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BUSINESS | LOGISTICS REPORT

America's Boxcar Pool Has a Leak in CSX

Company pulled some railcars out of a sharing system, irking rivals and International Paper



CSX's decision to pull two types of boxcars from the national pool boiled down to the fraying promise of shared resources, the railroad said. PHOTO: GARY CAMERON/REUTERS

By Paul Ziobro

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Railroads operate under a simple premise: share railcars and everyone wins. Pooled resources, even among competitors, mean more cars available to fill and fewer running empty along tracks.

That decades-old system buckled after CSX Corp. [CSX -0.27%](#) ▼ pulled hundreds of boxcars out of a nationwide pool about a year ago to improve its own operations. The move has put added strain on the shrinking fleet of boxcars in the U.S. and added costs and complexity for some large shippers, industry executives say.

At International Paper Co.'s [IP +0.28%](#) ▲ Savannah, Ga., plant, which produces rolls of containerboard used to make boxes, the paper giant spends extra time separating CSX boxcars from those of other companies that can still be shared. A mix-up can result in a \$2,000 fee from CSX for each car sent on the wrong tracks. The problem occurs at other facilities that are served by two railroads.

“This adds additional complexity and inefficiency to our system,” said Fred Towler, a

supply-chain vice president at International Paper.

CSX's decision to pull two types of boxcars from the national pool boiled down to the fraying promise of shared resources, the railroad said. Instead of quickly reloading empty cars, CSX said the boxcars were being recalled to customers on other rail lines, requiring CSX to ship the cars back empty, sometimes past its own customers.

One problem is geographic. CSX operates in the eastern U.S., where many boxcar shipments are received. That creates a glut of empty cars there.

"The purpose of the pool is to reduce empty miles," said Michael Rutherford, CSX vice president of merchandise sales and marketing. "The moment it no longer achieves that objective, it isn't working. That's why we pulled out."

CSX's move is also calling attention to the limitations of the country's aging fleet of boxcars. Since the days of the Transcontinental Railroad, boxcars have shuttled all manner of goods. But they have lost ground in recent decades as more goods were shipped on trucks and railroads developed cars specifically for bulk commodities such as grain and oil.

The U.S. boxcar fleet has dwindled to about 122,000 from more than 660,000 in 1971, according to AllTranstek LLC, a railcar management and consulting firm.

"What's left is the stuff that truly wants to ship in a boxcar," said Richard Kloster, an AllTranstek senior vice president. Mr. Kloster estimates that forest products account for close to two-thirds of boxcar shipments.

About 25,000 of the remaining boxcars, Mr. Kloster said, are managed in a national pool by TTX Co., a Chicago company jointly owned by the biggest North American railroads, including CSX. TTX also manages pools of other railcars, including flatcars and automobile carriers. Participants in each pool can use the cars as their own.

Having as many railroads as possible in the pool helps match empty cars with cargo nearest to where they are unloaded, Union Pacific Corp. chief executive Lance Fritz said. "That's the magic," Mr. Fritz said.

Frustrations can arise when one railroad's car is in use by another railroad when a customer wants one, but that the benefits outweigh drawbacks, he said. "You sacrifice a little bit for the greater good," Mr. Fritz said. "Overwhelmingly, we like the use of pools."

CSX still participates in other railcar pools. Not every railroad participates in all the pools. International Paper said CSX's withdrawal from the boxcar pool affected the supply of the railroad cars more broadly.

"The interconnectivity of the different railroads makes it very difficult for one to go off on a new operating model and not think it's going to affect everyone else,"



International Paper said CSX's withdrawal from the national boxcar pool affected the supply of the railroad cars more broadly. PHOTO: PAUL TAGGART/BLOOMBERG NEWS

International Paper chief executive Mark Sutton said.

Mr. Rutherford said CSX isn't to blame. Congestion on other railroads is causing the boxcar shortage, he said.

The change in CSX's boxcar use strategy is part of a broader reorganization that Mr. Rutherford said would help customers get their goods on faster, more reliable trains. CSX's order fulfillments for boxcars to its customers are now close to record levels, he said.

"I find it hard to see that customers aren't benefiting," Mr. Rutherford said.

Write to Paul Ziobro at Paul.Ziobro@wsj.com

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