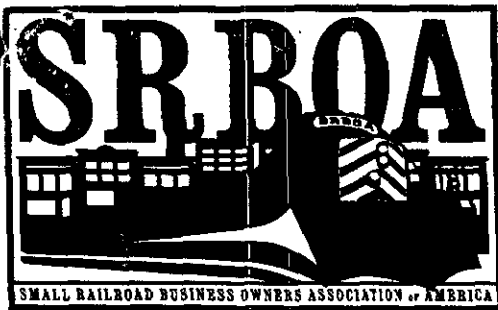




John W. Gohmann, President,



August 23, 2006

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Members of the US Surface Transportation Board

RE: Regulation of Diesel Fuel Surcharges

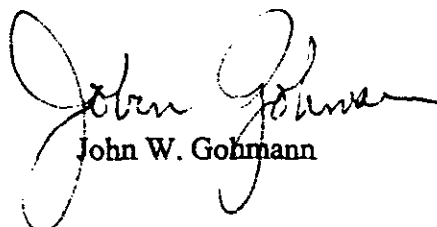
Another item just was released earlier this week which would confuse and impair the ability of railroads to recover all fuel costs, and that, as the attachment notes, is the announced plans of the EPA to impose new fuel emission standards for diesel locomotives by the end of 2007. The industry just went through adjusting for the 2005 date standards and the costs of new locomotives increased by about 5% just as a result of this regulation. It's not predictable what cost increases will occur when these new regulations become effective as well as any potential retrofitting costs, if imposed.

For new trucks, we know the new engines will cost between \$5000 and \$15,000 more per truck, and, the media also reports that fuel economy will suffer another 5 to 10% of current diesel efficiency levels as a result. While too early to tell, due to the characteristics of low sulphur diesel (including a more rapid burn), this could have a double impact on the railroad industry – and further drive up fuel prices as well as both trucks and trains will take more gallons of fuel to move the same equivalent amount of freight. We again suggest leaving well enuf alone is the best solution.

We do, however, endorse the point that every shortline or regional or terminal carrier should be allowed to collect reasonable fuel surcharges based upon their capital expounded to conserve fuel and their actual fuel purchased. Those can vary by each railroad, again, based on length of haul, frequency of service and volume, and, to attempt to regulate that would be a disaster. However, these carriers should have no strings ^{re:} attached for collecting this surcharge, just as the Class I's have set their surcharge levels to various performance goals or levels of handling traffic. The facts are that fuel is up close to 300% in three years, and, they should be entitled to collect that extra cost just as the class I carriers do..

Thank you for your review and consideration.

Attachment


John W. Gohmann

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Updated on 8/21/2006 - 11:45:00 AM EST

EPA Plans New Pollution Rules Governing Railroad Locomotives

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The Environmental Protection Agency said it is planning to target locomotive pollution emissions with a plan that could have as dramatic an effect on railroads as the agency's past regulations have had on the trucking industry.

EPA spokesman John Millett confirmed that the agency is planning to issue draft regulations by the end of this year for engines that power trains and ships. The regulations would reduce nitrogen oxide and particulate matter emissions by 80% to 90% from current levels. He said the draft plan would be finalized by the end of 2007.

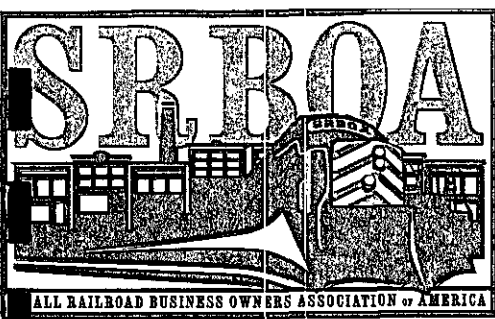
**From
the latest
print
edition**



Changes to environmental standards for railroads will "follow exactly the same pattern" as recent environmental rules for truck engines, said Millett. "We're linking clean fuels with new engine technology."

For the full story, see the August 21 print edition of Transport Topics. [Subscribe today.](#)

*By Andrea Fischer
Staff Reporter*



Before the US Surface Transportation Board
Comments of the Small Railroad Business Owners of America
And
Minnesota Commercial Railway Company

Relative to the Board's Contemplation of Imposing Fuel
Surcharge Limitations on Class I Railroads.

August , 2006

COMMERCIAL TRANSLOAD OF MINNESOTA

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August 20, 2006

To: Members of the US Surface Transportation Board
Washington, DC.

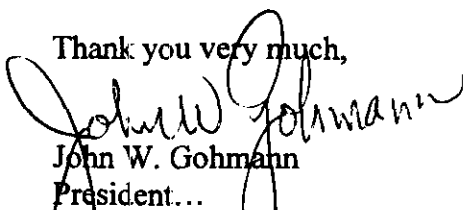
Herewith our comments and thoughts on reregulation of energy fuel surcharges imposed by Class I carriers.

We speak from considerable experience. Not only have we taken huge several million dollar capital investment steps to reduce our fuel consumption in the railway business through a variety of means, but, we also own and operate a truckline and feel the daily Pulse of that industry as well and the implications to the national energy and environmental and transport policies were you to try to limit fuel surcharges on the railroads without correspondingly equal efforts on other modes.

We respectfully suggest you are dancing on dangerous ground here which could reverse the importance rails will play in decades to come and the economic strength of our country and our energy policies if you tamper in this area at this time without reregulating all other modes. Costs of fuel vary by railroad based on their length of haul, grades, curves, and capital needs. Imposition of any artificial costing methods would materially harm the industry and its efforts to increase capacity and infrastructure, and equipment costs, at one of the most delicate times in our nation's history where changing world economics is playing a huge role in every cost and thing we do.

We urge you to leave this alone.

Thank you very much,


John W. Gohmann
President...

Minnesota Commercial Railway Company, and,
Small Railroad Business Owners of America.

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OVERVIEW

Economic regulation of any commercial pricing of products or services can have serious economic impact on not only the company or industry to be regulated, but, on the entire economic society as a whole. Economic regulation usually means a transfer of capital and cash from one entity to another - from one pocket to the other.

Essentially, the Board, in the consideration to impose a mileage - cost of fuel "standard" on railroad fuel surcharge pricing, is succumbing to competing interests for capital from the railroads' customers - spurred by the NITL, some Grain shippers, and, some coal and energy shippers. They believe that limiting fuel surcharges will reduce their rates and put more "capital" back into their margins, but, aside from utilities, who generally are allowed to pass increased costs through to consumers by the state regulating boards, the free market dictates all pricing in the industrial sector, such as iron and steel, the grain sector, and, the petroleum sector, where the cause of the need for this very issue comes from.. No pricing regulations have been imposed on any of these sectors - steel prices have doubled and tripled the past three years, locomotive diesel fuel is up 300% from 2002 levels, and grain rates fluctuate based on national and global supply and demand. The federal government has a price support system in place through the USDA to provide a minimum level of profitability for much farming in the USA, as well.

No one - not one of the parties asking for reregulation here, has asked any governmental agency to reregulate truck fuel surcharges (which are all market driven and as high as 50% of base tariff rates), nor have they asked for reregulation of barge or air freight rates or fuel surcharges. Yet, trucks, overall, haul a huge majority of all intercity freight - televisions, clothing, appliances, much grain from farm to market, and grain products from production to markets, - the greatest impact on controlling price margins would be.. trucking - with some kind of fuel surcharge, and, trucks have the most predictable fuel efficiency

as the economics of a tractor - pulling a loaded trailer, have pretty well calculated to close to precision what kind of fuel efficiency they get per ton mile handled.

For all the reasons discussed herein, railroad economic dynamics make any kind of "cost of fuel per mile" or fuel burned per mile very hard to standardize - another element flawed in the Board's logic. For example, the cost of railroading in mountainous territory, with 2 and 3% long grades, and twisting curves, is much greater in terms of fuel consumed per carload, or ton mile, than out in the open country where flat open territory allows far better fuel efficiency. The cost of operating a 100 car general mixed merchandise train, which also handles empties returning for other loads, at a speed of 50 mph is far less in energy burned than with the same train at 60 mph or 70 mph. The cost of operating a high speed intermodal train, with say 150 containers and a huge amount of wind drag, is even higher in some instances than a 100 car merchandise train, and, all costs vary depending upon terrain, weather, and, all other conditions. The cost of railroading in winter, including the coefficient of resistance of a steel wheel on a steel rail, is different than in summer heat. Resistance is greater, and, fuel burned is much different (see also discussion about idling locomotives). And, the cost of operating a short, "local" way freight train with 20 or 30 cars and two locomotives is also different. Shorter trains with lesser cars get less carmiles per gallon than their 80 to 100 car partners. Shortlines and terminal railroads generally fall into this category.

Aside from all the above making any kind of standard fuel surcharge cap or measurement fair or accurate, any effort to "standardize" or include all these variables into various "caps" would be extremely burdensom and complex for the rail industry to monitor. As the articles and narrative contained herein show, the price of fuel has been so volatile lately (rising 10 cents per gallon the week of August 4th to the 12th, as an example), that the trucking industry is asking the DOE to issue twice per week, instead of once per week, the current price of diesel fuel, so that trucks can react immediately with pricing their surcharges rather than weekly

Overall, we suggest strongly that the need to keep a competitively balanced, national transportation system, with all modes sharing the same unregulated fuel surcharge environment far outweighs the special interests of a few shipping groups who want to transfer capital back to their own pockets at a time when the rail industry is facing the most critical period in the century to generate as much capital as is possible to replenish and upgrade their systems and capacity. That, coupled with a virtual impossibility to devise an overall, balanced and uniform system, which rail competition would also be forced to adopt, should require the Board to reject the pleas of a handful of shippers, none of whom are suffering material economic harm as they are passing these costs on to consumers, as compared to the rail industry that has a noted and known shortage of capital necessary for infrastructure investment the next twenty years to be able to help the nation avoid gridlock.

Introduction

For the first time since deregulation of rail rates in the early 1980s', bowing to the pressure of the National Industrial Transport League and other power Washington lobbies such as the utilities, grain and feed associations, complaints from allegedly rail captive states and shippers, and, coal producers, the Board has begun to fashion a restriction on the use of fuel surcharges by railroads.

We think this is seriously wrong.

First, as a small railroad interest, we understand the sometimes frustration rail shippers have with railroads, who have trimmed staff, (the same as have all industries) to operate leaner in this computer age. Sometimes relationships get short, and, also, the railroads no longer make contracts in many cases (except with large coal, grain and other shippers who can tender hundreds of millions of dollars of freight in volumes where rail costs are lower). It has become harder for us sometimes to make contact with and work with these larger railroads, but we added staff and we indeed survive. We have seen our large Class I connections demarket certain regional or low profit business, but, again, we have survived. We published a reasonable per car surcharge to all our Class I connections which is tied to west Texas crude and we have had no complaints from Class I's absorbing it. Overall, our carload history has grown by about 10 to 15% these past two years.

We all see the issue from an other side. We are probably the only railroad in the country operating a US DOT licensed truck line which in some cases, hauls the same materials as rails do, but, more often, supplements and improves rail usage by taking products to the 80% of American shippers today (approximate average) who do not have rail service from our warehouse rail transload. We see and feel every day the rising fuel costs in the trucking business and see the surcharges trucks are placing on their business in order to survive.

THE BASIC PROBLEM

The basic problem the rail industry faces to day is lack of capacity for all the products which, due to higher truck rates (that are not regulated at all and none of these same industry associations who use trucks to move 75% of their products in some cases are even attempting to regulate truck, or barge, or air freight fuel surcharges). There are chronic shortages of trucks today, and, if they fail to pay the surcharges, they just won't get trucks because they too, have costs of capital and operation. Yet, many publically traded trucklines, if the STB reviews financial sections, are cashflowing well and a few, enjoying record profits despite tractor and driver shortages.

The lack of capacity stems from a half a century of federal and state public policy which poured hundreds of billions of dollars, more likely trillions of dollars, into a transport

system made up of highways and rubber, knowing all the time it was not the most efficient, and, in essence, spending hardly a dime on the rail infrastructure. To this date, the Bush Administration seeks to kill the federal rail services assistance funding for regional, Class I and shortline railroads while at the same time, industry and even government experts projected a few years ago a 190 billion dollar shortfall of the industry to raise enough capital to meet demands for the increased capacity the nation would expect it to handle, and, tries to this date to basically make Amtrak limp along into unsuccessful obscurity, while we spend 600 billion dollars on a war we cannot win but fail to look at critical demands for spending on the home front which will have terrible and dreadful long term implications. At the same time, the rail industry is spending a record 10 billion this year in capital and infrastructure investments, more than double to triple what many other industries are spending for the development and growth and capacity (Exhibit A).

The continued public policy has ignored the rail industry needs for capital infusion despite it being the most energy and environmentally efficient mode (see Exhibit B).

Just as truckers have experienced, diesel fuel costs for railroads are up almost 300% from just a few years ago (Exhibit C). Again, truckers, barges and airlines have not been bantered to control or justify their fuel surcharges. We believe the STB must look at overall public policy, not just what it may do to the rail industry, because if it imposes a fuel surcharge policy on railroads, without a corresponding policy on other competing modes, it simply gives the less efficient modes and higher fuel consuming modes a further economic advantage on top of existing subsidies for roadway maintenance, maintenance of navigable waterways by the Army Corps of Engineers, and, the billions poured into the airline industry through new airport and terminal financing, and grants as well. We suggest to the STB to "Google" Fuel Surcharges and look at the dozens imposed in the trucking and airfreight and lesser extent, barge industries, (the latter who simply adjust rates each year based on barge availability and positioning and what fuel surcharge they believe the customer will pay).

Next, Exhibits D, E and F discuss in detail and give actual cost estimates and capital estimates that show that a fuel surcharge tied to the alleged mileage would be counterproductive to capital investment to REDUCE fuel and energy consumption. We first note the hundreds of millions of gallons of fuel each year that are consumed in idling time for locomotives in between runs or assignments and some variable cost estimates of that. We also discuss the cost of some of the capital alternatives to in fact reduce fuel consumption, which would be discouraged by any limitation on mileage. While our company, MCR, has reduced fuel consumption by about 20% the past three years, it has come about by about 2 million in capital investment which we are recovering through our fuel surcharge. Our rail operations gross about 13 million a year – with only about 3 to 4 % going to the bottom line, so this shows how significant this investment has been in terms of our ability to finance it and recover the investment over a 10 year period which is the estimated life of these improvements before rebuilding or replacement. A fuel surcharge tied to our mileage (even though the STB is not suggesting doing this for shortlines, whatever you may impose on the Class I's will be implemented by them to shortlines in many cases) and direct cost, which is lower than even, for example,

RailAmerica's according to their 2005 annual report, has only been achieved through these capital investments which save us fuel. Saving energy is also in the public interest, and, if we could not do that, or get our capital back through our modest fuel surcharges, we would stop doing it, for sure, as would all other roads who are making similar investments – both large and small, to reduce consumption and improve efficiency that way. Exhibits D, E, F and G are all living examples of what we have done – but its not always feasible for railroads with expansive mileage and mileage in rural areas, as well, where locomotives cannot come back to a home shop every night as can MCR's.

Finally, we suggest you pour through Exhibit H, which looks at truck fuel consumption – remember trucks are moving about 75% of the nation's products, and, there are no efforts to impose fuel surcharge restrictions on them and same would be economically devastating and ruin many hundreds of truck lines and thousands of truckers. All trucklines are running on thin margins and it's the fuel surcharge that keeps them afloat, but remember, their cost of capital stops at the wheels, where the railroad industry's most expensive and capital intensive assets which need expansion, its systems and track structure, BEGIN AT WHERE THE STEEL WHEEL MEETS THE STEEL RAIL, AND, EVERY NICKEL WE PUT INTO IMPROVING THE TRACK STRUCTURE OR EXPANDING IT THE GETS HIT WITH PROPERTY TAXES BY STATE AND LOCAL GOVERNMENTS...

In summary, we urge the STB to continue to let the free market place determine fair and absorbable fuel surcharges, as is government policy with all other freight modes. Cash and capital comes from earnings, and, any imposition of any limits on a fuel surcharge is not only going to make the rail industry less competitive with other more energy efficient modes (and exacerbate a very invalid economic basis where federal dollars are used to subsidize one, and not the other). This will lower the cash flow and capital available to the industry to make its share and all it can raise for infrastructure improvements, reduce its volumn and marketshare over time to trucks and other modes as it will not be able to make then necessary capital investments to expand and improve the infrastructure, or acquire the necessary level of new cars, equipment and locomotives to meet demand, AND ALL THIS IN TURN WILL PUT GREATER DEMANDS ON TRUCKS AND OTHER MODES OF TRANSPORT THAT ARE LESS FUEL EFFICIENT, AND, DO YOU HAVE ANY DOUBT WHAT THAT WILL DO TO ENERGY PRICES AND OUR ENVIRONMENTAL INTERESTS. WE ARE SURE YOU KNOW, OR, WOULD NOT BE SITTING AS AN IMPORTANT FEDERAL POLICY MAKER!

While we realize that utilities have some state rate regulation, bona fide transportation costs can be passed on to the consumer and have been in the past. We understand that due to foreign competition, much manufacturing and industry is under severe profit pressures. All of us are. For example, costs of second hand, hand me down locomotives that shortlines use has tripled to quadrupled in prices in the past three years, the cost of overhauling locomotives, with much steel and other contents, have doubled to tripled, and, new, energy compliant locomotives which the class I's are buying which used to cost about \$300,000 IN THE mid 1970's now run TWO MILLION A PIECE... The cost of second hand or new rail has doubled to tripled in the past three years. Facing these huge

price increases, the entire industry is in a very fragile economic position as it stands. A recession or further economic cutbacks can quickly erode its cashflow abilities of the past three years, and, with a fuel surcharge limitation imposed on top, could kill much of the huge capital expenditures the industry is making. There is no "regulation" on the price of grain – its all market driven and none on many other industrial or manufactured products – its all what the market will pay. .

One final note – because small railroads and terminal companies move at slower speeds, may handle few cars per train, and, have considerable switching and classifying to do, our cost per mile or hour, however you measure it, and fuel consumption per hour or mile moved, is far less than the Class I carriers who have the benefit of the long haul stretches where they can move freight at 50, 60 or 70 mph. We could never recover our costs for many of the reasons already explained herein, plus the above facts, if a per mile fuel surcharge limited our ability to recover.

Summary

The STB, in a vacuum and contrary to other public transport policy, should not attempt to regulate or limit rail fuel surcharges and it would be dangerous for many reasons to do so. We suggest to "Not Regulate – but Educate" the shipping interests why this isn't in anyone's best interests or good for public energy and fuel conservation policies.

Thank you for reviewing this matter.

John W. Gohmann,
President, Chairman,
Minnesota Commercial Railway Company,
And
President, Small Railroad Business Owners of America.

Exhibit A

The railroad industry has been, and continues to be unable to earn its cost of Capital, as the STB so well knows, and, there is a projected 190 billion dollar shortfall of capital the industry will be able to raise over the next 20 years to meet minimum capital requirements for the country to avoid transport gridlock.

In FY 2006, the industry is spending over 10 billion dollars on capital improvements, highest in history, and, far more as a percentage of revenues and profits than many other industries.

Rail Update

A \$190 billion blueprint for freight railroad growth

An influential, traditionally highway-oriented organization has issued a comprehensive study of the freight railroad industry that makes a strong case for a multi-billion-dollar package of government aid for major rail carriers.

Without substantial federal and state assistance over the next 20 years, railroads won't be able to handle their fair share of soaring demand for freight transportation, and the result will be a crushing burden on the highway system, warns the American Association of State Highway and Transportation Officials (AASHTO). The association's Freight-Rail Bottom Line Report was released in February. It's one of several studies that the state group commissioned on all aspects of transportation in preparation for the debate in Congress this year on reauthorization of six-year omnibus transportation legislation currently known as TEA-21.

The freight-rail study found that railroads need to invest \$9.3 billion a year in capital improvements, and that more than one-fourth of that amount, around \$2.5 billion, will have to come from public/private partnerships.

AASHTO underscored the importance of a strong rail system in supporting a healthy highway system, asserting that "relatively small public investments in the nation's freight railroads be leveraged into large public benefits for the nation's highway infrastructure, highway users, and freight shippers."

"The freight-rail system carries 16% of the nation's freight by tonnage, accounting for 28% of total ton-miles, 40% of intercity ton-miles, and 6% of freight value," said the report. "If all freight-rail were shifted to trucks tomorrow, it would add 92 billion truck vehicle-miles of travel (VMT) to the highway system and cost federal, state, and local transportation agencies an additional \$64 billion for highway improve-

ments over the next 20 years. This \$64 billion is a conservative figure that does not include the costs of improvement to bridges, interchanges, local roads, new roads, or system enhancements. If these were included, the estimate would double."

Today, trucks carry 78% of freight tonnage, railroads 16%, and water carriers 6%. Assuming a 3% per year growth in the national economy, the highway system by 2020 must carry an additional 6.6 billion tons of freight, a 62% increase, and railroads an additional 883 million tons, a 44% increase.

The AASHTO report listed these other benefits of rail:

- "Intermodal freight rail service is crucial to the global effectiveness of U.S. industries."

- "Freight rail is fuel-efficient and generates less air pollution per ton-mile than trucks. It also is a preferred mode for hazardous materials shipments because of its positive safety record."

- "Freight rail is vital to military mobilization and provides critically needed transportation system redundancy in national emergencies."

The notion that capital-hungry railroads need the kind of public assistance already available to other transport

modes is not a new one. Norfolk Southern and Burlington Northern and Santa Fe are among railroads that have rallied behind an idea that was once anathema to industry leaders (and remains so to a powerful few who fear that government aid may lead to a measure of government control, and the net result could be mandated open access to private railroad lines). The AASHTO study provides a rationale for a break with the industry's go-it-alone tradition. Among its arguments are these:

- "The U.S. economy is growing steadily, generating demand for more freight transportation. The growth will strain the nation's freight system, including its freight-rail system. The

"No
transportation
mode exists
in isolation
from the
others."

—AASHTO
Executive Director
John Horsley

freight-rail system is confronted by congestion and capacity choke points along national corridors, at intermodal terminals, and at urban rail interchanges. The commuter and intercity passenger railroads, which share these rail lines with the freight railroads, share these same challenges.

"A market-driven evolution of the freight-rail system will accommodate some of the economic growth, but relieve little of the forecast congestion on the highway system. A public-policy driven expansion of the freight rail system supported by public sector investment is needed if the system is to maintain its share of forecast tonnage and help relieve pressure on the highway system. Without coordinated public and private action, congestion and capacity constraints will weaken the freight industry, the economy, local communities, and the environment.

"Public sector investment historically has treated the bottom of the system—grade crossings, branch lines, and commuter rail services. The need today is to treat the top, the key elements of the national network—nationally significant corridors, intermodal terminals and connectors, and urban rail interchanges.

"A first approximation suggests that the freight-rail system needs an additional investment of \$2.6 billion to \$4.0 billion annually. This investment can be shared among the railroads, the states, and the federal government, and portions of the public sector's investment could be paid back from long-term growth in the railroads' revenues.

"The states have the experience to initiate and manage the program with the railroads, but it will be a challenge. The program must balance public demands for economic development, community, and environmental benefits against the risk of distorting the competition of the freight transportation marketplace. Federal initiative and support will be needed to enunciate a clear national policy of improving freight system productivity, facilitate the creation of multi-state investment corporations, banks to coordinate network-level improvements, and help fund the program."

Another AASHTO study, Intercity Passenger Rail Report, found that \$2.8 billion a year needs to be invested over the next six years in high speed passenger rail corridors—though not at the expense of highways.

"The federal government invests billions of dollars each year in other critical transportation systems in cooperation with state governments," said New York State DOT Commissioner Joseph Boardman, chairman of AASHTO's Standing Committee on Rail Transportation. "Similarly, it must be a strong financial partner with states in the provision of future rail passenger service, without drawing funding from other modes."

AASHTO Executive Director John Horsley says "no transportation mode exists in isolation from the others. To keep the highway network viable, we need strong transit, freight rail, and passenger rail systems to absorb some of the rising demands."

Get the *Rail Facts*



Association of American Railroads

A Record Investment from North America's Freight Railroads

In our 2006 capital programs, we are investing a *record* \$8.2 billion on track, locomotives, signals, freight cars, new technology and facilities.

For the past decade, we've been pumping an average of 18 percent of our revenues into our infrastructure, far more than the 3.5 percent invested each year by the average American manufacturer or the 5 percent invested by chemical companies.

Yet those same chemical companies are pushing legislation that would allow the federal government to dictate artificial rail rates, making it impossible for us to set market rates.

And that means less money for the track, trains and other infrastructure America's businesses desperately need to move their products.

These are the Rail Facts.

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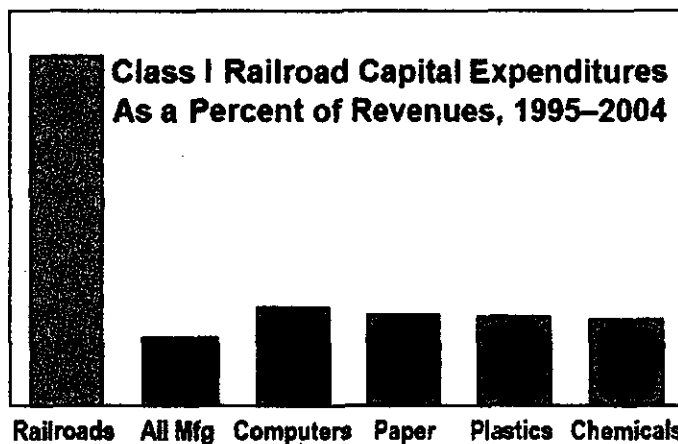
20%

15%

10%

5%

0%



Source: U.S. Census Bureau, AAR.

Exhibit B

Railroads Have been determined to be the most capital and energy efficient investment of all modes of surface transportation, even surpassing barge lines according to a recent Grain Institute study. And, railroads leave just a small percentage of energy emissions into the air as compared to other modes of transport.

MYTH:

Commodity groups and the barge industry are advocating for the expansion of the Upper Mississippi locks and dams, a project which would cost \$1 billion dollars, half of which will come from taxpayers' dollars. These groups contend that enhancing the barge capacity will benefit the Upper Midwest economy by permitting the export of more raw commodities, particularly corn and soybeans, down the Mississippi River.

One issue central to their argument is that barge transport is the most environmentally friendly and energy efficient mode of agricultural transportation.¹ They argue that NOT expanding the locks and dams would shift traffic to a less efficient transport mode (i.e. trucks or rail) rather than energy-efficient barges.

While it may have been true in past decades that water transport, when compared to rail, truck and air transportation, was more energy efficient, recent evidence suggests otherwise. Three factors support this assertion:

- Revised estimates of transportation fuel efficiencies show that water transport is less efficient than rail transport.
- Barge transport is dependent on truck transport, therefore the combined total should be considered in energy efficiency estimates.
- Over the last 20 years, corn and soybeans, two commodities traditionally barged down the Mississippi and shipped to Europe, are increasingly destined for Asia, making rail to the West coast a more energy-efficient option.

All three factors call into question the wisdom of an expansion project that would require the investment of millions of taxpayer dollars and jeopardize the ecological integrity of the Mississippi River.

Rail and Barge Fuel Efficiencies Are Getting Closer

Barge advocates suggest that, on average, a gallon of fuel allows one ton of cargo to be shipped 59 miles by truck, 202 miles by rail and 514 miles by barge.² This data, as presented by the U.S. Department of Transportation, was published in 1981. Given the rapid turnover of technology and the changes that have occurred in all aforementioned industries, it begs to question the relevance of this frequently cited argument.³ In a study on the energy impacts of alternative improvements of the Upper Mississippi waterway system, Tolliver (2000) shows that the margin of difference between rail and barge energy efficiencies has decreased considerably over time. Consequently, railroads have become more fuel efficient, and the economic efficiencies of waterway transport have diminished.⁴ This conclusion supports a fuel consumption study by Baumel and Gervais (1999), who found that barge fuel efficiencies had the least technological improvement since 1985, behind both truck and rail.⁵

More recent energy data measures energy expenditure in British Thermal Units (BTU) per-ton mile. Whereas barge advocates argue that water transport is far more efficient, current literature shows conflicting data. The U.S. Department of Transportation estimates that BTUs extended on per-ton mile total 433 for water transport and 696 for rail transport. However, Greene and Fan (1995)⁶ found rail and barge efficiencies to be much closer with the BTUs per-ton mile being 344, and 398 respectively. Davis (1999) found rail to be more energy efficient, with rail and barge BTUs being 368 and 412 (Figure 1).⁷

Future technological improvements in efficiency are affected by the level of competition within the transportation industry. The highly subsidized barge industry lacks the cost efficiency incentives that would normally force industries to invest in technological research and development to improve efficiency. The deregulation of the rail and truck industry has promoted technological development; in 1995 the rail industry invested over \$63 billion in research and development.⁸ The lack of competitive pressure in the barge industry indicates that rail and truck industries will continue to distance themselves from the barge industry in energy efficiency.



Agriculture

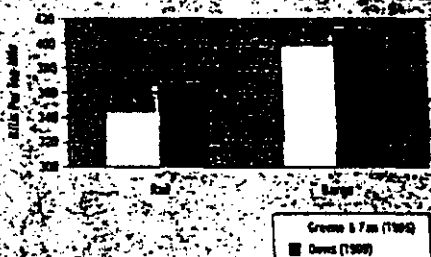
INSTITUTE FOR AGRICULTURE & TRADE POLICY

Myths Series

The highly subsidized barge industry lacks the cost efficiency incentives that would normally force industries to invest in technological research and development to improve efficiency.

Figure 1

Energy Consumption in Two Recent Studies



1. MARCH2000 Midwest River Area Coalition 2000 Website. www.marc2000.org
2. U.S. Department of Transportation, Maritime Administration, Inland Rivers, Ports and Terminals, Inc. Environmental Advantages of Inland Barge Transportation. Online: <http://frpt.com/riverenv1.htm>
3. Casavant, K. 2000. *Agricultural Transportation Challenges in the 21st Century*. Inland Waterborne Transportation - An Industry Under Siege. United States Department of Agriculture, November 2000.
4. Tolliver, D. August 2000. *Analysis of the Energy, Emission and Safety Impacts of Alternative Improvements to the Upper Mississippi and Illinois Waterway System*. Report to the Army Corps of Engineers. http://www.usace.army.mil/pdnpd/nav/studies/energy_reports/Aug2000.htm
5. Baumen, C.P. and J. Gervais. "Estimates of Fuel Consumption in Transporting Grain from Iowa to Major Markets by Alternatives Modes". Iowa State University, June 1999.
6. Greene, D. and Y. Fan 1995. *Transportation Energy Intensity Trends: 1972-1992*. Transportation Research Record, #1475.
7. Davis, S.C. 1999. *Transportation Energy Databook*, Edition 19. Center for Transportation Analysis, Oak Ridge National Laboratory, U.S. Department of Energy.
8. Mohr, Ted. 1998. "Railways: Structure, Regulation and Competition Policy." Federal Railroad Administration, U.S. Department of Transportation.
9. Casavant, K. 2000.
10. Tolliver, 2000.
11. Rogini, A. and M. Gubihar. 2001 *Forces Shaping Global Food Demand and Agricultural Trade*. Agricultural Outlook, May, Pg. 10.
12. Fothergill, D.J., Foster, W.S. and M.R. Cruz. 1993. *Transportation and Iowa's Economic Future*.
13. B. Upkin. 1998. *A river of subsidies*. *Forbes Magazine*, 03/23/98.
14. Testimony of Kevin Hamilton, May 2001. Before the subcommittee on surface transportation and merchant marine of the senate committee on commerce, science and transportation.

Barge and Rail Transport Are Bi-Modal

As Casavant (2000) points out in his report, *Agricultural Transportation Challenges in the 21st Century*, trucks serve as the feeders of both the rail and barge shipping points.⁹ Therefore, the truck distance traveled may be the ultimate determinant of which inter-modal combination of transport is most energy efficient from commodity origin to destination. Tolliver (2000) acknowledges that the failure to incorporate the truck transport that is directly associated with barge and rail transport is problematic. Tolliver suggests that this be considered in future assessments of transport efficiencies.¹⁰ If truck transport distances into rail and barge stations differ substantially, then combined truck-rail and truck-barge fuel efficiencies may significantly change from the direct modal estimates in related studies.

Commodity Destinations and Values Are Shifting

Increases in domestic processing of commodity crops over the last thirty years have lessened the emphasis on waterway transport. For example, domestic corn processing has increased from 9% in 1976 to 18% in the late 1990s. This is significant for the barging industry because domestic corn products are generally moved by rail to the destination ports. Rail transport tends to be faster, more reliable and more predictable than water transport and thus preferable for perishable commodity transport.

Over the last 20 years, the value of U.S. commodities shipped for export have declined and destinations have changed. In 1980, bulk exports accounted for nearly 70% of the value of total U.S. agricultural exports, but the share declined steadily to less than 40% in 1998. With relatively low bulk prices in the late 1990s and a slow volume growth, the value of U.S. bulk trade in 1998 was below the value in 1980.¹¹

Another trend has been the shift in export destination. In the early 1980's, the U.S. shipped most of its export grain to New Orleans en route to Europe. Barges operating on the Mississippi dominated the movement of Midwestern bulk exports.¹² By 1990 drastic changes had occurred: Asia had become the primary export market for U.S. grain products. Because exports to Asia are better served by west coast ports, and because barges are limited to hauling grain to ports located on navigable rivers, the rail industry now dominates domestic transport of agricultural goods. In sum, the overall use of waterway transport is decreasing, as is the value of the commodities that continue to use the water mode of transport. Why invest additional dollars to expand infrastructure on a waterway system that is becoming obsolete and cost-inefficient?

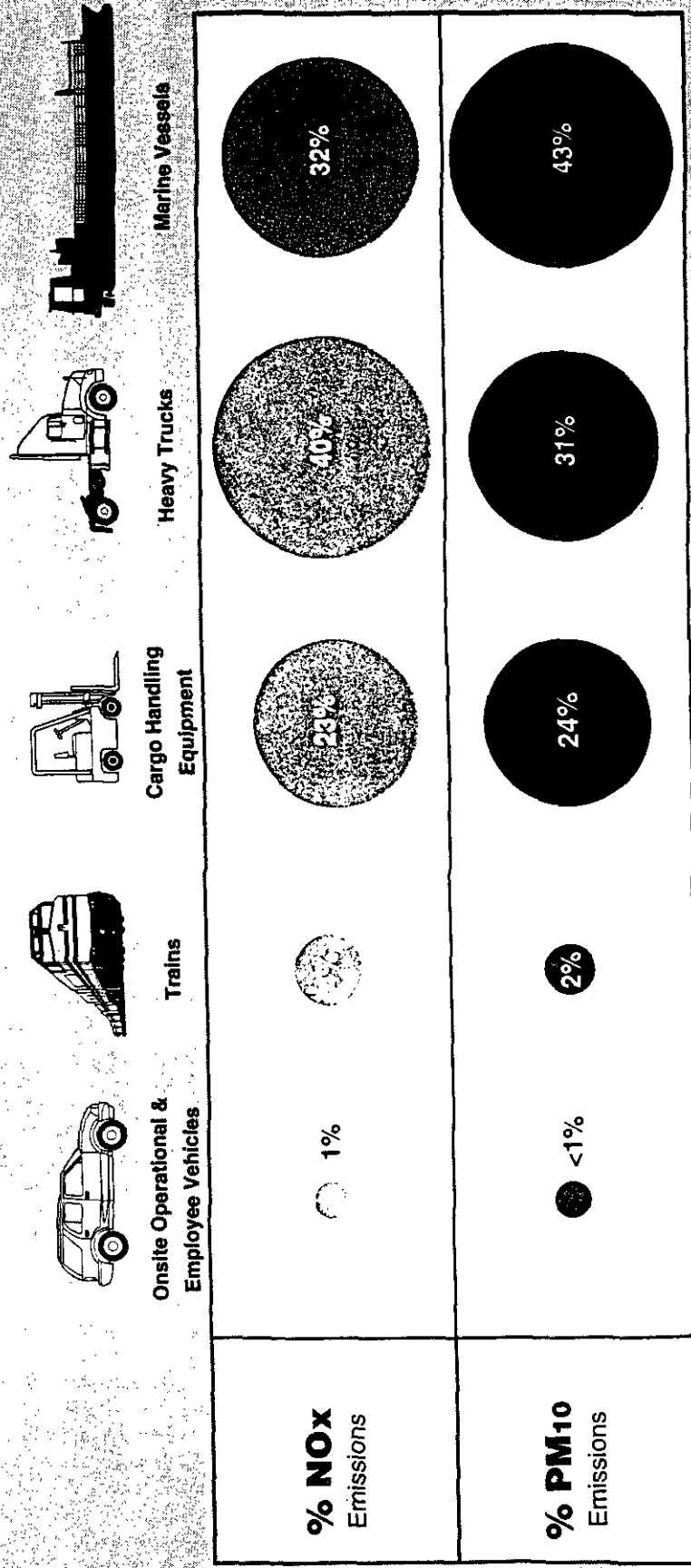
Conclusion

The barge industry is already the most subsidized form of transport in the United States. Their fuel taxes cover only 10% of the annual \$647 million that the U.S. Army Corps of Engineers spends building, operating and maintaining locks, dams and navigation channels. The rest is paid by taxpayer dollars. In contrast, the truck industry pays fuel and user taxes for their use of, and damage to the interstate.¹³ The rail industry receives virtually no federal aid to help curb industry expenditures on railroad infrastructure.¹⁴ Expansion of Upper Mississippi locks and dams will be yet another cost incurred at the taxpayer's expense. Although the available research is indecisive, the data do indicate significant increases in rail efficiency, while barge efficiencies are relatively stagnant. Moreover, changes in the commodity industry over the last twenty years have favored rail transport with growing trends towards an Asian based export market and overall decrease in bulk commodity exports. The expansion of the Upper Mississippi locks and dams is, therefore, neither warranted nor justified.

COVER STORY

PORT POLLUTION

Average contributions of various port-related sources to total nitrogen oxide (NOx) and particulate matter (PM10) emissions from a container port.



Sources: "Harboring Pollution: The Dirty Truth About U.S. Ports," Natural Resources Defense Council.

The commercial implementation of ultra-low-sulfur diesel fuel gives hope to the maritime industry because the technology is effective and produces immediate results. Furthermore, the fuel is cost-effective and can be used on most container ships simply by installing a secondary tank.

"Maersk has made a business case for ultra-low-sulfur diesel fuel. When the federal mandate for fuel is implemented, it will be a business case for fuel."

rily for bulk and other vessels that call infrequently at the port. Placing the hood on a vessel's smokestack is a time-consuming and labor-intensive process, Kanter said. For container ships that call on a fixed rotation, a more permanent solution to vessel emissions at berth is needed.

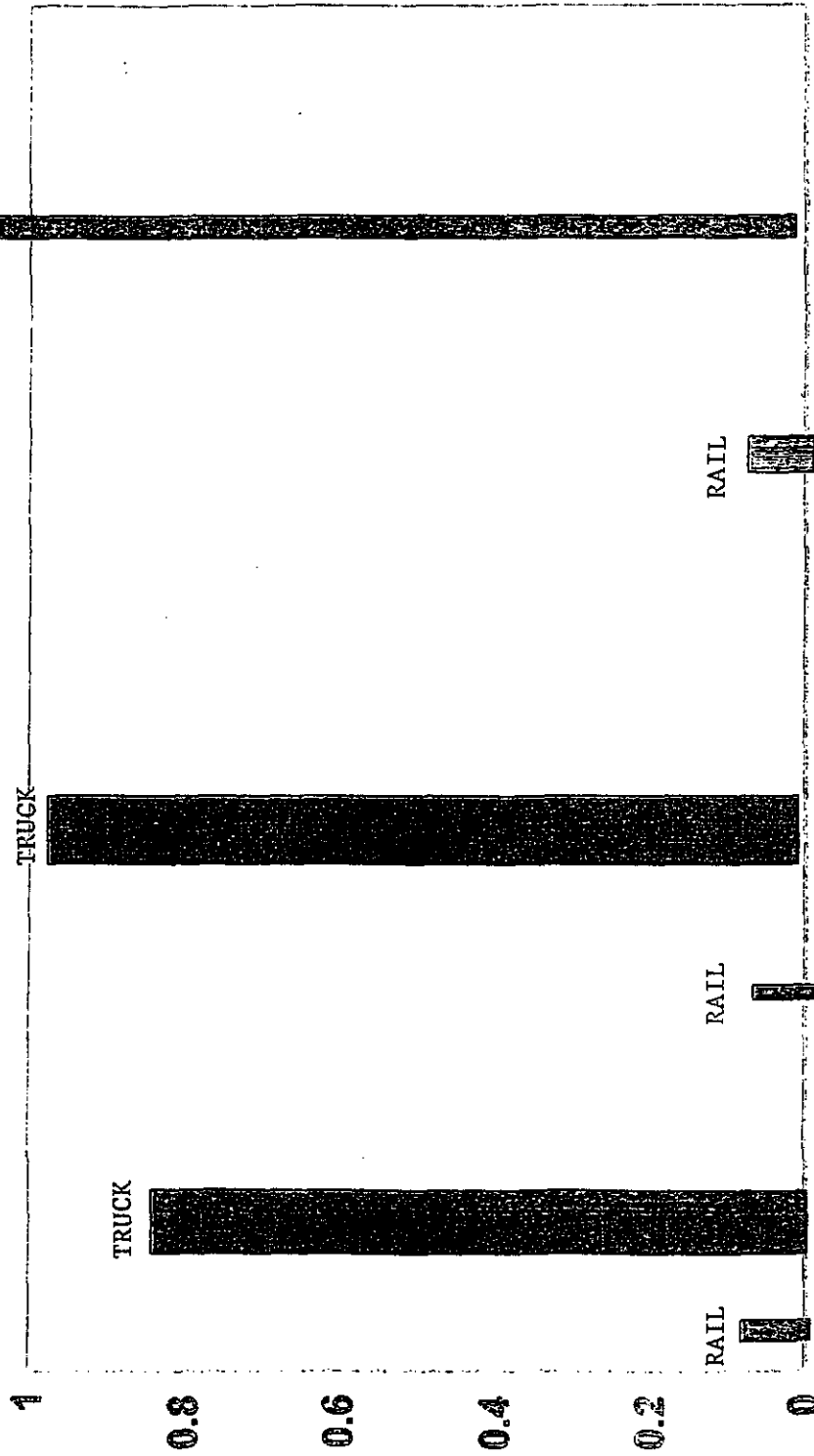
For vessel operators in Southern California, whether they like it or not, operating from dockside electrical power will likely be the answer to reducing vessel pollution.

Labor, Capital and Fuel Efficiency

200 containers moved 400 miles by Rail or truck

Source: American Trucking Association, "Trucking: The Facts and Figures," 1976. Data for rail from U.S. Department of Transportation, "Railroads: The Facts and Figures," 1976.

TRUCK



LABOR
200 drivers \$28,800
RAIL - 4 operating personnel
\$720.00
Savings \$28,000

CAPITAL
200 semi-tractors at 70K each 14 mil.
2 locomotives at 1.1 mil. each, 2.2 mil.
Savings 11.8 million

FUEL EFFICIENCY/Environmental Conservation
Truck - 11,429 gallons
Rail - 1,320 gallons
Savings - 10,129 gallons

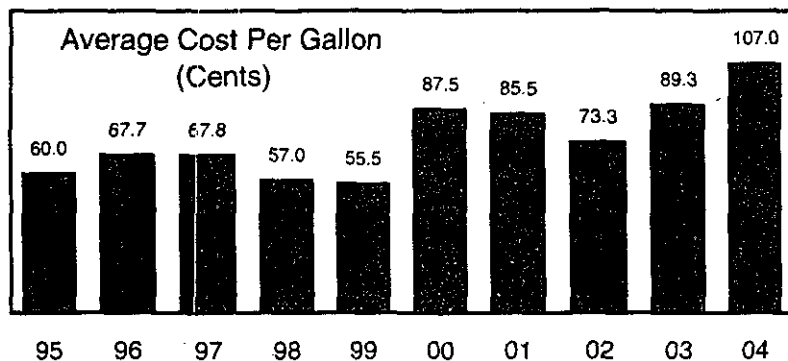
source

Good Morning America,
page 76,77

Exhibit C

The cost of fuel for railroads, on a cents per gallon basis, which was as low as 73.33 cents in 2002, has in the summer of 2006, more than TRIPLED to prices from between \$2.10 and \$2.25 across the nation.

FUEL CONSUMPTION AND COST



Year	Total Gallons Diesel Fuel Consumed (thousands)	Total Diesel Fuel Expense (\$ millions)	Average Cost Per Gallon (cents)
1955	3,393,103	\$323	9.53 ¢
1960	3,471,780	314	9.03
1965	3,742,370	341	9.10
1970	3,807,663	409	10.73
1975	3,736,484	1,121	30.00
1980	3,955,996	3,269	82.64
1985	3,144,190	2,445	77.76
1990	3,134,446	2,170	69.22
1991	2,925,970	1,968	67.24
1992	3,022,108	1,913	63.29
1993	3,111,981	1,962	63.05
1994	3,355,802	2,009	59.87
1995	3,503,096	2,102	60.01
1996	3,600,649	2,436	67.66
1997	3,602,793	2,443	67.82
1998	3,619,341	2,063	57.00
1999	3,749,428	2,079	55.45
2000	3,720,107	3,254	87.46
2001	3,729,985	3,191	85.54
2002	3,751,413	2,751	73.33
2003	3,849,229	3,436	89.25
2004	4,082,236	4,367	106.98

Exhibit D

There are many "hidden" fuel costs to railroads not tied to any particular route or associated with moving a carload of freight.

For example, unlike trucks, which unless providing sleeper birth power and heat (being now outlawed in many states) cannot be shut off in winter months at freezing or below due to the design and build of locomotives, heavy crankcase oil, and, danger of gelling fuel.

Here's the first example. The Class I carriers had 22,013 diesel locomotives in service in 2004.. Assuming all of them were operating, but, had an 80% utilization factor (meaning that each day, they sat between assignments or runs 20% of the time, that would mean the idled 4.8 hours per day..

Most modern switcher, road switcher and road freight locomotives burn between 4 and 8 gallons per hour at idle.. We will use 6 gallons as a for example.

6 gallons per hour x 4.8 hours per day = 28.8 gallons per unit per day, "up the stack" idling. Take that times 22,013 units, and that's 633,974 gallons per day for just the class I carriers. At \$2.20 per gallon, that is \$1,394,744 for idling PER DAY..or, over \$509 MILLION DOLLARS A YEAR.

We believe the Class I carriers may have closer measures of idle or "dwell time" per units, and the above numbers may be very low. We suggest the STB learn to understand there are no easy capital fixes for this that have an ROI - as other sections of this report indicate. If there was, the industry would have been after them a long time ago.

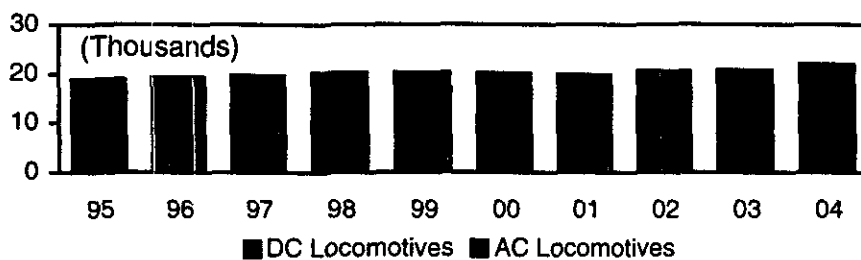
Locomotives Can Be shut down in warmer months or warmer climates for time in excess of usually 30 minutes. Shutting them down and restarting quickly sometimes can do damage to lubrication and fuel injection and other systems and parts of the locomotive, depending upon make, style and condition.

But, let's assume that the above real number is \$200 million a year in fuel, idling - that's a huge amount, and, only in winter months in seasonal climates where units cannot be shut down.

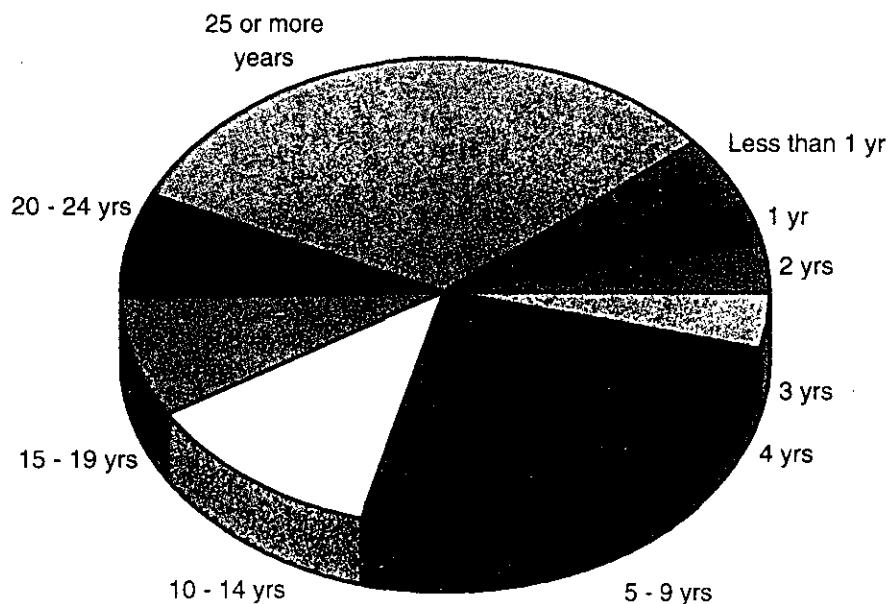
LOCOMOTIVES IN SERVICE

Year	Total	Diesel Electric Units	Steam	Electric Units
1929	57,559	22	56,936	601
1939	42,470	510	41,117	843
1944	43,593	3,049	39,681	863
1947	41,701	5,772	35,108	821
1955	31,395	24,786	5,982	627
1960	29,031	28,278	261	492
1965	27,780	27,389	29	362
1970	27,077	26,796	13	268
1975	27,846	27,667	12	167
1980	28,094	28,003	12	79
1985	22,548	22,548	0	0
1990	18,835	18,835	0	0
1991	18,344	18,344	0	0
1992	18,004	18,004	0	0
1993	18,161	18,161	0	0
1994	18,505	18,496	0	0
1995	18,812	18,810	0	0
1996	19,269	19,267	0	0
1997	19,684	19,682	0	0
1998	20,261	20,259	0	0
1999	20,256	20,254	0	0
2000	20,028	20,026	0	0
2001	19,745	19,743	0	0
2002	20,506	20,503	0	0
2003	20,774	20,772	0	0
2004	22,015	22,013	0	0

Notes: Total includes LNG powered locomotives that are not included in any other column. Diesel Electric for 2004 includes 4,139 AC traction locomotives.



AGE OF LOCOMOTIVES



Age distribution of locomotive fleet as of Dec. 31, 2004

Date Built*	Locomotives in Age Bracket	
	Number	Percent
Jan. 1, 2004 - Dec. 31, 2004	1,121	5.1 %
Jan. 1, 2003 - Dec. 31, 2003	591	2.7
Jan. 1, 2002 - Dec. 31, 2002	722	3.3
Jan. 1, 2001 - Dec. 31, 2001	891	4.0
Jan. 1, 2000 - Dec. 31, 2000	863	3.9
Jan. 1, 1995 - Dec. 31, 1999	4,672	21.2
Jan. 1, 1990 - Dec. 31, 1994	2,715	12.3
Jan. 1, 1985 - Dec. 31, 1989	1,799	8.2
Jan. 1, 1980 - Dec. 31, 1984	1,585	7.2
Before 1980	7,056	32.1
Total	22,015	100.0 %

* Disregards year of rebuilding.

Examples of Some "Capital" Fixes and how much they cost per locomotive

Capital Fixes to reduce fuel consumption and idling times in cold weather climates do not come cheap, and, have limited application to locations where there is ample electrical service for 220 or 440 volt service, which excludes a lot of outlying point tie up points for thousands of units per day, and, other points where an ROI does not exist to do this.

Exhibit E discusses installation of "hotstart" units on locomotives, which are plugged in and allow water, fuel, and crankcase lubricants to be accomplished through heating coils and pumps. While they can save a lot of fuel, the capital cost per unit is very high and the electrical power, about \$1.00 per hour to provide energy to them.

Exhibit F shows the cost of installation of one 220 to 440v outlet to provide such power for Hot start engines.

Exhibit E

Cost of installing Ten. (10) hotstart units on General Electric B23-7 or B30-7 units. \$85,000 per unit, installed, assumes a 10 year payoff with 8.75% annual rate

Interest Vision
Amortization Schedule

Loan or Annuity Variables:

Start Date:	Aug 1, 2006	End Date:	Aug 1, 2016
Start Payment:	Aug 1, 2006	No. of Payments:	120
Start Interest:	Aug 1, 2006	Interest Rate:	8.750%
Payment Freq.:	Monthly	Initial Principal:	\$850000.00
Compound Freq.:	Monthly	Payment Amount:	\$10653.31
Days in Mo./Yr.:	Actual No.	Balloon:	\$0.00
Payment Mode:	In Arrears	Amortization Method:	Simple Int.

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
	Aug 1, 2006	0.00	0.00	0.000	0.00	850000.00
1	Sep 1, 2006	10653.31	6316.78	8.750	4336.53	845663.47
2	Oct 1, 2006	10653.31	6081.83	8.750	4571.48	841091.99
3	Nov 1, 2006	10653.31	6250.58	8.750	4402.73	836689.27
4	Dec 1, 2006	10653.31	6017.29	8.750	4636.02	832053.25
5	Jan 1, 2007	10653.31	6183.41	8.750	4469.90	827583.35
6	Feb 1, 2007	10653.31	6150.19	8.750	4503.12	823080.24
7	Mar 1, 2007	10653.31	5524.79	8.750	5128.52	817951.71
8	Apr 1, 2007	10653.31	6078.61	8.750	4574.69	813377.02
9	May 1, 2007	10653.31	5849.63	8.750	4803.68	808573.34
10	Jun 1, 2007	10653.31	6008.92	8.750	4644.39	803928.96
11	Jul 1, 2007	10653.31	5781.68	8.750	4871.63	799057.33
12	Aug 1, 2007	10653.31	5938.20	8.750	4715.11	794342.22
13	Sep 1, 2007	10653.31	5903.16	8.750	4750.15	789592.08
14	Oct 1, 2007	10653.31	5678.57	8.750	4974.73	784617.34
15	Nov 1, 2007	10653.31	5830.89	8.750	4822.42	779794.93
16	Dec 1, 2007	10653.31	5608.11	8.750	5045.19	774749.73
17	Jan 1, 2008	10653.31	5741.83	8.750	4911.48	769838.25
18	Feb 1, 2008	10653.31	5705.43	8.750	4947.88	764890.37
19	Mar 1, 2008	10653.31	5303.03	8.750	5350.28	759540.10
20	Apr 1, 2008	10653.31	5629.11	8.750	5024.20	754515.90
21	May 1, 2008	10653.31	5411.49	8.750	5241.82	749274.08
22	Jun 1, 2008	10653.31	5553.02	8.750	5100.23	744173.79
23	Jul 1, 2008	10653.31	5337.31	8.750	5315.99	738857.80
24	Aug 1, 2008	10653.31	5475.82	8.750	5177.48	733680.32
25	Sep 1, 2008	10653.31	5437.45	8.750	5215.85	728464.46
26	Oct 1, 2008	10653.31	5224.64	8.750	5428.66	723035.80
27	Nov 1, 2008	10653.31	5358.56	8.750	5294.74	717741.06
28	Dec 1, 2008	10653.31	5147.73	8.750	5505.57	712235.48
29	Jan 1, 2009	10653.31	5292.98	8.750	5360.32	706875.16
30	Feb 1, 2009	10653.31	5253.15	8.750	5400.16	701475.00
31	Mar 1, 2009	10653.31	4708.53	8.750	5944.78	695530.22

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
32	Apr 1, 2009	10653.31	5168.84	8.750	5484.47	690045.76
33	May 1, 2009	10653.31	4962.66	8.750	5690.65	684355.11
34	Jun 1, 2009	10653.31	5085.79	8.750	5567.52	678787.59
35	Jul 1, 2009	10653.31	4881.69	8.750	5771.61	673015.98
36	Aug 1, 2009	10653.31	5001.52	8.750	5651.78	667364.19
37	Sep 1, 2009	10653.31	4959.52	8.750	5693.78	661670.41
38	Oct 1, 2009	10653.31	4758.59	8.750	5894.72	655775.69
39	Nov 1, 2009	10653.31	4873.40	8.750	5779.91	649995.78
40	Dec 1, 2009	10653.31	4674.63	8.750	5978.68	644017.10
41	Jan 1, 2010	10653.31	4786.02	8.750	5867.29	638149.82
42	Feb 1, 2010	10653.31	4742.41	8.750	5910.89	632238.92
43	Mar 1, 2010	10653.31	4243.80	8.750	6409.51	625829.41
44	Apr 1, 2010	10653.31	4650.86	8.750	6002.45	619826.96
45	May 1, 2010	10653.31	4457.66	8.750	6195.65	613631.31
46	Jun 1, 2010	10653.31	4560.21	8.750	6093.10	607538.21
47	Jul 1, 2010	10653.31	4369.28	8.750	6284.02	601254.19
48	Aug 1, 2010	10653.31	4468.22	8.750	6185.08	595069.11
49	Sep 1, 2010	10653.31	4422.26	8.750	6231.05	588838.06
50	Oct 1, 2010	10653.31	4234.79	8.750	6418.51	582419.55
51	Nov 1, 2010	10653.31	4328.25	8.750	6325.05	576094.50
52	Dec 1, 2010	10653.31	4143.15	8.750	6510.16	569584.33
53	Jan 1, 2011	10653.31	4232.87	8.750	6420.44	563163.90
54	Feb 1, 2011	10653.31	4185.16	8.750	6468.15	556695.75
55	Mar 1, 2011	10653.31	3736.72	8.750	6916.58	549779.17
56	Apr 1, 2011	10653.31	4085.69	8.750	6567.62	543211.55
57	May 1, 2011	10653.31	3906.66	8.750	6746.65	536464.90
58	Jun 1, 2011	10653.31	3986.74	8.750	6666.56	529798.34
59	Jul 1, 2011	10653.31	3810.19	8.750	6843.11	522955.22
60	Aug 1, 2011	10653.31	3886.35	8.750	6766.96	516188.26
61	Sep 1, 2011	10653.31	3836.06	8.750	6817.25	509371.01
62	Oct 1, 2011	10653.31	3663.28	8.750	6990.02	502380.99
63	Nov 1, 2011	10653.31	3733.45	8.750	6919.86	495461.13
64	Dec 1, 2011	10653.31	3563.25	8.750	7090.06	488371.07
65	Jan 1, 2012	10653.31	3619.42	8.750	7033.89	481337.18
66	Feb 1, 2012	10653.31	3567.29	8.750	7086.02	474251.16
67	Mar 1, 2012	10653.31	3288.01	8.750	7365.29	466885.87
68	Apr 1, 2012	10653.31	3460.19	8.750	7193.12	459692.75
69	May 1, 2012	10653.31	3296.98	8.750	7356.33	452336.42
70	Jun 1, 2012	10653.31	3352.36	8.750	7300.95	445035.47
71	Jul 1, 2012	10653.31	3191.85	8.750	7461.45	437574.01
72	Aug 1, 2012	10653.31	3242.95	8.750	7410.36	430163.66
73	Sep 1, 2012	10653.31	3188.03	8.750	7465.28	422698.38
74	Oct 1, 2012	10653.31	3031.65	8.750	7621.66	415076.72
75	Nov 1, 2012	10653.31	3076.22	8.750	7577.09	407499.63
76	Dec 1, 2012	10653.31	2922.64	8.750	7730.67	399768.97
77	Jan 1, 2013	10653.31	2970.89	8.750	7682.42	392086.55
78	Feb 1, 2013	10653.31	2913.79	8.750	7739.51	384347.03
79	Mar 1, 2013	10653.31	2579.86	8.750	8073.44	376273.59
80	Apr 1, 2013	10653.31	2796.28	8.750	7857.03	368416.56

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
81	May 1, 2013	10653.31	2649.57	8.750	8003.74	360412.83
82	Jun 1, 2013	10653.31	2678.41	8.750	7974.90	352437.93
83	Jul 1, 2013	10653.31	2534.66	8.750	8118.65	344319.28
84	Aug 1, 2013	10653.31	2558.81	8.750	8094.50	336224.79
85	Sep 1, 2013	10653.31	2498.66	8.750	8154.65	328070.14
86	Oct 1, 2013	10653.31	2359.41	8.750	8293.90	319776.24
87	Nov 1, 2013	10653.31	2376.42	8.750	8276.89	311499.35
88	Dec 1, 2013	10653.31	2240.24	8.750	8413.07	303086.28
89	Jan 1, 2014	10653.31	2252.39	8.750	8400.92	294685.36
90	Feb 1, 2014	10653.31	2189.96	8.750	8463.35	286222.01
91	Mar 1, 2014	10653.31	1921.22	8.750	8732.09	277489.92
92	Apr 1, 2014	10653.31	2062.17	8.750	8591.14	268898.78
93	May 1, 2014	10653.31	1933.86	8.750	8719.45	260179.34
94	Jun 1, 2014	10653.31	1933.52	8.750	8719.78	251459.55
95	Jul 1, 2014	10653.31	1808.44	8.750	8844.86	242614.69
96	Aug 1, 2014	10653.31	1802.99	8.750	8850.31	233764.38
97	Sep 1, 2014	10653.31	1737.22	8.750	8916.08	224848.29
98	Oct 1, 2014	10653.31	1617.06	8.750	9036.25	215812.04
99	Nov 1, 2014	10653.31	1603.81	8.750	9049.50	206762.55
100	Dec 1, 2014	10653.31	1486.99	8.750	9166.32	197596.23
101	Jan 1, 2015	10653.31	1468.44	8.750	9184.87	188411.36
102	Feb 1, 2015	10653.31	1400.18	8.750	9253.13	179158.24
103	Mar 1, 2015	10653.31	1202.57	8.750	9450.74	169707.50
104	Apr 1, 2015	10653.31	1261.18	8.750	9392.12	160315.37
105	May 1, 2015	10653.31	1152.95	8.750	9500.35	150815.02
106	Jun 1, 2015	10653.31	1120.78	8.750	9532.52	141282.50
107	Jul 1, 2015	10653.31	1016.07	8.750	9637.23	131645.26
108	Aug 1, 2015	10653.31	978.32	8.750	9674.98	121970.28
109	Sep 1, 2015	10653.31	906.42	8.750	9746.88	112223.39
110	Oct 1, 2015	10653.31	807.09	8.750	9846.22	102377.17
111	Nov 1, 2015	10653.31	760.82	8.750	9892.49	92484.68
112	Dec 1, 2015	10653.31	665.13	8.750	9988.18	82496.51
113	Jan 1, 2016	10653.31	611.40	8.750	10041.91	72454.60
114	Feb 1, 2016	10653.31	536.98	8.750	10116.33	62338.27
115	Mar 1, 2016	10653.31	432.19	8.750	10221.11	52117.16
116	Apr 1, 2016	10653.31	386.25	8.750	10267.06	41850.10
117	May 1, 2016	10653.31	300.15	8.750	10353.15	31496.95
118	Jun 1, 2016	10653.31	233.43	8.750	10419.88	21077.07
119	Jul 1, 2016	10653.31	151.17	8.750	10502.14	10574.93
120	Aug 1, 2016	10653.31	78.37	8.750	10574.93	0.00

Exhibit F

Cost of Installing Nine (9) 220 v. power plugs for locomotives
with Hot Start Heater features to operate from

Assumes a 10 year payoff, at 8.75% per year

Interest Vision

Amortization Schedule

Loan or Annuity Variables:

Start Date:	Aug 1, 2006	End Date:	Aug 1, 2016
Start Payment:	Aug 1, 2006	No. of Payments:	120
Start Interest:	Aug 1, 2006	Interest Rate:	8.750%
Payment Freq.:	Monthly	Initial Principal:	\$100000.00
Compound Freq.:	Monthly	Payment Amount:	\$1253.33
Days in Mo./Yr.:	Actual No.	Balloon:	\$0.00
Payment Mode:	In Arrears	Amortization Method:	Simple Int.

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
	Aug 1, 2006	0.00	0.00	0.000	0.00	100000.00
1	Sep 1, 2006	1253.33	743.15	8.750	510.18	99489.82
2	Oct 1, 2006	1253.33	715.51	8.750	537.82	98952.00
3	Nov 1, 2006	1253.33	735.36	8.750	517.97	98434.03
4	Dec 1, 2006	1253.33	707.92	8.750	545.41	97888.62
5	Jan 1, 2007	1253.33	727.46	8.750	525.87	97362.75
6	Feb 1, 2007	1253.33	723.55	8.750	529.78	96832.97
7	Mar 1, 2007	1253.33	649.97	8.750	603.36	96229.61
8	Apr 1, 2007	1253.33	715.13	8.750	538.20	95691.41
9	May 1, 2007	1253.33	688.19	8.750	565.14	95126.28
10	Jun 1, 2007	1253.33	706.93	8.750	546.40	94579.88
11	Jul 1, 2007	1253.33	680.20	8.750	573.13	94006.74
12	Aug 1, 2007	1253.33	698.61	8.750	554.72	93452.03
13	Sep 1, 2007	1253.33	694.49	8.750	558.84	92893.19
14	Oct 1, 2007	1253.33	668.07	8.750	585.26	92307.92
15	Nov 1, 2007	1253.33	685.99	8.750	567.34	91740.58
16	Dec 1, 2007	1253.33	659.78	8.750	593.55	91147.03
17	Jan 1, 2008	1253.33	675.51	8.750	577.82	90569.21
18	Feb 1, 2008	1253.33	671.23	8.750	582.10	89987.10
19	Mar 1, 2008	1253.33	623.89	8.750	629.44	89357.66
20	Apr 1, 2008	1253.33	662.25	8.750	591.08	88766.58
21	May 1, 2008	1253.33	636.65	8.750	616.68	88149.89
22	Jun 1, 2008	1253.33	653.30	8.750	600.03	87549.86
23	Jul 1, 2008	1253.33	627.92	8.750	625.41	86924.45
24	Aug 1, 2008	1253.33	644.21	8.750	609.12	86315.33
25	Sep 1, 2008	1253.33	639.70	8.750	613.63	85701.70
26	Oct 1, 2008	1253.33	614.66	8.750	638.67	85063.04
27	Nov 1, 2008	1253.33	630.42	8.750	622.91	84440.12
28	Dec 1, 2008	1253.33	605.62	8.750	647.71	83792.41
29	Jan 1, 2009	1253.33	622.70	8.750	630.63	83161.78
30	Feb 1, 2009	1253.33	618.02	8.750	635.31	82526.47
31	Mar 1, 2009	1253.33	553.94	8.750	699.39	81827.09

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
32	Apr 1, 2009	1253.33	608.10	8.750	645.23	81181.85
33	May 1, 2009	1253.33	583.84	8.750	669.49	80512.37
34	Jun 1, 2009	1253.33	598.33	8.750	655.00	79857.36
35	Jul 1, 2009	1253.33	574.32	8.750	679.01	79178.35
36	Aug 1, 2009	1253.33	588.41	8.750	664.92	78513.43
37	Sep 1, 2009	1253.33	583.47	8.750	669.86	77843.58
38	Oct 1, 2009	1253.33	559.83	8.750	693.50	77150.08
39	Nov 1, 2009	1253.33	573.34	8.750	679.99	76470.09
40	Dec 1, 2009	1253.33	549.96	8.750	703.37	75766.72
41	Jan 1, 2010	1253.33	563.06	8.750	690.27	75076.45
42	Feb 1, 2010	1253.33	557.93	8.750	695.40	74381.05
43	Mar 1, 2010	1253.33	499.27	8.750	754.06	73626.99
44	Apr 1, 2010	1253.33	547.16	8.750	706.17	72920.82
45	May 1, 2010	1253.33	524.43	8.750	728.90	72191.92
46	Jun 1, 2010	1253.33	536.49	8.750	716.84	71475.08
47	Jul 1, 2010	1253.33	514.03	8.750	739.30	70735.79
48	Aug 1, 2010	1253.33	525.67	8.750	727.66	70008.13
49	Sep 1, 2010	1253.33	520.27	8.750	733.06	69275.07
50	Oct 1, 2010	1253.33	498.21	8.750	755.12	68519.95
51	Nov 1, 2010	1253.33	509.21	8.750	744.12	67775.82
52	Dec 1, 2010	1253.33	487.43	8.750	765.90	67009.92
53	Jan 1, 2011	1253.33	497.98	8.750	755.35	66254.58
54	Feb 1, 2011	1253.33	492.37	8.750	760.96	65493.62
55	Mar 1, 2011	1253.33	439.61	8.750	813.72	64679.90
56	Apr 1, 2011	1253.33	480.67	8.750	772.66	63907.24
57	May 1, 2011	1253.33	459.61	8.750	793.72	63113.52
58	Jun 1, 2011	1253.33	469.03	8.750	784.30	62329.22
59	Jul 1, 2011	1253.33	448.26	8.750	805.07	61524.14
60	Aug 1, 2011	1253.33	457.22	8.750	796.11	60728.03
61	Sep 1, 2011	1253.33	451.30	8.750	802.03	59926.00
62	Oct 1, 2011	1253.33	430.97	8.750	822.36	59103.65
63	Nov 1, 2011	1253.33	439.23	8.750	814.10	58289.54
64	Dec 1, 2011	1253.33	419.21	8.750	834.12	57455.42
65	Jan 1, 2012	1253.33	425.81	8.750	827.52	56627.90
66	Feb 1, 2012	1253.33	419.68	8.750	833.65	55794.25
67	Mar 1, 2012	1253.33	386.82	8.750	866.51	54927.75
68	Apr 1, 2012	1253.33	407.08	8.750	846.25	54081.50
69	May 1, 2012	1253.33	387.88	8.750	865.45	53216.05
70	Jun 1, 2012	1253.33	394.39	8.750	858.94	52357.11
71	Jul 1, 2012	1253.33	375.51	8.750	877.82	51479.30
72	Aug 1, 2012	1253.33	381.52	8.750	871.81	50607.49
73	Sep 1, 2012	1253.33	375.06	8.750	878.27	49729.22
74	Oct 1, 2012	1253.33	356.66	8.750	896.67	48832.56
75	Nov 1, 2012	1253.33	361.91	8.750	891.42	47941.13
76	Dec 1, 2012	1253.33	343.84	8.750	909.49	47031.64
77	Jan 1, 2013	1253.33	349.52	8.750	903.81	46127.83
78	Feb 1, 2013	1253.33	342.80	8.750	910.53	45217.30
79	Mar 1, 2013	1253.33	303.51	8.750	949.82	44267.48
80	Apr 1, 2013	1253.33	328.97	8.750	924.36	43343.13

No.	Date	Payment Amount	Interest Amount	Interest Rate/Yr.	Principal	Balance
81	May 1, 2013	1253.33	311.71	8.750	941.62	42401.51
82	Jun 1, 2013	1253.33	315.11	8.750	938.22	41463.29
83	Jul 1, 2013	1253.33	298.19	8.750	955.14	40508.15
84	Aug 1, 2013	1253.33	301.04	8.750	952.29	39555.86
85	Sep 1, 2013	1253.33	293.96	8.750	959.37	38596.49
86	Oct 1, 2013	1253.33	277.58	8.750	975.75	37620.73
87	Nov 1, 2013	1253.33	279.58	8.750	973.75	36646.98
88	Dec 1, 2013	1253.33	263.56	8.750	989.77	35657.21
89	Jan 1, 2014	1253.33	264.99	8.750	988.34	34668.87
90	Feb 1, 2014	1253.33	257.64	8.750	995.69	33673.18
91	Mar 1, 2014	1253.33	226.03	8.750	1027.30	32645.87
92	Apr 1, 2014	1253.33	242.61	8.750	1010.72	31635.15
93	May 1, 2014	1253.33	227.51	8.750	1025.82	30609.33
94	Jun 1, 2014	1253.33	227.47	8.750	1025.86	29583.48
95	Jul 1, 2014	1253.33	212.76	8.750	1040.57	28542.90
96	Aug 1, 2014	1253.33	212.12	8.750	1041.21	27501.69
97	Sep 1, 2014	1253.33	204.38	8.750	1048.95	26452.74
98	Oct 1, 2014	1253.33	190.24	8.750	1063.09	25389.65
99	Nov 1, 2014	1253.33	188.68	8.750	1064.65	24325.01
100	Dec 1, 2014	1253.33	174.94	8.750	1078.39	23246.62
101	Jan 1, 2015	1253.33	172.76	8.750	1080.57	22166.04
102	Feb 1, 2015	1253.33	164.73	8.750	1088.60	21077.44
103	Mar 1, 2015	1253.33	141.48	8.750	1111.85	19965.59
104	Apr 1, 2015	1253.33	148.37	8.750	1104.96	18860.63
105	May 1, 2015	1253.33	135.64	8.750	1117.69	17742.94
106	Jun 1, 2015	1253.33	131.86	8.750	1121.47	16621.47
107	Jul 1, 2015	1253.33	119.54	8.750	1133.79	15487.68
108	Aug 1, 2015	1253.33	115.10	8.750	1138.23	14349.44
109	Sep 1, 2015	1253.33	106.64	8.750	1146.69	13202.75
110	Oct 1, 2015	1253.33	94.95	8.750	1158.38	12044.37
111	Nov 1, 2015	1253.33	89.51	8.750	1163.82	10880.55
112	Dec 1, 2015	1253.33	78.25	8.750	1175.08	9705.47
113	Jan 1, 2016	1253.33	71.93	8.750	1181.40	8524.07
114	Feb 1, 2016	1253.33	63.17	8.750	1190.16	7333.91
115	Mar 1, 2016	1253.33	50.85	8.750	1202.48	6131.43
116	Apr 1, 2016	1253.33	45.44	8.750	1207.89	4923.54
117	May 1, 2016	1253.33	35.31	8.750	1218.02	3705.52
118	Jun 1, 2016	1253.33	27.46	8.750	1225.87	2479.66
119	Jul 1, 2016	1253.33	17.78	8.750	1235.55	1244.11
120	Aug 1, 2016	1253.33	9.22	8.750	1244.11	0.00

Exhibit G

Cost of Financing One - Mother - slug renovation to conserve fuel, based on assumption that two locomotives are already available to be so converted...

For certain applications, such as yard switching, or higher road speeds, a regular unit is "gutted" of its prime mover (engine) and all other equipment, such as radiators, air compressors, etc., that are used for the locomotive. Just traction motors and traction motor blowers (and in some cases the cab controls, for either end operation when safety dictates it), are kept. Cement is poured in the frame and/or fuel tank to restore the weight taken away by removal of the other materials mentioned above, to retain weight for tractive effort.

The main generator in the "mother unit" is replaced with a higher output generator with additional connections, and electrical wiring is run all through all control systems to in essence, provide all power and control commands to the slug unit. New and different control (computer) cards replace the ones which operated the unit as a single, non mother type with new cards that are designed and wired for control of the slug..

Finally, the unit is tested and debugged. This saves the need for one additional unit in many applications but the cost, \$310,000, is a capital cost per conversion if you already have the locomotive units to do this and double that cost to purchase second hand power if you do not, or, about \$620,000...



And, there is this application, on the Minnesota Commercial, where the railroad's own shops have undertaken a "Mother - slug" program to cut fuel consumption and emissions from a two unit, 4000 hp. Diesel, in half, by modifying and increasing the electrical capacity on the mother unit (in this case, the 313) which in turn provides electrical power to not only the electric traction motors on the "mother", but, also to the Slug, behind, which has been rebuilt from a frame of a diesel - electric locomotive..

A mother slug unit provides twice the horsepower, normally, of one locomotive, but saves the fuel, the emissions, and, costs of a fuel second locomotive. Sadly, there are no tax incentives for railroads to build these kinds of units and they have limited applications on larger railroads.

But, this is an example of where a lot of "capital" goes to save fuel and must be recovered. A directly related surcharge that would apply to fuel consumed for a particular movement would not be recoverable, and, in fact, counter productive, while clearly, our nation's best interest in energy and fuel conservation are in more and more of this kind of innovation.

Loan Amortization Schedule
 Loan Amortized at 8 3/4%

Date	Payment Number	Payment Amount	Principal	Interest	Principal Balance
Opening Balance					310,000.00
9/1/06	1	3,885.13	1,624.71	2,260.42	308,375.29
10/1/06	2	3,885.13	1,636.56	2,248.57	306,738.73
11/1/06	3	3,885.13	1,648.49	2,236.64	305,090.24
12/1/06	4	3,885.13	1,660.51	2,224.62	303,429.73
1/1/07	5	3,885.13	1,672.62	2,212.51	301,757.11
2/1/07	6	3,885.13	1,684.82	2,200.31	300,072.29
3/1/07	7	3,885.13	1,697.10	2,188.03	298,375.19
4/1/07	8	3,885.13	1,709.48	2,175.65	296,665.71
5/1/07	9	3,885.13	1,721.94	2,163.19	294,943.77
6/1/07	10	3,885.13	1,734.50	2,150.63	293,209.27
7/1/07	11	3,885.13	1,747.15	2,137.98	291,462.12
8/1/07	12	3,885.13	1,759.89	2,125.24	289,702.23
9/1/07	13	3,885.13	1,772.72	2,112.41	287,929.51
10/1/07	14	3,885.13	1,785.64	2,099.49	286,143.87
11/1/07	15	3,885.13	1,798.66	2,086.47	284,345.21
12/1/07	16	3,885.13	1,811.78	2,073.35	282,533.43
1/1/08	17	3,885.13	1,824.99	2,060.14	280,708.44
2/1/08	18	3,885.13	1,838.30	2,046.83	278,870.14
3/1/08	19	3,885.13	1,851.70	2,033.43	277,018.44
4/1/08	20	3,885.13	1,865.20	2,019.93	275,153.24
5/1/08	21	3,885.13	1,878.80	2,006.33	273,274.44
6/1/08	22	3,885.13	1,892.50	1,992.63	271,381.94
7/1/08	23	3,885.13	1,906.30	1,978.83	269,475.64
8/1/08	24	3,885.13	1,920.20	1,964.93	267,555.44
9/1/08	25	3,885.13	1,934.20	1,950.93	265,621.24
10/1/08	26	3,885.13	1,948.31	1,936.82	263,672.93
11/1/08	27	3,885.13	1,962.51	1,922.62	261,710.42
12/1/08	28	3,885.13	1,976.82	1,908.31	259,733.60
1/1/09	29	3,885.13	1,991.24	1,893.89	257,742.36
2/1/09	30	3,885.13	2,005.76	1,879.37	255,736.60
3/1/09	31	3,885.13	2,020.38	1,864.75	253,716.22
4/1/09	32	3,885.13	2,035.12	1,850.01	251,681.10
5/1/09	33	3,885.13	2,049.96	1,835.17	249,631.14
6/1/09	34	3,885.13	2,064.90	1,820.23	247,566.24
7/1/09	35	3,885.13	2,079.96	1,805.17	245,486.28
8/1/09	36	3,885.13	2,095.13	1,790.00	243,391.15
9/1/09	37	3,885.13	2,110.40	1,774.73	241,280.75
10/1/09	38	3,885.13	2,125.79	1,759.34	239,154.96
11/1/09	39	3,885.13	2,141.29	1,743.84	237,013.67
12/1/09	40	3,885.13	2,156.91	1,728.22	234,856.76
1/1/10	41	3,885.13	2,172.63	1,712.50	232,684.13
2/1/10	42	3,885.13	2,188.47	1,696.66	230,495.66
3/1/10	43	3,885.13	2,204.43	1,680.70	228,291.23
4/1/10	44	3,885.13	2,220.51	1,664.62	226,070.72
5/1/10	45	3,885.13	2,236.70	1,648.43	223,834.02
6/1/10	46	3,885.13	2,253.01	1,632.12	221,581.01
7/1/10	47	3,885.13	2,269.44	1,615.69	219,311.57
8/1/10	48	3,885.13	2,285.98	1,599.15	217,025.59
9/1/10	49	3,885.13	2,302.65	1,582.48	214,722.94
10/1/10	50	3,885.13	2,319.44	1,565.69	212,403.50
11/1/10	51	3,885.13	2,336.35	1,548.78	210,067.15
12/1/10	52	3,885.13	2,353.39	1,531.74	207,713.76
1/1/11	53	3,885.13	2,370.55	1,514.58	205,343.21
2/1/11	54	3,885.13	2,387.84	1,497.29	202,955.37
3/1/11	55	3,885.13	2,405.25	1,479.88	200,550.12
4/1/11	56	3,885.13	2,422.79	1,462.34	198,127.33
5/1/11	57	3,885.13	2,440.45	1,444.68	195,686.88
6/1/11	58	3,885.13	2,458.25	1,426.88	193,228.63

Loan Amortization Schedule
 Loan Amortized at 8 3/4%

Date	Payment Number	Payment Amount	Principal	Interest	Principal Balance
7/1/11	59	3,885.13	2,476.17	1,408.96	190,752.46
8/1/11	60	3,885.13	2,494.23	1,390.90	188,258.23
9/1/11	61	3,885.13	2,512.41	1,372.72	185,745.82
10/1/11	62	3,885.13	2,530.73	1,354.40	183,215.09
11/1/11	63	3,885.13	2,549.19	1,335.94	180,665.90
12/1/11	64	3,885.13	2,567.77	1,317.36	178,098.13
1/1/12	65	3,885.13	2,586.50	1,298.63	175,511.63
2/1/12	66	3,885.13	2,605.36	1,279.77	172,906.27
3/1/12	67	3,885.13	2,624.36	1,260.77	170,281.91
4/1/12	68	3,885.13	2,643.49	1,241.64	167,638.42
5/1/12	69	3,885.13	2,662.77	1,222.36	164,975.65
6/1/12	70	3,885.13	2,682.18	1,202.95	162,293.47
7/1/12	71	3,885.13	2,701.74	1,183.39	159,591.73
8/1/12	72	3,885.13	2,721.44	1,163.69	156,870.29
9/1/12	73	3,885.13	2,741.28	1,143.85	154,129.01
10/1/12	74	3,885.13	2,761.27	1,123.86	151,367.74
11/1/12	75	3,885.13	2,781.41	1,103.72	148,586.33
12/1/12	76	3,885.13	2,801.69	1,083.44	145,784.64
1/1/13	77	3,885.13	2,822.12	1,063.01	142,962.52
2/1/13	78	3,885.13	2,842.69	1,042.44	140,119.83
3/1/13	79	3,885.13	2,863.42	1,021.71	137,256.41
4/1/13	80	3,885.13	2,884.30	1,000.83	134,372.11
5/1/13	81	3,885.13	2,905.33	979.80	131,466.78
6/1/13	82	3,885.13	2,926.52	958.61	128,540.26
7/1/13	83	3,885.13	2,947.86	937.27	125,592.40
8/1/13	84	3,885.13	2,969.35	915.78	122,623.05
9/1/13	85	3,885.13	2,991.00	894.13	119,632.05
10/1/13	86	3,885.13	3,012.81	872.32	116,619.24
11/1/13	87	3,885.13	3,034.78	850.35	113,584.46
12/1/13	88	3,885.13	3,056.91	828.22	110,527.55
1/1/14	89	3,885.13	3,079.20	805.93	107,448.35
2/1/14	90	3,885.13	3,101.65	783.48	104,346.70
3/1/14	91	3,885.13	3,124.27	760.86	101,222.43
4/1/14	92	3,885.13	3,147.05	738.08	98,075.38
5/1/14	93	3,885.13	3,170.00	715.13	94,905.38
6/1/14	94	3,885.13	3,193.11	692.02	91,712.27
7/1/14	95	3,885.13	3,216.39	668.74	88,495.88
8/1/14	96	3,885.13	3,239.85	645.28	85,256.03
9/1/14	97	3,885.13	3,263.47	621.66	81,992.56
10/1/14	98	3,885.13	3,287.27	597.86	78,705.29
11/1/14	99	3,885.13	3,311.24	573.89	75,394.05
12/1/14	100	3,885.13	3,335.38	549.75	72,058.67
1/1/15	101	3,885.13	3,359.70	525.43	68,698.97
2/1/15	102	3,885.13	3,384.20	500.93	65,314.77
3/1/15	103	3,885.13	3,408.88	476.25	61,905.89
4/1/15	104	3,885.13	3,433.73	451.40	58,472.16
5/1/15	105	3,885.13	3,458.77	426.36	55,013.39
6/1/15	106	3,885.13	3,483.99	401.14	51,529.40
7/1/15	107	3,885.13	3,509.39	375.74	48,020.01
8/1/15	108	3,885.13	3,534.98	350.15	44,485.03
9/1/15	109	3,885.13	3,560.76	324.37	40,924.27
10/1/15	110	3,885.13	3,586.72	298.41	37,337.55
11/1/15	111	3,885.13	3,612.88	272.25	33,724.67
12/1/15	112	3,885.13	3,639.22	245.91	30,085.45
1/1/16	113	3,885.13	3,665.76	219.37	26,419.69
2/1/16	114	3,885.13	3,692.49	192.64	22,727.20
3/1/16	115	3,885.13	3,719.41	165.72	19,007.79
4/1/16	116	3,885.13	3,746.53	138.60	15,261.26
5/1/16	117	3,885.13	3,773.85	111.28	11,487.41
6/1/16	118	3,885.13	3,801.37	83.76	7,686.04

Loan Amortization Schedule
Loan Amortized at 8 3/4%

Date	Payment Number	Payment Amount	Principal	Interest	Principal Balance
7/1/16	119	3,885.13	3,829.09	56.04	3,856.95
8/1/16	120	3,885.07	3,856.95	28.12	0.00
GRAND TOTAL		466,215.54	310,000.00	156,215.54	0.00

Exhibit H

Trucks Consume by far more fuel than any other mode of transport,

In the summer of 2006, diesel fuel has shown the worst price volatility in history, and, trends indicate that truckers, who pay the road taxes, could be facing \$3.50 a gallon diesel fuel soon.

The attached articles from Transport Topics and other timely periodicals also note that the new 2007 EPA compliant trucks will be getting at least 5% less fuel efficiency, that there may not be any #1 diesel to blend in winter months to prevent fuel gelling and proper burn in truck engines.

#1 Diesel is also used by railroads in colder climates to blend with #2 diesel for the same purpose. Additives to put in diesel fuel, which is going to be a new low sulphur blend as of October 1, 2006, to meet other EPA regulations, will also produce about 5% less in terms of miles per gallon, which is going to further increase truck and railroad diesel fuel as well as jet fuel for airlines.

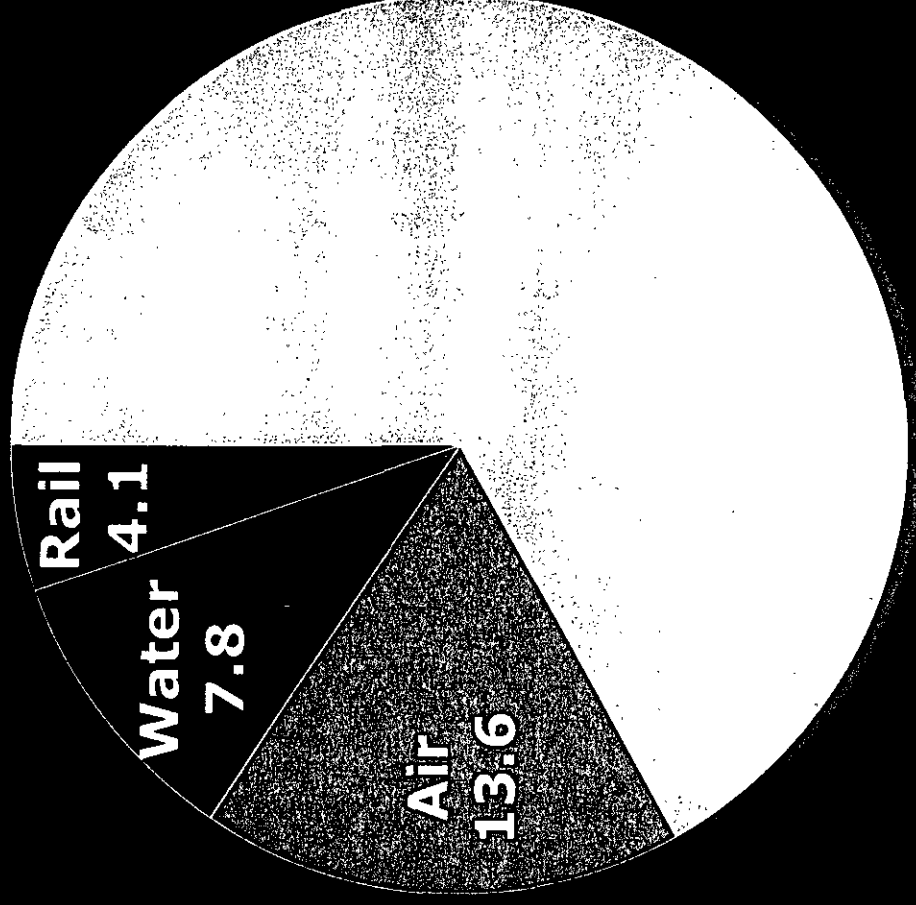
Articles following the chart discuss all these variables and huge volatility. Finally, behind those articles, are examples of several fuel charges (surcharges over base truck rates) charged in August of 2006.

For example, ABF has posted a truck load fuel surcharge (under TL column) of 41.4% of the base rate, another national index shows a fuel surcharge right now at current fuel levels of just over \$3.03 per gallon at 12% of base rates, but, overall, in the industry, the fuel surcharge, either on a per mile per gallon basis or percentage basis, is about 24%.

The last part of this exhibit is Minnesota Commercial Railway's Commercial Transload of Minnesota trucklines tariff, showing, for example, our current fuel surcharge at 36.8 cents per mile in addition to the average mileage rates we charge in the \$1.05 per mile category. The shorter the hauling distance, the higher fuel surcharges usually must be due to the fact that fuel efficiency increases in trucks, as in autos, and locomotives, as well, on longer hauls at sustained higher speeds with less stop and start. CTM's fuel surcharge is representative of many in the midwest who do shorter hauls and right now is about 34% of the rate. Without these adjustments, CTM would not be profitable. Customers generally gladly pay these JUST TO Get trucks. Trucklines who cannot collect such surcharges are going out of business, left and right..

These surcharge levels are far higher than any in the rail industry, and, yet, shippers pay them as a cost of doing business because they realize everyone has to make money and also, earn their cost of capital to replenish equipment. A new tandem axle sleeper cab today runs at least \$120,000, and, a two or three year old one, with half a million miles on it, about less (by a small amount) than half this cost.

U.S. Fuel Consumption by Mode (2004: Billions of Gallons)



Good stuff.



Sources: Bureau of Transportation Statistics & American Trucking Associations

American Trucking Associations



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August 8, 2005

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Diesel Price Jumps 7.5 Cents to \$3.055 a Gallon

Diesel fuel's average national price jumped 7.5 cents a gallon Monday to \$3.055, the Department of Energy reported.
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Updated on 8/9/2006 - 9:30:00 AM EST

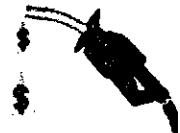
DOE Boosts Price Projections for Diesel, Gas, Crude

Outlook Is Lower Than Current Prices

[Click here to write a Letter to the Editor.](#)

Summer 2006 retail diesel fuel prices are expected to average \$2.91 per gallon, 50 cents higher than last year's average of \$2.41 per gallon, the Department of Energy said Tuesday.

The forecast — part of the monthly short-term energy outlook issued by DOE's Energy Information Administration — also said that regular gasoline would average \$2.92 this summer, 55 cents over last year's average.



Gasoline was projected to average \$2.72 per for the full year and \$2.67 next year.

On Monday, DOE's latest weekly survey showed the national average for diesel at \$3.055 and for gasoline at \$3.038.

The all-time records, set following last summer's hurricanes, were \$3.069 for gasoline on Sept. 5 and \$3.157 for diesel on Oct. 24.

For 2006 and 2007, crude oil spot prices are projected to average about \$70 a barrel, which is lower than the current price in the low to mid-\$70s.

DOE's previous projected crude oil price for this year and next was \$69 a barrel.

By Transport Topics

Transport Topics

The Weekly Newspaper of Trucking

and Freight Transportation

Week of July 31, 2006

Winter Kerosene Shortage Could Boost ULSD Prices

By Andrea Fischer
Staff Reporter

A shortage of ultra-low-sulfur kerosene is expected to drive up the price of fuel for truckers in cold climates this winter, fuel refiners and fleet officials said.

Kerosene-based No. 1 fuel is commonly blended with No. 2 diesel to make it flow better in cold weather. Kerosene and its chemical cousins, No. 1 fuel and jet fuel, are made in the same refining process.

Michael Leister, manager of fuels technology for Marathon Petroleum Co., said a "number of refiners" will choose to abandon the No. 1 market this year rather than "spend a lot of money to produce" kerosene components that have sulfur levels low enough to be mixed with ultra-low-sulfur diesel for on-highway use.

Fred Burns, president of Burns Motor Freight, a Marlinton, W. Va., truckload carrier, said that means "carriers who run in cold weather will have some serious problems, if they can't find additives."

The issue arises because the Environmental Protection Agency requires 80% of diesel sold for highway use after Oct. 15 to have no more than 15 parts per million of sulfur.

Because of the high sulfur content of kerosene-based fuels, refiners would have to separate No. 1 fuel from other kerosene-based products and reduce its sulfur level to blend it with ULSD. That process would force terminals and other fuel suppliers to choose between selling only No. 1 fuel or kerosene and jet fuel.

As the trucking and fuel industries convert to ULSD, winterization of diesel "may be one of the biggest issues that remain to be solved," said Ralph Cherrillo, Distillate Fuel Advisor for Shell Global Solutions.

Ultra-low-sulfur kerosene "is not going to be widely available," Cherrillo said at a press conference in June. He said that, faced with shortages of No. 1 fuel, carriers will have to depend on "cold flow improver additives."

If No. 1 kerosene-diesel blends are not available, truckers will use additives to run their trucks this winter, but Burns said those commercial fuel additives are "very expensive" and sometimes in short supply — two reasons truckers "have leaned toward" kerosene fuel blends in past winters.

In cold regions, trucking companies have long used kerosene blends to run in their

(See KEROSENE, p. 26)

Diesel Rises 2¢ to \$2.946 Gasoline Tops \$3 for First Time Since September

By Sean McNally
Staff Reporter

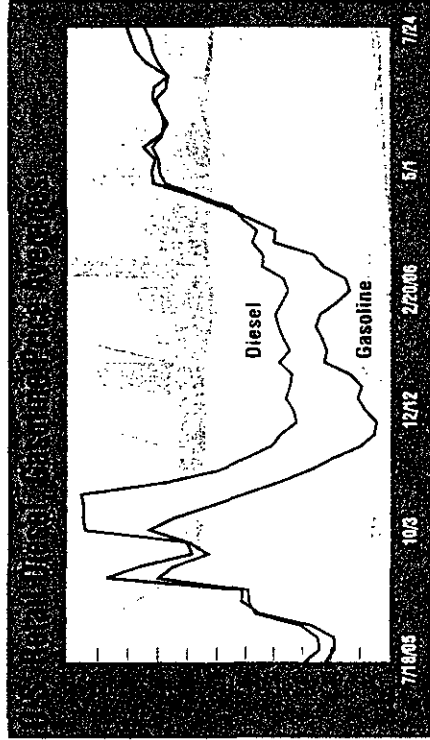
The average retail price of diesel fuel in the United States rose 2 cents last week to \$2.946 a gallon, the fourth increase in as many weeks, while the retail gasoline average rose above \$3 for the first time since September, the Department of Energy reported.

Analysts said the upward trend was likely to continue, and fleets told TRANSPORT TOPICS the elevated prices have them looking at ways to trim costs.

"This is a very volatile time," said Michael Burdette, an analyst with DOE's Energy Information Administration. "In both diesel and gasoline, there's probably a couple more cents of increase before they probably level off."

Burdette said refinery outages following severe thunderstorms in the Midwest contributed to the higher prices, while a report from Oil Price Information Service said the change to ultra-low-sulfur-diesel fuel also is factoring into the increases.

"While the deadline for the new ultra-low-sulfur diesel at the terminal level is Sept. 1, many bulk facilities are now in the process of getting empty tanks replaced with the new grade, and it's occurred against the backdrop of serious refinery issues," the report said.



Sources: U.S. Department of Energy

EOBR Rule, Others Delayed As DOT Reviews Proposals

By Sean McNally
Staff Reporter

Several regulations the Federal Motor Carrier Safety Administration had previously said would be published earlier this year have been delayed until at least the fall, according to a Department of Transportation report.

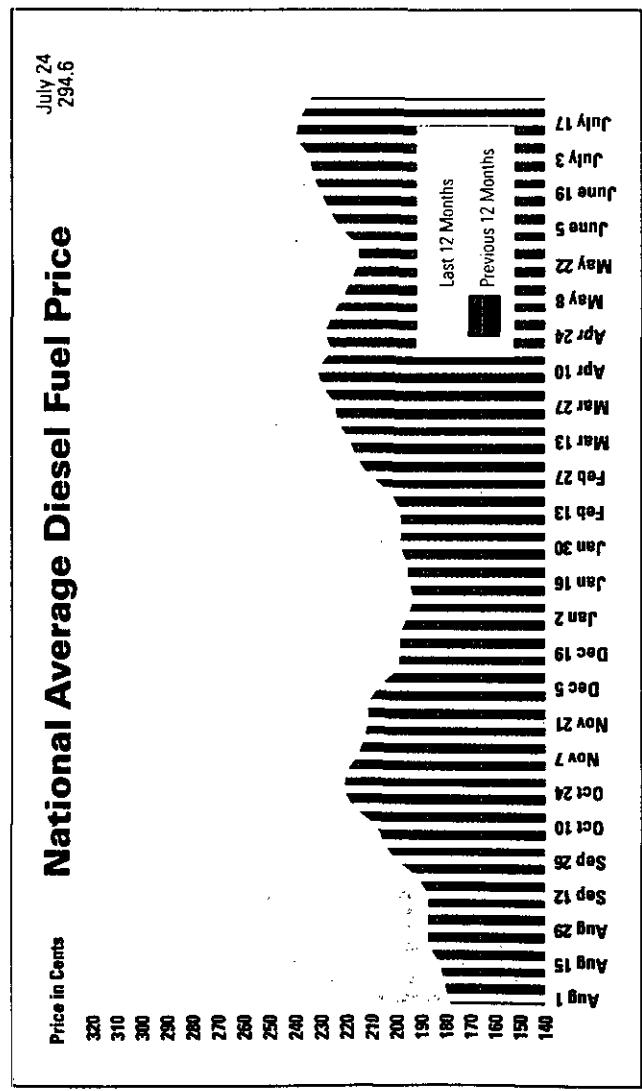
A monthly report by DOT's assistant general counsel for regulation and enforcement said regulations covering the use of electronic logging devices, as well as rules for chassis maintenance, safety training

for new entrants and the use of supporting documents for hours-of-service enforcement are now expected to be published in September or October.

"We have a large number of complex and important rules moving through the process at the same time," said Ian Grossman, a spokesman for FMCSA. "As the policy development process played out, these rules ended up having to be reviewed and approved by the same officials simultaneously, which simply slowed the process."

Fuel Price Rises 2 Cents

Fuel Prices for the week of July 24, 2006



Average prices for Comdata, formerly NTS Inc., are primarily from self-service stations, but also include some full- and mini-service operations. The seven-day average is based on Comdata cash-card transactions from more than 3,200 truck stops throughout the United States and Canada. All taxes are included.

T-Chek prices are Monday-through-Friday averages. The retail price is based on self-service purchases at more than 1,500 truck stops. All taxes are included.

The T-Chek wholesale price is based on terminals and suppliers from 308 cities throughout the United States.

The Bloomberg News wholesale price is an average of 163 U.S. low-sulfur diesel rack prices. DOE's regional averages are drawn from its national survey of 350 diesel service centers.

PADD stands for Petroleum Administration for Defense District. Effective May 26, 1997, PADD 1 was divided into three subdistricts and the California subdistrict was created from PADD 5. PADD 1 comprises the New England Subdistrict: Conn., Maine, Mass., N.H., R.I. and Vt.; the Central Atlantic Subdistrict: Del., D.C., Md., N.J., N.Y. and Pa.; and the Lower Atlantic Subdistrict: Fla., Ga., N.C., S.C., Va. and W.Va.

PADD 2 is Ill., Ind., Iowa, Kan., Ky., Mich., Minn., Mo., Neb., N.D., Ohio, Okla., S.D., Tenn. and Wis.

	Latest Week	Prior Week	2 Weeks Ago	3 Weeks Ago	Prior Year
DOE National Average (July 24)	294.6	292.6	291.8	289.8	234.2
Other National Averages					
Bloomberg Wholesale (July 24)	246.8	247.1	239.5	241.5	169.9
Comdata (July 17 - 21)	289.4	286.9	286.8	283.1	232.9
T-Chek Self-Serve (July 17 - 21)	294.0	290.9	291.4	287.2	235.1
T-Chek Wholesale (July 17 - 21)	235.2	228.5	233.5	227.2	166.7
DOE Regional Averages (July 24)					
PADD 1 East Coast	292.5	290.6	288.7	287.4	236.5
— New England	297.2	297.0	294.7	294.8	250.8
— Central Atlantic	300.2	299.2	296.3	295.1	248.1
— Lower Atlantic	288.8	286.4	284.9	283.4	230.3
PADD 2 Midwest	295.1	292.7	291.9	288.7	229.2
PADD 3 Gulf Coast	289.5	286.8	286.6	284.5	227.8
PADD 4 Rocky Mountains	298.7	296.0	296.6	295.8	240.5
PADD 5 West Coast	304.7	305.1	306.0	305.6	253.0
— California	309.7	309.7	311.3	311.9	257.8

(Continued from p. 1)

Diesel has increased 7.9 cents over the past four weeks and is 60.4 cents higher than a year earlier, although still well below the record \$3.157 a gallon set in October.

Trucking burns an estimated 700 million gallons of diesel a week, so the more than 60 cents in additional cost translates into another \$421.4 million the nation's fleets spent on the fuel last week versus the same period last year.

DOE also said the 1.4-cent increase in the average gasoline price pushed it to \$3.003 a gallon, 71.4 cents a gallon higher than in 2005. The price has risen 13.4 cents the past four weeks, and is now just 6.6 cents below the high of \$3.069 set in September.

The rising prices have fleets looking at ways to soften the blow from growing fuel bills.

"We're trying to improve our purchasing habits," Arvis Harris, president of truckload carrier Rosedale Transport of Dalton, Ga., told TT.

"We make sure we're buying fuel in the right states, net of taxes. We're getting with our vendors and trying to make as many purchases with one vendor to get a better discount."

Harris said the company was also working with drivers to reduce driving speeds and purchasing aerodynamic equipment to reduce fuel consumption.

"We've gone from 5.7 [miles per gallon] to 6," he said. "That's about 5%, and our fuel bill is running about \$12 million a year, so 5% is a significant amount."

Harris said he also was looking at ways to reduce his fleet's idling time, which is "a major" source of fuel consumption.

"My average idle time is up around

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"My average idle time is up around

40%," he said. "If I could take that down to 20%, it could save me a ton of money."

Rather than looking at technology, Bruce Shelton said his company, A&B Freight Lines of Rockford, Ill., has been looking at how it routes its trucks.

"We really revamped our dispatch and have tried to run more efficient routes," said Shelton, manager of marketing and traffic for A&B, a small, 60-truck regional less-than-truckload carrier.

That revamping, he said, resulted in fewer empty miles and less backtracking by its drivers.

In addition, Shelton said A&B purchases its fuel in bulk from a single supplier.

Shelton said the company's last purchase of 7,000 gallons of fuel with biodiesel blended in cost \$2.90 a gallon, but less than a week before, the price was \$2.83. Earlier in the month, he said, fuel was running at about \$2.87.

"It's like a roller coaster," Shelton said.

The up-and-down trend was not limited just to diesel, as Burdette described crude prices as "bouncing up and down."

On the New York Mercantile Exchange, crude oil prices closed at \$73.94 a barrel July 26, up 86 cents from the closing price of \$73.08 on July 20. However, in that week, prices had closed as high as \$75.05 a barrel.

Tom Kloza, an analyst for OPIS, said that ~~having~~ any major hurricane strikes or a widening of the conflict in the Middle East, diesel prices should be in the neighborhood of \$3.05 to \$3.25 a gallon for the coming months. He added that the "most drastic increases will come in the mid-continent states."

PADD 1 East Coast	292.5	290.6	288.7	287.4	236.5
— New England	297.2	297.0	294.7	294.8	250.8
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PADD 5 West Coast	304.7	305.1	306.0	305.6	253.0
— California	309.7	309.7	311.3	311.9	257.8

The U.S. Department of Energy surveys 350 service stations at the beginning of each week. The figures can be obtained by calling 202-586-6966 after 4 p.m. or online at www.eia.doe.gov.

The Bloomberg News wholesale price is an average of 163 U.S. low-sulfur diesel retail prices. DOE's regional averages are drawn from its national survey of 350 diesel service centers. PADD stands for Petroleum Administration for Defense District. Effective May 26, 1997, PADD 1 was divided into three subdistricts and the California subdistrict was created from PADD 5. PADD 1 comprises the New England Subdistrict: Conn., Maine, Mass., N.H., R.I. and Vt.; the Central Atlantic Subdistrict: Del., D.C., Md., N.J., N.Y. and Pa.; and the Lower Atlantic Subdistrict: Fla., Ga., M.C., S.C., Va. and W.Va. PADD 2 is Ill., Ind., Iowa, Kan., Ky., Mich., Minn., Mo., Neb., N.D., Ohio, Okla., S.D., Tenn., and Wis. PADD 3 is Ala., Ark., La., Miss., N.M. and Texas. PADD 4 is Colo., Idaho, Mont., Utah and Wyo. PADD 5 is Alaska, Ariz., Hawaii, Nev., Ore. and Wash., plus Calif.

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"My average idle time is up around

Kerosene Shortage Possible

(Continued from p. 1)

engines during the winter, said Allen Koenig, president of Midwest Specialized Transportation, a Rochester, Minn., truckload carrier.

"In this part of the country we have traditionally had" a kerosene-blended fuel, Koenig said, adding that a shortage of the fuel "will certainly be a concern."

Supply problems with No. 1 fuel would not only drive up the price of winterized diesel blends, but also may increase the price of fuel additives, as fuel sellers become more reliant on the additives to prepare diesel for cold temperatures, Leister said.

Carl Kirk, executive director of American Trucking Associations' Technology & Maintenance Council, said truckers mix diesel with No. 1 fuel or use additives, "so that the fuel won't wax or crystallize in colder temperatures." He said that regular diesel will not "flow" in extremely cold weather.

Marathon's Leister said it is still too early to predict the extent of No. 1 fuel shortages or price increases that the trucking industry may face this winter.

Meanwhile, Midwest's Koenig said trucking companies are bracing themselves for what could be a difficult winter. "We're going to have some real challenges and we're going to have to take a look at those before the winter hits," he said.

Kerosene diesel blends "have generally been available throughout truck-stop networks in the northern states" during the winter, said Richard Durst, president of Arctic Express, a Hilliard, Ohio, truckload carrier.

In the months ahead, "the industry will look to truck-stop networks to keep our engines running and give us options if No. 1 ULSD is not available," he said.

Mark Hazelwood, executive vice president for Pilot Travel Centers, said although Northeastern and Midwestern states may have a shortage of ULSD this winter, Pilot will not have trouble supplying winterized fuel blends.

"We don't think No. 1 diesel will be an issue for us," he said. "We'll 'additize' the fuel to get a lower pour point, but it is more expensive to use additives—that's why trucking companies have used No. 1" fuel blends in past winters.

Tom Bogner, marketing manager for Lucas Oil Co., a Corona, Calif., oil and fuel additives maker, agreed that "fuel treatments are generally more expensive." He said his company expects to sell "a lot more cold-weather fuel treatments" this winter.

Bill Joyce, president of New York State Motor Truck Association, said trucking companies should plan ahead for the coming winter. "The best thing fleets can do now is talk to their supplier about what's going to happen this winter."

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ATA Membership

National Fuel Price Crisis Watch

The American Trucking Associations is deeply concerned about the impact of diesel price increases on the motor carrier industry and on our national economy. In the face of continuing and dramatic increases in fuel prices, ATA is working to find solutions to this national crisis by ensuring that trucking – the backbone of the American economy – does not break. We need to hear, first hand, from you about the fuel problems you are facing and how you are coping with the impact of rising fuel costs on your business. We know that high fuel prices are affecting you and we want Congress to understand it as well. **Your story is important.**

By putting a face on this problem, ATA can better address the issue and work toward a solution. By presenting your story to Congress and the media, they can begin to see how trucking operations are reacting and what they might expect to see from the industry moving forward. Help us take action and put a face on the national fuel price crisis. **E-mail your company's story to ATA's National Fuel Price Crisis Watch at fuelcrisis@trucking.org.**

Regional and National Fuel Price Averages

East Coast	New England	Central Atlantic	Lower Atlantic	Midwest	Gulf Coast	Rocky Mts.	West Coast	Calif.	National
2.958	2.991	3.030	2.924	2.988	2.925	3.052	3.066	3.093	2.980

ATA COMMUNICATIONS

Trucking Marks Another Step in Environmental Improvements
May 30, 2006

News Release: Trucking Industry Fuel Bill Approaches \$100 Billion

ATA Revises Diesel Fuel Costs For 2006
Apr. 25, 2006

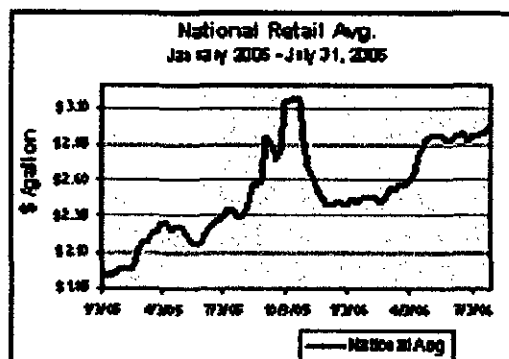
ATA Hosts News Briefing on Changing Diesel Fuel Market
Apr. 25, 2006

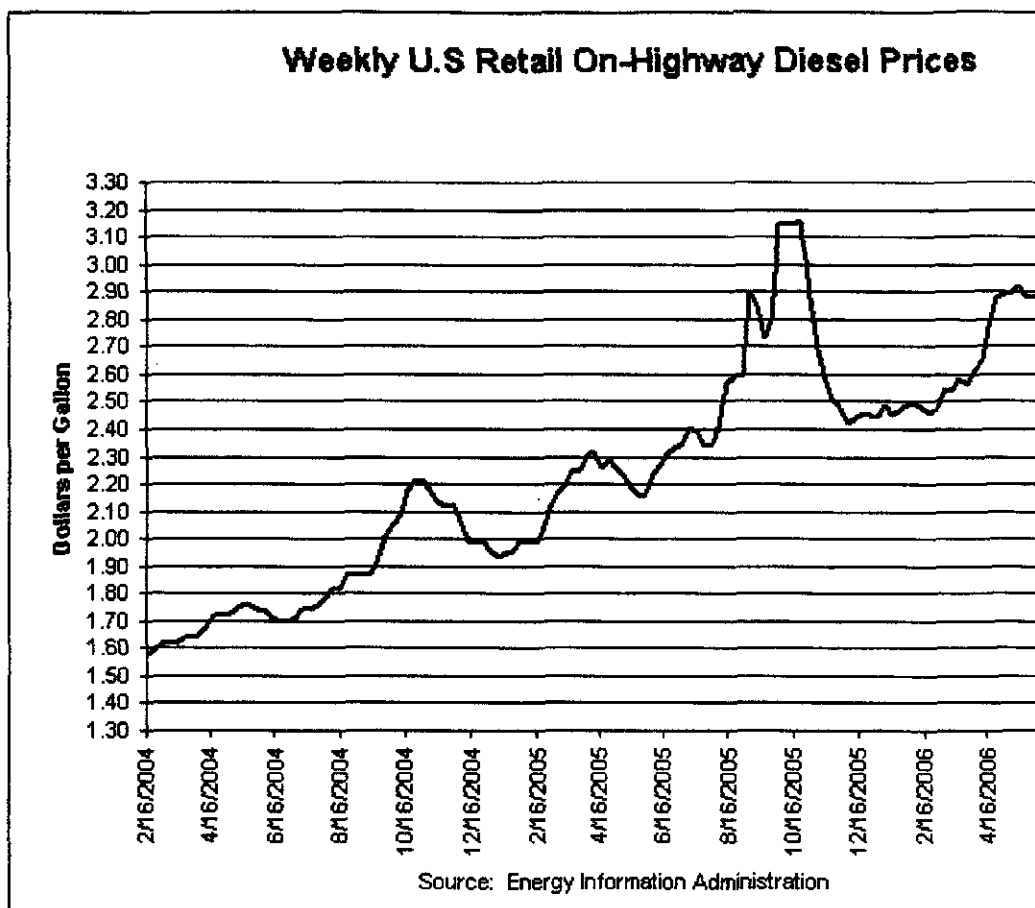
ATA Disappointed Over Senate Decision to Back Arctic Drilling Filibuster
Dec. 21, 2005

ATA Revises Diesel Fuel Costs Estimates for 2004 and 2005
Dec. 15, 2005

ACTION

- ATA Requests that EIA Publish Fuel Prices on a Biweekly Basis
- Email your fuel concerns to ATA.





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August 7, 2006

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Based upon the current U.S. National Average Diesel Fuel Index, ABF's fuel now applicable. **The current ABF LTL fuel surcharge is 20.7%.**

The level of the fuel surcharge is adjusted on Wednesday based upon the U Average Diesel Fuel Index of the prior Monday. This index, published by the Information Administration of the U.S. Department of Energy, is available b at 202-586-6966 and on their [Internet site](#).

The fuel surcharge will be shown as a separate entry on our freight bill and applied to all line-haul charges, with applicable discounts, but not to special charges. The fuel surcharge calculation is supported in ABF's [Q-Rate person rating application](#).

For further explanation, see the [ABF Rules and Special Service Charges Gui](#)

Fuel Surcharge History

From	To	LTL	TL
08/02/2006	-	20.7%	41.4%
07/26/2006	08/01/2006	20.3%	40.6%
07/19/2006	07/25/2006	20.1%	40.2%
07/12/2006	07/18/2006	20.0%	40.0%
07/05/2006	07/11/2006	19.8%	39.6%
06/28/2006	07/04/2006	19.5%	39.0%
06/14/2006	06/27/2006	20.0%	40.0%
06/07/2006	06/13/2006	19.8%	39.6%
05/24/2006	06/06/2006	19.7%	39.4%
05/17/2006	05/23/2006	20.1%	40.2%
05/03/2006	05/16/2006	19.8%	39.6%
04/26/2006	05/02/2006	19.6%	39.2%

***Fuel Surcharge Level Index**

Price	Surcharge	
(per Gallon)	LTL	TL
\$0.90	-1.0%	-2.0%
\$0.91	-0.9%	-1.8%
\$0.92	-0.8%	-1.6%
\$0.93	-0.7%	-1.4%
\$0.94	-0.6%	-1.2%
\$0.95	-0.5%	-1.0%
\$0.96	-0.4%	-0.8%
\$0.97	-0.3%	-0.6%
\$0.98	-0.2%	-0.4%
\$0.99	-0.1%	-0.2%
\$1.00	0.0%	0.0%
\$1.01	0.0%	0.0%

*When diesel fuel prices equal or exceed \$3.25 per gallon, the LTL fuel surch to increase 0.1% with every one-cent increment. For example, when the inde 325 but less than 326, the LTL surcharge will be 23.4% and when the index i but less than 327, the LTL surcharge will be 23.5%.

When diesel fuel prices equal or exceed \$3.25 per gallon, the TL fuel surchar increase 0.2% with every one-cent increment. For example, when the index but less than 326, the TL surcharge will be 46.8% and when the index is at l less than 327, the TL surcharge will be 47.0%.

ITEM 16
FUEL COST PRICE ADJUSTMENT (SURCHARGE)

A Fuel-Related Cost Price Adjustment (Surcharge) will apply on transportation charges as provided herein.

 **For the Fuel Surcharge Amount to apply, determine the diesel fuel price as provided herein, and enter the price per gallon in the tariff software.**

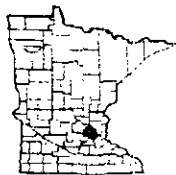
1. On the first Monday of each calendar month, the "national U.S. average" price per gallon of diesel fuel will be determined based on the price stated by the U.S. Department of Energy (DOE), Energy Information Administration's (EIA) survey of "Retail On-Highway Diesel Prices." This price will be obtained by calling the DOE Fuel Hot Line at 202-586-6966 or via the DOE Internet web site at www.eia.doe.gov. Also, refer to www.promover.org for current fuel prices and additional information.
2. If the first Monday of the calendar month is a Federal holiday, the price will be determined based on the stated DOE price available on the next subsequent business day (Tuesday).
3. The DOE fuel price obtained will then be indexed based on the fuel price/adjustment factor matrix set forth in this item to determine the Fuel Cost Price Adjustment that will become applicable on the fifteenth (15th) day of the same month. The adjustment determined will apply for shipments loaded beginning on the 15th day of the month and remain in effect through the 14th day of the following month starting from the effective date of this item.

For example, if the reported price of self-service diesel fuel determined on Monday, June 5th is \$1.599 per gallon, a two (2.0%) percent Fuel Cost Price Adjustment will apply for shipments loaded as of June 15th through July 14th. Then, if the reported price of diesel fuel on Monday, July 3rd increases to \$1.749 per gallon, a three (3.0%) percent Fuel Cost Price Adjustment will apply for shipments loaded as of July 15th through August 14th.

4. Notwithstanding any other provisions of the tariff, the Fuel Cost Adjustment WILL APPLY to the transportation charges applicable on SIT shipments when such shipments are delivered to or removed from the storage-in-transit location during the period that a Fuel Surcharge is in effect.

When the DOE Fuel Price Per Gallon reported on the first Monday of the month is:	The Fuel Cost Adjustment Factor that becomes effective on the 15th day of the same month is:	When the DOE Fuel Price Per Gallon reported on the first Monday of the month is:	The Fuel Cost Adjustment Factor that becomes effective on the 15th day of the same month is:
Less than \$1.40	0%	From \$3.20 to \$3.349	13.0%
From \$1.40 to \$1.549	1.0%	From \$3.35 to \$3.499	14.0%
From \$1.55 to \$1.699	2.0%	From \$3.50 to \$3.649	15.0%
From \$1.70 to \$1.849	3.0%	From \$3.65 to \$3.799	16.0%
From \$1.85 to \$1.999	4.0%	From \$3.80 to \$3.949	17.0%
From \$2.00 to \$2.149	5.0%	From \$3.95 to \$4.099	18.0%
From \$2.15 to \$2.299	6.0%	From \$4.10 to \$4.249	19.0%
From \$2.30 to \$2.449	7.0%	From \$4.25 to \$4.399	20.0%
From \$2.45 to \$2.599	8.0%	From \$4.40 to \$4.549	21.0%
From \$2.60 to \$2.749	9.0%	From \$4.55 to \$4.699	22.0%
From \$2.75 to \$2.899	10.0%	From \$4.70 to \$4.849	23.0%
From \$2.90 to \$3.049	11.0%	From \$4.85 to \$4.999	24.0%
From \$3.05 to \$3.199	12.0%	Over \$4.999	See Note 1

Note 1: If the DOE fuel price per gallon exceeds \$4.999, the 24% fuel surcharge, subject to paragraphs 1 through 4 herein, will be increased by an additional 1% for every fifteen (\$0.15) cents, or fraction thereof, per gallon increase in the price above \$4.999 per gallon.



Commercial Transload of Minnesota

Rules, Services and Policies

Effective May 2006

1. Credit Terms and Conditions
 2. Fuel Surcharge Policy
 3. Application of Rates, Rules and Policies
 4. Cancellations of load tenders
 5. Cargo Loss and Damage
 6. Credit Terms and Extension of Credit
 7. Chassis Related Charges
 8. Third Party Billing
 9. Load Diversions
 10. Driver Labor
 11. Driver Standby – Free Time
 12. Tarping Charges
 13. Equipment Availability
 14. Hazardous Materials
 15. Layover Policy
 16. Overweight Equipment
 17. Railroad Specifications
 18. Redelivery
 19. Revisions to Rates, Rules, Policies
 20. Scale Charges
 21. Stop-off Charges
 22. Storage Charges
 23. Trailer clean out
 24. Trailer Detention
 25. Trailer Pools
 26. Trip Permits
 27. Transloading
 28. Weekend or Holiday Movement
-

1 Credit Terms and Conditions

I (We) hereby authorize the release of information from all Trade and Bank specific references to Commercial Transload of Minnesota (CTM), and its affiliates for the evaluation and extension of credit. I (We) also authorize CTM to run, report and acquire this information in determining limits for the extension of credit. I (We) acknowledge and understand that if approved, CTM may report any delinquencies on the account as required by credit reporting agencies, bureaus, or references. I (We) certify that all information provided CTM is correct and agree to pay all invoices according to terms of Net 21 days from receipt of invoice. I (We) understand that payments made after the terms of Net 21 days from receipt of invoice are subject to a late charge of 2% (two percent) of the past due balances or the maximum allowable by law. I (We) are aware that CTM can sell, assign and authorize the collection of this debt to another agency for the expressed purpose of collection, litigation or protection of its interest.

The terms of this agreement shall be interpreted and enforced under the laws of Illinois and if applicable the laws and regulations contained in 49 U.S.C. and 49 C.F.R.

Default and Collection Cost

You will be in default under this agreement upon (a) your failure to meet an established minimum monthly payment at the required time of Net 21 days from receipt of invoice, (b) violation of any of the provisions of this agreement, (c) reevaluation worthiness if derogatory information is reported by another credit grantor, (d) your assets becoming subject to attachment or liens, (e) your supplying us with misleading, false, incomplete or incorrect information or receipt of information that leads us to believe that you are unwilling or unable to perform the terms and conditions of this agreement. After any default on your account, it will be subject to acceleration and any balances that are outstanding will become due and payable unless otherwise determined by our Credit/ Collection Division. A finance charge of 2% (two percent) per month will accrue from the date of default until payment in full is received on your existing balance.

I (We) understand that CTM can terminate my privileges upon default; and I (We) further agree that if legal proceeding, at law or at equity, including an action for declaratory relief, is required to be brought to enforce or interpret provisions of this agreement, or for collection against me (us), CTM, if successful, shall be entitled to recover all of their costs, including reasonable attorneys' fees, incurred in connection with such action or proceeding.

I (We) further agree and understand that any delay or failure of CTM to take any actions available under this agreement shall not constitute a waiver of such rights. CTM & Affiliates further reserves the right to take additional collection action not specifically mentioned in this agreement, but otherwise permitted under applicable law.

If any provisions or portion of this agreement shall become illegal, unenforceable, invalid, null or void or against public policy for any reason, or shall be held by court of competent jurisdiction to be illegal, unenforceable, invalid, null or void or against public policy, the legality, validity or enforceability of remaining provisions of this agreement shall not be affected thereby and said remaining provisions shall remain in full force and effect.

Company Authorized Signature and Date

CTM Signature and Date

CTM. Special Rate Quotation

EFFECTIVE DATE: _____

Subject to CTM Rates, Services, Policies Document.

ORIGIN			This exception applies for the customer named below on loads moving for the account of _____.	
ST	City	Zip		
DESTINATION				
ST	City	Zip	Miles	Rate

This exception expires in 30 days if not activated by signatures and tender of freight as described above.

This exception may be cancelled on five days' notice by Commercial Transload of Minnesota

CUSTOMER _____ Carrier CTM.

By: _____ By: _____

Title: _____ Title: _____

Signature _____ Signature _____

2 Fuel Surcharge

Upon fuel prices reaching \$1.20 per gallon, and notification by Carrier to Shipper, a fuel surcharge shall apply on all shipments tendered. The Surcharge will become effective the first Monday after fuel reaches \$1.20 per gallon as published by the Department of Energy National Average.

The surcharge will be in accordance with the scale set forth below using the fuel price indicated by the Department of Energy each Monday that the fuel remains above \$1.20 per gallon. The Surcharge will be reviewed for change once per week upon activation. At such time as the reported fuel price drops below \$1.20 per gallon, the Surcharge will cease to be effective the following Sunday.

The Surcharge will be based on revenue invoiced line haul charges only; it does not apply to accessorial charges.

<u>Price Per Gallon</u>		<u>Surcharge</u>	<u>Price Per Gallon</u>		<u>Surcharge</u>
From	To	% of Revenue	From	To	% of Revenue
1.200	1.269	1%	1.830	1.899	10%
1.270	1.339	2%	1.900	1.969	11%
1.340	1.409	3%	1.970	2.039	12%
1.410	1.479	4%	2.040	2.109	13%
1.480	1.549	5%	2.110	2.179	14%
1.550	1.619	6%	2.180	2.249	15%
1.620	1.689	7%	2.250	2.319	16%
1.690	1.759	8%	2.320	2.389	17%
1.760	1.829	9%	+1% Ea	.069 increase	In cost of fuel

From	To	Surcharge – <u>Cents per Mile</u>	From	To	Surcharge – <u>Cents per Mile</u>
1.30	1.349	4	1.35	1.399	5
1.40	1.449	6	1.45	1.499	7
1.50	1.549	8	1.55	1.599	10
1.60	1.649	11	1.65	1.699	12
1.70	1.799	13	1.80	1.899	14.5
1.90	1.999	15.5	2.00	2.099	16.5
2.10	2.199	17.5	2.20	2.229	18.5
2.30	2.349	20	2.35	2.399	22
2.40	2.449	24	2.45	2.499	26
2.50	2.549	27	2.55	2.599	28
2.60	2.649	29	2.65	2.699	30
2.70	2.749	31	2.75	2.799	32
2.80	2.849	33	2.85	2.899	34
2.90	3.009	35.5	3.01	3.109	36.8
3.11	3.209	38	3.21	3.299	39
3.30	3.399	40	3.40	3.499	41
3.50	3.599	42	3.60	3.699	43.5
3.70	3.799	45	3.80	3.899	46.5
3.90	3.999	47.9	4.00	4.059	49
4.06	4.109	50			

3 Application of Rates, Rules and Policies

This document applies to all freight transported by Commercial Transload of Minnesota. All services rendered by CTM are subject to this document EXCEPT where specific transportation agreements/contracts have been signed by both the customer and CTM, those agreements/contracts shall take precedence over this document.

This document provides a form (Special Rate Quotation) for use in requesting/granting exception rates, charges, and policies and is the only method available to obtain an exception rate, service, or policy (other than bi-laterally signed transportation agreements/contracts mentioned above). The Exception Form is effective only when signed by both the customer and CTM.

Any rate information contained in a load tender or other document will be considered as information only and will not govern the rates, rules, and policies of CTM. CTM will invoice the customer based on this document, or previously agreed to special pricing in effect at the time of shipment.

4 Load Cancellations

Upon cancellation of any load tender already processed by carrier, a \$75 charge will be assessed. If equipment has already been dispatched, the full round trip charge shall apply. Additionally, the party ordering the equipment will be responsible for any non-use charge assessed by the railroad, steamship line, or equipment owner.

5 Cargo Loss and Damage – Liability Limitation

Charges specified in this document apply on shipments with a cargo value not to exceed \$100,000. Accordingly, as authorized under Title 49, United States Code, Section 14706(c), as amended from time-to-time, CTM liability to any party for loss or damage of shipments transported at the rates specified in this document shall be limited to \$100,000. For shipments with a value exceeding \$100,000 for which a higher limit of liability is sought, please contact CTM for a rate, rule, and policy exception.

6 Credit Terms and Extension of Credit

All valid charges for services provided by CTM and its affiliates must be paid in full (No offsets or deductions are permitted) within the terms and conditions specified in this document. Payment terms are net 21 days from receipt of invoice.

7 Chassis Related Charges

Chassis Flip—Unless otherwise agreed to in writing, An additional charge of \$100.00 will be assessed for driver delay whenever a driver must wait while a container is flipped.

Mismatched Chassis— Unless otherwise agreed to in writing, an additional charge of \$100.00 will be assessed for returning a mismatched chassis.

8 Collect Shipments – Third Party Billing

Collect shipments will not be accepted. CTM will not participate in third party billing. All charges are billed to the customer (the party tendering the load to CTM).

9 Diversion Charge

CTM will make a reasonable effort to divert or reassign a shipment upon receipt of proper instructions. Unless otherwise agreed to in writing, the charge will be \$150.00 plus \$2.50 per mile (based on the total miles from origin to final destination via the reassignment point), per PC Miler.

10 Driver Labor (Including Load/Unload/Count/ Sort/Segregate)

When labor is performed, the charge is \$20.00 per 15 minutes or fraction thereof. Time runs from appointment time or time service begins (whichever is earlier) until time driver is released from facility. There is no driver standby (free time) allowed.

Unless expressly agreed to in writing, or requested to do so in advance, CTM will not be responsible to perform services where driver labor is required, including assuming responsibility for driver count.

11 Driver Standby – FREE TIME

Except as otherwise noted, 30 minutes of driver standby are included as free time. Time in excess of free time will be billed at \$20.00 per 15 minutes or fraction thereof. Note: No free time is extended on loads requiring driver labor (see Driver Labor herein).

12 Tarping Charges

- 12.1 Tarps less than 15 square feet that can be applied by the driver in less than 10 minutes carry no additional charge to the customer
- 12.2 Tarps larger than 15 square feet requiring 11 minutes or more to be applied by the driver shall carry an additional charge of:
 - a. \$25.00 if the surface tarped is not larger than 25 feet in length
 - b. \$35.00 if the surfaced tarped is between 25 and 35 feet in length
 - c. \$45.00 if the surfaced tarped is over 35 feet in length

Total free time for tarping is 45 minutes. Detention applies for tarping in excess of 45 minutes.

13 Equipment Availability – Dry Run

A charge of \$150 will be assessed when equipment called for by customer is not available from the designated equipment pool.

14 Hazardous Material

CTM is not authorized and will not haul hazardous material

15 Layover Policy

When shipper cannot complete the loading of the trailer or consignee cannot complete the unloading of a trailer and the power unit must layover and complete the operation the next day, or if present delivery appointments are set whereas our power unit must layover to deliver a stop which could have been delivered the same day as the previous stop, Unless otherwise agreed to in writing, a charge of \$350 will be assessed and will be in addition to all other charges.

16 Overweight Equipment

All equipment must conform to applicable governmental weight restrictions and regulations. Should a citation/penalty be assessed, a charge equal to the ticket and/or civil penalty amount plus a \$15.00 administration fee will be assessed. The shipper will accept all responsibility and will be required to provide a written response ON behalf of CTM to the acceptable government office. In addition, driver waiting time will immediately begin to be assessed. If the driver had to leave the shipper facility to scale the trailer, a mileage charge of \$3.00 per mile, minimum \$50.00 will also apply.

17 Railroad Specifications

The customer is responsible for meeting all railroad specifications for each shipment provided to CTM. If a load is refused at the railroad facility for reasons created by customer, CTM will charge a waiting charge of \$60 per hour or fraction thereof applicable from the time of arrival until shipment is allowed entry.

18 Redelivery

When CTM attempts to make an on-time delivery and the delivery is not accepted, a full round will be charged for the initial, refused delivery attempt, and a full round will be charged for every subsequent delivery attempt when receiver is the cause of subsequent redeliveries.

19 Revisions to Rates, Rules, Policies

This document applies to all freight transported by CTM. All service rendered by CTM. is subject to this document EXCEPT where specific transportation agreements/contracts have been signed by both the customer and CTM, those agreements/contracts shall take precedence over this document.

This document provides a form (Exception Form) for use in requesting/granting exception rates, charges, and policies and is the only method available to obtain an exception rate, service, or policy (other than bi-laterally signed transportation agreements/contracts mentioned above). The Exception Form is effective only when signed by both the customer and CTM.

Any rate information contained in a load tender or other document will be considered as information only and will not govern the rates, rules, and policies of CTM.

20 Scale Charges – Carrier Discretion

CTM reserves the right to weigh any shipment. If a load must be returned to the shipper for adjustment to the load, Unless otherwise agreed to in writing, a charge of \$3.00 per mile per PC Miler, for all additional miles will be assessed, subject to a minimum charge of \$50. If the load scales overweight, the weighmaster's fee plus all handling and return charges will be invoiced to the customer.

20.1 Scale Charges – Customer Request

When requested to weigh at a public scale, Unless otherwise agreed to in writing, a charge of \$75 will be assessed. If requested to weigh light and heavy, a charge of \$150 will be assessed. These charges include the weighmaster's fee.

21 Stop – Off Charges

Stop-offs will be permitted only when stop-off points are intermediate (see Note) to the final destination. The driver standby free time at each stop (including final) is ½ hour. A charge will be assessed as follows for each stop-in-transit (exclusive of initial pick-up and final delivery):

Stop 1	\$ 75
Stop 2	\$100
Stop 3	\$100

Note: Stop-offs in excess of five miles off-route are not considered to be intermediate and will be assessed the full round charge.

22 Storage Charges - Intermodal

Customer/shipper must clear all rail storage charges and provide written proof to CTM the charges have been cleared prior to CTM outgate of load. In the event service provider invoices CTM for rail storage, customer/shipper is responsible for all such charges and will pay CTM \$100.00 per day. If the rail vendor's storage charge is higher than \$100.00 per day, the customer/shipper will pay CTM the higher amount. CTM reserves the right to request cash in advance or expedited payment for storage charges advanced.

23 Trailer Clean Out

It is the responsibility of the consignee to clean equipment to meet requirements of all railroads and/or steamship lines prior to termination of equipment. If a CTM driver sweeps the equipment, an additional charge of \$50 will be assessed. If steam cleaning is necessary, an additional charge equal to the outside vendor's charge for steam cleaning plus an additional \$10.00 will be assessed.

24 Trailer Detention/ CTM Equipment

When CTM drops a trailer for loading/unloading, the trailer must be released within 2 days. Day of drop is counted as day one and the day following drop is counted as day two. Each day thereafter is chargeable as follows: dry trailer at \$50 per day; refrigerated trailer at \$100 per day.

25 Trailer Pools

CTM will establish trailer pools based on mutual, written agreement prior to equipment being dropped to establish a pool. Such agreement will state free time and charges for equipment after expiration of free time prior to any startup of the drop pool; however, all trailer pools will be subject to a maximum of 2 free days (see TRAILER DETENTION herein). All CTM detention charges within our tariff will apply on all equipment. Upon request, and as a courtesy only, CTM will provide daily management reports to *assist customer/shipper visibility of equipment status*. CTM reserves the right to cancel trailer pools and convert service to a stay-with basis.

26 Trip Permits

For any equipment (i.e., oversize, overweight, refrigerated equipment, steamship containers, or private equipment) requiring permits or temporary licensing, CTM will bill all customers an advance charge for permit cost.

27 Transloading

Unless otherwise agreed to in writing, CTM will transload a shipment for an additional charge of \$300 for palletized loads or \$400 for hand-stacked loads. The transloading charge is in addition to all other applicable charges.

28 Weekend or Holiday Shipments

The charges herein apply on Monday through Friday movements. For Saturday movements, the rate will be increased by one half ($\frac{1}{2}$) the rate stated herein, and for Sunday and holiday movements, the rates will be doubled. Holidays are: New Year's Day, Memorial Day, 4th of July, Thanksgiving Day, Christmas Eve, Christmas Day.

Some other serious points, before concluding

RAILS ABSORB FAR MORE FUEL COSTS THAN MEET THE EYE

The folks at the NITL or Grain and Feed association and other proponents of this STB rule making seem to think that railroads only burn diesel fuel in their locomotives, because barges and trucks have no other real need for fuel beyond the engines that "move the freight. They are DEAD WRONG.

Because unlike the trucking or barge industries, who do not maintain their right of ways, or signal systems, RAILROADS do.

Railroads maintain fleets of thousands of trucks (UP folks gave us a number of approximately 10,000 light, medium and heavy duty trucks they require) to support their signal department (taking care of right of way signals and grade crossings – all paying road use tax and state sales taxes at the pumps. More than likely, BNSF has about the same number, and just an educated guess would be that the regional, shortline, and Class I industries have over 100,000 trucks they have to purchase and maintain and fuel – that barges and trucklines don't require because the latter do not have to maintain the roads or waterways they travel over.

An example – Minnesota Commercial has about 24 medium and light duty trucks, in addition to about twenty tractors in our trucking division. The medium and light duty trucks support our maintenance of way and signal departments. There are specialized trucks with a welding plant on one, big cranes on another, a tandem axle truck for hauling rail, a few others for ties, and, about three to handle and haul signal department equipment, parts, batteries, and so forth, to support about 150 grade crossing signals MC must maintain on its 130 miles of maintained system. We have converted about 75% of these trucks over the past three years to diesel – and diesels, while getting better fuel efficiency, are an average of \$6000 more expensive per light duty truck. The cost of conversion alone has been \$6000 more per unit, x about 18 trucks, or, just \$108,000. Although an energy saving measure, there are no tax credits or incentives for this..

But, additional fuel costs for the railroad industry doesn't stop here. Railroads have literally thousands if not well over 100,000 pieces of mechanized track equipment – this is the equipment that maintains and improves the track and infrastructure all over the USA. Shortlines and regionals have them, as well. And then there is the snow and ice removal equipment – plows, flangers, and so forth, that the railroads have to maintain and operate to keep their tracks clear. All this equipment is powered by big gas or diesel engines and it all burns collectively, millions if not hundreds of millions of gallons a year..all in addition to the diesel fuel used to propel trains.

When you think of it, and look at the huge impact on rail operations and maintenance that diesel fuel increases and gasoline increases impose on the rail industry, where the

added costs – now 300% of prices just 3 years ago, should not even be questioned or challenged by the rail customers...It's kind of sad that there is so little understanding of what the railroads have to do to maintain their rights of way and signals. If they did, they would understand why rail fuel surcharges need to be close to the same charged by truck, and, vary by route, train size, weather and speed.

And, much of this equipment is hydraulic – again requiring huge maintenance as well as consuming hundreds of thousands of gallons a year of hydraulic fluid.

If the STB is not careful here, its going to choke the industry and its ability to do any infrastructure improvements and maintenance in the future. The issue cannot be considered in simply an emotional vacuum...Rails have to have a way to recover these increased fuel costs as well...because budgeted levels before fuel got so expensive...

Footnote

MNR itself owns and operates about 28 pieces of roadway track equipment, all mechanized and all burning a considerable amount of fuel each year, plus two on rail pieces of snow removal equipment and several trucks and cranes with gas and diesel engines.