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NATION'S LARGEST RAILROADS OVERCHARGED FREIGHT RAIL CUSTOMERS $6.4 BILLION ACCORDING TO NEW STUDY

Surface Transportation Board Rules Fuel Surcharge Practices were "Unreasonable" But Fails to Call For Refunds or Quantify Amount of Overcharges

SUMMARY: An economic analysis commissioned by the American Chemistry Council on railroad fuel surcharge practices during 2003 through the first quarter of 2007 revealed that five Class I railroad carriers - Union Pacific, Burlington Northern Santa Fe, Norfolk Southern, Kansas City Southern, and CSX - overcharged rail shippers $6.4 billion in fuel surcharges,

- ***STB RULES FUEL SURCHARGES UNREASONABLE*** -- In January of 2007, the Surface Transportation Board (STB) declared as an "***unreasonable practice"*** the manner in which these railroads were computing and imposing fuel surcharges on customers. The STB also found unreasonable the railroad practice of imposing fuel surcharges that were not directly related to the fuel used in moving the freight of customers. As a part of the ruling the STB called on the railroads to do the following:

  - No longer assess fuel surcharges that are based on a percentage calculation of the base rate charged to freight railroad customers.

  - Eliminate the practice of ***"double-dipping"***, which is charging a fuel-cost increase for a shipment both through a fuel surcharge and through the application of a rate escalator based on an index like the STB's Railroad Cost Adjustment Factor**.**

- ***RAILROADS TRANSFORM FUEL SURCHARGE INTO PROFIT CENTERS*** – The fuel costs for the Class I Railroads rose from $3.442 billion in 2003 to $7.976 billion in 2006. However, through their fuel surcharge programs, these five U.S. Class I railroads generated revenues from customers that far exceeded their actual increase in fuel costs. During the study period, the railroads collected $11.66 billion in fuel surcharge revenue against an increase in fuel costs of only $5.26 billion.

- ***RAILROAD PROFITS INCREASE DESPITE RISING FUEL COSTS*** – During the study period the railroads realized significant gains in profitability, particularly during 2005 and 2006.

- ***STUDY BASED ON RAILROAD PUBLIC FINANCIAL FILINGS*** -- 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 10-K and 10-Q FILINGS and compared year-to-year reported fuel costs to fuel surcharge revenues.

For a full copy of the study, please visit http://www.railcure.org/rail.htm