

# NEWS



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## **FOR IMMEDIATE RELEASE**

**NRECA CEO SUGGESTS THAT  
MONOPOLY RAILROADS HAVE  
BETRAYED THE TRUST OF CONGRESS  
AND SUBVERTED THE STAGGERS RAIL  
ACT**

## **FOR MORE INFORMATION:**

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Washington, DC – October 19, 2005 – National Rural Electric Cooperative Association (NRECA) CEO Glenn English today testified that, “Twenty five years after the Staggers Act, deregulation is clearly not working for captive rail customers.”

In testimony today before the U.S. Department of Transportation, Surface Transportation Board (STB), English defined captive customers as those who, by virtue of physical location, have access to a single rail provider. Congress, he opined, had anticipated the plight of such a shipper class when it enacted rail competition 25 years ago, mandating continued regulatory oversight in order to safeguard against market power abuse by monopoly railroads.

English testified that many cooperatives, held captive by a single rail provider, have unreasonably high rates and non-negotiable terms of service dictated to them on a “take-it-or-leave-it” basis. “It is our desire to work with the rail industry to ensure better service and greater capacity,” he said. “However, we do not believe this should be accomplished on the backs of captive rail shippers. Such a situation was not the intent of Congress when it passed the Staggers Act in 1980.”

The co-op testimony outlined a few of the STB decisions that have contributed to the untenable situation in which English says captive rail shippers find themselves today, including the 1996 “bottleneck” decision in which the board held that a railroad that could provide service at both the origin and destination of a freight shipment could use that power to deny the customer access to a

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competing railroad anywhere along the route. “Unfortunately the board once again sided with the railroads,” said English. “allowing them to use their monopoly power to deny rail customers access to competition where competition actually could exist.”

English went on to note that the major railroads are much more financially healthy than skewed STB methodologies portray, and questioned how optimistic Wall Street investment recommendations regarding monopoly railroad stock could be reconciled with the gloomy prognosis of railroad financial health put forth by the Board.

The consumer owned utilities also questioned the equity of the STB dispute resolution process, calling into question the prohibitive expense and arbitrary nature of the board’s “rate reasonableness” procedure. “Rate appeal cases can cost in excess of \$3 million and take years to resolve,” English observed. “All burdens of proof are on the petitioner; and the rate standard is so vague that its interpretation can shift from case to case. Indeed, over the last three years, the acceptable rate allowed to be charged to captive rail customers has increased fifty percent without any change in the rate standard!”

English concluded that, “NRECA’s electric cooperative members do not believe the railroads are living up to the trust that Congress bestowed in enacting the Staggers Rail Act. Our members are most concerned over exorbitant and punitive rates and poor service. I can honestly say NRECA’s membership does not believe the current state of railroad oversight and regulation adheres to the spirit or the letter of the Staggers Rail Act. Our membership asks in the strongest terms possible that the Surface Transportation Board act promptly to take corrective action to implement the clearly expressed intent of Congress that mandated protections against monopoly power and transportation rate fairness for captive rail customers.

NRECA is the national service organization that represents the nation’s more than 900 private, not-for-profit, consumer-owned electric cooperatives, which provide electric service to more than 37 million people in 47 states.

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