

Public/Private Partnerships-Railroads, Part I

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Talk of public/private partnerships involving private freight railroads is increasingly heard in some circles these days, but has anybody seen one?

Successful partnerships, even within the private sector, are often challenging business relationships. Notwithstanding the best of legal draftsmanship, the parties not infrequently find that they really have not quite seen eye to eye, as they thought they had, particularly when the venture disappoints, or worse.

In deal making, there are certain firms that have the reputation of being very tough. Railroads have a certain reputation, some of it justified, some not. Few people today really know the history of how today's private railroad companies evolved. Yes, there are plenty of horror stories to go around about unresponsive, difficult, and sometimes even arrogant railroad officials. However, one would be hard pressed to identify a group of businesses, let's say an industry, which has suffered more at the hands of politicians and government bureaucrats.

After early governmental support; indeed, very generous investment of public capital in many cases, the politicians of the late 19th century turned against the rails in response to their alleged misdeeds. Grievances amplified by the so-called granger movement inspired populist candidates to run on platform planks promising to regulate, control, and in some cases, to punish the offending railroads.

President Theodore Roosevelt, beginning in 1901, became a famous trust buster. Regulation and control, suppression of rail rate increase activity, government accession to the wishes of rail labor, and ultimately federal control of the U. S. railroads during World War I, all left the private railroads feeling very alienated from mainstream government. This outcast perception among the railroads was exacerbated by the rising tide of public devotion to road building which ultimately brought the rails face-to-face with their greatest competition, the highway mode of transportation. All the while the rails were being taxed aggressively to support public enhancement of the highway system.

Now, in the first decade of the 21st century, the public is demanding more rail service. Government, both federal as well as many states, is responding. Virginia, for example, is practically throwing money at freight railroads, and asking very little in return. Clearly there is some measure of public benefit in most such cases, but we certainly have not yet achieved a true "partnership" relationship. The private railroads must love every minute of it. They never thought they would see such public generosity. This relatively new public effort is well intended, and should be continued, but we need

to work harder at the difficult task of equitably balancing the contributions of each party with the benefits received. Good partnership arrangements are not easy to achieve, especially with the rails. Why is this? More thoughts on the subject to follow shortly.

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