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MARKET OPPORTUNITY ASSESSMENT FOR THE EASTERN SHORE SHORT LINE RAIL IN MARYLAND WITH A FOCUS ON POTENTIAL NEW CUSTOMERS

Problem

Over the last 30 years short line rail has emerged as an effective solution to maintain profitable service on rail lines that would likely be abandoned by major rail operators otherwise. These rail lines have helped communities retain business and enhance economic development by bringing in and shipping out products for local businesses.

While short line rail is an option on Maryland's Eastern Shore, most of the freight is currently moved by trucks. A recent market study completed by the Maryland Transit Administration found that if improvements were made to state-owned rail lines, new customers could be attracted to shift from truck to rail. With freight demand projected to significantly increase over the next 10-15 years, it is important to better understand how various improvement scenarios would help local businesses and to understand the current transportation needs and interests of potential new customers.

Objective

The purpose of this study was to examine the market feasibility of improved short line rail service on Maryland's Eastern Shore and to explore the potential of an improved short line to attract additional businesses as new customers.

Description

The research team conducted a survey to learn about freight movement needs and desired service improvements from potential customers' perspective. 37 businesses were selected for the survey based on the type of products and distance from the rail lines. Using information from the survey, a market opportunity analysis (MOA) was performed for the system served by the Maryland and Delaware Railroad Company (MDDE). The results of the MOA were used to determine the potential to attract new customers to short line rail and includes a market definition, analysis of customers and competitors, market demand forecast, and an evaluation of the alternatives. The research team also estimated what would happen to businesses in the region under certain improvement scenarios, and quantified the consequent rail activities and changes in demand.

Results

In general survey respondents find rail transportation to be less convenient than trucks, that it takes more time, is unreliable, is not convenient for perishable items, and unloading facilities are not adequate. These businesses generally have their own trucks and have a well-organized logistics chain. A number of businesses also showed interest in improved service. This includes companies that ship large quantities of low value materials and goods over long distance (i.e. sand, construction materials, lumber). Use of rail was found to be dependent on competitive pricing, improved facilities, frequent service, and the availability of last mile delivery (i.e. transportation from the rail dock to the customer's facility).

Analysis of the Freight Analysis Framework (FAF) data and projections through 2040 identify the commodities that are expected to grow in volumes. Cereals, chemicals, fertilizers, and agricultural products are shown to be stable or projected to increase. Companies in these sectors should be targeted as potential new users. The modal share analysis on FAF data shows that truck is the prevailing mode for freight transportation on the Eastern Shore. Rail is competitive for the transportation of pulp/papers/newspapers and is an option for moving chemicals, fertilizers, and agricultural products.

The research team concluded that major infrastructural investments such as improvements to connecting rail, loading equipment, intermodal facilities, storage facilities, and last mile delivery, are likely required to shift a significant market share from trucks to rail. Planning for short line rail should take into account the economic growth of the region and the type of businesses that will be attracted to the area. Rail services also need to be marketed to potential customers on the Eastern Shore.

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Link to Final Report:

http://www.roads.maryland.gov/OPR_Research/MD-16-SHA-UM-4-08_Market-Opportunity-Assessment-for-the-Eastern-Shore-Short-Line-Rail-in-Maryland_Report.pdf