Statement of Chris Wibbelman Before
the U.S. Senate Permanent Subcommittee on Investigations
Hearing on "Wall Street Bank Involvement with Physical Commodities"
November 20, 2014

Chairman Levin, Ranking Member McCain, other Members of the Subcommittee:

My name is Chris Wibbelman and I am CEO of Metro International Trade Services. I have been with Metro since it was founded in 1991 and have served as its CEO since 2006.

I was born and raised in Detroit, attended public schools in Detroit, and graduated from Michigan State University. I have worked my entire life in the greater Detroit area, managing and running several businesses. I also have served as Manager of Small Business Development for the Greater Detroit Chamber of Commerce.

Metro has operated London Metal Exchange (LME) warehouses since 1992 when we brought the LME to Detroit and secured approval for the city to serve as an eligible LME delivery location. Much of Metro's growth occurred following the global financial crisis, when worldwide consumption of aluminum declined and the demand for storage of metal increased. We grew at a time when Detroit was starved for economic growth and had 20 million square feet of industrial buildings slated for demolition. Starting in 2008, Metro purchased or leased 5.1 million square feet of warehouse space, much of which was unused industrial buildings. The process of renovating this industrial space and installing railway sidings created good jobs when many Detroit residents were out of work or being laid off.

The first thing to understand about aluminum warehousing is that the business is driven by broader economic forces. Given the cyclical nature of this business, Metro, during much of 1994 to 2001, had no material amount of aluminum in storage in its Detroit warehouses. During that period, we managed the business efficiently and remained committed to Detroit. And, when aluminum consumption fell beginning in 2008, Metro was in a position to respond to the needs of aluminum producers.

In so doing, I believe we helped keep U.S. aluminum smelters operating that very well might have shut down because of falling demand.

Metro is licensed by and subject to LME rules. These rules govern the way in which all LME warehouses are operated and they are established by the LME, not the warehouse companies. One such rule is the amount of metal to be loaded out of LME warehouses each day. When the new LME rule increasing the load-out rate was suspended by a court in the United Kingdom, Metro announced that it would comply with the rule voluntarily, even though it was not required to do so. As a result, more aluminum has been loaded out of Metro's Detroit warehouses than from any other warehouse company in the United States. In 2014 alone, we expect to load out 600,000 metric tons of primary aluminum more than we accept for storage.

The Subcommittee staff report makes repeated references to "queues" at aluminum warehouses. It is important to know, however, that of the Metro and other metal currently stored both in and out of the LME system, approximately 80% is *not* subject to any queue and may be purchased by a customer through negotiations with the metal owner. There simply is no lack of availability for aluminum. Consumers can purchase aluminum from LME or off-warrant warehouses without queues, owners of metal in queues, or aluminum producers directly. Millions of tons of aluminum are readily available from such sources.

It is also important to understand two other aspects of queues. First, they are not the result of actions by Metro, but rather of the independent decisions by owners of metal to realize relative value compared to other metal. In order to realize this value, owners must remove their metal from Metro's LME warehouse.

Second, Metro does not benefit from queues. To the contrary, we benefit when metal owners choose to keep their metal in our warehouse, not when they choose to remove it. And metal owners pay rent for all metal stored in the warehouse, whether it is in a queue or not.

The Subcommittee staff report also refers to a July 2013 *New York Times* article, which described supposed "merry-go-round transactions" involving the movement of metal off-warrant from one Metro warehouse to another. As the article itself acknowledged, "there is no suggestion that these activities [described in the article] violate any laws or regulations."

I appreciate the opportunity to describe the off-warrant movement of metal, which has been characterized incorrectly. Metro offered customers that were removing or considering to remove metal from its Detroit warehouse the opportunity to store the metal off warrant in a different Metro warehouse. Such customers had various other options, including storing their metal with competing companies, many of which have warehouses near to Metro's. Metro offered these off-warrant transactions to compete for the continued storage of this metal, but it is always up to the owner, not Metro, to decide what to do with its metal.

The metal at issue in these relatively few transactions was loaded out by Metro at the owner's instructions onto a truck, issued a bill of lading, and moved to another location at the owner's direction. Once the owner made this choice, the LME rules required that Metro follow the owner's instructions regarding the disposition of its metal, including treating this metal as loaded out and reducing its LME inventory stocks accordingly. The fact that the owner moves the metal between two Metro warehouses in the Detroit area is no different under the LME rules than if the owner moves the metal to an equally close non-Metro warehouse.

I have made these and many other points to Subcommittee staff through multiple interviews and the production of a substantial amount of information. I hope that the manner in which we have interacted with the Subcommittee and the opportunity to explain Metro and metals warehousing has helped the Subcommittee understand our business practices and the rules of supply and demand that drive them.

Thank you.