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BNSF postpones fuel surcharge changes

NS Railroad is an industry leader in promoting energy efficiency and sustainability

"Railroads are the most environmentally friendly means of moving the goods that move the economy,"

Railroad Updates

BNSF is postponing the fuel surcharge changes scheduled to take effect in January and February 2009.

Customers were notified of the decision on Tuesday, Dec. 2, through a customer advisory and postings on BNSF's Web site.

These changes would have extended the mileage-based fuel surcharge program and increased the strike price on carload shipments from $1.25 to $2.50 per gallon of highway diesel fuel (HDF). The decision to delay the increases was based on volatility in the fuel market.

BNSF representatives will continue to monitor the state of the fuel markets as the year progresses and provide an update no later than July 1, 2009.

Additional information on the postponement is available from BNSF Marketing representatives or on the Web. Visit the BNSF at: **http://www.bnsf.com/employees/communications/bnsf_today/2008/12/2008-12-04-a.html**

Norfolk Southern joins U.S. Green Building Council

Norfolk Southern has joined the U.S. Green Building Council (USGBC), a non-profit, membership-based organization committed to a prosperous and sustainable future for the nation through cost-efficient and energy-saving green buildings.

Through its latest public-private partnership initiative, the Crescent Corridor Intermodal Freight Program, NS will capitalize on the inherent efficiencies of rail transportation to substantially reduce fuel consumption and greenhouse gas emissions. As part of the Crescent Corridor program, NS has committed to submitting buildings from three of its proposed intermodal terminals in Birmingham, Ala., Greencastle, Pa., and Memphis, Tenn., for LEED (Leadership in Energy and Environmental Design) Certification.

Norfolk Southern is USGBC's first Class I railroad member.

"Railroads are the most environmentally friendly means of moving the goods that move the economy," said NS CEO Wick Moorman. "Norfolk Southern's goal is to lead the industry in emissions reduction, efficient energy use, and environmentally focused public-private partnerships."

"By becoming a member company of the U.S. Green Building Council, Norfolk Southern is demonstrating its commitment to our shared goal of a more sustainably-built environment," said Chris Smith, USGBC's chief operating officer.

The LEED certification system rewards current best practices and provides an outline for buildings to use less energy, water, and natural resources while improving the indoor environment

The LEED certification system rewards current best practices and provides an outline for buildings to use less energy, water, and natural resources while improving the indoor environment – with the goal of maximizing operational efficiency while minimizing environmental impacts. The process for obtaining LEED certification is based on accumulating points in five areas: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. NS actively has been incorporating LEED standards into its building and planning designs and is committed to achieving these standards.

Norfolk Southern also is implementing sustainable operations throughout its facilities, including the use of the state-of-the-art low emission cranes and tractors that will reduce the particulate emissions by 90 percent and nitrogen oxide emissions by 45 percent. NS is experimenting with new methods to reduce truck idling, and implementing improved strategies for reducing electricity usage at all of its facilities as well.

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

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AAR Updates

FRA releases report lauding freight rail fuel efficiency gains

The Federal Railroad Administration has released a report showing that significant fuel savings can be achieved shipping freight by rail instead of by truck.

The report, titled "A Comparative Evaluation of Rail and Truck Fuel Efficiency on Competitive Corridors," compares rail and truck fuel efficiency on corridors and services in which both modes compete. Report findings show a 21.5 percent gain in overall fuel efficiency on Class I U.S. railroads from 1990-2006, or a compound rate of 1.2 percent per year. By comparison, average truck fuel efficiency for long-haul trucks has improved by only about 11 percent between 1992 and 2002.

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"While all types of transportation are vital to the distribution of goods across the country, this study shows that utilizing America's freight rail system can lead to significant fuel savings," said FRA Administrator Joseph Szabo. "The environmental benefits of these positive changes over the last two decades are enormous. We look forward to working with the freight rail industry to make sure these gains continue."

The report attributes the fuel efficiency gains to more efficient locomotives, changes in traffic mix and improvements to operating efficiency. It notes that the principal barrier to larger fuel efficiency gains over the period has been operations and congestion problems.

Visit the AAR at:
http://www.aar.org/NewsAndEvents/News/2009/11/111909_FRAReport.aspx

Railroad Traffic

AAR reports November traffic continues to show improvement

The Association of American Railroads (AAR) reported that November freight rail carloadings were down 8.2 percent compared with the same month last year and down 17.4 percent compared with November of 2007. However, if Thanksgiving week were excluded, November would have been the highest volume month of the year for U.S. railroads.

While rail carloads are still down overall, December's Rail Time Indicators report illustrates that the recovery in U.S. manufacturing seems to be continuing. The Purchasing Managers Index (PMI), which measures how U.S. manufacturing is faring, was at 53.6 in November. A PMI over 50 is thought to indicate growth in the manufacturing sector. If manufacturing is growing, improvement in rail carloads of raw materials, like chemicals and steel which are used in the production of goods, could be seen next month.

Rail traffic is still down significantly in comparison to 2007 numbers, but the economic indicators in December's report lead us to believe that our nation's economy continues to improve."

U.S. rail intermodal traffic was down 6.7 percent compared with November 2008, and down 14.1 percent compared to November 2007. Consumer confidence rose to 49.5 in November 2009 from 48.7 in October 2009. Since much of rail intermodal traffic consists of consumer goods, the strong positive correlation between consumer confidence and consumer spending indicates that rail intermodal traffic could increase in the coming months should consumer confidence continue to trend upward.

"November's traffic numbers, when considering the effect of the Thanksgiving week, are generally positive," said AAR Senior Vice President of Policy and Economics John Gray. "Rail traffic is still down significantly in comparison to 2007 numbers, but the economic indicators in December's report lead us to believe that our nation's economy continues to improve."

Visit the AAR at:
http://www.aar.org/Home/AAR2/NewsAndEvents/PressReleases/2009/12_WTR/120909-RailTimeIndicators.aspx

Industrial Inside

Federal investments in highways and transit systems are expected to decline by more than $15

Federal investments in highways and transit systems are expected to decline by more than $15 billion in 2010 compared to 2009, according to an AGC analysis of transportation spending. The estimated 19.3 percent drop in federal formula and stimulus funding for transportation projects is likely to force more than 430,000 layoffs throughout the economy, the association predicted. The message of job

billion in 2010 forcing 430,000 job layoffs

loss is especially poignant as President Obama held a national "Jobs Summit," a meeting of chief executives, on December 3, 2009 for union leaders and lawmakers to discuss job creation.

According to AGC, the federal government invested $78.6 billion in road and transit construction projects in 2009, including $51 billion in regular federal transportation funding and $27.6 billion in stimulus funding. The stimulus funds represent 74 percent of the total amount of transportation funds included in the American Recovery and Reinvestment Act (ARRA) earlier this year. In 2010, however, federal funding for highway and transit construction will only total $63.4 billion, $9.8 billion of which will come from the remaining stimulus transportation funds, and the rest from regular transportation funding.

Non-stimulus federal transportation funds are stuck at near-current levels because Congress has failed to pass a six-year surface transportation bill to replace the SAFETEA-LU legislation that expired at the end of September

Non-stimulus federal transportation funds are stuck at near-current levels because Congress has failed to pass a six-year surface transportation bill to replace the Safe, Accountable, Flexible Transportation Equity Act–A Legacy for Users (SAFETEA-LU) legislation that expired at the end of September. As a result, transportation funding is at levels well below what multiple, independent, bipartisan commissions estimate are needed to keep pace with the nation's transportation infrastructure needs.

To underscore the idea of job preservation and creation, the 28 national associations and labor groups of the Transportation Construction Coalition (TCC) launched a multimedia ad campaign--including radio spots, print ads and internet video--calling on Congress and the Obama administration to create thousands of long-term, sustainable jobs by passing a new six-year highway/transit authorization bill.

Read the entire article:
http://cementamericas.com/cement_newsline/15-billion-430K-1203/

Financial Focus

It appears 0% is here for the foreseeable future.

Federal Reserve rate hike unlikely until 2011

A year ago, the Federal Reserve took its key overnight lending rate, the fed funds rate, down to near 0% for the first time in its history in an effort to keep the economy from falling into depression.

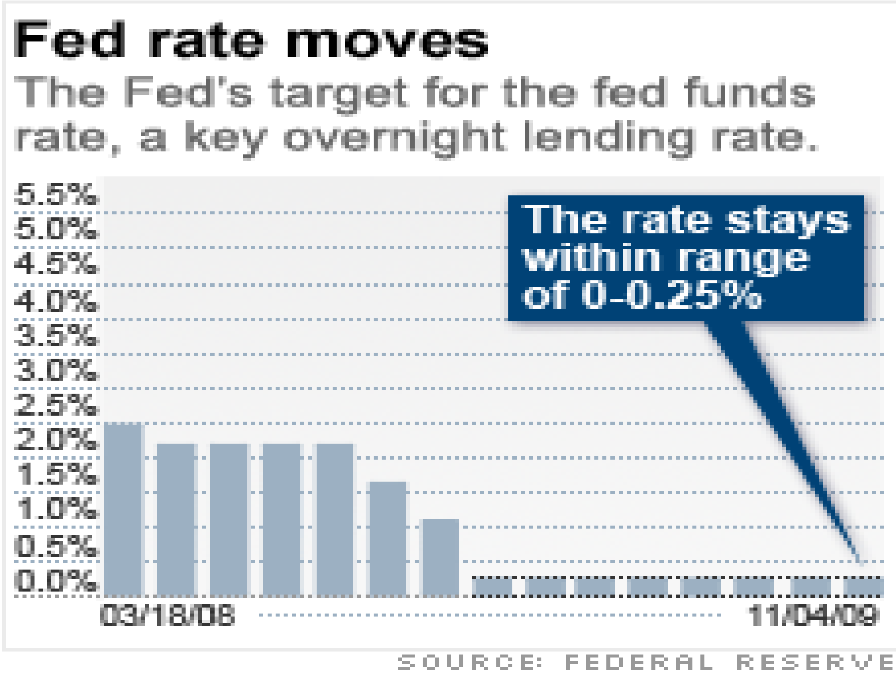
The cheap money meant lower rates for consumers on credit cards and home equity loans, as well as for many business loans.

The threat of a depression is widely

The threat of a depression is widely acknowledged to have passed and most economists believe the economy has begun at least a modest recovery. But the Fed hasn't moved the rates since, and experts don't think they're likely to do so for the foreseeable future, perhaps not

acknowledged to have passed and most economists believe the economy has begun at least a modest recovery

until 2011.



Fed funds futures on the Chicago Board of Trade, which track the key rate, show investors aren't betting on a hike anytime in 2010.

Part of that is because of talk from Fed officials. Fed Chairman Ben Bernanke, named Time's Person of the Year on Wednesday, December 16, 2009 has repeated frequently that one of the problems of the Great Depression was that the Fed raised rates too quickly when the economy first showed signs of life, causing a second, much more painful downturn that extended the Depression for years.

Economists say they think the chairman and many other policymakers are willing to wait too long to raise rates rather than risk hiking too soon.

"I think they'll leave the taps open as long as possible, until they're absolutely certain the economy is back on track," said Anthony Michael, head of fixed income for asset manager Aberdeen's Singapore office.

In recent statements issued after policy-making meetings, the Fed keeps cautioning that it expects economic conditions "likely to warrant exceptionally low levels of the federal funds rate for an extended period."

But leaving rates at such levels is not without significant risks.

Low rates can sow the seeds of inflation, which can eat into workers' earnings and squeeze budgets

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The Standard & Poor's 500 has gained 64% since it hit a low in March 2009

Many believe the Fed will have to sell a significant portion of those assets into the market before it is ready to raise rates

earnings and squeeze budgets. It also has been blamed for the fall in the value of the dollar versus other major currencies, such as the euro, which in itself can limit Americans' buying power.

Beyond that there are concerns that cheap rates can feed asset bubbles. Many blame the Fed's decision to leave rates at its previous record low of 1% for 12 months from June 2003 to June 2004 as a major factor in feeding the housing bubble. The low rates caused builders to overbuild, lenders to make riskier loans seeking better returns, and consumers to use the cheap credit to buy homes they ultimately would not be able to afford.

While another housing bubble is not likely, some are now worried about bubbles in U.S. stock and bond markets, as well as in some commodities such as gold. The Standard & Poor's 500 has gained 64% since it hit a low in March.

"The consumer is not a viable spender right now and won't be throughout most of 2010," said Jeffrey Burchill, chief financial officer for business property insurer FM Global. "If you're not seeing spending, it's going to be difficult to raise rates even if there [are] early signs of inflation. Similarly, if you see spending but without signs of inflation, there's no need to raise rates."

While economists think there's a chance the Fed could raise rates late next year, few would be surprised to see them stay on hold all the way through 2010. A survey of 48 top economists by the National Association of Business Economics foresees rates at current levels through the first quarter of 2011.

Part of the reason is the Fed has done so much more than simply cut rates to nearly 0% in an effort to spur the economy. It has bought more than $1 trillion in mortgages in an effort to keep rates low and spur home sales and building. It also has bought hundreds of billions of Treasurys and debt issued by mortgage finance firms Fannie Mae and Freddie Mac. And it has offered a number of other programs designed to jumpstart lending to small businesses and consumers.

"There are too many things that have to happen before the Fed is in position to (raise rates) again," said Kevin Giddis, managing director of fixed income at investment house Morgan Keegan.

Read entire article at:
http://money.cnn.com/2009/12/15/news/economy/fed_rates/index.htm

The Edge
Welcome to 2010!

It’s time for new-year predictions hopefully consisting of a fresh look and new plans that will be vibrantly pursued and trends pointing to a successful year for all industries.

I thought it would be interesting to poll some industry leaders and obtain their predictions and place them in our newsletter to generate thought for our readers. Here’s a condensed version of the feedback we received.

- "2010 will be a year of recovery for the chemical industry, although a return to the 'good old days' of the pre-crisis era will remain elusive.”
- "2010 will be a year of keeping the chemical industry competitive. This can happen in two ways - an uptick in mergers and acquisitions activity, leading to stronger more capable companies. Secondly, our industry leaders will increase dialogue with policy makers at every level of government, ensuring a seat at the table when legislation is proposed that can have an impact on chemical companies."
- “Refinery capacity used to be an issue, it isn’t any more in the near term but will be in the long term, expect fuel prices to increase at the slightest uptick in demand.”
- “2010 will be another difficult year for the Venture Capitalist industry, especially as 10 year numbers are released. The silver lining will be it will be a very good year to make a few excellent investments.”
- “The scrap business will gradually get better. We’re seeing spot upticks in the industry now mainly in shipments overseas. The US market is significantly dependent upon the auto and infrastructure industries. There’s supposed to be a government plan for that…. we’ll see.”
- “C&D, waste and recycling businesses all have different make-ups. C&D will be bad for the next couple of years. Whenever you have to pay to dispose of a commodity that’s not good in a recessionary environment. MSW will be steady, not great but steady, and recycling may get some legs with government help or insistence.”
- “Rock business will be steady and possibly slightly up as the American Recovery and Reinvestment Act takes hold. Asphalt business will definitely be up particularly in summer months but cement will remain low until the building sector recovers.”
- “In general business that ship via tank cars are more recession proof than those that ship by, say covered hoppers.”
- “Grain is a push business. The farmer has a wonderfully efficient factory and will continue to generate high yields across feed and small grains. It will need to go somewhere so domestic grain shipments will be fine. Export grain is anybody’s guess.”
- “If you could magically make a centerbeam into some other car-type you’d have a great centerbeam market in 2010. That about sums up the lumber market.”

Overall if we generally find Industrial people cautiously optimistic about the last half of 2010 and entrenched in simply surviving in the first half. We find the investment community that has money to spend ecstatic about the opportunities they believe they’ll surface during the year. Many reminded me that we've been through the dot com bubble, housing bubble and whatever bubbles there are to be in the future and we'll probably recover, be widely successful and do it all over again ~ crazy!

I copied the article below from a US Department of State publication. I find it interesting in that it appears we're at the cusp of the chasm in 2010 as we were in the 1970s.

Staflation in the 1970's
Source: US Department of State

The term "stagflation" -- an economic condition of both continuing inflation and stagnant business activity, together with an increasing unemployment rate -- described the new economic malaise. Inflation seemed to feed on itself. People began to expect continuous increases in the price of goods, so they bought more. This increased demand pushed up prices, leading to demands for higher wages, which pushed prices higher still in a continuing upward spiral. Labor contracts increasingly came to include automatic cost-of-living clauses, and the government began to peg some payments, such as those for Social Security, to the Consumer Price Index, the best-known gauge of inflation. While these practices helped workers and retirees cope with inflation, they perpetuated inflation. The government's ever-rising need for funds swelled the budget deficit and led to greater government borrowing, which in turn pushed up interest rates and increased costs for businesses and consumers even further. With energy costs and interest rates high, business investment languished and unemployment rose to uncomfortable levels.

In desperation, President Jimmy Carter (1977-1981) tried to combat economic weakness and unemployment by increasing government spending, and he established voluntary wage and price guidelines to control inflation. Both were largely unsuccessful. A perhaps more successful but less dramatic attack on inflation involved the "deregulation" of numerous industries, including airlines, trucking, and railroads. These industries had been tightly regulated, with government controlling routes and fares. Support for deregulation continued beyond the Carter administration. In the 1980s, the government relaxed controls on bank interest rates and long-distance telephone service, and in the 1990s it moved to ease regulation of local telephone service.

But the most important element in the war against inflation was the Federal Reserve Board, which clamped down hard on the money supply beginning in 1979. By refusing to supply all the money an inflation-ravaged economy wanted, the Fed caused interest rates to rise. As a result, consumer spending and business borrowing slowed abruptly. The economy soon fell into a deep recession.

Our read on 2010 is simply that it will take a tight hand at the controls, exemplary customer service, a high degree of risk and an enormous amount of effort for the rewards you do reap. If we can be of assistance in your preparedness please don't hesitate to contact us.

We look forward to earning your business!