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Transport Tracker

Issue #332, for the week ending February 19, 2009

Hoexter's Thought of the Week

STB ruling unlikely to open flood gates

Utility companies (coal users) and coal producers that we talked to following the Surface Transportation Board's ruling against BNSF (in its rate case with Western Fuels), were pleased with the ruling, but did not believe it would open the floodgates of additional rate case filings. Most noted that they are cautious in disputing rates, as they weigh the benefit and chance of achieving a sizeable rate reduction with the expense and potential alienation of their rail provider. We believe risk to the rails' pricing power lies more with the industry's volume declines (and the STB's indirect impact on Congressional scrutiny of the rails). Historical decisions in favor of the rails increased pressure on the government to help shippers. These recent decisions could soften that mandate. Nevertheless, passage of the recently introduced elimination of rail anti-trust authority, which could add an additional layer to rail regulation by expanding oversight to the Courts as well as the STB, seems increasingly likely to pass.

Recent BAS-Merrill Lynch Reports

CP: Completes equity offering; Underperform, 2/13
CNW: Lower estimates; Underperform, 2/13
SB: Cash is King; focus on solid liquidity; Buy, 2/18
BNI: STB ruling sets ominous tone; Underperform, 2/19
NM: Lower to Neutral following breakeven quarter; 2/19

Upcoming Events Calendar

3/8-11 Truckload Carriers Assoc. Convention, Orlando
3/12 Genesee & Wyoming Inv. Conf., VA
3/19-21 Mid-America Truck Show, Louisville, KY
6/3 Norfolk Southern Investor Day, Atlanta
6/10-11 BAS-ML 16th Global Transport Conference, NY

Stock Valuation & Performance

Rating	Company	Price 2/19/2009	Mkt Cap. (\$ bil.)	Price/ 09e EPS	2009 performance 1 week	YTD
Rails:						
A-3-7	Burlington Northern Santa Fe (BNI)	61.77	22.69	11.2x	-7%	-18%
B-3-7	Canadian National Railway (CNI)	32.69	15.64	10.4x	-9%	-11%
B-3-7	Canadian Pacific Railway (CP)	28.14	4.87	9.1x	-7%	-16%
B-2-7	CSX Corp. (CSX)	26.30	12.12	8.1x	-10%	-19%
B-1-7	Norfolk Southern Corp. (NSC)	34.04	14.06	7.7x	-8%	-28%
A-2-7	Union Pacific Corp. (UNP)	39.23	22.49	9.1x	-10%	-18%
B-2-9	Kansas City Southern (KSU) (1)	18.70	1.47	11.0x	-5%	-2%
C-2-9	Genesee & Wyoming (GWR) (1)	21.69	1.03	11.7x	-14%	-29%
C-1-7	America Latina Logis. (XLMGF) (2)	RS8.03	2.31	15.2x	-7%	-20%
	Rail Avg (ex ALL, KSU, GWR for P/E)			9.3x	-8%	-18%
National LTL Carriers:						
B-3-7	Arkansas Best Corp. (ABFS)	20.75	0.60	25.9x	-11%	-31%
NR	YRC Worldwide Inc. (YRCW)	2.80	0.17	--	-25%	-2%
Regional LTL Carriers:						
B-3-7	Con-way Inc. (CNW)	18.99	1.02	27.1x	-13%	-29%
NR	Old Dominion Freight Line (ODFL)	24.50	0.91	13.1x	-6%	-14%
NR	Saia Inc. (SAIA)	10.50	0.16	8.2x	-7%	-3%
NR	Vitrans Corp. (VTNC)	4.05	0.05	7.2x	9%	-35%
	LTL Average			16.3x	-9%	-19%
TL Carriers:						
B-3-7	J.B. Hunt Transport Svcs (JBHT)	21.52	3.29	16.6x	-7%	-18%
B-3-7	Werner Enterprises (WERN)	14.20	1.17	18.9x	-10%	-18%
NR	Heartland Express (HTLD)	12.97	1.30	16.5x	-3%	-18%
NR	Knight Transportation (KNX)	13.19	1.15	17.1x	-4%	-18%
NR	Covenant Transportation (CVTI)	2.01	0.00	--	2%	0%
NR	Celadon Group (CLDN)	6.40	0.14	12.2x	-10%	-25%
NR	Marten Transport (MRTN)	17.76	0.40	16.3x	-5%	-6%
NR	Universal Truckload Services (UACL)	12.05	0.19	11.0x	-1%	-15%
NR	USA Truck (USAK)	13.55	0.14	30.8x	0%	-2%
NR	Quality Distribution (QLTY)	1.77	0.04	--	-7%	-41%
	TL Average (ex CVTI)			17.4x	-5%	-16%
Airfreight Companies:						
B-3-7	FedEx Corp. (FDX)	47.67	16.06	10.8x	-9%	-26%
B-3-7	United Parcel Service (UPS)	42.93	43.37	14.1x	-4%	-22%
B-2-7	Deutsche World Post (DPW.DE) (3)	€ 9.28	€ 14.41	11.6x	-9%	-22%
B-1-7	TNT N.V. (TNT.AS) (3)	€ 13.21	€ 6.83	6.7x	-9%	-4%
	Airfreight Average			10.8x	-8%	-18%
Freight Forwarders:						
B-2-7	C.H. Robinson Worldwide (CHRW)	44.94	0.00	20.9x	-5%	-18%
NR	Landstar System (LSTR)	33.04	1.89	14.8x	-7%	-14%
NR	Expeditors International (EXPD)	29.72	5.99	20.6x	-6%	-11%
NR	UTi Worldwide (UTIW)	12.23	1.21	11.1x	-2%	-15%
C-3-7	Forward Air Corp. (FWRD)	18.40	0.00	17.5x	-4%	-24%
NR	Hub Group (HUBG)	19.84	0.89	11.5x	-10%	-25%
NR	Pacer International (PACR)	4.42	0.31	3.2x	-21%	-58%
NR	Ryder System, Inc. (R)	26.20	1.92	6.4x	-17%	-32%
NR	Air Transport Services (ATSG)	0.17	0.01	--	-2%	-13%
NR	Atlas Air (AAWW)	14.23	0.25	3.8x	-13%	-25%
	Freight Forwarder Average			12.2x	-9%	-24%
	Transport Average		207.6		-7%	-19%
	S&P 500	778.96		16.9x	-7%	-14%

Risk Rating: A = Low Volatility; B = Medium Volatility; C = High Volatility
Investment Opinion: 1 = Buy; 2 = Neutral; 3 = Underperform;
Dividends Paid: 7 = Same/Increasing Div.; 8 = Same/Declining Div.; 9 = No Dividend
Mkt. Caps based on fully dil. Shrs. Note: P/E ratios for NR rated stocks use consensus earnings estimate data from Bloomberg. Covered by (1) Chris Wetherbee (2) Felipe Hirai (3) Samantha Gleave

Weekly Movers:

Best: VTNC (+9%) CVTI (+2%)

Worst: YRCW (-25%) PACR (-21%) R (-17%)
GWR (-14%)

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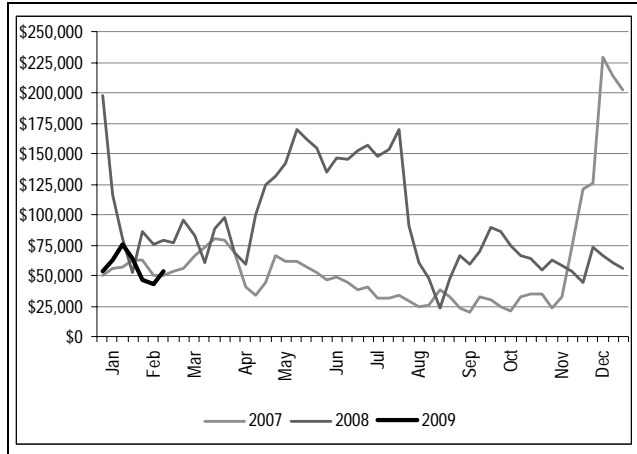
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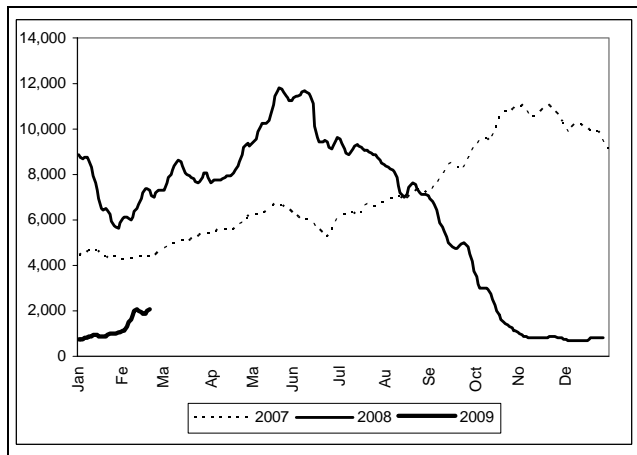
Marine Matters

Chart 1. VLCC Spot Rates



Source: Clarkson

Chart 2. The Baltic Dry Index



Source: Reuters

Table 1: Spot Rates

	Current Week 2/12/09	Previous Week 2/5/09	Yr Ago Week 2/14/08	Seq. % Change	YOY % Change
VLCC	\$53,257	\$43,032	\$79,066	23.8%	-32.6%
Suezmax	\$27,524	\$35,120	\$38,548	-21.6%	-28.6%
Aframax	\$22,737	\$21,634	\$31,656	5.1%	-28.2%
Baltic Dry Index*	\$2,057	1,989	7,381	3.4%	-73.1%

Source: Clarkson, Bloomberg

*Indicates current week data

Stock Valuation & Performance

Marine Matters Rating	Company	Price 2/19/2009	Mkt Cap. (\$ bil.)	Price/'09e EPS or Yield	2009 performance 1 week	YTD
Tanker Companies (Spot Based)						
				P/E '09		
NR	Teekay Shipping Corp. (TK)	16.30	1.17	8.9x	-13%	-17%
NR	Frontline Ltd. (FRO)	24.33	2.23	12.2x	-13%	-18%
NR	Overseas Shipholding Grp (OSG)	29.80	0.95	7.7x	-9%	-29%
NR	TORM (TRMD)	10.55	0.73	7.2x	-6%	-3%
NR	General Maritime (GMR)	10.01	0.63	8.1x	-10%	-7%
NR	Tsakos Energy Navigation (TNP)	16.04	0.70	7.9x	-14%	-12%
NR	Stealthgas - LPG carrier (GASS)	6.04	0.11	3.8x	2%	25%
NR	Top Ships (TOPS)	1.79	0.05	--	7%	10%
Tanker Average				8.0x	-7%	-6%
Yield Based Tankers						
				Yield		
NR	Aries Maritime Transport (RAMS)	0.53	0.02	--	-18%	61%
C-1-7	Capital Products (CPLP)	7.68	0.23	21.4x	-17%	-2%
C-2-7	DHT Maritime (DHT)	6.34	0.25	15.8x	-5%	14%
NR	Knightsbridge Tankers (VLCCF)	15.88	0.23	6.3x	-7%	8%
NR	Nordic American Tanker (NAT)	29.01	0.28	10.5x	-2%	-14%
NR	Omega Navigation (ONAV)	6.78	1.08	29.5x	-1%	6%
NR	Ship Finance Limited (SFL)	9.83	0.10	23.6x	-13%	-11%
NR	Teekay LNG Partners (TGP)	16.94	0.83	13.0x	-8%	13%
C-1-7	Teekay Offshore (TOO) (3)	13.06	0.80	12.9x	-6%	20%
C-1-8	Teekay Tankers, Ltd. (TNK)	10.25	0.28	25.7x	-13%	-19%
Yield Based Average				17.6x	-9%	8%
Container (Yield Based)						
C-3-8	Danaos (DAC)	4.74	0.26	4.3x	-20%	-30%
C-1-7	Seaspan (SSW)	9.56	0.63	19.9x	-13%	8%
NR	Global Ship Lease (GSL)	2.50	0.10	18.4x	-28%	-13%
Container Shipping Companies						
				P/E '09		
NR	A.P. Moller-Maersk Group (MAERSKb)	\$5,065.01	21.11	--	-4%	6%
NR	China Shipping (2866.HK)	HK\$1.21	4.11	--	-2%	3%
NR	Evergreen Marine Corp. (EVGQF)	NT\$13.35	1.17	--	-2%	-14%
NR	Hanjin Shipping (HNJNF)	KRW 16,900	1.03	--	-16%	-7%
NR	Neptune Orient Lines (NPTOF)	SGD 1.16	1.10	--	-1%	4%
NR	Orient Overseas (OROVFP.PK)	HK\$17.86	1.45	--	0%	4%
NR	Wan Hai Lines (WHILF)	NT\$13.70	0.84	--	1%	-3%
NR	Yang Ming Marine (YMGXF)	NT\$9.20	0.67	--	1%	-9%
Container Liner Average				--	-2%	-2%
Diversified						
				P/E '09		
C-1-7	China COSCO Holdings (CICOF) (4)	HK\$4.91	4.03	--	-4%	-9%
C-3-8	China Shipping Dev. (CSDXF)	HKD 7.05	2.40	--	-4%	-8%
NR	Hyundai Merchant (HYMMF)	KRW 27,650	2.67	--	-12%	-25%
B-2-8	K-Line (KAKKF) (1)	¥347.00	2.52	--	-4%	-16%
NR	MISC Berhad (MYSFP)	R8.45	8.73	--	0%	-1%
B-2-8	Mitsui O.S.K. Lines (MSLOF) (1)	¥516.00	7.56	--	-11%	-5%
B-2-8	NYK Line (NYUKF) (1)	¥425.00	7.15	--	-7%	-22%
Container & Dry Average				--	-6%	-12%
Dry Bulk						
				P/E '09/ Yield		
NR	Diana Shipping (DSX)	14.00	1.02	8.2x	-10%	10%
NR	DryShips (DRYS)	3.59	0.43	1.3x	-28%	-66%
C-2-8	Eagle Bulk Shipping (EGLE) (2)	3.87	0.31	4.1x	-39%	-43%
NR	Exel Maritime (EXM)	4.45	0.28	1.2x	-41%	-37%
C-2-9	Genco Shipping Trading (GNK) (2)	13.23	0.49	2.8x	-22%	-11%
NR	Oceanfreight (OCNF)	1.28	0.04	--	-38%	-57%
C-2-8	Navios Maritime (NM) (2)	2.65	0.33	4.8x	-34%	-16%
C-1-7	Navios Maritime L.P. (NMM)	7.20	0.17	22.2x	-15%	1%
NR	TBS Shipping (TBSI)	8.06	0.22	--	-14%	-20%
C-1-8	Safe Bulkers, Inc. (SB) (2)	4.65	0.30	3.8x	-21%	-30%
C-3-8	Pacific Basin Shipping (PCFBF)	HKD 4.05	0.93	--	-2%	15%
NR	Precious Shipping Pcl. (XORGF)	\$12.50	0.37	--	-9%	15%
NR	Sincere Navigation (SCNVF)	NT\$26.70	0.44	--	0%	-35%
C-3-8	STX Pan Ocean (SPNOF)	KRW 9,190	1.42	--	-11%	-2%
NR	Thoresen Thai (THAGF)	NTD 16.40	0.30	--	0%	-8%
C-3-8	U-Ming Marine Transp. (UMGMF)	NT\$45.50	0.87	--	3%	16%
U.S. Dry Bulk Average				2.9x	-17%	-17%
Jones Act Barge/Tankers						
				P/E '09/ Yield		
C-3-9	American Comm. Lines (ACL)	3.71	0.35	3.5x	-12%	-24%
B-3-9	Kirby Corp. (KEX)	23.18	1.39	9.0x	-8%	-15%
C-3-8	OSG America L.P. (OSP) (2)	7.34	0.54	20.4x	-10%	49%
NR	K-SEA Trans Partners (KSP)	16.92	0.30	18.2x	-7%	31%
Jones Act Barge/Tankers Average				6.2x	-9%	10%
Jones Act Carrier/Other						
				P/E '09		
NR	Alexander & Baldwin (AXB)	19.68	0.82	8.2x	-16%	-21%
NR	Horizon Lines (HRZ)	3.58	0.12	2.0x	-14%	3%
NR	TAL International Group (TAL)	8.68	0.36	4.5x	-10%	-38%
NR	Tidewater Inc. (TDW)	38.22	1.97	--	-9%	-5%
NR	Trinity Industries Inc. (TRN)	8.82	0.87	5.6x	-23%	-44%
NR	SEACOR Holdings (CKH)	65.84	1.30	--	-2%	-1%
Jones Act Carrier/Other Average				5.1x	-12%	-18%
Shipping Market Cap / Shipping Avg				94.2	-11%	-7%
S&P 500				778.96	16.9x	

Risk Rating: A = Low Volatility; B = Medium Volatility; C = High Volatility
Investment Opinion: 1 = Buy; 2 = Neutral; 3 = Underperform;
Dividends Paid: 7 = Same/Increasing Div.; 8 = Same/Declining Div.; 9 = No Dividend
TEV = Total Enterprise Value; Mkt. Caps based on fully dil. Shrs. Covered by: (1) Yasuhiro Tsuchiya (2) Christian Wetherbee (3) Gabriel Moreen (4) Christie Ju

Weekly Movers:

Best: TOPS (+7%) UMGMF (+3%) GASS (+2%)
EVGQF (+2%)
Worst: EXM (-41%) EGLE (-39%) OCNF (-38%)

4Q08 Reporting Dates

🕒	2/27	FRO	2/27	SFL	3/11	DAC
🕒	3/11	TRMD	3/20	RAMS	3/26	UTIW

Company Developments

Canadian Pacific completed a C\$511 million common share offering (13.9 million shares at C\$36.75 per share). If CP buys back an equivalent level of debt, its debt/cap ratio would fall to 41% from 46%.

YRC Worldwide finalized an amendment with the company's lenders of its credit facilities and renewed its asset-backed securitization facility two months prior to maturity.

Canadian National announced a public debt offering of \$550 million 5.55% Notes due 2019. The company plans to use the proceeds to repay a portion of its outstanding commercial paper and to reduce its accounts receivable securitization program.

The **Surface Transportation Board** ruled in favor of Western Fuels Association in its coal rate dispute with **Burlington Northern Santa Fe**, reducing rates by approximately 60% and resulting in \$345 million in reparations. BNSF must keep rates below a prescribed variable cost ratio through 2024 for this route, resulting in the largest reduction in rates ever ordered by the STB. The disputed contract covers the transportation of 8 million tons of coal annually from mines in the Powder River Basin to the Laramie River Station plant at Moba Junction, WY (~200 miles). As a result of the \$100 million payment, BNSF will likely recognize a \$0.09 one time impact to 1Q09 EPS (\$50 million pre-tax), as it has previously reserved for approximately \$50 million in reparations.

UPS deployed 300 new delivery trucks powered by Compressed Natural Gas to seven cities in Colorado, Georgia, Oklahoma and California, as part of an order place last May, allowing the company to further reduce its dependence on gasoline and diesel. With this addition, UPS now operates a total of 1,819 alternative fuel vehicles.

SHIPPING

Excel Maritime Carriers determined that Oceanaut will not consummate a business combination by the March 6, 2009 deadline and advises that Oceanaut be dissolved. Oceanaut expects to liquidate its trust account and make a payment of approximately \$8.27 per share of common stock. As part of the liquidation, Excel will receive no payments with respect to its outstanding warrants and will receive approximately \$8.27 per share of common stock, but only with respect to 625,000 shares of common stock included in its 1,125,000 insider units and therefore, will forfeit approximately \$6 million of its investment. The current value of the Oceanaut investment on the

company's books will be written down to the estimated liquidation proceeds. Separately, the company suspended its dividend, including the planned 4Q08 dividend.

Navios Maritime posted breakeven normalized 4Q08 EPS, down from \$1.78 in 4Q07, and below our \$0.11 target (consensus was \$0.13). Normalized EBITDA was \$27 million, down 42% year-over-year and \$5 million below our target, as the company posted a slight loss in its Forward Freight Agreement trading business, below our \$2 million targeted gain. Vessel revenues were \$186 million, down 39% year-over-year, but \$82 million above our target. Operating income was \$11.5 million, down 68% year-over-year, for an operating margin of 5.4%, down from 11.7% in 4Q07.

Diana Shipping reported 4Q08 EPS of \$0.72, up 47% year-over-year. Voyage and time charter revenues were \$84 million, up 43% year-over-year. Operating income was \$55 million, up 59% year-over-year, for an operating margin of 65.8%, an improvement from 59.5% in 4Q07.

StealthGas reported 4Q08 EPS of \$0.28, down 20% year-over-year. Revenues were \$26 million, down 7% year-over-year. Operating income was \$9 million, down 9% year-over-year, yielding an operating margin of 35.0%, a 50 bp depreciation year-over-year.

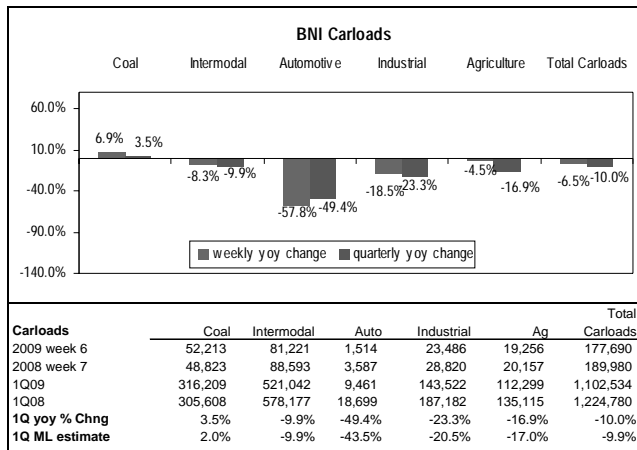
TOP Ships took delivery of the M/T Miss Marilena, the first of six 50,000 dwt product/chemical tankers to be delivered in 1Q09 and 2Q09. The tanker entered into a 10-year bareboat time-charter employment at a daily rate of \$14,400.

Dividends Declared

	<u>Amount</u>	<u>Record Date</u>	<u>Payable Date</u>
BNI	\$0.40	03/11/09	04/01/09
CP	C\$0.24	03/27/09	04/27/09
FDX	\$0.11	03/11/09	04/01/09
KNX	\$0.40	03/06/09	03/27/09
NM	\$0.06	03/16/09	04/03/09
ONAV	\$0.50	02/24/09	03/09/09

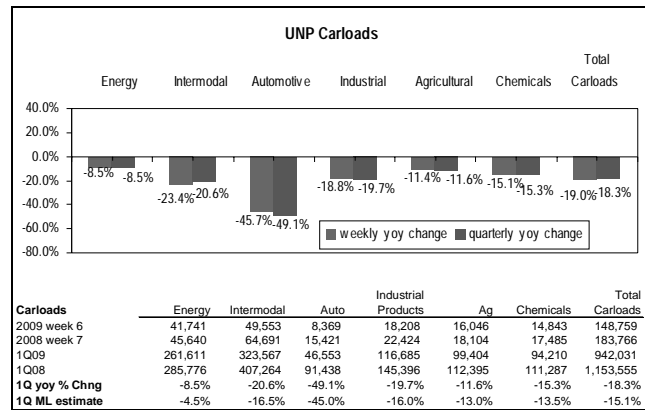
WEEKLY RAILROAD CARLOAD MONITOR

Chart 3: Burlington Northern Carloads



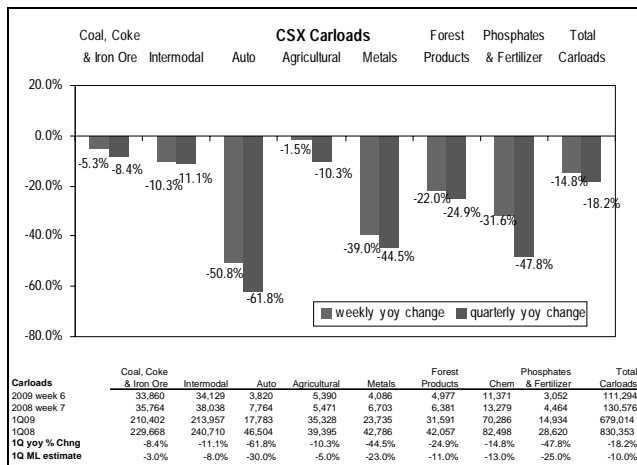
Source: AAR, BAS-ML estimates, and Company reports.

Chart 6: Union Pacific Carloads



Source: AAR, BAS-ML estimates, and Company reports.

Chart 4: CSX Carloads

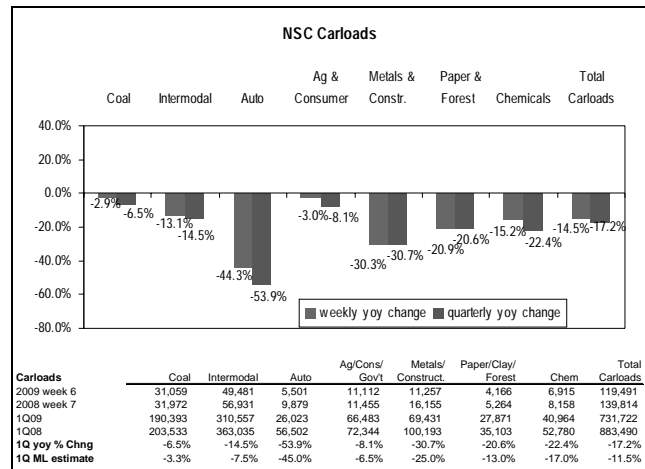


Add'l: Emerging Mkts.: 1Q = -29.2%, BAS-ML = -12.0%

Food & Consumer: 1Q = -8.3%, BAS-ML = -2.5%

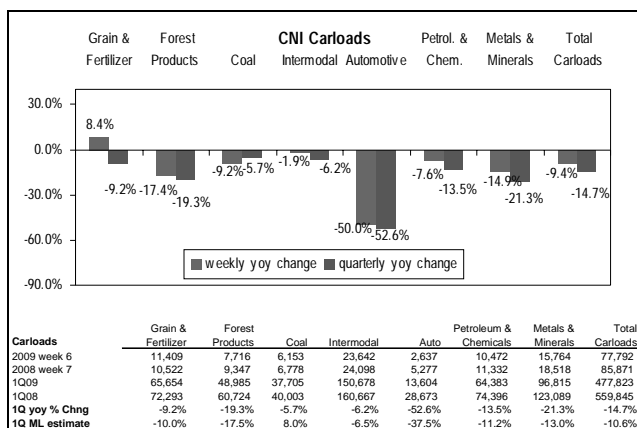
Source: AAR, BAS-ML estimates, and Company reports.

Chart 7: Norfolk Southern Carloads



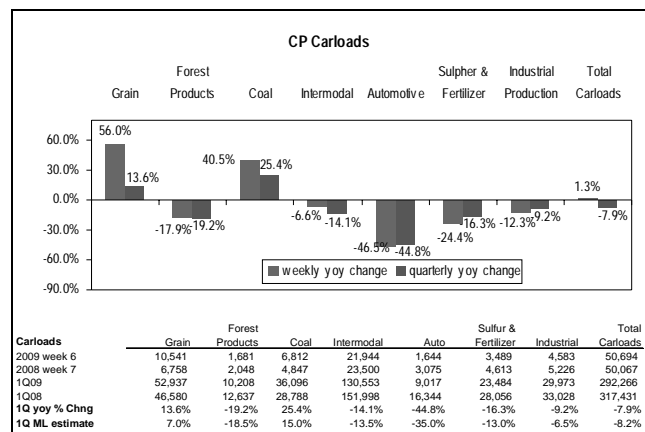
Source: AAR, BAS-ML estimates, and Company reports.

Chart 5: Canadian National Carloads



Source: AAR, BAS-ML estimates, and Company reports.

Chart 8: Canadian Pacific Carloads



Source: AAR, BAS-ML estimates, and Company reports.

■ **Week 6 Rail Carload Data –Down 11.7%**

As shown in Charts 3 through 11:

Key Takeaways: Total carloads for Week 6 decreased 11.7% year-over-year (on a +2.6% comp in 2007) to 722,005, marking the least severe down-tick since week 50 in 2008 and an improvement on the year-to-date run rate of -15.1%. Coal (+0.9%) and Grain (+1.1%) volumes were able to post increases, although the other four major commodities (see table 2) continue to post double-digit declines. This was the first increase in Coal volumes since week 50 of 2008, as every rail posted better volumes than its preceding year-to-date run rate (except CN posted 250 bps worse than its average), as UP (23% of total coal volumes moved) improved its decline rate the most out of the class 1 rails (down -8.5% this week from -17.7% last week). Grain volumes (+1.1%) broke its prior streak of 30 consecutive weekly declines (run rate of -12.3%), as four rails posted their best improvements of the year (CSX, NS, CN, and CP). Intermodal (-11.9%) continues to deteriorate as Trailers (-30.5%, its third straight decline over 30%) and Containers (-7.7%) fell for the 12th consecutive week.

Overall Carloads: Week 6 decreased 11.7%, led by UP (-19.0%), CSX (-14.8%), NS (-14.5%), CN (-9.4%), KCS (-6.5%), and BNSF (-6.5%), while CP (+1.3%) increased as its DM&E acquisition is included in its total. 1Q09 quarter-to-date volumes are down 15.1%, led by UP (-18.3%), CSX (-18.2%), NS (-17.2%), CN (-14.7%), KCS (-10.0%), BNSF (-10.0%), and CP (-7.9%).

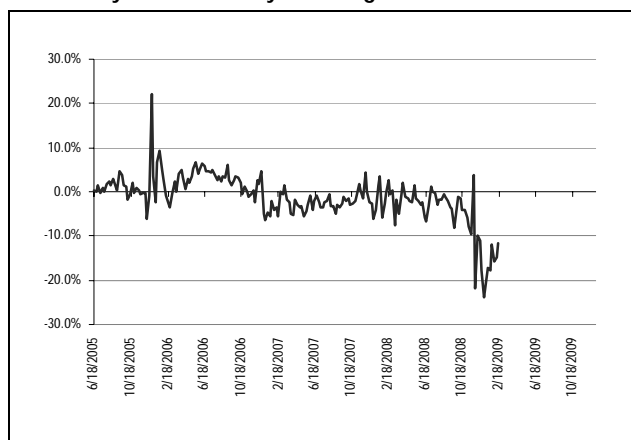
Overall Specifics: Intermodal carloads (38.1% of total) decreased 11.9% as UP (-23.4%), NS (-13.1%), CSX (-10.3%), BNSF (-8.3%), CP (-6.5%), and CN (-1.9%), all declined while KCS (+1.9%) improved. **Coal carloads** (24.9% of total) increased 0.9%, as CP (+42.6%), KCS (+8.4%), and BNSF (+6.9%) offset losses at CN (-10.9%), UP (-8.5%), CSX (-3.5%), and NS (-1.8%). **Chemical carloads** (7.8% of total) decreased 14.7%, as CP (-23.7%), NS (-18.8%), CSX (-16.3%), UP (-15.8%), BNSF (-15.3%), CN (-8.3%), and KCS (-5.7%) all declined. **Grain carloads** (5.2% of total) increased 1.1%, as improvements at CP (+55.2%), CN (+19.3%) and NS (+6.7%) offset decreases at UP (-25.9%), BNSF (-6.4%), KCS (-5.2%), and CSX (-3.1%). **Auto carloads** (2.8% of total) fell 50.4%, as BNSF (-57.8%), UP (-55.7%), KCS (-55.5%), CSX (-50.8%), CN (-50.0%), CP (-46.6%), and NS (-44.3%), all deteriorated heavily. Auto volumes have declined over 10% for 50 straight normalized weeks.

Table 2: Week 6 Carloads

	2009 wk 6	2008 wk 7	% Δ	1Q09 QTD	% Δ
Intermodal (38.1%)	274,774	311,831	-11.9%	1,739,906	-13.3%
Coal (24.9%)	179,725	178,076	0.9%	1,098,784	-3.1%
Chemicals (7.8%)	56,355	66,090	-14.7%	353,655	-16.4%
Auto (2.8%)	20,158	40,664	-50.4%	100,059	-56.7%
Forest Prod. (3.5%)	25,375	32,442	-21.8%	161,030	-24.5%
Grain (5.2%)	37,675	37,272	1.1%	214,587	-16.4%
Total Carloads	722,005	817,777	-11.7%	4,451,848	-15.1%

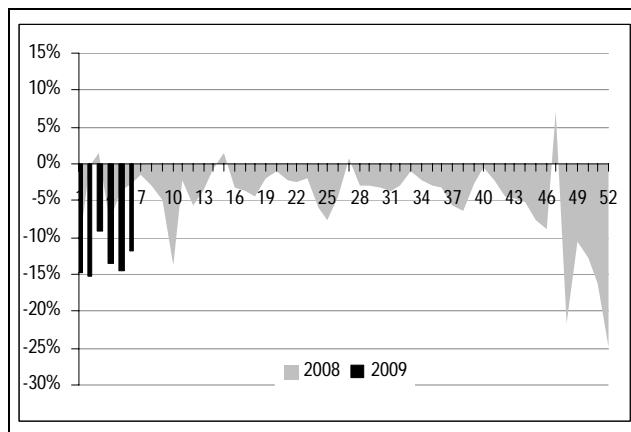
Source: AAR. Top 6 commodities shown represent 82.3% of total carloads.

Chart 9: 2-year total weekly carload growth Y-O-Y



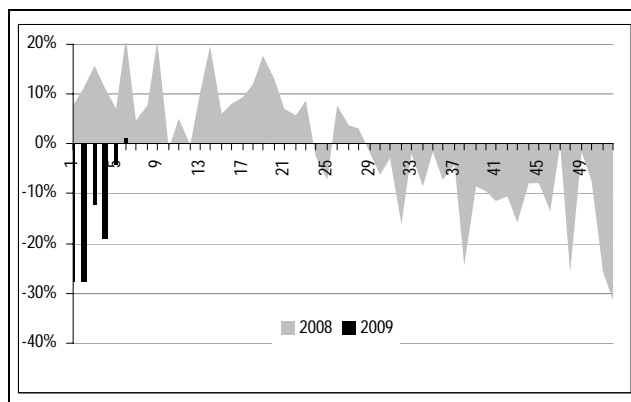
Source: AAR.

Chart 10: Total Intermodal Carload Growth Y-O-Y



Source: AAR.

Chart 11: Total Grain Carload Growth Y-O-Y



Source: AAR.

■ **Rail – Performance Measures**

Overall Takeaway: Overall service levels were positive this week as all three performance metrics improved sequentially and year-over-year. KCS is excluded from the cars on line measure due to the effect of the consolidation of Mexican operations into its performance stats in March 2008.

CP led gains in all three metrics this week as velocity (+5.3%), cars on line (-1.4%), and dwell time (-10.1%) all improved. CP is near its best velocity level in 3 years which has increased 16% since week 2. KCS was the only rail to not improve its velocity this week as it remained flat at 28.2 mph, while it led deteriorations in cars on line (+1.5%), but improved dwell time (-3.1%).

Velocity (avg. speed of rail network, faster is better): improved sequentially (+2.4%) and year-over-year (+15.1%).

Cars On Line (fewer cars-on-line is better): improved sequentially (-0.2%) and year-over-year (-3.7%).

Terminal Dwell (lower is better): improved sequentially (-5.0%) and year-over-year (-11.5%).

Table 3: Rail Performance Measures

Velocity					
(miles per hour)	Wk 6 2009	Wk 5 2009	Wk 6 2008	% Seq Chg	% y-y Chg
BNI	26.8	26.4	23.5	1.5%	14.0%
CNI	27.4	26.9	21.5	1.9%	27.4%
CP	25.8	24.5	22.7	5.3%	13.7%
CSX	21.6	20.9	20.7	3.3%	4.3%
NSC	22.8	22.7	21.6	0.4%	5.6%
UP	27.8	26.6	21.7	4.5%	28.1%
KCS*	28.2	28.2	25.1	0.0%	12.4%
Average	25.8	25.2	22.4	2.4%	15.1%

Cars On Line					
(no. of cars)	Wk 6 2009	Wk 5 2009	Wk 6 2008	% Seq Chg	% y-y Chg
BNI	224,361	226,639	229,681	-1.0%	-2.3%
CNI	101,704	101,322	123,362	0.4%	-17.6%
CP	84,512	85,708	82,734	-1.4%	2.1%
CSX	222,148	221,457	218,674	0.3%	1.6%
NSC	199,141	198,473	197,480	0.3%	0.8%
UP	285,396	287,018	308,754	-0.6%	-7.6%
KCS*	43,513	42,874	28,174	1.5%	54.4%
Average	165,825	166,213	169,837	-0.2%	-3.7%

Terminal Dwell Time					
(time in hours)	Wk 6 2009	Wk 5 2009	Wk 6 2008	% Seq Chg	% y-y Chg
BNI	22.4	23.6	27.4	-5.1%	-18.2%
CNI	12.5	13.3	16.7	-6.0%	-25.1%
CP	20.5	22.8	25.8	-10.1%	-20.5%
CSX	24.5	26.0	22.5	-5.8%	8.9%
NSC	22.1	22.5	22.1	-1.8%	0.0%
UP	23.3	24.0	25.9	-2.9%	-10.0%
KCS*	15.5	16.0	18.3	-3.1%	-15.3%
Average	20.1	21.2	22.7	-5.0%	-11.5%

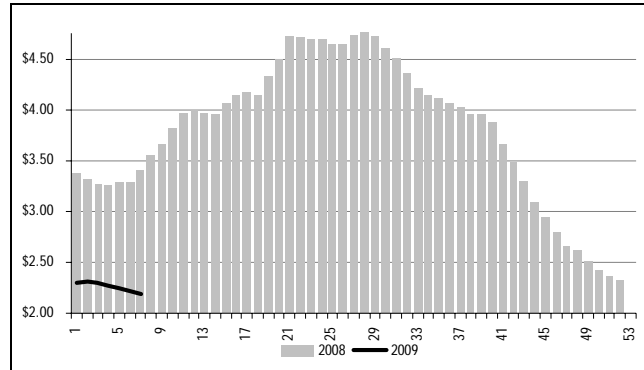
Source: AAR.

* As of 3/28/2008 KCS performance results include Mexican operations and is excluded from total cars on line calculation.

■ **Diesel Fuel Prices: Down 1.5% Sequentially**

Average national diesel fuel prices were down 1.5% sequentially, at \$2.19 for Week 6 of 2009. The average for 2009 on-highway diesel is \$2.26, down 41% from the 2008 average of \$3.80, and down 36% from the 1Q08 average of \$3.55. WTI crude oil futures were up 16% from last week, to close Thursday at \$39.48, from \$33.98 on Thursday last week. The 1Q09 quarter-to-date WTI average of \$40.44 is 57% lower than the comparable period last year. Our 1Q09 and 2009 WTI crude oil targets are both \$50 per barrel.

Chart 12: National Diesel Fuel Prices 2009 vs. 2008



Source: U.S. Department of Energy.

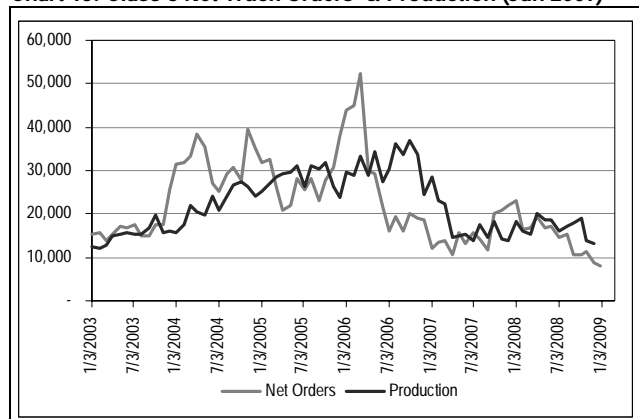
Chart 13: Fuel Surcharges

	2/19-2/26	2/11-2/18	2/4-2/10
ABFS - LTL	12.7%	13.0%	13.3%
CNW - LTL*	12.7%	13.0%	13.3%
YRCW - LTL	12.7%	13.0%	13.3%
ABFS - TL	25.4%	26.0%	26.6%
CNW - TL*	25.4%	26.0%	26.6%
YRCW - TL	19.1%	19.5%	20.0%
	Feb	Jan	Dec
FDX - Express	1.00%	7.50%	15.00%
FDX - Ground	3.25%	4.75%	6.75%
UPS - Express	1.00%	7.50%	15.00%
UPS - Ground	3.25%	4.75%	6.75%
(mileage based)	Mar	Feb	Jan
BNSF (coal)	\$0.18	\$0.20	\$0.28
y-y % change	-49%	-43%	-22%
BNSF (ag & other)	\$0.27	\$0.30	\$0.41
y-y % change	-48%	-43%	-24%
UP (coal)	\$0.00	\$0.07	\$0.16
y-y % change	-100%	-79%	-54%
UP (other)	\$0.00	\$0.07	\$0.16
y-y % change	-100%	-72%	-38%
CSX	\$0.08	\$0.12	\$0.22
y-y % change	-76%	-65%	-37%
KCS	\$0.00	\$0.08	\$0.19
y-y % change	-100%	-74%	-41%

Source: Company websites
*Con-way FSC calendar 5 days advanced

■ **Final January Class 8 Net Orders At 7,937**

Chart 15: Class 8 Net Truck Orders & Production (Jan 2009)



Source: ATA

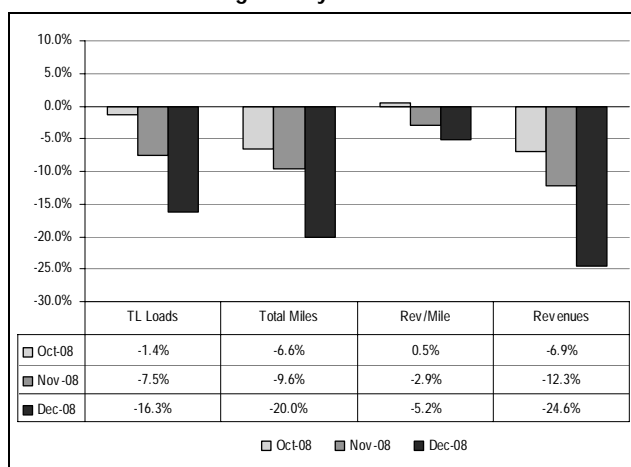
Net Orders: Final Class 8 Truck Net Orders for January 2009 were 7,937, up 2% from the 7,800 unit preliminary figure, but down 65% year-over-year. Orders in January dropped 9% sequentially, following December's 23.6% decline. Net Orders are still well below replacement levels as the freight environment continues to be extremely weak and further capacity rationalization appears necessary. ML Machinery Analyst Andrew Obin targets 2009 retail sales of 150,000, a 27% decline using a -2.9% GDP forecast as a macroeconomic backdrop.

Production: Class 8 Production for January 2009 was 10,166, down 44% year-over-year, and down 24% from December 2008. Production is down 50% from the last relative peak at 20,146 in April 2008. Mr. Obin targets 2009 Class 8 production totals of 155,000-160,000, with the incremental buildings due to 2010 pre-buys.

■ **Truck Activity: Dec. Loads Down 16.3% Y-Y**

Total loads for December were down 16.3% year-over-year, on a -3.2% comp in December 2007. This was the largest decline in the index since it began in 1993 (previous record was -8.8% in December 2000). This is the fourth consecutive year-over-year drop in total loads, and the sixth sequential decrease, marking a 23% decline to 91.5 from its last relative peak in March 2008 at 119.6. Large TL loads were down 16.3% year-over-year, its fourth consecutive decrease, while Small TLs were also down -16.3%, its 35th consecutive drop, and the largest decrease since the index began (it reached its lowest absolute level on record at 68.5). Total revenues were -24.6%, its fourth consecutive decline and the worst deterioration on record, coming after last month's -12.3% decline (previously the worst decline on record). Total miles deteriorated 20.0%, its sixth straight decline (and largest ever), while revenue per mile was down -5.2%, its second consecutive decline (the first decline posted since July 2002), and worst on record. The Trucking Activity report tends to be more relevant for TL carriers, which measure movement by loads/mileage.

Chart 14: Total Trucking Activity Year-Over-Year Performance



■ Ports in Jan.: Top 10: -19% y-y; LA/LB -19%

Table 4: Top 10 US Ports – Loaded Containers (In & Out) Y-Y

	Nov-08	Dec-08	Jan-09	Jan-09	
Top 10 U.S. Ports	2008	Y-O-Y %	Y-O-Y %	Y-O-Y %	TEU's
Los Angeles (21% of total US)	-2%	-11%	-17%	-14%	421,996
Long Beach (19%)	-8%	-17%	-29%	-25%	289,098
<i>Total LA/LB (40% of total)</i>	-4%	-13%	-23%	-19%	711,094
New York (12%)	3%	-7%	n/a	n/a	n/a
Oakland (6%)	-4%	-22%	-16%	-13%	122,013
Norfolk (6%)	0%	-12%	-21%	n/a	n/a
Charleston (5%)	-5%	-19%	-28%	-21%	85,462
Seattle (5%)	-15%	-30%	-35%	n/a	n/a
Savannah (6%)	4%	-7%	-18%	n/a	n/a
Houston (4%)	0%	-19%	-8%	n/a	n/a
Tacoma (4%)	2%	-9%	-18%	-23%	63,854
Total Top Ten (84% of total)	-4%	-14%	-22%	-19%	982,423
Vancouver	6%	-10%	-20%	-15%	142,679

Source: Ports of LA, LB, Charleston, Savannah, Norfolk, Oakland, Houston, Seattle, Tacoma, New York, Department of Transportation, and BAS-ML estimates. December 2008 total growth rate excludes New York, January 2009 total growth rate excludes New York, Norfolk, Seattle, Savannah, and Houston. Top 10 US Ports – 84% of All US Ports.

Volumes were down 19% in January 2009 with 5 of the 10 largest domestic ports having reported volumes to date (see Table 4), on a -3% decline in comparable ports in January 2008. This is the seventh decline in eight months with an average decline rate over this period at -8%. In January, import volumes (loaded inbound) were -14% (on a -4% comp in January 2008), a deterioration from the 2008 average decline of -8%, while export volumes (loaded export) were down 25% (on a +14% comp in January 2008), much worse than the average 2008 run rate of +6%. Leading total volume declines in January was the Port of Long Beach (-25%), Tacoma (-23%), Charleston (-21%), Los Angeles (-14%), and Oakland (-13%). All five reporting ports posted negative volume growth, however, the Port of Tacoma was the only port to post a larger deterioration in January (-23%) than December (-18%). This was Tacoma's sixth consecutive decline (average decline rate of -10%) and it will continue to lap positive comps for the next six months at an average run rate of +6%. The Ports of Los Angeles and Long Beach posted a -19% decline (on a -2% comp in January 2008) following last December's -23% drop, which was the worst on record (dating back to 1995). The Ports of Los Angeles and Long Beach will face positive comps for the next four months at an average run rate +2%.

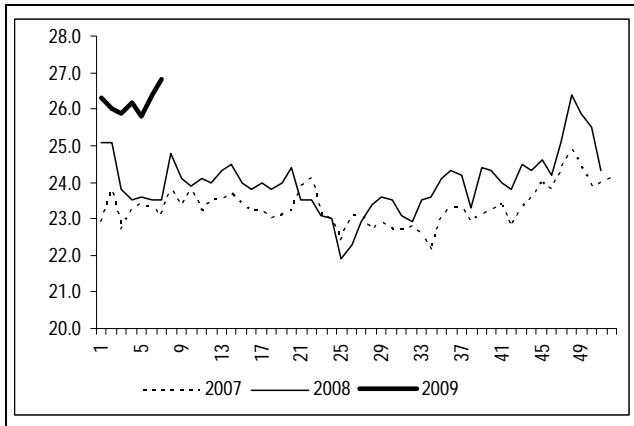
Chart 15: Loaded Containers – In & Out -- Top 10 Ports

Top 10 U.S. Ports	Inbound Loaded				Outbound Loaded			
	2006	2007	2008	2009 YTD	2006	2007	2008	2009 YTD
Los Angeles (19% of total US)	16%	-2%	-6%	-8%	22%	13%	11%	-29%
Long Beach (17%)	11%	0%	-14%	-23%	6%	22%	7%	-27%
<i>Total LA/LB (36% of total)</i>	14%	-1%	-10%	-14%	13%	17%	9%	-28%
New York (12%)	n/a	1%	-2%	N/A	n/a	41%	13%	N/A
Oakland (6%)	5%	-1%	-8%	-11%	-1%	8%	0%	-15%
Norfolk (6%)	-5%	0%	-7%	N/A	2%	17%	8%	N/A
Charleston (5%)	-1%	-14%	-10%	-17%	-2%	2%	0%	-24%
Seattle (5%)	-5%	1%	-17%	N/A	-7%	10%	-12%	N/A
Savannah (6%)	7%	24%	0%	N/A	11%	28%	8%	N/A
Houston (4%)	3%	-9%	-8%	N/A	5%	20%	4%	N/A
Tacoma (4%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Top Ten (84% of total)	8%	0%	-8%	-14%	6%	19%	6%	-25%

Source: See Table 4

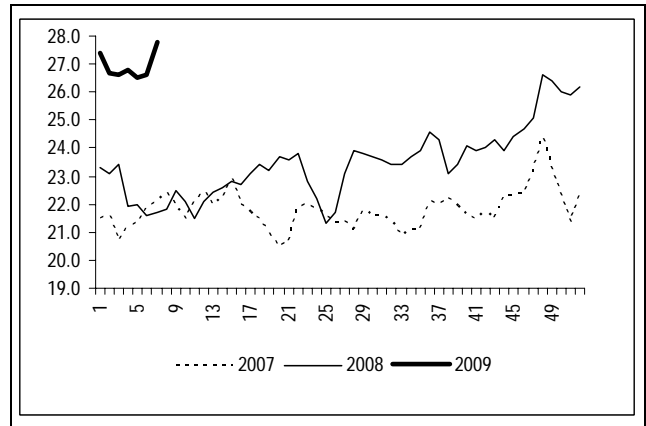
WEEKLY RAIL VELOCITY MONITOR

Chart 16: Burlington Northern Velocity



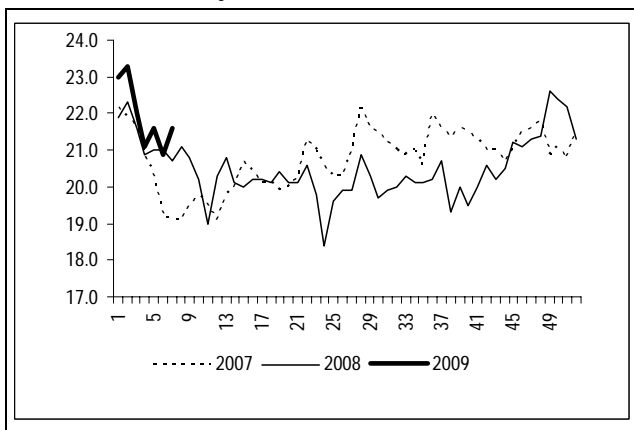
Source: AAR

Chart 19: Union Pacific Velocity



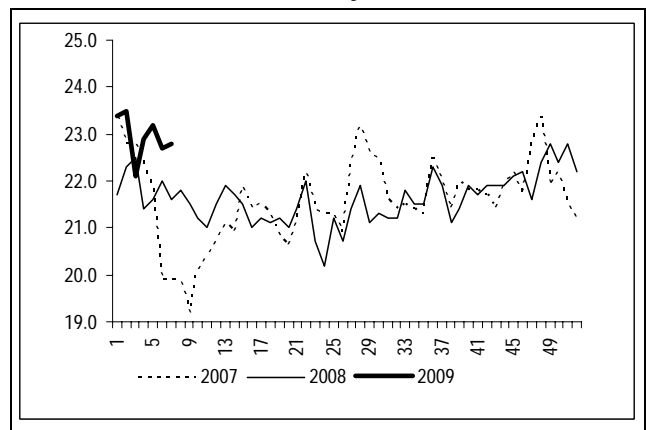
Source: AAR

Chart 17: CSX Velocity



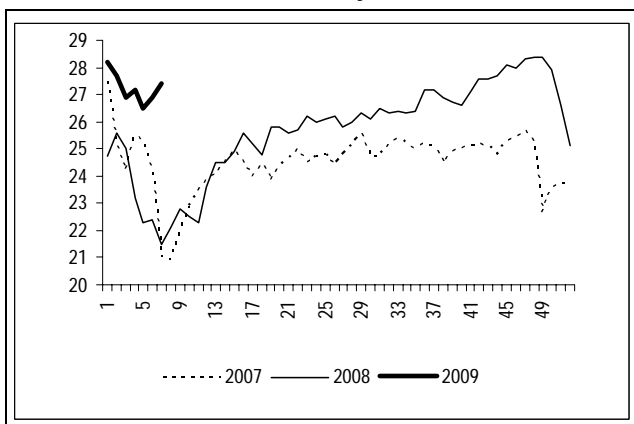
Source: AAR

Chart 20: Norfolk Southern Velocity



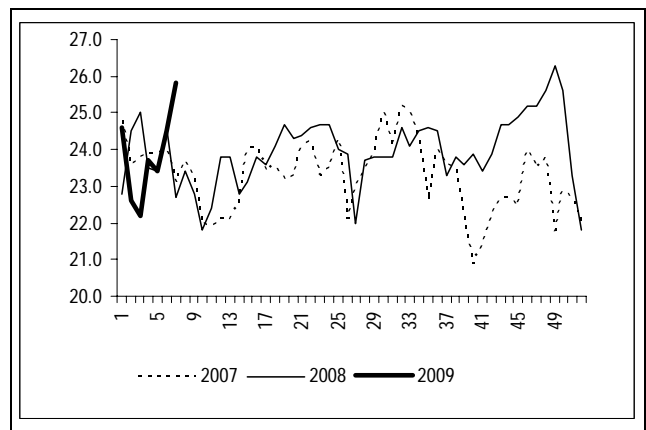
Source: AAR

Chart 18: Canadian National Velocity



Source: Company website

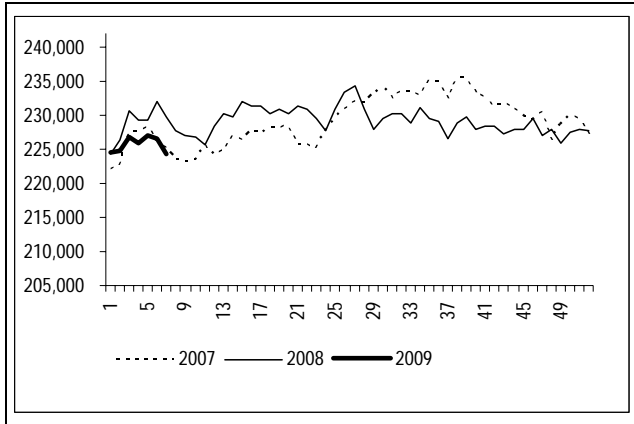
Chart 21: Canadian Pacific Velocity



Source: AAR

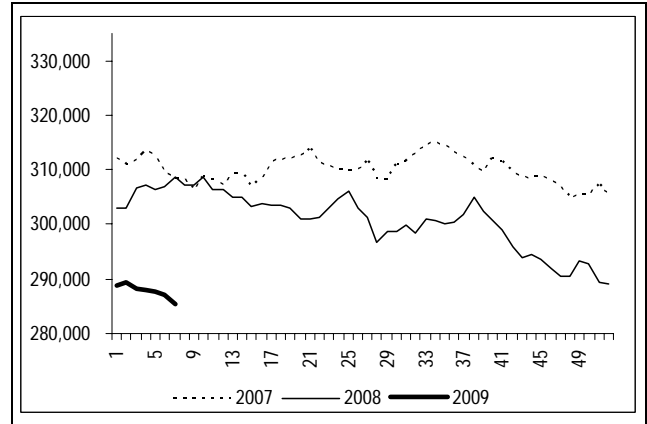
WEEKLY RAIL CARS ON LINE MONITOR

Chart 22: Burlington Northern Cars On Line



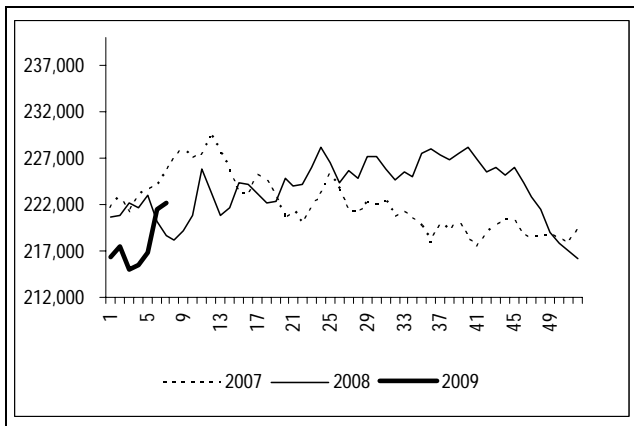
Source: AAR

Chart 25: Union Pacific Cars On Line



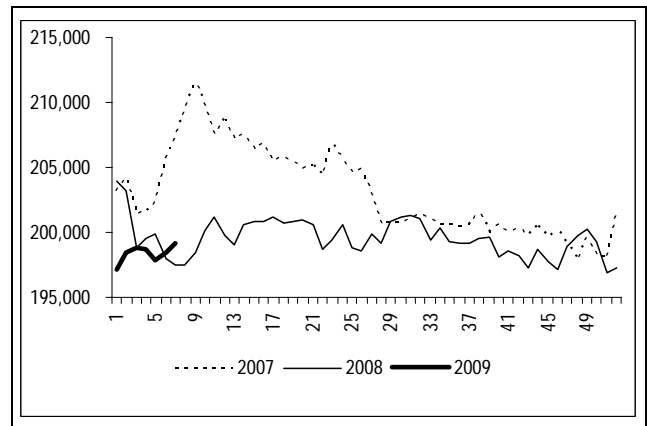
Source: AAR

Chart 23: CSX Cars On Line



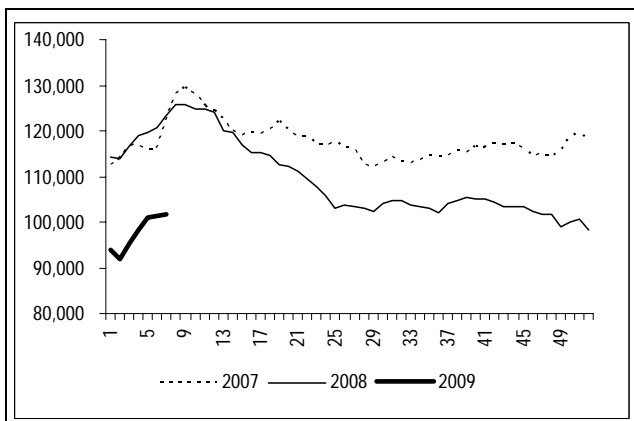
Source: AAR

Chart 26: Norfolk Southern Cars On Line



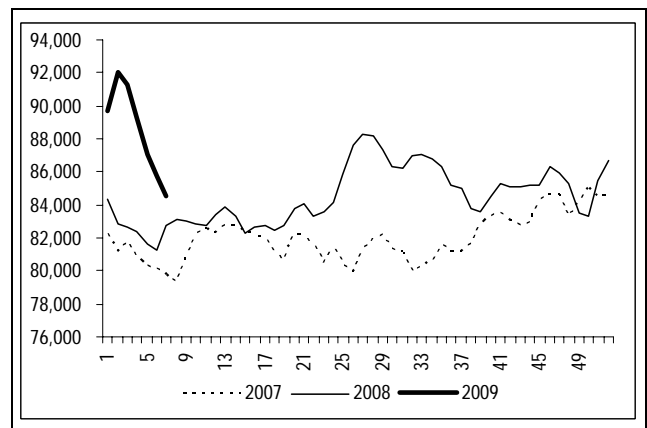
Source: AAR

Chart 24: Canadian National Cars On Line



Source: Company website

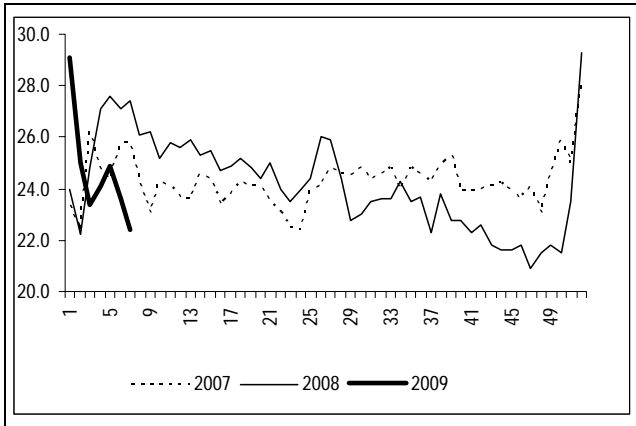
Chart 27: Canadian Pacific Cars On Line



Source: AAR

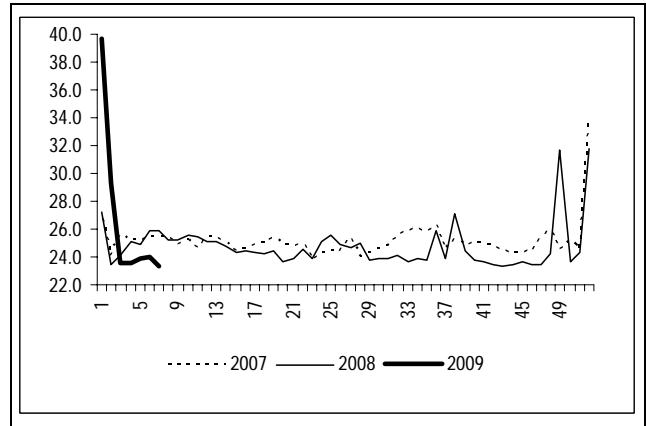
WEEKLY RAIL TERMINAL DWELL TIME MONITOR

Chart 28: Burlington Northern Terminal Dwell Time



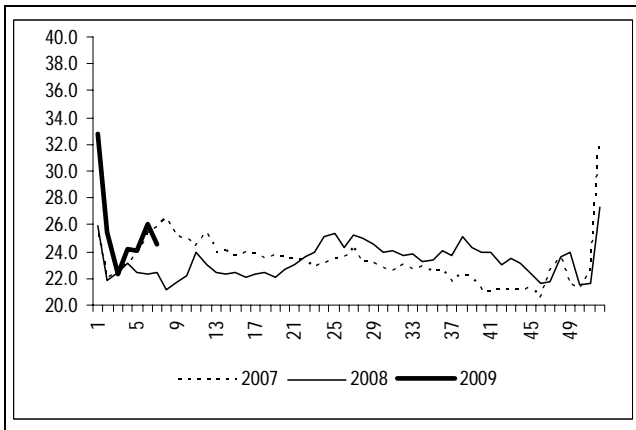
Source: AAR

Chart 29: Union Pacific Terminal Dwell Time



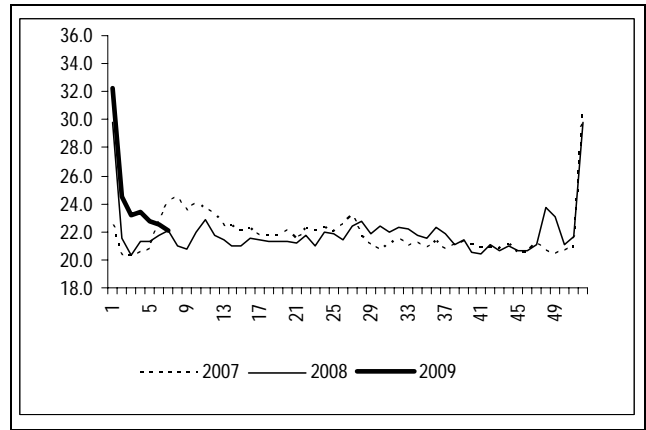
Source: AAR

Chart 30: CSX Terminal Dwell Time



Source: AAR

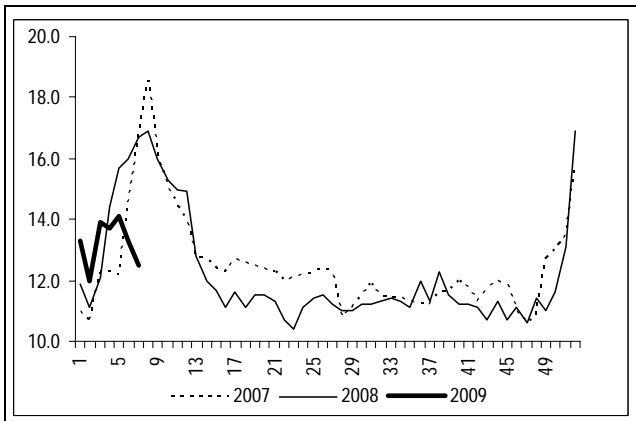
Chart 31: Norfolk Southern Terminal Dwell Time



Source: AAR

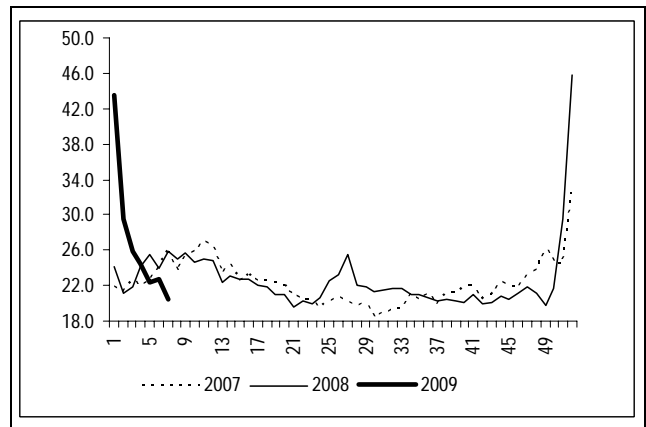
Note: Dwell time is calculated using a simple average of company data reported to AAR, which excludes 5 yards. The company lists these 5 yards on its web site, but at a 2-week delay.

Chart 32: Canadian National Terminal Dwell Time



Source: Company website

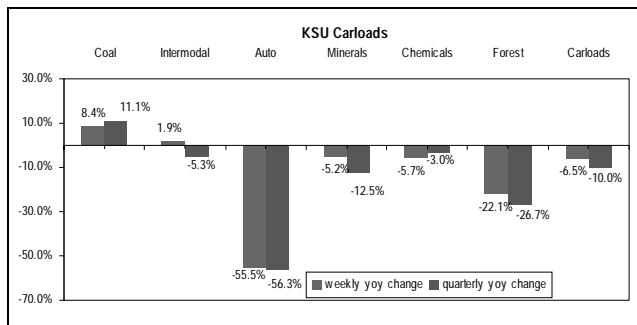
Chart 33: Canadian Pacific Terminal Dwell Time



Source: AAR

KANSAS CITY SOUTHERN RAILWAY CARLOADS & PERFORMANCE CHARTS

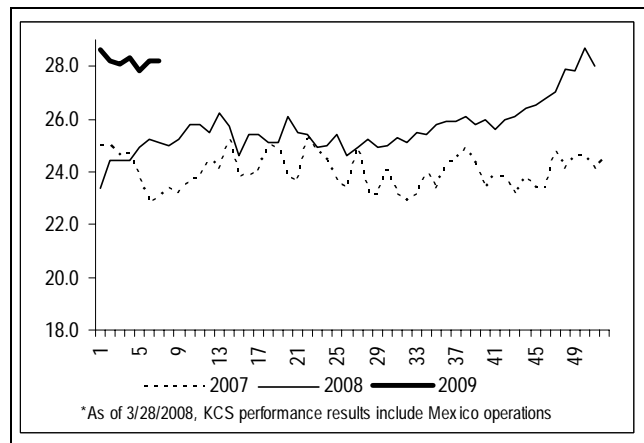
Chart 34: Kansas City Southern Carloads



	Coal	Intermodal	Auto	Agriculture & Minerals	Chemicals	Paper & Forest	Total Carloads
2009 week 6	6,703	9,625	781	6,353	4,430	4,883	32,775
2008 week 7	5,841	10,318	2,038	7,283	4,739	6,854	37,073
1Q09	41,387	54,568	4,634	35,869	28,147	29,100	193,706
1Q08	37,245	57,613	10,601	41,002	29,011	39,693	215,165
1Q yoy % Chng	11.1%	-5.3%	-56.3%	-12.5%	-3.0%	-26.7%	-10.0%
1Q ML estimate	-3.0%	-5.0%	-22.0%	-7.0%	-11.1%	-10.9%	-8.1%

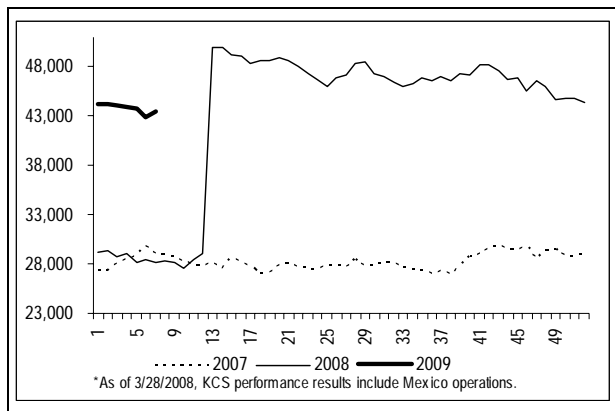
Source: AAR

Chart 36: Kansas City Southern Velocity



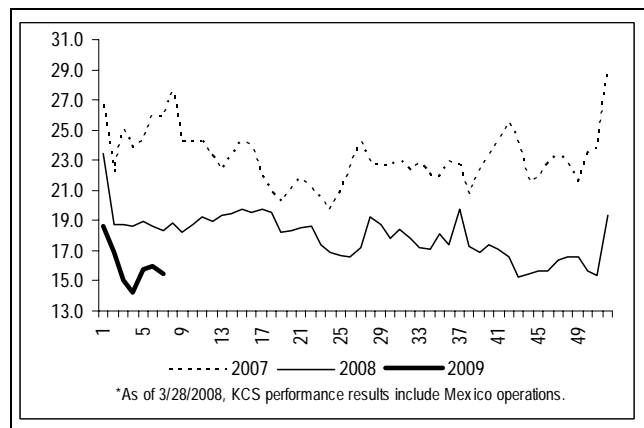
Source: AAR

Chart 35: Kansas City Southern Cars On Line



Source: AAR

Chart 37: Kansas City Southern Terminal Dwell Time

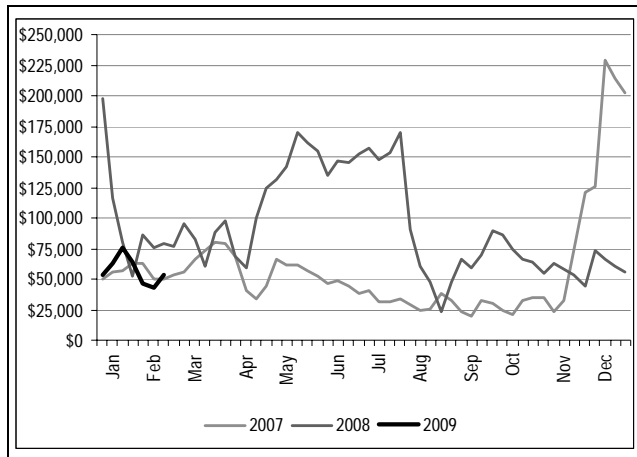


Source: AAR

Weekly Shipping Rates and Quarterly Data

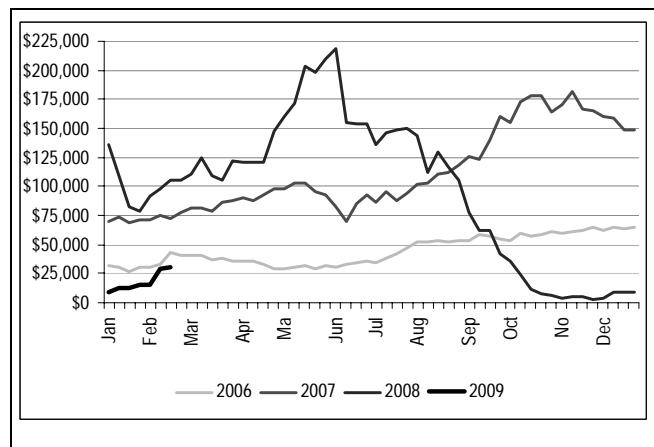
Tanker	QTD Average	ML 1Q est.	09' YTD Avg.	ML 09' est.	Dry Bulk	QTD Average	ML 1Q est.	09' YTD Avg.	ML 09' est.
VLCC	\$56,893	\$49,638	\$56,893	\$50,053	Capesize	\$17,586	\$12,500	\$17,586	\$17,875
% chg. Y-Y	-38%	-46%	-39%	-47%	% chg. Y-Y	-83%	-88%	-82%	-82%
Suezmax	\$38,431	\$49,638	\$38,431	\$44,294	Panamax	\$5,004	\$15,000	\$5,004	\$19,594
% chg. Y-Y	-31%	-11%	-46%	-38%	% chg. Y-Y	-90%	-71%	-88%	-55%
Aframax	\$29,568	\$36,100	\$29,568	\$34,022	Handymax	\$5,525	\$10,850	\$5,525	\$14,525
% chg. Y-Y	-25%	-8%	-41%	-32%	% chg. Y-Y	-87%	-75%	-85%	-60%

Chart 38: VLCC Spot Rates



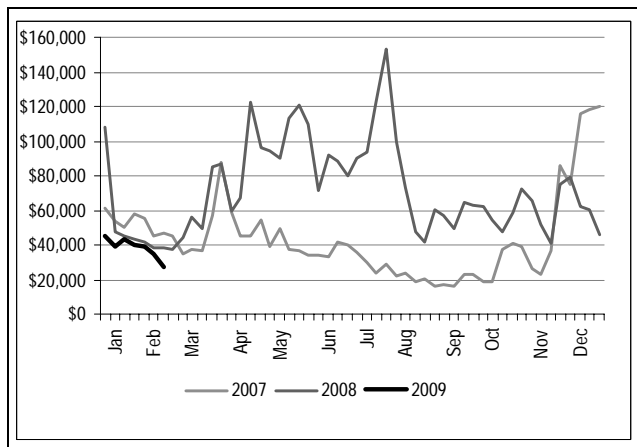
Source: Clarkson

Chart 41: Capesize Spot Rates



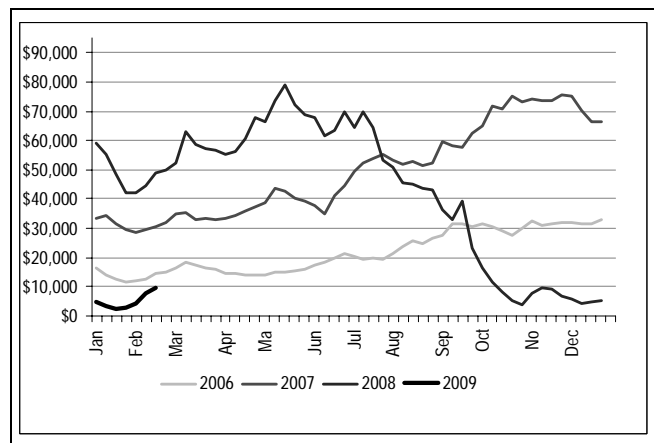
Source: Clarkson

Chart 39: Suezmax Spot Rates



Source: Clarkson

Chart 42: Panamax Spot Rates



Source: Clarkson

Chart 40: Aframax Spot Rates

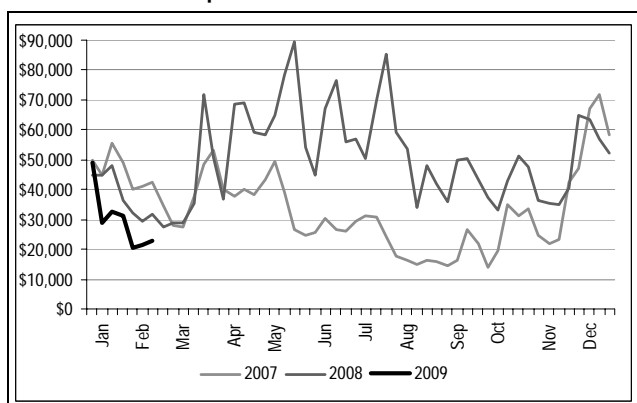
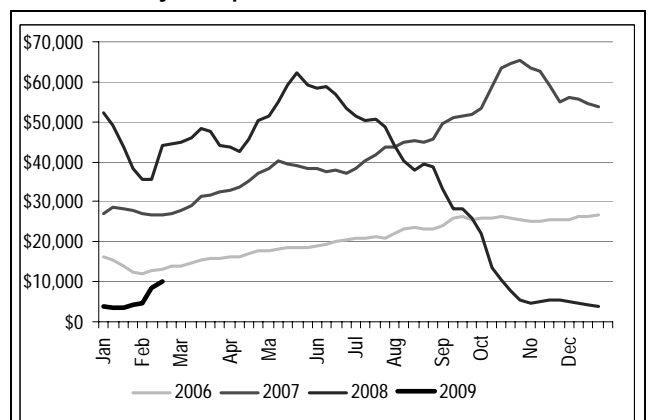


Chart 43: Handymax Spot Rates



Source: Clarkson

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I, Ken Hoexter, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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