



MARS 2024 Winter Meeting

Chicago, IL
January 10, 2024



About KBX

A KOCH COMPANY

As a subsidiary of Koch Industries, KBX serves the growing demand for supply chain efficiency across broad logistics markets. We are committed to delivering advantaged and scalable solutions for our customers that create superior value and mutual benefit. We strive to create competitive advantages for our customers through our leveraged scale, access to developing technology disruptors, and reducing the complexity of supply chains.

AT A GLANCE

- 223,000+ annual rail loads
- 17,000+ private rail assets
- 5 industrial short lines
- 320,000+ annual TEU shipments
- Air and project cargo worldwide
- Freight forwarding & NVOCC
- 2.5MM+ annual over the road shipments
- Proprietary TMS for all transportation modes, globally





2023 IN REVIEW

“Summarize the challenges in the US freight rail market in 2023.”

- **Increased Costs** – The rising cost of fuel, labor, and materials put pressure on railroad profitability and led to higher shipping rates for customers. This made it more expensive for businesses to move their goods by rail, and in some cases, led them to switch to trucking or other modes of transportation.
- **Competition from Trucking** – Trucking companies were often able to offer faster and more flexible shipping options, at a lower cost than the railroads.
- **Regulatory Environment** – The rail industry is subject to a complex and sometimes conflicting set of regulations from both federal and state governments.
- **Technological Advancements** – The rail industry is slow to adopt new technologies, such as automation and artificial intelligence, to improve efficiency and safety.
- **Environmental Concerns** – The environmental impact of the freight rail industry came under increased scrutiny in 2023. Concerns included emissions from diesel locomotives, noise pollution, and the potential for hazardous material spills.

Regulatory Soup

DOT Rail Safety Call to Action
Implementing Infrastructure Law
Rail Safety Act of 2023
WA 5267 – Rail Worker Leave
11 state train length restrictions
Reducing Accidents in Locomotives Act
Real-Time Hazmat information NPRM
Reliable Rail Service Act
EP 711 Reciprocal Switching
Modernizing Regulations to Improve
Safety and Efficiency ANPRM

DOT Safety Advisories
Hot Bearings
Aluminum Manways
DOT-111 in Flammables
Train Makeup and Operation
Accident Mitigation & Train Length
STB Emergency Service Petitions
Embargo hearings
EP 765 Rate Disputes
EP 755-6 Final Offer Rate Review /
Market Dominance

Any Tailwinds in 2023?

Average Train Speed

↑ 2.9% – 24.4 MPH

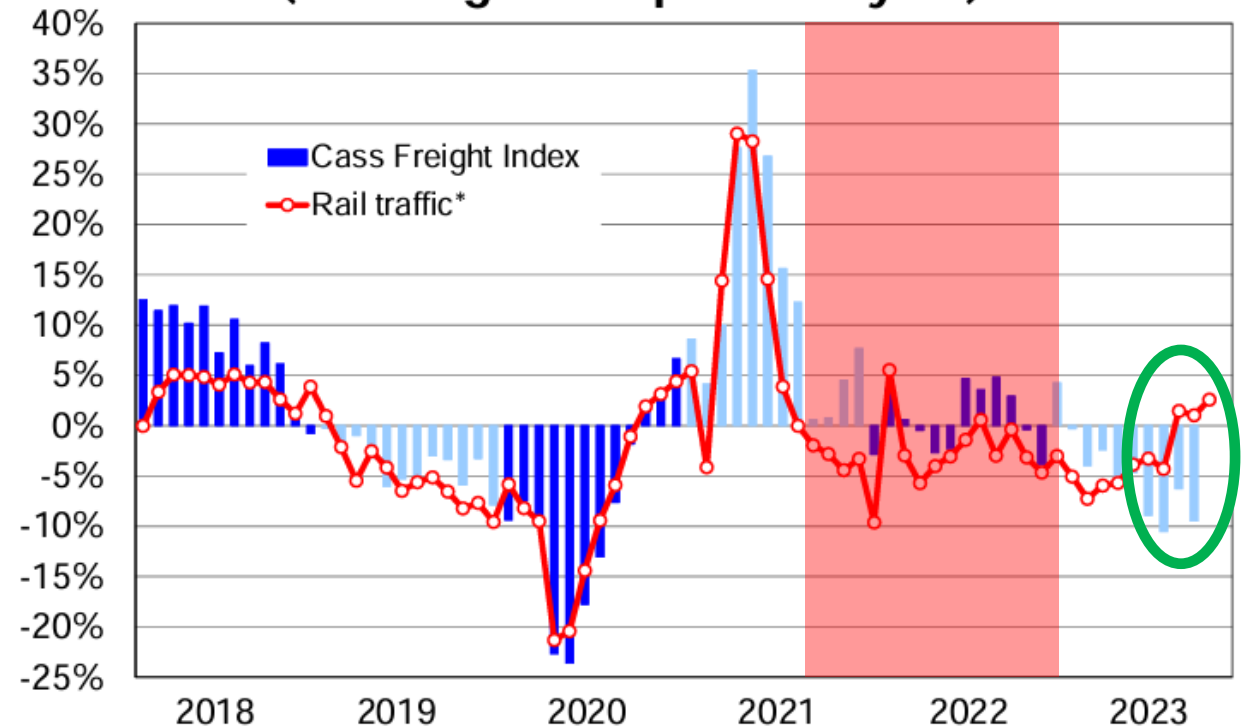
Average Terminal dwell

↓ 2.5% – 23.5 hrs

Average cars in revenue service
that have not moved in >48 hrs

↓ 20.5% – 27.1k

Cass Freight Index®: Shipments
(% change from previous year)



*Total carloads + intermodal originations. Source: Cass Information Systems, AAR

Success in 2024(?)

The last 3 years have taught us that many of our traditional approaches no longer lead to success.

How can we learn from the recent past to inform what will surely be yet another unique year for rail?

10,000 ways that won't work



- Depend on the STB for solutions
- Escalate, escalate, escalate
- Blind faith in the tech
- Postpone investments in self-reliance



- Lobby Congress for solutions
- Declare victory too soon
- Contract out risk
- Return to the dreaded 3-letter acronym

Approach Diverging

- Newspaper test – work together to restore our collective reputation
- Collaborate, and collaborate some more – at every level of the organization
- Invest in resiliency – build infrastructure and processes to minimize the impact of disruptions
- Demand disruption – Innovation starts with the customer
- Insist on long term thinking – low truck rates too, shall pass
- Data transparency – one source of the truth





Thank you!