

Rails to Raleigh, the North Carolina Way

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Many of us admire the way North Carolina has handled its State rail development program. It is fairly easy to account for the commendable progress that our neighbor to the south has made, and is making. Top-level political leadership and commitment, shared vision and steadfast focus, plus continuity and consistency; all have been important elements. The most important factor, however, may well be the State's ownership of the North Carolina Railroad Co., a 317-mile rail line extending from the Atlantic coast, at Morehead City, to Charlotte, bisecting the Piedmont arc in a way that manages to serve many of the State's most densely-populated and fastest-growing urban areas, including the Raleigh-Durham-Cary-Chapel Hill "Triangle", as well as the Greensboro-Winston-Salem-High Point Triad region.. The NC RR route passes through, or operates in close proximity to, about half of the State's estimated 9.5 million residents. No other state in the contiguous forty-eight has a comparable rail asset.

How did they do it? What can Virginia learn? The history of the NC RR is very interesting. For a number of years in the second half of the 19th century, the NC RR was leased to, and operated by, Richmond-based Richmond & Danville RR. It's a good luck/bad luck/good luck story that could have wound up with NC, like Virginia, with no publicly-owned rail line assets. During the 1990's, a battle played out in Raleigh, which resulted in the 1998 purchase by the State of NC of the minority-held shares in their railroad. Ironically, during the same decade, Virginia had ingloriously disposed of its interest in our most important rail asset. This was done in connection with the 1991 acquisition of RF&P by CSX. The former RF&P railroad was jettisoned under the misguided stewardship of then-governor, L. Douglas Wilder, whose minions coveted RF&P real estate holdings, completely ignoring the far-greater longer-term strategic value of the rail corridor linking DC with Richmond. Both states had invested in private rail companies in the ante bellum days of the 19th century. Virginia literally dumped its rail securities in the 1870's, except for RF&P. North Carolina probably did likewise in some instances, but they never gave up on their most important rail line. In the end, North Carolina, unlike Virginia, recognized the public value of the asset they had.

Virginia is in the unenviable position of supplicant to CSX. We go checkbook in hand with diminished leverage. North Carolina, in contrast, is the owner of an increasingly valuable asset, and landlord. Norfolk Southern enjoys a long-term lease, and operates the railroad, compensating NC RR Co. accordingly. Net cash flow from NC RR operations appears to yield \$12 to \$14 million annually, most of which is plowed back into the railroad, to the benefit of the State's expanding intercity passenger rail service, as well as NS. Owning their own passenger locomotives and cars is another plus for NC. Come June, Raleigh-Charlotte service will be further enhanced by the addition of yet another daily round-trip. Virginia will soon do likewise north of Richmond, but the terms, conditions, and long-term financial consequences will be

different. Virginia is fortunate to have NC as a rail development partner, and model, of which there are many. We can learn much from others.

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