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STB Study Shows Consumers, Agriculture Hit Hard by Railroad Monopoly Power, Highlights Need for Rail Reform

Washington, D.C. (Nov. 5, 2008) — A study commissioned by federal railroad regulators provides solid evidence of the abuse of monopoly power by the freight rail industry resulting in higher prices for American consumers, the agricultural sector and rural America, representatives for rail shippers said today.

The study, which was commissioned by the Surface Transportation Board (STB), provides evidence previously denied by the freight railroad industry that they are abusing their unique exemption from antitrust law to exert anticompetitive business practices – by charging shipping rates 500 to 700 percent above cost and refusing to provide adequate service to freight rail shippers who are captive to only one railroad.

Bob Szabo, Executive Director of Consumers United for Rail Equity (CURE), a coalition of rail dependent shippers, said the STB needs to look no further than its own study for instruction on the current state of freight railroad monopoly power.

“In ruling after ruling, the STB has denied captive rail shippers their due process for reasonable rates and fair treatment by the railroads, even though that was the charge given the Board when Congress created it in 1995,” Szabo said. “Now there is clear evidence of the problem from research they commissioned, in addition to dozens of shipper filings over the years and continuous input from groups representing shippers, consumers, industry and agriculture. The evidence is overwhelming and stark -- this study clearly proves that freight railroad overcharges are resulting in a hidden tax on American consumers.”

Szabo pointed to specific examples in the study of the current state of freight railroad monopoly abuse:

- Counter to the railroads’ assertions, the study shows that captive rail customers exist and some are paying an unfair share of railroad costs.
- The study reports that the most recent data available indicates 44 percent of rail traffic by tonnage is captive to only one rail line. Especially hard hit are rural areas, where 35 percent of the U.S. grain harvest relies on rail transportation, according to the study.
- The study also shows the percentage of traffic that is captive has increased since 2001 and the percentage of captive traffic paying more than 300 percent of railroad variable costs has increased from 12 percent in 2001 to 17 percent in 2006.
- The researchers indicated that the lack of transparency in the railroad industry, a problem of which rail shippers have complained for years, made it impossible to make certain determinations that would have been relevant to the report.

The report, entitled “A Study of Competition in the U.S. Freight Railroad Industry and Analysis of Proposals that Might Enhance Competition,” is available at the Surface Transportation Board website, at <http://www.stb.dot.gov/>.

Szabo said two bills introduced in the current Congress, the Railroad Antitrust Enforcement Act and the Railroad Competition and Service Improvement Act, would address the lack of competition in the national rail system that was identified in the study and provide the regulatory oversight of captive rail rates recommended by the study. These bills would subject railroads to the same antitrust law as all other U.S. businesses, and reform the practices of the Surface Transportation Board.

Legislation to make railroads subject to antitrust law passed both the House and Senate Judiciary Committees by unanimous voice votes and is ready for consideration by the full House and Senate. Both bills are expected to be considered by the next Congress, which convenes in January 2009.

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Consumers United for Rail Equity (CURE) represents a wide variety of rail customers including public utilities, rural electric co-ops, agriculture groups, as well as chemical, ethanol, cement, forest and paper companies, and other manufacturers.

For more information about CURE visit: www.railcure.org