

States Resort to 'Survival Socialism' in Bid to Preserve Vital Rail Lines

by William C. Rempel, Los Angeles Times Staff Writer

©Los Angeles Times, April 11, 1982

In the Soviet Union and many other heavily nationalized industrial nations, the state owns the railroads—but so does the state in fiercely independent South Dakota, Yankee Vermont and West Virginia. Those three, and a growing number of other usually conservative American states, have been forced to become railroad owners to protect rail service for their industries and agriculture.

"Crisis makes strange bedfellows," conceded John Killoran, the rail chief of West Virginia. Despite critics who called the program socialistic, his state plunged into the railroad business three years ago to preserve a freight rail link to distant chicken-feed sources and save West Virginia's vulnerable poultry industry.

Here on the edge of Iowa, where tracks of the South Dakota state railroad reach across the Big Sioux River, South Dakota has carried its pragmatic brand of "survival socialism" across state lines—part of a stop-gap program to return rail service to its abandoned grain-producing regions.

With one of the nation's most agriculture-dependent state economies, South Dakota's conservative Republican administration under Gov. William J. Janklow last year led a stormy political battle for creation of the country's largest state railroad. It acted because the collapse of the bankrupt Milwaukee Road left nearly half the state's prime farm land without rail access to markets.

Only a crop-devastating drought prevented grain supplies from choking grain elevators alongside the idle rail lines stretching toward unreachable markets on the Gulf and West coasts.

After some wrangling, legislators temporarily increased the state sales tax and raised \$25 million for rail acquisition and repairs. By the end of this year, South Dakota will own about 1,300 miles of track in five states—by far the largest state-owned rail system in the United States.

"This issue wasn't political philosophy—it was economic survival," said James Myers, South Dakota's director of railroads. "The governor and I share significant frustrations with this sort of state role, but we will run the railroad as businesslike as you'd expect from conservative Republicans."

The giant Burlington Northern Railroad operates the trains on South Dakota's extensive state rail system, but in other states it is more common for small, short-line operators to lease taxpayer-owned track or receive state subsidies to operate over it. Only West Virginia with its motley fleet of Army surplus trains, operates as well as owns a state railway.

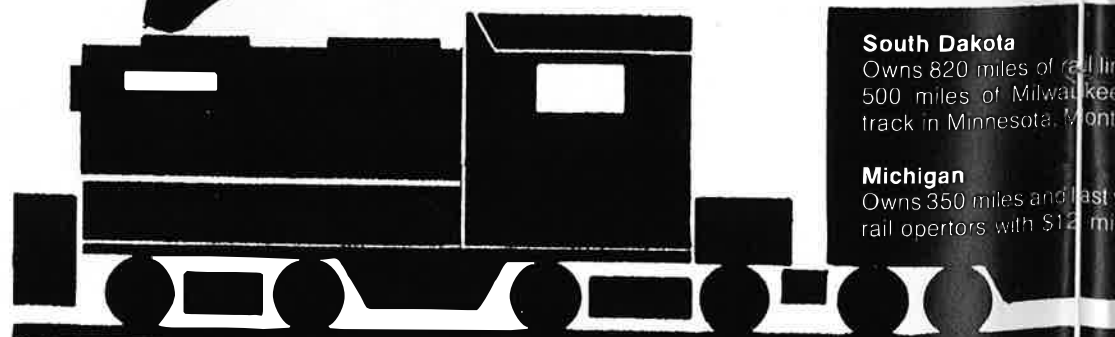
These are revolutionary times in the

railroad industry, historically the very symbol of American capitalism. The transportation system that opened the American West and carried the nation into the 20th Century is being forced to change to meet modern shipping and economic demands.

The U.S. rail system was built almost entirely in the horse-and-buggy days, and the nation's rail mileage peaked at about 250,000 miles in the early 1900s. Since then, paved highways have been built, commercial airlines created and a trucking industry born—entire transportation systems competing for passengers and freight have been superimposed on territory once exclusively served by rail. And when railroads tried to desert routes made unprofitable by the new competition—routes established when it was important to have rail stations within a day's round trip of a farmer's horse drawn wagon—federal regulations and political opposition often prevented abandonment.

But since the mid-1970s a series of

State Governments Take to the R



South Dakota

Owens 820 miles of rail line
500 miles of Milwaukee
track in Minnesota. Mont

Michigan

Owens 350 miles and last y
rail operators with \$12 mil

major railroad bankruptcies and sweeping regulatory reform have set off a nationwide wave of track abandonments that have radically altered the still-bloated 180,000-mile U.S. rail network.

Little-used branch lines that once carried boxcars to country grain elevators or rural industries are obsolete in the modern railroad era of milelong "unit trains." These supertrains, the landlocked equivalent of seagoing supertankers, are more efficient on long hauls, saving time and money by avoiding branch lines in favor of large regional terminals along main lines.

A Crippling Disease

However, a lot of America still straddles these obsolete branch lines—including towns the railroad built a century ago, when the railroad was the link to mail, news and baseball scores, as well as to commercial markets. Some towns harboring dreams of industrial and economic growth regard rail abandonment as a crippling disease.

Abandonments, whether forced by bankruptcy or designed to improve the profits of an operating rail company, often leave economic dislocation behind.

Cranberry farmers in northern Wisconsin, for example, recently lost their train link to markets when the Chicago & North Western shut down a route into the bogs. An Iowa toy maker faces suspended rail service from failure of the bankrupt Rock Island. Around tiny Rapelje, Mont., farmers who sold their wheat through the local grain elevator are wondering whether they will have to stop growing grain if the Burlington

Northern Railroad succeeds in abandoning a branch line to their little country terminal.

In some cases, loss of rail service affects the public interest beyond the narrow economic interests of individual shippers. That is why states are pouring millions of dollars into the purchase of lines, into subsidies for short-line operators and into costly state-assisted rail rehabilitation programs to save service that private railroads found unprofitable.

Over the last several years, states and local governments have stepped in to save vital commuter passenger rail service or, as was the case in California with a San Diego-to-Los Angeles train, create a commuter service. However, state entry into the rail freight business is a relatively recent phenomenon.

Wisconsin, for example, bought a lightly traveled line that serves a lime quarry essential to the area's potato and vegetable farmers.

In Vermont, the state was able to attract Canadian business investment by creating the state-owned Washington County Railroad. A manufacturer of commuter rail cars moved about 100 jobs across the border when it built a plant along the state's 14-mile rail line.

Oklahoma, which just paid \$3.1 million for a run-down 52-mile segment of Rock Island track serving a region active with gas and oil exploration, considered the effects of increased truck traffic on state roadways.

"We were concerned about our deteriorated highway system and bridge replacements that would be required if trucks replaced rail on a large scale," said William Bennett, Oklahoma's rail-planning coordinator. He called the

public benefits of retaining rail service "overwhelming," even though rehabilitating the track is likely to cost as much as buying it.

Different Principles

"States work on a different set of principles than private railroads," noted Stuart Gassner, assistant general counsel for the Chicago & North Western, the self-proclaimed champion of rail abandonment.

Since 1968, when a company survey showed that 40% of the railroad's track was producing only 4% of the freight revenues, the Chicago & North Western has abandoned nearly 4,500 miles of track—more than any other solvent railroad carrier in the country. Most of that has been in the Midwest and Great Plains states.

The Burlington Northern, suffering from the historic hangover of a 1905 rail war across Montana and North Dakota, has listed about 4,000 miles of track for possible abandonment—inviting angry protests from governors there.

Nearly 80 years ago the corporate ancestors of the Burlington Northern and the Soo Line raced to see which could capture the most territory in what was—and still is—a sparsely populated region. They left what one railroad executive described as "a worm farm" of unprofitable branch lines that state officials are jealously trying to protect from abandonment.

"States make social decisions—we make economic decisions," said the Chicago & North Western's Gassner, adding, "A state doesn't have to be profitable, but our whole purpose in life is to make a dollar."

Rails

Los Angeles Times

West Virginia

Owens and operates a 500-mile line given it by the Chessie System.

Oklahoma

Owens 62 miles of track and plans to acquire 300 more.

Wisconsin

Owens about 500 miles, and will eventually add about 200 more.

Iowa

Has invested more than \$16 million to rehabilitate 1,045 miles of rail line and is considering purchase of its first track segments.

Vermont

Owens about 300 miles of track and is negotiating for 18 more.

line and will buy another
kee Road line, including
ontana and North Dakota.

ast year subsidized private
million.