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RAIL RATES CONTINUE MULTI-YEAR DECLINE

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board's Office of Economics, Environmental Analysis, and Administration (OEEAA) has issued a study finding that railroad rates overall continued their multi-year decline in 1999, led by reductions in the rates charged to eastern coal and western grain.

The study found that, after adjusting for inflation, rail rates fell 2.7 percent in 1999, with rates in the East declining 2.6 percent and rates in the West falling 2.8 percent. Since 1984, inflation-adjusted U.S. rail rates have fallen 45.3 percent. Even without adjusting for inflation, since 1984, eastern rail rates have fallen 13.2 percent, western rail rates have fallen 24.7 percent, and rates for the Nation as a whole have fallen 19.7 percent. This analysis is consistent with earlier assessments of rail rates issued by the Board's staff and by the staff of the former Interstate Commerce Commission, the Board's predecessor. By any measure, since the enactment of the Staggers Rail Act of 1980 (Staggers Act), the major regulatory reform legislation affecting railroads, average rail rates have declined consistently.

The study estimates that rail customers would have paid an additional $31.7 billion for rail service in 1999 if rail revenue per ton-mile had remained equal to its 1984 inflation-adjusted level. While a portion of this decline in rail rates has resulted from costs that have been shifted away from railroads and onto shippers, OEEAA found that the significant efficiencies and productivity gains achieved by railroads since the Staggers Act have been the key factor leading to substantial rate reductions. And while not every shipper has benefitted equally from the reduction in rates, OEEAA concluded that overall the rail-customer community, consumers, and the Nation as a whole have benefitted from reduced rates and a more efficient rail network.

Before releasing this report, OEEAA conducted an extensive review of its procedures, data sources, and conclusions in assessing rail rates. This examination led to a number of changes in the way the rail rate index is calculated to ensure a more complete conclusion. By far the most significant change is OEEAA's decision to treat eastern and western traffic as separate categories. Another important change is the inclusion of data from smaller railroads (Class II and III carriers, whose annual revenues are less than $250 million), which was made possible by a shift from the Association of American Railroad's Freight Commodity Statistics to the Board's own Rail Waybill Sample as OEEAA's primary data source. Another change is that the rate study now measures rates per ton as well as per ton-mile. Even with such major modifications, the basic finding remains strong: rail rates have continued to fall significantly.

Printed copies of the rail rate study may be obtained free of charge by writing

"Railroad Rate Study"
Office of Economics, Environmental Analysis,
& Administration
Surface Transportation Board
1925 K Street, N.W., Suite 500
Washington, DC 20423-0001

or by telephoning OEEAA at **(202) 565-1526**. The report also is available for viewing and downloading via the Board's Website at http://www.stb.dot.gov , under "**Economic Data**," or by telephoning the Board's Office of Congressional and Public Services at **(202) 565-1596**.

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