

RAILROAD WEEK IN REVIEW

December 22, 2023

“The Board is requiring [Class I] service recovery plans and progress reports for more comprehensive and customer-centric performance metrics and employment data for a six-month period. The Board is taking this action to inform its assessment of further actions that may be warranted to address the acute service issues facing the rail industry and to promote industry-wide transparency, accountability, and improvements in rail service.”
— STB Decision EP 770, May 6, 2022

“Our customers see the commitment we are making to deliver more consistent, reliable service and our marketing team is creating innovative solutions to amplify the value of that service, even in a weak freight environment... We’re always compelled to deliver a competitive price in the marketplace that our customers can recognize value in,” — CEO Alan Shaw, NS 3Q Earnings Call, Oct 25, 2023

BNSF’s Katie Farmer had said early in her tenure as CEO that she wants to see the company get closer to customers. Their Weekly Network Performance Update by commodity line — see last week’s Letter — is one way they’re doing it. Now it appears they are extending the reaching out to the STB with their EP 770 filings.

As you will recall, at the conclusion of the STB’s EP 770 “Urgent Issues” hearings in April, 2022, the STP required all the Class Is to file weekly reports on their progress in meeting certain performance targets. Typically, these filings include a cover letter and a lengthy spreadsheet showing all the results for all the reporting line items. I find that these spreadsheets are impossible to read and that they make it difficult to draw any conclusions.

BNSF, on the other hand, goes the extra mile and boils everything down to table form so you can see what’s being measured and the results of those measurements. From the Dec 15 report: “The data in this report reflects BNSF’s service performance during the week ending December 8. BNSF achieved targets for 10 of our 12 KPIs this week. The chart below reflects our performance against our KPI targets over the past eight weeks.”

	42	43	44	45	46	47	48	49	8 Week Avg.
Train Speed	100%	98%	98%	101%	100%	103%	104%	104%	101%
Dwell	102%	100%	100%	103%	104%	99%	102%	107%	102%
Trains Holding	115%	123%	125%	147%	144%	140%	150%	153%	137%
Local Service	101%	101%	101%	102%	102%	101%	98%	100%	101%
Overall OTP	109%	107%	105%	109%	111%	111%	114%	118%	111%
Intermodal OTP	114%	109%	107%	109%	112%	113%	110%	119%	112%
Coal OTP	93%	96%	98%	107%	105%	97%	100%	102%	100%
Merch OTP	107%	104%	103%	103%	106%	108%	118%	120%	109%
Grain OTP	52%	72%	70%	85%	85%	84%	109%	88%	81%
Crude OTP	78%	78%	84%	73%	84%	78%	88%	92%	82%
Auto OTP	107%	94%	95%	94%	100%	107%	128%	116%	105%
Ethanol OTP	86%	103%	103%	95%	83%	120%	117%	109%	102%

And there’s more. “BNSF has invested nearly \$13 billion in system maintenance over the past five years to keep our track, facilities, and rolling stock in safe working order. Additionally, BNSF has developed a pioneering Automated Track Inspection (“ATI”) program that leverages frequent rail geometry tests by manned and unmanned inspection machines to identify track defects for early correction while minimizing unnecessary manual inspections that slow rail service.”

Key Performance Indicators

	Baseline	Current	Progress Against Baseline	Target
Intermodal	66.9%	88.9%	+22.0pp ↑	75%
Coal Unit	66.6%	76.3%	+9.7pp ↑	75%
Merchandise	46.9%	78.0%	+31.1pp ↑	65%
Grain Unit	62.7%	65.7%	+3.0pp ↑	75%
Crude Unit	46.1%	64.1%	+18.0pp ↑	70%
Auto Unit	52.0%	81.1%	+29.1pp ↑	70%
Ethanol Unit	18.0%	54.5%	+36.5pp ↑	50%

Finally, this train performance chart can be invaluable for customers planning supply chain events months in advance. Knowing that one’s trains are running consistently and reliably according to plan is a big help. And this kind of operating intelligence is one more example of how BNSF is getting “close to the customer.”

Norfolk Southern, on the other hand, seems to be taking the opposite tack. A shortline client tells me the NS marketing staff travel budget is being severely cut, there is a move to replace the traditional face-to-face Shortline Caucus meetings with Zoom calls, and an upcoming shortline gathering at the Forest has been cancelled.

And yet, just two months ago CEO Alan Shaw was touting customer service and outreach that was delivering solid results. He even mentioned the marketing staff specifically — see italicized quote above. It's going to be tough for the marketing team to “create innovative solutions” for customers if they don't know what needs solving. The only way to find that out is to go ask.

My shortline network tells me that they rarely see any NS business development staffers these days. Perhaps it's because NS has ceased to recognize the economic benefits their 250+ “partners” actually bring to the table. Why do I think that? Among other things, it appears market managers are reluctant to put business on a short line because the handling line fees decrease the amount of revenue credited to their bonus accounts based on revenue generated.

Some operating types see shortline operations as a cost rather than a benefit. Yet the short lines do the first mile/last mile so that all the Class I local guys have to do is pick up and deliver blocks of cars at the interchange. Terminal supervisors hold interchanging shortline trains out of yards until it's convenient to bring them in. Local crews skip shortline interchanges when they're running out of time. The list goes on.

But the benefits to the Class Is are real. Just last night a friend wrote me about a recent shortline visit that revealed “they achieved a 14 percent volume increase thanks mainly to new customers. The short line believes they were able to attract these customers to their railroad due to predictable service and having developed personal relationships with the customers.” That's been happening all over, I'm told.

Railroad Day on the Hill has done a great job telling the shortline story to the legislators — look at the grants and other government gifts. The closest the short lines get to telling the story to the Class Is in the shortline meeting caucus groups — and even here shortline comments and recommendations are too often ignored. This must end.

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