Panhandle Anti-Privatization Opinion

The following opinion is the sole responsibility of the project.

Analysis and Opinions Regarding the Ohio Rail Development Commission's Proposed Privatization of the Panhandle Rail Line and the Ohio Hub Passenger and Freight Rail Study

Introduction
This report presents my views and analysis pertaining to the Ohio Rail Development Commission's proposed privatization of the Panhandle Rail Line, and of the proposed Ohio Hub Passenger and Freight Rail Study. Referenced enclosures are highlighted in bold, with printouts and/or digital file versions available on the enclosed CD-R, which was left open after burning for additional files to be added to it.

Regional Railroad History
Ohio's rail network today is represented on the enclosed map-
Ohio 600 400 Now Letter.pdf

The State's maximum rail network was reached in the 1920s. I compiled a map showing the theoretical maximum extent of the lines if they were all in at the same time-
Ohio Max 600 Letter.pdf

It was after that 1920s period the railroad carriers began increased network consolidations and abandonments. The Great Depression bankrupted a good number of railroad companies, endangering the US network during WWII which placed severe traffic demands upon it. With railroad workers called away to serve in the military, railway maintenance of way was neglected and never really fully restored post-war.

Occurring around the same time were the developments of the subsidized highways, waterways, and airports, and independently funded turnpikes, which had distinct advantages over the railroads' private monopolistic business models. The railroads complained about the other modes' nationalized infrastructures, but nonetheless they had the same chance to convey their ROWs and infrastructures to government agencies like the privately-owned turnpikes in the same position did in the 1820's, but balked wanting instead to preserve their monopolies. One company with an extensive rail network in OH was the Pennsylvania Railroad. Their network extent c.1950 is shown on their system map-
PRR c.1950 System Map.pdf

To counteract their excessive infrastructure costs, PRR for one project reconstructed their huge Conway Yard NE of Pittsburgh at great cost, but allowed them to consolidate classification and close other regional yards-
PRR Conway Yard.pdf

These closures resulted in traffic being re-routed away from those regional yards, and PRR soon realized they could profit more by running trains "out-of-route" (the longer way) vs. the shortest, most direct, least costly route. Thus began their accounting strategy of line rationalization programs and downgrading of main lines from multiple tracks with high speeds to fewer tracks with slower speeds. Other railroads including the New York Central followed suit, downgrading their Buffalo-Cleveland-Chicago main line from 4 to 3 and 2 tracks.

Railroad carriers also explored mergers and acquisitions with other carriers having competing lines, with the thought to eliminate those redundant routes to reduce competition and save on infrastructure costs. A proposed NYC + PRR merger map is

enclosed-
Proposed System Map 5-12-1966.pdf

NYC and PRR ultimately merged into the Penn Central Transportation Co. which continued the rationalization of branch lines and further downgrading of main lines-
PCTC 10-1-1968 System Map.pdf

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 Assn. 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. Options at the time included splitting PCTC up into its basic component railroad companies (NYC, PRR, and their predecessors), and creating "ConRail" to run trains on separate "ConFac" rail facilities. 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. of Cincinnati, whose name is on the Cincinnati Reds ballpark).

In the post-PCTC bankruptcy announcement to CR's eventual privatization period, the feds invested $Bs in the PCTC/CR infrastructure for desperately needed upgrades and MOW. But just prior to its privatization, CR 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 (some pit locations are along the East OH Panhandle route). So the feds still have significant virtual equity in the CR lines even if they are downgraded, abandoned or liquidated.

CR's route rationalization and abandonment program accelerated to consolidate as much traffic on as few remaining main lines as possible. They 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. They eliminated the ex-NYC Buffalo-Detroit via Canada segment of its Buffalo-Chicago route, shifting that traffic onto the Buffalo-Cleveland-Chicago route. They

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, as shown in a 2003 OH tonnage chart-
Ohio Tonnage Map 2003.pdf

vs. a PCTC era tonnage chart-
PSP VI Tonnages 1973.pdf

Also by eliminating those main lines they purged their branch lines feeding into them along with their small captive customers who 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). CR 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. CR's 1993 network map shows the extent of their rationalization when compared to the PCTC and PRR maps-
CR 1993 System Map.pdf
CR 1993 System Map Back.pdf

Panhandle History
The Pittsburgh-Columbus segment of the Panhandle, part of the Pennsylvania RR's Lines West division, was not financially successful until the entire segment was completed, according to PRR's corporate history researched by an engineering firm-
Pages from PRRHIS~1.pdf

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. A 1937 PRR inspection trip and a 1948 frequency chart verify its past heavy traffic density-
PRR Pgh District Inspection Trip 1-10-1937.pdf
RNE 3-1979 pp22-25.pdf

Two Penn Central era tonnage maps also show its continued heavy traffic density-
TM 3-2005 Tonnage Chart.pdf
TM 10-1973 pp16-17.pdf

After a rather ordinary train wreck west of Steubenville, CR 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, CR abandoned the Panhandle from Columbus-Bradford, OH-Richmond, IN-Indianapolis and most segments from Bradford-Chicago.

A Penn Central vs. Conrail tonnage chart shows the out-of-routing shift-
TM 3-2003 60-61.pdf

An comparison of Conrail's freight schedules listed for 9-1976 vs. 8-1982 verifies they cut a significant number of scheduled trains from the Panhandle (excluding unscheduled trains)-
CR Panhandle Profile 1976-9.pdf
CR Panhandle Profile 1982-8.pdf

In the mid-later 1980s CR decided to abandon and liquidate segments of the PA, WV, and East OH Panhandle. A vicious fight was mounted by Tuscarawas County 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 subsidiary of Philadelphia-based Civic Finance Associates, Inc.) to purchase the line for approximately $7.3M from CR which leased-to-own it to ORDC for 20 years. ORDC granted the Columbus & Ohio River Railroad (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. CR did however liquidate the Pgh-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.

Business & Governance Models
ORDC has since concluded C&OR's operation of the Panhandle had become successful as compared to CR's later years of intentional minimized use, and around 2003 decided to refinance the Certificates of Participation financing bonds to purchase it outright from Caprail I., and sell it to the highest bidder. ORDC planned to use the proceeds for other projects, including the potential purchase of former CR's Cleveland-Columbus main line Galion-Columbus segment for future use in the Cleveland Hub project (whether ORDC itself could profit from the sale has been disputed by other state agencies saying the proceeds must go back into the General Fund). Because of privatization opposition, bond counsel and others recommending against the buyout, ORDC retreated from that proposal. ORDC's sale rationale is here-
ORDC Options.pdf

Why does ORDC want to privatize the Panhandle vs. maintaining ownership of it? ORDC Executive Director James Seney has stated ORDC is not in the business of running railroads. Yet other government agencies own/franchise operation of rail lines across OH-
Ohio RRs htm.pdf

Other business/governance models have been proposed that ORDC staff did not analyze in its report. USRA explored breaking up Penn Central into its component rail lines, meaning the Panhandle would have reverted back to the "Pittsburgh, Cincinnati, Chicago & St. Louis RR Co.", but it chose to create Conrail instead. USRA also explored forming "ConFac" to possibly own/operate the ROW and infrastructure for "ConRail" trains, but

again elected against it-
USRA_Separate_ROW-RR.pdf

In 1976 Harvard professor D. Daryl Wyckoff proposed a reconfiguration of the railroad business model by separating the ROW and infrastructure from the carriers running trains-
Wyckoff_pp128-133.pdf

In 1994 University of Washington professor Reiner Decher suggested nearly the same concept-
Pages_from_Decher_1994.pdf

Similar change was discussed in a 2001 Trains Magazine interview of railroad CEOs-
CEOs_TM_1-2001_p42-45.pdf

Another Trains Magazine guest opinion suggested similar change-
Ellen_TM_p72.pdf

The success and pending expansion of the State of California's open access government operated Alameda Corridor should be further analyzed-
Alameda Corridor Transportation Authority: http://www.acta.org/

Likewise the Ohio Turnpike Commission operates a "pay-as-you-go", tons-per-mile assessed, open access, universal service, AA-rated revenue bond funded, little if no subsidy from the state or federal government turnpike. I informally polled OTC officials who agreed their model could theoretically work for the Panhandle Rail Line. Their annual report fully describing the business and governance model is enclosed-
2004_report_full.pdf
Ohio Turnpike Commission: http://www.ohioturnpike.org/

Former Trains Magazine columnist John G. Kneiling, P.E., alludes to a turnpike model in

his July 1973 article during the PCTC bankruptcy era-
TM 7-1973 p5.pdf

Panhandle Sale Opinions
ORDC staff's definition of "success" can be questioned - although C&OR has increased the annual tonnage to approximately 1M-2M tons per year and has carried more carloads than Conrail had in its final year of ownership with 1M tons per year, Conrail as late as 1980 reported 50M tons per year on the line (Conrail 1981 Track Chart, Main Line Pittsburgh-Columbus, MP 55), and even this figure was less than the Penn Central's and Pennsylvania RR's numbers.

ORDC staff solicited opinions for the proposed sale from local government officials, shippers, and the public. An interesting observation of the opinions from shows the language is nearly identical, suggesting they were either coached or provided with a template to fill out and submit, as the odds are long they could have used the same language independently. Other opinions which should be submitted for the record include chemical shippers who desire competition, Toyota which as a major manufacturer highly desires competition when determining new plant locations, and a study by UC-Berkeley Prof. Meghan Busse and Yale Prof. Nathaniel Keohane, which shows the lack of competition increases coal prices-
Chem Shippers TM 5-2001.pdf
Toyota.pdf
http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID593449_code254274.pdf?abstractid=593449&mirid=1

ORDC staff should also solicit opinions from past shippers on RJ Corman's Warwick-Newport (Uhrichsville) line that used to enjoy access to the Panhandle until C&OR removed RJC's switch prohibiting interchange c.2000 (discussed in next section), and from passenger rail tourism officials and dependents who have suffered from C&OR's and OCRR's decision to cease regular passenger service and have no recourse since those railroads have the operating franchise and monopoly respectively upon those lines. Village of Sugarcreek officials would explain how OCRR demanded the Village pay the railroad's increased liability costs, and when they balked OCRR discontinued passenger service and relocated its HQs to Coshocton.

Intermodal Issues
ODOT is facing the increasing price of oil which could nearly price highway out and provision out of the transportation market. ODOT had commissioned a traffic study by Cambridge Systematics which projected a doubling of traffic in/through the state in the next decade-
Freight Impacts: http://www.dot.state.oh.us/planning/Freight/FreightImpacts.htm

ODOT Director Gordon Proctor in two public speeches had not embraced rail or telecommunications to help solve transportation problems, nor has ODOT fully recognized the role of railroads' network rationalizations in contributing to the overall problem. Yet ODOT is investigating a $300M Super-4 highway between Cadiz-Newcomerstown though the hills of southern Tuscarawas County to expedite the Pittsburgh-Columbus route and serve as a relief for I-70. $300M would more than open up the Pittsburgh-Columbus Panhandle for intermodal use and solve ODOT's corridor problems.

Part of the Panhandle intermodal problem stems from USRA's proposed rationalization and out-of-routing of intermodal service away from the Panhandle corridor onto the Ft. Wayne corridor as shown in their map-
USRA Intermodal Map printout/USRA Intermodal.pdf

During Conrail's proposed East Ohio Panhandle abandonment, their officials testified to the ICC they were not interested in intermodal service on the line, citing Gould Tunnel's close clearance, and I-70 and US-22/US-250/US-36/SR-16 as handling the truck traffic for them instead. By 1984 Conrail shifted those van trains from the Panhandle-
TM 9-2005 p40-41.pdf

Yet Conrail petitioned the State of Pennsylvania and feds for financial assistance to increase clearances throughout the State, and Norfolk Southern (pending any hurricane-related repeal of the transportation bill) was granted aid to improve clearances in the

States of Virginia, West Virginia, and Ohio for their Norfolk-Columbus intermodal route, even though the Columbus-East Coast route is the shortest and most direct.

ORDC has nonetheless pursued privatization particularly to C&OR. ORDC hired appraisers to value the line, and the first estimate came in at $63M-
ME Cos-ORDC 6-30-2004.pdf

Subsequent values depreciated to $45M and $24.2M-
ORDC PH Appraisal 6-2004.pdf

ORDC then proposed to sell the tracks to C&OR for $10M and lease the ROW for $440K per year-
ORDC Sale Proposal.pdf

Although Caprail I purchased the line from CR for $7.3M, Caprail I Panhandle Controller Benjamin Noble stated if the line were to be built from scratch today the costs would be $250M. Other active rail lines are worth $1M per mile according to Mr. Seney, a number verified by RJ Corman RR Co. officials who were liquidating rail lines in KY and attaining that value in scrap.

Appraisals should be used to compare the current ROW and infrastructure to prior appraisals to note any changes. An attempt to obtain an appraisal at the time of the Conrail-Caprail I conveyance is ongoing, though a Conrail track chart c.1992 was included with the ME appraisal. I have acquired a 1950 Pennsylvania RR track chart for the Panhandle, and a 1957-1967 Baltimore & Ohio RR track chart of the Columbus-Newark Division, both of which show their rail networks a few decades removed from their maximum extents-
PRR 1950 Track Chart Pgh-Col.pdf
B&O C-N Track Chart 1967.pdf

Missing from the ME appraisal during the Panhandle's C&OR assigned operation era are the new Carman Jct. interchange, C&OR's arbitrary removal of the Uhrich Jct. switch-

DiDonato-VanEpps 3-3-2000.pdf

(thus rendering the RJ Corman line susceptible to abandonment from Newport-New Philadelphia which Mr. Lou Janazzo and I managed to detect and avert in time), C&OR removing Dennison Yard ladder tracks for parking space for its locomotive Steam Festival thus rendering the yard a stub yard inhibiting expedited switching and car storage (specific whereabouts of the yard trackage are unknown, as are real and personal property tax savings to C&OR), and C&OR leasing Caprail I ROW to the Village of Dennsion for parking spaces-
Dennison adding parking spaces

Privatization Risks
Further rationalization and potential abandonment of the Panhandle's ROW and infrastructure is possible as the Class II/III railroads are petitioning the US Surface Transportation Board for deregulated abandonment ability-
http://www.stb.dot.gov/filings/all.nsf/6084f194b67ca1c4852567d9005751dc/dc25888ae04f8b3585256d27005312fc?OpenDocument

Thus C&OR could scrap the line for a gain of $155M. W&LE has bid $30M for the line, and would scrap approximately 28 miles of its own main line that parallels the Panhandle between Gould-Jewett to gain approximately $28M toward the sale and use the Panhandle instead. W&LE Railway, a new organization that purchased most of the original W&LE Railroad Co. lines from their successor Norfolk Southern, after the purchase became financially distressed and blackmailed ODOT into conditional funding else it would liquidate a key main line segment, has also signed the STB abandonment petition-
http://www.stb.dot.gov/decisions/readingroom.nsf/51d7c65c6f78e79385256541007f0580/12b5ad1e0b34c8cf85256d7c004b464e?OpenDocument

W&LE could scrap the Panhandle and preserve its own main line for a gain of $161M - $30M = $131M.

Once the rail line is privatized there is little to stop it from being conveyed to an international concern or sovereign country. Recall the sale of the Pittsburgh & Lake Erie Rwy. to Canadian National Rwy., telecommunication wholesaler Global Crossing to a company controlled by Singapore, and Tyco's underseas fiber optic line unit to a company controlled by India. A Canadian oil was just conveyed to a Chinese company. What if W&LE obtained the Panhandle, sold itself to CN, which then courted itself to a foreign country? The US ROW might be beyond our control should the acquiring country appeal to the WTO over "unfair trade practices". Thus keeping the ROW and infrastructure "nationalized" should be an utmost priority for our defense, homeland security, and the US economy.

ORDC staff maintains it could add and maintain reversionary clauses to a sale. Regardless of the Attorney General's reversionary clause opinion, the US Supreme Court has ruled in the telecommunication industry that telecommunication carriers' networks are private property, which overturned the 1996 Telecommunications Act's forced open access policy on private networks. Thus once the rail lines are privatized, the new owner may use the same strategy telecomm carriers used- claim hardships vs. the FCC over forced sharing, sue in court, win their case, then restrict, prohibit or significantly raise third party access costs.

BNSF could easily appeal the settlement of their Panhandle-like situation in South Dakota using the telecomm cases-
Pages from TM 8-2005.pdf

Other risks for privatization to a sole private owner include potential mismanagement by a railroad resulting in government agency oversight-
658-381.pdf
065-675.pdf

and arbitrary rationalizations requiring government involvement to correct-
Mill Twp 3-04 4-20-2004.pdf

CSX has engaged in many of the same rationalizations and abandonments of its rail

network that PCTC and Conrail had engaged in. They used to wholesale abandon and liquidate unwanted rail lines, but then started selling and leasing-to-own them to Class II & III carriers. Now CSX is net leasing them to Class II & III carriers, assigning all responsibilities to the lessees including having their property taxes and liability paid for them. C&OR is one such lessee for CSX's Byesville-Newark and Mt. Vernon-Newark line. Will C&OR, which originally was unable to purchase the Panhandle outright from CR due to its credit unworthiness necessitating ORDC's backing, rely upon further local or state subsidization for the Panhandle once privatized, which may end up cross-subsidizing their CSX lease?-
Connor-Smith 5-17-1989.pdf

Other Concerns
Governor Taft's Office has supported privatization of the Panhandle, and has dismissed certain opposition as mere support of the existing trail in the Coshocton-Newark area. Mr. Gilbert Reese, primary supporter of the trail, is on record as saying the current trail is railbanked and could revert to a second main line track should the need occur. Additional adjacent ROW could always be obtained by a government authority as a public way for a maintenance road which could double as a trail when not being used for railroad service. Thus the trail-only use of the ROW argument is invalid.

The Columbus & Ohio River RR Co. has during its tenure of assigned Panhandle Rail Line operator misrepresented itself as Caprail and/or the true owners of the Panhandle. In correspondence to former state Sen. Gregory DiDonato regarding a building preserve, C&OR officials claimed they were Caprail I-
DiDonato 2-24-2000.pdf

In a gas/oil pooling agreement along the Panhandle in Tuscarawas Co., C&OR stated it is the "successor-in-interest" to the (sic) Penn Central Railroad Co.-
1037-133.pdf

Recommendations
ORDC advocates the Ohio Hub Freight and Passenger Plan as a means to increase capacity

on existing rail lines, and to restore lost rail passenger service. I am in favor of both capacity and rail passenger restoration, but must oppose the Hub plan due to its proposed business model and failure to address other corridors as optimal solutions to the problems.

As mentioned previously, the Pennsylvania RR, New York Central RR, Penn Central, and Conrail all engaged in rationalization of their rail networks. NYC in particular downgraded its Buffalo-Cleveland-Chicago main line from 4+ tracks to 2-3 tracks. Conrail rationalized the NYC-Youngstown-Cleveland/Chicago Erie Lackawanna and former Buffalo-Detroit via Ontario and consolidated those lines' traffic onto its Buffalo-Cleveland-Chicago main line. In addition to PRR's Panhandle and Ft. Wayne lines traffic being consolidated onto the Pittsburgh-Cleveland line, CSX abandoned its Pittsburgh-Wheeling-Columbus "Panhandle", expecting Conrail to take that traffic prior to the Panhandle's rationalization.

So while restoring tracks to the Buffalo-Cleveland-Chicago and Pittsburgh-Cleveland main lines would help capacity, the out-of-routing of traffic is not relieved. ORDC should analyze restoring the rationalized routes, which will re-create more direct routing and naturally reduce traffic loads on the formerly consolidated routes. As the Howland Group's RAPID proposal reportedly suggests, the Pittsburgh-Weirton segment should be restored to re-connect Philadelphia-Pittsburgh-Columbus again, which including Columbus-Cincinnati would also connect Cincinnati back to the East Coast as the shortest route to NYC once again-
PRR Growth.pdf

The rationalized Youngstown-Cleveland ex-Erie Lackawanna line should be restored to restore the very efficient NYC-Youngstown-Cleveland route to reduce I-80 traffic. And the old Pennsylvania RR lines from Columbus-Bradford-Indianapolis and Bradford-Chicago need restored to compete against I-70's increasing truck traffic.

The Pittsburgh-St. Louis Panhandle restoration would create a badly needed bypass of Chicago for both freight and passenger service. Where the various high speed passenger rail proposals fail are they out-of-route all traffic to Chicago. A traveler at Pittsburgh who wants to go to St. Louis is not going to go to Cleveland and Chicago en route increasing time and cost - they will instead drive I-70. Thus the Panhandle restoration and passenger service use is critical for passenger rail service success.

CSX's new "One Plan" business plan for its remaining railroad operations consolidates large shippers with unit trains onto fewer main lines, and gradually squeezes small shippers off the rest of their lines. This negatively affects rural socioeconomies by further removing them from main line expedited rail access. Because of their rationalizations, we now have the problem with HazMat shipments being forced to go through major metropolitan areas since those are the only remaining main lines. CSX and the others in their quest to consolidate traffic and lines have unwittingly concentrated HazMat shipments too taking the risk there will be no problems. If the rationalized lines were restored, those chemical shipments could be more directly routed, spread out, and with fewer tank cars per train thereby reducing the risk and volume of product being in any one area at one time. This appears to be a better solution instead of banning shipments through metro areas, particularly in this post 9-11 homeland security era.

The Hub Plan proposes state-operated rail passenger service akin to California's and other states' models. Such models have been under attack by Wendell Cox, The Buckeye Institute, taxpayers associations, etc. Yet passenger rail service is highly desired as indicated by Ohio State University's and other surveys. The state is assumed to stay out of freight rail service. Private freight rail carriers balk at providing rail passenger service that they used to carry for liability and other reasons now. An industry reorganization based upon the Ohio Turnpike Commission business and governance model can achieve freight and passenger goals. Note the Ohio Turnpike carries both freight and passengers (private cars, common carrier buses [i.e., Greyhound], and for-hire charter buses) on the same equal open access ROW and infrastructure. The state does not engage in competition with the common carriers and for-hire charter carriers. While the Buffalo-Cleveland-Chicago and Pittsburgh-Cleveland lines are privately owned, a majority of the Pittsburgh-Columbus Panhandle is public, and could serve as a test site for open access freight and passenger service. Better success would be achieved should passenger service be seamless between the East Coast-St. Louis. If the model works, Wall St.

investors might take notice and recommend to rail industry analysts that an industry restructuring could improve their return on investments.

The Hub Plan's financing relies largely upon federal funds. But as the hurricane damages mount, the feds may be forced to repeal much less reduce future funding for such projects, including Chicago's CREATE program-
CB 8-8-2005.pdf

The proposed Norfolk-Columbus clearance project may be up in the air now too. A dedicated funding model is needed to ensure adequate funding for construction, administration, and maintenance so critical to optimal rail operation. Once again the Ohio Turnpike Commission seems to be the model to emulate. The Turnpike was constructed with revenue bonds, with almost zero subsidy from the state and federal government. Those bonds have been retired, and now the Turnpike is pursuing capacity upgrades and capital reconstruction. OTC gains revenue based upon access and tons per mile use tolls, and some from ancillary activities. The same model could be used for rail, as inherently rail networks are highly meterable and monitorable. OTC is self-insured, property tax free, and being demonopolized is relieved of PUCO monopoly common carrier regulation. OTC is thus investment grade, with a AA rating that was considered one of the highest rated turnpikes in the world.

Billions upon billions of dollars in venture capital funding are willing to be invested by venture capitalists for infrastructure projects, but they only invest VC in private sector projects, which with the poor returns on investments they are loath to do. I posed to one VC if he would consider investing instead in revenue bonds for public infrastructure projects, to improve the ROWs and infrastructures while receiving tax-free interest in a relatively safe investment. As the infrastructure is improved, his other private ventures would drastically benefit and be able to become VC investment grade after they have the distribution tools to better operate and compete. He said his company would have to change its charter to be able to invest in revenue bonds in addition to VC, but the idea was intriguing. Thus I believe significant private sector investment in revenue bonds can be secured with an optimal business and governance model as OTC seems to have.

As we've seen with the hurricane disasters, transportation is obviously critical in the supply chain, but production is likewise. If these natural disasters continue in the Southern US and other sites worldwide, producers and their investors may begin looking elsewhere to locate their plants. Perhaps they can look again at the Midwest and Northeast, where many of them started out originally. With improved infrastructure, relatively non-mass destructive weather, and fresh water availability, we should mount a campaign to convince firms to "come home" again to regain and improve our local and regional socioeconomy.

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