

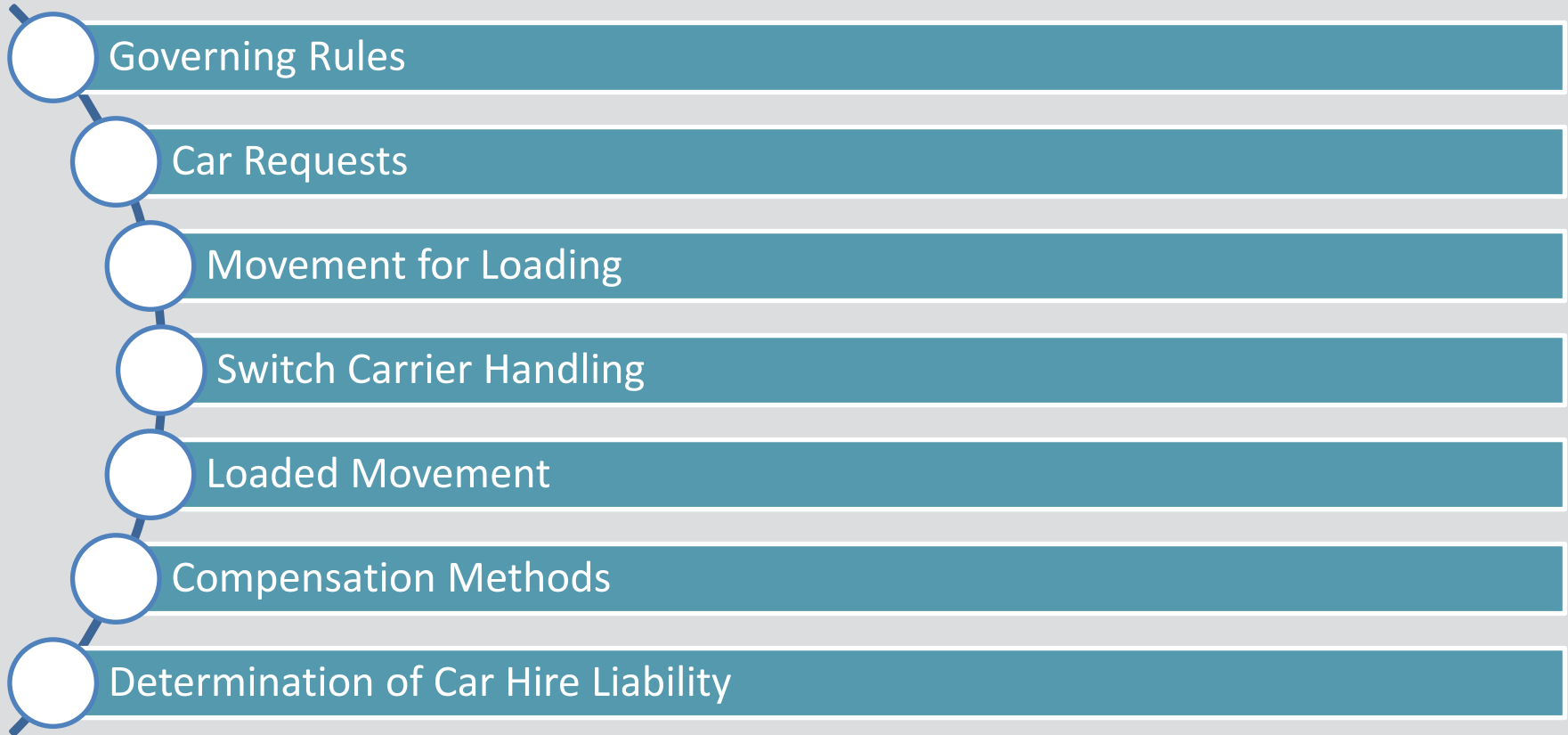
What Happens to Rail Cars – A Panel Discussion



Moderator: **Jim Pinson**
Railinc

Panelists: **Robert Sanford**
Norfolk Southern Corp.
Gary Nelson
Sidney and Lowe Railroad
Mark Hawkins
Railinc

Discussion Flow – Part I



Discussion Flow – Part II



Governing Rules

AAR Circular
OT-10

- List of Subscribers
- Car Service Rules
- Car Service Directives 145, 150, 175, 435
- Special Car Orders 30, 90, 200
- AAR Transportation Division (TD) Circulars 1, 2, 3, 4, 5
- Car Hire Rules

Governing Rules

Carriers Choose to Subscribe to Circular OT-10

When Operating Authority is Granted by the Surface Transportation Board (STB) the Car Service Car Hire Agreement is one of the Documents Presented for Signature

OT-10 is Published on the Railinc Website:

<https://www.railinc.com/rportal/documents/18/260773/OT-10.pdf>

Car Requests – Shipper

Carriers Must
Record Car
Orders by Date

Car Service Rule
15, A

Shipper Requests
Cars from Serving
Carrier at Origin

Car Service Rule
15, B

Request Directly
to Origin Line
Haul Carrier May
Result in Cars
Arriving at Switch
Carrier
Unexpectedly

Car Requests – From Origin Carrier

Switch Carrier Requests
Cars from Origin Line
Haul Carrier

Car Service Rule 15, C

If Origin Line Haul Carrier
Cannot Supply Cars,
Switch Carrier can Make
Other Arrangements

Car Service Rule 15, C

Car Requests – Possible Issues

- Origin Line Haul Carrier May not Have the Requested Cars
 - Cars owned or leased by the Origin Line Haul Carrier
 - Free Running cars on the Origin Line Haul Carrier's Line
- Too Many Cars Delivered to Switch Carrier
 - 10 Cars Needed Daily
 - 70 Cars Delivered Monday

Car Supply



Car Requests – Possible Issues

- Shipper Rejects (Equipment Quality Reporting)
 - Reasons for Rejections not Communicated Well
 - Defects not Addressed in Timely Fashion
- AAR Circular OT-34
 - Requires Reporting of Shipper Rejects
 - Automatically Communicates to Car Mark Owner

Quality of Cars



Car Requests – Unneeded Cars



Unassigned Empty Cars Can be

- Loaded as Needed or
- Returned to the Car Mark Owner



Assigned Cars Must be Returned
Reverse Route

- Not Available for Loading

Car Requests – Unneeded Cars



Unassigned Cars Must be Returned via Designated Outlets

- SCO 90



Assigned Cars that are Mishandled

- Assigned a Transportation Code E
- Returned to Point of Assignment via SCO 90 Outlets

Switch Carrier Handling

At Origin
and/or
Destination
Switching
May be
Performed

Car Hire
Can be
Transferred
to the Line
Haul Carrier
(120 Hour
Maximum)
Car Hire
Rule 5

Other
Maximums
can be
Negotiated
Between
the Carriers

Alternative
Maximums
Must be
Registered
with Railinc

Switch
Carrier is
Usually Paid
via
Switching
Settlement
Statement

Switch Carrier Handling

**Origin
Switch
Typically
Involves:**

-Interchange
from Line
Haul to
Switch
Carrier

-Movement
to Shipper
by Switch
Carrier

-Loaded
Release by
Shipper

-Movement
from
Shipper by
Switch
Carrier

-Interchange
from Switch
Carrier to
Line Haul

Switch Carrier Handling

Destination Switch Typically Involves:

-Interchange
from Line
Haul to Switch
Carrier

-Movement
to Shipper
by Switch
Carrier

-Empty
Release by
Shipper

-Movement
from Shipper
by Switch
Carrier

-Interchange
from Switch
Carrier to
Line Haul

Switch Carrier Handling

Intermediate Switching Typically Involves:

- Interchange from Line Haul to Switch Carrier
- Interchange from Switch Carrier to Next Line Haul Carrier (or Next Switch Carrier)



Intermediate Switching Does Not Involve:

- Placement to a Shipper or Consignee
- Service for Local Customers
- Change of Load/Empty Status

Switch Carrier Handling

Transfer of Liability –
Origin Switch

- From Interchange to Loaded Release (Empty)
- From Loaded Release to Interchange (Loaded)
- Subject to 120 Hour Maximum
- Bilateral Agreements can be Negotiated

Transfer of Liability –
Destination Switch

- From Interchange to Empty Release (Loaded)
- From Empty Release to Interchange (Empty)
- Subject to 120 Hour Maximum
- Bilateral Agreements can be Negotiated

Switch Carrier Handling



Intermediate
Transfer of Liability

- From Loaded or Empty Receipt from Line Haul Carrier
- To Loaded or Empty Delivery to Next Line Haul or Switching Carrier
- Subject to 24 Hour Maximum
- Bilateral Agreements

Loaded Movement

Movement
Events are
Reported via
TRAIN II

- Movements Provide Carriers with Current and Accurate Location Information
- Movements Provide Shippers/Consignees with Current and Accurate Location Information
- Movements Assist LCS with Continuity Checks for Interchange Events
- Movements Allow the Accurate Determination of Distance Travelled

Loaded Movement

Interchange
Events are
Reported by
the Delivering
and Receiving
Carriers

- Reported Interchange Events Provide Accurate Location Information
- Reported Interchange Events Provide the Basis for LCS Analysis of Liability Possession
- LCS Interchange Events are the Basis for Determining Car Hire Liability – Car Hire Rule 9

Loaded Movement – Potential Issues

- Car Service Rule 7 Defines Interchange as:
 - Cars are Placed on Designated Interchange Track
 - Accompanied by Necessary Data for Forwarding (EDI 418 Advance Consist)
- Car Hire Rule 15 Allows Car Hire Relief for the Carrier Attempting Delivery via Transfer of Liability (TOL)

Interchange Cannot be Accomplished



Loaded Movement – Potential Issues

- Delivering Carrier Contacts Receiving Carrier
- Receiving Carrier Advises the Cars Cannot be Accepted
- Delivering Carrier Transmits an Offer to Railinc (TRAIN 08 or TRAIN 10 Type 82)
- Railinc Advises the Receiving Carrier of the Offer (TRAIN 26)
- Receiving Carrier Can Accept or Deny Liability

Car Hire Rule 15



Loaded Movement – Potential Issues

- If Liability is Accepted, Railinc Creates a TOL Message (TRAIN 28)
- If Liability is Denied, Railinc Advises the Delivering Carrier of the Denial (TRAIN 29)
- Failure to Respond to the Offer Timely Results in a TOL (TRAIN 28)
 - Class I Carrier Time Limit – 6 Hours
 - Non-Class I Carrier Time Limit – 12 Hours

Car Hire Rule 15



Compensation Methods



Line Haul Division – A Carrier Receives a Portion of the Revenue Through Settlement in the Interline Settlement System (ISS)



Switching – A Carrier Receives Payment – Usually on a Per Car Basis – Through the Switching Settlement Process

Compensation Methods



Handling Carrier – A Carrier Receives a Negotiated Fee for the Services Rendered

- Handling Carrier Fees are Negotiated between the Carriers Involved
- Handling Carrier Fees are Settled Outside ISS
- Car Hire may be Part of the Handling Carrier Negotiations

Compensation Methods



Haulage – A Carrier (Hauling Carrier) Receives a Negotiated Payment to Act as Agent for Another Carrier (Haulage Rights Carrier)

- Car Hire Typically is Paid by the Haulage Rights Carrier
- Industry Systems Attempt to Properly Allocate Car Hire Liability through LCS
- Accurate and Timely (Real Time) Reporting of Haulage Transactions is Vital

Determination of Car Hire Liability

Car Hire Liability is
Determined by the
Liability Continuity
System (LCS)

Car Hire Rule 2

LCS Uses Rules
Crafted by Car
Accountants to
Allocate all Hours in
a Month to a
Company

LCS Rules are
Written to
Encourage Accurate
and Timely
Interchange
Reporting

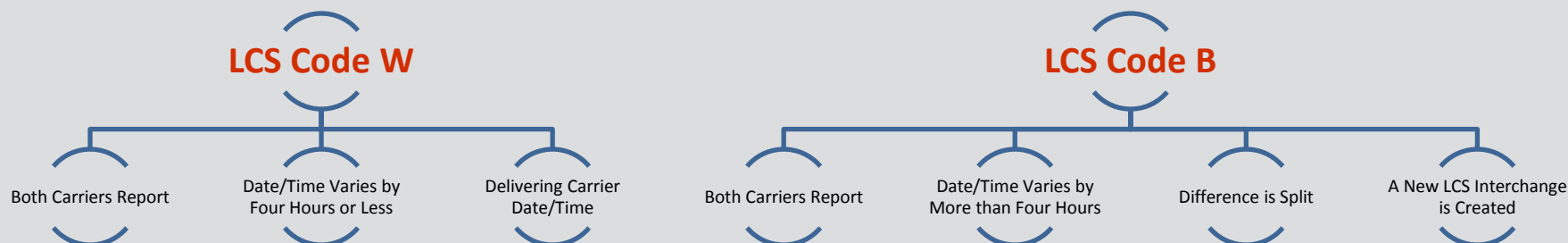
Determination of Car Hire Liability – Verified Records



Determination of Car Hire Liability – Verified Records



Determination of Car Hire Liability – Split Liability Records



Determination of Car Hire Liability – Missing Reports

LCS Code D

Delivering Carrier Only
Reports

Date/Time Reported

No One Road
Reporting Agreement

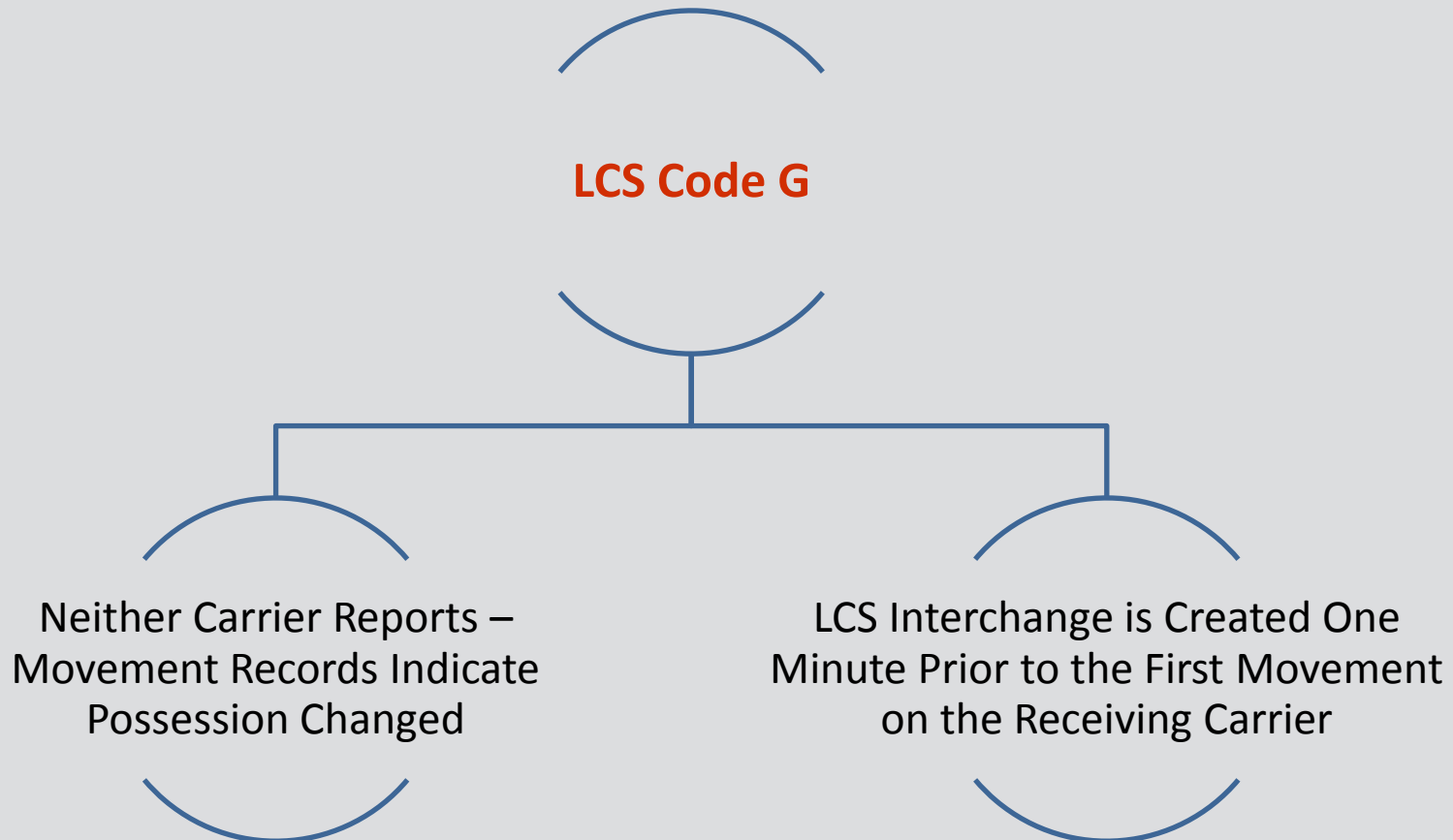
LCS Code R

Receiving Carrier Only
Reports

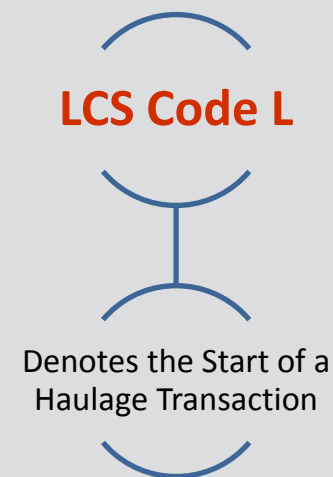
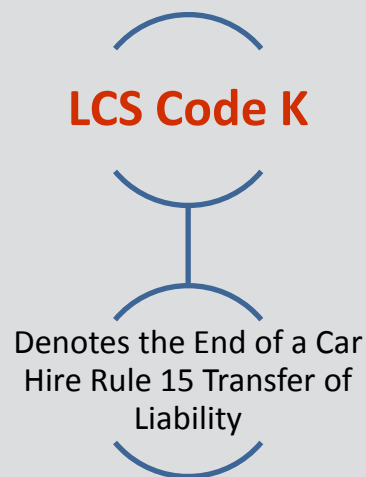
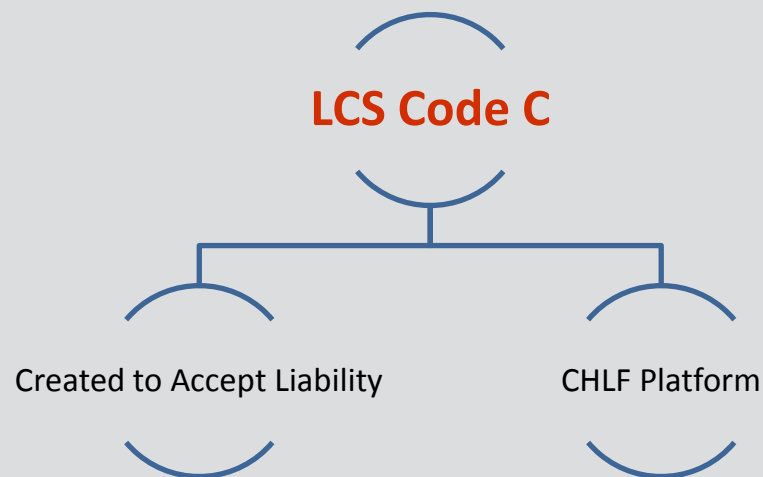
Date/Time Reported

No One Road
Reporting Agreement

Determination of Car Hire Liability – Missing Reports



Determination of Car Hire Liability – Special Messages



Determination of Car Hire Liability – Special Messages



LCS Code M

Denotes the End of a Haulage Transaction



LCS Code Q

Denotes the Termination of a Haulage Transaction due to the Expiration of 60 Days from the Start Haulage Transaction



LCS Code T

LCS Interchange Created Due to a Missing TRUK Transaction

Determination of Car Hire Liability – Resources

Car Accounting Self Service (CASS)

- Provides a View into the Event Repository
- Shows the Events that Resulted in an LCS Record
- Highlights Special Situations
 - LCS Evaluation
 - Haulage
 - Transfer of Liability – Rules 4, 5 and 15
 - Interchange Suppression

Determination of Car Hire Liability – Resources

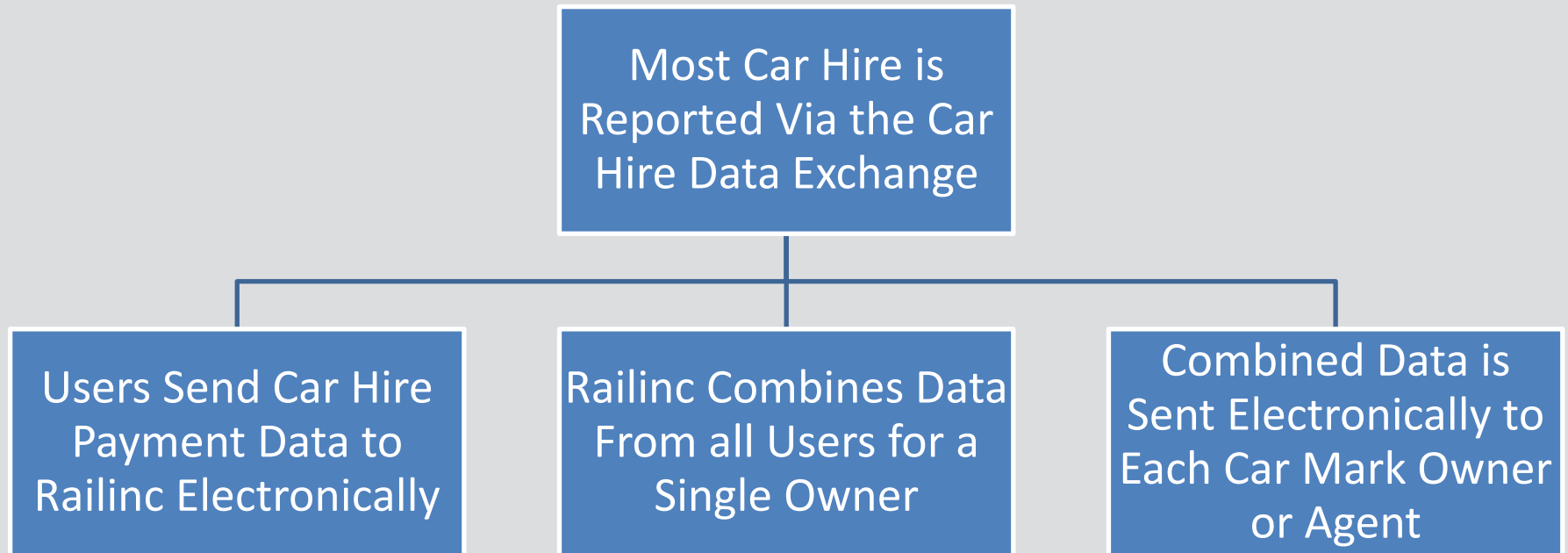
Car Hire Liability File (CHLF)

- Uses LCS and TOL Records to Calculate Liability
- Provides Cycles and Critical Events

Reporting/Settlement of Car Hire

Car Hire is Reported Monthly by the User of Rail Equipment to the Car Mark Owner (Car Hire Rule 3)

Reporting/Settlement of Car Hire



Reporting/Settlement of Car Hire

CHDX Data is Used
to Create Market
Data Reports

- Provide Market Information for Use in Car Hire Rate Negotiation

CHDX Data is Used
to Populate the
Railroad
Clearinghouse (RCH)

Reporting/Settlement of Car Hire

RCH
Assembles
and Settles
Car Hire
Amounts

- Summaries of the Amounts Owed to and by Each Participant are Created
- A Net/Net Amount is Calculated
- The Net/Net Amount is Settled
- Settlement Occurs Monthly on a Fixed Date (Around the 21st of Each Month)
- All Participant Accounts are Fully Settled

Reporting/Settlement of Car Hire

RCH Simplifies the Settlement Process

- One Monthly Payment or Receipt vs. Individual Settlement Arrangements

RCH Requires Timely Settlements

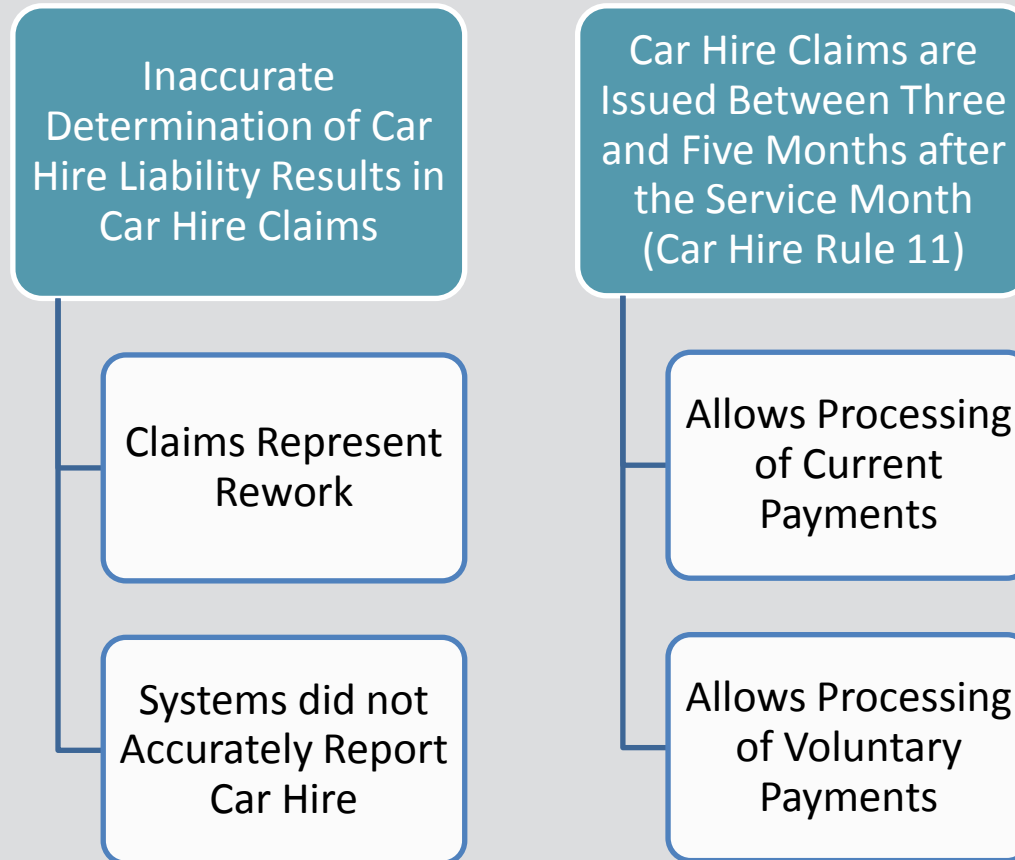
- Payments due RCH must be Received by 11:00 on Settlement Day
- Receipts Owed by RCH are Paid by 2:00 on Settlement Day
- Prior to RCH, Collection of Car Hire Could Take Months

Reporting/Settlement of Car Hire

The RCH Administrator is Empowered to Work with Participants to Effect Accurate Settlement

- RCH Imposes Penalties When Funding is Delayed
- Eventually, Participants can be Excluded from the Process

Car Hire Claims



Car Hire Claims

Car Hire Claims Must be in a Specific Format (Appendix J to the Code of Car Hire Rules)

- Car Initial Number and Service Date
- LCS Interchanges
- All Payments Received from Users of the Car
- The Hours Being Claimed

Bilateral Agreements to Vary the Format can be Made

Car Hire Claims

Valid Responses to Claims (Car Hire Rule 11)

- Provide LCS Record(s) that Disprove Responsibility
- Provide TOL Record(s) that Disprove Responsibility
- Pay the Time Owed Plus Penalty
 - 15% Penalty For Claims Processed Timely
 - 30% Penalty For Claims Processed Beyond Time Limits

Car Hire Claims

Invalid Responses To Claims

- Haulage Agreement
 - Haulage Agreements are Between the Hauling Carrier and the Haulage Rights Carrier
 - The Car Mark Owner may not be Involved in the Haulage Agreement
 - The Car Mark Owner should be Made Whole and any Adjustments made Between the Hauling Carrier and Haulage Rights Carrier

Car Hire Claims



Example 1

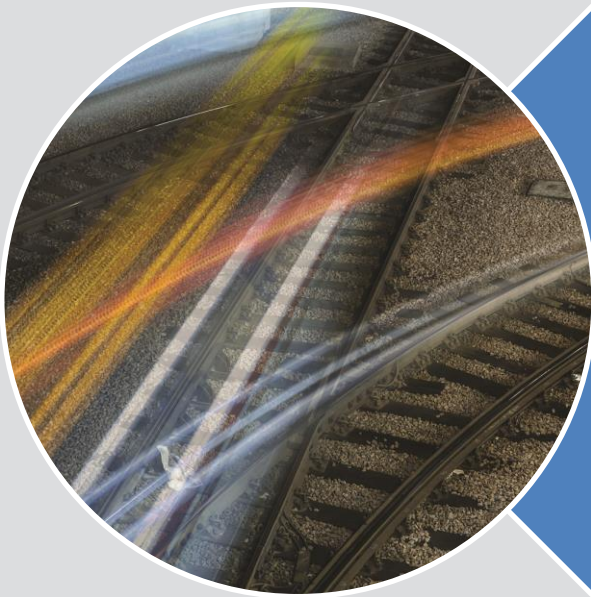
- Road A is the Hauling Carrier for Road B
- Road B is the Haulage Rights Carrier and Responsible for Car Hire
- Haulage was not Properly Initiated
- LCS Shows Road A is Liable for Car Hire
- Road A Received a Claim
- Road A Should Pay the Claim
- Road A May Request Reimbursement from Road B

Car Hire Claims

Invalid Responses To Claims

- Special Agreement
 - Special Agreements are Between Two or More Carriers
 - The Car Mark Owner may not be Involved in the Agreement
 - The Car Mark Owner should be Made Whole and any Adjustments made Between the Parties to the Agreement

Car Hire Claims



Example 2

- Road A and Road B are Direct Connections
- Road A Agreed to Allow Road B a Special Reclaim
- LCS Shows Road B to be Liable for Car Hire
- Road B Receives a Claim
- Road B Should Pay the Claim
- Reimbursement May be Requested from Road A

Car Hire Claims

Invalid Responses To Claims

- Car Not Received at the LCS Date/Time
 - The Date and Time Established by LCS is the Official Interchange Date/Time for Car Hire Purposes (Car Hire Rule 11)
 - Car Hire Should be Paid Based on the LCS Record
 - Interchange Partners Should Coordinate on Interchange Reporting
 - Adjustments Can be Requested Outside the Car Hire Rules

Car Hire Claims

Invalid Responses To Claims

- Car Not Received in Interchange
 - The Date and Time Established by LCS is the Official Interchange Date/Time for Car Hire Purposes (Car Hire Rule 11)
 - Car Hire Should be Paid Based on the LCS Record
 - Adjustments Can be Requested Outside the Car Hire Rules
 - A Liability Acceptance Message (LAM) Can be Created if a Carrier is Willing to Accept Liability

Reclaims

Reclaims do not
Represent Rework

Reclaims are Legitimate
Transactions to Adjust Car
Hire Payments as Outlined
in the Car Hire Rules

Allow Current Payments
to Fully Satisfy Receivable
Systems

Avoid Unnecessary Claims

Reclaims

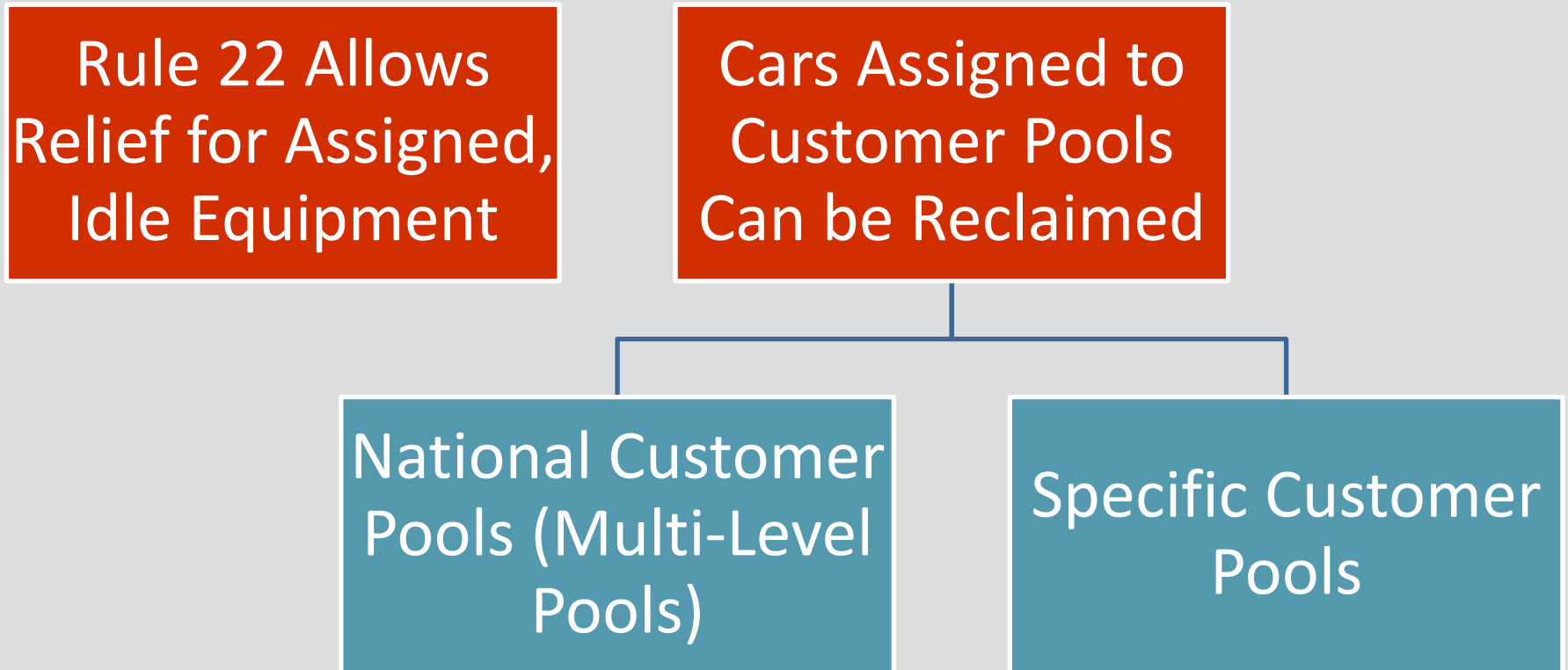
Reclaims
Allowed in
Two
Situations

- Car Hire Rule 22
- Special Agreements

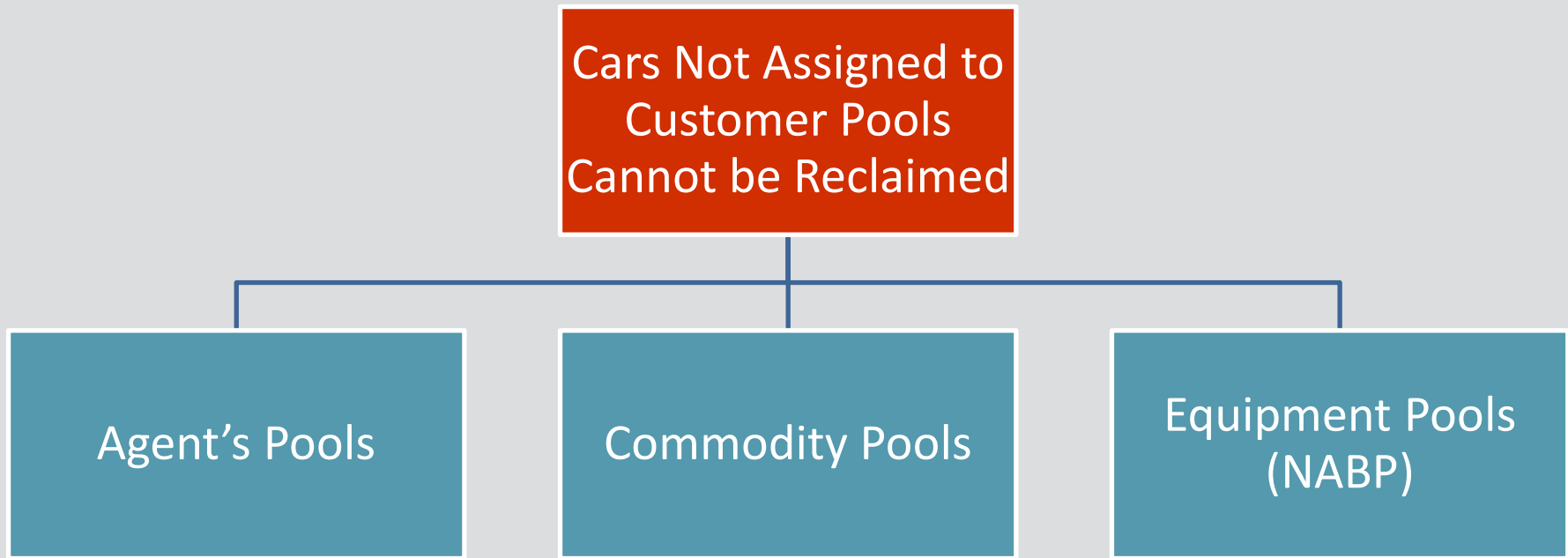
All Other
Reclaims
Have Been
Eliminated

- Car Hire Rule 4 TOL
- Car Hire Rule 5 TOL
- Car Hire Rule 7 Interchange
- Car Hire Rule 8 Interchange
- Car Hire Rule 15 TOL

Reclaims – Rule 22



Reclaims – Rule 22



Reclaims – Rule 22

Two Main Types of Rule 22
Reclaims

```
graph TD; A[Two Main Types of Rule 22 Reclaims] --> B[Loading Point: Empty, Assigned Cars can be Reclaimed from Arrival to Placement (The Start of Demurrage Free Time)]; A --> C[Held Short: Empty, Assigned Cars Can be Reclaimed From Arrival at a Holding Point to Departure from a Holding Point];
```

Loading Point: Empty,
Assigned Cars can be
Reclaimed from Arrival to
Placement (The Start of
Demurrage Free Time)

Held Short: Empty,
Assigned Cars Can be
Reclaimed From Arrival at a
Holding Point to Departure
from a Holding Point

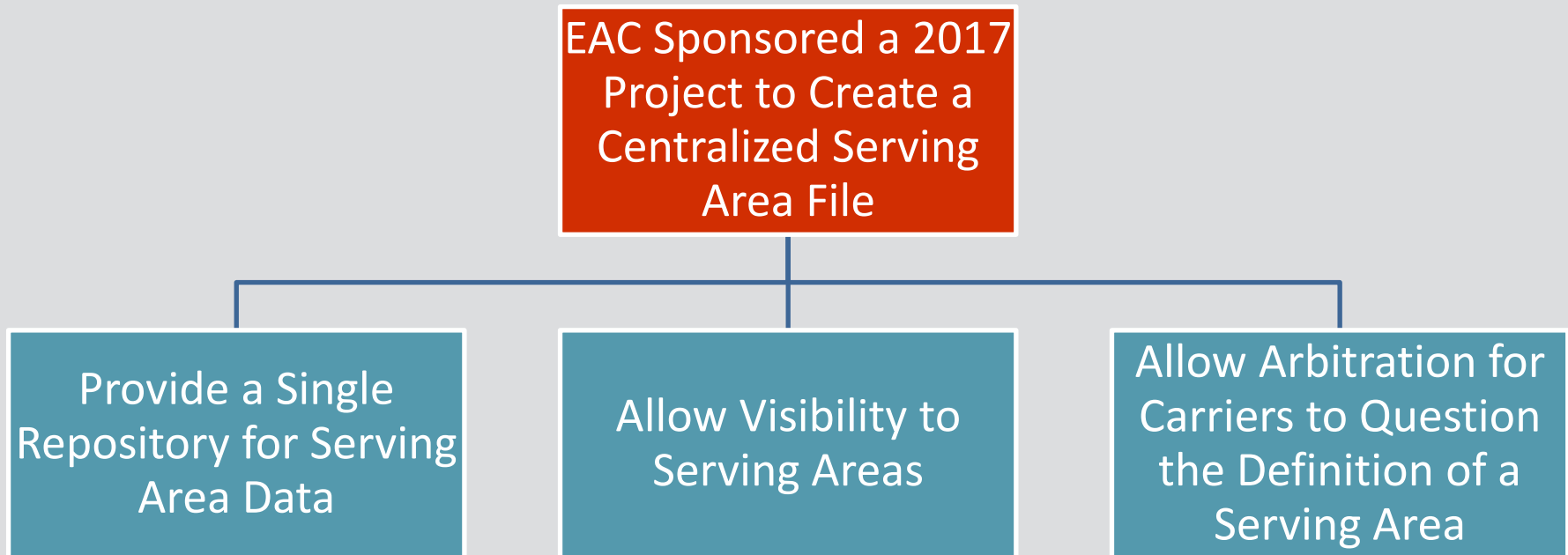
Reclaims – Rule 22

Loading Point Reclaims
Can Include the Time
in a Switch
District/Serving Area

Switch
Districts/Serving Areas
are Defined Internally
by Each Carrier

There is no Visibility
into Switch
Districts/Serving Areas
on an Industry Basis

Reclaims – Rule 22



Special Reclaims

Special Reclaims
Are Authorized
by an
Agreement
Between two
Carriers



Reclaim
Transactions are
Subject to the
Agreement

Special Situations – Car Hire Rule 4

Car Hire Rule 4 Provides Car Hire Relief for Empty Cars Handled in Revenue Service

- Cars Must be Empty
- The Waybill Must have a Revenue Empty Commodity Code (STCC) Assigned
 - Car Hire Rule 4 Contains a List of the Commodity Codes that are Defined as Revenue Empty

Special Situations – Car Hire Rule 4

Car Hire Relief is Processed through a Transfer of Liability (TOL) Created by Railinc

- Rule 4 Relief is no Longer Granted through Reclaim
- The TOL Records Created by Railinc must be used in Determining Car Hire Liability

Special Situations – Car Hire Rule 4

Railinc Creates TOL Records to Move Car Hire into the Car Mark Owner's Account

- TOL Records are Created when an Empty, Revenue STCC is encountered
- The EDI 417 Data Set is used to Determine the STCC on a Waybill

Special Situations – Car Hire Rule 7

Car Hire Rule 7 Provides Car Hire Relief for Damaged Cars when the Handling Line is Responsible for Repairs



Relief is Managed through the Damaged & Defective Car Tracking (DDCT) System



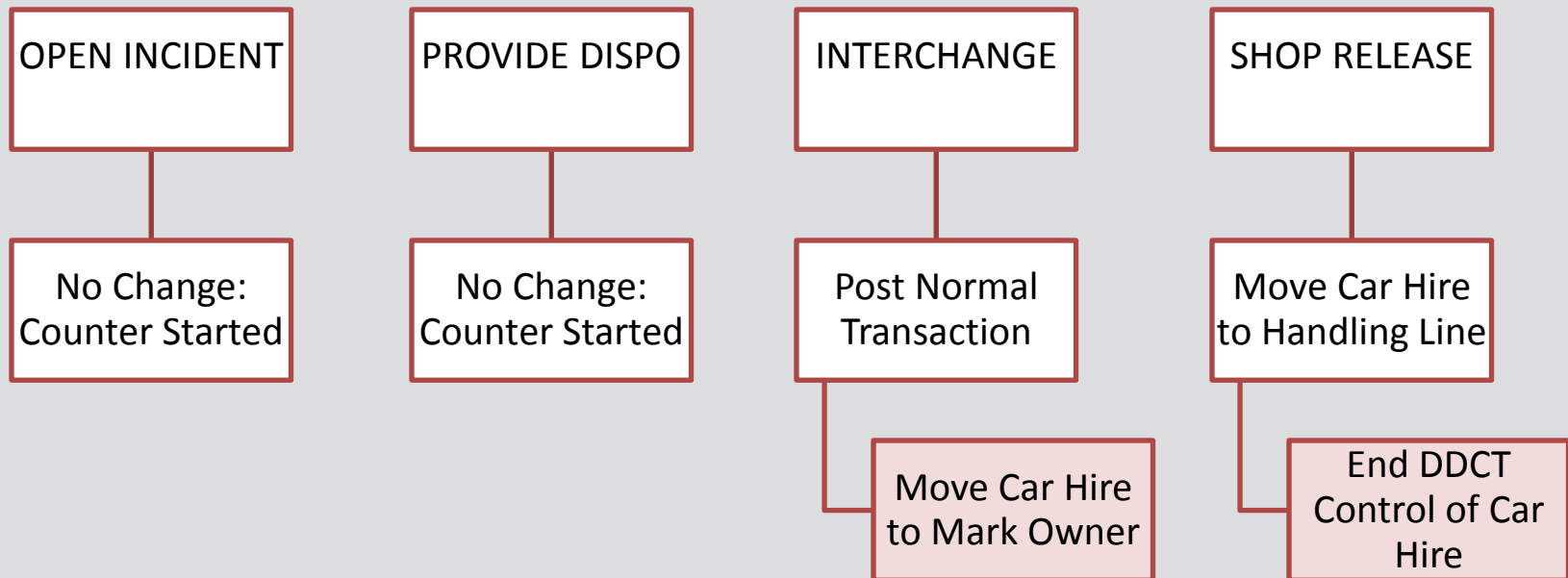
Activities Related to the Damaged Car are Reported to DDCT



DDCT Creates Events that Assign Car Hire Liability Per Car Hire Rule 7

Special Situations – Car Hire Rule 7

Rule 7 Events that May Impact Car Hire



Special Situations – Car Hire Rule 7

LCS Analyzes the Events
Created by DDCT to
Allocate Car Hire

Reclaims are no Longer
Authorized by Car Hire
Rule 7

Bilateral
Arrangements can
Always be Made

Special Situations – Car Hire Rule 8

Car Hire Rule 8 Provides For Car Hire Relief for Damaged or Defective Cars When the Car Mark Owner is Responsible for Repairs

Relief is Managed through the DDCT System

Activities Related to Damaged or Defective Equipment are Reported through DDCT

DDCT Creates Events that Assign Car Hire Liability per Car Hire Rule 8

Special Situations – Car Hire Rule 8

Rule 8 Events that may Impact Car Hire

Open Incident

- No Change

Request Dispo

- Move Car Hire to Mark Owner

Interchange

- Post Normal Transaction
- Move Car Hire to Mark Owner

Shop Release

- Move Car Hire to Handling Line
- End DDCT Control of Car Hire

Special Situations – Car Hire Rule 8

LCS Analyzes the Events Created by DDCT to Allocate Car Hire

Reclaims are no Longer Authorized by Car Hire Rule 8

- Bilateral Arrangements can Always be Made

Empty Handling

Car Service Rule 1
Allows Unassigned
Cars to be Loaded

Without
Regard to
Route

Without
Regard to
Destination

Empty Handling

Car Service Rule 2
Allows Empty Cars not
Needed for Loading to
be:

Delivered to the Home
Road at any Junction

Forwarded to the
Road from which the
Car was Received

Returned to Delivering
Carrier (for Switching
Carriers)

Boxcars can be Stored

Empty Handling

Special Car Order 90 (SCO 90) Suspends Car Service Rule 2 for Most Cars

SCO 90 Allows the Following Handling:

Controlling Road Participated in the Loaded Movement

- Forward Car to the Leasing Railroad at any Junction
- Forward Car to the Controlling Railroad at the Junction Car was Received
- For Indirect Connections – Reverse Route the Car

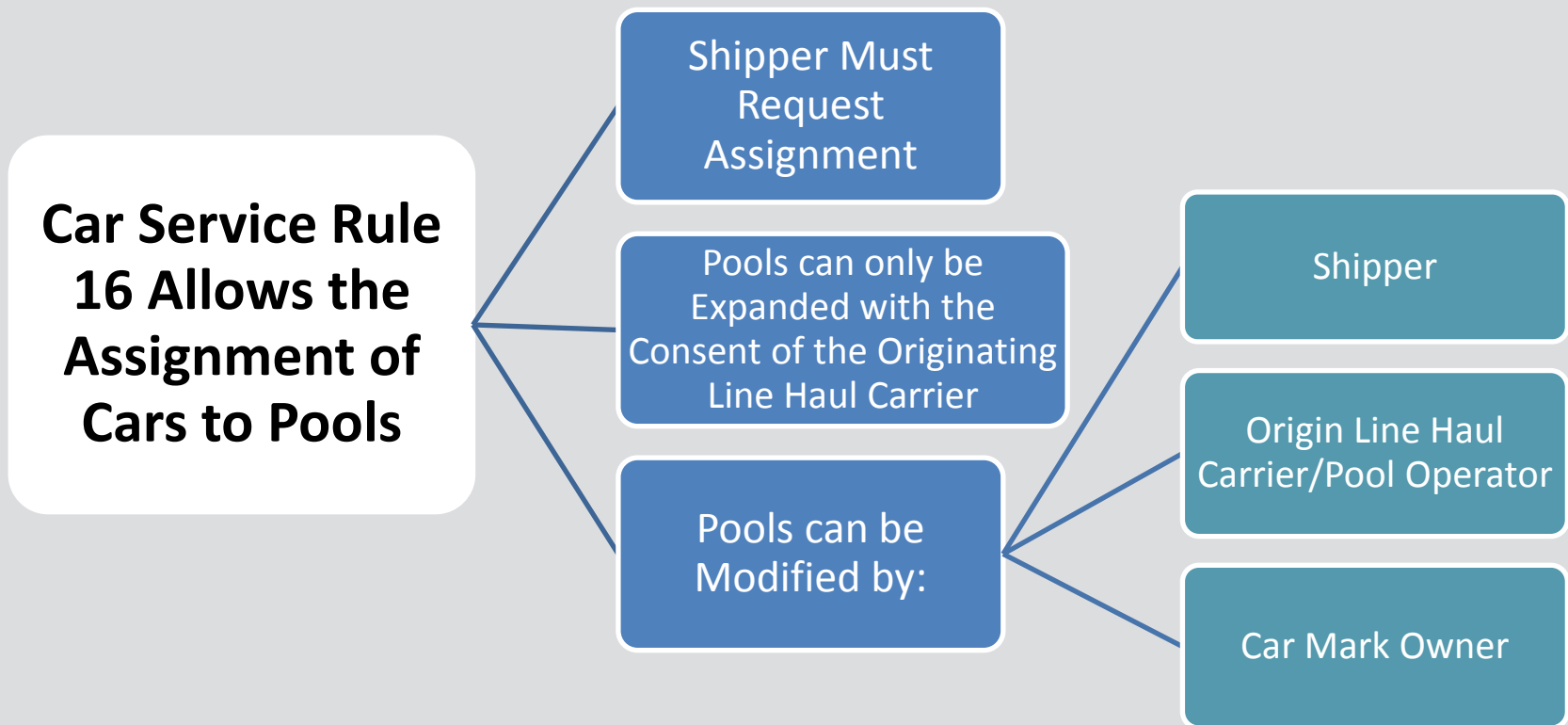
Empty Handling

SCO 90 Allows the Following Handling:

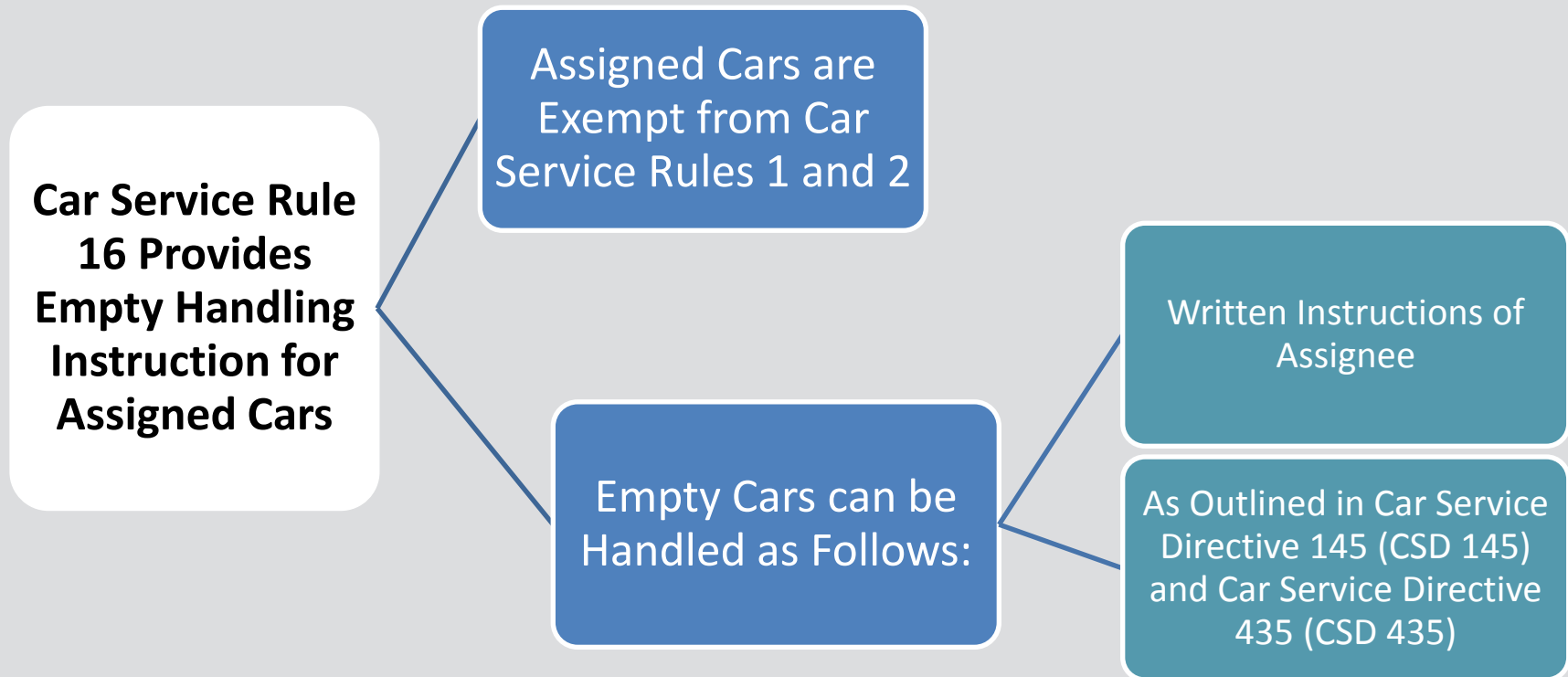
Controlling Road did not Participate in the Loaded Movement

- Forward Car to the Leasing Railroad at any Junction
- Forward Car to the Controlling Railroad at the Junction Car was Received
- For Indirect Connections – Use Designated Outlets to Return Car
- For Indirect Connections – Reverse Route if Outlets are not Designated

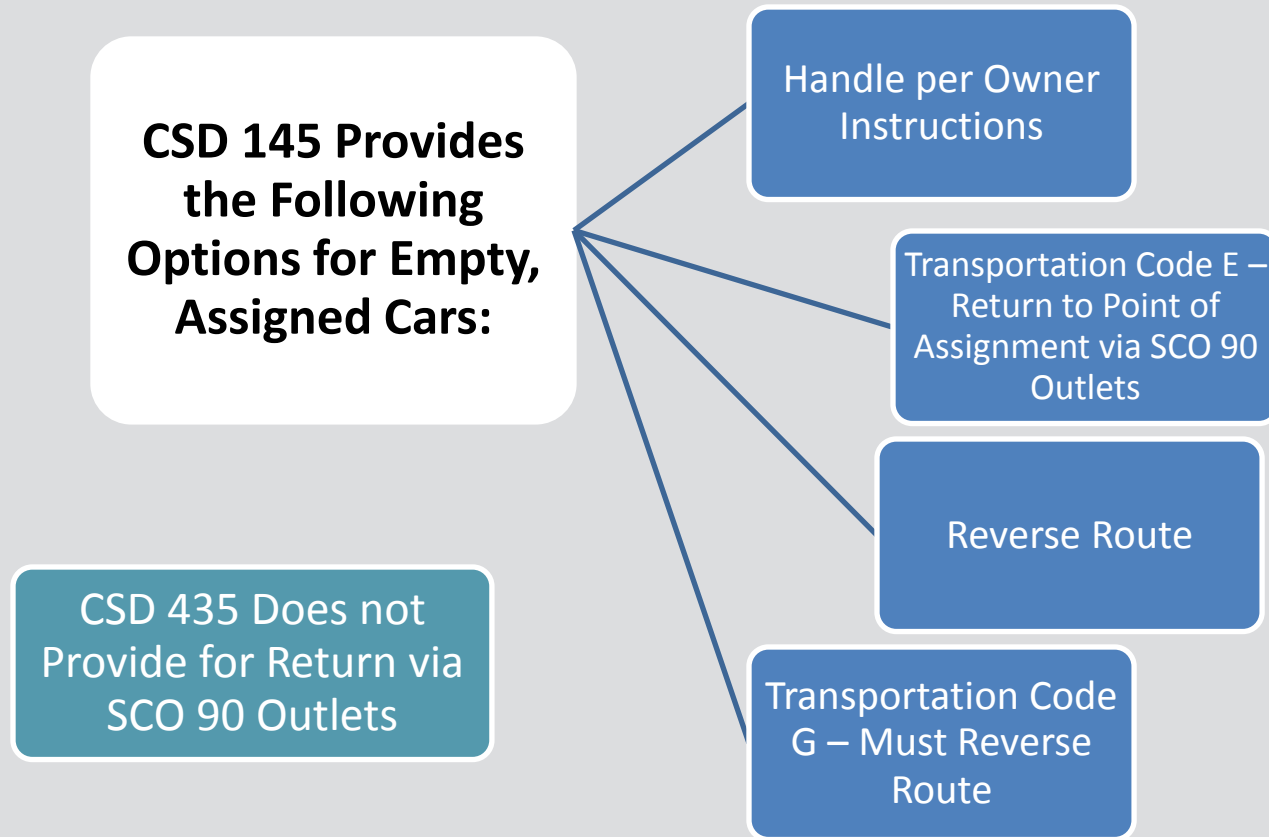
Empty Handling



Empty Handling



Empty Handling



Questions?