CLIENT UPDATE

UNDERSTANDING EP 711: KEY INSIGHTS FOR SHIPPERS

September 21, 2023

On September 7, 2023, the Surface Transportation Board (STB) published the Notice of Proposed Rulemaking Docket No. EP 711 (Sub-No. 2) RECIPROCAL SWITCHING FOR INADEQUATE SERVICE.

NPRM DOCKET NO. EP 711 (Sub-No. 2) EXPLAINED

The STB unanimously voted to approve the 51-page Notice of Proposed Rulemaking EP 711 Subdocket 2 aimed at improving rail service for shippers by providing a streamlined path to access reciprocal switching when service fails to meet any of the three performance standards:

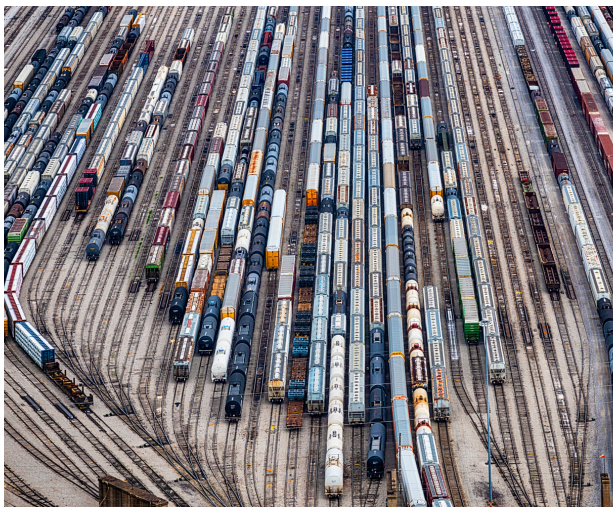
1. **Service Reliability** - % of shipments constructively or actually placed at the destination or interchange point within 24 hours of the original ETA over a consecutive 12-week period.
2. **Service Consistency** - year-over-year % increase in average transit time on a lane, comparing a consecutive 12-week period vs. the same period in the prior year.
3. **Inadequate Local Service** - Success rate (min %) in performing requested spots (local deliveries) and pulls (local pickups) within a planned service window over a period of 12 consecutive weeks.

** These specific percentages for these standards have yet to be determined by the STB.*

To help implement the new regulations, STB proposes:

1. to require Class I carriers to submit certain data, which would be publicly accessible and generalized; and,
2. to adopt a new requirement that, upon written request by a customer, a rail carrier must provide to that customer individualized, machine-readable service data.

The newly revised subdocket 2 eliminates the original intent of EP 711 (Sub-No. 1) to more broadly expand rail-to-rail competition.



SOURCES: Surface Transportation Board, Sept 2023; PLG Analysis, Sept 2023; National Industrial Transportation League

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SHIPPER IMPLICATIONS AND RECOMMENDED ACTIONS

POTENTIAL SHIPPER IMPLICATIONS:

- EP 711 rulings may impact upcoming rail contract negotiations, including minimum volume requirements and service level agreements crafted to the railroads' benefit.
- Shippers will be required to closely monitor rail service performance - syncing shipper and rail carrier data for compliance will be paramount.
- Shippers must seek to negotiate a solution on service issues with the carrier. If unsuccessful, shippers will have to petition the STB to obtain a reciprocal switching order.

RECOMMENDED SHIPPER ACTIONS:

- Understand SLAs: Closely monitor railroad service data - are the performance targets set at meaningful and appropriate levels?
- Assess status quo: Review your current rail logistics operations, metrics, and performance. Is your business well-positioned with or without EP 711?
- Be strategic: In anticipation of the EP 711 rulings, understand your options for rail transport: What alternatives/options could be considered?
- Stay informed: Raise issues/concerns to the STB directly or through industry associations like NITL.

SOURCES: Surface Transportation Board, Sept 2023; PLG Analysis, Sept 2023; National Industrial Transportation League

HOW PLG CAN HELP SHIPPERS:

Shippers can get ahead of the potential EP 711 regulations by engaging PLG's rail experts to assess and position your rail logistics strategy to mitigate risk and improve competitiveness prior to EP 711's final ruling.

IMPACT ANALYSIS

Assess/review all aspects of your rail network for EP 711 applicability, including an assessment of near-term and future opportunities.

NEGOTIATE CONTRACTS

Utilize EP 711 concepts and framework to proactively engage carriers for service consideration and rate savings on upcoming contracts.

STRATEGY DEVELOPMENT

Utilize a gap analysis to develop a strategy with the STB to present your business's specific requirements for consideration to improve the EP 711 solution.

RAIL LOCATION STRATEGY

Develop rail location strategies utilizing EP 711 considerations to optimize existing supply chains, locate new facilities, and develop new logistics networks.

ABOUT THE AUTHOR

Robert Russell is a seasoned Transportation executive with over 20 years of experience via Union Pacific, Progressive Rail, and OmniTRAX bringing his passion for and expertise in Rail Carload, Intermodal, and Transload solutions to our client organizations.

For more than 20 years, PLG Consulting has been at the forefront of supply chain and logistics trends within the industrial economy. Reach out to discuss your next project and how PLG Consulting can help. ***CONTACT US***