Touchbase JUNE 2015

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Tealinc hires railcar performance assistant

Understand Railinc OT-5 and ensure your private fleet is in compliance

Tealinc Update

Tealinc is pleased to announce that Theo Mink has been hired as Railcar Performance Assistant for Tealinc, Ltd. and will report direct to our Manager Value Creation – Railcar Performance Manager, Steve Christian. Theo will be responsible to create value for Tealinc customers by assisting with key railcar management duties including railcar repair invoice audits for both Tealinc assets as well as customer managed assets, equipment inspections, filing of OT-5 and assistance with other Railinc and trace functions.

Theo will split his time between our Nebraska and Colorado offices as well as time in the field. Welcome aboard, Theo!

Railroad & Policy Updates

If you load, receive and / or ship private railcars, you need to understand Railinc OT-5 and make sure you are in compliance. Following a conversation with a Class I railroad employee in charge of making decisions regarding OT-5 approval, I was informed that the railroads are becoming much stricter regarding OT-5 applications and approvals. The issue stems from the amount of private railcars on today's railroads and lack of storage options when the economy gets tough. Ideally, OT-5 should be submitted for every Class I movement including origin, destination and interchange. Not being in compliance with OT-5 can come with a hefty penalty as some Class I railroads have the right to reject a railcar for movement and assess a fine.

According to the Railinc website "The Loading Authority (OT-5) system provides a centralized, paperless process for submitting and approving Loading Authority (OT-5) applications. It is a web-based communication system that facilitates the potential placement of private freight equipment at specified loading locations on a railroad. Rail equipment must be approved for potential loading on a railroad as specified in the Association of American Railroads Circular OT-5 for Rules Governing the Assignment of Reporting Marks, Mechanical Designations and for the Use of Private Equipment, by submitting a Loading Authority (OT-5) application to the linehaul carrier for the loading location.

Additional features of the Loading Authority (OT-5) system include pre-authorization, which allows submitters to gain preliminary authorization for a Loading Authority (OT-5) application, and a web-based interface for approving and rejecting applications. In addition, the Loading Authority (OT-5) system supports data integrity by receiving automated updates from Railinc's Customer Identification File (CIF), the Centralized Station Master (CSM) and the Umler file.

In order to report applications via Railinc's Loading Authority (OT-5) system, your company must be assigned an identifier. Valid identifiers are an AAR-assigned reporting mark (ABCX) or a Railinc-assigned alphanumeric identifier. Companies that do not have an assigned identifier must request one. To apply, complete the form that best describes your company:

- Railroads use the Mark Application Form
- Private Marks (for example, private owners of freight equipment) use the Private Mark Questionnaire
- Shippers and Fleet Managers use the Railinc Onboarding application

The AAR Circular OT-5 is available on Railinc's website at **www.railinc.com**. Work with the private reporting mark owner to submit OT-5 for your private fleet

STB to Review Regulations in Grain Transportation and Revenue Adequacy

STB to review current grain rate regulations and railroad revenue adequacy

Announced May 12, 2015, the Surface Transportation Board (STB or Board) will hold two public hearings this summer in its review of both current grain rate regulations and railroad revenue adequacy. The hearing for Rail Transportation of Grain, Rate Regulation Review will take place on June 10, and the hearing for Railroad Revenue Adequacy will take place on July 22-23. The hearings will be held at STB headquarters in Washington, D.C., and will provide an opportunity for discussions on comments the Board received on these issues late last year.

The hearing on grain rates will explore making the STB's rate case process more accessible to grain shippers. Currently, shippers that believe they are being charged excessively high rates by their railroad can challenge those rates. Yet, despite concerns from grain shippers of high rates over the years, no such shipper has filed a rate complaint with the agency since 1981.

The revenue adequacy hearing will involve several issues including what it means for a railroad to be revenue adequate and how such a finding should impact regulation of the railroads' rates. The Board's predecessor, the Interstate Commerce Commission (ICC), declared that once a railroad has become revenue adequate, shippers should be able to challenge the railroad's rates. However, the ICC and the Board have never fully defined the process for challenging a rate on this basis.

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"I am pleased that the Board is taking the next step toward addressing these long-standing issues," said STB Acting Chairman Deb Miller. "The Board is long overdue in addressing the fact that no grain shipper has filed a rate case in over 30 years. And given how much the financial situation has improved for the railroad industry over the last 30 years, it is also time that the Board gave meaningful consideration to what it means for a railroad to be revenue adequate."

"Our stakeholders clearly answered our call for thoughtful and meaningful comments," stated Acting Chairman Miller, referring to public comments requested by the STB on these issues. "They raised many intriguing ideas and I look forward to being able to explore them further through a face-to-face dialogue."

“My hope is that the information that we gather from these hearings will ultimately lead to a package of proposals on a number of the issues that we have before us,” added Acting Chairman Miller.

Read the entire article:
http://www.railresource.com/content/?p=21602

Mechanical Brief with Steve Christian

Get to know your local service crew

Class I railroads and their customers have always had a curious relationship. Competition for the customer’s business is almost non-existent and the railroad behaves accordingly. In my early years in this industry, there always was a local presence in the freight agent at the nearest station. The freight agent was the face of the railroad to the local community. The agent probably had children in the local schools, attended church locally and belonged to local clubs. Whatever the case, there was always someone who you could communicate with to order cars, arrange pulls and hear your complaints and concerns.

Since those days, mega-mergers, technology advancements and sharp declines in railroad employment have eliminated most of the local contact with the railroads. You are instructed to use a website or talk with a contact that may be 1,000 miles or more away. Personal contact by a railroad sales representative has become very rare, even if you are a fleet manager in a corporate office. It appears that personal relationships are a thing of the past when it comes to railroads.

Many railroad customers have given up and just put up with the poor communication. Others, however, have found other ways to get the personal attention that was once there. I know of one shipper who has a regular railroad switch crew that serves their plant. They make sure that they have someone watch for them when they drop off cars. They make a point to visit with them and express their wants and needs at that time. They also ask what they can do to help the switch crew. Eventually they are on a first name basis with them. It’s also amazing what a dozen donuts, some company trinkets or even a Christmas card will do. The cost is minimal and the benefits are well worth it.

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Regardless of where your plant/facility is located, there is a Trainmaster or Assistant Trainmaster who is in charge of that territory. Find out who that is and get their contact information. Eventually, you will be on a first name basis with him/her. Take time out to visit the Trainmaster at his/her office and include lunch. The Trainmaster’s office is often next to the switch crew locker room, so be sure to drop off some donuts or trinkets (ball caps are always popular). Trainmasters control the local crews and control operations in their territory. Eventually you may even get to meet the Division Superintendent. If you get that opportunity you should take full advantage of it. The Division Superintendent is the most senior official for a substantial share of the railroad. Other contacts are also useful and should be cultivated if available. One of my favorites is the local General Car Foreman. He is in charge of railcar inspection and repairs for his division. If you have cars stuck on a railroad repair track, he can get it moving.

All of this seems pretty bizarre to those outside the railroad industry. Doesn't the customer need to be catered to? Usually, yes. But not when it comes to railroads. They are in a unique position of control over the customer-vendor relationship. Deregulation was going to help that situation. However, I don't believe it has. That being said, your best means of getting what you need from the railroads is to establish and maintain those personal relationships. Personal relationships with the local folks can also lead to better relationships with the corporate headquarters contacts.

Personal relationships with the local folks can also lead to better relationships with the corporate headquarters contacts

Tealinc stands ready to apply our varied and extensive experiences and talents to work for you.

*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

AAR reports carload traffic decline for April 2015

The Association of American Railroads (AAR) reported [May 6, 2015] weekly U.S. rail traffic, as well as volumes for April 2015 and the first four months of 2015.

Carload traffic in April totaled 1,403,044 carloads, down 5.3 percent or 78,712 carloads from April 2014. U.S. railroads also originated 1,383,314 containers and trailers in April 2015, up 5.1 percent or 67,153 units from the same month last year. For April 2015, combined U.S. carload and intermodal originations were 2,786,358, down 0.4 percent or 11,559 carloads and intermodal units from April 2014.

Just five of 20 carload commodities saw year over year carload increases from 2014

In April 2015, just five of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with April 2014. This included metallic ores, up 43.3 percent or 9,838 carloads; grain mill products, up 2.3 percent or 1,124 carloads; and motor vehicles and parts, up 0.8 percent or 733 carloads. Commodities that saw declines in April 2015 from April 2014 included coal, down 11.1 percent or 63,306 carloads; primary metal products, down 16.9 percent or 9,256 carloads; and grain, down 3.7 percent or 3,910 carloads.

Excluding coal, carloads were down 1.7 percent or 15,406 carloads in April 2015 from April 2014 and when both coal and grain are excluded, U.S. carloads were down 1.4 percent or 11,496 carloads last month.

Total U.S. carload traffic for the first four months of 2015 was 4,770,126 carloads, down 1.4 percent or 68,367 carloads, while intermodal containers and trailers were 4,401,912 units, up 1.6 percent or 69,588 containers and trailers when compared to the same period in 2014. For the first four months of 2015, total rail traffic volume in the United States was 9,172,038 carloads and intermodal units, up 0.01 percent or 1,221 carloads and intermodal units from the same point last year.

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quarter GDP growth was just 0.2 percent. Based on rail traffic in April, we aren't seeing a surge in economic activity to start the second quarter," said AAR Senior Vice President John T. Gray. "Railroad coal traffic is suffering from reduced electricity generation from coal and lower coal exports, while rail volumes for a number of other commodities are down due to general economic weakness. We hope that turns around. Intermodal, on the other hand, is doing very well, as large intermodal-related investments and service improvements are paying off with record volumes."

Visit the AAR at:
https://www.aar.org/newsandevents/Press-Releases/Pages/2015-05-06-railtraffic.aspx

Industrial Inside

Housing starts jump to highest level since 2007

Home building across the nation accelerated in April [2015], far exceeding expectations and suggesting that the economy was getting back on track after overall growth ground to a halt during the first quarter of the year.

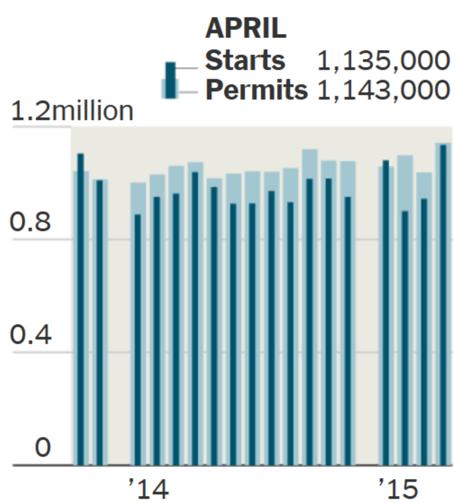
Home construction in April rose 20.2 percent over March to a seasonally adjusted annual rate of 1.135 million, the highest number since 2007 and the biggest percentage jump in almost 24 years, the Commerce Department said on May 19, 2015.

The sunny report wiped out a particularly dismal showing in March and offered a measure of optimism for a housing market that has been slow to recover since the recession.

But most economists were cautious in their reading of the month's data, seeing it as a sign that the housing market was simply returning to a more normal state after the cold and snowy start to the year that kept many builders from breaking new ground.

In Manhattan's financial district, hiring has rebounded and vacancy rates have fallen since the financial crisis began.

Housing data is always volatile, subject to weather and labor supplies. But numbers from the past year echo the trends of the overall economy, which has maintained a slow upward trajectory, interrupted by relatively brief hiccups.



Source: Commerce Department

"It's a hell of a rebound in housing, there's no denying it," said Steven Ricchiuto, chief economist at Mizuho Securities. But "you have to keep it in perspective," he added.

New private housing starts and permits authorized during the month, at a seasonally adjusted annual pace.

"It brings us back to about a million units, which is where it should be," he said.

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subject to weather and labor supplies. But numbers from the past year echo the trends of the overall economy, which has maintained a slow upward trajectory, interrupted by relatively brief hiccups.

"And I emphasize the word slow," said Joshua Shapiro, chief economist at MFR Inc. "I don't think second-quarter G.D.P. numbers will be any great shakes."

Some analysts, however, were more upbeat about what the housing rebound may portend about the broader economic outlook.

"This report demolishes the idea that the economy — outside the oil sector — suffered some sort of real seizure in the first quarter"

"This report demolishes the idea that the economy — outside the oil sector — suffered some sort of real seizure in the first quarter," Ian Shepherdson, chief economist at Pantheon Macroeconomics, wrote in a note to clients. "It didn't; it was just battered badly by a winter nearly as grim as last year."

Mr. Shepherdson predicted that new housing construction would continue to rise in coming months, though not as rapidly, and that investment in housing would contribute to economic activity during the second quarter, helping to bring the economy out of its winter stall.

The Commerce Department, in its first of three estimates, reported [in April] that the American economy grew at a mere 0.2 percent annual rate during the first three months of the year. But trade and other data released since then suggest the economy may actually have shrunk over the winter.

Meanwhile, the Labor Department reported that the producer price index for final demand, which measures inflation at the wholesale level, fell by 0.4 percent in April.

"The Fed will look at this as a normalization rather than the beginning of a trend that suggests a housing bubble"

Economists predict the Labor Department's release on May 22 of its April consumer price data will show prices rose barely, if at all. One reason for the slow pace is that food costs are little changed.

Given the current economic climate, April's positive housing numbers were not expected to change the Fed's thinking on when to raise interest rates. Most analysts now do not expect the Fed to act until September at the earliest.

"The Fed will look at this as a normalization rather than the beginning of a trend that suggests a housing bubble," said Blerina Uruci, United States economist at Barclays. "We've seen very strong changes in many regions but we have to think what was the basis we started from. It was very weak in February and now is returning to normal."

Read the entire article at:
http://www.nytimes.com/2015/05/20/business/economy/us-housing-starts-accelerated-in-april.html?_r=0

Financial Focus

U.S. economy growing too slowly

With little evidence the U.S. economy is rebounding after a very weak first quarter, the Federal Reserve is in no position to start raising interest rates

to justify rate hike

for the first time since 2006, a top Fed official said on June 1, 2015.

"I would like to normalize (rates) as soon as possible ... but the conditions haven't been right," Boston Fed President Eric Rosengren said, adding that there are side effects to keeping rates low for a long time. "In some sense when we start raising rates that's good news."

The Fed has said it will raise rates only once it sees further improvement in the labor market, and is reasonably confident that inflation is headed back to the Fed's 2 percent target.

But with growth in the first half of the year likely to run below the economy's potential of about 2 percent, "I do not expect to see timely improvements in the unemployment rate and sufficient progress towards the 2 percent inflation target," Rosengren said. "This, in my view, makes a compelling argument for continued patience in monetary policy."

"I do not expect to see timely improvements in the unemployment rate and sufficient progress towards the 2 percent inflation target"

Global risks also loom.

"I'm worried about what's happening in Europe," Rosengren said after his speech, adding, "It would be nice if they came to a conclusion over what's happening in Greece."

Athens and its euro zone and International Monetary Fund creditors are in talks over Greece's debt and aid money, and without a deal, Greece could soon default or go bankrupt.

"If there was a disorderly outcome in Europe it would have an impact on New England," Rosengren said.

A slowdown in China is also a concern, he said. "The things I worry the most about are the things I can least control," he said.

Rosengren's strongly dovish comments come as Fed policymakers prepare to meet in [June] to weigh a possible rate hike.

Policymakers have kept interest rates near zero since December 2008, and most, including Rosengren, have long thought they would be able to begin to lift rates this year. Even after the economy's dismal first-quarter performance, policymakers stuck to that view, attributing the slowdown to the effects of a severe winter and predicting a snapback.

Policymakers have kept interest rates near zero since December 2008

So far there is little sign of such a rebound, Rosengren said.

Past tightening cycles have typically taken place against the background of much stronger growth than seen currently.

Rosengren is not a voting member this year on the U.S. central bank's monetary policy committee.

Learn more at:
http://www.reuters.com/article/2015/06/01/us-usa-fed-rosengren-idUSKBN0OH2FS20150601

The Edge

The Dollars' Value – Impact on Trade
The strength of the dollar certainly is playing havoc with the U.S. trade balance. Consider that exports of basic industrial goods such as scrap metal for recycling, coal for industrial use and generally everything but grain for human consumption or livestock feed are trending significantly lower. The trade balance on May 5, 2015 showed a record $51.4B compared with $35.9B reported from the prior period. On the European side of the world a Euro that was worth 1.37 U.S. Dollars in May 15, 2014 is now worth 1.11 U.S. Dollars. On the Asian side of the world the Chinese Yuan is holding steady but it's hard to understand market dynamics with a fixed currency. A better indicator may be the Japanese Yen which traded at approximately .0098 US Dollars a year ago is now trading at .0083 US Dollars. And our neighbors up north in Canada went from a .91 ratio a year ago to now around the .83 range. Percentage wise these drops in foreign currency value range from 10% to 20%+. Simply put that means less exports of basic goods and less economic stimulus in the United States. We can buy more foreign goods for the same dollars but the foreign countries buy less. The Federal Reserve under the leadership of Chairwoman Yellen continues to indicate that the U.S. will ease out of the Quantitative Easing program in the not-to-distant future. This announcement alone generated enough confidence that it was worthy of increasing the value of the dollar simply by making the announcement. Conversely in 2014 the European Central Bank announced that it was considering a Quantitative Easing program eroding confidence in the euro driving even more support to the dollar.

Demurrage and Accessorial Charges
If you're not subscribed to your serving railroads demurrage and accessorial charges updates you'll want to do so. Each major Class I railroad has posted new revisions effective (generally) July 1, 2015. In each case there's either an increase in demurrage or a reduction in allowable free days or both.

Some examples, the CSXT has pulled out refrigerated cars and now charge $200 per car per day and for hazardous material cars $175 per car per day. In general demurrage is $105 per car per day. They've also implemented charges of $5,000 per day for holding out a unit train short of its destination. CSXT encompasses demurrage and accessorial charges in CSXT Tariff 8100.

The BNSF encompasses its demurrage and accessorial charges in BNSF Tariff 6004. Highlights are demurrage is at $150 per car per day for most all cars waiting to be unloaded and $75 per car per day for cars waiting to be loaded. There are specific line segments in a general geographic region supporting the Bakken from Montana to Minnesota including North Dakota and energy regions of Wyoming and Colorado that have higher rates of $150 per car per day for cars waiting to be loaded. The unit train rate for delaying or setting a train short is $6,000 per occurrence subject to the specific situation (see BNSF Tariff 6004 for details).

In many cases demurrage is specific to the service levels a customer receives. For instance if a customer gets once or twice a week service demurrage credits are specific to that customer, e.g. the location would get more demurrage credits to offset the service days. Each customer's situation and each separate location is specific to the application of a set of demurrage rules as specified by your handling carrier. It's important to know how a set of demurrage rules applies to each of your loading or unloading facilities.

We look forward to earning your business!