



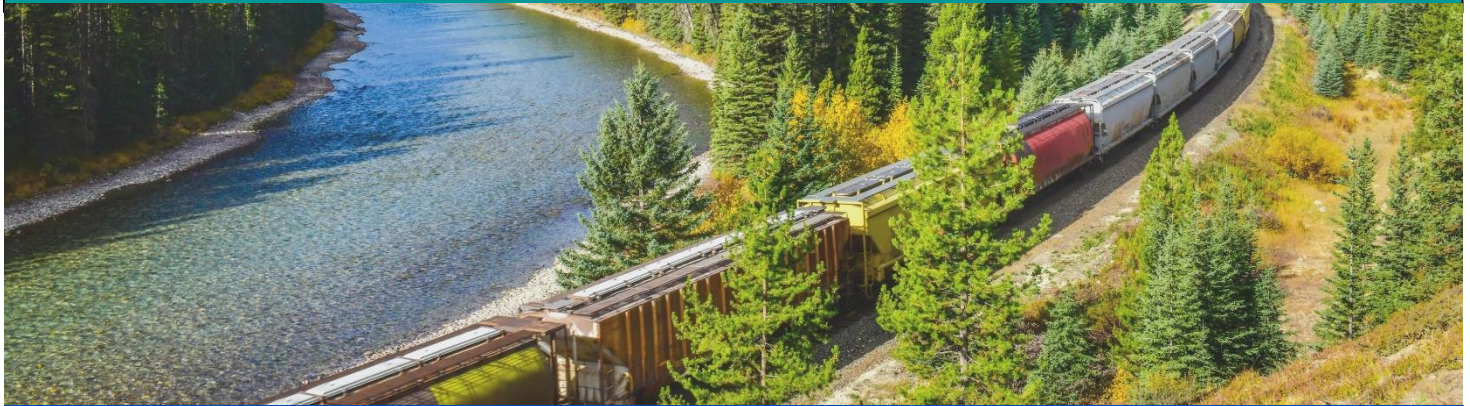
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# TRAIN OF THOUGHT

*Newsletter for the Rail Industry*



## TRAIN OF THOUGHT

Fall 2023

**RAILCARS**

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### *Featured Articles*

**Railinc On...**

**WE ARE HIRING!**

**Railcar Supply & Demand**

**Rail Fleet Management**

**Railcars & Finance**

### *Even More...*

- 2023 Scholarship Winners!
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## Railing On...

*Darell Luther, Founder & CEO*



The transportation industry as a whole is in a huge state of flux. Whether it be ships, barges, trains and railcars or trucking, there is strife in the works. Around the world we're still feeling the effects of the pandemic with China being the most recent trade partner to suffer.

The earlier rush of shipments and goods purchased rapidly exceeded ocean and rail capacity and the managers of those companies have yet to readjust to the significant swing in demand from a very high level to a more moderate level that we're experiencing today.

Interesting though is the pain truck companies are going through. One would think with all the rail congestion going on that trucks would flourish. That's not the case. Overbuilt capacity has assured that there are a lot of trucks available. Consider that there are company drivers and owner operator drivers that don't always track with each other on pricing. Lately we've seen a significant price decrease in truck rates, particularly in those areas with many trucks and truck owner operators. Rate competition is fierce in select markets.

Rail continues to be a viable option to move freight. At times it's certainly difficult to break through the many barriers to entry and justify the costs associated with doing so. If you have long haul moves, you should be considering rail. It is often the best bet to put your requirements and economics on paper, be sure you're properly engaged, and then leap in. Just getting it from paper to a stage in which you can execute on the plan is a real challenge. We are here to help!

**Plan, strategize, and rail-on with Darell Luther:**  
**(406) 347-5237 | (406) 853-3332 | [darell@tealinc.com](mailto:darell@tealinc.com).**



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## Tealinc Is Hiring!

We are growing and excited to invite a new member into our collaborative team! We are seeking a unique candidate to fill our Director – Railcar Leasing & Sales position. In your new role, you will pursue new business opportunities, cultivate client relationships, and collaborate with the team in a “we” versus “me” organization. All while upholding our reputation for providing outstanding customer support!

Tealinc offers a competitive salary package with performance-based incentives, health benefits, and opportunities for professional growth. Join a team that values integrity, leadership, and a passion for excellence in all that we do!

Contact Julie Mink: [julie@tealinc.com](mailto:julie@tealinc.com) | (720) 733-9922



## Railcar Supply and Demand

*Julie Mink, President and acting Director: Railcar Leasing & Sales*

In the dynamic world of railcar leasing and sales, one critical factor continually shapes the industry landscape: the delicate balance between supply and demand. Over the past few years, the railcar industry has experienced shifts in demand patterns influenced by various factors. Economic fluctuations, changes in trade dynamics, interest rates, a steep price for scrap steel and aluminum, and transportation dynamics have all played a role in shaping rail shipper needs and preferences that adversely have affect the supply and the demand of railcars. The fluctuating global demand for certain commodities, raw materials, and finished goods continues to create opportunities and challenges.



The railcar industry continues to grapple with railcar supply constraints that affect market dynamics. When steel and aluminum scrap pricing were at and near record highs, railcars were destroyed and cut thus eliminating a segment of the railcar sector and reducing the number of railcars shippers had at their fingertips. To replace those railcars and railcars naturally retired/scrapped due to age and attrition, railcar manufacturers got busy building new railcars. The challenges railcar manufacturers faced included capacity limitations and higher costs. Railcar purchasers, banks, and railcar owners and lessors have been met with excessively high costs accentuated by rising interest rates thus impacting the ability to keep pace with rapidly changing demands. Additionally, shippers have seen higher lease rates and longer lease term requirements. Exacerbating the situation, all players are tending to see extended lead times for railcar deliveries, parts, and attention to service which has caused disruptions for companies looking to expand their fleets or replace aging assets. It goes without saying, we're an industry full of gritty employees who are used to challenges and creative enough to develop opportunities. We certainly must be nimble and adaptable to cater to these evolving situations.

Time tends to heal all wounds but, in the meantime, it's important to remember we're all in this together. We can do a few things to improve railcar utilization and thus positively impact the railcar supply and demand disparity. As a recommendation, we suggest that shippers and receivers embrace digital technologies and data-driven insights that optimize railcar utilization, improve maintenance practices, and enhance overall fleet management efficiency. Implementing real-time tracking and predictive and preventative maintenance (...continued)





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## (Railcar Supply & Demand continued...)

programs can lead to more reliable operations and better customer service. For railcars we own and manage, call [Shannon Rodgers](#) directly to discuss your plans. Additionally, we recommend alliances and partnerships where collaboration with key stakeholders, such as rail operators, shippers, receivers, railcar leasing companies, and manufacturers, can create synergies that improve the overall industry ecosystem. Strategic alliances can facilitate capacity planning, streamline logistics, and ensure a more balanced supply and demand equilibrium. Reach out to [Darell Luther](#) for specific and detailed planning and implementation strategies.

As the railcar industry evolves, the delicate dance between supply and demand continues to be a driving force behind market dynamics. By staying attuned to changing demand patterns, aligning financial goals, addressing supply constraints, and embracing innovation and collaboration, we can all help navigate the challenges effectively and position ourselves for sustained growth and success in this dynamic marketplace. Reach out to [Yvonne Lufborough](#) to align your financial goals.

From all of us at Tealinc, we are thankful to the industry as a whole for the synergistic balance we have. From the railcar manufacturers, railcar owners and railcar lessors who sell railcars to Tealinc to the railroads, rail shippers, and rail receivers who work with us as our valued clients to the railcar inspectors, railcar shops, and many mobile repair units who answer our calls for service, thank you! We look forward to a bright future together with you well into the future! As your railcar needs continue to change, we're focused on listening to your very specific requirements. When we can buy, lease, sell, or trade railcars with you as your rail partner, we'll absolutely enjoy creating value with you. When you we don't have exactly what you need, we will collaborate with you or even one of our competitors to make success happen for you. We promise to continue to be overjoyed to put the puzzle pieces together. And worst case, if we don't have or can't find exactly what you need, we'll add your specific railcar need to our internal database and keep our eyes on finding solutions with you when opportunities become available.

**Discuss Railcar Supply & Demand with Julie Mink: [julie@tealinc.com](mailto:julie@tealinc.com) | (720) 733-9922**

## Selling, Leasing, or Buying Railcars?



**Schedule A Call Today!**

**Julie Mink**

Phone: (720) 733-9922

Email: [julie@tealinc.com](mailto:julie@tealinc.com)



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## Rail Fleet Management Brief

*Shannon Rodgers, Director – Railcar Services*



The Association of American Railroads (AAR) announced the next release of the Component Tracking application in April. If you're not already familiar, the Component Tracking system is used to capture railcar equipment component data. The April 2023 update included functional enhancements to the system to better serve the rail industry. I reviewed this information with our team and believe you will appreciate the overview and update as well. Below I have paraphrased the AAR announcement and am happy to discuss these changes with you as you have questions or want to learn more.

*Manufactures of rail equipment components will be allowed to register their components so that they can be associated with the Universal Machine Language Equipment Register (UMLER).*

*Users can report associations of components via the component registry, CRB, and Railinc web services.*

*Components include:*

- *Slack adjusters*
- *Brake value control systems*
- *Side frames, bolsters & couplers*
- *Wheelsets*
- *Pressure relief valves*
- *Cushioning units*

*Overtime the industry has identified performance issues with components released to manufacture, application & operation. Limited information has resulted in delays in replacing. By having the components registered, car owners & repair facilities can be notified quicker. The system provides the ability to quickly identify:*

- *All registered components matching specific defect criteria.*
- *Equipment with defective components applied.*

### **Cost of Defects**

*Injury or damage -reducing these costs in the primary objective*

### **Delays**

*Inspection – major defects can require physical inspection of a larger portion of the fleet to identify if issues exist.*

*Repair – replacement of defects includes component costs, shop time, lost time.*

### **Benefits**

*Efficiency & data quality through barcoding, simplifying billing processes.*

*Data analysis to identify defects and average time to failure from specific alert.*

*Industry benchmarks & analysis*

At Tealinc we manage finite details of railcar mechanical issues with our customers. This data will give us even more information on what types of components last the longest, have the greatest return on investment and are the type we discuss with our customers as we help them manage their rail equipment. If you'd like to learn more or further discuss your rail fleet management needs, give me a call.

**Focus on Rail Fleet Management with Shannon Rodgers: (814) 631-9277 | [shannon@tealinc.com](mailto:shannon@tealinc.com)**



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## Railcars & Finance

*Yvonne Lufborough, Director – Finance & Administration*

As the Director: Finance & Administration for Tealinc, I am delighted to provide you with insights into the exciting world of railcar leasing and share how we approach financial management in this dynamic industry. I take great pride in collaborating with a dedicated team to navigate the financial complexities of the railcar leasing industry. Our commitment to robust financial analysis, risk management, and embracing innovation allows us to position ourselves for sustained success while providing exceptional services to our clients.



One of our primary challenges we see is striking the right balance between growth and risk management. The railcar leasing industry, like any other, experiences its share of uncertainties, including fluctuations in demand, economic conditions, and regulatory changes. Our team analysis plays a crucial role in evaluating these risks, enabling us to make informed decisions that safeguard our financial health while pursuing strategic growth opportunities.

To navigate these challenges, we conduct thorough financial analyses, assessing key performance indicators, market trends, and the impact of external factors on our business. This data-driven approach empowers us to adapt our strategies promptly and make prudent financial choices. Maintaining sufficient liquidity is vital in an industry that demands continuous investment in railcar assets. We carefully manage our capital structure to support long-term sustainability and agility in seizing market opportunities while mitigating financial risks. As a railcar leasing company, judiciously investing in our fleet is crucial. I collaborate closely with our operations and sales departments to identify the most cost-effective and in-demand railcar types. This approach allows us to align our investments with customer needs and market demands, ensuring the best possible return on investment.

In an ever-evolving industry, embracing innovation and technology is paramount to maintaining a competitive edge. Evolving company goals and initiatives allow us to stay committed to integrating modern financial tools and digital solutions into our processes. We leverage data analytics to gain deeper insights into our financial performance, customer preferences, and operational efficiencies. These insights drive our decision-making process and enable us to optimize our financial strategies. We utilize digital financial management systems to streamline accounting, budgeting, and reporting. This not only enhances accuracy and efficiency but also empowers our team to focus on strategic financial planning and analysis.

Understanding our customers' needs and preferences is at the core of our financial strategy. By actively listening to our clients and aligning our financial offerings with their business objectives, we foster long-term partnerships and mutually beneficial growth. Thank you for your trust in Tealinc! We remain steadfast in our commitment to excellence in financial management and look forward to continuing our journey together.

**Discuss Rail Finance and Accounting with Yvonne Lufborough: [Yvonne@tealinc.com](mailto:Yvonne@tealinc.com) | (406) 234-2754**

## 2023 Scholarship Winners Announced!

In a world brimming with talent and potential, it is heart-warming to witness individuals who stand out among the crowd, displaying exceptional skills, dedication, and a burning desire to make a positive impact. For the 2023 Tealinc Scholarship, our board received just under forty applications. Each candidate possesses unique talents, remarkable academic records, and compelling personal narratives which made selecting the winners extremely challenging. In the end, it was the unwavering determination and commitment to excellence exhibited by our two winners that set them apart. We extend our warmest congratulations to Kylie Munsinger and Julia Martin and wish them continued success in their academic pursuits and future endeavors. Their success not only reflects their personal accomplishments but also serves as an inspiration to us all. May they continue to strive for excellence and inspire others to reach for the stars!

**[Read more about Kylie and Julia on the Tealinc website](#)**





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## Industry Outlook

At the risk of repeating ourselves it's hard to believe it's July already; the year is certainly flying by. Our quarterly industry outlook showcases issues or opportunities we see happening now or have opportunity to occur in this quarter.

The negotiations of labor contracts seem to be taking the limelight just prior to and during this calendar timeframe. The Longshoremens that control many of the ports in our country have been striking on and off for a few months, really affecting the bulk and intermodal businesses. Railway company varied labor agreements with everyone from trainmen, yardmasters, engineers, laborers, mechanics et. al have been through the labor negotiation mill this past several months as well many logistics and trucking companies have been in similar discussions. It appears that many of the issues have been resolved and we should expect a less jarring labor situation going forward.

A good place to check out railroad performance is the Surface Transportation Board website. The value of knowing some of these key statistics it to measure on the macro side whether or not railroads are improving service. This will give you an idea of what type of improvements are being made and where they are occurring. Focusing on those areas that support your business will create a better understanding of expected service parameters.

Operationally railroads seem to be holding their own. The STB requires data reporting of key performance metrics such as:

- System average train speed
- Weekly average terminal dwell time
- Overall system dwell time
- Cars online by railcar type
- Weekly average number of trains held per day by train type and cause
- Weekly average number of loaded and empty cars not moved in 48+ hours
- Weekly total grain cars loaded and billed by state and service
- Grain trains: plan versus performance.

Although the operating results can be very varied. There are a lot of factors included in the obtaining positive results including natural disasters, floods, tornados, heat kinks, etc. Overall though the trend should be positive to gain any credibility.

One good use of this data is to find your route amongst the loaded transport options available and look closely to see what rail lines, stations, yards, etc. run by your place of business. Track those relatively close locations daily to see if the reporting is tracking what you're seeing and if it is use the information to help meld in the railroads service to best optimize your shipments and receipts of empty railcars. If not visit with your local railroad operating personnel to first be sure they understand your operating requirements and second to enlist their support of those requirements.

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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 including mergers, line sales, line jurisdiction over railroad rate, practice, and service issues and rail restructuring transactions, construction, and line abandonment. Promotion of good service and fair prices are two of its mainstays. (...continued)





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## (Industry Update: STB continued...)

The STB has a host of data available on various topics of interest to the rail industry, performance measures requirements, railroad revenue data and railroad cost data. An example of some of these tools are:

- Revenue data
  - Revenue Deflators
  - Revenue shortfall allocation methodology
  - Cost of Capital
  - Revenue Adequacy
- Rail Service Data
  - A myriad of data concerning Class 1 service – see article above
- Demurrage and Accessorial Charges
- Railroad Cost Adjustment Factor
- Uniform Rail Costing System
- Carload Waybill Samples

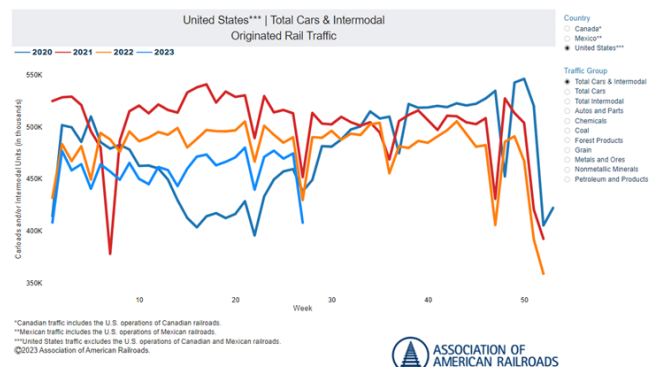
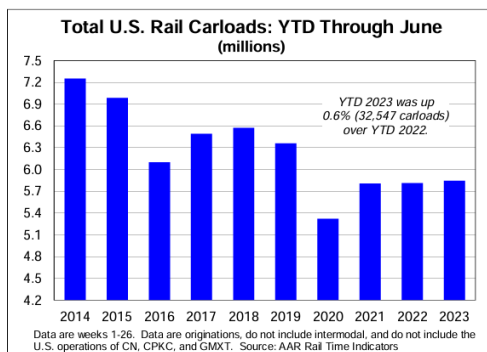
The value to a shipper in researching and understanding this data is in the details of each area as it specifically applies to the shipper. For instance, if you believe your demurrage bill is exorbitant and you want some guidance you can dig into the Demurrage and Accessorial information. Likewise on the Uniform Rail Costing System in determining if a rail rate passes the 180% hurdle test. It takes some time to make sense of all of this information but for the shipper that is shipping tens, hundreds or even thousands of carloads a year its imperative to know your cost profile. Often times the transportation rate is the spread in profitability and along with service should be a focus of all shippers. Contact [Darell Luther](#) to further discuss your shipping-by-rail success.

## Industry Update: Rail Traffic Data

Most recent rail traffic data is tracking up with 11 of the 20 commodity groups that the Association of American Railroads (AAR) tracks showing gains in carloads. This is a steady gain from previous timeframe reporting.

The AAR reports: “For 2023 through June, total U.S. carloads were 5.84 million, up 0.6% (32,547 carloads) over the same period in 2022 and the most since 2019.” Leaders in the gains were Motor Vehicles and Parts, Crushed Stone Sand & Gravel, and Petroleum and Petroleum Products. The biggest loss was held by Grain which fell by 20% when compared to June 2022 versus June 2023. The average weekly carloadings for grain haven’t been this slim since 2013.

It’s interesting to put the number of carloads originated in perspective by recent years history. The chart below shows the number of US originated railcar loads (excludes intermodal) year to date thru June 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.





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## Industry Update: Railroad & Policy Updates

Railroads are only scared of one thing... Re-Regulation! Of concern to the rail industry is the revitalized push for reciprocal switching. Simply described reciprocal switching is the ability of one rail carrier to switch railcars from a competing closed (not accessible by another rail carrier) customer would be granted. There would be a set of rules and regulations overseeing the process but it essentially opens up captive customers to another rail option. Along with the fine details would be specifically how many miles would the customer be from access to an alternative rail carrier, what would it do to the economics of the move, is it practical to serve the customer by an alternative carrier, etc.? In the United States we have limited dual access areas. When Union Pacific Railroad absorbed the Southern Pacific Railroad they had to concede two to one points from Denver to the west coast and to numerous stations up and down the California rail network. We see a cooperative competitive switch operations in the CONRAIL set up where the CONRAIL provides service to shippers and receivers in the Shared Asset areas that were once Norfolk Southern and CSX served areas. In Canada Bill C-47 is being reviewed to increase the distance allowed for inter switching from 120KM to 160 KM in the provinces of Alberta, Manitoba and Saskatchewan. The arguments on CN behalf, which are all very valid are that it will increase congestion in rail yards, reduce crew availability, create longer transit times, increase uncertainty, deteriorated service, increased cost and result in increased greenhouse gas emissions.

Service even over price is the focus most shippers and receivers' dwell on. With out consistent reliable service rail shipments result in significant cost increases thru discounts on unreliable product delivery, missed markets for commodities, extra infrastructure requirements, etc. I can see from my operations days a reciprocal switch arrangement, unless it has characteristics like CONRAIL, would be very difficult to manage. Be careful what you ask for you just might get it. There just may be another way.... Contact [Shannon Rodgers](#) to explore success.

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## About Tealinc

*How will you put Tealinc to work creating value with you?*

At Tealinc, we offer a comprehensive suite of rail services catering to a variety of industries. Whether you want to lease, buy, sell, or trade railcar equipment; want support services for your railcar fleet; or want to strategize about the development, growth, or downsizing of your rail network, we'll help you find the right solutions for your business. We're dedicated to providing top-notch customer service and we are committed to ensuring that your experience with us is smooth, efficient, and hassle-free!

How would you like Tealinc to partner with you?

**Buy, Sell, Lease,  
Trade Railcars**

**Rail Fleet  
Management Services**

**Rail Strategy &  
Business Development**