Regional of the Year

CONRAIL
SMALL RAILROAD, HUGE TASK

SHORT LINE OF THE YEAR:
NORTH SHORE RAILROAD

TRANSIT FOCUS: DENVER

M/W: BIG DATA YIELDS BIG RESULTS
Conrail (known officially as Conrail Shared Assets Operations or CSAO) is a switching and terminal railroad serving the Detroit, North Jersey and South Jersey/Philadelphia freight markets. CSAO began life on June 1, 1999 with the NS/CSX split of “Big” Conrail. It is the eighth-largest railroad in the U.S., measured in hours worked.

Unlike classic, point-to-point regionals such as the Central Maine & Quebec (2016 winner) or the Red River Valley & Western (2005 winner), CSAO is more like the Indiana Harbor Belt (2003 winner), owned by and operated for its owners—in the case of CSAO, Norfolk Southern and CSX.

However, like the CM&Q and RRV&W, Conrail is every inch a regional railroad—three times over.

Whereas the IHB or the Belt Railway Co. of Chicago or the Port Terminal Railway Association in Houston each serves and operates in one major market, Conrail operates in and serves three: Detroit, Northern New Jersey, and the Southern New Jersey/Philadelphia area on both sides of the Delaware River.

The reason is quite simple. In 1999, when Norfolk Southern and CSX bought the original 1976 Conrail, it was one thing to split the property along historic lines—former PRR, NKP, Wabash lines to NS; former NYC, RDG, and CNJ lines...
When career railroader Ronald L. Batory retired from Conrail April 1, he left the shared-assets operation insisted upon by the STB at the time of “Big Conrail’s” carve-up between Norfolk Southern and CSX in superb shape. The neutral-switching carrier business model that Batory nurtured over a nearly 20-year span hums along, servicing its two Class I masters while switching roughly one million cars annually for about 1,000 customers in the North Jersey, South Jersey/Philadelphia and Detroit Shared Assets Areas.

Said Railway Age Contributing Editor Frank N. Wilner in 2005, “The call went forth for a tested operating expert with Churchill-like statesman qualities” when NS and CSX set up the “new” Conrail in 1999.

Batory, who marks 46 years in the industry, is also known for his accessible approach to management. “Successful managers include employees as partners and listen to them closely,” he said. “Employee opinions and expertise matter; the boss doesn’t always know best.”

It is this approach that Batory could bring to troubled Washington D.C. and the DOT as Federal Railroad Administrator. He is one of four candidates for the post, and key people in the railway industry have supported his nomination. If selected, he will be the first FRA Administrator with actual railroad management experience. In an environment where political connections and the favors attached to them usually trump real qualifications and experience, Batory’s appointment would be unusual.

His track record speaks for itself. Batory started his railroad career in 1971 with Detroit, Toledo & Ironton. At DT&I and successor Grand Trunk Western, serving in various field and staff capacities. Batory departed GTW in 1987 to take on Chapter 11 reorganization of the Chicago, Missouri & Western. As Vice President and General Manager, he assisted the court-appointed Trustee in establishing lines of credit and grants with the State of Illinois, while assisting the Trustee in disposing of the railway's assets into responsible hands. This evolved into the Southern Pacific acquiring the Chicago-St. Louis corridor and creation of Class II Gateway Western, and a haulage agreement with the Santa Fe between Kansas City and East St. Louis, Ill.

Batory then joined SP, where he advanced to General Manager-Midwest Region. As Assistant General Manager, he implemented the operating plan for the Chicago-St. Louis corridor, and was among the planners and executors in orchestrating SP’s access to Chicago from Kansas City via trackage rights arrangements with Burlington Northern and Norfolk Southern.

In 1994, Batory was appointed President of The Belt Railway of Chicago. He instituted policies and practices that facilitated safety, service and financial performance achievements, while undertaking an infrastructure improvement plan.

In 1998, Batory joined Conrail, serving as Vice President Operations and Senior VP Operations for the Shared Assets Areas. He took on planning and execution of cost-effective operations and maintenance that would ultimately sustain a “plane of equality for competition” in areas of New Jersey, New York, Pennsylvania and Michigan. This accomplishment led to his appointment as Conrail President and Chief Operating Officer in 2004.

“I’ve always had a passion to work on a railroad,” Batory says. “I was attracted to its massive presence and operating mystique. When opportunity finally lent itself in 1971 amidst many railroad bankruptcies, it was not an unusual desire, but a natural instinct to hire with a railroad. I was fueled with endless curiosity to learn something new every day about my lifelong passion. Entering the business was the beginning of a personal dream. Each experience was an opportunity, delivered by dedicated railroaders with unabridged knowledge. It was the foundation for questioning the need for change, while giving respect to both past and current practices.”

As to Conrail’s future, “While institutional knowledge has been leaving, it has been replaced with smart, energetic people hungry for the future,” Batory says. “They represent a greenhouse of talent for the industry, should any seek to pursue outside opportunities.”

—William C. Vantuono
to CSX. Reassembling the pre-Conrail lines in these three major markets was well-nigh impossible because of the many line rationalizations, combinations, and re-routes Big Conrail had undertaken to get its own house in order. And so it was that CSX and NS agreed to create “shared asset areas” where ownership and operating expenses would be “shared” between the owners.

Freight moving to or from these markets is waybilled to either CSX or NS, thus assuring all customers equal access to two Class I’s, something they never had under Big Conrail. That’s the good news, for customers, at least. The bad news was that unscrambling the Big Conrail egg was fraught with too many duplicate facilities, locomotives and people.

It was mainly a single-car railroad, handling some 500,000 revenue units a year. Automotive out of Detroit was big; intermodal was relatively small. It took nearly 1,800 employees (3.8 million work-hours) and 150 locomotive units to manage and operate fewer than 600 route-miles of track while working 27 serving yards. On top of all this, Conrail dispatched more than 60 passenger trains a day over its own rails as well as 100 combined CSX and NS road trains every day.

By 2016, revenue units had almost doubled on the same track footprint, thanks mainly to intermodal traffic growth, and represented more than $1 billion in revenue to CSXT and NS. Conrail now hosts more than 75 commuter and Amtrak trains every day (with no freight curfews), while still achieving 98% on-time passenger train performance. At the same time, the transportation workforce has come down a third—all through attrition (there was just one furlough in 20 years, and all who could return did).

Workforce evolution is critical to the CSAO story. In 1999, the typical Conrail employee was 49 years old with 24 years of railroad experience. By 2015, employees averaged 41 years old with 12 years of railroad experience. Conrail thus encountered a significant “experience cliff” as more than 48,000 work-years of experience retired. Yet, the railroad is running better than ever.

Technical innovation has created a tool kit that didn’t exist 20 years ago. Asset performance monitoring via GPS (helping reduce the active loco fleet 50%), remote-control locomotives and PTC on the passenger routes, combined with a strict technology-based safety focus and employee cross-training, are hallmarks of Conrail’s operation today. The payoff: running a 150-year old business with 21st century tech skills and up-to-date educational levels, contributing to significant productivity gains through several severe economic downturns.

Conrail’s unique two-owner culture delivers a robust service product: The operation makes up, originates, terminates, classifies and dispatches more than 100 trains a day for its owners off a network of 22 serving yards and some 140 daily crew-starts (average crew-size 1.8 persons with zero utility positions). On-time freight departures now run 98%, nearly double the 2000 number; yard dwell is under 19 hours from 30, and car-cycle time from receipt to dispatch is now 6.5 days vs. 9 days 12 years ago. Customer switching plan compliance runs 96%.

Change and growth come at a large capital cost. Public-Private Partnerships and grants since 1999 represent nearly a third of total Conrail capex, evidencing strong federal, state and local government support. In less than 20 years, CSAO has reinvented itself, becoming a high-performance, service-driven joint facility for CSX and NS.

Reprinted from the April 2017 issue of Railway Age