

BEFORE THE
SURFACE TRANSPORTATION BOARD

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February 24, 2016
Part of
Public Record

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

COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

WESTERN COAL TRAFFIC LEAGUE

William L. Slover
Robert D. Rosenberg
Slover & Loftus LLP
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Its Attorneys

Dated: February 24, 2016

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In response to the Board’s decision in the above-captioned proceeding served February 12, 2016, the Western Coal Traffic League (“WCTL”)¹ submits the following comments concerning the Board’s proposed calculation of productivity for 2014 for use in the Rail Cost Adjustment Factor productivity adjustment.

WCTL concurs in the Board’s calculation of the input index value of 1.036 for 2014. WCTL notes that the input index value utilizes publicly-available information and that the calculation is thus transparent.

WCTL is not aware of any information that undermines the accuracy of the Board’s calculation of the output index value of 1.055 for 2014. WCTL notes, however,

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 members currently ship and receive in excess of 125 million tons of coal by rail each year. WCTL’s members are: Ameren Missouri, Arizona Electric Power Cooperative, Inc., Austin Energy (City of Austin, Texas), CLECO Corporation, CPS Energy, Entergy Services, Inc., Kansas City Power & Light Company, Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, Omaha Public Power District, Western Fuels Association, Inc., and Wisconsin Public Service Corporation.

that the Board uses the costed waybill sample to calculate the output index and that the costed waybill sample is generally not available to shippers. WCTL is thus not in a position to replicate or verify the Board's calculations. WCTL notes that total Class I revenue ton-miles increased by 6.24% in 2014.

WCTL believes that the carriers, especially BNSF and CP, could have moved additional volumes in 2014, and also achieved a higher level of productivity, had they made appropriate investments on a timely basis and otherwise been better prepared to meet their service commitments and other opportunities. BNSF accounts for a substantial portion of the railroad throughput, approximately 38.4% of total Class I revenue ton-miles in 2014. Increased volumes for BNSF and CP would have increased traffic interchanges with other carriers, allowing them to increase their output and productivity. It follows that if BNSF and CP had been more productive in 2014, the industry would have achieved a higher overall level of productivity.

WCTL further believes that the Class I railroads could have also moved additional traffic volumes in 2014 if they had been willing to offer lower, albeit still profitable, rates. The 1.8% productivity growth achieved by the railroad industry in 2014 understates the growth that might have been achieved by a least-cost, most-efficient carrier or by a more competitive industry.

It should also be noted that the Class I railroads achieved a growth in net income (7.4%) that exceed their growth in productivity (1.8%) and even output (5.5%).

BNSF, UP, CSX, and NS all achieved record profits in 2014. It should be apparent that much of their success was achieved by increasing their rates, even as they were unable to meet shipper needs. Such price increases in excess of cost increases, and inability to meet customer needs, are inconsistent with the operation of a competitive market.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

William L. Slover
/s/ Robert D. Rosenberg
Slover & Loftus LLP
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

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Certificate of Service

I hereby certify that today, February 24, 2016, copies of the foregoing Comments of the Western Coal Traffic League have been served on all parties of record in this proceeding by first class mail, postage prepaid, in accordance with the Board's Rules of Practice.

/s/ Robert D. Rosenberg