How today’s Conrail manages tight capacity

In this second in the Building New Capacity for America’s Railroads series, Railway Age looks at how “Little Conrail” adds value to the rail freight transportation product.

By Roy Blanchard, Contributing Editor

It’s a fact that line capacity, yard dwell times, system train speed, and cars on line are intertwined. Improving one helps the others; degradation of another cascades to the rest. Upon these four rest service quality as perceived by the customer. That, in turn, drives pricing.

Today’s “Little Conrail”—the switching and terminal railroad serving the Detroit, Northern New Jersey, and Philadelphia/South Jersey Shared Assets Areas (SAAs)—traces it roots to STB Finance Docket 33388 governing acquisition of the original Conrail by CSX and Norfolk Southern. Conrail Shared Asset Operation is the operating entity.

The Detroit SAA has 90 route-miles and four major yards—Livernois, North, River Rouge, and Sterling. The North Jersey SAA operates about 200 route-miles and is centered on Oak Island with smaller supporting yards. This group also works the Northeast Corridor to Trenton, former Central of New Jersey commuter lines, and four joint CSX/NS auto distribution facilities, with Doremus Avenue in Newark handling the most railcars.

The Philadelphia/South Jersey SAA comprises some 250 route-miles, with Pavonia as the anchor and several supporting yards in both states. It provides freight service on the NEC up to Trenton, a few SEPTA Lines (most went to CSX or NS), and the NJ Transit (ex-Pennsylvania-Reading Seashore Lines) Atlantic City Line. Conrail also provides freight services on the recently opened NJT diesel light rail RiverLINE between Camden and Trenton, formerly the Pennsylvania Railroad Bordentown Secondary.

Conrail’s mission is to provide local switching, yarding, and classification of trains; light running maintenance and repairs of equipment; plus routine track and communications and signal maintenance. In this sense it is like any other switching and terminal railroad or short line.

However, there are three main differences. One, Conrail relies on its owners as the sole source of leased locomotives and program track maintenance. Two, there is no commercial relationship with any customers. Every car in each SAA is in the account of either CSX or NS, and Conrail
has no access to any customer or
rate information proprietary to
either of the owners. Three, it
serves only NS and CSX. Canadian
Pacific, which got into to the SAAs
via the Final System Plan, can reach
Conrail-served customers via CSX
or NS waybill routing only.

Operationally, most of the for-
mer “Big Conrail” yards in all three
SAAs are assigned to Conrail and
are equally accessible to both par-
ent roads via Conrail service. Some
yards in each SAA were assigned to
either CSX or NS for their exclu-
sive use (South Kearney to CSX,
Croxton to NS), though Conrail
dispatches everything.

Another complicating factor:
CSX and NS operate their own
trains with their own crews when
passing through the SAAs. For
example, NS runs a coal train to
Beesley’s Point south of Atlantic
City. It leaves NS track at West
Falls Yard for CSX rails and a short
two-mile run to the NEC,
where it takes the freight-only track to Frankfort Jct., then returns
to Conrail trackage to reach Pavonia Yard. Conrail’s only involve-
ment is dispatching its own lines.

Today’s Conrail came into being on Split Date (June 1, 1999).
The infrastructure in the SAAs was in pretty ragged shape, yet CSX
and NS were talking in terms of 10-20 train pairs apiece in and out of
the SAAs. Yard dwell times were in excess of 40 hours, less than half
the trains were departing on time, and overtime expenses were huge.
It’s better now, and here’s why.

By an April 2, 2004, STB Oversight Hearing, Conrail President
and COO Ron Batory was able to report that revenue units touch-
ing all three SAAs had increased to 882,000, up 9.6% from 2000.
The largest gain was in Detroit, up 17.4%. Merchandise carloads
grew 1.3%, to 540,000 units. Intermodal grew 27.7%, to 342,000
units, with NS and CSX running their own intermodal
trains in and out of the SAAs over track that Conrail dis-
patches, and the SAAs providing switching services at two
intermodal yards, giving Con-
rail several opportunities to
handle intermodal containers.

Merchandise trains, how-
ever, come into class yards to be
broken up into Conrail locals;
they leave the same way. And,
with revenue units increasing
only marginally, it may seem at
first glance a stagnant busi-
ness—that is, until one looks
closer. The number of indus-
tries receiving direct rail service
in the SAAs has shrunk by
about a fifth over the years. Half
a million cars spread across 20%
fewer customers means more
cars per customer, fewer local
stops, and better crew utiliza-
tion. Overtime has been cut in half and car cycle times are 13%
faster. That’s what improved switching density does.

The Philadelphia paper business, which today is much reduced
from pre-SAA times, is a good example of why too many small cus-
tomers can slow down a railroad. Paper in boxcars over relatively
short distances from origins ranging from northern Maine to
southern Georgia was never a very lucrative business for the rail-
roads: lots of originations, few direct routes to major metro areas,
and many destinations in highly congested areas. The example of
an hourglass comes to mind, with Philadelphia at the center. High
per-unit expense, low revenue per unit, and high equipment cost
compounded by multiple yardings and train starts all piled on top
of each other eventually reduced the business. This is just one
example of why the number of rail-direct customers is less than it
was. Servicing the Philadelphia paper business, NS and CSX bring
product in on road trains. Conrail then takes the cars to the outlying points where the customers are based. And with Conrail dispatching 100 owner road trains plus 140 road and local crew starts plus 70 commuter trains every day systemwide, track space disappears rapidly. There’s limited time for a local freight to hold the main while it places and pulls loads and empties.

The upside is that revenue units per customer are on the upswing and the SAAs are doing more work with fewer assets and fewer accidents. With 1,350 employees, 1,200 track-miles, 100 locomotives, three class yards, and 25 support yards, Conrail has won the Harriman Award every year since 2000, and reduced FRA reportable injuries 13% and derailments 30%. A safe railroad runs better, too. Yard dwell time is down 19% to less than 25 hours, and ontime departures are approaching 90%. As a result, per-car costs are down and locomotive fleet efficiency is up 50%.

To the critics who were afraid the owners would pull back investment in the SAAs, one need only point to $40 million in track (FRA Class 3 or better miles are up 60%) and another $30 million in equipment, facilities, and safety enhancements over four years. Conrail has taken a leading role in public/private partnerships, particularly in Michigan and North Jersey, to the tune of $70-$80 million, with more to come.

On the commercial side, however, Conrail has had its share of detractors. A few have suggested that it is a cost center to its owners and so there’s incentives to route around it, and its costs are offset by hidden surcharges, making Conrail nothing more than an extra carrier between CSX, NS, and short lines interchanging with the SAAs. This is hard to swallow. New industry track applications are actually up 30% since Split Date, and there are more than 24 new proposals in the works for projects ranging from adding industry track capacity to reactivating dormant industrial sites. One stumbling block: the 286,000-pound car has yet to be broadly embraced by the passenger agencies, leading one Class I industrial development rep to say companies wanting to use 286K cars are looking elsewhere. There are signs, however, that this too shall pass.

More than once it’s been suggested that the mere presence of Conrail between trunk line and short line was a disincentive to build the business base in the SAAs, and, by extension, with short lines that interchange in the SAAs. Again, that’s hard to swallow: Railroads don’t go looking for excuses not to serve customers or convert carload customers to intermodal as long as the carload business meets the economic thresholds.

Then there’s the perception problem. Port Jersey Railroad President Bob Bailey thinks that CSX and NS can do more to dispel the notion that rates to SAA points are higher than to points in the same markets not in the SAAs. “We need to sell the value of being part of the SAAs in a positive way,” he says. “Operationally they work pretty well.”

Ten of New Jersey’s 12 short lines interchange with Conrail. As a group, they handle about 20,000 carloads a year in their own accounts and only one has more than 50 route-miles of track. To put this in perspective, the average U.S. short line handles 18,000 cars a year on 112 route-miles of track, generating nearly $7 million in annual revenue. But being small doesn’t stop New Jersey’s short lines from being part of the Conrail success story. In remarks before a Conrail oversight hearing in Washington, NS Chairman and CEO David Goode said NS’s short line carload volume in and out of the SAAs increased 28% to more than 12,000 units from Split Date through December 2003.

The trend is bound to continue for several reasons. Greater accountability is the first. Conrail switching success rates (the right car to or from the right customer according to plan) are pushing 90% thanks to a couple of accountability tools. In Philadelphia/South Jersey and Detroit, Conrail uses NS’s Local Operating Plan Adherence software to track car events from yard departure time to placement, complete with failure codes and crew member names. North Jersey uses CSX’s Industrial Switching Excellence measure, which does essentially the same thing.

The second is operating smarter. Since 2000, Conrail revenue units have increased 10% while the number of employees, crew starts, locomotives, and car-cycle times have all dropped by double digits. There’s a downward trend in the number of yard classifications made for the parent roads as the effects of new, better, smarter operating plans are felt. It’s what CSX Assistant Vice President-Service Design Alan Blumenfeld calls “pulling fewer pins per cut”—in other words, blocking for the distant node.

Third, truckers are having their own challenges, from more restrictive hours-of-service regulations to higher fuel prices and an increasingly crowded Interstate highway system. Shippers want their goods in place on time every time, and train time that’s any time won’t cut it any more. There are an increasing number of commodity lanes where rail is as Conrail has added line capacity by running a smarter railroad, cutting crew hours, and adding volume while controlling long-term variable costs. Yard dwells are down to a reasonable 25 hours or less and cars are turning a day faster. As for pricing, both CSX and NS posted double-digit revenue increases and generally improved yields for the full 2004 reporting year. As Ron Batory tells it, “Have a set of benchmarks and measure everything against them.” The goal is continuity improvement. If you can’t measure it, you can’t fix it.”

(A story on labor relations follows on p. 24.)

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