

Wall Street Be-Damned!

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Some of you have heard my story about Charlie Beale, now long-dead, an old-time railroad locomotive engineer who used to mutter unprintable things about the role of bankers in the world of railroading. His negative view of the conditions imposed by the financial district came to mind the other day as I read a Credit Suisse report (January 26) critical of Norfolk Southern Corporation. Here are some selected excerpts:

"NSC has recently taken on an increasing amount of very short-haul traffic. While the company says that this business is profitable, it is having a severely dilutive effect on yields. In our view, NSC should either price this traffic so exorbitantly that it does not dilute overall corporate yields, or it should walk away from the business entirely. If the network is so tight that NSC has gone into over-drive on hiring T&E employees, then it seems plausible that this business could have been avoided in the first place."

You have just read Exhibit "A" in Charlie Beale's case against financial analysts who make their living second-guessing rail executive management. Most of them have never run anything in their lives, and none of them care a whit about efforts to get trucks off the road. Undoubtedly, it is not as lucrative enticing trucks off of I-81 as it would be rolling coal downgrade to Hampton Roads. It takes a tough hide to stay the course. Let's hope that Norfolk Southern CEO, Wick Moorman, can maintain support from his board and from critically-important shareholders in order to continue doing what NSC has been doing of late with short-haul, particularly highway-competitive, intermodal traffic.

Unfortunately, the cards are still very much stacked against rail in competition with highway haulage of cargo. We have just witnessed another missed opportunity in Virginia. Governor McDonnell has pushed through a \$4 Billion borrowing program, of questionable fiscal integrity, in order to continue providing truckers, and others, below-cost use of our highways. Neither the Governor, nor anyone else in the Legislature, has dared suggest that the time has come for trucks to pay more of what they rightfully owe the public for use of the state's highways. Greater use of tolls, such as a toll plaza on I-81 at Bristol, and one above Winchester, would do more than anything else to help return sanity, safety and financial sustainability to Virginia's road network. Collateral benefits would include easing the financial burden on motorists and other non-highway-using taxpayers, while making rail freight a more price-competitive option.

Unless we can reverse the prevailing pattern of requiring citizen-taxpayers to fund a large market-distorting subsidy of trucking, much of it now to be with borrowed money -- both state and federal -- all the little increments of Virginia public investment in rail freight

infrastructure in the I-81 corridor will have little impact on truck diversion. No rail CEO can stand the heat indefinitely, unless perhaps Warren Buffet comes along to provide cover from the analysts. Here's hoping NS keeps on doing what they have been doing. Virginia motorists deserve a break.

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