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The Railroad Week in Review 4/28/2001

Genesee & Wyoming (Nasdaq: GNWR) posted diluted first quarter earnings of $1.19 a share on revenues of $42.8 mm, vs. $1.00 per share on revenues of $55.4 mm a year ago. As reported earlier, GNWR sold its 50% stake in its Australian operations as originally constituted to enter into the new Australian Rail Group consortium (ARG) for $3.7 mm pretax. Earnings would have been $0.72 for the quarter without the benefit of this gain. Last year, excluding a $600,000 non-cash gain related to the appreciation of the Mexican peso, net income was $0.87.

North American rail properties (including US, Canada, Mexico) saw revenues slump $2.0 mm or 5% YTY. Expenses as percent of revenue rose for labor, equipment rents, and depreciation. The OR went up 4.5 points to 87.9 as operating income dropped to $5.1 mm from $7.4 mm. CEO Mort Fuller said in the conference call that he expects recent adjustments in the Oregon and NY/Penna operating units will set things right from here on out.

It was clear from the press releases and the remarks in the conference call that GNWR is a lot stronger thanks largely to the Australian purchase and realignment. The regional approach in North America will be continued as class 1 spin-off opportunities will be fit to this mold as far as possible. For dessert, the GNWR board approved a three-for-two stock split payable June 15 with a record date of May 31. Said Fuller, "The stock split underscores the sustained strength of Genesee & Wyoming's stock price, which has appreciated over 100% in the past 12 months, and highlights our effort to improve the liquidity of our common stock." Gets my vote.

Wisconsin Central (Nasdaq: WCLX) net income for 1Q01 came in at $11.6 mm, two bits a share, vs. 12.6 mm, also two bits a share, a year ago. President and CEO Tom Power laid a full four cents in earnings to diesel fuel costs. In North America, WCTC freight sales increased $800,000, less than one percent, to a record $92.7 mm. Ops expense got bumped 3% primarily due to increases in labor-related and fuel expenses, pushing the OR 160 bp higher to 80.3. Carload volumes were up 2.3% while revenues grew less than a percent, even though revenue per carload actually improved in half the commodity groups.

Offshore, the EWS contribution was $3.8 mm vs. $2.6 mm for 1Q00. Operating revenues increased more than 4% while ops expense was up 2.5%. Lower costs in most categories offset most of the 34% hike in new equipment lease costs and the 11% in added fuel expense. Tranz Rail Holdings Limited (Tranz Rail) contributed $1.1 mm, off from least year's $1.9 mm. Operating revenues were up 10 percent, while operating expenses were up 17 percent, with cost increases in most categories. Fuel expense was up 24% in the March quarter.

Providence and Worcester (Amex: PWX) posted a first quarter loss of $191,000 vs. a $14,000 gain in 1Q00, or ($0.04) vs. a positive penny a share YTY. Total freight sales declined 6.9%. Three quarters of the drop was directly attributable to aggregate traffic, which was off in March due to late winter storms. It was partially offset by a 15% boost in TOFC/COFC. The Annual Report tells us chemical carloads accounted for 32% of freight sales in 2000, with intermodal and aggregates 14% apiece. With chems the highest per car revenue generator in the biz, it sure would be nice to see more of that.

Ops expense was up a mere point YTY with only net car hire showing any significant change for the worse – up 62% -- as car hire revenue dropped more than 80% because off-line use of P&W gons was below the norms for the period. Labor and benefits were up 7% however fuel was essentially unchanged.

Every once in a while you get a glimmering of who's buying rail stocks and why. The Yahoo! Finance page picked up this tidbit about Canadian Pacific from Morningstar.com. The Dodge & Fox group posts some nice returns in their Stock and Balanced Funds, leading the category year to date. Says Morningstar, "The management team has continued to own the right stocks, including a bevy of economically sensitive stocks such as CP, which has posted double digit gains." The article concludes by saying they look for "lots of good value not reflected in the stock price." Can't fault that.

Tuesday's WSJ reported that Vice President Dick Cheney's energy task force is looking toward more emphasis on energy production and less on conservation. The paper Quotes Mr. Cheney as saying, "Conservation may be a sign of personal virtue, but it is not a sufficient basis for a sound, comprehensive energy policy. The crisis we face is largely the result of short-sighted domestic policies or, as in recent years, no policy at all."

The article goes on to say that the Bush administration figures that to meet accelerating demands for power as many as 1,900 new power plants should be built in the next 20 years. "Coal will continue to be the major source of energy, so the administration will encourage the use of clean-coal technology to soften its impact on the environment." The Bush Administration has proposed spending $150 mm on clean coal in fiscal 2002, marking the kickoff of an envisioned 10-year, $2 billion program to promote electricity fired cleanly from coal.

As we have seen from the first quarter's financial results, coal makes a nice base coat of traffic upon which railroads can overlay all manner of premium services. Of course, not all of us have anything like the UP's triple-track speedway across Nebraska, so keeping the coal drags out of the hotshots' way will remain a challenge. But, as the IC discovered years ago, schedule everything; run the same plan every day and it all fits.

The April Jobless Rate was up 20 basis points to 4.5% from March, the highest level in more than two years. Also the National Association of Purchasing Managers (NAPM) said the service sector, now generating more than half all economic activity, shrank in April. Manufacturing has been declining all year. Yet another reason for railroads to focus on premium services as shippers seek to control Cost of Goods sold, and that includes transportation.

For a good example of what's possible, look at the Central Oregon & Pacific (CORP). The RailAmerica shortline converted more than 2,000 annual truckloads of plywood veneer to rail and in the bargain freed up the customer's own trucks for more time-sensitive shipments. A major hurdle was car supply. CORP didn't have the required bulkhead flats, but was able to swap cars it DID have for the flats with their pals at the Union Pacific. In Year One more than 600 cars of veneer went out. Now they're targeting 1,000 cars a year. Good work, all!

Roy Blanchard

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