

THE BURLINGTON NORTHERN'S VIEW OF THE STATES' RAILROAD PLANNING

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I hope in the dealings that we in the railroad industry have with those who are in government we can come to the realization that the public & private sectors are not nearly so well defined as they once were. I think we have come a long way from the days when we viewed government people as bureaucrats and were seen by them as robber barons. The mechanisms which were set up in Title VIII of the 4R Act for the publication of system diagrams and state rail planning have gone a long way toward providing a framework whereby railroads and public officials can work together in developing a better transportation system.

But while it's nice to talk about cooperation, we, of course, represent different viewpoints and have different responsibilities to our employers. Cooperation between the railroad industry and government will be most productive when each do what they do best and carefully refrain from taking on each other's functions. Government is best suited to be a facilitator and a catalyst, providing incentives to private enterprise to act in concert with public policy objectives. Private corporations (in this case railroads) act best as strategists and managers - sorting out the alternatives, weighing risks, devising a plan of operations and making it work.

An example of a very productive and proper relationship between government and the rail industry is the FRA's current efforts regarding restructuring of the Midwestern rail network. FRA could have assumed the role of a planner attempting to determine where changes should take place and then trying to develop ways to make the rail industry follow its plan. Instead, FRA wisely chose to be a facilitator, using Section 401 of the 4R Act, and let the railroads themselves devise changes in the rail network.

Of course, in addition to its power to convene meetings under Section 401, FRA has funding authority under Title V to provide direct incentives for any capital investments which might be required in order to achieve this restructuring. These are powerful tools and will prove effective in achieving some improvements in the present rail network. The key point is that the railroad companies themselves are going to be developing the proposals and making them work with assistance, but not direction, from FRA.

Let me give details of a case as an example of the kind of wasted effort which can develop. The state railroad officials involved in the exercise did their best to deal constructively, and at times very creatively, with a difficult situation.

Railroad "A" had a five mile Branch Line "B" located in State "C" which had an annual volume of about 30 carloads. The line required considerable upgrading and Railroad "A" saw no chance that it could ever become profitable. About two years ago, application was made to the Interstate Commerce Commission for authority to abandon the line. None of the shippers at the only station to be affected filed a protest. Acting with lightning speed, the ICC granted the abandonment application about a year later. Suddenly, State "C" offered an operating subsidy. The ICC determined that the state was a financially responsible party and ordered that the abandonment be delayed for six months so that a subsidy contract could be negotiated.

In the first meeting with the State Rail Planning Officials, the railroad asked why in the world the state would want to subsidize a line with so little traffic and such poor prospects. They said that Elevator

Operator "D" insisted that if he could just get cars, he would be shipping at least 150 carloads a year and that other shippers in town could produce at least 50 cars. The railroad checked its records going back 2½ years and found that this particular elevator had shipped a grand total of two cars. The records showed that he had also ordered a grand total of two cars. During most of this period, the railroad had substantial surpluses of grain carrying equipment. The state officials promised to confront the shipper with this information and ask him to justify his traffic projections.

After a while, the state people reported back that the shipper was no longer talking so much about car supply. He was now saying that the real reason he hadn't shipped more grain was that he didn't know what his freight rates were. As all of you know, there are almost countless numbers of rates which can apply from any location and so the railroad asked for specifics as to what markets the elevator was trying to serve. He gave several possibilities, but the primary point he hoped to reach was about 75 miles away and would require a two line rail haul.

After further discussions between the State Rail Officials and the Elevator Operator, the idea emerged of the shippers in that community buying the trackage from Railroad "A", with State "C" providing financial assistance for line upgrading. Railroad "A" would then provide switch service from the end of its existing line under a contract fee. I don't recall whether the ownership idea was originally proposed by the state or by the shipper, but the owner of Elevator "D" was very enthusiastic about it. However, as the months passed, it became increasingly clear that the elevator operator's interest was primarily in keeping negotiations alive, and not in producing any money to achieve the ownership transfer.

Finally, the six month negotiation period ran out. The state advised the shipper that the negotiation period had expired, but the shipper was still talking about his community producing 200 carloads a year of rail business, most of which would come from his elevator. Since the subsidy negotiation period had expired, the railroad requested and the ICC granted the final abandonment certificate.

However, Railroad "A" offered to keep Branch Line "B" in operation voluntarily for six months if the shippers would indicate in writing how much rail traffic they intended to generate during that period. At the end of the six months, it would then be determined whether or not the projections had been accurate and what this might mean about the future of the line.

After a few weeks, the letters started coming in. The lumber dealer advised that, if business was good, he would expect to receive up to two carloads during the period. The fertilizer dealer advised that he would probably receive about 25 cars, but nothing was heard from the elevator owner. Finally, the long awaited letter appeared indicating that a great change had taken place in his projections. He said that things would doubtless be better next year, but for the balance of this year, he would only ship about 15 cars. His reason was that there was currently a shortage of grain. That's right -- a shortage of grain. The railroad has since advised the shippers and the state that it will exercise its abandonment authority at the end of November, allowing the fertilizer dealer time to receive his fall shipments. And so, two years after the initial application, five miles of railroad will be abandoned.

Again, it should be emphasized that the State Rail Officials did their best in a difficult situation, but most will agree that all involved spent a good deal of time in a rather fruitless effort. This was time which could have been better spent working on a stronger rail system for those areas that really need it.

Obviously, it is not enough to criticize what has happened in the past. It is better to talk about things which should be accomplished in a productive relationship between railroads and State Rail Planning Officials. Let me give you just a couple of ideas. We all talk about multi-modal planning and the need to look at all modes of transportation and their interactions when studying a state's transportation network. And yet, how many studies have you seen of the impact of raising truck weight limits on railroad branch lines? How many studies have you seen on the impact of toll-free waterways on rail lines located near these facilities? These would certainly be useful studies. However, these are politically sensitive areas, but we simply cannot go on forever with a set of public policies which continually subsidize, directly and indirectly other modes of transportation and then create a need to subsidize rail lines which are being forced out of existence.

Another example of what could be a highly productive effort which would be much less politically sensitive is the need for reliable data on the movement of goods by truck. There is only a smattering of data, most of which is misleading if the user assumes that it represents all trucking. I have read state rail plans which state that railroads handle about 37% of all intercity ton miles. The actual percentage is far less, probably somewhere in the mid 20's, because a vast amount of intercity trucking takes place without being included in the statistics.

The Association of American Railroads is undertaking a very extensive truck data collection effort which should yield results sometime this year. However, this will be national data, and not particularly useful in determining traffic flows within any one state.

Let me suggest an example of what a state can do to greatly improve its data system. The state of North Dakota requires that all elevators report on a regular basis the amount of grain shipped by rail and by truck. This information is compiled and made available to the railroads and the public. This has been a tremendous help in determining how railroads can develop new rates and services to capture a larger share of the market. It does little good to study a railroad branch line in agricultural territory without knowing how much grain is moving by truck and where it is going. I strongly suggest that other states follow North Dakota's lead in developing this type of information. Data may be somewhat harder to find in non-agricultural areas, but it could be developed.

I would like to close with a few words about the

provision of railroad data to state planning authorities. I cannot emphasize too strongly the need for states to work closely with rail carriers in determining what types of data are feasible to provide and those which would be truly useful in carrying out specific projects.

Frankly, railroads are not terribly interested in providing a huge data bank which the state might use at some time in the future and which would need to be continually updated in order to be of any value. We are interested in supplying whatever data we can for specific projects, the purpose of which we can understand. When railroads are a part of the study process and can clearly see the need for the data, most will go out of their way to provide at least some type of information, although maybe not in exactly the form and the quantity that states request.

One final example about how and how not to acquire data. This event occurred in the same state. (Incidentally, not State "C" in my previous example.) This state wanted to study the potential for passenger train operations in a certain corridor. They requested some highly detailed raw data on freight train operations which we thought could be misleading. We were not at all anxious to provide it and said so. We subsequently received a letter from the state advising that if we did not provide the data which had been requested within a very short time period, the state would proceed to study the movement of passenger trains with the assumption that no freight operations existed in this corridor. Furthermore, the state would assume that all railroads were in agreement with this approach if the data deadline were not met.

Naturally, we did not appreciate this sort of ultimatum and expressed our concern to the state officials. They were willing to listen and we have since set up some meetings where the railroads can get a better idea of how the study will be done and just what data is needed. This will probably lead to further meetings with railroad operating people present to explain our freight operations to the state and its consultant. The resulting information will be far more valuable than the raw data originally requested.

My point is this -- reasonable people can accomplish a great deal by working together from the start of a project. Let your railroads be partners in the study process, not just a source of numbers. The State Rail Planning process has great potential for developing this kind of cooperation between government and private enterprise. I invite you to join with us in making it happen.