

Commentary: LUS: Customers pay premium for rail deregulation

By Bill Decker
March 30, 2008

Deregulation is supposed to save money. So why, Terry Huval wants to know, is shipping coal from Wyoming to Rapides Parish so expensive?

Huval is the director of Lafayette Utilities System, the city-owned water and power utility. Already grappling with investor-owned phone and TV companies over its fiber telecom initiative, LUS also fights a lesser-known battle with another white square on the Monopoly board: the railroads.

Huval says too little competition among railroads means that LUS pays too much to ship low-sulfur coal from Wyoming to the Rodemacher 2 generating plant in Boyce. LUS owns half that plant, which provides 65 percent of Lafayette's electricity.

LUS says its experts estimate that the city utility pays \$15 million a year more than it should to ship the coal to Boyce by rail. Public and private schools pay about a 10th of that in the fuel portion of their power bills. The average owner of a 2,500-square-foot home pays an extra \$300 a year.

When deregulation fever swept the country in the early 1980s, the railroad industry was in trouble because of competition from truckers. Even freedom from the most odious rules couldn't save familiar railroads: Mergers and failure have left only four major railroads standing, two on either side of the Mississippi.

Huval told our editorial board last week that because BSNF and Union Pacific, the western powers, don't seem eager to fight over the LUS coal-hauling business, the rail rates are artificially high. Huval didn't quite accuse the railroads of collusion. But he did mention that railroads, like major league baseball, are exempt from anti-trust rules. Nevertheless, baseball was socked with big fines in the late 1980s for colluding to keep free-agent salaries low.

Huval and other utility officials are asking Congress to take away the exemption from railroads and to make it easier to complain about freight costs to the federal Surface Transportation Board.

The rail-equity fight underscores the need for something more moderate than an all-or-nothing approach.

Some deregulation has been successful - trucking and airlines, for example. In other cases, the nation has suffered from unfettered capitalism. As the subprime lending crisis continues to deepen, and two decades after the savings and loan meltdown, we have to wonder how many times weak banking rules will bring the nation to the economic brink.

Deregulation succeeds when it nurtures choice, innovation or savings. If railroads instead want to play Monopoly, then the solution Huval suggests - making them prove they're not functioning as predatory trusts - is just.