Touchbase June 2007

In This Issue

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BNSF private chassis optimization program effective June 1, 2007

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Railroad Updates

In an effort to improve fluidity and throughput at BNSF facilities, BNSF is launching a Private Chassis Optimization Program at Logistics Park Chicago, Chicago Corwith and Kansas City, Kansas, facilities effective June 1, 2007.

As mentioned in BNSF.com "Marketing News" advisories on October 11, 2006, and April 20, 2007, BNSF met with carriers in Chicago, Ill., on October 23, 2006, to pilot the Private Chassis Optimization Program. The pilot has allowed BNSF to test associated processes and carriers to become familiar with the program.

OCEMA Cooperative Chassis Pools
BNSF is one of several railroads participating in the OCEMA-sponsored Cooperative Chassis Pools. These pools have been introduced at BNSF Railway's Denver and Memphis facilities to help reduce the number of chassis in operation at the facilities. If your company is interested in participating in chassis pools or in expanding cooperative pools at other BNSF facilities contact the BNSF directly

Read the entire article:
http://newdomino.bnsf.com/website/updates.nsf/updates-marketing-consumer/70764A2CA81F82DC862572EC004E2CCD?Open

CPR to Provide Rail, Transload Services for Oil Sand Shippers

Canadian Pacific Railway is seeking Canadian Transportation Agency (CTA) approval to build 16 miles of lines to serve existing and planned bitumen upgrader facilities in the oil sands northeast of Edmonton, Alberta.

The Class I recently acquired land for the necessary rights of way and soon will file a project description — the first step in the federal regulatory process — with the CTA.

"Our objective will be to build in tandem with the oil sands upgraders and related businesses to create a new network of rail access and strengthen the industry's supply chain competitiveness in world markets," said CPR President and Chief Executive Officer Fred Green in a prepared statement.

CPR plans to spend $15 million to add distribution and logistics capacity in the oil sands, one of the world's largest oil reserves. The railroad initially will offer transload services for inbound construction materials, including bitumen upgraders' dimensional shipments.

"Our vision is to create a rail network focused on the movement of byproducts created from upgraders in the Industrial Heartland, which include sulphur, petroleum coke, asphaltene, and various liquids and gases," said CPR Vice President of Marketing and Sales-Merchandise

Ray Foot.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=10763

U.S. Lagging When It Comes to Transportation Investment

The United States' lack of investment in public transit, airports, railroads, roads and bridges will compromise the ability of the nation's cities to compete globally

The United States' lack of investment in public transit, airports, railroads, roads and bridges will compromise the ability of the nation's cities to compete globally, according to a report recently released by the Urban Land Institute (ULI) and Ernst & Young.

"Infrastructure 2007: A Global Perspective" reviews the status of current and planned infrastructure investments in countries worldwide, and discusses the evolving infrastructure market.

"America is more of a follower and no longer a world leader when it comes to infrastructure," the report states. "Too often in the U.S., projects focus on restoration rather than rethinking the model and finding possible efficiencies. There is a tendency to invest in the infrastructure we have instead of the infrastructure we need."

For example, Japan currently operates 1,250 miles of high-speed rail and will build about 185 miles more by 2020, and China is planning to build more than 1,500 miles of high-speed rail by 2020. In comparison, the U.S. operates about 185 miles of high-speed rail and currently is not building any more. Also, as of 2000, there were more than 750 cars per 1,00 people in the United States; 500 cars per 1,000 people in the United Kingdom; and less than 50 cars per 1,000 people in China.

Also included in the report: a ULI survey of 30 state transportation planning directors, 83 percent of which said the nation's transportation infrastructure is not capable of meeting the country's needs during the next 10 years. The planners also said that 97 percent of roads, bridges and tunnels, and 88 percent of transit systems will require at least moderate improvements in the coming years.

Read the entire article:
http://www.progressiverailroading.com/transitnews/article.asp?id=10673

AAR Updates

AAR Implements Revisions to AAR Open Top Loading Rules

The AAR published circular C-10514 on May 21 publicly announcing the revision of its Open Top Loading Rules for loading pipe and steel. The Open Top Loading Rules Committee, as part of its regular review of the loading rules, noted failures of side stakes when loading under the previously required loading figures. These failures were traced to the method of filling lateral void space with short filler blocks secured to the side stakes. When the filler blocks were not continuous, the weight of the pipe pressing against the side stake between the filler blocks could break the side stakes. The Committee has revised the following excerpt located in the description of Item B in each figure.

Current: Fill all voids between stakes and side of car or stakes and

Open Top Loading Rules Committee, as part of its regular review of the loading rules, noted failures of side stakes when loading under the previously required loading figures

load by nailing or securing fillers to stakes.

Revised: When required, adequate fillers must be secured to the stake at each layer of pipe to fill inner and outer voids between stake and car side and between the stake and the pipe.

These changes are effective immediately and will be included in the next edition of the AAR's Open Top Loading Rules Manual.

Visit the AAR at:
http://www.aar.org

Railroad Traffic

U.S. Rail Traffic Down in April

Both carload and intermodal freight on U.S. railroads were down from last year during April, the Association of American Railroads (AAR) reported on May 3, 2007.

U.S. railroads originated 1,324,502 carloads of freight in April 2007, down 29,861 carloads (2.2 percent) from April 2006. A total of 908,139 intermodal units were originated in April 2007, a decline of 40,110 trailers and containers (4.2 percent) over April 2006.

Chemicals and petroleum products up; crushed stone, sand and gravel, metals and metal products down.

Seven of the 19 major commodity categories tracked by the AAR saw U.S. carload increases in April 2007 compared to April 2006. Commodities showing carload gains in April 2007 included chemicals (2.5 percent) and petroleum products (up 8.4 percent).

Commodities showing carload decreases in April 2007 included crushed stone, sand, and gravel (down 7.5 percent); grain (down 6.9 percent); and metals and metal products (down 8.1 percent). Carloads of coal fell 0.5 percent.

For the first four months of 2007, total U.S. rail carloads were down 4.2 percent, with the biggest declines coming in motor vehicles and equipment (down 11.4 percent); crushed stone, sand, and gravel (down 11.6 percent); and grain (down 7.5 percent).

"A few days ago, the Bureau of Economic Analysis reported preliminary first quarter GDP growth of 1.3 percent," noted AAR Vice President Craig F. Rockey. "That tepid level of growth is generally consistent with what we're seeing in many rail commodity groups. The big questions right now are how long the difficulties in the housing and other sectors will continue and to what extent consumer spending will offset future weak activity."

U.S. intermodal traffic, which consists of trailers and containers on flat cars and is not included in carload figures, was down 35,502 trailers and containers (0.9 percent) for the first four months of 2007 to 3,847,178 units.

Total volume through the first four months was estimated at 554.4

“That tepid level of growth is generally consistent with what we're seeing in many rail commodity groups. The big questions right now are how long the difficulties in the housing and other sectors will continue and to what extent consumer spending will offset future weak activity.”

billion ton-miles, down 2.9 percent from last year.

Canadian rail carload traffic was up 0.3 percent in April 2007, but down 2.0 percent for the year to date. In April, carload gains for chemicals (up 10.9 percent) and coal (up 13.0 percent), among others, offset declines in carloads of lumber of wood products (down 14.3 percent); metallic ores (down 4.9 percent); and farm products excluding grain (down 19.2 percent), among others.

Canadian intermodal traffic was up 1.8 percent in April 2007 compared with April 2006 to 189,938 units, and up 10,388 units (1.4 percent) for the first four months of 2007 to 757,944 units.

For Canadian railroads during the week ended April 28, the AAR reported volume of 81,893 carloads, down 1.4 percent from last year; and 47,576 trailers and containers, down 1.5 percent from the corresponding week in 2006.

Combined cumulative rail volume for the first 17 weeks of 2007 on 13 reporting U.S. and Canadian railroads totaled 6,754,780 carloads, down 3.8 percent (267,639 carloads) from last year, and 4,605,122 trailers and containers, down 0.5 percent (25,114 units) from 2006's first 17 weeks.

Visit the AAR at:
http://www.aar.org

Industrial Inside

Experts say that reacting to the strong demand and higher prices for corn, American producers are expected to plant upwards of 8 million more acres of corn than they planted last year. And while seed corn supplies will be adequate in most areas, industry sources say producers will see some elite genetics or the newest stacked-trait hybrids sold out.

“There appears to be adequate seed corn supplies in the pipeline,” says Tom Strachota, CEO of Dairyland Seed in West Bend, WI. “However, the newest genetics, with the newest traits, including a lot of the triple stacks in the industry, will be in tight supply. Our supplies of these products are in reasonably good shape, but they are going fast.”

USDA: largest corn planting in 63 years

The USDA reported in April that the 2007 U.S. corn producers were expected to plant 90.5 million acres of corn this spring — the highest acreage planted in 63 years. According to USDA’s Prospective Plantings report, the increases are coming at the expense of cotton and soybean acres, down 20 percent and 11 percent, respectively.

According to the report, corn acres would be at the highest level since 1944, when 95.5 million acres were planted. Expected acreage is up in nearly all states due to high corn prices.

Illinois farmers reported that they intended to plant a record high 12.9 million acres of corn this spring, up 1.6 million acres from last year. North Dakota and Minnesota growers also expected to plant record high corn acres, up 910,000 and 600,000 acres, respectively.

Corn acres expected to be at their highest level since 1944 when 95.5 million acres were planted

Experts say the increase in corn acreage will be driven mainly by the heightened production of ethanol. “At least an 8 to 9% increase in corn acreage is highly likely,” says Robert Wisner, agricultural economist at Iowa State University. “These acres are going to be needed for the growing ethanol demand as well as our demand for feed and the export market.”

Darrel Good, University of Illinois agricultural economist, says the area from central Illinois northwest into southern Minnesota should see a large boost in corn acreage. “Of course, there will be pockets all over, but in that area [growing corn] has a comparative advantage [over] growing soybeans,” Good says. Areas in the vicinity of ethanol plants also should experience increased corn production.

Experts say the increase in corn acreage will be driven mainly by the heightened production of ethanol

The expansion of corn acres isn't likely to subside. “There are more than 2 billion bushels of corn-processing capacity under construction right now, and virtually all of it will be online within a year and a half,” Wisner says. “In addition, the 2006 corn crop was about 1.2 billion bushels below potential demand.”

Read more at:
http://farmindustrynews.com/news/usda-largest-corn-planting/

Financial Focus

The Federal Reserve held a key interest rate steady during their May 9th meeting and indicated again that it was concerned about slower growth as well as inflation - an encouraging signal to investors that the central bank will not raise rates any time soon.

The Fed, as widely expected, kept its target for the federal funds rate, an overnight bank lending rate that affects credit card, home equity and other loan rates, at 5.25 percent. It was the seventh straight time that Fed Chairman Ben Bernanke and his fellow policy-makers held steady after raising rates 17 straight times, through June 2006, in a bid to fight inflation.

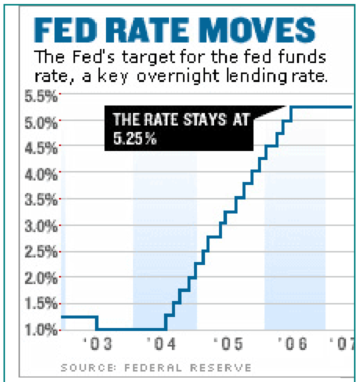
Bernanke & company hold at 5.25 percent, say economic growth 'moderate'

In its statement, the Fed noted that economic growth slowed early this year but indicated it's also still worried about inflation, saying "the predominant policy concern remains the risk that inflation will fail to moderate as expected."

Investors see no rate hikes ahead

It said, "future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth," language identical to what the central bank said when it held rates steady in March.

That statement appears to indicate that the Fed is no hurry either to



raise or lower interest rates in the near future.

"It sounds like everything is on course for a Goldilocks scenario. The Fed is probably on hold for the foreseeable future," said Brian Stine, investment strategist with Allegiant Asset Management Co. in Cleveland."This is a transition period for the economy. There is no urgency to cut rates anytime soon."

Learn more at:
http://money.cnn.com/2007/05/09/news/economy/fed_rates/index.htm

The Edge

A little food for thought on Railroad mergers and acquisitions

We haven't heard any public news about rail industry mergers and acquisitions for quite a while now. Railroads are using a number of avenues to make up for what once was thought of as the only way to increase top line revenue and decrease bottom line costs.

- They continue to push same store sales through efficiency gains by increasing train size and rail rate differentials between numbers of railcars offered at one time.
- They are also being very selective about entertaining new business that fits their efficiency goals.
- Where necessary they also have become better at working together to put transcontinental agreements in place for efficient and economical (profitable) commodity transport.
- They are using all pricing mechanisms available to "make a buck" such as accessorial charges, maintenance, fuel surcharges, rate differentials and simple regular price increases.

Despite recent economic indicator warnings (or confusion depending on what you're reading) railroads in general seem to have taken a verse from Warren Buffet, "Be fearful when others are greedy, be greedy when others are fearful."

These railroad actions have earned them plenty of negative and positive attention lately.

- **On a negative note:** Dust Pro Inc. filed a lawsuit regarding fuel surcharges that seeks class action status.
- **On a positive note:** they've earned the attention of major investors (Fortress, Berkshire Hathaway and others) that don't typically invest in railroads until they develop into growth companies.

Is there a prediction in this rambling? Yes. The railroads have attracted the interest of significant higher risk investors (requiring higher returns) verse retirement funds and others looking to earn long term annuities. It is doubtful that railroads will roll up via a traditional merger or acquisition, politically that is extremely difficult. It is feasible though that they will roll up financially and become even more powerful as corporate entities.

While they're transitioning you should do the same.

We look forward to earning your business!