



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 2019

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Tealinc buys railcars!
Contact [Tealinc](#) today to find out more!

Tealinc will be present at both the [SEARS](#) and [NEARS](#) conferences.

See you there!

Tealinc Equipment Listing- We buy railcars!



Did you know? Tealinc, Ltd. buys railcars and we are actively looking to add to our growing fleet! From gondolas to flatcars, open top hoppers to covered hoppers, boxcars and everything in between, if you have rail assets to sell, call on us. We'll work hard to make the experience hassle-free for you.

[Send Tealinc](#) your list of available equipment today!

Looking to buy or lease equipment or need consulting services? We do that too!

[Contact Tealinc Today!](#)

Industry Events – Tealinc will be at SEARS & NEARS

Kristen Kempson will be attending the spring 2019 Southeast Association of Rail Shippers (**SEARS**). The meeting will take place March 19-21, 2019 in Savannah, GA.



Contact [Kristen](#) direct to set up a meeting.

Julie Mink will be representing Tealinc at the spring 2019 Northeast Association of Rail Shippers (**NEARS**). The meeting will take place April 3-5, 2019 in Baltimore, MD. Contact [Julie](#) direct to set up a meeting.



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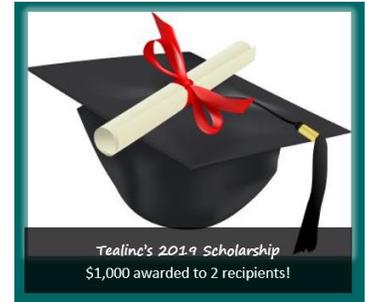
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**Tealinc scholarship-
deadline is April 1,
2019!**

Tealinc Scholarship- **Applications are due April 1, 2019!**

Know someone who could use some money for college? Tealinc is now accepting applications for our 2019 scholarship. The scholarship program is offered to a child (or dependent) of a person working in an industry that raises, manufactures or produces goods or provides services or is involved in transporting them. Don't miss out on this opportunity to earn a scholarship championing your accomplishments



The Tealinc, Ltd. scholarship takes about two hours to complete and the potential payoff is \$1,000. **Students – it is like getting paid \$500 per hour! .**

[Click here to view the Scholarship application.](#)

**January cold weather
did not slow down
railcar loadings**

The Edge with Darell Luther



January 2019 railcar loadings were up 1.7% or 21,054 units over the same time a year ago. The year is off to a good start despite a bitter cold weather streak throughout much of the month carrying into February. Coal, which accounts for 32.8% of all railcar loads was steady, chemicals had their best month ever and grain was down on the lack of exports due to international trade reshuffling. Petroleum seems to be making somewhat of a comeback with Canadian crude being shipped over the US to refineries. There's a debate in the frac sand world as to whether we will see a resurgence in the amount of rail sand being used or if local sources will prevail.

Even lumber and timber products has seen a slight gain in carloads shipped. A strongly economic health correlated waste and nonferrous scrap is up some 11.6%.

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Lumber and timber experienced a gain-need bulkhead flatcars to support your lumber business?

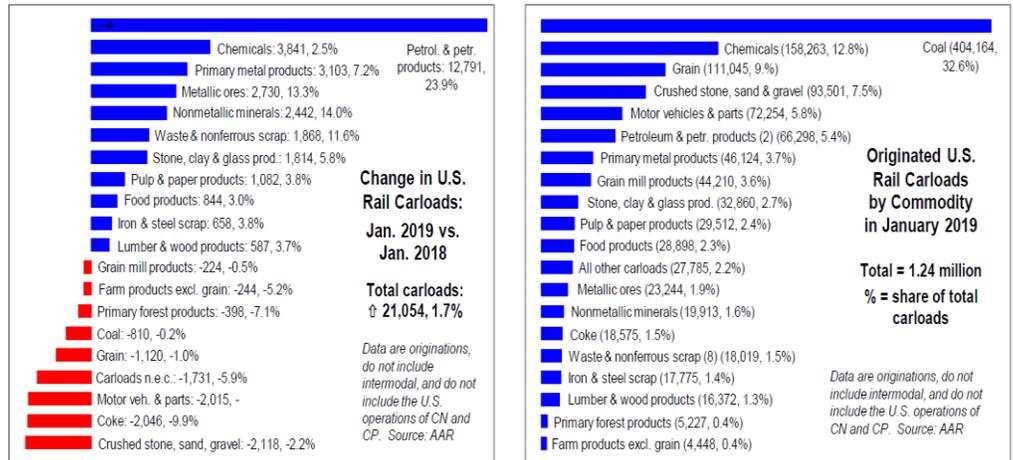


Tealinc has flatcars available for lease!

Federal Reserve in December indicated rates should be steady throughout 2019

Unemployment and growth of business fixed investment the economy seems to have a healthy balance

The charts below from the Association of American Railroads Rail Time Indicators report details the change in US rail carloads from January 2019 vs. January 2018 and those originated US rail carloads by commodity in January 2019.



As one may discern the lack of clarity regarding exports across certain commodity lines is having somewhat of an impact on rail traffic.

On the economic front, the Federal Reserve in its December meeting has strongly indicated that they will keep federal funds rate steady throughout 2019. Citing strength in the labor market and solid economic activity gains, job gains, low unemployment and growth of business fixed investment the economy seems to have a healthy balance. Inflation remains near two percent. The Federal Reserve set the deferral funds rate at 2 ¼ to 2 ½ percent with current rates hovering near 2.4 percent. The corresponding federal prime rate in March 2019 is 5.5 percent, up from 4.75 percent from March 2018 and 4.0 in March of 2017.

It appears from the outside looking in that the economy will be steady to the ever-

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Contact Tealinc to find out how we can help your business through our consulting services

We are looking to buy more flatcars to support our customers business.

Contact Tealinc with your idle rail assets.

Having a knowledgeable inspector inspect your railcars is key

Before a railcar leaves

present threat of a few gloomy days. From our perspective we’re seeing a lot of pent up demand for growth. The Precision Scheduled Railroading (“PSR”) model will drive a few assets and people out of the rail transport system but overall demand for good used railcars and power continues to be steady in the railcar lease market. The number of inquiries for railcars and rail transportation consulting is high considering the last few years.

We’re working several projects that support base load business such as lumber, poles and timber products as well as aggregates shipments that are truly greenfield operations. If we can be of assistance don’t hesitate to call upon us.

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 Dan Madden



It is critically important when releasing railcars into service to make sure that the cars are safe to move through interchange. Furthermore having a knowledgeable railcar inspector inspect your railcars is really key I recently visited a repair facility to do a final inspection on some railcars that Tealinc has purchased that were being released into service. As the car owner and lessor, I was not only inspecting the cars to be sure that the shop had completed all of the repairs and maintenance items I’d presented in my thorough Shop Scope of Work but I was also making sure that the cars would be fit for interchange. During my inspection I discovered several safety issues that needed to be corrected before the cars could be released into interchange. Before I go any further my article, I want to make it very clear that this article is truly for educational purposes only. The shop that completed the work on these Tealinc owned cars was very receptive to my inspection and notes and worked quickly

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a shop and before it is released into interchange, it is important to make sure and all equipment and any accessories (chains, tie downs, lading straps, etc.) are securely fastened to the car in order to prevent a safety issue

As trains travel down the tracks railcars vibrate and oscillate back and forth which could result in these cables becoming dislodged from the car body and creating a potential safety hazard

with us to resolve the issues. I share this article so that others may learn from our experience.

Before a railcar leaves a shop and before it is released into interchange, it is important to make sure all equipment and any accessories (chains, tie downs, lading straps, etc.) are securely fastened to the car in order to prevent a safety issue. During my inspection I discovered several lading equipment cables hanging from the side of the car. I have included actual photos here so you see just what I'm talking about. In one photo, you can see that there is a lading/tie down cable hanging from the side of the car. In another photo, you will see about 4 feet of cable dragging on the ground and in yet another photo you will see a lading cable innocently coiled on the side of the car.

Even though this may look safe enough it is not. As trains travel down the tracks railcars vibrate and oscillate back and forth which could result in these cables becoming dislodged from the car body and creating a potential safety hazard. These cables are approximately 20 feet long and even though there is only 4 feet of cable hanging from the car now as the car travels down the tracks there will become more and more cable pulled from the car.



When I arrived on-site for my inspection, the shop had mistakenly early released the cars and these cars in the state you see in the photos were scheduled to be

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I had to direct the local switch crews to pull the cars from the train and return them back to the repair track and address the issues that were discovered. I am glad I was there to catch and correct the issue

switched into a train outbound to the main line and outbound to their destination. At that time, I had to direct the local switch crews to pull the cars from the train and return them back to the repair track and address the issues that were discovered. I am glad I was there to catch and correct the issue.

When a train is moving along the tracks, they can sometimes reach speeds of approximately 50 miles an hour. You can imagine the danger that this would present is this cable is hanging from the side of the car and whipping in all directions. this can become extremely dangerous at railroad crossings where there are pedestrians and motor vehicles waiting at the crossings for the train to pass. It is critical for facilities to make sure all lading equipment is securely fastened to the car body before releasing a car.



From the time we are children we are taught that as a pedestrian or a motor vehicle operator it is important to be proactive and take safety seriously when at railroad crossings. It is important that we as railroad shippers ensure that we do our part to inspect railcars for maintenance and repair issues, remedy any identified issues and ensure that a car is released into interchange service in a condition consistent with the AAR/FRA rules and regulations.

When you need someone to rely on for your railcar inspections or to help you properly manage the maintenance and repairs on your railcars, we stand ready to assist you!

Dan Madden is the Manager Value Creation-Operations for Tealinc, Ltd. You may contact Dan directly at (541) 915-8981 or via email at dan@tealinc.com.

Contact Tealinc to learn more about our Rolling Stock Management Agreement for Tealinc leased equipment

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February 2019 carload traffic was down 2.7% compared to February 2018

February 2019 carloads for petroleum & petroleum products, primary metal products, pulp & paper products up; coal, crushed stone, sand & gravel and grain mill products down

Railroad Traffic

The Association of American Railroads (AAR) today [March 6, 2019] reported U.S. rail traffic for the week ending March 2, 2019, as well as volumes for February 2019.

U.S. railroads originated 999,978 carloads in February 2019, down 2.7 percent, or 28,238 carloads, from February 2018. U.S. railroads also originated 1,094,499 containers and trailers in February 2019, down 0.9 percent, or 9,513 units, from the same month last year. Combined U.S. carload and intermodal originations in February 2019 were 2,094,477, down 1.8 percent, or 37,751 carloads and intermodal units from February 2018.

In February 2019, eight of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with February 2018. These included: petroleum & petroleum products, up 8,269 carloads or 20.5 percent; primary metal products, up 1,378 carloads or 3.7 percent; and pulp & paper products, up 1,165 carloads or 5.5 percent. Commodities that saw declines in February 2019 from February 2018 included: coal, down 22,945 carloads or 6.7 percent; crushed stone, sand & gravel, down 6,190 carloads or 6.9 percent; and grain mill products, down 2,262 carloads or 5.9 percent.

“It’s impossible to know how much of the sluggishness in rail volumes in February was due to weather and how much was due to weakness in the overall economy, but it seems likely that weather played a role,” said AAR Senior Vice President of Policy and Economics John T. Gray. “Every winter causes problems for railroads, but this past February on average was noticeably colder than last year in much of the country and that may have been enough to pull rail volumes below last year. That said, trade-related uncertainty hasn’t helped, nor has the economic

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Excluding coal, carloads were down 0.8 percent, in February 2019 from February 2018

uncertainty engendered by perceived softness in parts of the economy.”

Excluding coal, carloads were down 5,293 carloads, or 0.8 percent, in February 2019 from February 2018. Excluding coal and grain, carloads were down 5,458 carloads, or 0.9 percent.

Total U.S. carload traffic for the first two months of 2019 was 2,238,465 carloads, down 0.3 percent, or -7,184 carloads, from the same period last year; and 2,410,667 intermodal units, down 0.1 percent, or -3,505 containers and trailers, from last year.

Learn more at: <https://www.aar.org/news/rail-traffic-for-february-and-the-week-ending-march-2-2019/>

Construction spending sags in 2018- but falling interest rates lift odds of bounce back

Industrial Inside

High home prices, rising mortgage rates and shortages of land and skilled workers took a toll on builders in 2018. The construction industry posted its slowest growth in seven years.

The value of new construction in single-family homes, apartments, manufacturing plants and the like rose just 4.1% in 2018, the U.S. Census said Monday [March 4, 2019]. The poor year-end report weighed on the Dow Jones Industrial Average DJIA, -0.13% and the S&P 500 index SPX, +1.79% , helping to drag stock prices lower.

High home prices, rising mortgage rates and shortages of land & skilled workers took a toll on builders in 2018

Spending on new construction has fallen sharply after a pair of 11% percent increases in 2014 and 2015. The last time spending was weaker than last year was in 2011, when it fell 2.6%.

People looking to buy homes last year were put off by high prices and the most

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Housing prices have been rising at a 5% increase each year since 2014

Interest rate on a 30-year fixed mortgage dropped to 4.35% in late February

expensive mortgages since 2011. A 30-year fixed mortgage, for example, topped out at 4.94% in November. That was a full percentage point higher compared to the same month in 2017.

The cost of buying a new or used home, meanwhile, continued to rise as fast if not faster than the increase in a typical worker’s annual pay. Housing prices have been rising about 5% a year since 2014.

Adding to the industry’s misery is the near-impossibility of finding enough skilled workers, a problem exacerbated by the Trump White House’s crackdown on immigration. U.S. tariffs on foreign goods such as lumber also boosted the cost of raw materials in the first half of last year.

Builders who focus on residential housing had a tough time. Spending rose just 3.2% — also the weakest since 2011.

Builders outside the residential market fared somewhat better. Construction excluding housing actually rebounded in 2018 to post a 4.8% increase after a small decline in 2017. The biggest gains were in transportation-related projects, office space and hotels and lodging.

How does 2019 look?

Although the housing market stumbled at the end of 2018, falling mortgage rates offer the hope of stronger sales and construction. The interest rate on a 30-year fixed mortgage dropped to 4.35% in late February and is basically back to where it was one year ago.

Mortgage rates are likely to remain attractive for at least the next several months following a promise by the Federal Reserve to put further increases in interest rates on hold.

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Housing prices tapered off in late 2018

Housing prices also began to taper off in late 2018.

The shortage of skilled tradespeople is unlikely to go away soon and builders say it's gotten harder to obtain new lots due to higher costs of land and stricter regulations. Yet if the Trump administration strikes a trade agreement with China and smooths over tensions with other countries, the cost of construction supplies could ease.

Lumber prices are still well below last year's all-time high, for instance, despite a typical increase ahead of the spring building season

Lumber prices are still well below last year's all-time high, for instance, despite a typical increase ahead of the spring building season.

Construction companies appear prepared to act if everything pans out, particularly in the residential market. Permits to build new houses rose slightly in December to annual rate of 1.33 million and remain near a post-recession high. Even that might not be enough to satisfy all the demand.

Homeownership in the U.S. rose in the final three months of 2018

Homeownership in the U.S. actually rose in the final three months of 2018 to the highest level in four year and the formation of new households grew at a 1.5 million pace.

The rising number of new families "will add to consumer demand, especially for big-ticket items such as houses and cars," said chief economist David Berson of Nationwide insurance. If so, housing could help the economy in 2019 instead of hurting growth like it did in 2018.

Read the entire article at: <https://www.marketwatch.com/story/construction-spending-sags-in-2018-but-falling-interest-rates-lift-odds-of-bounce-back-2019-03-04>

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Fed’s pause now extends through September in wake of weak jobs report

Economy has been shifting into a slower pace of growth

Fed officials have stressed in their speeches this year that they are taking a wait-and-see approach to monetary policy

Financial Focus

The weak February jobs report gives the Federal Reserve even more reason to be patient about interest rate adjustments and will keep the central bank on hold until at least the September meeting, economists said Friday [March 8, 2019].

“The Fed is on hold until we come back from the beach,” said Richard Moody, chief economist at Regions Financial in Birmingham, Ala.

Moody said the economy has been shifting into a slower pace of growth and that means some data will look quite weak. “It doesn’t happen in a straight line,” he said. The U.S. added a meager 20,000 jobs in February.

Moody said the best way to look at labor market was to average the small February gain with the oversized 311,000 jobs created in January. He said it was way too soon to pencil in the next Fed move as an interest rate cut. “I know the market seems to have totally discounted it, but it is not clear to me the Fed is quite finished [raising rates],” he said. “You can’t dismiss the possibility that core inflation picks up later in the year,” he said.

Investors have penciled in a greater chance of a rate cut by the end of the year than an increase, according to the CME Group’s FedWatch tool.

Fed officials have stressed in their speeches this year that they are taking a wait-and-see approach to monetary policy. New York Fed President John Williams said the central bank would be especially data dependent.

Seth Carpenter, chief U.S. economist at UBS, agreed that this patience would extend until the third quarter. “They need to stand back for a couple of quarters”

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Joseph Lavorgna, chief economist for the Americas at Natixis, thinks the Fed’s next move will be to cut interest rates, but he doesn’t forecast the easing until early in 2020

Feds next meeting is set for March 19-20, which will set a policy for the next 6 weeks

Starting April 1, 2019,

before taking any action, he said. Carpenter said he expects the weak first quarter will be followed by a rebound over the next six months. This will eventually lead to Fed to raise interest rates again, he said.

On the other hand, Joseph Lavorgna, chief economist for the Americas at Natixis, thinks the Fed’s next move will be to cut interest rates. But he doesn’t forecast the easing until early in 2020. “It is clear the first quarter is going to be very soft. And it is happening against a backdrop of weaker global growth,” he said. “This is not going to give the optimists [at the Fed] much comfort,” he added.

Fed Chairman Jerome Powell will speak later Friday from an economic conference in Stanford University. He will also discuss the economic outlook on CBS News “60 Minutes” program on Sunday.

The Fed will meet on March 19-20 to set policy for the next six weeks. Economists will be looking at the Fed’s dot plot to see if the central bank has penciled in any moves this year.

In December, the median forecast of Fed officials was for two rate hikes. Lavournga said the market SPX, +0.45% DJIA, +0.05% would be set for another tantrum “unless they say they are done” with hiking rates

Learn more at: <https://www.marketwatch.com/story/feds-pause-now-extends-through-september-in-wake-of-weak-jobs-report-2019-03-08?mod=federal-reserve>

Railroad & Policy Updates

Effective April 1, 2019, Norfolk Southern (NS) will be making changes to the following tariffs:

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the NS is making changes to several tariffs

- Demurrage and Storage Rules and Charges NS 6004-D
NS 6004-D, Demurrage and Storage Rules and Charges:
The revisions to this tariff are available for view on the NS website at:
<http://www.nscorp.com/content/nscorp/en/transportation-terms/other-requirements/demurrage-rules-and-charges.html>
- Accessorial Service Rules and Charges Tariff NS 8002-A
The revision to this tariff are available for view on the NS website at:
<http://www.nscorp.com/content/dam/nscorp/ship/shipping-tools/shipping-news-and-alerts/NS-8002-A-eff-04-01-2019.pdf>

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.

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