

MR. GOUNLEY: Chairman Nober, Vice Chairman Mulvey, Commissioner Buttrey, thank you very much for giving me the opportunity to testify. My name is George Gounley. I am employed by the United States Army Military Surface Deployment and Distribution Command, known as SDDC. SDDC is the surface traffic and seaport manager for the Department of Defense, and so I speak here for DOD.

SDDC's objectives in my testimony today are the same as those in its April 5th comment to the Board on the matter at issue; namely, to support the extension of TTX Company's pooling authority, to strengthen the economic justification for that pooling authority by improving the free-running aspect of TTX's chain tie-down flatcars, at least for the military and at least during periods of high demand, and to clarify that mutually-agreeable contracts or other agreements between TTX Company and DOD entities to improve the national defense, whose terms respect limits of TTX's pooling authority, do not endanger that authority.

SDDC believes that the background to its second and third objectives is unique to DOD and does not support general changes in TTX's pooling authority. SDDC respectfully asks that the Board be mindful of the national defense objective of the national transportation policy in evaluating SDDC's comment and this testimony.

In its rebuttal dated May 12th, TTX listed the Department of Defense as one of the supporters of "reauthorization of the full scope of TTX's flatcar pooling activities." That characterization is correct. While our second and third objectives are aimed at making a good thing better, our primary goal in this proceeding is to preserve what we have.

Some of the other commenters suggested that TTX's pooling authority be limited to only intermodal flats, or only intermodal and automotive flats, apparently on the basis that the other car types are not pooled or do not offer shippers the benefit of pooling.

This is contrary to our own experience, and such suggestions, if implemented, would be extremely detrimental to national defense. With their infrequency, sudden onset, and volume of material shipped, military deployments could serve as the poster child of the benefits of pooling. In fact, given the small peacetime market for chain tie-down cars, and, thus, the small number of such cars in existence, deploying for war would be impossible without pooling.

In the section of the rebuttal devoted to discussing DOD's concerns, TTX writes, "TTX does not dispute that the distribution of these chain tie-down cars has not achieved the same levels of efficiency as TTX's intermodal fleet. But Board action is not needed to motivate TTX to continue to improve utilization of these cars. As a result, railroads that have idle TTX chain tie-down cars on their system are understandably reluctant to release that equipment out of concern that an urgent need may suddenly arise to supply empty cars to military bases that they serve."

I would summarize these lines this way. There is an opportunity to improve, and TTX wants to seize that opportunity, but it needs the cooperation of the railroads to do so. It is for this reason that DOD is seeking the involvement of the Board, not to motivate TTX but to motivate the railroads.

The next paragraph of the rebuttal details the actions that TTX took to improve chain tie-down car supply during Operation Iraqi Freedom, or OIF. It is significant that once cars in storage are returned to service, TTX actions described there were all in the nature of advising or assisting, not directing.

DOD could not direct the TTX cars it just emptied to where it next needed them, nor could TTX. Effectively, then, the free-running status of a TTX car could only take effect with the consent of the railroad in possession of the car. This led to the situations which were

detailed in SDDC's comment where the railroad delivering a loaded TTX car generally treated the car, once empty, as if it were in its own reporting marks and considered its own interest first in deciding the disposition.

This works fairly well as long as there is an immediate need for more cars for loading at installations on or tributary to its lines. But that situation never lasted very long. Given the extensive spread of Class 1 railroads today, it also negates the possibility of interrailroad exchanges of empty cars that could save significant time and empty miles.

The military deployed differently in OIF than in the Gulf War's Operation Desert Shield. The reason for doing so was to match the deploying units more exactly to the field commander's requirements. This reduced the number of troops and the amount of equipment deployed, and thus enabled the deployment process to be accelerated.

The OIF deployment in general was considered very successful and will likely serve as the pattern for future deployments. This accelerated pace meant that things did not proceed as deliberately as they did in Desert Shield, and as a result anxiety levels were higher at deploying installations and on the railroads serving them.

The desire to be ready for anything, admirable in itself, caused just what TTX wrote in their rebuttal, "Railroads that have idle TTX chain tie-down cars on their systems are understandably reluctant to release that equipment out of concern that an urgent need may suddenly arise to supply empty cars to the military bases they serve."

The result was a successful deployment that was also a clear warning that change was needed. TTX cars taken from storage or from commercial service into deployment service were rarely released before the initial wave was over.

TTX cars, once placed in deployment service on one railroad, were rarely permitted to load for a destination on another railroad without the two railroads first agreeing and working out arrangements for the backfill of cars to the originating railroad. Over time, more and more cars ended up underutilized, as they were held at or near installations for longer and longer periods between loads.

Since OIF, SDDC's Transportation Engineering Agency has started to update its studies on how many cars are needed to deploy. Rather than build inefficiencies into its estimates, its first efforts were devoted to establishing a baseline number. That is the number of cars required, assuming flawless execution in car supply, loading, movement, unloading, and repositioning.

The good news is that the baseline number it came up with is lower than the current inventory of chain tie-down cars of all owners, even under the worst assumptions as to the size and timing of a deployment. The bad news is that the car utilization efficiency during the OIF deployment was only 43 percent of that assumed in the study.

Improvements can and will be made in the process, but it is clear that in order to be prepared to meet any threat to the nation, either the empty car distribution process needs to be much more efficient or someone needs to buy a lot more cars. Since the utilization rate of the existing chain tie-down fleet is already low, the only practical solution appears to be improving the car distribution process.

Since the accelerated deployment process raises the anxiety level of both individual installations and individual railroads, and since the national response of both is to try to squirrel away cars, it is apparent that a party able to view the big picture needs to be able to intervene as necessary to direct empties.

SDDC already has that ability with respect to the cars it owns, and TTX needs the

same ability for its cars. As stated in its comment, SDDC is not in a position of knowing how this should be done, only that it needs to be done. DOD is confident, based on its past dealings with TTX and TTX's general success in pooling cars, that it can devise a workable solution.

Since the solution will likely involve negotiations between TTX Company and its owner railroads, DOD asks the Board, in such manner as it sees fit, to encourage an acceptable agreement.

SDDC's last objective of making a comment in this proceeding looks to the future. It has devoted a considerable amount of thought in the last two years to how it can assure itself of access to the resources it needs to deploy by rail. This process was occasioned by the railroad's continuing efforts to eliminate excess capacity and accelerated by the problems which were experienced in OIF.

The process is far from done, but it is obvious that the TTX Company will be a player in some way, because of its ownership of chain tie-down, intermodal, and bi-level cars, all of which are needed to deploy.

In its comment, SDDC mentioned a number of ways in which it might in the future desire to contract with TTX Company. SDDC believes, from its prior dealings with TTX, that a major question for that company will be whether it could sign a contract or other arrangements with DOD without endangering its pooling authority.

SDDC asks that the Board make part of its -- a part of its decision on the current application a determination that, provided the agreement does not broaden the limits of TTX's pooling authority, TTX can so act in the interest of national defense without endangering that pooling authority.

This is the end of my testimony. I welcome your questions.