



DEPARTMENT OF TRANSPORTATION

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NEWS

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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
JOHN A. VOLPE AT THE MID-AMERICA GRAIN MARKETING AND TRANSPORTATION
CONFERENCE AT PERSHING MUNICIPAL AUDITORIUM, LINCOLN,
NEBRASKA, WEDNESDAY, JUNE 3, 1970, 12:00

Gentlemen, it is a great pleasure to be here. We had good weather all the way and I enjoyed looking down at this golden heartland of plenty and productivity.

Exciting -- and sometimes depressing -- news often comes from the great linear cities along the coasts.

The foundation of our national strength has always been agriculture. Surely there is no greater success story in the world than the progressive, innovating history of American farming. It has saved the world from starvation and guaranteed our prosperity during these last 25 years.

But we are a rapidly changing nation and no one is content to dwell much on the triumphs of the past, least of all yourselves. Everywhere you look about you can see or hear the consequences and startling challenges of urbanism, population growth, environmental management, modernizing our transportation network.

Mind you, I didn't say transportation "system", I said "network." Because we do not yet have the "system" that is mandatory. Each of our modes -- barges, rails, highway transport, and the airlines grew up independently of the others and if they were coordinated in any way it was just through luck rather than planning.

In an earlier and less crowded or complicated time such haphazard operations served the nation well enough. Today we know that unless we make drastic changes in the way we plan and organize transportation services, this nation is going to grind to a halt.

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It is obvious to President Nixon that we desperately need to upgrade and integrate all of our transportation modes for both freight and passenger distribution. The first thing the President said to me when he welcomed me into his office in January 1969 was "John, assemble a top panel of experts and work out a master plan for transportation in this country for the next 20 years." Well, I hurried back to my office and we have been hard at work on this plan ever since and we expect it will be ready in another month or two.

But we didn't wait for this plan to be finished before we set out to do what we knew had to be done on an emergency basis to keep the wheels moving. As you know, this Administration's Airport/Airway Development Act passed the Congress by an overwhelming vote, has been signed into law, and goes into effect July 1. The Act will invest some \$15 billion over the next 10 years to modernize and expand existing airfields -- build new airports -- and sharply upgrade our hard-pressed navigation and control system with better hardware and more manpower. This historic legislation will benefit every community in the land.

We are also pushing hard to get our Public Transportation Bill through the House after an overwhelmingly favorable vote of 84 to 4 in the Senate. I expect this Bill to pass, and when it does we are going to invest \$3.1 billion in the next 5 years to provide radically upgraded bus and rapid rail systems for cities large and small throughout the country.

We desperately need this bill, because 258 bus and transit companies have gone out of business in the last 16 years, and most of the remainder provide service of declining quality. Even cities of moderate size, such as Lincoln, cannot fully prosper, cannot offer the full benefits of employment and schooling to their citizens, without preserving and extending public transportation services.

But what is perhaps of prime interest to you is that we are devoting major attention to bills that will greatly improve the overall efficiency of freight transport by rail. As you know, the frequency and severity of derailments of dangerous chemical and explosive cargoes is causing mounting concern as our urban density increases. These derailments have shot up by 100 percent in the last seven years. So we are sponsoring a Railway Safety Act which would give the Department of Transportation power to set standards on tracks and roadbeds, equipment, and employee qualifications in the rail industry. The Bill is clearly in the interests of shippers, the railroads, and the public.

What all of this activity really means is that this Administration recognizes the dynamic and fast-changing character of transportation demand in this country and that we must meet that demand. The flow of commerce constantly cuts new channels of opportunity. Industries rise and fall on the basis of their access to markets. The future prosperity of this country is going to depend on how well each of the modes function.

In this part of the country, of course, the railroads are particularly important to grain producers -- and the converse is also true -- the railroads depend crucially upon the business generated by grain producers. Over three million carloads of grain and grain products are handled by railroads each year. This constitutes more than 10 percent of total rail carloads and generates a similar proportion of rail freight revenues.

Moreover, new rail transportation practices are having significant impacts on the grain and grain products industries. Trainload rates, multiple car rates, the big John covered hoppers, rent-a-train, and other "no frills" methods -- all are modifying the grain marketing system.

These new rail concepts are built on improved service and efficiency which will allow rail transportation to serve you better! But, we cannot overlook one point. Profit under private ownership is necessary.

As Secretary of Transportation I intend to see both needs are met: that you shippers receive the service you should, and that the railroads receive a reasonable profit for the service they provide. Fact is: the two go together or they don't go at all. I hope you will all agree that is a fair and reasonable policy to follow. But it is not always easy to achieve in practice.

Rails, like other businesses must choose between increased rates to provide revenues or increased efficiency in operations to reduce costs if they are to remain viable. Increased rates are always resisted because they hit shippers like yourselves with such an impact. On the other hand, because of their low earning posture, railroads are unable to avail themselves of new technology or forward-looking innovations.

Take the problem of freight car supply. We know that complaints about deficiencies in car service have been expressed repeatedly and with some justified bitterness over the years -- many years -- by shippers and by Congressional leaders. Let me make it clear that the Department of Transportation has no statutory authority to deal with this issue, other than broad policy and research. However, I consider car supply a major national problem. I assure you that I intend to do all in my power to aid the ICC, Congress, and the railroads in providing a car supply adequate to meet the needs of this nation's commerce.

We may not get into every small detail of the problem -- because it is the ICC's province -- but we will do all this Department can to help solve it and, at the same time, fully consider the revenue needs of this vital segment of our transportation network. In fact, I met with Commission Chairman George Stafford just 10 days ago to discuss this very matter. The main cause of the problem, we believe, is poor utilization of the existing car fleet. The average freight car moves loaded only six percent of its time, or 33 miles per day.

From a dollars and cents standpoint, utilization of equipment must improve. Overall in the past ten years, freight car utilization has improved 22 percent to an annual rate of 6,453 ton-miles per ton of capacity. However, over the same decade, the cost of new cars has increased 30 percent, so freight revenue generated per dollar of net car fleet investment has decreased more than 30 percent. Today, each dollar of net car fleet investment generates only \$1.00, down from \$1.50 ten years ago.

A related cause of car shortages is that the railroads have never been able to have sufficient cars available to meet seasonal peak demand from such industries as grain and lumber. The existing rate structure doesn't make this profitable.

Considering the cost of money today and its potential returns both inside and outside the railroad business, it seems to me the underlying solution to the car supply problem must consider ways and means to make more reasonable use of the existing car fleet; or in other words to make car fleet investments profitable alternatives for railroad capital.

The Department has also received considerable complaints about poor utilization of the private line car fleet.

And, in all honesty, isn't the solution the same for you? Use the cars more! Airlines don't run their planes for an average of two hours every day. Automobile plants, oil refineries, chemical plants, and even grocery stores don't operate only 6 percent of each day. At least not profitably.

I have always had great faith in American industry. And I am convinced that if we -- meaning shippers, railroad and government -- can agree that this too needs doing, it too will be done. Let me briefly describe some of the steps the Department of Transportation has and is taking to tackle the car supply problem.

First, we intend to sponsor a conference late this year to develop improvements in freight car supply and utilization. We expect a broad attendance with shippers, railroads, government, consumers, labor, and other interested parties to add to our knowledge of the problem.

Second, the Department of Transportation worked with the Treasury to obtain the five-year fast amortization provision for railroad rolling stock in the 1969 Tax Reform Act as an incentive to increased purchases.

Third, we have underway a contract with Arthur D. Little, Inc. to determine the costs of freight car shortages for the grain, lumber and plywood industries and to develop a method of forecasting freight car needs by region for these industries.

The Department has also supported specific proposals before the ICC which we feel will improve freight car utilization. Probably the best example here is Illinois Central's "Rent-a-Train". It gives substantial incentive to both the railroad and shippers to improve car use. It forces -- in a sense -- the railroads to do what they can do best: provide the country with a low-cost alternative.

We've also explored a number of other ways to help the railroads improve freight car utilization. First: eliminating little used interchange points which delay cars. Second: settling per diem charges on an hourly rate basis instead of once every 24 hours. Third: increasing industry-wide use of computerized freight car control systems to keep track of cars. Fourth: developing, through research and for railroad use, detailed cost accounting systems which consider all car costs on a railroad operating division basis.

Now I want to say a few words about another railroad problem you're all concerned with: rail service that is -- and there's no other way to put it -- simply unreliable.

Based on a 1969 Federal Railroad Administration survey, the rail user has only a 33 percent chance of getting his car from origin to destination on a consistent schedule. In contrast, the truck user has a chance in excess of 95 percent of getting consistent service, with shorter transit time.

Now there are a number of reasons why rail service is unreliable. Part of the reason is, of course, profits. Poor profits often limit the investments necessary to maintain reliable service.

Another cause is the interdependence of the railroad industry. The ability to manage and provide reliable service over the nation's rail system is therefore dependent on the performance provided by many independently managed carriers.

The Department will continue to support mergers which will reduce this number of separate railroads. We believe competition among a limited number of well-balanced rail systems can far better serve the public interest than does the current industry structure.

I can promise you that the Department will do everything in its power to support positive proposals to improve rail service reliability, be they research, cooperative demonstrations, computerized car control systems, or anything else.

As a solution to the annual boxcar crisis slowly and painfully evolves, I want to say a word of tribute to a man who has played a leading role in seeking a solution, and who deserves a major share of the credit for any success which is achieved.

A good many legislators from agricultural states have worked diligently on this problem, but the one who has perhaps contributed the most is Senator Roman Hruska of Nebraska. His perseverance and tenacity, his constant probing and generation of new ideas and approaches, have stimulated the public and private agencies which are wrestling with the problem.

A recent breakthrough due largely to the Senator's persistence was noted a few weeks ago when two carriers announced significant freight rate reductions for grain sorghum. This reduction does not bear directly upon the car supply situation but it does help relieve the congested storage situation and make space available for the next harvest. This rate reduction was worked out in cooperation with the Department of Agriculture at Senator Hruska's urging.

The Senator's efforts to increase the freight car supply have been equally impressive. Three years ago the Congress passed a per diem bill to make it uneconomical for eastern railroads to hold cars belonging to western roads. Senator Hruska was one of the principal sponsors of this bill.

This year Senator Hruska has sponsored a stronger bill, and he and other midwest and far western legislators are working diligently to move the legislation along to enactment.

In the absence of satisfactory legislative action, the Senator applied his powers of suggestion to the Department of Agriculture. Senator Hruska asked Secretary Hardin to initiate a number of studies of the situation by the Rural Affairs Commissions and to work more closely with the ICC and other governmental and private agencies to prevent a crisis in 1970 similar to that of last year.

It is my understanding that studies of these problems are proceeding on a broad front by many agencies, and hopefully they will allow us to avoid the critical situation that befell us last year.

I want to assure you that complex and enduring problems such as the car shortage are not solved quickly nor by dramatic individual action. They require persistent seeking, negotiating, trial and error, but most of all they require assiduous, experienced, and knowledgeable leadership, and this is the important ingredient which Roman Hruska has been supplying for American farm producers.

Together, we can solve the car shortage and service problems.

Thank you for inviting me to be with you. It is through conferences such as this that reasonable men -- working together -- can come up with meaningful progress.

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