of the goals of Staggers Rail Act:

Policy Objective

Status

Action Needed



Allow market forces to set rates by **ensuring effective competition** among rail carriers.

Railroad consolidation has led to skyrocketing rates that are shielded from market forces.

Reform STB's competitive switching rules, which would allow a shipper to have its freight moved to a competing rail line, and remove other regulatory barriers to competition so shippers can access service from more than one railroad.



Provide expeditious **handling and resolution of all STB proceedings.**

While the STB has adopted incremental improvements, rate challenges are costly, time consuming, and especially burdensome on small businesses. For example, major rates cases take an average of 3.5 years to resolve and cost shippers more than \$5 million.

Establish timeliness for the STB to resolve rate challenges and publicly report status of all pending matters.
Assess adequacy of STB staffing and resources.
Remove roadblocks that may prevent STB Commissioners from discussing pending matters.



Allow rail carriers to earn **adequate revenues.**

Class I railroads are attracting investment and enjoying record profits. According to a recent Senate report, the Class I railroads have been experiencing record growth in operating income and posting record earnings.

Eliminate STB's annual railroad "revenue adequacy" calculation so regulatory decisions are based on real world conditions rather than the outdated assumption that railroads are financially unstable.



Maintain reasonable rates where there is an absence of effective competition.

With drastically reduced competition, railroad rates have surged 98% over the last decade – more than three times the rate of inflation and three times as much as truck rates have increased.

Reform STB's unworkable standard for determining an unreasonable rate.
Provide arbitration as an alternative to STB's expensive and lengthy rate review processes.



Avoid undue concentrations of **market power.**

The four largest Class I railroads control more than 90% of U.S. rail traffic.
Railroads bundle rates in "all or nothing" contracts to discourage shippers from challenging unreasonable rates.

Provide captive shippers with access to competitive rail service.
Prohibit 'bundling' of rates in a way that effectively prevents an STB challenge.