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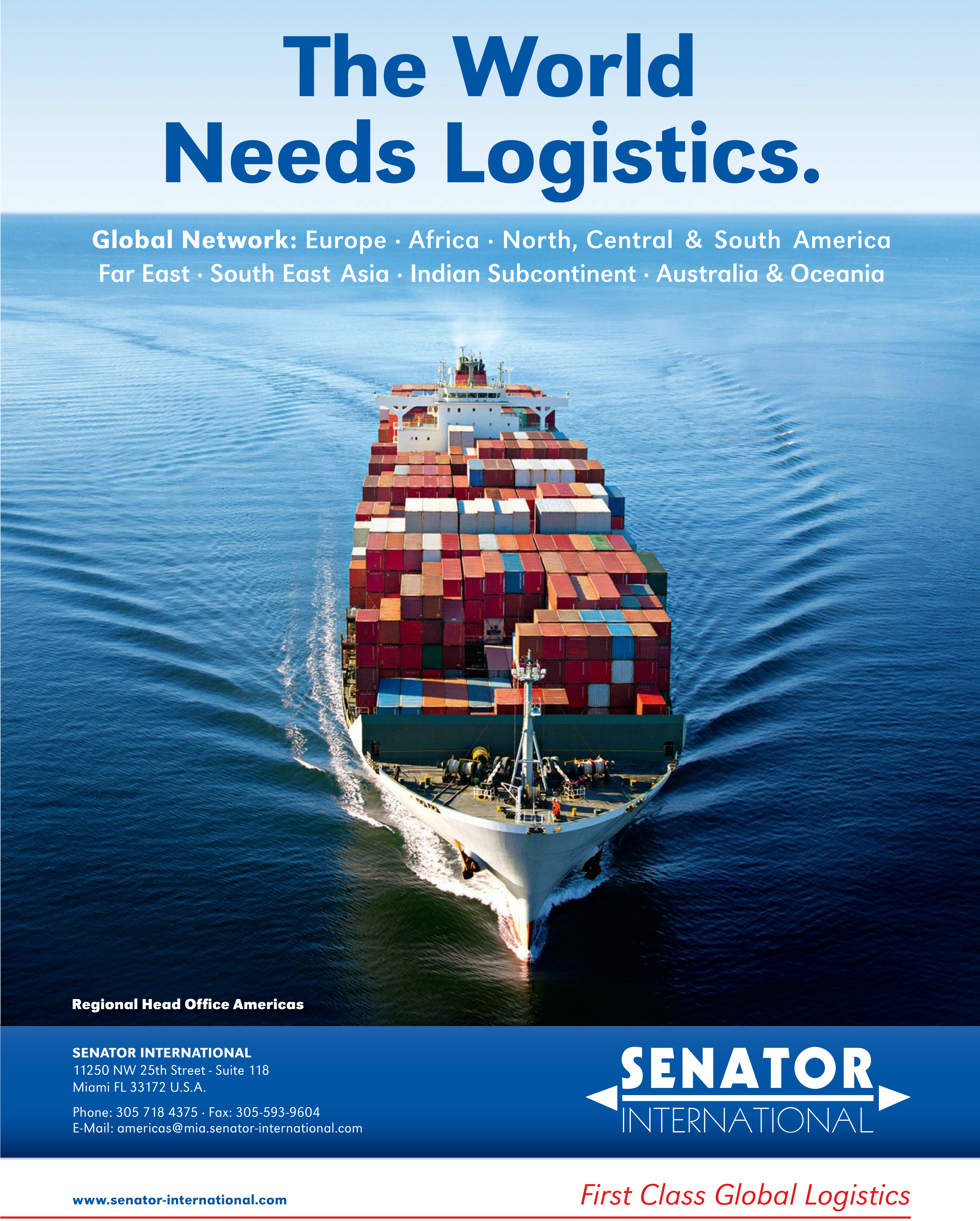
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Capital & Strategy, “The Case for Intermodal in South Florida,” notes this trade imbalance and delays on I-95 and other highways, plus rising fuel costs: “As a result, trucking companies have increasingly turned to intermodal as a reliable and cost-effective option for managing freight flows in South Florida.

“Intermodal offers carriers a ‘truck-like’ service into South Florida without the hassle of congestion or retrieving backhaul loads,” the report continues. “Furthermore, intermodal accommodates the transportation of consumer goods—e.g., food, household supplies, electronics, building supplies, office products—normally carried via truck.”

Among the trucking companies relying upon FEC is Strafford, Missouri-based Christenson Transportation Inc. According to the firm’s president and chief executive officer, Don Christenson, the company is supplied empty containers by FEC and trucks goods-filled containers from Lebanon, Tennessee, to Atlanta. There they are loaded on flatcars and ride Norfolk Southern Corp. tracks to Jacksonville, where they are interchanged onto FEC for rail transport to Miami. Most of the goods go to South Florida consumers while others are exported into Latin America via PortMiami.

Loads leaving the Nashville area on Monday afternoon are available for delivery in Miami as early as Wednesday, Christenson says, noting that more than 1,000 loads have been moved via this routing since it was initiated a year ago and not one has been late.

HEAVY LIFTING
Companies such as Sears have found Florida East Coast Railway tracks provide an ideal alternative to Interstate 95 for the 350-mile trip between a Jacksonville warehouse and Miami.

“That,” Christenson says, “is actually better service than I’m going to be able to give going truck-direct because of the hours-of-service issues that we face.”

The hours-of-service concerns relate to the new Federal Motor Carriers Safety Administration rule effected July 1 that, despite desires of the supporting industry to retain an 11-hour driving day for truckers, adds a mandatory 30-minute break and forces a 34-hour restart provision requiring two off periods between 1 and 5 a.m. before a driver can get back behind the wheel.

The American Trucking Associations estimates the new rule will cost the trucking industry $228 million a year, while observers project drops in driver productivity between 6 percent and 15 percent in a market that already faces an acute driver shortage.

A report released this April by the National Shippers Strategic Transportation Council, or NASSTRAC, shows that 37.7 percent of shippers surveyed had shifted freight to intermodal rail within the preceding year and that 57.7 percent of survey respondents said they were anticipating a modal shift in their transportation strategy during 2013.

Bruce Carlton, president and CEO of the National Industrial Transportation League (NITL), the United States’ oldest and largest freight transportation association, says the increasing use of rail and truck-rail hybrid routings defies some longstanding axioms.

“The old adage is that every time you touch a piece of freight, it adds to the cost, but people are finding lanes where it makes sense and is a great solution,” Carlton says. “It sort of turns on its head the adage that rail is only efficient for the long hauls.”

The length of haul, often referred to as LOH, for which rail is considered a viable alternative to trucking, is indeed shrinking, says Joni Casey, president and CEO of the Intermodal Association of North America.

“The old rule of thumb was rail for anything over 1,500 miles,” Casey says. “Rail is now making inroads in markets with LOH of 750 to 1,000 miles.”

IANA’s figures for the second quarter of 2013 show domestic intermodal rail container volume up 9 percent on a year-over-year basis, with this growth identified as largely attributable to strong big-box

“ INTERMODAL OFFERS CARRIERS A “TRUCK-LIKE” SERVICE INTO SOUTH FLORIDA WITHOUT THE HASSLE OF CONGESTION OR RETRIEVING BACKHAUL LOADS.

retailer volume.

The biggest of all big-box retailers, Bentonville, Arkansas-based Walmart Stores Inc., is among the leaders in use of rail, including through its longtime partnership with another Arkansas-headquartered firm, Lowell-based J.B. Hunt Transport Services Inc.

Terry Matthews, J.B. Hunt’s executive vice president and president of Intermodal, says that whereas the breakpoint for using rail vs. truck was about 1,500 miles throughout the ’90s, “We’re now having a lot of success with rail between 500 and 800 miles.”

A turning point came around 2005, when the cost of fuel—including diesel burned by trucks—skyrocketed and led to dramatic increases in the rates charged by trucking companies. At the same time, Matthews notes, product packaging was evolving to where more goods could be shipped in smaller boxes.

“When fuel started spiking is when a tremendous amount of freight started being converted from the highway to the rail,” Matthews says.

He adds that the new hours-of-service rule, plus an impending federal mandate to require electronic logging devices in trucks to ensure compliance, could lead to the viability breakpoint for rail vs. truck shrinking to 450 miles.

J.B. Hunt has identified between 8 million and 10 million loads a year that fit the profile for intermodal rail transport, Matthews says, but it’s not all going to shift to rail immediately because of what he calls “internal hurdles,” such as the shift requiring changes in sales or warehousing processes.

Nonetheless, intermodal is J.B. Hunt’s largest division by far, recording gross revenue of more than $3 billion in 2012, a figure sure to be more for 2013.

In fact, it was J.B. Hunt that, despite some industry snickers, pioneered the concept of trucking companies moving containers of freight on railways. Matthews recalls being a fledgling J.B. Hunt executive in 1989 in Chicago, present for the historic initial agreement between Mike Haverty (then president of the Atchison, Topeka and Santa Fe Railway Co., later to become BNSF Railway Co.) and J.B. Hunt founder Johnnie Bryan Hunt.

“Sometimes the pioneer takes the arrow, and sometimes the pioneer blazes the trail,” Matthews says. I think this time the pioneer blazed the trail.”

Although not on such a large scale, conversions of truckloads to rail were being made even before the late ’80s. Sandra Dearden McKay, a former Chicago and North Western Railway executive who is now president and CEO of Highland, Indiana-based Highroad Consulting Ltd., recalls using trains rather than trucks for such short moves as the 20-mile hauls between an Illinois quarry and a cement manufacturer’s facility—a practice she says was viewed in the ’70s and ’80s as “innovative” and “scrappy.”

Probably the most compelling current example of use of short-haul rail vs. truck is along another 20-mile route—the Alameda Corridor, a high-speed line which parallels congested Southern California roadways between the ports of Los Angeles and Long Beach and the transcontinental rail hub near downtown Los Angeles. Opened in 2012, the corridor has moved more than 20 million containers via rail as opposed to on drayage trucks.

Christopher P. Mazza, senior vice president of business at Oakland, Calif.-based International Asset Systems, which provides intermodal software solutions, says optimization—that is, figuring out the best way to route traffic—is becoming increasingly critical as shippers look to save money.

“Freight will continue to move to the rail as the economic argument is compelling,” Mazza says. “What is perhaps not often recognized is that all the new intermodal rail moves have one if not more truck moves of a shorter distance associated with them. The advent of motor carriers working more closely with the rails in a coordinated and optimized fashion is perhaps the compelling story behind the story.

“The real optimization takes place at the rail ramp with the motor carriers and optimizing how they execute the pickup and drop-off of intermodal containers,” Mazza continues. “Figuring out how to match the incoming intermodal container with freight to the customer wishing to use the eventually empty intermodal container—and doing that all within the rail ramp free time and train cutoff restrictions—is perhaps the larger challenge and where the industry is going.” ■