From Bankruptcy to Prosperity: 50 years of American Railroads
Key Issues

- Regulation nearly destroys the U.S. railroad industry
- Penn Central bankruptcy triggers drive for deregulation.
- Coal - a fundamental change for the industry.
- De-regulation – railroads adapt to the need for change.
- New attempts to re-regulate the railroads (some politicians are slow learners.)
- Intermodal allows railroads to recapture much of the high value traffic they had lost to trucks.
The Bad Old Days

- Long decline after World War II
- Interstate Highway System
- Over-regulation
- Passenger service losses grow
  - Loss of postal revenue
  - Much service ordered continued despite losses
The Penn Central Disaster

- Not made in heaven
- Too much lost traffic
- Too many passenger/commuter trains
- Too big to fail
- Bankrupt – June 1970
The Northeast Crisis

- Government participates reluctantly
- Running out of money
- Congress panics
- Nationalization a consideration
- Eliminate passenger/commuter losses
- Redesign Northeast rail system
- Amtrak created
The 3R Act

- Creates USRA
  - Ignores political pressures
The 4R Act

- Activates Conrail
  - Combines PC, other NE bankrupts
  - Start of deregulation
The Road to Staggers

- Rock Island, Milwaukee enter bankruptcy
- Neither ever emerges as independent railroad
- CEOs realize some must go
- Deregulation not universally popular
- Bulk/captive shippers oppose
- Merchandise shippers support
- Wall Street supports
- Rail labor supports
Coal

- King again
- BN builds line into Powder River Basin
- ICC, Scotus order BN, C&NW to share
  - Tariffs look like contracts
  - Contracts look like tariffs
  - BN sued by utility customers
  - 30 trains/month becomes 30 trains/day
Freight moving at less than 180% of variable cost is completely unregulated
All intermodal traffic is unregulated
Anything moving in a box car is unregulated
Numerous specific commodities are unregulated
Traffic moving under contracts is unregulated
Captives have a “safety net.”
Re-regulate?

- CURE, ARC, NITL take up for captives
- Rates decline since Staggers; captive shippers become more shrill
- It’s about the money, not principle
- A compromise? With who?
- Antitrust allegations clutter the debate
IM exceeds coal on some roads
IM is increasingly profitable
Eastern carriers increasingly in IM
Margins justify capital investment
Railroads compete with trucks over shorter hauls
Double-stack economics drive growth
Rails back in consumer goods
Coming full circle

- Railroads shunned involvement with government for generations
- Public-private partnerships expand capacity, efficiency
- Can’t pave over country
- Rail can expand capacity
The only certain thing is uncertainty
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