

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 13, 2019 between
Reserve Management Group, Schnitzer Steel Industries, Inc. and Institute of Scrap Recycling
Industries, Inc. and Vice Chairman Fuchs

**Reserve Management Group (“Reserve”), Schnitzer Steel Industries, Inc. (“Schnitzer”)
and Institute of Scrap Recycling Industries, Inc. (“ISRI”) Attendees:**

- Mark Weintraub, General Counsel, Reserve
- Colin Kelly, Director of Public Affairs, Schnitzer
- Dewey Champion, Account Executive, Schnitzer
- David Lipton, General Manager, Schnitzer
- William Johnson, Chief Lobbyist, ISRI
- Karyn Booth, Thompson Hine LLP
- Kerem Bilge, Thompson Hine LLP

STB Attendees:

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

Meeting Summary:

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

Schnitzer explained that it is based in Portland, OR, and its 102 facilities are scattered around 23 states in the United States, including Hawaii, as well as in Puerto Rico.

Schnitzer operates in metals recycling, auto recycling, and steel manufacturing. Schnitzer is heavily reliant on rail transportation for the outbound movement of its products. Schnitzer described two of its facilities’ operations in the Southeastern United States using the attached maps. (See Exhibit-1)

Schnitzer explained its concerns with demurrage, and rail rates and service. In the Southeast region, Schnitzer’s demurrage bills have significantly increased due to the reduction of free days for private cars and because of bunching of cars by the railroads. The railroads also deliver cars late on Friday and Schnitzer automatically incurs demurrage over the weekend since it does not operate its Southeast yards on Saturdays and Sundays. Currently, it has over \$500,000 outstanding demurrage bills. Schnitzer did not incur any demurrage prior to implementation of PSR. Schnitzer also explained that it does not have any control over the cars coming in to one of its facilities in the Southeast region due to the “open-gate facility” designation, and it creates

significant problems. Schnitzer has since asked to become a closed gate facility and the railroad has refused.

Vice Chairman Fuchs and Schnitzer discussed what other mechanisms could resolve issues Schnitzer see as current issues with railroads' demurrage charges besides guaranteeing a certain amount of free time. Schnitzer stated that certain reciprocal commitments that would incentivize railroads to perform better would be helpful, but the rigid free time rule is still a major concern since it fails to account for normal variations in service and operations.

Reserve explained that it operates in 10 states, and 6 of its locations are served by rail. Reserve stated that it is served by various Class-I railroads and short-lines at their facilities. Reserve facilities process ferrous metals, non-ferrous metals, electronic scrap, and plastic scrap. Reserve explained that most of its outbound traffic is by rail, and inbound is moved by truck. However, for outbound shipments, truck is not a competitive option for Reserve due to volume constraints, rates, and the design of the shipping and receiving facilities, which have significant rail infrastructure.

Reserve explained that it is experiencing excessive rate increases, service issues, and increasing demurrage. Reserve stated that a Class-I railroad has increased its rates more than 300% between Chicago, IL and Toledo, OH. Reserve also explained that, in April 2019, another Class-I railroad quoted rate increases of more than 70% for private cars and more than 80% for system cars. Reserve stated that it believes that the rate increases are intended to de-market certain lanes.

Vice Chairman Fuchs asked how Reserve responded to the rate increases, and whether Reserve thinks it is being de-marketed. Reserve explained it cannot work with these rate levels, and that it would qualify as de-marketing.

Reserve stated that it cannot shift to exclusively barges or trucks. Not all facilities and receivers have a water option and barge is currently unavailable in many places because of flooding. There are volume and distance limits on our use of trucks and truck capacity is especially scarce in the Midwest during construction season. Reserve stated that it is essential to be able to negotiate reasonable rail rates, reasonable free days, and other service terms.

Reserve stated that they have also been experiencing increasing demurrage bills, and a significant number of bunched car deliveries by a Class-I railroad, and that these costs cannot be passed through to its customers. It also has struggled with service and the lack of an adequate car supply of gondolas.

Reserve emphasized that the scrap it produces is very specific to its consumers' requirements, based on a variety of factors, such as size, quantity, castings and moldings, and chemical composition. These are critical components that differentiate Reserve's business and substantially restrict the ability to substitute products or customers.

Both companies stated that they strongly support the revocation of the exemption because they need access to STB oversight and an avenue to seek recourse against the railroads for service, demurrage, and rate concerns. Both companies stated that their relationship with the railroads is

one-sided with all the power residing with the railroads, and the revocation of the exemption would improve their abilities to negotiate with the railroads.

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

Exhibit-1



