

U. S. DEPARTMENT OF TRANSPORTATION
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STATEMENT OF SECRETARY JOHN A. VOLPE BEFORE THE SENATE COMMERCE
COMMITTEE ON S. 3843, THE EMERGENCY TRANSPORTATION FACILITIES
RESTORATION ACT, AUGUST 2, 1972.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today to discuss S. 3843, a bill providing for Federal financial assistance to certain railroads for the restoration of essential railroad facilities or services which were damaged as a result of Tropical Storm Agnes and the flood in the Rapid City area.

Tropical Storm Agnes caused massive and unprecedented damage over a wide area of the eastern part of the country destroying indiscriminately homes, businesses, and communications, as well as taking a tragic toll in human life. Earlier in June, floods rampaged through parts of South Dakota also leaving behind a trail of death and destruction.

Among those hard hit by these disasters in June were the railroads, particularly those with lines and facilities in Pennsylvania and New York State. High waters put out of service extensive portions of the region's railroad routes.

At first many lines were completely submerged. Then, as the waters subsided, ballast and fill beneath the tracks were washed away. Also a number of key bridges were damaged or destroyed, and extensive damage

was done to rolling stock, communications systems, terminals, and other facilities. The Penn Central alone has estimated that the cost of restoring their essential services will be approximately \$20 million. The estimated cost of restoring all such services by railroads damaged by the natural disasters in June is between \$35 million and \$40 million.

Of course, the problem caused by these floods is more than one of physically restoring damaged equipment or facilities. The loss of these facilities poses a serious threat both to the economic welfare of the railroads themselves and to the communities they serve. While service has been restored in some areas, many facilities are available only for limited use and, in some cases, it has been necessary to resort to alternate routings which have resulted in long delays and added expense. For example, a bridge was washed out on Penn Central's main line south of Harrisburg which will cost about \$5 million to replace. The loss of the bridge has restricted the use of one of the classification yards at Harrisburg and required the rerouting of freight trains through Harrisburg proper at substantial additional cost and with greatly reduced efficiency and serious degradation of that city's overall environment.

We have not been able to calculate the total financial loss resulting from Tropical Storm Agnes. Aside from the losses to capital equipment which must be urgently restored, the railroads are reeling from losses in revenues due to the shutdown of other industries effected by the storm and the diversion of traffic to other modes.

In turn, restrictions on railroad service due to flood damage are having an adverse effect on communities and industries which rely heavily on rail transportation. There is no question that the loss of vital rail services due to the floods is having a profound economic impact on the eastern region of the nation where the economy is highly dependent on rail transportation.

Many of the railroads hit by flood damage are not in a position to borrow through normal channels in order to finance major rebuilding projects. Therefore, in view of the size of the rebuilding job before them, and the importance to the economy of their services, we believe it is both necessary and appropriate for the Government to respond to the situation with an offer of financial aid. On July 17, the President sent a message to Congress urging the enactment of two important bills aimed at providing relief and aiding in the recovery from the recent floods. That legislation (S. 3795 and S. 3796, which Congress passed in a revised form as H. R. 15950) can be used to help homeowners, farmers, and businesses both large and small victimized by the floods, and to help the States to repair and reconstruct Federal aid highways which suffered widespread damage. However, further legislation is required to meet the special needs of certain railroads, and I urge that the Committee act favorably upon S. 3843 as soon as possible.

The bill contains several important features tailored to meet these special needs. First, existing disaster relief statutes and the amendments contained in the bill referred to in the President's message (S. 3795) are not suitable for certain railroads because of their financial condition. S. 3843 attacks this problem by establishing a special loan program for these railroads and gearing the terms and conditions of the loans to meet special problems associated with their poor financial health.

The only railroads that would be eligible for aid under the bill are those which are in bankruptcy or which have reported to the Interstate Commerce Commission a deficit net income for either of the last two calendar years. It appears that railroads not falling into one of those two categories either can obtain resources from normal channels to restore their damaged facilities, or can obtain the funds they will need under the disaster relief program administered by the Small Business Administration. Because of the obvious difficulty bankrupt railroads would have in meeting the requirements for the repayment of such loans and in overcoming the legal objections of prior creditors of these railroads, however, there is a need for the special provisions in S. 3843 which permit deferral of the payment of principal and interest and the subordination of the interest of the United States, as appropriate, in relation to the claims of other creditors of a railroad.

It is important to note, however, that the major aim of the bill is to assure the continuation of rail transportation essential to the public. If the assistance provided by the bill is not made available, the consequences would be felt by the community at large as well as those immediately involved in railroad operations. Hopefully, Congress will see fit to provide the special assistance prepared by the President for individuals and businesses victimized by these unprecedented disasters so that they can have the wherewithal to begin the job of reconstructing their lives and their enterprises. In that same spirit, I would hope Congress will see the need to meet the special needs of the railroads who by an accident of geography were hardest hit by these storms.

In conclusion, Mr. Chairman, we strongly recommend the enactment of S. 3843. The problem it addresses is immediate, and the solution it proposes is both necessary and equitable.

Mr. Chairman, this concludes my prepared statement. Now I will be happy to answer any questions the Committee may have.

