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BNSF introduces new shipping instructions modifications tool

How will railroads plan to manage service demands during the fall peak?

Railroad Updates

The BNSF reports that a new Shipping Instructions Modifications tool is now available on bnsf.com. This tool combines the functionality of the former Waybill Management and Shipping Instructions Modification (Diversions) tools into one online tool. The improved customer interface will make it easier to modify waybills online.

The following enhancements inside the Shipping Instructions Modifications tool:

- ✓ Quick Search – Simply select your company from the drop down and enter search criteria, such as date range, origin/destination and equipment number. You can then email, export or print your search results.
- ✓ Clear Actions – Divert, update, reconsign and void suspended bills easily.
- ✓ Activity History – See the last seven days' activity by Active, Suspended and Errors categories and easily correct, view or delete if needed.
- ✓ New Backhaul Mileage (carload only) – When diverting empties, you can now see the estimated backhaul mileage.

The Shipping Instructions Modifications tool may be accessed from inside the secure bnsf.com on your Home tab under the Applications channel, in the Ship section. If you do not have access to the secure bnsf.com, you can register at any time by clicking on the "Register" link in the Customer Login box on the BNSF home page.

For more information on using the Shipping Instructions Modifications tool, read the entire article:

http://domino.bnsf.com/website/updates.nsf/updates-bnsf-consumer/3CF0BAB483AF32F98625778100574C10?Open

STB Sends Fall Peak Letters To Railroads, Appoints Staff Members

As it's done the past few years, the Surface Transportation Board (STB) is soliciting letters from Class Is and the American Short Line and Regional Railroad Association (ASLRRA) to learn how railroads plan to manage service demands during the fall peak.

STB Chairman Daniel Elliott sent letters to BNSF Railway Co., CN, Canadian Pacific, CSX Transportation, Kansas City Southern, Norfolk Southern Railway, Union Pacific Railroad and the ASLRRA. Response letters are due to the STB by September 15.

The board is requesting that Class Is and the association — which will represent short lines — provide their plans for handling "critical commodities," such as agricultural products, coal and intermodal cargo, in late 2010. The railroads also should describe their ability to maintain train speeds, terminal dwell times and cars on line; summarize their service-related investments during the past year; characterize passenger-rail service developments and on-time performance for Amtrak; detail anticipated rail congestion points and efforts to restore service on weather-affected or damaged infrastructure; provide the status of positive train control initiatives; and address their most recent customer service survey.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=24146

AAR Updates

AAR lauds senate freight rail infrastructure capacity expansion act of 2010

The Association of American Railroads (AAR) praised the introduction of the Freight Rail Infrastructure Capacity Expansion Act of 2010 (S.3749) by Senators Kent Conrad (D-N.D.) and John Ensign (R-Nev.). This bi-partisan measure is aimed at encouraging private capital investments that can generate tremendous public benefits through expanded rail network capacity needed for moving more people and goods by rail.

The bill provides two tax incentives for greater private investment in expanding the nation's freight rail infrastructure capacity:

- ✓ a 25 percent tax credit for capacity expansion expenditures on new freight infrastructure, and
- ✓ the ability to expense all qualifying rail infrastructure capital expenditures, thereby accelerating the availability of capital necessary to expand capacity.

Bipartisan bill recognizes rail's vital role in U.S. economy, global competitiveness

"America has great expectations for our nation's railroads – to provide not only the vital connection for U.S. business to the global marketplace, but also the underlying network for expanded intercity passenger and high-speed rail," said AAR President and CEO Edward R. Hamberger. "This bill offers incentives for our highly capital-intensive business, and will ensure freight rail can continue to meet these expectations."

The inherent fuel efficiency and cost-effectiveness of rail has increased the demand to move more people and goods by rail. According to a recent report from the American Association of State Highway and Transportation Officials, the demand for freight will double in the next 40 years – with the demand for rail expected to increase by 38 percent from today's levels.

Demand for freight will double in the next 40 years

Unlike trucks, barges and airlines, America's freight railroads operate almost exclusively over infrastructure that they build and maintain with their own private funds. From 1980 to 2009, America's freight railroads invested more than $460 billion — more than 40 cents out of every rail revenue dollar — to maintain and improve their rail network infrastructure and equipment.

Railroads will continue to reinvest heavily in the years ahead. However, more rail investment is needed to take full advantage of freight rail's unparalleled potential to promote economic recovery, provide much-needed jobs, take trucks off the highways, save fuel, and reduce CO2 emissions.

Incentives available not only to railroads, but also to any taxpayer making such expenditures – including other rail network users such as shippers, trucking companies and ports

The incentives in the bill are available not only to railroads, but also to any taxpayer making such expenditures – including other rail network users such as shippers, trucking companies and ports. Qualifying expenditures can include track, grading, tunnels, signals, train control devices, locomotives, bridges, yards, terminals and intermodal transfer and transload facilities.

The bill is a companion to H.R. 1806, introduced last year by U.S. Rep. Kendrick Meek (D-Fla.), which today has more than 100 cosponsors in the House.

Visit the AAR at:
http://www.aar.org/newsandevents/pressreleases/2010/08/08-06-senate-iti.aspx

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Railroad Traffic

AAR reports weekly rail intermodal volume sets new 2010 record

The Association of American Railroads (AAR) reported rail intermodal volume on U.S. railroads for the week ending Aug. 21, 2010 set a new 2010 record for the second consecutive week, with 236,404 total trailers and containers, up 22.4 percent from the same week in 2009, and up 2.6 percent compared with 2008.

Weekly container volume reaches new all time record

Weekly container volume, a subset of intermodal, was the highest on record, also for the second consecutive week, up 24.2 percent compared with the same week in 2009, and up 11.5 percent with the same week in 2008. Trailer volume, the other subset of intermodal, rose 12.4 percent last week compared with the same week in 2009, but fell 30.5 percent compared with 2008.

In order to offer a complete picture of the progress in rail traffic, AAR reports 2010 weekly rail traffic with comparison weeks in both 2009 and 2008.

Carload traffic continued moderate weekly gains

Carload traffic continued moderate weekly gains, with U.S. railroads originating 296,634 carloads for the week, up 6.2 percent compared with the same week in 2009, but down 11 percent from the same week in 2008.

Fourteen of the 19 carload commodity groups increased from the comparable week in 2009. Those posting the most significant increases were metallic ores, up 54.6 percent, and metals and metal products, up 43 percent. All 19 carload commodity groups were down in comparison to 2008.

Carload volume on Eastern railroads was up 6.1 percent from the same week last year, but down 14 percent from 2008. In the West,

For the first 33 weeks of 2010, U.S. railroads reported cumulative volume of 9,338,360 carloads, up 7.1 percent from 2009, but down 13 percent from 2008

carload volume was up 6.2 percent from the same week last year but down 8.9 percent from two years ago.

For the first 33 weeks of 2010, U.S. railroads reported cumulative volume of 9,338,360 carloads, up 7.1 percent from 2009, but down 13 percent from 2008, and 7,020,224 trailers or containers, up 14.2 percent from 2009, but down 5.4 percent from 2008.
Canadian railroads reported volume of 71,033 cars for the week, up 10.5 percent from last year, and 50,999 trailers or containers, up 21.7 percent from 2009. For the first 33 weeks of 2010, Canadian railroads reported cumulative volume of 2,382,683 carloads, up 20.8 percent from last year, and 1,531,922 trailers or containers, up 15.4 percent from last year.

Mexican railroads reported originated volume of 13,622 cars, up 19.5 percent from the same week last year, and 7,090 trailers or containers, up 12.6 percent. Cumulative volume on Mexican railroads for the first 33 weeks of 2010 was reported as 452,529 carloads, up 20.7 percent from last year; and 213,896 trailers or containers, up 31 percent.

Combined North American rail volume for the first 33 weeks of 2010 on 13 reporting U.S., Canadian and Mexican railroads totaled 12,173,572 carloads, up 10 percent from last year, and 8,766,042 trailers and containers, up 14.8 percent from last year.

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

Industrial Inside

Russia's ban on exports of grain lifts U.S. prices

A ban on Russian grain exports will boost income for U.S. farmers in 2010, but more demand could cause shipping bottlenecks.

The withdrawal of Russian grain from world markets, even temporarily, raised the possibility of stronger-than-expected U.S. exports. That caused a dramatic upswing in the price of U.S. wheat, which in turn has lifted corn and soybean prices.

Export-driven surge in transportation demand could cause problems for railroads

The rising grain prices can be expected to at least fulfill, if not exceed, the U.S. Department of Agriculture's forecast of a 10 percent increase in farm income this year. But an export-driven surge in transportation demand could cause problems for railroads.

The chief executive officer of Union Pacific Railroad, Jim Young, said at a meeting with Register reporters and editors that the carrier would be "challenged" to handle a bigger load after this year's corn, soybean and wheat harvests.

"In recent years we've had excess capacity," said Young, whose Omaha railroad connects the Midwest with ports in Texas and the Pacific coast. "This year we might have more demand. I am concerned about the availability of freight cars for grain shipments."

Russia is a major exporter of wheat, which is used to feed animals in many parts of the world. It is a competitor of U.S. corn.

Russian Premier Vladimir Putin announced an embargo on Russian grain exports beginning August 15 through the end of the year to control domestic prices.

In the United States, wheat for the September delivery rose by 59 cents per bushel on the Chicago Board of Trade to close at $7.85, a jump from $4.50 a month ago when reports began to surface of extreme heat and drought in Russia's heat-producing territories.

Prices have risen 20 percent in the last month and have increased the value of Iowa's corn crop on paper by more than $2 billion

Corn for the December delivery rose by 3.2 cents per bushel to $4.18. Prices have risen 20 percent in the last month and have increased the value of Iowa's corn crop on paper by more than $2 billion to $10.45 billion.

Soybeans have gained as well, rising 6 cents per bushel to $10.29, increasing the value of Iowa's soybean crop by $750 million to $5.2 billion. Iowa is the nation's No. 1 producer of both corn and soybeans.

Through June, all commodity grains had fought negative news about domestic surpluses and weak export markets, which drove down prices through the corn and soybean planting season.

But in July the U.S. Department of Agriculture trimmed its earlier projections of corn surpluses and increased forecasts for demand, particularly for ethanol and animal feed.

First major sales of U.S. corn to China in almost a decade

Now the Russian cutbacks have raised the possibility of increased U.S. exports. Corn exports are up 9 percent for the year, boosted earlier by the first major sales of U.S. corn to China in almost a decade.

U.S. soybean exports are up 17 percent this year, surprising analysts who earlier had worried about a big crop harvested this year in Brazil.

U.S. soybean exports are up 17 percent in 2010, wheat exports are up 36 percent from 2009

Wheat exports are up 36 percent from last year with the prospects of more sales in future weeks as the world looks to alternatives to Russian wheat.

Arlan Suderman, an analyst with Farm Futures magazine, cautioned that the Russian crop shortfall is a regional, not global, problem, and over the longer term could be covered by larger wheat crops in Argentina and Australia.

He also said traders are looking warily at the next supply and demand report from the U.S. Department of Agriculture, which was released on August 12, 2010, the does confirm the presence of another huge U.S. corn, soybean and wheat crop despite extra-wet conditions in the northern Corn Belt and dry, hot weather in the South.

The surge in corn prices has had the expected negative impact on hog prices, which fell $3 per hundredweight to $83 on the Chicago Board of Trade. Those prices still are up more than 45 percent from a year ago.

Live cattle dropped 20 cents per hundredweight to $92. Cattle prices are up 13 percent from last year.

Read the entire article:
http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/201008060405/BUSINESS01/8060346

Financial Focus

Fed decision: recovery losing steam

The U.S. economic recovery is weakening, the Federal Reserve warned at the conclusion of its meeting on August 10th 2010, its most bearish outlook in more than a year.

"The pace of recovery in output and employment has slowed in recent months," the Fed said in its statement. It said while it still expects the economy to grow, the improvement will be "more modest in the near term than had been anticipated."

The Fed also announced its plan to buy additional long-term Treasurys. The purchase was seen as moving "one step closer to reinstituting a more aggressive policy," according to a note from Deutsche Bank economists.

Signs of a sputtering U.S. economic recovery have been evident for months, and previous Fed statements have alluded to that growing weakness. Still, the statement was seen as the clearest sign of concern yet by Fed watchers.

"The Fed does not appear to view the recent slowing of activity as simply a soft patch in the recovery," said Michael Gapen, economist with Barclays Capital.

As business hiring and household spending have slowed in recent months, concerns are growing that the economy is at risk of falling into a so-called double-dip recession

As business hiring and household spending have slowed in recent months, there have been growing concerns that the economy is at risk of falling into a so-called double-dip recession, although the Fed did not raise that specific risk in its statement.

As expected, the fed funds rate, the central bank's key tool to spur the economy, remained near 0%, where it has been since December 2008. The rate is used as a benchmark for interest rates on a wide variety of consumer and business loans. A low rate typically spurs spending by making it cheaper to borrow money.

The Fed repeated its outlook of the last 17 months that weakness in the economy will keep the fed funds rate at "exceptionally low levels" for an "extended period."

The Fed repeated its outlook of the last 17 months that weakness in the economy will keep the fed funds rate at "exceptionally low levels" for an

The Fed has also pumped trillions of dollars into the economy in the last two years through the purchase of assets, including more than $1 trillion in securities backed by mortgages and the debt issued by government-sponsored mortgage finance firms like Fannie Mae (FNMA) and Freddie Mac (FMCC).

The Fed made a modest change in that policy at the meeting as it "**extended period**"

announced it would not allow its balance sheet to shrink as securities reached maturity. Instead, it will reinvest principal payments into long-term Treasurys, concentrating on purchases of 2-year and 10-year Treasurys.

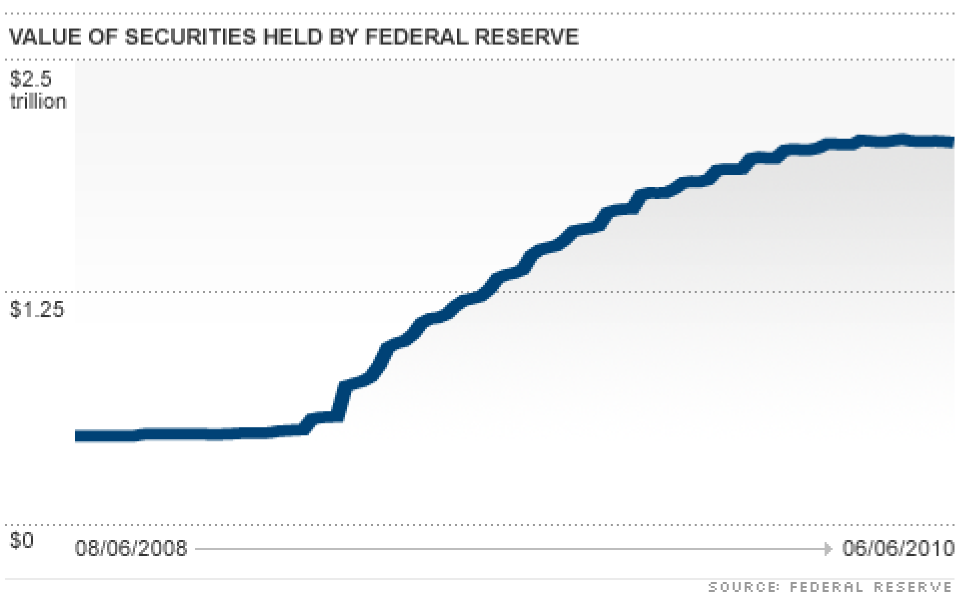
Paul Ashworth, senior U.S. economist for Capital Economics, said the reinvestment announcement is "a largely symbolic gesture, designed to reassure the markets rather than boost the economy." He estimates that it will amount to about $100 billion in additional Treasury purchases a year, a modest amount in the scheme of the Fed's overall holdings.

But the markets were reassured by the move. Major stock indexes, which had been sharply lower before the Fed statement, recouped most of their losses on the news, with the Dow Jones industrial average briefly moving into positive territory on the day. Bond prices rose on the news, driving the yields on the benchmark 10-year Treasury down to 2.74%, the lowest level since December 2008.

Still, some Fed watchers said the central bank can't reverse the growing signs of weakness in the economy on its own. They say the Fed's strategy will have limited impact without further spending by Congress or the private sector.

"I do not envy the Fed's position. Everyone seems to be looking to them to find the answer and they are playing with one hand behind their back," said Kevin Giddis, managing director of fixed income at Morgan Keegan. "The Fed appears to be in the fight and hopefully, after today, Congress will see that their action or inaction could be the difference between a slow recovery and a double-dip recession."

The value of securities held by the Federal Reserve have slowly increased since August 2008



Once again Kansas City Fed President Thomas Hoenig was the lone dissent among policymakers, as he argued the Fed statement and policy limited the central bank's ability to adjust policy when needed.

Learn more at:
http://money.cnn.com/2010/08/10/news/economy/fed_decision/index.htm

The Edge

When you read this month newsletter you'll find conflicting opinions.

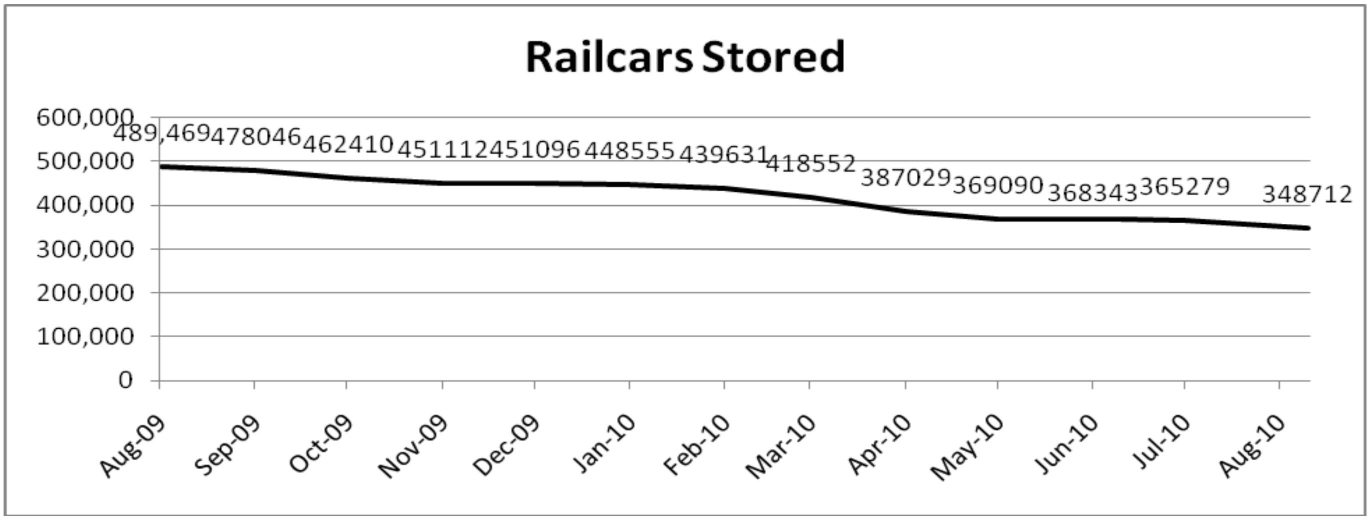
On one hand you'll find inquiry from the Surface Transportation Board Chairman in letters to the Class I Railroads asking them to explain how the railroads intend to manage service demands during the fall peak, further supported by AAR reported weekly intermodal and carload traffic volume increases. On the other hand you find an article in the Financial Focus section stating the U.S. economic recovery is weakening.

Note in the Industrial Inside portion of this newsletter an interesting section about the Russian ban on grain exports (primarily wheat) due to extended drought in Russian growing regions. The snowball effect is that more feed wheat gets classified as export food grade wheat and is exported. That drives up the price and value of corn as a primary feed and food ingredient and impact the primary protein supplement grain which is soybeans. Overall that should be good for the economy in that we in the U.S. realize a little more value for our commodities when supply tightens up and particularly when exports start in earnest. Hopefully that value will put a few more people back to work supporting the supply and services food chain and have a positive effect on the economy (think jobs) overall.

When one analyzes the Class I railroad financial positions, one has to commend the management for taking out costs. In the second quarter of 2010 most Class I railroads met their financial and operational goals. Surprising though was the string of first class operating ratios in the sub-70 range. The railroads have proven they can react aggressively to a down turn by adjusting assets, capital expenditures and manpower.

You'll find Class I executive comments in recent times, particularly with a large grain export program looming, that they're not certain if there will be enough rolling stock to meet the requirements of an extremely busy program. My response to that is to take a look at available railcars and locomotives and you'll find a thousand or more covered hoppers (and other car types) available and a stable full of first generation road power. Albeit not the most efficient in carrying capacity or pulling capacity, the resources are there, of course putting less than optimal assets back to work might negatively affect the operating ratio. My more immediate concern would be if the previously furloughed TY&E personnel can be retained in time to make a difference to seasonal requirements.

I always find it interesting when one looks at the number of railcars in storage and how the number has moved over time (see chart below). There has been some improvement year over year but more recently stagnation has prevailed. Two things will improve these numbers, a housing market that requires lumber and a $350 GT scrap market.



If we can be of service or if you have any questions feel free to contact us.

We look forward to earning your business!