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December 2, 2022
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December 2, 2022

Via Electronic Filing

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
395 E Street SW
Washington, DC 20423

Re: *Urgent Issues in Freight Rail Service – Railroad Reporting*, STB Docket Ex Parte No. 770 (Sub-No. 1)

Dear Ms. Brown:

In accordance with the Surface Transportation Board's October 28, 2022, Decision in the above-referenced docket, Norfolk Southern Railway Company today is providing an interim update to its service recovery plan. The attached interim update provides information on Norfolk Southern's service recovery to date, and our plan to continue to utilize our operating plan, TOP|SPG, together with aggressive hiring, particularly in understaffed locations, to generate even further improvements to our service product.

In addition, the attached interim update provides new May 2023 targets for the service metrics identified in Norfolk Southern's June 23, 2022, Revised Service Recovery Plan Report, as well as an update to Norfolk Southern's one-year headcount targets.

Finally, the report includes the typical information provided in Norfolk Southern's biweekly progress reports, including operating statistics for the week ending November 25th and Norfolk Southern's current trainee and crew availability data. Norfolk Southern will continue to update the Board on its progress toward service recovery on a bi-weekly basis.

Sincerely,

/s/ Hanna M. Chouest

Hanna M. Chouest

Enclosure.

**URGENT ISSUES IN FREIGHT RAIL SERVICE –
RAILROAD REPORTING**

STB Docket No. Ex Parte 770 (Sub-No. 1)

**INTERIM UPDATE TO SERVICE RECOVERY PLAN FOR
NORFOLK SOUTHERN RAILWAY COMPANY**

DECEMBER 2, 2022

Norfolk Southern Railway Company (“Norfolk Southern”) respectfully submits this interim update to its service recovery plan in response to the Surface Transportation Board’s order of October 28, 2022 in the above-captioned docket (“October 28 Order”).

Since May 2022, when Norfolk Southern submitted its initial service recovery plan, Norfolk Southern has made significant improvements to its service product and operations and the company is well on its way to recovery. Since our first service recovery report, Norfolk Southern has:

- increased Merchandise on time delivery by 44%;
- achieved a 45% improvement in railroad-caused local plan adherence failures;
- improved system velocity by 16%; and
- consistently exceeded 95% on time delivery for Intermodal shipments.

The metrics are not the only indication of Norfolk Southern’s improved service. Our customers have also communicated to us that they are experiencing

improved service at their facilities and are encouraged by the progress we have made. Our customers have reported that they appreciate the communication they receive from our marketing and customer service teams, who are in constant communication with our operating team to ensure that Norfolk Southern is providing customer-centric, operations-driven solutions for our customers.

While we are pleased with these gains, we continue to challenge ourselves to pursue improved service. In addition to making significant gains on hiring train and engine (“T&E”) personnel, as we reported in our June 2022 revised service recovery plan (“June 2022 Report”), in the third quarter of 2022 Norfolk Southern implemented a new operating plan, TOP|SPG, which stands for Thoroughbred Operating Plan|Service, Productivity and Growth. TOP|SPG is a driver of significant improvement in service, enabling Norfolk Southern to operate our system in a balanced and executable manner, with the capability to adjust to the dynamic economic climate, and build greater resiliency into the network.

The first few months of TOP|SPG implementation have illustrated the benefits that this new plan, combined with growing health in our crew base, has had on the Norfolk Southern system, as highlighted by the improved service metrics seen in Norfolk Southern’s reporting. We are continuing with the phased implementation of TOP|SPG and believe that this operating plan, when paired with increasing numbers of T&E staff in critical locations, will continue to generate service benefits to our customers.

In the October 28 Order, the Board directed the carriers to provide details of any changes they intend to make to the service recovery plans, or, in the alternative, if there are no intended changes, the carrier should so indicate. *See* October 28 Order at 19. Norfolk Southern's service recovery plan was grounded in two key primary focus areas: (1) having the right number of people at the right location to provide service and (2) revising our operating plan to provide a balanced, executable, and resilient plan. *See* June 2022 Report at 4-20.

Norfolk Southern has made strides in both areas. With regards to employment, Norfolk Southern has exceeded its 6-month target of hiring to reach a headcount of 7330 T&E crews by mid-November 2022. Our current T&E headcount as of November 28, 2022 is 7406. Norfolk Southern continues to hire aggressively across its 95 hiring locations and intends to continue hiring throughout 2023. In particular, Norfolk Southern continues to focus its hiring on crew bases that remain below our targeted minimum staffing levels, as well as widespread hiring to account for attrition. Norfolk Southern continues to pull every lever to increase staffing through increased wages, bonuses, transfers and referrals, as described in our June 2022 Report. *See* June 2022 Report at 7-10.

On the operating side, Norfolk Southern is now five months into the implementation of TOP|SPG. Because Norfolk Southern was just days away from launching TOP|SPG when it submitted its June 2022 revised service recovery plan, Norfolk Southern does not currently intend to make significant changes to the operations side of its service recovery plan. Our plan remains the same: to continue

to implement TOP | SPG as we have for the last several months. As Norfolk Southern proceeds with implementation, it is possible that changes to the operating plan will occur, but the underlying premise of the plan remains unchanged: to provide a balanced, executable plan that offers improved service to all customers.

I. NORFOLK SOUTHERN SERVICE METRICS

Norfolk Southern's service recovery plan and subsequent bi-weekly progress reports have reported system velocity, terminal dwell, local operating plan adherence, and on time delivery as the key performance indicators upon which to track its service recovery. As explained in the service recovery plan, Norfolk Southern selected these metrics to track service recovery because they are well known, easily understood and measurable, and are common metrics used by all stakeholders to gauge network service. The Norfolk Southern view is that these metrics are strong indicators of network performance, and therefore Norfolk Southern will continue to report on those indicators through May 5, 2023 pursuant to the October 28 Order. Similarly, Norfolk Southern has updated its targets for these metrics through May 5, 2023 in accordance with the Board's Order.¹

¹ As Norfolk Southern described in its June 2022 Report, any forward-looking projection or target reported by Norfolk Southern is inherently speculative in nature. Accordingly, Norfolk Southern incorporates herein the statements made in that June 2022 Report regarding the many factors that could impact Norfolk Southern's achievement of those targets. See Norfolk Southern June 23, 2022 Revised Service Recovery Plan, STB EP 770 (Sub-No. 1) at 22-23. In addition, this interim update to Norfolk Southern's service recovery plan contains forward-looking statements or forward-looking projections that may be identified by the use of words like "believe," "expect," "anticipate," "plan," "project," and similar references to the future. Forward-looking statements or forward-looking projections reflect our good-faith evaluation of information currently available. These forward-looking statements or forward-looking projections are subject to a number of risks and

Table 1 below provides Norfolk Southern realistic targets², which project the key service metrics within 6 months, taking into consideration the continued volatility in the labor market and other macro-economic conditions which were identified throughout Norfolk Southern’s service recovery plan. *See June 2022 Report at 22-23.*

Table 1: Service Metric Targets

Metric	June 23, 2022	Original 6-month Target	Current (Week ending Nov. 25)	May 5, 2023 Target
System Velocity	17.9 MPH	19.4 MPH	20.98 MPH	22 MPH
Merchandise TPC	54%	61%	69.29%	82%
Intermodal TPC	90%	93%	97.78%	99%
LOPA	73%	75%	74.48%	78%
LOPA RR Caused	8.2%	5%	4.54%	5%
Terminal Dwell	26.6 Hours	23.7 Hours	27 Hours	21.5 Hours

Norfolk Southern developed its May 5, 2023 targets by taking into consideration the same criteria used in the June 2022 Report. Specifically, the targets were developed using a combination of mathematical regression analyses

uncertainties, and our actual results may differ materially from those projected. Please refer to our annual and quarterly reports filed with the SEC for a full discussion of those risks and uncertainties we view as most important.

² Norfolk Southern understands that the Board’s use of the word “Target” is a request for a projection of actual expected service levels, rather than an aspirational target, and has developed these numbers accordingly.

and overall evaluation of network conditions, including anticipated labor force metrics by location and historical data. *See June 2022 Report at 25-27.* In addition to those criteria, Norfolk Southern considered recent trends in execution of the operating plan and evaluated future improvements to the performance indicators as fluidity of the network improves.

System Velocity: Norfolk Southern targets a system velocity of 22 miles per hour in May 2023. System velocity has steadily been improving in 2022 and Norfolk Southern anticipates that as headcount at core locations continues to improve and with the continued execution of the TOP|SPG operating plan, system velocity will continue to improve over the next six months. For the week ending November 25, 2022, Norfolk Southern's system velocity was 20.98 miles per hour. Norfolk Southern performed a regression analysis using historical data and current forecasted T&E hiring expectations as well as expectations regarding future plan execution, to establish this six-month target.

Merchandise Trip Plan Compliance: Norfolk Southern targets a Merchandise TPC of 82% by May 2023. The implementation of TOP|SPG and improved health of the employee base has produced a 44% improvement in this metric since May 2022. For the week ending November 25, 2022, Norfolk Southern achieved a trip plan compliance for its Merchandise traffic of 69.29%. Norfolk Southern anticipates that the continued execution of TOP|SPG, together with continued focus on hiring T&E personnel will continue to result in improvements in

Merchandise TPC. To develop the Merchandise TPC target, Norfolk Southern used the same methodology as developed for System Velocity.

Intermodal Trip Plan Compliance: Norfolk Southern targets an Intermodal TPC of 99% by May 2023. Norfolk Southern has, for the last 14 weeks, achieved an Intermodal TPC that meets or exceeds 95% and for the week ending November 25, 2022, Norfolk Southern achieved a trip plan compliance for its intermodal traffic of 97.79%. As described in the June 2022 Report, Intermodal TPC is not a metric used in the regular course of business; however, the Board has requested such a target. Because Norfolk Southern does not track intermodal TPC in the regular course, a regression analysis is not possible. The projected target of 99% of intermodal trains arriving at Destination within 24 hours of the Original ETA is, in Norfolk Southern's opinion, a reasonable target for May 2023.

Local Operating Plan Adherence: Norfolk Southern targets a LOPA of 78% and a railroad-caused LOPA failure rate of 5% for May 2023. Norfolk Southern has shown improvement in its LOPA metrics over the last six months and has come close to reaching the targets identified—often meeting, if not exceeding, the 5% railroad-caused LOPA failure target and regularly achieving an overall LOPA metric of approximately 74.5%, just shy of the initial six-month goal. For the week ending November 25, 2022, Norfolk Southern's overall LOPA rate was 74.48% and railroad caused failures were at 4.54%. NS would note the many factors that can influence local operations, both on the railroad and on the customer end, such as mechanical interruptions on the railroad side or unanticipated interruptions at local

customer facilities among others. See June 2022 Report at 26-27. However, Norfolk Southern believes these targets are reasonable and achievable, and operations that meet these targets will provide customer service at the levels our customers expect.

Terminal Dwell: Norfolk Southern targets a terminal dwell of 21.5 hours in May 2023. For the week ending November 25, 2022, Norfolk Southern's average terminal dwell was 27 hours, a number which was impacted by the Thanksgiving holiday. Norfolk Southern anticipates significant improvement in terminal dwell over the next six months. As explained in the June 2022 Report, Terminal Dwell does not show a clear correlation to employment levels, given the highly complex nature of operational impacts on terminal dwell. To gauge a target for Terminal Dwell, Norfolk Southern evaluated current variance to scheduled trip plan dwell as well as current trends in terminal dwell as compared to past performance where the network experienced similar volatility and comparable carload levels.

These May 2023 targets put Norfolk Southern on track to restoring service within the range of what customers experienced throughout 2019. There is no doubt that there is more improvement to be had and we will be aiming to significantly improve our service product above the targets listed in this document in the second half of 2023 and beyond. As Norfolk Southern explained in June, we remain committed to improving the service levels enjoyed in 2019 to provide a superior service product to our customers and grow the business. The May 2023 targets illustrate Norfolk Southern's commitment to do just that: to continue

improve our service product in ways that allow customers to integrate us more deeply into their supply chains and drive growth on the railroad.

II. NORFOLK SOUTHERN LABOR FORCE

A. Updated Labor Force Targets

In its October 28 Order, the Board invited Norfolk Southern, if necessary, to update its labor force targets submitted in response to the June 13 Order. In June, Norfolk Southern provided both six-month and one-year labor force targets across a number of different crafts. Over the last six-months, Norfolk Southern has met or exceeded those targets in most categories, as the Board recognized in its October 28 Order. *See* October 28 Order at 13.

Although Norfolk Southern did not meet its anticipated six-month MOW labor force target, the current MOW figures are just shy of the 4206 we anticipated for November 2022. Nevertheless, as discussed further below, Norfolk Southern has made significant headway on planned MOW projects in 2022 and fully anticipates that we will have enough personnel in the MOW labor force to address all engineering and signals work needed in 2023.

As Norfolk Southern explained in its June 2022 Report, any employee targets will inevitably change based on a variety of variables, such as the implementation of Norfolk Southern's new TOP|SPG operating plan, efficiency and availability of current workforce, fluctuations in business demand, and economic factors, just to name a few. As also explained in the June 2022 Report, Norfolk Southern's total headcount numbers do not tell the whole story. Norfolk Southern must hire T&E

personnel at 95 unique hiring locations across its network. While Norfolk Southern has made headway in many locations to reach needed staffing levels, there are some locations that remain understaffed. We are continuing to see significant competitiveness in the labor market, which can increase our separation rate as well as make it more difficult to attract talent. Historically low unemployment rates in certain challenged locations decreases the available talent pool. In some of these same locations, there is a need for longer training because of the complexity of the territory, which can temporarily reduce progress toward the staffing goals. Norfolk Southern is primarily focused on hiring at those understaffed locations, while continuing to hire for all locations to account for attrition.

In addition to the many tools we have been utilizing throughout 2022 to ramp up hiring, such as increased conductor trainee pay, aggressive communications campaigns, enhanced hiring processes, and crew transfers,³ Norfolk Southern has embarked on a series of visits to certain challenged locations where we have met with local educational institutions, Chambers of Commerce, military organizations and representatives of community job boards. These visits are increasing our pipeline of candidates. For example, we saw a 400 percent improvement in our candidate pool in Louisville as a result of this approach. In addition, we are offering relocation and housing incentives to candidates who are cleared to start and are willing to move to one of our priority locations.

³ See June 2022 Report at 6-10.

Norfolk Southern’s labor force targets are projections, based on currently available data, as to the appropriate workforce size it will need to reliably handle the volume forecasts we have received from our customers. Because those projections are consistently being reviewed and revised, Norfolk Southern takes this opportunity to revise the original one-year labor force targets identified in the June 2022 Report to reflect Norfolk Southern’s most current estimate of where its labor force numbers will be at the one-year mark, specifically, in May 2023.

Table 2: Labor Force Update

Craft	Levels in June 2022 Report	November 15 Report (Oct. data)	Revised 1-year (May 2023) Target
T&E	6966	7380	7613
MOW	4119	4144	4166
MOE	2368	2423	2472
Customer Service	304	307	349
Remaining	3779	3702	4024
Total	17536	17956	18624
Extra-Boards	1829	2023	2068

The modest update to our labor force targets for May 2023 reflects current demand forecasts and projections based upon macro-economic data currently available to Norfolk Southern. For T&E, Norfolk Southern anticipates a slight increase from its original one-year projection, which is driven primarily by customer volume forecasts and the dynamic environment at each of the individual 95 hiring locations.

Norfolk Southern has revised the MOW one-year target from the June 2022 Report. Based upon the dynamic labor force environment, coupled with overall staffing levels, attrition, and training duration—which, for some of the MOW crafts is 12 months—Norfolk Southern anticipates being at a lower MOW total labor force in May 2023 than initially anticipated. Accordingly, we are revising our MOW qualified employee target for May 2023 to 4166. This revision will not impact service or Norfolk Southern’s ability to complete all necessary engineering and signals MOW work. In fact, despite the service challenges experienced in 2022, we have made significant headway on maintenance-of-way projects and improvements to the Norfolk Southern infrastructure. We were able to complete a number of projects beyond what was planned for 2022 due to efficiency gains and hard work by our MOW crews. We anticipate the same high level of production from our MOW crews in 2023.

In other instances where labor force targets have been slightly modified, the changes reflect modifications based upon current vacancies and were adjusted for budgeted allocations. Extra-board projections were updated based upon the anticipated T&E staffing number.

B. Trainee data and crew availability

In its June 13 2022 Decision, the Board asked for information regarding the number of trainees in the pipeline and data regarding crew availability. To provide continuity, Norfolk Southern provides herein the conductor trainee and crew availability information typically provided in the bi-weekly service progress reports.

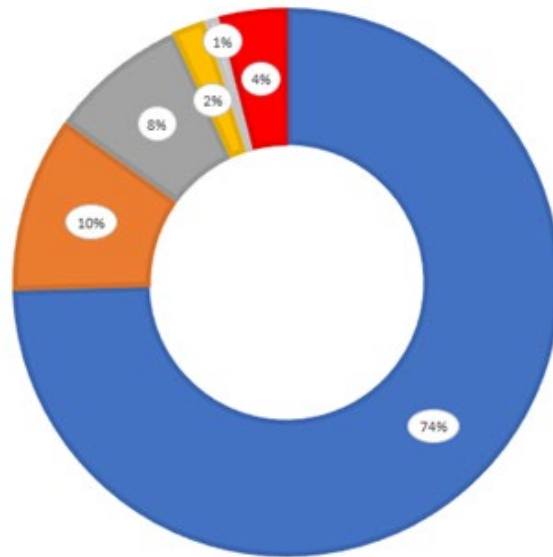
The following table shows conductor trainee information as of November 29, 2022:

Trainees entered training	129
Trainees dropped out of training	125
Trainees completed training	123
Trainees currently in training	864

In terms of crew availability, for the week ending November 25, 2022, Norfolk Southern's data shows that on average 74% of Norfolk Southern's total qualified T&E employees were available to work on a given day. Note however, the "available for work" number includes employees who work local or yard assignments who show as available on their scheduled rest day due to current technology limitations. Those employees are in fact not subject to call, meaning that they are on their scheduled rest day and are not in fact available for work. On average for the week ending November 25, 2022, 7.2 % of those employees showing as "available" were in fact not subject to call, meaning that the average of qualified T&E available for work was in fact just 66.8% of total qualified T&E employees. That number fluctuated depending on the day of week, with Saturday having the lowest availability over the week. The following pie chart illustrates the key drivers of crew availability, which include FRA mandated rest, vacation, illness, and Family Medical Leave act absences, among others.

AVERAGE WEEKLY STATUS (11/19/2022-11/25/2022)

■ Available ■ Rest ■ Vacation ■ FML ■ Other ■ Unexcused



* * *

In sum, Norfolk Southern is dedicated to being a customer-centric, operations-driven service organization. Our new operating plan strikes the right balance between service, productivity, and growth, and we continue to hire to ensure that we have the right number of people in the right locations across our network. In the last six months, in addition to achieving improved system velocity, our Merchandise on time delivery has improved by 44% and we are regularly exceeding 95% on time delivery for Intermodal shipments. We are encouraged by the progress we have made in the last year and are continuing to work hard every day to improve our service product and deliver the consistent, reliable service that our customers expect of us.