

# RAILROAD WEEK IN REVIEW

March 9, 2018

*“Now is the time for Murphy to stop blowing his air horn, vacate the locomotive cab, and allow Corbett and the good people of New Jersey Transit to do their jobs without political meddling.”*  
— Bill Vantuono, *Railway Age*

**CSX has certainly been top-of mind** of late. First, the March 1 Investors Day in New York, and then the 29th consecutive Shortline Workshop — the longest running among Class I roads — in Jacksonville. For me, the 86-page PowerPoint deck for the Investors Day presentation raised nearly as many questions as it answered.

Happily, this week’s shortline conference not only answered many of those questions but also provided answers to even more questions. What follows are my Investors Day questions [keyed to the PowerPoint deck](#) by page number, with the shortline answer following the question.

Slide 10. *Will accelerated decision-making mean faster response to rate requests?* Yes.

Slide 15. *What are the beginning and end points of trip plans — customer release on short line or interchange w CSX?* Interchange; short lines are not shown in trip plans. To me, this is a mistake because in capturing car-mile contribution or in calculating transit times you miss the shortline dwell interchange-on/interchange-off. I realize doing so you could put the short line at a disadvantage; however, the goal is to maximize contribution/day, minimize transit time, and run more tonnage with fewer cars.

Slide 16. *Are we talking actual sales or leases with conditions?* Both. A line sale with no paper barriers will cost more than one without.

Slide 41. *How do bigger trains moving faster support the customer need for the smaller, faster, more individual freight moves needed for the small-inventory model?*

By limiting intermediate classification nodes, CSX takes days and irregularities out of transit times, facilitating more, smaller deliveries — one or two cars frequently and regularly vs. bigger blocks irregularly.

Slide 52. *Industrial production growth does not necessarily translate into carload volume growth. Where does CSX address increasing its own market share of industrial production?* I didn’t get a good answer to this one.

Slide 56. *Are we finally back to blocking for the distant node using more nodes?* Yes, mostly.

Line sales was obviously a Hot Topic. Amy Rice, VP Strategic Planning, not only laid out the basic considerations and Rules of the Game in her formal remarks (essentially the same as Investors Day pages 45-48), but also, in later one-on-one chats, offered up candid and helpful details in a clear and lucid manner — no obfuscation or hemming and hawing.

A pro-forma study concluded that even though they could forego \$60 million in revenues on a 1,000-mile line-sale segment, they'd avoid all variable costs and some fixed costs to the tune of \$150 million, netting \$90 million in savings. (As an aside, the mainstream press picked up 8,000 miles on the block. Not so. It's 8,000 miles *under review*. The final number could be less.)

There is no list of future sale candidates; however, interested parties should look at the Rail Line [Acquisitions and Sales page](#) on the website and follow instructions. Note the provision for potential buyers to identify lines of interest: "If you are interested in operating a current or former CSX rail line for freight-only purposes, please contact [lines@csx.com](mailto:lines@csx.com), or use the form below." Amy tells me she thinks there may be places where a given line segment might better for one buyer than for another — lease-to-purchase, line extensions with no competing access but contiguous to a current CSX short line, for example.

Michael Rutherford, VP for Merchandise Sales & Marketing, presented a sector analysis that was riveting in the amount of detail and ways shortlines can leverage their innate strengths to mutual advantage. To begin, the merchandise sector — everything but coal and intermodal — represents 60 percent of the CSX annual revenue stream. Chemicals and agricultural products make up about half the total pie; metals, forest products, fertilizers, minerals another third; and automotive the rest. Thus about 80 percent of merch carloads are fair grist for short lines.

The reduced transit times (see #41, above) benefit both customers (smaller inventory loads, faster inventory turn times, less inventory in transit) and the railroads (fewer assets to haul the same tonnage — a plus for equipment lessees but not for lessors). The faster a short line can receive, load/unload, release and return to the Class I, the lower the car component of the rate. Take longer and the rate goes up, putting shortline customers at a competitive disadvantage vis a vis their competitors *not* on a short line.

Moreover, trip plans by car give customers much greater control. If you know the transit time release to actual placement is five days, you can plan your supply-chain requirements to fit. There are no plans at present to share trip plans with customers or short lines, but there exist third-party vendors who track this stuff with waybill samples. You can see not only O-D transit times, but also times between nodes.

A customer on a branch that doesn't work weekends can time his release so that the car doesn't hit the serving yard on Sat, Sun, Hol. And although the trip plan doesn't yet include short lines, you know your own short line's service plan and you get one from your short line-served customers to plan accordingly. CSX didn't get into pricing mechanisms, but I'm hopeful we can get to an iPhone rate request environment ere long. Our competition has it and so should we.

The shortline conference ended, appropriately, with a few observations from Ed Harris, EVP and Chief Operating Officer. I've known Ed from IC days and have always found him to be a pleasant, straight-forward chap. You can see right away how he's making Precision Railroading principles work at CSX. GTMs per available horsepower are up 18 percent, train velocity is up

14 percent, dwell is down 7 percent. He's driving day-to-day decision making to those closet to the action, swapping train crews between nodes so everybody gets home at night, and cutting recrews early in half as a result. They're putting more teeth into their ISAs, making both short lines and their interchange-point managers accountable.

It's encouraging to see Ed is managing by absolutes: either the train is where it's supposed to be or it isn't; either the car is operating to plan or it isn't. This is Precision Railroading as it's supposed to be. CSX short lines that can operate in this environment will be the soonest winners.

***Railway Age* Editor-in-chief Bill Vantuono** pulls no punches in his scathing review of the political changes at New Jersey Transit. Excerpts:

The incoming governor trashes New Jersey Transit and proceeds to “fix” everything by clearing house and starting fresh. This political circus has been going on since the state took over a collapsing commuter rail service in the early 1980s. This time, the circus turned into a ritual freak show. Before he even took office the oath of office... NJ Governor Phil Murphy... proceeded to place foot in mouth by convening a press conference at New York's Penn Station, where he called NJT a national disgrace.

The true disgrace, in this case, was Murphy's pontificating. This was revolting, demoralizing, and mean-spirited [for those] burdened with operating over a rail system in need of major capital infusions, and with having to operate a major portion of its services as a tenant on Amtrak's decaying Northeast Corridor... Jettisoning the executive existing executive director? That's expected. But sticking a broom into headquarters to sweep away experienced people charged with running the system on a day-to-day basis is unconscionable.

That said, Murphy has since nominated Kevin Corbett as NJT Executive Director. This is “an experienced transportation pro,” formerly VP of strategic development at AECOM, whose resume includes the Hudson River Gateway Tunnel project, work on NYC's 2nd Avenue subway, restoring proper service to Penn Station, and PATH restoration after super-storm Sandy. Concludes Vantuono, “Now is the time for Murphy to stop blowing his air horn, vacate the locomotive cab, and allow Corbett and the good people at New Jersey transit to do their jobs, without political meddling.”

I mention this because there are several short lines that run over New Jersey Transit tracks, and as Transit goes, so goes service to their customers. Political meddling will not win these local votes.

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