Operator:

Good day and welcome to the GATX First Quarter Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Ms. Jennifer Van Aken, Director of Investor Relations. Please go ahead.

Jennifer Van Aken:

Thank you, Angela, and good morning everyone. Thanks for joining us for the First-Quarter 2015 Conference Call. With me today are Brian Kenney, President and CEO of GATX Corporation; Bob Lyons, Executive Vice President and Chief Financial Officer; and Tom Ellman, Executive Vice President and President of Rail North America.

As a reminder, any forward-looking statements made on this call represent our best judgment as to what may occur in the future. We have based these forward-looking statements on information currently available, and disclaim any intention or obligation to update or revise these statements to reflect subsequent events or circumstances. The Company's actual results will depend on a number of competitive and economic factors, some of which may be outside the control of the Company. For more information, refer to our 2014 Form 10-K for a discussion of these factors. You can find this report as well as other information about the Company on our website, www.gatx.com.

Before I get into the numbers, I'd like to remind everyone that our annual Shareholders' Meeting will be held tomorrow. It will be in downtown Chicago at the Northern Trust building, which is at the corner of LaSalle and Monroe. The meeting begins at 9:00 AM Central time. Slides from Brian Kenney's presentation will be posted to our website, www.gatx.com.

I'll now give a brief overview of the results provided in our press release earlier this morning. After that, we will take questions.

Today, we reported 2015 first-quarter net income of $62.2 million, or $1.39 per diluted share. This compares to 2014 first-quarter net income of $42.1 million, or $0.90 per diluted share. These results are reflective of Rail North America's strong fleet performance. Utilization, excluding the boxcar fleet, was 99.3% at the end of the quarter. The renewal rate change of GATX's Lease Price Index was 43.2%, and the average renewal term was 59 months. Our renewal success rate remained very high at nearly 85% in the quarter. We continue to selectively sell certain railcars and generated more than $36 million in asset remarketing income. While the first-quarter results were very good, some uncertainty remains in the tank car market due to pending regulations and uncertainty in the energy markets due to the low price of crude oil.

Rail International had a solid start to the year. GATX Rail Europe's utilization remained steady in the first quarter as they continue to take delivery of new railcars.

American Steamship Company is facing challenging operating conditions again this year, due to the ice coverage on the Great Lakes. ASC is currently operating 12 vessels and expects to operate 13 this season.

Portfolio Management's results were driven primarily by the performance of the Rolls-Royce and Partners Finance affiliates. The joint ventures now have a portfolio of more than 430 engines with a net book value of approximately $3 billion.

We were active under our share repurchase authorization during the quarter buying back approximately $27 million in stock. With that quick overview, we will open it up for your questions. Angela?

QUESTION AND ANSWER

Operator:

(Operator Instructions) We'll take our first question from Justin Long with Stevens Incorporated.

Justin Long:

Thanks and good morning, guys. First question, I was wondering if you could talk about the sequential change you saw in lease rates during the quarter, with any commentary by car type, if possible. Mainly, I'm just curious if it's still a stable lease rate environment as you described last quarter, or if you've seen any softening given the weaker-than-expected volumes that the rails have put up, along with several guide downs from that group.

Tom Ellman:

Hello. This is Tom Ellman. I'll take that question. Overall, I would say -- what we've seen in lease rates is very much in line with our expectations at the start of the year. One of the things that we talked about was that, with the long run-up in the flammable liquids market that we expected, over time, to see some softening in those rates. And sequentially, compared to last quarter, we have seen that. But those rates are very much still at historically high levels. Just lower than they were in the fourth quarter.

More broadly, across the tank car market, you've seen some quarter-over-quarter decline in rates. Maybe on the order of 5%. And that, again, was in line with expectations because of the strong effect that the flammable liquids demand and strength in the backlog provided -- the tank car market overall. So we've seen that. But, as you saw from the LPI, the rates still are quite strong and quite high from a historical-level perspective. The only other one to comment on individually would be the coal market. Where the combination of increasing velocity and decreasing demand has caused rate decline in that area.

Justin Long:

Okay, that's very helpful. But outside of tank and coal, would you say other lease rates -- or lease rates on other car types have remained fairly stable on a sequential basis?

Tom Ellman:

I think that's a fair statement -- both fairly stable and in line with expectation.

Justin Long:

Okay, great. Also wanted to ask about remarketing income. Obviously, it was a big number here in the first quarter. I know it's a very tough line item to predict. Could you go over your expectations for 2015, any change on the total amount of remarketing income you expect -- and I know it is early on 2016, but just looking at your fleet today, do you have any initial expectations on how remarketing income could trend next year as well?

Bob Lyons:

Justin, it's Bob Lyons. Commenting on 2016 is a bit of a tough one at this point. As you know, remarketing income can move around, quarter to quarter. Let me cover 2015 first. As we said, coming into the year, we expected full-year remarketing in 2015 to be around the same level as what we had in 2014, which was total net gain on disposition of about $87 million. So, yes, we had a very big first quarter.

But as we said, in the earnings call back in January, we were already in the market at that point in time with a couple of different packages. So, we expected remarketing income. There was a possibility it would be relatively high in the first and second quarter of the year. We're in the first half of the year and we've seen that. Full-year expectation has not changed. We should still be in the same range -- at a very high range, with a lot of secondary market demand currently for our assets. 2016, I can give you a better assessment on that as the year progresses. But, given the strength in the capital markets and the demand for the assets that we have, we would expect another solid year in 2016, too.

Justin Long:

Okay, great -- that's helpful. Last question. I just wanted to ask about capital deployment. Obviously you've locked in long-term, committed cash flow. Could you speak to the opportunities you're seeing today? I know GE has recently discussed its divestiture of some of its assets. Could that create an opportunity? Are you seeing some things in the international market, whether it is Europe or somewhere else? And if not, is there a possibility that you could increase the amount of the share buyback that you're executing on today?

Brian Kenney:

Yes. It's Brian, Justin. The answer is yes to all the above, but we're not going to comment on any specific opportunities, like the GE opportunity. We know what the public knows there, and that is that GE Capital is for sale. GE Rail is part of GE Capital, so we assume that's for sale, too. And GATX is always interested in any of these properties that come for sale. We basically know what the public knows there.

As far as Europe, we've been focused on that for a while. There have been a couple of smaller properties that have come up for sale and changed hands. I expect more of that.

It's a very tough market, both from an economic perspective and from the perspective of rules getting more complex. It's a more fragmented market, and it may be tougher for some of these entrepreneurs and smaller fleets to hang in there. So, yeah, we'd expect some activity there in the coming years. And we're focused on all of that, as well as share repurchase, and continuing the 96-year dividend.

Bob Lyons:

Justin, I'll add to that too. We were active in the stock repurchase as Jennifer mentioned in the intro. And would expect -- as we said coming into the year -- we anticipated we would use the balance of the repurchase that was available to us, which was $125 million. And to the extent we work through that, then obviously that would entail a discussion with the Board and a Board-level decision on what we do going forward. But as you know, we've returned a lot of capital to shareholders over the years, both through dividends and share repurchase. They're all alternatives for us.

Justin Long:

Makes sense. I'll leave it at that. Thanks so much for the time.

Operator:

And we'll take our next question from Matt Brooklier with Longbow Research.

Matt Brooklier:

Thanks and good morning. I had a quick question, as we get closer to flammable service regulations. I'm curious to hear if there's been any change in the market as we get closer to that date. And specifically, curious to hear your thoughts on if there has been an increased rate of, I guess, redeployments of cars in flammable service that have potentially been shifted to other commodities.

Tom Ellman:

Yes. I will start with the market commentary. The most obvious things you've seen is on the new car side. People taking a little bit of a pause in the order activity, to see what the final regulations are before pulling the trigger on any order activity.

As far as redeployment, for us, one of the hallmarks of that fleet is that we have really gone long on term. So we have quite a bit of term associated with the car types in the flammable liquid service. So the number of potential remarketing activity is fairly low. Where possible, again, one of the things that we really try to focus on is redeployment into a wide variety of commodities, and to be as diverse as possible. So we certainly have continued to do that with the upcoming regulations. More broadly in the market, I think most of that activity, in that car type, continues to be concentrated in crude oil and ethanol.

Matt Brooklier:

Okay. And maybe if you could just touch on -- I think it's pretty clear that there has been a little bit of a pause in terms of demand for crude cars – it's kind of two-fold. It is regulations, and then obviously, with this correction, in crude price. Maybe if you could provide us a little bit of commentary, in terms of demand for non-crude or non-ethanol cars as well. How does your outlook -- what's the outlook on the nonflammable service cars at this point?

Tom Ellman:

Again, I would say that this is very much consistent with the outlook that we had at the beginning of the year. As you know, we have two long-term supply agreements. And what we've talked about repeatedly is that we can place the majority -- the vast majority of the activity from those two agreements -- into non-crude oil and ethanol service. And that hasn't changed. We continue to believe that as we go into the rest of the year here. And so, no change in that area.

Matt Brooklier:

Okay, appreciate the color.

Operator:

And we'll take our next question from Art Hatfield with Raymond James.

Derek Rabe:

Good morning everyone. This is Derek Rabe for Art. I just wanted to look at -- the industry orders that was released yesterday showed that the mid- and large-cube covered hoppers is kind of where the strength was coming from in the quarter. We saw the small cubes come off drastically. And the tank, obviously – it's a slow market right now, given the regulations are forthcoming. So what do you think is behind the strength in the mid- and large-cube-covered hoppers, beyond just potentially some grain orders? And broadly speaking, from your portfolio, I wondered if you could just comment on what you're seeing from your customers across specific car types. If any outside of tank or any particular strength or weakness.

Tom Ellman:

So as far as the commodities that mid-cube and large-cube covered hoppers would carry; the mid-cubes -- the biggest single commodity is grain. Larger, there's two different areas that you could see activity. One would be DDG which is an ethanol by-product. And the other is the plastic pellet market. Lower energy prices, has created increased demand in the plastic pellet area. So that's an area of strength, to your earlier question. Beyond that, across the market, in the non-energy car types, I would say that demand is fairly consistent with what it has been over the past couple quarters.

Derek Rabe:

Okay, thanks. As I look at your renewal term, it did come off about eight months sequentially. I was just wondering what specifically was the driver behind that?

Tom Ellman:

Yes. So again, an area that we expected to see that happen. One is--the biggest areas is the coal market, which we've talked about for the last couple of calls. That is a market where we have intentionally gone short. And we continue to try to place cars in that market, on shorter terms.

Although you noted the sequential decrease, it's worth noting that the term that we saw in the first quarter is still very long, by historical measures. And when you get into a quarter-to-quarter change, it's hard to make real meaningful commentary on just a single quarter. So I think the more important issue is, for most of the car types in the fleet, rates are at historically high levels, which is causing us to try to take terms out. And we continue to be successful doing that.

Derek Rabe:

So how should we think about the renewal term for your portfolio going forward? Should we see much more downside risk to that? I guess, more broadly, what exposure is still left from the coal side?

Tom Ellman:

Yeah -- so specific to coal, since we have intentionally gone short waiting for that market to firm up, we have a significant portion of our coal fleet each year that's going to turn over. We have about 9,000 cars, either owned or managed, in our coal fleet. And for most car types, a good rule of thumb is about 20% expiring in a given year. Coal would be higher than that.

Bob Lyons:

Derek, I would add, too -- just consistent with comments we made at the beginning of the year with regards to the LPI, where we expected that to be in the mid-30% range for the year, but indicated it could be volatile from quarter to quarter, just depending on car types and really outlook and flammables in the energy market. You could see some of the same on term as well, where it could bounce around a little bit from quarter to quarter. But in general, keep in mind, a 59-month average renewal term is quite strong historically and we are getting more than that in tank as well. So still being able to put cars to work for a very long period of time.

Derek Rabe:

Okay, great color. I was just curious about the slack capacity given your utilization was so high and still left trending higher. So just going back to the earlier comment that you guys made on the decline in the tank car lease rates. You mentioned it was down -- basically another 5% or so. Does that bring the total, from the peak, down to about 20%? Does that sound right?

Brian Kenney:

I think that is true for the flammable liquid cars. Because that has been declining probably over the last 12 to 18 months. I would not generalize that for tank. And the rest of it has been relatively consistent.

Derek Rabe:

Okay, great. Thanks, guys.

Tom Ellman:

Yeah, just to add to Brian's commentary there -- if you look at the nonflammable liquids portion of our tank car fleet, the quarter-over-quarter decline and the year-over-year decline are in the same range. So it is really only the flammable liquids portion that you would be looking at a larger year-over-year decline than a quarter-over-quarter decline.

Derek Rabe:

Great, thanks.

Operator:

And we'll take our next question from Steve Barger with KeyBanc Capital Markets.

Ken Newman:

Good morning. This is Ken Newman on for Steve. You gave some pretty good commentary on lease rates by car type. I was curious, given what's happening with mix and term, should we think that monthly average rate per utilized car has peaked? I just want to get your thoughts on that.

Tom Ellman:

So for the fleet as a whole, these are, again, historically high levels, both in tank and for the fleet as a whole. I think it's fair to say that we're at the top of the market right now.

Bob Lyons:

We came into the year, Ken, and we talked about bringing it back to somewhat of a LPI conversation. We indicated that across a very broad range of car types, we were at record lease rates or near record. And didn't really see those going up from there -- that's for sure. And with some of the volatility in the marketplace, a little bit of pare back from those levels was expected.

Ken Newman:

Got it. Pretty impressive margins this quarter. I'm just curious, in this environment, what else can be done to drive margins higher, especially for North American Rail?

Bob Lyons:

Well, in terms of -- we are going to continue to see very strong rate performance. I would say broadly across the fleet, as we renew -- again this year, a good portion of cars that are coming off older rates, so we'll see nice pick up there. That will manifest itself again, still at extremely strong and positive LPI for the course of the year.

Tom Ellman:

Another thing that helps with margin is the strong renewal rate. When the cars renew with the same customer and don't require a shopping event; that's a positive on margin. And we're at 85% renewal success this quarter.

Ken Newman:

Got it. Thank you, I'll get back in line.

Operator:

And we'll take our next question from Steve O'Hara, Sidoti & Company.

Steve O'Hara:

Good morning.

Jennifer Van Aken:

Good morning, Steve.

Steve O'Hara:

I was just wondering, in terms of -- I know you guys had gone through a bit of a maintenance bubble for the last few years. Maybe it's continuing outside of new regulations. Can you just kind of refresh us on where you stand on that? And what you see for, maybe potentially 2016, in terms of maintenance expense. Obviously, outside of anything from new tank car regulations. Thank you.

Brian Kenney:

What's driving maintenance expense is the addition of the boxcar fleet. Remember that happened at the beginning of the second quarter. That's what the main driver of increased maintenance expense is.

As far as for the compliance bubble, we've been talking about that for a few years. Really on the downside of that bubble, it increased from 2012 to 2013, if I remember, about 3,300 to 4,000 cars -- it went to 5,000 last year. This is in terms of that tank qualification number, which really drives compliance cost in our fleet. That's down significantly in 2015. We anticipate less than 4,000. And scheduled again in 2016 would be less than that. We're on the downside of that bubble.

All of that is scheduled, and it depends on what you actually do with your fleet in terms of buying and selling. And perhaps the new regulations could have an impact on that as well. But as we look at projected scheduled compliance, we are on our way down this year and next year.

Bob Lyons:

Steve, to quantify the point Brian made on boxcars, it was $61 million last year. Maintenance expense for North American Rail in the first quarter was about $69 million this year, almost that entire delta was boxcar.

Steve O'Hara:

Okay, great.

Bob Lyons:

-- that's a very good thing.

Steve O'Hara:

Yes -- quickly, it seems to be -- the commentary so far seems to confirm this. Just in terms of your ability to kind of keep term long historically and keep rates relatively high, would you say you are getting a little more push back from customers at this point in the cycle? Or is it still fairly strong, in terms of -- obviously with 85% renewal success, it seems pretty good. But if you could just -- has there been any, maybe change in the customer behavior?

Tom Ellman:

Yep. As you note, historically, it is still very strong; 85% renewal success. And if you look at the rates and term numbers, very strong by historical standards. One of the things you want to take a look at though, is the length of the new car backlog. Because that would be an alternative to renewing on a car or finding an existing assignment car. And while the backlog again is very, very strong by historical levels, production capability has gone up. So the time it takes to work through that backlog is shorter than it used to be. And probably more importantly, we are seeing pockets of availability in that new car backlog.

So overall, tank car backlogs are up, probably on average up to about the first half of 2016. Freight car backlogs may be a little bit longer than that. But there are pockets of availability that we hear about, potentially even earlier than that. And if that became broader, that would be an area that you'd have the potential to see competition to the renewal rates.

Steve O'Hara:

Okay. In terms of the order that you have -- the firm order that I think goes out through the end of 2016 or mid-2016, are all those cars essentially signed up with customers at this point? Is there any kind of wiggle room there in terms of their ability to get out of those leases?

Tom Ellman:

As far as our deal -- again we have two of them. One that finishes up in August of 2016 and one on the back half of that, that starts right after. For the one that starts in August 2016, we just placed our first couple hundred cars. On the 2011 order, we are placed -- sort of like what I talked about pockets. Basically into the first quarter of 2016, the few pockets earlier than that, but all of those are absolutely firm. There is no ability for customers to back away from any of those cars that we placed.

Steve O'Hara:

Okay. Thank you very much.

Operator:

(Operator Instructions) And we'll take our next question from Mike Baudendistel with Stifel.

Mike Baudendistel:

Thank you. Looking at the data that came out yesterday on railcars. A large number of deliveries, about 20,000. Can you talk about the degree to which you compete with those new car deliveries directly? And you added the increased capacity of those deliveries being the biggest risk to lease rates going forward? Or is it more freight volumes or something else?

Tom Ellman:

So all of those things figure in. So at the highest level -- a statistic you absolutely want to take a look at, is total railcar loadings, because that shows how much demand there is in the market. And we have seen some recent downward trending there. On a more immediate basis, the availability of cars is more important, as far as what you are going to be able to do from a rate and term perspective. I don't know if you heard a question or two ago, we talked about the new car backlogs remain very long, but with pockets of availability. And as those pockets increase, that is where you might see more competition.

Mike Baudendistel:

Got it, that makes sense. I also wanted to ask you -- I guess with the flammable liquids, tank car safety standards coming out pretty shortly, assuming that the Option is what comes to fruition. Do you think the industry is most likely to address that with new car builds or retrofits of existing equipment based on any visibility you have on price?

Tom Elllman:

So the RSI, the Railway Supply Institute, put out a statistic a while ago that their best guess was that 28% of the existing cars would be retired, which would mean 72% -- something would happen to them. We have commented that GATX is probably less likely than that to work on the retrofit side; more likely than that to work on the replace side.

Mike Baudendistel:

Great, those are my questions. Thank you.

Operator:

And we'll take our next question from Kristine Kubacki with Avondale Partners.

Kristine Kubacki:

My question is on ASC. You talked a little bit about the slower start to the sailing season, no surprise there. I guess -- how much did it impact the quarter; more than you were expecting? Do you think you can catch up on that? Is there demand for it as we go through the year?

Bob Lyons:

Kristine, most of the quarterly activity -- first quarter activity at ASC normally is January activity to begin with, as they're wrapping up the season. So in terms of the late start in the end of March, it's not that significant an issue. But if operating conditions remain challenging, it will be going forward. We'll see how that plays out in terms of overall customer demand. Last year, we were able to make up a substantial portion of that late in the year.

Kristine Kubacki:

Okay, that is helpful. A little bit of a follow on to the last question about how, kind of, as the rules come out on the tank car side, I guess. Beyond kind of what you're looking at in terms of the rule -- I guess what happens -- are you concerned at all as we start to get this retrofit, or if we do retire or we need to find homes for these other cars that are now currently in crude or ethanol service -- can these be repurposed into other areas? Or is that likely to lead to further pressure? Or will they simply exit the market?

Tom Ellman:

The answer about repurposing is a qualified: yes. Of the 360,000 or so tank cars in North America, about 100,000 of which are of the size that carries crude ethanol and other flammable liquids. The ability to repurpose within products that are of similar densities, you can do fairly easily with pretty limited modification to the car. But crude and ethanol make up a very, very large percent of the total commodity transported -- total commodities transported in that car type. So your ability to do that is somewhat limited by demand. If you want to move into other tank car types, the other 260,000, that's very challenging because the nature of the commodity would not be conducive to that car type.

Kristine Kubacki:

Okay. So it wouldn't really necessarily affect the lease rates on those particular car types if we have these other car types roaming around at that point?

Tom Ellman:

Yep.

Kristine Kubacki:

Okay, and this is a bit more theoretical question. I will probably re-ask the same question before, but we kind of know a little bit about what the tank car design is going to be -- and you guys have limited exposure to crude. Can you help us maybe think about -- the OEMs have been pretty public about that they think there will be an immediate frenzy once the rules are released, that there will be a big order frenzy. It sounds like you guys are taking a little bit more approach that retrofit would be more your avenue. Help us understand -- do you see that there will be a big frenzy of tank car orders out there? Like, what would my car need to be in service to be that I would go out there and decide to go replace -- fully outright replace my car?

Brian Kenney:

First of all, let me correct your statement about the retrofit. We're very unlikely to retrofit cars with GATX. There's a few hurdles for us versus other people in the industry that make a retrofit more difficult. First one is, we didn't participate, as you just said, as heavily as others in the crude oil boom in recent years, or in the ethanol boom in the mid-2000s. So, on average, our fleet of those 30,000-gallon tank cars is older, and we have less remaining car life to recapture those retrofit costs.

The second reason is we think that retrofit cost that's put forth in the DOT notice of proposed rulemaking is way understated. I think they were at $26,000 or $32,000. We could easily see that being double. And we think the cause of recovering that cost from customers over time are probably relatively low. So we're much more in the – "we'll-scrap-them-than-retrofit-them mode," but then, I will let Tom handle the market.

Tom Ellman:

Yeah. So the thing on the market is, absent regulation -- and this came up earlier on the call -- the relative demand for flammable liquids and the relative supply, with the significant ramp-up in production that has gone from an average tank car year being something like 10,000 cars to 35,000 cars. We've been talking for quite some time about any eventual oversupply in that market. We think, absent regulation, that the market was getting pretty close to having enough cars to transport crude and ethanol. So what might happen with -- very briefly, with a change in regulation is difficult to say. But, over the long term, it is hard to see that the market needs materially more of that car type.

Kristine Kubacki:

Okay, fair enough. Thank you.

Operator:

And we'll take our next question from Justin Bergner with Gabelli & Company.

Justin Bergner:

Hi, good morning, everyone.

Jennifer Van Aken:

Good morning, Justin.

Justin Bergner:

My first question just relates to the Rolls-Royce joint venture with the appointment of a new CEO come July. Does that change, sort of, the potential options or framework for that joint venture going forward in your eyes?

Bob Lyons:

Justin, at this point, we wouldn't anticipate any change to the joint venture. We've been in that joint venture for 15 years and have gone through any number of different management changes at Rolls-Royce. It has remained a very critical part of the business overall, and one that they see with very strong growth opportunity. Sitting here today -- no.

Justin Bergner:

Okay, thank you. My second question is a clarification question. When you're talking about sequential tank car rates at the beginning of the call, you're talking about, I believe, a down 5% figure sequentially. Was that meant to be referring to nonflammable tank cars? Or was it that the number was down 5%, all the decline was driven by the flammable class?

Tom Ellman:

Overall, the 5% number is good across the tank car fleet. The flammable liquids decline actually began to happen earlier, so we've been seeing flammable liquids decrease for multiple quarters. So the distinction we were trying to draw is -- everything else in this most recent quarter, flammable liquids for a longer period of time.

Justin Bergner:

Got it. So the 5% decline might be -- the 5% sequential decline might be felt relatively equally this quarter across flammable and nonflammable? Or would it be greater than in nonflammable?

Tom Ellman:

We're probably close to say, even across in the single quarter.

Justin Bergner:

Thank you. My final question relates to the issue of velocity on the rails. You mentioned that velocity in coal is improving on the rails. Are you seeing any other imminent improvements of velocity in other railcar classes that might pose a headwind to demand in the leasing business going forward?

Tom Ellman:

To clarify that -- the rails have seen an increase in velocity overall. Overall, actually, it has been fairly modest. It's hard to get direct evidence – it's hard for us to get direct evidence on a commodity by commodity, or car type by car type change in velocity. But it's reasonable to believe that the car types and commodities that move the most miles, see the biggest increase in velocity, and most material impact to car demand. Coal is at the very top of that list. Coal moves a lot of miles compared to a lot of other car types.

So where you would expect to see that happen the most is other car types that share that characteristic, like, intermodal, would be an example. The car types that the biggest parts of our fleet consist of, tank cars and covered hoppers, largely moving in manifest service, they see much smaller impact from changes in velocity. A notable exception to that rule about most of our cars moving in manifest service, in tank and covered hoppers, is the flammable liquids area where a relatively higher percentage move in unit train service.

Justin Bergner:

Okay, great. Would you expect velocity to be a headwind to your leasing business for looking out to the rest of the year? Or do you think, sort of, most of the easy improvements have been made and we'll see things sort of stay pretty steady from here?

Tom Ellman:

Velocity improvement -- the railroads are very, very focused on that. They've made a lot of investment in that area. Some of the improvement is a direct result of that investment, both in infrastructure, hiring crews. Some of it is things like the weather being relatively better this year than last year. They're going to continue to focus on that area. And again, in the areas -- parts of our fleet that are car types that move a lot of miles like coal, as they continue to see improvement, you'll see an impact there. But it's a relatively small percentage of our fleet overall.

Justin Bergner:

Thank you for answering all of my questions.

Operator:

It appears there are no other questions at this time. Ms. Van Aken, I'd like to turn the conference back to you for any additional or closing remarks.

Jennifer Van Aken:

Okay, thanks, Angela. I would like to thank everyone for their participation on the call this morning. Please contact me with any follow-up questions. Thanks.

Operator:

Ladies and gentlemen, this does conclude today's conference. We thank you for your participation. You may now disconnect.