

American Chemistry Council

ACC Testifies in Support of Market-based Freight Rail Reforms

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WASHINGTON (December 12, 2019) — In testimony before the Surface Transportation Board (STB), the American Chemistry Council (ACC) joined with a long list of shippers urging the Board to move forward on long overdue regulatory reforms.

At a hearing to discuss how the Board can improve its process for dealing with freight rail rate cases, ACC suggested that the STB could save resources and fulfill its mandate by providing a much better alternative to the outdated and overly burdensome Stand-Alone-Cost (SAC) rate standard.

Recent cases using the SAC standard have taken an average of 5 years to complete and cost each shipper well over \$5 million, according to the STB. Some cases can take longer and cost much more. To fix this problem, rail customers are urging the Board to adopt a market-based solution called the Competitive Rate Benchmark Method.

“ACC is proposing an economically sound alternative to the STB’s unworkable Stand Alone Cost standard,” said Jeff Sloan, ACC’s Senior Director of Regulatory & Technical Affairs. “The Benchmark Method will improve access to the rate relief process and substantially reduce the burdens on shippers, railroads and the Board.”

“The Benchmark Method allows the STB to fulfill its Congressional mandate to maintain reasonable rail rates for shippers without competitive transportation options (captive shippers), consistent with legal precedent and the Board’s long established economic principles,” said Jeff Moreno, legal expert testifying on behalf of ACC.

The concept of rate benchmarking is well-grounded in economics and widely employed by businesses and government agencies. In fact, a 2015 report by the National Research Council’s Transportation Research Board recommended using rate benchmarking to address the problem of dramatically rising freight rail rates.

“The Benchmark Method uses real world data to predict the rate that would be expected in a competitive market,” explained Dr. Kevin Caves, an economist testifying on behalf of ACC. “This allows the STB to transparently evaluate how much captive rates should be allowed to exceed competitive rates, taking into account criteria such as railroads’ financial performance.”

In addition to the backing of economic and policy experts, rate benchmarking has the strong support of the Rail Customer Coalition, which represents the largest users of freight rail service and a broad cross section of American manufacturers, farmers and energy producers.

ACC’s testimony makes it clear that adopting rate benchmarking would be a win-win option for businesses and taxpayers because it would provide a more streamlined, rational approach for dealing with rate issues that would no longer require shippers, railroads and the federal government to sink millions of dollars into rate cases.