
To produce essential goods for U.S. and global consumers, AFPM members need a safe, reliable and efficient rail system to move materials to and from refineries and petrochemical facilities. Unfortunately, federal policies have not kept pace with massive changes in the railroad industry and freight railroads are failing to deliver reliable service or competitive shipping rates since competition in the industry has all but vanished.

What happened?

40 years ago, America's freight rail system struggled to meet the needs of the country. Congress responded by passing the Staggers Rail Act of 1980, which was intended to help the rail system recover and thrive.

However, the rail industry began consolidating in the years after the Staggers Act, shrinking from nearly 30 carriers in 1980 down to the seven (and soon-to-be six) that serve all U.S. consumers today. With declining competition, shipping rates have skyrocketed, and those increases are reflected in the prices of every product and feedstock that moves by rail.

How does a lack of rail competition hurt consumers and the U.S. economy?

There has been a major lack of rail competition in our country for decades now. Because of rail consolidation, 78 percent of customers who ship products and feedstocks by rail are only served by a single railroad ("Captive Shippers"). While railroads are raking in record profits, rail customers are paying more for less service and have little if any recourse to demand change. This also means American consumers are being forced to pay more for everyday necessities like food, electricity, gasoline, automobiles and building materials.

- 90 percent of U.S. rail traffic is controlled by four rail companies.
- Freight rail rates have increased 43 percent since 2004 — compared to an eight percent increase in railroad operating costs.
- Rates for the largest U.S. railroads have jumped more than twice as fast as inflation and rates for long-haul trucking.
- In 2019, half of railroad revenue was generated from captive shippers, up from 27% in 2004.
- Rail carriers have made abrupt service cuts and imposed rate increases with zero negotiation and effectively no lead time.

Historically, government policies have not kept pace to protect consumers and account for lack of rail competition.

More recently, the 2017 adoption of [Precision Scheduled Railroading \(PSR\)](#) [has made this freight rail challenge even more problematic](#). PSR was intended to boost operational efficiency for railroads, but the pursuit of "optimal operating ratios" has come at great expense to shipping customers and, ultimately,

consumers. With many shipping customers captive to a single rail carrier, they have limited recourse to object and effect change when service levels slip and rates continue to rise.

The widespread implementation of PSR in a largely uncompetitive freight landscape makes reciprocal switching more necessary now than ever.

Thankfully, the Surface Transportation Board (STB) — the regulatory body in charge of rail oversight — has recently acknowledged the issues with lack of rail competition and has taken initial steps that have the potential to get U.S. freight rail policy back on track.

How can we fix it?

To reform freight rail, we must put forth regulations that:

- **Increase Competition**

Adopting long-overdue policies, like reciprocal switching, to insert some semblance of competition in rail service.

- **Foster a Strong Rail Network**

Allowing market forces and sensible federal policies to ensure everyone benefits from a healthy, affordable and dependable freight rail system.

- **Reform Outdated Policies**

Modernizing the STB to create an efficient and equitable process for resolving freight rail pricing and service issues and update demurrage practices to reflect a change in rail car ownership (rail shippers now own most rail cars).

Specifically, refiners and petrochemical manufacturers support:

Adding competition with reciprocal switching

The rail industry is attempting to frame the competition-fostering reciprocal switching proposal as an effort to “re-regulate” the industry. This proposal, which was introduced to the STB in 2016 and encouraged in President Biden’s Executive Order [Promoting Competition in the American Economy](#), would give rail customers that are served by a single rail provider the ability to switch over to a competing rail carrier at the first junction where that option is available.

Reciprocal switching would modernize outdated policies, ensure that a few more rail carriers face competition for shippers’ business, align industry with the competitive intent of the Staggers Act, vastly improve market access and fairness in rail shipping, and will get our nation’s freight rail system back to work for Americans.

Faster and more fair resolution for rate and service disputes

The STB holds rail companies accountable for their common carrier obligation. The Board is where rail shippers and rail service providers go to resolve issues over shipping rates and quality of service.

The current system in place to resolve these matters is insufficient, cumbersome and takes far too much time. Developing a more expeditious and efficient system for reviewing freight rail rates is a priority for AFPM members who support the use of competitive rate benchmarking as it uses real-world data to develop benchmarks for competitive rail rates. AFPM members also support fair, cost effective and expedited processes to review rates that weigh both rail shipper and carrier interests.

More transparent and action rail service data

More transparent and standardized freight rail data reported to the STB and rail shippers, particularly in the first and last mile of transit, could go a long way to identifying service issues early, and mitigating the impacts of those issues before they reach untenable levels.

Breakdowns in service are highly disruptive and costly for rail customers. Issues in the first and last mile of transit have increased to alarming levels in recent years, following the adoption of PSR. Despite this, the rail service performance reporting by railroads under the Board's current rules do not capture performance and, thus, provide an incomplete picture of rail service. STB should move forward efforts to collect additional service data on the first and last miles of transit.

AFPM is ready to work with the STB

AFPM is eager to work with the STB to alleviate unnecessary obstacles in rail shipping that are making it more difficult and expensive to transport the critical feedstocks and products that refiners, petrochemical manufacturers and American consumers need.

More competition in the U.S. rail system and speedier resolution processes will enable greater efficiency at our members' facilities and better service for U.S. manufacturers and customers nationwide who depend on fuels and petrochemicals.

Upgrades to rate review processes, collection of better data on the rail network and adoption of reciprocal switching can deliver widespread efficiencies and improvements that benefit all freight rail customers, U.S. consumers and the larger economy. We all want a strong U.S. freight rail network. These reforms can make it more of a reality.



Freight Rail Reform Moving America's Economy

How free and open rail markets improve the efficacy of the rail system & benefits the American public

The American Fuel & Petrochemical Manufacturers (AFPM) is a trade association representing virtually all the U.S. refining and petrochemical manufacturing capacity. Our members produce the fuels that drive the U.S. economy and the chemical building blocks integral to millions of products that make modern life possible.



```
if(window.strchfSettings === undefined) window.strchfSettings = {};window.strchfSettings.stats = {url: "https://afpm.storychief.io/en/freight-rail-in-america-can-a-market-be-free-if-there-s-almost-no-competition?id=1805028676&type=3",title: "Freight Rail in America: Can a Market be 'Free' if There's Almost No Competition?",id: "bbe3c31b-b2fb-45e9-9758-9d71c459ffb0"};(function(d, s, id) {var js, sjs = d.getElementsByTagName(s)[0];if (d.getElementById(id)) {window.strchf.update(); return;}js = d.createElement(s); js.id = id;sjs.src = "https://d37oebn0w9ir6a.cloudfront.net/scripts/v0/strchf.js";js.async = true;sjs.parentNode.insertBefore(js, sjs);})(document, 'script', 'storychief-jssdk')
```

Print as PDF:

Media Contact:

Ericka Perryman

media@afpm.org

[202.457.0480](tel:202.457.0480)

About AFPM:

The American Fuel & Petrochemical Manufacturers (AFPM) is the leading trade association representing the makers of the fuels that keep us moving, the petrochemicals that are the essential building blocks for modern life, and the midstream companies that get our feedstocks and products where they need to go. We make the products that make life better, safer and more sustainable — we make progress.

Topics

[Transportation & Infrastructure](#)

Tags

[Infrastructure](#)

[Transportation and Infrastructure](#)