

RAILROAD WEEK IN REVIEW

September 6, 2024

“Shortline railroads are a key component in Norfolk Southern’s overall growth strategy by playing a pivotal role in the first and final mile on our network. We connect with roughly 250 short lines, adding over 20,000 additional miles of track to the Norfolk Southern network. NS works closely with shortline partners to ensure high levels of customer service, eliminating event reporting errors in the process.” — [nscorp.com](https://www.nscorp.com)

“One of our standout features is being the owner of the largest privately-owned [railcar storage](#) capacity in the United States. This vast storage capability allows for flexible and scalable solutions to meet the varying needs of our customers. Whether it’s temporary storage during peak seasons or long-term arrangements, TNW’s storage services provide a crucial advantage for businesses looking to streamline their operations.” — tnwcorporation.com

“Chicago South Shore & South Bend Railroad (CSS) has purchased and accepted delivery of 100 new rail cars purpose-built for steel coil shipments. The 48-foot, 115-ton capacity, transverse-style cars can each hold up to five steel coils. The cars are equipped with covers for all-weather transport, and their transverse troughs hold coils securely in place with no need for dunnage or blocking. This purchase will bring the size of the CSS railcar fleet to nearly 700 cars.” South Shore presser, July 26

As you know, I’m a great believer in trends. It’s one thing to look at the gross AAR monthly traffic numbers; it’s quite something else to slice and dice the *Railinc* non-Class I carload reports published in *Railway Age*.

The table on the next page is sorted by percent total to get the relative importance of each commodity line to that community. I’ve split out intermodal because (a) it’s not a major part of the traffic base for most non-Class I roads and (b) the numbers come mainly from roads like the FEC and the IAIS where they have built significant intermodal bridge traffic franchises.

Automotive, coal, and petroleum remain as non-Class I commodities for various reasons. Automotive, while dominated by unit trains of auto racks on Class I, represent a solid business for short lines running auto ramps receiving the loads. Numerous examples can be found on properties run by Watco, Genesee & Wyoming, RJ Corman, and Patriot Rail.

Though tank cars of crude oil dominate the railroads' trade in Petroleum Products (to use the AAR vernacular), the category also includes STCC 291 refinery outputs such as LPG and asphalt (think road paving and roofing shingles — Pennsylvania's North Shore Group won a new roofing shingles plant, e.g.), which do several thousands loads a year with the regionals and short lines.

Carloads, by commodity	June 2024	June 2023	% Change	% Total	Cume
Chemicals	53,481	48,565	10.1%	15.6%	15.6%
Grain	27,606	21,971	25.6%	8.0%	23.6%
Crushed stone, sand, gravel	26,548	29,802	-10.9%	7.7%	31.3%
Coal	24,606	19,850	24.0%	7.2%	38.5%
Metals and Products	19,556	20,598	-5.1%	5.7%	44.2%
Pulp, Paper, and Allied Products	14,034	14,874	-5.6%	4.1%	48.3%
Food and Kindred Products	12,274	11,565	6.1%	3.6%	51.9%
Waste and Scrap Materials	12,071	11,795	2.3%	3.5%	55.4%
Motor Vehicles and Equipment	11,061	10,863	1.8%	3.2%	58.6%
Lumber and wood Products	9,624	9,002	6.9%	2.8%	61.4%
Grain mill prods	8,457	8,045	5.1%	2.5%	63.9%
Petroleum prods	2,646	2,179	21.4%	0.8%	64.6%
Metallic Ores	2,234	2,308	-3.2%	0.7%	65.3%
Nonmetallic Minerals	1,898	2,199	-13.7%	0.6%	65.8%
Total commodities	226,096	213,616	5.8%	65.8%	
Intermodal	49,609	41,536	19.4%	14.4%	
<i>Other</i>	67,665	71,815	-5.8%	19.7%	
Total Revenue Units	343,370	326,967	5.0%	100.0%	
<i>Source: Railinc, AAR</i>					

As for coal, there's the Indiana Rail Road hauling coal from Indiana mines to electric generating plants along the line. GWR's Indiana Southern serves two coal-fired utilities, RJ Corman's Tennessee Terminal and Western Kentucky serve mines and gen stations, and utility coal moves over Watco's Alabama Warrior in Birmingham. And don't forget the Reading & Northern's million tons of anthracite originated in the past year.

It gets even better. Steel-makers use electric arc furnace to turn scrap steel into new metal, using dried anthracite coal as the carbon source. Covered hoppers to the rescue. R&N has built a fleet of these cars for this service and there are now four different dryers on line generating annual carloads in four figures.

Keep in mind the fact that Class I coal volumes are down largely on PRB unit trains serving coal-fired plants either using nat gas (\$3 per MM BTU seems to be the break-point) or being decommissioned.

The “Cume” column in the table shows what percentage of total loads come from what commodity groups. You can see, for example, roughly half the non-Class I railroad carloads come from chemicals, agriculture, aggregates, coal, metals, and STCC 26 paper products. This sort shows commodities’ relative importance to the connecting Class Is, which is increasingly of concern as the non-Class I rate of change in these carload commodity groups exceeds that of the connecting Class Is.

The common thread among all these shortline and regional railroad success stories has to do with customer commitment. Whereas Norfolk Southern had given up on the anthracite business shortly after taking over its portion of Conrail, Reading & Northern has built a sizable anthracite business by listening to the customer, providing equipment, and providing the service customers needed to reach more markets.

In a similar vein, the South Shore discovered there just weren’t enough cars available from the class Is to meet the customers needs. The press release continues, “For the second time since 2007, CSS has made a significant investment by purchasing coil steel cars to support our customers’ growth. By adding these cars to our leased fleet, we have greater control of the equipment to support our customers with safer, more efficient, and greener rail shipping options.”

By way of background, the South Shore serves coil steel producers Cleveland-Cliffs at Burns Harbor and U.S. Steel in Portage. The release concludes, “These cars will transport shipments moving to locations all across the North American rail network with ready interchange to all Class I railroads and many other short line and regional railroads. Because the equipment is owned by CSS, it will be immediately available for customers to reload as soon as it returns from a previous delivery.”

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