

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB DOCKET NO. EX PARTE 767

FIRST-MILE/LAST-MILE

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

Introduction and Background

ASLRRA is a non-profit trade association representing the interests of approximately 500 short line and regional railroad members and 500 more 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: (1) concrete examples of FMLM issues with eight related questions; (2) a series of questions about useful FMLM metrics and how they would be used; and (3) a sequence of questions about the data carriers maintain on FMLM and various trade-offs associated with varying degrees and scope of data reporting.

ASLRRA Initial Comments

On December 17, 2021, ASLRRA filed its Comments, addressing the scope of the STB's request and the burden that any request for metrics would be to Class II and III railroads ("short lines"). In its Comments, ASLRRA set forth the functions short lines perform relating to FMLM operations, frequently providing the first mile and last mile of service on rail movements. Short lines are small businesses focused on the first and last mile of the shipment. Since they are dependent for survival generally from a small number of customers, short lines provide flexibility and responsiveness to the unique needs of each customer. Short lines provide high value to their customers, as they place cars, consolidate shipments, and move goods to and from Class I main lines. 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.

In addition to describing the operations of short lines in the provision of FMLM services, ASLRRA's Comments also addressed the issue of metrics vis-à-vis short lines. For short line railroads, capturing metrics to measure performance data "in the aggregate" is exceptionally difficult. Variability in data collection, reporting systems, and abilities across the approximately 600 short lines would result in inconsistent and non-meaningful information. Because of the difficulty in collecting uniform service data and accounting for the many variables affecting

FMLM service, ASLRRA collected information on how some representative short line railroads capture service data and are responsive to customer concerns. As a result of that survey, ASLRRA found that while some short lines use various transportation management systems (“TMS”), of those that use a TMS, not all use these types of systems in the same way. For example, some railroads utilize the full suite of online asset management and metrics, while others use only select functions of these type of programs to see only the information relevant to their particular operations. Moreover, other short lines do not maintain any information in a TMS at all.

This survey demonstrated that there is no single metric or set of metrics or data reporting process that would make sense for the STB to mandate of 600 different small business short lines. Overall, short lines are very responsive to their customers and quickly address any identified service issues, particularly in the provision of FMLM services – that is in fact generally considered the hallmark of short line service.

Finally, ASLRRA addressed the question posed by the Board regarding the burden on short lines. We pointed out that while short lines 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. Most short lines 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. 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.

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. Requiring them to adopt and institute the kinds of reporting regimes suggested by the shippers and shipper associations set forth in their letters to the Board would be extremely expensive and burdensome. Short lines simply do not have the staff, the expertise, nor the funds to adopt the processes that would be required to produce the reports. Additionally, as shown in ASLRRA's Comments, the suggested reports would not produce any reliable or meaningful data or metrics or information to the Board or shippers, especially whether carriers are meeting their common carrier obligations "in the aggregate." Further, given the service that short lines pride themselves on providing their customers, any new requirement on short lines would be solving a problem that largely does not appear to exist.

ASLRRA Reply

Most Shipper Comments Show that Short Line Service is Not the Problem

ASLRRA has reviewed each of the shipper or shipper association Comments in EP 767. It is striking to note that out of the shipper comments, the overwhelming majority either praised short lines or did not mention any concerns with service from their short line railroads.¹ Also, the Department of Transportation and Federal Railroad Administration included a footnote in its Comments that in its experience, the shippers' current concerns were more pronounced on Class I railroad and that service. US DOT Comments, FN 1, page 3. Diversified CPC International, Inc. praised the services of the Class II railroad that served its

¹ See, e.g., the Comments of Diversified CPC International, Inc., the National Association of Chemical Distributors, the Glass Packaging Institute, the National Industrial Transportation League, the U.S. Department of Agriculture, the National Propane Gas Association, the Rail Unions, the National Grain and Feed Association, the U.S. Department of Transportation and Federal Railroad Administration, and the American Chemistry Council, et al.

plant in Sparta, New Jersey, calling its services “flawless.” Diversified Comments, page 5. None of these ten, out of a total of fourteen commenters, submitted that short lines should or needed to prepare the lengthy and complicated reports they advocated should be provided by Class I railroads.

Even one of the commenters who did speak to whether short line railroads should be included in mandatory reporting metrics, the American Petroleum Institute (“API”), observed that “...short line carriers typically collaborate with the shipper facility on service needs and work together to find the best service solution for both parties,” and that “API notes that these concerns do not exist with short line carriers and shippers have much better communication and service issue resolution success with short line carriers.” API Comments, pages 5 and 6.

ASLRRA concurs with that sentiment and is gratified by the expression. It is indeed the hallmark of the services short lines provide and shows why, if the Board decides to mandate the types of reports some shippers advocate, short lines should not have to prepare and submit the same.

Shipper Comments Suggesting Short Lines Should Report Are Not Persuasive

API said because of the responsive and collaborative conversations with short lines on service, it suggested that the Board should focus first on Class I reporting at this time and suggested revisiting the FMLM discussion for short lines after that. API Comments, page 10. Although ASLRRA does not necessarily object to revisiting this discussion, the outcome will likely be the same – the proposed reports would still likely be a significant burden on short lines and not provide any benefit that would offset the burden.

Similarly, the Western Coal Traffic League, et al. (“Shipper Association”) said that if new metrics are required, the Board should start with Class I railroads but should examine the

burden on Class II and III railroads versus the benefits to shippers and that if the burden is too great, allow the short line to seek an exemption from the requirement. Shipper Association, page 31. In addition to the points ASLRRA has made regarding the burden on short lines to prepare and submit the reports suggested by the shipper Comments, the cost and time involved of seeking (and defending) a request for an exemption from the STB would be beyond the finances of many short lines and would not be a wise use of very limited resources.

The Institute of Scrap Recycling Industries, Inc., simply states it believes the reporting requirements should be adopted for both Class I railroads and short line railroads, apparently based solely on some unnumbered and unspecified “problems” with unnamed short lines. Comments of the Institute of Scrap Recycling Industries, Inc., page 7. Finally, the International Liquid Terminals Association asserted that Class I carriers “may argue” that the FMLM issues raised are all the fault of short line railroads. Comments of the International Liquid Terminals Association, page 7. With regard to both sets of Comments, such non-specific complaints and hypothetical concerns should not be nearly enough to justify the imposition of burdensome new reporting requirements on short lines.

Conclusion

Overall, the Comments filed by individual shippers and shipper groups/associations all suggested that FMLM alleged issues involved Class I railroads and argued that the Board should require the Class I railroads to compile various detailed metrics and data and then report the same to the Board and the shippers. They did not show that short lines were causing any such alleged issues and, in fact, in many cases, praised the responsive FMLM services of short lines. Setting aside whether the suggested reports would be useful in addressing any alleged issues

between shippers and Class I railroads, these Comments did not show why the proposed reports should be imposed on short lines to their financial and operational detriment.

ASLRRA urges the Board to refrain from sweeping short line railroads into any requirement 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 short lines, and thus potentially to the customers they serve. ASLRRA submits there is no indication that short line 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.

Respectfully submitted,



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