

The Railroad Week in Review
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RailAmerica is spearheading a “Hearts and Rails” letter campaign for the US troops in Iraq, collecting digital letters, pictures, banners and other electronic documents that will be delivered to the troops. Response thus far has been overwhelmingly positive from schools in towns served by RailAmerica's 38 U.S. railroads. Here's what one youngster in Parker, Arizona – home of the Arizona & California – had to say:

“We are writing to say "thank you" to you for fighting (for) our freedom. We are third graders in Mrs. Page's class, from Parker, Arizona. We live in the desert, similar to Iraq. Our temperature was 91 today. We are taking standardized tests this week. We are glad that there are brave people like you that can protect us. Our thoughts and prayers are with you each day and we pray for you to return home safe. Thanks again.”

A tip of the engineer's cap to the folks is surely due the folks at RailAmerica. To participate, please send digital letters, pictures or other electronic files to mhightower@tilsonpr.com with “Hearts and Rails” in the subject line.

Elsewhere, RRA March 2003 total North American carloads were up 6.6% and same-railroad North American carloads increased 7.2% over March 2002. Chilean carloads were up 15.3%, while Australian carloads decreased 28.8% due to the impact of the previously announced drought. RRA says “Same railroad totals exclude carloads associated with railroads, or portions of railroads, sold after December 31, 2001.” Now I'm going to take umbrage with that.

Last March's “same railroad” scores compared traffic levels on lines owned at least a year. Carloads on a line discontinued in the trailing 12-month (TTM) period still contributed to the base-year traffic base and IMHO must be counted. Lines acquired in the TTM can't be counted as “same railroad” until they've been part of RRA for 12 consecutive months. One would expect that new lines add more to the car count than the old ones lost.

If there's a dip in yoy comps while waiting for the recent acquisitions to be included in yoy comps, so be it, as long as the full year comps show a rising trend for the full property. And they do. RRA says YTD North American carloads “were unchanged at 277,137, versus 277,011 in 2002.” If one uses the 272,939 carloads reported in Apr 02 for Mar 02 we're up 1.6%.

Rail freight traffic through Week 13 (3/29/2003) was up 2.8% overall with the merchandise trade up 3.8% excluding coal and agriculture. Coal, at 32% of total loads, was off 4.1% -- a small number to be sure but one heck of a lot of cars. Intermodal, with 22.7% of the total pie, was up 8.9%, due in part to easy comps from this year's early Easter. BNSF was the clear winner, up 5.9% helped by a 15% intermodal jump.

CP and CN were neck-and-neck, up 4.6% and 4.8% respectively. CSX total volume as up 2.8%, edging out NS at 2.4%. For the full flavor, though, we'll have to wait two weeks for the 1Q03 earnings. The fuel spike may have a dampening effect on earnings of those less those less hedged and February's snow storms impacted some more than others. We still see some 12-month target price degradation as a number of analysts have reduced their 2003 estimates. And though the DJ Rail Index is off half as much as the broader DJIA – 10.6% vs. 21.6% -- for the TTM, it's still a sideways market and we should be grateful the rails can incrementally increase traffic levels.

Shortlines continue to amaze in their ability to grow traffic even in the worst of times. Connecticut's Housatonic River Railroad (HRRC), an independent shortline, is a fine example of what local ownership and leadership can do. According to Tim Doherty's most excellent feature in the May 2003 *Trains* HRRC 2002 carloads were up 20% over 2001's count. Roughly 80% of it is forest products, chems, food and ag, and waste products that HRRC interchanges with CSX on the former Boston & Albany (NYC) at Pittsfield, Mass. You can thank VP Marketing Rian Nemeroff, a graduate of Conrail's forest products group, for his tenacity and foresight. Now all we need is to reinstate the Friday night bar car out of GCT for life to be complete.

BNSF wants to reacquire the former NP line between Garrison and Butte Montana from shortline operator Montana Western Railway (MWR). The 52-mile line was transferred to MWR back in 1986 however MWR never paid for the line and now wants out. BNSF filed a request for exemption with the STB on March 25 (Docket No. 34330, www.stb.dot.gov) "to ensure that shippers. . .continue to receive quality common carrier service." The parties signed a Reacquisition Agreement on March 11 and the Request for Exemption is based on that fact that "no significant anticompetitive" effects are likely to result from the transaction.

The Northeast Association of Rail Shippers (NEARS) held its spring meeting this week on Cape Cod. Snow on the ground, wind and rain did not damp the discussion. Presentation topics ranged from e-tools for freight shipment management to the impact of new security measures on international commerce. The theme of the session was "Shipping by Rail – Making it EZ" and the panels did a nice job presenting the latest in tools and processes.

My only quibble would be that shippers – beneficial owners of goods – were under-represented. By show of hands railroaders out-numbered beneficial owners by more than 2:1. Third-party logistics providers were also better represented than shippers, though some do in fact buy rail transportation on behalf of their clients.

I got the distinct impression from both the presentations and conversations during the breaks the railroads themselves need to a better job at client communication. For example, BNSF and CN gave excellent presentations on recent e-business developments. Yet one of the third party providers told me later the e-tools don't really work. Whether they do or not is immaterial if this rail transportation customer has a perception they don't.

The NEARS parent organization, the National Assn of Rail Shippers, holds its 2003 Annual Meeting at the Washington Marriott May 4-6. Topics range from Homeland Security to the Wall Street View to "accessorial charges" (read demurrage, etc.) and car leasing. Presenters include several of the class 1 presidents, AAR's Ed Hamberger, Roger Nober of the STB, and ASLRRRA's Rich Timmons.

One fact of life we don't talk about nearly enough is that shippers availing themselves of the railroads' web-based logistics toolboxes have a competitive advantage. That there were relatively few rail users at the NEARS meeting tells me too many transportation buyers have written off the railroad option. That has to change, and the NARS forum is an excellent place to start.

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