

RESERVE MANAGEMENT GROUP

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May 8, 2019

Chairperson, Ann D. Begeman
Vice Chairperson, Patrick J. Fuchs
Member, Martin J. Oberman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

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Office of Proceedings
May 8, 2019
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Re: STB Ex Parte No. 754, OVERSIGHT HEARING ON DEMURRAGE AND
ACCESSORIAL CHARGES

Dear Board:

Reserve Management Group (“RMG”), files this letter in full support of the May 8, 2019 Submission of the Institute of Scrap Recycling Industries (“ISRI”) regarding the Surface Transportation Board’s (“Board” or “STB”) Notice served on April 8, 2019. RMG is the privately-held owner of multiple scrap metal recycling businesses with operations in ten (10) states employing in excess of 1,000 employees. RMG serves customers in North America and overseas markets relying heavily on receiving and shipping product via the rail system. Many of RMG’s companies supply steel mills and foundries on a “just in time” basis requiring a significant amount of material to be shipped via rail on a timely basis. RMG also owns and utilizes its own fleet of railcars to supplement the railroads inability to supply equipment.

More specifically, RMG ships and receives a significant number of rail cars per month that is not only vital to RMG but also its customers and suppliers. The facilities that RMG operates are serviced by the Norfolk Southern, Canadian National¹, Wheeling & Lake Erie, Indiana Harbor Belt Line, New York & Atlantic Railroad, and the Finger Lakes Railroad. It would be impossible for RMG to service its customers without the rail system. The U.S. Trucking industry currently operates in a supply deficit with the national inventory of trucks and CDL licensed drivers at insufficient levels to serve current U.S. demand with no end in sight. Moreover, the U.S. navigable waterway system does not sufficiently serve all of the nation's requirements. Conclusively, commerce in the recycling industry would grind to a halt without the class one rail system.

¹ RMG submits that ISRI’s discussion of Class 1 Railroads should include the U.S. operations of the CN.

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As a practical matter it is difficult to detail and document the daily issues faced by our Logistics Departments, Operations Managers and Sales people all of which must have reliable, timely information for making their respective decisions. The issues faced by all of our internal parties range from escalating freights to inaccurate notice of inbound shipments and inconsistent outbound service resulting in regularly disputed charges. Daily examples exist that reflect extremely poor switching service. Cars may be noticed late in the day, beyond the time that Managers are required to schedule employees for overtime or weekend work in order to avoid revised demurrage assessments based on the railroads demands to turn rail cars out in 24 hours. [Note: each rail car has to be retrieved, received, weighed, emptied, re-weighed and placed for pick up by the rail carrier.] Likewise, there are a continuing number of issues that impact operations such as bunching of cars causing internal traffic jams that hamper efficient receiving, weighing, unloading of rail cars and which significantly increase operating costs.²

Unlike the rail carriers, private companies do not have the resources to capture each instance impacted by these continuing issues nor the ever-increasing costs involved in managing operational last-minute changes caused by service disruptions. The scrap metal industry is similar to other commodity based industries, largely volume driven yet with narrow margins making it particularly vulnerable to cost disruptions. On the other hand, it is important to note that unlike many commodities scrap is *not* fungible. Each scrap consumer has its own specifications related to, among other things, material chemistry, size and composition.

Generally speaking, freight rates and accessorial charges have risen against the backdrop of reduced service and reduced supply of equipment. Moreover, it is increasingly difficult to obtain timely freight rates from the railroads, sometimes taking weeks resulting in lost sales opportunities. Timeliness is a critical factor in fluctuating scrap metal markets.

The class one railroads are well aware of all of the national transportation deficits and lack of alternatives, and yet are unfettered to make rules that are onerous to their customers. We do, however, recognize the underlying purpose of demurrage/storage charges, we merely request that

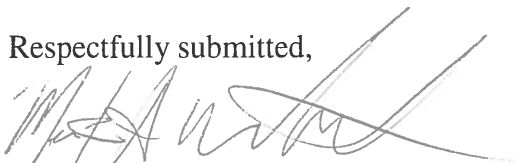
² As detailed in ISRI's Submission

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such charges and rules are reasonable and manageable for all railroad customers. At the time that the exemptions were instituted perhaps there was no other avenue for supporting the survival of the rail system. However, in today's hyper-competitive marketplace, there is no question that one-sided monopolistic practices, have had, and continue to have, a deleterious impact on commerce and specifically the scrap metal industry.

For these reasons, and those reasons detailed in ISRI's Submission, we respectfully request that the Board adopt ISRI's recommendations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark A. Weintraub', is written over the typed name.

Mark A. Weintraub, Esq.
General Counsel