Touchbase

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New ShipCSX Price Look-Up Tool Available Now

"The new system forces us to guess at our rail-car orders, risking the wrong grain moving to port at the wrong times… This risks congesting port terminals and costing farmers millions of extra dollars in shipping penalties — not to mention the damage

Railroad Updates

On February 17, 2008, changes to the ShipCSX Price Look-Up Tool were made to give customers more options for requesting and retrieving price information.

The "Price Look-Up Tool" provides public carload prices for virtually all general merchandise commodities served by CSXT and their short line partners. If you're logged into ShipCSX, the secure version of the tool also gives you access to private prices.

Based on customer feedback, the CSX has added new features to the tool, to give customers more useful data and make interactions with the tool more efficient.

With these new features, you can:

- Search up to five price requests at one time
- View available prices and A+B Interline prices in the same search results
- Download and print/email search results
- Use optional search criteria - car owner, car type and effective dates - on the public and secure versions
- Refer to up to 10 previous search results for quick access to origin/destination search pairs on the secure version

The CSX also fine-tuned the "Price Look-Up Tool" to give customers a faster response time, while making it easier to use. There's also help text with detailed instructions, in case you need it.

Visit the CSX at:
www.csx.com

Customers argue that CN's new car allocation system is flawed

Six Canadian grain shippers recently sought emergency relief from the Canadian Transportation Agency (CTA) after Canadian National Railway Co. introduced a new grain-car allocation program Feb. 1.

The program creates a system under which grain is "pushed" from origin instead of "pulled" to destination, preventing an efficient matching of rail-car supply to ocean vessel arrival, the shippers claim. The program also "removes accountability for the railway, as CN ultimately determines which grain elevators it will service in a particular week," the Canadian Wheat Board (CWB), North East Terminals Ltd., Parrish & Heimbecker Ltd., Paterson Grain, Providence Grain Group Inc. and North West Terminals Ltd. said in their CTA filing.

"The new system forces us to guess at our rail-car orders, risking the wrong grain moving to port at the wrong times," said CWB Chief Operating Officer Ward Weisensel in a prepared statement. "This risks to Canada's reputation as a reliable supplier of grain to its customers."

Last month, the CTA ruled that CN breached its legal obligations to provide adequate rail service to the six shippers during crop year 2006-07. The agency has asked the Class I to provide more information before assessing the railroad's performance in the current crop year.

Canadian Auto Workers ratify CPR contract covering 2,500 mechanical service employees; avert strike

Rail regulation a bad idea; new regulations not beneficial

congesting port terminals and costing farmers millions of extra dollars in shipping penalties — not to mention the damage to Canada's reputation as a reliable supplier of grain to its customers."

CN is disappointed the CWB has chosen to air its arguments in the media when the issue is before the CTA, says CN spokesman Bryan Tucker.

"The CWB has deliberately chosen to mischaracterize CN's car-ordering program, [which] provides for origin-specific demand and forward demand at the shipper's option," he says, adding that the program will improve operational planning and is not an allocation system.

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Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=15113

Canadian Auto Workers ratify CPR contract; TCU OKs CSXI pact

During the week of February 14th, eighty-one percent of Canadian Auto Workers (CAW) members ratified a three-year agreement with the Canadian Pacific Railway. Covering 2,500 mechanical services employees in Canada and expiring Dec. 31, 2010, the contract includes a 9.3 percent wage increase for non-skilled trades workers and more than 16 percent increase for skilled trades employees. The pact also improves benefits and work rules and boosts job security, the union said.

The parties reached the agreement Jan. 27, averting a strike the CAW planned to launch the next day. CPR and the union had been trying to negotiate an agreement since October and remained far apart on concessions until late January.

Meanwhile, a 90 percent majority of Transportation Communications Union members ratified a five-year agreement with CSX Intermodal. Expiring Dec. 31, the contract follows the pattern of the national freight agreement, but also adds a 401(k) plan and sought-after rule changes, the union said.

Read more at:
http://www.progressiverailroading.com/prdailynews/news.asp?id=15145

AAR Updates

What kind of industry lowers its rates by half over a 25-year period and faces intense competition requiring it to be competitive and efficient?

That's the question asked and answered by Howard Capito, in a

Since Congress partially deregulated the rail industry in 1980, traffic volume has increased by 95 percent, productivity has improved by 167 percent, average hourly wages for railroad workers has increased from $10.21 in 1980 to $24.21 in 2004 and accident rates have declined by 70 percent, with 2006 standing out as one of the safest years in history in terms of both train accidents and employee casualties

February 17, 2008 editorial in the Knoxville (TN) News Sentinel. Capito wrote that American freight railroads face intense competition every day from trucks, barges and, in many cases, other railroads.

"There is a move currently under way to persuade Congress to re-regulate the railroad industry," he wrote. "Proponents of re-regulation advocate a heavy-handed government regulatory system similar to that which existed prior to 1980. This would be a big mistake, and Tennesseans should oppose re-regulation."

Since Congress partially deregulated the rail industry in 1980, traffic volume has increased by 95 percent, productivity has improved by 167 percent, average hourly wages for railroad workers has increased from $10.21 in 1980 to $24.21 in 2004 and accident rates have declined by 70 percent, with 2006 standing out as one of the safest years in history in terms of both train accidents and employee casualties.

"Any assertion that railroads are exempt from antitrust laws is just plain wrong," Capito wrote. "Railroads are subject to most antitrust laws, certainly the ones that prohibit railroads from getting together to set rates, allocate markets or unreasonably restrain trade."

Capito wrote, "With the demand for freight transportation expected to increase 70 percent by 2020, the need for increased transportation capacity has never been greater. Re-regulation will drive off the billions of dollars of private capital needed to continue the strengthening of our railroad industry, the most efficient in the world."

To read the entire article, visit the AAR at:
http://www.aar.org

Railroad Traffic

U.S. Rail Traffic Up in January

On February 7th, 2008, despite severe weather in parts of the country and continued weakness in the housing and automotive sectors, the Association of American Railroads (AAR) reported that U.S. rail carload traffic rose 0.9 percent in the first five weeks of 2008 compared with the first five weeks of 2007. Meanwhile, U.S. rail intermodal traffic fell 3.4 percent.

U.S. carloads of grain, coal and chemicals up; coke, lumber and wood products, crushed stone, sand and gravel down

On the carload side, U.S. rail traffic was paced by grain (up 14.6 percent); coal (up 1.9 percent); and chemicals (up 5.1 percent). Commodities showing the largest declines in January 2008 included coke (down 33.8 percent); lumber and wood products (down 23.5 percent); and crushed stone, sand, and gravel (down 4.6 percent). All told, ten of the 19 major commodity categories tracked by the AAR saw carload increases in January.

Intermodal — the movement of truck trailers or containers on rail cars — accounts for approximately 22 percent of U.S. Class I rail revenue. In January 2008, the trailer component of U.S. intermodal traffic was down 4.9 percent while containers were down 2.9 percent.

"Since rail traffic is closely tied to economic growth, the economic slowdown is clearly negatively affecting rail traffic. That said, railroads provide efficient, safe, and cost-effective service, and look forward to providing even more of it when solid economic growth returns."

Total volume for the month was estimated at 161.7 billion ton-miles, up 1.9 percent from the first five weeks of 2007.

"Preliminary GDP growth in the fourth quarter of 2007 was just 0.6 percent, matching the lowest quarterly figure in six years," noted AAR Vice President Craig F. Rockey. "Since rail traffic is closely tied to economic growth, the economic slowdown is clearly negatively affecting rail traffic. That said, railroads provide efficient, safe, and cost-effective service, and look forward to providing even more of it when solid economic growth returns."

Canadian rail carload traffic (which includes both the Canadian and U.S. operations of the two largest Canadian railroads) fell 3.1 percent in January 2008 while Canadian intermodal traffic rose 19,541 units. The drop in Canadian carloads was mostly due to declines in lumber and wood products (down 38.3 percent), motor vehicles and equipment (down 20.6 percent), and pulp and paper products (down 10.8 percent). Commodity categories showing the biggest carload gains for Canadian railroads in January included metals and metal products (up 17.4 percent) and farm products excluding grain (up 19.5 percent).

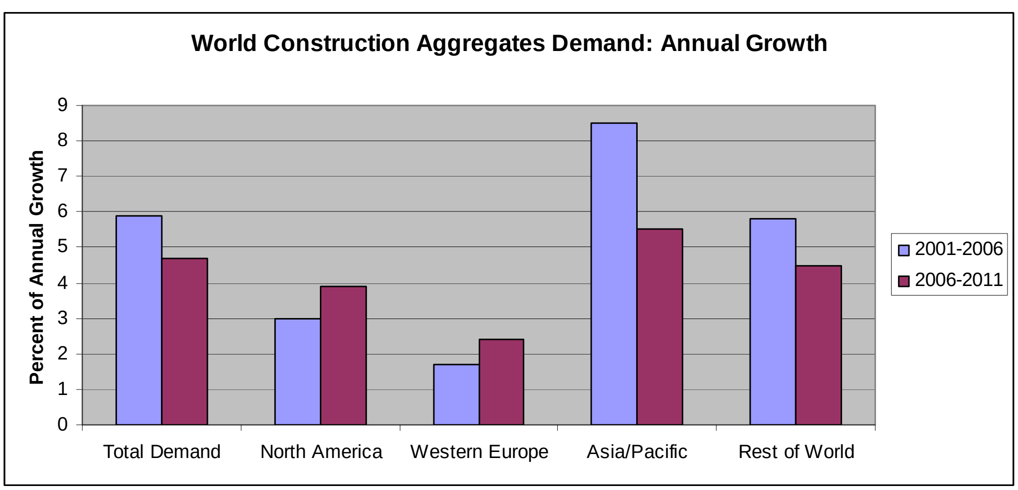
Carloads carried on Kansas City Southern dé Mexico, a major Mexican railroad, were down 140 carloads (0.3 percent) in January 2008 to 49,179 carloads, while intermodal units carried of 21,662 units were up 11.1 percent.

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

Industrial Inside

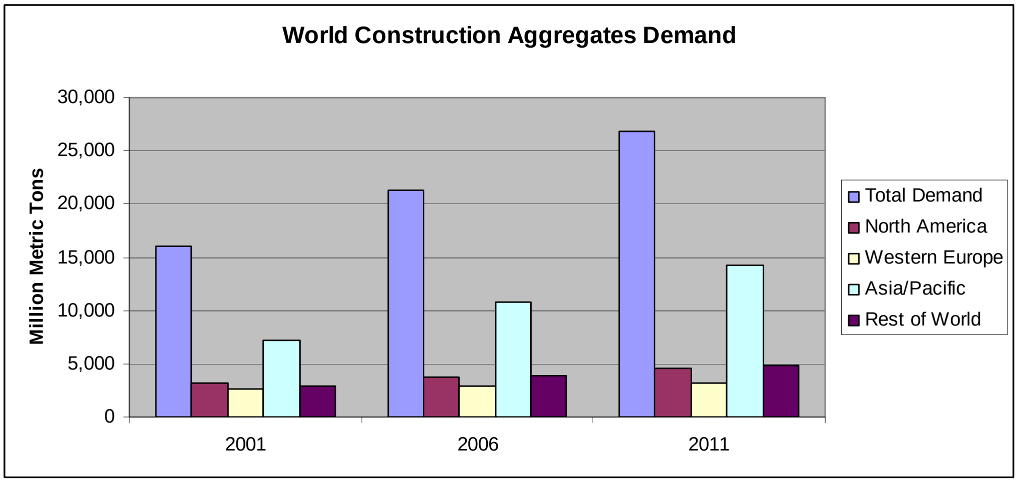
Report shows that global demand for aggregates expected to grow

Global demand for construction aggregates is expected to grow 4.7 percent annually through 2011 to 26.8 billion metric tons, valued at $201 billion. These and other trends are presented in "World Construction Aggregates," a study released by The Freedonia Group Inc., a Cleveland-based market-research firm.



Some of the strongest sales increases will be registered in India, Spurred by industrialization and continued growth in infrastructure construction, sale increases are expected from India, China, Indonesia, Thailand, Iran and other developing Asian countries

already one of the largest national markets, as well as in China. Smaller markets such as Indonesia, Thailand, Iran and developing countries in Asia also will record strong gains, spurred by industrialization and continued growth in infrastructure construction.



Growing environmental and land-use concerns will spur above-average sales gains for aggregates composed of recycled materials such as crushed hydraulic and asphaltic concrete and waste materials such as fly ash and blast-furnace slag.

The report also states that advances will not be as strong in the developed areas of the world, which include the United States, Japan and Western Europe. Infrastructure repair and maintenance construction will drive demand in these areas through 2011. An increase in non-building construction projects in the U.S. also will contribute to overall aggregates market growth, despite a slowdown in residential building activity.

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The non-building construction market, which accounted for more than 70 percent of worldwide aggregates demand in 2006, is forecasted as the fastest growing segment. Gains in nonbuilding construction will predominantly be fueled by an increase in road and highway construction in developing nations.

According to the report, demand for construction aggregates used in production of asphaltic concrete will climb the fastest of all major application categories, spurred by growth in road building and maintenance construction worldwide. Aggregates used in hydraulic concrete applications, which accounted for approximately 40 percent of total 2006 product demand, are expected to rise at a slightly more moderate pace.

Read the entire article at:
http://rockproducts.com/mag/global-demand-aggregate-0201/

Financial Focus

The difference between the “Prime Rate” and the “Federal Funds

In an attempt to educate you on the differences between the “Prime Rate” and the “Federal Funds Rate” we have included below a summary of the two and how they work together. The corresponding

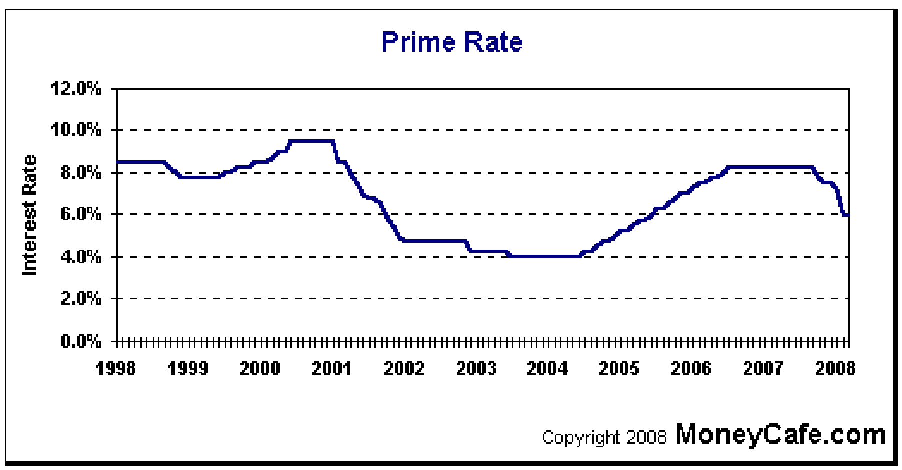
Rate" to help you better strategize the way you borrow and spend money for your business

Effective January 30, 2008, the prime rate currently sits at six percent

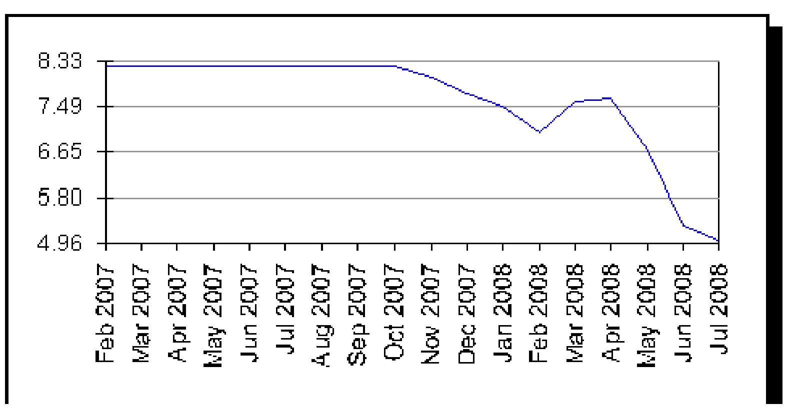
graph shows the historical and forecasted prime rate. Though this data is only a forecast, watching the Federal Open Market Committee (FOMC) is an important indicator of how the economy is functioning and should be a main component of how you strategize borrowing money to grow your business.

The prime rate, as reported by the Wall Street Journal's bank survey, is among the most widely used benchmark in setting home equity lines of credit and credit card rates. It is in turn based on the fed funds rate, which is set by the Federal Reserve. The COFI (11th District cost of funds index) is a widely used benchmark for adjustable-rate mortgages. The Prime Interest Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime lending rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis.

Effective January 30, 2008, the prime rate currently sits at 6.00 %. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Many small business loans are also indexed to the prime rate. The 11th District Cost of Funds is often used as an index for adjustable-rate mortgages.



The U.S. Prime Interest Rate Past Present and Future is acknowledged in the graph below.



Changes in the fed funds rate have far-reaching effects by influencing the borrowing cost of banks in the overnight lending market, and subsequently the returns offered on bank deposit products such as certificates of deposit, savings accounts, and money market accounts

The fed funds rate is the primary tool that the Federal Open Market Committee uses to influence interest rates and the economy. Changes in the fed funds rate have far-reaching effects by influencing the borrowing cost of banks in the overnight lending market, and subsequently the returns offered on bank deposit products such as certificates of deposit, savings accounts, and money market accounts. Changes in the fed funds rate and the discount rate also dictate changes in the Wall Street Journal Prime Rate, which is of interest to borrowers.

Prime rate, fed funds, COFI **Updated 2/27/2008**

Click on the links below to find a fuller explanation of the term.

	This week	Month ago	Year ago
WSJ Prime Rate	6.00	6.50	8.25
Federal Discount Rate	3.50	4.00	6.25
Fed Funds Rate	3.00	3.50	5.25
11th District Cost of Funds	4.072	4.172	4.396

As we watch Ben Bernancke, the current Chairman of the Federal Reserve Board, and his team struggle with controlling the U.S. Economy by adjusting the Federal Reserve's Federal funds rate in an attempt to stimulate the economy while keeping inflation at risk, we shall see a corresponding change in the Prime Rate as they adjust the Federal Funds Rate.

Learn more at:
http://www.bankrate.com/brm/ratewatch/leading-rates.asp and **http://www.moneycafe.com/**

The Edge

What the market will bear?

The railroads often times take a beating on their pricing structure. In geographic regions of market dominance this "beating" is probably deserved; however, when you're sitting in the railroad pricing position, it is tough to listen to too much rhetoric about your pricing when you see the markets for the goods you're transporting increasing at a faster pace than you're portion of the delivered price. Consider that coal prices have climbed, in some instances, fifty percent plus, some agriculture and fertilizer input commodities have doubled in price over the past several months and containerized goods continue to move at substantial volumes due to consumer demand it only makes sense to move your pricing to "What the market will bear".

Converse to railroad price increases, it also appears that sometimes railroads are out of touch with the market and still increase prices for goods that have taken a hit due to substantial market and/or economic downturns such as housing market input goods (lumber and related products, etc.) and items that require a substantial portion of government assistance to move such as superfund clean-ups. In these cases, it may make more sense to 'partner' with the shipper, receiver or even government to help these economies remain viable and to stabilize shipments.

In either case we can only encourage continued communications between the shipping community and the railroads. In our view, a longer term viable economic ("transportation") plan where both parties shares the gain and pain makes more sense than wild year over year price swings.

Switching subjects…

March weather is typically characterized as "in like a lion out like a lamb." If you've been watching the railroad updates it appears they too are on track to characterize this saying. The railroads have posted several maintenance-of-way advisories for geographic locations that require immediate attention, particularly in those areas that have been either hard hit by snow or rain, which accounts for basically both coasts and the Midwest… pretty much the preponderance of the country.

We have reports in many of these areas of railroads having difficulty in delivering railcars on a timely basis. Our suggestion if you find yourself in this situation is to call your railroad and get a realistic schedule. Nature happens. Rest assured the railroad is doing its best to work thru the physical barriers to bring you service. During weather related delays, any help you can provide the rail carriers will expedite the process of service recovery.

We look forward to earning your business!