



## Specializing in Rail Transportation Solutions

*We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.*

### Tealinc Touchbase Newsletter –July 2018

#### In This Issue

- Featured Equipment
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- Financial Focus

**Mill gondolas and  
SW1200 locomotive  
available now for lease  
or sale**

**Kristen Kempson will  
represent Tealinc at  
MARS July 2018  
meeting July 16<sup>th</sup> -17<sup>th</sup> –  
see you there!**

**Inclement winter  
weather has led to  
ongoing railroad delays  
throughout summer  
months  
Operating ratio  
measurements have**

#### Tealinc Featured Equipment - 52' Mill Gondolas and SW1200 Locomotive

Our latest ads featured our versatile 52' mill gondolas and our SW1200 locomotive. Both are available for sale or for lease. The mill gondolas are suitable for loading multiple commodities including but not limited to steel pipe, scrap metal, aggregate, ballast, ties, rip-rap, maintenance of way equipment, etc. and the locomotive is an excellent switching unit with self-aligning couplers!



[Line up an inspection or request more info today!](#)

#### Industry Events – MARS Summer 2018 Meeting

Kristen Kempson, Admin Marketing & Sales of Tealinc, Ltd. will be representing Tealinc this year at the annual summer MARS meeting held in Lake Geneva, WI. The meeting will take place July 16<sup>th</sup>-17<sup>th</sup> at the Grand Geneva Resort.



Contact [Kristen Kempson](#) direct to line up a meeting.

#### The Edge with Darell Luther



Happy 4<sup>th</sup> of July! We thank our service men and women for the freedom they provide to us and the USA.

Railroads in general had a tough winter filled with inclement weather, deep snow and consistent train operating delays. Those delays seem to have crept into the spring and early summer.

Operating ratio measurements have become the key financial metric of all Class I



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**become key financial metrics of all Class Is and publicly traded railroads**

**Operating ratio has driven the reserved or back up resources out of many railroad systems**

**Traffic volumes cause railroads to look at private equipment running on their lines focusing on properly registered OT-5**

**Contact us to make sure your equipment is properly registered, so you avoid unnecessary fines**

**Most organizations**

and publicly traded railroads. The operating ratio drive has also driven the reserved or back up resources out of most railroads systems. Turning back locomotives or placing them in permanent storage, furloughing manpower and fully (and sometimes over) utilizing current resources are the results of intense focus on operating ratio. Most railroads have taken a Wall Street hit of some kind to get back to railroading and serving customers. Pulling locomotives out of storage, calling workers back if they're still available and stepping up training programs are all actionable items undertaken by the major Class I railroads. The dilemma though is that these resources, particularly new human resources take a significant amount of time to properly and safely train. This quandary coupled with ever growing freight volumes in areas that didn't have the resources or infrastructure designed for such sharp increases cause significant delays in certain geographic areas of the country. Recent AAR statistics show originated carloads in May 2018 on U.S. railroads were up 3.2% over May 2017. This is the third straight month with year over year growth greater than 3%. Big leaders are frac sand, chemicals, the export coal market, crushed rock and gravel and chemicals and petroleum products.

Traffic volumes are also causing the railroads to look hard at private equipment running on their lines. They are focused on customers that don't have their OT-5 properly registered or not registered at all. In cases where there is no OT-5 authority in place railroads are either rejecting private railcars or fining those that have private railcars and don't have proper registration of those railcars complete with the railroads. These fines can be several hundred dollars each violation. OT-5 is a process whereby a private railcar shipper registers their private rail equipment with the railroads on which their business originates. This process is managed through Railinc, a subsidiary of the Association of American Railroads.

Last month I wrote about the fact that in commodity markets we generally trade transportation more so than the commodity itself. Sticking with the theme of



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**move commodities for resale or for processing into a value-added product there is a disconnect between the traders or sales persons and the supply chain / logistics group**

**Managing transportation and communication is key between traders and sale people so that everyone is aware of supply chain performance and issues that arise**

**Industrial railcar switching: how not to switch a car**

resources, volume increases and compliance to rules for private rail equipment I'd like to focus on the movement of the railcar itself. In most organizations that move commodities for resale or for processing into a value-added product there is a disconnect between the traders or sales persons and the supply chain / logistics group. Traders mostly assume the performance of the supply chain is adequate, especially rail and get burned because they aren't focused on the current performance or capacity of the rail system. (*See my comments at the beginning of this article about the current congestion situation!*) Were you caught unaware when service disruptions started across the U.S. rail network? Rail system performance often is a black box where railcars are shuttled in, moved around and extracted from the other side with a real lack of transparency. The need to manage transportation closely is paramount if you are trying to meet customer orders, processing inventory or simply balancing supply chain requirements against resources (railcars, trucks, silos, storage, complimentary products for value added products, etc.). Know where your railcar is at, where it's going and when it's expected to be there! And then communicate this information to the traders or sales persons in your organization so they are aware of the supply chain performance and any issues that arise.

*Darell Luther is the founder and CEO of Tealinc, Ltd. You may contact Darell directly in his office at (406) 347-5237 or via email at [darell@tealinc.com](mailto:darell@tealinc.com).*

#### Mechanical Brief with Steve Christian



A couple of weeks ago, I received an e-mail solicitation to subscribe to a railroad enthusiast magazine. There were several black and white photographs showing railroad scenes from years ago. One picture brought a smile to my face. This picture showed four guys in a variety of work clothes bowing their backs to manually push (move!) an open top hopper. I



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**Browsing old photos  
made me think back to  
the way railcars used to  
be unloaded and  
wondering how safe it  
was**

**Witnessing  
unconventional ways to  
move a railcar and how  
to employ the right tools  
to ensure worksite  
safety**

**Pry bars should not be  
used to stop a railcar,**

saw a heap of a black substance that looked like coal and a rubber-tired conveyor at an angle with the low end at trackside and the high end above the top of the heap. It appeared they were spotting one of the railcars outlet gates to align with the conveyor for unloading. None of those guys looked like spring chickens. It would be a safe bet that most if not all those guys would suffer from bad backs, hernias or even more severe injuries. While I have never moved a “loaded” railcar by hand, I have been a participant in “hand switching” plenty of empty railcars back when I was young... and dumb.

Besides this stupid unsafe way to move railcars, I have also witnessed and sometimes participated in many other stupid and unsafe means of moving railcars. Despite all the good options we have available to us in modern times and the looming presence of OSHA and work comp lawyers, I am still amazed at some of the stupid and unsafe means of moving railcars that still are being employed. Below are some means of moving railcars that cause me some heartburn. In this article I hope to point out some of the methods that I have witnessed at industries and shops that I believe are unsafe and/or could cause damage to the railcars. My point here is to educate you as the reader and help provide you with better options. As you need help finding more safe practices in order to ensure the safety of your employees, don't hesitate to contact me. I have worked in the field long enough to understand when and I shortcuts are used and I understand how to employ better tools to ensure worker safety.

#### Unsafe ways of moving railcars:

- **Pry Bars:** Long steel pry bars are jammed between the top of the rail and the wheel tread. The individual pushes down on the bar to advance the car along the rail. It is a common means to move cars short distances in shops and plants. Usually, they place a wood block across the rail where they want the car to stop and pry the wheels ahead to the wood chock. Sometimes the wheel just pushes the chock out of the way and the car



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**consider using the handbrake located on each railcar for a safer mode to stop a railcar**

**Manual lever and fulcrum type movers should be used if you are properly trained and it is your only means to stop a railcar**

**Pushing or pulling railcars with a forklift, front-end loader, mobile crane or tractor occurs every day, however damage to the railcar typically occurs**

continues to move unchecked. The safest way to stop the car is to have someone ride the car on the handbrake step and apply the hand brake when you reach the desired spot. I could devote a lot of verbiage to this (but will practice self-restraint!) because there are so many things that can go wrong. Trust me, just don't do this or allow others in your company to do this!

- **Manual Lever and Fulcrum Type Railcar Mover:** There are manufacturers that make a device with a long wooden handle that incorporate a lever and fulcrum in this device to push up on the wheel tread in a much safer method than using the steel pry bar. I have used them many times successfully without injury or damage to the railcar. Again, the wood chock or riding the hand brake is needed to stop the railcar. If this is your only means available at the time and you are trained properly, this can be used. However, in my view, this should be a standby means to be used only when your primary means is out of service.
- **Equipment not Designed for Moving Railcars:** Pushing or pulling railcars with a forklift, front-end loader, mobile crane or tractor occurs every day. When pushing a railcar with a forklift or loader they usually push at an angle on a side post, body bolster, truck side frame, truck bolster and even on safety appliances like sill steps to move the railcars. When pulling with a crane or tractor they usually use a chain, steel cable or even a heavy rope to move the cars. Railcars either have a roping staple that is mounted below the side sill or a push-pull-lift provision in the body bolster at each corner of the car. Sometimes grain elevators and industries push or pull on everything else but the features on the car engineered for that purpose. When they do, damage always occurs to some degree.

As a side note, there are manufacturers that make add-on attachments for



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**Using chains tied to a pickup truck is not recommended- chains break!**

**Any way of moving a railcar that does not include complete direct control of the moving and stopping of the railcar is not acceptable to me**

**What do I recommend for moving railcars?**

**Locomotives provide the safest way to control the movement of railcars**

forklifts, loaders and other pieces of equipment that incorporate a coupler or coupler like device that securely couples into the railcar's draft system for a safe and secure means of moving cars. All the ones like this that I used in the past were "engineered" by car knockers and fabricated in our car shop. Don't do this in this day and age! Only engineered and tested equipment should be used. If you decide to use this means (with a properly engineered attachment), train and periodically retrain to make sure your employees are doing it right.

- **Vehicles:** I remember a 1965 GMC ¾ ton pickup that we used on the Burlington to spot cars on a rip (repair) track. If we loaded a pallet of follower blocks in the pickup bed for added traction, we could handle a half dozen empty cars. We used a series of chains with grip hooks linking them together to pull the cars. Chains break suddenly, and the results could be disastrous. At least we were smart enough to hook the chain to the roping staples. I haven't seen this done in quite a while. This is dangerous, destructive and dumb- please don't do this!

Of course, there are many more ways of moving railcars that are not on my recommended list. Any way that does not include complete direct control of the moving and stopping of the railcar is not acceptable to me. Direct connection by the coupler is the best and connection to the trainline of the railcar.

#### **What do I recommend for moving railcars?**

Locomotives provide the safest and surest way to control the movement of railcars. The weight of the locomotive provides the best traction, especially when the sanders are used. The independent brakes set the locomotive brakes and the automatic brakes (trainline) provide air brake control for all the cars in the cut you are moving. Of course, the air hoses need to be laced up and the angle cocks cut in. I have moved cars using a variety of means. There is nothing better at starting and stopping a cut of railcars than a properly sized locomotive for the



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**Need to safely move your railcars? Tealinc has a locomotive available for lease or sale. [Contact Steve](#) to line up an inspection today!**



**Always consider safety- it is important to find the mode of switching railcars at your facility that fits your individual needs and physical constraints**

task.

There are some instances where a locomotive would not be the best choice. If your track configuration and capacity would cause a locomotive to get trapped between cuts of cars you need to have something that moves on the rail and road. In that case you need a mobile railcar mover (trackmobile, etc.) that can exit the track, drive around a cut of cars on the road and get back on the track on the other side of the cut. I prefer the ones that lift the coupler of the railcar it is coupled into. When the top of the coupler shank contacts the striker, some of the weight of the car is transferred to the railcar mover. This improves traction greatly. I also like ones that have an air compressor and trainline connections so that the railcar air brakes are operational.

It is very important to find the mode of switching railcars at your facility that fits your individual needs and physical constraints. When making this decision you need to consider safety of personnel first. Don't allow any of your people to use any of the bonehead methods I noted above. Secondly, assess your operation so that you address the operational conditions like:

- Number and type of turnouts
- Track grade
- Amount and layout of track
- Distances traveled and
- Pickup and delivery of cars by the serving railroad

As always, Tealinc stands ready to employ our many years of experience and varied talents in the railroad industry to work for you.

*Steve Christian is the Manager Value Creation-Operations for Tealinc, Ltd. You may contact Steve directly in his Colorado office at (719) 358-9212 or via email at [steve@tealinc.com](mailto:steve@tealinc.com).*



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**U.S carloads up 2.0% in  
June 2018 compared to  
June 2017**

**Petroleum & petroleum  
products, crushed stone,  
sand & gravel, chemicals  
experienced a gain in  
June 2018 compared to  
the same period last year**

**“Rail traffic in June was  
consistent with a  
healthy economy”- John  
T. Gray, AAR senior VP  
of policy and economics**

**Total combined U.S.**

#### Railroad Traffic

The Association of American Railroads (AAR) today [July 4, 2018] reported U.S. rail traffic for the week ending June 30, 2018, as well as volumes for June 2018.

U.S. railroads originated 1,080,769 carloads in June 2018, up 2.0 percent, or 21,098 carloads, from June 2017. U.S. railroads also originated 1,159,973 containers and trailers in June 2018, up 6.3 percent, or 68,689 units, from the same month last year. Combined U.S. carload and intermodal originations in June 2018 were 2,240,742, up 4.2 percent, or 89,787 carloads and intermodal units from June 2017.

In June 2018, 14 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with June 2017. These included: petroleum & petroleum products, up 7,411 carloads or 19.7 percent; crushed stone, sand & gravel, up 7,276 carloads or 7.1 percent; and chemicals, up 4,608 carloads or 3.7 percent. Commodities that saw declines in June 2018 from June 2017 included: coal, down 9,396 carloads or 2.7 percent; nonmetallic minerals, down 3,552 carloads or 18.8 percent; and waste & nonferrous scrap, down 618 carloads or 3.8 percent.

“Rail traffic in June was consistent with a healthy economy,” said AAR Senior Vice President of Policy and Economics John T. Gray. “In June, 14 of the 20 commodity categories the AAR tracks each month saw carload gains — the third straight month in which at least 14 categories were up. That’s the longest such streak since late 2014. Meanwhile, record intermodal volume for June speaks to the high value proposition that rail customers associate with intermodal service. For now, things are looking good for the railroads and the economy despite the many threats, such as a potential trade war, that could bring change quickly.”



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**traffic for the first 26 weeks of 2018 was 13,900,971 carloads and intermodal units, an increase of 3.7 percent compared to 2017**

**Trade tariffs are hammering homebuilders with higher materials prices**

**Rising costs of building materials, including higher cost of labor and land, are becoming the biggest challenges for the nation's homebuilding sector**

Excluding coal, carloads were up 30,494 carloads, or 4.3 percent, in June 2018 from June 2017. Excluding coal and grain, carloads were up 25,979 carloads, or 4.2 percent.

Total U.S. carload traffic for the first six months of 2018 was 6,747,414 carloads, up 1.3 percent, or 87,169 carloads, from the same period last year; and 7,153,557 intermodal units, up 6.0 percent, or 405,633 containers and trailers, from last year. Total combined U.S. traffic for the first 26 weeks of 2018 was 13,900,971 carloads and intermodal units, an increase of 3.7 percent compared to last year.

Visit the AAR at: <https://www.aar.org/news/rail-traffic-for-june-and-the-week-ending-june-30-2018/>

#### Industrial Inside

Higher interest rates aren't the only thing pushing up new home costs. Billions of dollars in tariffs on imported lumber, steel and other building materials are adding thousands of dollars to the price of new North Texas homes.

Rising costs of building materials — including higher cost of labor and land — are becoming the biggest challenges for the nation's homebuilding sector. That is especially true for builders in Dallas-Fort Worth, where at least 32,000 new homes are expected to be built this year — more than any other U.S. metro area.

"All these tariffs are adding up to major increases for us," said Dallas custom homebuilder Jeff Dworkin. "It's hard to even guess right now what your lumber prices are going to be for a job. Lumber companies are only giving us 30 days' notice at best to rising prices."

Lumber is the biggest component of a new home. An average house last year had more than \$60,000 in wood products. Since early last year, lumber costs have shot



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**Lumber costs have increased more than 60%**

**Higher steel prices caused by recent trade tariffs are also impacting builders**

**Builders and designers are looking for alternatives to quartz countertops imported from China due to the tariff threats**

**New home prices in the Dallas-Ft. Worth area are**

up by more than 60 percent. That's added almost \$9,000 to the price of an average new home, according to the National Association of Home Builders.

Much of that lumber price increase is from the Trump administration's recently imposed 20 percent tariff on Canadian lumber and softwood products. Higher steel prices caused by recent trade tariffs are also hammering builders, said Robert Dietz, chief economist of the builders association.

"Steel prices affect multifamily, single-family construction and remodeling, as well as appliances and components," Dietz said. "Tariffs acts as a tax on homebuyers and renters by increasing the cost of building and improving housing." Mid-Continent Nail, the nation's largest manufacturer of nails used in building, recently said it is laying off dozens of workers at its plant and may shut down altogether by Labor Day because of the 25 percent tariff on steel from Mexico and Canada and builders and designers are scrambling to find alternatives to popular quartz countertops because of threats of tariffs on those products imported from China.

"For a couple of years, the big concern with builders was all about labor," said Ted Wilson, principal with Dallas-based housing analyst Residential Strategies Inc. "This year, it's been all about materials prices.

"If you combine that cost increase along with the move in the 30-year mortgage rate, that exact same house you were buying at the first of the year, the monthly payments are now about 10 percent higher," Wilson said. "The consumer is already trying to digest these higher payments from materials and interest rates."

Wilson said homebuilders in North Texas were already running into price resistance from buyers before this year's production cost increases. New home prices in the D-FW area are at a record level — about \$100,000 more than a



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**at a record level of  
\$100,000 more than the  
median-priced  
preowned home**

**Fed should not raise  
interest rates just  
because second-quarter  
GDP growth may surge  
– James Bullard**

**“Strong economic  
growth rate expected in  
the second quarter is not  
an argument for tighter  
federal reserve interest-  
rate policy”- St. Louis  
Fed President James  
Bullard**

**Bullard is one of two  
officials on the central**

median-priced preowned home.

**Read the entire article at: <https://www.dallasnews.com/business/real-estate/2018/06/29/trade-tariffs-hammering-homebuilders-higher-materials-prices>**

#### Financial Focus

A super-strong economic growth rate expected in the second quarter is not an argument for tighter Federal Reserve interest-rate policy, St. Louis Fed President James Bullard said Thursday [June 28, 2018]. Some economists suggest the U.S. economy could top 5% growth in the period running from April to June, the highest rate in 15 years.

In a press conference with reporters following a speech in St. Louis, Bullard said the surge in growth is likely to be temporary and the economy's growth rate will likely be on a downward trend in 2019 and 2020.

So the Fed should not react with a “permanent rate hike” to a “temporary” increase in output, Bullard said. The strong second quarter is also flattered by the quirks in the GDP data that continue to depress growth in the prior quarter. So the best way to view the second-quarter is to average it with the 2% growth seen in the first quarter, he said.

Bullard is one of two officials on the central bank that have been calling on the Fed to be cautious about hiking rates further. The Fed's benchmark rate, now in a range of 1.75%-2%, is close to neutral, neither stimulating or dampening growth, he said. Most other Fed officials think neutral is closer to 3%. The median forecast of Fed officials is for two more rate hikes this year. Bullard said he thinks the Fed's benchmark rate is “in a good position.”

“We're in a good place. Maybe we don't need to do very much,” he said.



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**bank calling on the feds  
to be more cautious  
about raising rates  
further**

Bullard said he didn't want the Fed to hike rates along a preconceived path. Instead, the Fed should react to the incoming data. The St. Louis Fed President noted that market-based inflation measures remain "muted."

Read the full article at: <https://www.marketwatch.com/story/fed-should-not-raise-interest-rates-just-because-second-quarter-gdp-growth-may-surge-bullard-2018-06-28>

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*We look forward to earning your business!*

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**Transportation  
Consulting**

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