



### **Supporting Organizations**

Alliant Energy  
American Chemistry Council  
Basin Electric Power Cooperative  
Blandin Paper Company  
Dairyland Power Cooperative  
East River Electric Power Cooperative  
Freeborn-Mower Cooperative Services  
Grand Rapids Area Chamber of Commerce  
Great River Energy  
Lyon-Lincoln Electric Co-op  
MN Association of Cooperatives  
McNeilus Steel  
Minnesota Farm Bureau  
Minnesota Farmers Union  
Minnesota Feed and Grain Association  
Minnesota Forest Industries  
Minnesota Power  
Minnesota Rural Electric Association  
Minnesota Valley REC  
Minnesota Municipal Utilities Association  
Otter Tail Power Company  
People's Cooperative Services  
Renville-Sibley Co-op  
Tri-County Electric Cooperative  
Xcel Energy

### **What is Gopher CURE?**

The businesses and organizations that joined together to form Gopher CURE represent major Minnesota industries, including manufacturing, agriculture, forest products, investor-owned electrical utilities, municipal and cooperative utilities, energy customer groups and union utility workers. Gopher CURE was formed to represent the shared concern of its members over the impact high freight rail rates and declining service is having on energy prices and the cost of doing business in our state.

### **What is a “Captive Shipper”?**

The term captive shipper refers to a rail customer with no other option except to transport its product via a single railroad. These rail customers normally transport commodities -- coal, grain, forest products, chemicals and others -- that cannot be shipped economically by truck or other means. Gopher CURE believes that because captive shippers have few or no competing transportation alternatives, they are paying unreasonably high rates and receiving poor service.

### **Railroad consolidation plays a role.**

In the last 25 years, consolidation and mergers in the railroad industry have reduced the number of United States Class 1 railroads from 42 to five, with only four railroads controlling 95 percent of rail traffic. For example, only two railroads deliver coal from the Powder River Basin in Montana and Wyoming to utilities across the United States. The control railroads have over key lines has allowed them to set monopolistic rates and offer take-it-or-leave-it terms for captive rail customers.

### **What are the impacts on the Minnesota economy and consumers?**

Rail transportation problems cost Minnesota businesses and consumers big money. When rail shipments of Powder River Basin coal were disrupted last year, utilities were estimated to spend an extra \$50 million to purchase power to replace the electricity that would have been produced by the state's less expensive coal-fired power plants. The problem persists as Minnesota utilities have been forced to conserve their reduced coal supplies and use, or purchase, more costly electricity generated by plants burning natural gas. Agriculture is highly dependent on transportation to move products to markets and many grain shippers have seen their rail costs more than double. Major Minnesota employers in the paper industry are experiencing not only steep cost increases to transport forest products, but unreliable service as well.



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### **Who's guarding the henhouse?**

Congress has charged the Surface Transportation Board (STB) with overseeing the railroads and making sure that captive shippers are not charged unreasonable rates. Unfortunately, the time consuming, complex and exceptionally costly proceedings used by the STB to review complaints of captive shippers have allowed railroads to keep the upper hand. In fact, the United Transportation Union, representing rail labor, calls the regulatory process a "largely a sham" and refers to the STB as "a wholly owned subsidiary" of the railroad industry (UTU news release, 9-12-06).

### **Minnesota policymakers are recognizing the problem.**

Members of Minnesota's Congressional delegation led by Representatives Jim Oberstar, Collin Peterson and Gil Gutknecht are sponsoring legislation (HR 2047) that would reform the decision-making process of the STB. Senator Norm Coleman and Senator Mark Dayton are sponsors of similar legislation in the Senate. Congressman Peterson is also sponsoring legislation (H.R. 3318) to repeal the anti-trust exemption enjoyed by railroads. The U.S. Department of Commerce and the Department of Agriculture have expressed concern about captive shipper problems to the STB railroads. Congress is also considering proposals that would reform the decision-making process of the STB. The Department of Commerce and the Department of Agriculture have expressed their concern about captive shipper problems to the STB.