

Iowa Consolidated Rail/Barge Tariff
by
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The Iowa DOT was created in 1974 under a modal organization. A River Division was created to represent commercial transportation on the inland waterways. Discussions with shippers, terminal operators, and carriers resulted in the identification of several grain transportation problems. These were: rate fluctuations, coordination of grain train shipments and administration.

Rate Fluctuations. Transportation rates were uncertain. Grain rates for barges are exempt from regulation, so barge rates are subject to the law of supply and demand, and fluctuate daily. Smaller elevators do not have the ability to contract for significant volumes a year in advance. Varying barge rates are also a problem for towing companies because profitability varies with the spot market.

Coordination of Grain Transshipments. Landlocked grain elevator operators found that they were required to deal with three entities to take advantage of the lower cost waterways transport for the long haul to export outlets. The process required contacting the railroads to order cars, locating a river terminal for transferring the shipment onto barges and negotiating with a barge line for barges.

During periods of peak demand, transportation equipment was utilized at near capacity. Not only was the cost of equipment inflated, but backlogs created uncertain delivery time.

Sometimes railcars were delivered to the elevators late or shipments to the river were slow, causing demurrage charges to be assessed for waiting barges. By the same token, if rail cars were delivered to the river and no barges were awaiting loading, demurrage was paid on the rail cars. There were no strictly public throughput terminals on the Mississippi River in Iowa. In some cases, terminals would not handle other grain shipments during peak periods that were not their contract customers.

With these restrictions the local elevators could only sell their grain to major grain marketers or pay the price for an all-rail move to the Gulf. Although this was not necessarily bad, western Iowa shippers were interested in developing an alternative.

Administration. Shipping by rail/barge required 16 bills of lading for each barge load. One bill of lading for each of 15 rail cars required to fill a barge, and one bill of lading for the barge.

Transportation services were provided by the Milwaukee Railroad and Alter Barge Lines. The Milwaukee Road was basically an east/west carrier with no lines of its own to the Gulf. Therefore, the railroad had to transfer its shipments to some other carrier for delivery. It had nearly 1,500 miles of tracks in Iowa and terminal connections on the Mississippi River at Muscatine, Buffalo, Davenport, Bettendorf, Camanche, Clinton, Dubuque, and McGregor. The company did offer multiple-car rates to both the river and the Gulf. However, the railroad was experiencing significant financial difficulties.

Alter Barge Company is the only line-haul towing company headquartered in Iowa. It operates as both an exempt, for-hire carrier of a wide spectrum of bulk commodities and as a private carrier for its corporate affiliate, Alter Scrap. At the time the Rail/Barge Tariff was negotiated, it operated six towboats and about 200 barges on the Mississippi and Ohio River systems.

The DOT organized negotiations between the carriers and shippers to discuss the shippers' concerns. Nine months of negotiations resulted in the Consolidated Rail/Barge Tariff. The Tariff, which became effective August 14, 1977, applied to interstate traffic of rail/barge export of corn and soybeans from Milwaukee Railroad terminals in Iowa and southeastern South Dakota. It applied to about 1,000 miles of Milwaukee tracks in Iowa.

The Tariff addressed the rate fluctuation concerns by setting rates for March/June, July/September, and October/December time periods. Shippers needed only to contact the railroad representative, who coordinated arrangement of the overall transport package. One bill of lading was all that was required for each movement of cars from a particular location. Barge availability was guaranteed. If barges weren't available when rail shipments reached the river, the barge line paid the railcar demurrage.

The Tariff called for six consecutive 15-car rail movements to the river. After the first loading, the elevator operator was guaranteed the cars would be returned five more times. Some of the elevators were small. Their storage capacity made it difficult to meet the total 90-carload requirement. To accommodate this impediment the Milwaukee divided territory in Iowa into zones. Up to three elevators in any zone could combine for a 15-car combination. Also, each of the six consecutive movements could originate from a different zone. One example of the flexibility allowed by this concept: a zone with 25 elevators allowing one, two, or three originations results in about 2,600 different combinations. The tariff was in place during the latter half of 1977, but was not utilized until 1978. This was probably because of:

- o Shipper uncertainty with the new concept,
- o Difficulty of transition during the busy part of the year for elevators,
- o Unfamiliarity with barge transport by inland shippers, or
- o Low prices and demand for export grain.

In 1978 there were 2,782,500 bushels moved under the new tariff. Although there was fluctuation between geographic areas and seasons, estimated shippers' savings over single-car rates to the Gulf was about 7-1/2 cents per bushel. There were periods when an all-rail movement was slightly cheaper than the rail/barge rate. However, one could question whether or not these elevators would have been able to get the transportation equipment during this period of peak demand.

It was also important to consider the improved turnaround time for grain cars from the Milwaukee's perspective and the increased tonnage that Alter

probably would not have moved without this arrangement. Eighty-three percent of the 1978 shipments moved over lines involved in the state's Branchline Assistance Program. Even though the grain units were moved by regular service, and not by dedicated grain trains or power units, the turnaround time for rail hauling equipment was nearly three times better than if the grain had moved all the way to the Gulf in railcars.

In 1979, forecasts and commitments were significantly increased. Good records were not kept. However, it was estimated over 10 million bushels were moved. Early in the year, turnaround times for rail cars were reduced below the 1978 figures. However, that is where the program ended.

There were a number of reasons for the demise of the program. Some of them were:

- o No movements were made via the tariff after 1979. Evolution of the grain business generated a number of market changes. The prices for grain transportation decreased. Competition for the movement of limited amounts of grain caused all modes to reduce rates to the river. Transportation costs to and down the river were less costly than the Consolidated Rail/Barge Tariff.
- o This was the time when the Milwaukee Road went through reorganization, system and administrative changes. The restructuring disrupted or eliminated service on many of the lines involved in the program.
- o One reason for the tariff was the assurance it provided grain shippers that equipment would be available. Lowered demand for services created an equipment surplus that negated the advantage of the Consolidated Tariff.
- o The deregulation of railroads permitted rail carriers with greater flexibility in ratemaking.

Although a Consolidated Rail/Barge Tariff could assist in stabilizing traditionally cyclical grain movement, there are a continuing number of problems:

- o The rail industry receives more revenue from long-haul unit trains to the Gulf. Therefore, the Consolidated Rail/Barge Tariff provides very little incentive for present Iowa rail carriers to participate.
- o Until demand for export grain increases dramatically, no significant equipment limitations will occur.
- o Unless transportation markets improve, the rail carriers and towing companies are not likely to lock into a tariff which will work against them as rates increase.

It took a special set of circumstances to permit this tariff to work. It worked then, but those same circumstances may not arise in the near future. However, with the advent of total transportation companies, the concept of rail/barge coordination, one-stop shopping, and a single bill of lading is inevitable. In all probability, the logistics of the move will be based on economics from the transportation company's perspective.

In summary, the 1977 Tariff:

1. Provided lower rates than the usual rail/barge combinations an individual company could negotiate on its own.
2. The low rates provided effective competition between large and small elevators, rail and truck, and between rail and barge carriers; and,
3. It was a big step in Iowa toward inter-modal transportation movements.

Rail/Water Coordination Achieved by the CSX/ACBL Merger

by

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CSX - ACBL Merger Update

The last hurdle that CSX could face in its purchase of American Commercial Barge Lines (ACBL) is possible Supreme Court review. The CSX-ACBL merger was approved by the Interstate Commerce Commission (ICC) in July 1984. After the Sixth Circuit Court of Appeals issued a 2-1 decision upholding the ICC ruling in January 1986, barge interests asked the Supreme Court in June 1986 to review the appeals court decision. There is no decision yet on whether the Supreme Court will review.

Merger Approved

On July 24, 1984, the ICC voted to permit CSX to proceed with its purchase of ACBL. Discussion focused on how to interpret the Panama Canal Act of 1912. The commission said it was able to permit the merger because the Panama Canal Act does not flatly prohibit common ownership of railroads and barges. The final ICC vote was decided on whether the merger would reduce competition among barge operators. Reese H. Taylor, then ICC Chairman, believed it would not. The final decision required annual ICC review of the impact of the merger for five years because a number of commissioners expressed concern about the barge industry's competitive future. The ICC completed the first annual review in June 1986. Judge Paul S. Cross, presiding over the oversight hearing, determined that shippers were satisfied with the merger.

Appeal Denied

In January 1986, the Sixth Circuit Court of Appeals in Cincinnati, Ohio, upheld the ICC decision by a 2-1 vote. The Water Transport Association (WTA) filed the appeal in late 1984 arguing that the ICC decision permitting the CSX-ACBL merger would violate the intent of the Panama Canal Act of 1912. Writing for the majority,

Circuit Judge Cornelia G. Kennedy found that the ICC's approval of the acquisition did not violate the act. Kennedy pointed out that 1940 legislation reenacting the earlier law had relaxed original strict controls on rail-barge mergers, and given ICC greater latitude in authorizing such mergers.