

RAILROAD WEEK IN REVIEW

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“The proponents of Precision Scheduled Railroading try to level the workload and asset base of internal railroad company yard movements and over-the-road train movements. It is not car-focused, though its advocates expect that it will eventually become more car-focused and on-time-schedule-delivery-efficient.” — Peter Swan, Ph.D rail and logistics, Penn State School of Business Administration, NEARS, October, 2019

“We need to change the mindset and embrace a transportation system with a rich history that has the keys to future economic growth, environmental prosperity, and a better quality of life for the city of Santa Maria, the Central Coast, and the rest of the nation.” — Rob Himoto, President, Santa Maria Valley Railroad

An ongoing thread of the Precision Scheduled Railroad argument has to do with railroads’ inherent strength in “batch processing” — doing a lot of the same thing all at once. Where they fall down is in “custom processing” — tailoring a service or product to the needs of a few customers. At Amazon, for example, the batch process is bringing many loads at once to a distribution center; the custom process is putting each order on a truck for customer delivery.

It is here that short lines excel. They take the batch-process train the Class I delivers and turn it into a custom process by delivering each car to a specific customer. Moreover, the short lines go one step further: delivering cars to warehouses or transload centers where the 100-ton batch arriving in the car can be broken down into smaller 25-ton lots as required by the customer.

Though many short lines go the DC or transload route, two very different shortline applications spring to mind: California’s Santa Maria Valley Railroad and The Rail Enterprise Group’s Iowa & Midland Railway. The former, pictured at the top of the next page, is a century-old property that came under new ownership in 2006. The 14-mile railroad connects with the UP at Guadalupe.

Describing the progress made over the past 13 years, SMVR President Rob Himoto writes,

It has been an uphill battle to regain customers and rebuild and improve the infrastructure. It was a daunting challenge to rebuild the customer base and rebuild the infrastructure. Many ties, rail and ballast were installed and many more will be installed for the next several years. three years ago a new transload and rail facility was built. The Osburn Rail Yard now totals over 2,000 feet of track serving over a half a dozen transload customers.



One result of SMVR's foresight and planning is access to the 5-acre Betteravia Industrial Park, featuring transloading facilities, on-ground and covered storage, warehouse space, and food grade storage silos. Not only does SMVR get the goods into its facilities, it gets them out, too. Its network of third party transportation logistics partners can provide seamless transportation service to any location in Santa Barbara and San Luis Obispo counties, effectively extending the SMVR market reach well beyond trackside, thus turning the UP batch process into a custom process for the entire SMVR service area.

Farther east, the New Jersey-based Rail Enterprise Group (REG) is busy expanding a suite of logistics services at its Iowa & Middletown Railway. The railroad is a BNSF connection in the southwest corner of the state, in close proximity to key midwest metropolitan areas including St Louis and Chicago.



The road services the "Commerce Center of Southeast Iowa," a 19-acre facility with more than 100 miles of track space and 26 rail-served buildings ranging from 25- to 50,000 square feet. REG President Eyal Shapira writes that the I&M plus the industrial parks they access in New

Jersey, Pennsylvania, and Tennessee have attracted car-lease companies for their car storage facilities. Says Shapira,

With thousand of car spots leased, we are encouraging companies to act early to secure space. All four locations feature transloading and bulk trucking services to satisfy just-in-time delivery requirements as well as railcar repair and cleaning services. Loop tracks nearly six miles long in Tennessee and Iowa can accommodate unit trains of up to 120 cars.

Happily, the SMVR and I&M are not unique. Short lines of all shapes and sizes in every one of the 48 contiguous states as well as the Canadian provinces are the true market extenders of the Class I railroads, converting a batch process that few can use into a custom process that many can use.

I found the Penn State Professor's NEARS argument (top pf page 1) re the shortcomings of PSR flawed. He totally disregards the five tenets of "precision railroading" that Hunter spells out in his book, *How We Work and Why*. They are: switch customers at the same time every day, control variable cost, do it safely, empower employees, and manage asset deployment.

Hunter ran the same local trains every day. He wanted power and crews at the other end of the run on plan so they'd be there to handle whatever came up on the return trip. He put everything he had in the yard that was headed for the same distant node on the next train out of town to minimize dwells.

I recall CN's Claude Mongeau saying shortly after Hunter left that he wanted to use the Hunter methodology "to create a kinder, gentler railroad." He certainly did that. Moreover, CP's Keith Creel — cut very much from the same cloth — is achieving the same results. Which makes one ask, why can't the lower 48 railroads do the same?

Last week I cited the NEARS talk of CSX Vice President Arthur Adams. Clearly, CSX is seeking to add value to the single-carload product. Yet Week 39 year-to-date merchandise carloads for CSX are barely treading water. Among the seven commodity groups running more than 100,000 units to date, four are down — including the all-important STCC 28 chemicals group. The positives are in low-rated commodities like aggregates and phosphates.

Thus I would hope that in future CSX presentations we hear more about market development wins for the carload sector. For example, it would be helpful to know what success they've had in winning new lanes in paper, processed food on pallets, coiled or slab steel, and the STCC 24 wood products. Perhaps Marketing EVP Mark Wallace will oblige us at RailTrends next month.

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