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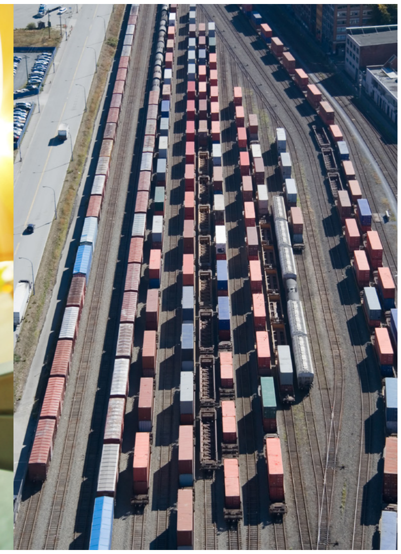

ARKANSAS Transportation REPORT

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

ARKANSAS Transportation REPORT

By Talk Business & Politics Staff

Conditions in the nation's and Arkansas' shipping industries indicate stability and modest growth, with a volatile energy sector and high inventory levels being concerns for the remainder of 2016.

One clear positive is activity on the Arkansas River (McClellan-Kerr Arkansas River Navigation System). Although tonnage shipped on the Arkansas River is down 2% for the first two months of 2016, February tonnage was up almost 31%, suggesting that pent-up activity from flooding issues in 2015 is now working its way through the river navigation system.

This report also notes that fewer commodity shipments resulted in double-digit declines in U.S. rail traffic, which has pushed some train operators to speed up job cuts.

The Arkansas Transportation Report is designed to keep our readers 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.

Arkansas River rebounds

By Talk Business & Politics Staff

Although tonnage shipped on the Arkansas River is down 2% for the first two months of 2016, February tonnage was up almost 31%, suggesting that pent-up activity from flooding issues in 2015 is now working its way through the river navigation system.

Tonnage shipped for the first two months totaled 1.799 million, down 2% from the same period in 2015. However, February saw 1.228 million tons shipped, up 30.9% compared to the 937,873 tons in February 2015.

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.

Most of the tonnage gain for the first two months is from outbound and internal shipments. Outbound tonnage totaled 611,372, up 1%, with internal shipment tonnage at 383,888, up 37%. Inbound shipments totaled 804,200, down 15%.

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

Chemical fertilizers
Jan.-Feb. 2016: 567,357 tons
Jan.-Feb. 2015: 522,684 tons

Sand/gravel/rock
Jan.-Feb. 2016: 413,688 tons
Jan.-Feb. 2015: 363,420 tons

Soybeans
Jan.-Feb. 2016: 270,500 tons
Jan.-Feb. 2015: 292,700 tons

Iron/steel
Jan.-Feb. 2016: 180,600 tons
Jan.-Feb. 2015: 288,025 tons

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Early 2016 traffic trends up for Little Rock, down for XNA and Fort Smith

By Talk Business & Politics Staff

The airport traffic tables have turned in early 2016, with Clinton National Airport in Little Rock up more than 4% for the first two months of the year, and the Northwest Arkansas Regional Airport (XNA) is down almost 2%. The Fort Smith Regional Airport posted a sharp drop of almost 17% for the first two months.

It was a slightly different story for Arkansas' three largest airports in 2015. Clinton National Airport fell below a million enplanements, XNA set a new record for traffic, and Fort Smith saw traffic fall more than 7%.

Little Rock enplanements totaled 135,991 for the first two months of 2016, up 4.13% compared to the same period in 2015. February enplanements totaled 68,027 in Little Rock, up 9.82% compared to February 2015.

American Airlines, the largest carrier in Little Rock by enplanements, posted a 28.27% gain in the January-February period. Southwest Airlines, the second largest carrier, had a 1.89% gain for the January-February period.

Clinton National Airport officials are optimistic about March enplanements.

"Glo will begin nonstop service to Destin-Fort Walton Beach on Friday, March 25. We've reached 105,437 people through social media to build awareness of the route. By the end of the month, we will be working with the airline to start an online ticket giveaway campaign to gain additional exposure," airport staff noted in a report to the Little Rock Municipal Airport Commission.

The commission report also noted that Southwest Airlines began the second phase of its social media campaign to market St. Louis service. The campaign was scheduled to run through the end of March.

For 2015, Little Rock enplanements totaled 996,837, down 4.29%. Roughly 1.9 million people flew in and out of Little Rock last year, approximately 89,000 fewer than 2014. Enplanements were below 1 million, the first time enplanements dropped below the million mark since 1991.

XNA, FORT SMITH TRENDS

XNA, which for the second consecutive year in 2015 set a new record for traffic, had 86,518 enplanements in the January-February period, down 1.84%. February enplanements were 43,334, down just 0.86%.

Part of the decline at XNA can be attributed to American Airlines, the largest carrier at the Northwest Arkansas field. January-February enplanements for American at XNA totaled 30,971, down 3.19% compared to the same period in 2016.

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.

Fort Smith Regional Airport enplanements totaled 11,172 for the first two months of 2016, down 16.68% compared to the same period in 2015.

Airport Director John Parker said two things likely played into the decline. "Significant" weather in the Dallas area in January caused flight cancellations – which may have also lowered the XNA numbers – and the early 2015 traffic in Fort Smith was higher than usual.

"We really had strong numbers in 2015, in that early half. ... So any return to normal shows up as an extra deep drop because we had good months in the previous year," Parker said.

Parker said the planes serving Fort Smith are being upgraded from the CRJ 200 model (around 45 seats), to the CRJ 900 model (around 75 seats).

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.

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Volatile energy sector, high inventory levels may result in 'sluggish' 2016 start for U.S. shipping industry

By Talk Business & Politics Staff

While February numbers for the trucking and other freight hauling sectors were positive compared to recent months, two economists who watch the industry are uncertain shipping and tonnage levels will see a "robust rebound" for the first half of 2016.

The American Trucking Associations' Truck Tonnage Index rose a surprising 7.2% in February following a revised 0.3% dip in January. The increase is the largest monthly move for the index since January 2013 (11.4%) and the largest year-over-year increase since December 2013 (10.4%).

The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, equaled 129 in February, 0.4% above the previous month. For all of 2015, the seasonally adjusted tonnage was up 2.6% compared to 2014.

ATA Chief Economist Bob Costello noted in his report that the February rise reflects some pent up activity from winter storms in January. He warned against being too excited about the February gain.

"The strength was mainly due to a weaker than average January, including bad winter storms, thus there was some catch-up going on in February. Normally, fleets report large declines to ATA in February tonnage, in the range of 5.4% to 6.7% over the last three years. So, the small increase this year yielded a big seasonally adjusted gain. If March is strong, then I'll get more excited," Costello wrote.

ONGOING INVENTORY ISSUES

Costello continued his warning about high inventory levels with U.S. businesses.

"I'm still concerned about the elevated inventories throughout the supply chain. Last week, the Census Bureau reported that relative to sales, inventories rose again in January, which is troubling. We need those inventories reduced before trucking can count on more consistent, better freight volumes," he said.

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. The Arkansas Trucking Association reports that the industry supports 83,000 jobs and contributes $3.5 billion in annual wages.

The February Cass Freight Index report showed that shipments were up 8.3% compared to January, but down 2.6% compared to February 2015. 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.

'FRAGILE ECONOMIC CONDITIONS'

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 weak global markets and "China's economic turmoil" will be a negative for the industry in 2016. Also a drag on the industry is the recession in the nation's energy industry, she said, noting that "current economic conditions do not support a robust rebound."

"The volatility in the energy markets, as well as fragile economic conditions worldwide, has introduced a strong element of uncertainty into future freight growth in the U.S.," Wilson wrote, adding that economic indicators point to a "sluggish" first half of 2016.

Like Costello, Wilson also said high business inventories are a problem.

"Consumers are in a stronger position with positive income growth, but still remain conservative in their spending; and more growth has been seen in the purchase of services (eating out, hotels, airfare, movies, etc.) rather than goods purchases. Inventories remain very high in the goods sectors, which has reduced imports and domestic manufacturing."

Continuing on that point, Wilson noted: "The goods sector is fast approaching the need to rationalize bloated inventories as it did midway through the recession. Interest rates and warehousing costs are on the rise, increasing the cost of carrying that inventory."

Following are other points of analysis in the February Cass Freight Index.

- Railroad carloadings rose 1.1% in February after plummeting 20.6% in January. Carloadings continue to be hampered by declining coal shipments. Carload traffic rose for motor vehicles and parts, miscellaneous carloads, and waste and nonferrous scrap.
- The weakness in intermodal is indicative of the faltering manufacturing sector, bulging inventories and weak container shipments at the ports.
- The housing market and residential construction ticked up in both January and February which results in new freight. That market will be very sensitive to climbing interest rates though.
- Following the trend, we should expect continued growth in March, although somewhat subdued compared to February.

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Fewer commodity shipments cause double-digit declines in rail traffic; train operators speeding up job cuts

By Talk Business & Politics Staff

As railroad giant BNSF recently announced that its total furloughs will now touch more than 4,600 employees nationwide, industry reports show that total U.S. weekly rail traffic fell 16.5% from a year ago due the downward pressure on crude oil and other declining commodities prices.

Fort Worth-based BNSF, owned by Warren Buffett's Berkshire Hathaway, has begun accelerating a previously announced workforce reduction due to a declining railroad cargo traffic, mainly due to lower crude oil and coal shipments. BNSF's rivals Union Pacific and CSX have also announced major furlough and workforce reduction programs over the last six months, including union furloughs that have affected workers in Arkansas.

The industry's declining fortunes are fully reflected in the AAR's railroad traffic tallies for the week ending March 26, when there were only 470,271 carloads and intermodal units, compared to rail traffic of 547,865 carloads a year ago, according to the Association of American Railroads.

Total carloads for the week ending March 26 were 232,348 carloads, down 18.5% compared with the same week in 2015, while U.S. weekly intermodal volume was 237,923 containers and trailers, down 14.5% compared to 2015.

Two of the 10 carload commodity groups posted an increase compared with the same week in 2015. They were miscellaneous carloads, up 18.5% to 9,629 carloads; and motor vehicles and parts, up 0.1% to 18,676 carloads. Commodity groups that posted decreases compared with the same week in 2015 included coal, down 37.8% to 66,281 carloads; petroleum and petroleum products, down 22.1% to 10,738 carloads; and grain, down 16.1% to 19,144 carloads.

For the first 12 weeks of 2016, U.S. railroads reported cumulative volume of 2,905,113 carloads, down 13.7% from the same point last year; and 3,085,831 intermodal units, up 2.2% from last year. Total combined U.S. traffic for the first 12 weeks of 2016 was 5,990,944 carloads and intermodal units, a decrease of 6.2& compared to last year.

North American rail volume for the week ending March 26, 2016, on 13 reporting U.S., Canadian and Mexican railroads totaled 316,443 carloads, down 17.8% compared with the same week last year, and 296,384 intermodal units, down 15.9% compared with last year. Total combined weekly rail traffic in North America was 612,827 carloads and intermodal units, down 16.9%. North American rail volume for the first 12 weeks of 2016 was 7,848,116 carloads and intermodal units, down 5.8% compared with 2015.

Canadian railroads reported 70,891 carloads for the week, down 13.8%, and 51,488 intermodal units, down 18.7% compared with the same week in 2015. For the first 12 weeks of 2016, Canadian railroads reported cumulative rail traffic volume of 1,540,562 carloads, containers and trailers, down 5.3%.

Mexican railroads reported 13,204 carloads for the week, down 25.1% compared with the same week last year, and 6,973 intermodal units, down 34.8%. Cumulative volume on Mexican railroads for the first 12 weeks of 2016 was 316,610 carloads and intermodal containers and trailers, down 1.6% from the same point last year.

First 12 weeks of 2016

North American rail and intermodal traffic compared to 2015

U.S.

Railcar: up 13.7%

Intermodal: up 2.2%

Canada

Railcar and intermodal: down 5.3%

Mexico

Railcar and intermodal: up 1.6%

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