

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 Chairman Begeman

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

- 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 21, 2019
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STB Attendees:

- Chairman Ann D. Begeman
- Valerie Quinn, Attorney-Advisor
- Frank O’Connor, Deputy Director, Office of Economics

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 using 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 by private cars. Rocky Mountain described its facility shown on the map. (See Exhibit-1) Rocky Mountain stated that it does not have any other option but to ship by rail due to the rail infrastructure at its facility. 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.

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.

Chairman Begeman asked about the main reason for the increase. Rocky Mountain stated that the main reason for this increase is the reduction of free time and railroad caused events (e.g., bunching and missed switches). Rocky Mountain explained that the 2018 demurrage bills were

partly Rocky Mountain's responsibility due to machinery repairs, however the reduction of free time and railroad caused events (*e.g.*, bunching and missed switches) exacerbated its bills significantly. Rocky Mountain also explained that it has received a significant number of erroneous bills, which created a need for substantial time and resources to track down railroad data to file disputes and ensure the accuracy of the invoices.

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 receiving the 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 had none since April, 2015. This is because the reduction to 2 days of service is causing cars to accumulate at the Tucson 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.

Chairman Begeman asked what Tucson and Rocky Mountain would do if the exemption was revoked. Tucson stated that its main challenges are with demurrage and service issues. Tucson stated that revoking the exemption would grant access to the STB oversight and an avenue for recourse against the railroads. Rocky Mountain expressed its concerns about the railroad's service and market power inhibiting the growth of its business and stated that STB oversight is needed to address its lack of negotiating leverage to allow for cases to be brought before the agency if necessary.

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

Exhibit-1



Exhibit-2

