AFPM

Why freight rail competition matters to American energy manufacturers and consumers

To produce the essential fuels and products Americans rely on, refiners and petrochemical manufacturers need a competitive and reliable rail system moving materials into and out of their facilities on time, multiple times a week.

Unfortunately, as freight rail competition rapidly disappears, both rail service and rail costs have gotten worse. This is bad for shippers, including the refining and petrochemical industries, and for all American consumers.

With the largest ever rail merger potentially on the horizon, the Surface Transportation Board (STB) must act to protect shippers and ensure freight rail gets more competitive in America.

Freight rail in America today:

90% of domestic freight traffic is controlled by just 4 railroads

Freight rail rates are up 44% over 20 years

Carload volumes have declined more than 13% in the last decade

Less competition = higher prices and worse service

In 1980, there were 30 different freight rail carriers in the United States. Today, there are six. Freight rail customers (shippers) are greatly impacted by this continued consolidation.

Rail rates and fees have skyrocketed

Since 2004, freight rail rates have climbed 44 percent — more than twice the pace of inflation — while railroad operating costs have risen by just eight percent.

Quality and frequency of rail service have declined

Past mergers have led to massive service failures including reduced routing options, fewer days of service, disruptions and embargoes that choke production and weaken supply chains.

Freight rail customers today are paying a lot more for less service and are having to spend even more on unproductive things — like new storage yards and larger railcar fleets — to cushion their operations from the impacts of reduced and unreliable rail service. Much of those costs trickle down to consumers.

2.5 million
carloads of U.S. freight rail traffic every year include crude oil, natural gas liquids (NGLs) and refined products (like gasoline)

4–5 day lapses
in rail service can force a refinery or petrochemical facility to shut down

75%
of AFPM members are already "captive," meaning they are only served by one rail carrier and can't shop for better prices or service

AFPM members face distinct challenges from shrinking competition.

Another merger could have drastic and long-lasting impacts on the entire U.S. economy — specifically in the domestic manufacturing and energy sectors.

Years of experience have shown that with excessive consolidation among Class 1 freight railroads, fuel and petrochemical manufacturers lose optionality on choosing long-haul routes as well as the ability to shop for better freight rail prices and service. Ultimately their operations can and have been disrupted with little-to-no warning or recourse.

STB has an obligation to protect shippers and enhance competition.

The next rail merger application that STB will consider falls under new rules, which require the Board to ensure any future Class 1 railroad mergers are in the public interest and that they ***enhance*** competition, not just preserve it.

On its face, going from 30 carriers to six to potentially five doesn't sound like more competition. Fuel refiners and petrochemical manufacturers have no confidence that another merger would lead to improved service, more routing options or better prices, which is why it's imperative that STB closely evaluate this merger, scrutinize all efficiency claims and rule accordingly.

This proposed rail merger would impact the heart of American refining and petrochemical manufacturing, giving one new mega-railroad control of **51 percent** of petrochemical rail traffic and **41 percent** of crude and NGLs. With so many of the products Americans depend on every day reliant on freight rail, competition among carriers is essential to keeping freight service reliable, affordable and fairly-priced.

For more information, contact Federal@afpm.org and visit www.afpm.org.