

December 12, 1938.

PROPOSAL TO ESTABLISH A FEDERAL RAILROAD EQUIPMENT AUTHORITY

1. To stimulate recovery now and prevent bottlenecks later in freight traffic, equipment making facilities and steel, it is suggested that a federal corporation be established, which, from the proceeds of the sale of its own guaranteed debentures, will contract for the purchase of new railroad equipment to be rented or leased to railroads.
2. Railroad equipment has declined both in quantity and quality greatly since 1929 with the result that at the time of this year's relatively low peak of car loadings the number of surplus cars was little greater than the irreducible minimum of the twenties. To meet the needs of full recovery in three years the railroads should spend from \$600 million to \$800 million yearly on new rolling stock. This year they will spend \$75 million.
3. In addition to stimulating recovery now and preventing bottlenecks in the future, adoption of the proposal would permit an extension of long-term economic stability in what has hitherto been a highly destabilizing field, it would give rise to large economies as a result of a continuous program, standardization, research, and the gradual development of a national car pool, it would permit a reduction in railroad debt and a substitution of variable for fixed charges, it would, through the provision of low rentals, induce the retirement of much almost obsolete equipment which now burdens the railroads with high operating and repair costs, and, finally, it would make for a valuable contribution to our national defense.
4. The proposal has been discussed with practical railroad men and technical problems appear to differ little from those now encountered by the private car leasing companies and in the interchange of railroad cars.
5. The proposal promises to be immediately more effective and to be superior on various other counts to the alternative of attempting to induce railroads to borrow more money on favorable terms for the purchase of rolling stock.

EXPENDITURES ON NEW RAILROAD EQUIPMENT

