telegraph

Freight Rail
Market Consist

Q4 2025 Projections

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Letter from the CEO

Harris Ligon, Co-founder + CEO of Telegraph

The end of 2025 is not an obvious time to publish our first market outlook. Volumes are uneven, outlooks are generally wavering, and the most significant railroad merger in a generation is quietly beginning to take shape. But that is exactly why we are releasing this now.

Telegraph exists to make the most complex, opaque elements of freight rail more accessible, more accountable, and more actionable. This report is a direct extension of that mission. Our goal is not to predict every twist in the market. Our objective is to help our customers operate with greater confidence in a time of meaningful change.

What's inside this report reflects real research, not recycled headlines. Tariff activity has already shifted intermodal volumes earlier in the calendar, and we anticipate that the usual Q4 peak will arrive smaller and sooner. That may not be what the broader market expects, but it's what the data shows. For shippers, this creates an unusual opportunity: reduced congestion, shorter dwell times in Chicago, and possibly, for the first time in years, negotiating leverage.

Carload volumes, by contrast, appear seasonally predictable in the short term. But long term, there is a new variable in the equation: energy. AI infrastructure, battery manufacturing, and regional data center development are driving sustained power demand. And with that demand has come a political tailwind for coal. If you manage fleets of open top hoppers, or depend on them for aggregates and minerals, the next 36 months could look very different from the last 20 years.

Layered on top of all of this is the proposed merger between Union Pacific and Norfolk Southern. If approved, the result would be the first modern transcontinental railroad in the United States. It is a clear signal that the Class I landscape is still evolving, and that Washington intends to play an increasingly assertive role in how that evolution unfolds. This perspective will continue to influence trade policy across the globe and between trading partners in North America.

To our customers: you don't need more noise. You need a signal. That is what we've built here. This report includes modeling based on both public and proprietary data, reviewed and refined by a team that understands how rail actually works at the ground level. Whether you are renewing long-term contracts or simply trying to ship smarter next quarter, our hope is that this report gives you a useful edge.

To our colleagues across the industry: many of you have spent decades trying to modernize how freight rail is perceived and used. Telegraph was built to accelerate that effort. We believe in the future of this sector. But belief alone isn't enough. Progress requires clarity, urgency, and the willingness to act before the market does.

Our view is this is the start of a new chapter. We're here to help you write your version.

Let's go get it.

Harris Ligon

The Overview

The end of 2025 is an inauspicious time to start Telegraph's freight rail market outlook. Why? Because what matters most to predicting railroad volumes and service levels remains very much unsettled.

Ongoing tariff negotiations and potential trade war effects figure heavily into our forecasts for the next six months. As a result, we see significantly slowing intermodal volumes in Q4 2025 and Q1 2026. In our modeling, this results in a weaker-than-usual Q4 intermodal volume surge to end the year, and a deeper than usual intermodal volume dip to begin the new year in 2026.

Slowing intermodal volumes in this way isn't all bad news. Our forecast for average daily dwell time at the Class I Chicago rail yards takes into account these projections for intermodal volume decline. In effect, our modeling suggests that the Chicago rail yards will flow faster between now and March 2026 than they have in recent years. Even if only by a little bit, this quickening should come as welcome news to both shippers waiting on their freight, and drayage operators serving the Chicagoland area.

Over this report's time horizon, we expect carload volumes to follow their usual seasonal patterns. However, bigger changes could be on the horizon. Longer-term, we expect US electrical power demand to increase substantially as new data centers come online to support the proliferation of artificial intelligence (AI) tools. At the same time, we see legislative action in Washington carving out more room for coal-fired power in America's future fuel mix. As a result, for the first time in a long time, there is reason to believe that the 20+ year decline in carload coal volumes may slow, or even steady by 2030.

On top of all of these trade flow changes, the largest railroad merger in modern American history has been announced, and its first steps toward approval are expected within our inaugural report's forecast horizon. So too are next steps on three key pieces of legislation that stand to change how railroads operate in America: The Big Beautiful Bill, The Tank Car Modernization Act of 2025, and the US-Mexico-Canada Agreement (USMCA).

We've divided our first market outlook into three sections:

1 Volumes (Carload and Intermodal)

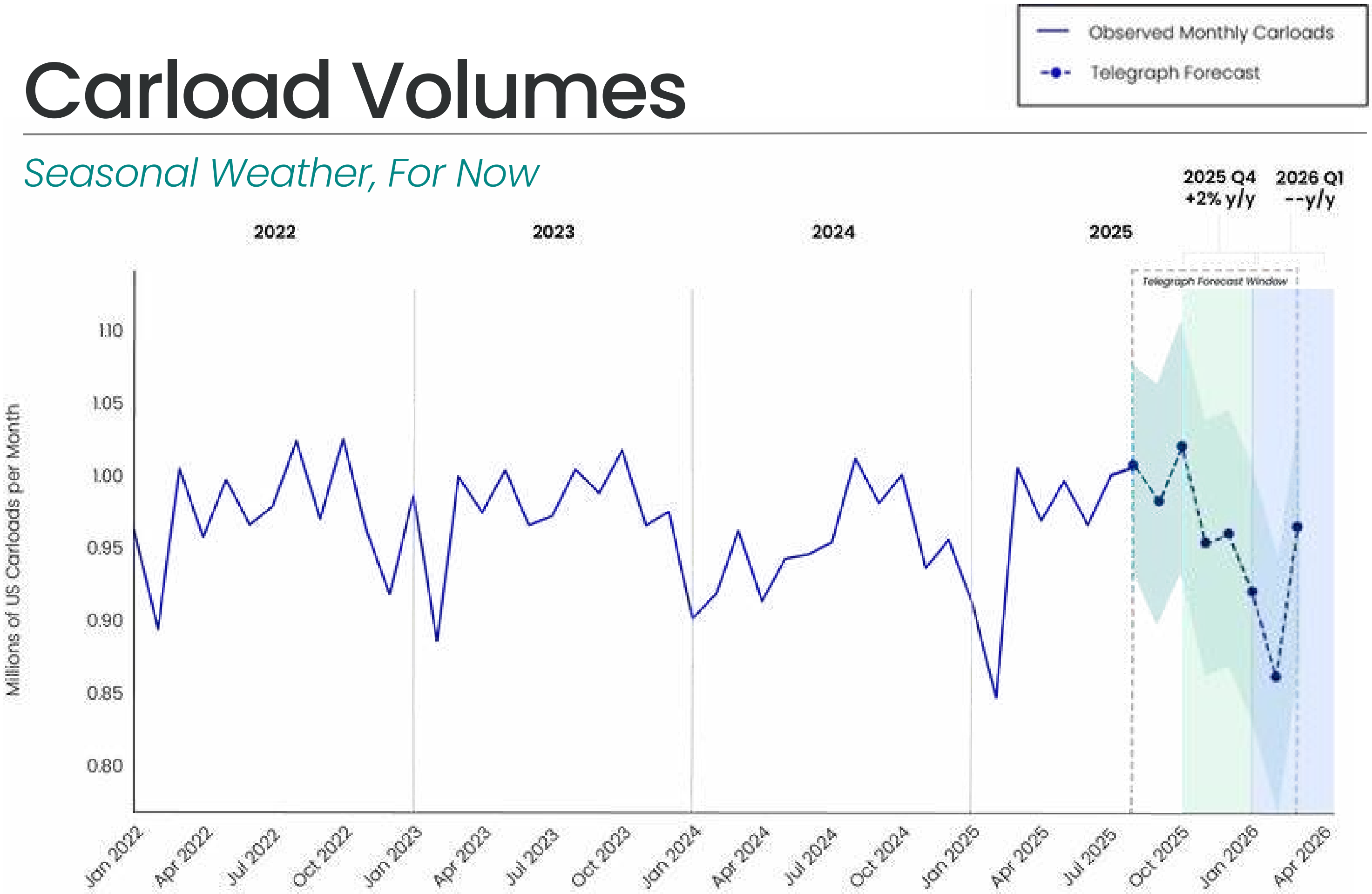
2 Congestion at the Class 1 Chicago Rail Yards

3 Political Developments

The outlook presented here represents the team's analysis of external and internal data sources, and combines both quantitative and qualitative methods. The research insights presented herein are offered to our customers and our friends at this inauspicious junction with the intention of making this especially unsettled moment, at least a little bit more manageable.

Carload Volumes

Seasonal Weather, For Now



Our projection of US national carload volumes into the first quarter of 2026 follows the sector's typical post-pandemic seasonality.

Monthly carload volumes are expected to uptick towards the end of 2025 to levels similar to what we've seen over the past few years - up 2% year over year (y/y) in 25Q4. Going into 2026, seasonal January and February headwinds will reduce volumes to levels similar to what we've seen in recent Q1s past (nominal change y/y). In essence: seasonal weather ahead in the carload market – for now.

COAL IS BACK?

Notably however, our in-house carload volume forecasting models leverage the correlations that we've discovered between carload operators and their customer industries. The most powerful such correlation we've observed exists between US carload volumes and US coal production. Looking longer term, the Administration's Big Beautiful Bill clearly favors coal-fired electricity generation over renewable sources, like solar and wind. After all, the President announced "Coal is back," at the bill's signing in July 2025[1]. Beyond 2026, it is possible that the effect of these changing political winds will counter the carload sector's long-term volume decline. Welcome news to carload carriers, and coal-capable rail car lessors.

Carload Volumes

Implications for Telegraph Customers

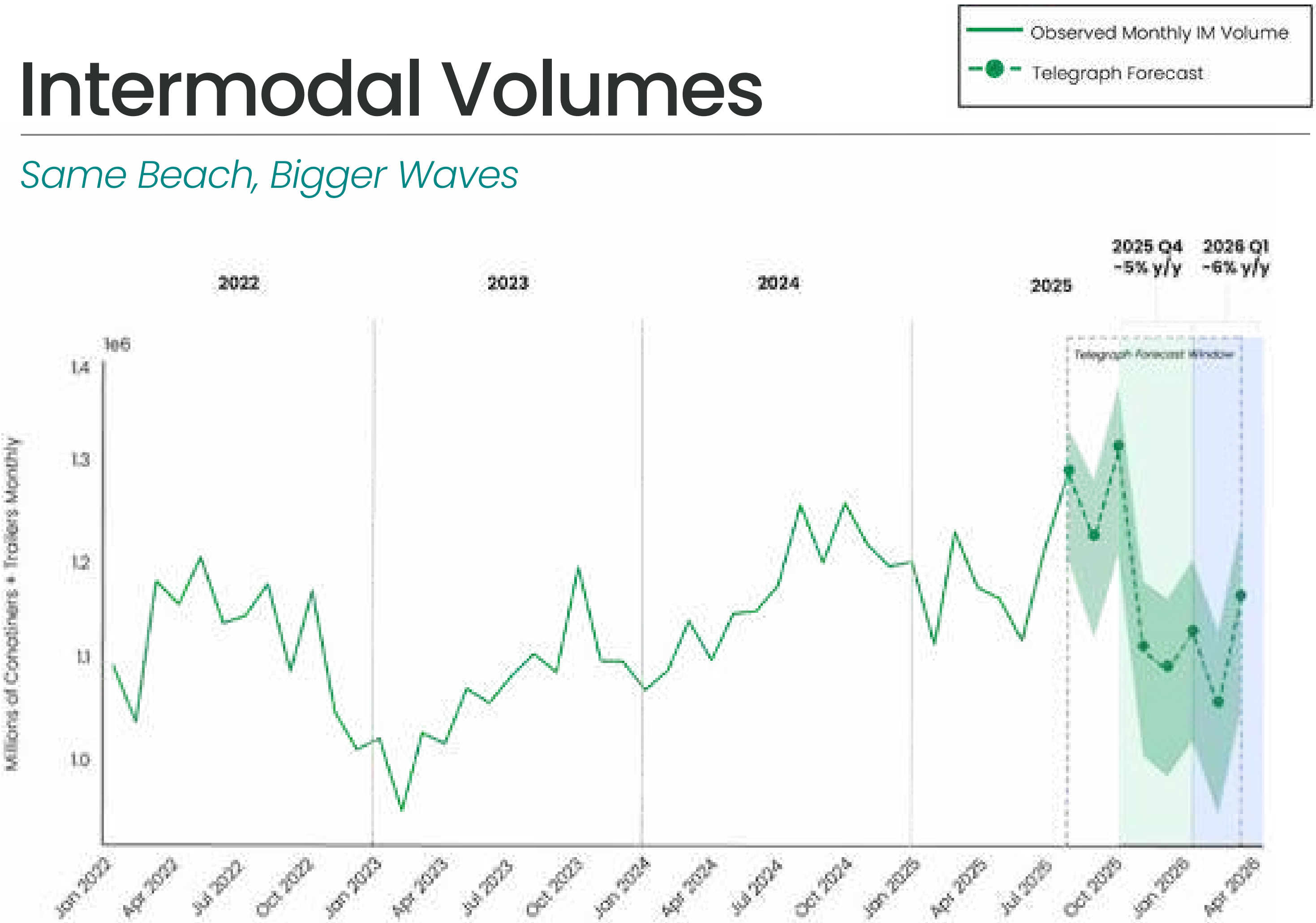
Given this seasonably consistent picture of carload volumes into the beginning of 2026, we do not expect dramatic changes to shipper-carrier dynamics in the carload sector going into the new calendar year.

Looking further out, however, it is plausible that growing electricity demand and a new, much more coal-friendly, political environment stands to slow or even stop the US carload market's long-running decline. Managers of rail car assets should consider this new future.

For railcar fleets, this would suggest ratcheting back any planned retirement of coal-capable, open top hopper assets through 2030. For lessees of coal-capable railcars, this suggests revisiting long-term contract renewal strategies to stay ahead of this changing market. Keeping more open top hopper assets in the marketplace for longer might also have welcome effects for the shippers of aggregates and minerals, who also rely upon these cars.

Intermodal Volumes

Same Beach, Bigger Waves



Just like the consistent break of waves at a familiar beach, our in-house intermodal volume forecast through Q1 2026 shows seasonal patterns similar to those we've seen before. *But these waves are bigger.*

Our in-house forecasting models make use of correlations that we've observed between specific US import and export categories and overall intermodal volumes.

Obviously, the upending of tariff rates in 2025 stands to dramatically affect international trade and domestic consumption.

To account for this, we've adjusted our projections of intermodal volumes to account for:

1 import surges observed in Q3 2025 ahead of tariff deadlines placed on key trading partners;

2 the looming tariff enforcement dates (at the time of writing) for major trading partners, China and Mexico, in late October/November 2025.

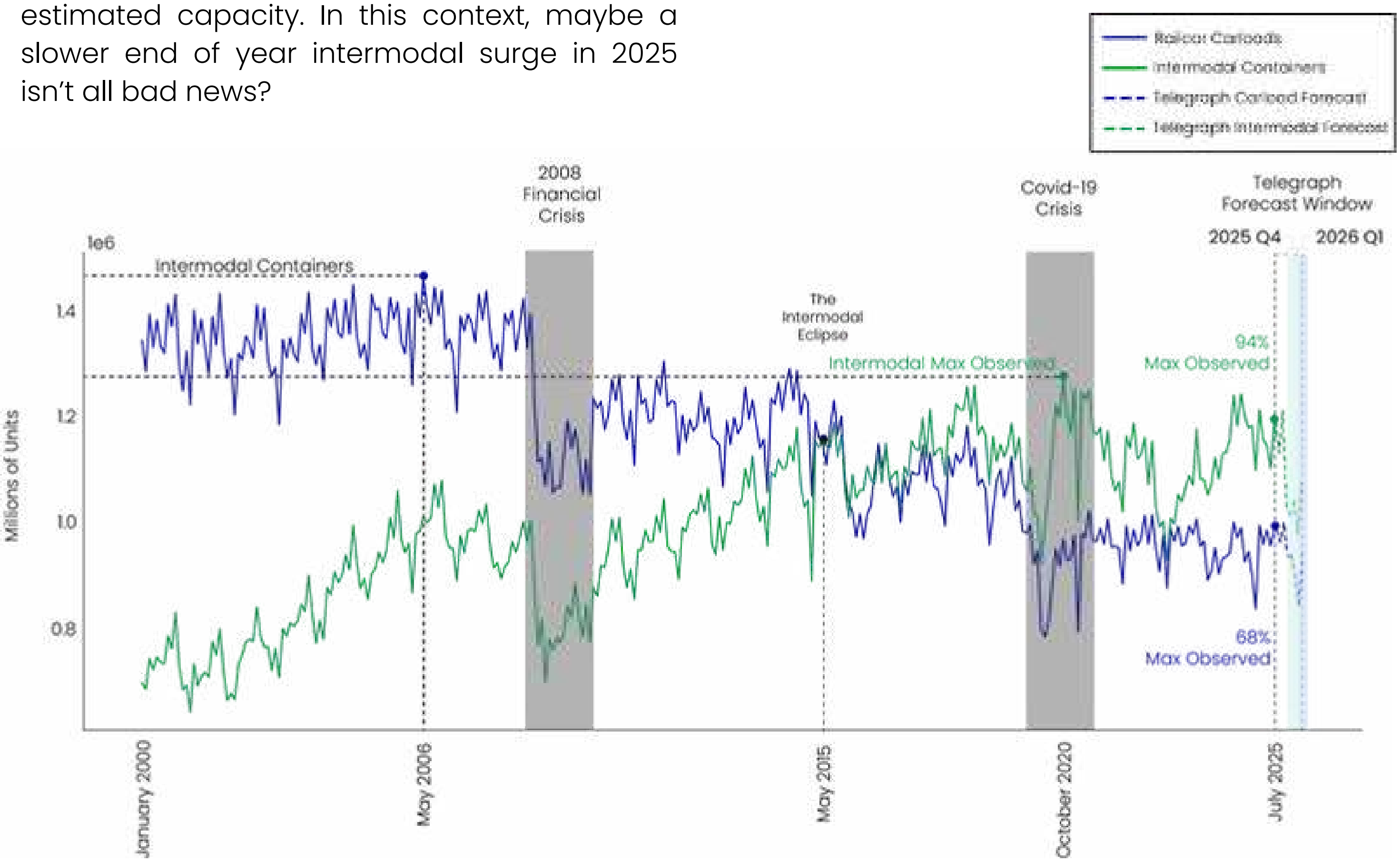
The end result of all of this is, in our view, unseasonably low intermodal volumes in Q4 2025 and Q1 2026 - down 5% and 6% y/y, respectively.

In essence: *Same beach, bigger waves.*

Intermodal Volumes

2025 in Broader Context

But, zooming out a bit puts our projected declines into a somewhat more encouraging context – at least, perhaps, for intermodal rail customers. The chart below shows monthly volumes of carload and intermodal shipments moved in the United States since 2000. We've also called out the highest monthly volumes observed over this time period, and calculated at what percentage of this maximum observed volume the carload and intermodal networks are currently operating. Think of this calculation as a proxy measure for total network utilization. Considered this way, we see a carload market that is currently starved for volume (68% of maximum capacity), and an intermodal network consistently peaking at around 90% of estimated capacity. In this context, maybe a slower end of year intermodal surge in 2025 isn't all bad news?



Intermodal Volumes

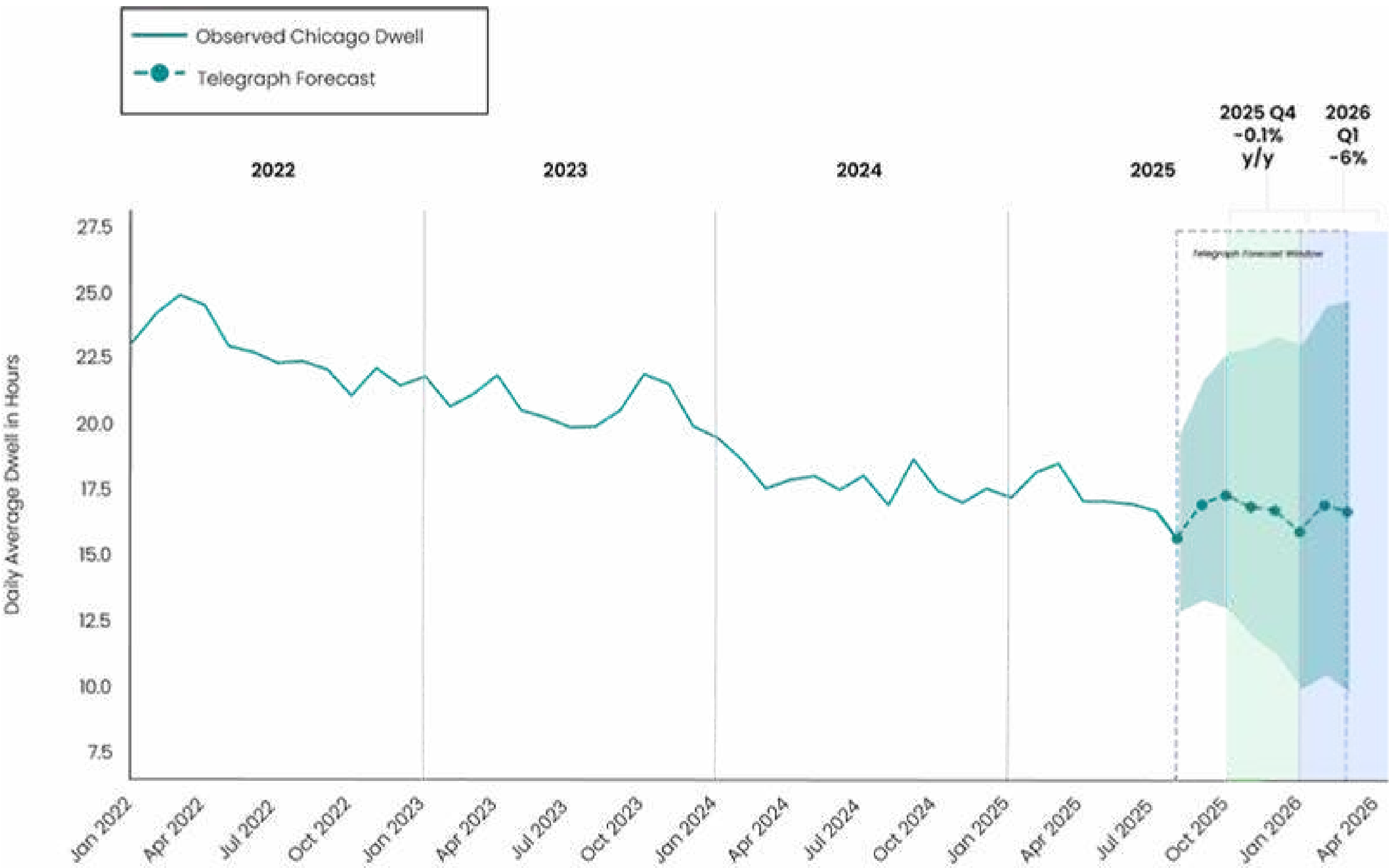
Implications for Telegraph Customers

The coming slowdown in intermodal volumes tilts shipper-carrier dynamics toward the shipper – as much as that is really possible in railroading – for the first time in a very long time. Savvy transportation procurement professionals may therefore find new opportunities to work with their carrier partners on rates and service level agreements going into the 2026 calendar year. After all, railroads continue to build infrastructure to expand intermodal service. Some of these projects are coming online at a most inopportune time given ongoing trade tensions. Where possible, shippers with steady volumes in this turbulent market may find themselves with plenty of welcome optionality.

More broadly though, we know that intermodal rail's real domestic competitor is the trucking industry. The expected slow down in intermodal volumes, and resulting realignment of the shipper/carrier dynamic may present rail-curious shippers with unique opportunities to find favorable pricing and higher than usual railroad service levels (see ahead). From a multi-modal shipper's perspective, if you're thinking about adding more rail conveyance to your intermodal transportation portfolio, the next six months reads to us like an opportune time for experimentation.

Dwell Times at Class 1 Chicago Rail Yards

Trade Wars Take the End of Year Edge Off



In rail, almost all roads lead through the Chicago gateway. As such, we've integrated our forecasting models into a prediction of daily average dwell time, per month across Class I railroads traversing the Chicago yards [including: *Clearing, Blue Island, IHB Autos, Markham, Kirk, Bensenville, Barr, Calumet, Proviso, Corwith and Cicero*]. Our in-house predicted dwell time at the Chicago gateway takes into account all of the dynamics previously discussed (steady carload volumes, declining intermodal volumes, and changing international trade) through Q4 2025 and Q1 2026. From a shipper's perspective, this picture is optimistic.

First, it should also be noted that downward trends in dwell time at the Chicago rail yards started long before the current trade tensions, and long before the near-term decline in intermodal volumes that we are predicting in this report. Nevertheless, in our view, slowing down importation in Q4 2025 - which has historically been a high-volume, high-dwell quarter - serves to take the edge off of this year's busy season. This year, containerized freight moved ahead of schedule to beat the tariffs. As a result, Chicagoland may find itself, relatively speaking, quieter leading up to the holiday season.

Dwell Times at Class 1 Chicago Rail Yards

Implications for Telegraph Customers

Building off the commentary in the previous section on intermodal volumes, declining dwell times in Chicago means - ceteris peribus - that freight moves more quickly through the American rail network. That's good news for our customers, who have either been part of the shipper cohort who have long complained that the problem with rail shipping is its unpredictability, or who have been on the receiving end of those complaints. Lowering the expected transit time via Chicago means that our intermodal rail customers stand to enjoy better service in the six months ahead. Again, our customers may find these next six months an opportune time to experiment with adding more intermodal rail service to their shipping portfolio. The upcoming intermodal market is prime for favorable rates and faster service.

IN RAIL, ALL ROADS LEAD THROUGH THE CHICAGO GATEWAY.

Political Developments

The UP - NS Merger

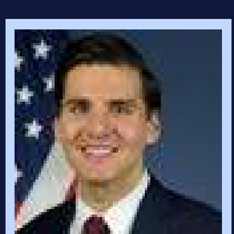
In July 2025, Union Pacific and Norfolk Southern announced their agreement to merge, potentially creating the first modern transcontinental railroad in the United States. Of course, this is pending approval from the Surface Transportation Board (STB). In our view, the UP team adroitly read the tea leaves here: this administration's pro-business stance represents a uniquely promising opportunity to win merger approval from the US government, a prize that has previously proved elusive. But, if recent history is any indicator, this same merger-friendly Washington administration has shown a penchant for attaching serious concessions to the big mergers that it approves.

In the short term, we expect official filing of the merger documentation in early Q1 2026, followed by lots of commentary both for, and against, the merger in the public discourse. In the long-term, if the merger is approved, we look for the new mega-railroad to be subject to political concessions and Washington involvement in ways previously unseen in modern railroad history.

Understanding the Current STB

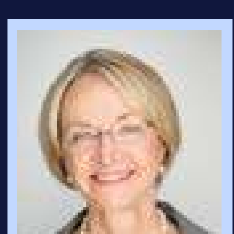
While the Board can have up to 5 members, only 3 seats are currently filled.

Current Seated Chairmen



Chairman
Patrick Fuchs

Vice Chairman
Michelle Schultz



Member
Karen Hedlund

5	The STB can consist of up to 5 members, each with a 5-year term of office. All members are President appointed and Senate confirmed.
3/5	With the firing of Robert Primus in August 2025, there are only 3 seated members.
2:1	There is political split of 2 Republicans to 1 Democrat.
1	Hedund's term is set to expire in December 2025 and Schultz's in January 2026, potentially leaving only Chairman Fuchs.

Political Developments

The Big Beautiful Bill

The Big Beautiful Bill (BBB) was signed into law in July 2025 and in a celebration of its signing, the President pronounced, "Coal is back"[1]. Historically speaking, as coal goes, so goes the carload rail business. The mechanism by which coal could 'come back', is the bill's retrenchment of federal support for competing renewable energy projects. This marks a meaningful pivot away from previous administrations' preferences for a more renewable American electricity generation mix This pivot away from renewables comes precisely when demand for electrical power in the United States is poised for historic increases. According to the North American Electric Reliability Corporation (NERC), a not-for-profit international regulator of bulk power systems in the United States, both Summertime and Wintertime peak power demands stand to increase "*more rapidly than at any point in the past three decades*"[2].

The NERC and other power industry forecasters expect additional demand over the years to come from both increased vehicle electrification, as well as the expected proliferation of power hungry data centers.

But, will this growing demand for electricity generation necessarily be met with coal-fired power? This is what the sitting administration in Washington clearly wants – passage of the BBB makes that plain. Near-term, this report's time horizon is simply too short for this legislative action to materialize into higher monthly carload volumes. But longer-term, this confluence of tailwinds appears likely to slow down carload coal's 20+ years of volume declines.

Political Developments

The American Tank Car Modernization Act of 2025

In March 2025, Rep. Troy Neihls (R-TX) introduced the American Tank Car Modernization Act of 2025, with two democratic co-sponsors, Seth Moulton (D-MA) and Jim Costa (D-CA). Among other things, the bill calls for $10M in annual funding to offer grants to rail car owners for the purchase of telematics beginning in 2026. There is a prioritization of funding by rail car type, with tank cars at the top of the list. It is worth noting that in Congressional hearings, support for the idea was unanimous, with Rep. Moulton at one point proclaiming, *"We've got to get into the 21st century here... It's absurd that I can spend $10 on Amazon and know exactly where my shipment is, but if I spend $20k to ship a rail car, I have no idea when it will arrive - that is absurd!"*[3].

Long-term, this railcar telematics subsidization idea could likely make its way into the administration's surface transportation reauthorization package, which is expected in late 2026. However, in the shorter-term, we actually expect this potential for telematics subsidization to moderate near-term investment in railcar telematics. After all, why spend your own money now if you might be able to spend the government's money next year? We will be watching this space.

American Tank Car Modernization Act of 2025

Sponsors + Co Sponsors

Troy Neihls (R-TX)

A former Fort Bend County sheriff and U.S. Army Reserve major, Nehls has represented Texas' 22nd district since 2021.

Seth Moulton (D-MA)

A Marine Corps veteran who served four tours in Iraq, Moulton has served in the U.S. House since 2015 and is known for his moderate, reform-oriented stance.

Jim Costa (D-CA)

Serving in Congress since 2005, Costa represents California's Central Valley and is active on agricultural and foreign affairs issues.

WE'VE GOT TO GET INTO THE 21ST CENTURY HERE.

Political Developments

Review of the US-Mexico-Canada Agreement

Since 2000, large volumes of trade between the United States, Mexico, and Canada have been governed under the trade-friendly legal regime of the United States-Mexico-Canada ("USMCA") agreement. Commodities covered under the USMCA have thus far been protected from the White House's many and varied tariff announcements.

But for how long will this protection last? USMCA is up for a scheduled review in July 2026. Should the three countries fail to reauthorize the agreement, previously protected sectors – including railborne components of the agricultural and automotive sectors - could be affected. Upending current North American trade flows in this way would obviously demand that shippers revisit their supplier networks, and that rail car lessors revisit their asset allocation and deployment strategies going into 2027.

Political Developments + Their Implications

Legislation	Impact for Telegraph Customers
The Big Beautiful Bill	
• Cuts support for renewable power • "Coal is back" • Simultaneous w/ increasing electrical power demand	• 20+ year decline in coal volumes to potentially steady, partially recover. • Fleet managers should reconsider asset portfolio + scheduled retirements of coal-capable cars. • Lessees should revisit long-term contract renewal strategy on coal capable railcars.
The Tank Car Modernization Act of 2025	
Potential grants for telematics adoption beginning 2026.	• Near-term telematics adoption to moderate as owners wait and see on subsidy. • Fleet managers should budget to seize this opportunity should it arise, 2026-2029.
USMCA Review	
Failure to renew the USMCA agreement in 2026 would subject important North American rail-borne commodities to Washington's many and varied tariff announcements.	Upending current North American trade flows in this way would have implications for both supply chain network design, and also rail car portfolio and asset deployment strategies.

Looking Down the Tracks

The Winter of 2025/2026 will set the stage for potential major changes to the railroad industry. The impacts of Washington's new tariff regimes and the changing international trading order will show up most strongly in the intermodal network during what would otherwise be its Q4 seasonal holiday rush. The coming Winter will offer all of us glimpses into what kind of railborne trade volumes and flows we can expect for the rest of 2026.

How the STB, and the rest of the federal government, choose to address the proposed UP-NS merger in the months ahead will tell us something about how the railroads fit into the continued evolution of American industrial policy, and what role the railroads will play in America's renewed efforts to reshore and re-industrialize. We will be watching closely to see what role – if any – Washington chooses to play in the administration of the newly merged UP-NS mega-railroad as a condition of its merger approval.

Even longer-term, railroad volumes stand to catch valuable tail winds as demand for electricity increases, support for coal fired power plants expands, and more broadly America attempts to reshore it heavy industries. Much more to report on in our next installment.

FULL STEAM AHEAD.

Looking Down the Tracks

References and Technical Notes

[1] Transcript of US President Donald Trump's Remarks, July 4, 2025
https://rollcall.com/factbase/trump/transcript/donald-trump-remarks-fourth-of-july-celebration-white-house-july-4-2025/

[2] North American Electric Reliability Corporation 2023 Long-Term Reliability Assessment
https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_LTRA_2023.pdf

[3] US House Committee on Transportation & Infrastructure Hearing, *America Builds: The Role of Innovation and Technology in a Safe and Efficient Rail System* - June 24 2025
https://www.youtube.com/watch?v=OYv1NkzDMFA

Note on Forecasting Methods

Quantitative forecasts developed using the Federal Reserve of St. Louis economic data, Surface Transportation Board railroad data, and Seasonal Auto-Regressive Integrated Moving Average with Exogenous Variables (SARIMAX) forecast formulations. Exogenous inputs into the carload and intermodal SARIMAX forecasts were first independently forecast using Auto-Regressive Moving Average (ARIMA) forecast formulations, and then modified where necessary to capture our expectations of anomalous future behavior (i.e. political developments).

If you have any questions regarding our forecast, please reach out to us at research@telegraph.io.

About the Author:

David Correll is the Director of Freight Market Intelligence at Telegraph. He has spent two decades in transportation and logistics with the US Department of Transportation, the US Department of Energy, the Massachusetts Institute of Technology, and Clark University. David brings his many experiences – and a little bit of wit – to help us break down some of the more nuanced challenges and opportunities facing American rail transportation.