

## Running Repair Agents

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### Definitions

**Running Repair Agent (RRA)** as defined in the AAR Office Manual and AAR Field Manual is as follows: A railroad's running repair agent is a running repair contractor as listed in FindUs.Rail performing the work of running repairs on freight cars. The running repair agent must be a signatory to the AAR Interchange Rules. Running repair agent is synonymous with various references in the AAR Interchange Rules where "repairing road," "repairing party," "repairing line," "billing company," and "billing road" are so noted. (Reference Field and Office Manual Rules 85, 112.G.5, and 112.H.3.)

**"Running Repair"** is defined as: Any repair performed to an interchange freight car by a railroad subscriber to the AAR Interchange Rules and within the limitations of Field Manual Rules 1 and 108.

### The Problem

Some of our clients are seeing increases by 100% in their monthly railroad repair bills. Through audits and investigations, we are witnessing misuse of the AAR Rules by some of these RRAs on cars moving through the interchange system. The intent of the Interchange Rules is a "guide to the fair and proper handling contained therein for the interchange of freight traffic"<sup>1</sup>. Some of these RRAs are targeting minor infractions and less maintained cars passing through the rail system. They inspect the car then bad order the car legitimately for a rule violation. After making the repair they scrutinize the car for other work so they can make the repairs more profitable, with weld repairs being the biggest contributor. Some RRAs are making repairs to privately owned cars without regard to the car owner under the RRA authority the railroads have given them.

These are examples of repairs that some of the RRAs are doing:

1. Cosmetic repairs - This can be simple car body cracks in weld from normal wear and tear. Seems harmless until they start doing hundreds of inches of welding on a car body.
2. Replacing parts that should be straightened.
3. Generally, once we file an exception with some of these RRAs, they change the qualifiers to indicate another component on the car.

### Why are RRAs doing this?

One word, Profit. The AAR Rate is much higher than the contract shop rate. The AAR Rate is currently at \$149.27 per hour. The average contract rate is about \$85 per hour. In normal shopping or bad order events, the contract shop must ask for car owner's approval to make the repairs and provide photos. The RRA does not have to seek car owner's approval or provide photos. Most of the wrong repairs we see being made by the RRAs are welds, which are highly excessive.

### How is the AAR Rate Calculated?

The AAR Office Manual Rule 111 defines how the labor rate is determined and calculated.

#### **Rule 111 - Car Repair Pricing.**

Here are following excerpts from Rule 111. Most interesting is Item number 9. This supports our understanding of the "Intent" of cars moving through interchange.

5. *Labor values shown in Price Matrices include the following.*

- a. *Wages of carmen, machinists, foremen, assistant foremen, gang foremen, inspectors, clerks, messengers, watchmen, janitors, laborers, working in connection with car repairs.*



- b. Proportion of salaries and expenses of Chief Mechanical Officers and their office and supervisory forces, regional supervisory and accounting forces.*
- c. Proportion of expense of operating power plants, power purchased, shop switching, wages of operators, and direct operators of cranes and tractors, tool room attendants, machinery oilers, and other facility operators, tools, fuel, lubrication, water, other supplies.*
- d. Proportion of expense of maintenance of facilities (tracks, buildings, and machinery) and fixed charges on facilities such as interest, taxes, depreciation and insurance on land, track, buildings, and machinery.*
- e. Workmen's compensation, Carriers Taxing Act of 1937, Railroad Unemployment Act, supplemental pension benefits, vacations with pay, health and welfare benefits, and hospital, medical and surgical benefits, and group life insurance expenses.*
- f. Material handling costs*
- g. Transportation charges*
- 6. Labor and material charges in these pricing Rules include all overhead expenses and no additions Are permitted, including but not limited to taxes, transportation (except for Rule 85 Material), and duty.*
- 7. Articles of material for which prices are not included or means of pricing not specifically provided for in these Rules, must be charged as outlined in AAR Field Manual Rule 72.*
- 8. Labor for repairing cars where no standard Job Code or securement detail (Rule 74 or Rule 82) applies, will be charged on actual man-hours at the labor rate for the specific type of repairs, shown in Rule 75.*
- 9. No element of profit is included or permitted in any labor or material charge.*

These AAR rates are calculated on paying railroad personnel, which are much higher wages than contract shop labor costs.

### **What can be done about this?**

- We are contacting the AAR MID department and requesting additional surveillance on the RRA bad actors. RRAs must allow the AAR to audit and access the property and records per AAR Office Manual Rule 120. (AAR Rule Compliance and Enforcement) If the RRA refuses the audit they can be fined up to \$100,000.
- AllTranstek audits railroad repair bills for you, flags wrong repairs, areas of concerns and takes exceptions to these charges. The shops are declining our exceptions claiming that the repairs they are making are valid. We believe they are not.
- Another option is for car owners or their representative to do an onsite random audit of the RRA to ensure the location is following AAR Interchange Rules. AllTranstek can provide this service.
- AAR Car Repair Billing Committee is reviewing the rule and may change the wording in Rule 82 “as required” to a more specific repair application(s). We will keep all our car owners apprised of any rule changes.

<sup>1</sup> *Field Manual of the AAR Interchange Rules, Rule A.1*

