



# MADISON'S TIMBER PREVIEW

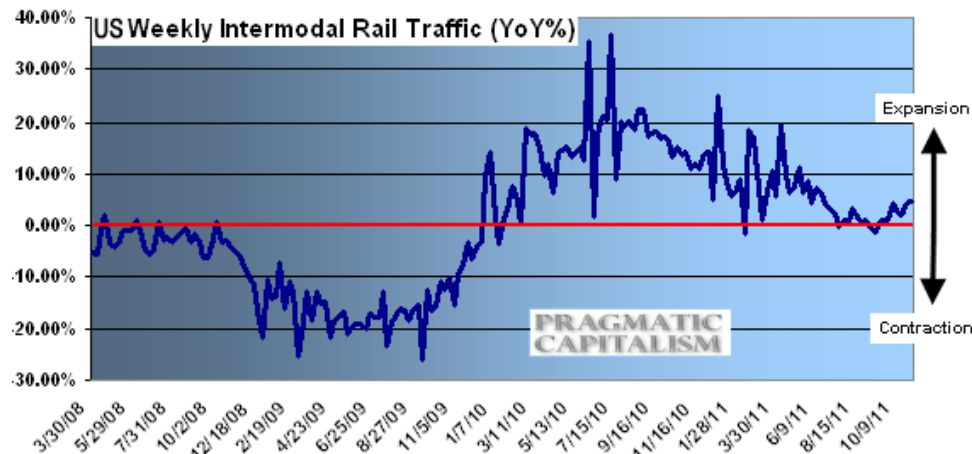
PO Box 2486, Vancouver, BC V6B 3W7 ✦ Tel: 604-984-6838 ✦ Email: madrep@shawcable.com ✦ Web: www.madisonsreport.com

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New data out of the US Thursday bodes well for the recovering US economy. The Association of American Railroads' latest figures show that October 2011 saw the highest weekly carload average of any month since October 2008, as well as the highest weekly intermodal average since October 2006. In October 2011, US railroads originated 1,215,627 carloads, up 1.7 per cent compared with the same month last year, and 975,566 trailers and containers, up 3.6 per cent.

In October 2011, 12 of the 20 carload commodity categories saw increases on US railroads compared with October 2010. The largest gains were: motor vehicles and parts, up 6,177 carloads or 11.1 per cent; coal, up 6,124 carloads or 1.1 per cent; and petroleum and petroleum products, up 5,018 carloads or 19.4 per cent. Commodity groups seeing a decline in October included grain, down 14,904 carloads or 14.2 per cent, and grain mill products, down 2,173 carloads or 5.4 per cent.

The AAR also reported gains in traffic for the week ending October 29, 2011, with US railroads originating 307,900 carloads, up 5.2 per cent compared with the same week last year. Intermodal volume for the week totalled 243,774 trailers and containers, up 4.6 per cent. Class I freight rail employment rose to 160,240 in September 2011, up 133 employees from August 2011, continuing an upward trend that began in early 2010. Total Class I rail employment in September 2011 was up 4 per cent, or 6,146 employees compared with September 2010.



In Canada, the improved figures are no less encouraging. August total freight traffic carried by Canadian railways rose 10.8 per cent from August 2010, to 27.8 million tonnes, according to a Statistics Canada release October 27. This gain was the result of increases in both domestic and international

cargo loadings. The industry's core domestic transportation systems, non-intermodal and intermodal, saw their combined freight loadings rise 8.1 per cent, to 24.4 million tonnes in August compared with the same month a year earlier.

Non-intermodal freight loadings, which are typically carried in bulk or loaded in boxcars, rose 9.1 per cent from August 2010, to 22 million tonnes. The gain was the result of increased traffic in more than half of the commodity classifications carried by the railways. The commodity groups with the largest increases in tonnage were coal, lumber and wood pulp.

Traffic received from the US destined for or passing through Canada rose 34.8 per cent from August 2010, to 3.4 million tonnes, driven primarily by increased loadings of non-intermodal freight.

Railways and rail suppliers clearly saw improvement coming, judging by new investments announced this week.

US railroad operator Norfolk Southern, based in Virginia, said Thursday it planned to hire 500 employees by the end of the year, bringing total additions for 2011 to more than 4,000, and plans to add 2,600 employees next year to meet growing freight volume and to replace retiring workers. The open jobs this year are in eight states, and openings include conductors, machinists and maintenance workers. Norfolk Southern operates about 20,000 track miles in 22 states and the District of Columbia. Shares of Norfolk Southern are up 17 per cent since the beginning of this year.

Rail transportation expert Ontario Northland, out of North Bay, ON, has been awarded an \$8.69 million contract to refurbish 24 rail cars through to February 2013 for Agence metropolitaine de transport of Montreal. Ontario Northland's remanufacturing division can completely disassemble cars and rebuild them from the frame up. Montreal's AMT operates five train lines, 51 stations, one metropolitan express bus line, and 16 metropolitan terminals. Annual ridership on AMT's commuter trains is close to 16 million trips.

South Carolina's Horry County has applied for a US\$20 million grant from the US Department of Transportation that would be used to upgrade bridges and track along its and Carolina Southern Railroad's 94-mile system, according to *The Sun News* Wednesday. About US\$7.5 million of the grant would be used along the 14.1 miles of the system Horry County owns from outside Conway to Myrtle Beach, said Steve Gosnell, assistant county administrator. Work funded by the grant would create 45 to 50 jobs, about 30 of which will be permanent, said Jason Pippin of Conway-based Carolina Southern.

US aluminum-bodied railcar manufacturer FreightCar America, based in Chicago, IL, has seen its share prices increase 23.7 per cent since releasing 3Q results November 1. FreightCar shares fell to US\$17.90 the morning of the release, and closed Thursday at US\$23.41. A sell-off of almost 13,000 shares at market close October 31 artificially brought share prices down at open the day of the company release. 3Q 2011 was FreightCar's fourth consecutive quarter of improved railcar deliveries, revenue, operating income, and gross margin.

Oregon's Greenbrier Companies, a designer, manufacturer and marketer of railroad freight car equipment in North America and Europe, also experienced a significant jump in share prices this week. In 4Q 2011 results released Thursday, the company posted a 148 per cent jump in total sales, to US\$442.7 million, compared to the same time last year. Greenbrier, which is valued at about US\$472.7 million and competes with American Railcar and FreightCar America, saw sales at its manufacturing segment increased to US\$305.6 million, from US\$69.5 million, driven by a near six-fold rise in new railcar deliveries. The company delivered 4,000 new units in 4Q 2011, a record high for the company.

Following the release, Greenbrier shares rose 16.2 per cent, from US\$18.79 at market close Wednesday to close at US\$21.89 Thursday.

In Canada, shareholder activist William Ackman, of New York's Pershing Square Capital Management, this week stirred up interest in Canadian Pacific Rail, out of Calgary, AB, after filing documents with the Ontario Securities Commission as part of a broad review of the underperforming railway's governance, financial health and strategic plans. Company shares remained virtually unchanged despite all the publicity.

Keta Kosman  
Publisher  
Madison's Lumber Reporter  
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