

THE RAILROAD WEEK IN REVIEW

September 10, 2010

“It was evidently the marketing plan we put forward that separated us from other prospective bidders.” -- John Howell, President, US Rail Partners, Ltd.

US Rail Partners, Ltd., is the latest addition to Pennsylvania’s community of short lines. I asked USRP President John Howell how it all came about. His story is a prime example of why planning and homework are essential elements of success in this business. Here are some excerpts from our Q&A:

How did you find it? We became aware of the opportunity through former ASLRRRA board member Gary Landrio, which just goes to show how important networking is. Gary had said some time ago-- when he was working through TransSystems, now Stone Consulting -- on a Pennsylvania opportunity and I asked him to keep US Rail Partners in mind if and when doing so would be appropriate. He did and, among other things, recommended to Berks County that we be included on the invitation to bid list.

Why is it attractive? In a word, “Opportunity.” We realized, as must have many short line operators, that the single remaining customer on the line when East Penn filed for abandonment was not going to provide enough revenue for even a “Mom and Pop” operation but, to US Rail Partners Ltd, with its wider national reach, it would provide a point of beginning for growth.

The big prize is capturing some or all of the incinerator ash business from trucks now traveling through downtown Boyertown’s main street, PA Route 73, on their way to and from an incinerator in Chester, PA. This facility, operated for Delaware County (and adjacent to Conrail Shared Assets trackage) uses a landfill about five miles west of Boyertown, also owned by Delaware County. That alone would provide more than sufficient revenue to meet your own “Rule of 100” guideline. With cooperation from Norfolk Southern, Delaware County and especially from Berks County, US Rail Partners believes that prize can be achieved.

Where do you see yourself with it in five years? Eastern Berks Gateway Railroad should be profitable well before the five-year mark. Again, with assistance from the County, it may be possible to extend the track northward on former right of way to a quarry that ships stone to (and receives sand from) South Jersey.

Where did you find the money to satisfy the county? While we are going to have to be very frugal during the initial period of operation, evidently it was the marketing plan we put forward that separated us from other prospective bidders. Among other things we mentioned in our response to the County was the initiative, on our Eastern Washington Gateway Railroad (EWG) to operate, in conjunction with BNSF, what we call “scoot” train service (now supplanted with co-load train service). The service enables our customers on EWG to remain competitive despite significant increases by BNSF on rates to export terminals in Portland.

I believe Berks County realized it would take that kind of initiative, that is, an experienced short line operator who has already demonstrated its ability to be innovative when working with a Class 1, to make the Colebrookdale Spur successful and transforming the former Reading Railroad branch into a part of the 21st century rail system. *Thanks, John.*

“Total Big Six Class I carloads hit a new high for the year in Week 34,” writes TD Newcrest rail analyst Cherilyn Radbourne. “Among individual traffic categories, intermodal and coke and coal volumes also hit new year-to-date highs. We believe that it is also worthy of note that volumes in a number of key merchandise categories have regained strength in recent weeks after slowing earlier this summer. In particular, chemical volumes, which are commonly viewed as a leading indicator, reached their highest levels since Week 17.”

Radbourne concludes, “We recognize that the Canadian railroads pay tax at much lower rates than their U.S. counterparts, and have relatively less exposure should the STB Reauthorization bill resurface this fall; however we believe the unusual multiple gap prevailing at present largely reflects the fact that the Canadian railroads are seen as ‘safe havens’ versus their Canadian industrial peers during periods of investor risk aversion.” She has a point. CN is arguably the best-run of the Class I family and CP has better access to “heat and eat” than anybody. Short lines connecting with these roads ought to be well-positioned indeed.

[For what it’s worth, my June, 2011 *Trains* cover story will be on “The Short Lines of Canada.” I’m looking for candidates for the farthest-north short line, the roads that have heavy plays in the crucial “heat and eat” commodities, the most-improved in terms of operating ratio and revenue growth, the roads that have weathered the down-turn best, and so on. Please advise. Thanks.]

Taking the shipper pulse, a recent Wolfe Trahan note tells us all Class I roads scored some second-quarter decline in service ratings; it was only a matter of how much. Ranked from least decline to most decline: BNSF, NS, UP, CN, KCS, CP, and CSX dead last. Wolfe adds that on a sequential basis only NS scored higher in Q2 than it did in Q1. Looking ahead, more than a third of shippers surveyed anticipate 2010 peak season service levels to deteriorate year-over-year while fewer than one in five expect improvement.

Zeroing in on intermodal, “Significant box shortages could impact rail intermodal service levels.” On the other hand, quarterly intermodal year-over-year comps for 2010 to date through Week 33 (August 21) show accelerating rates of change: 9.0% in Q1, 19.2% in Q2 and 20.3% thus far in Q3. Monthly coal volumes have trended down April while auto revenue-unit increases have slacked off due in part to tougher comps. Forest products in both major STCCs remain “anemic.” Metals and industrial products continue to do well.

Wolfe concludes, “Shippers often move from truck to rail during recessions as rail rates are lower than trucking rates on an absolute basis.” However, “shippers prefer faster inventory turns coming out of a recession,” and that will favor intermodal over carload. *[For short lines, making carload moves more competitive implies shortening shortline interchange on-off intervals or at least timing them to fit core operations. -- rhb]*

Norfolk Southern officially opened its “Heartland Corridor” on Thursday. This is a “public-private partnership” between and among NS and Virginia, West Virginia, Ohio, and the federal government to create the shortest, fastest route for double-stack container trains moving between the Port of Virginia and the Midwest. It’s also the first of five such corridors in the hopper (see map), improving transit times from Norfolk, Va., to Chicago to three days from four and is nearly 250 miles shorter than previous routings.



The Heartland Corridor is mostly the former N&W coal line from West Virginia to Tidewater and north to Columbus. With the decline of export coal and the rapid growth of both domestic and international intermodal traffic, re-purposing the property for intermodal and carload freight was the logical next step.

A ceremony at the railroad’s recently enlarged 3,302-foot Cowan Tunnel near Radford, Va. marked the occasion, as Norfolk Southern Train 233 pulled through at 11 a.m. with a consist of 148 double-stack containers moving to the Midwest. Train 233 paused near the tunnel’s western portal, where it was greeted by the corridor’s partners, designers, and builders, as well as news media and NS officers and employees.

The Heartland project entailed raising vertical clearances on 28 tunnels, removing 24 overhead obstacles and modifying 5.7 miles of tunnels through roof excavation and liner replacement, arched roof notching, and track lowering and realignment for this route, much of which was put down more than 100 years ago. The eastern half, say from Bluefield, W. Va. to Norfolk, was immortalized in the late 1950s by O. Winston Link's action photos of the Y-class 2-8-8-4s.

Book Review Section. *The Cars of Pullman* is a compendium of Pullman Company history, car-building techniques, car types and the trains that they served. This 146-page volume, written and compiled by Pullman experts Joe Welsh, Bill Howes and Kevin Holland, is at once the tale of the rise and fall of a venerable US corporation and a lavishly-illustrated catalogue of equipment.

The book's chapters present a chronological history of the Pullman Company, from its early days starting with the 1867 founding of the Pullman Palace Car Company through its antitrust breakup in 1944 to its ultimate demise in 1987 with the sale of the Pullman-Standard name to Bombardier. Interspersed with the text and myriad photos are page-long side-bars on such topics as early car-building artistry, How to Build a Heavyweight Pullman, accommodations described (for example, what's the difference between a compartment and a drawing room?) and the various paint schemes that adorned Pullman equipment over the years.

Early in their work the authors write, "The interior decor of Pullman palace cars of the 1870s aimed for genteel elegance...a sense of respectability -- a baseline standard of luxury and comfort for a new, higher class of rail travel: first class." The copy and illustrations -- especially in the section describing "The Wood Car Era 1867-1910" -- convey this sense beautifully, adding equipment and "how-to" detail that is so important to students of passenger train history.

Though Welsh, Howes and Holland bring back much of that *luxe* experience, they tend to fall short in conveying the sense of well-being and creature comforts that derive from a leisurely walk from office or home to a roomette or drawing-room and thence a leisurely walk or cab ride to the Palmer House (Chicago) or Biltmore (NY, now gone) or Copley Plaza (Boston). What I was hoping for when I opened the book was a broader description of the accommodations, the first-class service and why the railroads picked the car designs they did. But that's a minor quibble for what is otherwise an excellent introduction to one of the Great American Icons.

The Cars of Pullman satisfies in its presentation of the wide variety of Pullman equipment from sleepers to parlor cars and diners -- many of the finer points not available in one volume before -- and with supporting text that is well-written and easy to follow. If, on the other hand, if you'd like to experience life on the cars back in the day, Beebe & Clegg's *The Trains We Rode* remains the standard work on the subject. Ideally, one would have both at hand: Welsh et al for the cars themselves and a solid history of the life and times of the Pullman Company itself plus Beebe/Clegg for the *grande luxe* experiences of days gone by.

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