FREIGHT RAIL RATES CLIMB HIGHER AS COMPETITION GETS MORE SCARCE

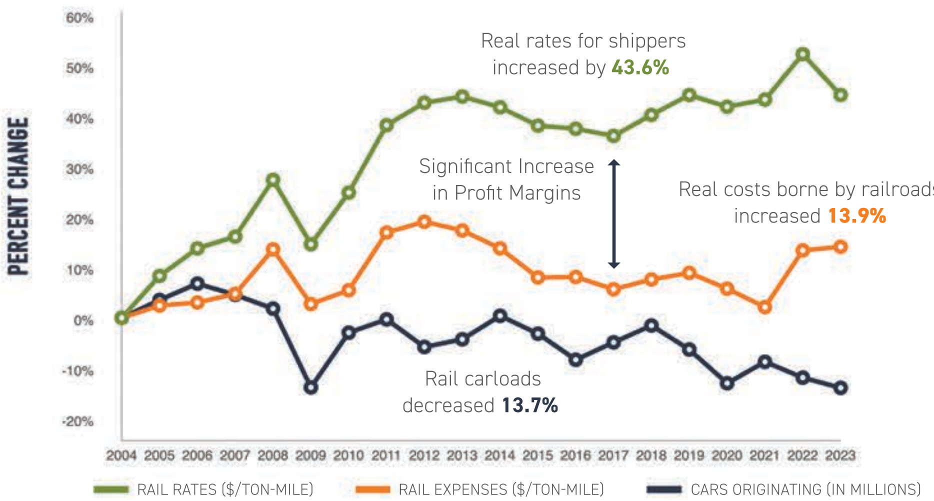
RAIL CUSTOMER COALITION

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**.

HIGH RATE INCREASES ARE REDUCING RAIL TRAFFIC

Percent Change in Railroad Rates, Costs, Carloads and Profit Margins

(Rates and Costs Adjusted for Inflation)



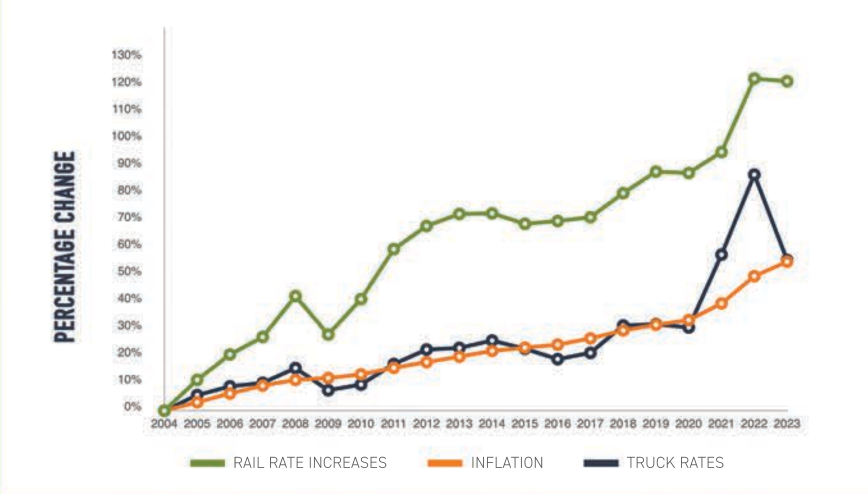
Source: Rail Rates, Expenses and Carloads – Are from the AAR Facts book and inflation uses the Implicit Price Deflator for the Gross Domestic Product from the BEA.

Inflation adjusted **rail rates increased dramatically** (44%) over the last 20 years, causing a decrease in rail traffic and an increase in congested and less environmentally sound highway truck traffic.

WHY HAVE RATES SPIKED?

The answer: Rail industry consolidation has slashed competitive options

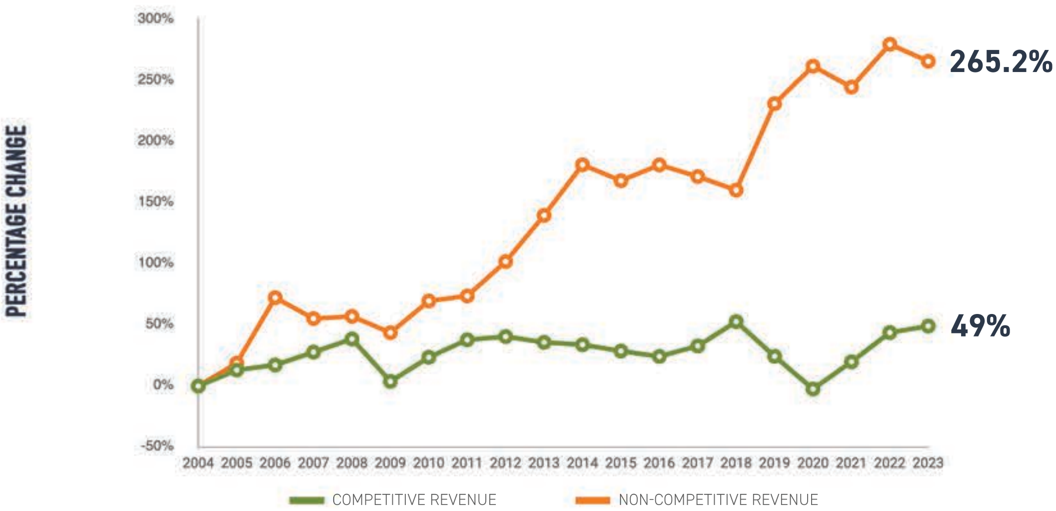
The number of large U.S. railroads (Class I) plummeted from 23 in 1983 to just 6 in 2023. Today, the "Big Four" railroads control more than 90% of rail traffic and **flex their ever-growing market power to dramatically increase rail rates**. Since 2004, nominal rail rates have increased 67% more than truck rates and inflation. Inflation-adjusted profit margins increased by 236.5% between 2004 and 2023.



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
(2004-2023)



8 COMMODITIES IN THE ANALYSIS

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

A 2025 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 265%**, while revenue from presumed competitive rates rose only 49%.
- **Nearly half of all railroad revenue (47%) came from potentially non-competitive rates in 2023**, almost 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, PRESIDENT OF ESCALATION CONSULTANTS, INC.

WHY IT MATTERS:

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

THE SOLUTION:

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

FreightRailReform.com   𝕏 @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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