

Supreme Court Petitioned

The WTA and other barge interests petitioned the Supreme Court in June 1986 asking the high court to review the appeals court decision. The petitioners argued that the Panama Canal Act had been misinterpreted. They claimed that the appeals court misconstrued the Act by finding that the ICC was not required to consider the effect of the acquisition on rail-barge competition and that the commission could limit the scope of its analysis to competition among barge lines.

While observers wait for Supreme Court reaction to WTA's request, CSX has taken its plans to become a one-stop carrier one step further with the acquisition of Sea-Land Corporation.

CSX/Sea-Land

In mid-July, 1986, CSX formally applied for ICC approval of the acquisition of Sea-Land Corporation. Sea-Land is one of the world's largest containership lines, with a fleet of 57 vessels. The ICC will first have to decide how to review the application, because such a rail-steamship merger is without precedent. There are two possible paths that ICC review could follow. The first, favored by CSX, would be for the commission to consider the application under the Panama Canal Act. The second and more lengthy process, favored by American President Company, an opponent of a CSX-Sea-Land merger, would be for the commission to review the application using the same criteria that it uses in reviewing railroad mergers. American President Company argues that Sea-Land's Little Ferry rail terminal operation is large enough to qualify Sea-Land as a major railroad for ICC merger proceedings. The first process could take as little as a year, the second as long as 31 months.

Double-Stack Container Trains Link the Nation's Ports

by

Harold J. Cervený
Trailer Train Company

The Association of American Railroads (AAR) estimates that a double-stack train can save up to 50 percent in crew costs over a standard trailer-on-flatcar (TOFC) train. In addition, double-stack trains can save up to 35 percent on fuel costs and locomotive costs and up to 28 percent on rail right-of-way maintenance costs. The AAR estimates that most imported containers are for local delivery within 200 to 300 miles of the port of entry. Railroads handle 80 percent or more of the imported containers that have a destination over 300 to 400 miles from the port.

Several issues of concern to Trailer Train in the future development of double-stack service are:

- What are the real cost savings in double-stack service over TOFC service?
- Can expenditures needed for terminal facilities and increased bridge clearances be justified?
- Does all-water vessel service threaten double-stack and bridge service?

- Could U.S. protectionist policies pose a threat to double-stack service?

In order to address these concerns, Trailer Train conducted cost analyses of all-water and double-stack landbridge shipments of containers from Yokohama, Japan to Chicago and New York City. Three case studies were prepared, using the following comparative vessel load factors and vessel operating costs.

	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Ocean Vessel Costs (per mile)	\$.12	\$.098	\$.068
Vessel Capacity (FEU)	1,000	2,100	2,100
% Capacity Utilization	70%	70%	100%

Trailer Train then identified the cost to ship a forty-foot equivalent unit container (FEU) via a west coast port and double-stack train to New York and Chicago, and via all-water vessel service to New York and Chicago. The analysis includes both transportation costs and added inventory carrying costs for the longer all-water shipments. The following cost analysis is based upon rail double-stack costs of 50 cents per mile, 13 days added sailing time via the Panama Canal to Chicago and 9 days added for the all-water shipment to New York over double-stack delivery, and cargo in the container valued at \$100,000 and an inventory carrying cost of 18 percent.

	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Double-Stack, West Coast to New York	\$2,087	\$2,087	\$2,087
Double-Stack, West Coast to Chicago	\$1,637	\$1,637	\$1,637
All-Water to New York Transport Only	\$1,444	\$1,209	\$ 888
Add Inventory Cost	\$1,894	\$1,659	\$1,203
All-Water to Chicago Transport Only	\$1,894	\$1,659	\$1,338
Add Inventory Cost	\$2,544	\$2,309	\$1,793

Based upon the above costs, Trailer Train reached the following conclusions of comparative costs of double-stack and all-water vessel service from the Far East to the U.S.:

- Even if a container ship achieves high utilization levels and if interest rates drop, double-stack service to Chicago is more economical than all-water service.
- The competitiveness of double-stack landbridge service to New York depends upon the value of the cargo, inventory carrying costs and the