ASSOCIATION HIGHLIGHTS

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YOUR OPINION

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While helpful as a partial solution to the railroad industry's capital shortfall, the Railroad Rehabilitation and Improvement Financing program (RRIF) falls significantly short of providing the appropriate investment to capitalize what could otherwise be a growing United States railroad industry.

Almost two years after Congress passed TEA-21, the 1998 transportation authorization bill, a new federal financing program for freight railroads is scheduled to be open for business in September. The RRIF program establishes the welcome availability of $3.5 billion in new loans or loan guarantees, with $1 billion designated for shortline railroads. The Association of State Highway and Transportation Officials, however, recently reported that just our shortline railroads themselves can make use of $9 billion in new capital for infrastructure rehabilitation - a figure that doesn't consider the desirability of billions more in growth financing.

Government financing programs can at best help to maintain railroads, at a time when rail service growth can only be financed through private-sector investment. Would there be an Internet industry if it depended on capitalization by the federal treasury? Hiring lobbyists as key architects of railroad policy and industry marketing has led to the current focus on government financial assistance alone. Consequently, federal railroad policies, including the new RRIF program are developed without the necessary elements for attracting private sector capital to augment public investment. The land grant programs of the 19th century were effective because the government contributed a publicly owned asset that railroads then leveraged into substantial private sector capital.

It is increasingly critical that we support this energy- and space-efficient transportation service with investment of both public and private sector capital. All transportation modes as well as the service providers to these industries will benefit as a result of increased rail development.

At its best, the RRIF program is a product of a system of public policy formulation that must be improved. It is time for us to empower the many dedicated individuals working in the public and private sectors by providing them with new forums for more productive interaction. Within an existing environment of "turf battle" policy creation, the Federal Railroad Administration, Department of Transportation, House Transportation & Infrastructure Committee and Office of Management and Budget are trading accusations of blame for the final rule-making struggle that some say could derail the program. Fixing blame, however, must not be confused with fixing the process that produces such a superficial solution as another government guarantee for railroad funding transactions. Now that the Railroad Rehabilitation and Improvement Financing program is close to implementation, there remain vital questions that must be asked and explored. How could the United States railroad industry transition from its 19th century standing as one of the most attractive public and private-sector investment opportunities in the world to this unnecessarily dire need for federal treasury loan guarantees?

Why would the coordination of individuals with significant experience and intellect within the President's Office of Management and Budget, Department of Transportation, House Transportation & Infrastructure Committee, Senate Commerce Committee, Surface Transportation Board, industry leadership, and others, deliver this wholly inadequate solution to expanding the railroad industry's service to our country?

We have participated in dozens of meetings during the last two years with many of the contributors to the RRIF program. We have found the OMB transportation staff, as well as the House T & I Committee railroad staff, to be very much in consensus with Strategic Rail Finance's vision of a U.S. rail industry that once again benefits from a powerful access to private-sector investment capital.

The problem lives in the self-limiting culture that creates the process, not in any one individual or agency serving a role in that process. With respect for the role of the individual in history making, however, we would otherwise be reporting in as just another victim of the culture if we were not actively engaged in leadership toward an improved process. Design improvements for intelligence and efficiency at the level of governance do not have to wait for either crisis or upheaval.

All well intentioned citizens are entitled to advance leadership and cooperation in government. No law or regulation mandates that we must depend only on competitive, vested interest lobbying of government legislators and bureaucrats. We have mistakenly allowed competition in the marketplace to spill over into competition for governance of the marketplace.

Competition has become the overarching principle of interaction among representatives of agencies, legislative offices, committees, associations, universities, and other entities that influence and produce public policies. While competition is a useful tool in certain elements of regulating private interests in the marketplace, it can be a dangerously wasteful force in public policy discourse and formulation. The marketplace of ideas should continue to accommodate competing ideas. It is the process for thinking and teasing out competing ideas that requires more collaboration.

By lowering antagonism and increasing trust among policy developers, we can leverage the best of all ideas into far better public policy. Our country and our economy are undergoing changes at a rate that demands we upgrade public-sector management processes. Just as cooperative multi-modal relations among transportation providers are now clearly needed to advance the efficiency of the overall system, collaboration among public policy creators is the necessary ingredient for improving our national transportation policy.

Trusting collaboration and cooperation, letting go of adversarial posturing, empowering the common good — are all virtues that require individual leadership, vision, and courage. Contrary to what is expressed in popular culture, we have found many people in Washington and beyond who are anxious to breathe in the air of intelligence and logic – the natural outcomes of thoughtful, collaborative engagement. The resulting innovation in public/private sector planning and investment, which will go far beyond government guarantees and loans, will at long last spur the railroad industry back into a central role in America's economic vitality.

(The opinions expressed in this column are those of the author alone and may not necessarily be those of the Association for Transportation Law, Logistics, and Policy.)