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Note from the Editor We're halfway through 2022! Our mission to educate those of us associated with the rail industry as well as teach those new to the industry remains exceptionally strong! This informative newsletter is hand written specifically to share insights, share advice and add value to your freight transportation success. The table of contents above will help you focus in on your articles of interest. If you'd like us to engage with you on something not included here, just drop us a line. We'll certainly appreciate your feedback! As a company, Tealinc specializes in providing exceptional customer service and this newsletter helps our customers engage in the mission with us. As we can create value with you as a trusted rail partner, we'll appreciate engaging with you! Contact Us: www.tealinc.com | (720) 733-9922 | webmail@tealinc.com

Giving Back: Scholarship Awarded!

Started back in 2005, and with over \$40,000 scholarship dollars awarded, the Tealinc Scholarship Committee received an astounding number of scholarship applications for the 2022 Tealinc Scholarship!



We are happy to announce that the winning recipients of the 2022 Tealinc Scholarships of \$1,000 each are Hailey Euell of Billings, MT and Christian Pavelka of White Fish, MT.



**CONGRATULATIONS
CHRISTIAN & HAILEY!**

[Learn more about Hailey & Christian!](#)

Tealinc Is Growing: Join Our Team Today!

Are you looking for a rewarding career filled with new and exciting challenges? Would you like the opportunity to make a significant impact in a dynamic, results-driven company? Will you define and deliver on our marketing strategy to help us grow? If so, you are in the right place! **[Apply today!](#)**



Railing On...



Darell Luther, CEO

Have you ever thought about the requirements of starting and running an internal combustion engine? There are number of different events that have to occur in a very definitive order and timeline for the engine to run. If all runs fine, you simply turn the key and off you go. If it doesn't run fine, you need to go through each required event to determine what single or which multiple items are not working correctly. This gets complicated quickly, particularly when there are multitude items that aren't working properly and several of them are interdependent of one another.

The entire transportation system in the world is representative of the state of operation one would expect from an internal combustion engine that has compression problems in the cylinders, possibly a cracked block, electrical problems throughout and sensor problems that are not readily identifiable.

Maybe it's our new normal: "chaos" throughout! Each interdependency of various transportation systems e.g., vessel, barge, rail, truck, pipeline, conveyor, etc., is struggling from its relationship with the other suffering from too many, too much and not enough.

As it pertains specifically to rail, the respondent answer is to raise rates, attempt to re-install some assemblance of order in scheduling trains and railcars, engage in an industry wide battle on reregulation of the switching side of the industry and require oversight that may or may not have any consequences if the outcome is unfavorable.

The bottom line – nobody wins. A return to fundamentals is necessary to gain sufficient progress to tackle the problem. It's the blocking and tackling of the problem where every industry is on the same team that gets it done. The KISS ("keep it simple stupid") method works well in these cases.

Following are some fundamentals to start with:

1. Track your railcars (private or railroad supplied). How long are they taking to make a regular routine move? How long are they taking to make a one time or one-off move? Where is the hang up location and what is the reason for the delay? What is the overall cycle time for the movement? How does this compare to historical cycle times? Etc.
2. Communicate the service impediments. Talk with your rail service provider and, conversely, railroads talk with your customers. Both parties must communicate with the intent of solving as much of the problem as possible. We all know there's a problem and what we're really looking for is a little direction that steers us to resolution.
3. Commit. Review the statistics. Is this going to be a problem that is unresolved if you pursue the same processes you once had and expect different results (e.g. the definition of insanity – "doing the same thing in the same way and expecting different results")? Or will you need to take a fresh look from both the shipper and railroad perspective and make some significant changes? Either way commit to the process of making it better.
4. Continuously improve. The only way to get better is to focus on continuous



improvement. If the process is adhered to, the mission of continuous improvement supported by real life statistics should yield positive results.

We realize the overall challenges to the transportation system are far more complex than the simple approach presented; however, we'd also bet that those who aren't starting with the basics and moving forward are most likely thinking the old method of loud interfaces and legal avenues will move the ball forward more quickly. Our advice: fix what you can in a cooperative manner first.

When you'd like to plan, strategize or simply just rail-on with me, I can be reached at (406) 347-5237 office, (406) 853-3332 cell or at darell@tealinc.com.

Rail Industry Complexities



Julie Mink, President

I've started conversations within the industry regarding Q3 updates. You should have received an email from me with a request to engage in a conversation about the state of the rail industry as you see it. If we haven't scheduled a time to talk yet, send me an email at julie@tealinc.com or call me at (720) 733-9922 so we can discuss what you're seeing in the rail industry.

From my initial conversations with excellent industry friends, colleagues, clients and future shippers, it's apparent that there are a menagerie of events taking place. Most every conversation has focused in on high level concerns as well as comments and predictions about the market moving forward – albeit somewhat murky. I thought I'd share some notes to give you a flavor of what we're seeing.

Railcar Supply. What has been an EXTREMELY tight railcar supply market for the past 12-18+ months remains extremely tight. The shipper demand for all car types from boxcars, covered hoppers, flatcars, gondolas, open top hoppers remain exceedingly high and the availability of supply remains dauntingly low. Railcar manufacturers continue to roll out new builds to quench shipper's railcar equipment needs but delivery rates, high purchase and lease rates and service still have the supply chain backlogged. Those who did not place an order for railcars (new or used) or earlier secure railcars continue to have trouble attaining the railcars they desperately need in order to get product to market. When service improves, there is real concern about shipper positioning and their ability to be competitive.

Lease Rates. The lessor community reports that, in most cases, fleet utilization remains high and lease renewals are steady. Reported industry statistics read that lease rates are up anywhere from 12-15% and higher in just the last few months and in some markets are predicted to increase 16-20% year over year.

Purchase Prices. For those shippers looking to buy and own a private railcar fleet, the challenge has increased over the last 6+ months. Given the drastic number of existing, used and/or older railcars scrapped in the past two years, there are not many railcars available for sale. In many cases, we've noted that between the time a railcar is offered for sale and the time it is purchased is less than fifteen days. This hardly gives time for a proper inspection let alone ensuring the railcar meets the shippers exact



loading/unloading needs.

Other. The elephant in the room in each of these discussions is of course service (or the extreme lack thereof), fuel prices, STB decisions, and recession concerns. Most of these issues are discussed in this newsletter and remain at the forefront of all shippers and receivers. What will remain important is how you as a rail shipper interact and engage within your rail shipping community. Strategic planning, communication, relationships, forward-thinking and implementation remain critical.

When you're ready to engage with us, we'll help you implement a rail plan, rail fleet and rail process that helps you stay competitive. Call me at (720) 733-9922 or email me at julie@tealinc.com.

Rail Fleet Management Brief



*Shannon Rodgers,
Director- Operations*

As we move into the second half of 2022, the rail industry certainly has been challenging. Railroads and shippers are experiencing sky-rocketing fuel costs, continued staffing issues and decreased velocity. There are numerous articles in industry publications about employee strikes, the railroads reducing switches and increased fuel costs. As a railcar owner and rail fleet manager for our owned and customer leased equipment, I focus on keeping our customers' rail fleets moving. From an operations perspective here at Tealinc, this means an increased focus on preventative maintenance and repairs for our managed rail fleet and we know that being able to quickly & properly manage railcar repairs can help reduce the costs and

downtime of the car.

Over the past couple of years, I've strategically focused on building up a database for what we call the "Tealinc Shop Network" which is focused on an extensive network of shops, mobile repair units, third party inspectors & contractors we partner with to help our customers fleets running smoothly in service. After all, we manage rail fleets for our customers which move all of the US, Canada and Mexico and if a railcar needs shopped for a defect, a simple repair, inspected for service or program work completed, the idea is that we have contacts across North America to help!

If you need any assistance managing your fleet, we're here to partner with you. If you would like to see if you are listed on our preferred network, please drop me a line! Just give me a call at (814) 631-9277 or email me at shannon@tealinc.com.



Rail Fleet Equipment Focus



*Kristen Kempson,
Director - Railcar Leasing & Sales*

The summer is certainly off to a sizzling start here in Chicago. Summer days are longer but they seem to go quicker. It's hard to believe that we are halfway through the year already. I find myself at the halfway point of the year reflecting on the first 6 months of the year and the last 6 months of the year. Now is always a good time to analyze your railcar fleet. Do you have too many railcars on hand or not enough railcars to facilitate your strategy? I have customers calling me daily looking for railcars, so if you have railcars that you no longer utilize, give me a call. We make the purchase process simple by handling all the paperwork.

Conversely, railcar supply still remains tight. If you are looking to add railcars to your fleet, give me a call. I've got a good pulse on the market for railcar availability and as always, if we don't have something you're looking for, we'll do our best to find it.

We are your rail partner no matter if you are looking to lease, buy or sell railcars! Call me at (708) 854-6307 or email me at kristen@tealinc.com. I look forward to hearing from you regarding your railcar fleet needs!

Q3 Planning Update - An Industry Outlook

Hard to believe it's July already; the year is certainly flying by. Our quarterly industry outlook showcases issue or opportunities we see happening now or have opportunity to occur in this quarter.

The availability of skilled labor continues to be the number one issue at this time, yes even greater than fuel (barely). Industries that are labor dependent don't have enough workers available to do the tasks at hand. Risking the chance that I'll be repetitive to many commentaries seen in the news today, I belabor the point that its especially difficult to hire, train and retain employees in the transportation industry. Odd working hours, nights away from home, being on-call during inclement weather and having a no flex attendance policy doesn't sound like a good base job description to entice anyone to come work for you. I remember my introduction to the rail industry when presented a Train Masters job that fit this description. I never did take that job.

Some Class 1 railroads tried to install intensely focused discipline programs to support train crew availability and ended up with a black eye and have since rescinded those programs. It seems as though each Class 1 has their version of attempting to keep engineers and conductors marked up so they can move more trains and most have simply alienated their workers. It was knee jerk reaction to the old adage that Proper Prior Planning Prevents Poor Performance (6P's). Positively, the railroads are at least trying to put a patch on the issue until a larger strategy can be employed. The push for Precision Scheduled Railroading (PSR) where cutting operating costs is paramount to success capped off with the COVID-19 pandemic has left its mark and it will take time before the rail industry digs out.



Railroads are not the only industry suffering from labor shortages. There are labor shortages all across the various industries such as the agricultural industry, grain, aggregates, steel and scrap metals, waste and even to a degree the coal industry.

The number two item affecting the transportation industry which bleeds over to all consumers is the high cost of fuel. Not arguing whose fault caused the run up in fuel, the fact is that in a lot of places its up 60% plus. We've seen gas run up from mid-year 2021 in the \$2 dollar range to \$4.50 a gallon last fall with continued increases in the beginning of 2022 putting up significant increases since Russia's February invasion of the Ukraine. Today gas is around the \$5 to \$6 per gallon mark (and rising as of this writing...) with little evidence of leveling off. In the transportation industry (rail, truck, ship), we see diesel being even higher priced than gas as a significant struggle. Working it backwards, we find that the oil shipments from Russia are or were a significant part of the world oil market. These resources, now pretty much banished, are being fulfilled from other countries on the world market. It's the old supply and demand case where the demand has gone up and consecutively supply has decreased.

The number three item we see affecting the rail industry is regulation. The railroads have really poked the bear when dealing with service issues. I don't think this was done purposely but do believe that by following the pack and making deep cuts in operations over the past few years, despite the reason, has landed the BNSF, UP, CSX and NS in hot water. The Surface Transportation Board is now actively providing oversight to the railroads monitoring [key performance indicators](#) based on service parameters. If you're in the railroad business this isn't a good position to be in. It's more defensive than offensive. Achieving satisfactory performance is a must do for these railroads (and many others). The STB is also providing oversight on rail accessibility to create competition for more rail shippers which go hand in hand with service issues.

Industry Update: Surface Transportation Board

The Surface Transportation Board (STB) is primarily designated to have legal oversight of the economic regulation of the rail industry. The agency has jurisdiction over railroad rate, practice, and service issues and rail restructuring transactions, including mergers, line sales, line construction, and line abandonment. Promotion of good service and fair prices are two of its mainstays.

The most important railroad item on the STB docket continues to be [Reciprocal Switching](#). This is EP711 (sub-No. 1) et. al. (STB served July 27, 2016), the STB proposed new regulations under which the STB would exercise its statutory authority.

STB extended its timeline taking comments on Reciprocal Switching through May 6, 2022. There are several arguments for and against Reciprocal Switching on the STB site which really summarize a large portion of those industries that ship via rail. We're on hold until the STB decides what the next steps are. In the meantime, we'd encourage you to read the arguments of the industry [here](#).

Industry Update: Rail Traffic Data

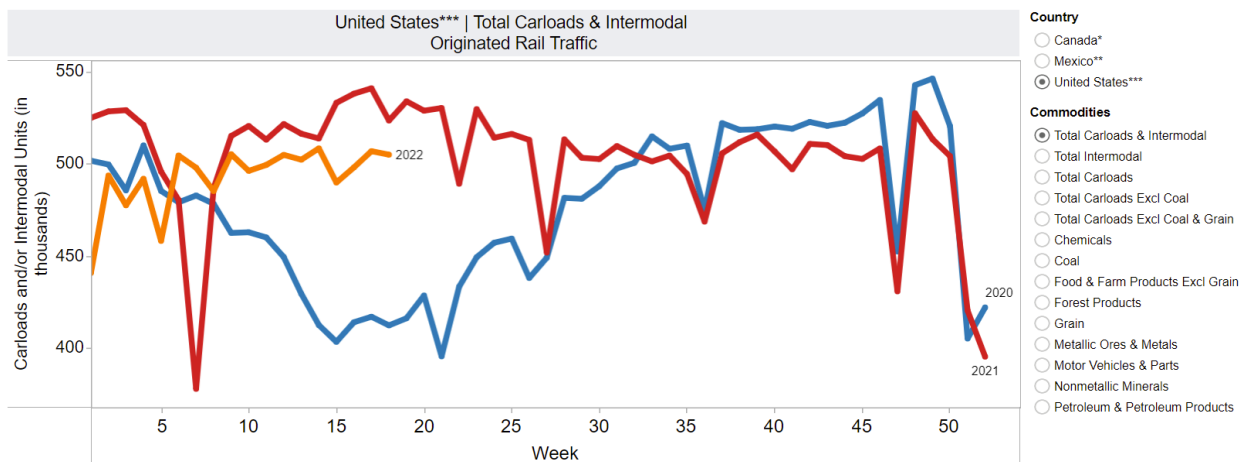
Most recent rail traffic data is tracking down with 8 of the 20 commodity groups that the Association of American Railroads (AAR) tracks showing gains in carloads. This is



a downturn from previous timeframe reporting. The total carloads for the March 2022 were 919,703. Coal, chemicals, crushed stone, petroleum products, scrap and waste all had increases in carloads. Most of the balance of the commodities were relatively even or down in their carload originations.

It's interesting to put the number of carloads originated in perspective by recent years history. The table below shows the number of US originated railcar loads (excludes intermodal) year to date thru April of that given year. While the number of carloads shows positive growth it still has a bit of catching up to get back to 2019 (pre Covid) levels.

Year to Date thru April	Millions of Originated Carloads
2019	4.237
2020	3.784
2021	3.863
2022	3.907



* Canadian traffic includes the U.S. operations of Canadian railroads.
 ** Mexican traffic includes the U.S. operations of Mexican railroads.
 *** United States traffic excludes the U.S. operations of Canadian and Mexican railroads.
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Industry Update: Railroad & Policy Updates

Freight Rail Overview

U.S. FREIGHT RAIL NETWORK

- NEARLY **140,000** ROUTE MILES
- 7** CLASS I RAILROADS
- 22** REGIONAL RAILROADS
- 584** LOCAL/SHORT LINE RAILROADS
- NEARLY **\$80** BILLION INDUSTRY
- 167,000+** JOBS ACROSS THE COUNTRY



TEALINC
Your Rail Partner

RAILCARS
MANAGEMENT
CONSULTING

Tealinc, Ltd.
Touchbase Newsletter
July 2022

The railroad industry has a lot of masters outside of its stakeholders. The safety policy is governed by the Federal Railway Administration which is part of the US Department of Transportation. The governmental portion that focuses of competitive rates, service and access is governed by the Surface Transportation Board. Many state entities interface with the railroads concerning safety, service and access. The self-regulated Association of American Railroads establishes some commonality across interchange locations, equipment health and longevity and participation in research and development thru its Transportation Technology Center (now rebranded as MvX Rail) in Pueblo, Colorado. We've covered the most prevalent of current railroad and policy issues in the articles above. Our intent here is to give you a feel for the magnitude and reach of the US Freight Rail Network. It's a large industry that serves a set of complex customers and regulatory bodies while trying to please a set of investors driven by Wall Street tycoons. It is no wonder that it's a complex industry at times requiring a bit of outside assistance.

About Tealinc, Ltd.

We solve rail transportation challenges. We specialize in Rail Transportation Solutions. We participate in nearly every industry supported by rail; lease, sell, trade 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.

We look forward to earning your business!

Contact us:

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

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Railcar Leasing & Sales: (708) 854-6307
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