

Understanding Our Economy

Freight Railroads: Moving Products...And The Economy

by Edward R. Hamberger

(NAPSA)—Economists have long looked at freight railroads as a gauge of economic recovery. When trying to see light at the end of the recessionary tunnel, forecasters often monitor freight train loads and revenues to see early indicators of an economy in recovery.

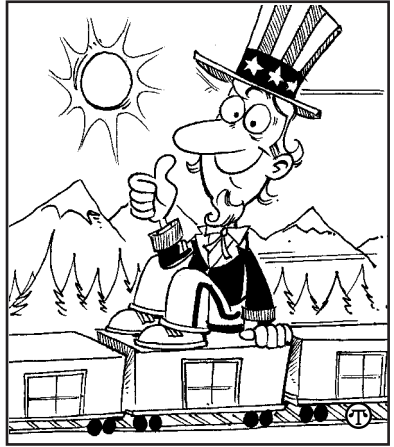
If this crystal ball has validity, then the U.S. economic outlook may be brightening. Consider the following:

The freight rail industry is firing on all cylinders. North America's railroads are moving more freight than in 2001. Increasing numbers of shippers—from wine producers to automakers—are taking advantage of the cost savings realized from using rail. It's partly because of economical rates—a recent Congressional report found that rail rates generally declined over the last several years. It's also because of top-notch service. As one shipper recently put it: "Service is better now than it's been in the last decade."

Freight railroads move items important to the economy. While most people think that railroads only move bulk items, all may be surprised to know that today's rail cars are filled with appliances, microchips, fresh produce, Christmas trees, hand soap, beer, car parts and many other goods important to daily life and economy. The computer you type your e-mail on, the sugar and coffee in your mug, the chair you sit in, the roof above your head and the publications you read most likely took the train on their way to you.

The industry continues to make significant strides in improving its service. The freight rail industry invested more than \$14 billion in 1999 and 2000 alone, representing one-fifth of its revenues for that period. Information systems were upgraded, terminals added, and state-of-the-art locomotives and intermodal (truck trailers moving on trains) cars purchased. The returns on these investments are now being realized not only by the train companies, but the customers who are reaping the benefits of our efficient, safe, rail network.

Intermodal transportation,



which represents one-fifth of the freight rail industry's revenues, continues to grow. Intermodal traffic on U.S. railroads is up from year-earlier levels, and all indicators point to continued growth. Intermodal is a highly cost-effective and environmentally responsible means of transporting freight. It makes the most efficient use of capital, because railroads can incrementally increase their capacity at a lower cost than other land-based modes. These efficiencies are manifested in lower shipping rates, especially over longer distances.

Freight rail makes fundamental contributions to the U.S. economy. First, trains enable companies to increase the efficiency of their supply chains, thereby increasing their overall productivity. They transport a myriad of goods ranging from grain and coal to orange juice and computers. Second, trains provide a cost-effective means of transporting foreign imports throughout the country, and U.S. exports throughout the world. Goods arriving at East Coast ports, for example, are cost-effectively transported across the country, thereby creating a "land bridge."

To the average person, freight railroads may not always be top of mind, but the contribution the industry is making to the U.S. economy is significant. So next time you see a freight train, consider it may be delivering the recovery we've been awaiting.

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