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The STB has heard the oral arguments pro and con on future rail mergers. UP says they want none; BNSF and CN continue their positions that mergers afford economies, and the eastern roads are still looking for that silver bullet to solve their Conrail merger woes. Shippers, meanwhile, ask for increased rail competition, even to the extent that currently captive shippers get added rail access.

Seems to me the whole thing is moot as long as the trucks continue to eat the RRs' lunch in providing consistent and reliable service. Why do shippers want other rail options? Because too often the one railroad serving them doesn't serve them well. Wouldn't it be wonderful if the jillions of dollars spent standing before the STB emoting on mergers could be invested in adding just one share point in the $500 billion intercity freight market? That's a cool $5 billion for the numerically challenged, not exactly a piddling "rounding error."

Elsewhere in STB-land, CN and merger partner WC have asked that their proposed merger be treated as a "minor" transaction so that it would escape the Board's current moratorium on major-merger activity. CN said it has no plans to abandon any of WCTC's 2,800-mile North American network and will make "relatively minor" workforce cuts.

UP's Dick Davidson told a CNBC audience April 10 that UP is "pleased" with its first quarter performance and expects a flat second quarter, with the economy still down and fuel costs still high. But he foresees "a strengthening of the economy" in the second half. He said that while some commodities continued to be sluggish, UP experienced a "phenomenal" growth of 12% in coal shipments in the first quarter. Some analysts rate UNP as "Outperform" with a year-end share price of $60.

In effort to get grain cars turning better CN wants to see a 50% reduction in cycle time between the prairies and Canada's grain ports. As recently as 1999 a round trip to Vancouver and back for loading took 21 days. CN's taken 10% out but that's not enough.

Halving turn times would cut costs and rates, too. Moving more grain at peak time is worth more than letting it sit around for non-peaks once you add in storage and car management costs. Also, faster cycles require fewer trains per harvest, thus fewer cars and locomotives, and less congestion. Much of this could be passed back to the growers in terms of lower rates. Not a bad idea since the Canadian Wheat Board is looking at an 18% rate reduction anyway.

There is a major role for shortlines, too. Says CN, "Provincial governments need to consider how their policies and incentives can support a successful short line industry on the Prairies. Shortlines will not solve any grain transportation issues if they are mired in regulatory intervention."

Norfolk Southern has, in its own quiet way, taken a similar approach to TVA coal. Where the previous pattern was to hurry up and load a bunch of trains and then wait for the next order, mines and customer have agreed on a JIT process which keeps all parts humming regularly. The goal is to get the same job done only with fewer resources simply by cutting idle time for cars and power, freeing up track space and crews for more productive use. NS estimates equipment costs could drop as much as 10%.

And while we're on the subject of asset utilization, a word is due on the innovative JIT-Rail program put together by NS for its auto plants. This is truly LCL business, where each 100-ton Plate F car in the dedicated fleet can be loaded with myriad parts from different vendors to serve one manufacturing facility.

Vendor trucks arrive at the NS facility loaded with parts on racks designed to slide right into the car. Richard Kiley, Director of Auto Vehicles in Norfolk, tells me cars are loaded in LIFO sequence so that they are unloaded in the same sequence parts are to be used on the plant floor. Once made empty racks and cars are loaded up and sent back to Go for another round. (The thought occurs that this scheme may just have boxcar applications in other industries from food to furnishings. Think of the implications for boosting ROA!)

The common thread among these success stories is renewed focus on customer service. The great companies from American Express to Gap to UPS have it in spades. It now appears the rail industry culture has shifted to the point where pages from the Great Company playbook may be taken seriously. Among them:

Pursuit of Growth: Does the company have products or services with sufficient market potential to generate sizable revenue increases several years out? The BNSF program to cross-train its marketing team in different commodity disciplines in one step. CN’s focus on scheduled service directly competitive with the trucks is another.

Expansion and Innovation: Does the company have a determination to develop products that attract new markets and replace markets that have folded? The NS automotive parts story is a start. Now let’s see if the concept can be spread around the marketplace.

An Involved and Hungry Sales Force: Does the marketing team live in the field? As has oft been mentioned here before, you can’t ask for the order if you don’t go see the people. The shortline USP vis a vis the class 1s has always been the locally involved customer service team, defined as every shortline employee. Giving a handful of reps a hundred accounts each doesn’t cut it.

Continuous Margin Improvement: Does the company drive down the OR another notch every quarter? And if so, is it revenue-driven or cost-driven? The best way to save money is to shut the door and never go back. But since that’s not really an option the only alternative is the Pursuit of Growth, bringing us full-circle.

So when you read in WIR or elsewhere about earnings estimates or forward potential, it’s most often in terms of these four profit drivers. Can you, at the end of every day, say exactly what your company did that day to have another buck in the till at the end of the day? Please advise.

Roy Blanchard

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