Touchbase

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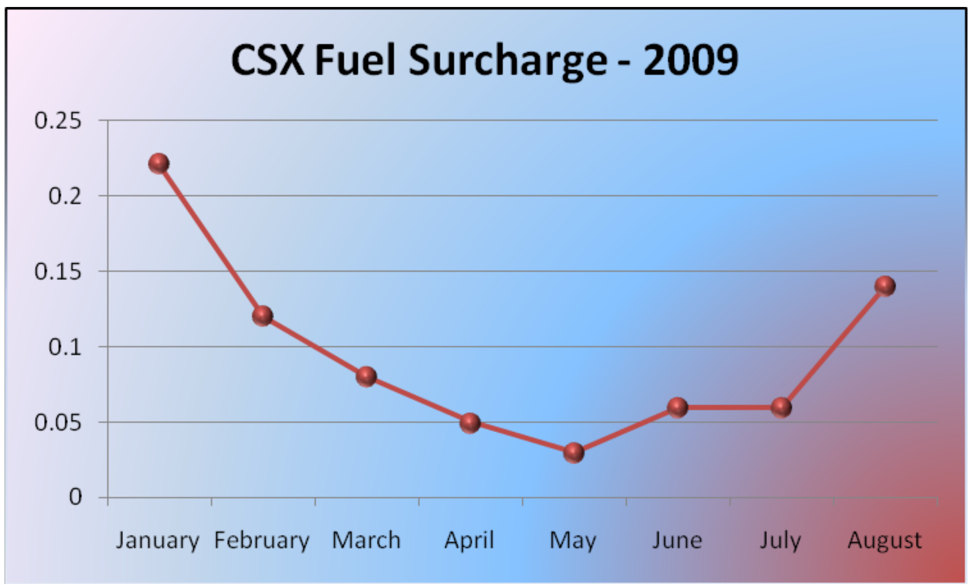
The CSX Transportation HDF fuel surcharge will change August 1, 2009

"Our nation's transportation network is a complex, interdependent system that demands our combined creative efforts to operate it

Railroad Updates

CSX Transportation announced in July that it will increase its monthly mileage based fuel surcharge from of 6 cents per mile, which became effective July 1, 2009, will change to 14 cents per mile for shipments having a bill of lading dated on or after August 1, 2009.

The CSXT highway diesel fuel/mileage based fuel surcharge is published in CSXT Fuel Surcharge Publication 8661 and 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. View provisions here.



Read the entire article:
http://www.csx.com/?fuseaction=customers.news-detail&i=50226

Rail Can Help Relieve Highway Congestion Crisis

Wick Moorman, [the] CEO of Norfolk Southern called on the nation's governors to consider railroads as "a vital part of the solution to our nation's transportation crisis."

Addressing the National Governors Association at Biloxi, Miss., Moorman said "railroads offer significant economic and environmental benefits while helping relieve highway congestion – which is fast becoming public enemy number one. Our nation's transportation network is a complex, interdependent system that demands our combined creative efforts to operate it most efficiently," Moorman said. "Our experience at Norfolk Southern has shown that by working

most efficiently,"

together in public-private partnerships, we can achieve far more in far less time and with far greater public benefits than any of us can by working alone."

Moorman cited two rail routes – the Heartland Corridor between the Port of Virginia and Columbus, Ohio, and Chicago, and the Crescent Corridor linking New Jersey to New Orleans and Memphis, Tenn. – as examples of how public-private partnerships "can create additional capacity in our rail transportation network, with public benefits of jobs creation, less highway congestion, lower environmental emissions, and fuel savings." He said the Crescent Corridor project alone will result in 41,000 "green" jobs over the next decade and move more than a million trucks annually off the highways onto rail, saving more than 150 million gallons of fuel every year and reducing carbon emissions by nearly two million tons per year.

"Freight volumes in this country are projected to grow 88 percent by 2035 alone."

"It's clear we must do something," Moorman said. "Freight volumes in this country are projected to grow 88 percent by 2035 alone. To handle that freight, we must improve our national transportation infrastructure."

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

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AAR Updates

Railinc postpones new Umler system launch until August 31

Railinc announced on July 22, it has postponed the Umler Equipment Management Information System's (Umler/EMIS) implementation from July 25 to Aug. 31 to accommodate further testing by rail industry partners.

The partners requested additional testing to ensure their information systems will work seamlessly with the new Umler's functionality, Railinc officials said in a prepared statement.

"The additional testing simply ensures that everyone can recognize quickly the full value of the system with few difficulties," said Alan McDonald, director of the EMIS project.

Railinc plans to hold free "Ask the Umler Experts" Webinars July 24, Aug. 7 and Aug. 21 to provide information on the Umler/EMIS system. The company also offers information on its website.

Umler/EMIS is designed to be a more flexible, intuitive and easy-to-use web-based application

The first major re-engineering of the more than 40-year-old Uniform Machine Language Equipment Register (UMLER) system, Umler/EMIS is designed to be a more flexible, intuitive and easy-to-use web-based application. The system will offer real-time data updates via the Internet or enhanced "Train II' computer-to-computer electronic messaging; better equipment-level security and control over access to equipment; and improved data quality to reduce car-movement delays caused by data errors.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=21039

Rail Time Indicators And Video Summary Released By AAR

AAR's video highlights trends from the data on the 19 major commodities that AAR tracks in the Rail Time Indicators report

The Association of American Railroads (AAR) released on July 22, 2009 its June 2009 Rail Time Indicators economic report, and also launched a new online video summary of the June report. AAR notes the report combines rail traffic data with more than 15 key U.S. economic indicators, including consumer confidence, housing starts, and industrial production, in a non-technical snapshot of how rail traffic data reflects the broader U.S. economy.

"We wanted to pull together the best information from not only the freight rail industry, but also other key economic indicators," said AAR Senior Vice President of Policy and Economics John Gray. "We think the report offers a convenient, clear look at trends that may reveal where the overall economy and freight rail traffic are going."

AAR also launched a monthly video summary of the report presented by a member of the association's policy and economics team.

"At the end of the day, if people aren't building or buying things, freight rail traffic feels the effects," Gray added. "We thought that a video summary would be a more accessible way to introduce the data to a broader audience."

Learn more at:
http://www.railwayage.com/breaking-news/aar-releases-rail-time-indicators-new-online-video-summary.html

Railroad Traffic

Rail freight traffic down in June

The Association of American Railroads reported on July 2, 2009 that U.S. railroads originated 1,039,889 carloads of freight in June 2009, down 19.7 percent with 255,668 fewer carloads, compared with June 2008. U.S. intermodal rail traffic – comprising trailers and containers on flat cars that are not included in carload figures – totaled 755,000 units in June 2009, down 18.2 percent compared with the same period last year with 168,031 fewer trailers and containers.

For the first six months of 2009, total U.S. rail carloadings were down 19.5 percent, while intermodal traffic was down 17.0 percent.

Coal, motor vehicles and equipment, metals and metal products and crushed stone carloads down in June 2009

Of the 19 major commodity categories tracked by the AAR, 18 saw carload declines in June. The catch-all "all other" category was up slightly in June.

In June, the biggest carload declines were coal (down 7.9 percent); motor vehicles and equipment (down 50.5 percent); metals and metal products (down 59.8 percent); and crushed stone and gravel (down

25.2 percent).

"Whenever Americans grow something, eat something, mine something, make something, turn on a light, or get dressed, freight railroads are probably involved somewhere along the line," said AAR Senior Vice President John T. Gray. "Unfortunately, right now there's not enough mining, manufacturing and buying going on. So railroads, like most other business sectors, are suffering because of it."

"Whenever Americans grow something, eat something, mine something, make something, turn on a light, or get dressed, freight railroads are probably involved somewhere along the line"

For the second quarter of 2009, total U.S. rail carloadings were down 22.4 percent. Carloads of coal in the second quarter were down 12.5 percent. In percentage terms, other commodities fared much worse in the second quarter, including motor vehicles and equipment (down 49.4 percent, metals and metal products down 62.4 percent, and grain down 25.7 percent.

Combined cumulative volume for the first 25 weeks of 2009 on 12 reporting U.S. and Canadian railroads was down 20.4 percent from last year; down 16.7 percent from 2008's first 25 weeks.

Visit the AAR at:
http://www.aar.org/NewsAndEvents/PressReleases/2009/07_WTR/070209_Traffic.aspx

Industrial Inside

A new report by the Congressional Budget Office (CBO) released on April 9, 2009 says higher corn prices from U.S. corn ethanol production accounted for only 10% to 15% of the increase in food prices (as measured by the consumer price index) between April 2007 and April 2008. That was when massively increased corn consumption by the ethanol industry sparked concerns that Americans were feeding their cars at the expense of poor people.

Higher corn prices from U.S. corn ethanol production accounted for only 10% to 15% of the increase in food prices

According to the CBO report, prepared at the behest of three congressmen (only one of whom hails from a farm state), overall energy-price increases were a bigger reason food prices spiked last year.

The exact break-even point for corn ethanol—without any subsidies–is when gasoline costs 90% of what a bushel of corn costs. That, the CBO says, has occurred precisely once in recent decades–in 2005.

But of course, U.S. ethanol production enjoys subsidies, which brings the break-even point down to gas prices 70% of corn prices. If you wonder why ethanol's 45-cents-per-gallon federal subsidy seems unable to stem the tide of red ink in corn country, take a look at current commodity prices. Gasoline futures are worth 37% of corn futures.

The exact break-even point for corn ethanol—without any subsidies–is when gasoline costs 90% of what a bushel of corn costs

All is not lost for U.S. ethanol, though. The CBO notes that break-even point can be brought down even further once the government slaps a price on carbon through a national cap-and-trade scheme—if ethanol produces fewer greenhouse-gas emissions than gasoline.

That scientific battle has plenty of legs, but for now the CBO is leaning toward ethanol's corner. Based on research from the Argonne National Laboratory, the CBO says U.S. corn ethanol, as currently produced, amounts to a 20% reduction in lifecycle greenhouse-gas emissions compared with gasoline.

Read the entire article: **http://blogs.wsj.com/environmentalcapital/2009/04/09/e-corn-omics-ethanol-vs-gasoline-vs-food/tab/print/**

Financial Focus

Federal Reserve Chairman says economy has started to show signs of stabilization although improvement is uncertain

Federal Reserve Chairman Ben Bernanke told lawmakers July 21, 2009 that the economy has started to show signs of stabilization, although he cautioned that improvement is uncertain and likely to be gradual going forward.

Bernanke also reiterated that the Fed will be able to keep inflation at bay by unwinding many of the various lending programs it has put in place to encourage banks to start lending again. But he declined to give a time frame for when the Fed might begin its so-called exit strategy.

The head of the central bank, appearing before the House Financial Services Committee in his semi-annual testimony on the state of the economy, forecast a relatively sluggish recovery. Bernanke said the unemployment rate would be higher than preferred levels until at least 2012. But he added that steps taken by the Fed to pump money into the economy have started to pay benefits.

"Financial conditions remain stressed and many households and businesses are finding credit difficult to obtain"

"The pace of decline appears to have slowed significantly, and final demand and production have shown tentative signs of stabilization," he said.

But at the same time he cautioned that even with improvements, "financial conditions remain stressed, and many households and businesses are finding credit difficult to obtain."

Bernanke repeated the Fed's recent forecast that the economy would grow in the second half of this year, and picking up steam over time. He said he expects employers to start adding jobs either later this year or early next year but said it would take time for labor markets to return to normal.

"I want to be clear we have a very long haul here," he said. "Unemployment will stay high for quite some time. It's not going to feel like a very strong economy."

"Less than a quarter of the first stimulus

But Bernanke stopped short of endorsing some proposals for Congress to pass an additional round of economic stimulus -- at least at this

has been spent"

time.

"Less than a quarter of the first stimulus has been spent. It's early to make a judgment about that," he said about a second stimulus package.

Some lawmakers questioned the steps taken by the Fed to try to fix the economy and argued that the economy had not yet taken a turn for the better for most Americans.

"So far there has been very little bang for the taxpayer's buck," said Rep. Spencer Bachus, R-Ala., the ranking Republican member of the House Financial Services Committee.

Rep. Melvin Watt, D-N.C., praised the Fed's steps in the last year, saying that it had been a "sturdy" hand. But he said that despite signs of improved economic activity, "unfortunately my constituents are not yet feeling it."

Learn more at:
http://money.cnn.com/2009/07/21/news/economy/bernanke_congress/index.htm?postversion=2009072114

The Edge

I'd like to start this months' "The Edge" off with a positive note. We've been working on several projects that cut across a variety of industries. They all hold the same beliefs. The U.S. market for basic inputs will again come back and lead the world requirements. We as a country will eventually get our financial confidence back and be able to inject enough capital into the pipeline to make goods (and services) flow from output point (mine, field, manufacturing facility, etc.) to the consumer. As several customers of ours surmised, "as a leading company (large and small) we want to be in a position to move forward aggressively when the economy turns around."

Now on a realistic note all those projects include working with the railroads. Let's take a look at the *rail time indicators* report referenced in this newsletter. That report classifies freight railroading as a "derived demand" industry. That is – demand for rail service occurs as a result of demand elsewhere in the economy for the products that railroads haul. I agree with this assessment to a point. I also agree that railroads like any industrial capital intensive industry need to hold their margins as best as economic times will allow.

Economic times are different than they have been in the past few years and there appears to be derived demand *"now"* that is being unmet because pricing and service won't facilitate a product to its market demand point. So why should the rail industry, be required to lower its margins to facilitate a piece of business that a market simply won't support at given rates in these economic times? They shouldn't, at least not a significant portion of them, some of them maybe.

So how do we create an environment that promotes economic stimulus now to support the numerous projects in which we are involved so they have a chance of getting off the ground in a timely manner, creating jobs and solid infrastructure for further growth?

Let's add some professional comment here. Reference Mr. Bernanke comments in this newsletter, “"I want to be clear we have a very long haul here," he said "Unemployment will stay high for quite some time. It's not going to feel like a very strong economy."

My read is we need long term sustainable jobs.

So how does the railroad industry and the Federal Reserve Board (and the government in general) come together to help promote jobs. Implement price (freight rate) subsidies for broad categories of rail freight movements. Instead of sending the stimulus monies to banks and government agencies that are bent on establishing power houses, implement a plan that brings to market industries, miners, manufacturers a little ahead of their time. This would create jobs now and probably lower prices on basic commodities so they too would flow into more markets and create more jobs. Since no one would be getting what they wanted for their goods and services a definite phase out plan would need to be implemented with the phase in plan.

Those of you who know me realize that this is a diversion from my normal capitalistic stance on market based economics. Look at it from this point of view. People generally want to be employed, want to do a good job and want to contribute to their families and societies well being. This approach would provide a means to that end and set the stage for a good old capitalistic society. Our current government approach is entirely socialistic generally causing more government growth for oversight of a failing economic system.

We want to thank our clients for their positive outlook on the industry and the opportunity to help them prepare for a less socialistic society. If we can be of assistance to you or your business do not hesitate to call upon us.

We look forward to earning your business!