

Railroads and Macro-Economics

Economic Outlook Conference

Wichita, Kansas

October 6, 2011



**ASSOCIATION OF
AMERICAN RAILROADS**



Assn. of American Railroads

www.aar.org



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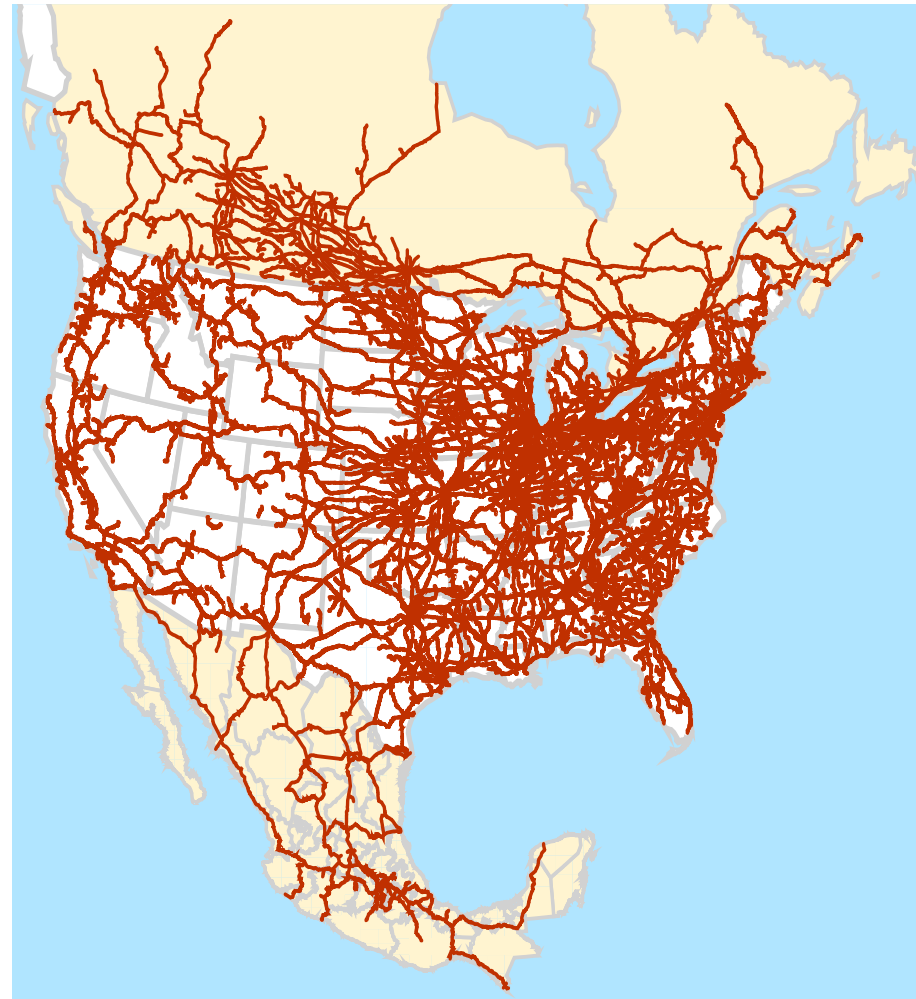
CANADIAN
PACIFIC





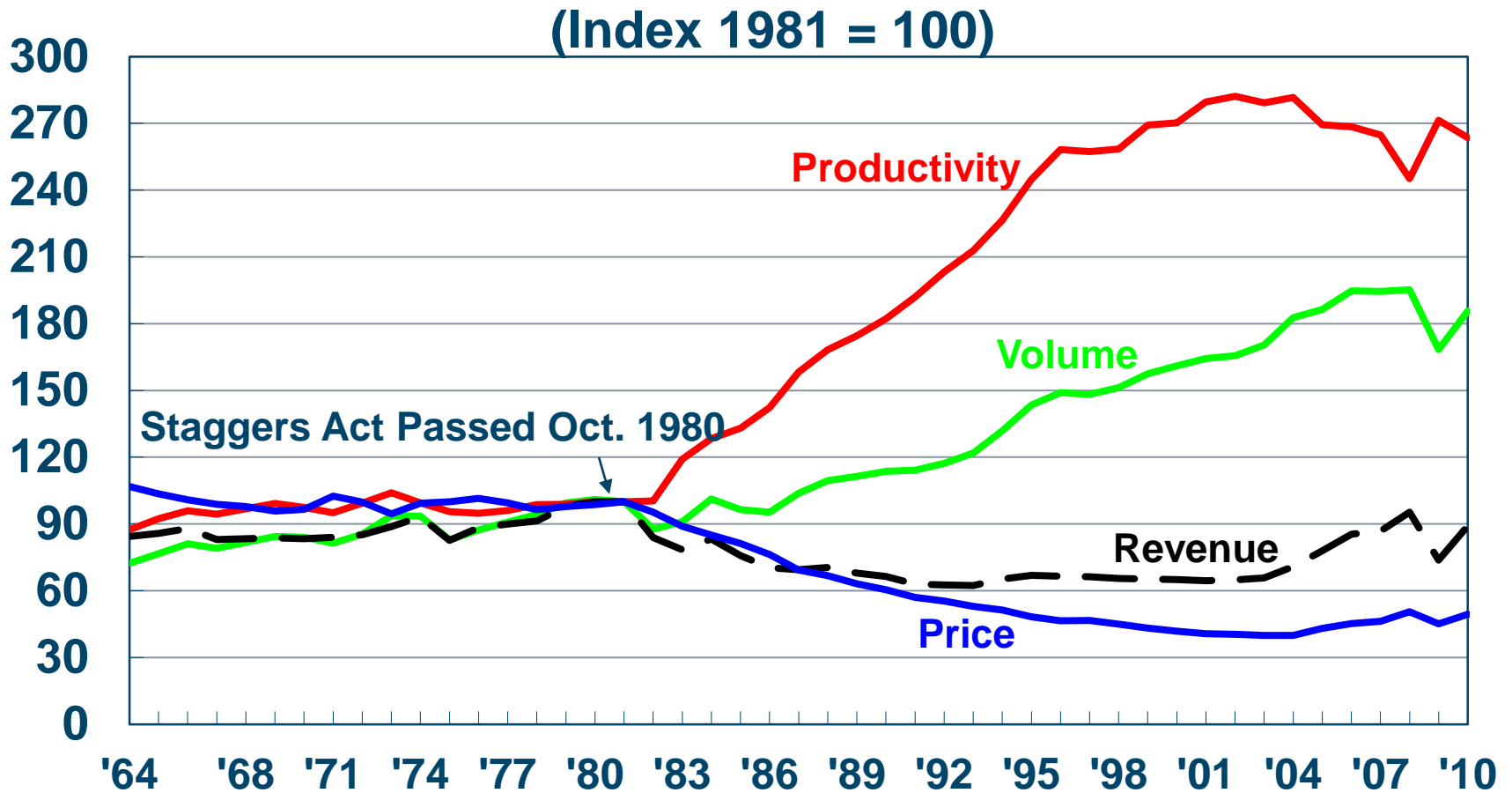
Integrated With Mexico and Canada

- ~140,000 route-miles in U.S., ~40,000 in Canada & Mexico (370,000 km)
- 1.6 million freight cars
- 31,000 locomotives
- Seamless across borders except for Customs





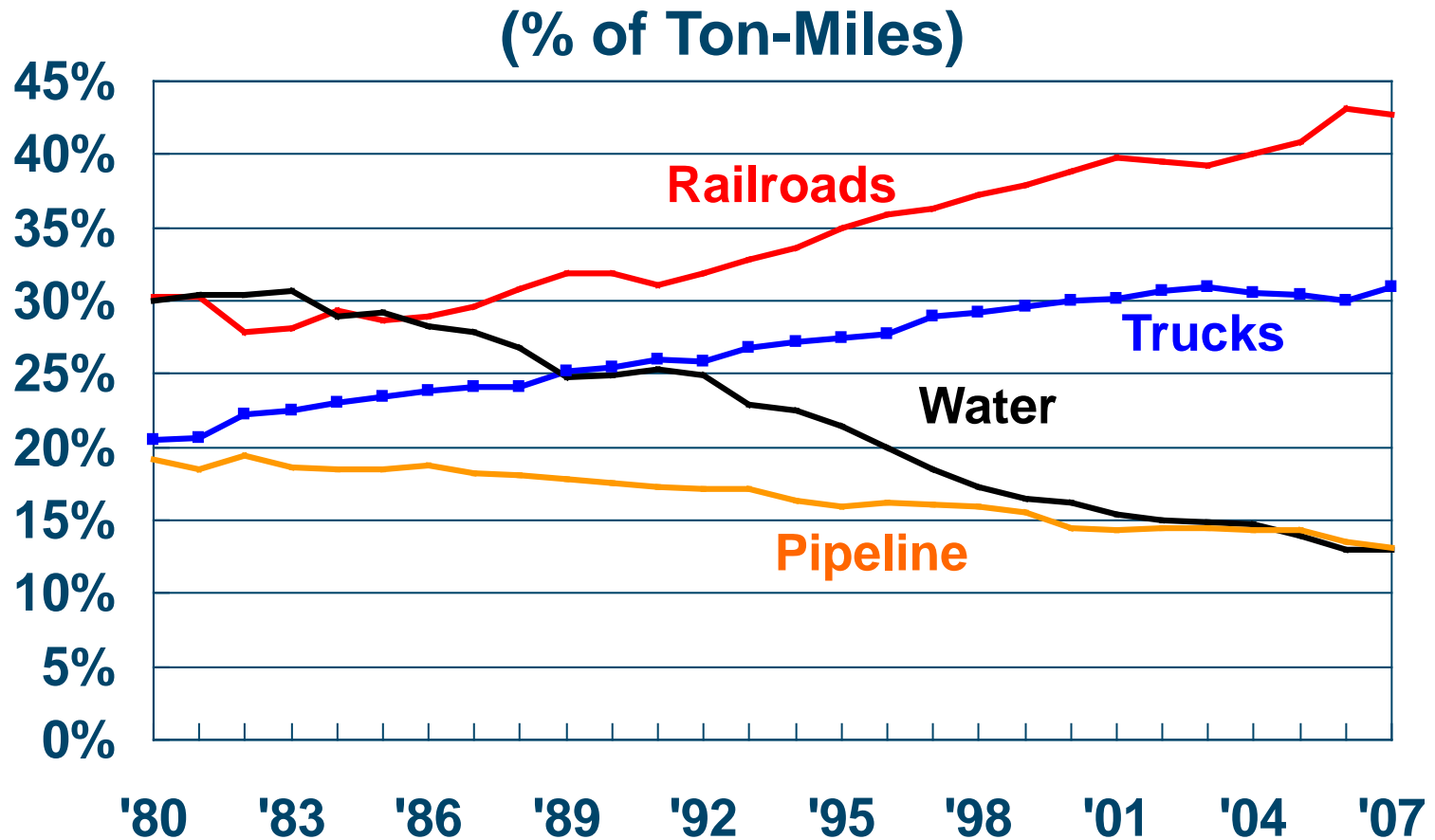
Big Changes Since 1980



Source: AAR



Growth in Market Share

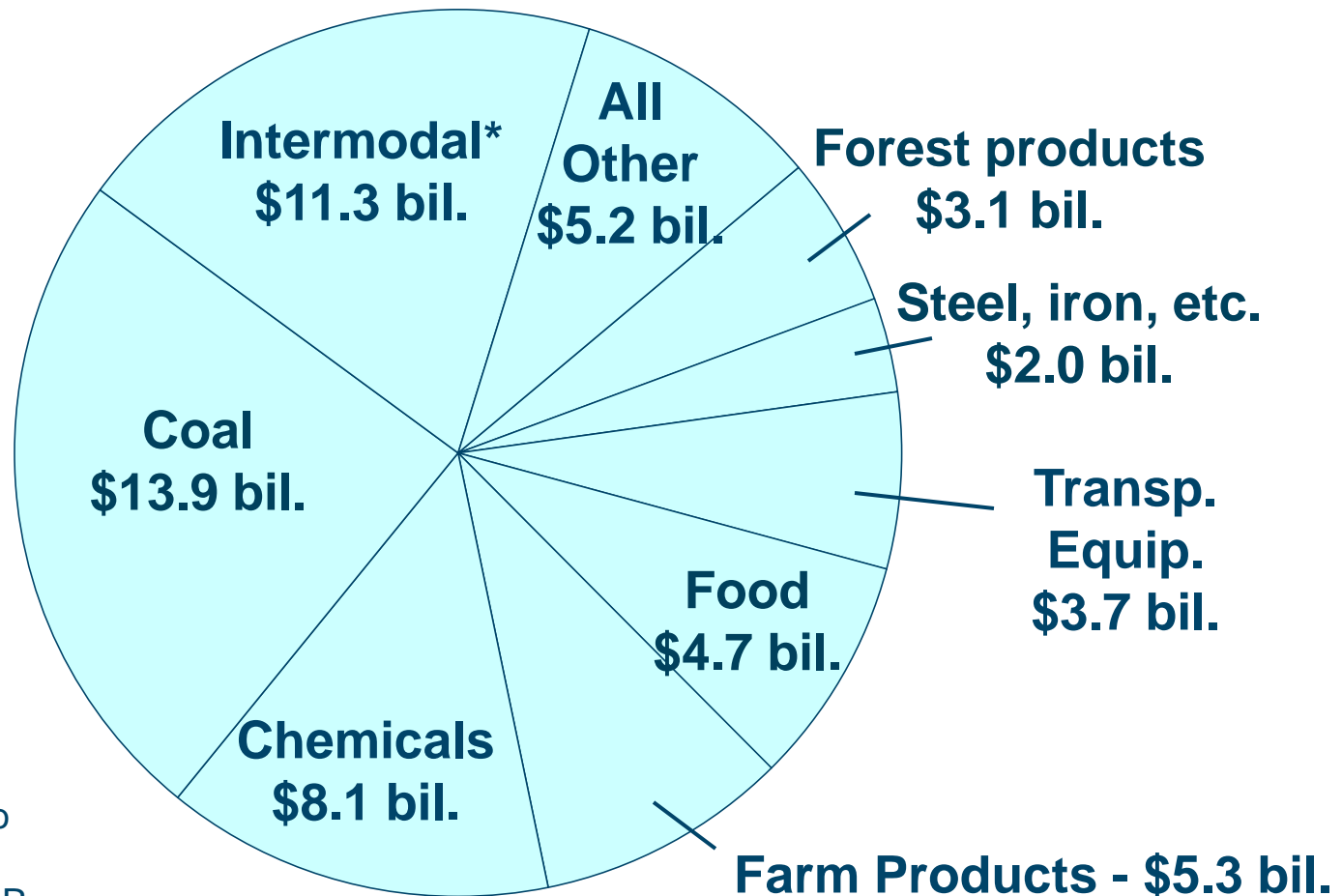


Pipeline excludes natural gas. Source: U.S. DOT



Railroads in the U.S. Carry Just About Everything

**Total Class I
Railroad
Gross
Revenue
2010:
\$57.4 billion**



*Estimated. Some intermodal revenue is also included in individual commodities. Source: AAR



Record Capital Spending Expected in 2011

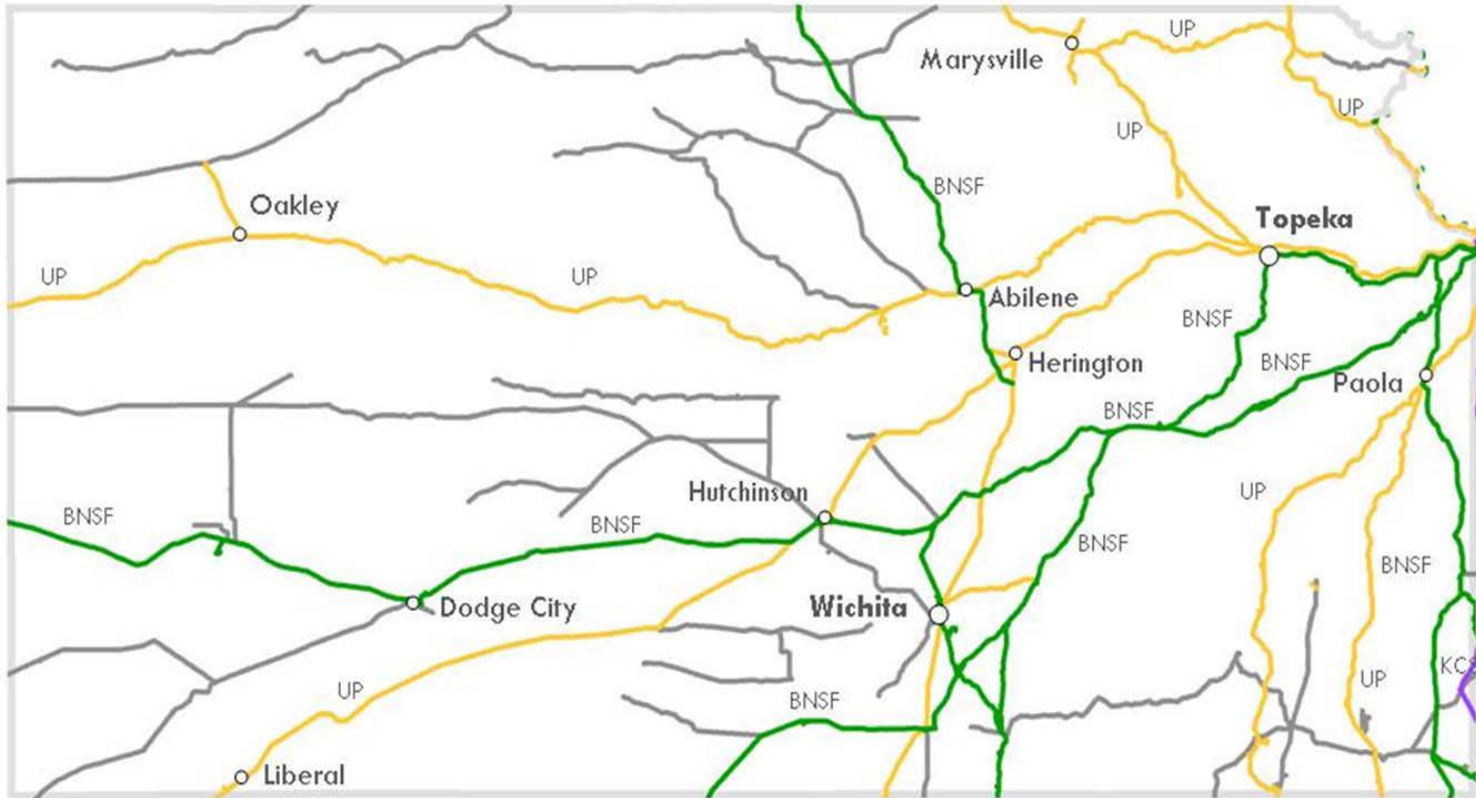
U.S. Freight Railroad Capital Spending (\$ Billions)



Data are for Class I railroads. e – estimate Source: AAR



Freight Railroads in Kansas



-  **BNSF**
-  **Kansas City Southern**
-  **Union Pacific**
-  **Short Lines**



Freight Railroads in Kansas

Number of railroads: 14

Miles of railroads: 4,890

Tons carried by rail: 24.6 million inbound

22.6 million outbound

Number of freight rail employees: 5,089

Average compensation per employee: \$102,630

Railroad Retirement beneficiaries: 13,638

Railroad Retirement benefits

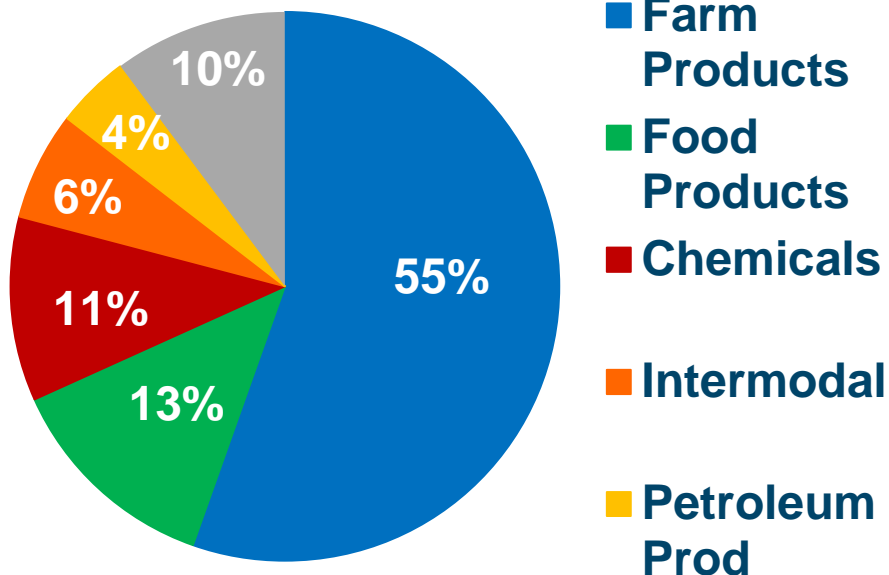
Paid: \$243 million

Data are 2009.



What Railroads Move Into and Out of Kansas

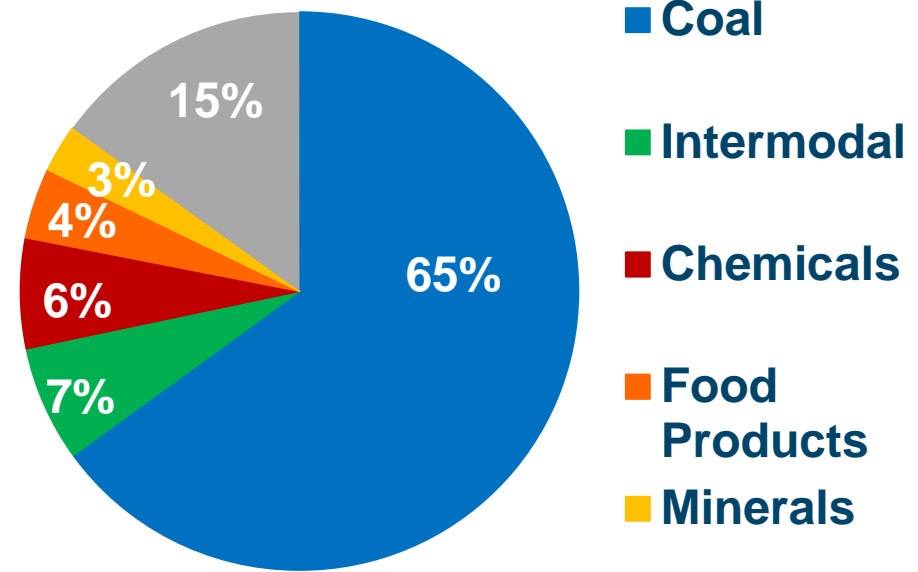
What originates in Kansas?



Total: 22,600,000 tons

Data are 2009.

What terminates in Kansas?



Total: 24,600,000 tons



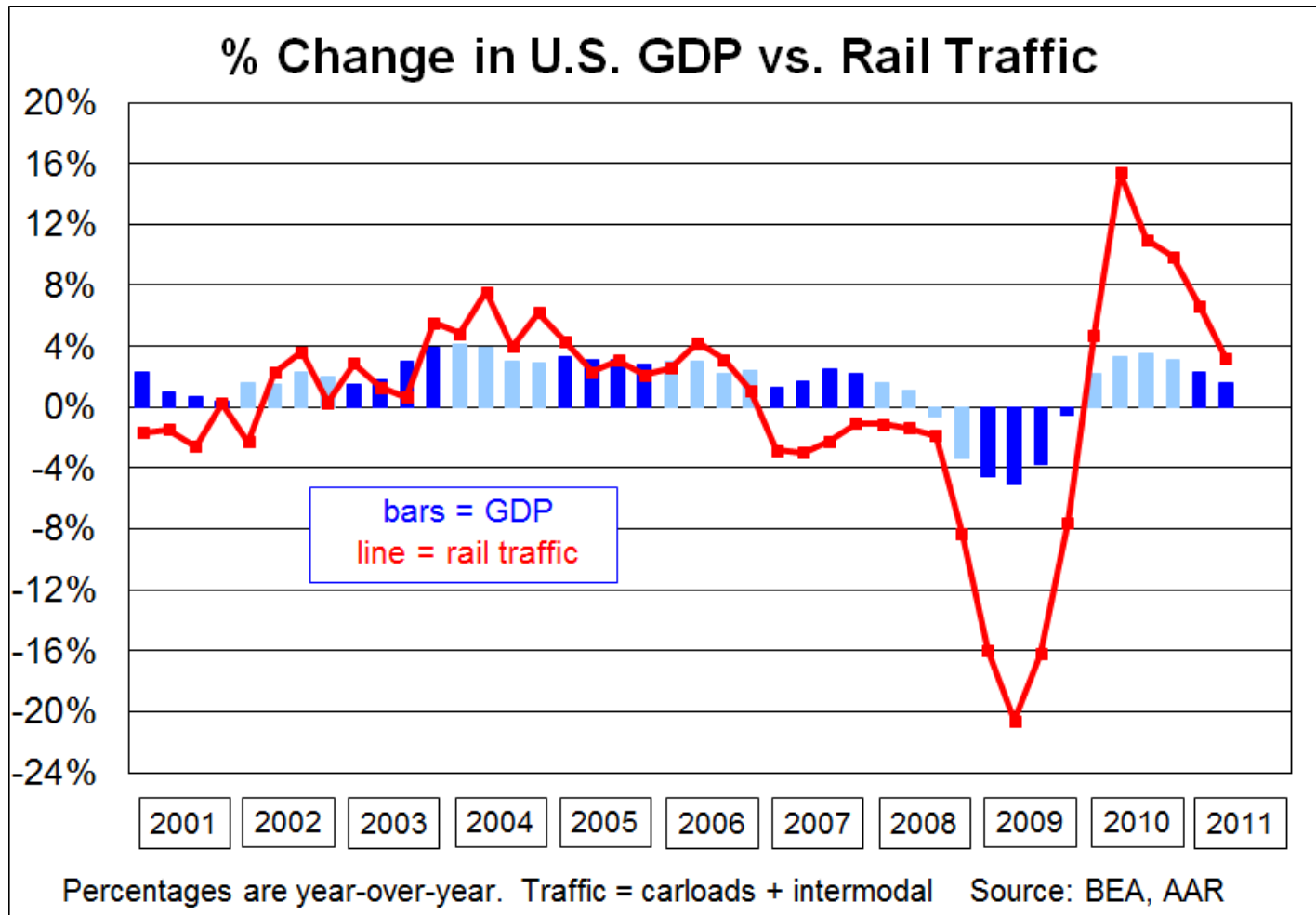
Two Things to Remember

1. Railroads are a derived demand industry.
2. $GDP = C + I + G + (X-M)$
C = consumption (~70%)
I = investment (~16%)
G = government (~19%)
X-M = exports - imports





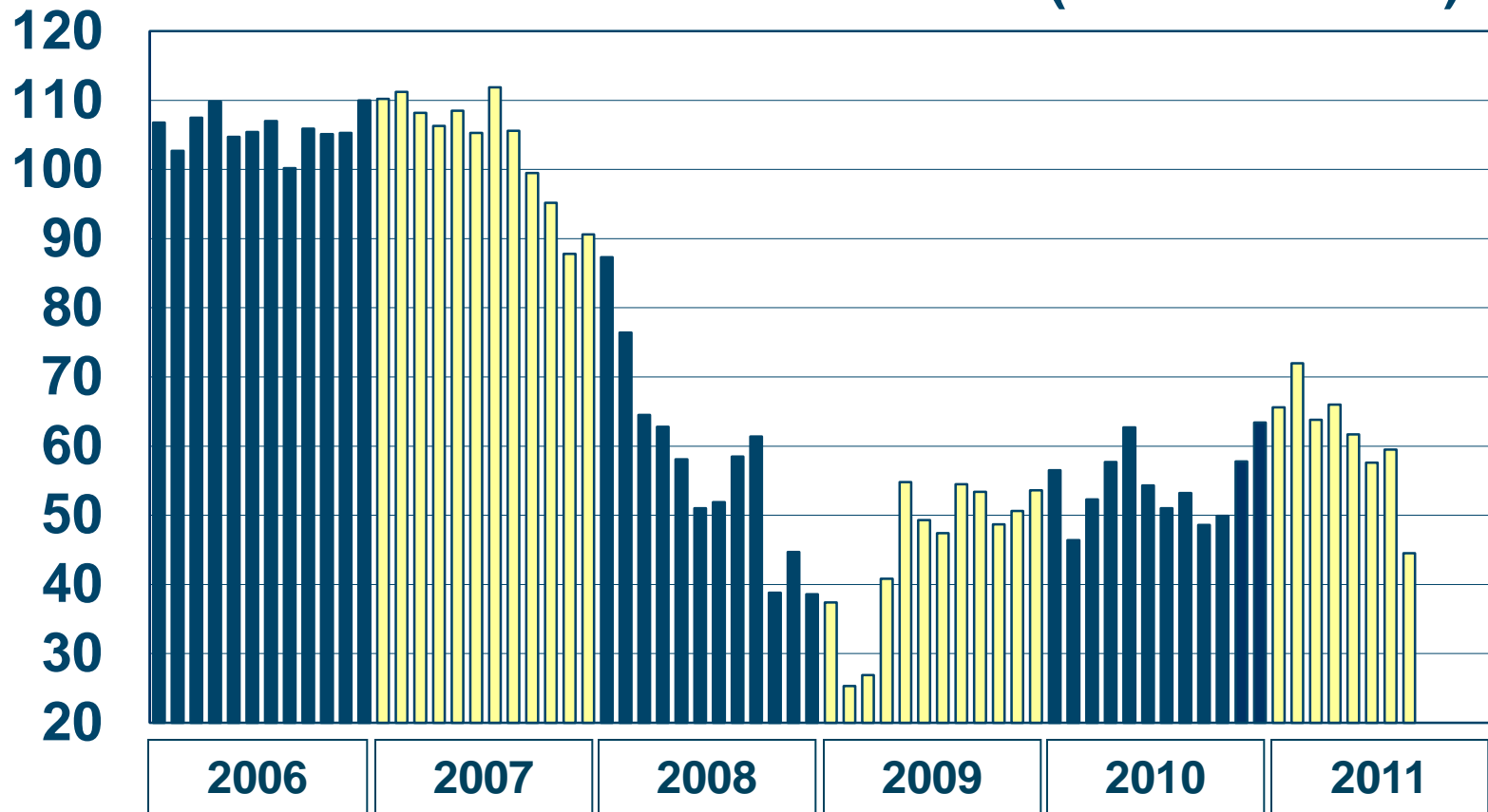
As the Economy Goes, So Goes Railroads





Lower Consumer Confidence Since Early 2011

Index of Consumer Confidence (Jan. 1985=100)

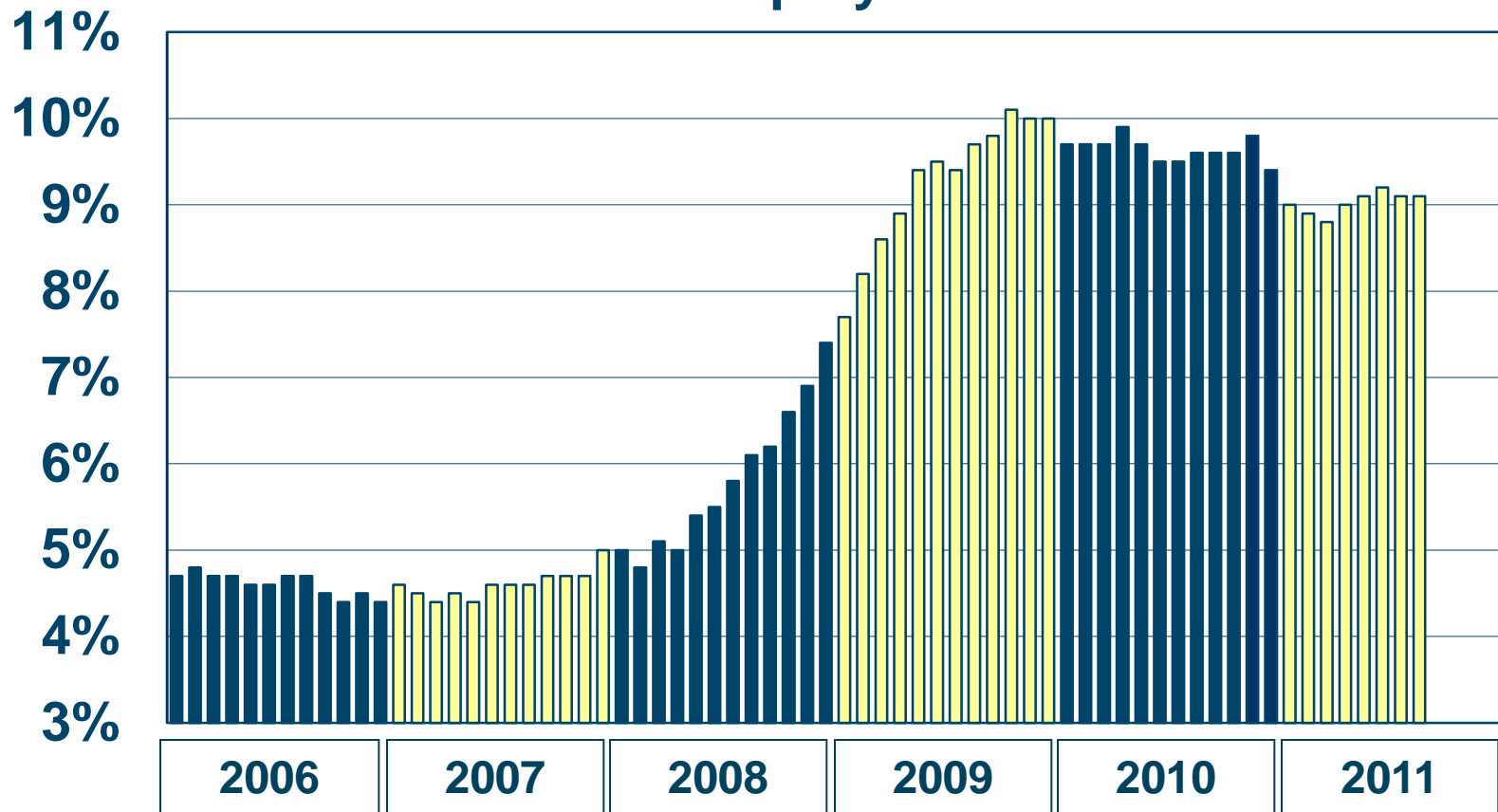


Source: Conference Board



Little Improvement in Unemployment Rate...

U.S. Unemployment Rate

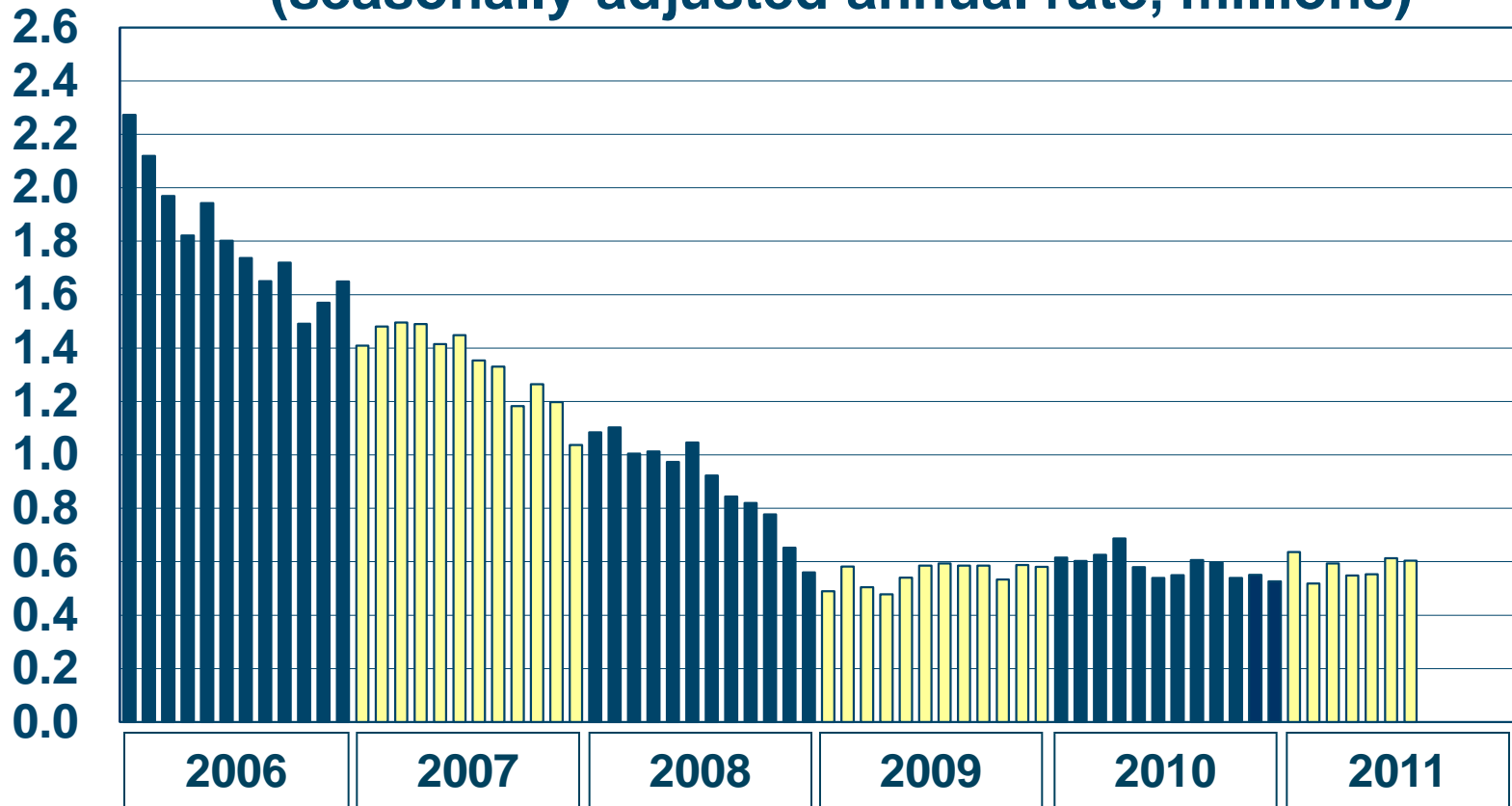


Source: Bureau of Labor Statistics



Housing is Still Terrible

U.S. Housing Starts
(seasonally-adjusted annual rate, millions)

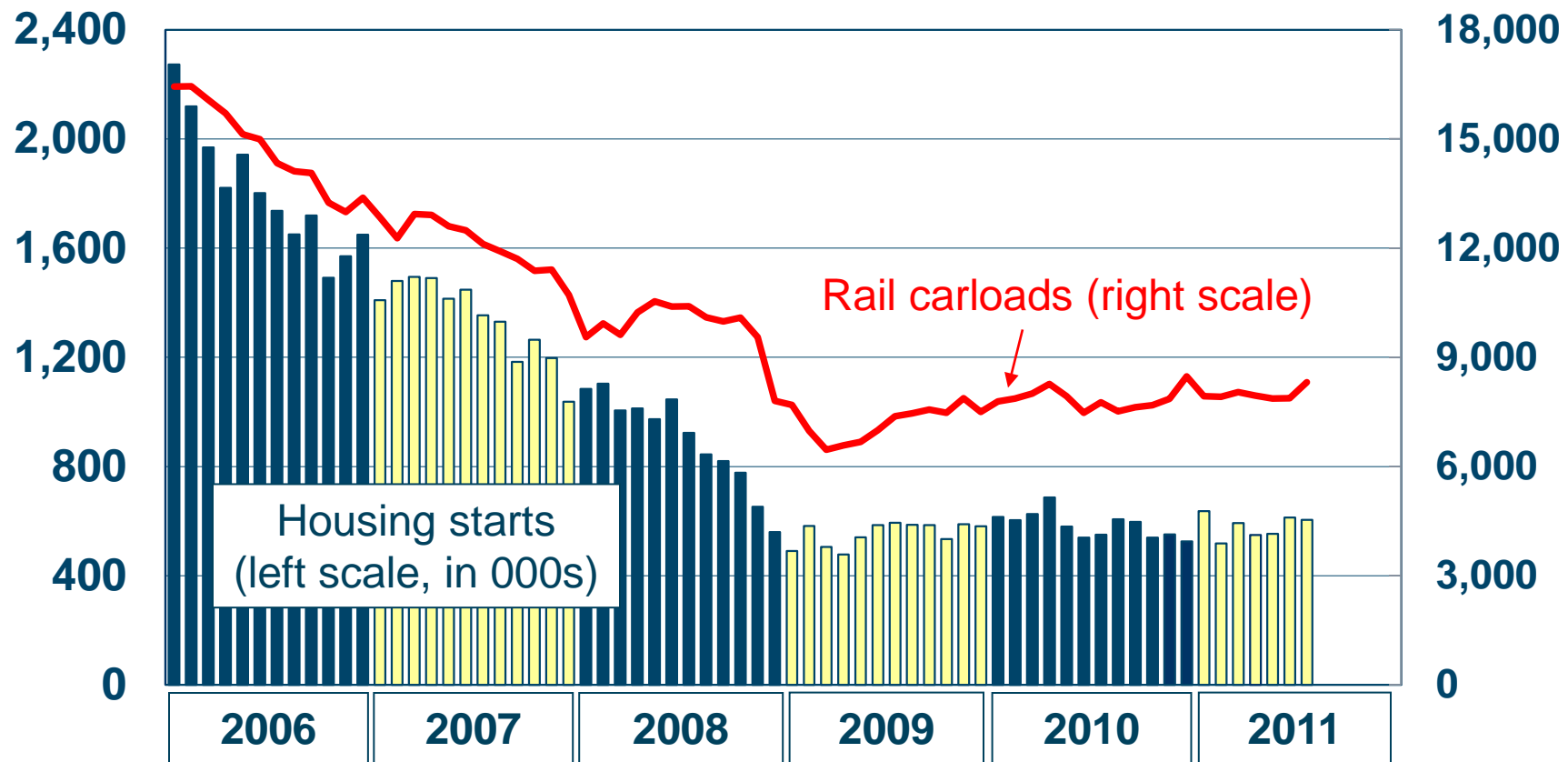


Source: Census Bureau



...Meaning Lower Rail Carloads of Lumber & Wood

U.S. Housing Starts vs. U.S. & Canada Lumber Carloads

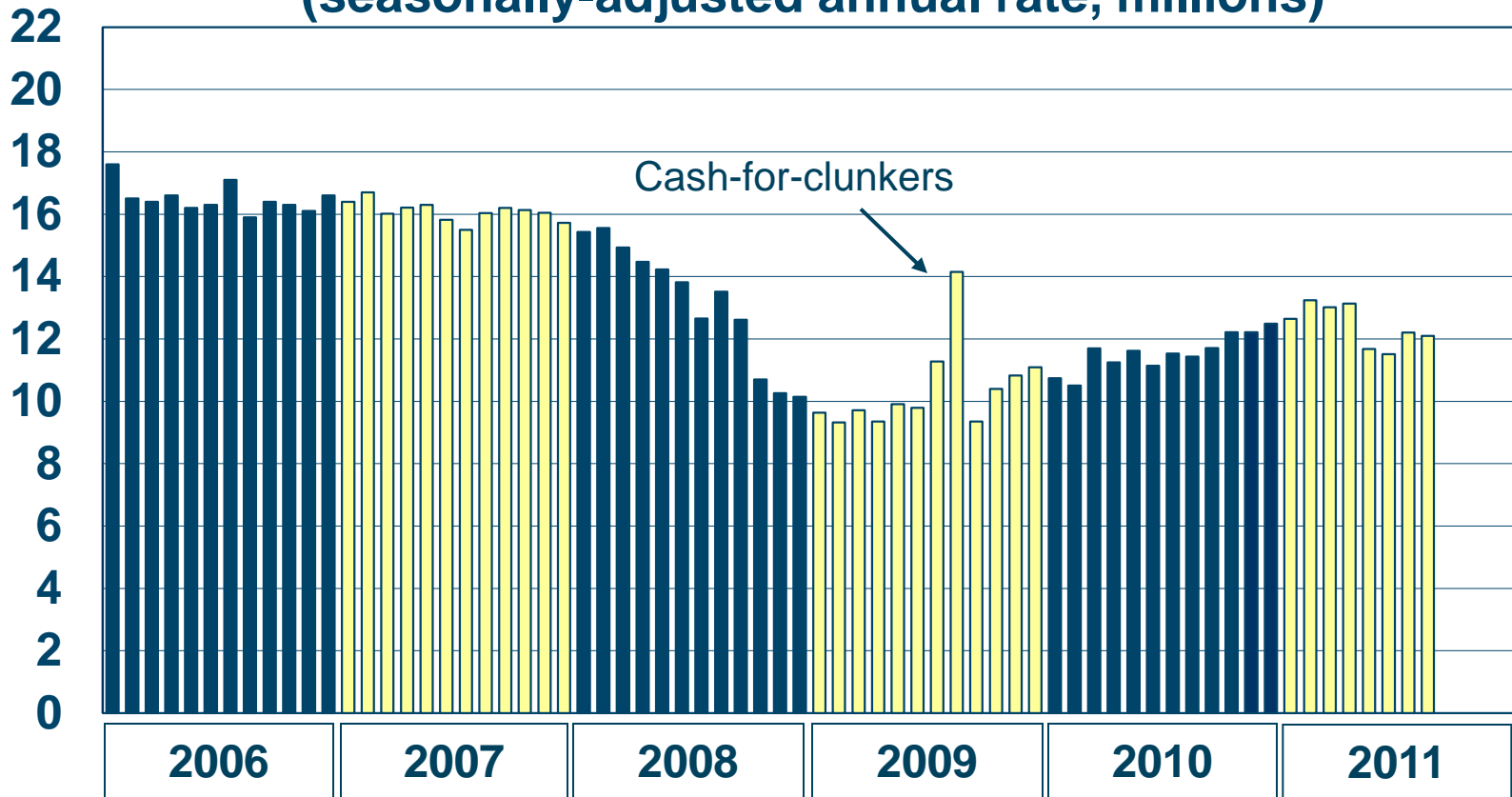


Source: Census Bureau, AAR



A Slight Increase in Auto Sales...

U.S. Auto Sales*
(seasonally-adjusted annual rate, millions)

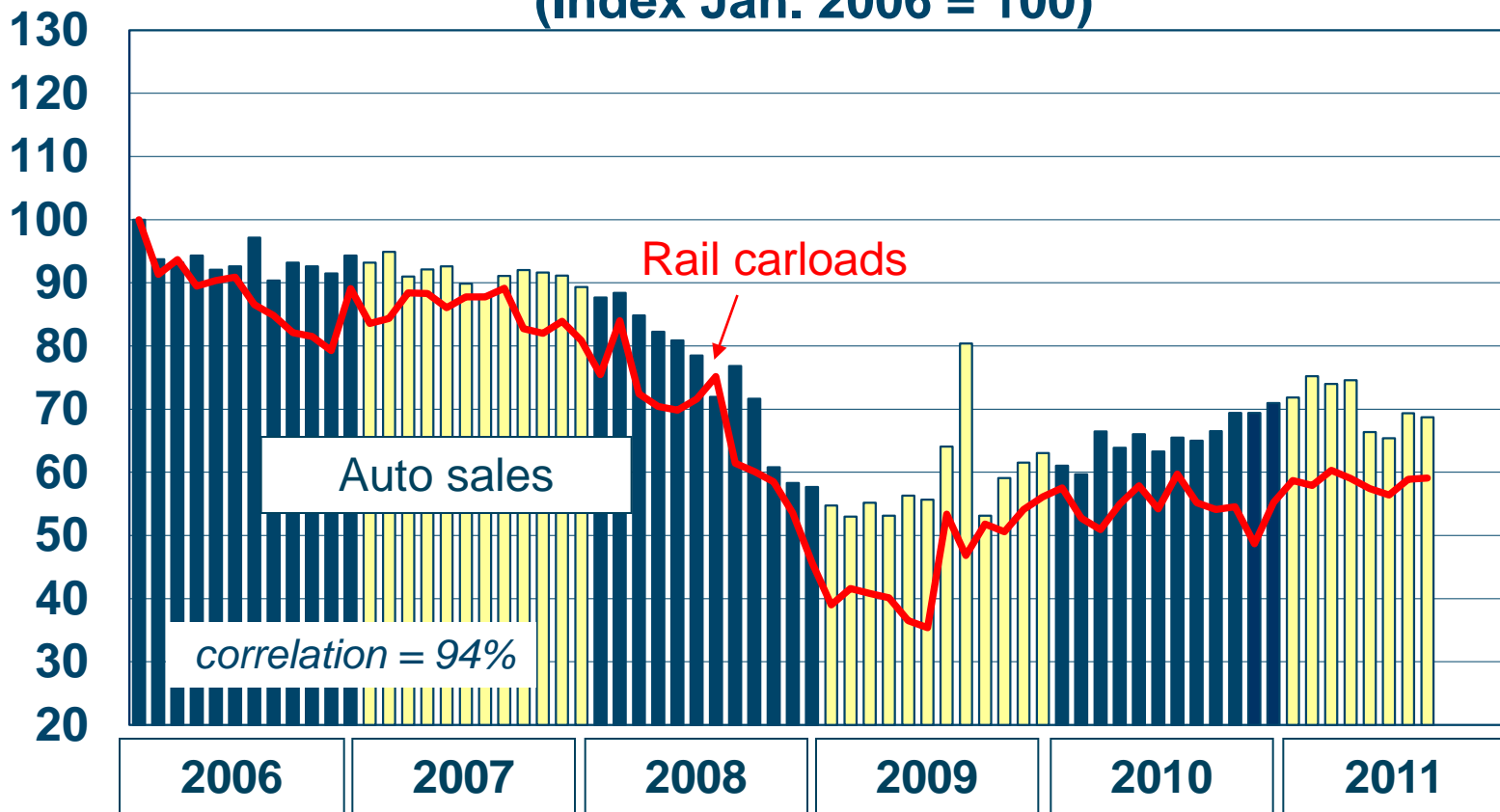


*Passenger cars, SUVs, minivans, and pickups. Source: Bureau of Economic Analysis



...Is Reflected in Rail Carloads of Autos & Parts

U.S. Auto Sales vs. U.S. & Canadian Auto Rail Carloads
(Index Jan. 2006 = 100)

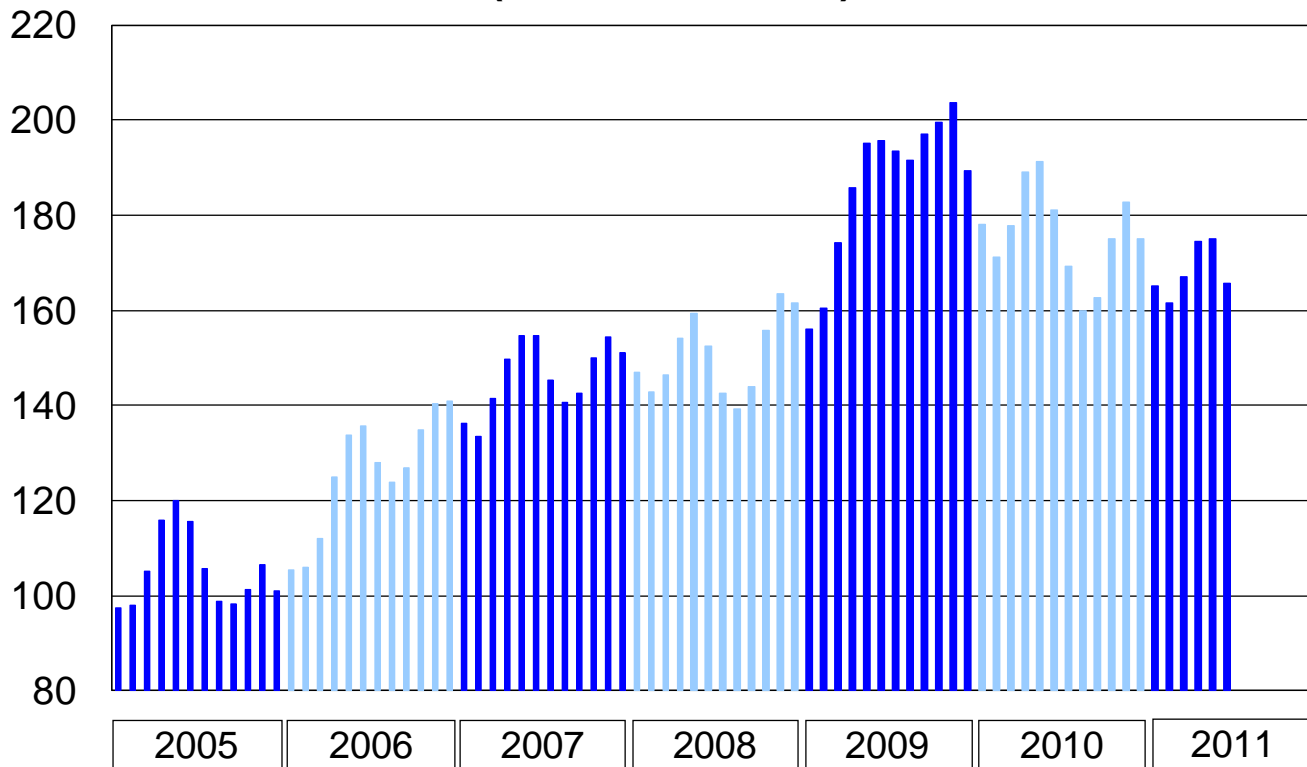


Source: Bureau of Economic Analysis, AAR



Coal Stockpiles Are Down From Record Highs

**Coal Stockpiles at Electric Utilities
(Millions of Tons)**

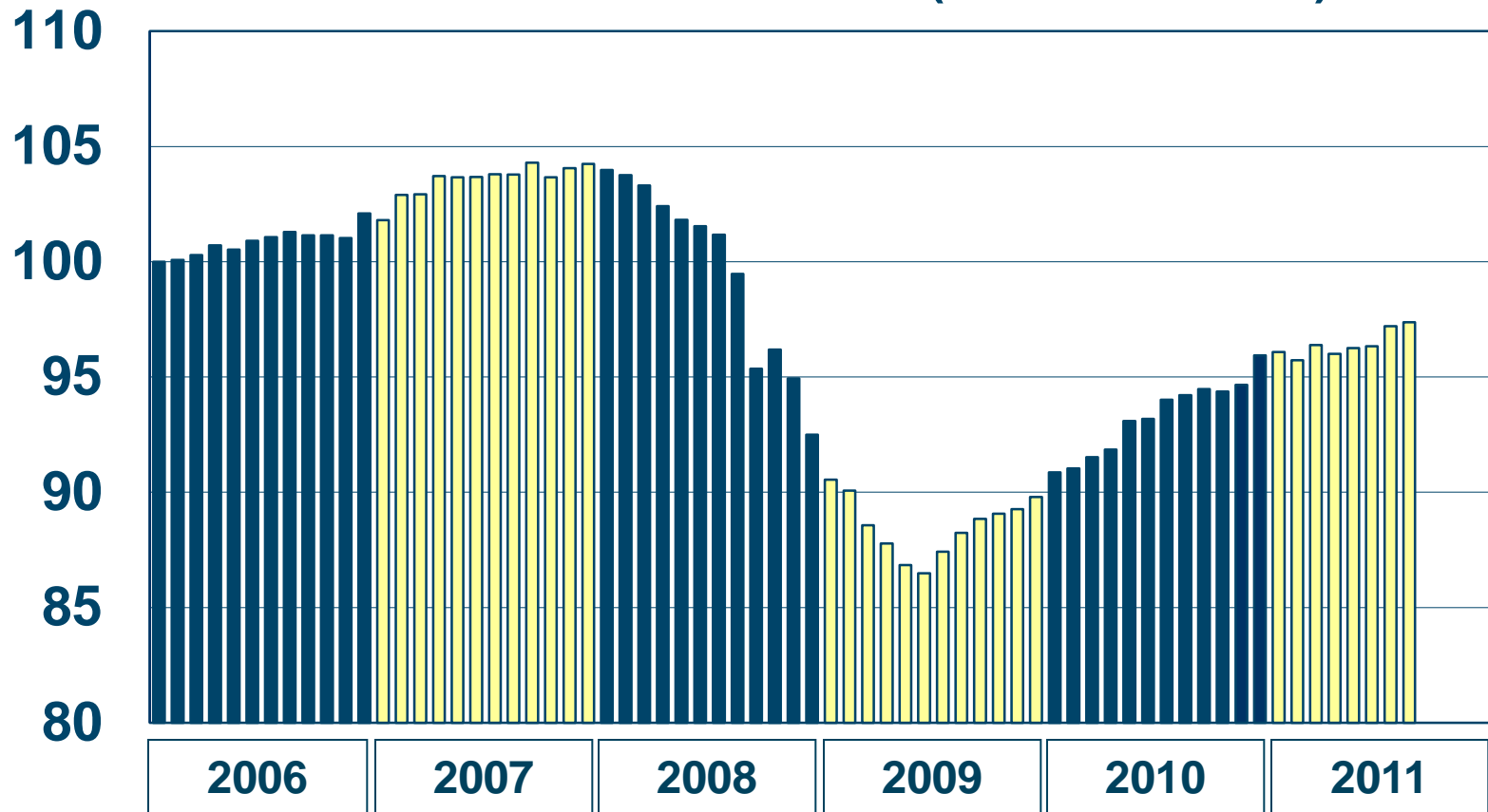


Source: Energy Information Administration



Industrial Production Trending Slowly Upward

U.S. Industrial Production (Jan. 2006 = 100)

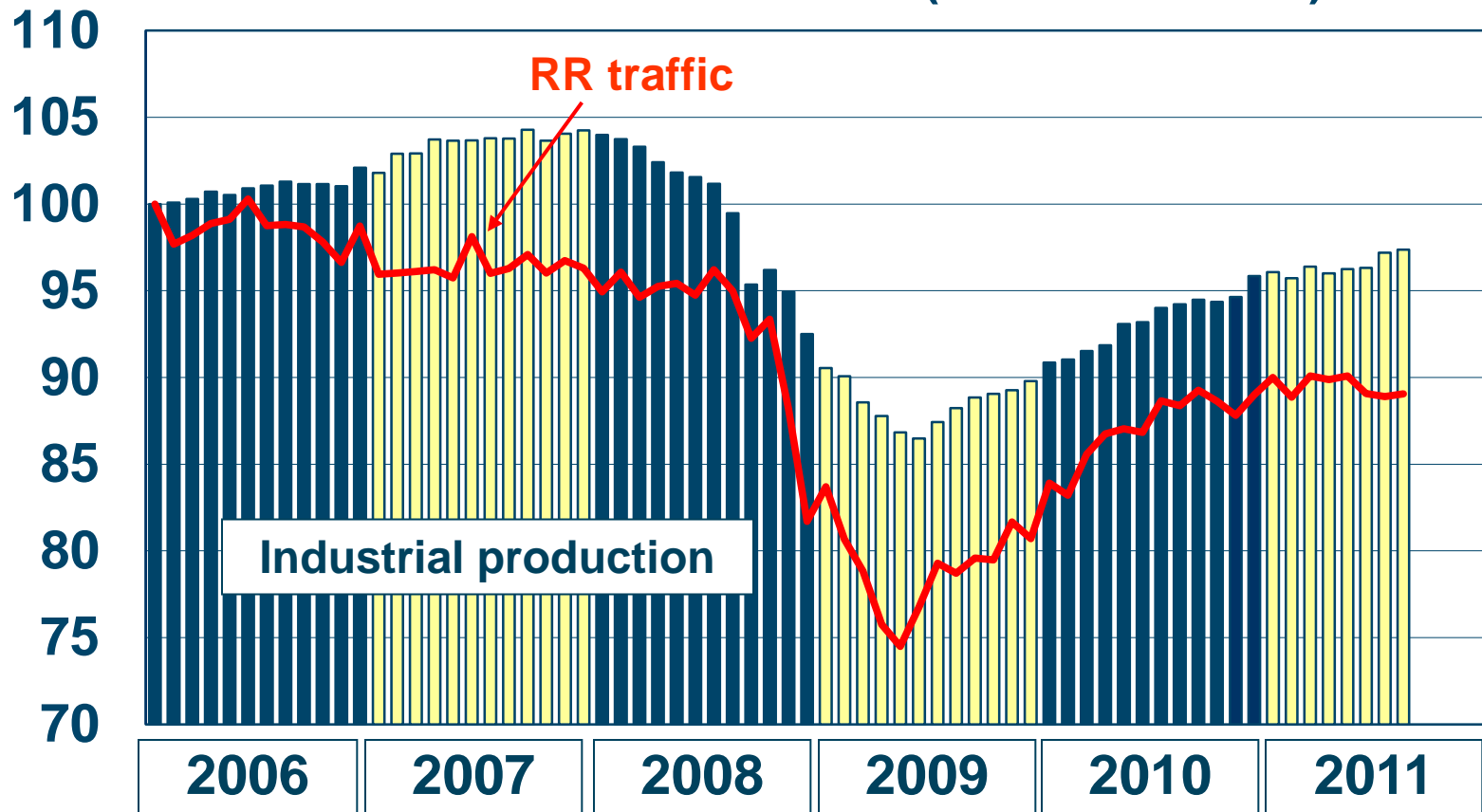


Data are seasonally adjusted. Source: Federal Reserve



A Corresponding Uptick in Rail Traffic

U.S. Industrial Production (Jan. 2006 = 100)

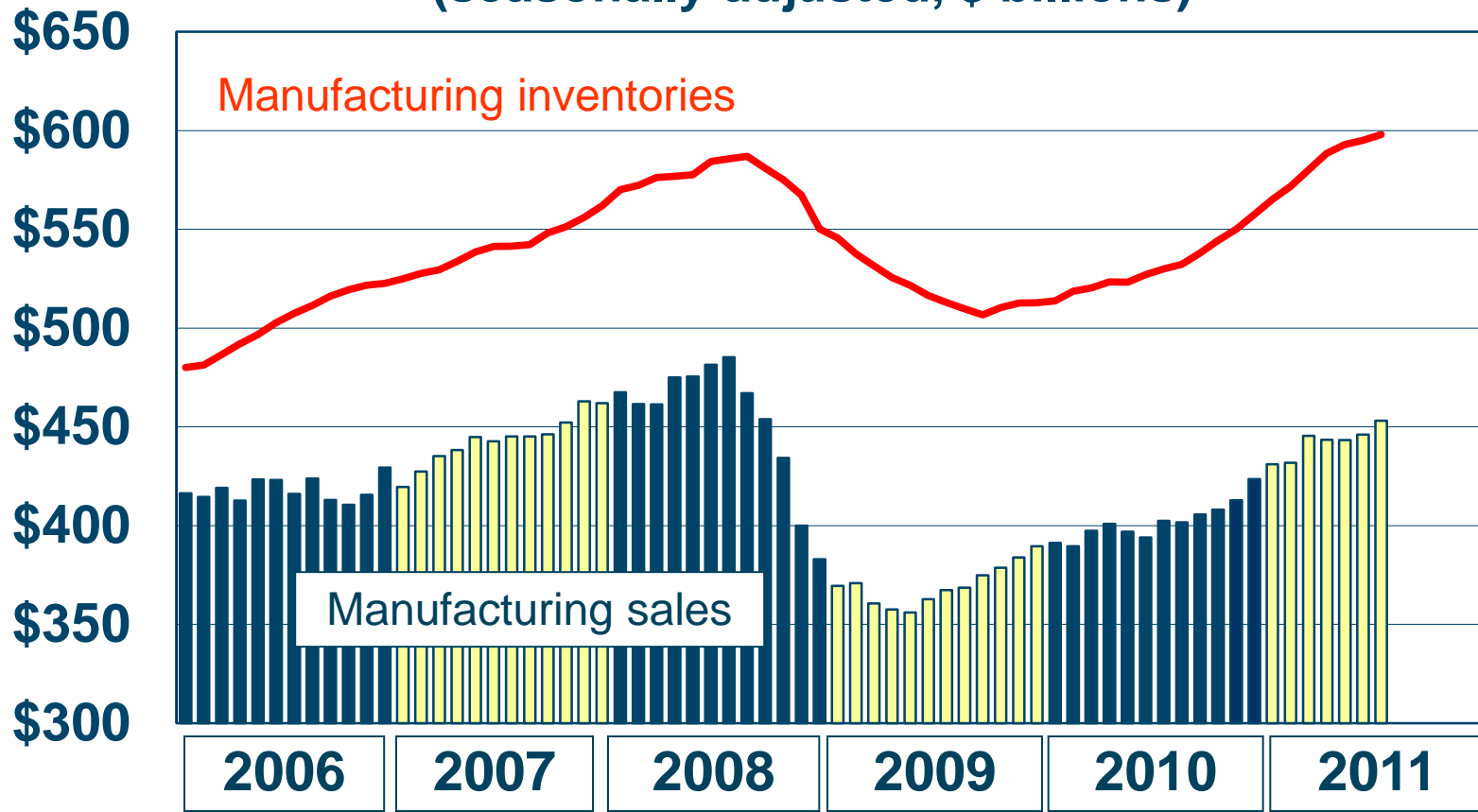


*Carloads + intermodal units Data are seasonally adjusted. Source: Federal Reserve, AAR



Mfg. Sales and Inventories

Manufacturing Sales and Inventories
(seasonally-adjusted, \$ billions)

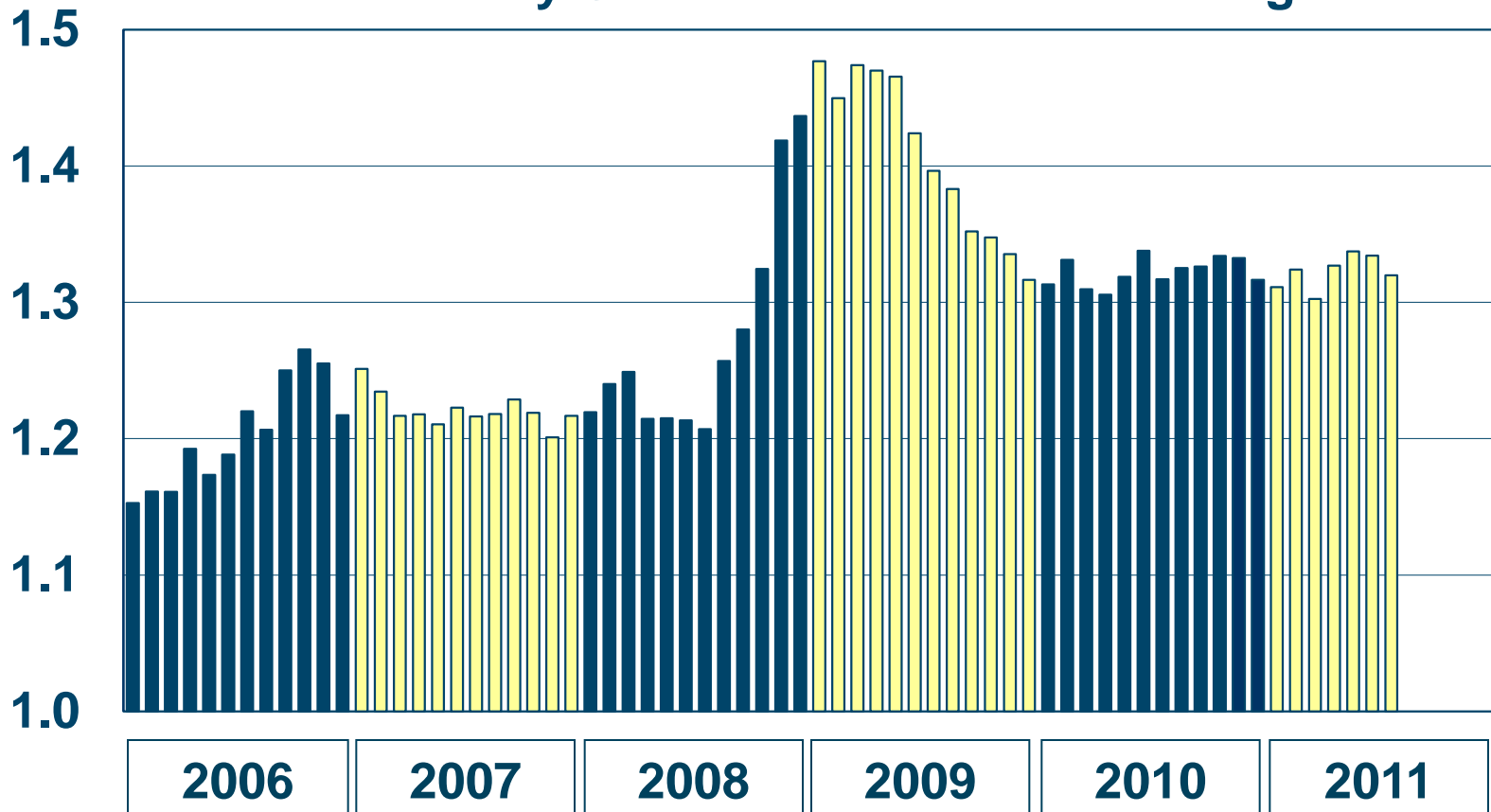


Source: Census Bureau



Inventories Now at a “New Normal” Level

Inventory-Sales Ratio for Manufacturing

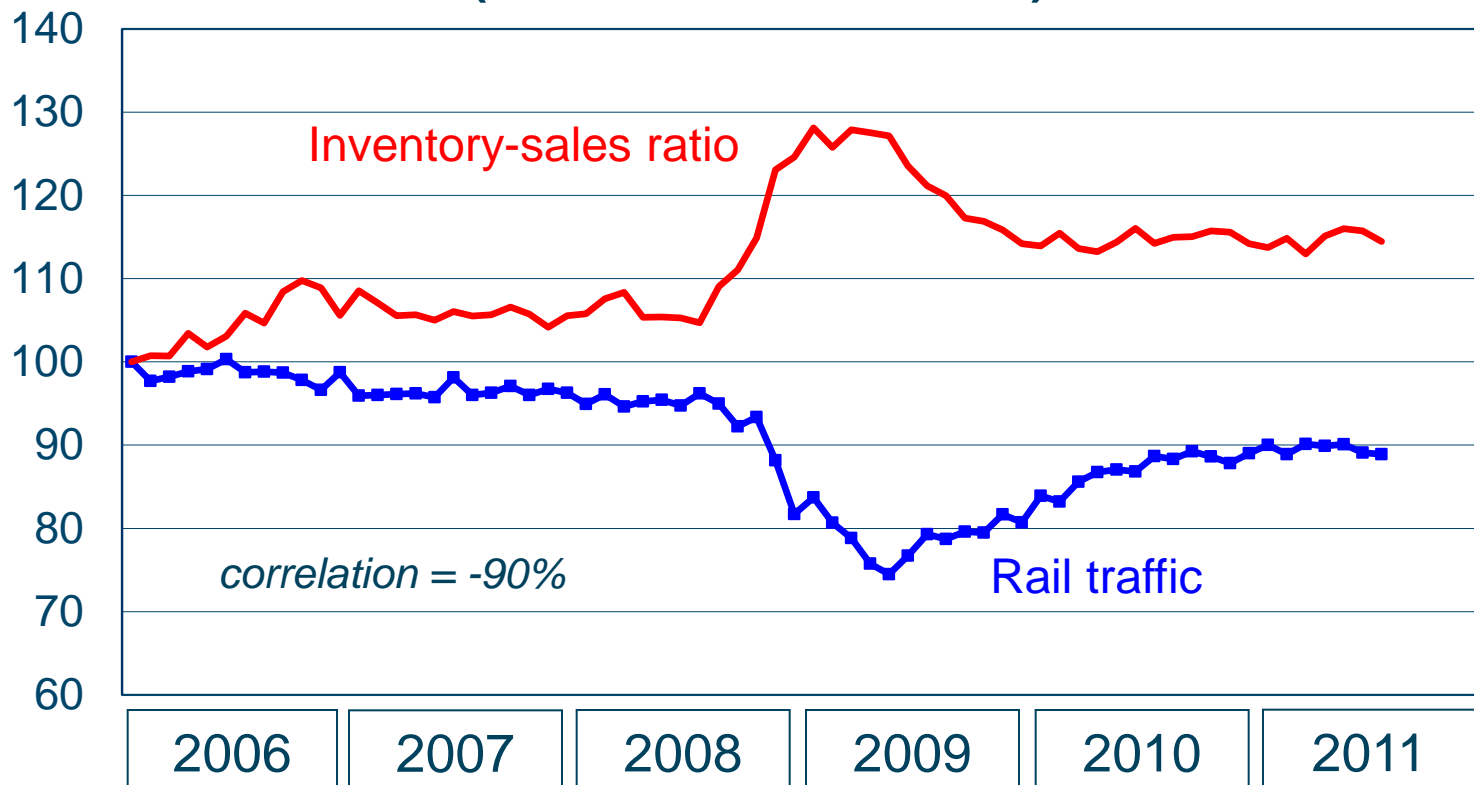


Source: Census Bureau



Still a Gap Between Rail Traffic and Inventory Levels

The Manufacturing Inventory-Sales Ratio vs. U.S. Rail Traffic*
(Index Jan. 2006 = 100)



*Carloads + intermodal units. Data are seasonally adjusted. Sources: Census Bureau, AAR

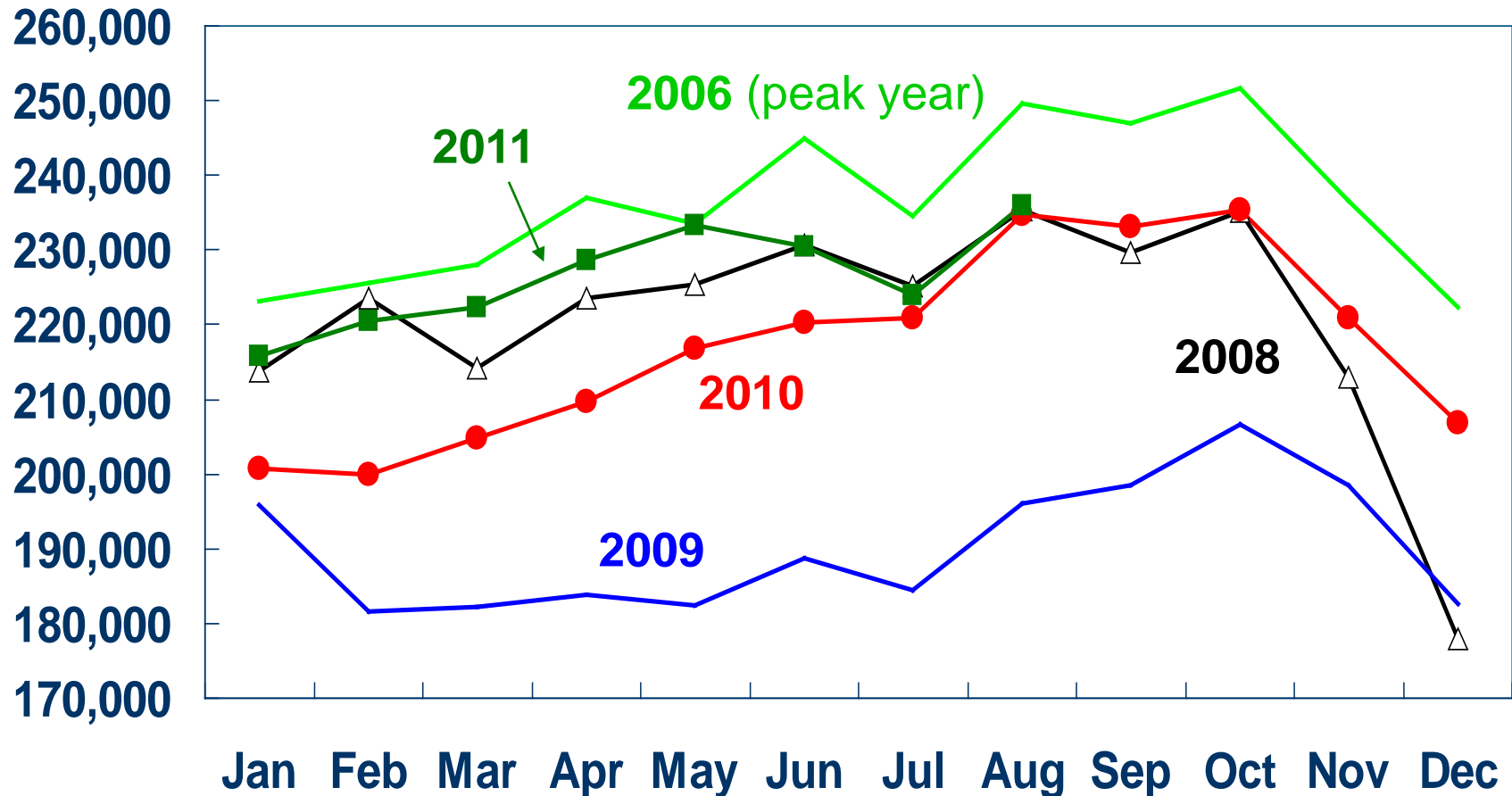


Much of Rail Intermodal is Consumer Goods





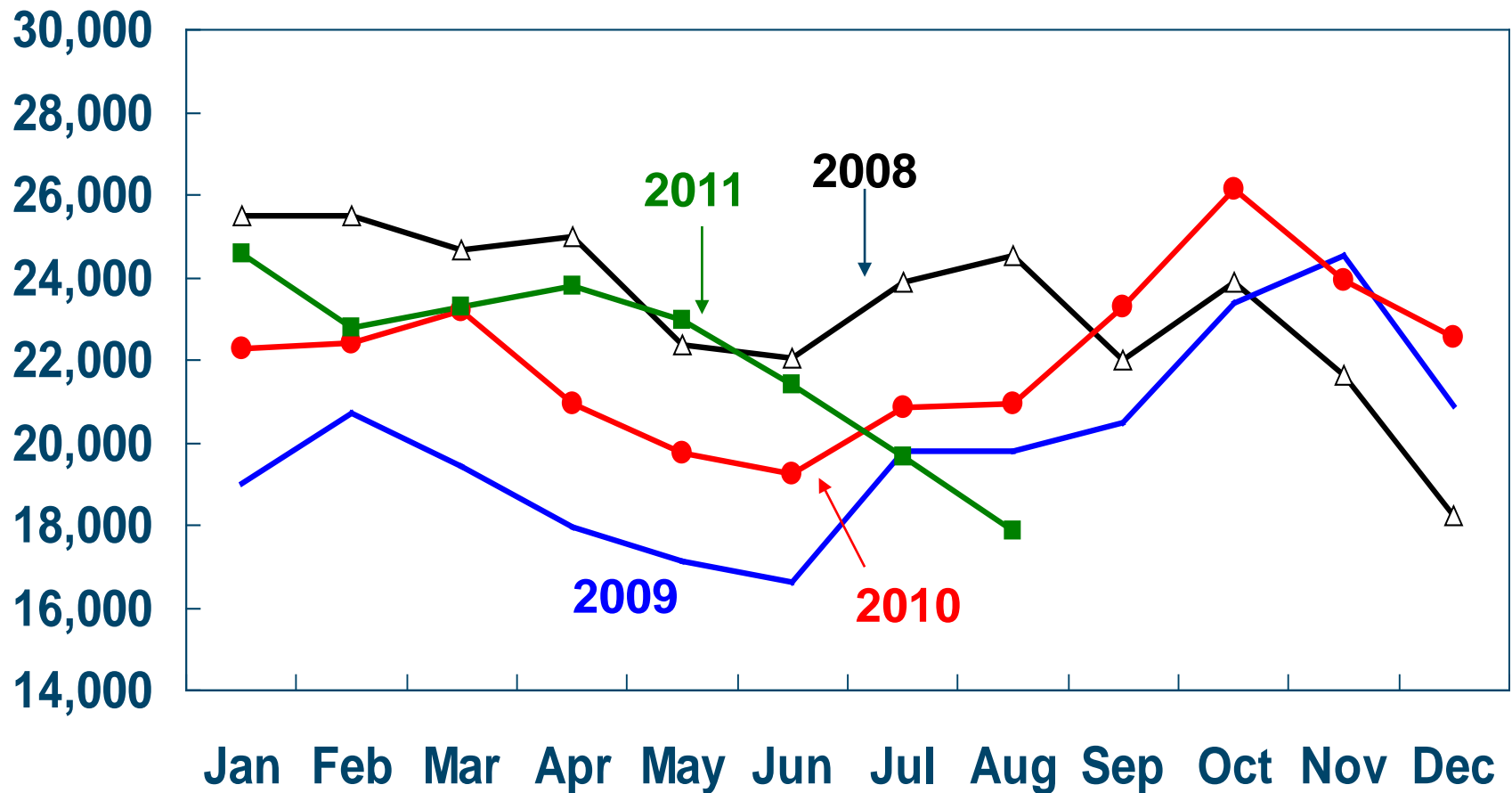
U.S. Rail Intermodal Traffic (Trailers and Containers)



Data are weekly averages. Source: AAR *Weekly Railroad Traffic*



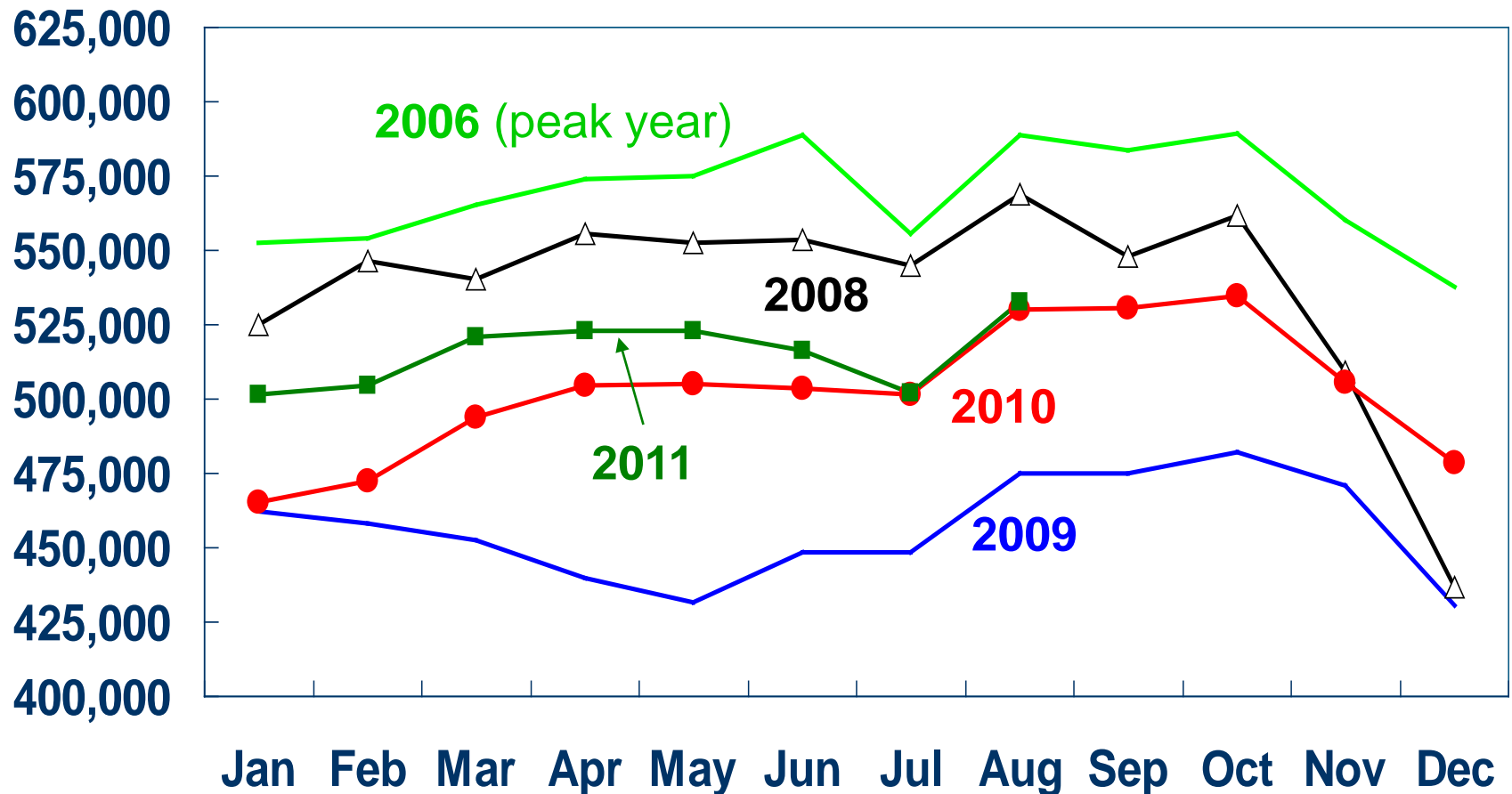
U.S. Rail Carloads of Grain



Data are weekly average originations. Source: AAR *Weekly Railroad Traffic*



Total U.S. Rail Carloads + Trailers and Containers



Data are weekly average originations. Source: AAR *Weekly Railroad Traffic*



What's Next for the Economy?





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