



# Adventures in Advocacy

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## Biting Your Rails?

by Sean D. Shields

Twenty-three miles. Slightly shorter than today's marathon race, it is the total distance of U.S. railroad track that went into operation in 1830. Thus began a transportation renaissance that transformed the landscape of our nation, culminating in over 240,000 miles of track in use by 1910. Not surprisingly, by the late 1800s railroads were the largest employers in the United States.

However, thanks in large part to the construction of the national interstate system and mass production of automobiles and trucks, reliance on rail both for passenger and cargo transport declined dramatically after World War I. From 1950 to 1992, total rail miles decreased almost 40 percent to a little over 136,000 operational miles. Component manufacturers, as well as many other rail shipment receivers, are currently feeling that pinch.

manufacturing and/or leasing business, creating an overall shortage of cars to carry the goods. The result has been slow or unreliable rail delivery service.

The rail industry has also not responded to this challenge in ways that have necessarily benefited its customers. As of 1978, there were 41 Class I railroad companies operating in the U.S.; today there are eight. This consolidation, which was particularly heavy in the 1990s, has left most markets with only one railroad company to choose from. The lack of competing rail companies effectively takes market-based competition—a cornerstone of our economy—out of the equation. To that end, component manufacturers are effectively left with two choices: accept the terms, conduct and demands of the available railroad company, or use trucks.



**WTCA has partnered with the American Association of Railroads, a trade association that represents all of the Class I railroads operating in the U.S., to host a roundtable discussion in Houston during the Building Components Manufacturers Conference (BCMC) in October.**

From a bulk commodity perspective, shipping lumber via rail is generally the most economically efficient. In a recent SBC Industry One Minute Poll (OMP) of WTCA members, two-thirds of respondents indicated they utilize rail for their lumber shipments—just over 50 percent said they own and use their own rail spur. Even further, of those component manufacturers who ship lumber exclusively by truck, more than ten percent indicated they were currently constructing or looking into building their own rail spur.

However, the declining national reliance on rail has created a host of interrelated problems that are having an impact on component manufacturers utilizing rail. One half of the equation is infrastructure—not enough track or railcars to meet current demand—the other half is how the railroads have addressed this problem—consolidation, constructive placement and demurrage fees.

As housing demand remains fairly strong, particularly in urban areas west of the Mississippi, where rail infrastructure never caught up to that of the East, the “lack of track” has become a serious problem. The increasing need for lumber shipments and other commodities in these growing population centers has created horrible congestion on the tracks. To make matters worse, many companies have fled the railcar

The lack of choice is evident in the component manufacturing industry; over eighty percent of OMP respondents who indicated they use rail for lumber shipments said they are serviced by a Class I railroad company. Further, from the OMP results, only four Class I railroads accounted for over ninety percent of the responses: 31 percent use Burlington Northern-Santa Fe (BNSF); 24 percent use CSX; 21 percent use Union Pacific; and, 17 percent use Canadian National.

In addition to a lack of competition, two practices adopted by the railroads to deal with infrastructure problems have caused a negative impact on component manufacturer rail users. The first is practice is called “constructive placement.” As opposed to actual placement of a railcar (for example, on a component manufacturer's rail spur), which can then be unloaded, constructive placement ranges from locating the railcar just outside the facility, to bringing it into a local switching station. In a few ridiculous situations, it appears that having the railcar in the same geographic region (read: southwestern United States) of its final destination can constitute constructive placement.

Constructive placement, in and of itself, is not the problem. The issue is that once the railroad designates that a car is constructively placed, they can begin charging the component manufacturer a penalty fee

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called “demurrage.” This fee was originally designed to combat the shortage of railcars by giving rail companies a tool to entice shippers and receivers to load and unload railcars faster. While this may indeed have worked in prompting quicker turn-around times, the problem is that constructive placement in combination with demurrage is creating an unfair practice. Component manufacturers are being charged a financial penalty on railcars they have no ability to unload.

In response, WTCA has partnered with the American Association of Railroads, a trade association that represents all of the Class I railroads operating in the U.S., to host a roundtable discussion in Houston during the Building Components Manufacturers Conference (BCMC) in October. So far, all of the Class I railroads have committed to sending a representative to participate in the panel. Efforts are also being made to bring in some of the regional and short-line railroad companies used by the structural building components industry.

The three general topics to be discussed will be railcar availability, service reliability and the issue of constructive placement and demurrage penalties. The purpose of the roundtable will be to provide component manufacturers a forum to share their concerns related to these areas, and give the railroad companies an opportunity to share information and provide alternatives for constructive conflict resolution. Further, it will give WTCA members an opportunity to build relationships with an industry to which it is inextricably linked.

For more information about the BCMC roundtable, visit [www.bcmcshow.com](http://www.bcmcshow.com). **SBC**

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