

Figuring Out What Cards are in Other Hands

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Good poker players are skilled at figuring out what has been played, what hasn't, and where the remaining cards may be. Pity the poor public official negotiating with freight railroad representatives on behalf of the public sector. For starters, few in public service really know where the rail cards are and what each is worth. Railroading may not be rocket science, but we dare say there are more folks in America who understand rocket science than there are those who understand the peculiarities and nuances associated with rail freight operations; or the mysteries of margin spreads between costs and revenues.

Why are railroads so tough? As institutions they pride themselves on being survivors (and they are!) relishing the opportunity to “eat the other guy's lunch”; capitalism at its best (or worse) depending upon ideology! Railroads love it when they can squeeze out competition, as NS currently appears to be attempting with regard to service to the new owner of the former Ford plant in Norfolk. In addition, no railroad -- not even the richest -- has the money its chief engineer desires for every project on the list; some of which keep division engineers up at night! Therefore, when somebody shows up wanting something -- be they shipper who needs freight service, or the State of Virginia seeking more passenger train service -- railroad negotiators have their day.

Fortunately for Virginia, the Department of Rail & Public Transportation has at least one senior official, who knows how to read most of the rail cards; however, that is only one person. He could depart at any time due to health issues, or employment opportunities elsewhere. This leaves DRPT vulnerable, an issue which warrants attention at higher levels of State Government. Indeed, DRPT is currently hiring bright young people, with good credentials, but to get them ready for the front line will take years. You don't learn this stuff at a VA university! Just as challenging is the fact that DRPT is not always given credit for the uniquely important work that it does. Financial compensation, in the State system, is not compelling. Private rail folks earn more.

Greater transparency could also help. In order to succeed in our commendable bipartisan Virginia effort to expand and improve all rail services, State officials have often had to cut some rather convoluted deals with the private freight railroads. This sometimes means investing public funds in private freight rail infrastructure far removed from where passenger trains operate; quid pro quo. To date, the freights have been unwilling to acknowledge any collateral benefits. Thus, passenger projects tend to produce “sticker-shock”, seemingly inordinately high when compared with the minimal amount of passenger service that is “bought” in the process. While such physically-detached public investments may very well be justified, the public has a right to know just who is getting what, and legislators are entitled to full disclosure when they are asked to come up with the money. It should be fairly easy to put an estimated value on the

benefits realized by the freights. Good things are happening at DRPT, but there will always be room for improvement. Over time, DRPT must build and field a team equal to that of the private freight railroads. Might VRS be a comparable? # # # #