



Rail Customer News & Information From CURE



# RAIL REPORT

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## 2010 - Year in Review

### *Note from Bob Szabo, Executive Director of CURE*

In 2010, CURE built on unprecedented progress from 2009, as we continued to advocate common-sense reforms that will ensure rail shippers are treated fairly. This issue of the Rail Report spotlights some of the notable events that have occurred in this, the 111<sup>th</sup> Congress. The CURE coalition is looking forward to the new Congress that convenes in January, 2011, and the important work that lies ahead.

### Senate report spotlights deception by the rail industry

The staff of the U.S. Senate Commerce, Science and Transportation Committee released a shocking report on September 15, 2010 that revealed the lengths the rail industry will go to avoid reforms that would protect rail shippers and consumers.

The report, released by Chairman Rockefeller (D-WV), concluded that the railroads are some of the "most highly profitable businesses in the U.S. economy," but found a consistent pattern over the past several years of the railroads downplaying their success to the federal government in order to preserve their favored regulatory position. The railroads then use this favored position to extract excessive rates from American businesses and farmers.

Last year, the [Consumer Federation of America](#) released a study that showed freight railroads are responsible for overcharges that cost American consumers at least \$3 billion annually on everything from the food we eat to the electricity we use to heat our homes.

A full copy of the Senate report can be found [here](#).

## **At hearing, Senate chairman vows to protect rail shippers**

In September, Senate Commerce Committee Chair Jay Rockefeller (D-WV) promised to press forward with rail relief legislation shortly after the Committee released their report detailing how the rail industry has deceived their way out of pro-consumer regulation.

"We need a rail system that works not just for the freight railroads, but for all- shippers, passengers and consumers. Unfortunately, it has felt at times like the railroads- some much more than others- have attempted to delay this process, hoping that these reforms will die if they can only stretch the process out through the elections," Rockefeller said at the September hearing.

The Chairman also insinuated that the Surface Transportation Board historically has been in the hands of the railroads, just like its predecessor the Interstate Commerce Commission (ICC).

"They have had such input, if not ownership, up until recently, of the ICC and the STB and their respective chairmen, I can understand why they don't want to change. But what is at stake here is are we talking in public policy in the Congress of this country about simply what is good for them and sort of forgetting about consumers and shippers and people and non-freight railroads, or are we just talking about what's good and profitable for them," he said.

CURE applauds the STB, led by Chairman Dan Elliott, for announcing recently a proceeding to review exemptions, which have long prevented shippers of many commodities from seeking relief at the STB from railroad monopoly practices and pricing. Rail shippers remain hopeful that this is the first of many hearings to address key aspects of rail reform legislation.

A full video of the Senate Commerce Committee hearing can be found [here](#).

## USDA/DOT: Railroad monopoly is hurting rural America

A joint report issued by the U.S. Department of Agriculture (USDA) and the Department of Transportation (DOT) on rural transportation included dramatic findings about the excessive costs farmers and customers are forced to pay due to the lack of competition in the freight rail industry.

The [report](#), released in April, found "considerable evidence" that freight rail companies used excessive fuel surcharges to boost profits artificially.

Other key findings included: increased electricity rates for rural consumers, a loss of rail competition from 1992-2007 in almost 75 percent of agricultural areas; and a decrease in unrestricted interchange of traffic, routing choices and the level of competition due to the consolidation of the railroad industry.

In September, the Midwestern Association of State Departments of Agriculture (MASDA) called on President Obama and Congress to enact bipartisan rail reform legislation sponsored by Senators Jay Rockefeller (D-WV) and Kay Bailey Hutchison (R-TX). At its annual conference, MASDA passed a [resolution](#) and promised to work for the enactment of S.2889, the Surface Transportation Board Reauthorization Act, which included findings from the USDA/DOT study and the U.S. Senate Commerce Committee report.

## Lawmakers hear from shippers during CURE's Rail Customer Day

In May, freight rail customers met with leading Members of Congress during CURE's annual Rail Customer Day on Capitol Hill. The event provided an opportunity for lawmakers to hear about the challenges facing shippers and the need for proper oversight of the abusive pricing power exerted by the freight railroad monopoly.

"The current lack of protections against monopoly pricing is hurting our economy," said Glenn English, chairman of CURE.

"Congress can provide debt-free economic stimulus and restore fairness to railroad pricing by removing the monopoly protections that railroads have been exploiting."

In addition to meetings with members of Congress, Rail Customer Day included a breakfast rally with Chairman Rockefeller (D-WV), Senators Herb Kohl (D-WI), Byron Dorgan (D-ND) and Amy

Klobuchar (D-MN) and an evening reception with Chairmen James Oberstar (D-MN) and John Conyers (D-MI), Congresswoman Tammy Baldwin (D-WI) and Congressman Tim Walz (D-MN).

Highlights from the 2010 Rail Customer day can be found [here](#).

## Captive shipper shares story of railroad abuses

In an [op-ed](#) in the *Daily Caller* last June, vice-president of the East Texas Asphalt Company Gene Carrier wrote about the impact the railroad's unchecked pricing power has on small businesses like his. Like many companies, Carrier's family-owned business must rely on railroads when it comes to shipping. But at some of their facilities, Carrier's company has access to just a single railroad, making them a captive shipper. As a captive shipper, their business is at the mercy of the railroad and has endured unreliable service and unfair pricing schemes that are hurting their bottom line.

Carrier said that 59 cents out of every dollar that customers spend on East Texas Asphalt Company products goes to railroad transportation costs alone. Their business has been forced to cut workers' hours and increase consumer costs to cover the price of railroad shipping. Carrier stressed the need for rail relief legislation and his hope that Congress would "restore fairness to railroad pricing and provide relief to shippers and consumers getting bullied by big railroads."

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