THINK ABOUT REDEFINING YOUR CLASS I RELATIONSHIPS

By Ray H. Blanchard

One approach involves improving short line results at no (or little) cost to the Class I to benefit all parties.

A general rule seems to be that if a short line proposal adds value to the relationship without harming the Class I mission, the scheme has a chance. A short line on one side of the SAA wants to interchange local traffic on the other side. Neither Class I has anything to lose by permitting it, so odds are the concept will be approved. Another short line wants to “connect the dots” with trackage rights between the disconnected pieces of its property. There’s no loss to the Class I and the short line is strengthened, enhancing the value of the partnership. The common thread is improving short line results at no (or little) cost to the Class I so that all parties benefit.

Most such arrangements are pretty informal: There’s an agreed fit and the parties take steps to make it work. BNSF, on the other hand, has gone a step further, actively seeking strategic partnerships with its short line connections. Henry Lamp, AVP for interline development in Fort Worth, told me BNSF would like to have each short line take a specific role in the BNSF Strategic Plan and, conversely, BNSF would like to see itself included in the short lines’ plans.

For example, BNSF has a “Commercial Strategy for Mexico.” A newly-formed Mexico Business unit is charged with building a network to do just that. It follows that a BNSF short line with carload origins or destinations in Mexico should be a part of the larger road’s plan, down to carload and revenue budgets by commodity, car type, customer, and origin-destination pairs. Of course, Mexico is but one example of what can be done with strategic partnerships. The short line that is part of a logistical service process has more value to offer everybody in the chain. This is especially valuable when it’s time to grow the business by “growing the franchise”—buying more track, in other words. As a network participant the would-be buyer is a known quantity, and big railroad sales are no different than anybody else when it comes to choosing between vendors and customers—those providing the best value win every time.

BNSF has been quite candid about its interests in this regard. Underperforming light density branches will be quickly sold to “quality operators” (their term) who can become extensions of the BNSF franchise and enter into strategic partnerships with the larger railroad. But this means the short line partners have to be prepared to grow the business, develop local markets, and make the financial commitments to run a winning property.

The competition is fierce, however. There are more than 500 short lines and regions all courting nine Class I railroads, seven if you don’t count CN and CP, six after Conrail. Clearly, the winners in this arena will be the Class II and III lines bringing the most strategic benefit to the remaining Class I railroads.

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