Touchbase February 2012

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Now accepting scholarship applications!

Holiday service reductions planned for KCS in 2012 – mark your calendars today to prepare for service delays

Two new BNSF online tools announced

Carload Shipping Advisor and Service Carrier Reciprocal

Now Accepting Applications: Tealinc Spring 2012 Scholarship!

Tealinc, Ltd. is now accepting applications for our annual scholarship! As a company, Tealinc is an adamant supporter of post-secondary education. We have provided over $10,000 in scholarships at the local level over the past several years. The applicant must be in or be the child (or dependent) of a person working in the rail transportation industry.

One scholarship of one thousand ($1,000) will be awarded to a high-school senior and one scholarship of one thousand ($1,000) will be awarded to an enrolled undergraduate college or trade-school student.

Enroll today! The deadline for this application is March 30, 2012.
Click here for the scholarship application and guidelines.

Railroad & Policy Updates

In an effort to provide more information for advanced planning of your supply chain logistics, the KCS would like to share the planned holiday service reductions schedule for 2012. The KCS will remind customers of these service reduction dates in advance of each holiday; however, it is a good idea to mark them on your calendar now as these dates will cause delays on most U.S. Railroads.

Date	US Holiday Service Reduction	MEX Holiday Service Reduction
February 20	President's Day	
April 5		Jueves Santo
April 6	Good Friday	Good Friday
April 8	Easter	
May 1		Labor Day Mexico
May 28	Memorial Day	
July 4	Independence Day	
September 3	Labor Day	
September 16		Independence Day Mexico
November 20		Revolution Day Mexico
November 22	Thanksgiving	
November 23	Day after Thanksgiving	
December 24	Christmas Eve	Christmas Eve
December 25	Christmas	Christmas
December 31	New Year's Eve	New Year's Eve

Read more:
http://campaign.r20.constantcontact.com/render?llr=itvrayeab&v=001yqHNAgdI3XjvEog-avR9I8vNJPrS01Yw_cJkVFRGY3TtnMDu_ms9pHvESrBFl_vc4RBebVb5oMeSnBrxgHXL1e2c-NuYuivxjPc_mXvuhec9YL3rpr-vYoi7EUFKou4m3e3t1IcOwlqWY9w2_uUZbg%3D%3D

BNSF Offers New Online Tools for Shippers

BNSF Railway announced [in January] the release of two new online tools — Carload Shipping Advisor and Serving Carrier Reciprocal Switch Inquiry— that it says "allow customers to compare shipping options by price, equipment, and route for multiple origins and destinations."

“All of the features in the Carload Shipping Advisor tool are based on direct customer feedback and designed to meet customer needs,” said John Lanigan, BNSF executive vice president and chief marketing officer. “We are confident that providing this upfront visibility to all routing options will save our carload customers time and allow them to more easily plan their shipments.”

Switch Inquiry "allow customers to compare shipping options by price, equipment, and route for multiple origins and destinations"

"Whether planning or pricing their shipment moves, our customers told us that determining if a destination is rail-served is their first step," said Jo-ann Olsovsky, BNSF vice president technology services and CIO. "The new Carload Shipping Advisor and Reciprocal Switch Inquiry allow customers to quickly take that first step by easily verifying whether a shipping origination or destination has rail or transload service."

Learn more at: http://www.railwayage.com/index.php/News/Latest/BNSF-offers-new-online-tools-for-shippers.html

New Customers Will Swell CSX Revenue

"Despite ongoing economic uncertainty during 2011, [CSX] customers continue to demonstrate strong interest in rail service… testimony to the underlying value proposition that rail offers"

Shippers representing manufacturing, consumer goods, energy, and other markets made commitments in 2011 to develop new or expanded facilities on CSX and its connecting short lines. A total investment of $1.4 billion will ultimately yield more than $230 million in annual freight revenue, said Clark Robertson, assistant vice president-regional development.

"Despite ongoing economic uncertainty during 2011, our customers continue to demonstrate strong interest in rail service and CSX in particular," said Robertson. "It is testimony to the underlying value proposition that rail offers. For many customers, railroad fuel efficiency is an important factor when it comes to choosing transportation, and CSX trains are capable of moving a ton of freight nearly 500 miles on a gallon of fuel. That means significantly lower carbon emissions than trucks. Another factor is connectivity to marine ports, and CSX reaches more than 70 ocean, lake, and river ports."

The facilities will be built or expanded on CSX lines and on some of the more than 240 short lines and regional railroads that connect to CSX.

Read the entire article:
http://www.railwayage.com/breaking-news/new-customers-will-swell-csx-revenue-3857.html

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Mechanical Brief with Steve Christian

Safety has always been "first" in the railroad industry. I can recall seeing the "Safety First" slogan on everything from Railway Express carts and Tugs to bulletin boards in shops, crew change areas, depots and offices.

Key to the safety first program on railroads is the use of "blue signals" to protect employees working on or near any rolling stock

A key part of the Safety First program on railroads is the use of "blue signals" to protect employees working on or near any rolling stock. I remember placing a blue flag in a bracket near the engineer's window on the lead locomotive of the Denver and California Zephyrs before pumping diesel fuel and boiler water on the locomotives. The engineer was not allowed to move the train until we had completed our work and I removed the blue flag.

Here is the FRA regulation:

> CFR§218.23 Blue signal display
> (a) Blue signals displayed in accordance with §218.25, 218.27, or 218.29 signify that
> workers are on, under, or between rolling equipment. When so displayed --
> (1) The equipment may not be coupled to;
> (2) The equipment may not be moved, except as provided for in §218.29;
> (3) Other rolling equipment may not be placed on the same track so as to reduce or block the view of a blue signal, except as provided for in §218.29 (a), (b) and (c); and
> (4) Rolling equipment may not pass a displayed blue signal
> (b) Blue signals must be displayed in accordance with §218.25, 218.27, or

Tried and true blue signal law is an excellent way to protect personnel that work on and around rail equipment

218.29 by each craft or group of workers prior to their going on, under, or between rolling equipment and may only be removed by the same craft or group that displayed them

Non-railroad private industry is not obligated to follow these specific requirements but is obligated to institute some form of Lockout/Tagout per OSHA regulations. I believe the tried and true blue signal law is an excellent way to protect personnel that work on and around rail equipment.

A blue signal can take the form of a blue light, a blue flag, a blue sign or even a blue lock. Which form you use is entirely up to your particular circumstances? Here are some constants that I believe should be observed in any policy:

1. All rail access to the equipment being worked on must be protected with a blue signal. If the track has access from both ends you must have protection on both ends of the equipment. If you are working on a dead end track only the access track needs to be protected.
2. The employee that places the blue signal(s) must also be the person that removes it. The only exception to this would be that employee's supervisor and then only after personally clearing the track of all activity and obstructions to movement.
3. The blue signal must be easily visible to anyone approaching the work area by rail.
4. The switches that directly serve the work track should be thrown so that rail traffic is directed away from the work. When these switches have the ability to be locked they should have a blue lock applied with the key in the possession of the workman.
5. Provide initial and follow-up training as needed on your Blue Signal Policy. Make sure your employees understand the importance of following the policy and make it known that violations of the Blue Signal Policy will be dealt with harshly.
6. Outside contractors and visitors should be trained in this policy as well for their protection and yours. Railroad switch personnel that enter your property will instantly understand and observe these regulations.

I strongly encourage the adoption of blue signal protection for your personnel. Remember, "SAFETY FIRST!"

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Steve Christian is the Manager Value Creation-Railcar Performance Manager for Tealinc, Ltd. You may contact Steve directly out of our Nebraska office at (308) 675-0838 or via email at ***steve@tealinc.com****.*

Railroad Traffic

Originating U.S. rail carloads up 0.1 percent over January 2011

The Association of American Railroads (AAR) reported [February 2, 2012] that total U.S. rail carloads originated in January 2012 totaled 1,144,800, an average of 286,200 per week and up 0.1 percent over January 2011. Intermodal volume in January 2012 was 877,637 containers and trailers, up 1.7 percent over January 2011. January's average of 219,409 intermodal units per week was the third highest ever for a January for U.S. railroads. Detailed monthly data charts and tables will be made available in the AAR's Rail Time Indicators report to be released February 3, 2012.

Motor vehicles and parts, metallic ores, crushed stone, gravel

Commodities showing gains in January 2012 over January 2011 included motor vehicles and parts, up 8,188 carloads or 18.3 percent; metallic ores, up 6,860 or 29.3 percent; crushed stone, gravel and sand, up 6,417 or 11.7 percent; and

and sand, petroleum products up in January 2012

petroleum products, up 6,148 carloads or 22.3 percent.

Commodities with carload declines in January included grain, down 15,099 carloads or 15.4 percent; coal, down 12,756 carloads or 2.4 percent; and chemicals, down 2,810 carloads or 2.3 percent. Carloads excluding coal and grain were up 5.5 percent (28,958 carloads) in January 2012 over January 2011.

Grain, coal and chemicals down in January 2012

"Total rail carload traffic in January was flat compared with last year, due largely to sharp declines in coal and grain traffic," said AAR Senior Vice President John T. Gray. "However, a number of other commodity categories — including many that have historically been much more highly correlated with GDP growth than coal and grain—saw large increases in January. That's a sign that the underlying economy is probably stronger than you would think if you just looked at the rail traffic totals."

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Total employment on Class I freight railroads was 159,717 in December 2011, down 402 employees from November 2011, but up 5,317 employees over December 2010.

Visit the AAR at: **www.aar.org**

Industrial Inside

After being hammered by record high food prices in 2011, which helped ignite the Arab Spring uprisings, consumers worldwide may find some relief in 2012 if U.S. farmers, induced by last year's high crop prices, plant more fields to grain this year.

Relief in U.S. food prices seen as crop supplies grow

Analysts polled by Reuters expect prices of corn, soybeans and wheat to tumble as much as 15 percent from a year ago, which will benefit companies that produce meat like Pilgrim's Pride Corp, Sanderson Farms and Tyson Foods Inc in terms of lower feed costs.

U.S. farmers planting the most winter wheat in three years and a bin-busting corn crop expected this spring could finally calm markets that have been on tenterhooks as razor-thin stocks have triggered sharp price surges with every weather scare.
Analysts polled by Reuters expect prices for U.S. corn -- the largest crop by acreage in the United States -- to slide to a three-year low. While that may help lower costs for meat companies, U.S. consumers are likely to pay more for beef this year.

Prices of corn, soybeans and wheat to tumble as much as 15 percent from a year ago [in 2012]

One of the worst droughts since the Dust Bowl in the 1930's in top cattle state Texas is shrinking the cattle supply, plus record high feed costs last year and competition for farmland are decreasing the herd.

Retail prices for beef are already at a record high above $5 a lb, and the supply of cattle should remain tight for a few years. Even if ranchers begin to expand herds now -- it takes more than two years for cattle to go from birth to a slice of beef.

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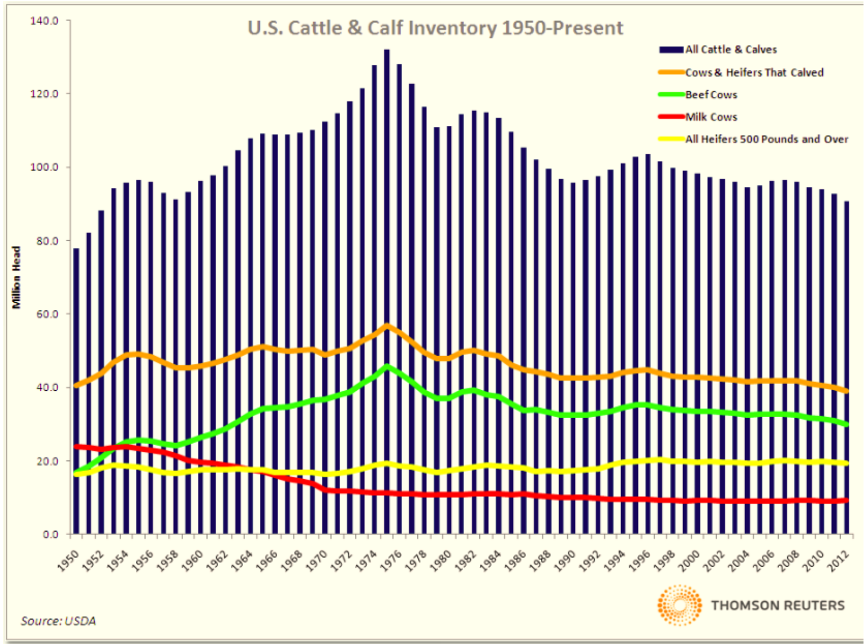

As in every crop cycle, the weather this year will play a crucial role in whether consumers get a break in food prices, especially if the La Nina phenomenon, which has caused a drought in South America, continues to prevail.

A handful of traders are speculating that a dry summer in the Midwestern United States will slash crop production this year, which would negate any decline in food prices.

"We'll probably see some decline in raw commodities prices this year given there's a return to normal weather," said John Anderson, a senior economist with the American Farm Bureau Federation, which represents ranchers and farmers. "If there is a drought in the Midwest, all bets are off," he said, adding that food prices would also be tied to how the dispute between Western nations and Iran over Tehran's nuclear ambitions and the euro zone debt crisis are resolved.

The United Nations' FAO food agency said earlier [in January 2012] that world food prices fell in December [2011] from the previous month due to sharp declines in sugar, cereals and vegetable oils.

The agency's food price index measures price changes for a basket of foods like dairy, meat and cereals, and that index fell in December to extend a downtrend of the past few months.

A Reuters poll of 12 analysts showed that they expect the price of U.S. corn to average $5.47 per bushel at the end of this year, 15 percent below 2011's average of $6.47. It would be the biggest year-on-year percentage decline in nine years. It would follow the surge in corn futures at the Chicago Board of Trade to an all-time high of $7.99-3/4 per bushel in June 2011. The lower cost of feedstocks, like corn, will also help the bottom lines of U.S. ethanol producers, who use about 40 percent of the total domestic corn crop.

BIG U.S. CROPS ON THE CARDS. [A few highlights include:]

- Price estimates ranged widely from a low of $4 per bushel, which would be the lowest year-end price in seven years; to what would be a record high of $8.12 -- the only forecast that was above the 2011's year-end price.
- Corn stocks in the United States, the world's largest exporter of the grain,

As in every crop cycle, the weather this year will play a crucial role in whether consumers get a break in food prices

"We'll probably see some decline in raw commodities prices this year given there's a return to normal weather... if there is a drought in the Midwest, all bets are off"

Corn stocks in the United States are forecast to be the smallest in 16 years at the end of the season during the summer 2012

Wheat prices at the Chicago Board of Trade are expected to

fall 6.7 percent by the end of this year from a year earlier to $6.09 per bushel

U.S. soybean prices are expected to fall for a second straight year

"Cattle inventory is at a 60-year low and meat supplies are going to be pretty tight"

Consumer confidence unexpectedly dropped in January; forecasts that the U.S. economy will cool after expanding at the fastest pace since the second quarter 2010

Employers added 145,000 jobs in January after payrolls rose by 200,000 in December 2011

are forecast to be the smallest in 16 years at the end of the season during the summer 2012. Stocks in 2013 could increase as many analysts expect farmers to plant 94 million to 96 million acres of corn in 2012. The range, if it materializes, would be the second largest acreage since 1944.

- Wheat prices at the Chicago Board of Trade are expected to fall 6.7 percent by the end of this year from a year earlier to $6.09 per bushel.

  "We still think we are in an ample world supply (market)," said Don Roose, analyst with U.S. Commodities. "We think that is going to continue. We are banking on the (idea) that we do not see big production drops."

  World wheat stocks are forecast to be the largest in 12 years and the second largest in the past 50 years.

- U.S. soybean prices are expected to fall for a second straight year to $11.47 at the end of 2012, down about 4 percent from a year earlier, according to the Reuters poll.
- Agricultural economist Darrel Good of the University of Illinois in Urbana-Champaign said he was expecting the retail price of U.S. beef to continue rising this year and later.

  "Cattle inventory is at a 60-year low and meat supplies are going to be pretty tight," he said, adding that the increase in beef prices could spur production of chicken and pork as consumers substitute cheaper meats for beef.

  Live cattle futures at the Chicago Mercantile Exchange rose to an all-time of 126.375 cents lb last week and are up 13 percent from a year ago.

Read the entire article at: http://www.reuters.com/article/2012/01/30/us-usa-food-crops-idUSTRE80T1NG20120130?feedType=RSS&feedName=topNews&ca=moto

Financial Focus

Consumer confidence unexpectedly dropped in January and a gauge of business activity fell, underscoring forecasts that the U.S. economy will cool after expanding at the fastest pace since the second quarter 2010.

The New York-based Conference Board's confidence index decreased to 61.1, lower than the most pessimistic forecast in a Bloomberg News survey of economists, from a revised 64.8 reading the prior month. The Institute for Supply Management-Chicago Inc. said its business barometer declined to 60.2 from 62.2 in December. Readings above 50 signal growth.

Employers aren't hiring fast enough to drive bigger gains in wages and consumer spending, while higher gasoline prices are cutting into household budgets. Another report today showed home prices fell more than forecast in November, eroding the wealth of families as they seek to rebuild savings.

"This quarter will be a bit slower," said Stuart Hoffman, chief economist at PNC Financial Services Group Inc. in Pittsburgh, who had the lowest sentiment estimate. "Consumer confidence appears to have leveled off, as job growth isn't quite as good and gasoline prices have moved back up."
Stocks fell after the reports. The Standard & Poor's 500 Index declined 0.4 percent at 1,307.38 at 11:14 a.m. in New York after climbing as much as 0.6 percent. The yield on the 10-year Treasury note fell to 1.82 percent from 1.85 percent late yesterday.

“Unemployment has remained stubbornly high”

Jobs Hard to Get

The share of consumers who said jobs are currently plentiful fell to 6.1 percent from 6.6 percent. Those who said jobs are hard to get increased to 43.5 percent, the highest in three months, from 41.6 percent.

The proportion expecting incomes to rise over the next six months dropped to 13.8 percent from 16.3 percent. Still, the percent of respondents expecting more jobs to become available in the next six months increased to 16.2 from 14 the previous month.

The economy expanded 2.8 percent in the final three months of 2011, compared with economists’ 3 percent median forecast

Employers added 145,000 jobs in January after payrolls rose by 200,000 in December, according to the median estimate in the Bloomberg survey before the Feb. 3 data from the Labor Department.

“Unemployment has remained stubbornly high,” Sandra Cochran, chief executive officer of Cracker Barrel Old Country Store Inc., said at a Jan. 11 conference. “Consumer sentiment remains weak, and this has focused the industry on price and prompted many of our competitors to remain very focused on discounting.”

Rebuilding Savings

Consumers are limiting their purchases as they rebuild savings. The economy expanded 2.8 percent in the final three months of 2011, compared with economists’ 3 percent median forecast, according to Commerce Department data released on Jan. 27. Household purchases rose 2 percent.

The Federal Open Market Committee said its benchmark interest rate will remain low at least through the end of 2014

Gross domestic product will expand at a 2 percent annual rate this quarter, according to the median forecast in a Bloomberg survey of economists taken from Jan. 6 to Jan. 11.

The Federal Open Market Committee said its benchmark interest rate will remain low at least through the end of 2014.

“The Committee expects economic growth over coming quarters to be modest and consequently anticipates that the unemployment rate will decline only gradually,” it said in a statement.

[The] report is at odds with other figures. The Bloomberg Consumer Comfort (COMFCOMF) Index steadied at minus 46.4 in the week ended Jan. 22 after minus 47.4 the prior week. The Thomson Reuters/University of Michigan final index of consumer sentiment jumped in January to the highest level in almost a year.

Manufacturing payrolls increased by 13,000 in January following a 23,000 gain the prior month

Slowing Orders

The decline in the Institute for Supply Management- Chicago’s business barometer was led by slowing orders and employment. Three consecutive readings exceeding 60 are still the strongest since early 2011, signaling manufacturing remains a mainstay of the expansion.

The Chicago group’s employment measure fell to 54.7, the lowest level since August, from 59.2 the prior month. The production gauge decreased to 63.8 from 64.9, and the index of new orders declined to 63.6 from 67.1.
The measure of prices paid dropped to 62.4 from 63.8 and a gauge of inventories decreased to 51.6 from 52.

Manufacturing payrolls increased by 13,000 in January following a 23,000 gain the prior month, economists surveyed by Bloomberg forecast the Labor Department will say Feb. 3 in its monthly payroll report.

Learn more at:
http://www.bloomberg.com/news/2012-01-31/consumer-confidence-in-u-s-unexpectedly-drops-on-fuel-costs-job-concerns.html

The Edge

Welcome to February! This year is flying by already. It would make one think that the economy in most segments was (is) booming by the volumes of rail traffic and inquiries we're seeing from new customers. If one pays attention to the non-building side of the business such as oil, gas, coal, grain and consumer goods business is exceptional in most categories. However if you look deeper we're still seeing stagnation in aggregates, rock, sand and gravel business with slight upticks in the lumber and building goods business. We realize that it's the wrong time of year for most of the building businesses to be booming but we're seeing delayed planning in those categories leading us to believe that most companies in these businesses are playing it one day at a time. Our team, for one, has spent more days on the road this year than in our respective offices!

It seems that railroads continue to push non-unit train customers to their own private or leased rail equipment. These customers often times haven't dealt with the management of private equipment or with the railroads on managing their private equipment.

We have some observations from our customer meetings that may be relevant to your situation that we'd like to share.

- File OT5 with each rail carrier. Having Class I coverage is paramount to a mutual understanding of the equipment you'll be running, how many, what the move looks like and if necessary where you're going to store your railcars in a down turn or seasonal outage. If you have an Industrial Switch carrier or a Shortline railroad involved be sure you have their buy in on the same operating parameters for your railcars as the Class I.
- Understand demurrage and how it applies to you and your railcars and their use. Demurrage is an accessorial charge that has a way of sneaking up on most companies. Understand the process of constructive placement, ordering in railcars if it applies to your situation, turn times of equipment, private track versus railroad track and release requirements.
- Review your infrastructure. A set of tracks and load or unload infrastructure that sufficed when the railroad provided the railcars and service may not be sufficient when you're paying for capital and operating costs to run your own equipment. Weigh out capital versus operating expenses. If you can cut off ten minute unload time how does that impact your fleet requirements over the course of time?
- A set of *Cliff Notes* to the Association of American Railroad and Federal Railway Administration rules and regulations will make your job easier and more productive. These rules and regulations govern what is essentially the mechanical and safety requirements to owning or controlling your railcars.
- Train your local in-plant (or facility) personnel on how to safely maneuver railcars in your rail yard. The FRA has a complete host of rules and regulations mostly concentrated on safe operations. You don't need to be a lawyer or chief mechanical officer to interpret them or apply their requirements to your facility. Basic development of safe operating rules, use of blue flags, and learning how to properly set and release handbrakes and how to get on and off railcars will go a long ways towards running a safe operation. We offer blue flag and yard operations training if that's of interest to your company.
- Competitive rail pricing is important; long term competitive pricing is becoming extinct. Most rail rate structures in today's marketplace are governed by tariffs. Tariffs are public pricing documents that are subject to change approximately every thirty days. In many cases shippers of carload traffic really don't have an option but to take what is given to them in tariff pricing. Just don't forget you can get an increase in a thirty day time frame so plan your commodity pricing accordingly. If possible ask for a contract even if it's tied to a fixed price increase structure or an index. These are the dinosaurs in that most of them are extinct – but they are worth negotiating.
- If you're working on a new facility that is rail dependent consider the impact of having two carriers versus one. Our numbers indicate that rail price-differentials in competitive corridors are worth as much as twenty percent in price difference. In non-competitive corridors the difference can range

from zero to ten percent. Over time the economic difference of access to fixed assets may be outweighed by the cost of operating variables. In many cases we find the cost of transportation to be of a higher cost than the commodity being transported.

- Don't acquiesce even if you're in a "hot" corridor or business line. The Bakken, Marcellus and other oil development areas don't leave much room for negotiations from a transportation and trans-load perspective.   However don't give up on the first go! These areas are still developing and everyone we've talked with is as cautious as realistically possible. Rates, service, trans-loading costs and all those items outlined in this bullet list should be negotiated vigorously. We've helped a couple of customers trade off better rates for volume commitments that better match Class I train sizes and bridge a trans-load minimum that lowers per ton costs by a significant percent.
- And first and last – always run a safe operation. We look forward to working with you for the long haul!

We look forward to earning your business!