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Who's Afraid of Competition?

Shippers call for much needed reform while railroads lobby for federal protections

Washington, D.C.(September 25, 2007) —The railroad industry is working hard to maintain its regulatory advantages by opposing reform legislation that would improve rail service and remove barriers to competition in the railroad industry, rail customers said today at a House Transportation and Infrastructure Committee hearing.

Rail customer representatives including Glenn English, National Rural Electric Cooperative Association; Ron Harper, Basin Electric Power Cooperative; Wayne Hurst, Idaho Grain Producers Association; Terry Huval, Lafayette Utilities Service; Susan Diehl, Holcim, Inc. and Gary Spitzer, Dupont testified in favor of the Rail Competition and Service Improvement Act of 2007 (H.R. 2125) as part of the Committee's hearing on "Rail Competition and Service." H.R. 2125 is sponsored by Transportation and Infrastructure Committee Chairman Rep. James Oberstar (D-MN) and Rep. Richard Baker (R-LA).

During their testimony, rail customers outlined the devastating effects railroad monopoly power is having on their industries and the economy as a whole. Utility companies noted that skyrocketing freight rail prices are forcing them to import foreign coal, which is often a more affordable alternative to paying the railroads' monopoly prices. Meanwhile, grain producers are having difficulty getting their product to consumers as railroad companies increasingly refuse to transport grain or fail to make scheduled pickups and deliveries.

"Now is the time to reform railroad policy that for too long allowed major railroads to abuse their monopoly status and anti-competitive power to the detriment of customers and consumers," said Glenn English, Chairman of the Consumers United for Rail Equity and CEO of the National Rural Electric Cooperative Association. "This bipartisan legislation is sorely needed because the scales are currently tipped in favor of the railroad companies that continue to hide behind federal regulations that protect their monopoly powers."

Today's hearing comes on the heels of a newly released study by the American Chemistry Council (ACC) showing that 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. The hearing comes within a week of the Senate Judiciary Committee reporting to the full Senate legislation to remove the railroad industry's exemptions from the nation's antitrust laws.

"The railroads cannot be allowed to get away with such heavy handed abuse of their monopoly powers," English said. "As word of the railroad's abuse continues to make its way around Capitol Hill, more and more lawmakers are coming out in support of much needed reform."

In 1980, Congress passed the Staggers Rail Act with the intent of reinvigorating the railroad industry through deregulation. At the same time, the legislation charged the Interstate Commerce Commission—now the Surface Transportation Board (STB)—with protecting rail customers from unreasonable rates and practices.

CURE supports Chairman Oberstar's effort to bring accountability and fairness to the rail industry. H.R. 2125 would:

- Require the STB to address rail service problems;
- Require the STB to remove artificial barriers to competition and allow more railroad transactions to be governed by market competition; and
- Streamline the rate challenge process to reduce filing fees to commonsense levels and provide rail customers with a system that fairly addresses their concerns consistent with the Staggers Act.

A companion Senate bill (S. 953) is currently pending in the Senate Committee on Commerce, Science and Transportation**.**

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Consumers United for Rail Equity (CURE) represents a wide variety of rail customers including public utilities, rural electric coops, agriculture; chemical, ethanol, cement and other manufacturers, forest and paper companies, and their customers.