

## WEEKLY RAIL REVIEW

FOR THE WEEK ENDING FRIDAY, JANUARY 28, 2011

BY DAVE MEARS

(NOTE: In case it is helpful to anyone who may not have received the last edition sent due to it possibly having been caught in or deleted by a spam filter, please know that it was sent January 27, for the week ending January 21.)

### THE WEEK'S TOP RAIL AND TRANSIT NEWS (in chronological order):

(MON) Canadian National reported that it had reached tentative agreement on a new contract with the Canadian Autoworkers Union, averting a strike that had been set by the union for January 25. The CAW represents approximately 4,300 CN employees, including certain mechanical personnel, clerical and intermodal workers. CN said that the new contract would grant its CAW-represented employees wage and benefit increases. (ffd: CN RR, Trains)

(MON) Extreme cold weather, including temperatures down to or below single digits, impacted some rail operations in the Northeastern states, especially passenger trains. On Monday, signal and switching problems on the line between New York and Albany resulted in Amtrak canceling its Empire Service trains between those cities, with passengers rerouted via buses. In Boston, the Massachusetts Bay Commuter Railroad reported that 63 percent of its Monday trains were delayed. Numerous Long Island Railroad, Metro North, and New Jersey Transit trains were also delayed or canceled. (ffd: Trains, Washington Post)

(MON) Iowa Governor Terry Branstad suggested that he would be the next Republican governor to return federal high-speed rail funding. "I don't think we should be in the business of subsidizing passenger train service," Mr. Branstad said earlier. Iowa had received \$230 million in federal funding to launch a new Amtrak service between Chicago, the Quad Cities, and Iowa City. If effected, Mr. Branstad would be the third Republican governor to return federal high-speed rail funding, joining Ohio Governor John Kasich and Wisconsin Governor Scott Walker, both of whom killed new passenger rail projects in their respective states after taking office. Both governors sought to divert the funding to highway projects, but in both cases, the U.S. Department of Transportation rescinded the funding and allocated it to other states. (ffd: Des Moines Register, Trains)

(MON) The Association of America Railroads noted that approximately 67,000 rail workers, or approximately 30 percent of the rail industry workforce, would be eligible for railroad retirement in the next five years. AAR now features a section on their website called "Faces Of Freight Rail," which promotes railroading as a career. In a related story, and reflective of the continuing economic recovery, the Surface Transportation Board reported that the number of train and engine employees on Class I (i.e., the seven largest) railroads was 62,067 in December, 2010 versus 56,833 in December, 2009, an increase of 9.21 percent. (ffd: AAR, STB)

(TUE) In his State Of The Union address to Congress, President Obama stressed the need for infrastructure improvements, including high-speed rail. The president set as a goal to "within 25 years....give 80 percent of Americans access to high-speed rail, which could allow you to go places in half the time it takes to travel by car." He noted that "China is building faster trains...We have to do better...America is the nation that built the transcontinental railroad." The Washington public policy advocacy firm of Chambers, Conlon & Hartwell noted that Mr. Obama referred to "rail" eight times in his speech, the most mentions in a State Of The Union address in the last thirty years. (ffd: Bloomberg News, CC&H, NARP)

(TUE) New Jersey Transit officials told the U.S. Department of Transportation that they should not have to return the \$271 million in federal funding already spent on the new Hudson River rail tunnel project, which New Jersey Governor Chris Christie shut down earlier this year citing state budget constraints. In papers filed with the Federal Transit Administration, the agency said that the project was canceled due to circumstances beyond its control. New Jersey has projected an \$11 billion budget deficit for the next fiscal year, the third highest state deficit on a per capita basis, behind first place Nevada and second place Illinois. (ffd: Asbury Park Press, New York Times)

(TUE) Railinc, the Association of American Railroads subsidiary that manages industry systems and data, noted that its new Damaged and Defective Car Tracking System was now fully operational. The new web-based system replaces the defect card process for tagging and returning damaged and defective rail cars for repair, which Railinc said had been the process for doing this for approximately the last 125 years. (ffd: Railinc, Trains)

(WED) A winter storm that dumped a foot or more of snow as it worked its way up the Eastern Seaboard from Virginia to New England impacted passenger train operations in the region. On Thursday, Washington, DC commuter rail operator MARC canceled service on its Brunswick and Camden lines, and Metro North canceled service on New Canaan, Danbury and Waterbury Branches. Amtrak, New Jersey Transit and the Massachusetts Bay Commuter Railroad also had delayed or had to cancel numerous trains. Passenger train service in the region was largely back to normal by Friday. (ffd: NARP, Trains, Washington Post)

(THU) Sen. Jay Rockefeller (D-WV) reintroduced his bill to reauthorize the Surface Transportation Board, which aims to expand the STB and its regulatory scope. Although the bill was passed by his committee in the last Congress, it did not reach the Senate floor for debate and voting, and died at the end of the congressional session. Sen. Herb Kohl (D-WI) also reintroduced his bill to put railroads under the same anti-trust laws as other industries, a bill that was withdrawn in the last Congress. In a related story, the leadership of the House Transportation and Infrastructure Committee signed a letter opposing rail re-regulation. "Any policy change made by the [STB] which restricts the railroads' ability to invest, grow their networks and meet the nation's freight transportation demands will be opposed by the committee," stated its chair, Rep. John Mica (R-FL). (ffd: Congressional Quarterly, Journal of Commerce)

(THU) The House Transportation and Infrastructure Committee held a special session in New York City on high-speed rail and the Northeast Corridor. During the hearing, the committee's chair, Rep. John Mica (R-FL), said that "this 437-mile stretch of incredibly valuable real estate" is an example of the government wasting federal assets. He said that only by pulling in private investment could truly high-speed rail service be realized. Among those testifying at the hearing was Amtrak President Joseph Boardman, who countered that, "It is critical for the Northeast Corridor to remain a public asset...Amtrak was created by Congress precisely because the privately-owned railroads could no longer sustain the vital public service of intercity rail." The hearing was held in the old main waiting room of Grand Central Terminal, which hosts Metro North commuter trains, but technically is not part of the Northeast Corridor rail line. (ffd: AASHTO, Journal of Commerce)

(THU) The American Association of State Highway and Transportation Officials released a report noting that the states are moving forward with passenger rail. The AASHTO report said that 29 states and the District of Columbia received grants for high-speed and intercity passenger rail projects from the federal American Recovery and Reinvestment Act, and that the Federal Railroad Administration had given authorization to proceed on nearly \$4.3 billion in projects in these states within the first year. (ffd: AASHTO)

(THU) The Chicago Transit Authority, which has had to reduce transit service over the last year attendant with decreases in supporting state funding, nevertheless reported that its subway and elevated train ridership increased 4 percent to 210.8 million trips in 2010. The CTA's total bus, subway and elevated ridership decreased slightly, by 0.8 percent. CTA noted that, in the last ten years, its subway and elevated ridership has increased by 19.6 percent and its total transit ridership has increased by 7.8 percent. (ffd: Progressive Railroading)

(FRI) Amtrak announced that it would relocate out of Denver Union Station effective February 1 to allow for completion of a \$484 million project to rebuild the station complex into a multimodal transportation facility. Amtrak said that it will relocate its Denver stop to a site west of Coors Field in the downtown area. Amtrak said that it would relocate back to Union Station upon completion of the rebuilding project in 2014. (ffd: Progressive Railroading)

(FRI) Philadelphia commuter rail and transit operator SEPTA announced that it would borrow \$427 million for capital projects. These projects include \$175 million to replace its present token-based system with an electronic farecard system, and \$252 million to pay for 120 new self-propelled commuter rail cars and a necessary rebuilding of its 110-year-old Wayne Junction commuter rail car maintenance facility. The \$427 million is the largest debt burden the agency has ever taken on, but SEPTA General Manager Joseph Casey said that the debt would not require an increase in fares. (ffd: Philadelphia Inquirer)

STATS – CLASS 1 RAIL TRAFFIC:

(THU) The Association of American Railroads reported that, for the week ending January 22, 2011 and ranked with the comparable week last year:

- U.S. carload rail traffic totaled 282,837 units, up 1.5 percent
- U.S. intermodal rail traffic totaled 213,206 units, up 6.2 percent
- Canadian carload rail traffic totaled 65,842 units, down 10.1 percent
- Canadian intermodal rail traffic totaled 45,659 units, up 3.2 percent
- Mexican carload rail traffic totaled 14,872 units, up 1.7 percent
- Mexican intermodal rail traffic totaled 6,460 units, down 2.6 percent

For the period January 1 through 22, 2011:

- U.S. carload rail traffic totaled 851,146 units, up 9.2 percents
- U.S. intermodal rail traffic totaled 640,357 units, up 6.8 percent
- Canadian carload rail traffic totaled 206,760 units, down 3.3 percent
- Canadian intermodal rail traffic totaled 132,902 units, up 1.3 percent
- Mexican carload rail traffic totaled 42,795 units, up 3.9 percent
- Mexican intermodal rail traffic totaled 19,469 units, down 0.1 percent

NOTE: Canadian counts include traffic from the U.S. operations of the two Canadian-based Class I railroads, Canadian National and Canadian Pacific Railway.

STATS – FOURTH QUARTER 2010 AND FULL YEAR 2010 RESULTS:

(MON) For the Fourth Quarter 2010 and compared with the Fourth Quarter 2009, CSX reported:

- Revenues of \$2.186 billion versus \$2.320 billion earlier, an increase of 21 percent
- Operating income of \$846 million versus \$579 million earlier, an increase of 46 percent
- Net income of \$430 million versus \$303 million earlier, an increase of 42 percent
- Operating ratio of 70.0 percent versus 75.0 percent earlier, an improvement of 5 percentage points

For the Full Year 2010 and compared with the Full Year 2009, CSX reported:

- Revenues of \$10.636 billion versus \$9.041 billion earlier, an increase of 18 percent
- Operating income of \$3.071 billion versus \$2.270 billion earlier, an increase of 35 percent

- Net income of \$1.563 billion versus \$1.143 billion earlier, an increase of 37 percent
- Operating ratio of 71.1 percent versus 74.9 percent earlier, an improvement of 3.8 percentage points

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(TUE) For the Fourth Quarter 2010 and compared with the Fourth Quarter 2009, Canadian National reported:

- Revenues of C\$2.117 billion versus C\$1.882 billion earlier, an increase of 12.5 percent
- Operating income of C\$774 million versus C\$653 million earlier, an increase of 18.5 percent
- Net income of C\$503 million versus C\$582 million earlier, a decrease of 13.6 percent (NOTE: This reflects the effects of a line sale and a deferred income tax recovery)
- Operating ratio of 63.4 percent versus 65.3 percent earlier, an improvement of 1.9 percentage points

For the Full Year 2010 and compared with the Full Year 2009, Canadian National reported:

- Revenues of C\$8.297 billion versus C\$7.367 billion earlier, an increase of 12.6 percent
- Operating income of C\$3.024 billion versus C\$2.406 billion earlier, an increase of 25.7 percent
- Net income of C\$2.104 billion versus C\$1.854 billion earlier, an increase of 13.5 percent
- Operating ratio of 63.6 percent versus 67.3 percent earlier, an improvement of 3.7 percentage points

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(TUE) For the Fourth Quarter 2010 and compared with the Fourth Quarter 2009, Norfolk Southern reported:

- Revenues of \$2.392 billion versus \$2.106 billion earlier, an increase of 13.6 percent
- Operating income of \$642 million versus \$549 million earlier, an increase of 16.9 percent
- Net income of \$402 million versus \$307 million earlier, an increase of 30.9 percent
- Operating ratio of 73.2 percent versus 74.2 percent earlier, an improvement of 1 percentage point

For the Full Year 2010 and compared with the Full Year 2009, Norfolk Southern reported:

- Revenues of \$9.516 billion versus \$7.969 billion earlier, an increase of 19.4 percent
- Operating income of \$2.676 billion versus \$1.962 billion earlier, an increase of 36.4 percent
- Net income of \$1.496 billion versus \$1.034 billion earlier, an increase of 44.7 percent
- Operating ratio of 71.9 percent versus 76.9 percent earlier, an improvement of 5 percentage points

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(WED) For the Fourth Quarter 2010 and compared with the Fourth Quarter 2009, Canadian Pacific reported:

- Revenues of C\$1.294 billion versus C\$1.143 billion earlier, an increase of 13.2 percent
- Operating income of C\$297 million versus C\$167 million earlier, an increase of 77.8 percent
- Net income of C\$186 million versus C\$146 million earlier, an increase of 27.4 percent
- Operating ratio of 77.0 percent versus 80.6 percent earlier, an improvement of 3.6 percentage points

For the Full Year 2010 and compared with the Full Year 2009, Canadian Pacific reported:

- Revenues of C\$4.981 billion versus C\$4.402 billion earlier, an increase of 13.2 percent
- Operating income of C\$1.116 billion versus C\$830 million earlier, an increase of 34.4 percent
- Net income of C\$651 million versus C\$550 million earlier, an increase of 18.4 percent
- Operating ratio of 77.6 percent versus 81.7 percent earlier, an improvement of 4.1 percentage points

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(THU) For the Fourth Quarter 2010 and compared with the Fourth Quarter 2009, Kansas City Southern reported:

- Revenues of \$479 million versus \$407 million earlier, an increase of 17.7 percent
- Operating income of \$135 million versus \$92 million earlier, an increase of 46.8 percent
- Net income of \$52 million versus \$32 million earlier, an increase of 62.5 percent
- Operating ratio of 71.8 percent versus 77.3 percent earlier, an improvement of 5.5 percentage points

For the Full Year 2010 and compared with the Full Year 2009, Kansas City Southern reported:

- Revenues of \$1.815 billion versus \$1.480 billion earlier, an increase of 22.6 percent
- Operating income of \$487 million versus \$267 million earlier, an increase of 82.4 percent
- Net income of \$169 million versus \$56 million earlier, an increase of 201.7 percent
- Operating ratio of 73.2 percent versus 82.0 percent earlier, an improvement of 8.8 percentage points

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NOTE: As it is now privately held – by Warren Buffett’s Berkshire Hathaway firm – BNSF is no longer required by U.S. Security & Exchange Commission rules to publicly report detailed financial data.

EXPANSIONS, CONTRACTIONS AND ALIKE:

(MON) BNSF announced plans to build a multi-function rail terminal in Trenton, ND. The new terminal, designated the Trenton Railport, will serve the Bakken Formation oil fields, also known as the Bakken Shale. BNSF said that inbound traffic to the terminal will include piping and frac sand, and outbound traffic may include unit trains of crude oil. (ffd: Progressive Railroading)

(TUE) The Cleveland Commercial Railroad said that it will reopen an industrial track serving several industries in Cleveland and Bedford, OH that had been overgrown with trees and vegetation, and largely forgotten about. "We would go by on our line and not even have any idea it was there," said a railroad spokesman. The Ohio Rail Development Corporation said the previous week that it would contribute grants and loans to assist in the rehabilitation of the line. (ffd: Cleveland Plain Dealer, Trains)

#### APPOINTMENTS, ACHIEVEMENTS AND MILESTONES:

(MON) Florida East Coast Railway appointed Joel Haka its executive vice president and chief operating officer. Mr. Haka's career has focused in maritime operations, where he was earlier senior vice president of P&O Nedlloyd. (ffd: Progressive Railroading)

(MON) Railway Age named Norfolk Southern CEO Charles "Wick" Moorman its Railroader Of The Year. The magazine said that Mr. Moorman was recognized for reasons that include having provided "...the leadership that enabled Norfolk Southern to make great strides in areas that are critical to the future of the rail industry." (ffd: Railway Age)

#### CORRECTIONS:

In the last edition, which was for the week ending January 21, I referred to new head of the House Railroad Subcommittee, but did not fully identify him. He is Rep. Bill Shuster (R-PA).

Also in the last edition, I referred to "Western Kentucky [having] filed to abandon all five of its remaining lines." This did not mean to refer to the state, but rather to the Western Kentucky Railway.

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BE SAFE AND PROSPER,

Dave Mears