



THE
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TRANSPORTATION
LEAGUE

Railroads in 2020 *Can Investment Keep Up?*

A Shipper Perspective

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October 8, 2004

<http://www.nitl.org>

The National Industrial Transportation League



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- 97 year old Association
- Over 600 member companies
- Over 1500 company representatives
- Member value demonstrated in three ways
 - Policy
 - Networking
 - Education
- Link with AST&L

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Our History



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Phase I -- 1907 -1985

- ICC
- Regulatory
- Technical Expertise
- Domestic
- Confrontational

Phase II -- 1986 -2002

- De-Regulation
- Legislative
- Technical Education
- Training
- International
- Cooperative

Phase III -- 2003 -

- Vision 2020
- Value Added
- Educational
- Business Integration
- Legislative
- Collaborative

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Today Who is a Shipper?



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- Traditional Definition
 - An entity that manufactured products for delivery to customers or secondary manufacturing.
- Five elements have changed this definition
 - Deregulation of all modes of transportation
 - The growth of intermodalism
 - The growth of information technology
 - Outsourcing
 - Globalization

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Today's Definition



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- A shipper can be any entity that is engaged in the movement of freight, whether manufacturer, distributor, third party logistics provider or a 'carrier' using another mode as a means to provide service to their customer.

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What are Shipper's needs



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- A goal of a shipper is quite simple
 - Turn product or service into cash!
- To achieve this goal there are three common requirements
 - Capacity
 - Performance
 - Cost
- Shippers with different needs will prioritize these differently.

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What is the Shipper Perspective



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- Investment will keep up if there is a demand for the service.
- Economic growth in a consumer economy means increased goods movement – an opportunity for all transportation providers
- Shippers will always look to meet the demands of their customers
- Shippers will utilize the transportation mode that allows them to meet their customer's needs
- What will it take to meet this demand?

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The social/political drivers



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- Infrastructure demands
- Energy demands
- Labor/Management Issues
- Regulatory Policy
- Environmental Policy
- Security Concerns
- Government Fiscal Policy

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The Opportunity



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- Past trends – growth between 1980 & 2000
- Commodity growth in that time frame
 - Intermodal
 - Coal
 - Is it sustainable?
 - Does it warrant continued investment?
- Commodity loss in that time frame
 - Merchandise
 - Consumer Products
- Where will growth come from in the next 15 years?

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The Reasons



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- Industrial shift – off shore
 - Move from merchandise freight to intermodal
- Customer Market Demands
 - Inventory Control
 - Consistent delivery

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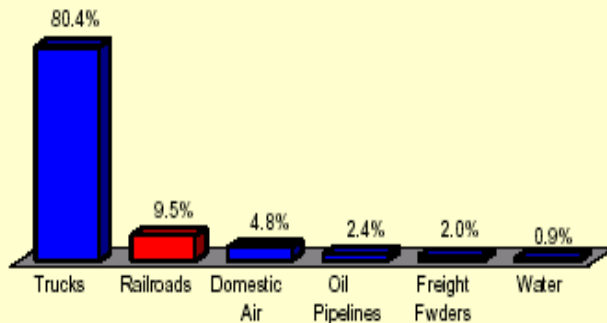
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The Opportunity



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U.S. Domestic Intercity Freight Revenue - 2001



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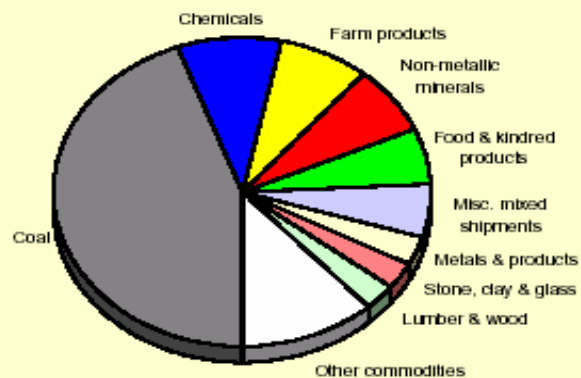
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The Opportunity



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2002 Class I Railroad Tons Originated



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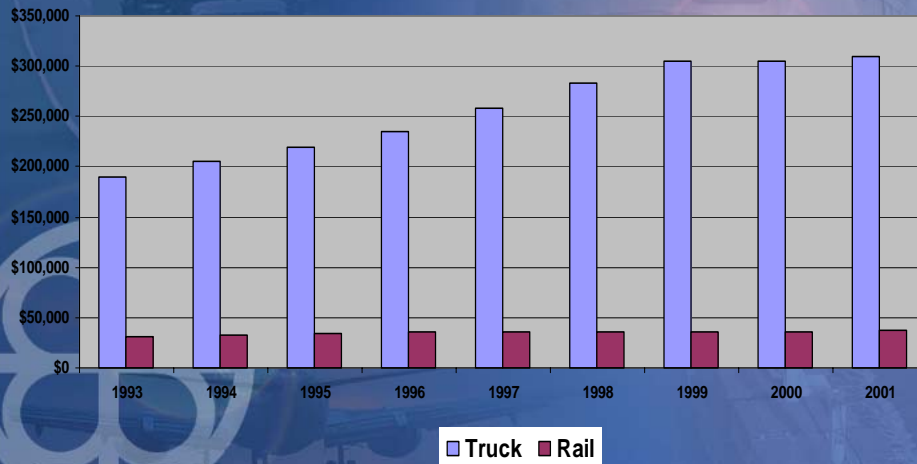
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Modal Revenue Growth



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The Need



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- A Transportation Policy at the National, State and Local level that:
 - Recognizes the inherent value of each mode of transportation
 - Provides incentives to all modes to improve efficiencies and productivity
 - Encourages not only competition between and within modes, but cooperation to take advantage of inherent advantages of each mode.

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Concerns

- Rates are not the issue
 - Shippers will pay for value
- Value consists of:
 - Focus on Customer Needs
 - Consistent Service
 - Competitive Pricing
 - Marketing Innovation
 - Competitive Choices
- Can the current model sustain itself?

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Summary



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- Continued investment in Railroads will require a new approach from all concerned
 - Shippers
 - Government
 - Railroads
- The railroad industry helped build our great industrial economy – can they be a part of our new economy?

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