Touchbase

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Tealinc News

We are very excited to announce that on September 9, 2011, Kelsey Rittel of our North Dakota office was married to long time boyfriend Steven Zottnick! Mrs. Kelsey Zottnick is the Database Manager of Tealinc, Ltd. Kelsey's career includes prior experience in e-commerce merchandising and marketing for a national retail store. Kelsey's attention to detail and concern for the customer are key assets to Tealinc. Congratulations Kelsey and Steven!

Railroad Updates

BNSF coal dust mitigation requirements effective October 1, 2011

Coal dust released from coal cars during transit can have adverse effects on rail beds and rail operations.

To help mitigate these negative effects, BNSF is amending BNSF Price List 6041-B, Item 100, effective Sunday, October 1, 2011. This will replace existing Tariff Items 100 and 101.

Effective October 1, 2011, shippers loading coal at any Wyoming or Montana mine must load coal in such a way that any loss in transit of coal dust from the shipper's loaded coal cars will be reduced by at least 85 percent, as compared to loss in transit of coal dust from coal cars where no remedial measures have been taken.

Under BNSF's revised loading rule, a shipper will be deemed to be in compliance with BNSF's coal dust loading requirements if the shipper loads coal cars using BNSF's Load Profile Template and also ensures that an acceptable topper agent is properly applied to the loaded coal at an effective concentration level and in accordance with the topper agent manufacturer's specifications. An acceptable topper agent is one that has been shown to reduce coal dust releases by 85 percent, and three available topper agents have been shown to meet this requirement. A shipper may also seek to include any other method of coal dust suppression (e.g., compaction or other technology) by submitting a compliance plan to BNSF that provides evidence demonstrating that the alternative compliance measure will reduce coal dust releases by at least 85 percent.

Read the entire article at:
http://domino.bnsf.com/website/updates.nsf/updates-marketing-coal/711FF24E19133BFD862578CD0057F83B?Open

CP Announces: Private Car Owners or Lessees - New OT5 Requirements

The CP is now asking any customers that have not done so already to re-apply

The Canadian Pacific Railroad (CP) released a customer bulletin advising customers of a new OT5 Application process. As explained on the CP

or update OT5 information prior to September 30, 2011

website, as of January 1, 2009 Railinc rolled out a new online system to manage OT5 applications and approvals for private cars on railroad lines. As part of this system, all customers with existing private cars on-line were asked to re-apply through the new system to add their cars to the Railinc database.

If you have already submitted your fleets through the OT5 Application in the Railinc system, it is your responsibility to maintain it on an ongoing basis to ensure cars are not rejected at interchange or moved offline.

Any requests not received by the CP office prior to September 30, 2011 will be deleted as it will be the CP's understanding that you no longer require the use of private equipment on the CP's line

This request is in accordance with Circular No. OT-5-k subsections I & III of "The official Railway Equipment Register" and further governed by CP Tariff 2, Item 13 and Tariff 6.

The CP is now asking any customers that have not done so already to re-apply or update OT5 information prior to September 30, 2011. After this date if your request has not been received by the CP office, your OT5 assignment will be deleted as it will be the CP's understanding that you no longer require the use of private equipment on the CP's line.

For up-to-date information on specific impacts to your shipments or other problem resolution inquiries, the CP asks that you contact their Customer Service Account Representative.

Tealinc is here to help. If we can further direct you or assist you in filing OT5, please contact us.

Read the entire article at: **http://www.cpr.ca/en/customer-centre/customer-bulletins/Pages/PrivateCarOwnersorLessees-NewOT5Requirements.aspx**

AAR Updates

Get ready for Railinc Comprehensive Equipment Performance Monitoring Program: CEPM – Wheelsets

Several months back, we educated you on Railinc's Comprehensive Equipment Performance Monitoring (CEPM) program. To remind you, CEPM is Railinc's multi-phase, multi-year initiative to create a rail industry process and related technology tools for capturing data around railcar equipment components.

Currently, Railinc is providing the following resources to help you get ready to meet the critical milestones for the first phase of the program—CEPM-Wheelsets. The program's first phase—CEPM-Wheelsets—centralizes the registration of wheelset component details and identifies the application of wheelset components, including AAR and non-AAR repairs. The component-level data created through the CEPM program will be available through Railinc's Umler™ system, Car Repair Billing (CRB) system and Equipment Health Management System (EHMS).

CEPM-Wheelsets Implementation scheduled for January 2012

Railinc will hold the first of three scheduled CEPM-Wheelsets webinars on Thursday, Sept. 8, 2011. These webinars are designed to present an overview of CEPM-Wheelsets and related processes. Railinc highly recommends that wheel shops, software providers, original equipment manufacturers (OEMs) and repair shops participate in these webinars to help prepare for CEPM-Wheelsets implementation in January 2012.

To learn more or sign up for the webinars please visit:
https://www.railinc.com/rportal/web/guest/get-ready-for-cepm

Mechanical Brief with Steve Christian

Industry locomotive maintenance (or lack thereof)

Most industrial locomotives are ex-railroad units that are 40 or more years old, have millions of miles, have had a multitude of rebuilt components installed over the years and are maintained well below FRA standards.

Why is there such a disparity between railroad locomotive and industrial locomotive standards?

Why is there such a disparity between railroad locomotive and industrial locomotive standards? The answer is simple. The railroad considers locomotives as part of the holy trinity of railroads: railcars, track and locomotives. Even though industrial locomotives play a vital part in industry, they are usually relegated to second class citizen status. As the result, they usually have very little (if any) preventive maintenance. The old "run it until it breaks" policy is standard practice. The usual result of this policy is low monthly maintenance costs until the big breakdown. The big breakdown causes a frenzy of activity and large expenditures to get the locomotive back to service as quickly as possible. All of a sudden, money is no object and the approach becomes: Just get it fixed!

Obviously, this sounds like a poor way to treat a piece of equipment that could halt the flow of material in and out of your plant. Yet, this is how it usually works. I don't advocate the full elevation of industrial locomotives to "Blue Card" status. However, a common sense approach that budgets for periodic programmed maintenance based on the environment the locomotive operates in, the amount of time it runs, the tons it pulls and the steepest grade elevation.

Our advice: a common sense approach that budgets for periodic programmed maintenance based on the environment the locomotive operates in, the amount of time it runs, the tons it pulls and the steepest grade elevation

Don't put it off any longer! Here are key thoughts to concentrate on regarding one of your plants most vital assets:

1. Benchmark the current condition of your locomotive.
2. Create a plan to get it up to a reliable safe level.
3. Budget for a preventive maintenance plan that incorporates all of the factors that are unique to your operation.
4. Implement and monitor the preventive maintenance plan fanatically! Demand compliance and accountability.
5. Re-evaluate the condition of your locomotive periodically.
6. Revise your preventive maintenance plan as required. Always consider it a work in progress.

If you don't know how to get this process started or need help in planning a long term maintenance plan, contact Tealinc, Ltd. We are here to create value for you in a multitude of ways.

Steve Christian is the Manager Value Creation-Railcar Performance Manager for Tealinc, Ltd. You may contact Steve directly out of our Nebraska office at (308) 675-0838 or via email at ***steve@tealinc.com****.*

Railroad Traffic

The Association of American Railroads (AAR) reported August 4, 2011

AAR reports mixed results in July rail traffic

Excluding coal, U.S. rail carloads in July 2011 were up 4.3 percent over July 2010

Railroads add more than 1800 jobs in June

Weaker equipment use came amid slowdown in traffic from June levels

Since July 2009 peak of stored cars owners have scrapped or otherwise removed from service 110,510 units

mixed results for July monthly rail traffic compared with the same month last year, with U.S. railroads originating 1,111,682 carloads, down 1 percent, and 895,649 trailers and containers, up 1.3 percent. Detailed monthly data charts and tables will be made available in the AAR's *Rail Time Indicators* report to be released tomorrow.

For July 2011, 12 of the 20 carload commodity categories saw increases compared with July 2010. The largest gains were in iron and steel scrap, up 32.9 percent or 4,623 carloads; metallic ores, up 22.4 percent or 6,999 carloads; and primary metal products, up 9.5 percent or 3,438 carloads. Coal had the largest decline this month, down 7.3 percent or 37,330 carloads, from July 2010. Excluding coal, U.S. rail carloads in July 2011 were up 4.3 percent over July 2010.

Railroads continued to add employees at a rate faster than most U.S. industries, with 1,818 new employees added during June. Total industry employment was up 5.2 percent, 7,813 employees, in June 2011 compared with June 2010. As of Aug. 1, 2011, 276,943 freight cars were in storage, up 707 cars from July 1 and equal to 18.2 percent of the North American fleet.

Learn more at: **http://www.aar.org/NewsAndEvents/Press-Releases/2011/07/11-RTI.aspx**

Railcar Owners Idled 707 More Units in July

North American owners of railcars parked 707 more [railcars] in July, as many categories of freight rail traffic slowed from June levels for most of the month and as flooding continued to hamper Midwest train moves.

When traffic is good, the fleet leasing firms, shippers and railroads that own parked railcars take more out of storage to get them ready to haul cargoes.

After a late-spring downturn in freight shipments, car owners parked 2,855 more units in May, but June traffic resurgence led them to draw 2,847 out of storage that month.

Although bulk carload volume in July remained below springtime peaks and recent highs in June, intermodal surged in the final week of July to set a new high for the year. If that keeps up and carloads strengthen, August could see car owners draw down the stored fleet.

The Association of American Railroads said 276,943 railcars of various types had been idle for at least 60 days as of Aug. 1, for 18.2 percent of the total available fleet across the continent.

The trade group estimates that since the stored fleet peaked in July 2009 at more than 527,000 units, car owners have reactivated 126,135 and scrapped or otherwise removed from service 110,510. In that time they have also brought nearly 40,000 new railcars on line.

You can learn more at: **http://www.joc.com/rail-suppliers/railcar-**

[owners-idle-707-more-units-july]()

Industrial Inside

Signs of stress in the US corn crop sent grain prices higher, suggesting food inflation could persist well into 2012.

The US Department of Agriculture cut its estimate of the standing corn crop in good or excellent shape to 57 percent, down from 60 percent a week ago and 70 percent a year ago. This could mean a smaller crop and hobble efforts to rebuild low stocks.

Reports from Pro Farmer crop tour, in which teams of scouts survey fields in the US corn belt, have so far pointed to disappointing yields.

CBOT December corn, the yardstick for the 2011 harvest, rose 1.3 percent to $7.43¾ a bushel, an all-time high for that month's contract. CBOT December wheat rose 2.1 percent to $7.81¾ a bushel as some livestock farmers switched feed rations to wheat.

December corn is now trading above corn for delivery next month. Analysts said this was because high prices this summer had temporarily dented demand, helping to avert critically low stocks before this year's harvest. Corn peaked in June just shy of $8 a bushel.

Richard Feltes, vice-president at brokers RJ O'Brien, said a recent heat wave that damaged corn stalks in some parts of the country had also accelerated the harvest in the central US. The US supplies about half the world's corn exports.

Big importers have also slowed purchases in the face of high prices, but Mr Feltes expected they would be back.

"Corn buyers are simply waiting for a setback – hopefully a larger crop or another jar in the financial markets" that would send prices down, he said.

China, which last year became a corn importer, used a July 2011 price retreat to again enter the corn market. A senior US Grains Council official recently estimated China's corn imports could reach 10m tonnes in the coming crop year, an estimate five times higher than the USDA's, Mr Feltes said.

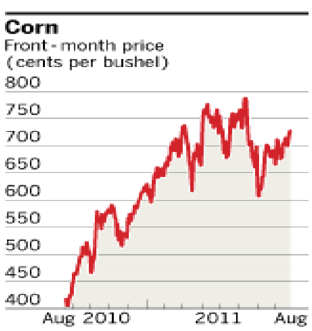
Bunge, one of the world's biggest agricultural traders, on Tuesday August 23, 2011 acknowledged China's rising importance as it rejected some shipments of bioengineered corn, saying they were not yet approved for sale in China.

Bunge called China a "major export market for US corn producers". The US ethanol industry, now the top domestic corn user, has not been slowed by high corn prices, with output up 4 percent from a year ago.

Read the entire article at: **http://www.ft.com/intl/cms/s/0/5814665a-cd9b-11e0-bb4f-00144feabdc0.html?ftcamp=crm/email/2011824/nbe/ConsumerIndustries/product#axzz1VrRN9ipL**

US corn crop pressure increases grain prices

December corn is now trading above corn for delivery September 2011



Source: Thomson Reuters Datastream

Corn buyers are simply waiting for a setback – hopefully a larger crop or another jar in the financial markets

Financial Focus

Remember that crazy, bitter debt-ceiling debate this summer? The one that created a half-baked debt reduction plan and led to the country's first-ever credit-rating downgrade?

Bernanke to Congress: don't mess up again. Please.

Federal Reserve Chairman Ben Bernanke certainly does. And he had a simple message for Congress on Friday, August 26, 2011: Don't do it again. Seriously. Never, ever, ever again.

His reasoning: All that legislative brinksmanship hurt the economy.

"The negotiations that took place over the summer disrupted financial markets and probably the economy as well, and similar events in the future could, over time, seriously jeopardize the willingness of investors around the world to hold U.S. financial assets or to make direct investments in job-creating U.S. businesses." Bernanke said in his annual Jackson Hole speech.

Reducing the debt should be an urgent priority, but not at the expense of the economy

Bernanke also offered some free advice to lawmakers: Reducing the debt should be an urgent priority, but not at the expense of the economy.

"Fiscal policymakers should not ... disregard the fragility of the current economic recovery. Fortunately, the two goals of achieving fiscal sustainability -- which is the result of responsible policies set in place for the longer term -- and avoiding the creation of fiscal headwinds for the current recovery are not incompatible," Bernanke said.

His suggestion: put in place a credible plan to reduce deficits over time, but also support policies that can boost the chances for near-term economic growth.

That echoed a similar message from Congressional Budget Office Director Douglas Elmendorf.

Given the already slow economic recovery and the fact that interest rates can't fall much farther, "reductions in government spending or an increase in taxes ... will slow economic growth and reduce employment," Elmendorf said in a meeting with reporters.

"Reductions in government spending or an increase in taxes ... will slow economic growth and reduce employment," said Elmendorf

Bernanke did end on a positive note ... sort of. He acknowledged that economic policymakers have a tough job balancing the need to support economic recovery now while also tackling long-term debt.

"I have no doubt, however, that those challenges can be met and that the fundamental strengths of our economy will ultimately reassert themselves," he said.

He then went on to pledge that the Fed will "do all that it can" to help in that process. But that also means that the Fed alone can't single-handedly bolster the economy and Congress will need to step up.

Lawmakers will have their chance after Labor Day, when President Obama is expected to unveil proposals for creating jobs, and the newly created "Super Committee" will begin negotiations to come up with $1.5 trillion in debt reduction, if not more.

Read the article at: **http://money.cnn.com/2011/08/26/news/economy/bernanke_congress/index.htm**

The Edge

Typically during September, various trade groups surface asking the railroads what their plans are to handle the anticipated surplus freight for the fall run of commodities. These groups typically focus on bulk commodities of coal and grain and consumer commodities transported by intermodal railcars and containers.

This year I haven't noticed the typical onslaught of commodity groups pushing the railroads for service plans. There are probably two logical reasons for this. First the railroads have had a spring and summer of challenges starting with flooding followed by drought in certain parts of the country and then back to flooding in other parts of the country. These natural disasters have caused the railroads to be proactive in their communications to customers resulting in less angst and more understanding. There's a lesson here that should continue in times of good service and bad. Second, the economic situation in the world and more particular in the United States have left a complete segment of the economy virtually at par with no gains and select continued losses when considering shipment requirements. Any commodity that touches housing or industrial growth in general is flat to down in shipment requirements. Consider lumber, logs and building materials, cement, aggregates, rock, stone, sand (excluding frac sand) and gravel and then consider the rows of railcars typically making up the transport backbone of these commodities that have been setting in storage for the past year (plus).

We've been concentrating a lot of our time on our role as transportation consultants this past year with much attention focused on deriving operational efficiencies out of current operations for several companies across a multitude of industries. The challenge for us and for our clients is to understand what the big picture of their operations is, what the requirements are, what is most important to fulfilling these requirements and what are the sequences in each step? At the top of the list which we've designed spotlights the most frequently missed and the hardest to establish task of designing and implementing processes for an operational procedure(s).

This month, we offer the following free advice to our readers:

- If you have railcars (empty or loaded) delivered to your facility, ensure that you have in place an inbound procedure that follows the AAR and FRA rules and regulations. In respect to railroads and railcars, these rules are the only ones that count. If you don't understand the rules and the regulations, call us and we'll explain them to you.
- If you unload or load railcars, establish a procedure for doing so. Follow the procedure and measure the results. If your operation is slower than it should be or if your operation is causing safety concerns or damage during the loading or unloading process to either equipment or railcars, you'll have a place to start your corrective action process.
- Understand the switch operations and loading / unloading requirements from a timing and thru-put perspective. You should be asking yourself what amount of product is required on an hourly, daily, weekly and monthly basis. Back this answer into your railcar requirements, the railroad service parameters, on-site storage (and intrinsic cost), off-site storage (and actual cost), number of railcars required and contingency plans to complete the base plan. From here you can measure and adjust accordingly.

- Quantify the cost of your operations overall. Identify the high cost items and either accept them for what they are or derive a plan to reduce their overall cost.

We find in this industry it's easy to blame the railroads for mistakes (many of which they earn on their own) but you also need to take a hard look at your own operations to be sure they aren't contributing to service or supply chain problems. Corrective actions can easily allow you to regain control in capital expenditures due to demurrage, equipment maintenance and down time. We're happy to lend a hand in answering these questions and aligning operational procedures to add to your company's success.

We look forward to earning your business!