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UNITED STATES GENERAL ACCOUNTING OFFICE

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Alleged Discriminations and Concessions In The Allocation Of Railcars To Grain Shippers

B-114824

Interstate Commerce Commission

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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GGD-75-24

DEC.30,1974

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114824

The Honorable John Melcher
House of Representatives

Dear Mr. Melcher:

On March 28, 1974, you requested that we determine whether companies that had control of covered hopper cars were able to buy grain at substantial discounts simply because they had available transportation. You requested that we find out whether such transactions occurred, whether the Interstate Commerce Commission (ICC) should be doing something it had not done, and whether the Elkins Act had been violated.

We reviewed published railroad tariffs applicable to grain shipments, and ICC attempts to insure equitable distribution of railroad equipment. We also contacted eight country elevators in Iowa and Minnesota that were experiencing difficulties in marketing and shipping grain, and nine railroad companies to determine how many cars they had available for grain shipments, how they provide cars under multiple-car grain tariffs, and how the tariffs affect car allocations.

The information in appendixes II through IX was given to us voluntarily by elevator operators. Because we have no legal authority to audit the records of private sales of the companies involved, we were not able to verify alleged concessions or discriminations between railroads and grain shippers. Grain elevator employees estimated the discounts and losses of income to grain elevators and farmers.

FINDINGS

Our survey indicated that grain companies having available rail transportation were able to buy grain from independent elevators at prices below those quoted in some markets. ICC was aware of the grain car shortage and instituted measures to encourage better allocation of available cars. While the measures taken do not seem to have been effective from the viewpoint of the small, independent elevator operators we spoke with, desired results may have been achieved in a larger economic framework. On the basis of our survey we cannot say ICC should do more than it has; we can only observe that the grain car shortage affected the ability of independent elevator operators to carry on business as they had in the past.

On July 5, 1974, ICC began an official investigation of the distribution and manipulation of rail rolling stock to depress prices on certain grain shipments (Ex Parte No. 307). The investigation is to determine whether, among other things, the Elkins Act has been violated. Following is a more detailed discussion of what appears to be the central issue: lawful tariffs that allow grain companies to retain control of large numbers of grain cars for extended periods.

MULTIPLE-CAR GRAIN TARIFFS

The Interstate Commerce Act (49 U.S.C. 1) enacted on February 4, 1887, required carriers' services to be equally available to all shippers upon request and that all charges made for any service be just and reasonable. The Elkins Act (49 U.S. C. 41) was enacted on February 19, 1903, as supplementary legislation to the Interstate Commerce Act, providing that carriers strictly observe published tariffs and not offer, grant, or give rebates, concessions, or discriminations for transporting any property in interstate commerce. These acts provide for criminal penalties should certain of the provisions be violated.

As a way to compete with barge transportation and to transport commodities quickly while achieving economies of scale, several railroads have published tariffs allowing rate reductions when multiple-car units from 3 to 100 cars are used. Several tariffs we reviewed appear to allow grain companies to control covered hopper cars for extended periods.

The following tariffs apply to export of corn and soybeans through Gulf and Great Lakes ports:

Railroad	Tariff number	Effective date
Chicago, Rock Island, and Pacific Railroad Company (Rock Island)	37019	August 29, 1970
Chicago and North Western Transportation Company (CNW)	17194	July 15, 1972
Chicago, Milwaukee, St. Paul and Pacific Railroad Company (Milwaukee Road)	18710	August 28, 1972

The rates provide reductions as high as 6 cents a bushel over single car rates if the shipper used covered hopper cars for five consecutive round trips. Rate reductions mainly apply to 25- and 50-car units. (The tariffs are actually expressed in terms of tonnage, but are commonly referred to by the number of cars needed to carry the tonnage.) By notifying the railroad agent, shippers can retain CNW unit trains beyond the initial five trips covered by the tariff. This was also true of the Milwaukee Road until it revised its tariff in September 1973. The new tariff allows cars to be reallocated after a shipper completes the five consecutive trips.

ICC unit-grain-train restrictions

ICC's second revised service order no. 1120, dated August 15, 1973, stated that an acute shortage of covered cars for use in grain shipments, combined with unit-train service allowing individual shippers to control hopper cars for extended periods, had created an emergency. The order provided that:

> "Effective September 1, 1973, no common carrier by rail road shall permit the use in unit grain-train services of more than twenty percent (20%) of its ownership of jumbo covered hopper cars."

The service order defined unit-grain-trains as trains of 50 or more covered hoppers; under the terms of the order, railroads are required to report to ICC the number of jumbo covered hopper cars they have allocated to unit-grain-train service. An ICC official stated that field agents check the data railroads submit and report any exceptions. As of May 30, 1974, no exceptions had been reported.

However, CNW and Milwaukee Road multiple-car grain tariffs provide for unit trains of less than 50 cars. Thus, CNW reported to ICC that it had only 250 jumbo covered hopper cars in unit-grain-train service of 50 or more cars per unit as of April 1, 1974, but told us that 1,486 covered hoppers were allocated to shippers in unit trains under tariff 17194 at about the same time. ICC's objective of distributing hopper cars widely is apparently ineffective to some extent because of tariffs which permit unit-grain-train allocations of fewer than 50 cars thereby avoiding the limitations of service order no. 1120. Individual grain companies can control large numbers of hopper cars for extended periods under the tariffs, without violating ICC regulations.

According to ICC, railroads are generally free to initiate, publish, and file with ICC whatever rates or provisions they wish. Before the effective dates of proposed tariffs, anyone can protest and request such rates be investigated. (No one protested adoption of the multiple-car feature of these tariffs.) Once in effect, a hearing regarding the rates can be held if a formal complaint is filed with ICC. The burden of proving the allegations rests with the complainant, and if the findings establish that some provision of the Interstate Commerce Act has been violated, ICC may then require carriers to maintain particular rates or provisions.

An ICC official told us service order 1120 primarily limits the number of 100-car-unit trains and that the smaller multiple tariffs were not a factor.

EFFECT OF CAR SHORTAGES ON ELEVATORS AND FARMERS

We visited eight elevators in Iowa and Minnesota (see app. I) and discussed with their managers the effects of railcar shortages on their operations. Four of the elevators were independently owned and four were cooperatives. Five were serviced by CNW, two by Rock Island, and one by Milwaukee Road. As requested, we have attached a case synopsis for each of the eight elevators. (See apps. II through IX.) Our limited inquiries disclosed different transportation problems for elevators with tracksiding adequate to load unit trains and those without such facilities. In both classifications we noted adverse conditions which might be attributed to multiple-car tariffs.

Elevators loading unit trains

Elevator operators that could load unit trains sold grain to companies that could provide their own railcars because the railroads could not provide cars in the required quantities. The Continental Grain Company, for example, could provide rail hopper cars to elevator operators, but the prices elevator operators accepted from Continental were often below other bids.

Elevator operators also incurred additional penalties and interest expense because they had difficulty transporting grain and therefore paid farmers less for grain.

For example:

--One elevator operator sold over 2 million bushels of corn and soybeans to Continental at discounts amounting to an estimated $241,000 under an arrangement in which Continental provided hopper cars. The elevator manager said the effect of this was to deprive the community of income since the elevator operator adjusted the price paid to farmers to compensate for the lower prices paid by Continental.

--Another elevator operator could not obtain enough railcars from CNW to deliver all its corn to its customers. Thus, between August 27, 1973, and February 21, 1974, the elevator sold 524,000 bushels of corn to Continental at prices ranging from 8 cents to 19-3/4 cents per bushel below bid quotations from another dealer for a total of $54,500. While it was not practical for us to identify all penalities paid, the manager identified a $22,372 penalty charged because a 170,000-bushel corn contract was canceled. The manager also told us he used trucks to ship 300,000 bushels of corn which normally would have moved by rail if cars were available. Because truck shipment is more expensive, receipts were about 20 cents per bushel lower than the prevailing market. According to the manager, about one-half of the reduction was absorbed by the elevator operator and one-half by the farmers.

Elevators unable to load 25-car unit trains

Elevator operators informed us that, because they could not obtain railcars, (1) they incurred penalties for late delivery or contract cancellations, (2) delays caused additional interest expenses, (3) grain had to be shipped by truck which was more costly than rail shipment, and (4) grain was sold at a discount to companies that could provide railcars. The elevator operators therefore paid farmers less for their grain and were not able to take advantage of some marketing opportunities. For example:

--An elevator served by Rock Island discontinued selling corn for shipment by rail to its traditional rail customers--Bunge, Cargill, and Continental--unless they could provide railcars. Penalties were incurred in 1973 because railcars could not be obtained to meet contract delivery dates. The elevator also paid Continental 5 cents per bushel for providing 33 railcars to fill open corn contracts, totaling about $4,200.

--An elevator that was a rail shipper served by CNW shipped more than 1 million bushels of corn by truck in 1973 while moving only 340,300 bushels of corn by rail. The elevator manager estimated truck shipment cost as much as 20 cents per bushel more than rail shipment, resulting in farmers being paid less for their grain.

COMMENTS BY GRAIN COMPANIES AND RAILROADS

Most of the sales transactions encountered involved Continental Grain Company and Cook Industries, Inc. Both companies acknowledged the railcar shortage and pointed out difficulties in their own operations. Continental stated:

> "We would identify that neither Continental nor any other grain shipper could obtain an assurance of an adequate supply of railroad owned hopper cars during the severe shortage of equipment. Continental experienced this shortage far beyond its needs.

"When various country elevators sold grain to Continental the value reflected what we were willing to pay at the market we were responding to for shipment up to 30, 90 days or more in the future. The terms of sale placed upon Continental the full obligation and responsibility to place upon the railroads the demands for service and equipment to move the grain so purchased. The railroads supplied Continental a share of their equipment in response to this demand. Continental was able to further back stop its equipment needs by the utilization of its private hopper car fleet. 1/ Continental was, nevertheless, still short of railroad cars to meet its commitments and paid penalties to sellers where it failed to meet its contract obligations."

Continental also noted two other considerations it believes explain the difference between Continental bids and what the elevator operators reported as higher market prices.

"The Continental bids reflected terms of FOB origin wherein Continental assumed all contractual risks for the transportation and took ownership at origin point. Where we could not perform due to equipment shortages and other considerations, we paid seller's penalties. The alternative markets reflect FOB delivered prices wherein the seller retained ownership until delivery and assumed all risk. As to terms, your report is not comparing equal terms of sale. An example of a few of the considerations and benefits to the seller in an FOB origin sale is identified in the last paragraph of Appendix V, 'He said he avoided penalties for delivery or contract cancellations and interest expenses because of the arrangement he had with Continental to furnish unit trains.' The extent of such penalties is further identified in Appendix II wherein the Clarion, Iowa elevator reports losses of $42,373 on 170,000 bushels of corn. Quite obviously, if the various bids or market prices identified reflected comparable terms of sale, the seller would not have accepted Continental's offer."

While the computations in this report include transportation costs, Continental is correct in its assertion that its assumption of delivery risk is reflected in the lower prices elevators accept. On the other hand, the elevators' view is that if railroad transportation were more readily available from railroad companies, delivery risk would be lowered and elevators would not have to bargain with grain companies for transportation.

1/ A number of grain dealers have private fleets of hopper cars they lease directly from car builders.

An official of Cook Industries told us:

> "* * * the grain markets are free, not regulated by the Government, and prices are dictated by supply and demand at a given point, and Cook has never paid less than the market price for grain."

Officials at the CNW, Milwaukee Road, and Rock Island railroads defended their car allocation policies, and believed that country elevators were obtaining cars. The president of the Rock Island told us (1) there is now no car shortage, (2) there never was as big a shortage as reported because of over-ordering by shippers, (3) there are now many more cars available as a result of railroads' car-building programs and better car utilization, and (4) tie-ups of cars at ports are no longer a problem. None of these officials indicated that substantive changes were planned for the way multiple-car grain tariffs are presently structured. (Grain company and railroad company comments on matters discussed in this report are in apps. XI through XIV. Officials of the CNW chose not to comment.)

ICC ACTIONS

In addition to service order 1120, restricting the number of jumbo hopper cars that could be used in unit-train service, ICC also issued service orders 1121 and 1117 to help ease the car shortage. Service order no. 1121 reduced the free-time period on boxcars and covered hoppers held at port, and service order no. 1117 permitted diversion of open-top hopper cars from coal movement, where they are normally used, to grain movement.

On July 5, 1974, ICC instituted Ex Parte No. 307, "Investigation into the Distribution and Manipulation of Rail Rolling Stock to Depress Prices on Certain Grain Shipments for Export." The inquiry is intended to examine the practices which have evolved under various applications of multiple-car grain tariffs and to determine whether either the Interstate Commerce Act or Elkins Act have been violated. ICC is investigating all railroads subject to its jurisdiction. It is also investigating Bunge Corporation; Cargill, Inc.; Central Soya Company; Continental Grain Company, Inc.; Louis Dreyfus Corporation; and Cook Industries, Inc. ICC told us they have investigated more than 200 elevators, including all but one of the elevators mentioned in this report. Other interested parties may also participate in the proceedings.

ICC maintains its main objective has been to enforce rules of equitable distribution on all carriers without specifying any definite formula for achieving the objective. It believes it is extremely difficult to lay down exact rules or bases to govern freight car distribution and that equitable distribution is not always the answer to a car shortage. ICC has stated it is sometimes necessary to distribute cars to a particular shipper or within a territory. (ICC comments on matters discussed in this report are in app. X.)

FEDERAL TRADE COMMISSION ACTIONS

The Federal Trade Commission Bureau of Competition informed us it is investigating anticompetitive aspects of the food industry, including grain marketing practices.

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As agreed with your office, we are sending copies of this report to Senator James Abourezk and the Chairman, Subcommittee on Special Small Business Problems, Permanent Select Committee on Small Business, House of Representatives.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

ELEVATOR OPERATORS VISITED

	Load unit trains	Served by
IOWA:		
Clarion Farmers Elevator Cooperative	Yes	Chicago & North Western
Enterprise Farmers Elevator Company	No	Rock Island
Wellsburg Elevator, Inc.	No	Do.
Farmers Grain & Supply, Inc., Woodward	Yes	Milwaukee Road
MINNESOTA:		
La Salle Farmers Grain Co.	a/Yes	Chicago & North Western
(Company requested its name not be revealed)	a/Yes	Do.
Redwood Falls Farmers Elevator Co.	No	Do.
Sanborn Farmers Elevator Co.	Yes	Do.

a/The track at this location cannot accommodate jumbo hopper cars. Small hopper cars or standard boxcars must be used.

CASE SYNOPSIS OF CLARION FARMERS

ELEVATOR COOPERATIVE

CLARION, IOWA (note a)

The Clarion Farmers Elevator Cooperative has historically used rail to ship its grain. The elevator, with a capacity of 1,086,000 bushels, is located on the CNW line. The track can handle 25-car jumbo hopper unit trains. The cooperative's grain sales totaled about $2.2 million in 1972 and $3.3 million in 1973 and accounted for about 70 percent of the company's total sales. Purchases of corn in 1973 were about 1 million bushels and soybean purchases were about 300,000 bushels.

In recent years, the Lincoln Grain Company, Nebraska, and the Farmers Grain Dealers Association of Iowa, purchased most of Clarion's grain. On January 17, 1973, Clarion notified CNW of its need for 460 cars or about 85 cars each month to ship the 970,000 bushels of grain it had contracted to ship by July 1, 1973. The elevator received only about 350 cars for the entire year.

During the summer of 1973 Continental began calling the cooperative with bids for corn stating that, if Clarion would sell to Continental, a 25-car jumbo hopper unit train would be available. The Continental agent told Clarion the unit train would be half CNW cars and half Continental cars.

Railcar shortages had the following effects on Clarion.

- --Four contracts totaling 524,000 bushels of corn were let Continental between August 27, 1973, and February 21, 1974. By way of comparison, other cash bids offered on the dates of these contracts were from 8 cents to 19-3/4 cents per bushel higher. If the cooperative could have relied on CNW for cars, it would have been in a better position to accept offers other than Continental's, and its proceeds may have been increased by as much as $54,500. The manager of the cooperative feels there is some discrimination. The two unit trains furnished thus far have not included one-half Continental cars. For example, a 27-car unit train used to ship 87,000 bushels of corn was entirely made up of CNW cars.

- --The Cooperative paid penalties because it could not deliver grain according to its contracts. We were furnished one example of a penalty of $22,373 billed by the Farmers Grain Dealers Association of Iowa for the cancellation of the Association's June 6, 1973, purchase of 170,000 bushels of corn. This corn was later sold at a price significantly below the earlier contract, causing an additional loss of about $20,000.

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a/See paragraph 3, p. 1 of letter.

--The manager for the cooperative estimates that in 1973 they shipped about 300,000 bushels of corn by truck that would have moved by rail if cars had been available. He estimated that, due to the price and rate differentials affecting sales to be shipped by truck, they received about 20 cents per bushel less than they would have for a normal market sale involving rail. He said that they split the 20 cents with the farmers. The farmers absorbed their portion in the form of reduced amounts the cooperative paid them for their corn.

--Interest expense in 1972 was $24,995, whereas in 1973 it was $75,225. The manager associates about three-fourths of the 1973 interest expense with the car shortage, since they paid farmers promptly for purchasing grain but could not ship the grain and get the proceeds from the sales on time. Hence, it became necessary to borrow funds from the bank.

CASE SYNOPSIS OF ENTERPRISE FARMERS

ELEVATOR COMPANY, ENTERPRISE, IOWA (note a)

The Enterprise Farmers Elevator Company is a privately owned firm with a capacity of 930,000 bushels on one of the Rock Island's main lines. Twenty-five-car unit trains cannot load at Enterprise. Enterprise has dealt solely in grain, chiefly corn and soybeans. It had been their usual business practice to ship corn by rail to their principal customers--Cargill, Inc., Bunge Corporation, and Continental Grain Company--and soybeans by truck to mills in either Cedar Rapids or Des Moines, Iowa. They discontinued selling grain to customers for shipment by rail unless the customer could provide railcars.

In June or July 1973, Enterprise was faced with a requirement to deliver about 17,860 bushels of corn under a December 6, 1972, contract with Continental Grain. Because they were unable to get cars from Rock Island, Enterprise arranged to get five hopper cars from Continental at 5 cents per bushel, or $893. The covered hoppers Continental provided were Norfolk and Western cars.

The shortage of railcars has necessitated that Enterprise adopt the following marketing practices:

--Generally, Enterprise now quotes prices to farmers on the basis of shipment of corn by truck to a barge point on the Mississippi River unless they have a specific commitment for a car. Accordingly, farmers selling to Enterprise are paid from 10 cents to 15 cents less per bushel for corn as illustrated by a typical bid for March 29, 1974:

Buffalo, Iowa, Barge Port Bid (Cargill)	$2.73
Less motor freight, Enterprise to Buffalo, Iowa	-.23
	2.50
Track Bid (Cargill)	2.62-1/2
Difference (reflected in lower price quoted to farmers by Enterprise)	a/.12-1/2

a/All prices and computations supplied by Enterprise.

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a/See paragraph 3, p. 1 of letter.

--To meet contract delivery dates, several contracts that had been entered into on the basis of rail shipment had to be shipped by truck, which reduced prices. For example, Enterprise was charged 5 cents per bushel on a contract for 5,000 bushels of corn with Cargill after the terms were changed from "Track Enterprise" shipment to "F.O.B. Enterprise" using trucks and paid Continental 5 cents a bushel for providing 33 railcars to fill open corn contracts totaling about $4,200. Enterprise also incurred penalties because railcars could not be obtained to meet contract delivery dates.

--Enterprise cannot compete as successfully with elevators having 25-car unit trains under lease because elevators that can ship by rail can pay farmers more for their grain. Enterprise purchased only 384,700 bushels of corn from farmers in 1973 compared with purchases of 840,000 bushels in 1972. If Enterprise cannot obtain railcars in the future, they may not be able to purchase the amount of corn necessary for them to stay in business.

CASE SYNOPSIS OF WELLSBURG ELEVATOR, INC.

WELLSBURG, IOWA (note a)

The Wellsburg Elevator, Inc., is an independently owned elevator with a 420,000-bushel capacity on the Rock Island line. The elevator can be characterized as a single car shipper, its tracksiding accommodating only four cars at a time.

The elevator manager said Wellsburg has had a standing order for at least 10 standard boxcars or hoppers with Rock Island. Wellsburg's inability to obtain cars and make prompt delivery under contracts caused it to be assessed penalties. In one case Cargill imposed a 5 cents per bushel penalty on a 5,520-bushel contract ($276), and Continental imposed a 3 cents per bushel penalty on a 4,260-bushel contract ($128). Moreover, the manager estimated his 1973 interest expense increased about $2,000 to $3,000, doubling that of previous years, because he had to borrow money to pay farmers for grain purchases.

Because railcars were not available, the elevator operator quoted its prices to farmers on a truck bid basis from January through the summer of 1973. The lower margin, which is passed on to the farmers, is illustrated by the March 15, 1973, corn quotations:

Track Wellsburg, f.o.b. bid	$1.43-1/2
Cargill bid--Buffalo, Iowa (barge)	$1.48-3/4
less transportation (truck)	-.14
	1.34-3/4
Difference	a/.08-3/4

a/Figures and computations supplied by Wellsburg Elevator, Inc.

The manager said he arranged for Rock Island Motor Transit to truck corn and soybeans and that Rock Island Motor Transit negotiated leases with independent truckers.

Wellsburg could not usually ship to the Gulf export market because railcars were not available. According to the manager, the Gulf export market could be up to 10 cents per bushel higher than the domestic market.

The elevator manager feels there was a total lack of coordination between ICC, Cargill, Continental, and the railroad. The elevator received 91 fewer railcars in 1973 than it did in 1972, although it purchased nearly twice as much grain.

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a/See paragraph 3, p. 1 of letter.

Car received	Calendar year 1972	1973
Boxcars	187	97
Jumbo hoppers	14	13
Total	201	110

Bushels purchased	FY ended August 31, 1972	1973
Corn	271,365	484,145
Soybeans	95,588	119,937
Total	366,953	604,082

The manager said Continental is building a large grain terminal 14 miles from Wellsburg, and he fears its impact on his operation.

CASE SYNOPSIS OF FARMERS GRAIN & SUPPLY, INC.

WOODWARD, IOWA (note a)

The Farmers Grain & Supply, Inc., is an independently owned elevator on the Milwaukee Road track with a capacity of about 1.1 million bushels. The manager told us that Continental indicated that this elevator was its largest independent supplier in 1973.

Due to the general shortage of railcars, Farmers Grain & Supply negotiated a lease with Pullman Transport Leasing Company effective March 1, 1973, for 30 jumbo hopper cars for 5 years. The manager stated that the 30 leased cars were not enough for the amount of grain handled and that additional hopper cars were acquired through an arrangement with the Continental Grain Company wherein Continental was to provide unit trains comprised of one-half Continental hoppers and one-half Milwaukee Road hoppers. The manager said the unit trains Continental furnished were usually made up entirely of Milwaukee Road hopper cars.

The prices Continental quoted when it supplied unit trains were usually below existing markets. We were shown 12 such contracts with Continental between May 30, 1973, and January 29, 1974, totaling 2,009,000 bushels of corn. Farmers Grain & Supply estimated it might have received as much as $232,000 more for the corn if it had been able to get railcars from the railroad instead of Continental. We also were shown a soybean sale to Continental that was 11 cents per bushel, or $9,075 below market quotations, and two sales of corn to Cook Industries, Inc., that were 17-1/4 cents per bushel or about $18,100 below market. Cook was to furnish the rail equipment for delivery.

The elevator manager stated the railcar shortage deprived the community of income since farmers were paid less for their commodities to compensate for the discounts necessary to obtain transportation. He said he avoided penalties for delivery or contract cancellations and interest expense because of the arrangement he had with Continental to furnish unit trains; but he feels that railcar allocations may have been discriminatory because after Continental agreed to furnish cars, the elevator could not obtain cars from the Milwaukee Road.

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a/ See paragraph 3, p. 1 of letter.

CASE SYNOPSIS OF LA SALLE FARMERS GRAIN CO.

LA SALLE, MINNESOTA (note a)

The La Salle Farmers Grain Co. is a cooperative dealing in grain, feed, seeds, and fertilizer. Its elevator holds about 1 million bushels and is on a branch line of the CNW. While its siding permits it to load unit trains, the track bed cannot accommodate jumbo hopper cars; however, it can hold small hopper cars and standard boxcars. The manager stated that CNW hopes to abandon this track in about 5 years. The cooperative's chief grain purchases for the last 2 years were:

	1972	1973
	(bushels)	
Soybeans	526,909	594,950
Corn	1,455,884	2,167,583

Historically, the La Salle cooperative has relied on rail to ship grain. Its records show that it has had acute boxcar shortages at various times since March 1970 and, as early as August 3, 1970, it complained by letter to the ICC agent in Minneapolis regarding CNW car allocations. It had been the cooperative's practice to request cars from the CNW depot agent orally. However, in view of the difficulty in obtaining cars, such requests were put in writing to CNW starting January 8, 1973. On February 23, 1973, the cooperative also requested a 25-car unit train under the terms of the CNW Export-Multiple Car Grain Tariff 17194. In late 1972 and early 1973, the following number of cars were ordered and received.

	Boxcars or hopper cars	
	Ordered	Received
September 1972	20	20
October 1972	62	62
November 1972	26	26
December 1972	2	2
January 1973	32	6
February 1973	30	5
March 1973	30	0

In March or April 1973 an agent for Continental asked if La Salle had grain to move. The manager said Continental quoted a price which was better than the truck rate but less than the rail price.

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a/ See paragraph 3, p. 1 of letter.

The following resulted from La Salle's not being able to obtain cars.

--Between April 23, 1973, and September 4, 1973, La Salle made five contracts totaling 430,000 bushels of corn with Continental for delivery to the Great Lakes at Superior, Wisconsin. Based upon bids from another source, the cooperative could have sold the corn for $27,000 more if CNW could have furnished cars. CNW hopper cars were used to move this grain but under an allocation by CNW to Continental. The discounts in four of the five contracts ranged from 3-1/4 cents to 29-1/2 cents per bushel. In the remaining contract Continental's price approximated the cash market price.

--On August 6, 1973, the cooperative was charged with penalties totaling $72,754 by Benson-Quinn Co., a grain commission agent, because deliveries were not made under three contracts for 52,900 bushels of corn. The corn was held and sold at a later date.

--During 1973 the cooperative borrowed up to $1.4 million from the bank to pay farmers for grain purchases. Interest expense in 1973 amounted to $84,896. The manager attributes most of this expense to car shortages.

--The car shortages, coupled with the necessity to contract with independent truckers, caused the cooperative to reduce its bid to farmers by 8 cents to 10 cents per bushel on corn and 10 cents to 15 cents per bushel on soybeans.

The manager said that, in 1973, CNW's car allocation was on a one-for-one basis--that is, one per physical location. He stated there was no equity in this arrangement because a smaller facility at Hanska, Minnesota (250,000 bushel capacity), obtained as many cars as he did. Moreover, CNW indicated that he was taken care of because Continental was furnishing cars. The cooperative suspects CNW of not furnishing cars to justify abandoning the branch line because of lack of revenue.

On October 3, 1973, a bulletin published by the Minnesota Agri-Growth Council, Inc., to its members, contained ICC Chairman George M. Stafford's remark, "We in the Commission have received no report of car shortages to date * * *." This event, the circumstances set forth in this synopsis, and USDA's decision to order shipment of Commodity Credit Corporation's 1969-72 stored grain caused La Salle to submit various complaints to the Minnesota congressional delegation, ICC, and USDA. At the time of our visit in April 1974, the manager's opinion was that CNW discriminatory practices had not been corrected.

CASE SYNOPSIS (note a)

(The manager of this elevator requested its name not be revealed)

After experiencing difficulties in obtaining transportation to haul grain during the winter of 1972-73, this firm contracted to sell about 250,000 bushels of corn to Continental Grain Co., beginning in April 1973. The prices offered were about 7 cents a bushel below those the elevator operator could have obtained if the railroad had been able to supply cars, according to the elevator owner. Continental had agreed to furnish rail transportation to deliver the corn.

The firm is on a branch line of the CNW. The branch line would not support the weight of jumbo hoppers, and Continental was to furnish 35 smaller hoppers (converted cement hoppers) at a time. These hoppers would approximate 25 jumbo hoppers and thereby qualify for unit train rates. For reasons never explained to the company, the cars were delivered in lesser quantities than 35, never more than 9 at a time. The cars were neither owned by Continental nor operated as a unit train. Also, Continental apparently ran short of hoppers because some of the cars furnished were regular boxcars.

The owner told us that, although CNW has threatened for years to abandon service on his branch line, he and two neighboring co-op elevators have always succeeded in sustaining the service. However, CNW recently notified the owner that abandonment plans are no longer being deferred. The owner told us that, after abandonment, he will have to truck grain to distant terminals or to a nearby subterminal operated by Pillsbury.

The owner stated his overall volume of business had not substantially changed due to car shortages.

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a/ See paragraph 3, p. 1 of letter.

CASE SYNOPSIS OF REDWOOD FALLS FARMERS ELEVATOR CO.

REDWOOD FALLS, MINNESOTA (note a)

The Redwood Falls Farmers Elevator Co. is operated as a co-operative. It has a storage capacity of 590,000 bushels and is located on the "Sleepy Eye branch" of the CNW. The branch roadbed will not carry jumbo hopper cars, and the elevator company's trackage will not accommodate enough cars to qualify for unit trains.

The elevator company merchandises its grain through the Benson-Quinn Co. It would use rail exclusively to deliver the grain if railcars were available, but since May 1, 1973, few railcars have been available. During the year ended April 30, 1974, 1,079,750 bushels of corn were delivered by truck and 340,300 bushels of corn by rail. The truck deliveries were made to either Minneapolis-St. Paul or Savage, Minnesota.

The truck delivery cost was at least 6 cents per hundredweight higher than rail rates. Other effects of using trucks were:

--Elimination of the option of making sales basis of Duluth or Gulf. In either case, truck deliveries were not economically feasible.

--Elimination of the option of making spot sales in Minneapolis which can be made only by rail. Spot prices are often several cents a bushel higher than "to arrive" prices.

--The practice of selling in the futures market was discontinued because of the unreliability of truck availability.

The manager estimated that the elevator realized an average of about 20 cents less per bushel for truck deliveries and said he had a standing order for 500 cars with his local railroad agent since the summer of 1973. However, he added that the cars became more plentiful in March and April 1974 because the price of grain dropped.

Because of the difficulties experienced in getting railcars, the Redwood Falls Farmers Elevator Co. and six other cooperative elevators are combining to build a new subterminal elevator that can load unit trains on the CNW main line. He will deliver by truck from his elevator to the subterminal which will be completed in the fall of 1974. The subterminal will lease 150 jumbo hoppers to be used as unit trains.

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a/ See paragraph 3, p. 1 of letter.

CASE SYNOPSIS OF SANBORN FARMERS ELEVATOR CO.

SANBORN, MINNESOTA (note a)

The Sanborn Farmers Elevator Co. is a cooperative that can store 525,000 bushels of grain. The elevator is on a main line of CNW and has adequate tracksiding to load unit trains of 25 jumbo hoppers.

From April 1973 through January 1974, the elevator company sold about 1.6 million bushels of corn to Continental Grain Co., at varying prices that were generally below prevailing market prices. The sales agreements provided that Continental would furnish the railroad equipment to deliver the corn. A total of 19 unit trains each comprising 25 jumbo hopper cars were furnished. The cars furnished were owned by CNW and apparently under unit train assignment to Continental under CNW Export-Multiple Car Grain Tariff 17194. For the 12 months ended March 1973, the elevator shipped 742,300 bushels of corn by rail, sold through Benson-Quinn Co., a Minneapolis-based commission agent. During the following 12-month period, ended March 1974, the elevator shipped about 200,200 bushels of corn through Benson-Quinn Co. in single car shipments, and 1.7 million bushels to Continental in unit trains.

Available records show that the elevator company could have realized about $60,760 of additional revenue on sales of about 1 million bushels of corn, if the sales had been made at the closing market quotations from another grain merchant on the dates that the corn was sold to Continental.

The manager indicated he accepted Continental's offers even though they were below prevailing market prices because they were more reliable for his dealings with farmers; otherwise, the uncertainty of available transportation through either truck or regular rail and resulting uncertainty of prices presented high risks. Because of the number of railcars Continental furnished, the elevator company did not experience car shortage problems and, consequently, avoided other than the usual interest and penalties.

The manager said he has had from 40 to 200 cars on order from his local CNW agent continuously during the past 2 years, and he believes he has not received an equitable distribution from the agent. He

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a/ See paragraph 3, p. 1 of letter.

believes the agent has given more cars to neighboring elevators that are unable to accomodate unit trains. To his knowledge CNW does not have a definite formula or policy for distributing cars.

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE CHAIRMAN

August 14, 1974

Mr. Victor L. Lowe
Director
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Lowe:

Thank you for your letter of August 2, 1974, enclosing five copies of your proposed report dealing with rail car distribution of grain shipments.

The report has been reviewed by our investigative staff and it is their general opinion that it basically contains the same information developed by the Interstate Commerce Commission insofar as the eight elevators are concerned.

For your information, the investigation conducted by this Commission was much more in depth and covers over 200 elevators, of which documentation has been made on approximately 50. With the exception of Farmers Grain & Supply, Inc., our investigation did include all of the elevators contained in your report.

In the case of Wellsburg Elevator, Inc., we were unable to get documents because of the fact that the manager told our investigator his records had been picked up by representatives of the government and he was unable to furnish any to the Commission. We are presently endeavoring to determine which agency did pick up the records and, apparently, not return them.

I assure you that your draft has been appropriately safeguarded to prevent any premature or unauthorized use.

Sincerely yours,

George Stafford

George M. Stafford
Chairman

CABLE ADDRESS
FRIBRENE

TELEPHONE
(212)344-9700

CONTINENTAL GRAIN COMPANY
2 BROADWAY
NEW YORK, N. Y. 10004

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OMAHA GRAIN EXCHANGE
ST. LOUIS MERCHANTS EXCHANGE

August 14, 1974

Mr. Victor L. Lowe, Director
General Government Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

This is with reference to your letter of August 2 to Mr. Michel Fribourg, President of Continental Grain Company, and with specific reference to the draft report prepared by your office on a survey of some aspects of railroad grain car distribution practices.

On behalf of Continental Grain Company, we wish to thank you for sharing a copy of the draft report and for the opportunity to respond to the contents of the report.

Continental finds itself at some disadvantage in responding to the specifics contained in the draft report, because the specific names of country grain elevators and their locations have not been shared with the Company. It is, therefore, not possible to specifically respond to the charges made against Continental regarding prices paid to the country elevator or elevators in question.

In that it is not possible to respond to the specifics contained in the charge, we choose to share some general observations with you regarding the operations of Continental Grain Company during the period of time under review by the General Accounting Office. On June 26, 1974 representatives of Continental Grain Company testified before the House of Representatives Select Small Business Subcommittee on the marketing and transportation of grain. During the course of the hearings, it was explained that grain originating in Iowa, as an example, is competitive to various markets both export and domestic throughout the marketing season, but it is not always in line with all markets at the same time. It was also stated that it was not at all unusual to find at times that an Iowa corn processor might be bidding 5-10¢/bushel more on a given day than an exporter bidding for grain to go to New Orleans, because the exporter may be able to cover his needs with corn moving to New Orleans by barge from the Illinois River.

During 1973 the demand for rail service from Iowa was particularly severe and the Gulf was jammed. Alternative markets had to be found. During this period, Norfolk & Western determined some equipment could be made available to ship corn to Norfolk for export. Continental also moved a large volume of corn to Chicago for export through the St. Lawrence.

The export movements through Norfolk and Chicago were simply giving Iowa corn producers additional markets during the period of time when Gulf facilities were being utilized to the maximum.

The matter of corn prices in Central Iowa as they prevailed during certain days in 1973 were discussed on June 26, 1974 by the members of the House Select Small Business Subcommittee. It was recognized that while under normal conditions a domestic market such as Memphis might have been the best market for Iowa corn. Because of logistical reasons, the Chairman acknowledged the difference between a "real price" and one that "may not be real". This explains how on certain days a market bid may be several cents less than an "unreal" bid to a destination that could not be serviced on that particular day.

Your report contains a quote attributed to Continental Grain Company, which is an accurate quotation except the message contained in the quotation would be more adequately reflected if the quotation in its entirety would be included as follows:

> "we would identify that neither Continental nor any other grain shipper could obtain an assurance of an adequate supply of railroad owned hopper cars during the severe shortage of equipment. Continental experienced this shortage far beyond its needs.
>
> When various country elevators sold grain to Continental the value reflected what we were willing to pay at the market we were responding to for shipment up to 30, 90 days or more in the future. The terms of sale placed upon Continental the full obligation and responsibility to place upon the railroads the demand for service and equipment to move the grain so purchased. The railroads supplied Continental a share of their equipment in response to this demand. Continental was able to further back stop its equipment needs by the utilization of its private hopper car fleet. Continental was, nevertheless, still short of railroad cars to meet its commitments and paid penalties to sellers where it failed to meet its contract obligations."

We hope the contents of this letter will contribute to a better understanding of the policies of Continental Grain Company in transporting grain to several markets.

Very truly yours,

CONTINENTAL GRAIN COMPANY

R. J. Helm
Corporate Director
of Transportation

RJH:AS

CONTINENTAL GRAIN COMPANY
2 BROADWAY
NEW YORK, N. Y. 10004

MEMBERS
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OMAHA GRAIN EXCHANGE
ST LOUIS MERCHANTS EXCHANGE

November 8, 1974

Mr. Victor L. Lowe, Director
General Government Division
United States General Accounting Office
Washington, D. C.

Dear Mr. Lowe:

In reference to your letter of October 22, 1974 to Mr. Michel Fribourg, President of Continental Grain Company, we wish to thank you for sharing a copy of the draft report and for the opportunity to respond to the contents of the report.

Continental would incorporate in this response, its prior comments contained in my letter of August 14, 1974. As to the further details contained in this draft we would comment as follows:

We believe two significant considerations explain variances between Continental bids and what have been identified to you as higher market prices. The Continental bids reflected terms of FOB origin wherein Continental assumed all contractual risks for the transportation and took ownership at origin point. Where we could not perform due to equipment shortages and other considerations, we paid seller's penalties. The alternative markets reflect FOB delivered prices wherein the seller retained ownership until delivery and assumed all risk. As to terms, your report is not comparing equal terms of sale. An example of a few of the considerations and benefits to the seller in an FOB origin sale is identified in the last paragraph of Appendix V, "He said he avoided penalties for delivery or contract cancellations and interest expenses because of the arrangement he had with Continental to furnish unit trains." The extent of such penalties is further identified in Appendix II wherein the Clarion, Iowa elevator reports losses of $42,373 on 170,000 bushels of corn. Quite obviously, if the various bids or market prices identified reflected comparable terms of sale, the seller would not have accepted Continental's offer.

In our last response, we shared with you, information concerning real prices and hypothetical prices and further identified testimony on this subject developed during the hearings before the House of Representatives Small Business Subcommittee on the marketing and transportation of grain. We would have no means of reconstructing the market during this period in order to have an opinion as to whether or not the other prices identified reflected hypothetical or real prices. However, Appendix IV, Case Synopsis of Wellsburg Elevator, Inc., Wellsburg, Iowa clearly demonstrates hypothetical prices. While frequently Gulf values might reflect up to

10¢ higher per bushel, the Gulf was jammed and the market therefore could not deliver to the Gulf. The market had to seek alternative outlets which were more expensive and demanded lower values. This situation further illustrates Continental's original statement that the price we bid reflected what we were willing to pay at the market we were responding to.

The Enterprise Farmers report identifies its default on the contract of December 6, 1972. As our testimony before the House Small Business Subcommittee identifies, Continental went to extraordinary means to help elevators such as Enterprise, by seeking out Norfolk and Western equipment and making available Norfolk as an alternate outlet for Iowa corn. As we testified, Iowa corn had never moved via Norfolk and in order to utilize the Norfolk and Western equipment from Chicago Rock Island origins required a combination of local freight rates over Des Moines, Iowa, which were very high vs. the Gulf. The extra freight cost Continental had to absorb under this program was substantially higher than the 5¢ per bushel contributed by Enterprise. This further identifies how Continental was making every possible piece of railroad equipment and alternative port facilities available to the market.

Case Synopsis, Appendix VII, Continental believes this to be an elevator at Morgan, Minnesota at which we even tried to utilize cement hopper cars and we would add Chesapeake and Ohio Railway open top hopper cars.

As further information that you may find of value, we are enclosing a copy of the prepared statement submitted by Continental during the above hearings before the Select Small Business Subcommittee. We would recommend that your report include as an appendix the further comments of Continental submitted herein and our letter of August 14, 1974.

Very truly yours,

CONTINENTAL GRAIN COMPANY

R. J. Helm
Corporate Director
of Transportation

RJH:AS
enclosure.......

COOK INDUSTRIES, INC. / 2185 DEMOCRAT ROAD, MEMPHIS, TENNESSEE 38116 / (901) 396-8600

August 8, 1974

Mr. Victor L. Lowe
Director
United States General Accounting Office
General Government Division
Washington, D. C. 20548

Dear Mr. Lowe:

Thank you for your letter of August 2, and basically, I have no quarrel with the main thrust of your report.

With regard to the statement quoted attributed to one of our employees, I think you talked to Dr. Sparks. His recollection is that he said, "The grain markets are free, not regulated by the Government, and prices are dictated by supply and demand at a given point, and Cook has never paid less than the market price for grain". This is somewhat at variance with the way you quoted him.

It seems to me that no one has tried to determine why there is a shortage of hopper cars. Certainly, more grain has been moving, but it also appears to me that economic incentive is lacking with the railroads to build more hopper cars designed to handle grain. Is this true? How much does a car cost, what is the payout, what is the yield from the investment? Somehow these questions have never been faced squarely.

In addition, you might be interested in the report we gave to the Subcommittee on Special Small Business Problems of the Permanent Select Committee on Small Business, and I am enclosing herewith a copy.

Lastly, in the draft you sent us the appendices were not attached, and I would like to see the supporting appendices which at this writing we have not had an opportunity to examine.

It is always a pleasure to cooperate with your office, and any time we can be of further service, do not hesitate to let us know.

Sincerely,

Edward W. Cook
President

EWC/mm
Enclosure

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

516 West Jackson Boulevard

Chicago, Illinois 60606

WORTHINGTON L. SMITH
President

August 15, 1974

Mr. Victor L. Lowe, Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Lowe:

Responding to your August 2 invitation to comment on the draft report on railroad grain car distribution practices:

Insofar as Milwaukee Road is concerned, cited facts are, with one possible clarification, correctly stated. Our export grain train tariff, CMStP&P 18710, states the units in terms of tonnage rather than in terms of cars; i.e. 4,625 tons rather than 50 cars; 2,312.5 tons rather than 25 cars.

Furthermore, in my opinion, the commentary treats the issues fairly.

My thanks for the privilege of reviewing and commenting on the draft and I hope that it will be possible for me to receive a copy of the final report submitted by the General Accounting Office to the Congressman.

Sincerely,

Chicago, Rock Island and Pacific Railroad Company

LA SALLE STREET STATION | CHICAGO, ILLINOIS 60605

WILLIAM J. DIXON
PRESIDENT

August 7, 1974

Mr. Victor L. Lowe
Director
United States General Accounting Office
General Government Division
Washington, D. C. 20548

Dear Mr. Lowe:

Thank you for sending me a copy of your draft report on some aspects of railroad grain car distribution practices. I appreciate the opportunity you have afforded for me to comment on your observations.

As you undoubtedly discovered in making the report, the grain trade and its transportation requirements are not simple. I am concerned, though, that while your study generally presents a good survey of the situation and obviously endeavors to be objective, there are so many things left unsaid or unexplained that would really take more delving and writing than your office is prepared to do or your Congressman is prepared to read. With this in mind, I will make the following comments on the draft and add some current information that bears strongly on the entire grain marketing situation.

[3]

On page 5, in the first complete paragraph, you state that the North Western, Milwaukee, and Rock Island provide for unit trains of less than 50 cars. The Rock Island unit train tariff carries a provision for 5,000 tons, which translates into 54 jumbo hoppers; hence the usual reference to it is our 54-car rate. You are correct, however, that in this tariff there is a provision for three columns of rates: column 1, where the entire 5,000 tons are loaded at one elevator; column 2, where the 5,000 tons may be divided between two elevators but no less than 15 cars at either one; and column 3, where the shipments may be broken

GAO note: Numbers in brackets refer to the final report.

into 5-car increments which would permit several elevators to participate. In the case of either column 2 or 3, the shippers must coordinate their loadings so that the entire 54 cars can be consolidated in one run of the local train serving their elevators in order to achieve the same operating efficiency as if the entire 54 cars moved from one elevator. We feel that this innovation is a real contribution, in that it permits the smaller elevators to participate in unit train movements, yet we have substantially preserved the economies of the 5,000-ton movements [See GAO note, p. 31.]
[3]

In the last paragraph on page 5 you state that no one protested the adoption of multiple-car tariffs. I think it is a correct statement that no one protested any of these tariffs at the time of their filing because they involved multiple-car movements, nor has anyone filed a complaint before the Commission since their inception attacking the multiple-car concept. At the time of the original publication, however, there were protests on other grounds. For example, we protested the North Western tariff because of the manner of its pricing, and the North Western had protested our earlier filing for the same reason. Our tariff was also protested by the Corpus Christi interests, not because of the rate level or the multiple-car concept, but because the rates were not effective to Corpus Christi. We were perfectly willing to make them applicable to Corpus Christi, but our railroad does not go there and hence we were unable to comply with the request unless a railroad serving Corpus Christi was willing to join with us in the tariff.

In your review, you comment on the complaints by individual elevators that they were unable to get cars. No doubt you discovered in your investigation that some statements of these elevators could not be taken at face value without examining the record as to how many cars were actually given them. As an example, CCC has now been investigating the claim of many elevators where CCC grain has been stored that the elevator was unable to get cars from the serving carrier in order to move grain ordered out by CCC. On investigation, it has developed that the elevator would receive cars, but for reasons of its own, used the cars to move grain other than CCC. There are other instances where elevators have claimed they received no cars at all during a specific period, but investigation disclosed that while the elevator had received cars, it would complain in the hope of receiving more.

You may have had some difficulty in receiving the complete rail picture because of the intervention of the law that does not permit railroads to divulge information as to shipper movements without their consent. However, we have released information from our records of cars furnished specific elevators where that particular shipper has complained about the number of cars he received.

Perhaps most pertinent to your report is the fact that there is now no car shortage for the movement of grain. As you may know, we actually had cars stored through most of 1971 and 1972, even during our harvest rush, and it was not until the Russian movement hit us in October 1972 that we were unable to fill all orders. It now appears that the 1971-1972 pattern is reappearing. It is my opinion that the reasons for the disappearance of the car shortage are several:

1. There never was as big a shortage as reported, because of substantial over-ordering by shippers.

2. There are now many more cars available as a result of the railroads' car building programs.

3. We are getting greater utilization out of the cars we have.

4. The ports are doing a much better job, so that there is no longer a tie-up of equipment. This is apparent from the fact that while all during the shortage there were numerous embargoes, these have now disappeared except for sporadic, isolated cases.

That the combination of these factors has dissipated the shortage is evidenced by our own experience during the wheat harvest which has just ended. This year, up to our peak week, which is normally about the Fourth of July, we moved more wheat than we had in 1973. In 1973, we had moved 3,967 boxcars and 976 covered hoppers of wheat by June 30. In 1974, by that same date we had moved 2,601 boxcars and 7,186 covered hoppers. This is almost quadruple the tonnage when you consider the greater use of hoppers in 1974. Yet, where we had a shortage of 3,699 boxes on July 2, 1973, there was a shortage only of 192 on July 1, 1974, and all through June of this year we either had a surplus or a very small deficit. We are currently running a surplus, as is the nation as a whole, in the general service boxcar suitable for grain loading.

Another factor which bears on the car shortage is the fact that the car shortage was really, in part, a barge and truck shortage; that is, the shippers who would normally ship by these other two modes were clamoring for cars when they were unable to get trucks or barges or unwilling to pay the higher rates demanded by such carriers. (Our rates remain constant as published, whereas the trucks and barges escalate their charges during times of transportation equipment shortages.) Now that there are more barges available and the river conditions are cleared up, a greater volume is moving by river, so the pressure on the railroads has been diminishing. As evidence, I attach a copy of a recent clipping concerning the greatly increased movement this year on the Missouri River.

I hope you will forgive this exceedingly long letter, but it is a subject so important to all of us that I felt I should bring these matters to your attention. Again, let me thank you for having given me this opportunity to review your draft, and you may assure your Congressman that we will be glad to give him such information as we are able upon his direct inquiry to us. We cannot comment on the pricing arrangements between the sellers and buyers of grain as those, of course, are not known to us as a carrier.

Sincerely yours,

William J. Wilson