Touchbase

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Norfolk Southern e-commerce offers 'Railcar event-text message alerts'

RailChem Connect aims to allow shipments to bypass smaller rail yards for expedited transit between major hubs

Besides striving for more consistent and speedier transit time, RailChem

Railroad Updates

Norfolk Southern told its customers in October that they now can receive text messages notifying them of the status of shipments with Railcar Event Alerts. Using a simple application on the company's e-commerce site "accessNS" customers can set up alerts to advise them of a variety of events for as many as three railcars, containers, trailers, or chassis at a time.

NS says once an alert is set up, Railcar Event Alerts checks the status of the equipment every hour and sends a text message to the customer's cell phone if the status has changed.

Information available through Railcar Event Alerts includes:

- Changes in ETA or ETI
- Bad order notification
- Notification when a shipment is received from another rail carrier
- Notification when a shipment is placed for a shipper's customer
- Notification when a car in the shop has been repaired and is moving again

For customers needing assistance with e-commerce applications, Norfolk Southern also has added live online chat support. NS stresses that this is in addition to the toll-free help line and email support the accessNS team already provides.

Learn more at:
http://www.railwayage.com/breaking-news/ns-e-commerce-offers-railcar-event-text-message-alerts.html

UP, CSX launch 'RailChem Connect'

One day after regional competitor Norfolk Southern heralded a joint effort with Union Pacific, CSX announced its own coordinated effort with UP, dubbed "RailChem Connect," designed to coordinate and expedite chemical transport within the Texas Gulf Coast region and the Southeast.

RailChem Connect aims to allow shipments to bypass smaller rail yards for expedited transit between major hubs, the railroads said. "These changes, along with increased operations coordination between the railroads,increase reliability of east- and west-bound service between Union Pacific-served chemical markets such as Houston, southern Texas, and Louisiana, and CSXT-served consumption markets in the southeastern states."

Besides striving for more consistent and speedier transit time, RailChem Connect also will offer both railroads faster equipment turns and a shorter route than previously available for chemical shipments in the service region, the railroads said. CSX and UP said such improvements are in addition to gains already made, including reduction of transit time "between major markets by 25% in the last three years while improving consistency by 23%.""Our teams are coordinating efforts to focus on

Connect also will offer both railroads faster equipment turns and a shorter route than previously available

animproved service product for chemicals customers by reducing transit times and tightening the variability in our delivery, significantly improving reliability for customers," said Diane Duren, vice president and general manager of Chemicals for Union Pacific.

"In addition to the inherent safety and environmental advantages that rail offers shippers, RailChem Connect creates advantages for Union Pacific and CSXT customers that allow them to derive even more value from rail," said Dean Piacente, CSXT vice president-Chemicals & Fertilizer. "The increased coordination between our railroads results in improved transit and consistency, which translates into enhanced supply chain efficiency, a more balanced cycle for private rail equipment, and bottom-line cost savings for our customers."

Learn more at:
http://www.railwayage.com/breaking-news/up-csx-launch-railchem-connect.html

AAR Updates

The AAR announced in October that they would go to a paperless billing system

The Association of American Railroads (AAR) announced in October that they would go a Paperless Billing system stressing that it is critical that update be distributed to all Car Repair Billing and IT personnel who work with or are responsible for Car Repair Invoices submitted to Railinc's Data Exchange.

The AAR has asked that companies refer to previous industry efforts to launch the on-going Paperless Billing initiative referred to in the most recent Circular Letters:

- c-10816, issued September 18, 2008
- c-10899, issued November 25, 2008
- c-11059, issued July 15, 2009

The Arbitration and Rules Committee has accepted revisions to the Car Repair Billing Procedures Manual for Data Exchange Edits and Paperless Billing, as submitted by the Car Repair Billing Committee to become effective January 8, 2010.

Edits on submitted Car Repair Billing Data Exchange Records will be implemented by Railinc beginning January 8, 2010

Updates have been made to the Car Repair Billing Procedures Manual. The latest manual is Version 6.3 and is available for download at the Railinc Car Repair Billing Community site at:
https://community.railinc.com/products/crbpricing

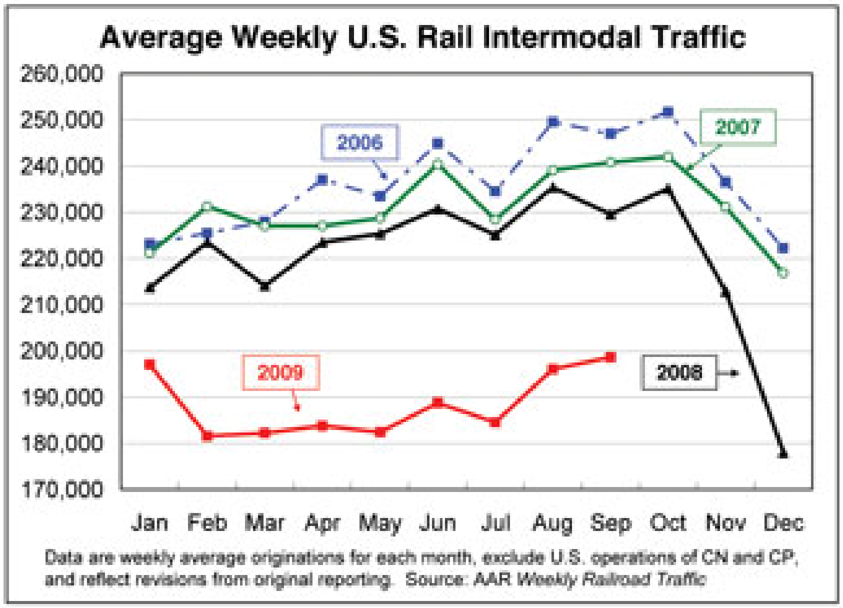
Edits on submitted Car Repair Billing Data Exchange Records will be implemented by Railinc beginning January 8, 2010. Those who participate in submitting records to Railinc's Data Exchange should carefully review the latest version of the Car Repair Billing Procedures Manual and prepare for changes that will affect their respective companies.

Learn more at:
http://www.aar.org/Homepage.aspx

Railroad Traffic

U.S. intermodal rail traffic volume reached its highest level in September 2009 since November 2008

U.S. intermodal rail traffic volume reached its highest level in September 2009 since November 2008, the Association of American Railroads says, even though when compared to September 2008 levels, intermodal rail traffic declined 14.4%. AAR's monthly Rail Time Indicators summary with downloadable report and embedded video summary note that the relative improvement in intermodal traffic may be related to retailers restocking shelves for the upcoming holiday season.



"The data in the October report gives us some indication that better things may be on the horizon... railroads have taken more than 15,000 cars out of storage between September 1 and October 1"

September's monthly carload data showed a decline of 14.2% compared with a year ago. AAR says weather may have been a factor, since flooding in the Southeast affected traffic across many commodity categories. Lower natural gas prices and the relatively mild summer may also have been a factor in carload declines, since there was a 13.3% drop in demand for coal, the single largest commodity shipped by railroads, compared with year-ago levels.

"The data in the October report gives us some indication that better things may be on the horizon," said AAR Senior Vice President of Policy and Economics John Gray. "While some of this activity is seasonal, railroads have taken more than 15,000 cars out of storage between September 1 and October 1. However, we must continue to wait and see."

Read the entire article at:
http://www.railwayage.com/breaking-news/aar-intermodal-traffic-rebounds-during-september.html

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Coal: where does the industry head from here?

Industrial Inside

Coal is at a fork in the road. If it is to remain relevant, then the industry must work to commercialize advanced technologies that can scrub the carbon and bury the residue.

Progressives, who now dominate the Congress, are more inclined to set limits on emissions and thereby give vendors the assurances they need to take risks and bring critical products to market. That approach, however, runs anathema to conservative thinking that says that industry cannot comply with such laws if the technologies to bring about change do not yet exist.

"It is a given that through legislation or regulation, industry will be forced to reduce its carbon emissions"

It's the classic chicken-and-egg scenario. But collaboration is central -- a strategy whereby government funds the preponderance of research and development in the early stages while industry carries the burden in the latter phases. The goal is to reduce the time it would otherwise take for instrumental technologies to get to market.

"It is a given that through legislation or regulation, industry will be forced to reduce its carbon emissions," says Michael Mudd, chief executive of the FutureGen Alliance in Columbus, Ohio. "Policy and technology must remain in alignment, which is not now the case. If government sets the rules and expects industry to follow, it may take 25 years to get from concept to commercialization. But if you wait for the technologies to develop, then industry will not have the motivation."

According to the U.S. Energy Information Administration, 1.3 million short tons of coal are expected be consumed in 2030; with current rules that number would fall to 700 million short tons under the House's measure

Consider the Waxman-Markey bill, which has passed the House and which requires 17 percent reductions in carbon emissions by 2020 and 80 percent by 2050, all from 2005 levels. According to the U.S. Energy Information Administration, 1.3 million short tons of coal are expected be consumed in 2030 with current rules. But that number would fall to 700 million short tons under the House's measure.

While the bill funds modern coal technologies, progressives reason that generators will switch to cleaner fuels. The Energy Information Administration does say that it expects nuclear and renewable energy to be the major benefactor, as well as energy efficiency.

But conservatives note that the nuclear industry is in a regulatory quagmire while renewable power will not soon be able to supplant fossil fuel usage. In referencing the information agency's report, they say the added constraints on coal would force prices up by roughly 2 cents, from roughly 10 cents a kilowatt-hour to about 12 cents a kilowatt-hour by 2030. At the time, they point out that the agency is predicting that gross economic output would grow during this time 0.8 percent less than otherwise.

Coal-fired generation will change. Government mandates along with the emergence of modern technologies will work in tandem to improve efficiencies. The evolution is not just necessary to meet the challenges of a carbon-constrained world. It is also essential to coal's future, if it wants to remain a significant part of the global

"Our analysis says there are economic costs to the bill but that they are not devastating," says Scott Sitzer, with the energy agency's office of coal, nuclear, electric and alternate fuels. "The cost would come in the form of having to buy carbon allowances and from switching to nuclear and renewables."

Possible concessions: Look for more funding when it comes to retrofitting current coal generators with modern technologies. Or, expect compromises in the methods by which carbon credits are distributed -- a process that could give them away for longer periods to those businesses that would be the most adversely affected.

Coal-fired generation will change. Government mandates along with the emergence of modern technologies will work in tandem to improve efficiencies. The evolution is not just necessary to meet the challenges of a carbon-constrained world. It is also essential to coal's future, if it wants to remain a significant part of the global energy mix.

Article has been shortened. To read the entire article visit:
http://www.energycentral.com/functional/articles/energybizinsider/

energy mix.

ebi_detail.cfm?id=764

Financial Focus

Federal Open Market Committee now believes the recession that started in December 2007 is over

Most Federal Reserve policymakers believe that an economic recovery has started, although they view the turnaround as weak enough that some want the central bank to take additional steps to stimulate the economy, according to minutes of a meeting last month that were released on October 14.

The minutes of the two-day meeting, concluded Sept. 23, were the most explicit statement yet that the Federal Open Market Committee now believes the recession that started in December 2007 is over. The committee comprises the group of Fed governors and district bank presidents who set interest rates and take other steps to spur or slow economic growth.

"Most thought an economic recovery was under way," the minutes stated. "Many participants noted that since August, they had revised up their projections for the second half of 2009 and for subsequent years."

Up to now, the Fed's statements have been more circumspect. Its statement , released at the end of the meeting, said simply that economic readings suggest "that economic activity has picked up following its severe downturn."

This is the first time that Fed minutes explicitly said that most members believe the recession is over. However, in response to a question in an appearance at the Brookings Institution last month, Fed Chairman Ben Bernanke did say that the recession is "very likely over."

There is a growing consensus among outside economists that the recession is over

The decision on when a recession begins and ends is not up to the Federal Reserve, but instead the National Bureau of Economic Research. That group doesn't make any sort of declaration until months after the fact, in order to take into account final readings of various economic measures such as employment, income and industrial production.

For example, the NBER didn't declare that the recent recession had begun in December 2007 until a full year after the fact.

September meeting shows broad agreement that the fed funds rate, the key rate used to pump money into the economy, should be kept near 0%

There is a growing consensus among outside economists that the recession is over. A survey of top forecasters by the National Association for Business Economics earlier this month found 81% believe the economy is in recovery.

Still, there was debate at the Fed's September meeting about what to do next. There was broad agreement that the fed funds rate, the key rate used to pump money into the economy, should be kept near 0%, and that

The members agreed that the job market is likely to stay weak for the foreseeable future

the statement should say "economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period."

But some members wanted to increase the amount of mortgages the Fed will buy from the $1.25 trillion level that had been previously announced. The Fed is buying up those mortgages in an effort to keep mortgage rates low.

At least one member wanted to instead cut the amount of mortgages purchased before reaching that level.

The members agreed that the job market is likely to stay weak for the foreseeable future -- and that is likely to keep wages from rising.

But there was a "a range of views" among members about how soon inflation would reappear as a result of trillions that the Fed has pumped into the economy in the last year.

"If we're getting signs that the recession is over and recovery is gathering steam, the Fed is going to have to move very quickly to begin to withdrawal the stimulus, or else it will sow the seeds for inflation"

Bernard Baumohl, executive director of the Economic Outlook Group, said he thinks there is a "vigorous debate" going on right now within the Fed as to when it should take steps to pull out the money it has pumped into the economy.

"If we're getting signs that the recession is over and recovery is gathering steam, the Fed is going to have to move very quickly to begin to withdrawal the stimulus, or else it will sow the seeds for inflation," he said.

Even with the debate about purchases of mortgages and the threat of inflation, there appears to be general agreement that the recovery is likely to be modest.

Read the entire article at:
http://money.cnn.com/2009/10/14/news/economy/fed_minutes/index.htm?postversion=2009101415

The Edge

Greetings! Earnings reports for the third quarter are in for Class I Railroads. It looks like the economic conditions of the country have caught up to the rail transportation business resulting in an average decline in earnings of twenty-plus percent in the third quarter.

It's always a challenge to interpret rail economic results, particularly when Class I results lag down and lag up economic results. It appears that the railroads have found the bottom when you compare their results with past results of the heavy transport industry (steel, coal, grain, scrap, etc.). Year-over-year, railcar loadings are down from 13.9% to 14.2% from September 2008 to September 2009. As referenced above, the Federal Reserve has announced their belief that the recession is over so maybe we're at the bottom and will hover here until economic reform works itself out.

The dilemma we'll encounter though is the continued upward push by the Class I's to make more revenues hence earnings that will act just like the stimulus for the banking industry – a lot of activity with little result.

We firmly believe that over time during the lag up period, railroads will take a look at their capital structure and realize that some incremental business is better than no incremental business. Our advice has been and will continue to be keep pushing your development projects with the Class I railroads and at some point they'll realize we're all in the same boat - some business is better than no business.

Despite the continued devaluation of the dollar, we see little impact on the export market where one would expect the results to be prevalent. Considering the world wide credit market lack of strength; companies, countries and governments are having a difficult time coming up with the cash to buy goods (and services) from the United States. This directly affects the ability to export two of our most important heavy haul export commodities: coal and grain.

Looking at a fundamental indicator there are approximately 462,000 railcars on the sidelines waiting for a job. A disproportionate amount of these are coal cars and grain / grain products railcars. Since these types of commodities are heavy haul, long trains with expeditious schedules, the resulting infrastructure is an immense capital investment (particularly when coupled with locomotives required to pull the trains) accruing principle and interest payments with no resulting returns on that investment.

It's somewhat of a precarious position. If the railroads blink and allow new business at a rate lower than existing business, they impact their entire pricing infrastructure. Conversely, if the railroad doesn't move on new business pricing in this economy, very little if any business will be economically viable. We anticipate that this dilemma will continue until better times prevail. In the meantime plan for success by analyzing all your options. If we can lend a hand in your analysis, please don't hesitate to call on us.

We look forward to earning your business!