Why We Need Freight Rail Reform
The Freight Rail Industry Has Changed but Freight Rail Policies Have Not

Massive Consolidation Decreased Access to Competitive Rail Service

Decreased Access to Competitive Freight Rail Service Has Led to Soaring Rates

American Farmers, Manufacturers, and Other Producers Are Paying a Heavy Toll

Higher Rates Aren’t Paying for Better Freight Rail Service

Outdated Policies Are Not Equipped to Handle Today’s Challenges
Massive Consolidation Decreased Access to Competitive Freight Rail Service

78% of freight rail stations are captive to a single major railroad

Source: Escalation Consultants; 2012
Decreased Access to Competitive Freight Rail Service Has Led to Soaring Rates

**RAIL RATES HAVE INCREASED DRAMATICALLY FOLLOWING RAILROAD MERGERS**

- **98% Increase since 2001**
- **Down to 7 Major Railroads**
- **26 Major Railroads**

Source: AAR “Railroad Facts” | Rates are based on average revenue per car unadjusted for inflation (nominal dollars)
Decreased Access to Competitive Freight Rail Service Has Led to Soaring Rates

The ‘premium’ is calculated by determining the average rate above 180% Revenue to Variable Cost (RVC) and comparing it to the average rate below 180% RVC.

Rates greater than 180% RVC are subject to potential STB review for being unreasonable.

Source: Escalation Consultants
Outdated policies and railroad market dominance are overriding free market forces.

Decreased access to competitive freight rail service has led to soaring rates.

The common sense gap:

- Change in carload volume (2005 - 2013): -2%
- Change in rate premium (2005-2013): 121%

Competitive markets simply do not work like this.

Source: Escalation Consultants
American Farmers, Manufacturers, and Other Producers Are Paying a Heavy Toll

The rate premium for all commodities exceeded $18 billion in 2013

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>Freight Rail Premium in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals or Allied Products</td>
<td>$5.3 Billion</td>
</tr>
<tr>
<td>Coal</td>
<td>$4.1 Billion</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>$1.7 Billion</td>
</tr>
<tr>
<td>Food &amp; Kindred Products</td>
<td>$1.1 Billion</td>
</tr>
<tr>
<td>Nonmetallic Minerals Except Fuels</td>
<td>$1.0 Billion</td>
</tr>
<tr>
<td>Petroleum or Coal Products</td>
<td>$965 Million</td>
</tr>
<tr>
<td>Farm Products</td>
<td>$918 Million</td>
</tr>
<tr>
<td>Primary Metal Products</td>
<td>$762 Million</td>
</tr>
<tr>
<td>Clay, Concrete, Glass or Stone Products</td>
<td>$712 Million</td>
</tr>
<tr>
<td>Pulp, Paper or Allied Products</td>
<td>$654 Million</td>
</tr>
<tr>
<td>Crude Oil</td>
<td>$581 Million</td>
</tr>
</tbody>
</table>

Source: Escalation Consultants
Higher Rates Aren’t Paying for Better Freight Rail Service

While rates have soared, shippers wait the same amount of time for their loaded cars to move as they did in 2005.

Source: Escalation Consultants
Outdated Policies Are Not Equipped to Handle Today’s Challenges

While rates are soaring for poor service, regulations that protect railroads have not changed.

- Government regulations allow railroads to avoid competition with one another.
- Rate challenges are costly, time consuming, and especially burdensome on small businesses.
- Government proceedings languish for years without resolution.
- Many rail customers are left with no competition and no feasible way to challenge unreasonable rates.
How We Can Reform Freight Rail Policy

LEARN HOW FREE-MARKET REFORMS CAN HELP MAKE FREIGHT RAIL MORE AFFORDABLE AND RELIABLE FOR AMERICAN MANUFACTURERS, FARMERS, PRODUCERS, AND CONSUMERS

LEARN HOW