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CONSUMERS RAILROADED OUT OF \$6.4 BILLION

New Study Details Multi-billion Fuel Overcharges, Failure by Federal Regulators to Issue Refunds

Washington, D.C. (September 13, 2007) — The nation's largest freight railroads purposely and systematically overcharged their customers by more than \$6.4 billion over four years through aggressive fuel overcharges, a new study released by the American Chemistry Council and Consumers United For Rail Equity (CURE) shows.

The two organizations, who released the study on behalf of thousands of rail customers throughout the country in all economic sectors, say the findings of the study were "outrageous" and called on Congress to pass legislation to reform the railroads and prevent future abuses.

"Never have so few stolen so much from so many – and with so little being done about it," said Jack Gerard, President and CEO of the American Chemistry Council. "This truly is the Great Train Robbery of the 21st Century. It is appalling that any industry could get away with systematic, heavy handed abuse of their monopoly powers without being held accountable. It demonstrates just how badly broken our national railroad system is today and how desperate the need is for Congress to get in and fix it."

Earlier this year, the railroads were ordered by the Surface Transportation Board (STB) to stop collecting the fuel surcharges, yet the STB never ordered any refunds and even allowed the railroads to keep collecting the overcharges for an additional three months. The STB also failed to quantify the amount of fuel overcharges collected by the major railroads.

The study was prepared by the economic and management consulting firm Snavely King Majoros O'Connor & Lee. It used publicly available data from railroad Securities and Exchange Commission filings 10-K and 10-Q and compared year-to-year reported fuel costs to reported revenue from fuel surcharges.

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Fuel Overcharges—add—1

The study covers the period from 2003 through the first quarter of 2007 and examines actions by major Class I railroads in the United States including Union Pacific, CSX, Norfolk Southern, Kansas City Southern and the Burlington Northern Santa Fe. It shows these railroads systematically overcharged their customers for fuel, and used unreasonable practices to pad their profit margins.

“While the U.S. Class I railroads saw dramatic increases in their fuel costs during the Study Period, they used fuel surcharges aggressively, transforming cost recovery mechanisms into profit centers,” the Snavely King report stated.

“During the Study Period, Snavely King estimates that the five major US railroads in the Study Group collected \$11.7 billion in fuel surcharge revenue in response to a \$5.3 billion increase in fuel costs,” the Snavely King report said.

The study comes on the heels of a strikingly similar situation in the passenger airline industry where British Airways and Korean Air were fined a combined \$846 million for colluding to set fuel surcharges artificially high. Those fines from both the U.S. and British Justice Departments are being coupled with criminal investigations into antitrust activities.

“There is a big difference between what happens in the ‘real world’ versus what happens in the ‘rail world,’ ” said Glenn English, Chairman of CURE and CEO of the National Rural Electric Cooperative Association. “In the real world, when you scheme, collude and bilk customers, you get slapped with serious penalties and fines. In the rail world, you don’t even get a slap on the wrist. This demonstrates in the starker of terms the fact that the STB is broken and that Congress must step in to reform this industry.”

Since 1980, when Congress deregulated the rail industry, consolidation and mergers have resulted in just a handful of Class I railroads that operate like regional monopolies. In October 2006, the General Accountability Office issued a report citing the fact that there was little competition in the rail industry. Customers who have no other transportation alternatives have seen steady increases in prices while service levels have continued to erode.

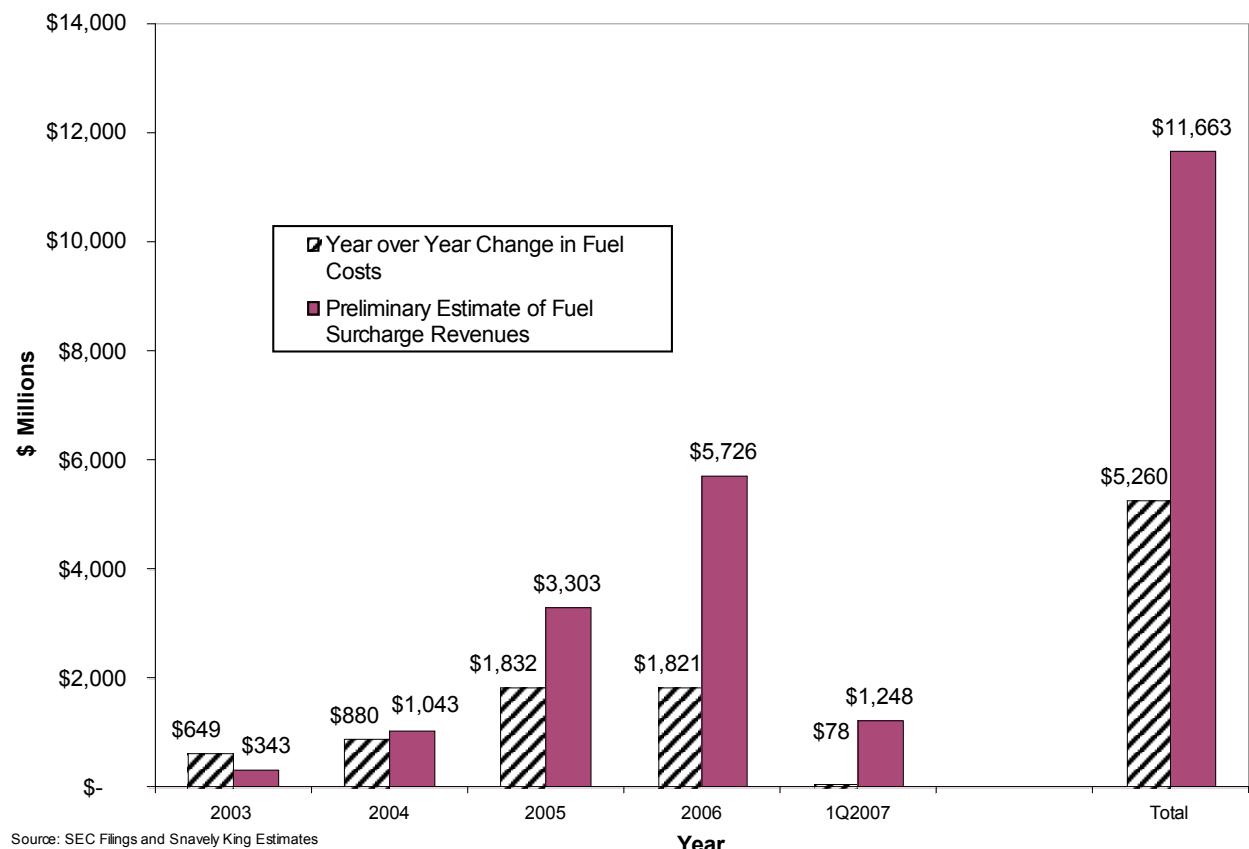
The American Chemistry Council and CURE are supporting two bills that have been introduced in both the House and Senate. They are the Railroad Competition and Service Improvement Act of 2007 (H.R. 2125 in the House and S. 953 in the Senate) and the Railroad Antitrust Enforcement Act of 2007 (H.R. 1650 in the House and S. 772 in the Senate). Collectively, these bills would strengthen the Surface Transportation Board, require greater competition between railroads and remove the antitrust exemptions currently enjoyed by the railroads.

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Fuel Overcharges—add—2

Following is a chart from the Snavely King study showing the fuel overcharges by year:

Year over Year Change in Fuel Cost and Preliminary Estimate of Fuel Surcharge Revenue (\$ Millions)



Please contact CURE for the full Snavely King report and executive summary.

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