

The Railroad Week in Review
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Monday's *Wall Street Journal* reports that the Institute for Supply Management (ISM) Manufacturing Index hit 62.8 in Nov against an expected 59 for Nov and 57 in Oct. Recall that readings north of 50 imply economic expansion; readings in the other direction imply the opposite. WSJ goes on to note that this was the 5th up month in succession and the strongest report since Dec 1983.

Also on Monday more than 600 NYSE-listed companies hit new highs. Important to shortlines with their focus on forest products and construction are companies like Temple-Inland, International Paper, Toll Brothers, D R Horton, Pulte and Ryland. Among rails, GWR took top honors, up 4.6% on the day. And Bear Stearns issued a note to clients reiterating its Outperform rating on Yellow truck lines "given its recent operating outperformance, industry leading operating leverage into a recovery, and solid near term potential cost synergies."

The good news continued through the week with a better-than-expected upward revision to 3Q non-farm productivity, hitting a 20-year high in some areas. The consensus is that employment conditions are improving and the Institute for Supply Management's non-manufacturing business activity index suggested that the broad services sector expanded for the eighth consecutive month. Finally, the AAR's Week 48 RR Traffic report shows the 4-week running average as up 4.0% yoy overall and 4.5% in the merchandise carload sector.

RailAmerica has acquired the assets of the Central Michigan Railway Company (CMGN), headquartered in Bay City, Mich. CMGN, which operates 100 miles of track from Midland south to Durand, Mich., in 2002 moved about 30,000 carloads with revenue of about \$11 million. At 300+ cars per mile per year that's a nice addition to the RRA portfolio, bringing my corporate average cars/mile/year up to 129. Recall it was not that long ago RRA was right at 100.

This acquisition brings RRA's total Michigan properties to six and gets their Huron & Eastern and Saginaw Valley railways a direct access to CN. Two big CMGN shippers are Dow Chemical and Consumers Energy, and the line's commodities include agricultural products, lumber, automotive parts, heavy machinery, chemicals, sugar beets, fertilizer, military hardware, fuels, stone, cement, and coal. CMGN also has cross-dock, warehouse, and transload facilities. The transaction, which is subject to regulatory approval, is expected to be completed within 60 days.

Hub-and-spoke operation is generally regarded as an airline model, however it has its place in rail ops as well. WIR has been thumping this tub for a while, beginning with the Feb 2002 Matt Rose PNWARS speech (WIR 3/2/2002). As recently as Oct I wrote again about the need to reduce handlings per merchandise carload (WIR 10/10). Now comes the Jan 2004 issue of *Trains* with "BNSF's Hub and Spoke" system featured as the "Map of the Month."

Every shortline manager with a BNSF connection and every BNSF carload shipper ought to have a copy of this map nailed to the wall. Find your own O-D pairs and see how you can simplify your own network. Not only will you lower freight costs but you'll also get better turns on your leased equipment. If you don't have The Map, get it. Then drop me a note on how much you've saved or how much more biz you could put on the rails.

Norfolk Southern this week made a number of senior management changes, mostly matters of moving up, but also reflecting the signs of the times. Don Seale, formerly SVP Merchandise Marketing, was named SVP Marketing Services, with expanded responsibility for merchandise commodity groups, coal, automotive and MODALGISTICS. Dan Smith, formerly president of NS Development, will become SVP Energy and Properties with responsibility for coal marketing, real estate and Pocahontas Land Corp., reporting to Seale.

Rob Martinez, formerly VP Marketing Services and International, was named VP Business Development, with responsibility for industrial development and international and ports business. He continues to report to Ike Prillaman, vice chairman and chief marketing officer. Charles Moorman, formerly SVP Corporate Services and president of Thoroughbred Technology and Telecommunications Inc. (T-Cubed), will become SVP Corporate Planning and Services, with responsibility for strategic planning, public relations, passenger rail relationships, the Eastern Carolina Business Unit and T-Cubed.

In operations Tony Ingram moves up to SVP Transportation Network and Mechanical from VP Transportation Operations. Mark Manion becomes SVP Transportation Operations, with responsibility for transportation field operations and customer service. On the finance side of the house Kathryn McQuade, formerly SVP Financial Planning, was named SVP Finance, with responsibility for financial planning, treasury and accounting. Marta R. Stewart, formerly AVP corporate accounting, will become VP and Controller, reporting to McQuade. And John Rathbone, formerly SVP and Controller, was named SVP Administration, with responsibility for human resources, labor relations and material management.

Finally, James A. Hixon, formerly SVP Administration, was named SVP Legal and Government Affairs, with responsibility for the company's legal activities; federal, state and community activities, and corporate governance. James A. Squires, formerly senior general counsel, was named VP Law and will report to Hixon. Congratulations are in order for all along with best wishes for success in your new positions.

HDR, a leading railroad engineering firm, does one of the best rail supplier newsletters to come across this desk. Their Nov 2003 *Rail Line* offers a thorough commentary on Virginia's commitment to rail passenger expansion, including restoration of Richmond's historic Main Street Station. Also in this issue a look at Fort Sill's revamped rail capability, the Phoenix light rail project and an upcoming joint BNSF-UP project to reduce Spokane area rail and highway congestion. Log on to www.hdrinc.com to see the latest and get on the list.

Shortline data report cards from RAILINC do not a good story tell. What these cards show is whether shortlines are sending the messages needed to keep the flow of car movement data current. The guidelines for these report cards were formulated about six months ago and provide a measure of industry progress. It's not good. One Class I says 42% of shortlines aren't reporting at all while 73% of Class Is are reporting their side of the interchange according to the rules. I repeat: if you're in the railroad business timely and accurate event reporting is not an option. There will be more on this anon.

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