

State of Ohio House of Representatives
Transportation and Infrastructure Committee
Rep. Robert F. Hagan, Chair

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RE: Testimony Addendum for HB 166

11-18-2009

Dear Chairman Hagan and Committee Members:

At the 6-17-2009 hearing of the Transportation and Infrastructure Committee I submitted testimony regarding a proposed amendment to HB 166 Transportation Innovation Authorities ("TIAs") that would authorize the Ohio Turnpike Commission ("OTC") to additionally provide and administer the same surface transportation modes that HB 166 would authorize the TIAs to provide and administer. Please permit me to introduce three additional pieces of information that update my prior testimony.

In Attachment #1 from the Trains Magazine Nov. 2009 issue, independent transportation consultant Larry Gross notes railroads will increasingly be competing for shorter-haul commercial traffic, particularly within Ohio. That reiterates my concern where OTC may lose more commercial traffic to adjacent railroads. As shown in Attachment #2 OTC Traffic and Revenue Report 10-31-2009 presented at their 11-16-2009 meeting, OTC's commercial vehicle traffic miles has continued to fall below the same time last year since my 6-17-2009 testimony. Should the trend continue, OTC might be forced to raise tolls for passenger car users (who can use other adjacent freeways) or ask the State Legislature for subsidies, especially as it needs to replace its original 50+ year old concrete base.

Attachment #3 notes a new quasi-public railway turnpike model in Wisconsin, where carloads are tolled to repay the various public bonds used to restore an abandoned rail line. Again, leaving OTC restricted to providing tolled highways while TIAs and ODOT (via TIAs) offer multiple transportation modes under both subsidized and tolled business models places OTC at a market disadvantage should users shift traffic to non-OTC modes. Thus I ask Chairman Hagan and the Committee to consider my proposed amendment. Thank you again for your time and consideration.

Sincerely,



Daniel L. Van Epps

NEWS & PHOTOS

Short-haul stacks: can it work?

Railroads see short intermodal hauls as a source of growth, but can they compete with truckers?

Long-distance international container shipments have been the railroad industry's prize for two decades, driving innovations and profits. Now the industry is beginning to chase after shorter hauls. Truckers have dominated this market for decades, and a freight train's natural advantages lie in the long haul. So why the change?

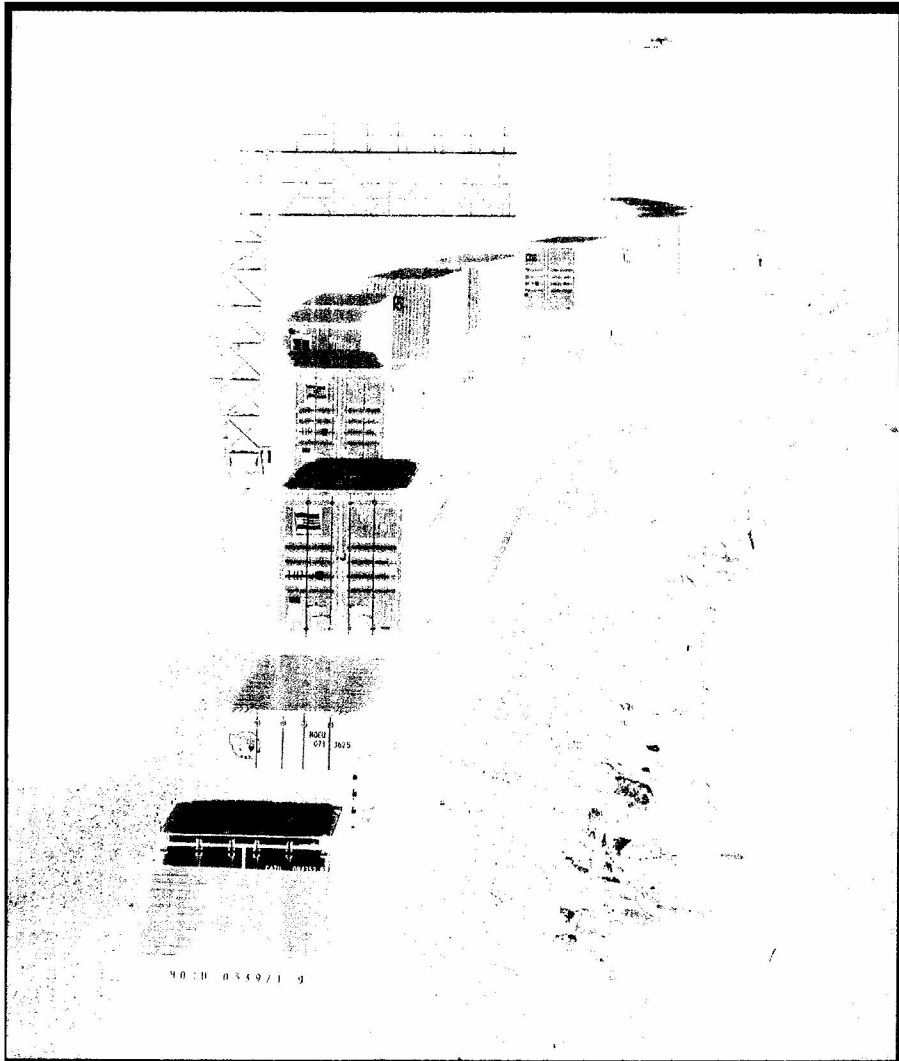
International intermodal shipments hit a peak in 2006, and have been shrinking ever since; as of this summer, they were down one-third. Some of this can be attributed to the ailing global economy, but traffic patterns have been shifting as well. Starting in 2006, shippers began routing more boxes from Asia through the Panama Canal to the East and Gulf coasts, where they arrive on shore closer to their destinations. This is sure to increase when an expanded canal opens in 2015.

But if railroad economics don't lend themselves well to short hauls, why chase after them? To paraphrase the bank robber Willie Sutton, it's "because that's where the freight is." There is relatively little freight traveling long distances. As length of haul declines, overall freight business increases.

Of all the freight moving along the highway in dry van (box-type) trailers, only about one-third is transported 550 miles or more. Two-thirds of the freight moves shorter distances. In the first quarter of 2009, the average intermodal shipment traveled an estimated 1,570 rail miles, plus a short truck haul to its destination. When an intermodal guru talks about "short haul" today, he's typically talking about Eastern hauls such as Harrisburg, Pa., to Chicago (660 highway miles) or New York to Atlanta (897 highway miles). These are still relatively long-haul moves in truckers' terms. Nevertheless, far more freight moves in lanes like these than from one coast to the other.

The problem for railroads is that the shorter the length of haul, the tougher it is for intermodal to compete. This seems difficult to understand when we compare a stack train moving 280 containers behind a crew of two, with a truck driver piloting a single tractor/trailer. The cost per mile for intermodal averages less than half a trucker's cost. But this portion of the journey, what's known as the "line haul," is only part of the picture.

Truckload freight is priced by the mile, typically calculated by the shortest route between origin and destination. A single driver covers around 500 miles per shift, driving 11 hours, followed by a 10-hour rest period.



CSX intermodal train Q163 (Port Newark, N.J.-Syracuse, N.Y., left) meets train Q439 (Selkirk, N.Y.-Hamlet, N.C.) at Fort Montgomery, N.Y., on Aug. 23, 2008. Scott A. Hartley

Assuming a move of 800 miles, the trailer loaded on Tuesday evening can reliably arrive first thing Thursday without bending the rules or breaking the speed limit.

This is the backdrop against which intermodal must compete. It has more moving parts than the truck haul, and far more participants taking a slice of the freight bill. Many of these components and their associated costs don't change based on length of haul. For instance, you have the truck-to-rail terminal costs, and the costs of the intermodal provider or intermodal marketer.

Most important is the cost of local trucking, or "drayage," needed to get the container or trailer to and from the railhead. Dray-

age tends to be more expensive per mile than the long-haul trucker, in part because intermodal terminals are often located in congested urban areas. Additionally, drayage tends to have a higher proportion of empty, non-productive miles, as equipment is repositioned to accept the next load.

Once you balance intermodal's higher fixed costs against a trucker's higher per-mile costs, you can see how one mode naturally wins long hauls while the other dominates short hauls. And because a trucker can usually deliver more quickly, he'll generally win in the event of a tie.

So how can railroads tip the scale toward intermodal? For some moves, the location

of intermodal terminals is key. Consider two hypothetical intermodal moves.

Container No. 1 moves from Cicero, Ill., in suburban Chicago, to Irvington, N.J.; a distance of 786 highway miles. Container No. 2 moves from Grand Rapids, Mich., to Danbury, Conn., or 789 highway miles. To a trucker, these two moves are almost identical, but not so for intermodal.

Shipping container No. 1 intermodal requires just 12 miles of drayage to reach a CSX or Norfolk Southern ramp in the Chicago area. The rail haul is about 100 miles longer than by truck, which is typical; rail averages 15 percent longer. Once it arrives in New Jersey, a trucker moves the container its final 10 miles. Despite traveling 921 miles total, or 135 miles more than if it had gone by truck, rail line haul saves enough to pay for these and the other components of the "intermodal cover charge" and more.

Container No. 2 is a different story. Its journey begins with a 177-mile drayage — in the wrong direction. The box must travel west to the Chicago area before turning back east. After the train arrives in North Jersey, it's 73 truck miles to Danbury. Total mileage balloons to 1,150 miles, and the savings evaporates. A trucker will likely move this load.

In order to reduce highway miles and get closer to where the freight is, NS and CSX are adding intermodal terminals in more and smaller markets. For example, as parts of major corridor projects, NS is building a terminal in Mechanicville, N.Y., while CSX is adding one at North Baltimore, Ohio.

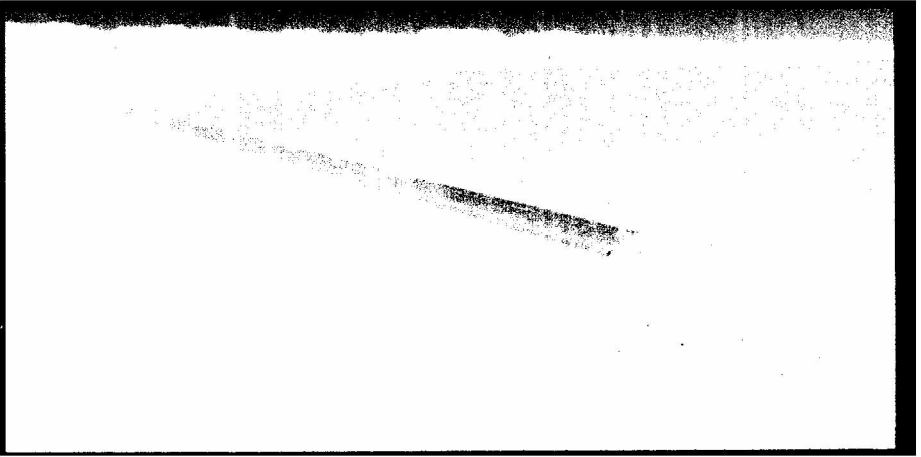
The early prognosis is good. In the face of strong economic headwinds, domestic intermodal has actually increased its share of the freight pie, rising from 6.2 percent to 6.5 percent of dry van truck traffic moving 550 miles or more. Intermodal giant J.B. Hunt has reported consistent gains in its Eastern network. "Length of haul declined 3 percent from second quarter 2008 and 1 percent from the first quarter 2009, reflecting the continuing growth in Eastern network loads," the company notes. And Schneider National has seen success with its dedicated train linking Kansas City and Northern Ohio on Kansas City Southern/CSX.

With these trends firmly in place, it appears intermodal shipments may continue to drive growing railroad volumes. Only this time, it may well be CSX and NS that are poised to lead the pack. The Eastern U.S. offers the perfect space for this phenomenon to grow, and corridor projects the big Eastern systems are pursuing will put them in an ideal position to handle it. — *Larry Gross*

LARRY GROSS is an independent transportation consultant and TRAINS contributor based in Port Washington, N.Y.

Szabo to Amtrak: Be bold

New FRA chief says now is Amtrak's time, and it should step up



California knows passenger trains, but most states don't, so Amtrak managers must lead. A state-supported train passes Rodeo, Calif., on March 9, 2008. TRAINS: Andy Cummings

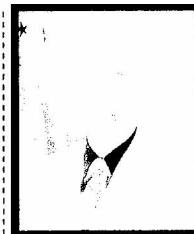
Joseph Szabo, the new federal railroad administrator, says that Amtrak and the states must shake off the assumptions of the past and move forcefully into a new era of passenger rail. Without specific success stories soon, he says, there is a danger that the current enthusiasm for the passenger train could wane. "We've got to come away with substance now, something that sizzles," Szabo said in a TRAINS interview.

The new administrator does not specifically criticize current Amtrak management, and he says he has some sympathy for how Amtrak managers may have a hard time believing they have a bright future. "For its whole existence, Amtrak has had a stranglehold on them, and they were barely alive," he says. "Now they're asked to run a marathon."

Regardless, Szabo makes it clear that Amtrak must quickly move toward the future. "I think it's time to be bold," he says, noting that President Obama has been clear that he wants bold movement.

Szabo says he believes Amtrak President Joseph Boardman shares these concerns, and that he is pleased with the direction Amtrak is taking since Vice President Stephen Gardner was hired April 13. Like numerous senior federal transportation officials, Szabo cannot even talk transportation issues with Boardman until Boardman has been out of government for one full year, or late this November. Szabo is Boardman's successor at FRA.

Nonetheless, other government officials, speaking only on condition they not be quoted by name, say they have been concerned at Amtrak's slow movement and its failure to take a bold leadership role. These officials say it was only under pressure from the FRA and Congress that Amtrak began



Joe Szabo, FRA

putting together a fleet needs plan in late August. Until then, Amtrak had talked of buying some single-level equipment, but had no real plan for future purchases, not even a wish list. Amtrak seemed to be waiting

for states to make decisions and to buy equipment, which Amtrak assumed it would then run. Szabo's comments indicated that would be an unacceptable approach.

Excepting a handful of states such as California and North Carolina, state governments have almost no expertise in passenger rail. Yet suddenly, states have been burdened with the necessity to make quick decisions on possible new passenger routes, new equipment needs, and rail improvement. Szabo says the states that fail to meet current deadlines should understand that there will be more chances in the future. Already, far too many projects are chasing available federal money in this round of federal spending.

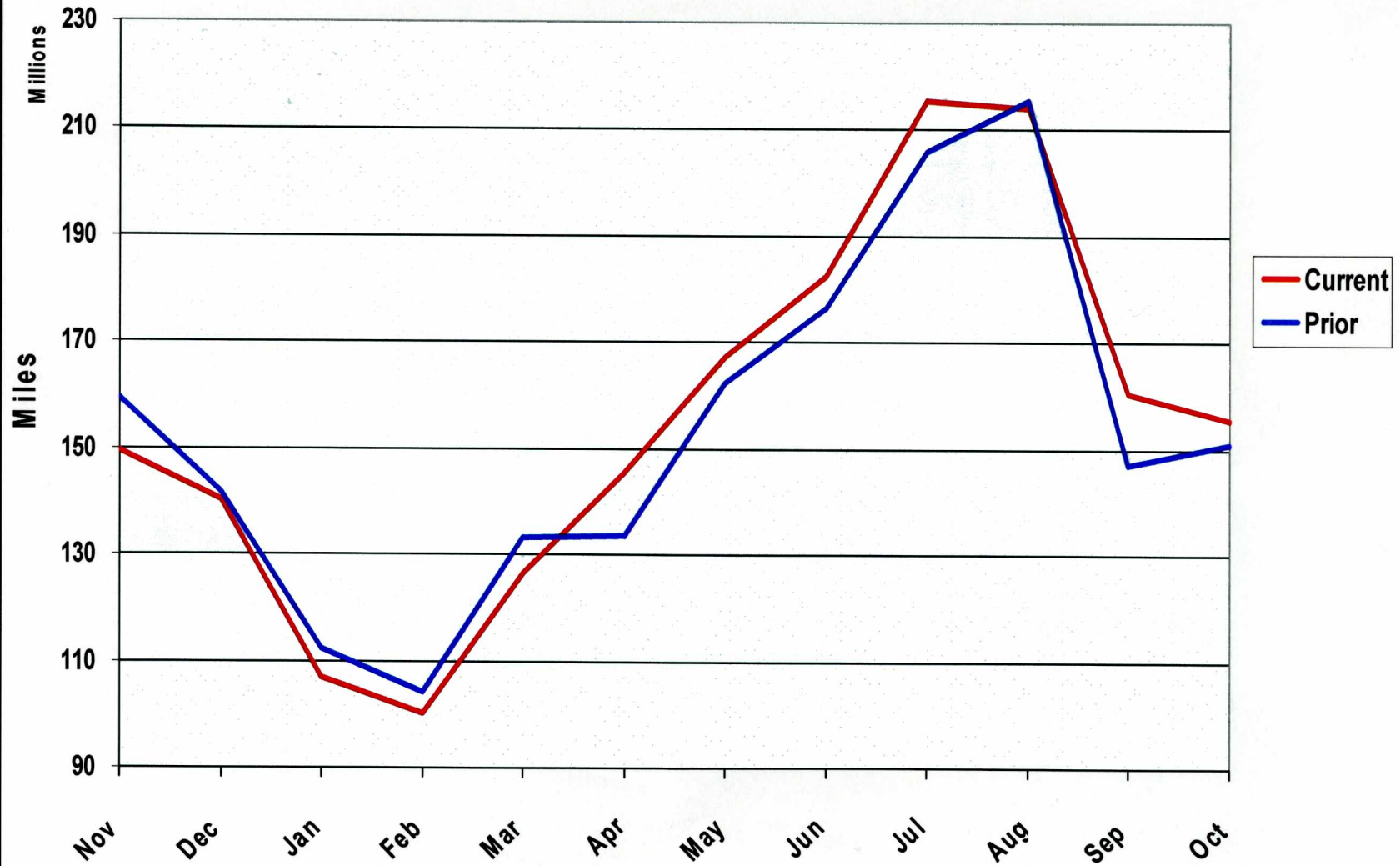
As far as freight rate regulation proposals, Szabo says he cannot comment on the specifics of current negotiations, but said "all parties need to get to the table and work it out."

Before entering the federal government, Szabo spent three decades as a railroader and official with the United Transportation Union, 20 years of which he was also active in municipal government. He worked for the Illinois Central and Metra as a yard switchman, trainman, and conductor. Beginning in 1984, he held numerous jobs with UTU, rising to vice president of the Illinois State Federation of the AFL-CIO. — *Don Phillips*

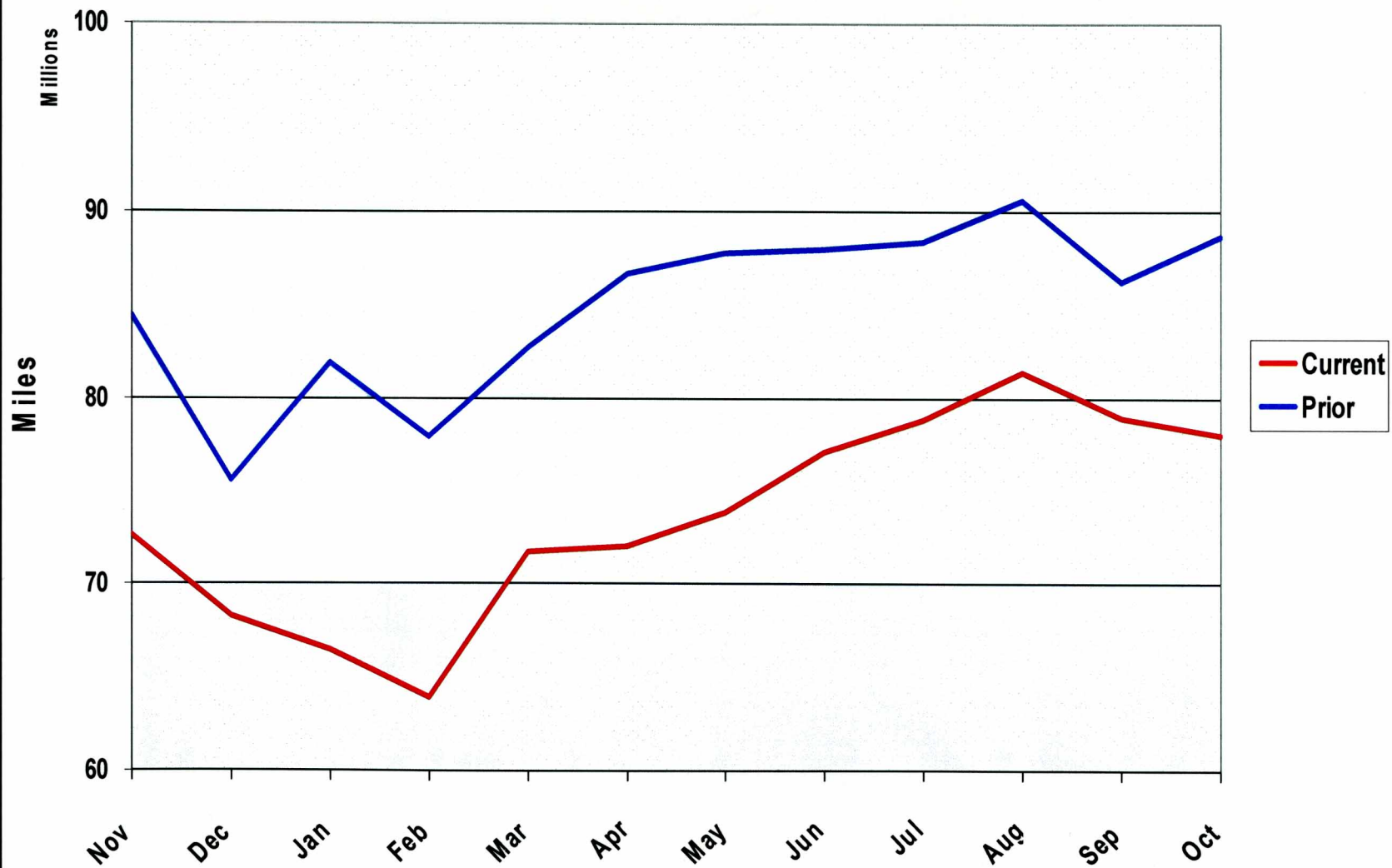
**OHIO TURNPIKE COMMISSION
TRAFFIC AND REVENUE REPORT
AS OF OCTOBER 31, 2009**



OTC PASSENGER CAR VEHICLE MILES TRAVELED ROLLING 12 MONTHS AS OF OCTOBER 31, 2009



OTC COMMERCIAL VEHICLE MILES TRAVELED ROLLING 12 MONTHS AS OF OCTOBER 31, 2009



Rebuilding Wisconsin rail line to create jobs



Monday, November 09, 2009

Railway Track & Structures

<http://www.rtands.com/newsflash/rebuilding-wisconsin-rail-line-to-create-jobs.html>

Plymouth, Wis., officials say that the city is now recruiting at least three startup manufacturers capable of creating hundreds of jobs thanks to a planned project to restore freight rail service from Plymouth to Sheboygan Falls, the Sheboygan Press reports. The companies, which city officials declined to name citing confidentiality agreements, include one manufacturer that could employ up to 500 people and two others that could create 150 jobs combined - and officials said more are expected to follow.

"You can just imagine what could spin off that," said Plymouth Mayor Don Pohlman, during a presentation to members of the Sheboygan County Chamber of Commerce at the City Streets restaurant in Sheboygan on Friday.

According to Pohlman, the larger company is currently considering a 150-acre parcel in the Plymouth Industrial Park, while the two smaller ones are looking at 20-acre parcels.

The main attraction for these businesses is a \$15-million project to rebuild an abandoned freight rail line running from Plymouth to Sheboygan Falls, which will connect to a north-south line running from Milwaukee.

Initial work to restore the nearly 15-mile line, which has been dormant for decades, could begin as early as December, and the line could re-open by November 2010.

The project is being funded by \$12 million in state funds and \$3 million in local money. The City of Plymouth is considering issuing \$2 million in general obligation bonds for the project as part of its 2010 budget. The city would raise the remaining \$1 million using tax incremental financing bonds. Pohlman said the city would repay the debt by charging a \$10 per rail-car fee to all trains passing through the city.

Additional job creation could also come from the nine or so companies that have indicated they would use the restored rail line, including Bemis Manufacturing Co., Richardson Industries, Kettle-Lakes Cooperative, Morgan Aircraft and Kohler Co.

Meanwhile, John Rogers, the chamber's business development director, said he's talked with food processors and a warehousing company that are all considering moves or expansions here because of the rail project.

"This is a very opportunistic for us from a jobs perspective," Rogers said.

Plymouth officials indicated that the lack of a rail line between the two cities has already cost the community at least one potential development opportunity.

Jerry Thompson, the city's railroad services coordinator, said a New Mexico manufacturer had strongly considering moving here to be closer to Plymouth Foam, one of its major suppliers. The move would have brought 360 jobs here, but the deal fell through, he said, because the rail line wasn't built yet.

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