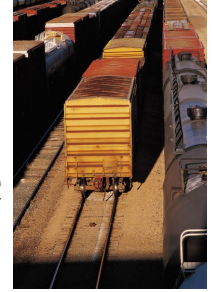




BIGGS APPRAISAL

PROVIDING VALUATION AND TRANSPORTATION SERVICES TO THE RAIL INDUSTRY



Subjects of Value

The Inspection and Appraisal of Rail Equipment

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Rail Equipment Valuations and the Appraisers Dilemma

The North American Freight Car Fleet is comprised of roughly 800 car types that the Association of American Railroads (AAR) has codified in its Umler Data Specification Manual to a four-digit alpha numeric car description. This description is commonly called the AAR Car Type or in

AAR parlance the Equipment Type Code (ETC).

The Car Type is a large part of the key to unlocking the value of a freight car but it is not the only important descriptor to capturing the value. One also needs to know cubic foot capacity or gallon capacity, gross rail load

capacity as well as any special features, such as an interior lining, food grade equipment, and extra wide outlet gates to name a few. It is not uncommon to have cars within a car type have very different capacities and uses.

All of these descriptors go towards what the cars can be used to carry and the cars highest and best use. The highest and best use can change during the 50-year allowable life of a modern freight car as additional products discover the benefits of moving in large quantities via a normally predictable rail move. The commodities that a freight car can potentially carry goes directly to value. The products use and demand for the product are the very important primary driver of a freight cars value.

The rail industry as a whole is ultra-secretive as well as ultra-competitive about virtually any information about railcars, cars in storage, the fleet size, what the cars are carrying, and lease rates. It is not surprising

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Sample ETC Code Builder from the UMLER Data Specification Manual Appendix I for Covered Hopper Cars

Covered Hopper Cars ETC C _ _ _

FIRST NUMERIC:

- 0-Not Used
- 1-Gravity Unloading--non-pressurized gravity unloading.
- 2-Pneumatic Unloading--non-pressurized, for unloading by means of vacuum or suction equipment with receiver's facilities without capability of gravity discharge into a hopper.
- 3-Gravity-Pneumatic Unloading--non-pressurized car with capabilities either for unloading by means of vacuum or suction in conjunction with receiver's facilities or operation as a straight gravity mode.
- 4-Fluidized-Gravity Unloading--Air fluidization to expedite unloading; nonpressurized except in fluidization chambers, with gravity outlet.
- 5-Fluidized = Pneumatic Unloading--Air Fluidization to expedite unloading; non-pressurized except in fluidization chambers, with means for unloading by means of vacuum or suction in conjunction with receiver's facilities.
- 6-Pressure Differential--Car body pressurized to 5 psi. or greater, with or without supplementary fluidization; discharge through pneumatic pipes.
- 7-Other Unloading Systems--Any discharge system not defined by 1 through 6 above.
- 8, 9-Not Used

SECOND NUMERIC:

- 0-Not Used
- 1-LO (Covered Hopper)
- 2 through 9-Not Used

THIRD NUMERIC:

- 0-Not Used
- 1-Less than 3,000 cu. ft. capacity
- 2-3,000 but less than 4,000 cu. ft. capacity
- 3-4,000 but less than 5,000 cu. ft. capacity
- 4-5,000 cu. ft. capacity and over
- 5 through 9-Not Used

LO--A permanently enclosed car, other than a box car, regardless of exterior or interior shape, for handling bulk commodities, with or without insulation and provided with openings for loading through top or sides with weather-tight covers or doors. Car may be provided with one or more bottom openings for unloading, with tight fitting covers, doors, valves, or tight fitting slide or gate to prevent leakage of lading. Car may be provided with facilities for discharge of lading through openings in top or sides and may have one or more compartments. Mechanical or other means may be provided within car to expedite loading or unloading.

[Link to the full document here](#)

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Biggs Appraisal and Subjects of Value are service products of Edward D. Biggs III, LLC D/B/A Biggs Appraisal. An Accredited Senior Appraiser (ASA) member of the American Society of Appraisers with a focus on rail equipment, locomotive, railcar, and maintenance of way equipment valuations. Ed Biggs has spent over 44 years in the railroad industry with a mix of significant experience with railroads and leasing companies, including experience in fleet operations, mechanical, and sales. Biggs has particularly in-depth knowledge of railcar extended life upgrade and rebuilding programs. Biggs Appraisal also researches a wide variety of subjects to support valuations, both for its own interests and those of its clients. Stuart Biggs has been involved with every aspect of Biggs Appraisal's business for over 15 years and is working towards his ASA certification. Johanna Biggs Crowley, ASA has been working for six years in research, appraisals, and inspections. Both Johanna and Stuart are members of the American Society of Appraisers. The articles in Subjects of Value are by necessity brief and are designed to spur further conversation. Questions, comments, and feedback are always appreciated. This newsletter is aimed at people interested in the rail industry. If you wish to be added to the Subjects of Value mailing list there is a sign-up form on the front page of our website Biggsappraisal.com. We encourage industry distribution of this newsletter.



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Rail Equipment Valuations and the Appraisers Dilemma

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to appraisers that they are expected to work with minimal information so that secrets of customers are not divulged.

A good rail equipment appraiser is so tight lipped that they actually talk funny. The people in the industry that make deals happen on a regular basis build up a level of trust in their appraiser that allows the flow of good descriptors to capture the value inherent in the cars. This allows the appraisers client to make good solid defendable decisions based on good information provided by the appraiser.

Most companies are looking way past the initial freight car lease to what the future remarkability of the cars is, either to a new buyer or as a long-term investment hold. The seller needs to know that providing good information will allow the appraiser to give the buyer an appraisal supporting the best possible credible offer.

While this article is about freight railcars the basics apply to many other types of equipment. As Biggs

Appraisal is focused on the rail industry we track and appraise, in addition to freight cars, the value drivers of locomotives, rail passenger cars, maintenance of way equipment, and railcar movers. We have averaged over 50 clients a year for many years with clients that have been client-customers of Biggs in the leasing and railroad side of the business since the 1980's. We believe we are truly independent appraisers. Our advisory and consulting services extend to freight cars and locomotives as well as railroad sales with good results.

We are very responsive to our clients because we do an extraordinary amount of research on rail equipment in advance of assignments. The devil is in the details, and we know the details that will support good rail equipment decision making. In addition to rail equipment leasing companies, banks and financial institution lessors, railroads large and small, law firms, and investors we work closely with other appraisers to support them in the rail equipment portion of their client companies' asset appraisals. What can we do for you?

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While freight cars are the largest segment of Biggs Appraisal's work, we also inspect and appraise locomotives of all kinds, maintenance of way equipment, and railcar movers.