

Last updated: October 15, 2008 02:41pm

## Rail Freight Makes Big Advances

By John McCloud

Developments on three continents spotlight the growing role of rail in global logistics. Increasing numbers shippers, suppliers and retailers are looking at rail as a cheaper and more efficient alternative to container ships and trucks for long-distance freight transport.

In North America, the US Surface Transportation Board granted Canadian Pacific Railway regulatory approval for its estimated \$1 billion acquisition of the Dakota, Minnesota & Eastern Railroad Corp. The acquisition was initiated in September 2007 but delayed a full year due to opposition from US political interests. The purchase, which received final approval Sept. 30, includes the Sioux Falls, SD-based companies two subsidiaries: Iowa, Chicago & Eastern Railroad and Cedar American Rail Holdings.

The DM&E, which connects with Canadian Pacific at Minneapolis, Winona, MN and Chicago, is the largest regional railroad in the US and the only Class II railroad that connects and interchanges traffic with all seven Class I railroads. It serves eight states, including Illinois, Iowa, Minnesota, Missouri, Nebraska, South Dakota, Wisconsin and Wyoming. In addition to Chicago and Minneapolis, it provides access to Kansas City and key inland ports. The railroad has 2,500 miles of track, including approximately 500 miles of trackage rights, and rolling stock consisting of 7,200 rail cars and 150 locomotives. The acquisition enables Canadian Pacific to get containers more quickly and efficiently from the ports of Vancouver and Prince Rupert, BC to the central US.

As CP was receiving the transportation board's blessing, rival Canadian National Railway pressed a US federal court to force the same board to speed its decision regarding the railroad's proposed \$300 million acquisition of the Elgin, Joliet & Eastern Railway. The Montreal-based railroad wants to secure the suburban Chicago rail line to bypass rail congestion in the central Chicago area and shorten its delivery times. Like its rival, Canadian National serves Vancouver and Prince Rupert, but it also links to Halifax and the St. Lawrence Seaway ports, including Montreal and Toronto.

Also in North America, at the US-Mexico border, New Mexico Gov. Bill Richardson met Sept. 30 with Mexican communications secretary Luis Tellez to iterate support for a new railroad bypass and international rail crossing that would shift some rail traffic from the congested border cities of El Paso, TX and Ciudad Juarez, Mexico west to Santa Teresa, NM. According to Richardson, the bypass and crossing is essential to increasing US-Mexico trade.

Meanwhile, in Europe and Asia, DB Schenker, Germany's leading forwarder, announced plans to launch scheduled rail cargo service between China and Germany in response to requests from its client Fujitsu Siemens Computers. According to Schenker, a unit of German state railway Deutsche Bahn, the computer company favors rail because it is a quarter of the cost of airfreight, takes much less time than the 30 to 35 days required to ship by sea and reduces CO2 emissions by 95%.

According to the Adam Smith Institute in London, which is sponsoring a European rail conference in Brussels in November, rail currently accounts for just 2% of freight traffic between Europe and Asia. But it says the significantly shorter transit times compared to shipping by sea is attracting the attention of retailers.

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