



LTE: Captive shippers left out in the cold

By Glenn English
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March 31, 2008

The railroad industry today finds itself in what many businesses would view as an enviable position. It is overseen by an indifferent and often sympathetic regulator, while at the same time enjoying unfettered monopoly pricing power.

The March 3 column by Ted Prince, "Deconstructing deregulation," makes the excellent point that those rail customers who have access to competition enjoy lower rates than those who are captive to the rail monopoly and so have no other transportation choices.

In other words, competition in the rail industry is limited to a select group of preferred customers, while the rest of us are gouged under the "watchful eye" of the Surface Transportation Board.

This situation is the evil twin of what Congress had in mind when it partially deregulated the railroads in 1980. The legislation accomplishing that, the Staggers Rail Act, was meant to spur competition and give the railroads freedom to pursue new business models. It was also meant to provide protection for captive customers who were left with no alternative modes of transportation.

What has happened since 1980 has been a complete abdication of responsibility by the STB to adhere to Staggers and a failure of will in Congress to reform this wayward regulator. The Surface Transportation Board has actually enabled the railroads to block customer access to competition, while at the same time, the railroads are exempt from the nation's antitrust laws.

To make matters worse, the industry has consolidated from more than 40 carriers in 1980 to just four railroads today that move more than 90 percent of all rail freight. These big four have a high degree of monopoly power in their service areas - and rail-to-rail competition is virtually nonexistent.

Congress can fix this problem by injecting much-needed competition into the rail industry, in part by removing the anachronistic and harmful antitrust exemptions enjoyed by the railroads and reforming the STB. These simple changes would go a long way toward addressing the monopoly power of the railroads and preventing predatory pricing

practices. Congress ought to ask the railroads one question: Given that they asked for and received competition in 1980, why are they so afraid of it today?

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