TANK CAR LEASING

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As a result of the unique North American regulatory and maintenance requirements associated with the use of tank cars, railroads do not own tank cars resulting in shipper reliance on privately owned tank cars.

Members of the RSI Committee on Tank Cars (RSICTC) own and lease approximately 70% of the North American fleet of tank cars. The remainder of the North American tank car fleet is owned by shippers and lessors who do not belong to RSICTC.

FOR MANY SHIPPERS, FULL-SERVICE LEASING MAKES GOOD SENSE FOR TWO PRIMARY REASONS:

Shippers want **FLEXIBILITY**

1. Full-service leases do not consume expensive equity.
2. Tank cars are long-lived assets, and leasing allows shippers to pay for only the portion of the car's life they will use. Lease terms for full-service leases typically range from 3 to 7 years.
3. Shippers can't always predict fleet needs, and full-service leasing allows them to dynamically size their fleet.

Shippers often lack maintenance, operational or regulatory **EXPERTISE**

1. Under full-service leases, the lessor is responsible (both operationally and financially) for completing periodic safety tests on the tank and its attachments, as well as ongoing maintenance of wheels, truck components, and brake systems.
2. Full-service lessors often provide lessees with the engineering expertise required to modify tank cars.
3. Full-service lessors handle the complex administration associated with running cars in interchange service, including complying with interchange rules and paying ad valorem taxes.

When modifications to tank cars are mandated by government regulations, most full-service leases contain provisions that require lessees to bear some portion of the costs for modifying equipment. Lessors manage completion of the modifications and lessees contribute financially either by direct payment or increases in rental payments.

In some cases, shippers prefer direct control of tank cars in lieu of full-service leasing for some or all of their tank car fleet. When this occurs, shippers will either purchase cars using their own debt and equity, or arrange for a net-lease with a financial institution or a lessor. Under a net-lease, the shipper (lessee) will be responsible (both operationally and financially) for regulatory compliance, maintenance and administration associated with the cars. To manage these obligations, shippers either create internal capabilities or outsource with management companies. Net-lease terms typically are in excess of 10 years, and sometimes contain provisions to allow for term extensions or options for lessees to purchase the cars.