

Congress hearing new calls for more railway regulation

Shippers in Minnesota and elsewhere want lawmakers to intervene to foster more competition among the railroads.

By CONRAD WILSON
March 27, 2008

WASHINGTON - A coalition of farm and rural business interests from across Minnesota has banded together with a national group challenging what they call the monopoly power of the nation's railroads.

The freight customers are supporting bills in Congress that would end an antitrust exemption for railroads and would foster competition, and they have turned to Minnesota's congressional delegation for help.

Four railroads control more than 90 percent of the nation's rail traffic, said Mark Glaess of Gopher CURE, the Minnesota arm of Consumers United for Rail Equality, which is pushing for the changes.

Many representatives of Minnesota freight shippers say their rates have risen sharply since 2004, particularly for so-called "captive" shippers -- those who have only one railroad option. The Consumer Federation of America estimates that limited railway competition costs the average U.S. family several hundred dollars a year.

The railroads counter that, overall, shipping rates have not kept up with inflation since 1985, a claim corroborated by a 2007 report from the Government Accountability Office, the independent investigative arm of Congress. The GAO said that rates did rise after 2000, and by 9 percent between 2004 and 2005, the last year examined, but were still lower than in 1985.

The report also said that "miscellaneous" revenue for railroads, including some fuel surcharges, had increased markedly from 2000 to 2005, though they still accounted for less than 4 percent of total revenue.

Brian Sweeney, a lobbyist in St. Paul for the Burlington Northern Santa Fe railroad, said that rates "did not go down uniformly. Some commodities are costing more than others. But generally, rates across the board have gone down."

Further, railroad officials say, the bills in Congress would add regulations as they are trying to expand and rebuild their aging infrastructure.

"At a time when the biggest issue facing this industry is where are we going to come up with the capital we need to reinvest for the expansion to handle the capacity that's coming our way ... here's legislation that would drive capital out of the industry," Sweeney said. "It would take us back to the type of regulation that was killing the industry 25 to 30 years ago."

In 1980, Congress deregulated part of the rail industry, but did not remove antitrust exemptions that applied.

Railroads haul about 40 percent of the freight moved in the country. The seven major rail companies earned \$7.6 billion in 2006, up from \$3.7 billion a decade earlier.

In Minnesota, most rail freight is handled by four lines: Burlington Northern Santa Fe, Canadian Pacific, Union Pacific and Canadian National.

Nationally, roughly 20 percent of rail traffic is "captive," according to CURE. On average, captive shippers pay more than twice the rates than do others who benefit from competition, according to Escalation Consultants, a shipping consulting firm.

Russ Crawford, manager of the Wilmont-Adrian grain cooperative in southwest Minnesota, said it is less expensive for him to truck to where there is railroad competition than to ship directly from the short-line track at his co-op.

"I've been down here for about three years, and discovered that the railroads aren't going to work for me here," he said. "Until such time something changes, I don't see us ... dealing with the railroads again."

Rep. Tim Walz, D-Minn., has signed on to the bills in Congress. "I've heard time and time again from southern Minnesota's farmers, electric co-ops and small businesses how badly we need to restore competition to the rail industry," he said.

All but two members of Minnesota's congressional delegation have signed on to the legislation. Reps. Michele Bachmann and John Kline are still reviewing the bills.