

THE STAGGERS RAIL ACT:

RAIL CUSTOMER COALITION

40 YEARS LATER, HOW CAN WE BUILD ON ITS LEGACY?

Congress passed the landmark Staggers Rail Act of 1980 to save the nation's freight rail system from outdated federal policies that were out of step with the marketplace. The Act established a new regulatory framework for the freight rail industry and charged the Interstate Commerce Commission (and later the Surface Transportation Board in 1995) with the task of promoting a financially strong and competitive rail industry.

With many railroads overburdened and struggling to survive, early policies under Staggers focused on ensuring that railroads could earn adequate revenues, sometimes at the expense of market competition. With railroads now enjoying tremendous financial success, the STB can focus on balancing the needs of railroads, customers, and the American economy.

Four decades later, the country is once again at a crossroad due to changes in the rail industry

and freight rail policies that have not been able to keep up with those changes. Fortunately, Staggers still provides a workable framework and effective tools to help both shippers and carriers. The STB should adopt commonsense reforms that promote competition and streamline overly bureaucratic procedures.



President Jimmy Carter signing the Staggers Rail Act of 1980 in the Cabinet Room of The White House

When Congress passed the Staggers Rail Act, it specified a series of policy goals to rehabilitate the railroad industry. Many years later, challenges remain and key goals have yet to be fulfilled.

According to Staggers, “In regulating the railroad industry, it is the policy of the United States Government —”

Goal

“to allow, to the maximum extent possible, competition and the demand for services to establish reasonable rates for transportation by rail”



“to require fair and expeditious regulatory decisions when regulation is required...”



“to ensure effective competition among rail carriers...”



“to maintain reasonable rates where there is an absence of effective competition...”



Status

More than three quarters of rail stations are “captive” or served by a single railroad. Competitive options are non-existent for most rail-dependent customers.

Standard rate review challenge averages 3.5 years and costs shippers \$5 million, according to the STB.

30 major railroads competed for business in 1980. Today, industry consolidation has led to 4 railroads controlling 90% of all freight rail traffic, each concentrated in different regions of the U.S.

Since 2000, real shipping rates have increased by more than 30% after inflation, while the railroads' costs have only increased by 3%.

COMMON SENSE SOLUTIONS TO ACHIEVE STAGGERS' UNREALIZED GOALS

Congress gave the Surface Transportation Board (STB) a solid blueprint to follow. Now the Board has to use the tools it was given to make common sense changes that can effectively address today's challenges.

Sound Solutions:



PROMOTE RAIL-TO-RAIL COMPETITION

Competitive Switching permits captive shippers to request that their freight be switched to a reasonably accessible competing rail line at an interchange point.

While Staggers authorized this pro-competitive tool in 1980, the STB has not yet implemented it in 2020.



ADOPT MARKET-BASED RATE REVIEWS

Rate Benchmarking identifies unreasonably high rates by comparing captive shippers' rates against existing competitive marketplace data.

The STB should replace its arcane Stand-Alone Cost methodology with Rate Benchmarking for determining reasonable rates.



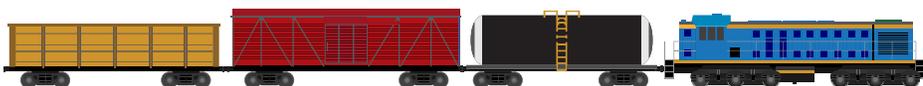
EXPEDITE REGULATORY DECISIONS

Final Offer Rate Review uses an arbitration model in the STB's rate review process.

It follows a similar approach to how Major League Baseball resolves salary disputes. The Board would choose between the railroad's and the shipper's final offer of a fair rate. This promotes reasonable offers from both sides.

The Staggers Rail Act can get us **BACK ON TRACK**...

...if the STB follows through on its Congressional mandate to put competition in the driver's seat and adopt policies that benefit carriers **and** shippers.



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**RAIL CUSTOMER
COALITION**

The Rail Customer Coalition represents American farmers, manufacturers and energy producers. Coalition members are major transportation stakeholders and the largest users of freight rail. They are essential to a healthy U.S. economy with operations and employees throughout the country, collectively providing more than 7 million jobs and producing more than \$4.8 trillion in economic output.