Touchbase

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Tealinc Updates

Steve Christian relocates to Colorado; becomes Manager Value Creation – Operations

Tealinc, Ltd. President Julie Mink is excited to announce that Steve Christian, previously based in Grand Island, NE with the position Manager Value Creation – Railcar Performance Manager, has relocated to Colorado Springs, CO and is now Manager Value Creation – Operations for Tealinc, Ltd.

"For 5 years now, Steve Christian has been a highly valued member of the Tealinc family. His relocation to Colorado will allow the team to collaborate more frequently and stay focused on projects that create the most value for our customers while continuing to support the Tealinc vision. Steve's promotion from Manager Value Creation – Railcar Performance Manager to Manager Value Creation - Operations more accurately embodies the various roles Steve is responsible for here at Tealinc. Steve is not only our primary mechanical and railcar performance manager. Steve also manages various segments of our client base including conducting inspections, railcar appraisals, providing fleet advice to our new and existing customers and leading or contributing to small and large scale consulting projects. This promotion brings with it a more focused responsibility segment to coincide with the transition into Steve's new Colorado office. As Tealinc continues to grow, we are fortunate to have Steve on board and thankful to have him more centrally located close to our primary Colorado office" explained Julie Mink.

You can reach Steve at his office at:
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Railroad & Policy Updates

CSX streamlining mechanical operations

CSX has announced that it is streamlining operations at 16 of its lower-volume mechanical facilities as part of a commitment to drive network improvement and resource efficiency to match demand.

As a result, operations will be reduced at car shops in Montgomery, Ala.; Washington, D.C.; Baldwin, Fla.; Evansville, Ind.; Indianapolis; New Orleans; Detroit; Grand Rapids, Mich.; Wilmington, N.C.; Kenmore, N.Y.; Ashtabula, Ohio; Erie, Pa.; Pittsburgh; Florence, S.C.; Richmond, Va.; and Huntington, W.Va.

Approximately 116 CSX mechanical employees will be affected by the changes, and some will be given opportunities to fill positions in other higher-demand areas of the network. CSX human resources personnel are working with the affected employees to identify possible opportunities and assist in the transition.

Train operations through the affected areas will continue as normal.

Read the entire article:
http://www.railresource.com/content/?p=29219

Mechanical Brief with Steve Christian

Choosing a locomotive maintenance/repair provider

I have worked for two Class I railroads and three large contract railcar repair companies. In the course of my work career I have dealt with breakdowns to all types of equipment including:

- Welders
- Fabrication equipment (shears, press brakes, punches, drill presses, etc.)
- Cranes (mobile, gantry, jib and overhead)
- Power tools (pneumatic and electric)
- Jacks (air and hydraulic)
- Cutting and heating torches
- Plasma cutters
- Locomotives
- Trackmobiles

Equipment that was purchased new allowed us to follow the maintenance and care instructions provided by the manufacturer to minimize breakdowns. Usually at contract shops, the equipment was purchased used or cascaded down from a sister shop. This provided an extra challenge for maintaining them.

The most difficult and challenging piece of equipment to maintain are locomotives

The most difficult and challenging piece of equipment to maintain are locomotives. I am not talking about the state of the art locomotives that pull trains on Class I railroads. I am talking about the switchers and road switchers that shortline and regional railroads utilize. I am even more focused on industrial switchers that were originally built in the 1960's and earlier.

Since they were built 50 plus years ago and have changed ownership multiple times, you end up with a "Heinz 57" of components from many eras

These locomotives usually began life as a switcher for one of the many Class I railroads of the day and have cascaded down to industrial switching. Since they were built 50 plus years ago and have changed ownership multiple times, you end up with a "Heinz 57" of components from many eras. To complicate this even more, the number of qualified technicians that know how to diagnose and repair defects are few and far between. I personally know of a few old gray haired guys that learned their trade over decades of working on railroads from helpers to journeyman and into supervision and management. There are many others out there that represent themselves as qualified locomotive technicians. Some are pretty talented and have learned a lot about "vintage" locomotives. There are others that misrepresent themselves as "experts" but really only change out a series of parts until the problem is solved. I bet all of you have encountered automobile mechanics that have done the same thing.

While I prefer

While I prefer locomotive technicians to have prior railroad experience and a lot of gray hair, the best means to find someone that you trust to maintain and repair your locomotive is to:

1. Talk to multiple potential maintenance providers

locomotive technicians to have prior railroad experience and a lot of gray hair, here are some guidelines for selecting one you trust

2. Ask for their resume including professional experience
3. Ask for a current customer list with contact information and check them out thoroughly
4. Ask for pricing information for labor and parts
5. If all checks out, have them inspect the locomotive and ask them to benchmark the condition of the locomotive as they see it now. Also ask for upgrade recommendations and potential benefits
6. Choose the best one and try them on a trial basis. If you are satisfied continue on. If not try the next one.
7. Require that the vendor get a relationship with the plant personnel that operates the locomotive. The vendor should train the operators to be his eyes and ears on locomotive performance when he is not there.
8. Set up a system to provide timely and accurate feedback to the vendor about locomotive issues.

No matter how well you maintain your locomotive, there will be a breakdown… Don't wait for a major breakdown to occur before you get a backup in place.

Of course there is a lot more to this process which we would be happy to assist you with. There is one point that I cannot make enough and usually falls on deaf ears. No matter how well you maintain your locomotive, there will be a breakdown that will require the unit to be done for days or even weeks. You must have a backup plan to handle switching while the main locomotive is down. Don't wait for a major breakdown to occur before you get a backup in place.

The Tealinc team has a wide variety of talent and experiences. And yes, we have lots of gray hair! As always, we are available to assist you.

*Steve Christian is the Manager Value Creation-Railcar Performance Manager for Tealinc, Ltd. You may contact Steve directly at (719) 358-9212 or via email at **steve@tealinc.com**.*

Railroad Traffic

The Association of American Railroads (AAR) February 3, 2016 reported weekly U.S. traffic, as well as volumes for January 2016.

Carload traffic down in January

Carload traffic in January totaled 968,042 carloads, down 16.6 percent or 192,747 from January 2015. U.S. railroads also originated 1,039,621 containers and trailers in January 2016, up 3.4 percent or 34,523 units from the same month last year. For January 2016, combined U.S. carload and intermodal originations were 2,007,663 down 7.3 percent or 158,224 carloads and intermodal units from January 2015.

Commodities that saw declines in January 2016 from January 2015 included: coal; petroleum and

In January 2016, four of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with January 2015. This included: miscellaneous carloads, up 45.2 percent or 7,409 carloads; chemicals, up 2.1 percent or 2,615 carloads; and motor vehicles and parts, up 3.9 percent or 2,435 carloads. Commodities that saw declines in January 2016 from January 2015 included: coal, down 33.3 percent or 150,658 carloads; petroleum and petroleum products, down 19.4 percent or 12,037 carloads; and crushed stone, gravel, and sand, down 10.3 percent or 8,475 carloads.

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Excluding coal, carloads were down 5.9 percent or 42,089 carloads from January 2015.

“Intermodal was solid in January, but carload volumes weren’t what railroads were hoping for,” said AAR Senior Vice President of Policy and Economics John T. Gray. “By all accounts, rail service right now is excellent, but volume just isn’t there. At some point, the problems currently plaguing the energy and manufacturing sectors — low oil prices, a strong dollar, uncertainties in emerging markets — will sort themselves out. When that happens, railroads will be positioned to provide safe, reliable service.”

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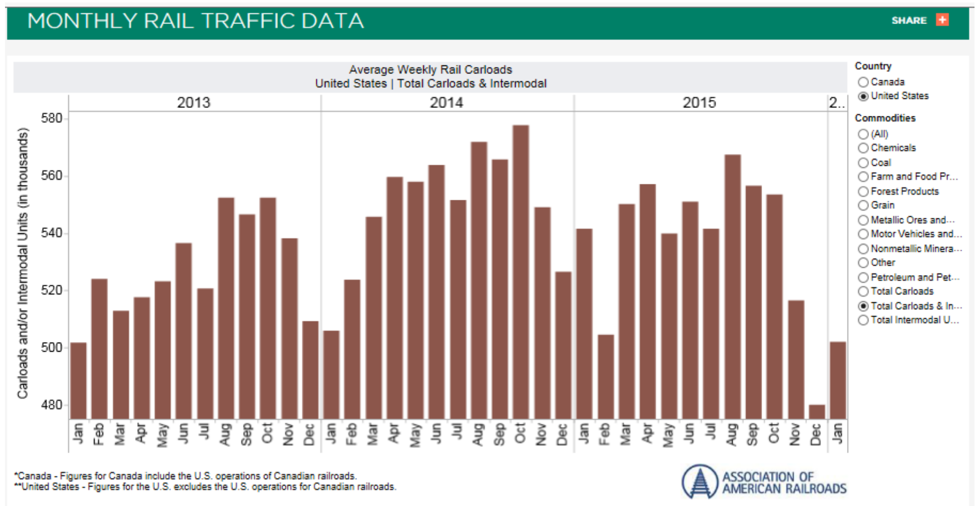

Visit the AAR at: **https://www.aar.org/newsandevents/Press-Releases/Pages/2016-02-03-railtraffic.aspx** chart found at: **https://www.aar.org/Pages/Freight-Rail-Traffic-Data.aspx#monthlyrailtraffic**

Industrial Inside

The latest trade figures out of China depict a dreary start to the year and may only heighten anxieties about a serious economic slowdown in the country.

Export and imports come in far below expectations.

Exports fell by 11.2% in January from the year before, whereas economists were expecting a modest decline of about 2%, and imports plummeted by almost 20%. Many economists had expected both figures to continue improving at the slow pace they had for most of last year, ever since recovering from a dramatic fall to start 2015. The fact that they did not created fresh doubts about China’s prospects. One of those who expected better figures, Capital Economics’ China economist Julian Evans-Pritchard, wrote that “today’s data suggest that there is a risk we could be wrong or at least that the year has got off to a shakier start than expected.”

The ugly export data also indicated weakness across the world

The ugly export data also indicated weakness across the world: China’s exports to the U.S. fell by 9.7% year-over-year; those to the European Union by 11.9%; and those to its two largest trading partners in Asia, Japan and South Korea, fell by 5.3% and 15.9%, respectively.

Imports were the more worrisome number for China. In January, imports in U.S dollar terms fell by 18.8% compared to last year and a 7.6% decline in December. Nomura economists led by Yang Zhao ascribed the much weaker import data to a slumping home economy and government measures to reduce overcapacity in the industrial sector.

It's also clear that the December decline was probably much worse than the officially-reported 7.6% because it was inflated by companies using overcharged invoices as a disguise for moving money out of the country. As the renminbi was losing value against the U.S. dollar last year, mainland Chinese companies used trading partners in Hong Kong to move more of their capital out of the country and Chinese currency by paying inflated invoices.

Still, it may be too early to write off China in 2016. Analysts note that early year data is often unreliable because of the shifting date of the Chinese Lunar New Year holiday, when the country's economy effectively shuts down for a week and the Chinese buy gifts in a Christmas-esque display of consumerism

So the double-digit January fall in imports was a dreadful figure that surprised everyone. But it may have been nearly as bad in December.

Still, it may be too early to write off China in 2016. Analysts note that early year data is often unreliable because of the shifting date of the Chinese Lunar New Year holiday, when the country's economy effectively shuts down for a week and the Chinese buy gifts in a Christmas-esque display of consumerism. In fact, the holiday provided an encouraging note as retail sales during the holiday increased by 11.2% from last year, signaling a resilient Chinese consumer.

Also, the crash in imports may be overstated. Imports in major commodities rose by double-digits in volume in January even as the value of those fell because of the drop in commodity prices. Some investors have speculated China is a big winner in the commodities fall—to the tune of $460 billion.

Because of the flaws of January trade data, investors may have to wait till February figures are released to get a better outlook on China.

Read the entire article at:
http://fortune.com/2016/02/15/the-latest-trade-figures-out-of-china-are-gloomy/

Financial Focus

Around the world, markets are in chaos. Japan's stock market plunged 5 percent on [February 12, 2016], while markets in France, Germany, and the UK all saw big losses on [February 11, 2016]. The US stock market is doing better than most, but it is also down since the start of the year. Oil hit a new low of $26 per barrel.

The next recession could be around the corner, and the Fed isn't ready for it

These declines reflect growing concerns that the world economy is headed for another recession. Before 2007 we'd say, "If things get bad, the Fed will cut interest rates." But with the Fed's benchmark rate below 0.5 percent already, a substantial cut would mean rates that are below zero. That's an unorthodox strategy, and it might not even be legal, according to testimony by Fed Chair Janet Yellen before congressional committees in early February.

The Fed needs a

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targeting would give markets confidence that the Fed has the tools to deal with the next economic downturn, which would reduce the danger of another 2008-style meltdown.

Unfortunately, there's little sign that the Fed is laying the groundwork for a shift in strategy. Instead, Yellen seemed to be in denial about the magnitude of the challenge she is facing.

"Let’s remember that the labor market is continuing to perform well," she said to the Senate Banking Committee on [February 12, 2016]. "We want to be careful not to jump to a conclusion about what is in store for the economy." Maybe not — but the Fed needs to be prepared for the worst.

"The Fed needs to change their fundamental approach," argues Scott Sumner, a monetary policy expert at the Mercatus Center. Right now the Fed's policy discussions are all about where to set short-term interest rates. But not only does that approach stop working when interest rates fall to zero — as they did in 2008 — but interest rates aren't even what people actually care about.

Instead, Sumner argues, the Fed should start directly targeting a variable people do care about: either the inflation rate or (even better) the total amount of spending in the economy. He argues that the Fed should focus on setting long-run goals for these variables and then doing whatever it takes to meet those goals.

The Fed currently has an official target of 2 percent inflation. But the central bank's actions make it clear that it's not serious about this target. Last December, for example, the Fed's own forecast showed that inflation would be around 1.6 percent in 2016 — and the forecast inflation rate had actually been falling. Yet the Fed raised interest rates anyway. That was a pretty clear signal to the markets that the Fed cared more about returning to "normal" interest rates than it did about achieving its inflation target.

The problem isn't just that the economy will grow a little bit slower in early 2016 than it could have otherwise. By ignoring its own targets, the Fed sent a message that it wasn't really committed to robust growth over the long run, which undermines businesses' confidence in the recovery and discourages investment.

The solution, Sumner argues, is for the Fed to use a strategy called level targeting to make its own targets more credible. Under a level targeting regime, the Fed would compensate for missing its target in one year by overshooting the following year. For example, in 2015, the Fed's preferred measure of inflation came in at 1.4 percent — 0.6 percent below the Fed's 2 percent target. Under level targeting, the Fed would aim to achieve 2.6 percent inflation in 2016, delivering 2 percent inflation on average in 2015 to 2016. That would not only support faster economic growth in 2016, it would also give the markets more confidence in the Fed's forecasts for 2017, 2018, and beyond.

Learn more at:
http://www.vox.com/2016/2/12/10979324/fed-negative-interest-rates

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The Edge
… with Darell Luther

Railcar loadings continue to be off substantially when compared to the same period last year, some 158,000 carloads less (see first article). Interest rates continue to be depressed worldwide as well with even some countries offering negative interest rate valuations, e.g. it costs the money owner interest to leave money in the banks care. The dollar continues to be strong worldwide making it easy for the U.S. consumer to buy but not easy for the U.S. based company that sells into the export market to sell. Despite this turmoil, railroads continue to support large capital improvement plans through multibillion dollar investments. It takes an admirable amount of faith to place such a large bet on a future robust economy.

We see a lot of other companies betting on a bright future and a more robust economy too. Developments in the U.S. continue albeit at a slower pace through the expansion and consolidation of recycling and waste by rail businesses, developments of fertilizer shipping origins, installation of track and software to manage railcars and train size shipments of various commodities and some resurgence in plastics and chemical businesses as well as lumber and pole shipments.

We also see a lot of companies scrambling to manage the downturn in their respective industries. The coal industry has been at the mercy of political and climate change legislation albeit they've gotten some recent reprieve, the grain industry supporting a good crop across a variety of commodities is having trouble finding volume buyers with enough money to support a strong export program and the scrap market is suffering from its buyers money and export woes as well.

Managing during times of uncertainty is extremely challenging! Whatever the environment you'll want to plan on managing to be successful. I'd like to walk you through an example.

When you're trying to grow your business by simply trying to see if an additional rail or truck lane makes the most economic sense or any sense for that matter. You start to consider all of the variables involved and you run into the annoying fact that quantification of the variables involved is somewhat disparate depending on who you consult within your organization and even gets more confusing when you ask for external assistance especially when you ask transportation suppliers (railroads/trucking companies) direct. All you know is that experience tells you it should work but you need solid input (facts) to make a decision.

A guideline would be to start with the actual freight rate itself quantified in whatever method of measure (tons, bushels, cwt., etc.) you use for your commodity. After consideration is given to the freight rate ask yourself, does the rate work on a stand-alone basis or does it need better definition, e.g. term, increases, volume, shipment size, etc. and how does it fit with your current distribution configuration. For instance, do you have the right infrastructure to meet the volume commitment required to receive the rate you've received. Infrastructure can be quantified as anything from manufacturing capacity to track, loadout docks, railcars to locomotives or railcar movers and more. The next step is quantification of the required resources and determining how to pin down the availability and cost of these resources during the planning stage. It's often difficult to get commitments for rail resources during fluid times which has been consistent for the past few years in the rail environment. And the final step, if you're not shipping to an internal company with clearly defined expectations, is to be sure the receiver can support your requirements. There's nothing worse than a plan flawlessly made and executed at the shipper and rail or truck shipment level to have it fall apart at the receivers level due to lack of inclusion in the plan. As you can tell, the simple rate request quickly leads to tentacles in most everything you do: planning, operations, infrastructure, finance, personnel, possibly real estate, etc. It even gets more involved when you consider several levels of discussions or negotiations at each level.

Whatever you're process there's no half-way when you're planning and managing to be successful regardless of the environment in which you are working.

Tealinc's qualifications in helping clients manage for success is steeped in years of railroad and private industry shipment management and supply chain experience. An engagement with us will result in fast tracking your project to a definitive conclusion in a more expeditious manner.

We look forward to earning your business!