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**Tealinc scholarship  
is due March 28,  
2014**

**DDCT FindUs.Rail  
category update  
scheduled for  
March 1**

**Tealinc Spring 2014 Scholarship – Now Accepting Scholarship**

Tealinc, Ltd. is 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 working in, or be the child (or dependent) of a person working in the rail transportation industry. 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.

Apply today! The deadline for this application is March 28, 2014.

[Click here](#) for the scholarship application and guidelines

**Railroad & Policy Updates**

Effective March 1, the Damaged Defective Car Tracking (DDCT) System now offers two new functions in FindUs.Rail under the DDCT category. These two new functions allow DDCT users to distinguish Interchange Bureau Record (ICB) email notifications from other email notifications.

The new FindUs.Rail (FUR) functions for the DDCT category are:

- Handling Carrier ICB Management
- Mark Owner ICB Management

These new functions will allow DDCT users to receive ICB record email notifications to an email address other than for the current Damaged Car Management and Defective Car Management functions available. The new functions are available for selection.

**What You Need to Do**

If your company prefers to differentiate the ICB record email notifications from the current DDCT category functions, please work with your FindUs.Rail Company Administrator to update your DDCT contacts. Railinc recommends that your company begin to update FindUs.Rail prior to the next DDCT release.

If your company prefers to utilize the current DDCT functions for ICB record email notifications, no further action is required.

If you have any questions about this release, contact the Railinc Customer Support Center by email [csc@railinc.com](mailto:csc@railinc.com) at or by phone at 877-724-5462 or contact Tealinc for assistance at [webmail@tealinc.com](mailto:webmail@tealinc.com).

**Canada Issues New Rail Safety Rules, RAC Says**

Canadian Minister of Transport Lisa Raitt in late December approved new or revised rules concerning the safety and security of unattended locomotives, uncontrolled train movements and crew sizes, according to the Railway Association of Canada (RAC).

**New or revised rules concerning the safety and security of unattended locomotives, uncontrolled train movements and crew sizes**

The rules provide an additional layer of safety to the rail industry by clearly articulating what a train crew is required to do to secure equipment or a train, RAC officials said in a press release. They address how equipment is left when switching en route, how unattended engines need to be secured to prevent unauthorized entry and what specific steps must be taken when a train crew leaves a train unattended.

The new rules allow unattended equipment to be secured by air brakes a maximum of two hours; require that unattended engines be secured by either hand brakes or air brakes, provided the train will not be left in excess of two hours and on a grade exceeding 1.25 percent; and instruct railroads to have special instructions on ways to test the effectiveness of hand brakes.

Read the entire article:

<http://www.progressiverailroading.com/safety/news/Canada-issues-new-rail-safety-rules-RAC-says--39095>

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**Mechanical Brief with Steve Christian**

You probably think I'm nuts for talking about getting your locomotive ready for winter when winter is probably just about over. Though, for some parts of the country, you may wonder if it will ever be over. The main reason for this sermon is that I have never heard of so many industrial locomotives that are frozen up in one winter season. The second reason is that most of us in the corporate world tend to live in the moment (or should I say Quarter) and once cold, freezing weather is no longer an immediate risk we focus our attention elsewhere. Yes, it has been a brutal winter for many parts of the country. However, every winter is cold and brutal in most of the country. The country has tried to prepare for it and handle it quite well. You can and should prepare for it as well.

When I was in charge of railcar repair shops I was pretty adamant about proper procedure when it came to protecting our locomotive assets in winter. There are some steps that are easy and just take some advance planning. Other things take some capital expenditure but actually pay for themselves in a short period of time. Here are some areas that I think you need to consider:

**Fuel**

When fall hits, ask your fuel supplier to start delivering winter blend fuel. Regular diesel gels up in very cold weather and anyone who has had a diesel engine gel up has a mess on their hands. I also recommend that you have your supplier deliver the fuel directly into your locomotive fuel tank. On site storage tanks are inefficient and present their own set of problems. Keep filling the top half of your locomotive's tank all year long. This will eliminate the opportunity for condensation and algae to occur in your tank.

**Coolant**

Older EMD switchers and road switchers were always filled with water with a rust inhibitor applied. The locomotives were generally run continuously so the temperature of the engine was sufficient to prevent freezing. If the

**Getting your locomotive ready for winter**

**Use winter blend diesel because regular diesel gels up in very cold weather**

**Ethylene glycol will not harm the plating on bearings or liners in the engine regardless of the version**

**Standby heaters can help circulate the coolant, engine oil, diesel fuel, and keep the batteries charged**

locomotive was shut down for an extended time, the drain valve was opened and the water was drained and tagged. Antifreeze was not used because of the damage that it would do to the plating on bearings and liners if it leaks into the engine oil. Many people believe that the EMD C version (or better) of their diesel engine is sufficiently tight to allow the use of ethylene glycol antifreeze. There are several companies that have used ethylene glycol for years without incident in these units. That being said, if your engine is shut down for a substantial length of time you should open the cylinder test cocks, turn over your engine and check for water (coolant) in the cylinders. If any liquid comes out of the cylinder test cock, shut the engine down and contact your maintenance people immediately.

There is an alternative to ethylene glycol that works just as well and will not harm the plating on bearings or liners in the engine regardless of the version. Propylene glycol works just as well as ethylene glycol without the corrosive risks and costs for about the same price. This is the option that I take with our units.

GE switch units usually use a Cummins diesel engine and the use of ethylene glycol is not a problem. Just make sure you have the right concentration to protect your engine in your climate.

### **Standby Heaters**

The standby heaters are used when the locomotive is shut down. They have evolved so much over the years. They are either electric powered or small diesel engine powered. They circulate the coolant through the heater in the very basic models. Options to circulate engine oil and diesel fuel and keep the batteries charged are also available. You can get them equipped with warning lights or alarms that go off if the heater shuts down. You can even get them set up to make a cell phone call or calls should they stop working. These are a must in my book for EMD units. The case for spending capital funds to install these units is easy to make. The payback is quite good.

GE Switchers can be set up with a circulating heater for the engine just like the ones that semi's use. My experience is very good with these heaters. If you have a GE switcher, shame on you if you have not had a heater installed your unit. Any mobile truck mechanic can install one for minimal cost.

### **Locomotive Storage**

Regardless of the time of year, I always found a place to park the locomotive(s) inside the shop after hours. I always planned the day so that I always had enough room to get them inside where the temperature was always kept above freezing. That being said I would always have the locomotive heater plugged in as well in cold weather. GE switch units because of their small footprint are always easy to park inside.

Here's where the sermon wraps up. I would like to sum up my thoughts in a few bullet points:

- Even if you live in the South, when fall hits ask your fuel supplier to furnish winter blend diesel. This year should have taught you this lesson.
- There is no reason to use water in your engine. Even the 567, 567A,

**Always find a place  
to park the  
locomotive inside  
the shop after  
hours**

**Freight rail traffic  
for 2013 saw record  
intermodal growth**

**Carloads were down  
but intermodal  
volume was the  
highest on record**

567B EMD engines can use propylene glycol without harming the engine. GE Switchers can use ethylene glycol without risk.

- Standby heaters for GE Switchers are a no-brainer because they are cheap. Standby heaters for EMD switchers are more expensive but have a quick payback.
- More than one layer of protection for, arguably, your most important asset is always a good thing.

My views come from my own experiences, both good and bad, over many, many years. While the sting of this winter is still fresh, I hope you give this some serious thought and worst case tear out a copy of this article and tag it for reading next fall. I'm confident that it will save you some time and headache when cold settles in next year. Until then, we all wait in unison for the warm weather to settle in!

As always, Tealinc stands ready to assist you in any way to make your operation more efficient and profitable. Put our varied knowledge and experiences 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](mailto:steve@tealinc.com).*

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### **Railroad Traffic**

The Association of American Railroads (AAR) reported on January 9 that U.S. rail traffic for 2013 saw record intermodal growth with a slight full year decrease in car loadings. U.S. rail intermodal volume totaled a record 12.8 million containers and trailers in 2013, up 4.6 percent or 564,276 units, over 2012. Carloads totaled 14.6 million in 2013, down 0.5 percent or 76,784 carloads, from 2012. Intermodal volume in 2013 was the highest on record, surpassing the record high totals of 2006 by 549,471 units.

In 2013, 11 of the 20 carload commodity categories tracked annually by AAR saw increases on U.S. railroads compared with 2012. The categories with sizable gains were: petroleum and petroleum products, up 167,868 carloads or 31.1 percent; crushed stone, gravel and sand, up 81,023 carloads or 8.3 percent; motor vehicles and parts, up 41,166 carloads or 5.1 percent, and waste and nonferrous scrap, up 14,472 carloads or 9.1 percent.

The commodities with the largest carload declines in 2013 compared with 2012 were: coal, down 256,751 carloads or 4.3 percent; grain, down 81,309 carloads or 8 percent, and metallic ores, down 37,068 carloads or 9.9 percent. However, excluding coal and grain, those U.S. rail carloads which are reflective of the economy were up 261,276 carloads or 3.4 percent in 2013 over 2012.

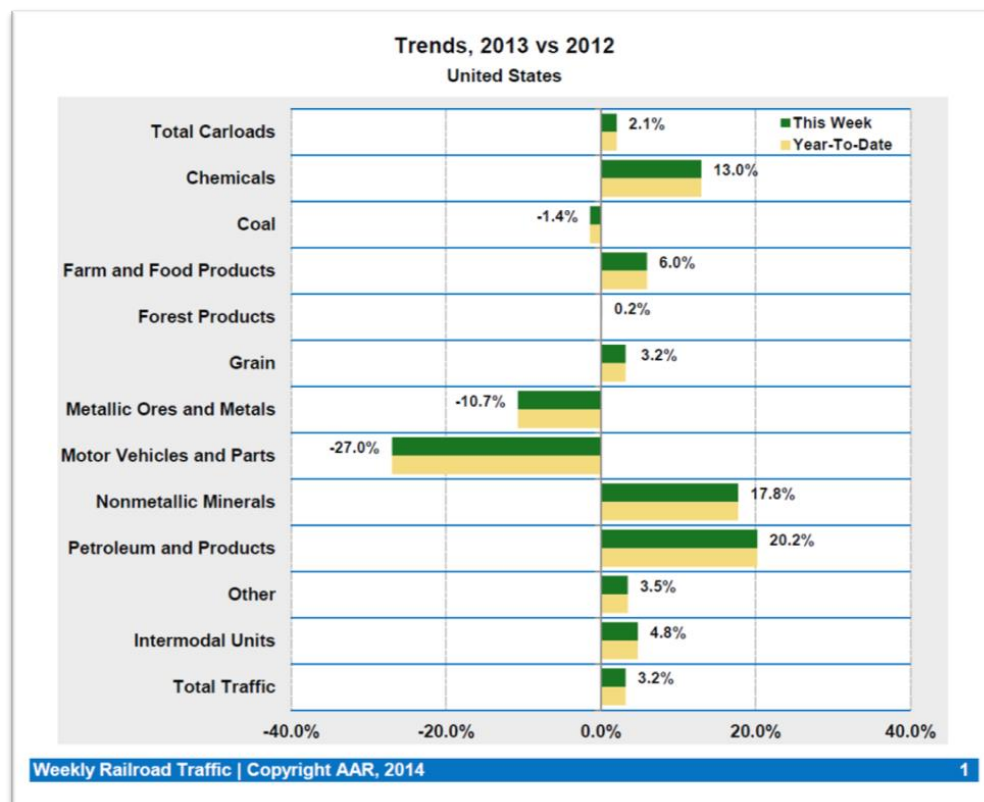
“2013 ended the way it began — strong intermodal, weak coal, and mixed performance for other commodities, resulting in a year for rail traffic that

**Categories with sizable gains were: petroleum and petroleum products, crushed stone, gravel and sand, motor vehicles and parts, and waste and nonferrous scrap**

**Commodities with the largest carload declines in 2013 were: coal, grain, and metallic ores**

**The quiet American propane crisis**

could have been much better but also could have been much worse,” said AAR Senior Vice President John T. Gray. “A variety of indicators seem to be saying that the economy is slowly strengthening; a trend we expect to continue in 2014.”



Visit the AAR at:

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Pages/2014-01-09-railtraffic.aspx#.UxC2iuNdUoM>

Graph is from:

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2014-01-09-railtraffic.pdf>

### Industrial Inside

In the midst of an American natural gas boom, a harsh winter, and the temporary closure of the Cochin pipeline, has caused a bit of a propane crisis. This has led to propane prices skyrocketing and a group of bipartisan lawmakers asking the White House to provide relief.

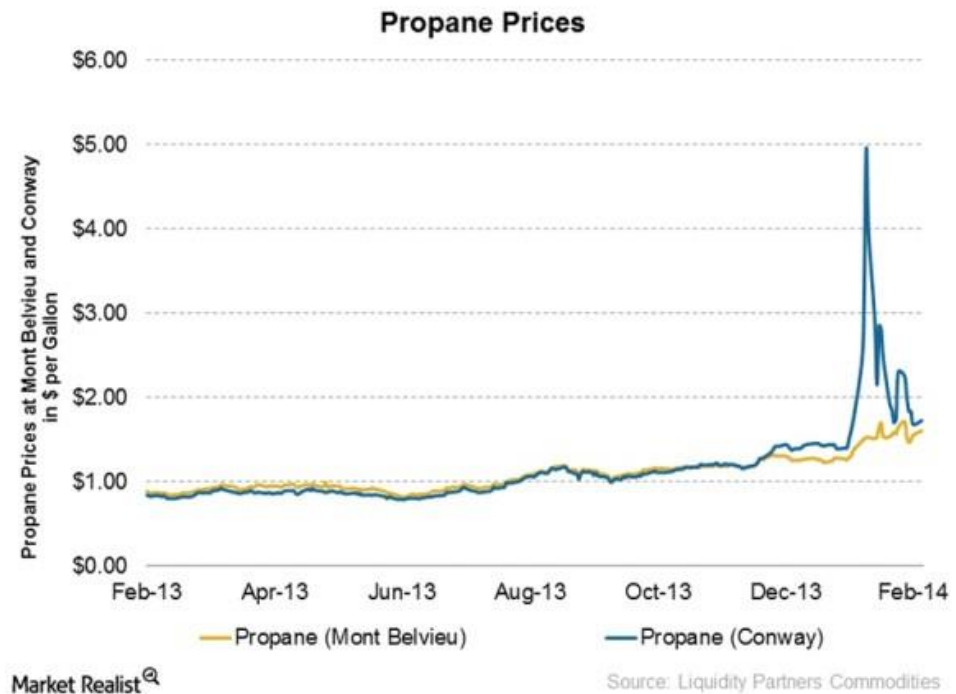
Currently the U.S. stock of propane is at around 30.8 million barrels, which might sound like a lot, but compared to the same time as last year the stock it's a whopping 45% lower. With low stock and high demand caused by the extreme cold weather this winter, prices of propane are up about \$2 a gallon more than at this same time in 2013.

Ranchers and farmers in the mid-western United States are being hit particularly hard by the propane shortage. Already unseasonably wet weather in the mid-west postponed the harvest, leading to a huge loss of income. Then winter came early this year, and has not let up, leading to

**The Transportation Department has issued emergency declaration that allow propane tank drivers to drive for longer hours**

**Due to the wet winter, five times as much propane was used in an effort to dry corn and salvage the crop during the recent harvest**

record low temperatures and snowfall which results in even higher heating bills. And finally the Cochin pipeline, which carries 40 % of Minnesota's propane from Canada to the U.S., was receiving maintenance for about three weeks from late November to mid-December, cutting off the propane supply and causing costs to rise. Last summer, propane prices hovered around \$1 a gallon; in late January prices peaked at more than \$5 a gallon in some places.



With propane costs doubling and no end in sight for the cold weather Senators John Thune, R-S.D., Dick Durbin, D-Ill., and Rob Portman, R-Ohio have urged the Agriculture Department, Health and Human Services, the Small Business Administration among others to respond to the ongoing crisis. There have been results; The Transportation Department has issued emergency declarations that allow propane tank drivers to drive for longer hours in an effort to increase deliveries in states where propane shortages exist.

Oddly enough, experts point out that propane production has been increasing in recent years, even leading to some record monthly surpluses prior to the crisis. So what happened to the surplus? Two words; snow and cold. Due to the wet weather, five times as much propane was used in an effort to dry corn and salvage the crop during the recent harvest. Hence the five-fold price increase.

American propane exports exceeded 400,000 barrels a day for the first time in October. Then there was the winter weather that caused an increase in demand earlier and longer than expected. So, with harsh weather and massive exports it actually is easy to see how the surplus went away very quickly.

This perfect storm of events has shown vulnerability in the American propane market, and represents an eerie foreshadowing on the impacts of

our vulnerable reliance on fossil fuels. While prices have eased somewhat since peaking, analysts have predicted that high prices are here to stay. Imagine if this happened to gasoline prices?

Read the entire article at:

<http://gas2.org/2014/03/03/the-quiet-american-propane-crisis/>

Graph is from: <http://c1gas2org.wpengine.netdna-cdn.com/files/2014/03/propane-prices.jpg>

### Financial Focus

Supporters of raising the federal minimum wage to \$10.10 an hour say it will increase productivity, lower turnover and increase wages for 28 million workers.

Critics contend that a higher minimum will hurt jobs and consumers.

A new analysis from the nonpartisan Congressional Budget Office indicates that both sides have a point.

The key takeaways from the CBO report: Gradually raising the federal minimum wage to \$10.10 from \$7.25 would boost the incomes of most low-wage workers and lift 900,000 out of poverty. But it could also result in the loss of 500,000 jobs.

In 2013, the minimum wage was \$7.25. That's \$7.25 in 2013 dollars.



Is 500,000 workers a lot? On the one hand that's half a million people who will be hurt by a loss of income. But on a more macro level, the CBO said it represents only a 0.3% decrease in employment.

Why could there be job loss? A mix of reasons. A higher minimum wage raises payroll costs for an employer. That employer may handle those higher costs in any of several ways: cut jobs, reduce worker hours, curb summer hiring, opt not to replace workers who leave; book lower profits; or raise prices on customers.

**Raising minimum wage would ease poverty but cost some jobs**

**...raising the federal minimum wage to \$10.10 an hour will increase productivity, lower turnover and increase wages**

**Employer may handle the higher costs in a different way by cutting jobs, reduce workers hours, curb summer hiring, not replace workers who leave, book lower profits, or raise prices on customers**

**Report estimates about 16.5 million workers who make less than \$10.10 an hour would see higher earnings once the higher minimum is fully implemented 2016**

Given the uncertainty of estimates, however, the CBO said there is a good chance the job loss resulting from a higher minimum could be much less than 500,000 -- or could go as high as 1 million jobs.

White House economists said they think the effect could be close to zero job loss since businesses' higher payroll costs could be offset by lower turnover and higher productivity.

In any case, the move would boost wages for most low-wage workers, according to the CBO. Its report estimates about 16.5 million workers who make less than \$10.10 an hour would see higher earnings once the higher minimum is fully implemented in 2016, which Democrats in the House and Senate have been calling for.

In addition, the CBO said, some workers earning between \$10.10 and \$11.50 an hour could also see a raise in what's known as a "ripple effect."

And because of the stimulative boost to demand that a higher wage may bring, some workers across the income scale may benefit. The more low-wage workers make, the more they'll have to spend, and the better that will be for businesses selling products and services.

The CBO report also analyzed a proposal to raise the minimum wage to \$9 per hour. Its effects would be less pronounced, with an estimated loss of 100,000 jobs and wage increases for an estimated 7.6 million lower wage workers.

Last week, in an effort to encourage lawmakers to raise the federal minimum, President Obama signed an executive order requiring businesses that get new or renewed federal contracts to pay their minimum wage workers \$10.10 an hour starting in 2015. The order is expected to raise wages for a few hundred thousand people.

Once the CBO report came out, there was a partisan rapid-fire response at the ready. Republicans who oppose the \$10.10 proposal immediately seized on CBO's job loss estimates, while Democrats touted the agency's assessment that a higher minimum would lift 900,000 workers out of poverty

Learn more at:

<http://money.cnn.com/2014/02/18/news/economy/minimum-wage-cbo/index.html?iid=SF> **E River**

Graph is from:

<http://money.cnn.com/interactive/economy/minimum-wage-since-1938/?iid=EL>

## **The Edge**

The buzz in the industry is certainly about safety and anticipated capital expenditures for 2014.

Railroads continue to work as safe as possible recognizing that they will feel the economic pain through significant contingent liabilities for accidents and resulting outcomes of them. The focus on safety began with Positive Train Control ("PTC") mandates/initiatives several years ago in response to the political pressures and power influence on the rail industry. Now we have a



beast of a different sort with crude oil railcar derailments bringing safety even more to the forefront. The railroads in the later instance seem to be working diligently to help craft a sustainable and acceptable solution thru reviewing train handling rules, number of crew required on tank trains, tank car design (a hotly contested debate between manufacturers and the AAR) and a possible aggressive phase out of older DOT-111 tank cars for hauling crude and like-type commodities.

Why is this so important? Let's put it into perspective. In 2013 U.S. Railroads had a 31.1% increase in transportation of petroleum products some 708,371 carloads over 2012. Conversely grain was off by 8% at 936,098 carloads and coal was down significantly being off 4.3% at 5.769m carloads from calendar year 2012. The new bread and butter commodity providing quality of revenue that will rival chemicals traffic is petroleum products.

Railroad capital expenditures anticipated for 2014 are phenomenal in light of mediocre growth in the rail car loading numbers seen when comparing 2013 to 2012. There are a couple of changes here that indicate railroads are supporting a mix change requiring a redistribution of typical capital outlays to geographic regions in support of certain commodities. The first is petroleum products (crude oil) and the second is a continued competitive positioning for intermodal traffic. That means more infrastructure improvements need to be made in geographic areas that typically didn't have carload traffic to justify making those improvements. For instance the Bakken didn't originate much of anything but grain and grain products prior to its discovery some three years ago and the railroads provided sufficient infrastructure to support that rail traffic. Now they must not only support significant added originations but also an entirely different network requirement moving crude oil over rail lines that hadn't previously seen the volume level now being required. Case in point BNSF anticipates committing \$5 billion and Union Pacific in excess of \$3.6 billion in capital – extremely large investments.

The upside is all the railroad infrastructure investments should translate into the opportunity to receive better rail service.

*We look forward to earning your business!*