

"RAIL TRAFFIC AND ITS INFLUENCE ON THE PRESENT AND
FUTURE OF THE WASHINGTON POTATO INDUSTRY"

FRED H. TOLAN

Unless we can meet and beat the rail transportation problem, potato production in the state of Washington will have to be drastically reduced or potatoes will have to be left to rot in the fields. There just isn't anywhere near enough truck transportation to move Washington potatoes. The trucks can't possibly move Washington potatoes, even if available at a price that meets Washington potato shippers' needs in the long-haul markets, and still leave a profit against local potato competition. In short, we've got to have the railroads and we've got to have them at a price the industry can afford and still stay alive.

This talk will tell you why we have a problem with the railroads on available equipment at a freight rate that is economically feasible. It will also tell you what the Washington Potato Association is doing to meet the problem.

(1) THE CHANGED FINANCIAL CONDITION OF THE RAILROADS.

The railroads are in terrible shape. Eleven are in bankruptcy and eleven more are on the brink of bankruptcy or in a very, very weak condition including our own Milwaukee Railroad. Even though two of the three railroads that serve Washington are in good shape, the Burlington Northern and the Union Pacific, we must go far beyond those railroads to deliver our product. Whether we like it or not, we're married to the terrible financial condition of the eastern railroads and to many of the midwestern railroads that serve our customers. The first point to remember is that the railroads have lost almost "all their fat". Their poor earnings have made it almost impossible for all but a handful of them to sell any stock, and they must finance themselves entirely by equipment trusts to get cars and locomotives and by bank loans or the equivalent. In short, we've got a badly weakened railroad system that cannot and will not continue to give subsidies to shippers who don't pay their way. The railroads are having to price many low-end rates up and are trying to get more money from captive customers such as long-haul potato shippers, for they know as we know - we have to use them.

(2) POTATO CAR SUPPLY IS PROBLEM #1.

Within 5 years, there will be only a handful of bunker-ice refrigerator cars left. There are about 25,000 available now, with an average age over 25 years. None have been built in over 15 years. Ice stations are outmoded, the quality of the bunker-ice car is very poor because of its age, and the cars aren't worth repairing when they are damaged. About 4,000 of the remaining bunker-ice cars a year are scrapped. The railroads want to get out of the ice-house business as well, for the amount of ice used now is constantly diminishing because of greater use of the mechanical car that doesn't need ice. No more ice-bunker cars are built or will be built. Our only alternative is mechanical refrigerator cars or mechanical refrigerated piggyback trailers. Mechanical refrigerator cars cost about \$33,000 each, and due to terrible railroad operations they get a payload only about once a month. A mechanical reefer car built by the Burlington Northern for \$33,000 at Renton, Washington under present conditions can be expected to haul only 12 loads of potatoes a year. The shippers use that car about one-third of its time and the railroads' fouled-up operations take about two-thirds of the year to get the car back for a payload.

The railroad inefficiency on empty car return is monumental. As a result there are barely enough mechanical refrigerator cars to keep the frozen fruit and vegetable shippers supplied, let alone give us the approximate 5,000 cars we need each summer for fresh potatoes and onions. Washington state alone uses 5,000 ice-bunker cars which will have to be replaced with almost that many mechanical cars - and where are they to come from? The Union Pacific has ordered no new mechanical

cars this year. The Burlington Northern has ordered 200, and the Milwaukee only 100. That would meet less than one-quarter of the anticipated need.

Mechanical piggyback trailers aren't being built or ordered by the railroads for they can't make any money on that high-priced piggyback equipment. It has been approximately 3 years since they ordered any new refrigerated piggyback equipment. Poor trailer utilization is the prime reason. There is no real hope for any large number of new mechanical piggyback equipment. Our only hope is in the mechanical car field.

(3) FREIGHT RATES ARE TRYING TO CATCH UP WITH RUNAWAY RAILROAD LABOR COSTS.

Railway labor is running wild. They negotiated a 42% wage increase over 3 years to be offset by reduction in featherbedding and improved productivity. Unfortunately, the wage increase goes in now and the reduced featherbedding is being negotiated slowly and painfully, with only minimal immediate benefits. The net result is runaway labor costs with little offset in added employee productivity. That has precipitated 6 major increases in the last 5 years, which has increased rates over one-third what they were in 1966. There is hope for better labor relations in the future but for the next year or so there is little ground for optimism. We expect another railroad rate increase by June to meet still inflating railway labor costs.

(4) ICING AND REFRIGERATION AND HEATER CAR CHARGES ARE BEING INFLATED.

On fresh potatoes from Washington when we use one of the railroad mechanical cars, the railroads want a 100% increase in present charges. Today, to Chicago, in a mechanical car on fresh potatoes, we pay \$101.90 for the use of the railroad mechanical car in addition to the freight rate on the potatoes of \$1.81 a 100 pounds. The railroads want to raise that \$101.90 for the use of their mechanical car to \$205.00 a car, plus the freight rate on potatoes. On frozen potatoes, they want about a 50% increase over current charges for use of a mechanical car.

In an ice-bunker car to Chicago today, the railroads get \$79.50 for the use of the car and icing, plus the freight rate on the potatoes. They want \$160.00 plus the freight rate. The national average increase would be above \$100.00 a car and that would have to come from Washington potato growers and shippers, for our local competition uses truck from Wisconsin or Maine to key eastern markets and pays no such charges. The fight to hold refrigeration charges in line has been long and hard and expensive, but so far we're winning.

(5) WHAT WASHINGTON POTATO ASSOCIATION IS DOING ABOUT THE ABOVE PROBLEMS.

The Washington Potato Association isn't sitting around "picking their teeth" while the house crumbles about them. We're doing something constructive on all of our major problems:-

(1) Increased rates for use of mechanical refrigerator cars.

When the railroads proposed those huge increases, this Association, with others, strongly protested to the ICC. We got the increase suspended nearly a year ago and held it up. After a 28-day hearing before the ICC and over 10,000 pages of record, the ICC ruled in our favor and denied the increase which would average over \$100.00 a car.

(2) Cancellation of bunker-ice refrigeration services.

The railroads proposed on January 22nd and April 1st of this year to cancel all carrier icing services in bunker-ice cars. The Washington Potato Association almost alone got the January 22nd cancellation of water ice service suspended by the ICC and prohibit it. The second major move on April 1st was strongly protested and the railroads went back into conference and have agreed to review it. The Milwaukee Rail-

road and the Burlington Northern have said they won't cancel icing service but their eastern and southern connections undoubtedly will, and we'll have another big fight on our hands in a few weeks. Unless we can keep water-ice cars available, there is no alternative equipment and Washington potatoes will rot in the fields this year.

(3) Inadequate car supply.

We are the prime sponsors of Senate Bill 1730, the National Freight Car Corporation (now being considered under a new number, Senate Bill 1729), to have the federal government guarantee car building loans up to 3 billion dollars to enable railroads to get money to build needed refrigerator, boxcar, and other equipment. Senator Magnuson indicates a strong feeling that this legislation will pass this spring. The Corporation must start business within 3 months. That means by this time next year we could have massive government money to guarantee car building loans for railroads that can't get the money or cars anywhere else.

(4) Revitalizing railroad management.

We are strongly supporting efforts to revitalize railroad management by giving them more freedom in rate making within certain standards, and at the same time giving them more competition with more trucking and less collusive rate making privileges. In capsule, we're proposing giving the railroads more managerial discretion here as they have already done successfully in Canada.

CONCLUSION

The Washington Potato Association is leading the fight nationally for the simple reason that we need the railroads more than any other region of the nation to market our potatoes and our potato products. The day of expecting the railroads to do it alone from some vast fund of money is all over. We're going to have to work closer with the railroads and we're going to have to take some of the binders off the railroads if we expect them to provide the service we need at the price we need.

The government can't continue to build interstate highways and airports and waterways to compete with the railroads without giving the railroads some help in car building, passenger train deficits, and other things that have brought the railroads to the brink of disaster. The last thing for the railroads that we want is a nationalized railroad system. We must fight for private enterprise that can make a legitimate profit like other businesses. The Washington Potato Association is going to work with the railroads on that broad picture. We will continue to fight ill-advised proposals which would price us out of the market or dry up cars we must have now. We will keep needed cars available at a price that we can live with but it will be a battle all the way. There is no ground for complacency. The Washington Potato Association is anything but complacent.