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**Enroll today for  
Tealinc 2015  
scholarship**

**Effective  
Wednesday, April 1,  
2015**

## 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 \$20,000 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

The BNSF released a statement via email that effective Wednesday, April 1, 2015 their demurrage fees related to manifest railcars covered in the BNSF Demurrage Book 6004-B will increase. Below is a summary of the major changes:

### Private Equipment:

- Daily demurrage rate per car will increase to \$150 per day at all locations.
- Sundays will be considered a chargeable day.

### System (Rail-Controlled) Equipment:

- Daily demurrage rate per car will increase to \$150 per day at all locations.
- The distinction between regular demurrage days and excess demurrage days will be eliminated.
- Early arrival credits will not be provided.
- Sundays will be considered a chargeable day.

BNSF also recognizes the dwell efficiency constraints of customers with scheduled service one or two days a week. Effective Wednesday, April 1, 2015, the BNSF Demurrage Book 6004-B will be updated to provide additional credits for customers in this category.

- Customers with a scheduled service plan of one day per week will receive seven credit days to load or unload.
- Customers with a scheduled service plan of two days per week will receive four credit days to load or unload.

All other dwell calculations will still apply.

If you have any questions, you are instructed to call BNSF's Demurrage

**KCS to reduce  
forces February 16-  
services requests  
should be  
submitted by  
January 30<sup>th</sup>, 2015**

**Winter switching  
safety**

team at 888-428-2673 and select options 3, 3 and 3, or email [BNSF.Demurrage@BNSF.com](mailto:BNSF.Demurrage@BNSF.com).

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

### **President's Day Service Reductions**

The Kansas City Southern Railway Company announced that it will reduce forces on February 16 in observance of Presidents' Day. KCS advised in a recent announcement that service requests for February 16 should be emailed to [Customer Solutions](#) by 10:00 a.m. on January 30<sup>th</sup>, 2015.

KCS also noted in the announcement that requests submitted are not a guarantee of service on these days. Once all requests are received, the local operation will attempt to secure resources to perform service. If no request is submitted, it will be understood that no service is needed.

Learn more at:

[www.kcsouthern.com/en-us/Pages/Default.aspx](http://www.kcsouthern.com/en-us/Pages/Default.aspx)

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### **Mechanical Brief with Steve Christian**

I was just at a customer's plant this week and it had just snowed and the temperature was in the teens. To top it off there were patches of ice under the snow. In spite of the miserable conditions, the outside activities including railcar switching had to go on.

Railcar switching is an activity that carries some risk, regardless of the conditions but in winter that risk is greater. There are some things that can be done to lessen that risk. Here are a few suggestions:

1. Everyone these days wants to use two way radios for communication between the car mover/locomotive operator and the ground man. Two way radios are great but I believe they are very often not used properly. Here are a few of my suggestions to make this all important communication better:
  - a. The only way a ground man knows that the operator understands him is if the operator repeats the command back to him before initiating the move. If the ground man hears something incorrect repeated back, he can correct the operator before he does something differently.
  - b. The ground man should always make an effort to stay on the side of the cars where the operator can see him from his seat.
  - c. Along with letter b, the operator should keep visual contact with the ground man as much as possible. If the ground man should happen to fall (remember that patch of snow and ice I mentioned) or have other difficulties, the operator will see and be able to stop the railcar movement until the ground man tells him to proceed.
  - d. The ground man should always give defined distances for the operator to move a cut of cars before the stops. If a

**Use two way radios for communication between the car mover/locomotive operator and the ground man**

command to “come my way two cars” is made and the operator thinks he has travelled two cars and has not heard from the ground man, he should stop the cars and ask the ground man for further commands. If there is no answer, the operator should go back to the ground man and reestablish communication.

- e. Establish a good system of hand signals and routinely use them to keep them fresh. Radios can lose reception. Batteries can go dead. Basic hand signals can get you out of a bad situation. I personally believe hand signals are essential and work better in many situations.
- f. Establish a good system of horn blows for the operator to communicate with the ground man.

**2. Maintaining safe contact with rolling stock is especially challenging in cold weather.**

- a. When you are climbing a ladder of a car mover/locomotive or railcar always maintain three point contact. This is especially important when the steps and ladder rungs may be slippery. By three point contact, I mean two hands and one foot or two feet and one hand on the rolling stock.
- b. Avoid riding railcars if at all possible. It is really hard to hang onto a handhold or ladder rung when it is cold, the surface is slippery and you may have multiple layers of gloves on.
- c. You should never ride on the end of a car. If the car stops or speeds up abruptly, you may get thrown in the path of the cars.
- d. Never mount or dismount a moving piece of equipment. It is really easy to lose your footing or grasp and cause personal injury.
- e. The ground man should always let the operator know when he is going between the cars to align a coupler, open a knuckle, set or release a handbrake or couple air. The operator should be trained to always put the reverser in the neutral position and set the air brakes at that time.

This is a subject that warrants a great deal of attention. Very often, winter safety does not get the attention it deserves. There are many more facets to safe switching training regardless of the season and I have just scratched the surface with these. You should study your specific plant circumstances to create switching rules that are effective and work for you. Formalize your policy, train to the policy and enforce it. As always, Tealinc stands ready to assist you in any way we can. In fact, we look forward to it!

*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](mailto:steve@tealinc.com).*

**Create switch rules formalize your policy, train to the policy and enforce it**

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### **Railroad Traffic**

On December 4, 2014 The Association of American Railroads (AAR) reported an increase on that U.S. rail traffic for November 2014, with both carload and intermodal volume increasing compared with November 2013.

**AAR reports for  
November 2014 and  
first 11 months**

**Commodities with  
the biggest carload  
increases were  
crushed stone,  
sand, and gravel,  
metallic ores,  
petroleum and  
petroleum  
products, and coke**

U.S. Class I railroads originated 1,161,820 carloads in November 2014, up 1.4 percent, or 16,396 carloads, over November 2013. November was the ninth straight month of year-over-year increases in carloads.

Intermodal traffic in November totaled 1,035,054 containers and trailers, up 2.7 percent, or 27,463 units, over November 2013. The weekly average volume was 258,764 for the month, the highest for any November in history.

For the first 11 months of 2014, U.S. railroads reported cumulative volume of 13,992,560 carloads, up 3.4 percent from the same point last year, and 12,494,133 intermodal units, up 5.2 percent from last year. Total U.S. traffic for the first 11 months of 2014 was 26,486,693 carloads and intermodal units, up 4.3 percent from last year.

Eleven of the 20 carload commodity categories tracked by the AAR each month saw year-over-year increases in November. Commodities with the biggest carload increases were crushed stone, sand, and gravel, up 12,960 carloads, or 16.8 percent; metallic ores, up 5,241 carloads, or 19.8 percent; petroleum and petroleum products, up 4,432 carloads, or 7.6 percent; and coke up 730 carloads, or 5 percent.

Coal was up 12 carloads for November, or flat in percentage terms. Excluding coal, U.S. rail carloads were up 16,384 carloads, or 2.4 percent, in November 2014 over November 2013. Excluding coal and grain, U.S. rail carloads were up 19,575, or 3.2 percent, in November 2014.

In November 2014, combined U.S. carload and intermodal originations were 2,196,874 units, up 43,859 units, or 2 percent, over November 2013. The weekly average total volume of 549,219 units in November 2014 was the highest weekly average total for November since 2007.

"It's not always easy to tell from available indicators how the economy is performing and that is true for rail traffic in November when some traffic categories showed solid growth, others not so much," said AAR Senior Vice President John T. Gray. "A healthy and efficient freight rail network is vital to delivering America's changing economy. Today, railroads are moving more traffic than at any time since 2007."

AAR also reported Class I railroads originated 132,257 carloads of crude oil in the third quarter of 2014, up 12,623 carloads, or 10.6 percent, over the second quarter of 2014. In the first nine months of 2014, crude oil accounted for 1.6 percent of the total Class I railroad carloads.

Visit the AAR at:

<https://www.aar.org/newsandevents/Press-Releases/Pages/2014-12-04-railtraffic.aspx>

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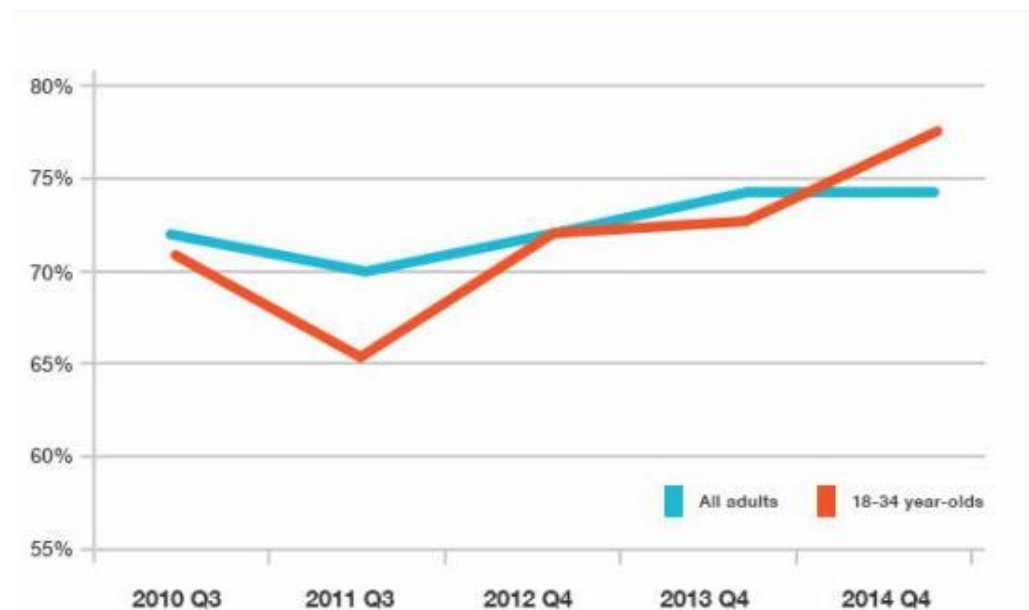
### **Industrial Inside**

Consumers think 2015 will be a better year than 2014, especially for selling a home. But the recovery faces an uphill climb.

### What to expect from the housing market in 2015

What does 2015 have in store for the housing market? Nine years after the housing bubble peaked and three years after home prices bottomed, the boom and bust still cast a long shadow. None of the five measures the article publishers used to track Housing Barometer is back to normal yet, though three are getting close. The rebound effect drove the recovery after the bust but is now fading. Prices are no longer significantly undervalued and investor demand is falling. Ideally, strong economic and demographic fundamentals like job growth and household formation would take up the slack. But the virtuous cycle of gains in jobs and housing is relatively weak, and that will slow the recovery in 2015. All the same, consumers are optimistic, according to our survey of 2,008 American adults conducted November 6-10, 2014.

Consumers are as optimistic about the housing market as at any point since the recovery started. Nearly three-quarters — 74% — of respondents agreed that home ownership was part of achieving their personal American Dream, the same level as the publishers 2013 Q4 survey and slightly above the levels of the three previous years. For young adults, the dream has revived: 78% of 18-34 year-olds answered yes to the American Dream question, up from 73% in 2013 Q4 and a low of 65% in 2011 Q3.

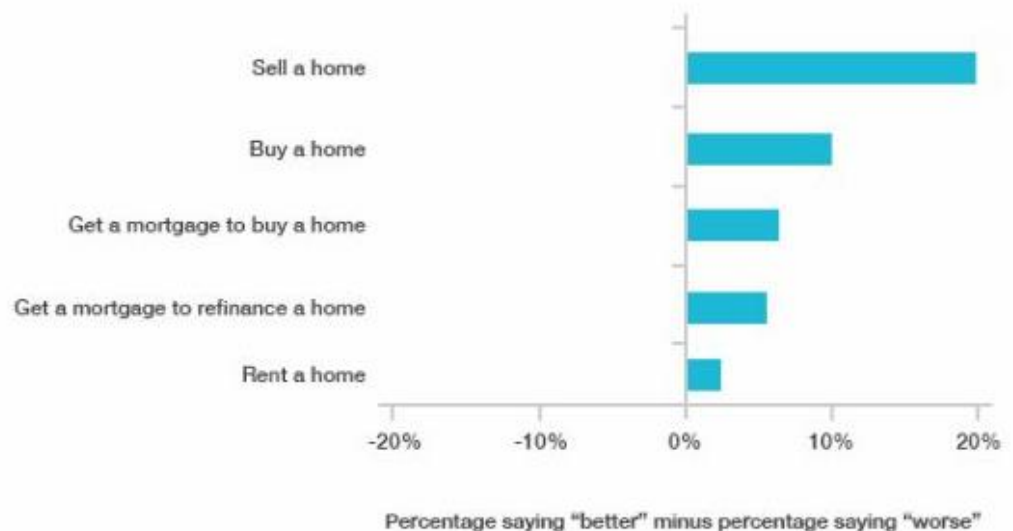


**78% of 18-34 year-olds American Dream is to own a home**

Furthermore, 93% of young renters plan to buy a home someday. That's unchanged from 2012 Q4 despite rising home prices and worsening affordability.

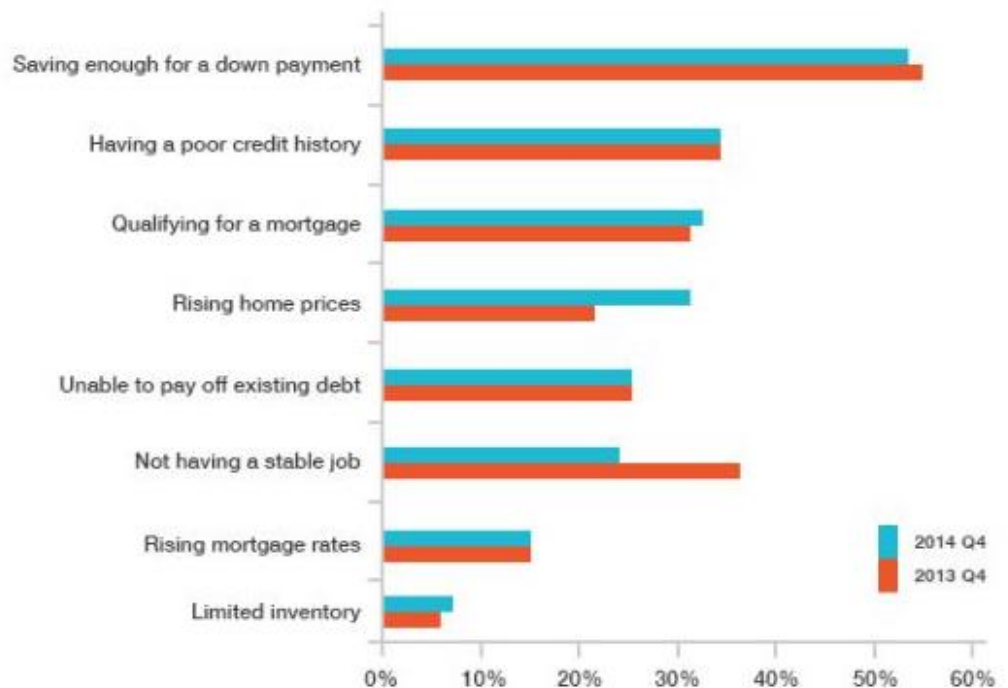
Which real estate activities do consumers think will improve in 2015? All of them – but especially selling. Fully 36% said 2015 will be much or a little better than 2014 for selling a home. Just 16% said 2015 will be much or a little worse, a difference of 20 percentage points. The rest of the respondents said 2015 would be neither better nor worse, or weren't sure. More consumers said 2015 will be better than 2014 for buying too. But the margin over those who said 2015 will be worse was not as wide.

**36% says 2015 will be much or little better than 2014 and 16% say it will be much or a little worse for selling a home**



Despite this optimism, barriers remain to homeownership. Saving for a down payment is still the highest hurdle, as it was last year, followed by poor credit and qualifying for a mortgage. Not having a stable job has become considerably less of an obstacle, dropping to 24% this year compared with 36% last year thanks to the recovering job market. But affordability has become a bigger obstacle. Some 32% of respondents cited rising home prices, compared with 22% last year.

**Saving for a down payment is still the highest hurdle followed by poor credit and qualifying for a mortgage**



Among renters who wish to buy a home right now.  
Respondents could choose multiple options.

Read the entire article at:  
<http://time.com/money/3629800/housing-outlook-2015/>



**U.S. dollar surges,  
leaving euro in the  
dust**

**The dollar  
represents the  
health of the US  
economy and  
there's a big gap  
between the US and  
other nations  
economic growth**

## Financial Focus

Just a few years ago, the U.S. dollar was the Rodney Dangerfield of currencies: it couldn't get any respect.

How times have changed. Mark this moment: America has actually done something right financially. The US dollar is a star, and it's because of billions of dollars of some of the most controversial stimulus programs in history.

The dollar is surging in value while most of the world's major currencies are struggling – other nations, facing slower global economic growth, have tripped, had missteps or hesitations. Through early December 2014, the dollar gained 11% versus the euro, and 13.2% versus the Japanese yen.

It's not just currencies. The dollar represents the health of the US economy, and there's a big gap between the U.S. and other nations in economic growth. The U.S. is trending upward, while other major economies are slowing. After a slow start to 2014, U.S. gross domestic product, or GDP, boomed 4.6% in the second quarter and 3.9% in the third quarter.

That compares to two quarters of negative growth in Japan, inviting a recession and slow growth. Meanwhile, the Eurozone saw only minor blips of growth at 0.1% and 0.2% in the second and third quarter, respectively.

“Essentially, the US economy is the best-looking house in an ugly neighborhood,” said Ryan Sweet, director of research at Moody's Analytics. “Europe is a mess, Japan is in a recession, China is weakening and emerging markets are slowing.”

Who gets the credit?

It goes to the much-maligned Federal Reserve, say some experts. Critics have leveled harsh criticism on the Federal Reserve in recent years for its unorthodox, aggressive, and wide-reaching monetary policies – from bailouts to cheap loans to billions in stimulus. There has been a Tea Party-driven “end the Fed” movement championed by former presidential candidate Ron Paul, who also wants the U.S. to return to backing the US dollar with gold. There's also the lesser known but no less vocal “audit the Fed” movement, which posits that the central bank has meddled with the economy to disastrous results.

But, contrarians say, you can't argue with results. Some experts are holding up US economic growth now as proof that the Fed did the right thing during the crisis.

“The U.S. economy is the best game in town because of the success of the Fed,” said David Jones, president of DMJ Advisors, a Denver-based consultancy firm.

Jones, who praised the Fed's “central bank activism,” gave credit to former

**“Europe is a mess, Japan is in a recession, China is weakening and emerging markets are slowing.”**

Fed chairman Ben Bernanke, who studied depression economies and advocated for early and plentiful stimulus during the financial crisis in 2007 and 2008.

“Central bankers can do one thing that no one else can do: they can create money out of thin air,” he said.

“Bernanke dealt successfully with the crisis, and he should be given credit for it. Now, the dollar is strengthening, while the yen and the euro get weaker because they were slow to react,” concluded Jones.

Europe and Japan were late to Bernanke’s controversial stimulus measure, quantitative easing, in which the Federal Reserve bought billions of dollars’ worth of mortgage bonds and Treasury bonds to keep interest rates low. Low interest rates, in turn, were designed to spur spending and economic growth.

Learn more at:

<http://www.theguardian.com/business/2014/dec/04/us-dollar-growth-yen-euro>

## The Edge

We often field questions about a whole range of inquiries concerning the state of the railroads, service and resources. A good way to put this in perspective is to categorize what’s happening on and to the railroads that reflect their current state of affairs. We’ll make an abbreviated attempt at that here to help our readers obtain a better understanding of the big picture in the railroad world.

### Volume Continues to Grow

The year of 2015 is off to a robust start. The Association of American Railroads (AAR) reported on January 15, 2015 that weekly U.S. rail traffic for the first full week of 2015 was 517,520 carloads and intermodal units. This is a gain of 4.9% over the same week last year. Breaking out carloads and intermodal we see a volume of 240,947 of containers and trailers, up 2.1 percent and carloads of 276,573 up 7.5 percent, with the large carload gainers further broken out as follows:

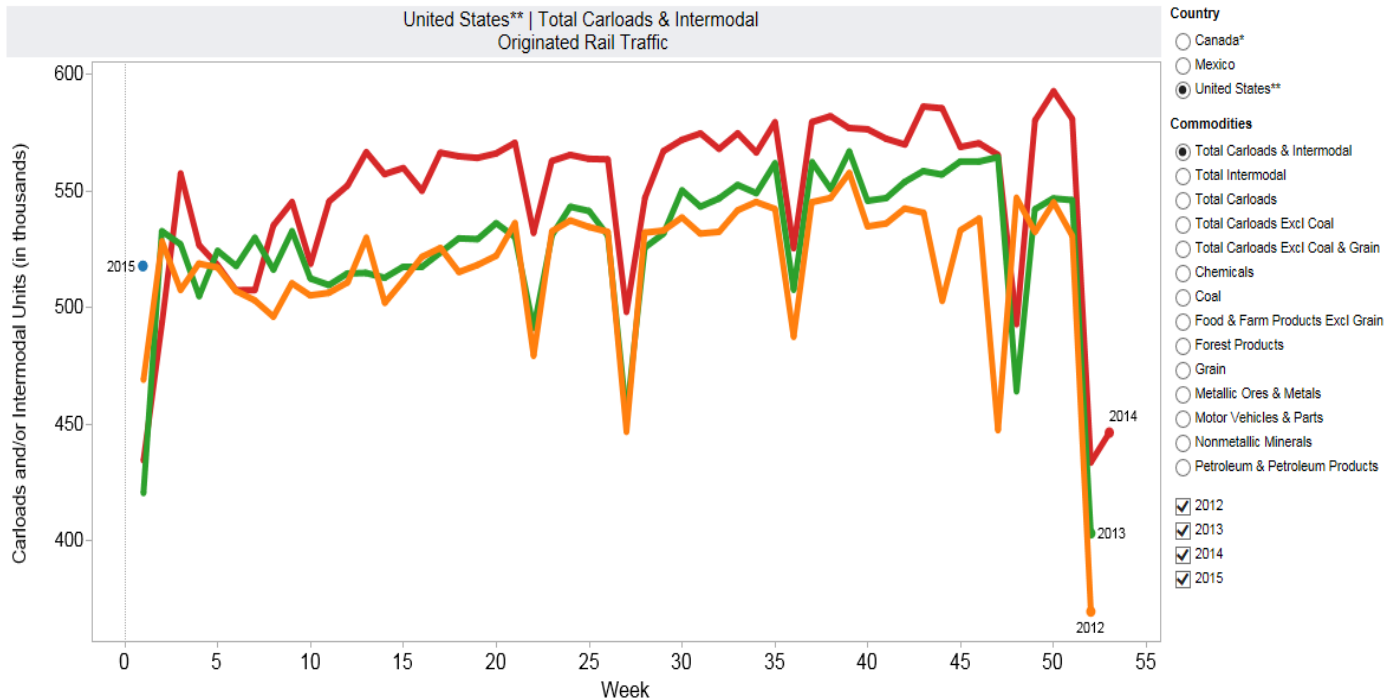
Commodity Group	Carloads	Percent Increase
Coal	108,449	4.2%
Nonmetallic Minerals	30,742	22.0%
Chemicals	30,425	7.0%
Metallic Ores and Metals	23,699	17.6%

When we compare North American rail volume we see the following statistics for the first full week of 2015.

Region	Carloads/Intermodal	Percent Increase
United States	517,520	4.9%
Canada	130,867	13.4%
Mexico	24,919	2.6%

The North American rail network is handling unprecedented volumes of traffic and simply struggle to keep up. Note the screen shot below (<https://www.aar.org/data-center/rail-traffic-data>), 2014 was a record volume year as was 2013 before that and 2015 is setting new highs.





### Train Speed and Terminal Dwell

When you look across the Class I railroads you'll find two measures of fluidity. These measures are train speed and terminal dwell. Train speed is the movement of trains across the tracks unencumbered except when help short for congested yards, maintenance of way, accidents or acts of God. Terminal dwell is the time a car or trains spend in the yard being reclassified or waiting for clearance to move across the next leg of the system. You can find both measures here... <http://www.railroadpm.org/>. When you review and analyze these statistics you'll find a small percent of variability across either statistic with seasonal fluctuations as to be expected. Sure there's a week or two here or there for a particular commodity group that is exceptionally good or exceptionally bad but sans getting someone fired I bet a field person could easily explain the result.

### Capital Spending

According to the AAR railroads spent a record \$25 billion on capital in both 2012 and 2013 and \$26 billion in 2014. Capital expenditures for 2015 are lining up to be in excess of all historical spends near the \$30 billion mark. The good thing about track infrastructure and rolling stock capital expenditures is that once invested then results are long lived. The hard part is that capital spent today takes a while to employ and derive benefit from... it takes time to negotiate, arrange, coordinate and build infrastructure.

### Weather (and... volumes) Continue to Impact Service

The winter of 2013-2014 knocked the socks off the railroads service offerings. The National Weather Service listed 25 name winter storms during this period (<http://www.weather.com/storms/winter/news/winter-storms-2013-2014-recap-20140418#/1>). Deep snow, cold weather and probably a smidgeon of poor planning left the railroads a bit behind in providing service to the level they'd anticipated. Winter isn't a fault but it is a cause and the effect it has can be somewhat mitigated by prior planning. Please note winter also causes many shippers reliability issues as well.

### Regulatory Environment

There are numerous entities and groups proposing new and updated regulation on the railroads. Albeit somewhat deserved railroads don't function well with regulations that impede their overall operations. Cases in point 2014 in Canada the railroads were mandated to ship grain so they shipped grain to the detriment of other commodities. During approximately the same time frame Railroads in the U.S. were refocused on fertilizer shipments as well also to the detriment of other commodities. Railroads are difficult to deal with and for the most part are somewhat condescending when it comes to focusing on a particular business environment. This causes, in my opinion, most of their regulatory problems. However, I must note that, when you can get past the harried responses they really want to help, most of the time.

### **Our Advice**

Our advice is to summarize the big picture and develop your own perspective as each particular situation (commodity, region, etc.) is applicable to your company.

From a generic perspective we see:

- Volumes have grown and continue to grow. The trend is now in its fourth year and looks to be continuing into 2015.
- Terminal dwell and transit times are relatively the same. Does this mean that despite large capital expenditures railroads are "just" keeping up with increased volumes? What can you do with infrastructure and rolling stock to insure you can ship your product when the railroads seem as best to just keep up?
- Capital requires a return. Expect rates to go up despite the fact that you'd expect the volume increases to justify the capital invested;
- Plan for winter and its effect on your business not only from a railroad perspective but from the view looking from your own operation.
- Be careful of special interest regulation support. If the "X" commodity guys win, where does that leave you if you don't ship "X" commodity? Not that we advocate monopolistic or duopolistic pricing structure – we don't. There are, however, many fixes proposed at the detriment of other shippers which extends problems into other shipper groups thus redirecting the problem, not fixing it.

We're always ready to help you analyze your situation, we wish you all the very best, and good luck in 2015!

*We look forward to earning your business!*