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There's more to the recent BNSF/NS coal contract. Larry Kaufman writes, "You trigger a thought (always good to have happen), about cost vs. revenue. Wonder if BNSF can document lower cost than UP to justify taking down even further the price of the PRB coal contract to Ga. Power. If this is just another case of railroads taking traffic back and forth always at a lower rate, at what point does bankruptcy loom?"

One might respond that dominating the marketplace (think Wal-Mart vs mom-and-pops) can offer economies of scale unmatched by the by-the-each vendor. A rather lengthy piece from the Dow Jones newswire points out that, in addition to more than two trains a day, the contract involves one of the five largest coal-fired plants in the country. It and 10 of its peers in Georgia won't attain new air-quality standards until they switch to cleaner fuels and update emission controls. PRB coal is a major part of the strategy.

Kaufman maintains it's a loss for UP, now supplying half the coal used at the target facility. The new contract represents a 6% bump in BNSF coal volume, by some estimates worth north of \$133 mm a year in revenue. The flip side is a \$75 mm revenue shrink to UP. According to DJ, Georgia power plans to cut nitrous oxide emissions by two-thirds by 2005 and PRB coal will help, but at a cost. The coal has to cover 1,400 miles between mine and firebox. That'll come to about \$30 mm more freight cost than the same amount of BTU's from Appalachia, but still less than cleaning up the emissions without changing fuels.

With 10 more plants to fix, the dollars are going to get very large indeed. Who wins? Hard to say. UP and BNSF have already shown their willingness to duke it out in the marketplace. As for NS, an informed source writes, "The drop off in NS's export coal business has given them additional equipment supply. The NS always stored a lot of their export coal in cars and since this business is down, these cars are going into the utility business. If it wasn't for this drop in export traffic the NS would be faced with buying new coal cars now, instead of two years from now." With sole service to five of the remaining plants, NS is sure to find employment for these cars.

Delaware DOT has stepped to the plate with a \$13 mm commitment to reopen the Shellpot Bridge in Wilmington. The bridge was built in 1888 and strengthened in 1951 by the PRR and went to NS in the Conrail transaction. The bridge has been out of service since 1994 so any freight moving from one side of Wilmington to the other had to use Amtrak's NEC line. Reopening the bridge gets freight off the Corridor, opens operating windows to NS, and improves rail access to the Port of Wilmington.

Although the use of public funds to support private transportation infrastructure improvements is common in the trucking, airline and maritime industries, this partnership is unique in the freight railroad industry in that Norfolk Southern will reimburse the state through a fee for each rail car that crosses the Shellpot Bridge. The pay-back period runs for 20 years and the tolls range from \$35 a car for the first 5,000 cars to \$5 a cars after 50,000 uses.

Speaking at a conference of rail shippers, a senior NS official observed, "We consider this agreement to be a model agreement. The public grant portion recognizes the public benefits of

improved passenger service and port access. The toll is variable with use so we have reached parity with truck in this instance: pay as you go.”

RailAmerica (RRA) has sold the Texas New Mexico Railroad (TNMR) and leased the West Texas & Lubbock to Permian Basin Railways, a wholly-owned subsidiary of Iowa Pacific Holdings. The sale was for \$2.25 mm; no lease terms were disclosed. TNMR has 107 miles of track but only 2,700 revenue loads a year; WTLR gets 4,000 loads for its 104 miles. With traffic densities of 25 and 38 cars per mile per year they no longer fit the RRA model.

Vermont’s 52-mile Green Mountain Railroad (GMRC) was turned down by the STB in its request for a Declaratory Order determining whether a statute of the State of Vermont is preempted as applied to GMRC's plans to develop a transload facility. Basically, the STB said no. The state statute does not interfere with commerce and so if the courts want GMRC to play by certain rules then so be it.

The STB writes, “The agency may at its discretion may issue a declaratory order to terminate a controversy or remove uncertainty. But GMRC has also sought judicial relief, and the District Court, which has enforcement authority, has made clear its desire to resolve the issues raised without referring the matter to the Board. Given these circumstances, GMRC's request that the agency issue a declaratory order will be denied.”

The decision, FD 34052 (see www.stb.dot.gov), concludes “that not all state and local regulations that affect railroads are preempted [and that] state and local regulation is appropriate where it does not interfere with rail operations. Furthermore, localities retain certain police powers to protect the public health and safety.”

Supplier stocks continued to languish as TRN, WAB, GBX and WNC (Wabash National, the RoadRailer guys) all lost ground for the week. GBX was least scathed, albeit on weak volumes. Meanwhile WNC dismissed Arthur Anderson and hired Ernst & Young as Certifying Accountant according to the 8-K filed Wednesday.

Now comes the National Research Council's Transportation Research Board to propose a 90,000 lb. GVW on the interstate highway system, up 12.5% from the present 80,000 lbs. Moreover, tandem trucks, which now carry two 28-foot trailers, should be allowed to haul two trailers 33-foot long. The National Transportation Safety Board (NTSB) notes that large trucks account for 3% of the registered vehicles, 7% of the miles driven, and 9% of all fatal accidents.

According to the National Highway Traffic Safety Administration (NHTSA) of the 5,192 people killed last year in collisions with large trucks, 4,053 were occupants of the other vehicle. Happily, the City of Philadelphia for one has declared war on unsafe trucks, impounding trucks failing spot checks. No money, no truckee. Seems to be working, too. The rush-hour traffic reports are delightfully free of carnage on the freeways.

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