

TRANSPORTATION REPORT

From: Terry Whiteside

Date: Wednesday October 8, 2014



THE STB ISSUES NEW RULES IN EX PARTE NO. 724¹ – SERVICE ISSUES – AFTER HEARING FROM SHIPPERS IN FARGO, ND IN EARLY SEPTEMBER

The Board is requiring all Class I railroads to publicly file weekly data reports to promote industry-wide transparency, accountability, and improvements in rail service. The Board is taking this action in response to concerns raised at the hearings held under United States Rail Service Issues, Docket No. EP 724, and in related communications.

- The Fargo field hearing held September 3, 2014 with over 40 people testifying – standing room only in the hearing room 5 grain panels, one Coal panel, 2 RR panels – with 9 panels in all
- Grain and Coal – strong representation from a host of entities in grain and coal industries.
- Grain - including wheat, corn, soybeans; Automobiles; Sugar; Coal; Turkey including National Farmers Union, State government officials including Senators, Congressmen,

¹ Ex Parte No. 724 (Sub-No. 3) – United States Rail Service Issues – Data Collection – Digest 1 – issued late on October 8, 2014

Governors, Department Ag Directors, Attorney Generals, etc. – from ND, MN, SD all testified.²

- The Alliance for Rail Competition through Terry Whiteside – represented Colorado Wheat Administrative Committee, Idaho Wheat Commission, Idaho Barley Commission, Nebraska Wheat Board, Oregon Wheat Commission, Oklahoma Wheat Commission, South Dakota Wheat Commission, Texas Wheat Producers Board, Washington Grain Commission, Wyoming Wheat Marketing Committee
- MT was also represented via Alliance for Rail Competition, Montana Wheat and Barley Committee and Montana Farmers Union
- Farmers Unions from SD, ND, MN and WI, Corn Growers from ND, SD and MN, National Turkey producers, ND Grain Dealers Association, MN Grain Dealers, SD Grain Dealers and National Grain Dealers Association, ND and SD soybean growers, and ND, SD and MN Corn Growers, National Corn Growers Association all presented testimony
- The railroads BNSF, CP and RCPE (Rapid Pierre and Eastern – SD) were summoned by the STB to testify

During and after the hearings, shippers expressed concerns about the lack of publicly available rail service metrics and requested access to certain performance data from the railroads to help them better understand the scope, magnitude, and impact of the current service issues.

Following the April hearing in DC, the Board directed BNSF and CP to provide weekly status reports on fertilizer shipments and the transportation of grain on their networks (for CP, on its United States network).³ At the September hearing, stakeholders expressed a need for greater industry-wide wide transparency with regard to rail service. Shippers assert that performance metrics are important for rail users to plan logistics, minimize economic harm to operations and revenues, assist with business planning, and to better serve their

³ See U.S. Rail Serv. Issues—Grain, EP 724 (Sub-No. 2), slip op. at 3 (STB served June 20, 2014); U.S. Rail Serv. Issues, EP 724 (Sub-No. 1), slip op. at 1 (STB served Apr. 15, 2014)

own customers during the service recovery period.⁴ Shippers have also stated that information would bring transparency regarding the extent to which the railroads are improving and resolving the ongoing service issues.

Although the Board currently monitors various metrics of railroad performance, the Board agrees that there is a need for broader standardized performance data from the railroad industry as it continues to address existing service challenges. The Board also agrees that it is necessary to apply these reporting requirements to all of the Class I carriers. The United States rail system is an interconnected network, and one carrier's service problems can affect the performance of other carriers. Although the severity differs, shippers have reported problems on multiple carriers. Thus, the Board views the network as a whole, and seeks to better understand performance across the entire network. The new reporting requirements will give the agency and stakeholders' access to data needed for real-time understanding of regional and national service issues. The data will be filed in Docket No. EP 724 (Sub-No. 3) and will be publicly available. The Board intends to collect the data specified in this decision on a temporary basis.⁴ The data requests set forth in this Order supersede the requests previously directed to CP and BNSF.

New Reporting Requirements on a Weekly Basis:

System-average train speed by the following train types for the reporting week:

- a. Intermodal
- b. Grain unit
- c. Coal unit
- d. Automotive unit
- e. Crude oil unit
- f. Ethanol unit
- g. Manifest
- h. All other

2. Weekly average terminal dwell time, measured in hours, excluding cars on run through trains (i.e. cars that arrive at, and depart from, a terminal on the same through train) for that carrier's system and its 10 largest terminals in terms of railcar capacity.

⁴ The Board will initiate a rulemaking proceeding in the near future to determine whether to institute permanent data reporting requirements on service performance.

3. Total cars on line by the following car types for the reporting week:

- a. Box
- b. Covered hopper
- c. Gondola
- d. Intermodal
- e. Multilevel (Automotive)
- f. Open hopper
- g. Tank
- h. Other
- i. Total

4. Weekly average dwell time at origin for unit train shipments sorted by grain, coal, automotive, crude oil, ethanol, and all other unit trains. (Dwell time refers to the time period from billing and release of a unit train at origin until actual movement by the carrier.)

5. The weekly total number of trains held short of destination or scheduled interchange for longer than six hours sorted by train type (intermodal, grain unit, coal unit, automotive unit, crude oil unit, ethanol unit, other unit, and all other) and by cause (crew, locomotive power, track maintenance, mechanical issue, or other (explain)).

6. The weekly total number of loaded and empty cars, stated separately, in revenue service that have not moved in (a) more than 120 hours; and (b) more than 48 hours but less than or equal to 120 hours, sorted by the following classifications (intermodal, grain, coal, crude oil, automotive, ethanol, or all other). For purposes of this item, "moved" refers to making a train movement (departure) or a spot or pull from a customer location.
Docket No. EP 724 (Sub-No. 3)

The weekly total number of grain cars loaded and billed, reported by State, aggregated for the following Standard Transportation Commodity Codes (STCCs):

01131 (barley), 01132 (corn), 01133 (oats), 01135 (rye), 01136 (sorghum grains), 01137 (wheat), 01139 (grain, not elsewhere classified), 01144 (soybeans), 01341 (Beans, dry), 01342 (peas, dry), and 01343 (cowpeas, lentils, or lupines). "

7. Total grain cars "loaded and billed" includes cars in shuttle service; dedicated train service; reservation, lottery, open and other ordering systems; and, private cars. Additionally, please separately report the total cars loaded and billed in shuttle service (or dedicated train service) versus total cars loaded and billed in all other ordering systems, including private cars.

8. For the aggregated STCCs in Item 7, report by State the following:

- a. the running total number (week over week) of outstanding car orders (a car order equals one car);
- b. average number of days late for all outstanding grain car orders;

- c. the total number of new car orders received during the past week;
- d. the total number of car orders filled during the past week; and
- e. the number of orders cancelled, respectively, by shipper and railroad during the past week.

9. Plan versus performance for grain shuttle (or dedicated grain train) round trips, by region, updated to reflect the previous four weeks.

10. Average daily coal unit train loadings versus plan for the reporting week by coal production region.

Editor's Note: This is an important decision – and shows the success that comes from participation by parties represented at the Fargo hearing. The railroads have only been reporting past due cars on grain and not the other commodities. One could not get data on oil trains or much data on coal (except average speeds from AAR). What the STB's order in April 2014 after the hearing in DC proved, was the railroads will respond (at least the BNSF) to data when it is spot lighted by the STB. With this order the major grains, soybeans, corn, beans and lentils must be reported. Also reporting on coal movements will be required.

Additionally, the oil movements are now being spot lighted by the Board. It was interesting at the Fargo hearing that no one from the oil shipping industry showed up to testify. All in all, a good positive move by the Board and it shows that taking an active interest and position in Board proceedings can lead to positive results.

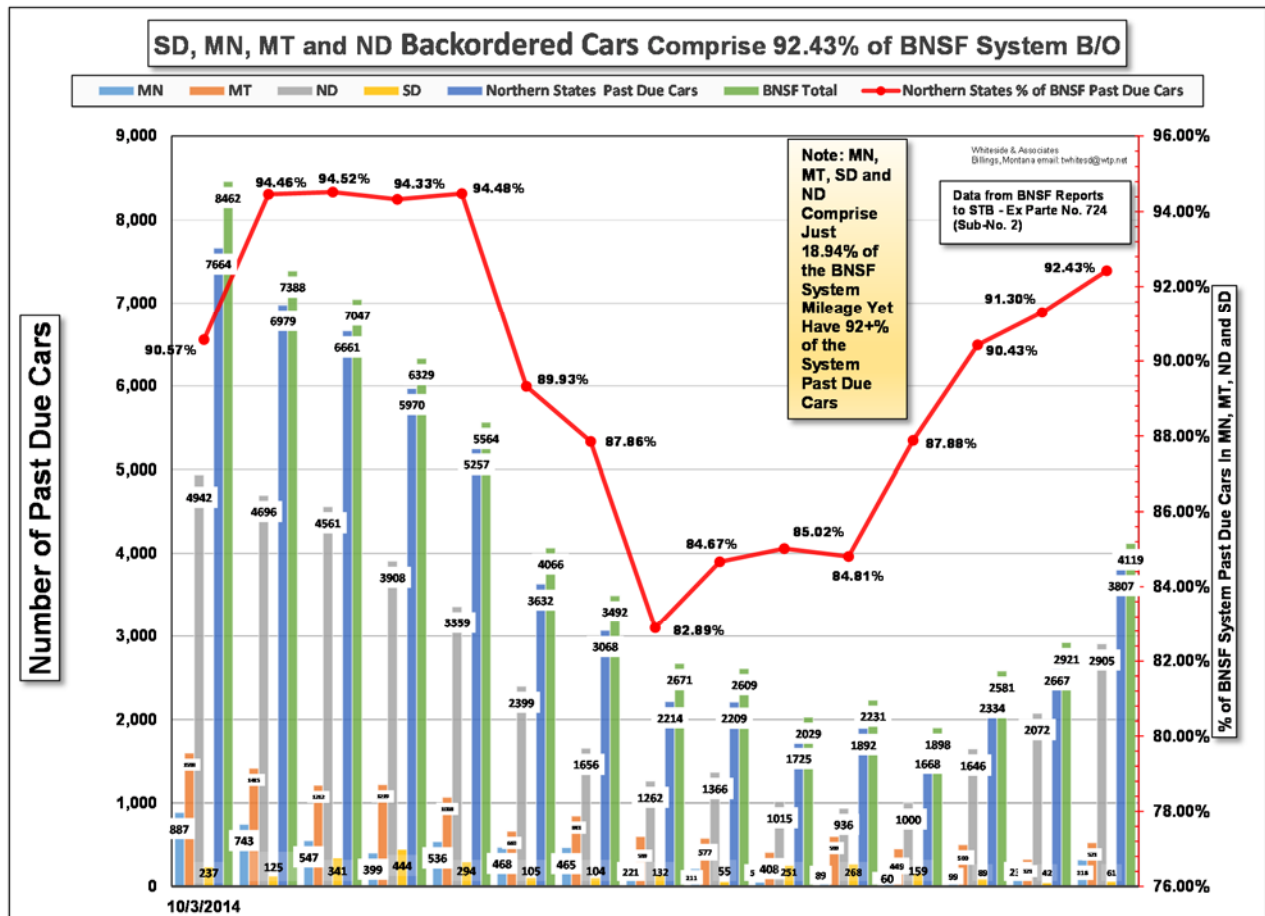
Does this action by the Board solve the disconcerting problems with rail service on BNSF or CP? No, it won't by itself but it does provide the rail shippers and the Board with more data to look over the railroads shoulder at their efforts and plans and how the battle to increase average train system speed is progressing.

Metrics Reporting Update

The Average Speed (taken from the AAR – Association of American Railroads) continues to be drift lower on wheat or around the year-long downward trend line. (See next page.) Meanwhile the BNSF system Average Train Speed continues to hover at yearlong lows, The wheat harvest in the Southern Great Plains is all but ended, the winter wheat harvest in the northern plains is concluding, the spring wheat is in full swing in the northern plains, and as yet

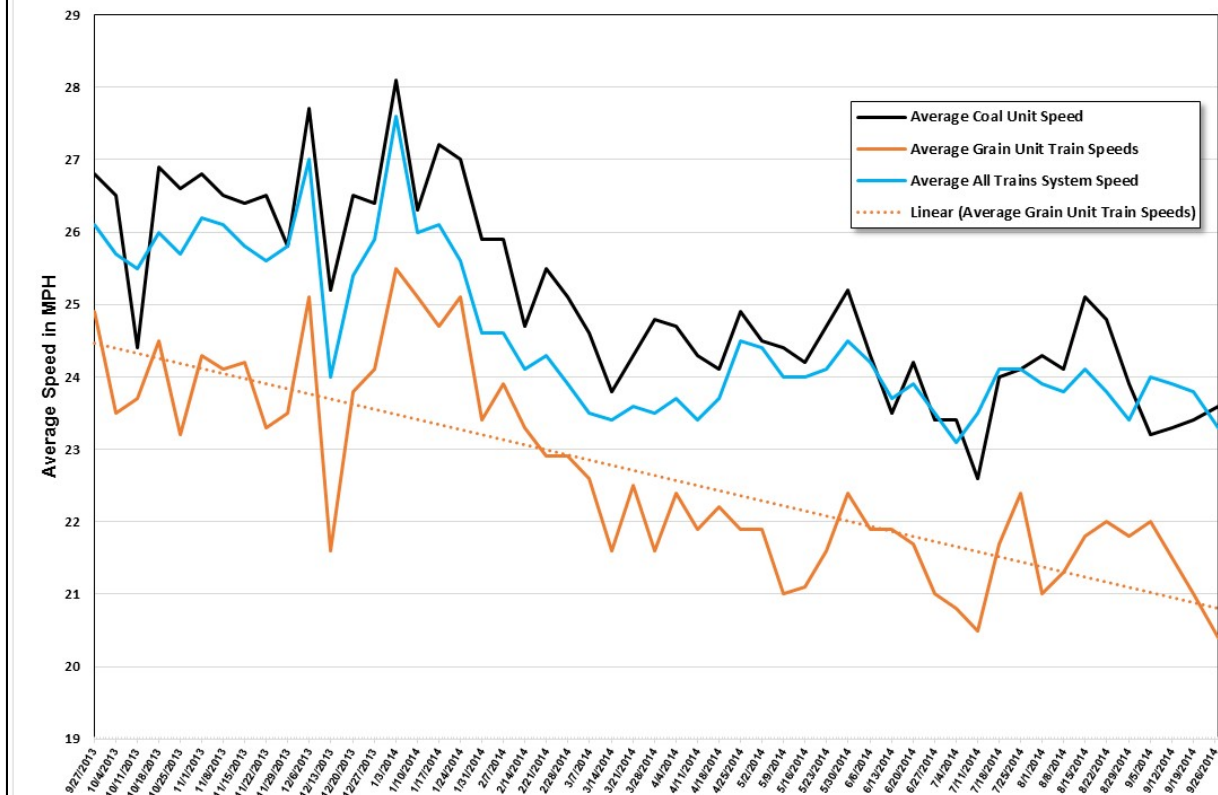
the soybean and corn remains to be harvested - yet the BNSF's system wide average speed is languishing at the lowest levels in past 1½ years.

The BNSF is showing little progress in getting their back-ordered cars down with over 92% of those backorders are sitting in the



northern plains – the most captive wheat customers on the BNSF system. Of the 1898 outstanding car orders on the BNSF system, 1668 of those car backorders are in Montana, North Dakota, Minnesota and South Dakota. **Those states comprise just 18.94% of the BNSF yet have OVER 92% of all the BNSF system backorders.** The BNSF is by law, supposed to allocate car shortage fairly among all of the shippers on its rail network.

Average Train Speed - Union Pacific - By Commodity



Many of the readers are asking how the UP is doing on average speed by commodity. The UP continues to struggle with lowering average speeds.

Likewise the BNSF Average speeds are still hovering at multi-year lows.

Until the BNSF and UP's average speeds increased from these mediocre lows, the U.S. rail shipping system will not show any increase productivity or reliability. Right now, the railroads are going from fire to fire just trying to keep shippers from running out of delivered product (coal) or keeping from blocking up the system (grain).

