

August 29, 2016

Ms. Cynthia Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Re: STB Ex Parte No. 733, *Expediting Rate Cases*

Dear Ms. Brown:

Pursuant to the Advance Notice of Proposed Rulemaking served in the above docketed proceeding on June 15, 2016, Oliver Wyman respectfully submits the enclosed reply comments.

Sincerely,



William J. Rennie
Partner

241382

ENTERED
Office of Proceedings
August 29, 2016
Part of
Public Record

BEFORE THE SURFACE TRANSPORTATION BOARD

STB EX PARTE NO. 733

EXPEDITING RATE CASES

REPLY COMMENTS OF



August 29, 2016

CONTENTS

1. Introduction	1
2. Characteristics of MultiRail	2
3. Use of MultiRail in SAC Cases	3
4. Response to Joint Carload Shippers' Statements	5
A. MultiRail Is Publicly Available to Both Railroads and Shippers	5
B. Oliver Wyman Would Serve as an Expert Witness for Shippers	8
C. MultiRail Licenses Can Be Purchased by Shippers for Long-Term Use	8
D. Oliver Wyman Does Not Impose Installation nor Operating Restrictions for MultiRail Which Are Designed to Disadvantage Shippers	9
5. Conclusion	11

1. Introduction

Oliver Wyman submits these Reply Comments to respond directly to certain statements regarding MultiRail™ made by the American Chemistry Council, Dow Chemical Company, and M&G Polymers USA, LLC (collectively, “Joint Carload Shippers”) in their comments filed with the Surface Transportation Board (“STB”) in this proceeding on August 1, 2016 (“JCS Comments”).

In summary, the Joint Carload Shippers have not established that the use of MultiRail in a Stand Alone Cost (“SAC”) case unfairly disadvantages shippers. None of the allegations against MultiRail raised by the Joint Carload Shippers are accurate. As described in more detail in Part 4 below, fully functional versions of MultiRail are publicly available to both shippers and their consultants as well as to railroads; Oliver Wyman would serve as an expert witness for shippers, if asked; MultiRail licenses can be purchased for long-term use if shippers and their consultants wish to gain greater proficiency in the use of the software; and, current versions of MultiRail can be loaded on client-provided modern hardware.

Oliver Wyman also would like to take this opportunity to provide some brief background on the development of MultiRail. In the 1990s, the North American railroads were looking for an operation and network planning solution that would provide the discipline and support to manage millions of annual rail carload movements between thousands of origin and destination pairs (“OD pairs”). MultiRail was designed to take each carload and OD pair and create an individual operating schedule in the network, and then improve carload traffic flows and the scheduling of movements across the network. Since 1993, five of the seven North American Class I railroads have used MultiRail as a basic planning tool to enhance network performance.

MultiRail's network definition, operations planning, and simulation capabilities are as effective in building the network and traffic flows for a carload Standalone Railroad ("SARR") as they have been for developing the actual operations and network parameters for real-world Class I railroads. MultiRail provides an organized and transparent approach to building a classification, car blocking, and train service plan for a carload SARR. Given the value of MultiRail in designing and testing such plans, as acknowledged by the STB itself, the STB should do nothing to prohibit the continued use of MultiRail by the parties to rate cases.

2. Characteristics of MultiRail

Railroad carload operations (either real or as projected for a hypothetical SARR) are the most complex segment of a carrier's traffic portfolio for which to design an operating plan, because each carload needs its own classification, blocking, and train service plan to move from its origin to its destination. MultiRail is a tool to assist in developing such plans, because it accounts for and reconciles each carload (by designing and testing classification, blocking, and train service plans).

Central to MultiRail is the ability to represent the complete classification, blocking, and train service plan for each carload, and a statistical set of volumes, and then to provide extensive analysis on the feasibility and quality of the plan. Over time, yard capacities, mainline train capacities, and local train capacities were added to MultiRail's analytical capabilities to accurately provide the required granularity for each carload on the network. Further advances added the dimension of time to the simulation, so that it became possible to simulate both day of week and time of day. In sum, MultiRail provides railroad service design teams with summarized

operating statistics, including traffic surges; individual train, block, and yard capacities; and error alerts.

Thus, MultiRail supports railroad network planners in the task of removing delays in the transit of single carloads while preserving efficient train operations. This transformation in operating practices has been described as “scheduled railroading,” in that each shipment’s activities as well as each train’s activities are visible. The majority of Class I railroads currently use, or have used, MultiRail to refine and enhance their carload classification, blocking, and train service plans, incorporating MultiRail results into their railway production information technology (“IT”) systems that run yards and carload trains.

MultiRail also supports multiple views for various stakeholders, for example, by providing an analytical view of stations, railcars, and corridors. As such, MultiRail represents a common tool for both shippers and carriers in SAC cases to facilitate the evaluation of their respective operating plans.

3. Use of MultiRail in SAC Cases

SAC cases such as *DuPont*, *SunBelt*, and *TPI* confirm that MultiRail is a useful tool for developing a transparent SAC analysis. As with actual rail network operations, the rate case process needs transparency and well-founded assurances that the operating plan is viable. MultiRail, as designed over the past 25 years, has the capability and power to assist users in developing a viable carload operating plan.

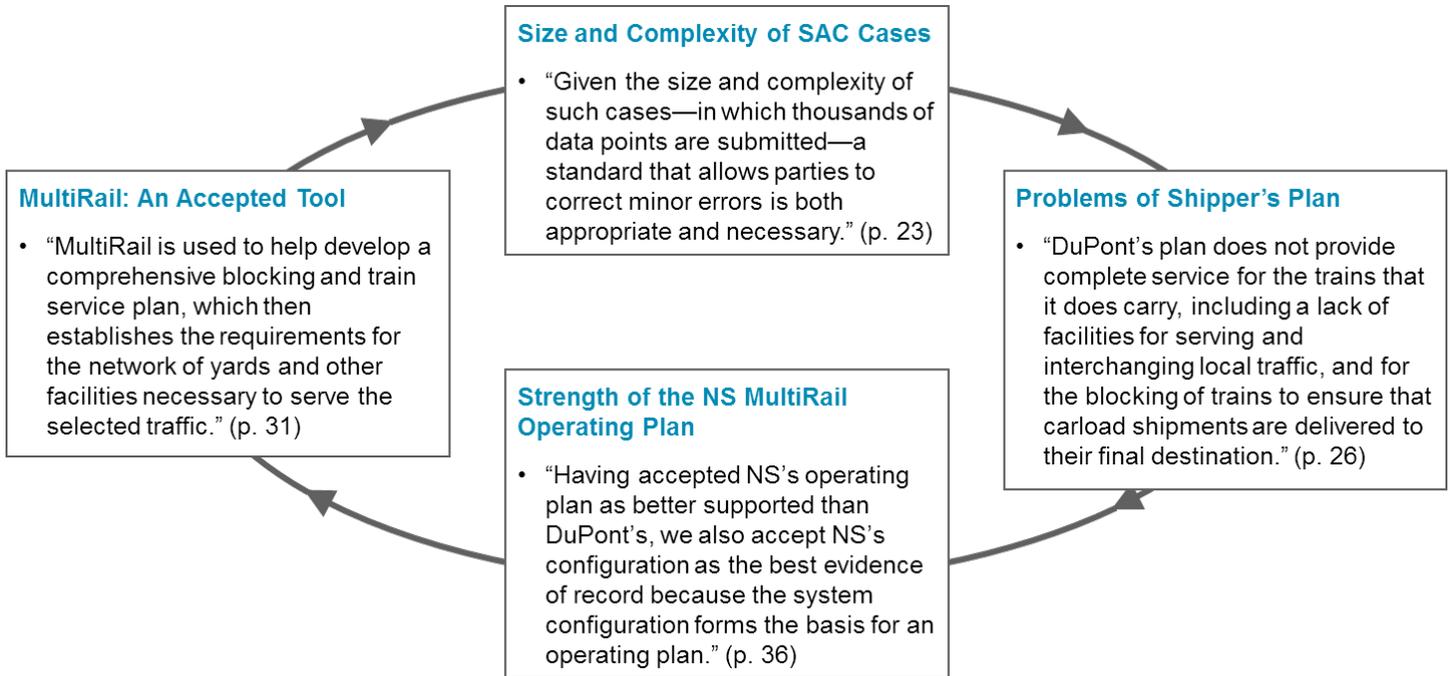
These recent and ongoing rate cases demonstrate that MultiRail can provide railroads, shippers, and the STB with the information necessary to assess a carload SARR:

1. Provides new levels of required granularity at the shipment level versus the train level.¹
2. Has a standard and transparent interface for documenting the proposed network.
3. Provides an analytical format and approach to organizing relevant traffic data.
4. Clearly identifies the role of yards and terminals and level of activity by each sub-traffic group or clients.
5. Provides for local service modeling and impacts to shipment transit times and delays.
6. Provides an accurate classification and blocking plan that uses the network definition and characteristics of the traffic flows.
7. Permits all parties to project carload activity using the same technology vocabulary.
8. Allows construction of different scenarios and comparisons of these different scenarios.

In *DuPont*, the STB itself acknowledged the value of MultiRail, as excerpted in the Exhibit 1 flow chart below.

¹ In past SARR proceedings, the analysis focused on unit trains, where granularity required only a view at the train level.

Exhibit 1. From the Surface Transportation Board’s Decision in Docket No. NOR 42125, E.I. DuPont de Nemours and Company v. Norfolk Southern Railway Company, March 14, 2014



In sum, MultiRail, as developed and refined over the past 25 years, can meaningfully simplify rate case interactions between the parties by providing an accurate analytical and modeling program for a carload SARR.

4. Response to Joint Carload Shippers’ Statements

The Joint Carload Shippers make various statements about MultiRail that are fundamentally incorrect. Oliver Wyman rebuts each of these statements in turn below.

A. MultiRail Is Publicly Available to Both Railroads and Shippers

The Joint Carload Shippers claim that “Oliver Wyman originally only would provide MultiRail to railroads” and that MultiRail is only “sold to and used by railroads,” noting that as a

result, shippers do not have a “working knowledge of the software.”² The Joint Carload Shippers allege that “the proprietary MultiRail software contrasts starkly with the publically available RTC Model that has become standard software in SAC Cases.”³ Relatedly, the Joint Carload Shippers also claim that they previously were given only “a temporary license to a read-only version of the software.”⁴ These statements are gross mischaracterizations.

The reason that MultiRail historically has been sold to and used by railroads only is that, to date, only railroads have asked to purchase and use the full MultiRail system. However, Oliver Wyman does not limit licenses to MultiRail to the railroads. Oliver Wyman offers the program to any party that agrees to its licensing, installation, training, and support terms and conditions.⁵ If a rail shipper, group of shippers, or their consultants agree to these terms and conditions, which are the same terms and conditions that the railroads must comply with, Oliver Wyman would provide shippers or their consultants with MultiRail. MultiRail is as publically available as the RTC Model.

Oliver Wyman also offers extensive assistance and training for any purchaser in the use of MultiRail’s network creation and trip planning capabilities as well as in the technological support required for the installation and continuing use of MultiRail. Oliver Wyman ensures that any purchaser of MultiRail is fully equipped to use the software. For use in SAC cases, where there may be opposing views on the SARR between the shipper and the railroad, Oliver Wyman would offer separate support teams and strict confidentiality protocols that would facilitate the full availability of project support.

² JCS Comments, at 11.

³ JCS Comments, at 13.

⁴ JCS Comments, at 11-12.

⁵ These terms and conditions are designed to ensure proper installation and reliable continuing use of the program. MultiRail requires installation, training, and ongoing service and updates.

In past instances, a read-only license with supporting analytical assistance was provided to shippers because this addressed the shippers' limited objectives as communicated to Oliver Wyman at the time. Again, had the shippers wished to purchase MultiRail licenses and support from Oliver Wyman for use in their opening evidence and/or rebuttal, they could have done so; or alternatively, they could have hired Oliver Wyman to develop the SARR network and traffic flows on a case-by-case basis.

If a shipper or its consultants purchases a license to MultiRail, it would have access to the software's full functionality. The full functionality of MultiRail allows a purchaser to, among other things:

- Create a classification, blocking, and train service plan. MultiRail provides a transparent basis to create this plan once the network and traffic data are loaded into the tool.
- Conduct classification, blocking, and train service plan analysis. Various reports and data analyses can be prepared for the projected plan; and, if additional data is required, relevant report formats can be developed.
- Promote evidentiary submissions. Once each party has constructed and presented their carload classification, blocking, and train service plans, each party could then make any needed adjustments to their plans and advocate for their plan and associated cost structure before the STB.

B. Oliver Wyman Would Serve as an Expert Witness for Shippers

The Joint Carload Shippers claim that it is “unrealistic to expect that Oliver Wyman, which earns revenue from providing MultiRail and related consulting services to railroads, would serve as an expert witness for complainants.”⁶ This is not true.

To date, Oliver Wyman has not been asked to provide evidence in support of a shipper in a rail rate case. However, this does not mean that Oliver Wyman would be unwilling to do so. Contrary to the Joint Carload Shippers’ suggestion, Oliver Wyman does not work exclusively or largely for railroads: less than one-half of one percent of Oliver Wyman’s \$1.8 billion in annual revenue comes from US rail carriers.

C. MultiRail Licenses Can Be Purchased by Shippers for Long-Term Use

The Joint Carload Shippers claim that Oliver Wyman requires a license fee “that would be valid only for each case,” arguing that this prevents shippers’ consultants from purchasing the software to benefit clients in future rate cases.⁷ This is incorrect.

At the time of *DuPont*, Oliver Wyman was unwilling to license the then-existing version of the MultiRail software for continuing use in future rate cases, because this older version of MultiRail required outdated computer hardware and operating systems unlikely to be supported by technology providers, as discussed in more detail in Part D. These circumstances are no longer relevant, as MultiRail has since been updated to be compatible with modern computer hardware and operating systems.

Oliver Wyman offers a variety of technology purchase and support plans to users of MultiRail. Shippers and their consultants can purchase a long-term license for MultiRail,

⁶ JCS Comments, at 11.

⁷ JCS Comments, at 12.

although admittedly this would be more expensive than a license for the one-time use of MultiRail. If a long-term license is purchased, Oliver Wyman provides extensive support to the purchaser with respect to the proper and complete installation of the software as well as the implementation of protocols necessary for ongoing reliable use of the software. Such support is currently provided to the railroads that use MultiRail on a continuing basis. Thus, it is entirely up to shippers and their consultants as to whether they wish to invest time and money to gain greater proficiency with MultiRail.

Oliver Wyman is committed to selling a sustainable MultiRail solution to meet customer requirements. To be clear, Oliver Wyman currently offers MultiRail using two broad approaches:

- For customers that do not want to incur the expense of acquiring and maintaining the software on a long-term basis, Oliver Wyman offers an in-house version of the technology. This approach avoids the need for the customer to install and maintain the system on an ongoing basis, as discussed in more detail in Part D.
- For customers that have a need or desire to maintain the software on a long-term basis, Oliver Wyman offers the sale of a user license and provides full support and maintenance for the system on an ongoing basis.

D. Oliver Wyman Does Not Impose Installation nor Operating Restrictions for MultiRail Which Are Designed to Disadvantage Shippers

The Joint Carload Shippers claim that “Oliver Wyman strongly discouraged the complainants from installing both the software and the defendant’s MultiRail data on their own computer and advised them instead to lease a laptop from Oliver Wyman with the data pre-

installed.”⁸ This statement appears to be based on previously existing technological constraints that no longer exist.

At the time of the shippers’ use of MultiRail in *DuPont*, the software used was a version called “MultiRail Freight Edition.” That version was at the end of its technological life, as it was largely written in the mid-1990s. Accordingly, it was difficult to run MultiRail Freight Edition on modern Windows operating systems, as operating systems have changed considerably over recent decades. Rather than have the shipper invest in obsolete software, hardware, and operating systems and spend time setting up soon to be outdated software, Oliver Wyman provided laptops pre-loaded with this older version of the software and the data to be reviewed by the shipper.

Oliver Wyman has now migrated to a more advanced version of the software, known as “MultiRail Strategy Edition.” This advanced version is fully compatible with modern Windows operating systems, so MultiRail can now be efficiently hosted on client-provided modern hardware. It is this version of the software, MultiRail Strategy Edition, which is proposed for use in future carload SARR cases.

Another option, which would provide the full capabilities of MultiRail while potentially reducing the time needed to prepare for rate cases, would be for Oliver Wyman to provide a hosted network solution with technical support. Under a hosted option, Oliver Wyman would provide the shippers with access to MultiRail capabilities hosted on Oliver Wyman’s IT infrastructure. The cost of utilizing the Oliver Wyman system and one-time user support would be included in the one-time licensing fee. MultiRail could easily be made available to all parties in a rate case, including the STB, in this manner on a case-by-case basis.

⁸ JCS Comments, at 12.

5. Conclusion

MultiRail has been recognized by the STB as a valuable tool for designing and assessing the classification, blocking, and train service plan of a carload SARR, which is a necessary element of a carload SARR's overall operating plan. The Joint Carload Shippers have not established that the use of MultiRail in a rate case unfairly disadvantages shippers.

As described above, fully functional versions of MultiRail are publicly available to both shippers and their consultants as well as to railroads; Oliver Wyman would serve as an expert witness for shippers, if asked; MultiRail licenses can be purchased for long-term use if shippers and their consultants wish to gain greater proficiency with the software; and the current version of MultiRail can be loaded on client-provided modern hardware. Thus, the STB should do nothing to prohibit the continued use of MultiRail by the parties to rate cases.

If asked, Oliver Wyman would make MultiRail available to shippers, their consultants, and the STB, in addition to railroads, much in the same way that the RTC Model is used and managed today for rate cases.

Respectfully submitted,



William J. Rennie
Partner

August 29, 2016