

Trucks, Trucks, Trucks

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Don't you love those aerial photo images of trains loaded with truck trailers and containers paralleling an interstate highway? Freight railroads are increasingly using such photos in their advertising and promotional material. The public gets the message and wants more. We should all hope for the conversion of more traditional highway freight to rail intermodal service, but the question is how much, how soon?

Answers are difficult to get. First, no one really knows just how many trucks are out there on the highways that could, under various sets of assumed conditions, be converted to rail haul for all or part of the trip. Extrapolating and distilling some 2005 data for three primary Virginia interstate highways (81,95,64), it appears that there are likely to be more than 10.5 million big truck moves annually in just these three corridors.

How many annual rail intermodal moves are there currently in Virginia? The closest "known" we have is the flow of container traffic into and out of Hampton Roads. Based upon the second half of calendar year 2008, we can project that the current annual rail volume of such traffic is about 300,000 units. Currently, Hampton Roads rail intermodal, which includes the Inland Port at Front Royal, is essentially all that originates and terminates in Virginia, for want of other available rail intermodal terminal facilities, and supporting services open to Virginia shippers. This would represent less than 3% of the very conservative estimate of total trucks on the three major corridors cited earlier.

Virginia's two large freight railroads move intermodal traffic through the state as well. How much volume might that represent? From trackside it would not appear to be a very large amount. Let's just say that the through-Virginia rail intermodal represents another 3%, so we are up to 6% total. Not much!

What will it take to increase the rail percentage? For certain we will need a more comprehensive network of rail service lanes, supported by additional rail intermodal terminals in Virginia. But that is just part of the answer. A radically different rail operations and business model will likely be required to compete, if in fact such is economically achievable and sustainable. The reality is that our highly socialized (read "subsidized") highway option offers such an attractive, below-cost, alternative to shippers and operators, that a major rebalancing of transportation economics will likely be essential. Thus far, there is no sign that policy-makers are even considering such a change in public promotion and encouragement of highway freight transportation.

To make matters worse, this morning's WSJ reports that trucker J.B. Hunt, one of rail's best customers, has now been downgraded by a prominent transportation analyst due to "deteriorating fundamentals in U. S. rail intermodal". What does this portend?

The underwriting of Virginia's public rail investment program needs to take all of this into consideration. # # # #