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CSX Corporation (CSX) CEO Jim Foote on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-16-19 Earnings Summary

Press Release *Slides*

EPS of $1.08 beats by $0.06 | Revenue of $2.98B (-4.76% Y/Y) misses by $-3.5M

Earning Call Audio

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CSX Corporation (NASDAQ:CSX) Q3 2019 Earnings Conference Call October 16, 2019 4:30 PM ET

Company Participants

Bill Slater - Chief Investor Relations Officer

Jim Foote - President and CEO

Kevin Boone - EVP and CFO

Mark Wallace - EVP, Sales and Marketing

Conference Call Participants

Chris Wetherbee - Citigroup

Allison Landry - Credit Suisse

Tom Wadewitz - UBS

Ken Hoexter - Bank of America Merrill Lynch

Amit Mehrotra - Deutsche Bank

Brandon Oglenski - Barclays

Brian Ossenbeck - JPMorgan

Scott Group - Wolfe Research

Ben Hartford - Baird

Justin Long - Stephens

Jordan Alliger - Goldman Sachs

Fadi Chamoun - BMO Capital Markets

Ravi Shanker - Morgan Stanley

Bascome Majors - Susquehanna

David Vernon - Bernstein

Walter Spracklin - RBC Capital Markets

Operator

Good afternoon, ladies and gentlemen, and welcome to the CSX Corporation Third Quarter 2019 Earnings Call. As a reminder, today's call is being recorded. During this call, all participants will be in a listen-only mode. Following the presentation, we will be conducting a question-and-answer session. [Operator Instructions]

For opening remarks and introduction, I would like to turn the call over to Mr. Bill Slater, Chief Investor Relations Officer for CSX Corporation.

Bill Slater

Thank you, and good afternoon, everyone. Joining me on today’s call is Jim Foote, President and Chief Executive Officer; Mark Wallace, Executive Vice President of Sales and Marketing; Kevin Boone, Chief Financial Officer; and Jamie Boychuk, Executive Vice President of Operations On slide two is our forward-looking disclosure, followed by our non-GAAP disclosure on slide three.

With that, it is my pleasure to introduce President and Chief Executive Officer, Jim Foote.

Jim Foote

Good afternoon and thank you Bill. Before we begin the presentation, I'd like to first congratulate the over 21,000 strong CSX workforce for a great job in delivering a really good quarter. They again shown that they are the safest, most customer focused and best operators in the industry. Breaking their own record with an all-time low operating ratio for U.S. Class I railroad of 56.8% was no easy task. So hats off to all of them.

I’d also like to mention several recent leadership announcements beginning with the appointment of Kevin Boone to Chief Financial Officer and Jamie Boychuk to Executive Vice President of Operations. Both Kevin and Jamie are skilled leaders who have played a big roles in this company's transformation and are excellent additions to our executive team.

I'm very pleased that Ed Harris will remain a key part of the executive team as we drive hard to get even better. CSX is lucky to have both Ed and Jamie, two of the best operators in our business.

We also announced changes in sales and marketing as Mark builds a new team that is intensely focused on identifying and capitalizing on opportunities to grow the top line. Adam Longson recently joined as Vice President of Energy. Adam's deep knowledge of the commodity market is a valuable addition. The recent appointments of Farrukh Bezar as Senior Vice President of Marketing and Arthur Adams as Vice President, Merchandise Sales demonstrates our commitment to working with our merchandise customers to find new and creative ways to first add value to our customers, which will then drive long-term profitable growth. CSX service has never been this good. Now it's the time to harvest the opportunities.

With that, let's turn to presentation beginning with slide five in our financial results. The third quarter results are straightforward with only a few unique items, which Kevin will point out. Third quarter EPS increased 3% to $1.08 versus last year's figure of $1.05. Our third quarter operating ratio improved by 190 basis points to as I said a new record of 56.8%.

Turning to slide six, our improved services is driving industry-leading merchandise volumes as customers continue to trust CSX with the greater share of their freight. Despite the softer industrial economy merchandise volumes held flat.

However, the strength in merchandise was offset by declines in coal, intermodal, and other revenue resulting in a 5% decline in total revenue to $3 billion.

I'm encouraged by the performance of a merchandise franchise had it not been for the Philadelphia refinery explosion at the end of June, merchandise volumes would have been up approximately 2% for the quarter versus declining industry volumes.

In total, merchandise revenue increased 1% on flat volumes as pricing gains were partially offset by mixed headwinds. Intermodal declined -- revenue declined 11%, a 9% lower volumes, much of this associated with an impact of lane rationalizations implemented last fall and early this year. We have now left the first round of lane rationalizations final 5% of rationalizations at the beginning of next year.

Coal revenue decreased 12%, a 9% lower volumes with declines in both domestic and export markets due to lower natural gas prices and weaker export demand and lower benchmark prices. Finally, the decrease in other revenues was primarily driven by lower storage revenue at intermodal facilities and demurrage charges.

Moving on to slide seven, I'm pleased with the continued positive momentum in our safety performance. Our FRA personal injury rate was again the best in the industry and we further improved last quarter's record FRA train accident results to set new company records for both fewer train accidents and the lowest accident rate.

We still have opportunities to improve. Technologies such as the increased use of automated track inspection cars and drones are helping to identify small problems before they become big issues and are also help -- improving our day-to-day execution across the network. We constantly strive to make the railroad as safe as it can be.

Moving to slide eight, let's quickly review our operating performance. Velocity improved both sequentially and year-over-year. Dwell increased slightly for the quarter, but we see opportunities to improve this metric going forward.

We also set another fuel efficiency record. CSX is the only U.S. Class I road to operate below one gallon of fuel per thousand gross ton miles. Not only does this reduce cost, but the environmental impact of this is significant.

This has been partially enabled by the increased use of distributed power which has been a focus of the operating team. This technology which CSX had historically not deployed allows us to disperse locomotives throughout the train which improves fuel efficiency and enhances safety and reliability by reducing train separations. For the quarter, we averaged 87 distributed power trains per day, but we frequently operate with over 100.

On slide nine, most importantly, as we focus on running a better railroad, we are creating better service for our customers. We continue to improve trip plan compliance figures for both carload and intermodal customers with 75% of merchandise cars and 94% of intermodal containers pinning their hourly trip plan targets, both new quarterly records We're not providing individualized real-time trip plan tracking to our intermodal customers and will be rolling that information out to merchandise customers in the fourth quarter. These new tools again differentiates CSX from other rails and our customers are very excited about the tool.

I'll now hand it over to Kevin who will take you through the financials.

Kevin Boone

Thank you, Jim. Before I get started I want to thank Jim and the Board for their support and confidence. I'm excited to continue work with this great team. Turning to slide 11, I'll walk you through the highlights of the summary income statement. As Jim mentioned, total revenue was down 5% in the third quarter as the impact of intermodal and coal headwinds, as well as lower fuel recoveries and other revenue more than offset the benefit of pricing gains across nearly all markets. Expenses declined 8% year-over-year, really a great performance.

The team continues to drive efficiency across all areas of our business. Overall, third quarter expense results reflect the company sustained operating improvements, a significant progress in labor and asset efficiency. Before running through the expense line items, I want to note a couple of unique items in the quarter, including a $22 million impairment related to an intermodal terminal sale agreement and a net headwind of $15 million related to state fuel tax matters. These two items totaling $37 million impacted MS&O and fuel expense respectively.

Real estate saw $65 million in gains this quarter, an increase of $12 million year-over-year. We continue to see a pipeline of real estate opportunities though the impact of these transactions will remain uneven from quarter-to-quarter and year-to-year. Labor and trends expenses were 8% lower with average headcount down 6%.

Our ongoing refinement of the operating plan continues to drive savings from fewer crude starts enabling a 9% year-over-year reduction in active train and engine employee base and driving a 6% improvement in crude utilization as measured by gross ton miles per active train and engine employee. Seeing an overtime and released our coal also down 12% and 77% respectively as we operate more efficiently.

As I mentioned on the second quarter call overtime is a strong focus area across all operating departments, through workforce efficiency and management execution we reduced overtime across all operating departments by nearly 14% sequentially. Additionally the active locomotive count was down 11% year-over-year in the quarter. The smaller fleet combined with fewer cars online and freight car repair efficiencies helped drive an 8% year-over-year reduction in our mechanical workforce.

Also while velocity on-time originations and on-time arrivals improved sequentially quarter-over-quarter, Jamie and operating team are confident to remain additional opportunity -- to continue to improve train speed and dwell which further deliver cost savings.

MS&O expense improved 12% or $59 million versus the prior year driven by efficiency and operations to forecast and savings related to lower volumes. We continue to see efficiencies attributable to lower active locomotive count, driving savings in locomotives materials and maintenance cost.

Freight car repair cost was also lower driven by significantly fewer train accidents in the quarter. In addition we're intensely focused on driving engineering efficiency. This led to significant savings in the third quarter on materials, travel, vehicles and outside services. Our continued train plan refinements also drove savings in crude travel and repositioning expenses, which were down 10% year-over-year. Fuel expense was down $45 million or 17% year-over-year in the quarter.

These savings were driven by a 13% decrease in the per gallon price, record efficiency and lower volume. Our focus on utilization of distributed power and energy management software combined with train handing rules compliance drove another quarter of record fuel efficiency. As I know noted earlier, there was also a unique item related to the state fuel tax matters that had an $15 million unfavorable impact on the quarter.

Looking at other expenses. Depreciation increased 1% due to the impact of larger net asset base. Going forward, we expect a sequential increase of approximately $15 million to depreciation in the fourth quarter, mainly related to group-life depreciation study on equipment assets that occurs every three years.

Whilst this is associated with previous asset sales are amortized over the life of the remaining assets. This obviously has no impact of free cash flow. Equipment rents expense increased 17% as the impact of inflation and other items more than offset the benefit of lower volume related cost and efficiency gains. As we reduced well and improved days per load, we should see further improvement. Equity earnings increased $3 million in the quarter due to higher net earnings at our affiliates.

Looking below the line, interest expense increased primarily due to higher average debt balances. Income tax expense increased $13 million, primarily due to cycling of 2018 benefits related to the settling of state tax matters.

Absent unique items, we would expect an effective tax rate of approximately 24.5% going forward. Closing out the P&L, as Jim highlighted in his opening remarks, CSX delivered nearly $1.3 billion of operating income in the third quarter in line with 2018, despite of weaker volume environment. We also delivered a record operating ratio of 58.6% – 56.8%, an improvement of 190 basis points and earnings per share of $1.08, representing a 3% improvement over third quarter 2018.

Turning to the cash flow side of the equation on slide 12, we continue to invest in our core track infrastructure to provide safe and reliable train operations. Year-to-date, capital investment is down $49 million or 4% year-over-year.

Overall, our reduced asset intensity has enabled us to sustain lower levels of capital investment without compromising safety or reliability. The level of PTC spending has also come down significantly in the last two years.

Free cash flow remains a focus for this team, generating operating improvement while driving better capital efficiency has produced differentiated free cash flow growth. Growth in CSX's core operating cash flow generation including improvements in working capital drove a 15% increase in adjusted free cash flow to $2.8 billion through the third quarter.

Year-to-date, we have returned nearly 3.4 billion to shareholders, including approximately 2.8 billion in buybacks and 600 million in dividends. Dividend payments in the quarter reflect a 9% increase from $0.22 to $0.24 per share we announced in February this year, net of the lower share count.

With that, let me turn it back to Jim for his closing remarks.

Jim Foote

Great. Thank you, Kevin. Turning to slide 14, let's wrap this up by reviewing our outlook for the year. Freight demand is generally in line with the expectations set out at the end of last quarter when we adjusted our forecast to reflect what we felt was a realistic view of softer underlying economic activity. Nothing in the industrial economy has really changed since then.

Despite the swing from a plus 1% to 2% growth in environment to a down 1% to 2% environment, we are maintaining our full year operating ratio guidance of below 60% and we are still on course for record operating cash flow. These are impressive accomplishments. We have fundamentally changed CSX over the last two years, not just in how the company operates but also the way we approach our business and our customers.

We are encouraged by our customers' positive response to our improved service and are working tirelessly to find innovative new ways to better serve their needs. Despite the significant progress made to date, we are still – there are still meaningful opportunities to operate more efficiently and reliably as we move towards our goal of being the best run railroad in North America.

Thank you and I'll turn it back to Bill.

Bill Slater

Thank you, Jim. In the interest of time, I would ask everyone to limit themselves to one question and one follow-up only if necessary. With that, we will now take questions.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. And our first question comes from Chris Wetherbee with Citi Research. Your line is open.

Chris Wetherbee

Great. Thanks, good afternoon guys. Maybe we start on the OR, obviously, significant progress here yet again in spite of meaningful volume declines. I guess when you think about the outlook; maybe if you can go beyond the near-term target of sub-60 and the efficiency and other opportunities that you highlighted are still on the table.

How can we start thinking about things, I guess maybe putting your head on for 2020 and thinking about what the world may look like, is this going to be more of returned to volume and little bit less operating ratio if you think about 2020, or maybe a little bit more operating ratio just want to get a sense of how you're thinking about guiding the business into 2020, which hopefully has more stable volume outlook.

Jim Foote

Hi Chris. Well, first of all we're not going to get into 2020 just yet. We'll ramp up the fourth quarter here and then we'll start trying to give guidance as to what 2020 is going to look like. I guess only just two general comments and then either may be Kevin or Mark want to jump in with some additional commentary, but just two general comments.

It's difficult still very, very difficult to gauge where the overall economy is going. I think we feel very confident for the fourth -- or confident for the fourth quarter as we call what we thought was a pretty soft outlook going forward and so we're going to have to wait to see to start figuring out what the revenue is going to look like next year.

But again generally speaking, our plan is to grow this business and to the extent that we can grow this business we're going to do it. And then secondly, our plan is to run this company as efficiently as we possibly can and we're going to continue to focus on them. So this is not a – they are not mutually exclusive. We're going to do both at the same time and that's what we've been showing we can do this year.

Chris Wetherbee

Okay. That's very helpful. If you allow me a quick follow-up sort of along these lines. You made some changes within some of the sales positions of the business and that seems like merchandise of the future potentially big opportunity for you as you move forward. Can you talk a little bit about sort of the opportunities that you see maybe put some sizing around some of them as we move forward 2020 and beyond? Just trying to get a sense of what you see the opportunity for CSX to merchandise?

Mark Wallace

Sure Chris. It's Mark. This is not something, this is new. We've been talking about this for quite some time now. As we look at the future of this business we see huge opportunity in our merchandise segment, its two-third of our business. I think you know going back quarter two when we initially put Kevin as the Head of the Marketing.

We highlighted the fact that we were going to grow our Marketing Department because initially CSX did not have one, traditional marketing department. Kevin did a great job in a short term that he was there of bringing in some people both externally and internally. Looking at some things differently and focusing on growth.

We've now with some additions moved Farrukh over as Senior VP of Strategy into the Head of Marketing Department, so he's going to carry on and as we split out the sales and marketing roles from a lot of our Directors. Some people used to wear dual-headed hats. Now we’ve got Directors of Sales and in Farrukh Group we've got Directors of Marketing.

And so as Jim said in his opening remarks, an intense focus on the marketing -- on the merchandise sector. Clearly we look at the size of the opportunity in the North American spend for transportation every year. There is a lot of truck volume out there. And we believe that by renewing our focus on the merchandise segment and looking for truck conversion opportunities that we're going to go and capture that market share. So a huge focus for us going forward and we're pretty excited by the work that's already been started.

Chris Wetherbee

Got it. Thanks very much for the time. I appreciate it.

Operator

And our next question comes from Allison Landry with Credit Suisse. Your line is open.

Allison Landry

Thanks. Good afternoon. Good job on the hour during the quarter. I wanted to ask about the coal yield is based; they seem to have held up a little bit better sequentially than I would have expected given the export benchmarks. So maybe if you could talk about the mix trends within the segment and the quarter and compare that to what you saw in the second quarter and then if you could just maybe comment on how we should be thinking about Q4?

Jim Foote

Let me highlight the mix, Allison. We get the mix question. So let me address that overall and we can get into coal if you want. But overall, we experienced a negative mix within most of our business segments this quarter. And as I talked about many, many times and as usual as you see within each business segment and again in coal there was always ups and downs between the commodities that holds different RPUs. And we'll continue to see these mix issues quarter-over-quarter.

And I don't -- we don't manage the business to solve for how mix falls in any given quarter and we're focused on delivering long-term sustainable growth. But clearly on the coal side, we did have a negative mix on coal. Lot of that was a shorter haul business to some utilities in the north. I think that was a phenomenal we saw in the second quarter and we also had growth some growth to some shorter haul growth to mobile and the mines in Alabama, so -- and less going export as the export volumes were impacted by the benchmarks.

So, as I said a lot of mix issues going in overall in each of the commodities, but again in coal just given the decline in some of the longer haul exports, and then we picked up some shorter haul utility business. So that phenomenon continued.

Allison Landry

Okay. Perfect. And do you have any thoughts on Q4 just given the one quarter look back and the benchmark for that?

Jim Foote

Well, I'll tell you. Q3, I would say that export, the met side, which again is two-thirds of our export coal. The business was soft, but the global steel markets continue to weaken with the industrial slowdown and some of the sourcing issues in Europe in fact, obviously, the benchmark prices. As you know the majority of our contracts re-price quarterly. So in Q3 we were less impacted by price, because the price of the export in Q2 were relatively strong. But as we moved into Q4 and given where the benchmarks were in Q3 and where they are today with about $150, clearly there's going to be some RPU impact in Q4.

Allison Landry

Perfect. Okay, thank you.

Operator

The next question comes from Todd Wadewitz with UBS. Your line is open.

Tom Wadewitz

Yeah, good afternoon. It's Tom. I wanted to ask you on the overtime initiatives, Kevin it sounds like you're getting a lot of traction on that pretty quickly, which is great. I wanted to see if you could give us kind of a ballpark of maybe on an annual basis, how large is the opportunity for cost savings from reduced overtime. Is it $50 million? Is it just some kind of a ballpark for that and perhaps how much of that you would have captured on run rate basis in the third quarter?

Jim Foote

Yeah. We have again real specific, but it's not single million digits, it's tens of millions of dollars that we executed across mechanical engineering and the T&E employees on the field. So it's a large opportunity for us still going forward where we've just began and I'm sure Jamie could talk more to -- all the efforts that we've -- we started probably in the late second quarter as we saw some of the volumes come down and started to focus on this item.

Kevin Boone

Yeah. So one of the -- obviously, what we really seen some good attraction is on that engineering and mechanical side, we have seen some traction on the transportation, but that's where our bigger opportunity is and as the team spends time out in the field visiting locations and continuing to look for opportunities that's one of the larger opportunities that we see out there table out there still left on the table going forward.

Kevin Boone

But Tom going back to the magnitude of the size, I think previously I mentioned in many categories were 30% plus over time as the percent of trade times, so the opportunity is still pretty significant there.

Tom Wadewitz

Okay. And then I guess a related question to that in the per worker comp and benefits in the quarter were a little bit lower than we expected, down about 2% year-over-year. Was that primarily a function of lower overtime? Was there something going on that incentive comp or something else, is that something we should model in fourth quarter in terms of lower per worker cost.

Jim Foote

I would say with combination I think you got it right. You know certainly overtime played a factor in that. You did see some -- slightly lower incentive comp year-over-year as well. We'll continue on the good trend here going forward.

Tom Wadewitz

Okay, great. Thanks for the time and good quarter.

Jim Foote

Thanks Tom.

Operator

Thank you. The next call comes from Ken Hoexter of Bank of America Merrill Lynch. Your line is open.

Ken Hoexter

Hey great. Good afternoon and congrats on a solid operating ratio. Great to see. Jim may be just your thoughts on if you see -- you mentioned that kind of nothing has changed in the outlook, but maybe get a little bit more specific if there is anything shifting in particular coal, metals, fertilizers taking a step down, is there anything in the market that you look out that alters your view as you look out?

Jim Foote

No. All of the external metrics to try and get a sense for where the business is going have seemed to somewhat stabilize at this lower softer numbers. It -- my personal opinion is, it took a while for them to get them there and if they're going to turn round, it's going to take a while for them to turn back up and while there is some sense -- more sense to-date of optimism than maybe there was 10 days ago, these metrics and these numbers are not going to turnaround in a couple of weeks.

So we see this kind of slow growth environment throughout the quarter And as we get nearer to the end of the year hopefully, we can see -- have a little more light shown on the pathway beyond the end of this year and will be in a better to opine on it.

Ken Hoexter

I appreciate that. And I guess for my follow-up then, since you're sticking with your 60 -- sub-60 OR are you somewhat indicating step up in hard fourth quarter margin or any reason you are not taking it down just given the run rate for the three quarters which is sub-58, yet you're not going to a sub-59 or even out of 58. Are you indicating something is going to happen in the fourth quarter or just being keeping a high number as of easy boogie?

Jim Foote

When we were in New York a couple of -- about 18 ago Ken we said we're going to get was 60 in 2020, I didn't hear you say, boy that’s an easy question. So yes, we're going to get to our target and we said we'd beat our target a year early and clearly had not put in our plan, this kind of softening in the overall economy not only in the U.S. but globally impacting all of our business units you know kind of one onetime.

So we're kind of are we being cautious? No, I think we're being – we have the same realistic viewpoint of the economy to-date that we had three months ago when we told everybody we even see a hockey stick coming into the second half of the year in terms of growth.

And we also have, you know what is traditionally the fourth quarter from a seasonality perspective, we expect similar kinds of behavior on the cost side this year. So that's just -- I think a realistic assumption as we always do. We hope we do better than that, but putting to say that we're going to have an annual operating ratio below 60 this year is a pretty good achievement in a difficult time.

Ken Hoexter

This year, three quarters in and you're already at 58. So it just seems like -- I didn't know if you were sending a signal that you expected deterioration in fourth quarter beyond normal. But I appreciate the insight. Thanks, Jim.

Jim Foote

All right.

Operator

The next question comes from Amit Mehrotra with Deutsche Bank. Your line is open.

Amit Mehrotra

Thanks operator. By the way congrats Kevin and Jamie on the new appointments, well deserved. I wanted to ask question about the operating ratio shockingly and just the company's ability to maintain or grow profits in a down revenue environment, because this is supposed to be a business with theoretically high incrementals and decrementals with capital intensive business.

So, I'm just trying to understand how much one way you have on the cost and efficiency side, because you decided to put that in extra this time on the looking – the forward looking slide. So, I'm just trying to understand, how much room there is on the cost and efficiency side that's going to allow you to continue to hold the line on profits or grow profits on a year-over-year basis in an environment where revenue continues to be challenging or down?

Jim Foote

Well, I had clarifications, so I can answer the question correctly. I think our slide in terms of what we're talking about in terms of efficiency and operating ratio is the exact slide that we used three months ago and I think that's the exact slide we used the quarter before that.

Amit Mehrotra

Well, unless I'm mistaken, I think you added significant remaining opportunities to further improve. I'm mean, we're not picking here, but I think you added another bullet regarding efficiencies and service and efficient further improvement there?

Jim Foote

Well, look I said, we're always trying to get better and we believe there's a lot of opportunity out there for us to continue to get better. It will be hell of a lot better – easier to get to a better number with a little bit more robust economic environment.

So we're going to continue to always focus on efficiency and running the road in the best we possibly can, and we believe that there are many, many opportunities out there for us to continue to do that. And I don't think that's anything different than I've ever said before in comments in terms of other opportunities.

Yeah, there might be a little more difficult to find, identify and execute on. But there are always tons of opportunities out there for us to get better. We've always believe that, we've always been optimistic and bold in our positions where we thought we could take the company and I don't think anything has really changed.

Amit Mehrotra

So would you be -- Jim, would you be -- I'm just trying to understand this as the follow-up to this question, as you look out over the next 12 months, I know you're not talking about 2020, but just conceptually given the opportunity you see on the cost side, could revenues -- if revenues are flat to down next year, do you think you could see year-on-year improvement in 2020?

Jim Foote

Well, again we'll give you some more solid view of that at the end of the quarter, aspirationally do I think that with this team can repeat the fantastic job they did this year with revenues, again as I said in my comments, we started the year thinking revenues are going to be up, you know as much as 2% and now we're saying the revenues could be down as much as 2% and for us to have delivered this operating 56 or something operating ratio was nothing -- short of amazing.

And I am -- this group going to accept the challenge to try to do the same thing again next year. I certainly hope so, but in terms of putting into book and saying that's our forecast we're going to wait three months before we make that kind of bold statement.

Amit Mehrotra

Yes that's very fair. But my second question is on pricing environment. When I just look at revenue per RTM kind of adjusted for other income and that's your -- it continues to moderate and I know it's not a perfect metric to proxy for pricing because there is a lot of stuff that goes into it especially mix. But can you just talk about kind of, when we should see revenue per RTM, what is that a proxy for and can we extrapolate that into the overall pricing environment, just making it harder to get pricing and the volume environment. Any comments there would be helpful.

Jim Foote

Yes, I mean, I won't repeat what I told out and when I talked about the mix, clearly that has a significant impact on the revenue for us again. But let me address the pricing growth because I used to get this question on price and let me be crystal clear here, we're not sacrificing volume for price or price for volume.

And within the merchandise and Intermodal, our same-store sales pricing in Q3 was the strongest that we have seen in the past three years and all our contracts that come up for renewal in the quarter, we exceeded our same-store sales pricing. So -- and we're going to continue to price to the value of the business and price to the value of the service that we provide. And -- but again, RPU and then the revenue for RTM you're always going to see these mix issues. But don't read into it that it's a pricing issue. We're still continuing to generate the best price for the value of our product.

Amit Mehrotra

Okay. That’s very helpful. Thanks guys and congrats on the great results. Appreciate it.

Jim Foote

Thanks.

Operator

The next question comes from Brandon Oglenski from Barclays. Your line is open.

Brandon Oglenski

Good afternoon everyone and congrats Kevin and Jamie, well deserved. So Jim maybe just to clarify, I think some investors have gotten really focused on maybe more glossy 'PSR' presentations that of your competitors and maybe the common thought here is that, CSX really has nothing more to go on precision schedule already.

So maybe in that context you guys have headcount down roughly in line with this, I think you are sticking with that. Should we be thinking that when we give to back to a growth environment there's still more to go on the cost side or can you scale into this new level of cost with a lot more growth? I guess how can you help us on that line?

Jim Foote

Well yes we don’t have good floating. But we're working out making that appearance especially whenever we can. What we're doing is, yes I mean, we're responding to a softer environment and are looking for every opportunity we can, where we don’t enter services directly. And what we're doing here is that, we're building an enormous amount of operating leverage into this organization. So when the economy begins to turn around and we begin to see a slight uptick in a better environment to work in, we're going to see the impact of that leverage and we're not going to – we have tons – the way we run the company today has created a tremendous amount of potential world opportunity for us on the capital side, one because we freed up a tremendous amount of capacity because the way we run the railroad today and we said many times we could probably with 30% growth into the organization without adding any additional capital and the same is true on the operating side.

We got capacity on our existing trains today where we can put a lot of growth on the railroad incrementally and not have to start adding that expenses. And so both from a cash perspective and an operating perspective, I think we're well-positioned to perform well in either direction either a soft environment or in a strong environment.

Brandon Oglenski

Appreciate Jim. I'll keep it to one.

Jim Foote

Thank you.

Operator

The next question is from Brian Ossenbeck with JPMorgan. Your line is open.

Brian Ossenbeck

Good evening. Thanks for taking the question. First one just wanted to follow-up on the extra capacity. It seems -- Mark, what are you thinking in terms of some of the bigger chunks of truck food conversion, how some of the larger shippers and maybe some industry has received better service, the better tools, increased visibility, how – what you sense is to when you can start to make some of those conversions even at a smaller scale?

Jim Foote

Brian we're seeing it today, we're seeing it every day. I would say, I'm blessed and my team is blessed, the work that Ed and Jamie and their teams have done. Jamie deserves to be sitting today at this table today and the work that he's done over the last 2.5 years to really give us the service product that my team now has the ability to grow and sell, and we think we'll tap into the truck conversion opportunities that this franchise has never been able to go after in the past is exciting.

And so we're seeing those truck conversions today. We're seeing it across the board or across our merchandising segments, large things to talk about right now, but we're seeing incremental volumes from existing customers day in and day out, we're talking to customers who may be used to shipped by rail but because of the poor service that they experienced over the last couple of decades abandoned rails and I've been using truck ever since, those are the kind of shippers that we're talking to, and we're penetrating that -- those markets and that business and we're being successful.

And we're also on the technology side, Jim mentioned in his opening, trip plan compliance is a huge, huge game changer for our customers. They now and as we said we roll this out for intermodal on October 1st and our merchandise customers will see trip plan compliance visibility, December 1 on ship CSX. This is a game changer for them. They will see every car that they ship on CSX in every lane in our performance against the trip plans we rolled this out a couple weeks ago in our customer engagement forum and I can tell you customers are excited.

So, we've got great visibility into their service, no other railroad is doing this. We're blessed with the great service that we've got that the operating team has worked very hard to deliver to us. And so right now it's for us to go out and identify those opportunities and convert them with the new teams that have been placed here over the past week.

Brian Ossenbeck

Thanks Mark. I appreciate all the details there. Kevin maybe a quick housekeeping for you the – the revenue line continues to down for the reasons you mentioned on the merge in the storage. Is this the current run rate that you expect for the rest of this year?

And just wondering, as shippers sort of figure out what to do with the new operating models that are being rolled out through the U.S., do you think the states emerge in general if you think it's been structurally higher is some different issue than just the storage as part of comps are been dismissed or you think eventually goes back where it was…

Jim Foote

Yeah I think -- look I think we told you expected it to come down as it was kind of trended in that direction. In terms of the run rate going forward somewhere between the second quarter run rate and the third quarter is probably where we will end and so $110 million to $120 million range is probably the new normal unless something dramatically changes from here.

I might let Mark talk to the additional opportunities, but now look it's -- you know, I think we expected this you know without something meaningfully changing from here probably at the same run rates.

Brian Ossenbeck

Okay, thanks.

Operator

The next question comes from Scott Group with Wolfe Research. Your line is open.

Scott Group

Hey thanks. Afternoon guys. So I want to ask the productivity question maybe a little bit more directly. Do you think you can do another mid-single-digit reduction in headcount from here? And then does a 57 OR with revenue down five give you more confidence that ultimately you can run this business not next year but longer term, it -- closer to mid-50s or if you're growing revenue?

Kevin Boone

Scott, this is Kevin. Look, I know the focus has been on headcount I know, you know, we report headcount numbers every quarter. Labor represents roughly 35% of our cost base. There's a lot of other costs to go out there as well. You know, we're looking at those. I think you saw great improvement in MS&O which is a huge cost line item for us.

There's other ways to reduce costs than pure headcount reductions that we talked about over time, it's a huge, huge category for us. So we're getting -- there's a lot of other areas for us to go after that, than just simply headcount. But you know if -- if the volumes continue to be challenging, we'll look for new ways to drive costs down. You know we run faster and take down dwell -- the assets drop out and the cost goes down significantly, so we'll look at every way to go out, go after these costs.

Scott Group

In the OR more broadly?

Jim Foote

Sorry. Scott, again we're not going to get into 2020, you know, as we've said, We think we have opportunities to continue to improve on the efficiency side, we said that we would improve on efficiency in a good environment – and in a bad environment, when we started the year and we've done it. Some people didn't think we could, but we've already shown the world that you know there's no, there's no limit to what hard work and ingenuity can produce.

Scott Group

Okay. That's fair. And just, Jim just one other it's been a busy three months in Washington with rate case proposals and proposals and the lawsuits from you guys on one-man crews, may be just give us a lay of the land as you'd see in DC and any other proposals from the board or real concern, your thought maybe just some color on this lawsuit on the 1% crews, just DC broadly as you see it?

Jim Foote

I would now want to bet on open mic and let you know what my real thoughts are about what's going on in Washington DC. So I'll just stick with what's going on in STB. The STB after a number of years is not being like really fully staffed, you're stepping up and taking care of some issues that have been lingering out there for a long time, and I think that they are just doing their job and they put forward some suggestions, which have been kicked around for long times and turns, is there a way to change, simplify, modify some of the procedural steps that shippers have to go through if they have complaints.

And I think the industry we have thoughts on what they want to talk about, rest of the industry does as well and I think we'll work through all of that in due course and it's similarly trying to begin to have some discussions at least about what revenue adequacy might be that’s a long-term process. So I just think that the STB is kind of work – back to work and being in a business in an industry that's regular, just work with regulator in due course. So I'm not freaked out about anything that's going out in there.

And we're starting – your comments about litigation over labor negotiations, we’re just now starting a long process to begin the new round of industry-wide bargaining and everybody starts out trying to posture and get themselves in the right position. And so again nothing out of the normal course of business there. So I think it's just business as usual and we'll continue to remain vigilant and active in that area. But I said nascent to DC, I’d try not to go there unless I absolutely have to.

Scott Group

Thanks for your time guys.

Operator

The next question comes from Ben Hartford with Baird. Your line is open.

Ben Hartford

Good evening guys. Jamie, maybe just some perspective on your view, looking into 2020 from an ops perspective. It was core good progress on train velocity improvement but 12 hours were flat. Any specific projects into 2020 that you have on the horizon that you think can really in fact changed particularly on the dual hour’s side. I mean, maybe talk us through how do you see the next 12 months progressing from an operations point of view? Thanks.

Jim Foote

Yeah for sure. Thanks for the question Ben. The operating team is completely focused on controlling costs, providing the best services as Mark mentioned, and not only providing best service but doing it safely. So as we continue to assess the market conditions and making sure that we're nimble enough to make the moves that we need to heading into next quarters, we are getting out there and operating in few months, has been able to work really close with the guys over the last couple of years and developed a fantastic team of railroaders out there.

And to your point dwell is one of those metrics that isn't where we wanted to be particularly on the network side of dwell and that comes along with -- and is a big expense that we want to continue to work towards going into the next few quarters and just getting out of the field, leading out there, traveling with the guys. I've spent the past couple of years really performing most of my work -- lot of my work here in the network center with the team now we're kind of spreading our wings again now they're working with those -- the operating guys on the ground and making sure that the team is taking a look at every opportunity we have out there to continue to bring those costs where they need to be. But ultimately this is providing the best service we can and given marketing team of product being there and continue to sell while we continue to drop those costs?

Ben Hartford

Any notable projects on the mid-horizon or is this going to be kind of iterative from here forward?

Jim Foote

Look there is a lot of projects out there with respect to getting out as I mentioned getting out of the ground trying every -- minimum every two weeks taking a few -- flying into different terminals. Last week we made a trip over to St. Louis unannounced, sat down with the operating team and came up with some ideas on how we can move cars quicker faster and reduce headcount.

So those opportunities are what we're going to continue to push and drive forward. The Senior Vice President's Bob Frulla and Brian Barr are traveling with me out there and we're finding the external talent we have -- sorry internal talent we have within our company and moving as quick as we can and well sufficient, that's really we're going to continue to do cushion forward with the asset.

Operator

Justin Long with Stephens, your line is open.

Justin Long

Thanks and congrats on the quarter. Jim, you mentioned in the industrial environment and your view that things really haven't changed relative to your expectations last quarter. But could you comment on what's you're expecting on the retail side of the equation? And just curious to get any updated thoughts around peak season and may be what intermodal volumes could look like, once we lap all the rationalization and start to see more normalized numbers in 2020?

Jim Foote

Yes sure, Justin. And again there are -- what it was -- one of the issues we've been struggling with throughout the year is the fact that everything whether it's the stock market, whether it's interest rates, whether it's already consumer-driven sides of the economy, we're all doing so well and we saw very early in the year that the industrial economy was separating and was not performing very well at all.

And so last quarter when you know I said this was confusing, I think we had a pretty good sense of where things were going and it's proving out as we move through the second half. With that I'll let Mark – who is totally on top of Intermodal and what – whether or not we are going to have a peak will answer any other question.

Mark Wallace

Justin, yes I mean our expectations for peak are somewhat muted this year. I think we'll see a little bit of a bump, but not the traditional solid peak and stock is still coming in so the -- sort of the consumer recall I mean is still doing relatively well.

So, the apparel, the toys and the plastic Christmas trees and stuff are coming in – still coming in, but as we all know intermodal carries a lot more than just that kind of stuff to carry – lot of stuffs that goes into the industrial economy, machinery and auto parts and whole bunch of other stuff. So because of the economy the industrial economy being soft and IDP being so weak yes affected a lot of the intermodal volumes.

Fourth quarter because of the economy and because of the consumer economy, we're hoping to have a relatively good post-Thanksgiving holiday peak so into the Christmas time frame hopefully people order a lot of stuff online, and we have the pleasure and the honor of moving along with that stuff.

So I think that will help our intermodal volumes this quarter, but going into next year, we said we're not going to give you a lot of guidance there, but it really depends on what's driving the economy and where we are, but longer-term as we get through all these lane rationalizations and get through all this mess all in a good solid economy I would expect intermodal to do very well.

Justin Long

Okay, great. And maybe as a quick follow-up for Kevin. Gains on sale there was a step-up relative to what we saw in first half on just quarterly run rate. Could you talk about what you're expecting from gains on sales perspective in the fourth quarter and then any early read on what we should be looking at in 2020?

Kevin Boone

Yeah, I mean, the $65 million was a little bit above the normal run rate that you've seen historically. I would expect something well below that in the fourth quarter something more on the normalized range in the mid-20s, low 20s range for the fourth quarter. We'll wait – we'll hold off on 2020 to go through we still have great pipeline timing is always difficult to predict on when those transactions will hit, but I'd know Mark and his team continue to see a really good pipeline going forward.

Justin Long

Okay, great. I'll leave it that. Thanks for the time.

Operator

Jordan Alliger with Goldman Sachs, your line is open.

Jordan Alliger

Yeah. Hi. Just a real quick question, I know it may be tough because of the team marketing of the Lanes and intermodal, but I'm just curious when you look at domestic versus the international intermodal, can you give a little color on both of those pieces of business relative order of magnitude weakness or thereabouts? Thanks.

Jim Foote

Our international business has been stronger than the domestic business, so the domestic – as I talked about just a minute ago, the domestic business has been impacted by number of factors that the economy is certainly one of them, but I think clearly, a lot of capacity, we saw a very tight truck capacity last year, clearly a lot of new trucks came into the market lot of new drivers open-up a lot of additional capacity and so I think intermodal has been competing with that truck capacity this year prices obviously in truck spot prices have come down since – from last year, there are still above sort of the five year average, but clearly prices have come down. So I think the domestic business while good, it's just been soft, but our international business is still relatively okay.

Jordan Alliger

Just a real quick follow-up. Just for perspective, do you have a sense for what proportion is just international versus domestic of the total carloads or revenue in the intermodal?

Jim Foote

Yes. It's about 50/50. It's about 50/50.

Jordan Alliger

Thanks very much.

Operator

Next question is from Fadi Chamoun.

Kevin Boone

I always say 40%, so actually it's a useful answer in the future. Who is Fadi?

Jim Foote

Sorry, you're on -- maybe take your phone of mute.

Operator

And you're ready for the next question, correct?

Kevin Boone

Yes please. Next question.

Operator

Fadi Chamoun with BMO Capital Markets. Your line is open.

Fadi Chamoun

Okay, thank you. There is a lot of noise and feedback.

Kevin Boone

Sorry Fadi.

Fadi Chamoun

I apologize about that, but just a follow-up on this intermodal conversation, maybe one, I mean your service product is obviously getting a lot better and the network is highly efficient. And correct me if I'm wrong, in intermodal, you tend to have less capital intensity as far as how you run the business. Is there over the medium term given the truck opportunity a potential to reinvest kind of OR to accelerate growth or do you don't think that's a needed strategy to grow intermodal?

Mark Wallace

Well Fadi, its Mark. This company has spent a lot of capital dollars over this year over the past decade or so to grow intermodal volumes and it was not very successful. And so, today we have spent the last year and half, two years reengineering the traditional hub-and-spoke intermodal franchise that was built over the past little while. So to answer your question, no, I don't believe and I don't think we believe that we need to spend any significant capital dollars to continue to grow our intermodal franchise.

The team's focus right now is about taking touches out of the system. As you know, the more you have touch and handle on intermodal container, your cost go up and the profitability goes down. So we're focused on streamlining that business and getting it as efficient as possible and bringing on additional capacity. We've got ample capacity now to grow intermodal and when the volumes will return to Jim's point, the economy will turn around and when intermodal volumes do come back, we have ample capacity in then right now without spending any additional capital to move that product.

Fadi Chamoun

Okay. And just also a follow-up on the previous question, so if contract rates, truck load contract rates stay flat or slightly down in the next 12 months, can you still grow domestic intermodal in the environment?

Jim Foote

The majority of our intermodal business is locked up in long-term contracts, Fadi. So, we don't have any short-term opportunities to replace a lot of the business. So again a lot of the focus has been on the cost side and the efficiency side. But clearly as the economy comes back and we handle more intermodal business and are handling it in a more efficient way, yeah, I mean, we'll -- we can grow the business that way.

Fadi Chamoun

Okay. Thank you.

Operator

The next question comes from Ravi Shanker with Morgan Stanley. Your line is open.

Ravi Shanker

Thanks. Good evening everyone. Just a clarification. At the start of the call Jim I think you said something along the lines of 5% rationalization in lanes, can you just clarify that a little bit? Is this more intermodal lane rationalization in 2020? Is this what leftover from 2019 one or what exactly you are implying?

Mark Wallace

Ravi, its Mark. Let me be clear and just so everybody has all the facts here. January of 2018, we began the rationalization about 7% of the franchise. Last October, October 1st of last year we took out an additional 3% -- rationalized additional 3% of the lanes and then in January of this year we did another 5%. And so we -- to Jim's earlier comment, we will be lapping in the fourth quarter, the 3% rationalization that we took in last year and then in January will be -- the lanes rationalization will be completely doing this.

Ravi Shanker

Got it. So, no more rationalization in 2020?

Mark Wallace

No.

Ravi Shanker

Okay. And just as a follow-up, thanks for the color on the export coal pricing and the quarterly reset into next quarter. I think in the past you guys have said that you have take or pays in the export coal business to a certain extent until your contracts renew. Is that a gain on -- the same quarterly cadence you're talking about or is that more of annual thing and kind of did not have any impact in 3Q?

Jim Foote

Both Ravi on the – both on the thermal side and on the met side. We have built in contract minimums. So as I mentioned I think in Q2 given the weakness in API2 and everything it was going on globally with thermal coal, we're experiencing the slowdown in volumes and we saw customer shipping it to their contract minimums that has not changed given the continued weakness in export coal benchmarks.

I will say something that hasn't come up, we still expect our export coal volumes to hit sort of the 39 million to 40 million ton range for the year. Last year we did about 43 million tons, but even with everything that's going on, we still expect to be between 39 million and 40 million this year.

Kevin Boone

And Ravi just to clarify we didn't have any liquidated damages in the third quarter.

Jim Foote

Correct.

Ravi Shanker

Understood. You articulated much better than I did in terms of the minimum volume shipped. So Mark just to kind of I know you guys are not talking about 2020, but if the benchmark would stay at current levels, you would expect that 40 to be lower next year once the minimum shipment levels reset?

Jim Foote

If I could only predict what's going to happen to things that are completely out of my control – met benchmarks and API2’s – I don't have a clue – I don’t have a clue what's going to happen to the economy and I don't have a clue what's going to happen to export benchmarks So – hey, I get on my hands and knees every night and pray, but clearly yeah it's a headwind right now.

Ravi Shanker

You and me both Mark. That's understandable. Thank you so much.

Jim Foote

Great.

Operator

Bascome Majors with Susquehanna Financial Group, your line is open.

Bascome Majors

Hey. Kevin, now that you're firmly in the CFO seat, can you share your priorities for the finance organization be it balance sheet management capital deployment. And over the next two, three years what could change and then what definitely won't? Thank you.

Kevin Boone

Thank you for the question. My priority is cash. I think when we look across the organization, I was talking to my team last week sometimes we prioritized OE over capital. And I think we have a lot of ability to look at our capital spend and focus there and make that a lot more efficient. There is opportunities, Jamie and I now sit right across from each other we're talking every day about and sharing information about where we see the opportunities whether it's overtime like we mentioned time and time again that was a new initiative and he is working closer and closer with all the people in finance, and just to uncover those opportunities there is opportunities everywhere, there is small buckets that it can add up to a lot of dollars overtime.

But that's my priority is really looking at particularly just the return on capital if there is really high return projects out there that we can invest in we generated a lot of cash flow today. I wouldn't love nothing better than my organization to come with me with 20% -plus return projects that we can invest in our business to drive value overtime that's really where I'm focused on the next few months. Procurement also has been my area, and I know that group is doing a great job of finding additional cost savings from our suppliers working with them. But we're not afraid of investing in the business going forward.

Bascome Majors

Thank you and congrats.

Operator

David Vernon from Bernstein, your line is open.

David Vernon

Hey, guys. Thanks for taking the time. So Mark I wanted to ask you the export coal question a little bit differently. If you think about 2Q to 3Q, did we see any weakness in rates you guys were getting on the exports, you still retained or any sort of increase or decrease just to kind of how that has moved and just wondering kind of what percentage of that the tonnage you guys are moving right now has hedged that prices from earlier in the year?

Mark Wallace

Well, again on the thermal side, these contracts our annual contracts so there weren't – for this year they were negotiated late last year or early into 2019, so those – they were set, they're tied to the benchmarks and that benchmark for API2 was a lot higher at the beginning of the year and late last year. On the met side as I said they get re-priced quarterly most of them some of them are monthly, but majority are quarterly. And as I said in Q2 the benchmark prices was over $200, Q3 almost fell that $160-ish and so we're going to feel that impact heading into Q4.

David Vernon

Did we see that from 2Q to 3Q? Or is this going to be showing up in 4Q?

Mark Wallace

No. We saw it in -- on thermal on the volumes in Q3 and we saw it in volumes as well.

David Vernon

But not in the rate there, right?

Mark Wallace

It's just of the process where because of the lag just beginning in the process and yes, we will see more of it as we go into the fourth quarter and next year.

Kevin Boone

The range was set. For thermal, the rates were set and really it's been a volume play.

David Vernon

Okay. And maybe just on the petroleum products business, can you give us a sense for what you're running right now in terms of splits between crude and NGLs and for the crude shipments kind of, is this mostly Bakken origination coming into the East Coast like what -- give us some idea about the flow is on the business?

Jim Foote

Yes, I don't want to speak too specifically because others are listening, but we're moving crude today mostly from the Bakken. We've had obviously with the refinery explosion and we've seen some slowdown there which has impacted as per the remainder of the year. But it's probably as much as I want to go.

We -- I should mention both on coal and on the accrued business and we brought in Adam, who is our new VP of Energy. He's taken a fresh look at all of these portfolios and task with figuring this all for us. Clearly, these are interesting commodities to manage, but Adam is very, very smart guy and he he's doing a great job looking at different things to help us longer term. So, look forward to updating everyone in the future on that.

David Vernon

Any split on the crude versus NGL?

Jim Foote

No, I don't want to give not right now.

Operator

The last question today comes from Walter Spracklin with RBC Capital Markets. Your line is open.

Walter Spracklin

Yeah, thanks so much. Thanks for squeezing me in here. Jim, you made reference to some technological innovations that you might or are currently looking towards implementing. I know there is at least one of the railroads investing significantly in those technologies. How much would you say and maybe there is a better question for Kevin.

How much of your current CapEx envelope is dedicated to let's call it this pure technological innovation type of projects. And what's your strategy there? Is it more to see what others develop and then if it works we'll devote dollars to it or would you see yourselves adding more incremental dollars to your capital envelope to look for these technological innovation opportunities?

Jim Foote

Walter, hi, thanks for asking the question. Right now, yes a bunch of questions. I'll try to answer them all. What we spent today is out of the total amount is a very small amount, but it has a meaningful impact on what we do. In many respects, historically speaking, the rail industry at CSX being no differently, we're currently holding to the supplier to come up with new ideas and new technology.

I think now we work more collaboratively with the way to do things and we talk amongst ourselves in the rail industry about what works and what doesn't work and how we can do things more effectively and efficiently as leverage technology and technology is changing all the time, so clearly new opportunities for us.

So it probably number one probably should, and therefore probably will that dollar amount that we spend on technology that help us run the railroad more efficiently will become bigger, but it's clearly, it's never going to get to the point where it's equal to what we spent on rail.

So -- and we're all over everything whether it's automated artificial intelligence to help us do dispatching, using more and more technology in locomotives not just B2C whatever technology that's available out there to help us do things more effectively and efficiently, I mean just this little amount, we got three of these cars that are out there running along the railroad, doing constant inspection of our rail and the subsystem and everything else.

We've seen a big improvement in our reducing our slow orders or incidents of rail breakage all of this because we captioned earlier then we would have when we weren't doing as much. So we're leveraging the heck out of that as much as we can and we're going to add more of it next year and next year and next year and next year, because it's hard to put a dollar value on what can happen if you have a big derailment associated with a rail break, if you knew you had a railcar up there that could have found it before that happened. So, we're all over it. We're going to continue to do that and I would say to be in that it will creep up over time.

Walter Spracklin

Looking at way out, is there anything and maybe Jamie you might have seen some of it hasn't crossed Jim's desk yet or is there anything way on the horizon conceptual that if implemented really could hit the ball out of the park here in terms of those type of disruptive technologies?

Jim Foote

Walter, I think a lot of the technology that we're on to the only thing that I would really mention on top of are train inspection portals. Not only are we looking at the track. We're also making sure that we X-ray vision and take camera footage of cars on by thorough inspection portals, but we've got a very strong IT development department within CSX, probably one of the most impressive I've seen in the industry.

We are developing some art intelligence, crew intelligence. The crew intelligence is really something that I truly believe as we've been working on it for about a year now. Almost done that project, that's going to allow us to look 12 hours to 24 hours in advance to make sure that our crews are lined up where they need to be, and in position where they need to be. So as much as we balanced the railroad, you still got to worry about availability and that crew intelligence and some of the art intelligence that our team is working on here at CSX is going to really help us carry forward.

Walter Spracklin

Appreciate the time.

Operator

Thank you. I will turn the call back over to the speakers.

Bill Slater

Thank you everyone for joining. I believe that concludes our call for today.

Operator

This concludes today's teleconference. Thank you for your participation in today's call. And you may disconnect your lines.