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Railroads, Grain Transportation, and the Interstate Commerce Commission

Michael Martin and Reynold Dahl

Introduction

Since the late 1800's, railroads have been subject to federal government regulation. Under the Act to Regulate Commerce of 1887, Congress created the Interstate Commerce Commission (ICC) to oversee railroad ratemaking and operations. While subsequent legislation gave the ICC jurisdiction over barges, pipelines, and motor carriers, it was essentially directed toward railroads.

The decision to regulate railroads came in response to public demand. In 1887 the railroads dominated transportation. Because they had such market power, they were able to pursue a wide range of questionable business practices such as price discrimination, bribery, and kickbacks. Organizations and individuals representing shipper groups and the general public urged Congress to act. The Grange, on behalf of farmers, led this movement.

The intent of the Act of 1887 was to protect the public from unscrupulous railroad operators and insure that reliable, efficient transportation would always be available. The ICC was

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charged with the public interest. Among other things, the ICC was directed to promote "just and reasonable rates" and to prevent "undue preference and prejudice" between persons, places, or types of traffic.

Congress appeared to have taken appropriate action in creating the ICC in 1887, but there appears to be a growing feeling that the ICC, in its present form, is no longer viable in pursuing transportation policy. There are frequent calls for deregulation or regulatory reform, particularly as it applies to railroads.

Those supporting a complete reevaluation of the ICC and its functions present a two-pronged attack. First it is argued significantly that the conditions which once justified government regulation have changed appreciably. For many years, the railroads monopolized transportation power. In more recent years, other modes of transportation have developed and now offer strong competition. In 1940, rail moved 61 percent of all intercity ton-mile freight traffic, truck 10 percent, water 19 percent, and pipeline 10 percent. Today, rail moves about 39 percent, truck 23 percent, water 16 percent, and pipeline 22 percent. All modes have experienced an increase in total volume brought about by a vast increase in the demand for freight transportation services.

The railroads' declining share of passenger traffic is even more dramatic. In 1940, railroads accounted for nearly 75 percent of all intercity commercial passenger miles. By 1975, this had

dropped to 2.2 percent.¹ This decline in the railroads' share of transportation business has given rise to the severe economic problems facing U.S. rail carriers.

Proponents of deregulation recognize that regulation was imposed in 1887 to protect the public from the railroads' monopoly power. They argue, however, that decline of this power has removed the necessity for such protective regulation.

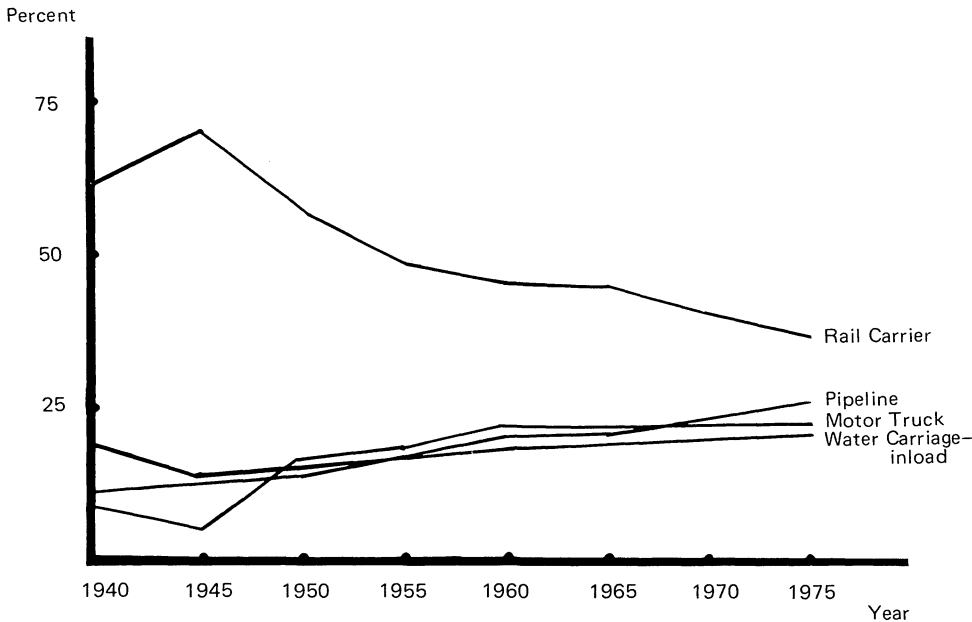
Second, there is a group within the transportation community which supports the concept of regulation but finds fault with existing regulatory procedures. It contends that the ICC has become cumbersome and bureaucratic, hence ineffective. As a result, it suggests the cost of regulation has increased sizably while the benefits have declined. Many representatives of both shippers and carriers hold this view.

Little analysis of the costs and benefits of regulation has been done. A project is currently underway at the University of Minnesota aimed at contributing to this type of analysis.

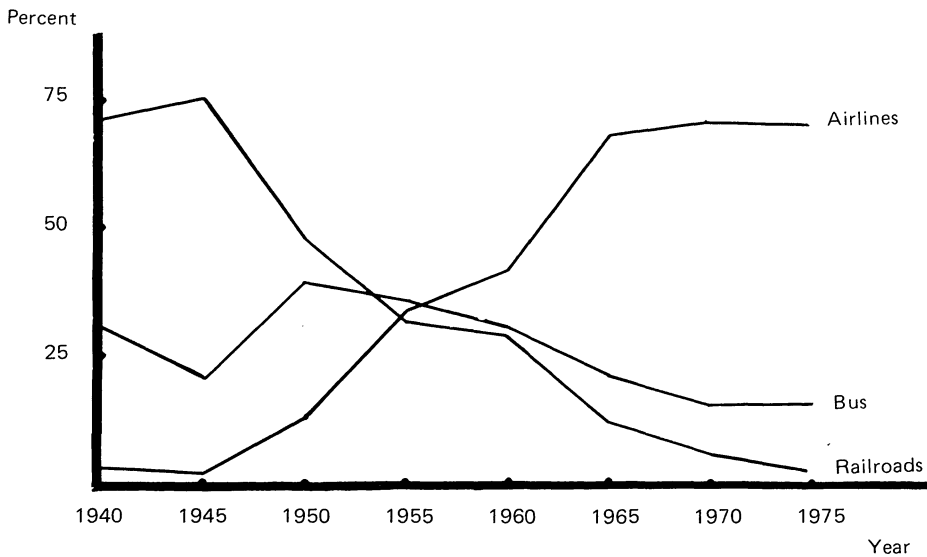
This article examines some of the relationships between the current financial dilemma in railroading and regulatory policy and then evaluates recent changes and proposals made for regulatory reform, particularly affecting grain shipping. Interviews with a number of major regional grain shippers and car-

¹Summary of National Transportation Statistics, United States Department of Transportation, Washington, D.C., 1975.

Percent Distribution of Intercity Ton-Mile Freight Traffic by Mode, 1940-1975



Percent Distribution of Intercity Commercial Passenger Traffic by Mode, 1940-1975



riers were conducted and their responses are reported.

The Problems of U.S. Railroads

Controversy surrounding railroad regulation has grown with concern over the financial condition of the U.S. railway system itself. Many of the

nation's leading rail carriers have fallen on hard times. Collapse of the Penn Central most graphically exposed the financial dilemma confronting railroads. While there are a number of successful, healthy lines, there are also a number remaining in shaky financial condition.

Overall, the economic performance

of the railroad industry has lagged behind other major U.S. industries. In 1974, the rate of return to net worth for railroads, as a group, was 4.3 percent. This compares with a rate of return of 6.4 percent for the transportation sector as a whole and 12.7 percent for all industries, manufacturing and financial. In 1975, the railroads' return was .8 percent, while all transportation earned 2.3 percent and all industries experienced an 11.1 percent rate of return.

This poor 1975 performance in a large part reflects the huge losses suffered by the Penn Central and a few other bankrupt Northeastern lines. Still, the problem is not confined to the Northeast; The Rock Island Line which serves the Midwest is currently undergoing financial reorganization under bankrupt status. Relatively low rates of return are the rule rather than the exception in railroading. Between 1966 and 1972, the rates of return were consistently below 3 percent. In 1973, it was 3.08 percent.²

No simple explanations are available to explain the crisis in U.S. railroading. A number of factors have contributed to the current situation: rate structure among them.

The Antiquated Railroad Rate Structure

The rate structure is as old as the railroads themselves. The foundation of the rail rate structure was set under the "value of service" pricing concept. In "value of service" pricing, rates were set at "what the market will bear" levels.

High-priced freight was carried under higher rates than low-priced freight. Traffic over routes where railroads monopolized moved under relatively high rates.

Costs of service considerations were secondary, at best, in the development of the rail rate structure. Because they faced little effective competition at the turn of the century, demand factors were the primary criteria for rate setting. But competitive conditions have changed over the last 75 years. Motor trucks have become highly competitive; water carriers on both the inland rivers and the Great Lakes now vie for freight traffic. These changes in the competitive conditions facing railroads

²Monthly Economic Letter, CitiBank, New York, New York, April 1976.

have not been accompanied by rail rate structure changes.

Continuing to operate under a "value of service" pricing system, railroads have found themselves uncompetitive on traffic which carries high rates relative to the actual cost of providing the transportation service. At the same time, railroads have found that the rates they charge on certain low-valued freight may not cover costs. As a result, much of railroads' most profitable business has shifted to other modes, particularly trucks. Railroads have been left with the traffic where rates are low relative to costs.

Faced with rising equipment and labor costs and declining returns, many railroads have chosen to defer expenditures on maintenance of the physical plant, i.e. roadbed, terminals, and yards. As these facilities have aged, the reliability and efficiency of the service has declined. Thus, traffic continues to shift to other more reliable modes. On some lines, this cycle has continued to the present. Lines with foresighted management have been able to reverse or at least slow this trend.

While the rate structure was originally created by the rail carriers themselves, regulatory procedures and policies have effectively frozen that structure in place. Railroads have been unable, and often unwilling, to respond to changing market conditions with new rate setting methods. (The rigidity built into the regulated rate structure has clearly contributed to some extent to the financial dilemma of U.S. railroads, but other regulatory problems also have had an impact.)

Branchline Abandonment

An issue of great concern, particularly in rural areas, is branchline abandonment. Because trucks can more effectively move freight over short distances, many short-haul rail branchlines have lost their economic viability. A recent study at Iowa State University examined the benefits and costs of operation over 71 Iowa branchlines and found that only 13 have a benefit to cost ratio of over 1.00 while 56 have ratios of less than .25. Even though costs of operating over these low ratio lines greatly exceed revenues, service must be maintained until ICC permission to abandon is granted.

Percent return on net worth for transportation modes and other selected industries in 1975 (from *Monthly Economic Letter CitiBank, April 1976*)

Industry	Percent Return
Transportation — e	2.3
Railroads (Class I) — e	0.8
Air transport — e	0.3
Motor trucks (common carrier) — e	13.5
Manufacturing	12.3
Mining	17.6
Public utilities — e	10.8
Services	14.3
Finance	6.9
Retail and wholesale trade	12.0
<u>All industries</u>	<u>11.1</u>

e = estimated

The process of approving abandonment applications is slow and imprecise: cases may drag on for months or years. While the ICC hearing and decision process plods along, these branchlines are net loss operations for the railroad involved.

Certainly not all branchlines should be abandoned. Some generate sufficient traffic to justify continued operations. In some instances improved roadbed and service would stimulate new traffic and likely return them to profitability. But where current branchline use is low and the prospects for future improved use is poor, forcing the railroads to operate these lines only weakens the overall system. The majority of railroad abandonment requests eventually receive ICC approval: the basic problem is delay.

Truck and Barge Agricultural Rates Unregulated

Beyond the problems associated with direct regulation of railroads are problems created by the unequal regulation of competing modes. The ICC regulates rates and operations of all railroad traffic. However, trucks and barges may carry certain commodities exempt from ICC regulation. This exemption from regulation applies specifically to agricultural traffic.

Trucks hauling raw or partially processed agricultural output over interstate routes are free from any ICC regulation. As a result, they can respond quickly to changing market conditions. When demand for transportation services is high, rates will rise, increasing carrier revenue. When demand is low,

rates will fall. To be efficient and profitable, railroads need consistent traffic for maximum use of high investment equipment. The competitive flexibility allowed trucks in pursuing agricultural traffic often prevents railroads from gaining and holding long-term business.

Barge traffic in bulk commodities such as grain is also exempt from regulation. Bulk commodities make up over 90 percent of total barge freight. The bulk commodity exemption gives the barges a strong position on movements where they compete directly with railroads. In agricultural freight, the ability to lower rates to avoid empty backhauls gives barges a sizable advantage in maximum use of equipment. For example, up-river movements of coal, petroleum, and fertilizer to Minneapolis are the primary barge shipments in the spring. To avoid sending barges south empty, grain traffic rates are lowered. This draws business from the railroads which are unable to lower rates. When demand increases for southbound transportation in the fall, barges can increase rates on grain and lower rates on northbound products. In both instances, barges can avoid empty movements, while railroads cannot.

It would be unfair to suggest that all the blame for the difficulties facing railroads is related to regulation. Together with rate, abandonment, and regulatory inequity problems, railroads face difficulties due to the nature of the cost structure. Because railroads own, construct, and maintain their own roadbed, and because railroad equipment is very expensive, a substantial portion of the costs are fixed. Truck and barge costs

are much more variable in nature. The barge's roadbed, is the river, developed and maintained at no cost to the commercial users. While trucks pay user charges for highways through fuel and excise taxes, the amount charged each user varies with the traffic generated. Also, large investment in the highway system comes from public rather than private funds.

Where costs are largely fixed, again maximum use of plant and equipment is essential. The higher the traffic volume, the more widely these fixed costs can be spread. Empty backhauls, uneven annual transportation demand, and poor logistical management all contribute to least advantageous use. Railroads making poor use of facilities are likely to be railroads in critical economic shape since fixed cost burdens tend to create a heavy financial drag.

The stiff price competition given railroads by trucks and barges makes maximum use extremely difficult. Many railroad companies have abandoned certain types of freight traffic to concentrate on attracting better volume on other types of freight.

Equipment use is further complicated by antiquated railroad operations. Many rail switching yards are outdated and inefficient which means rail cars are frequently tied up by long delays and sometimes, completely lost. This problem is particularly acute when freight has to be transferred between two different rail lines. Often a car belonging to one rail company will be switched to track belonging to another enroute to its final destination. The car may not return to the owner line for months. If one line is using a car belonging to another, demurrage charges must be paid the owner. These charges are frequently not adequate to compensate the owner firm for its loss from service.

Finally, railroading in many areas of the country has suffered from excess capacity due to national enthusiasm for railroad expansion during the last half of the 19th century. Federal encouragement and assistance stimulated construction of a vast rail network when it appeared that this would be the only mode for high volume transportation well into the future.

Railroad planners and government officials cannot be faulted for failing to foresee the rapid development of truck, barge, pipeline, and air transportation.

Still, much of the track built during these railroad heydays is now redundant. This leaves the railroads to compete with one another, while also trying to compete with trucks, barges, and pipelines. A number of the weaker lines have barely been able to generate enough traffic to survive. Government policy is now supportive of rail company mergers which will eliminate duplication while still maintaining service. However, strong lines are reluctant to absorb the weaker, especially when quick abandonment of the net loss branchlines acquired in a merger is not likely.

Operational Problems in Regulation

Interviews were conducted with representatives of a number of local grain firms which used rail transportation in summer 1976. Rail carrier representatives serving this area were also interviewed to solicit opinions on the effectiveness of the ICC as a regulatory agency. Interviewees were invited to express recommendations as to how the ICC could be improved. It was assumed that the ICC would continue to operate in the regulatory sphere so most of the discussion centered on how procedures could be changed to better serve the shipping public.

Before reporting on the results of these interviews, it might be helpful to describe briefly the procedural relationship between the ICC and parties affected by its decisions.

There is considerable misunderstanding regarding the role of the ICC in regulating rates for rail service. Contrary to widely held belief, the ICC does not set rail rates. Rates are made and changed by the railroads themselves, acting either individually or in groups. Sometimes a new rate for a particular commodity over a particular route may be suggested by a shipper or group of shippers, but initiation of a rate change or a new rate must come from the railroad(s) involved.

If, for example, a general rate change is thought necessary, the railroads involved must file this intention with a regional rate bureau. (Often the change will be filed with more than one bureau.) These bureaus are railroad-controlled conferences operated with ICC approval and exempt from the various antitrust acts. They are intend-

ed to provide an orderly and efficient method for determining and publishing rates. The bureau is responsible for making public the rate change proposal so that affected parties have the opportunity to object. If no one objects, it becomes effective. If there is an objection, the rate bureau holds hearings and reaches a decision. Specific time schedules are set for filing exceptions to rate changes and for conducting hearings.

If a rate bureau approves the increase, and they usually do, further protests may be taken to the ICC. The ICC has a multi-step process of conducting investigations, holding hearings, suspending rate changes, and hearing appeals. The responsibility of the ICC is to act as an overseer in the public interest. As mentioned earlier, it is directed by law to protect the public from unreasonable and unfair rates. On appealed cases, the ICC must approve or disapprove rate changes. The series of steps for review and appeal are intended to increase public input into the decisionmaking process. ICC decisions may be appealed in the courts if there are grounds to support the contention that the Commission exceeded its legal authority. Otherwise, the decision of the ICC is final.

One criticism expressed by all of those interviewed centered on the procedures followed in ICC decision-making. While all agreed maximum input from concerned parties is desirable, shippers and carriers believe the process is far too time consuming. Under the existing rules, a rate case may drag on up to seven months. It may even take longer if time limits for preparing testimony are extended. Railroad representatives argue that needed revenue is lost while decisions are delayed. Grain shippers contend that the undue delays create uncertainty and make long-term planning difficult for the entire shipping community.

Efforts have been made to speed up ratemaking decisions. The Railroad Revitalization and Regulatory Reform Act of 1976 (4R's Act) includes provisions to eliminate delays at both the rate bureau and ICC level. The Commission itself has made rule changes designed to improve its internal efficiency. Whether these efforts will succeed in expediting rate decisions is yet to be seen.

It should be noted, however, that delay is not solely the result of regulatory inefficiency. Sometimes shippers who feel they gain short-term benefits from a delay in a rate change use intentional dilatory tactics. By waiting for filing deadlines at every step of the decision process and by constantly appealing for time extensions, they may succeed in bogging down the system.

A second generally held criticism of the ICC relates to the procedure and policy for naming Commission members. A number of representatives of shippers and carriers suggested that recent appointments to the Commission were motivated more by politics than by regulatory needs. Rather than searching out and appointing transportation people to fill Commission vacancies, recent presidents have treated appointments as political rewards. As a result, many believe this has impaired the Commission's effectiveness.

Beyond the question of presidential choice, there is also concern over the political nature of appointments to a quasi-judicial board. Concern exists that essentially judicial decisions may reflect the political inclinations of the commissioners.

A number of suggested policy changes have been aimed at improving the selection and appointment process. The implementation of these changes is the prerogative of the executive branch of government.

Third, many shipper representatives complain that the ICC is the captive of the industry it is supposed to regulate. In recent years, railroads have won a large proportion of the rate increase proposals and branchline abandonment disputes argued before the Commission. Shippers contend that this trend is indicative of a pro-railroad bias within the Commission. Railroad people argue that their success before the ICC results from two factors: (1) they make requests for rate changes or abandonments only when they are clearly justified and (2) they prepare their arguments more thoroughly than do shippers, because most cases brought before the ICC are of critical importance to the railroads.

A final criticism of the ICC expressed frequently by small shippers centers on the complicated procedures involved in Commission investigations. Many small shippers believe that they are discriminated against as a re-

sult of the expensive and frequently legally tangled procedures which must be followed to effectively participate in ICC hearings. Firms which cannot afford a separate, full-time department to deal with transportation appear to be at a disadvantage. Many believe that procedures could and should be simplified to encourage more small shipper participation.

Everyone interviewed found fault with some specific feature of ICC regulation. Still, there seems to be a general feeling that regulation of railroad rates and operations is necessary at some level. While a number of those interviewed suggested reforms in regulatory procedures and policy, no one seriously argued for complete deregulation. Further, most agreed that the ICC is reasonably effective, given the vast scope of its responsibility. As one shipper representative put it, "considering the limited size of their staff and increasing number of issues which they must confront, they do a respectable job."

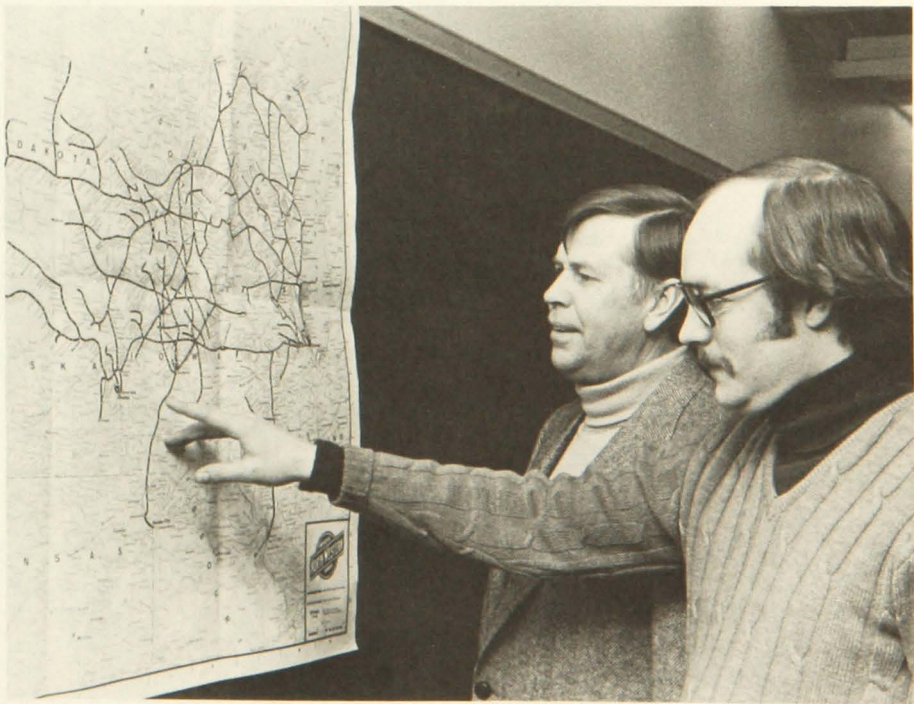
Regulatory Reforms: Some Implications for Grain Shipping

The Transportation Act of 1940 set a general policy for transportation regulation which has carried through to the

present. Among other things, the act instructs that "regulation of all modes . . . be administered as to recognize and preserve the inherent advantage of each." Further, regulation should be directed toward "developing, coordinating, and preserving a national transportation system . . . adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense."

Much of the legislation between 1940 and 1962 was designed to achieve these general objectives through improvements in regulatory agencies. President Kennedy (in his message to Congress on transportation in 1962) called for a shift from government regulation toward greater reliance on marketplace competition. The spirit of Kennedy's message has been reflected in most Congressional activity since 1962. Until 1970, the thrust of the deregulation movement was directed toward the airlines and water carriers.

Efforts to deregulate or reform regulation of railroads have been made in the last 6 years. Changes in rail regulation have originated in two areas. First, there has been a Congressional initiative expressed in legislation. Second, the ICC has undertaken some internal reevaluation of its policies and procedures for dealing with railroads.



Reynold Dahl and Michael Martin (foreground) check out a railroad map of states in the Midwest used for research in this issue of Minnesota Agricultural Economist.

In 1970, Congress passed the Rail Passenger Service Act which permitted the discontinuance of passenger service without ICC approval. While this change has had little direct impact on grain transportation, there has been an indirect benefit. The elimination of large loss passenger routes has strengthened the overall financial situation for many rail companies. They may now concentrate solely on moving freight, including grain.

Of greater consequence for grain shipping is the Railroad Revitalization and Regulatory Reform Act of 1976 (4R's Act) which deals with two issues. The most widely publicized portion of the act provides federal funding and reorganization procedures for the takeover of the bankrupt Northeastern Railroads by Conrail. The controversy surrounding the Conrail issue initially obscured the regulatory changes included in the 4R's Act. In this legislation, Congress has taken steps intended to speed up the following procedures: rate cases, merger proposals, and branch-line abandonment requests.

The 4R's Act allows railroads greater flexibility in ratemaking under certain situations. Railroads are now permitted to alter their rates, exempt from regulation, 7 percent on either side of the level in effect at the time the law was passed. This provision is applicable for a 2-year period. However, it only applies to cases where the ICC finds no evidence that a railroad has "market dominance." So far no acceptable definition of "market dominance" has been provided. As a result, this issue is still very much up in the air.

Congress, in the 4R's Act, also directed the ICC to establish within 1 year (by February 1977) "rules, standards, and procedures for the establishment of railroad rates based on seasonal, regional, or peak-period demand for rail service . . ." This provision may prove the most significant to the grain shipping community. What seems to be developing is a rate system which will allow railroads to alter rates on short notice in response to changes in the demand.

The proposed establishment of differential rates between peak and off-peak seasons is intended to improve rail equipment use by creating price incentives for smoothing out transportation demand. However, many within the grain trade argue that should railroads

by permitted to alter rates with demand shifts, the uncertainty created for shippers will divert grain to other modes. Even if this fear proves unfounded, flexible seasonal rates on grain make planning for grain marketers more difficult. One likely outcome may be that the added risk associated with rail rate flexibility leads to higher shipping costs which will be shifted back to farmers in the form of lower grain prices.

Petitions have been filed with the ICC by members of the grain trade requesting that grain be exempted from this provision of the law. They argue that the transportation demand in grains is seasonal for natural, rather than economic reasons. It cannot be changed with economic incentives. To impose variable rates on grain shipments, it is argued, will unfairly penalize farmers and grain marketing firms. To date, there is no implication that the ICC will respond favorably to this argument.

Assuming a variable rate system on grain shipments becomes a reality, the impact on Minnesota and surrounding areas will probably not be as great as in other regions of the country. The availability of efficient alternative modes of transportation, water carriers and trucks, reduces the effect of rail rates on grain prices. Further, large volumes of onfarm and commercial storage capacity make it possible to change marketing patterns and to distribute transportation demand evenly throughout the year.

In an associated provision, the 4R's Act calls upon the ICC to study the usefulness of permitting railroads to levy charges for distinct services previously provided without a specific charge. Under such a scheme, services such as weighing and grading stops would probably be priced independently of the rate for the freight movement itself. Currently, many of these services are available to shippers at no extra cost.

Together with specific modifications in regulation, the 4R's Act instructs the ICC to study and develop standards for adequate revenue levels sufficient to cover operating expense, depreciation plus a reasonable rate of return for rail carriers. Further, the Commission is to assist carriers in achieving these revenue levels once determined.

Apart from the legislative directives, the Commission has instituted a num-

ber of self-analysis investigations. Two of these may have important direct consequences for grain transportation.

First, a project is now underway entitled an *Investigation of Railroad Freight Rate Structure* (Ex Parte 270). Its subsection 9 deals with rates on grain and grain products. Should Ex Parte 270 be partially successful, it is likely that rail rates will be influenced to levels more closely related to carrier costs.

If a policy of cost oriented rates evolves, a number of changes in the grain rate structure can be anticipated such as:

(1) Expansion of relatively low multiple car or unit train rates. Currently, shippers who can load and ship 25, 50, or 100 cars of grain get a discount transportation price. The unit train concept allows railroads to reduce costs by alleviating extra car handlings and switchings, and by encouraging long-haul traffic. Railroad efficiency is increased on longhaul, nonstop traffic.

Also, unit trains or multiple car shipments allow for better planning and increased car use. There is an advantage to railroads because they can more accurately predict traffic volume, more efficiently allocate equipment, and improve train turnaround time.

Present unit train rates apply primarily to grain shipped to export ports. It seems safe to predict that these rates will be increasingly extended to domestic grain movements.

(2) Phasing out the transit privilege is another likelihood. Assume a carload of wheat is shipped from an elevator in the Red River Valley to a Minneapolis flour miller. After milling, the flour is shipped on to a final destination. Under the transit privilege, the rate charge is one that ignores the stop for milling. The shipper pays a through rate as if wheat traveled from elevator to final destination nonstop. The transit privilege also applies to grain shipped to storage and later reshipped. The railroad incurs a number of costs in providing the transit privilege. There are costs associated with stopping and restarting the shipment. Also, flour, which is of higher value per unit than wheat, costs more to move. For this privilege, shippers pay only a nominal fee. In the future, rates for grain and flour might be separated with shippers paying expenses for switching and extra handling.

Rates based on the market equalization principle will probably be removed. Market equalizing rates were originally introduced so that all markets could compete equally for grain. As a result rates between an origin and two or more destinations may be the same even if distances are different. Clearly the cost of service should increase with distance. New rates will probably reflect these cost differences.

(3) Distribution of traffic among modes would change. Railroads, as indicated previously, are generally most efficient on long hauls. However, less efficient trucks are moving grain over fairly long distances. Railroads could recapture some of this business, particularly in eastwest traffic. Likewise, they may lose some intermediate distance traffic moving over east-west routes. The long distance north to south traffic division is unlikely to change appreciably because railroads compete with relatively efficient barges for these shipments.

(4) Some rate differentials based on car types might be imposed. Shipments in large jumbo hoppers could move at a rate lower than identical movements in less efficient boxcars. Elevators without access tracks to support the heavier jumbo loads are at a disadvantage.

A second ICC internal decision of probable, immediate importance to grain shippers centers on rules and criteria for branchline abandonments. Until recently, the ICC used the "34 car-

load rule" as a benchmark in ruling on abandonments, meaning any branchline which generated less than 34 car loads per mile per year was a strong candidate for abandonment.

New rules announced November 3, 1976 require railroads to develop a complete system map which must categorize lines in terms of current status with respect to abandonment. Designation of lines for anticipated abandonment or possible future abandonment must be based on cost-revenue considerations. It is hoped that such a procedure will allow local government or industries to pinpoint potential abandonments for development of a strategy for possibly saving designated lines.

Since these new rules have just gone into effect, it is impossible to make predictions. However, any change in abandonment policy deserves close observation. The abandonment issue deeply affects grain shippers and elevator operators in rural areas.

Conclusions

Complete deregulation of railroads is highly improbable in the foreseeable future. Continued emphasis on policy and procedural changes aimed at regulatory reform is much more likely. In the process of reforming regulation, railroads will be given flexibility in making decisions on service and cost pricing.

Policymakers are hoping that competitive forces will encourage better management and greater operating efficiency. The final goal is a financially sound, reliable railway system which will fit into a well-run overall transportation network. The achievement of this goal is of paramount importance to agriculture. Low-cost, reliable transportation enhances prices paid to farmers and reduces prices paid by consumers. It allows unrestrained access to existing markets and promotes new markets. For these reasons, input from the agricultural sector is required in setting transportation and regulatory policy.

The editor invites you to answer the following questions to help subject matter choice for future issues of this publication.

Occupation _____

Place of employment _____

Any comments on the publication _____

Signature _____



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University of Minnesota**

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Jerome W. Hammond Editor

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