

INSIDE THIS ISSUE

Page 1 – AAR Interchange Rules:
Coexistence of the Field and
Office Manuals

Page 4 – How the Pandemic Has
Affected Our Industry

Page 5 – RSI 100 Product
Quality Certification/Material
Inspection Guidelines

Page 7 – Useful Links

AAR INTERCHANGE RULES: COEXISTENCE OF THE FIELD AND OFFICE MANUALS

Submitted by Pat Ameen – Amsted Rail

Anyone who is involved with railroad freight cars is familiar with the *AAR Rules of Interchange*. The heart of the North American system of interchange rests in the Mechanical Rules of Interchange.

You may ask why there are separate Field and Office Manuals. There are very good reasons for this and in this brief article I will attempt to point out the differences. Actually, until 1970 the *AAR Interchange Rules* were contained in a single volume. The single volume *AAR Interchange Rules* of the past included not only freight car repair “standards” and billing details but also passenger car repairs and billing information. It is perhaps not entirely coincidental that the “great schism” of the *Interchange Rules* into

two volumes coincided with the creation of the National Railroad Passenger Corporation (Amtrak) in 1970 however, the *Interchange Rules* contained passenger equipment rules until circa 1990.

Field Manual of the AAR Interchange Rules

The *Field Manual* contains detail on 79 rules. There are more rules, however, they are vacant or simply refer to the Office Manual.

It is important to note at the onset that the repairs described in this section are non-discretionary, “running repairs” meaning that any handling railroad or registered running repair agent may (in many cases must) perform them, report the repairs to the car owner via AAR billing procedures, and receive compensation for the work. There are limits however on the total hours of heavier or more extensive repairs that may be performed without first securing car owner authority.

The car repairs are accomplished by the handling carriers (both to their own cars and cars owned by other railroads), leasing companies, private car owners, and shipper owners. In recent years there has been dramatic growth in running repair agents performing car inspections and car repairs on host railroads. They operate at many intermodal facilities and have become ubiquitous with presence on all seven Class I railroads and over one hundred regional and short line railroads. On Class I railroads they function essentially as extensions of the host railroads’ car departments while on smaller railroads, they are effectively the car department for those railroads.

The major sections of the Field Manual address interchange of freight cars (including a few references to governmental safety regulations), define handling carrier responsibility for damage or loss (e.g. “unfair usage”) to cars, define car owner responsibility for other conditions, and cover disposition of damaged or destroyed cars and cars requiring extensive repairs. There are rules delineating minimum mechanical requirements for acceptance in interchange as well as cars or car components prohibited in interchange.

The bulk of the Field Manual rules is organized along the major systems and components of the freight car: air brakes, coupling & draft systems, trucks, wheels, axles, roller bearings, safety appliances, and car structure.

The individual component “repair” rules within the Field Manual all contain:

- Section A - defined condemning limits and causes for repair attention,
- Section B - proper repairs and allowable component substitutions,
- Section C - component reconditioning requirements if applicable,
- Section D - welding requirements if applicable,
- Section E -general information, and
- Section F - billing repair data requirements.

The causes for repair or attention may include: mandatory at any time regardless of where a car is located, time interval based requirements, condition or wear based repairs, and repairs triggered when a car is on a shop or repair track. The proper repairs section will often contain a Correct Repair Chart indicating proper and allowable substitutions based upon the removed component. It will also cross-reference an AAR Standard or Specification for the new component in the *AAR Manuals of Standards and Recommended Practices*. The recondition requirements are also often cross-referenced.

The AAR, through Interchange Rule 120, certifies component reconditioning facilities and shops and conducts quality assurance audits. A primary function of the team previously known as the Mechanical Inspection Department though is to perform unannounced inspections of railroad repair facilities, running repair agent locations, contract car repair shops, and wheel & axle shops for compliance with all *AAR Interchange Rules and Standards*. The AAR inspectors check for improper repairs (removal of non-condemnable components), incomplete repairs (quality), and fraudulent repair billing (billing for repairs not performed). The AAR has the authority to direct restitution (refund of billing) to wagon owners by the offending facility for improper, incomplete, or fraudulent repairs.

There are four appendices in the Field Manual: Definitions (added circa 1991), Multi-Level Maintenance Pools, Rules for End-of-Train (EOT) Telemetry Devices (added circa 1994), and National Industrial Transportation League Private Rail Car Standard Job Codes (added circa 1993).

Office Manual of the AAR Interchange Rules

Now that the repairs have been performed and billing repair cards prepared in accordance with the Field Manual, let’s discuss the *Office Manual of the AAR Interchange Rules*. The Office Manual consists of two main parts: a Rules section with 49 rules & 2 appendices and Price Matrices. There are more rules, however they are vacant or simply refer to the Field Manual.

The Rules section contains all the billing pricing rules (Rule 111), invoicing, repair bill settlement, and auditing (post settlement exceptions) information (Rule 112). There are several other noteworthy rules. Rule 88

contains the detailed mechanical requirements for new, newly acquired, modified, increased gross rail load, rebuilt, extended service status, and increased life status cars. Rules 102, 103, and 107, contain detailed information and processes for handling of wrecked or badly damaged cars, up to and including settlement of destroyed cars for depreciated reproduction value.

The Office Manual includes a rule (Rule 124) covering the *AAR Interchange Agreement*. While executing or “subscribing” to the agreement is technically not mandatory for railroads and car owners nearly all of them do so. Failure to become a subscriber would preclude their benefiting from the wonderful multilateral system of interchange including defined running repairs, standardized billing and fair damage settlement; not to mention dispute resolution. The logistically impossible alternative would require bilateral agreements with more than 650 North American freight railroads to even move their cars, much less repair, report, bill, and settle for them. Part of the Interchange Agreement binds the subscriber or signatory to the interpretations and decisions of the AAR Arbitration & Rules Committee.

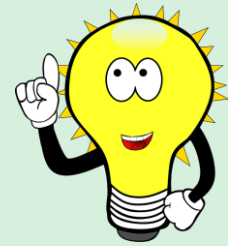
There are three key rules in the Office Manual which cover procedures to revise the rules, interpret the rules, and settle disputes between signatories (i.e. unfair usage responsibility, billing, etc.), and the Arbitration and Rules Committee. (Rules 121, 122, & 123).

The Car Repair Billing system contains standardized reporting through several hundred “job codes” covering nearly all running car repairs. This is the pricing portion of the Office Manual (the Price Matrix) which is issued quarterly. AAR, through the Car Repair Billing Committee, develops distributes quarterly car repair labor rates, quarterly repair material prices, and conducts annual repair facility overhead studies (which are rolled into the fully burdened hourly “billing rate”). The Car Repair Billing Committee also develops fixed labor time standards for most common repairs.

AAR, through Railinc, facilitates a mandatory monthly electronic Car Repair Billing Data Exchange system (CRBDX) which enables billing parties to exchange car repair billing with car owners and facilitate invoice settlement and repair billing auditing between the billing party and car owner.

The AAR Car Repair Billing System is based upon a strictly cost recovery system with no element of profit (Rule 111). It is designed to provide an equitable basis to charge car owners (railroad & non-railroad alike) for repairs necessitated by ordinary wear and tear in fair service. The railroads are in the freight transportation business not the car repair business.

Most of the major accident and derailment damage repairs are accomplished in contract repair shops across North America however they must abide by the *Interchange Rules* and bill per AAR Office Manual pricing. Pricing for owner’s repairs is a matter of bilateral contract however, repairs must still comply with AAR Rules.



Have an Idea for an Article?

Please submit your drafts to Donna Jacobi at djacobi@amstedrail.com or Gary Alderson at alderson@alltranstek.com.

Interested in Joining RSI QAC?

Contact Lee Verhey at verhey@rsiweb.org.



Not Getting the Newsletter and Want to Subscribe?

Contact Lee Verhey at verhey@rsiweb.org.

Closing Comments

The AAR *Interchange Rules* and Technical Standards form a comprehensive, integrated system to facilitate the safety and efficiency of the freight railroad network with a fleet of 1.67 million freight cars (as of 8/1/2020).

The *Interchange Rules* date back to 1867 and the Master Car Builders Association. The system has evolved over 150 years and has adapted as the car fleet ownership shifted over the past 40 years from predominantly railroad-owned to majority privately owned or leased cars. It is a system of checks and balances since the non-railroad car owners have little control over their rolling stock and running repairs once placed in the North American railway network. It may not be perfect but it remains the best system in the world.

(Patrick Ameen is Vice President Industry Relations for Amsted Rail Company, Inc., a member of the AAR Arbitration & Rules Committee, and a former AAR Director Rules & Inspection.)

HOW THE PANDEMIC HAS AFFECTED OUR INDUSTRY

Submitted by Gary Alderson – AllTranstek

Prior to the approximate time of St. Patrick's Day of 2020, we weren't in a hurry to use newer technology to complete our tasks. Some of us were looking at doing more on-line meetings and starting to use applications like Microsoft Teams, GoTo Meetings, and Skype and of course Zoom was on the horizon. We were starting to use these applications, but we weren't forced to use them. As time moved on we started engaging our applications and learning how to complete our everyday work in a new way.

Essential workers staying at home and completing tasks that normally would be done in person is a whole new world for some of us. Other companies had a leg up because they were doing on-line video training and webinars but for the most part a lot of people had to adapt to new ways. Suddenly we were having up to four one-hour meetings in one day from our homes. House cats were climbing across the desk; kids were yelling in the background and dogs were barking while we were not on mute and trying to participate. We heard new terms like "Bob you're on mute" and two people trying to talk at the same time several times in a row with someone finally saying a complete sentence. These changes have been good for most people. I have heard several people describe how they can get more work completed while working from home. I have also heard rumors that some companies have realized they can complete all of their tasks by having employees work from home and they are not going to renew their lease on the office building. All well and good for reducing carbon emissions and traffic jams, except the for lack of true social interaction which most of us strive for.

As we move through this pandemic we are also forced to consider doing facility audits from afar, at least for the time being. Some companies have started virtual facility audits by using GoPro cameras at the shop to interview during the audit and by requesting documents be emailed or viewed during the audit by cell phone camera or other means. The usual opening and closing meetings are performed via video or other application. It seems to be acceptable to use this technology but there are some areas that I think will suffer because the auditor can't be there to interact and be observant while performing the audit. The one area of interest I thought about is the personal interview with an employee during the audit. This is an important part of the audit for me because I can ask questions from my experience as an auditor instead of the pre-planned and polished questions that most people expect. This is a great audit discovery process that I'm not sure how I would conduct if we are using cameras and cell phones. The other part of the audit is looking at work completed and checked off on the work order and then verifying that work was actually performed and was it performed to the procedure? Will virtual auditing work for now? There is a lot to review, and in the end the entity requiring the audit will most likely make that final decision.

On another note webinars are more frequent now. Many meetings that were completed using the old teleconference speaker phone are now ancient history. Teams Meetings and Zoom conferences are used daily to communicate and they have proven to be very useful and effective with screen sharing and audio/video that is improving as long as your power stays on and your WiFi is capable. Conferences, such as the RSI Conference that was to be held in Chicago in September, are canceled. The RSI Education Technical Advisory Group is looking at converting the list of topics we had put together for the conference and discussing as a group how we could provide the sessions on a virtual basis. We are hoping we can provide several options for different time slots to view the webinar or video and have interaction with question and answer sessions. We hope to keep our goal of providing education to the industry on important topics so we can help newcomers and old timers learn something that will help them stay compliant and improve safety and quality.

RSI-100 PRODUCT QUALITY CERTIFICATION/MATERIAL INSPECTION GUIDELINES

Submitted by Lee Verhey – RSI

About RSI-100

The RSI-100 Standard is an industry leading recommended practice that enables railway parts suppliers to produce tank car components in conformance with their AAR approved specifications. The Railway Supply Institute developed the RSI-100 Product Quality Certification Standard to provide tank car manufacturers and repair facilities confidence that products acquired for installation on tank car tanks conform to the specified quality requirement. The Standard also provides guidance for verification of product conformance when components are received by facilities.



What RSI-100 Offers

- Voluntary minimum standards for component-specific product certification plans designed to ensure product quality
- A robust set of key quality criteria tailored to the specific component or process

- Guidelines for non-certified facilities supplying tank car components
- Purchaser requirements for the verification and inspection of critical tank car components
- Flexibility for purchasers and suppliers to maintain a robust quality system while ensuring the ability to be responsive to market conditions

How RSI-100 Was Developed

Fundamentally, the RSI-100 Standard was developed to ensure more rigor around quality assurance in the tank car industry supply chain. This standard was developed by the industry's leading tank car builders, owners, component manufacturers and industry consultants. The Technical Subcommittee of RSI Committee on Tank Cars (RSI-CTC) and representatives from RSI's Quality Assurance Committee (QAC) developed this standard to manage product quality by offering recommended best practices for purchasers and suppliers and creating tailored sets of product quality criteria for each covered component or process. In addition, RSI consulted with the Federal Railroad Administration (FRA) and the Association of American Railroads (AAR) in developing this program and evaluating its effectiveness as a compliance tool for tank car facilities. The RSI-100 Standard sets forth clear roles and responsibilities between purchasers and suppliers, defines key quality criteria, identifies objective evidence to establish compliance, and serves as a tool for certified tank car facilities to engage with non-certified facilities, which are a critical part of the supply chain.

Implementation and Management of RSI-100

Going forward, the RSI QAC will review applicable federal requirements and AAR standards on an ongoing basis to ensure that RSI-100 remains a best recommended practice for suppliers of tank car components. The QAC is an advocate for quality and continuous improvement in the performance and safety of the rail supply industry's products and services. This group is composed of quality leaders from RSI member companies, and includes representatives from car owners, fleet managers, repair and reconditioning facilities, and car and component manufacturers.

The mission of the RSI QAC is to proactively identify industry issues, needs, and trends and provide guidance and service offerings to continually improve railway supplier products, processes, and services. This is accomplished by developing and publishing best practice industry compliance standards, documents, and guidelines, and educating the industry on quality issues and processes. In addition, the QAC acts as a liaison, resource, and educator to industry stakeholders.

Note on use of the RSI-100 Standard: The RSI-100 Standard is not intended to provide legal advice and does not replace the obligation of a company using this standard to comply with applicable federal rules and AAR requirements.

USEFUL LINKS

[Railway Supply Institute](#)

[RSI QAC & Previous Newsletters](#)

[RSI Tank Car Resource Center](#)

[Registry of M-1003 Certified Companies](#)

[M-1003 Frequently Asked Questions](#)

[American Society for Quality - Training](#)

[AAR M-1003 Certification on-line Application](#)

[AAR M1003, Section J Specification for Quality Assurance](#)

[AAR Training Schedule](#)

[AAR Circulars](#)

[MSRP Publication Current Revision Status](#)

[AAR Online Material Nonconformance Reporting System \(Chapter 7\)](#)

THE FOLLOWING RSI QAC TEAM MEMBERS WORKED ON THIS NEWSLETTER:

Gary Alderson – AllTranstek

David Book – McConway & Torley

Steven Geneva – American Railcar Industries

John Hebert - RSI

Donna Jacobi – Amsted Rail

Sheena Prevette – Union Tank

Michael Ruby – TrinityRail

Lee Verhey - RSI

The information given in this newsletter is for informational and educational purposes only. It is not intended to provide legal advice and should not be relied upon to make business decisions about any existing, future or prior rule, regulation or interpretation.