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February 29, 2024

Via Electronic Filing

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

The Honorable Karen Hedlund, Vice Chairman
Surface Transportation Board
395 E Street SW
Washington, DC 20423

The Honorable Patrick Fuchs
Surface Transportation Board
395 E Street SW
Washington, DC 20423

The Honorable Robert Primus
Surface Transportation Board
395 E Street SW
Washington, DC 20423

The Honorable Michelle Schultz
Surface Transportation Board
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 Chairman Oberman, Vice Chairman Hedlund, Members Fuchs, Primus, and Schultz:

In accordance with the Surface Transportation Board's January 31, 2024, Decision in the above-referenced docket, Norfolk Southern Railway Company today is providing its second interim update to its service recovery plan. The attached second interim update

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provides information on Norfolk Southern's six-month and one-year headcount targets, as well as information regarding plans for hiring and retention of personnel as required by the Decision.

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)

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

FEBRUARY 29, 2024

I. INTRODUCTION

Norfolk Southern Railway Company (“Norfolk Southern”) respectfully submits a second interim update to its service recovery plan that reflects the additional employment data information requested by the Surface Transportation Board’s order of January 31, 2024, in the above-captioned docket (“January 31 Order”).

Like the Board, Norfolk Southern recognizes the importance of rail network reliability and resiliency. Indeed, in its June 2022 updated service recovery plan (“June 2022 Report”), Norfolk Southern emphasized that one of its goals was to build resiliency into its network. As the Board’s January 31 Order, and Norfolk Southern’s recent service metrics indicate, Norfolk Southern’s efforts are yielding results. Norfolk Southern’s network is operating in a more reliable and resilient manner, able to recover more quickly from disruptions and return to plan.

Building resiliency into the Norfolk Southern network has been a product of many different elements, including the TOP|SPG operating plan, which was discussed in detail in the June 2022 Report, as well as Norfolk Southern’s successful hiring plan which has resulted in the addition of over 1100 qualified T&E personnel since June 2022, accounting for attrition. Each of these elements has resulted in improved service for Norfolk Southern’s customers.

In an effort to “assess the durability of these recent service recovery efforts,” January 31 Order at 2, the Board now requests additional information regarding “any updated plans to incentivize hiring and retention, to include identifying any specific policies and incentives [Norfolk Southern] intend[s] to use to maintain an adequate labor supply along with an explanation of how such measures will attract and retain personnel.” *Id.* at 8-9. Norfolk Southern addresses the Board’s request below.

II. NORFOLK SOUTHERN’S HIRING & RETENTION PLANS

In the June 2022 Report, Norfolk Southern provided detailed information regarding specific actions it was taking to attract and retain talent. Many of the

action items identified in that report remain relevant today. For example, Norfolk Southern continues to focus on the talent pipelines for a small number of key locations. For locations with additional need, Norfolk Southern keeps a very healthy pipeline of candidates through partnerships with local technical colleges, Chambers of Commerce, military organizations, and representatives of community job boards. In addition, Norfolk Southern has leveraged multiple forms of media including digital, print, and television/radio to reach out to potential candidates. While Norfolk Southern has achieved its target T&E staffing levels at a network level, there are certain areas of the network where there are still needs for additional staffing. Accordingly, Norfolk Southern continues to employ existing crew transfers to help relieve staffing deficiencies in critical locations. Norfolk Southern continues to offer both permanent and temporary transfer opportunities, and to utilize our “Go Teams” who serve short-term assignments in areas where the railroad is congested or facing crew shortages. For these temporary transfers, Norfolk Southern covers the costs of meals and lodging for employees and offer increased pay to incentivize T&E employees to take these temporary jobs. The temporary transfer program has produced an improvement in local service metrics where the program has been utilized.

Norfolk Southern has taken a strategic approach to staffing during times of economic uncertainty. In December 2022, Norfolk Southern CEO Alan Shaw spoke extensively about the resilience advantage and the impact that furloughing our T&E workforce during a market downturn can have on the railroad’s ability to recover when the market bounces back. Accordingly, Norfolk Southern announced that it would explore alternatives to traditional furloughs during economic downturns and instead use those times as an opportunity for additional training, as one example. This commitment allows Norfolk Southern to make reliable and resilient service an enduring competitive advantage for our network. The Board can see that Norfolk Southern has employed that strategy through 2023.

Indeed, 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.

Targeted hiring and retaining a highly qualified workforce remain high priorities for Norfolk Southern. To do so, in 2023 Norfolk Southern made considerable progress toward addressing quality-of-life issues for its employees, which are integral to both hiring of talent and retaining current employees.

The notable progress Norfolk Southern has made include enhancements to our safety culture, which is Norfolk Southern’s number one priority and commitment to our employees and the communities Norfolk Southern serves. In June 2023, Mr. Shaw and the leaders of 12 labor unions issued a joint letter

reaffirming our commitment to the safety of our employees and pledging our desire to partner in support of this important cause.

Since that time, Norfolk Southern and labor union leadership have made significant strides in this regard. Norfolk Southern has partnered with the Brotherhood of Railroad Signalmen (BRS) to create an innovative new program called the Signal Safety Collaboration. This one-year pilot program, which was developed with input from the Federal Railroad Administration (FRA), will establish a collaborative process — including joint inspections, information sharing, and training — to identify further improvements and best practices that enhance signal safety for the benefit of our employees and the communities Norfolk Southern serves. And just this month, Norfolk Southern, BLET, SMART-TD and FRA signed an agreement to participate in FRA's Confidential Close Call Reporting System (C3RS), making Norfolk Southern the only Class I railroad participating in the program. As part of the C3RS pilot program, covered Norfolk Southern employees can report safety concerns confidentially. Participation in the program will enable Norfolk Southern to work with labor representatives to identify and implement safety improvements with the FRA's guidance.

With regards to work-life balance, Norfolk Southern and SMART-TD recently 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 is also implementing an electronic bid system, which will provide conductors greater predictability into their weekly schedule, a system already in place for our engineers. This system is scheduled to go into effect for conductors in March 2024.

And 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.

Norfolk Southern believes that these commitments to the safety and well-being of its employees will contribute considerably toward attracting and retaining personnel. By working closely with union leadership, listening to the concerns and priorities of our craft colleagues, and responding to those needs, Norfolk Southern

strives to foster a safe working environment and offer enhanced quality-of-life opportunities in a competitive job market.

III. LABOR FORCE TARGETS

As Norfolk Southern has previously cautioned, as both a common carrier and publicly-traded company, Norfolk Southern has an obligation to its customers, employees, and investors to only provide forward-looking projections our stakeholders can rely on with a reasonable degree of accuracy.¹ Forecasting is always inherently speculative—and forecasting employment levels remains unusually speculative today. Norfolk Southern’s T&E workforce is a collection of 85² distinct groups assigned within certain geographic boundaries, which limits Norfolk Southern’s flexibility in how to deploy employees. Norfolk Southern forecasts T&E workforce numbers based upon these hire groups. Thus, while today Norfolk Southern is providing a total T&E headcount forecast as requested by the Board, the total number is, in effect, an estimate based upon the sum of the forecasted number of qualified T&E in each of the hire groups.

The ability of Norfolk Southern to recruit and retain sufficient employees to meet the future demand for transportation service is largely a function of a competitive labor market. And the future demand for service remains heavily influenced by factors like inflation, federal interest rates, fuel costs, and continuing logistic chain disruptions. Given the extraordinary degree of uncertainty and volatility in the transportation and labor markets, Norfolk Southern would not ordinarily provide such speculative forward-looking projections.

The January 31 Order directed that Norfolk Southern provide a second interim update to include “labor force targets for employees actually on the job [i.e., not furloughed] in the first six months of this year (by July 1, 2024) and in one year (by December 31, 2024), broken out by transportation (train and engine), maintenance of way and structures, maintenance of equipment and stores, customer service employees, and all remaining personnel.” Accordingly, the numbers Norfolk Southern is providing in this report are projections, based on currently available data, as to the workforce size Norfolk Southern projects it will have on hand in 6 months and 12 months, taking into account volume forecasts

¹ This Norfolk Southern second interim update 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 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 Norfolk Southern views as most important.

² Norfolk Southern has combined some hiring locations within the last 12 months, which accounts for the difference in hiring locations from prior reports.

Norfolk Southern has received from its customers and workforce needs at individual hiring locations.

In January 2024, Norfolk Southern's T&E headcount was 8,139. For T&E employees, Norfolk Southern projects that its headcount will remain relatively stable. Accordingly, Norfolk Southern projects that T&E headcount will be relatively flat at six months. At twelve-months Norfolk Southern projects a target below 8,100, but remaining within a few percentage points of current headcount, taking into consideration the myriad factors that impact headcount as discussed above. Norfolk Southern is committed to ensuring that it remains staffed at levels capable of providing quality, resilient service to its customers. Norfolk Southern's projected target is based upon current demand forecasts and other variables, including anticipated workforce availability. The combined network projection takes into consideration the projected targeted personnel needs at each of Norfolk Southern's 85 unique hiring locations.

In 2023 Norfolk Southern's Maintenance of Way crews completed over \$1 billion in infrastructure improvements, including the completion of 619 track miles of rail work, an 8% increase over 2022 and the replacement of 40 bridges. Also, in 2023 Norfolk Southern replaced the most rail on the railroad since 1990. These highly productive MOW crews have reached a steady state headcount. As of January 2024, Norfolk Southern's MOW headcount was 4,465. While Maintenance of Way employment numbers often ebb and flow over the span of a year considering various factors, including attrition and training duration, as is evidenced by the fluctuation in Norfolk Southern's historical data filed with the Board over the last year, Norfolk Southern anticipates that it will maintain a level of MOW employment at approximately 4,450 MOW employees at 6 months and 12 months.

As of January 2024, Norfolk Southern's Maintenance of Equipment headcount was 2,809. Norfolk Southern anticipates a slight increase in its MOE employment numbers over the next twelve months. Accordingly, Norfolk Southern projects a 6-month target of approximately 2,950 and a 12-month forecasted target of approximately 2,990 MOE employees. Norfolk Southern has invested significantly in safety and technological advancements across its system and is hiring additional mechanical craft employees to protect the resiliency of our network. Norfolk Southern anticipates that these additional new hires will account for the increase to its MOE population over the next twelve months.

In January 2024, Norfolk Southern had 311 Customer Service employees. Norfolk Southern anticipates that its Customer Service employment levels will remain relatively flat at both 6 and 12 months.

Norfolk Southern's remaining headcount in January 2024 was 4,135 employees. Norfolk Southern does not anticipate a significant change of employment levels in this category, other than those created by the same factors identified above, including the recently announced voluntary separation program,

and the inherent fluctuations in the size of any workforce. Accordingly, Norfolk Southern projects that at six months its remaining workforce headcount will be approximately three percent lower than its January 2024 headcount at approximately 4,000. Norfolk Southern anticipates that its remaining headcount will remain relatively flat for the remainder of 2024.

In total, in January 2024, Norfolk Southern had a workforce of 19,859 employees. Norfolk Southern projects that its workforce will remain relatively flat at both the 6-month and 12-month marks, taking into account the anticipated additional MOE employees that are being hired, and the upcoming reductions in the non-agreement workforce, as well as the anticipated needs of the Norfolk Southern system.³ Norfolk Southern continuously reviews its workforce needs considering numerous factors, including customer-provided demand forecasts and economic data to ensure that it maintains a resilient network capable of providing safe and reliable rail service to our customers.

³ See also Norfolk Southern Corporation Q4 2023 Earnings Conference Call Transcript (Jan 26, 2024), available at <https://norfolksouthern.investorroom.com/events>