



For Immediate Release:
www.railcure.org

Contact: Tad Segal (202) 884-7328
tad.segal@widmeyer.com

Energy Bill Will Boost Ethanol Production But Congress Asks Railroads: Are You the Weakest Link?

Washington, DC (July 12, 2007) – The Energy Bill about to be passed by Congress will boost the production of ethanol but now also raises a worrisome question: what if all that extra ethanol can't get where it needs to go at a price consumers are willing to pay because the nation's railroads can't handle it?

The Energy Bill, expected to be passed out of Congress soon, now contains a study inserted by Congresswoman Tammy Baldwin (D-WI) that will find out whether the nation's railroads can actually handle the increased transportation requirements of more ethanol production at a competitive price.

And there's plenty of reason to be worried, noted Glenn English, former member of Congress, CEO of the National Rural Electric Cooperative Association and Chairman of Consumers United for Rail Equity (CURE), a coalition of rail customers seeking changes in federal rail policies. CURE fought in favor of the amendment along with numerous other organizations, shippers and one of the largest rail unions, the United Transportation Union (UTU).

“As our country's energy policies place more importance on the role of renewable fuels, we are very glad that the Congress is interested in finding out whether the railroad industry will be able to provide adequate service to ethanol producers and at fair rates,” stated Josh Morby, Executive Director of the Wisconsin Bioindustry Alliance.

A June, 2007 report by the General Accounting Office (GAO) stated: “Biofuels are transported largely by rail and the ability of that industry to meet growing demand is uncertain.” The GAO report was requested by Sen. Barack Obama (D-IL), Sen. Chuck Grassley (R-IA), and Sen. Tom Harkin (D-IA).

CURE and others argued that Congress should be concerned by the “do-nothing” Surface Transportation Board and the anti-competitive practices of the railroads that operate like 19th century monopolies, overcharging shippers for poor service because they have nowhere else to go. The amendment was included in the version of the bill marked up by the House Energy and Commerce Committee last week, mirroring similar language already in the Senate version.

--more--

“This is an important issue that requires the full attention of Congress to shine some light on the horrendous state of affairs of the railroad system in this country,” English said. “Increasing ethanol production is an important goal. It will reduce our reliance on foreign energy sources and improve the environment. But if the raw materials and finished product can’t get where they need to go at a price shippers can afford, then consumers will ultimately pay the price.”

English pointed to numerous examples showing that the nation’s 4 largest railroads, which transport 95 percent of the nation’s rail freight, are gouging shippers, abusing their monopoly status and are unwilling to provide improved service at any price, including:

- A recent GAO report found that there is little competition available to rail customers and that the regulatory agency for the railroads, the Surface Transportation Board, has not taken the appropriate actions to achieve effective competition among rail carriers.
- The STB refused to grant a GAO recommendation for an analysis of the state of competition in the rail industry and the extent of possible abuse of market power by the railroads.
- Earlier this year, the railroads were found to have profited by improperly overcharging their customers nearly \$2 billion in added fuel surcharges.

CURE believes the solution to these problems is to pass reform legislation designed to complete the work of the Staggers Act, which deregulated the railroads in 1980. A growing bipartisan group of House and Senate Members have sponsored bills that would strengthen the STB and ensure all customers have access to rail competition by addressing the railroads current broad exemption from the nation’s antitrust laws.

The two bills have been introduced in both the House and Senate and are awaiting committee action. The bills are the Railroad Competition and Service Improvement Act of 2007 and the Railroad Antitrust Enforcement Act of 2007. They would:

- Ensure rail customers access to rail competition
- Ensure a workable rate challenge process at the STB for those rail customers without access to transportation competition
- Ensure a proactive STB instead of the reactive nature of the regulatory body today
- Bring the railroads under the nation’s antitrust laws to prevent collusion and price fixing.

House Transportation and Infrastructure Committee Chairman Rep. James Oberstar (D-MN) is the lead sponsor of the Railroad Competition and Service Improvement Act of 2007 and Sen. Herb Kohl (D-WI), the chairman of the Senate Judiciary Antitrust Subcommittee, is a lead sponsor of the Railroad Antitrust Enforcement Act of 2007.

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

###