

LIRR freight privatisation

Sir – In *Rail Investment 2001*, published as a supplement to your October edition last year, I noted an article about freight privatisation by Henry Posner III. In discussing the process of bidding and concessioning, the author wrote ‘In some cases, it becomes clear that despite a formal bidding process there is also a hidden agenda, with an intended winner waiting behind the scenes. This is not limited to developing countries, and we experienced this in the case of the Long Island Rail Road freight privatisation.’

I was a participant in that entire process as the representative of the Metropolitan Transportation Authority, the parent agency of the LIRR. We were looking for the most favourable financial deal from a freight operator that had a reasonable plan for the growth of freight traffic on Long Island.

No-one with responsibility for the selection of a freight operator had any connection with any of the proposers, not a surprising fact as the LIRR’s freight service was a very small operation with no agreements with other freight operators except Conrail. We examined the proposals and picked the best one, which was submitted by Anacostia & Pacific.

Mr Posner does not back up his assertion with any evidence in the article, and I am surprised that a serious journal published such a statement without confirmation of any kind.

Anthony F Japha

Chief Program Executive, LIRR East Side Access Project
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Henry Posner responds:

Sir – In response to Mr Japha’s letter, my remarks were based on the following events surrounding the privatisation of LIRR’s freight services in 1996:

- A two-step, World Bank-style tender process was undertaken, consisting of an Initial Proposal phase followed by a sealed-bid submission of Final Proposals. The latter’s transparency was supported by the inclusion of a five-year business plan preformatted on an Excel diskette, in conjunction with a price proposal containing a one-time concession fee and an annual fee for the 20 years of the concession.
- MTA chose to award the concession to a competing bidder despite a proposal that by MTA’s own calculations was inferior to RDC’s.

I trust that the above – which is well documented in correspondence between ourselves and MTA on the subject – serves as a sufficient confirmation of the facts involved that *Rail Investment* readers can take my comments seriously. An additional consideration worth mentioning is that people involved told me in a matter-of-fact way that the decision was ‘political’.

Henry Posner III

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