

1. INTRODUCTION

A Purpose and Scope of the Study

The launching of Conrail (Consolidated Rail Corporation) in the fall of 1975 is the culmination of several years of planning and analysis. The reorganization of the bankrupt railroads in the Northeast and Midwest has required hundreds of man-years of analytic effort, major legislation, and extensive formal and informal public debate at a total cost of tens of millions of dollars.

At the same time, legislative action of vital significance to the rest of the nation's railroad industry has been under consideration with relatively little fanfare. The proposals under consideration include major restructuring of the private, solvent carriers; billions of dollars of public investment in the railroad fixed plant; and sharp changes in the regulatory principles and procedures that have developed and evolved over decades.

The Office of Technology Assessment, in addition to providing inputs for the review of plans for the reorganization of the bankrupt railroads, has been asked by the Transportation Subcommittees of the House and Senate Committees on Commerce to provide some analysis of the prospects for the solvent remainder of the rail industry. This study by Harbridge House, Inc. , is intended to assist in that effort.

The report frequently presents a range of possible impacts rather than hard dollar estimates, and it often relies on the experience and judgment of the study team and other knowledgeable sources. This is partly a product of the legislative timetable which did not permit comprehensive original research and analysis. Even more, it is a reflection of the inherent difficulty of projecting the future of an industry which is subject to many conflicting influences. The industry results are sensitive to the behavior of the nation's economy; further, to find binding evidence of conspicuous past success in general economic projections over the time frames with which the study is concerned is difficult indeed: Finally, it is a considerable handicap in a short-term study based on existing analyses to find that little objective quantitative analysis of many facets of the industry exists, even by those who are proposing significant and, from a public perspective, expensive, legislative change.

B. Organization of This Report

Following this Introduction, Part II presents a discussion of the projected financial prospects of the rail industry, exclusive of the bankrupts,

and the physical implications of these projections. Part III discusses the rehabilitation of railroad fixed plant, alternate forms of federal involvement in such rehabilitation, and the degree to which these alternatives may alter the projected picture of the industry.. Part IV is an analysis of the potential contribution which restructuring or revision of the corporate configuration of the solvent railroads might make to a viable national rail system. Part V assesses the impact on railroad tonnage and financial health which might result from a change in the regulation of the rates charged by the rail mode and its competitors. Part VI concludes the impact analysis with a brief review of other proposed legislative changes.