

RAILROAD WEEK IN REVIEW

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"The root cause is often clear: mechanical failure, crew management, broken parts — but lasting change means asking, 'What would it take to prevent this?' Railroading faces the same trap: headlines blame circumstances and history, but actual progress demands accountability and actionable solutions." — AI companion on the Real Vision platform,

"The real winners of the intelligence revolution will be those who deliver AI magic. That means leveraging intelligence to build tools that serve people in powerful ways. Think apps that know your context, anticipate your needs, and act on your behalf. Or an Everything Companion that acts as an everyday assistant, counsellor, and philosopher to you. Magic requires not just a model, but a deep relationship with users — an understanding of their contexts, behaviors, and preferences — and the ability to distribute at massive scale." — David Mattin, New World Same Humans, March 16

Last week I dwelled on the importance of knowing what went wrong as opposed to simply dwelling on the historical why stuff happens. There's never a question about the root cause of the unplanned event. It's always you can't fix this because... Baloney. The locomotive failed because a traction motor overheated. The crew outlawed because they were held out of the yard. The train went in emergency because an air hose broke. But what caused these events to happen in the first place? Somebody didn't do their job.

In railroading—as well as in other walks of life — the *why* behind failures gets the headline, but it's the *what* that delivers real change on the ground. Leaders often stop at explaining *why* things happen (weather, human error, load issues), but rarely dig into *what* structured changes or accountability are needed to prevent repeats.

Bringing things closer to home, this pattern is everywhere after big incidents or losses, whether in railroads or highway pile-ups. There's always more noise about attribution than dedicated action toward permanent solutions. It follows that anyone running any business, whether a railroad or a truck stop, needs to hold *why* and *what* together.

This is my call to dig deeper: don't settle for press releases; demand real, operational answers. My sense is — and has always been — that useful conversations spark new insights, and in this particular argument I want to be setting the tone for clear, actionable thinking—much like a well-run railroad. This is how ideas get stress-tested, refined, and turned into actions, not just opinions.

I'm always digging into the *why* and relentlessly pressing on the *what* in my efforts to make WIR stand out among its peers. With each exchange, my goal is to evolve the narrative -- thus arming readers with deeper, sharper ways to see their railroads. WIR is written to encourage readers to be relentless about details and accountability. In any industry, clear thinking and rigorous dialogue forge durable solutions, not just headlines.

Artificial intelligence's real comparative advantage is not mystical "thinking," but the amalgamation of weak signals into recognizable patterns. Whether the objective is detecting a malignancy before symptoms appear, preventing a derailment before a bearing overheats, or guiding a complex military operation, the underlying task is the same: synthesizing vast streams of imperfect data into an early warning that something is beginning to go wrong.

AI increasingly serves as the quiet pattern engine that spots emerging risk sooner than human cognition alone can manage. That means taking a whole new approach to problem-solving in the railroad arena. There still remain traces of the railroad leadership style from 20 years ago.

Case in point: a long-time WIR reader and former marketing-type at a Class I railroad writes, "Discipline, discipline, discipline...." I don't know how many times you used the term, but it is essential, and has been *the* missing essential in merchandise railroading since I joined the industry.

"When the railroad runs to a disciplined trip plan — the same trains, the same work, every day — service stabilizes, velocity improves, and customers respond. The financial results follow." Absolutely. They FOLLOW. They are a measure of success. The measures should not be the goals. That first sentence should—must—encompass the goals.

"Back in 1991 or so, a known leader in railroad thought and process gave a presentation to a major industry conference in which he quantified what the railroads could expect in improved margin for every so many points of improvement in reliability. It was impressive real world work. Back at the office, our group presented a synopsis to our head of marketing. Without even a thank-you he told us to leave his office and to devote our efforts to something useful." And that manager's successors are still running things the same way. No wonder the merch carload business attracts fewer and fewer customers.

Here endeth the daily lecture on the using AI to sharpen train operations and create more customers in the bargain. One of the more pressing issues out there is the war in Iran and its impact on the railroads. Fact is, drillers haven't felt much like drilling new

wells with oil prices in the sub 60s. But now, with WTI pushing into the \$hundreds, the motivation to drill is likely to return. In spades.

Two things will happen. The demand for frac sand is likely to return, albeit slowly. The key structural point (with a little help from ChatGPT) is that nat gas is a natural by-product of oil drilling. But it's largely in the way of accessing the actual black gold, so drillers seek the easy way out to domestic markets.

US nat gas is only partially linked to global LNG markets, so when the Middle East explodes the global demand for oil spikes hard. In other words, the Iran business suggests the Brent-WTI spreads indicate that oil markets are pricing in a global supply shortfall. The present spread has been volatile.

Currently, the Brent-WTI spread is large at \$7.00, indicating that the market suspects the conflict will continue to weigh on global oil supplies. However, the spread has been highly volatile, shifting from one headline to the next. Just in the past week Brent has jumped to \$120 from \$70 per 1,000 barrels. Meanwhile, WTI languishes at \$98 per thousand after a multi-year run in the sub-90s. You can see already WTI wants in.

Now comes the WSJ on March 18: "Global oil supply losses could be reaching 8 million barrels of oil a day, or nearly 8% of global demand. There is a short-term bullish bias on oil prices, with Brent likely to push towards the \$110-\$120-a-barrel range and WTI exceeding \$100 a barrel. Front-month WTI futures fall 4.2% to \$92.15 a barrel; Brent drops 2.7% to \$100.60 a barrel." And if such is the case, US drillers will be less likely to enter the fray.

Less drilling, less frac sand, less demand for small cube covered hoppers. The pressure will be on reducing nat gas prices to the give-away level, Chat GPT concludes. "This war doesn't guarantee the \$4-5/mmBTU level of recent experience. But there is a chance of sustained higher prices if LNG becomes the balancing mechanism." I doubt that event. With no spike in frac sand demand, short lines should be happy to get what they can.

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