

Crossties

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Railroads Push To Install More Ties

RTA Surveys Reveal The Changing Market

By Jim Gauntt

It's really not as confusing as it seems. No, it is really quite simple—railroads have begun a big maintenance push. Rail freight continues to increase, revenues are up, market share is growing in important segments and service improvements are pleasing rail customers. What's not to like? Not much, if you are a supplier of track maintenance products such as ties.

Sure, there are problems meeting demand, sure the railroads want more ties than they are getting, and there are certainly a few real problems with the infrastructure that cuts the ties that are then treated and placed in track. But the real story is how railroads have turned themselves around and seem to be creating a marketplace around which supplier businesses can build.

This year's exclusive RTA surveys suggest that the railroads' appetite for maintenance products is here to stay. But first, a look at the past year's railroad statistics is in order.

R-1 Reports (U.S. Class 1 Roads)

In 2001, U.S. Class 1 railroads installed nearly 500,000 more new wood ties in maintenance than in 2000 (see Table 1). New construction ties were down a bit (see Table 2), but new construction varies from year to year—rather significantly at times. The increase in maintenance ties is what is important. And, the increase was across the board. Eastside of the Mississippi to Westside, tie demand improved.

Little did tie producers know that this increase was just a brief glimpse at what was to come in 2002 and possibly beyond. In fact, by mid 2001, signs were appearing that demand was going to take a quantum leap forward. Tie procurement began to increase and 2002 began to look like it would be a much better year for tie installations. Earlier this year, RTA predicted that U.S. Class 1 new wood installations for 2002 will exceed 12 million ties.

Do the 2002 surveys confirm this? And what about the future? Is this a one-year phenomenon or will 2003, 2004 and 2005 see similar action?

RTA Survey Results

Each year, in cooperation with the Class 1 railroads and the American Short Line and Regional Railroad Association, RTA surveys the marketplace. In search of clues to what is in store for tie producers, RTA has had remarkable success throughout the years in getting quality data from our partner railroads.

This year is no exception. All Class 1 roads and a significant sampling of short lines responded to provide the results in Tables 3 and 4. Comparing the U.S. Class 1 only results in Table 3 to the R1 reports is a bit tricky since the surveys don't break down in the same

Table 1—Crossties Laid In Replacement Statistics For Class 1 Railroads In The U.S. In 2001

District & Railroad	Treated wooden crossties laid in replacement (#)		New crossties laid in replacement other than wooden (#)	Track maintained by reporting railroad		Crossties per mile (1967)	New crosstie replacement avg.		Switch and bridge ties laid in replacement (board feet)
	New Ties (1)	Second-Hand Ties (2)		Miles occupied by crossties (a)	Total crossties (b)		% renewal to all ties (7)	# laid per mile (8)	
Eastern District									
CSX	2,978,383	45,012	76,198	34,011	101,624,868	2,988	3.01%	90	5,386,836
Grand Trunk Western	27,199	0	0	1,389	4,378,128	3,152	0.62%	20	189,452
Illinois Central	304,561	0	0	3,881	12,314,413	3,173	2.47%	78	(c) 435,500
Norfolk Southern	1,483,886	54,483	0	31,653	97,364,628	3,076	1.52%	47	5,975,227
Total Eastern District	4,794,029	99,495	76,198	70,934	215,682,037	3,041	2.26%	69	11,987,015
Western District									
Burlington Northern Santa Fe	2,321,120	0	324,276	41,987	129,949,765	3,095	2.04%	63	5,248,383
Kansas City Southern	219,980	0	0	4,096	13,103,104	3,199	1.68%	54	345,167
Soo Line	217,556	0	0	2,749	8,299,231	3,019	2.62%	79	423,708
Union Pacific	3,023,719	2,453	297,387	47,509	141,576,820	2,980	2.35%	70	(d) 7,794,898
Total Western District	5,782,375	2,453	621,663	96,341	292,928,920	3,041	2.19%	66	13,812,156
Total United States	10,576,404	101,948	697,861	167,275	508,610,957	3,041	2.22%	67	25,799,171

way. The surveys include all Canadian track, not just the U.S. track owned by Canadian roads as in the R1 reports.

But all it takes is a little work based on historical data and we can estimate that between 12 and 12.1 million new wood ties will be installed on U.S. Class 1 roads in 2002. This is an increase of about 1 to 1.2 million ties in just a single year. In fact, if that figure holds, it would mean a whopping 11 percent increase from 2001 installations.

The RTA production figures from late 2001 and early 2002 would seem to bear this out. In August 2001, tie purchases were on a 14.8 million tie annual pace based on purchases in the previous 12 months. Through July 2002, the pace had quickened to 16.8 million. That's 2 million more ties. One would easily guess that Class 1's made up at least 60 percent of the increased demand. That translates to 1.20 million more wood ties flowing toward Class 1's in just one year. Thus, the surveys and the production numbers appear to corroborate each other.

And what of next year? The survey indicates that 2003 will see even greater demand. Canadian and U.S. roads alike have indicated their desire to purchase 3 to 4 percent more than they did in 2002. This additional half million ties could be further increased if supply can catch up.

Gary Hunter of Union Pacific railroad

Source: R-1 Annual Reports to the Surface Transportation Board (Furnished To RTA By AAR).

Note: 59,228 second-hand other-than-wooden ties, not shown on this page, were laid in replacement in 2001.

(a) Total mileage operated at the end of the year, excluding mileage under trackage rights.

(b) Based on crossties per mile of track in 1967, the last year reported.

(c) 6,700 ties which were assigned 65 board feet per tie.

(d) Includes 504 concrete ties and 993 steel ties which were assigned 65 board feet per tie.

**Table 2—For Calendar Year 2001
Crossties Laid In Addition Statistics For Class 1 Railroads In The U.S.**

District & Railroad	Treated wooden crossties laid in addition (number)		New crossties laid in replacement other than wooden (number) (12)	Switch and bridge ties laid in addition (board ft.) (13)
	New Ties (10)	Second-hand ties (11)		
Eastern District				
CSX	155,034	1,113	3,723	325,571
Grand Trunk Western	0	0	0	0
Illinois Central	0	0	0	0
Norfolk Southern	59,873	0	0	420,911
Total Eastern District	214,907	1,113	3,723	746,482
Western District				
Burlington Northern Santa Fe	27,831	0	30,414	122,530
Kansas City Southern	506	0	0	0
Soo Line	0	0	0	0
Union Pacific	112,710	47,268	109,116	(c) 522,549
Total Western District	141,047	47,268	139,530	645,079
Total United States	355,954	48,381	143,253	1,391,561

Source: R-1 Annual Reports to the Surface Transportation Board (Furnished to RTA by AAR)

(c) Includes 4,914 concrete ties which were assigned 65 board feet per tie.

had written RTA in early July indicating that Union Pacific (UP) was planning installations three to four years into the future at the same or increased demand. "Engineering is advising me to provide 4 million wood ties annually for the next 3 years," he said.

According to Hunter, by late July the desired amount for 2003 could have gone as high as 4.5 million ties if supply could have been guaranteed. But, with supply still lagging, UP is now only counting on 3.7 mil-

lion to 3.8 million ties for 2003. "Still, if supply catches up soon we might revise that number higher," Hunter said.

The discussions with other Class 1 purchasing departments also confirm the surveys. Barring major economic hardships, 2003 will see the increases predicted.

Predicting 2004 and 2005 from surveys may not be as easy. The surveys would indicate that 2004 and 2005 would see further increases in demand. Railroad staff

comments confirm the need. And market factors would also argue for consistently strong demand.

For example, no one seems to be talking about additional railroad mergers anymore. That's a whole 'nother story. But apparently railroads have figured out how to cooperate with each other on increasing customer service to the point where additional mergers seem unnecessary. So, without that hanging over suppliers'

Table 3—Railway Tie Association Annual Survey*

**Estimated Crosstie Requirements Class 1 Railroads (000's omitted)
2002-2005 Inclusive**

AUTHORIZED CROSSTIES FOR 2002										
Region	Total Track Miles	New Wood Crossties		Wood Relay Crossties	New Non-Wood Crossties			Switch Ties (Units)		Bridge Timbers Units
		Hardwood	Softwood		Concrete	Steel	Other	Wood	Other	
Eastern U.S.	72,976	6,051,500	12,000	65,000	108,000	2,000	1,000	281,500	360	64,400
Western U.S.	76,112	5,415,000	820,000	58,000	522,000	58,000	52,000	163,500	0	19,400
Canada & Canadian Owned U.S. Track	34,786	1,353,000	322,000	30,000	0	1,900	0	66,700	3,200	3,600
TOTAL	183,874	12,819,500	1,154,000	153,000	630,000	61,900	53,000	511,700	3,560	87,400
AUTHORIZED CROSSTIES FOR 2003										
Region	Total Track Miles	New Wood Crossties		Wood Relay Crossties	New Non-Wood Crossties			Switch Ties (Units)		Bridge Timbers Units
		Hardwood	Softwood		Concrete	Steel	Other	Wood	Other	
Eastern U.S.	72,976	5,740,000	13,000	55,000	110,000	2,000	0	276,200	480	68,400
Western U.S.	76,112	6,100,000	725,000	58,000	525,000	5,000	149,000	163,500	0	13,600
Canada & Canadian Owned U.S. Track	34,786	1,546,000	305,500	55,000	25,000	2,500	300	63,000	3,400	3,850
TOTAL	183,874	13,386,000	1,043,500	168,000	660,000	9,500	149,300	502,700	3,880	85,850
AUTHORIZED CROSSTIES FOR 2004										
Region	Total Track Miles	New Wood Crossties		Wood Relay Crossties	New Non-Wood Crossties			Switch Ties (Units)		Bridge Timbers Units
		Hardwood	Softwood		Concrete	Steel	Other	Wood	Other	
Eastern U.S.	72,976	5,543,000	16,000	45,000	110,000	2,000	0	266,400	480	68,350
Western U.S.	76,112	6,430,000	645,000	58,000	525,000	5,000	0	163,500	0	14,400
Canada & Canadian Owned U.S. Track	34,786	1,565,000	310,000	35,000	0	2,500	0	67,400	3,600	4,040
TOTAL	183,874	13,538,000	971,000	138,000	635,000	9,500	0	497,300	4,080	86,790
AUTHORIZED CROSSTIES FOR 2005										
Region	Total Track Miles	New Wood Crossties		Wood Relay Crossties	New Non-Wood Crossties			Switch Ties (Units)		Bridge Timbers Units
		Hardwood	Softwood		Concrete	Steel	Other	Wood	Other	
Eastern U.S.	72,976	5,546,000	18,000	45,000	110,000	2,000	0	267,000	480	70,375
Western U.S.	76,112	6,535,000	540,000	58,000	525,000	5,000	0	163,500	0	13,300
Canada & Canadian Owned U.S. Track	34,786	1,722,000	340,000	35,000	0	2,500	0	73,000	4,200	4,850
TOTAL	183,874	13,803,000	898,000	138,000	635,000	9,500	0	503,500	4,680	88,525

* Eastern Railroads reporting - CSX Transportation; Elgin, Joliet and Eastern; Florida East Coast and Norfolk Southern. Western Railroads reporting - Burlington Northern Santa Fe, Kansas City Southern Railway and Union Pacific. Canadian Railroads reporting - BC Rail, Canadian Pacific Railway (includes Soo Line) and CN/IC (includes GTW).

**Volume of Timber Necessary To Produce
Estimated Crosstie Requirements (000's omitted)**

	Thousand Board Feet		
	2002	2003	2004
Crossties - U.S. & Canada	558,940	577,180	580,360
Switch Ties - U.S. & Canada	33,261	32,676	32,325
Bridge Timbers - U.S. & Canada	11,362	11,161	11,283
TOTAL BOARD FEET	603,563	621,017	623,968

Table 4—The Railway Tie Association* 2002 Regional & Short Line Crosstie Survey

Tie Categories	2001 Usage	2002 Projected	2003 Projected	2004 Projected
New 7" Ties	680,900	719,908	927,667	906,333
New 6" Ties	714,833	1,095,775	790,967	803,467
Sub-Total New	1,395,733	1,815,683	1,718,633	1,709,800
Relay 7" Ties	390,942	414,842	343,750	387,500
Relay 6" Ties	19,358	22,250	9,083	9,417
Sub-Total Relay	410,300	437,092	352,833	396,917
Industrial 7" Ties	849,733	1,074,167	972,500	960,000
Industrial 6" Ties	102,333	121,667	31,250	137,083
Sub-Total Industrial	952,067	1,195,833	1,003,750	1,097,083
Switch Ties	34,164	87,775	104,050	87,750
Bridge Ties	33,300	59,800	33,758	33,042
Concrete Ties	1,667	1,667	1,667	1,667
Steel Ties	31,667	25,000	41,667	41,667
Grand Total All Ties	2,895,908	3,622,850	3,256,358	3,367,925

*In cooperation with American Short Line and Regional Railroad Association
 Note: Calculation based on survey responses from 53 Roads, representing approximately 9% of operating trackage.

heads, it looks like the high tide of demand will stay in place.

Short Lines

Suppliers will likely also see benefit coming from the regional and short line rail community. Although the survey total for 2003 is somewhat lower than 2002 projections (see Table 4), one needs only look at the breakdown to see that short lines are preparing for much-needed track upgrades.

Instead of relying so heavily on 6-inch grade and relay ties, 2003 and 2004 may see a marked increase in 7-inch grade tie demand over 2002. With some federal money beginning to trickle their way, and states like Oregon (see story on page 7)

stepping up to the plate with infrastructure funding, short lines will be able to do more than just maintain. Rather, they will be able to improve their track.

Additional Markets

Mexico has been calling. Contractors and industrial and government entities are on the phone. Passenger rail initiatives are rolling. All this is leading to heavier demand. How much? That is a bit harder to pinpoint. But there is no question that RTA production numbers are telling the tale that these markets are becoming bigger players. One look at the past year proves the point.

Remember the 2 million increase in tie

purchases between August 2001 and July 2002 mentioned earlier? Some of these ties are going to non-Class 1 rail applications. If it is as much as 40 percent as the data indicates, then that is a huge increase in ties moving to other markets. Sure, a lot of that may be going to short lines, but other factors are now heavily into play. There is no doubt that Class 1 roads continue to dominate the market, but many suppliers are selling more and more to these other markets as well.

The Next Step

Railroads are becoming more important to Americans every day. Railroads are also now beginning to take up the mantle of their leadership potential, rather than following the lead of competitors. And, our country needs railroads to do even more.

Yes, the federal government also needs to do more to support our railroads and bring equality to the competitive landscape. And, yes, the railroads need to continue on the path that deserves that support. The end result will be good for America and good for those businesses serving the railroad community.

This time, let's hope that the lessons are learned—that suppliers and railroads can walk into the future as partners in the vital interests of each other and our nation. If so, then the projections presented by this year's surveys may be just the tip of a much larger future. §

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