



December 17, 2021

The Honorable Martin J. Oberman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Robert E. Primus
Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Ann D. Begeman
Board Member
Surface Transportation Board
395 E Street, SW
Washington, DC 20423
The Honorable Patrick J. Fuchs
Member
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Michelle A. Schultz
Board Member
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: The National Industrial Transportation League's Comments regarding First-Mile / Last-Mile Service - STB Docket No. *Ex Parte* 767

Dear Chairman Oberman, Vice Chairman Primus, and Board Members Begeman, Fuchs, and Schultz:

The National Industrial Transportation League ("NITL" or the "League") is pleased to submit its comments in this important proceeding concerning railroad performance with respect to First-Mile / Last-Mile ("FMLM") service. On behalf of our members, we commend the Surface Transportation Board ("STB" or the "Board") for initiating this *Ex Parte* 767 proceeding to gain an in-depth understanding of the issues currently experienced by the shipping community regarding FMLM service. Specifically, in response to concerns expressed by NITL members and other rail customers, the Board has solicited feedback on specific FMLM service challenges, as well as metrics that would be helpful in measuring FMLM service challenges that could be submitted to the Board.

The League strongly believes that adoption of a FMLM service standard and reporting requirements is warranted and would be beneficial to rail customers, the railroads, and the Board. This is because adopting such a standard and metrics would improve transparency that would facilitate supply chain planning and meaningful dialogue between railroads and their customers

December 17, 2021

Page – 2 –

to address service shortcomings, and it would be an important tool for the Board to monitor local rail service. NITL stands ready to assist the STB and other stakeholders in the development of standards applicable to local service performance, including engaging in discussions and meetings directly with the railroads and the Board.

I. Statement of Interest

The League represents a broad cross-section of American businesses, united in their need for reliable, efficient and competitive transportation services. NITL members ship chemicals, petroleum, agricultural products, paper and forest products, and many other commodities using all modes of transportation, including rail. NITL's rail members have developed complex supply chains to support their manufacturing and distribution operations and they depend on reliable and efficient rail service to meet both their own and their customers' shipping and delivery needs. FMLM service is critical to maintaining the supply of goods required to meet the demand of American businesses and consumers and to allow our members to compete effectively with producers around the world.

NITL was among the organizations that notified the Board of the need for improved transparency regarding FMLM service data. Specifically, NITL joined the Freight Rail Customer Alliance (FRCA), National Coal Transportation Association (NCTA), and Private Railcar Food and Beverage Association (PRFBA) in requesting the Board to require FMLM data reporting in letters dated August 30, 2020 and October 8, 2020.¹ NITL understands that FRCA and NCTA will be submitting joint comments and PRFBA will be filing its own comments in response to this Notice.

II. There is a Need for the Board to Establish a FMLM Service Standard and Reporting Metrics

NITL has long attested that FMLM or "local" rail service is critical to the success of its members' supply chains. Indeed, our members believe that FMLM service may be the most important metric to measure the reliability and consistency of freight rail service.

In its Notice, the Board defined FMLM service as "the movement of railcars between a local railroad serving yard and a shipper or receiver facility."² Thus, the first mile and last mile is where railroads and their customer have actual touch points. FMLM service is the most important measure for every other mode of transportation. Shippers, for example, do not typically measure performance of trucking companies based on their average speed or terminal

¹ See Letter from Freight Rail Customer Alliance, the National Coal Transportation Association, the National Industrial Transportation League, and the Private Railcar Food and Beverage Association, Inc. to the Board "Freight Railroad First-Mile/Last-Mile Service Data - Need for Improved Transparency" (Aug. 31, 2020).

² Notice at 1.

December 17, 2021

Page – 3 –

dwell, rather, success is measured by their on-time deliveries – i.e., did a motor carrier pickup my freight on-time and did it deliver my freight on time? Rail carriers should be held to the same or similar standards to better measure their service reliability.

Key rail metrics collected currently by the STB include “average train speed” and “terminal dwell” time. While these data points can reflect reasonable measures of the overall health trends of a rail network, and NITL supports those reporting requirements, they fall far short of measuring the actual service levels experienced by freight rail shippers/customers at the touch points. Accordingly, NITL strongly supports adoption of additional reporting requirements for FMLM service.

NITL members routinely experience significant problems with FMLM service, including missed switches and the lack of adequate railcar supply. When these types of FMLM service problems occur, they create inefficiencies in our members’ operations, and lead to significant additional costs. These costs include lost productivity of human and mechanical resources, sub-optimal freight and emissions due to unplanned modal shift to truck on time sensitive freight, and production and unloading backups that lead to demurrage and storage charges.

To gain a better understanding of the current FMLM service problems, NITL analyzed the data of 49 of its members’ freight rail shipper/receiver locations and 35 Business Economic Area designations across all Class I railroads and several short lines. The data was collected during the two-month period of September and October 2021 and addressed switching reliability. The data did not measure against the proposed 6-hour window but rather used a very generous 24-window to simplify the analysis. In other words, if the railroad showed up *at all* on a given day, it was given credit for an on-time delivery. Importantly, in practice, if a switch is off by even a single hour, the shipper/receiver has lost utilization of key human and mechanical resources to load/unload railcars. In addition to analyzing whether the switch arrived on the scheduled day, the study examined whether the railroads delivered the correct number of cars, either empty or loaded, that the rail customer had ordered.

NITL’s key take-aways from the analysis were as follows:

- Class I weighted average on-time switching was 93.2% under the generous 24-hour standard. In other words, 6.8% of switches did not occur at all during the day scheduled. Those days were a total loss to the rail customer. Importantly, NITL members reported that a missed switch at facilities with fewer than 5 day a week service often has more severe impacts on the business than facilities that have 5 day or more switching per week because fewer service days per week offers fewer opportunities to make up for missed service on a given day.
- The range of on-time switching by BEA location over the two months was 46.2% to 100%.

December 17, 2021

Page – 4 –

- Only 63.6% of the BEA's experienced Class I switching service at 95% or greater on-time; 78.6% of the BEA's experienced a switching service at 85% or greater; and 9.1% experienced on-time switching service at less than 60%.
- When looking at car order fill-rate, Class I's weighted average was 90.5%. In other words, for every 10 cars that freight rail customers ordered either to load or unload, they received 9.05 cars. The range on fill-rate was 56.4% to 100% meaning, in at least one case, freight rail customers in a BEA only received 5.64 cars for every 10 ordered over the two-month timeframe.

Anecdotally, we know that service has become more problematic on the Eastern railroads since our study was performed. Based on the study, NITL is convinced that STB must create a standard to measure FMLM service, and railroads must report FMLM data to allow for evaluation of their performance against the standard.

Missed switches can happen for a variety of reasons. Crew shortages has been the most notable "reason" lately, but crew hours, train failures and overall congestion have also long been cited. It appears that local service has suffered at increasing levels in the aftermath of precision scheduled railroading ("PSR") which has caused the railroads to focus on linehaul asset utilization. PSR, in other words, has not proven to be "precise" at the origin and destination points.

Further, while NITL acknowledges that missed switches can occur due to rail customers' mistakes, such as not releasing cars timely or not managing a blue flag appropriately, NITL strongly believes that the problems occur far more frequently because of the railroad's performance failures. To help railroads, their customers, and the Board monitor and measure local rail service, the STB should adopt reporting requirements to improve transparency as to existence and causes of FMLM service problems.

Rail customers also lack any meaningful remedy for FMLM service problems. At times, the freight rail customer can request special or "weekend" switches to make up for a lost switch, but these remedies are very difficult and expensive to execute, making the remedy *for the railroad's failures* penalizing to the customer. In most cases, a lost switch is just that, lost. And every car in transit has the potential to be impacted by the lost productivity.

In a hypothetical example, assume a freight rail customer (receiver) has a siding with 10 car capacity and is switched 7 days per week. And assume the customer receives (and consumes the inventory within) 9 cars per day and has average transit of 14 days. In order to maintain their inventory, this customer would need 9×14 , or 126 cars in the pipeline. When one switch is missed and 9 cars back up, all 126 cars are impacted as they are unlikely to be unloaded within the free demurrage period. Rail carriers will often add credits to the 9 cars that did not get switched but ignore the impact on the remaining 117 cars in the pipeline.

December 17, 2021

Page – 5 –

Typically, the freight rail customer begins with customer service and escalates through the sales representative and other railroad contacts. The rail customer may utilize the STB's customer assistance office, but this usually only occurs in extreme cases where normal escalation does not appear to be helping.

III. FMLM Metrics

A. Switch Performance

Paramount to the success of measuring service performance is the creation of a standard. NITL implores the STB to establish the standard by which FMLM service should be measured, and such standard should be able to be uniformly and consistently applied.

NITL suggests that the FMLM service standard should be straightforward and include the following components.

- Railroads should publish a switch schedule by industry lead/customer to include specific planned switch days and times (up to 6-hour window) as the basis for the measure.
- Railroads should report actual switching at industry/customer facilities per the schedule on the day and within the 6-hour window, and report on-time switching percentage against the schedule to the STB.
- Service will be considered “on-time” if it occurred on the day scheduled and within the published 6-hour window.
- Railroads will report their on-time shipping performance to the STB by commodity groups as laid out by existing service metrics of dwell time and average train speed.
- In instances where customers did not manage the blue flag and/or the car release process per reasonable cut offs, this will not be included in the on-time delivery metric negatively nor positively.
- The data should be reported in a manner that protects customers' commercially sensitive information. NITL recommends the data be reported in aggregate by commodity group but that the railroads keep the lane-specific customer data on hand for dispute resolution purposes for 12 months.

B. Trip Plan Compliance and Interchange Performance

In 2020, NITL's Rail Transportation Committee organized a task force to make recommendations regarding service metrics. Based on their recommendations, in addition to the FMLM metrics described above, NITL recommends that origin/destination trip plan compliance be measured and reported on through rates as well as Rule 11. In the case of interchange traffic, the rate making carrier should report door-to-door (origin terminal to destination terminal) service. The clock should start on empty release and end on constructive or actual placement,



December 17, 2021

Page – 6 –

whichever comes first. Trip plan compliance can be measured in hours (under or over) plan. NITL recommends a standard of +/- 2 hours which is already used by some rail carriers. Railroads that steadily perform “too far” under plan should instigate a correction plan.

In addition to trip plan compliance, NITL recommends railroads be accountable for dwell at interchanges with other railroads and that this be reported in the same manner that terminal dwell is reported currently. Often in transit, freight rail customers will experience delays in transit on interchange traffic that neither railroad claims. The “interchange delivered” and “interchange received” activity between railroads appears to lack accountability.

Again, NITL appreciates the Board’s actions to consider the important issue of FMLM rail service, including the potential development of an industry standard and metrics to measure such service. As noted at the outset, NITL stands ready to assist the STB and other stakeholders in the development of standards applicable to local service performance, including engaging in discussions and meetings directly with the railroads and the Board.

Respectfully submitted,

Nancy O’Liddy
NITL Executive Director