

AGRICULTURAL TRANSPORTATION STUDY

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HEARING

BEFORE THE

SUBCOMMITTEE ON FAMILY FARMS, RURAL
DEVELOPMENT, AND SPECIAL STUDIES

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

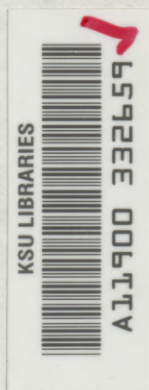
SECOND SESSION

ON

H.R. 12917

JULY 19, 1978

Serial No. 95-PPP



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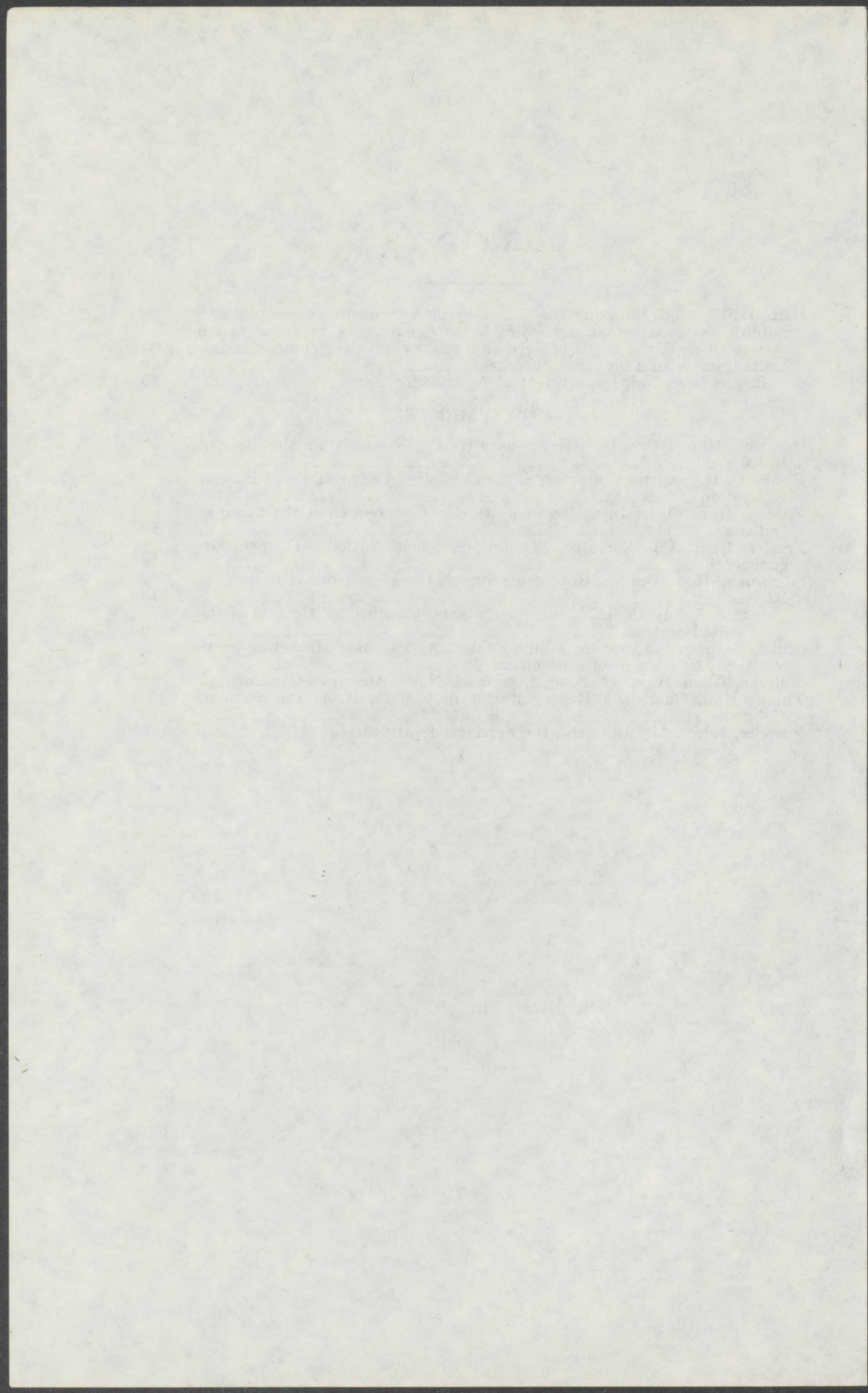
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AGRICULTURAL TRANSPORTATION STUDY

WEDNESDAY, JULY 19, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FAMILY FARMS,
RURAL DEVELOPMENT, AND SPECIAL STUDIES
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 1302, Longworth House Office Building, Hon. Richard Nolan (chairman of the subcommittee) presiding.

Present: Representatives Harkin, Grassley, and Sebelius.

Also present: Representatives Fithian and Glickman of the full committee.

Staff present: Eleanor S. Walsh, clerk; James W. Swiderski and Stephen T. Adams.

Mr. NOLAN. The Subcommittee on Family Farms, Rural Development, and Special Studies will please come to order.

This afternoon, the subcommittee will be examining a bill, H.R. 12917, which was introduced by my good friend and colleague in the Agriculture Committee, Mr. Fithian. H.R. 12917 directs the Secretary of Agriculture to compile and publish certain information relating to the adequacy of transportation systems to meet the needs of agriculture and rural development in the United States, and for other purposes. A companion bill, S. 1835, passed the Senate on June 8, 1978.

Approximately one third of all the dollars spent on food by consumers, when considering canned goods to raw grains, goes towards moving that food from where it is produced to where it is consumed. Rail and truck shipments play an important role in the transportation of food, and both are becoming increasingly more dependent on each other with the widespread use of piggyback services.

Rural development and rural economic stability are heavily dependent on an adequate transportation system for the efficient outflow of farm products and the inflow of raw materials and processed goods. The availability of transportation during peak market situations, as we all know, can put great pressures on commodity prices, and therefore, farm incomes.

There is an urgent need for a rural transportation planning mechanism which would provide for public participation. The United States has long failed to formulate a transportation policy to identify the needs of American agriculture and rural development. The purpose of this hearing is to determine and evaluate the effectiveness and impact of H.R. 12917 on meeting these needs of rural America.

Without objection, a copy of the bill, H.R. 12917, will appear in the record at this point.

[H.R. 12917 and the report from U.S. Department of Agriculture follow:]

95TH CONGRESS
2D SESSION

H. R. 12917

IN THE HOUSE OF REPRESENTATIVES

JUNE 1, 1978

Mr. FITHIAN (for himself, Mr. WAMPLER, Mr. CORNWELL, Mr. RICHMOND, Mr. BEVILL, Ms. KEYS, Mr. JOHNSON of Colorado, Mr. GLICKMAN, Mr. THONE, Mr. WINN, Mr. COHEN, Mr. VOLKMER, and Mr. MARLENEE) introduced the following bill; which was read twice and referred to the Committee on Agriculture

A BILL

Directing the Secretary of Agriculture to compile and publish certain information relating to the adequacy of a transportation system to meet the needs of agriculture and rural development in the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Congress hereby finds and declares that—

4 (1) an adequate transportation system, made up
5 of various modes of transportation, is essential to the
6 overall success of the Nation's agriculture programs,
7 to a sound program of rural development, and to the
8 economic stability of the United States;

9 (2) the economical and efficient movement of agri-

1 cultural commodities has been impeded by a shortage
 2 of railroad freight cars and motor trucks and by the
 3 deteriorated condition of many rail roadbeds throughout
 4 the United States;

5 (3) the economical and efficient movement of agri-
 6 cultural commodities is further threatened by the pro-
 7 posed abandonment by the railroad companies of thous-
 8 ands of miles of important railroad lines in the United
 9 States;

10 (4) the maintaining of an efficient and economical
 11 transportation system for agriculture and rural develop-
 12 ment in the United States has not received the priority
 13 attention which such system should have received; and

14 (5) the Secretary of Agriculture has a respon-
 15 sibility to assume a more active role in representing the
 16 interests of agriculture and rural development in the
 17 United States in order to insure the availability of an
 18 adequate, efficient, and economical transportation system
 19 sufficient to meet the needs of agriculture and rural
 20 development in the United States.

21 SEC. 2. (a) The Secretary of Agriculture (hereinafter
 22 referred to as the "Secretary") shall compile and publish an
 23 initial report containing specific recommendations for a rail-
 24 road transportation system adequate to meet the essential
 25 needs of the agricultural industry of the United States. Such

1 report shall include, but shall not be limited to, maps which
2 identify the locations in the several States that the Secretary,
3 on the basis of the importance of such locations within agri-
4 cultural producing, marketing, or consuming areas, deter-
5 mines should receive railroad service.

6 (b) The report required to be published by subsection
7 (a) shall be published not later than one hundred and
8 eighty days after the date of enactment of this Act. The
9 Secretary shall submit copies of such report to the Congress
10 and provide for the widespread public dissemination of such
11 report throughout the United States as soon as practicable
12 after its publication.

13 SEC. 3. (a) Within forty-five days after the publication
14 of the initial report described in section 2 (a), the Secretary
15 shall announce dates for and hold public hearings at various
16 locations throughout the United States for the purpose of
17 obtaining the views of interested persons on such initial
18 report.

19 (b) Within one hundred and twenty days after the pub-
20 lication of the initial report described in section 2 (a), the
21 Secretary shall prepare and publish a summary of the testi-
22 mony presented at such hearings. The Secretary shall provide
23 for the widespread public dissemination of such summary
24 as soon as possible following the publication thereof.

25 SEC. 4. (a) The Secretary shall prepare and publish,

1 within four hundred and twenty days after the date of enact-
2 ment of this Act, a revised report containing specific rec-
3 ommendations for a railroad transportation system adequate
4 to meet the essential needs of the agricultural industry of the
5 United States. In preparing such revised report, the Secre-
6 tary shall take into consideration the testimony received at
7 the public hearing required under section 2 of this Act.

8 (b) Copies of such revised report shall be submitted to
9 the Congress, the Secretary of Transportation, and the Chair-
10 man of the Interstate Commerce Commission. The Secretary
11 shall provide for the widespread public dissemination of such
12 revised report.

13 (c) The Secretary shall review such revised report from
14 time to time, but not less often than once every three years,
15 and shall make such revisions therein as he deems necessary
16 or appropriate, taking into consideration changed conditions
17 at the local, national, and international levels that may have
18 affected agriculture, rural development, or transportation in
19 the United States.

20 SEC. 5. The Secretary shall submit a report annually to
21 the Congress regarding the capability of the Nation's trans-
22 portation system (all forms of transportation) to meet the
23 essential needs of the agricultural industry of the United
24 States and to meet the needs for effective development of
25 the rural areas of the United States. The Secretary shall

1 identify in such report any impediments that may exist in
2 meeting such needs, including, but not limited to, any im-
3 pediments that may exist to the movement of agricultural
4 commodities to domestic and international markets. The
5 Secretary shall include in such report recommendations for
6 such legislative or other action as he deems necessary or
7 appropriate to remove such impediments.

8 SEC. 6. Whenever the Secretary determines that any
9 Federal agency, including, but not limited to, the Depart-
10 ments of Commerce, State, and Transportation, as well as
11 the Civil Aeronautics Board, Federal Maritime Commission,
12 and Interstate Commerce Commission will likely impact on
13 the agricultural industry of the United States or on rural
14 development in the United States, he shall, to the extent
15 permitted by law or regulation, participate in such proceed-
16 ing for the purpose of fostering the cause of an efficient and
17 economical transportation system for agriculture and rural
18 development in the United States.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

July 13 1978

Honorable Thomas S. Foley, Chairman
Committee on Agriculture
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This letter is in response to your request for the views of the Department of Agriculture on H.R. 12917, a bill "Directing the Secretary of Agriculture to compile and publish certain information relating to the adequacy of a transportation system to meet the needs of agriculture and rural development in the United States, and for other purposes."

The Department offers the following comments for your consideration:

H.R. 12917, Section 1

USDA is in agreement with the statement of finding and declaration contained in Section 1 of H.R. 12917 and particularly subsection 5, concerning the responsibility of the Secretary of Agriculture.

H.R. 12917, Sections 2, 3, and 4

Sections 2, 3, and 4 would require a comprehensive review of the entire national rail network. A project of such scope would fall under the purview of the Department of Transportation.

There are two distinct aspects to such a comprehensive review:

(1) the industry structure and mainline network, and (2) the local service or branch line network.

(1) With respect to mainlines and industry structure, DOT has been given the authority and directive under Section 401 of the 4R Act and other statutes to conduct such studies and make recommendations.

DOT is currently engaged in such work in the Midwest involving the Granger railroads -- precipitated by the bankruptcy of the Milwaukee. DOT Secretary Brock Adams has invited Secretary Bergland to participate,

Honorable Thomas S. Foley

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to ensure that the needs of agriculture are adequately represented. To the limit of available resources, USDA has and will work with DOT's Federal Railroad Administration in this endeavor.

(2) The problem of local rail service essentially is the rail abandonment problem discussed in our testimony of May 10, 1978, before the Senate Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices. The profitable portions of the railroad system will continue to provide service. It is the segments of the system which are unprofitable where the free market system will not provide service. Thus, the problem we are addressing in Sections 2, 3, and 4 is the abandonment of unprofitable lines.

A determination should be made of which lines should continue to be maintained as essential to the needs of agriculture and rural communities. USDA believes that the responsibility for local rail service continuation decisions should remain where it is -- at the State level. However, it is imperative that the needs of agriculture and rural America be well represented in the State planning process. It is to this end that USDA is engaged in the demonstration projects described in our testimony of May 10, 1978.

A very successful approach to the problem of agricultural transportation needs not included under 4R is the one being used in Iowa. Under that Plan the State government, the railroad and an organization of shippers have reached agreement to share the cost of rehabilitation of the lines that cannot be reached by 4R funds. There are likely other cooperative arrangements between railroads and shippers which could be achieved. These arrangements require commitment and afford good incentive to make the project succeed. Whether the line is, in fact, necessary to the community is tested by their willingness to contribute to its continued maintenance.

In the Iowa example, the shippers sought Federal Government low-interest loans for their one-third contribution towards the maintenance of the lines. Our Farmers Home Administration, under the Community Facilities Section of the Rural Development Act of 1972, has loaned money to the Iowa shippers for this purpose. In some situations, USDA may be able to serve as a catalyst in bringing about these arrangements.

H.R. 12917, Section 5

The Department of Agriculture believes that any study of the total national transportation system, if it could be accomplished, is within the scope and expertise of the Department of Transportation.

Honorable Thomas S. Foley

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Within the transportation system, the Secretary of Agriculture has unique expertise to identify the essential needs of the agricultural industry. By identifying the impediments to meeting such needs, the Secretary would be able to recommend appropriate actions to the appropriate parties.

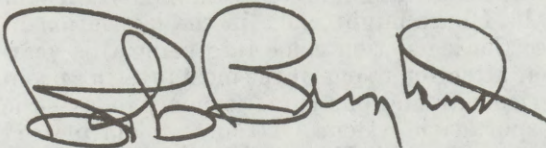
H.R. 12917, Section 6

During the past year, 12,800 regulatory actions were taken which affected the transportation of agricultural commodities. It is urgent that the Secretary participate in certain of these proceedings for the reasons set forth in Section 6. Under the provisions of the Agricultural Marketing Act of 1946 and the Agricultural Adjustment Act of 1938, the Secretary presently has authority to participate in proceedings before regulatory agencies and, thus, already has expertise in this area. However, if Section 6 were enacted, it should be amended to make the Department's participation discretionary, not mandatory, since the Department could not reasonably expect to participate in every action by every agency that may have an impact on the non-urban areas of the United States. To effect this change, we recommend that H.R. 12917 be amended as follows: Page 5, line 14, change the word "shall" to "may".

Appropriations required for administering all provisions of H.R. 12917 would approximate \$1,300,000 for the first year and \$1,200,000 annually thereafter.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Bergland", with a stylized, flowing script.

Bob Bergland
Secretary

Mr. NOLAN. We have testifying before the subcommittee today Mr. Fithian, the sponsor of this legislation; Mr. Baucus; Mr. Glickman; Mr. Marlenee; Mr. Cornwell; Chuck Frazier from the NFO; Barbara Schlei, Administrator for the Agricultural Marketing Service; Mr. Fields, assistant director of the international relations division of the American Farm Bureau Federation; Mr. Glenn Sullivan, chief economic counsel of the North American Car Corp.; and Mr. Edwin M. Wheeler, president of the Fertilizer Institute here in Washington, D.C.

So that we might have a full opportunity to hear from all of our witnesses and ask any questions that members of the subcommittee might have, we would ask that each witness be prepared to summarize and limit their testimony to 5 minutes.

The one exception to that 5-minute rule will be Mr. Fithian, the chief sponsor of the bill, who may need a little more time to explain the provisions of the bill and its reasons for introduction.

STATEMENT OF HON. FLOYD J. FITHIAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. FITHIAN. Thank you, Mr. Chairman.

I want to thank you also for, this later in the legislative season, finding time in your schedule for this subcommittee to deal with this legislation.

It is my hope, Mr. Chairman, that as a result of your subcommittee's activity and work on this in the full committee that we can get legislation that will approximate the Senate legislation which has already passed with the hope that the Senate might accept voluntarily, without conference, any changes the House might make in the legislation in order that we actually see the legislation come into being this year.

I am appreciative of your attention to one of the most pressing problems facing American agriculture and our rural economy today—the decline of our rural transportation system. Of course, I am pleased that you have chosen to act on my bill, H.R. 12917, which requires a USDA study of the rural rail system and gives the Secretary of Agriculture more of a voice in setting Federal transportation policy.

I believe that you are all well aware of the serious problems caused by the current shortage of railroad hopper cars and other rolling stock. At this time last year, this country had a small surplus of hopper cars; now, we're short some 24,000 per day. Analysts say that the shortage will get worse during the fall harvest season.

Prior to today's hearing, we have had one hearing in Indiana with the ICC present. It was an excellent and constructive collection of information, I thought, in terms of what the real problems are, as well as the tremendous impact on rural America of the shortage of cars. In Indiana, the problem already is severe. Our State ASCS office surveyed all of the grain elevators in Indiana about the impact of the car shortage last month, and the report was disturbing:

Indiana Farm Bureau's Grain Division reported that their main elevator in central Indiana is not receiving cars and that they are short 1,000 hopper cars per month.

Some elevators are closed from 3 to 7 days per week because they can't move the grain now on hand and their bins are full.

Many elevators have given up on moving grain by rail and are now having to ship by truck—something which we must watch with concern as we consider energy use, since railroads use less than one-third as much fuel as trucks, on the average, to move big loads.

One elevator manager estimated that the total impact on his farmer customers as a result of the car shortage was 25 to 30 cents per bushel.

We all know what happens to elevator operators and what they do when they face late delivery charges or extra interest on extended loans or when they cannot fulfill a contract. Their losses are passed along to farmers.

Indiana farmers are losing about a dime a bushel on corn right now as a result of the hopper car shortage, according to the best estimates that I have seen. I suspect this is reflected in other States such as Iowa and most of the Midwestern States that I am familiar with.

That reduces farm buying power at a time when the entire rural economy is in very great need of income. But, more than that, it is probably impossible—certainly, we have not been able to come up with the statistics—to know what the further cost is, not in terms of the additional shipping charge, but in what it costs farmers and the farm economy in terms of lost market opportunities.

Many farmers are unable to deliver corn at the contracted date because the elevators could not move their corn and could not get it to the terminal on time. So, while that figure is hard to come by accurately, we do know that it is a very substantial amount over any crop year.

The hopper car shortage is only the most visible of the problems in the transportation industry in rural America. Two major carriers of grain are currently reorganizing under section 77 of the Bankruptcy Act. A record number of rail abandonments are being proposed. Increased operating costs of railroads have resulted in decreased rail bed repairs, fewer car purchases and less work on car maintenance.

I might add here that I wish it were under the jurisdiction of this committee such that we could do something about regulations which prohibit the bringing in or the purchasing of needed hopper cars from foreign countries. But that is a matter to which I will address myself at another time in another committee.

The national transportation system is particularly important to agriculture and the growth and expansion of rural America which may, in no small part, depend on the adequacy of the transportation system serving that area. That is why I believe we need the legislation before this subcommittee today.

Although a number of Federal agencies regularly examine and deal with transportation problems in general, including the Department of Transportation and the Interstate Commerce Commission, only the Department of Agriculture has the expertise and understanding of rural life and agricultural affairs to provide the perspective we need now on how the transportation problems of rural America can be answered. Nobody seems to be attending to that particular part of our transportation problem.

Mr. Chairman, my bill gives us the mechanism needed to identify the transportation needs of rural America. It would put the Secretary of Agriculture in a better position to influence transportation decisions affecting the agriculture industry. And it would provide a regular public focus on the inadequacies of rural transportation, through a comprehensive report to be published by January 1, 1980, and subsequent annual reports.

The need for this legislation was clearly spelled out in May by Howard Hjort, USDA's Director of Economics, Policy Analysis, and Budget. He told an interviewer:

It's time USDA initiated a proposing role, instigating changes, adding more cars to relieve the agricultural transportation needs. . . . We've always had the idea that agencies like ICC and the U.S. Department of Transportation are sufficient to take care of the transportation needs of the country. But our recent experiences with transportation bottlenecks—especially as this country's agriculture becomes more export-oriented—says USDA must gear up to take hold of this situation.

I might also add that this legislation is supported by the Interstate Commerce Commission. ICC Chairman Daniel O'Neal, testifying last September on the companion legislation in the Senate (S. 1835) to this bill, said:

An identification of the agricultural industry's needs could be of benefit to the farmer, the processor and the consumer. It would also aid the Commission in its deliberation, and might also be of benefit to the Department of Transportation in meeting its planning responsibilities.

Clearly, the need for this legislation is recognized by those who are involved in this problem on a day-to-day basis.

I would suggest, Mr. Chairman, that your subcommittee favorably consider two technical amendments of a clarifying nature as you work on this bill. It should be made clear that rural transportation needs include carrying of inputs, as well as farm products, so that the importance of carrying fertilizer to farmers is examined. Plus, to avoid any oversight, we should clarify that farm commodities include forest products. I understand that the railcar shortage applies with equal severity to timber transportation, a matter which I'm sure can be examined more fully by members of this subcommittee from timber-producing regions. These issues could perhaps be settled either by amendment to the language of the legislation or by quite specific report language.

Let me also caution this committee against weighting this legislation with wide-ranging amendments. It was not my intent in offering this bill to solve the rural rail problems we see around us; it was my hope that this bill would give us a better picture of the problems and the mechanism we need to begin to solve them. We dare not move into areas beyond the reach of our committee, or should we risk killing this bill by loading it down with amendments which will never survive a conference with the other body. Legislation identical to my bill already has passed the Senate, and I'm sure my colleagues recognize the difficulty of arranging conference committee meetings at this late point in the legislative session. We should not hesitate to improve the bill, but we should not so overload it as to impede its progress into law or raise jurisdictional conflicts with the Commerce Committee.

I think we could pass this legislation with strengthening amendments by this subcommittee. I think we could pass it in the House. The question is, given the tremendous backlog in the Senate—they are now more than 2½ months behind the House legislatively—I really do not see how it is possible to get a meaningful shot at a conference with the Senate to iron out large, major differences.

What I would propose, therefore, is that we move as rapidly as we can on this companion piece of legislation to create a situation which directs the USDA to study and report back to this committee and the

Senate Committee on Forestry and Agriculture on the results of their findings as to what kinds of things need to be done and should be done and must be done if we are going to have a meaningful and useful rural agricultural system.

We are simply in a situation where practically everybody but the farm sector is involved in agriculture and probably nobody more than the farm sector is in need of having its input into the whole transportation system.

So, I am arguing the case that we should enact this legislation in order to thrust the USDA into a role which I think it should have been involved in long ago.

Mr. Chairman, all signs point to the likelihood of a worsening situation of the railroad industry in rural areas. The Federal Government needs to examine this problem from an agricultural-rural perspective and provide more input into policymaking for those who represent America's farmers. Farmers are looking to this committee for some help in dealing with the current railroad crisis, and I believe my bill is a good first step in meeting their needs.

So I urge this committee to favorably act upon H.R. 12917.

I would be happy to answer any questions at this time, Mr. Chairman. And I would also ask permission of the Chair to sit with the subcommittee, at least until the FIFRA conference starts at 3 o'clock, in order that I might ask questions of the witnesses. Thank you for your consideration.

Mr. NOLAN. We would be delighted to have you sit as a member of the subcommittee in this hearing, and, of course, we want to invite you back for the markup which, I believe, will be tomorrow sometime. Are there any questions of Mr. Fithian?

[No response.]

Mr. NOLAN. Thank you, Mr. Fithian. I now yield to Mr. Grassley.

Mr. GRASSLEY. Mr. Chairman, I ask unanimous consent to have the statement by Congressman Charles Thone, a member of the full committee, in support of this legislation inserted in the record.

Mr. NOLAN. Without objection, it is so ordered and will appear in the record at this point.

[The prepared statement of Mr. Thone follows:]

STATEMENT OF HON. CHARLES THONE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. Chairman, the family farmer is beleaguered on all sides. He's at the mercy of the weather, the government may not allow him to kill the pests, such as grasshoppers, which are attacking his crops, he can't set his own price for his output and he even has to pay a penalty if there's a shortage of boxcars to move his grain.

In most businesses, a producer gets more for his output when his transportation costs rise. In the grain business, however, it is the producer who pays the extra transportation costs. In my State of Nebraska right now, farmers who live in areas of boxcar shortages are receiving 10 to 20 cents less per bushel for their grain than farmers who live where cars are available.

Mr. Chairman, I am testifying on behalf of H.R. 12917, which I am cosponsoring with Mr. Fithian. It certainly offers the promise of bringing some order out of chaos—the promise of bringing some improvement in the availability of railroad cars.

The bill provides for a study by the U.S. Department of Agriculture to determine the needs of the farmers for transportation, the availability of equipment, a forecast of future needs and equipment and suggested steps for meeting the needs. It is with calculation that we have directed that this study be made by the Department of Agriculture. The Interstate Commerce Commission has shown itself to be largely uninterested in the needs of farmers and ineffective at taking steps to meet those needs.

For a 19-week period of 1978, there was an average daily shortage of 37,000 covered hopper cars. It is understandable when cars are short for a brief period at a peak season for moving grain. Nebraskans have been living with a shortage of cars for moving grains constantly since last fall.

Most of the cars that have been made available have been provided for the big shippers on the main lines. A few months ago, the ICC issued a 90-day order intended to make more cars available for small elevators on branch lines but did virtually nothing to enforce it.

The study that would be authorized by this legislation will be particularly important for my State of Nebraska. Our grain is farther from ports and major markets than that of almost any State. We're farther away from the gulf ports than most people who ship there. Similarly, we're farther away from the west coast, from the Great Lakes and from the Mississippi River than most who ship to those destinations.

Nebraska now produces approximately two-thirds of its wheat for overseas sale, along with about half its soybeans and a third of its feedgrains. There are predictions that these percentages will increase. For example, it's been forecast that our sale of feedgrains abroad will rise from about one third of the total to a half. If we can't get the boxcars to move present percentages to ports, how are we going to provide the transportation for much greater percentages and quantities?

Mr. Chairman, it is my belief that H.R. 12917 will provide answers to some of our questions about transportation for agriculture products. It should point the way for solutions. I enthusiastically urge its adoption.

Mr. NOLAN. We will now call upon the Honorable Dan Glickman, a distinguished member of the full committee and a distinguished Member of Congress from the great State of Kansas.

STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. GLICKMAN. Thank you, Mr. Chairman.

I appreciate the opportunity to be able to testify and to support the bill offered by Mr. Fithian. As a cosponsor of this bill I obviously support it, therefore I will not dwell on that but will instead share with you some of the reasons I decided to cosponsor the Fithian legislation. It would be an understatement to say, Mr. Chairman, that the railcar shortage has wrought havoc in grain-producing areas. Everybody knows that.

On top of the pricing problems in this country and transportation problems generally, farmers are again getting the short end of the economic stick. This time, it is not clear whose fault it is, but I believe that this bill properly begins to address the problems that occur perennially.

That is a point I would like to stress. Every year this happens. Maybe this year it is a little worse than other years. So, we need to deal with the problem in a manner that will prevent recurrence so we do not have to come back next year and face the same thing again.

The rail car shortage is nothing new. We've had shortages for several years now and there have been several investigations, but no solutions. According to last week's newsletter from the Kansas Grain and Feed Dealer's Association, the total capacity of available boxcars and hopper cars has decreased by one-third in the last 23 years. In 1955, total capacity exceeded 1.4 billion bushels; today the figure is closer to 900 million bushels. The problem has been more severe in some years than others, but we clearly have an increasingly serious situation.

This situation is one that we cannot take lightly. It affects a large part of our economy, not exclusively the agricultural sector. It directly

affects diverse industries in a number of States—chemical production, petroleum development, steel production, and virtually any industry that relies on rail service for bulk shipping. The effects are particularly serious in my State of Kansas due to our heavily agriculture-oriented economy and its reliance on rail transportation.

The most immediate threat of the rail car shortage is a loss of wheat. Many country elevator operators have had to pile their wheat outside, exposed to the weather, due to lack of room and inability to get the needed cars to ship the wheat with. A heavy rainfall could cause thousands of dollars of damage to an elevator operator. At the same time, the terminal elevators are far from full. The means just aren't available to get the grain moved.

Unreliability of the railroads has forced many in the grain and feed industry to rely more and more on trucking to get their products to market. That means shipment costs 5 to 7 cents more per bushel and uses three times as much energy on the long haul as railroads.

The added cost burdens are too much for our farmers to stand when grain prices are depressed. And when the prices are good, high transportation costs can effectively keep them from moving their grain to the marketplace. Consumers, too, have reason for concern. Those higher transportation costs will also be felt at the other end—in higher food prices at the grocery store. Those of us on the Agriculture Committee have heard all too often how angry that makes consumers. Once again this points out where farmers and consumers share an interest. Reliable, efficient, reasonably priced transportation can serve them both.

The Interstate Commerce Commission has tried admirably to solve the problem by issuing a series of service orders. However, I have seen reports that service orders are frequently ignored by the railroads. One service order now in effect sets a 24-hour standard for cleaning and repairing cars. One Kansan involved in the railroad business told me that in some cases it takes as long as a month to get a car back from being cleaned. According to testimony submitted to the Senate Commerce Committee by Farmland Industries of Hutchinson, Kans., the order has been of "little or no effect."

I am convinced that the reason we continue to face these shortages is that we have only paid attention to the problem for the 2 months of the year that it is the most severe. To keep it from recurring, we are going to have to give the problem some real attention—rhetoric is not the answer. The bill this subcommittee will mark up tomorrow will provide for an ongoing study and surveillance of the situation. Now we will have people working on the problem 12 months instead of 2 months out of the year.

I believe that Mr. Fithian's bill is a good start. I believe, however, that this committee should encourage even more activity than that.

In an effort to see that we come up with the needed response to this recurring problem, I wrote to Comptroller General Staats recently requesting that the GAO take a thorough look at the facts which have caused the railcar shortages and the Government response to see what we can do to prevent a recurrence. The GAO has advised me informally that they will look into the problem later this year so we can have basic information from which to work. I am again contacting the GAO today reenforcing my concern that an investigation be conducted. I would, of course, welcome supportive letters from other Members of Congress. A GAO study could provide a valuable base of information on which the Department of Agriculture could build.

At the back of my statement, Mr. Chairman, I have attached a copy of the letter I sent to Mr. Staats today which is a followup. They indicated to me that an investigation would be forthcoming on at least why they believe present structure of the rail system in this country encourages shortages during harvest time of the year.

I would hope that this committee, as well as members of this committee, would follow up to insure that that investigation does occur. As we know, the GAO has resources and can do a long, indepth study that we in Congress cannot.

In closing, I would like to suggest one area in which the subcommittee might beef up the Fithian legislation. I realize, of course, that Mr. Fithian indicated in his statement that he does not want to see any major tinkering with the legislation so we can at least get this out faster, hoping that the Senate and the House are substantially the same, and I understand that.

But I present this at least for consideration.

The bill effectively deals with assuring that our Nation's rail infrastructure will not overlook the needs of rural America in a vigorous farm economy. However, I do feel that the report required by the Secretary should focus on impediments to service where the rail system is already in place.

For example, attention should be given to means of expediting repairs of needed equipment and procedures for allocation of cars to areas where they are needed. As I had mentioned here earlier, rail users in my part of the country have been forced to look to other modes of transportation because of the unreliability of rail service. This is of equal, if not more, importance to rural Americans, and I hope that the subcommittee would appropriately expand the mandate included in this bill.

Now, perhaps this can be done without making specific changes in the bill itself.

All I am saying is that the Secretary should be given authority to look, to the extent that he can jurisdictionally, at existing problems within rail services rather than just generally looking only at what the future needs in transportation in rural America are.

I believe the problem will come up every year, as I said before. It affects the lifeblood of rural America because if you cannot ship the grain to market, it is worthless to produce it in the first place.

I thank the subcommittee for permitting me to testify.

Mr. NOLAN. Thank you very much for your most valuable testimony, and without objection the letter you submitted will be placed in the record at this point.

[The letter submitted follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 19, 1978.

HON. ELMER STAATS,
Comptroller General of the United States,
General Accounting Office,
Washington, D.C.

DEAR COMPTROLLER STAATS: Following up on my letter to you last week, I have now received the acknowledgement sent by Mr. Vincent Griffith in the Office of Congressional Relations, and my staff has discussed my request with Mr. Herb McClure of the GAO staff.

It is my understanding that the GAO will conduct the investigation I requested in that letter and will prepare a report on the current situation with recommendations for needed legislative and/or administrative changes to prevent future shortages. Recognizing that the GAO rail staff is now involved in another research endeavor, I expect to be hearing from the GAO in September when I understand the work I have requested will be getting underway.

Though by then we will have passed the present shortage period, I am interested in seeing a thorough piece of work in this area which will provide a basis for preventive action by the Congress. I appreciate the prompt response to my request and look forward to working with the GAO as this study moves along.

With best regards,

DAN GLICKMAN.

Mr. NOLAN. Are there any questions of Mr. Glickman?

Mr. FITHIAN. I would just like to raise this question.

It has been called to my attention, after the bill was introduced and you cosponsored it, Congressman Glickman, that the definition of the agricultural economy was not entirely clear in that it included such things as forest products and fertilizer shipments in and out of the rural areas.

I am amenable to having that construction placed on this legislation or alteration of the language in such a way as to accommodate that. But, as one of the cosponsors, how would you feel about that?

Mr. GLICKMAN. My only caveat is this. Do we get into an area where we could, conceivably, construe hundreds of additional products as agricultural? In this case, we are asking the Secretary of Agriculture to study the entire means of transportation in this country.

Mr. FITHIAN. Perhaps, either in the report language or some structural change in the bill, Mr. Chairman, we could spell out that which this committee accepts automatically—that is, forestry is a part of agriculture and that is why it is in this committee, and add to it the forestry and fertilizer industries.

Mr. GLICKMAN. Again, I would make the point that what prompts these hearings and what prompts your bill, I assume, is the perennial shortage of railcars to deliver agricultural commodities, primarily grain. That is where the real problem area comes in. So, I would hope that—whatever language we put in—that that remains the chief focus of what the Secretary is supposed to do.

Mr. FITHIAN. Thank you, Mr. Chairman.

Mr. NOLAN. Thank you very much, Mr. Glickman.

There are no additional questions.

Mr. GLICKMAN. Thank you.

Mr. NOLAN. The next witness is Mr. Chuck Frazier representing the National Farmers Organization.

Mr. FRAZIER. Thank you, Mr. Chairman.

In keeping with your request, I should like to submit my prepared statement for the record.

Mr. NOLAN. Thank you.

Without objection, your full statement will appear in the record at this point.

[The prepared statement and attachments thereto submitted by Mr. Frazier follow:]

STATEMENT OF CHARLES L. FRAZIER, DIRECTOR, WASHINGTON OFFICE,
NATIONAL FARMERS ORGANIZATION

Mr. Chairman and Members of the Committee, it is a pleasure to appear briefly before you today to discuss the adequacy of our rural transportation systems, particularly the service furnished by the railroads in moving our farm commodities.

In the National Farmers Organization, we are confronted with serious shortages and delays in moving grain by rail. We have lost sales, and been forced to pass up sales that could have been made for our members, because of the inability to order cars with any assurance that they would be available in a timely manner.

We endorse H.R. 12917 and encourage early action to move it forward in the Congress. Although I think it is apparent that the bill does not create any special authority to save branch lines serving agricultural communities or authorize the Secretary of Agriculture to move forcefully in behalf of shippers who need railroad cars at a particular time and place, it will serve a worthwhile purpose.

The study and reporting sequence established in the proposed legislation can be used to establish a source of reliable and consistent data on the agricultural requirements for adequate rail transportation. Something will be gained if agricultural shippers are afforded an objective channel through which all of our requirements may be summarized and established. This may lead to the consideration of a system of priorities or goals that will reverse the decline in both the quality and the quantity of rail transportation experienced especially by small shippers for several years.

For example, the head of our own traffic section recently described the problem in these words. He said, "it seems that the carriers are not efficiently seeking a solution but rather, are attempting to force the grain marketing procedures to adjust to the railroads' capabilities. They do not recognize that their business is to provide transportation for goods produced."

He cited numbers recently published by the A.A.R. showing retirement of boxcars and covered hopper cars in excess of new car replacements. The total ownership of boxcars and covered hopper cars declined respectively by 38,070 and 703 from May 1, 1977 to May 1, 1978. This trend apparently is continuing in spite of the larger crops of recent years and the prediction that our agricultural exports could reach a record level of \$25 to \$26 billion this year. We cannot move to port the equivalent of 40% of the world's wheat exports, 60% of the feed grain exported and about half of the soybeans moving in all foreign trade, without a balanced transportation system that will move the commodities from the small rural shipping points, when we have sales and want to move them.

One suggestion is offered to make H.R. 12917 a stronger bill. Let us assume for the moment that the regulatory agencies are confronted with about all they can handle in the field of rate determination and other activities that are bound up in old outdated procedures. Responsible officials speaking for the railroad industry in the recent informal discussion conducted by the Chairman and a number of Members of the Committee flatly stated that the return on large covered hoppers was not sufficient to warrant increased purchases at current prices. We know that road beds have been permitted to deteriorate in recent years and the quality of service for the small shippers has declined in favor of the long haul, large volume shippers.

Perhaps a section should be added to this bill authorizing the Secretary of Agriculture to call on the major railroads to come forth with statements, as they may apply to the movement of farm commodities, of their plans to replenish rolling stock and repair road beds to meet our future requirements. If the major railroads are going to continue to pursue policies of diversifying their investments and neglecting service for small shippers because of what they perceive to be the economics involved, then shippers and their representatives in the Congress could examine such other alternatives as may be available.

Although the problem we commonly know as car shortage used to show up only at harvest time, or in time of war, it now extends over most of the year. The whole structure is antiquated. If the Secretary of Agriculture is going to spend time and money assembling information, he might as well also call on the managements of the major road systems to tell us what they have in mind for the future. If we must devise and operate some different rail system to move farm commodities, we probably should get on with it.

Attached for your information is a Statement of May 16, 1978, prepared by Mr. C. G. Buchheit, Traffic Consultant to the National Farmers Organization. Mr. Buchheit has pointed out that some carloads of our grain move at a rate of approximately 8 miles per day as they are handled on some of the major roads. He has raised a serious question as to whether the railroads should be held responsible for some compensation by those shippers who experience unjustified delays in moving cars that they own or lease in an effort to move their commodities.

In the Exhibit enclosed with that Statement, he has traced the move of a few cars to illustrate his contention that a number of the railroads are doing a very poor job of moving loaded cars in a timely manner and spotting empties ordered by the shippers.

If we may be of any further service, please do not hesitate to call on us.

(The attachments follow.)

A Healthy Agriculture,
A Prosperous
Country . . .
To This End We
Are Sincerely
Dedicated!



National FARMERS ORGANIZATION

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May 16, 1978

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Mr. A. Daniel O'Neal, Jr.
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Mr. Oren Lee Staley, President
National Farmers Organization
Corning, Iowa 50841

Gentlemen:

Grain Car Supply - Rail Service

The 1960's and 1970's witnessed the highly technical development of a system of Transportation to orbit the earth and put men on the moon.

During this same period the Railroads of America have had progressively worsening Grain Car shortages to the point that the I.C.C. has termed the present Grain Car shortage the worst shortage in a decade.

While it is commendable that some carriers are substantially increasing their covered hopper car fleets, the most positive way to alleviate the grain car shortage is for the Nation's rail carriers to "clean up their act."

Collective Bargaining FOR AGRICULTURE THROUGH **NFO** LEGAL
EFFECTIVE
FAIR

Rail Service

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May 16, 1978

When records of movement indicate that some carloads of grain apparently moved at the rate of approximately 8 miles per day it is obvious the Carriers themselves are the initial and prime cause of the car shortage.

I shall recite a condensed history of the obviously poor handling of some N.F.O. grain loads. These examples occurred on the rails of the Carriers to which this letter is addressed and is Exhibit I to this letter.

Though I am aware there could be operational problems and procedures involved relative to the interchange of cars, these archaic practices are not conducive to the maximum utilization of cars. The possible curtailment of service and power results in the added length of time cars are idle but this condition is a carrier deficiency not a problem of shippers and compounds the car supply problem.

Surely slow and inefficient service such as these cars received indicate the Carriers in a very large part are contributing to the car shortage. The seven point program (suggested by a carrier official) which was reported on page 38 of the 4-17-78 issue of Traffic World is not an acceptable solution from a shippers point of view. Reflect for one moment! Would the suggested solutions such as reducing Free Time to 12 hours, doubling the demurrage charges and eliminating Free Time on Saturdays, Sundays and holidays as well as eliminating average agreement had any bearing on the detention to the cars in question? The obvious answer is an emphatic NO! The Carriers alone were solely responsible for the excessive time these cars were tied up thus contributing to the car shortage.

The I.C.C. should give more than lip service to the situation. A quote from Mr. Joel E. Burns, Director I.C.C. Bureau of operations as published on page 13 of the 4-3-78 edition of Traffic World reads, "The Key to alleviating the present severe shortage of railroad freight cars in the United States is the proper utilization of equipment." That's an obvious fact but how do we go about forcing the Carriers to effect efficient utilization on their part? It's like saying, "when you're sick-you don't feel well."

Take particular note that most of the cars involved in these examples of detention on the part of the Carriers are cars under lease to National Farmers Organization who are assessed monthly rental charges yet denied efficient use of the cars because of the poor handling. Shippers have been forced into buying or leasing cars, thus relieving the Carriers of their responsibilities to furnish cars. This is a savings to the Carriers, yet their inefficient handling minimizes the opportunity of a shipper to earn mileage credits to attempt to off-set some of his costs. The payment of mileage allowance is not the complete answer in reimbursing the shipper for his investment in having his own cars. There must be a "time allowance" or a "time mileage allowance" developed for the use of private equipment.

Can't the I.C.C. put some teeth into a Service Order directed toward penalizing Carriers and compensating Shippers for the excessive delay to shipper private equipment? This Service Order as a temporary measure pending a determination of a workable "time" or "time-mileage" program.

Rail Service

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May 16, 1978

Understandably economics has dictated there are some locations and branch lines where there is only tri-weekly, bi-weekly or weekly service and seeming delays will happen. Question. What recourse is there for a shipper at the present time? Lease payments by the Lessee go on yet his car sits idle. A per diem allowance system should be developed. Shipper owned or leased cars are captive to the service schedules as well as the inefficient handling by the carriers of both loaded and empty cars.

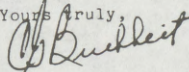
The grain car shortage is an undeniable fact and inflicts financial injury upon the grain shipper. The carriers' inability to furnish cars within a reasonable time results in penalty charges many shippers are assessed for late deliveries. An added cost to the shipper who leases cars is the monthly rental charge which goes on even though cars are either grossly mishandled and delayed or appropriated by the carrier.

How can the I.C.C. grant approval of the current ExParte 349 request for a rate increase when the Carriers are giving inefficient service as well as curtailing service? Another increase is an announcement that the Carriers can charge more for granting less.

The Commission must give serious consideration to the tremendous back-log of unshipped grain caused by the car shortage. Shippers have been penalized by late delivery charges and it is improper to grant the bonanza of a rate increase to the Carriers. Surely a delay is most appropriate on any increase to the rates on grain, soybeans and related commodities in view of the Carriers current inability to furnish suitable cars.

The problem of excessive unproductive time grain cars experience while in the Carriers' position can't be solved with a rate increase but rather the Commission should compel the Carriers to operate more efficiently instead of penalizing the Shippers with higher freight bills for lower grade service.

Yours Truly,



C.G. Buchheit, Traffic Consultant

CGB:eg

Enclosure

EXHIBIT 1

- Example 1. U.S.L.X. 7277, 7345, 7318
 A. Boyleston, Indiana to Birmingham, Alabama via NW-Danville, Illinois - L&N.
 B. Billed at Boyleston 4-8-77
 C. Cars delivered to L&N at Danville at 7:00 PM 4-18-78
 The approximate N&W mileage from Boyleston to Danville is 80 miles. The elapsed time between 4-8 to 4-18 of 10 days equates to about 8 miles per day.
- Example 2. SAL 31223, SCL 240811, SCL 241100
 A. Huntington, West Virginia to Owensboro, Kentucky via C&O - L&N.
 B. Loaded grain cars refused at Huntington and cars ordered to Owensboro at 3:15 PM 4-7-78
 SAL 31223 - C&O hauled this car through Winchester, Kentucky to Lexington, Kentucky and then back-hauled car to Winchester for delivery to L&N at 1:00 PM 4-17. The approximate C & O mileage from Huntington to Lexington (passing through Winchester) is 141 miles. In excess of 1 week to travel this distance.
 SCL 240811 - C&O returned car from Lexington to Winchester and delivered to L&N at Winchester at 6:00 PM 4-19. Note a further record indicates that at 5:55 PM on 4-24th this car departed Louisville enroute to Owensboro. From the time the car was received by L&N at Winchester until it departed from Louisville 5 days had elapsed and car had moved slightly over 100 miles between Winchester and Louisville in this 5 day period.
 SCL 241100 - Records show this car arrived in Lexington at 5:00 PM 4-19th and apparently received more expedited service as it departed Louisville at the same time as car SCL 240811 and presumably made the same back-haul movement Lexington to Winchester thence again through Lexington toward Louisville.
- Example 3. U.S.L.X. 7356, 7271, 7275, 7287
 Empty cars being returned from Pacific Northwest destined Broken Bow, Nebraska.
 A. All arrived Inner Bay, Washington at 3:00 PM 4-18
 B. All arrived Spokane, Washington at 3:45 PM 4-21
 C. All departed Gillette, Wyoming at 8:00 AM 4-26
 D. All departed Edgemont, South Dakota at 12:30 AM 4-28
 E. All departed Alliance, Nebraska at 5:00 PM 4-30
 F. All arrived Aurora, Nebraska at 6:00 PM 5-1 (beyond Broken Bow)
 G. All departed Aurora approximately 11:30 AM 5-4
 H. All set at Broken Bow at 8:30 AM 5-5
 This represents 16 plus days in transit empty but note particularly cars were idled in Aurora from 6:00 PM 5-1 until about 11:30 AM 5-4. Idle time approximately 65 hours.

EXHIBIT I (cont)

Example 4. U.S.L.X. 7207

- A. Loaded car at Oka Siding, Montana billed 4-28-78 and not forwarded until 5-4-78.

Example 5. U.S.L.X. 7214

- A. Empty car for return to Inverness, Montana and subsequently changed to Oswego, Montana.
- B. Car appropriated by Milwaukee Railroad as empty car waybill, after several deletions, ultimately showed "Thunder Hawk, South Dakota" and car spotted for loading by Farmers Coop at Thunder Hawk.

Mr. NOLAN. Thank you.

Are there any questions? [No response.] Mr. Frazier, we thank you for your excellent testimony.

Mr. FRAZIER. Thank you, Mr. Chairman.

Mr. NOLAN. Our next witness is Ms. Barbara Schlei, Administrator, Agricultural Marketing Service of the USDA, accompanied by Mr. Paul Mills and Mr. Lee H. Keely, Transportation Services Branch.

Without objection, your full statement will be inserted in the record at this point.

[The prepared statement and attachments thereto submitted by Ms. Schlei follow:]

Statement of Barbara Lindemann Schlei
Administrator, Agricultural Marketing Service
U.S. Department of Agriculture
on
H.R. 12917
before the
Subcommittee on Family Farms,
Rural Development, and Special Studies
Committee on Agriculture
U.S. House of Representatives

July 19, 1978

Dear Mr. Chairman and Members of the Committee:

I am pleased to be here today to present the views of the Department of Agriculture on H.R. 12917 and the rural transportation problems to which the bill is addressed.

Before turning to H.R. 12917, however, I want to discuss on behalf of Secretary Bergland and myself the concern shown by Chairman Nolan and Senator Anderson in jointly urging the President to establish a task force to work cooperatively with Congressional leaders to seek solutions to the current railcar shortage. As the Secretary pointed out in reply to the suggestion, the Department of Agriculture has the responsibility to assist in improving transportation services to agricultural producers, shippers and rural communities and to work with the Interstate Commerce Commission, Department of Transportation, the Congress, and various State agencies to achieve that end. We are currently working with them on these issues.

If I may, I shall briefly describe some of the transportation problems facing agriculture and what USDA is doing to try to help before discussing H.R.12917.

The Impact of Transportation on Agriculture

There is no independent transportation system for agricultural commodities. Agriculture uses the general transportation system and its needs must be analyzed in that context. Because of the importance of transportation to agriculture and the unique impact which transportation costs have on the farm value of agricultural output, the Congress has directed the Secretary of Agriculture to assist in obtaining equitable transportation rates and facilities for agricultural products and farm supplies.

The transportation system is particularly important to agriculture because of the perishability of many foods. Fresh fruits and vegetables and meat cannot be stored awaiting transport service; thus, a responsive transportation system is essential.

Transportation is the third largest component of the agricultural marketing bill, ranking behind labor and packaging. In 1977, it exceeded \$10 billion, 8 percent, of the marketing bill.

Rail and truck rates have increased substantially during recent years. During the last 10 years, a rail freight rate of \$1.00 per hundred has risen to \$2.55. Just a few years ago, fresh produce was moved by truck from California to New York for \$1,400 to \$1,600 a load. Today these loads range from \$2,400 to \$3,000.

The cash price of \$3.20 per bushel for wheat at Minneapolis returns to the farmers in Williston, North Dakota, only \$2.56 less elevator charges after 64 cents of rail freight is deducted.

Inadequate or inefficient transportation adds costs. Grain car shortages result in reduced grain prices at country points, and unnecessary scarcities of grain at receiving points. Shortage of transport to haul perishables can result in actual loss of a portion of the crop.

Some of the problems in agricultural transportation today are the car shortage, trucking inefficiencies, peak season pricing, rail abandonments, and rural roads.

The Car Shortage Problem

The attached exhibit A shows monthly averages of the reported daily shortages of covered hopper cars for each year since 1970.

Shortages of these cars to move grain have been with us in each of those years, although in varying amounts and at different times of the year.

In 1970, there was a continuous shortage throughout the year with the highest monthly average reaching 4949 cars during February, while in 1971, there was a surplus of cars during much of the year, particularly during the harvest months. Car surpluses were the rule in 1972, until sustained exports, particularly to the Soviet Union, began moving in large amounts late in the year. For 17 months, from December 1972, to April 1974, there was a critical shortage of cars to move grain, reaching a record of 15,992 cars during March 1973. The balance of 1974 and 1975 were more normal years with minor

shortages during the fall harvests. The year 1976 showed relatively minor shortages during the summer and fall harvests while 1977 began with substantial shortages during February and March, improved with insignificant shortages during the summer harvest, but got worse quickly in November and December as prices began rising and exports increased. The shortages during the first 5 months of this year, all non-harvest months, dramatically show the extent of the current car shortage problem. The monthly average of shortages reached 35,807 cars in April--more than twice the previous record high. The reported shortage declined some for May, down to 29,985, but still nearly doubled the record high.

We see no lessening of the demand for railcars for at least the rest of the year. Wheat stocks on June 1 totaled 1,174 million bushels, the largest on this date since 1963, and six percent more than a year ago. June 1 feed grain stocks totaled 87.4 million metric tons, a fourth more than a year ago and the largest since 1973. The indicated harvest of wheat for this year is likely to be down slightly while feed grain and soybeans production may be about the same as a year ago, depending upon weather conditions this summer.

The kinds of data shown on exhibit A are what we are trying to put together, and interpret, for the staff at the Interstate Commerce Commission.

Very briefly, a few causes of the shortage are as follows:

- Severe winter weather conditions, including blizzards throughout the Northern tier of the United States,
- interrupted railroad operations and trapped numerous

freight cars in the East. This resulted in extreme congestion and poor freight car utilization.

- A lack of motive power to move trains in road haul service coupled with cold weather conditions necessitated a reduction in train length. Thus, through trains were using the same amount of power to pull shorter trains.
- The bad order ratio (rail cars unfit for loading) grew steadily as many of the nation's railroads continued to defer repair of bad ordered cars. Likewise, many locomotives were bad ordered because of electrical generators that shorted out due to light, dusty snow.
- A prolonged strike at one of the largest manufacturers of jumbo covered hopper cars delayed delivery of additional equipment to the national fleet.
- Poor maintenance of tracks has resulted in the imposition of "slow orders" by the Federal Railroad Administration. There are six granger railroads with nearly 25,000 miles of tracks that are currently under FRA slow orders. Inability to move cars with dispatch seriously cuts railcar utilization.
- As shown on the attached table, there has been a dramatic reduction in the number of 40-foot narrow door boxcars that are badly needed for loading baled cotton. These cars are also needed for grain

RAIL CAR OWNERSHIP LAST 7 YEARS

<u>January</u>	<u>Plain 40' ND</u>	<u>Plain 40' WD</u>	<u>Plain 50-60'</u>	<u>Plain 60 +</u>	<u>C/H</u>	<u>Gen. Svc. Open Hoppers</u>	<u>Flats TOFC</u>	<u>Plain Gondolas</u>
1972	189,506	40,442	118,626	1,939	138,099	349,525	7,886	158,746
1973	172,508	34,555	124,872	2,197	142,976	344,365	8,463	159,849
1974	163,895	30,819	135,367	2,703	151,155	327,010	10,618	155,458
1975	148,119	28,814	145,369	3,915	155,281	316,265	6,918	153,565
1976	131,135	27,183	150,768	4,892	158,236	317,888	6,677	151,731
1977	107,269	27,502	153,042	4,662	159,924	316,666	5,885	146,913
1978	86,081	23,371	155,792	4,803	162,726	309,540	5,819	140,128
Gain or loss	-103,425	-17,051	+37,166	+2,864	+24,627	-39,985	-2,067	-18,618

Source: AAR Statements

- loading on lines where weight restrictions do not permit the loading of jumbo covered hoppers. While there was a net gain in the number of covered hopper cars from 1972 to 1978, these figures do not include a net increase during that same period of 33,428 cars in this type of equipment that are under the exclusive control of shippers and car companies.
- During the last 2 years, market conditions led to a build up of grain stocks on farms and in country elevators resulting in large carryover stocks. The rise in grain prices early this year triggered substantial selling by farmers and created unprecedented demand for rail movement.
 - The acquisition of new equipment has not kept pace with the retirement of older cars thereby creating a direct loss in total carrying capacity.

Of course the above list is not all inclusive. There are other factors which contributed to the overall situation. While the weekly grain car loadings nationwide have been increasing and the daily average shortage of both box and covered hopper cars has declined, we are of the opinion that the situation will not improve significantly until after fall harvest of feed grains and soybeans.

Under the Commission's present regulations, IPD funds can be spent on repair and maintenance only if a car is "rebuilt" according to the Commission's Uniform System of Accounts: the cost of renewal of the car must exceed 50 percent of the cost of a new car of the

same kind at current replacement costs. We have submitted comments to the Commission supporting a change which would allow the IPD funds to be used for repairs without regard to the 50 percent rule, especially where a carrier has a high ratio of bad order cars awaiting repairs.

Trucking Efficiency

In recent years, there has been a dramatic shift from rail to truck in the transportation of perishable agricultural products. Trucks are currently transporting approximately 90 percent of the nation's fresh fruits and vegetables and practically all of the fresh and frozen meats and meat products.

This increased demand upon the trucking industry is happening at a time when escalating fuel prices, inflationary equipment and operating costs, and regulatory constraints are limiting new entrants into the trucking business.

Interstate trucking transportation of most agricultural commodities is exempt from economic regulation by the Interstate Commerce Commission. Most exempt commodities are transported by unregulated, for-hire carriers, including agricultural cooperatives.

Transportation of exempt commodities is from producing areas to consuming areas or processing points, typically urban. Only regulated freight is generally moving back to the agricultural areas. This freight is not available to the unregulated carrier. He, therefore, must return empty, or lease himself and his equipment to a regulated carrier. In practice, the necessity to "trip Lease" to a regulated carrier is both unprofitable and inefficient. The current system

results in empty, costly, and energy-wasteful backhauls.

Agricultural transportation cooperatives are restricted to 15 percent in the amount of tonnage they may haul for non-members. This restriction may limit utilization of equipment and also results in empty backhauls. Agricultural cooperatives are subject to a limitation of 50 percent in all other non-member business.

Peak Season Pricing

Clearly the concept of peak season pricing could shift demand to off peak periods only when the nature of the commodity allows the shipper to elect the time of shipping in order to take advantage of economic incentives.

This condition is not met by a large segment of agricultural traffic. Because of the perishability of many agricultural products, such as fresh fruits and vegetables, there is no opportunity to spread the demand more evenly. This type of agricultural traffic must be shipped at a particular time of the year, generally at harvest.

While grain is a physically storable commodity, peak period pricing will not achieve the objective of moving part of the shipping to a slacker period for numerous reasons. For example, the variable and uncontrollable harvest dates, affecting the size and timing of harvest, make advanced planning exceedingly difficult. The inability to plan is further complicated by fluctuating and largely unpredictable grain prices throughout the year. It is not feasible to build enough storage to hold each year's crop locally, and to vary that capacity each year. Yet this would be necessary to effectuate peak season pricing. Finally, the grain marketing system already provides

substantial economic incentive for persons not to sell--and thus not to transport--at harvest so that it is unlikely that anything but an extremely high rate differential would produce a change in peak usage.

In Ex Parte 324, the ICC's rulemaking proceeding for the Administration of Section 15(17) of the Interstate Commerce Act, the Department argued that peak season pricing should properly apply only in instances where the opportunity does exist to shift demand and thereby achieve efficiency through better equipment utilization, one of the statutory criteria. The Department argued that seasonal pricing should not be used simply to increase revenue; the railroads have ample freedom to raise rates to meet revenue requirements under the rate filing procedures of Section 1(5)

Thus, the Department believes there is in actuality, little proper use in agriculture for peak season pricing, though ironically it is the only commodity area chosen by the carriers to date.

The above views on peak season pricing are the views of the Department of Agriculture and do not necessarily reflect the views of the Administration.

Rail Abandonments and Rural Roads

The Department recognizes and is concerned about the impact that abandoned rail lines may have on agriculture and rural areas. While unprofitable lines can be important to the economic life of rural communities, they also pose a threat to the financial viability of the railroad industry and its ability to meet the increasing demand of agriculture and rural industry for adequate and efficient transportation.

More than 10 percent of the rail mileage in the U.S. is currently classified by the ICC as potentially subject to abandonment within 3 years, under study for abandonment, or is subject to a pending abandonment application. Agriculture has a greater stake than any other industry in the future of that 10 percent. The lines which are unprofitable and candidates for abandonment are generally non-industrial, light density, and rural.

However, where rail lines are abandoned it will mean that more grains and other farm goods will move over the highways and roads. There are indications that some rural roads and bridges have not been maintained adequately to permit substantially greater levels of economic activity.

Prior to passage of the 4R Act 2 years ago, the line abandonment process was significantly different. The ICC could require the railroads to provide service even at a loss where a line was found essential to the public interest. In so doing, the Federal Government was forcing upon the railroad industry internal cross-subsidies in which profits on some traffic had to pay deficits on other traffic. Cross subsidies forced an erosion of railroads' competitive position where rates were higher than they would otherwise have to be.

The 4R Act created a joint Federal-State subsidy program to shift the burden of supporting publicly needed deficit lines to the public sector. The law permits railroads to abandon lines which are unprofit-

able after a finding that such abandonment is consistent with the public convenience and necessity. Abandonment may occur 120 days from public notice, unless a subsidy is offered to bring the line up to a break-even point (including a nominal profit). To be eligible to receive funds from the Department of Transportation for local rail service subsidy, a line must be included in a State Rail Plan.

The primary responsibility for identifying lines which should receive public support thus rests at the State level in the formulation of these State Plans. The problem then is to insure that rail lines essential to the needs of agriculture and rural communities are identified and included in State Rail Plans. The Department of Agriculture has developed a program to assist in this important effort. Our effort will be to demonstrate how USDA related personnel in the States can help the States develop a methodology that insures that the needs of agriculture and rural communities are adequately considered in developing State transportation plans.

We believe we can work closely and cooperatively with the States in this area, beginning with demonstration projects in several States, using our unique network of USDA-related resources at State and local level -- land grant universities, State and county extension staffs and other county level resources of the Department.

There is another aspect of rail line abandonments which deserves attention. Under existing law, only those lines which the ICC has approved for abandonment are eligible for financial assistance. Thus, many lines become hopelessly deteriorated before they become eligible for assistance. The 4R Act does not provide the opportunity to reach the line before it has deteriorated and to use the funds in a positive approach to preventing economic or physical deterioration.

USDA supports an expansion of the category of lines eligible to receive financial assistance for rehabilitation (not operating subsidy). The statute should be changed to permit assistance for rehabilitation or improvement for certain lines in early stages of economic or physical decline before irreversible deterioration takes place.

S. 2981, an Administration proposed bill, would provide this needed change in the local rail service continuation program.

USDA Activities

The Secretary is vitally interested in improving the Department's capability to provide transportation assistance and analysis. He is currently reviewing the transportation activities of the Department with the view toward a better coordinated, a more efficient use of existing resources, and a capability to meet the special needs of agricultural transportation.

In late April, Secretary Bergland ordered an all-out effort within USDA to assist grain and cotton shippers with their car supply problems. Our transportation people are working with the Interstate Commerce Commission in supplying analysis of export sales activity, current crop reports, estimated fertilizer demand and other information that may be helpful in obtaining maximum utilization of available equipment to forecast future railcar needs. Exhibit A represents one method of analysis that may be useful in predicting future grain transportation demand.

In addition, we established a "hot line" within USDA, so that shippers could advise us about specific problems or alert us to serious shortage situations. So far, we have had over 300 calls on that line, most of them coming from country elevator managers in the Midwest. We have also received a number of calls from cotton shippers who are experiencing difficulties obtaining sufficient boxcars. The states most represented by their calls have been Illinois, Iowa, Minnesota, Montana, Nebraska, Kansas, Michigan, Ohio, and Mississippi. The hot line number was so well circulated that we even had a call from a coal mine operator seeking 60 cars for coal loading.

The Department of Agriculture, working with representatives of the Interstate Commerce Commission and the Federal Railway Administration, is currently trying to interest shippers and railroads in new approaches to piggy-back (trailers-on-flat-cars) operations on some perishable traffic. However, as the major portion of perishable traffic will continue to move by trucks, the Secretary is very much concerned that adequate truck capacity is available for agricultural products.

Closely related is the matter of implementing the authority given the ICC with passage of the 4R Act to exempt selected rail traffic from regulation (Section 12(1)(b) of the Act) when the Commission determines that regulation is not needed in the public interest. USDA is recommending to the ICC an experiment in partial deregulation of perishable traffic. We believe that relaxation of regulatory restrictions in certain areas where the railroads do not have market dominance may ultimately enable them to regain a nearly loss competitive presence. It would be in the mutual interest of producers and consumers for the rail mode to become once again a viable alternative for perishable traffic; and it would tend to relieve pressure on the motor carrier industry, thereby dampening the effects of cyclical truck shortages.

H.R. 12917

Turning now to H.R. 12917, Mr. Chairman, USDA's views on the various provisions of the bill remain unchanged from those presented in the Senate on S. 1835, the companion to H.R. 12917. We offer the following section-by-section discussion:

H.R. 12917, Section 1

USDA is in agreement with the statment of finding and declaration contained in Section 1 of H.R. 12917 and particularly subsection 5, concerning the responsibility of the Secretary of Agriculture.

H.R. 12917, Sections 2, 3, and 4

Sections 2, 3, and 4 would require a comprehensive review of the entire national rail network. A project of such scope would fall under the purview of the Department of Transportation.

There are two distinct aspects to such a comprehensive review:

(1) the industry structure and mainline network, and (2) the local service or branch line network.

(1) With respect to mainlines and industry structure, DOT has been given the authority and directive under Section 401 of the 4R Act and other statutes to conduct such studies and make recommendations.

DOT is currently engaged in such work in the Midwest involving the Granger railroads -- precipitated by the bankruptcy of the Milwaukee. DOT Secretary Brock Adams has invited Secretary Bergland to participate, to ensure that the needs of agriculture are adequately represented. To the limit of available resources, USDA has and will work with DOT's Federal Railroad Administration in this endeavor.

(2) The problem of local rail service essentially is the rail abandonment problems discussed previously. The profitable portions of the railroad system will continue to provide service. It is the segments of the system which are unprofitable where the free market system will not provide service. Thus, the problem we are addressing in Sections 2,3, and 4 is the abandonment of unprofitable lines.

A determination should be made of which lines should continue to be maintained as essential to the needs of agriculture and rural communities. USDA believes that the responsibility for local rail service continuation decisions should remain where it is -- at the State level. However, it is imperative that the needs of agriculture and rural America be well represented in the State planning process.

A very successful approach to the problem of agricultural transportation needs not now included under 4R is the one being used in Iowa. Under that Plan, the State government, the railroad and an organization of shippers have reached agreement to share the cost of rehabilitation of the lines that cannot be reached by 4R funds. There are likely other cooperative arrangements between railroads and shippers which could be achieved. These arrangements require commitment and afford good incentive to make the project succeed. Whether the line is, in fact, necessary to the community is tested by their willingness to contribute to its continue maintenance.

In the Iowa example, the shippers sought Federal Government low-interest loans for their one-third contributions towards the maintenance of the lines. Our Farmers Home Administration, under the Community Facilities Section of the Consolidated Farm and Rural Development Act of 1973, has loaned money to the Iowa shippers for this purpose. In some situations USDA may be able to serve as a catalyst in bringing about these arrangements.

H.R. 12917, Section 5

The Department of Agriculture believes that any study of the total national transportation system, if it could be accomplished, is within the scope and expertise of the Department of Transportation.

Within the transportation system, the Secretary of Agriculture has unique expertise to identify the essential needs of the agricultural industry. By identifying the impediments to meeting such needs, the Secretary would be able to recommend appropriate actions to the appropriate parties.

H.R. 12917, Section 6

Under the provisions of the Agricultural Marketing Act of 1946 and the Agricultural Adjustment Act of 1938, the Secretary presently has authority to participate in proceedings before the regulatory agencies and, thus, already has expertise in this area. However, if Section 6 were enacted, it should be amended to make the Department's participation discretionary, not mandatory, since the Department could not reasonably expect to participate in every action by every agency that may have an impact on the non-urban areas of the United States.

Mr. Chairman, this concludes my statement. I will be glad to respond to any questions that the Committee may have.

(The attachments follow.)

1/ C/H Car Shortage	2/ Exports 1,000 bu.	3/ Barge Loadings 1,000 bu.	4/ Wheat Cash Prizes Per. Bu.	5/ Corn Soybeans	6/ Occupied at Prin. Interior Elevators	7/ Grain Stocks	8/ Rail Grain Car Loadings
1970							
Jan.	-3,827	128,317	39,396	146	126	255	8,974,055
Feb.	-4,860	147,311	40,139	146	126	259	
Mar.	-2,701	117,767	55,888	147	124	238	
Apr.	-3,564	115,719	52,854	147	133	270	6,489,691
May	-2,710	119,283	50,559	144	133	270	
June	-1,841	132,140	63,516	140	137	281	
July	-3,112	148,008	63,434	138	138	290	4,331,092
Aug.	-2,310	151,368	57,081	147	146	279	
Sept.	-3,438	158,856	55,036	159	152	281	
Oct.	-4,110	197,211	72,659	158	142	290	4,717,524
Nov.	-3,343	176,463	62,408	159	142	300	
Dec.	-1,593	181,054	36,919	159	154	293	
1971							
Jan.	- 862	154,739	35,084	156	159	303	8,085,098
Feb.	-2,134	151,825	31,504	158	157	306	24,609
Mar.	-2,651	147,864	53,863	152	155	304	25,725
Apr.	-2,276	122,844	51,891	156	154	293	25,414
May	+ 216	149,035	53,324	149	153	321	23,759
June	+3,353	111,238	70,564	163	157	321	24,873
July	+ 802	129,567	69,233	154	148	336	27,076
Aug.	- 76	123,353	69,643	154	129	329	24,873
Sept.	- 362	174,017	52,940	153	116	312	25,721
Oct.	+ 476	94,767	65,858	156	110	312	21,963
Nov.	+ 551	151,343	78,811	156	107	300	29,073
Dec.	+4,650	193,073	55,375	158	121	308	29,185
							19,810

Exhibit A

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	C/H Car Shrinkage	Exports	Tare Loadings	Cash Prices Per Bushel		% of Cap. Occupied at Prin. Interior Elevators	Grain Stocks	Rail Grain Car Loadings
				Wheat	Corn	Soybeans		
1972								
Jan.	+ 3.593	151,375	55,250	158	122	309	9,215,943	22,592
Feb.	+ 3.020	141,286	51,755	157	121	318		22,172
Mar.	+ 1.715	144,565	67,745	158	122	337		24,148
Apr.	+ 1.210	163,869	87,761	161	126	349	6,680,740	22,387
May	+ 3.969	167,717	75,779	162	128	349		18,860
June	+ 3.389	183,338	100,697	155	125	347		24,341
July	+ 1.388	169,734	92,060	158	125	351	4,338,467	26,758
Aug.	- 7.732	209,083	103,697	152	129	355		30,211
Sept.	- 1.502	205,753	65,113	210	140	336		28,569
Oct.	- 2.932	238,362	99,753	225	132	333	4,643,558	31,682
Nov.	- 3.408	257,493	113,525	225	133	364		29,270
Dec.	- 6.438	261,817	65,875	262	157	413		31,643
1973								
Jan.	-11.269	270,460	75,609	267	158	449	8,923,137	33,422
Feb.	-15.270	255,837	94,534	258	159	561		33,322
Mar.	-15.992	274,007	76,213	252	159	624		30,456
Apr.	-13.344	272,762	55,816	251	165	653	6,034,472	28,554
May	-11.911	300,799	47,971	263	201	899		30,527
June	-10.622	299,893	85,952	269	242	1037		32,631
July	-10.817	293,301	97,464	250	252	860	3,363,743	35,342
Aug.	-12.231	325,609	97,146	267	291	908		35,614
Sept.	-11.425	282,294	71,021	501	327	650		34,884
Oct.	-11.368	305,975	97,787	487	337	562	3,511,540	37,116
Nov.	-13.346	286,512	123,813	478	220	565		30,218
Dec.	-11.032	298,033	51,663	522	268	595		29,379

	C/H Car Shortage	Exp. Its	Barge Loadings	Cash Prices Per Bu.		Soybeans	% of Cap. Occupied at Prin.		Grain Stocks	Car Loadings
				Wheat	Corn		Interior Elevators	Grain Stocks		
1974										
Jan.	-11,995	262,724	66,587	568	290	617		8,196,111		30,196
Feb.	-13,354	267,767	73,056	582	313	659				25,563
Mar.	-10,944	270,027	77,975	501	299	623				25,434
Apr.	-4,994	258,477	*80,000	407	269	556		5,204,303		28,348
May	-273	256,323	82,913	359	270	542				23,616
June	+191	233,487	81,666	405	293	547				30,706
July	-1,327	233,444	94,587	436	335	697		2,598,911		29,434
Aug.	+480	192,048	68,405	433	363	755				27,259
Sept.	+2,999	180,760	107,475	435	355	757				22,173
Oct.	-1,096	205,409	128,837	494	374	833		3,086,153		30,212
Nov.	-2,141	267,655	*100,000	488	348	758				30,637
Dec.	-1,140	271,495	80,000	466	347	728				25,757
1975										
Jan.	-1,184	294,255	76,408	415	319	633		6,850,519		26,387
Feb.	+368	246,750	76,992	393	296	568				24,386
Mar.	+2,160	244,621	*86,000	369	290	556				23,285
Apr.	+5,056	216,162	94,160	366	296	576		4,188,659		21,531
May	+11,608	166,571	55,113	334	282	523				15,469
June	+10,542	190,217	86,991	523	291	515				15,570
July	+1,626	239,794	137,105	361	295	558		2,187,999		24,520
Aug.	+1,478	263,866	90,821	412	311	597				28,987
Sept.	-1,086	255,589	126,441	421	299	555				30,109
Oct.	-6,889	368,375	138,956	409	274	497		3,289,410		29,769
Nov.	-2,842	365,920	131,110	371	259	470				27,694
Dec.	+4,022	328,205	94,642	350	259	459				23,321

* Est.

	C&N Car Shortage	Exports	Barrel Loadings	Cash Prices Per Bushel		% of Cap. Occupied at Prin. Interior Elevators	Grain Stocks	Rail Grain Car Loadings
				Wheat	Corn			
1976								
Jan.	+ 4,782	298,697	116,084	357	262	465	8,368,527	24,470
Feb.	+ 2,023	282,296	109,061	381	270	474		23,592
Mar.	- 1,090	292,695	158,610	381	268	466		21,608
Apr.	+ 612	296,867	152,381	357	266	471	5,400,360	20,295
May	+ 3,368	273,551	152,381	337	284	521		21,733
June	- 63	294,784	169,411	375	296	625		28,766
July	- 3,244	280,534	116,876	383	291	515		30,291
Aug.	- 2,379	281,945	120,640	331	297	630		27,977
Sept.	- 3,150	270,339	117,721	301	277	639		26,199
Oct.	- 6,662	283,637	127,810	277	249	623	3,800,466	29,118
Nov.	- 4,471	353,341	158,600	262	233	658		26,645
Dec.	+ 3,920	273,642	124,790	264	244	686		23,012
1977								
Jan.	- 766	257,862	81,266	270	253	708	8,895,813	20,650
Feb.	- 10,933	260,365	61,005	273	254	725		24,719
Mar.	- 10,725	299,540	126,784	263	252	833		24,952
Apr.	- 6,602	300,843	151,098	252	250	974	6,055,424	22,552
May	+ 1,061	281,848	137,723	236	241	850		20,392
June	+ 1,778	245,882	145,960	231	227	818		22,322
July	- 212	297,031	125,094	235	205	659	4,307,285	23,735
Aug.	- 114	267,628	129,082	231	178	566		24,620
Sept.	- 63	282,869	129,082	227	189	521		23,125
Oct.	- 5,558	282,869	129,243	236	184	505	4,282,806	26,425
Nov.	- 8,984	320,234	135,457	281	214	577		26,301
Dec.	- 7,050	313,224	149,062	280	219	587		23,638

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	C/W Car Shortage	Exports	Barge Loadings	Cash Prices Per Bushel		% of Cap. Occupied at Prin. Interior Elevators	Grain Stocks	Rail Grain Car Loadings
				Wheat	Corn			
1973								
Jan.	- 9,170	267,676	102,589	282	219	60.6	10,289,989	21,489
Feb.	-17,505	301,507	177,848	312	221	57.2		21,607
Mar.	-28,388	313,722	129,854	307	226	53.8		23,485
Apr.	-35,807	363,554	126,616	321	221	50.0	7,287,004	23,565
May	-25,985	468,083	171,765			44.0		23,356
June	*-25,903							

* Three (3) weeks only

- 1/ Average daily covered hopper car shortage (overage), for all commodities, as reported by individual railroads to the ICC.
- 2/ Total inspections for export as reported by the USDA in the Grain Market News. Includes soybeans - does not include rice.
- 3/ Total barge loadings of grain as reported by the USDA in the Grain Market News. Includes soybeans - does not include rice.
- 4/ Average price per bu. No. 1 hard red winter wheat, ordinary protein, on the Kansas City market. From the Grain Market News.
- 5/ Average price per bu. No. 2 yellow corn on the Chicago market. From the Grain Market News.
- 6/ Average price per bu. No. 1 yellow soybeans on the Chicago market. From the Grain Market News.
- 7/ Monthly average. From Elevator Capacity and Grain in Storage at Principal Interior Markets, published by the Association of American Railroads.
- 8/ Grain stocks in all positions, on and off farm, as reported by the USDA in Grain Stocks. Includes corn, sorghum, oats, barley, wheat, rye, soybeans and flaxseed.
- 9/ Average cars per week. From statement CS-5/A, published by the Association of American Railroads. Includes soybeans and rough rice.

Ms. SCHLEI. I would like to mention to the subcommittee on behalf of Secretary Bergland and myself our interest in Chairman Nolan's and Senator Anderson's letter to the President on the subject of the railcar shortage.

Secretary Bergland is vitally interested in that subject and vitally interested in improving the Department's capacity to provide transportation assistance and analysis. He is currently reviewing the transportation activities in the Department with a view toward better coordination and a more efficient use of our existing resources within the Department.

Last April, the Secretary ordered an allout effort within USDA to assist grain and cotton shippers with their car shortage problems. Our transportation group worked very closely with ICC in supplying analysis of export sales activities, current crop reports, estimated fertilizer demand, and other information that might be helpful in obtaining a maximum utilization of available equipment and to forecast future railcar needs. As has been stated, utilization is one of the major problems that we are facing.

In addition, we established a hotline within USDA so that shippers could be advised about specific problems or alert us to any serious shortage situations. I might say that we have already received 300 calls over that hotline.

If I could answer any questions in the area of rail abandonment, or on the legislation itself, or on any other subject, I would be happy to do that, Mr. Chairman.

Mr. NOLAN. Thank you very much for your testimony, and please communicate to Secretary Bergland, on my behalf and Senator Anderson's, our appreciation for the prompt response to our inquiry. You might be interested to know that we sent similar inquiries to DOT, OMB, and the Office of the President, and we have not had a response from them yet. So, we are grateful for that very prompt response from the Department of Agriculture.

Are there any questions of Ms. Schlei? Mr. Fithian?

Mr. FITHIAN. Thank you, Mr. Chairman.

Ms. Schlei, to take your last objection first, that is the objection to section 6, I would like the record to show that the basic thrust of section 6 is spelled out in that section. It simply says:

Whenever the Secretary of Agriculture determines that any Federal agencies—and then it spells those out—

will likely impact on the agricultural industry of the United States or on rural development in the United States, he shall—

and it does mandate because it says "he shall"—

to the extent permitted by law or regulation participate in such proceeding for the purpose of fostering the cause of an efficient and economic transportation system for agricultural and rural development in the United States.

I look upon this section, Ms. Schlei, as simply spelling out, in statutory form, what all of us hope that the USDA is doing anyway—that is, looking out for the interests of rural America with regard to other agencies whose actions impact, in this case dramatically and definitely, on rural America but do not, necessarily, have the expertise, the statistics, the reports of the grain shipments, and so on that you would have at USDA.

So, I think with those qualifiers in there, it is perfectly proper for this committee and the Senate to mandate that the Secretary shall participate in these proceedings, these discussions, when these fundamental decisions are being made concerning transportation in the United States.

I am having some difficulty, therefore, in, I guess, fully appreciating why you are objecting to this.

Ms. SCHLEI. Mr. Fithian, the Department would concur entirely with everything you have just stated, sir. Our problem, possibly, is one of legal interpretation.

There were, in 1977, 12,800 regulatory actions that could technically be construed as fitting within the purview of section 6. It would not be feasible for the Department to participate in all 12,800 such regulatory matters before the agencies here listed.

We did, last year, participate in 29 of those actions. My personal view is that our participation in those 29 was exceedingly minimal. Although what we did, I believe, was effective and worthwhile, I think the Department should properly have participated in a great many more than the 29 that we were able to participate in.

We have the legal authority to participate in more. Our manpower situation limited us to the 29 which we considered most significant.

However, I would feel that it would not be realistic for the Department to participate—to have participated last year in 12,800. I think if we could limit it to those which impact substantially, and to give the Secretary some discretionary authority under section 6, it would be better.

Mr. FITHIAN. I do not want to put words in your mouth. Or maybe I do.

Would you be agreeable to section 6 if we made that qualifier—that is, “impacted substantially?”

Let me explain to you why I think this is necessary to mandate that the Department do something like this.

Traditionally, the Department of Transportation and the ICC and others have done it all. This has become their ballgame. I am not much of one for territorial turf questions, but I think we need the statutory provision on the part of the Congress saying to USDA, “Yes, you shall participate whenever those proceedings substantially impact—to use your phrase—on rural America.”

This would simply give status, if you will, or give equal leverage to the considerations of rural America.

It is no wonder that under present proceedings you have not had much impact. I mean, you go over there without portfolio, and they do not pay any attention to you. That is what I am complaining about. I am complaining that DOT and ICC and others simply deal with railroads and lots of other things, but nobody is really standing up and saying, “Wait a minute. You make that decision on shipping, whatever it is or whatever decision it is, and it is going to seriously impact on the economy of this rural part of the country.”

So, your impact has been minimal. I am totally in agreement with you. It is precisely because your impact is minimal that this legislation is drafted.

Ms. SCHLEI. Congressman Fithian, the Secretary believes strongly that it is urgent to the needs of agriculture and rural communities

that the Department of Agriculture play an aggressive role in the field of transportation. We would be very pleased to undertake the mandate of section 6 on a mandatory basis if the language that you suggested were added to section 6.

Mr. FITHIAN. In other words, "impact substantially?"

Ms. SCHLEI. Yes.

Mr. FITHIAN. Mr. Chairman, I do not think that the Senate would balk at that. I think that is really what was intended. If the wording is not going to get you into a legal quagmire and if this would bring USDA to our side, I think we could probably see our way clear to try to change it.

I have just one other question, Mr. Chairman, and then I will subside.

I was staggered by the USDA estimate of the costs of this thing. Our cost estimates and the Congressional Budget Office estimates are only fractions of what USDA uses as its basis. I believe the difference is the difference between \$590,000 in the Congressional Budget Office and \$6.1 million by USDA.

Even given the tendency to inflate or to generate or crank in all kinds of costs—overhead and all the rest—I am having some real difficulty rationalizing those two figures.

Ms. SCHLEI. Sir, we are equally staggered by the cost, and that is a substantial part of the basis for our response. To answer specifically our development of those budgetary figures, I would like to introduce, with the chairman's permission, Mr. Lee Keely, of our Transportation Division, who did the initial work in developing these figures.

Mr. KEELY. The cost estimate that we submitted to the Senate was approximately \$1.3 million for the first year and \$1.2 million for each year thereafter. Approximately \$600,000 of that was to do the work under sections 2, 3, and 4, with the balance under section 5 to conduct the annual study thereafter. Of course, we were surprised at the CBO's cost estimate as being low. Perhaps that is an interpretation of just what is required under the act.

As our testimony on the bill indicates, we interpret the requirement of this bill to require very substantial analysis of the full transportation system including a substantial number of probably individual branch line analyses under sections 2, 3, and 4.

We were estimating something on the order of 14 professional staff years to do sections 2, 3, and 4, and the same number for section 5, and a substantial amount of travel and other expenses that would be associated therewith.

Mr. FITHIAN. Maybe part of the difference, Mr. Chairman, comes from the fact that I think the CBO assumed we were going to have to pay the Secretary anyway and a number of other officials.

Perhaps there is a difference in the way you compute these things, but it is of such divergence that I find it difficult—no, impossible, I guess—to accept USDA's figures on this.

I would like, for my own information, then, to ask you to provide me with a specific breakdown of these costs.

Mr. NOLAN. Without objection, that will be included in the record at this point.

[The information supplied follows:]

Appropriations required for administering the provisions of H.R. 12917, as introduced, would approximate \$1,300,000 for the first year and \$1,200,000 annually thereafter. This envisions the addition of about ten professional staff

years and two clerical support personnel staff years to meet the workload requirements of Sections 2, 3, and 4, plus travel, per diem, hearings, transcripts, printing, dissemination, postage, and overhead expenses. Section 5 and 6 would require the addition of 12 professional staff years and two clerical support personnel. These estimates include \$300,000 annually for economic research, either on an interagency or contract basis. During the first year, costs would be heavily weighted toward completion of Sections 2, 3 and 4 requirements. Thereafter, the sustaining cost of Section 4 would drop, and resources would be shifted into the long-term requirements of Section 5 and 6.

Mr. FITHIAN. The other thing I just wanted to mention here is that it seemed very much to us, when we were working on this, that Dr. Hjort, the chief economist over there in USDA, was really very supportive of this. I am not sure, but we seem to be getting different signals out of the administration on this legislation. I wonder if you could tell me how that came about?

Ms. SCHLEI. I know that Mr. Hjort has the same interest that all of us share with Secretary Bergland and—

Mr. FITHIAN. Let me just read you some parts of his statement, and see if I was on the wrong track.

He said, "It is time USDA initiated a proposing role." That does not mean that you come along as an accessory after the fact, but that USDA initiate a proposing role "instigating changes, adding more cars. We have always had the idea that agencies like the ICC and U.S. Department of Transportation are sufficient to take care of transportation." Listen to this, now. "But our recent experiences with transportation bottlenecks, especially as this country's agriculture becomes more export oriented, say that USDA must gear up to take hold of this situation."

This legislation probably does not go as far as Howard Hjort is speaking of going. This is a pretty modest step that we are proposing here.

I gathered from Mr. Hjort that if we were going to get any criticism from the Department, it was going to be that we were too timid, not that we were proposing too much. That is why I am confused.

Ms. SCHLEI. Mr. Fithian, the Department would concur wholeheartedly with the statement of Mr. Hjort that you just read. I think that in our response to section 5, I tried to respond very strongly in favor of the role—of the Secretary's unique expertise to identify and deal with specific impediments in the transportation system and the need for Agriculture to take an affirmative, positive, leadership role in developing methodologies and systems to combat those impediments.

This role, under section 5, we would very much like to play. What I do not think our proper role would be is to do a study of the Nation's total transportation system. If anybody could do that, I think it is in the Department of Transportation, as opposed to study the impediments in the system to the movement of agricultural commodities and the adverse impact on rural communities.

What we are talking about is whether we limit it to the impediments to agriculture and rural communities as opposed to looking at the total system, to the extent that you do not have to look at the total system in order to look at the impediments.

Mr. FITHIAN. Maybe you could enlighten me as to just what part of the bill is mandating that you become the Secretary of Transportation. That is not the intent here.

As I look at it, it is saying things like:

The Secretary of Agriculture has responsibility to assume a more active role in representing agriculture. He shall compile and publish an initial report containing specific recommendations for a rail transportation system adequate to meet the essential needs of agriculture.

It does not say "for the whole country." It says "to meet the needs of agriculture." And it goes on.

Throughout this, it is my assumption, as the language says, that we want the Secretary of Agriculture to look at the transportation system but focus on the specific needs of agriculture. What is needed in terms of solving the problems of moving agricultural products? That is really what the bill is saying.

It is not intended, Mr. Chairman, to make a duplicate Secretary of Transportation or yet another ICC Commission Chairman.

I am hopeful that we can accommodate the USDA on this—that is, Ms. Schlei's objections. If there are specific areas of language in the bill that seem to overreach so as to try to get the USDA doing this whole comprehensive study of how to ship some specialty item, or whatever, then I think the legislation would go too far. But I do not see it doing that.

Ms. SCHLEI. Sir, in section 5, the Department has no problem with the second and third sentences. The problem arises in connection with the first sentence of section 5.

In section 2, the breadth of this section is of concern to the Department. The Department does not feel that it should take on a study which is beyond its scope and expertise.

Mr. FITHIAN. Let me just ask this. I will then subside, Mr. Chairman. I do not mean to dominate this.

Let us refer specifically to section 5 first—the earlier part.

What that earlier part says is that the Secretary shall submit this report annually to Congress regarding the capability of the Nation's transportation system, and then there is the key phrase: "To meet the essential needs of the agricultural industry of the United States." It does not say that he is going to go out and study shipping phosphate from Butte, Mont., to somewhere else. That does not have anything to do with the essential needs of the agricultural industry in the United States—or to ship oil from the Gulf of Mexico, or whatever. We are talking about the agricultural industry.

Ms. SCHLEI. Sir, it also says, "and to meet the needs for effective development of rural areas of the United States." This is fairly broad in scope. Not that I do not believe and the Secretary does not believe strongly, that it is the duty of the Department of Agriculture to be concerned, not just with the movement of agricultural commodities but also with the needs of rural communities. Nevertheless, to study the capacity of the Nation's transportation system for the agricultural industry and for rural America is a very broad charge as opposed to the charge in the second and third sentences. That is to look at the entire system as opposed to the charge in sentences 2 and 3 of section 5 which is to specifically identify impediments. In other words, I feel that that is something that is isolated in scope, that can be circumscribed.

Mr. FITHIAN. I would have no objection, personally, to tightening that up, if you think the command overreaches.

But again, in section 2—to tie these two sections together—it says, “a railroad transportation system adequate to meet the essential needs of the agricultural industry of the United States.”

It seems to me that we try repeatedly in the bill to specify that we are talking about agricultural interests, and agricultural needs, to distinguish that from all the rest of the transportation needs of the country.

Mr. NOLAN. I guess that the gentleman's time has long since expired. Perhaps you could pursue this line of questioning later with the witnesses.

Mr. FITHIAN. I apologize. Thank you, Mr. Chairman.

Mr. NOLAN. Are there any other questions of the witnesses? If not, we thank you very much for your testimony.

Ms. SCHLEI. Thank you, Mr. Chairman.

Mr. NOLAN. We have a recorded vote on at this point. So, Mr. Cornwell, if you feel that you could summarize your testimony in 5 minutes, I would be most willing to keep the hearing in process, and then we will recess at the conclusion of your testimony for 10 minutes, and we will then come back and conclude the hearing. I think it would be very helpful to you and to the subcommittee if we could squeeze it in right now.

Mr. CORNWELL. Thank you, Mr. Chairman. I think I could read this in 5 minutes, so there is no need for me to summarize.

Mr. NOLAN. Thank you. Please go ahead.

STATEMENT OF HON. DAVID L. CORNWELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. CORNWELL. Mr. Chairman, I thank you for the opportunity to testify in support of H.R. 12917 directing the Secretary of Agriculture to study and compile a report on the rail needs of rural America.

This legislation, introduced in the House by my esteemed colleague from Indiana, Mr. Fithian, is an important step in getting a grip on the acute hopper car shortage afflicting parts of the United States.

Last summer, I spoke to a grains and feed association meeting in my district. The No. 1 complaint was the shortage of hopper cars to carry the farmer's grain to market.

Even if hopper cars were available, late delivery by the railroads compounded this transportation problem. Unfortunately, the situation seems to have become only worse during this past spring. Again, hopper cars were unavailable, leading to the same chaotic conditions for grain farmers.

In Indiana, for example, the Farm Bureau Co-op moved 3,135,636 fewer bushels of grain in the period from March to June 1978, through their Baltimore, Md., elevator than during the same period in 1977. If you use the figure of \$2.50 a bushel for the market price of corn, this represents a loss of over \$7 million.

H.R. 12917 will give Congress a tool to deal with the problem. By requiring the Agriculture Department to study the problem and come up with specific recommendations, Congress can then enact, if necessary, appropriate legislation.

Furthermore, by continually requiring that the USDA both represent rural interests at Federal transportation proceedings and report back to Congress, we will assure that this issue is not put on the back

burner and dropped as it has been in the past. Only by continued vigilance can we deal effectively with providing good rail service for this Nation's rural areas.

Mr. Chairman, I just want to express my appreciation to you for your fine leadership in holding these hearings and bringing up this bill. I hope the subcommittee will act favorably so that H.R. 12917 can be enacted by the 95th Congress.

Mr. NOLAN. Thank you very much, Mr. Cornwell.

Are there any questions of our witness? [No response.]

I might only add that I think the price of corn right now is more like \$1.80, so perhaps the losses you are projecting are far greater than what even you have projected.

Mr. CORNWELL. I would imagine so.

Mr. NOLAN. The market has declined a great deal in the last several weeks.

I have three other witnesses. Is Mr. Fields here?

Mr. FIELDS. Yes, sir.

Mr. NOLAN. Mr. Glenn Sullivan, are you here?

Mr. SULLIVAN. Yes, sir.

Mr. NOLAN. Mr. Ed Wheeler, are you here?

Mr. WHEELER. Yes, sir.

Mr. NOLAN. I am going to recess for just 5 or 10 minutes and will be right back and can then conclude the hearing.

The subcommittee is recessed for 10 minutes.

[Recess taken.]

Mr. NOLAN. The House Subcommittee on Family Farms, Rural Development, and Special Studies will reconvene its hearing.

Again, I will ask the witnesses to summarize as briefly as possible. We may very well have another vote in a matter of just a few minutes. So, if you can summarize, that will help us conclude this hearing.

The first witness is Mr. Fields, the assistant director of International Relations for the American Farm Bureau Federation.

Mr. Fields, we welcome you.

Mr. FIELDS. Mr. Chairman, I believe this statement is short enough that I can read it in 5 minutes.

STATEMENT OF C. H. FIELDS, ASSISTANT DIRECTOR OF INTERNATIONAL RELATIONS, AMERICAN FARM BUREAU FEDERATION

Mr. FIELDS. Mr. Chairman, Farm Bureau is a voluntary, nongovernmental organization of more than 2.8 million families in 49 States and Puerto Rico, representing farmers and ranchers who produce every agricultural commodity produced on a commercial basis in this country. All members of Farm Bureau are affected by national transportation policies and actions. Those actively engaged in the commercial production of agricultural crops, livestock, and poultry are all shippers or receivers and are thus directly affected.

We in agriculture have become increasingly concerned about the transportation system and its ability to provide the services required by agricultural production. We are particularly concerned about the massive shift of agricultural traffic from rail to motor carriers in recent years, because we firmly believe that agriculture must have a balanced transportation system, utilizing all modes, to move the fruits

of agricultural production from the farms and ranches and to move necessary production inputs to those same farms and ranches.

The developing energy situation makes it even more critical that ways be found to restore the financially distressed rail carriers to economic health and to encourage them to do a better job of providing the kind and quality of service that is required by modern agriculture.

We favor enactment of H.R. 12917. The current shortage of railcars for the shipment of grain in the Midwest is the worst on record and makes this legislation particularly timely. However, the scope of the bill is somewhat narrow in that it limits the mandates in sections 2, 3, and 4 to a study and report on the rail problems and needs of agriculture. Section 5 does require an annual report to the Congress on "the capability of the Nation's transportation system—all forms of transportation—to meet the essential needs of the agricultural industry of the United States and to meet the needs for effective development of the rural areas of the United States."

We have no objection to section 6, although it appears to be a restatement of existing law with regard to the authority and responsibility of the Department of Agriculture to participate in regulator—or other proceedings that may have an effect on transportation services to agriculture.

We concur that the Department of Agriculture should take an active interest in such matters and feel that the Department of Agriculture is in a better position to understand the problems and needs of agriculture than any other department or agency of the Federal Government. This, of course, does not mean that the various segments of the agricultural industry are not fully capable of looking out for their own interests in transportation matters as well as other problem areas. We look upon the role of the Department of Agriculture as supplementary to that of those of us in the private sector who represent the interests of agricultural producers and others in our industry.

We believe the studies and reports by the Department called for in this bill will be helpful to the Congress and to the Department of Transportation and other agencies of the Government as well as to the private sector. But we should not delude ourselves that such studies and reports, in themselves, will produce the changes in public policy and action or the changes on the part of the carrier management and the labor unions that will be required to turn around the present situation.

We are not only faced with a deteriorating rail situation in many areas of the country but with a deteriorating highway situation with the same kind of "deferred maintenance" that has characterized a good portion of the railroad industry. A part of the problem lies in the lap of the Congress in its failure to consolidate transportation matters into single committees in the House and the Senate.

The problems currently faced by agriculture in the area of transportation are not only of concern to producers and others in the food industry but to the consuming public as a whole inasmuch as transportation now represents about 10 percent of the costs of getting food from producers to consumers.

Not only should the Department of Agriculture be involved in studying and reporting on agriculture's transportation requirements, it should expand and redirect its research effort in the area of transportation as an overall part of marketing and distribution research. We need not only to identify the problems but to find ways of alleviating them.

We appreciate this opportunity to present our views, and we commend Senator Huddleston, Congressman Fithian, and others who co-sponsored the legislation for making a start in addressing the serious transportation problems facing agriculture.

Thank you.

Mr. NOLAN. Thank you very much, Mr. Fields.

I have no questions. I just want to thank you for some very valuable testimony in support of the legislation here.

Our next witness, then, is Mr. Glenn Sullivan, chief economic counsel of the North American Car Corp. in Chicago, Ill.

Welcome to the subcommittee, Mr. Sullivan.

[The prepared statement of Mr. Sullivan follows:]

July 18, 1978

Dr. Glenn H. Sullivan
Chief Economic Counsel
North American Car Corporation
Chicago, Illinois

Re: Testimony in support of HR12917.

North American Car Corporation comprises the railcar entity of Tiger International, a U. S. firm with substantial commitments to the transportation industries. North American Car Corporation is among the major suppliers of railcars for the covered hopper car market, with the domestic agricultural industries comprising our largest commitment.

In recent months we have witnessed considerable national debate concerning the problems that exist in the rail transport of agricultural commodities. While it is generally agreed that the agricultural industries are currently confronted with a serious shortage of railcars for the movement of grain and essential production inputs, there appears to be no substantive agreement upon: (1) which market and/or institutional forces have precipitated the railcar shortage, (2) what action is needed to resolve the current shortfall problem and (3) how future transportation disruptions in the agricultural sector will be avoided.

We at North American Car Corporation have assessed the aforementioned problem and have concluded that no single market force can be cited as the primary cause of the current railcar shortage. We have further concluded that the current problem has resulted from the simultaneous adverse culmination of several market forces ... and the failure of institutional agencies to forecast the pending impact upon the economy. We are convinced, however, that the severity of the current railcar shortage could have been reduced significantly, if not avoided entirely, through an institutional monitoring system that provided advanced information regarding the adequacy of the Nation's transportation system to meet the essential needs of the domestic economy. Thus, in our opinion, the underlying cause of the current railcar shortage was the failure of existing information systems in providing accurate assessments of domestic transportation needs.

We cite the following findings:

First, the overall capacity of domestic railcar manufacturers was found adequate to meet the long-term demand in most segments of the economy under normal industry conditions. This is particularly true for the manufacture of covered hopper railcars. Thus,

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long-term disruptions in the supply of railcars will likely result only under abnormal economic conditions in selected industry segments and/or inadequate forecasts of industry needs.

Second, the current railcar shortage appears to have arisen primarily from abnormal conditions in the agriculturally related industries. The cyclic nature of the agricultural industries, coupled with increased railcar demand pressures in other industry segments, has created a railcar shortfall that will likely continue for 3 to 5 years. Increased agricultural commodity production, coupled with an increased demand for railcars in the coal industry to meet critical national energy needs, can be cited as a principal case in-point leading to the current shortfall situation. Once again, an improved information system would have substantially reduced the magnitude of the current shortfall problem.

Third, the current railcar shortage has been further heightened by the accelerated phasing-out of boxcars owned by railroads and private railcar companies. The use of boxcars for the transport of agricultural commodities has been marginally economic for several years. The retirement of these railcars could have been more accurately predicted, and the shortfall impact lessened, under an established industry monitoring system.

Fourth, the export demand for agricultural commodities, under conditions of surplus supply and lower unit prices, further precipitated increased demand pressure for railcars. The movement of grain, from increasingly decentralized facilities in the producing regions to centralized export terminals, coupled with the aforementioned retirement of boxcars, has further magnified the current shortfall problem. As grain production continues to increase, particularly outside the traditional producing areas, this problem will likely continue.

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Fifth, the issuance of Service Order No. 1304 by the Interstate Commerce Commission has undoubtedly created some disruption in the utilization of railcars for the transport of agricultural commodities. Service Order No. 1304 requires that the carriers use no more than 20% of their ownership of jumbo covered hopper cars in unit train grain service. There is evidence to suggest that the 20% requirement is too restrictive to permit efficient grain transport, particularly under current industry conditions. However, under the current railcar shortfall, increasing the percentage allotment would likely impact smaller grain shippers in an adverse manner and compound the problem of equitable railcar distribution, railcar turnaround, and grain movement to the major markets. Again, more accurate monitoring of the transportation needs in the agricultural industries would have lessened the current shortfall problem.

Finally, regulations governing the import of foreign made railcars have substantively compounded the current shortfall problem in the United States. Mexican railcar manufacturers have the capacity to meet the current shortfall needs of domestic shippers, at least on a short-term basis, if given the authority. In 1977, Mexican manufacturers exported only \$10.5 worth of railcars to the United States (approximately 350 units). However, even at this low level of participation, the export of railcars to the United States was brought to a standstill in March 1978 due to the removal of the Generalized System of Preferences (GSP) allowed Mexico as a most favored trading partner. The GSP removal automatically imposed an 18% tariff on all Mexican railcars exported to the United States. Certainly an improved information system, monitoring domestic railcar needs, would have given Congress sufficient leadtime to enact temporary legislation for the purpose of maintaining Mexico's GSP status ... thus reducing the negative impact of the railcar shortfall in the domestic economy.

The management of North American Car Corporation therefore endorses HR12917 in principle and recommends immediate legislative action. In this time of national emergency, we view HR12917 as an attempt to resolve some of the aforementioned problems, most of which have been spawned either directly and/or indirectly from information voids in the transportation sector of the U.S. economy.

Mr. NOLAN. Thank you very much, Mr. Sullivan.

I have no questions.

Your testimony will be most helpful to this subcommittee in considering this legislation.

Our next witness, then, is Mr. Edwin Wheeler, president of the Fertilizer Institute of Washington, D.C.

Mr. Wheeler, I welcome you.

Mr. WHEELER. Mr. Nolan, I appreciate the limitation on your time, and I would like to have my prepared testimony, heretofore submitted, included in the record in full.

Mr. NOLAN. Without objection, it is so ordered. The statement will appear in the record at this point.

[The prepared statement and attachment thereto submitted by Mr. Wheeler follow:]

Testimony of
EDWIN M. WHEELER
PRESIDENT
THE FERTILIZER INSTITUTE

Mr. Chairman and members of the Subcommittee, we support and accept Mr. Fithian's bill H.R. 12917 subject, however, to certain language adjustments to clarify but not to change the purport of the bill in its entirety.

H.R. 12917 is a synonymous copy of S.1835. We testified in connection with S.1835 before the fact. But to clarify, S.1835 came out of Senator Huddleston's Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, wherein the Subcommittee was trying to bring to the fore, the freight car or hopper car shortage. That is to say, the Congress is becoming increasingly concerned about the hopper-freight car shortage which the Administration is not. Indeed, there is not a single piece of legislation pending before the Congress of the United States that is even concerned about grain transport or its progenitor, fertilizer, by the Carter Administration. We submit that a student of the economic scene of 1978 would not discern that there was even a logistical problem in 1978 for the Administration has not even reported the problem, let alone concerned the Congress or the media with solution.

But, every member of this Subcommittee has been inundated with complaints about the inability to obtain cars. We are amazed. Every shipper (the payer of the bills) is screaming that they cannot get cars, but the Administration has said NOTHING. The Administration neither admits of a shortage of rail equipment, nor have they a suggestion of what to do to alleviate the problem. It is a Harvard Master of Business Administration (MBA) case book approach, namely, don't admit that we have a problem ergo no one knows we have a problem! But problems our industry has -- in spades -- and everyone in agriculture commercial production is aware, acutely aware, of the problem. Congress knows this because of its mail -- its receipt of complaints. We commend you, that you suffer in silence, for nothing would indicate that President Carter or his Department of Transportation Secretary, Mr. Adams, is even aware of what is going on in his own back yard. The State of Washington, Mr. Adams home ground, is short of hopper and box cars. Mr. Carter's home state is in the same state of affairs. Yet, neither a mea culpa emanates from the Administration nor a suggestion of solution shows forth. Of course, DOT is recommending a rate increase (see S.3260) but nothing else.

The United States should be the globe's most dependable supplier of grain and fibre. Our surpluses and reserves would say this is so. Yet, when the orders come, we cannot

deliver on time and in the amounts called for. Indeed, the source of these orders, the country elevator, is faced with removal of its outside link to the world of demand -- the rail line.

Congress loves to dole out large funds to AMTRAK, but will not make the same dispersal to our nation's best earner of overseas hard dollars -- our agriculture exports. Truly, the Department of Transportation's ever-growing cry for dollars for AMTRAK and its (DOT) paralysis at suggesting any cause or cure for our nation's leading freight problems -- the lack of cars -- the lack of motive power -- make one wonder if the DOT knows how to screw on its collective head.

Congress knows full well that our imports are in great excess to our exports. Congress knows equally as well that our nation's leading exports are agricultural products. Congress has assumed that the U.S. exporters meet their shipping loading commitments on schedule. Every American loves to believe that when upon a handshake we agree to load the ship, "Sovietsko Ukrania" that all will fall into place. This is NOT happening. We as a nation are not dependable as to tonnage, time, location, etc., simply because our rail system is not capable of ontime delivery.

I do not know of any person acquainted with agricultural world trade who does not believe that United States exports will grow above today's \$27 billion. We must export our agricultural expertise in dollars or bushels, preferably the latter, or we will be unable to import the raw materials such as oil, iron ore, chrome -- we'll put your own constituents product on the list. We have to import -- like it or not.

Accordingly, we support H.R. 12917, not because it will change the current severe shortage of cars and locomotives, but because it might ring the Administration's alarm bell. The Administration knows that as of mid-July our grain elevator operators can not get cars for loading. The Administration knows full well no relief is in sight when the soybean and corn crop is harvested in Fall 1978. We as a nation are unable to meet our domestic users of transport demands now or in the coming year and we are likewise unable to meet the demand of our overseas customers in this same time frame.

H.R. 12917 concerns itself with this problem, that is to say, it directs the Secretary of Agriculture to gather all of the facts, be it commodity, origin, mode of transportation, etc. Because the fertilizer industry begins the production of U.S. grain and fiber process from a meaningful bounteous basis, we respectfully ask the Subcommittee on Family Farms, Rural Development, and Special Studies to

amend H.R. 12917, per the attachment, to include in its mandate to the Secretary of Agriculture all inputs as well as outputs in his study of future rail requirements.

It could hardly be denied that fertilizer is the major freight tonnage coming into our rural communities. That is to say, grain "out" is proceeded by fertilizer "in". Commercial fertilizer produces between 30-40% of total U.S. farm output. H.R. 12917 directs the Secretary of Agriculture to study the rail system of "outbound products" but is silent on incoming tonnage.

We can assure the House Committee on Agriculture and its Subcommittee on Family Farms, Rural Development, and Special Studies that the bill, H.R. 12917, as introduced, were it enacted, would kill the nation's rail branch line system unless it included the inputs moving by railroad to adduce the outputs.

Herewith, as an example, is the very substantial tonnage of fertilizer moving into one of the most productive states, Indiana. Indiana is one of our typical but high production states both as U.S. indigenous consumption as well as into the export arena as well. Therefore, no picture of Indiana

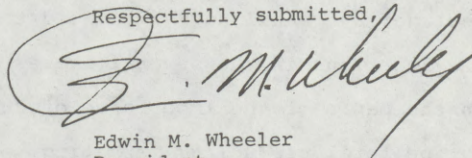
rail needs is complete when we speak of "outbound" rail unless we include some indicia of just one of the inputs to produce that crop. Herewith is the use of fertilizer in Indiana the past five years. We do not have the capability of breaking out the various ways in which the tonnage arrived, that is, rail vs. truck vs. pipeline vs. barge, except we can be sure that 60+% was delivered by rail.

INDIANA FERTILIZER CONSUMPTION (tons of total product)

1973	2,043,535
1974	2,271,268
1975	1,881,538
1976	2,372,924
1977	2,907,936
10 mos. '78	1,154,379

Using Indiana as an example we therefore ask that H.R. 12917 be amended (per Attachment #1) so that the study by the Secretary of Agriculture more clearly reflects the full and true activity on not only the nation's rail branch lines, but, in addition, the data will show to the Congress (in the Secretary's report) the real contribution of these country-branch lines to our nation's domestic and foreign commerce.

Respectfully submitted,



Edwin M. Wheeler
President
The Fertilizer Institute
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Washington, D. C. 20036
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(The attachment follows.)

Attachment #1

Proposed Amendments to H.R. 12917

SEC. 1 (2) the economical and efficient movement of agricultural *inputs and commodities has been impeded by a shortage of railroad freight cars and motor trucks and by the deteriorated condition of many rail roadbeds throughout the United States;

(3) the economical and efficient movement of agricultural *inputs and commodities is further threatened by the proposed abandonment by the railroad companies of thousands of miles of important railroad lines in the United States;

SEC. 2 (a) The Secretary of Agriculture (hereinafter referred to as the "Secretary") shall compile and publish an initial report containing specific recommendations for a railroad transportation system adequate to meet the essential needs of the *total agricultural industry *including but not limited to the supplies of agricultural inputs such as fertilizer, fuels, animal feeds and agricultural chemicals. Such report shall include, but shall not be limited to, maps which identify the locations in the several States that the Secretary, on the basis of the importance of such locations within agricultural producing, marketing, or consuming areas, determines should receive railroad service.

*Changes proposed by The Fertilizer Institute.

Mr. WHEELER. Mr. Chairman, I have never done this before, and I have testified before many congressional committees, but would the Chair be so kind as to entertain a bulletin released by the Department of Agriculture identified as USDA 1932-78 wherein a full discussion on the extent of the current car shortage is contained?

As a lawyer, I note that the record is pretty quiet today on statistics showing the extent and urgency vis-a-vis the fact that as of June 24, the USDA reports they were short of about 23,000 cars that week for loading, and so forth.

While I think the Chair has already taken judicial notice of the shortfall, I think it would help the record if we had that bulletin in.

Mr. NOLAN. Without objection, that report will become a part of the official record of this hearing immediately following your testimony.

[The report submitted follows:]

NEWS FEATURE

U.S. DEPARTMENT OF AGRICULTURE

Advance for Release at 6:30 a.m. EDT Monday, July 17, 1978

RECORD EXPORTS BRING CHALLENGE TO RAILWAYS

WASHINGTON, July 17--America's farmers and their agribusiness colleagues are shattering export records this year, but the greatest difficulty they've ever had in obtaining railcars makes it difficult to meet export schedules. The delays in getting railcars could dampen rises in farm prices that have been prompted, at least partially, by the strong foreign demand.

Consider:

--U. S. agricultural exports are headed toward a \$25-26 billion total this fiscal year, the highest in U. S. history.

--This compares with last's year's record \$24 billion.

--Owners of some country grain elevators, who buy from farmers and sell to larger buyers, say they are already losing 10 cents per bushel because of the railcar shortage and may soon have to pass that loss on to farmers, according to Secretary of Agriculture Bob Bergland, who is keeping a close watch on the situation.

--Interstate Commerce Commission (ICC) officials say the daily average car shortage is the worst since they've been keeping records.

Exports, of course, aren't the only factors contributing to the car shortage. Agriculture must compete with the rest of the U. S. economy for railcars and the country has a shortage of locomotives to pull the available cars, whether the commodity is for export or domestic use, according to the ICC.

However, with its success in grain, oilseed and cotton exports, which are only a few of the farm products we sell abroad, the U. S.'s big difficulty right now is getting the commodities to port cities so they can be shipped overseas. This is primarily the problem of individual traders, but becomes a national problem as well, since agricultural exports are so important to the country's economy. Secretary Bergland thinks we'll move the exports out on schedule.

THE BACKGROUND

U. S. agricultural exports have been climbing year by year. They've doubled in volume and tripled in value in the past 10 years. Today, agricultural exports are one of the brightest spots in this country's economy. America's farmers get about 25 percent of their income from exports. Grains are chief among them.

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The United States now supplies about 40 percent of the world's wheat exports, nearly 60 percent of the world's feed grain exports, and half the world's soybean exports. U. S. exports of grains and soybeans increased 83 percent between 1971 and 1977. U. S. agricultural exports have risen sharply since 1971 from \$8.24 billion dollars to the projected 1978 record of \$25.5 billion.

Accordingly, the agricultural trade surplus has risen from \$2.3 billion to about \$12 billion during the same period.

However, increased U. S. exports do not mean foreign countries are cutting back on their production and are buying from the U. S. to make up the difference. On the contrary, production is increasing.

The United States dominates the world agricultural export market. But its continued dominance isn't a certainty. U. S. export customers who need grain get it from the United States--or they go elsewhere.

REASONS FOR EXPORT GROWTH

What are the reasons for the tremendous growth of U. S. exports?

-- People in developing countries are getting wealthier, demanding better nutrition. They can afford to eat more wheat products. (Eighty percent of the grain going to these countries is used for human consumption.)

-- Middle income countries are using more U. S. feed grains to produce livestock and other animals for their consumption. U. S. feed grain exports increased 145 percent since 1971.

-- Increased demand for U. S. grains in the USSR and Eastern Europe is based on their political decisions to upgrade the diets of their people, especially by providing more meat.

-- The declining value of the U. S. dollar makes many U. S. farm products more competitive in world markets. In 1971, we began selling each year to Russia. The People's Republic of China (PRC) is beginning to buy more grain from us, also.

-- Oil rich countries are buying more grain to convert to meat.

-- Export market development by U. S. firms and government departments, such as the U.S. Departments of Agriculture (USDA) and Commerce, stimulate sales of products.

-- The U. S. is a dependable source, with a steady supply of grains at competitive prices.

A GLOBAL FOOD SYSTEM

The U. S. is part of a global food system. When any part of the system is hit, as with drought in one country, the impact is felt throughout the world. Many countries around the world come to the United States to buy enough grain to fill out their needs, when their own production is down. This year the U.S. is holding approximately 44 percent of world grain stocks.

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The U. S. is one of the few countries presently able to sell wheat for delivery between now and the end of the calendar year.

The PRC, which had a 1977 wheat crop damaged by drought, needs to purchase about nine million tons of grain--an unprecedented amount--and is buying more than a million tons of it from the United States.

Russia is buying more because its grain crops were down about 25 million tons last year. Brazil is buying corn because drought ruined much of its own production, which also sends many of Brazil's customers to the United States. Brazil's soybean production is down also for the first time in a decade. Brazil normally provides 15-20 percent of world soybean production and 25-30 percent of world trade.

Two other major suppliers, Australia and Argentina, have had poor crops. Australia even negotiated with the PRC to delay wheat shipments already contracted for with China.

Although the grain may have been purchased months before, American exporters face their peak export movement in late winter and early spring. The Russians, for instance, like to receive their wheat early in the year, before they begin their own harvests.

THE FLOW OF GRAIN

As grain moves from one country to another around the world, so it flows from American farm fields to storage and to port loading facilities, such as those at the Great Lakes and ports on the east, west and Gulf coasts, for shipment overseas.

It starts in May with the harvests of winter wheat, when farmers begin collection of the thousands of tiny kernels that make up single bushels of wheat. From combine harvesters costing as much as \$50,000, the grain is augured into trucks brought to the fields, then stored in grain bins at the farm or until moved to country elevators.

The USDA's storage facility loan program helps farmers build storage bins on their farms and hold out for a better price by keeping grain for months, or years if necessary, before they move it to country elevators.

The collection swells at each point. All grain begins its movement to market by truck, or at least by tractor-drawn wagons, to the nearest country elevator, where the products of nearby farms are gathered in quantities large enough--hundreds of thousands of bushels--for sale and shipment overseas or to a buyer for domestic use.

The farmer can then sell it outright, or rent storage space and wait for a better price. Grain producers can get USDA help with storage payments by joining the farmer-owned grain reserve program, organized by USDA to help get better prices.

One can begin to imagine the vastness of the grain industry in this country by seeing even a small piece of the picture, for instance a train of 100 or more cars, each holding 3,400 bushels of wheat--the product of 100 acres of farmland--moving away from the elevators of a small midwestern town.

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ENTER THE RAIL CRUNCH

The nation's railroads entered the year with approximately 159,700 covered hoppers. Grain companies, which started buying cars about 10 years ago, own another 73,100. The total of 232,800 is about 4,000 more than existed the previous January.

The familiar wooden, 40-foot, narrow-door boxcar typically lasts 30 years. The rail industry has been retiring many of these less efficient, worn-out cars (28,633 or 26 percent of its stock between January, 1977, and May, 1978) replacing them with 50-foot "jumbo" covered hopper cars.

Some transportation people see the shortage lasting right through January, 1979, and are fearful the problem will recur next year, as it has in the past.

TO MARKET, TO MARKET?

Farmers held onto much of their grain for the past two years because of falling prices. They began selling when the price started rising this year, partly due to USDA's establishment of farmer-owned grain reserves to keep some of the grain off the market and partly due to rising exports.

During the winter wheat harvest last year, the country actually had a surplus of railcars. The surplus disappeared as grain prices finished their decline and began to pick up. The railcar shortage developed in units of 5,000 to 10,000 or more covered hoppers a month, starting in February 1978, as corn and wheat prices rose above the previous year's levels. In April, shippers were short 37,000 covered hoppers daily. On June 24, the shortage was over 23,800 hoppers--compared to a surplus of 705 cars a year earlier.

Many grain dealers who buy from farmers at the local level are already losing 10 cents a bushel because of lack of railcars to haul their grain to market. This loss could soon end up in the farmer's lap.

It works like this. Local dealers buy from nearby farmers, usually using credit, complete with interest charges. They buy at a price based on what they think they can sell for later.

They sell the grain to larger dealers, possibly for export but also domestic use. When they can't get railcars to ship to their buyers, they don't get paid for the grain and have to continue their loan. The interest charges on their debt eat into their profits. In addition they might have to pay late delivery charges or try to buy back the contract, sometimes at a higher price of the current market.

The farmer will get hurt if he has grain to on his farm to sell but for which the elevators won't pay what they normally would because of (1) transportation difficulties, and (2) interest the elevator operator is paying on a line of credit for grain he has already bought from farmers. The loss to the elevator operator is passed to the farmer.

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SECRETARY BERGLAND OFFERS USDA RESOURCES

The cotton industry faces similar problems. The 40-foot narrow door boxcars the railroads have been scrapping as worn out are the very ones the cotton industry needs. Secretary Bergland in April said cotton shippers had a two-month delay in receiving boxcars. At the time, the nation's railroads were unable to fill orders for 6,000 plain boxcars and more than 33,000 covered hoppers.

The Interstate Commerce Commission (ICC) is responsible for issuing service orders, requiring railroads to make cars available for higher priority needs. On April 28, Secretary Bergland ordered all USDA resources made available to ICC to help it in its decision making.

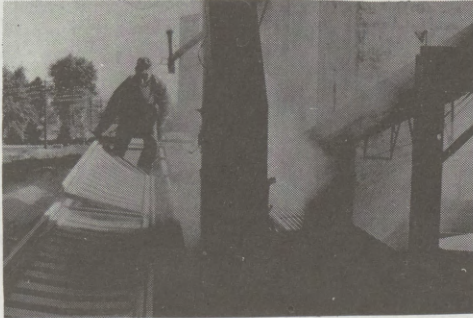
WORST IN HISTORY

Citing the shortages as "the worst in history," Bergland ordered specific analysis of export sales reports, crop reports and estimated commercial fertilizer use to help determine future needs for railroad cars.

The agriculture secretary also set up a "hot line" (202/447-6794) so shippers, trade associations and grain elevator operators can alert USDA to serious railcar shortages. Information from the hot line (73 calls the first week) is passed quickly to ICC, which uses it in making its recommendations to railroad car companies regarding where to place their cars.

The railcar shortage is plaguing the nation right now, but USDA officials keeping an eye on the problem feel the country can move the grain overseas--if no big breakdowns occur in the pipeline--and achieve its record export opportunity.

Advance for Release at 6:30 a.m. EDT Monday, July 17, 1978



Editors: A copy of this photo is available free to news media from Photography Div., OCPA, rm-536-A, USDA, Washington, D.C. 20250, or phone (202) 447-6633. Ask for 1073K1581-33.

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USDA 1932-78

Mr. NOLAN. Thank you for your testimony and for the specific amendments you have proposed for improvement, in particular the special concern you have expressed in your written statement with regard to the branch lines. Note is taken of it.

You said that this is the first time you have testified here before the House?

Mr. WHEELER. Just before this particular subcommittee.

Mr. NOLAN. We will welcome you back in the future.

I am sure you know, but perhaps others do not, that the transcript of these hearings is read very carefully by most of the members of the committee and their staffs. There is a mailing list of policy and decisionmakers as well as policy and decision analysts also to whom the printed hearings are mailed. They, too, carefully go through the transcripts of these hearings and oftentimes submit additional information for us to consider.

Mr. WHEELER. I am not unfamiliar with that process, having done the same thing myself.

Mr. NOLAN. So the scope of these hearings is sometimes more far-reaching than the attendance we have this afternoon would indicate.

Mr. Harkin, do you have any questions?

Mr. HARKIN. I would just like to thank Mr. Wheeler for his very good testimony.

Your exasperation with the people at DOT is understandable. It seems that when you write them letters or call them, they act like they just wish the problem would go away. They are hoping for an early frost or something, it seems, in order to kill off all those crops so that they do not have to face the problem, rather than really doing any planning and getting this whole thing computerized, finding out where the cars go, where they are located, and so on.

They should set forth a good plan of what they are going to do with this huge surplus crop. But I see nothing coming from them.

Mr. WHEELER. This is the frustrating thing, Mr. Harkin.

All of us recognize that the Government policy from here in perpetuity is going to enhance the export capabilities of the country.

The Congress is used to red-hot phone calls because the Elevator Rhubarb Center, Iowa, cannot get a hopper car. But, let us put the shoe on the other foot. When a ship is standing off awaiting the arrival of a cargo, the demurrage on those ships runs from \$10,000 to \$20,000 a day. We have had vessels awaiting loading for fertilizer that have been in line for 21 days.

So, when USDA is complaining about the cost running to \$1.5 million for this study, the farmers in your State of Iowa have lost far more than that because of the elevators' inability to deliver the grain on time. There is no force majeure clause in those things. If they agree to deliver that grain at the terminal on a given day, as Congressman Nolan full well heard about 10 days ago, they really take a shelling on it with the penalties they pay, as we do.

Senator Long had a series of hearings last week on this whole thing. A number of witnesses, including myself, suggested reverse demurrage, for example. If the carriers do not pick up the cars—empty cars—on time, if they do not deliver them on time, this should be considered.

As I told Senator Long, my presidential candidate in 1978 was Genghis Khan because I really wanted somebody off to the right.

But I now think that we seriously ought to consider the Government establishing an emergency hopper car pool or very fast tax writeoff being given to the carriers and the shippers to buy additional cars.

Our industry right now has about 18,000 covered hopper cars, either under ownership or leasing, and we have about 5,000 30,000-gallon tankers for anhydrous ammonia, with which you are both familiar.

But, we are not growing either because the railroads are detaining these cars for so long, the turnaround time is so bad that neither the elevator owners or ourselves want to acquire any more equipment.

So, as I said to Senator Long, and I hope the 96th Congress considers this, the patient needs a fairly stiff dose of a cathartic, either in the form of tax relief or a Government pool. Anything will beat what we are doing now—anything.

That is why I said to the chairman, H.R. 12917 does not solve the problem, but we have at least lit one candle.

But, enough said. Thank you.

Mr. NOLAN. Thank you very much.

You might be interested to know that some of the members, in their frustration, are considering a grain slurry proposal. [Laughter.]

Mr. WHEELER. The water interests would be against it.

Mr. NOLAN. That concludes our testimony.

I want to thank all the witnesses for attending.

The subcommittee now stands adjourned.

[Whereupon, at 3:40 p.m., the hearing was adjourned.]