



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

In This Issue

- Tealinc Equipment
- Tealinc Update
- The Edge
- Mechanical Brief
- Railroad Traffic
- Industrial Inside
- Financial Focus
- Railroad & Policy Updates

Tealinc's open top
hoppers – 3 months
free rent*

Dan Madden joins the
Tealinc team as the
manager of value
creation – operations

Tealinc Equipment

****THREE (3) MONTHS FREE RENT!!****

We are offering (3) free months of rent with a long-term commitment on our 4000



cube, steel bodied rapid discharge cars. We have (51) cars coming available for lease and or sale. Pricing and terms are negotiable. [Contact Tealinc](#) today with your interest.

We also may have a group of (50) steel bodied, manual discharge open top hoppers coming available for lease or sale. [Contact Tealinc](#) to discuss options.



Tealinc Update

Dan Madden joins the Tealinc Team as the Manager of Value Creation - Operations effective November 12, 2018. "We are excited to welcome Dan to the Tealinc family. Dan spent the last 28 years working as a Railcar Repair Carmen, Association of American Railroad Billing Supervisor and Corporate AAR Billing and Estimating Manager. His strength in understanding railcar mechanics, completing thorough railcar inspections and his ability to interact with both the shop and shipper community is extremely valuable to Tealinc and we're excited to utilize Dan's varied strengths as we continue to grow our private railcar fleet and best support our diverse customer base. Creating value for our customers is at the core of everything we do and we're confident that



Railcar & Locomotive
Leasing and Brokerage



Project Management



Transportation
Consulting

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

**The intertwined
relationship of trade,
tariffs and
transportation**

**In 2014, the AAR
estimated
international trade
accounted for 35% of
US rail revenue**

**Even small percentage
gain can have a huge
impact on railroad**

Dan's work ethics thrive under the same philosophy" said Julie Mink, President to Tealinc.

[Read Dan's biography](#)

The Edge with Darell Luther



Trade, tariffs and transportation are certainly all intertwined and the replacement of the North American Free Trade Agreement ("NAFTA") has been in the forefront of many railroad executives' minds. The new deal, U.S.-Mexico – Canada Agreement ("USMCA") has yet to be tested. It is expected to be signed near the end of November but will not be voted on by congress until sometime in 2019. Some semblance of an agreement should ease transportation executive fears of an all-out North American trade war. Next comes the international scene – China and the European Union!

What's at stake? According to the Association of American Railroads (AAR) in 2014, international trade accounted for an estimated 35% of U.S. rail revenue, 27 percent of rail tonnage and 42 percent of the railcar loads and intermodal units U.S. railroads carried. The AAR statistics show that Class I operating revenue near \$70 billion in 2017 and approximately an additional \$4 billion being added from shortline and regional railroads. You can do the math – trade is important for the United States and more favorable trade terms, even small percentage gains, can have huge impacts on the railroad earnings and infrastructure in North America.

What impact will this have on shippers? That's a good question. The major internationally traded commodities carried by railroads are coal, grain (corn, wheat, soybeans, etc.) and grain products, scrap metal, steel, motor vehicles and parts, chemicals, even aggregates (crushed stone, sand and gravel). Add to that the



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

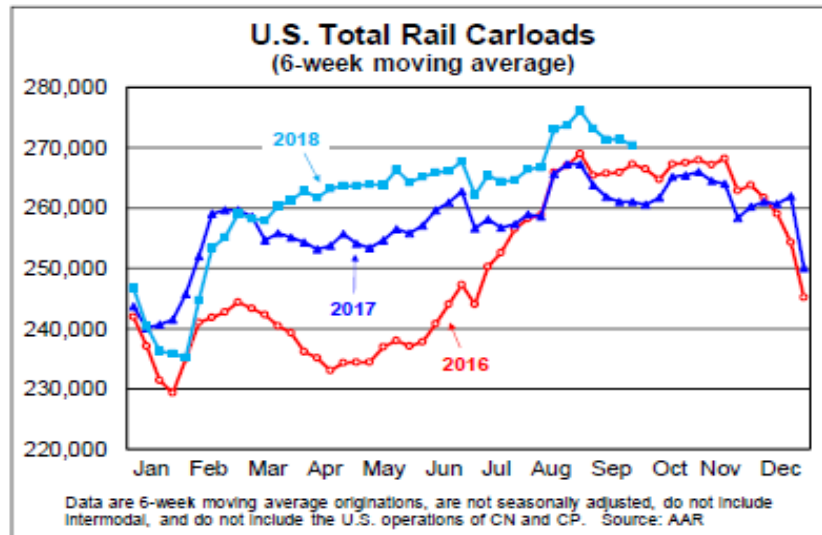
We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

earnings and infrastructure

Major internationally traded commodities carried by railroads are coal, grain products, scrap metal, steel, motor vehicles and parts, chemicals, & aggregates

endless types of consumer and retail goods transported via intermodal and you have a horde of products affected by trade rules and regulations. When you look at the last three years statistics (chart below) it appears that there has been tremendous growth, and there has.



However, when you compare the rail carload statistics to historical volumes you see a different story where the railroads were transporting significantly higher volumes for a long streak between 2010 and 2015. This decrease was largely caused by the decrease in the number one commodity transported by rail – coal; followed by a decrease in the price of oil and hence a decrease in the need for oil tank cars and frac sand equipment. Coals decrease was predominately on the domestic front at first then on the export side in the last few years.



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



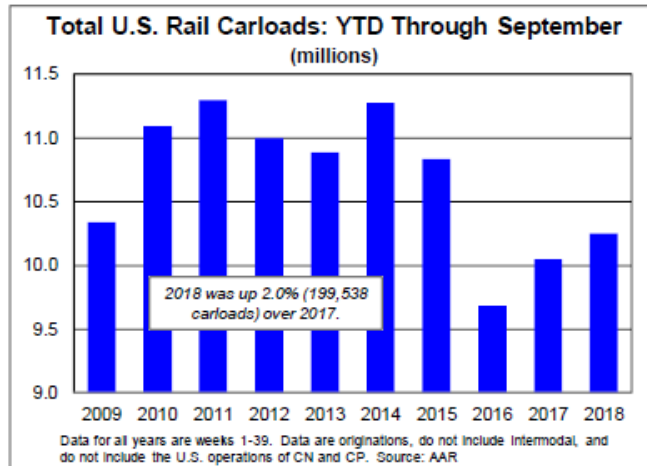
Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

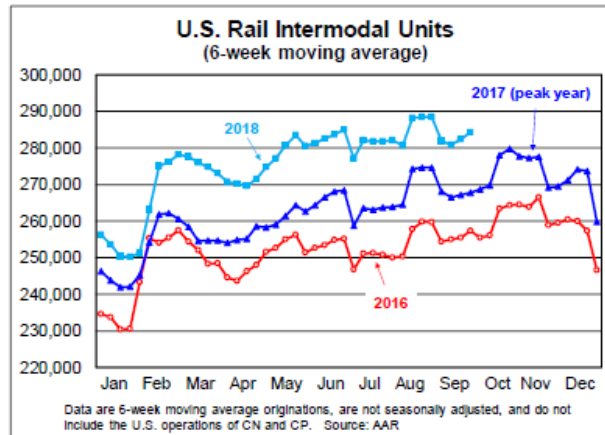
Tealinc Touchbase Newsletter –November 2018

The decrease in coal was predominately on the domestic side first, followed by the export side over the last few year

A conclusion made from a shipper standpoint, the more lucrative trade deal across all commodity groups with the international community would be better for all shippers



A glimpse into the intermodal industry shows record years in 2017 and 2018.



One would conclude from a shipper standpoint that a more lucrative trade deal across all commodity groups with the international community would be better for all shippers, and it should. Consider the increased outlets for products and services, expanding beyond a domestic market in the United States and gaining



*Specializing in Rail
Transportation Solutions*



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327

Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

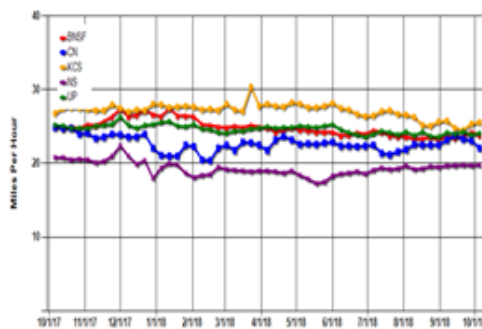
Tealinc Touchbase Newsletter –November 2018

Railroads have struggled with performance handling the volumes they currently have; will they struggle more with increased volumes?

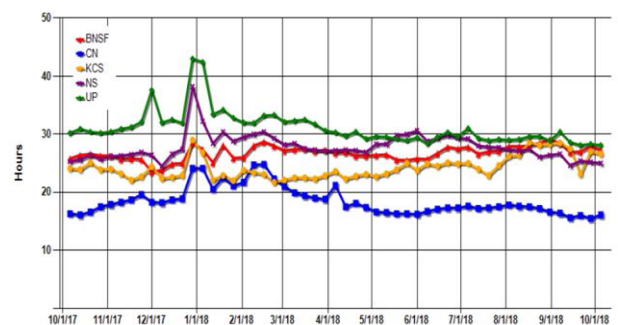
more customer and financial depth for your company is a good thing. And it certainly is a good thing for the railroads giving them ways to expand their customer base and service offerings. However, with all good comes caution. Railroads have struggled with performance handling the volumes they currently have; will they struggle more with increased volumes?

Below are two graphs. The first showing train speed of five class I railroads and the second showing terminal dwell for the same railroads. A quick review of the graphs shows a relatively steady state on both accounts over the past 12 months with a few exceptions during this timeframe.

Train Speed of 5 Class I Railroads



Terminal Dwell of 5 Class I Railroads



Trade is good for the country and economy but if you're shipper or receiver expect delays to mount and prepare as appropriate for them

Albeit the graphs show a relatively steady state on a monthly basis a more detailed look shows a higher degree of variability from week to week. Talking with customers also confirms that railroad service, particularly the CSX and any line touched by Hurricane Michael, is challenging. One-time events, like these, cause headaches for shippers and railroads alike. Now consider that a rebounding export program adding large volume increases and decreases over time is much like



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

Understand your cycle times and the order process for railroad system – Tealinc can help your company determine your cycle times-[contact us today!](#)

On November 9, 2018, Steve Christian will retire from Tealinc, Ltd. after more than 8 years of service

Tealinc wishes Steve every success moving forward in retirement

several smaller one-time events occurring on a steady basis. Be prepared for such events if the international trade routes are opened up to more exports and imports. Trade is good for the country and economy but if you're shipper or receiver expect delays to mount and prepare as appropriate for them.

That preparation starts now. Know your cycle times so you have an idea of how long before you get a car back to load, understand the order process for railroad system equipment if you're not using private railcars, understand the mechanical process and keep track of rate changes to freight and accessorial charges, locate additional assets if necessary, etc. If you know these items going into a rail freight service challenge, you'll at the least have a measure of the impact and at best know which buttons to push to minimize the effects.

Darell Luther is the founder and CEO of Tealinc, Ltd. You may contact Darell directly in his office at (406) 347-5237 or via email at darell@tealinc.com.

Mechanical Brief with Steve Christian



Steve Christian, Tealinc's Manager of Value Creation – Operations will retire from Tealinc on November 9, 2018 after more than 8 years with Tealinc. "Steve Christian has been a highly valued member of the Tealinc family. Steve has served as Manager Value Creation – Railcar Performance Manager and Manager Value Creation - Operations and we thank Steve for his years of service. We will greatly miss having Steve on the team. We wish Steve every success moving forward" explained Julie Mink, President of Tealinc.

Steve has been contributing to the Mechanical Brief section of our newsletter since the section debut in June 2011. In honor of Steve, we dug out Steve's first



Specializing in Rail
Transportation Solutions



Railcar & Locomotive
Leasing and Brokerage



Project Management



Transportation
Consulting

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

In future newsletter editions, we will be featuring Mechanical Briefs from Dan Madden

“WABL committee actions expected to lead to better railcar performance and utilization

Mechanical Brief. Coming up in future editions, we will be featuring Mechanical Briefs from Dan Madden – Manager Value Creation effective November 12, 2018.

This month [June 2011] we welcome a new addition to our monthly newsletter written by our very own Steve Christian.

Over the years, the Association of American Railroads (AAR) has established several Technical Committees made up of industry experts that are responsible for the development and maintenance of industry standards. One of the committees that have been very active over the last several years is the Wheels, Axles, Bearings, and Lubrication Committee, (WABL). The WABL Committee is tasked with establishing, improving, and maintaining wheel, axle, bearing and lubrication system interchange standards and rules and certifying and monitoring the performance of new equipment. The WABL Committee has continually raised the bar on the quality of the wheel, axle and bearing population in service on the railroads and reconditioning standards at wheel and bearing shops have gradually been increased and detection systems are progressively being improved. While these actions have increased the repair cost of mounted wheel sets for the short term, the overall cost of railcar operation should be reduced with fewer derailments, less wear on other railcar components, better railcar performance, and better overall railcar utilization.

In May 2011, updates to AAR Circulars 11426 to 11429 reflected the WABL Committee’s continued proactive measures in improving the level of mounted wheel sets that are out in interchange service. The WABL railcar performance and overall railcar utilization.

In May 2011, updates to AAR Circulars 11426 to 11429 reflected the WABL Committee’s continued proactive measures in improving the level of mounted



Specializing in Rail
Transportation Solutions



Railcar & Locomotive
Leasing and Brokerage



Project Management



Transportation
Consulting

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

October 2018 carloads up 1% compared to the same period last year

Commodities that experienced a gain in October 2018 compared to October 2017 included petroleum & petroleum products, coal & primary metal products

wheel sets that are out in interchange service. The WABL Committee continues to recommend and make changes that tighten the standards and end product of wheel and bearing shops in the railroad industry.

You can learn more by contacting Tealinc direct or by obtaining the AAR Circulars at: <http://www.aar.org>.

Railroad Traffic

The Association of American Railroads (AAR) today [November 7, 2018] reported U.S. rail traffic for the week ending November 3, 2018, as well as volumes for October 2018.

U.S. railroads originated 1,338,037 carloads in October 2018, up 1 percent, or 12,598 carloads, from October 2017. U.S. railroads also originated 1,443,914 containers and trailers in October 2018, up 4.2 percent, or 58,546 units, from the same month last year. Combined U.S. carload and intermodal originations in October 2018 were 2,781,951, up 2.6 percent, or 71,144 carloads and intermodal units from October 2017.

In October 2018, 13 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with October 2017. These included: petroleum & petroleum products, up 13,746 carloads or 28.4 percent; coal, up 6,828 carloads or 1.6 percent; and primary metal products, up 4,188 carloads or 9.8 percent. Commodities that saw declines in October 2018 from October 2017 included: crushed stone, sand & gravel, down 12,745 carloads or 9.6 percent; grain, down 5,620 carloads or 4.8 percent; and coke, down 2,067 carloads or 9.9 percent.

“U.S. rail traffic in October was mixed. On the negative side, changing market



Specializing in Rail
Transportation Solutions



Railcar & Locomotive
Leasing and Brokerage



Project Management



Transportation
Consulting

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

Coal carloads increased for the first time in five months

conditions for frac sand caused lower rail carloads of crushed stone, sand, and gravel, while uncertainties in export markets helped keep grain carloads down,” said AAR Senior Vice President John T. Gray. “On the plus side, coal carloads in October rose for the first time in five months and intermodal enjoyed its second-best month ever. All in all, we expect most rail traffic categories to continue to benefit from what we hope will be continued solid economic growth.”

Excluding coal, carloads were up 5,770 carloads, or 0.6 percent, in October 2018 from October 2017. Excluding coal and grain, carloads were up 11,390 carloads, or 1.5 percent.

The first 44 weeks of 2018 for total combined US traffic is up 3.8% compared to 2017

Total U.S. carload traffic for the first 10 months of 2018 was 11,586,596 carloads, up 1.9 percent, or 212,136 carloads, from the same period last year; and 12,275,918 intermodal units, up 5.8 percent, or 671,960 containers and trailers, from last year.

Total combined U.S. traffic for the first 44 weeks of 2018 was 23,862,514 carloads and intermodal units, an increase of 3.8 percent compared to last year.

Visit the AAR at: <https://www.aar.org/news/rail-traffic-for-october-and-the-week-ending-november-3-2018/>

Oil's bear market slide extends to a record 10 days

Industrial Inside

U.S. crude prices fell for a 10th consecutive session on Friday [November 2, 2018], sinking U.S. crude futures deeper into bear market territory and wiping out the benchmark's gains for the year.

U.S. crude prices fell for a 10th consecutive session making it the

The 10-day decline is the longest losing streak on record for U.S. crude, according to FactSet data going back to November 1984.



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

**longest losing streak
on record for US crude
since November 1984**

**The drop is surprising
from last month when
oil hit a nearly 4-year
high**

**"The reality is that
we're still in a world
where we're
overproducing and
we've got surplus."-
Christian Malek, head
of EMEA oil and gas
research at J.P. Morgan**

Crude futures are poised for their fifth straight week of losses as growing output from key producers and a deteriorating outlook for oil demand deepen a sell-off spurred by October's broader market sell-off. The drop marks a stunning reversal from last month, when oil prices hit nearly four-year highs as the market braced for potential shortages once U.S. sanctions on Iran, OPEC's third biggest oil producer, snapped back into place.

"The market's not tight. I think there are windows where you could perceive it to be tight, and I think the markets got caught into that," Christyan Malek, head of EMEA oil and gas research at J.P. Morgan told CNBC on Friday [November 2, 2018]. "The reality is that we're still in a world where we're overproducing and we've got surplus."

U.S. West Texas Intermediate crude fell 82 cents, or 1.4 percent, to \$59.85. The contract is now down nearly 1 percent since the start of the year. It fell as low \$59.28 on Friday, its weakest level in nearly nine months.

WTI fell into a bear market in the previous session, tumbling more than 20 percent from a nearly four-year high last month at \$76.90.

International benchmark Brent crude was trading 67 cents lower at \$69.98, down 1 percent for the day and more than 19 percent from its recent high. The contract touched a seven-month low at \$69.13 on Friday.

Brent has fallen in nine of the last 10 sessions, but is still up more than 4 percent this year.

Oil prices spiked in early October on fears that U.S. sanctions on Iran would thin out global petroleum supplies. However, the Trump administration granted



Specializing in Rail
Transportation Solutions



Railcar & Locomotive
Leasing and Brokerage



Project Management



Transportation
Consulting

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

Analysts now expect the loss of exports from Iran to be less severe than anticipated

temporary sanctions exemptions to eight countries, allowing Iranian crude exports to continue and easing concern about undersupply.

Analysts now expect the loss of exports from Iran to be less severe than anticipated.

Meanwhile, the world's top three producers, the United States, Russia and Saudi Arabia are also pumping at or near records. Other OPEC members and exporting nations are also turning on the taps.

Read the entire article at: <https://www.msn.com/en-us/money/markets/us-crude-falls-into-bear-market-as-growing-output-points-to-oversupply/ar-BBPuaDD?ocid=spartanntp>

Federal Reserve's new Vice Chairman cautiously backs further rate increases

Financial Focus

WASHINGTON—Federal Reserve Vice Chairman Richard Clarida, in his first public remarks since taking office last month, said some further gradual increases in the federal funds rate would be appropriate.

Richard Clarida-Vice Chairman of Federal Reserve took office in October 2018 and said some further gradual increases in federal fund rates will be appropriate

"I supported the FOMC's [Federal Open Market Committee] decision last month to raise the target for the federal funds rate to a range of 2 to 2.25 percent," he said Oct. 25 at the Peterson Institute for International Economics, a Washington-based think tank. "If the data come in as I expect, I believe that some further gradual adjustment in the federal funds rate will be appropriate."

Clarida defined the current state of policy as "accommodative," even though the FOMC decided to remove the phrase from its statement following its policy meeting last month.



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

Accommodative means that interest rates are sufficiently low to spur economic growth and reduce unemployment, which is how Clarida defined the current state of policy

Trump blamed the nation's central bank for the latest market turmoil, saying the "Fed has gone crazy."

The term "accommodative" means that interest rates are sufficiently low to spur economic growth and reduce unemployment.

"I believe monetary policy today remains accommodative, and that, with the economy now operating at or close to mandate-consistent levels for inflation and unemployment, the risks that monetary policy must balance are now more symmetric and less skewed to the downside," he said.

Clarida who started his four-year term as vice chairman on Sept. 17, also said Fed independence is important to achieve its mandates.

'Biggest Risk to the Economy' The remarks come as President Donald Trump has recently doubled-down on his Fed criticism. Trump blamed the nation's central bank for the latest market turmoil, saying the "Fed has gone crazy."

In an interview earlier this week with The Wall Street Journal, Trump criticized Fed Chairman Jerome Powell, saying that he threatened economic growth and seemed to enjoy hiking rates.

"Every time we do something great, he raises the interest rates," he said. When asked about what is the biggest risk to the economy, Trump answered: the Fed.

"To me, the Fed is the biggest risk, because I think interest rates are being raised too quickly."

Read the full article at: https://www.theepochtimes.com/federal-reserves-new-vice-chairman-cautiously-backs-further-rate-increases_2700032.html



*Specializing in Rail
Transportation Solutions*



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com



Specializing in Rail Transportation Solutions

We are a railcar and locomotive operating lessor, broker, rail consultant and transportation manager with a tactical and boutique approach to providing rail transportation solutions.

Tealinc Touchbase Newsletter –November 2018

**Union Pacific will
adjust their mileage
based charges starting
January 1, 2019**

Railroad & Policy Updates

Effective January 1, 2019, Union Pacific will adjust the mileage based charges in UPRR 4703 for empty private equipment. All rates will increase by 6.5%. Specific rates will be updated and available in our **Price & Document Inquiry System** by December 1, 2018.

Visit the Union Pacific and read mileage changes at:

<https://www.up.com/customers/announcements/IndustrialProducts/allindustrialproducts/IP2018-14.html>

Tealinc, Ltd. is dedicated to creating value for our customers. We specialize in Rail Transportation Solutions by buying, selling, leasing, consulting and managing rolling stock fleets and locomotive assets with our customers' long term and short-term requirements in mind. We participate in nearly every industry supported by rail; sell, lease and purchase nearly every type of freight railcar, and provide management and consulting services to both novice and experienced rail shippers.

We look forward to earning your business!



*Specializing in Rail
Transportation Solutions*



**Railcar & Locomotive
Leasing and Brokerage**



Project Management



**Transportation
Consulting**

Tealinc, Ltd. | 1606 Rosebud Creek Road | Forsyth, MT 59327
Specializing in Rail Transportation Solutions for Customers in North America and Around the World

www.tealinc.com