

STRONG ECONOMIES, RESILIENT COUNTIES

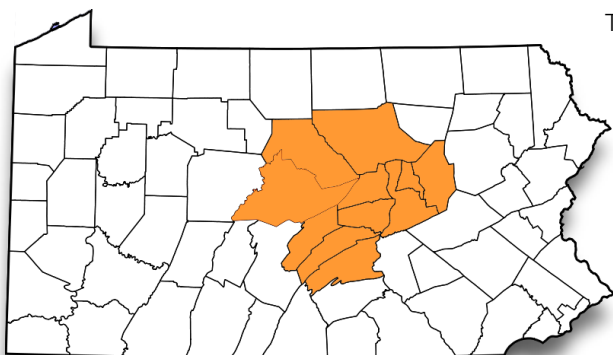
The Role of Counties in Economic Development



NACo WHY COUNTIES MATTER PAPER SERIES • ISSUE 1 • July 2014 • www.naco.org

SEDA-COG, PENNSYLVANIA

Collaboration to Improve Regional Rail Connectivity



The Susquehanna Economic Development Association Council of Governments (SEDA-COG) is an economic development organization based in Lewisburg, Pa. serving as the planning and development organization for 11 Central Pennsylvania counties. One of seven regional organizations in Pennsylvania's rural Appalachian region, SEDA-COG provides numerous services, many related to transportation and it is also a link to resources from other public and private sources. With the bankruptcy of the six major Northeast railroads in the mid-1970s, rail freight service has become one of the top issues for the organization. Three of the bankrupt railroads — the Penn Central, Erie-Lackawanna and Reading — operated in the

11 central Pennsylvania counties served by SEDA-COG. While SEDA-COG

has numerous economic development activities, this case study focuses on the SEDA-COG Joint Rail Authority (JRA), the solution implemented to the freight rail services challenge.

SEDA-COG Joint Rail Authority (JRA)

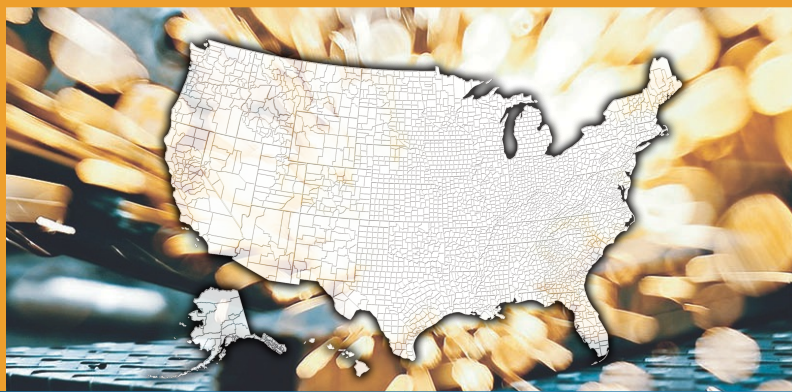
Central Pennsylvania did not have many choices when it was threatened with the loss of rail service in the early 1980s. The federal government formed the Conrail System to replace the Northeastern bankrupt railroads. However, once the federal government eased regulations in the early 1980s, the new railroad giant was free to abandon unprofitable rail lines, some of which were in Central Pennsylvania. Abandonment was a major threat for the counties in the region, as it would have resulted not only in loss of service but also sale of the tracks and the ground beneath them. While some firms in the area could ship in and out by truck, others could not and would have had to relocate or close their doors.

- 11 Pennsylvania counties
- Total Population, 2013: 693,203
- SEDA-COG Board size: 22

SEDA-COG considered the few options available and decided to explore one which offered the potential for success, yet was coupled with risk. The organization could buy the lines and ensure they remained in public hands, available for use. Yet, while SEDA-COG itself was a multi-million dollar operation, it had never run a business on the scale of a railroad. By the early 1980s, SEDA-COG had earned a solid reputation for developing plans for water quality and flood control, establishing emergency communications centers,

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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. In addition to experience, funding was a major obstacle, as SEDA-COG was interested in four lines — one from Northumberland to Berwick, and three shorter lines in Centre County. Conrail's asking price was about \$5 million.

Overcoming these obstacles was an exacting process involving traffic analyses, market forecasts and cost determinations. Step by step the region moved closer to assuming control of its own rail freight infrastructure, effort culminating with the creation of the SEDA-COG Joint Rail Authority (JRA) in July 1983. JRA is an autonomous entity responsible for public oversight of the soon-to-be-acquired rail lines. The authority purchased initially 80 miles of railroad that served 21 industrial customers. SEDA-COG provided staff services, and those responsibilities increased in the following years. Funds were needed to maintain and improve the lines, and additional lines were purchased, ensuring continued rail service in other parts of the region. JRA developed a solid, working relationship with the private operator chosen through a Request for Proposals process to run the trains and serve shippers on the lines.

Freight rail service provided by the JRA rail lines is essential to maintain and grow the manufacturing sector in the Central Pennsylvania region. This sector accounts for about 14 percent of the jobs in the 11-county region, higher than the state's 10 percent rate, based on U.S. Bureau of Labor September 2013 data. With the energy industry developing rapidly — due to natural gas reserves in Pennsylvania's Marcellus Shale — shipping needs for hauling fracking sand, pipes and drilling equipment have expanded too. Using the JRA rail lines service is much more cost effective, as a mile of a track is 10 percent of the cost of building a mile of highway. The freight rail service provided by JRA rail lines helped with business retention in the area. Nearly half of the businesses in the region surveyed by the JRA intend to expand, mentioning that these plans were dependent on rail service.

As of June 2014, JRA oversees six short-line railroads and 200 miles of track in eight counties, and has a \$1.2 million annual budget. The rail lines provide service to 80 businesses with more than 8,000 employees. In 1983, representatives of both the public and private sector in the Central Pennsylvania region determined that rail freight service would remain available to the region's industrial community. The success of the SEDA-COG Joint Rail Authority reaffirms that choice 30 years later.

