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**Enroll today for
Tealinc 2013
scholarship**

**Transportation
Secretary LaHood
leaving
administration**

**ShipCSX offers ETA
notifications
beginning February
15, 2013**

Now Accepting Applications: Tealinc Spring 2013 Scholarship!

Tealinc, Ltd. is now accepting applications for our annual scholarship! As a company, Tealinc is an adamant supporter of post-secondary education. We have provided over \$10,000 in scholarships at the local level over the past several years. The applicant must be in or be the child (or dependent) of a person working in the rail transportation industry. One scholarship of one thousand (\$1,000) will be awarded to a high-school senior and one scholarship of one thousand (\$1,000) will be awarded to an enrolled undergraduate college or trade-school student.

Enroll today! The deadline for this application is March 29, 2013.

[Click here](#) for the scholarship application and guidelines.

Railroad & Policy Updates

Secretary Ray LaHood announced to the employees of the U.S. Department of Transportation (DOT) that after serving for four years in President Obama's Cabinet, he will not be staying on for the second term. LaHood sent an email to DOT employees across the country, which included the following information:

"I have let President Obama know that I will not serve a second term as Secretary of the U.S. Department of Transportation. It has been an honor and a privilege to lead the Department, and I am grateful to President Obama for giving me such an extraordinary opportunity. I plan to stay on until my successor is confirmed to ensure a smooth transition for the Department and all the important work we still have to do.

As I look back on the past four years, I am proud of what we have accomplished together in so many important areas. But what I am most proud of is the DOT team. You exemplify the best of public service, and I truly appreciate all that you have done to make America better, to make your communities better, and to make DOT better."

No candidates to replace LaHood have yet been reported.

Read more at: <http://www.pitandquarry.com/transportation-secretary-lahood-leaving-administration/>

ShipCSX ETA Notifications Coming February 15!

Ship CSX sent an email to ShipCSX customers February 11, 2013 with a notification that coming February 15, 2013, ShipCSX will offer ETA Notifications. In case you didn't receive or read the notice, below are details included in the email.

ETA Notifications will alert you each time your shipment's ETA changes by

**FRA extended
deadline for
submitting
comments
regarding PTC to
March 11**

**In response to the
petition, the FRA
has proposed
several changes to
the de minimis
exception, such as
modifying the
specific exception
to raise the number
of freight cars
containing poison-
by-inhalation
materials from 100
cars to 200 cars
and revising the**

24 hours or more for shipments moving on CSXT.

The new notification will provide you with:

- **New ETA** - Also known as the Current ETA which is based on the remaining schedule of your shipment
- **Previous Reported ETA** - This is what your shipment's ETA was prior to the New ETA change
- **Original ETA** - This first ETA generated at the start of your shipment's trip
- **ETA Type** - Planned Placement at Industry, Planned Arrival at Serving Yard or Planned Interchange Delivery
- **ETA Change History** - ETA changes of your shipment in chronological order
- **Current Location** of your shipment
- **Instant access** to waybill information and Customer Service

ETA Notifications can be subscribed to by logging into ShipCSX and going to Resources > Email Subscription or through the Customer Notifications tool located within the Ship tab.

Contact us for further information at www.tealinc.com or you can contact CSX direct at www.csx.com.

FRA Extends Comment Period for Proposed PTC Rulemaking

The Federal Railroad Administration (FRA) has extended the deadline for submitting comments on a notice of proposed rulemaking (NPRM) involving positive train control (PTC) that originally was published in the Federal Register on Dec. 11.

Written comments now will be received by the FRA until March 11 instead of Feb. 11, the originally scheduled due date.

The NPRM would revise regulatory provisions related to a "de minimis" exception to the installation of PTC systems and applications to yard-related movements. The proposed rulemaking also would revise existing regulations related to en route failures of a PTC system and discontinuances of signal systems once a PTC system is installed, and make additional technical amendments to regulations governing grade crossing warning systems and signal systems, including PTC systems.

In an April 2011 petition, the Association of American Railroads (AAR) requested that the FRA initiate a rulemaking to propose expanding the de minimis exception, and amend rules concerning the limited operations exception, en route failures of trains operating within PTC systems and the discontinuance of signal systems once PTC systems were installed. The AAR also asked the FRA to develop a new exception that would allow unequipped trains associated with certain yard operations to operate within PTC systems.

In response to the petition, the FRA has proposed several changes to the de minimis exception, such as modifying the specific exception to raise the number of freight cars containing poison-by-inhalation materials from 100 cars to 200 cars and revising the grade limitation to be more

grade limitation to be more consistent with the definition of "heavy grade"

Brake shoe evolution

Today, the use of any cast iron shoes is almost nonexistent. All modern cars and locomotives have been engineered to utilize high friction composition shoes

There are different configurations of the brake shoes to remedy the specific defect that is present in the wheel set.

consistent with the definition of "heavy grade."

The FRA also proposes to add a yard movement de minimis exception that would authorize movements by unequipped locomotives over PTC-equipped mainline track segments for the purpose of switching service or transfer train movements.

Learn more at:

<http://www.progressiverailroading.com/ptc/news/FRA-extends-comment-period-for-proposed-PTC-rulemaking--34998>

Mechanical Brief with Steve Christian

Way back in the late 60's when I started on the railroad, I was a laborer that worked both in the Roundhouse and on the Rip Track. One element of the job common to both was the application of brake shoes. All of the shoes that I applied to both locomotives and cars were cast iron and were very heavy.

The locomotive brake shoes were usually applied at the Roundhouse or nearby Service Tracks. I would apply brake shoes and adjust piston travel to both GE (U Boats) and EMD road locomotives. As I recall, the GE shoes were especially large and difficult to apply.

The cast iron railcar shoes were applied in the Train Yard or the Rip Track. Because of the weight of the shoes, we distributed them on both sides of the inspection tracks in the Train Yard by having a gondola pulled down the tracks and tossing them out on either side of the tracks. This made them readily available. The job of applying brake shoes was still physically taxing.

Today, the use of any cast iron shoes is almost nonexistent. Low friction composition shoes are a direct replacement for cast iron. All modern cars and locomotives have been engineered to utilize high friction composition shoes. All composition shoes are a fraction of the weight of the old cast iron shoes which makes transport and application much easier. To make the job even easier, modern class I yards have wide spacing between the tracks that allows for the use of trucks and mules equipped with shoes and tools to run between the tracks efficiently and safely.

Beyond the evolution of brake shoes to composition material, we now have railcar shoes that are equipped with iron inserts or have sintered iron imbedded in the composition material to scrub impurities from the wheel treads. They seem to be quite effective in this.

There are also brake shoes that are used to re-profile locomotive wheel treads and/or flanges. There are different configurations of the brake shoes to remedy the specific defect that is present in the wheel set. You simply replace the existing brake shoes with these shoes and operate the locomotive normally until the defect or defects are remedied. At that point you remove these shoes and apply standard shoes. Industrial locomotive owners primarily use these shoes.

AAR reports mixed traffic results for January 2013

Six out of 20 commodity groups posted year-over-year increases including petroleum and petroleum products, crushed stone, gravel and sand, lumber and wood products

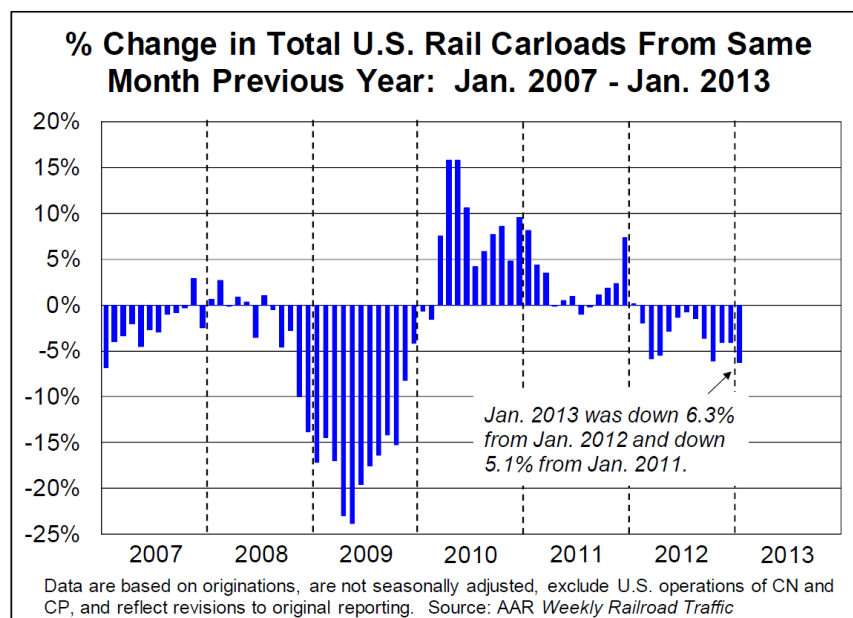
Carload declines in January were led by coal, grain, and iron and steel scrap

Though this exercise really makes me feel old. Old is not so bad if it brings experience and knowledge with it. Let Tealinc put that experience and knowledge 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) February 7, 2013 reported that U.S. monthly rail traffic showed mixed results in January [with traffic down 6.3% from January 2012].



Intermodal traffic in January 2013 totaled 1,168,630 containers and trailers, up 5.3 percent (58,303 units) compared with January 2012. Carloads originated in January totaled 1,339,604 carloads, down 6.3 percent (90,199 carloads) compared with the same month last year. Carloads excluding coal and grain were up 1.8 percent (12,731 carloads) in January 2013 over January 2012.

In January, six of the 20 commodity groups posted increases compared with the same month last year, including: petroleum and petroleum products, up 54.1 percent or 22,892 carloads; crushed stone, gravel and sand, up 6.1 percent or 4,732 carloads, and lumber and wood products, up 14.6 percent or 2,032 carloads. Commodities with carload declines in January were led by coal, down 14.5 percent or 91,593 carloads; grain, down 11 percent or 11,337 carloads, and iron and steel scrap, down 18.7 percent or 4,675 carloads.

“The New Year brought a continuation of an old pattern: weakness in coal, strength in intermodal and petroleum products, and mixed results for everything else,” said AAR Senior Vice President John T. Gray. “Railroads

**Nonferrous metals
show resiliency in
January**

**The improvement
in pricing follows
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downside**

recently announced that they expect to reinvest significantly in 2013 — an estimated \$24.5 billion for the year — back into their systems. They're making these investments because they are confident that demand for freight transportation, over the long term, will continue to grow."

Visit the AAR at:

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Pages/2013-02-07-railtraffic.aspx>

Industrial Inside

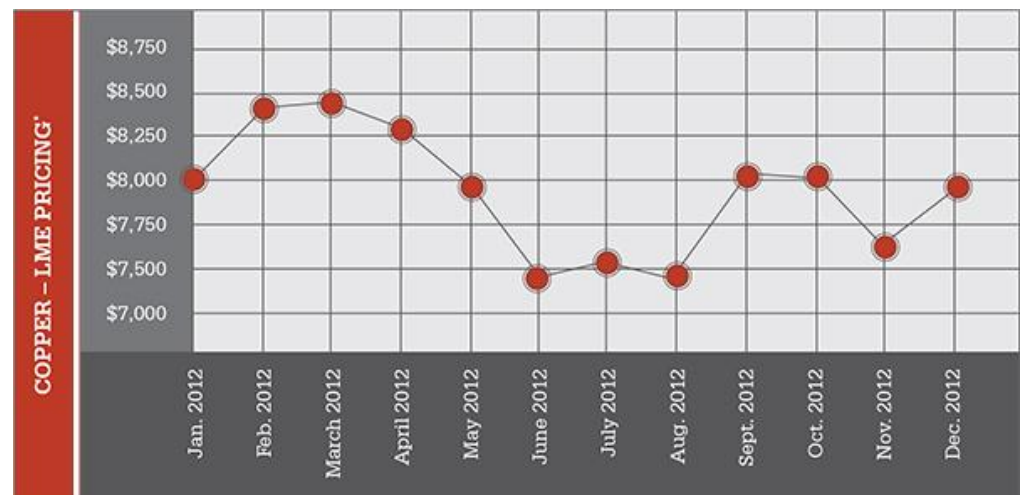
Copper, aluminum, nickel, zinc and lead prices each have shown resiliency, with prices largely showing forward momentum through the end of 2012. "We have seen quite a rally (in prices) in nonferrous grades," a scrap metal dealer based in the Midwest says.

An East Coast broker adds that copper, aluminum and nickel prices are up significantly from where they were one year ago.

Although prices have improved, optimism is muted. Several scrap dealers say industrial generation is still down and that volumes are off from early 2012.

Another Midwestern scrap metal recycler predicts that nonferrous scrap metal prices will "muddle" along before seeing a sizable improvement by the second quarter of 2013.

The improvement in pricing follows several months of sluggishness in early 2012, when prices trended toward the downside.



A scrap dealer based in the eastern United States says he sees markets for copper scrap improving. Part of his optimism stems from what he describes as a more stable trading environment. He says copper prices are now moving within a more tradable range of \$3.50-per-pound level. "Stable COMEX (Chicago Mercantile Exchange) prices have helped," he adds.

This stability has given scrap suppliers the chance to sell their products steadily, rather than wait for a sharp price swing to spur buying.

The scrap dealer says he has a bullish outlook toward copper scrap

Despite the strength in nonferrous metals prices, demand from refiners is still less than robust

A number of recyclers say many domestic consumers had been reluctant to carry a large scrap inventory at the end of the year. Some of those orders are anticipated to arrive early in 2013.

markets during the first quarter of 2013. "November has been a great month for us," he says. "Consumers are coming back, and the flow of material has been solid. It is a very positive market right now."

He acknowledges that some traders are holding onto their copper, waiting for higher prices; though it appears these speculators are fewer in number than seen earlier this summer.

Despite the strength in nonferrous metals prices, demand from refiners is still less than robust, sources say. One scrap metal recycler says he received a sizable order of copper from a customer, but has yet to supply most of the material because of the lack of orders for finished product. "Ultimately, it rests on our customers selling product," he says of his ability to move material.

However, he adds that a sizable turnaround appears close at hand. "Some of these customers we supply need just a few more orders to significantly boost their schedules," the dealer says.

Another recycler based in the Midwest says that while overall production and scrap volumes are down, the utility and wire businesses are both in good shape. He expects these sectors to be fairly healthy for a few more months.

A number of recyclers say many domestic consumers had been reluctant to carry a large scrap inventory at the end of the year. Some of those orders are anticipated to arrive early in 2013.

Regarding aluminum, the automotive sector continues to be a source of hope. While earlier in 2012 some skeptics said they felt the automotive market would be dragged down by the overall malaise in the U.S. economy, more recently scrap dealers say this sector has held up well, which has led to a steady flow of aluminum scrap.

A large handler of aluminum scrap on the East Coast says more scrap dealers are "feeling the urge to sell." He adds that there is "plenty of metal out there for them to meet their needs."

The housing sector, which has long troubled aluminum markets, also is showing modest signs of an improvement. While far from robust, the recent uptick in new housing starts has translated into a modest increase in orders from aluminum smelters selling into the housing sector.

Despite the modest improvement in prices, several aluminum scrap handlers are hedging their bets in regard to the near-term market. "Business is slow and spotty with customers," one East Coast broker says. "Buyers are coming in at opportune times, with their eyes toward making sure inventories are low at the end of the year."

As for generation, the East Coast broker describes it as inconsistent.

One of the most optimistic sources is a large nonferrous exporter operating on the East Coast. He says his representatives in China say copper scrap inventories are down considerably. "The message is that they need metal.

...Stimulus packages enacted by the incoming government in China should boost infrastructure spending, which should result in better demand for scrap metal

Federal Reserve blames stalled economy on weather

Commerce Department: the U.S. economy contracted at the end of 2012, for the first time in three years

The Fed's loudest critics argue that the Fed's easing policies are unlikely to have an impact

Business in China is improving and a new [central committee] is now in place."

He adds that stimulus packages enacted by the incoming government in China should boost infrastructure spending, which should result in better demand for scrap metal. While he says he expects an improvement in nonferrous metals markets, he says it like will occur after Chinese New Year in mid-February.

Read the entire article at:

<http://www.sdbmagazine.com/sdb-commodity-newsletter-nonferrous-january-2013.aspx>

Financial Focus

The Federal Reserve is blaming the recent economic slowdown on weather and other temporary factors, and plans to keep easy-money policies in place for the foreseeable future.

"Growth in economic activity paused in recent months, in large part because of weather-related disruptions and other transitory factors," the Federal Reserve's policymaking committee said in a statement January 30, 2013.

The report comes just hours after the Commerce Department said the U.S. economy contracted at the end of 2012, for the first time in three years.

The Fed made no major changes to its policies, opting to keep interest rates near zero. As it did in December, the Fed said it will probably keep rates low until the unemployment rate falls to 6.5% or inflation exceeds 2.5% a year.

Economists took the Fed's language as an encouraging sign that it's not too worried about the fourth quarter slump, and stocks largely shrugged off the news.

"In December, the Committee delivered an extraordinary open-ended promise to provide as much monetary policy stimulus as it takes to get labor markets, and therefore the economy, to accelerate convincingly," said Ellen Zentner, senior economist at Nomura. "After doing so, it is likely that the next several FOMC meetings will prove to be comparatively uneventful."

The central bank will also continue buying \$40 billion a month in mortgage-backed securities and \$45 billion a month in Treasuries. The hope is that those additional purchases will continue to push long-term interest rates even lower.

"Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative," the Fed statement said, repeating language from December's statement.

The Fed's loudest critics argue that the Fed's easing policies are unlikely to have an impact on the unemployment rate, which currently stands at

on the unemployment rate, which currently stands at 7.8%. Many also fear that as the Fed buys an unprecedented amount of bonds, it will eventually trigger rapid inflation and struggle to unload the assets in a timely manner

7.8%. Many also fear that as the Fed buys an unprecedented amount of bonds, it will eventually trigger rapid inflation and struggle to unload the assets in a timely manner.

Of the Fed's 12 voting members, only one disagreed with Wednesday's decision. Esther George, president of the Federal Reserve Bank of Kansas City, said she was concerned that the Fed's policies could "increase the risks of future economic and financial imbalances."

In a speech earlier this month, she warned that the Fed's stimulative policies could risk fueling an asset bubble in bonds or farmland, among other things.

Learn more at:

http://money.cnn.com/2013/01/30/news/economy/federal-reserve-policy/index.html?iid=SF_BN_Lead

The Edge

We've spent a good deal of this year, what there has been of it, working all three areas of our primary business focus. As I tell those who I talk with, we're off to a screaming start on railcar leasing, complex consulting engagements and our railcar (and it appears soon to be locomotive) management businesses.

Our team has spent a good deal of time helping progressive customers be more progressive. We find ourselves engaged in many discussions with customers about what creates value for them and then gaging what resources and skills that we have to offer value added services. Most businesses today are "darned good" at what they do. Face it they've made it through a few recessions and are still surviving in the midst of one now.

So where does one look for a place to add value?

There has been a sea change phenomenon occur over the past couple of decades in the gathering and processing or manufacturing of goods to make a final product. It has been particularly prevalent in the movement of large volumes of bulk commodities to further use in building, burning or eating. That phenomenon is that the transportation of the inbound bulk commodity and the redistribution of the final product have become the single biggest cost factor that influences the margin that a company realizes. Keep in mind our assessment is that most business are "darned good" at what they do simply evidenced by their existence. If transportation is the single most important factor that affects margin, that's where you should start looking for places to add value.

One place to start is to do a Pareto Analysis on logistics costs. For instance bundle your rates by mode together and determine what costs make up the largest percent of the bundle. An example would be to bundle rail rates and transportation from a group of shuttle train elevators to a dairy feed processing facility. You will have several costs in this analysis that for simplicity sake may consist of the freight costs, demurrage, origin detention, order in or hold out charges, etc. When you place these on a Pareto Chart you'll quickly identify in a very evident form what's important to your company's margin. The next step is to drill down into the top contributors to cost to analyze the parts of each cost contributor, essentially taking it apart to understand the components. This approach will allow you to really understand your costs and will bear fruit in results as there are usually hidden costs that rise to the surface. However you're not done yet. The next step is to ask yourself if you have alternatives to transport options, sourcing, etc. and the like. The idea here is to force yourself to think a little non-traditional to find deeper cost saving options.

You can apply this approach and create value for your company even on much simpler items such as locomotive operations, use and repair or inventory management methods and systems, etc. We're here to help you determine, calculate and evaluate these topics as you see fit and we're not afraid to get knee deep in the process so we can in turn create value for your company.

Our year is off to a "screaming start". If yours isn't give us a call. We're confident that we can help.

We look forward to earning your business!