

BEFORE THE
SURFACE TRANSPORTATION BOARD

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March 8, 2021
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In the Matter of:

RAILROAD COST RECOVERY
PROCEDURES - PRODUCTIVITY
ADJUSTMENT

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) Ex Parte No. 290 (Sub-No. 4)
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COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

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Its Attorneys

Dated: March 8, 2021

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In response to the decision that the Surface Transportation Board (“Board” or “STB”) served in the above-captioned proceeding on February 19, 2021, the Western Coal Traffic League (“WCTL”)¹ submits the following comments regarding the Board’s proposed calculation of railroad industry productivity for 2019 and the 2015-2019 average for use in the Rail Cost Adjustment Factor (“RCAF”) productivity adjustment.

WCTL concurs in the Board’s calculation of the input index value of 0.961 for 2019. The input index value utilizes publicly-available information, and the calculation is thus transparent.

WCTL is unaware of any information that directly undermines the technical accuracy of the Board’s calculation of the output index value of 0.968 for 2019,

¹ WCTL is a voluntary association, whose regular membership consists entirely of shippers of coal mined west of the Mississippi River that is transported by rail. WCTL members currently ship and receive in excess of 90 million tons of coal by rail each year. WCTL’s members are: Ameren Missouri, Arizona Electric Power Cooperative, Inc., Austin Energy (City of Austin, Texas), CLECO Corporation, CPS Energy, Entergy Services, Inc., Evergy, Inc. Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, and Western Fuels Association, Inc.

representing a 3.2% decline. Compared with other data posted on the Board's website, the 3.2% decline in output for 2019 relative to 2018 is substantially less than the 6.4% reduction in revenue ton-miles, and greater than the 2.5% reduction in revenues.² These three figures usually show much closer correlation, and it is appropriate to consider the cause of the deviations.

WCTL and its consultants previously obtained a redacted version of the Board's productivity program and access to portions of the waybill sample (but not those components that could reveal the Board's masking factors) for purposes of reviewing the Board's productivity calculations, particularly in conjunction with the 2015 change to the miling methodology referenced in footnote 3 of the Appendix to the Board's February 19, 2021 decision. However, the redactions made to the program to conceal the masking factors leave the program unable to operate successfully, and WCTL has been unable to replicate the Board's calculations.

Apart from the inoperability of the program, WCTL is particularly concerned that the total revenues utilized in the Board's workpapers do not reconcile with the total revenue reported by the railroads in their R-1s. For 2019, for example, the STB's workpaper identifies a value of \$69,165,604,864, but a value of \$74,299,987,000

² The revenue ton-miles and revenue figures are those posted by the Board at [https://www.stb.gov/econdata.nsf/03630aa15ffe00ef852582d7006e8936/1eaaab98b3972fcb8525850700536c45/\\$FILE/EARN-COMP-2019-Q4.xls](https://www.stb.gov/econdata.nsf/03630aa15ffe00ef852582d7006e8936/1eaaab98b3972fcb8525850700536c45/$FILE/EARN-COMP-2019-Q4.xls). The ratio of 2019 revenue ton-miles to 2018 is 0.936, and the ratio of 2019 revenues to 2018 is 0.975.

appears in the data posted by the Board in the table identified at n.2, *supra*, and corresponds to the sum of the figures reported on line 13 of Schedule 210 of the Class I R-1s for 2019. The discrepancy may stem from the fact that the waybill records contain three revenue fields (freight revenues, transit charges, and miscellaneous charges), and WCTL cannot discern (a) what the latter two fields do and do not include, and (b) whether and how the Board utilizes those fields in its output index calculation.

These questions acquire greater potential significance in 2019 with the broad industry shift to Precision Scheduled Railroading (“PSR”). Among other things, PSR entails increased reliance on demurrage and accessorial charges, at least in some instances for items such as “free time” that were previously embedded in the line-haul rates, in order to incent or coerce shipper and receiver support for more efficient railroad operations. Accordingly, there is the possibility that: (a) the definition of output in 2019 is not fully equivalent to what it was pre-PSR; (b) the productivity calculation does not capture the output associated with providing separate demurrage and accessorial services (although the inputs are captured); and (c) some of the productivity gain apparently achieved with PSR instead represents a transfer of costs from railroads to shippers.

Without access to an operational version of the Board’s productivity program, WCTL cannot begin to provide an alternate productivity figure. Furthermore, the differences in output as measured by the productivity program, ton-miles, and revenues may be attributable to changes in traffic mix, which is what the productivity

program seeks to measure. However, the unavailability of a full and/or working version of the program means that the Board's calculation lacks transparency and cannot be replicated.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Dated: March 8, 2021

Its Attorneys

Certificate of Service

I hereby certify that today, March 8, 2021, copies of the foregoing Comments of the Western Coal Traffic League have been served on all parties of record in this proceeding in accordance with the Board's Rules of Practice.

/s/ Robert D. Rosenberg