

II. The Future of Railroad Intermodal Business

Last month I discussed electrification, a key component of our Steel Interstate advocacy. Today I want to talk about intermodal rail traffic and how that fits in. Just recently intermodal made headlines because for the first time the U.S. Class I railroads handled more intermodal loads than conventional carloads. While this may be as much a result of coal and oil traffic being down as intermodal going up, it nevertheless was hailed as a landmark.

Moving freight in containers makes sense, as they can readily be transferred among rail, ships, and trucks. Railroads move a lot of this business, primarily to and from ports, and it moves primarily in long, double-stack container trains between ports and major distribution facilities inland. Building on their success with this international traffic, railroads have made a big effort in recent years to repeat this win with domestic intermodal shipments. Instead of involving ports, these domestic double-stack trains operate between inland terminal facilities.

Big trucking companies such as Schneider, Swift, and J. B. Hunt have made great use of the domestic intermodal concept, when they find it cheaper to ship their containers by rail than to drive them over the road. Industry observers and financial writers have attributed the “rail renaissance” in recent years largely to the rapid growth in domestic intermodal traffic.

But the downside is that this business requires mega-terminals requiring hundreds of acres so they are not easy to construct. The cost and delays associated with moving and transferring containers through these huge terminals are such that railroads need a long haul to amortize these up front outlays. An example from the I-81/I-40 Corridor, which Norfolk Southern calls its “Crescent Corridor”, involves daily trains #201 and 202 between Greencastle, PA and Memphis, TN, a distance of almost a thousand miles.

For those of us who believe strongly that the nation is best served by having as much freight move by rail as possible, the double-stack container business model has annoying limitations. The trains are long and slow and few endpoints are served, so the service is not nimble enough to be truly truck-competitive. Huge volumes of trucks remain on I-81 and I-40 across our region that cannot be diverted to rail with the service the railroads are offering today.

RAIL Solution helped plan and sponsor a session at the annual Transportation Research Forum conference in Washington, DC in January on the future of railroad intermodal, hoping to stimulate thinking on what happens next as the double-stack service model matures.

Smaller, more frequent terminals, with quicker loading, such as the drive-on, drive-off model used in Europe, are needed to achieve the speed, reliability, and cost to be truly highway competitive. [RAIL Solution Director Pete Lotts from Knoxville has posted insightful related comments on our blog; see <http://railsolution.org/2015/08/21/inland-ports-norfolk-southern-tn-va-valley-route/>].

A key obstacle, though, is that the current rail system lacks the capacity to do this. That’s where the Steel Interstate comes in. These mainlines would be multi-tracked so there would be capacity for all kinds of freight as well as passenger trains.

One calculation showed that diverting 50% of the through trucks on I-81 would require a train every 15 minutes during the peak northbound time of Sunday afternoon, and that simply won’t work on a single-track railroad. Adequate rail infrastructure is necessary to make meaningful inroads in truck diversion, but in most cases such capacity can be added at lower cost both environmentally and economically than building more lanes of highway.