In This Issue

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Car Repair Billing Invoice Detail PDF subscription renewal

Railroad & Policy Updates

On December 3, 2012, Railinc sent an email to customers of Car Repair Billing regarding upcoming changes to the CRM Invoice Detail PDF report. The email stated that customers who have subscribed to this fee-based option of $600.00 for 2013 (up to 12 monthly reports) will be invoiced for their 2013 subscription in February 2013.

Further direction stated that for customers who wish to continue their subscription to the Invoice Detail PDF**.** Railinc will invoice your company the annual fee of $600 in February 2013. Conversely, for customers who wish to cancel their subscription to the CRB Invoice Detail PDF, direction was provided that you must contact Railinc to unsubscribe to this format by Monday, December 31, 2012**.**

The email went on to say that customers who cancel their subscription must convert to the CRB 500-byte format to continue receiving CRB Data Exchange (CRBDX) invoices. As information, the CRB 500-byte file is included with the annual CRB maintenance fee but you must have an FTP mailbox and password to download the file. If you prefer this option, you must email csc@railinc.com to indicate that you would like to cancel your CRB Invoice Detail PDF subscription and transition to the CRB 500-byte file by Monday, December 31, 2012. Railinc will then provide your FTP mailbox, password and instructions on accessing the CRB 500-byte file.

In the event you would like to subscribe to the service or require additional information, please **contact Tealinc** directly and we'll be happy to further direct you.

Economic Planning Associates predict that freight car delivery will be down 15% in 2013; rebound expected in 2014

Freight car market 2013-14: Down, then up

Economic Planning Associates (EPA), in its latest freight car delivery forecast, is predicting that 48,800 cars will be delivered in 2013—a 15% drop from 2012's 57,200—followed by a strong rebound in 2014, to 60,300.

EPA: "We look for a stabilization in demand for most car types with the exceptions of small

"Assuming no further jolts to our economy from either U.S. Environmental Protection Agency regulations or the Administration or external negative developments involving the financial environments abroad, we look for a stabilization in demand for most car types with the exceptions of small cube covered hoppers and coal cars," says EPA's Peter Toja. "After strong deliveries last year and the first half of this year, demand for these hoppers weakened considerably in this year's first half. As a result, our estimate of an easing in assemblies of small cube equipment from 15,000 units this year to 5,000 units in 2013 as well as the pronounced weakening in coal car demand will serve to drop total railcar deliveries from 57,200 cars this year to 48,800 cars in 2013. In 2014, we look for railcar deliveries to rebound to 60,300. After 2014, annual railcar assemblies will average 66,000 to 67,000 thousand units per year out to 2017."

cube covered hoppers and coal cars"

Third quarter orders "reflected a modest improvement in demand for covered hoppers, mill gondolas, and class F equipment, which are auto carriers to support the increasing sales and North American production of light vehicles

"We are concerned about the underwhelming growth of the economy as manufacturers... struggle with the increasing number of government regulations that are dampening our economic potential

Third quarter orders "reflected a modest improvement in demand for covered hoppers, mill gondolas, and class F equipment, which are auto carriers to support the increasing sales and North American production of light vehicles," notes Toja. "By the same token, tank cars are by far the predominant car type in demand—primarily to transport oil from the Dakotas. In the second quarter, tank cars comprised 83.5% of total railcar orders. Even with improvements among a variety of other railcars, tank car orders in the third quarter still accounted for 58.3% of the total. It has become readily apparent that lacking pipeline capability, increasing amounts of Bakken oil will move by rail. And, with strong quarterly orders this year and a backlog of 46,705 cars, we have significantly raised both our short and long term outlooks on tank car deliveries."

Though Toja is "pleasantly surprised" by the modest expansion in demand for other car types, he remains cautious. "We are concerned about the underwhelming growth of the economy as manufacturers, oil and gas producers, and coal companies struggle with the increasing number of government regulations that are dampening our economic potential," he says. "We have noticed that GDP growth has slipped from 2.0% in the first quarter to 1.3% in the second quarter. Hopefully, our economy can eventually embark on a stronger path of growth that will improve railroad traffic, revenue, and investments leading to continued healthy growth in railcar demand."

U.S. railroads reported that coal and agriculture were "extremely weak markets" during the third quarter," Toja notes. "We suspect that coal will continue to underperform during the short and long term horizons. Coal movements continue to be depressed by a sluggish economy, low natural gas prices, and a hostile Environmental Protection Agency. In spite of the abundance of coal in the U.S. and industry efforts to clean up the mining and combustion sectors of the industry, the EPA continues to press for even more stringent regulations against the production and consumption of coal. Haulings are reflecting the dismal background. Through September of this year, rail coal movements were running 9.6% below the comparable period of 2011. While we had endorsed a 'wait and see' posture in future EPA regulations, it is apparent that the government is set to 'go green" and squeeze the coal industry. The fact that other nations on this globe are burning our coal and releasing far greater pollutants in the atmosphere appears to be of no concern to the Administration."

Given these circumstances, EPA has lowered its sights on coal car deliveries. However, it does anticipate some modest growth in investments for export coal equipment and replacements within very old fleets. "Stricter air emission standards will promote the use of lower sulphur western coal, which is also lower BTU value coal, leading to greater volumes of coal traveling longer distances," Toja says. "This, in turn, should lead to some limited replacements of older, smaller, steel bodied coal cars with the larger volume aluminum gondolas and hoppers of today and tomorrow. At the same time, eastern coal fleet requirements will stimulate some demand for technologically advanced steel and hybrid coal cars.

On a more positive note, the automotive market has improved and light vehicle sales advanced 10.2% last year. In response, a significant number of auto carriers were ordered in the fourth quarter of last year and in the

"Manufacturing activities will continue expanding, albeit at a more moderate pace, leading to greater movements of metals, ores, fabricated products, and a variety of chemical and petroleum products. Export markets for corn and wheat are expected to rebound in 2013, weather permitting"

first three quarters of this year. "We expect these investments to be worthwhile since North American light vehicle production through September was running 19.9% ahead of the previous year," Toja says. "The housing and construction markets should continue to stabilize as we proceed through 2012 and into 2013. Manufacturing activities will continue expanding, albeit at a more moderate pace, leading to greater movements of metals, ores, fabricated products, and a variety of chemical and petroleum products. Export markets for corn and wheat are expected to rebound in 2013, weather permitting."

Toja believes that the covered hopper market "remains viable." After this year, stronger production of ethanol from corn as well as a rebound in chemicals and plastics activities "will stimulate demand for hi-cube equipment while increased export volumes and greater domestic grain consumption bolster demand for midsized cars," Toja says. "Sharply higher energy prices are stimulating oil and gas exploratory activities and a large number of the small cube cars will be destined to oil and gas field service companies as well as other sectors of construction."

Strength in manufacturing activities and a rebound in steel demand revived orders for GB gondolas last year and in this year's first nine months, while increased production from the Bakken Shale formation is promoting growth in small-cube covered hoppers and tank cars. "Longer term, we are hopeful that stronger economic activities will provide support for certain railcar assemblies while an improvement in the financial environment, high gasoline prices, and strong government backing stimulate greater demand for ethanol and DDG cars," Toja says.

"Replacement pressures and technological advances as well as legislative measures will also play a role in promoting the demand for a variety of railcars. Construction activities are expected to return to higher levels, which should support movements of aggregates and structural steel products. Continued expansion in demand for petroleum products, chemicals, and food and beverages will prop up the haulings of a variety of liquid products and the demand for tank cars."

"Growing worldwide nutritional needs and expanding exports will pressure the current grain service cars as we proceed through the longer term while long neglected segments such as equipment to haul waste, aggregates, and limestone show signs of revival and should add to the railcar delivery mix in the years to come,"

Toja calls tank cars "the most dynamic element in the long-term railcar environment," due mainly to constantly increasing volumes of oil and petroleum products moved by rail.

"Growing worldwide nutritional needs and expanding exports will pressure the current grain service cars as we proceed through the longer term while long neglected segments such as equipment to haul waste, aggregates, and limestone show signs of revival and should add to the railcar delivery mix in the years to come," Toja concludes.

Read more at:
http://www.railwayage.com/index.php/mechanical/freight-cars/freight-car-market-2013-2014-down-15-then-right-back-up.html?channel=59

Mechanical Brief with Steve Christian

Locomotive wheel maintenance

Recently, it was my pleasure sourcing some wheel truing brake shoes for a customer's locomotives. I did not find the responsibility too taxing; I am very familiar with the product as I had utilized them when I managed some contract shops but it refreshed in the topic in my mind and made me think about the evolution of the process.

Truing shoes versus wheel turning lathe

In these contract shops, we had multiple switch and road-switch locomotives and the wheels on our locomotives always seemed to wear such that treads wore hollow, shells in the treads developed and flange defects appeared. In using the truing shoes it seemed that our wheels had worn so unevenly that the truing shoes made poor contact and the results were not what I had hoped for. I believe that if the truing shoes were used earlier when the wheel defects were more moderate the results would have been better.

At one time, the railcar shop operations expanded to include industrial locomotive maintenance services. As part of this expansion, we purchased a portable locomotive wheel turning lathe. The lathe works by jacking up the locomotive and the traction motor containing the wheel that needs turning. You set up the lathe across the track with the cutter facing the wheel tread. The electrical leads are disconnected for that traction motor and connected to a portable welder. To make a long story short, the welder powers the traction motor to spin the wheel and the cutter on the lathe cuts a new tread and flange. This is somewhat labor intensive and requires a skilled machinist. The results can be very good. If you have several locomotives, this may be an investment worth making. If you don't have that many locomotives, there are contractors that can come on your property and turn your locomotive wheels.

Good preventative measure is the application of flange lubricators for your locomotive. The benefit is considerably less flange wear to your wheels and less wear to all your track components that make contact with the wheel flange

Additionally, I believe a good preventive measure is the application of flange lubricators to your locomotives. These are fairly simple to install and maintain. It includes a bracket and an applicator that holds a solid lubrication bar. This bar makes constant contact with the flange depositing a thin film of lubrication as the wheel turns. The benefit is considerably less flange wear to your wheels and considerably less wear to all your track components that make contact with the wheel flanges. I know a Class 1 railroad uses them extensively.

Whatever locomotive challenges you face, or other rolling stock for that matter, Tealinc stands ready to help you meet those challenges.

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 mixed rail traffic for October

The Association of American Railroads (AAR) reported November 8, 2012 that U.S. rail traffic continued to show mixed results in monthly rail data, and that impacts from Hurricane Sandy [were] seen in decreased traffic for week 44.

"The fundamentals of U.S. rail traffic remained roughly the same in

Petroleum and petroleum products, up 54.5, crushed stone, sand, and gravel, up 11.9 percent, and motor vehicles and parts, up 5.5; coal, down 16 percent, iron and steel scrap, down 24.9 percent, and metallic ores, down 13.3 percent

For the first 44 weeks of 2012, U.S. railroads reported cumulative volume down 3 percent from the same point last year; trailers and containers, up 3.5 percent from last year

October as in recent months: weakness in coal, remarkable growth in petroleum and petroleum products, a slight slowing of growth in intermodal and autos, and mixed results for everything else," said AAR Senior Vice President John T. Gray.

Intermodal traffic in October saw an increase for the 35th straight month, totaling 1,233,475 containers and trailers, up 1.5 percent (18,710 units) compared with October of 2011. Carloads originated in October totaled 1,422,654 carloads, down 6.1 percent (92,601 carloads) compared with the same month last year. Carloads excluding coal were up 1.9 percent for the month, or 15,609 carloads, compared with the same month last year.

Commodity groups that saw carload gains in October 2012 compared with the same month last year included: petroleum and petroleum products, up 54.5 percent or 20,906 carloads; crushed stone, sand, and gravel, up 11.9 percent or 11,290 carloads, and motor vehicles and parts, up 5.5 percent or 4,238 carloads. Commodities with carload declines in October were led by coal, down 16 percent or 108,210 carloads; iron and steel scrap, down 24.9 percent or 5,889 carloads, and metallic ores, down 13.3 percent or 5,501 carloads.

AAR also reported declines in rail traffic for the week ending Nov. 3, 2012, which included impacts from Hurricane Sandy. [The previous] week U.S. railroads originated 278,230 carloads, down 6.8 percent compared with the same week last year, while intermodal volume for the week totaled 224,467 trailers and containers, down 6.2 percent compared with the same week last year.

Weekly carload volume on Eastern railroads was down 12.7 percent compared with the same week last year. In the West, weekly carload volume was down 3 percent compared with the same week in 2011.

For the first 44 weeks of 2012, U.S. railroads reported cumulative volume of 12,465,059 carloads, down 3 percent from the same point last year, and 10,444,739 trailers and containers, up 3.5 percent from last year.

Canadian railroads reported 77,904 carloads for the week, down 3.1 percent compared with the same week last year, and 50,705 trailers and containers, down 2.3 percent compared with 2011. For the first 44 weeks of 2012, Canadian railroads reported cumulative volume of 3,399,244 carloads, up 2.2 percent from the same point last year, and 2,276,667 trailers and containers, up 6.9 percent from last year.

Mexican railroads reported 14,465 carloads for the week, up 0.7 percent compared with the same week last year, and 10,488 trailers and containers, up 18 percent. Cumulative volume on Mexican railroads for the first 44 weeks of 2012 is 633,081 carloads, up 0.3 percent from the same point last year, and 440,580 trailers and containers, up 19.9 percent from last year.

Combined North American rail volume for the first 44 weeks of 2012 on 13 reporting U.S., Canadian and Mexican railroads totaled 16,497,384 carloads, down 1.8 percent compared with the same point last year, and

13,161,986 trailers and containers, up 4.5 percent compared with last year.

Visit the AAR at:
http://www.aar.org/NewsAndEvents/Freight-Rail-Traffic/2012/11/08-railtraffic.aspx

Industrial Inside

Construction will edge up 6 percent in 2013, but uncertainty remains, McGraw-Hill reports

McGraw-Hill Construction (MHC) has released its 2013 Construction outlook at its 74th annual Outlook Executive Conference in Washington D.C. Its 2013 Dodge Construction Outlook reports that total U.S. construction starts for 2013 to rise 6 percent to $483.7 billion, slightly higher than the 5 percent increase to $458 billion estimated for 2012.

Total nonresidential building construction, MHC predicts, will decline 10 percent in 2012 and grow 5 percent in 2013. While overall commercial building construction is expected to grow 5 percent in 2012 and 12 percent in 2013, office construction will "remain the laggard, as business hesitancy and lackluster employment growth deter new development," MHC says. Office construction will be down 2 percent in 2012, MHC predicts. "Subpar economic growth, weak employment gains, and tepid improvement in office rents and vacancies created a less than supportive environment for office development," MHC says. "The main drag, however, remained the disappointing labor market."

MHC says the volume of deferred projects is easing, vacancies are retreating after peaking in 2012, and corporate earnings have been strong

MHC says the volume of deferred projects is easing, vacancies are retreating after peaking in 2012, and corporate earnings have been strong. MHC also sees signs that speculative development is "slowly stirring." MHC predicts 8 percent growth in 2013. Store construction is on track to grow by 15 percent in 2012, despite a pullback in development by major stores like Walmart and Target. MHC expects store construction to grow 18 percent in 2013, as the housing market continues to strengthen, foreclosures wane and prices bottom out. Driven by construction of regional facilities for Amazon, warehouse construction will grow 38 percent in 2012, MHC says, followed by 10 percent growth in 2013.

Hotel construction is experiencing more positives these days, such as improved business travel and stronger industry financials. MHC predicts 23 percent growth in 2012 and 12 percent in 2013. Health care construction, MHC predicts, will drop 16 percent in 2012, but will slowly rebound 2 percent in 2013. Institutional building construction will be down 13 percent in 2012 and level off for 2013. Manufacturing construction will decline a steep 31 percent in 2012, MHC says, as manufacturers cancel new investments, due to "concerns that Washington, D.C., policymakers won't be able to take the necessary steps to avert the fiscal cliff." MHC expects 8 percent growth in 2013. "With capacity utilization still relatively high, there's incentive for manufacturers in 2013 to revisit plant expansion plans that may have been deferred this year," MHC says. MHC forecasts public works construction to decline 3 percent in 2012 and another 1 percent in 2013.

Highway and bridge construction is on track to slide 10 percent in 2012, due to "reduced

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due to "reduced federal support," but will rise 3 percent in 2013, "helped by the support coming from MAP-21 ["Moving Ahead for Progress in the 21st Century"] and other financing means." Electric utility construction is predicted to drop 31 percent in 2013 after reaching a record $51 billion in 2012, MHC says. "This year was boosted by the start of two very large nuclear power plants, and projects of similar magnitude are not expected for 2013," MHC says. "The expiration of federal loan guarantees for renewable energy projects would also dampen construction in 2013."

Read the entire article:
http://www.contractorscenterpoint.com/2012/11/construction-will-edge-up-6-percent-in-2013-but-uncertainty-remains-mcgraw-hill-reports.html

Financial Focus

When you find yourself on a precipice, the standard advice for keeping calm is to not look down. Next year, don't look up.

The economy: what to expect in 2013

At the 30,000-foot level, the world's economy appears as stormy as it's been since the financial crisis blew over. Europe remains mired in debt. China faces a slowing growth rate and an expanding housing bubble.

Fears about how the government would handle the fiscal cliff frightened businesses into delaying capital spending and hiring, erasing what little momentum the economy had going into 2013

Here at home, fears about how the government would handle the fiscal cliff -- the tax hikes and budget cuts that were set to start kicking in at year's end -- frightened businesses into delaying capital spending and hiring, erasing what little momentum the economy had going into 2013. Tilt your gaze toward ground level, though, and the picture brightens. Dark shadows that cast a pall over consumers are beginning to lift as the housing and job markets slowly warm. Prepare correctly, and these strange conditions present opportunity.

According to an article advertised in Money magazine's *Make More in 2013*, some tips of education include how to get more investment income at a time of super-low rates, why, as a prospective home seller or buyer, you need to stop sitting on your hands, and how you can start exploring job opportunities again. Up first: A look at the U.S. economy and what's contributing to a rosier outlook for growth.

The economy
Why is the view from terra firma so much better than from up high? Three words: employment, debt, and housing.

Prepare correctly and these strange conditions present opportunity

Jobs are coming back. Hiring is hardly robust yet, but the unemployment rate is well off its 10% peak. By this time next year, the economy should be adding 173,000 jobs a month, up from this year's 157,000, according to the National Association for Business Economics.

"We'll see a slow but steady increase in employment throughout the year," says Sean Snaith, economics professor at the University of Central Florida. "The pendulum is shifting toward workers again."

How quickly that pendulum shifts depends in part on how soon the fog

“We'll see a slow but steady increase in employment throughout the year... the pendulum is shifting toward workers again"

In many areas, the inventory of homes on the market is down 20% or more from just a year ago. Demand should remain elevated as the Fed keeps buying bonds so mortgage rates stay low

A boom in new-home construction would fuel jobs -- and vice versa. Each new home that's built creates an average of three jobs for a year. That's not factoring in the ripple effect -

over taxes and budget cuts lifts. Businesses are in a holding pattern, but they're in far better financial shape than since the credit crisis.

Consumer debt is shrinking. The balance sheets of American families look fairly healthy too. Consumers have been working down their levels of installment debt, and that, combined with low borrowing rates for houses and cars, has eased payment burdens significantly.

"We're not going to be another Japan, which lost two decades dealing with debt," says Hank Smith, chief investment officer at Haverford Trust. "In the corporate and household sectors, that's s already taking place."

Finally, housing is coming back. For five years the real estate market has cast the longest of shadows. Now the sun is overhead.

In many areas, the inventory of homes on the market is down 20% or more from just a year ago. Nationwide, there are 1.8 million houses for sale. At the peak, in the summer of 2007, that figure was more than twice as high. Sales of existing single-family homes, meanwhile, jumped 11% in the 12 months through September. Demand should remain elevated as the Fed keeps buying bonds so mortgage rates stay low. And for most families, their home -- not stock portfolios -- is their biggest asset.

"The wealth effect tied to housing can be quite powerful," says Diane Swonk, chief economist for Mesirow Financial. No wonder consumer sentiment is as high as it's been since 2007.

A boom in new-home construction would fuel jobs -- and vice versa, says Patrick Newport, economist at IHS Global Insight. Each new home that's built creates an average of three jobs for a year. That's not factoring in the ripple effect -- for instance, among retailers as folks buy furniture and appliances for their new homes.

The good news: Housing starts surged to an annual rate of 872,000 this year, the highest since the financial crisis. And that's expected to rise to 900,000 in 2013.

The timing couldn't be better. Many economists think Congress and the White House will eventually settle on a package of belt-tightening measures -- to cut the deficit -- amounting to 1% to 1.5% of GDP.

Historically, housing has accounted for 5% of GDP. Today it's half that. If real estate investments jump by a percentage point or slightly more of GDP next year, the economy could absorb the shock of austerity and hit its expected 2% growth rate. Not great, but not a disaster.

The Money tracker: What can upset the forecast in the year ahead...

A military strike on Iran. An Israeli attack against Iran, to keep Mahmoud Ahmadinejad from getting a nuclear weapon, would push gas above $5 a gallon, tapping the brakes on growth.

Grownups take over. Who's to say that the White House and Congress can't hash out an agreement on taxes and spending -- or at least kick the

- for instance, among retailers as folks buy furniture and appliances for their new homes

can far down the road?

New world governments. The global economy's road to recovery could be detoured by a change in leadership in Beijing this year and elections in Germany and Italy in 2013.

A rebounding euro. A rising euro would not only boost the U.S. manufacturing recovery, but also currency gains would signal Europe's crisis is abating.

What can upset the forecast in the year ahead?

Spain refuses aid. The European Central Bank is willing to buy Spain's bonds to keep the troubled nation from a debt spiral. Will Prime Minister Mariano Rajoy be too proud to ask for help?

A trade war in Asia. A dispute over who owns tiny islands in the Pacific has touched off a feud between China and Japan. An escalation could suppress trade in one of the few regions that are growing.

Learn more at:
http://money.cnn.com/2012/12/01/pf/economic-outlook-2013.moneymag/index.html

The Edge

OT5 - What it is. Why it's important.

Railcar Fleet Overview. It takes a very large number and different types of railcars to keep rail shippers commerce flowing every day on North American Railroads. There are approximately 1.5 million railcars in service. Of these 1.5 million railcars approximately 1.31 million of them are in revenue freight service in the United States, the balance being in Canada and Mexico freight service and in maintenance of way service. These 1.31 million railcars are responsible for approximately 1.85 billion tons of commodity shipments every year.

Railcars fall into one of two overall categories when classified by railroads, they are either private or railroad owned or controlled. Private railcars are owned by non-railroad entities and are classified as such carrying a four letter stencil ending in "X" (e.g. JOBX) with a series of numbers that follow. Railroad owned or controlled railcars are either owned by the railroads or possibly a private investment company but are running under a lease with the railroad and for operating purposes are controlled by the railroad whose marks are on the railcar. Railroad owned or controlled railcars are classified with the railroads reporting marks ending in a two to four letter designation (e.g. BNSF, UP, CSXT, NS) with a series of numbers that follow.

There are eight main types of freight railcars that make up the consolidated 1.5 million railcars comprised of private and railroad owned or controlled railcars (Table 1: Freight Railcars by Type and Ownership/Control). Of the 1.5 million railcars approximately 65% of them are classified as private. The large number of private railcars require a registration and approval process to insure they meet the safety and mechanical requirements of the railroad on which they will be hauling freight.

Private Railcars. The ability for a shipper or private railcar owner to run private railcars in service on any railroad in the United States is governed by a complex process as defined in the Association of American Railroads ("AAR") Circular OT-5-J ("OT5"). The AAR publishes circulars for the purpose of communicating rules and regulations to railcar owners and users.

Circular OT5 has a number of requirements that are comprised of rules governing the assignment of reporting marks (private X marked railcars) and mechanical designations. OT5 is segregated into two primary classifications, those rules that apply to private tank cars and those that apply to private cars other than tank cars (see railcar type in Table 1).

Private Tank Cars. Using the AAR/UMLER fleet statistics as of January 2011 the private tank car fleet makes up 99.8% of the tank car fleet in operations today. That's a significant number of the overall tank car fleet and given the broad spectrum of commodities a tank car can transport it's important to have a process that insures the safe and efficient transport of these commodities. It's important to note that railroads do not hold themselves responsible to furnish tank cars to shippers and rarely is OT5 denied for tank cars provided the process is followed exactly as required.

That process for obtaining a railcar mark and approval to register tank cars is somewhat complex. Depending on where you are in the process the following compliance regulations are a requirement.

Tank cars are regulated by several agencies and require a Certificate of Construction to be on file with the Bureau of Explosives and the Secretary AAR Technical Services showing compliance with Section 179.5 of the code of Federal Regulations. The good point is that railcar builders file these certificates as a matter of course on behalf of railcar buyers. If the railcar builders don't file the data major leasing companies that own or Lessee's that manage tank cars have the inherent knowledge required to file the correct documentation with the right agencies.

All applications involving secondhand cars must include certification by the buyer and/or seller of Form 88-Series that shows compliance with AAR Mechanical Rule 88 of the AAR Office Manual. If you're buying a tank car from a non-builder be sure to require them to transfer the Form 88 – Series information. In today's environment this is mostly done thru electronic transfer avoiding the paper requirements. However there are still a few hold outs requiring paper transfers which are still valid.

If you're running tank cars in service where the revenue move generates mileage earnings per Freight Tariff RPS6007-Series the tank cars must be registered in the Universal Machine Language Equipment Register ("UMLER"). This data is then published in *The Official Railway Equipment Register*. Mileage earnings on tank cars are generally very limited to a few select commodities. The primary commodity shipped in tank cars still earning mileage is kaolin clay.

Private tank cars are assigned a mechanical designation differentiating the type of tank car design(s) and the general accepted commodities for that design. All private tank cars are assigned a mechanical designation of "T" when placed in service as new, rebuilt, secondhand or after modification.

Private Cars Other Than Tank Cars. The process of obtaining OT5 on private general service railcars (non-tank cars) is somewhat less complex than on tank cars. Given that there are still some 694,000 private railcars outside the tank car realm the process is still important to insure safe and efficient rail operations. Railroads not only require safe and efficient rail cars on their lines thru the use of the OT5 process but also use OT5 to control the number of private railcars on their rail lines for purposes of controlling the number of railcars they handle for their commodities.

Railroads generally supply railcars that fit general service requirements and can be used across a wide array of commodities or are specific to long term base load business. Specialty railcars within a classification or those that haul less than optimum capacity are types in which they tend not to invest.

The OT5 process is similar to tank cars in that an applicant must still subscribe to the AAR interchange rules and properly maintain registration of reporting marks within UMLER. Form 88-series in paper or electronic form must be registered for the railcars being registered.

The OT5 process is a bit different in that applicants should state the name of the owner or lessee, specific car numbers or series and the stations and industries at which the loads are intended to originate and the name of the originating line haul carrier. Applicants transmit the applications to the proposed originating carrier(s) who will subsequently notify the applicant of the approval or disapproval of the application. Application approval for shipper provided cars cannot be denied by the carrier(s) except for reasons of safety, mechanical factors or inadequate storage space. Application approval does not commit the approving carrier(s) to use the applicants' cars. All applications must be submitted on Form OT-5.

After applications are approved the cars may be used by the owner or lessee for the origination of traffic only at a specific station(s) and industry as defined in the OT5 form. If the owner or lessee desires to originate traffic at another station an OT5 form needs to be filled out and approved for that station as well.

Interpreting the OT5 Requirements. OT5 requirements for tank cars are pretty complex in setting up but from a railroad and shipper perspective are necessary to insure a railcar is constructed in such a manner to safely transport the commodity(s) for which it was built. Railroads don't compete with car owners, lessee' and shippers to supply tank cars for freight service hence are rarely denied for anything other than mechanical reasons.

OT5 requirements for general service freight cars are a somewhat different matter. The process is to insure safe and efficient railroad operations. Safe is easy to interpret and there's a clearly defined set of rules and regulations that define safe. Efficient though is a different matter and is defined by a railroads need for a specific car type to satisfy its near term shipping requirements. The railroads goal is to invest in mainstream commodity railcars or base load business railcars and leave the specialty railcars to be supplied thru private owners. There are several business areas (waste, potash, fertilizers, salt, etc.) that fall into the specialty railcar category rarely being supplied with railroad owned or controlled equipment and mostly being supported by private railcar owners. If you're in one of these business lines, plan on supplying your own railcars. Pay particular attention to the OT5 requirements, especially the ability to store railcars when you're not using them. The number one OT5 denial reason that we've seen is the lack of storage capacity for the private railcars being supplied.

We wish all of our readers, colleagues, friends and family a very happy, healthy and safe holiday season. We appreciated working with you in 2012 and are excited to partner with you in 2013!

We look forward to earning your business!