The million-load march

The first anniversary of the Conrail breakup passed last month. To mark the occasion, the Chemical Manufacturers Association issued a press release lamenting the results of the past year. Fred Webber, president and chief executive officer of CMA, observed that hopes for a smooth transition were not achieved, and called the past year a roller coaster ride in reliability.

Webber’s remarks went further. “When the CSX and Norfolk Southern railroads sought approval to take over Conrail, they promised to improve service and take trucks off our nation’s congested highways. One year later, that pledge remains unfulfilled and many customers still are dealing with service that is inconsistent and slower than before the takeover. More trucks than ever before are traversing our nation’s highways.”

The application jointly filed by CSX and Norfolk Southern with the Surface Transportation Board in support of the Conrail transaction was impressive. Encompassing eight volumes and 15,000 pages, the plan outlined over $1 billion in public benefits.

Many called the transaction intermodal-driven. Within three years the new railroad networks would save 120 million gallons of diesel fuel, eliminate 1 million truck trips from interstate highways, reduce truck traffic by 780 million miles and save $94 million on highway maintenance.

Much of this intermodal traffic would be north-south traffic, which could be offered as a single-line shipment. The improved routing would eliminate interchanges and multiple handlings — enabling faster and more efficient transportation. In the past several years, both CSX and NS have invested significant capital in improved infrastructure — intermodal and other — in addition to the $10 billion invested in purchasing Conrail.

One CSX brochure at the time of the Conrail transaction maintained that, “Intermodal service in the East will become even more transparent to truck. New routes will be added to our comprehensive intermodal network.” But last month CSX intermodal announced it will withdraw all trailer service to and from Charlotte and Atlanta, including Atlanta-Chicago, Atlanta-Northeast and Atlanta-Florida.

Such commercial triage, often referred to as demarketing, was based upon a desire to improve service reliability, train performance and network fluidity. It also allows CSX to refocus its resources on container traffic and long-haul markets — considered to be more profitable.

While such a move is radical, it is not unprecedented. Norfolk Southern took similar action several years ago upon realizing that 80% of its intermodal traffic lanes represented less than 20% of its volume. Burlington Northern, before its merger with Santa Fe, demarked most of its business between Texas and the Pacific Northwest.

The aforementioned were painful but considered decisions. Railroads traditionally operate best when they can assemble long trains and run them intact to a common destination. Intermediate switching is expensive. When the railroad is mostly single track, as BN and NS were, the slightest delay can cause tremendous disruption to the entire network, which has a schedule finely tuned to handle train meets.

It is worth noting that even Conrail, with double- and triple-track mainlines, had to demarket many of its short-haul intermodal traffic lanes in the mid 1990s when it could not maintain sufficient schedule integrity. (Ultimately, all the demarked traffic cited above was sought again when the railroad volume dropped.)

CSX’s announcement forces the intermodal industry to assess the factors affecting it. Clearly, capacity is one ingredient. Transportation demand is traditionally characterized by peaks and ebbss. While a network may not be fully utilized, surge periods occur. The challenge has been to find a way to extend — or load-level — the demand.

While both NS and CSX have invested untold dollars in infrastructure, a simple issue may have been ignored. The divided Conrail system has less capacity than the original one for several reasons.

The multiplicity of routes between northern New Jersey and Chicago (Conrail had three) enabled traffic diversion and load leveling. A service interruption on one line could be routed onto another. This redundancy no longer exists. Additionally, new business could be absorbed into the system. Large volume increments could be accommodated into specific intermodal terminals as available. This is not as easy as it once was. Certainly many industry observers wonder if CSX’s decision to demarket Atlanta and Charlotte was the result of their “winning” the Pacer Suck train contract. This large piece of business previously moved with NS in the Southeast.

As eastern railroads restore service, many contemplate whether this success is due to fundamental operational improvement, or whether network stability is the result of the demand for capacity being brought into equilibrium with supply by reducing volume. Two more years remain before we see if the million highway loads can be converted to rail intermodal. Let’s look for the industry to accomplish this commercial success to the public benefit.

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