# Reinventing the Railroad Staggers Act—and More

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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?

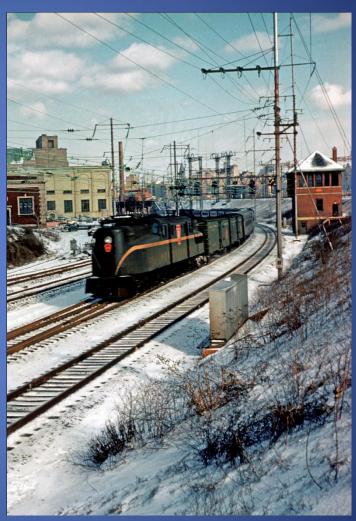
#### Now:

- 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 Staggers Act
- And life was good
- Here is the rest of the story

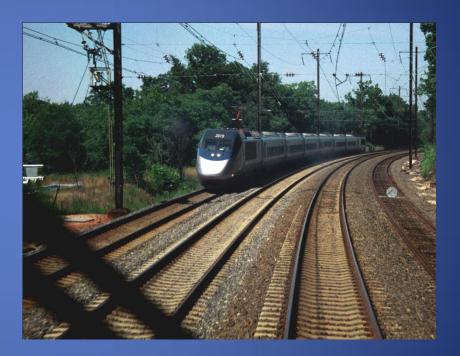


## **Solving the Railroad Problem: Passenger Deficits**

#### Time frame: 1971-1985

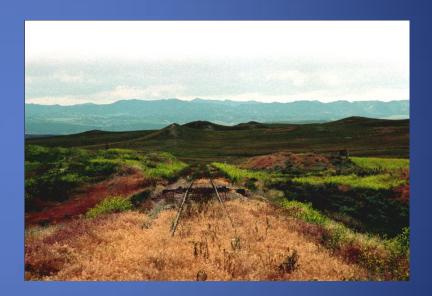
#### Passenger deficit

- 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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