

Transportation Update

MAY 2010

— Compiled by Illinois Farm Bureau®



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Midwest Transportation Industry Summit

Illinois Farm Bureau® will host a Midwest summit of transportation industry representatives this fall to consider surface transportation issues and needs.

The concept was recommended by the Profitability Advisory Team in March—and approved by the IAA Board in April—as a means of identifying the major issues facing freight transportation, and the options for solving those problems.

Though the effort will highlight the needs of agriculture, it will focus on a broader range of transportation issues. That “big

picture” look is necessary because agriculture is only one component driving the demand for additional freight transportation capacity.

Farmers will find that this summit is not tailored specifically for them. Instead, it will draw on the full range of farm, agribusiness, manufacturing, railroad and trucking industries to analyze the most workable options for transportation solutions.

The Midwest scope of the effort recog-

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USDA — Rural Transportation Study

This article is reprinted from the USDA's April 29 [Grain Transportation Report](#).

On April 27, 2010, The [U.S. Department of Agriculture](#) released to Congress a comprehensive report on agricultural transportation in the United States. The report titled, *Study of Rural Transportation Issues*, was mandated by the **2008 Farm Bill** and covers the four major modes of transportation commonly used by agriculture in the United States—truck, rail, barge, and ocean vessel.

This article is designed to familiarize

readers with the report. The full report can be viewed at <http://www.ams.usda.gov/AMSV1.0/RuralTransportationStudy>.

The Importance of Freight Transportation to Agriculture

- Transportation is critical to U.S. agriculture
- Agriculture is the largest user of freight transportation in the U.S., claiming 31 percent of all ton-miles in 2007

HIGHWAYS

End in sight for U.S.-Mexico trucking dispute

The Obama administration is expected to announce a plan to re-open the border to Mexican trucks, ending a contentious dispute that last prompted Mexican officials to levy duties on \$2.6 billion of U.S. goods. An announcement with details of the plan will be made “very

soon,” according to Transportation Secretary Ray LaHood.

Farm Bureau has urged the administration to move forward to identify a solution to the cross border trucking issue since 2009. According to the Alliance to Keep U.S.

Jobs, a diverse coalition of U.S. manufacturers, companies and agricultural interests that includes Farm Bureau, more than 25,000 jobs are either threatened or have been lost as a result of the imposition of the retaliatory tariffs



UCR registrations now open

Earlier this month, the Illinois Commerce Commission re-opened registrations for the 2010 Unified Carrier Registration.

Participants were given 60 days from the mailing of the renewal notice to get their application and money back to the Commission.

Enforcement of the 2010 UCR registration

begins nationwide on July 15.

Just three weeks after the initial notifications were mailed out, the Commission had already processed

Vehicles	Fee
0-2	\$76
3-5	\$227
6-20	\$452
21-100	\$1,576
101-1,000	\$7,511
1,001 +	\$73,346

7,600 applications—out of the estimated total of about 25,000 that will eventually be submitted in Illinois.

The table at left shows the revised fee schedule for 2010.

ATV legislation is still awaiting action by the Illinois General Assembly.

Why did UCR fees increase from last year?

The statute requires the UCR Plan’s board and FMCSA to set a fee structure that enables the participating States to collect the same amount of revenue (almost \$108 million) that they collected under the SSRS program for the 2004 registration period.

Given that the UCR Plan experienced a shortfall in revenue that averaged almost \$30 million for each of the first three years of the program, the 2010 fees were adjusted from previous years.

In addition, in 2008, the statute was amended so that, beginning in 2010, only power units (not trailers) would be counted as qualifying CMVs.



Summit

(Continued from page 1)

nizes that if there are to be workable solutions to many of the freight transportation problems we face, they will have to be supported and dealt with on something larger than an Illinois-only basis.

Illinois, being a transportation hub, is an ideal place to hold these discussions. They’ll begin with the work of a Steering Committee to sort through the plethora of studies and recommendations already “on the

table.” The larger, summit group will consider the recommendations and debate their merits. In the end, we hope to have garnered consistent support for agreed-upon goals across the industry—a difficult goal, considering the diversity of the participants, but all the stronger if successful.

Armed with that support, we all will be better able to address the questions in the coming Congressional Surface Transportation Act of 2010.



Gulf oil spill not yet impacting barge traffic

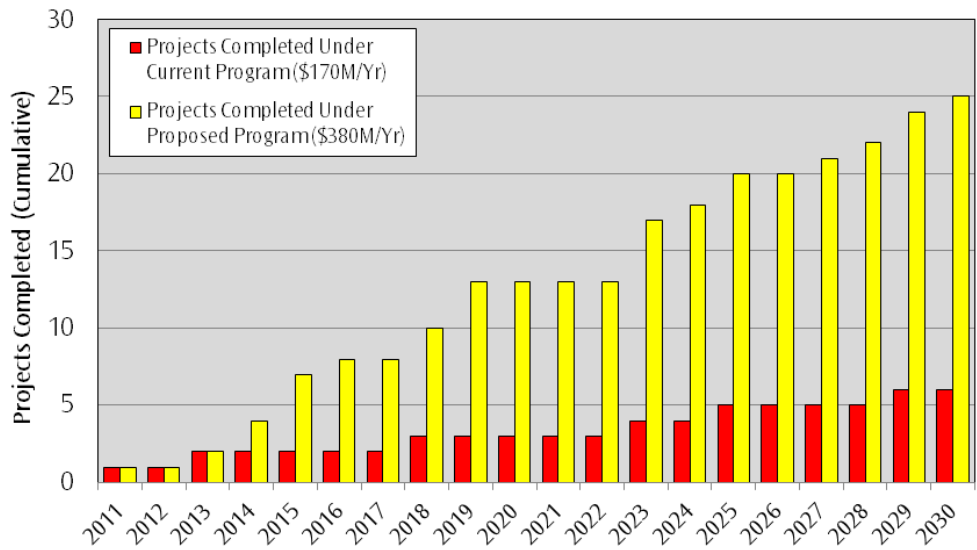
According to recent reports from the Waterways Council, Inc., the oil spill in Louisiana has not yet impacted barge traffic on the Mississippi River. However, vessel cleaning stations have been set up at the mouth of the river by the U.S. Coast Guard.

In a related matter, Democratic Senators Robert Menendez (NJ), Frank Lautenberg (NJ) and Bill Nelson (FL) have introduced legislation that would increase the amount of money that oil companies like BP would have to pay in economic damages in an event of a spill.

Called "Big Oil Bailout Prevention Act," the legislation would raise the cap for economic damages liability for offshore oil spills from \$75 million to \$10 billion.



The chart at right illustrates the dramatic difference between the current method of funding major waterway projects versus what is projected to be the case under the industry's proposed Capital Development Plan. The Inland Waterway Users Board has endorsed the plan and has forwarded that recommendation to Congress.



USDA Study

(Continued from page 1)

- In the past 5 years, half our wheat, over a third of our soybeans, and over a sixth of our corn was exported
- As the world grows, the demand for high-quality food rises, increasing America's need for transportation

Rail Transportation

The study found that the level of rail-to-rail competition for grains and

oilseeds decreased significantly between 1992 and 2007. Almost 75 percent of the crop reporting districts (CRDs) in the United States lost rail competition from 1992 to 2007. In the same time period, the CRDs in which a railroad had a monopoly in transporting grain and oilseeds increased from 10 percent to 15 percent. At the same time, railroad profitability, as measured by the revenue-to-variable cost ratio, increased in 83 percent of the CRDs.

Railroad rates have increased significantly since 2004, adding to rail-

road profitability. The increased rates were due in part to rail capacity constraints and the associated need for additional investment in locomotives, freight cars, rail lines, and switching yards. The increase in rates has also been a response to the quickly rising costs since 2004.

Railroad fuel surcharges recovered more than the additional cost of fuel, boosting railroad profits. From 2001 to 2007, the study reports that quarterly fuel surcharges ranged

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WRDA requests for projects *Source: WCI's e-Brief*

Requests for projects to be considered under a WRDA 2010 bill are being reviewed by House Transportation & Infrastructure (T&I) Chairman James Oberstar (D-MN). Addressing the Republican Conference decision in April to reject all earmarks, including WRDA projects, Chairman Oberstar said, "We have over 2000 individual project requests for the upcoming WRDA bill. Of

those, 120 Republican members submitted requests, and only a handful have asked that their projects be withdrawn. In the history of the House, never have Army Corps project authorizations been considered earmarks, that's an appropriations committee term."

Senators Tom Harkin (D-IA), Chuck Grassley (R-IA) and Kit Bond (R-MO) have sent a letter to a number

of Senate offices asking individual offices to express their willingness to support with them the Capital Development Plan by May 21 in a letter to Senate Committee on Environment and Public Works Chairwoman Boxer and ranking Member James Inhofe (R-OK).



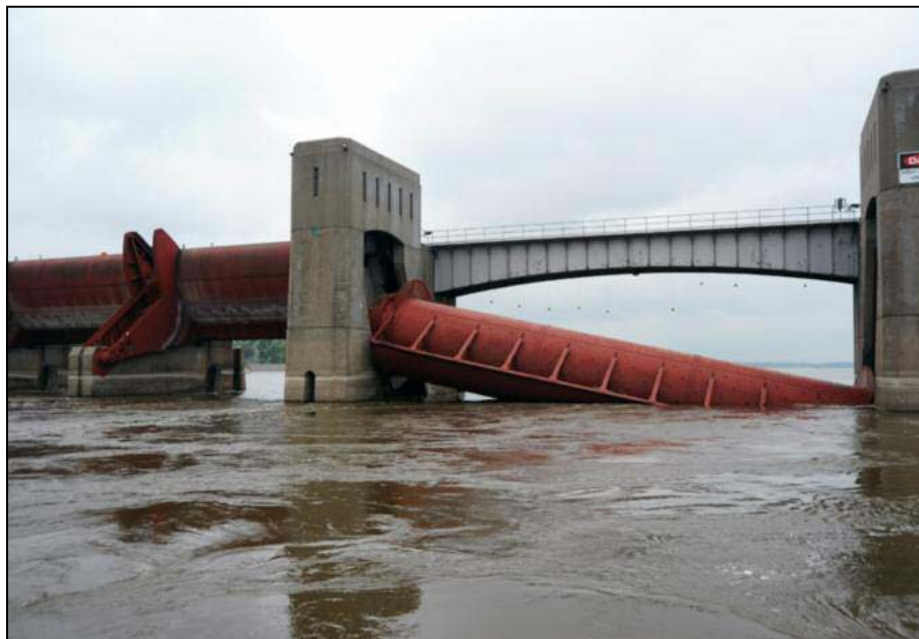
Dam gate fails at 25

Corps of Engineers News Release — April 23, 2010

(This) incident occurred Thursday afternoon when damage was sustained to one of three roller gates on Dam 25 near Winfield, Mo. A total of 15 large dam gates control water depth upstream of the dam. One was damaged when an electrical limit switch failed and the large chain that moves the gate was torn from its connection point. The damaged gate is currently wedged between the concrete piers that support it. No other damage to the structure has been identified.

A repair crew from the Corps' Service Base in St. Louis is en route to the scene now and will begin repairs today. The damaged gate will be isolated from the river flow by large bulkheads, called stop logs, which will be put in place to stop the flow through that gate while repairs are carried out.

There is currently no firm



A 100-foot-long roller gate in the middle of Dam 25 on the Upper Mississippi River failed in late April. Engineers brought in bulkheads to seal off the opening before losing the upstream navigation pool.

estimate of the time necessary to complete repairs.

The Corps of Engineers intends to start lowering the gates back into the river to catch pool this weekend following the high flows from the snow melt to the north. This will be achieved even with the damaged gate once stop logs are in place.

Lock and Dam 25 was first placed in operation in May 1939. It has received major rehabilitation and systematic maintenance since then, and is one of the sites where an additional 1200-foot long lock chamber is planned to be installed in the future.



Illinois to fund bridge & crossing projects

The Illinois Commerce Commission (ICC) recently approved plans and allocated funding for a bridge reconstruction project and four grade crossing improvement projects in the state.

The commission will provide \$1.5 million from the Grade Crossing Protection Fund (GCPF) for a \$4.8 million bridge project near Wyanet. To be completed in May 2012, the project calls for reconstructing a County Highway 8 bridge — which

was built in 1931 — over an Iowa Interstate Railroad Ltd. line and relocating a crossing to make room for the new, wider bridge.

The ICC also will provide more than \$800,000 from the GCPF to cover about 95 percent of the costs to improve crossings near Alpha, Buffalo and Worden on BNSF Railway Co.'s or Norfolk Southern Railway's lines. To be completed in May 2011, the projects involve the installation of new automatic flashing light

signals and gates, and various approach improvements.

In addition, the ICC will provide \$245,000 from the GCPF to help fund the reconstruction of surfaces at seven NS crossings near Decatur, Dwight, Kankakee and Streator. Work is scheduled to be completed by May, 2012,



Rail competition and agriculture: A South Dakota Perspective

By Lisa Richardson, South Dakota Corn Growers Association Executive Director

For South Dakota producers, rail transportation is an especially critical issue. Here in South Dakota, we produce 129 million bushels of wheat, 719 million bushels of corn, 176 million bushels of soybeans, close to 8 million tons of hay, a billion tons of sunflowers and a billion gallons of ethanol. We simply can't call the U.S. postal service to pick up 100 million bushels of corn and take it to the Pacific Northwest because we have a sales call in Taiwan.

Instead, our products face 83,744 miles of road to go along with its 75,885 square miles of space. Ninety-one percent of these roads are city, county and township roads. These are the roads where grain transportation begins as producers truck the grain from fields along these roads to their nearest grain handling facility. Now if the nearest grain handling facility

doesn't have rail access, that truck either keeps going to a processing facility or right out of state to a top paying market. This means South Dakota processing facilities and agribusinesses are losing money in missed opportunities in addition to the added pressure placed on our local roads by greater transportation distance.

This is why rail competition is critically important. The invisible hand of competition has been chopped off in many markets as 75 percent of agricultural areas lost rail competition from 1992 to 2007. Also, monopolies increased to 15 percent. As freight demand has the potential to double by 2035, we need more infrastructure to handle this growth.

However, railroads still have anti-trust protection and in the ag sector you simply have to ask why. Many states are land locked and

have only one shipper in the state. The goal of rail competition legislation should be to provide more balance at the Surface Transportation Board (STB) between the interests of shippers and carriers. Historically the STB has sided with the railroads in cases pertaining to rates and access. Small and medium size shippers that are commonly found within the agricultural distribution chain have been shut out of the rate challenge process because it is prohibitively expensive and the chance of success is relatively low.

For agriculture to remain competitive, balance must be brought into the game. Here's the deal with rail: we need it to be consistent, and we deserve to know what it's going to cost. Rail customers don't want fluctuation.



USDOT analyzes GHG emissions; AAR touts railroads' fuel efficiency *Source: Progressive Railroading*

(April 22), the [U.S. Department of Transportation \(USDOT\)](#) released a report that shows all modes can reduce greenhouse-gas (GHG) emissions in various ways, such as by using low-carbon fuels, increasing vehicle fuel economy, improving system efficiency and reducing travel.

Titled "Transportation's Role in Reducing U.S. Greenhouse Gas Emissions" and mandated by the Energy Independence and Security Act of 2007, the report states 29 percent of all U.S. GHG emissions and 5 percent of global emissions are due to fuel consumed to power U.S. transportation vehicles. Between 1990 and 2007, emissions from U.S. transportation modes increased 27 percent and accounted for about one-half of the nation's total.

Emissions could be lowered 5 percent to 17 percent by 2030 by reducing the number of vehicle-miles traveled, according to the report, which also reviews policy options for implementing emission-reduction strategies.

"Transportation is one of the major contributors to greenhouse gases, and the transportation sector must be a big part of the solution," said U.S. Transportation Secretary Ray LaHood in a prepared statement.

Meanwhile, the [Association of American Railroads \(AAR\)](#) released an environmental report of its own showing U.S. freight railroads averaged 480 ton-miles per gallon of diesel in 2009, a high fuel-efficiency mark. Since 1980, freight-rail fuel

efficiency has increased 104 percent, according to the AAR, which determined railroads are four times more fuel efficient than trucks.

"Railroads are moving more while consuming less fuel, which means we're emitting fewer greenhouse gases and easing highway congestion," said AAR President and Chief Executive Officer Ed Hamberger in a prepared statement. "If just 10 percent of the long-haul freight currently moving on our crowded highways was moved by rail, annual fuel savings would exceed 1 billion gallons."



UP to improve track in four states

[Union Pacific Railroad](#) plans to spend more than \$50 million to improve lines in four states.

The Class I is budgeting \$22 million of that to improve a line between Dupo and Fults, Ill. To be completed in July, the project calls for installing about 48 miles of new rail, replacing six switches and renewing road surfaces at 89 grade crossings.

Improvements are also being made in Wyoming (\$20m), Iowa (\$8.5m) and Missouri (\$3m.)



Illinois Senate creates Illinois and Midwest High Speed Rail Commission

By Midwest HSR Association

The Illinois Senate (on May 7) voted 59-0 to create the Illinois and Midwest High Speed Rail Commission with the intent of issuing a roadmap for the creation of bullet train lines in Illinois and neighboring states. Under General Assembly rules, such a commission can be created by a vote in just one of the two legislative chambers. No further legislative action is required.

The resolution creating the Commission, Senate Resolution 806, defines the group's mission as "recommending the best governmental structure for a public-private partnership to design, build, operate, maintain, and finance a high-speed rail system for Illinois and the Midwest."

The Commission is to be composed of 19 members as follows: 10 public members appointed by the Governor; 3 members of the Illinois House of Representatives, 2 appointed by the Speaker of the House and one appointed by the House Minority Leader; 3 members of the Illinois Senate, 2 appointed by the Senate President and one appointed by the Senate Minority Leader. 3 ex-officio members as follows: the Illinois Secretary of Transportation; the Executive Director of the Illinois Commerce Commission; the Executive Director of the Illinois State Toll Highway Authority.



STC survey gives Class I's mixed reviews

4/26/2010 Shipper Survey

The nation's Class I railroads received mixed grades from leading U.S. grain and oilseed shippers on the first Soy Transportation Coalition (STC) Rail Customer Satisfaction Index.

The survey was completed anonymously by grain and oilseed shippers of various size and scale of operations. While respondents overall provided higher ratings for the rail industry's customer service efforts, they consistently expressed concern at the costs of rail service and how those costs are communicated, according to the coalition.

The survey included 11 questions categorized under on-time performance, customer service and costs. For most of the questions, respondents were asked to rate the railroads on a scale of one to 10, 10 being the highest and one being the lowest.

[BNSF Railway Co.](#) received the highest overall rating, with [Union Pacific Railroad](#) finishing second. [Canadian Pacific](#) and [Canadian National](#) received the lowest ratings, finishing with a score, on average, 25 percent lower than the other five Class Is.

When asked the question, "Are rail service costs clearly explained to you? Is there transparency in the railroad's pricing mechanism?" shippers gave railroads an average

CSX division HQ leaving Chicago

Source: Progressive Railroading 4/23

[CSX Corp.](#) plans to relocate its Northern Division headquarters from Chicago to North Baltimore, Ohio, where it's building a \$175 million intermodal terminal. The new headquarters will oversee 16 CSX Intermodal terminals that currently handle 1.3 million containers in Ohio, Illinois, Indiana, Michigan, Massachusetts, New York and New Jersey.

The Association American of Railroads (AAR) recently released a study conducted with the U.S. Departments of Agriculture and Transportation that shows how the transportation link between railroads and agri-business supports the nation's economy. Although agricultural product shippers' rail rates have risen in recent years, the increase "pales in comparison" with farmers' other price hikes, including the cost of fertilizers (up 304 percent), fuel (up 244 percent) and seed (up 154 percent), the AAR said.

score of 3.67, with BNSF receiving the highest score at 4.36, followed by Union Pacific at 4.31. Regarding railroads' accessorial charges, respondents said they feel they are more of an effort to generate additional revenue, and not used for the purposes advertised by the railroads.

For full survey results, go to <http://www.soytransportation.org>.

The Ohio Rail Development Commission (ORDC) has worked with the railroad and neighboring states on necessary rail corridor improvements to create double-stack container clearance from North Baltimore to the Port of Wilmington, N.C., said ORDC Executive Director Matt Dietrich.

The commission recently was awarded \$98 million from the federal government as the designated sponsoring agency for CSX's National Gateway intermodal initiative. Proceeds will be used to complete track work and raise overhead clearances from North Baltimore to an intermodal terminal in Chambersburg, Pa.



BNSF, short lines form caucus

[BNSF Railway Co.](#), the [American Short Line and Regional Railroad Association](#), and 14 short-line holding companies and small railroads have partnered to form the BNSF Short Line Caucus.

The caucus hopes to improve two-way communication between BNSF and its the short lines that connect with it. They plan to work jointly to address and solve problems facing both systems; share ideas regarding best practices between short lines and Class Is; and develop opportunities to attract new business to rail.



USDA Study

from 55 to 137 percent higher than the incremental increase in the cost of fuel.

Barge Transportation

For shippers near inland waterways, barges offer a low-cost transportation alternative for moving their crops and fertilizer. The report examines the importance of the Upper Mississippi River and Illinois Waterway to agriculture. The river system relies on locks and dams, which are aging but generally reliable. As locks age, however, repairs and maintenance become more extensive and expensive.

The balance of the Inland Waterways Trust Fund, which finances 50 percent of most of the capital costs of the inland waterways, has been declining since 2002 because ex-

penditures have increased and revenues have declined, indicating a growing gap between the two. It is unclear how the funding will be provided. The lack of a clear path

forward on funding is of significant concern to farmers that depend on the inland waterways to move their crops to market. The funding to maintain and rehabilitate the existing infrastructure needs to remain a priority.

Ocean Transportation

Overseas agricultural movements use both bulk and containerized ocean transportation extensively. In calendar year 2009, U.S. waterborne agricultural exports totaled 145 million metric tons, with 20 percent moved in containers. Transportation

by bulk vessel is the least expensive shipping method; however, market conditions can shift products between modes.

More than half of U.S. agricultural exports by value move in marine shipping containers. Containerized agricultural shippers report that container availability and vessel capacity are the greatest challenges facing their business. The recent decline in import cargo reduced the availability of containers for export cargo, resulting in lost sales and unreliable service to overseas buyers.

Transportation

Trucks carry 70 percent of agricultural tonnage and are the first and last movements in the supply chain. Trucking is highly competitive, keeping rates low.

Agriculture is the largest user of freight transportation in the U.S., claiming 31 percent of all ton-miles in 2007.

The 100 air-mile agricultural exemption to the driver hours of service rules is important because of agriculture's seasonal needs for moving large quantities of farm supplies and

agricultural commodities during planting and harvest.

Farm products are heavy, bulky, and of relatively low value. Thus, transportation is a large component of their final price. Many agricultural stakeholders would like to see a limit of 97,000 pounds with a sixth axle on Interstates. Increasing allowable weight without a sixth axle would increase pavement maintenance costs, requiring more revenue for maintaining the highways. Existing bridge design capacities may not permit heavier loadings without sig-

nificantly shortening bridge lives, increasing the required investment in highways.

Biofuels Transportation

Ethanol production reached 9.3 billion gallons in 2008. The RFS-2 goals project biofuel use at 36 billion gallons by 2022—a very brief time in which to develop the distribution infrastructure. EPA estimates that 40 unit-train destinations will be needed by 2022.

Additional unit-train destinations would create more ethanol corridors on the rail network, preventing congestion points that could develop with increased biofuel shipments. The future transportation needs will be influenced by the location of feedstocks, as well as the type of advanced biofuels produced.

Conclusion

The report intends to educate and inform policymakers and agricultural industry stakeholders. It provides relevant background and a current reference point for discussion of the issues facing agricultural transportation today.

The report examines some of the major issues facing agricultural transportation, including: the dramatic effect of deregulation on the rail industry, a growing gap for funding the inland waterways and highway systems, availability of containers and ocean vessel capacity, and the infrastructure that may be needed to support a projected increase in biofuel transportation.

For more information, call [Surajudeen \(Deen\) Olowolayemo](#), USDA, at 202-694-3050.

