Tealinc

Touchbase

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Railroad & Policy Updates

In an email notice released by the Kansas City Southern on March 17, 2015, the KCS reported that [they] strive to meet if not exceed the expectations and shipping needs of [their] customers. As such, [KCS] would like to notify you of some changes which will take place on March 22nd, 2015 that will help you plan accordingly for loading and shipping.

Effective March 22, the KCS announces empty equipment ordering lead time

Effective March 22, in an effort to meet the growing demand for empty equipment, the lead time (advance notice to order cars) below will be required when ordering empty equipment via MyKCS. The lead time varies by equipment car type and can be found below and in MyKCS after March 22nd.

Type of Car	Lead Time
Box Car (50' Standard)	7 days
Box Car (60' Standard)	7 days
Box Car (60' HC)	7 days
Bulk-head Centerbeam Flats	7 days
General Service Flats	15 days
Heavy Duty	Special Order
Gondolas	10 days
Covered Hoppers	15 days
Open-Top Hoppers	15 days
Mechanical Reefers	15 days

Although not a guarantee of equipment availability, adhering to the mandatory lead times will provide a higher probability of meeting your loading requirements relating to equipment.

Contact the KCS for more information at:
[KCSR Customer Solutions]

STB Reauthorization Bill Would Change Freight-Rail Policies

Bill introduced that would reform and reauthorize the STB

[On March 19, 2015] U.S. Sens. John Thune (R-S.D.) and Bill Nelson (D-Fla.) introduced a bill that would reform and reauthorize the Surface Transportation Board (STB).

The proposed Surface Transportation Board Reauthorization Act of 2015 (S. 808) would reform the STB and "streamline" its procedures, according to a press release issued by Thune's office. The STB has federal regulatory jurisdiction over certain economic issues for freight railroads, including the rates they charge shippers.

Although the STB has been "working diligently" to ensure rail service delays experienced by shippers and businesses in South Dakota and other states last year don't occur again, the service "crisis" highlighted inefficiencies in the agency, said Thune.

"Oversight efforts have identified

"Oversight efforts have identified causes of wasteful and unnecessary

causes of wasteful and unnecessary delays in adjudicating cases that harm rail shippers, freight operators, and ultimately consumers who pay higher costs"

delays in adjudicating cases that harm rail shippers, freight operators, and ultimately consumers who pay higher costs," he said. "These reforms will help make the STB a more efficient, effective, and accountable agency for the benefit of shippers and railroads alike."

The legislation would expand STB membership from three to five members and allow them to discuss pending matters without issuing a public meeting notice, but with later public disclosure. In addition, the bill would allow the board to initiate some investigations — not just respond to complaints — and require it to create a database of complaints and prepare quarterly reports on them.

Moreover, the bill would change the case review process by requiring the STB to set timelines for stand-alone rate cases and report on a rate case methodology. The bill would codify an arbitration process for certain rate disputes and complaints.

Thune is chairman of the Senate Committee on Commerce, Science and Transportation; Nelson is the committee's ranking member.

The American Chemistry Council (ACC) [March 19, 2015] endorsed the Thune-Nelson bill, saying it would "make the STB a more efficient, effective agency and promote a more equitable approach to resolve freight rail issues."

"…bill will promote a more competitive environment for freight rail service and improve how the STB operates"

"The bill reflects many of the improvements that are supported by ACC and a large number of other groups representing a wide range of U.S. manufacturing, agricultural and energy interests. This bill will promote a more competitive environment for freight rail service and improve how the STB operates," according to the ACC's prepared statement.

The bill is a modified version of a measure that Thune introduced last year with now-retired U.S. Sen. Jay Rockefeller (D-W. Va.). That bill was opposed by the Association of American Railroads and supported by numerous rail shipper groups, including the ACC.

Read the entire article:
http://www.progressiverailroading.com/federal_legislation_regulation/news/STB-reauthorization-bill-would-change-freightrail-policies--43886

Mechanical Brief with Steve Christian

Choosing the right railcar repair shop

I deal with a wide variety of contract railcar repair shops around the country. Some I use out of pure necessity due to freight issues and convenience. Typically, these shops get lighter, less critical work. When it comes to heavier, more complicated work, I am much more diligent in choosing my repair shops. I like to choose shops that I have good history with and where I am familiar with the management and work performance.

There are number of fundamental things that you should consider when choosing a shop. The following lists explains them:

1. Scheduling. Before you run down the following list for any shop, you

Research points include: scheduling, qualifications, history, pricing, warranty and billing method

need to determine if they can work your railcars according to your schedule. If they can't, stop the shop vetting process and find another shop. Even if it sounds like they can process you work timely, get more details. Those details should include:

a. When can I see estimates?
b. How soon after approval will they hit the shop?
c. How long will it take to complete all cars?

Ask for this information in writing and expect them to be optimistic on their part. So don't count on this as gospel; you'll most likely need to put pressure on the shop to make sure they stick to their estimated timelines.

2. Qualifications. Make sure that the shop you are considering has current AAR certifications that cover the work that the shop will perform for you. The shop should have certificates from the AAR prominently displayed that cover what they are certified to do at that shop. They should also have a current AAR M-1003 Quality Assurance Certificate.

Ask repair shop for references and follow up with your own due diligence

3. Good Repair History. Chances are good you know someone who can refer you to a good shop and if you don't know someone who has experience with a particular shop you're interested in working at, ask the shop for several customer references and perform your due diligence. Visit the shop and note the initials of the railcars that are there, look them up in an equipment register and call the contact person listed to see what their experiences have been with the shop.

4. Pricing. Find out what their shop labor rate is. Don't be afraid to ask for a discount, especially if you have good volume or the work is repetitive in nature. What basis do they use for billing labor hours - are they actual hours worked or labor standards from the AAR Price Matrices? Are they willing to discount the number of hours billed when volume and repetitive repairs are involved?

5. Warranty. Ask for their warranty on labor and material were applicable. In fact ask for it in writing. This can also be a negotiating point with the shop.

6. Billing Method. How will your bills look when you receive them? Most shops use the AAR BRC Format from Rule 83. This is the preferred method for most customers, including me. Since we keep an extensive history of all of our railcars in electronic format, I require that we get a 500 byte format file so that we can include repair bills into our data base.

Beyond what I have listed above, there are two other things that I look for in a shop once I have some history with them:

Look for openness and problem resolution in any railcar repair shop you work with

1. Openness. The shop needs to let you know when schedules won't be met or other issues arise. If they screw up, you need to be notified immediately. If you have to ferret those out, that shop is not on the "A" list in my book.

2. Problem Resolution. I don't care who the shop is, eventually there will be problems. The way that a shop handles those problems separates the excellent shops from the others. If the own up to their mistakes and take immediate and decisive steps to make them right, you have a shop you

need to keep doing business with.

Build your relationships with repair shops that meet this criteria and you will be happy with the results. As always, Tealinc stands ready to help you in any way we can.

Steve Christian is the Manager Value Creation-Railcar Performance Manager for Tealinc, Ltd. You may contact Steve directly out of our Nebraska office at (308) 675-0838 or via email at ***steve@tealinc.com****.*

Railroad Traffic

AAR reported carload traffic for February, 2015 down 1.1% year over year

The Association of American Railroads (AAR) reported March 4, 2015 the weekly U.S. rail traffic, as well as volumes for February 2015 and first two months of 2015.

Carload traffic in February totaled 1,089,211 carloads, down 1.1 percent or 11,726 carloads from February 2014. U.S. railroads originated 929,395 containers and trailers in February 2015, down 6.5 percent or 64,384 units from the same month last year. For February 2015, combined U.S. carload and intermodal originations were 2,018,606, down 76,110 units or 3.6 percent from February 2014.

Carloads of crushed stone, gravel and sand, metallic ores and chemicals were up; coal, iron and steel scrap and primary metals were down in February 2015

In February 2015, 11 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with February 2014. This included grain, up 8,651 carloads, or 10.9 percent over last year; crushed stone, gravel, and sand, up 4,640 carloads, or 6.5 percent; metallic ores, up 3,515 carloads, or 21.9 percent; and chemicals, up 2,436 carloads, or 2 percent. Commodities that saw declines in February 2015 from February 2014 included coal, down 21,075 carloads, or 4.9 percent; iron and steel scrap, down 3,943 carloads, or 23.1 percent; and primary metal products, down 2,926 carloads, or 7.3 percent.

Excluding coal, carloads were up 9,349 carloads or 1.4 percent in February 2015 over February 2014 and when coal and grain were excluded, U.S. carloads were up 698 carloads or 0.1 percent in February 2015.

Total U.S. carload traffic for the first eight weeks of 2015 was 2,250,053 carloads, up 50,138 carloads or 2.3 percent, while intermodal containers and trailers were at 1,934,462 units, down 55,726 containers and trailers or 2.8 percent when compared to the same period in 2014. For the first two months of 2015, total rail traffic volume in the United States was 4,184,515 carloads and intermodal units, down 5,588 or 0.1 percent from the same point last year.

“Economic fundamentals remain mostly positive… railroads are expecting significant traffic improvements in March”

"The problems at West Coast ports clearly had an impact on rail traffic in February. Bad weather in the East and Midwest didn't help," said AAR Senior Vice President John T. Gray. "It's not possible to quantify the impact of these factors precisely. However, economic fundamentals remain mostly positive, so railroads are expecting significant traffic improvements in March."

Visit the AAR at:
https://www.aar.org/newsandevents/Press-Releases/Pages/2015-03-04-railtraffic.aspx

Industrial Inside

Outlook for the U.S. steel industry gets gloomier

The outlook for the U.S. steel industry has gone from bad to worse. At the beginning of the year, one major challenge that the U.S. steel industry faced was weak demand forecast for tubular products as a rout in oil prices forced the oil and energy industry to slash capital spending for 2015. But now it seems that the U.S. steel industry will have to contend with some more headwinds; mainly the strengthening dollar and ongoing slowdown in China.

The U.S. dollar has been on a roll lately. An improving macroeconomic environment, contracting U.S. trade-balance thanks to a plunge in oil prices, and higher yields on U.S Treasuries compared to other safe haven bonds, have all contributed to the rally. In the second half of 2014, the U.S. dollar gained more than 16% against a basket of major global currencies.

Rising Dollar forces domestic steel makers to cut prices

The domestic steel industry already faces a stiff competition from low-cost steel producing nations like China and South Korea. A strengthening dollar is making imports even cheaper. As a result, steel companies such as United States Steel (NYSE:X) and AK Steel Holding (NYSE:AKS) have been forced to slash their prices. This in turn could erode margins.

According to data from the American Iron and Steel Institute (AISI), U.S. steel imports jumped 24% and 36% in the first two months of the year to 8,024,000 net tons and 6,395,000 net tons, respectively, compared to the same period of 2014.

During the first two months of the year, finished steel imports rose by 59% from China, 104% from Turkey and 23% from China

Imports of practically all forms of steel like bars, rods, cold rolled sheets and tin plates have been increasing. Besides, imports are rising from all markets. During the first two months of this year, finished steel imports from South Korea rose by 59% to 1,310,000 NT, while it climbed 104% to 610,000 NT from Turkey. Steel imports from China jumped 23% to 453,000 NT

This surge follows a similar trend experienced in 2014. Last year, imports from Russia climbed 96% to 6.5 million tons, while imports from China jumped 69% to 2.8 million tons.

Amid rising imports, some of the major steel producers such as US Steel and Nucor Corporation (NYSE:NUE) have been forced to slash prices, according to distributors who purchase steel from them.

Earlier in February, the Wall Street Journal reported that the benchmark hot-rolled coil index dropped 17% since the beginning of the year to about $500 a ton---the lowest price level since August 2009.

Iron ore, a key ingredient in steel-making, is witnessing a terrible run. [In

China to cut overcapacity in the domestic steel industry

March 2015], iron ore prices tumbled to below $60 a ton for the first time since 2009. Iron ore prices eased as China---the world's largest importer of the bulk commodity--- vowed to slash the supply glut in the domestic steel industry. Speaking at the National People's Congress in Beijing, last week, the country's Premier, Li Keqiang said in the backdrop of decelerating economy, the government was committed to cut the overcapacity.

The announcement comes at a time when the country's GDP is poised to grow at 7% this year--- the slowest growth-rate since 1999.

These are worrying signs because in 2014, domestic steel consumption in China fell for the first time in three decades even as exports from the country rose to a record-high level. Now, a more stagnated domestic demand will further encourage steel exports.

Global steel industry will now be flooded with even more Chinese steel as the country looks to stabilize its inventories

What this means is that the global steel industry will now be flooded with even more Chinese steel as the country looks to stabilize its inventories.

The problem for the U.S. steel industry is that its outlook is getting gloomier even as the U.S. economy continues to recover. Steel is a cyclical industry and had come under significant pressure after the financial crisis of 2009. In the second half of 2013, the outlook for U.S. steel makers improved as the economy finally showed signs of sustainable recovery. This even sparked a rally in steel stocks in late 2013. However, the rally did not sustain. Even as the U.S. economy is improving, the global economic environment remains challenging. And this is hurting the U.S. steel industry as the situation has led to increasing imports into the U.S. In this backdrop, the outlook for U.S. steel makers remains gloomy.

Read the entire article at:
http://seekingalpha.com/article/2984576-outlook-for-the-u-s-steel-industry-gets-gloomier

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Financial Focus

Fed watching recent weakness; rate-hiking timing unclear

The timing of U.S. interest rate hikes are uncertain and the Federal Reserve must watch that the surprising recent weakness in the U.S. economy does not foreshadow a more substantial slowdown, an influential Fed official said on [April 6].

New York Fed President William Dudley said the weak March jobs report released [April 3], as well as softer than expected manufacturing and retail sales in recent months, likely reflected "temporary factors to a significant degree," including the harsh winter in much of the United States.

But, in relatively dovish remarks to a business audience in Newark, New Jersey, he said the central bank will need to "determine whether the softness in the March labor market report evident on [April 3] foreshadows a more substantial slowing in the labor market than I currently anticipate."

U.S. jobs growth, slowed sharply last month [reinforcing] the notion the Fed would delay an

U.S. jobs growth, which has been a lone bright spot in the economy, slowed sharply last month. It reinforced the notion the Fed would delay an initial rate hike until later in 2015.

initial rate hike until later in 2015

Low oil prices and the drop in domestic industry activity will exert a "meaningful drag" on U.S. economic activity while the high dollar will continue to pressure import prices

Dudley, a permanent voting member of the Fed's policy panel and a close ally of Fed Chair Janet Yellen, repeated that the hike would come once the labor market improves more and when policymakers are reasonably confident that low inflation will return to a 2 percent goal.

"The timing of normalization will be data dependent and remains uncertain because the future evolution of the economy cannot be fully anticipated," he said, adding he expects the path of rate hikes to be "relatively shallow."

The first quarter was "quite weak" with only about 1 percent GDP growth, but that should pick up to above 2 percent for 2015 as a whole, he said. Unemployment, at 5.5 percent, should drop to close to 5 percent by year end, with wage growth picking up, he predicted.

But there are risks to this outlook, Dudley added. Low oil prices and the drop in domestic industry activity will exert a "meaningful drag" on U.S. economic activity, he said, while the high dollar will continue to pressure import prices.

Learn more at:
http://www.reuters.com/article/2015/04/06/us-usa-fed-dudley-idUSKBN0MX0OX20150406

The Edge

Tealinc Scholarship
We've received a bunch of scholarship applications this year and if this is a cross section of the future leaders and care givers in our country we're in good hands. The scholarships range from business outlines that really make sense to descriptions of humanitarian essays that warm the heart. Our work here at Tealinc is going to be cut out for us this year as selecting a high school senior and an enrolled college student to award a scholarship to will be difficult.

Invest in Success
I recently spent three days at the Montana State FFA convention with 1,300 high school students, college students, sponsors, alumni and adults. The theme of the convention was "Invest in Success". This group of agricultural orientated young adults competed in public speaking, agronomy, range science, talent shows, mechanics, farm business management, livestock evaluation, judging and reasons, and many other leadership developing workshops and contests. There were numerous awards and recognition certificates handed out amongst very stiff competition in all categories with many students progressing on to compete against the best in the United States at the national level. The resounding theme of "Invest in Success" was applied at all levels throughout the convention.

Some interesting takeaways that I believe we can all learn from:

- For teachers, coaches and advisors. The direct time, energy and tools invested in establishing a clear path, method to achieve the goals and objectives with appropriate milestones and measures and understanding protégé thought processes and how they learn is a direct investment in success.

- Students. An unrestricted quest for knowledge and simple curiosity about a task or assignment and the desire to do your best puts you in the top tier. Learning to find guidance that helps gets you there is the rest of the equation. Work at what you enjoy the results will be better.
- Sponsors and business owners. Recognize how best to invest in human resources, how to provide clear and consistent direction and how to reward teachers, coaches, advisors and students investment in success.

I also found it interesting that many sponsors were digging deep into the FFA organization and encouraging these young adults to keep on their current path, go to and finish college and then come see them as they'd be immediately employable because they are learning the skills required to be successful in most any career.

A question we should all ask ourselves as teachers, coaches, advisors, students, business owners and / or business leaders, **"How do we, invest in success?"**

We look forward to earning your business!