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## Analysis Discredits STB Rail Rates Study, Demonstrates Regulatory Bias

**(Washington, D.C.)** — The Alliance for Rail Competition released a report exposing serious flaws in the Surface Transportation Board's methodologies, statistical techniques and economic analyses, raising questions about the STB's objectivity and effectiveness in regulating the nation's railroads. Prepared by Dr. Harvey Levine, the ARC-commissioned report, "[Debunking the Freight Railroad Pricing Myth](#)," responds to the STB's December 2000 paper, "Rail Rates Continue to Decline," and evaluates the economics behind other STB positions on rail regulation and competition.

"Dr. Levine's analysis adds credence to what many rail customers have been saying for years now: that the STB is biased, and serves as nothing more than a rubber stamp for the railroad industry," said Diane Duff, Executive Director of ARC. "Either the STB isn't doing its job, or it simply doesn't know how to do its job. Neither situation is acceptable, so regardless, this should be considered when Congress makes funding and authorizing decisions."

In his analysis, Dr. Levine challenges the STB's claims that rail deregulation has universally benefited consumers and that the rail industry, "on the whole," operates in a competitive environment. Explaining that a change in the aggregate amount of revenue that railroads collect for each ton-mile of traffic they handle (R/TM) *is not* the same as a change in the overall level of freight rates, Dr. Levine systematically unveils the Board's statistical manipulations and demonstrates why the Board's ensuing findings are incorrect.

He demonstrates that the STB ignores empirical evidence of rate increases that are based on measures of actual railroad freight rates. Dr. Levine writes, "From 1980 to 1988, the [Bureau of Labor Statistics] BLS Series shows railroad rates to have increased by 38%, while the AAR Composite Index indicates a 28% gain. Without an AAR Composite Index after 1988, only BLS freight-rate data were available. The BLS Series shows railroad rates to have increased by 47% from 1980 to 1999. If adjusted in the same manner as the AAR Composite Index between 1980 and 1988, the increase would be 35%." Even allowing for statistical error in the BLS Series, it is clear that railroad rates have not declined as concluded by the STB. If the STB is truly interested in levels of railroad freight rates, it has the means to collect such information without relying on an inappropriate statistical measure.

But beyond the STB's failings to present an accurate analysis regarding the general level of railroad freight rates, Dr. Levine points out that, "It is not the general level of railroad rates that should be of concern to the STB. The development of effective regulatory policies requires the analysis of railroad rates in individual markets, relative to operating expenses and service levels in those markets." This is at the heart of the debate over captive traffic, and a point that the Board consistently ignores. The STB's approach ensures that those markets continue to lose millions in the name of protecting railroads from competition.

The Alliance for Rail Competition is a coalition of rail customers representing the agriculture, coal, chemical, petrochemical, utility, steel, forest and paper products industries, among others. ARC's mission is to secure increased competition among rail carriers through legislative changes to rail policy. More information about ARC is available on our website at [www.railcompetition.org](http://www.railcompetition.org).