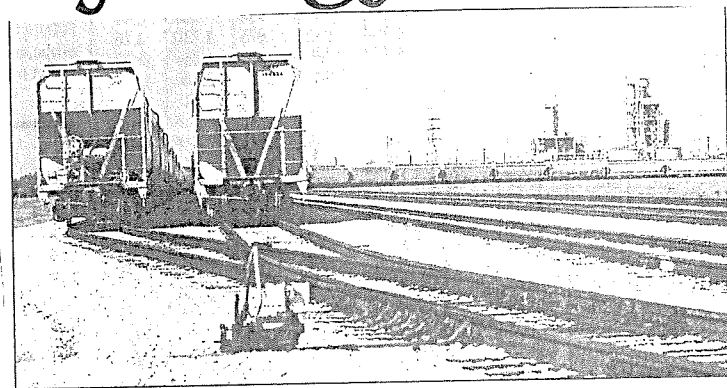


TRANSPORTATION



SHIPPING CENTER: Brad Howell, chairman and chief executive of Lodestar, is working on a plan for more efficient shipping of chemicals.

Synergy on chemicals



POOLING OF ASSETS: Freight cars are positioned at the Battleground Manufacturing Complex in La Porte.

■ CEO says pooling resources can help shippers save money, cut congestion

By **BILL HENSEL JR.**
HOUSTON CHRONICLE

CHEMICAL shippers could save money and reduce congestion by pooling assets to ship by rail under a program a local company expects to unveil soon.

Houston-based Lodestar Logistics has been talking for some time about the service with railroads and shippers, particularly those that transport plastics, the company's CEO said.

"We do continue to make progress with them, and we are hoping to roll out a service offering to chemical shippers in the first quarter of 2008," said Brad Howell, chairman and chief executive of Lodestar. "This would be a collaborative service offering that would facilitate the pooling of assets."

Rail infrastructure

The Houston region is a huge center for shipping chemicals and related products, with hundreds of manufacturers, refiners and supporting businesses in east Harris County.

However, the region's rail infrastructure is largely viewed as inadequate, which is one reason the Legislature in 2005 gave the Texas Department of Transportation additional authority to acquire, improve and expand certain rail facilities.

In the same session, the Legislature created the Texas Rail Relocation and Improvement Fund, but it remains largely unfunded.

Additionally, the Gulf Coast Freight Rail District was formed to help freight rail and street traffic coexist safely and efficiently.

The area's freight movement is forecast to nearly double in volume by 2025, according to the recent Houston Region Freight Study.

Open-minded

Former Houston City Councilman Mark Ellis, who was appointed to head the rail district, said he was not familiar with Lodestar's proposal.

"If we can come up with a better way of combining these commodities and how we move them through our rail network, I am all ears," Ellis said. "We are extremely open-minded."

The existing rail network in the eight-county region has 800 miles of mainline track that 2,200 trains use every week, according to the study. The tracks are owned and operated by Union Pacific Railroad, the BNSF Railway Co. and the Port Terminal Railroad Association. Kansas City Southern has rights to operate over the UP and BNSF tracks.

The study identified nearly \$3.4 billion of improvements that could be made, including grade separations — bridges to separate the railroad from streets — grade crossing closings, improvements to existing infrastructure and new corridors.

Improvements that benefit the public would be government-funded, but the railroads would be expected to pay for some of the others.

The pooling of assets by chemical shippers and others could have a variety of trickle-down benefits, both dealing with rail congestion — a serious problem — and the more efficient use of capital, Howell said.

In the chemical industry, specialized train cars generally are used to ship products, whether they be hopper cars or tank cars. And those cars are rarely supplied by the railroads, but instead are private cars controlled by the individual chemical companies.

But transportation is such a dominant cost to many companies that finding ways to cut those costs is always important.

"We have seen a significant runup in feedstock costs, so as the plastic industry continues to remain competitive on the world stage, anything they can do to save money is generally sought after," Howell said.