

IT'S TIME TO MAKE THE SWITCH TO FREIGHT RAIL COMPETITION

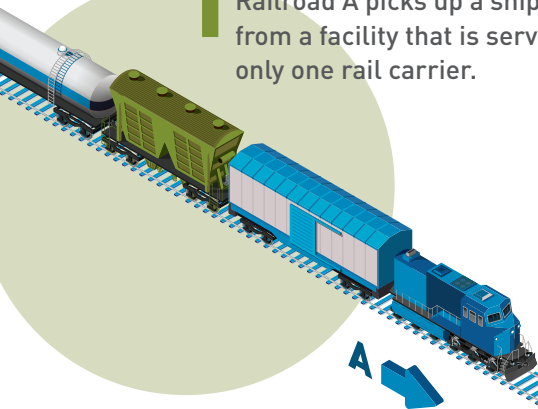
FREIGHT RAIL **REFORM**

Reciprocal switching will unlock market forces,
improve service, and reduce shipping distances

HOW IT WORKS

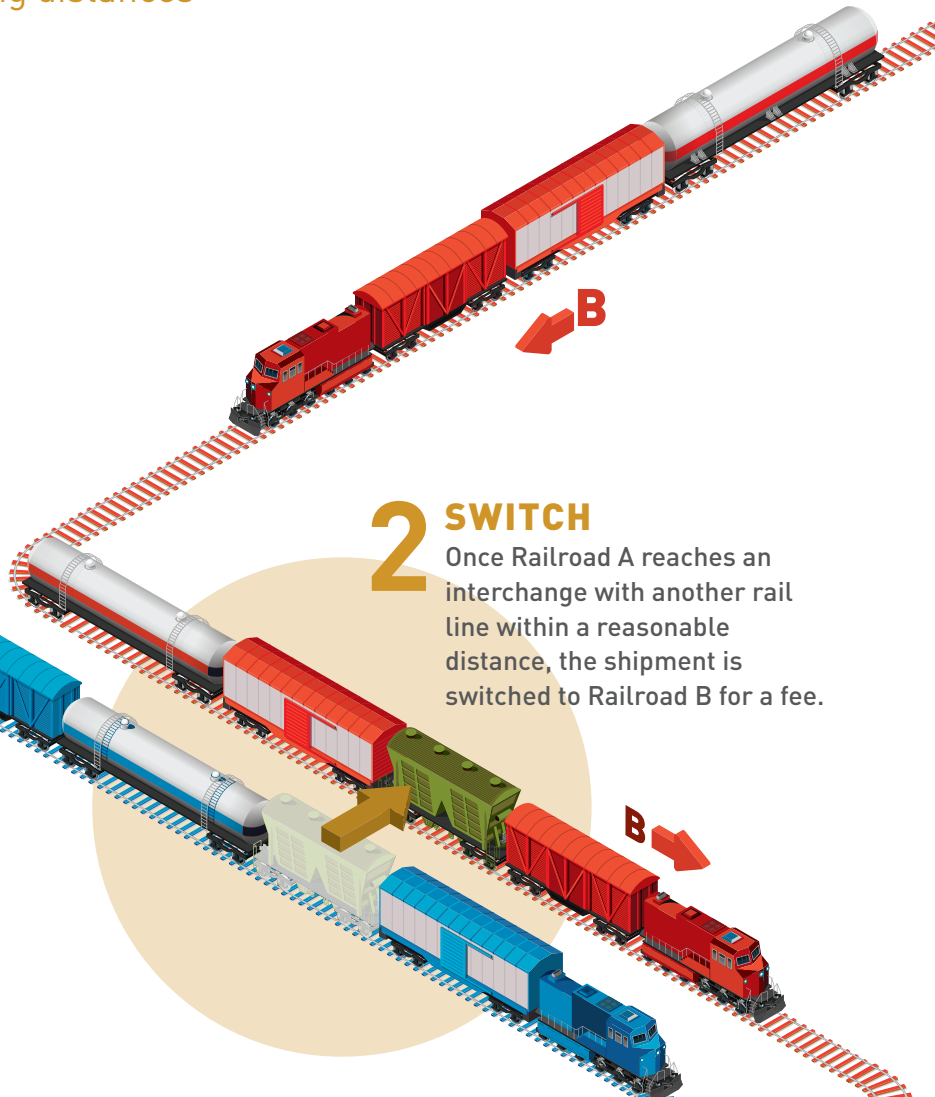
1 ORIGIN

Railroad A picks up a shipment from a facility that is served by only one rail carrier.



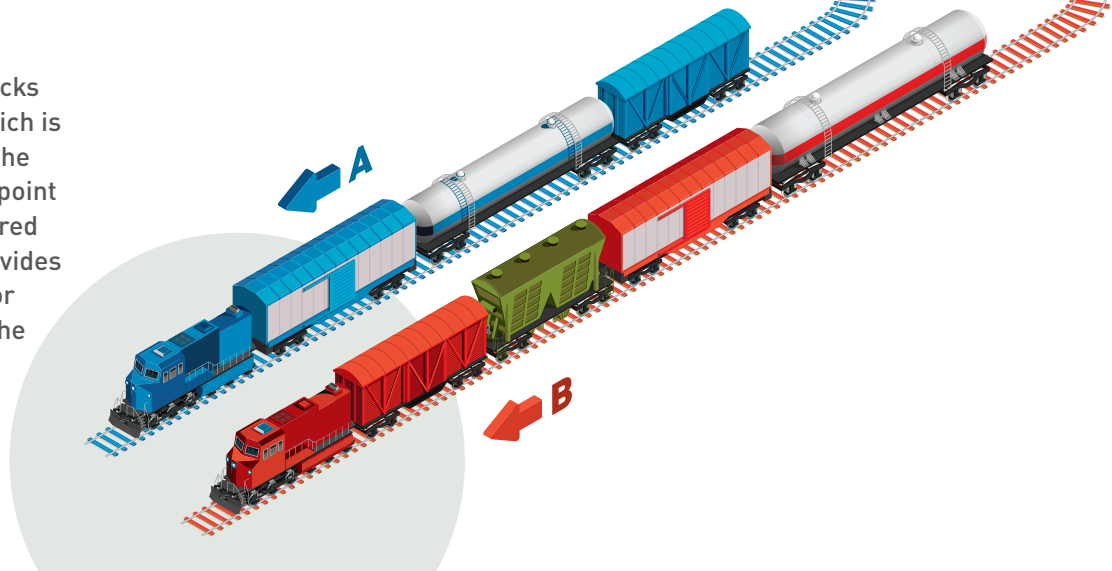
2 SWITCH

Once Railroad A reaches an interchange with another rail line within a reasonable distance, the shipment is switched to Railroad B for a fee.



3 DESTINATION

Railroad B delivers the shipment using its own tracks to the final destination, which is served by both railroads. The shipment picked up at the point of origin is simply transferred to another train, which provides access to another option for transporting the cargo to the destination by rail.



RECIPROCAL SWITCHING

FREIGHT RAIL REFORM

THE GOAL

In an environment where rail competition remains elusive for many shippers, rates have soared and service has suffered. It is long past time for the Surface Transportation Board (STB) to move forward with common-sense reforms that provide regulatory relief and increase free-market competition. Promoting competition among freight railroads benefits manufacturers, farmers, and energy producers, as well as consumers across America. Adopting a sensible reciprocal or competitive switching policy will provide access to more shipping options and will support a strong and competitive freight rail system.

FLAWED POLICY

As it stands now, federal regulators shield railroads from competing with each other. As part of the Staggers Rail Act, Congress envisioned a process that would allow shippers served by a single railroad to have their cargo switched to another nearby carrier as a way to promote rail competition. But due to antiquated rules adopted by the STB, no shipper has been able to successfully request the transfer of their cargo from one railroad to another.

SOUND SOLUTION

The STB is considering a proposal that provides a practical blueprint for competitive switching. The proposal would simply allow certain rail customers to request that their freight be moved to another major railroad only if another rail line is reasonably accessible.

If the switch is shown to be unsafe or harmful to other customers, the railroad can block it. And there is no “free lunch” for the shipper—they would have to pay an appropriate “access” fee to cover the railroad’s costs.

It isn’t really a radical idea since it’s a process that has worked well for more than a century in Canada. As stated by the Canadian Pacific Railway, railroads subject to Canada’s competitive switching requirements are “the two most efficient carriers in the industry today, demonstrating that a low-cost, service-focused carrier can increase revenues, operate efficiently, and reinvest in infrastructure in a competitive environment.”

BROAD SUPPORT

Competitive switching has the strong support of the Rail Customer Coalition, representing the largest users of freight rail service and a broad cross section of manufacturing, agricultural, and energy industries.

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.”

Competitive switching offers a far better way to address freight rail rates and service issues than government intervention. Furthermore, market-based competition can lead to innovation and increased efficiencies—just as it does throughout all sectors of the U.S. economy.

It's time for the Surface Transportation Board to remove outdated barriers to competition and put the marketplace back in the driver's seat.

