

Distinguished STB Board Members and RETAC members,

The shippers on this committee appreciate the opportunity to meet with you to voice our concerns regarding what continues to be unpredictable and unreliable railroad service for utilities, biofuels producers, energy groups and rail car owners. We wish for this statement to present the Board with the perspective of these shipper groups of the primary issues driving the rail service problems and the issues we see with the railroad reporting metrics requested by the Board.

While some market conditions have fluctuated in recent months, there are still many key service issues that more than warrant Board attention. We have prepared a detailed written appendix, but in the interest of time, we will simply identify them.

- Railroad performance should consider not only the metrics of trains and cars that do arrive, but also the requested and required volume demand that goes unmet.
- The railroads continue to employ PSR to squeeze margins from shippers and reduce costs, rather than meet shipper needs and maintain the surge capacity needed to overcome disruptions in service. The railroads also continue to suffer from a labor shortage.
- Shippers remain exposed to demurrage and other charges when things go wrong on their end, or for things beyond their control, while the carriers remain effectively unaccountable for their ongoing service problems.
- Continued lack of communication to customers from railroads
- Service metrics that are being collected from the carriers should be enhanced.
- Service metrics will not provide a complete picture when they omit first/last mile data.
- Shippers remain unable to obtain adequate information from railroads. Automated and generic chat features are no substitute for being able to speak to a knowledgeable and experienced railroad rep.

In summary, the shippers of RETAC respectfully request the railroads and the Board continue to engage in real data-driven discussions in these committee meetings. We hope that the railroads will be prepared to present data that addresses the gap between volume nominations and actual deliveries. As we have stated before, we believe this committee should focus on the relationship between forecasts and deliveries, including how forecasts compare to volumes, the accuracy of the customer's forecast, railroad feedback sent back to the shipper, and railroads performance versus the forecast. And we look forward to the work done by the Board and this committee to address enhancement of the rail carrier and shipper forecasting communication effort.

Thank you for your engagement and concern of rail service and shipper issues.

Appendix to Shipper Summary Issues:

1. Communication to Customers from Railroads.

- a. The railroads' electronic customer interfaces rely heavily on one-size fits all on-line menus that are a poor fit for shipper needs. There may be an alternative "chat" feature for shippers to submit more individualized questions, but the operators are often unfamiliar with an individual shipper's needs, or shipper needs in general. Railroads use this feature to manage or track each request or issue characterized as "cases". Too often, there are too many cases submitted that can be responded to in a reasonable time. And local railroad operating officials have verified they are not able to respond to every case. The railroads also point to the use of the case management system to deny shipper invoice claims. If you neglected to create a case for an issue, the claim may be treated with less credibility. Often the drop down menus are inadequate to cover unique situations that exist or simple requests that used to be handled via a phone call or email to an individual on the carrier's coal desk or dispatch center who knew the facility and its location and specific needs. The systems appear designed to manage shippers, not address shipper needs.

2. Service Metrics.

- a. The Board should continue to request key metrics from the railroads. Shippers believe the data could be improved to match more closely what shippers are experiencing in terms of service, and not just selective metrics such as velocity and dwell time. Shippers believe that reliance on averages fails to capture variations in service. The metrics could be broken down more by region and commodity type and possibly even car type. Shippers need consistency of service for planning and reliability purposes.
- b. Also, the metrics do not include first and last mile data, except for unit trains and intermodal movements, and such data can be critical for the overall shipper experience. It does a shipper little good if its cars move reasonably well from terminal to terminal, but then sit at the terminal before they are delivered, if local delivery switches are missed, or if a shipper needs, say, five days a week service and receives only three days of service. The overall volume of deliveries requested by shippers can be critical.

3. Delivery Volumes.

The reported data focuses on trains and cars that actually arrive, but largely ignores the additional volumes that shippers needed and required, but the railroads were unable to even attempt to move. Over the past couple of years, energy shippers have experienced the railroads parking train sets or cars to relieve congestion on the system. No existing reporting metric attempts to address this issue. Parking trainsets may have some helpful impact on velocity or dwell time

information that gets reported, but it may also reduce the volume of ultimate deliveries, which means that shippers are not getting the volume of product that they require. There are many shippers that require regularity in deliveries and pickups, but others shippers are able to stockpile deliveries. In essence, the railroads get to grade themselves on a curve of their own choosing in terms of the trains that are running, not the additional trains that may be needed. It may be helpful to see in the metrics how many cars or trains were parked against what volumes were not shipped per commodity group. A related problem is that much of the data is reported as averages, which conceals the variation inherent in the average. As noted, shippers vary in their ability to tolerate variations. A measure such as a standard deviation would help to indicate the representatives of the average.

4. Precision Scheduled Railroading

- a. The majority of the Class 1's continue to use Precision Scheduled Railroading (PSR) to enhance railroad shareholder revenues at the expense of the customer base. The railroads have fixated on reducing railroad operating ratios, largely by squeezing increased operating margins out of shippers, rather than to improve service, pass savings on to shippers, strengthen resiliency, or grow volumes.
- b. Shippers and railroads worked together in the past to manage fluctuations in demand driven by forces beyond our control. However, with the advent of PSR, shippers have noted the railroads have eliminated resources to respond to surges in demand. They used to be able to gather forces and respond to variances in demand that occurred. Now, they seem to have taken all surge capacity away. Whenever there is any weather event, surge in demand, service interruption or labor issue, rail service is impacted. The carriers often point blame for lack of service on their own labor force, as if the railroads have no control over their headcounts. Shippers know from experience that rough weather did not used to have such an adverse effect on rail service. In fact, we have been told former CNW (now UP) actually used to have a sign that read, "Rough winters are no excuse". The railroads also appear to have no ability to make up deficits. Shippers may try to shift forward missed shipments or defer nominations to future periods. Often these shipments must be canceled if they cannot be delivered at all and then the entire supply chain suffers.

5. Accountability for Service Failures

- a. While shippers have continued to rack up additional costs for undelivered and delayed volumes, there appears to be no accountability for the railroads. Shippers invest millions in rail equipment and infrastructure at no cost to the railroads to enable fast and efficient deliveries and loading of commodities to and from their facilities. However, there is no standard of reciprocity between carriers and shippers when the carriers fail to provide service. Poor rail service continues to have massive cost impacts for shippers who have no means of penalizing the

carrier for lack of or missed deliveries. Meanwhile, the rail carriers are able to issue demurrage and other invoices penalizing shippers based on some computer algorithm that requires time and expense for the shipper to review and dispute, and in many cases may be found unjustified.