Touchbase

April 2010

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Special Congratulations!

We're pleased to announce that Michelle Musgrave and Tracey Kukovich are our winners of the "Introduce Tealinc to your Friends" contest we promoted earlier this year. Both winners will receive a $150 gift certificate to their favorite restaurant. Thanks Michelle and Tracey for participating and thank you for recommending Tealinc to others!

Railroad Updates

More Than A Dozen Shipper Groups Voice Support For STB Reauthorization Act

Shippers voice support for STB Reauthorization Act

Thirteen shipper groups recently sent a letter to the four senators who sponsor the Surface Transportation Board Reauthorization Act of 2009 (S. 2889) stressing that the "bipartisan compromise bill" addresses captive rail shippers' concerns by increasing access to the STB and making the board "more robust" via rail policy updates that reflect the rail industry's current needs.

Dated February 25, the letter was sent to Sen. John Rockefeller (D-W.Va.), who drafted the bill and chairs the Senate Commerce, Science and Transportation Committee; the committee's ranking minority member Sen. Kay Bailey Hutchinson (R-Texas); Sen. Frank Lautenberg (D-N.J.), who chairs the Subcommittee on Surface Transportation; and the subcommittee's ranking minority member Sen. John Thune (R-S.D.).

The letter is signed by the Alliance for Rail Competition; American Chemistry Council; American Forest & Paper Association; American Public Power Association; Consumers United for Rail Equity; Consumer Federation of America; Edison Electric Institute; The Fertilizer Institute; National Association of State Utility Consumer Advocates; National Association of Regulatory Utility Commissioners; National Grain and Feed Association; National Industrial Transportation League; and National Rural Electric Cooperative Association.

"…it's a significant improvement over the status quo for many rail customers, and it provides much-needed reform at the STB."

"We appreciate the fact that despite the long intractability of the controversy over the proper role of competition and regulation in the freight rail industry, you devoted 10 months of effort to develop this legislation through a process that provided a fair opportunity for both rail customers and railroads to have extensive input regarding the issues addressed in the bill," the letter states. "Rail customers have not gotten everything we want in S. 2889. However, [it's] a significant improvement over the status quo for many rail customers, and it provides much-needed reform at the STB."

For example, S.2889 would increase competition by requiring major railroads to quote "bottleneck rates" and "terminal switching rates," enable parties to challenge existing and future paper barriers, and increase the STB's scrutiny of future railroad mergers, the shipper groups wrote. In addition, the bill would improve access to the STB by lowering shippers' filing fees for a rate complaint, allowing the board's simplified rate dispute methods to be used by more shippers and for larger cases.

"If enacted, the bill will diminish the current controversy between the major freight railroads and their customers"

The shipper groups "strongly support" the inclusion of antitrust provisions from the Railroad Antitrust Enforcement Act of 2009 (S. 146) in S.2889 before the bill is considered by the full Senate. They plan to continue working with the commerce committee and others in the Senate as S. 2889 moves to the floor.

"If enacted, the bill will diminish the current controversy between the major freight railroads and their customers," the letter states. "The STB will be more proactive regarding rail customer concerns and will have the resources it needs to promote a national freight rail system that works for the freight railroads, their customers, consumers and the nation."

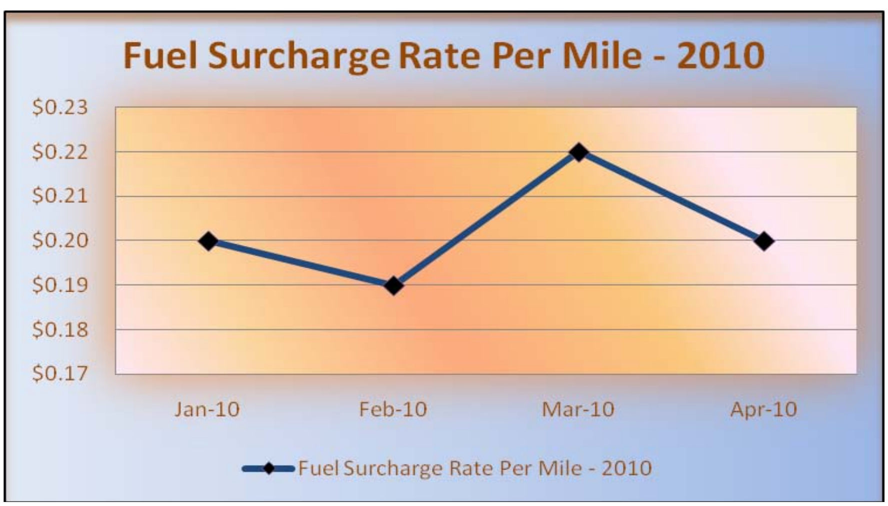
Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=22671

CSX Mileage Based Fuel Surcharge To Decrease In April

The CSX fuel surcharge will decrease April 1, 2010

The CSX announced that its highway diesel fuel/mileage based fuel surcharge, of 22 cents per mile, which became effective March 1, 2010, will change to 20 cents per mile for shipments having a bill of lading dated on or after April 1, 2010.

Published in CSXT Fuel Surcharge Publication 8661, [the surcharge] applies to all regulated linehaul freight rates existing or established by CSXT on or after April 23, 2007. It also applies to all linehaul freight rates and charges with respect to exempt, contract, private or other pricing documents that reference CSXT Publication 8661 on or after April 23, 2007.



Learn more at:
http://www.csx.com/?fuseaction=customers.news-detail&i=50590

2009 safest year ever for nation's freight railroads

Record shows depth of industry's commitment to safety

"... near-record investments in maintaining and improving track, signaling systems, freight cars and locomotives"

AAR reports monthly carload

AAR Updates

The Association of American Railroads announced that 2009 was the safest year in freight railroad history, with preliminary year-end data indicating the train accident rate, employee casualty rate and grade crossing incident rates were all at record low levels.

"This record of accomplishment shows the depth of the freight railroad industry's commitment to the safety of our employees, the communities we serve and the country's rail network infrastructure," said AAR President and CEO Edward R. Hamberger. "Our industry is only as safe as our employees make it. From their very first day on the job, they learn that safety is the most important aspect of their railroading job."

Another factor leading to improved safety, Hamberger noted, was the industry's continued near-record investments in maintaining and improving track, signaling systems, freight cars and locomotives. In spite of a poor economy, freight railroads last year invested more than $9 billion in capital improvement programs, the third highest investment in history. Since 1980, freight railroads have invested more than $460 billion - 40 cents of every revenue dollar - to maintain and improve the nation's rail network.

The Federal Railroad Administration's preliminary data shows that the total number of train accidents involving freight railroads declined by 26 percent last year, with the rate per million train-miles falling 12 percent from the previous record which was established in 2008. The number of employee casualties on freight railroads fell by 14 percent while the casualty rate declined 4 percent from 2008 when the previous record was established.

"The safety challenge is a never-ending one," said Hamberger. "That's why railroads will never become complacent where safety is concerned. Freight railroads have extensive employee training programs, and continue to invest heavily to maintain and improve both equipment and track. We look forward to making 2010 another year of railroad safety improvement." The Association of American Railroads also owns the Transportation Technology Center, Inc. (TTCI) in Pueblo, Colo., which is the worldwide provider for high-value rail transportation technology development, testing, standards and training. TTCI accelerates use of clean, safe and efficient technologies by railways worldwide.

Read the entire article at:
http://www.aar.org/NewsAndEvents/InsiderNewsletter/2010-0315_Insider.aspx?sc_lang=en

Railroad Traffic

The Association of American Railroads (AAR) reported that in February 2010, U.S. freight railroads saw a 1.5 percent decline in carloads

declines slow in February 2010

compared with the same month in 2009 and a decline of 15.6 percent compared with the same month in 2008.

According to the March AAR Rail Time Indicators Report, 14 of the 19 major commodity categories tracked by AAR saw higher carloads last month compared with the same month last year. Carloads of coal, the single highest volume commodity carried by rail, were down 9.9 percent in February 2010 over February 2009. Excluding coal, U.S. rail carloads in February 2010 were up 7.2 percent over February 2009.

U.S. rail intermodal traffic, which covers the movement of truck trailers and shipping containers by rail, was up 10.1 percent in February compared with the same month in 2009, but down 10.6 percent for the same month in 2008.

"Rail traffic trends over the past few months, especially when you take out coal, are consistent with a slowly recovering economy"

"Rail traffic trends over the past few months, especially when you take out coal, are consistent with a slowly recovering economy," said John Gray, AAR's Senior Vice President of Policy and Economics. "Other economic indicators taken as a whole seem to be saying the same thing. Is a sustained recovery a sure thing? No, not yet, but prospects are certainly much brighter now than they were four or five months ago."

Traffic affected by record snow storms in the eastern United States

Record snowfalls on the East Coast made rail operations difficult and affected many rail customers' ability to originate or receive loads. The last week of February was the highest-volume week for U.S. rail carloads since December of 2008 – likely at least partly the result of "catch up" traffic following the storms.

On a seasonally adjusted basis, U.S. rail carloads in February fell 0.1 percent compared with January 2010, while seasonally-adjusted U.S. intermodal traffic was down 3.6 percent in February compared to the prior month.

"Adjusting for seasonal issues that cause peaks or valleys in traffic – such as end of year holidays and the fall grain harvest – allows us to see more clearly the strength or weakness of the underlying demand for rail traffic," Gray noted. "Over the past six months, the upward trend in seasonally adjusted rail traffic indicates an increase in underlying demand."

Read the entire article at:
http://www.aar.org/NewsAndEvents/InsiderNewsletter/2010-0315_Insider.aspx?sc_lang=en

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Industrial Inside

January new home sales and permits fall, starts rise

Sales of newly built, single-family homes declined 11.2% in January 2010 to a seasonally adjusted annual rate of 309,000 units, the slowest pace on record, according to figures released by the U.S. Commerce Department.

“This disappointing report highlights just how fragile the economic and housing recovery is right now, and the uncertainties that continue to weigh on consumers, particularly with regard to concerns about job security," said Bob Jones, chairman of the National Association of Home Builders. "Even with today's exceptionally favorable home buying conditions—including low interest rates, stabilizing house prices and the availability of home buyer tax credits—many consumers simply weren't confident enough to go forward with a new-home purchase in the beginning of this year."

"... numbers indicate that the road to a housing and economic recovery remains very uncertain"

"While the overall economic picture has brightened somewhat, these numbers indicate that the road to a housing and economic recovery remains very uncertain. Many Americans have yet to see much evidence of improvement first-hand, and are therefore reluctant to consider a home purchase," says NAHB Chief Economist David Crowe. "Meanwhile, competition from below-market-priced foreclosed and short-sale homes poses an additional challenge to the new-homes market right now. Although we continue to expect a boost in overall sales activity prior to the expiration of the $8,000 and $6,500 home buyer tax credits at the end of April, unseasonably poor weather across much of the country may delay the full impact of those incentives until closer to the deadline."

However, nationwide housing production hit its strongest pace in the last six months this January, posting a 2.8% gain to a seasonally adjusted annual rate of 591,000 units, according to Commerce Department figures.

"As our latest home builder surveys have indicated, today's excellent home buying conditions are helping drive potential buyers back to the market," Crowe says. "A continuing shortfall in available credit for building projects is still producing a drag on new construction and slowing the progress of recovery in housing and the overall economy."

"... home builder surveys have indicated, today's excellent home buying conditions are helping drive potential buyers back to the market"

The overall gain in housing starts was reflected on both the single- and multi-family side this January. While single-family starts posted a 1.5% gain to a seasonally adjusted, annual rate of 484,000 units, multifamily starts posted a 9.2% gain to 107,000 units.

Meanwhile, overall permit issuance, which can be an indicator of future building activity, fell 4.9% to a rate of 621,000 units in January. This was due entirely to a 23% decline to 114,000 units on the multifamily side, which offset a big gain in that sector the previous month. Single-family permits held virtually even, with a 0.4% gain to 507,000 units.

Combined single- and multifamily housing starts rose in three out of four regions this January. The South and West each registered a third consecutive month of improvement, with 1% and 8.9% gains, respectively, and the Northeast also posted a 10% gain. The Midwest saw a 3.2% decline.

Conversely, permit issuance declined in three out of four regions this January. The West was the only region to post a gain, of 8.5%, while declines of 17.8%, 20.2% and 1.3% were registered in the Northeast, Midwest and South, respectively.

The Midwest was the only region of the country to register an increase in new-home sales this January

The Midwest was the only region of the country to register an increase in new-home sales this January, posting a 2.1% gain from an abnormally low December rate. The Northeast and West posted double-digit declines, of 35.1% and 11.9%, respectively, and the South posted a 9.5% decline.

Learn more at:
http://rockproducts.com/management/jan_homesales_0210/

Financial Focus

Bernanke: Economy not out of the woods yet

Federal Reserve Chairman Ben Bernanke told a congressional panel that the economy still needs some help, but acknowledged the need to begin to tighten credit to prevent inflation at some point.

"The economy continues to require the support of accommodative monetary policies," Bernanke said Thursday. "However, we have been working to ensure that we have the tools to reverse, at the appropriate time, the currently very high degree of monetary stimulus."

In prepared testimony, Bernanke explained to the House Financial Services Committee how the Fed intends to roll back emergency liquidity programs. He repeated some points made last month in remarks the Fed released after his scheduled appearance was postponed due to a snowstorm.

Bernanke re-affirmed expects conditions are "likely to warrant exceptionally low levels of the federal funds rate for an extended period"

Bernanke re-affirmed that the Federal Open Markets Committee expects conditions are "likely to warrant exceptionally low levels of the federal funds rate for an extended period."

He added that the Fed has tools to counter inflation "at the appropriate time," he said, although he didn't suggest when the appropriate time might be.

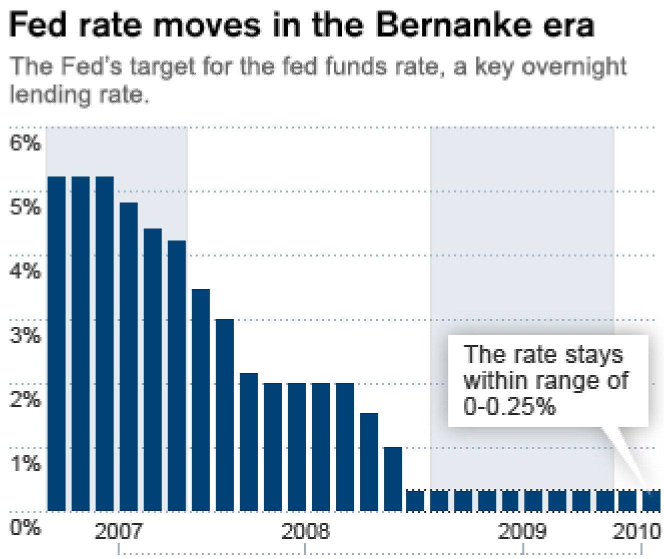
For the last 18 months, the Fed has bought mortgages, long-term Treasurys and the debt of mortgage finance firms Fannie Mae (FNM, Fortune 500) and Freddie Mac. (FRE, Fortune 500)

Bernanke laid out a plan to sell some of those mortgages, Treasurys and debt, by offering what's called reverse repurchasing agreements. Under those agreements, the Fed sells its securities to a third party while agreeing to rebuy them at some point in the future.

The second way the Fed plans to soak up money is to sell banks and financial firms the equivalent of certificates of deposit. In this case, the Fed gets a chunk of the bank's reserves in exchange for paying interest

"**While that market has not completely returned to normal, we've seen considerable improvement**"

at a steady rate.



These deposits would be auctioned off and banks couldn't count their investment in the Fed as cash or reserves. One such exit that the Fed has begun is unwinding certain credit programs, including the Fed's purchase of mortgage-backed securities, one of several credit markets that froze up at the start of the crisis.

Expressing concerns that the market for mortgage-backed securities won't return, several lawmakers asked Bernanke if ending such a program will lead to problems in the housing industry, including hikes in mortgage interest rates.

Bernanke acknowledged that "mortgage rates might pop back up," but that, so far, "there seems to be very little negative reaction."

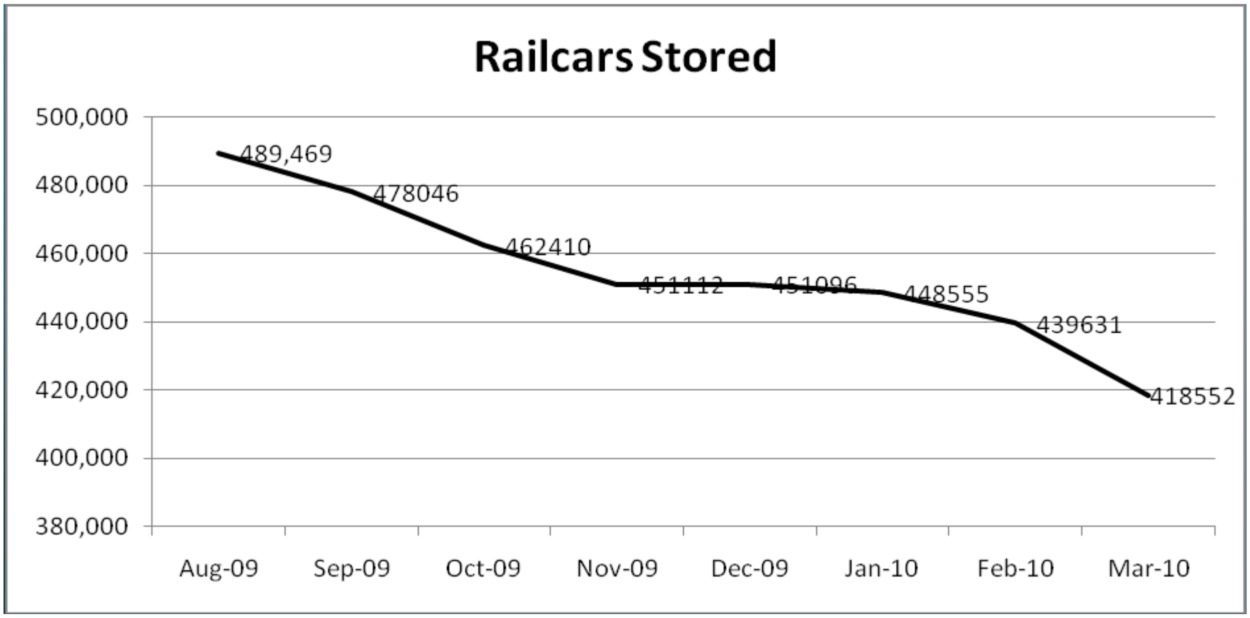
"While that market has not completely returned to normal, we've seen considerable improvement," he said.

Learn more at:
http://money.cnn.com/2010/03/25/news/economy/Bernanke_Congress/index.htm

The Edge

Spring is in the air in most parts of the county and we see some slight improvement in the rail portion of the economy. February US Rail Freight (seasonally adjusted) was down only slightly from January at a decrease of 0.1%. Intermodal, however, continued to suffer with a decrease of 3.6% from January to February 2010.

We see more railcars coming out of storage (see chart below) which we believe is either due to: 1) a slow-down in service by the railroads causing a higher requirement for railcars than would otherwise be needed; 2) an increase in the economic demand for goods and services in the US; or 3) an increase in industrial production ahead of the demand curve.



Many parts of the Midwest and Northeast were hit with record snowfall in late winter which certainly had a negative impact on railcar requirements. Albeit looking for the positive tone, we did see an increase of 0.9% in industrial production from December 2009 to January 2010 and an increase of 4Q Gross Domestic Product of 5.9%.

On a commodity basis, coal continues to be the one bleak area in railcar originations. February was down by 9.9% or 55,566 carloads for the month when compared to January. For western carriers, this is significant in that coal is a double digit percentage of carload originations.

Despite the economic climate being luke-warm we are continuing to help many of our customers take a hard look at their operations and rate and service packages from internal operations to barge, truck and rail portions of their business to ferret out opportunities. We certainly encourage you (with or without our help) to take a hard look at identifying all your handling and transport options and ask yourself if you're doing everything possible to make the most informed economic decision for your company.

If we can help you with the questions to ask, feel free to call on us.

We look forward to earning your business!