

# United States Senate

WASHINGTON, DC 20510

## STATEMENT TO THE GRAIN CAR COUNCIL

February 5, 1998

I strongly believe that frank and open discussions are the most effective way to resolve disagreements between differing parties. That is why I supported the formation of the Grain Car Council to serve as a forum for candid discussions between the railroads and grain shippers. An efficient system to deal with the orderly movement of grain, under a challenging array of conditions, is critical to a strong rural economy. As a result, I am very concerned that the Council has not been better utilized to ensure the smooth delivery of the nation's grain.

I believe one of two things has caused the Council to fall far short of the lofty goals we had envisioned. Either the problems inherent to the cyclical transportation of grain are impossible to solve, or there has not been an open discussion of the problem. I tend to believe the latter is the real problem. Based on the repeated discussions I have had with shippers and railroads, when this problem becomes serious every Fall, it is clear that we have failed to take appropriate action. I understand that this past year was exceptionally problematic and the railroads have assured me that similar delays will not happen again. However, I hope that this year these assurances can be guaranteed through careful planning and cooperation with shippers. If meeting the needs of grain shippers is truly a priority for the railroads, then the Council should be able to work together to find a mutually beneficial solution to the annual harvest time pressure on the rail system. It is not likely that it can be done in a manner that will satisfy everyone's immediate needs but there should be some method to allow both the shippers and the railroads to make better use of the facilities and equipment available for shipping grain.

A group of Nebraska shippers has been working to develop a plan to deal with this annual problem. However, they have found that they lack some of the information needed to help the railroads plan, in advance, for car placement and delivery options. Nevertheless, the group is bringing a number of suggestions to the Council for discussion, and hopefully, action that will move the industry toward more effective and efficient use of the nation's transportation system. Their proposals are based on the situation in Nebraska but I am sure that the Nebraska shipping problems are similar to those in other rural areas. I hope their suggestions will encourage a frank discussion that culminates in an improved system of handling grain.

Nebraska has one of the lowest, if not the lowest unemployment rates in the nation. This is due, in part, to the development of new jobs. These new jobs were primarily created by small business and manufacturing firms, not through expansion of the state's largest businesses. Many of these smaller businesses are located in rural communities. Because transportation costs are a substantial part of the budget of any industry, the availability of rail transportation is crucial to the profitability and survival of these small businesses, including grain handlers, and the communities in which they reside. Defining a process for maintaining and, hopefully, enhancing the shortline railroads that operate these branch lines must be a priority for the nation as a whole. My hope is that the Grain Car Council can reach its full potential in dealing with the annual grain shipping problem and thus provide the template for a forum to deal with the broader issue of maintaining rail service to rural areas of the nation.

This is not an easy issue because of the inherent tension between the railroads, whose main objective is to fulfill a financial responsibility to their employees and stockholders through maximum profitability, and the users of the railroad system, whose main objective is to reduce transportation costs to allow them to do the same thing- maximize profitability. This competition between segments of our economy is responsible for the efficiency of our economic system.

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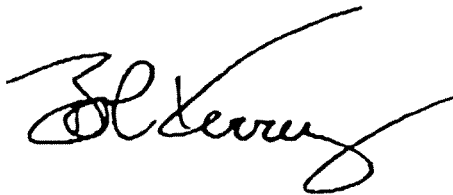
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It is the responsibility of the government, not to guarantee the profitability of any segment of the economy, but to maintain a political and economic climate that allows for competitive activity of the various segments. If one segment becomes so powerful that it can virtually dictate its terms to others, it may be necessary for the government to take action to "level the playing field". When this type of action is contemplated and enacted, the temptation is great to go farther than is really necessary. There is already concern that the de-regulation of railroads was too complete and that there is a danger of losing rail service to many areas because they are not as lucrative as other areas. In Nebraska, many of these areas are served by only one railroad so there is no direct competition.

Couple the above issues to the possibility of increased costs for fossil fuels, which may come as a result of global warming concerns, and the availability of railroad service becomes even more critical. Railroads clearly are more efficient users of energy to move commodities than other forms of transportation. Another factor for local and state governments is the increased cost of maintaining highway systems. As businesses, including agriculture, are denied rail service, they must move to truck transportation and this increases the rate of decline to the highway system.

Because of the forgoing reasons, I urge the Grain Car Council to address the issues related to their field of expertise and set the stage for dealing with the broader issues of general rail service. The nation will benefit if all interested parties work together to address these issues rather than waiting until the problem reaches the halls of Congress.

Thank you for the opportunity to present my thoughts on this issue. An amicable resolution to this problem is vital to the economic well being of our states and the nation as a whole.



J. Robert Kerrey  
United States Senate