What do railroads do?

A highway and a railroad are similar.

In one you have rubber tires on asphalt/concrete, and in the other you have steel wheels on steel rails.

However, because of physics, steel wheels on steel rails can do things that rubber tires on asphalt can't. You can have a 15,000 ton, 2 mile long freight train, or a 500 person passenger train traveling at 200mph.

This is the unique value of railroads and why they are not replaceable by highways.

Understanding railroads through a highway analogy

Pretend that a trucking company owns I-75.

The trucking company uses its private highway in the most profitable way possible—and for a modern trucking company that is just a few, really long, slow moving trucks. Being transported are bulky, heavy goods like cars and chemicals, which aren't in a hurry to get anywhere. There's no need to keep the highway or trucks in good condition for high speeds, and the longer the trucks, the fewer drivers that are needed.

The trucking company did at one time operate a bus service on the highway—as late as the 1970s. But bus passengers are weird about things like time and comfort and trying to make it work gets in the way of its long, slow moving trucks. It's doable, but it requires smaller, faster, more expensive trucks. No trucking company wants that.

The trucking company which purchased I-75 doesn't own I-71. Another trucking company owns that. But they can make an agreement to allow each other's trucks on their respective highways. It works out for both companies, they have to coordinate to share the road with each other, but then they have the flexibility of scheduling trucks on each others highways.

There is a bus company called Amtrak. But Amtrak has a problem—it owns almost no highways. It can't make any good highway sharing agreements, because it has no highway that a trucking company would want to use.

Amtrak buses are allowed to use the trucking company's highways, but only at limited times, and trucks have priority so Amtrak buses have to stop and let the trucks pass. Even when Amtrak buses have right of way, they can't travel that fast because the trucking company hasn't upgraded the highway for higher speeds.

This is why the US has little passenger rail in the modern era.

What Cincinnati can do that Amtrak can't

Cincinnati owns a railway, a useful and valuable one. Supposedly it is one Norfolk Southern's most profitable line segments.

If the city operates the Railway itself, it can operate passenger services on the Railway and get further access to other companies railroads in exchange for access to its Railway—the thing that Amtrak can't do.

The city does not have to wait for the lease to end to start passenger services from Cincinnati to Chattanooga, through Lexington KY. The lease allows Norfolk Southern to refuse Amtrak, but the city owns the railroad, the city cannot be refused.

Chattanooga is a short 100 miles from Atlanta. In order for the Cincinnati to offer passenger rail service to Atlanta, it has to make a right of way agreement with other railroad companies so that Cincinnati owned trains can travel on other companies' lines.

The ability for the city to leverage access to its Railway to get Cincinnati owned trains onto other company's railroads is an asset of the Railway which the city has never used.

The city can do this when the current lease ends in 2026.

There is no reason why Cincinnati should not have passenger rail service going to Atlanta, the city owned railway goes three-quarters of the way there.

80 miles from Lexington is Louisville, another short and feasible right of way to obtain.

How much more right of way can be negotiated, to allow other routes is dependent on how badly the other railroad companies want access to Cincy's railway.

Are new taxes needed?

No.

The Railway is a tollroad. It is its own revenue generating enterprise.

It is a profitable operation, otherwise a profit-oriented company wouldn't be offering money to buy it. The railroad brings the money necessary for its own management and maintenance, and then some.

No tax money should be required to keep it at its current level of capacity and maintenance.

It is possible that there are some neglected repairs. We don't know because we have not seen a report on the infrastructure. However those problems can't be that bad, otherwise Norfolk Southern wouldn't be willing to buy the railroad.

Remember, after the city takes full ownership, it is the city that will set the toll rates. Right now, it's Norfolk Southern who sets the tolls.

What are your estimates of the Railway and its profitability?

In 2022 Norfolk Southern reported a profit of $8.65 billion.

Norfolk Southern operates 19,420 route miles of railroad.

Dividing the two gives a profitability of $445,417 per mile.

Multiplying that number by 337, the length of the city's Railway, gives **$150 million per year.**

This is an easy and crude way of estimating the profitability of the Railway. $445,000 is the average profit the company has per mile, but not every line segment, or mile within the same line segment, is as profitable as another.

Nevertheless, all the signs point to the city's Railway as being one of Norfolk Southern's most profitable line segment. Which is why I believe that $150 million per year is a safe underestimate of the profitability of the line.

If the city ran the Railway itself, and merely collected tolls, it should be capable replicating that underestimate.

Is new money needed for passenger service?

I believe that, between the tolls and passenger fares, the money is there to support a modest Cincinnati-Lexington-Chattanooga (+Atlanta) passenger service.

There will be paying passengers using the railway who never will come to Cincinnati. They may travel Lexington to Chattanooga, but their fare helps support the service.

If any passenger service is not bringing in desired results, it can be discontinued. The city can just collect tolls from others.

What is a modest passenger service?

Cincinnati-Lexington-Chattanooga (+Atlanta) five times per day. Roughly 4.5hrs to Chattanooga, 6 to Atlanta. Makes several quick stops in between. Journeys occur during day time hours.

This is not comparable to Amtrak service. Amtrak's Cincinnati to Chicago service occurs just twice per week leaving Cincinnati at 1.41am. That's happening because there is no track access to Chicago, not because there's a lack of demand to go to Chicago.

A train running 35 times per week would tie Cincinnati to the South economically and culturally in a powerful way with the possibilities it offers.

Why are your estimates on the value of the Railway?

The railway cost $18 million over ten years of its construction ending in 1881.

This inflation calculator has a special category specifically for construction projects.

The cost of construction projects inflates differently in comparison to consumer goods.

The calculator estimates that $18 million in 1881 dollars spent on a construction project would be equivalent to **$6.5 billion** today.

That number I believe is a starting value for the Railway, because that is a good estimate of how much it would cost to build the Railway today. Especially one in such challenging terrain.

That is still an underestimate, because it would take ten years to build a new Railway and that cost is not being included in the calculation.

Why do you believe that the City has been underpaid for the Railway?

In the first 25 years of the lease, rent payment inflation increases occurred every five years and started at $800,000 in 1881 and ended at $1.25 million in 1906.

In 1902 a new sixty year lease was made, beginning 1906. The rent payment **dropped** from 1906 to 1926 to $1,050,000, and the next increase didn't happen for another twenty years.

A new lease was negotiated in 1927, which was slightly better than the previous, but it still increased the rent only every 20 years. The last major payment change occurred in 1987, and that set the current payment schedule.

In the first 25 years of the lease the city was paid the best. After that it takes a 20 year drop and then only slowly increases. It would seem that 1901 was the best paid year.

This inflation calculator estimates that that $1,250,000 dollars in 1901 is, in consumer purchasing terms, equivalent to .somewhere between $47 million and $117 million.

The 2023 payment was $24.3 million.

I conclude that Cincinnati has been underpaid for the lease for the last 120 years. More severely with time. The lease periods were long and had little inflation increases.

The narrative about Issue 22 is being structured to compare the proposed sale price of issue #22 and its potential for investment returns, against the current lease payment, last negotiated in 1987. The is a misleading comparison, the lease has underpaid and other options are available.

One of which, as a negotiating strategy, is rejecting Issue 22 and forcing a second offer to the voters.

Paid for by ***Protect the Queen City Railway and make Cincinnati a passenger rail hub, vote no on 22,*** *ballot issue PAC,, J. Moyer Treasurer, queencityrailway@gmail.com. (PAC terminated June 2024.)*

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