

PUBLIC VERSION



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

309310

March 5, 2025

By E-Filing

Ms. Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423

ENTERED
Office of Proceedings
March 5, 2025
Part of
Public Record

RE: STB Docket No. FD 36836 – *Norfolk Southern Railway Company – Control Acquisition – Norfolk & Portsmouth Belt Railroad Company*

Dear Ms. Brown and Board Members:

The Virginia Port Authority (“VPA”) hereby submits these comments regarding the proper classification of the transaction proposed in the above-captioned proceeding. First, VPA provides an overview of VPA and its unique structure as owner and operator of its facilities. Second, VPA provides information regarding shipments out of its Norfolk International Terminal (“NIT”) facility. These data show that that structure has limited the ability of the port to offer competitive service at NIT, especially when compared to the data from Virginia International Gateway (“VIG”), which is served by a shortline that is unaffiliated with either CSX or NSR. These facts and data are intended to assist the Board in analyzing the proposed transaction and the competitive landscape as it exists today.

Overview of VPA

VPA remains a principal driver of the economy of the Commonwealth of Virginia and the nation. The Commonwealth of Virginia established the VPA in 1952 to foster maritime commerce and economic development within Virginia by coordinating and promoting the port activities of three Virginia city-owned marine terminals, namely, Newport News, Portsmouth, and Norfolk marine terminals. In the 1970’s, those city-owned marine terminals were consolidated under VPA to further bolster their economic development potential, and in the 1980’s, terminal operations were consolidated through the formation of Virginia International Terminals, LLC (“VIT”). VIT is a single-member limited liability company wholly owned by the VPA.

Together, VPA and VIT do business as The Port of Virginia (“POV”). The POV consists of four deep-water marine terminals, namely Norfolk International Terminals (“NIT”), Portsmouth Marine Terminal (“PMT”), VIG, and Newport News Marine Terminal (“NNMT”). POV also has two inland terminals: Richmond Marine Terminal (“RMT”) and Virginia Inland Port (“VIP”). NIT and VIG are the POV’s primary container terminals. NIT



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

is the POV's largest terminal with current annual throughput capacity of 2.2M Twenty Foot Equivalent Units ("TEU"), and presently has an expansion project underway that will increase NIT terminal capacity to 3.6M TEU. VIG has an annual throughput capacity of 2.2M TEUs. Figure 1 shows the rail volumes in the three container terminals in the Norfolk Harbor, where NIT is the leading facility¹.

Figure 1 – Rail Volumes at Facilities in Norfolk Harbor

REDACTED

The POV is capitalizing on a differentiated operating platform appropriately named the *Virginia Model*. Unlike most ports, The POV is not a "landlord" port. Rather, it both owns *and* operates the terminals in the Norfolk Harbor. Thus, the decision-making for optimal utilization of the terminals, technology, and equipment gives the port unparalleled control and flexibility. The result is quick implementation of changes and customer-focused solutions tailored to help both shippers and their logistics partners create more reliability in the supply chain.

¹ PMT was converted from a container terminal to an off-shore wind staging port in 2021.



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

POV is the fifth largest and one of the fastest growing ports in the country. The Port's rail reach extends throughout the Mid-Atlantic and into the Ohio Valley and Midwest, handling the largest rail volume on the East Coast and serving American farmers and manufacturers throughout the nation's heartland. A crucial element of POV's offering to customers is rail service that reaches to import and export markets in Chicago and Ohio Valley in under two days. Annually, POV supports nearly 1.3 million jobs paying almost \$90 billion in salaries and wages and more than \$340 billion in total spending across the country. Of equal importance, Virginia is one of the nation's seventeen strategic ports and handles a substantial amount of military support cargo.

Access to NIT

Prior to 1898, eight railroads served the industries in the area, including a myriad of marine terminals. In 1898, these railroads formed the Norfolk and Portsmouth Belt Line Railroad ("NPBL") with shares held by each of the interested railroads to improve the level of service for all the rail customers in the terminal area. Since that time, multiple mergers occurred that resulted in NPBL having only two owners—NSR and CSX Transportation ("CSX"). NPBL serves two facilities at the VPA – NIT and PMT. These facilities are not interchangeable – one serves intermodal, and one serves offshore wind projects.

NIT is directly rail-served by NSR. CSX can move traffic to NIT, but only by interchanging cars to NPBL, which historically has been controlled by NSR and has been its affiliate.²

Data on Rail Shipments at NIT

Over the last ten years, NSR's control of NPBL has had the effect at NIT as shown in the rail shipping data in Figure 2. Comparing columns 3 and 4 show that NSR handles nearly all traffic that moves direct to rail.³

² The STB ruled in 2022 that NS did not acquire control of NPBL because NS did not list NPBL as an "affiliated company" when it sought control authority when Norfolk & Western merged with Southern Railway. *Norfolk Southern Ry. Co. – Petition for Declaratory Order*, STB FD 36522 (served June 17, 2022).

³ The undersigned declares and certifies under penalty of perjury under the laws of the United States that the information in this letter is true and correct, to the best of the VPA's knowledge. Further, the undersigned certifies that she is qualified and authorized to file this letter.



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

Figure 2 – Rail Shipments at NIT 2015 to 2024.



As shown in the last column, a modest amount of CSX rail cargo is handled at NIT. In furtherance of the “*Virginia Model*”, POV seeks to organize its operation to optimize efficiency for its customers. As the STB knows, the shipping lines have alliances and vessel sharing agreements approved by the Federal Maritime Commission. These same shipping lines determine which rail partners will move their cargo, and this selection is not consistent across the members of the alliance. Virginia’s model is compromised when a shipping line calling NIT has boxes bound for CSX rail. In these instances, POV has manufactured an, albeit less-efficient, work around in the form of a cross-town drayage program. For example, a CSX import box is off-loaded from a vessel at NIT and drayed from Norfolk, Virginia to VIG in located in Portsmouth, Virginia. At VIG, the import box is loaded aboard a short line railroad, Commonwealth Rail, which serves both CSX and NS. The reverse would be true for CSX export cargo. Not only are these “cross-town” drays for the CSX cargo costly due to the additional re-handling, but the drayage service is inefficient, and unnecessarily congests local roads.



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

In comparison, POV's other major container terminal, VIG, is served by the Commonwealth Rail, a Class III railroad, owned by Genesee & Wyoming, Inc., which operates a 16.5 mile track between Portsmouth and Suffolk, Virginia. Figure 3 shows the share of cargo volume between NSR and CSX (excluding the traffic drayed from NIT that is discussed above). At VIG, all rail cargo is served efficiently with less operational cost and is nearly evenly split between CSX and NSR.

Figure 3 – Rail Shipments at VIG 2015 to 2024.



Virginia, and the customers it serves, would benefit from a comprehensive analysis of NPBL control by NSR rather than the simplistic claim that the Board should just formalize that longstanding control and effects thereof (Application at 22). Moreover, POV refutes the claim that the transaction would have no anticompetitive impacts simply because CSX has access at other ports along the U.S. East Coast (Application at 37-38). As illustrated in the data in Figure 2 and Figure 3, POV and its customers are impacted by the operational and cost consequences of the costly work-around in the form of the NIT cross-town drayage program. A comprehensive review of the transaction is not giving any single party a windfall.

PUBLIC VERSION



VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
757-440-7160

Conclusion

Although VPA enjoys a healthy partnership with NSR, it seeks more opportunity for efficient rail access at NIT for the benefit of its customers. VPA respectfully requests the Board to look at the transaction as though it is a significant transaction.

Respectfully Submitted,

/s/ Sarah McCoy

Sarah McCoy, Esq.
Virginia Port Authority
101 W Main St.
Norfolk, VA 23510
(757) 683-8000

March 5, 2025

cc: Parties of Record