

Railroad Re-Regulation Won't Work

The Introduction of Market Forces Has Achieved Stunning Results

- Prior to 1980, railroads struggled under overly burdensome regulation, and most were in or near bankruptcy. Congress wisely lifted the regulatory burden and allowed railroads to act like businesses. Today, railroads are able to enter into contracts and differentially price their services (those with higher demand pay more) just like other American businesses. High-end rate protections remain in the law to protect against abuses.
- Since 1980, railroads have seen higher productivity and lower rates for freight customers. With this revitalized status, railroads were able to attract outside investors, and while railroads are still not revenue adequate, they get closer every day.
 - Railroads account for 42% of intercity freight ton-miles, more than any other mode of transportation.
 - From 1980 to 2002, railroads have invested more than \$320 billion in their network. At the same time, rail rates have fallen steadily.
 - On average it costs 29% less to move freight by rail in 2002 than it did in 1981 – 60% less in inflation adjusted dollars. This has saved shippers \$10 billion or more per year.

S. 919 Restricts Access To Market Capital For Infrastructure Improvements

- The freight railroad network is expensive to support. With a capital reinvestment rate of near 18%, railroads are the most capital-intensive industry in the country. Unlike other modes, freight railroads own and maintain their rights-of-way and equipment, and must generate the revenue they need in the private marketplace.
- While steadily improving, railroads do not yet generate the level of revenue needed to support their networks. As a result, railroads face the challenge of convincing the financial markets that they are a worthy investment.
- S.919 would cripple the industry's ability to generate the revenue needed to foster investment, resulting in either a smaller rail system or the need for government assistance.

S.919 Significantly Reduces Revenue Earning and Network Investment

- S. 919 artificially eliminates the railroads' ability to price their services in a manner consistent with the marketplace, which would prevent railroads from earning the revenue they need to maintain their networks. These efforts are really a means to transfer revenue from the rail industry to a select few customers at the expense of all rail customers and the economy.
- Railroads do not operate like monopolies. If they did, they would not have consistent revenue shortfalls.
 - Proponents of S.919 want to lower rail rates, but do not explain how the industry would compensate for lost revenue, especially since they maintain that "captive" shippers already pay maximum rates.
 - The reality is the railroads would lose revenue, which will prevent them from being able to invest in their network. This will lead to one of two alternatives: 1) the rail industry will slowly deteriorate and shrink; or 2) the government will have to abandon the privately run railroad concept and provide financial assistance.

The National Grain Trade Council is a North American trade association that brings together grain exchanges, boards of trade, and national grain marketing organizations with their grain industry counterparts (grain companies, millers and processors, railroads, futures commission merchants, and banks) to advocate and defend open, competitive commerce in agriculture.

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