

Surface Transportation Board
Ex Parte 704 (Sub-No. 1)—Review of Commodity, Boxcar, and TOFC/COFC Exemptions

Summary of Ex Parte Meeting held on June 12, 2019 between
Tucson Iron & Metal, Rocky Mountain Recycling Inc., and Institute of Scrap Recycling
Industries, Inc. and Vice Chairman Fuchs

Tucson Iron & Metal (“Tucson”), Rocky Mountain Recycling Inc. (“Rocky Mountain”) and Institute of Scrap Recycling Industries, Inc. (“ISRI”) Attendees:

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- Christian Yoder, Logistics Manager, Tucson
- Brian Henesey, Vice President, Rocky Mountain
- William Johnson, Chief Lobbyist, ISRI
- Karyn Booth, Thompson Hine LLP
- Kerem Bilge, Thompson Hine LLP

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June 24, 2019
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STB Attendees:

- Vice Chairman Patrick Fuchs
- Lisa S. Novins, Attorney Advisor
- Douglas W. Pelsey, Economist

Meeting Summary:

The meeting began with introductions, and Tucson, Rocky Mountain, and ISRI thanked the STB Attendees for the opportunity to meet and discuss the Board’s proposed rule and the issues in this proceeding.

Rocky Mountain explained its company background and operations and its need for cost-effective and reliable rail service. Rocky Mountain is a scrap metal recycling company based in Colorado and operates a single scrap yard. Rocky Mountain processes ferrous and non-ferrous metals. Rocky Mountain’s inbound traffic is primarily received by truck, however its outbound traffic is dependent on rail. Rocky Mountain explained that it ships around 10,000 tons of ferrous scrap outbound monthly. Approximately 7,500 tons of this volume is shipped by rail. Rocky Mountain also explained that it owns a private rail car fleet of 50 rail cars, and that 55% of this volume is shipped using private cars. Rocky Mountain described its facility shown on the map. (See Exhibit-1) Rocky Mountain also explained that it does not have any room to expand the rail track at its facility based on its location and surroundings.

Vice Chairman Fuchs asked whether Rocky Mountain would be able to shift its outbound shipments to truck. Rocky Mountain explained that it cannot shift to truck due to its outbound volumes which are more efficiently transported by rail and because of the design and location of its facility, which is built next to railroad tracks and is configured for rail shipments. Rocky Mountain also explained that its shipments often involve hauls longer than 500 miles, which is not practical for truck transportation. The number of trucks that would be needed are simply not available and it would be uneconomic. Also, its receivers’ facilities are set up for rail not substantial volumes of truck.

Vice Chairman Fuchs inquired about the pricing levels for hauls by truck that are longer than 500 miles. Rocky Mountain explained that utilizing truck shipments would be cost prohibitive because its location is in a remote area where truck capacity is not abundant and it would take longer to complete the haul by truck.

Rocky Mountain explained that the recent changes introduced with PSR have had adverse effects on its business. Demurrage bills of Rocky Mountain surged in recent years from \$4,500 in 2014 to \$80,000 in 2018. In the first four months of 2019, Rocky Mountain incurred approximately \$58,000 in demurrage. Rocky Mountain stated that the main reason for this increase is the reduction of free time and increase in railroad caused events (e.g., bunching and missed switches).

Vice Chairman Fuchs inquired about the railroads' demurrage dispute processes. Rocky Mountain stated that it needs greater detail in invoices on why they are being assessed the charges.

Vice Chairman Fuchs asked whether railroad-provided timestamps for each car would better facilitate the dispute resolution process. Rocky Mountain explained that at times it does not receive the cars although the railroad's system data indicates the opposite. Rocky Mountain stated that its main challenge is the lack of any avenue for recourse, if the railroads reject its claims in their internal dispute settlement system.

Tucson explained the company background and operations and its dependence on rail service. Tucson explained its facility using the attached map. (See Exhibit-2) Tucson stated that its main rail traffic is inbound shipments of steel grinding balls that are sold to copper mines. Tucson explained that a Class-I railroad has recently reduced the number of service days from 5 to 2 days. This has caused a significant increase in its demurrage bills where Tucson previously had none since April 2015. This is because the reduction to 2 days of service is causing cars to accumulate at the serving rail yard. Tucson stated that it is faced with the options of either paying the increased demurrage bills or requesting an additional switch, which costs \$3,200 per occurrence. Tucson explained that it is a small business and cannot easily absorb the rising demurrage costs or pass these costs on to its customers.

Vice Chairman Fuchs asked Tucson to explain the largest benefit to revoking the exemption. Tucson stated that its primary concern is the reduction in service and demurrage bills and that it needs an avenue for recourse to address these problems.

The meeting concluded with each side thanking the other for participating in the meeting.

Exhibit-1



Exhibit-2

