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### Tealinc Touchbase Newsletter –March 2018

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**Deadline to submit scholarship applications to Tealinc is March 30<sup>th</sup>!**

**March: “In like a lion, out like a lamb”**

#### Tealinc 2018 Scholarship Reminder

The deadline is quickly approaching! Tealinc is accepting applications for our 2018 scholarship until March 30, 2018. Tealinc, Ltd. is an adamant supporter of post-secondary education providing over \$30,000 in scholarships at the local and national level over ten years. **Applications are due March 30, 2018.**

[Learn more and download the Scholarship application here.](#)

#### Equipment Update

Did you receive our Spring Equipment efler? We featured our 4000 cube flat bottom gondolas and 2300 cube open top hoppers.

Download our latest efler [here](#) or if you’re looking for alternative rail equipment or are looking to sell idle equipment, contact us directly at [webmail@tealinc.com](mailto:webmail@tealinc.com).

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#### The Edge with Darell Luther



There are a lot of sayings about the month of March. One of the most fitting I can relate to is, “In like a lion, out like a lamb”. It certainly has been a winter of lion like weather across the US and Canada. The rail industry has been challenged with deep snow,

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**Rail industry has been challenged with mother nature this past winter**

**January 2018 carloads were down compared to January 2017**

**To efficiently run a railroad, you should always have a contingency plan to deal with ever-changing market patterns and weather-related challenges**

blizzards, consistent below zero temperatures, hurricane winds and hurricanes this past few months. Providing service has certainly been a challenge for all railroads in the lions' path.

Reviewing the latest Association of American Railroads ("AAR") railcar loading statistics we can see the toll on the number of railcar loads originated, a portion of which are weather related.

Total railcar loadings for January 2018 when compared to January 2017 were off 3.4% or some 42,431 railcar loads. The big hitter, coal, was off some 25,083 railcar loads followed surprisingly by motor vehicles and parts with a 10.1% decline or 8,372 less railcar loadings and grain with a 5.8% decline or 6,917 less railcar loadings. Gains were led by crushed stone, sand and gravel up 3.8% or 3,498 railcar loadings and then by petroleum and petroleum products up 6.4% with 3,196 railcar loadings with lumber and wood products managing an 8% increase or 1,167 railcar loadings.

When one reflects about the rail service portfolio it's a wonder anything gets moved efficiently. Consider the amount of resources required to run a railroad that not only has ever changing market patterns covering a huge geographical area but there are also weather-related challenges thrown in for good measure just to keep things interesting. Logistically trying times like those we've seen over the past few months should cause one to delve deeper into transportation contingency planning.

#### **What is a reasonable definition of transportation contingency planning?**

It's the art of building contingencies into the execution of your static transportation plan. A transportation plan should include all applicable modes of transportation



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**Your transportation plan should include all modes of transportation, so you can match your supply and demand to cover the planned production requirements of your product or meeting the raw product transportation requirements**

**Your plan also needs to have a team in place to successfully execute the plan**

for your product. These modes could be truck, rail, barge or vessel depending on the options available to your facility. Many of our customers take a raw product and turn it into, or in support of, a refined product that a consumer can purchase or otherwise use. For example, sugar beets into sugar, coal into electricity, limestone, soda ash or potash into fertilizer or soil enhancements, sand into oil, lumber into houses or poles, or aggregates into concrete or roadways, etc. There are many variables in this process and they grow exponentially when there are different modes of transportation available, e.g. truck, rail, barge or different carriers or railroads involved with the movement of products.

If you think of transportation contingency planning in terms of a modified Maslow's Hierarchy needs, you'd see coverage of the most basic needs must be met first. This could simply be matching up supply and demand with different modes of transportation covering the planned production requirements of your product or meeting the raw product transportation requirements while matching up finished product transportation requirements to arrive at a seamless transportation plan. And doing it all safely within budget.

The next step is meeting the needs of belonging or having a success orientated team in place to execute the plan. For instance, if you need to absolutely ship 10,000 tons of product via truck, rail or barge on budget and on time you'll need to begin the contingency planning phase. During this phase there's often an ongoing balancing act being performed between modes of transportation comparing the variables of on time versus on budget. It's during this phase that a deep look into modal transportation costs versus delivery reliability is required. When transporting bulk materials (generally) a truck load of product carries the highest cost but yields the best delivery schedule followed by rail, barge and vessel. When you look at the modal transportation alternatives it's important to consider what



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**Cost and impact on value of their product should be considered in evaluating transport mode alternatives**

**The evaluation process should be a positive experience concentrating on added innovative and creative resolutions, learning and creating at a higher level**

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absolute reliability is required. It's also during this phase where product values are differentiated. For example, a grain train required to keep a chicken farm from running out of feed has more value than a grain train running to storage on the river for further barge transport. A good way to publicly see this value is the ever-changing basis differentials in publicly traded goods. Another way is to track any railcar guarantee programs the railroads have in effect (COTS, LOGS, etc.). The take away here is that costs are not the only consideration in evaluation of transport mode alternatives. One must consider impact on value of their product as well.

In the first steps you've got a static plan together and a team and tools in place to execute not only the static plan but deal with any reasonable contingencies that arise. The last step is to evaluate your plan, assumptions and actions. The evaluation process should be as positive experience as possible concentrating on additional innovative and creative resolutions, learning and creating at a higher level.

By implementing a basic plan that is built on solid assumptions and basic requirements and then adding contingency planning to the base plan that has the talent and resources available to be executable and measuring and pushing for creative solutions allows you to be as successful as you possibly can be considering the circumstances.

Simply put the plan to hope your way thru a base and contingency plan is a recipe for failure. There will always be snowstorms in the north, floods in the west and gulf coast, back up of major classification yards in geographic regions and simple things like hold ups on billing or bad order railcars to deal with. Plan for these contingencies!



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**Build upon the experiences of those who came before you; they have much to teach!**

**Having a mentor willing to share railroad knowledge has allowed me to return the favor and offer advice**

**Mistakes happen, some are hard to forget**

*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](mailto:darell@tealinc.com).*

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#### Mechanical Brief with Steve Christian



All the advances of civilization have been made on the shoulders of those who came before them. Both the successes and failures of our ancestors have been built upon by the succeeding generations. The famous quote by George Santayana "Those who cannot remember the past are condemned to repeat it" is oh, so true!

I have done a lot of different things in the railroad industry. I was very lucky to be around others who were eager to share their knowledge with me so that I could build on their successes and avoid their failures. I have always felt the obligation to return the favor given me by my mentors by mentoring those who came after me. Sometimes mistakes are real doozies that leave a mark which is physical, mental, and financial or a combination of them. In spite of all that great guidance, I have had plenty of my own screw-ups during my five-decade career. The following is one mistake that has always stuck with me.

In 1979, I was the Assistant Superintendent of the Biddle Car Shop for the Rock Island Railroad in Little Rock Arkansas. This was a large back-shop



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**We switched the yard, made up trains and made deliveries and pickups at local businesses**

**I was young and confident of my train-handling skills, so I agreed to do it**

that worked heavy wrecks and programs. I really enjoyed the work and learned a great deal.

There was a union strike that lasted several weeks, and I was utilized as a switch engine engineer for the local Little Rock switching district. I had one brakeman who was a supervisor at the shop. We switched the yard, made up trains and made deliveries and pickups at local businesses. One day, the Division Superintendent gave us a list of cars to deliver to and pickup at North Little. North Little Rock is across the Arkansas River from Little Rock. Because of the river barge traffic, the railroad bridge had a center section that was hoisted up to allow clearance for the barges and lowered for the rail traffic to cross the river.

We left the yard with about 25 cars and proceeded North towards the river through town. We ran on one of two mainlines which reduced to a single mainline a short way before the bridge. We proceeded on the single mainline and crossed a ground level diamond crossing with the Missouri Pacific Railroad and came upon a red board (signal). I called the Dispatcher and asked him to give me a green board, so I could cross the bridge. The center section of the bridge was controlled from the dispatcher's office and he advised me that he had lowered the bridge and that he was not able to drive the bridge locks for the center section which kept the signal red. He asked me if I can pull the cut of cars ahead just enough, so the front wheels of the locomotive would just put some weight on the moveable section, so he could fully drive the locks. I was young and confident of my train-handling skills, so I agreed to do it. I pulled the 25-car cut ahead and just



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**My first mistake was not paying attention to which way the spring switch was thrown before I entered it heading to the bridge. My second mistake was not having the brakeman walk the 25-car cut to the rear to see where I was going before I started backing up**

placed the front wheels on the center span and stopped. The Dispatcher said that he got a signal at his office that the locks were now driven.

Here is where I screwed up. The Dispatcher told me to back up to clear the insulated joint for the signal, so he could give me a green board. I immediately began to backup and had just passed the insulated joint when the cars went into emergency. I crossed the cab and looked back through the Fireman's window and saw a tank car perpendicular to the mainline that I was on. Here is what happened. When I left the double mainline to enter the single mainline I went through a spring switch that was lined against me. You can go through spring switches all day long if you don't back up with part of your train on the wrong side of the switch. The switch points on a spring switch have springs that allow the points to open when cars go through the switch going one direction but maintain the points the way they are thrown from the opposite direction. I had part of the cut on one mainline and part of the cut on the other. The tank car had one truck on one mainline and the other truck had traveled down the other mainline until it was forced to derail and stretched the air hoses so far that it pulled apart between the cars and the emergency air brakes kicked in. My first mistake was not paying attention to which way the spring switch was thrown before I entered it heading to the bridge. My second mistake was not having the brakeman walk the 25-car cut to the rear to see where I was going before I started backing up. He would have seen the switch point lined against us and thrown it back.

Well, we paid for our sins. I called the Division Superintendent to confess



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**Tealinc** has a wide variety of knowledge and talents in the railroad industry which you can build upon to help your business grow and prosper.

*We look forward to earning your business!*

my sins and ask him to pick us up and take us back to the shop. The Foreman drove the Pettibone mobile crane back from the shop and I drove the shop pickup with chains and cables back to the derailment to pick the derailed end of the tank car up and put it back on the track. To add insult to injury, the Missouri Pacific had a train they wanted to get through and we had them blocked for hours. Eventually we got everything cleared, the Missouri Pacific train got to pass the diamond, we crossed the Arkansas River and finally completed our deliveries and pickups in North Little Rock.

Most of you will never encounter a spring switch so the literal message of this article is irrelevant; however, the fact that the more experienced have an obligation to pass on their knowledge from their successes and non-successes is very relevant. Tealinc has a wide variety of knowledge and talents in the railroad industry upon which you can build upon to help your business grow and prosper.

P.S. – The location of my derailment in Little Rock is now part of the Bill Clinton Presidential Library. The north side and entrance of the library frames the same Arkansas River bridge I crossed in 1979. A quote from the Clinton presidential inaugural address was prominently posted there. It read, "Let us resolve to build a bridge to the 21<sup>st</sup> century." Small World!

*Steve Christian is the Manager Value Creation-Operations for Tealinc, Ltd. You may contact Steve directly in his Colorado office at (719) 358-9212 or via email at [steve@tealinc.com](mailto:steve@tealinc.com).*



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**U.S. carloads in February 2018 saw a slight decrease compared to February 2017**

**Crushed stone, sand & gravel, chemicals, and metallic ores experienced a gain compared with February 2017**

**Tealinc has railcars available for crushed stone, sand & gravel and chemicals/plastics and metallic ores and other railcars you're looking for!**

**"Rail carloads in February, like in many other recent months,**

#### **Railroad Traffic**

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

U.S. railroads originated 1,028,141 carloads in February 2018, down 0.3 percent, or 2,753 carloads, from February 2017. U.S. railroads also originated 1,104,001 containers and trailers in February 2018, up 6.9 percent, or 70,970 units, from the same month last year. Combined U.S. carload and intermodal originations in February 2018 were 2,132,142, up 3.3 percent, or 68,217 carloads and intermodal units from February 2017.

In February 2018, nine of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with February 2017. These included: crushed stone, sand & gravel, up 6,329 carloads or 7.5 percent; chemicals, up 4,286 carloads or 3.4 percent; and metallic ores, up 2,510 carloads or 19.4 percent. Commodities that saw declines in February 2018 from February 2017 included: coal, down 5,801 carloads or 1.7 percent; grain, down 4,712 carloads or 5.3 percent; and motor vehicles & parts, down 3,283 carloads or 4.5 percent.

"Rail carloads in February, like in many other recent months, were held back by declines in coal, grain, and motor vehicles," said AAR Senior Vice President John T. Gray. "Declines in those categories are unfortunate, but they don't reflect general weakness in the economy. Excluding them, carloads were up a reasonably solid 2.1% in February. Moreover, February 2018 was the best month ever for carloads of chemicals and the second-best month ever for intermodal. While these are good signs for the broader economy going forward, they are potentially compromised by the uncertainty created by recent developments in trade policy."

Excluding coal, carloads were up 3,048 carloads, or 0.4 percent, in February 2018



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**were held back by declines in coal, grain, and motor vehicles," said AAR Senior Vice President John T. Gray. "Declines in those categories are unfortunate, but they don't reflect general weakness in the economy..."**

**IEA sees U.S. oil output surge stealing OPEC share in next five years**

**U.S. oil output hit a record in 2017 and is expected to rise from 2.7 million bpd to 12.1 million bpd by 2023**

from February 2017. Excluding coal and grain, carloads were up 7,760 carloads, or 1.3 percent.

Total U.S. carload traffic for the first two months of 2018 was 2,245,546 carloads, down 2 percent, or 45,184 carloads, from the same period last year; and 2,414,142 intermodal units, up 5 percent, or 115,153 containers and trailers, from last year. Total combined U.S. traffic for the first nine weeks of 2018 was 4,659,688 carloads and intermodal units, an increase of 1.5 percent compared to last year.

**Visit the AAR at:**

<https://www.aar.org/newsandevents/Press-Releases/Pages/2018-03-07-railtraffic.aspx>

#### Industrial Inside

HOUSTON/LONDON (Reuters) - U.S. shale oil output is set to surge over the next five years, stealing market share from OPEC producers and moving the United States, once the world's top oil importer, closer to self-sufficiency, the International Energy Agency said on Monday [March 5, 2018].

A landmark deal in 2017 between OPEC and rivals including Russia to curb output to reduce global oversupply improved the outlook for other producers as prices rose sharply throughout the year, the IEA said in Oil 2018, an annual report looking at the next five years.

With U.S. supply surging, the Organization of the Petroleum Exporting Countries will see demand for its crude fall below current production in 2019 and 2020, the report forecast, suggesting a return to oversupply if OPEC output keeps steady. U.S. oil output hit a record late last year and is expected to rise by 2.7 million

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**"The United States is set to put its stamp on global oil markets for the next five years" -  
Faith Birol, IEA's executive director**

**Oil production growth from the United States, Brazil, Canada and Norway will more than meet global oil demand growth through 2020,**

barrels per day (bpd) to 12.1 million bpd by 2023, as growth from shale fields more than offsets declines in conventional supply.

Last year, the IEA forecast U.S. shale production to grow by 1.4 million bpd by 2022 with oil prices of up to \$60 a barrel and by up to 3 million barrels with oil at \$80 a barrel.

Natural gas liquids will add another 1 million bpd to U.S. supply to reach 4.7 million bpd by 2023.

"The United States is set to put its stamp on global oil markets for the next five years," said Fatih Birol, the IEA's executive director, in a statement.

Birol, speaking at a media briefing at the CERAWeek energy conference in Houston, said U.S. output forecasts could be revised upward if oil remains above \$60 a barrel.

He said he expects shale output to keep rising, regardless of OPEC policies, and said OPEC and other established oil producers need to reconsider their future growth plans in light of "huge growth" from U.S. shale. He also said he expects U.S. export capacity to double over the next five years.

With total U.S. liquids production set to reach nearly 17 million bpd in 2023, up from 13.2 million in 2017, the United States will be by far the world's top oil liquids producer.

Oil production growth from the United States, Brazil, Canada and Norway will more than meet global oil demand growth through 2020, the IEA said, adding that



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#### according to the IEA

**Output from OPEC producers will grow at a slower pace**

**The IEA anticipates the boost by economic growth in Asia and a resurgent U.S. petrochemicals industry, global demand will increase by the year 2023**

more investment would be needed to boost output after that.

Non-OPEC production is set to rise by 5.2 million bpd by 2023 to 63.3 million bpd with the United States alone accounting for nearly 60 percent of global supply growth.

Production in 2017 rose by 670,000 bpd as drillers added 200 rigs, “beating all expectations”, the IEA said.

#### OPEC STRUGGLES

Output from OPEC producers will grow at a much slower pace, the IEA said, adding it expected Venezuelan production declines to accelerate, offsetting gains in Iraq. Birol said Venezuela’s production outlook may need to be cut in coming years as well.

As a result, OPEC’s crude oil capacity will grow by just 750,000 bpd by 2023, the IEA said. With shale and other non-OPEC supply rising, demand for OPEC crude plus withdrawals from inventories will average 31.8 million bpd in 2019, the IEA said, 1.8 million bpd less than its last medium-term forecast.

This is lower than demand of 32.3 million bpd expected in 2018 and below the IEA’s latest estimate of OPEC’s production of 32.16 million bpd.

With forecast capacity of 36.3 million bpd, OPEC will be supplying less than 35 percent of global demand by 2023 compared to its historic share around 40 percent. Boosted by economic growth in Asia and a resurgent U.S. petrochemicals industry, global oil demand will increase by 6.9 million bpd by 2023 to 104.7 million, according to the IEA.

Despite steep non-OPEC oil production gains, the IEA warned that a decline in



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**The Federal Reserve is already looking very different under Jerome Powell than it did under Janet Yellen**

**Yellen was skeptical of the benefits from tax cuts, while Powell was confident it would boost growth**

mature fields meant more investment was needed across the globe after 2020. "Upstream investment shows little sign of recovering from its plunge in 2015-2016, which raises concerns about whether adequate supply will be available to offset natural field declines and meet robust demand growth after 2020," it said.

**Read the article at:**

<https://www.reuters.com/article/us-ia-oil/ia-sees-u-s-oil-output-surge-stealing-opec-share-in-next-five-years-idUSKBN1GH0YF>

#### Financial Focus

New Federal Reserve Chair Jerome Powell vowed continuity with his predecessor, Janet Yellen, but struck a much different tone in testimony.

Yellen appeared skeptical of the likely benefits from tax cuts while Powell, who was appointed by President Donald Trump, was confident it will boost growth. Powell avoided even indirect answers to questions on social issues like race, gender, inequality and immigration, which Yellen was often happy to explore.

Chalk it up to the basic differences in outlook between a labor economist and a business executive.

The Federal Reserve's new chair, Jerome Powell, struck a very different tone from his predecessor during his first congressional testimony since taking over for Janet Yellen at the start of this month — despite the reassurances of policy continuity that often accompany a high-profile change of guard.

Not only did Powell appear much more confident about the likely benefits of recently-enacted tax cuts, he was also much more reluctant to answer questions about key social issues like inequality, race and immigration. Powell spooked



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**Powell feels the economy has strengthened since December**

financial markets a bit with some of the surprising optimism he showed about the economic effects of the tax cuts — an opinion that belied other attempts not to comment on fiscal policy matters.

"My personal outlook for the economy has strengthened since December," he said, citing the tax cuts, which he said could bolster economic growth for as many as two years.

#### **Not my job**

Asked multiple times about the persistence of elevated rates of black unemployment compared to that of whites, Powell said there was little the Fed could do beyond pursuing its mandate, neglecting to mention a large division of Fed community development experts directly dedicated to exploring and researching issues like poverty and race.

"What we can do on that front sir is we can take seriously our obligation to maintain maximum employment," he said.

**Yellen decried the increase in income inequality while Powell took a different approach by repeatedly saying, "That's for Congress to work out."**

Yellen was a champion of community development at the Fed. And while, like her predecessors, Yellen was often forced to duck politicians' questions that sought to seek her direct endorsement for specific policies, she would at least address the issues at hand in a big picture way.

She decried the increase in income inequality and warned against measures aimed at reducing immigration, all with a basis in sound economic research.

Powell took a very different approach, saying repeatedly: "That's for Congress to work out."



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## 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 –March 2018

**Norfolk Southern rolls out next-generation AccessNS online customer portal**

**The revamped online portal provides faster functionality and a modern, intuitive user**

**The overhaul is a company initiative to drive business growth and supply-chain value that will improve the customer experience**

Read the full article at:

<https://www.msn.com/en-us/news/msn/the-federal-reserve-is-already-looking-very-different-under-jerome-powell-than-it-did-under-janet-yellen/ar-BBJFHBm>

#### Railroad & Policy Updates

On March 6, 2018, Norfolk Southern released its next-generation AccessNS, an e-commerce tool that gives customers an efficient and convenient one-stop digital platform to conduct business with the railroad.

The revamped online portal features faster functionality and a modern, intuitive user interface that is easy to navigate, putting customers in the driver's seat. By selecting digital "widgets," customers can create personalized dashboards that give them quick access to information they consider most vital to their transportation logistics needs.

The overhaul is part of a broader company initiative to drive business growth and supply-chain value through enhanced service offerings, including technology that significantly improves the customer experience.

"We have redesigned AccessNS from the ground up, giving it a totally new look," said Fred Ehlers, vice president information technology and chief information officer. "Next-generation AccessNS is all about meeting the unique shipping needs of each customer. We want to provide our customers with timely and reliable data they need to satisfy the demands of their customers and grow their business. Our goal is to be the transportation industry leader in providing data the way customers want it."

With the overhaul, customers can use AccessNS to seamlessly:



**Railcar & Locomotive  
Leasing and Brokerage**



**Project Management**



**Transportation  
Consulting**

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### Tealinc Touchbase Newsletter –March 2018

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**Customers can track shipments using interactive maps, obtain real-time data on rail car movements as well as request pricing and place shipping orders**

- Track shipments using interactive maps.
- Obtain real-time data on rail car movements, including deliveries and pickups.
- Request pricing, place shipping orders, and manage shipment exceptions.

Norfolk Southern's AccessNS redesign is based on extensive customer engagement over the past 18 months. The company plans to use ongoing customer feedback to continuously improve the AccessNS digital experience. Within the next several months, Norfolk Southern plans additional updates to AccessNS and the release of an AccessNS mobile app for customers on the go.

**Read the entire article:**

[www.nscorp.com/content/nscorp/en/news/norfolk-southern-rolls-out-next-generation-accessns-online-custo.html](http://www.nscorp.com/content/nscorp/en/news/norfolk-southern-rolls-out-next-generation-accessns-online-custo.html)

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**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!*

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