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Since early August Railroad claims 70% of missed trainloads have been attributable to mines – "set up for a controversy"

52-Car Units Receive a $100 Per Car Discount Compared to Single Car Rates

Railroad Updates

BNSF restores joint BN/UP line in Wyoming's Powder River Basin

During the last week in August, the BNSF finished repairs to restore a line in the Powder River Basin used by the Class I and Union Pacific Railroad. In mid-May, the line was damaged by heavy rains creating a number of coal moves on BNSF and UP delays. Since early August, 70 percent of missed trainloads have been attributable to mines, which have been unable to load trains because of pit landslides, no coal inventory or equipment upgrades.

"Union Pacific hopes the mines will resolve those problems by the beginning of September so that UP and BNSF can take advantage of all available track capacity," UP officials said.

The Class I's recently opened another segment of third main track in the basin. The railroads plan to build an additional segment and begin studying five-year capacity needs.

Read the entire article:
http://www.progressiverailroading.com/freightnews/article.asp?id=7400

BNSF Re-Establishes 52-Car Unit Wheat Rates

BNSF has re-established 52-car rates for wheat shipments to the Pacific Northwest (PNW) following discussions with its customers and elected officials, particularly those in North Dakota and Montana. Effective mid-August, BNSF will re-establish the wheat rates for 52-car units at a $100 per car discount compared to single car rates.

In June, BNSF had announced it would cancel wheat rates from stations that have not shipped in the last 2 years and eliminate the remaining 52-car rates. BNSF stated that the purpose of the change was to reduce the number of tariff items and simplify remaining tariffs. The BNSF proposal would have reduced rates for DET (Domestic Efficiency Train) and Shuttle trains (110-cars) by $100 to $125 per car. Meanwhile, rates for single-car and 26-car shipments would have increased by $125 and $100 per car, respectively. Shipping groups, however, believe the proposed change would harm smaller elevators by making them less competitive with the railroad's more efficient 110-car loading facilities. Shippers claimed that the decision to eliminate the 52-car rates would have eventually bankrupted grain elevators that could only accommodate 52-car trains, damage local economies, and increase transportation costs to farmers.

Read the Entire Article at:
http://www.ams.usda.gov/tmdtsb/grain/2005/08_11_05.pdf

Not much has changed in Class I's Year-Over-Year Average Train Speed

View Weekly Class I Terminal Dwell Speeds on Our Website

Class Is' service metrics not showing many signs of improvement

Thirty-three weeks into 2005, not much has changed in Class I's year-over-year average train speeds — U.S. large roads continue to lag behind and the two Canadian Class Is remain ahead of last year's pace, according to Smith Barney/Citigroup's latest ground transportation research report.

During the period ending Aug. 19, average velocity stood at 23.4 mph for Kansas City Southern, down 11.6 percent; 23.7 mph for BNSF Railway Co., down 6.0 percent; 22.0 mph for Norfolk Southern Corp., down 4.5 percent; 19.4 mph for CSX Transportation, down 3.9 percent; and 21.3 mph for Union Pacific Railroad, down 1.9 percent compared with 2004's first 33 weeks. Average train speeds of 25.4 mph for Canadian National Railway Co. and 24.5 mph for Canadian Pacific Railway rose 4.8 percent and 0.1 percent, respectively.

"Through the third quarter-to-date, CN's average train speeds have improved 5.8 percent — CN is the only railroad that has improved total traffic velocity in this period," said Smith Barney/Citigroup Managing Director and *Progressive Railroading* columnist Scott Flower in the report. "While average speed along most of CN's service types has improved, average bulk traffic (coal and grain) velocity has stood out, increasing 29.7 percent."

Excluding CN and UP, all the Class Is continue to operate more cars on line compared with the same 2004 period. Through 33 weeks, KCS' cars on line increased 9.1 percent to 27,545 units; NS', 6.0 percent to 193,832 units; BNSF's, 3.3 percent to 206,198 units; and CSXT's, 0.5 percent to 234,477 units. CN's and UP's cars on line decreased 1.3 percent to 110,842 units and 1.0 percent to 319,911 units, respectively.

Meanwhile, CN and UP, along with KCS, continue to reduce average terminal dwell times. Through 33 weeks, CN's system-wide average of 13.4 hours dropped 7.7 percent, UP's average of 28.4 hours decreased 6.3 percent and KCS' average of 25.8 hours fell 4.8 percent compared with 2004's first 33 weeks. CSXT's and NS' average terminal dwell times rose 5.7 percent each to 30.0 hours and 23.6 hours, respectively, while BNSF's and CPR's dwell times increased 0.5 percent each to 10.0 hours and 30.1 hours, respectively

Read the entire article:
http://www.progressiverailroading.com/freightnews/article.asp?id=7393

Railroad Traffic

U.S. railroads originated more intermodal containers during the week ended August 20 than in any previous week on record, the Association of American Railroads (AAR) reported.

Total intermodal volume (which includes trailers as well as containers)

Intermodal Traffic Sets New Record Up 2.8% From Last Year

of 236,785 trailers or containers, was up 9.0 percent from the comparable week last year and was the second highest week on record. Trailer volume for the week was up 1.7 percent from last year, and container volume was up 11.6 percent.

Carload traffic, which doesn't include the intermodal data, totaled 339,225, up 2.0 percent from last year, with carload traffic up 2.5 percent in the East and 1.5 percent in the West.

Total volume was estimated at 33.5 billion ton-miles, up 2.8 percent from last year.

Coke, Nonmetallic Minerals, Crushed Stone, Sand & Gravel, and Farm Products Up

Among the 19 carload commodities, eleven showed increases from last year, with coke up 21.0 percent; nonmetallic minerals up 41.3 percent; crushed stone, sand and gravel up 14.5 percent; and farm products other than grain up 19.8 percent. On the downside, loadings of metals were off 5.6 percent and motor vehicles and equipment were down 3.6 percent.

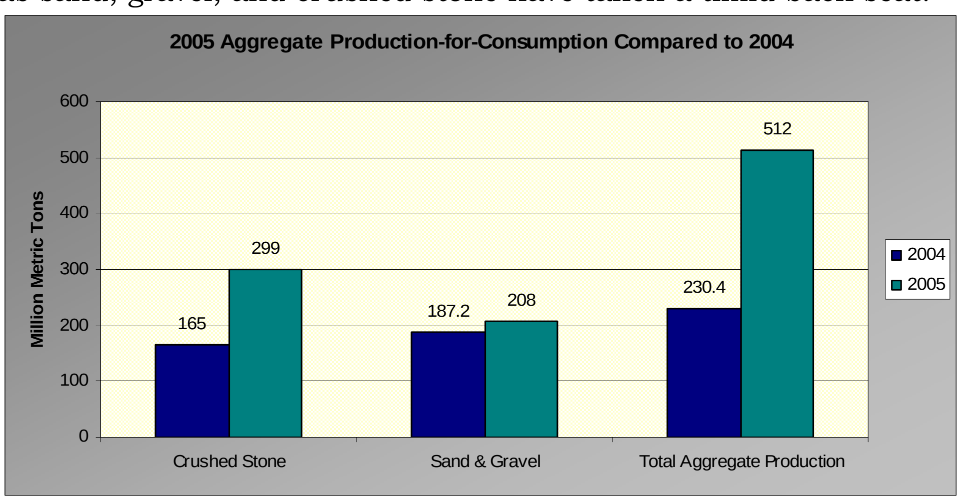
Cumulative volume for the first 33 weeks of 2005 totaled 10,966,821 carloads, up 1.5 percent from 2004; 7,247,033 trailers or containers, up 6.2 percent; and total volume of an estimated 1.05 trillion ton-miles, up 2.3 percent from last year.

Visit the AAR at:
www.aar.org

Industrial Inside

The production and usage of aggregates has grown by leaps and bounds this year propelled by the momentum of concrete and its sister products slag and asphalt. With so much focus on the concrete industry, the focus on the growth of other construction products, such as sand, gravel, and crushed stone have taken a timid back seat.

Production of Crushed Stone up 5.5%, Sand & Gravel up 0.9%, Total Aggregate production up 4.1%



Reports from the first quarter of 2005 mark increase in production of crushed stone and construction sand and gravel believed to be due in part to the favorable weather conditions in some regions of the country as well as increased construction in the public, private, and commercial sectors of the nation. Production of crushed stone was up

5.5% from 2004 while construction sand and gravel was up 0.9% and total aggregate production was up 4.1% compared to the first quarter of 2004.

Rail transportation figures also show a dominating trend of increased movement of aggregates as the AAR reported 3 of the 11 top increased commodities as different types of aggregates including sand, stone, and gravel.

Production-for-Consumption of total aggregates increased in 30 of 45 states compared to 2004

The USGS estimates that production-for-consumption of crushed stone in the first quarter of 2005 increases were most concentrated in Colorado (44.5%), Washington (34.6%), New Jersey (32%), South Dakota (21.7%), and Arkansas (20.3%) while Texas, Florida, Georgia, Missouri, and Virginia lead production-for-consumption of crushed stone and represented 35.5% of the U.S. total.

Production-for-consumption of construction sand and gravel also increased with major percentage increases occurring in Minnesota (50.5%), South Carolina (48.9%), Oregon (46.3%), Iowa (44.2%), and Oklahoma (40.6%) with California, Texas, Arizona, Florida, and Washington representing 38.7% of the U.S. total.

Production-for-consumption of total aggregates in the first quarter of 2005 increased in 30 of the 45 States with estimated production, with the largest percentage increases occurring in Minnesota (33.9%), Utah (26.6%), Oregon (26.5%), Iowa (22.6%), and New Jersey and South Dakota (25.9%) with Texas, California, Florida, Georgia, and Missouri representing 32.2% of the U.S. total.

Although key states continue to dominate the nation's production-for-consumption, strong growth of production in states throughout the nation indicates a rapid trend of support for the aggregate industry throughout the country. With continued demand and production-for-consumption percentage increases in the double digits, the aggregate industry will be a business to continue to monitor throughout the off-season.

Figures adapted from:
http://minerals.usgs.gov/minerals/pubs/commodity/stone_crushed/csmis1q05.pdf

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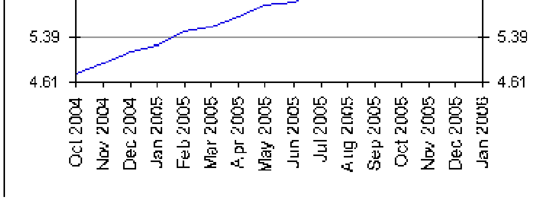
Financial Focus

Prime Rate raised to 6.5%; highest rate in 4 years

The Prime Rate was raised from 6.25 percent to 6.5 percent in early August, the highest level in four years. The move came after the country's central bank raised its key interest rate and warned that further increases might be coming.



The last time the prime rate was 6.5 percent was in the late summer of 2001, shortly

Prime Rate Expected to be close to 7% by January 2006

before the Sept. 11 terror attacks sent the U.S. economy into a tailspin and prompted the U.S. Federal Reserve to aggressively cut rates.

When the Fed began raising rates in June 2004, the yield on the 10-year Treasury bond was 4.70 percent. After the Fed raised rates in August Treasury bond was at 4.39 percent.

Forecasters believe the Prime Rate will be close to 7% by January of 2006. We'll continue to follow the changes in the prime rate and federal funds rate as the Feds create changes to stabilize the market.

Graph Courtesy of:
http://www.marketvector.com/interest-rate/prime-rate.htm

Article adapted from:
http://yahoo.reuters.com/financeQuoteCompanyNewsArticle.jhtml?duid=mtfh90329_2005-08-09_22-37-11_n09447088_newsml

The Edge

Hurricane Katrina certainly has watered down railroad service in the mid-south. Recently I viewed pictures of NS and CSX yards in Louisiana and a good boat couldn't have moved a railcar or container from these yards. Expect additional service delays in that part of the country and throughout the CSX and NS system as they work out of this catastrophe. Other effects partly being catalyzed by Katrina are extraordinary increases in scrap steel and finished steel products and of course a significant rise in gas and diesel prices.

We continue to talk with various industries and the consistent theme of their concerns is railroad service. The base price increase(s) for diesel across the country and outright shortages in some areas is making truck pricing difficult to swallow over any kind of long distance. Even our trucking customers are pulling in their geographic coverage. This pushes more freight to the railroads which in turn are having a difficult time keeping up with it.

Expect the railroads to continue to capitalize on a cost recovery, e.g. fuel surcharges, accessorial tariffs, etc., and price increases to manage the push for increased freight. What does this mean to you as the shipper? Expect higher rates to ship your product and expect them to be in tariff form. Our advice, ask your railroad marketing representatives what you can do to expedite handling and service. Your ability to compete from a service perspective will be your competitive edge in the future.

If we can be of service please don't hesitate to call.

We look forward to earning your business!