

Rail Energy Transportation Advisory Committee

STB Rail Car Update:
October 2024

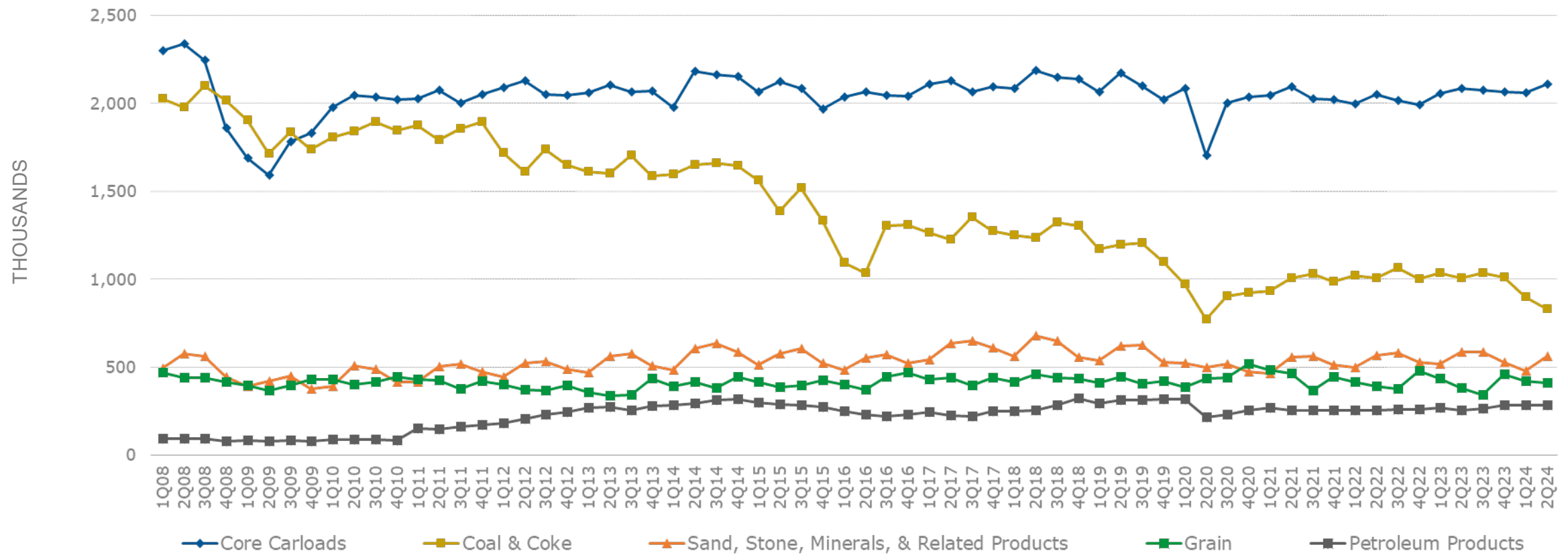
The information in this presentation and the accompanying views and analysis are based on publicly-available industry sources and do not necessarily represent the proprietary information, analysis, or outlook of GATX.



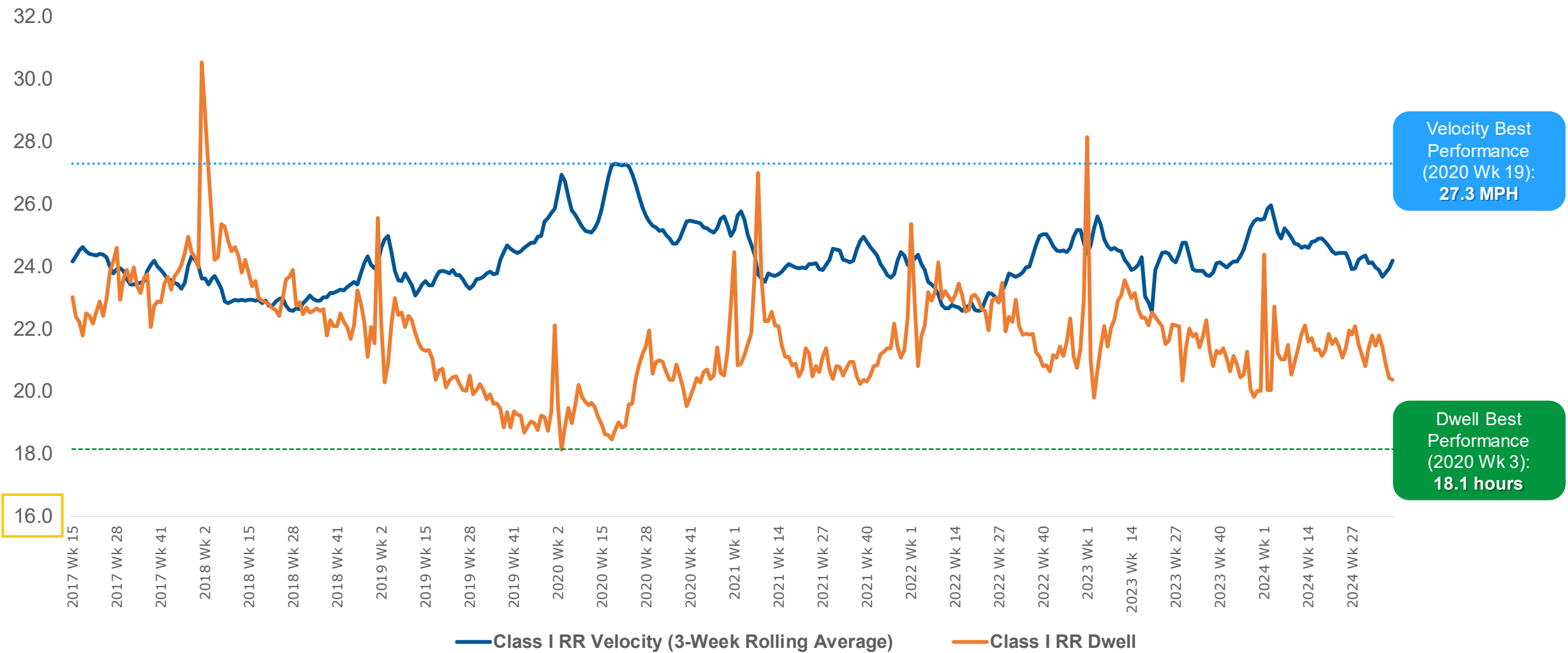
RAILCAR MARKET OVERVIEW

North American Carloads

Quarterly Carloads by Commodity Segment



Velocity and Dwell Down YoY

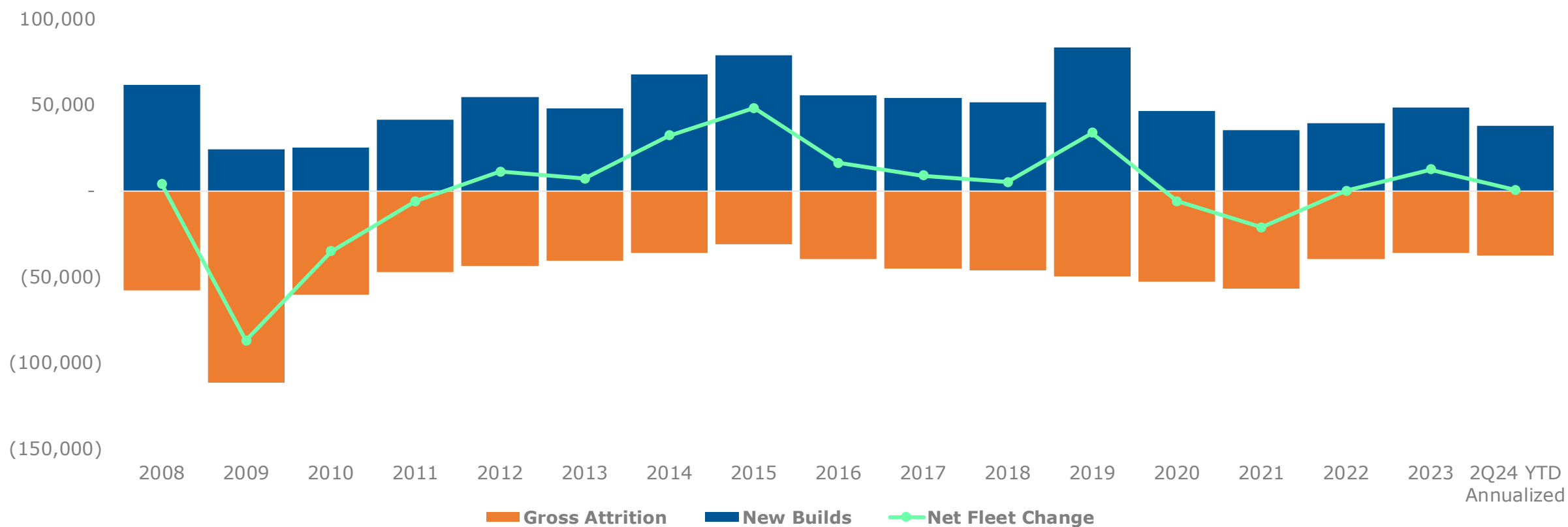


Source: Surface Transportation Board as of September 25, 2024

Fleet Growth and Utilization

Recent fleet growth muted despite high fleet utilization

Annual North American Net Fleet Change



Note: Updated using preliminary data
Sources: Umler, GATX analysis

Current Supply-Led Recovery



**No obvious
demand
catalyst**

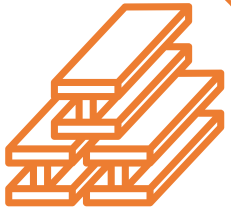


**Muted new car
production
levels**



**Maintenance
capacity
constraints**

Railcar Input Costs



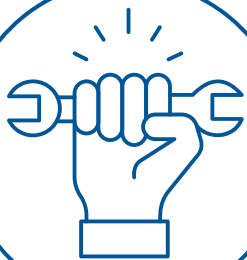
STEEL

Plate Steel Pricing
2014-2024 YTD CAGR: **3.2%**¹



MONEY

10-Year Treasury Rate
Cumulative Increase 2014-24 YTD: **70 bps**²



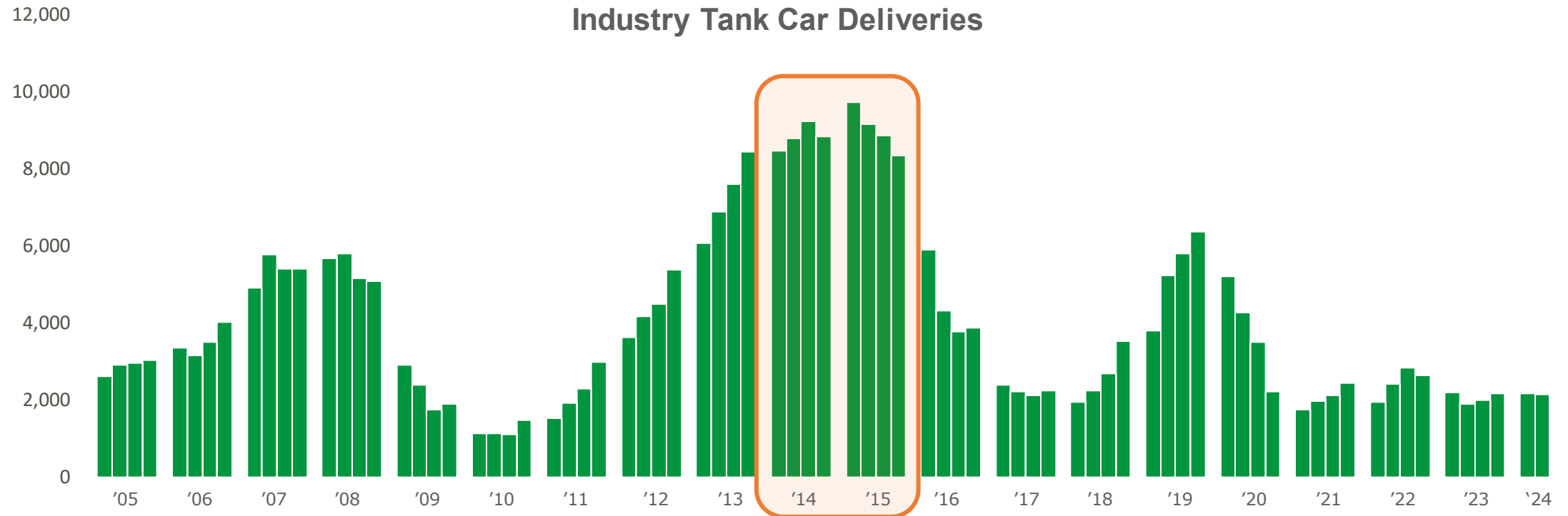
LABOR

AAR Labor Rate
2014 - 2024 YTD CAGR: **3.9%**³

1. Fastmarkets AMM as of August 2024; 2. Federal Reserve as of September 18, 2024; 3. AAR Office Manual published quarterly for Job Code 4450 and YTD averages data for first three quarters of 2024

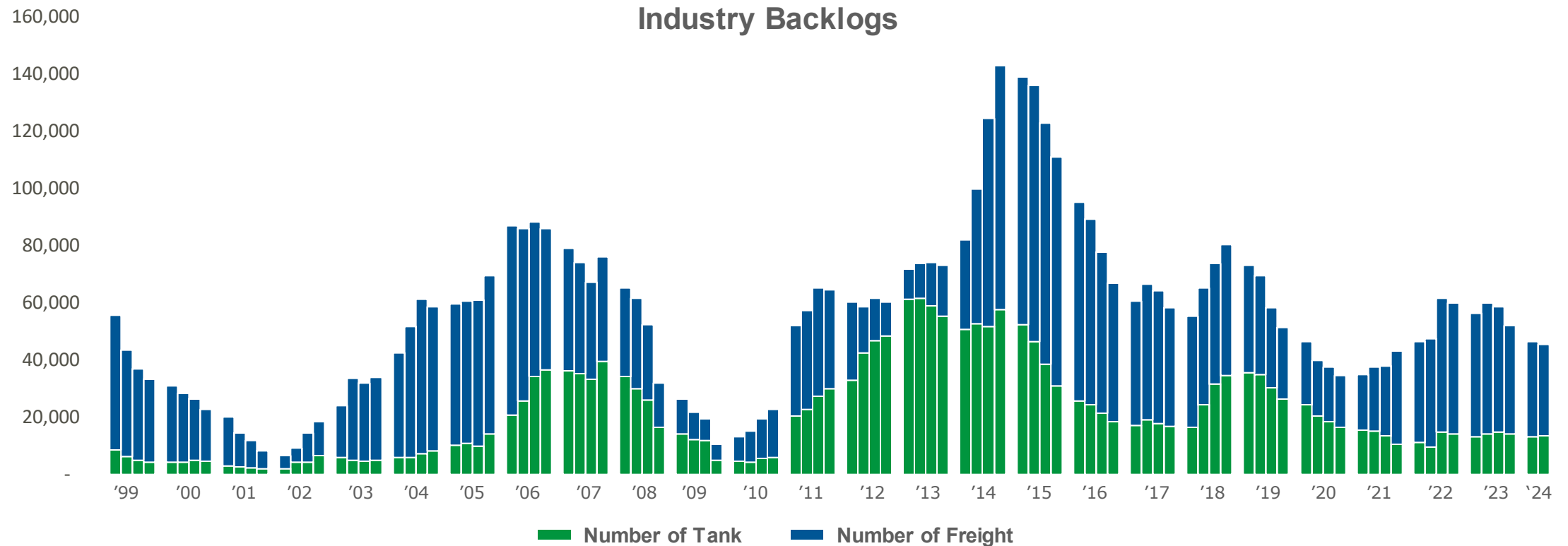
Industry Deliveries: North America

Elevated tank car deliveries between 2014-2015 have contributed to a maintenance demand bubble



Industry Backlog: North America

Cyclicality of the industry is illustrated by the backlog of orders at the railcar manufacturers



Maintenance Capacity

1

Shop networks are full across North America

2

Prior to the recent qualification bubble, repair shops were facing challenges from shortages of labor and materials, lengthening turn-times¹

3

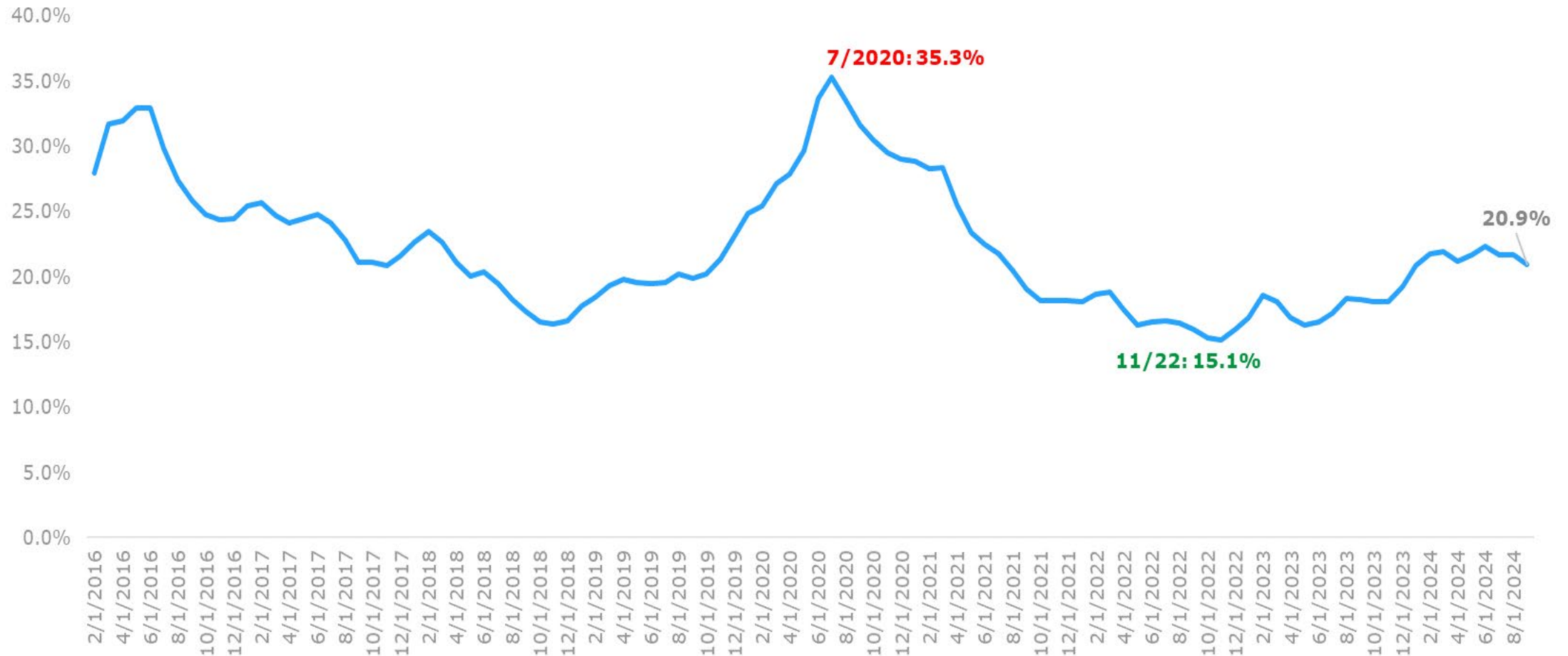
The car build bubble in 2014-2016 is creating more TQs in 2024 compared to 2022, exacerbating the maintenance capacity issue in North America

An aerial photograph of a train yard, heavily tinted with a dark blue color. The image shows several train cars on tracks. In the center, a car is labeled "EXCESS HEIGHT CAR" and "LRS 130226". To the right, another car is partially visible with the label "GATX 203039". Overlaid on the center of the image is the text "EQUIPMENT OVERVIEW" in a large, white, sans-serif font. A thin white horizontal line is positioned below the word "OVERVIEW".

EQUIPMENT OVERVIEW

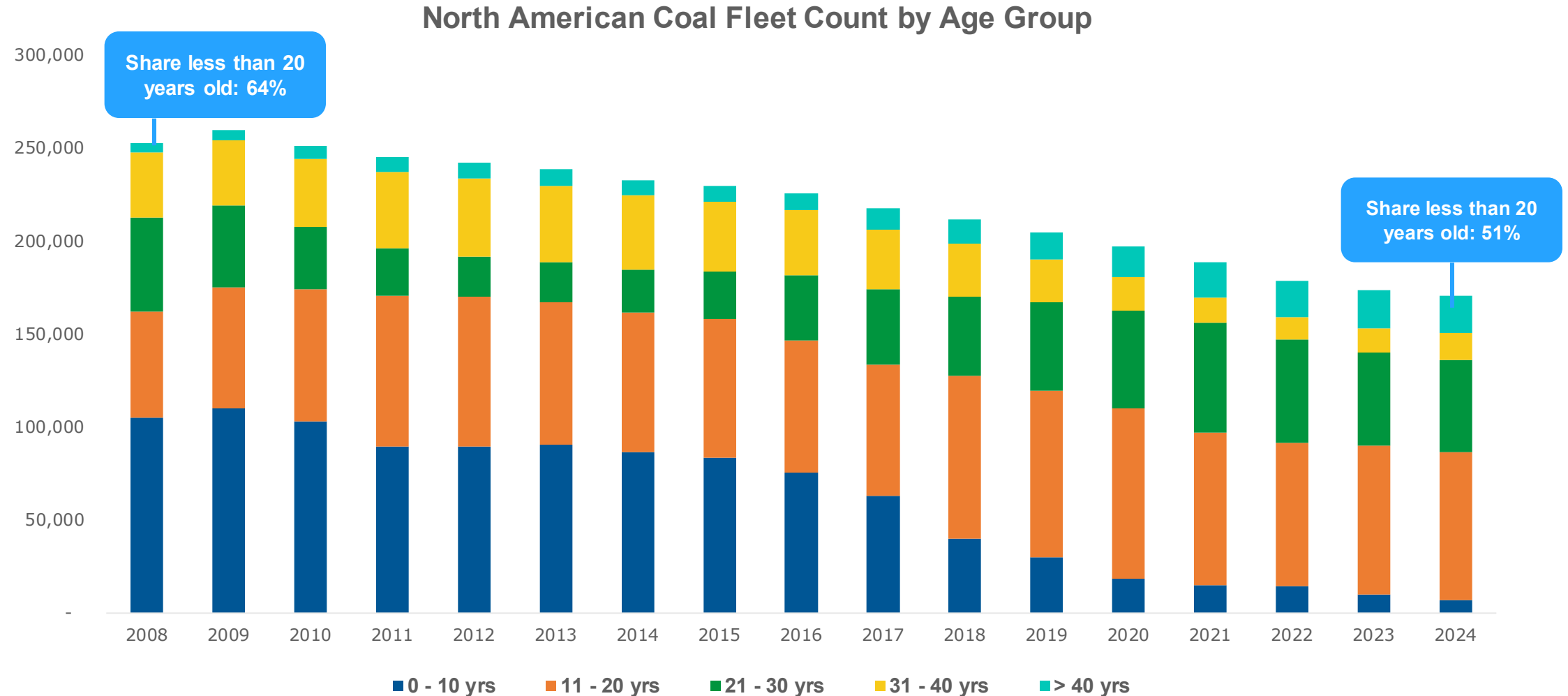
Coal Cars in Storage

North American Coal Cars In Storage



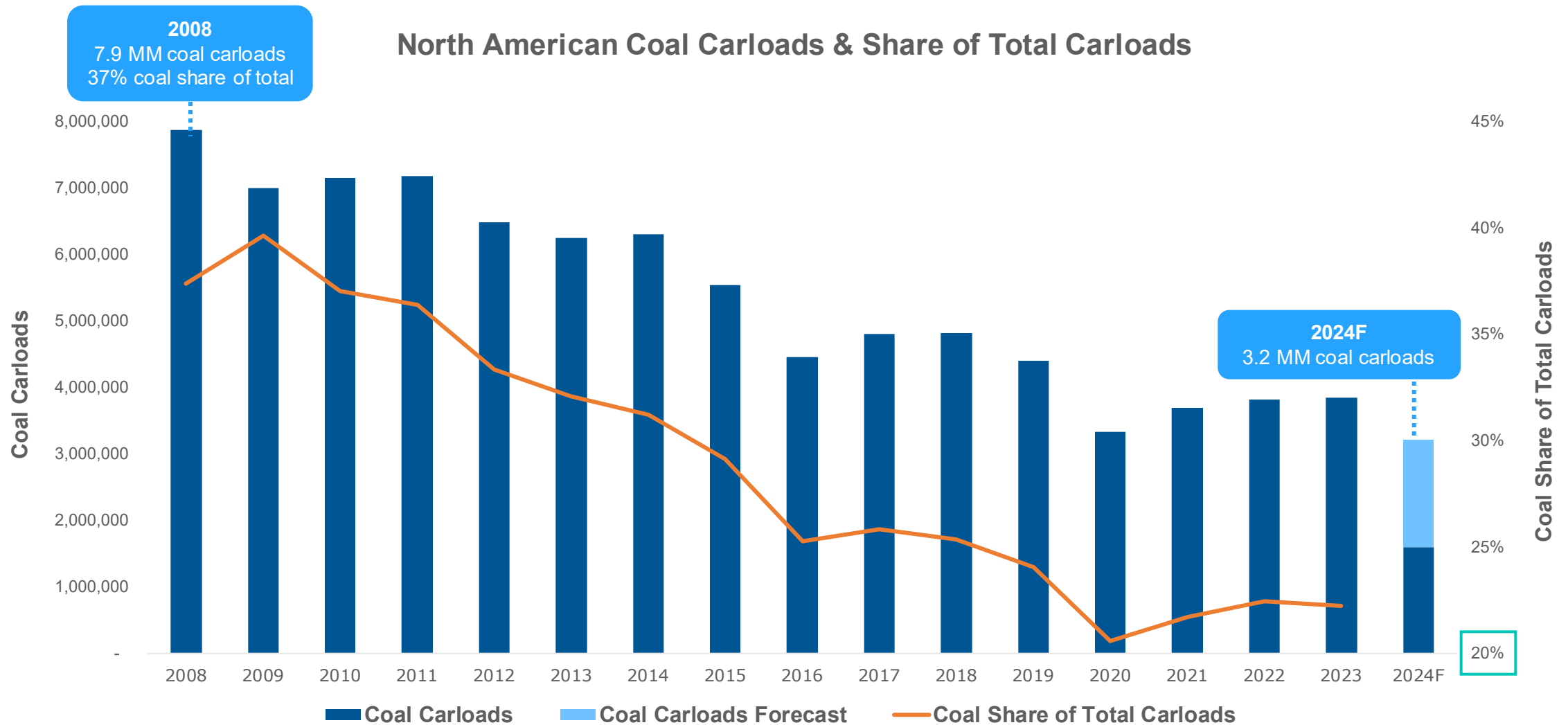
Source: Association of American Railroads; Note: As of September 1, 2024; Cars are considered in storage when not moved while loaded in the previous 60 days and having moved empty since their last loaded move

North American Coal Fleet Age



Source: Umler as of January of respective year

North American Coal Carloads



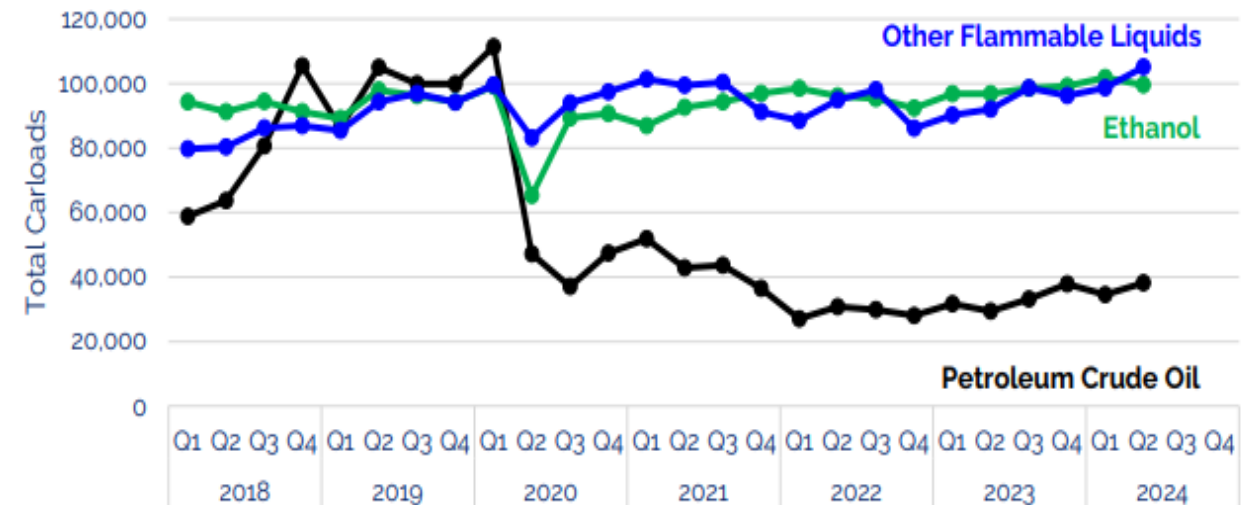
Note: 2024 forecast annualizes actual data for 1H24; Source: Association of American Railroads

Loading/Shipments for Tank/Energy

U.S. and Canadian
Flammable Liquid Shipments*

Q2 2024	Petroleum Crude Oil	Ethanol	Other Flammable Liquids	TOTAL
U.S.	38,021	98,997	73,417	210,435
Canada	4,874	6,117	43,345	54,336
TOTAL	38,121	99,578	105,090	242,789

Quarterly U.S. and Canadian
Flammable Liquid Shipments



*Note: The sum of the U.S. and Canada shipments are more than the total shipments as shown in the table as the country groups both contain the transborder shipments between the U.S. and Canada
Source: 2Q24 Status Report, Association of American Railroads, August 2024

Tank Car Regulation Timeline

ETHANOL

Retrofit to DOT 117R or replaced with DOT 105, 112, 114, 115, 117, or 120

MAY 1, 2025
Jacketed CPC 1232

CRUDE OIL, ETHANOL OR PACKING GROUP I

Retrofit to DOT 117R or replaced with DOT 105, 112, 114, 115, 117, or 120

MAY 1, 2025
DOT 111
Jacketed CPC 1232

FLAMMABLE LIQUIDS PACKING GROUP II OR III

Retrofit to DOT 117R or replaced with DOT 105, 112, 114, 115, 117, or 120

MAY 1, 2025
Canada

May 1, 2029
U.S.

MATERIALS POISONOUS BY INHALATION ("PIH" / "TIH")

*Meet HM-246 / 219 C
"H" standard*

JANUARY 1, 2028

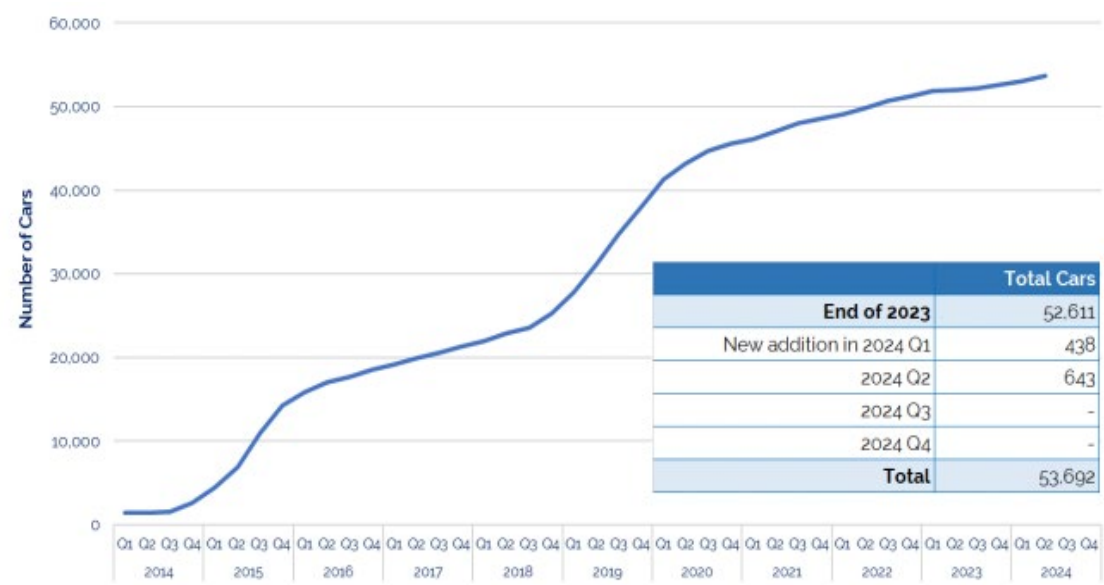
ALL RAILCARS

JULY 1, 2025

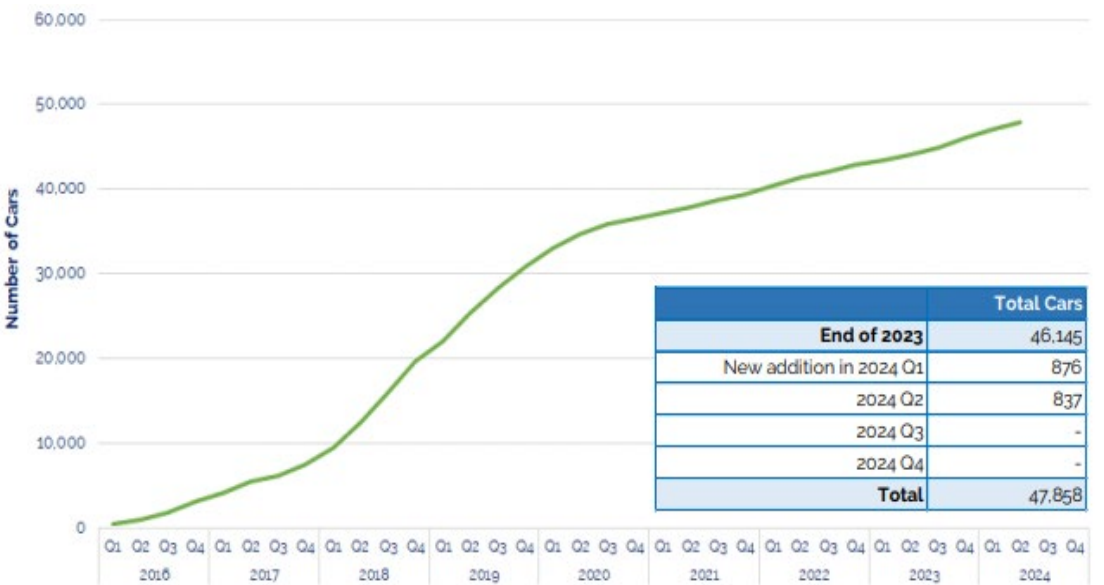
**A new AAR rule will go into effect requiring all railcars due for the air brake test to be tested using a 4-port adapter;
With few exceptions, cars not equipped must be retrofitted**

Tank Car Regulation Status

Growth in DOT-117J/P and DOT-120 Tank Car Fleet
(as of end of 2Q24)



Growth in DOT-117R Tank Car Fleet
(as of end of 2Q24)



Source: 2Q24 Status Report, Association of American Railroads, August 2024



SUMMARY OF CURRENT CONDITIONS

Current Conditions

1

Rail industry is not rapidly pivotable, so changes require a phased-in approach

2

Railcar market likely to remain tight barring any unexpected external factors

3

DOT working with industry on clarification of requirements and plan to ensure accuracy of tank car design approval records; The plan may lead to increased enforcement, including assessment of fines



Thank you!

Questions?