# Rates up, service down, railroad customers say

## Utilities, other users pass along higher shipping costs

**By [Richard Ryman]**
*Gannett News Service, rryman@greenbaypressgazette.com*

WASHINGTON - Poor service and high shipping rates charged by the nation's railroads are pushing up the cost of doing business, representatives of various industries say.

Dairyland Power Cooperative in La Crosse got hit with a 93 percent increase in its shipping rates Jan. 1 when its three-year rail contract expired.

The company - which provides wholesale electricity to cooperatives and municipalities in parts of Wisconsin, Minnesota, Iowa and Illinois - will spend $75 million this year to ship $30 million worth of coal in from Wyoming and Utah, company spokeswoman Deb Mirasola said.

"As a cooperative, we really have no choice but to pass these costs on to our members," she said.

Some electric utilities in the upper Midwest and South bought more expensive natural gas-generated electricity and shipped in foreign coal by barge and truck earlier this year after railroads fell behind on coal deliveries.

Utilities aren't the only ones complaining. More than 40 businesses and organizations in Wisconsin have formed BadgerCURE to address rail service in Wisconsin.

"As of July 1, you have one day to unload rail cars before getting extra charges," said Scott Selby, operations manager for Leicht logistics company, Green Bay. "It will cost us tens of thousands of dollars a month more. We'll have to pass that along to customers or absorb them."

Debra Stevens, director of transportation services for Green Bay Packaging Inc., said the Green Bay plant, which was built for loading and unloading rail cars, experienced a 200 percent rate increase. "Now it's all truck," she said.

**Switching to trucks**

Stevens said service has deteriorated to the degree that it now takes eight or nine days to ship material from Green Bay to Kalamazoo, Mich. It formerly took six days.

"They charge us more because it takes too long to get there," she said. "That product is going by truck."

John McIntosh, president of Chlor-Alkali Products, a division of Olin Corp., said his employees call the railroads that serve his company's plants at least weekly to track down missing rail cars.

Like 63 percent of the chemical plants in the nation, Chlor-Alkali Products' plants are captive shippers, meaning they are served by only one railroad. McIntosh doesn't see trucking as a viable alternative.

"The thought of us putting more and more chemical shipments on trucks on an already congested highway system is not the right answer," he said.

Since the 1980s, when Congress largely deregulated the railroad industry, the number of major railroads has shrunk from 40 to four. While overall rates charged to most shippers have gone down since then, preliminary results from a Government Accountability Office report show the percentage of captive shippers who pay the highest rates has gone up by 50 percent.

**Poor service**

"What we've been experiencing since then is dramatically rising rates, poor customer service and fewer service days," said Patrick Schillinger, president of the Wisconsin Paper Council in Neenah.

Nationally, only 6 percent of the nation's freight was shipped under higher "captive" rates in 2004, according to the GAO. But it can be far higher in some spots.

Green Bay is served by one railroad, Canadian National.

The railroads blame their recent coal delivery problems on two derailments in the Powder River Basin coal region in Wyoming and Montana in May 2005 that cost six months of repairs and upgrades plus last year's hurricanes, which disrupted service nationwide. They agree that captive shippers pay more than shippers served by multiple railroads, but lots of businesses, including airlines, charge different rates to different customers, they say.

**Captive shippers**

"They charge captive shippers more and call it differential pricing," said David Benforado, executive director of Municipal Electric Utilities of Wisconsin.

Spokesmen for Burlington Northern Santa Fe Corp. and Union Pacific Corp. referred calls for comment to the Association of American Railroads.

AAR spokesman Tom White said that a change in the regulatory system would return the railroads to the days before deregulation, when 20 percent of the nation's rail lines were bankrupt and track was so bad in some places that standing trains derailed.

Only recently have the railroads become profitable. Last year, the four major railroads - Burlington Northern Santa Fe, Union Pacific, CSX Corp. and Norfolk Southern Corp. - made a combined net profit of $4.56 billion. The companies plan to spend $8.3 billion this year on maintenance and capital improvements.

**Congressional interest**

There have been a flurry of hearings this year before Congress, the Federal Energy Regulatory Commission and the Surface Transportation Board over captive shippers, coal shortages and fuel surcharges the railroads have added.

U.S. Sen. Conrad Burns, R-Mont., introduced a bill four years ago that's still pending that would make it easier for captive shippers to contest rates and use short-line railroads to gain access to competing rail lines.

U.S. Sen. Herb Kohl, D-Wis., introduced legislation last week that would repeal antitrust exemptions that protect freight railroads from competition.

"We are starting to get a sympathetic ear in Congress," said Floyd Robb, spokesman for Basin Electric Power Cooperative in Bismarck, N.D.

"I doubt we'll get anything this session, but I've seen a sea change in the last few months," said John Sumi, executive director of CustomersFirst!, a Madison-based consumer coalition.

Paul Jadin, president of the Green Bay Area Chamber of Commerce, said he's been fielding complaints about rail service for three years, but an earlier effort to get the railroad and customers together did not accomplish anything.

The railroad's "attitude was 'so what?'" he said. "I've been asked to facilitate another meeting, which I think would lead to a different demeanor, but to what extent I don't know."

*- Faith Bremner writes for Gannett News Service.*