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**Union Pacific  
releases metals  
announcement  
regarding safety of  
loading scrap steel**

**BNSF added several  
new resources to  
support winter  
operations**

**Railroad & Policy Updates**

On October 3, 2014 the Union Pacific Railroad (“UP”) released the following notice to their Industrial Products customers concerning loading scrap steel. The notice read as follows:

“We have recently seen an increase in the number of safety concerns related to scrap steel shipments being overloaded in gondola equipment.

In today’s environment, where space and equipment are in high demand, we want to continue to communicate our commitment to safety. Keeping our customer’s and Union Pacific’s employees and the general public safe is the upmost priority for Union Pacific.

We also want to provide you with the most current AAR approved loading diagram for scrap steel in gondolas and a best practices presentation from Union Pacific Shipment Quality. These items can be found: [AAR Scrap Steel Loading Diagram – Gondolas](#) and [Shipping Scrap Steel with Union Pacific](#)

Lastly, we appreciate your business and continued efforts to promote a safe environment. We can all help to minimize potential overloading situations and safety concerns by following the AAR approved loading rules.

You can read the entire announcement at:

<http://www.up.com/customers/announcements/IndustrialProducts/allindustrialproducts/IP2014-26.html>

**BNSF Aims To Better Prep For Harsh Winter Weather**

BNSF Railway Co. announced to its customers during [the last week of October] that the railroad will enter the 2014-15 winter season "better prepared than ever before," especially if the Polar Vortex returns, BNSF officials said in a press release.

Given last winter's extremes, the Class I's operating divisions evaluated this year’s winter action plan. Each division has completed the following:

- Safety briefings with employees to review hypothermia and frostbite prevention, as well as general safety precautions regarding slips, trips and falls, and cold weather gear review;
- Inventories of snow removal equipment and supplies, such as emergency generators and salt supplies;
- Specialized snow removal equipment testing to ensure the machinery works properly; and
- Operational procedure reviews as to when to adjust crew transportation procedures and adjust train size, speed and other operating restrictions.

BNSF also added several new resources to support winter operations, such as larger rapid response teams dedicated to addressing service

**“While we always prepare the operations for winter, the extreme cold experienced last year provided us some additional insight...”**

**Safe railcar movement: part two**

interruptions that might be caused by a variety of mechanical or operational issues, including winter weather.

In addition, the railroad:

- Increased mechanical rapid responders by 25 percent, mainly in the form of nine new rapid response teams positioned in the northern part of North Dakota in Williston and New Rockford, as well as in La Crosse, Wis., Savanna and Sterling, Ill., and Fort Scott, Kan.;
- Established after-hours track rapid response teams to assist with snow removal across the northern part of the network by keeping more than 300 additional maintenance-of-way employees who traditionally were during winter;
- Expanded container and trailer parking capacity by 800 spots at the Willow Springs, Corwith and Cicero intermodal facilities in the Chicago area;
- Installed an additional 150 switch heaters at locations that previously did not have protection from cold temperatures;
- Installed air dryers on all new locomotives to help reduce moisture that can accumulate in the braking system; and
- Acquired additional snow removal equipment, with the most significant acquisitions involving two industrial-size snow blowers that will be dedicated to keeping Chicago hub facilities free of snow and ice.

"While we always prepare the operations for winter, the extreme cold experienced last year provided us some additional insight that we have incorporated into our future preparations and operating procedures," said Steve Bobb, BNSF's executive vice president and chief marketing officer. "While unplanned events can always happen, we will go into this winter season with more resources and more preparation than ever before so that our people stay safe amid the harshest of weather conditions and our customers' freight gets to its destination as promised."

Read the entire article:

[http://www.progressiverailroading.com/bnsf\\_railway/news/BNSF-aims-to-better-prep-for-harsh-winter-weather--42454](http://www.progressiverailroading.com/bnsf_railway/news/BNSF-aims-to-better-prep-for-harsh-winter-weather--42454)

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### **Mechanical Brief with Steve Christian**

I have written on this subject previously. On one of my inspection trip in October this year, revealed to me that there is still a need to continue to beat the drum on stopping the practice of moving railcars that are damaged.

I was asked to conduct an inspection on a group of railcars that had sides bowed out severely after being loaded with scrap. I was told that they had bowed out 13" to 24" beyond the 10' 08" extreme width shown in UMLER. I must admit that I my thoughts immediately went to three causes:

1. Gross overloading
2. Slamming into the sides by reckless movement of the magnet or grapple inside the cars
3. Packing the load down into the car putting outward pressure on the sides.

**Regardless of the structure of the car, damage to the side posts is a very serious matter...**

**No railcar should ever be moved by pushing on the side posts.**

**If a railcar's basic structure is damaged during routine movements, sooner or later the car will fail**

The cars were unloaded prior to my arrival so I could inspect the interiors for contact damage. When I first approached the cars, I could see clearly that a majority of the side posts and side sheets showed damage. I was sure a bucket loader had been used to move the railcars from the side. The side posts were badly cut and twisted with the side sheets dented in. I could see that the side post damage was consistent with movement of the railcars in both directions. In other words, side posts were twisted towards both the A and B ends of the cars.

These particular cars were built by Darby and are constructed with 4 main bolster side posts with cross bearer assemblies that attach to the center sill. There are also 13 intermediate smaller side posts with exterior crosstie assemblies attached to the center sill. All side posts, cross bearers, and crossties are fabricated H beams. When they are undamaged and aligned properly, they form a substantial structure to hold the floors and side sheets in place, whether empty or loaded. These cars are very popular for scrap loading; however, when the posts are badly twisted a great deal of the structural integrity is lost. When they are badly twisted in both directions, they are tremendously weakened.

In this case, the twisting of the side posts caused the connection to the cross bearers below the side sill to crack and separate. Sometimes gaps were up to 1". This allowed the sides to bow out beyond the standard 10' 08" when under load. When unloaded the sides rebounded somewhat.

Regardless of the structure of the car, damage to the side posts is a very serious matter that should be avoided if at all possible. In this case, it was totally avoidable. No railcar should ever be moved by pushing on the side posts. As a side note, pin lifters, pin lifter brackets, end sills, side sill extensions, corner posts, ladder treads, and handholds are also very bad ways to push, or pull cars. There are designated push-pull locations on all railcars. Either you use them or you use the couplers, nothing else. I can't believe that any company's safety policy includes pushing railcars with a loader.

If a railcar's basic structure is damaged during routine movements, sooner or later the car will fail. The monetary cost of abusive car movement may not show up for a while but it will show up. These cars are a very good example of this.

As with safety and quality, management buy-in and leadership is needed for success in any aspect of a business. Doesn't it make more sense to establish a switching policy whereby railcars are moved without causing damage to the railcars, potentially destroying the structural integrity of a railcar and most importantly, possibly endangering employees? I sure think so. As always, Tealinc stands ready to apply our wide variety of knowledge, talents 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).*

**AAR reports  
increased traffic for  
September 2014**

**Commodities with  
increases in  
September 2014  
over September  
2013 were led by  
petroleum and  
petroleum  
products, crushed  
stone, gravel and  
sand, primary metal  
products, and grain**

**U.S. steel imports  
climb month-over-  
month in  
September 2014**

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## Railroad Traffic

The Association of American Railroads (AAR) reported October 2, 2014 an increase in U.S. rail traffic for September 2014, with both carload and intermodal volume increasing compared with September 2013. U.S. Class I railroads originated 1,190,431 carloads in September 2014, up 2.7 percent, or 30,837 carloads, over September 2013. September marked the seventh straight month of year-over-year carload increases, something that hasn't happened since early 2011.

Intermodal traffic in September totaled 1,073,042 containers and trailers, up 4.5 percent, or 45,803 units, over September 2013. The second, third, and fourth weeks of September 2014 were the three highest-volume intermodal weeks in history for U.S. railroads.

Fifteen of the 20 commodity categories tracked by the AAR each month saw year-over-year carload increases in September. Commodities with carload increases in September 2014 over September 2013 were led by petroleum and petroleum products, up 14,375 carloads, or 28.1 percent. Carloads of crushed stone, gravel, and sand were up 11,423, or 12.6 percent, and carloads of primary metal products were up 2,931, or 7 percent. Carloads of grain rose 2,751, or 4.1 percent. Year-over-year U.S. grain carloads have risen for 12 months in a row.

Commodities with carload declines in September 2014 from September 2013 were led by coal, down 8,109 carloads, or 1.7 percent. Excluding coal, U.S. rail carloads were up 38,946 carloads, or 5.6 percent, in September 2014 over September 2013. Excluding coal and grain, U.S. rail carloads were up 36,195, or 5.8 percent, in September 2014.

"As has generally been the case in recent months, U.S. freight rail traffic in September was consistent with an economy that's growing at a steady pace. We think that will probably continue for the foreseeable future," said AAR Senior Vice President John T. Gray.

Visit the AAR at:

<https://www.aar.org/newsandevents/Press-Releases/Pages/2014-10-02-railtraffic.aspx>

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## Industrial Inside

The U.S. imported 3.89 million net tons ("nt") of steel in September, or 5.2% more than in August 2014, according to the American Iron and Steel Institute (AISI), which bases its figures on preliminary Census Bureau data.

Finished steel imports increased 5.3% month-over-month to 2.95m nt, as reported by Kallanish. The finished steel import market share was an estimated 29% in September, AISI adds, and is estimated to be 27% year-to-date.

Imports of semis in September, such as billet and slab grew 5.2% to 942,170 nt, compared to the final August figures, says AISI. Growth in

**The latest report shows key finished steel products with a significant import increase are wire rod, cold rolled sheets, and hot rolled sheets**

semis imports y-t-d however has increased by a significant 56.9% to 8,109,413 year-on-year.

The latest report shows key finished steel products with a significant import increase in September compared to August are wire rod (up 36.7% to 144,811 nt), cold rolled sheets (up 35.7% to 315,945 nt), and hot rolled sheets (up 27.6% to 401,661 nt).

Key products with significant year-to-date import increases compared to the same period last year include cold rolled sheet (up 82.3% to 2,048,234 nt), wire rod (up 82% to just under 1,260,747 nt), plates in coils (up 78% to 1,548,266 nt), and hot-dipped galvanized sheet and strip (up 58.6% to 2,405,621 nt).

Imports for oil country tubular goods (OCTG) grew by 26% in January to September to 3.01m nt, compared with the year-ago period. In September, the US shipped in a preliminary 327,177 nt of OCTG, slightly down on August by -1.1%.

The AISI currently estimates that South Korea will be the largest single exporter to the U.S. for 2014, based on annualized data. Monthly steel shipments to the U.S. from South Korea however fell by 14.6% to 385,000 nt in September 2014, compared to August 2014. Chinese imports were up 44.4%, same basis, to 328,000 nt.

Imports from Taiwan and Turkey fell month-on-month in September by 27% and 17% respectively. The much smaller volume Russian imports however have increased by 504% y-on-y to 1,081,000 nt in the first nine months of 2014.

Read the entire article at:

<http://www.kallanish.com/articles/US-steel-imports-climb-month-on-month.html>

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### **Financial Focus**

Gross domestic product increased 3.5% between July and September, according to the U.S. Commerce Department. It exceeded analysts' expectations and offered more proof of an economy gaining momentum.

"This is a good number," says Jay Bryson, global economist at Wells Fargo Securities in Charlotte, N.C. "The economy has a fair amount of momentum."

Analysts had only projected GDP growth to hit 3% this quarter, according to data from FactSet.

The GDP report reflects a widely held view that employment is picking up. More jobs means higher incomes and spending, economists say.

Consumer spending is the largest factor for U.S. economic growth, and it rose 1.8% in this quarter, a slight drop from the same time a year ago, but better than the bleak first quarter this year.

**U.S. economy chugging along at 3.5% growth**

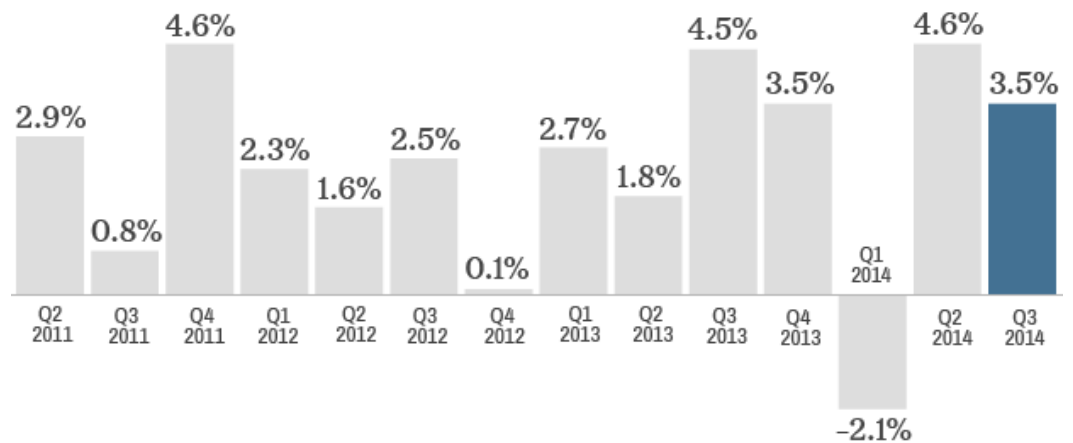
**Consumer spending is the largest factor for U.S. economic growth**

**“When you look at the underlying pace of the economy, we should continue to see solid number going forward”**

**The GDP report shows some bright spots.** Government spending, often lagging behind in the recovery, hit its highest quarterly mark since 2009. Exports also showed a healthy gain in the third quarter compared to the same time a year ago.

"When you look at the underlying pace of the economy, we should continue to see solid numbers going forward," says Bryson. "The government won't be a drag on growth."

2014 had a dicey start. Economic growth dropped 2.1% the first quarter because the extremely cold winter (remember the Polar Vortex) kept many businesses and schools closed for days and people inside their homes. The weather also lowered exports to other countries.



NOTE: GDP % QUARTERLY CHANGE, SEASONALLY ADJUSTED AT ANNUAL RATES; SOURCE: BUREAU OF ECONOMIC ANALYSIS

Second quarter GDP rebounded well, posting 4.6% growth from the same time a year ago.

The GDP news comes on the heels of the Federal Reserve's announcement on October 30, 2014 to end its bond-buying stimulus program now that the economy is improving. Economists viewed the Fed's decision as a mostly positive sign that growth is picking up, even in the job market.

**What's next?** The IMF forecasts that the U.S. will have 2.2% GDP growth for the year. So far, the nation appears to be on track for that. It's a lot higher than Europe and other parts of the world that have been hit by geopolitics and slowing growth such as Russia.

Europe's slowdown could also be a drag for the U.S., although so far the impact has been modest.

"I think Europe by itself poses no real threat to the U.S. recovery or expansion," said Dr. Robert Shapiro, former Under Secretary of Commerce for Economic Affairs.

The big concern for next quarter is holiday spending. Americans are clearly buying more, but it's still not a level investors and economists want to see to feel confident that the worst is behind.

**The IMF forecasts that the U.S. will have 2.2% GDP growth for the year**

Falling oil prices could help shoppers and savers. The majority of Americans now have under \$3 a gallon gas.

Although prices might adversely affect oil-producing states, they're a good sign for most, says Jeremy Lawson, chief economist at asset management firm Standard Life Investments.

"There will be some states that are disadvantaged by oil prices," says Lawson, "but for the overall economy it is a positive."

Learn more at:

[http://money.cnn.com/2014/10/30/news/economy/us-gdp-3-and-half-percent-beats-expectations/index.html?iid=SF\\_E\\_River](http://money.cnn.com/2014/10/30/news/economy/us-gdp-3-and-half-percent-beats-expectations/index.html?iid=SF_E_River)

### **The Edge**

The press around transportation of all means is extremely interesting and complex. Concerns on congestion at ports and movement of intermodal traffic to expectations (dilemmas) on how the rail and barge infrastructure is going to timely transport a 14 billion bushel corn crop to the Surface Transportation Board oversight (again) requiring railroad performance measures (and I guess expected results) and requests (mandates) by certain Class I Railroads to significantly reduce the number of coal sets online create a new era in bulk commodity transport.

All commodities appear to be receiving equal treatment albeit somewhat luke-warm at best. The transport requirement renaissance reaches beyond the land borders of the United States, Canada and Mexico to the ship and port system as well. It seems the increase in ship size wasn't matched up with a port size increase requirement as well with many ports accommodating the birthing of ships but still retaining the same lift speed as with predecessor ships. You can bring more to the port you just can't unload it any faster! That's a lesson for us all in how we plan!

The quandary we see out of all this confusion is obtaining clear direction from rail carriers. The natural reaction for a shipper is to commit more resources to the problem, namely in the form of railcars and potentially load and unload infrastructure. Both of these solutions are good as long as they are done with cooperation of the rail carrier providing service to your facility. A few points of advice:

1. To insure your railcars are accepted, be sure to file OT-5 as directed through Railinc.
2. To insure your physical facility improvements are accepted, work directly with your serving railroad. There should be a demurrage offset incentive coupled with more consistent and reliable service to help you justify the economic investment.
3. Take a good look at the rail, truck and barge options available to you. Study them and your infrastructure requirements with a long term viewpoint. It doesn't appear the rail (transportation) renaissance is going to lose steam anytime soon.

*We look forward to earning your business!*