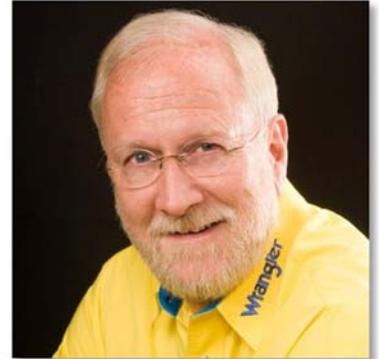


TRANSPORTATION REPORT

From: Terry Whiteside

Date: March 25, 2015



**FLASH: SENATE COMMERCE COMMITTEE
UNANIMOUSLY PASSED THIS
AFTERNOON S. 808 - SURFACE
TRANSPORTATION BOARD
REAUTHORIZATION ACT OF 2015!**

MANUFACTURERS, AGRICULTURE AND ENERGY PRODUCERS CALL ON CONGRESS AND THE STB TO UPDATE RAIL POLICIES

WASHINGTON (March 25, 2015) – A large group of national trade associations representing manufacturers, agriculture and energy producers together with the Alliance for Rail Competition, Idaho Grain Producers Association, Wyoming Wheat Marketing Commission, and the Nebraska Wheat Board today announced they have formed the Rail Customer Coalition. The Coalition is calling on Congress and the Surface Transportation Board (STB) to modernize the nation’s freight rail policies to better serve shippers, their customers, railroads and American consumers. Specifically, the Coalition strongly supports the “[Surface Transportation Board Reauthorization Act of 2015](#)” that was drafted under the leadership of the U.S. Senate Committee on Commerce, Science & Transportation Chairman John Thune (R-S.D.) and Ranking Member Bill Nelson (D-Fla.).

The Coalition has also launched a new [website](#) highlighting the need for freight rail reform and released new [research](#) that found rising rail rates are taking a growing toll on American businesses.

“Our groups believe it is time to review key aspects of rail policy and adopt common-sense improvements to ensure that the U.S. is on course to meet the needs of rail carriers, shippers and the public,” said Bob Stallman, President of the [American Farm Bureau Federation](#).

Momentum is growing on Capitol Hill to enact legislation that will increase rail-to-rail competition and improve how freight rail issues are resolved. The Coalition’s goals are to educate lawmakers on the growing problems that are impacting rail customers and to offer meaningful, reasonable and workable solutions.

“As the auto industry continues to rebound from the economic downturn, automakers have encountered persistent rail service issues, resulting in an unprecedented disruption in the ability to deliver vehicles to customers. These service problems are not unique to the auto industry. Together, our groups believe it is time to review key aspects of rail policy and adopt common-sense improvements to ensure that the U.S. is on course to meet the needs of rail carriers, shippers and the public,” said Shane Karr, Vice President of Federal Government Affairs at the [Alliance of Automobile Manufacturers](#).

The STB Needs to Be Modernized

Congress has not revisited the nations' freight rail policies since it created the STB. It's clear the Board's current policies have not been able to keep up with the massive changes in the freight rail industry or achieve the goals that Congress established in 1980 when it passed the Staggers Rail Act.

The "Surface Transportation Board Reauthorization Act of 2015" would reauthorize and make substantial changes to the STB, the only government entity responsible for handling commercial freight rail issues, and would modernize the Board for the first time since its creation. In addition to streamlining how the STB operates, the legislation would help improve how the Board handles rate and service issues.

"We've reached a tipping point where the lack of competitive rail service is having a serious impact on American businesses," said Philip K. Bell, President of the [Steel Manufacturers Association](#). "At the same time, the Surface Transportation Board's slow and burdensome processes leave many shippers with no competitive options and no feasible way to challenge unreasonable rates."

New Research Shows Rates Continue to Soar

The Coalition released new economic research that shows an all too familiar pattern—soaring freight rail rates. According to a new report, rates have doubled since 2001, which negatively impacts a broad spectrum of businesses and industries.

To determine the rate premium American producers pay on each shipment, Escalation Consultants used publicly available data to calculate the railroads' revenue-to-variable cost ratio (RVC) for millions of carloads of rail traffic. The report found the following:

- In 2013, two-thirds (67 percent) of all rail rates exceeded 180 percent RVC, making them subject to potential STB review for being unreasonably high.
- From 2005 to 2013, the total rate premium paid by commodity shippers increased 121 percent even though carload volume declined by 2.4 percent.
- As a result, the total rate premium paid by commodity shippers in 2013 was over \$18 billion.

- The commodity groups with the largest total rate premiums were chemicals and plastics (\$5.3 billion), coal (\$4.1 billion) and automobiles and other transportation equipment (\$1.7 billion).

- Many rates were far above the STB’s jurisdictional threshold of 180 percent RVC; for example, one quarter (25 percent) of rates exceeded 300 percent RVC, or three times the railroad’s variable cost.

“Chairman Thune and Ranking Member Nelson have carefully crafted a smart and significant proposal that reflects the input of numerous stakeholders and responds to the growing support for modernizing the STB,” said Cal Dooley, President and CEO of the [American Chemistry Council](#). “The reasonable reforms in this bill will make many important changes, such as streamlining the STB’s overly burdensome rate review standards, providing reasonable arbitration procedures to resolve rate disputes, and allowing the STB to be more proactive in resolving freight rail issues. Moreover, the legislation will allow both railroads and shippers to thrive, while encouraging the growth of the U.S. economy.”

The Coalition is urging Congress to pass the “Surface Transportation Board Reauthorization Act of 2015” and also urging the STB to follow through on reforms that will increase access to competitive service and will allow the Board to operate more efficiently and effectively.

More information on making freight rail more affordable and reliable can be found at the Rail Customer Coalition’s new website, www.freightrailreform.com.