Touchbase

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Enroll today for Tealinc 2015 scholarship

Rule changes on handling of certain empty tank car movements on the BNSF

Now Accepting Applications: Tealinc Spring 2015 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 $22,000 in scholarships 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. The scholarship is also open to all Tealinc customers. 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 27, 2015.
Click here for the scholarship application and guidelines.

Railroad & Policy Updates

Beginning March 1, 2015, BNSF will implement changes regarding the tariff rules (Section 1 of RIC 6007-N) applying to private empty tank car movements. As part of their ongoing efforts to support greater network fluidity, they will begin applying mileage-based charges to those empty tank cars moving to and from facilities for cleaning, lining, relining, maintenance, modification, retrofit or repair unless the movement is immediately preceded by a loaded line haul revenue movement via BNSF.

In addition, BNSF will also apply a new rate structure to empty tank cars moving to and from BNSF repair facilities, with either a "unit train" or single car rate being applied. In all other circumstances, the published tariff charges in BNSF 90020B, and other applicable BNSF price authorities, for the movement of empty cars on their own wheels shall apply and will be assessed to the car owner.

To qualify for the unit train rate, the customer will need to ship 100 or more cars from a single BNSF origin to a single BNSF destination. Unit train rates will be available for viewing in the Carload Shipping Advisor on February 2, 2015.

With these rule changes, empty private tank cars will be more closely aligned to the treatment of other empty private equipment on BNSF. No mileage charges will be applied if the empty tank car(s) is moving under AAR Interchange Rule 1, or if the empty tank car(s) was damaged by BNSF.

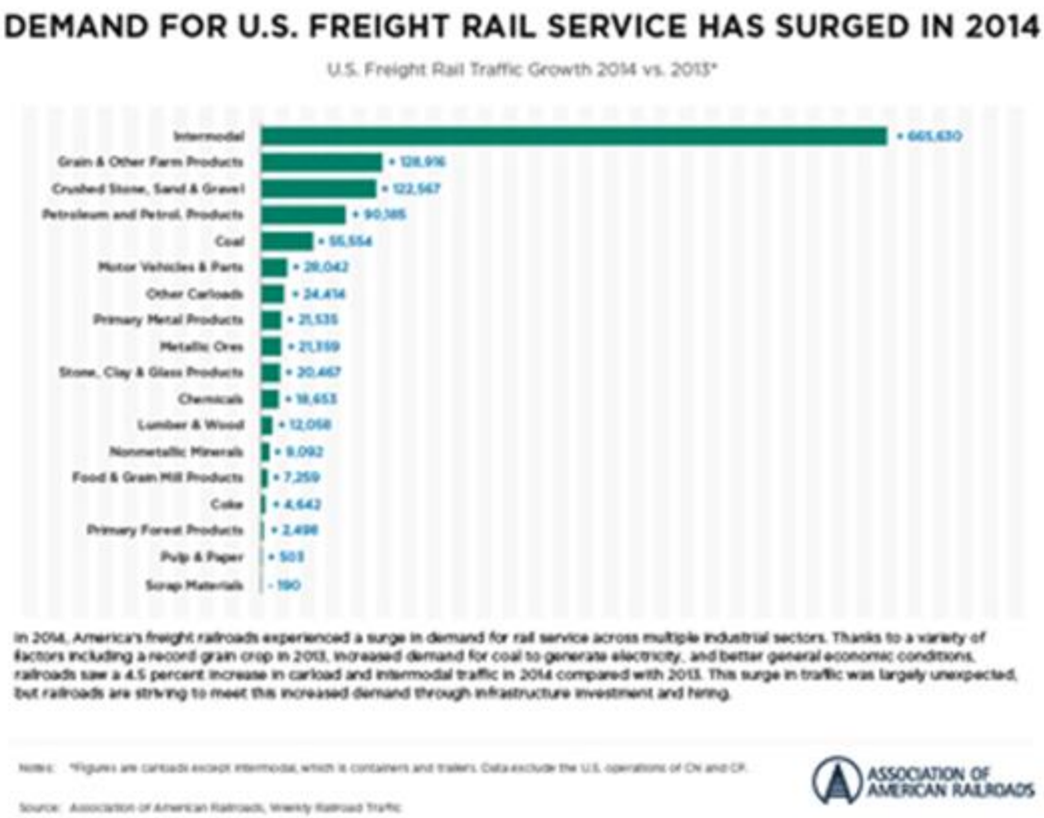
If you have questions, please contact your BNSF sales representative at 888-428-2673 or email ViCC@BNSF.com.

Tealinc looks forward to helping you manage your demurrage solutions. Contact us with your question.

AAR Report: Freight Rail "Will Carry The Economy"

“The U.S. economy continues to grow, and strong demand for rail service demonstrates that the freight rail industry is integral to this growth,” the Association of American Railroads (AAR) declared Monday, Feb. 2, 2015, in releasing its 15-page 2015 Freight Rail Industry Outlook outlining the industry's prospects.

Rail service surged in 2014



“In 2015, the nation's major freight railroads plan to spend an estimated $29 billion—which would set an annual record—to build, maintain, and grow the rail network,” AAR's report stated. “This private spending will go to expenditures like new equipment and locomotives, installation of new track and bridges, the raising of tunnels, and new technology used to keep America's’ rail network the best in the world.”

…“freight railroads estimate they will hire 15,000 people this year…”

In terms of employment, AAR noted that “freight railroads estimate they will hire 15,000 people this year, building on hiring trends over the past five years. These are high-paying jobs being made available due to projected retirements, normal attrition as well as growth.” New hires, of which an estimated 20% will be veterans, join the ranks of those with compensation, including benefits, among the highest of any industry, averaging $109,700 per year.

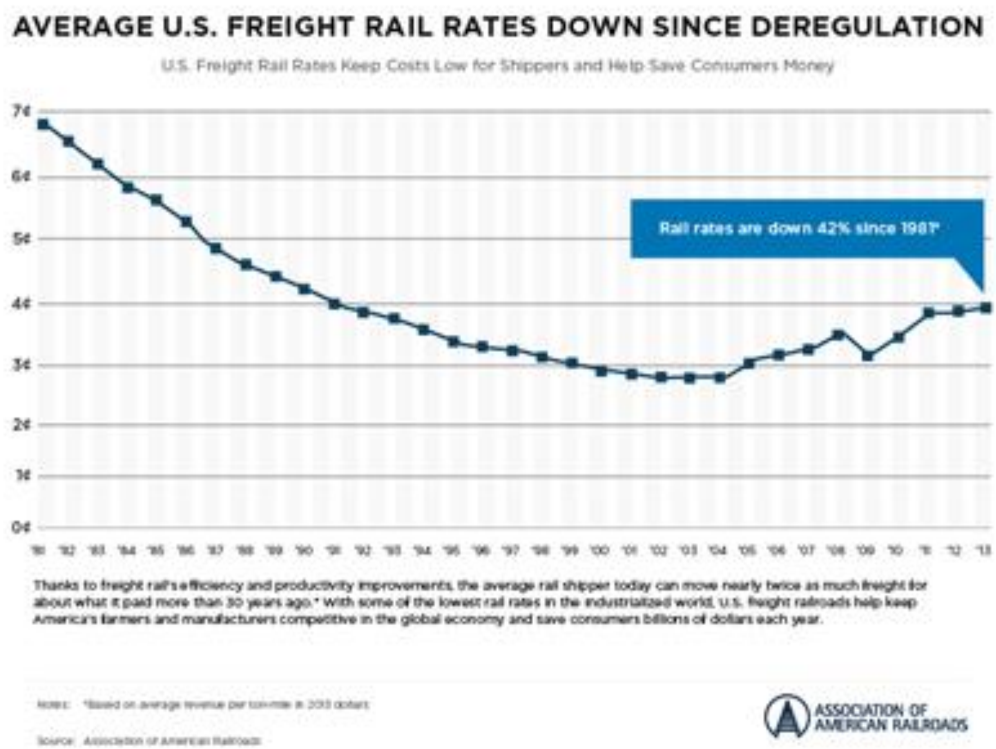
“Sound public policy and today’s balanced economic regulations make it possible to offer high-paying rail jobs and provide the affordable and efficient service American businesses need and expect if they are to compete in a global marketplace, said AAR President and CEO Edward R. Hamberger. “The rail industry’s ability to move more of what our economy needs rests on its ability to earn the capital necessary to continue record private investments, while supporting jobs across the country. With the right federal policies in place, the world's best rail network is on track to be even better."

AAR asserted that the industry's role in 2015 will in essence extend the positive impact freight rail investment has had already. "The combined economic impact of freight rail spending—roughly $575 billion over the past few decades—has rippled across the country," AAR said. "These private investments have helped improve safety, efficiency, and reliability of the nation's 140,000-mile rail network, while supporting more than 180,000 well-paying jobs at railroads nationwide."

"Unlike most other transportation modes, freight railroads rely on their own funds, not taxpayer dollars, to build and maintain their networks," said Hamberger. "The result of spending more than half-a-trillion dollars of private funds over the last couple of decades makes this country's freight rail system the envy of the world."

"The combined economic impact of freight rail spending – roughly $575 billion over the past few decades – has rippled across the county"

At the top of the freight rail industry's policy concerns "is a push by some rail shipper groups to obtain price caps and force changes to rail operations through new regulations.," Hamberger pointed out. "Other proposals would vastly expand the role of government in the day-to-day running of railroads and curb railroads' ability to earn revenue needed to sustain needed infrastructure spending.



The U.S. rail network survives and grows overwhelmingly on private investment—its own. Imposing price caps, rather than

While seeking increased regulation and government intervention, these rail customers are simultaneously laying the charge that railroads are not investing enough to meet the increased demand for rail service and to improve network efficiency. Shippers cannot have it both ways. The U.S. rail network survives and grows overwhelmingly on private investment—its own. Imposing price caps, rather than letting the marketplace work, will mean that railroads have less revenue to spend on essential infrastructure

letting the marketplace work, will mean that railroads have less revenue to spend on essential infrastructure improvements at exactly the wrong time

improvements at exactly the wrong time—when there is an increased demand to move more to power the recovering economy." Hamberger stressed that "the current economic regulatory structure works, providing multiple avenues for shippers to seek regulatory review of concerns, while giving railroads the opportunity to earn revenue needed to spend and reinvest in the network. The current economic regulatory framework also provides an environment in which rail companies—rather than U.S. taxpayers—foot the bill for the maintenance and upkeep of the coast-to-coast rails that industries rely upon. A healthy freight rail industry is vital to the nation's economic recovery and growth. Continuing today's balanced regulation is essential for a robust freight rail network in 2015 and beyond."

Read the entire article:
http://www.railwayage.com/index.php/freight/class-i/aar-report-freight-rail-will-carry-the-economy.html?channel=50&utm_source=WhatCounts+Publicaster+Edition&utm_medium=email&utm_campaign=RGN+2.3.15&utm_content=AAR+report%3a+Freight+rail+%22will+carry+the+economy%22

Mechanical Brief with Steve Christian

Open top hopper shakers

I know I have written on this subject before. However, I believe it cannot be discussed enough. A couple of weeks ago, I was at a customer's plant inspecting steel open top hoppers used for hauling coal. They had received rain, then snow and then very cold temperatures. Of course, the coal was frozen and the cars were difficult to unload. What a mess! This customer does not have a thaw shed. The unloading crews there use both a top chord shaker and a portable clamp-on shaker.

The top chord shaker seems to work pretty well. I only have two complaints about how it is used:

1. The plant personnel will open the gates, turn on the shaker and leave it unattended for an extended period of time. In fact, there are times that the car is still being shaken an hour or more after all of the coal is unloaded. As you can imagine the vibration of the car increases as the car empties. On an empty car the vibration is very severe.
2. My other complaint is that it is used even when it is not necessary. If the load is not frozen or clumped up, there is no reason to use the shaker. That is especially true here where the pit clears very slowly.

The top chord shaker is very often a necessary and very effective unloading aid for unloading many different commodities in many different circumstances. The use of the shaker on the top chord

Actually, the top chord shaker is very often a necessary and very effective unloading aid for unloading many different commodities in many different circumstances. The use of the shaker on the top chord produces an acceptable level of stress on the hopper when used properly.

The clamp-on shaker is another story. These devices are usually very destructive as they are typically used. They are generally attached to the horizontal leg of the side sill of the railcars with two set bolts. The set bolts usually have a hex head for tightening. The end of the bolt that makes contact with the car has a round and somewhat sharp edge that bites into the side sill to keep the shaker in place. If you look at a car that has been in this service for a time, you will note numerous circle indentations along produces an acceptable level of stress on the hopper when used properly

the side sill where it has been applied to many different locations. Many of the indentations are quite severe.

The use of the clamp-on shakers results in cracks in the side sill, usually running through the middle of the set bolt rings. In the most extreme cases where the clamp-on shakers have been concentrated in certain areas of the side sills, the side sills will actually break off in chunks along the horizontal leg of the side sill angle.

As a mechanical guy, I would love to eliminate the use of clamp-on shakers all together. However, that is impractical in many cases. However, there are some things that can be done to lessen the effects of their use.

1. Only use shakers when they are really needed.
2. Don't leave shakers unattended.
3. When one pocket is cleared of lading, shut it off and move to the next pocket.
4. Once the car is completely unloaded, shut it off and remove it.
5. Side sill angles are usually 1/4" thick or so. It would be advisable to add sections of flat bar to the top side of designated sections of the side sill where the shakers are usually clamped. If space allows, that flat bar can run from body bolster to body bolster. In either case, the added section will receive the indentations from the set bolts (not the side sill itself) which should stop cracking and the stress on the car from the shaking action would be spread along the length of the flat bar.

As a mechanical guy, I would love to eliminate the use of clamp-on shakers all together but that is impractical in many cases

In summation, shakers are a necessary but potentially damaging part of unloading open top steel hoppers. The damaging factors, however, can be managed by using some common sense measures. As always, Tealinc stands ready to employ our diverse and extensive experience and knowledge to help you solve problems and add value to your operation.

*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 January 8, 2015 an increase for freight rail traffic for all of 2014 and December 2014.

2014 freight traffic up 4.5 percent over 2013

Total combined traffic for 2014* on U.S. railroads was 28,673,776 carloads, containers, and trailers, up 1,233,184 units or 4.5 percent over 2013 and the highest annual total since 2007.

U.S rail carloads were 15,176,835 in 2014, up 3.9 percent or 567,554 carloads over 2013 and the highest total carloads since 2008. U.S. rail intermodal volume totaled a record 13,496,941 containers and trailers in 2014, up 5.2 per cent or 665,630 units over the previous record set in 2013.

In 2014, 18 of the 20 carload commodity categories tracked annually by AAR saw increases on U.S. railroads compared with 2013. Categories with gains included: grain, up 125,954 carloads or 13.5 percent; crushed stone, sand and gravel, up 122,567 carloads or 11.6 percent; petroleum and petroleum products, up 90,185 carloads or 12.7 percent; and coal, up 55,554 carloads or 1 percent.

"2014 was a challenging year for America's freight railroads as they responded to traffic surges and shifts in traffic patterns,"

"2014 was a challenging year for America's freight railroads as they responded to traffic surges and shifts in traffic patterns," said AAR Senior Vice President of Policy and Economics, John T. Gray. "This will be another busy year as the economy continues to grow and the nation's railroads work to be responsive, flexible and efficient for their customers."

In December 2014, U.S. railroads originated 1,444,450 carloads, up 118,427 carloads or 8.9 percent compared with December 2013, the largest year-over-year monthly percent increase for total carloads in four years. U.S. rail intermodal originations totaled 1,188,364 containers and trailers in December 2014, up 42,815 carloads or 3.7 percent over December 2013, continuing a 5-year trend in which year-over-year monthly intermodal volume has risen.

For December 2014, 15 of the 20 carload commodity categories the AAR tracks saw carload gains compared with December 2013, including coal, up 39,452 carloads or 7.5 percent; crushed stone, sand and gravel, up 22,865 carloads or 29.2 percent; grain, up 18,636 carloads or 18.8 percent; and petroleum and petroleum products, up 7,395 carloads or 10.3 percent. Commodities that showed carload declines in December 2014 compared with December 2013 included grain mill products, down 1,350 carloads or 2.8 percent.

Visit the AAR at:
https://www.aar.org/newsandevents/Press-Releases/Pages/2015-01-08-railtraffic.aspx

Industrial Inside

Crop and livestock price prospects for 2015

As indicated a year ago, the transition from the extremely high prices resulting from the drought of 2012 to lower prices now being experienced has occurred differently for corn, soybeans, and wheat. Corn prices have come under the most pressure due to two consecutive record large U.S. crops. Soybean prices have remained the strongest, even with large crops, due to strong demand from China.

Corn prices moved to the lowest level in five years in October 2014. Prices declined under the weight of back-to-back record large U.S. crops and plateauing consumption of corn used for ethanol production. Feed and residual use of corn will get a boost from low feed prices and increasing livestock numbers, but U.S. corn exports face more competition than a year ago. The record 2014 crop and lower prices are expected to result in only a small increase in total consumption during the 2014-15 marketing year. Early expectations were for year-ending stocks to be at a 10-year high of two billion bushels. Some reduction in U.S corn acreage in 2015, coupled with a return to a trend yield, would result in a much smaller crop and a reduction in stocks during the 2015-16 marketing year. After averaging close to $3.50 during the 2014-15 marketing year, corn prices

Corn prices moved to the lowest level in five years due to back-to-back record large U.S. crops and plateauing consumption of corn used for ethanol production

U.S. pork productions is expected to increase but beef is expected to decline in 2015

are expected to rebound to the low-to-mid $4.00 level next year if production declines as expected.

Soybean prices have also declined over the past year as a result of record large South American and U.S. crops in 2014. The price decline has not been as severe as for corn due to ongoing strong soybean demand by China and early year strength in export demand for soybean meal. Marketing year ending stocks are expected to be at an 8-year high of 450 million bushels, but those stocks represent only 12.5 percent of marketing year consumption. Some further modest declines in soybean prices are expected if the 2015 South American crop is as large as currently forecast and if U.S. producers expand planted acreage in 2015. Without some reduction in U.S. acreage, the 2015 crop will exceed the current level of consumption even if average yields decline to trend value. Soybean prices are expected to average near $10 for the 2014-15 marketing year and in the upper $9.00 level for the 2015-16 marketing year.

U.S. wheat production declined by about 100 million bushels in 2014, with soft red winter (SRW) wheat production down by 113 million bushels, or 20 percent. Still, SRW prices continued the decline that began in October 2012. Back-to-back large wheat crops in the rest of the world in 2013 and 2014 resulted in declining U.S exports this year and expectations of a build in year ending stocks of U.S. wheat. The most important price factor moving forward will be the size of the wheat crops outside the U.S. The early season focus was on Russia due to on-going dry conditions that began in July 2014 and seemed to halt the decline in wheat prices. Smaller crops in that part of the world would allow for some rebound in U.S wheat exports. With most of the Illinois wheat crop sold at or shortly after harvest, the average price received for the 2014 crop will be near $5.00. An average near $5.50 is expected at harvest time in 2015.

U.S. pork production is expected to increase from 22.66 billion pounds in 2014 to 23.62 billion pounds in 2015. Exports are expected to increase from 5.1 to 5.3 billion pounds while imports decline modestly to 900 million pounds. Domestic pork supplies are projected at 46.6 pounds per capita in 2015, up from 45.3 pounds in 2014. The average price of hogs was near $64 in 2013 and $76 in 2014. An average near $65 is expected for 2015, with highest prices in the first half of the year.

U.S. beef production is expected to decline from 24.46 billion pounds in 2014 to 23.67 billion pounds in 2015. Exports are expected to decline from 2.6 to 2.5 billion pounds while imports decline from 2.8 to 2.7 billion pounds. Domestic per capita beef supplies in 2015 are projected at an historic low of 52.2 pounds, down from 54.6 pounds in 2014. Fed cattle prices averaged near $155 in 2014 and are projected to average near $160 in 2015, with highest prices in the first half of the year.

Read the entire article at:
http://www.agweb.com/article/crop-and-livestock-price-prospects-for-2015-university-news-release/

Financial Focus

The new (grim) global context

Political and business leaders attending the world's most exclusive meeting in Davos, Switzerland (reference to World Economic Forum held in January 2015) have a harsh reality to face: The world is in worse shape than when they met a year ago.

Extremists are gaining ground in the Middle East. Ebola has killed thousands in west Africa. Relations between Russia and the West are the worst they've been since the Cold War. Scary geopolitics is putting extra pressure on a global economy facing a deflationary spiral as oil prices crash.

Where growth is going to come from will be high on the agenda at the World Economic Forum. The U.S. may be ready to start weaning itself off cheap central bank cash, but the rest of the world isn't.

Japan slipped into recession in the third quarter in 2014, and is relying on fiscal and monetary stimulus to haul its way out. China has just reported its slowest growth in 24 years.

The European Central Bank is priming the printing presses as deflation looms and growth fades. Long term unemployment is fueling anger across the continent, and the upcoming Greek election is adding to fears about the eurozone.

Oil’s collapse has trashed the ruble and forced Russia to bail our banks and companies

Problems are not confined to the world's biggest economies -- emerging markets are also losing steam. The 50% slump in oil prices since Davos 2014 is hitting producers hard. Key OPEC countries have resisted proposals to cut output, leaving Venezuela, Iran and Russia facing misery.

Russia's economy was already looking shaky after the West imposed sanctions over Moscow's annexation of Crimea and its support for separatist rebels in eastern Ukraine.

Oil's collapse has trashed the ruble and forced Russia to bail out banks and companies. Its reserves are dwindling fast and austerity is biting -- yet President Vladimir Putin remains defiant, and unpredictable.

"Twenty five years after the fall of the Berlin Wall, the world again faces the risk of major conflict between states," said WEF economist Margareta Drzeniek-Hanouz.

Tensions between China and Japan are also on the rise, but of more immediate concern is Beijing's ability to control the slowdown in the world's second largest economy. Its workforce is ageing and a real estate bubble has burst.

Beijing is trying to manage the slowdown by implementing reforms and cautiously opening its markets to foreigners

Beijing is trying to manage the slowdown by implementing reforms and cautiously opening its markets to foreigners. Premier Li Keqiang is coming to Davos for the first time and will no doubt project an upbeat message about progress.

Even good news comes with a caveat: Extreme poverty is declining. But inequality is rising rapidly. The number of people using the Internet is growing. So are the risks of cyber-attacks. More women are in work -- but they still make much less than men.

The theme of this year's WEF was "the new global context". As the global elite wind their way up the Swiss mountain, it's clear the context is grim.

Learn more at: **http://money.cnn.com/2015/01/20/news/economy/davos-preview-2015/index.html?iid=HP_River**

The Edge

Managing the Details

We have the good fortune to work across many different commodity groups and industries that turn raw products into either a mid-stream value added product or a finished product ready for consumption. This breadth of industry mix and best practices across these various industries has taught us a lot about managing the details of production and supply chain efforts designed to increase the reliability of inputs, outputs, and reduce overall costs while doing so. Following are some snapshots that you may find beneficial to your operations.

Communicate At All Levels. There are several levels and types of communication within an organization. They are top down, bottom up, across departments and interdepartmental to name a few. There are also these same levels of communication between suppliers and customers and customers and suppliers. The key to effective communication is to develop trust and effective communication methodologies across each of the communication opportunities. An example of a communication exercise that we've been involved in that has been effective is:

- A major grain transportation, trading and remanufacturing company was having difficulties booking and managing future rail transportation requirements and anticipating rail rate changes. The trading and transportation departments had never cross communicated other than making demands on each other and chastising each other for poor performance. The difficulty wasn't solely within the company though. There was also a lack of transparent communication from their rail transportation providers and the transportation department. We assisted in establishing and streamlining this communication channel between the rail transportation providers and the transportation department of the company and then establishing two way channels of communication between the transportation department and the trading department. What was once data became information and better and more informed decisions were made, as a result profitability increased and operations ran smoother and more efficiently.

Measure but Measure Carefully. You get what you measure (and manage) so measure carefully and understand the results you're asking for prior to putting measurements in place. Operations productivity and costs seem to be a highly focused measurement area. These items often drive the cost of goods sold category and are a prime target for refinement.

- In one instance the yard crew was having difficulty making the required switches in their shift. To establish a baseline we placed a GPS tracker on the switch locomotive and found several hours of extended down time for the crew. This down time was recognized at the facility management level and review across departments that were affected by the switching operation. Instead of making this into a negative situation it turned into a productive planning meeting across all interested departments yielding significantly reduced down time.

- In another instance we did the same process as in the first example and also found significant down and slow time for the locomotive and switch crew. In this case though further investigation resulted in analyzing the dependability of the locomotive. The result was a locomotive that was not dependable due to an internal lack of knowledge on how to keep it operational. We took over the locomotive operations mechanical requirements providing local training and establishing accountability measures for the crew. To date locomotive reliability has improved 54%.

<u>Track Your Railcars.</u> In many cases the people responsible for loading or unloading railcars only track them from the closest yard or interchange to their facility. Railcars, especially during times of rail service challenges, get waylaid! Track your railcars and follow up at least once a week. At a price of $500 per railcar per month its costs $125 per week for each lost railcar. And the real cost is the value of not transporting your product in a time effective manner. If you don't track them you really don't know where they're at or going to be. We've found cars suddenly picking up the wrong waybill sending them states away from where they're supposed to be. We've also found them being misappropriated by railroads simply because they were in the wrong place in a yard when the train left.

<u>Review Your Input Costs.</u> Tariffs, switching, demurrage, spot, constructive placement and release are all cost centers or areas in which improvements should be sought. If you understand and review, in-depth, these cost areas you're likely going to find positive results.

<u>Compare Capital Costs with Operating Costs.</u> A large cost item for most shippers and receivers is railcar demurrage. A simple exercise is to compare your demurrage cost with capital costs for installation of additional rail infrastructure. The question is, "how long and how much demurrage do I pay before it makes sense to add track infrastructure?"

These items are just a tip of the iceberg in our learning process. We'd certainly be willing to share our experiences with you as well and would be glad to listen to yours.

We look forward to earning your business!