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BNSF will be using a new demurrage plan during the unloading of rail-controlled covered hoppers

Demurrage tariff BNSF6004 will provide more specific information and takes precedence over this advisory

BNSF announces express service to link ports of Seattle and Tacoma with its Logistics Park-Chicago intermodal site and also in Memphis

Special Congratulations!

Last month, we announced our intention to help everyone see a brighter start to 2009 and help stimulate the economy by asking that you have dinner… on us. Readers were asked to return an e-mail with their favorite restaurant and, on February 2, we compiled all the return entries and drew a winner. We would like to announce the contest winner as Darin Matson of Rogers Group, Inc. Mr. Matson will receive a $250.00 gift certificate for a special night out to The Capitol Grille in Nashville, Tennessee. Congratulations Darin! We hope this is the first of many bright things to happen for both you and the team at Rogers Group, Inc. in 2009

Railroad Updates

The BNSF announced that effective February 1, 2009, they will be using a new demurrage plan during the unloading of rail-controlled covered hoppers (excluding shuttles). This change will focus efforts to increase velocity and add available cars to the network of customers.

Unloading of Rail-Controlled Covered Hoppers

All unloading demurrage for rail-controlled covered hoppers, excluding shuttles, will be subject to the Modified Straight Plan. Listed below are highlights of the changes. The Demurrage tariff BNSF6004 will provide more specific information and takes precedence over this advisory.

- Customers are allowed two free days (credits) to unload, plus Sundays and select holidays
- Customers can earn an additional free day by ordering cars to spot before midnight after notification, as long as capacity is available at the time the switching service is performed
- To the "spot on arrival" customer, the extra day is automatic when capacity is available in the customer's track
- Today, all cars are averaged together at each month's end; effective Feb. 1, 2009, extra free days will be applied at the bottom of the bill, offsetting any accrued $75 debit day charges
- When an individual car is held more than five demurrage (debit) days, the rate increases to $150 per day until the car is released empty

Learn more by visiting:
www.bnsf.com

BNSF Touts Express International Container Service

Seeking to improve travel time as a way to counteract the struggles of the international intermodal container market segment, the BNSF announced January 15, 2009 that it is offering an express service linking the ports of Seattle and Tacoma, Wash., with its Logistics Park-Chicago intermodal site and also in Memphis.

"This express service can cut down transit time by almost a full day making it one of the fastest intermodal cargo services from the Pacific Northwest to Chicago and Memphis

Initially, BNSF is offering one full train weekly from either Seattle or Tacoma to either Chicago or Memphis, on a schedule that matches an ocean carrier's discharge/dray. BNSF plans to expand the service as shipper interest grows.

"This express service can cut down transit time by almost a full day, making it one of the fastest intermodal cargo services from the Pacific Northwest to Chicago and Memphis," said Steve Branscum, BNSF group vice president, Consumer Products Marketing. "The new express service not only relies on the speed of the train and the route followed, but also the ability of the ports and the intermodal hubs to provide efficient and reliable service."

BNSF noted it is expanding capacity at its Memphis facility, including the addition of five of the largest wide-span cranes in North America.

Learn more at:
www.bnsf.com

AAR Updates

Infrastructure tax legislation would trigger more rail capacity

The Association of American Railroads (AAR) announced on its website that Reps. Kendrick Meek (D-FL) and Eric Cantor (R-VA) have introduced the Freight Rail Infrastructure Capacity Expansion Act of 2009 (H.R. 272) which promotes the expansion of the nation's freight rail network.

Legislation would provide a 25 percent tax incentive to any company (not just railroads) investing in new track, terminals or other projects that increase the capacity of the freight rail network

The AAR reports that the legislation would provide a 25 percent tax incentive to any company (not just railroads) investing in new track, terminals or other projects that increase the capacity of the freight rail network.

The AAR also reports that "This would be good for America's economy. Freight rail is a true American success story. Railroads' very survival was in question 25 years ago. Their biggest challenge is growing to keep up with demand. Shippers and consumers have recognized the three principles of rail: affordability, efficiency, and the environmentally sound nature of freight rail. That's why demand has grown. And in the years ahead, it will grow even more."

The article goes on to say that the U.S. Department of Transportation projects that demand for rail freight service will nearly double in the next 25 years and adds that now is the time to invest in America's future.

Study shows that $148 billion is needed in the next 25 years to meet the nation's projected need for rail capacity

A 2007 Cambridge Systematics study concluded that a $148 billion is needed in the next 25 years to meet the nation's projected need for rail capacity. Railroads can invest about 70 percent of the money necessary to expand their networks to keep up with the nations' needs, but additional investment is needed. Without it, 30 percent of America's primary rail miles will be overused by 2035, according to the study, causing severe congestion and gridlock throughout the U.S. If freight is shifted back onto our highways, there will be an increase in pollution

and fuel consumption.
The public benefits of growing freight rail are real:

1) A cleaner environment (freight trains pollute one-third as much as trucks)
2) More fuel efficiency (a freight train can move a ton of freight an average of 436 miles per gallon of diesel fuel, three times as far as a truck)
3) Less traffic on our nation's highways (a single intermodal train can remove up to 300 trucks from the highways)

Read the entire article at:
http://www.aar.org

Railroad Traffic

On January 7, 2009, the Association of American Railroads reported that in 2008, U.S. freight railroads originated 16,572,709 carloads (down 2.2 percent), while intermodal originations were 11,517,240 trailers and containers (down 4.2 percent). Combined U.S. carloads and intermodal units in 2008 were 28.09 million, the fourth-highest such total in history (behind 2005, 2006, and 2007).

2008 U.S. rail freight traffic fourth highest in history, but down sharply in December and the fourth quarter

In the fourth quarter of 2008, U.S. carloads totaled 3,895,821, down 8.2 percent from 2007, while intermodal loadings (which are not included in carload figures) totaled 2,770,609 trailers and containers, down 7.7 percent.

In December 2008, U.S. rail carloads were down 14.2 percent from 2007 to 1,298,233, while intermodal originations totaled 890,133, down 13.7 percent from the same period a year ago.

"…railroads' long term future remains bright. Railroads are the best value in transportation and they're environmentally responsible."

"It's not surprising that U.S. rail traffic in December and the fourth quarter was down so much — we all know that the economy is in a world of hurt right now," said AAR Senior Vice President John T. Gray. "That said, railroads' long term future remains bright. Railroads are the best value in transportation and they're environmentally responsible. Moreover, the financial strength and staying power they've developed since the balanced regulation of the Staggers Act was instituted ensures that railroads will be here next week, next year, and 20 years and more from now. When the economy turns around — and it will — railroads will be ready and America will be well served."

"…the financial strength and staying power [railroads have] developed… ensures that railroads will be here next week, next year, and 20 years and more from now. When the economy turns around — and it will — railroads

In December, coal was again the lone bright spot for U.S. railroads, with originations up 0.7 percent for the month. The 7.5 million carloads of coal U.S. railroads originated in 2008 (up 3.5 percent, over 2007) accounted for 45 percent of total U.S. non-intermodal carloads. Carloads of grain rose 3.1 percent in 2008 over 2007.

Commodities showing significant declines in U.S. carloadings in December included chemicals (down 21.8 percent), motor vehicles and equipment (down 39.8 percent), and metals and metal products (down 44.9 percent).

will be ready and America will be well served."

Commodities showing carload declines in December 2008 included motor vehicles, equipment, crushed stone, sand and gravel and coke

Combined cumulative rail volume for 2008 on 12 reporting U.S. and Canadian railroads was down 3.0 percent from 2007, and trailers and containers were down 3.3 percent from 2007

Current sharp contraction in steel demand expected to continue to weigh on steel production and pricing through the first half of 2009

Global steel production declined 12.4 percent year-over-year in October 2008, following a 3.2

The biggest carload declines for the year were motor vehicles and equipment (down 219,603 carloads, or 21.2 percent); crushed stone, sand, and gravel (down 8.8 percent), and coke (down 92,190 32.3 percent).

All told, of the 19 major commodity categories tracked by the AAR, two saw U.S. carload gains in December, two saw gains in the fourth quarter, and four saw gains over 2007 for the full year.

Canadian rail carload traffic, which includes the U.S. operations of Canadian railroads, was down 19.8 percent in December 2008 to 275,824 units. For the fourth quarter of 2008, Canadian carloads were down 12.3 percent to 879,599.

For all of 2008, Canadian railroads originated 3,774,243 carloads, down 6.3 percent

Carloads carried on Kansas City Southern dé Mexico, a major Mexican railroad, were down 21.1 percent in December 2008 to 37,766 carloads, while intermodal units carried of 18,160 were down 12.1 percent

Combined cumulative rail volume for 2008 on 12 reporting U.S. and Canadian railroads totaled 20,346,952 carloads, down 3.0 percent from 2007, and 13,984,790 trailers and containers, down 3.3 percent from 2007.

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http://www.aar.org

Industrial Inside

According to Fitch Ratings' 2009 global steel outlook report issued on January 2, Fitch expects the current sharp contraction in steel demand to continue to weigh on steel production and pricing through the first half of 2009. While in the short-term the steel market will be in a downturn, the Ratings Outlooks on the vast majority of Fitch Ratings' steel coverage are stable.

Demand for steel has weakened sharply since August 2008. The global financial crisis reduced construction activity worldwide as well as consumer demand for durable goods. The resulting fall in steel demand and prices has been met with substantial production cuts around the world. Global steel production declined 12.4 percent year-over-year in October 2008, following a 3.2 percent year-over-year drop in September 2008. The cuts that have been announced will result in sharply lower production through the first quarter of 2009.

Tight credit and the need to generate cash flows have resulted in extreme destocking industry-wide, and this has been amplified at the raw materials level.

Demand for steel should improve following the aggressive expansion of central bank liquidity provisions since early September, in combination

percent year-over-year drop in September 2008. The cuts that have been announced will result in sharply lower production through the first quarter of 2009

with major fiscal injections into the U.S. and European banking systems, as well as major stimulus packages announced for China and expected for the U.S. The timing and severity of the downturn caught most analysts by surprise and Fitch does not expect real demand to begin to recover before the second half of 2009. Steel and raw materials prices may begin to recover before then, signalling that stocks have been liquidated.

Spot raw materials prices have fallen sharply following destocking and declining steel production. Contract prices for iron ore and metallurgical coal are expected to be 20%-40% lower than last year. Freight rates have fallen as well, which should result in lower costs going forward.

Key 2009 Themes/Events are explained as:

1) Companies with strong balance sheets and flexible operations will fare best over the downturn. Flexible operations will allow production cuts to optimize profitability and conserve cash. Low debt-service and/or access to capital will be supportive during a period of very low shipments and poor operating profitability. Focused working capital management will benefit cash flows.

China to lead demand recovery, excess production would pressure weak markets in Europe and North America.

2) Earnings will generally be down substantially for the next 12 months from 2008, which benefited from a robust first half.

3) There will continue to be pressure on contracts if not outright defaults. As capital is stretched some firms will have no option but to refuse delivery in the absence of renegotiation of price. Demands for credit support will likely continue to increase and further constrain trading activity.

Rising steel prices in China will tend to signal the end of destocking, while sustained price appreciation, increasing freight rates and rising scrap prices will tend to signal improved demand

4) China cut steel production in the face of weak domestic and export demand but may need to shutter upwards of 20 percent of capacity (high-cost) longer-term. While Fitch expects China to lead demand recovery, excess production would pressure weak markets in Europe and North America. Rising steel prices in China will tend to signal the end of destocking, while sustained price appreciation, increasing freight rates and rising scrap prices will tend to signal improved demand.

5) Consolidation may be more regional and driven by the need to rationalize capacity and cost structures, although activity has virtually halted following the advent of the credit crisis.

Read more at:

http://www.reliableplant.com/article.aspx?articleid=15159&pagetitle=Steel+production%2C+pricing+under+pressure+through+H1+2009

Financial Focus

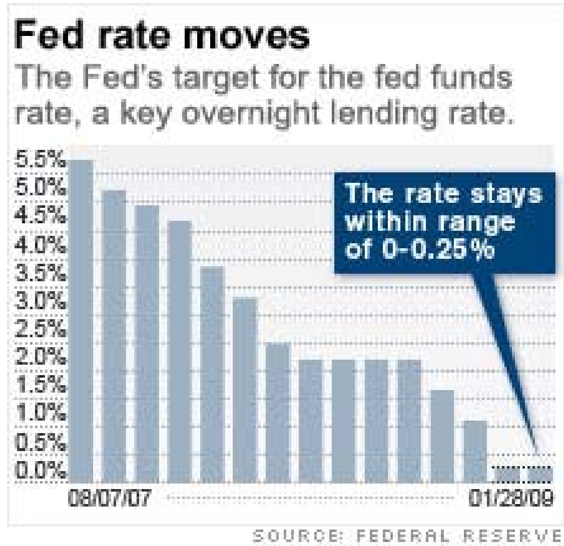
The Federal Reserve kept its key interest rate near 0% January 28, and said it is prepared to take additional steps to try to fix the troubled

U.S. economy and credit markets.

Fed leaves rates near zero

The Fed said it stands ready to purchase longer-term Treasury’s if it determines that such a move will help get credit flowing once again. This may help lower the yield on the government bonds and further lower the rates on various types of loans tied to Treasury’s.

Central bank says it is ready to take additional steps to get credit flowing, including purchasing long-term Treasury’s



Still, Treasury yields moved higher in the wake of the Fed decision, while Treasury prices, which move in the opposite direction, lost ground.

The central bank gave a bleak outlook for the U.S. economy, saying that while it expected a "gradual recovery" to begin later this year, significant risks remain.

"Industrial production, housing starts, and employment have continued to decline steeply, as consumers and businesses have cut back spending," the Fed said in the statement. "Furthermore, global demand appears to be slowing significantly."

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While the Fed said there had been improvement in some financial markets, it is concerned that credit remains tight. The Fed also warned of a decline in prices that could further slow economic activity, a condition that is generally known as deflation.

Deflation often prompts businesses to further cut production and consumers to delay purchases because they anticipate lower prices to come. Economists warn that deflation can have a more destructive impact on the economy than inflation.

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With that in mind, Sung Won Sohn, professor at Cal State University-Channel Islands, said he wishes the Fed talked tougher about fighting deflation.

"The deflationary threat is really the bottom line, and the Fed wants to do everything they can to minimize the risk," said Sohn. "I think the

on the economy than inflation.

market would feel better if it knew that even more clearly."

But while economists agreed that there is little threat of inflation in the near term, some suggested the Fed's efforts to do anything it can to pump credit into the slumping economy could eventually lead to higher prices.

"In the short run, Fed easing is a plus," said John Silvia, chief economist at Wachovia. "Over the longer run, however, a long period of easy monetary policy may generate more problems down the road with a combination of higher inflation premiums and a weaker dollar to boot."

Fed looking at other options than rate cuts

The Fed cut the federal funds rate, a benchmark used by banks to set rates paid on many types of consumer and business loans, to a range between 0% and 0.25% in December. At that time, the Fed indicated that weakness in the economy would justify "exceptionally low levels of the federal funds rate for some time." That language was repeated in Wednesday's statement.

In a new program set to start next month, the Fed will make more credit available to consumers and small businesses through more loans to banks.

Although the Fed essentially has no room left to lower rates, it has taken numerous other steps to try and boost the economy and unlock tight credit markets.

The central bank has increased the amount of money that banks and Wall Street firms can borrow directly from the Fed. It lent directly to major corporations through the purchase of commercial paper, used by companies to fund their day-to-day operations. It bought mortgage-backed securities to drive down mortgage rates.

In a new program set to start next month, the Fed will make more credit available to consumers and small businesses through more loans to banks.

Read more at: **http://money.cnn.com/2009/01/28/news/economy/fed_decision/index.htm?postversion=2009012816**

The Edge

Everything That Happens In Industry So To Shall Also Happen To Railroads

The credit crisis has made a world-wide impact that has recently sent Chinese workers back to the farm (there is no work in the cities thus no boat loads of containers sending goods to the U.S. and other countries and correspondingly a significant drop in intermodal railcar demand.) Automaker bailout, loan or life line (depending on what you want to call it) and by measurements taken from the rail industry, the U.S. auto industry related freight is down 60 percent in 2009. Housing starts and industrial building is down significantly and thousands of lumber, cement and related railcars are starting to see time on the storage track. Freight volume was down 17.9% in the second week of 2009 compared with the comparable week in 2009. Correspondingly, Class I railroads are making cumulative multi-hundred million dollar cuts in capital budgets and cutting thousands of workers.

How, then, can Class I railroads continue to post continued increased earnings. CSX posted fourth quarter net income rise of 16% while showing a decrease of 1.6 million carloads of freight and BNSF posted 19% rise in earnings. Is this the tide being carried from third quarter of 2008 into 4th quarter 2008? Is it a shift in paradigm from alternative freight transport modes and does it truly represent the least cost alternative? Or, is it simply duopolistic pricing power and optimal margin management at its best?

We're not sure.

It does, however, point out a few items that you should consider. If you are a captive customer to a railroad that has duopolistic pricing power plan on continued transport cost increases, review all your transport options outside of your dedicated rail carrier. Analyze cost versus benefit tradeoffs to see if a new distribution strategy would help your economic situation.

If you have time sensitive shipment requirements, take a hard look at the railroad lanes in which you ship. There are a significant number of capital projects that won't be completed in 2009 and there will be less crew available to readily transport your goods. A review of where you sit on shipment options may provide you with better transportation planning options (or at the very least, the knowledge that your shipment transit time will take longer than it has in the past.)

With the bad comes some good.

If you're new to rail, now is the time to offer your business to the industry. For the very same reasons a captive customer has few options, you as a potential customer should have many. You're still in the dating stage of the game and the railroads will realistically want your business and should compete for it. Remember: once committed you are potentially out of options. Negotiate, negotiate, negotiate! Remember to negotiate terms that are sufficient enough to cover your investments.

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

We look forward to earning your business!