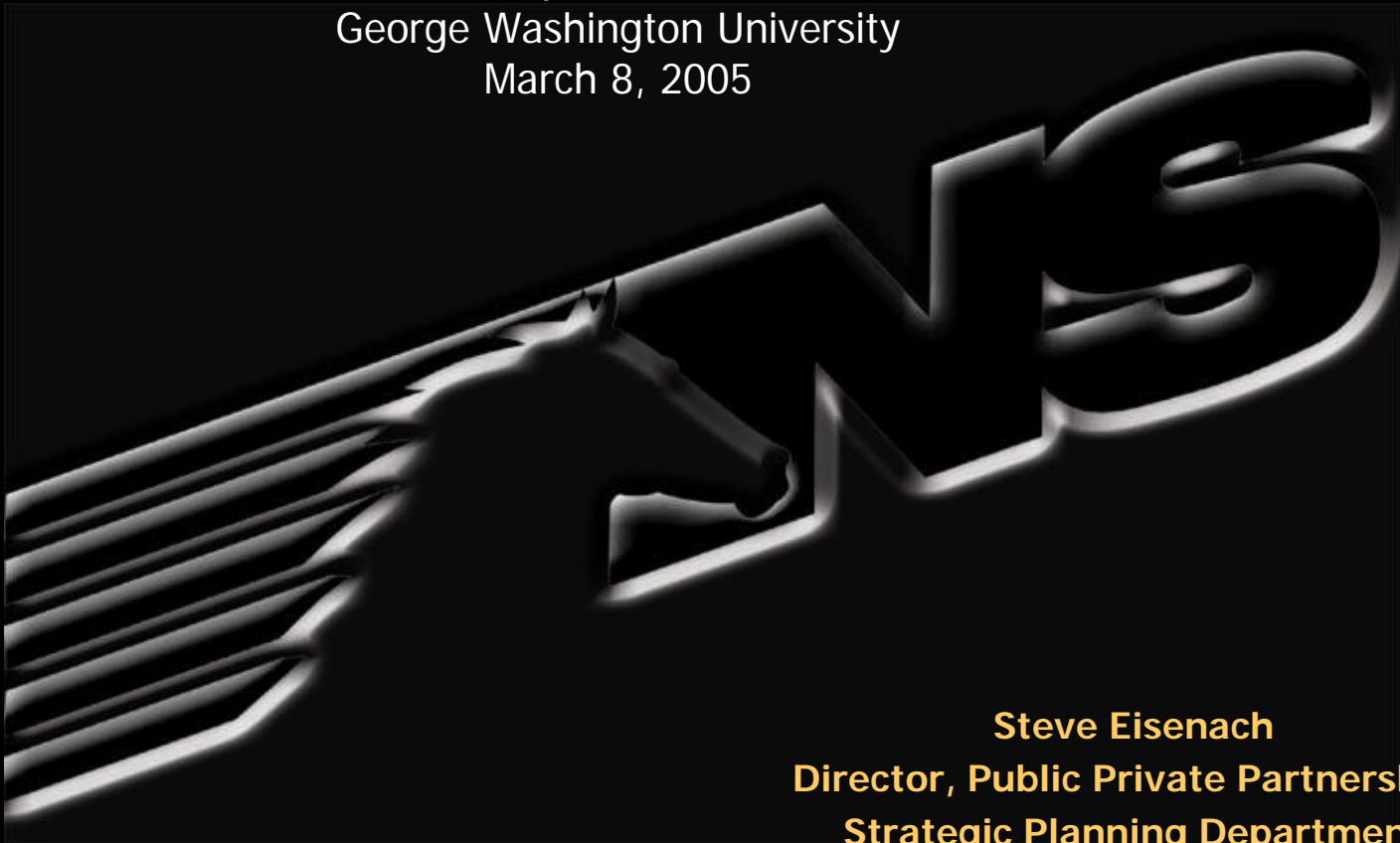


Public Private Partnerships from an NS Perspective: Principles, Experiences and Challenges

46th Annual Transportation Research Forum
George Washington University
March 8, 2005



Steve Eisenach
Director, Public Private Partnerships
Strategic Planning Department
Norfolk, VA

Agenda

- The traffic growth challenge
- NS' Public Private Partnership principles
- PPP opportunities
- Current PPP Projects—freight and passenger
- Issues and challenges
- NS' strategy going forward
- Q&A

*Norfolk Southern is responding
to public interest in its participation
in addressing passenger/commuter and
highway congestion alternatives*

Rail Freight Alternatives to Roadway Congestion

The Challenge:

"I certainly hope increased rail capacity and operations is a viable strategy for the Northeast and Mid-Atlantic because as a region, we are out of options for building new runways and adding new lanes, bridges and tunnels." Joe Boardman - Commissioner, NY DOT

"You can just about walk from Pennsylvania to North Jersey on the top of the trucks that are on New Jersey Highways." Jack Letteire - Commissioner, NJ DOT

"Trouble lies ahead. The Transportation System is under stress, and conditions will worsen, unless NY State drastically changes the planning, investing, managing, and institutional relationships that drive the system." NYSDOT Advisory Panel Report, Nov. 2004

The Challenge

- Roadway congestion costs the U.S. \$67B annually
- By 2020:
 - domestic freight tonnage is expected to increase 60% in the mid-Atlantic region
 - highway travel is expected to increase from 300 to 470 trillion vehicle miles of travel, about 53%
- Similar growth is expected regionally:
 - West—76%
 - South—71%
 - Central—63%
- In absolute tonnages, the NE and Central regions will experience the largest volume growth

Where will this growth go?

Options Are Limited

- New highways are essentially a “non-starter”
- An all-highway solution is expensive, environmentally damaging and slow to accomplish
- States have few options
- Yet a bias exists within DOT's that rail cannot provide meaningful relief

Rail intermodal can provide highway congestion relief in partnership with motor carriers

Public Policy Projects: Putting Them in Context

- Most often not a high priority for NS
- Would likely not progress if privately funded
- Long lead time
- High risk that public funding will never materialize
- Often involves cross-jurisdictional boundaries (adds complexity—more on this later. . .)
- Both freight and passenger capacity, speed, and access must be addressed

What's the right product to attain the fastest truck diversion from highway to rail with the least amount of public and private investment?

NS' Public Private Partnerships Principles

- No safety degradation
- Voluntary on both sides
- Public sector pays for public or societal benefits
- Norfolk Southern pays for railroad benefits
- Benefits, costs and risks are shared proportionately

NS' Public Private Partnerships Principles

- NS commits to performance standards in return for public participation
- Planning must be coordinated among all stakeholders to ensure prudent investments
- Planning must be executed in a manner consistent with rail regulatory requirements, ownership rights, and market conditions
- Produce a more balanced transportation policy

Creativity, flexibility, and expectation management are vital

Partnership Opportunities

- New and expanded intermodal terminals
- Capacity improvements to handle more intermodal and passenger trains
- Clearance improvements
- Corridor-wide improvement projects
- Port access enhancements
- Passenger and commuter rail projects in conjunction with freight capacity enhancement

A Sample of Current NS Public-Private Freight Initiatives

- CREATE – Chicago (\$1.58B)
- Heartland Corridor (\$266M)
- I-81 (\$890M—VA only; \$7B corridor)
- Mid-Atlantic Rail Operating Plan (MAROPS)
- Baltimore tunnel study
- South Central Virginia Rail Intermodal Facility
- Charlotte Intermodal Relocation to Airport
- Columbus Rickenbacher Airport I/M Facility

Passenger and Commuter Train Overview

- Often interfere with high quality, efficient freight service
- NS will work with passenger entities if they bring dollars and capacity for future growth ("Yes, but. . .")
- Present and prospective freight service must not be restricted in any way ("transparency")
- NS will consider design, build and operate scenarios
- Our customers have a big stake in the outcome
- Coordinated by Bill Schafer in Philadelphia

Passenger and Commuter Train Principles

- **NS must be fairly compensated**
 - for the use of our property
 - for any services we may provide
- **NS must have full liability protection**
- **No NS subsidy of passenger operations**
- **Potential projects include:**
 - Atlanta-Macon commuter
 - Charlotte light rail
 - TransDominion Express (Bristol to Richmond)
 - Virginia Railway Express expansion to Haymarket
 - COTA light rail (Columbus, OH)
 - Keystone Corridor intercity passenger enhancements

Jurisdictional Issues and Challenges

- Freight traffic crosses state boundaries
 - Acting alone produces benefits outside the state
 - Acting alone may create traffic flow problems at the borders
 - Economic and industrial development competition among states makes it difficult to build cooperation and trust
- Projects involving multiple states are more often than not interdependent (a role for the feds?)
- How do you meld these issues into a sustainable plan, yet provide stakeholder flexibility (policy and funding)?
- A critical issue for MAROPS and I-81

There are no experts and few examples from which to learn

Benefits, Costs and Risk Sharing

- Two components:
 - Public-Public (multiple jurisdictions)
 - Public-Private
- How can we measure benefits and costs in a fair way and equitably share the risk?
- Much experience and research on measuring public benefits
 - NCHRP 8-36: *Return on Investment on Freight Rail Capacity Improvements*
 - NCHRP 8-42: *Rail Freight Solutions to Roadway Congestion*
- Private sector involvement requires an element of trust, solid relationship building and performance guarantees

NS' Public Funding Experience

- Results are mixed
- No burdensome deals negotiated
- Public dollars are hard to come by
- Long project incubation
- No guarantee of success

Our Public Funding Strategy

- Continue to rely on private funding for all key traffic growth projects
- Availability of public funds may speed up rate of improvements
- Focus on small projects not crossing jurisdictional boundaries (higher probability of completion within a reasonable planning timetable)
- Continue to support corridor initiatives knowing that complexity means long incubation periods and no completion guarantee

NS will pursue such opportunities when they make business sense and serve the public's interest

**Thanks for Your Attention
Questions?**

**Future Questions Contact
Steve Eisenach at:
757.629.2678 or
steve.eisenach@nscorp.com**

**NORFOLK
SOUTHERN**