MULTIMODALWAYS

Project History

On 2-1-1968, long time railroad companies New York Central and Pennsylvania Railroad, both having faced finacial trouble in the post-WWII period, merged creating the Penn Central Transportation Co. The merger ended in bankruptcy due to numerous reasons including accounting fraud, and necessitated a government bailout. Congress with its 3R Act re-created the U.S. Railway Association to convert PCTC into federally owned/ operated Consolidated Rail Corp. USRA retained Stanford University's Stanford Research Institute and other firms to recommend how the conversion would take place. Their final decision was to convey operating rail assets to Conrail, and non-operating rail assets to Penn Central Corp. (now the Great American Insurance Co./American Financial Group of Cincinnati).

In the post-PCTC bankruptcy announcement to Conrail's eventual privatization period, the federal government invested $Bs in the PCTC/Conrail infrastructure for desperately needed upgrades and MOW. But just prior to its privatization, Conrail bizarrely reversed the investment and arbitrarily liquidated brand new rail upgrades, and buried new ties and other components into pits to hide them from the balance sheets. So the federal government still has significant virtual equity in the Conrail lines even if they are downgraded, abandoned or liquidated.

Conrail's route rationalization and abandonment program accelerated to consolidate as much traffic on as few remaining main lines as possible. It seriously downgraded and nearly abandoned the "Ft. Wayne Line", which was the high speed line from Pittsburgh-Alliance-Ft. Wayne-Chicago, and shifted most of its traffic to the Pittsburgh-Cleveland-Chicago main line. It eliminated the ex-NYC Buffalo-Detroit via Canada segment of its Buffalo-Chicago route, shifting that traffic onto the Buffalo-Cleveland-Chicago route. It largely rationalized the efficient Erie Lackawanna's NYC-Akron-Chicago main line and liquidated half of its Youngstown-Cleveland secondary line again in favor of the longer NYC-Buffalo-Cleveland-Chicago route. Thus the reason why the Cleveland-Toledo-Chicago main line is far more congested with traffic than need be.

Also by eliminating those main lines Conrail purged its feeder branch lines along with its small captive customers which were then forced to truck, relocate facilities to main lines or yards, or cease business altogether (although many surviving industries decided instead to off-shore). Conrail and other large Class I railroads have catered more to unit trains and highly-valued shipments while coping with the congestion caused by rationalization and elimination of redundant routes.

The Pittsburgh-Columbus segment of the Panhandle, part of the Pennsylvania RR's Lines West division and predecessor Pittsburgh, Cincinnati, Chicago & St. Louis RR Co., was not financially successful until the entire segment was completed. The Panhandle's Pittsburgh-Columbus segment during the WWII era was stated as being the busiest rail segment ever in the US if not the world. After a rather ordinary train wreck west of Steubenville in the early-mid 1980s, Conrail officials Peter Lynch and Richard Hasselman re-routed trains from the Pittsburgh-Columbus segment onto the Ft. Wayne Line instead. Much of that traffic was further out-of-routed onto the Pittsburgh-Cleveland-Chicago line, which could then reach St. Louis, vs. using the Pittsburgh-St. Louis direct route. With that traffic successfully out-of-routed, Conrail abandoned segments of the west end of the Panhandle from Columbus-Bradford (OH)-Richmond (IN)-Indianapolis and most segments from Bradford-Chicago.

In the mid-later 1980s Conrail decided to abandon and liquidate segments of the PA, WV, and East OH Panhandle. A vicious fight was mounted by Tuscarawas County (OH) officials and volunteers, state legislators, the Governor's office, ODOT and other state agencies, and federal legislators and agencies to save the East OH Panhandle segment (east portal of Gould Tunnel [south of Steubenville]-Columbus plus three short branch lines) vs. the Interstate Commerce Commission's pending abandonment decision. Ultimately the opponents were successful and in 1992 the Ohio Rail Development Commission (an independent agency of the Ohio Department of Transportation) convinced Caprail I., Inc. (an OH-based subsidiary of Philadelphia-based Civic Finance Associates, Inc.) to purchase the line for approximately $7.3M from Conrail which leased-to-own it to ORDC for 20 years. ORDC granted the Columbus & Ohio River RR Co. (a subsidiary of Summit View, Inc. holding company) the operating franchise on the Panhandle, using C&OR's monthly fees for their annual lease payments to Caprail I. ORDC and the State guarantee those monthly payments, and C&OR assumes all taxes, liabilities, maintenance, etc. Conrail did however liquidate the Pittsburgh-Weirton Panhandle segment, leaving Wheeling, Weirton and Steubenville to route north up the Ohio River to Rochester (PA) to connect with the Ft. Wayne and Pittsburgh-Cleveland main lines, or use the Class II Wheeling & Lake Erie Rwy to access Toledo and other east-west main lines they intersect.

ORDC thereafter decided it had succeeded in saving the line from abandonment, C&OR had operated it successfully, and it was time to rescue other threatened lines possibly using the sales or lease proceeds of re-privatizing it. ORDC Executive Director James Seney believed the State of Ohio was best served by rail lines owned by Class Two and Class Three carriers owning and operating unwanted lines spun off to them by Class One carriers. C&OR had made an offer to purchase the line for $10M in 2000, which at the time was rejected by ORDC. However at their 2002 August Retreat, ORDC decided to explore privatizing the Panhandle. A new effort was begun by veterans of the Panhandle anti-abandonment effort along with numerous agencies, organizations, and individuals to oppose and prevent its privatization and to cease the cyclic privatization-rationalization-nationalization policies.

Because of privatization opposition, ORDC retreated from the immediate privatization position and instead sought options for the line. To take advantage of low interest rates at the time, ORDC elected to refinance the line's Certificates of Participation financing bonds which would have concluded its lease payments to purchase it outright from Caprail I.

See Also-

Panhandle Rail Line Anti-Abandonment Project

East Ohio Panhandle Rail Line Anti-Privatization Project

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