



DATE: January 28, 2008
TO: Members of the North Carolina General Assembly
FROM: *NC Go!* Executive Committee
RE: Freight in North Carolina

The following memo represents the fifth and final of a series of communications on transportation and growth in North Carolina. The state's population is expected to increase by 50 percent by 2030. And for every new resident, additional goods and services must be provided - and transported.

An effective transportation system is often measured by how it moves people – to and from work, school and shopping. But a truly effective transportation system must also be able to move goods and services – the lifeblood of our economy. North Carolina is home to major interstate corridors like I-95, I-85 and I-40, a vast rail system and two major marine terminals (ports). Our state is a global exporter and importer, a full participant in the global economy sitting at a crossroad to the world.

The rail system, trucks and ships that deliver goods into and throughout our state must be able to move throughout our state without undue delay or costs - - increasingly a challenge we are failing to live up to. The free flow of goods and services is helping drive economic development, creating jobs and putting money into the state's economy. As our transportation system is stretched thin because of increased demand and costs in the face of flat funding, consider how all these transportation modes are interconnected and how they impact our businesses. Lumber from Europe is shipped into Wilmington, moved inland by truck, placed on a major rail carrier in Charlotte, transferred to a short-line rail in western N.C. and delivered to a furniture maker. A breakdown at any point in the system affects that furniture company's ability to make its product, employ workers and pay wages.

Over the next 10 years international trade will be booming and our choice is to be a leader or follower. If we fail to invest in our transportation system we are making the wrong choice.

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NC Ports

North Carolina has two marine terminals – Wilmington and Morehead City - and two inland terminals in Charlotte and Greensboro. Containers and general cargo come and go through the Wilmington terminal and general cargo is handled in Morehead City.

Our state ports greatly support the economic health of NC. In 2005, the ports were directly and indirectly responsible for supporting 85,000 jobs and contributing \$299 million in state and local tax revenues. According to a UNC economist, every dollar spent through a port adds \$12 to the state's income.

And the demand is projected to increase sharply in North America. The number of container shipments coming to the U.S. will double within the next few years. At the same time, West Coast facilities are unable to expand their capacity, forcing more vessels eastward. Few ports on the East Coast are poised to accept that increased volume and the increasing size of today's vessels. Our state is in the position to capitalize on the need for increased port capacity, but only if our infrastructure can meet demand. That means development of the international deep water port in Brunswick County and improvement of the transportation network that connects to the ports. Our state stands to lose billions of dollars if we do not ensure the ports are linked with highway and rail options – including intermodal rail service for handling containers – at our ports.

Rail

When goods leave the ports, they do so by rail or truck. The rail system in our state also brings goods into North Carolina, it creates jobs, enables businesses to flourish and it contributes greatly to the state's economy. There are 23 rail lines in the state that cover 3,253 miles of track. In 2003, about 1.6 million carloads traveled in the state by rail. More than 2,300 workers were employed in moving freight on the rails and they earned more than \$131 million.

CSX, Norfolk Southern and 21 short rail lines operate in North Carolina. The short rail lines range from as few as three miles of track to 140 miles, moving goods from major rails to communities and businesses throughout the state. All the rail lines help reduce the number of vehicles on the road, cutting down on the wear and tear on roadways. As our state's population continues to grow, it will become increasingly important to foster the interconnectivity between highways, rails and ports – to give businesses options on how they move products and to help alleviate congestion and overuse of the highways.

The North Carolina Railroad Company (NCR) provides a snapshot of rail freight in our state. The company leases its 317 miles of track from Morehead to Charlotte to Norfolk Southern (NS). Each day 65 NS freight trains run across the state and eight Amtrak passenger trains utilize the corridor. In 2005, 254,000 carloads of freight were shipped with NCR, totaling more than 9.7 million tons. Its customers spent more than \$74 million to ship goods within the state. In the 14 counties NCR operates, businesses using the railroad contributed \$143 billion to the state's economy. And, for the industries spending at least \$100,000 to ship by rail, those businesses accounted for more than 730,000 jobs or 14.7 percent of all jobs in the state.

Trucking

Trucking also plays an integral role in the movement of freight into, out of and around the state. In 2005, more than 91 percent of all manufactured tonnage was transported by truck, a total of about 886,265 tons per day. More than 257,000 workers are employed in the trucking industry and pay \$9.8 billion in wages. And trucking is on the rise: in 1998 goods were moved by trucks driving more than 5.8 billion miles throughout the state. In 2004, that had jumped to 10.4 billion miles. We see it on our roads every day and demand is only projected to grow as more people and businesses come to North Carolina.

There are great opportunities and challenges ahead for our state - and the unanswered question is whether we are willing to make the right investments to get the most out our transportation infrastructure. An increasing number of goods will flow through our state via our highways. We should embrace the global marketplace head-on by making the wise investment in the future, with adequate port facilities, rail services that accommodate our port's needs (intermodal service) and highways that meet or exceed capacities for other parts of the system.