

**In This Issue**

- Railroad Updates
- Railroad Traffic
- Industrial Inside
- Financial Focus
- The Edge

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**MT Governor weighs  
in on BNSF Rate  
Increase****AAR Commends  
Congress Decision to  
Harness Public-  
Private Partnerships****Railroad Updates****Montana governor asks BNSF to rescind higher grain rates**

A 10 cents per bushel increase is set to begin on BNSF grain-shipping rates in August, forcing Gov. Brian Schweitzer to urge BNSF Railway Co. to repeal higher grain-shipping rates that he says could drive Montana's 52-car grain elevators out of business.

In a letter to BNSF Chief Executive Officer Matt Rose, Schweitzer said increasing shipping rates for grain elevators serving 52-car train will bankrupt the elevators, decimate local economies and increase costs for farmers.

Richard Owen, executive vice president of the Montana Grain Growers Association, said the move is an attempt by BNSF to route more grain traffic to its new 110-car loading facilities, where the railroad can save more money by loading more cars faster.

"It would be OK if they wanted to do that in a competitive environment," he said. "But when you have a monopoly, we think the ground rules need to be different. This (change) raises the distinct possibility that most 52-car facilities in the state of Montana will be forced out of business over the next few years," he wrote.

If those elevators are shut down, farmers across the region will be forced to truck thousands of bushels of grain to the larger facilities, increasing their costs and causing more damage to roadways.

Read the entire article:

<http://railroadnews.net/news/7-29.html>

**Rail Industry Congratulates Comprehensive Energy Strategy**

The rail industry congratulates the Congress on passage of a comprehensive energy strategy to encourage energy production here at home in order to reduce our dependence on foreign oil. The bill provides for research programs to develop locomotive technologies that increase fuel economy, reduce emissions and lower costs of operation. The bill also supports investment in clean coal technology to increase the efficiency and competitiveness of coal and the deployment of clean coal electric generating equipment.

AAR President and CEO Edward R. Hamberger said, "The rail industry commends the hard work of the Senate and House conferees in resolving issues in a manner that harnesses public-private partnerships and market forces to move our energy future forward."

Read the entire article:

<http://www.aar.org/Index.asp?NCID=3153>

**Crushed Stone, Sand & Gravel, Coal, Grain & Grain Mill Products Up; Metal & Metal Products, Nonmetallic Minerals, Down**

**Coal, Construction Materials, Agricultural Traffic Produce Rail Traffic Increase**

**Coal Price Increase; Transportation Culprit**

## Railroad Traffic

Carload freight was up just 0.1 percent (645) cars during [July] as U.S. railroads originated 1,270,003 carloads of freight in July 2005. U.S. railroads also originated 879,620 intermodal units in July 2005, an increase of 42,303 trailers and containers (5.1 percent) over July 2004.

Nine of the 19 major commodity categories tracked by the AAR saw U.S. carload increases in July 2005 compared to July 2004.

July's carload traffic gains were paced by crushed stone, sand, and gravel (up 9.9 percent); coal (up 1.1 percent); grain mill products (up 11.1 percent); and grain (up 4.7 percent). Carloads of metals and metal products were down 12.6 percent, and carloads of nonmetallic minerals were down 15.3 percent in July.

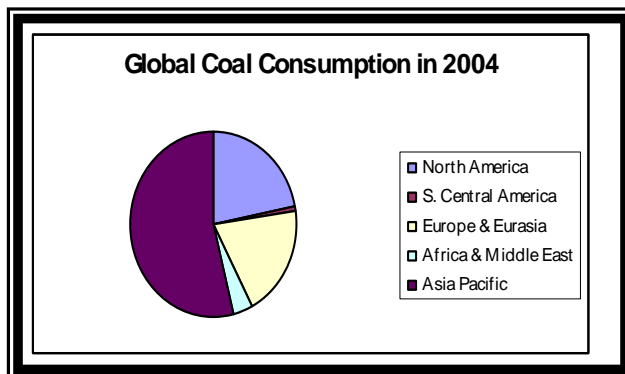
"Coal originations showed a year-over-year gain in July despite the additional weather-related track maintenance that has slowed traffic on the primary rail line out of the Powder River Basin in Wyoming," noted AAR Vice President Craig F. Rockey. "That gain, combined with continued strength in construction materials and a favorable comparison in agricultural traffic, produced an overall increase in U.S. rail traffic."

Combined cumulative rail volume for the first 30 weeks of 2005 on 15 reporting U.S. and Canadian railroads totaled 12,230,767 carloads, up 1.1 percent (131,246 carloads) from last year, and 7,812,376 trailers and containers, up 5.4 percent (402,055 units) from 2004's first 30 weeks.

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

## Industrial Inside

2004 was marked by the best global economic growth in 15 years which fueled a 4.3 percent increase in world energy consumption, the biggest increase ever recognized. As 2004 coal consumption grew, mainly in the Asia Pacific region, coal prices rose by nearly 70 percent as China dominates coal markets and accounts for one third of world coal consumption.



Coal production in the U.S. increased in 2004 to 39.7 million short tons to end the year at 1,111.5 million short tons. U.S. exports reached 48.0 million short tons, an 89 percent increase from 2003 as most global countries increased their

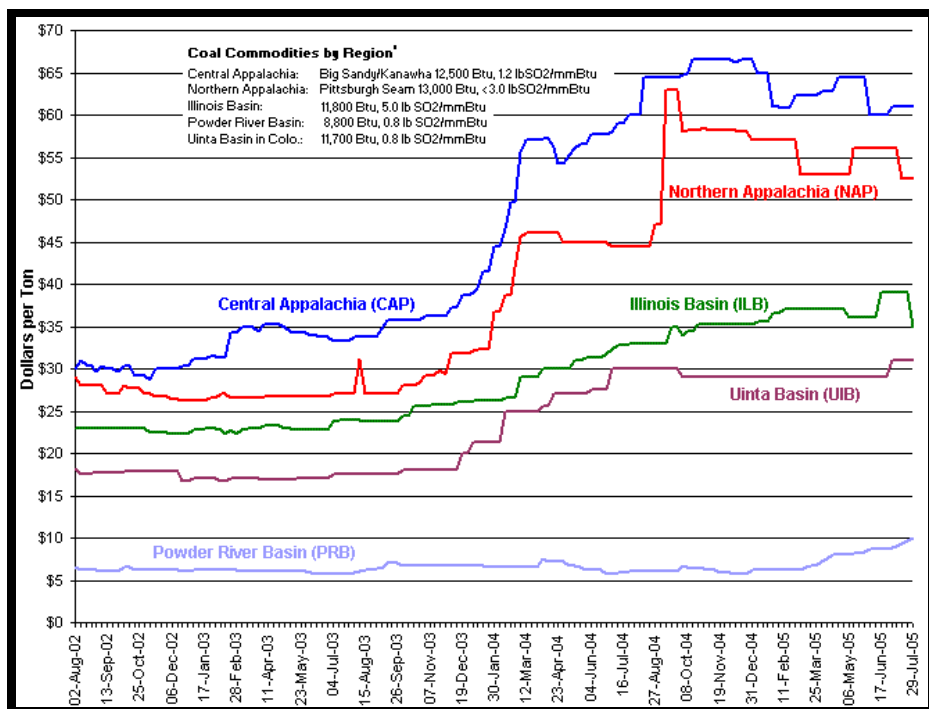
## Energy In 2004 Demand Driven

imports of U.S. coal.

U.S. coal imports also increased to record levels in 2004 as 27.3 million short tons were imported.

Nationally, transportation issues, weather related road blocks such as the 2004 devastating hurricane season and severe flooding in many states, environmental and legal issues all hindered the delivery and production of coal thus raising the price and demand

## Railroads Tweaking Fleets to Accommodate Increased Coal Demand & Supply



Railroads are tweaking fleets to accommodate burgeoning coal production and national demand. The Union Pacific recently announced plans to increase hundreds of new railcars and dozens of new locomotives to transport Colorado mined coal to plants around the country as they expect a 10 increase in coal transportation this year alone.

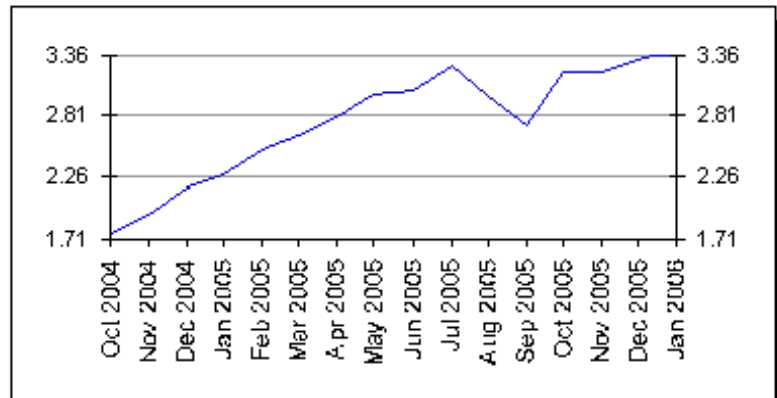
Graphs featured at:

<http://www.eia.doe.gov/cneaf/coal/page/special/feature.html>

## Financial Focus

## Federal Funds Increase Expected to Continue

The Feds raised the Federal Fund Rate to 3.25% at the end of June, the ninth consecutive increase in a year continuing a brisk and steady increase stemming from a year of consistent increases as Greenspan rushes to stimulate continued economic growth while high oil prices continue to cause concern of an economic slowdown.



Expect further climbs this month as the Feds search for a balance before a slowdown can be expected.

Learn more at:

<http://www.forecasts.org/fedfunds.htm>

Graph Courtesy of:

<http://www.marketvector.com/interest-rate/fed-funds.htm>

## The Edge

We're adding another set of useful tools in our News & Education section this month. We've decided to include the Class I Railroad terminal dwell times of key yards and interchanges. This information is reported weekly. The significance of terminal dwell is basically the essence of service, particularly for you carload (e.g. less than unit train) shippers. Take a look at your shipping lanes and at the tables and graphs we've included. If you're shipping across a congested point expect and plan on delays and adjust your shipping plans accordingly.

You can crudely calculate the effect of terminal dwell as the measure of how quick cars get through a Class I system. For instance the CSX system terminal dwell went from 28.1 hours on 7/29/05 to 29 hours on 8/5/05. This increase spread across the 233,000 cars reported online would add 209,700 hours to the gross transit time of all cars or about an hour to each cars cycle time. It doesn't seem like much on average but when applied to individual cars some set for days and some move timely. If you take this to a shipment lane level you should gain some insight into what to expect for future shipments.

From Tealinc' perspective we continue to see strong demand for rail transportation services as we work with more clients on plant sightings and analyzing transportation options. We're not economist but we do expect strong rail demand to continue into the future.

If we can be of assistance don't hesitate to call on us.

*We look forward to earning your business!*

