



## Tealinc Touchbase Newsletter

### Inside This Issue

Railing On	1
Rail Fleet Mgt Brief	1
STB	3
Rail Traffic Data	3
Winter Plans	4
Industry Insights	4
Tealinc Railcars	5

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

It's October and the election year is coming to a close. Whatever the outcome there certainly are enough challenges for the president and his staff to address. The rail industry needs another industrial revolution. We've had several years of prior significant grain exports, coal shipments and crude oil and frac sand movements. The chemical and plastics industries have been steady but don't hold the volume potential of these three segments. There's some hope in intermodal but from an economic standpoint, containers loaded with "stuff" from

China doesn't help the economy in the same way as good ole bulk commodities moving across, through and out of the United States. As we mentioned in January, we're doing a full-blown newsletter the beginning of each quarter. This newsletter will contain a bit more information than our tidbits newsletters. We strive to keep you informed on rail issues and performance and give you some insights into the rail world. To keep you better informed we will be starting a blog in November.

The purpose is to more timely report "happenings" in the rail world. We look forward to your feedback and appreciate the opportunity to be of service. Tealinc continues to add railcars to its' fleet and customers to its' growing service base. Thank you for your trust in applying our expertise to your opportunities.



Tealinc CEO, Darell Luther, shows he's got skills outside of phenomenal rail experience as he ropes calves during Spring branding at the Luther ranch in Montana

### Rail Fleet Management Brief with Shannon Rodgers

Hello all! Shannon Rodgers, MVC – Operations here. Just a reminder that Loading Authority (OT-5) rules will be removed from FindUs.Rail effective Nov 12, 2020. Don't forget the date or you'll have a bunch of cars in limbo. In case you missed the Railinc updates, as of January 1, 2020 Loading Authority OT-57 became the current system of record. All users should have their FindUs.Rail profiles updated to reflect that accordingly.

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The options in FindUs.Rail contacts are:

- Railroad
- Controlling Entities – designate primary and secondary contacts. These are the contacts to be called with questions about routing the cars.
- Equipment Owner

As part of Tealinc's Rolling Stock Management Agreement (RSMA) we provide the service of keeping your OT-57 current with Railinc requirements. We also provide updates for those customers who choose to do their own rolling stock management. This was part of the original email we sent to non-RSMA customers in late 2019 that summarizes the new Loading Authority requirements. We've recapped it here for your review.

"As you may or may not know, Railinc has implanted a new Loading Authority OT-57 process. The Loading Authority OT-57 is used when an empty, private marked car does not have current billing on it or the billed location cannot accept the car. In this instance, the railroad will reach out to the Controlling Entity ("CE") of the car and request disposition. The CE can then go into Railinc and select the car to be sent to specific facility or a storage location. If the CE does not respond to the request within the allowed timeframe (five days); the railroad will send the car to the location entered into the system. With proper management, a car should never be sent to a location not selected by the CE.



*Shannon Rodgers, MVC-Operations, represents Tealinc and our customer during an on-site railcar inspection*

Registration in the new system will be mandatory for all private marked cars on February 2, 2020. We currently provide this service to our customers enrolled in our Rolling Stock Management Agreement ("RSMA"). The RSMA provides many valuable services, including assistance with the OT-57 process. Other items would be tracing, expediting delayed cars, and maintenance/repair management."

Keeping up with Railinc, Association of American Railroads, Federal Railway Administration, Surface Transportation Board and their applications to implementing a

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smooth-running railcar fleet is just a part of what we do. We'll be happy to add you to our trusting and satisfied customer list!

### Surface Transportation Board

The Surface Transportation Board ("STB") established on Thursday October 1, 2020 that five Class I Railroads were [revenue adequate](#). The five Class I railroads are BNSF, NS, CP's SOO line, CSX and UP. The definition of revenue adequate is when a railroad achieves a rate of return on net investment which is equal to or at least the cost of current capital for the railroad industry for the year. Revenue adequacy is determined



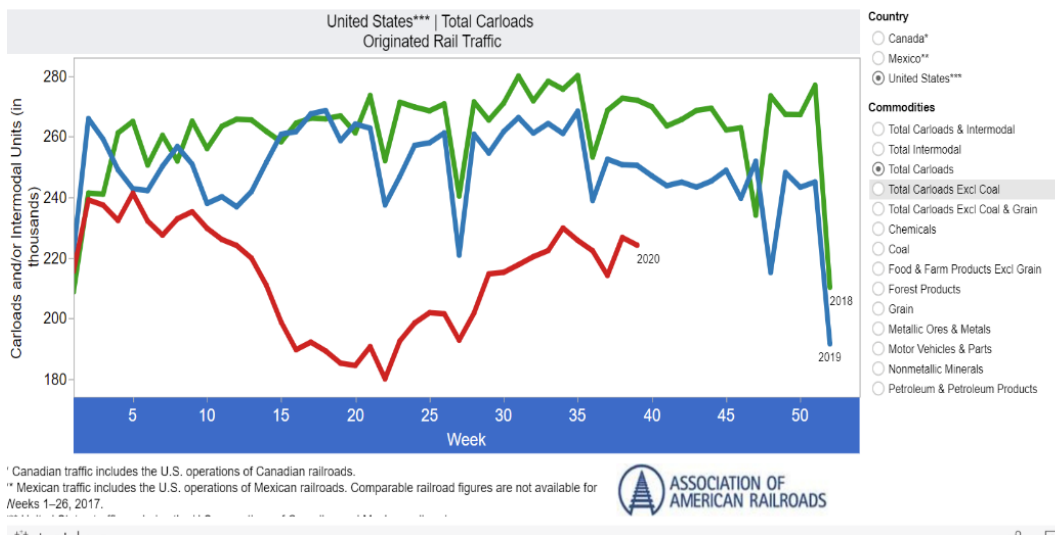
for the prior year. The cost of capital for 2019 was determined to be 9.34% by the STB.

Looking for [railroad performance metrics](#)? The STB also has running weekly statistics for all Class I railroads. Such reporting as system average train speed by train type and overall system train speed, weekly average terminal dwell time and overall system dwell time, various unit train reports, specific data to grain cars (cars ordered, car orders filled and cars past due) along with weekly grain cars loaded and billed by state and service and weekly carload originated and received by commodity. A deep dive into this service data creates the ability to monitor railroad performance in your geographic area. Let us know if we can help you interpret the data for your application.

### Rail Traffic Data

The [Association of American Railroads](#) (AAR) weekly carload data of originated rail traffic continues to show a little stabilization and results that are more typical to the seasonality expected. Overall business trended downward which is typical for the timeframe. A respite from week 10 to 15 (March/April/May) showing the effects of the

crude oil sales crash and the impact of COVID-19 on the economy. The indecision that comes with an election year is also very challenging to the industry.



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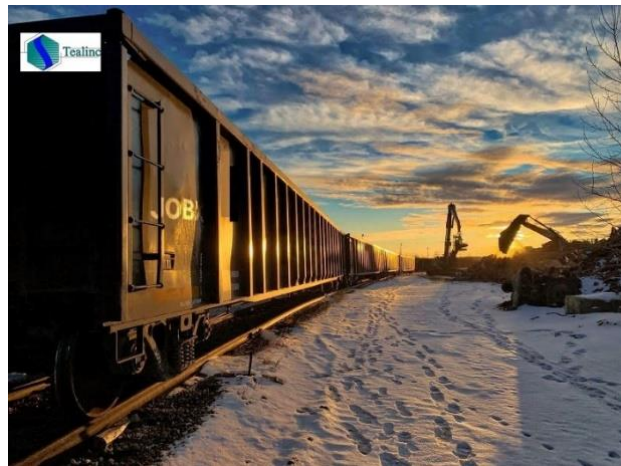


### Winter Plans

It's that time of year! Several railroads have posted the "get ready for winter" guidelines on their web sites. When I (Darell Luther) was running the unit train desk at a prior Class I, we'd make our best efforts to adequately prepare for winter train operations. It seems as though upon occasion we would get a cold surprise and have to regroup. Inevitably it happens every year! Here's some winter plan guidelines from the Class I's ([CN](#), [BNSE](#), [UP](#), [CSXT](#), [NS](#) and [KCS](#)) that are good reading material and worth consideration if you ship or receive by rail.

### Scrap Industry

*Recycling Today* published a State of the Scrap Recycling Industry interviews conducted May 20<sup>th</sup> with ten of the markets most influential executives. It's an insight into the private ownership side of the scrap industry and how they responded to the coronavirus impact. Overall, the businesses worked hard to minimize impact to employees yet adjusted when and where they were absolutely required to sustain the business they managed to retain. From March to late April, 21% of the companies saw a reduction of 60% or more in business. [See their insights](#) to the COVID-19 impact.



Tealinc owned, leased and managed flat bottom gondola railcars sit ready for a load in this scrap yard of one our phenomenal scrap customers during a sunny winter

### Aggregates Industry

*Rock Products* magazine has two great articles in its October 2020 publication. One is on the [Implementation of the Navigable Water Protections Act](#) from a legal perspective and another on the same subject (water) from an environmental perspective. The Clean Water Act has been one of the most controversial laws put into effect and its history has and does effect nearly every industry in the United States in some form or another. It's a good read and important to understand as the impact is far reaching.



Tealinc owned, leased and managed aggregate open top hoppers haul all varieties and sizes of aggregate

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## Grain Industry

The [Canadian Pacific](#) (CP) railroad has certainly hit its stride on grain movements. The CP grain team has moved 7.72 million tons of grain in Q3 2020 versus their previous record set in 2014 showing a movement of 6.97 million tons. There are several factors that have aligned to facilitate this success, some of which are a new fleet of 3200 high capacity hopper cars and running trains at 8500 feet in length up from 7000 feet. [Canadian National](#) by comparison has a similar supply presence for grain and movement 7.76 million tons, also a record for the same time period.



Tealinc covered hoppers haul grain products from corn to wheat, oat, barley, soybeans, DDG, etc.

The United States rail deliveries to port paint a different picture than that painted in Canada. Below is a busy table but the key take-away is that 2020 year- to- date is 89% of what 2019 year-to-date shows. Albeit the data isn't exact since its cumulated via survey but it's consistent. The source of this information is [USDA, Ag Marketing Service](#). Nearby months though show a [stronger commitment](#) particularly from China for corn and soybeans. There has been some positive movement showing a little bit of support for grain shipments.

### Rail deliveries to port (carloads)<sup>1</sup>

For the week ending	Mississippi		Pacific	Atlantic & East	Total	Week ending	Cross-border Mexico <sup>3</sup>
	Gulf	Texas Gulf	Northwest	Gulf			
9/23/2020 <sup>P</sup>	1,075	1,532	7,142	268	10,017	9/19/2020	2,941
9/16/2020 <sup>r</sup>	1,494	1,549	6,152	499	9,694	9/12/2020	2,261
2020 YTD <sup>r</sup>	20,209	36,354	186,376	7,945	250,884	2020 YTD	93,695
2019 YTD <sup>r</sup>	35,253	42,723	191,763	13,495	283,234	2019 YTD	92,562
2020 YTD as % of 2019 YTD	57	85	97	59	89	% change YTD	101
Last 4 weeks as % of 2019 <sup>2</sup>	252	181	149	210	164	Last 4wks. % 2019	92
Last 4 weeks as % of 4-year avg. <sup>2</sup>	211	109	134	141	137	Last 4wks. % 4 yr.	92
Total 2019	40,974	51,167	251,181	16,192	359,514	Total 2019	127,622
Total 2018	22,118	46,532	310,449	21,432	400,531	Total 2018	129,674

<sup>1</sup>Data is incomplete as it is voluntarily provided.

<sup>2</sup> Compared with same 4-weeks in 2019 and prior 4-year average.

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# Specializing in Rail Transportation Solutions

<sup>3</sup> Cross-border weekly data is approximately 15 percent below the Association of American Railroads' reported weekly carloads received by Mexican railroads. to reflect switching between Kansas City Southern de Mexico (KCSM) and Grupo Mexico.

YTD = year-to-date; p = preliminary data; r = revised data; n/a = not available; wks. = weeks; avg. = average.

Source: USDA, Agricultural Marketing Service.

The Grain Car Allocation System and Certificate of Transportation programs run by the Union Pacific and BNSF railroads show little activity for future delivery periods.

## Railcar auction offerings<sup>1</sup> (\$/car)<sup>2</sup>

For the week ending: 9/24/2020		Delivery period							
		Oct-20	Oct-19	Nov-20	Nov-19	Dec-20	Dec-19	Jan-21	Jan-20
BNSF <sup>3</sup>	COT grain units	no offer	0	102	no bid	9	no bid	23	no offer
	COT grain single-car	no offer	1	397	0	405	0	301	no offer
UP <sup>4</sup>	GCAS/Region 1	no offer	no offer	no offer	no offer	no offer	no offer	0	n/a
	GCAS/Region 2	no offer	no bid	no offer	no bid	no offer	no offer	440	n/a

<sup>1</sup> Auction offerings are for single-car and unit train shipments only.

<sup>2</sup> Average premium/discount to tariff, last auction. n/a = not available.

<sup>3</sup> BNSF - COT = BNSF Railway Certificate of Transportation; north grain and south grain bids were combined effective the week ending 6/24/06.

<sup>4</sup> UP - GCAS = Union Pacific Railroad Grain Car Allocation System.

Region 1 includes: AR, IL, LA, MO, NM, OK, TX, WI, and Duluth, MN.

Region 2 includes: CO, IA, KS, MN, NE, WY, and Kansas City and St. Joseph, MO.

Source: USDA, Agricultural Marketing Service.

## Tealinc Railcars and Rolling Stock Management Services

Consider Tealinc your one-stop-shop for railcars. From covered hoppers, flatcars, gondolas, open top hoppers and more, we have your railcar needs covered. Check out our available inventory online. If you don't see what you're looking for, give us a call at (708) 854-6307.

If you're looking to buy, sell or lease railcars or if you are interested in a sale-leaseback on equipment you own and would like to free up capital, we'd appreciate the opportunity to visit

The grid features the Tealinc logo at the top left. Below it are nine categories of railcars, each with a representative image and a brief description:

- Boxcars**: Ideal for bulk products, paper, palletized products, etc.
- Covered Hoppers**: Ideal for sand, food products, salt, etc.
- Flatcars**: Ideal for lumber, timber, poles, etc.
- Gondolas**: Ideal for scrap, steel plates, coils, etc.
- Open Top Hoppers**: Ideal for aggregate, petroleum coke, coal, etc.
- Other**: Can't find what you're looking for?
- Need help figuring out what you need?**: Contact Tealinc, webmail@tealinc.com, (708) 854-6307
- Great Deals**: We consider these offers excellent opportunities for our customers and hope you'll take advantage of them!

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## *Specializing in* Rail Transportation Solutions

with you about our railcar options and rolling stock management services. In these times finding savings where you can while still getting a high-level service or product is paramount to survival of your business. Ask yourself, what can't I do without, what are my top three wishes for my transportation and logistics business and what keeps me awake at night? We'll certainly put our expertise to work to help solve these questions.

### **Thank You!**

To the excellent group of existing customers who we have built long term relationships with and to the many new customers who came on board this past year, we thank you! We really appreciate our working relationship, your business and the opportunity to be of service. As you need any additional assistance, don't hesitate to call upon us.



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