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Compliance with U.S. customs & border protection would require CSX to begin manifesting railcars returning to the U.S. with residue – primarily tanks cars and covered hoppers.

CBP threshold for the reporting of empty residue cars returning to the U.S. is 7% or less of the car UMLER capacity.

STB announced adoption of final mediation and arbitration rules aimed at helping

Railroad & Policy Updates

CSX reported in its May 2013 newsletter that it is anticipated that in late May (2013) Customs and Border Protection (CBP) will publish their final ruling that would require the reporting of empty rail cars returning to the United States that contain residue. This ruling will call for a 60- 90 day informed compliance period that would require CSX to begin manifesting and reporting empty railcars returning to the United States from Canada that contain residue of the original loaded product. CSX has initially identified two specific car types (Tank cars and Covered Hoppers) that will be targeted for compliance with CBP.

Currently, empty residue shipments have been allowed to return to the United States without any manifest reporting to CBP and in most cases the cars have been automatically reverse routed by CSX without any customer involvement. When this informed compliance period begins empty railcars containing residue must be manifested and reported to CBP electronically.

In order to comply with CBP's ruling, Customers who are involved in the movement of empty railcars returning to the United States from Canada will be required to submit an empty Bill of Lading to CSX that must include the estimated weight of the residue product as well as other required shipment information as identified in the Trade Act of 2002. Most importantly the actual shipper and consignee as well as identifying the product last contained in the loaded movement.

CBP has established a threshold for the reporting of empty residue cars returning to the United States at 7% or less of the car UMLER capacity of the railcar. Shipments that fall within this threshold will not require broker filing/entry and CBP will issue a release to affect border crossing.

Shipments that exceed the 7% threshold will require a broker on the billing to CSX and the broker will be required to make broker entries on behalf of the shipper.

CSX will be providing more specific requirements and instructions to their customers prior to the actual implementation of this informed compliance period with CBP.

Read the entire article at:

<http://newsletters.csx.com/?fuseaction=newsletter.ebiz-detail&i=7728#WSC44323>

STB Establishes New Arbitration Program to Help Resolve Railroad/Shipper Disputes

The Surface Transportation Board (STB) May 13 announced it adopted final mediation and arbitration rules that establish a new arbitration program aimed at helping shippers and railroads voluntarily arbitrate certain types of disputes with clearly defined liability limits.

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**Functioning
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**Having operational
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The changes to existing mediation rules establish procedures through which the STB can order parties to participate in mediation in certain types of disputes on a case-specific basis.

The adopted rules reflect the board's attempt to facilitate alternative dispute resolution in lieu of formal agency proceedings, wherever possible, STB members said in a press release. Board members believe the new program will be more useful to both shippers and railroads by providing a dispute resolution process that's less time-consuming, expensive and adversarial than the formal adjudicatory process.

"Changes to the arbitration rules are intended to consolidate and simplify formerly separate arbitration procedures and to encourage greater use of arbitration," STB members said. "In the new rules, the board identifies specific types of disputes eligible for the new arbitration program and establishes clear limits on monetary amounts in controversy."

The program adoption follows the board's August 2010 decision to obtain and analyze public input on ways to increase the use of mediation and arbitration, a March 2012 notice of proposed rulemaking and a late 2012 review of testimony provided at an August 2012 public hearing.

Read the entire article at:

<http://www.progressiverailroading.com/prdailynews/news.asp?id=36186>

Mechanical Brief with Steve Christian

I have managed many shop operations over the years. I always put great emphasis on having sanders on both locomotives and trackmobiles that had full sand boxes and working sanders. I learned at an early age how much they contributed to safe and efficient switching operations.

My first railroad job was at Roundhouse Laborer on the third shift while I was still in high school. The most difficult task was involved with locomotive traction sand. I would shovel sand out of a company owned boxcar into a wheel barrow and run it down a ramp into the sand house which was adjacent to the track. If the sand was completely dry, I would dump it into a tank that was located below grade, apply a threaded cover, and then apply air pressure to blow the sand into overhead sand towers for filling the sand box on locomotives.

If the sand happened to be wet, the process was more involved. I had to dry the sand before putting it in the underground tank. To dry the sand, we had a coal fired stove surrounded by what I can only term "as large steel funnel with holes in it." I would get a red hot stove going and then shovel the wet sand from the wheel barrow up into the funnel. The lift was about shoulder level. As the sand dried, it would fall through the holes in the funnel onto the concrete floor. I would then shovel it into the sand tank. It was a very tedious and quite vigorous process. Of course, that was in the stone ages of railroading.

between moving heavy loads or just spinning the wheels, moving any load in inclement weather or on oil and stopping in an emergency

Sanders that are defective must be repaired as soon as they are reported! Not doing so puts your personnel and equipment at unnecessary risk.

AAR reports mixed rail traffic for April 2013

Things are much more efficient now on the Class I railroads. However, industrial switching operations still use less efficient means of getting sand into their locomotives and trackmobiles. Most, that I am aware of, take a pallet of dry bagged sand and hoist it up near the sand box inlets and manually empty each bag into the sandboxes. Because of the hassle involved, your switching personnel may not want to wrestle with sand bags and just get by without sanders. Don't give them the option!

Why is it so important to have sand and sanders available for the engineer to use?

1. It can mean the difference between moving heavy loads or just spinning the wheels on the rail and creating rail burns.
2. In slick conditions (rain, sleet, snow, oil spills, product spills, etc.) it can mean the difference between moving even light loads.
3. In emergency situations, it can mean the difference between stopping just in time or causing an accident that causes personal injury and/or property damage.

Of course, your sand boxes can be full of sand but if the delivery systems (the sanders) are not working, they will not have any benefit in any of these situations. Sanders that are defective must be repaired as soon as they are reported! Not doing so puts your personnel and equipment at unnecessary risk. Sanders are not complicated. The sand boxes drop sand (by gravity) into a sand trap. When the engineer applies the sander valve on the control stand, compressed air forces the sand out of the trap and down a hose so that a nozzle can deposit it onto the rail in front of the wheel. There are various variations of the equipment but all of it is fairly simple and the parts are readily available. Don't risk your employees and equipment, demand that the sand boxes are filled and the sanders work!

Let Tealinc's knowledge and experience work for you.

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Railroad Traffic

The Association of American Railroads (AAR) May 2, 2013 reported that U.S. monthly rail traffic showed mixed results in April 2013, and traffic was also mixed for the week ending April 27, 2013.

Intermodal traffic in April 2013 totaled 962,019 containers and trailers, up 1.6 percent (15,053 units) compared with April 2012. April's weekly average of trailers and containers, 240,505, was the highest for any April in history.

Carloads originated in April 2013 totaled 1,108,722, down 0.4 percent (4,640 carloads) compared with the same month last year.

Nine of the 20 major commodity categories tracked on a monthly basis by AAR saw year-over-year increase in April 2013 over April 2012.

The biggest carload increase in April included petroleum and petroleum products, crushed stone, gravel and sand, motor vehicles and parts, and coke.

April's weekly average for grain and coal carloads was the lowest.

Nine of the 20 major commodity categories tracked on a monthly basis by AAR saw year-over-year increases in April 2013 over April 2012. Commodities with the biggest carload increases in April included petroleum and petroleum products, up 46.4 percent or 17,524 carloads; crushed stone, gravel and sand, up 11.5 percent or 8,959 carloads; motor vehicles and parts, up 5.9 percent or 3,868 carloads; and coke, up 10.1 percent or 1,359 carloads.

Commodities with carload declines April 2013 included grain, down 17.1 percent or 13,511 carloads; metallic ores, down 26.5 percent or 8,605 carloads; primary metal products, down 8.1 percent or 3,583 carloads; and coal, down 0.7 percent or 3,086 carloads.

April's weekly average for grain carloads, 16,345, was the lowest weekly average for grain for any month on record (AAR data go back to 1988). The weekly average for coal carloads, 106,679, was the lowest weekly average for coal for any month since July 1993.

Carloads excluding coal and grain were up 2 percent (11,957 carloads) in April 2013 over April 2012.

Canadian railroads (including their U.S. operations) originated 329,208 carloads in April 2013, an average of 82,302 carloads per week. That is up 2.9 percent, or 9,306 carloads, over April 2012 and is the second-highest weekly carload average for any month since 1996 for Canadian railroads.

Canadian intermodal volume in April 2013 was up 2.1 percent, or 4,459 containers and trailers, over April 2012 to 215,607 units. The weekly average of 53,902 units in April 2013 was the highest for any April in history and the third-highest for any month in history for Canadian railroads.

“Coal and grain carloads remain depressed, but by and large rail traffic in April was consistent with an economy that's continuing to grow, albeit slowly,” said AAR Senior Vice President John T. Gray. “There's nothing in the traffic data to indicate that a sharp economic slowdown is imminent. On the other hand, there's nothing to indicate that a dramatic uptick in economic growth is imminent either.”

Combined North American rail volume for the first 17 weeks of 2013 on 13 reporting U.S., Canadian and Mexican railroads totaled 6,269,706 carloads, down 1 percent compared with the same point last year, and 5,078,173 trailers and containers, up 4.2 percent compared with last year

Visit the AAR at:

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Pages/2013-05-02-railtraffic.aspx>

Industrial Inside

A crude oil supply shockwave created by a surge in North American oil production will be as transformative to the worldwide market over the next five years as was the rise of Chinese demand over the past 15 years,

North American crude oil production sends supply shockwave through worldwide market, IEA says

“The technology that unlocked the bonanza in places like North Dakota can and will be applied elsewhere.”

Federal Reserve Chairman Ben Bernanke warns against hitting the brakes too soon

according to a report released May 14 by the International Energy Agency (IEA).

The agency's annual "Medium-Term Oil Market Report" states the shift will not only cause oil companies to overhaul their global investment strategies, but also reshape the way oil is transported, stored and refined.

The effects of continued growth in the North American supply — led by U.S. light oil and Canadian oil sands production — will cascade through the global oil market, the report states.

"Although shale oil development outside North America may not be a large-scale reality during the report's five-year timeframe, the technologies responsible for the boom will increase production from mature, conventional fields, causing companies to reconsider investments in higher-risk areas," IEA officials said in a press release.

European refiners will see no let-up from a squeeze caused by increasing U.S. exports, and new Asian and Middle Eastern refiners. Having helped offset record supply disruptions in 2012, North American supplies are expected to continue to compensate for declines and delays elsewhere, but only if necessary infrastructure is put in place, the report states.

"North America has set off a supply shock that is sending ripples throughout the world," said IEA Executive Director Maria van der Hoeven. "The good news is that this is helping to ease a market that was relatively tight for several years. The technology that unlocked the bonanza in places like North Dakota can and will be applied elsewhere, potentially leading to a broad reassessment of reserves."

Read the entire article at:

<http://www.progressiverailroading.com/prdailynews/news.asp?id=36185>

Financial Focus

"A premature tightening of monetary policy could lead interest rates to rise temporarily, but would also carry a substantial risk of slowing or ending the economic recovery and causing inflation to fall further," the Federal Reserve Chairman told the U.S. congressional Joint Economic Committee on May 15, 2013.

The Federal Reserve has kept its key short-term interest rate near zero since December 2008, and expects it to stay there for a "considerable time" as the recovery strengthens, Bernanke said.

The central bank is also engaged in a controversial stimulus policy known as quantitative easing, in which it buys \$85 billion a month in mortgage-backed securities and Treasury bonds. The policy is intended to reduce long-term interest rates, and thereby stimulate the economy through various channels.

Low mortgage rates, for instance, have played a key role in the housing recovery, allowing some homeowners to refinance and giving buyers an

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The Fed is aiming to keep short-term interest rates near zero until the unemployment rate falls to 6.5% or inflation exceeds 2.5% a year.

The minutes showed that central bank officials are re-evaluating their strategy to eventually wind down the entire stimulus program.

incentive to purchase a home, Bernanke said.

The housing recovery has also boosted construction and real estate jobs, he noted. Since 2011, those two industries have added about 416,000 jobs, according to the Bureau of Labor Statistics.

It's unclear, though, how effective the policy has been in healing the job market overall. The economy lost 8.7 million jobs in the aftermath of the financial crisis, and has since gained only about 6.2 million jobs back.

As of April, the unemployment rate was 7.5% -- an improvement from its high of 10% during the financial crisis, but still well above its pre-recession level. Just six years ago, the unemployment rate was at 4.5%.

Bernanke cited his concerns about not just unemployment, but also underemployment. About 8 million people are working part-time even though they would prefer full-time work.

"High rates of unemployment and underemployment are extraordinarily costly," Bernanke said.

Meanwhile, quantitative easing is credited for stoking stocks to record highs. Some critics, including hawkish members of the Fed, also blame it for fueling bubbles in other assets, including junk bonds and farmland.

Bernanke reiterated May 15 that the Fed is closely watching for indications of financial instability, including signs that low interest rates may spur investors to "reach for yield" and turn to riskier assets.

The Fed is aiming to keep short-term interest rates near zero until the unemployment rate falls to 6.5% or inflation exceeds 2.5% a year. By the Fed's own forecasts, that scenario is not likely to happen until at least 2015.

The Fed expects to wind down quantitative easing before then, but the timing is not yet clear. Fed watchers have recently been parsing every word out of officials' mouths for hints. Bernanke offered few clues in his testimony May 15, but Fed minutes released later in the afternoon mentioned that some members would like to start tapering QE as soon as next month.

"A number of participants expressed willingness to adjust the flow of purchases downward as early as the June meeting," the minutes from the April 30-May 1 meeting said.

The minutes also showed that central bank officials are re-evaluating their strategy to eventually wind down the entire stimulus program, just as Bernanke and New York Fed President William Dudley have suggested. That time still appears to "be well into the future," the minutes said.

Learn more at:

http://money.cnn.com/2013/05/22/news/economy/bernanke-premature-tightening/index.html?iid=SF_BN_River

The Edge

The BNSF Demurrage Book (BNSF 6004-B) consolidates demurrage, private railcar storage and hazardous charges and storage rules into one reference location. The Demurrage Book applies to various carload and unit train applications. It covers rail-controlled equipment as it applies to the modified straight plan, straight plan and averaging for cars held for loading, unloading and purposes other than loading and unloading. It also covers private equipment storage for cars held for initial placement on private tracks, cars held for loading or unloading on rail-controlled tracks or team tracks and cars held for purposes other than loading, unloading or initial placement. It also has rules and definitions for assigned car storage, snapshot demurrage, shuttle train rules, unit train rates, cars containing explosives or hazardous materials and power and crew release rules and charges. In all the BNSF Demurrage Book contains 38 pages of rules.

CSXT consolidates their demurrage and private cars storage rules in CSXT 8100. It covers much the same structure as BNSF does but seems simpler in its written language. Albeit more clearly written it's still 28 pages of description that must be read carefully.

The other Class I railroads of CN, CP, KCS, UP and NS have similar demurrage and private railcar storage structures in place that require much reading, analyzing, and interpretation for application in each shipper or receivers individual scenarios.

There seems to be a process for demurrage and/ or private car storage in the shipping community that follows a series of processes that ultimately lead to the best alternative to each individual shipper or receiver.

Discovery. This stage is the introduction of the shipping community to demurrage and/or private railcar storage. It is usually accompanied by a very large bill for demurrage or private car storage.

Contention. This stage is where the shipping community realizes that railcar records are important and those that keep good records often have some basis of argument for reduction of demurrage or car storage bills. Shippers and receivers that don't have good records proceed with anecdotal arguments, sometimes successfully sometimes not.

Action. This stage is often divided into two categories. Category one (Action stage), we term the scream and shout category. It is often not a successful strategy. Category two, we term factual discovery. Under factual discovery a shipper or receiver begins to track events that cause demurrage or private car storage bills. These events include number of railcars ordered at a time versus those that are delivered against orders, pipeline reports of empty and loaded cars destined to a facility in comparison to the facilities physical track capacity and capability, private railcars in a fleet makeup versus shipment requirements and seasonality, etc.

Planning & Implementation. This stage is the stage, in which Category two folks, take their data and devise and implement a plan with measurable and predicted outcomes that are intended to reduce demurrage and private car storage cost impacts. The planning stage may include items such as better shipment timing and reporting to increase visibility of shipments or receipts of railcars, leasing private track, or floating track leases with railroads, reconfiguring handling, loading, offloading, or storage facilities, potentially negotiating agreements with railroads or any number of items all done with the intention of reduction of demurrage and private car storage exposure.

Measure and Adjust. The last stage is to continuously measure and adjust the plan as it relates to the impact you have on your demurrage and private car storage in relation to your shipment requirements. At this point the process is iterative plan-measure-adjust. To do it over again until

you've determined you're meeting your shipment or receiving requirements with the least amount of demurrage or private car storage expenses.

Demurrage and private car storage charges are expensive and often overlooked or ignored. To successfully reduce your exposure to them they must be proactively managed.

We look forward to earning your business!