

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

DOCKET NO. EP 767

FIRST-MILE / LAST-MILE SERVICE

**COMMENTS OF
THE AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION**

Introduction

ASLRRA is a non-profit trade association representing the interests of approximately 600 short line and regional railroad members and railroad supply company members in legislative and regulatory matters. Short lines operate 50,000 miles of track in 49 states, or approximately 30% of the national freight network, connecting manufacturers, businesses, and farmers in communities and small towns to larger markets, urban centers, and ports. Class II and Class III railroads play a vital role in maintaining rail service over thousands of miles of light density lines throughout the country that in many cases were candidates for abandonment by their former Class I owners. These small railroads have short lengths of haul, high fixed costs, and large capital needs for infrastructure investment, including the task of upgrading bridges and track to handle heavier freight cars. They also face pervasive competition from trucks, barges, and transloading operations for freight traffic.

On September 2, 2021, the Surface Transportation Board (“Board”) invited comments from stakeholders on issues regarding first-mile / last-mile (“FMLM”) service, particularly on whether additional metrics to measure such service might have utility that exceeds any associated burden. The Board seeks detailed information from stakeholders in three broad areas. First, the Board has asked for concrete examples of FMLM issues and has posed eight detailed

questions. Second, the Board has posed a series of questions about useful FMLM metrics and how they would be used. Third, the Board has asked a sequence of questions about the data carriers maintain on FMLM and various trade-offs associated with varying degrees and scope of data reporting. ASLRRRA will address the scope of the request and the burden that any request for metrics would be to short line railroads.

Origination of the FMLM Inquiry

The Board's venture into FMLM service originates from an inquiry from the Board's Chairman to each Class I carrier about rail service issues and supply chain issues during the COVID-19 global pandemic.¹ Following the Chairman's May 27, 2021, letters regarding rail service to the Class I carriers, the American Chemistry Council ("ACC") wrote to the Board regarding general service concerns, briefly noting local service failures,² and The Fertilizer Institute ("TFI") wrote to express general service concerns, which encompass issues such as reductions in days of service to customers, increased dwell times, and car order errors.³ Prior to the Chairman's inquiry, on August 31, 2020, the Freight Rail Customer Alliance ("FRCA"), the National Coal Transportation Association ("NCTA"), the National Industrial Transportation League ("NITL"), and the Private Railcar Food and Beverage Association, Inc. ("PRFBA") (collectively, the "Shipper Group") stated that their members have become increasingly aware of and concerned by what they describe as the gap between the service data that the Class I railroads report to the Board and the level of service that shippers receive in the real world.⁴

¹ See, e.g., Letter from Martin J. Oberman, Chairman, to Canadian Pacific (May 27, 2021), <https://prod.stb.gov/news-communications> See, e.g., Letter from Martin J. Oberman, Chairman, to Canadian Pacific (May 27, 2021), <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> (follow hyperlink "Chairman Oberman Rail Service Letter to CP, May 27, 2021" under headings "2021" and "May"); and Letter from Martin J. Oberman, Chairman, to BNSF Railway Company (July 22, 2021), <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> (follow hyperlink "Chairman Oberman Letter to BNSF Regarding Intermodal Supply Chain Issues, July 22, 2021" under headings "2021" and "July").

² "ACC letter," available at <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> then follow hyperlink "ACC Letter to STB Regarding Rail Service, June 8, 2021" under headings "2021" and "June."

³ "TFI letter," available at <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> then follow hyperlink "Fertilizer Institute Letter to STB Regarding CSX Rail Service, June 2, 2021" under headings "2021" and "June."

⁴ "Shipper Group letter," available at <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> then follow hyperlink "FRCA, NCTA, NITL, PRFBA Letter to STB regarding Rail Service Data, August 31, 2020" under headings "2020" and "August."

The correspondence from the ACC, TFI, and Shipper Group focus on frustrations from supply chain disruptions during the pandemic. For example, the Shipper Group suggests that a “reporting gap” exists between service data that Class I railroads report to the Board and the level of service that shippers receive because of: furloughed railroad employees and equipment in storage; the implementation of Precision Scheduled Railroading (“PSR”); and the fact that the aggregated data does not provide the granularity that the Shipper Group seeks.⁵ ACC also suggests that the current issues its members report are caused by “cost cutting and major operational changes over the past several years.”⁶ TFI also stated that its members experience service problems related to: crew shortages; power availability; internal administrative issues; increased transit times; reductions in service; and disputed demurrage charges.⁷ Additionally, TFI suggests that Class I carriers, in the aftermath of wide-spread implementation of PSR, are “trying to do too much with too little.”⁸ On October 8, 2020, the Shipper Group added that data reporting on FMLM issues would not be unduly burdensome, that it would be useful regardless of some inconsistencies between carriers, and that it is needed because it would help the Board better monitor carriers’ service and the data available to individual shippers does not allow the Board to “ascertain whether carriers are meeting their common carrier obligations in the aggregate.”⁹

Comments of ASLRRRA

The Board accurately describes FMLM service as the “movement of railcars between a local railroad serving yard and a shipper or receiver facility.”¹⁰ Short line railroads frequently provide the first mile and last mile of service on rail movements. The Shipper Group’s letter acknowledges that short line railroads “originate or deliver nearly one out of every five railcars.”¹¹ As small local businesses that are generally focused entirely on the first and last mile of the shipment and that are dependent for survival on the business of generally a small number of customers, short lines provide flexibility and responsiveness to the unique needs of each

⁵ *Id.*, page 4.

⁶ “ACC letter,” *supra*, at 1.

⁷ “TFI letter,” *supra*, at 2.

⁸ *Id.*

⁹ See Shipper Group Response Letter, pages 2-3; available at <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> then follow hyperlink “FRCA, NCTA, NITL, PRFBA Response Letter regarding AAR Letter to STB, October 8, 2020” under headings “2020” and “October.”

¹⁰ See Docket No. EP 767 Decision, Sept. 2, 2021.

¹¹ “Shipper Group letter,” *supra*, at 4.

customer. Short lines provide high value to their customers, as they place cars, consolidate shipments, and move goods to the main line. At junction points, it is often a short line railroad that manages adding carloads to a larger train for the next leg of a journey. At the destination, the process is reversed, and short lines deliver the cars to the customer or to another form of transportation, such as barges, container ships, or trucks. Without providing flexible local service and working closely with their customers to provide high quality and cost-effective freight service, short line railroads would lose their business to other modes of transportation, most predominantly, trucking.

It is vague what additional metrics are envisioned by the Shipper Group, ACC, and TFI. Further, it is unclear whether data relevant to such metrics currently exist, and whether such data would provide any reliable and meaningful information to the Board, especially whether carriers are meeting their common carrier obligations “in the aggregate.” Variability in data collection, reporting systems, and abilities across the national network would result in inconsistent and non-meaningful information for customers seeking to compare their service to others’. As the Association of American Railroads (“AAR”) noted in its September 10, 2020, letter to the Board, “the significant differences among railroads as to geography, network, customer base, traffic volumes, resources, and operating practices make fair comparisons of service data at the carload level impossible.”¹² For short line railroads, capturing metrics to measure performance data “in the aggregate” is made even more difficult by the fact that there are approximately 600 short line railroads and every short line captures that data somewhat differently.

Because of the difficulty in collecting uniform service data and accounting for the many variables affecting that service, ASLRRRA has endeavored to collect information on how some short line railroads capture service data and are responsive to customer concerns that is generally representative of the short line industry. Overall, short line railroads are very responsive to their customers and quickly address any identified service issues – that is in fact generally considered the very hallmark of short line service. While a number of short lines use various transportation management systems (“TMS”), our data gathering indicates that those who use a TMS do not all use these types of systems in the same way. For example, some railroads utilize the full suite of

¹² “AAR letter,” available at <https://prod.stb.gov/news-communications/non-docketed-public-correspondence/> then follow hyperlink “AAR response regarding FRCA, NCTA, NITL, PRFBA Letter to STB, September 10, 2020” under headings “2020” and “September.”

online asset management and metrics, others use only select functions of these type of programs to see only the information relevant to their particular operations, while others do not maintain any information in a TMS at all. This survey demonstrates that there is no single metric or set of metrics or data reporting process that would make sense for the STB to mandate of short line railroads.

Examples of Short Line Railroad Customer Service

Genesee & Wyoming (“G&W”) operates over 100 short line railroads in the United States and Canada. G&W is focused on customer-satisfaction and believes that close relationships are essential to thoroughly understand customers’ service needs.¹³ G&W engages a customer-satisfaction research firm to survey customers of their subsidiary railroads worldwide. Response rates to the survey are excellent and show that customers continue to be more satisfied with G&W railroads than with the trucking industry or the railroad industry as a whole. They have also begun to track service exceptions, which are manually recorded by their customer service center if a customer switch is missed for any reason.

Watco Companies (“Watco”) operates 41 short line railroads in the United States. Watco is known for listening to its rail customers and creating solutions. They have multiple channels of communication with their customers to address and solve issues on a daily basis, and they believe in and practice personalized customer service. Watco crews regularly speak with shipping/receiving docks, Watco’s customer service team communicates with the customer’s operation team, and their sales managers regularly communicate with the transportation departments at each customer that they serve. Watco’s rail properties generally track equipment movements to and from their originating and terminating customers, identifying the date and time that the rail car is placed as well as released from the customer. Watco is also able to track car inventory and has insight into the flow of railcars inbound to the customer with anticipated dates of arrival. Whenever a customer has a question or concern, it has usually been regarding a specific car, and Watco has been able to help trace said car through a TMS or with customer service as requested. However, Watco does not maintain any customer service metric reports.

¹³ See “Customer Satisfaction,” Genesee & Wyoming; available at: <https://www.gwrr.com/freight-railroads/customer-satisfaction/>.

The company no longer performs annual customer satisfaction surveys, due to the lack of response.

Pan Am Railways (“Pan Am”) owns and operates Class II regional railroads covering northern New England. Pan Am provides a daily customer service report to its operations team that tracks priority carloads and customers on their system, but do not evaluate this information to any set metric. The railroad provides paper work strips that can be tracked in a TMS. Pan Am does not have a program to match service data against scheduled service. While they do not conduct an annual customer satisfaction survey, they staff a 24/7 customer service and billing desk to provide the most up-to-date information regarding rail service issues to their customers. In addition to the customer service desk, Pan Am provides a transportation service representative to each customer based on their geographical location. The transportation service representatives communicate daily with their customers to coordinate the scheduled movement of cars, assist in any billing request, and to build a strong rapport with the customer. Pan Am also holds multiple conference calls weekly with customers to discuss forecast and movement plans on their property to limit dwell time and incidents while cars are in transit. Additionally, Pan Am crews utilize tablets with software that can access real-time car movement updates for customers. Pan Am is dedicated to anticipating, identifying, and resolving potential issues in advance.

OmniTRAX manages 24 regional and short line railroads in 16 states and two Canadian provinces. OmniTRAX utilizes a TMS to track switch percentage and on-time percentage. Switch percentage is the percent of service that occurred on the scheduled day according to the railroad’s daily operating plan. On-time percentage is the percent of service in the scheduled window according to the railroad’s daily operating plan. Both of these metrics are tracked by railroad, carload, and by customer. Service failures are monitored daily and are provided in a daily morning report. The cause of any issue is identified, and both the local management and the regional vice president of operations work to resolve the issue for the customer. Additionally, OmniTRAX has a proactive notification process they deploy via their customer service center to notify customers if there is a known, anticipated service failure. OmniTRAX surveys customers annually to gather performance feedback in several areas, including operations performance.

Transtar, LLC (“Transtar”), which owns five Class III short line railroads, tracks customer service metrics on a per carload basis through a TMS.¹⁴ The railroads are able to track data in an excel format that include the time carloads leave a customer’s tracks and are provided in interchange service. Transtar reports that it does not have the infrastructure, information technology, or staffing to be able to provide a carload’s estimated time of arrival on all of its lines. However, all of Transtar’s railroads survey their customers at least once a year, currently using Survey Monkey, to evaluate the railroads’ performance and areas of improvement, and most of Transtar’s railroads meet with their customers quarterly to review performance. When issues regarding service are identified via the surveys or other communication, such as email or phone, a face-to-face meeting is set up with the customer to review the issue, identify action items to resolve the issue, and mitigate the potential of future occurrences.

The Greenville & Western Railway Company and the Aiken Railway Company are both Class III railroads and wholly owned subsidiaries of the Western Carolina Railway Service Corporation (“WCRS”), which has been in operation since 2003. The busier of the two railroads, Greenville & Western, operates three days per week and hauls 2,400 carloads annually. The Aiken Railway operates twice a week and hauls 1,100 annual carloads. These railroads maintain records of carloads handled and customers serviced in real time – meaning that a car is delivered to destination the same day that it is received in interchange. If a customer releases a car, it is also moved that same day. As everything is accomplished in real time, issues are handled immediately and WCRS does not maintain service metrics.

The Terminal Railroad Association of St. Louis (“TRRA”) is a Class III switching and terminal railroad that handles traffic in the St. Louis, Missouri, area. The TRRA tracks carloads and commodities but does not track any performance metrics. In January 2021, the railroad surveyed its customers on its performance. While the response to the survey was limited, the feedback the railroad received was positive. The TRRA addresses any customer service issues through email, telephone, or meetings at the customer’s facility. The TRRA finds it advantageous for customer relations to be located within a 10-15-minute drive to all of its customers. The railroad is in the process of implementing software that will allow customers to

¹⁴ Transtar, LLC’s railroads are: Gary Railway Co., Indiana; The Lake Terminal Railroad Co., Ohio; Union Railroad Co., LLC, Pennsylvania; Delray Connecting Railroad Co., Michigan; and Texas & Northern Railroad Co., Texas.

collaborate with their team through a cloud-based application, which should have the ability to track service issues and measure TRRA's response time.

As shown by the examples provided in these comments, short line railroads are customer-driven and are focused on providing excellent, responsive, flexible rail service on a daily basis. As such, their service metrics are judged by customers daily, and any shortcomings are addressed and solved without delay. That daily interaction is the imperative of the short line marketplace and a new reporting requirement would not impact that imperative. Additionally, none of the commenters who brought FMLM concerns to the Board since the start of the COVID-19 global pandemic identified short line railroads as a cause of their concerns. Similarly, going back to the record of the STB Oversight Hearing on Demurrage and Accessorial Charges from May 2019, none of the concerns raised by shippers identified problems or challenges with their short line railroad service that needed fixing.

Burden on Class II and Class III Railroads

The last question posed to the public in the Board's September 2nd decision is, "how should the Board consider relative burden based on the type of carrier involved in the transportation (e.g., Class II or III railroad)?"¹⁵ The nation's 600 short line railroads come in a variety of shapes and sizes. Some are members of rail holding companies, some are large regional entities, and many are small (sometimes very small), family-owned businesses.¹⁶ Together they represent a diverse, dynamic, and entrepreneurial collection of small businesses that make wise use of resources available to them. These small businesses operate the most vulnerable segments of the railroad system and, in some cases, are the lifeline to the nation's marketplace for many rural businesses. They succeed by competing aggressively for business and investing significant revenues in rail infrastructure. They frequently partner with their customers to offer rail transportation alternatives that would otherwise be unavailable to those customers. They also generally operate very frugally and eschew any non-essential expenses so as to allow them to maintain a cost structure that allows the business to remain viable.

¹⁵ See Docket No. EP 767 Decision, Sept. 2, 2021.

¹⁶ For example, the following ASLRRRA members are railroads that have only two operating employees: Mississippi Southern Railroad, Mission Mountain Railroad, and COLT Railroad.

While short line railroads may carry the same types of freight as Class I railroads, the scope of their operations are very different. Most short line railroads meet the definition of small businesses. On average, short line railroads employ fewer than 30 people, run an average of only 79 miles, and have \$7.7 million or less in revenue.¹⁷ Most short line railroads must invest a minimum of 25% of their annual revenue back into their infrastructure, which is a percentage far higher than almost any other industry in the country.¹⁸ Further, although short line railroads participate in approximately 20% of all carload movements and have roughly 12% of the industry's employees, they earn only approximately six percent of the revenue generated on the national rail system.¹⁹

Conclusion

ASLRRA urges the Board not to require short line railroads to create systems to track and report uniform metrics. Not only is it unclear what, if any, metrics are suggested or what, if any, benefits metrics would provide, the adverse effects of imposing such a mandate would be a serious financial blow to small railroads, and thus potentially to the customers that they serve. ASLRRA suggests that there is no indication that short line railroad FMLM service to short line customers is a problem that needs fixing, and also suggests that there is no particular set of data or metrics or particular tracking or reporting system that would be feasible or realistic to require of 600 different and distinct small businesses that are already laser focused on providing excellent customer service every day.

Respectively submitted,



Sarah G. Yurasko
General Counsel
American Short Line and Regional Railroad Association
50 F Street NW Suite 500
Washington, DC 20001

December 16, 2021

¹⁷ Short Line and Regional Railroad Facts and Figures. American Short Line and Regional Railroad Association, 2017; reprint Dec. 2019. Page 1.

¹⁸ Id. at 3.

¹⁹ <https://www.aar.org/wp-content/uploads/2020/08/AAR-Railroad-101-Freight-Railroads-Fact-Sheet.pdf>