

# How \$25,000 from the Appalachian Regional Commission helped save rail freight service in Central Pennsylvania

Transportation has been a major focus of SEDA-Council of Governments since its inception in the early 1960s. One of seven regional organizations in Pennsylvania's rural Appalachian region, SEDA-COG began monitoring rail freight service in the mid-1970s, particularly taking note of the bankruptcy of the six major northeast railroads. Three of the bankrupt railroads, the Penn Central, Erie-Lackawanna, and Reading, operated in the 11 Central Pennsylvania counties served by SEDA-COG. In 1976 the federal government replaced the bankrupt rail lines with the Consolidated Rail Corporation, better known as Conrail.

Conrail remained largely unprofitable even though it was given billions in federal dollars to rebuild the Northeast's system. Much of the problem was due to rigid Interstate Commerce Commission (ICC) regulations that impeded effective competition with truck transportation. Those regulations were significantly eased with passage of the Staggers Rail Act of 1980, and Northeast Rail Service Act of 1981 (NERSA), legislation which made it much easier for Conrail to abandon unprofitable lines under the guise of "insufficient revenue."

Abandonment did not just mean loss of service; the tracks themselves became scrap metal, the ground beneath them sold to the highest bidder. At this point the 11 county region faced a potential impact which could seriously undermine area industry – then and in the future. Some companies could ship in and out by truck, but others could not; they required rail service. Such firms would either have to move out of the region or close. Either way, jobs at the companies would be lost. Also important, however, was the loss of rail service to the future of industrial growth in Central Pennsylvania. With rail freight transportation unavailable, companies which required service would not consider locating in the region.

As it became apparent that Conrail intended on abandoning rail lines in Central Pennsylvania, SEDA-COG's Board of

Directors contemplated the options available to them, and there weren't many. When faced with the threat of abandonments prior to 1983, the region's leaders, including SEDA-COG, had appealed to their Senators or Congressmen for help, or to the ICC. But with the winds of deregulation sweeping through the nation's capital, it was doubtful anyone in Washington would ride to the rescue of Central Pennsylvania's rail lines.

There was another choice, however, one which offered the potential for success, yet was coupled with risk; a bold plan that, at the very least, had to be explored. SEDA-COG could buy the lines and ensure they remained in public hands, available for use. One obstacle, of course, was SEDA-COG's lack of experience in the railroad industry.

## *Rail Line Sales Contract Ready*

LEWISBURG — A sales agreement on the purchase of 82.5 miles of Conrail track by the SEDA-Council of Governments Joint Rail Authority may be signed Wednesday.

real challenge to be able to bring this thing to completion, especially because it's something that communities all around Pennsylvania have been facing.

to a standstill in July. They were later revived as federal and state grants became available. The purchase price of the lines has not been announced but the

Headline from January 22, 1984. Abandoned rail lines in Central Pennsylvania would soon be under public ownership.

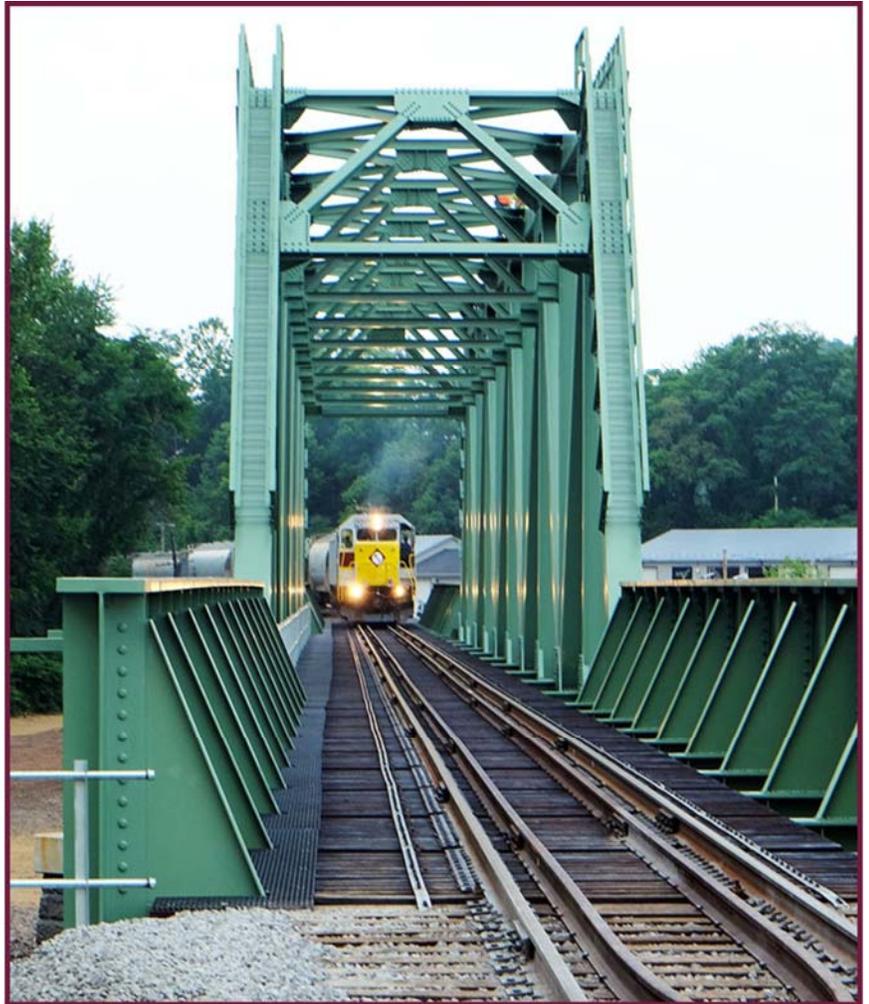


Earl Gohl, (right) Appalachian Regional Commission, and Jerry Walls, Joint Rail Authority.

By the early '80s SEDA-COG had earned a solid reputation — developing plans for water quality and flood control, establishing emergency communications centers, securing funds for local projects like hospitals, industrial parks, and schools. It was carrying out housing rehabilitation projects and providing financing for new and expanding companies. Yet, while SEDA-COG itself was a million dollar operation, it had never run a business on the scale of a railroad, one that served 25 industrial customers along its 80-miles.

And so, SEDA-COG turned to a trusted ally at the federal level – the Appalachian Regional Commission. Beginning in the mid-1960's, ARC had provided funding support for innumerable projects and programs in Central Pennsylvania, many of them related to transportation. Now it provided seed money to help SEDA-COG study and identify local rail lines with the greatest potential to be successful short-line operations. ARC's \$25,000 grant assisted with appraising the lines and negotiating with Conrail for their purchase. Traffic analyses were completed as well as market forecasts and cost determinations.

A key element in SEDA-COG's rail line preservation strategy was establishment of the SEDA-COG Joint Rail Authority (JRA), an autonomous entity responsible for public oversight of service on rail lines SEDA-COG hoped to acquire. Ultimately it elected to pursue four lines — the Bloomsburg Branch from Northumberland to Berwick, and the Centre County Cluster, three shorter lines in Centre County. Conrail's asking price was about \$5 million.



The first train crosses the Rail Authority's \$12 million Loyalsock Creek railroad bridge in the summer of 2014.

The largest portion of the purchase price was provided by the federal Economic Development Administration (EDA), with additional funds contributed by the Federal Railroad Administration, Commonwealth of Pennsylvania, county and local government entities, and rail users themselves. Actually, over \$450,000 – nearly 10% of needed monies – was committed by local sources. That foundation of local funds helped convince EDA of rail service's value and importance to Central Pennsylvania.

The Rail Authority and Conrail finalized the purchase on July 27, 1984. Operations on the Bloomsburg Branch, now the North Shore Railroad; and Centre County Cluster, the Nittany & Bald Eagle Railroad, began August 1. Later that month special commemorative events were held in Northumberland and Bellefonte, and Conrail provided special passenger rail cars for both.

October 2013 marked the 30th anniversary of the Joint Rail Authority, commemorating the start of a process that now involves six short line railroads, 200 miles of track, eight counties, and a yearly budget of \$1.2 million. Eighty customers, employing a total of over 8,000 people, receive service through a private operator under contract to the Rail Authority. Most of the rail lines' 25 original shippers have either closed their doors or gone through name and ownership changes. Yet, today, there are more customers and far more rail traffic, a testament to the long range thinking of SEDA-COG's Board when it first decided to buy the lines and place them in public ownership.

In October 2010, Earl Gohl, Federal Co-Chair, ARC, visited the Authority's Newberry rail yard in Williamsport, noting the phenomenal growth that had occurred on the Lycoming Valley Railroad (LVRR). The Lycoming Valley line began operations and became part of the JRA's system in 1996. Mr. Gohl's predecessor had visited the Newberry yard in 2003, rode in the cab of an engine and said, "Seeing this train line, it's evident that it's absolutely essential to these businesses."

Today the Joint Rail Authority is a multi-million dollar enterprise. For instance, earlier this year it completed the construction of a \$12 million railroad bridge. It began, however, with a relatively modest investment of ARC dollars, an investment which, even after 30-plus years, continues to reverberate in Central Pennsylvania.

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