

## Revitalizing Local Rail Service

As appeared in the December 2014 *Railway Age* (Now edited thanks to Grammarly)

By Michael Sussman, OnTrackNorthAmerica President and Founder

North America has yet to fully realize railroads' potential contribution to the economy, environment, and land use. Despite the good work of railroad developers, investors, and staff and significant public sector support, railroads remain underutilized for moving goods and people.

Our freight rail system is already so robust that it is easy to miss the possibility of a continental surge in capacity and reach. But railroads are energy-, capital-, and space-efficient, and these benefits are critical to our future. It is time to get working on the rail system that a growing, modern society ultimately needs to be successful and sustainable.

We can rally all stakeholders, including citizens, around a public-private growth strategy for rail transportation. But we have to start by making it safe to speak the truth.

An essential part of that truth is that, for North America to succeed economically and environmentally, it must reverse the ongoing decrease in direct freight rail service, the under-the-radar flipside of the burgeoning drive toward intermodal and unit-train logistics.

This decline in direct rail service takes many forms. From our vantage point in rail finance, we have seen the wide-ranging manifestations of this trend. Million-square-foot Amazon and Wal-Mart warehouses are built truck-in and truck-out. Ethanol facilities in Iowa, built to ship by rail, instead ship product in trucks over rural roads to unit-train loading facilities.



From eastern Washington wheat to Nebraska corn, shippers are offered volume discounts to truck goods to distant mega-loading facilities. Ironically, the market for shifting freight movements from truck to intermodal shrinks as the total truck drayage relative to the rail portion increases to reach locations without direct rail service.

The overarching drive toward larger shipments detracts from an efficient freight system that should continue to include a robust network of branch rail lines. In a well-functioning, modern society, all regions, cities, and towns need rail lines to serve an increasing population and freight demand. Yet, since 2005, we have lost 3500 miles of our freight rail system in the United States, with thousands more miles endangered. Over 80% of U.S. towns are now served by truck only. We are moving toward less transportation efficiency, not more.

Freight is transported on trucks over local roads and bridges that states and counties are hard-pressed to maintain instead of on privately owned and maintained rail lines. Since truck shipments use 2 to 5 times more fuel than rail, the impact on the environment and our economy is wasteful and unsustainable.

Yet 90% of the potatoes shipping from southern Colorado are shipped by truck rather than rail, despite a 1000-mile length of haul. Inbound materials to all Ford factories are delivered 58% by truck and 22% by rail. ArcelorMittal ships 55% of its outbound steel from twenty plants by truck. The myth is that trucks only move lighter-weight, higher-value consumer goods. Meanwhile, only 6% of aggregates move by rail.

As our young Philadelphia Eagles quarterback, Nick Foles, says, “We can fix our mistakes.” There is little to be gained from blaming shippers, transportation providers, or policymakers. But the time has come to address the detrimental impact of otherwise earnest individuals aiming to succeed in a marketplace that externalizes the costs to the environment, safety, congestion, and quality of life. Building a sustainable economy and environment starts with a marketplace that prices transportation services correctly by including all costs. Why delay?

As important as trucks are, we rely on them much more than is healthy for the environment or the economy. In most states, rail market share by tonnage trails truck market share by 50-90%. In Florida, for instance, freight rail tonnage in 2011 was 9% of the market share for trucking. Given rail transportation's energy, capital, and space efficiencies, it is time to invest more in rail capacity.

Not that more money alone is the answer. The government rarely has enough capital to grow an industry, but it can “seed” private-sector capitalization. Producing real results requires whole-system investment strategies, thinking beyond typical public-private partnerships that, to date, have only focused on individual projects, not systems.

We can develop our infrastructure effectively and economically by instituting a comprehensive public-private sector action planning approach rather than simply expecting government funding or the marketplace to provide the answers.

Intermodal can contribute to transport efficiency if we consider the whole system. The current flood of public policy dilemmas requires this higher level of coordination, collaboration, and imagination. Unleashing railroads' full potential is not about assigning or accepting blame. As with many other challenges, progress is built on our newfound capacity to work and think together.