

# RAILROAD WEEK IN REVIEW

August 18, 2023

*“Adam Morgan, the chief operating officer, never ventured out on the railroad if he could help it. Instead, he focused on the numbers that told him everything was fine with his railroad, which wasn’t exactly the case... Several divisions falsely reported freight trains as having 100+ cars on them to meet management’s numbers because they’d rather keep the railroad running than hold for tonnage... Things had gotten so bad that much of the property maintenance had stopped almost 10 years ago.” — **Seldom Willing**, a railroad novel, Fred Frailey, 2023*

The latest crop of Class I railroad operating status reports is in. Recall that the STB, following last year’s “urgent issues” hearings, directed all the railroads to file weekly reports on how they were doing in terms of improving their own operating metrics. BNSF and Union Pacific have provided brief tables to summarize their findings. The other roads seem to be content to send 150-line Excel spreadsheet with all the week’s numbers, but giving the reader no way of identifying the trends.

Let me start with BNSF for the current week. They write, “The data in this report reflects BNSF’s service performance during the week ending August 5. Last week BNSF achieved targets for five of our twelve KPIs and was within 5% of target for four of the remaining KPIs. Our network was challenged last week by an elevated number of weather-related service interruptions and slow orders, including multiple flash flood warnings on our Chicago Division and both extreme heat and high winds across both the Northern and Southern Regions. The following chart reflects our performance against our KPIs over the past eight weeks.”

	24	25	26	27	28	29	30	31	8 Week Avg
<b>Train Speed</b>	103%	101%	101%	104%	104%	100%	100%	99%	101%
<b>Dwell</b>	99%	98%	96%	95%	111%	98%	96%	99%	99%
<b>Trains Holding</b>	140%	145%	137%	131%	155%	145%	126%	128%	138%
<b>Local Service</b>	98%	99%	100%	98%	99%	100%	100%	99%	99%
<b>Overall OTP</b>	109%	112%	112%	114%	118%	113%	111%	109%	112%
<b>Intermodal OTP</b>	109%	111%	114%	109%	117%	112%	111%	110%	112%
<b>Coal OTP</b>	99%	105%	101%	110%	108%	109%	105%	101%	105%
<b>Merch OTP</b>	102%	103%	103%	109%	113%	105%	102%	99%	104%
<b>Grain OTP</b>	106%	103%	112%	102%	118%	99%	101%	88%	104%
<b>Crude OTP</b>	82%	79%	74%	93%	92%	80%	80%	81%	83%
<b>Auto OTP</b>	110%	108%	112%	114%	112%	113%	113%	105%	111%
<b>Ethanol OTP</b>	70%	79%	70%	105%	94%	72%	56%	81%	79%

You can identify the trends in a glance and can tell definite improvement is at hand.

Union Pacific provides a similar summary chart, comparing current performance with a baseline and a number of key metrics that affect manifest carload service in particular.

Metric	Baseline (April 15, 2022)	Current Performance	Progress Against Baseline	Target Range	Target Midpoint
Car Velocity	177 mpd	197 mpd	+11% ↑ 0 consecutive weeks at or above target midpoint	205-210	207
Operating Inventory	201,334	177,942	-12% ↓ 36 consecutive weeks at or below target midpoint	185k-195k	190k
Cars per Carload	8.9	7.9	-11% ↓ 6 consecutive weeks at or below target midpoint	7.7-8.1	7.9
First Mile Last Mile ("FMLM")	90%	91%	+1 pts. ↑ 4 consecutive weeks at or above target midpoint	>91%	91%
TPC Bulk	66%	81%	+15 pts. ↑ 17 consecutive weeks at or above target midpoint	77% -85%	81%
TPC Manifest	59%	73%	+14 pts. ↑ 4 consecutive weeks at or above target midpoint	66% -73%	70%
TPC Intermodal	73%	84%	+11 pts. ↑ 18 consecutive weeks at or above target midpoint	76% -83%	80%

Like BNSF, Union Pacific provides some additional commentary to flesh out the numbers in the chart. “Union Pacific’s operable locomotive fleet is ~4,250 units, consistent with our forecasted demand for the second half of 2023. Train velocity on the network has improved by 15% since mid-April 2022. The number of trains holding for power was relatively consistent at 14 trains per day for the week ending August 4, 2023, compared to our last report. Union Pacific temporarily deployed ~40 additional locomotives to support the network recovery.”

These reports come with a caveat, however. Reports from the field suggest that numbers might be being tweaked to make performance look better than it actually is. For example, I’ve heard of loads en route that fell behind schedule being put on repair tracks to stop the trip plan compliance clock.

There are reports of cars not being interchanged to short lines, but reported as not interchanged because the short line siding was full, which was not the case. I’m also hearing about trains being made up to serve shortline locations, but because of crews marking off never even leave the yard. These cars are reported as placed anyway. No wonder customers start asking questions.

**Car 54, Where are you?** On a recent Zoom call with a group of friends who come from various backgrounds – former class I executives, shortline owners and operators, consultants, and writers – the subject turned to car location management. The consensus appeared to be that with the technology in use today it can’t be that difficult to tell precisely where a car is.

In a follow-up note to the conversation, a participant writes, “There are times were the cars are not where the serving railroad computer says they are. An example two months ago a car that we

were waiting a long time for was inadvertently dropped off at X and sat there for a week. The railroad agent said the car is in a certain area yard and would be on the next train up. Trying to tell them the car is in the siding at X, I finally had to send pictures of the car as proof.”

I mean, the technology is there. According to Apple, “The iPhone SOS service automatically calls the local emergency number and shares your location information with emergency services. You can also add emergency contacts. After an emergency call ends, your iPhone alerts your emergency contacts with a text message, unless you choose to cancel.

“Your iPhone sends your current location, and for a period of time after you enter SOS mode, your emergency contacts receive updates when your location changes. On iPhone 14, you can even use Emergency SOS via satellite to text emergency services when no cellular and Wi-Fi coverage is available.”

If an iPhone can do all that, it would seem to me that the technology of some sort of iPhone look-alike attached to a freight car would be able to do all these things. The device could be programmed to send information about its location to some mother ship that connects with the rest of the world. It ought not to be all that difficult. Then you would never have the case of the car stuck at X, the railroad computer thinking it's at Y, and the customer being left in the dark.

**“Seldom Willing” is the nickname** of the fictitious Southwest Kansas Railway, a 550-mile granger railroad cobbled together from the larger Central Pacific line segments sold off to reduce costs. The SW got its start when a central-Kansas elevator owner and grain merchant bought the line between KC and Denver from CP to prevent its being largely abandoned.

Starting with just online grain and feed carloads (through traffic was kept by CP), Sam the owner and Chet the railroader built the business back car by car, extending the railroad's reach to St. Louis, Chicago, and Fort Worth through innovative deals and even subterfuge. They created customers out of such minor players as UPS and Ford Motors. All the while, Central Pacific withered from its financial machinations.

This is a tale of what happens when Railroad A puts a greater emphasis on growing the share price rather than the customer base and Railroad B does the opposite. Frailey calls upon his years of railroad writing to tell the story using railroad terminology and operating practices that will immediately engage the reader. I read it in one all-day sitting as it brought to mind my own railroad experiences and observations over the past 30 years. You will be amply rewarded for spending a day or so on the Seldom Willing.

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