# Balanced Rail Regulation

America's thriving freight rail network is proof that smart and balanced government regulation can work—both for the regulated industry and the public. The performance of U.S. freight railroads in the years prior to 1980 and following passage that year of the landmark Staggers Rail Act presents a stark "before and after" portrait showing just how important smart public policy is to our economy.

## In Brief

Balanced economic regulation has made U.S. freight railroads the best in the world by unleashing massive private spending on the rail network.

## Background

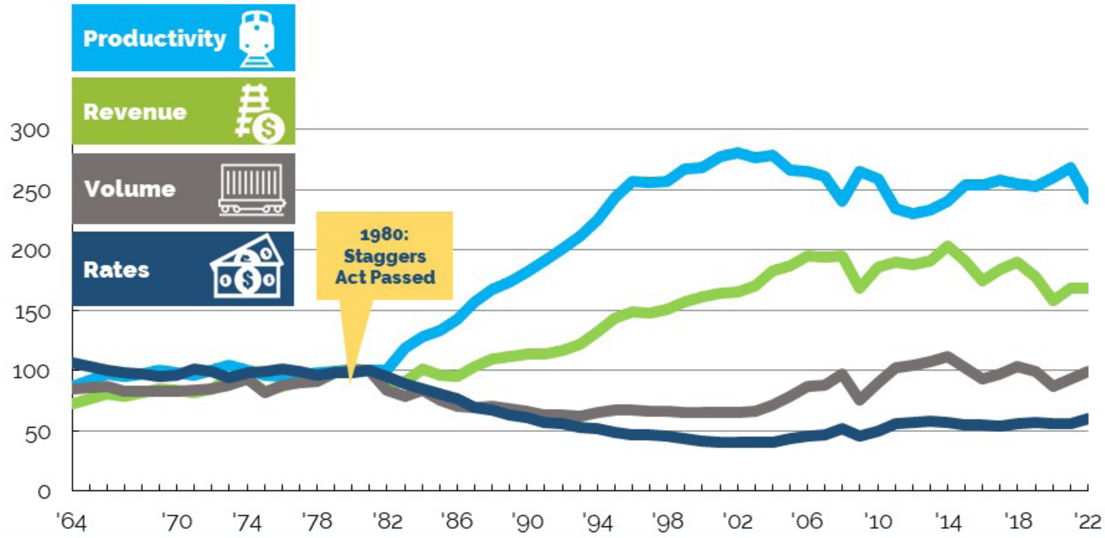
By 1980, decades of federal overregulation had devastated the rail industry, driving many railroads out of business or into bankruptcy. Railroads and the companies and communities they served all suffered under a convoluted system of economic regulation that made it impossible for railroads to earn enough revenue to reinvest back into the rail network. Rail rates were rising faster than inflation, and the rail market share for freight shriveled as more and more shippers turned to trucks.

The Staggers Act of 1980 changed all that by ushering in a predominately market-based system that let railroads operate like other businesses, managing their own assets and working with customers to set rates. This balanced regulatory framework protects shippers against unreasonable railroad conduct while allowing railroads to earn enough revenue to make needed improvements in track, technology and equipment.

## Why It Matters

Today's smart and balanced economic regulation has enabled railroads to churn $780 billion back into the rail system since 1980 and given America the safest, most cost-effective, and efficient freight rail network on earth. Rail rates for shippers are down 40% since Staggers, meaning the average rail shipper can move much more freight for the same price it paid more than 40 years ago.

Class I railroads typically reinvest into their infrastructure at six times the rate of the average U.S. manufacturer. With freight movements projected to increase 30% by 2040 according to the U.S. Department of Transportation, it is crucial that railroads are free to spend at high levels that keep pace with demand. These massive investments ripple throughout the economy, supporting millions of jobs as well as enhancing the infrastructure that connects U.S. industry to the global market.




Source: Association of American Railroads