

Conrail & Staggers



Charles N. Marshall

Pa. Rail Freight Seminar

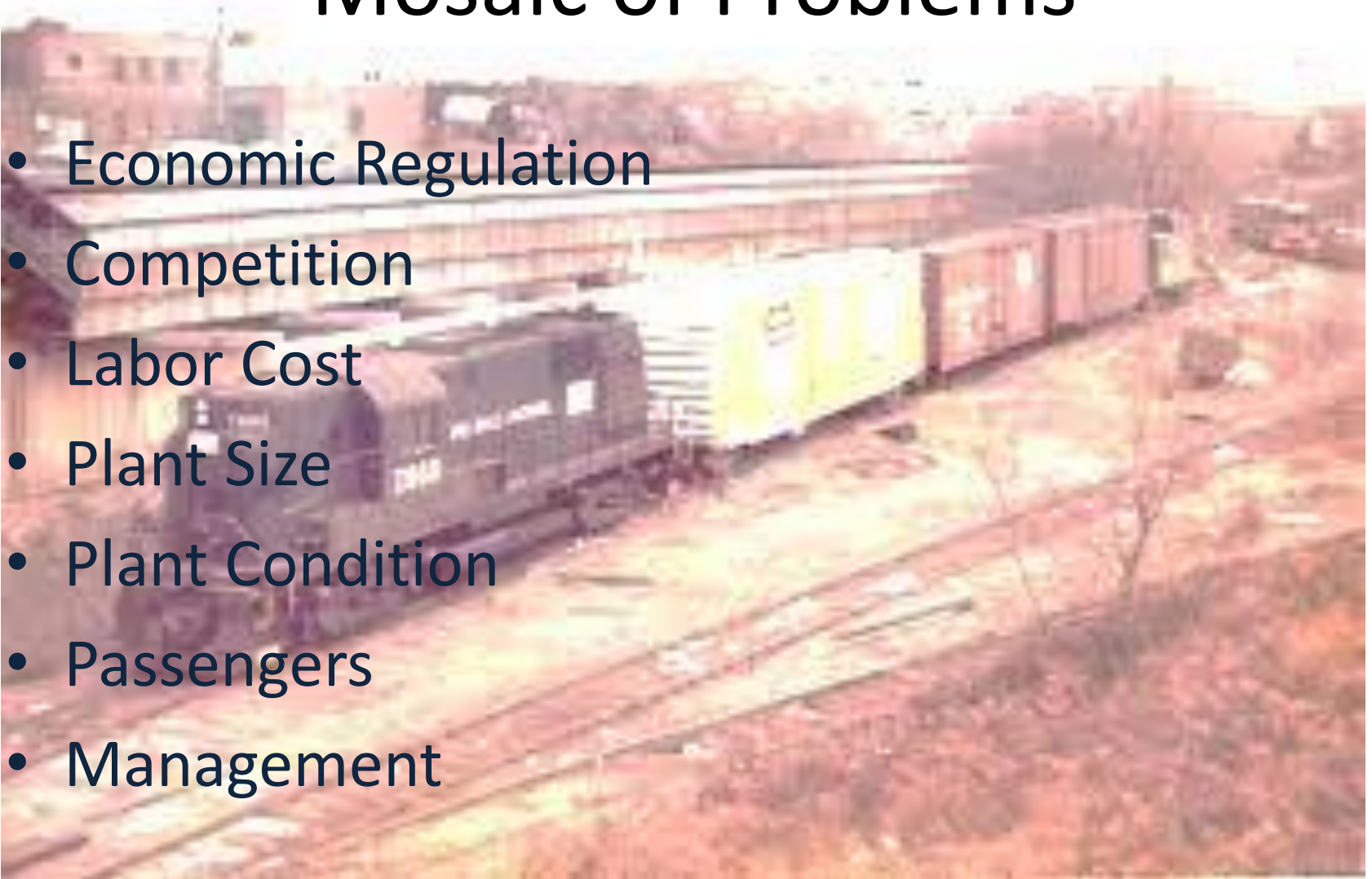
Harrisburg, May 18, 2011

The Continuum, Then & Now

- Railroads must be useful.
- Customers must want the product enough to pay more than its cost.
- Costs must be lower than what customers want to pay.
- Margin pays for improvement.

Mosaic of Problems

- Economic Regulation
- Competition
- Labor Cost
- Plant Size
- Plant Condition
- Passengers
- Management



Forgotten Rate Problems

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- The seal of the Interstate Commerce Commission is a circular emblem. It features an eagle with wings spread, perched on a shield. The shield has a vertical line down the center. Above the eagle are stars. The words "INTERSTATE COMMERCE COMMISSION" are written around the perimeter of the seal. The year "1887" is at the bottom. The seal is set against a light brown background.
- Joint Rates
 - Divisions
 - Open Routing
 - Aggregate of Intermediates
 - Long-and-Short Haul
 - “Fully allocated cost of the low-cost mode”
 - I&S of changes
 - Ex Parte Increases
 - Rate Bureaus
 - Port Equalization
 - Car allocation
 - Rebates
 - Discrimination
 - Preference & Prejudice
 - No Drayage Allowances

Process Change

- THEN

Customer<>

Lawyer<>

ICC<>

Lawyer<>

Rate Bureau<>

Railroad

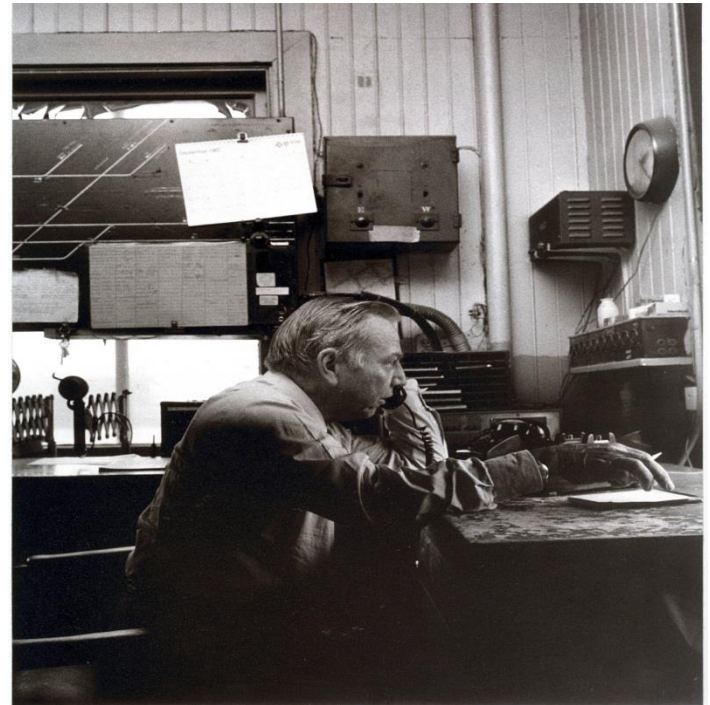
- NOW

– Customer<>Railroad



Management Change

- Red Team/Green Team
- Science Fiction/Residuals
- L. Stanley Crane
- Allocation of Scarce
Resources
- True Marketing

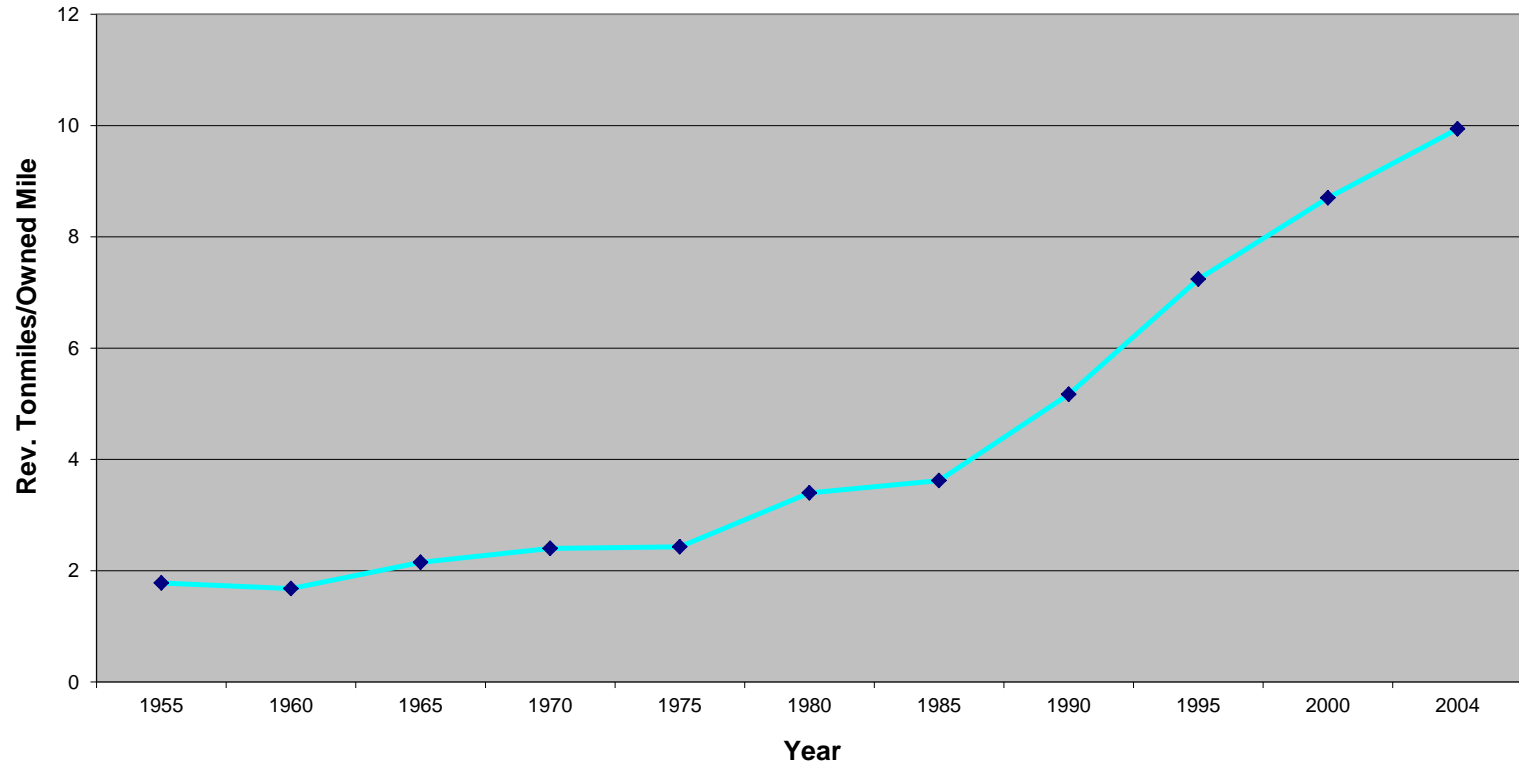


Allocation of Scarce Resources

- Put \$ where return greatest
- Put cars where return greatest
- Raise rates to end subsidies
 - Surcharges
 - Reciprocal Switch \$20 >> \$450
 - Close routes
- “Back off the valve by quarter turns”



Railroad Density



Marketing Opportunity Lies Ahead

- “40% Market Share” means we do 40% of the work—measured as tonmiles.
- Eno says REVENUE market share is only 10%!
- RR’s must build a merchandise product if they wish to grow!



Merchandise Observations

- Shippers want a schedule
- The product must be investible
- 30-day turns don't get it
- Highway congestion must be considered
- “They will come and we will build it”

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