SPECIAL REPORT

Railroads and Small Business:
Cull the Outdated Regulation and Embrace Greater Opportunity

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Introduction

Small businesses have benefited from the fact that America's freight railroad system is the best in the world. But having the best railroads in the world was not always the case, nor is it guaranteed in the future. When federal policymaking went awry, the U.S. railroad industry suffered dearly. And when policies were turned in the right direction – on a bipartisan basis - via deregulation roughly four decades ago, the turnaround was dramatic, spurring investment, efficiencies and innovation; enhancing safety; and improving service and reducing costs for shippers and consumers.

Unfortunately, there always seem to be special interests lurking who engage in rent seeking, that is, trying to use government to effectively take resources from others. That currently is the case with a group of special interests looking to impose assorted regulations that would raise costs, create uncertainties, and undermine critical investment and innovation for the railroad industry, its workers, and its millions of customers across the nation. The negative consequences for such misguided regulations, of course, would wind up being felt by nearly everyone, including small businesses operating in and with railroad industries, and being served by the freight railroad system.

The economic lesson that over-regulation inflicts serious harm needs to be understood and kept in mind by federal lawmakers, especially while they are being lobbied to take regulatory steps that would impose harm on railroad businesses and workers, small businesses, and consumers.

(This report updates and expands on certain data and trends in the Small Business & Entrepreneurship Council's March 2018 study – titled "**All Aboard! Entrepreneurs and Small Business Power America's Freight Railroads**" – that explained the important links between the freight railroad system and America's small businesses.)

Railroads and the Economy

What exactly is the role and impact of the freight railroad system in the U.S. economy? Economists and researchers at the Regional Economic Studies Institute (RESI) at Towson University released a study **("Economic and Fiscal Impact Analysis of Class I Railroads in 2017")** in October 2018 that reported some key economic points about America's Class I railroads.

First, though, by way of definition, as reported in the study, Class I railroads are the largest railway carriers that account for 93,000 miles of the nearly 140,000 miles of track that make up the freight railway infrastructure. In total, there are roughly 600 freight railroads that operate railways. There are seven Class I Railroads that, by definition, have revenues of at least $463.9 million. As reported:

> "These seven Class I railroads had combined operating revenues of $70 billion in 2017 and account for approximately 90 percent of U.S. railroad employees, 94 percent of freight revenue, and 69 percent of freight rail mileage. Class I railroads also account for the majority of rail infrastructure spending."

As for the industry beyond Class I:

> "There are other types of freight railroads that connect customers to the expansive Class I rail network. Short Line (Class III) and Regional (Class II) railroads comprise 31 percent of freight rail mileage and employ about 10 percent of all U.S. railroad employees. Commonly found in ports and industrial areas, Switching and Terminal railroads enable the transfer of freight between different railroads through switching and terminal services. While not a freight carrier, Passenger railroads commonly utilize infrastructure owned by freight railroads—about 70 percent of the miles that AMTRAK covers are owned by freight railroads."

In terms of cargo:

> "According to the most-recent data available from the Organisation for Economic Co-operation and Development (OECD), the U.S. is a world leader in freight rail with 2,448,480 million tonne-kilometeres, behind only Russia with 2,493,428 million tonne-kilometeres. On average, 5 million tons of goods are delivered using Class I railroads each day."

RESI's key findings include the following:

"According to RESI's analysis, Class I railroads' operations and capital expenditures supported over 1.1 million jobs (0.8 percent of all U.S. workers), $219.5 billion in output (1.1 percent of total U.S. output), and $71.3 billion in wages (0.9 percent of total wages in the U.S.)."

• "The impacts outlined above also support tax revenues at the federal, state, and local levels. Class I railroads' operations and capital investment generated approximately $25.9 billion in tax revenues in 2017..."

• "U.S. freight railroads spent over $660 billion in maintenance and capital expenditures between 1980 and 2017, averaging 40 cents per revenue dollar. In 2015, railroad capital and maintenance expenditures exceeded $30 billion, while in 2017 there was approximately $24.8 billion in spending on capital and maintenance. Class I railroads' total spending on infrastructure and equipment remained fairly consistent at roughly $20-$22 billion per year between 1983 and 2011. Between 2011 and 2017, spending on infrastructure and equipment has increased to an average of nearly $28 billion per year."

Looking ahead, the Association of America Railroads (AAR) has pointed out (see **"Freight Railroad Capacity and Investment," October 2018**): "As America's economy grows, the need to move more freight will grow too. Recent forecasts from the Federal Highway Administration found that total U.S. freight shipments will rise from an estimated 17.7 billion tons in 2016 to 24.2 billion tons in 2040 — a 37 percent increase." Railroads obviously are going to play a significant role in meeting this growing demand. Competition in the freight market is fierce today and will only intensify in the future.

Railroads and Small Business

SBE Council's March 2018, study, "**All Aboard! Entrepreneurs and Small Business Power America's Freight Railroads**," explained the significant role that entrepreneurs and small businesses play in the freight railroad system, and how small businesses depend on the services provided by freight rail.

The U.S. economy is an entrepreneurial, small business economy, with smaller businesses accounting for the majority of firms in most industries. And that is no different when it comes to the sectors directly and indirectly impacted by freight railroads. What are those sectors?

The RESI study noted the following:

> "The plurality of direct employment impacts resulting from Class I railroads' activity fell within the Transportation and Warehousing sector with 54,894 direct employees and total employment impacts of 103,485 jobs in 2017. The greatest total employment impacts, however, fall under the Administrative and Support and Waste Management and Remediation Services sector with 186,622 employees.
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> "Significant employment impacts were also seen in the Other Services sector, totaling 134,109 employees, which includes subsectors such as commercial and industrial machinery and equipment repair and maintenance. Other Services also comprised the second-highest direct employment impacts of 41,694 jobs. The Manufacturing sector had the third-highest total employment impacts, while the Retail Trade sector had the fifth-highest total employment impacts from Class I railroad activity in 2017."

Four additional points were highlighted in the March 2018 SBE Council study:

• "The Federal Railroad Administration, for example, noted the major commodities carried via railroads, with the largest percentages in terms of tons in 2013 being 'coal (39 percent), other commodities (23 percent), chemical products (10 percent), non-metallic minerals (8 percent) and farm products (predominantly grain and soybeans) (7 percent).'"

• "For good measure, intermodal traffic – that is, the transport of goods before or after transfer occurred via other modes of transportation, such as trucks, by air or via water – is the fastest growth area of freight transport, and it includes a wide array of consumer goods."

• "And of course, the Railroad Rolling Stock Manufacturing industry makes or rebuilds locomotives, railroad cars and equipment, and other railway equipment. And the Support Activities for Rail Transportation sector includes, according the Census Bureau, a wide array of transportation, cargo switching, maintenance and repair, washing and cleaning, safety, goods handling, renting, and resale services."

• "Finally, it's worth noting that each mode of transportation in an intermodal system obviously does not and cannot stand on its own."

Based on these points, Table 1 shows the roles played by small businesses in each sector directly or indirectly affected by freight railroads.

Table 1: Firm Size in Industries Directly or Indirectly Impacted by Freight Railroads – Share of Firms by Number of Employees

Industry 2016 Data	**% of firms with fewer than 20 workers**	**% of firms with fewer than 100 workers**	**% of firms with fewer than 500 workers**
Support Activities for Rail Transportation	65.2%	82.2%	89.9%
Freight Transportation Arrangement	87.3%	96.3%	98.5%
Packing and Crating	87.8%	96.7%	99.1%
Warehousing and Storage	51.6%	70.0%	83.7%
Retail Trade	90.9%	98.4%	99.7%
Agriculture, Forestry, Fishing and Hunting	93.4%	98.6%	99.5%
Mining, Quarrying and Oil and Gas Extraction	83.5%	95.2%	98.2%
Construction	91.7%	98.9%	99.8%
Manufacturing	74.7%	93.5%	98.5%
Railroad Rolling Stock Manufacturing	46.8%	69.0%	85.4%
Port and Harbor Operations	71.3%	80.0%	89.1%
Administrative and Support And Waste Mgmt and Remediation Services	87.9%	96.5%	98.9%
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	91.2%	97.5%	98.7%

Data Source: U.S. Census Bureau, 2016 latest data. Calculations by author.

Take note of the following from Table 1 regarding small business:

• In all but one of the 13 industries highlighted, the majority of employer firms were small businesses with fewer than 20 employees – ranging from 51.6 percent of firms in the warehousing and storage sector to 93.4 percent in the agricultural sector. The one sector falling short of a majority - railroad rolling stock manufacturing – still registered 46.8 percent of employer firms with fewer than 20 employees.

• In all 13 sectors, firms with fewer than 100 employees made up at least 69 percent of employer firms – ranging from 69.0 percent in railroad rolling stock manufacturing to 98.9 percent in construction.

• And among all 13 sectors, the percentage of firms with fewer than 500 workers ranged from 83.7 percent in warehousing and storage to 99.8 percent in construction.

So, when American freight railroads are healthy – that is, are profitable, growing, investing, and boosting productivity – that's good news for U.S. small businesses. Of course, that goes not just for the sectors noted here, but also for small businesses in most industries as they, just like consumers in general, benefit from the savings and improved service generated by a competitive, innovative transportation sector.

Railroads and Trade

The role of freight railroads in terms of international trade also is important to highlight, given the importance of trade to the overall economy and for the small business community.

Consider that real total trade (exports plus imports) in 1955 equaled 6.3 percent of real U.S. GDP. That grew to 32.3 percent in 2018. U.S. exports as a share of the economy jumped from 2.8 percent of GDP to 13.7 percent over this period, and imports from 3.6 percent of GDP to 18.6 percent. Indeed, growth in trade equals or accounts for a significant portion of U.S. economic growth, for example, 41.2 percent of U.S. real growth since 1980.

Meanwhile, the vast majority of U.S. businesses involved in trade are small and mid-size firms. For example, 76.1 percent of U.S. exporters have fewer than 20 employees; 86.6 percent fewer than 50 workers; 91.8 percent fewer than 100 employees; and 97.5 percent fewer than 500 workers. Importing also is about small business, with 76.1 percent of U.S. importers having fewer than 20 employees; 86.1 percent fewer than 50 workers; 91.3 percent fewer than 100 employees; and 97.3 percent fewer than 500 workers.

So, given the importance of trade to the economy and small business, the role of freight railroad in international trade cannot be ignored. In a March 2017 study from the Association of American Railroads titled "Freight Railroads & International Trade," it was reported:

● "42% of rail carloads and intermodal units are directly associated with international trade."

● "35% of annual rail revenue is directly associated with international trade."

● "Robust international trade means more jobs for U.S. railroaders. The rail trade data discussed above implies that approximately 50,000 rail jobs, worth over $5.5 billion in annual wages and benefits, depend directly on international trade. This does not include other significant job-related impacts, including employees at ports who handle shipments moving by rail, jobs at firms that supply goods and services to railroads and others in support of trade-related rail movements, and secondary and tertiary job impacts derived from the expenditures of railroad employees, port employees and their suppliers."

So, the importance of free trade to railroads and small businesses is clear.

Railroads and Regulation: The Problem in the Past

Considering the role that freight railroads play in the economy and among entrepreneurial sectors, it is crucial that lawmakers maintain a positive, pro-growth policy climate for railroads. In short, regulators must reject policies that mistakenly attempt, once again, to treat railroads like utilities subject to strict rate regulation in its business transactions.

As already indicated, railroads were once subject to such government intrusion. The extensive and destructive reach of federal over-regulation of railroads has been widely reported, including being noted in SBE Council's "All Aboard! Entrepreneurs and Small Business Power America's Freight Railroads" study. Key points:

• "In 1887, the Interstate Commerce Commission was established. The ICC came to rule over the railroad industry by setting prices, having approval over adding new routes and removing old routes, and deciding whether or not mergers could occur. As time wore on, of course, the market changed, with competition from, for example, trucks and air transport."

• "As the Federal Railroad Administration reported: 'Prior to 1980, economic regulation prevented railroads from any flexibility in pricing needed to meet both intra as well as intermodal competition. Regulation also prohibited carriers from restructuring their systems, including abandoning redundant and light density lines, a necessity for controlling cost. Added to these problems was the industry's inability to cover inflation due to the regulatory time lag in rate adjustments. As a consequence, nine carriers were bankrupt, the industry had a low return on investment and was unable to raise capital, and faced a steady decline in market share.'"[i]

• "The Congressional Budget Office also noted: 'For most of the 20th century, federal regulation kept the railroad industry in the United States in a disequilibrium that was characterized by excess capacity. That was particularly true in the East and Midwest, where numerous competing railroads had sought to capture larger shares of the market by building ahead of demand. The overcapacity was exacerbated by regulatory controls that prevented railroads from shedding underused and unprofitable lines.'"[ii]

• "In a report from the American Association of Railroads, it was explained, 'By the 1970s, eight decades of over-regulation had brought America's freight railroads to the brink of ruin. More than 20 percent of rail mileage was owned by bankrupt railroads; safety was deteriorating; and tracks, locomotives, and freight cars were falling apart and railroads couldn't afford to repair them. Railroads were unable to provide the safe, efficient, cost-effective rail service that American businesses need to grow.'"[iii]

Railroads and Regulation: The Fix

After a mistaken and costly step in nationalizing a variety of failed railroads, the railroad industry only returned to health and profitability after Congress passed and President Jimmy Carter signed into law the Staggers Rail Act of 1980. The Staggers Act partially deregulated railroads in terms of setting prices for services and setting rail rates, making decisions regarding what routes to use, and establishing shipper contracts, that is, allowing freight railroads to make decisions based on market conditions.

The changes were positive and dramatic for the railroad industry in terms of efficiency and productivity, capital investment, maintenance and safety, market share, profitability, and reduced costs and enhanced service for customers.

The RESI study summed up the effects of the Staggers Act as follows:

> "The Staggers Rail Act of 1980 was enacted as a partial economic deregulation of the freight rail industry to increase the productivity and efficiency of rail systems and to provide freedom to price services at market value. The Staggers Rail Act has had several effects. Railroad costs were reduced through the elimination of unprofitable rail lines, the application of technological advancements, and a reorganization of the rail network (designed to improve efficiency). Since deregulation in 1980, rail track miles have decreased by approximately 41 percent, and traffic density (measured by millions of ton-miles per mile of track) has increased from 3.4 to 9.9. While flat prior to the Staggers Rail Act, rail productivity has increased 172 percent since the regulation change. By 2017, rail rates charged to customers had decreased by 46 percent, according to average inflation-adjusted rail rates as measured by revenue per ton-mile; this decrease indicates vast savings for rail customers as the current shipping rate allows for the transport of close to two times the amount of product as it did prior to 1980.
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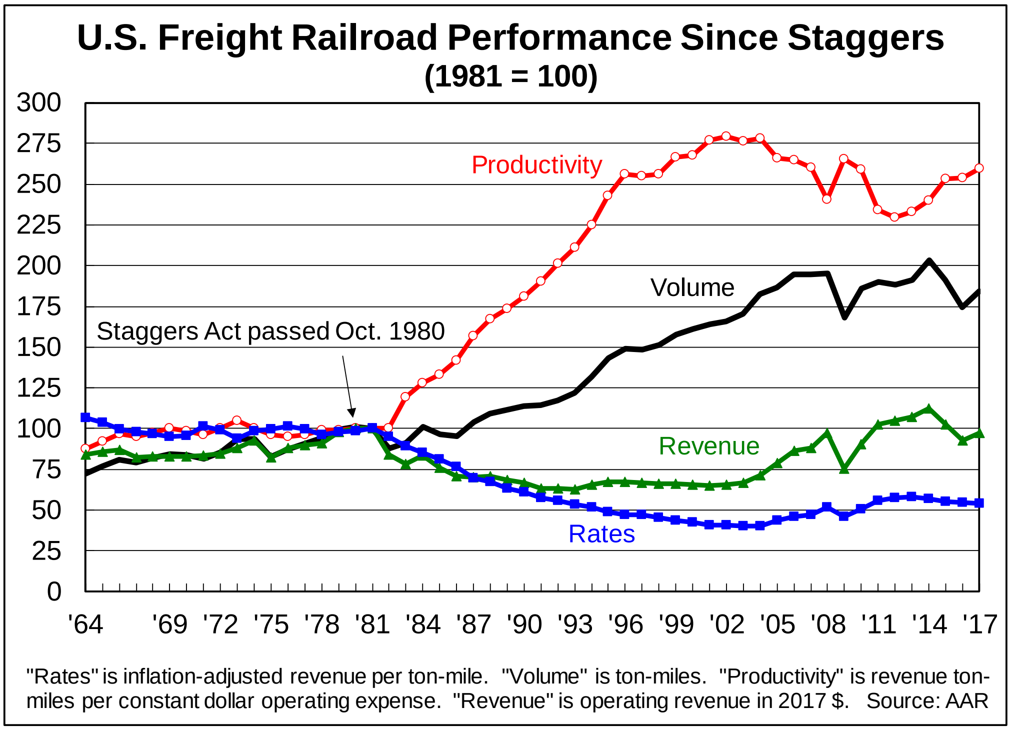
> "In recent years, the railroad industry has spent significant amounts on capital improvements and maintenance to continue ensuring a safe, productive, and reliable environment. Railroad infrastructure and equipment spending totaled approximately $660 billion between 1980 and 2017. As railroad spending increased, train accident rates have decreased—since 2000, train accident rate have decreased by approximately 41 percent. Additionally, the employee injury rate in the rail industry is lower than many industries, including construction, trucking, mining, airlines, agriculture, and manufacturing. To improve safety and efficiency, the railroad industry consistently implements new technologies, such as defect detectors (for both rail cars as well as tracks) and sophisticated data performance collection systems."

The following chart from the Association of American Railroads (AAR) shows the vastly improved performance by U.S. freight railroads after the Staggers Act was passed in terms of productivity, volume, rates and revenue.



AAR also reported the following (see **"America's Freight Railroads Under Balanced Regulation,"** October 2018):

• "These productivity gains have been largely passed through to rail customers in the form of lower rates. Average inflation-adjusted rail rates (measured by revenue per ton-mile) are down 46 percent since 1980. This means the average rail shipper can move close to twice as much freight for about the same price it paid more than 35 years ago — saving rail customers, and ultimately U.S. consumers, hundreds of billions of dollars."

• "Railroads are much safer. The train accident rate in 2017 was the lowest ever; in 2017, it was down 79 percent from 1980 and down 41 percent from 2000; the employee injury rate in 2017 was down 83 percent from 1980 and down 43 percent from 2000; and the grade crossing collision rate in 2017 was down 80 percent from 1980 and down 38 percent from 2000. By all these measures, recent years have been the safest in history. The rate of accidents caused by defective track was the lowest ever in 2017."

• "Railroads are healthier financially. Railroads' average return on investment, which had been falling for decades, rose to 4.4 percent in the 1980s, 7.0 percent in the 1990s, and 9.6 percent from 2000 to 2016. In recent years, some rail critics have been decrying 'record' railroad profits, but rail earnings in recent years have generally been only about average among all industries."

• “There used to be a huge gap between the rail industry’s cost of capital and its return on investment. There’s hope this gap will be closed on a long-term, consistent basis in the future. Improved earnings allow railroads to more readily make the massive investments needed to keep their infrastructure and equipment in top condition, improve service, and add the new rail capacity America will need in the years ahead.”

• “Short line and regional railroads, most of which are new since Staggers, operate approximately 45,000 miles in 49 states, preserving rail service and rail jobs that otherwise would have been lost if not for the Staggers Act.”

Railroads and Regulation: The Future

The benefits of moving away from excessive, costly regulation of railroads are clear. Nonetheless, this does not stop various special interests from seeking the imposition of regulatory measures that will inflict serious harm on the railroad industry, on consumers, and on the small businesses operating in or being served by railroad sectors of our economy.

As explained in the SBE Council March 2018 report, “Unfortunately, an effort has persisted to impose destructive regulations on freight railroads that would go against the intention of and accomplishments thanks to the Staggers Act. It is not unusual for efforts to increase regulation to find their origins from parties simply seeking advantages courtesy of government action and interference in the free and competitive marketplace. Such action is known as rent seeking, that is, using government to in effect take wealth form others.”

Consider three current, misguided efforts to expand regulation of freight railroads covering both economic and safety or operational regulation:

• Forced switching. A proposal from the Surface Transportation Board (STB), which is responsible for regulating the economic dealings of railroads, would make it far easier for the STB to require a railroad to open it privately-owned and operated rails to another railroad at rates set by the STB. The option of forced access was meant to be used only when it was found that captive shippers – meaning those with no other shipping options – were abused by anticompetitive actions by a railroad. The rule under consideration, being pushed by special interests not interested in paying market rates, would weaken the standards regarding anticompetitive behavior, and therefore, make it easier to impose forced-access regulations.

Observers such as Roslyn Layton, visiting fellow at the American Enterprise Institute, equate the proposed scheme to the open access debate in the telecommunications market. **Layton writes**: “Similar to the largest internet platform companies attempting to use net neutrality to win fee and reduced transit costs at the expense of consumers, America’s largest freight rail shippers have banded together to try to squeeze price reductions from the railroads by mandating preferred train switching routes. Called forced switching (also forced access), it functions as backdoor rate regulation intended to evade existing statues for contesting rail rates at the Surface Transportation Board, the FCC equivalent for rail transportation. Regulators would thus reward politically favored shippers, regardless of jurisdiction and without any showing of anticompetitive conduct, by dictating the terms of freight railroading, which otherwise would be determined by bona fide negotiation between the parties."

It's important to note the following from an October 2018 study by The American Consumer Institute Center for Citizen Research **("Derailed Benefits: How the Resurgence of STB Regulations Will Impact Consumers")**: "Over the years, there were only a few complaints by captive shippers that resulted in regulatory investigations, but none found sufficient reason to grant forced switching. To be clear, regulators did not find a single incident of anticompetitive actions by the railroads that required a regulatory remedy."

For good measure, the Institute made clear key findings:

> • "Forced switching would limit negotiation between the parties, which would lead regulators to set prices – potentially set these prices below market rates. Shippers granted relief would be advantaged by lobbying for artificially low rates, while railroads would be potentially impacted by declining cashflows that are necessary to pay for operations, maintenance and investment. In other words, shippers would have an incentive to make the most of the regulatory process in search of below market rates. The new rules would return the railroad industry to its disastrous past when regulations nearly put the railroads out of business."
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> • "This study reviews the historical turnaround in the industry and the new regulatory threat it faces. Our economic analysis of market structure, conduct and performance finds no evidence of a market failure to justify reregulating the industry and reversing the gains made in the last thirty-five years."

As stated **by a recent coalition filing** at the Board in which SBE Council co-filed:

- "The STB provided no economic analysis to support its conclusion that the anticompetitive conduct requirement 'effectively operated as a bar to relief rather than as a standard under which relief could be granted.' Indeed, this absence of analysis could just as easily be used to support the opposite conclusion: that the lack of successful demonstrations by shippers of anticompetitive abuse on the part of carriers effectively shows no such abuse exists and thus no relief is warranted."

If imposed, certain shippers would derive benefits in the short run, but consumers, shippers, and small businesses would suffer as such regulatory intrusions would limit an array of tools to enhance efficiency and service, and limit investment. In the end, railroads, the small businesses who serve and are served by freight rail, and consumers would suffer.

• Revenue adequacy. Perhaps even more blatant is an effort by various large shippers to use the "revenue adequacy" calculation to cap rates that railroads can charge, in effect, imposing price controls.

As AAR has **explained**: "Railroad revenue adequacy is a calculation developed and used by the Surface Transportation Board to assess the financial health of individual railroads. The calculation, which compares an individual railroad's Return on Investment (ROI) with the railroad industry's Cost of Capital (COC), measures whether the return a railroad earned was sufficient to attract investment capital. Revenue adequacy calculations are reported annually to Congress."

The idea behind revenue adequacy calculations was to provide regulators with a measure of financial health for railroads, to see if Class I railroads were earning adequate revenues after decades of suffering under over-regulation before the Staggers Act. However, it has gradually been transformed, and could be further expanded, as a tool to regulate rates. Such an effort comes with an assortment of problems, including, for example, using book value to determine the industry cost of capital as opposed to the replacement value.

In the end, the imposition of price controls always results in reduced investment. After all, why would investors put their financial capital to use in an industry where government can limit returns?

In its study, The American Consumer Institute Center for Citizen Research pointed out:

> "[T]he STB is considering imposing rules that would affect the rate adequacy standard, thereby allowing regulators to shave earnings from rail operators. Much like forced access, this regulation would reduce cashflow and, in turn, reduce rail investment and safety. If deregulation provides a $10 billion annual consumer benefit, as economists have concluded, then bringing back these regulations would reduce consumer welfare."

• **Crew size mandates.** The railroad industry has developed and implemented technology to stay competitive in the highly cutthroat transportation marketplace, and having the government step in and dictate train crew size is an incredibly intrusive measure that would undercut these private businesses from implementing the most effective and efficient operational decisions, and from making investments in technology and innovation. Nonetheless, there are legislative efforts to have Congress impose train crew sizes. Many states are also pursuing bills, with Colorado and Nevada putting mandates into place in 2019 and some 20 other states pursuing measures. Most observers recognize the full-court press is hardly organic, but is instead a result of lobbying by organized labor.

Of course, such interference is billed as being a safety issue. However, as already noted, freight railroads have made dramatic investments resulting in safety improvements post-Staggers Act. Also, as the Federal Railroad Administration **noted in 2016**, there is no "reliable or conclusive statistical data to suggest whether one-person crew operations are generally safer or less safe than multiple-person crew operations."

An important point on this issue about jobs is made in an **analysis** from the Heritage Foundation:

> "It not surprising that railroad workers would like to preserve their jobs. But railroad-employment reductions from reducing train crew sizes could quite

> possibly be more than offset by the number of jobs saved or created by a more competitive and efficient network.
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> "Even if railroad employment is reduced, a reduction in crew size would likely create more jobs than it eliminates in the economy as a whole, as millions of employees in the sectors that depend on available and affordable ground transportation benefit from the lower costs. The number of jobs on trains may decrease somewhat, but farmers, coal miners, and steel workers would benefit."

Train crew sizes should be left to collective bargaining and managerial decisions within the context of technological and operational advancements.

Competition in Transportation

Finally, in considering these and other legislative and regulatory challenges, it must be kept in mind how broadly competitive the freight transportation marketplace is, encompassing trucks, rail, water, and air, not to mention the changes that customers can make in response to seemingly countless factors, including shipping options. The future transportation market can be reasonably expected to feature driverless trucks, autonomous drone shipments and autonomous vehicles.

For good measure, The American Consumer Institute Center for Citizen Research noted:

> "While Class I railroad operators frequently compete head-to-head amongst other railroad operators, they are also subject to substantial intermodal competition. In 2015, distribution of transported freight (in tons) was 66% by truck, 19% by pipeline, 9% by rail, 4% by water and 2% by multiple modes. Rail represents only 3% of revenues among all modes of freight transportation, and its share of freight (in tons) was less than 30% for any of 16 major commodities listed by the U.S. Department of Transportation, apart from solid coal (61%), now in decline."

These market realities, and the dynamic nature of markets, stand as formidable opponents to government interference and regulation in the name of "competition." Indeed, the most vocal proponents for "reform" at the STB, for instance, are in fact calling for increased government involvement in the private marketplace – absent justification – to spur so-called competition.

As noted earlier, freight shipments are expected to grow substantially in coming years. Everyone would benefit from establishing a policy environment that fosters investment, efficiency, productivity and innovation.

Clearly, freight railroads, their customers, consumers in general, and the small business community – including small businesses in the railroad sector, serving railroads, and as customers of freight rail – have benefited from moving away from intrusive, unwarranted and costly regulation. Today's policy objectives should have nothing to do with turning back the clock to destructive regulatory policies.

Instead, policymaking should be focused on providing relief from unnecessary governmental burdens, such as via tax and regulatory relief, and free trade policies that reduce barriers like tariffs and quotas. That's the kind of policymaking that will expand investment, innovation, and competition; enhance opportunities for entrepreneurs, small businesses, and their employees; and boost the overall economy.

About the Author

Raymond J. Keating is chief economist for the Small Business & Entrepreneurship Council. He is the author of many books, including *Unleashing Small Business Through IP: Protecting Intellectual Property, Driving Entrepreneurship*; *The Realistic Optimist TO DO List & Calendar 2019*; *"Chuck" vs. the Business World: Business Tips on TV*; and a series of mysteries/thrillers (the Pastor Stephen Grant novels and short stories). Keating has testified before Congress many times, as well as before state and local lawmakers; speaks to groups and organizations on a wide range of topics relating to the economy, entrepreneurship and small business; and recently has dabbled in podcasting.

For more than two decades, Keating was a weekly newspaper columnist with *Long Island Business News, Newsday*, and the *New York City Tribune*. And for a decade, Keating was an adjunct professor in the MBA program at the Townsend School of Business at Dowling College. His work has appeared in a wide range of additional periodicals, including *The New York Times, The Wall Street Journal*, *The Washington Post, New York Post,* Los Angeles *Daily News, The Boston Globe, National Review, The Washington Times*, *Investor's Business Daily*, New York *Daily News, Detroit Free Press, Chicago Tribune, Providence Journal Bulletin,* and *Cincinnati Enquirer*.

About SBE Council

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SBE Council educates elected officials, policymakers, business leaders and the public about key policies that enable business start-up and growth. Through advocacy, research, media outreach, and education, SBE Council members and staff convey the importance of entrepreneurship to job creation, opportunity, economic growth and U.S. competitiveness. Since our founding in 1994, SBE Council has helped to strengthen the ecosystem for small business and entrepreneurial success in the U.S., and across the world. Twitter: @SBECouncil

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[i] Office of Rail Policy and Development, "Impact of the Staggers Rail Act of 1980," Federal Railroad Administration, March 2011.
[ii] Congressional Budget Office, Freight Rail Transportation: Long-Term Issues, January 2006.
[iii] Association of American Railroads, "The Need for Balanced Railroad Regulation," July 2017.

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