

NS readies for double-stack business over Heartland

During an October trade trip to meet with shipping customers based in Taiwan, Hong Kong, and Korea, Norfolk Southern intermodal executives didn't have to do anything special to promote the railroad's Heartland Corridor.



■ At left above, a crane at the Norfolk terminal moves a shipping container.

■ Pictured in photo at right is part of the new \$18 million on-dock rail facility built at Norfolk International Terminals in Norfolk, Va. Much of the intermodal traffic that will move over the Heartland Corridor to Midwest markets is off-loaded here.

Before they even brought up the subject, senior managers with these Asian ocean carriers were quizzing them for progress updates on the Heartland project, said **Jeff Heller**, NS group vice president international intermodal.

The corridor will provide these global shippers with a critical connection to population-rich consumer markets in the U.S. Midwest and beyond.

"There are a number of forces going on now driving more interest in the corridor, especially among our Asian customers," Heller said. "It's playing a major role in terms of their strategic plans for driving ships to the East Coast, and there clearly are external benefits for our customers. We'll be able to accommodate more tonnage, move it faster, and do it safer and without bottlenecks."

Factors working in NS' favor include the expansion of the Panama Canal and an ongoing shift of international container traffic from West Coast to East Coast ports. The canal project, scheduled for completion in 2014, will make it easier for big transport ships from Asia to call on port terminals in Hampton Roads, Va. – the Heartland's eastern anchor.

"It has become clear to us, especially on our recent trip to Asia, that everybody is looking ahead toward the Panama Canal expansion," said **Mike McClellan**, NS vice president intermodal and automotive marketing. "While NS will benefit the minute the Heartland is open, I'm not sure we'll be able to truly gauge the full impact until the canal is widened."

When Heartland improvements are completed this summer – including raising the clearance height of 28 tunnels – NS will haul double-stack container trains packed with import and export consumer goods between Virginia port terminals and Midwestern markets.

The corridor enhancements will double NS' freight capacity, shave about 225 route miles off each rail container shipment, and reduce transit times to and from inland intermodal facilities in Columbus, Ohio, and Chicago by up to a day and a half.



While the global recession reduced the volume of international container traffic over the past year, the Heartland project is positioning NS to take advantage of a surge in traffic when the economy recovers, Heller said. The improved high-capacity, high-velocity corridor will create a demand point for intermodal freight.

“Once we get beyond this dip in action, trade between the U.S. and the rest of the world is expected to pick up rapidly, and rail capacity will be king,” Heller said.

The East Coast began gaining share in Asian-based container traffic nearly a decade ago, spurred by congestion and labor issues at West Coast ports. By 2020, international container traffic moving through U.S. ports is projected to double, according to the U.S. Department of Transportation, and East Coast ports stand to be big winners, with container volume expected to triple.

“We can accommodate freight growth on the Heartland, and customers are going to want to sign longer term deals with us, which is good,” Heller said.

The increased speed, capacity, and reliability of NS’s Heartland Corridor will make the railroad that much more competitive.

NS’ primary customers in the international freight business are ocean steamship lines, including such Asian-based carriers as Yang Ming, Hanjin, COSCO, Hyundai, and OOCL. The carriers, after negotiating rail contracts, compete to transport freight for the world’s major manufacturers and retailers, such as Target

and Wal-Mart, said **Chris Luebbers**,

NS group manager international marketing. Those end-to-end deals cover the freight’s movement from Hong Kong to Chicago, for example.

“Some companies put more emphasis on cost and some more on service,” Luebbers said. “NS tends to attract lines that are more service-sensitive. They need a transit time that is fairly quick and is regular and consistent in delivering containers from Point A to Point B.”

The increased speed, capacity, and reliability of NS’ Heartland Corridor will make the railroad that much more competitive. Already, some carriers are positioning themselves at the Virginia port terminals, including making Norfolk, Va., their first port of call, Luebbers said.

That’s important for NS in terms of persuading carriers to drop off more inland bound freight in Norfolk and move it over the Heartland Corridor, he added.



■ Jeff Heller, NS group vice president international intermodal, says Heartland improvements are positioning the railroad to grow its business and take advantage of shifting global shipping trends.

A marketing official at Virginia International Terminals, a private nonprofit company that operates the state-owned ports, said an improved Heartland Corridor is a good selling point to attract shipping lines.

"Virtually every ship line that I meet with is aware of the Heartland Corridor and is looking forward to the new capacity and better service that will occur," said **Tom Capozzi**, VIT's senior managing director global sales. "There's clearly a perception among the ship line community that, between the port's ability to handle the larger ships and the investments on land to improve rail infrastructure, Norfolk is basically the place for the future to serve the Midwest."

In the past year, VIT has invested around \$18 million to construct a new on-dock rail facility at

Norfolk International Terminals to "marry up" with NS' corridor improvements and the expected increase in rail cargo through the port, Capozzi said.

"We've been partners with Norfolk Southern for years, and I think we've got a bright future together," he added.

An NS intermodal train pulling out of Norfolk International Terminals and running over the Heartland will typically have blocks of container cars bound for Columbus, Cleveland, Chicago, and Detroit. At rail yards along the way, the train is divided up, and cars routed to their final destinations.

In addition to track and tunnel clearance improvements, NS' investment in intermodal terminal facilities is a major piece of the corridor project. The Rickenbacker facility in Columbus, which began operating in 2008, and new terminals built over the last several years in Detroit and Cleveland all are designed to enhance customer service and safety.

"Because of the efficiencies we're creating, it's a win for NS, our customers, and the communities we serve," Heller said. "On the train economics side, we're turning the equipment and moving the boxes faster, we're burning less fuel, and we're carrying twice as much freight. We can offer customers a higher level of service, and our communities get the spin-off benefits of more jobs and economic development opportunities."

McClellan said Heartland dovetails with NS' strategy to shift freight from low-capacity, single-track lines onto high-density, high-capacity lines. Heartland's double-stack route, for example, will remove a lot of freight off lines running between Bristol, Va., and Knoxville, Tenn., and between Lynchburg, Va., and Hagerstown, Md.

Ultimately, McClellan said, that will free up capacity on those lines to support NS' Crescent Corridor, a 2,500-mile network that primarily will serve domestic intermodal freight moving from New Orleans and Memphis, Tenn., to markets in the Northeast.

The Heartland Corridor also opens potential markets between the Carolinas and the Midwest, McClellan said.

"Historically, we've run that freight over Atlanta, which has a transit time that's way too long, even though it's the lowest-cost route," he said. "When we can double-stack Heartland, we will provide a faster service and also the lowest cost way to connect the Carolinas and the Midwest. That creates some very interesting opportunities for NS.

"Once we open up the corridor," he added, "I think we'll all say, 'How did we ever live without this?'" ■ BizNS

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