

In This Issue

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

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**CSXT Fuel surcharge
will increase
effective
October 1, 2009**

**TSA's new Freight
Rail Security Rules
include a
requirement to
ensure that
transfers of custody**

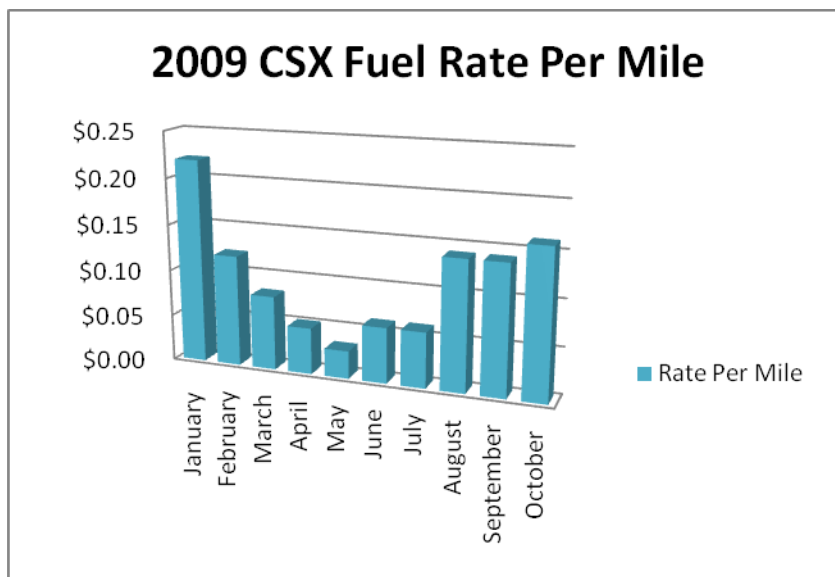
Railroad Updates

The CSX Transportation announced in September that the HDF fuel surcharge will increase effective October 1, 2009.

The highway diesel fuel/mileage based fuel surcharge is published in CSXT Fuel Surcharge Publication 8661 and applies to all regulated linehaul freight rates existing or established by CSXT on or after April 23, 2007. It also applies to all linehaul freight rates and charges with respect to exempt, contract, private or other pricing documents that reference CSXT Publication 8661 on or after April 23, 2007.

The CSXT HDF/mileage based fuel surcharge of 14 cents per mile, which became effective August 1, 2009 through September 30, 2009, will change to 16 cents per mile for shipments having a bill of lading dated on or after October 1, 2009.

Following are the CSXT HDF/mileage based fuel surcharge rates for 2009:



Read the entire article:

<http://www.csx.com/?fuseaction=customers.newsdetail&i=50318>

NSF Further Aligns Hazmat Handling With Recent Freight Rail Security Regulations Effective October 1, 2009

On April 1, 2009, new Transportation Security Administration (TSA) regulations were put into effect to improve the security of Rail Security Sensitive Materials (RSSM), including toxic inhalation and poison inhalation hazard commodities (TIH/PIH), high explosives, and certain radioactive shipments. At the heart of the TSA's new Freight Rail Security Rules is a requirement to ensure that transfers of custody of RSSM between shippers, railroads, and consignees are attended by

**of Rail Security
Sensitive Materials**

**BNSF notes that
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representatives of both the transferring and receiving parties. BNSF has since worked with customers and other railroads to adapt operating practices to comply with the new regulations.

Effective Thursday, October 1, 2009, BNSF will put in place new processes to ensure that RSSM shipments in previously unused lanes will also be compliant with TSA regulations.

The BNSF asks that its customers note that, effective October 1, 2009, any BNSF Price Authority governing the transportation of RSSM will not apply when such shipments are routed via Interchange Junctions covered by Note 125 or to/from stations covered by Note 126 published in the Official Railroad Station List (OPSL 6000 series) maintained by Railinc Corporation and the AAR.

Customers wanting to ship RSSM to interchange junctions and BNSF-registered off-network stations covered by these OPSL notes must contact their BNSF Marketing Representative before submitting the waybill. For informational purposes, BNSF maintains a list of RSSM on their Homeland Security web page. Customers should review the applicable regulations in place at the time of shipment.

Read the entire article:

<http://domino.bnsf.com/website/updates.nsf/updates-marketing-industrial/D0AA5F2E825DFCEC8625762C0065E216?Open>

AAR Updates

The OneRail Coalition the week of September 21, 2009 sent a letter to Senate Appropriations Committee Chairman Patty Murray urging increased support for railroad investment in H.R. 3288, the FY2010 Transportation, Housing and Urban Development Appropriations bill.

OneRail noted that freight and passenger rail infrastructure improvements offer significant environmental, energy and mobility benefits, and will create good jobs for American workers particularly in states which have experienced losses in other sectors.

Members of the OneRail Coalition include the Association of American Railroads, the American Public Transportation Association, Amtrak, the American Short Line and Regional Railroad Association, the National Association of Railroad Passengers, the National Railroad Construction & Maintenance Association, the Natural Resources Defense Council, the Railway Supply Institute, the States for Passenger Rail Coalition, the Surface Transportation Policy Partnership, and the United Transportation Union.

The OneRail Coalition urges that the maximum amounts be made available for railroad investment in the United States by increasing the rail infrastructure and service investments, continue National transportation infrastructure improvements, and assure eligibility for rail of general fund investments.

AAR reports rail traffic declines continue to slow in August

The more consumer-driven intermodal traffic was down 16.7 percent compared with August 2008

“August was another month where we are seeing traffic data moving in the right direction – but we are still in a wait-and-see mode”

World crude steel production has continued to show a steady increase since April 2009

For the complete article visit the AAR at:

http://www.aar.org/NewsAndEvents/News/2009/09/092809_OneRail.aspx

Railroad Traffic

The Association of American Railroads (AAR) reported on September 10, 2009 that while U.S. freight rail carloads declined in August, down 16.4 percent (at 1,116,182 carloads) compared with the same month last year, the percentage decline for the month was the lowest since February. In the Rail Time Indicators Report issued on September 10, 2009 AAR released monthly traffic data framed with other key economic indicators to show how freight rail ties into the broader the U.S. economy.

Carload data for certain commodity groups had notable traffic changes in August. Carloads of chemicals – which are used as a raw material in virtually all types of manufacturing – were up 14 percent from its lowest point this year in March. This increase in carloads of chemicals is in line with the August Purchasing Managers Index, up 4 percent from the month before. The autos and auto parts commodity group saw a significant monthly boost – likely the result of the federal “Cash for Clunkers” program – up 40 percent in August from the month before.

The more consumer-driven intermodal traffic was down 16.7 percent compared with August 2008. However, the average weekly intermodal count was 196,066 trailers – the highest since January 2009.

“August was another month where we are seeing traffic data moving in the right direction – but we are still in a wait-and-see mode,” said AAR Senior Vice President of Policy and Economics John Gray. “Railroads are beginning to bring cars out of storage – a promising sign there is growing demand to move more things by rail. However, to date, the improvements remain too small to judge whether they are the result of seasonal factors or indicators of an emerging recovery.”

Visit the AAR at:

http://www.aar.org/NewsAndEvents/PressReleases/2009/09/091009_AARTrafficReport.aspx

Industrial Inside

World crude steel production for the 66 countries reporting to the World Steel Association was 106.5 million metric tons (mmt) in August, down 5.5% from August 2008. While world crude steel production has continued to show a steady increase since April 2009, China’s crude steel production for August 2009 was 52.3 mmt, 22.0% higher than August 2008, the highest amount of crude steel China has ever produced in a month.

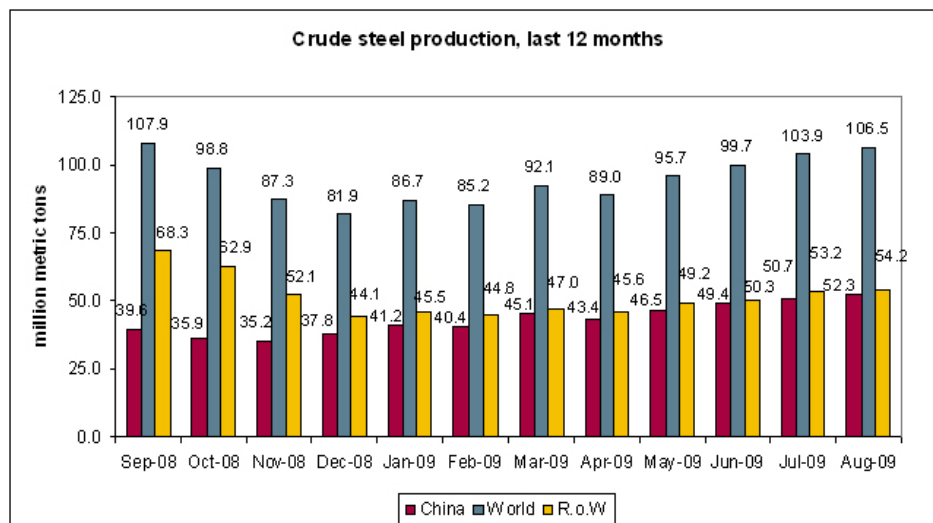
Elsewhere in Asia, Japan produced 8.3 mmt of crude steel in August

China's crude steel production for August 2009 was 22 percent higher than August 2008 – the highest amount of crude steel China has ever produced in a month

Year-to-date, total crude steel production in the 66 reporting countries for the first eight months of 2009 was down 18.1% over the same period of 2008

Central bank leaves rates near zero. Says the economy is

2009, down by -18.3% compared to the same month last year. South Korea showed a decline of -5.4% from August 2008, producing 4.2 mmt of crude steel in August 2009.



In the EU, Germany's crude steel production was 3.0 mmt in August 2009, a decrease of -26.0% from August 2008 while Spain produced 1.1 mmt in August 2009, down by -35.2% from August 2008. Turkey produced 2.3 mmt of crude steel in August 2009, -9.1% down from August 2008.

The US produced 5.2 mmt of crude steel in August 2009, a decrease of -40.0% compared to the same month last year. Brazil produced 2.6 mmt of crude steel in August 2009, -15.0% lower than August 2008. Iran produced 0.9 mmt of crude steel in August 2009, 15.2% more than in August 2008.

In August, almost all the major steel-producing countries – including China, Japan, South Korea, Germany, the US and Brazil– have shown their highest monthly figures for 2009.

Year-to-date, total crude steel production in the 66 reporting countries for the first eight months of 2009 was 759.5 mmt, a -18.1% decrease over the same period of 2008.

Read the entire article:

<http://www.worldsteel.org/?action=newsdetail&id=274>

Financial Focus

The Federal Reserve kept interest rates near zero on September 23, 2009 and said the economy is improving. But the Fed also pointed out ongoing job losses could dampen a recovery.

At the conclusion of its two-day meeting Wednesday, September 23, the Federal Open Market Committee said that the government's

showing signs of improvement and inflation remains subdued.

Federal Reserve chairman Ben Bernanke said that he thought the recession was "very likely over" but the Fed reiterated that "economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period"

Central bank continues to oversee dozens of economic rescue programs that have added about \$1 trillion to its balance sheet

stimulus and economic rescue actions have helped to stabilize the financial markets, which will help generate economic growth in the future.

"Economic activity has picked up following its severe downturn. Conditions in financial markets have improved further, and activity in the housing sector has increased," the Fed said in a statement. It was the first time since August 2008 in which the FOMC said the economy had improved from its previous meeting.

Meanwhile, the Fed said consumer spending is stabilizing, but that rampant job loss and tight credit has restrained overall household consumption. The Fed added that although the housing sector has begun to make a comeback, home sales and new home construction are coming off of historic lows.

As a result, the Fed kept its federal funds rate, an overnight lending rate that guides rates on various consumer and business loans, in a range of 0% to 0.25%. Rates have been at that level since December 2008.

Federal Reserve chairman Ben Bernanke said that he thought the recession was "very likely over." But the Fed reiterated that "economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period." That's in spite of its forecast of a looming recovery.

"I'm not so sure they're going to be able to keep that line [in future statements]," said Mark Vitner, economist at Wells Fargo. "They'd like to until the economy is firm enough that they don't scare people when they talk about the need to raise rates. But the economy is looking a little bit better, and they may have to back off sooner than they'd like."

Vitner said the Fed likely would have renewed it if there weren't signs of improvement in the housing sector. He argued that the Fed likely extended the phase-out period until the spring of 2010 so the central bank wouldn't shock the housing sector with a sudden exit.

In addition, many economic forecasts have unemployment reaching its peak at the end of first quarter, and Fed programs will likely be needed to help support the economy through that period of job loss.

"We are seeing the exit strategy in motion," said Sung Won Sohn, professor of economics at California State University. "The FOMC is trying to balance its support for the weak economy and budding inflation concerns, and their answer is to phase out some of these purchase programs but make sure the economy has plenty of liquidity

by keeping rates low."

Still, the central bank continues to oversee dozens of economic rescue programs that have added about \$1 trillion to its balance sheet. The Fed said those programs have helped the economy rebound, but many experts believe the initiatives could contribute to out-of-control inflation if they are not pared back in time.

Read the entire article at:

http://money.cnn.com/2009/09/23/news/economy/fed_decision/index.htm?postversion=2009092408

The Edge

The Rail Time Indicators, published monthly by the Association of American Railroads ([AAR RTI](#)), show there are 478,046 railcars in storage as of September 1, 2009. This is slightly better than the prior month with a record 489,469 railcars in storage. Considering that there are around 1.4 million cars on record thru the end of 2008, this downturn represents the reality that approximately 35% of the entire North American railcar fleet are parked. Our sources tell us that many railcar owners are slowing marching railcars to scrap yards despite the dismal prices being offered for them. The balance of newer railcars are finding homes in storage yards at ever increasing prices.

Railroads are just starting to ask for business. I don't think they've been this forthright in their requests since the Staggers days. When one looks at the Capacity Utilization of the US (the concept of a Plants output index as measured by the Federal Reserve for 87 industries) we see a slight uptick in July numbers to 65.4% up 7 percent from the previous month. It should be consider though that this may be a final leveling at the bottom as June's numbers were the lowest since the series has been recorded beginning in 1967.

With this understanding, it's no wonder railroads are starting to ask for business. They recognize that there is a lot of unused or under-utilized capacity in providing goods and services and in many cases a little research, concession and forward thinking by the railroad personnel will get some of this back in business quicker than a "do nothing" approach.

Our advice? **Take them up on their offer!** Tell them what you need and keep telling them until they understand your business and position entirely. Our experience has been that the railroad personnel, as good business people as they are, must flush out the true opportunity as defined in their terms before you'll find a champion for adding your business or growing it thru a rail network.

We're fortunate enough to be working with several more progressive companies that are aligning their resources for a resurgence of business at some point in the future. Planning ahead, especially in challenging times, often defines the winners from those that merely participate. Plan to win!

We look forward to earning your business!