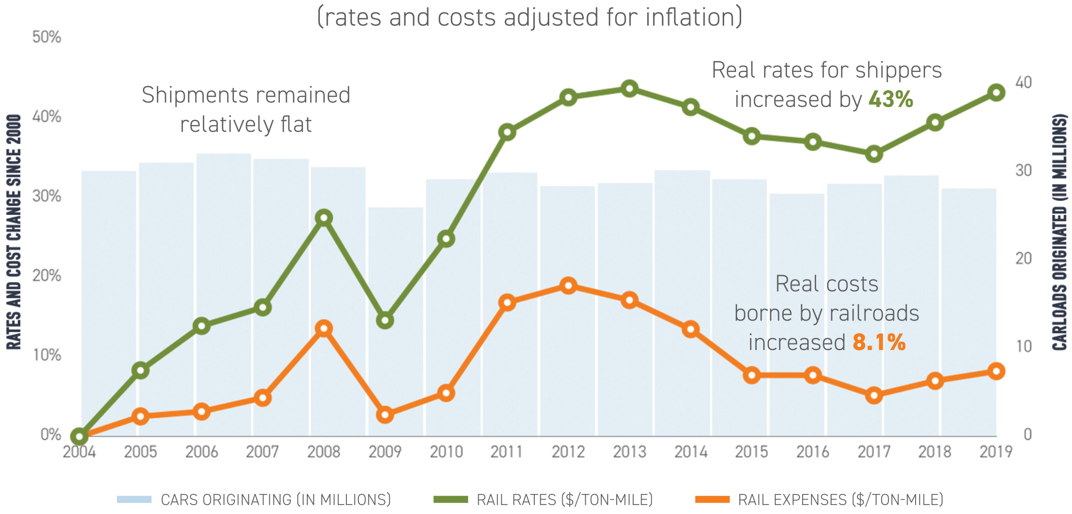
FREIGHT RAIL RATES CLIMB HIGHER AS COMPETITION GETS MORE SCARCE

RAIL CUSTOMER COALITION

Consolidation within the freight rail industry has greatly diminished the marketplace – forcing many American farmers, manufacturers, and other shippers to pay **non-competitive prices for rail service**.

CHANGE IN RAILROAD RATES, COSTS, AND VOLUME

(rates and costs adjusted for inflation)



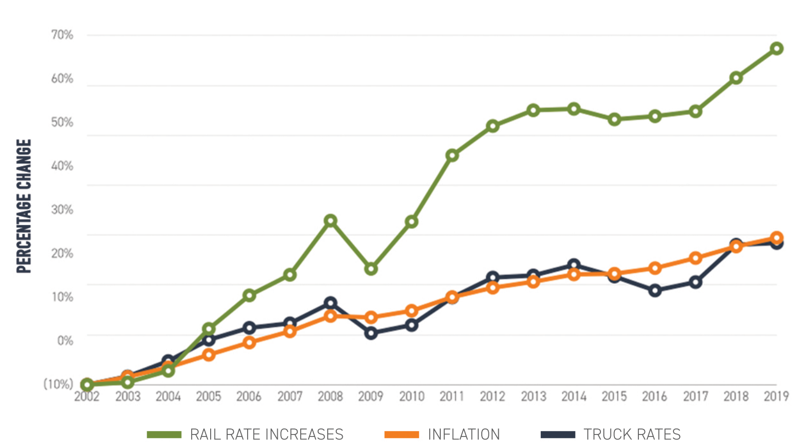
Source: Association of American Railroads and Implicit Price Deflator for Gross Domestic Product

After declining in the 1980s and '90s, **rail rates increased dramatically** (43%) over the past 15 years, far outpacing demand and changes in railroad expenses (8%).

WHY HAVE RATES SPIKED?

The answer: Rail industry consolidation has slashed competitive options

The number of large U.S. railroads (Class I) plummeted from 26 in 1980 to just 7 in 2001. Today, the "Big Four" railroads control more than 90% of rail traffic and **flex their ever-growing market power to dramatically increase rail rates**. Since 2001, rail rates have risen 2 times faster than long-haul trucking rates and inflation.

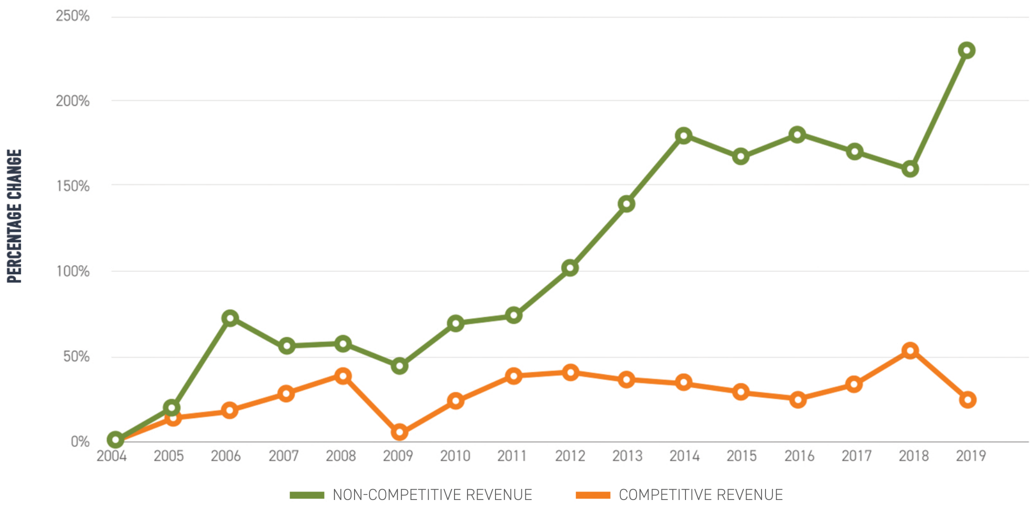


U.S. FREIGHT RAIL SHIPMENTS INCREASINGLY DOMINATED BY NON-COMPETITIVE TRAFFIC

The share of revenue that railroads collect from non-competitive rates has nearly **DOUBLED since 2004**.

RAIL REVENUE GROWTH: COMPETITIVE VS. NON-COMPETITIVE RATES

(2004-2019)



8 COMMODITIES IN THE ANALYSIS

- Farm Products
- Wood Products
- Chemicals
- Metal Products
- Food Products
- Pulp & Paper Products
- Stone & Glass Products
- Transportation Equipment

A 2021 report by Escalation Consultants analyzed STB Carload Waybill Sample data for **eight major commodity groups**. The report compares railroad traffic with competitive rates versus rates considered by the Surface Transportation Board (STB) to be potentially non-competitive, finding that:

- **Rail revenue from potentially non-competitive rates increased 230%**, while revenue from presumed competitive rates rose only 24%.
- **Half of all railroad revenue (50%) came from potentially non-competitive rates in 2019**, nearly double the share in 2004 (27%).

> NON-COMPETITIVE PRICING HAS BECOME THE NORM, NOT THE EXCEPTION. RAIL CUSTOMERS CONTINUE TO PAY A SUBSTANTIAL PRICE FOR THE CONSOLIDATION OF THE RAILROADS' MARKET POWER.
>
> — JAY ROMAN, ESCALATION CONSULTANTS

WHY IT MATTERS:

Non-competitive rail rates harm U.S. supply chains and raise commodity prices, costing American producers, workers, and consumers.

THE SOLUTION:

STB should adopt reforms that increase competition and get freight rail rates back on track.

FreightRailReform.com @RailCustomers

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.

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