

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
SA Recycling LLC, Consolidated Scrap Resources, Inc. and Institute of Scrap Recycling
Industries, Inc. and Chairman Begeman

SA Recycling LLC (“SAR”), Consolidated Scrap Resources, Inc. (“CSR”) and Institute of Scrap Recycling Industries, Inc. (“ISRI”) Attendees:

- | | |
|---|-----------------------|
| • Bobby Triesch, Vice President and Regional General Manager, SAR | 248027 |
| • Silvana Jones, Logistics Director, SAR | |
| • David Brown, Vice President and Regional General Manager, SAR | ENTERED |
| • Benjamin Abrams, CEO and President, CSR | Office of Proceedings |
| • William Johnson, Chief Lobbyist, ISRI | June 25, 2019 |
| • Karyn Booth, Thompson Hine LLP | Part of |
| • Kerem Bilge, Thompson Hine LLP | Public Record |

STB Attendees:

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

Meeting Summary:

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

SAR described its company background and operations and its need for reliable and cost-effective rail service. SAR processes ferrous and non-ferrous metals and operates over 70 recycling facilities located throughout California, Texas, Arizona, Nevada, Georgia, Alabama and Tennessee. SAR relies on private cars for its Georgia region facilities, and relies on railroad-owned system cars at its West Coast facilities. SAR explained that, at its Georgia region facilities, its inbound traffic is 100% by truck, and outbound traffic is 90% by rail. When rail service was particularly problematic in 2017, SAR shipped 70% outbound by rail. This was not because truck is more economical or efficient but only to meet the delivery demands of its steel mill customers. SAR stated that it is served by a single Class I railroad at the Georgia region facilities, and two Class I railroads at its West Coast facilities, as well as by some short line carriers.

SAR explained that it is having serious rail problems related to demurrage, car supply and service reliability. Rail rates also continue to rise and it is challenging to negotiate with the railroads who have significant market power.

For its Georgia region alone, SAR stated that it currently has outstanding private car storage bills in the amount of \$900,000. SAR presented a chart showing recent rail deliveries in June 2019, the number of credits it has received for deliveries earlier or later than the railroad ETAs, as well as the impact of a lack of credits applied to deliveries of empty cars (See Exhibit-1). SAR explained that the serving railroad missed its ETAs 100% of the time and yet because the railroads do not provide credits for empties this results in substantial storage fees. SAR explained that it has made significant investments in private cars in recent years due to terrible rail service and a lack of an adequate car supply of railroad-owned gondolas. However, these investments have become moot and penalizing to SAR since the railroads have since increased their service levels in terms of cycle times, and then assess storage on the private cars that are no longer needed. SAR has sent 100 cars to private storage to help mitigate the railroad fees, but SAR still must pay its lease costs and storage fees, which are monies that it cannot use to invest and grow its business. SAR also presented a table showing the impact on its storage charges as a result of varying credit periods (See Exhibit-2).

Regarding its West Coast operations, SAR stated that its facilities have been placed on embargo twice in 2019, even though the congestion was created because of railroad service failures. SAR stated that its West Coast facilities are open gate, and that they have requested to become a closed gate customer, but the railroad has refused to allow this change.

SAR also explained that a Class I railroad provided sufficient car orders 37% of the time in a single month and caused SAR to lose \$800,000 in lost sales at its West Coast facilities by not supplying the required number of cars. SAR also explained how another Class I railroad failed to provide sufficient cars in its bidding system, which has harmed SAR's ability to meet its business requirements.

CSR described its company operations and dependence on rail for outbound deliveries. CSR is a full-service metals, paper and plastics recycler with facilities located throughout Pennsylvania. CSR is served by a single Class I railroad as well as short line carriers. CSR stated that rail transportation represents approximately 30-40% of its total ferrous scrap metal shipments. CSR stated that it primarily relies on rail for shipments moving at a distance of 150 miles or more. One of its primary steel mill customers is 10 miles away and it can use truck for this customer both because of the distance and the volumes shipped. Its other customers are much farther away which makes rail more economical and efficient and those customers require rail deliveries.

CSR explained that its main issues with the railroads are centered around demurrage, the cost of challenging railroad invoices, overloaded car charges, the lack of adequate railroad personnel capable of providing clear information and resolving their complaints, and rising rail rates, which cannot be negotiated. CSR experienced significant increases in storage bills with the recent changes in railroad demurrage rules and practices. CSR showed the STB Attendees a map of its Harrisburg facility (See Exhibit-3) and explained how it is restricted to add additional storage tracks to alleviate the increasing private car storage charges it has incurred since implementation of PSR by a Class I railroad.

Chairman Begeman asked how revocation of the exemption would be helpful to the companies. Both companies stated that they strongly support the Board's proposal to revoke the exemption and they need STB oversight to help improve their leverage in commercial negotiations with the

railroads and as an option to have regulatory remedies as recourse against the railroads to address service, unreasonable practice and demurrage issues, and rising rates that are not subject to negotiation.

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

Exhibit-1

Equipment ID	Current Location	ETA	Original ETA	L/E	Status	Status Details	Credits	Service Credits	Service Credits Details	Adj Credits	Adjusted Credits Details	Car Days	Total
DTX 528064	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
DTX 528017	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
DTX 019199	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
BBFX 000390	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
NELX 000291	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
BBFX 000492	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/06/2019 10:00 PM	0	0	0	2	0	5	-5
NDYX 320243	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	L	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
NELX 000261	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	0	0	4	0	4	-4
NELX 000177	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	0	0	4	0	4	-4
NELX 000257	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	0	0	4	0	4	-4
BBFX 000433	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	L	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000463	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000238	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000491	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
DTX 019018	DORVILLE, GA	06/11/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/07/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000494	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000406	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000379	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000400	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000383	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000396	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000348	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000311	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000164	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
NELX 000148	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	2	0	2	-2
SAXX 000312	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	2	0	2	-2
BBFX 000423	DORVILLE, GA	06/12/2019 04:00 AM	06/09/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
DTX 005025	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000488	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000495	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000385	DORVILLE, GA	06/12/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	2	0	2	-2
JTLX 005354	DORVILLE, GA	06/10/2019 04:00 AM	06/08/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
DTX 000141	DORVILLE, GA	06/10/2019 04:00 AM	06/08/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000240	DORVILLE, GA	06/10/2019 04:00 AM	06/08/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000332	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
DTX 528055	DORVILLE, GA	06/10/2019 04:00 AM	06/07/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	4	0	4	-4
SAXX 000334	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000350	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000393	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000342	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
SAXX 000343	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000467	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000398	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000490	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2	-2	-2
BBFX 000401	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	L	PCON	Placement – constructive 06/09/2019 05:00 PM	0	2	2: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	2	0
NELX 000259	DORVILLE, GA	06/10/2019 04:00 AM	06/10/2019 04:00 AM	E	PCON	Placement – constructive 06/09/2019 05:00 PM	0	0	0	0	2 days credit per 1 day not meeting ETA	2	0
SAXX 000317	DORVILLE, GA	06/11/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
BBFX 000486	DORVILLE, GA	06/11/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000432	DORVILLE, GA	06/11/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
BBFX 000466	DORVILLE, GA	06/12/2019 04:00 AM	06/12/2019 04:00 AM	L	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000487	DORVILLE, GA	06/12/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
DTX 528007	DORVILLE, GA	06/12/2019 04:00 AM	06/12/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000455	DORVILLE, GA	06/12/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
JTLX 005080	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
BBFX 000361	DORVILLE, GA	06/12/2019 04:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
DTX 009738	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	L	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
DTX 009723	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	4	0	4	-4
BBFX 000481	DORVILLE, GA	06/12/2019 08:00 AM	06/11/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	0	0	2	0	2	-1
DTX 528068	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
DTX 528002	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	E	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0
NDYX 320256	DORVILLE, GA	06/11/2019 04:00 AM	06/12/2019 04:00 AM	L	PCON	Placement – constructive 06/10/2019 10:00 PM	0	4	4: ETA Credit 0: Local Credit	0	2 days credit per 1 day not meeting ETA	4	0

31
cars
showed
up
6/9

Once an empty car
is Pcon'd all info
on ETA disappears
from the NS System

↑
loaded
cars
missed
ETA
100%
of
the
time

No loads

↑
credits
we
would
have
rec'd
for
miss'd
ETA
on
empty
cans
if
we
got
credits
for
miss'd
ETAs
on
Empthies

Exhibit-2

Bobby Triesch (East Point 1355)

From: Bobby Triesch (East Point 1355)
Sent: Wednesday, June 12, 2019 1:27 PM
To: Bobby Triesch (East Point 1355)
Subject: FW: 2019 Storage invoices with credits

From: Renee Quiroga (East Point 1316)
Sent: Wednesday, June 12, 2019 11:36 AM
To: Bobby Triesch (East Point 1355) <btriesch@sarecycling.com>
Subject: RE: 2019 Storage invoices with credits

		<i>if</i>	<i>if</i>	<i>if</i>
NS Storage Charges	Invoice 0 credits	Invoice 1 credits	invoice 2 credits	Invoice 3 credits
Jan-19	\$ 119,820.00	\$ 79,680.00	\$ 53,940.00	\$ 28,500.00
Feb-19	\$ 135,780.00	\$ 86,460.00	\$ 67,620.00	\$ 48,960.00
Mar-19	\$ 80,760.00	\$ 31,140.00	\$ 10,200.00	\$ -
Apr-19	\$ 85,140.00	\$ 37,200.00	\$ 18,840.00	\$ 6,720.00
May-19	\$ 76,380.00	\$ 43,680.00	\$ 23,340.00	\$ 4,200.00
Total 2019	\$ 497,880.00	\$ 278,160.00	\$ 173,940.00	\$ 88,380.00

Renée Quiroga

SA Recycling - SouthEast
 1359 Central Ave
 East Point, GA 30344
 PH: 404-669 5000 ext 1316
 Fax: 404-767 1457
mquiroga@sarecycling.com

↑
 Plus the
 Approximate
 \$400K
 from
 2018

Exhibit-3

