

# RAILROAD WEEK IN REVIEW

December 11, 2020

*“This centrally located riverside industrial terminal has the capacity, easy access, and transportation services to provide distribution and logistics solutions for diverse cargoes. From here, your products and commodities can move via an efficient North American network of water and rail services.” — Louisville & Indiana Railroad’s Jeffersonville RiverRail Terminal*

*Last week’s loadings represent the first “normal” week after Thanksgiving, with total originations flat versus our benchmark (the average of the same weeks in 2017, 2018 and 2019). On a YoY basis industry loads look better, up 4.6% last week and +2.2% quarter-to-date. Virus cases continue to rise, however, and the current California stay-at-home orders, affecting 77% of residents, may be a taste of what’s to come as we head into the likely virus peak in January. — Rick Paterson, Loop Capital, Dec 9*

**New Orleans Gulf Coast Railway (NOGC)**, a division of Texas holding company Rio Grande Pacific (RGP) has won an \$8.2 million Consolidated Rail Infrastructure and Safety Improvements (CRISI) grant. The award, combined with matching private funds from the Rio Grande Pacific Corporation, will rehabilitate two moveable, vertical-lift bridges over the Intracoastal Waterway and Harvey Canal, replace embedded rail on a road in Gretna, Louisiana, and pay for upgrades to the infrastructure across the 32-mile railroad.

Also included within the grant is funding to provide first responder training for local, parish and federal agencies. This project will increase safety and reliability across Jefferson, Orleans and Plaquemines parishes. This is entirely appropriate inasmuch as the FRA deems that “Applications for all projects submitted for CRISI must demonstrate the costs and benefits of funding for FRA to evaluate the degree to which the project will maximize the net benefits and leverage the Federal investment to be made.”

[Rio Grande Pacific Corporation](#) is a short line and regional railroad holding company that was founded in 1986 and now runs four railroads. They are the Idaho Northern & Pacific, the Nebraska Central, the NOGC, and the Wichita, Tillman and Jackson. Altogether they operate some 700 miles of railroad in six states.

**Anacostia’s Louisville & Indiana Railroad (LIRC)** has teamed up with American Commercial Barge Line (ACBL) to open their [RiverRail Terminal](#) in Jeffersonville, Indiana, in the spring. Sited on more than 60 acres of industrial land on a mile-long river frontage, the Jeffersonville RiverRail Terminal is ideal for breakbulk and bulk shipping of raw materials and finished goods.

The LIRC offers rail transit times of two days or less to its Class I connections with a nationwide reach. Unit train, individual carload, and intermodal operations can all be supported at this

prime site which accommodates 286K gross weight on rail. ABCL provides a fully-integrated network of boats and barges that reach more than 7,000 miles of U.S. Inland waterways.

Both projects, the NOGC's track and bridge rehabs, and the LIRC's teaming up with ABCL, are examples of non-Class I initiatives to add value to the transportation product with a *durable competitive advantage* that further leverages Class I railroad opportunities. Well done.

**From the AAR Rail Time Indicators for December.** Total U.S. carloads in November 2020 were down 5.8 percent from November 2019, their smallest year-over-year percentage decline since August 2019. (The peak recent decline was 27.7 percent in May, 2020.) In November, nine of the 20 carload commodity categories the AAR tracks had year-over-year carload gains. Grain and chemicals led the way. November U.S. grain carloads were the most since October 2007, while carloads of chemicals were the second highest for any November on record.

		July '20	Aug. '20	Sept. '20	Oct. '20	Nov. '20
U.S.	<u>Total carloads</u>					
	Avg. per week	208,403	224,557	223,909	228,193	225,049
	% change from prior year	-17.6%	-14.9%	-9.7%	-6.6%	-5.8%
	<u>Total carloads excl. coal</u>					
	Avg. per week	153,595	163,152	164,006	168,611	164,497
	% change from prior year	-12.7%	-9.9%	-2.9%	-1.2%	-0.9%
	<u>Total intermodal</u>					
	Avg. per week	259,192	280,739	284,777	292,469	284,174
	% change from prior year	-14%	3.0%	7.1%	10.0%	11.5%
CANADA	<u>Total carloads</u>					
	Avg. per week	70,855	72,194	80,076	79,149	80,712
	% change from prior year	-13.2%	-13.0%	-0.2%	-1.3%	5.0%
	<u>Total intermodal</u>					
	Avg. per week	66,693	70,456	74,436	79,592	77,279
	% change from prior year	-6.2%	-4.4%	2.9%	13.8%	15.8%
MEXICO	<u>Total carloads</u>					
	Avg. per week	18,103	21,583	17,403	21,436	19,590
	% change from prior year	-16.0%	1.6%	-15.4%	7.6%	-3.9%
	<u>Total intermodal</u>					
	Avg. per week	14,358	17,706	15,794	16,578	14,025
	% change from prior year	-21.4%	-6.4%	-19.0%	-15.6%	-20.3%
		YTD Through November (in millions)				% change
		2017	2018	2019	2020	'19-'20
U.S.	Total carloads	12,409	12,619	12,044	10,381	-13.8%
	Total carloads excl. coal	8,318	8,555	8,321	7,608	-8.6%
	Total intermodal	12,678	13,377	12,742	12,341	-3.1%
CANADA	Total carloads	3,809	3,948	3,913	3,623	-7.4%
	Total intermodal	3,191	3,320	3,340	3,276	-1.9%
MEXICO	Total carloads	-	0.997	0.994	0.914	-8.1%
	Total intermodal	-	0.867	0.853	0.745	-12.6%

All carload figures are originations and do not include intermodal. Canada includes the U.S. operations of Canadian railroads. Mexico includes the U.S. operations of Mexican railroads. Source: AAR Rail Time Indicators

What jumps out to me is the sequential improvement each month. Carloads ex-coal, for example, rose from minus 12.7 percent in July to minus 0.9 percent in November. That said, the best rail traffic aggregation to use in terms of correlation with GDP growth is intermodal plus carloads excluding coal, grain, and petroleum products. (Carloads of those three categories tend to rise or fall for reasons that have little to do with the state of the overall economy). In November 2020, that traffic category was up 6.5 percent over November 2019. That's its third straight increase, its biggest percentage increase since December 2016, and is consistent with a growing economy.

Carloads in Canada rose 5.0 percent in November 2020 over November 2019 (their first increase since February 2020), while Canadian intermodal was up 15.8 percent (its best percentage gain since December, 2017). Total carloads on Mexican railroads fell 3.9 percent in November and intermodal fell 20.3 percent, but those numbers could rise now that long-standing rail blockades in Mexico seem to be over.

Drilling down still further into the merch carload sector, the Class Is do not seem to be all sending the same merch carload message. Credit Suisse railroad analyst Allison Landry observes in a recent note that "CSX is focused on entrenching itself deeper within customer supply chains (and in our view is the furthest along of its US peers); the merch business is showing some stabilization."

**RJ Corman's latest acquisition**, Pennsylvania's Lehigh Railway, may see its proposed LNG terminal (WIR 9/11/2020) come to fruition. The Delaware River Basin Commission on Wednesday voted 4-0 with one abstention to approve the Delaware River Partners application to build a 1,300-foot long tanker pier at its Gibbstown (NJ) Logistics Center. It will be a bulk commodities terminal, and one proposed commodity is LNG from the Corman-served New Fortress Energy site in Wyalusing. The neighbors are not happy.

Thursday's Philadelphia *Inquirer* headlined it thus: "Contentious N.J. river terminal to export fracked Pennsylvania natural gas gets final approval." According to the paper, environmentalists "campaign vigorously to stop the project and barraged four state governors with petitions that said the project would worsen climate change and attract 100-car 'bomb trains' carrying dangerous LNG across Philadelphia."

We in Philadelphia have been down this road before, having heard much the same arguments when CSX started sending trains of crude oil to Philadelphia refineries some years ago. For its part, the Commission said simply, "the broader issues of climate change" are out of scope, its job being oversight of long-term riverfront development. Fingers crossed for RJC.

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