



RAILBLAZERS

ALLTRANSTEK, LLC

Commercial Rail Transport Management and Consulting

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Volume I † Issue I

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Rail Equipment

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NEW!

**COVERED HOPPER
CLOSER LOOK
NOW AVAILABLE!**

**SEE PAGE 4 FOR
MORE DETAILS...**

TCID TRENDING

Use of the Tank Car Integrated Database (TCID) became mandatory for tank car owners effective January 1, 2015. This database is an industry mandated requirement primarily intended to collect repair information on railcars. Current licensees of the AllTranstek Tank Car Maintenance and Qualification procedures are automatically covered by the inspection requirements through the implementation of new procedures and forms that have been incorporated into AllTranstek's system for use at your repair network. These newly incorporated forms will represent complete but streamlined versions of previous materials, that should require less information and effort on the part of the repair shop to complete as compared to prior



versions. AllTranstek pre-released these documents for review to the shop network in the middle of December, and many of the shops that received the updated documents have already implemented them in their practices as of December 20th. As the responsibility to transfer repair data to TCID falls on the car owners effective as of

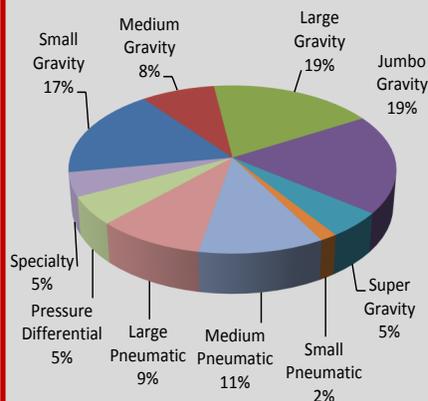
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CAR TYPE HIGHLIGHT: COVERED HOPPERS

The Covered Hopper (CH) Fleet has a wide range of car types to accommodate the variety of industries that it serves. Current data on this fleet sizes it at 491,632 cars. Gravity cars currently make up 68.3% of the fleet, followed by Pneumatic at 21.7%. Pressure Differential and Specialty cars make up the final 10%. The fleet as a whole has grown by 1.6% in the past year, with the Small Gravity fleet growing by almost 13% independently.

The shipping market for Covered Hoppers has essentially recovered from the recession of 2008-2009, largely due to several strong crop yields, as well as the high demand for frac sand. Strong shipment vol-

**All Covered Hoppers
2014 Fleet Size**



Source: Umler 2014, 491,632 cars

Data obtained from Rail Equipment Closer Look Series.
For information on the full report please contact AllTranstek.

umes in grain and sand commodities brought the CH surplus down to just 37,000 cars in 2014, marking the lowest

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AllTranstek Upcoming Shop Watch Schedule

- ◆ **GBW, March 10**
Neodesha, KS
- ◆ **GBW, March 12**
Coffeyville, KS
- ◆ **OnTrack, 2015**
Plantersville, TX
- ◆ **UTC, 2015**
Marion, OH
- ◆ **GBW, 2015**
Hollidaysburg, PA

For more information
contact Mike Dudar
@ 905-563-5547

“PHMSA UPDATE”

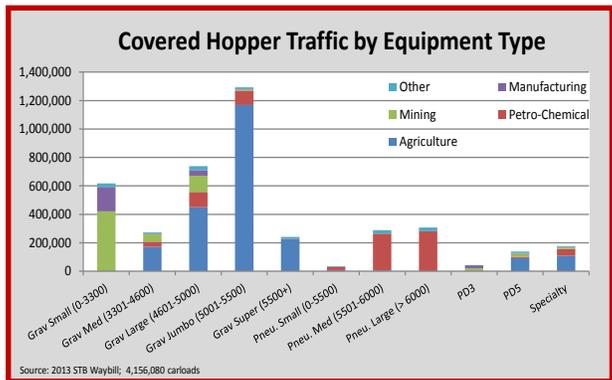
While DOT says finalizing the tank car rule is one of its highest priorities, the Pipeline and Hazardous Materials Safety Administration (PHMSA) is not expected to issue a rule until May 12, 2015. Senator Peter DeFazio (D-OR) recently urged the DOT to take immediate action. DeFazio believes delays in issuing a final rule will have significant implications for rail-car manufacturers. It will take time for car builders to adjust to the standards proposed in the rule, which in turn will have a rippling effect on shippers who are putting off purchases of new tank cars until the new design standards are finalized.

CH HIGHLIGHT *(Cont. from page 1)*

surplus numbers the CH fleet has seen since 1997.

The Gravity fleet carried over 3.1 million car loads in 2013, consisting mostly of agricultural and mining products. Pneumatic cars carried 630,000 car loads, almost 90% of which were plastic pellets.

Pressure Differential (PD) and Specialty cars made up the last 360,000 car loads. PD cars carried mostly flour, minerals, and cement. Specialty cars also saw a signifi-



Data obtained from Rail Equipment Closer Look Series.
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cant portion of grain product traffic, and shipped over 30% of total industrial chemical traffic.

STENCILWATCH SYNOPSIS

Over the past few years, the fluctuating regulatory environment surrounding tank cars has placed more responsibility for tank car qualification and maintenance upon the owner of the car. The FRA is more aggressively pursuing tank car owners who are not compliant, and railroads are more actively refusing to haul cars. As a car owner, being prepared for this transition to more responsibilities and scrutiny by the FRA is a necessity for avoiding regulatory actions as well as incurring costly fines and penalties. To ensure regulatory requirements are being met, owners have the option of using an in house system, or a third party consultant like AllTranstek.

StencilWatch is an AllTranstek service package designed to assist tank car owners with respect to qualification and

maintenance procedures and forms, such as Data Collection, TCID data submittals, and shop auditing. We also hope to offer a myriad of analytical services, including qualification interval justification and benchmarking based on pooling data resources. By pooling collected data and analytics, AllTranstek can help clients realize greatly enhanced qualification interval defensibility, increased sample sizes, and significantly amplified cost savings. Benefit potentials are present for owners of both large and small fleets. Increased sample sets of smaller commodity fleets will enhance statistical analysis for large fleet owners, while small fleet owners who potentially suffer from a lack of sufficient data in house, gain access to the necessary additional data.

TCID TRENDING *(cont. from page 1)*

January 1, 2015, AllTranstek offers services to address the data entry and submittal of this information to maintain compliance for owners and facilities who have not already initiated this action. For owners that do not have a means to address TCID requirements, AllTranstek can license our procedures and forms in addition to sup-

plying a data service to specifically meet the requirements of TCID. This program will be available to supplement car owners' existing procedures and forms. For those interested in these services please contact us through phone or by e-mail, both of which are provided on this newsletter's final page.

MIDLAND'S MOMENT: CURRENT VALVE TECH Q & A

- *What are valve suppliers doing to address the expected changes in tank car regulations, specifically for crude oil cars?*

The supply base for tank car valves has been ramping up capacity for some time. The delays in the final decision on regulations has allowed plenty of time for manufacturers to ramp up production to meet expected demand.

- *Is there an industry need for a more robust vacuum relief valve for crude oil cars? Or a bottom outlet valve for crude unloading?*

We believe the current designs for vacuum relief valves such as our A-212 which include filters and baffles and have 3psi settings are more than adequate for crude oil applications. Some customers are looking at alternative materials of construction [for BOVs] due to corrosion issues.

- *Are there special material requirements for O-rings or valve bodies for crude oil cars?*

Many customers have experienced corrosion in crude applications and have started to specify stainless steel material for any wetted parts that come in contact with the crude. As for O-rings, we typically see customers specifying Viton A or Viton B as opposed to the standard Buna N that many customers have specified in the past.

- *What supply chain pressures can tank car owners expect regarding valve availability?*

That is a great question. I believe that the biggest issue car owners are going to face is the availability of shop space to do HM-216 re-qualifications and retrofits to the new regulations. I think the supply chain challenges related to valves will be planning around supplier lead times. With the large number of new cars being built in 2015, lead times could start to get extended.



CHASE PETERSON



Rail Fleet Coordinator I

A recent college graduate from Aurora University, Chase earned a double major in Marketing and Business Administration. As with many of us, Chase has some family history in the rail industry. He started here as a first career opportunity, and has now been with AllTranstek for several months. As a member of Allison Bernabei's Fleet Management team, Chase has enjoyed the challenge of learning a vast industry from the bottom up, and appreciates the wealth of industry knowledge available to him here at AllTranstek. After gaining some hands on experience with railcar repair in his initial stages of employment, Chase is now involved in a number of ongoing projects, including the development of weekly reports for a number of our clients. He also has a hand in Umler data updates and assists with billing organization.

MATT JOHNSON



Vice President, Client Services

Matt's background in Industrial Engineering and Operations Flow has made him an invaluable member of the AllTranstek team throughout his tenure here, dating back to 2002. Matt is very closely tied to several growing and developing services at AllTranstek, including assisting our clients acclimation to the changes in TCID, developing our new StencilWatch program, and rolling out Oracle Business Intelligence. Matt's other current projects include the redevelopment of our site at AllTranstek.com into something much more functional and interactive for our clients to utilize. He envisions AllTranstek's webpage as not only being a place where we can better serve information for our clients, but where members of our industry will generally be able to better serve each other by creating a strong community knowledgebase.



2015 Schedule of Upcoming Events

SWARS

Galveston, TX, Feb 18-19

Rail Equipment Finance

La Quinta, CA, Mar 1-4

INFONEX

“Canadian Frac Sand”

Calgary AB, Mar 3-4

AllTranstek Speaker:

Jerry Charaska

PNWARS

Portland, OR, March 4-5

SEARS

Savannah, GA, March 24-25

INFONEX

“Crude-by-Rail”

Calgary, AB, April 14-15

AllTranstek Speaker:

Dick Kloster

Chlorine Institute

Houston, TX, April 13-16

NITL Committee Meeting

Atlanta, GA, April 21-22

Tank Car Meeting

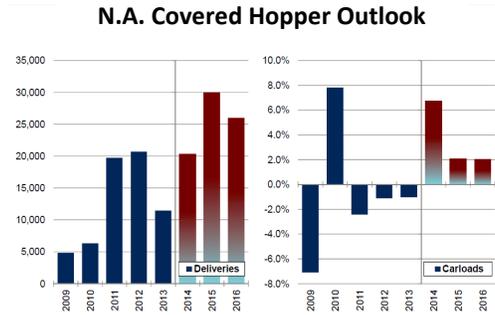
Fort Worth, TX, April 22-23

NEARS

New Port, RI, April 22-24

FTR COVERED HOPPER FORECAST

- ◆ **Freight:** In 2015, CH carloads are forecast to total 5,023,000, up 2.0% y/y. Over 2016-2018 carloads are forecasted to increase at a 1.6% AAGR, reaching 5,267,000 carloads in 2018.
- ◆ **New Cars:** CH deliveries in 2015 are forecast to total 30,000 cars, up 47.5% y/y, with the <3500 cuf CH share accounting for 53%. Over 2016-18, deliveries will average 22,567 cars per year.
- ◆ **Inventory:** Retirements are projected to increase 2.7% in 2015, to 7,400 cars, and average 8,000 cars over 2016-2018.
- ◆ The fleet is expected to grow 4.6% y/y to 514,600 cars in 2015, and reach 558,000 cars by 2018, a 2.8% AAGR.
- ◆ The surplus is projected to jump 57% y/y to 58,700 cars in 2015, a trend that will continue over 2016-18 at 31% AAGR, reaching 114,000 cars by 2018.



Covered Hopper Market Indicators: 2014Q3

Actual, Not Seasonally Adjusted	2013	2014	2014	2014
	Q4	Q1	Q2	Q3
Orders	8,008	14,765	17,225	23,702
% Change, Y/Y	200.4	1154.5	259.2	470.6
Backlogs	11,517	22,882	35,543	53,676
% Change, Y/Y	123.9	567.9	524.0	581.4
Deliveries	4,368	3,400	4,564	5,569
% Change, Y/Y	44.2	26.3	88.2	182.3
Backlogs/Deliveries Ratio	2.6	6.7	7.8	9.6
Net Orders/Deliveries Ratio	1.8	4.3	3.8	4.3

Source: ARCI Committee of the Railway Supply Institute

- ◆ Fleet utilization is expected to fall 4.2 points y/y to 88.0% in 2015 and continue its slide to 79.4% in 2018.
- ◆ **Changes from last Forecast:** Higher freight projection, higher delivery forecast, lower surplus, and lower utilization.
- ◆ **Downside Risks:** Weather/Growing conditions, improved unit train efficiencies (sand fleet).
- ◆ **Upside Risks:** Exports, replacement pressures, plastic production capacity, increased frac sand demand.

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

www.alltranstek.com

A CLOSER LOOK SERIES

The Covered Hopper Closer Look is now available! Be among the first to receive this report and gain a competitive advantage by increasing your knowledge of the Covered Hopper marketplace.

The Closer Look Series is comprised of six individual reports, each of which exclusively covers one of the major car types: Covered Hoppers, Tank Cars, Gondolas, Open Top Hoppers, Box Cars, or Flat Cars. These reports provide invaluable information and insight for longstanding rail equipment industry participants, as well as new entrants to the 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.

True to its name, the Closer Look Series scrutinizes the current railcar market from a variety of angles, specifically by analyzing trends in fleet size, fleet age, ownership, segmentation, commodity traffic bases, new car deliveries, retirements, fleet utilization, attrition, car surpluses, and much more.

The rest of the reports will become available in the upcoming weeks. Each issue is available for purchase individually, or as a complete series of all six reports.

For more information on The Closer Look Series, please contact Chad Perrewé at AllTranstek.

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Founded in 1994, AllTranstek has grown into one of North America's largest railcar management and consulting companies, currently managing over 210,000 railcars for some of the country's largest fleets. AllTranstek also provides technical, operational, and strategic consulting services to a broad range of companies active in the rail and rail equipment supply chains. 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, our clients can be confident that we always have their best interests in mind. AllTranstek continues to cultivate strong relationships with clients both large and small because of our ability to creatively and flexibly tailor services of various sizes and scopes to each customer's individualized needs.