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CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
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CONGRESSMAN LES AUCOIN  
Testimony on HR 3046  
Before Trade Subcommittee of Ways and Means  
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Mr. Chairman, I appreciate the opportunity once again to submit my views regarding tariff matters related to the railcar industry, and the impact on our nation's chronic shortage of railcars which handicaps U.S. industry and farmers.

Last year, I introduced legislation that would reduce the Column 1 duty tariffs on steel cast parts called truck bolsters and side frames which are used in manufacturing railcars. I envisioned a temporary suspension or reduction of these tariffs, so as not to jeopardize domestic steel foundry operations which presumably will respond to increased domestic production of railcars.

My bill was considered by this subcommittee last year along with legislation aimed at suspending tariff duties on railcars imported from Mexico. This legislation is now before this subcommittee again, which prompts my testimony once more.

As I said last year, the railcar industry is complex. It also is highly competitive. And, perhaps most significantly, it is extremely cyclical.

My contention is simply this: To take actions that affect just one segment of the railcar industry risks upsetting delicate competitive balance. The result of competitive disadvantages over time could be to plunge the U.S. railcar manufacturing industry into another severe cycle of downturned business. This would be harmful, in turn, to domestic steel foundries.

It is axiomatic that when given a cyclical industry, shortages are inevitable. Severe shortages are to be expected when demand is on the upswing, as is the case in the railcar market now.

Domestic railcar manufacturers are rallying to meet this increased demand. In my Congressional District in Portland, Oregon, FMC Corporation's rail and marine division recently announced a \$20 million expansion of its railcar manufacturing plant. This is the second major expansion.

program in less than three years. In 1977, FMC, in anticipation of an increased railcar market, expanded its manufacturing capability by 80 per cent. By 1982, when the current expansion program is complete, FMC's annual production in Portland will be close to 6,000 railcars, compared to 3,300 in 1976.

A number of factors inhibit the expansion of this industry, but none at the moment any more severely than a shortage of component parts for railcars.

What was described last year as a temporary shortage of truck bolsters and side frames is emerging as a persistent shortage. Indeed, I am now told domestic railcar manufacturers are experiencing shortages of other essential parts -- such as wheels, axles and couplers and yokes -- and are turning to foreign suppliers for these parts, too. What we may be witnessing is the internationalization of the railcar component part industry, if not the entire railcar industry, as evidenced by the export of railcar "kits" into the United States from Brazil and Rumania.

If this internationalization is a fact, then it should give us further pause to enact special tariff treatment for any segment of the railcar industry. Preferential tariff treatment not only could upset the delicate competitive balance between domestic and foreign railcar manufacturers in the U.S. market, it also could give Mexican railcar manufacturers an edge in outbidding U.S. manufacturers for component parts abroad -- and in the United States. My information is that Mexican railcar manufacturers are purchasing component parts in the United States to a fairly significant degree, exacerbating shortages faced by domestic railcar manufacturers.

Perhaps what is most disconcerting about the legislation before this subcommittee today is that imports of railcars in the United States are brisk, despite the tariffs. This raises the question of the purpose behind suspending the tariffs, and who stands to gain from this action?

If our goal is to see positive steps to reduce the chronic shortage of railcars in this country -- and I think this should be our goal -- I believe we must take a comprehensive view of the entire railcar industry.

Indeed, the upshot of last year's consideration of this issue was to have been such a comprehensive analysis. However, I have never seen word one from the Administration that could be described as a comprehensive analysis.

I want to make clear, as I did last year, that I do not necessarily oppose suspending the tariffs on Mexican railcars. Anything we can do responsibly to lower costs deserves attention.

But I strongly feel it is unwise to consider the suspension of tariff duties on Mexican railcars in a vacuum. We have a competitive, growing domestic railcar industry that is producing an increasing number of quality railcars, and generating jobs in our economy. It is foolish to undercut that domestic industry and its growth potential for short-term economic benefits.

One solution is to broaden the legislation before this subcommittee to include temporary tariff relief for domestic railcar manufacturers on essential component parts, such as side frames and truck bolsters. I would advise that domestic railcar manufacturers be asked what other severe part shortages they are encountering, and what expectations there are for domestic suppliers increasing their production to meet this higher demand, toward the purpose of adding other tariff relief to this package that I am suggesting.

In conclusion, Mr. Chairman, what I am recommending is that either nothing be done or that something comprehensive be done with respect to tariff matters involving the railcar industry.

Actions taken by Congress must be compatible with the goal of achieving a viable domestic railcar industry -- from the production of metal cast parts through the manufacture of railcars themselves -- with the capacity to meet our domestic needs. Overlooking the delicate competitive balance of this industry, or its cyclical nature, or its increasing internationalization, will thwart the achievement of that goal.

Again, I want to thank this subcommittee for its attention to a serious matter, and for the opportunity to express my views. I stand ready to assist in any way possible developing amendments to the legislation under consideration that would conform to the suggestions I have made.