

Improvements to both highways in rail access to ports is necessary to alleviate traffic congestion and speed the flow of cargo through the ports to its final destination.

Containerization of goods for shipment has placed special demands on port facilities, and supporting transportation facility systems.

Increased investments are required for landside facilities, on-dock rail-lines, and large storage areas, cranes, and so forth to permit rapid movement from ship to intermodal connections.

In the rural areas, large volumes of bulk-products rely on rail and highway access to the ports to permit timely distribution to product users and to allow for efficient movement of export products.

To summarize, the AASHTO intermodal connection recommendations reasoned as follows:

AASHTO urges the federal government to recognize the need for landside access improvements to our nation's ports. The existing funding services are inadequate to meet current highway/port and rail/port connector needs.

An integrated surface transportation program must consider port-landside access improvements as part of the federal funding program for highway and rail transportation modes.

## **RAILROAD PERSPECTIVE**

**D. Henry Watts**

**Executive Vice President - Marketing  
Norfolk Southern Corporation**

I would like to try and contribute by enlarging on the issues at hand with some rather specific observations. First about the private industry sector and secondarily about the East Coast.

### **Private Industry Sector**

Certainly we all know why we're here, and the great economical globalization that has occurred in the last twenty years. We now find ourselves -- Norfolk Southern Corporation (basically an East Coast railroad or Southeastern U.S. and Midwest U.S. railroad) with 20 percent of our overall revenue coming from international traffic.

We have a service to six ports on the East Coast. On the Gulf Coast, we serve the major ports in Mobile and New Orleans. Our principal bulk cargo is coal.

We have a break-bulk commodity pier that we own and operate in Norfolk. In addition, we have vast containerized operations which really are the new kid on the block. I understand the concern about containers getting so much attention, but it's just a little bit like intermodal and the railroad business. That's the growth part of the business and that's the part of the business for us that requires a great deal of attention and nurturing.

I'm often asked the same question (in a different guise) that was posed this morning by our own management; "why do you pay so much attention to container and intermodal businesses, when in fact, it only represents about 15 percent of our revenue stream?" That's because it's a very large growth opportunity.

We serve not only the ports that I mentioned in the Atlantic and the Gulf, but also numerous river terminals at numerous places on the railroads and we serve Great Lakes ports.

### **Bulk Cargo Business**

Starting with the first of these and talking about private sector investment and landside infrastructure operations, I would start with the bulk business, the one we've been in the longest in the railroad, the export of coal, which is a very important business to us.

In 1990, we loaded about 40 million tons of coal at Lambert's Point, Virginia, which is in the port confines of Hampton Roads. That is a private terminal; we operate it totally. We coordinate the many activities with the port people and with various agents within the port complex. We also interface with the Virginia port authority which operates all the non-bulk businesses except our break-bulk terminal called Lambert's Point, within the general port area.

### **Coal Support Services**

Coal is a very important business on which we are spending each year in the neighborhood of 100 to 200 million dollars for our coal support services. Everything from infrastructure in terms of upgrading our track, to cars and locomotives required to move the coal and to port structures themselves as it relates to our coal loading pier at Hampton Roads.

The plan that we have (given that we can satisfy all of the permitting requirements) is for a ground storage facility, which will be located about 25 miles inland from the port of Hampton Roads at a place called Windsor, Virginia in Isle of Wight County. We hope to invest about 100 million dollars for a ground storage facility for coal which will continue to make U.S. coal more attractive on the world market.

I don't want to stay too parochial on this. Certainly we have made private investment in the container business and it's primarily been in the nature of terminals and in the clearance of obstructions on our railroad which prevent the handling of double-stack trains out of Charleston, Savannah, Brunswick, Jacksonville, New Orleans, and Mobile. We now have double-stack clearances throughout our railroad.

### **Double Stack**

More importantly in terms of Pacific Rim traffic, we have cleared our railroad of obstructions for double-stack handling from our river connections with the western railroads at Kansas City, Chicago, Memphis and New Orleans.

The one place where we have not and are currently not providing a double-stack route is from the Port of Hampton Roads. As you know the Appalachians serve as a tremendous barrier to the east. We are going to skirt that problem by using a route that we own in the south of the main Appalachian ridges. We will be able to handle double-stack trains into and out of the port of Hampton Roads by the end of 1992.

### **Inland Port at Front Royal**

Turning to the account of a confluence, if you will, of a private interest and public monies, the Virginia Port Authority about two years ago committed to build an inland port at Front Royal, Virginia with a significant at-risk investment for the first year or so of that operation. It was very disappointing to the Virginia Port Authority, but they kept at it. I'm very pleased to say that they are now on target with their operation at that terminal. We run a dedicated train from the Port of Hampton Roads to that terminal three days a week. It's running about 18 spine cars now (about 90 containers in each direction) three times a week. The service certainly is expandable and we would be happy to see it expand beyond its current train service levels.

### **Railroad's Interest in Foreign Investment**

On the investment side, as we talk about globalization of economies, we address trade -- the primary focus of the ports. But there's an underlying point that is very important, which is on the investment side.

Let me just say a little bit about Norfolk Southern, and I think it is typical of railroad industry's interest in foreign investment in the U.S. We have encouraged that investment. Obviously we have encouraged it along the rail lines where they need rail service. It has been successful for us in the location of three automobile assembly facilities: Toyota at Georgetown, Kentucky; Subaru at LaFayette, Indiana; and Mitsubishi at Bloomington, Illinois. All of these are primary examples. Of course, there are many other industrial development activities and successes we've had in bringing people on line that go beyond these three very large investments of 500-600 million dollars each in the automobile plants. That side of it, the investments side, is something that has to be worked on as hard and has as much direct impact on ports.

When we started with the Toyota plant, as an example, most of the steel was going to be imported because the quality of U.S. steel was not satisfactory to Toyota. It turns out now, that U.S. steel makers have improved their quality to the point where the proportion of U.S. steel going into those Camrys being made at Georgetown has improved significantly, well past the 70 percent mark. Lo-and-behold, the ports are not out of the question because what's happening now is automobiles assembled in Georgetown, Kentucky are being exported. So that while this does change the mix of freight across the ports, it is continuing to lead to additional port activity.

### **Inland vs. Ocean Ports**

The two last points I would make is that we in the railroad business have the opportunity to be multiple port observers -- ocean, river and lake. I think that what we find is that the ports are different. They need to be dealt with as different ports.

We as a railroad try to deal even-handedly with every port that we serve. One of the ways we deal even-handedly with a port which we serve, is to be in more of a reactionary mode than perhaps we'd really prefer to be because of competitive factors outside of the ports themselves. But the ports that we serve are each competitive with the other, so that we put ourselves in

the position of being available, of wanting to serve, and when a port comes up with an idea, such as the inland terminal that the port of Hampton Roads has developed, we are glad to participate in that.

We won't trade one port against the other, and we are obviously reluctant to appear to be favoring any one of the many fine ports that we serve over the other, so we have maintained that. We indirectly serve some ports that are very significant to us, for example, our rail lines do not directly access New York, but we have a service to New York, working with joint-line routes to Buffalo and then on to New York via other rail lines.

So we have all these kinds of interest that lead us to making our own private investments in places where we can facilitate the flow of traffic and make our own public statement in terms of port support.

I will just conclude by saying that I think the private sector has a very clear role to play in the development of the infrastructure of our ports. But I would hope that you would agree that it's fair that the private role can and should be driven by competitive factors within the transportation business and by the ability to make a return on the investments that are required to serve the competitive traffic. I thank you very much for the opportunity of participating in this segment.

## **TRUCKING PERSPECTIVE**

**Robert E. Farris**

**Vice President, Policy**

**American Trucking Associations**

Isn't this an exciting time to be involved in transportation? We are going through a metamorphosis in this country, unlike any generation has dealt with in the past. It's disturbing to some, challenging to others and provides windows of opportunities to still others.

We're in this global village whether we like it or not. We're going to be using products that we will not know where all the parts came from. It may be assembled in the U.S., it may be assembled in Canada, it may be assembled in Colombia and we need to get accustomed to that. We need not wring our hands over the fact that some foreign-owned company may serve us a hot-dog in Yellowstone. These symbolic, parochial barriers are going to have to come to an end, and it's going to have to happen in transportation also.

My good friend from Norfolk and Southern and the industry that I now represent, the trucking industry, seem to have a quadrennial dance that we go through, where we kick dirt on each other's shoes and point fingers and have big fights, then when it's finished, we end up doing business with each other!

## **Call for Efficiency**

It's a strange environment we find ourselves in and I listened this morning to the very fine presentations that we had, and one of the things that came at me as I listened to the California scene is that what we're really talking about is the movement of products.

In or out of ports, by truck, by rail, by air, we're looking at taking products to be assembled somewhere, that involved the movement of raw materials to that point and then the transportation of the finished product to the point of purchase. How we execute this interesting little phenomenon is what we depend upon in our capitalistic system; that is, the transportation of a product to someone else at a price slightly higher than it costs for us to produce it. That produces a profit and that's what drives the whole machinery in this great country of ours. So what we're really talking about is trying to perform that movement of goods and product in the most efficient fashion we possibly can.

In the U.S., we do not have a nationalized rail system. Thank heaven for that, and for darn sure we don't have any government-owned trucking company. We compete, and it's competition that has produced one of the most efficient movements of product that this world has ever seen. In the last decade, the cost of moving product in this country has gone down, in real terms about 18 percent.

There are those in the trucking industry who complain that their margins are very thin, much thinner than the railroads'. That is true and it is hoped that margins will improve in the future. But what has happened is that we are now producing products that are competitive in the international market. We are making good products, and we are moving them to market efficiently.

## **Foreign Investment Stimulates the U.S. Economy**

I listened to a presentation just yesterday from a major tire manufacturer, owned by the Japanese conglomerate. They are producing tires in the U.S. of higher quality than that same conglomerate is producing in their homeland. They now want to bring to their homeland the key American engineers and managers from the U.S. company to help the Japanese produce a better product. Isn't that interesting?

I watched in Nashville, Tennessee, the development of the Nissan plant and now watch General Motors take them on with Saturn. Very healthy!

But what we have got to do in the transportation field is to make sure that we are giving every opportunity for these growing facilities and product producing entities in