



Railroad monopoly costs N.D.

By Dennis Hill

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The next time you open your electric bill, take a close look at the line that shows how much of it goes to pay for excessive costs charged by the nation's freight railroads. If you have trouble finding that exact item, it's because it's not printed in your bill – but the extra costs are there nonetheless.

In America's heartland, our utilities mostly use coal to generate electricity. In the United States we enjoy an abundant supply of coal, which is relatively cheap compared to other fuels used to make electricity. Yet something is seriously wrong when our major national railroads charge so much to transport coal and deliver it so sporadically that some utilities now find it cost-effective to purchase coal overseas and have it shipped to the U.S.

But it doesn't end with coal. Consumers are paying more for everything from two-by-fours to breakfast cereal as a result of the exorbitant rates the rail industry is charging for shipments.

Why are the railroads allowed to charge so much? The answer is monopoly pricing power. Over the past 25 years, the railroad industry has consolidated to just four major railroads that control more than

90 percent of all freight shipped by rail in the United States. They are "overseen" ineffectively by the Surface Transportation Board, which lacks a fair and workable process for challenging rail rates.

The result, as verified by a recent Government Accountability Office report from late last year, is a lack of rail industry competition, high rates and unreliable service for many rail customers. In short, today's major U.S. railroads possess unrestrained monopoly power over many rail customers.

Fortunately, Congress is taking a critical look at the problems faced by rail customers and consumers affected by high prices and deteriorating rail service.

Sen. Byron Dorgan, D-N.D., and Rep. Earl Pomeroy, D-N.D., have played an active and crucial role in moving this issue forward. They are both co-sponsors of legislation that would improve rail oversight, reduce monopoly pricing abuses and create a more level playing field for consumers.

Recently, Dorgan was successful in passing several important amendments, which were fought vigorously by the rail industry. One of these amendments requires a study of whether the nation's rail system has the capacity and reliability necessary to transport the increasing levels of ethanol being produced by our farmers and whether that ethanol will

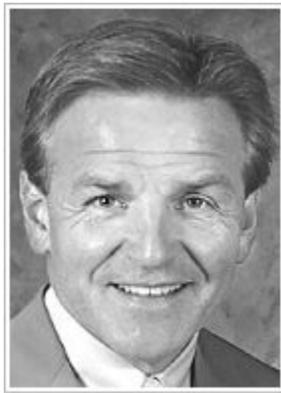
move in a competitive transportation market or, if not, whether federal law is adequate to ensure ethanol moves reliably and at a reasonable price – critical issues for North Dakota.

You would think that given the monopoly nature of railroads, customers would have recourse to appeal anti-competitive or abusive practices. But that is sadly not the case. The only venue to bring a complaint is the STB. The STB is supposed to mediate disputes between shippers and railroads fairly, yet the STB process is unfairly skewed in the railroads' favor. Take for example the fact that the STB recently raised the fee it charges to bring a complaint from \$140,200 to \$178,200 – and that's just the filing fee. That's like saying you have to pay \$10,000 just to challenge a parking ticket. Who's going to do that? That's right, nobody.

Another of Dorgan's amendments that was successfully included in legislation addresses this issue by capping the STB filing fee at \$350 – the same as anyone would pay to file a suit in U.S. District Court. Common sense provisions like these are sorely needed.

Dorgan and Pomeroy's hard work on these issues is increasingly important as railroads continue to use and abuse their monopoly power. We applaud Dorgan and Pomeroy for standing with rail customers, rural communities and consumers and standing up to the monopoly railroads. It's time for Congress to get the major national railroads back on track.

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