ROY BLANCHARD

This short line makes a good case for keeping up with CN

This railroad knows why it does what it does

The Ottawa Central Railway is one of the few short lines I know of that tracks gross ton-miles and measures fuel consumption against gross ton miles. In Canada, the metric is per liter, one of six metrics or performance indicators the Ottawa Central tracks monthly, and therein lies our tale: It's all about having standards.

Five years ago, when the average price per liter was 43 cents Canadian, OCR hauled 74 gross ton-miles per liter. For all of 2006 it was 96 gross ton-miles per liter, and by mid-2007, the line hit 115, a 55-percent improvement even as diesel fuel prices were up 72 percent. Putting this in context, CN in the first half of 2007 hauled 232 gross ton-miles per liter, but this is long-haul business, whereas the longest OCR nonstop run is about 90 miles.

Many U.S. short lines measure fuel performance in gallons per carload, so a comparison is in order. Through July 2007, OCR handled some 8,600 revenue units and consumed a quarter of a million gallons of diesel fuel, indicating a burn of roughly 30 gallons per carload, high by U.S. standards. One reason is train speed. OCR shares the 117 miles between Coteau and its Walkley Yard terminal in Ottawa with VIA, where track speeds are in excess of 60 mph. It also maintains its own 90-mile main to Pembroke at 50 mph.

Even though engineers are instructed to keep speeds below 40 mph to conserve fuel, that's still double the speed found on most of the 500-plus U.S. short lines. So why, you ask, does OCR run at these speeds? The short answer: to get its work done efficiently.

The Coteau turn runs at night to stay out of the way of the VIA trains, which run days only. The turn leaves Walkley at 8 p.m. and gets back at 3 a.m. The Pembroke turn uses the same power on a daylight run, departing Walkley at 9 a.m., returning at 4 p.m. And since 95 percent of OCR's revenue loads are interchanged with CN at Coteau, doubling the running times would add at least a day each way to the car-hire bill. The other 5 percent is Canadian Pacific interchange made with RailAmerica's Ottawa Valley Railroad at Pembroke, and the same lag would be in effect with slower speeds.

Car-cycle time is another of the six performance indicators, and OCR budgets 4½ days interchange-to-interchange. Adding two days per load to accommodate slower track speeds is hardly conducive to either superior customer service or asset utilization, which also happens to be one of CN's five guiding principles (the others being service, cost control, safety, and people).

Because OCR has a significant investment in equipment for large customers, asset utilization is important. CN had determined that this relatively low-yield short-haul business did not justify the equipment required, and that's when OCR entered with its offer to provide equipment assuming certain operating parameters were met. Adding two days per turn would kill the economics for OCR as well, thus the emphasis on car-cycle times.

Another of the OCR performance measures is the percentage of weekly car placements that fall within guarantees made to customers. James Allen, OCR's general manager, said the line expects 98 percent, but that placements were on time 99 percent this year.

Here again we see a measure that closely conforms to one of CN's guiding principles — service, or "doing what we say we'll do." The parallels between CN's guiding principles and OCR's performance indicators are no accident. Marc Laliberte, CEO and president of parent Chemins de fer du Quebec, makes the point that "harmonizing shortline operations with the Class Is" is a must.

THE PARALLELS BETWEEN CN'S GUIDING PRINCIPALS AND OTTAWA CENTRAL RAILWAY'S PERFORMANCE INDICATORS ARE NO ACCIDENT.

In an interview, Laliberte told me that the indicators reflect the core values of the company's six short lines and support the mission of being "our customers' preferred supplier of transportation logistics." And to make sure OCR employees stay in touch with this mission statement, it's printed in the cover of the employee timetable.

OCR is a safe railroad, too. Allen said that running safely costs less and adds more customer value in terms of stewardship of the customers' goods than any of the other five indicators. In its monthly "Spareboard" employee newsletter (one of the nicest such letters I've seen), OCR posts monthly observations by employees, as well as a running total of noncompliance by rule.

The railroad averages nearly 200 observations per month yet the incidence of noncompliance per month can be counted on the fingers of one hand. My sense is that the monthly conference calls involving all of the company's shortline general managers and Laliberte have helped instill a feeling of teamwork and morale, not to mention ownership of a "safety culture," as Laliberte puts it.

The two remaining performance indicators, revenue per employee and attendance, are further measures of how effective the other four indicators are in keeping customers happy, a key element in a service business like this, because without customers, there is no railroad. This year, OCR revenue per employee is right on budget for and slightly ahead of 2006; the same can be said for attendance.

To be sure, OCR has its challenges with forest products, a principal commodity, down double digits, and its service area not being a particularly intense industrial hotbed. Still, for a regional railroad running some 255 miles of ex-CN main line, using a fleet of nine ex-CPR Alco RS18s, the Ottawa Central shows what can be done given a firm focus on performance indicators and on harmonizing its operation with the connecting Class I railroads.

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