



RAILBLAZERS®

ALLTRANSTEK, L.L.C.

RAILCAR FLEET MANAGEMENT AND CONSULTING

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A CLOSER LOOK SERIES

CLOSER LOOK SERIES

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TECHNICAL EDUCATION & TRAINING: TRAINING HARDER & WORKING SMARTER

In this article, Matt Johnson, Vice President of Client Services - AllTranstek, discusses the importance of education and training in the rail industry.

One of the best investments a company can make is in training its employees. The better educated an employee is, the more they can bring to the table. That can come in the form of efficiencies, reducing risk, or better management. AllTranstek believes that our best clients are the ones who understand what is required of them, and who strive to manage their businesses responsibly.

“The More You Know”

There is a lot of focus these days on training. The best companies recognize the importance of training and how it is important that their work force is educated properly. Education does of course come in many forms. School, certainly, but hands-on experience and the value added through exposure over time, as well as other training opportunities (classes, on-line, or self-study) help ensure that we work efficiently and responsibly. We work with office, plant, and shop personnel to train them on Hazmat safety and awareness. We train loaders/unloaders, welders, and nondestructive testing personnel in a myriad of skills

Continued on page 2.

CAR TYPE HIGHLIGHT: OPEN TOP HOPPER FLEET

The open top hopper (OTH) fleet, which totaled 144,257 as of January 2017, is primarily used to move coal and other dry bulk materials generated by the mining industry.

The North American OTH fleet is split into two segments: Coal OTH and Other OTH. Coal OTH are further differentiated based on Gross rail load (Grl) capacity. This segment accounts for 75.1% of the total OTH fleet, and can have bodies made of aluminum, steel, or a hybrid of the two. The Other OTH fleet is split into five groups based on cubic capacity and tonnage capacity. Within these segments, cars are further differentiated based on capacity. The five segments are Ore OTH (0-2000 cuf), Small Aggregate OTH (2001-2400 cuf), Large Aggregate OTH (2401-3400 cuf), Large Capacity OTH (5000-6000 cuf), and High Capacity OTH (>6000 cuf).

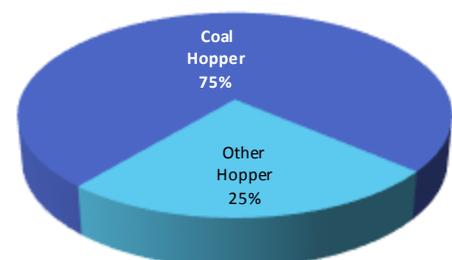
The Coal OTH fleet moved 2,498,900 carloads in 2016, 83% of which was made up of bituminous coal. Declining coal shipments over

the past ten years has drastically decreased traffic in this fleet, which totaled 4.4 million in 2007. Older Steel Coal cars account for 32.7% of the Coal OTH fleet. New car builds have favored Aluminum cars and Hybrid cars, which account for 56.7% and 10.5% of the Coal OTH fleet, respectively.

While coal accounts for the majority of Coal OTH shipments, the Other OTH fleet's more diverse traffic base includes crushed stone

Continued on page 4.

Fleet Demographics Open Top Hoppers





PROGRESSIVE RAILROADING ARTICLES

Richard Kloster, Senior Vice President & Chief Commercial Officer, is featured by Progressive Railroading Magazine in the December 2017 issue.

December 2017 - *Rail Equipment Outlook 2018*

As 2017 draws to an end, this article offers insight into the future of rail equipment throughout 2018.

[CLICK TO READ
FULL ARTICLE](#)

August 2017 - *Rail-car outlook: Where did the momentum go?*

The promising forecast for 2017 has not come to fruition despite being halfway through the year. Learn why.

[CLICK TO READ
FULL ARTICLE](#)

February 2017 - *Commentary: If things are so bad in the rail-car leasing industry, why are so many jumping in?*

This article examines investors' interests in railcars in spite of an unkind market in recent years.

[CLICK TO READ
FULL ARTICLE](#)

Continued from page 1.

and certifications to enable them to do their jobs according to regulations and in the best manner possible. While AllTranstek is a third party support service based company, and we exist to assist and bring value to our clients, there are those who would think that the less our clients know, the better. In truth, the opposite is true. Some of our best clients are the ones who are exceedingly knowledgeable about their role and what we can offer, because then they understand why what we provide is necessary, and just as important: they are more likely to be aware of how much they do not know. A saying we hear regularly is, "I'm a pretty smart guy, but I always like to be the dumbest guy in the room." This is a delightful recognition that we can always learn more, and that learning more is always a good thing. For AllTranstek, a knowledgeable client is our best partner. We are always looking for ways to ensure that our clients and the industry are up to speed on topics we believe are helpful, and in many cases, mandatory. Conversely, a client who is not well educated on the industry requirements for their fleet, and ramifications of non-compliance, is both a challenge and a risk. We work with clients and their vendors to train them on systems and to make them knowledgeable about industry best practices.

Training is not something that can just be pushed, because the trainee has to be engaged to learn. There are those who can cram their short term memory before the test, and those that memorize facts, and those may get the job done, but the ones who make the effort to innately understand are the ones for whom the training will stick for life. When one truly understands what is being taught, one does not have to work as hard to memorize, because the facts just make sense.

"Knowledge is Power"

AllTranstek chairs, or has representatives on, numerous committees at the AAR Tank Car Committee, and in other industry organizations. Our systems are continually evolving, with our eyes on making sure everything is done in a holistic, scalable manner that allows for maximum efficiency in both use and maintenance. This is critical when it comes to Big Data. Whereas just 10 years ago most people were satisfied with a report, today

everyone is interested in data. Reports and dashboards point you in the right direction, but beyond that you have to be able to drill into the data to determine what the data is really telling you.

"Big Data" is somewhat misleading because it is not just the size of the data, but how you use it. The user has to be educated on what the data means and how to delve into it appropriately; otherwise they are just creating data. Another common saying is that "figures never lie, but liars always figure," and putting data in the hands of someone unaware of how best to use it can lead to dangerous results. This means creating new tools and training on how to use them, and AllTranstek continues to invest heavily in both. One of our clients always says "make me smarter," which is commendable. They want to know and understand their fleet in all regards, from choosing between component options for their cars to maximizing their fleet utilizations. Recognizing the need to understand more and to take strides to implement the knowledge is what advances a person or team or company. To do this, one has to know where to turn, and that is why AllTranstek has worked to be the industry leader. If the knowledge sought is not something we can provide, we can often times help locate who might be best suited to assist. We're always happy to help, and the more you know, the better you understand what you need to do. After all, "Knowing is half the battle."

When you have an opportunity to train or learn something new, put emphasis on understanding over memorization, and you'll maximize the value and the enjoyment you get out of the experience.

For more information on AllTranstek's educational and training opportunities, contact info@alltranstek.com.

TANK CAR COMMITTEE MEETING UPDATE

Larry Loman, Director of Engineering, provides a summary of the October 2017 Tank Car Committee Meeting in Houston.

Transport Canada has completed an update to Standard TP14877 which was announced at last year's TCC meeting. Transport Canada announced that the Standard will come into force in early 2019.

The FRA discussed Railworthiness Directive 2016-01. They are monitoring the incoming data for the inspections that are to be completed by November 18, 2017.

The FRA announced that the three areas of focus for the upcoming year will be:

- *Shippers and loading compliance, with attention to loading and outage*
- *FRA auditing of a few hundred tank cars to determine if they are in compliance with respect to the as-built drawings, reported R-1's or TCID submittals, etc.*
- *FRA auditing railroads for hazmat regulatory training*

Another item of major discussion was a task force draft rewrite of AAR C-III Appendix B which affects tank car facility certification. The current draft is on hold pending AAR legal review.

Read the Fall 2017 meeting summary [here](#).

INDUSTRY FEATURE

NORTH AMERICA FREIGHT CAR ASSOCIATION



The North America Freight Car Association (NAFCA) has represented rail shippers and the manufacturers, lessors, and lessees of privately-marked rail cars since the association's formation in 1993. Its members are dedicated to promoting the safe, efficient, and economical use of rail cars not owned by railroads. NAFCA's role in the railroad industry has increased over time, as railroads have encouraged shippers to provide their own equipment while the railroads focused their investments on locomotives and infrastructure. As a result, railroads currently supply only one-third of all hopper cars used for agricultural commodities, chemicals and plastics, and they have historically supplied no tank cars whatsoever. In a 2011 white paper, commissioned by NAFCA, researchers found that private cars carried 54% of ton-miles and 56% of tonnage moved by railroad, and accounted for 46% of railroad revenue. Moreover, the study found that private car owners make 87% of total new investment in rail equipment, without which railroads would be unable to function efficiently and economically.

NAFCA's primary goal is to secure the establishment and maintenance of reasonable, equitable and lawful practices and rules affecting the use, repair, operation, and principles of compensation for all private rail cars. Thus, much of its work is focused on identifying specific areas where NAFCA and railroads (individually and through the Association of American Railroads), can work together to find ways to improve the safe operation of private rail equipment while protecting the interests of NAFCA's members.

The maturation of the privately-owned rail car sector has resulted in an extensive shift in risk where private car providers are dependent upon a series of compensation regimes to ensure an adequate supply of cars to meet shipper demand. The rise of these mechanisms and the attendant issues inherent in this system have given rise to the need for strong, collective private car provider representation, a role proudly filled by NAFCA since 1993.

NAFCA is committed to finding solutions to industry concerns, regarding private rail cars, through negotiation and participation in policy and regulatory initiatives. However, when such solutions are not attainable, NAFCA has taken and will continue to take the lead in protecting the interests of its members through litigation and legislation.

Companies interested in learning more or joining NAFCA should call Darrell Wallace, Executive Director at 314-724-6041 or e-mail him at drwallace@hotmail.com



SCHEDULE OF EVENTS 2018

JANUARY

10-13: NRC Conference
Los Angeles, CA

16-18: Argus Americas Crude Summit
Houston, TX

17-18: M.A.R.S.
Lombard, IL

23-25: AAR QA Meeting
Fort Worth, TX

25-27: ELFA Equipment Management Conference
St. Petersburg, FL

30-2/1 NITL Summit
Dallas, TX

FEBRUARY

1-2: Coaltrans USA
Miami, FL

12-14: National Ethanol Conference
San Antonio, TX

12-14: TFI Annual Meeting
San Diego, CA

20-21: S.W.A.R.S.
San Antonio, TX



THANK YOU!

In October, AllTranstek co-hosted a fun filled evening at the Tank Car Committee Meeting with Rescar, VSP Technologies, and Trelleborg (formerly Carolina Seal Chemical Transportation Solutions).

We would like to thank all those who attended and helped make the event successful. We look forward to seeing you all again next time.

DID YOU KNOW?

AllTranstek's homepage now features a news bar with important industry and company updates. Recent highlights have included documents pertaining to submerged equipment in the wake of this fall's hurricanes, the release of the 2017 Closer Look Series, webinar registration announcements, and much more.

Stay up-to-date with all things rail by visiting our website regularly.

HOLIDAY HOURS

AllTranstek offices will be closed on Monday, December 25th and Monday, January 1st to allow our employees time to celebrate with their families and friends.

Continued from page 1.

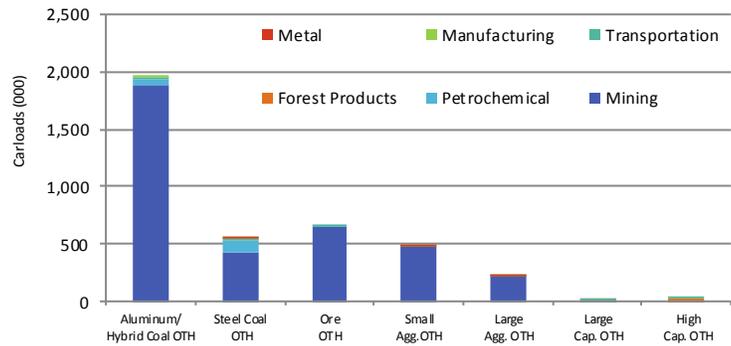
and iron ore concentrates, combining for 68.4% of shipments.

Historically, the OTH fleet has been split fairly evenly among railroads, shippers, and leasing companies. Though the railroads maintain the largest share, at 37.4%, ownership has been steadily shifting to shippers and leasing companies at the expense of the railroad owned fleet. The reason is two-fold: the older railroad fleet faces retirements due to old age, and new coal car deliveries have primarily been acquired by shippers and leasing companies over the past fifteen years.

The overall OTH fleet is in a tough environment due to a decline in the coal sector and a high surplus of cars. Low natural gas prices cause competition with coal, contributing to

OTH Traffic by Equipment Type

2016 Carloadings



Source: STB Waybill, FTR, AllTranstek; 3,905,185 carloads

the decline in carloadings and utilization. Despite a projected increase in new car deliveries in upcoming years, massive retirements of cars due to old age will result in a net decline in fleet size.

For more information on the Open Top Hopper fleet, check out our [2017 Closer Look Series](#).

All charts and graphs come from the OTH Closer Look Report

OUTLOOK 2018: RAILCAR FORECAST

Below is an excerpt from an article written by Dick Kloster, AllTranstek's Senior Vice President and Chief Commercial Officer, for *Progressive Railroad*'s December 2017 issue.

This time last year, the rail equipment outlook for 2017 looked promising. Freight volumes had picked up in late 2016, rail-car demand had improved and 2017 was looking like a possible recovery year. However, the pick-up was short lived and there was no recovery to be had — just a continued slogging through a shifting market with too many cars in some segments and not enough in others.

So, no one should be under any false illusions, or delusions, that 2018 is going to anything other than a slog-fest: The simple fact is that there are just too many cars available in too many fleet segments. For two years now, there has been a huge surplus of cars created by inadequate freight demand and significant fleet growth, i.e., high new car build rates and low retirements.

Another slog-fest

The ideal way to deal with too much availability — otherwise known as a surplus — is to deploy more cars into service, while at the same time reducing the size of the fleet. Sim-

ple supply and demand. For 2018, freight is forecast to be up 2.7 percent year over year, and that will put more cars back into service. On the supply side, retirements are projected to be over 60,000 cars, about 50 percent higher than normal. New car deliveries are forecast to be about 41,000 cars. The net result for 2018 is a slightly shrinking fleet, and a surplus that will decline considerably — but remain annoyingly high. New car demand will be flat but by no means weak, while retirements will be high but focused in a few problem fleets. Fleet utilization will improve some but not enough to allow for any meaningful improvement in lease rates, which overall will continue to be depressed.

This outlook almost makes one want to run out and buy some rail cars, since poor market conditions should lead to lower equipment values — or so one would think.

However, buyer interest in acquiring secondary market rail cars is expected to remain strong and keep values higher than the current market conditions alone would dictate. Here's a look at some key segments.

View the rest of the article [here](#).

EMPLOYEE SPOTLIGHT

GARY ALDERSON MANAGER, QUALITY PROCESSES

Gary performs ShopWatch® audits for car owners. He provides quality assurance (QA) and nondestructive testing (NDT) training as well as consulting for car owners and AllTranstek customers. Gary began his career as an inspector before achieving positions such as Manager of Quality Assurance and Quality Processes.

Gary belongs to the AAR Appendix T and W Task Force, and was recently appointed as Chairman of the RSI QA Committee. He is also a member of the RSAC Working Group. He is an ASNT Level III, AWS certified welding inspector, NACE Level I, and an AAR Qualified Auditor.



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MIKE TAIT DIRECTOR, NDT SERVICES (CWI & ASNT LEVEL III)

Mike's background includes welding, fabrication, NDT, and QA.

His main areas of responsibility are in NDT, HAZMAT, and QA. His duties include NDT auditing, training, procedure development and approval, inspections, and technical support, HazMat loader/unloader assessment audits, training, and program development, QA auditing, training, development and implementation of QA programs and procedures.

Mike has memberships in American Society of Nondestructive Testing and American Welding Society. He is also a member of the AAR Welding and NDT task forces. He holds American Welding Society – Certified Welding Inspector (AWS-CWI) certification. He is an ASNT Level III in VT – Visual Testing, MT – Magnetic Particle Testing, PT – Penetrant Testing, IR- Thermal/Infrared, and LT-Leak Testing.



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NITL SUMMIT 2018

The National Industrial Transportation League will hold its annual NIT League Transportation Summit January 29-31, 2018 at the Intercontinental Dallas. The Summit brings together leading professionals from across the freight transportation sector for three days of focused learning, network building, and forward thinking. Its highly targeted content and numerous opportunities for small group and one-on-one discussions provide you with information and insights you can apply right away and throughout the year.

The 2018 Summit will include educational sessions and keynotes aimed to equip attendees with the necessary skills and information to navigate the uncertain future of freight transportation. From regulatory uncertainty to new and developing technologies, attendees will leave with powerful knowledge to make informed business deci-

sions upon their return. Additionally, NITL's modal committees (rail, ocean, and highway) will be holding meetings to plan steps to influence regulations and legislation affecting shippers.

Furthermore, there will be structured networking events, such as off-site activities - a golf tournament at the TPC Four Seasons Las Colinas or a members-only VIP tour of AT&T Stadium - home to the Dallas Cowboys, and a plated networking dinner with keynote Tommy Spaulding. Opportunities for exhibiting and sponsoring provide companies the opportunity to showcase their products and gain heightened visibility among top decision makers in the logistics industry.

Find out all the details on the 2018 NIT League Transportation Summit [here](#).



ALLTRANSTEK PRESENTATIONS AND EVENTS 2018

WEBINAR REPLAY

NDT

Date: November 15, 2017

Contents: This free webinar discussed basic methods of NDT testing.

Presented by: J. Dinell

[View replay](#)

Mileage Equalization

Date: October 4, 2017

Contents: This presentation will discuss the cost-saving benefits of the mileage equalization process.

Presented by: D. Guzman and I. Balmaceda

[View replay](#)

PRESENTATIONS

RailTrends

Date: December 1, 2017

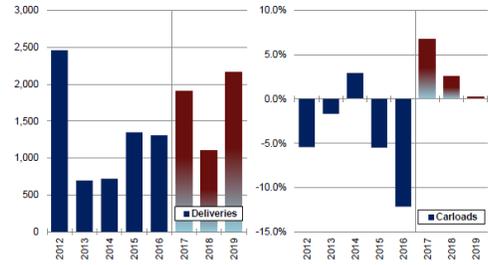
Contents: Titled "Rail Car Counts," this presentation discussed rail in 2018. Contact info@alltranstek.com for more information.

Presented by: R. Kloster

FTR OUTLOOK: OPEN TOP HOPPER FORECAST

- ◆ **Freight:** OTH traffic forecast to increase 2.6% in 2018 to 5,339,000 carloads, then increase at only a 0.3% AAGR over the 2019-2022 period, reaching 5,449,000 in 2022.
- ◆ **New Cars:** Deliveries forecast to fall 42.3% y/y to 1,100 cars in 2018, all Steel OTH, then average 2,165 cars over 2019-2022, a 19.3% AAGR, with aluminum cars accounting for 18.5%.
- ◆ **Inventory:** Retirements projected to drop 6/6% y/y in 2018 to 10,200 cars, then average 8,700 cars over the 2019-2022 period, a -5.7% AAGR.
- ◆ Fleet projected to total 118,800 cars in 2018, down 7.1% y/y, then continue to decline at a -5.5% AAGR over 2019-2022, falling to 92,700 cars in 2022.
- ◆ Surplus expected to improve 24.5% y/y in 2018, falling to 39,900 cars, then continue to improve over 2019-2022 to 23,400 cars in 2022, a -10.3% AAGR.

N.A. Open-Top Hopper Outlook



Source: FTR, Copyright 2017

Open-Top Hopper Market Indicators: 2017Q3

Actual, Not Seasonally Adjusted	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Orders	367	0	130	458
% Change, Y/Y	230.6	--	-52.2	-53.7
Backlogs	2,035	1,171	437	736
% Change, Y/Y	55.1	-24.1	-70.1	-68.0
Deliveries	629	864	734	159
% Change, Y/Y	78.7	411.2	107.3	3.2
Backlogs/Deliveries Ratio	3.2	1.4	0.6	4.6
Net Orders/Deliveries Ratio	0.6	0.0	0.2	2.9

Source: ARCI Committee of the Railway Supply Institute

- ◆ Fleet utilization forecast to improve 7.9% points y/y in 2018 to 67.5%, increase to 68.9% in 2019, then climb another 6.6 points over 2020-2022 to 75.6% in 2022.

- ◆ **Forecast Changes:** Slightly higher freight, no other significant forecast changes.

- ◆ **Downside Risks:** Freight weakness, persist high surplus.

- ◆ **Upside Risks:** Replacement demand for non-coal OTH, infrastructure spending, improving coal market.

All charts, graphs, and data are derived from the FTR Rail Equipment Outlook Report
For more information on this report, please visit www.ftrintel.com/REO

A CLOSER LOOK SERIES

The 2017 Closer Look Series is now available!

Why the Closer Look Series?

Comprised of six reports, each focusing on one of the major car types, the annually-updated Closer Look Series is the industry leader in analyzing and forecasting the rail equipment supply chain.

What are the six major car types?

Tank Car, Covered Hopper, Open Top Hopper, Gondola, Box Car, Flat Car

Report features:

Analysis of trends in fleet size, age, ownership, segmentation, commodity traffic bases, new car deliveries, retirements, utilization, attrition, car surpluses, and much more

New report features include:

Freight Carloads Forecast, Deliveries by Owner, In-depth Fleet Outlook, Qualitative Market Condition Commentary

Who can benefit from the Closer Look Series?

Any and all participants in the rail industry! Among the companies who will benefit the most are fleet owners, leasing companies, new car builders, component suppliers, service providers, financial institutions, investors, rail carriers and shippers.

[Learn more!](#)



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AllTranstek is the industry leader for fleet management services and tank car technical expertise. AllTranstek manages over 275,000 railcars of all types for some of North America's largest companies.

AllTranstek technical services group provides technical and operational support to the rail equipment supply chain, including field inspections, engineering, regulatory compliance, NDT Level III, NDT training, and welding support.

AllTranstek strategic services group offers a 360° view of the rail supply chain by providing clients with market research, analytics, forecasting, and strategic consulting services.

No other company has the combination of institutional knowledge, innovation, and independence that characterizes AllTranstek. As an independent company with no ties to outside funding from industry or government, clients can be confident we have their best interests in mind. AllTranstek tailors services to each customer's individualized needs.