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June 21, 2006

Part of
Public Record

The Honorable W. Douglas Buttrey
Chairman of the Surface Transportation Board

The Honorable Francis P. Mulvey
Vice Chairman of the Surface Transportation Board

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Ex Parte 661

Dear Honorable Chairman Buttrey and Honorable Vice Chairman Mulvey:

Degussa Corporation asks the STB to change how railroads calculate and assess fuel surcharges. More reasonable and equitable practices are urgently needed.

Unreasonable pricing practices, rooted in today's government-protected system of railroad monopolies, have led railroads to impose unwarranted and unfair fuel surcharges on chemical companies like Degussa and other captive industries.

Revenue generated by the rail fuel surcharges "greatly exceeds" actual fuel costs due in large part to flaws in the methodologies used in calculating the surcharges.

Further, the analysts estimate that rail fuel surcharges today have unnecessarily cost railroad customers – including the chemistry sector – roughly \$1 billion in overcharges. This is a costly burden that could create negative consequences for the entire U.S. economy.

Railroad fuel surcharge practices are unreasonable because of five crucial factors:

1. **Fuel surcharges often are *not* based on actual fuel consumption:** Surcharges should be related to the amount of fuel consumed to provide a specific service to a shipper. Instead, they are based on other, often unrelated factors.
2. **Fuel surcharges are inappropriately linked to freight rates:** Rates are based on a wide range of competitive factors, and their differences are not relevant to the amount of fuel consumed for a particular trip.
3. **Higher fuel costs are often covered by other means:** Railroad fuel costs are captured through several mechanisms, such as the Rail Cost Adjustment Factor. Adding a fuel surcharge often means fuels costs are recovered more than once by the railroad. Such double jeopardy is unfair.

4. **Some shippers are overcharged because others are not subject to fuel surcharges:** Due to certain contracts or other circumstances, some railroads can not impose a surcharge on some customers. But it is unfair and unreasonable to "make up the difference" by unduly raising the charge for customers that do pay surcharges.
5. **The reasonability of fuel surcharges can only be determined if there is complete data transparency:** Railroads should report their actual fuels costs in a consistent, comprehensive and uniform manner so that the STB, shippers and Congress can accurately and readily determine the revenue obtained from surcharges.

Recently, the Norfolk Southern (NS) announced that as of July 1, 2006 they would roll in their June fuel surcharge into the rates they now have established. Their fuel surcharge for June is 18.8% of the rate charged.

This means that as of July 1, 2006, Norfolk Southern's rates will automatically be increased by 18.8%, and a new fuel surcharge program will be implemented, with a basing point for crude oil being priced at \$64.00 per barrel for the monthly average price of West Texas Intermediate Crude Oil.

This action by the Norfolk Southern firmly solidifies and guarantees their fuel surcharge amounts by rolling them into their already established rates, thus flying under the radar of any authority the STB may elect to exercise over the current method of railroad fuel surcharges.

Norfolk Southern is applying a practice of rolling a fuel surcharge into a rate, thus making new rates, and by doing this the STB will have no authority over the new rates. But to accomplish this, the Norfolk Southern exerts a practice of application in rolling the fuel surcharge into the rates, and practices do come under the authority of the STB.

If Norfolk Southern is allowed to enact their plan, moving forward, any rate increases the Norfolk Southern may impose will be on top of an already exorbitant fuel surcharge amount that is conveniently and extraordinarily revenue-enhancing to the Norfolk Southern.

This will no doubt spur the other railroads into doing the same thing, which will create an additional burden on the shippers on top of what is already an unbearable situation.

We are asking is to be treated fairly. The unjust way fuel surcharges are now calculated significantly increases our costs and affects our ability to compete in the global economy. I also ask the STB to put a halt to the Norfolk Southern's plan of action until the STB makes a ruling concerning the topic of the May 11 hearing.

Respectfully yours,



Diane Elhakim
Degussa Corporation Logistics Manager