

FREIGHT CAR UPDATE

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The disclaimer: Comments are my own and may not reflect the opinions of First Union Rail.





Existing Car Marketplace

- Reduced carload volumes in '09 vs. '06-'07
- Carloadings off approximately 16%
- General cartypes adequate to surplus
- Surplus cars down to *only* 450,000 at yearend
29% of the total fleet idle
- Railroad efficiency improvements
- Issues affecting use of shipper supplied equipment



Existing fleet

- Over 63% of the North American railcars are owned by non-railroads
- Railroads only investing in core cartypes
- U.S. fleet age– currently at 19 years of age
- U.S. railroad fleet average 6 years older than privates
- 52% of U.S. railroad fleet is over 25 years old



Existing fleet

- Many cars become over age within 4 years
- Technological obsolescence issues
 - GRL increases
 - Cubic capacity
 - Truck performance
- As demand improves, will there be repair shop capacity and parts availability?



New Car Construction

- Number of new cars built has been a roller coaster ride over the past 40 years
 - Range of 1,200 to 90,000 annually in the 1980's
 - 25,000 to 75,000 annually in the 1990's
 - 17,000 to 75,000 in the 2000's ('02 the low)
 - 22,600 est. built in 2009
- New car prices about 10% off all-time highs
- Steel and scrap surcharges introduce large variable into new car pricing



New Car Construction

- 2010 builds not far off all time lows
- Expectation between 7,000 and 15,000 cars
- About half to be tank cars
- GE/Greenbrier multi-year agreement
- Expectation for modest improvement in 2011
- Need 35-40,000 new cars annually on avg. to remain 'even' with current fleet size



New Car Builders' Production

- ARI
- Greenbrier
- Freight Car America
- Trinity
- National Steel Car
- Union Tank
- Progress Rail
- Kasgro



New Car Marketplace—What's Next??

- Will builders combine?
- Too much new car capacity in the industry?
- Expect slow return, not steep demand growth
- Availability of labor and parts to restart when demand returns?
- What will the new tank cars look like?
 - What happens to the existing tank fleet?
- Trilevel auto rack needs may help



Railcar Marketplace—What's Next?

- Railroad policies regarding shipper provided railcars
- Railroad desires to shift liability
- Who will be the buyers?
 - Lessor consolidation?
 - Credit issues to overcome
- Car ownership costs rising
 - New AAR Rules increasing maintenance \$
 - Large AAR Labor Rate increases
 - Railroad accessorial charges/empty freight
 - Depreciation/compensation from users

Conclusions

Look for an interesting ride

