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I-GO survives Toyota recalls with just six cars



Courtesy of Ed Michael

Ed Michael, a 39-year veteran of the rail industry, says the latest recession is unlike anything he has seen.

Rail freight looking to rebound from worst year in decades

BY DANIEL PLATT
JAN 29, 2010

In 1970, Ed Michael joined the Union Pacific Railroad a week after his 18th birthday. Starting as a telegraph operator, he moved to the signal department, became a brakeman and finally ascended to locomotive engineer, where he has been since. In his 39 years of service, the current recession is unlike anything he has experienced.

"In the past, we might have lost jobs, but everything came right back to where it was," he said. "Now we are seeing it much slower and we don't know when it will get better."

According to year-end numbers from the Association of American Railroads, last year saw carload traffic on U.S. railroads at its lowest levels since the association began keeping track in 1988.

For the full year 2009, U.S. railroads originated 13.8 million carloads, down 16.1 percent from 2008 and down 18.2 percent compared with 2007.



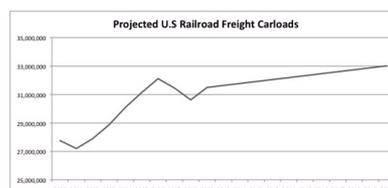
Daniel Platt/MEDILL

Carloadings of rail freight are coming off their worst year in decades. Here, a Union Pacific freight train trundles alongside the Kennedy Expressway at North Avenue.



Daniel Platt/MEDILL

One expert said that nearly one-third of all rail freight originates, terminates or passes through Chicago.



January unemployment rate falls to 9.7 percent

Consumer credit contracts at slower pace

Railroad employees and experts say that rail shipment volumes in Chicago, still the U.S. rail hub, are a vital indicator of the nation's economic health.

According to a Medill projection based on current rail trends, carloads won't return to pre-recession levels until mid-decade.

Michael, who said he has seen 5,000 workers furloughed in recent months at Union Pacific, mostly conductors and engineers, said railroaders who have been around can usually sense a recession months before the public realizes it.

"Four to six months before you see it on the news and everyone says 'the economy is bad', we're seeing car loadings drop, rail traffic fall and people get laid off," he said. "That's what I saw this time."

If recent trends continue, carloadings will not return to the past mid-decade levels until the middle of the new decade, according to a statistical projection by Medill News Service.

Richard Stroot, a railroad consultant for Rail Executable Solutions in Texas, says rail traffic could give hints into the health of many other sectors of the economy.

"Housing movements could be signaled by changes in lumber freight," he said. "On the other side, an uptick in rail freight means inventories on shelves, and in warehouses and dealerships is starting to shrink."

Chicago feels the pain when freight is down, said Joseph DiJohn of the Urban Transportation Center at the University of Illinois-Chicago.

"Roughly one-third of all rail freight originates, terminates or passes through Chicago," he said. "Reduction in freight certainly hurts."

Chicago workers employed in the rail industry have felt that pain. According to World Business Chicago, transportation and utility employment in the Chicago metropolitan statistical area fell 8,900 or 4.4 percent in October 2009 from the year-earlier month.

The Chicago Metropolitan Agency for Planning says 1,200 trains and 37,500 rail cars pass through the city daily and Chicago is the only city where six of the seven Class I railroads converge and exchange freight.

Chicago is also the home to major railcar leasing firms. GATX Corp. and General Electric Co.'s Rail Services unit are headquartered in Chicago.

GATX's profit in its rail segment fell 42 percent in the fourth quarter of 2009 from the same quarter in 2008 while the company's overall earnings dropped 26 percent.

The company said the decline was a result of market pressures that affected utilization, lease rates, scrap income and remarketing income. However, GATX's fleet utilization stood at 94.7 percent at the end of 2009.

GE Rail Services manages a fleet of more than 180,000 coal and grain hoppers, and tank, steel and intermodal flat cars, as well as about 150,000 containers and trailers, but declined to disclose its fleet utilization levels or rail profit statistics.

Many vital materials travel on the nation's rails. Lumber for homes, cement for building, steel for automobiles, coal for power plants all get to their destinations by rail, Stroot, the consultant, said.

Coal, accounting for 48.2 percent of total carloads, fell by nearly 11 percent in 2009 compared with the previous year. Lumber and wood loads fell by 33 percent in 2009 and motor vehicle loads dropped by close to 34 percent.

Rail freight still slow in 2010

The Association of American Railroads reported that for the week ending Jan. 23, 2010, carloadings were up 3.9 percent compared to the same week in 2009, but down 11.1 percent from 2008.

Through the first three weeks of 2010, carloadings on U.S. railroads were down 3.2 percent compared with the same period a year ago.

Motor vehicles and equipment saw a 69.5 percent jump from the same week a year ago and lumber loads were up 11.6 percent. Coal loadings saw a 3.1 percent drop from the same week in 2008.

Estimated ton-miles on U.S. railroads was up 4.9 percent from the same week a year ago.

“Autos and auto parts hit our corridor hard and lost a lot of business,” said Michael, who runs trains from his home town of Salem, Ill., to St. Louis. “The downturn in the auto industry has really shown up in our business.”

These kinds of declines in freight are common in recessions, but the pace of the recent drop came as a surprise to experts.

“This isn’t a lot different from 1982, 1990 or other recessions,” Stroot said. “But since rail stopped almost overnight, it caught a lot of people off guard.”

With fewer goods on the rails, fewer locomotives and cars are in service, DiJohn said. The AAR’s year-end release said that while only 2 percent or 3 percent of cars are in storage when the economy is healthy, 28.7 percent of all cars were in storage at the close of 2009.

At Union Pacific, Michael said the company has communicated to employees that it is ready to go and has plans in place for when the economy recovers.

“They have a lot of freight cars and engines in storage; it’s just a matter of lighting the boilers and getting them out.”

The rail industry remains uncertain as to when the economy will fully recover. Rail companies and engineers like Michael stand ready to haul the material to build homes, fuel power plants or manufacture cars, but no one knows when the orders will come.

Rail freight has proven resilient in previous recessions. During the Great Depression, carloadings plummeted from above 35 million to fewer than 25 million between 1929 and 1939. It was back at pre-depression levels by 1947.

In the 1970s and early '80s when carloadings fell from 27 million in 1970 to 19 million in 1985, they returned to pre-recession levels by 1999 and continued ticking upward.

However, after 39 years in the industry, Michael has an imprecise way to tell when a recovery is near and his senses tell him that there is some reason for optimism.

“A rule of thumb for an old dog like me how many cars we got in the parking lot,” he said. “There was a time a few months ago when the lot at the depot looked like a ghost town, but now I’m seeing a few more cars.”