Tealinc

# Touchbase

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**New ShipCSX diversions tools available August 1st**

**STB announces rail cost of capital fell slightly in 2012**

**"The Board uses the cost of capital figure in evaluating the adequacy of individual railroads' revenues each year"**

## Railroad & Policy Updates

On August 1, 2013 the CSX eBusiness team introduced a new Diversions tool to all ShipCSX users. The CSX reports that their new Diversions tool enables customers to complete the following tasks:

- Submit diversion requests on-line by car initial and number, unit train ID, or unit train reservation number
- Check the progress of your request with multiple status indicators
- Edit or cancel pending requests
- Receive email notifications confirming your request has been received and completed
- Submit Advanced Diversion requests

The Advanced Diversion feature allows you to submit empty non-hazardous diversion requests while the railcar is still moving loaded. The Advanced Diversion request will be applied once the railcar has reached its loaded destination and is released empty.

The CSX suggests that for more information you should call eBusiness professionals at 877-ShipCSX, options 2 and 1 or visit **www.CSX.com**.

### Rail Cost Capital Fell Slightly in 2012

The Surface Transportation Board announced Friday, Aug. 2, 2013, that it has determined that the rail industry's after-tax cost of capital was 11.11%. Last year, the cost of capital was 11.57%.

The cost of capital represents the STB's estimate of the average rate of return needed to persuade investors to provide capital to the freight rail industry. STB said the cost of capital figure "is an essential component of many of the agency's core regulatory responsibilities. The Board uses the cost of capital figure in evaluating the adequacy of individual railroads' revenues each year." It also uses the figure when determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line, or valuing a particular railroad operation.

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Read the entire article:
**http://www.railwayage.com/index.php/regulatory/rail-cost-of-capital-fell-slightly-in-2012.html?channel=40&utm_source=WhatCounts+Publicaster+Edition&utm_medium=email&utm_campaign=RGN+8.6.13&utm_content=STB%3a+Rail+cost+of+capital+fell+slightly+in+2012%3f%3f**

**Proper movement of railcars at your facility will dictate the long term health and value of you fleet**

**There are push/pull pockets specifically provided by the car builder for the movement of railcars from the side**

**Tealinc stands ready to assist in auditing your car moving practices**

## Mechanical Brief with Steve Christian

I recently inspected some open top hoppers that reminded me that proper movement of railcars at your facility will dictate the long term health and value of your fleet. Almost all of the cars I inspected had good trucks, good draft systems and very little corrosion. In stark contrast, the side posts were cut badly, crushed and sections were torn off. The side sills were gouged and peeled back in multiple locations on each car.

The cause of this damage was clear to me. The loading facility and/or the unloading site used a front end loader to move the cars. The operators of the front end loaders engaged the side posts with their buckets at an angle to the posts to push the railcar into loading or unloading position. Other times they just pushed the bucket into the side sill creating a notch which holds the bucket in place as the car is propelled forward. The damage may be minimal to start with but eventually the metal fatigues and after years of “abuse” major damage occurs. In some cases, large chunks of side sill were missing.

The sad thing is that there are push/pull pockets on these cars that are specifically provided by the car builder for the movement of railcars from the side. The push/pull pocket ties into the body bolster at each corner of the cars which provides a safe/ non-destructive way for railcar spotting. There was no need to push cars using vulnerable side posts or side sills. No need for destroying vital railcar structure.

Don’t think this is an isolated situation. I have seen railcars moved with all types of equipment (forklifts, cranes, tractors and winches). I have also seen this equipment moving the cars by making contact with a variety of railcar parts. These parts include ladder styles, handholds, roller bearings, side frames, end sills, side posts and infrequently the push/pull pocket.

Most personnel will move the cars in the manner that is the easiest and fastest for them. Railcar damage is not a consideration unless management/supervision sets down rules, trains to those rules and enforces them. This can’t be a onetime campaign either. It needs to be driven home at every opportunity.

These cars that I inspected were of various built dates and could have continued in interchange service for another 10 to 20 more years. Instead, due to the abuse they received, they are being scrapped. What a waste! If you are unsure how your cars are being moved at your plant, I recommend that you get into the details of how it is being done. Tealinc stands ready to assist in auditing your car moving practices. As you can tell, we love to share our experiences and knowledge to preserve the value of your railcars.

*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 reports record intermodal, lower carload rail traffic for June 2013**

The Association of American Railroads (AAR) July 9, 2013 reported that total U.S. rail traffic was mixed for June 2013, with intermodal setting a new record for average weekly volume and carload volume decreasing slightly compared with June 2012.

Intermodal traffic in June totaled 1,009,387 containers and trailers, up 1.3 percent (13,393 units) compared with June 2012. The weekly average of 252,347 units for June was the highest weekly intermodal average for any month in history. Carloads originated in June totaled 1,136,719, down 0.3 percent (3,819 carloads) compared with the same month last year.

"Intermodal rose in June for the 43rd consecutive month, setting a new volume record in the process," said John Gray, AAR's Senior Vice President of Policy and Economics. "Generally, the fall is the peak period for intermodal, so it wouldn't be surprising if further intermodal records were set in the months ahead. Large declines in grain and coal held down June carloads, but some of the more economically-sensitive commodities like autos and crushed stone were up for the month."

**Commodities with the biggest carload increases included petroleum and petroleum products, crushed stone, gravel and sand, and motor vehicles and parts**

Ten of the 20 major commodity categories tracked on a monthly basis by AAR saw year-over-year increases in June compared with the same month last year. Commodities with the biggest carload increases in June included petroleum and petroleum products, up 31.7 percent or 13,329 carloads; crushed stone, gravel and sand, up 12 percent or 9,293 carloads; and, motor vehicles and parts, up 3.3 percent or 2,184 carloads.

Commodity categories with carload declines in June included grain, down 18.1 percent or 13,865 carloads; grain mill products, down 8.2 percent or 3,234 carloads; and, iron and steel scrap, down 8.5 percent or 1,460 carloads.

Carloads excluding coal and grain in June were up 3.8 percent or 22,721 carloads.

Visit the AAR at:
**https://www.aar.org/newsandevents/Freight-Rail-Traffic/Pages/2013-07-09-railtraffic.aspx#.UgEjc9LVAoM**

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## Industrial Inside

**Industrial output in U.S. rises by most in four months**

Assembly lines in the U.S. churned out more automobiles and computers in June, pointing to a rebound in manufacturing that will help the world's largest economy strengthen in the second half of 2013.

Output at factories, mines and utilities climbed 0.3 percent, the biggest advance since February, after being little changed in May, according to Federal Reserve data issued July 16, 2013 in Washington. Another report showed homebuilders in July were the most confident in seven years.

An employee welds a Bangladesh 3870 cutter basket in the fabrication area at the Ellicott Dredges LLC manufacturing facility in Baltimore, on June 19, 2013.

**Output at factories, mines, and utilities climbed, the biggest advance since February**

**Lean inventories and improving car sales are helping overcome softer overseas markets and the effects of broad federal budget cuts and higher taxes**

**Fed officials signal tapering is possible at September meeting**

Lean inventories and improving car sales are helping overcome softer overseas markets and the effects of broad federal budget cuts and higher taxes. Other government figures reported July 16, 2013 signaled inflation picked up in June toward the Federal Reserve's goal, giving policy makers room to trim record stimulus later this year.

"Housing is definitely moving forward, manufacturing is picking up a little more momentum, and we're not on a path of deflation," said Stuart Hoffman, chief economist at PNC Financial Services Group Inc. in Pittsburgh, the second-best production forecaster over the past two years, according to data compiled by Bloomberg. "I see this as a sign of some strength as we ended the second quarter. All of this feeds into thinking that the Fed will start to taper."

**Survey Results**

The gain in production matched the median forecast of 86 economists surveyed by Bloomberg. Estimates ranged from drop of 0.2 percent to a 0.7 percent increase.

Homebuilder confidence rose in July to the highest level since January 2006 as companies grew more upbeat about sales prospects, according to figures from the National Association of Home Builders/Wells Fargo. The group's sentiment index climbed to 57 from 51 in June. The reading surpassed all but one forecast in a Bloomberg survey of 49 economists. The gauge has climbed 13 points in two months, the biggest back-to-back advance since January-February 1992.

"You're seeing a significant pickup in demand for new residential dwellings," said Brian Jones, senior U.S. economist at Societe Generale in New York. His forecast of 55 was the most accurate in the Bloomberg survey. "Mortgage rates are moving higher and pulling people in. And I think that in general, the economy is getting better."

Read the entire article at:
**http://www.bloomberg.com/news/2013-07-16/industrial-production-in-u-s-rises-by-most-in-four-months.html**

## Financial Focus

Four Federal Reserve officials with varied voting records on monetary stimulus indicated greater willingness the week of August 5 to begin tapering the central bank's bond-buying program, citing confidence the economy is accelerating.

"I would clearly not rule" out a decision to start dialing back the purchases at the Sept. 17-18 gathering of the Federal Open Market Committee, Chicago Fed President Charles Evans said in Chicago. "We've seen good improvement in the labor market, there's no question in my mind about that," and "I'm still wanting to see greater evidence that it's a sustainable improvement."

Fed policy makers are watching the job market to determine when to begin scaling back the central bank's $85 billion in monthly bond purchases.

Officials have said they will continue the program until the labor market has improved "substantially."

Evans, a voting member of the policy-making FOMC this year who dissented twice in 2011 in favor of easier policy, has been among the most vocal proponents of record monetary accommodation. His comments were similar to those from Cleveland Fed President Sandra Pianalto, who has always voted with the majority during her 10 years on the FOMC.

"Employment growth has been stronger than I was expecting, and the unemployment rate today is more than half a percent lower than I projected it to be last September," she told an audience in Cleveland Aug. 7. "In light of this progress, and if the labor market remains on the stronger path that it has followed since last fall, then I would be prepared to scale back the monthly pace of asset purchases."

**Labor department August 5 showed job openings rose in June to the highest level in five years.**

Economic growth is gaining momentum, recent data show. American consumers last week of July were the most upbeat in more than five years as firings retreated for the first time to the lowest level since before the recession.

The Bloomberg Consumer Comfort Index rose to minus 23.5 for the period ended Aug. 4, its strongest reading since January 2008. The average number of workers applying for jobless benefits declined to 335,500 in the four weeks ended Aug. 3, the least since November 2007, according to Labor Department data.

**Fewer Firings**

Another report from the Labor Department the week of August 5 showed job openings rose in June to the highest level in five years. It also showed fewer workers were fired in June than at any time in the previous five months.

Payrolls rose by 162,000 workers in July, the fewest in four months, following a revised 188,000 increase in June, data showed last week. The jobless rate dropped to a more than four-year low of 7.4 percent from 7.6 percent.

**Payrolls rose by 162,000 workers in July, the fewest in four months**

The economy will expand at a 2.5 percent annualized rate from July through December, up from a 1.4 percent gain in the first six months of 2013 and little changed from the pace projected last month, according to a Bloomberg survey of 59 economists conducted Aug. 2 to Aug. 6.

Fed Chairman Ben S. Bernanke said June 19 that the central bank is on track to start trimming its bond purchases later this year and end them in mid-2014 if the economy improves as policy makers forecast it will.

**Fisher's Criticism**

Dallas Fed President Richard Fisher, one of the most vocal critics of the central bank's so-called quantitative easing program, said August 8 its "timely" for U.S. central bankers to begin moderating record monetary

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stimulus as the economy continues to improve.

"You heard a choir" from Fed officials the week of August 5 that "if things go as the committee expected, then I would expect us to dial back," Fisher said on CNBC. "We'll have to see what the data is and the feeling is between now and the time we next meet in September."

Dennis Lockhart, the Atlanta Fed president, told Market News International that "the progress to date is pretty impressive and certainly should be factored into the readiness of the economy to move forward without asset purchases," according to an article published Aug. 7.

Lockhart, a supporter of Fed stimulus who doesn't vote this year on monetary policy, said the first cuts in Fed bond purchases may come as early as September, Market News reported, citing an interview with him.

Learn more at:
**http://www.bloomberg.com/news/2013-08-08/fed-officials-signal-tapering-is-possible-at-september-meeting.html**

## The Edge

You're success in obtaining an acceptable rail rate, rail service, simple answer to your rail transportation question or simply getting pointed in the right direction all depends upon your rail transportation representative. If you're "rep" doesn't understand or doesn't care about your business and won't properly represent your business to internal railroad decision makers than despite how successful or attractive your shipment profile you don't stand a chance at being anything more than moderately successful.

Step one in getting or growing a good railroad representative is to be sure he or she clearly understands your business. Divulging confidential internal documents isn't necessary nor recommended. However clear explanations of how your business fits in the market, a clear depiction of competition from alternative modes of transportation, market dynamics showing historical and verified future growth curves, where rail transportation can now or at some future timeframe or event be leveraged for overall growth and a view of service requirements go a long way to educating your railroad representative. Create interest in your existing or new rail service requirements by involving your rail representative. Your goal is to arm your rail representative with enough information and good news that he/she will want to champion your cause to decision makers.

Step two is, help your rail representative be internally successful. Internal credibility of a rail representative is only as good as your credibility with him or her. Be prepared to discuss market conditions at an in-depth level with rail marketing peers, operations requirements with rail operations peers and administrative or technical requirements with rail peers in this group as well. The better prepared you are, the better prepared your rail representative and the more professional you'll appear to the rail representative peer group.

Step three is to follow up timely and request the same from your representative. It's important that you keep your project or issue to the forefront. Rail personnel are extremely busy just like you and focus on their most needy matters first. Make your business a priority to them by agreeing to timelines and sticking to them and communicating any items that are deviations from the schedule.

We find after being involved in several rate and service design and negotiations that this simple three step process works. Remember your representation by a professional in the rail industry is only as good as you make him or her.

*We look forward to earning your business!*