IRONHEAD GAZETTE

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Upcoming Events:

April 6, 2014
Springfield Model Train Show
Springfield, Ohio
Admission: $5
Operating Layouts, Buy/Sell, Vendors, All Gauges

April 8, 2014
Club Meeting
7:00pm
Kenny Shanks' Garage
7 4th Street, Jacksonville
Bring something for show and tell!

April 12, 2014
Bucyrus Model Railroad Assoc.
Train Show and Swap Meet
Bucyrus, Ohio
Admission: $4
All Gauges Swap Meet/Flea Market, Memorabilia, Operating Club Layout

April 19,2014
Buckeye Model and Train Show
Columbus, Ohio
Admission: $7
Operating Layouts, Buy/Sell, Vendors, All Gauges

April 19, 2014
Extravaganza Train Show
Mansfield, Ohio
Admission: $5
Operating Layouts, Buy/Sell, Vendors, All Gauges

May 29-June 1, 2014
Club Trip
Streamliner's at Spencer
Spencer, North Carolina
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States Reinvest in Once-Abandoned Freight Lines

By: Jonathon Walters, Governing.com, February 2014

It is 6 o'clock on a recent morning and the thrum of Housatonic Railroad freight train NX-13's twin diesels is deepening. Engineer P.J. Bailly releases the air brakes and eases the early morning train south down the railroad's main line. It is hauling a variety of materials, from ethanol and lumber, to paper goods, construction and demolition debris. In all, the Housatonic Railroad hauls some 6,000 cars' worth of freight a year between its southern end in Danbury, Conn., and its northern terminus in Pittsfield, Mass. There, it exchanges cars with the major East Coast railroad, CSX.

While there's no definitive data on the railroad's economic impact on the two states in which it operates, the businesses served by the Housatonic employ 3,000 people. The companies served by the railroad, in turn, do millions of dollars' worth of business in products and services annually, adding to secondary employment numbers.

That the train is on the tracks at all this morning, though, is something of a miracle—a miracle for which the state of Connecticut is directly responsible. Connecticut was one of a group of states with the foresight in the 1970s and 1980s to step in and snap up abandoned rail lines at a time when railroads nationally were jettisoning thousands of miles of right of way in the face of an epidemic of railroad bankruptcies.

Other states seemed to accept that as fact—that the flourishing Interstate Highway System was destined to push a once-powerful and economically dominant freight and passenger transportation mode into oblivion. But Connecticut and other states, such as Michigan, North Carolina, Pennsylvania and Wisconsin, had the foresight to buy up and bank rail lines.

History has proved these outliers right. Which is why action on rail at the state and local government level has heated up: 2014 appears to be a landmark year for state involvement in improving freight rail. States including Connecticut, Massachusetts, Michigan and New York have either created or rekindled grant programs in the past year dedicated to improving freight service. Pennsylvania is spending nearly $39 million on 24 rail improvement projects this year, and Wisconsin will spend $52 million in the current budget cycle. States like Florida and Wisconsin also offer low-interest revolving loan funds for rail-related projects.

Why some states had the foresight to bet on freight rail all the way back in the 1970s, however, is no mystery, although it does have a strong whiff of serendipity. By luck or happenstance, there were officials in their departments of transportation who had a gut feeling that rail's heydays weren't over. "To be honest, I'm not sure anyone had any specific vision for what was going to happen to these lines," says Colin Pease, who does communications and government relations for the Housatonic. In the 1970s, he was the deputy commissioner overseeing a newly created rail bank program for the Connecticut Department of Transportation. "We did know that these corridors could never be recreated, and you could buy them for very little money."

States, of course, have been involved in railroading since the first rails were

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laid—and often in nefarious and unsavory ways. Some state legislatures in the late 1800s were considered wholly owned subsidiaries of railroads and railroad robber barons; insider land and finance deals were commonplace. The dominance of rail through the 1940s culminated in rail's central role in moving men and material during World War II, and in presidential whistlestop campaigns—Harry S Truman's 1948 campaign in particular.

Rail began a slow decline starting in the late 1940s, and along with it, the industry's political clout. The decline can be directly traced to the beginning of the massive federal interstate highway building program, the rise of airlines and stifling federal regulations. Those regulations tightly constrained how railroads operated, controlling everything from routing to what could be charged to haul freight. Thousands of miles of lines were abandoned by major railroads, including Penn Central in the East to the Rock Island Railroad in the Midwest during the 1970s and 1980s, with rights of way either rotting away or reverting piecemeal to abutting landowners.

Railroading's slow, steady comeback actually started in 1980, with passage of the Staggers Rail Act, named for its sponsor Harley Staggers, a West Virginia Democrat, who chaired the House Interstate and Foreign Commerce Committee. In effect, the Staggers Act cut freight railroads loose to finally compete on a level playing field, not only with each other, but more important, with other forms of transportation.

Before passage of the Staggers Act, "there were numerous cases where freight railroads actually wanted to lower rates but couldn't," says Jerry Vest, vice president for government and industry affairs at Genesee & Wyoming Inc., an internationally active short-line and regional carrier. After passage of the Staggers Act, the industry began sifting through the widespread bankruptcy and abandonment wreckage. Large railroads focused on securing key north-south and east-west transportation corridors, while hundreds of smaller regional and short-line railroads emerged to pick up ancillary track around the country.

While the industry took the same hit as every other during the Great Recession, rail's recovery appears to be accelerating now. This is due in no small part to a growing understanding of the importance of rail to an integrated, smoothly operating national transportation system—one that relies on government at all levels.

Understanding rail's role in America's transportation network was the impetus behind the passage of the federal Passenger Rail Investment and Improvement Act of 2008 (PRIIA), which directs the Federal Railroad Administration to develop a national rail plan, and also requires every state to develop rail plans of its own—which, at least in theory, would each be aligned with the national plan. State performance in the wake of the PRIIA, however, has been uneven.

There are clearly states that see the potential for boosting mobility and economic development through rail, and there are ones that still don't. "The insanity started when [transportation agencies] in states were all 'highway departments,'" says railroad consultant Forrest Van Schwartz, a former railroad executive, member of the Wisconsin Railroad Commission and writer for Trains magazine. "Their staff was totally involved in building interstates and freeways and highway bridges, and they had no understanding of railroading."

But some states are starting to get it. "GM just opened a new stamping plant in Arlington, Texas," says Van Schwartz, "because of a good rail connection. And if you don't have rail service,

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On your railfan outings, the four food groups become: McDonalds, Taco Bell, Pizza Hut, and Mr. Donut.

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What is a lawyer's favorite railroad?

The SOO Line.

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you're not going to attract Toyota Tundra plants like the one Texas now has in San Antonio."

Indeed, a growing number of states are beginning to look to rail. Projects being supported in part by government now range from the modest—a $207,000 grant from the New York state Passenger and Freight Rail Assistance Program to rehabilitate a paper company at the Port of Albany in New York—to the hugely ambitious, such as one in the Chicago area. This particular project is a partnership between the U.S. Department of Transportation (DOT), the state of Illinois, the city of Chicago, Metra (Chicago's regional commuter rail line), Amtrak and numerous private freight railroads. Known as CREATE (Chicago Region Environmental and Transportation Efficiency), billions of dollars are being invested in rail and road infrastructure improvements in and around Chicago aimed at opening up what railroaders and transportation officials alike regard as the country's worst rail bottleneck.

But in some ways money seems secondary in the scheme of things. Initially, just like state officials, railroad operators didn't see the benefit in public-private cooperation, notes Sara Walfoort, transportation planning manager with the Southwestern Pennsylvania Commission, a 10-county metropolitan planning organization that encompasses 22 railroads and 1,400 miles of track. "There was a lack of exposure to each other and a lack of trust on the part of railroads. [They thought], 'What kind of proprietary information would governments want? And government assistance always comes with strings attached.'"

When railroads in her region decided to come to the table, says Walfoort, "what they discovered was that we could establish very beneficial partnerships, and that we could help them on projects."

The advantages for southwestern Pennsylvania were clear too. The region is four hours from the Port of Baltimore, six from New York and eight from Chicago. Given that, says Walfoort, "Why do we need 9,000 trucks driving through the states of Indiana and Ohio to get here?" And while the ongoing battle between railroads and trucking is pretty much alive and well nationally, Walfoort says truckers in her neighborhood "are finding it more cost-effective to load their stuff on trains" to, among other things, "get around that mess that is Chicago."

Now, states, localities and the railroads appear to be working well together. "We've had what I would categorize as a very aggressive, proactive and robust relationship with private freight rail," says Fred Wise, who manages the rail arm of the Florida Department of Transportation. While the state has for the past two decades worked with railroads, Wise says the partnership really began rolling in 2003 when Florida developed its first strategic intermodal system improvement plan, covering airports, seaports, highways and rail.

The emphasis is on strategy because Wise has his eye on the newly widened Panama Canal, which has set off a national and international arms race to upgrade

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the capacity of ports. Florida has invested millions along with private railroads to improve rail access to its ports, including tracks to the Port of Miami. It's a $500 million investment in rail freight capacity statewide by CSX Transportation, using $432 million from the proceeds of a Central Florida rail corridor purchase by the state for commuter rail service in the Orlando area. Additionally, the Florida DOT partnered with the Florida East Coast Railway, Port of Miami and U.S. DOT in a $49 million project to restore on-dock rail service to the port.

Close state and freight relations pay other benefits, says Bob O'Malley, CSX's Florida government liaison. Both the Florida DOT and CSX—along with all the other rail players in Florida—work closely to ensure that projects either reinforce what each sector is planning by way of capital improvements, or at least don't conflict.

Another benefit to having a solid working relationship with railroad companies is that it makes it easier to score federal transportation dollars, from Transportation Investment Generating Economic Recovery (TIGER) grants to Congestion Mitigation and Air Quality Improvement grants. Florida DOT, for example, helped pull together construction of a $47 million rail line connecting an East Coast container transfer facility to a key southern rail line. The state put in $29 million, the South Florida Regional Transportation Authority contributed $2.5 million, CSX and Florida East Coast put in $1 million each, and the feds ponied up $13.75 million through a TIGER grant. "We're convinced that our partnership with the railroads was key to getting the TIGER grant," says Wise.

So what's the downside to partnering with railroads? On the public side, there can be a significant NIMBY factor where states or localities are looking to help reestablish rail. Van Schwartz recalls with something short of fondness the public hearings he attended as a rail executive in central Massachusetts working with a short-line railroad that wanted to increase traffic on an established but lightly used line. "I'd break out my Roman shield and go down to town hall and ask, 'When you bought your house did you happen to notice that rail line running behind it—the one that's been there since the 1840s.'"

At the same time, giving public money to private, for-profit companies to invest in things that some believe these companies should be investing in themselves can be a tough sell. Florida's Wise says that the state's formula for providing grants includes a clear public benefits test. "We do the metrics. You take 260 trucks off the road for every train. Highway maintenance cost avoidance is huge." The environmental and economic development advantages can be calculated as well. "You can move a ton of freight 100 miles on one gallon of fuel, which means shippers can look to savings with rail versus trucks. All those factors come into play when we calculate the benefits of a specific project." The key, says Wise, is to understand the industry and to be hard-nosed about the deals states cut.

And railroaders like Genesee & Wyoming's Vest are clear about the railroad's responsibilities when it comes to angling for state or local help. "Some states have done a tremendous job in public-private partnerships and making rail investments," says Vest. "But we as an industry shouldn't be subsidized. We should be out there earning the returns we need in order to operate a very capital intensive industry at some level of normalcy."

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