

Mergers and deregulation derailed U.S. transport

by Marcia Merry Baker

Freight movements are currently stalled, slowed, or cancelled at many locations on the vast rail system owned by Union Pacific Corp., headquartered in Omaha, Nebraska, whose 36,000 track-miles cover the greater southwestern United States. From this strategic location on the continent, the ripple effects are reaching far north into Canada, to the East Coast, and deep into Mexico.

The most dramatic example of the breakdown process, is that grain in the cornbelt, which should be moving smoothly at this time of year, from field, to elevator, to rail car, to end point (port or processor), is piling up on the ground in the Midwest. The U.S. rail system is so decrepit, it cannot even bring home the harvest. Yet Union Pacific Corp., the largest rail system in the nation, is considered a financial success. In September 1996, Union Pacific acquired Southern Pacific in a \$3.9 billion mega-merger; in July 1997, Union Pacific reported a second quarter 1997 earnings rise of 33%. Now, it can't move the goods. September saw a 9% drop in carload traffic on Union Pacific. What gives?

First, the Union Pacific crisis is no *natural* disaster. Unlike most infrastructure disasters, which are often mis-attributed to Mother Nature (floods, earthquakes, hurricanes), there is no way that this continental-scale rail disruption can be blamed on "natural" causes. The Union Pacific mess is the inevitable result of years of deregulation, downsizing, track shrinkage, and staff elimination. During the same period, vast profit-taking was done through mergers and acquisitions among rail companies. In 1980, there were more than 25 major Class I carrier rail lines in the United States; now there are four.

With the breakdown of Union Pacific, this downsizing and looting process has literally reached the end of the line. The current cargo chaos, plus the fact that the international financial-speculation bubble is at the bursting point, are the conditions for forcing attention to the kind of emergency mea-

asures needed in the rail grid: Restore track; build mass urban transit; create high-speed routes, including magnetically levitated lines; eliminate grade-level crossings, and so forth.

Figure 1 traces the corridor trunk lines that could and should be up and running on all continents — with transcontinental connecting links, such as the Bering Strait connection, joining North America and Asia via Alaska. This is no futuristic, pie-in-the-sky picture; this is the realistic alternative to the fact that now, in North America, the broken-down rail system *cannot move the goods*.

Vast backlogs and stall-outs

As of October, there are gridlock spots at key points and corridors throughout the Union Pacific system, and beyond. The immediate cause is the lack of locomotives and railway workers. Because of the congestion, trains are being held up, or shunted onto sidings, where they wait for days. There are an estimated 340,000 rail cars in the Union Pacific system, when proper flow should keep that number down to 300,000.

Here are some of the worst gridlock points:

Houston: On Oct. 2, there were 96 trains stored on sidings in various rail yards, because they couldn't be moved. The main cargoes held up were grain, chemicals, and automobiles.

Chicago: The clog-up affects all kinds of mixed freight, plus paper and other basics.

North Platte, Nebraska: Disruption of cargo transit includes agricultural products, coal, and metal goods.

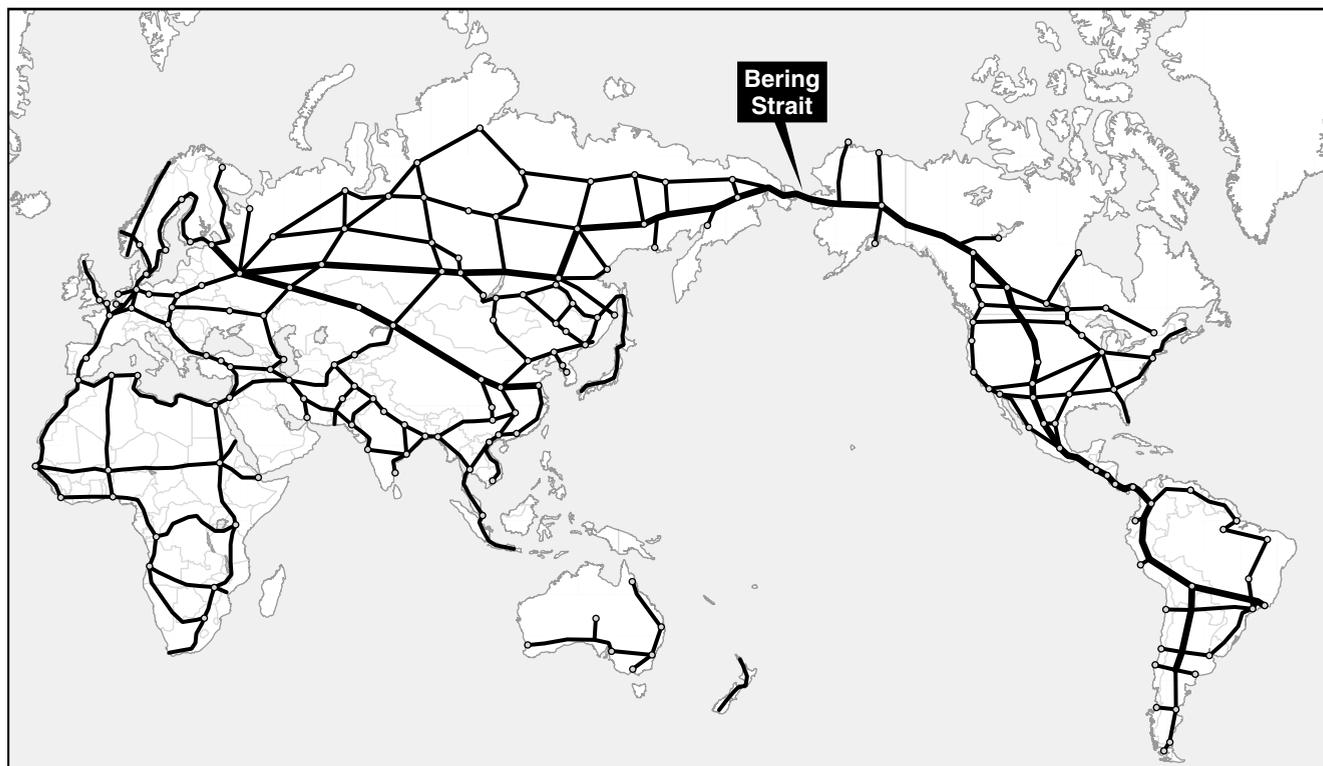
Fort Worth, Texas: Movements of coal, mixed freight, and lumber are especially affected.

Los Angeles/Long Beach: This Pacific port center has some of the most dramatic tie-ups on the continent, apart from Houston — the gateway center on the U.S.-Mexico freight corridor. Several kinds of goods are affected:

Coal for export has been held up in reaching the port from

FIGURE 1

Main lines of a worldwide rail network, as sketched by H.A. Cooper



Wyoming (Powder Basin fields), because Union Pacific had to put a go-slow, or hold, on the coal unit-trains, in order to tell the grain elevators in the farm states, that locomotives would be diverted out of coal, into hauling unit grain-trains during harvest. However, this has not materialized.

Also, as of September, some 3,000 shipping containers piled up in port, destined for the East Coast, but with no prospect of rail capability to handle them. Normally, the current rail lines would haul the containers cross-country (from Los Angeles to Savannah, Georgia, for example, in about five days). On Sept. 26, Union Pacific announced that it would lease space in an ocean vessel (APL Ltd.) to move the stranded 3,000 containers to the East Coast through the Panama Canal! This decision was later rescinded, after drawing much attention in the shipping world. The fate of the stalled containers has not been made public. In Mexico, traffic has been paralyzed on both sides of the border.

Here is the scene in southern Minnesota, part of the U.S. cornbelt, as reported by Andy Olson, Heron Lake farmer and Schiller Institute leader, on Oct. 13:

“We have grain that should be going into the fast grain-loading elevators, and then loaded onto 100-car shuttles. One power unit (of more than one engine) then takes the unit train to the export elevators, to the West Coast, or to the Gulf [of Mexico]. But they’re not showing up. The trains are ordered;

but they’re not coming. Union Pacific cannot fulfill their contracts. So the result is, the elevators are piling the grain on the ground. It’s going right on the ground.

“It’s exposed to spoilage from rain and the elements. It’s extremely costly for these elevators to put it on the ground, then pick it up again. It’s basically their profit margin, and the extra cost will come out of the farmers.

“This is the biggest rail crisis in the rail network in the 20th century. It’s gridlock; it’s chaos. It’s blowing way back into here. The Worthington Co-Op, in southern Minnesota, had a train at Galveston, Texas; they can’t get it back. It has to come back through the Houston gateway, and nothing is moving. . . . Union Pacific has told grain elevators that they will divert locomotives to grain hauling, away from coal, during the critical harvest shipping period . . . but my local co-op has not received one train that they’ve ordered during harvest. They are probably three weeks behind on delivery of shuttle trains during harvest; and they’ve filled up their facilities, and everything else is going on the ground.

“Cargill, on the same main line, got a shuttle train in, three days ago. It was loaded and gone. Farmers and co-op managers were upset.

“The policy is *to control* the disintegration. But this is out of control. There could be a real backlash. This is a real dangerous time for the elites.”