

THE RAILROAD WEEK IN REVIEW

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“Technology as taken the lead in the evolution of railroads contributing to the safer, more efficient movement of freight and furthering growth and customer service.” — David A. Fink, President, Pan Am Railways

Kansas City Southern dodges the bullet. Morgan Stanley rail analyst Bill Greene writes this week that the Mexican rail reform legislation that could affect KCS became law on January 26. Says Greene,

The final law addressed KCS’s most pressing concerns with legislation initially passed by the Mexican House of Congress in February 2014 (e.g. full blown open access), and that ultimately the law will not have a material effect on KCS financials. One significant component of the legislation will be the creation of an STB-like entity in Mexico which will serve as a venue for shippers to file rate complaints (among other functions). KCS anticipates it will take at least a year for the agency to be formed.

According the 10-K filed January 30, KCS says, “It is too early to determine at this time how this legislation would be implemented and interpreted and thus what, if any, effect the rail legislation could have on the Mexican railroad industry and its customers.” The process began more than a year ago when the House of Deputies in Mexico proposed legislation to amend certain provisions in the Mexican Regulatory Railroad Service Law.

In February 2014, this proposed legislation was approved by the Mexican House of Deputies and was sent to the Mexican Senate. On December 14, 2014, the Mexican Senate passed a revised version of the House of Deputies bill, and on December 15, 2014, the House of Deputies passed the bill as amended by the Senate. On January 26, 2015, the bill was published in the Official Federal Gazette (*Diario Oficial de la Federacion*) and became law.

ShipXpress holds its annual users conference in Jacksonville March 9-11. The agenda includes workshops and product overviews of the company’s proprietary logistics tools. These tools are designed to match sellers and buyers for maximum gain for each party, keeping the shortline railroad user in the loop and in control of his own margins.

I think the competitive advantage ShipXpress offers is a unique cloud-based technology using off-the-shelf iPads and their Android counterparts to manage everything from anywhere. Not only does ShipXpress provide all the usual event-recording and shortline management tools, but also gives shippers specific buy-and-sell opportunities by STCC code. Thus a metals shipper, for example, can find buyers in distant markets, assemble the transport modes to reach that buyer, and be able to tell immediately whether the margins make sense in any particular lane.

Conceived in 2000 by my friend Charith Perera, a former CSX fertilizer group product manager out of Tampa, the ShipXpress multi-modal approach speeds researching transportation details, puts Rule 11 combinations in a single place and allows instant viewing of multiple routing options. Best of all, the pricing tool enables better sourcing and delivery decisions by putting product prices in the same place for all rail and truck shipments. Doing so compares sourcing options by combining product base prices and transportation fees for any given lane. Pick the ones with the best bargains and toss the rest.

Pennsylvania's Reading & Northern Railroad, a regional carrier with nearly 400 route-miles, has recently hired ShipXpress to gather up all the financial aspects of moving a car into one place and eliminate multiple cross-platform entries of the same data. Which means a car can be pulled Friday afternoon, logged on the iPad by the conductor, and transmitted to NS car management in time to be on the Monday work order for the interchange train crew.

So imagine, if you will, a frac sand seller local to WSOR in Wisconsin who's looking at destinations on the R&N and three other Marcellus locations. R&N has the ShipXpress software; the rails serving the other destinations do not. To keep his destination options open as long as he can, he ships Rule 11 over Chicago with either NS or CP beyond.

He needs to incorporate the transload and trucking fees from the rail terminal to the job site. Having R&N on ShipXpress gives the frac sand guy a one-click option and gives R&N a competitive advantage. And that's how new business is won and sustained, and it's why you need to be at Charith's Jacksonville clambake in three weeks.

Genesee & Wyoming North American operations handled 149,215 revenue units in January, up 8.3 percent year-over-year. Same-railroad units increased 2.4 percent, slightly lagging AAR North American Class I units for January, up 5.0 percent. Newly acquired names are the Rapid City, Pierre & Eastern; the Arkansas Midland; the Prescott & Northwestern; and the Warren & Saline River. These railroads contributed 3,231 carloads of agricultural products traffic, 2,710 carloads of minerals & stone traffic, 1,134 carloads of chemicals & plastics traffic, 489 carloads of lumber & forest products traffic, and 529 carloads from all other commodities.

Eighty percent of NA carloads are in coal/coke, ag products, forest products, STCC 28 chems, and aggregates including frac sand. "Other," essentially Class I overhead, is only 4 percent, lagging petroleum (including crude) and STCC 20 foods. The big gainers in the 80-percent group are aggregates on frac sand in the northeast and ag products on the RCP&E. For what it's worth, grain, frac sand and crude oil were above-average gainers for the Class Is as well.

Two hundred boxcars upgraded for Grade "A" paper service; 70 freight cars and 15 locomotives overhauled and upgraded for the GATX lease fleet; 89 TTX cars repaired; 180 clay-slurry tank cars repaired and inspected; and for dessert, light repairs on two locomotives for a neighboring short line. Not bad for a year's work in a heavy-repair shop dating from 1840.

The facility in question is the former Maine Central locomotive shop in Waterville, Maine. Pan Am Railways is the owner; the work cited above is just the contract repair work that takes place along side of keeping Pan Am's own freight cars, locomotives, support vehicles and MOW equipment — just about anything with wheels — moving.

The Waterville track layout is compact, to say the least. The mainline from Bangor comes in from the north and splits in two at the south end of the yard with one line to Portland via Augusta, and the other to Portland via Lewiston and Auburn. The later route supports most of Pan Am Rail's significant paper mill network, making Waterville an ideal shop location, roughly half way between MEC's north end at Mattawamkeag and Rigby Yard in Portland.

The Waterville shop uses a transfer table that runs in an outside pit the length of the shop to position equipment for repair. The advantage of this design over a run-through shop is you don't have to queue up equipment so that no piece can move faster than the slowest item in the queue. The disadvantage is nothing moves in or out of the building if the transfer table is out of service. The increasing demands of Pan Am Rail's organic traffic growth plus all the contract work was putting undue strain on the existing transfer table, dating from the 1920s. A new one was needed.

The transfer table in use today is a little more than a year old and is a classic example of one-to-one scale kit-bashing. The Newport Industrial Fabrication Company in nearby Newport, Maine, built the steel frame using the original MEC blueprints for the basic pattern, but incorporating today's heavier structural steel sizes to increase the load-carrying capacity of the transfer table. NIF cut all the pieces to size — pre-drilling, painting, numbering, and lettering the lot to be assembled like a big HO gauge kit in Waterville.

While Newport Fabricating was doing its thing, Waterville shop forces adapted on-hand locomotive wheels, freight car axle bearings, and locomotive bearings to new use as the drive system. The decking is recycled from the floors of recently scrapped "Paul Bunyan" 70-foot pulpwood cars unique to the MEC and neighboring Bangor & Aroostook. The prime mover is a turbocharged John Deere diesel engine salvaged from a retired track machine. That plus an operator-friendly homegrown hydraulic system lets the operator effortlessly move a 400,000-pound six-axle locomotive between yard track and shop door.

The entire assembly process took place on a shop track with access to the old transfer table. When ready to install, the new table was simply rolled onto the old, moved to the west end of the transfer pit and dropped into place with a pair of mobile cranes. The new table was in service the very next day. No lost time, and mostly built from on-hand recycled material. I like that.

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