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**Note from the Editor** We're three-fourths through 2022! Our mission to educate rail industry veterans and teach those new to the industry remains exceptionally strong! This informative newsletter is written specifically to share insights and advice and add value to your freight transportation success. The table of contents above will help you focus 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 provides 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](http://www.tealinc.com) | (720) 733-9922 | [webmail@tealinc.com](mailto:webmail@tealinc.com)

**Railing On...**



*Darell Luther, CEO*

There's a lot going on in the world right now. The Russian invasion of Ukraine continues to disrupt world supplies of feed and food grains, crude, oil, gas, and diesel, as well as LNG and other offshoot products. China has recently reduced imports of all kinds due to a resurgence of Covid related concerns and has locked down many of its cities and businesses. This lockdown also affects China's ability to process raw goods into finished products and further impacts the trade balance with the United States and other countries. The drop-off in ocean shipping requirements has also squeezed ocean freight rates. The Baltic Index has moved from a high of 3343 in May to a low in August of 974, with a slight resurgence in September of 1208. Although there is still plenty of port capacity, container handling and asset supply issues are still under scrutiny at most all ports; you don't hear much about them since this drop in demand. The fluidity of the US and Canada rail systems continues to be at the helm of transportation issues in this country since the rebound of demand for transportation services in early 2021. The railroads are taking intermediary steps to quell hot spots by issuing embargoes, rerouting lines, monitoring essential item supply concerns, metering trains, and reducing railcar counts. This has created a challenge for businesses relying heavily on rail transportation. At the same time, railroads are also continuing cutbacks in service (labor related certainly to a degree, PSR still partly to blame) which has negatively impacted shippers. This strategy appeases Wall Street but rankled the unions to the point that railroad labor strikes may continue be the next large scale hurdle the rail industry experiences. While the railroads are regrouping through hiring and training, we will work through this transition together and plan for brighter days ahead.



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](mailto:darell@tealinc.com).

### Rail Industry Complexities

Sweater weather, fall foliage, and cooler temperatures all usher in the start of Q4 -



*Julie Mink, President*

2022. As always, this edition of the newsletter provides you with focused happenings in the rail industry, and with all the heavy news recently, I thought I'd bring you some fall cheer and offer up some good news from Tealinc. With Thanksgiving just around the corner, we have so much to be thankful for! Here are the Top 5 accomplishments thus far in 2022 from our side of the track.

- 1) After an exhaustive hunt for our screening panel and laborious "Do you have the work ethic to engage Tealinc at the next level" interview assignment and process, we're excited to welcome Elizabeth "Liz" Caldwell Brock to the **Tealinc team** as our Customer Support and Development Specialist. Liz will focus most of her time on further developing Tealinc marketing and customer engagements as she learns all about Tealinc culture, processes, the rail industry, and railcars. More to come when we more formally introduce Liz to you in the future.
- 2) Despite challenges with railcar supply, especially in the secondary and used railcar market, we have met many customers' private railcar equipment requirements. Excitedly, we have increased our owned and leased railcar fleet by 27%! Railcars continue to be in extremely low supply. **Schedule a time** to talk if you have rail equipment to trade, sell, or lease.
- 3) We have had impressive customer participation this year. With a 20%+ increase in our railcar lessee customer base, we're accomplishing our short-term and long-term vision to "improve the experience of rail shippers." Our customer partnerships, led by our focused **rail fleet support program**, drives us to work harder, think smarter, and engage with our customers on their unique rail pain points and specific needs at a deeper level. This value-added service provides our customers with daily/weekly railcar traces, railcar cycle time reports, Damage and Defective Car Tracking (DDCT) management, and bad order events. We also diligently monitor our customer's private railcar fleet monthly for all Equipment Health Management System (EHMS), and Equipment Advisory (EA) alerts assigned by the railroads. These alerts provide advance warning of possible issues, defects, and red flags and guide us into developing a preventative maintenance plan to ensure our customer's railcars stay in active interchange service. **Contact us** to learn more about programs best suited for your team's success.
- 4) We're back on the road! After a travel hiatus following COVID, our team is in travel mode, active in the conference circuit, engaging on-site with our current customers and developing new opportunities. Let us buy you lunch and review opportunities to work together. **Contact us** to schedule an on-site visit, and we'll let you know when we're in your neck of the woods!
- 5) We're working hard to inspire tomorrow's leaders, innovators, and logistics



coordinators. Our [2022 Scholarship](#) was well received in the rail industry and outside of the rail industry alike. As an adamant supporter of higher education, the talent and applications for this year's scholarship were impressive. After an exhaustive review of more than thirty-five (35) well-qualified applicants, the Tealinc scholarship committee selected Christian Pavelka and Hailey Euell as the 2022 Scholarship Recipients. We commend these two hard-working and focused youths. Look for more scholarship opportunities in 2023!

There is still much work to be done in 2022, and we're already busy strategizing for 2023. We're ready to roll up our sleeves and partner with you. 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](mailto:julie@tealinc.com).

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### **Rail Fleet Management Brief**



*Shannon Rodgers,  
Director- Operations*

Last month, I had the fantastic opportunity to attend two industry conferences; the Northeast Area Rail Shippers (NEARS) in Pittsburgh, PA, and the American Shortline & Regional Railroad Association (ASLRRA) in Atlanta, GA. Both of these meetings provided strong networking & informative sessions. One topic consistent throughout both events was the importance of transloading.

Transloading is a shipping term that describes the process of transferring a shipment from one mode of transportation to another. When rail service is not provided at the origin or destination (or both), the shipment can be loaded or unloaded to trucks. This provides the benefits of rail to more shipments that may not have rail access. Tealinc works with many transloading yards, including those on shortlines and Class I sites, to help our customers with these options. If you are currently shipping by truck and want to take advantage of lower rail costs, we can help explore available opportunities.

We're here to partner with you if you want to explore transloading options. Please [drop me a line](#) if you want to check your status on our transloading network or if you have any other rail related needs. I'm here to help! Call me at (814) 631-9277 or email me at [shannon@tealinc.com](mailto:shannon@tealinc.com).

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### **Rail Fleet Equipment Focus**



Am I the only one who looks forward to being "stuck" by a freight train? The gates come down, the lights flash, and traffic comes to a halt. I always look in my rearview mirror to see the expression on the driver behind me. It never seems to be a smile but rather a face of pure annoyance. I find myself cracking a smile, turning down the radio, and pausing all conversation in the car as I focus 100% of my attention on the long string of railcars. I live in Chicago, the Midwest hub for all things transportation, and it is nearly impossible not to get "stuck" by a train a few times a week. The line of railcars seems to be getting longer, and moving



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railcar types I never thought would come out of storage.

The longer freight trains always remind me that railcar utilization is high, leaving a very limited available inventory. It is no secret that it has been a challenging year to keep up with demand. As you plan for 2023, make sure you contact me to check on available railcars. If you don't ask, you'll never know. I look forward to your call and our future partnership.

The next time you get stuck by a train, remember to smile! ;)

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](mailto:kristen@tealinc.com). I look forward to hearing from you regarding your railcar fleet needs!

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### **Q4 Planning Update - An Industry Outlook**

The story this year has been consistency. Service is a real issue, and labor continues to be the bane of not only railroads but industry in general. Labor is a challenge; railroads and many industries continue to have hiring challenges. See our Q3 Planning Update for more information.

Let's concentrate on concrete items we can impact to avoid repetition with what you've probably read numerous times. Winter weather is consistent with extended and extreme cold spells; in some geographic areas, deep snow and snow management plans result in reduced visibility, slower physical movements, and slower responses from machinery that uses hydraulics and air to operate. Industrial areas are where we see good examples of winter preparedness to deal with challenging work environments. Suppose you're in the northern tier of the US and most anywhere in Canada. In that case, you may experience railroads building shorter trains to ensure the air brake system stays responsive and dependable (safe). Speaking of safety, also be sure to remove or clearly mark hazards such as leaky gutters, water and snow accumulation areas, and slick surfaces. Now is the time to lay your winter stocks for those in the salt and sand distribution businesses.

Forecasting 2023. The fourth quarter is an ideal time to review your previous quarter's work, and anticipating the new year's requirements shouldn't be new, only done annually. It should simply be, at worst, the last quarter's update and a review of the quarter's anticipated action and investment requirements—ideally, all supporting a more extended term five- or ten-year plan. Transportation planning gets complex in a hurry, though, considering the instability of the past twenty-four months in the rail, barge, and vessel arenas. We suggest developing a couple of what-if scenarios that allow your plan to have enough flexibility to sufficiently move your product. These scenarios should include alternative transport options if you have them, possibly build-out scenarios for competing railroads, and consider an increase in rail equipment supply to ensure your product is ready to ship. Then you are not relying on the railroad for railcars.

Look at what's happening in the rail industry across a broad spectrum. Class 1 railroads are undergoing a lot of scrutiny from many different angles. The federal and state oversight in the form of mandates from the Surface Transportation Board, direction from the Federal Railway Administration, National Grain and Feed, National Coal Council, Chemical and plastics shippers organizations and other commodity

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groups, Department of Transportation, and Department of Justice all are weighing in on providing direction and demands for better rates and service through letters, rules, and regulations. This pressure on railroads may benefit your service and rate; just be sure you're not on the outside looking in.

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### **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, 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 main priorities.

There isn't much new with the STB that we haven't already reported. It seems their hands are full debating the proposed Reciprocal Switching rules and focusing on mandates service improvements to the Class 1 railroads. Of other interest, the STB is currently managing the proceedings of the Canada Pacific Railroad acquisition of the Kansas City Southern (CPKCS). The STB has extended public comment dates on the draft environmental impact statement to October 14, 2022. If you want to take a stand, now's the time. You can look up the [STB news](#) or recent information if you need more insights. And if all else fails, give us a call or shoot us an email, and we'll discuss it with you.

The STB has and continues to put a lot of pressure on the Class 1 railroads to meet the service requirements of rail transportation customers. The predecessor to the STB, the Interstate Commerce Commission, organized a National Grain Car Council (NGCC) in 1994. This council includes members from the grain transportation industry and the railroads. Its mission is to provide a forum for grain-rail freight issues and work on solutions. There is an interesting bit of information on the [NGCC website](#) about the history of grain transportation issues over time and how the railroads have history performed. As you would guess, the leading problem seems to be service.

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### **Industry Update: Rail Traffic Data**

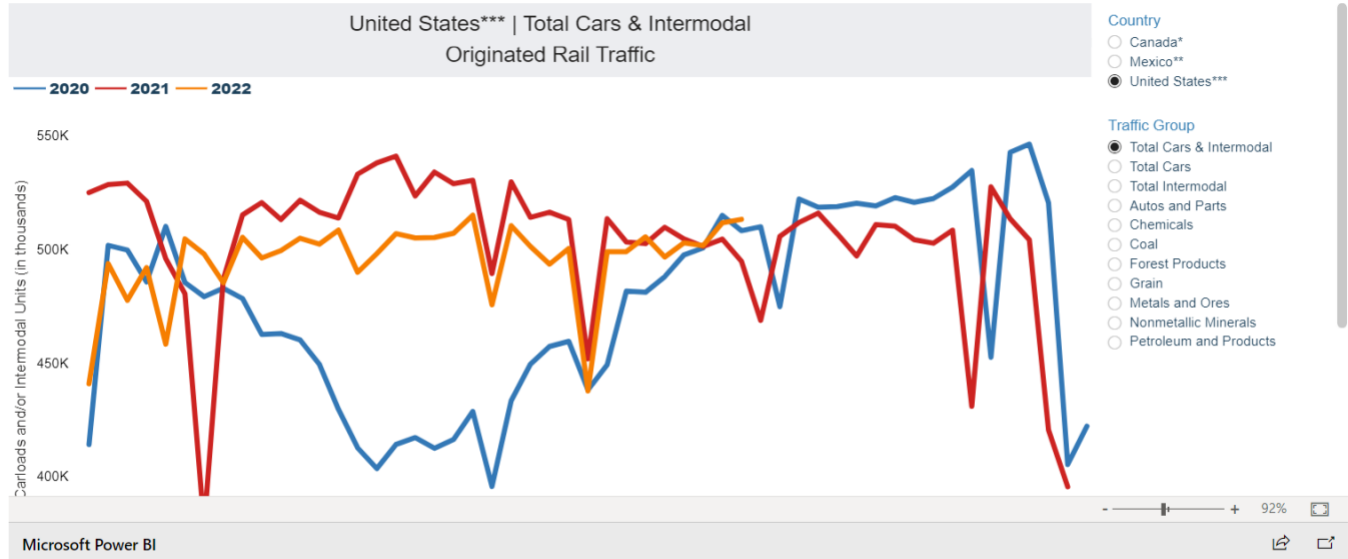
Rail traffic-originated carloads are beginning to track higher, and the trends are more typical of the seasonality and production reflecting commodities transported by rail. We'll see if that holds along with some stability in the shipping community.

The challenge to stability is that the Russian invasion of Ukraine continues to dislocate world grain and oil supplies along with fertilizer, scrap, and finished steel products. At some point, just about all commodities transported by rail are affected. Additionally, Railroads are struggling with service issues without the added threat of a strike.

Despite those impactful items, the rail industry is still holding its own. We're at roughly week 35 of the year and are tracking about 241,000 carloads a week, slightly ahead of 2021 and 2020. Railroads typically lead up and lag down on economic changes. We may see the stabilization of shipments that certainly want to lead up. As



an industry, the railroads need to avoid shooting themselves in the foot over labor, service, and pricing!



### **Industry Update: Railroad & Policy Updates**

Railroad labor union short-term ratification of a labor agreement with member railroads is the current news that is the most impactful in the rail industry. As you've most likely heard or read, railway workers represented by twelve different unions and over 125,000 employees have been at odds with railroads over historical compensation and quality of life issues. Railroad labor representatives seem satisfied with the recent pay adjustments, including back pay but are not pleased with the quality-of-life issues. They have been very displeased with time off for vacation, sick days, family events and brutal work scheduling, and unstable rotations. In recent news, a strike was averted September 29, 2022 after the Smart and BLET signed a temporary agreement not to strike right away. The resulting signed agreement was in jeopardy with the Brotherhood of Locomotive Engineers and Trainmen, SMART and Railway Workers United, and the International Association of Machinists and Aerospace Workers, amongst others.

Intervention by a Presidential Emergency Board was credited with facilitating the short-term reprieve. The package includes a 24% pay increase and \$5,000 in bonuses. The pay increase is retroactive to 2020. As of the writing of this newsletter, the strike has been averted. Railway labor is the key to operating an essential system to deliver the goods that keep our nation strong worldwide. Freight rail is where it's at. We suggest you keep up with the news through Tealinc and your local and national news services. Rail issues will impact your business whether or not you're located directly on rail.

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### 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 novice, mid-level, and expert shippers 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:**

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