Establishing Efficient, High-Capacity, Intermodal Freight Rail Systems

Southern Economic Development Council (SEDC)

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A Race to Move Freight by Rail
Carrying the Products America Depends On

Intermodal: 11.5 million trailers and containers

Coal: 834 million tons

Farm products: 147 million tons

Plastics, fertilizers, and other chemicals: 169 million tons

Stone, sand, gravel: 132 million tons

Data are 2005-2009 averages.
Vital in Moving US Goods

(% of Ton-Miles, inter-city freight only)

Source: U.S. DOT
A Rebirth Since Deregulation

U.S. Freight Railroad Performance Since Staggers (1981 = 100)

Since Staggers, railroads have nearly tripled their productivity, doubled their volume, and cut their average rates in half.

Staggers Act passed Oct. 1980

"Rates" are revenue per ton-mile; "volume" is ton-miles. Source: AAR
Keeping Goods Affordable

Average Inflation-Adjusted U.S. Freight Railroad Rates Are Less Than Half What They Were in 1981*

Average U.S. rail rates* are down 51% since the Staggers Act restored reasonable balance to railroad regulation.

*Class I revenue per ton-mile, average all commodities. Source: AAR
Intermodal: A Growth Engine for Rail

Total US Intermodal Units Originated

- 1980
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010

Units: 0, 2,000,000, 4,000,000, 6,000,000, 8,000,000, 10,000,000, 12,000,000, 14,000,000
# Drivers of Intermodal Growth

## Domestic
- Truck Pricing & Productivity
- Railroad Service Performance
- Breadth of Rail Service Offerings
- Channel Excellence
- Terminal Locations & Customer Networks
- Drayage Productivity

## International
- Number of Imported Containers
- Transload Percentage and Trends
- East Coast vs West Coast
- Short-haul Int’l Rail Services (< 500 mi)
Highway Congestion in 2007

Peak-Period Congestion on the National Highway System: 2007

Note: Highly congested segments are stop-and-go conditions with volume/service flow ratios greater than 0.95. Congested segments have reduced traffic speeds with volume/service flow ratios between 0.75 and 0.95.

Highway Congestion in 2040

Peak-Period Congestion on the National Highway System: 2040

Note: Highly congested segments are stop-and-go conditions with volume/service flow ratios greater than 0.95. Congested segments have reduced traffic speeds with volume/service flow ratios between 0.75 and 0.95. The volume/service flow ratio is estimated using the procedures outlined in the HPMS Field Manual, Appendix N.

A Decade of Intermodal Service Expansion

Completion Dates

<table>
<thead>
<tr>
<th>Corridor</th>
<th>Completion Date</th>
</tr>
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<tbody>
<tr>
<td>Titusville</td>
<td>2009</td>
</tr>
<tr>
<td>Heartland Corridor</td>
<td>2011</td>
</tr>
<tr>
<td>Meridian Speedway</td>
<td>2012</td>
</tr>
<tr>
<td>Patriot Corridor</td>
<td>2012</td>
</tr>
<tr>
<td>Crescent Corridor P1</td>
<td>2012</td>
</tr>
</tbody>
</table>
The Crescent Corridor

A high-service intermodal “rail expressway” linking the South and Northeast

Benefits

- 2,500 miles of improved railroad
- $2.5 billion in new investment
- 1.3 million trucks from road to rail
- 73,000 new jobs created
Interstate Highways Define Trade Lanes
...Where Our Rails Go
Anchored by Major Intermodal Terminals
Memphis Intermodal Facility
July 2nd Grand Opening
Memphis Intermodal Facility
4th Qtr. 2012 Completion
Memphis Intermodal Facility
Future Expansion
Railroad Investment Has Grown in Tandem with Profitability

*Capital expenditures + maintenance expenses – depreciation. Data are for all Class I Railroads. Source: AAR*
Railroad Capital Expenditures: Investing Through US Manufacturers

![Graph showing railroad capital expenditures from 2001 to 2010. The categories include Rail, Ballast, Ties & Other Road, Locomotives & Freight Cars, Signals, Communications & Interlocks, and Other Equipment. The expenditures are measured in dollars (in millions).]
The Fundamental Infrastructure Financing Issue

- Risk-adjusted investment returns must meet or exceed capital costs
- Many projects have high returns to customers and the public, but low returns to the railroad at current pricing
Two Public Private Partnership Models

- Direct Investment: Public and the Private
- “Indirect” Investment: Tax Credits for Rail
  - Provides for 25% credit for new capacity
  - Applies to track, technology, facilities, and locomotives
Summary

- Freight rail is a critical part of North America’s transportation system
- Intermodal freight rail expansion is a cost-efficient way to ease highway congestion and create capacity in the supply chain
- Combination of private and public investment is needed to achieve optimum benefits for the consumers of goods moving by rail