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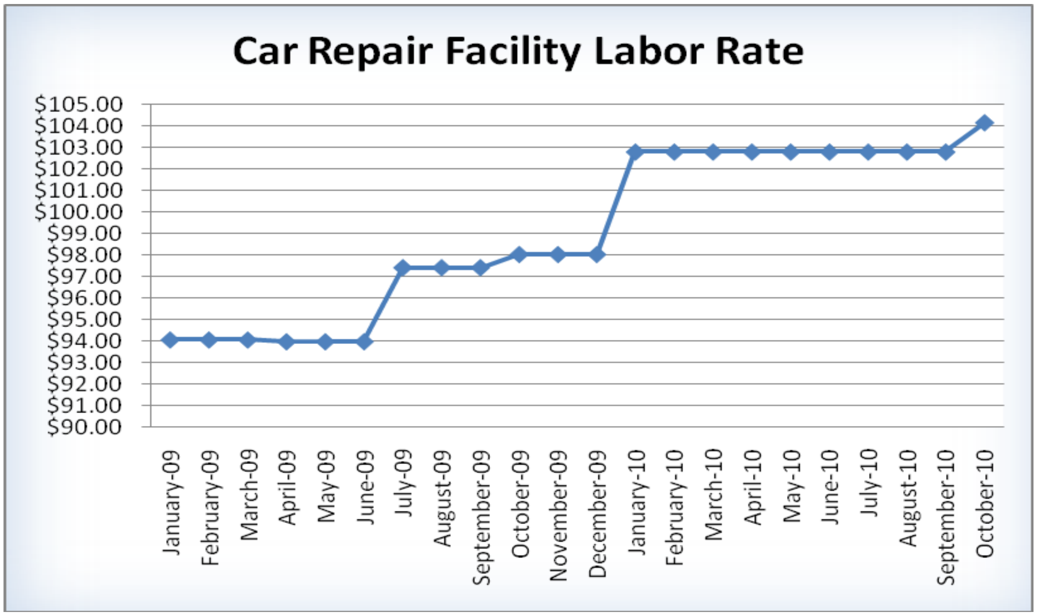
AAR Announces car repair facility labor rate increase

Mixing high-speed passenger trains with slower freight trains would create safety risks, prevent future expansion and cause congestion

Under FRA rules,

Railroad Updates

The AAR announced in September that effective October 1, 2010, the Car Repair Facility Labor Rate will be adjusted to $104.16. This results in an increase of 1.3 percent from the July 1, 2010 rate of $$102.80. The only changes included in the October 1, 2010 Labor Rate were rebenchmarking and reweighing to 2009 statistics.



Read More at:
www.aarcirculars.aar.org

Freight Carriers Balk At Sharing Tracks With The Faster Passenger Service

Opposition from freight railroads is threatening the Obama administration's multibillion-dollar push to make high-speed passenger trains an integral part of the U.S. transportation network. The standoff demonstrates the difficulties of introducing new passenger service to a rail network that is at least 90% owned by freight railroads and outfitted for slower trains.

To save time and money, government officials want new high-speed rail routes to operate on the vast system of train corridors that already crisscross the U.S., unlike European and Asian countries that have built dedicated tracks for high-speed rail.

But Norfolk Southern Corp., Union Pacific Corp. and other railroad companies are balking at sharing their tracks or rights-of-way with trains that would run between 90 and 200-plus miles an hour. They argue that mixing high-speed passenger trains with slower freight trains would create safety risks, prevent future expansion and cause congestion.

high-speed passenger trains traveling between 90 mph and 125 mph can share tracks with freight railroads, while trains going between 125 mph and 250 mph must run on a separate track

Cargo would be pushed to their competitors—trucking firms—the railroads argue, just as freight loads are picking up after the recession. Weekly average carloads in August were the highest since November 2008, according to the Association of American Railroads, the industry's main trade group.

State and railroad officials are struggling to hammer out partnership deals required to release the funds. The Federal Railroad Administration (FRA) has distributed just $597 million out of $8 billion in stimulus funds awarded by the administration in January 2010 to jump-start high-speed rail. An additional $286 million is expected to go out the door soon, the FRA said. Even when states and freight railroads have reached agreements, disagreements remain over the speeds at which the passenger trains will be allowed to travel.

"Regrettably, the difficulty in achieving timely stakeholder agreements between the states and freight railroads has delayed putting Americans to work and building the rail system of the future," John Porcari, deputy secretary of the Department of Transportation testified September 15 before the Senate Committee on Commerce, Science and Transportation.

Federal officials call the money an unprecedented federal investment in the U.S.'s rail network, and say the high-speed rail funds will add capacity that will benefit freight railroads. John Gray, senior vice president of policy and economics at the Association of American Railroads, says the stimulus funding pales in comparison to the $460 billion railroads have sunk into their own infrastructure over the past 30 years.

"It is interesting money perhaps," he said of the federal funds. "But is it the kind of thing you sell your soul for? No."

The success of many of the projects depends on cooperation between freight railroads and states, Mr. Porcari said. "It is something we're going to insist on."

Under FRA rules, high-speed passenger trains traveling between 90 mph and 125 mph can share tracks with freight railroads, while trains going between 125 mph and 250 mph must run on a separate track. Currently, Amtrak's conventional trains, which go up to 79 mph, share tracks with freight railroads in most of the country.

Freight railroads say running faster and slower trains on the same track could slow their trains because they would have to give faster trains more leeway. Freight railroads also worry partnerships with states will bring federal regulations, an unwelcome prospect for an industry largely deregulated in 1980. The Transportation Department is requiring that railroads that benefit from stimulus funds meet performance standards in return.

Read the entire article:
http://online.wsj.com/article/SB10001424052748703305004575504180006530598.html?KEYWORDS=high+speed+rail

CSX Recognized As A Top 10 Company In The S&P 500 On Both The

Environmental stewardship is a top priority

Carbon Disclosure Leadership Index And The Carbon Performance Leadership Index

CSX Corporation (CSX) announced on September 20, 2010 that it received a score of 91 in the Carbon Disclosure Project's (CDP) 2010 S&P 500 Report, the highest score for an industrial company. The company was in the top five industrial companies to be included in the Global Carbon Performance Leadership Index (CPLI).

CSX's score is based on its responses to CDP's questionnaire, which focused on greenhouse gas emissions, emissions reduction targets, and risks and opportunities associated with climate change. In 2010, the CPLI recognizes 48 Global 500 companies that have made a commitment to good corporate governance with respect to climate change disclosure practices.

"CSX is dedicated to operating in a way that generates strong, sustainable outcomes for communities and shareholders. That is why the company is delivering transparency and progress on all fronts, including environmental benefits," said Michael Ward, CSX chairman, president and chief executive officer. "Improving efficiency and reducing emissions is the right decision for the environment, CSX's customers, and the company's shareholders. Furthermore, freight demand is projected to grow significantly at the same time that policymakers are working to reduce greenhouse gas emissions and our dependence on oil. Through sustainability efforts, CSX is positioned to serve as a solution to environmental and energy challenges while continuing to provide shareholder value."

Environmental stewardship is a top priority throughout CSX's operations and management. The company was the first transportation company to set a voluntary goal to reduce its greenhouse gas emissions. CSX committed to reducing its carbon dioxide intensity eight percent by 2011 by continuing to improve its fuel efficiency. In addition, the company recognizes the importance of a green supply chain and works closely with its customers to make their supply chains as efficient as possible. To help in this effort, CSX launched an online Carbon Calculator for customers to calculate the emissions associated with various transportation options. As part of its commitment to the environment, CSX has disclosed its greenhouse gas emissions and climate change strategies with CDP since 2008. A not-for-profit organization, CDP represents 534 institutional investors with $64 trillion in assets under management. CDP acts as an intermediary between shareholders and corporations on climate change-related issues by providing primary climate change data from the world's largest corporations.

Read the entire article:
http://investors.csx.com/phoenix.zhtml?c=92932&p=irol-newsArticle&ID=1473123&highlight=

AAR Updates

In February 2010 U.S. DOT announced that the CREATE Program would receive $100 million in Transportation Investment Generating Economic

CREATE signalization project begins construction

Saves 35 jobs and supports many more

Increasing the efficiency of freight and passenger rail service throughout the region and across the United States

AAR Reports August 2010 Rail Traffic Continues Mixed Progress

Recovery (TIGER) funds under the American Recovery and Reinvestment Act (ARRA) to complete five projects. Work on the first of those five projects began in July. The Broadview/LaGrange signalization (Projects B4/B5) will install a new bi-directional computerized Traffic Control System (TCS) along a seven-mile segment of the Indiana Harbor Belt (IHB). This project will upgrade 21 hand-thrown switches to power switches. The TIGER grant funded $11.7 million of the $13.7 million project. The remainder of the funds was contributed by the freight railroads.

Most trains currently spend up to two hours traversing the limits of this project due to the hand-thrown switches and restricted speeds. The signal improvements will allow trains through this segment in as little as 20 minutes. These improvements will allow increased operating speeds to 30 mph from a "restricted speed" (between 1 and 20 mph). The project also allows greater flexibility for simultaneous and bidirectional train movements through the addition of two control points. At the northern end of the project area trains enter and exit Proviso Yard. With the signal improvements, more options will exist to move trains in and out of the yard and pass around stationary trains waiting for route availability.
The signal system upgrades will provide greater visibility, enabling train dispatcher to know the exact locations of trains in the area. This enhances the dispatcher's ability to route more trains through the territory, expanding overall capacity. Additionally, greater flexibility to keep trains moving reduces conflict with at-grade highway crossings at the south end of the project area in LaGrange and LaGrange Park.

In June 2010, 35 signal and trackmen from the Indiana Harbor Belt Railroad were slated to be put on "unpaid leave." As was the intent of ARRA, quick document review by U.S. DOT and IDOT resulted in release of the TIGER funds in late July 2010, enabling this project to start and these 35 employees to retain their jobs. Per the federal guidance for ARRA grant applications, this grant is estimated to support a total of 149 job-years, including direct, indirect, and induced jobs.

The CREATE Partners include the Illinois Department of Transportation, Chicago Department of Transportation and the Association of American Railroads (AAR) representing BNSF, CN, Canadian Pacific, CSX, Norfolk Southern, Union Pacific, the switching railroads Belt Railway Company of Chicago and Indiana Harbor Belt Railroad, as well as Amtrak and the commuter railroad Metra. The $3 billion program comprises 71 critically needed rail and highway infrastructure improvements in Northeastern Illinois, aimed at reducing congestion and improving the quality of life of area residents and increasing the efficiency of freight and passenger rail service throughout the region and across the United States.

Read the entire article at:
http://www.aar.org/en/NewsAndEvents/Press-Releases/2010/09/29-CREATE.aspx

Railroad Traffic

The Association of American Railroads (AAR) reported September 3, 2010 that monthly rail carloads for August 2010 were up 5.7 percent compared

August 2010 Average Weekly Carloads Highest Since November 2008

with the same period last year, but still down 11.6 percent compared with August 2008. According to AAR's September Rail Time Indicators Report, the weekly average of 294,862 carloads in the month of August 2010 was the highest since November 2008. Intermodal traffic in August was up 19.7 percent compared with the same month in 2009, but down slightly by 0.3 percent compared with August 2008.

Seasonally adjusted AAR data for August showed a month-to-month dip in carloads, down 1.6 percent from July 2010, but a slight increase in intermodal traffic, up 0.6 percent from the month before.

"It is very difficult right now for anyone to forecast the economy's path. We also know from experience that things can change very quickly," said AAR Senior Vice President John T. Gray. "That said, there is little in last month's rail traffic data that would indicate economic recovery has stalled. While a faster recovery path would be attractive to railroads and our customers, the data so far show a slow measured recovery is probably continuing."

On an unadjusted basis, August also saw carload gains in 16 of the 19 commodity groups tracked by AAR. Three categories in particular continue to see sharp gains: metallic ores up 60.8 percent; steel and other primary metal products up 40 percent and crushed stone, gravel and sand up 16.3 percent from the same period last year.

Railroads continue to bring employees back to work and cars out of storage. During the month of July, the most recent period for company employment data, railroads added 1,519 people to the employee rolls. U.S. Class I railroads have added 7400 employees in the last six months. Railroads brought 10,759 rail cars out of storage in August, with 348,712 cars, or roughly 22.7 percent of the North American railcar fleet, still in storage.

Visit the AAR at:
http://www.aar.org/NewsAndEvents/Press-Releases/2010/09/090310-RailTimeIndicators.aspx

Industrial Inside

Wind energy can power much of east coast

The strong winds off the Atlantic Ocean could become a cost-effective way to power much of the East Coast - especially North and South Carolina, Delaware, Massachusetts, New Jersey and Virginia, a new study released on September 28, 2010 says.

The report by the conservation advocacy group Oceana argues that offshore wind could generate 30 percent more electricity on the East Coast than could be generated by the region's untapped oil and gas. It predicts that wind from the ocean could be cost competitive with nuclear power and natural gas to produce electricity.

The study appears just as new developments are starting to push U.S. efforts to catch up with Europe and China on tapping the energy in offshore wind. Great Britain opened the world's largest wind farm the week of September 13th, 2010, and China built its first pilot offshore wind farm in 2008, using turbines from the nation's largest wind turbine producer, Sinovel. The Department of Energy earlier in September 2010 issued a draft plan for creating a U.S. offshore wind energy program.

"Offshore wind energy can help the nation reduce its greenhouse gas emissions, diversify its energy supply, provide cost-competitive electricity to key coastal regions, and stimulate economic revitalization of key sectors of the economy," the study says.

The nation's first offshore wind farm, Cape Wind in Massachusetts, has received all its permits, but is embroiled in lawsuits. Three offshore wind projects are in the permitting process - one off Rhode Island's Block Island, another off Atlantic City, N.J., and a third off Rehoboth Beach, Del. A pilot project is planned in Lake Erie, off Cleveland.

Opponents say the wind project could alter the habitat, risking migratory birds, sea mammals and other wildlife. In addition, they say that government subsidies tilt the economics of wind farms to give the appearance that they're economically feasible. Oceana opposes offshore drilling and presented its study as a better alternative.

The authors based their costs for offshore wind - 10 to 13 cents per kilowatt hour - on a 2007 study, but it's also the target price that the Department of Energy has set for the next two decades.

"In 20 years we assume we'll use up all the oil, but we won't use up all the wind," said Oceana's Jackie Savitz, one of the authors.

The study concludes that offshore wind could generate 127 gigawatts of power, or 48 percent of the electricity in the top 11 states with the best wind - which it ranks in order as Delaware, Massachusetts, North Carolina, New Jersey, Virginia, South Carolina, Rhode Island, Maryland, Florida, New York and Georgia.

The total amount of wind power assumes that one-third of the areas with strong winds (Class 4 or higher) would be developed in the area three to 24 nautical miles from shore and less than about 100 feet deep.
The Oceana study said that North Carolina has the largest offshore wind capacity - 37.9 gigawatts, or enough to power 12.8 million homes. That's more energy than the state needs - or 112 percent of its need, according to the report.

Offshore wind could generate 127 gigawatts of power or 48 percent of the electricity in the top 11 states with the best wind

It estimated South Carolina could get about 64 percent of its electricity from wind, or enough to power 5.9 million homes. Florida could get 16 percent of its electricity from wind, enough to replace its use of oil for electricity.

The top-ranked states, Delaware and Massachusetts, could get more than 130 percent of their energy from wind power. Georgia, ranking 11th, was projected to get only 3 percent of its electricity from offshore wind.
The report also argues that offshore wind would result in fewer environmental impacts than nuclear energy, natural gas, coal and oil would bring.

Oceana's study didn't factor in any tax credits for wind or a fee placed on emissions from fossil fuels. It found that coal-fired electricity would be cheaper as long as carbon dioxide emissions remain free. If coal plants had to capture the heat-trapping gas and bury it, however, coal's price advantage could disappear. In addition, the study said the cost comparison doesn't factor in public health benefits from reduced emissions of smog, soot and mercury.

While Oceana argues that the country could get more energy for less money from offshore wind than from offshore oil and gas, the calculation is tricky because oil and gas prices vary so much over time.

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That variation, however, works to wind's advantage, said Jim Lanard, director of the Offshore Wind Development Coalition, a lobby group formed in July.

"The beauty of renewable energy is that the fuel, either the sun or the wind, is free. As a result, developers can establish a fixed stable price for a long period of time, and that allows them to get a long-term contract," he said.

The first U.S. offshore wind farms will be expensive because they'll have to pay for up-front costs of things such as vessels and other infrastructure, Lanard said. However, the effort will quickly gain economies of scale and bring prices down, he said.

The Department of Energy's new plan to promote offshore wind will mean large investments in research and development to bring U.S. costs down. "That's what this nation needs from an energy security and an environmental security perspective - and also national security, so we don't have depend on foreign sources of energy," he said.

Oceana also argued that offshore wind would create more jobs than offshore drilling, including manufacturing jobs. Transportation costs are high for the large turbine parts, and a local market would encourage the development of a local supply chain, Savitz said.

Read the entire article at:
http://www.kansascity.com/2010/09/28/2257120/wind-energy-can-power-much-of.html#ixzz111Z2qRDh

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Financial Focus

Fed: Recovery continues to slow

The U.S. economic recovery continues to lose steam, the Federal Reserve said on September 21, 2010 but the central bank unveiled only tougher language but no new policies to try to spur growth. While the Fed said it expects improvement ahead, it cautioned "the pace of economic recovery is likely to be modest in the near-term."

The Fed left its federal funds rate at close to 0%. That overnight lending rate, which is used as a benchmark to set the rates paid on a wide variety of business and consumer loans, has been at that level since December 2008.

There are numerous signs of weakness in the economy, including employers reluctant to add staff, a depressed housing market, a slowdown in the growth of business investment and only modest improvement in consumer spending

The Fed's statement again promised that this rate would stay at an "exceptionally low levels" for an "extended period."

The Fed also announced it will continue to make new purchases of Treasurys with the proceeds of its earlier investments. That policy was announced at its previous meeting last month.

While the Fed did not announce any additional steps, it was more aggressive in what it promised to do in the future if conditions weaken further. In its statement, the Fed indicated it is prepared to "provide additional accommodation" in order to "return inflation" to slightly higher levels.

Since central banks typically are more concerned with fighting, rather than feeding, inflation, the language was very unusual. It may be a sign that policymakers are more worried about the risks posed by lower prices rather than higher prices.

"That's pretty aggressive talk," said Bruce McCain, chief investment strategist at Key Private Bank in Cleveland. "They didn't draw the sword, but they sure rattled it quite a bit."

The Consumer Price Index, the government's key measure of inflation, is up only 1.1% over the last 12 months, while the core CPI, which strips out volatile food and energy prices, is up only 0.9%.

The Fed is widely believed to want to see core CPI up at least 1% to 2% in order to keep prices steady. The fear is that if prices fall, it can cause businesses to cut back production. That can lead to further job losses. McCain said the Fed's statement lays the groundwork for the central bank to make additional purchases of assets such as Treasurys at subsequent meetings.

"This takes a major step in that direction," he said. "It's as much as they can do without announcing an actual date and details of such action." But other experts said it may not matter what the Fed does at this point. Sung Won Sohn, economics professor at Cal State University Channel Islands said that while the Fed has been making promises that it stands ready to act, "unfortunately, what the Fed can do to boost the economy is very limited."

Still, the Fed said there are numerous signs of weakness in the economy, including employers reluctant to add staff, a depressed housing market, a slowdown in the growth of business investment and only modest improvement in consumer spending.

U.S. stock indexes initially moved higher on the announcement but gave up much of their gains by the end of the day. Treasury yields fell on the news.

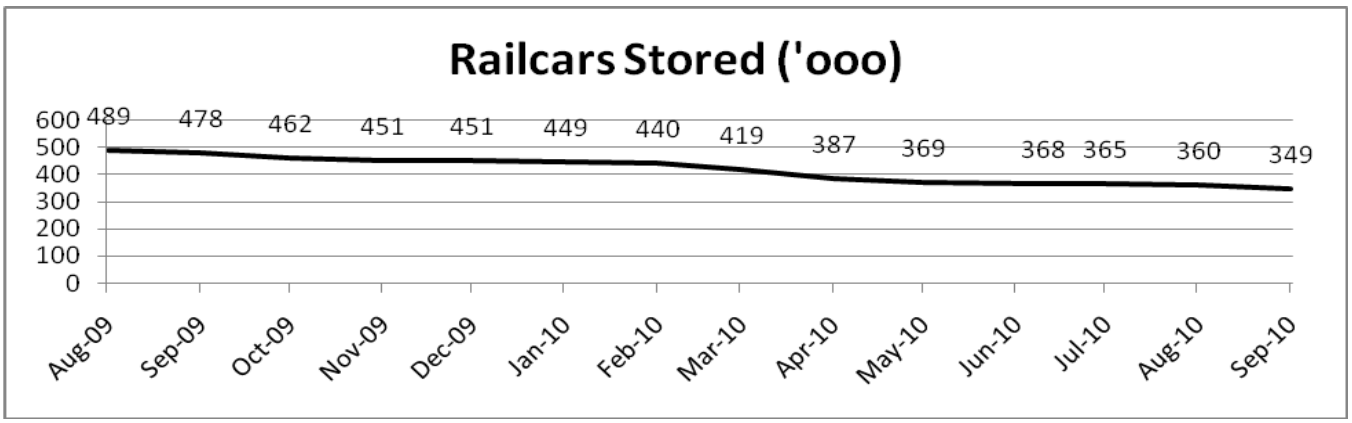
Learn more at:
http://money.cnn.com/2010/09/21/news/economy/fed_decision/index.htm

The Edge

Happy Halloween! It appears that the recessionary spooks and goblins remain throughout the economy sending chills down the spine of the American workforce and wage earner.

However there should be some dampening of the spooky spirits when looking at the Consumer Price Index. Recent data show very little rise (1.2% July 2009 / July 2010) in year over year statistics representing that inflation remains in check at this point. Housing starts rose a meek 1.7% in July 2010 not great but still showing enough life to resuscitate. And retail sales gained .04% in July over June 2010 adding hope that we're at least at the bottom.

Railcars taken out of storage have leveled off with very little gains and some small movements out due to seasonality of products shipped, e.g. grain. Generally though, we still see around 22.7% of the North American railcar fleet in storage. The fleet that remains in storage is directly tied to the lack of housing starts and confidence in an economic recovery.



In visiting with our customers we hear the following news that leads us to believe that recovery is coming very slowly but coming nonetheless.

From our customers

- We thought there would not be any more support for hazardous material shipments. Positioning and proper planning had us in the right place at the right time and we now have more business than our plan called for in 2010.
- We purchased rail equipment to be ready for growth in mid-2011. The timing is right from a price and quality perspective.
- At some point these feeders are going to need processed corn and protein feeds. We need to be ready when that occurs.
- Permitting is difficult but is slowly moving forward.
- We see more activity from "VC's" than we have in the past 18 months. We're hopeful that this activity will translate into investments.

From our customer perspective if you're in a business you need to continue to plan on how to be successful. The rest is just timing.

We look forward to earning your business!