CSXT's Carpenter sees Conrail deal as 'tremendous opportunity'

By Bill Stephens

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The joint operating plan CSXT and NS submitted to the STB as part of their application to split Conrail details how they'll use their new routes, and how the routes will spur growth.

Much of the traffic gains will come from the introduction of single-line service between Northeast and South- east. "Northeast-Midwest service, in particular, will receive a boost as CSXT and NS competing head-to-head service dominated for two decades by Conrail's monopoly."

"We have a tremendous opportuni- ty for growth." CSXT Transportation President and Chief Executive Officer A.R. "Pete" Carpenter told Trains. "But we must deliver service reliability in order to exploit that opportunity. We intend to do that."

The merger will continue, and even expand, east-west intermodal growth on Conrail's main line. "But," says Carpenter, "the ideology—has to be north-south ... long-haul, single-line service between the growing, booming, increasingly industrialized Southeast and the major popula- tion centers of the Northeast."

By linking its former B&O Washington-Philadelphia-Pittsburgh-Ohio rail- road's Peninsular-Newark line, CSXT will create the backbone of its new Atlantic Coast and New Orleans Gate- way Service Routes. The Atlantic Coast Route (ACR) will make carload and intermodal traffic competitive with trains between Boston and Miami, diverting traffic from parallel Interstate highways.

CSXT will raise intermodal traffic density in the Northeast and offer more efficient service, Carpenter says. Florida or- anes on rail instead of highways from Orlando to New York and Boston. The potential for diverting business from road to rail is vast ... and for car- load traffic as well as intermodal.

Indeed, Conrail-CSX movements captured 20 percent of total Eastern intercity freight tonnage, compared with railroads' 17 percent overall in the East vs. trucks' 73 percent.

CSXT's accessing the Northeast will open the door to new rail shipments. Carpenter says, such as Florida orang- es on rail instead of highway from Orlando to New York and Boston. The potential for diverting business from road to rail is vast ... and for car- load traffic as well as intermodal.

Just introducing single-line service will enable CSXT and NS to compete with trucks for the first time on many routes. Single-line service reduces ter- minal delays of interchange, avoids schedule-coordination problems, and boosts on-time performance.

Carpenter says that CSXT, not Conrail, has the infrastructure to handle the new freight.

"If we have a head start in North- south movements," Carpenter says, "we'll be able to bypass it with our new High Speed Service Route (HSS)—Norfolk to De- troit or Cleveland via Terre Haute and Indianapolis, which incorporates Conrail's 'Bi-Directional' line.

"Although the HSR is longer, De- troit-Nashville and Cleveland-Nash- ville times should be cut by 12 hours. Eight trains a day will run via this route, enabling CSXT to use Quernes- gate primarily for north-south traffic and Conrail's Avon Yard near Indi- anapolis for east-west traffic. Michigan traffic will be classified at Conrail's Stanley Yard in Toledo.

"CSXT's increased traffic density and more efficient yard use will reduce the number of cars switched and the number of times they are switched. This means faster, more re- liable service. That's particularly important for trains through Chicago, CSXT says. Improvements in the Chi- cago terminal—including transform- ing IHHS's Blue Island Yard into a re- gional hub center—will alleviate congestion, CSXT says. And the expansion of Willard (Ohio) Yard will allow CSXT to block entire trains for direct inter- Changements in Western railroads."

Maintaining parallel routes also will improve service by segregating traffic. CSXT will run heavy freight on the former Pennsy line called the "Alternative Chicago Gateway" by CSXT—between the Windy City and Cleveland, Ohio, keeping CSXT's north- east Gateway Service Route (NGSR—the old B&O into Ohio, the old NYC Water Level Route east of Cleveland) for intermodals and faster, faster-moving traffic. Would the PRR line have survived a round of mergers a decade ago? "Probably not," Carpenter says. "I would have tagged it for shortline sale or pulled it up. It says a lot about how confident we are about growth."

Not all growth will come from single- line service. As it has on its own system the last three years, CSXT will target short-haul east-west traffic that Conrail neglected because it wasn't as profitable enough. "We are pleasantly surprised at the returns on shorthaul business," Carpenter says. "But it requires tremendous discipline."

"All these improvements aren't enough," Carpenter adds. "In the 1970s, he points out, automobile owners were happy getting through a year without mechanical woes. Now they are unhappy if there's trouble under the hood in the first five years of ownership. "We expect more," Car- pent er explains. "Well, guess what? Our shippers are expecting more."

That's one reason CSXT will raise the speed limit on the NSR, to 55 mph, slashing 2½ hours off Conrail's fastest Chicago-New York intermodal schedules. CSXT also will introduce real-time information systems to better track cars and adjust schedules. Carpenter declined to add specifics; instead, he says, "We think CSXT will be in a stronger position than NS, and vice versa. Instead, he recalled his college-student days as an L&N switchman."

CONRAIL CARVINGS

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in the early 1960s. Back then, the talk around the switchman's shanty cen- tered on the potential mergers of NYC&B&O and Pennsy-Norfolk & Western—essentially how Conrail would be split three decades later. "This is not out-of-the-box thinking by cur- rent management," he says, "because it shows that the Contrain plan best suits the current CSX and NS systems.

The places where Conrail won't be split—the shared assets areas of Nor- thern New Jersey, South Jersey-Phila- delphia, and Detroit—won't pose a problem for CSX and NS. Carpenter says, "I think we will work well. We compete like heck, by and large, between our two companies, but then we have these areas where we have worked with each other very well."

The size and scope of the shared areas were predetermined, but that does not faze the CSXT chief. "It's not as if we haven't cut our teeth in complex areas," he says, pointing to cooper- ation on the Belt Railway of Chicago, a physical merger of the B&O and N&W.

Carpenter expects the merger to go smoothly, both for customers and em- ployees. Company CEO Robert Krebs and UP's Dick Davidson to discuss problems they've had inte- grating their new systems, and hopes to learn from errors that slowed ser- vice and frayed employee relations. Carpenter promises to "pull out the blue- print copy." Carpenter's best practices, while similar, "I believe that CSXT does better, such as keeping a higher percentage of its locomotive fleet in service," he says, "but we have to take out of the equation is the arrog- ance of the surviving road. That won't be good. We're not going to make the mistake of not honoring the people who brought Conrail up from the edge."
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C

orrall's PHYSICAL PLANT will cost CSXT and Norfolk Southern nearly $3.6 billion over three times per mile what Union Pacific paid last year for Southern Pacific's physical plant. But you get what you pay for, CSXT and NS say of the most expensive rail merger yet.

The new routes CSXT and NS will acquire in their $10.2 billion split of Corrall offer the potential for unprecedented growth, CSXT and NS executive claim. NS, which acquires more trains running over many lines the railroads will operate throughout the East, assuming Surface Transportation Board approval of the deal. The joint operating plan CSXT and NS submitted to the STB as part of their application to split Corrall details how they'll use these new routes, and how the routes will spur growth. Much of the traffic gains will come from the introduction of single-line service between Northeast and South- east. New York-Midwest business, meanwhile, will receive a boost by CSXT and NS competing head-to-head in markets dominated for two decades by Corrall's monopoly.

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y to grow," said N. Cincinnati Transportation President and Chief Executive Officer A.R. "Pete" Carpenter told Trains. "But we must deliver service reliability in order to exploit that opportuni-
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way Service Routes. The Atlantic Coast Route (ACR) will make carload and intermodal traffic competitive with trucks between Boston and Miami, diverting traffic from parallel Interstate highways. CSXT will raise clearances to permit tri-level auto racks—but not double-stacks—on the ACR, shifting 655 miles and two days off its current route via Cincinnati. The New Orleans Gateway Route, via Atlanta, will carry petroleum from the Texas-Louisiana "Chemical Coast," serving 339 miles and two days over the current route, via Mem-
phis. About six additional trains a day will run Philadelphia-Washington.

Corrall's focus on east-west traf-

fic—its longest hauls—hinders inter-
line north-south business with CSXT and NS. While Atlanta-New York traf-

fic has looked attractive to CSXT and NS, it hasn't for Corrall since its haul was only from Philadelphia or Hager-
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south movements," Carpenter says.

Indeed, Corrall-CSXT movements cap-
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Nationally, on hauls of 600 to 700 miles, interline service has less than 30 percent of available business. Where single-line service is available, the rail share jumps to 50 percent. As length of haul increases, so does rail's market share. That's why CSXT predicts it can quadruple rail share long-
term on CSX-CR joint lanes, and snare 321,600 truckloads in 3 years. But if CSXT is to realize that poten-
tial, it must improve its service system-
wide. "For railroads to have a greater renaissance, it will take much, much improved reliability," Carpenter says. "The Corrall acquisition is a big step in the right direction, he explains. For example, CSXT already has Midwest-South routes. But melding Corrall and CSXT lines will provide CSXT the speed and capacity for its long, operational headache—Queensgate Yard in Cincinnati, the narrow section of the CSXT hourglass. CSX will be able to bypass it with its new Heartland Ser-
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NEXT MONTH: Norfolk Southern executives discuss their Corrall operat-
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