

RAILROAD WEEK IN REVIEW

March 7, 2025

“President Trump went ahead with the 25% tariffs against Canada and Mexico Tuesday. The North American Auto sector is about to head into the abyss and the space has powerful multiplier effects, both in the goods and services sectors. North American supply chains are about to go through the wringer and no business is going to be committing capital to the economy in this incredibly uncertain policy environment. If you think the tariff file is a nail-biter, just wait for what is going to come next on the issue of cobbling together a budget.” — Breakfast with Dave, March 4

“In less than a month, Donald Trump signed more executive orders than Joe Biden issued during his first 100 days. The flurry of edicts, on everything from border security, to energy policy, to starting (and ending) trade wars, has unleashed a chaotic burst of activity as his subordinates try to implement his orders. Opponents have already begun to file lawsuits in the hope of stopping some from going into effect.” — The Economist, March 4

For more than a quarter of a century I've tried not to get political in these pages. I fear the time has come to speak out. As an advocate for the non-class one railroad community I naturally look at commodities in terms of carloads and as I go down the AAR STCC list I find a number of areas of concern given the tariff gyrations of the new Washington crowd. Commodities at risk as of this nanosecond include...

Agriculture (export grains of all kinds, animal feed ingredients, grain mill products, such as sweeteners and oils, affecting vendors such as ATM and General Mills, fertilizers, farm equipment, fresh fruits and vegetables, and bio fuels to name a few), everything automotive related, aggregates and building materials, refined petroleum-based materials from LPG to nat gas to plastics, wood/paper, metals from mining to mill output.

Intermodal will be hammered in both domestic and international trade. Domestic because the general populace will have less money to spend on consumer goods from refrigerators to furniture, and all manner of imported goods from toys to solar panels. And when supply shrinks faster than demand you get inflation.

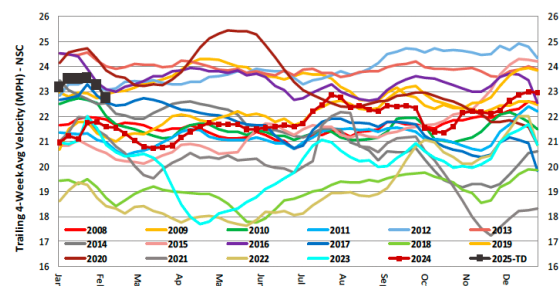
As for how we deal with these shifts in transportation patterns, it all comes back to my old standbys of heat and eat. You have to keep the lights on and the furnaces running, and you have to provide gasoline and ethanol for those ICEs still on the road and Diesel fuel for farm equipment and such over-the-road haulers as remain. Not to mention nat gas for fertilizer and what it takes to get it out of the ground.

We need to reduce transit times and that includes dwell, not only at intermediate yards, but also at feeder railroad interchanges. It will not do to have an overweight car sitting at a local class yard while the internal munchkins at the host railroad argue over who's responsible. You can't have yard managers kicking cars out of the yard irrespective of destination to keep cars moving and meet yard dwell targets set by management.

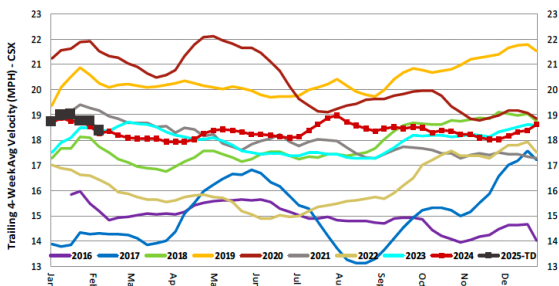
So there's work to be done on both sides. In operations, to keep the trains that are left running and running smoothly. In marketing/sales, making face-to-face sales calls once again to see what works and what doesn't work and what needs to be done to get and keep that business on the railroad.

You can get reliable charts on train speed, yard drill, and carload volumes from the reports Susquehanna's Bascome Majors puts out every week. Some samples —

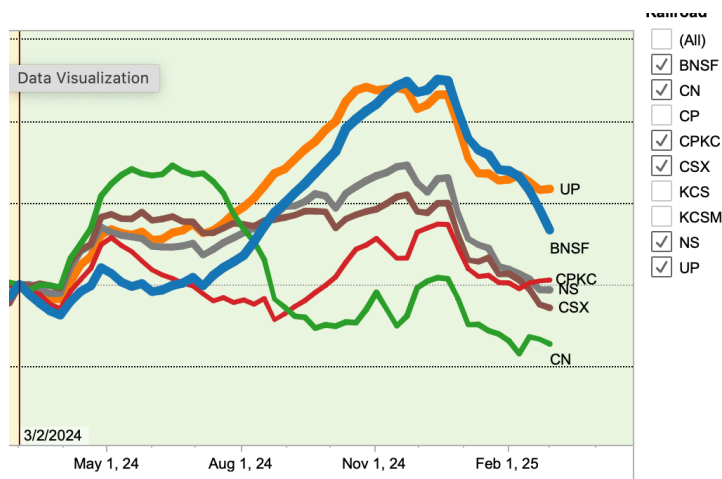
NSC TRAILING 4-WEEK AVG. VELOCITY



CSX TRAILING 4-WEEK AVG. VELOCITY



And if you want to drill down into specific railroads and commodities, there are always the RSI/Transmatch rail volume studies. For example, here are cyclical carloads (essentially everything on the non-Class Is — economically-sensitive commodities such as steel, aggregates and lumber):



The year 2024 was looking good — until election day, when the incoming administration began pontificating about tariffs on international goods and cutting everything left and right in the US. Note too, that the US rails took the biggest hit, particularly those heavily invested in intermodal transportation – BNSF and UP.

Canadian National and Iowa Northern Railway Company officially joined their operations on March 1, 2025, as previously authorized by the U.S. Surface Transportation Board. With the closing of this transaction, CN and Iowa Northern can begin integrating their two railroads to better serve customers, the Iowa economy and communities along the network.

The merging of Iowa Northern's 175 route miles with CN's nearly 20,000-mile rail network will offer single-line service to seamlessly connect grain, fertilizer, renewable fuels, and industrial markets to CN's North American network.

Says CN President Tracy Robinson, "This additional investment in the United States underscores our dedication to delivering outstanding rail service while driving economic growth. CN customers and partners along this network will benefit from single-line service offering new options and access to new markets."

To which Derek Taylor, Executive Vice-President and Chief Field Operating Officer, adds: "Today we celebrate this important milestone, as we welcome the Iowa Northern team into our CN family of railroaders. Both CN and Iowa Northern have built their reputations on putting safety first, and by delivering innovative, sustainable, and reliable transportation solutions to our customers."

I have visited the property a number of times and have known IANR president Dan Sabin for years. He and his team have built a magnificent franchise by getting to know their customers and finding ways for IANR to meet customer supply chain needs, from direct delivery to transload, scheduling "flights" of outbound unit trains to meet specific production requirements.

Sabin's relationship with Canadian National has always been very close, so this merger comes as no surprise. Both will do exceedingly well, I am sure. Tariffs be damned.

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