



# INTERMODALISM: A NEW SCIENCE OF TRANSPORTATION

Speech Delivered by

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On most occasions when I speak about intermodal transportation, I devote an extensive portion of my remarks to simply providing a basic orientation. This audience does not require such coddling. You all grasp the fundamentals. Many of you are experts.

You understand that freight transportation has undergone a revolution during the past quarter-century and that intermodal is now the global standard for moving freight. You also understand how it succeeds—interconnections ... containerization ... speed ... safety...reliable scheduling ...economic and fuel efficiency...and marshalling the strengths of each individual mode, while avoiding modal weaknesses. We are looking at a new science of transportation.

Yes, this intermodal system works. It continues to grow. Its future success will hinge partly upon our ability to further improve the routes and terminals that enable it to function in the manner desired. However, although a revolution in freight transportation has taken place, the general public is unaware of it. Most public officials and opinion leaders do not even know the intermodal system exists! It may be unreasonable to think that the average citizen will get excited about such matters, but ignorance on the part of our public officials and opinion leaders has consequences! Ignorance about transportation in general—and intermodal in particular—has placed government at all levels “well behind the curve” in thinking and acting on a wide range of transportation issues. During our intermodal revolution they sat on the sidelines for 25 years.

By tradition, government agencies concentrate on each mode’s infrastructure. Highway agencies build and maintain roads. Airport authorities build and maintain airports. Government provides grants to these and other systems—urban transit and Amtrak, for example—to offset operating deficits, meet capital needs, and help upgrade the infrastructure they use. Several things are wrong with this historical arrangement.

For one thing, it leads to one-dimensional thinking. Federal and state governments concentrate on infrastructure, but do not pay much attention to how it is actually used—or where the most promising opportunities exist. Freight’s intermodal network, on the other hand, has succeeded because it is customer-driven. Our “infrastructure mentality” also causes government to view the modes in isolation, yet the intermodal system prospers by efficiently unifying them horizontally.

Among public officials at all levels of government—including many people in transportation agencies—the ignorance of freight transportation is almost universal. Some regional planning agencies have written transportation plans that devote more attention to bicycle paths than to freight transportation. We must remember that for every passenger moving on America’s transportation system, a ton of freight is moving.

Ignorance about freight leads to bad decisions and missed opportunities. Nearly all recent progress and innovation in US transportation has come in the freight area. Nearly all of those gains are attributable to action and investment by the private sector—not government. I believe that freight will continue to be the category in which we achieve the most impressive gains. The ship, train, and truck have found each other!

Unfortunately, government is heavily involved in passenger policy. Government has resisted reform and modernization. We desperately need an intermodal systems approach to passenger service. In this regard, we are 20 years behind the freight industry. The plane, train, and intercity bus must find each other!

Finally this obsolete focus on individual modes and individual modal infrastructure, coupled with a lack of knowledge about customers and markets, causes important issues to fall through the cracks because they do not have a governmental “home.” The most striking example is the intercity bus industry. We are losing it. Most people do not care. They should. It frankly amazes me that a mayor will loudly protest the threatened loss of airline services or a single Amtrak train to his or her community. Yet, the disappearance of intercity bus service—which may have generated more local ridership—is allowed to take place without comment or complaint. Greyhound is almost invisible today.

As commercial air service continues its retreat from urban areas with a population of less than 100,000, people will still have to get to major airports, only the terminals will be farther away. The choice is simple—bus or private car. The bus is flexible. Routes can be adjusted as markets change. Service frequency can be increased or decreased, depending upon demand, and at modest cost. Despite these advantages, the intercity bus industry is in trouble. Government at every level simply does not care.

### ***Capital Investment Strategies***

There are two issues currently up for consideration that relate to the intermodal theme. One is the proposed 25 percent tax credit for freight railroad capital investment. Intermodal’s biggest challenge is simply that of capacity expansion. I believe that the freight railroads have done a good job funding improvements that add capacity and enhance intermodal service. Capital investments that directly influence these two priorities currently are running in the \$5-8 billion annual range. Meeting even predictable near-term business growth will require a much higher commitment.

A tax credit will unleash substantial additional amounts on an ongoing basis. I urge support for it. The huge North American rail system has been single-tracked in the last 30 years. This right-of-way is probably carrying only 25 percent of its capacity. If we go back to double-or-triple-tracking, grade separation, and GPS, it would equal three times more capacity—and this right-of-

way already is in place and paid for! If we build this Interstate II, it will be far more significant than Interstate I was.

Senators Trent Lott (Mississippi) and Frank Lautenberg (New Jersey) are working on a multi-billion-dollar Amtrak reauthorization proposal, which includes incentives for states to provide matching funds. I believe that we will have to involve the states more deeply in issues associated with intercity rail passenger service. There is overlap with the states' other transportation functions, and there is an overlap with freight's intermodal system. How public officials deal with specific passenger projects can help create a better intermodal system—or damage the existing one. States might wisely partner with the railroads to add a third track. This may be the real public-private partnership we keep talking about.

In considering Amtrak, I am aware of the deferred capital needs of the Northeast Corridor: \$20 billion in 2002 and rolling stock system-wide. However, I would urge that in considering any new routes or services, only one priority should be applied. That is to upgrade the most promising existing city-pair corridors by first increasing train frequencies and improving schedule times within the framework of conventional intercity service. In time, I believe we will need to expand high-speed routes. But in nearly all cases, we will need to develop and build a customer base with more frequencies before making the leap to a true high-speed operation. The 13 federally designated corridors are a good place to start for the city pairs.

### ***State and Federal Government Roles***

Perhaps the most important next step in advancing intermodal transportation, both freight and passenger, is to take a fresh look at the structure and priorities of government agencies. I have noted that since 1980 freight intermodal has flourished because the private sector was in charge. Some would claim that government involvement easily could have retarded its growth. But, I do believe that government has a role in freight, if for no reason other than the linkages among the surface modes and connections at public ports, terminals, and the new evolving “logistics centers.” I do not believe that meaningful progress can be achieved in passenger intermodalism unless state transportation departments are the catalyst for it!

Why the states? Who else will do it? Theoretically, the airlines might be promoters of improved surface connections to deliver passengers to their gates—but they operate at airports they do not own! Today those airport managers have shown little interest in anything but “parking lot” and “car rental” revenues. Nearly all efforts by intercity bus companies to provide direct service or to be allowed to maintain facilities on airport terminal grounds have been summarily rebuffed. The bus companies cannot do it. Name me one major airport with a Greyhound station.

Amtrak is not in a leadership position to be a broker or coordinator, and its management lacks the skill, vision, and entrepreneurial spirit required to bring it off. It seems so logical that the airplane should meet the bus and train—by design. Just as it does at Hong Kong, Charles de Gaulle, and Narita, Japan. To prepare public agencies for a belated arrival into the intermodal era, I propose that the chief executive of each state transportation department should have two principal deputies—one to oversee policies and programs associated with freight transportation and the other to carry out an identical role in passenger transportation. Each could be meaningful players in coordination and intermodal project design and approval. They would soon learn that they have to listen to the customers.

Senior executives of these agencies should have a working knowledge of the new principles of intermodal transportation, because a majority of policy decisions and projects need to be carried out with priority given to intermodal needs—for both freight and passenger improvements. Senior DOT executives either should have gained this intermodal knowledge through professional experience in the transportation industry or they should receive formal academic training. That is what the Intermodal Transportation Institute at the University of Denver is doing through its Executive Master's Program, which awards a Master of Science in Intermodal Transportation Management from the University of Denver.

Dividing the executive functions—policy, planning, programs, and grants—into the freight and passenger categories makes practical sense. It also would make a powerful statement that we, in fact, do understand that the world has changed.

What about the federal government? Congress still operates as if this were the 1950s. Members talk intermodal but vote for traditional highway projects. I hold out little hope for leadership from Capitol Hill. What about the USDOT? Fifteen years ago they created an intermodal office. It had no authority. It was purely cosmetic. Eventually it was done away with. A senior official of the department told me several weeks ago that steps now have been taken to bring a serious intermodal flavor to its policies and actions, by concentrating on freight. I am not hung up on that point, because I realize that formal changes affect such things as congressional committee relationships. Even the chairs of the most insignificant subcommittees rebel if even half a smidgen of their turf is threatened. I recognize the difficulty of a formal reorganization of Congress, but a committee on intermodal freight and one on intermodal passenger make sense.

But, if my friends at DOT are serious about this, I ask them to show us tangible evidence. They will not have credibility until they do. A chart with dotted lines showing coordination arrangements will not convince us. Even having an intermodal “enforcer” who can mandate coordination will not suffice. We in the intermodal community will believe you only when we see solid evidence that your FAA, FRA, Highway, and UMTA leaders are energetic intermodal advocates—

without pressure from above. Further, I propose that DOT informally gather the best minds of the intermodal community to examine what they are up to. That could help persuade us. It also could help DOT avoid going in the wrong direction in the process of trying to do something right. Congestion is reaching critical mass—the huge untapped capacity of North American railroad right-of-way may be the solution! We must change directions.

### ***Intermodalism and Energy***

I have reached the closing portion of my remarks without mentioning the subject of energy. I happen to believe that high fuel prices are with us for the long term and that they will go even higher! But it does not matter what I think, when the subject is intermodal. Why? Intermodal made sense when fuel cost one-half of today's prices. Intermodal makes even more sense today. If prices drop, the container will still be the low-cost service. It made Wal-Mart. If energy costs double in the years ahead, intermodal will simply gain more market share and help keep inflation under control.

There is a lesson here for politicians who are jumping on the energy bandwagon. Investment in intermodal is a no-brainer if you want to conserve fuel and keep the cost of goods and services in line, even if we radically re-price fuel, as we have. And it has a built-in hedging mechanism, because intermodal investments will pay off even if prices decline. If fuel cells work, I expect both truck and rail to adopt the technology. The intermodal marketplace will not be skewed because energy costs are only one component of the intermodal advantage.

However, I would observe that railroads do have a trump card. Unlike their partners in trucking and aviation, if at some point in the future permanent oil shortages are a serious threat, rail can convert to electricity generated from an alternate source. The rail mode already carries its freight and passengers nine times farther per gallon of fuel than do the highway modes.

Thank you.