RAILROAD WEEK IN REVIEW
December 20, 2024

"According to North Shore Railroad Company & Affiliates' Loni Martz Briner, this is the 21st year NSHR has hosted NARCOA (North American Railcar Operators Association) drivers and the sixth year for North Shore's Union County Industrial Railroad. Over the past five years, the group has collected more than 18,500 toys and $7,000 for the Susquehanna Valley, Pennsylvania branch of the Toys for Tots Foundation. Also, NSHR has been working to mentor members of NARCOA, enabling them to run similar toy drives on other Pennsylvania railroads." — ASLRRA Views & News, December 18

"Canadian Pacific Kansas City Southern has completed construction of the new international railway bridge span over the Rio Grande from Laredo, Texas, to Nuevo Laredo, Tamaulipas, doubling the railroad's capacity to move across the border. Says Keith Creel, CPKC President and CEO, 'This is an important milestone that keeps Laredo-Nuevo Laredo at the center of North American trade, allowing the secure and efficient movement of more imports and exports across the U.S.-Mexico border.'" — CPKC presser, December 17

Genesee & Wyoming's Central Oregon & Pacific has reached an agreement with Union Pacific to handle local service to and from the latter's Eugene Yard in Oregon, enhancing customer service for local businesses and supporting regional economic growth. The 28-mile line segment to be leased serves 22 customers; on the leased shipping or receiving commodities include paper, grain, propane, and scrap metal.

The transaction is part of GWR's deal to take over the Class I railroad's local switching operations. It's all very reminiscent of Big Conrail's last days when they sold off "clusters" of branch lines to regional operators. GWR's Connecticut Southern was one; the highly successful Reading & Northern was another.

The UP's Eugene cluster transaction is a positive move for two reasons. The change allows Union Pacific to reduce the number of times a railcar is handled and to create greater efficiencies, while providing more flexibility and agility for both railroads to meet current customer needs and anticipated growth. Moreover, the lease furthers UP's stated goal of flattening the corporate structure and enhancing the customer experience. The plan takes effect following approval from the Surface Transportation Board.

I think my good friend Tony Hatch adds some helpful color regarding UP's viewpoint. "UP's Jim Vena at a recent analyst conference noted that UP has the ability to remove a lot of costs because they're variable… But is this a service play? Or is it a labor play?" Could be both.

Though I've seen no official numbers, it appears CORP has notified UP employees that the short line has 20 job openings, including 15 train crew positions, two mechanical jobs, and three maintenance-of-way positions. And even though UP is working with impacted employees to find other opportunities on the railroad, protecting their seniority, writes Hatch, "SMART-TD is not amused."

To which he adds, "Aren't we about to enter a new era in labor relations under a GOP administration? You'd think so… as [Trump] has essentially endorsed the ILA! That may be politically easy - the steamship lines are all foreign, those pesky Danes - easy targets. But the anti-technology rhetoric should be alarming." Stay tuned.

The year 2024 has not been exactly a banner year for railroad carload growth. With inflation running 2 to 3%, manufacturers and households are actually getting fewer goods for every dollar spent. Thus, every dollar a railroad customer spends with his supplier implies 2% fewer goods. So to keep volumes even at a no-growth level means buying 2% more inbound goods.

The AAR reports revenue unit counts grew by 2.3% year-over-year, implying no real (actual percent increase less inflation) growth for the year. The feds last week said the rate of change for inflation in November was 0.3% implying an annual rate north of 3%. So if such be the case, revenue units aren't growing at all. Not good.

North American Rail Traffic

Week 49, 2024 – Ended December 7, 2024

	This Week		Year-To-Date		
	Cars	vs 2023	Cumulative	Avg/wk[1]	vs 2023
Total Carloads	**331,101**	**-2.6%**	**15,858,812**	**323,649**	**-2.9%**
Chemicals	48,333	6.0%	2,297,825	46,894	3.3%
Coal	65,553	-11.6%	3,140,344	64,089	-13.3%
Farm Products excl. Grain, and Food	27,275	5.5%	1,284,975	26,224	3.2%
Forest Products	14,426	-6.4%	721,789	14,730	-1.4%
Grain	38,565	14.1%	1,591,503	32,480	4.8%
Metallic Ores and Metals	39,334	-5.6%	1,972,493	40,255	-5.0%
Motor Vehicles and Parts	24,160	-15.1%	1,186,262	24,209	-1.5%
Nonmetallic Minerals	38,587	-4.1%	1,998,224	40,780	-5.4%
Petroleum and Petroleum Products	22,463	-0.9%	1,075,733	21,954	6.8%
Other	12,405	3.7%	589,664	12,034	0.9%
Total Intermodal Units	**379,058**	**6.8%**	**17,056,276**	**348,087**	**7.5%**
Total Traffic	**710,159**	**2.2%**	**32,915,088**	**671,736**	**2.3%**

[1] Average per week figures may not sum to totals as a result of independent rounding.

The rate of inflation inflates the price of everything you need to run a railroad from diesel fuel to loco filters to tie plates. Then there are the cost-of-living payroll increases. So you need to increase revenue and carloads at a rate of change greater than the rate of inflation. And the best place to get those increases are from the truckers by increasing your competitive advantage to the customer.

Unfortunately, the Class Is remain mired in their pursuit of earnings-per-share gains and higher stock prices, as we — and the STB— have noted. Ergo, it's up to the connecting non-Class I railroads to add competitive advantage through superior first-mile/last-mile performance. And I think the best place to start is understanding your customers' supply chain needs and leaning on your connecting Class Is to improve trip plan compliance.

Rail analyst Rick Paterson's weekly *State of the Rails* report delves deeply into Class I operating metrics like Trains Held for Power, 48-hour car delays, yard dwell, system velocity, and more. Look at the transit times between O-D pairs for your customers' cars, find out the root cause of each delay, and work with the offending Class I to fix them.

Remember, the goal of this exercise is to get your revenue unit growth increasing at a rate of change greater than that of inflation. You don't care what the inflation rate *is*; you need to know the rate *of change* so you can get ahead of it.

This is the last Week in Review for 2024, its 25th year of weekly publication. It's been quite an education seeing how railroad technology, innovation, and operating practices have changed in the past quarter of a century. I'm looking forward to seeing how the industry cashes in on this progress, increasing the rate of change of railroad results while increasing competitive advantage for customers and *their* customers.

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