Touchbase

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In This Issue

- Railroad Updates
- AAR Updates
- Railroad Traffic
- Industrial Inside
- Financial Focus
- The Edge

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Class I's continue to slash monthly fuel surcharges

CSX Intermodal's fuel surcharge will drop for the ninth-straight month

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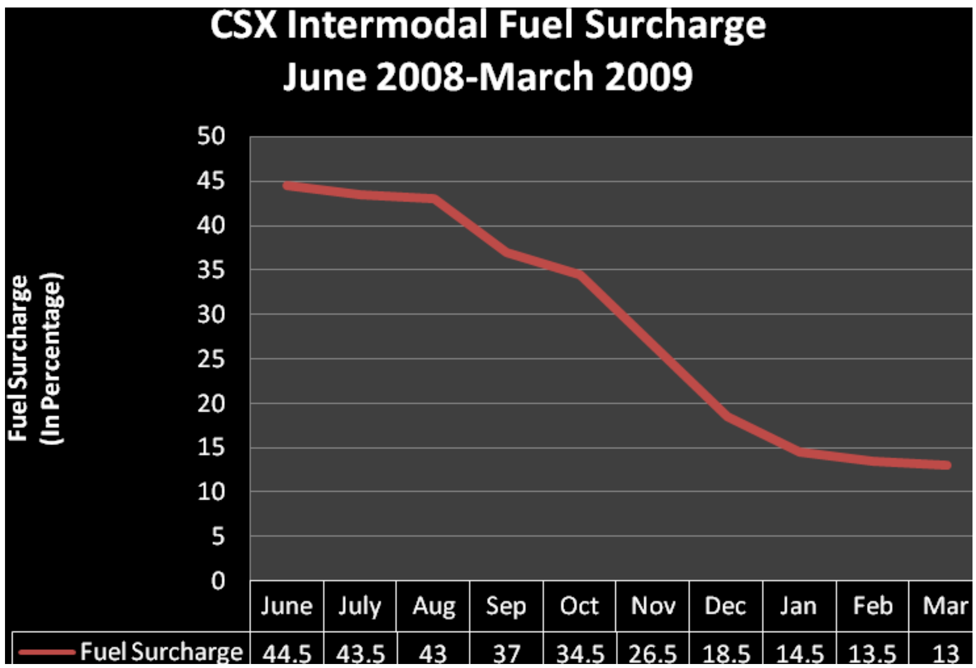
Railroad Updates

CSX Intermodal's fuel surcharge will drop for the ninth-straight month. On March 2, 2009, the company will implement a 12 percent fuel surcharge for March.

The company previously applied fuel surcharges of 13.5 percent in February, 14.5 percent in January, 18.5 percent in December, 26.5 percent in November, 34.5 percent in October, 37 percent in September, 43 percent in August, 43.5 percent in July and 44.5 percent in June. The drayage-only fuel surcharge for March will be 16 percent.



Meanwhile, Union Pacific Railroad's carload rate-based Highway Diesel Fuel (HDF) surcharge will drop from February's 12 percent to 10.5 percent for March. The rate-based standard HDF surcharge program is based on the DOE's U.S. average on-highway diesel fuel price. UP's HDF surcharge will drop to 9.5 percent in April.

Norfolk Southern Railway's fuel surcharge for rates referring to "Tariff NS 8003 Series" and "Tariff NS 8004 Series" will continue to be 0 percent in March, the same level as in both January and February.

Read more at:
http://www.progressiverailroading.com/news/article.asp?id=19732

BNSF's 2008 Economic Development Efforts Lead to $4 Billion in Investments and 4,000 New Jobs

area and will become home to a variety of industries

BNSF Railway Company's 2008 economic development efforts were instrumental in the location of 127 new or expanded facilities in communities along BNSF. The development of these facilities resulted in about $4 billion in investments and the creation of more than 4,000 new jobs.

For example BNSF's economic development team assisted a local volunteer business group in Weston County, WY. To revitalize the area, the Weston County Development Board created a plan to build a regional industrial park, the Upton Regional Industrial Site. The 600-acre site is attracting new businesses to the area and will become home to a variety of industries. The site will also serve as a BNSF premier rail transloading site.

"We take great pride in working to enhance business for everyone in the BNSF system"

"During the planning and construction phases of this project, we worked closely with BNSF's economic development team," said Tom Barritt, a member of the Weston County Development Board. "BNSF helped us coordinate with the correct public and private organizations to implement our plans smoothly and in a timely manner."

"We take great pride in working to enhance business for everyone in the BNSF system," said Vann Cunningham, BNSF assistant vice president, Economic Development. "In the case of Upton, Wyoming, the creation of the new industrial park not only brought in new businesses but also spurred the development of new housing in the area for the first time in 20 years."

BNSF is among the world's top transporters of intermodal traffic, moves more grain than any other American railroad

BNSF also helped to locate ethanol plants in Texas, South Dakota, Nebraska, Iowa, Minnesota, and California as well as agriculture producers and processors in North and South Dakota, Mississippi, New Mexico and Oregon. The BNSF also helped to locate steel industries in New Mexico, Texas, Minnesota, Oregon and Illinois. Other industry expansions included companies dealing in lumber, construction materials, plastics, paper, machinery and scrap.

BNSF is among the world's top transporters of intermodal traffic, moves more grain than any other American railroad, carries the components of many of the products we depend on daily, and hauls enough low-sulfur coal to generate about ten percent of the electricity produced in the United States.

Read the entire article:
http://www.bnsf.com/media/news/articles/2009/02/2009-02-25b.html

“Passenger-rail expansion shouldn't impede freight-rail growth”

AAR Updates

Freight railroads support efforts to expand passenger-rail service where needed, but such expansion should preserve and provide for freight-rail growth. That’s the message Association of American Railroads President and Chief Executive Officer Ed Hamberger delivered to the Surface Transportation Board (STB) last week.

“There are many constraints on the

During the board’s Feb. 11 hearing on the implementation of the

U.S. freight system that need to be factored when deciding what does or does not constitute a delay," said Hamberger. "Many segments of the nation's freight-rail network are today congested due to high volumes of traffic, and such congestion is only going to worsen as future demand for freight transportation skyrockets"

Passenger Rail Investment and Improvement Act of 2008, Hamberger urged the STB to take into account the operational realities of the freight-rail system when designing passenger-rail on-time performance metrics.

"There are many constraints on the U.S. freight system that need to be factored when deciding what does or does not constitute a delay," said Hamberger. "Many segments of the nation's freight-rail network are today congested due to high volumes of traffic, and such congestion is only going to worsen as future demand for freight transportation skyrockets."

Any performance measure should identify and separate "avoidable" from "unavoidable" delays, and all delays should be attributed to the responsible party, Hamberger believes.

"When something goes wrong somewhere on the rail network, it often has a cascading effect leading to train delays elsewhere," he said.

Hamberger also urged the STB to establish principles used in track or right-of-way mediation proceedings between passenger and freight rail that further the preservation and expansion of freight-rail service.

He suggested that arrangements be voluntary; freight railroads be fully compensated; commuter authorities provide the additional capacity they need for their operations; freight railroads be protected from liability from passenger operations; and all operating issues be addressed.

Visit the AAR at:
http://www.progressiverailroading.com/news/article.asp?id=19716

Railroad Traffic

Rail Traffic Down Sharply in January

U.S. rail carload traffic fell 17.2 percent (221,426 carloads) to 1,067,548 carloads in the first four weeks of 2009 compared with the first four weeks of 2008, the Association of American Railroads (AAR) reported today. U.S. rail intermodal traffic (which is not included in carloads) fell 12.9 percent (116,823 trailers and containers) to 788,115 units in January.

Total January volume was estimated at 113.3 billion ton-miles, down 15.9 percent from a year earlier

"January marks the third straight record monthly decline for U.S. rail traffic, as the severe recession is now negatively affecting every major rail market," said AAR Senior Vice President John T. Gray. "Nevertheless, railroads are planning to maintain a strong level of re-investment in 2009, as they have for the last several years. Actual re-investment levels will depend to some extent to how deep the recession goes and how long it lasts, but railroads know that they have to invest today to have the rail capacity America needs for tomorrow."

"January marks the third straight record

Canadian rail carload traffic (which includes both the Canadian and U.S. operations of CN and Canadian Pacific, the two largest Canadian railroads) fell 17.5 percent (51,689 carloads) in January 2009 to

243,031 carloads, while Canadian intermodal traffic fell 23,710 units (12.3 percent) to 168,576 trailers and containers.

Carloadings of every major commodity fell in January 2009 on U.S. railroads, including motor vehicles and equipment (down 44,800 carloads, or 63.0 percent, to 26,331 carloads); grain (down 28,177 carloads, or 27.0 percent to 76,143 carloads); and metal products (down 24,530 carloads, or 47.7 percent, to 26,890 carloads. Carloads of coal were down 3.3 percent (18,733 carloads) in January 2009 to 545,086 carloads.

Canadian carload declines were paced by chemicals (down 20.1 percent, or 12,239 carloads); motor vehicles and equipment (down 51.3 percent, or 11,517 carloads); and metallic ores (down 17.1 percent, or 8,559 carloads).

Mexican rail carload originations (which include Ferrocarril Mexicano and Kansas City Southern dé Mexico) were down 15.4 percent (7,649 carloads) in January 2009, while intermodal originations were down 23.7 percent (5,569 trailers and containers).

For just the week ended January 31, the AAR reported the following totals for U.S. railroads: 261,380 carloads, down 18.4 percent from the corresponding week in 2008; intermodal volume of 189,713 trailers and containers, down 16.0 percent; and total volume of an estimated 27.8 billion ton-miles, down 17.3 percent from the equivalent week last year.

For Canadian railroads during the week ended January 31, the AAR reported volume of 64,141 carloads, down 6.5 percent from last year; and 42,359 trailers and containers, down 6.3 percent from the corresponding week in 2008.

Combined cumulative volume for the first four weeks of 2009 on 12 reporting U.S. and Canadian railroads was 1,310,579 carloads, down 17.2 percent (273,115 carloads) from last year; and 956,691 trailers and containers, down 12.8 percent (140,533 trailers and containers) from 2008's first four weeks.

Read more at:
http://www.aar.org/sitecore/content/Home/AAR/Pressroom/WeeklyTrafficReport.aspx

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Industrial Inside

Hard times are hitting the ethanol sector but such short term distress will eventually give way to economic prosperity. Industry assets will then operate at capacity and boost ethanol production in the process. That, in turn, will push this country toward energy security while helping to serve the overall environment. That's the view from one top company official, who adds that the law set in 2007 requiring ethanol production rates to increase from 6 billion gallons a year to 36 billion gallons a year by 2022 is doable. The government has pursued such a

monthly decline for U.S. rail traffic, as the severe recession is now negatively affecting every major rail market,"

Carloadings of every major commodity fell in January 2009 on U.S. railroads

Railroads provide more than 40 percent of U.S. intercity freight transportation, more than any other mode, and rail traffic figures are regarded as an important economic indicator.

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way to economic prosperity

"There are a lot of under-used assets that will be needed when things turn around. The more ethanol we produce, the less of our dollars will go overseas"

"...ethanol made from cellulose products such as wood chips, municipal waste and trees is the key to the industry's future and has the potential to cut into gasoline consumption..."

While corn is now the centerpiece of the industry, the next generation of fuel additives made from cellulose products is considered to be superior

policy because it has reasoned that ethanol could alleviate oil supply crunches while diminishing carbon dioxide emissions tied to climate change.

"Even though we have this economic hiccup, the economy will eventually grow," says Arnold Klann, CEO of Irvine, Calif.-based BlueFire Ethanol. "There are a lot of under-used assets that will be needed when things turn around. The more ethanol we produce, the less of our dollars will go overseas. Energy security is a big issue. Fifty-four percent of our energy needs are imported. Long term, ethanol will play an important role."

Ethanol is currently produced mostly from corn but Klann said that ethanol made from cellulose products such as wood chips, municipal waste and trees is the key to the industry's future and has the potential to cut into gasoline consumption. In the case of BlueFire, it is developing two such plants in Southern California that will take landfill waste to produce 3.1 million gallons of fuel-grade ethanol a year. To help it get there, it has received $40 million from the U.S. Department of Energy.

The global market for bio-fuels in 2007 was about 13 billion gallons, less than 2 percent of global transportation fuel consumption, according to the Renewable Fuels Organization. Ethanol production costs can be as low as $1.10-$1.20 a gallon, although they are rising because of higher corn prices. Corn ethanol may be as competitive with gasoline when crude oil is more than $50 a barrel. Altogether, there are 112 ethanol plants in operation and there have been as many as 76 in the various planning stages, which is plenty to meet the requirements under the 2007 law.

Like other technologies, ethanol makers in recent months have struggled to get financing. Some proposed plants have been halted as a result. Developers, furthermore, have said that construction costs are on the rise. Consider Ethanex Energy, which raised $20 million in 2006 to build three ethanol facilities: It can't attract the capital necessary to complete the construction and has since declared bankruptcy.

Meantime, the ethanol maker that Microsoft founder Bill Gates invested $84 million, Pacific Ethanol, is reported to be struggling, too. It all comes atop an announcement by Iogen Corp., which is partnering with Shell, to "postpone" a cellulose project it had planned for Iowa and one in which it would have gotten federal monies.

The government, meanwhile, is helping to advance ethanol technologies. While corn is now the centerpiece of the industry, the next generation of fuel additives made from cellulose products is considered to be superior, although those technologies are too costly today. With the backing of the federal treasury, however, supporters say ethanol has the potential to be even better and cheaper.

Winning financing is one matter. Preserving the environment is another. Critics contend that the production of ethanol results in a net

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energy loss. A recent study presented by Science magazine says that by the time corn is converted to ethanol, more global warming gases will have been released than if fossil fuels were directly burned. Critics also say that encouraging farmers to use their land to make fuels will lead to deforestation. That, in turn, increases global warming.

Other studies differ on that subject. While grain-based ethanol requires substantial amounts of fossil fuel inputs, it is still cleaner than conventional fuels, creating 20 percent fewer greenhouse gas emissions, says the International Energy Agency. The University of California at Berkeley, meanwhile, says that ethanol can generate higher energy content than petroleum while producing 10-15 percent fewer greenhouse gas emissions.

"Those who say that ethanol production is more energy intensive than burning gasoline are being intellectually dishonest," says Klann. "They are paid by the oil companies." He says that corn-based ethanol makes slightly more energy than it consumes while cellulostic ethanol produces much more energy than what was used to go into it.

The future of ethanol is directly tied to the health of the global economy.

The future of ethanol is directly tied to the health of the global economy. Once the recession ends, those developers say their industry will perk up and in doing so, help build energy security and improve air quality. Investors and environmentalists must then be convinced, which the industry says is feasible given its strong case.

Learn more at:
http://www.energycentral.com/articles/energybizinsider/ebi_detail.cfm?id=639w

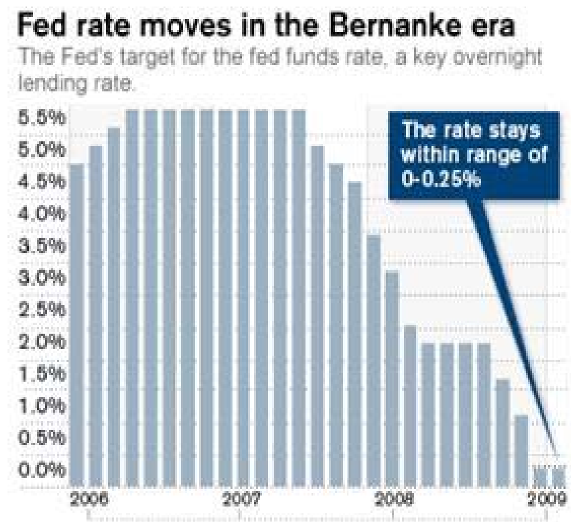
Financial Focus

Federal Reserve Chairman Ben Bernanke said he's hoping the recession could end later this year, but he cautioned that a full economic recovery will take "more than two or three years."

Federal Reserve Chairman Ben Bernanke said he's hoping the recession could end later this year, but he cautioned that a full economic recovery will take "more than two or three years"

Bernanke, speaking in front of the Senate Banking Committee Tuesday, also downplayed talk that the government might have to nationalize some of the country's most troubled banks.
In his prepared remarks, Bernanke said an economic turnaround will only occur "if actions taken by the administration, the Congress, and the Federal Reserve are successful in restoring some measure of financial stability." He also acknowledged the recovery might not go as well as hoped.

"This outlook for economic activity is subject to considerable uncertainty, and I believe that, overall, the downside risks probably outweigh those on the upside," he said. In response to a question about bank nationalization, Bernanke dismissed the idea that the government would need to take over banks such as Citigroup (C, Fortune 500) and Bank of America (BAC, Fortune 500).



"We don't need majority ownership to work with the banks," he said. "We can work with them now to do whatever is necessary to get rid of bad assets. I don't see any reason to destroy the franchise value. It just isn't necessary."

Bernanke would not estimate how much more money the government may need to invest in banks to stabilize the financial sector.
"How much more we'll have to do will depend on the state of the banks, how the economy evolves and how much margin of safety we want," he said.

But Senators Richard Shelby, R- Ala. and Bob Corker, R-TN, suggested that proposals to have the Treasury Department pump additional capital into major banks for shares that can be converted into common stock was essentially a form of nationalization since Treasury would have control over so much of the banks' outstanding shares.
Bernanke also did not give any further details about when the Fed may start to buy long-term Treasury bonds, something the central bank has hinted it may start doing.

But he said that "strong government action," in addition to the financial stimulus package recently passed by Congress, is needed to fix banking and the overall economy. Bernanke added that no matter what the Fed and Treasury Department do to address the problems in the housing market, home prices and sales will not start to rebound until there's a broader recovery in the economy and job market.
"People are not likely to buy houses when they are unsure about their jobs," he said.

Bernanke said he shared the concerns of some senators about the huge deficits being run up as part of the current economic rescue efforts. But he also said with the current state of the economy, this is not the time to be focused on balancing the budget. Bernanke gave this forecast as part of his semi-annual update to Congress about the nation's economic condition.

Learn more at:
http://money.cnn.com/2009/02/24/news/economy/bernanke/index.htm

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The Edge

Since January 1, 2009 we've seen a complete retrenching in most industries. There have been revamping of processing, push back on vendors, layoffs, reallocation of capital dollars and significant government negotiations for distribution of bail-out funds to all sorts of industries. The government even began the process of nationalization of banks, without of course admission that it's actually occurring. Is it all helping to stimulate the economy?

It's hard for me to tell. But what appears to be occurring is a leveling at the bottom.

A leading indicator of basic international commerce trade is the Baltic Dry Index. If one looks at that index from January 1, 2009 to date, you'll find a leveling of the index and even a more recent trend line pointing somewhat more positive. Is that a sign that trade of basic commodities are at least leveling off and some capital is being employed to keep factories, mills and processing plants around the world in business at a very minimal level?

Our informal survey of Class I railroad personnel indicates a retrenching that will insure property, plant and equipment are ready to go when the economy demands capacity from railroads. Re-allocation of investments in rail infrastructure (track, mow, etc.) and away from any wish lists that don't have a direct payback remains prevalent. Our commendation goes out to those rail transportation firms that continue to invest in their base business in anticipation of a brighter day. The railroads also are putting considerable effort into developing new business and are starting to act like a business partner versus a rancorous landlord. Maybe a secondary benefit of our current environment will be a continuation of a new mentality when the brighter day returns. Indicative fallouts of the old mentality can be found on the Surface Transportation Board web site.

Our informal survey of varying industries seems to be mixed. Many we deal with are very progressive and have retrenched to core business areas and have ferreted out any "pork". Albeit not flourishing, they are trenched in for the long haul and continue to operate a capitalistic business.

A continued evaluation of business practices, review in a Deming/Crosby fashion of processes and integrated approached across company, supplier and customer lines will help secure their success. On the flip side others have succumbed to the tsunami of the economy being overwhelmed by simply having no business. Their reactions have been from walking away to an orderly closure in anticipation of a better day.

Our advice? Employ all your assets to their greatest ability. Work with your transporters (rail, truck, barge, ship), suppliers, vendors and customers as though they're partners (they're suffering as well and want your business). And last don't forget your human assets (internal and external – e.g. consultants). They often aren't as fully utilized in difficult times as they should be.

Good luck in a dynamic year. If we may be of assistance please don't hesitate to contact us.

We look forward to earning your business!