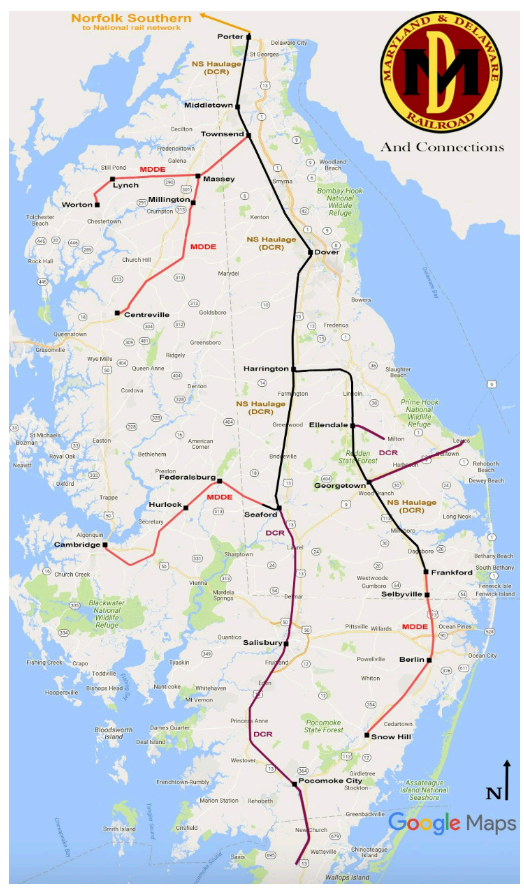
RAILROAD WEEK IN REVIEW

January 10, 2025

"Biden blocks Nippon's proposed acquisition of X. We reiterate our Overweight rating on standalone X based on its transformation into a more flexible and competitive steelmaker with increasing free cash flow generation. We update our PT to reflect our standalone valuation of $39/share. CIFUS rules that the Japanese company could make decisions in the future that jeopardize US steelmaking capacity and, as such, pose a national security concern to the nation." — Morgan Stanley Research, January 3

"Michigan State University's four-week Railway Management Certificate Program is the only North American program that covers the breadth and depth of the complex railway industry ecosystem from both a conceptual and practical business perspective. The program is aimed at individuals in the rail industry with the potential to become senior managers and leaders in their organizations." — RMCP 2025 Brochure

Western Pennsylvania's Carload Express has asked the STB for approval to acquire the Maryland & Delaware short line through the purchase of outstanding equity shares from parent company Old Line Holdings Inc. by Jan. 31, 2025.



MDDE operates three separate branches (orange lines on map), each interchanging separately with the 187-mile NS Delmarva Division, which is in turn leased to Carload, operating it as the Delmarva Central (DCR).

Carload itself is a non-carrier holding company that currently controls Allegheny Valley Railroad Company and Southwest Pennsylvania Railroad Company (Class IIIs that operate in southwestern Pennsylvania).

Key to this transaction is the extant Carload-NS lease that connects the three properties, essentially recreating the PRR properties that once had sleeper service New York-Norfolk via a car ferry across the mouth of Chesapeake Bay. Delmarva Central still lacks the last 96 miles (all in Virginia) run by the independent Bay Coast railroad to Cape Charles.

In its STB filing, Carload stipulates that it does not anticipate service level changes on the former MDDE lines. “The proposed transaction would not result in any shipper losing rail service or existing competitive options.” DCR becomes MDDE customers’ “sole physical link to the remainder of the national rail system and all traffic currently moving over MDDE also moves over DCR’s rail line, which would continue after Carload acquires control of MDDE.”

Registration is now open for Michigan State University/Center for Railway Research & Education’s (CRRE) flagship Railway Management Certificate Program (RMCP), which begins on April 28, 2025. There are four modules:

Module 1: Railway Business Administration, Strategy, and Leadership
April 28-May 2 | MSU Campus, East Lansing, MI
Module 2: Railway Regulation, Safety, and the Rail Industry
June 23-27 | Washington, DC & Newark, NJ
Module 3: Railway Technology, Research, and Development
September 8-12 | Pueblo, CO (potential inclusion of Fort Worth, TX)
Module 4: Railway Operations
November 3-7 | Chicago, IL (potential inclusion of Indianapolis, IN)

By way of background, this curriculum was initiated in 2007 and has benefited hundreds of graduates and their affiliated employers. The program is particularly beneficial in nurturing a “greenhouse of talent” for ongoing organizational “bench strength”. Participants glean learning experiences and diverse peer interactions that could not be readily realized from their normal work environments.

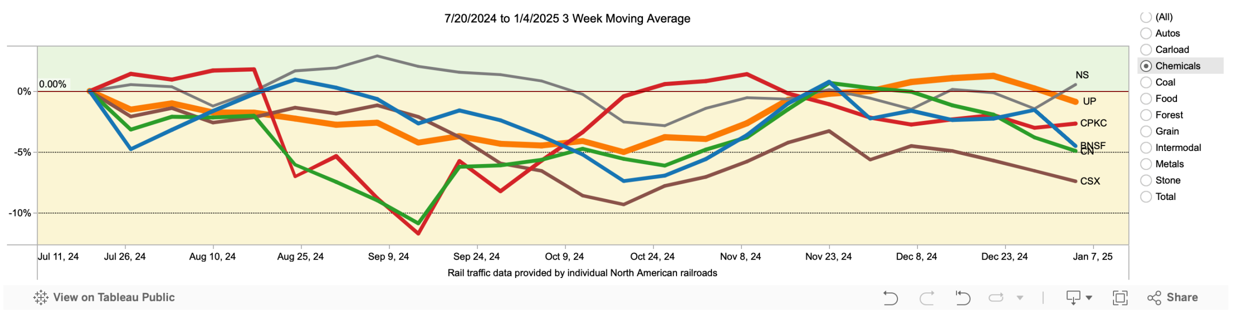
A good friend who is a retired Class I CEO — and one of the best operating officers I know — writes, “In essence I view the MSU/CRRE opportunity as a business tool for tactically developing personnel and strategically creating an investment for the future while advancing various educational initiatives involving the rail industry.

“The 2025 modules are currently being refined to offer additional educational values for any individual that associates with the rail industry directly or indirectly regardless of any public or private affiliation. Along with Val Kucherenko, Director of Railway Education, I look forward to further communication and certainly welcome the opportunity to field any questions from you and other colleagues having interest towards enrolling warranted candidates into this proven Program for 2025.”

This is a very high level programs and attracts the best ad the brightest from all areas of railroad interest. As a bonus, it’s a great opportunity to mingle with the C-Suites from your favorite Class Is and others. For further into, reach out to Val Kucherenko, Director Railway Education, Center for Railway Research & Education,Michigan State University — kucheren@broad.msu.edu.

Having a strong chemicals franchise can be quite worthwhile. The STCC 28 category is very inclusive, including everything from fertilizers to plastics and propane — even road salt. Therefore, knowing the relative importance of chemicals to your serving railroad can give you an inkling of how much attention you will get in setting up a move.

Here you can see that Norfolk Southern is at the top of the heap and CSX brings up the markers. Union Pacific is the stronger western road in this regard and the Canadians fall in the middle. I think the two main reasons the chemicals sectoris so profitable is that it generally moves in leased equipment so there is no car hire and so it can generate one of the higher revenue/variable cost multiples you find on the railroad.



Companies in the chemicals sector naturally want to run their business with as small a lease fleet as possible. Unfortunately, there are some railroads that seem to think there is no urgency in turning these cars because there is no car hire exposure. Such an attitude can cost one a chemicals customer where another location turns cars more quickly and therefore has a built-in competitive advantage over the slow car turner.