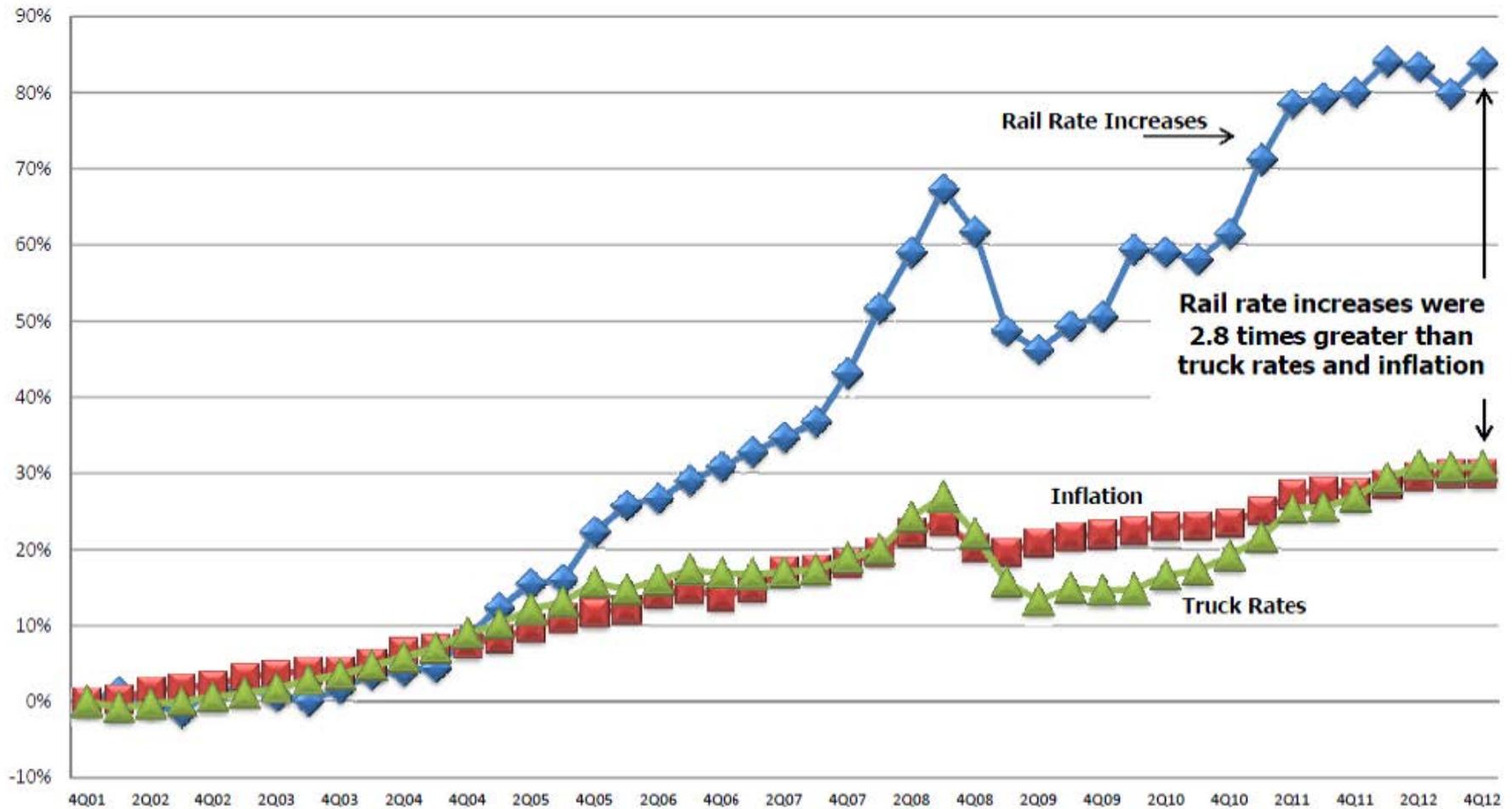


235705
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Office of Proceedings
March 26, 2014
Part of
Public Record

Ex Parte No. 711
Petition for Rulemaking to Adopt
Revised Competitive Switching Rules

Testimony of the
American Chemistry Council
March 26, 2014

Rail Industry Consolidation has Allowed Railroads to Increase Rates Dramatically More than Inflation and Trucking



The number of large railroads in the US have reduced from 26 in 1980 to only 7 by 2001. Following 2001 the percent increase in Rail Rates on the Big Four U.S. railroads has been 2.8 times greater than Inflation and Long Haul Trucking

Analysis of Freight Rail Rates for Chemical Shippers

The premium paid by chemical shippers for rates above 180% RVC totaled more than \$3.9 billion in 2010

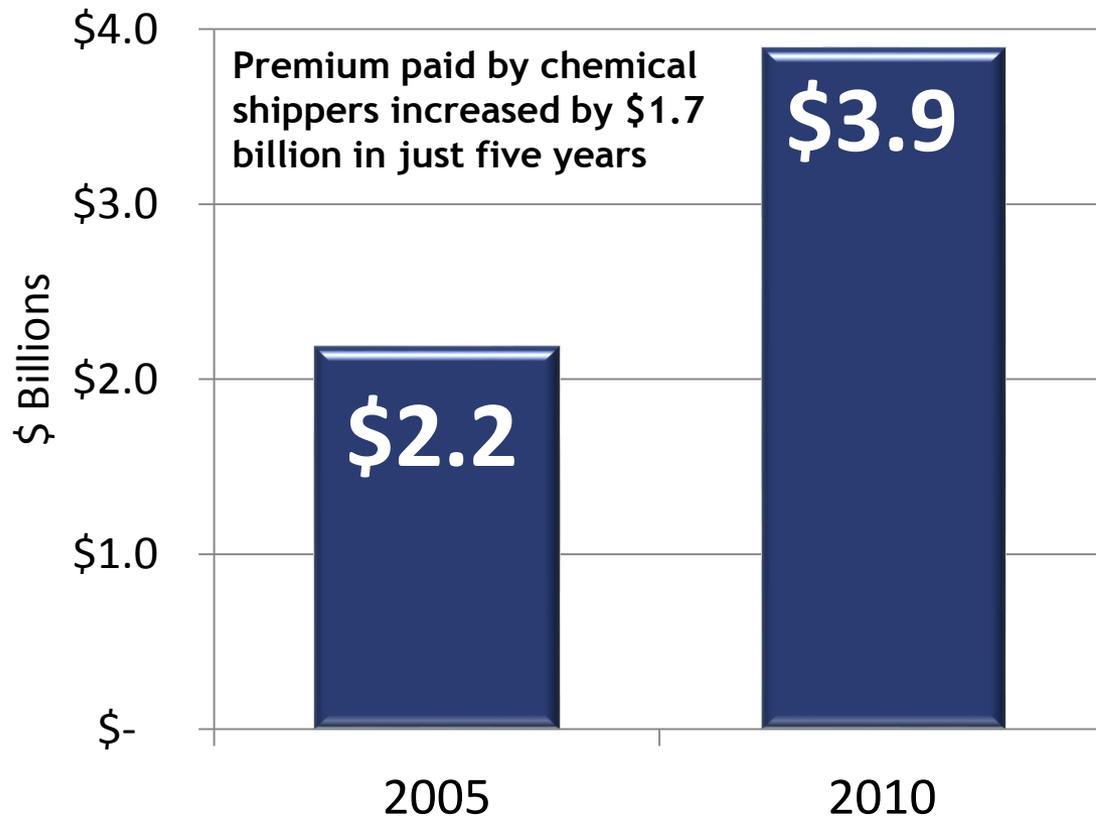


\$3.9 Billion Cost to Chemical Shippers

RVC Range	% Total Carloads	Premium for Rates above 180% RVC
<180	24.7%	--
180-240	23.0%	\$402,945,412
241-299	16.7%	\$665,473,520
>300	35.6%	\$2,880,710,533
Total	100.0%	\$3,949,129,465

Analysis of Freight Rail Rates for Chemical Shippers

From 2005 to 2010, the cost premium for chemical shipments increased substantially

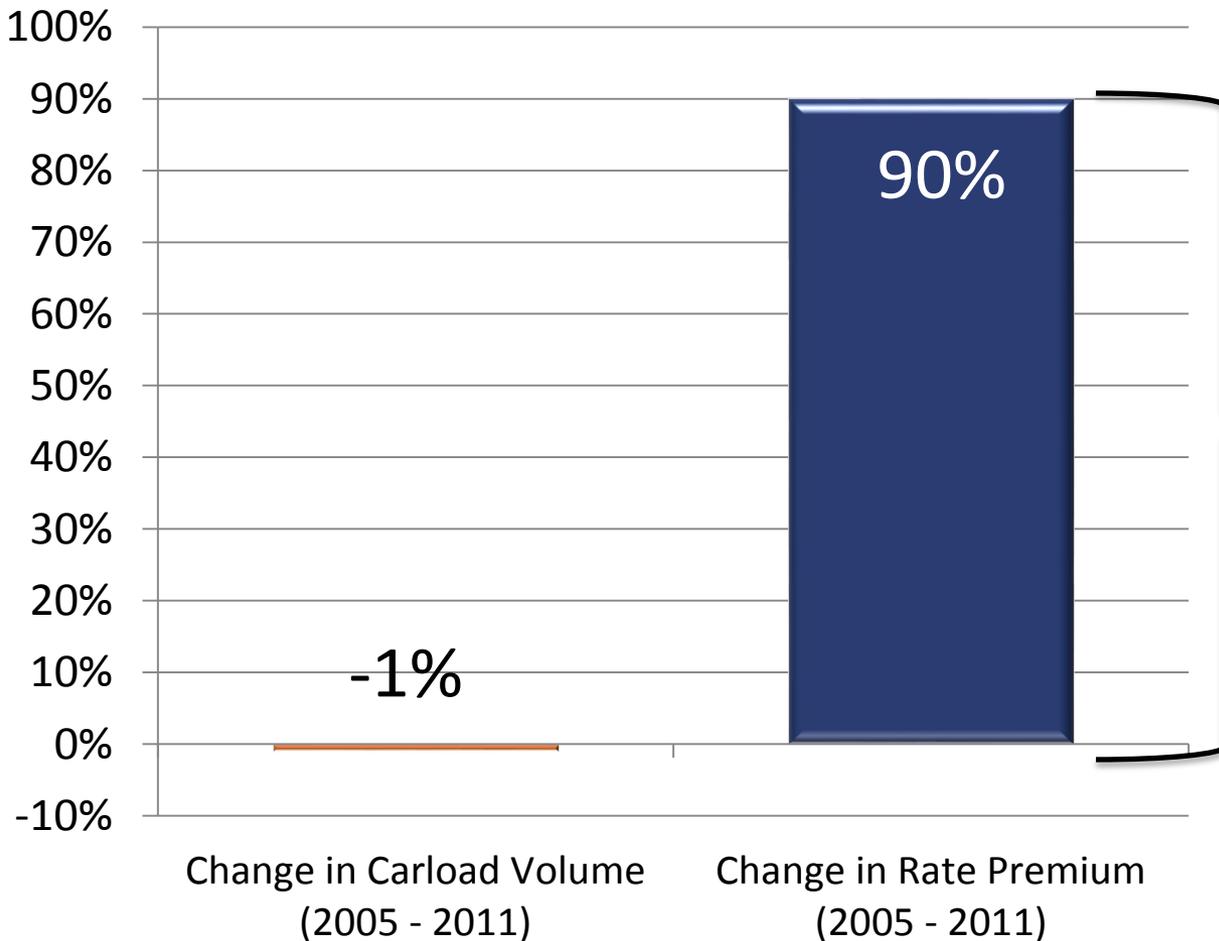


From 2005 to 2010:

- The number of carloads that moved at rates below 180% RVC dropped from 40% to only 25%.
- The number of carloads above 300% RVC increased from 25% to over 35%

Railroad Pricing Power - Not Demand or Costs - Is Driving Rates Higher

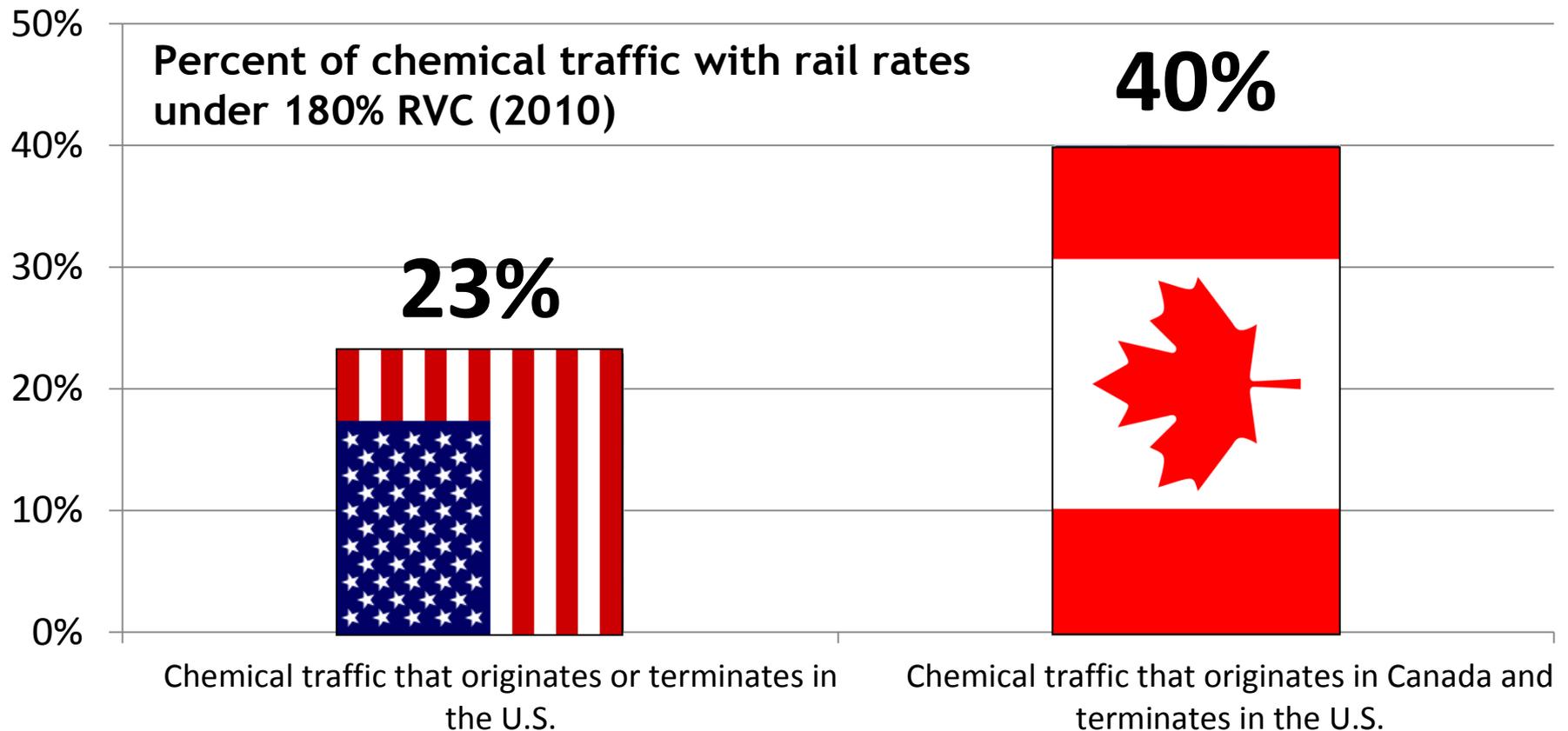
What other industry can get away with charging much higher prices even as demand drops?



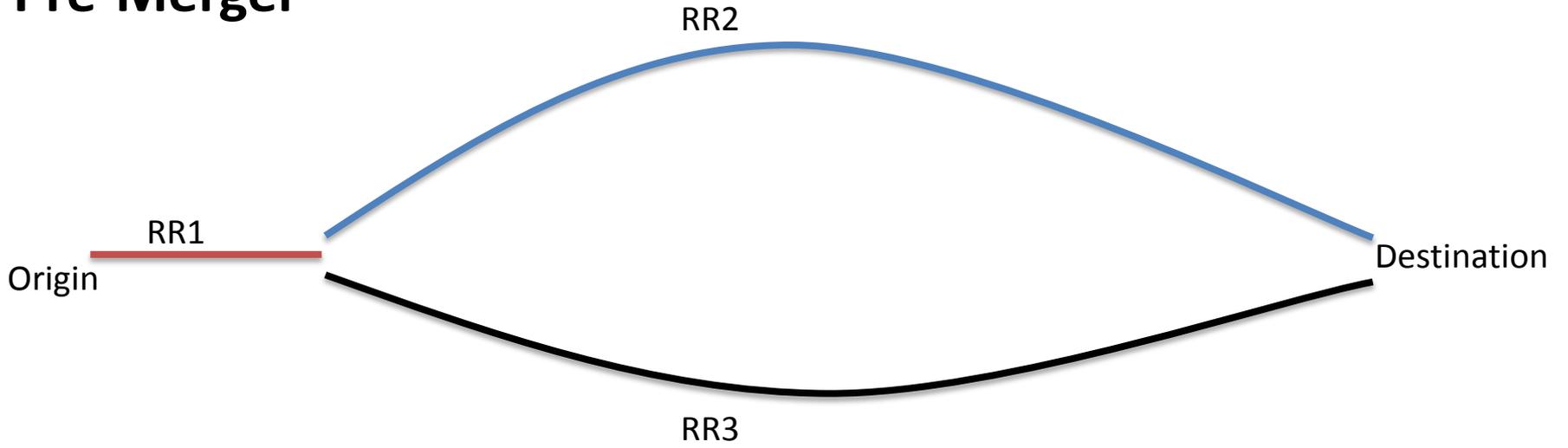
The Common
Sense Gap
Competitive
markets simply do
not work like this

Analysis of Freight Rail Rates for Chemical Shippers

Canada's policies allow for more rail competition – enabling chemical producers to ship at lower rates and providing Canada with a substantial competitive advantage



Pre-Merger



Post-Merger

