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House Committee Takes Aim at Railroad Monopoly Practices

Judiciary Committee approves legislation to remove the industry's exemptions from antitrust laws

Washington, D.C. (April 30, 2008) — Congress moved one step closer to ending the railroads' monopoly practices against consumers today, as the House Judiciary Committee, on a bipartisan voice vote, reported legislation to remove the railroads' antitrust exemptions.

The House Judiciary Committee has now joined the Senate Judiciary Committee in reporting legislation to bring fairness and competition to the freight rail industry, with the passage today of The Railroad Antitrust Enforcement Act (H.R.1650).

“This is a tremendous step forward for rail customers,” said Bob Szabo, Executive Director of Consumers United for Rail Equity (CURE). “The freight rail industry enjoys one of the broadest antitrust exemptions of any industry. Under the cover of these exemptions, rail companies wield a considerable amount of monopoly power over captive rail customers who have access to only one rail line. This monopoly power costs American consumers billions annually in the price of electricity, food and other consumer goods.”

In 1980 there were 41 major freight railroads. Only seven remain today, with four railroads carrying more than 90 percent of all rail freight. This has created regional monopolies for the railroads, who often charge captive rail customers up to five times what it costs them to move that customer's goods.

When the railroad industry was deregulated in 1980, Congress established an oversight board responsible for protecting consumers – now called the Surface Transportation Board.

“The Surface Transportation Board has consistently turned a blind eye to the substandard service and predatory pricing practices that have become standard operating procedure in the rail industry. The STB rarely says no to a railroad,” Szabo said.

The Board has ruled against consumers more than 90 percent of the time over the past seven years, even though shippers have shown clear evidence of the railroads' exorbitant rates and other unfair, anti-free market practices.

The Railroad Antitrust Enforcement Act, authored by Congresswoman Tammy Baldwin (D-WI) would:

- Repeal the railroad antitrust exemptions;
- Permit the U.S. Department of Justice and the Federal Trade Commission (FTC) to review mergers under antitrust law;
- Require the STB to regulate the railroads consistent with the antitrust laws of the nation; and
- Allow state Attorneys General and other private parties to sue for treble damages and sue for court orders to halt anticompetitive conduct, both of which are not currently allowable under federal law

A companion Senate bill (S.772) passed the Senate Judiciary Committee by bipartisan voice vote on September 25. Senator Herb Kohl (D-WI), along with six other senators, sent a letter in February to Senate Majority Leader Harry Reid (D-NV) urging him to bring S. 772 to the Senate floor for consideration in 2008.

“The time is now to move forward on reforming the freight rail industry,” Szabo said. “Every day of delay costs the American consumer and American industry. The STB has proven time and again that it will not act on its own to monitor the industry for monopoly abuses. By passing this legislation, the House and Senate can ensure that competition is brought back to the freight rail industry, helping consumers and business around the country.”

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Consumers United for Rail Equity (CURE) represents a wide variety of rail customers including public utilities, rural electric coops, agriculture; chemical, ethanol, cement and other manufacturers, forest and paper companies, and their customers.

For more information about CURE visit: www.railcure.org