

The Railroad Week in Review
April 18, 2003
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Last week we noted the Northeast Assn of Rail Shippers spring meeting was weak in shippers. Now comes news that the Southeast arm of NARS held their spring meeting in Savannah a week prior and shippers were between a third and half of the total attendance. My correspondent writes, "I really suspect that one of the reasons shippers are under-represented at a lot of these meetings is because there have been so many new folks introduced to our industry in the past few years who simply don't understand the value of participating in these organizations.

"Too, there are quite a few people who view logistics and transportation functions as simply a temporary stop on the career path and don't put the time into really learning about the profession. If the railroads out there really want an educated customer, they should probably have their sales and marketing folks start promoting attendance at and participation in industry functions when they are making sales calls."

It's a point well taken. One of the NEARS presenters, for instance, lamented the uneven and irregular supply of suitable empty boxcars. WIR readers know about BNSF's Loading Origin GuaranteeS (LOGS) program and UP's Express Lane, to name two. But by show of hands nobody in the room had ever heard of a railroad guaranteed car supply program. What a shame.

By way of review, LOGS is a guaranteed equipment placement program for commodities shipped in BNSF boxcars, reefers, gons, bulkhead flats and most centerbeams. BNSF guarantees to fulfill equipment orders as long as the customer commits to order and utilize BNSF equipment in the committed weekly quantities. Failures draw fines both ways. And it seems to me *everybody* ought to know about this. As is, it's a secret too well kept.

Auto sales are key to the rail freight world because so much of what goes into finished vehicles goes into the manufacturing facilities by rail. And so it is that reports of April new car and truck sales slightly trailing year-ago levels are no cause for glee. According to the WSJ auto sales are down about 5% from a year earlier, corresponding to a 16.5 to 17 mm seasonally adjusted annualized sales rate.

General Motors' 1Q03 earnings from its core North American automotive operations fell to \$548 million in the first quarter from \$654 million a year earlier after Detroit's price war, higher pension costs and currency exchange losses offset cost cuts. For the full year GM has said the previous \$5.00 per share target excluding Hughes Electronics is "uncertain." GM told analysts in a conference call that revenue per vehicle was "almost flat."

Ford, on the other hand, more than doubled its 1Q03 earnings from North American automotive operations to \$1.2 bn on a pretax basis, citing strong cost performance, favorable mix and higher market share, offset partially by lower industry volume. North America auto revenue in 1Q03 increased \$700 mm to \$22.2 bn. And they're OK with the full-year \$0.70 eps estimate.

The AAR reported 1Q03 automotive carloadings were up 1.4% yoy and represented 6.1% of total volume. Norfolk Southern is the Number One automotive carrier with 14.9% of volume but increased loads by a mere 0.5%. The leader for yoy carload gains was CP with 8.6% change yoy and automotive accounting for 9.4% of total traffic.

Schwab's Capital Markets Morning Report is an excellent source of tidbits about the economy – what to expect and why. Thursday's note suggests the *S&P Supercomposite Specialty Stores Index* comprises “an important group to watch as an indication of consumer spending.” Over the past few weeks the index is up 16% against the S&P 500's nine percent.

A representative name, Bed Bath & Beyond (BBBY), has broken out of its year-long \$35 trading range and all but one of the 32 names in the index are up since the March 12 low. Put this together with the AAR Week 14 report with its robust intermodal increases and it bodes well for the rails with strong Q1 intermodal stories – BNSF (up 15% yoy) and CN (14%) in particular.

CSX was named as a General Motors Supplier of the Year for its overall business performance in providing GM with parts and services. The GM Supplier of the Year award began as a global program in 1992. Award-winners are selected by a global team of executives from purchasing, engineering, manufacturing and logistics who base its decisions on supplier performance in quality, service, technology and price. This year, General Motors honored 70 suppliers for their excellence throughout 2002.

Terminal Railroad Association (TRRA) of St. Louis has deployed RailConnect® from RMI (WIR 4/4/2003). According to a press release TRRA selected the RMI product for its ability to provide full system integration and to greatly enhance visibility into TRRA operations. This is another major coup for RMI since TRRA handles more than 300,000 cars a year and connects with five class 1s.

RailConnect will be used internally for yard and inventory control, managing local work/train crews, switch billing, demurrage billing and management reporting at all management levels. Externally the web-based shipper interface lets customers to communicate shipping instructions and other requests electronically. On the clerical side, car hire payable accounting and car repair billing are faster and more accurate. and RailConnect's web-based e-Repair system ensures correct car repair billing. The best part is the deployment of RailConnect was on time and under budget, getting rid of phone, fax and quill pen reporting.

Greenbrier Industries (GBX) , the Oregon-based car builder, said in its current 10-Q that revenues from continuing operations rose 46% to \$105 mm for the quarter ending 2/28/2003, thanks to improvement in the North American railcar market. GBX made the NYSE most active list Thurs, closing at \$8.26, up a dollar and change YTD. Since the quarter's end GBX has won additional orders for \$140 mm worth of intermodal platforms destined for TTX. The backlog may now be one of the largest in North America and Europe, stretching well into fiscal 2004.

Earlier TTX ordered 600 double-stack intermodal wells, 500 boxcars and 135 centerbeams from Greenbrier. CN and CP were also in the market for centerbeams, ordering about 600 apiece. The record backlog comes from capturing nearly 30% of 1Q03's total industry orders of nearly 12,000 cars as well as 30% of the total industry backlog of more than 24,000 cars. That car orders are up this much must come as good news to carload shippers and shortlines.

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