

# RAILROAD WEEK IN REVIEW

September 1, 2017

*“Given the size and scope of this historic flooding, normal train flows in the area are not likely to resume for an extended period. Customers should expect continued delays on shipments scheduled to move through the area. — BNSF Service Advisory, August 29*

**Monday and Tuesday were spent visiting** short line friends. It really goes to show there’s nothing like going to see the people if you want to know what’s really going on. Best of all, it lets you sanity check those long held ideas. Among them:

\* Using every inch of the available track creates customers. In one piece of running track less than two miles long, one short line has three former industrial sidings repurposed for fertilizer, lumber, and aggregate transloads from railcar to truck.

\* Keeping the right-of-way neat and tidy says somebody cares. Too many times one sees mileposts with bullet holes in them, tie butts strewn around the right-of-way, whistle posts leaning over at a 45° angle, and other items to offend the eye needlessly.

\* Using the locomotive as a calling card. Everything on GWR is Princeton black and orange for a reason. You can’t miss the RJ Corman power with its big white-on-red letters. On the other hand, a ragtag collection of power with the class one’s name crossed out and a new number stenciled on the side sends the wrong message.

\* Creating shuttle moves can work wonders where a customer has locations at opposite ends of the railroad. One road uses some old box cars in a daily shuttle move for raw steel from the customer’s foundry to its fabricator 40 miles away. Another short line shuttles 10-car blocks of aggregate from the quarry to the processing plant. Yet another short line gathers small blocks of coal from country tipples, combines them into a train, and delivers the lot to a blending facility. The blended coal then goes back on the railroad in unit trains delivered to the connecting Class I for beyond.

\* Benchmarking your customers’ volumes by commodity OD pairs lets you see what’s moving where and at what rate, based on QCS data from the STB. You can check routings and transit times and see if there’s a better alternative. The whole point is to become a customer advocate, looking for ways to provide a greater transport value for the rate at hand.

I’ve found the connecting Class I shortline support team members can be even more valuable partners once they know the short line. They may know of other destinations for what’s already coming off the short line, or perhaps new origins for commodities used by shortline customers. Personally, I like to take my Class I friends around in a hi-rail vehicle not only to see the railroad but also to stop and talk to customers as appropriate.

A continuing theme in the Class I investor conferences is the need to replace the lost coal business with new merchandise carload business. Here is the perfect opportunity for the short line to walk in and say here it is.

**CSX has produced a 19-page [PowerPoint](#)** that describes the Precision Railroading measurement changes so one can now draw some conclusions about how they will affect connecting short line relationships. I think it's a mix of good and bad, but the important thing is CSX has gone public with their thinking and that's a positive step. While the myriad tables and charts frame performance trends, the most important exhibit is the comparison of old and new measures on page 14.

Here CSX compares the old metrics for velocity, dwell, and cars-on-line with the new, and explains why the change was made. Reported velocity will be lower because it now measures train speed between OD pairs *including any intermediate dwell*. Reported dwell now measures "all car time with a terminal work event [crew changes, block swaps, etc.], including through cars on same train ID."

Cars-on-line covers all cars reported to Railinc, less cars under repair, inactive and in storage, and private cars not in the owners' active inventory. As a result, this count will be lower. The way I see it, these measures are more meaningful for customers as they measure the performance of specific trains and cycle times for equipment usage, a crucial part of the Asset Management tenet of Precision Railroading.

**By now everybody knows** about the tremendous amount of damage sustained by the Gulf Coast as a result of Hurricane Harvey. And even though the full extent of damage is still unfolding, it can be safely said the effects are far reaching. For example, a short line in Pennsylvania that does business with a Houston customer over Norfolk Southern and a western road tells me that because of the Houston embargo NS will not accept cars in that lane, potentially driving up the short line's car hire bill.

On the other hand, there may be new revenue-generating opportunities for outlying short lines. PFL Petroleum reports, "Calls are starting to roll in for short term storage due to Harvey," creating a possible extra income stream for short lines with storage space available.

How bad is it? BNSF has several subdivisions out of service due to multiple washouts and high water, suspending all Houston traffic — terminating, originating or through. Operations at Houston-area rail yards and facilities, including the Pearland Intermodal and Automotive facilities, are suspended "as road closures continue to limit access to these locations." There is currently no estimate on when these facilities may reopen.

Union Pacific, as of Wednesday, says "Rail operations along the Gulf Coast from Brownsville, Texas to Lake Charles, Louisiana are currently suspended due to high water. and storm damage."

More specifically, the service area east of Houston is still shut down, though Englewood and Settegast yards could be back in service by the time you read this. And KCS has declared a *Force Majeure* for KCS and KCS-Mexico, embargoing the impacted areas. The lane between Kendleton, TX (Houston) and Laredo, TX, has been closed since August 25.

Passenger operations have been hit on several fronts. *Trains* magazine says the Houston METRORail quit running, though is reopening a bit at a time by now. Says *Trains*, the system operates approximately 24 miles of street-level light rail tracks, split into three different routes. The service alert did not specify if the tracks or other infrastructure are under water, but high water has forced the closure of several highways in the downtown Houston area.”

*Trains* further reports that the storm brought sufficient wind and rain to Austin to force its Capital Metro light rail train to operate on a reduced schedule due to damaged electrical lines near several of its stations. The agency noted on its web sites that flood waters may continue to delay buses that transfer at the rail stations. Commuter rail in the Dallas area is unaffected and is running as normally scheduled.

Amtrak did not escape unscathed, either. The carrier’s Aug 31 Service Alert advises that the Texas Eagle (San Antonio-Fort Worth) is back, though the Sunset is cut back to San Antonio, leaving no westward service to or from New Orleans.

**Errata:** In the very first sentence of last week’s WIR, I mis-quoted Scott Group of Wolfe Research, creating a generalization out of one shipper response. Here is the exact quote from his note (emphasis added): “We spoke with **a large shipper** who has seen the TL market loosen again over the past month with carrier compliance rates back into the 90% range, in line with historical trends in August and above the low 80s in June.

“**Our contact** continues to experience tightness **around Houston**, but **other markets such as** the East Coast and Southeast returned to normal. **This shipper** has not experienced any impact from CSX’s service issues, but noted that **he operates in short-haul lanes** that may be insulated from the issues.” Like I said, this is one person responding to specific questions, and can’t be taken as a trend. My apologies.

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