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Rail Authority Sued for Violations of State Law

Port Clinton, PA – July 1, 2015 - Reading & Northern Railroad (R&N) filed suit in Northumberland County Court last Friday, June 26, 2015 against the SEDA-COG Joint Rail Authority (JRA).

The suit alleges that JRA illegally competes against R&N and other for-profit businesses. The suit points out that JRA was established in 1983 under the state's Municipality Authorities Act (MAA) and that the MAA prohibits public authorities from interfering with existing business by the establishment of enterprises which in whole or part duplicate or compete with existing enterprises serving substantially the same purpose. JRA has been very open in its efforts to compete with R&N and to divert rail business from R&N to JRA's own rail lines.

The suit also alleges that JRA has failed to follow the legal requirements of competitive bidding as specified in the Pennsylvania Municipalities Authorities Act. Since 1983 when JRA awarded a contract to the North Shore Railroad, JRA had failed to even offer its operations for bid. During that thirty year period, JRA failed to return any monies to the taxpayers while instead allowing its operator to enjoy a sweetheart deal.

After being warned by the Pennsylvania Attorney General in 2011 that its practices for awarding its operating contract were in violation of the Municipalities Authorities Act, the JRA disregarded the Attorney General's offer to assist in developing an appropriate procedure. Instead it designed a two-stage bid process that R&N alleges was inherently flawed because it was entirely subjective and arbitrary in nature as opposed to seeking the highest financial return for the taxpayers as required by Pennsylvania law. Under the subjective procedures, the JRA was able to eliminate R&N as a bidder even though R&N was the only bidder (other than the current Operator) with direct ties to the region and even though R&N is widely recognized as one of the outstanding regional railroads in the nation. In fact, R&N is the ONLY railroad in the nation to be named as Regional Railroad of the Year three times, most recently in 2015.

R&N is asking the Court to stop JRA from awarding the right to operate the rail lines until such time as the case is heard. Since the current contract does not expire for two years, R&N notes that such a delay will do no harm to any party.

Reading & Northern Railroad, with its corporate headquarters in Port Clinton, is a privately held railroad company serving over 50 customers in nine eastern Pennsylvania counties (Berks, Bradford, Carbon, Columbia, Lackawanna, Luzerne, Northumberland, Schuylkill and Wyoming). It has expanded its operations over the last 20+ years and has grown into one of the premier railroads in Pennsylvania. Reading and Northern operates both freight services and steam and diesel powered excursion passenger services through its' Lehigh Gorge Scenic Railway, owns over 1000 freight cars, and employs over 200 dedicated employees.