RailcarRx Whitepaper

MULTI-LEVEL POOL BILLING

DECODING UPCOMING MULTI-LEVEL POOL BILLING CHANGES

What is MLPB?

Multi-Level Pool Billing (MLPB) has long been a dinosaur in an age when AAR billed railcar repairs are standardized across the industry. Repairs and pre-trip prepping are poorly tracked, inconsistent and largely under audited. However, railcars known as Autoracks are one of the most utilized and important varieties of railcars.

For those not familiar with the term "Autorack", it is the name for the rail equipment that transports new vehicles from ports-of-entry to destinations across the U.S., Canada and Mexico. The railcar carrying automobiles consists of a flat car, sometimes called a "vehicular flat," and a superstructure called the "rack." The superstructure is built on top of the flat car. Largely the rack is owned by the railroad while the car is owned by a Private Car Owner (or PCO). The empty Autoracks are pulled to ramp facilities where the car undergoes "Pre-trip" preparation. They are then loaded with automobiles and shipped via train to specified unloading points.

The cost of prepping this equipment is shared across the railroad operators. There are Pool Operators (the operator of the loading facilities) and Pool Participants (the parties that utilize the equipment). The cost of prepping and repairs at loading facilities is shared across the pool participants.

Historically, railroads have gathered pre-trip prep invoices in spreadsheets and Microsoft Word documents. These bills are then distributed to the pool participants after applying the GPI (Gross Program Index) calculation which dictates how much each Pool Participant is required to pay. The challenge is that the cost of the tasks performed to prep this equipment is not standardized across the industry. What this means is the Pool Operator, who may utilize a contractor to prep equipment, creates an invoice that is not standard and therefore, not auditable. Furthermore, since the billed work performed on the invoices is not standardized, the industry has no way to measure repair costs against historical information compiled for the fleet. Pool Participants are forced to accept and pay bills with no means to track historical repairs or audit them for accuracy.

One railroad has led the way in working to standardize MLPB job codes so that the industry can finally get a handle on Autorack prep and repair costs. This railroad created a standard set of job codes and time standards that has helped pave the way for the industry to create and adopt its own set of standard job codes. The industry has also laid out how invoices will be generated and submitted to the pool participants.

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MLPB changes officially go into effect on February 1st, 2019. This date is rapidly approaching and based on discussions we have had with key players in the industry, many are underprepared or even unaware they will need to comply.

What does this mean to the industry? Big changes…huge changes. Railroads and contractors alike will need to make sweeping changes to the way they record, report and invoice for pre-trip preparation and repairs. To start, all MLPB changes officially go into effect on February 1st, 2019. This date is rapidly approaching and based on discussions we have had with key players in the industry, many are underprepared or even unaware that they will need to comply.

What is Changing?

The industry has agreed to a standard set of MLPB job codes also known as the 6000 series. This set of job codes encompasses the work performed in the pre-trip prep and repair process. The job codes are like the job codes in the AAR Price Master (and will actually be included within the AAR Price Master) currently in place for standard (not Autorack) railcar repair billing. The job codes also include allowable combinations, job, condition, location, "why made" and responsibility codes, and in some cases, qualifiers. As there are no current standards in the industry this is a substantial change that will take some time for the industry to adjust to. Pre-trippers will need to record ALL task performed on the equipment where previously they may have only recorded one pre-trip prep invoice line per car.

The new job codes (unlike the AAR job codes) do not include time standards, material cost, and they do not dictate a labor rate. This may follow later. Contractors and Railroads will need to work together to define time standards and labor rates at the ramp level or site wide.

Along with job codes standardization, there is a new procedure to submit invoices. The industry has created a new MLPB 500-byte format, which will be submitted to Railinc's Car Repair Data Exchange (CRBDX). Railinc will then send the combined invoice to the Pool Operator who will have seven days to "audit" the inbound invoices. After this period, the invoices will be split by Railinc who will apply the GPI calculations and send each Pool Participant their share of the invoices. If exceptions are taken during the 7-day period, the invoicing party will need to adjust and resubmit their invoice.

What Does This Mean for Me?

What does this mean to me? It depends on who the "me" is.

For contractors who perform pre-trip prep at Autorack loading facilities the changes are significant. Most pre-trip preppers today operate under loose guidelines from the Railroads. Billing is provided on a per car basis and most pre-trip tasks are not recorded. This will change. Contractors will still record a "pre-trip prep" job code that is based on the type of multi-level. They will also need to record any and all other tasks that were performed, for example, replacing chocks. Previously this may have been categorized under the pre-trip prep that is no longer the case.

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The job code combinations will also prove challenging for many pre-trip preppers. New job code combinations will ensure a steep learning curve as a lack of any standardization currently exists in the industry. Without software to help create and "audit" repair lines there will be numerous billing mistakes made.

The absence of standard hours and labor charges are sure to create confusion as well. The 6000 job codes series do not include standard hours or labor rates. Contractors will need to define labor hours to perform specific job codes and provide an hourly labor rate to calculate total labor charges for each task performed. The other scenario is charging a flat "pre-trip prep" rate per car and bill additional job codes at zero dollars.

The format of the invoice will also be cumbersome to many pre-trip preppers. Currently, many contractors invoice their customer (the Railroad) in a simple spreadsheet or Microsoft Word document. On February 1st, 2019 all MPLB will need to comply with the new 500-byte format and either submit to the Railroad or to Railinc's CRBDX. The invoices are only submitted monthly as standard car repair bills are today.

Contractors will need to work with their customers (the Railroads) to better understand how to utilize the job codes, set time standards and pricing and how they will get paid for submitting invoices. Contractors may be told to edit bills and resubmit them if they do not pass audits that the Pool Operators perform against their billing.

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Implementing these changes will prove difficult for many. Without the help of a software solution built specifically for the new MLPB processes it will be extremely difficult to be compliant with the upcoming changes.

For Railroads there are also challenges to consider. First, how will audit be performed? As the processes and 6000 series job codes are new, how does one audit inbound bills for accuracy? As no time standards or labor charges exist, how is cost audited properly? Another difficulty will be managing exceptions raised by Pool Participants. This is made more complex because invoices are split between several parties - - in some cases up to a dozen.

The assumption is that for several months, after the new billing takes effect, there will be numerous kinks to work out in the process. That is *if* the new MLPB process is implemented on February 1st. The single largest obstacle for all parties is being able to implement the systems and processes around this new methodology before the deadline. Keep in mind the implementation date is February 1st, meaning the first MLPB files will be submitted to Railinc, however, this actually means that ALL billing will need to comply on January 1st, 2019, the February 1st deadline is the first submission for all January billing.

What's Next?

This leaves the industry with little more than two and half months to prepare itself to be compliant on January 1st, 2019 to submit an invoice on February 1st.

What does your organization need to do?

For Contractors:

1. Contact your customer (Railroad) and ask how you should bill, can you utilize your current billing model or will that need to be adjusted?
2. When will your organization be paid for services? Since billing is monthly will this affect your revenue flow for services provided?
3. Invest in software, find a service provider that supports the new job codes, MLPB 500-byte format and can help provide guidance on how to execute a plan to become compliant.
4. Test, work with your customers to provide test files with new billing and pricing.
5. Work with your customer (the Railroad) to see how they want you to handle time standards for work performed.
6. Ask your customers (the Railroads) if you will be submitting a 500-byte file to them or to Railinc.

For Railroads:

1. Are your contractors ready? Do they know what changes are coming and are they working towards being compliant on January 1st, 2019?
2. Have you helped your contractors define standard labor hours for the job codes they perform?
3. Does the contractor understand they will need to record all tasks performed (in addition to a pre-trip prep line item on the invoices)?
4. Will your contractors be submitting 500-byte files to you or directly to Railinc?
5. If you are performing your own pre-trip prep, are you able to accurately calculate labor charges for work being performed by internal employees?
6. How will you audit inbound files as a Pool Operator/Pool Participant?

7. How will you raise and manage exceptions?
8. What will you do with the data you are receiving?

Conclusion

There little doubt that MLPB in need of this extensive standardization. The industry has paid invoices for pre-trip preparation for years without the ability to truly perform costs analysis on repairs completed to the pool. For example, are excessive preparations being charged regarding chocks replacements?

The data received by the industry will help to analyze work performed and show trends. It will also provide more visibility in *where* money is being spent, which should help to drive excessive costs down for the entire pool.

Implementing these changes will prove difficult for many. Without the help of a software solution built specifically for the new MLPB processes it will be extremely difficult to be compliant with the upcoming changes.

RailcarRx has been working in the MLPB field for over two years. We work with two of the largest MLPB pre-trip prep companies in North America. Our system is currently used by a Class I Railroad to perform all pre-trip prep billing utilizing the new 6000 series job codes and on January 1st, 2019 we will implement the new 500-byte billing format for submission to Railinc.

We have been in contact with many in the industry about the upcoming changes and there are numerous questions and confusion about what is changing. We have been working with parties to implement our solution and provide guidance on what the expectations are for contractors and Railroads.

If you would like to learn more you can reach us……

About RailcarRx

RailcarRx, Inc is a leading IT provider of software products and services with numerous years of expertise in custom software development for companies in the rail industry. RailcarRx provides innovative, comprehensive and cloud-based IT solutions to manage the critical aspects of rail operations for repair shops, railcar owners, shippers, and railroads. RailcarRx's solutions were built by subject matter experts with input from leaders in the rail industry whose common goal was to significantly improve transparency, throughput and profitability.

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