

Reinventing the Railroad Staggers Act—and More

**Pennsylvania Rail Freight
Seminar**

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Railroads: the “Comeback Kid”

Then (sixties):

- Highways and air ascending
- Railroads declining
- Would railroads go the way of the horse and buggy?

Now:

- Highways/ airways hurting
- Freight rails robust



An Historical Perspective: Core Railroad Problems

- **Huge passenger train deficits**
 - Intercity/commuter
- **Loss of traffic**
 - Mostly in Northeast/Midwest
- **Too much infrastructure**
 - Mostly in Northeast/Midwest
- **Too many people**
- **Too many railroads**
- **Too much regulation**
 - Of entry
 - Of exit
 - Of routes and junctions
 - Of maximum rates
 - **Of minimum rates!!!**



Solving the Railroad Problem

Conventional wisdom

- Congress passed a law, the Staggars Act
- And life was good
- Here is the rest of the story



Solving the Railroad Problem: Passenger Deficits

Time frame: 1971-1985

Passenger deficit

- Intercity trains: Amtrak formed,
- Commuter trains : financial burden shifted to states, localities, with federal assist



Solving the Railroad Problem: Overcapacity

- **Time frame: 1971-1991**
- Actions by US Railway, US DOT, STB, and mostly, the railways themselves
- Conrail led the charge



Solving the Railroad Problem: Too Many Railroads

- **Time frame: 1955 through 1999**
- First efforts were small (NW/VGN)
- Then, Penn Central: a disaster
- But subsequent mergers worked
 - Burlington Northern
 - Conrail *
 - CSX
 - NS
 - UP/MP/WP
 - BN/ATSF*
 - UP/SP ****
 - CN/IC
 - NS/CR**
 - CSX/CR*

Though most had startup up problems, as noted *

**** the gold standard for screw ups



Solving the Railroad Problem: Too Much Regulation

- **Time frame: 1980-1995**
- Staggers Act (1980) was a game changer
- Staggers permitted contract rates
 - Long term commitments= long term investments
 - Led to rapid adoption of unit trains
 - Closure of inefficient routes and junctions



Solving the Railroad Problem: Too Many People

- **Time frame: 1980 and continuing**
- New agreements on Conrail
- Rock Island liquidated
- Creation of short lines
- PEB 219 (2 person crews on CNW)
- Changes on Amtrak
- Continuous negotiations to gain labor efficiency (6/5 people to 3/2/1 people)



Solving the Railroad Problem: Technology

Time frame: On going, but accelerated after Staggers

Constant evolution, including:

- Bigger locomotives/cars
- Welded rail
- Mechanization of track/car repairs
- Centralized dispatching
- Automated equipment and roadway monitoring
- Network models
- **Net ton miles per employee:**
 - 4.8 million in 1990
 - 10.6 million in 2006



Solving the Railroad Problem: Creating Traffic Growth

- **Time frame: 1975-current**
- Eastern traffic volumes stabilized
 - driven by intermodal
- Western traffic volumes exploded
 - Low sulfur coal
 - International intermodal
- **Staggers was essential in gaining new traffic**
- **Staggers plus technology= doing what trains do best**



Lessons to be Learned

- Railroad crisis developed over decades
- Problems and solutions were complex
- **All parts of the economic puzzle had to be solved**
- **Implementation of changes took decades**
- The changes were terribly painful – for communities, employees, and many of the then existing customers
- Taxpayers paid as well
 - For freight, the cost was in the billions
 - But there was an end to those outlays
 - But passenger trains continue to be a ward of the state
 - With no end to subsidies in sight

Thank you for your time and attention

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