



Tealinc Touchbase Newsletter

Inside This Issue

STB Standards	1
Railcar Interchange Life	1
General Rumbblings	2
AAR Update	2
Corn Growers	2
A Little Sweetener	3
AAR Numbers	3
Scholarships	3
Railcars for Sale or Lease	3

February 2020 - Touchbase Clips

Surface Transportation Board – Simplified Standards for Rail Rate Cases

The [STB published its decision](#) on docket DP 689 (Sub-No 11) on January 21, 2020. The idea is to make it less economically burdensome for those filing a case where the value doesn't warrant the significant investment required to file a stand-alone cost case. Often these stand-alone cases run in the hundreds of thousands to million-dollar range. The new docket gives smaller shippers a better chance at filing a "rate" case without betting the operation on the outcome. The STB has established a Three Benchmark approach, which compares a challenged rate to three measures of the defendant railroad's revenues and variable costs. This approach can be found by [clicking here](#). It's particularly interesting to look at the Table II RVC>180 percentages. RVC is Revenue to Variable Cost ratio, and a reasonable rate generally doesn't exceed 180% of the RVC. It appears there may be some pressure to meet a reasonable rate definition for all railroads.

Railcar Interchange Life

Do you know that railcars built before July 1, 1974 have not been acceptable in interchange since July 1, 2014? Railcars built after that date are acceptable in interchange for 50 years. A railcar built exactly on July 1, 1974 or later will have 50 years of Association of American Railroads (AAR) interchange life. If built on July 1, 1974, the railcar will have interchangeability thru July 1, 2024. To match the 50-year rule, the car must go through a recertification program per AAR Rule 88 Rebuild or



Extended Service Status as outlined in the AAR Office Manual Rule 88. To get a copy of the AAR Railcar Interchange Life Rules, [click here](#); you'll need to purchase the Office and Field Manuals.

General Rumblings

Operating Lessors are either hitting homeruns with portfolio deals or gasping for breath on renewals or new car placements. Current Lessor portfolios are running at 80% to 95% utilized (see AAR updates). A positive movement in scrap prices are likely to reduce this count. Grain and scrap companies, traders, and processors have had a tough year in 2019 due to the strength of the dollar, economic problems with trade partners, and trade war tariff issues. The signing of the USCMA (US/Canada/Mexico Agreement)

and a tidbit of relief with the tariff issue with China is providing a little bit of positive attitude. Railinc is now offering a comprehensive fleet management service; makes you wonder if they are competing with or complimenting service providers. Precision Scheduled Railroading (PSR) continues to raise questions on service reliability. CSX has stepped out and is offering a means via its web site to compare your service to actual movements: a bold move. Properly managing the

store is important; retaining and obtaining customers is important; might there be a conflict of interest here? Railroad earnings reports are out for 2019. In most cases, revenues and profits grew substantially. Revenue per railcar was generally up and operating costs (think PSR) were down. The railroads are super focused on managing costs, which isn't a bad thing as long as such intensity doesn't affect growth.

AAR Update

Remember, [OT5 is now OT57](#), and there is a new process for registering private equipment. If you have private railcars and they are not registered under OT57, you're running on borrowed time, as they were due by February 1, 2020. If you need help, [email us](#) and we'll see what we can do to help.

Corn Growers

A little good news from the [US Department of Agriculture](#): Japan is short of corn due to insect infestations. Japan has officially declared an Emergency Reserve Corn Program, in which they intend to support offshore storage costs for imported corn. This may help U.S. corn growers and agribusiness firms in creating a bit more demand.

Tealinc, Ltd.

www.tealinc.com | (720) 733-9922 | webmail@tealinc.com

Serving North America and International Shippers
1606 Rosebud Creek Road, Forsyth, MT 59327

A Little Sweetener

You don't often hear of sugar in the news, but when one considers the reach of sugar (think candy bars, confectionary, baked goods, etc.), it's an important commodity to U.S. consumers. This year, beet sugar production has been hard hit by harvest shortfalls due to frost damage at harvest, and supply shortfalls of U.S. sugar is inevitable.

Scholarship, anyone?

Tealinc is offering two \$1,000 scholarships. [Get an application today](#) and help defray some school expenses. We believe in post-secondary education, be it college, trade school or specialized courses. We've paid out around \$35,000 in tuition for young adult continuing education, and welcome your application.

Association of American Railroads Numbers

For the year 2019, the U.S. shipped some 12.972 million originated rail carloads of product. That's a 4.9% deficit compared to 2018, and the lowest shipment origination level in the past five years. Out of a general freight railcar fleet of 1.675 million, there are approximately 400,000 railcars in storage. Stored cars are led by covered hoppers, at 36% of the total fleet (think frac sand cars and grain cars), tank cars, at 27% of the total fleet (think DOT/AAR/FRA Railroad rules and regulations), and finally, 12% of the total fleet in storage is gondolas (mostly the coal variety).

Railcars for sale or lease

See our website (www.tealinc.com) for railcars that are for lease or sale. If we don't have it listed, there's a good chance we've got a source or simply haven't listed the railcars. We list about 75% of what we have available. [Email Kristen Kempson](#) and she'll help you out.

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 with our customers' long- and short-term requirements in mind.

Call us at 720-733-9922 or visit www.tealinc.com



Railcar Leasing & Sales



Rail Fleet Management Services



Rail Transportation Consulting