State Rail Planning and the Public Interest

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Although there is general agreement on the overall aim of the public interest in transportation planning—which is to provide service to the people, areas, and institutions needing it—there appears to be a problem with rail planning. An examination of the legal backdrop against which rail planning is conducted suggests that the states should play an active role in the planning process, that many of the federal government's objectives are in conflict, and that not all of the multiple objectives of the public interest are of equal importance. The critical issues are improving railroad economics and determining the impact of decreased or increased service on specific areas. While the federal government is looking at pricing, production, and plant, the states should concentrate on plant. State highway planning has long been in effect; state rail planning is long overdue.

Consideration of the role of the states in rail transportation planning involves deciding what the states should do, how they should do it, with whom they should do it, and why they should do what they do. I believe the public interest should be consulted; that is, we must decide what the public interest would require the states to do.

In this paper I hope to provide some guidance to the major parties at interest and to suggest some appropriate areas for research and analysis into issues about which we seem to know a good deal less than we should.

It has been suggested that the perspectives of the Interstate Commerce Commission (ICC) and the U.S. Department of Transportation (DOT) are clearly and greatly at variance. This view holds that the ICC does not take the part of the railroads but instead sides heavily with the shippers, whereas DOT is concerned only with the economic well-being of the railroads. Such arguments are probably both mistaken and counterproductive, because they divert us from the basic issues.

To suggest that the ICC consciously and explicitly advances the interests of users at the expense of the carriers is to suggest that the ICC is shortsighted and derelict in its duties. Even the most virulent critics of the ICC would admit that it is aware that without railroads there is no transportation service. On the other hand, to argue that DOT is not concerned with shippers and communities seems pejorative in the extreme. No one at DOT would advance the notion that transportation is an end in itself; transportation exists only as a service to people, areas, and institutions needing it. Thus, the basic aims of ICC and DOT strike me as being quite congruent. There is, nevertheless, a problem.

We might begin by examining the legal backdrop against which the current planning is conducted: the Regional Rail Reorganization (3R) Act of 1973 and the Railroad Revitalization and Regulatory Reform (4R) Act of 1976. The former requires, in general, that DOT look at the rail network in the Northeast, that appropriate support be made available to potential participants in planning who might, because of limits of finance, otherwise be constrained from participating, that standards for analyzing railroad economics be developed, and, finally, that DOT assist the states. The specific criteria to be considered are economics of the railroads, needs of regions, particular rail passenger possibilities in the Northeast Corridor, existing patterns of traffic, and explicit concern for energy, preservation of competition, and concern with the environment, efficiency, and employment. It remains to be explained how all this promotes the public interest and state participation in rail planning.

First, it suggests that the states—as representatives of areas, regions, and communities—should play a very active role in the planning process. (Note that this is by no means an issue for the Northeast alone, because the 3R and 4R acts together extend the issue to all 50 states.) I interpret this to mean that unilateral, heavy-handed, highly directed, federal execution is clearly and openly in conflict with the intent of the law. Indeed, I think it is against the public interest.

During the late 1960s, we as a nation learned that major decision making—whether it concerns Southeast Asia or the Interstate highway program—that is formulated, decided, and executed in Washington without the involvement, participation, and understanding of the people affected, or their local representatives, is going to be bad decision making. The law does not call for consensus decision making, but it does call for extensive local participation in the decision-making process, and this would support a substantial role for the states.

Second, this review suggests that many of the federal government's objectives are in conflict. We know that energy concerns are not always compatible with environmental concerns and that both may be in conflict with economic issues. Thus the public, who have multiple objectives, must accept measures of compromise and resolution of positions that may be, to a significant degree, incompatible. This suggests, for all participants in the process, what in the terminology of labor negotiations would be called "collective bargaining in good faith."

Third, all multiple public-interest objectives are not equally important. Some clearly deserve extensive attention, while others deserve a good deal less. Certainly the economic well-being of the railroads must receive high priority. The alternative, nationalization, has caused problems in virtually every country where it has been tried. Transportation is not an end in itself. Answers that are good for the railroads but not for the regions are nonanswers. Energy and the environment are important issues, but probably very little that any of us do in this area of planning will have much effect on either. As for competition, the railroads are already subject to heavy competition from trucks, barges, pipelines, and each other. Employment, as it relates to regional economics, is naturally a major point of public interest; as such, it receives proper attention under the heading of regional impacts.

All this means, for the public interest, that, first, we should all work to improve railroad economics and, second, we should carefully and realistically examine the impact of altered service on specific areas. After these two, the issues quickly become less critical.

I commented earlier that DOT is concerned with quality of service; let me now admit that it appears to be spending most of its energies on trying to "right the capped railroad boat," in the implicit belief that this will automatically improve matters in the Northeast.

Washington seems to be concentrating on pricing, production, and plant. Some think that, under present regulations, rail prices are out of line and that regulation should therefore be modified. I wholly concur; I regard noncompensatory rates and cross subsidization as abomi-
nations, and I devoutly hope that someone can make sense of the ICC's endeavors. But the question is how this affects planning by the states. For our immediate purposes, there is only an indirect effect. Much the same applies to production or productivity. Work rules, car utilization, interlining, and per diem and demurrage charges are all important and worth great efforts. But, again, these are not of immediate concern to state rail planning offices. Plant is.

DOT has concentrated many of its energies on abandonment or downgrading of portions of the system. The response of many regions and shipper interests, not surprisingly, has been substantial opposition. Very few people like to see reduction or cessation of any form of transportation service. What emerges from the dialogue to date, as I perceive it, is a great deal of disagreement about the value of abandonment or reduction of service. The states must therefore take the dominant role in assessing regional impacts.

There are two alternatives. One is that DOT could rule the states' analyses of needs and distribute funds accordingly, but this would have very serious political implications.

The other option is to introduce financial constraints into the states' deliberations. This would increase the states' share of subsidies but raise serious questions about the formula used to apportion the funds.

The answers to the questions of which actions improve railroad economics, of whether the states should worry about this, and of whether it should be left to the railroads, DOT, and ICC seem to be that, if the states do not play the devil's advocate on the issue of abandonment, nobody will. Doubts have been expressed recently that abandonment will improve the economics of the railroads, but DOT firmly believes that significant reductions in trackage will significantly improve the economic well-being of the remaining system. Overall, the railroads themselves appear to believe that abandonment will help.

I think the public interest will be better served if some party that would be inclined to oppose abandonment (e.g., the states) forces the issue. A detailed examination of the dollar advantage of sectional abandonment of lines of the Boston and Maine Corporation clearly shows that (a) the real savings would be much less than claimed and (b) this is a very complicated subject. We need to know what the real value of abandonment is.

Just before the demise of the Penn Central Transportation Company in 1976, the plans for salvation included abandonment of 5000 km (3000 miles) of track, which was estimated to save the necessary amount of dollars. And then there was a series of models of the Penn Central system that estimated first that abandonment of 17 700 km (11 000 miles) would produce the magic and correct result, the second time that 27 000 km (17 000 miles) would be required, and the third time that it would require 22 000 to 24 000 km (14 000 to 15 000 miles). On the day the line declared bankruptcy, the total trackage proposed for abandonment was 150 km (95 miles). Abandonment is often invoked as a panacea for the resolution of railroad problems. I suspect that its economic impact on operations would be much weaker than has been claimed.

This brings me back to the point about state participation. If the states do not stand and challenge on this issue, we will have abandonment whether it is good or bad. Perhaps, if the states make enough noise, the railroads and the Federal Railroad Administration will together develop techniques of analysis that will make it possible for us to approach the subject with a good deal more confidence.

Certainly the states—all of them—must participate. The law suggests this, and the public interest calls for it. Assessment of the local impact is best performed at the local level. State highway planning has been around for a long time. State rail planning is long overdue.

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State and Interstate Commerce
Commission Rail Relations

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This paper presents an outline of state and federal roles in inter-and intrastate rail decisions. Regulating intrastate rates came under Interstate Commerce Commission jurisdiction in 1920, and as late as 1968 the federal role was being extended. The Railroad Revitalization and Regulatory Reform Act of 1976 reversed the role, giving jurisdiction over intrastate rate questions to the states, but with certain strict rules. Passenger service and standards of service adequacy fell largely to Washington under the Urban Mass Transportation Act of 1964. Today, the Interstate Commerce Commission and Urban Mass Transportation Administration are calling for more state and local participation in the planning for survival and operation of passenger service. Line abandonments may also be avoided through state planning and state and federal subsidy under the Railroad Revitalization and Regulatory Reform Act.

Many state and local governments are experiencing a movement into their ranks of highly qualified people who are professionally competent, public-spirited, and anxious to find solutions to serious social problems. This movement might be the single most important factor in making our system work. Reflecting the strength of this local development, a number of federal laws are being amended to accommodate and encourage local participation in federal programs.

In the following I shall plot the course of this phenomenon in three matters affecting railroad service: intrastate rates, railroad passenger service, and abandonment of rail lines.

INTRASTATE RATES

In 1914, the U.S. Supreme Court sustained an Interstate Commerce Commission (ICC) finding that it is unlawful for a railroad to maintain intrastate rates that discrimi-