Tealinc

Touchbase

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Union Pacific to implement changes to existing Private Empty Car Storage program

Further program details will be available in the Union Pacific Accessorial Tariff UP 6004, Item 9890. Contact your Union Pacific Representative for assistance as you become familiar with the terms and use of this new program.

BNSF to use new system to calculate total miles for

Railroad Updates

Union Pacific is implementing changes to their existing Private Empty Car Storage (PECS) program. These changes are scheduled to become effective November 1, 2008 for Agricultural and Industrial Products customers. Chemicals customers - who are currently subject to the PECS program - will continue to use the current PECS program and will be cutover to the updated system on January 1, 2009. Changes to the PECS system are being made for several reasons: to complement the current Chargeable Events System (CES) loading and unloading parameters; to improve fleet utilization through more effective private car management; to reduce empty private car dwell; and to facilitate yard and terminal fluidity. The updated PECS system offers many benefits to customers, including:

- Ease of use
- Accuracy of system information
- Alignment with Union Pacific's existing accessorial systems

PECS charges will apply to private empty cars placed in a hold status on the Union Pacific network. The program will be focused on issues related to:

- Storage Charges
- Debits
- Credits
- Billing

The new PECS program is scheduled to become effective November 1, 2008 for Agricultural and Industrial Products customers. On October 1, prior to the implementation of the new PECS program, Agricultural and Industrial Products customers will be provided access to the AMA Web site to monitor their daily activity and accrued charges, as well as a sample billing for the month of October. Chemicals customers will have access to the new PECS system, in parallel with their current PECS system, for the months of October, November and December, before their cutover to the new program on January 1, 2009. A link to the AMA Web site will be provided to all customers during the month of September.

Read the entire article:
http://www.uprr.com/customers/pecs.shtml

BNSF Mileage-Based Fuel Surcharge Adjusted Interchange Mileage

Effective October 1, 2008, BNSF will upgrade to PC*Miler Version 15 from ALK Technologies as the mileage source for interline moves on which BNSF has pricing authority. The PC*Miler Rail Fuel Surcharge router option within Version 15 will be used to calculate total miles for those interline moves. This represents a change from the PC*Miler Fuel

interline moves

Surcharge router Version 14 that BNSF has used since October 1, 2007.

For movements that originate and terminate on BNSF, and on the BNSF portion of Rule 11 shipments, customers can continue to compute mileage using the mileage inquiry on the Web at: **http://www.bnsf.com/bnsf.was6/RailMiles/RMCentralController**.

For coal unit train movements that originate and terminate on BNSF, or terminate on a rail carrier other than BNSF, customers can continue to compute mileage using the coal unit train mileage table posted on the Web at:
http://www.bnsf.com/tools/prices/fuelsurcharge/pdf/coal_mileage.pdf

U.S. Ports' Container Volume Will Tumble 6 Percent in 2008, Report Says

Cargo volume at major U.S. container ports is expected to decline 6 percent vs. 2007's level

By year's end, cargo volume at major U.S. container ports is expected to decline 6 percent vs. 2007's level — a slightly steeper drop than projected a month ago, according to the latest monthly Port Tracker report issued by the National Retail Federation (NRF) and Global Insight.

Volume is forecasted to total 15.5 million 20-foot equivalent units (TEUs) compared with 2007's 16.5 million TEUs. In August, Port Tracker predicted 2008 volume would decline 4 percent. However, year-over-year increases previously projected in October and December no longer are anticipated, the report states.

"Retailers are tightening up their inventories to reflect what they expect to be able to sell during the holiday season...We still expect to see an increase in sales this year, but the economy is clearly challenging and our industry is trying to hit the balance point between supply and demand as closely as they can"

"Retailers are tightening up their inventories to reflect what they expect to be able to sell during the holiday season," said NRF Vice President for Supply Chain and Customs Policy Jonathan Gold in a prepared statement. "We still expect to see an increase in sales this year, but the economy is clearly challenging and our industry is trying to hit the balance point between supply and demand as closely as they can."

U.S. ports surveyed in July handled 1.32 million TEUs, up 2.6 percent vs. June's total but down 8.3 percent compared with July 2007's level. Port Tracker projects August volume at 1.38 million TEUs, down 5.8 percent year over year; September volume at 1.35 million TEUs, down 8.6 percent; and October volume at 1.4 million TEUs, down 2.9 percent. November volume totaling 1.3 million TEUs will decline 5.3 percent and December volume totaling 1.27 million TEUs will decrease 0.4 percent, NRF and Global Insight predict.

Port Tracker analyzes inbound container volume, the availability of rail cars and trucks at ports, labor conditions, and other factors that affect cargo movement and congestion.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=17933

The AAR announces a 2.1 percent decrease in the Car Repair Facility Labor Rate

U.S. Freight Rail Traffic Down in September

Despite traffic decrease in September, coal, metallic ores and misc. categories saw U. S. carload increases

AAR Updates

The Association of American Railroads (AAR) has advised that effective October 1, 2008, the Car Repair Facility Labor Rate will be $95.74. This results in a decrease of 2.1% from the July 1, 2008 rate of $97.75.

The major changes were rebenchmarking and reweighing. The wage rate was rebenchmarked from 2006 to 2007 wage statistics and the 2006 railroad weights were replaced with weights based on 2007 foreign car billing. The back pay amounts for last year's new national IBBM agreement are now completely amortized and, therefore, removed. Back pay amounts for the National Brotherhood of Railway Carmen agreement are on their final quarter of amortization and they will be removed from the January 2009 rate. One new independent agreement, which included retroactive wage agreements and back pay, was added to the rate.

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

Railroad Traffic

U.S. railroads originated 1,278,188 carloads of freight in September 2008, down 62,029 carloads (4.6 percent) from September 2007, the Association of American Railroads (AAR) reported October 2, 2008. U.S. railroads also originated 918,319 intermodal units in September 2008, a decrease of 44,959 trailers and containers (4.7 percent) from September 2007.

Three of the 19 major commodity categories tracked by the AAR — coal, metallic ores, and the catch-all "all other" category — saw U.S. carload increases in September 2008 compared to September 2007. Coal was up 17,062 carloads (3.0 percent) to 592,306 carloads in September, while carloads of metallic ores were up 4,648 carloads (16.8 percent).

Among other commodities, carloads of motor vehicles and equipment were down 24.7 percent; carloads of chemicals were down 12.1 percent; and carloads of crushed stone, sand, and gravel were down 16.1 percent. Carloads of grain were down 8.3 percent for the month.

"September was not kind to U.S. freight railroads," noted AAR Senior Vice President John T. Gray. "Hurricane Ike caused significant damage, both to rail infrastructure and to rail customer facilities on the Gulf Coast, including many chemical facilities. And, of course, railroads and their customers are not immune to the upheaval in the general economy due to the credit crunch."

In the third quarter, total carloads on U.S. railroads fell 1.2 percent (51,329 carloads) to 4,225,452 carloads. In the quarter, carloads of coal rose 4.1 percent (75,330 carloads), carloads of metallic ores rose 16.2 percent (15,474 carloads), and carloads of waste and scrap material rose 5.2 percent (6,754 carloads). Carloads of motor vehicles and equipment fell 26.7 percent (64,178 carloads) in the third quarter; carloads of crushed stone and gravel were down 9.1 percent (25,515 carloads); and carloads of coke were down 32.3 percent (23,751 carloads).

"Coal was a bright spot in the third quarter," Gray noted. "In fact, it's likely that U.S. railroads moved more coal in the third quarter than in any quarter in history."

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For the first nine months of 2008, total U.S. rail carloads were down 31,579 carloads (0.2 percent) to 12,677,188 carloads. U.S. intermodal traffic was down 86,644 trailers and containers (2.8 percent) in the third quarter and was down 278,002 trailers and containers (3.1 percent) for the first nine months of 2008 to 8,746,631. Total volume was estimated at 1.32 trillion ton-miles, up 0.9 percent from last year.

Combined cumulative rail volume for the first 39 weeks of 2008 on 12 reporting U.S. and Canadian railroads totaled 15,571,913 carloads, down 1.0 percent (163,012 carloads) from last year, and 10,628,931 trailers and containers, down 1.9 percent (202,189 units) from 2007's first 39 weeks.

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

U.S. grain exports highlight need for infrastructure boost

Industrial Inside

In an Associated Press story August 25, 2008, writers Christopher Leonard and Catherine Tsai focus on how the country's bountiful harvests brings focus to the freight rail industry's quest to increase rail capacity.

The article notes that a boom in wheat and corn exports are contributing factors in the need to expand the country's freight capacity, including rail, river and ocean-going barge capacity.

"The surge in exports is revealing inefficiencies in the country's railways, highways and rivers that carry the grain that helps feed the world," the reporters wrote. "A surprisingly large harvest this fall is expected to test the system even further."

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"The U.S. Department of Agriculture predicts farmers will produce the second largest corn crop and fourth largest soybean crop in history," they wrote. "In the meantime, exports are forecast to increase, with corn shipments expected to grow every year over the next decade from 54 million metric tons to 77 million metric tons, according to the Food and Agricultural Policy Research Institute."

"Rail delays cost amounted to about 1 percent of the combined $13.8 billion value of corn and soybean exports in 2006," the article said. "Fixing the bottlenecks will take billions of dollars in investment over

The AAR estimates

it will cost about $148 billion to expand rail lines over the next 30 years to handle increased demand

several years."

"The AAR and farm industry groups are backing legislation that would offer tax credits for investments in freight rail expansion," the article states.

Read the entire article at:
http://www.ajc.com/business/content/shared-gen/ap/Finance_General/Grain_Bottleneck.html

Spring wheat market continues to come under pressure

Spring Wheat Market Continues to Come Under Pressure

The recent financial crisis in the United States is impacting not only banking and insurance institutions, but is also reaching out to affect commodity markets as well.

"The wheat market continues to be under pressure," said Jim Peterson, marketing director for the North Dakota Wheat Commission. "The recent financial dilemma with the country's investments banks has had a very bearish psychology on the markets. Investors are very unsure right now. Index funds have held commodities as one of the strong investments in recent years, but this year they appear to be less bullish on commodities."

The futures market has lost nearly $2 since August, Peterson pointed out. Local cash prices for spring wheat are ranging from $6.90 to $7.40 with an average of $7.20. One of the factors impacting the wheat market is the record large world crop this year which means more competition for export markets.

"From a demand standpoint, Canada's spring wheat harvest has been slowed due to rain which is also affecting quality; U.S. millers and traditional export buyers may realize they won't get as high of quality out of Canada as thought before, and any sales from Canada will be later than expected,"

Wheat is not the only commodity feeling the pinch. Corn and soybeans are also coming under pressure. "This may have a lot of analysts who boldly predicted this bull run had another two or three years in it re-thinking their comments," Peterson said. "Time will tell."

On the positive side, the drop in the market has made wheat more attractive than a month ago, according to Peterson, who said wheat is getting to the level where he thinks there will be more interest in wheat for feed, especially for the cheapest class of wheat - soft red winter. Export demand should also start to accelerate for hard red spring wheat for blending purposes on food quality wheat.

"From a demand standpoint, Canada's spring wheat harvest has been slowed due to rain which is also affecting quality; U.S. millers and traditional export buyers may realize they won't get as high of quality out of Canada as thought before, and any sales from Canada will be later than expected," Peterson said.

The USDA raised its world wheat production estimate

Peterson said stronger export and domestic demand will be key to any sustained harvest rally. "Millers are trying to source higher protein wheat, so the odds favor increased demand later in the year," he said.

in September from 24.6 billion bushels in August to 24.8 billion bushels this month

Right now the market is fighting a big world wheat crop, according to Peterson. The USDA raised its world wheat production estimate in September from 24.6 billion bushels in August to 24.8 billion bushels this month.

Decreased production in Argentina and Australia was more than offset by increases in the former Soviet Union and Europe. However, the increases there shouldn't affect traditional export channels for hard red spring wheat, according to Peterson.

U.S. wheat exports stand at 590 million bushels sold, which is 23 percent behind last year when 765 million bushels had been sold. But the total is still on pace with USDA's goal of 1 billion bushels by the end of the marketing year

To date U.S. wheat exports stand at 590 million bushels sold, which is 23 percent behind last year when 765 million bushels had been sold. But the total is still on pace with USDA's goal of 1 billion bushels by the end of the marketing year.

Hard red spring wheat exports stand at 105 million bushels to date, compared to 170 million bushels at this time last year. That's down 40 percent. USDA had projected a 20 percent decrease from the previous marketing year.

"In the near term we are hoping to see a pick up in hard red spring wheat exports," he said. "That will help local prices."

Read more at:
http://www.farmandranchguide.com/articles/2008/10/06/ag_news/markets/mark12.txt

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Financial Focus

On October 7th, the Fed unveiled a plan to lend directly to the nation's major companies by buying up an unlimited amount of the $1.3 trillion in commercial paper, short-term loans that businesses use to operate day-to-day, on the market.

The Fed also announced it was doubling the size of its term auction facility, a program the Fed created last year to lend banks money for up to 85 days at a time, to $300 billion. The Fed added it was prepared to boost the term auction facility to $900 billion by year's end.

Despite this, banks still appear to be reluctant to lend money and stock markets around the globe continued to fall October 8th.

Experts say there are worries that the global economy is now sliding towards recession and that there is relatively little that the Fed or other central banks can do to stop that

Experts say there are worries that the global economy is now sliding towards recession and that there is relatively little that the Fed or other central banks can do to stop that. The International Monetary Fund warned Wednesday that the world's economy will slow sharply this year and next.

"They're looking a bit more impotent with each action," said Lakshman Achuthan, managing director of the Economic Cycle Research

Major banks around

Institute, about the Fed.

Achuthan said that since major banks around the world are cutting back on their lending, that dwarfs the economic muscle of the world's central banks and governments.

But in a speech Tuesday, Federal Reserve chairman Ben Bernanke vowed that the Fed would do whatever it takes to try to fix the credit crunch.

"To support growth and reduce the downside risks, continued efforts to stabilize the financial markets are essential," he said. "The Federal Reserve will continue to use the tools at its disposal to improve market functioning and liquidity."

Experts say they don't think Wednesday's global rate cuts are the last steps the Fed plans to take. And many have suggestions as to what the Fed might do to get banks in the business of lending again.

More cuts on the way?
The first step is probably the most traditional one - further rate cuts.

According to closely watched interest rate futures, investors are pricing in an 84% chance of another quarter point cut at the Fed's next meeting, a two day session that concludes on October 29. That would leave the central bank's key fed funds rate at 1.25%.

Many experts believe the Fed would not want to take rates below 1% -- which is where they were for 12 months in 2003 and 2004. Some have blamed those low rates for helping to create an environment of easy lending that contributed to the housing bubble.

Yet, the Bank of Japan's key interest rate is already at 0.5%. And some argue that it would be justified for the Fed to lower rates to that level, or even to 0%, because of current conditions.

"Why not? If you're facing a situation where you need to lower the rates all the way to zero to keep the economy from going over the precipice, why wouldn't you do that," said Lyle Gramley, a former Fed governor now working as an economist for the Stanford Group.

Regardless of how far the Fed is willing to cut, more cuts are expected by other central banks, most notably the European Central Bank. That's because the ECB had not been cutting rates during the past year and have more room to lower rates.

the world are cutting back on their lending

"To support growth and reduce the downside risks, continued efforts to stabilize the financial markets are essential...The Federal Reserve will continue to use the tools at its disposal to improve market functioning and liquidity"

Another interest rate cut expected during the Feds next meeting concluding on October 29

Meeting would leave federal funds rate at 1.25 percent

The Fed could agree to buy small business loans from banks that are backed by collateral, such as inventories or equipment. Gramley said the loans could be purchased on a non-recourse basis, meaning the Fed, and not the bank, assumes the risk if the loan goes bad

Other options for the Fed

Bill Gross, the chief investment officer at giant bond manager Pimco, wrote this week that another step the Fed could take is to become a clearing house for trades of a variety of exotic and arcane financial instruments such as collateralized debt obligations or credit default swaps. These have traditionally been traded directly between two firms rather than in an open market.

"We believe that the Federal Reserve must now act as a clearing house, guaranteeing that institutional transactions clear," Gross wrote in his most recent commentary.

Schlesinger agreed, saying that while the Fed would normally never think to take such an active role in markets, these are far from normal times.

Gramley said he also believes that the Fed may supplement its efforts to help larger firms by starting to lend money to small and medium sized businesses as well.

The Fed could agree to buy small business loans from banks that are backed by collateral, such as inventories or equipment. Gramley said the loans could be purchased on a non-recourse basis, meaning the Fed, and not the bank, assumes the risk if the loan goes bad.

That would free the banks from the need to raise more capital if the loans sour and could make them more willing to make such loans once again.

"The Fed can work aggressively enough to break the logjam," Gramley said.

Learn more at:
http://money.cnn.com/2008/10/08/news/economy/whats_next/index.htm?postversion=2008100816

The Edge

I read a recent article in the Wall Street Journal about small firms digging for funding due to the credit crisis. It seems the inevitable has occurred and is occurring as many big banks pull back on commercial lending, small companies have to seek new ways and places to fund their operations.

As we look across the credit crisis the breadth and depth of the “crisis” is amazing. It ranges from the Arabic countries to South America to Russia and the Baltic. It cuts across multi-billion dollar industries to mom and pop operations just trying to scratch out a living.
So what does this have to do with transportation, rail, truck or barge operations?

We’re seeing fall out of the crisis as we speak (or write in this case). Companies that are large and small are for sale or simply are going bankrupt in some fashion. Many of these are the very same companies in large part that depend on a transportation and logistics network for the life lines of product and services.

From the Tealinc perspective, we see a shift in transportation modes simply because of cost. In volume it is cheaper to ship by rail than truck or by barge than rail. We see some constraints in lower per unit cost shipping arenas such as the steam ship lines that sail across the ocean being somewhat tight on capacity and barge traffic still feeling the brunt of a horrendous hurricane season. The squeeze in many industries comes down to a push to rail as the least cost alternative. Inherently in a climate where you’d expect rail pricing to level off or possibly decrease in transit price to rebase to the economy you may very well see continued double digit percentage increases in price simply because the market will allow it.

As a shipper, pricing continues to be lower in volume. Larger, longer and heavier trains (depending on the corridors) will continue to be the best priced deal on rail.
Our message, continue to plan to be successful and you will. If we can be of assistance don’t hesitate to give us a call or send an email.

We look forward to earning your business!