

CSX Says Intermodal Opers Pinched By Trucking Sector Woes

By Bob Sechler, Of DOW JONES NEWSWIRES

The intermodal freight industry - in which truck trailers are transported partly by train - is feeling the sting of substantial overcapacity in the trucking sector, CSX Corp. (CSX) executives said Wednesday.

The No. 3 U.S. railroad by revenue said lenders to the trucking sector are contributing to the problem by hesitating to pull the plug on struggling trucking companies.

"Banks are not foreclosing on these trucking companies" because they don't want to take on large truck fleets and other non-performing assets, Clarence Gooden, a CSX executive vice president, told analysts on a post-earnings conference call.

Such "artificial financing" is "propping up" some trucking firms and hurting pricing and volume in the intermodal sector, Gooden said.

Neither he nor other CSX executives cited any particular trucking companies. But struggling YRC Worldwide Inc. (YRCW) is perhaps the trucking sector's highest-profile beneficiary of lender leniency.

YRC, a top trucking company that has been wrestling with a substantial debt load, announced earlier this week that its lenders had agreed to extend some provisions of its credit agreements until the end of the month. YRC has managed to win similar extensions and leniency multiple times over the past year as it fights to ward off bankruptcy.

Regardless, CSX said third-quarter intermodal shipments slumped 10%, compared to the year-ago period, a more modest slide than the railroad's overall 15% drop in quarterly volume.

But Gooden said the intermodal sector remains extremely competitive against the backdrop of trucking overcapacity, even as he noted that CSX continues to successfully court some business traditionally hauled solely by trucks. The intermodal sector accounted for about 13% of CSX's third-quarter revenue.

"Over-the-road pricing from the trucks is as tough as I've ever seen it," he said.

Both he and Chief Executive Michael Ward said CSX remains committed to the intermodal sector. Ward said in an interview that long-term intermodal prospects are strong, citing issues such as highway congestion and better fuel-efficiency that render train transport more attractive than trucking.

Late Tuesday, CSX posted third-quarter earnings of \$293 million, or 74 cents a share, down from \$380 million, or 93 cents a share, a year earlier. Revenue dropped 23% to \$2.3 billion.

But the results surpassed Wall Street forecasts, with analysts surveyed by Thomson Reuters expecting per-share earnings of 71 cents on revenue of \$2.32 billion.

CSX shares were up 4.9% recently, or \$2.18, at \$46.46.

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