

## Interactive Table of Contents... Click where you want to start!

<b>Note from the Editor</b>	<b>1</b>
<b>"Railing On" with Darell Luther, CEO of Tealinc, Ltd.</b>	<b>1</b>
<b>"Rail Partners" with Julie Mink, President of Tealinc, Ltd.</b>	<b>2</b>
<b>"Rail Fleet Management Brief" with Shannon Rodgers, Director - Operations</b>	<b>3</b>
<b>"Rail Fleet Equipment Focus" with Kristen Kempson, Director - Marketing &amp; Sales</b>	<b>5</b>
<b>Industry Update: Surface Transportation Board</b>	<b>5</b>
<b>Industry Update: Rail Traffic Data</b>	<b>7</b>
<b>Industry Update: Financial Focus</b>	<b>9</b>
<b>Industry Update: Railroad &amp; Policy Updates</b>	<b>10</b>
<b>About Tealinc, Ltd.</b>	<b>11</b>

**Note from the Editor** Thanks for your continued interest in the Tealinc Newsletter! Here at Tealinc, Ltd. we solve rail transportation challenges, and this newsletter is just one way we provide value for our customers. If you're new to Tealinc, 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 for both novice and experienced rail shippers. We specialize in exceptional customer service and this newsletter helps our customers engage in the mission with us. Contact Us: [www.tealinc.com](http://www.tealinc.com) | (720) 733-9922 | [webmail@tealinc.com](mailto:webmail@tealinc.com)

### **"Railing On" with Darell Luther, CEO of Tealinc, Ltd.**



*Tealinc CEO, Darell Luther*

First and foremost our thanks go out to the service women and men that have insured we enjoy the freedoms we have today. We really appreciate your personal investment and sacrifices for the freedom of we the people of the United States of America. Thank You!

Wow we've really seen a rebound of the economy over the past three to six months. Container traffic at all ports, particularly the west coast ports is insane! Intermodal traffic is booming and will take precedence over any other traffic classification. That's how

intermodal is sold e.g. with a time guarantee or expectation that it will be where it needs to be when promised. The service offering eventually provides the supplies and other goods we all buy at the store or online. Plan ahead if you're a carload shipper / non unit train; boxcars, covered hoppers, mill gondolas, minerals, open top hoppers, lumber flats, centerbeams or high cube box cars, aggregate shipper, etc. The railroads are struggling with service issues as of the time of this writing due to the significant rise in the demand for transportation. Expect to have slower service, particularly in the eastern states. Adding to the squeeze on service will be the continued hot dry summer we're seeing in the west and washouts and the like from a saturated east and northeast geographic region. Think sunkinks and bridge replacements!

The Surface Transportation Board (STB) recently had a meeting with the cyber security team at

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the Association of American Railroads. The STB rightfully wanted to be sure the railroad freight hauling industry was prepared to prevent or deter attacks on the nations rail infrastructure. Cyber security has become of ever increasing importance in the technology world. Holding data hostage is the new bank robber approach to collecting ransoms. Recently the worlds largest meat packing house, JBS, was significantly impacted. JBS shut down for a period of time to pay the ransom and get back to operations. Colonial Pipeline, a Houston based pipeline company, suffered a ransomware attack impacting the computers that controlled the movement of oil through its pipelines. Even the New York City police department was hacked. Imagine if one of the Class I railroads were hacked, what cayous! As a reminder be sure your interconnect with railroads for electronic transmission of waybills, payments, communication is scrubbed of harmful ransomware. The network of railroads and the customers that work through electronic / cyberspace is immense. It takes everyone doing their part to keep it safe.

Inflation concerns and continued supply chain impact on inflation continue to be closely monitored by the Federal Reserve Board. We have an article below that reviews inflation and transportation that we think you'll enjoy.

In Tealinc news, Tealinc had a great response to our two - \$1,000 dollar scholarships this year. Its encouraging to see so many young adults striving to make a difference in their chosen professions. We wish them best of luck and thank all the young adults who applied for our scholarships. See below for a short bio of our winners.

Tealinc has certainly enjoyed the resurgence of consumer demand and the upstream demand that supports the end use business. We appreciate our current customers which list continues to grow at a substantial rate as we welcome new customers. Let us know how we can help solve your rail transportation challenges.

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### **"Rail Partners" with Julie Mink, President of Tealinc, Ltd.**



*Julie Mink, President – Tealinc, Ltd.*

What are you looking for when it comes to rail?  
How you define your answer determines the level of success you have with rail. I can tell you what Tealinc is looking for...

**Partner.** Definition: *One associated with another especially in an action.*

Our team recently conducted an internal exercise to define what Tealinc as a rail company means to each of us. From a very personal level to a professional level.

Our team came back with some thought provoking ideas and I was immensely impressed with the personal passion our team members have for rail as a logistics mode and for our customers personal needs. Above all else, the team responses illuminated the fact that our team certainly

isn't in the rail business to "sell" to our customers. To the contrary, we so intimately care about our customers rail shipping needs and shipping-by-rail success that we focus on how we can most efficiently be a partner with our customers. Partnership, then, is mission critical to our business. We work as a partner, an extension to our customer, to solve rail transportation needs however big or small they are and ensure they're specifically tailored to each individual shipper/receivers needs. During COVID, we found our customers in a time of uncertainty, reorgananziation and in some instances, in a time of crisis. Many unsure what their sales potential was, many unsure how to keep their staff safe and healthy and some struggling to adjust to abrupt and dramatic changes. As our customers flexed, so did we. Our mission remained the same: partner with our customers with whatever rail solutions they needed to keep their products moving and, when needed, stall railcars when they had to pause production/shipping activities. The result was immediate. Some customers needed to lease/sublease/sell railcars with too much supply and not enough demand while others were looking for a good deal to upgrade their fleet and support their on-going needs. A year later, our customers have weathered the storm and are enjoying fuller times. Carloadings (see graphs below in our newsletter) continue to reach for 2019 levels and with the scrapping that's taken place in the first half of this year, a demand for additional railcars is resurging. If you have railcars laying around that you don't have a home for, I'm certain Tealinc has a customer waiting to put those cars to work. We were here to partner with you in the storm, we're here to partner with you while looking at the rainbow. We certainly appreciate the opportunity to succeed as partners together no matter the weather!

I welcome your call. Contact me at [julie@tealinc.com](mailto:julie@tealinc.com) or call me at (720) 733-9922.

**Wishing you a fantastic, healthy and abundantly successful 2021!**

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### **"Rail Fleet Management Brief" with Shannon Rodgers, Director - Operations**



*Shannon Rodgers, Director  
Operations*

When I started working for a short line railroad (The Everett Railroad) in August 1999, I really did not know much about the industry. My experience was either being late from getting stuck at a railroad crossing or the spot on a Monopoly board! During my career at The Everett, I quickly learned what an amazing industry rail is. This past month I attended the Eastern/Southern Region Conference of the American Short Line and Regional Railroad Association (ASLRRA) and got back to my roots by networking with so many short line railroads again. These experiences gave me the opportunity to reflect on my past. The short line railroads are vital to our country's industry, employ a group of top-notch individuals, as well as provides an important element of fun and history for families and railfans alike.

According to the ASLRRA's website, short line railroads operate 47,500 miles of track or nearly 40% of the national railroad network. They handle in origin or destination one out of every four railcars moving on the national system. These operations are vital to many industries, both

small and large and from small towns to large cities. Without this service provided by the short lines, many industries would not have the ability to connect to the national network. This allows businesses and employment to stay local. The other option would be to have the shipment move in by truck, which is generally less cost-effective than shipping by rail. Trucking is also creating more wear and tear on the nation's already aging highways. The short line industry has provided an alternative way to safely move products across North America.

The short line industry is also filled with many unique and diverse employees, but a common thread is their strong work ethic. In my 15 years of experience working for a short line and now an additional six years in rail fleet management, that work principle showed in many ways. I have seen the owner go from driving the locomotive to replacing ties within the same day. I have seen employees come in on their day off to deliver a needed car so the customer would not have to shut down. I have seen the service representative spend all day on phone calls, just to push the car from its current location, so it can be delivered on time. I have seen the American Short Line and Regional Railroad (ASLRRA) fight for better regulations to help make the industry safer and more efficient.

I consider myself fortunate to still be involved in such an amazing industry. As Director of Operations for Tealinc, Ltd. I have used my short line experience in numerous ways. Not only do I deal with all of the Class I's but am also fortunate to interact with a lot of short lines and regional railroads in aiding our customers to move their product in a timely and efficient manner.

As you may or may not know, in addition to shipping freight, many short line and regional railroads also offer fun-filled excursions for railfans and families of all ages. These events help foster respect for railroading, both in the past and the future. Short line employees can often answer questions about local railroad history and the "ins and outs" of railroading. Many short lines also preserve the history of railroading by restoring steam locomotives and passenger cars. These events also help the local communities through tourism and special fundraising events. That's why I was so honored in June to be asked to work a weekend for The Everett Railroad on their passenger excursion. Freight rail traffic is such a different world than passenger rail traffic and I find the two distinctively different industries diversely fascinating. Not only is the short line my first home in rail but The Everett is also a member of my community, and it will always hold a special piece of my heart as it engaged my passion for rail so many years ago! If you're in the PA area and up for a passenger train adventure, The Everett Railroad is currently offering a discount on passenger tickets for people who bring in school supplies. These supplies will be given to students who are in need for the upcoming school year. Tell them Shannon Rodgers sent you!

Until we meet again, keep on railroading no matter where your passions take you!  
Contact me at [Shannon@tealinc.com](mailto:Shannon@tealinc.com) if you need specific help; our Rail Fleet Management Services cover everything from administrative support to mechanical to cycle time reports to providing rail rate research and options for identifying other facilities serviced by rail.

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## **“Rail Fleet Equipment Focus” with Kristen Kempson, Director - Marketing & Sales**



*Kristen Kempson, Director-  
Marketing & Sales*

**Looking for system (railroad supplied) railcars? Can't find them?**

It's a common theme I am hearing from shippers. Shippers are calling frustrated that they are being turned away by the railroads as the railroads are unable to supply customers with the railcars needed to ship by rail. It makes it difficult to operate a business efficiently and meet their customers demands with such a lack of railcar supply. There are many benefits to using private railcars. One of the benefits is that you have control over your equipment. You know exactly

what railcars are in your fleet so you can schedule your shipments more effectively and fulfill your customer orders in a timely matter. We take customer service seriously at Tealinc so I know how important it is to maintain a good relationship with your customer. If you're in this situation and you want to find out the availability of private railcars equipment, call me.

Personally, I am excited to attend my first in person conference in over a year and a half. I will be attending the Midwest Association of Rail Shippers July 12- July 13<sup>th</sup> in Lake Geneva, WI. If you are attending the conference as well, let's set up a time to meet. Send me your availability before or during the conference so we can meet up. I look forward to meeting you!

We encourage you to visit our [website](#) and explore railcars offerings and available services. As always, if you don't find what you're looking for, let me know and I'll focus on finding it for you. Contact me at (708) 854-6307 or email [kristen@tealinc.com](mailto:kristen@tealinc.com).

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## **Scholarship Recipients – Masshardt & Seals**

We had several excellent candidates apply for the two Tealinc sponsored scholarships this year. One scholarship in the amount of \$1,000 went to high school senior Jesica Masshardt of Sheridan, MT who is on her way to becoming a veterinarian. She's enrolled in Carroll College in Helena, MT to get her undergraduate degree and from there she plans to head to veterinarian school. The second \$1,000 scholarship was awarded to Aaliyah Seals of Chicago, IL, an upcoming sophomore currently at Howard University in Washington, DC studying criminology. Aaliyah intends to complete her Bachelors Degree and then move on to her Masters Degree in Forensic Criminology with a goal of ultimately working for the FBI. Congratulations to both recipients! We'll be watching you succeed and cheering you on as you do!

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## **Industry Update: Surface Transportation Board**

The Surface Transportation Board (STB) supplies a myriad of rail transportation statistics. One way railroads try to change customer behavior from delaying the use of railcars through such practices as using railcars as storage or not being ready to ship when the switch engine arrives

to the practice of turning them as quickly as possible is through the use of demurrage and accessorial charges. These charges apply to railroad owned and leased railcars. If you have private railcars on private track (leased or owned) you shouldn't have any exposure to demurrage, although you may have exposure to accessorial charges. Since demurrage has been in the spotlight this past year (2020) and going into 2021 we thought it would be interesting to review the Class I demurrage and accessorial charges revenue stream. The STB adopted rules clarifying the regulation of demurrage in April 2020. The data herein is Q4 2020 since not all railroads have reported Q1 2021.

The table below shows the demurrage and accessorial charges for Q4 2020 for U.S. Class I railroads. Total demurrage charges just for one quarter total \$232 million dollars and accessorial charges are \$114 million dollars for a total charge of \$346 million dollars in non-freight revenue.

<b>Demurrage and Accessorial Charges</b>			
<b>Class I Railroads</b>			
<b>Q4 2020</b>			
<b>Railroad</b>	<b>Demurrage</b>	<b>Accessorial*</b>	<b>Total by RR</b>
BNSF	\$41,156,000	\$29,508,000	\$70,664,000
UP	\$47,040,000	\$20,680,000	\$67,720,000
KCS	\$8,075,000	\$3,207,000	\$11,282,000
CSXT	\$53,800,000	\$35,100,000	\$88,900,000
NS	\$81,997,000	\$25,723,000	\$107,720,000
<b>Total</b>	<b>\$232,068,000</b>	<b>\$114,218,000</b>	<b>\$346,286,000</b>

\* Adverse Loading, Diversions & Reconsignments, Empty Cars Ordered but Not Used, Hazardous Non-Accident Releases & DOT Exceptions, Not Prepared for Service, Overloads, Private Empty Car Storage, Processor & Grain Car Allocation, Switching, Weighing, Other (e.g., Customs Inspections)

This data is only relevant on a carload or gross ton basis. The table below shows Q4 2020 carloads and gross tons (2000 lb.) by Class I railroad. It also shows the freight revenue for the quarter depicting that the relationship between freight revenue and demurrage and accessorial charges is miniscule to the railroad.

<b>Carloads, Tons and Freight Revenue</b>			
<b>Class I Railroads</b>			
<b>Q4 2020</b>			
<b>Railroad</b>	<b>Carloads</b>	<b>Gross Tons</b>	<b>Freight Revenue</b>
BNSF	2,559,174	133,592,915	\$5,510,153,812
UP	2,051,379	111,800,333	\$5,061,797,971
KCS	336,137	19,075,069	\$392,078,664
CSXT	1,593,350	84,153,394	\$2,653,939,390
NS	1,767,773	74,262,472	\$2,470,774,841

Total	8,307,813	422,884,183	\$16,088,744,678

Using the Q4 carload and tonnage information we further break down the demurrage and accessorial costs by carload and gross ton in the two tables below. While we stated its miniscule to the railroad, most all shippers we know will tell you they are at least somewhat impacted by these charges.

Demurrage Costs		
Class I Railroads		
Q4 2020		
Railroad	Carload	Gross Ton
BNSF	\$16.08	\$0.31
UP	\$22.93	\$0.42
KCS	\$24.02	\$0.42
CSXT	\$33.77	\$0.64
NS	\$46.38	\$1.10

Accessorial Costs		
Class I Railroads		
Q4 2020		
Railroad	Carload	Gross Ton
BNSF	\$11.53	\$0.22
UP	\$10.08	\$0.18
KCS	\$9.54	\$0.17
CSXT	\$22.03	\$0.42
NS	\$14.55	\$0.35

#### What does this analysis tell us?

- Demurrage and accessorial charges are real and for some companies a significant cost of their transportation option,
- Given that these are averages, it is likely that some companies are paying significantly more and some significantly less than those depicted here,
- If you're in the more category you need to analyze ways to negate incurring these costs.

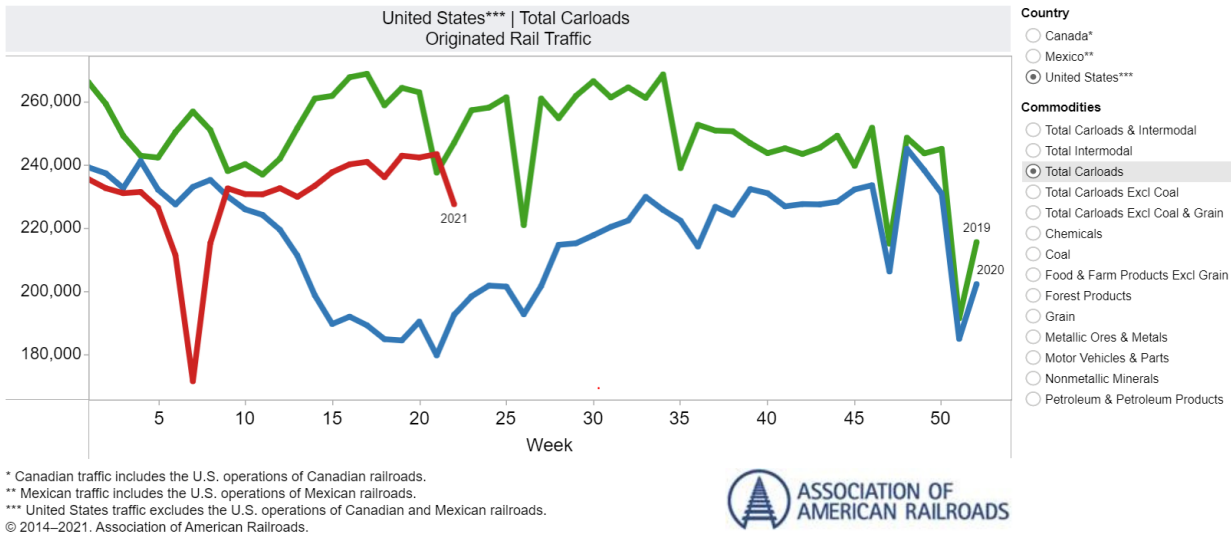
We've done the benchmark for you. How does your company measure up? Want to explore ways to decrease these charges? Contact us to explore solutions at [webmail@tealinc.com](mailto:webmail@tealinc.com).

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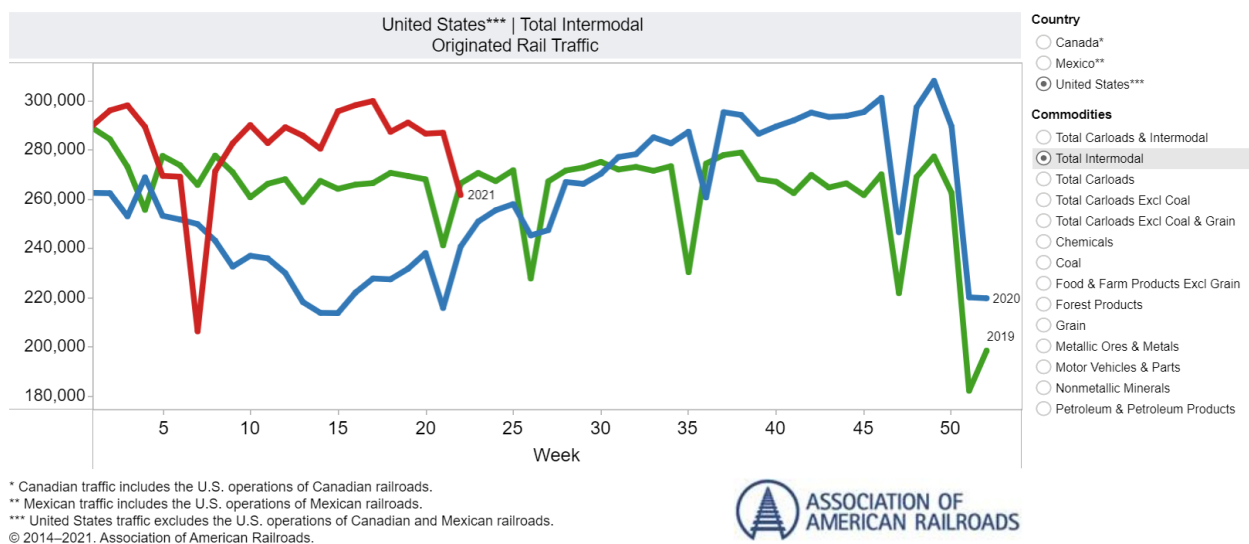
#### Industry Update: Rail Traffic Data

Carload rail traffic is taking a healthy turn for the better. The gradual lessening of restrictions on the world economy has consumers clamoring for more goods than ever before. Opening the

flood gates on pent up demand may be an understatement. The U.S. import market is being flooded with various goods and railcar loadings are gaining momentum. Goods that have to do with quality of life are leading the rebound. Grain is a leading commodity in that it centers around food production through processing or through feeding of animal agriculture for human consumption. Food and farm products are doing well for these same reasons. Lumber is growing as more refurbishments of housing are occurring since a lot of people have learned to office at home and are now making specific space for the home office.



Intermodal is going gangbusters. Consumer goods are most often shipped to the U.S. in containers. The U.S. appetite for imported goods continues to be strong and most of these goods are shipped in containers. An unprecedented number of ships have been delayed in places such as Long Beach and Los Angeles intermodal ports, Oakland, CA to Vancouver and Seattle, WA, and the eastern seashore due to this rise in demand.



## Industry Update: Financial Focus

What's recently been as good as gold but almost harder to get? Why lumber of course! Lumber has had a tremendous run up in price over the past six to eight months. The offshoot of the pandemic has been a tremendous building boom. Stimulus checks, extra unemployment benefits, payments to offset lost wages at jobs and simply more time at home has a lot of people refurbishing their house and installing new home offices. This trend is beginning to wane as lumber prices drive home construction prices out of the market and have do-it-yourself carpenters questioning the cost of the project.

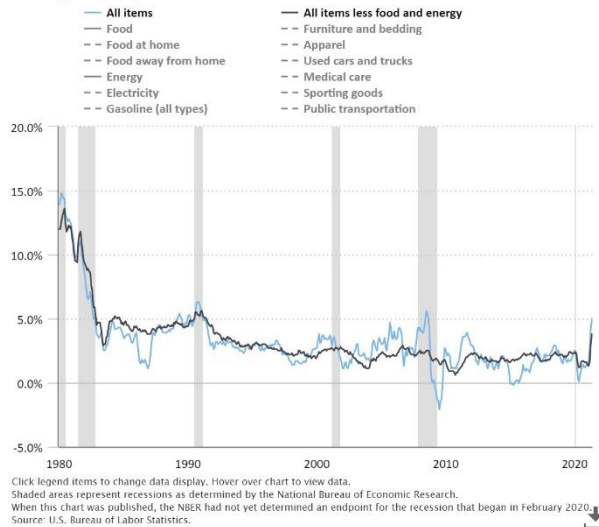


The chart above is the [Nasdaq futures](#) market for lumber on a board foot basis. Note the market is down in the \$932 range as of June 22, 2021 from a high of \$1,670 in mid-May 2021. This drop is directly related to an increased push in supply where pricing has revved up sawmills to supply more lumber running at full capacity to take advantage of a price incentive caused by this surge in demand. Sawmills in the Southeast US and western Canada can be credited with making the most impact on trying to match supply with demand.

Lumber isn't the only commodity experiencing these inflated run-ups in availability and pricing. A good view of the economic impact of inflation is to review the recent increase in the Consumer Price Index. Below is a snapshot as of May 2021 of the Consumer Price Index. To obtain specific information about your industry find the category that best matches your industry and dig deeper. The link is provided in the next paragraph.

Inflation is an indicator of economic growth and a good deal of inflation can be measured by watching the Consumer Price Index (CPI). The Federal Reserve Board keeps careful watch on this index to gauge the current status and rise and fall of this important inflationary indicator.

12-month percentage change, Consumer Price Index, selected categories, January 1980–May 2021



In a speech at the Policy Summit on June 23, 2021, Federal Reserve Governor Michelle Bowman stated, “let me briefly describe what I see as the current state of national economic conditions. As we continue to see progress toward the recovery, including the lifting of economic and social-distancing restrictions, the economy is growing at the fastest pace in decades. Economic output has likely surpassed its pre-pandemic peak, but even with this progress, there are over 10

*million people still without jobs who are either actively looking for employment or have since left the labor force. Employment has been recovering rapidly in the sectors of the economy related to goods production and sales, but the services economy has been much slower to recover. Employment in the leisure and hospitality sectors is down by more than 3 million jobs since February of 2020.*<sup>1</sup>

*As the recovery in the labor market and spending on goods and services continues to gain momentum, we are seeing upward pressures on consumer prices. In recent months, inflation has risen to well over the Federal Reserve’s longer-run goal of 2 percent. This rise has reflected, in part, the fact that inflation numbers at the onset of the pandemic were very low. As those low values drop out of the 12-month average of price changes, this measure of inflation has increased and will likely increase further. But there is more to the recent rise in inflation than just these measurement issues. The impressive upswing in economic activity has played an important role as it has led to a number of supply chain bottlenecks and put upward pressure on prices for many goods. These upward price pressures may ease as the bottlenecks are worked out, but it could take some time, and I will continue to monitor the situation closely and will adjust my outlook as needed.”*

The supply chain bottlenecks are exactly what the transportation industry is experiencing now with projections that we won’t see our way clear of this reactive operating mode until late 2021 or early 2022. It looks like we’re in for a long, intense and turbulent ride!

## Industry Update: Railroad & Policy Updates

The KCS – CN merger is very much in play as of this writing. CN/KCS is working through the process with customers, the Surface Transportation Board (STB), shipper groups and numerous others. One key component on the table needs to be fair service and fair rate competition. To our surprise, CN has actually put forth an interesting proposal where it proposes that gateways should remain open on commercially reasonable terms. We’re interpreting that statement to

mean that if you had dual service before the merger, for instance CN via Illinois Central and KCS, you have the right to choose service (route) and rail carrier originating railroad after the merger. That's about as much as you can hope for as a shipper. Provided there's some teeth in the documentation. As point of reference, there currently exists dual served stations along the old Southern Pacific route from Denver to Sacramento where there are certain originating stations that had BNSF and SP service prior to the SP/UP merger. Despite the fact that these stations have BNSF and UP service in most cases they aren't competitive on a freight rate or service basis. William Huneke, consulting economist to the STB has a [good article](#) covering the topic you may be interested in.

### **About Tealinc, Ltd.**

**We solve rail transportation challenges.** We Specialize in Rail Transportation Solutions. 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 for both novice and experienced rail shippers. We specialize in exceptional customer service. We focus on rail equipment and consulting services to assist the novice, mid-level and expert shipper to plan, modify and adjust short-term and long-term rail shipping and receiving needs.

**Our team** is made up of a diverse group of individuals with complementary rail backgrounds. Together, we have over 115 years of experience in the rail industry. We have the expertise, knowledge, and ability to create value for our clients.

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*We look forward to earning your business!*

**Contact us:**

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