

The original documents are located in Box C31, folder “Presidential Handwriting, 11/18/1975” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: DICK CHENEY 

Attached is some material that went to the President on the Railroad Car Availability problem for moving grain to ports.

Come up with a proposal for the President to sign off on which would establish some sort of task force, possibly under the auspices of the Economic Policy Board, to make certain we have adequate transportation available to move that grain, both from the farm to the port, as well as overseas.

Attachment

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 13, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Railroad Car Availability

LWS *JAC*

At the November 5 Labor-Management Committee meeting you requested a report on the availability of railroad cars for the delivery of grain to U.S. port cities. The Secretary of Transportation was requested to prepare a report on the current situation in coordination with the Department of Agriculture and the Interstate Commerce Commission.

The Department of Transportation report, which is attached, indicates that they have worked closely with the Department of Agriculture and the Interstate Commerce Commission since early this year to facilitate the flow of export grains to port areas and that the railroad car shortage which exists today is being alleviated. Specifically, the ICC has recently issued two Car Service Orders (No. 1222 and No. 1223) giving priority in rail car distribution to elevators certifying that they have grain stored on the ground, irrespective of cause.

We will continue to monitor this situation closely with the Departments of Transportation and Agriculture.

Attachment



THE PRESIDENT HAS SEEN....
THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 12 1975

MEMORANDUM FOR: Honorable L. William Seidman
Assistant to the President
for Economic Affairs

A handwritten signature in black ink, appearing to be "LWS", is written to the right of the recipient's name.

SUBJECT: Railroad Car Availability

Your memorandum of November 5, 1975, requested our assessment of the current situation with respect to the supply of railroad grain cars for loading to export ports.

I am advised that a shortage of covered hopper cars for loading corn and soybeans at numerous interior locations does exist, coincident with the current harvest of those commodities. In anticipation of such problems, my staff has worked closely with responsible officials of the Department of Agriculture and the Interstate Commerce Commission since early this year, and the measures that they have implemented should facilitate the continuous, heavy flow of export grains to port areas for the balance of the current crop year. We believe that the car shortage which exists today at many interior points is being alleviated.

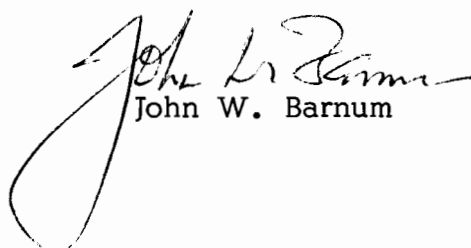
Essentially the problem has developed as a result of the perverse interaction of the peaking of demand and the economic regulatory system. Because railroad rates on grain are the only grain transportation rates that do not fluctuate with the level of demand for transport, the normal "peaking" problem inherent in a seasonal harvest situation exerts a multiplier effect upon railroad grain movement demand.

The reason for this phenomenon is that when total transport demand rises, barges (and trucks) ration the use of their available capacity, in the absence of long term agreements, by raising their rates. At some point, rail service -- not normally utilized in a given situation because of an unfavorable rate ratio with barge/truck -- becomes financially more attractive to shippers. Because of the rapidity with which unregulated barge and truck rates fluctuate, this "crossover" may occur literally overnight. Quite suddenly, shippers who would originally avail themselves of advantageous truck/barge combinations from certain origins start asking for rail service.

Compounding these normally strained operating conditions, the current workings of the grain market have introduced certain other factors. First, the increased use of corn picker-sheller equipment has reduced the time for harvest to a matter of weeks. This flood of grain, normally accommodated for the most part by bin or crib storage on the farm, is moving rapidly to first market because of price. Second, this favorable price situation is unlike the recent record wheat harvest in the spring of this year which did not generate any measurable car shortage because wheat farmers held their wheat in anticipation of future price increases. I might also add that country elevator storage capacity has not grown in proportion to grain harvested.

All of the above factors explain why there is a car shortage at this moment for corn and soybeans. In the six weeks ending on October 25, 1975, the Illinois Central Gulf Railroad has seen grain carloadings rise 49.5 percent over the same period last year. The Rock Island has, despite its acknowledged financial difficulties, experienced a 20.5 percent increase in the same period. Norfolk and Western had a 59.5 percent increase in the same period.

The ICC has recently issued two Car Service Orders in response to this situation. The first, Car Service Order No. 1222, gives priority in rail car distribution to elevators certifying that they have grain stored on the ground, irrespective of cause. The second, Car Service Order No. 1223, limits the number of covered hopper cars in unit train service to a maximum of 20 percent of a railroad's total car ownership of that car type, unless exceptions are approved by the Commission in writing. This latter order is the subject of considerable controversy, and despite its intention to equalize the distribution of such cars between classes of users, it may actually so reduce overall car productivity that it will result in an aggravation of car supply problems affecting both the current situation and future domestic and export movements as well. My staff is working with USDA and the Commission to assess the impact of that Order and will take appropriate action to seek modification or cancellation, if it is shown to be counterproductive.



John W. Barnum

cc: Secretary Earl Butz