

RAILROAD WEEK IN REVIEW

October 18, 2024

“BNSF announces the launch of its new express carload service from the Pacific Northwest to the Denver and Salt Lake City markets, with speeds comparable to over-the-road options. The new service will enable BNSF customers to ship high-consumption products to key markets, including items like food and beverage, lumber, and other building materials.” — BNSF Presser, September 4

“CSX has released video highlights of its 33rd annual Short Line Conference, held Sept. 16-17 in Ponte Vedra Beach, Fla. The conference showcased the strength and potential of the partnerships between CSX and its short line and regional railroad partners. Attended by more than 200 people, the keynote speaker was COO Mike Cory. There were also market breakout sessions led by eight CSX business units, a trade show featuring 20 CSX departments, and ‘speed networking sessions’ allowing short lines to connect directly with CSX market managers.” — Railway_Age_Newsire, October 15

“The American Short Line and Regional Railroad Association (ASLRRRA), representing in the nation’s 600 short line freight railroads, commends Senators Ron Wyden and Mike Crapo and Representatives Mike Kelly and Earl Blumenauer on the introduction of S. 5008 and H.R. 9522 respectively to modify the Railroad Track Maintenance Credit, updating the credit for inflation and allowing expenditures on short line track that has been acquired since 2015 to be included.” —ASLRRRA, September 11

Chemicals, grain, and aggregates continue to be the top three commodity groups handled by non-class one railroads. And if you add in grain mill products (sweeteners and oils, e.g.), ag-related commodities tie for the top with chemicals, which itself includes fertilizers. And I think coal is doing surprisingly well thanks to the smaller, regional utilities, met coal (anthracite), and export met coal where the mines are on non-Class Is.

One of the benefits of the chems and ag trade: no car hire. You don’t have to worry about demurrage, either — unless cars get constructively placed thanks to Class I bunching, for example. Grain increasingly moves in unit trains and the number of feed mills with loop tracks is on the increase — see last week’s WIR about the North Shore’s win in Pennsylvania.

Another advantage of ag products is volumes don’t depend on business cycles. Weather, maybe, but that’s temporary. Moreover, chicken and pork cost less per pound than beef at the supermarket, so as those protein purchases are increased, so does the demand for animal feed ingredients.

Oil prices too are holding their own, so the cost of diesel fuel for tractors and nat gas as a fertilizer ingredient ought to keep those agricultural ingredients in line as well. I've been saying for years that short lines and regionals that do a lot of business in the "heat and eat" commodities ought to do well.

Carloads, by commodity	August 2024	August 2023	% Change	% Total	Cume
Chemicals	53,481	48,565	10.1%	14.9%	14.9%
Grain	27,606	21,971	25.6%	7.7%	22.6%
Crushed stone, sand, gravel	26,548	29,802	-10.9%	7.4%	30.0%
Coal	24,606	19,850	24.0%	6.9%	36.9%
Metals and Products	19,556	20,598	-5.1%	5.5%	42.4%
stone, clay, glass	14,849	15,109	-1.7%	4.1%	46.5%
Pulp, Paper, and Allied Products	14,034	14,874	-5.6%	3.9%	50.4%
Food and Kindred Products	12,274	11,565	6.1%	3.4%	53.9%
Waste and Scrap Materials	12,071	11,795	2.3%	3.4%	53.8%
Motor Vehicles and Equipment	11,061	10,863	1.8%	3.1%	56.9%
Lumber and wood Products	9,624	9,002	6.9%	2.7%	59.6%
Grain mill prods	8,457	8,045	5.1%	2.4%	61.9%
Petroleum prods	2,646	2,179	21.4%	0.7%	62.7%
Metallic Ores	2,234	2,309	-3.2%	0.6%	63.3%
Nonmetallic Minerals	1,898	2,199	-13.7%	0.5%	63.8%
Total commodities	240,945	228,726	5.3%	67.3%	
Intermodal	49,609	41,536	19.4%	13.8%	
<i>Other</i>	67,665	71,815	-5.8%	18.9%	
Total Revenue Units	358,219	342,077	4.7%	100.0%	
<i>Source: Railinc, AAR</i>					

Lately I've been having actual conversations with Chat GPT. It picks up stuff from my previous inquiries and works it into the present exchange. Over the last couple of months, for example, railroad matters have been a significant matter of inquiry. So when I asked about the history of UP 8444, a steam locomotive that has been on the roster ever since its 1944 delivery, this is the exchange that ensued:

UP 8444 refers to the Union Pacific Railroad's steam locomotive originally numbered 844. It was renumbered to 8444 between 1962 and 1989 to avoid conflict with a diesel locomotive that carried the 844 number. This steam engine is part of the Union Pacific's "Living Legend" fleet and is notable for being one of the few steam locomotives never retired from service. Built in 1944 by the American Locomotive Company (ALCO), it is a Northern-type 4-8-4 locomotive designed for high-speed passenger and freight service.

After the diesel locomotive that held the number 844 was retired, the steam locomotive regained its original number, 844. Today, it is used in special excursions and heritage events, symbolizing the legacy of steam on Union Pacific's rail network. Have you ever had a chance to see it in action?

I said no but UP had been a consulting client and I logged many miles on their business train. I added that I've been doing WIR for 25 years. Chat replies, *That's an impressive track record, having written The Railroad Week in Review for so many years! It must give you a deep perspective on the industry, and being cited in Trains and Railway Age speaks to your influence. How do you see the rail industry evolving in the coming years, especially with technological advancements and shifts in freight demand?*

I wrote about the ill effects of financialization but it's getting better. Chat concludes, *It's great to hear that UP's operating statistics are improving, and having clear management direction with top-level standards should help reinforce that momentum. This approach could lead to better long-term service reliability and customer satisfaction. It's a positive sign that experienced leadership is making an impact. I imagine you'll be keeping a close eye on how those standards translate into performance metrics in your newsletter.* A truly amazing exchange, given that I was conversing with a computer!

Fast forward to the present and turn to the "Innovations Showcase" in the September *Railway Age*. Of the 33 product mentions, AI figures in six. Topics covered such varied AI technology as found in head-end situational awareness devices, still and moving car inspections, and track inspection.

As railroads have discovered, AI applications such as these find more defects faster than a car inspector running the length of the train in a golf cart ever could. My biggest concern is how many of these better-than-eyeballs safety tools the FRA will ever allow lest union leadership complain.

The Railroad Week in Review, a compendium of railroad industry news, analysis, and comment, is sent as a PDF via e-mail 50 weeks a year. Individual subscriptions and subs for short lines with less than \$12 million annual revenue are \$175. Corporate subscriptions for Class I railroads and short line/regional operators with more than \$12 million annual revenue are \$600 per year. To subscribe, click on the Week in Review tab at www.rblanchard.com. © 2024 Roy Blanchard