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FREIGHT

v.

FICTION

Harris Ligon CEO
David Correll Director Freight Market Intelligence

We Had Questions

Does operating ratio relate to train speed?

Relationship between dwell and speed?

What about volume and speed?

Is the network supply or demand constrained?

Did cost cuts clearly influence service?

Are railroads losing share to truck?

Where is the money going from improving OR?

Any trend in proportion of trains being held?

Three Big Themes

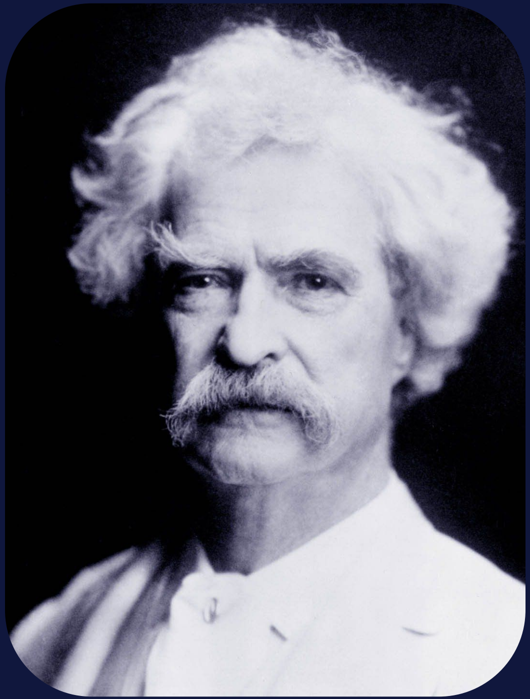
1. Freight rail is not fading away
2. Efficiency has not produced growth
3. A services economy still needs rail

1

Freight railroading is not dying

“The reports of my death were greatly exaggerated.”

— Mark Twain



Dying? Hardly. Just indexed to the wrong comparable

Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

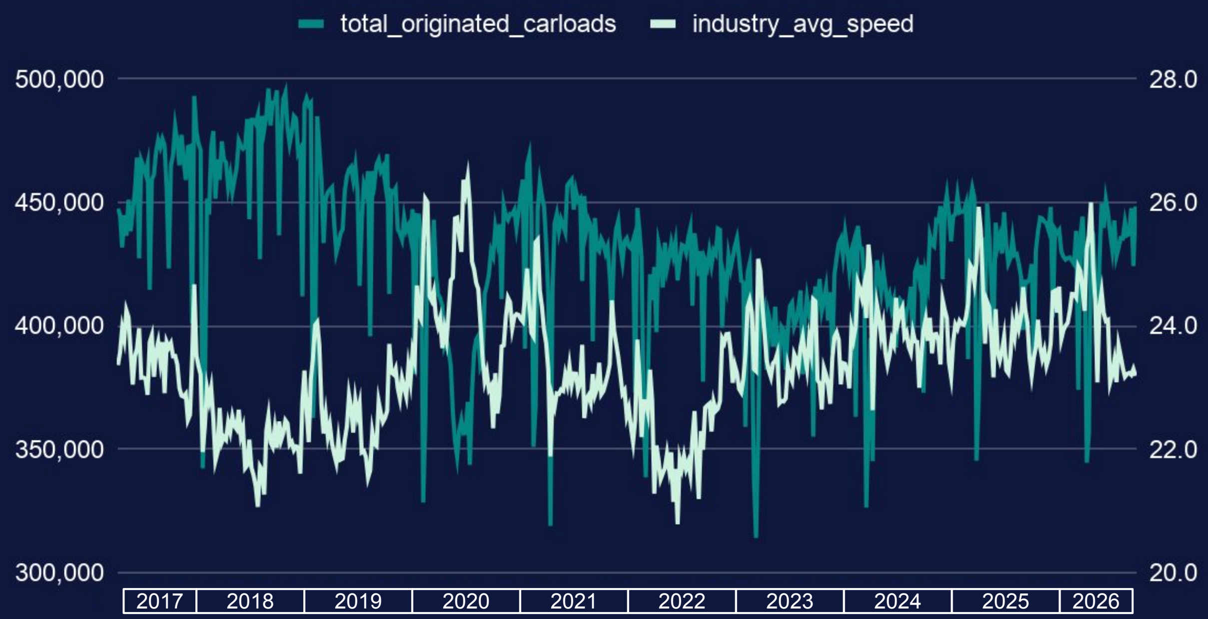
Against the right yardstick, total rail volume keeps pace

Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

So what is really holding freight rail back?

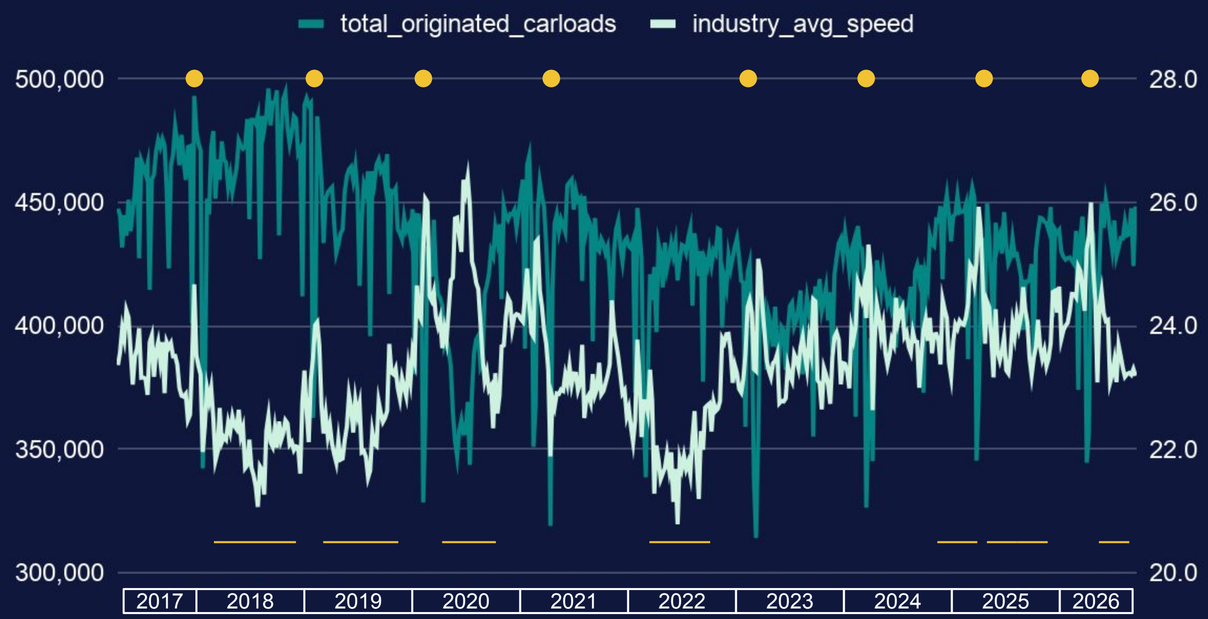
Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

Trains speed up when the network thins out



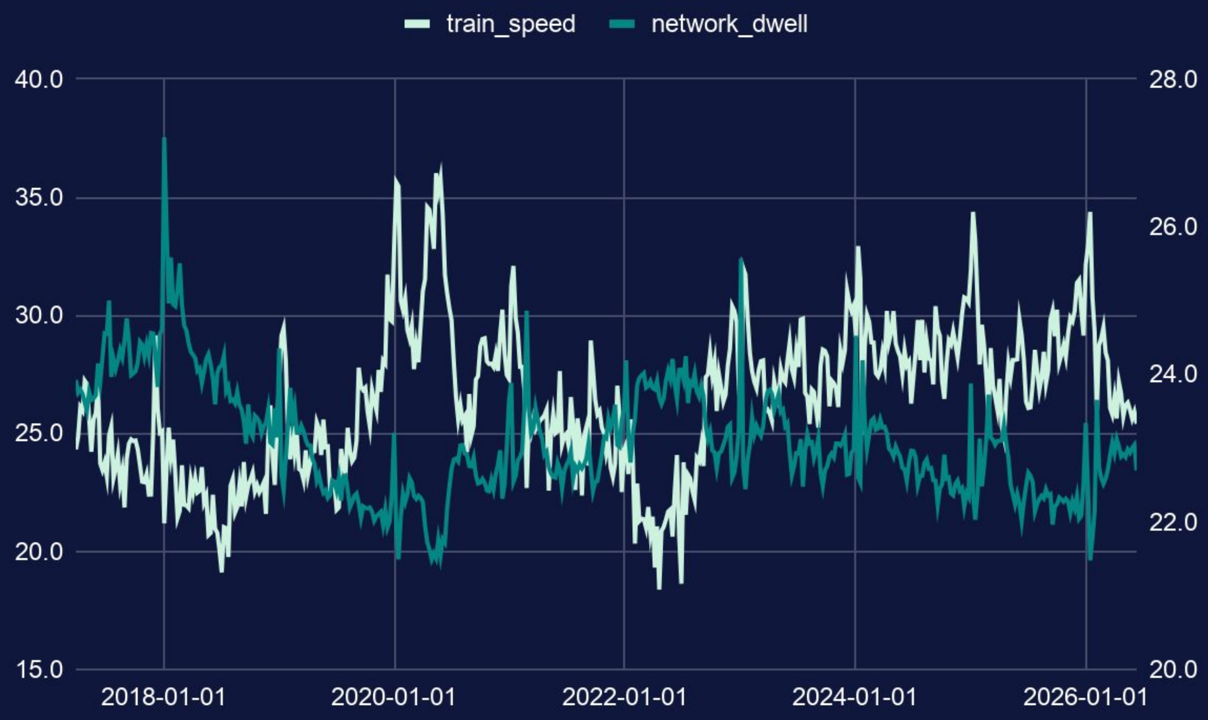
Source: Federal Reserve of St. Louis / Telegraph Market Intelligence / Surface Transportation Board

Trains speed up when the network thins out



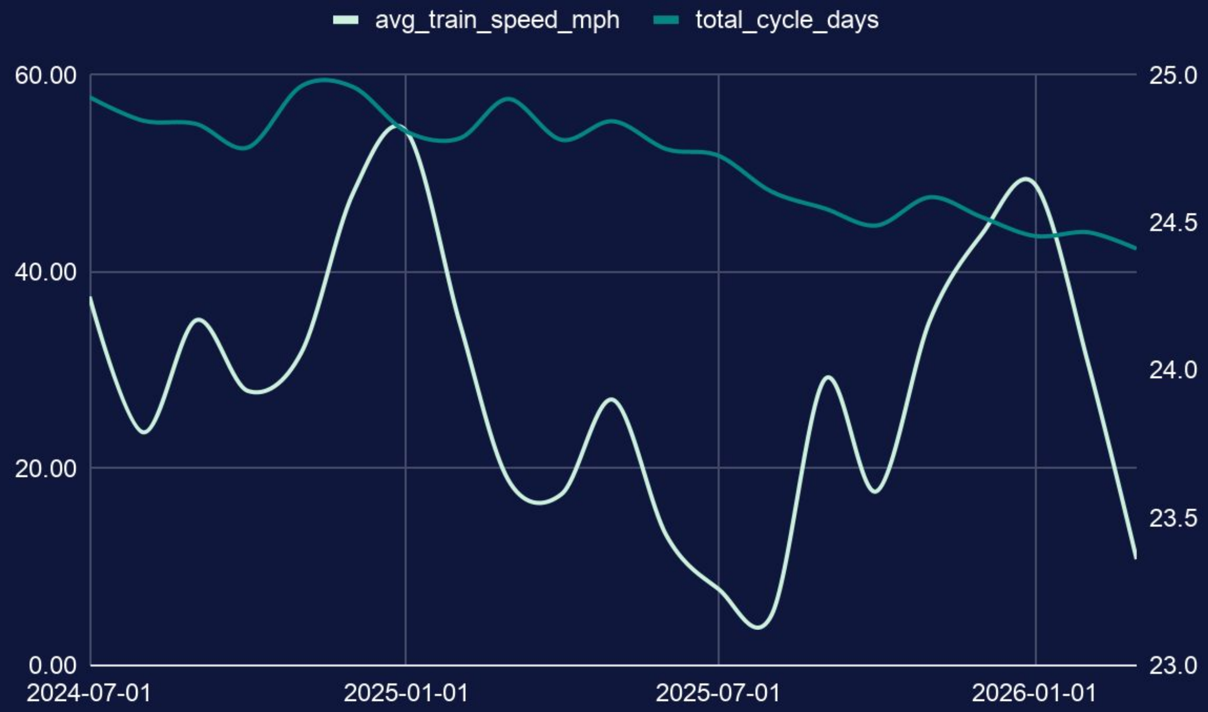
Source: Federal Reserve of St. Louis / Telegraph Market Intelligence / Surface Transportation Board

When the network thins out, dwell declines



Source: Federal Reserve of St. Louis / Telegraph Market Intelligence / Surface Transportation Board

Speed swings 10X, cycle time only improves by a half day



Source: Federal Reserve of St. Louis / Telegraph Market Intelligence / Surface Transportation Board

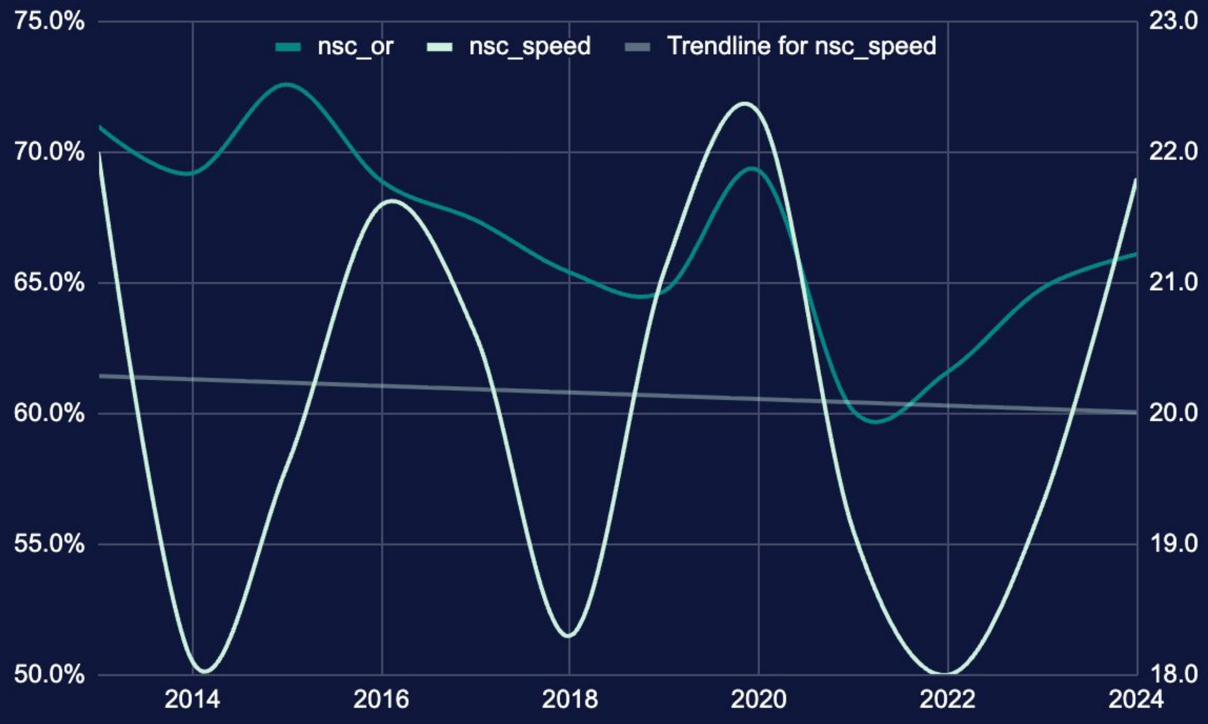
2

You cannot cut your way to growth

“Operational effectiveness is not strategy”

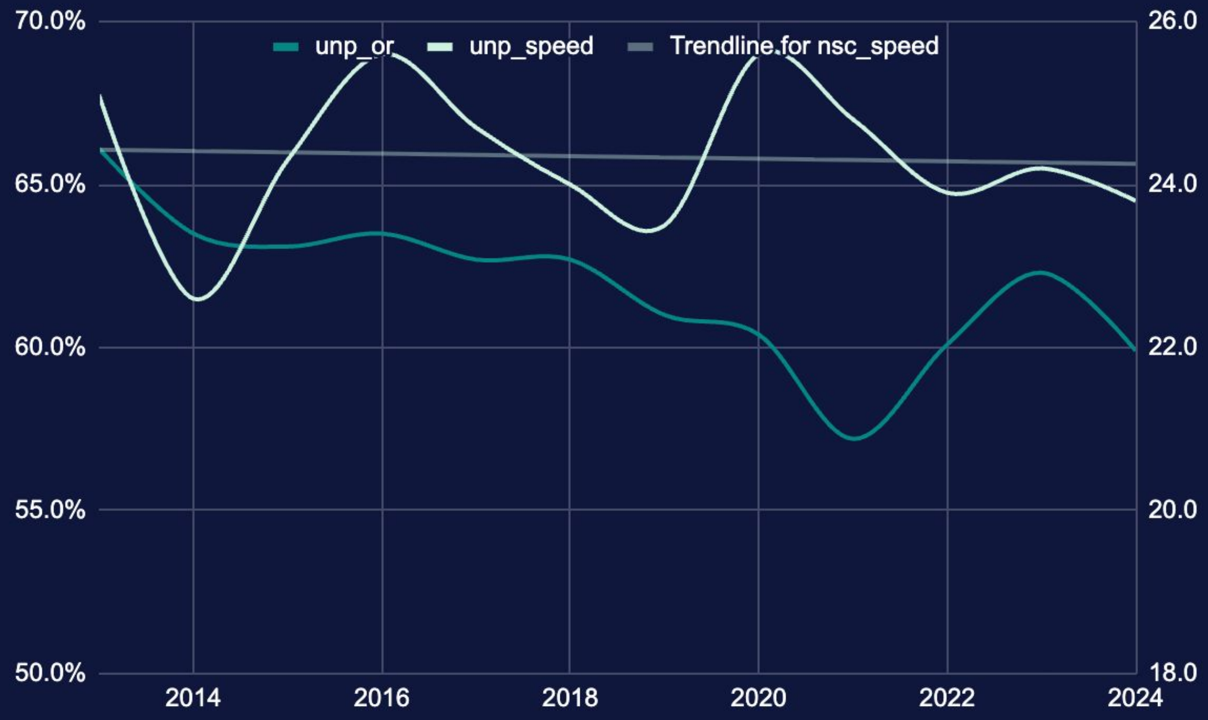
Michael Porter

A better ratio did not deliver a faster railroad for NS



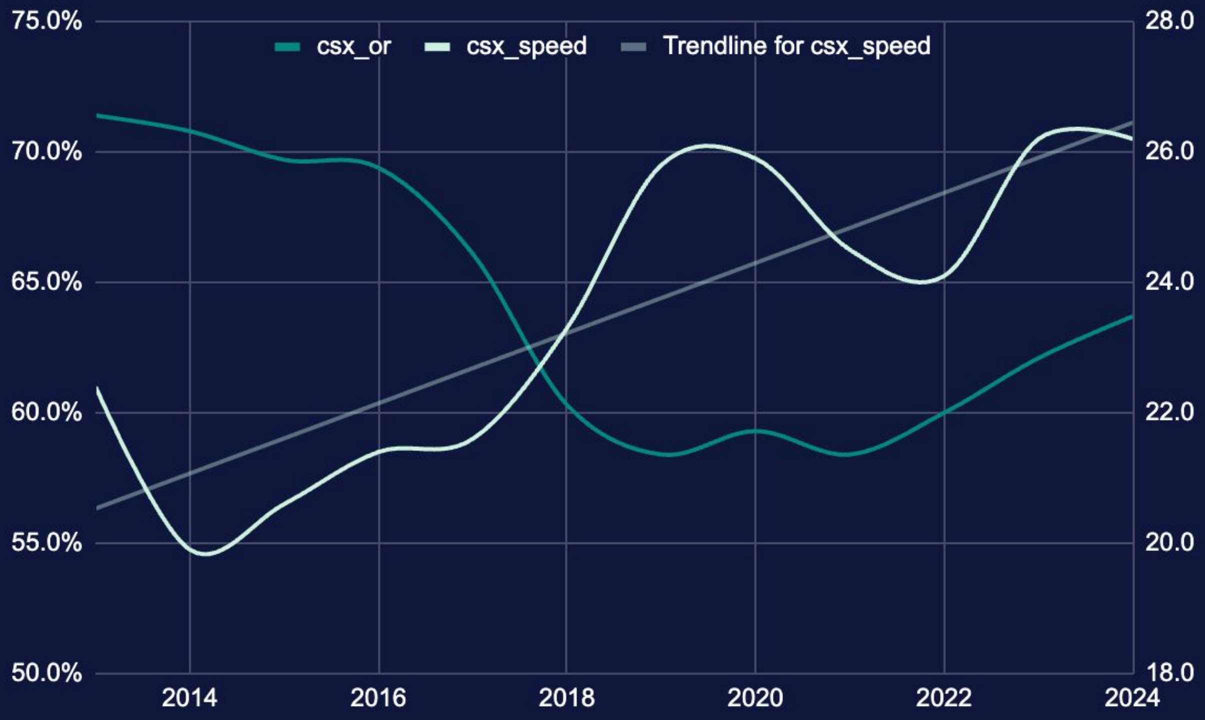
Source: STB / 10-K Filings/ Telegraph Market Intelligence

Six points of OR gain at UP, minimal gain in speed



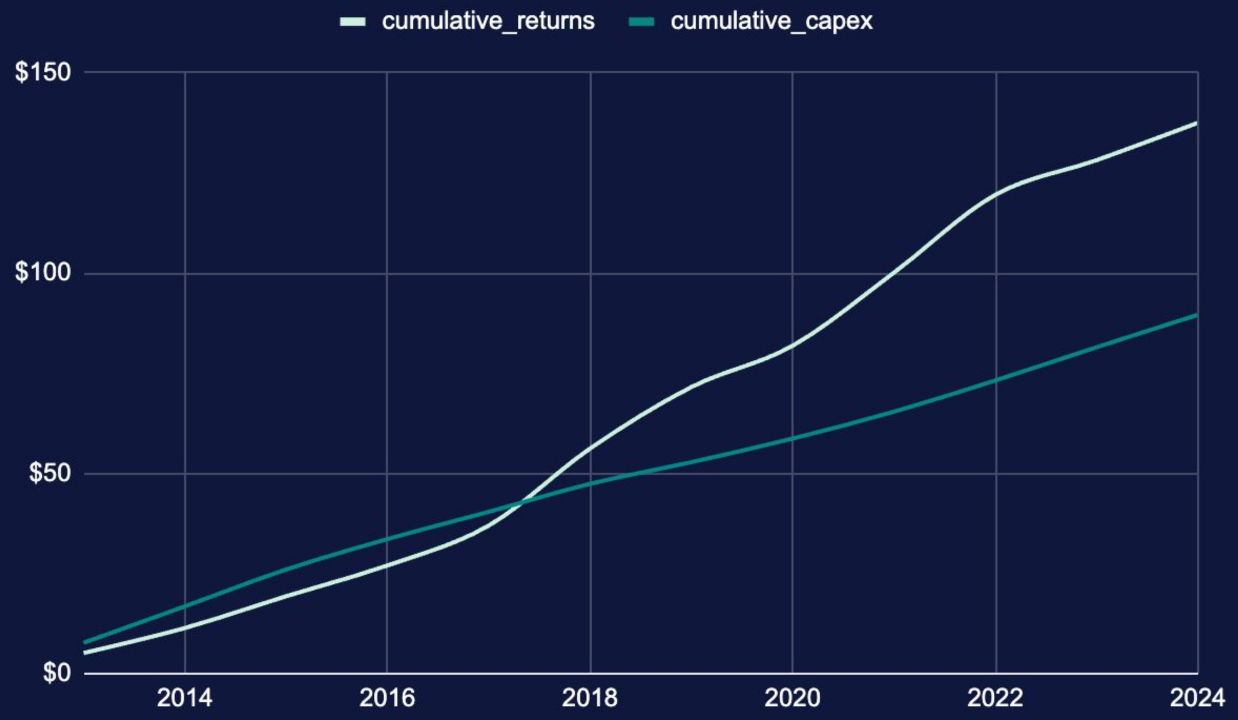
Source: STB / 10-K Filings/ Telegraph Market Intelligence

Surprisingly, CSX gained speed and improved its ratio



Source: STB / 10-K Filings/ Telegraph Market Intelligence

For roughly every $1 of capex, $1.5 goes to shareholders



Source: STB / 10-K Filings/ Telegraph Market Intelligence

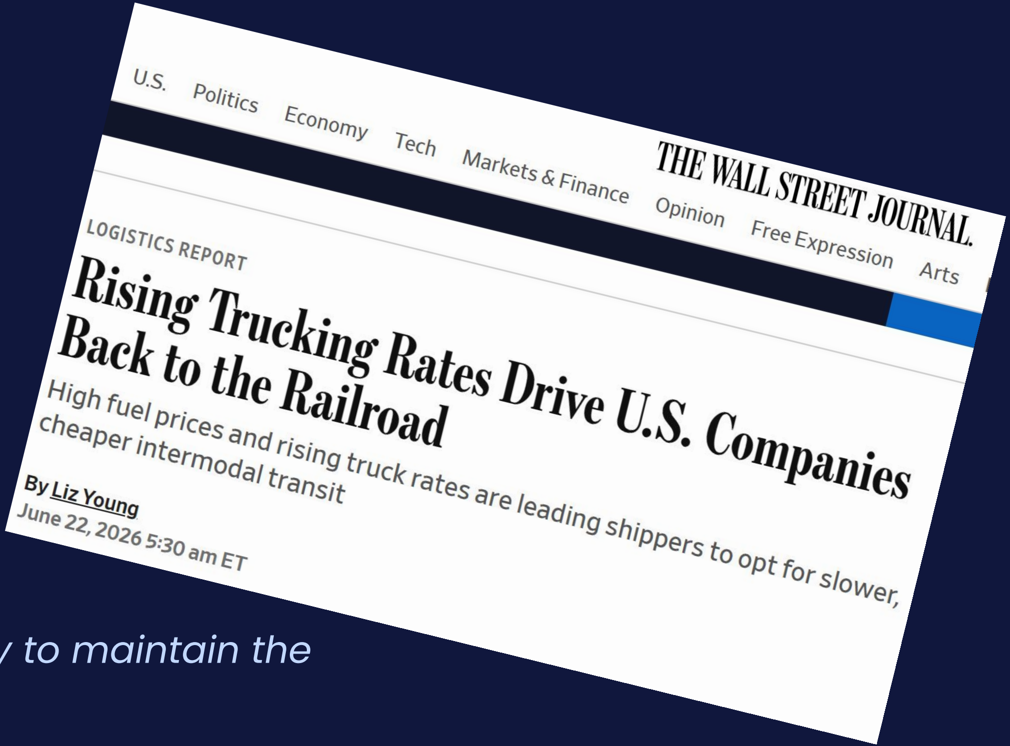
The problem was never demand, it was capacity

3

More than just services

“All of us in business have a responsibility to maintain the industrial base on which we depend.”

Andy Grove



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THE WALL STREET JOURNAL.

LOGISTICS REPORT

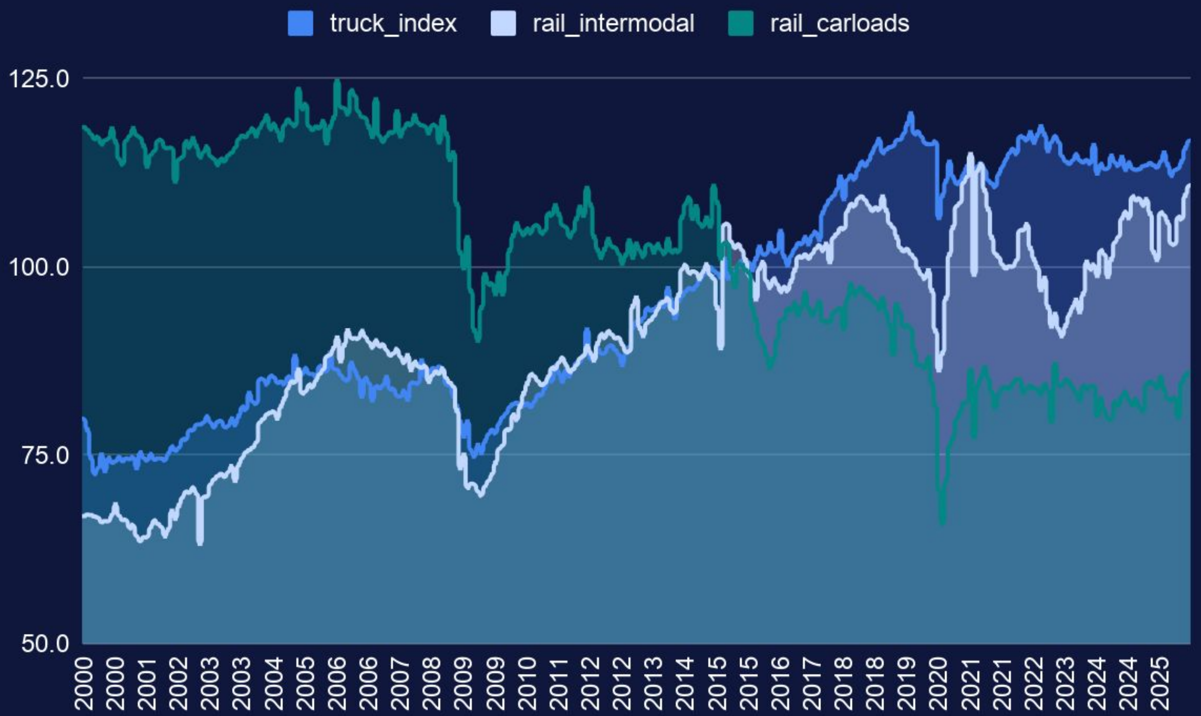
Rising Trucking Rates Drive U.S. Companies Back to the Railroad

High fuel prices and rising truck rates are leading shippers to opt for slower, cheaper intermodal transit

By Liz Young

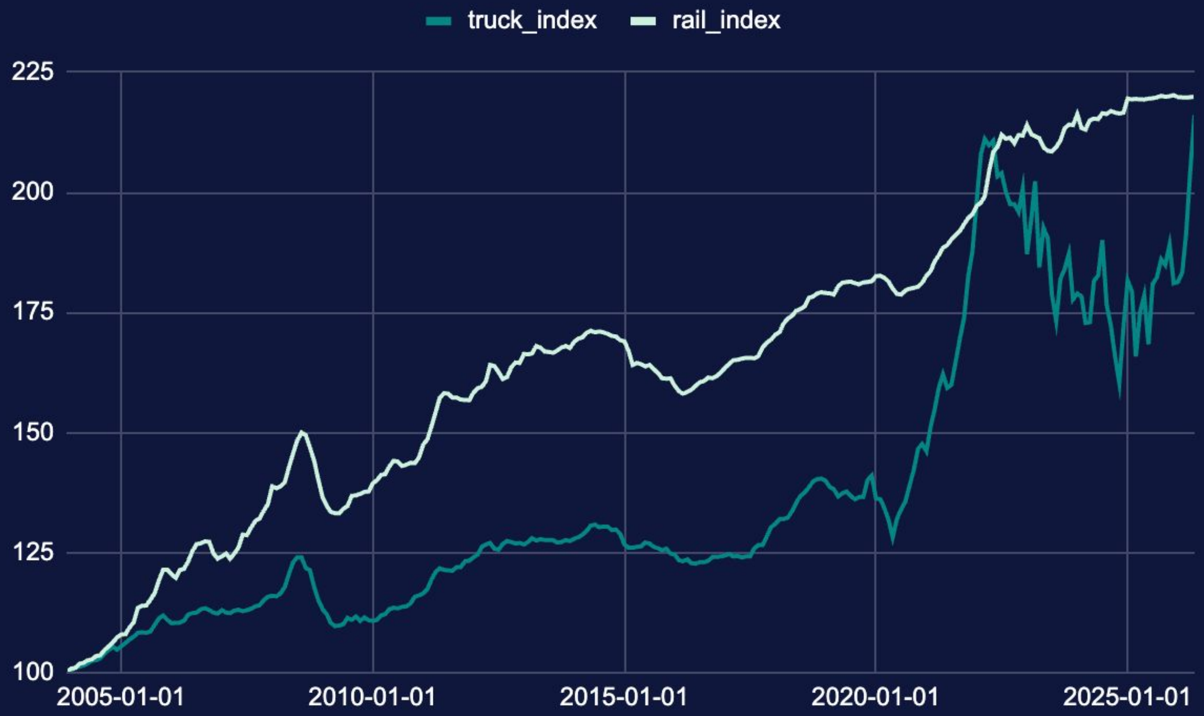
June 22, 2026 5:30 am ET

Rail is two businesses, but only one competes with truck



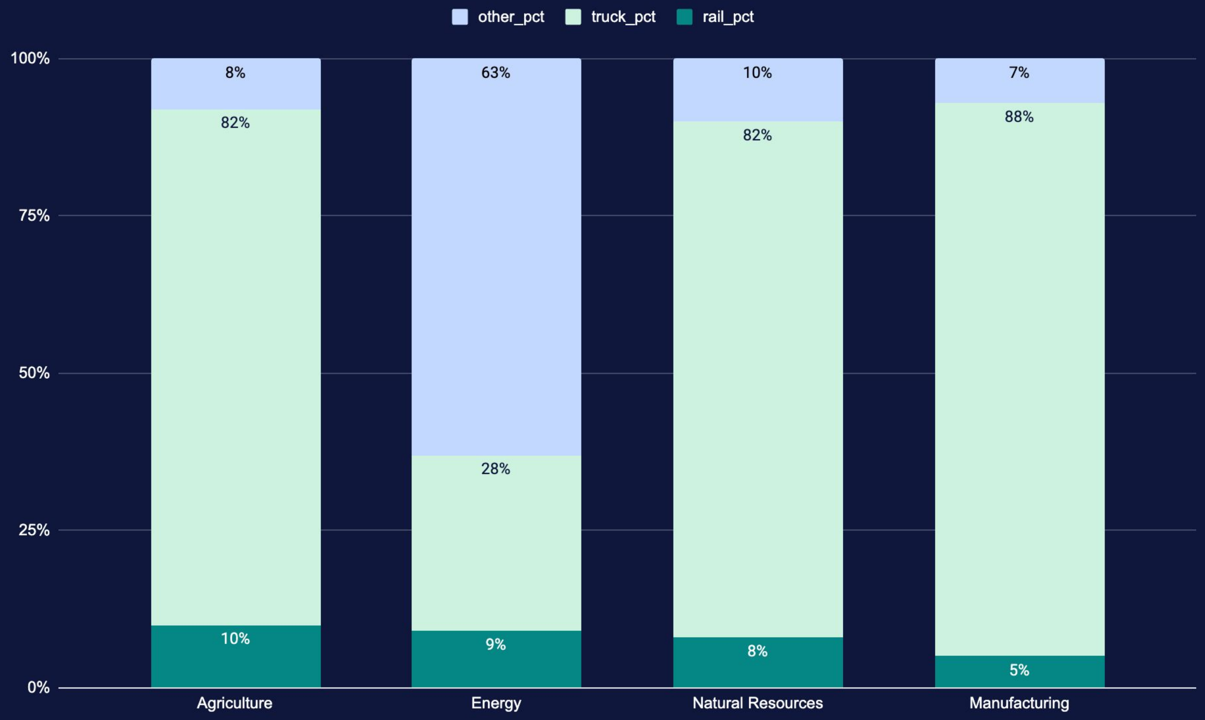
Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

The freight recession was real, but rail remained steady



Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

Want to grow? Here are the channels



Source: Federal Reserve of St. Louis / Telegraph Market Intelligence

Three Big Takeaways

1. Rail <> Industrial Production
2. Efficiency ≠ Growth
3. Capacity > > > > Growth

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