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Railroad Updates

CSXI president applauds new rail-truck opportunities

CSX Intermodal President James Hertwig notes that new technologies and improved cooperation between railroads and truckload carriers are producing new opportunities for both transportation modes.

Hertwig made those comments recently in Orlando at the Truckload Carriers Association annual convention. He was part of a panel that included the moderator, Lana Batts, managing partner, Transport Capital Partners, LLC; John Hickerson, senior vice president and chief marketing officer, FFE Transportation Services, Inc.; and Patrick Quinn, president and co-chairman, U.S. Xpress Enterprises, Inc.

The participants noted that the truckload industry faces long-term challenges that include fuel costs and driver shortages - factors that continue to make intermodal transportation an attractive option. "Railroads want to work with the truckload carriers," Hertwig said. "Intermodal transportation combines the efficiency of rail with the flexibility of trucks," Hertwig said. "CSX Intermodal has undertaken a number of initiatives to make intermodal service more accessible than ever before."

He observed that intermodal terminals are more trucker-friendly thanks to advanced gate processing. "New ramp-to-door-to-ramp services allow truckload carriers to reposition empty equipment automatically out of backhaul markets in pursuit of a new load," Hertwig added, also acknowledging the introduction of CSX QuickQuote, a 24-hour online quoting and tendering tool for door-to-door service aimed at brokers.

CSX Corporation, based in Jacksonville, Fla., is one of the nation's leading transportation companies, providing rail, intermodal and rail-to-truck transload services. The company's transportation network spans approximately 21,000 miles, with service to 23 eastern states and the District of Columbia, and connects to more than 70 ocean, river and lake ports.

Read the entire article:
http://investors.csx.com/phoenix.zhtml?c=92932&p=irol-newsArticle&ID=1268217&highlight=

Railroad Day Advocates tell congress that freight rail is the cleanest, safest, healthiest

Rail-Friendly Policies Key to Getting the Nation's Economy Back on Track

Railroad advocates from around the country urged members of Congress to keep freight rail working for America by supporting policies that move the nation's goods, build a green infrastructure and create jobs across the country.

Local government officials, business leaders and environmentalists – in

way to move America

Washington, DC as part of Railroad Day 2009 - told lawmakers that Congress must preserve the balanced regulation that has made America's freight rail system the most cost-effective network in the world. Increased government intrusion in the railroads would cripple efficiency and the railroads' ability to be the most fuel-efficient form of ground transportation today, "Freight railroads are a great American success story," said Edward R. Hamberger, president and CEO of the Association of American Railroads (AAR), one of Railroad Day's sponsors. "We deliver real savings and quality of life benefits to consumers – just about everything that keeps America moving forward."

Despite current economic conditions, Hamberger pointed out that freight railroads continue to plan future investments

Railroad Day advocates shared with member of Congress that railroads, too, have been hit hard by the recession. Thousands of boxcars and locomotives are in storage, and thousands of employees furloughed. But railroads, which deliver 43 percent of the country's intercity freight, want to get America moving again and are ready to roll again once the economy picks up, Hamberger shared.

Despite current economic conditions, Hamberger pointed out that freight railroads continue to plan future investments. He noted that the railroads have committed $9 billion in capital expenditures in 2009 alone. "All efforts should be focused on how to grow the nation's rail networks so more people and more goods can move by rail," he said. "Rail is the cleanest, safest, healthiest form of transportation today."

The DOT estimates that demand for freight transportation will skyrocket in coming years… now is the time to encourage public-private partnership projects

Rail advocates are encouraging lawmakers to support investment incentives that will stimulate the rail network's growth. The Department of Transportation estimates that demand for freight transport will skyrocket in coming years and now is the time, rail supporters maintain, to encourage public-private partnership projects. "Business and government must partner if we are to help get America back on track," Hamberger said. "Support for improving the nation's infrastructure must include support for freight railroads."

America's freight rail system is the best in the world, Railroad Day advocates told lawmakers. It connects large and small U.S. businesses with the global marketplace and does so in an efficiently and environmentally sound way. Rather than hinder growth and efficiency with burdensome regulation, Congress should be working with the railroads to stimulate the economy, create jobs and promote sustainability.

Read the entire article:
http://www.nscorp.com/nscportal/nscorp/Media/News%20Releases/2009/aar.html

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AAR Updates

In an announcement that carried the bad news of a continuing traffic decline, the Association of American Railroads (AAR) also reported some good news: Railroad capital spending remains strong.

Railroad capital spending remains strong

"January marks the third straight record monthly decline for U.S. railroad traffic, as the severe recession is now negatively affecting every major rail market"

"January marks the third straight record monthly decline for U.S. railroad traffic, as the severe recession is now negatively affecting every major rail market," said AAR Senior Vice President John T. Gray. "Nevertheless, railroads are planning to maintain a strong level of reinvestment in 2009, as they have for the last several years. Actual investment levels will depend to some extent on how deep the recession goes and how long it lasts, but railroads know that they have to invest today to have the rail capacity America needs tomorrow."

Visit the AAR at:
http://www.aar.org

Railroad Traffic

U.S. rail carload traffic in February 2009 fell 14.5 percent

Rail freight traffic throughout North America was off sharply during February, the Association of American Railroads (AAR) reported in March.

U.S. rail carload traffic in February 2009 fell 14.5 percent compared to February 2008 the AAR said. U.S. rail intermodal traffic (which is not included in carloads) fell 18.7 percent in February.

"…we're hopeful that policymakers focus on growing the nation's rail networks so more people and more goods can move by rail"

"Obviously, it's still a very difficult economic environment out there for railroads and their customers," said AAR Senior Vice President John T. Gray. "Time will tell how quickly the economy recovers. In the meantime, we're hopeful that policymakers focus on growing the nation's rail networks so more people and more goods can move by rail."

Carloadings for 18 of the 19 major commodity groups fell in February 2009 on U.S. railroads, including motor vehicles and equipment (down 51.5 percent); metal products (down 52.2 percent); and grain (down 18.7 percent). Carloads of coal were down 2.6 percent in February 2009. The "all other" category rose 22.4 percent in February.

Carloadings for eighteen of the nineteen major commodity groups fell in February 2009

Canadian rail carload traffic (which includes both the Canadian and U.S. operations of CN and Canadian Pacific, the two largest Canadian railroads) fell 16.1 percent in February 2009, while Canadian intermodal traffic fell 10.9 percent.

Canadian carload declines in February 2009 were paced by chemicals (down 24.1 percent); motor vehicles and equipment (down 45.7 percent); and metallic ores (down 22.2 percent). Carloads of grain on Canadian railroads rose 13.8 percent in February 2009.

Mexican rail carload originations (which include Ferrocarril Mexicano and Kansas City Southern dé Mexico) were down 11.4 percent in February 2009, while intermodal originations were down 17.7 percent.

Visit the AAR at:
http://www.aar.org

US scrap market continues to erode

The shredded scrap baseline used by mini mills for some long products is $162 per long ton. For sheet products, the baseline price on busheling scrap is $170/l.t.

Buying prices are expected to be $70-80/ton in early April, suggesting that selling prices to mills will fall accordingly

Federal Reserve chairman proposes changes, saying that stabilizing the financial system is the key to global economic comeback

Chairman reports that if the financial system is put back in order, the U.S. economy could work its way out of recession "later this year" and experience

Industrial Inside

According to a report published in the Steel Business Briefing, U.S. scrap prices are eroding further and there is now widespread speculation within the industry that April's prices will fall below the baseline used by electric furnace mills to establish raw material surcharges.

This decline would eliminate surcharges for May deliveries. It is unusual for multiple sources to readily call the direction of the following month's prices so early, which adds credence to a likelihood that scrap prices will continue to fall. The shredded scrap baseline used by mini mills for some long products is $162 per long ton. For sheet products, the baseline price on busheling scrap is $170/l.t. Prices for both of these are very likely to be lower than the threshold the SBB announces.

As to current delivered prices to U.S. mills, shredded scrap is at $170/l.t, busheling is selling for $175/l.t. and heavy melting scrap has fallen $10 to $150/l.t., according to a midwestern and east coast U.S. sources. Scrap procurers recently had been paying $100/ton for unprocessed material, but have been lowering their buy price by $10 a week. Buying prices are expected to be $70-80/ton in early April, suggesting that selling prices to mills will fall accordingly. Flows in and out of scrap yards are weak and depressing, said one yard manager who expects the lackluster activity to last well into the second quarter.

Learn more at:
http://www.steelbb.com

Financial Focus

Federal Reserve chairman Ben Bernanke said March 31 that economic recovery hinges on stabilizing the financial system and proposed new policies aimed at absorbing financial shocks in the future.

"Until we stabilize the financial system, a sustainable economic recovery will remain out of reach," Bernanke said in prepared remarks.

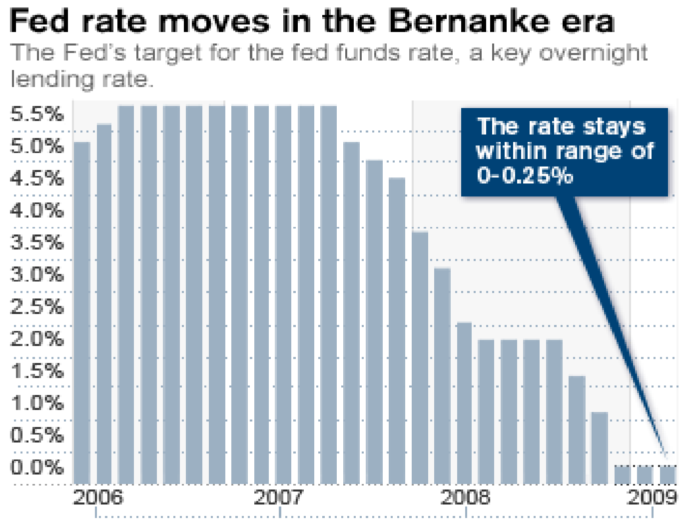
If the financial system is put back in order, the U.S. economy could work its way out of recession "later this year" and experience "a period of growth" next year, Bernanke said. "In the near term, governments around the world must continue to take forceful and, when appropriate, coordinated actions to restore financial market functioning and the flow of credit."

The Fed chairman said steps should be taken to address problems tied to financial institutions deemed too big to fail. These large, interconnected financial firms pose a "systemic risk" to economic stability. "In the present crisis, the too-big-to-fail issue has emerged as an enormous problem," Bernanke commented.

"a period of growth" next year

Bernanke said allowing firms to become too big to fail reduces market discipline and encourages excessive risk-taking. Moreover, government rescues of firms that are too big to fail can be costly to the taxpayer.

Speaking in Washington to the Council on Foreign Relations, Bernanke said regulators need new tools to respond to the failure of a "systemically important non-bank financial firm." Federal bankruptcy laws are not sufficient to protect the public's interest when a major nonbank financial firm fails.



Bernanke also said regulators should strengthen the nation's "financial infrastructure" to make it more secure in the event of another crisis. Among other things, the Fed and other regulators will continue to work toward establishing "stringent targets" and "performance standards" for market participants, he said.

To that end, the government should work with the private sector to improve the way certain exotic derivatives, such as credit default swaps, are cleared from the market.

Bernanke also said that more steps should be taken to support the credit and mutual fund markets. The Fed has emergency programs in place to increase liquidity in these markets.

To assess threats to the broader economy, Bernanke proposed that Congress create a "systemic risk authority." The authority could oversee, among other things, standards for capital, liquidity, and risk-management practices for the financial sector, he said.

Read the entire article:
http://money.cnn.com/2009/03/10/news/economy/Bernanke_CFR/index.htm?postversion=2009031016

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The Edge

April is always an interesting month. Deadlines for filing taxes are imminent, final statements of last year's income, expenses, gains and losses are set in concrete, and we see tax and investment program changes are all over the board. At the same time, we believe that the countries leaders are trying very hard to make us a socialistic society. Thank goodness (or more importantly God) for railroads, railroading, rail transportation and the people involved and their approach to capitalism.

We've been working on several development projects with new and existing customers. What we find interesting is the railroads approach to capitalism… that is… they are "hungry" for new business, understand existing business is important (but aren't quite sure how to grow it) and are starting to compete again with each other and other modes of transportation for business. Designed to help existing customers grow their business, we've seen some rate and service changes implemented resulting in customer cost decreases from 3% to 15%, a phenomenal cost decrease by any standard. Within a good capitalistic organization, it's looking like business has grown and supports running trains at capacity versus short trains (frequently over powered and under-utilized.)

Our governments clear, 407 page, descriptive approach to capitalism (☺) can be found on the web at **http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf** . A brief read of the document indicates that it may actually help some industries get back on their feet. That is good. That same brief read of the document also conjures up visions of long term negotiations of special interest (groups) political interpretation resulting in minimized benefits delivered at a glacial pace.

Economic recovery seems to be waning but we're seeing signs of life in a lot of different areas. There are still a lot of well run companies running well - too bad the press doesn't focus on them as a model for others. Our long term outlook for industry recovery is still measured in years versus months – a recovery that will support railroad prosperity. The long term outlook allows for us to make time to revisit our processes, re-establish customer relationships and bring valuation creation brought back to the forefront in our industry(s). If you need help evaluating your opportunities and current processes, please call on us.

We'd like to wrap up this month's newsletter by sending our condolences to the Webb family. Watco founder Dick Webb (1938-2009) passed away on March 23rd. He was a true pioneer in this industry creating value for employees and customers alike and passing on a strong, well run organization to his heirs. Our thoughts are with the Webb family.

We look forward to earning your business!