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In This Issue

- Railroad & Policy
- Mechanical Brief
- Railroad Traffic
- Industrial Inside
- Financial Focus
- The Edge

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Obama signs into law the Fixing America's Surface Transportation Act

As the first long-term surface transportation bill in 10 years, the significance of this legislation cannot be overstated

286k GWR standards explained: the difference between S-259 and S-286

Railroad & Policy Updates

President Obama [at the end of November 2015] signed into law the Fixing America's Surface Transportation (FAST) Act (H.R. 22), a five-year, $305 billion bill that is the first long-term surface transportation legislation passed by Congress in 10 years.

"The good news is that the long winter of uncertainty for state DOTs has come to an end," U.S. Transportation Secretary Anthony Foxx wrote in the U.S. Department of Transportation's Fast Lane blog. "Under the Act, funding will go up by roughly 11 percent over five years."

Included in the bill is an unprecedented $10.8 billion in dedicated freight infrastructure funding, according to the Coalition for America's Gateways and Trade Corridors (CAGTC).

Over five years, the new legislation will distribute $4.5 billion through a freight-specific competitive grant program and $6.3 billion through a freight formula program.

"The FAST Act reflects many of the CAGTC's long-held positions, including a minimum annual investment of $2 billion dedicated to freight infrastructure," said Elaine Nessle, CAGTC's executive director, in a press release.

The measure also will provide $61 billion for the nation's public transportation systems, noted the American Public Transportation Association (APTA).

"As the first long-term surface transportation bill in 10 years, the significance of this legislation cannot be overstated," said APTA President and CEO Michael Melaniphy in a press release. "A well-funded, long-term surface transportation authorization is critical to the economic competitiveness and prosperity of our nation's communities. To sum it up, wherever public transportation goes, community grows."

Read the entire article:
http://www.progressiverailroading.com/federal_legislation_regulation/news/Obama-signs-FAST-Act--46654?email=julie@tealinc.com&utm_medium=email&utm_source=prdailynews&utm_campaign=prdailynews12/07/2015

Mechanical Brief with Steve Christian

As with many industries, the downturn in coal traffic has resulted in surplus coal cars which in turn means more coal cars are on the market available for sale or lease as are alternative equipment used for hauling frac sand, pipes, oil… the list goes on and on. A large amount of these cars are listed as 286,000 lbs. gross rail load capability (also referred to as 286k GRL or 286k GWR). Many people feel that all 286k GRL cars are all alike. That statement is simply not true.

Here's the background. Cars that are designated 286k GRL are split into two groups.

- The first group were built, rebuilt or modified to handle 286k lbs. under AAR Standard S-259 between January 1, 1995 and December 31, 2002
- The second group of cars designated for 286,000 were built, rebuilt or modified to handle 286 under AAR Standard S-286.

Railroads are not obligated to accept railcars with the S-259 upgrade when these cars are loaded to the 286k lbs.

So here's the distinguishing difference and how it affects you as a railcar owner, railcar buyer, seller or lessee and as a railcar shipper. Railroads are not obligated to accept the first group of railcars with the S-259 upgrade when these cars are loaded to the 286k lbs. capacity whereas railcars in the second group with the S-286 upgrade are qualified for free / unrestricted interchange for 286,000 lbs. GRL.

There is so much confusion on this; however, there is an easy litmus test to determine what standard your cars meet. If a car is listed to handle a GRL of 286,000 lbs. but has 6 ½" x 12" axles and bearings, it meets standard S-259 and can be restricted in interchange.

If a car is listed to handle a GRL of 286,000 lbs. but has 6 ½"x12" axles and bearings, it meets standard S-259 and can be restricted in interchange

On the other hand if the axle and bearings are 6 ½" x 9", 7" x 9" or 7" x 12", they meet standard S-286. These cars meet the current standard and can move in unrestricted interchange.

I have put together a very simple side by side comparison of the two standards to help you understand some of the differences. There is much more to both standards but here are the basics:

Standard:	S-259	S-286
Title:	RAIL CAR, 286,000-LB GROSS WEIGHT	FREE/UNRESTRICTED INTERCHANGE FOR 286,000 LB GROSS RAIL LOAD CARS
Scope:	Acceptance of this equipment in Interchange is not mandatory	Qualified for free unrestricted interchange service
Effective:	January 1, 1995	January 1, 2003
Applies to:	Newly built, rebuilt and modified from January 1, 1995 to December 31, 2002	New, rebuilt, newly designated for Increased GRL, or modified per Rule 88 of the AAR Office Manual
Bearings:	6 ½"x12"	6 ½"x9", 7"x9", 7"x12"
Axles:	6 ½"x12"	New 6 ½"x9", 7"x9", 7"x12"
Wheels:	36", curved plate, class C	New 36", mounted on 6 ½"x9"axles and bearings, New 38" on 7"x9" or 7"x12" axles and bearings

The purpose of this article is to aid you in making informed decisions when you add to your fleet. If someone is offering you 286k GWR railcars, you should thoroughly investigate the railcars to ensure you know what you're getting yourself in to and ask if the cars were upgraded under S-259 or S-286 standards. Furthermore, if someone is offering you railcars under the 286k GWR but the upgrade is only to the S-259 standard, even if the cars are offered at a bargain price, be sure to check with the railroads your cars will be running on to be sure the railroads will accept the cars once they are loaded with to the 286,000 lbs. GRL capacity. If you purchase S-259 cars and later decide to remarket the cars, this will affect the marketability and future value of the cars.

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I hope this clears up some of the confusion on this subject. As always,

affect the marketability and future value of the cars.

Tealinc stands ready to put our varied and extensive knowledge 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 [December 2, 2015] weekly U.S. rail traffic, as well as volumes for November 2015 and the first eleven months of 2015.

Carload traffic down 10.4 percent from November 2014

Carload traffic in November totaled 1,041,605 carloads, down 10.4 percent or 120,259 carloads from November 2014. U.S. railroads also originated 1,024,162 containers and trailers in November 2015, down 1 percent or 10,828 units from the same month last year. For November 2015, combined U.S. carload and intermodal originations were 2,065,767, down 6 percent or 131,087 carloads and intermodal units from November 2014.

Carload increases included misc. carloads; motor vehicles and parts; and non-metallic minerals

In November 2015, six of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with November 2014. This included: miscellaneous carloads, up 32.9 percent or 5,515 carloads; motor vehicles and parts, up 4.7 percent or 3,142 carloads; and non-metallic minerals, up 6.9 percent or 1,143 carloads. Commodities that saw declines in November 2015 from November 2014 included: coal, down 17.6 percent or 78,798 carloads; petroleum and petroleum products, down 20.1 percent or 12,570 carloads; and metallic ores, down 31.7 percent or 10,056 carloads.

Excluding coal, carloads were down 5.8 percent or 41,461 carloads in November 2015 from November 2014.

Total U.S. carload traffic for the first eleven months of 2015 was 13,046,761 carloads, down 5.1 percent or 699,664 carloads, while intermodal containers and trailers were 12,530,739 units, up 1.8 percent or 223,272 containers and trailers when compared to the same period in 2014. For the first eleven months of 2015, total rail traffic volume in the United States was 25,577,500 carloads and intermodal units, down 1.8 percent or 476,392 carloads and intermodal units from the same point last year.

"The decline in rail carload traffic in November 2015 was broad based, reflecting manufacturing slowdowns, energy prices and policy, and the constraint of a strong dollar"

"The decline in rail carload traffic in November 2015 was broad based, reflecting manufacturing slowdowns, energy prices and policy, and the constraint of a strong dollar. Even intermodal was down in November, largely due to reduced international traffic," said AAR Senior Vice President of Policy and Economics John T. Gray. "Railroads are well positioned to serve their customers safely and reliably, but the economy has to cooperate. We're hopeful that will happen soon."

Visit the AAR at:
https://www.aar.org/newsandevents/Press-Releases/Pages/2015-12-02-railtraffic.aspx

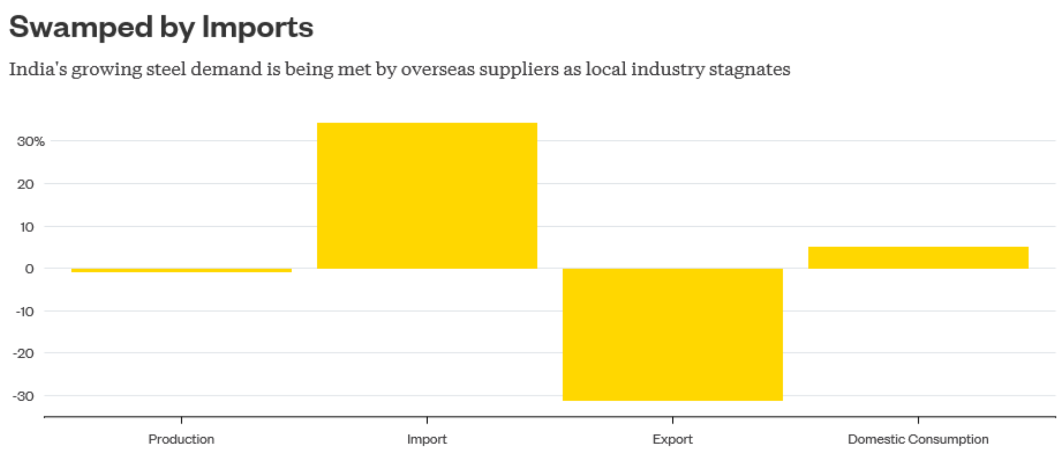
Steel has a new frenemy

Indian import barriers matter: The world's third-biggest steel market after China and the U.S. is the only one among the top six where demand is forecast to rise both this year and the next

Industrial Inside

The global steel industry is too busy battling a deluge of excess supply from China to notice an emerging enemy: India.

The government in New Delhi may post minimum import prices for steel and steel products later this week, according to local media reports. That measure would come on top of so-called safeguard duties of 20 percent, which Indian producers including Uttam Galva say are failing to protect them from a 34 percent surge in imports in the eight months through November.



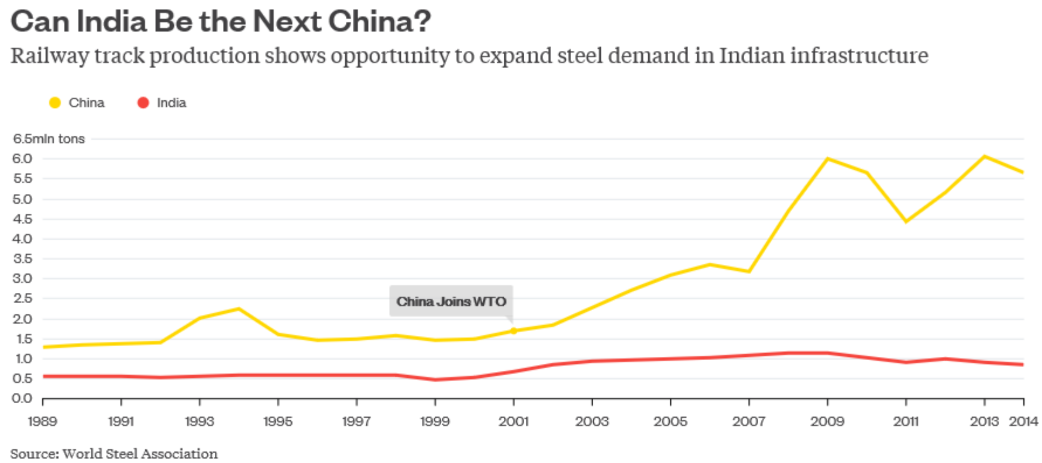
Source: India Joint Plant Committee

Note: % Change from Year Earlier Between April-November 2015

Indian import barriers matter: The world's third-biggest steel market after China and the U.S. is the only one among the top six where demand is forecast to rise both this year and the next.

The longer-term outlook is better still. With Japan close to signing a $14.7 billion deal for India's first high-speed rail network, there's hope that even if India is not quite the next China, its infrastructure program will be a significant source of demand for the likes of ArcelorMittal, ThyssenKrupp, Nippon Steel & Sumitomo Metal, and Baoshan Iron & Steel: Can India be the next China?

The safeguard duties weren't nearly as onerous as the 236 percent levy announced by the U.S. Department of Commerce, though India's minimum import prices might apply to a broader range of products than similar punitive action by the European Union, which was directed against steel destined for power transformers.



Protectionism has downsides. For one thing, by trying to save its steelmakers, India risks making the metal too expensive for consumer goods companies like Maruti Suzuki and Whirlpool of India. That could jeopardize the government's widely advertised "Make in India" program.

Risky, but hard to resist: China said it will cut some export tariffs next year in an effort to curb mounting domestic oversupply. That could mean more Chinese metal coming India's way.

Risky, but hard to resist: China said [December 8, 2015] it will cut some export tariffs next year in an effort to curb mounting domestic oversupply. That could mean more Chinese metal coming India's way. Besides, the average iron and steel company in India has almost 21 times as much debt as it earns before interest, taxes, depreciation and amortization. That's higher than the global average of about 16.

For every rupee of debt owed by Indian metals companies that qualifies for a ratings upgrade, 100 rupees in loans and bonds is getting downgraded, according to Crisil, a local unit of Standard & Poor's. That's an alarming situation for India's mostly state-owned banking industry, which needs $35 billion in fresh capital between now and 2019 to make good on past bad loans and to finance future growth.

Letting the domestic steel industry muddle through this crisis looks like a more attractive option than allowing it to go belly up.

Letting the domestic steel industry muddle through this crisis looks like a more attractive option than allowing it to go belly up. As long as that's the most important consideration, the global steel industry's future friend will remain its reluctant foe.

Read the entire article at:
http://www.bloomberg.com/gadfly/articles/2015-12-09/steel-has-a-new-frenemy

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Financial Focus

Finally! Fed raises interest rates

The Federal Reserve raised its key interest rate on December 16, 2015 from a range of 0% to 0.25% to a range of 0.25% to 0.5%.

The rate hike is a small one, but it will affect millions of Americans, including investors, home buyers and savers. Savers should eventually see a little more interest on their deposits at the bank, but big banks didn't make any increases December 16, 2015. Mortgage rates will gradually rise.

The move was widely expected. It is a sign of how much the economy has healed since the Great Recession. The central bank believes the U.S.

America's first interest rate hike in nearly a decade is here

The central bank's statement said the economy will only merit "gradual increases" in rates, which are likely to remain low "for some time."

Known as "liftoff," the Fed's action is expected to be the first of more rate increases that will probably come in 2016. The last rate hike was June 2006

economy is strong now and no longer needs crutches and that the move "marks the end of an extraordinary period" of low rates designed to boost the recovery from the Great Recession.

"I feel confident about the fundamentals driving the U.S. economy, the health of U.S. households, and domestic spending," Fed chief Janet Yellen said during a press conference. "There are pressures on some sectors of the economy, particularly manufacturing, and the energy sector...but the underlying health of the U.S. economy I consider to be quite sound."

The Fed telegraphed it will be patient with future rate increases so as not to kill the economic recovery. The central bank's statement said the economy will only merit "gradual increases" in rates, which are likely to remain low "for some time." Yellen repeatedly said during the press conference that future rate hikes will be "gradual."

Stocks rallied with the Dow rising 224 points after the announcement and Yellen's press conference.

Investors were pleased to see that the Fed expects "only gradual increases" in rates next year and that the committee explicitly said it would take into account "readings on financial and international developments."

The Fed put interest rates near zero during the financial crisis in December 2008 to help stimulate the economy and boost the collapsed housing market.

But the economy is no longer in crisis. In fact it is a lot healthier -- unemployment now is at 5%, half of the 10% rate it hit in 2009 during the worst of the jobs crisis.

Over 12 million jobs have been added since the recession ended. Wages -- which have barely grown during the recovery -- have also started to pick up recently.

On December 16, 2015, the Fed's committee improved its economic outlook. Compared to its last forecast in September, the Fed raised its expectations for growth next year to 2.4%, up from 2.3%. It also lowered its projection for unemployment in 2016 to 4.7%, down from 4.8%.

The Fed still has low expectations for inflation. The central bank has two goals: low unemployment and stable inflation. The Fed's target for inflation is 2%, but right now it's close to zero. The Fed sees inflation inching up in the years to come, but not hitting 2% until 2018.

Known as "liftoff," the Fed's action is expected to be the first of more rate increases that will probably come in 2016. The last rate hike was June 2006.

Learn more at:
http://money.cnn.com/2015/12/16/news/economy/federal-reserve-interest-rate-hike/

Happy Holidays, Merry Christmas and Happy Hanukkah!

We'd like to thank all of our customers this past year for being so great to work with. We really appreciate doing business with you and have enjoyed the camaraderie we've shared this past year. May your holidays be joyful!

Thank You!

Julie (Mink) and I had the privilege of attending an Inc. Conference in our nations' capital in November. The conference was stacked with successful entrepreneurs that, despite an onslaught of many adversities, managed to eke out very successful businesses. Underlying to their success was a theme consistently held by all. That theme was: believe in your product, service message, listen closely to your customers, establish well defined processes to fulfill your commitments to your customers and employees and train and believe in your people; and, make sure you understand your numbers.

Below are some take-a-ways that are relevant to each of us in business.

Bert Jacobs, Life is Good. You know the T-shirts that profess Life is good. Brothers Bert and Roger Jacobs started out selling T-shirts in colleges and street fairs. They believed in their message but it took them five years of living in a van and eating sparsely and showering even less sparsely to get it right. Their message is that there's a slew of bad news out there but despite the news media insistence that all is bad, life is really good and there's a lot of things we "get to" do versus "have to" do. They hit on Jake (the smiley face on the T shirt that does everything from biking to mountain climbing) quite by accident but knew it represented their soul beliefs that "Life is Good". This caught on and customers have made them a $100 million in sales company. Relevance to our industry: believe in your product, believe in your service, believe in your employees and listen to your customers!

Kevin O'Leary, O'Leary Funds, Sharktank. A Canadian businessmen often as in your face as Donald Trump is with his opinions. Despite having a terse answer for most anyone that doesn't know their numbers (financials) and can't explain how they got there he did leave us with two or three key relevant items. First know your numbers intimately, second hire good people and give them the reign to make good decisions and stay out of their way and third (as stated by O'Leary) know your numbers!

Marcus Lemonis, CEO Camping World. A Lebanese born US citizen that started out as an orphan in Lebanon adopted at a young age by his parents in Florida. He's a business turnaround artist that lives by the People, Process, Profit model. One of his relevant quotes, "Businesses are based on relationships and relationships are based on people."

Bob Parsons, Founder Parsons Technology, Founder Go Daddy. Bob Parsons is a study in persistence! A little unruly he failed the 5th grade and scraped by as a senior by joining the Marines (in which he did a tour in Vietnam) he successfully completed college with an accounting degree and chose to compete against Intuit in the personal finance arena. One telling message he made was a story he told about being in Vietnam. Paraphrasing, he ended up being well trained in about everything young recruits were supposed to be good at and he ended up being a rifleman for Delta Company at about 17 years of age. He was one of four replacements assigned to the troop. He found out after landing in Nam that the reason there were four slots available in a troop of (~) 27 was because the four being replaced were shot by the enemy! He started to take life seriously and credits his life and business success to the Marine Core and their training. His statement at the conference was, here I was a young kid in a hell hole with a Sargent that was 19 years old who had the most time in service for our battalion simply because he'd lasted the longest. I decided right then I was going to do everything that was asked of me to the best of my ability and each morning pray that I made it to nightfall! Luckily for those of us in this industry the job we're doing isn't quite as intense as Bob Parsons marine days. Relevant to us though is to set goals, focus on them, be sure your training your troops to succeed with those goals and then support them.

My purpose in writing the Inc. Conference summary above is that we're headed into a stagnant economy that will take an intense focus and positive outlook in which to succeed professionally and personally.

Consider the state of the world economy. Financial news below, courtesy US Bank, shows the relative strength of our country during world economic downturns. It seems inevitable that interest rates will go up and the world economic markets are going through an incredibly huge correction.

> **A day before the release of U.S. labor and inflation data, Janet Yellen delivered prepared remarks, showing confidence in the U.S. economy and down playing previous risks in raising rates.** The Fed Chair made it clear policy makers couldn't wait too long to hike rates because there are "well-documented lags in the effect of monetary policy" on the broader economy. The longer the Fed waits, the faster it might have to raise rates. Yellen stated that "such an abrupt tightening would risk disrupting financial markets." She also promised the Fed would move cautiously following the first rate hike, a consistent message made clear by most members of the FOMC.
>
> **The European Central Bank cut its deposit rates by 10bps to -0.3% and extended its bond-buying program as it made further attempts to inject life into the Eurozone's sluggish economy.** ECB President Mario Draghi announced the central bank's $64bn asset-purchase plan would be extended until at least March 2017. He also stated the program would be broadened to include regional and municipal debt. Yet the ECB's package had disappointed markets and divided ECB policy makers, who had hoped for more radical action, suggesting any further steps to stimulate inflation may face a higher hurdle.

Consider the state of the rail economy. November carload originations as reported by the Association of American Railroads ("AAR") were 1,041,605. These carloads are off 120,359 from November of 2014. Coal continues to take a beating being down 78,798 carloads (17.6%) from November 2015 to 2014. Petroleum and petroleum products were next in the decline with 12,570 carloads representing a 20.1% reduction. Combining the iron and steel scrap, metallic ores and primary metal products represent a decrease of some 23,000 carloads. Despite the carload decreases Wall Street knows no relief and the railroads will need to make up the losses thru freight rate and accessorial charge increases. Our sources are telling us that general freight increases are in the 3% to 7% range, more if there are no other transport options.

On a positive note we'll get to:

- Enjoy better rail service
- Employ really good people
- Think more strategically and intensely than we've had to for a while
- Analyze our operations, logistics and handling procedures
- Engage railroads in meaningful two-way conversations for new or growing business
- Make clearer long range capital investments
- Clean out and or improve poor processes
- Improve on good and great processes

Thanks again to our current and future customers. We really appreciate you!

We look forward to earning your business!