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Touchbase

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Transportation services index made strides in March

Railroad & Policy Updates

The Transportation Services Index (TSI) in March rose 1.2 percent from February's level to 117.1, according to the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS). On a year-over-year basis, the index climbed 2.5 percent.

The Freight TSI increased 1.6 percent from February's level to 116.7. The measure of month-to-month changes in the output of for-hire rail, trucking, inland waterway, pipeline and air freight firms also rose 3 percent compared with the March 2013 index, and was only 0.8 percent off the record Freight TSI set in November 2013.

"The March increase in the freight index reflected growth in all modes except pipeline. Trucking and rail intermodal grew most rapidly," BTS officials said in a press release. "March was the second month in a row that trucking and rail intermodal were the fastest growing modes."

The Passenger TSI in March ratcheted up 0.3 percent from February's level to 117.7 and increased 1.2 percent from March 2013's mark. The index measures month-to-month changes in the output of air, local transit and intercity rail service providers.

In the first quarter, the TSI dipped 0.3 percent, Freight TSI slipped 0.2 percent and Passenger TSI declined 0.5 percent compared with the same 2013 period.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=40448&email=julie@tealinc.com

Manage your railcar maintenance

Mechanical Brief with Steve Christian

One of my primary duties with Tealinc is overseeing the mechanical health of many of our customer's railcars and the railcars in the Tealinc fleet. These duties involve dealing with Class I railroads, shortline railroads, regional railroads, and mechanical contractors. I set up preventive maintenance programs, generate repair procedures, handle all Equipment Health Monitoring System issues, negotiate rates with contractors, and audit all repair bills. While all mechanical repair facilities are bound by the rules of the Association of American Railroads, the approach to applying those rules varies greatly between railroads and contract shops. It also varies greatly from railroad to railroad.

Contract shops are generally very thorough when it comes to inspecting railcars. Railcar repairs are their bread and butter so, they inspect closely that way they can get as many repairs as they can while the car is in the shop. They are also tuned in to preventive maintenance that will save the customer by performing repairs a little prematurely at less than railroad (AAR) rates. Performing repairs early, when they are in a contract shop, will also save you out of service time later when the repair would be a necessity.

Railroads, on the other hand, can only perform repairs to their customer's railcars when they meet the "Cause for Attention" criteria as set forth by the AAR Interchange rules. One would think that as soon as a railroad inspector finds a repair as necessitated by a "Cause for Attention" criteria as set forth in the AAR Interchange Rules, the railcar would be switched out and sent to the railroad shop or Rip track and the repair made. However, it is not always that simple.

Contract shops generally very thorough when it comes to inspecting railcars

I was at a customer's loading facility recently and noticed a Home Shop Card placed on a car by a Class I railroad for a loose side frame column wear place bolt. The car was inspected at a 1,000 mile inspection point and rather than sending the car to the local Rip (repair track) they put a "Home Shop" card on it and sent it on for the car owner to take care of it. This customer confirmed that it is standard practice for this Class I to place "Home Shop" cards on the cars for most routine repairs.
In contrast to that Class I's actions (or inactions), I traced another customer's equipment and found one of their cars bad ordered for the very same defect (loose column wear plate bolt). However, this railroad sent the car to their Rip track for repairs.

Another contrast between Class I's that really bothers me, is in the handling of defective wheels. There are two Class I railroads that I am aware of that will actually "Home Shop" cars rather than moving them to their Rip Track for wheel change-out. Sometimes these cars run this way for several cycles before the wheel is caught and changed out by a contract shop. This practice seems insane to me but I know it happens with regularity.

Railroads can only perform repairs to their customer's railcars when they meet the "Cause for Attention" criteria as set forth by the AAR Interchange rule

In direct contrast to that, I know of two other Class I railroads that are fanatical that all wheel defects are caught and the car has the wheel changed out immediately. One of those railroads employs their own forces plus contractors to identify defective wheels during 1,000/1,500 mile inspections and the wheels changed at the inspection point. The second railroad has beefed up their own wheel change out capabilities with upgraded facilities and equipment.

These are only a couple of examples of the differences between the various entities that will participate in the process of maintaining your railcars. While it seems like a complicated and confusing mess, when done correctly and efficiently you can manage the process. Tealinc has the experience, knowledge and talent to get you there.

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Railroad Traffic

The Association of American Railroads (AAR) reported on May 5 increased U.S. rail traffic for April 2014, with both carload and intermodal volume

AAR reports increased traffic for April 2014

increasing compared with April 2013. Intermodal traffic in April totaled 1,316,176 containers and trailers, up 9 percent (108,485 units) compared with April 2013, and the 53rd-consecutive year-over-year monthly increase for intermodal volume. The weekly average of 263,235 intermodal units on U.S. railroads in April 2014 was easily the highest for any April in history and was the second highest for any month in history.

Meanwhile, U.S. carload originations totaled 1,481,586 in April 2014, up 6.4 percent (88,801 carloads) over April 2013. Fourteen of the 20 commodity categories tracked by the AAR each month saw year-over-year carload increases in April. Commodities with the biggest carload increases included coal, up 34,502 carloads, or 6.4 percent; grain, up 22,683 carloads, or 27.6 percent; crushed stone, sand and gravel, 10,194 carloads, or 9.5 percent; and petroleum and petroleum products, up 5,316 carloads, or 7.6 percent.

Commodity categories with carload declines last month included metallic ores, down 8,408 carloads, or 27 percent; and food products, down 972 carloads, or 3 percent.

Commodities carload increases coal, grain, crushed stone, sand and gravel, and petroleum and petroleum products

Excluding coal and grain, carloads were up 31,616 carloads, or 4.1 percent in April, the biggest such percentage increase in six months.

"April was a good month for rail traffic, as carload and intermodal volume rebounded from disappointing winter months," said AAR Senior Vice President John T. Gray. "As is the case for a number of economic indicators that have shown recent improvement, the key question is how much of the rail traffic increase in April represents a catch-up from the winter and how much is a sign of stronger underlying growth. It's probably some of both."

Visit the AAR at:
https://www.aar.org/newsandevents/Freight-Rail-Traffic/Pages/2014-05-08-railtraffic.aspx#.U3Ek1YFdUoM

Industrial Inside

Although strong year-over-year price growth continued in most metropolitan areas in the first quarter, increases were somewhat smaller, according to the latest quarterly report by the National Association of Realtors®. A companion breakout of income requirements to purchase a median-priced home on a metro basis shows the typical buyer was in a good position to buy an existing home in many cities in the Midwest and South.

Home-price growth slows in many metro areas during first quarter

The median existing single-family home price increased in 74 percent of measured markets, with 125 out of 170 metropolitan statistical areas[1] (MSAs) showing gains based on closings in the first quarter compared with the first quarter of 2013. Thirty-seven areas, 22 percent, had double-digit increases, and 45 areas recorded lower median prices.

In the fourth quarter of 2013, price increases were recorded in 73 percent of metro areas from a year earlier, with 26 percent rising at double-digit rates, but 89 percent of markets were showing year-over-year gains in the first quarter of 2013.

Lawrence Yun, NAR chief economist, said the price trend is favorable. "The cooling rate of price growth is needed to preserve favorable housing affordability conditions in the future, but we still need more new-home construction to fully alleviate the inventory shortages in much of the country," he said. "Limited inventory is creating unsustainable and unhealthy price growth in some large markets, notably on the West Coast."

"Limited inventory is creating unsustainable and unhealthy price growth in some large markets…"

The national median existing single-family home price was $191,600 in the first quarter, up 8.6 percent from $176,400 in the first quarter of 2013. In the fourth quarter the median price rose 10.1 percent from a year earlier.

The median price is where half of the homes sold for more and half sold for less. Distressed homes[2] – foreclosures and short sales generally sold at discount – accounted for 15 percent of first quarter sales, down from 23 percent a year ago.

The five most expensive housing markets in the first quarter were the San Jose, Calif., metro area, where the median existing single-family price was $808,000; San Francisco, $679,800; Honolulu, $672,300; Anaheim-Santa Ana, Calif., $669,800; and San Diego, where the median price was $483,000.

The five lowest-cost metro areas were Youngstown-Warren-Boardman, Ohio, with a median single-family home price of $64,600 in the first quarter; Decatur, Ill., $69,600; Toledo, Ohio, $72,100; Rockford, Ill., $73,100; and Cumberland, Md., at $81,400.

…many smaller areas had some of the biggest changes in median price from a year ago

Yun notes many smaller areas had some of the biggest changes in median price from a year ago. "Prices in smaller areas tend to be a bit more volatile, with changes in the share of distressed sales affecting comparisons," he said. "In such cases, looking at the annual prices for those areas help to put it into perspective."

At the end of the first quarter there were 1.99 million existing homes available for sale, 3.1 percent above the first quarter of 2013, when 1.93 million homes were on the market. The average supply during the quarter was 5.0 months; it was 4.6 months in the first quarter of 2013. A supply of 6 to 7 months represents a rough balance between buyers and sellers.

Read the entire article at:
http://www.realtor.org/news-releases/2014/05/home-price-growth-slows-in-many-metro-areas-during-first-quarter

Financial Focus

Tired of getting raises that you can jangle in your pocket? This year may be different.

After stagnating for years, wage gains will accelerate in 2014, a wide

Economists see wages climbing in 2014

majority of leading economists predict in USA TODAY survey. The bigger paychecks should help fuel a more rapid recovery.

"This is kind of the final piece of the puzzle for the consumer," says Scott Anderson, chief economist of Bank of the West.

The 40 economists, surveyed May 2-6, also say economic and job growth will ratchet higher the rest of this year despite an economy that stalled in the first quarter.

Average wages have risen about 2% a year since the recovery began in mid-2009, and have been virtually flat after adjusting for inflation. The modest increases have held back consumer spending, which typically accounts for nearly 70% of U.S. economic activity.

But the jobless rate has been falling rapidly, to 6.3% from 8.1% in August 2012. Anderson is among economists who say that as unemployment approaches 6% by year's end, a more limited supply of available workers will force employers to step up pay hikes.

In April, average hourly earnings were up just 1.9% from a year ago. But pay for production and supervisory employees rose 2.3% during that period — a sign that wages will drift higher for all types of workers, says economist Michael Gapen of Barclays Capital.

The modest increases have held back consumer spending, which typically accounts for nearly 70% of U.S. economic activity

Wage pressures are already building in fields such as technology and construction as employers struggle to find skilled workers, says Stuart Hoffman, chief economist, of The PNC Financial Services Group.

But even low-wage employees could soon benefit from faster-growing paychecks. Since the Affordable Care Act lets workers buy moderately-priced insurance without having a full-time job, many retail, restaurant and other workers are likely to retire or scale back their hours, says Dean Baker, co-director of the Center for Economic and Policy Research. Employers, he says, will have to pay more to attract a smaller pool of remaining workers.

Anderson expects average pay increases of close to 3% this year. Robert Mellman of JPMorgan Chase forecasts more modest advances of about 2.2%.

The wage gains will likely coincide with stronger economic growth. The nation's gross domestic product expanded just 0.1% annualized in the first quarter, but much of the slowdown was temporary. Nearly 90% of the economists surveyed said bad weather affected the economy a lot or a fair amount the first three months of the year.

The economists predict the annual rate of GDP growth will be 3% or more in the current quarter and in the final two quarters of the year, according to their median estimate, the longest such stretch since 2005. They also say monthly job gains will average 210,000 in that period, up from an average 194,000 last year.

Nearly 90% of the economists

Michael Englund, chief economist of Action Economics, cites rising

surveyed said bad weather effected the economy a lot or a fair amount the first three months of the year

household wealth and lower debt, pent-up demand among businesses for new equipment and fewer federal budget cuts.

Learn more at:
http://www.usatoday.com/story/money/business/2014/05/11/wage-growth-accelerate/8766239/

The Edge

The Tealinc team has put on a few thousand miles this past few months visiting with customers, participating in consulting assignments, going to conferences, inspecting railcars and locomotives, and working maintenance plans for railcars and locomotives. The one common theme across all industries is the lack of railroad service and the impact on business processes, logistical planning, and execution and cash flow for many industries. Service shortfalls are rampant in most bulk commodity industries in which we work.

Railroads everywhere are working hard to resolve service issues as best they can. Hiring additional crews, leasing more locomotives, and making significant capital investments are leading their efforts. Railroads don't want the hassle of service issues any more than we do in the shipping logistics community. It's as much a major disruption to them as it is to us. The service issues can be attributed somewhat to natural causes, we did have an exceptionally cold, snowy, and long winter which impacts train operations significantly. However, winter happens in North America every year so one wonders why it's a surprise? I was taught the 6P principle, Proper Prior Planning Prevents Poor Performance. Utilizing this formula has generally resulted in favorable results. Railroads have a dilemma though that is sometimes contradictory to meeting all their goals. Stellar service, effective utilization of resources, and economic performance measures are sometimes at some places at odds with each other. Railroad spending on operating and capital resources is in the billions of dollars per year. These monies are all expected to general an acceptable operating ratio and return on capital. The Railroads must find a fine balance between stellar service and stellar economic results.

The two rail related service impacts that the shipping community feels from the lack of service. One is simply not having railcars available to load or unload when needed. Two is an increase in the amount of demurrage charges being assessed for bunched railcars at loading and/or unloading points. A company that has their own private (most likely leased) railcars in the loop stand a better chance of receiving railcars for product shipment than vying for railroad supplied equipment. Timing of bringing railcars into service though is very important. It's difficult to find acceptable railcars when there are service crisis in play as demand for certain railcar types is extremely high. As a logistic professional you too should apply the 6P principle. Addressing the second topic, demurrage charges, one has to be diligent in documenting railcar movement, railroad service, and most importantly shipment patterns. A shipper or receiver stands a chance at having demurrage bills reduced if they can document orders against fulfilment and railcar movement to unload points that are consistently have loads bunched for unloading.

Service challenges impact all of us and are difficult to work through. As a shipper do your part as well but don't be afraid to take on the railroad when you've done all you can to negate poor rail service.

We look forward to earning your business!