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James A. Squires
Chairman, President and
Chief Executive Officer

August 6, 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 July 22, 2021 requesting information about container congestion and storage fee policies at Norfolk Southern's ten largest international intermodal facilities. We share your concern about congestion at intermodal facilities, and container storage fees are an important tool to address it, especially now when consumer demand is high and global supply chains are challenged in the wake of the COVID-19 pandemic. Because our international intermodal service is highly competitive with other railroads and other modes of transportation, our storage policies are very sensitive to market forces. Norfolk Southern strives to achieve a balance with these policies that promotes the fluidity of our terminals and the reliability of our service while preserving our competitive position in the marketplace.

Stored Container Volume at Key Terminals

Norfolk Southern's top ten international intermodal terminals based on total year-to-date inbound and outbound volumes are Chicago, IL; Austell, GA; Columbus, OH; Detroit, MI; Cleveland, OH; Rossville, TN; Sharonville, OH; Louisville, KY; Kansas City, MO; and Cincinnati, OH. Our eleventh largest terminal by volume is Appliance Park, KY. However, Norfolk Southern is in the process of consolidating all intermodal traffic in the Louisville market to the Appliance Park facility. Going forward, Louisville will fall out of the top ten and Appliance Park is expected to enter the top ten.

Seven of the facilities listed above – Chicago, Austell, Rossville, Sharonville, Kansas City, Cincinnati, and Appliance Park – are classified as Norfolk Southern Tier 1 terminals, which tend to have higher volumes than our Tier 2 terminals. The other four facilities – Columbus, Detroit, Cleveland, and Louisville – are Tier 2 terminals. As explained below, Tier 1 terminals have slightly different storage fees policies than Tier 2 terminals.

The average daily storage volume for these eleven facilities, broken down by month from July 2020 through July 2021, is summarized in the table attached as Appendix 1.

Container Storage Policies

The purpose of Norfolk Southern's storage fee policies is to encourage prompt retrieval of shipments once they have arrived at one of our intermodal facilities. Our terminals are not designed or intended for

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extended storage or warehousing. Delays in pulling containers from our terminals results in congestion, which impacts the fluidity of our operations and the level of service we are able to provide to our intermodal customers.

Our storage fee policies are set forth in our Intermodal Rules Circular, which states the terms and conditions of Norfolk Southern's offer of Intermodal transportation. This circular, as amended from time to time, is incorporated by reference in contracts with our Intermodal customers. As described in the circular, all international units grounding at Tier 1 terminals are granted one day of free time following the date of notification that a shipment has arrived at the terminal and is ready to be picked up. Once free time has been exhausted, a storage charge of \$200 is imposed for the first day, and a charge of \$300 is imposed for each day thereafter. International units grounding at Tier 2 terminals are granted two days of free time following notification. A storage charge of \$100 per day is imposed for the first five days after free time is exhausted, and a charge of \$200 is imposed for each day thereafter.

The international storage fee policies in our Intermodal Rules Circular have been modified once since January 2021. On April 14, 2021, customers were notified of two changes, both of which took effect on May 14, 2021. First, Appliance Park and St. Louis were added as Tier 1 terminals. Second, free time at Tier 1 terminals was reduced from two days to one day. These changes were made because our Tier 1 terminals, as well as our Appliance Park and St. Louis facilities, were facing increased congestion as containers were arriving faster than they were leaving. This ongoing challenge has been caused by a variety of factors, including a shortage of trucking capacity to pull from the facilities and slower throughput at warehouses, all of which are compounded by the fact that not every component in the supply chain has the same hours of business as our railroad, which operates 24 hours per day, seven days per week. By changing our circular to incentivize faster pulls from our most congested terminals, we intended to protect the fluidity of our intermodal operations for the benefit of all customers.

Norfolk Southern does not restrict receivers from providing their own chassis to retrieve containers. Like other railroads, we do not provide chassis for international intermodal service. Typically, ocean carriers or importers make arrangements with chassis pools or providers to have the equipment available to pull shipments from intermodal terminals.

Norfolk Southern's Intermodal Rules Circular does not place a cap on storage fees. As noted above, our policy is designed to encourage customers to retrieve containers in a timely manner. In our view, placing a cap on storage fees would negatively impact terminal fluidity because it would tend to delay container retrieval. A party notified that a container is ready to be picked up would have no further incentive to pull that container from the facility once the cap has been reached, exacerbating congestion at the terminal.

Disputed Charges

As noted above, storage fees do not begin to accrue until after the proper party has been notified that the shipment is ready to be picked up and all available free time has been exhausted. A party who believes a storage charge was improperly assessed against it has the opportunity to dispute it. Customers can dispute bills online using our e-commerce platform, AccessNS. We have a robust process for working with customers who dispute storage fees, and if a customer has been charged for something that is our fault, we will reverse the charge, issue a credit, or take other appropriate action to address the error.

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Additional Efforts to Maintain Terminal Fluidity

Our storage fee program is but one element of our continuing efforts to keep freight moving fluidly through our facilities. We are taking other actions to address the current supply chain challenges that are contributing to congestion at several of our international terminals. Our focus has been to communicate and collaborate with all stakeholders in the supply chain. In response to customer feedback, we have:

- metered traffic at origin to keep the flow of containers to inland destination terminals consistent with the ability of the drayage and warehouse communities to pull them from those terminals, and increased the flow of inbound containers as "outgate" capacity has improved;
- made changes and upgrades to our Chicago terminal, which have increased stacked container capacity by 60 percent and lift capacity by 40 percent;
- worked with western railroads to create steel-wheel interchanges in Chicago, alleviating pressure on the drayage community for cross-town interchanges; and
- announced an incentive program effective September 1 that rewards customers who achieve at least 50 percent "dual missions" (that is, bringing one container out for every container brought in) at our Chicago and Kansas City terminals, which will encourage greater efficiency and help relieve pressure on driver availability and chassis supply.

All of these initiatives are intended to adapt to the continuing changes in the global supply chain and provide our customers with increased throughput on our safe, efficient, environmentally sustainable rail network.

We trust this letter is responsive to your concerns. Should you have any additional questions, please feel free to contact me.

Sincerely,



Appendix 1

Average Daily Storage Volume at Key International Terminals*

Years	Months	Columbus	Louisville	Appliance Park	Cincinnati	Sharonville	Rossville	Cleveland	Detroit	Kansas City	Chicago	Austell
2020	July	404	219	124	127	142	180	340	148	130	592	519
	August	621	273	127	177	182	264	467	214	198	702	691
	September	618	258	140	157	169	198	426	228	167	707	750
	October	594	247	129	152	157	157	342	254	200	720	717
	November	673	345	202	204	228	260	409	322	319	1,003	976
	December	702	350	284	255	222	214	553	317	358	1,089	1,250
2021	January	704	346	271	226	214	227	450	394	476	1,215	1,102
	February	635	255	215	162	139	234	409	412	410	928	741
	March	848	268	211	198	210	424	562	606	559	1,379	794
	April	1,119	378	273	320	303	469	538	659	509	2,034	1,293
	May	1,162	373	244	452	383	443	573	764	521	2,446	1,387
	June	1,168	202	406	425	348	450	770	646	437	1,946	1,596
	July	971	102	609	478	362	590	566	798	402	1,942	1,172

* Terminals listed are the top 10 by total year-to-date inbound and outbound volume, plus Appliance Park, KY.