



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 –July 2019

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Flatcar auction deadline extended!
We are looking to purchase gondolas!

Where commerce is concerned, rail and truck freight seem to be on somewhat of a downslide lately

Tealinc Equipment

****Flatcar Auction Deadline Extended****

We have (40) bulkhead flatcars available for sale, lease or trade. We want to get these cars into service fast and are offering the cars to the highest bidder. Bid details are available by contacting [Julie Mink](#).

We are looking to purchase mill gondolas and high cube gondolas.

If you have any for sale or coming off lease soon, forward [Julie Mink](#) the car specs and pricing.



The Edge with Darell Luther



Happy Independence Day! Thanks to all the service men and women who keep our country free. We really appreciate your sacrifices for our ability to live and work in such a great country.

Where commerce is concerned, rail and truck freight seem to be on somewhat of a downslide lately. [Freightwaves](#) reports that at the SCM3 summer conference in Colorado Springs this year, four C Level executives were bullish on second quarter 2019 while acknowledging that first quarter was a bit bearish and, in some regions, downright bad. This is somewhat tempered in measurement from a high demand year of 2018. Bright spots are final mile services that seemingly continue to grow. Part of the downsides are realistically tariff and trade war related. After this trade war gets shaken out, we then expect to see a

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Once the trade war straightens out, we expect to see a strong surge in pent up demand which cause a surge in transportation demand

Election year in 2016 created confusion in the direction of our country's leadership that most businesses were treading water on decisions waiting for the political outcome

Do railroads have the resources to support a sudden release in pent up demand? Absolutely!

strong surge in pent up demand causing a surge in transportation demand. Currently, though, rail originations are off somewhat. Note in the table below that carloads have gone from a high in 2014 (year to date through May of each year) of 6.24M carloads to a low in 2016 of 5.24M carloads with a slow recovery to 5.5M carloads in 2019. Despite somewhat plateauing in 2017 and 2018 the year to date carloads through May 2019 are indicative of slowdowns in export programs and less consumer consumption. Of interest is that 2016 was an election year where there was so much confusion in the direction of our country's leadership that most businesses were treading water on decisions waiting on the political outcome. The total US carloads reflect a holding pattern on growth (new and same store) and some decline in other areas.

| YTD Through May | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| Total U.S. carloads* | 6,241,194 | 6,085,511 | 5,243,816 | 5,600,574 | 5,666,819 | 5,528,824 |
| U.S. carloads excluding coal* | 3,799,488 | 3,834,025 | 3,733,971 | 3,804,280 | 3,862,463 | 3,808,943 |
| U.S. coal carloads* | 2,441,706 | 2,251,486 | 1,509,845 | 1,796,294 | 1,804,356 | 1,719,881 |
| U.S. intermodal | 5,455,868 | 5,639,915 | 5,531,630 | 5,656,640 | 5,993,532 | 5,848,287 |
| U.S. carloads + intermodal | 11,697,062 | 11,725,426 | 10,775,446 | 11,257,214 | 11,660,351 | 11,377,111 |
| Total Canadian carloads* | 1,692,895 | 1,718,822 | 1,527,907 | 1,733,933 | 1,747,298 | 1,794,574 |
| Canadian intermodal | 1,210,168 | 1,324,114 | 1,284,778 | 1,388,088 | 1,478,566 | 1,502,929 |
| Canadian carloads + intermodal | 2,903,063 | 3,042,936 | 2,812,685 | 3,122,021 | 3,225,864 | 3,297,503 |

*excludes intermodal

*source AAR

Do railroads have the resources to support a sudden release in pent up demand? Absolutely! There are a few thousand stored locomotives and as of June 1, 2019 31% of the registered tank railcars were in storage comprised mostly of crude oil tank railcars along with 34% of the covered hoppers for hauling grain, chemicals and plastic pellets and 12% of the coal cars and a smaller percentage of mill gondolas for scrap and metals service. The total railcars in storage is approximately 316,000 cars out of the 1.67M registered railcars. Over the past

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Many of our clients are seeing railroads push shippers into private railcars. Be sure to check out this month's bonus section, *Marketing Brief with [Kristen Kempson](#)*, who outlines the process of owning and/or leasing private railcars

Handling of damaged or destroyed rail equipment - know the rules

several months railroad jobs for train and engine persons have shown several thousand jobs being lost as railroads drive efficiencies through precision scheduled railroading. Many of those folks, who are furloughed, will come back to work when demand increases to the point they're needed.

Speaking of railroad changes we find it interesting that many of our clients are seeing railroads push shippers into private railcars with little or no differentials between railroad supplied railcars and private shipper supplied railcars. Maybe it's a new normal where over time railroads are going to require private equipment without even negotiating the difference between the two options. I'm not sure of the railroads railcar replacement rate but I do know that with the focus on the bottom line it seems logical that requiring shippers to supply their own equipment without a change in rate differential is a good business practice for them.

Do you know where your railcars are coming from in the future? Tealinc stands ready to help!

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

Many people find AAR Rule 107 very complicated and hard to follow so I thought I would break it down and make it a little easier to understand since there are strict timelines to follow and abide by.



The purpose of AAR Rule 107 is to provide an orderly sequence of events to compensate railcar owners when equipment is damaged or destroyed by the railroad. Once a piece of equipment is damaged by the railroad, the handling carrier must

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AAR rule 107 provides an orderly sequence of events to compensate owners when railcars is damaged or destroyed by

Railroad must notify car owner within seven days of the incident that their car is damaged/destroyed and car owner must respond within 7 days through DDCT

If it is determined by the damaging road that the equipment is not damaged to the extent of the DV value of the car, the damaging road must select one of the available options

notify the car owner within seven days of the incident. The damaging road must provide the owner the car number, the date of the incident, the standard point of location code, a list of the major items damaged and the last commodity the car contained. The owner is required to respond within seven days once the owner receives notification through the Railinc - Damaged & Defective Car Tracking (“DDCT”) system. The owner is responsible to provide a settlement value or shop disposition. If the car owner would like to inspect the car, the inspection must be requested within 15 days of the notification from the damaging carrier. An inspection can only be requested if the equipment does not meet or exceed the settlement value of the car. The damaging road must agree to the inspection. If the damaging road agrees to the inspection the damaging road will escort the car owner to the car location and the inspection time and date will be determined by the damaging road. If the equipment is determined to be destroyed and a car owner requests an inspection, the request will only be granted upon agreement by the damaging road.

If it is determined by the damaging road that the equipment is not damaged to the extent of the DV value of the car, the damaging road must select one of the following options:

1. Make complete repairs at its own expense within 120 day of the incident.
2. Contract for repairs through a 3rd party AAR Certified repair shop at no cost to the owner.
3. Send equipment home within 60 days from the date of notification loaded on other equipment and create a defect card.
4. If owner does not provide disposition within 15 days of notification the handling line may use its own judgement regarding disposition.

If the damaging carrier estimates the cost of repairs will equal or exceed the AAR settlement value the damaging carrier will authorize, within 30 days of receipt of

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It is important to know the timelines for damaged/destroyed equipment- [contact Dan](#) if you have a question on damaged/destroyed equipment!

PSR have you scrambling for cars? We are here to help!

settlement value statement, the owner to bill for settlement value. Equipment that has been damaged to new cars less than 12 months old, will be settled at the original cost of purchase.

It is important to know the time guidelines for car owners to ensure their equipment is handled correctly. Not responding or following the timeline requirements could result in increased higher repair cost, cars not being repaired in a timely manner, out of service time and or not getting the best settlement value option provided by damaging roads.

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

Marketing Brief with Kristen Kempson

Does Precision Scheduled Railroad (“PSR”) have you scrambling for railcars? Looking for system cars? Railroad won’t supply them? It seems to be a common



theme we are hearing from many shippers. Shippers are calling us frustrated that they are being turned away by the railroad. It makes it difficult to operate a business efficiently and meet their customers demand. In order to manage their own freight by rail destiny, many shippers call us looking for private railcars.

So, what is a private railcar? It is simply a railcar that is owned by shippers, lessors (such as Tealinc, Ltd.!) or other entities that are not railroads. There are many benefits to using private railcars.

First, and the most advantageous, is that you you’re able to better manage your own rail shipping destiny. When you need to load product, you aren’t left waiting

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There are many benefits to utilizing private railcars from managing your own freight destiny to reducing demurrage to becoming more efficient in your loading/unloading process

Leasing or owning railcars can be an overwhelming process. We've put together a step-by-step guide of what you'll need to do.

Contact us and we'll send the checklist to you and walk you through the process.

for the railroad to deliver you system equipment that might be caught in a pool, assigned to other shippers (often times your competition!) and may not show up on time or at all. As a private railcar lessee or owner, you have more control over your equipment (since it is your car). You can track and trace your railcars to know where they are and when to expect them to return to your facility. This will allow you to schedule production so you can operate your business smoothly, and in turn meet your customers demand.

Secondly, you won't have demurrage costs once you lease or own private rail equipment. So long as the equipment is on your property/siding and your in compliance with your contract, you have as long to unload your equipment as you need. No more Sunday rush to load/unload!

Lastly, you become familiar with your fleet, how to load/unload your railcars and how much product you can ship each and every time because you'll have consistency on your side. Your crew will become more efficient with the loading/unloading process.

As a private railcar owner, we're intimately aware that leasing and owning private railcars can be an overwhelming process. We've got the benefit of years of experience on our side and we've helped everyone from the novice railcar lessee/owner to the seasoned pro make the process as easy as possible.

You'll need to inspect and accept the railcars, submit financials, review agreements, register your private railcar mark with Railinc, obtain insurance, provide payment, obtain a bill of sale, submit memorandum with the surface transportation board, retag/restencil your railcars, transfer UMLER, submit OT-5, submit billing to the railroad

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As your railcar lessor, Tealinc offers Rail Fleet Management Services

Schedule a call with Tealinc today!

Kristen Kempson will be representing Tealinc at the MARS summer meeting. Contact Kristen direct to line up a meeting!

U.S. carloads down in June 2019 making it the fifth month in a row for declines in carloads

We've put together a step-by-step guide of what you'll need to do. **Contact us** and we'll send the checklist to you and walk you through the process. Whether you buy, sell or lease railcars with Tealinc, we are confident you will find these steps helpful for a process that may seem overwhelming.

As your railcar lessor, Tealinc offers Rail Fleet Management Services and can assist you in acquiring, managing, maintaining, repairing and tracking the movement of your railcars. Some of the highlights of the management services include preventative maintenance planning and management, tracing of your equipment and following up on cars that are out of route, delayed, lost or damaged, filing taxes, managing Railinc applications including DDCT events, submitting OT-5 applications, managing Umler, etc.

Buying, selling or leasing railcars? Schedule a call with Tealinc today! Tealinc provides a tactical and boutique approach to providing rail transportation solutions and we stand ready to assist you!

Kristen Kempson is the Manager Value Creation-Sales & Marketing for Tealinc, Ltd. You may contact Kristen directly in her office at (708) 854-6307 or via email at kristen@tealinc.com.

Railroad Traffic

The Association of American Railroads (AAR) today [July 3, 2019] reported U.S. rail traffic for the week ending June 29, 2019, as well as volumes for June 2019. U.S. railroads originated 1,023,394 carloads in June 2019, down 5.3 percent, or 57,173 carloads, from June 2018. U.S. railroads also originated 1,075,974 containers and trailers in June 2019, down 7.2 percent, or 84,002 units, from the same month last year. Combined U.S. carload and intermodal originations in June 2019 were 2,099,368, down 6.3 percent, or 141,175 carloads and intermodal units from June

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Commodities that experienced a gain in June 2019 compared to June 2018 were petroleum & petroleum products, nonmetallic minerals and chemicals

2018.

In June 2019, four of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with June 2018. These included: petroleum & petroleum products, up 8,122 carloads or 18.1 percent; nonmetallic minerals, up 774 carloads or 5.1 percent; and chemicals, up 613 carloads or 0.5 percent.

Commodities that saw declines in June 2019 from June 2018 included: coal, down 30,144 carloads or 9.0 percent; crushed stone, sand & gravel, down 10,764 carloads or 9.9 percent; and grain, down 6,715 carloads or 7.1 percent.

“June marked the fifth straight monthly decline for total U.S. rail carloads and for U.S. intermodal traffic,” said AAR Senior Vice President John T. Gray.

“Manufacturing is responsible for much of the rail traffic base, but U.S. manufacturing output has been falling for several months. Housing too is in the doldrums, and trade is suffering because of tensions with trading partners overseas. Taken together, demand for rail service just isn’t as strong as it was six months or a year ago. Obviously, railroads hope things turn around, both for their own sake and for the sake of the broader economy.”

Visit the AAR at: www.aar.org

Industrial Inside

Oil futures gained on Tuesday [July 9, 2019], with U.S. prices logging a fourth straight session gain, buoyed by tensions with Iran that threaten the global flow of oil and by expectations for a weekly decline in U.S. crude supplies.

Concerns over a slowdown in energy demand, however, have kept prices in check. Traders also awaited Congressional testimony this week from Federal Reserve Chairman Jerome Powell and any hints on the likelihood of an interest-rate cut

U.S. oil prices tally a fourth straight session gain

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There were concerns over a slowdown in energy demand, however prices were kept in check

The string of U.S. oil-price gains “suggests that the corrective pressure has at least eased for now,” said Richard Perry, analyst at Hantec Markets.

later this month.

Traders also awaited Congressional testimony this week from Federal Reserve Chairman Jerome Powell and any hints on the likelihood of an interest-rate cut later this month.

August West Texas Intermediate crude CLQ19, +2.77% rose 17 cents, or 0.3%, to settle at \$57.83 a barrel on the New York Mercantile Exchange, following three straight session of gains. The settlement was the highest for a front-month contract since July 1, FactSet data show.

International benchmark September Brent BRNU19, +2.65% which had diverged from its U.S. counterpart a day earlier, climbed 5 cents, or nearly 0.1%, to \$64.16 a barrel on ICE Futures Europe.

The string of U.S. oil-price gains “suggests that the corrective pressure has at least eased for now,” said Richard Perry, analyst at Hantec Markets.

Rising tensions between Iran and the United States have brought the two countries close to conflict and threatened the security of major oil transportation choke point, the Strait of Hormuz. Last month, President Donald Trump called off air strikes at the last minute in retaliation for Iran shooting down a U.S. drone.

Read more at: <https://www.marketwatch.com/story/us-oil-prices-aim-for-fourth-straight-gain-2019-07-09?mod=markets>

Financial Focus

The dollar inched up to a three-week high against a basket of currencies on

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Dollar hits three-week high ahead of Powell, FOMC minutes

Dollar inched up a 3-week high against other currencies as traders await clues from Jerome Powell’s testimony before Congress and minutes from the Fed’s last policy meeting on possible rate cuts

Tuesday [July 9, 2019] as traders await clues in Federal Reserve Chairman Jerome Powell’s testimony before Congress and minutes from the Fed’s last policy meeting on possible rate cuts.

The greenback has strengthened versus most major currencies in the aftermath of a government report last Friday that showed surprisingly strong domestic hiring in June.

The 224,000 job gain last month scaled back bets the U.S. central bank would embark on a deep 50-basis point rate decrease at the end of the month, although traders are still positioned for a more modest 25 basis-point decrease.

Amid U.S. President Donald Trump’s browbeating, Fed policy-makers may eventually relent and lower borrowing costs due to modest wage growth and sluggish domestic inflation.

Read more: <https://www.marketwatch.com/story/us-stock-futures-fall-as-investors-brace-for-comments-from-fed-chairman-powell-2019-07-09?mod=federal-reserve>

Canadian Pacific Railroad: U.S. customs and border protection in-bound process

Railroad & Policy Updates

The Canadian Pacific Railroad released a bulletin on July 8, 2019 announcing changes to the In-Bound Process. Effective July 29, 2019, U.S. Customs and Border Protections (CBP) will begin enforcement of their In-Bond Rule Changes. As part of this change, CBP will require the four-character alpha numeric Facilities Information and Resources Management System (FIRMS) code for all shipments moving in-bond. This includes shipments moving in-bond to U.S. destinations as well as traffic transiting the U.S. to a third country (i.e. Canada to Mexico; Canada to a U.S. ocean port for export overseas).

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Effective July 29, 2019, please include the FIRMS code in your shipping instructions to CP. Both CP intermodal and carload billing applications accept the FIRMS code (see screen shots below). Customers submitting shipping instructions through their own EDI system will enter the data in the N9*FRC segment. If the FIRMS code is not provided, CBP's Automated Commercial Environment (ACE) system will reject cargo arrival at the bonded destination preventing shipment release.

For additional information:<https://www.govinfo.gov/content/pkg/FR-2017-09-28/pdf/2017-20495.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.

We look forward to earning your business!

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