By the 1970s, decades of increasingly stringent government regulation — together with intense competition from other modes of transportation — had brought the U.S. freight railroad industry to near ruin. Thanks to Congress passing The Staggers Act on October 14, 1980, which instituted a system of balanced regulation in the rail industry, today is a very different story for railroads and our economy.

America’s freight technology-fueled railroads are the envy of the world, providing an enormous competitive advantage for U.S. businesses, huge savings for consumers, and strong support for our nation’s economy. Post-Staggers investments have also drastically improved safety, with the last decade the safest on record.

1970s: Railroads at the Brink of Ruin

During the 1970s, most major railroads in the Northeast (including the giant Penn Central) and several major Midwestern railroads went bankrupt. More than 21% of the nation’s rail mileage was accounted for by bankrupt railroads.

Between 1970 and 1979, the rail industry’s return on investment never exceeded 2.9% and averaged 2% — well below what a child could earn on a savings account. Railroads’ average rate of return had been falling for decades: it was 4.1% in the 1940s, 3.7% in the 1950s, and 2.8% in the 1960s. By 1978, the railroad share of intercity freight had fallen to 35%, down from 75% in the 1920s.

Railroads lacked the funds to properly maintain their tracks. By 1976, more than 47,000 miles of track had to be operated at reduced speeds because of unsafe conditions. Deferred maintenance — maintenance that needed to be done but railroads could not afford — was in the billions of dollars. The term “standing derailment” — when stationary railcars simply fell off poorly maintained track — was often heard.

The status quo was untenable, so Congress essentially had two options: nationalization, at a continuing cost of untold billions of dollars, or a move toward more reasonable, balanced regulation to replace the excessive regulation of the past.
Congress wisely chose balanced regulation and passed the Staggers Rail Act of 1980. By passing Staggers, Congress recognized that America’s privately-owned freight railroads needed a common-sense regulatory system that allowed them to manage their assets and price their services like most other businesses.

1980s: Staggers Transforms the Industry

The Staggers Rail Act eliminated many of the most damaging regulations, allowing railroads to take a smart, customer-focused and market-based approach to railroading. Under Staggers, regulators retained authority (which they still have today) to protect shippers and consumers against unreasonable railroad conduct and unreasonable railroad pricing. Among other things, Staggers:

- Allowed railroads to price competing routes and services differently. Railroads could now price according to market demand and operate over their most efficient routes.
- Allowed railroads and shippers to enter into confidential contracts. Such contracts were virtually unknown prior to Staggers because of regulatory restrictions.
- Streamlined procedures for the sale of rail lines to new short line railroads.
- Explicitly recognized railroads’ need to earn adequate revenue.
- Expanded regulators’ authority to exempt categories of rail traffic from regulation if regulation was not needed to protect shippers from an abuse of rail market power. For example, freight that could easily be carried by railroads’ trucking competitors could be exempted from regulation.

Today: North American Freight Rail is World’s Best

By permitting a more customer-focused, market-based approach to railroading, the Staggers Rail Act has greatly benefited railroads, their customers, and our economy at large. Sustained investment in technology and infrastructure, along with modernized operations, has allowed railroads to create a smarter, safer and more responsive network that meets evolving customer needs while delivering a more prosperous future for America.

- **Increased Productivity & Market Share:** Since Staggers, railroads have increased their productivity far more quickly than most other industries. Overall rail industry productivity was flat for many years prior to Staggers but is up more than 150% since then.
• **Customer Savings:** These productivity gains have been largely passed through to rail customers in the form of lower rates. Since the Staggers Rail Act was passed, average rail rates (measured by inflation-adjusted revenue per ton-mile) are 40% lower today than in 1980. This means the average rail shipper can move much more freight for the same price it paid more than 40 years ago.

• **Growing Intercity Market Share:** After decades of decline, the rail intercity market share (measured in ton-miles) began to grow in an expanding freight transportation marketplace.

• **Massive Investments & Better Financial Health:** Freight railroads have poured approximately $780 billion of their own funds back into their operations to create a national freight rail network that is second to none in the world.

• **Increased Safety:** Between 2000 and 2021, the train accident rate was down 33% and between 2012 and 2021, the hazmat accident rate was down 55%. The rail employee injury rate in 2020 was an all-time low. If the accident rate and the employee injury rate for all railroads had stayed the same since 1980, there would have been more than 213,000 additional train accidents since 1980 and more than 706,000 additional injuries/illnesses/fatalities. For just Class I railroads, as defined by the FRA and using the FRA numbers (not the R-1 numbers) for train-miles, the comparable savings from 1980 through 2022 are 176,000 accidents and 510,000 injuries.

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