

H E1-26289



Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-9251
Telephone: 757-629-2748
FAX: 757-533-4307
rob.martinez@nscorp.com

Robert E. Martinez
Vice President
Business Development
and Real Estate

February 26, 2018

Victoria Rutson, Esq.
Director, Office of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: Comments of Norfolk Southern Railway Company to Responses Submitted by Palmetto Railways to Surface Transportation Board Information Request #1
Docket No. FD 36095, Palmetto Railways – Petition for Exemption – In Berkeley County, SC

Dear Ms. Rutson:

Norfolk Southern Railway Company (Norfolk Southern) has reviewed the October 17, 2017 written responses of Palmetto Railways (Palmetto) to the September 28, 2017 Surface Transportation Board (STB) Information Request #1 in the subject docket. As you know, Norfolk Southern is referenced in the information requests, and Palmetto makes various statements pertaining to Norfolk Southern in its responses. This letter provides clarifications to certain statements in the Palmetto responses relating to Norfolk Southern and its operations. Specifically, Norfolk Southern clarifies the record as pertaining to Palmetto's responses to questions 2 and 3 of Information Request #1.

Comments on Response to Question 2

In response to question 2, Palmetto stated:

"Norfolk Southern informed Palmetto Railways that, while it desired to have Palmetto Railways serve as the applicant, financier, and construction manager for the proposed project, once the rail line was established, Norfolk Southern required full or substantial operational control be turned over to it, rather than the line be owned and operated by Palmetto Railways. Palmetto Railways perceived this requirement to be a condition of the line's connection to the Norfolk Southern mainline."

This statement is incomplete because at no time throughout any of Norfolk Southern's discussions relating to the Camp Hall project did Palmetto indicate a requirement that Palmetto had to be the operator of the track.

By way of background, Norfolk Southern collaborated successfully in support of the South Carolina Department of Commerce (SC DoC) to recruit Volvo Cars for the assembly plant now under construction in Ridgeville. The SC DoC entered into an economic development agreement (EDA) with Volvo Cars pursuant to its announcement to construct the new automotive assembly plant. The EDA committed the State of South Carolina and Palmetto Railways, a division of the SC DoC, to provide a rail line to the Volvo plant within one year of the start of production. Upon announcement of the new plant, Norfolk Southern was notified that the Norfolk Southern route would be studied in comparison to CSX alternate routes to provide the rail service to the plant. The Norfolk Southern route is approximately 5.5 miles in length, which included approximately two miles already permitted for rail construction, and would originate at the Norfolk Southern mainline in Ridgeville. To assist Palmetto in its evaluation of the routing options and costs to construct its project, Norfolk Southern provided conceptual layouts for the rail connection and an estimated cost of construction based on standards set by Palmetto.

On its own volition and at its own expense, Norfolk Southern obtained options on rights of way needed to reach the Camp Hall site, and chose to exercise most of those options. The last meeting between representatives of Norfolk Southern and Palmetto was held on November 10, 2015. With respect to the 5.5 mile stretch of track that would connect from the NS mainline to the plant site, NS discussed its preference for a structure in which Palmetto would own the track and NS would lease and operate the track. The intent was to keep operating costs as low as possible. In this respect, our approach appears consistent with Palmetto's statement in its October 17 responses to the STB addressing the notion of connecting between the plant site and two Class I railroads. Palmetto stated that its decision to connect to only one Class I was "... based in part on the economies of scale for the only existing tenant (Volvo Cars North America) and speculative future business because there simply is not enough volume to justify the expenditure by Palmetto Railways to connect to multiple Class I freight carriers." We understand Palmetto's rationale to connect to only a single Class I because with only one existing tenant, volumes could not justify multiple connections. Similarly, NS had assumed overall costs could be held lower by not introducing a switch carrier for the Camp Hall Commerce Park until such time as volumes warranted.

Had Palmetto advised that its ability to operate as the site switch carrier was a precondition, Norfolk Southern would have reformulated its approach and would have submitted a different operating proposal. From the very beginning, Norfolk Southern was motivated to structure a proposal that would be as low cost overall as possible.

Norfolk Southern was not asked to participate in development of the alternatives analysis presented in Palmetto's July 25, 2017 environmental report submitted to the STB and the US Army Corps of Engineers (USACE) for this project. While Norfolk Southern does not agree with some of the conclusions reached in that environmental report regarding the Norfolk Southern route alternative, NS is not challenging Palmetto's or CSX's right to construct their proposed rail line.

We wish to be completely clear on this point: Norfolk Southern does not contest the right by Palmetto and CSX to move forward on their proposed rail connection, but we feel compelled to add clarifications for the record with respect to comments about our company.

Comments on Response to Question 3

In response to question 3, Palmetto stated:

In stating that " [i]n addition, adding additional *capacity* to Norfolk Southern's mainline increases logistic and feasibility risks to providing adequate freight rail service to, from

and between the Camp Hall Commerce Park and the Port of Charleston," Palmetto Railways intended to state that adding additional volume to Norfolk Southern's mainline would logically increase logistical and feasibility risks. Palmetto Railways did not intend to suggest that the addition of rail transport volume from business generated by the Camp Hall Commerce Park tenants would require the expansion of the capacity of Norfolk Southern's mainline.

We assume this approach and sentiment would have extended equally to either of the Class I carriers.

Also in response to question 3, Palmetto further stated:

... The purpose of Palmetto Railways' reference was a recognition of the fact that the incremental impact of adding additional rail volume generated by the tenants of the Camp Hall Commerce Park to Norfolk Southern's existing mainline would logically increase the risk of disruptions to the provision of adequate and timely rail transport of goods to and from the commerce park. The basis for Palmetto Railways' risk assessment is due to the fact that the Norfolk Southern mainline, to which the proposed project would connect if the Ridgeville Route were a viable alternative for this project, serves as the primary northwest to southeast freight rail line of the company in South Carolina. As the direct connection between the Inland Port facility in Greer, South Carolina and the Port of Charleston, as well as providing primary access to Norfolk Southern's inland/domestic network in the state, the line is already host to a significant amount of daily volume.

Norfolk Southern has been committed to the State of South Carolina in support of its economic development efforts and its rail-based business, and will remain fully committed to South Carolina in this respect despite the decision favoring the CSX route to the Camp Hall site. Finally, concerning rail infrastructure, Norfolk Southern will continue to assess on an ongoing basis the capacity of all its mainlines within the State to ensure adequate capacity is provided in advance of projected demand and to support future business growth.

If you have any questions pertaining to the comments presented herein, or would like further clarifications with respect to Norfolk Southern's operations in this area, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Martinez", with a stylized flourish at the end.

Robert E. Martinez
Vice President
Business Development
and Real Estate

Cc: Mr. J. McWhorter