3 Reasons to Invest in Canadian National Railway Going into 2015

Description

There are many ways to tell where the economy is headed, but the one that I look at for a quick qualitative assessment is railroads. When an economy is growing, more goods are typically being bought, which requires transportation. The cheapest and most efficient way of getting goods around is via railroad. Therefore, if railroad companies are increasing their revenue, the economy is typically getting stronger as well.

What we've seen with **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) is that the firm is growing. It is bringing in more revenue, which is a sign that the economy is growing. Going into 2015, I think you should start a position in Canadian National Railway. Here are three reasons:

1. Difficulty for new companies

When I was a kid, I wanted to be two things: a business man and a train engineer. I was always amazed at where trains went. Those tracks just went on forever. As I've gotten older, I've realized how much money goes in to laying new track and expanding an operation.

And that makes Canadian National Railway very safe. It would cost tens of billions of dollars for a new company to come in and try to encroach on the company's territory. Because CNR has been around for over a hundred years, it gives it the incumbent advantage. And in railroads, that matters quite a bit.

Therefore, we have little to worry about a new company coming along to take market share away.

2. It's tri-coastal

During all of the **Canadian Pacific Railway Limited** (TSX:CP)(NYSE:CP) and **CSX Corporation** (NYSE:CSX) merger talks, everyone kept saying that it would create the first transcontinental railroad. Oil from the northwestern parts of Canada would be able to get to the Atlantic Ocean via one train system without ever needing to change companies.

Except it wouldn't have been the first transcontinental railroad. Canadian National Railway already goes from Prince Rupert and Vancouver all the way east to Halifax. That, alone, is transcontinental.

But then there's the fact that Canadian National Railway is actually tri-coastal. Not only does it go from east to west, but the railway cuts south into Chicago and then goes all the way down to the Gulf of Mexico.

What that means is that CNR can transport oil from northern Canada all the way down to the Gulf without needing to change companies (something CP can't do) and also transport goods from northern Canada all the way east. That gives it dominant power.

3. Dividends and shareholder support

Since going public in 1996, the dividends from the company have grown tremendously. Even during the height of the economic crisis last decade, it raised its dividend, rewarding investors for holding onto the company. Very few companies can make that claim.

Further, the company has been buying back shares aggressively over the past months, which has helped the price to grow. The company clearly understands that shareholders need to be rewarded for their support, which I believe is a great way of gauging how solid an investment a company is.

Because of these three reasons, I am a solid believer that you should consider starting a position in Canadian National Railway heading into 2015.

CATEGORY

1. Investing

TICKERS GLOBAL

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