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Tank car lease rates: Week of June 23, 2017 \$/car/month			
Term of lease	Low	High	Average
DOT 112 3-month	300	400	350
DOT 112 6-month	300	450	375
DOT 112 12-month	400	600	500

Longer-Term LPG Tank Car Lease Rates Up as Urge to Avoid Storage Continues

by [Christine Marie Nielsen](#), Contributing Editor, *Energy Transport Insider*

Longer-term liquefied petroleum gas (LPG) tank car sublease rates moved higher this week as the wish to avoid putting cars into storage and paying the related fees served as a driver of activity amid an otherwise quiet market.

“If they can put anything out on a trip lease rather than (incur) a storage fee, they will do it,” said one midstream company participant.

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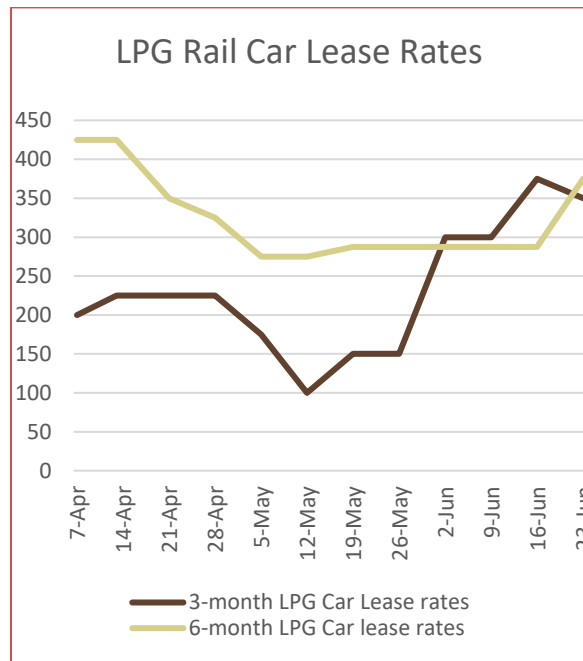
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One director of a propane distributor firm said he closed a deal on 10 propane railcars with residue with an eight-month sublease from July 17 to February 18. He said the lease rate for that deal was \$425 per car, per month.



One individual who works at a broker company said there are still a good number of industry participants who are sidelined, however.

“A lot of people want to hold cars and see what happens,” he said.

He added that many are waiting for further signs of what demand for propane will be like in coming months. “Will [the weather] be wet, hot, cold? They will just wait,” he said.

Three-month sub-leases were slightly lower, with an average of \$350/car/month from \$375/car/month last week. Six-month leases were running \$300-\$450/car/month – averaging \$375/car/month. One-year leases were quoted from \$400-\$600/car/month, with an average of \$500/car/month. That was up from an average of \$375/car/month last week.

An employee of a broker firm noted a quantity of 100 DOT-117 tank cars available to lease.

Energy Information Administration (EIA) weekly production and inventory [data](#) showed a 1.8-million-barrel gain in propane stocks from the previous week at a total of 54.5 million barrels. # # #

Going into Storage: A Reality for Almost 30% of Tank Cars

- Tank cars dominate storage yards
- FRA has set strict standards regarding storage of tank railcars
- Knowing what you need to know about tank car storage needs
- Costs: It’s all negotiable

by [Clifton Linton](#), Editor, and [Christine Marie Nielsen](#), Contributing Editor, Energy Transport Insider

What do you do with an unneeded tank car? It’s not a flippant question. The average liquefied petroleum gas (LPG) tank car is 60-foot long, has capacity for 30,000 gallons of product and can weigh 268,000 lbs. It most likely won’t fit into your garage.

Tank cars are privately owned and it’s up to the owner or lessee to figure out what to do with rolling stock for which they don’t have an immediate need. And the first thing to know is that storing tank cars costs money. How well you shop can impact the bottom line -- in a big way.

Being a smart shopper means knowing the right questions to ask.

This much is clear. The market is competitive.



Tank cars dominate storage yards

About 30% of tank cars are in storage, says Richard Kloster, senior vice president and chief commercial officer with AllTranstek, LLC.

Association of American Railroad (AAR) stats tell a similar story. As of June 1, 2017, 404,959 tank cars were in service, with 114,360 empty and in storage, equating to about 28% of the fleet in storage. Tank cars make up 35% of all stored cars.



LPG tank cars, Rodeo, California. Energy Transport Insider photo.

The AAR notes that changes in the number of cars “in storage” largely reflect the fact that railcars are stored when not needed due to a lack of demand for the particular type of car, and are taken out of storage when demand increases.

This has been the case with hopper cars used to carry frac sand. Until January, storage yards were clogged with idle cars. But, as oil and gas drilling picked up this year, those cars were pulled out of storage, says one railcar broker.

The new drilling hasn’t helped the tank car market. A large slice of tank cars in storage are there on a long-term basis and are expected to stay there. The industry overbuilt tank cars earlier this decade when the crude-by-rail craze surfaced. Rail was always seen as a stop-gap

measure until pipelines were built. As pipelines were completed, the tank cars were no longer needed and sit in storage yards.

A few crude-by-rail routes continue to see traffic, but the volumes are less than half what was seen three to four years ago.

And with the expected opening of Energy Transfer Partners’ [Mariner East 2 NGL](#) pipeline in October 2017, as many as 5,000 pressure tank cars could be idled.

The takeaway: some cars will never be needed again. Some will.

FRA keeps strict standards regarding storage of tank railcars

Storing unused cars is not as simple as sticking on some unused track. The Federal Railroad Administration (FRA) keeps a close eye on the storage of tank railcars. According to Tiffany Lindemann, public affairs specialist with the FRA, the regulator has no planned changes to current regulations.

First off, the FRA says in its regulation 49 CFR 174.14, also known as the “48-hour rule,” the movement of loaded hazmat railcars must be expedited. Cars must be forwarded within 48 hours (not including weekends or holidays). In areas that have only once-a-week or twice weekly train service, hazmat cars (including LPG tank cars) must be moved on the next available train.

However, loaded railcars are permitted to be stored if they are stored on track that meets the definition of “private track” or “private siding.” According to the FRA’s regulation 49 CFR 171.8, a private track or private siding means “track located outside of a carrier’s right-of-way, yard, or terminals where the carrier does not own the rails, ties, roadbed, or right of way, or track leased by a railroad to a lessee, where the lease provides for, and actual practice entails,

exclusive use of that trackage by the lessee and/or a general system railroad for purposes of moving only cars shipped to or by the lessee, and where the lessor otherwise exercises no control or responsibility for the trackage or the cars on the trackage.”

If the track meets the definition of private track, the owner or lessee is required by regulation to have for the FRA a hazardous materials security plan. The security plan must cover personnel with measures to confirm information provided by job applicants hired for positions that involve access to and handling of the hazardous materials covered by the security plan. This confirmation system must also be consistent with applicable federal and state laws and requirements concerning employment practices and individual privacy.

Also, there must be measures in place to address the risk that unauthorized persons may gain access to the hazardous materials or rail cars being prepared for transportation. One prevention could include fencing, lighting and security cameras.

There must also be measures to address the assessed security risks of shipments of hazardous materials covered by the security plan en route from origin to destination, including shipments stored incidental to movement.

Knowing what you need to know about tank car storage needs

Before leasing five miles of cheap, unused short line track to stash some cars, think about how storage fits in with your business needs.

First question: *do you need to store the cars for a couple of months, or a couple of years?*

Some cars are surplus, but still on lease. There's not enough volume to keep the car moving. And

what you need is some out-of-the-way place to put them.

Some firms use cars as seasonal storage. Many LPG dealers find it economical to buy propane in the summer when prices are inexpensive, load it into a railcar and store the car until the product is needed in the winter. In this case, it may be practical to have cars in storage yards close to customers.

Booking rail car storage for couple of months can be difficult. Most storage yards want to sign longer-term (think multi-year) deals with clients. An LPG distributor with a longer-term view may find it more practical to sign a longer-term contract to guarantee availability of car storage spots.

That's what Paul Thomas, vice president of rail operations at Tradepoint Rail, sees some of his LPG tank car customers do. They sign multi-year contracts on a take-or-pay basis. They book a certain number of storage spots reserved at Tradepoint's 2,000-car yard near [Baltimore](#), Maryland. If they don't use the spot, they pay a reduced rate. When the cars are delivered to Tradepoint, the rate goes up.



Tradepoint Rail locomotive. Source: Tradepoint Rail

What kinds of storage firms are there? There are four general categories of firms.

Storage yard operators offer rail car storage is a key part of their business. This type of firm

offers a high level of service, with crews on duty every day of the week to switch cars in and out of the yard. It may offer rail car cleaning and maintenance.

Some short-line railroads also offer storage, putting unused track back into this type of revenue service. [Genesee & Wyoming Inc.](#), one of the largest short line companies in the U.S., advertises storage opportunities at its short lines on its web site. But Anacostia Rail Holdings, the owner of six short lines does not, said Bruce Lieberman, vice president and chief financial officer, in an email.

Anyone who owns a short line and a locomotive can be a storage operator. Operators are in all 48 states. And availability of storage right now is relatively unchanged.

In some cases, the short lines lease miles of track. This storage could be well-suited for customers who do not need to regularly fish cars out.

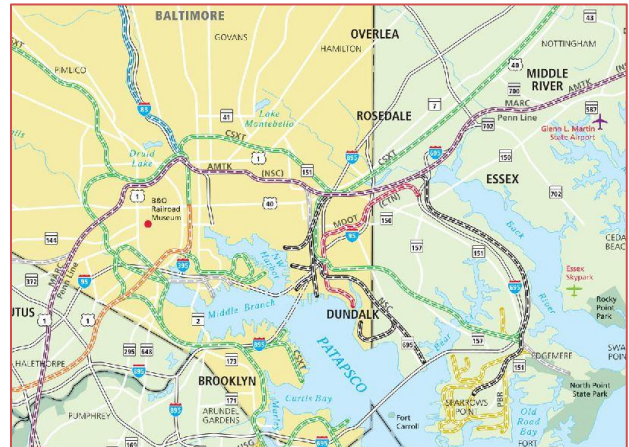
One Mid-Atlantic LPG dealer said his local short line does not offer storage. The railroad helps him find nearby industries which still have track on their site, but currently do not need rail service.

Finally, Class 1 railroads can store cars, but that is generally thought to be one of the costliest choices. The truth is though that while the big railroads want to move cars, they don't want to be in the business of storing cars.

What other services do you need? Do you need your car cleaned or maintained? Is the storage track accessible to cleaning services and repair firms? Does the car need to be moved so it can be maintained?

Is it important to have connections to multiple Class 1 railroads? This could lead you to look for storage yards in larger urban areas served by more than a single railroad. Examples of these include both the Canton Railroad and

Tradepoint Atlantic in the Baltimore, Maryland area. Both are served by the CSX and Norfolk Southern. But, you can also find these storage gems in rural areas, such as the Effingham Railroad, which sits at the central Illinois connection between the CSX and Canadian National.



Baltimore freight rail map showing CSX and Norfolk Southern connections to the Canton Railroad and Tradepoint Rail at Sparrows Point. Source: Maryland DOT.

Costs: It's all negotiable

Finally, the big question: what will it cost? It's all negotiable. For that reason, fees are generally kept private. But, they are subject to market forces.

The most common costs are the daily car storage fee, switching fees and cherry-picking rates.

According to Ernie Barsamian, CEO and principal at the Tank Tiger, clean, empty railcar storage would be about \$3/car per day; loaded railcar storage would be about \$10 - \$15/car per day.

Tradepoint's Thomas says that volume discounts can be applied to customers who lease larger quantities of storage.

Barsamian says he expects the market for railcar storage to tighten up if domestic crude

prices drop and production is curtailed. More crude railcars would then need storage, he says.

One individual at a broker firm says he believes the amount of rail cars being held in storage may hold steady for the near term as companies decide the future of their fleets based on new rules and regulations. Many may decide to scrap tank cars, he says.

“Storage will become more available and a number of tank cars will disappear.” He says most of the storage of cars is happening in the middle of the U.S. Those are states such as Nebraska, Texas and Kansas.

He noted there are a lot of former crude tank cars in Pennsylvania left after product was unloaded. He says many of these are dirty tank cars currently being cleaned.

He says we’re coming back to the point in the leasing cycle when many cars are due to come back to their original holders in two years or so. It’s at that point that some big decisions will have to be made.

Barsamian says the most prevalent extra costs are “switching” costs, to move the cars around or in and out. The individual who works at the broker firm says switching fees can go anywhere from nothing to \$300 per car, per switch. He says most are between \$150 to \$200 per car, per switch. Switching fees are incurred each time a car is moved in or out of storage.

Cherry picking fees -- the cost to pick a specific car out of a mile or several mile-long string of stored cars, can run \$500 or more.

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North American Average Train Speeds Trend Lower, Yard Dwell Time Edges Higher: STB

by [Clifton Linton](#), Editor, *Energy Transport Insider*

Average train speeds among the major seven Class 1 railroads trended lower in data reported by the [Surface Transportation Board \(STB\)](#) on June 21. The average time a car stayed in a railroads’ classification yard edged higher to 22.94 hours in the current week, up from 22.41 the prior week. That figure reflected an average across all seven railroads. It also took a little more time for cars to move through the Chicago hub.

The time it takes for a railcar to move from a load to unload point is subject to factors such as weather, the amount of congestion or lack of it on any specific railroad and the time it takes to exchange cars between railroads. Third-party services provide car tracking, but that doesn’t show larger system issues affecting rail shipments.

To give LPG industry participants a picture of the status of the railroad network, *Energy Transport Insider* is presenting rail service data from the STB. (See KEY DATA for full tables.)

These data include average train speeds for unit trains and manifest trains among the seven major Class 1 railroads in the U.S. and Canada. Manifest trains haul LPG tank cars. The data also include the time it takes for a freight car to work its way through a railroad switching yard (yard dwell times) and the number of tank cars on line.



Union Pacific's North Yard, Denver, Colorado. Energy Transport Insider photo.

In addition, we are presenting more detailed performance data on the Chicago hub, which handles 25% of the rail traffic in the U.S. These data include the average number of cars classified per week by the largest yards in the hub. Yards primarily handling manifest traffic include: Belt Railway Co. of Chicago's Clearing Yard, Indiana Harbor Belt's Blue Island Yard, CSX and B&OCT's (Baltimore & Ohio Chicago Terminal) Barr Yard, Union Pacific's Proviso Yard, Canadian Pacific's Bensenville Yard, Canadian National's Markham and Kirk Yards and Norfolk Southern's Calumet Yard. The Belt Railway Co. of Chicago, Indiana Harbor Belt and B&OCT are belt railway switching lines that handle interchange traffic in Chicago.

Other data includes the seven-day average yard dwell time. That shows how long a car takes to move through a specific yard. The total seven-day average interchange events data show the number of cars exchanged between railroads in Chicago. The total seven-day average freight transit number reflects total time it takes a car to move through the Chicago hub. In the June 21 data, that rose to 32.3 hours, from 29.9 hours the previous week.

In addition to this weekly data, Energy Transport Insider will continue to report its exclusive monthly survey of loaded LPG rail-car moves (published last week), the monthly

Department of Energy (DOE) LPG-by-rail stats (published by Energy Transport Insider the first week of the month) and LPG-by-rail moves from Canada's National Energy Board (NEB) (published mid-month).

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NS Looks for Growth to Slow in 2H2017 Due to Slumping Crude, NGL Traffic

by [Clifton Linton](#), Editor, Energy Transport Insider

Slumping crude-by-rail and natural gas liquids (NGL) traffic are key reasons why Class I railway Norfolk Southern Railway is looking for year-over-year growth in the second half of 2017 to slow as compared to the first half of the year.



Norfolk Southern train at Dolton, Illinois. Energy Transport Insider photo.

In a [presentation](#) to the Citi 2017 Industrials Conference in Boston in June, Alan Shaw, NS executive vice president and chief marketing officer, said that the railroad is seeing growth in frac sand shipments as drilling has picked up in the Marcellus region. But, shipments of extracted petroleum are called to decrease.

"Where we are seeing pressure is within crude oil and NGLs due to pipeline development," he said.

According to the presentation, other traffic segments expected to see growth include intermodal and coal. Both are supported by strong export markets.

NS is expected to lose significant NGL traffic when Sunoco Logistics' [Mariner East 2 pipeline](#) opens at the end of the third quarter of 2017. The pipeline would siphon off NGL shipments that went to the Marcus Hook, Pennsylvania export terminal as well as to other export terminals along the Gulf Coast and to Mexico.
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Headlines You Need to Read

[Report: Marcellus, Utica Rise Again but Face Host of Challenges](#): Even with a president who is friendly to the energy industry, the Marcellus/Utica shale region faces challenges of divergence between Federal and state policies, weak energy prices and increased opposition from special interest groups.

[Sharply-Split Pa. Supreme Court Curtails State's Use of Money from Marcellus Drilling Leases](#): The Pennsylvania Supreme Court ruled this week that Pennsylvania's legislature and governor can't divert money from the state's Oil and Gas Lease Fund for purposes that don't involve conservation of the environment.

[CSX Lays off 70 at West Virginia Locomotive Repair Facility](#): CSX laid off 70 workers at its Huntington, West Virginia shops as a part of a plan to cut expenses.

[Exxon, BP Support Republican Elders' Climate Proposal](#): BP, Shell and ExxonMobil announced their support of a carbon tax plan developed by a group of GOP elder statesmen.

[Abundant Supplies of Marcellus Shale Gas Could Lead to More Chemical Plants](#): Another two or three world-scale ethane crackers could be built in the region, one economist said.

[Hess to Sell Permian EOR Assets to Occidental for \\$600 Million](#): Occidental said it would sell remote acreage in the Permian for \$600 million and buy acreage closer to existing wells.

[ONEOK to Expand Infrastructure to Serve STACK Growth](#): Oneok on Monday announced plans to increase its Mid-continent NGL gathering system and Sterling III pipeline. The expansions are expected to handle projected volume growth from EnLink gas processing plants in the STACK play in western Oklahoma.

[Takeaways from CN investor day: Jason Seidl](#): Cowen and Company Managing Director and Railway Age Wall Street Contributing Editor Jason Seidl is "very confident in CN's ability to meet, if not exceed, its goal of 10% EPS growth over the next five years."

[Chevron Phillips achieves milestone on Gulf Coast petrochemical project](#): CP Chem LP finished work on two polyethylene units this week as a part of a \$6 billion petrochemical construction project.

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KEY DATA:

Canada LPG Exports by Rail Source: National Energy Board								
	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Canada Total
Propane rail exports (in bbl) for month ending May 1, 2017	9,963	69,511	279,100	117,912	201,739	1,360,363	469,983	2,508,572
difference from previous month	-2,950	-	38,205	58,220	-257,940	-628,050	-29,846	-968,905
Butane rail exports (in bbl) for month ending May 1, 2017	0	73,335	134,210	104,030	71,436	3,007	89,972	478,197
difference from previous month	0	10,309	65,988	104,030	41,093	-17,266	-77,524	128,838

Average Train Speeds (miles per hour) by railroad			
Railroad	Type of service	6/14/2017	6/21/2017
BNSF	Manifest	21.2	20.9
BNSF	System-wide	25.2	24.8
CN	Manifest	23.8	22.3
CN	System-wide	25	23.3
CP	Manifest	24	24.6
CP	System-wide	24.7	25.3
CSX	Manifest	20.3	19.8
CSX	System-wide	21.6	21.1
KCS	Manifest	25.7	26
KCS	System-wide	26.6	27.2
NS	Manifest	19.9	17.7
NS	System-wide	21.7	20
UP	Manifest	23	22.5
UP	System-wide	25.5	25.1
Source: Surface Transportation Board			



KEY DATA:

Average Terminal Dwell Time (Excluding Cars on Run-Through Trains) (Hours)	6/14/2017	6/21/2017
BNSF	26.2	27.5
CN	14.8	15.3
CP	16.2	16.9
CSX	24.4	25.3
KCS	22.8	21.5
NS	24.6	26.1
UP	27.9	28
System Average	22.41	22.94
Tank Cars on line	6/14/2017	6/21/2017
BNSF	52,209	52,295
CN	2,047	2,083
CP	6,691	6,945
CSX	44,657	45,299
KCS	8,300	8,432
NS	36,173	37,125
UP	68,220	68,109

Chicago Average Daily Car Counts by Terminal Yard for the Reporting Week	6/14/2017	6/21/2017
Barr (BOCT-CSXT)	1337	1469
Bensenville (CPRS)	774	772
Blue Island (IHB)	1617	1635
Calumet (NS)	906	883
Cicero (BNSF)	639	610
Clearing (BRC)	2738	2872
Corwith (BNSF)	543	506
Gibson (IHB)	938	1085
Kirk (CN)	1271	1431
Markham (CN)	660	696
Proviso (UP)	2103	2314
Total	13526	14273



KEY DATA:

Average Daily Number of Trains Held for Delivery to Chicago by Receiving Carrier	6/14/2017	6/21/2017
IHB	0	0
BNSF	0	0
BRC	0	0
CN	0.1	1
CP	0	0
CSX	0	0
NS	0	0.1
UP	0	0
7-Day Average Yard Dwell (Hrs)	6/14/2017	6/21/2017
Clearing (BRC)	21	22
Blue Island (IHB)	25	26
IHB Autos Gibson (IHB)	24	28
Markham (CN)	17	26
Kirk (CN)	19	21
Bensenville (CPRS)	18	15
Barr (BOCT-CSXT)	18	15
Calumet (NS)	26	26
Proviso (UP)	26	26
Corwith (BNSF)	18	15
Cicero (BNSF)	15	17
Total 7-Day Average Interchange Events	13360	13296
Total 7-Day Average Freight Transit (Hours)	29.9	32.3
Source: Surface Transportation Board		

