



Fairfax Financial Holdings Ltd. Enters the Churchill Rail Line Fray: Is This a Wise Move?

Description

As if there weren't already enough voices in the Churchill, Manitoba, rail-line dispute, a new player has entered the fray: **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)). Fairfax has offered to join other potential buyers in a pitch to buy the beleaguered rail from Omnitrax, Inc., a private rail company based out of Denver, Colorado. Is Fairfax's plan a brilliant move or simple folly? Let's look at the details.

The history

Churchill, Manitoba, the tiny port town positioned on Hudson's Bay, has been the centre of a dispute between Omnitrax and the Canadian government since a flood in the spring of 2017 washed out the rail line between Gillam and Churchill. The road ends in Gillam, so rail is the only ground transport into Churchill. You don't need all of the details in a financial article, but Omnitrax and the federal government have spent months arguing over who is in charge of paying for the repairs. In the meantime, Churchill residents have seen soaring food prices and reduced tourism, and they would really just like *anyone* to fix the problem.

Omnitrax says it can't afford the repairs and lays much of the blame on the federal government's dismantling of the Canadian Wheat Board (CWB) in 2015, saying most of the grain shipments Omnitrax used to carry moved to other rail lines and locales.

Fairfax's potential involvement

We've talked about [Fairfax quite a bit here](#) at the Motley Fool. It's a holding company involved in insurance, reinsurance, and investment management.

On November 17, the company offered to partner with Missinippi Rail (a First Nations consortium) and One North (a group of northern Manitoba communities) in a purchase of the rail line. This is just a preliminary offer. No specifics have been settled on, and the group has not yet approached Omnitrax.

Would this be a good deal? Financially, it's hard to say. Is Omnitrax's inability to keep the rail line profitable really caused by outside sources such as the CWB changes or by its own mismanagement?

If it's the outside sources, how will a new group make the operation, which includes ownership of the Port of Churchill, profitable? Global warming might benefit the port, since goods can only be moved through it and Hudson's Bay a few months out of the year. Increased temperatures might open this window more, but it could also cause more flooding issues on the rail line.

Maybe Fairfax believes taking over the line and restoring ground transport to Churchill is simply the right thing to do. It would provide publicity and goodwill for Fairfax, but that won't necessarily translate into money earned. Fairfax has experienced its own problems recently with large insurance payouts in the wake of multiple hurricanes this fall, but it seems to be [holding its own](#). And this plan may be a bold move into new territory.

Bottom line

We will have to wait and see if this offer moves into anything concrete and how Omnitrax's dispute with the government pans out. It's too early to say if this would be a good move for Fairfax, because we just don't have enough details. Keep your eyes on the news if you are a Fairfax investor. We will know soon enough if this is a real deal.

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Date

2025/08/17

Date Created

2017/11/22

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