



Government Accountability Office Report
**“Freight Railroads: *Industry Health Has Improved, but*
Concerns about Competition and Capacity Should Be Addressed”**
October 2006
<http://www.gao.gov/new.items/d0794.pdf>

America needs a national rail system that provides reliable transportation at a reasonable price. In 1980, Congress determined that competitive rail activities should be governed by the market, while government supervision should continue for those rail customers without access to competitive transportation. This recent GAO report indicates that these Congressional goals have not been met. Making our nation’s railroads efficient, affordable and reliable is critical to America’s economic security in the 21st century.

An October 2006 Government Accountability Office (GAO) report supports complaints that there is little competition available to rail customers; the Surface Transportation Board (STB), the regulatory body that oversees the railroads, has not taken the appropriate actions to achieve effective competition among rail carriers; the rate complaint processes at the STB do not work; the STB does not accurately measure railroad revenues; and there is significant doubt whether the rail system, under current federal rail policy, will be able to meet future traffic demands. Indeed, although the question of service was beyond the scope of this GAO report, there is substantial evidence that the rail industry is not meeting today’s freight traffic demands.

The GAO Concluded:

- “Concerns about competition and captivity (in the rail industry) remain as traffic is concentrated in fewer railroads.”
- “[The Surface Transportation Board’s] rate relief processes are largely inaccessible and rarely used.”
- “We believe that an analysis of the state of competition and the possible abuse of market power, along with the range of options STB has to address competition issues, could more directly further the legislatively defined goal of ensuring effective competition among rail carriers.”
- “Costs, such as fuel surcharges, have shifted to shippers, and STB has not clearly tracked the revenues the railroads have raised from some of these charges.”
- “Significant increases in freight traffic are forecast, and the industry’s ability to meet them is largely uncertain.”

(Source: Pages 1-11 of the GAO report)