

RAILROAD WEEK IN REVIEW

January 23, 2026

“Significant recruiting and retention problems for trucking companies have emerged due to (1) declining compensation over the last few decades; (2) long hours/poor working conditions; (3) an aging workforce and lack of new entrants; (4) low female representation; and (5) high turnover rates of around 90%.” - CFRA Outlook, Jan 19

“The STB said in its 15-page decision that it rejected the UP/NS application based on problems with market-share data, the failure to include the complete merger agreement between the two railroads, and how the application addressed control of the Terminal Railroad Association of St. Louis.” — TrainsPRO, Jan 16

“While volumes for the rails inflected negative y/y in 4Q for the first time in 9 quarters, we expect yield trends to accelerate in 4Q and further into 1Q. Overall, we expect modest y/y margin pressure for the rails in 4Q but expect all of the rails will return to margin improvement in C26.” — Scott Group, Wolfe Research, Weekly Recap, Jan 18

I am quite pleased to see the STB rejected the UP/NS “merger” application. The STB’s language in its Decision is quite clear and free of legalese:

“In this decision, the Board finds that the application seeking approval for Union Pacific Corporation to acquire control of Norfolk Southern Corporation, and, through that entity, Norfolk Southern Railway Company and its rail subsidiaries, is incomplete.

“In accordance with the statute, the Board therefore must reject the application (and two related applications) and does so without prejudice to refiling. Applicants may submit revised applications in this docket, which would commence a new review by the Board for completeness. Applicants shall submit a letter in the docket by February 17, 2026, indicating if and when they anticipate refiling.”

WIR readers seem to agree it was the proper thing to do. A friend who stays close to the STB’s moves writes (emphasis added), “The rejection of the application could just as easily be read as *instructions on how to file an application* the STB majority is comfortable with approving, and which will produce a decision the majority's attorney advisers think is fully defensible in court.” One would think UP would know better.

It also strikes me that the Board’s rejection could also be read as a demonstration of their regulatory independence after Vena so unwisely set them up as under the thumb of the

President. Did Vena think his contributing \$millions to the White House Ball Room Project would help the President put his thumb on the STB scales to accelerate the transaction's approval?

And how about the break-up fee? If the elements conspire to the point that the STB rejects the merger or imposes conditions so onerous that the companies elect not to proceed, Union Pacific would owe Norfolk Southern \$2.5 billion. This is in essence a reverse termination fee (breakup fee) built into the merger agreement covering both sides.

The fee, roughly three percent the deal's value, serves both as a deterrent to backing out and as a compensatory provision for the party disadvantaged by a termination of the agreement. So, if The Powers that Be block the deal or impose conditions so onerous that the companies elect not to proceed, UP would owe Norfolk Southern that sum of money. Vena is in essence betting that the White House bribe is cheaper than the break-up fee. Is that what the UP shareholders voting "Aye" thought they were voting for?

I still think it all boils down to a matter of trust. CSX, in its January 15 reply in support of the BNSF Motion to Compel, writes, "Discovery of the Applicants' board materials, banker materials, and email communications is also proportional to the needs of this proceeding.

"The Applicants themselves have expressed the magnitude and importance of the merger to American railroading. Thus, requiring Applicants to turn over materials that are central to the issues is proportional to the magnitude of the proposed combination." And CSX is not alone in filing objections to the transaction with the Board. So it was only meet and right for the STB reject the UP Application for Control of NS as submitted.

There's \$money in them thar short lines. The Appalachian & Ohio is a 158-mile coal railroad operating out of Grafton, WV. My sources suggest something on the order of 90,000 carloads a year, or 570 cars per mile, six times what the Rule of 100 says you need to run a short line.

In 2022, the railroad collected \$35.4 million in CRISI and state matching grants for infrastructure improvement. The money bought, according to the A&O website, "rehabilitating nine aging and deteriorating tunnels, completing various track-related improvements, and making emissions-oriented and safety improvements to A&O's locomotives fleet." The A&O connects solely with CSX, where the 3Q2025 coal RPU was \$2,653. Let's just say A&O gets a \$500 division of that revenue. Call it \$45 million.

Class I seem to be spending 15-20% of revenue on capex. That's \$9 million a year for this ex-CSX line segment. Now comes a CRISI/local rehab grant of four times that. Spend a tenth of that a year on the railroad and invest the balance at 8% a year to offset the rate of money-value erosion and you could come out ahead.

While there isn't a single standard percent that applies across all railroads for track depreciation, for example, the rate is often based on engineered useful life estimates and STB-prescribed schedules. However, for many track components, straight-line equivalents of 2–3 % per year are reasonable ballpark figures based on industry practice. No wonder private investment firms are interested in non-Class I railroads.

BNSF is in very good hands. Elias Schisgall writes in Monday's WSJ that new Chief Executive Officer Greg Abel will be paid \$25 million annually, a substantial increase over the pay of his predecessor Warren Buffett.

Since his becoming CEO and Chairman of Berkshire Hathaway Energy in 2008, Abel has grown BHE into one of Berkshire's most significant cash-generating and capital-allocating engines with major investments in regulated utilities and renewable infrastructure. His skills as a capital allocator will find good use at BNSF, with its \$4 billion-plus annual capex spend.

Put in perspective, CEO Buffett took an annual salary of \$100,000 for more than 40 years, not counting the cost of personal and home security recorded as compensation, according to an SEC filing. And while Buffett historically managed Berkshire's investment portfolio and overall capital allocation strategy, Abel's track record at BHE demonstrates disciplined capital deployment in regulated energy assets and long-term infrastructure.

Last May, *Investopedia* wrote that Abel's reputation in the market "reflects a blend of disciplined operational capital allocation and strategic long-term thinking — a strong complement to Buffett's legacy, even if his style likely differs in emphasis and execution."

The Railroad Week in Review, a compendium of railroad industry news, analysis, and comment, is sent as a PDF via e-mail 50 weeks a year. Individual subscriptions and subs for short lines with less than \$12 million annual revenue are \$175. Corporate subscriptions for Class I railroads and short line/regional operators with more than \$12 million annual revenue are \$600 per year. To subscribe, click on the Week in Review tab at www.rblanchard.com. © 2026 Roy Blanchard