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In its decision approving the CN-WC merger the STB said the combined railroad will not abandon any track segments, and must report for one year on the progress it is making merging the two operations. Thus what Ed Burkhardt et al started with what was essentially track of CP parentage adds another 2,850 miles of rail to the 3,912 miles CN already has in the US plus its 11,620 mile network in Canada. CN and WC expect to consummate the transaction on or about Oct. 9. In the merger, WC shareholders will receive US$17.15 per share for their stock

An article by Don Phillips in the *Washington Post* allows as how the Republican majority on the House Transportation and Infrastructure Committee plans to introduce a $71 billion bill to let states build high-speed passenger lines and improve privately owned freight lines. As one might expect, most of the ink goes to Amtrak, though a nod is given to crossing elimination and $7 billion for shortline support. Though the new bill would not designate where the money should go, the most likely beneficiaries are states where planning already is under way for federally designated high-speed rail corridors.

As anybody who has ever tried to close a grade crossing knows, this is more easily said and done. Never mind the staggering number of grade crossing accidents every year. As for making freight rails faster, it's not speed that's needed its track capacity. And as the rails get better and better at using what they have (see below) the capacity problems will be addressed. School remains out on whether the US will ever adopt the "European philosophy" re passenger trains.

Emons Transportation Group (Nasdaq: EMON) ended its June 30 fiscal year with record operating revenues of $25.4 mm, up 1% from last year's $25.3 mm, though short of plan. Operating income dropped 3% owing in part to higher fuel and loco expenses. Net income was $1.8 mm, before tax benefits, up 3.4% from $1.7 million in the prior fiscal year. Comps showed fully diluted eps of 46 cents vs. 22 cents yoy.

Looking ahead, EMON is replacing older less efficient power and has contracted for fuel at a set price. Per unit revenues are up and service enhancements ought to keep them up. The expanded Portland (ME) intermodal terminal, streamlining the management staff, and repurchasing more than 10% of outstanding common shares yoy will help. Here again, smart moves today will yield shipper and thus shareholder benefits tomorrow.

Norfolk Southern has assembled one of the most complete sets of integrated rail management systems around. COO Steve Tobias and AVP Debbie Butler have been after me for some months to make the trip to Atlanta for the fifty-cent tour, so on Thursday I did. It was a 2-hour ride (about what it takes Amtrak to make it to NY in actual, not schedule, time) getting me to Debby's office at a decent hour for more coffee and six hours of total immersion in a "Transportation Systems and Technology Overview." A better name might be "The Thinking Mans' Guide to Graduate Level Railroading."

A faster, smarter, more nimble railroad takes out NS internal costs, lowers customers' cost of goods sold, and increases revenues for NS by de-commoditizing rail freight transportation.

Essentially there are three elements: customer input and feedback, the transportation management system, and the customer service organization, all managed by TYES – the Thoroughbred Yard Enterprise System.

The goal is to provide the customer with the best possible transportation product from the time of the initial inquiry to shipment arrival. NS uses a computer-based blocking and classification system that automatically finds the path of least resistance through the NS system. To do so the system assigns numeric penalties for activities that don’t keep the cars moving – humps, flat switching, etc. – and circuitous routing. If certain routes get too congested, the system finds least cost alternatives, always keeping the original trip plan foremost.

A particularly powerful feature of the NS system is the ability to look beyond the NS system at specific car movements. You can watch a UP origin car move across the UP, to NS for placement and release, and back to the UP, for example. Thus it’s possible to build a customer activity database which can then be used to fine tune the process to predict customer order and release behavior. Then you can start managing the pipeline for maximum throughput.

One of the biggest payoffs to NS and customers alike will be in leased car fleet management. Consistent and accurate trip plans let the customer move more goods with fewer cars, cutting the per-ton lease cost of each move. If NS can save the fleet manager ten percent in lease costs, then it is certainly entitled to a piece of that for the value-added service. Save ten percent, make five percent, increase loadings for the customer as a result and everybody from traffic manager to stockholder makes out.

Trip planning tools (see also comments on BNSF trip planning, WIR 8/18, 5/26) let shippers and shortlines drill down into processes and take out internal costs. For openers, they ought to release cars to meet delivery commitments at destination rather than simply pumping out cars when ready at origin. This eliminates delays, demurrage, and poor cycle times as receiver processes try to catch up with the inbounds. (Shortlines, call your NS contact about becoming part of TYES.)

Running the class 1 to plan can no longer be local option at terminals. One shortline has an understanding (the ISA has yet to be signed) about scheduled yard times with a connecting class 1 yet the terminal involved rarely honors the commitment. Another shortline has a signed ISA yet class 1 power and crew shortages – especially after holidays – continue to disrupt. TYES and its counterparts on other class 1s can only work if everybody is running to plan.

As we noted last week, the present traffic lull is the perfect opportunity to perfect these new tools for implementation and tweaking before the next cycle comes around. The biggest risk, however, is the continuing rumble of “open access” and reregulation one hears creaking around the underbrush. There can be no doubt in the mind of the most callow observer that service systems development is profit-driven, and that the Thinking Man’s Railroad makes its money on the margins. Take away the ability to profit from better service and you take away the incentive to be that much better. Pre-Staggers, anyone?

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Disclosure: Blanchard may from time to time hold long, short, or debt positions in the companies mentioned here. A list of such holdings is available on request.