

Fact Sheet: Equipment Finance in the Railroad Industry

Equipment Financing Volume

According to the Equipment Leasing and Finance Association's (ELFA) [2017 Survey of Equipment Finance Activity](#), in 2016:

- Railroad equipment represented 3.0% of equipment financing new business volume reported by ELFA member companies, down from 3.5% in 2015.
- As an end-user of equipment finance, the railroad industry represented 0.2% of new business volume reported by ELFA member companies, down from 0.6% in 2015.

The Equipment Leasing & Finance Foundation's [U.S. Equipment Finance Market Study: 2016-2017](#) reported that in 2015:

- 78% of respondents in a survey of businesses used at least one form of financing when acquiring equipment.
- This is an increase from 72% of respondents from the 2012 Foundation market study, and represents an increase in the overall propensity to finance.
- 68% of the total value of equipment and software acquired was financed, a significant increase from the previous estimate of 55% forecast in the 2012 Foundation market study.

According to the [2017 "What's Hot, What's Not"](#) Equipment Leasing Trends Report authored by Carl Chrapa of The Alta Group LLC, based on a survey of ELFA members to measure industry perceptions of equipment types:

- Rail equipment ranked eighth in portfolio preference among equipment finance executives surveyed, a decline from sixth place the previous year. This is believed to be linked to problems in the oil patch and the 'war' on coal. In addition, pipelines and new rules and regulations on crude oil tank cars have largely disrupted that market.
- Total carloads, including intermodal, decreased by 5% in 2016.
- New design standards and regulations have adversely affected the flammable and hazardous material tank car fleet and could lead to many scrappings.
- Due to dwindling shipments, most car types are not performing well, especially open top hopper cars, gondolas and tank cars.

Investment

According to the Equipment Leasing & Finance Foundation's [Q3 2017 Equipment Leasing & Finance U.S. Economic Outlook](#):

- Investment in railroad equipment increased at an annualized rate of 49% in Q1 2017, and in July 2017 was down 16% year over year.
- Railroad equipment investment growth should continue to improve through the end of 2017.

Rail Market

According to the [Q1 2017 Umler Equipment Index](#):

- The total size of the North American rail equipment fleet was steady with the previous quarter. The total equipment count was 2,070,191 in Q1 2017 compared to 2,071,118 in Q4 2016.
- The three largest segments were covered hoppers (27%), tank cars (21%) and gondolas (11%).

According to the [Association of American Railroads](#) (AAR):

- Total U.S. carloads for the first seven months of 2017 were up 5.4% year to date, and intermodal containers and trailers were up 3.1% when compared to the same period in 2016.
- Total combined U.S. traffic (carload and intermodal units) for the first 30 weeks of 2017 was up 4.2% year to date.

About ELFA

The Equipment Leasing and Finance Association (ELFA) is the trade association that represents companies in the \$1 trillion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment finance market and contribute to capital formation in the U.S. and abroad. Its 575 members include independent and captive leasing and finance companies, banks, financial services corporations, broker/packageers and investment banks, as well as manufacturers and service providers. For more information, please visit www.elfaonline.org. Follow ELFA on Twitter @ELFAonline.

ELFA is the premier source for statistics and analyses concerning the equipment finance sector. Please visit www.elfaonline.org/Data/ for additional information.

ELFA believes that information and education about available options regarding investment in equipment are important to all businesses. ELFA offers resources, including a loan/lease comparison, a glossary of terms, an analysis to help determine suitable financing options, videos and topical bylined articles available for reprint free of charge, at www.EquipmentFinanceAdvantage.org

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