Tealinc

Touchbase

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Some bulk rail cargoes gain despite Holiday

Class Is employed 5,265 more people in October 2010 than in October 2009

Railroad Updates

Strength in several raw material categories for the week ending Nov. 27 suggests new demand from manufacturers, overcoming expectations that a Thanksgiving holiday period that takes at least one and often two days out of a busy workweek would also take a big bite out of all bulk rail cargo traffic.

Greater demand would be welcome news for a factory sector that saw activity fade slightly during November, as reported by purchasing managers in the Institute for Supply Management survey.

Major North American railroads - all seven Class Is plus some regional lines in the U.S., Canada and Mexico - saw overall bulk railcar volume fall nearly 14 percent for the Thanksgiving week from the Nov. 20 week that had no holidays. That is to be expected during a major holiday, and bulk shipments were still up 2.5 percent from the Thanksgiving week of 2009.

However, the Association of American Railroads said loadings of nonmetallic minerals jumped 13.7 from a week earlier to 5,065 carloads, showing solid ongoing demand for a category that includes a range of minerals including sulfur, potassium, clay for ceramics, limestone for fertilizers and cement for construction.

Some cargoes declined by much smaller percentages than traffic overall. For instance, metal ore loadings declined just 4.4 percent from the full week before Thanksgiving, to 22,270 carloads, and semi-finished metals and metal products fell just 4.1 percent 11,748.

Those point to demand for metal fabrication from appliances and machine goods to automobiles. That would help explain why shipments of coking coal edged higher last week by 1.3 percent to 4,365 carloads, since coke is used to generate the high heat levels needed by steel-making furnaces.

Learn more at:
http://www.joc.com/rail-intermodal/some-bulk-rail-cargoes-gain-despite-holiday

Class I Railroad Employment Levels Off

Class I railroads employed 154,285 workers in mid-October, 5,265 more than in October 2009 but only 191 more than in September 2010, according to new figures released by the Surface Transportation Board Wednesday November 17th 2010.

That pattern—flat with September though up from 2009—was repeated in specific employment categories.

Train crew employment stood at 62,451 in October 2010—and “stood” was the word. After a period of several month-over-month increases, the

October figure was only seven higher than in September, though 7.44% higher than in October 2009.

The number of executives, officials, and staff assistants in October was 9,120, up 0.1% from last year; professional and administrative, 13,199, up 1.35%; maintenance of way and structures, 35,056, up 1.26%; maintenance of equipment and stores, 28,294, up 0.62%; and transportation (other than train and engine), 6,565, up 3.15%.

Read the article at:
http://www.railwayage.com/breaking-news/class-i-railroad-employment-levels-off.html

The Kansas City Southern Railway Company will reduce forces during the Holidays

Holiday Service Reductions for Christmas & New Years

The Kansas City Southern Railway Company will reduce forces on December 24, 2010, December 25, 2010, in observation of Christmas, and December 31, and January 1, 2011 in observation of New Years.

Service requests for this day should be emailed to customer_solutions@kcsouthern.com or faxed to 816-983-1555 by 10:00 a.m. on Monday, December 13, 2010.

Service requests will not guarantee service on this day. Once all requests are received, the local operation will attempt to secure resources to perform service on this day. If no message is received, it will be understood that no service is needed.

To Learn more at:
http://www.kcsouthern.com/es-mx/Customers/Pages/ServiceStatusUpdates.aspx

DDCT system is on track for deployment in January 2011

AAR Updates

Railinc Corp. has announced the availability of the new Damaged and Defective Car Tracking (DDCT) test system along with two new web-based DDCT training demos.

The DDCT test system gives users a chance to explore the new system's functionality and to practice critical tasks without being penalized for making mistakes. It uses dummy data that does not represent any actual or active rail conditions. The test system requires users to have test system access credentials so they can practice DDCT-related tasks. DDCT users needing help accessing the DDCT test system or setting up their accounts should contact Railinc customer support.

Railinc has also developed the first two training demos to help railroads, equipment owners and repair shops learn how to use the new DDCT system. The initial two demos cover Rules 1 and 95. Demos covering Rules 107 and 108 will become available soon. All DDCT training demos will be available on-demand, free of charge on the Railinc DDCT website.

For more information about the Railinc DDCT system including training opportunities, webinars and related rail industry events, visit www.railinc.com/ddct.

The DDCT system is a centralized, web-based application that replaces paper defect cards and eliminates the need for defect card brackets by automating the manual process for identifying and tracking damaged and defective rail cars. Rail industry interchange and car hire rules require all carriers, car owners and repair shops to use the DDCT system. Railinc is building the new industry system, which is on-track for deployment in January, 2011

Read the article at:
http://www.3plnews.com/logistics-information-technology/railinc-launches-ddct-test-system-training-demos.html

Railroad Traffic

Strong equipment activation pace follows summer lull

AAR says 20.8 percent of the total railcar fleet in the U.S. and Canada was stored as of November 1, down from 21.6 percent a month earlier

In a sign of growing strength in rail freight demand, North American railcar leasing firms and other car owners pulled 12,799 more railcars out of storage in October, said the Association of American Railroads.

That follows a drawdown in September of 17,638 idled cars and 10,759 in August, the AAR said, after a May-June slowdown that never saw owners reactivate even 6,000 railcars in a single month.

Industry sources say while owners are scrapping some older cars -- when scrap steel prices are attractive enough versus the cost of getting the equipment ready for cargo service -- by far most of the reduction in parked railcars reflects improving demand to get them back into the active fleet.

Many of them first must go through maintenance shops for checks and minor repairs. Some equipment is also undergoing major refurbishment, including some older intermodal well cars that were designed for 48-foot domestic containers and are being lengthened for the 53-foot boxes now in demand.

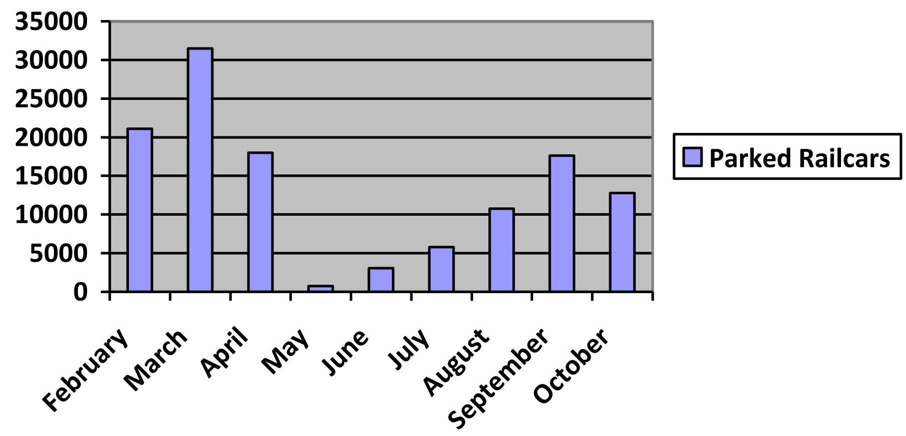
Equipment owners that parked cars on sidings and in rail yards during the 2008-09 downturns include leasing fleets, railroads and shippers.

The AAR said they still had 318,275 stored as of Nov. 1, meaning those cars had not been used in revenue service for at least 60 days. That is 20.8 percent of the total fleet in the U.S. and Canada, down from 21.6 percent a month earlier.

At the bottom of the recession, nearly 32 percent of all North American railcars were stored, and the AAR said owners have pulled 185,000 out of storage since mid-2009.

They still have a long way to go, however. The trade group estimated that "when the economy and the rail industry are at their healthiest, around 2 percent or 3 percent of freight cars are in storage."

The AAR has reported the following 2010 monthly drawdowns of parked railcars:



Read the article at:
http://www.joc.com/rail-intermodal/railcar-owners-shrink-idled-car-fleet october?opattr=Railcar_Owners_Shrink_Idled_Car_Fleet_in_October

Industrial Inside

EIA estimates that the world coal consumption will rebound, returning to its pre-recession level (2008 level) by 2013

The outlook for the coal industry has revived materially from the weakness experienced in 2008 and 2009, driven by several powerful trends in the U.S. and Asia. Various recent economic indicators suggest that the U.S. economy regaining its stability, bringing about a rebound in various industries - the coal industry being one of them.

According to the U.S. Energy Information Administration (EIA), coal production in 2009 fell by nearly 8.5% in response to lower U.S. coal consumption, fewer exports and higher coal inventories. Going forward, the EIA estimates a 0.3% decline in U.S. coal production in 2010, as drawdown in both producer and end-user inventories are expected to meet the increased coal consumption in 2010.

However, coal production in 2011 is estimated to improve 1.8%. At the current rate of recovery, the EIA estimates that the world coal consumption will rebound, returning to its pre-recession level (2008 level) by 2013. Generally, most coal companies have been profitable in 2010, given the recovery in the global and domestic coal demand. This uptrend in profits is largely driven by soaring demand from the Asian countries. The scarcity of coal in relation to the growing needs of the Pacific markets, specifically from China and India, has led to improvement in coal exports form around the world.

"Global Imbalances" refers to massive trade deficits coupled with trade

As a result, the Asian coal prices have risen higher than prices anywhere else in the world, attracting supplies from across the world. These demand and price trends have boosted the profits of coal companies.
Coal companies in turn used these profits to expand business operations.

surpluses in emerging countries like China

Going forward, we believe larger coal players with strong balance sheets will be able to capitalize on the current market environment in the form of acquisitions. In particular, we like companies with exposure to the international coal markets.

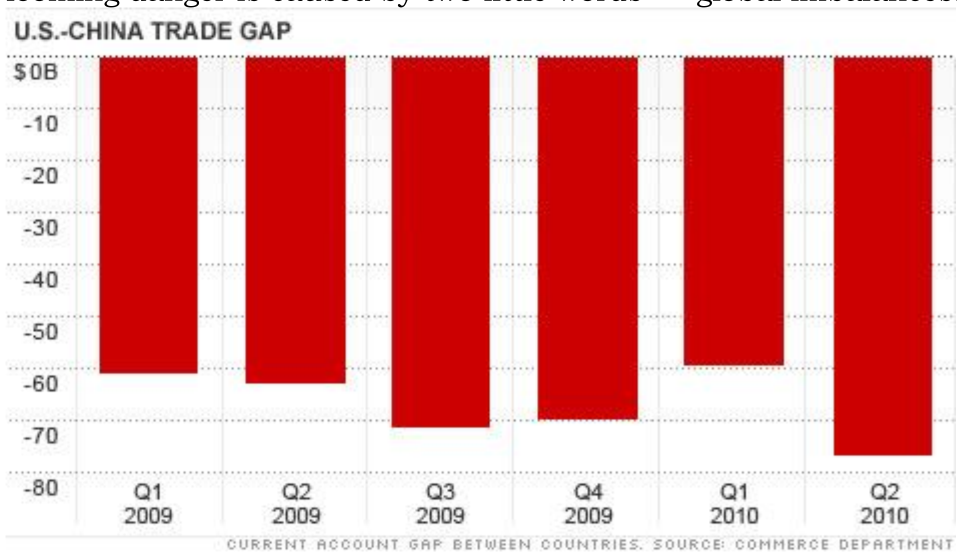
Learn more at:
http://finance.yahoo.com/news/Coal-Industry-Outlook-Oct-zacks-1555231410.html?x=0&.v=1

Financial Focus

Economists say there is potential for a new global economic meltdown

Americans could find their dollar being worth less in global markets

The high standard of living most Americans enjoy could be at risk. And the looming danger is caused by two little words -- "global imbalances."



The term refers to massive trade deficits that have long plagued some countries, most notably the United States, coupled with huge trade surpluses in emerging countries like China.

Economists generally agree that unless world leaders can work to reduce the imbalances, there is potential for a new global economic meltdown. "It's clear that the trend toward widening deficits in the U.S. and widening surpluses in China can't go on forever," said Dean Maki, chief U.S. economist of Barclays Capital. "But right now it doesn't appear we're on a course to correct these imbalances any time in the near term."

Exporting more than it imports might seem like a good thing for China. Indeed, China's strong export economy and recent economic success has lifted millions of its people out of poverty. But carrying such a huge surplus can also feed inflation in China and risk sparking asset bubbles -- lurking dangers that risk throwing the global economy into another financial crisis.

And as China's surplus builds, nations like the United States that are running trade deficits also face risks. Consistently consuming more goods and services than the nation produces means the country needs to finance that deficit by selling assets, such as U.S. Treasuries, to their overseas trading partners.

"Eventually, the rest of the world will refuse to lend to us the money we need to keep consuming and then we'll go through a very tough recession,"

said Jay Bryson, global economist with Wells Fargo Securities.
Even if the U.S. doesn't suffer that kind of debt crisis, Americans could find their dollars being worth less in global markets if the trade gap continues to grow, which would make the price of imported goods, as well as commodities such as oil and food, more expensive. Interest rates would likely rise, putting an additional drag on U.S. growth.

Read the entire article at:
http://money.cnn.com/2010/11/23/news/international/global_trade_imblances_rebalancing/index.htm

The Edge

Merry Christmas, Happy Holidays and Happy New Year! December is our time for giving thanks to the good Lord, our families and friends, those we work with, customers that demand perfection and competition that incent us to be the best at what we do.

We all made it another year!

The year of 2010 seems to be the shake-out year. Looking back in our industry rail, ship, barge, truck rates all slowly recovered from 2009 levels and in a stint of optimism are being increased for 2011 for all modes of transportation.

Significant resources stayed in storage during this period particularly those tied to housing or commercial building industries. Home improvement sectors increased as it is cheaper to fix something or remodel than to take a loss on your current house by buying new, even at discounted prices.

The key economic indicator we all should be or should have been watching in 2009 is the general consumer. Are they building, upgrading or buying in any segment supporting any particular industry? We see some consumer confidence as measured by key Federal statistics but more often we see extreme caution.

Looking back particularly at the rail transportation sector there remains some 318,000 railcars in storage (November 2010 data) as reported by the Association of American Railroads. In comparison that's some 133,000 better than when compared to a year ago, November 2009. An indicator of slight improvement when you consider a number of those cars probably went to the scrap industry.

Rail freight did as we projected it rose on a real cost basis single digit percentages across most commodity groups. You'd think these cost increases would have been in the low single digit area but in reality they were comprised of higher numbers. Railroads have done a great job of recognizing what will and will not be transported regardless of price competition and have learned to walk away from business, despite the need for it, that they believe the current economic conditions won't allow. In many cases rail freight, particularly on shorter hauls, is several percentage points higher than truck freight.

Many industrial companies that we work with competed diligently for less economically rewarding business, successfully. They remain viable to play another day. We appreciate the opportunity to assist and participate with you.

In final reflection of 2010, I want to especially thank the Tealinc Team. My wife Tammy who keeps the back shop running and up on all the rules and regulations of running a business.

Julie Mink, my right hand man, doing what's required when required and her Husband Theo for understanding and supporting her. Kelsey Rittel for stepping up the plate and biting off what's needed when needed. Fernando Pareja Pflucker for helping develop our South America operation. Our great extended team associates; Steve Christian, Jamie Heller, John Schmitter, Ace & Neva Beeler, Steve Williams, Dennis Latini and a host of others.

Most importantly thank you our customers. Without your faith and understanding of the value we have and can create we wouldn't be in business.

May your view of 2010 be as positive as ours and may you have a prosperous 2011.

We look forward to earning your business!