IRONHEAD GAZETTE

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### *Upcoming Events:*

**April 9, 2016**
Bucyrus Model Railroad Assoc.
Train Show & Swap Meet
Bucyrus, Ohio
Admission: $5
Swap Meet, Flea Market, Model Train Parts, All Scales

**April 12, 2016**
Club Meeting
7:00pm
Ohio State Highway Patrol Post
13600 Della Drive, Athens
Bring something for show and tell!

**April 16, 2016**
59th Buckeye Model Trains & Railroad Artifacts Show & Sale
Columbus, Ohio
Admission: $7
Ohio's Largest Model/Artifact Show, Railroad China, Silver, Lanterns, etc.

**April 23, 2016**
TCA Lake Erie Chapter
"Spring Train Show"
Cleveland, Ohio
Admission: $6
All Gauges, Buy/Sell/Trade, Parts, 150+ Tables, Operating Layouts

**June 4, 2016**
Bradford Railroad Heritage Festival
Bradford, Ohio
Admission: $5
Celebrate 130 Years of Railroad History, Museum and Tower Tours, Telegraph School, Signal Demonstration, Operating Layout

**June 25-26, 2016**
Miami Valley Rail Festival
Dayton, Ohio
Admission: $8
Model Train Displays, Historical Displays, Vendors, Flea Market

# Wick Speaks

By: Bill Stephens | Continued from March 2016

## Yard Closures

In the past few years NS has shuttered humps at Buckeye Yard in Columbus, Ohio, and in Roanoke, Va. But it added a second hump and classification bowl to its already big yard in Bellevue, Ohio, because of its strategic location on the NS system.

Until Bellevue — renamed Moorman Yard last June — was fully operating according to plan and operational improvements boosted velocity systemwide, NS could not consider additional yard closures and consolidation, the retired CEO says. Now it can.

Moorman says that the improvement in CP's operating ratio after Harrison's arrival had more to do with revenue growth than his touted cost-cutting and efficiency measures. "NS has always been aggressive on pricing," Moorman says, so he contends that the only way that Harrison would be able to reduce the operating ratio at NS is through excessive and damaging cutbacks.

"Can you lower the operating ratio at NS? Yes. How do you do it? You cut maintenance spending on infrastructure and cars. It's that simple," he says. And that's bad news in light of the commodities NS hauls, some of which are highly hazardous, Moorman adds.

But these cutbacks would come at the expense of service-sensitive intermodal traffic. "You can drive the operating ratio to 60 but if you lose 20 percent of the revenue base you're worse off than when you started," he says.

"It's hard to maintain it too much," Moorman says. "You can slow the railroad down, cut the maintenance off. In three years time you'll be saying 'Oh my God, what did I do?' "

Harrison has called Norfolk Southern's infrastructure "gold plated" and said he would close terminals and sell off real estate in the metro New York City area.

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# Wick Speaks

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"If NS closes hump yards or terminals, it's not like we're located on pot-of-gold real estate," Moorman says. "They are in places where you'd say, 'Oh, that'd make a nice cornfield.' "

Plus, most of the terminals NS relies on in New Jersey are fully utilized Conrail Shared Assets facilities jointly owned with CSX.

### The Hunter Factor

Moorman expressed frustration with Wall Street analysts for not delving into some of the claims that CP's Harrison has made as the merger process has unfolded.

"I've known Hunter a long time and I like Hunter," Moorman says. "But Hunter just goes out and says things."

For example, Harrison told Wall Street analysts that he recalls stepping onto an NS office car at Augusta, Ga., in 2006. NS officials told him they were looking forward to having a quarterly operating ratio in the 60s. "That was 10 years ago and they are still trying to get to the point of starting with a 6," Harrison said last month.

The problem? Norfolk Southern's operating ratio dropped to 69.2 percent in 2014.

"What he said was right," Moorman says of the gist of the 2006 office car story. "What no one foresaw — no one — was what happened to our coal business."

### Caught Off Guard

After stepping down as CEO, Moorman was serving as an NS board member and special advisor to Squires when CP came calling — and leaked stories began appearing in the financial media.

"We were very surprised," Moorman says. "It became clear instantly that this wasn't going to become a conversation about putting our two companies together successfully. It played out in a way that wasn't conducive to any real dialogue."

The NS board considered what was in the best interest of shareholders but could not get past CP's roughly $28 billion offer or the regulatory risk.

"All three of the offers that CP made were totally inadequate, and all were highly dependent on a very significant increase in CP's share price, which has plummeted in the last year," Moorman says. "This was the first and foremost reason that the NS board has rejected the CP overtures. Even if CP's offer was substantially increased, there has been no meaningful effort on CP's part to offset the very considerable risk to the NS shareholders that the merger might not be approved."

## "You know you're a Railfan if..."

**http://www.mswphoto.com/IdiotRailfan/you_know.html**

Your dog's name is "Conrail."

Your wife threatened to divorce you because you wanted to dye Conrail's fur blue.

## "Hobo Speak"

**http://www.hobonickels.org/terms.htm**

**Anti-Creep Plate -** Spring clips which snap onto the base of a rail and come up against the tie to prevent rail creep.

**Apple Knockers -** Apple pickers.

## North American Rail Congestion Causes and Effects

By Chris Blumberg | From Merchants Fleet Management | Continued from March 2016

**Record Revenues & Investments**

U.S. railroad revenue for 2013 reached a new record at $70.5 billion, up from 2011's total of $64 billion. The record revenues continued to help set record capital investment records at an estimated $17 billion for 2014, and 2015 expenditures are expected to be above $20 billion.

While other industries are typically spending less than 3 percent of revenue on capital investments, railroads are spending more than 18 percent of revenue upgrading rail lines and buying new equipment; however, this sometimes is part of the congestion issues in very small sections of the country. As more and more investment goes into rail lines, an increasing number of miles of lines are taken out of service temporarily for maintenance and upgrades.

This surge, however, is feeding massive industrial growth as all locomotives, rail cars, rail ties, and rail lines are built here in the U.S. The average yearly number of rail cars built has been roughly 45,000 to 50,000 per year, as 2014 deliveries are expected to be above 80,000 and 2015 is looking to go above 100,000 with roughly 200,000 cars on back order currently.

Locomotives are also being bought in record numbers, with UP and BNSF ordering 700 locomotives in 2014 and the total expected to be above 1,000.

An average of 800 locomotives total has been purchased per year for the last decade, yet UP and BNSF alone nearly reached that average. This surge of manufacturing doesn't just affect the U.S., but Mexico and Canada as well. Mexico rail companies are spending the largest amount of revenue on capital expenditures, but they are also the furthest behind the U.S. with a long way to catch up. In 2013, the Mexican government announced a $100-billion spending package aimed at building new rail lines and improving ports, with a significant amount of the equipment coming from the U.S.

This will not only benefit all the industries in Mexico but also drastically reduce emissions across North America.

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- $40 for a single membership for 1 year
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Benefits of becoming a member:

- Voting
- Several great trips throughout the year
- Friends who share a common hobby and interests

# North American Rail Congestion Causes and Effects

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In 2015, Tier IV emissions standards for railroads become law, which new locomotives will need to meet. These laws require the amount of all NOx, particulate matter, and other non $CO_2$ emissions from locomotives to be roughly 90 percent less than what it was in 2000. With train shipments already costing roughly 20 percent the cost of trucking and producing 10 percent of the emissions of trucking, this will only increase the benefits of moving freight by train instead of by trucks.

### The Bottom Line

As we have seen, the problems of congestion are not limited to one single area, but rather encompass the entire span of North America, as traffic and demand continue to grow significantly.

Fleet size, rail weight limits, massive unexpected bumper crops, and growing demand across all industries are all affecting the railroads simultaneously.

While many people blame the rail companies for prioritizing oil shipments, there will be only an estimated 800,000 carloads of oil in 2014, a small percent of the 23 million total carloads projected. What was unexpected was the huge demand simultaneously across all industries as the U.S. has been recovering from the recession.

What is needed is for the North American governments to come together and create a continental rail plan to solve this congestion. All lines across North America need to be upgraded to GRL 286 or GRL 316 which by itself would reduce the amount of cars needed on the tracks by as much as 40 percent if upgrading from GRL 220. Mexico has taken the lead on this issue, with the U.S. government stuck in gridlock while we continue to subsidize highways. The latest White House report estimates that our highway system needs $3.6 trillion by 2020 to reach acceptable status on top of the $50 billion ($18 billion from federal, $32 billion from states in 2014) per year transferred to the highway fund outside of the fuel tax and vehicle fee revenue.

Yet, we could solve much of the congestion and reduce pollution across North America by simply providing assistance to our railroads. Sadly this probably won't happen, but as our highway infrastructure continues to degrade, congestion and toll roads will continue to increase, driving more demand to railroads in the next decade.

**Our Mission**

*To Teach…*
*Those who want to know more.*

*To Educate…*
*Those who want to learn the history.*

*To Promote…*
*The hobby with enthusiasm.*

*And to share and enjoy the pleasure of all that is Railroading.*

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