
US rail investment continues despite strike threat

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The issue of strikes by rail workers continues, with the SMART union stating that it was setting a deadline of the 8th December for the rail companies to put forward an acceptable deal, otherwise it would call a strike for the 9th of December.

However, the seriousness of the situation seems to have reduced with the acceptance of the existing offer by the train conductor's union. Rail strikes are still possible in December but probably not likely.

However, investment in the US rail sector also continues. The latest is Norfolk Southern's purchase of Cincinnati Southern Railways for US\$1.6bn. This seems quite a high price for a local rail network of 337miles and 10,000 acres of land, yet it improves access for Norfolk Southern to one of the most dynamic areas for logistics services in the US, not least due to the exposure to the growing container port complexes in the southern states.

The Cincinnati Southern network terminates at Chattanooga on the border of Georgia. CEO of Norfolk Southern, Alan Shaw, explained that "the Cincinnati Southern Railway is a critical artery linking the Midwest and the Southeast and plays an important role in our powerful network that serves more than half the U.S. population.... This agreement sets the framework for Norfolk Southern to own a core line in our network in perpetuity."

Norfolk Southern has been leasing much of the infrastructure of Cincinnati Southern for a number of years through its New Orleans and Texas Pacific Railway subsidiary. Cincinnati Southern has been owned by the City of Cincinnati since its establishment in the nineteenth century. Norfolk Southern have made a number of offers for the assets of the railway to the Cincinnati City council but they have been rejected. However, a number of politicians said that the \$1.6bn cash bid was too good to refuse.

(Thomas Cullen, Ti Insights)