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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**GROWTH IN THE FREIGHT RAIL INDUSTRY
STB Docket No. Ex Parte 775**

**WRITTEN TESTIMONY OF
NORFOLK SOUTHERN RAILWAY COMPANY**

AUGUST 16, 2024

Norfolk Southern Railway Company (“Norfolk Southern”) welcomes the opportunity to provide written testimony to the Surface Transportation Board regarding Growth in the Freight Rail Industry in advance of the September 16-17, 2024 hearing.

Bringing new business onto the railroad by offering a compelling service product is the cornerstone of our strategy and drives the daily decisions we make as a company. Massive growth opportunities are presented by the \$860 billion truck and logistics market that moves over the highway and the significant growth projected in the freight transportation market in the next twenty-five years. Norfolk Southern is well positioned to leverage these opportunities, as our network serves approximately 60% of the US population and about 50% of U.S. manufacturing. When combined with the shift in consumption habits to e-commerce and the concurrent acceleration of onshoring, encouraging even a fraction of those customers to move their freight on Norfolk Southern will advance our growth strategy. With a carbon footprint four times more efficient than truck, rail offers powerful incentives for customers to shift their business from the highway to Norfolk Southern’s more sustainable transportation alternative. We know the freight market is highly competitive, and business often shifts between rail and truck based upon perceived value. Potential customers have options and Norfolk Southern must compete more effectively with the trucking industry and offer a competitive service product through creative solutions for our growth strategy to succeed.

This observation is not new. For decades, the railroad industry has undertaken a variety of strategies to grow business and compete more effectively with the trucking industry, with mixed success. Indeed, in announcing our ground-breaking strategy in 2022, we pointed to stemming the tide of truck diversions as one of the driving factors. We knew that something different—a bolder, more innovative strategy—was needed to reverse past trends, restore customer confidence, and grow the railroad’s share of this massive and growing logistics market opportunity.

Norfolk Southern believes there is “A Better Way.” As the Board is well aware, Norfolk Southern has charted a new path for the company by adopting an innovative and unique strategy, which is rooted in a balanced approach that embraces service, productivity and—importantly—growth, with safety at its core. We have been grateful for and buoyed by the support of our customers, our employees, and other stakeholders who believe in this strategy, as well. To that end, Norfolk Southern continues to embrace a holistic, balanced strategy to promote customer growth alongside industry-leading service and productivity. Ultimately, the pursuit of this strategy benefits our employees, our customers, our shareholders and the communities in which we operate.

Our strategy is working. Norfolk Southern’s service is better than it has been in years and our network growth outpaced our peers in Q2 2024. But far more is needed. It will take more than a few quarters of good service to restore the customer trust needed for a transformational change. It will also take more than a few quarters of demand growth to offset decades of market erosion to the dynamic trucking

industry. The work is hard and the focus unrelenting. Yet Norfolk Southern is confident that by executing our innovative “Better Way,” we will play an even greater role as an engine of US economic growth.

The following testimony explains why Norfolk Southern adopted our balanced strategy of service, productivity, and growth and why we believe it is the best way forward for Norfolk Southern, our customers, and all our stakeholders. We explain how setting the gold standard in safety for the industry and investing in our labor force are integral to the growth of our network, and how our strategy and our targeted network investments have resulted in service gains that are producing tangible results for our customers and for our railroad. Finally, we discuss how we are working to make it easier to do business with Norfolk Southern and provide a more truck-like service product.

I. There is a Better Way to Smart and Sustainable Growth

In December 2022, Norfolk Southern announced a new, industry-leading strategy: “A Better Way.” Embedded in our strategy is a customer-centric approach that balances three key elements: reliable service, continuous productivity improvement, and smart and sustainable growth, with safety at its core. When managed together, these priorities support each other. We adopted this strategy because we know focusing on growth in balance with the remaining elements will lead to better results for all stakeholders. This balanced long-term growth strategy allows us to move more freight over a fluid network than traditional short-sighted cost-cutting approaches previously would have allowed.

Indeed, the Norfolk Southern franchise is built for growth and accesses rapidly expanding segments of the US economy. Our powerful network was built over decades through smart investments and strategic business decisions. It includes a robust, well-designed route structure that links major population centers in the east and unmatched placement of intermodal and bulk transload terminals near the heart of the US economy to offer rail solutions to off-rail customers. It also includes more short line partnerships than any other railroad in North America, extending our reach and giving our customers more markets to serve.

To be customer-centric and grow in this highly competitive market, we must deliver a service product that the market values, combined with innovative solutions that help our customers compete in a dynamic global marketplace. We succeed when our customers succeed. To achieve growth in the freight market, Norfolk Southern must also harness the full power of our people, our franchise, and market trends that are supporting highway to rail conversions. Our customer-centric, operations-driven service focus creates a virtuous cycle of more reliable and robust operations, which gives customers the assurances they need to trust us to build Norfolk Southern permanently into their supply chains and shift more of their freight onto the railroad from the highway.

Since our announcement in December 2022, the Norfolk Southern team has been executing on our strategy. We've delivered increasingly reliable service, even in the face of operational disruptions. We have been thoughtful about our service design and resource allocation, which allows for an improved customer experience through

up and down-market cycles. Additionally, our consistent and strategic investment cadence results in a better near- and long-term service product, while creating the capacity to handle anticipated growth. Our commitment to continuous productivity improvement through relentless innovation allows us to pursue smart and sustainable growth via market share recapture and customer retention.

Through this transformation, we are well-positioned to continue driving productivity gains the right way in support of growth, by making real network improvements including increased car-miles per day, increased train speed, and reduced terminal dwell, rather than through reckless slash-and-burn cost-cutting or major layoffs. As a result, our productivity gains enhance safety and service quality. Our better, more consistent service is building customer trust, enabling us to retain and drive growth, winning business back from trucking with enhanced reliability and consistency. Based on our success so far, we will continue to execute on our “A Better Way” strategy, balancing service, productivity, and growth.

II. A Safe Network is a Network Primed for Growth

Following the East Palestine derailment, Norfolk Southern made a promise to our employees, customers, and the communities we serve that we would make a safe railroad even safer and become the gold standard for safety in the railroad industry. We took decisive action to overhaul our safety standards to protect Norfolk Southern and all our stakeholders and are now an industry leader in safety with the lowest mainline accident rate among US peers. In 2023, NS had only 35 reportable mainline accidents, which is the lowest level since 1999. Fewer mainline accidents result in

fewer network disruptions and improved service, which paves the way for customer growth.

One of the main drivers of change and growth in safety has been our Six-Point Safety Plan. Since the Spring of 2023, Norfolk Southern has undertaken a number of initiatives under this plan, including expanding and enhancing our hot bearing detector network and enhancing our employee practices and resources for responding to potential bearing defects. NS is leading the industry to achieve a maximum spacing of 15 miles between hot bearing detectors on key routes, except where the route is already equipped with acoustic bearing detection or similar technology. In a move unprecedented in the industry, Norfolk Southern also retained AtkinsRealis, a safety consultant with decades of experience in the Naval Nuclear Propulsion Program, to conduct an independent review of our safety culture. Underscoring our commitment, we shared the results of that independent review with our labor unions and mailed a summary of the results to each of our 20,000 employees. We have already implemented many of the recommendations put forth by AtkinsRealis.

Norfolk Southern also joined the Federal Railroad Administration's Confidential Close Call Reporting System. Today, NS has two pilot programs underway: NS, SMART-TD and the BLET initiated the program at three sites (Atlanta, GA; Elkhart, IN; and, Roanoke, VA). Earlier this month, NS and the American Train Dispatchers Association announced a pilot program covering all active dispatchers.

Working with our neighbors at Georgia Tech University, we developed and deployed new digital train inspection portals. These 360-degree digital train inspection (DTI) portals include technology that uses ultra-high-resolution cameras enabling the 360-degree health check on railcars, which improves NS's ability to detect, diagnose, and repair latent defects. DTI portals have already been deployed and placed into service at three sites on our network since last year, with a total of 20 systems planned to be deployed at 17 unique sites by the end of 2026.

Throughout the deployment of these safety initiatives, Norfolk Southern has collaborated with our labor colleagues. In May 2023, NS joined with the leaders of our 12 labor unions to affirm a joint commitment to continuously improving safety. Unquestionably, safety is a shared responsibility that requires the personal commitment of every employee at every level of the company. Our craft employees are on the front lines of our efforts to bolster our safety culture. Continuous feedback from our employees is key to identifying opportunities for improvement. Norfolk Southern has made multiple enhancements that will ensure that safety training is effective and meets the needs of our craft workforce. For example, we established a field-based training function to provide ongoing training to current employees on technical skills, safety, and rules updates. We conduct regular field activities through the Operations Division Safety and Service Committees (ODSCC). These are peer-to-peer discussions held during field visits that identify behaviors and conditions that support safe operations, reinforce the safe behaviors, review safety trends, and recognize those who have excelled in their commitment to safety.

By prioritizing and investing in safety processes and technologies, Norfolk Southern has created a safe network—with the lowest reportable mainline accident rate in 25 years—primed for growth.

III. Growth Demands an Investment in Our Workforce and A Collaborative Relationship with Our Craft Employees

Our workforce is critical to our mission to provide customer-centric service with an unyielding commitment to safety. With the strategy announced in December 2022, we are creating a railroad that consistently provides high levels of service to our customers across business cycles. An engaged workforce is critical to that strategy.

Accordingly, we are investing in our workforce for the long term. Norfolk Southern is preparing the skilled resource levels we need to reliably serve our customers when demand is strong, rather than resorting to the industry norm of large-scale furloughs when the market weakens. Norfolk Southern continues to make targeted investments in its training initiatives. In 2023, Norfolk Southern partnered with SMART-TD and collaborated with FRA to launch several new initiatives to further enhance Norfolk Southern’s training program for conductor trainees. Norfolk Southern also increased compensation for the conductors who help provide this important training.

Additionally, we have been intentional in our efforts to foster collaborative partnerships with our craft colleagues. In our pursuit of continuous improvement, we are listening to our unions and working collaboratively to enhance safety, service, and our culture. Norfolk Southern is establishing a formal council with labor leaders

to engage in regular, structured dialogue regarding safety and safe work practices. This will provide a shared platform where all voices at the table can be heard ensuring integrity of service, balancing costs, and improving operational flows. The council is unique to Norfolk Southern. These steps demonstrate our commitment to a sustainable, productive partnership with our craft colleagues.

We also collaborated with our unions to address important quality-of-life issues raised by craft employees, continuing to build a workplace experience that will attract, retain, and reward our dedicated railroaders. Norfolk Southern was proud to be the first Class I railroad to reach paid sick leave agreements with all 12 labor unions, ensuring that 100% of Norfolk Southern craft employees will be covered under negotiated sick leave agreements.

In 2023, Norfolk Southern T&E employees were also afforded a new time off benefit for medical visits, which can be used for a wide range of routine and preventative care visits, including regular checkups, physicals, screenings, and other services designed to prevent illnesses or a medical condition from developing. Preventative dental, vision, and hearing appointments are also included in this new benefit.

With regards to work-life balance, Norfolk Southern and SMART-TD reached agreement on a suite of new benefits and workplace enhancements to improve quality of life for our conductors, including technology-driven enhancements that offer all conductors scheduled days off—a benefit also enjoyed by Norfolk Southern engineers, and even more recently by our dispatchers—and greater certainty around weekly

assignments. The agreement also provides tools and work-rule changes that provide greater transparency and flexibility to enjoy vacation and other paid time off, and higher reimbursement for meals when away from home, as well as additional compensation when working weekends and spending time away from home. Norfolk Southern also implemented an electronic bid system, which will provide conductors greater predictability into their weekly schedule, a system already in place for our engineers.

Norfolk Southern's investment in our employees is key to the success of our growth strategy. It is our experience that satisfied employees result in higher retention, which in turn allows employees to build customer relationships and trust. Customers who trust Norfolk Southern and our employees want to grow their business with us. Our employees are integral to our operations, and we know that the service we provide our customers affects their operations, employees, and communities across our network. Without the commitment to our own employees, we cannot provide the safe, reliable service that our customers depend upon to grow their business on our network.

IV. Smart Investments Foster Smart Growth

In addition to delivering a safe network and investing in our employees, Norfolk Southern is making strategic investments across our network to realize opportunities for growth. In March 2024, Norfolk Southern closed on the historic purchase of the Cincinnati Southern Railway, a critical artery on the Norfolk Southern network linking the Midwest and the Southeast, which plays an important

and historic role in our network. The completion of this \$1.6 billion transaction ensures that we now have secured ownership in a core line of our network in perpetuity, allowing us to advance our strategic objectives of improving service, enhancing productivity, and creating an even stronger platform for accelerated growth.

In August 2024, we announced more than \$200 million in investment in the Norfolk Southern 3B Corridor, which connects markets in northern and central Alabama to the Port of Mobile and destinations worldwide. These strategic investments position the corridor to accommodate expected growth in several sectors in the Southeast United States. The 3B Corridor is strategically aligned with the Port of Mobile, which contributes \$85 billion in annual economic value to Alabama. The corridor represents an important segment of Norfolk Southern's business, serving critical industries like agriculture, automotive, coal, chemicals, forestry, and steel. The investments, which include terminal and track-based infrastructure improvements, as well as customer-specific projects, yard upgrades, and grade crossing improvements, are expected to yield immediate returns when they begin to come online in 2025.

The 3B Corridor projects are already producing customer expansion opportunities. One Norfolk Southern customer, Packaging Corporation of America, recently expanded its paper mill located along the corridor, partnering with us on the project to enhance efficiencies for both companies. And in another instance, we are collaborating on a project to allow a high-volume met coal customer to take advantage

of the expanded 3B Corridor to develop a production facility that will help power global production of metals products for decades to come.

Norfolk Southern also is advancing our freight-to-rail growth conversion strategy and providing customers with better access to new markets and better rail connectivity within existing markets through transactions, such as that recently reviewed by the STB, with Great Lakes Reload in Chicago.

Other growth opportunities in the rail industry are unlocked through partnership with other rail carriers. Norfolk Southern has recently initiated a new partnership with the Florida East Coast Railway to expand our intermodal business and allow customers to unlock new supply chain routes to access global markets through South Florida. To better link Canadian business with the Southeast, Norfolk Southern recently initiated a new service with CN-served Canadian markets through Norfolk Southern-served Kansas City and Atlanta, the heart of the fast-growing manufacturing and consumer base in the Southeastern United States. And in support of the shift of freight from the West to East Coast, Norfolk Southern will be one of the leading rail service providers to the South Carolina Ports' Navy Base Intermodal Facility in North Charleston when it comes online in summer 2025.

These are just a few examples of investments Norfolk Southern has made to support customer growth and concurrently our growth. We work closely with our customers daily to ensure we are maximizing growth opportunities for both our customers and Norfolk Southern's network. Such targeted network investment opportunities, together with our balanced strategy, have yielded significant service

improvements across the Norfolk Southern system. In turn, a fluid network unlocks capacity for welcome customer growth opportunities.

V. Pipeline Management Solutions and Transparency Promotes Customer Trust That our Strategy is Working

Norfolk Southern is enhancing the ease with which customers do business with us, which enhances our competitive edge with the truck market and facilitates growth on rail.

Norfolk Southern's focus on technology has advanced operational excellence through industry-leading machine vision and AI-powered dispatch tools. Customizable, tailor-made applications and railcar sensors deliver Norfolk Southern customers real-time data for greater visibility of shipments and logistics control. Norfolk Southern has developed APIs (Application Programming Interfaces) that allow customers to connect directly with certain Norfolk Southern data to provide access to the most current, real-time information available regarding shipment status, such as trip plans, shipment status, and gate receipt or terminal information. In addition, Norfolk Southern took a leading role in the founding of RailPulse, a joint venture formed to accelerate the adoption of GPS and telematics technology to increase the visibility, efficiency and safety of the network.

Norfolk Southern's customer shipment management tool, AccessNS, provides numerous datapoints that our customers can access to support visibility into their rail shipments, assist with pipeline management and facilitate the identification and resolution of service issues. NS recently announced a number of customer-centric

improvements to AccessNS. For example, customers can now monitor daily order fill to measure performance as compared to customer requests. Improvements to transit time data allow industrial products, unit train, short line and offline users to access important information regarding equipment-specific ETA based upon current lane information, including equipment last location and destination, ETA and updated ETA, as well as lane specific historical trip time averages. This will assist our customers in making tactical transportation and logistical decisions for their shipments based on real time, lane-specific, data.

To assist customers with final mile pipeline management, Norfolk Southern recently launched a local service advisory pilot for numerous AccessNS users who will receive real-time email notifications regarding updates related to last mile shipment service. The pilot is being launched at six operating stations across the NS network and the team is tracking feedback and gathering insights from the participating customers to drive further communications that we develop for our customers around local service.

In addition to improvements to AccessNS, Norfolk Southern makes continuous investments in other technology to improve the customer experience. Investments in technology platforms such as DrayNow, a technology for intermodal customers that will improve customer and drayage driver experiences to increase network fluidity by providing real-time information and connectivity on first and last mile movements are just one way in which Norfolk Southern is committing to modernizing processes to improve customer experience and help them grow their business.

To further Norfolk Southern’s commitment to technological advancement, we recently named Anil Bhatt as executive vice president and chief information and digital officer, who worked for a Fortune 30 customer focused health care organization. Anil will partner with the Norfolk Southern team to drive our transformative, balanced strategy to offer better technology solutions for customers to enhance service and build a platform for growth, while also finding ways that technology can further safety and operational productivity and efficiency.

And just last month, Norfolk Southern announced the launch of its inaugural Customer Advisory Board to offer a formal platform for customers to provide input and dialogue on the Norfolk Southern service product and strategic direction. The Customer Advisory Board will be composed of a diverse cross-section of our customers and shipper association members as well as Norfolk Southern employees—including senior leaders beyond the Norfolk Southern marketing organization—and will serve as a critical link between our customers and the railroad, to foster a collaborative environment where both parties can benefit. This will help ensure customer understanding and insight drives our customer experience strategy, and in turn drives growth for both our customers and in turn, Norfolk Southern.

VI. Growth Requires Collaboration with Our Short Line Partners

In a network industry, sustained market growth requires a team approach. We are an integrated logistics chain and must offer our customers an integrated service solution. And no partner is more important than our short line connections, who are often a direct, on the ground, connection to the customers we seek to serve.

To attract those customers to favor rail over truck or barge, our strategy envisions a closer and more collaborative relationship with our short line brethren.

As part of our customer-centric focus, we therefore launched a Business Development and First and Final Mile Markets Department—the first of its kind in our industry—offering a suite of tailored customer logistics solutions to win in the freight market. The team is led by an industry expert, Stefan Loeb, who, prior to joining Norfolk Southern, served as Executive Vice President and Chief Commercial Officer for Watco Companies, LLC. Stefan brings extensive experience around first and final-mile products and processes key to short and long-term development and customer growth. The First and Final Mile Markets team’s focus is driving growth for our customers through a set of integrated solutions that extends beyond rail transportation and makes rail easier to use for customers.

To that end, Norfolk Southern has structured our field sales team to align closely with the local operating teams. Each Norfolk Southern territory has a field sales employee working directly with the local operating team. This is integral to customer service because those field sales employees understand the unique attributes and challenges of the specific territory and the specific customers on that territory. So, when a customer has a question, or there is a service disruption, the field sales representative understands not just the customer’s needs but can offer operationally appropriate solutions that work both for the customer and Norfolk Southern. This alignment between marketing and operations leads to quicker solutions and contributes to business growth with our customers. This philosophy

holds true within our headquarters in Atlanta as well, where our customer logistics team, which is housed within our marketing department, regularly coordinates with operations and service design to ensure that customers' needs are being met.

Developing processes to better integrate key partners has been an approach utilized with our short line partners as well and has been a successful vehicle for growth. Norfolk Southern recently launched the Short Line Performance Project, through which we are producing growth in carload traffic by improving interchange consistency, communication, and reliability. Roughly forty percent of Norfolk Southern's carload traffic originates or terminates on a connecting short line railroad. Given the importance of our short line partners, Norfolk Southern rolled out the Short Line Performance Project as a pilot in July 2023. The Short Line Performance Project establishes two key enhancements to the way Norfolk Southern interacts with our short line partners: first, we established visibility and feedback on interchanges, by tracking interchange performance, and second, we established real-time communication channels between Norfolk Southern and our short line partners, to enable quick resolution of service problems. This innovative program is exceeding our expectations, with a 5.2% increase in short line interchange volume since we rolled out the program to a broader group of short line partners on March 1, 2024. Like the alignment between our internal marketing and operations teams, aligning ourselves more closely with our short line partners permits us to address problems more quickly, learn to anticipate traffic flows with better ease and communication,

and facilitate increased customer growth by moving more carloads over interchanges with our short line partners.

VII. We have a Balanced Approach to Productivity and Efficiency

One of the drivers of our new strategy in 2022 was to grow freight volumes and recapture market share lost to trucking over the long term. Rail service and volumes suffered under the industry's legacy approach to volume downturns as customers steadily moved from rail to truck over the last two decades. We know that a key element of that market recapture is to correct for the historically inconsistent service resulting from barebone staffing and resource investment, driven by too narrow a focus on cost cutting during near-term market downturns, and break the cycle of service disruptions every few years. Our ability to provide consistent, fluid service through any business cycle will set us apart and break the pattern of periodic disruptions that eroded customer trust in rail service.

Becoming more efficient and productive is also a key component of our strategy. The trucking industry is not standing idle. Our competitors are deploying new technology and making key investments to improve their own service. Plainly, we must do the same to remain competitive and to achieve that consistent, fluid service customers expect. We have therefore not only invested in safety and our employees, as detailed above, but have also instilled within the Norfolk Southern system operational discipline that emphasizes productivity and efficiency in a balanced way that avoids short-sighted cost-cutting strategies.

The Norfolk Southern network has become more efficient in recent months, resulting in increased car-miles per day, lower terminal dwell and increased train speed. As our network becomes more efficient, we can turn assets more quickly, including customer-owned or leased cars, which enables our customers to increase their utilization and achieve greater benefit from the investments they have made into rail service. Clear examples of the capacity dividends created from these efficiency improvements exist in our merchandise automotive and intermodal networks. Our automotive network is benefiting from a more efficient train plan, resulting in a 16% improvement in car miles per day in Q2 2024, which created a platform for growth as our carloads increased by 7%. Our recent intermodal lane redesign allowed us to allocate more resources to growing lanes and contributed to the 8% growth in intermodal traffic on Norfolk Southern in 2Q 2024.

It is not only our customers who benefit from these operational enhancements, as a more reliable, consistent service product benefits our employees, who can expect more reliable schedules and hours of work.

VIII. A Better Way is Working as Service Rebounded

There is no better evidence of the success of our innovative strategy than the numbers themselves. Norfolk Southern's service product is the strongest it has been in years. In Q2 2024, Norfolk Southern's AAR Train Speed average of 21.5 miles per hour was our highest average train speed since Q2 2020 and represented a third consecutive quarter of improvement. Similarly, AAR terminal dwell averaged 23 hours, the lowest average since Q3 2021 and represented the third consecutive

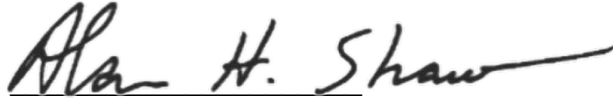
quarter of improvement. Norfolk Southern's car miles per day averaged 108.2, which was the highest average since Q2 2021. Our merchandise on-time delivery performance was the best since Q2 2020. Within intermodal, shipments and service performance simultaneously increased by 8%.

Our balanced strategy of service, productivity, and growth with safety at its core is delivering tangible benefits for our customers by producing a compelling service product, allowing our network to onboard more customer carloads as the market returns. Customers are enjoying a more fluid network that is restoring customer confidence in Norfolk Southern's service product. In turn, Norfolk Southern led the industry in volume growth in the second quarter of 2024. Norfolk Southern's second quarter 2024 service metrics prove that a balanced strategy can produce both volume growth opportunities for customers and the railroad, as well as strong and efficient network performance.

But the hard work continues. The Better Way is not an easy way or a temporary way. It is a fundamental reexamination of the traditional way the railroad industry has operated for decades. It demands unrelenting focus and sustained effort from every Norfolk Southern employee to achieve success. It will require vigilance and constant tailoring and recalibration as we monitor the progress and receive feedback from our customers and all our stakeholders whose needs and expectations it is designed to serve.

We look forward to this welcomed hearing on growth in the freight rail industry and to answering any questions the Board has about Norfolk Southern's vision for sustained and smart growth in the rail industry.

Respectfully Submitted,

A handwritten signature in black ink that reads "Alan H. Shaw". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alan Shaw

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Dated: August 16, 2024