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**KCSR holiday
service reductions
for Christmas &
New Years**

**...treatment of
empty private tank
cars to more closely
align...**

Railroad & Policy Updates

The Kansas City Southern Railway Company will reduce forces on December 24, 2014 and December 25, 2014 in observance of Christmas and December 31, 2014 and January 1, 2015 in observance of New Years.

Service requests for these days should be emailed to customer_solutions@kcsouthern.com by 10:00 a.m. on Friday, December 12, 2014. If no message is received, it will be understood that no service is needed.

Although service requests are not guaranteed for service on this day, once all requests are received the local operation will attempt to secure resources to perform service on these days.

Learn more at:
www.kcsouthern.com

Union Pacific Charges For Certain Empty Private Tank Car Movements

This January, Union Pacific will modify its rules for chargeable empty tank car movements. This change will make several modifications to documents and tariffs and therefore, the UP team will be available to answer any questions you may have to ensure a smooth transition to the new rules.

Rule Change Details

Beginning January 1, 2015, Union Pacific will directly apply mileage-based charges to certain additional movements of empty private tank cars to and from repair facilities described in Item 55-series of Tariff UP 6004. Under this modified item, the mileage-based charges of Tariff UPRR 4703 Item 1100-series will apply to empty tank car movements to and from repair facilities unless (I) the empty movement to a repair facility is immediately preceded by a movement for which Union Pacific received loaded line-haul revenue, (II) the empty tank car is moving under AAR Interchange Rule 1, or (III) the empty tank car was damaged by UP. These revenue-empty movements will be excluded from tank car equalization accounting, similar to movements of new or restenciled tank cars prior to their first loaded move in commercial service.

This change will:

- Bring the treatment of empty private tank cars to more closely align with the treatment of other empty private equipment on Union Pacific.
- Allow direct and prompt recovery for the costs associated with empty private tank cars to encourage those who control the movements to manage their cars to minimize empty miles.
- Decrease empty miles on our busy network and help support network fluidity.

Read the entire article:

**Winter planning
“plan for the worst
and hope for the
best”**

**Before attaching an
air hose, always
open the valve for a
short burst of air to
clean out any
moisture and
contaminants...**

Mechanical Brief with Steve Christian

You heed the old saying “plan for the worst and hope for the best” when it comes to winter planning. I have learned my lessons the hard way over the years. One lesson that will stay with me forever is to position railcars and equipment when a blizzard is coming so that snow removal is easier. I have been guilty of leaving cars in a cramped yard that resulted in one big snow drift. The cleanup was horrible. Snow removal equipment would not fit between the tracks so I had to use a great deal of manual labor to dig us out. I figured out that lining up all the cars on a single main track made cleanup so much easier at that location.

Every plant and operation is unique and has its own challenges. You should look back on what you have experienced in past winters and make plans that conform to your unique situations in the most extreme conditions.

To help illustrate my point I have a current issue that needs winter planning. I was recently at a customer’s plants where we introduced Ortner Rapid Discharge open top hopper cars (RD1’s) into their service for the first time. These cars use compressed air to open and close the hopper doors. These cars actually go to three separate plants that use three different sources of air. The plant I was at chose to use trainline air from their switch locomotive. Another plant uses plant air while another uses a portable air compressor. So far, all of the locations are having great success opening and closing the hopper doors. Life is good!

Well, life is good so long as the temperature does not get too cold! Part of my training session on Ortner Rapid Discharge operation included a strong recommendation that each location provide dry air to these cars. Moisture turns to ice when the temperature falls. Ice restricts air lines and restricts valve operation. The best way to remove moisture from the compressed air is to have an air dryer remove it immediately after it exits the compressor. There are desiccant and refrigerated air dryers that are quite effective if properly sized. There is also some low hanging fruit that can be realized with just some elementary practices and procedures. For instance:

- Before attaching an air hose to these cars, always open the valve for a short burst of air to clear out any moisture and contaminants that may be in the hose.
- While pressurized with air, open reservoir drain valves and allow moisture and contaminants to exit the tank. Close the valve when the air blows clean and clear.
- Never drop air supply hose couplings on the ground. Store them so that they have the least exposure to moisture, including snow and ice, and dirt.

Dry compressed air is not only essential for successful Rapid Discharge door operation but also for any equipment or operation that involves compressed air. Your air lines and reservoirs last longer because they do not corrode and your air tools work better and longer.

Winter poses many challenges to any operation. I believe it is our

**While pressurized
with air, open
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valves...**

**AAR reports
increased traffic for
October 2014**

**Commodities with
the biggest carload
increases in
October 2014 over
October 2013 were
coal, petroleum and
petroleum
products, crushed
stone, sand and
gravel, and metallic
ores**

responsibility as managers is to define what those challenges are and then a plan should be developed and preparations made to meet those challenges. Perhaps equipment and service expenditures should be budgeted. As always, Tealinc stands ready to put our varied and extensive experience, talent and resources to work for you.

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

The Association of American Railroads (AAR) reported on November 2, 2014 that increased U.S. rail traffic for October 2014, with both carload and intermodal volume increasing compared with October 2013. U.S. Class I railroads originated 1,507,917 carloads in October 2014, up 4.4 percent, or 63,881 carloads, over October 2013. The average of 301,583 weekly carloads in October 2014 marked only the third time since 2008 that a month had a weekly carload overage of more than 300,000.

Intermodal traffic in October totaled 1,381,749 containers and trailers, up 4.9 percent, or 64,071 units, over October 2013. October 2014 was the best month in history for U.S. rail intermodal traffic. The weekly average of 276,350 containers and trailers in October 2014 was the highest ever, and October was the 59th straight month of year-over-year intermodal increases. For the first 10 months of 2014, U.S. intermodal volume was a record 11,459,079 units, up 5.5 percent over 2013.

Fifteen of the 20 carload commodity categories tracked by the AAR each month saw year-over-year carload increases in October. Commodities with the biggest carload increases in October 2014 over October 2013 were coal up 21,010 carloads, or 3.9 percent; petroleum and petroleum products up 14,053 carloads, or 20.7 percent; crushed stone, sand, and gravel up 11,880 carloads, or 10.4 percent; and metallic ores up 4,161 carloads, or 11.4 percent. For the year, grain carloads are up 114,900 carloads, or 15 percent.

Excluding coal, U.S. rail carloads were up 42,871 carloads, or 4.7 percent, in October 2014 over October 2013. Excluding coal and grain, U.S. rail carloads were up 43,237, or 5.4 percent, in October 2014.

“America’s railroads are moving an enormous amount of freight today,” said AAR Senior Vice President John T. Gray. “In the first 10 months of 2014, total U.S. carload plus intermodal volume was 24.3 million units, which is over one million units more than in the first 10 months of 2013 and the highest year-to-date total since 2007.”

Visit the AAR at:

<https://www.aar.org/newsandevents/Press-Releases/Pages/2014-11-06-railtraffic.aspx>

Industrial Inside

Plunging oil takes ruble with it

**WTI dropped 1% to
\$65.61 per barrel in
electronic trade...**

**...oil prices have
plunged more than
34% this year and
could threaten the
U.S. shale boom**

Oil prices plunged to their lowest level in five years on December 1, 2014, piling pressure on Russia and other producers and raising the risk of deflation in Europe.

Crude oil collapsed below \$65 per barrel as new data confirmed a slowdown in manufacturing activity in Europe and China, and as OPEC's decision not to cut output continued to roil markets.

Russia depends heavily on oil revenue, and stands to lose billions from the market rout. The ruble plumbed new depths, tumbling more than 4% to hit a fresh low against the dollar.

Slower global growth is one reason for the oil supply glut. The U.S. energy boom is another.

Oil prices slide



Europe's manufacturing industry stalled in November 2014, according to data from Markit. The eurozone's top three economies -- Germany, France and Italy -- saw factory activity fall.

Prices in the eurozone rose by just 0.3% in November. Cheaper oil, and the gloomy economic outlook, will renew concerns that Europe is flirting with deflation and ramp up pressure on the European Central Bank to do more to get prices rising again.

The ECB has said that it may buy a broader range of assets to revive the economy, but the central bank is split over whether to mimic the Federal Reserve and buy government bonds.

Chinese manufacturing numbers also disappointed. Authorities in China delivered a surprise interest rate cut last week in a bid to spur growth as the world's second largest economy cools.

U.S.-traded WTI dropped 1% to \$65.61 per barrel in electronic trade on December 1, 2014. U.S. oil stocks were under pressure again after taking a beating on November 28, 2014.

Fed official: Dreary days for U.S. economy may be over

The housing sector looks much healthier these days and rising house prices have lifted many Americans on their mortgages

The failure by OPEC to cut production at last week's meeting deflated prices in an already weak market --- oil prices have plunged more than 34% this year -- and could threaten the U.S. shale boom

Read the entire article at:

<http://money.cnn.com/2014/12/01/investing/oil-prices-ruble/index.html>

Financial Focus

After years of disappointment, America's economy may truly be on track.

That's the belief of one of America's top economic policymakers, New York Fed President William Dudley.

Despite some headwinds, Dudley is optimistic that America could grow closer to 2.5% to 3% in the coming year instead of the ho-hum 2% growth that has been a hangover of the Great Recession.

"The U.S. economic outlook looks brighter, with growth likely to be somewhat above the trend of the past five years," Dudley said in a speech on December 1, 2014.

In fact, Dudley thinks the economy could soon be healthy enough for the central bank to lift interest rates off the ground.

He pointed to a number of issues that have gone from the equivalent of traumatic injuries to mere bumps and bruises.

Housing, spending improve: The housing sector looks much healthier these days as excess homes have mostly been gobbled up. Also, rising house prices have lifted many Americans who were underwater on their mortgages.

Dudley is also optimistic because personal finances don't look so ragged. People have stopped binging on debt, and many have refinanced their mortgages at more affordable rates. Some households are also benefiting from the rising stock market performance.

Another easing headwind is government spending. Years of belt-tightening on the federal, state and local levels could soon be over.

Cheap gas is good for America: One new positive for the U.S. economy is plunging energy prices. The national average price for a gallon of gas tumbled to \$2.769 on Monday, according to AAA.

"This will lead to a significant rise in real income growth for households and should be a strong spur to consumer spending," Dudley said.

That's especially true for households that live paycheck to paycheck and are thus more likely to spend, not save, the extra cash they have on hand.

Another easing headwind is government spending belt-tightening on the federal, state, and local levels soon be over

Dudley doesn't sound too worried about lower oil prices hurting the U.S. shale industry. He noted that despite the boom, oil and gas investment remains a small fraction of the economy. Dudley also pointed to productivity gains that have cut costs.

Fed hike = good news: Of course, Dudley acknowledged the economic outlook could darken once again, especially given that ongoing geopolitical risks "remain substantial."

Still, he's signaling the Fed will likely be able to raise interest rates in 2015.

"While raising interest rates is often portrayed as a difficult task for central bankers, in fact, given the events since the onset of the financial crisis, it would be a development to be truly excited about," Dudley said.

"When the [Fed] begins to raise its federal funds rate target, this would indicate that the U.S. economy is finally getting healthier," he explained.

Learn more at:

http://money.cnn.com/2014/12/01/news/economy/economy-better-federal-reserve-dudley/index.html?iid=SF_E_River

The Edge

Revisiting Basic Rail Equipment Management Processes

The majority of the approximately 1.6 million freight railcars in service today are privately owned and controlled. The private fleet of railcars is the lifeline of someone's delivery system transporting bulk or packaged commodities and other goods from a supplier to a consumer or remanufacturer of those commodities. Whether you own or lease railcars there's a series of administrative tasks that one should undertake to insure the proper administration of the railcars is being performed. These tasks can be categorized as follows:

General Administration

- Registering for a railcar mark - Private Reporting Marks (ending in X) is issued by the AAR for non-railroad (private companies) that own railroad equipment that moves via rail. You will be required to fill out an AAR Interchange Agreement and pay the administrative fee for registration of the private reporting marks. To request the information to register private reporting marks send an email to private.marks@railinc.com
- Retag / Restencil - After you receive your railcar marks you'll want to use those marks on your railcars. The advantage of having your own marks are numerous from having railcars readily identifiable to the railroad and to customers alike to creating a direct link to the AAR reporting (movement and maintenance) so you get updates direct from the railroad. This is where you physically put your mark (generally the work is performed by a contractor) on your owned or leased railcars. Corresponding to the railcar mark is the Automatic Equipment Identification (AEI) tag which will need to be programmed to match the UMLER data for your railcar.
- File for O-T5 - O-T5 is the application by a private car owner to place private freight cars in service on a railroad. Any Lessee, Lessor or car owner that has a railcar mark that ends in "X", e.g. JOBX (Tealinc railcar mark) must have written permission from the railroad prior to being able to run the railcar on the railroad. OT-5 is the process in which this

permission is granted. If you have a multi-railroad move you should file your OT-5 with the originating carrier. You can find the list of railroad persons to file with in the Official Railway Equipment Register under 17-OT-5 Loading Applications. If you don't have access to this list or understand how to fill out the OT-5 form give us a call and we'll help you out.

- UMLER - Universal Machine Language Equipment Register (UMLER) is maintained by the Association of American Railroads through their Railinc subsidiary. UMLER is basically the registration of the title to a railcar or locomotive. UMLER registration is important to many functions in the railroad industry and to car and locomotive owners. UMLER data is used to show the mechanical construction and appurtenances on a railcar and compliance with rules and regulations such as air brake tests, etc. UMLER registration also demonstrates who the lessee, lessor and owner of the railcar or locomotive is which in turn demonstrates proof of ownership and financial securitization. Provided you are transferring UMLER from one owner to the next it is a fairly simple process which can be handled directly with Railinc.

We look forward to earning your business!