



Why These Protests Are Great for Canadian Rail Stocks

Description

The protests that have led to blockades on various rail lines owned and operated by **Canadian Pacific** ([TSX:CP](#))([NYSE:CP](#)) and **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) have led to serious disruptions in recent weeks for Canada's economy. They have also raised questions about Canada's law enforcement protocols. These protests over the Coastal Gas Link pipeline, in which thousands of protesters have decided to stand with the Wu'tsuwet'en aboriginal group, have certainly caused quite a stir, as businesses and politicians grapple with how to respond.

In this article, I'll discuss why I believe these protests will ultimately benefit rail stocks in the medium to long term, and why investors should really consider such investments, especially in a long-term portfolio. This argument is purely an economic one, and I will offer no opinion on these protests otherwise.

Underappreciated and undervalued

The key benefit I see for companies like CN or CP is the potential for a better understanding from the average Canadian of the importance of the country's rail network and the economic value these companies are able to provide. For example, not many people know that CN Rail alone moves more than \$250 billion worth of goods across the country. The Port of Vancouver moves \$500 million worth of goods each day, supporting 115,000 jobs. The intrinsic economic value these railroads provide in connecting the country and various sectors cannot be understated. Examples of these connections include agriculture in the prairies, oil in Alberta, and logging in B.C. to the rest of the country.

The increased profile CN and CP will undoubtedly receive from this fiasco may be enough to wake some investors up to the long-term value such companies provide investors.

Focus on environmental issues positive for rail

Not many people know this, but rail is much better for the environment than other long-distance forms of transportation like trucking, making it odd to me that eco-protesters would choose to shut down this

service first instead of targeting large trucking businesses. But that's beside the point.

Pound for pound, trains are highly efficient today, and technological improvements have greatly reduced the carbon impact of transport from this modality. These efficiency improvements have been great for the environment, but also have improved profitability over time. Investors only need to look at a stock chart of CN or CP over recent decades to see how well this value has translated in terms of earnings and capital appreciation.

Bottom line

The railroad sector is one that is critical to Canada's economy and is not expanding in any meaningful way, meaning CP and CN really do have a monopoly on the entire pie. No new track is being laid down. What is there is there, so investors really have the opportunity to lock in an investment for the long term that will benefit from overall economic growth and inflation over time.

Stay Foolish, my friends.

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