

MR. GOODE: Thank you, and good morning, Chairman Nober, Vice Chairman Mulvey, Commissioner Buttrey. I'm pleased to be here to speak on behalf of TTX's application today, and I might say I am particularly happy to see all three of you here before me on the bench. It is good to have three -- three present, Mr. Chairman.

CHAIRMAN NOBER: Yes, it certainly is.

(Laughter.)

MR. GOODE: Norfolk Southern, through our predecessor railroads, has been a TTX shareholder from the beginning. And I'm here to tell you that the TTX flatcar pool is indispensable to the railroad industry and the shipping public. TTX was created by the railroads as a more efficient way for us to supply our flatcar needs.

We believe that through pooling we could generate benefits and efficiencies in terms of car acquisition, maintenance, and distribution, that we could not produce on our own or obtain at a lower cost from others, and that flatcar pool has succeeded. TTX has achieved operating efficiencies that the railroads could not have generated themselves, which have allowed railroads to grow traffic that depends on flatcars. And TTX passes its efficiencies through to its pool participants in the form of lower car usage rates, and that, in turn, helps us provide better and more economical service to our customers.

By definition, all of our intermodal traffic can move by motor carrier. Without this low-cost pool of equipment, our intermodal business would probably be quite different today. The volumes would be considerably less, as would be our investment in the infrastructure which supports the intermodal business.

Although TTX's role in helping the railroads meet growing flatcar needs for intermodal and automotive traffic is well known, maybe less well publicized, but still important, is its role in fostering the efficient supply of equipment for other types of traffic that depend on specialized flatcars, including forest products, steel products, farm equipment, military vehicles, electric turbines, and other commodities.

So one of the primary reasons an individual railroad, such as Norfolk Southern, is less likely to be able to justify investing in these specialized cars is, of course, the risk factor. If NS loses the move to another rail carrier, we may not have a use for the specialized car. TTX does not face as significant a risk in this regard.

The success of the TTX flatcar pool, I would suggest, has also helped the nation in indirect but very important ways, i.e. fewer trucks on the highway mean less traffic congestion and less fuel consumption. And you've heard me talk about these benefits in other contexts, and I think the growth of the intermodal business which TTX has helped has had a significant contribution to that.

And, of course, more traffic on the railroads helps us meet our cost of capital, spreads our fixed cost over more business, all to the benefit of the shipping public. TTX also offers an enormous benefit to its owners, including Norfolk Southern, because it can invest its own capital in new cars and relieve the railroads from having to do that.

NS, like all of us in this capital-intensive business, has a limit on the capital it can spend, and there is always a long list of projects competing for those dollars. TTX can make steady and significant investments in new freight cars, which allows us to direct our scarce capital resources to other projects -- again, benefitting all of our shippers.

Since TTX is a solid company, it can obtain favorable financing for these car purchases. And because it obtains financing as an independent company, acquisitions by TTX do not reduce the limited capital dollars I have available to spend in the Norfolk Southern

budget.

And I hasten to add that it seems to me that -- if possible the reauthorization should be for 15 years, as a longer period of time, among other things, optimizes the financing options for TTX. Unless the idea -- I understand that some parties in this case had suggested that aspects of TTX's pool are anti-competitive.

However, as a consumer of TTX's product, and also as an owner of TTX, I can say that such claims don't make sense to me. TTX exists, first and foremost, to serve its railroad participants and help us serve our shippers better. TTX helps us meet our equipment needs, but our needs are large, and TTX is really only one source of the cars we operate.

Unless the idea is that others should have all of the business, I'm not sure I understand the basis of the complaint about TTX here. NS is increasing, not decreasing, its use of leased equipment. We directly lease cars from the leasing companies, and we put in lower rates for our shippers who use so-called private equipment that most often comes from leasing companies.

The railroads certainly have no desire to do harm to freight car lessors. Using equipment owned by leasing companies is one of several ways in which we meet our car supply needs, in addition to using equipment we own and using TTX equipment. My railroad really would not stand for any attempt to use TTX to restrict competition or drive out car supply options, because we want and need all of the options that we can find in raising capital and in meeting our needs for equipment.

The history of the last 30 years, which has seen steady growth in freight car leasing, I would suggest is powerful evidence that this is working. We are short of capital, and we're not earning our cost of capital. It, therefore, does not to me make sense to suggest that NS or any other railroad would want, or much less allow, TTX to act in a way that would cause leasing companies to invest their capital elsewhere.

As a result, we do not believe there is a need for the Board to impose artificial restrictions on TTX in order to protect freight car leasing as a viable business. We are proud of what TTX has done for the industry over the years. I think it has had an important role in the growth of the business, which at the current time, as I think all of you know, is very strong and produces capital needs for us.

So we ask that the Board reauthorize the flatcar pool -- I would suggest for 15 years -- so that the industry can continue to rely on the benefits from TTX's activities in the future.

Thank you for allowing me to make this statement.