Tealinc

Touchbase

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BNSF to delay mileage-based fuel surcharge launch for several shippers

CN intends to improve asset utilization, speed and accuracy of information exchange, invoice accuracy and simplify prices.

Visit our website for additional Class I changes.

Railroad Updates

The BNSF announced that its mileage-based fuel surcharge program will take effect Jan. 1, 2006 — as scheduled — for coal and agricultural products shippers; however, the railroad still is determining a surcharge effective date for intermodal, automotive and other carload shippers.

Later this year, BNSF expects to finish developing and testing necessary changes to its information systems to implement the program.

"Customer feedback indicated that while a mileage-based fuel surcharge program is considered more fair and equitable than the current percentage-based program, some customers need more time to make adjustments to their own information systems to accommodate the new program," said BNSF Executive Vice President and Chief Marketing Officer John Lanigan in a prepared statement.

For agricultural products shippers, the mileage-based surcharge will be based on rail rather than highway mileage between an origin and destination. Coal unit-train shippers' surcharge also will be based on rail mileage.

Learn more at: **www.bnsf.com**

CN to make the following supplemental changes in 2006

1. New 30-30-30 guarantees CN's commitment to speed-up invoicing and dispute resolution
2. Intra-Plant/Intra-Terminal Switching Simplified and Consolidated
3. The CN will streamline and consolidate the existing multitude of switching rates
4. Demurrage changes effective January 1, 2006:
    a. The rate of unit train demurrage will increase from $350 to $550 US/CDN per hour, and will be the same for all locations on the CN network.
5. The CN will continue to move towards simple, per car, net prices.
6. The CN will no longer quote new rates or renew or extend contracts in currency surcharges rates. All service offers and renewals will be provided in U.S. currency for cross border movements.
7. The CN will suspend its empty private car diversion charge of $200 for one year. The CN will evaluate all diversion requests for empty cars when no additional switching is required.

Visit **www.cn.ca/supplementalservices** for complete CN supplemental fees and tariff changes.

In spite of hurricanes, September U.S. rail freight traffic up

Total volume estimated at 1.25 trillion ton-miles, up 2.3% from 2004

In the third quarter of 2005, Crushed Stone up 10.9%, Grain up 5%, Coal up 0.7%

As [hurricane] affected areas continue to rebuild, railroads will be a critical part of the reconstruction and relief efforts.

Railroad Traffic

Despite hurricane-related disruptions to their operations, U.S. freight railroad carload traffic rose 2.5 percent and U.S. intermodal traffic rose 6.9 percent in September 2005 compared to September 2004.

In September, U.S. freight railroads reporting to the AAR originated 1,351,237 carloads (up from 1,318,504 in September 2004) and 937,360 intermodal units (up from 876,947 in September 2004). For the third quarter of 2005, U.S. rail car loadings were 1.0 percent higher than the third quarter of 2004, while intermodal traffic was 6.5 percent higher than the same period in 2004. For the first nine months of 2005, U.S. railroads originations were up 1.4 percent from 2004, and intermodal units were up 6.3 percent from 2004. Total volume was estimated at 1.25 trillion ton-miles, up 2.3 percent from the first 39 weeks of 2004.

In September, 13 of the 19 major commodity categories tracked by the AAR saw carload increases on U.S. railroads, including coal (up 3.2 percent), crushed stone, sand, and gravel (up 15.2 percent), and nonmetallic minerals (up 30.0 percent). Commodities seeing carload declines on U.S. railroads in September included metallic ores (down 15.3 percent and chemicals (down 3.4 percent). Grain car loadings were up 1.6 percent in September 2005 compared with September 2004.

In the third quarter of 2005, 10 of the 19 major commodity categories saw U.S. carload increases, including crushed stone and gravel (up 10.9 percent), grain (up 5.0 percent), and coal (up 0.7 percent).

For the year to date, 13 of the 19 major commodity categories saw carload increases on U.S. railroads, including coal (up 2.0 percent), crushed stone and gravel (up 9.0 percent), and grain mill products (up 5.6 percent). Carloads of motor vehicles and equipment were down 2.8 percent in 2005 through September, while carloads of waste and scrap materials were down 5.5 percent.

"U.S. freight railroads have done a tremendous job getting most of their operations back on line following Hurricanes Katrina and Rita. As the affected regions rebuild, railroads will be a critical part of the reconstruction and relief efforts, and they will be up to the task," noted AAR Vice President Craig F. Rockey. "Intermodal is the other big story. The top three highest-volume intermodal weeks in history for U.S. railroads occurred in September," Rockey added.

All AAR press releases are available via the Internet at **www.aar.org.**

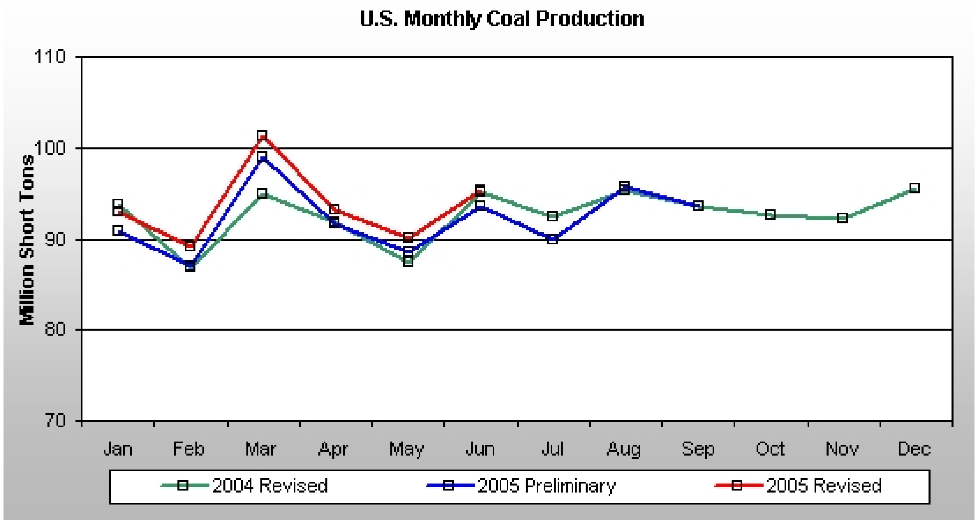
Industrial Inside

Electric power producers came through the hotter-than-average summer without their low coal stockpiles running out, and without the

The on-going need to rebuild coal inventories is expected to keep coal prices firm through 2006.

regional brownouts some were anticipating. To some extent, this was because natural gas was available to fuel alternative generating units, although at premium prices, and because coal stockpiles were allowed to go lower than they had been since February 2001. During the shoulder months of October and November, power producers will be rebuilding coal inventories as much as possible. That period and the ongoing need to replenish inventories are expected to keep spot and new contract prices firm through at least 2006.

Estimated monthly coal production for September 2005 was 93.5 mmst (see graph below). That was almost the same - about 100,000 short tons less -- than the same month a year ago. It represents a 2.4 mmst decrease from August 2005 production. EIA estimates that year-to-date 2005 coal production (through September 30, 2005, versus September 30, 2004) had a gain of 1.2 percent over 2004. U.S. coal production is expected to grow by 1.9 percent in 2005 and by an additional 2.0 percent in 2006.



Diminishing demand has let coal prices fall.

Metallurgical coal markets became volatile when the thriving Chinese steel industry in late 2003 and 2004 made outsized demands for coking coal and met coke, driving up prices. Now the flip side of that expansion – diminishing demand – has let met coal prices fall. The decline results not from lower demand for steel and lower steel prices but from mandates by the Chinese government to temper growth in domestic steel consumption and to lower coke production for domestic and export markets, the latter aimed at raising international coke prices. Although the government announced plans to cap the country's long-term steel production capacity at 300 million metric tonnes, production for 2005 is on a path to reach 315 to 320 million tonnes.

The Chinese government plans to open more coal mining capacity and shut additional small and illegal mines between now and 2007. If the expansion is successful, China could again become a net exporter of coal. In the meantime, high demand internationally for coal has helped to keep coal prices high and supplies committed

Industry experts disagree as to whether the lower met coal prices will

Prime Rate Expected to Reach 7% and stay constant through February 2006.

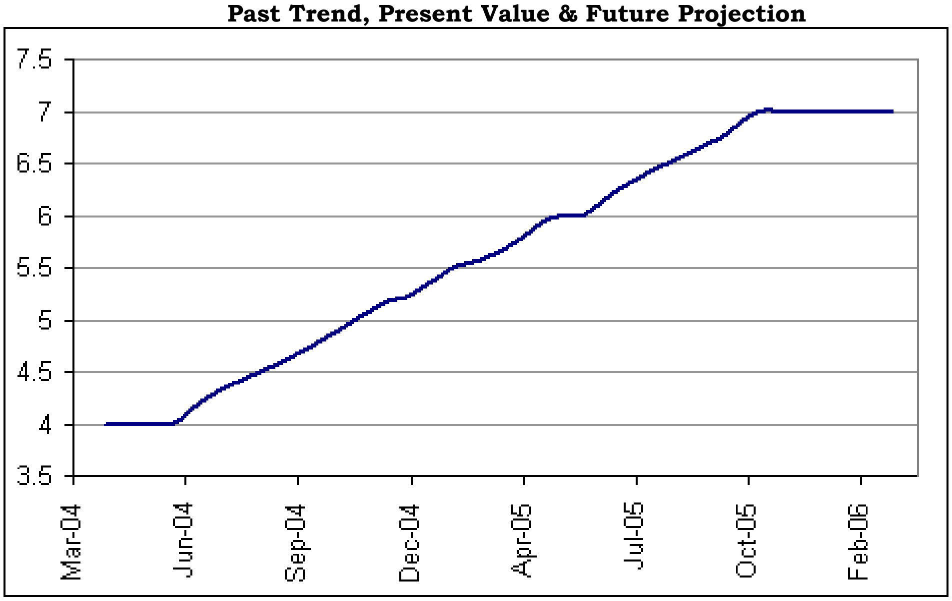
still be around by early 2006. We will continue to watch the coal market as influences from decreasing fuel costs, production, and international exports will affect coal prices on a global scale.

Read the entire article at: **http://www.eia.doe.gov**

Financial Focus

The Prime 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 rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis.

Prime Loan Interest Rate
Past Trend, Present Value & Future Projection



Along with the recent nomination of Ben Bernanke to replace Alan Greenspan as the Federal Reserve Chairman in February 2006, the prime rate is believed to stay constant at 6.75 percent through February 2006. The Fed determines interest rate policies that affect any person or business that borrows money. Its decisions -- along with utterances from the Fed chief -- can influence financial markets around the globe.

The Edge

It's interesting times in which we live. The Concrete and Aggregrate Producers index indicates increases in demand and production in most (excluding the Pacific North West) areas of the country ranging from 2% to 5.6%. A continued strong surge so late in the season is a little out of character for this business segment. However with federal funding continuing to support large highway jobs and surprisingly to me a continue upsurge in commercial real estate building and simply good weather in a lot of regions of the country we can continue to expect growth in this business area.

Intermodal movements are also an indicator that we as a public continue to aggressively buy goods and services at the lowest cost place possible, mainly overseas delivered to our local retailer.

Rail car loadings of all commodities, in general with some weekly spikes and valleys, continue to show overall strength.

As we've stated for the past several months short term rates have continued to grow causing the cost of money to go up for short term borrowing but when one looks there is an anomaly in the market as long term rates are steady to declining.

We mention in several articles in this month's newsletter the concern about getting railcars for product shipment. In actuality we're focused on getting shipments out the door, off the shelf, out of the pit, etc. to your customer or to you if you're the customer. As we continue to work on numerous consulting projects and to lease railcars and locomotives to shippers we're often reminded that in all cases it's a series of processes that actually cause railcars to move expeditiously, or not.

Call us if you'd like some help with your processes.

We look forward to earning your business!