



CSX One Plan Analysis

CSX's One Plan, which commenced on 6-21-2004, may be their last option to solve serious operations problems.

The Plan is the result of computer model simulations and scenarios. A six-month average of every train and car run on CSX's lines was analyzed to determine optimal routing and scheduling to try reducing delays and congestion.

CSX is proposing net leasing unprofitable line segments to Class 2 & 3 rail operators and creamskimming the profitable ones. Lines not integrated into the Plan would be considered as alternative routes until they are finally rationalized/net leased.

The computer analysis revealed more efficiencies by moving a car in one direction to the next terminal and sending it back on another line to a different terminal. It provided analysts with a matrix suggesting how trains should run, schedules for train departures, and other operational directives. CSX will largely base its operations upon the simulation results to rectify its problems, with little or no deviation from the models. Consequently, the danger remains if a train has to be re-routed or is delayed in one terminal that the ripple effects could possibly be felt systemwide.

CSX determined that its Louisville Yard will switch auto trains while its Cincinnati Queensgate Yard will classify manifest freights, thus decreasing the length of total

cars in the switching tracks and hopefully abating congestion. By 9-2004, 45% of CSX's boxcars will be run through the Cincinnati yards.

The computer results showed where CSX was getting "bad" business. Small shippers that require more time to deliver their cars, then be set out for pickup, and taken back to a switching yard to be put into a block for classification and transit to their final destination is not profitable. Thus small shippers may be charged up to \$100 to have their car picked up and handled, although a receiver located on CSX's network may experience delays in receiving the car due to switching and pickup delays at the small shipper's location, even though being "on-network" is easier for CSX to handle. Small shippers should still get their cars, but they will be assessed a pricing premium. An alternative for the shippers would be to instead truck the freight to CSX's network, and CSX would not require them to pay the premium price. Conceivably shippers might just pay the additional expense since it is probably cheaper than end-to-end trucking, pending the shippers' logistics calculations of using the two modes for segments of the trip.

CSX's grain business unit will only be allowed 65 unit grain trains, which will not be subdivided to give small farming operators 5 to 6 cars per week anymore. The Unit will stop leasing grain cars which congests the rail network; however as they sit out of service they continue to consume yard and siding space. The grain unit will require small farming operators to truck shipments to larger grain companies first. Larger shippers such as Cargill Corp. are using their own employees to perform switching at their plant sites vs. using CSX employees.

Class 2 & 3 railroads will bring blocks of cars to CSX to take to their destinations. CSX will handle the billing to the customer, and for simplification will give the small railroads a flat "per car premium" for bringing cars to CSX's network. CSX says Class 2 & 3 companies don't have the overhead costs that Class 1 companies have, so it is more efficient for CSX to pay the Class 2 & 3 companies to operate the "last mile" for a flat rate fee than for CSX to keep and lose money on the line segment.

Summary - CSX is creamskimming long haul routes, and long haul and unit trains. The last

mile connecting shippers and receivers will be spun off to Class 2 & 3 operators, or shippers will be forced to use intermodal transport to access CSX's network, or shippers be denied rail access and service altogether. CSX is exploring simplex directional running (i.e., one way streets) between terminals. CSX continues to maintain control over the long haul while Class 2 & 3 railroads are restricted to last mile markets.

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