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CP teams up with two terminal operators to boost productivity

GE's RailEdge® Movement Planner is breakthrough software that improves railroad capacity and reliability while reducing transportation costs

Railroad Updates

Canadian Pacific (CP) recently reached agreements with terminal operators TSI Terminal Systems Inc. (TSI) and DP World Vancouver to improve the flow of containers through Canada's West Coast ports.

A Global Container Terminals subsidiary, TSI handles more than 70 percent of the containerized cargo moving through the Vancouver, British Columbia, gateway. CP and TSI will coordinate working groups in operations, technology and marketing to identify tools and processes that could boost productivity, including better information systems.

Meanwhile, CP and DP World Vancouver will similarly coordinate the identification of available tools and processes — including IT systems — that could improve productivity for railroads, terminals and shipping lines.

“Between 2001 and 2008, collaboration between terminal operators and CP has led to a 229 percent increase in loaded import containers through Canada's Asia-Pacific Gateway terminals in Vancouver,” said CP President and Chief Executive Officer Fred Green in a prepared statement.

Read more at:

<http://www.progressiverailroading.com/prdailynews/news.asp?id=23662>

Norfolk Southern and GE Announce Success of Breakthrough Technology to Help Railroads Move Freight Faster and Smarter

Norfolk Southern and GE Transportation June 7, 2010 announced the success of a technology that could change the rail industry by increasing the average network speed of trains by 10-20 percent or two-to-four miles-per-hour. One mile per hour in velocity improvement has the potential to save approximately \$200 million in capital and expense annually.

GE's RailEdge® Movement Planner is breakthrough software that improves railroad capacity and reliability while reducing transportation costs. By integrating railroad logistics with traffic control systems, the technology projects expected track usage, based on train schedules, and then produce an optimized plan to get trains moving faster and more efficiently. By maximizing existing railroad resources, RailEdge also improves railroad crew management availability.

“RailEdge optimizes the railroad resources that are already in place – something that only technology can truly help us achieve – by enabling railroads to move more freight faster on their existing networks. This technology increases the capacity of railways worldwide, without laying a single new track,” said GE Transportation's President and CEO, Lorenzo Simonelli. “A two-to-four miles-per-hour increase might not

“...Movement Planner will help Norfolk Southern increase the average network speed train velocity... representing a significant opportunity for cost savings and train delay reductions”

“GE’s RailEdge supports incremental routing and speed improvements down to the individual train level”

AAR announces the change making straight plate wheels condemnable at any time becomes effective on July 1, 2010

sound like a lot but in freight rail it is a big leap forward.”

Having pioneered the implementation of RailEdge Movement Planner on a 200-mile section of its railroad in Georgia, Norfolk Southern is expanding the technology’s use to its entire 22-state rail network through 2012. In the Georgia application, Movement Planner will help Norfolk Southern increase the average network speed train velocity of its trains by 10-20 percent, representing a significant opportunity for cost savings and train delay reductions.

“With railroads, it’s about scale,” said Wick Moorman, CEO of Norfolk Southern. “GE’s RailEdge supports incremental routing and speed improvements down to the individual train level. That will add up to sizeable efficiency gains on a 2,500-train per day, 21,000-route mile system like ours. When we make the best use of our existing transportation infrastructure, that’s a competitive advantage for our customers and for the country.”

GE’s RailEdge Movement Planner is the latest example of how GE’s \$4 billion-a-year software and solutions services are helping customers improve productivity and efficiency worldwide. GE looks to deploy RailEdge internationally to meet the growing challenges of rail capacity constraints.

Read the entire article:

<http://www.nscorp.com/nscportal/nscorp/Media/News%20Releases/2010/ns-ge.html>

AAR Updates

The Association of American Railroads (AAR) published circular letter C-11253 on Friday, June 25, 2010 stating that on May 17, 2010, Circular Letter C-11214 was issued to solicit comments on a proposal from the Wheels, Axles, Bearings and Lubrication (WABL) Committee to condemn straight plate wheels at any time. The letter went on to say that comments had been received and revolved around two issues:

- 1) Why escalate the rate of removal of straight plate wheels and
- 2) Why exempt the A-28 and A-30 wheels from the condemn on sight provision.

Both the WABL and Arbitration and Rules Committees considered the comments received and concluded that the Rule revision as published in C-11214 should be implemented. With respect to the escalation comment, the WABL notes that for a remaining 1% straight plate population, they are contributing to over 4% (conservative estimate) of the total failures. With regard to the A-28 and A-30 exemption, WABL's position is that the 2014 prohibition in interchange in Rule 90 is appropriate. Car owners with equipment so outfitted are herein reminded of the 1/1/14 prohibition of straight plate wheels in interchange.

The change making straight plate wheels condemnable at any time

becomes effective on July 1, 2010 and will be included in the July Supplement to the Field Manual.

Visit the AAR at:

<http://www.aar.org>

Railroad Traffic

The Association of American Railroads (AAR) reported that monthly rail carloads for May 2010 were up 15.8 percent compared with last year, but are still down 11.8 percent compared with May 2008. According to AAR's June Rail Time Indicators Report, intermodal traffic was up 18.9 percent in May 2010 compared with May 2009, and down 3.8 percent compared with May 2008. Seasonally adjusted data, which helps to measure month-to-month progress, showed carloads in May were down 1.1 percent from April 2010, while intermodal traffic was up 2.8 percent from April 2010.

"May's rail traffic numbers continue to show mixed results," said AAR Senior Vice President John Gray. "Intermodal traffic has now risen for three straight months, but carloads in May 2010 were actually down a bit from April 2010. Several economic indicators this month, including unemployment, reinforce the fact that the economy still has a long way to go to full recovery."

The report notes that while the U.S. unemployment rate fell slightly in May to 9.7 percent from 9.9 percent in April, railroads hired 1,783 employees in April, the most recent month for railroad hiring data. The number of rail cars brought out of storage slowed for the first time in several months, with railroads putting just 747 cars back into service in May.

Of the 19 major commodity categories tracked by AAR, 18 posted gains compared with the same month last year. Coal, the single highest volume commodity carried by railroads, showed a notable increase last month, up 6.8 percent compared with 2009.

"Coal exports in the first quarter of 2010 are up 31 percent over the first quarter of 2009," added Gray. "That coupled with decreasing coal stockpiles has fueled notable increases this month in coal traffic. However, even after these gains, coal volumes are still significantly below where they were in 2008."

Visit the AAR at:

<http://www.aar.org>

Industrial Inside

Iowa State University (ISU) economist say if huge oil slick enters the shipping lanes, there could be a slowdown in shipping traffic.

With the latest failed efforts to stop the flow of oil from an uncapped

AAR report shows that May 2010 traffic continues to show mixed results

The number of railcars brought out of storage slowed for the first time in several months, with railroads putting just 747 cars back into service in May

Of the 19 major commodity categories tracked by AAR, 18 posted gains compared with the same month last year

Grains exports could be harmed by gulf oil spill

"If we end up with a bottleneck [near the Gulf], we could see [grain] prices in the U.S. fall from 10 to 50 cents (per bushel)"

More than 60% of United States grain goes through the port of New Orleans

The Fed's April meeting suggests that economic recovery is proceeding and that the labor market is improving gradually

well into the Gulf of Mexico, projections are that the spill may not be contained until late summer 2010, or later. That could affect grain prices for the United States and overseas markets, according to Iowa State University Extension grain marketing specialist Chad Hart.

Hart, an assistant professor of economics at Ames, says that if the oil slick enters the shipping lanes there could be a slowdown in shipping traffic.

"If the oil slick gets into what is called the Southwest Passage - which is a canal that goes from New Orleans out to the Gulf of Mexico - we would be looking at severe delays in getting our corn and soybeans shipped overseas," says Hart.

The result would be much slower movement of grain out of the Midwest to foreign markets. More than 60% of United States grain goes through the port of New Orleans. Right now the oil spill is moving mainly to the east, so there has been little impact on the shipping lanes, which lay to the west of the slick.

"If we end up with a bottleneck down there, we could see prices in the U.S. fall from 10 to 50 cents (per bushel)," says Hart. "Hurricane Katrina a few years ago had a similar impact when it struck New Orleans. If this happens and we see U.S. grain prices fall, people will start to look at alternative shipping routes. For instance, right now, most of our soybeans that are going to China go through New Orleans. People may start shipping overland to the Pacific Northwest by rail to ship over to China. That is a more expensive route to take, but it is an alternative if the gulf shipping slows down."

As long as the spill stays clear of the shipping lanes for the next few months, Hart doesn't feel there will be a huge impact on prices. "In some ways we were lucky on the timing," says Hart. "We ship most of our grain earlier in the year, so right now there are smaller amounts of grain moving."

Read More At:

http://farmprogress.com/story.aspx/nl2_4nl/grains/exports/could/be/harmed/by/gulf/oil/spill/8/38936

Financial Focus

Information received since the Federal Open Market Committee met in April suggests that the economic recovery is proceeding and that the labor market is improving gradually.

Household spending is increasing but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit.

Business spending on equipment and software has risen significantly; however, investment in nonresidential structures continues to be weak and employers remain reluctant to add to payrolls.

“...the pace of economic recovery is likely to be moderate for a time”

The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent

Housing starts remain at a depressed level. Financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad.

Bank lending has continued to contract in recent months. Nonetheless, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be moderate for a time.

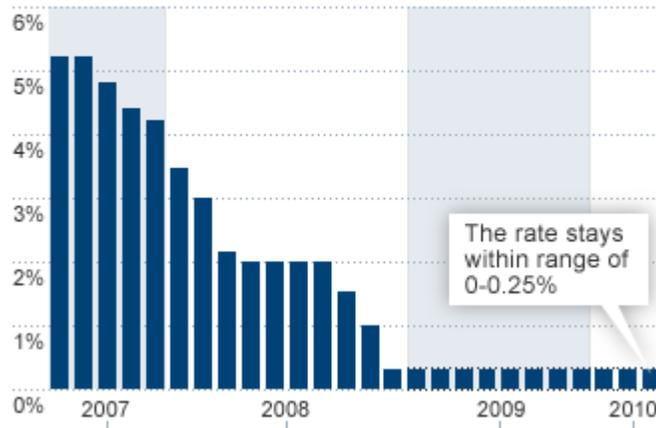
Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower.

With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.

The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

Fed rate moves in the Bernanke era

The Fed's target for the fed funds rate, a key overnight lending rate.



The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

Learn more at:

http://money.cnn.com/2010/06/23/news/economy/federal_reserve_statement/index.htm

The Edge

Thank you to all the service men and women who have kept our country free and independent. We appreciate the sacrifices you've made for the benefit of the citizens of the United States.

This month, we'd like to impart some knowledge we've gained through the market place as we continue to watch the ebbing and flowing of the economy. Freight statistics continue to support the fact that the month of July is the slowest freight traffic originating month and time period throughout the year. During this down time, I'd suggest celebrating the July 4th holiday with friends and family and thanking a veteran when you see one.

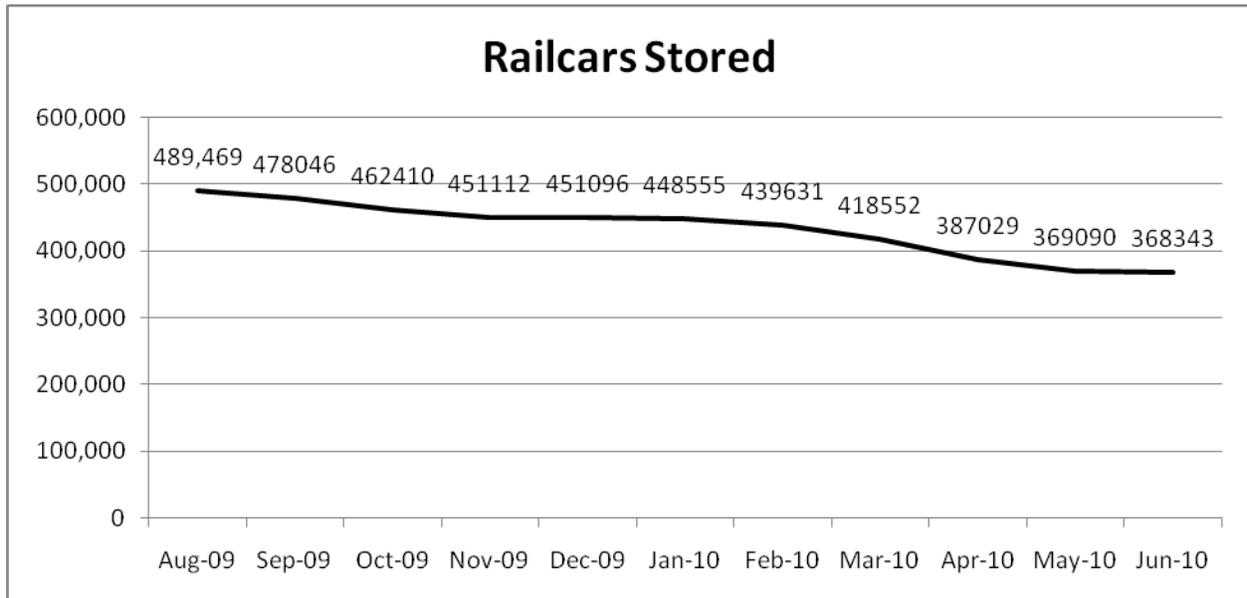
In our survey of the market place we're seeing the definition of "a new floor" defining a slight uptick from what we're calling "the bottom of the recession". Following are some comments from customers and associates concerning their businesses:

- "This market won't substantially move up ending the recession for good until we start seeing houses being built"
- "Shippers are still very cautious, rightfully so. Until there's some stability in the credit market there won't be stability in markets that drive the transport of goods and services"
- "We projected a decrease in the scrap market for May and June. The estimate we gave was a decrease of \$40 to \$60 (per gross ton) from April numbers. We were really hoping those numbers would have been closer to \$20 to \$30 (per gross ton) but we were right, darn it"
- "A projected bumper grain crop is certainly helping and going to continue to help our business. It should be good through the end of 2010 and into 2011. We see much of this grain making its way to market because the farmer doesn't want or can't take the storage risk. That creates a supply push of grain from field to processor"
- "Bright side? Yes there is a bright side. Oil field drilling should remain great for those who supply goods and services to the business, if we don't legislate it into oblivion"
- "International credit risk is still a very real and very large concern"
- "We're seeing a significant increase in the number of inquiries for hazardous waste disposal. That's positive. We'll see if we can actually convert those to revenue producing work"
- "The construction business is brutal. The only ones spending are public jobs and there's little margin in those"

When one looks through the comments and correlates it to some statistics, such as carload shipments and the number of stored railcars, the comments appear to spot on. U.S. freight rail traffic declined from an April weekly average rail carloads of 294,758 to 288,419 in May indicating a softening in near term shipments. Overall though, May 2010 freight carloadings are up 15.8% from May 2009 - a healthy directional movement.

We also see that the number of railcars in storage (see the chart below) have stabilized and railcars moving out of storage have slowed significantly.

Railcars Stored



It looks as though, during much of this year, railcars have left storage tracks for legitimate jobs hauling goods. From February 2010 on it appears that there has been a combination of re-employment of coal and, to a lesser degree, grain cars and a somewhat healthy scrap business have assisted the movement of railcars from storage.

We look forward to earning your business!