Paper and wood product manufacturers rely on the nation’s rails to move 33 million tons of pulp, paper and converted products according to the American Association of Railroads (2014). Freight rail shipping is a vital part of the transportation network for moving raw materials to mills and finished products to customers.

Outdated regulatory protections and cumbersome processes at the Surface Transportation Board (STB) have allowed freight rail rates to double - more than three times the rate of inflation - even though the volume of freight carried by the railroads has barely increased. At the same time, rail service has declined.

More than 30 years have passed since the STB first classified the forest products industry’s shipments as exempt from its oversight. At the outset, it was deemed that there was plenty of competition for the industry’s business. The exemption was created in an effort to ensure railroads did not face bankruptcy at a time in the nation when rails were struggling to stay in business. The arrangement worked for both parties because certain pricing and administrative burdens were no longer applicable if our shipments weren’t under the STB’s purview. The intent was for this exemption to foster competition.

Times have changed…

- Twenty-five Class I railroads have consolidated to just seven, with four railroads handling 90 percent of the nation’s freight rail traffic;
- One-third of forest products facilities have access to just one rail carrier, leaving our industry with no effective rail competition; and
- In 1995 the ICC Termination Act permanently lifted for ALL commodities the pricing and administrative burdens that the exemptions originally granted.

Rates have skyrocketed…

- Analysis shows that our industry has been subject to a 550 percent INCREASE in the amount of our shipments that are priced at captive rates in the last 25 years (Escalation Consultants); and
- This clear exercise of railroad market power justifies removing our exemption.

The STB Noticed…

In March 2016, the STB opened a rulemaking proposing to eliminate some of the outdated commodity exemptions. Forest products were not included in their proposal, but the STB did seek comment from commodities that would also like to be considered. AF&PA filed two rounds of comments and additional individual testimony asking that the STB revoke our commodity exemption. AF&PA recently conducted additional meetings to educate the new STB Commissioners. The STB’s decision is pending.
As an exempt and captive commodity, when the industry encounters poor service or exorbitant rates, our companies have no recourse for negotiating with the railroads. If our exemption was revoked, forest products shippers would have the STB’s toolbox at our disposal when negotiating with our rail providers. Updating the STB’s outdated policies, specifically the forest products industry’s commodity exemption, would level the playing field for our industry and give us the same tools other shippers already have at their disposal. AF&PA urges the STB to act now.