

February 1, 2013



HISTORY OF RAILROAD REGULATION

STAGGERS RAIL ACT OF 1980 ICC TERMINATION ACT OF 1995

- The Interstate Commerce Commission (ICC) was established in 1887 as the first regulatory agency to regulate the railroads.
- Over the strenuous objections of the railroad industry and Wall Street, President Theodore Roosevelt succeeded during his Administration in obtaining legislation that authorized the ICC to regulate rail rates.
- From approximately 1910 until 1980, a very strict rail regulatory system developed under which the freight railroads could not move freight under a negotiated contract and could take almost no commercial actions without prior approval of the ICC. During this period of time, the freight railroads gained antitrust exemptions from Congress and Supreme Court rulings.
- In 1980, Congress enacted the Staggers Rail Act of 1980, which deregulated most railroad activities, including the relationship between their customers and themselves where market competition exists. Rail customers believe that ICC implementation of the Staggers Rail Act did not provide as many protections for rail customers as were included in the Act itself. The ICC also allowed almost every proposed major railroad merger to occur.
- Congress did not remove the antitrust exemptions enjoyed by the freight railroads when it passed the Staggers Rail Act of 1980.
- In 1995, Congress enacted the ICC Termination Act, which abolished the ICC, replaced it with a three member Surface Transportation Board that currently is funded at \$30 million per year, and denied the Board some of the regulatory powers of the ICC and most other regulatory agencies in our nation.
- A little more than 30 years after the Staggers Rail Act was signed into law, the major railroads have consolidated from about 40 in 1980 to 4 in 2013. These four railroads control over 90% of the rail traffic in the nation. In addition, three other major railroads operate in the United States: the Canadian National and Canadian Pacific and the Kansas City Southern, which is classified as a major railroad but is similar to a regional carrier.
- Today, little rail competition exists in our nation's rail system for rail dependent shippers.