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Chairman President and
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June 18, 2021

The Honorable Martin J. Oberman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Dear Mr. Chairman:

This response is to your letter dated May 27, 2021 requesting a description of Norfolk Southern's plans to meet anticipated future demand with appropriate workforce and equipment levels. Providing superior customer service is a focus of our management team, and we are happy to share with you efforts underway at Norfolk Southern to ensure we have the people and equipment we need to provide the service our customers expect.

Workforce

Norfolk Southern, like other railroads and like companies in other industries, continuously strives to create efficiencies in its operations. Achieving these efficiencies is vitally important, not only to maintaining our position in the highly competitive and fast-evolving transportation sector, but also to pursuing our growth strategy.

Our drive for efficiency improvements, which we continue to achieve through a mix of technological advancements and business process improvements, has changed the way we operate. By consolidating trains, for example, we have reduced the number of train starts on our network. With fewer trains required to move an equivalent amount of freight, we can provide a high level of service to our customers and even absorb volume growth with a smaller workforce. In fact, our service levels were at or near record highs throughout much of 2019 and 2020 as our train consolidation program and other efficiency improvements were underway. These and other changes to our operations mean comparing employee headcount numbers from several years ago to employee headcount numbers today is not an accurate way to assess service levels.

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With that important caveat in mind, the headcount data you requested is set forth below. As of June 11, 2021, Norfolk Southern had the following numbers of operating employees in active and in furlough status:

Category	Active employees	Furloughed employees
Yard and road service	7,509	234
Maintenance of way and structures	3,785	116

As you noted in your letter, the COVID-19 pandemic significantly reduced demand for rail transportation. Norfolk Southern furloughed employees in response to those reduced demand levels, but as business has increased since the depths of the pandemic in the second quarter of 2020, most furloughed train and engine employees have been recalled. Since June 1, 2020, Norfolk Southern has recalled 1,410 train and engine employees, about 85 percent of the total number of train and engine employees who were in furlough status one year ago. The remaining 15 percent, while not recalled to service at their home locations in their former crafts, have been offered positions with Norfolk Southern at other locations and/or in other crafts. Norfolk Southern's furloughed maintenance of way and structures employees have been offered similar opportunities.

Meeting our customers' expectations as the economy recovers from the pandemic is of course very important to Norfolk Southern, and having the train and engine workforce in place to meet increasing demand for freight transportation is essential to our success. As noted above, gains in efficiency and changes in our operations enable us to handle the business volume on our railroad with a reduced workforce. However, employee attrition, business growth, and changes in business patterns do create localized hiring needs. To meet these needs, Norfolk Southern has engaged in a program of targeted hiring, emphasizing locations with the greatest demand, and streamlining the timeframe to place qualified employees in the field. This hiring program is led by a cross-functional team that includes representatives of our Human Resources, Labor Relations, Network Planning and Optimization, and Finance Departments. This team uses a hiring model to make data-driven decisions about where we will need to add employees to meet future demand, recognizing that even a streamlined process for recruiting and training new operating employees takes several months.

One of the most important inputs to this forward-looking model comes from our customers. We are in constant communication with our customers to better understand not only their current business requirements but also their future needs. We use customer feedback to develop and revise our forecasting, which in turn informs our workforce and asset planning process. With timely and accurate information from our customers, we can better anticipate workforce needs ahead of increases in business demand.

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We also are taking proactive measures to compete effectively in a challenging labor market by offering financial incentives to conductor trainees. By taking creative approaches to attracting and retaining operating employees, we believe we will be well positioned to fill our workforce requirements as business levels continue to increase.

As of June 11, 2021, we had 114 conductor trainees in training, with plans to start between 72 and 96 additional conductor trainees each month for the rest of 2021. Adding conductor employees to the training pipeline enables us to fill vacancies caused by attrition where needed and to rebalance the workforce to address areas of localized need.

Additionally, we continue to use “go teams” and temporary transfers. Go teams are quickly deployed to serve short-term assignments in areas where the railroad is congested or where we face crew shortages, while temporary transfers are typically longer-term assignments that can help to address localized workforce requirements for months at a time. These innovative approaches to localized workforce demands have given us a great deal of flexibility in responding to challenged segments of our network.

While Norfolk Southern has faced workforce availability challenges this year, especially during the winter months when large numbers of employees were testing positive for COVID-19, those issues have been localized and temporary. Like many other employers, we anticipate that we will continue to face some localized workforce availability challenges in the future, all of which can be addressed by our existing processes.

Equipment

The same technology and innovative operating practices that have enabled Norfolk Southern to provide reliable service to our customers with a smaller workforce have also enabled us to operate with fewer locomotives. Our train consolidations and our ongoing DC to AC locomotive conversion program continue to generate significant reliability and operating efficiency benefits as we can move an equivalent amount of freight with a smaller, more efficient locomotive pool. Operating fewer trains with more efficient locomotives has the added benefit of improving fuel efficiency, which directly benefits the environment and reduces Norfolk Southern’s greenhouse gas emissions.

The efficiency improvements we have achieved make it difficult to draw conclusions about service performance based on comparisons to historical equipment levels alone. That said, the equipment data you requested is set forth below. As of June 1, 2021, we had the following number of locomotives and rail cars in active service and in storage:

Category	Active	Stored
Locomotives	2,533	585
Rail cars, excl. intermodal	55,255	7,103
Intermodal platforms	37,014	1,362

Our locomotive fleet is well matched to our operation. The rate of trains we are holding for power and our locomotive bad order rates remain at record lows, indicating a healthy balance between available resources and demand. We also believe the locomotives and most rail car types we have in storage enable us to address surges in demand or operational challenges. Last March, for example, we brought 50 locomotives out of storage to help us more quickly recover from severe weather we experienced in February.

We have ordered more boxcars to address current and future expected requirements. Deliveries of these boxcars will begin in the third quarter of 2021 and continue through the fourth quarter of 2022. We also have in place agreements to lease additional chassis to ease current shortages impacting our domestic intermodal operations and to meet expected demand increases. The additional chassis are expected to begin arriving in September. In the meantime, we are actively moving chassis from surplus locations to deficit locations and we are working with an additional supplier to share chassis in challenging markets. We will continue to monitor our equipment levels and adjust them to respond to changes in business conditions as needed.

Service Performance

The resources we use to operate our railroad are in service to an ultimate objective – providing a safe, reliable, and efficient service product to our customers. We are working hard to get our service reliability levels to where we want them to be, and we are encouraged by the steady progress we have been making. Our average weekly terminal dwell metric, an important indicator of network fluidity, has declined 14 percent since mid-February. This positive trend has taken place as volumes are increasing, a sign that we have the right resources in place.

We also are seeing continued strength in our local operating plan adherence metric, which measures switching at origin and destination terminals. Railroad-caused failures remain a very small portion of local service exceptions. That component of the metric has generally trended downward this year, with that trend accelerating in late February.

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Additionally, our cycle times for unit trains remain consistently strong, with significant improvement since the beginning of the year. Cycle times measure the total time it takes to load a train at origin, move it to its destination, unload it, and return the equipment back to origin. Low unit train cycle times indicate an efficient operation. Our current coal train cycle times are at their lowest levels since we began tracking this metric in 2018, and our cycle times for industrial products unit trains have declined about 12 percent since January.

It should be noted that COVID-19 has created disruptions to the global supply chain, the effects of which are still being felt today by transportation service customers around the world. Changing consumer demand patterns in the wake of the pandemic have led to congested ports, increased dwell at destination terminals, and shortages of dray capacity, all of which contribute to increased congestion at some of our intermodal facilities. We are addressing these challenges, which are unrelated to railroad resource levels, by metering traffic at those facilities in order to minimize service disruptions and maintain fluid terminal operations. As we take these actions, we work closely with our customers, communicating with them frequently to minimize impacts.

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Norfolk Southern agrees that engagement with our customers is essential, and we will continue to communicate and collaborate with them as we strive to earn more of their business. We have a robust customer engagement process that has led to, among other things, the development of significant enhancements to AccessNS, our e-commerce platform. We will continue to search for ways to facilitate the efficient flow of information between our customers and Norfolk Southern as we partner with them and support them in their business plans.

We also agree that frequent, proactive communication with the Board about our ability to meet service demands is very important. We remain committed to staying in regular contact with the Board's staff.

Very truly yours,



James A. Squires