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OF THE JOINT ECONOMIC COMMITTEE
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Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to discuss the role of railroad transportation in the continuing development of the agricultural economy.

Railroads and agriculture have been interdependent for more than a century. In recent years, we have seen repeated instances which demonstrate that the fortunes of railroads and agriculture are integrally tied. Large agricultural export movements and limitations on port capacity have caused railroad backups and delays with adverse effects throughout the producing areas of the Midwest. The car shortages of the last decade strained both the railroads and agri-business. More recently, car surpluses have placed a financial burden on the railroads and the agricultural shippers who own or lease railcars. The growth of unit train operations and the development of sub-terminals have generated productivity improvements and cost efficiencies which have benefited both railroads and the agricultural community. In contrast, the

cessation of service on the Rock Island caused a major agricultural transportation crisis, which was alleviated only by the Federal government's action in directing the Kansas City Terminal Railway to continue the Rock Island's essential services. The collapse of the Rock Island continues to generate major problems. In short, transportation problems are agriculture problems, and vice versa.

Today, this Subcommittee will explore means to assure that transportation bottlenecks do not inhibit America's competitive abilities and that our national agricultural transportation system operates efficiently. I should like to concentrate my comments on the railroad mode, recognizing that the total system is a multi-modal one. I believe that railroads will serve the needs of agriculture best under the philosophy enacted by the Congress last year in the Staggers Act. That historic legislation directed that railroads operate as business enterprises, free to make those decisions necessary to continue in business. A business enterprise operating competitively in the free market will address and resolve the bottleneck and efficiency issues which concern this Subcommittee.

The ability to compete equally in a free market environment--a new operating mode for America's railroads--is

critically necessary for the survival of the railroad transportation system on which the continued prosperity of America's agri-business depends. Due in large measure to oppressive over-regulation and uneven government treatment of transportation modes, we have had to pay for an entire railroad system in the Northeast. We have abruptly lost a major grain-hauling railroad, and thousands of miles of another railroad serving the agricultural needs of the country have been abandoned.

I see railroads and agriculture as partners, not as competing interests. I believe that the provisions of the Staggers Act are essential to the survival of the rail system. Those same provisions recognize the unique nature of agriculture's transportation needs and the intense competitive marketing system in which agri-businesses operate. Contracts for agricultural commodities are the only contracts which can be challenged on the basis of discrimination. Agricultural shippers who suffer discriminatory treatment have statutory protection assuring them equitable relief.

The contract provisions of the Staggers Act are the key to resolving many of the concerns facing agricultural shippers today. Contracts can give agricultural shippers the assurance of future rate and service level predictability, which is

essential in a business which makes commercial contracts for future deliveries. With contracts, shippers can also be assured that investments in loading facilities will not go unused. Contracts can also permit railroads to make investments in fixed facilities and equipment with certainty that future traffic levels will be sufficient to pay for those capital expenditures.

The government's role in agricultural transportation should concentrate on policy and on responses to emergency situations. I have outlined our policy that railroad transportation be conducted in a free market environment. In addition, there have been, and will continue to be, situations which so threaten the public well-being that they require temporary intervention by the Federal government. An example of this is the Milwaukee Road's Miles City Line. That line, which the Milwaukee's reorganization process cannot continue to support, is essential to the movement of grain from South Dakota and is the only way coal can reach a major rural power plant, which provides electricity to over 600,000 customers in four states. Because the line needs substantial rehabilitation, the private sector cannot justify the investment necessary to continue operating the line. The Federal government has made a commitment to rehabilitating the line because the service it provides is essential. The Federal

assistance, however, is only of an interim nature; Federal financial assistance of this type can be expected to decrease in the future. We will assure that the line is rehabilitated but it is up to the states and shippers involved to develop a financially sound method of continuing the line in operation.

Port area congestion can have a negative impact on the quality of rail transportation from the port all the way back to the producing areas. The importance of a smooth flow of agricultural exports resulted in a temporary Federal participation in the Port of Houston. Together with the railroads and Congressional representatives, such as the Vice-Chairman of this Committee, Senator Jepsen, we have improved the railroad operations in Houston and that improvement has reached back to the upper midwest with improved transit times and quicker car turn-arounds.

The most important recent Federal participation in agricultural rail transportation was, of course, the Federally-funded directed service over the Rock Island. Just a few weeks before a record harvest, the Rock Island, a major grain-hauling railroad, was unable to continue operations. The shutdown threatened devastating effects on agriculture. Using its emergency authority, the government funded operation of the Rock Island properties. Again, the Federal participation was

limited, in this case to a 5 1/2 month period. During that time, the immediate agricultural crisis was averted and the private sector had time to adjust and move to a more permanent solution. Private railroads have been operating most of the Rock Island lines for 1 1/2 years, without Federal subsidies.

These emergency situations are good examples of the interdependence of railroads and agriculture. We must learn something from the crises of the last decade. If the railroad system is to continue to serve agriculture, it must be allowed to operate as a business enterprise. We cannot require railroads to perform uneconomic services and then express surprise and dismay when they declare bankruptcy. We must recognize railroads for what they are--business enterprises. They should be free to operate as business enterprises within the confines of the Staggers Act. I can assure you that in such an environment, the railroads of this country cannot and will not turn their backs on the needs of the nation's agricultural community.