

WEEKLY RAIL REVIEW

FOR THE WEEK ENDING FRIDAY, OCTOBER 30, 2009

BY DAVE MEARS

(Note: As this issue was being readied for distribution, word was received that Warren Buffett's Berkshire Hathaway has purchased a significant interest in BNSF. A full summary will be included in next week's edition.)

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

(SUN) Amtrak debuted its news website. Additional to upgraded graphics, the website now features a simplified booking process that combines the schedule search, reservation and train status functions into a single menu. Link to the new website at <http://www.amtrak.com>. (ffd: Amtrak)

(MON) Congressional Quarterly reported that U.S. Senate principals were backing away from an 18-month extension of the expired SAFETEA-LU transportation law and instead favoring a six-month extension. The change was reported to be rooted in the perceived need for additional job creation efforts. House Transportation & Infrastructure Committee Chair James Oberstar (D-MN) has already introduced legislation calling for \$500 billion in federal transportation funding over six years. (ffd: CQ Today)

(MON) The Philadelphia Phillies, the National League champions, rode a special Amtrak train to New York for their first World Series game with the New York Yankees, the American League champions. Later in the week, the Yankees rode a special Amtrak train to Philadelphia for World Series games there. The locations of the two cities on the Northeast Corridor has led some to call this the "Acela Series" or the "Amtrak Series," although New Jersey Transit issued a press release during the week calling it the "NJ Transit Series." (ffd: Amtrak, Daily Record, wire services)

(MON) In response to pleas from communities along the route of the former Elgin, Joliet & Eastern Railway, the Surface Transportation Board agreed to increase its oversight of the absorption of the EJ&E by the Canadian National. The STB said that it would require monthly activity reports related to 17 trackage rights agreements recently implemented by CN that involve EJ&E routes. (ffd: Chicago Tribune)

(MON) Further the increased industry concern over the practicalities and expense of implementing Positive Train Control (PTC), as called for by last year's Railway Safety Improvement Act, Amtrak reported to the Federal Railroad Administration that the cost of installing PTC in at least 12 states "may be so high as to not be undertaken and therefore result in the elimination of Amtrak service." Amtrak's comments were reported in the Wall Street Journal, which also quoted BNSF CEO Matt Rose as saying, "We're not saying to be let out of this. All we're saying is that the [Office of Management and Budget] and FRA ought to use some cost-benefit analysis." Mr. Rose suggested that the PTC mandate possibly be applied only in certain high-risk areas. (ffd: Wall Street Journal, Trains)

(MON) The Rail-Shipper Transportation Advisory Council (RSTAC), a roundtable committee of the Surface Transportation Board, released a rare "white paper" report endorsing increased access to reciprocal switching, but also stating that it could not agree on issues such as increased mandates to quote rates. The report also urged Congress not to detrimentally alter the business and regulatory practices that have emerged since the passage of the Staggers Act in 1980. (ffd: Journal of Commerce, STB)

(MON) Further concerning Los Angeles commuter rail operator Metrolink's ongoing project to install internally-facing cameras in the cabs of its locomotives and control cars, the Brotherhood of Locomotive Engineers and Trainmen filed suit to halt these

installations. In its filing, the BLET called the cameras “an invasion of privacy” that violated federal law as well as the terms of its contract. A Metrolink spokesman responded that it was disappointed that the BLET “has taken this action instead of supporting...efforts to advance the safety of passenger train service.” (ffd: Simi Valley Acorn, wire services)

(MON) Further its earlier determination that the 2008 rail industry cost of capital was 11.75 percent, the Surface Transportation Board reported only Norfolk Southern to be revenue adequate and that all other U.S. Class 1 railroads were reckoned revenue inadequate. The STB noted that a railroad is considered revenue adequate when it achieves a rate of return on net investment (ROI) equal to at least the current cost of capital for the rail industry. (ffd: STB)

(MON) Norfolk Southern and Union Pacific announced a new joint train service they called the “Gulf Coast Flyer.” The new service is designed for “safe transport of chemicals” between the UP-served Southern Texas and Louisiana regions and Norfolk Southern destinations across the U.S. Northeast and Southeast. The next day, CSX announced its own coordinated train service with UP, “RailChem Connect,” which it said was designed “to coordinate and expedite chemical transport within the Texas Gulf Coast region and the Southeast.” (ffd: CSX RR, Railway Age, UP RR)

(TUE) In a new initiative for them, the Pew Charitable Trusts issued a report stating that Amtrak lost \$32 per passenger and that 41 of 44 of its routes lost money. The report was publicized by a number of media outlets. The National Association of Railroad Passengers denounced the Pew report as “truly bizarre” and released a detailed examination as to why its calculations were faulty. (ffd: NARP)

(TUE) The U.S. Department of Transportation convened its first-ever safety council meeting. The agency’s ten operating administrations were represented, including the Federal Railroad Administration and the Federal Transit Administration. A USDOT spokesman said that the council would work to share safety data, best practices and strategies. (ffd: Progressive Railroading)

(WED) San Francisco’s Bay Area Rapid Transit subway system said that it had a 49 percent increase this date in travel between Oakland and San Francisco. The increase follows the temporary closure of the San Francisco Bay Bridge, which links the two cities. The closure was the result of a 5,000-pound piece of metal unexpectedly falling off the bridge, which is presently undergoing a multi-year, multi-billion dollar rehabilitation to make it more earthquake-resistant. (ffd: Trains)

(WED) Further the earlier announcement that Amtrak would take over the operation of Metrolink commuter trains from Connex, a spokesman for the California Regional Rail Authority, which oversees Metrolink, said that it would sign a four-year contract with Amtrak effective July 1, 2010, and that the contract would include options for two three-year extensions. An Amtrak spokesman said that it would start working on preparations necessary to assume operations within the next two weeks. (ffd: Progressive Railroading)

(THU) The Los Angeles County Metropolitan Transportation Authority said that its new Gold Line light rail line would start revenue service on November 15. The six-mile line, which runs from Los Angeles Union Station to East Los Angeles, features eight new stations, two of which are underground. The extension will increase the size of Los Angeles’s light rail system to 79 route miles, all of which was built during the last 20 years. (ffd: Progressive Railroading)

(THU) The Wall Street Journal reported that the Dow Jones Transportation Average had gained 84 percent in value since March 9. The average includes railroads BNSF and Union Pacific, package carrier United Parcel Service, fleet firms GATX and Ryder System, and the airline JetBlue. (ffd: Wall Street Journal)

(THU) Amtrak released its new “Strategic Guidance and Five-Year Plan.” In a prepared statement, Amtrak said that the plan “aims to continue the solid ridership growth seen in recent years and position itself to maximize this historic moment in federal and state support for more passenger rail service, including the development of high-speed corridors. The plan is available online at <<http://www.amtrak.com/>>www.amtrak.com. (ffd: Amtrak)

(THU) Oregon's Westside Express (WES) commuter rail service announced that it had acquired three rail diesel cars (RDCs) from the Alaska Railroad for \$150,000. The three RDCs were built in 1953 by the former Budd Company. A WES spokesman said that the three cars will be refurbished and then put into service as backup to its three Colorado Railcar diesel multiple unit cars (DMUs), which has suffered recurrent mechanical problems, often forcing bus service to be substituted. (ffd: Railway Age)

(FRI) The National Mediation Board, which oversees rail and airline labor matters, said that it would propose changes related to union representation votes. Under the current interpretation of the Railway Labor Act, any employees who don't vote on union representation are counted as "no" votes, meaning that a union can't be approved without a full majority of all employees voting in favor of it. Under the proposed changes, union representation could be established with a majority of all votes cast in favor or organizing. (ffd: Wall Street Journal)

#### STATS:

(THU) For the week ending October 24, 2009, U.S. carload rail traffic grand totaled 31.1 billion ton-miles, down 13.4 percent from the comparable week last year. U.S. carload rail traffic was down 14.8 percent, down that amount in both the East and the West. Grain mill products were up 9.6 percent and grain was up 6.2 percent, and all other commodity groups saw declines. Also for the week, U.S. intermodal rail traffic was down 10.1 percent, Canadian carload rail traffic was down 9.9 percent, Canadian intermodal rail traffic was down 13.0 percent, Mexican carload rail traffic was down 2.0 percent, and Mexican intermodal rail traffic was down 6.5 percent.

For the period January 1 through October 24, 2009, U.S. carload rail traffic grand totaled 1.2 trillion ton-miles, down 17.1 percent from the comparable period last year. Also for this period, U.S. carload rail traffic was down 18.0 percent, U.S. intermodal rail traffic was down 16.4 percent, Canadian carload rail traffic was down 21.4 percent, Canadian intermodal rail traffic was down 15.9 percent, Mexican carload rail traffic was down 12.6 percent, and Mexican intermodal rail traffic was down 17.5 percent. (ffd: AAR)

(NOTE: Canadian traffic totals include those of the U.S. operations of Canadian Pacific Railway and Canadian National.)

#### STATS CONTINUED – THIRD QUARTER, 2009 RESULTS:

(TUE) For the 3rd Qtr., 2009 and comparing with the 3rd Qtr., 2008, Canadian Pacific reported net income of C\$195.4 million compared with C\$170.7 million earlier, a decline of 14.5 percent; operating income of C\$261.2 million compared with C\$299.8 million earlier, a decline of 12.9 percent; and revenues of C\$1.088 billion, compared with C\$1.265 billion earlier, a decline of 14.0 percent. CPR's operating ratio this third quarter was 76.0 percent, compared with 76.3 percent their last third quarter. (ffd: CPR RR)

(WED) For the 3rd Qtr., 2009 and comparing with the 3rd Qtr., 2008, Norfolk Southern reported net income of \$303 million compared with \$520 million earlier, a decline of 41.7 percent; operating income of \$562 million compared with \$894 million earlier, a decline of 37.1 percent; and revenues of \$2.063 billion compared with \$2.894 billion earlier, a decline of 28.7 percent. NS's operating ratio this third quarter was 72.8 percent, compared with 69.1 percent their last third quarter. (ffd: NS RR)

(WED) For the 3rd Qtr., 2009 and comparing with the 3rd Qtr., 2008, Kansas City Southern reported net income of \$29.0 million compared with \$51.7 million earlier, a decline of 43.9 percent; operating income of \$84.4 million compared with \$111.0 million earlier, a decline of 24.0 percent; and revenues of \$386.1 million compared with \$491.5 million earlier, a decline of 21.4 percent. KCSR's operating ratio this third quarter was 78.1 percent, compared with 87.3 percent their last third quarter. (ffd: KCS RR)

EXPANSIONS, CONTRACTIONS AND ALIKE:

None of note this week.

APPOINTMENTS, ACHIEVEMENTS AND MILESTONES:

(TUE) The Association of American Railroads announced Paul Kurzanski, a manager of environmental remediation for CSX, as the winner of its 2009 North American Environmental Excellence Award. Mr. Kurzanski was recognized for achievements that included the successful management of approximately 125 environmental projects during his career and, also, the development of CSX's Environmental Leased Property Review and Lab Management programs. (ffd: CSX RR)

(TUE) The American Association of State Highway and Transportation Officials (AASHTO) announced election of Larry "Butch" Brown as its president and Susan Martinovich as its vice-president. Mr. Brown is currently the Executive Director of the Mississippi Department of Transportation and Ms. Martinovich is currently a director of the Nevada Department of Transportation. (ffd: AASHTO)

(TUE) The New York Times reported the passing of John Meyer on October 20. Mr. Meyer had been called "the father of transportation of economics," and was the author or co-author of numerous transportation studies, including two landmark books, "The Economics of Competition in the Transportation Industry" and "The Urban Transportation Problem." (ffd: New York Times)

(FRI) The short line holding conglomerate OmniTRAX announced four appointments: Darcy Brede as senior vice-president and chief operating officer; Larry Bush as senior vice-president and chief financial officer; Mike Ogborn as managing director of government and public affairs; and Kimberley MacMillan as VP-Human Resources. (ffd: OmniTRAX)

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Dave Mears

Cherry Hill, NJ