



RAILROAD WEEKLY

The State of North America's Freight Railroad Industry

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Thurs., Feb. 23, 2023

CILTNA Presentation



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A Quick Word About the Norfolk Southern Ohio Incident

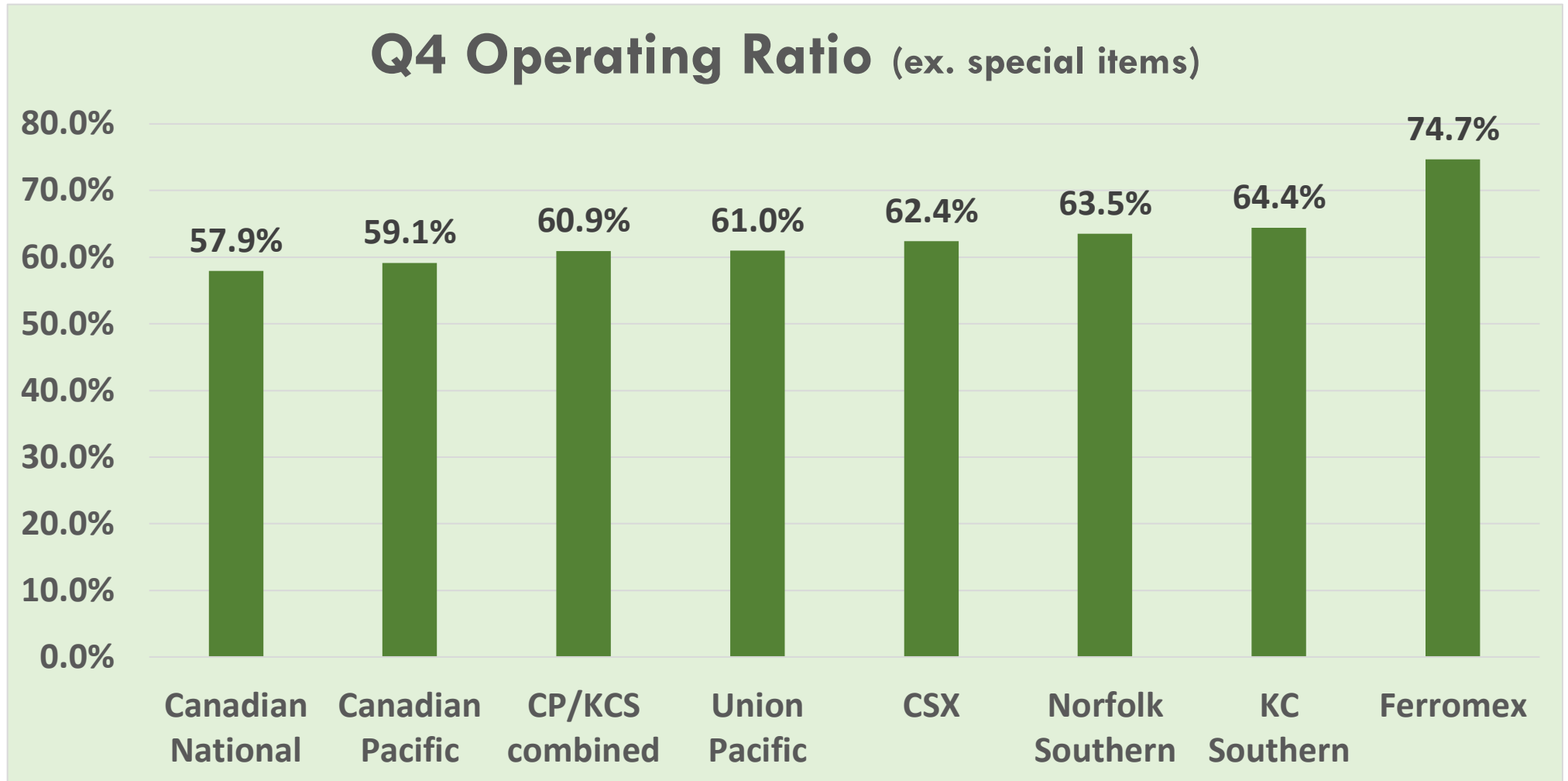


Railroads: A Super-Brief History

- First railroads appear in the U.S. during the 1820s
- Completely reshape the post-Civil War economy
 - Creates a unified national market
 - Introduces modern methods of corporate organization and management
 - Gives birth to new cities and towns
- Symbiotic relationship with steel companies and coal mines; also critical to farmers
- Fostered intense debates about capitalism, labor relations, federal oversight
- Industry briefly nationalized during World War I
- 20th century threats: planes, cars, trucks, and federally funded highways
- 1960s/70s distress, passenger business a drag, leads to major policy changes
 - Creation of Conrail and Amtrak, The 1980s Staggers Act
- Consolidation, globalization & the development of container shipping



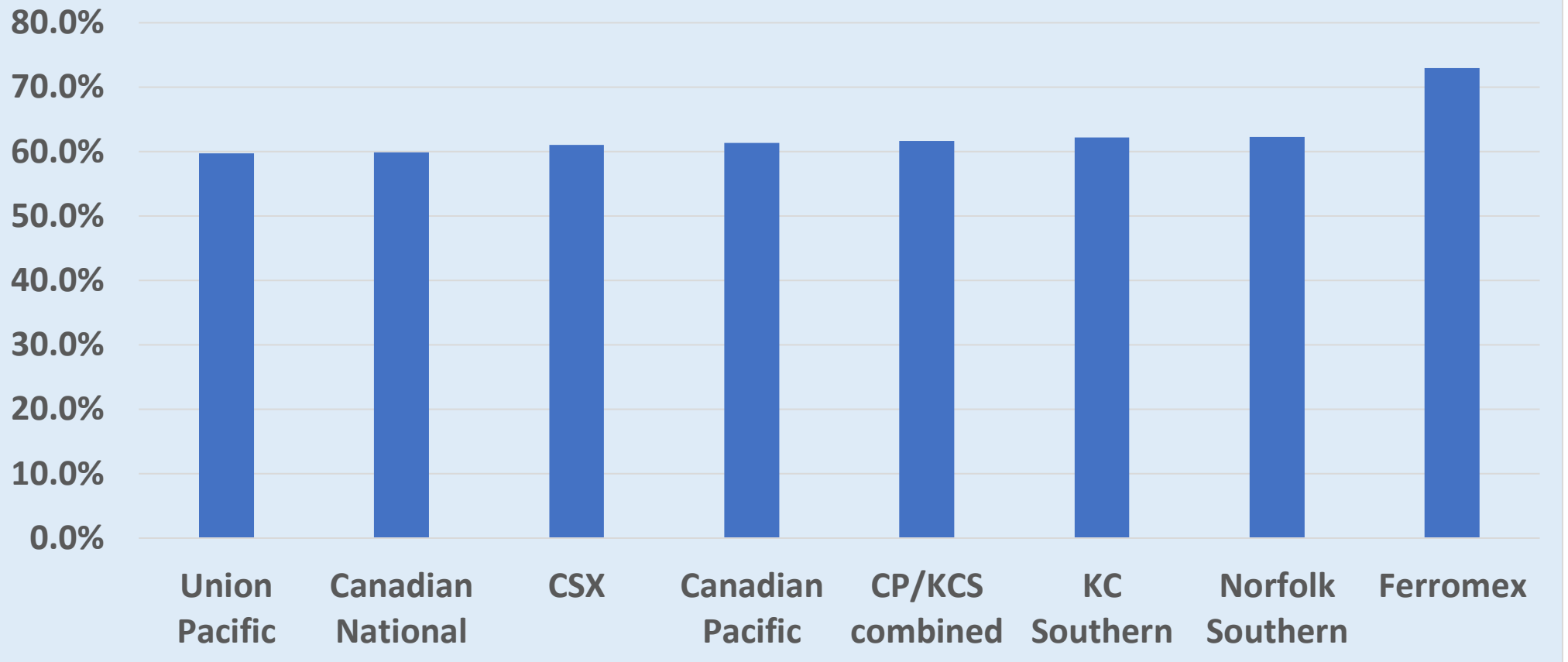
North American Railroads: Who's Who?





North American Railroads: Who's Who? (BNSF not shown)

FULL YEAR 2022 Operating Ratio (ex. special items)

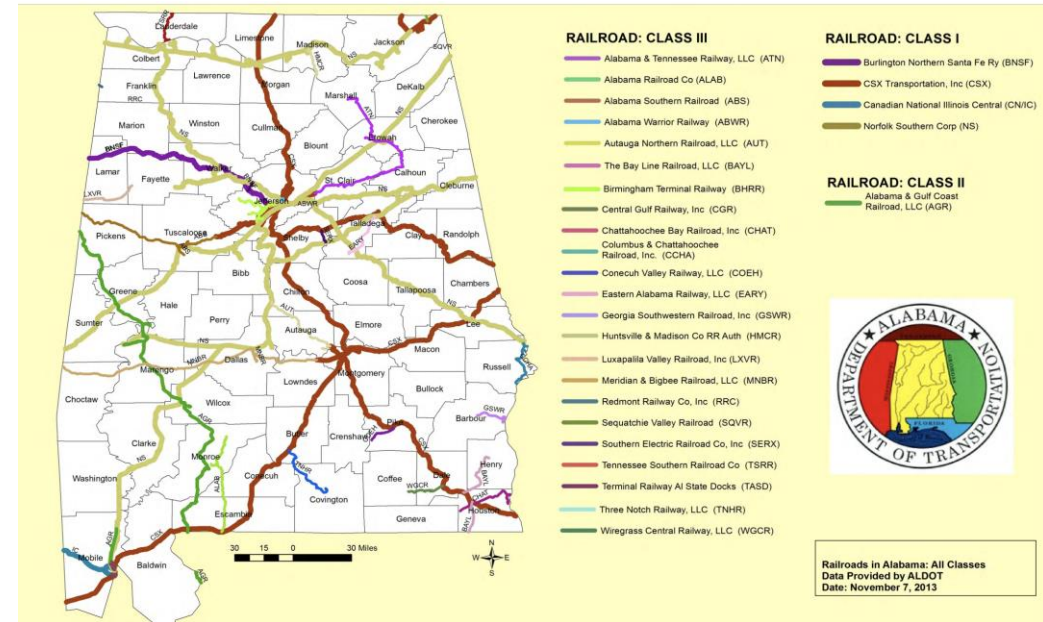




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Other Key Stakeholders

- Shortline railroads
- Industry Suppliers
- Shippers
- Intermodal Partners
- Regulators (STB, FRA)
- Unions
- Communities
- Amtrak/commuter rails





State of the U.S. Economy



- Very Strong Job Market
- Solid consumer spending
- Plenty of large sectors doing very well, i.e., travel, agriculture
- License to kill (I'll explain!)
- Inflation too hot for comfort
- A frozen housing market, weakness in the IT sector

Keep an eye on energy prices!



North American Rail Traffic in 2022

source: AAR

	2022 carloads/units	vs. 2021
intermodal	17,838,641	-4%
coal	3,825,294	3%
chemicals	2,358,328	0%
nonmetallic minerals	2,174,476	4%
metallic ores and metals	2,151,803	-3%
grain	1,676,919	-5%
farm products (ex grain) & food	1,283,614	-1%
motor vehicles and parts	1,136,034	6%
petroleum and petroleum products	1,037,388	0%
forrest products	817,252	-4%
other	597,291	-7%
total rail freight	34,897,040	-2%



A Turbulent Start to the 2020s

- Covid shock in 2020, freight demand craters but then revives more quickly and forcefully as expected
- Leads to Supply Chain bottlenecks as goods economy booms and labor in short supply
- 2022: economy slows, housing and IT likely in recession; still lots of demand, beyond what railroads could handle due to overshooting on layoffs; rehiring frenzy but can't address problem overnight
- By late 2022, rail service starts to improve but demand starts to wane



2023 Outlook: A Mixed Picture



- Most bulk traffic/commodities still holding up well (i.e., good grain harvests)
- Auto production recovering
- Service and fluidity improving
- Nearshoring/offshoring?
- “Three C” tailwind for intermodal
- Economy still holding up fairly well
- Infrastructure spend
- Renewable fuels/biofuels, transition to green economy
- Pricing power



- Intermodal weakening (consumer spending, import drop, lower truck rates, etc.)
- Housing market weak
- Coal in its twilight
- Paper products weak
- Chemicals showing recent signs of weakness
- Regulatory risk?
- Labor deal done but still tensions (sick days, one-person crew, etc.)
- Cost inflation



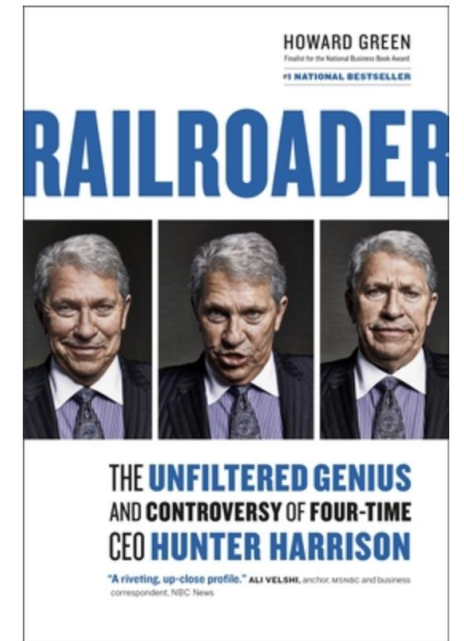
Giant Question

- Can Railroads Grow Volumes?
 - Coal Fading Away
 - Recent intermodal growth record not terribly impressive
- Railroads say:
 - Demand will grow as service improves
 - We were leaving business on the table
 - Nearshoring/offshoring, new investment
 - Many rail advantages: cost, ESG, strong finances



Other Topics

- Precision Scheduled Railroading
- The CP/KCS Merger
- New technologies/crew size
- Future Staffing Strategies
- Changing of the Guard
- Shortline consolidation





Questions?

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