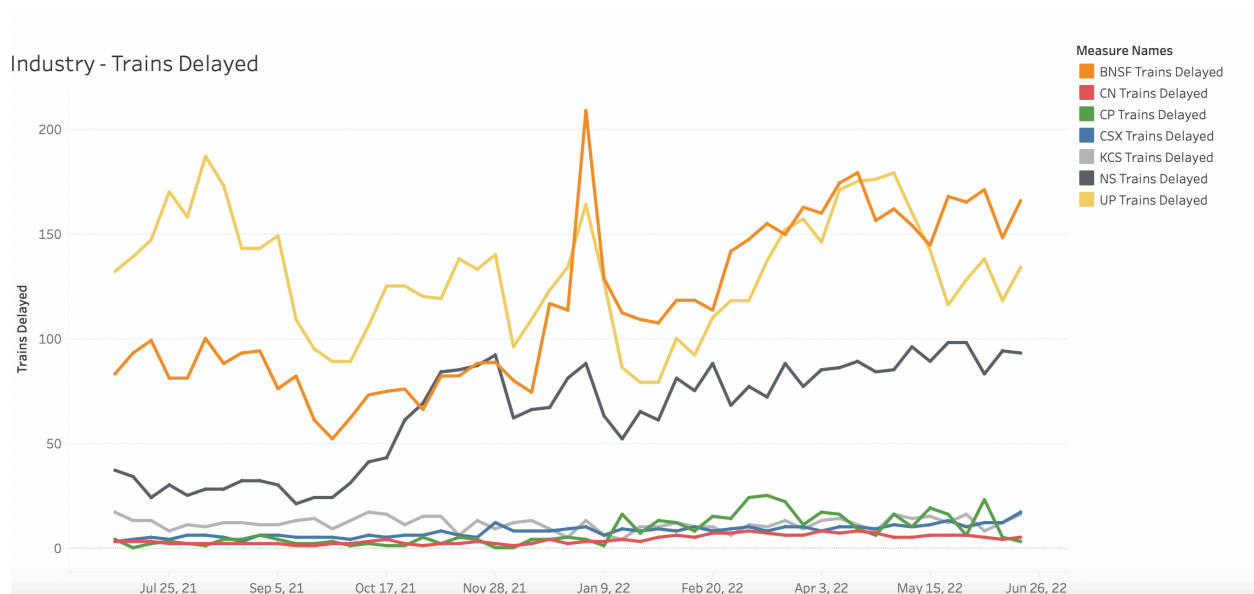


RAILROAD WEEK IN REVIEW

July 1, 2022

*“Historically speaking, we live in an embarrassment of riches and peace. All of these evolutions and more are tightly interwoven. Inseparable. But there is a simple fact that is often overlooked. They are artificial. We have been living in a perfect moment. And it is passing.” — Peter Ziehan, **The End of the World is Just the Beginning**, Introduction*

This chart from RSI Logistics shows, as a weekly average, the daily number of loaded and empty trains held short of destination or scheduled interchange for longer than six consecutive hours. This data does not include yard or local trains and includes only U.S. operations for Canadian railways.



Which means the local trains serving your interchange are not in this — only core trains. Still, you can see how the core RR is performing as well as the direction and rate of change in delays. NS has done worst — from 37 trains held a year ago to 93 trains just now, up 151%. BNSF next worst, 83 then to 166 now, +55%. UP essentially unchanged. Delays least for CSX and US ops of CN and CP.

Of course, one way to minimize late arrivals is to run fewer trains. Let’s suppose the longest passing siding on the single track line between A and B is 8,000 feet. If you never run trains longer than 8,000 feet you’ll always have successful meets and run-arounds. Run bigger trains and you’ll have neither, meaning you’ll have to hold opposing trains until the big trains clear. The whole railroad slows down as a result.

According to the press release, Norfolk Southern’s “new” TOP/SPG operating plan promises to minimize unplanned events with repeatable SERVICE enhancements, greater PRODUCTIVITY by doing things that same way every day, and “provides a platform for growth by aligning [assets] to effectively serve customers, while being nimble enough to handle future volume.”

One of the goals in designing the new operating plan was to get customers’ feedback on areas that need improvement and which could add more value to the NS service offering. The press release concludes, “TOP|SPG (above) is not a radical change in how we’ll serve our customers, but a shift in our operations to move their shipments more consistently over the coming months.”

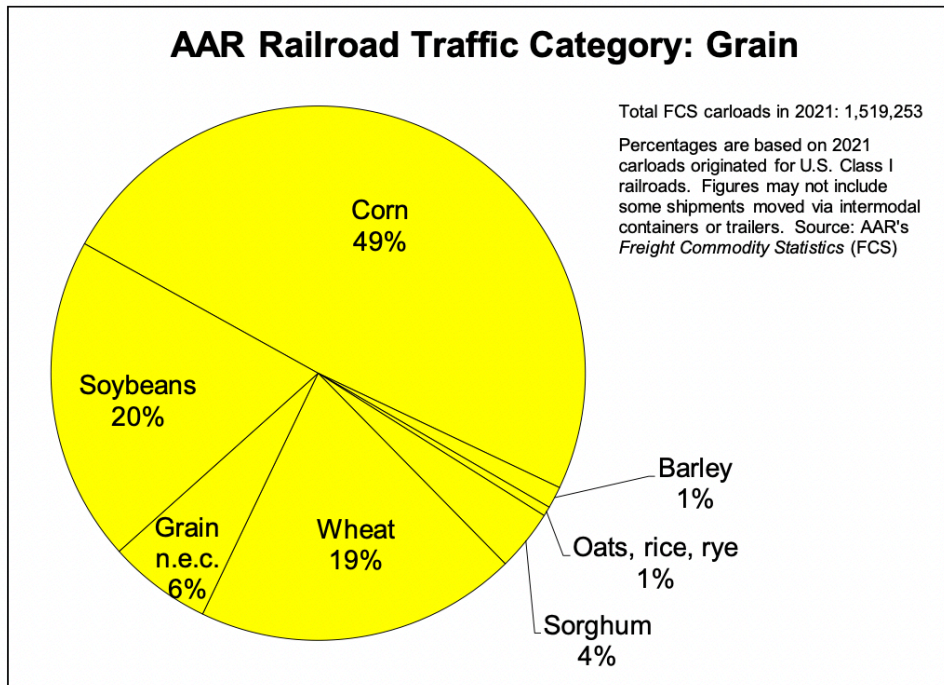
Still a little short on addressing the STB concerns about what’s being done NOW, but assuming NS can follow through on these changes, we ought to see the rate of change of train delays turn negative and even accelerate.

A recent note from Jason Seidl at Cowen advises that the shortfall in grain shipments has put a damper on year-over-year carload numbers. “The winter wheat crop was worse than anticipated due to weather impacts, though spring wheat appears much better than last year. . . . Corn, soybean, and wheat planting all appear to be on/ahead of schedule when compared to historical averages.”

		Very Poor	Poor	Fair	Good	Excellent
Corn	Current Week Ending June 19, 2022	1%	5%	24%	57%	13%
	Previous Week	1%	4%	23%	59%	13%
	Previous Year	1%	5%	29%	54%	11%
Soybean	Current Week Ending June 19, 2022	1%	5%	26%	58%	10%
	Previous Week	1%	4%	25%	59%	11%
	Previous Year	2%	7%	31%	51%	9%
Winter Wheat	Current Week Ending June 19, 2022	23%	20%	27%	25%	5%
	Previous Week	24%	18%	27%	26%	5%
	Previous Year	6%	14%	31%	41%	8%
Spring Wheat	Current Week Ending June 19, 2022	1%	5%	35%	52%	7%
	Previous Week	2%	7%	37%	49%	5%
	Previous Year	15%	22%	36%	25%	2%

Source: USDA, Cowen and Company

That makes sense because RSI Logistics has 2022 Week 26 grain carloads slightly ahead of both 2020 and 2021. And the AAR tells us beans and corn account for 70 percent of all STCC 01 grain carloads.



Cowen also calls attention to the high price of highway diesel and the competitive advantage that could lend to the railroads. “This is because railroads are roughly 3-4x more fuel efficient than their trucking counterparts,” though IMHO shippers care more about the quality of the transportation product than they do its environmental value.

Still, highway diesel is getting hammered. As of Monday morning NY Harbor US Low Sulfur Diesel August futures traded at \$4.19, down from \$4.50 a week ago. The US Energy Information Administration price at the pump is \$5.80, about 30 percent more. And, for the icing on the cake, can anybody tell me what short lines and regionals are paying for fuel?

Ziehan’s argument in the quote above is that for generations everything has been getting faster, better, and cheaper thanks to global supply chains. But these have existed only because of the sea-lane protection of the US Navy. “America made it happen, but now America has lost interest in keeping it going.” It all starts with transportation. Stay tuned.

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