



An Iowa Interstate freight train departs Cedar Rapids for Chicago with a long convoy nearly 3 km long, with 128 single wagons, shipping different products for different customers.  
*Photo by Allan Hunt, IAIS.*

## Rail freight is a great business...in America

*Iowa Interstate Railroad, a private operator, leases its freight cars to a diverse clientele and operates a 500 km line between Omaha (Nebraska) and Chicago (Illinois). A business that rolls.*

It is 6:40 AM in Cedar Rapids, a quiet little town in Iowa. At the station, a freight train moves off. Destination: Chicago, 400 km away. Twenty-five minutes later, the 128th car disappears in the distance. Two gigantic locomotives are necessary to pull this endless train of approximately 3 km long and weighing about 6,700 tons. We hear in the distance the driver blowing the horn at every grade crossing, none being protected by barriers. The cargo is varied, but representative of Iowa's agricultural state: there are, among others, 10 cars loaded with colza, 6 of alcohol, 70 of ethanol, 2 of paper, 3 of spirits...

The long rolling wall that slowly crosses the rolling countryside is not a "block train", commanded by a single customer, to transport a single type of product. Loaded by about 15 companies from local cooperatives to international logisticians, the train is made up of "single wagons" as we call them in France. The nightmare of SNCF makes a fortune for American short lines, hundreds of private freight operators who mesh in the United States and compete with trucks for decades.

Iowa Interstate Railroad owns and operates a 500 km line between Omaha (Nebraska) and Chicago (Illinois). Its largest shareholder, Henry Posner III, who also owns a private Pittsburgh investment company, has laid siege to the Elysee Palace for over a year to be able to develop short lines in France in partnership with SNCF. In vain. (See *the interview*) But this man persists, convinced that rail freight is a growing market. In the U.S., it is: Warren Buffett who invested in November \$34 billion (€25.5 billion) in a major rail freight operator in the country—BNSF. In France, it is less so: in 2009, the operational loss of SNCF Fret reached €520 million, or one-third of its turnover.

### IOWA INTERSTATE RAILROAD

- \$75 million in sales in 2009
- 200 employees
- 30 locomotives
- 3,000 wagons

*Source: IAIS*

To succeed, the Iowa Interstate Railroad has two major advantages: "Chicago is the largest railway hub in the U.S., and it is almost inevitable when we have to transport something to the major eastern ports," explains Richard Stoeckly, the Vice-President of the company, a giant with a mustache. "And Iowa produces corn, a lot of corn, as well as wheat and soybeans. Not only were the harvests excellent in

recent years, but also, the production of ethanol and biofuels is rising." In fact, in 2008, four new refineries for producing ethanol settled near Cedar Rapids. The result was immediate: the turnover of Iowa Interstate increased by 12% in 2009.

### The rise

Each week, approximately 10 trains, pulling an average of 100 cars, go from Omaha to Chicago. And make the opposite journey. The company has 3,000 cars, which it leases, and 30 locomotives, of which 12 are GEVOs, the most recently built by General Electric, monsters of 4,400 horsepower worth more than €2 million. "In early 1990, the company was bleeding. A new investor, Henry Posner III, arrived. First the track was renovated, then invested in the rolling stock...now, everything is fine, but it took a while," explains Dennis Miller, IAIS President.

Today, the company has 200 employees, of which 37 maintain the track. It is small, but the right-of-way is still in good condition. And trains run very slowly: 40 kilometers per hour at most. "It is more safe. If we went faster, the law would require us to install signals on the line, and therefore invest a lot. The line is not saturated yet, so it is not necessary at this time," explains Adam Sutherland, IAIS' trainmaster at the Cedar Rapids station who regulates the traffic and directs the troops.

The locomotives are all equipped with GPS, which can locate cars that are continuously monitored by one of the coordinators who take turns, 24 hours a day, in the offices of Iowa Interstate. This is where they negotiate with the customers, who can call anytime at any hour to find out the status of their goods or to place an order. The administrative staff, as opposed to the rail workers and technicians, are less than 20.

At 40 KPH, the train conductor has the time to make conversation with the driver who accompanies him systematically. Scott and Dustin have worked together for nearly 12 years. With many years of seniority in the company, they do not make any more the long night-routes, or during weekends. Their daily work is to deliver cars to companies located along the way, then go search for them when they are full. It is from this collection of cars that the very long trains will be formed. "We cannot complain. We work 60 hours a week, for \$21.80 per hour," explains Dustin, also tattooed and muscular. "For overtime beyond 20 hours or after 8 hours of consecutive work, we are paid 50% more. And we work 12 hours in a row at most."

### Customer-king

Unpleasant surprise: when they arrive at the Cedar Rapids station with two cars loaded with paper, Adam Sutherland tells them that they have to leave for Omaha. An emergency. "The customer is king.



**"We can adapt the American know-how in France"**

Jim Judkis

**Henry Posner III**, chairman of the board of Iowa Interstate Railroad, laid siege to the Elysee for over a year to invest in the "wagonload" business in France, in partnership with SNCF.

#### **Challenges. Why, in France, does the railroad freight go badly?**

**Henry Posner.** The freight did not adapt itself to companies nor to their business. In the U.S., railroad companies are numerous and they work in a network, so that they are very competitive compared to trucks. In France and almost everywhere in Europe, railway operators are public companies. It is necessary to increase their reliability, punctuality and speed.

#### **Should SNCF be handed over to private companies?**

Certainly not. Private and privatization are dangerous words here! We can adapt the American know-how in France. You should not make a cut and paste; it would not work; but find a French solution. My idea is a partnership between SNCF and private companies, like us, to cut costs and reorganize the system. For example, by reducing the number of stops of cars in marshalling yards to be put on a different train, it is imperative to speed up the traffic and be punctual.

#### **Can the French freight recover?**

It will not be easy—that is not railroad freight. But SNCF and the State need to hang on and stay major players, so that smaller operators can enter the game with specific responses tailored to particular types of business or companies.

He decides on everything, and us, and we adapt ourselves," explains Adam. "Five days a week, I work from 7:00 AM until 6:00 PM, and I am on-call all night long and more. The phone rings constantly, but really, it's a challenging job." And what if the railroad employees do not want to work overtime? "Oh, it's true that in Europe you must think that we fire them," says ironically Dennis Miller. "No, there is never a problem. The important thing is to have a very well-established organization, where everyone has a specific role. And then everyone knows that the customer must be satisfied, because it is him who pays."

Reproduced with permission • Copyright 2010 Actualité Challenges.fr

###

View French version online:

[http://www.challenges.fr/magazine/strategie/0210.030547/le\\_fret\\_ferroviaire\\_est\\_une\\_belle\\_affaire\\_en\\_amrique.html](http://www.challenges.fr/magazine/strategie/0210.030547/le_fret_ferroviaire_est_une_belle_affaire_en_amrique.html)