

NS Keeps Trailers on Track

Subsidiary jumps into intermodal equipment market despite railroad's decision to exit rail-trailer management

Norfolk Southern is getting out of rail trailer management, but a recent purchase by one of its subsidiaries shows there's still strong demand from customers who want the ability to choose between road and rail.

Thoroughbred Direct Intermodal Services, which operates as a subsidiary but independently of NS, bought 300 53-foot rail trailers through a lease with the Vermont Railway Co., marking the company's entry into rail trailer fleet management.

"Thoroughbred Direct has demonstrated to the intermodal shipping community our unparalleled ability to manage rail trailers," said Thoroughbred Direct General Manager Joe Dryburgh. "Capitalizing on our past success, acquiring and managing a trailer fleet is the logical progression in Thoroughbred Direct's evolution."

The company bills itself as "an adept unit of NS that is dedicated to meeting the time-sensitive demands of some of the toughest players in the business." It is one of the largest carriers of time-sensitive mail in the United States and provides wholesale and retail intermodal logistics services through agreements with rail and trucking companies.

The Vermont Railway purchase diverges from the marketing strategy of the parent company railroad, which started moving away from managing rail-controlled trailers. Instead, it is treating them like private trailers — that is, having the ability to charge more for the service as well as alleviating the railroad's responsibility for maintenance and repair.

BNSF Railway prompted the strategy in May when it began to move management of its rail-controlled trailer fleet back to the leasing companies that own them. NS and other railroads followed suit to avoid the risk of stranding loaded trailers at a BNSF interchange point.

Although some equipment owners consider the trailer-management decision a violation of the railroads' common carrier obligations, the railroads insist it's an

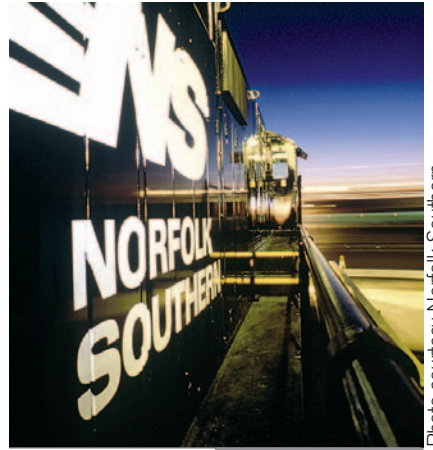


Photo courtesy Norfolk Southern

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issue of economics. During the first quarter, NS saw its rail-controlled trailer volume drop 16 percent while its private trailer volume increased 60 percent.

“NS is perfectly willing to continue accepting ... trailers under revised economic arrangements that make sense in a network context under today's economic conditions,” NS said in a recent filing with the Surface Transportation Board.

Those conditions exist for Thoroughbred Direct. Some of its major customers, such as UPS, FedEx and the U.S. Postal Service, have the volume that a major equipment purchase can justify and require the flexibility that rail trailers can provide.

“We’re driven purely by the customer base we serve,” Dryburgh said. “If they miss a sort and need to get something expedited even faster, they can go over the road with those exceptions. There’s still a solid customer base that continues to rely on rail trailers to move their products.”

BY JOHN GALLAGHER