



Rail Road Runner?

BY JOHN GALLAGHER

Creator claims billions to be made in short-haul intermodal market from new intermodal technology

The backers of a technology that links containers and chassis together — avoiding the need for traditional container loading equipment — believe they have what it takes to make railroads profitable in short-haul intermodal markets and to generate more than \$1 billion in revenue in the next decade.

RailRunner NA, the company that holds the patent for the "RailRunner" technology, is waiting for an all-clear sign from the Federal Railroad Administration to begin commercial service over Norfolk Southern in partnership with NS subsidiary Triple Crown Services.

Triple Crown, which uses RoadRailer technology in a similar way to move 53-foot trailers, would haul RailRunner containers on its trains. The companies anticipate initial service on NS between Fort

Wayne, Ind., and Jacksonville, Fla. (see story page 25).

Growing interest by shippers in shorter-haul markets — whether driven by new hours-of-service rules or new investments in short-sea shipping — indicates that the shorter haul market can be more profitable. Exploiting the 300- to 1,000-mile intermodal market, where it's more difficult for railroads to recoup costs, is the goal of RailRunner.

"This is a great opportunity," says Joseph Waldo, RailRunner's vice president for sales and marketing. "This is a way that railroads

can capture that market and be profitable at the same time because of relatively low capital costs."

It has taken RailRunner six years to develop and test the bi-modal system to get it where it is today. The technology consists of a chassis that either can be driven on the highway like conventional highway chassis or run like a railroad car



Container vs. Truck & Bulk Shipment of Speciality Grains

(Cost per ton)

Soybean shipment from Iowa to Japan, via Seattle

	Container				Truck		Single Car		Unit Train	
	COST PER TON*	UNIT FOR INPUT	INPUT	COST	INPUT	COST	INPUT	COST	INPUT	COST
Capacity		Tons	20		25		90		4500	
On-Farm Storage	0.67	Month	3	\$2.00	3	\$2.00	1	\$0.67	1	\$0.67
Inland Elevator Storage	1.00	Month					3	\$3.00	3	\$3.00
Farm Handling	0.33	Handle	1	\$0.33	1	\$0.33	1	\$0.33	1	\$0.33
Inland Elevator Handling	2.66	Handle					1	\$2.66	1	\$2.66
Port Terminal Handling	1.33	Handle			1	1.33	1	1.33	1	1.33
Haul to Farm	0.14	Mile	18	\$2.50	18	\$2.50	18	\$2.50	18	\$2.50
Haul to Elevator (round trip)	0.07	Mile					15	\$1.07	60	\$4.26
Inland Drayage	0.05	Mile	50	\$2.40						
Inland Truck Freight**	0.03	Mile			3,644	\$109.32				
In-land Rail		Input	Input					\$30.00		\$27.22
Ocean Freight	13.00	Trip			1	\$13.00	1	\$13.00	1	\$13.00
In-land/Ocean Freight	60.00	Trip	1	\$60.00						
Marketing Costs	8.00	Hour	1	\$8.00	0.8	\$6.40	0.2	\$1.78	0.004	\$0.04
Repositioning (Repo)										
Special Handling (eg bagged)										
Total Estimated Costs/Ton*				\$75.23		\$134.88		\$56.33		\$55.00

Source: Department of Agriculture

*Short ton = 2000lb.; **50% Backhaul

over a rail network. A special coupler on each end of the chassis is the same on both ends, eliminating the need to turn equipment around to match "male" and "female" couplers.

A transition unit allows RailRunner container-chassis to be coupled to standard locomotives and railcars equipped with a conventional railroad knuckle and pulled in normal freight train service. It takes roughly three minutes to connect each container.

The RailRunner chassis cost roughly \$45,000 each, a relatively small amount when compared with the costs of setting up even a small intermodal terminal where paving and lighting alone can cost millions of dollars. Employing 30,000 chassis at full utilization and with an estimated 1 percent of the intermodal market, the company believes it can produce \$1 billion-\$1.5 billion in revenue over the next 10 years.

"We're not looking to replace product, we're looking to take trucks off highway and put the freight on the railroad in a more efficient way," said RailRunner president and CEO Charles Foscett.

One of the biggest opportunities for RailRunner could be in the export grain markets of the Midwest where railroads — namely Burlington Northern Santa Fe Railway — have been concentrating efforts on long shuttle trains of hopper cars where intermodal ramps are few and far between.

However, "containerization allows the producer to extend control of the product from field to customer rather than field to local terminal, introducing new sources for opportunity, risk, and profit," according to a recent joint-study by the Department of Agriculture and the Upper Great Plains Transportation Institute.

Based on information from shippers and railroads, the government estimates that less than 1 percent of U.S. export grain is containerized. The majority of export grain is trucked or railed via hopper or gondola cars.

"As consumer tastes become more sophisticated and processing plants more automated, and as technology continues to produce characteristics that need to be preserved for different uses and users, shippers will find it imperative to preserve grain identity from farm to consumer," according to the government study. "Products cannot be contaminated from other cultivated varieties."

The increasing demand by foreign

Taking on the trucks

RailRunner technology will start commercial service in what is considered a truck market — the lane between Fort Wayne, Ind., and Jacksonville, Fla. — using a minimal number of cars in one of the longer short-haul markets.

By starting off with just a few containers per week hooked up to trains of 53-ft. RoadRailer trailers, RailRunner hopes to begin taking marketshare away from over-the-road trucks for containers of manufactured goods destined for export to the Caribbean, principally Puerto Rico.

On the backhaul, RailRunner will be more a domestic service, moving paper and agricultural products from South Georgia to the Midwest.

"Domestic containers is a growing market," said RailRunner president and CEO Charles Foscett. "Fort Wayne is niche that the domestic containers don't serve. They usually move to Chicago — a more profitable, more cost-efficient haul — and then have to be drayed to Fort Wayne, which gets pretty expensive. This will be a way to tap into a piece of business that current intermodal can't capture."

After extensive testing, NS signed off on the use of RailRunner on all its Triple Crown routes, Foscett said. NS and RailRunner are expecting to hear "very shortly" from the Federal Railroad Administration on whether the FRA takes exception to any specifications such as car specifications, speed, and weight that will be used in the Fort Wayne-Jacksonville lane.

The goal is to increase the number of RailRunner cars over the 800-mile route to 30 containers a week within the next six months, Foscett said. "We're starting slow, but with the scalability of the technology, we think we can ramp up pretty quickly."

— by John Gallagher

receivers for identity-preserved grain — grain that must be bagged at the point of origin to preserve quality control — will help triple the market for containerized grain movements within the next six years, the government says.

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BNSF'S
STEVE BOBB

well-suited to take advantage of this trend. "Receivers in places like Japan are getting more demanding that the product they receive is from a certain crop and don't want it mixed in with other product types in the hold of a ship," Foscett said. "They want it source-loaded into a container so that quality assurance is preserved during the whole transit."

But farmers in the United States are not capturing this export business because the relatively small shipments of identity-preserved grain are too expensive to ship by boxcar or truck. However, transferring source-loaded containers onto double-stack trains can compete with traditional carload trains or trucks, Foscett said. "And shippers and receivers are happier because fewer people are touching their product along the way," Foscett said.

It will be tough to convince cost-wary railroads that RailRunner represents an opportunity to grow their business. "I haven't yet formed an opinion as to the viability of a product like RailRunner" for use in the grain business, said Steve Bobb, group vice president for agricultural products at BNSF.

"We haven't had a lot of customers saying they want this service. Also, the economics of intermodal requires a lot of density at origin and destination. The questions are, will the variable costs be low enough to pay for the upfront capital investment that this new technology is going to cost? Will the consumer be willing to pay more to fund this capital investment? That's something that still has to be figured out." ●