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Railroad CEOs Prodded on Ability To Handle High Freight Volume

By **STEPHANIE CHEN**
July 3, 2006; Page A2

U.S. regulators are prodding chief executive officers of the seven largest railroads to show they will be ready to handle an unprecedented surge of freight volume expected during the coming peak shipping season.

W. Douglas Buttrey, chairman of the Surface Transportation Board, wrote in a letter to the CEOs last week that "rail infrastructure has begun to show capacity constraints," giving them until July 17 to tell the agency their "service plans for the remainder of the year."

"This will contribute to the [STB's] confidence level that appropriate planning is being done to ensure that spikes in rail traffic demand... can be handled as efficiently as possible," the letter added.

This is the third year in a row that U.S. railroad operators have been asked what they are doing to prevent bottlenecks during the peak season, which begins during the summer and builds through autumn as retailers and other importers receive a flood of goods headed for store shelves. While no one is expecting gridlock, forecasts of record agriculture

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harvests and additional volume fueled by the continued healthy economy could worsen the existing strain on the U.S. rail network.

Edward Wolfe, an analyst at Bear Stearns Cos., projects that second-quarter freight volume at six major railroads climbed an average of about 4.3% from a year earlier, the largest percentage increase in six quarters, according to a research note to clients Friday.

During the coming peak season, shipping volume at [Burlington Northern Santa Fe Corp.](#) likely will increase 20% to 25% over normal levels, said Steve

Branscum, group vice president of consumer products at BNSF Railway Co., a unit of the Fort Worth, Texas, company that operates about 32,000 miles of train routes in 28 U.S. states and two Canadian provinces. "With this kind of traffic coming in, there is always going to be some issue with the movement of freight," Mr. Branscum said.

The largest U.S. freight railroads are expected to spend more than \$8.3 billion this year on new tracks, additional equipment and other infrastructure improvements, a 21% rise from 2005, according to the American Association of Railroads, a rail-industry group. That should help ease some of the pressure caused by ballooning year-end shipping volumes. BNSF has been adding second and even third sets of tracks in some locations, while improving coordination with customers to reduce the amount of time goods sit idle.

[Union Pacific Corp.](#) is transferring more imported goods directly to rail lines at ports, an improvement over the standard practice of freight being loaded onto trucks and then rail lines, said John Kaiser, Union Pacific's vice president and general manager for intermodal shipments.

"We know that everybody wants to make sure their goods are available for Thanksgiving and Christmas," he said. Union Pacific, based in Omaha, Neb., connects 23 states in the western two-thirds of the U.S.

Some rail customers with memories of frustrating, costly delays as freight volume escalated in the past few years are shipping goods earlier in the peak season to limit the risk of delivery hitches, said John Ficker, president of the National Industrial Transportation League, a trade group of freight customers.

Write to Stephanie Chen at stephanie.chen@wsj.com

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