The Railroad Week in Review
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USDOT says the new trucking new hours-of-service rule stated Jan 4 but really won't be fully pressed on any but the most egregious violations until Mar 4. Says DOT in a press release (read all about it at www.fmcsa.dot.gov) "It is estimated that the new hours-of-service rule will save 75 lives, prevent 1,326 fatigue-related injuries, and prevent 6,900 property damage-only crashes annually, resulting in a cost savings to the American economy of $628 million a year." *Logisitics Today* says the industry will need more than 80,000 new drivers to cover the new rules' productivity losses – more drivers than now employed by some of the biggest TL carriers.

A crucial part of the new low is load-unload waiting time. Previously, drivers could log off during this wait-time but no more. The regs are very specific as to when a driver may log off, but in any event the truck and its contents can't be the driver's responsibility when logged off. There will be both direct and indirect effects – direct on trucking companies re hiring, compensation and productivity. Indirect on warehousemen, private fleet operators, and – if they play their cards right – railroads.

Consider: The Owner-Operator Independent Driver Association says playing by the book will cause a 30-40% loss in driver productivity. Hunt and Schneider see productivity losses ranging from three to 19%. A major private fleet operator sees driver hours needed to cover the assignments up 6%. Fuel remains stubbornly at a buck-fifty a gal, new environmentally friendly engines get fewer mpg, and casualty insurance costs are up by a factor of three some places.

Wall Street analysts commenting thus far hold that truckers and shippers will negotiate new "ancillary charges," but the effect on rates will be *de minimus*. I'm not so sanguine. One TPLP operating in the Boston area says, "Driver time has become a finite resource that cannot be wasted and the universally-recognized largest waste of drivers' times is at the delivery docks. Thus there is a huge ground-swell to reduce times at the delivery dock, spearheaded by companies such as [tut-tut-tut and you-know-who and likewise…never mind]."

He continues, "The times are perfect for the railroads as shippers are responding to cost pressures by moving freight to lower cost modes. At the same time, rail shipments can help provide solution for shorter lead times, no stocks, carrier no-show etc., by placing localized inventories closer to their customers. Inventories at forward warehouses can be absorbed by the transportation savings of truck vs. rail."

In other words, distant DCs making local deliveries hundreds of miles away may not work any more. Over the past few years supply chain software has been making the DC location picks and rail was never a consideration. Now, trucks from distant DCs will go to local warehouses that will supply the ultimate destination via LTL delivery or some such. Cost from origin shelf to the local warehouse is now the main consideration as local distribution costs are common to both rail and truck. But can the rails compete even in this environment? You tell me.

Track scale redux (see WIR 1/9/2004). North Shore's Todd Hunter writes, "The decision to install this expensive piece of equipment originated from a shipper complaint about inconsistent Class I responses to weighing requests, to the point of ignoring at times waybill instructions to do so. When a car failed to weigh, our customer service team would make every effort to have it weighed at the next available scale, but these efforts were in vain on many occasions as there are fewer and fewer track scales available on the Class I systems.

"The answer was typically that they would average weights over previous shipments and using this, they could formulate a freight rate for the shipper. This is fine as far as invoicing for the freight goes but the shipper still needed weights as they sell their product on a per-ton basis to their customers.

"In general, it appears that the big roads want to get out of the weighing business and have very few track scales available. We, in conjunction with the SEDA-Cog Joint Rail Authority, evaluated the cost of a new scale and calculated how many cars would use it in a year's time. Based on these results, were able to determine that a weigh-in-motion scale could be amortized in a short time.

"Moreover, it would add real value to our property and provide a much needed value-added service to our customers. The end result is a new certified weigh-in-motion scale in the LVRR Newberry Yard that not only adds value to our service, but will add revenue to our railroad operations. In fact we are considering additional weighing capabilities at other points on our lines."

Seems to me that as we go to market pricing, weights are even more critical and shorting scales could be counterproductive. I wonder if marketing, real estate and operations have discussed the matter. Betcha two bits they haven't.

The shortline community has lost one of its hardest workers and staunchest advocates. Charles Reidmiller of New York's Genesee Valley Transportation group passed away suddenly last week. For those of you who did not have the pleasure of knowing Chuck, he was CFO and EVP Marketing for the GVT Rail system of six shortline roads in NY and Penna. Chuck was one of those rare individuals who was always looking for ways to add value to the rail proposition with transloads, warehousing, and off-rail distribution services.

Knowledgeable, well spoken and a professional, he was always a pleasure to be with. And even if one disagreed with him he would graciously agree to disagree and invariably leave one the richer. We all are the richer for having known him. If you would, please join me in sending a donation in the name of Charles J. Riedmiller to St. Joseph's Catholic School. The family requests that checks be sent to their home at 167 Summit Street, Batavia, NY 14020.

Genesee & Wyoming (GWR) reported Dec 2003 and 4Q03 traffic volumes for its North American and 50%-owned Australian operations. North American traffic in December 2003 was 45,003 carloads, an increase of 3,800 carloads, or 9.2% yoy. For the quarter NA carloads hit 133,981 units, up 6,840 or 5.4% yoy. Excluding 1,650 carloads from the old Oregon Electric line, taken over from BNSF in Dec 2002, NA Dec biz was up 2,150 units or 5.2% yoy. Utah coal was nearly half of that; aggregates another third.