INTRODUCTION
A key to the economic future of Western Virginia exists in stronger connections to global trade and information networks. Can it remain isolated from the rest of the global economy? This study evaluates the traffic and revenue models for a Western Virginia intermodal facility and determines that the facility can operate profitably under certain conditions. Beyond this study is the larger question about the long-term value of the facility in overcoming geographic isolation by more efficiently and economically connecting the region to the world. Much like the region’s on-going discussions on better connections through broadband and I-73, intermodal can be examined as a critical part of the infrastructure that connects this region to the global economy.

BACKGROUND
The development of a Western Virginia intermodal freight facility near the intersection of two major Norfolk Southern (NS) freight corridors (Heartland and Crescent) is a project with a complex history. In 2005 the Commonwealth of Virginia entered into an agreement with NS to provide up to $31.9 million in grant funds to support the Heartland Corridor Initiative, including the development of the Western Virginia intermodal facility. The agreement did not require NS to build the facility; however, since the facility would use public funds, the Commonwealth set performance requirements that must be achieved once the facility opened. In 2008 the Virginia Department of Rail and Public Transportation (DRPT) assessed potential economic impacts and public benefits of an intermodal facility and evaluated the suitability of 10 potential sites in Western Virginia. Following a thorough site review process that included three screening phases, the Elliston site in Eastern Montgomery County was selected. Shortly after DRPT recommended the Elliston site, Montgomery County brought (initiated) a legal challenge that delayed the project for three years. In 2011 the Virginia Supreme Court unanimously ruled in favor of the Commonwealth, clearing the project to move forward.
WHAT’S CHANGED?
Over the course of Montgomery County’s legal challenge, the economic recession and other factors altered Norfolk Southern’s freight movements and market condition, creating a difficult environment to implement the original plan. Other factors, including fully operational Heartland and Crescent Corridors, higher cargo volumes at the Port of Virginia, widening of Panama Canal, and the increasing importance of logistics and supply chain considerations in site selection decisions have also changed the logistics landscape. Regions will need to have good connections to both the information superhighway and to physical logistical systems that optimize cost and time efficiencies. Regions without good access to markets will be at a disadvantage. Due to these evolving conditions, the Roanoke Valley Area Metropolitan Planning Organization (MPO) commissioned AECOM to evaluate previous studies to determine whether the Western Virginia intermodal freight facility is economically viable. The study was funded by the Virginia Office of Intermodal Policy and Investment.

STUDY FINDINGS
The intermodal facility was evaluated under four different market scenarios, each containing different costs, routes served, users, and freight volumes. The four scenarios range from a high demand and high growth scenario (Scenario 1) to a low volume and low growth scenario (Scenario 4) with two scenarios at points in between. The variables are quantified in terms of the markets served, volume and growth. Through stakeholder interviews, workshops, and its professional assessment, AECOM made the following key findings:

• **Profitable** - It is projected to have an operating profit under a variety of market scenarios.

• **Public Benefits** - It will provide greater public benefits than cost to the region, under some scenarios.

• **Create & Attract Thousands of New Jobs** - It will create 887 jobs during its construction, 636 permanent jobs over the first three years in operation, and attract as much as 4,300 permanent jobs over 30 years. One large/local manufacturer that was interviewed stated that they could double their production if the intermodal facility was operational.

• **High Construction Cost** - At the scale originally proposed, it will cost over $70 million to construct.

• **Public Construction Funding Needed Like Similar Facilities** - If constructed using mostly private funding, it will be difficult for the owner-operator to payback the construction cost. Construction costs are a significant barrier to moving ahead with the facility.

CONSIDERATIONS & CONCLUSIONS
It is very important to note that the core analysis of this study took the design and operating assumptions of all the previous studies, notably the assumption that 65 acre site with a target of 15,000 lifts per year. However, the study found that these assumptions were choices and conventions and not necessarily dictated by physical or economic conditions. The study explored some important considerations that could make the facility even more viable and less costly.

• **Exceeding the 15,000 lifts per year assumption** – The study found that the market conditions represented by both scenarios 1 and 2 would produce more than 15,000 annual lifts over the study horizon, boosting operating profitability.

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• **Smaller facility** – The choice of 65 acres appears to be a design choice that was established early on and carried over into the core analysis of every other study, including this one. The study found, based on other intermodal facilities, it is possible to handle significantly more than 15,000 lifts using a smaller footprint.

• **Phased approach** – Due to the discovery that neither 15,000 annual lifts, nor 65 acres are dictated by market or physical conditions, it is conceivable that a smaller Phase I of a facility could be viable reducing the initial capital costs.

• **Cost of Doing Nothing** - Just as there can be benefits to making investments, there can be costs to doing nothing to capitalize on opportunities. In the broader economic sense, not constructing an intermodal facility in Western Virginia would shut out an important avenue in the global trade supply chain while competitor regions are initiating projects that connect to the world. Other regional projects under way in the region such as broadband, passenger rail, and I-73, are similarly designed to connect Western Virginia with the global economy and mitigate the region’s geographic isolation.

**NEXT STEPS**
The AECOM study clearly finds that the Western Virginia intermodal facility can be operated at a profit, if the construction costs can be further offset by public subsidies. The study also sheds light on factors that have caused NS to delay the construction of the facility. A recent review of new inland intermodal facilities shows almost all have been constructed with a majority of public funds. The Pritchard, WV facility is under construction using approximately $50 million in public funds. The Greer, SC facility opened in 2013 and was constructed for $51 million dollars, of which $43.5 million were public dollars. To make the Western Virginia intermodal facility become a reality will require additional public dollars. Sources of funding could include: the federal TIGER Discretionary Grant program, Commonwealth of Virginia Rail Enhancement Fund, or the Roanoke MPO Regional Surface Transportation Program (RSTP). There is also a need to revisit the initial size of the facility explore the construction savings that may be possible by phasing the project over time.

Based on the results of this study, leaders in the region will begin to meet with key public and private sector partners to find a path forward. Some of those partners include governments within and around the Roanoke and New River Valley, Norfolk Southern, the Virginia Department of Rail and Public Transportation, and the Virginia Port Authority. We will also work to engage private sector champions in this dialogue.
Timeline: Western Virginia Intermodal Freight Facility

- **2006**: N&S announces potential sites for Western VA intermodal center.
- **2007**: Initial Roanoke-Valley Alleghany Regional Freight Study conducted.
- **2008**: DRPT Study recommends the Elliston site.
- **2008**: Heartland Corridor construction begins.
- **2008**: Crescent Corridor improvements begin.
- **2010**: Montgomery sues based on constitutionality of funding plan.
- **2011**: VA Supreme Court rules DRPT funding plan is constitutional.
- **2014**: TODAY Updated Intermodal Study completed.
- **2006**: Panama Canal planned opening.
- **2008**: Crescent Corridor opens.
- **2012**: Heartland Corridor opens.
- **2010**: DRPT Study
- **2008**: Initial Roanoke-Valley Alleghany Regional Freight Study conducted.
- **2003**: Virginia Inland Port 1989 $13 million • $13 million from state of VA
- **2008**: Greencastle Intermodal Facility 2013 $97 million • $45 million from state of PA
- **2010**: Charlotte Intermodal Facility 2013 $104.1 million ($94.4 for intermodal facility; $9.7 million for public road construction) • $14.1 million from SAFETEA-LU • $25 million requested from a TIGER Discretionary Grant; $2.8 million from NCDOT; $4.0 million from the City of Charlotte
- **2012**: Greer Intermodal Facility 2013 $51 million • $43.5 million public funding
- **2014**: Pritchard Intermodal Facility Est. 2015 • $50 million state of WV

**Trends in Public Funding and Subsidies for Intermodal Facilities**

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Access to public funding has been a key factor in the construction of multiple intermodal facilities throughout the East Coast.

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