



ARKANSAS Transportation REPORT



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Editor's note: The Arkansas Transportation Report is Sponsored by Arkansas Trucking Association & Arkansas State Chamber of Commerce.



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Roby Brock

Editor's Note

Welcome to our newest economic report, the Arkansas Transportation Report. We intend to provide this report on a monthly basis to our readers in order to keep you better informed of trends and data impacting one of the state's most important industry sectors.

Talk Business & Politics offers a special thanks to the Arkansas Trucking Association and the Arkansas State Chamber of Commerce/Associated Industries of Arkansas for their underwriting of this key report.

In this report, you'll find a compilation of data and news regarding the trucking, railroad, airline, and river barge industries. Individually, these different components of transportation and cargo offer unique insight into the current state of the economy. Combined, the totality of the information paints a much broader picture of the health of the transportation sector.

We will continue to offer more insight and analysis in future reports based on new data becoming available and feedback from our readers. We welcome your thoughts and comments. Please feel free to share them with me via email at robby@talkbusiness.net.

A black rectangular box containing a handwritten signature in green ink that reads "Roby Brock".

Roby Brock

Publisher & Editor-in-Chief

Flooding pushes river traffic down 15% in 2015

By Talk Business & Politics Staff

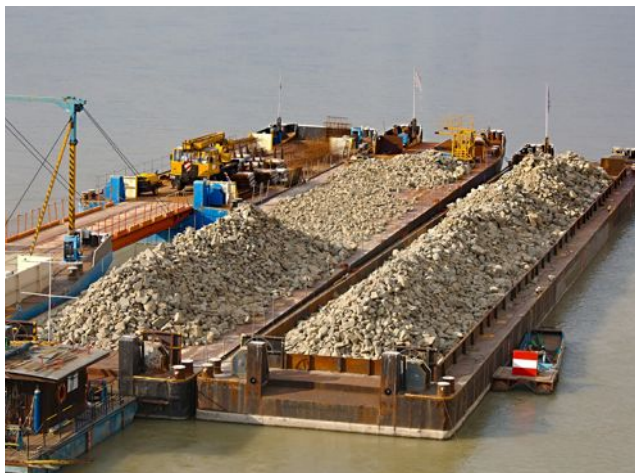
Thanks to unusual amounts of rainfall in 2015, tonnage on the Arkansas River was down 15% compared to 2014, and fell below 10 million tons for the first time in at least four years.

Information from the U.S. Corps of Engineers shows that 9.962 million tons were shipped in 2015. Tonnage totaled 11.719 million tons in 2014, down from the 12.139 million in 2013 but better than the 11.687 million in 2012 and the 10.6 million in 2011.


The Arkansas River system is 445 miles long and stretches from the confluence of the Mississippi River to the Port of Catoosa near Tulsa, Okla. The controlled waterway has 18 locks and dams, with 13 in Arkansas and five in Oklahoma. The river also has five ports: Pine Bluff, Little Rock, Fort Smith, Muskogee, Okla., and the Tulsa Port of Catoosa in Oklahoma.

December tonnage was 702,640 tons, down 30% from the 1.003 million tons in December 2014.


The biggest hit in 2015 was with outbound shipments. Shipments from ports along the Arkansas River to areas out of the river totaled 3.216 million tons, down 28% compared to 2014. Inbound shipments totaled 4.436 million, down 5% compared to 2014. Shipments to and from ports on the river system (internal) totaled 2.309 million in 2015, down 11% compared to 2014.




Following are tonnage numbers for the largest categories of items shipped on the river:

Sand/gravel/rock  **down 14%**
2015: 2.732 million tons
2014: 3.094 million tons

Chemicals/fertilizer  **down 11%**
2015: 2.135 million tons
2014: 2.389 million tons

Iron and steel  **down 11%**
2015: 1.475 million tons
2014: 1.659 million tons

Soybeans  **down 6%**
2015: 1.218 million tons
2014: 1.289 million tons

Arkansas River Tonnage
2015: 9.962 million tons
2014: 11.719 million tons
2013: 12.139 million tons
2012: 11.687 million tons
2011: 10.58 million tons



End of year stats raise red flags on shipping status

By Talk Business & Politics Staff

ATA AND CASS

Reports are mixed on activity in the national shipping industry at the end of December, but market watchers are not optimistic about the sector getting off to a good start in 2016.

The American Trucking Associations' Truck Tonnage Index was up 1% in December following a 0.9% dip in November. For all of 2015, the seasonally adjusted tonnage was up 2.6% compared to 2014. The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, equaled 132.7 in December, 2.9% above the previous month.

"Tonnage ended 2015 on a strong note, but it was not strong for the year as a whole," ATA Chief Economist Bob Costello noted in his report. "With year-over-year gains averaging just 1.2% over the last four months, there was a clear deceleration in truck tonnage."

Costello also reiterated his concern about high inventory levels.

"At the expense of sounding like a broken record, I remain concerned about the high level of inventories throughout the supply chain. The total business inventory-to-sales record is at the highest level in over a decade, excluding the Great Recession period. This will have a negative impact on truck freight volumes over the next few months at least. And, this inventory cycle is overriding any strength from consumer spending and housing at the moment."

Trucking serves as a barometer of the U.S. economy, representing 68.8% of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods. Trucks hauled just under 10 billion tons of freight in 2014. Motor carriers collected \$700.4 billion, or 80.3% of total revenue earned by all transport modes.

Cass Freight Index showed shipments in December were down 3.7% compared to December 2014 and down 4.9% from November. Shipment costs were down 5.2% compared to December 2014 and down 2.7% compared to November.

Rosalyn Wilson, a supply chain expert and senior business analyst with Pasadena, Calif.-based Parsons, who provides economic analysis for the Cass Freight Index, said the national shipping industry in 2015 was not as robust as it was in 2014.

"The declines are not unusual for December, but they capped off a second quarter of decline. In retrospect, 2015 did not even begin to reach the heights we reached in 2014.

By the end of 2015, both shipment volume and expenditures fell back to 2013 levels. Expenditures for freight transportation were 5.2 percent lower than at the end of 2014 and shipment volume was down 3.7 percent,"

Wilson said in her report.

Cass uses data from \$26 billion in annual freight transactions to create the Index. The data comes from a Cass client base of more than 350 large shippers.

Wilson said issues that caused declines in 2015 are not likely to abate in early 2016.

"With manufacturing slowing, inventories high, companies rationalizing employees and a six-month slide in freight volume and expenditures, 2016 will get off to a slow start," she noted.



"Tonnage ended 2015 on a strong note, but it was not strong for the year as a whole,"

— ATA Chief Economist Bob Costello

Cars, chemicals on the cargo rise; commodities slump

By Talk Business & Politics Staff

Railcar traffic in January totaled 968,042 carloads, down 16.6% from January 2015 thanks to double-digit declines in energy-related commodities shipped, according to the Association of American Railroads (AAR).

U.S. railroads also originated 1,039,621 containers and trailers in January 2016, up 3.4% or 34,523 units from the same month last year. For January 2016, combined U.S. carload and intermodal originations were 2,007,663 down 7.3% or 158,224 carloads and intermodal units from January 2015.

In January 2016, four of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with January 2015. This included:

- miscellaneous carloads, up 45.2% or 7,409 carloads;
- chemicals, up 2.1% or 2,615 carloads;
- motor vehicles and parts, up 3.9% or 2,435 carloads.

Commodities that saw declines in January 2016 from January 2015 included:

- coal, down 33.3% or 150,658 carloads;
- petroleum and petroleum products, down 19.4% or 12,037 carloads;
- crushed stone, gravel, and sand, down 10.3% or 8,475 carloads.

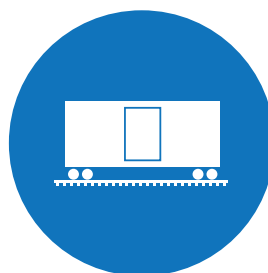
Excluding coal, carloads were down 5.9%, or 42,089 carloads, from January 2015.

Canadian railroads reported total January rail traffic volume of 513,716 carloads, containers and trailers, down 6.5% from January 2015. Total January volume on Mexican railroads for the first 4 weeks of 2016 was 109,401 carloads and intermodal containers and trailers, up 1.3% compared to January 2015.

“Intermodal was solid in January, but carload volumes weren’t what railroads were hoping for,” AAR Senior Vice President of Policy and Economics John Gray said in a statement. “By all accounts, rail service right now is excellent, but volume just isn’t there. At some point, the problems currently plaguing the energy and manufacturing sectors — low oil prices, a strong dollar, uncertainties in emerging markets — will sort themselves out. When that happens, railroads will be positioned to provide safe, reliable service.”

The month did not end on a high note for the rail industry in North America. Total U.S. weekly rail traffic for the week ending Jan. 30, 2016 was 512,746 carloads and intermodal units, down 6.5% compared with the same week in January 2015. Carload traffic was down 16.6%, with intermodal volume up 5.5%.

Canadian railroads reported 69,901 carloads for the week, down 12.4%, and 61,982 intermodal units, up 0.8% compared with the same week in 2015. Mexican railroads reported 16,855 carloads for the week, up 0.7%, and 11,141 intermodal units, down 3.2%.



January 2016

North American rail and intermodal traffic compared to January 2015

U.S.

Railcar: down 16.6%

Intermodal: up 3.4%

Canada

Railcar and intermodal: down 6.5%

Mexico

Railcar and intermodal: up 1.3%

LIT falls below 1 million threshold, XNA sets traffic record

By Talk Business & Politics Staff

It was a mixed bag for Arkansas' three largest airports in 2015. Clinton National Airport in Little Rock fell below a million enplanements, the Northwest Arkansas Regional Airport (XNA) for the second consecutive year set a new record for traffic, and the Fort Smith Regional Airport saw traffic fall more than 7%.

After three months of increases, Clinton National Airport in Little Rock saw a decrease in passengers in December. Officials cited weather related cancellations at destination airports for the majority of the monthly decrease. For 2015 on the whole, enplanements totaled 996,837, down 4.29%. Roughly 1.9 million people flew in and out of Little Rock last year. That's approximately 89,000 fewer than 2014.

Enplanements were below 1 million, the first time enplanements dropped below the million mark since 1991. Much of that falloff is attributed to the consolidation of airlines, and by extension their HUBS, as well as the repeal of the Wright Amendment which forced planes from Love Field to fly only in Texas or an adjoining state.

Northwest Arkansas Regional Airport was also down in total travelers for December 1.21%. However, for 2015 the airport had 643,320 enplanements, up 1.09% for the year. A total of 1.29 million people flew in or out of XNA last year. Enplanements were up nearly 2,800 passengers.

A third of the traffic at XNA was on American Eagle (32.75%). United Express (13%) and US Air (9%) were a distant second and third in passenger count.

XNA's first full year of traffic was 1999, and the airport posted eight consecutive years of enplanement gains before seeing a decline in 2008.

Enplanements at the smaller Fort Smith Regional Airport totaled 86,704 in 2015, down 7.1% compared to 2014. The 2014 traffic was 92,869, the first time the airport had topped the 90,000 mark since 2007. December enplanements in Fort Smith were 6,315, down from 7,409 in December 2014.



ENPLANEMENT HISTORY (Clinton National Airport-Little Rock)

2015: 996,837
2014: 1.038 million
2013: 1.085 million
2012: 1.147 million
2011: 1.103 million
2010: 1.124 million

2015:
996,837

ENPLANEMENT HISTORY (Northwest Arkansas Regional Airport)

2015: 643,320
2014: 640,537
2013: 581,487
2012: 565,045
2011: 562,747
2010: 570,625

2015:
643,320

ENPLANEMENT HISTORY (Fort Smith Regional Airport)

2015: 86,704
2014: 92,869
2013: 84,520
2012: 86,653
2011: 86,234
2010: 86,129

2015:
86,704

2015 earnings up for J.B. Hunt and USA Truck, down for ArcBest

By Talk Business & Politics Staff

Three Arkansas-based publicly held companies in the transportation and logistics business recently reported fourth quarter and full year earnings. Lowell-based J.B. Hunt and Van Buren-USA Truck had mostly positive reports, with Fort Smith-based ArcBest Corp. struggling in the fourth quarter.

J.B. HUNT TRANSPORT

Full year 2015 net income for Lowell-based J.B. Hunt reached \$427.235 million, up 14% compared to 2014. The annual per share earnings of \$3.66 beat the consensus estimate thanks to healthy operating income growth in the company's intermodal and dedicated contract services segments.

Key items in the earnings report, as noted by the company, were:

- The intermodal segment saw 6% load growth in the fourth quarter;
- Truck segment revenue growth of 3% during the fourth quarter was driven by rate increases and an increase in fleet size;
- Improved fuel economy, lower maintenance costs and lower insurance costs helped boost overall operating income during the fourth quarter; and
- Areas with cost increases included driver wages, rail transport, and equipment ownership.

USA TRUCK

The once troubled USA Truck has pulled together two consecutive years of growth, with full year 2015 net income reaching \$11.069 million, up 76.1% compared to 2014 net income. Fourth quarter net income of 39 cents per share blew past the consensus estimate of 23 cents.

Full year revenue at the Van Buren-based trucking and logistics company was \$507.934 million, almost 16% lower than the \$602.477 million in 2014. A factor in reduced revenue during the year was a reduction in the average number of in-service trucks. That average in 2015 was 1,970, below the 2,202 in 2014. Helping improve margins and improve income despite a revenue reduction was base revenue per loaded mile of \$1.885, better than the \$1.788 in 2014.

ARCBEST CORP.

It was tough fourth quarter for Fort Smith-based ArcBest Corp., with a decline in tonnage and shipments resulting in net income of \$4.989 million, well below the \$14.543 million in the same quarter of 2014 and well below analyst estimates.

For the full year, net income was \$44.854 million, just under the \$46.177 million in 2014. Per share earnings for the year were \$1.67, below the consensus estimate of \$1.96. Full year revenue totaled \$2.666 billion, ahead of the \$2.612 billion in 2014.

Key indices for the company were negative in the fourth quarter compared to the same quarter in 2014. Tonnage was down 4.1%, shipments were down 0.7%, and billed revenue per hundredweight was down 1.1%. For the year, tonnage was down 1.5%, shipments were up 2.4% and billed revenue was up 0.8%.

Net Income
(millions)



ArcBest Corp.

2015: **\$44.854**

2014: **\$46.177**

J.B. Hunt

2015: **\$427.235**

2014: **\$374.792**

USA Truck

2015: **\$11.069**

2014: **\$6.285**



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