

BEFORE THE
SURFACE TRANSPORTATION BOARD

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February 27, 2023
Part of
Public Record

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: February 27, 2023

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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 10, 2023, the Western Coal Traffic League (“WCTL”)¹ submits the following comments regarding the Board’s proposed calculation of railroad industry productivity for 2021 and the 2017-2021 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 0.999 for 2021. 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 1.029 for 2021.

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’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.

WCTL notes that 2.8% annual average increase in productivity for 2021 is the highest that the industry has achieved since 2003. The increase in output appears to reflect the nation's recovery from the first year of the pandemic. The achievement of that growth without an increase (actually, a very small decrease) in input is presumably attributable to both the recovery itself and to Precision Scheduled Railroading ("PSR"). However, PSR's contribution to productivity came at a substantial cost. WCTL members and many other shippers had additional volumes that they sought to ship by rail in 2021, but the railroads could not transport due to insufficient employee headcounts, locomotives in service, and other resources. In other words, PSR may have contributed to the 2021 productivity growth that was achieved, but it also foreclosed further volumes and productivity growth that was available. Moreover, the capacity and volume problems of PSR became more manifest in 2022, as the Board is well aware.

In addition to limiting volume, PSR has resulted in both (a) degradation of the quality of service provided to shippers and (b) shifting of costs and responsibilities from railroads to shippers. The lack of timely, reliable service imposes substantial costs on shippers. For example, League members have had to curtail coal generation in order to conserve their stockpiles because the railroads lack train crews and locomotives. The "savings" that the railroads might achieve through reduced wage and locomotive expense serve to transfer costs to shippers and their customers. Likewise, doubled-up or "super" trains may save crew costs, but shippers experience train delays and bunching. The

Board's current productivity methodology and underlying data collection processes (the Board's collected waybill sample and R-1 reports) are not capable of capturing such impacts or measuring them.

These developments might be of less concern if the resulting efficiency gains that the railroads achieve were passed through to shippers. That pass through of such savings is a standard feature of competitive markets. However, PSR was accompanied by, and has designed to achieve, lower railroad operating ratios for the railroads. The reduction in operating ratios show that the savings are being retained by the carriers and not passed through to shippers.

In addition, 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 2021, for example, the STB's workpaper identifies a value of \$67,161,726,976, but a value of \$74,331,497,000 appears in the 4Q21 data posted by the Board, (<https://www.stb.gov/reports-data/economic-data/quarterly-earnings-report/>), which also corresponds to the sum of the figures reported on line 13 of Schedule 210 of the Class I R-1s for 2021. 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.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Certificate of Service

I hereby certify that today, February 27, 2023, 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