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Freight trains make big comeback in nation's transportation network

Warren Buffett's recent purchase of Burlington Northern Santa Fe shows the renewed importance of railroads in the global supply chain.

By Alana Semuels

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More than 4,000 miles of train tracks stretch through California, winding up the blustery Cajon Pass and snaking through the desert surrounding Barstow.

Those tracks could be seeing a lot more traffic in the next few years as trains loaded with Chinese-made toys, electronics and clothing roll eastward, connecting West Coast ports with cities across the U.S.

Warren Buffett is a believer. In November, the world's second-richest man paid \$34 billion for railroad giant Burlington Northern Santa Fe Corp., despite a deep downturn in the railroad industry. Buffett characterized his investment as an "all-in wager on the economic future of the United States." But it's also a bet on globalization and the renewed importance of rail in the nation's transportation network.

Southern California is a key hub in his new empire. About 40% of all goods that the U.S. receives in containers from overseas enter the country through the seaports of Los Angeles and Long Beach. That freight must then move overland to retailers across the country.

Fort Worth-based BNSF has invested hundreds of millions of dollars in recent years to beef up its Southern California operations to grab a bigger share of that business.

"Within our 28-state network, California is incredibly important to us," BNSF Chief Executive Matthew K. Rose said. "A lot of trade comes through there, a lot gets consumed in California, and a lot gets handled and repackaged there."

China's rise has given a new push to U.S. railroads, which have chugged their way back into the nation's transportation future after losing ground for decades to the trucking industry.

The sheer volume of inbound cargo from Asia to North America -- more than 40 million container loads last year -- has made it cost-prohibitive to haul all those goods over congested U.S. highways.

Rail companies have strengthened their networks and upgraded their equipment to handle the ubiquitous metal shipping containers to provide a nearly seamless transition from cargo ship to freight train to truck or any combination in between. This so-called intermodal traffic has been the fastest-growing segment of the industry for about a decade.

In 2008, international and domestic intermodal cargo accounted for nearly a third of BNSF's revenue, a figure that's expected to grow when the U.S. economy gets back on track.

Although factory jobs have been lost to Asia, international trade is now a pillar of the Southern California economy, accounting for more than 300,000 jobs. Chains such as Wal-Mart Stores Inc.