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Noted and Quoted

"The fact that CSX could grow earnings 40% in the face of a 2.3% carload decline and hurricane disruptions only underscores why we like the rail story. The company's impressive 2010 guidance despite economic uncertainty is also a positive. As for pricing, the strong 3Q08 yields and a recent rate case filing suggest CSX has no plans to ease up on pricing near-term."

A Morgan Stanley analyst commenting on the CSX third-quarter earnings report

Railroad Monopoly Pricing Power on Display in 3rd Quarter Earnings

Profits Way Up; Volumes Down

The nation's largest freight railroads posted blistering third quarter profits last week despite declining shipping volumes, an historic economic crisis, two hurricanes that disrupted service and soaring fuel prices - providing further proof that they are committed to using their monopoly pricing power to its fullest extent.

The railroads reported the following third quarter profits:

- BNSF - earnings of \$818 million (21 percent) or \$2.00 per diluted share, compared to \$1.47 per share in the third quarter of 2007.
- Union Pacific - 32 percent increase in third quarter net income to \$703 million, up from \$532 million a year ago. Per share earnings climbed 38 percent to \$1.38 from \$1.00 last year.
- Norfolk Southern - 35 percent jump in third quarter profits, \$520 million, or \$1.37 per share, compared with \$386 million, or 97 cents per share in the third quarter of 2007.
- CSX - 40 percent increase in quarterly net income of \$382 million, or 94 cents a share, compared with \$297 million, or 67 cents a share, a year earlier.

According to the statements of these railroads, these profits are substantially the result of monopoly pricing power over captive rail customers, noted CURE. These record profits benefit shareholders and the officers of the railroads, while consumers "pay the freight" through higher prices on everything from utility bills, to breakfast cereal, to lumber.

"When the economy is suffering, when railcar volumes are declining, when fuel prices are soaring - how can these railroads continue to post massive profits?" asked CURE Chairman Glenn English. "The answer is clear - unfettered monopoly pricing power that hurts consumers, hurts our rural communities and hurts our nation's farmers."

The results of higher prices generated through monopoly pricing has a dramatic impact on agriculture, which has no viable transportation options and is being hit hard by rising input costs, including transportation, falling commodity prices and price increases on moving agriculture products to market.

"Farmers and rural communities are being hit with a massive hidden tax imposed by the monopoly pricing power of our nation's railroads," English said. "Our farmers are already suffering. The last things they need are indefensible rail transportation price increases while all of their input costs are increasing and commodity prices are declining."

DOT Audit Calls for Shipper Horror Stories

Sen. Dorgan Secures Study in Approps Bill

Members of CURE have an opportunity to speak directly to officials at the U.S. Department of Transportation (DOT) about their struggles with poor rail service and monopoly rail rates, thanks to a new study being undertaken by the DOT to determine the current state of U.S. railroad service for shippers.

The study is the result of an amendment by Senator Byron Dorgan (D-ND) who proposed the audit in response to his interaction with CURE members and others who complained about inadequate rail service. Dorgan's amendment calling for the audit was approved by the Senate Appropriations Committee and included in the Transportation Appropriations bill for fiscal year 2008 that passed the Congress.



Sen. Dorgan (D-ND)

The DOT announced Oct. 15th that its Office of Inspector General has begun an examination of railroad service disruptions that have occurred since 2004. The study is particularly focused on inadequate rail service with respect to shipments of commodities, such as coal, wheat, ethanol, and lumber. The results of the audit could include legislative recommendations from DOT on correcting the service issues.

To tell your story to the DOT, CURE coalition members should contact audit Program Director Mitchell Behm at (202) 366-1995, or audit Program Manager Betty Krier at (202) 366-1422. Or [contact CURE](#) for additional assistance.

"Our commodity shippers need to stand up and be heard by the Department of Transportation on their service problems, which have cost consumers, farmers and manufacturers millions and perhaps billions of wasted dollars," said Bob Szabo, executive director of CURE. "The results of this audit in the executive branch could help provide a catalyst in the legislative branch, but only if the full story is told of inadequate railroad service."

"We are fortunate to have Sen. Dorgan's strong and continued support in attempting to document and quantify just how bad the situation is for rail shippers," said Szabo, "Now we need to support the senator's work by giving the DOT real-world examples of the abuses of railroad monopoly power."

Captive Customer Fights Back to Protect Florida Consumers

*Seminole Electric Working to Save Customers
from \$100 Million Overcharge*

A non-profit Florida electric cooperative is pleading with government regulators to step in to prevent a \$100 million annual rip-off of its customers by the railroads.

The case by Seminole Electric is against CSX Railroad, which on January 1, 2009 will double its shipping rates for the coal Seminole

Electric uses to provide power to customers in two-thirds of Florida's counties. This CSX action will cost Florida consumers an extra \$100 million annually in higher electric bills.

"That the railroads are so eager to pad their pockets with profits at the expense of American consumers during this economic downturn is absolutely unconscionable," said CURE Executive Director Bob Szabo.

Seminole Electric is painfully aware that bringing the case before the Surface Transportation Board (STB) may ultimately prove both very expensive and futile, although this is their only option in law.

"The filing fees alone are usurious, the process takes years, and since 2000 the STB has only provided meaningful relief to the rail customer in one of the 15 coal rate cases considered by the STB," Szabo said. "In all the other cases, the STB has upheld the railroad abuse of its monopoly pricing power, while ignoring the economic impact on consumers. That's why Congress must step in to reform this broken government agency."

CURE Member Shows Best Place to Meet Legislators May Be Your Own Back Yard



Ramthun

As an active member of his community, Mark Ramthun, general manager of CURE member Denison Municipal Utilities in Crawford County, Iowa, frequently attends events of local importance in the company's Community Room, one of the few accessible meeting places in this part of Iowa.

In July, Sen. Charles Grassley (R-IA) was using the space for a town hall meeting, when Ramthun experienced an important realization.

"It just struck me while he was talking that I don't need to go all the way to Washington, or even to a district office, to talk to my Senator. Here he is coming to me," said Ramthun.

So while rail reform was not the main reason for the town hall meeting, Ramthun saw his chance. "It was a very positive forum where the Senator was listening to all sorts of input from members of the community on issues that are important to them, to our county and to Iowa. So I stood up and explained that Iowans were paying too much for their electricity because the railroads were overcharging for coal."

Ramthun explained Denison Municipal's situation as a captive shipper and told the Senator that similar situations exist across the country, but that Congress can put a stop to these railroad abuses of power by passing the Railroad Antitrust Enforcement Act.

Ramthun's action not only informed his Senator, but also informed the other participants in the meeting who had been unaware of the costs to consumers from railroad monopoly power.

"I think in that brief encounter, a lot of my neighbors' eyes were opened to an issue they did not even know existed. That fact alone will make it easier for legislators to stand up for the people when it comes time to vote," Ramthun said.

Ramthun also took time at a recent October town hall meeting for Representative Steve King (R-IA) to share the captive rail story with members of King's staff and asked them to convey his thoughts and concerns to the Congressman.

CURE Executive Director Bob Szabo emphasized that in the coming

weeks, members will be spending a lot of time in their districts meeting with voters.

"With members of Congress thinking about their legislative priorities in a new Congress, this is a critical time to be telling them how big this problem is, particularly in a difficult economy, and the critical role they can play in the solution. Any forum presents an opportunity, and every opportunity we seize brings us one step closer to victory."

Members of Congress frequently post their schedule for town hall meetings or other local events on their official websites. CURE members are encouraged to take advantage of these opportunities for interaction with lawmakers whenever they are in their home states and districts.

Major Ag Radio Program Takes Up Rail Reform Issue

*Glenn English and Brian Jennings
Interviewed on AgriTalk*



CURE's efforts to spread the word about the railroads' poor service and monopoly pricing are paying off. CURE Chairman Glenn English and Brian Jennings, executive vice president for the American Coalition for Ethanol, were guests for a recent live 20-minute segment on AgriTalk. Hosted by veteran journalist Mike Adams, AgriTalk is one of the leading farmland radio programs in the country, and is heard on stations across the nation.

The free-ranging discussion included an in-depth look at how rural Americans - and the farming community in particular - are being hammered by abusive rail pricing and services at a time when the general economic downturn is already taking a heavy toll.

As Adams said in queuing up one of the interview segments, "Ag and rural America are especially hard hit because they are more likely to be captive to one railroad."

English pointed out the difficulties in achieving competition after the consolidation of the railroads, and their division of the country's rail consolidation of the railroads, and their division of the country's rail system into four separate service territories.

"As far as stranded shippers are concerned, we continue to be abused, and certainly those that were put in charge of making sure the abuse does not take place don't seem to have much appetite for justice," English said.

Jennings pointed out that the volatility in the ethanol market has further squeezed the industry's margins.

"The last thing we need is for great uncertainty in rail transportation cost and service because either the STB is asleep at the switch, or ironically, major league baseball and railroads are the only industries not subject to antitrust laws," Jennings said.

CURE has made available a [transcript](#) of the entire program on the CURE website.

HELP TURN THE MEDIA TIDE

This month's rail report includes issues covered by two major media sources: [the Associated Press on Seminole Electric's STB suit](#) and an [AgriTalk interview with CURE leaders](#). CURE members are encouraged to [contact CURE communications staff](#) to help achieve local media stories about the captive rail problem. Share your story and wield one of democracy's most powerful tools: Public scrutiny of the railroads' outrageous abuses.