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**Class I RR - Fuel
Surcharge Update****Track Grants
Awarded****Railroad Updates****CSX To Implement Fuel Surcharge July 4**

Effective Monday, July 4, 2005, CSX Intermodal will implement its fuel surcharge for the month of July 2005. In June 2005, CSXI fuel surcharge was 12.5%. As previously announced, the surcharge will be adjusted monthly, on the first Monday of each month (July 4th in this case) based on the Department of Energy's price value compared to the calculation table shown below.

Visit CSX for more information:

http://www.csxi.com/?fuseaction=company.news_detail&i=47477

BNSF to Implement Fuel Surcharge January 2006

BNSF Railway Company announced that it will assess fuel surcharges on a mileage basis effective January 1, 2006. BNSF mileage-based fuel surcharge will be the first in the railroad industry. It will replace BNSF current fuel surcharge, which is assessed as a percentage of a customer's freight transportation bill. "In this era of tight transportation capacity, rapidly rising fuel prices and fuel-price volatility, we believe a mileage-based fuel surcharge program is the most direct and accurate method of reflecting the impact of fuel price changes on BNSF and our valued customers," said John Lanigan, BNSF executive vice president and chief marketing officer.

The mileage-based fuel surcharge will apply to movements that originate and terminate on BNSF, and to the BNSF portion of Rule 11 shipments, a type of interline shipment where each carrier bills the customer separately for their services. The mileage fuel surcharge also will apply to certain movements involving BNSF and one or more short lines.

Contact the BNSF at: <http://www.bnsf.com/>

FRA Announces Track Research Grants

The Federal Railroad Administration (FRA) has announced the award of two rail safety research grants to universities in Alabama and Illinois intended to improve safety in the railroad industry.

Specifically, Tuskegee University received \$96,192 to study the effect of fatigue on different types of rail steel and to identify how rail fractures develop and spread. The University of Illinois at Chicago received \$166,610 to create software that can study derailments, wheel/rail contact in three dimensions, and rail car dynamics under higher speeds of operation.

"Early detection is critical to the prevention of track caused train accidents," said FRA Administrator Joseph H. Boardman. "Increased

track safety means improved public safety."

FRA also is sponsoring research on technologies that alert train crews to broken rails before they approach them, and on the composition and construction design of railroad crossties that keep the rail in place and properly aligned.

Read the entire article:

<http://www.aar.org/Index.asp?IACID=3074>

Railroad Traffic

U.S. freight railroad carload traffic rose 0.1 percent (2,245 carloads) while U.S. intermodal traffic rose 4.0 percent (42,134 trailers and containers) in June 2005 compared to June 2004, the Association of American Railroads (AAR) reported.

In June 2005, U.S. freight railroads reporting to the AAR originated 1,652,010 carloads (up from 1,649,765 in June 2004) and 1,106,134 intermodal units (up from 1,064,000 in June 2004). For the second quarter of 2005, U.S. rail carloadings of 4,366,293 were 0.9 percent higher than the second quarter of 2004, while intermodal traffic was 4.9 percent higher than the same period in 2004. For the first six months of 2005, U.S. railroads originated 8,687,334 carloads (up 1.7 percent) from 2004, and 5,666,057 intermodal units (up 6.2 percent) from 2004. Total volume was estimated at 825.4 billion ton-miles, up 2.5 percent from 2004.

In June 2005, 10 of the 19 major commodity categories tracked by the AAR saw carload increases on U.S. railroads, including crushed stone and gravel (up 8.2 percent) and grain mill products (up 10.0 percent). Commodities seeing carload declines on U.S. railroads in June included primary metal products (down 11.2 percent) and waste and scrap material (down 8.3 percent). Coal carloadings were up 0.3 percent in June 2005 compared with June 2004.

In the second quarter of 2005, 12 of the 19 major commodity categories saw U.S. carload increases, including crushed stone (up 9.3 percent), metallic ores (up 13.6 percent), and grain mill products (up 9.3 percent).

"In late May and June, U.S. coal carloadings were negatively affected following two weather-related derailments on track in Wyoming that carries an enormous amount of coal from the Powder River Basin, while a slowdown in U.S. steel production relative to last year has led to lower carloadings of primary metal products" noted AAR Vice President Craig F. Rockey. "Despite these challenges, railroads are continuing to meet extremely heavy traffic demand, including moving record volumes of intermodal traffic," Rockey added.

Read the entire article:

http://www.aar.org/ViewContent.asp?Content_ID=3088/

**Rail Traffic Figures
lead economic
indicators**

**Crushed Stone &
Gravel, Grain Mill
Products Up; Metal
Products, Waste &
Scrap Down.**

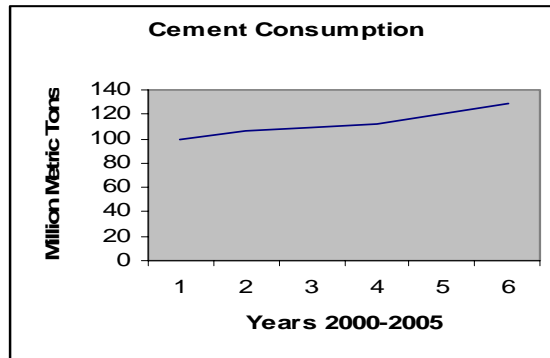
**Despite Challenges,
Railroads Continue
to Meet Heavy
Traffic Demand**

Nationally, Demand for Cement Remains at a Record High Level.

Cement Companies meet short term demand through imports but answer to long term solution is to build new plants

Industrial Inside

Cement consumption in the United States grew to 119.9 million metric tons in 2004, an increase of 6.8 percent over 2003 and a record year for cement consumption. Through the first quarter of 2005, U.S. cement consumption has increased 7.0% over very strong 2004 levels.



Because mortgage rates have remained near historic lows, home building continues to be very strong. In addition, nonresidential and public construction is also expected to increase as the economy improves.

Price hikes for other construction materials have also increased demand for

concrete. Concrete price increases have been slight—and relatively stable—compared to increases in steel and lumber prices.

Shortages of fly ash in some areas have further increased demand for cement. Fly ash is used as a supplementary cementing material in concrete mixes.

U.S. cement plants are operating at maximum levels, as they did throughout 2004. To meet market demand last year, cement producers drew 4 million tons from inventory. This year, inventory levels are at historic lows and a further draw-down is not likely. To meet demand, additional cement is also being imported. Imports' share of total U.S. consumption rose from 20.6% in 2003 to 22.7% in 2004. PCA expects that imports' share will exceed 25% during 2005 through 2007. Cement suppliers successfully increased import tonnage by 17% to 27.5 million metric tons during 2004. During the past six months, import tonnage has been averaging more than 32 million metric tons on an annualized basis (SAAR, seasonally adjusted annual rate).

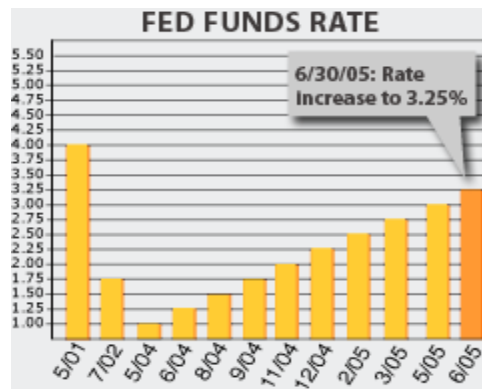
Longer term, individual cement companies are actively working to build new plants to increase supply in regional areas. U.S. cement manufacturers have announced plans to spend approximately \$3.5 billion to build new plants and expand existing ones to produce an additional estimated 14.5 million tons of annual cement capacity by 2010. That represents a 15 percent increase over 2004 domestic capacity levels.

Adapted from:

<http://www.cement.org/exec/Cement%20Mkt%20Conditions%20May%202005%20Update.pdf>

Financial Focus

Federal Funds Rate Raised to 3-1/4 Percent



The Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points to 3-1/4 percent.

Despite this increase, interest rates remain low enough to stimulate economic growth. Low rates and high productivity are keeping the economy humming along. Prices for gasoline and diesel fuel have gone up, but the economy is still expanding and the

job picture is getting better. There is still upward pressure on prices, and the Fed has noticed. Inflation doesn't seem like a big worry in the long run, though.

The Fed is steering a middle course, managing the money supply to keep inflation in check without causing a recession. There are upward pressures on prices, but inflation isn't out of control, so the Fed can continue to raise short-term interest rates gradually.

The Edge

Over the course of the past several months Tealinc has been involved in a number of projects that cut across many industries. The common thread our clients have communicated to us is that they want to be competitive with rail transportation freight rates in relation to their competition and more importantly they want consistent service from the railroads. Service as defined by consistent daily, weekly and monthly operations, not necessary fast but consistent.

There are a lot of factors that effect service from a railroads perspective. For example, where the shipping point is at in relation to the mainline distribution and gathering yards, how many crew starts it takes to run a train, how many railcars are expected to be pulled during any given day of the week and how efficiently the power, crews and rail equipment will be utilized? As a shipper there isn't much you can do to help the power and crew situation however you can help the railroad and yourself through better rail equipment utilization.

Equipment costs are often a double digit percent of operating costs when expressed as a percent of overall freight revenue. Equipment costs are not only the cost of the railcar but more importantly the cost of utilization of the railcar. For example if a railroad expects to make a Revenue to Variable Cost (RVC) of 180% on a move and for discussion sake that move cost the railroad \$1,000 and this move was negated because a railcar wasn't available to haul the commodity due to poor rail equipment utilization (the railcar wasn't available to load) the railroad would then forgo the move and would lose \$800 of operating income. If the move took 25 days (railcar cycle time) this would equate to a loss of \$32 per day of operating income per lost car day. This doesn't seem like much until you consider that most Class I Railroads average in excess of 70,000 railroad owned or controlled cars (excludes foreign and private railcars) online during any given day. Simple math would show a potential loss of \$2.24 million per day if all 70,000 cars were delayed one day.

Tying this math back into the subject I started with, e.g. rail equipment utilization you can see the economics of proactive rail equipment utilization. You're probably wondering why, as a rail shipper advocate, I'm making such a strong case for equipment utilization for the railroad when the railroad is the entity supplying the service?

The railroad understands where the inefficiencies are, and, are not, from a customer perspective (please note I'm not addressing the railroads own inefficiency in getting railcars through rail yards). If you are a customer that has consistent legitimate demurrage bills, is hard to switch or doesn't have the yard capacity to hold all the cars you require you're probably not as efficient as you'd like to think. The railroad knows this, so from a competitive point of view if you're looking for consistent reliable service from the railroad you will probably be further down the line than the shipper who can timely accept, load and ship railcars. This action then puts your operation at a competitive disadvantage for the sales and delivery of your product, while simultaneously increasing your transportation costs.

Working on increasing your efficiency increases the odds of the railroad looking more favorably at providing you with better service.

We look forward to earning your business!