# RAILROAD WEEK IN REVIEW

## January 5, 2024

*“Country View Family Farms LLC is developing a 100-plus acre rail-served site on Old Route 15 in New Columbia, Pennsylvania. The 180-foot mill tower is slightly smaller than the Leaning Tower of Pisa in Italy or Walt Disney World’s Cinderella Castle in Florida.” — Country View Farms Presser*

*“It is thanks to Andy Muller's laser focus on growing our anthracite business that we have been able to cross the million-ton threshold. Andy pursued this business like a true entrepreneur, buying hundreds of coal cars and investing in facilities both on and off the railroad, which was unprecedented in the industry.” — Wayne Michel, President, R&N Railroad*

**Marketing accomplishments.** Sometimes it seems *Week in Review* highlights an awful lot of what’s wrong with the industry and why the carload growth rate is so minuscule. A big contributor seems to be a lack of customer contact on the part of the Class I railroads. Yet it is here where the shortline community really excels. Thus I would like to put more emphasis on shortline accomplishments.

To start off, Pennsylvania’s North Shore Railroad saw several new business projects get under way in 2023. The largest is for Country View Family Farms. The company bills itself  “a leader in the implementation of new technologies and new standards within swine production,” running more than 300 farms in four mid-Atlantic states. The company is investing more than $43 million for buildings and silos to be served by North Shore’s Union County Industrial Railroad.

Then there is the expansion of a bulk commodities transload terminal on the North Shore’s Lycoming Valley Railroad and a new plastics transload on their Nittany & Bald Eagle Railroad. And if that isn’t enough, the company is celebrating its first full year of operation for its new propane transload on the North Shore Railroad and taking in frac sand unit trains on the Lycoming Valley Railroad. Arriving in 2024 are a new lumber customer locating on the North Shore Railroad and a new scrap dealer on the Union County Industrial Railroad.

**The Reading & Northern** in December hit the million-ton marker for its anthracite franchise. Ever since the railroad’s beginning in December of 1990 when Conrail sold Andy Muller the “Reading Cluster” of railroads, the million-ton marker has been a constant anthracite goal.

Muller believes in track quality, capex, and equipment ownership. When he acquired the lines he began investing in the properties. He brought the tracks back into the operating condition he needed and little by little he acquired freight cars to handle the coal business. From the beginning he called the railroad "The Road of Anthracite."

R&N now owns more than 400 miles of track (most of it FRA Class 2 or better), 1,800 freight cars, more than 65 locomotives and has more than 350 full- and part-time employees on the payroll.

To celebrate 40 years of operating and commercial successes, the railroad last month published a special edition of its monthly four-color 32-page *R&N Magazine*. You can see the magazine here, or you can drop a note to Beverly Hess and ask for one. You'll be glad you did.

**Gulf & Atlantic Railways** (G&A) in September filed with the STB seeking to acquire ownership and direct control over the Northern Indiana Railroad Company (NIRC). G&A is wholly owned by MIP Rail, which is indirectly controlled by Macquarie Infrastructure Partners V out of Sydney, Australia.The fund seeks to invest in the North American transportation sector among others. STB Decision FD 36729, Dec 22, gives them the go ahead.

G&A itself is a relative newcomer to the US shortline holding company scene and currently currently owns and operates five shortline and regional railroads, the biggest of which is the 429-mile ex-CSX (L&N) line across the Florida Panhandle east of Jacksonville. They also own the 236-mile ex-IC (and other shortline operators) Grenada Railroad in northern Mississippi.The others are smallish properties in northern Indiana.

The object of the present transaction is the Northern Indiana Railroad Company (NIRC). The Decision tells us, "NIRC owns 32.97 miles of rail line in Indiana, but has never conducted [its own] freight operations over the line. Chesapeake & Indiana (CKIN, also controlled by G&A) has leased the NIRC line property since 2004.

"Currently, CKIN leases and operates 27.52 miles of line from NIRC, having discontinued service over the remaining 5.45-mile segment in 2017. Petitioners state that the 5.45-mile segment remains part of the national rail network, but there have not been any freight operations over that segment since at least 2015."

As near as I can figure out, NIRC is the remains of a C&O line to North Judson and a Pere Marquette line to Thomaston. None of my railroad map books, histories, a 1954

*Official Guide*, or even the1977 *Moody's Transportation Manual* show any trace of or reference to the NIRC. However, the CKIN trackage is on its third owner in 20 years. You have wonder what G&A sees.

**Exactly how important** *are* the non-Class I railroads in terms of economic benefit to the Class I roads? There was a time when the Class Is would actually show the short line carload contribution by commodity line, and it was significant. Those days are, alas, over. However, one can compare the shortline monthly commodity changes prepared by Railinc with a similar report from the AAR.

The latest Railinc report I have is from October 2023, and putting that up against the AAR's *North American Rail Traffic* report for the same month is revealing. I'm looking specifically at year-over-year changes in car count by commodity October 2023 vs. October 2022.

Ranking the commodities by percentage of shortline carload volume, Chemicals is #1 at 22 percent of total loads, up 20 percent vs. the Class Is up five percent. Grain is shortline commodity #2 at 12 percent, up one percent vs the Class Is down four percent. Crushed stone/sand/gravel ranks #3 at 11 percent, up two percent vs. the Class Is down a point. Across 16 commodities listed, the non-Class Is saw gains in every one compared to Class I declines in eight commodity lines.

It begins to get interesting when you compare Class I reported car counts with those less what the short lines reported. Class Is reported chemicals up 4.0 percent month-over-month in October, 2023; without the short lines they were down 2.1 percent. Ditto for coal: down 2.8 percent reported vs. down 3.8 percent without the short lines. Aggregates up 0.8 percent reported, without the short lines up half that. Finally, Class I grain was reported down 4.8 percent; without the short lines down *five*-point-eight percent.

Looks to me like the non-Class I "partners" add significant economic benefit. More attention must be paid. You win business by asking for it. But you gotta go see the people to ask. You can't do it sitting on your ass behind a computer screen.