Heartland Corridor
W.Va. Terminal Will Fast-Track Freight

A $27 million terminal that will smooth and increase the flow of freight to the Midwest is now under construction near Huntington, W.Va.

Once the terminal is complete, by the fall of 2014, companies in the vicinity will be able to connect easily to Midwest markets, such as Chicago, and to ports on the Eastern Seaboard. At the terminal, truck cargo will be shifted onto trains stacked two containers high. (Facilities that allow switching of freight containers between modes of transport, such as rail to truck or ship to rail, are known as "intermodal" terminals.)

"The nice thing about the location is that it lets a company locate in southern Ohio or southern West Virginia and have access to the same frequency and quality of intermodal service that somebody in Columbus or Chicago would have," says Mark Burton, a transportation economist at the University of Tennessee. "It evens the playing field, and lets people in rural areas have access to the same type of services that more urban areas have."

The terminal, called the Heartland Intermodal Gateway at Prichard, is intended to draw economic activity as well as speed transit. Burton compares it to the Virginia Inland Port in Front Royal, with its millions of feet in distribution centers. "To attract light manufacturing and distribution, you don't necessarily have to be in a metro area, but you need access to lots of metro areas within a couple of hundred miles."

Where rail is available, shipping goods over distances of more than 500 miles or so tends to be cheaper by rail than by truck. Moving goods by truck to container ships that call on eastern ports, from Pittsburgh or Cincinnati, adds between $400 and $600 per shipment, Burton says.

The money to build the terminal will come from taxpayers: $12 million from a federal Transportation Investment Generating Economic Recovery (TIGER) grant, and the rest from a state tax, levied since 2009. The tax has brought in roughly $4 million per year, according to Doug York, executive director of the West Virginia Public Port Authority, which owns the facility. The terminal will occupy 68 acres donated by Norfolk Southern Corp.

The intermodal terminal's location lies along the Heartland Corridor, a shortcut that shaves 233 miles — a day's transit — from Norfolk Southern's longer route to Chicago. The corridor runs through Roanoke, Va., and southern West Virginia by way of Columbus, Ohio. Preparing the route involved raising the roofs of 28 rail tunnels, four in Virginia and 24 in West Virginia, to accommodate double-stacked railcars moving freight from Hampton Roads port terminals to the Midwest. Norfolk Southern finished the $151 million project, begun in 2007, in September 2010.

An intermodal terminal at Prichard, W.Va. — 13 miles from Kenova, W.Va. — will smooth and increase the flow of freight to Midwest markets. The terminal will open in 2014.

"We have been able to divert a lot of our intermodal traffic to the corridor from the longer routes we used before," says Norfolk Southern spokesman Robin Chapman. Some of Norfolk Southern's biggest customers, he notes, are trucking companies; many transport goods between cities by rail.

One hoped-for piece of the Heartland Corridor is still missing, however: a proposed intermodal terminal in Roanoke, Va. Though legal issues regarding the site have been resolved, the state funding originally slated for the project needs to be reappropriated, Chapman says. Norfolk Southern has not yet determined when that project will proceed.

— BETTY JOYCE NASH

Silver Bullet

Can Metro's New Silver Line Ease NoVA Traffic?

Washington Dulles International Airport lies about 25 miles from Washington, D.C. When it opened, in 1962, "some folks looked around and said, 'wow, this airport is way, way, out. We have to make a plan to connect it to the city,'" says Marcia McAllister, the communications manager for the Dulles Corridor Metrorail Project. "The rail to Dulles has been envisioned since the airport opened."

Five decades later, the vision is becoming reality: A 23-mile extension of the D.C. region's Metrorail system is under construction. The first phase of the "Silver Line" is scheduled to open at the end of 2013 and will bring the Metro trains to Reston, Va., in Fairfax County. The second phase will extend the Silver Line to the airport and beyond, into eastern Loudoun County, Va., and is projected to open in 2018. The Metropolitan Washington Airports Authority (MWAA) is managing the construction. It will turn the line over to the Washington Metropolitan Area Transit Authority (WMATA) once it is complete.

The entire project will cost an estimated $5.6 billion: $2.9 billion for the first phase and a projected $2.7 billion for the second. The effort cleared a major hurdle last summer when Loudoun County committed $270 million to the second phase. Fairfax County, the Commonwealth of Virginia, the MWAA, and federal loans also are contributing to the funding.

More than half the funding — $3 billion — will come from Dulles Toll Road revenues. The MWAA operates the road and has proposed increasing the one-way full toll from the current $2.25 to $4.50 by 2015. Virginia gave control of the toll road to the MWAA in 2008 to fund the Metrorail extension, according to Thelma Drake, director of Virginia's Department of Rail and Public Transportation.

"Had it not been turned over, that money would be building other infrastructure projects in Northern Virginia. But everyone agreed that the rail was the most important," she says. "Look at the congestion there. You've got to have a way to move people around."

The D.C. metro region's traffic is the worst in the country, according to the Texas Transportation Institute at Texas A&M University. Its commuters spend an average of 74 hours per year stuck in traffic, compared to 71 hours in second-place Chicago and 64 hours in third-place Los Angeles, according to the institute's annual urban congestion study. Tysons Corner, in Fairfax County, is a

PHOTOGRAPHY: DULLES CORRIDOR METRORAIL PROJECT

A future Metrorail station in Tysons Corner, Va.

large employment center, and neighboring Loudoun County's population increased nearly 85 percent between 2000 and 2010, the fifth-fastest growth rate in the country.

By 2050, the Metrorail extension could nearly double the number of jobs in Tysons Corner, to 210,000, and increase the population by 364 percent, to 86,000, according to a 2008 study by Stephen Fuller and John McClain of the George Mason University Center for Regional Analysis. In a separate study in 2012, Fuller estimated that Loudoun County's gross county product (GCP) will increase tenfold by 2040, assuming the county gets connected to D.C. via rail. Without Metro, the county could forgo $264 billion in GCP between 2020 and 2040, he concluded.

But more growth could mean even more congestion. "On the one hand, rail will provide more transit capacity in the Dulles Corridor," says Bob Chase, president of the Northern Virginia Transportation Alliance, a nonprofit that advocates for transportation projects in Northern Virginia. "On the other hand, if the Dulles Corridor adds the number of office buildings and residential units that are projected, the net result will be far more new automobile trips than mass transit trips." Still, many residents and business owners are excited about the additional activity that Metrorail will bring — not to mention avoiding a $50 taxi ride to the airport. —Jessie Romero

Art Reach

"Off the Wall" Plants Paintings

The Walters Art Museum in Baltimore is showing 25 reproductions of its paintings in unexpected places — outdoors. At the Maryland Zoo, "Syria, the Night Watch," a depiction of lions prowling the ruins of a once-great city, is installed near the big cats' habitat. The painting "Art and Liberty," a portrait of an itinerant violinist, went outside the Peabody Institute of Johns Hopkins University, and "Politics in an Oyster House" is outside Bertha's Mussels, a restaurant in Fells Point.

The Walters Art Museum placed reproductions of paintings around the city, including "The Terrace at St. Germain," located at Robert E. Lee Park.

"Off the Wall," an open-air exhibit, runs through April 2013. The art belongs to Baltimoreans: The Walters Art Museum's collection was bequeathed to the city by the two patrons who amassed it, William and Henry Walters.

Marketing Manager Matt Fry characterizes the show as part street art, part marketing, and part community outreach. The framed, weatherized reproductions — which cost about $1,000 apiece — are in parks, near restaurants, outside a bank, and inside City Hall. "It reminds people who we are," he says, "and that we have a fantastic collection."

Leisure attractions draw people to cities. The nonprofit Americans for the Arts reported that about 7 million people attended an arts and culture event in the City of Baltimore in 2011; they spent nearly $122 million, not counting admission fees. A third came from nonresidents.

Fry borrowed the idea of the show from the Detroit Museum of Fine Arts, where he worked before coming to the Walters. "They do clusters of five to seven paintings in different neighborhoods."

"Off the Wall" reaches people who might not visit a museum, Fry says, adding, "and you can't underestimate the fun factor." — Betty Joyce Nash

Payback Time

NC Owes $2.5 Billion to Federal Unemployment Fund

As unemployment soared during the recession of 2007-09, most states borrowed from the federal Unemployment Trust Fund to extend benefits to growing numbers of unemployed people. (See "The Great Recession and State Unemployment Insurance Funds," *Region Focus*, First Quarter 2012.) Several states have paid off those debts, but 19 states still owe large amounts of money.

As of Oct. 5, 2012, North Carolina carried a trust fund loan balance of nearly $2.5 billion, down from a high of $2.8 billion in April 2012. Only California and New York owed more, and on a per capita basis, only California and Indiana owed more.

The insolvency of North Carolina's unemployment insurance system reflects a statewide unemployment rate that remained in double digits from early 2009 until early 2012. Since then, the rate has hovered between 9.4 percent and 9.7 percent, well above the national level, but low enough to allow the state's benefits borrowing to stabilize somewhat.

"We are now approaching the break-even point, where the taxes we collect from employers are offsetting our new borrowing," says Larry Parker, a spokesman for the Employment Security Division of the North Carolina Department of Commerce.

The state started borrowing from the federal trust fund in February 2009, and the trust fund began charging nearly 4.1 percent interest on its loans in January 2011. (The 2009 federal stimulus package waived the interest charges until then.) North Carolina made an initial interest payment of $78.5 million in September 2011 and a second interest payment of $83.9 million in September 2012. The interest rate is now a little more than 2.9 percent.

As North Carolina dropped deeper into debt, the state's commerce department hired the W.E. Upjohn Institute for Employment Research in Kalamazoo, Mich., to analyze strategies for returning

PHOTOGRAPHY: THE WALTERS ART MUSEUM

the unemployment insurance system to solvency. In May 2012, Upjohn outlined several options, including various combinations of raising unemployment insurance rates, reducing unemployment benefits, issuing bonds, and levying a temporary "solvency tax" on employers.

If the North Carolina General Assembly does nothing and the state's economic projections are accurate, the system would become solvent again in 2017, according to Upjohn. — KARL RHODES

Largest Unemployment Trust Fund Loan Balances Per Capita

State Loan	Balance[1]	Per Capita[2]
Indiana	$1,763,366,063	272
California	$9,918,376,834	266
North Carolina	$2,490,671,444	261
Nevada	$682,039,900	253
Kentucky	$857,688,727	198
Rhode Island	$198,145,251	188
Connecticut	$631,666,343	177
New York	$3,153,792,952	163
Ohio	$1,789,232,557	155
Wisconsin	$835,600,929	147

[1] Outstanding loan balances as of Oct. 5, 2012
[2] Based on 2010 census population

SOURCE: U.S. Department of the Treasury, Title XII Advance Activities Schedule

Coal Cuts
Low Gas Prices, Falling Demand Bring Shutdowns

Coalfield production and employment go through cycles. In 1940, coal employment in West Virginia peaked at about 130,000. In the third quarter of 2012, the industry employed about 24,000, a huge drop from the peak but still a 17 percent increase over 2010.

Production and employment have very recently been on the decline again, however. One hit came in September when Alpha Natural Resources, based in Bristol, Va., announced production cuts of 16 million tons and employment cuts of 1,200. Alpha is cutting steam coal production in its Appalachian mines by 40 percent, and in its Wyoming mines by 50 percent. Eight mines in Virginia, West Virginia, and Pennsylvania closed. The company is emphasizing "coking" coal, metallurgical coal used in steelmaking, over production of steam coal, used to generate electricity. Coking coal sells at a significant premium to steam coal, according to Chris Haberlin, an analyst at Davenport & Co. in Richmond, Va., who follows the coal industry.

As with many mass layoffs, the effects on the displaced, many of whom spent their careers in the mines, have been punishing. Electrician Tony Gibson worked in coal mines for 26 of his 44 years before the closing of the last mine where he worked, one of Alpha's Guest Mountain mines in Southwest Virginia. "I feel as comfortable below ground as above ground," he says by telephone from his home in Big Stone Gap, Va. His grandfather was a miner, his father, a mechanic in a mine. "The pay scale is so good — $32 an hour."

Gibson has called friends and neighbors in his search for a job in a metallurgical coal mine, but there are few to apply for. Besides, in this remote corner of Virginia, near where Kentucky, Tennessee, and Virginia converge, competition for the shrinking number of mining jobs is stiff. The jobs he's applying for now pay only $8 or $9 per hour; he'd settle for one of those, temporarily, if he could get one.

Several factors are causing the cutbacks. First, steam coal can't compete with today's low natural gas prices, says Haberlin. "Given the glut of natural gas from the shale plays, utilities are making long-term decisions based on the likelihood that natural gas prices will stay low while coal production costs, particularly in central Appalachia, are likely to trend higher."

Second, productivity in Appalachian mines has slipped, driving up costs. "The easy stuff to mine has all been mined out," Haberlin says. "Now, you're getting into coal seams that are geologically difficult to mine, with coal seams that are 36 inches high, where you need compact equipment, and you need people willing to go down and work on their hands and knees."

Last, demand is waning, at least for now. Nationwide, steam coal production has been cut, Haberlin says, by 8 percent to 10 percent in 2012. Over the past 15 years, natural gas and wind have powered new generation capacity, not coal, according to the U.S. Energy Information Institute. The recession and warm winter of 2011-2012 further stifled demand. Stricter environmental regulations also favor cleaner burning natural gas.

Alpha today is the third-largest world supplier of coking coal, and sees opportunities for growth, said its chairman and CEO, Kevin Crutchfield, in a written statement. "Forecasts point to more than 100 million tons of increased seaborne metallurgical coal demand by the end of this decade, and persistent structural supply limitations exist on sources of high-quality metallurgical coal."

In the short run, though, Alpha has even cut its lesser-quality coking coal production by 1.6 million tons. High inventories and slowing production in China and Europe have softened demand. — BETTY JOYCE NASH