



Tealinc Touchbase Tidbits
with Darell Luther, CEO of Tealinc, Ltd

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Railing On.....

Welcome to September! It's been a warm summer here in Montana with heat in the high 90's and low 100's for quite some time. It's interesting and insightful that [Railway Age](#) has published in its' August magazine an article about the railroad industries annual winter prep report at this time of year. The advent of Precision Scheduled Railroading (PSR) requires longer trains than what has historically been run. These longer trains are

challenging to run within the actual operating conditions of cold snowy winters. Railroads are taking a myriad of steps in preparation. Railroads are actively planning and executing measures that reduce air flow problems on longer trains such as running locomotives in more strategic positions to help with air flow. They are also getting ahead of trouble spots in the maintenance of way department. Winter is generally ignored until it has to be dealt with at which time it falls into the "not fun" category. It's a good article in that most shippers in the north of North America deal with the same or very similar situations. It's worth a read to see what others are doing to keep railcars moving.

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.

Surface Transportation Board

August 3, 2020 the Surface Transportation Board announced it adopted a final rule to establish a more streamlined approach for pleading market dominance in rate reasonableness proceedings. This new rule will be adopted on September 5, 2020. Historically the process for establishing market dominance required a team of experts recreating the variable operating costs of the railroad segment being used to transport the commodity in question. This



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recreation on a shippers part is an arduous process typically requiring hundreds of thousands of dollars, a long term commitment and a significant number of subject matter consultants that know the rail operations world intimately. This [new rule](#) requires seven factors that a complainant must demonstrate:

- The movement has a revenue-to-variable cost ratio of 180 percent or greater;
- The movement would exceed 500 highway miles between origin and destination;
- There is no intramodal competition from other railroads;
- There is no barge competition;
- There is no pipeline competition;
- The complainant has used trucks for 10 percent or less of its volume (by tonnage) subject to the rate at issue over a five-year period; and
- The complainant has no build out options

Railroad Earnings

Railroad earnings are interesting to analyze when you're trying to determine what markets are most important to a railroad and what trends they're seeing in the transportation marketplace. I'll do a quick synopsis here for three of the public U.S. railroads and encourage you to read their second quarter earnings release.



- [Union Pacific](#) is down 24% in operating revenue to \$4.2B with corresponding revenue carloads down 20%. Average revenue per railcar load for second quarter 2020 is \$2,312 down some 6% from second quarter 2019. The first half run rate is \$2,420 for first half of 2020 compared to a \$2,425 run rate for the same timeframe in 2019.
- [CSX Transportation](#) is down 26% in operating revenue to \$2.25B with corresponding revenue carloads down 20%. Average revenue per railcar load for second quarter 2020 is \$1,794 down some 6% from second quarter 2019. The first half run rate is \$1,844 compared to a \$1,952 run rate for the same timeframe in 2019.
- [Norfolk Southern](#) operating revenue is down 18% to \$2.085B with corresponding revenue carloads down 19%. Average revenue per railcar load for second quarter 2020 is \$1,440 down 4% from second quarter 2019. The first half run rate is \$1,502 for first half of 2020 compared to a \$1,497 run rate for first half 2019.

What I find of interest is the average price per railcar by commodity group. It appears that higher pricing mostly held in the first quarter 2020 but by second quarter there

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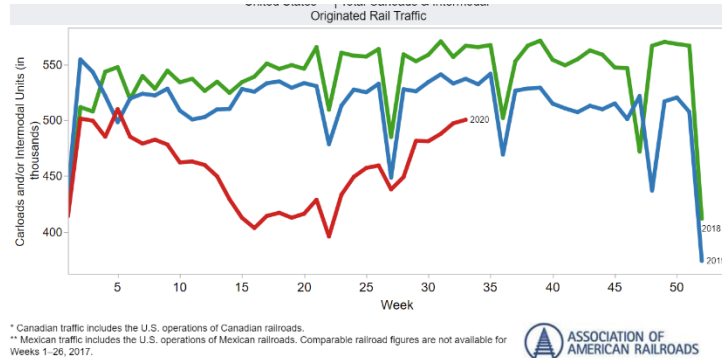
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appeared to be some relinquishment in most commodity groups. Did your rates adjust?

Rail Traffic Data

The [Association of American Railroads](#) (AAR) weekly carload data of originated rail traffic is beginning to show a little stabilization or a little less loss. At least the trendline is going the correct direction. According to the AAR the first 33 weeks of 2020, U.S. Railroads reported cumulative volume of 6.992M carloads, down 16.2 percent from the same time last year. Intermodal was down 8.4 percent with 8.042M intermodal units. Not overwhelmingly good news but not overwhelmingly bad news either! We'll take whatever bright spots we can get.



Tealinc Railcars and Rolling Stock Management Services

If you're looking to buy, sell, lease or sell and leaseback railcars we'd appreciate the opportunity to visit 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 answer these questions.

[Railcars](#) we have immediately available are:

- 4506cf Flat Bottom Gondolas with solid walls
- 2150cf & 2300cf Open Top Hoppers ideal for aggregate use
- 52' Bulkheads ready for service today!
- Small Cube Covered Hoppers equipped with manual gates

Thank You

To the excellent group of existing customers we have built long term relationships with and the many new customers that came on board this past year, we thank you! We really appreciate our working relationship, your business and the opportunity to be of service.

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