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**C**anadian National shortlines, shippers and shareholders ought to be pleased with the thinking that's coming out of Montreal these days. This past Wednesday I was hosted by Francois Hebert and the shortline group in the morning and Michael Farkouh, Super of the Montreal Sub, in the afternoon. The purpose of the meetings was twofold. First, to touch on some of the key car and asset management issues facing CN and its shortlines. Second, to see how the Taschereau operation has changed since my visit a year ago.

In both sessions there were clear links between what CEO Hunter Harrison and Chief Commercial Officer Jim Foote presented to the Wall Street analysts just two weeks prior (WIR 1/24/2003). Briefly, CN wants to be sure car hire responsibility is where it belongs -- on market managers, terminal managers, and on shortlines. Those attending the 2003 CN shortline meeting (tentatively April 24,25 in Montreal) will hear more specifics.

There is a recognized need to go faster integrating shortline and CN operations. Pockets of resistance on both sides have caused a lag in setting up ISAs. Train II reporting is uneven on shortlines, with some not wanting to pay the Train II expense. That's too bad because it's as much a part of being in the RR business as buying fuel. Worse, without ISAs and Train II reporting shortlines disadvantage their own customers. A manufacturer on a "black hole" shortline cannot compete on a level playing field with a competitor using guaranteed car supply and carload trip plans to reach buyers.

Francois tells me the RAC Shortline Committee is a positive force and problem areas such as 286-upgrades, freight rates for loco movements over CN, and paper barriers are seeing successful resolution. Moreover, CN is working very closely with a few shortlines known for cooperation and creativity to address other areas of opportunity. In short the message is do it better, do it with fewer assets, do it faster. That's good advice from the railroad with the lowest OR in the biz.

After lunch Michael Farkouh showed how the changes he predicted during my visit last year are now a fact of life. Chief among them is the new intermodal facility with four ramp tracks, two for international and two for domestic. The good news is they're running 1,300 trucks in and another 1,300 trucks out seven days a week. The bad news is the steamship lines have more than 4,000 empties stashed at the ramp, cluttering up valuable space. Maybe they ought to start charging $60 a day each as if they were private cars constructively placed on railroad-owned tracks.

Elsewhere, Farkouh is managing the asset to maximize returns on every square foot he has. In fact, he makes the point it's no longer Taschereau *Yard*, it's Taschereau *Transportation Center*. Of course there's the remote-operated flat switch merchandise carload classification. Then there's the auto center with every known make but GM and Toyota, a 250-car bulk transfer facility, a budding carload transload warehouse for everything from steel to lumber, and a loco shop doing outsource work for shortlines. With a new idea at every turn, it's an instructive place to visit. And it bears out Harrison's edict: if you're not using it, get rid of it. Now *that's* asset management!

**K**ansas City Southern (KCS) is expanding its Transload Center Network (TLC) with facilities in Baton Rouge, Spiro, Okla, and Jackson, Miss.  These facilities are part of a growing transload network on the KCS system, designed to extend KCS' reach beyond the physical tracks, and to serve customers without rail sidings or who prefer to receive shipments in truckload lots or less. The Baton Rouge site serves mainly plastics and chemical customers. Spiro's focus is the growing phosphate and forest products business while Jackson deals in food grade commodities, fertilizer, dry bulk and liquid commodities, lumber and steel. What we have here is another service set offering a single bill door-to-door package that includes railcar, warehousing and trucking services. And it's an area every shortline operator ought to be pursuing vigorously.

**O**ne of the best things any shortline can do for their connecting class 1s is to keep them apprised of their successes and what they mean to the partnership. Todd Hunter, long-time business development guru for Pennsylvania's North Shore Rail Group writes, "Every now and again I like to drop our friends at NS regarding some of our various shortline marketing success stories. The goal is in part to stress that it is our mutual partnership makes these work."

Todd then goes on to detail ten separate new business initiatives that will collectively add about 10,000 carloads to the partnership. In every case he names the specific NS personnel who were particularly helpful. The message sent is that this shortline does its homework and can bring home the bacon. This is a terrific way to keep the relationship positive, and I can guarantee you it's the sort of thing that makes everyone smile.

**A** Charter Subscriber writes, "After more than 40 years experience in the engineering side of the house it never ceases to amaze me how little real attention track maintenance gets. The AAR Class III lines especially still need help with ties, rail and bridges. Many of the shortlines were left with rail that is anywhere from 50 to 100 years old on subgrade that has a sprinkling of stone ballast but is mainly sitting on badly fouled cinders and gravel.

"A good friend of mine runs a shortline in the Northeast and has been pouring much of his profit back into his railroad. He took advantage of the buyers market on power back when the Class Is were buying AC power and selling their GP-38s and 4200's at bargain rates. He bought new rail and turnouts for his main yard. It's a real 'then and now' track success story. You would have had to see it before and now to get the real picture." Well, I get the picture and it's brilliant.

**N**ot so brilliant is this tale of three loco malfunctions on one day of train-riding. Amtrak, in its focus on funding, seems to have forgotten that there's such a thing as accountability in locomotive maintenance. And it costs less than no accountability. The electric motor on my Philadelphia-to-NY train dropped the head-end power every time the train stopped. On the Montreal train the dual-power loco died before we even got out of NYC. Running three hours late water froze in the train line north of Saratoga and dumped the air. That cost 30 minutes more.

Anecdotal is not the right word. On four of the five Amtrak rides I had to NYC for Earnings Week there was a Locomotive Event either on my train or one near us, with the net effect of delays all around. Amtrak really needs to do some serious root-cause failure analysis and start making managers accountable. Perhaps they need to go visit some shortlines and learn exactly how much one can accomplish just by paying attention. As Yogi Berra is reputed to have said, "You can observe a lot just by looking."

***Roy Blanchard writes and consults on railroad commercial, financial and operating best practices for shortlines and shippers. Disclosure: Blanchard may from time to time hold long, short, debt or derivative positions in the companies mentioned here. A list of such holdings is available on request.***