



“Not Quite Normal” — The Story Behind The Iowa Interstate Story

(with due respect to Fred Frailey’s TRAINS article, “[The Iowa Interstate Story](#)”)

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2012 National Railway Historical Society (NRHS) Convention • Cedar Rapids • June 22, 2012

I would like to start by saying that Bart’s phrase “not quite normal” certainly describes both Railroad Development Corporation (RDC) and the Iowa Interstate Railroad (IAIS).

First, I’d like to recognize Jerry Lipka who is the new President of IAIS; he is my colleague and my friend, and he is also the Complaint Department for the Iowa Interstate. We could not have done these special events without the full support of our management team. But the prime reason this occurred is that our COO Mick Burkart has personally bought into this; he is the life and soul of the steam program and we all owe Mick a great deal for everything that he’s done since we brought the QJs to the USA. You can read all about that in various railfan magazines; I don’t want to repeat things that you can already read in railfan magazines or on our website (www.RRDC.com).

But let’s first start with a couple of haikus. The main reason to do so is on the basis of a dare that occurred earlier today on the train, but then I also remembered that there is an NRHS Japan chapter. Tonight is Diversity Night for NRHS, and RDC is a diverse company, so let’s honor the NRHS Japan chapter with these 2 haikus:

**Iowa railroads.
So, what were you expecting,
Mediocrity?**

and:

**Hey internet guys,
We are not dead, far from it:
Taste our Web of Steel!**

So, let’s begin Diversity Night with a few housekeeping items. First there are a number of you who asked about buying IAIS hats; would you please wave \$20 bills and see me at the end of the evening? Second, I know that Bart has been very focused about making the convention profitable, so I’m donating 5 copies of the book, *The Train of Salt and Sugar* which is a historical novel set on the Nacala Railway in Mozambique during the civil war and was originally published in Portuguese. We found the author, got it translated into English, and got it published in South Africa. It is a wonderful story and would make a great movie. The market price is \$20.

I would also like to thank the NRHS for forcing me to see Iowa Interstate’s territory in a new light. I’ve been coming here since 1991 and I’d never been to Amana; until earlier this week I didn’t realize what a gem we have there; it is admittedly on the CRANDIC, but our trains do go by there and so we do consider it to be an IAIS point as well. And I’d never been to Mount Pleasant, which was always closed when I was in Iowa; it was really interesting to see that group, and in particular the young people. There was a kid who is 12 years old who has been working with steam since he was 9, and his life’s ambition is to get a degree in mechanical engineering and go to work for the Durango & Silverton Narrow Gauge Railroad. That’s very good and I think that it’s consistent with what I’ve heard are the objectives of NRHS.

Finally, I’d like to add that I’ve been an NRHS member for 30+ years, and in fact—top this one, Bart—we went on our honeymoon with the NRHS. But it gets better—30 years and we’re still married, even though we went on our honeymoon with the NRHS, the Philadelphia chapter’s Scandinavia tour with 98 other steam locomotive enthusiasts.

Welcome

So, welcome to the home turf of the Iowa Interstate Railroad! And I welcome you as someone who technically speaking is an ex-Rock Island employee; I did work for that railroad for 3 months in the summer of 1976. But more importantly, I am a survivor of deregulation. The deregulation story is a great story and a story which we have exported quite successfully to a number of countries. It is a complex, diverse and unusual story.

The “[Iowa Interstate Story](#)” (*TRAINS*, June 2011) has been told very well by Fred Frailey. But what I would like to discuss tonight is “the Story Behind the Iowa Interstate Story”. In particular, I’d like to touch on 3 themes: (1) the Big Picture: deregulation and what the American rail industry has achieved in the last three decades; (2) how that connects with History, since after all this is the National Railway Historical Society; and (3) why the Iowa Interstate is Not Your Typical Short Line.

Not Your Typical Short Line

We are not a branch line that was spun off from a Class 1 with an existing list of customers...and which of course gets more business because our locomotives are painted with a really cool paint scheme. IAIS is in fact a formerly abandoned main line which the central planners in the Era of Regulation said should not exist and did not deserve to exist. So let’s get back to what Bart said earlier, “not quite normal”. We do not fit the mold of the short line industry because we are nobody’s stepchild. We were in essence the unloved, unwanted, bastard stepchild of deregulation...but we are quite proud of that. What you saw out the window, trackside and in the interaction with our people, who really like what they’re doing and are very proud of what they’re doing, reflects the Iowa Interstate today. We do not compete with the Union Pacific or BNSF for traffic between Omaha and Chicago, despite what the map might suggest; we survive on our local territory, which is Iowa and western Illinois. We have virtually no overhead business and, in fact, we are nothing more than a feeder railroad that connects to railroads east and west of us. However, we are a railroad that has grown because of industrial development and because of the desire of customers to be connected with the national rail network. This is a zone of production and we have certainly been lucky by benefiting from what’s happening with ethanol, etc. We did not plan for ethanol and in 1991 nobody had heard of ethanol, but “better to be lucky than good.” I would argue that IAIS is both and the results reflect that.

The Big Picture

What’s really interesting is how the Iowa Interstate has served as a model for a long list of countries, literally from Argentina to Zimbabwe, that have come to see the Iowa Interstate as a model. This is obviously not because we’re a high-density, signaled railroad, but rather because we are a very good prototype for what is more typical around the world, which is unsignalled, medium to low density railroading. Most railroads around the world do not have the level of sophistication that we have on the Class 1s. So the IAIS is more of a model that’s been exportable. But more importantly, we have exported the institutional aspects of railroading. In particular, how do you work under deregulation? How do you compete with trucks? How do 600 private sector companies work as a network to compete where every link in the chain could be the weakest link? We are extremely proud of that.

But most importantly, we are proud of our safety record. Whenever we hire new people or I run into staff who I don’t instantly recognize, I simply remind them—because they’re probably not going to believe me unless I tell them personally—that safety really is No. 1. Because if you’ve got a safe railroad, you’re probably providing good service; if you’re providing good service, you’re probably getting more business; and if you’re getting more business, you’re probably going to make a profit. I believe that our employees understand very well that Safety is No. 1 and that takes care of everything else.

It’s also important to note that we are by many definitions Iowa’s railroad. In the early years of the restructuring of the railways, and in particular when Iowa had what was described as a “grotesquely overbuilt” rail network, 50% of which has disappeared, the State of Iowa was a very early supporter of rail, not quite knowing what was going to happen. But since all railroads are worth more dead than alive, they at least knew they would get their money back if it was liquidated. So to their credit, they started a low-interest loan program which was years ahead of the federal loan program.

The Rock Island was liquidated in 1980, but the railroad stood idle in pieces until 1984, and was there when the first owners of the Iowa Interstate came along. We were not the first owners; we were second or third, depending on how you define it. But my point is that the railroad was able to tread water long enough into the era that we see ourselves in today: high fuel prices, increased demand for agricultural production, and even the possibility of Amtrak.

It was not so long ago that we said that if only we could get rid of the passenger trains, the industry would be saved. Then we said that if only we could get rid of the branch lines, the industry would be saved. And then if we could only get rid of regulation, the industry would be saved. Well, that last one was correct. Deregulation occurred; we brought the branch lines back; and we may even bring the passenger trains back. I don’t think we’re going to see anything like high-speed rail, but higher speed rail like in California with connecting transit services is a possibility; with Chicago as the hub, we stand to benefit from the concentration of passenger activity there. This is the big picture.

History

Now let’s talk a little about history and the distraction, in some respects, caused by the rich history that the Iowa Interstate and its predecessors have. It’s a fact that our first lawyer was Abraham Lincoln and we are very proud of that. We are proud of what the Rock Island used to be, but we are also very aware of the dark past that the Rock Island represented and how it was not the bankruptcy of the Penn Central, but rather when “the Northeast Railroad Problem” hit Tucumcari, New Mexico, that finally

caused people to take action. So the Rock Island’s martyrdom was really what began deregulation and has allowed us to export that model worldwide. I remember working for the Rock Island in the summer of 1976 and riding the *Peoria Rocket* at 10 mph; our freight trains run on that same line at 25 mph.

And as far as the history of the Iowa Interstate, we make our own history. We’re not the Rock Island and I would argue that bringing Chinese steam locomotives to the USA is just as significant as anything that a U.S. railroad would have done in the past. We brought those locomotives, they are now our history and part of Iowa’s rail history. So enjoy them!

Conclusion

Let me bring this to an end by putting this all in perspective. Let me repeat that we have been very lucky. We did not invent ethanol, but we did survive into an era where things got better as opposed to worse. And we’ve done that with some confidence, knowing that what we accomplished was in a market-driven environment, not in a political environment.

So as the political winds change in this country, we are going to be less subject to changes in political parties, or the inability of the private sector to fund projects. I think Don Philips in a recent *TRAINS* magazine put it very well: highways and waterways are subject to politics, and that’s why the highways are falling apart and the lock and dam systems are falling apart. But the railroads keep going because we have figured out ways to operate independent of the public sector, and that is to our permanent credit.

I am increasingly sensitive that I’m no longer young, but not yet old. But I do spend more and more time talking about the past, so I have to force myself to continue to be outwardly focused. The good news is that there are still some surprises out there. We are now in a deal in Colombia where we will be running the first trains next month on a line that had been shut down. We will be also running intercity passenger trains in Germany next month, although “everyone knows” that you can’t possibly make money doing that. It will be very interesting.

Let me close by relaying some conversations I’ve had in the last several years. I went to college with some very interesting people, one of whom is Eric Schmidt, the CEO of Google, and his comment about the rail industry was, “You’re in a network business.” That’s an important and valuable compliment. Another one of my college friends is the CEO of a major airline and he said, “You guys are in a good business.” All of this should be very encouraging for us in the rail industry.

So let’s talk about what that means in terms of the NRHS. We can and should celebrate our industry and we look forward to cooperating with the NRHS. Just keep in mind that the future is at least as important as the past.

Thank you.

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