

FREIGHT RAIL REFORM

STAY ON TRACK WITH THE FACTS

The Association of American Railroads continues to make many misleading claims about the effort to modernize our nation's outdated freight rail policies and reform the Surface Transportation Board. The following are the most often repeated claims with some helpful facts to help set the record straight:



CLAIM: This is an effort to “re-regulate” the railroads



CLAIM: Modernizing the STB's policies will threaten future railroad investments



CLAIM: The STB does not have the authority to change its policies



CLAIM: The Rail industry must be protected by the government



FACT CHECK: Current regulations such as the Board's archaic policies that prevent customers from requesting to switch their cargo from railroad to another actually shield the railroads from competing with one another. The problem isn't re-regulation; it's existing regulations that are nearly 40 years old.



FACT CHECK: Competition is the foundation of the free enterprise system and helps American producers grow their businesses and create new jobs. Removing regulatory barriers at the STB will help unlock competition in the rail network, which will provide railroads with greater incentive to make investments to improve service and reduce costs – as it does with every other industry.



FACT CHECK: The STB is following its [statutory mandate](#) that says that the Board is supposed to promote a healthy rail system by allowing the railroads to earn adequate revenues; ensure effective competition among rail carriers; and maintain reasonable rates where competition is absent. As a [recent report](#) by the National Academy of Sciences' Transportation Research Board concluded, “While the U.S. freight railroad industry has become modernized and financially stable since the Staggers Rail Act of 1980, some of the industry's remaining economic regulations have not kept pace and should be replaced with practices better suited for today's modern freight rail system.”



FACT CHECK: The railroads are an important part of the economy but they should not be allowed exercise undue pricing power over their customers. Furthermore, the interests of the rail industry must be balanced with the economic contributions of its customers and the need for fair, reliable and competitive rail service. For example, the [Rail Customer Coalition](#) represents farmers, manufacturers, energy producers and other industries that fuel the economy by providing 7 million jobs and contributing \$4.8 trillion in economic output.



CLAIM: The STB is trying to undermine railroad profits



CLAIM: There is no evidence that railroads' regulatory protections should be removed



CLAIM: Rail carriers are being asked to turn over their tracks to other railroads



CLAIM: The STB is trying to cap rail rates



FACT CHECK: Every decision the STB makes, including the Board's current proposals, considers the potential impacts on railroad revenues. And, this steadfast approach is working quite well. The financial health of the railroads continues to be very strong. The rail industry routinely promotes to Wall Street analysts that their pricing power over their customers will compensate for cyclical traffic changes, while complaining to policymakers in Washington that any minor policy changes will produce 1970's style bankruptcies.



FACT CHECK: Massive consolidation of the rail industry [has driven freight rail rates steadily higher](#). An economic analysis of public data found that freight rail rates have nearly doubled over the past 10 years. With data showing skyrocketing rail rates are no longer being subjected to market forces, the STB is proposing to end the railroads out-of-date exemptions for certain commodities and restore customers' access to important Board oversight functions.



FACT CHECK: The Board's proposal for [competitive switching](#) appropriately implements current law and introduces free market forces into a system where railroads are protected from competition. It would not "open up" rail lines to competitors, but would simply allow certain rail customers served by a single railroad to request that their freight be moved to another major railroad at a nearby interchange. It isn't a radical idea since the process has worked well for more than a century in Canada. Furthermore, the U.S. Department of Agriculture has gone on record saying, "Competitive switching offers a market-based solution to balance the needs of the railroads and shippers and is in keeping with the goals of the Staggers Act."



FACT CHECK: No one – not the STB or rail customers – is proposing to "cap rates." Where competition exists, STB has no authority to interfere with market rates. However, the STB is trying to cut the red tape out of its procedures for handling situations where a rail customer has no competitive transportation options and are subjected to unreasonable rates. It currently takes on average more than 3.5 years and \$5 million to resolve under the Board's cumbersome process, and sometimes longer and costlier. Many rail customers have concluded that this system is broken and the STB Commissioners agree: Chairman Elliott has said, "We should never be satisfied with a process that is so expensive and time consuming for all parties."