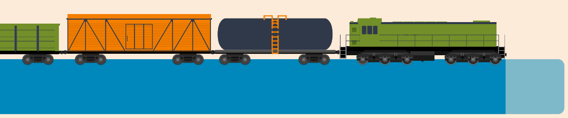
RAIL MERGER 101:

WHY THE UP-NS DEAL IS BAD FOR AMERICA

The proposed Union Pacific–Norfolk Southern merger would create a transcontinental behemoth, controlling nearly half of all U.S. rail traffic.

90%

of domestic freight traffic controlled by 4 railroads



MERGERS CHOKE OFF COMPETITION

In the last 40 years, the number of Class I railroads has plummeted by 70%. Four mega-railroads now control 90% of U.S. freight traffic. As a result, monopoly power is on the rise and many shippers are "captive" to a single railroad with no alternatives.

A UP-NS merger would wipe out what little rail-to-rail competition remains, giving one railroad control over critical routes, driving up costs and eliminating choice.

The stakes are high since this is the largest deal the STB has ever reviewed – and it must apply new rules that were put in place to prevent problems resulting from past mergers, including a requirement that the merger must enhance competition.

CONSOLIDATION = CHAOS

Past mergers led to major supply chain failures:

- The Union Pacific–Southern Pacific merger caused network disruptions and triggered embargoes so severe that the **STB temporarily halted further mergers**.
- After the Canadian Pacific–Kansas City merger, **on-time performance plunged to 26%**, disrupting Gulf Coast refineries and manufacturers.

RAIL MONOPOLIES HURT THE U.S. ECONOMY

Freight rail rates are up 44% over 20 years – after adjusting for inflation – rising 70% far faster than trucking. Railroads tack on billions in fees (e.g., fuel surcharges, storage), while service worsens. With no competitive alternatives, businesses pay more for less.

Consumers ultimately pay the price through higher costs and more supply chain delays.

THE STB'S BUREAUCRATIC BRICK WALL

Cut from competition, shippers' only recourse is the STB's **broken rail rate review process**:

- Navigate numerous evidentiary and procedural barriers.
- Build a hypothetical railroad on paper just to prove rates are unfair.
- Commit to 3+ years of effort by lawyers, consultants, and STB staff.
- Spend millions in legal fees.

... all while inflated rates keep draining businesses.

This bureaucratic mess discourages legitimate complaints and shields rail monopolies from accountability.

THE MERGER'S EMPTY PROMISES

Efficiency claims are misleading.
Railroads can (and do) already cooperate to move traffic faster without merging.

Trucks aren't a substitute.
Many industries are locked into rail through billions invested in track, cars, and terminals.

A BETTER TRACK FORWARD: MORE COMPETITION, NOT LESS

Instead of rubber-stamping monopolies, policymakers should advance reforms to restore competition:

- **End anticompetitive restrictions** on reciprocal switching, giving shippers access to competing railroads at nearby interchanges.
- **Remove paper barriers** that block short line railroads from serving competitors.
- **Reform bottleneck rules** that prevent competitive routing.

More rail competition means lower costs, stronger supply chains, and more American jobs.

BOTTOM LINE: AMERICA NEEDS STRONGER SUPPLY CHAINS AND REAL COMPETITION, NOT ANOTHER RAIL MONOPOLY.

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.

RAIL CUSTOMER COALITION