

American Association of Port Authorities Marine Terminal Management Program



Steve Evans
Assistant Vice President
Ports & International
Norfolk Southern Corporation
October 25, 2010



Safety Briefing

Drug Facts

Active ingredient (in each tablet)

Chlorpheniramine maleate 2 mg.....Antihistamine

Purpose

Uses temporarily relieves these symptoms due to hay fever or other upper respiratory allergies: ■ sneezing ■ runny nose ■ itchy, watery eyes ■ itchy throat

Warnings

- May cause drowsiness
- **DO NOT** operate heavy machinery after viewing his presentations

Directions

adults and children 12 years and over	take 2 tablets every 4 to 6 hours; not more than 12 tablets in 24 hours
children 6 years to under 12 years	take 1 tablet every 4 to 6 hours; not more than 6 tablets in 24 hours
children under 6 years	ask a doctor

Drug Facts (continued)

Other information ■ store at 20-25° C (68-77° F) ■ protect from excessive moisture

Inactive ingredients D&C yellow no. 10, lactose, magnesium stearate, microcrystalline cellulose, pregelatinized starch

What are the Major Issues Affecting Rail Transportation?



The Best Freight Railroads in the World

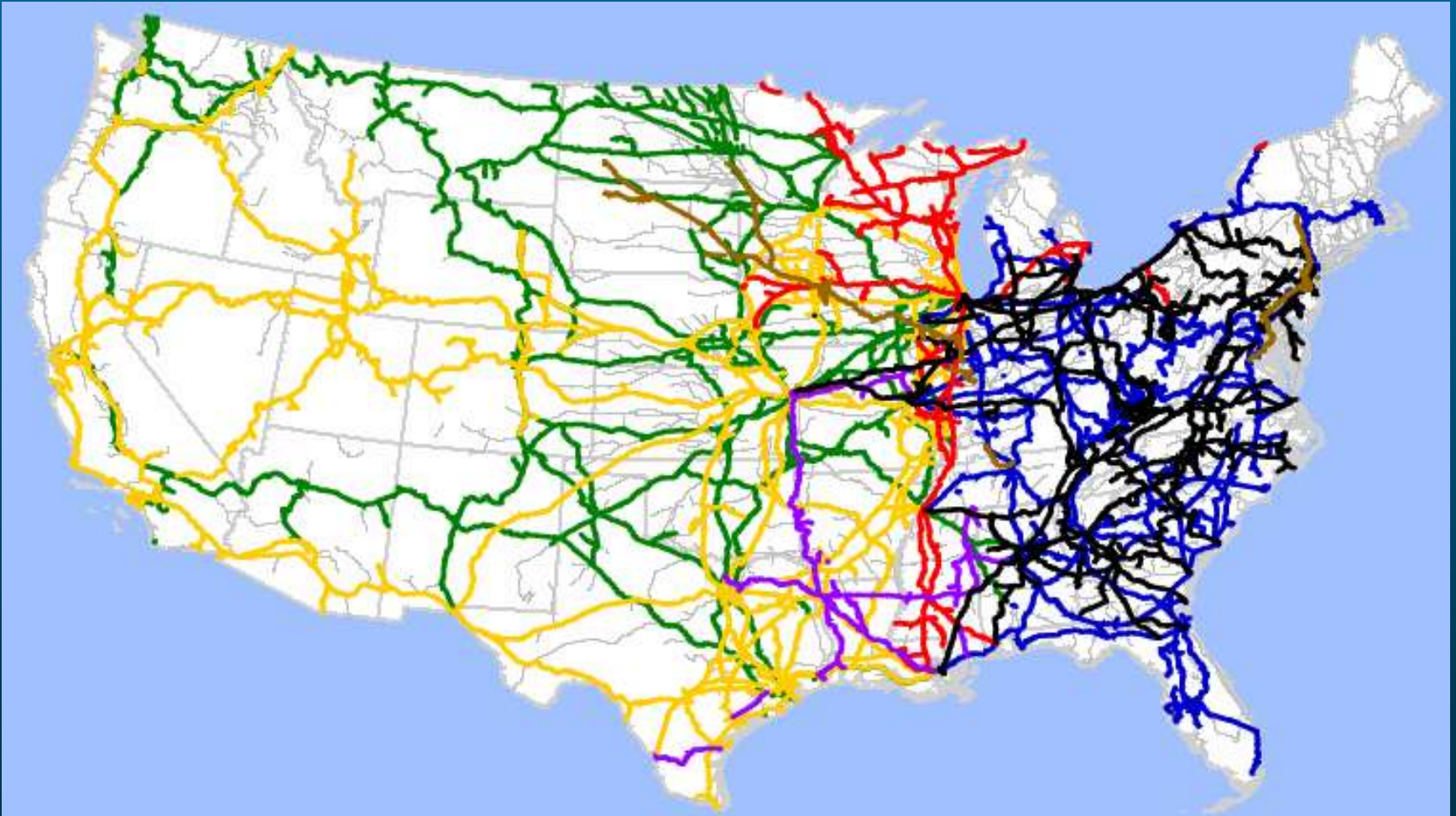


“America’s freight railways are one of the unsung transport successes of the past 30 years. They are universally recognised in the industry as the best in the world.”

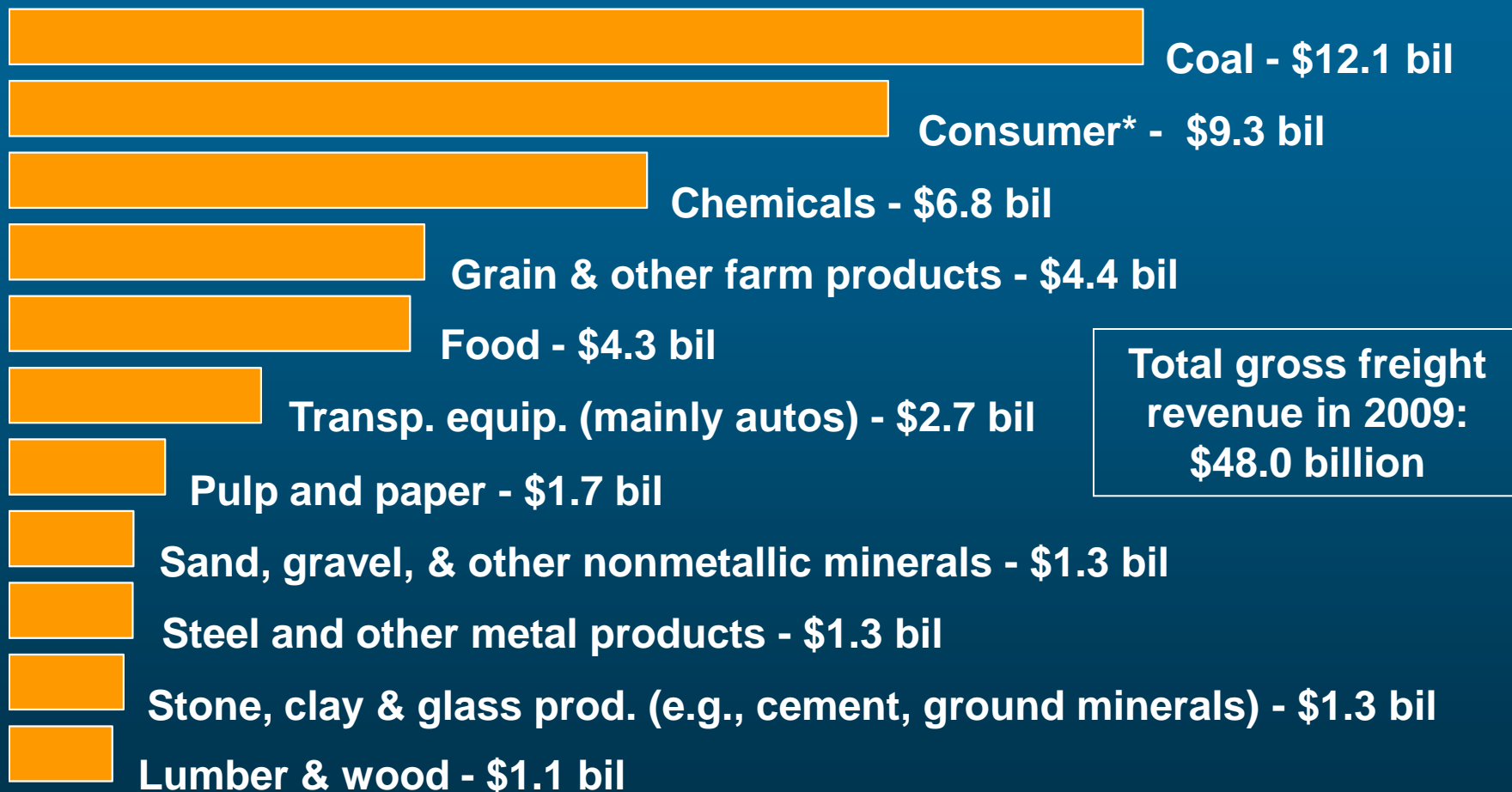
— *The Economist* (July 2010)



Coast to Coast Operations

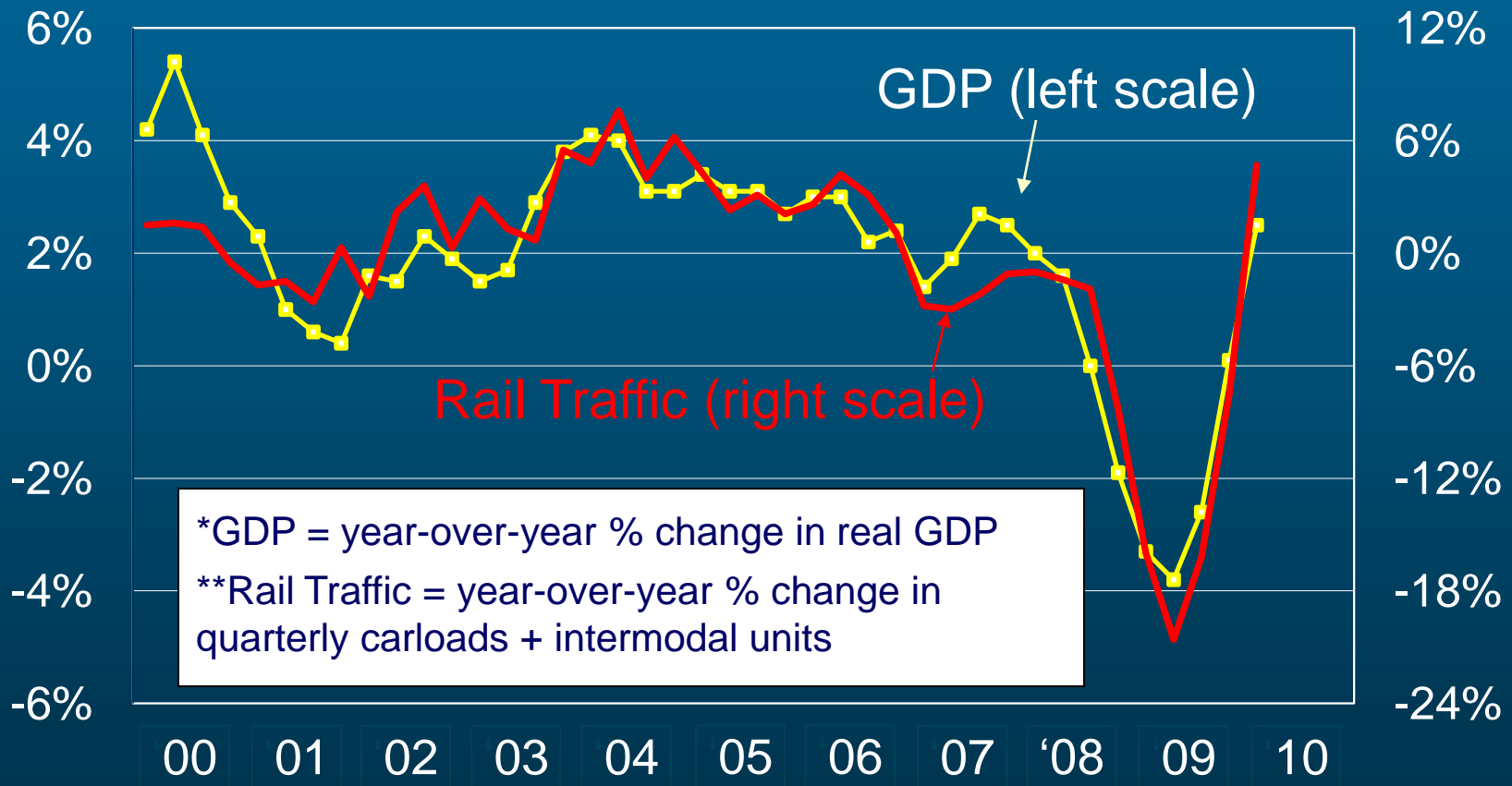


Railroads Move Just About Everything



Source: AAR *Intermodal, estimated. Some intermodal revenue is included in individual commodities.

As the Economy Goes, So Goes Railroads

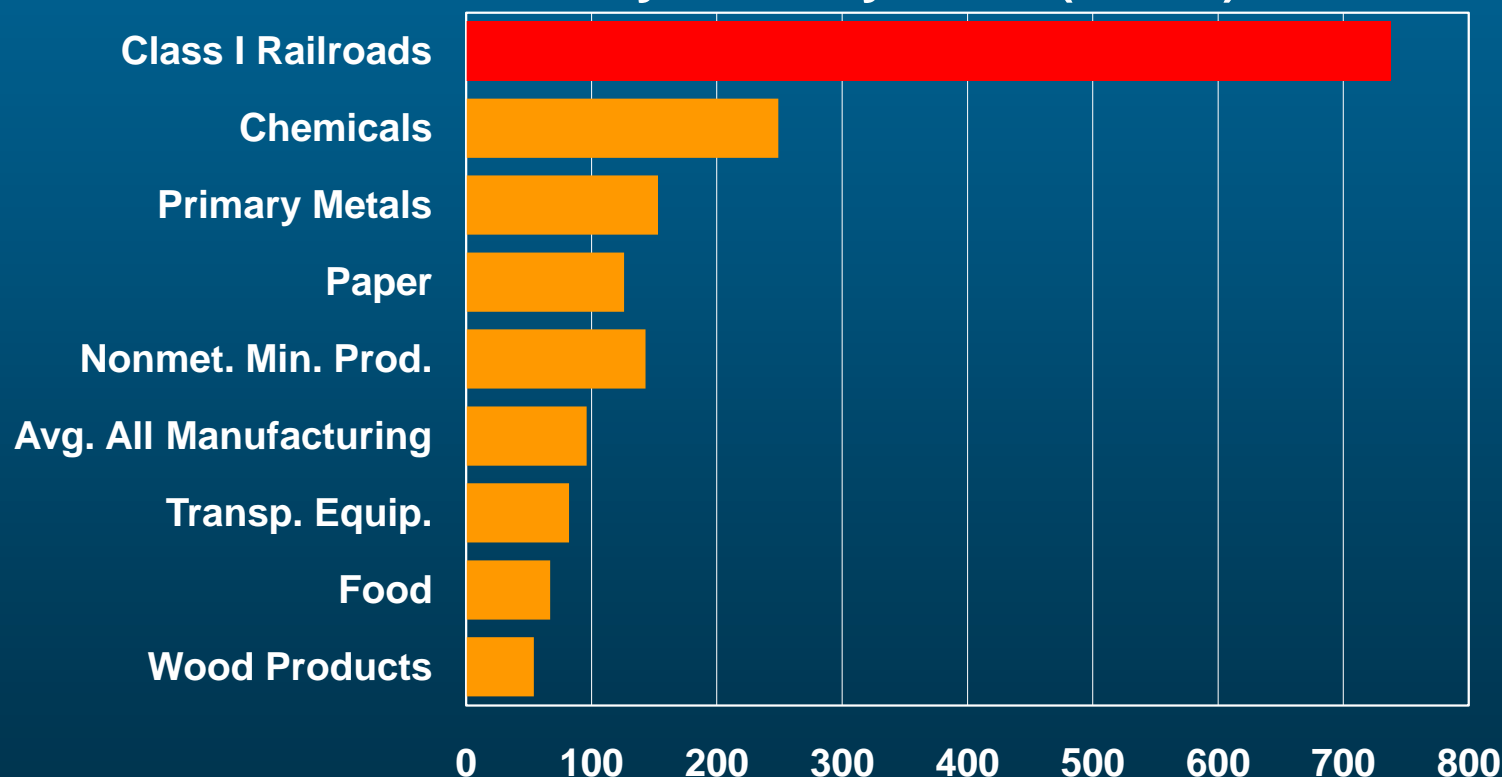


Source: Bureau of Economic Analysis, AAR *Weekly Railroad Traffic*

Higher Net Investment in Plant and Equipment

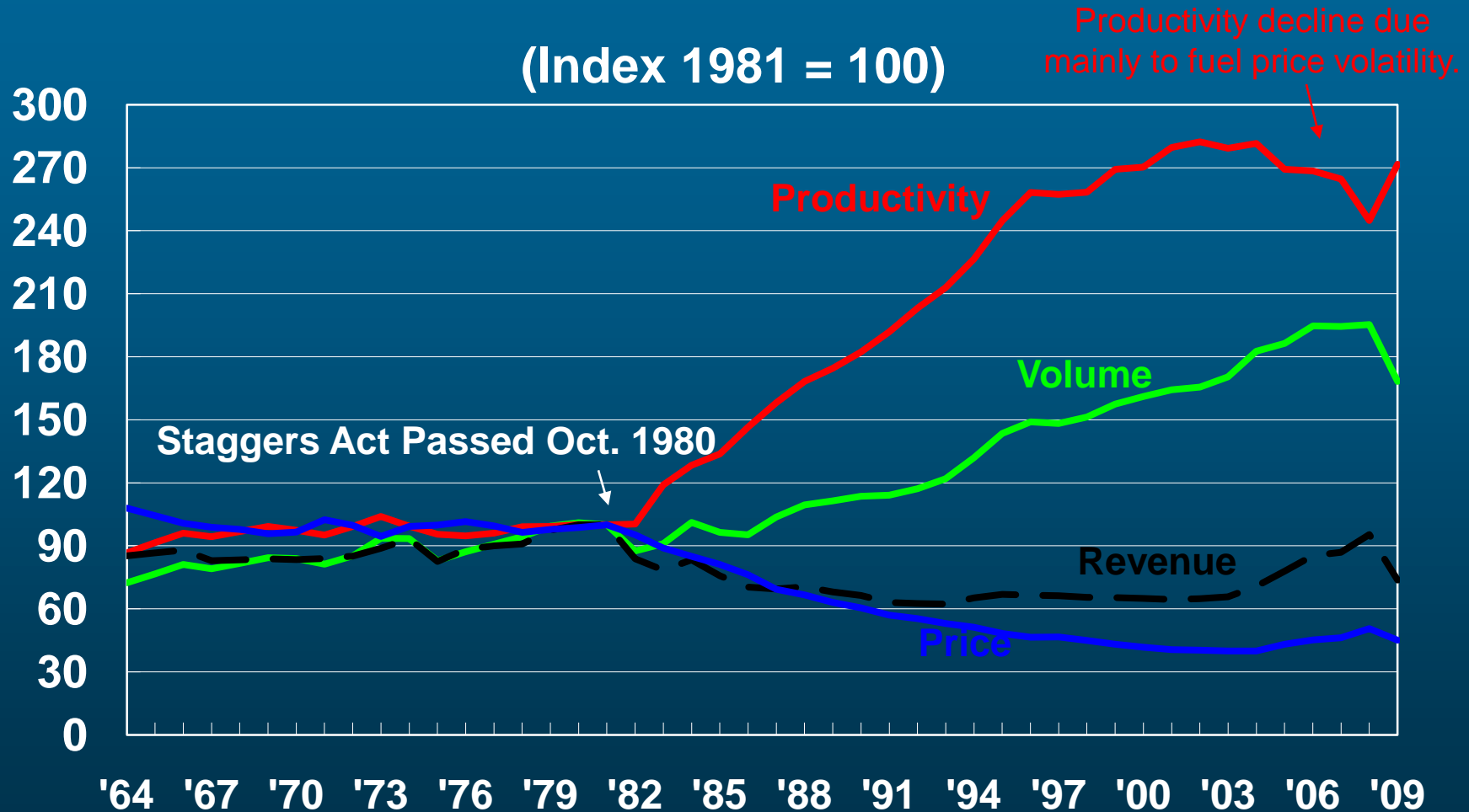


Property, Plant & Equipment Per Employee
by Industry: 2008 (\$000s)



Source: AAR, Census Bureau, Bureau of Labor Statistics

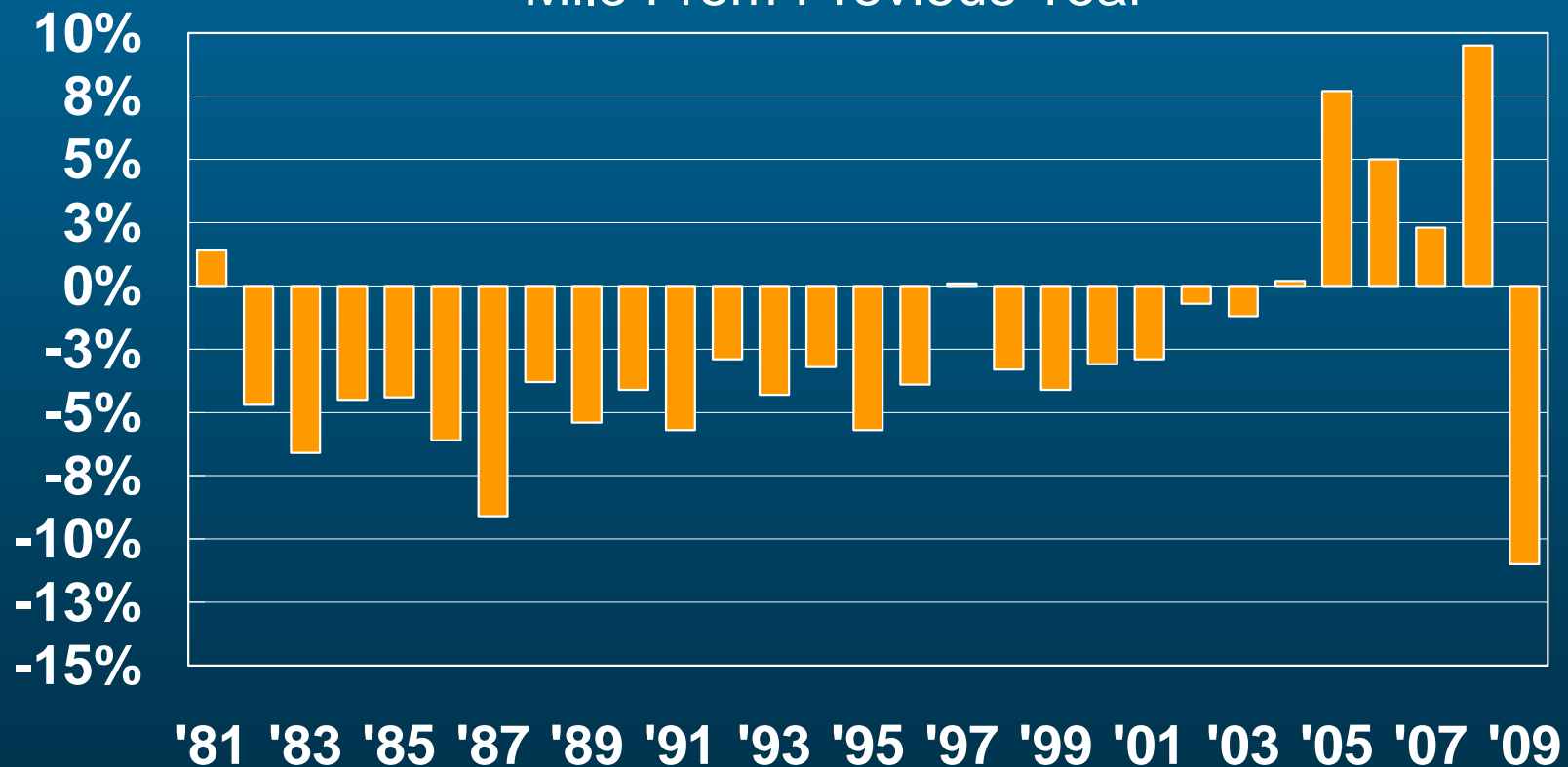
The Staggers Act: An American Success Story



Rail Rates: Half the Price of 25 Years Ago



% Change in Class I RR Revenue Per Ton-Mile From Previous Year



*Inflation-adjusted average revenue per ton-mile

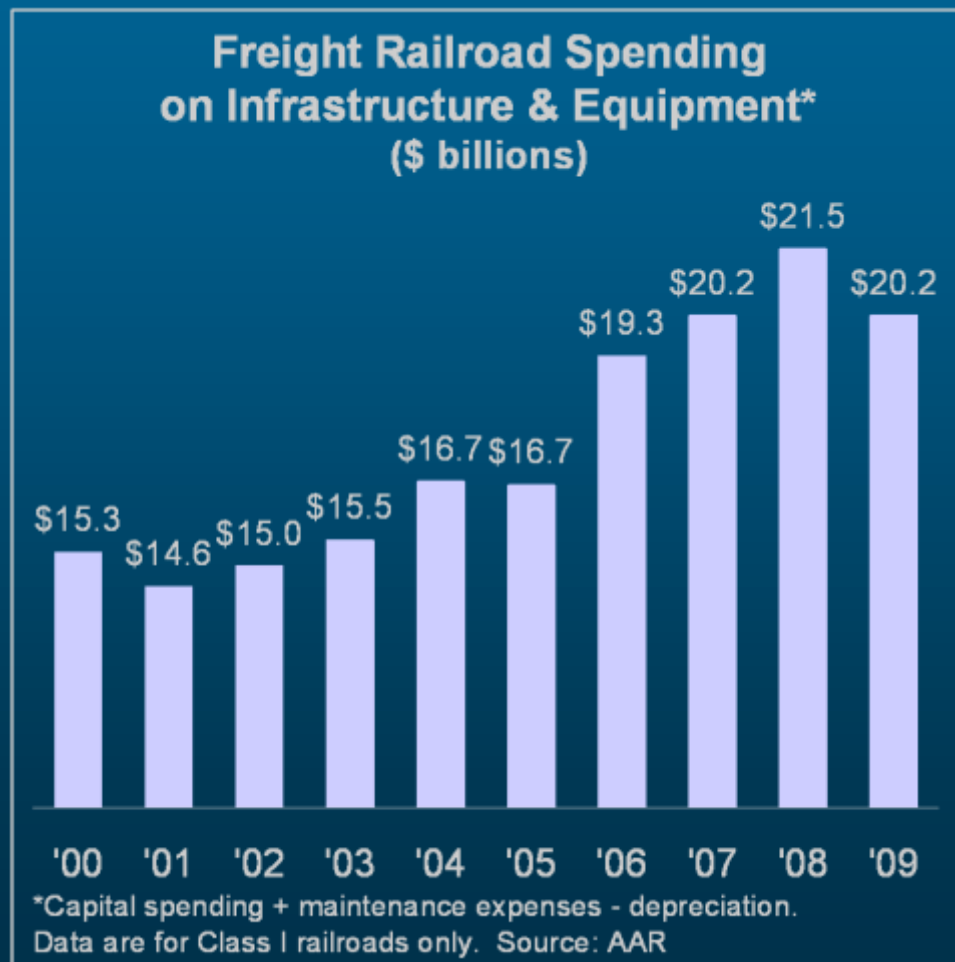
Source: AAR

Environmental Steward

- Moves a ton of freight 480 miles per gallon
- One train does the work of 280 or more trucks
- Four times more fuel efficient than trucks, on average
- Reduces greenhouse gases by 75% compared with trucks
- Diverting 10% of long-distance truck traffic to rail would be like taking 2 million cars off the road or planting 280 million trees



Huge Reinvestments = World's Best Freight Rail Network



Private funds pay the overwhelming majority of costs to build and maintain the U.S. freight rail network

- \$460 billion since 1980 – more than 40 cents of every revenue dollar
- Every \$1 billion spent on rail supports 20,000 jobs
- Spending stays high even during recession

Railroads Spend More Than Most State Highway Agencies!



RR Spending on Way & Structures vs. State Highway Agency Spending - 2008 (\$ billions)

	Total
1. Texas	\$8.40
2. Florida	\$6.24
3. California	\$5.65
Union Pacific	\$4.91
BNSF	\$4.02
4. New York	\$3.82
5. Pennsylvania	\$3.77
6. Illinois	\$3.50
7. Georgia	\$2.84
8. North Carolina	\$2.71
CSX	\$2.70
9. Michigan	\$2.52
Norfolk Southern	\$2.48
10. Virginia	\$2.39

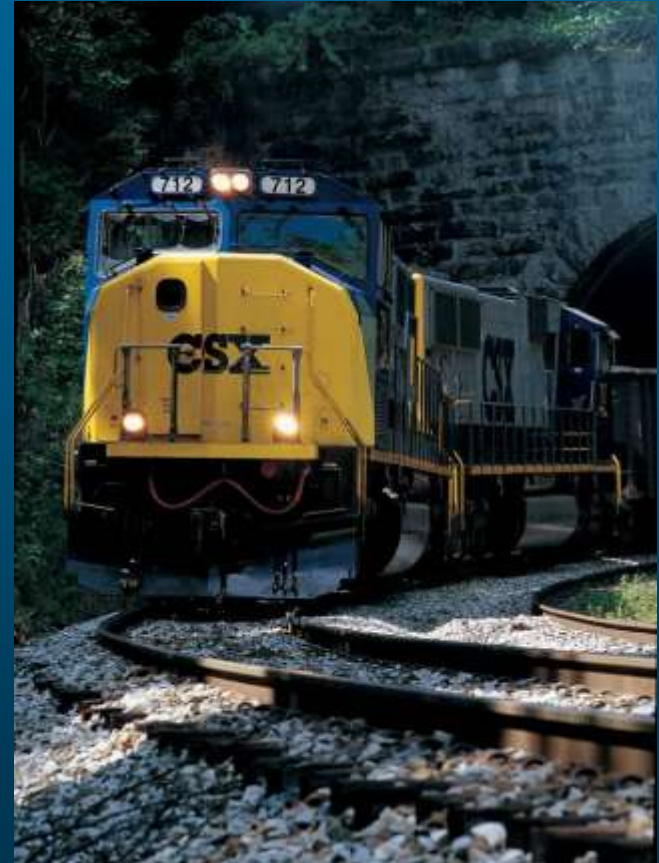
Data include capital outlays and maintenance expenses. Sources: FHWA, AAR

RRs Face the Recession



2009 was worst year for freight rail traffic in recent history:

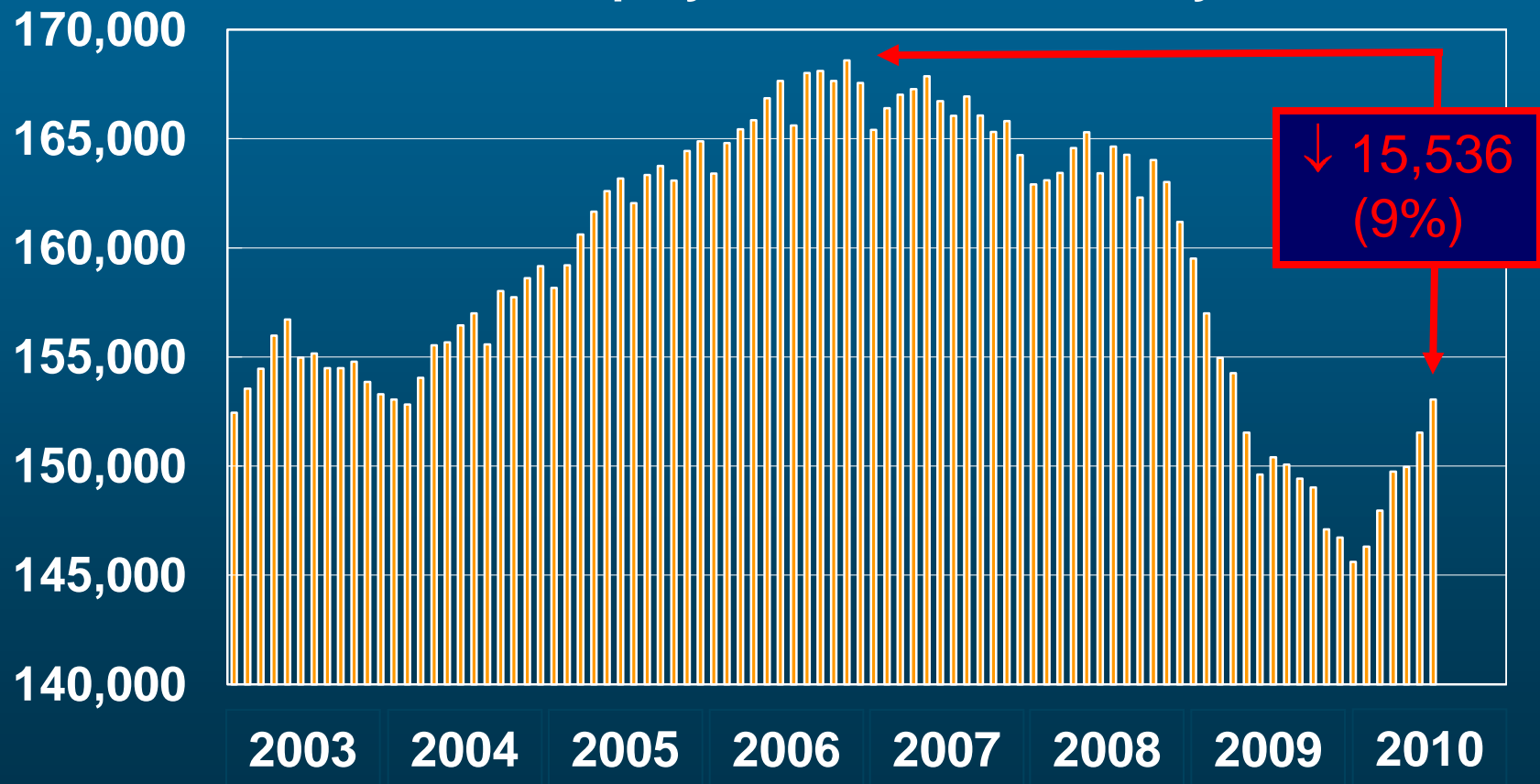
- U.S. rail carloads at lowest levels since 1988, down 16.1% from 2008, down 18.2% from 2007
- Intermodal lowest since 2002, down 14.1% from 2008, down 17.7% from 2007



Effects of Recession: Lower Rail Employment



Class I RR Employment: Jan. 2003 - July 2010



Source: Surface Transportation Board

But, RR Investment Spending Remaining High



U.S. Freight RR Capital Spending (\$ billions)



e - preliminary AAR estimate

Source: AAR

Challenges Ahead Require Pro-Rail, Pro-Recovery Policies



A better alternative to overzealous regulation and harmful legislation:

- Balanced regulation
- Public-private partnerships
- Responsible climate change policies



Challenges Ahead: Excessive Regulation



Proposed federal legislation would:

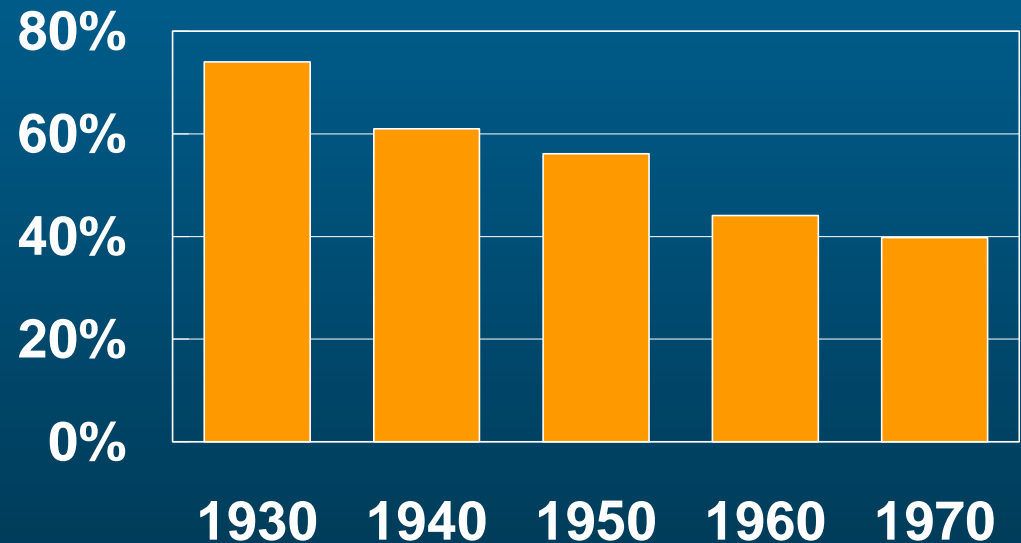
- Force railroads to lower their rates to certain shippers.
- Vastly expand the role of government in day-to-day rail operations.
- Repeal key elements of the Staggers Act that have made it possible for the industry to sustain itself.

Excessive Regulation Nearly Destroyed America's RRs



- 20% of mileage in bankruptcy
- Track & equipment falling apart
- 50,000 miles under slow orders
- 2% return on investment
- Declining service and market share

RR Market Share*



*Intercity ton-miles

Balanced Regulation Works – For Shippers, RRs, and Consumers



- Average rates down 55% mean huge savings for consumers
- \$460 billion in reinvestments have created the best freight rail network in the world
- Accidents down 76%; employee injuries down 82%
- RRs still held accountable, shippers still protected against anti-competitive railroad actions
- RRs closer to financial sustainability



Unbalanced Regulation: A Downward Spiral

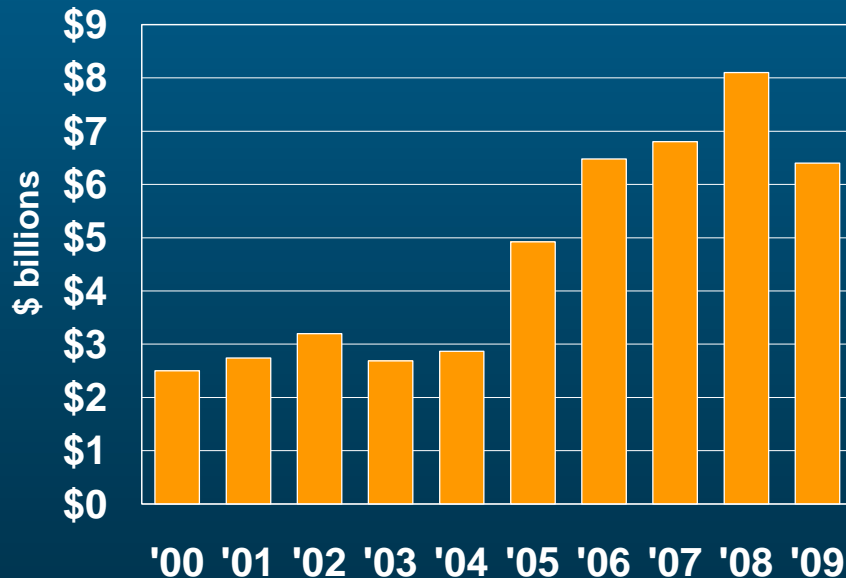


Preserving Balanced Regulation to Help Ensure Adequate Capacity

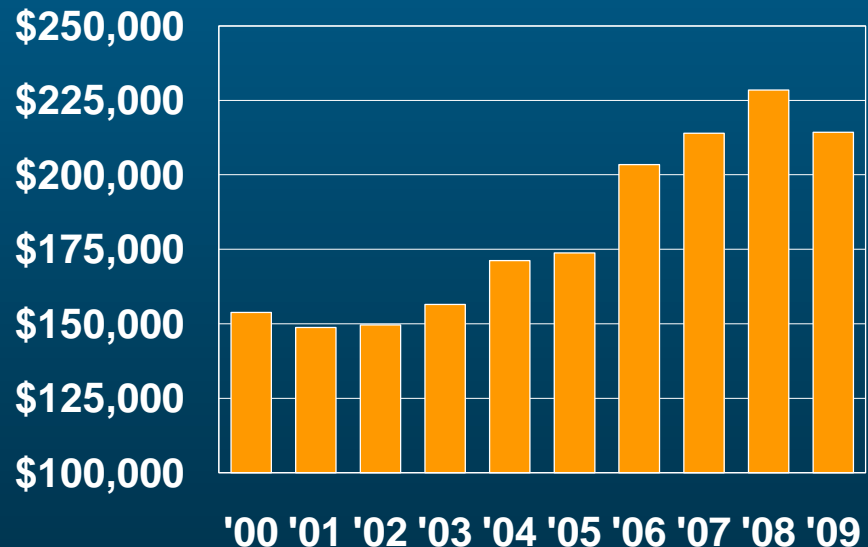


Today's earnings pay for tomorrow's railroads. Take away earnings and you take away investments.

Net Income



RR Spending Per Mile



Source: AAR

Challenges Ahead: Positive Train Control



- Must be in place by 2015
- >\$5 billion to install, ~\$700 million per year to maintain
- Total costs: >\$10 billion over 20 years
- \$20 in costs for every \$1 in benefits
- Means less \$ for other projects, including capacity and service improvements



Challenges Ahead: Climate Change Policy

- Some climate change proposals would require drastic cuts in coal use
- Coal accounts for 1 in 5 railroad jobs and 1 in 4 railroad revenue dollars
- Without coal, the rail network as we know it ceases to exist



Responsible Climate Change Policies

- Fund clean coal development (e.g., carbon capture and sequestration) to ensure continued use of our domestic, affordable coal reserves
- As a last resort, provide contingent allowances to railroads to help ensure viability of nation's rail network



Public-Private Partnerships to Help Ensure Adequate Capacity



- Combine resources to meet public needs
- Railroads pay for their benefits, public pays for public benefits
- Examples: Alameda Corridor, CREATE, Heartland Corridor, National Gateway, HSR



Norfolk Southern Facts

- 21,000 Miles of Rail
- 22 States and District of Columbia
- 30 Major Classification Yards
- 3,965 Locomotives Owned / Leased
- 89,937 Freight Cars Owned / Leased
- 28,500 Employees (Avg. 2009)
- 354 General Warehouses / Distribution Centers
- 175 Bulk Transfer Facilities

Norfolk Southern Markets

2009 Carloads

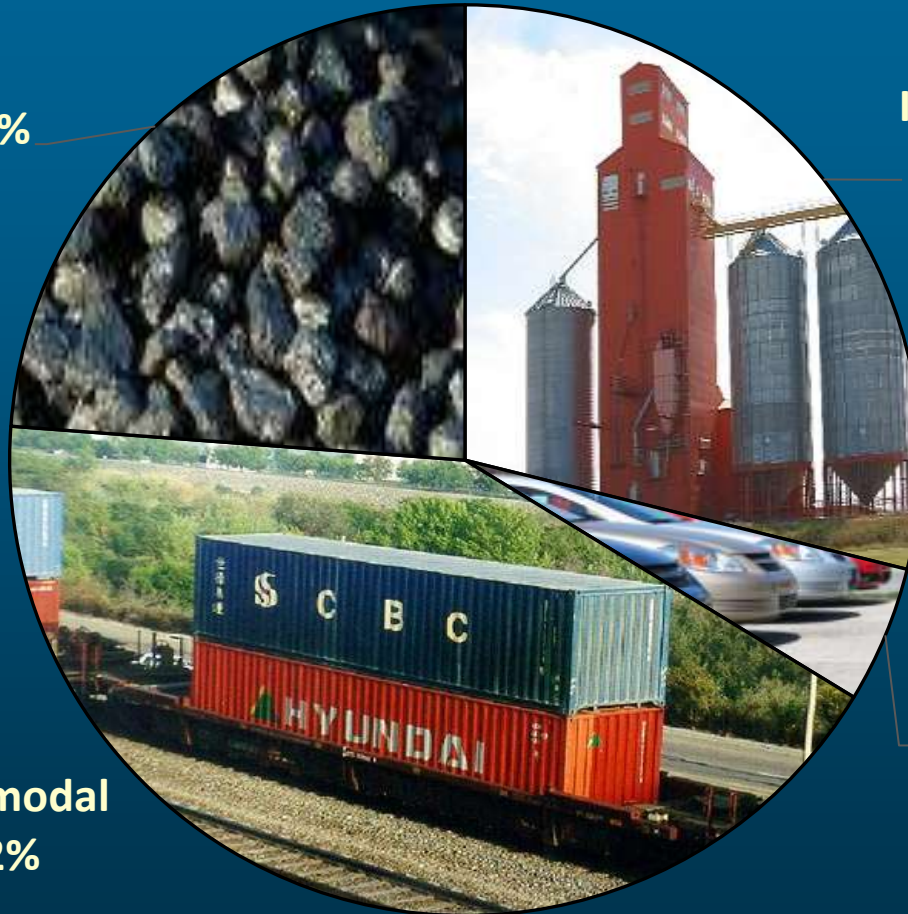
5,957,258

Coal 24%

Industrial
Products
29%

Automotive
5%

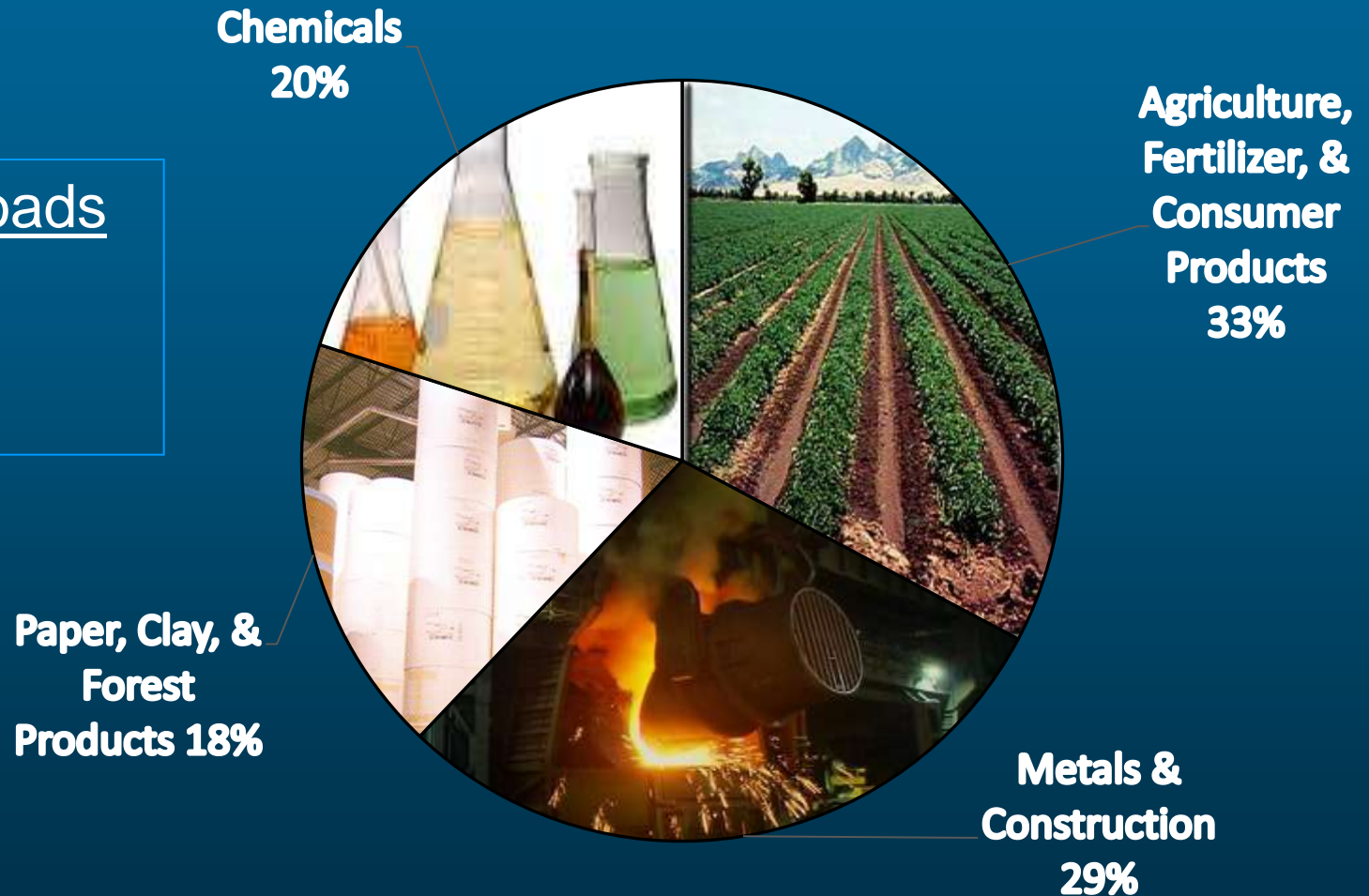
Intermodal
42%



Industrial Products Markets

2009 Carloads

1,718,845



Ports and International Department

- Ports and International
- Lambert's Point Docks, Inc.
- Norfolk Southern Mexicana
- Norfolk Southern International

Sea Ports NS Serves





Lambert's Point Docks



Ports and International Department: The approach we take

- Work to generate new business at ports
- Improve our service to and from the ports, which means reducing costs
- Protect NS interests, including access
- Represent NS strategic interests with port agencies and their state colleagues

Ports and International Department: Growing Relationships

- Regular meetings involving Operations and Marketing personnel from the ports and NS...and any terminal railroads
- Provide a consistent point of contact for each port. We do not ever want to hear anyone say, *“I didn’t know who to call.”*

Ports & International Department

- We are not a stand-alone department
- None of our projects will be successful unless we interface with multiple departments
- We work closely with all of the Marketing Business groups and other departments at Norfolk Southern

Four Tenets of the Ports and International Department

1. Work with all NS-served ports to defend and grow the business they currently handle and which NS moves over that port.



Four Tenets of the Ports and International Department



2. Work with all NS-served ports to identify new business or business moving through a competitive port, ***which we do not currently handle.***



Four Tenets of the Ports and International Department



3. Do not take business *which we are currently handling* over one port and actively work to move it to another port.



Four Tenets of the Ports and International Department



4. Welcome any opportunity to develop strategies for securing or promoting new business over a port.

Remember...

- Neither Norfolk Southern nor the port controls the freight
- Beneficial owners, ocean carriers and freight forwarders decide how the freight will move
- We work with those customers to move the freight as they prefer in order to ensure NS participation



How Rail Impacts the Selection of a Port



1. Rail has minimal impact on the decision making
2. Does rail want this type of business?
3. Rail capacity issues
4. Can the ports handle the volume from a rail perspective?
5. Proper communication needed between shipping lines & rail for planning purposes

Rail Has Minimal Impact on the Selection of a Port

- Decisions are made by the shipping lines and the customer
- Rail has to show we can handle the volume
- Rail rates enter into the ultimate decision, but are not the primary driver

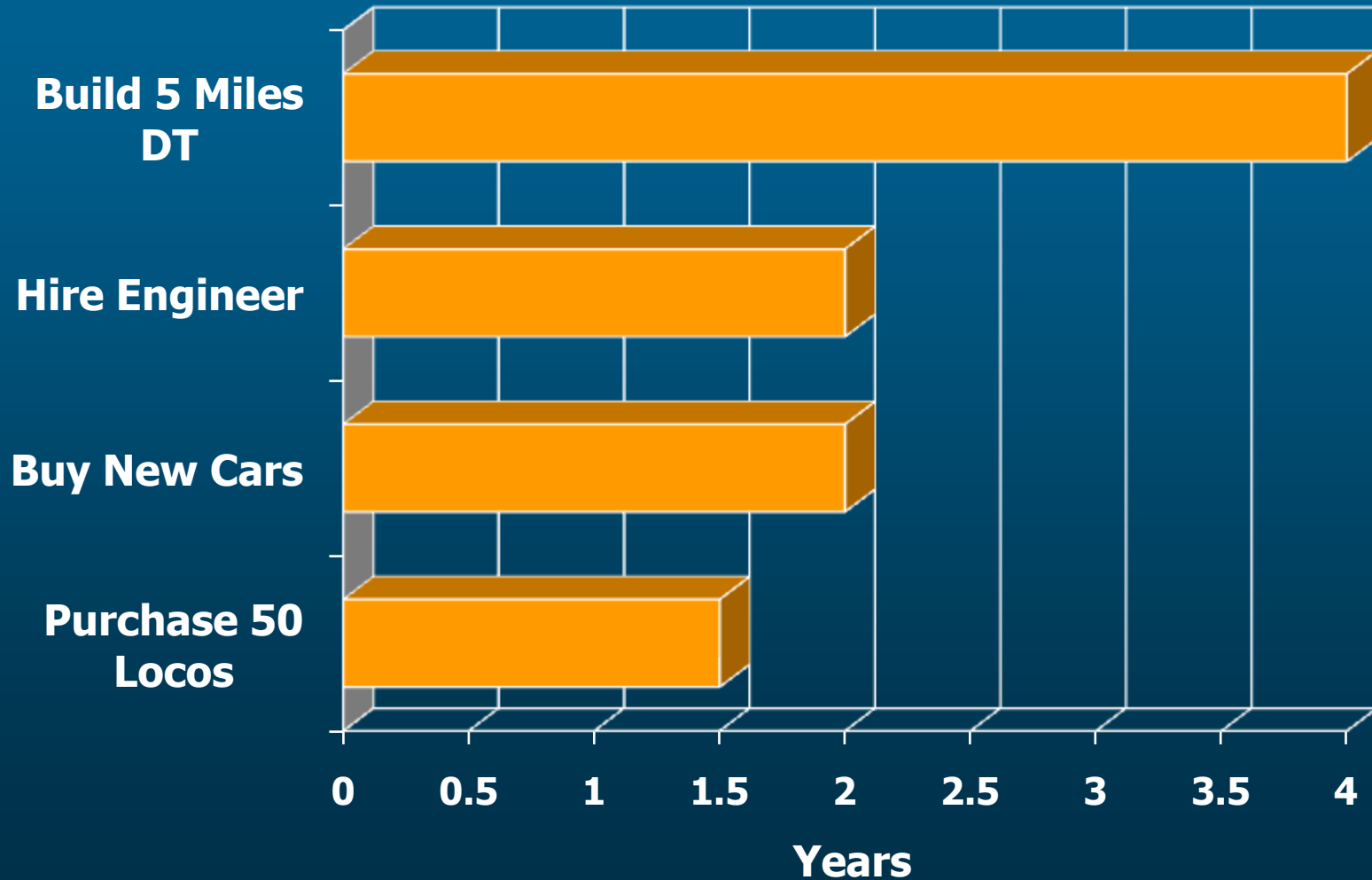


Rail Capacity – Key Driver

1. Infrastructure
2. Locomotives
3. Freight Cars
4. People



Planning Lead Time



Are the Port Rail Facilities Adequate?

- Does the port have the land to handle the business?
- Do they have sufficient rail capacity?
- Do they have yard capacity?



Are the Port Rail Facilities Adequate?

- Many ports do not have the infrastructure to handle large unit trains
- Many of the rail facilities serving ports were built when there were 40 foot box cars and were not built to handle large volumes of larger railcars



Rail Facilities

- Railroads need to be prepared to invest in their facilities serving the ports
 - Yard Capacity
 - Line Capacity
 - Signaling



Colonel's Island Connection Track



So, How Did NS Handle This Project?



- A coordinated effort to dramatically improve rail service to, from and at the Colonel's Island Marine Terminal
- Who were the key players?
 - Southeast Georgia Joint Development Authority (SGJDA)
 - Norfolk Southern Corporation
 - Georgia Ports Authority
 - Golden Isles Railroad

Actually Three Major Projects Were Built Concurrently



- The Trigger: A 7,700 foot long connection track between the NS and CSXT mainlines: \$4.9 million total cost
 - \$1.5 million grant
 - \$1.6 million in zero and 3% interest loans
 - \$1.8 million via conventional financing
 - Operating lease by NS to pay all borrowed funds over 20 years plus a management fee to SGJDA
 - Structured as an *operating lease*

Actually Three Major Projects Were Built Concurrently



- GPA and GITM renegotiated their agreement to allow GITM to:
 - Upgrade its storage tracks at Anguilla Junction Yard
 - Lengthen its storage tracks to permit the holding of one full 75-car unit grain train on each track

What are the Benefits?

- Mercedes export traffic is staying at the Port of Brunswick
 - NS has run three 60-car unit trains every week from Vance, Alabama directly to the Port
 - ***This has reduced the round-trip transit time of a car from 14 days to 4 days***
- Mercedes has moved its import operations from Jacksonville to Brunswick

What are the Benefits?

- Grain unit trains turn faster
- Colonel's Island is a much lower cost operation from a rail perspective, opening up new markets to the Port
- NS unit trains almost never go into Brunswick Yard, eliminating most of the grade crossing blockages they caused

A Happy Ending



There are Many, Many More Infrastructure Projects Than Available Funding



Proper Communication Needed Between Shipping Lines & Rail for Planning Purposes



- Shipping lines have not done a good job coordinating with railroads at ports
- Proper planning can help to develop efficient service



Major Projects to Improve Norfolk Southern Rail Service

- Heartland Corridor
- Meridian Speedway
- PanAm Southern Corridor
- Crescent Corridor
- Mid-American Corridor



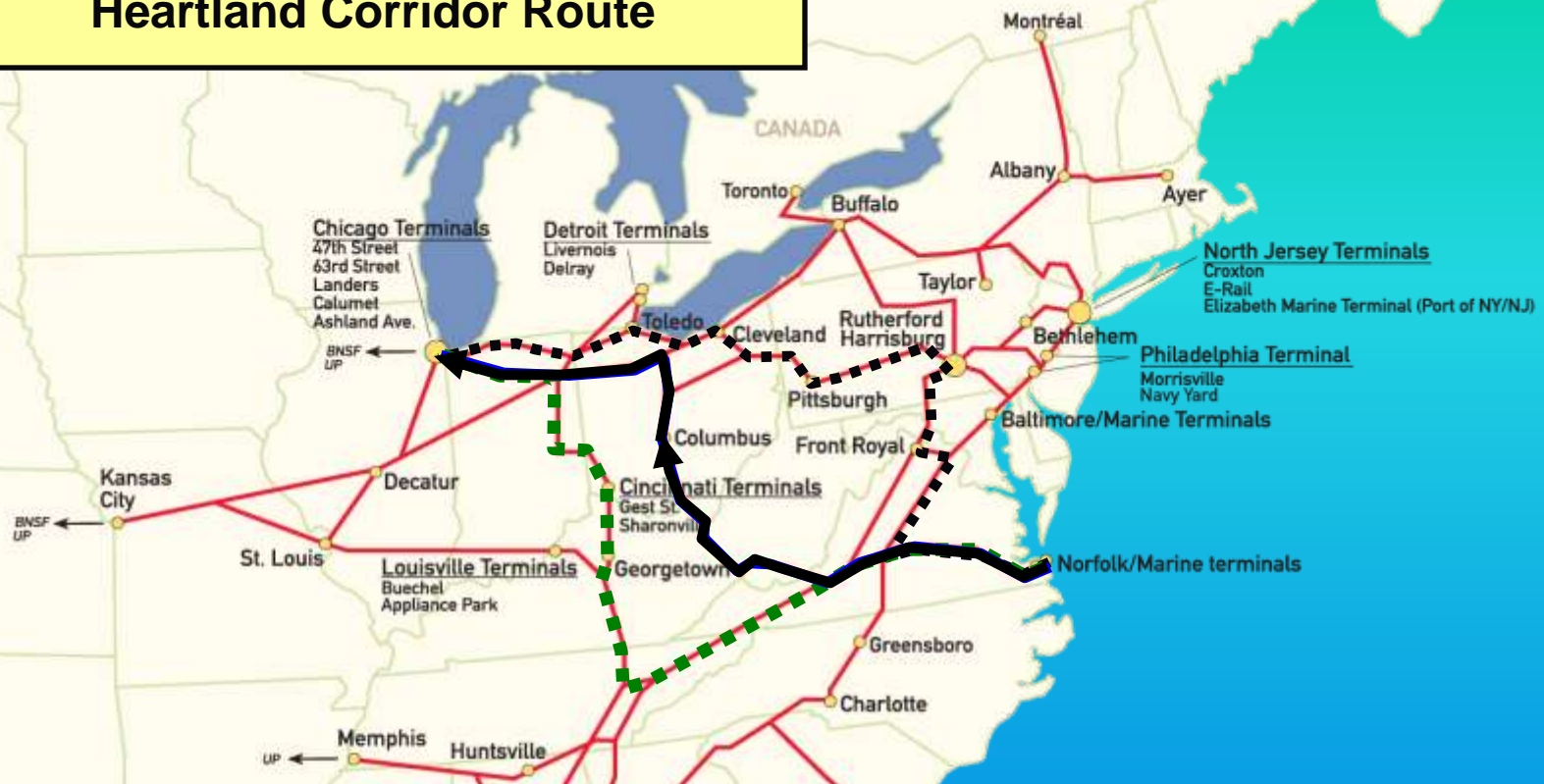
Four of NS' 6 Corridor Programs Will Be Largely Complete by the End of 2010!!

Heartland Corridor Facts



- Public-Private Partnership
- Economic growth for Ohio, West Virginia and Virginia
- \$191 million on core projects
 - Two-thirds funded by public sources
- Reduce NS length-of-haul
 - Improve resource availability

Heartland Corridor Route



Norfolk Southern Intermodal Network





- NS Intermodal Network
- Terminals
- Current DS Route
- Secondary DS Route
- Current Single Stack Route
- Port-Heartland High Speed Doublestack Corridor

NS Intermodal Network
Terminals

- Reduce Transit to Chicago by 1 Day
- Will Shave Approx. 225 Route Miles Off Each Container Move to Chicago
- Greater Efficiencies

The Heartland Corridor

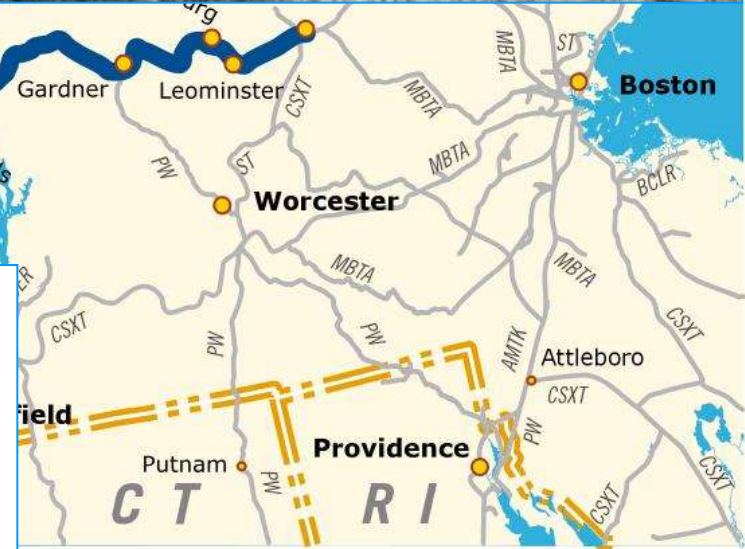
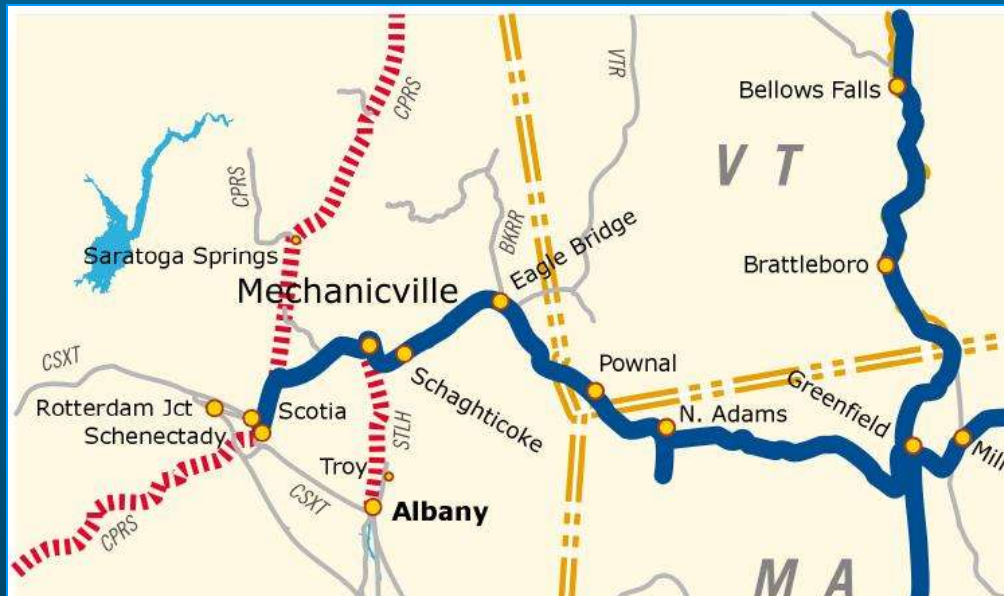
The Heartland Corridor Projects:

	Mainline Clearance Project:	\$150mm
	Heartland Route requiring no improvements	
	Roanoke, Terminal	\$22mm*
	Prichard, WV Terminal	\$19mm*
Central Corridor Total		\$191mm

Government Funding

Federal	\$95mm
Ohio	\$1mm
Virginia	\$32mm
West Virginia	\$15mm**
Total Government	\$143mm
Columbus Rickenbacker, Terminal	





- **36.5 Track Miles of New Rail**
- **17 Miles of Gauging**
- **130,000 new ties**
- **Surface 151 miles with 81,000 tons of Ballast**
- **4 Bridge decks and 13 Turnouts**
- **Upgrade to 286K**
- **New Passing Sidings**

Top Ten Situations When P&I Employees are Prohibited from Using Their Blackberries

10. Anytime they are in church or I am on the golf course.
9. While operating cranes or forklift trucks.

Top Ten Situations When P&I Employees are Prohibited from Using Their Blackberries

8. While testifying in any court proceeding.
7. When sending any e-mails that begin with the phrases, “Trouble”, “Oh-oh”, “Please remain calm” or “We’re screwed!”

Top Ten Situations When P&I Employees are Prohibited from Using Their Blackberries

6. While parallel parking their company vehicle.
5. During their annual performance evaluation.

Top Ten Situations When P&I Employees are Prohibited from Using Their Blackberries

4. For whatever the reason, anytime they are in the bathroom.
3. While trying to convince our customers how much we appreciate their business.

Top Ten Situations When P&I Employees are Prohibited from Using Their Blackberries

2. When sending any e-mail beginning with the words, “Regarding today’s unfortunate incident involving the Coast Guard...”
1. Absolutely anytime during any of my presentations.

Questions?

