

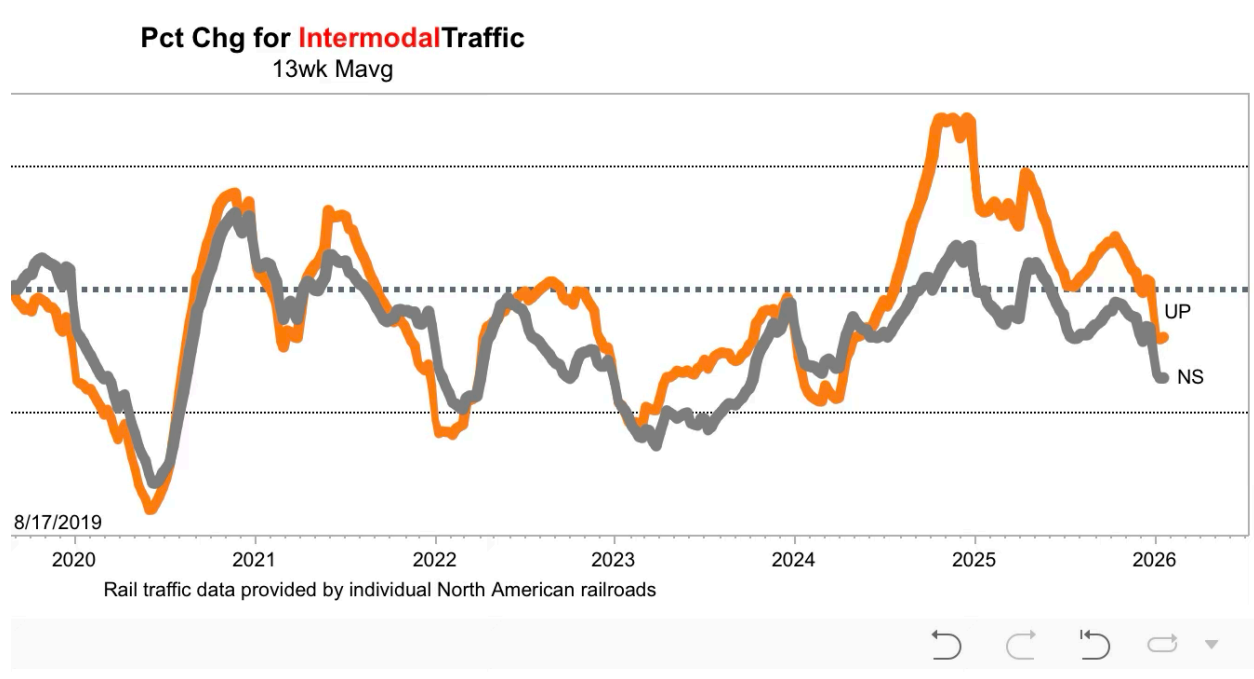
RAILROAD WEEK IN REVIEW EXTRA

January 28, 2026

“The most provocative idea in Drew’s filing is the ‘IMC capital chasm’ Today, railroads behave like wholesalers, selling line haul to IMCs such as J.B. Hunt, Hub Group, and STG Logistics, who then own the customer, the box, the chassis, the tractors, and the first- and last-mile. UPNS’s promise implicitly assumes those IMCs can and will massively scale.” — FreightFA Industry Podcast: Drew Robertson of Atlantic Systems Inc., January 19

The purpose of this *Week In Review Extra* is to enlarge on a recent STB Filing from Drew Robinson of Atlantic Systems, Inc., in NY. I have been following his work for a couple of decades and often use his analysis to sanity-check my own conclusions. His work on and contributions to understanding railroad mergers is legion.

To frame the argument, it is a given that Class I railroads now live in two distinct worlds: intermodal — and everything else. The current UP/NS conversation is a case in point. Neither railroad has distinguished itself in attracting new customers and building the business for at least five years. Drew’s chart shows the trend.



And so it is that the central argument of Drew's filing does not dispute UP's methodology or its aspirational two-million-truck figure. Instead, he argues that UP and NS ignore the real bottleneck: the Intermodal Marketing Companies (IMCs) — the wholesalers' indispensable retail partners.

“There is no doubt UP and NS modeled railroad infrastructure. What they modeled says almost nothing about IMC capital needs, operating capacity, environmental impacts, or their willingness (or ability) to invest. That omission, Robertson argues, renders the Application incomplete.

He argues that this “IMC Capital Chasm” hits at the heart of the UP/NS Filing and goes on to quantify what was left out. To wit: handling the projected diversion would mandate the IMCs' adding purpose-built capacity roughly equal to J.B. Hunt's entire current intermodal business.

This is where the filing leaves the realm of theory and enters the realm of checks, debt markets, and balance sheet..

We're talking, in round numbers, about a thousand-plus 53-foot boxes (\$1.14 billion), supporting chassis (\$550 million), modern tractors (roughly \$1 billion), plus added terminals and support infrastructure (\$100 million). All told, call it nearly \$3 billion. And yet the Application lacks a Business Plan, offers no capital sourcing discussion, and is bereft of any testimony from the IMCs committing to this scale of investment.

Then there are the environmental “Hot Spots.” Whereas UPNS claims macro-level environmental benefits, localized impacts (urban terminals, drayage congestion, air quality) are pushed onto IMCs. These impacts are excluded from the EIS, despite being a foreseeable consequence of the merger. Bottom line: environmental harm cannot be outsourced while public-interest credit is retained.

The financial footing is shaky, too, as Robertson strengthens the argument with a few current market realities. The whole IMC sector is stressed, as one can see with the January bankruptcy of STG Logistics (UP is their largest creditor to the tune of \$13.4 million). This situation alone undercuts any assumption that IMCs are flush, eager, or able to fund a \$2–3 billion expansion.

And so it is that Robertson asks the STB to deem the application incomplete unless UPNS provides full equipment ownership and accounting assumptions, a credible IMC business plan (new or expanded), an amended EIS covering IMC-driven congestion and

emissions, and verified testimony from solvent IMCs committing capital and capacity.

In short, this Atlantic Systems Filing matters because it's a systems-level reality check. Railroads can wholesale the carload sector all they want — but intermodal only works if the retail layer is real, funded, and willing. From an STB perspective, this goes straight to public interest, feasibility, and competitive effects — exactly where weak merger applications tend to fail.

I'm writing this *Extra* in the middle of the Class I Earnings Call season because I think it bears a certain degree of urgency and doing so actually helps it land harder. Industry observers on the earnings calls get a lot of confident narrative, largely unsupported by capital math. This is my antidote.

Consider: earnings calls are full of “long-term opportunity” language; this discussion is all about who writes the checks and when. This *WIR Extra* is intended to add freshness without haste — still timely, but clearly digested and not something to squeeze between operating ratio charts. I'm hopeful we can let the earnings calls talk. Then let the math answer.

Note: certain interpretations of Drew's Filing courtesy Chat GPT

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