

BEFORE THE
SURFACE TRANSPORTATION BOARD

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March 17, 2025
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Public Record

In the Matter of:	)	
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	)	
RAILROAD COST RECOVERY	)	Ex Parte No. 290 (Sub-No. 4)
PROCEDURES - PRODUCTIVITY	)	
ADJUSTMENT	)	
	)	

COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

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Jessica Tucker
President
Josefina Walker
Vice President
Western Coal Traffic League

William L. Slover
Robert D. Rosenberg
Slover & Loftus LLP
1828 L Street, N.W., Suite 1000
Washington, D.C. 20036
(202) 347-7170

Dated: March 17, 2025

Its Attorneys

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COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

In response to the decision of the Surface Transportation Board (“Board” or “STB”) in the above-captioned proceeding served February 28, 2025, the Western Coal Traffic League (“WCTL”)¹ submits the following comments regarding the Board’s proposed calculation of railroad industry productivity for 2023 and the 2019-2023 multi-year productivity 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 0.956 for 2023. The input index value utilizes publicly-available data, 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 input index value of 0.956 for 2023.

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 is unable to confirm the STB's calculation of the output index for 2023 at 0.995. Beyond the unavailability of the unmasked confidential waybill sample and the computer program that the Board uses to process the sample, WCTL is not able to replicate the values shown in the STB's WBSTB23.TXT workpaper of \$75,199,455,232 for 2023 revenue or 1,493,306,834,944 for 2023 revenue ton-miles of freight ("TOTAL TM ADJUST"). The revenues shown in the R-1 reports as most recently revised sum to \$80,813,745,000, leaving a difference of roughly \$5.6 billion, and the ton-miles sum to 1,493,305,090,000, leaving a difference of roughly 1.72 million. The STB's program may make some adjustment(s), but the decision offers no explanation beyond the statement in the Appendix that "[t]he costed Waybill Sample excludes movements lacking sufficient information for the application of unit costs." It would be useful if the decision or workpapers specified the amount of the revenues and ton-miles excluded to permit reconciliation to publicly-available data.

Otherwise, the STB's calculated productivity increase of 4.0% (1.040) for 2023 stands in contrast to the 2.8% decrease in productivity (0.972) calculated for 2022 and represents a sharp and favorable turnaround. Unfortunately, the productivity growth reflected in the calculation was achieved not by growing volume, but by reducing costs by 4.4% (0.956) as contrasted with an output reduction of only 0.5% (0.995).

Additional volumes were certainly available for the railroads to transport in both 2022 and 2023. For example, Navajo Transitional Energy Company, LLC

(“NTEC”), filed a common carrier service complaint against BNSF in NOR 42179 regarding Montana export coal volumes in 2023. WCTL member Evergy, Inc., and two operating subsidiaries have a common carrier service complaint pending in NOR 42180 for domestic coal volumes that BNSF failed to transport in 2022. The railroads’ failure to handle available volumes, and the fact that output, as measured by the Board’s productivity calculation, has declined in four of the past five years, provide further confirmation that the railroads are focusing on lowering their operating ratios at the expense of their volumes and revenues. *E.g.*, EP 775, *Growth in the Freight Rail Industry* (STB hearing held Sept. 16-17, 2024). The decline in volumes, the decrease in operating ratios, and the ongoing returns on net investment in excess of the cost of capital all indicate that the railroad industry in the aggregate is not competitive.

While the NTEC and Evergy complaints both involve captive facilities, the railroads’ ongoing capacity and service problems afflict so-called competitive rail shippers as well. Rail transportation contracts often contain volume commitments that prevent or limit a shipper’s ability to divert volumes. Also, when one carrier has service problems, the alternate carrier will have limited ability to take on additional volumes and may have service problems of its own. The remedies recently adopted in EP 711 (Sub-No. 2), *Reciprocal Switching for Inadequate Service* (STB served April 30, 2024), are thus apt to be of limited value, even assuming a second carrier is interested in serving

volumes that the incumbent is unable or unwilling to handle. Additional measures are needed to bring balance, competition, and growth to the railroad transportation market.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

Jessica Tucker
President
Josefina Walker
Vice President
Western Coal Traffic League

William L. Slover
/s/ Robert D. Rosenberg
Slover & Loftus LLP
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Washington, D.C. 20036
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Certificate of Service

I hereby certify that today, March 17, 2025, 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