

STATEMENT OF JOHN W. INGRAM, FEDERAL RAILROAD ADMINISTRATOR
BEFORE THE SUBCOMMITTEE ON DEPARTMENT OPERATIONS OF
THE HOUSE AGRICULTURE COMMITTEE - October 9, 1973

I am pleased to have this opportunity to discuss the outlook for rail car supply in the transportation of fertilizer. By all indications the 1973-74 crop year is going to require the movement of substantial quantities of phosphate and other materials to meet expected farm application needs in February and March of 1974. The Department shares the concern of this Committee that the combined effect of the decline in producer stocks and the continued high export and domestic demand for fertilizer materials will place great pressures upon all transportation modes to quickly meet the needs of the Nation's farmers. We believe, however, that there are a number of factors and circumstances we must clearly understand before any reasoned judgment of transportation adequacy can be arrived at. These factors were discussed at some length in my testimony before the special Subcommittee on Investigations of the House Committee on Interstate and Foreign Commerce on April 21, 1972, and I would like to submit a copy of that testimony for the record.

It is well known that the car service and terminal congestion problem accompanying the unprecedented grain movements created shortages of cars in the movement of most agricultural and forest products. What has not been discussed, however, is

the tremendous performance of the railroad industry - in spite of car shortages and problems at the ports handling such volumes. The industry sharply increased the level of its performance in the first six months of this year, when 819,000 carloads of grain were moved, a 40% increase over the first six months of 1972. In addition, the industry has accepted delivery of 7,004 new covered hopper cars as of August, 1973. At this time the car building industry is working at capacity to increase the supply of cars. I would also point out that this traffic was handled at a time when lumber and fertilizer car demand was also at its peak. Clearly, this performance is deserving of the highest praise and is one that the railroad industry can be proud of. Nevertheless, car service problems certainly existed then, and we expect some shortage, but to a lesser extent, this fall and spring. The fact that a shortage of freight cars for loading has developed, however, does not mean that the sole cause is an inadequate number of cars. I should like to emphasize strongly that car utilization, whether in terms of loaded trips per year or annual ton miles per car, is as important as fleet size, and in terms of today's problems, is probably more important.

To us, increased utilization of equipment is the key not only to meeting legitimate needs of the shippers, but also the best assurance the industry will remain viable and meet long term requirements. I do not believe that the Nation's shippers, given today's car utilization, would want to assume the costly burden of increasing the car fleet to a size where no

possibility of shortage would exist, as they most certainly would pay for that increase in higher rates. The prospect of large numbers of cars sitting idle waiting for peak demand periods is certainly as distressing to the shipping public as it would be to the railroads passing on the cost of the investment. Clearly, the answer lies in recognizing that improvements in car utilization require concerted joint efforts of the users and suppliers of rail service and that simply building more cars, while a good part of the answer, is not enough.

Thus, while the immediate concern of this Committee is of course fertilizer car supply, my comments are purposely directed toward the interrelationships of car demand and supply by all sectors of the economy. For we cannot consider each commodity and sector in a vacuum; individual commodity demands rise and fall throughout the year and as we observed earlier this year, when several needs appear simultaneously, car shortages are inevitable. Therefore, the Department's approach to car shortage, consistent with our responsibilities, has been to assist the carriers and concerned shippers in identifying problem areas and recommending short and long term measures designed to improve car use. Let me briefly describe some of these efforts.

Earlier this year, the Department established a full time task force to deal with the widespread shortage and congestion problems associated with export and domestic grain movements.

Its primary objective was to assist the carriers in identifying trouble spots at the ports and at inland terminals and to recommend short term actions to maximize specific car utilization and supply. Field personnel were quickly dispatched to principal trouble spots and then recommendations were analyzed and relayed to local carrier and shipper officials, as well as USDA, the ICC, and the Association of American Railroads. In addition, meetings with shippers and carriers were held to iron out local difficulties and obtain a better understanding of upcoming demands in the short term. Task force staff have also cooperated extensively with USDA and ICC officials in gaining better equipment use and coordinating potential large scale movements. I believe that these actions, together with responsive and timely coordination activities of the USDA and the Commission, served to help the carriers do the best possible job under the circumstances. Perhaps the most important insight gained from our movement assistance activities this year is the general need for more specific planning and cooperation between shippers and carriers. The importance of short and mid-term planning for large scale movements cannot be over-emphasized. The railroad industry, like any transport mode, can only respond to shipper needs when they are made known. In times of enhanced demand for nearly all rail services, especially the demands of agriculture generally, no slack or margin for error exists.

Accordingly, I believe that the most effective solution to potential fertilizer car shortage in the short run is to take steps to smooth the peak demand for rail service typically occurring from February through April. I understand that the fertilizer industry and the carriers are beginning to take steps in this direction by encouraging the early movement of materials to consuming areas, in advance of spring planting. Efforts of this type would tend to alleviate peak demands for boxcars and make maximum use of year round hopper and tank car movements for the bulk of this traffic. Once the industry appraises its needs for tank cars - which are entirely under the control of the shippers - the tank car owners can be asked to fill the demand.

I also urge that the fertilizer industry - producers and consumers alike - assess their probable volume and shipment timing needs in the upcoming year and present their anticipations in a usable form to the carriers and the ICC. For our part, we will continue to assist the carriers and others in marshalling the necessary resources and in pinpointing any troublespots that may arise. In this manner, I believe that increased car utilization can be quickly obtained and the basis for preventive action by all parties will be established - to the benefit of the carriers as well as the shippers they serve.

I thank you, Mr. Chairman, this concludes my prepared remarks. I sincerely appreciate being given the opportunity to testify on these matters, and I would be pleased to answer any questions you may have.