

"The First 1000 Miles"

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Rail service is a "matter of life and death" for some businesses, grain elevator proprietors, and farmers, said Iowa Governor Robert D. Ray at the observance of 1000 miles of upgrading on Iowa's rail lines since the state's Rail As-



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sistance Program was instituted by the Iowa Legislature in 1974. The observance was held in Clear Lake and Mason City on a section of the Milwaukee Road's "North Line", which is currently being revitalized under the Iowa program.

The Iowa Rail Assistance Program is a unique "self-help" approach to preserve essential rail service. The railroads, shippers, and the federal government participate in the costs of upgrading lines.

In 1974, Iowa was faced with a deteriorating state system of 7000 miles of railroad line. Deferred maintenance, inefficient use of freight cars, and the inability of some carriers to cope with the increased shipping that resulted from the grain deal with the Soviet Union finally took its toll on Iowa's rail system.

The 65th Iowa General Assembly created the Energy Policy Council and gave it the responsibility to develop and implement a rail assistance program. During the first year, contracts were signed with Iowa's five major railroad companies—Chicago and North Western, Rock Island, Milwaukee Road, Burlington Northern, and Illinois Central Gulf—along with six shipper's associations, and the state to rehabilitate 271 miles of branch line.

In 1975, the responsibility for the administration of the rail program was transferred to the newly created Iowa Department of Transportation (DOT). Following the transfer to the Iowa DOT, the rail situation in Iowa deteriorated when the Rock Island filed for bankruptcy. Following this news, which stunned Iowa farmers, business people, and the general public, the Milwaukee Road announced it was also in financial difficulty and sought the protection of the bankruptcy courts.

Despite the deteriorating rail situation, Iowa's rehabilitation program continued to move forward. Today, 1041 miles of branch line have been placed under contract through this program. A total of 26 contracts have been signed on 16 branch lines involving 15 shipper associations and 5 major railroads in Iowa. This represents a total investment of nearly \$55 million in shipper, railroad, and public funds. The rail program has served as a model for other states and has been highly successful due to the strong support of the

Iowa Governor Robert D. Ray (left) waits his turn at hammering in the final spikes, while Iowa Senator Roger Jepsen swings away during the festivities in Mason City to mark more than 1000 miles of rail line rehabilitated under the State of Iowa's Rail Assistance Program. In the center background is William McGrath of Melrose, Iowa, chairman of the Iowa Railway Finance Authority.



Led by the State of Iowa's track geometry vehicle, a line of hybrid vehicles carries federal, state, and local dignitaries over the Milwaukee Road's North Line during an observance of the line's upgrading.



governor, legislature, the state's rail users, and the public.

The transportation industry accounts for 23 percent of Iowa's gross state product. A rail network to gather grain is vital because 90 percent of Iowa's agricultural products go to markets outside the state. In addition, Iowa's agricultural exports amount to 10 percent of the total U.S. agricultural exports, which substantially helps to offset the U.S. trade deficit created by foreign oil imports.

As an example, a group of shippers along a branch line in northwest Iowa export corn and beans valued at about \$255 million. The carloads from this branch line alone account for 2.3 percent of the total U.S. export of grain. The deterioration of just this branch line would be a blow to Iowa's economy and the national export market.

The philosophy of the rail rehabilitation program has remained the same since its inception. Shippers along a line determine that they have an interest in pooling their resources to help improve their transportation system. The railroad company recognizes the benefits that can accrue from fewer derailments, faster and more efficient service, and increased density on the line. The state evaluates the line to determine if the economic benefits to the shippers, the railroads, and the public exceed the cost of the project.

The railroad company has an incentive to provide service on the line to regain its share of the cost from future revenues. The shippers have an incentive to use the line because repayment of their no-interest loan is based on the traffic they provide on the railroad line. As more grain is shipped by rail, the investments by firms in additional rail equipment and facilities are increased. All

three parties contribute approximately equal amounts to the cost of the project.

It was appropriate that the 1000-mile observance was on the Milwaukee's North Line. This line was financially marginal, but through rehabilitation has become a very profitable operation. Traffic has increased from 8000 cars per year to more than 22 000 cars per year, and in another year it is expected that more than 30 000 cars will move over this line. The North Line is a prime example of multimodal transportation in Iowa. Trains gather thousands of bushels of grain per day along the line and deliver much of it to barges on the Mississippi River to be transported to the Gulf of Mexico for export by ocean-going vessels.

Restructuring of railroads, with the liquidation of the Rock Island and the reorganization of the Milwaukee Road, has had pronounced effects on the program. The end of service on the Rock Island and Milwaukee Lines has increased the potential of some branch lines that are already in the program and has had the same effect on others that are candidates for assistance. Final decisions on potential candidates must wait until the ownership of the Rock Island Line and the reorganization of Milwaukee Road are resolved. Nevertheless, the program is not at a standstill.

The evaluation of Iowa's rail system continues. A final resolution of the transportation problems in Iowa and the nation will be the result of the cooperation of all parties. The Iowa Rail Assistance Program demonstrates that this cooperation and commitment can ensure a coordinated and complementary freight transportation system.