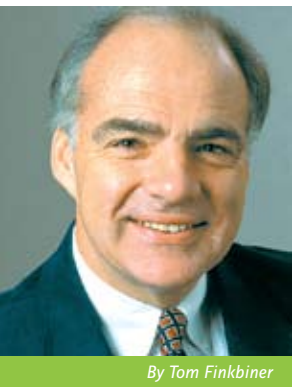


# Game-Changing Rail Strategies



By Tom Finkbiner

**FOR AMERICA AND AMERICANS**, the future has always been about the hope of a better tomorrow, which means two things: solving today's problems and articulating a vision for tomorrow. For the freight transportation industry, the challenge is finding those solutions and articulating that vision in an increasingly global, more complicated world.

Social Security, health care, an affordable defense and an increasingly entitlement-oriented population are the issues we seemingly can't come to grips with at the national level. In freight transportation, the intractable issues seem to be transportation infrastructure, government regulation and the timely availability of cargo capacity.

Let's dispense with a number of issues our industry spends a lot of time agonizing over that really are less important than they seem:

- **THE IMPACT OF THE NEW RAIL INFRASTRUCTURE INITIATIVES.**

Let's face facts, railroads and

*IF YOU CAN  
RUN EXPEDITED  
RAIL SERVICE  
WITH A STACK CAR,  
YOU CAN DO IT WITH  
A BOXCAR.*

the government have invested a lot of money that needed to be spent on rail capacity, whether you target the double-track projects in the West or the Heartland, National Gateway and Crescent corridors in the East. Expanding clearances, reducing mileages and creating double track are not dismissible, but nor are they game-changers. Over time, they will move more international freight from the East Coast to the West Coast and move shorter-haul business from the highway to the rail, exacerbating current trends. But these are not great issues for 2011.

- **GOVERNMENT REGULATION.**

With the recent elections, including the committee chair changes, the likelihood of major rail regulation is lessened. Those involved in these and other regulatory issues need to take a lesson from, of all people, the medical community: *Primum non nocere* — First, do no harm. Take note of two examples in recent history; deregulation in the early 1980s, when the rail and trucking industries were in bad shape and the solution was to deregulate, not re-regulate — a spectacular success by any definition. The second example is Sarbanes-Oxley. Initiated as a response to the failure of government agency oversight, the idea was for people who knew nothing about the issue to punish all industries, resulting in reduction in the nation's

competitiveness on the international stage and a huge increase in the cost of compliance, without an attendant benefit (see the financial crises of 2008 and the aftermath). Rail regulation and the Comprehensive Safety Analysis 2010 trucking initiative should be delayed or put away.

- **ENVIRONMENTAL REGULATION AND "CALIFORNIA" POLITICS.**

California politics is another way of describing regulatory extremism. The environmental theory is that because of the importance of this issue, action must be quick, immediate and significant. The problem is that "immediate" and "significant" cost money and cause disruption (see the state of California). The economic recovery is anemic because companies large and small are unable to plan in this regulatory environment. They will hunker down until a proper planning horizon emerges. If they like the construct of the new horizon, we will have a more normal expansion. If California politics wins out, the country will lose, but not much progress is likely to be made in 2011.

So what game-changers could and should happen in 2011?

- **REPEAL THE JONES ACT.** Learn a lesson from history. In transportation regulation, less is more. The most overcrowded transportation infrastructure in the U.S. is on the coasts. What would



be easier than transferring some of that cargo to the endless oceans? How many regulated Jones Act jobs exist now? How many would exist if the law went away? Rail and highway business would quickly move to maritime trades. Customers would have another choice. What's the harm?

● **LONGSHOREMEN ON BOTH COASTS ARE COMMITTING COMMERCIAL SUICIDE AND RAISING THE COST OF DOING BUSINESS FOR ALL OF US.**

U.S. port productivity is an embarrassment compared to the rest of the world, and now the East Coast unions seem to be catching the disease. There are two recent examples of solutions to this problem, one positive and one negative. The negative example is the Air Traffic Controllers. Who would dare impose sanity on a government monopoly labor market? It happened quickly, wasn't pretty, and my guess is that there were any number of outcomes that that particular union would have preferred. They didn't think it could happen to them. Sound familiar?

The positive example is in the behavior of the rail unions, particularly the Brotherhood of Locomotive Engineers. Their senior members make more than some airline pilots, but they don't brag about it. As little as 40 years ago, the rail unions were every bit as unreasonable and intractable as the longshoreman. They compromised, not so much on wages but on productivity, while protecting most current membership. Today, they enjoy much better wages and many more jobs. Reasonable wages and reasonable work rules in our ports would have significant and immediate impact.

● **FOR HEAVEN'S SAKE, CAN SOME RAILROAD PROVIDE A SCHEDULED SERVICE AND EXPEDITED SERVICE FOR BOXCARS?** If it's true individual trailers are near their maximum length limit at 53 feet, isn't the next obvious answer

70- or 80-foot boxcars? These boxcars have existed for decades, but no one can use them because you can't count on a consistent delivery time. Every day, at every major port, three 40-foot



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ISO boxes are transloaded into two 53-foot high-cube trailers. How many 40-foot ISO boxes can you get into a 70-foot boxcar? You have to transload pickup and delivery of the freight to and from the ISO boxes anyway, so why not transload them into and out of boxcars at origin and destination?

If you can run expedited rail service with a stack car, you can do it with a boxcar. Do it with temperature-controlled commodities into refrigerated boxcars — just do it. The impact would be immediate; it should reduce costs and provide more options for shippers. A novel concept?

● **LEGALIZE TRIPLE 28-FOOT VANS AND DOUBLE 53-FOOT TRAILERS ON DIVIDED, LIMITED ACCESS HIGHWAYS, BUT DON'T CHANGE THE AXLE WEIGHT FORMULAS.** First, you don't need to get picky about which highways to use; the truckers will do it where it makes sense and not do it where it doesn't.

Second, the circumstantial body of evidence that exists today where longer combination vehicles are legal is inarguable. They can be operated safely. What is arguable is changing the axle weights. That evidence goes the other way (see any highway in Michigan). If the railroads ran expedited boxcars in consistent service

lanes, LCVs wouldn't be a threat. It's simple, doable and game-changing.

Anyone who has experience in the industry and common sense can probably think of more game-changers. The good that would be done by implementing these four steps would outweigh any possible downside to freight constituencies. More importantly, it would signal a return to better days and allow for the expansion planning so desperately needed in this economy. **joc**

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