

1997

MEXICO COVERED HOPPER DAMAGE TASK FORCE DATA COLLECTION

"What do we know about the problem?"

- ▶ UP data indicates that during the timeframe Jan-Oct. 1996, 978 cars (2.4%) of 41,166 covered hoppers to Mexico came back with hatch covers missing. No discernable geographic concentration of the thefts was evident.
- ▶ Other railroads handling traffic to Mexico (BNSF, KCS, Tex Mex, SP) believe the problem is increasing but have not collected data to document.
- ▶ Information from Aero Transportation Products, the leading provider of aluminum hatch covers indicates that a total of 4,380 hatch covers were replaced from June 1, 1995 through February 28, 1997, at a cost of approximately \$250 each. The breakdown of these replacements was 2,090 for the UP, 886 for the BNSF, 393 for NS, 255 for CP, and 756 for all other lines. Their data indicates these cars were involved in shipments to Mexico and the frequency of the replacement is increasing.
- ▶ U.S. railroads serving the border crossings are inspecting cars coming back from Mexico for missing hatch covers and are issuing defect cards to the FNM for the replacement cost of the hatch covers. Not all the cars are identified at the border crossing, as some of the cars with missing hatch covers are not identified until the car is placed for loading.
- ▶ Survey conducted by National Grain and Feed Association (NGFA) provided only 10 responses and no significant additional data.
- ▶ Information, mostly anecdotal, collected indicates the thefts are becoming more organized. Police raids in Tampico uncover two scrap dealer supported rings of teenage "hatch cover harvesters". Witnesses report hatch covers being stolen and tossed over the fence into adjacent scrap yards while trains were stopped. Rumors of used hatch covers and brake parts being offered on the black market.

- ▶ Responses from suppliers of rail car parts and other shippers indicates the problem is not isolated to grain covered hoppers, but also extends to other car types, primarily involving brass and aluminum parts.
- ▶ Locking mechanisms appear to be ineffective in preventing the problem of theft. The hatch covers are being stolen by cutting or removing the hinges, rendering the present lock systems less than effective.
- ▶ Task Force of Operating/Mechanical Officers of railroads serving the Mexico border crossings are attempting to address the issue of theft of car parts and part of their efforts to improve border crossing procedures.
- ▶ In a letter to Congressman Bob Smith, House Agriculture Committee Chairman, NGFA has identified the damage to grain covered hoppers as one of a series of Mexico trade issues. Congressman Smith is reported to be planning a trip to Mexico to meet with Mexico Government officials regarding trade issues and he was asked to encourage the Mexican Government to work on this issue.

MEXICO COVERED HOPPER DAMAGE TASK FORCE ANALYSIS

"What conclusions can we draw from the data?"

- ▶ Problem of theft of rail car parts is not isolated to grain covered hoppers, but extends to most car types. It appears to be driven by the value of the parts in the scrap markets, predominately aluminum and brass.
- ▶ Thefts appear to be part of an organized effort, to at least some degree. The current data can not isolate these organized efforts to a specific geography, but it appears likely that there are some "hot spots" where the thefts are occurring.
- ▶ Thefts appear to be occurring on the empty portion of the cycle due to the lack of receiver complaints of product damage.
- ▶ Fiberglass hatch covers can possibly reduce the problem and/or the reduce the cost of the problem. Fiberglass covers are stolen with less frequency and are less expensive (approximately \$100-\$125 per car) to replace. It would be difficult, however, to restrict shipments to Mexico to cars with fiberglass hatch covers only, given the nature of the railroad's car allocation and distribution procedures.
- ▶ Economic cost of the stolen hatch covers is significant. For each car received at the border without hatch covers the cost of replacement of hatch covers is approximately \$1,000. Additionally, the cars are out of service for 7 to 14 days while being repaired. For the approximately 1,000 cars affected on the UP in 1996, this would equate to \$1,000,000 in costs and the lost opportunity for 700 carloads.

MEXICO COVERED HOPPER DAMAGE TASK FORCE ACTIONS

"What are our recommendations?"

- ▶ Continue to apply political pressure on Mexican Government and FNM to deal with the problem, providing the results of our analysis. Solicit the involvement of United States Department of Transportation, Trade Representative and Congress.
- ▶ Based on the assumption that economic pressure of the problem will force the privatized Mexican railroads to deal with the issue on a more proactive basis, develop a communication process with these new entities. This communication would provide the results of our analysis as well as support for a more extensive investigative effort to develop where the problem is occurring and who is responsible.
- ▶ Survey major Mexican grain receivers and trade organizations to develop their understanding of the problem and impact on the loaded movements of grain.
- ▶ Explore additional processes to gather data and access costs of the problem as it applies to all railroads serving Mexico.