



# *Norfolk Southern Corporation*

## *WILMAPCO Meeting November 14, 2012*

*Scott Muir*  
*Government Relations*

# Business Overview

- Freight transportation
- “Franchise” system
- 20K miles of railroad
- 22 state presence
- East of Mississippi
- Competitive with CSX
- Operating agreements over other railroads including AMTK





PanAm Southern  
Corridor

Premier  
Route

Mid America  
Corridor

Heartland  
Corridor

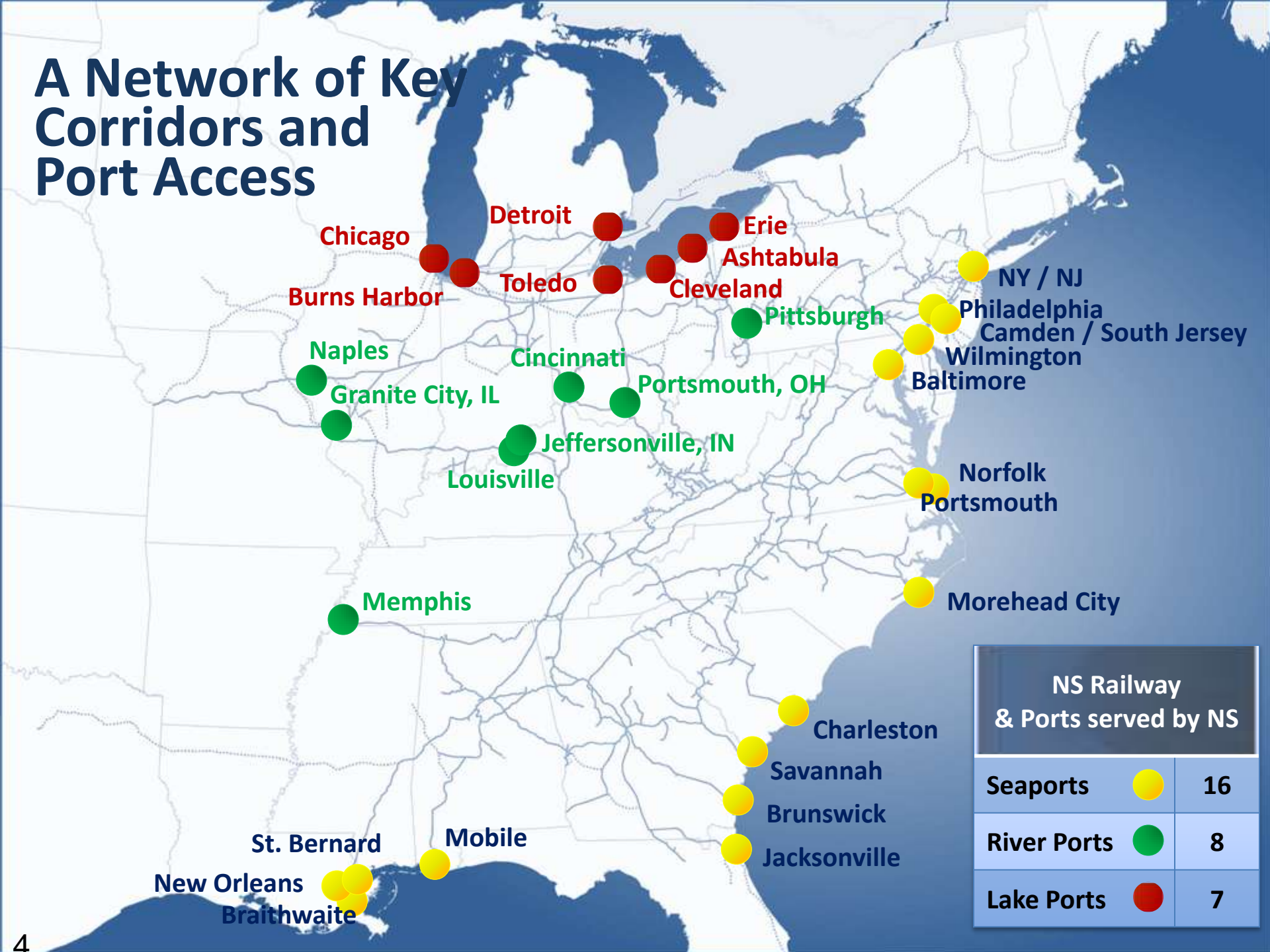
Crescent  
Corridor

Meridian  
Speedway

*NS Corridors*



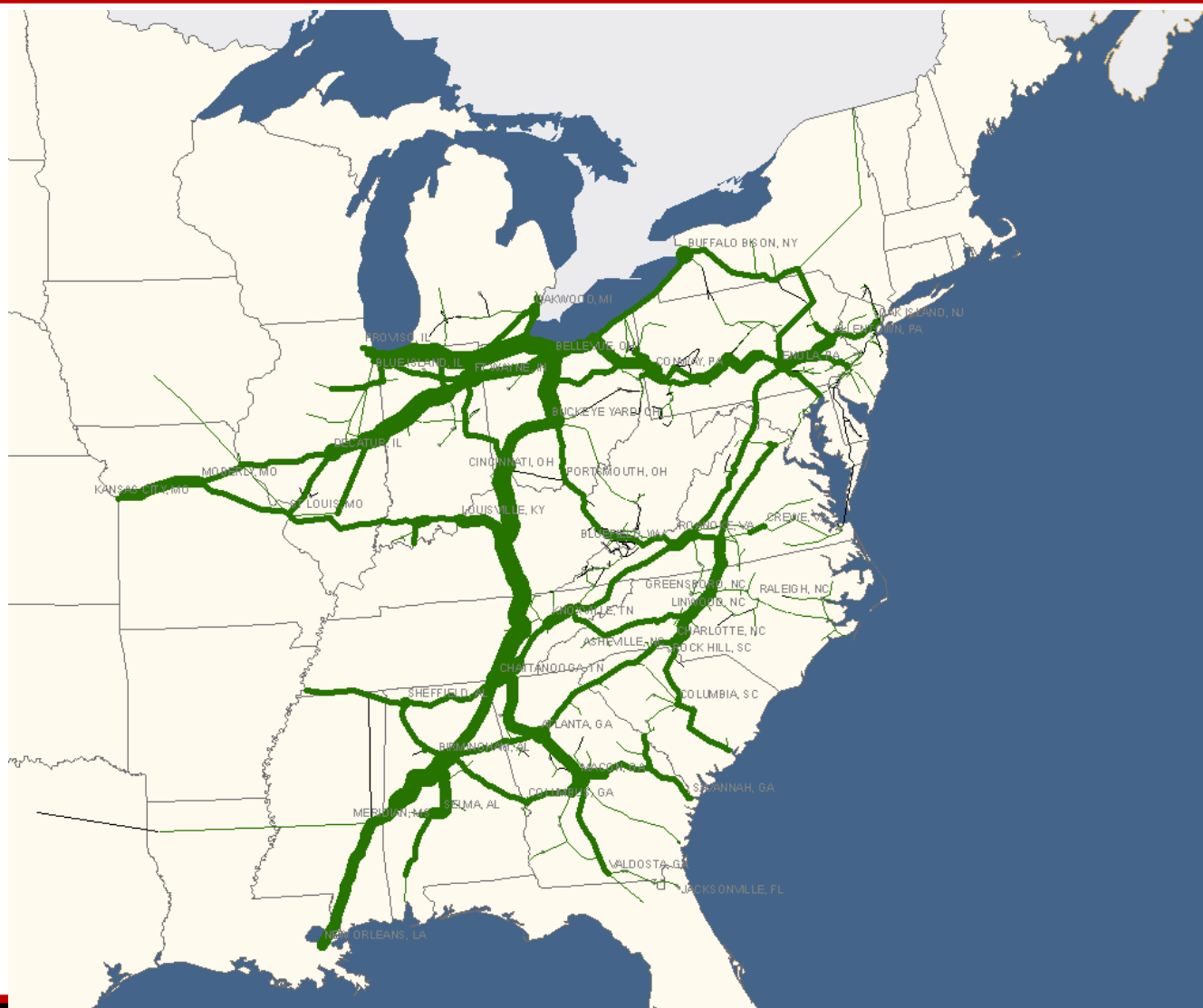
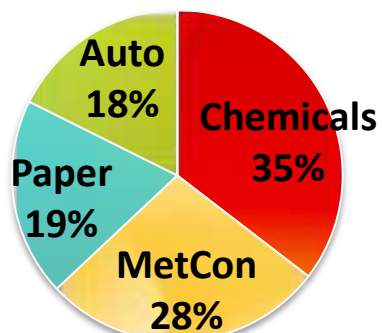
# A Network of Key Corridors and Port Access



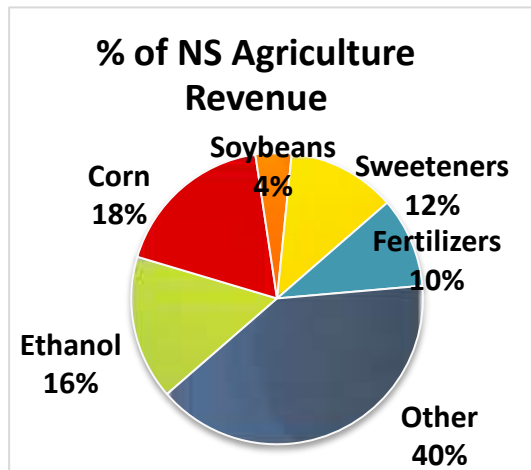
NS Railway & Ports served by NS		
Seaports		16
River Ports		8
Lake Ports		7

# NS Manufacturing Network Flows

% of NS Mfg.  
Revenue



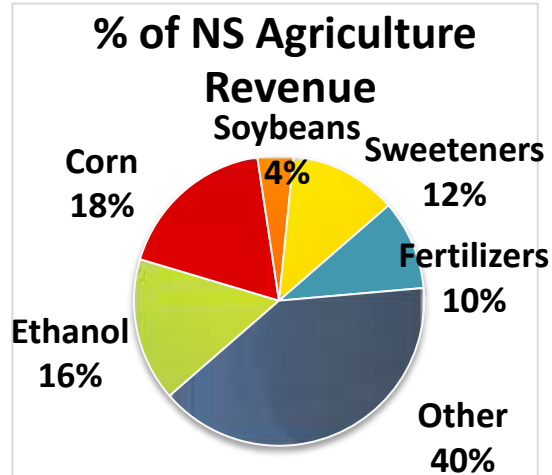
# NS Agriculture Network Flows



# Our Agriculture Network

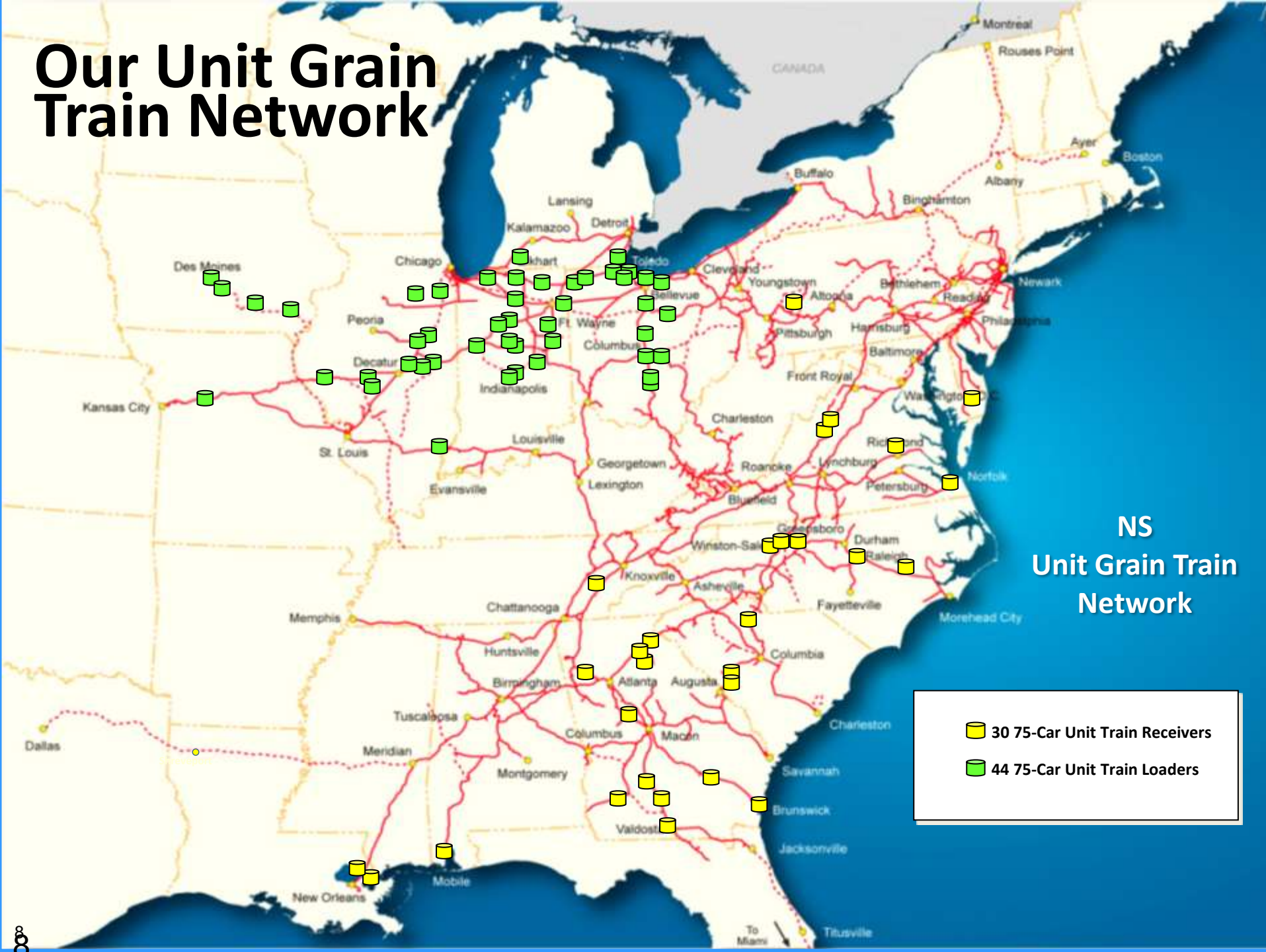
## Agriculture

- NS serves more than 330 shippers and receivers of corn and soybeans
- Extensive Ag network for domestic and export grain markets
- Extensive supply chain support for ethanol producers and distributors
- Projected rise in global demand



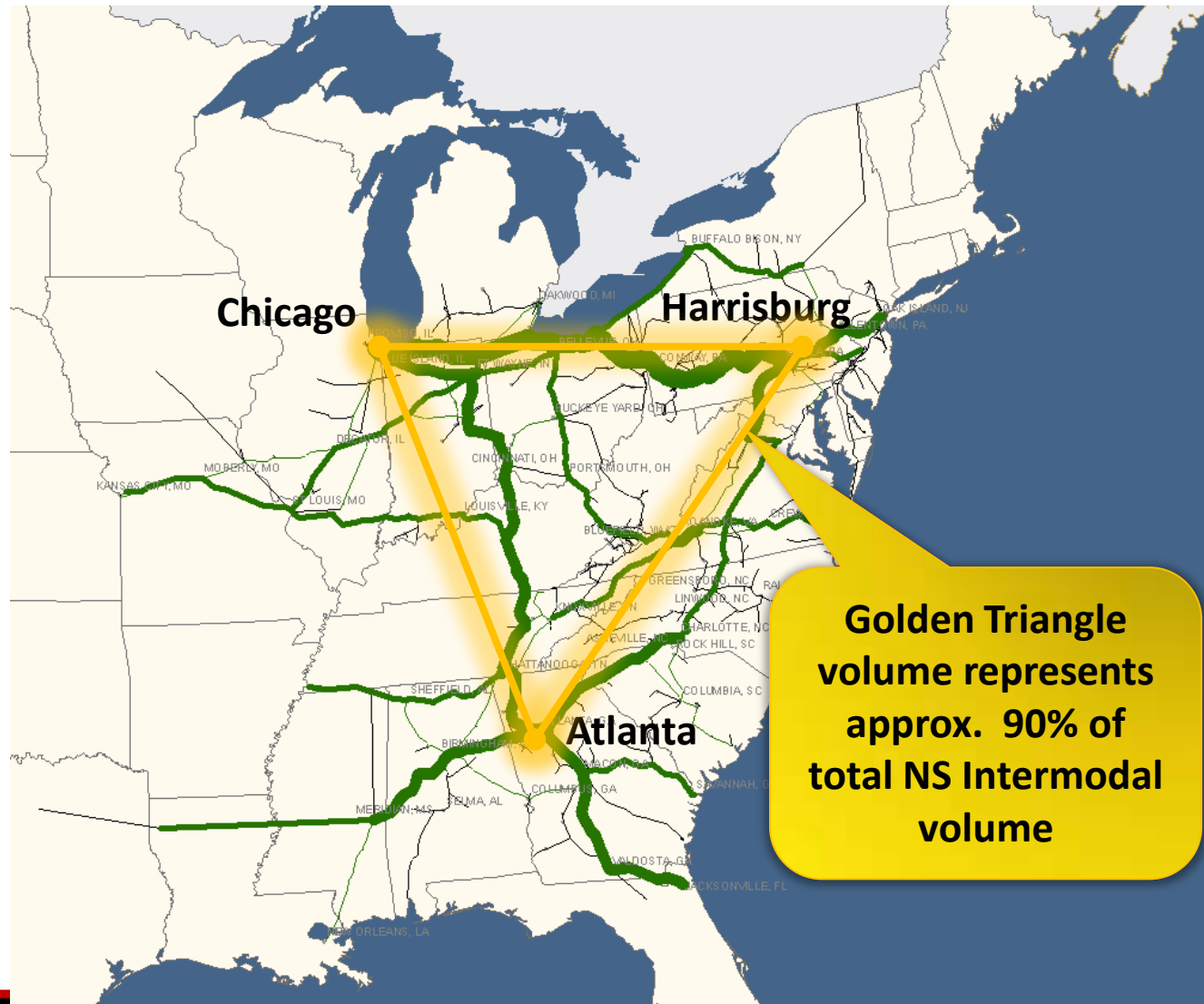
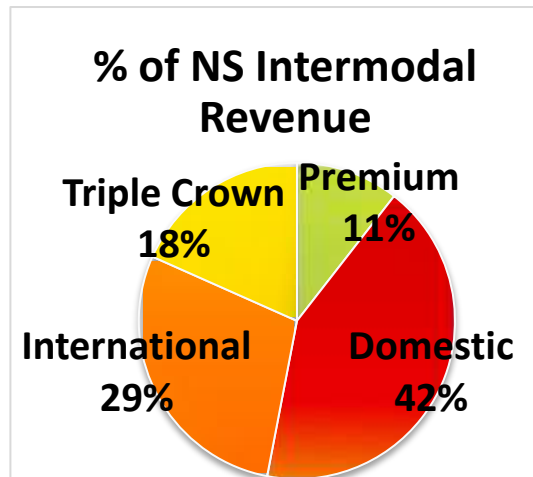


# Our Unit Grain Train Network





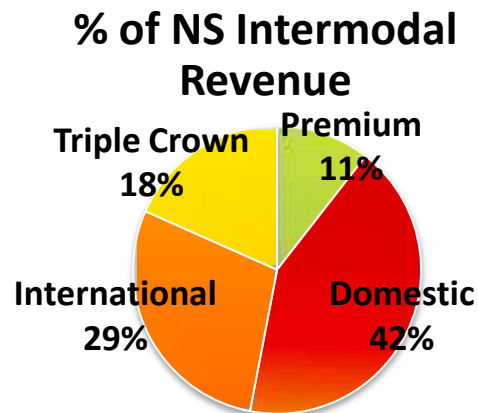
# NS Intermodal Network Flows



# Our Intermodal Network

## Intermodal

- Extensive distribution network
- 97% of network cleared for doublestack
- Public/private partnerships
- Investment in key corridors and equipment
- Terminal network supports East Coast and West Coast flows



# Railway Operating Revenue

Third Quarter 2012 vs. 2011

## Revenue

**\$2.7 Billion, down (7%)**

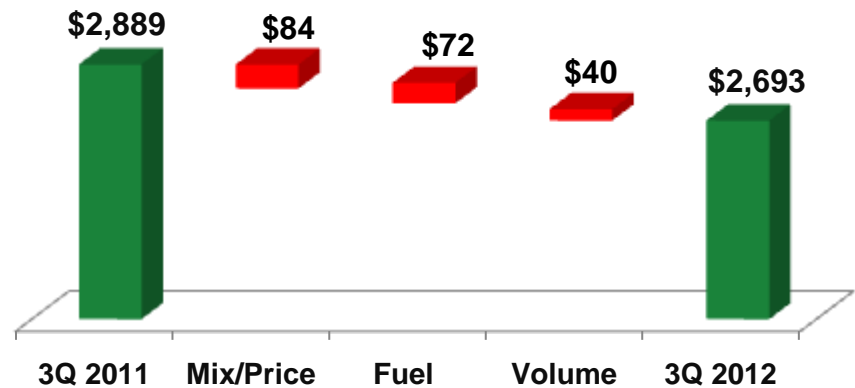
## RPU

**\$1,509, down (5%)**

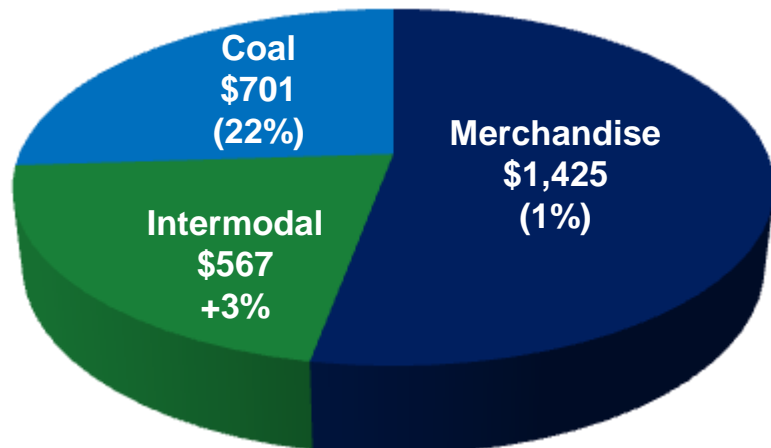
## Volume

**1,785,000 units, down (1%)**

Components of Revenue Change \$ in Millions



3Q 2012 Revenue \$ in Millions & y-o-y Percent Change



# *Primary Negative Mix Drivers*

*Third Quarter 2012 vs. 2011*

- **Coal volume down (14%) or (57,000) units at an average revenue per unit of \$2,000**
- **Intermodal volume up 5%, or 40,000 units, with average revenue per unit of \$650**
- **Met/Con volume down (7%), or (13,000) with average RPU of \$1,900**
- **Agriculture volume flat, but negative mix within due to increase in shorter haul business with lower than average RPU**

**As a share of the total volume in the quarter, Coal volume fell by 3% points from the third quarter 2011 while Intermodal share increased by 3% points.**



# Railway Volume

Third Quarter 2012 vs. 2011

**Total volume down (1%)**  
90% of decline in September

**Coal down (14%)**

(15%) decline in Utility

(7%) decline in Export

(17%) decline in Domestic Met

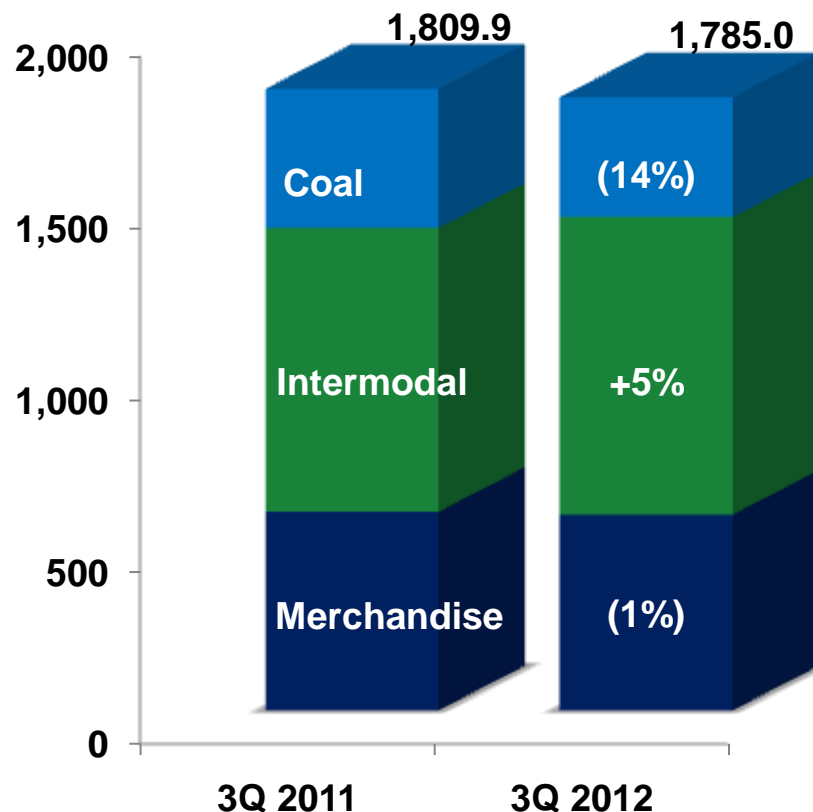
**Intermodal up 5%**

11% gain in Domestic more than  
offsets (1%) decline in  
International

**Merchandise down (1%)**

Declines in MetCon and Paper  
partially offset by Automotive  
and Chemical gains

3Q 2012 Volume (000's)  
& y-o-y Percent Change



# Coal Comparisons

Third Quarter 2012 vs. 2011

**Revenue**

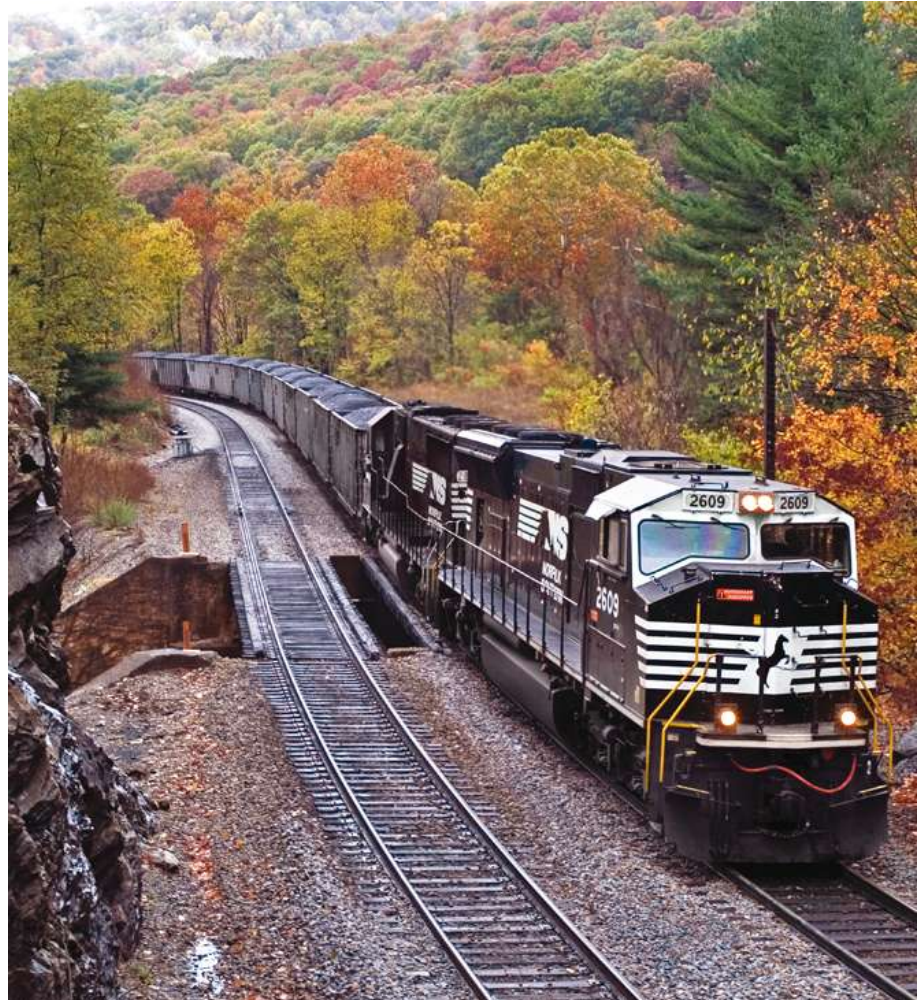
**Down 22%**

**Revenue per Unit**

**Down 9%**

**Volume**

**Down 14%**



# Coal Market

Third Quarter 2012 vs. 2011

**Volume of 348,200 units, down (14%)**

## Utility

Continued competition from natural gas and reduced demand for electricity

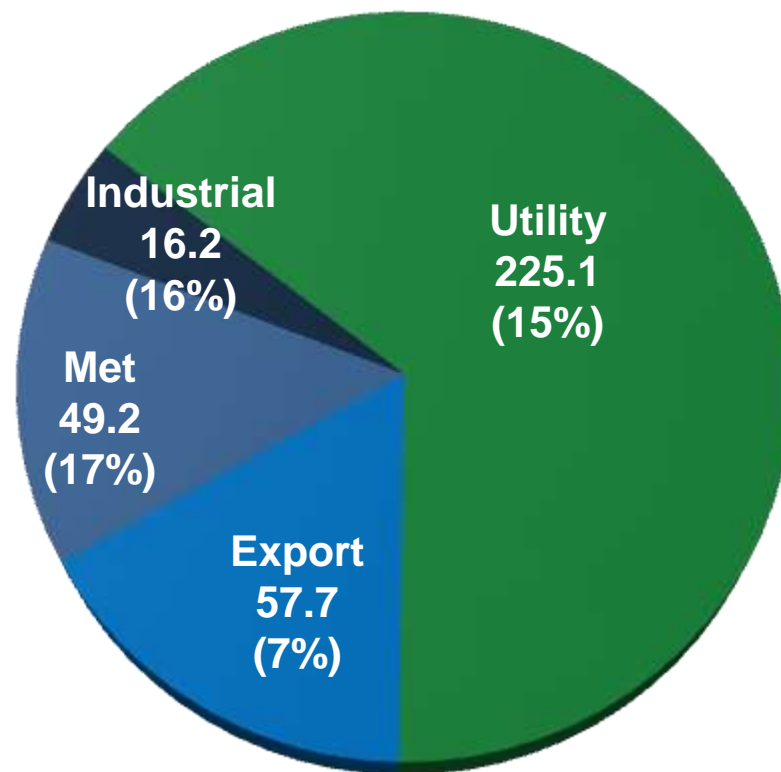
## Export

Baltimore down (15%)  
Lamberts Point down (6%)

## Domestic Met

Decelerating steel production and closure of RG Steel

**3Q 2012 Volume (000's) & y-o-y Percent Change**



# Intermodal Comparisons

Third Quarter 2012 vs. 2011

## Revenue

**3% Increase**

## Revenue per Unit

**2% Decrease**

## Volume

**867,100 units, up 5%**





# Intermodal Market

Third Quarter 2012 vs. 2011

**Volume of 867,100 units, up 5%**

## Domestic

Continued highway conversions  
Tightening truck capacity

## International

Negative comp partially offset by  
other gains across International  
customer base

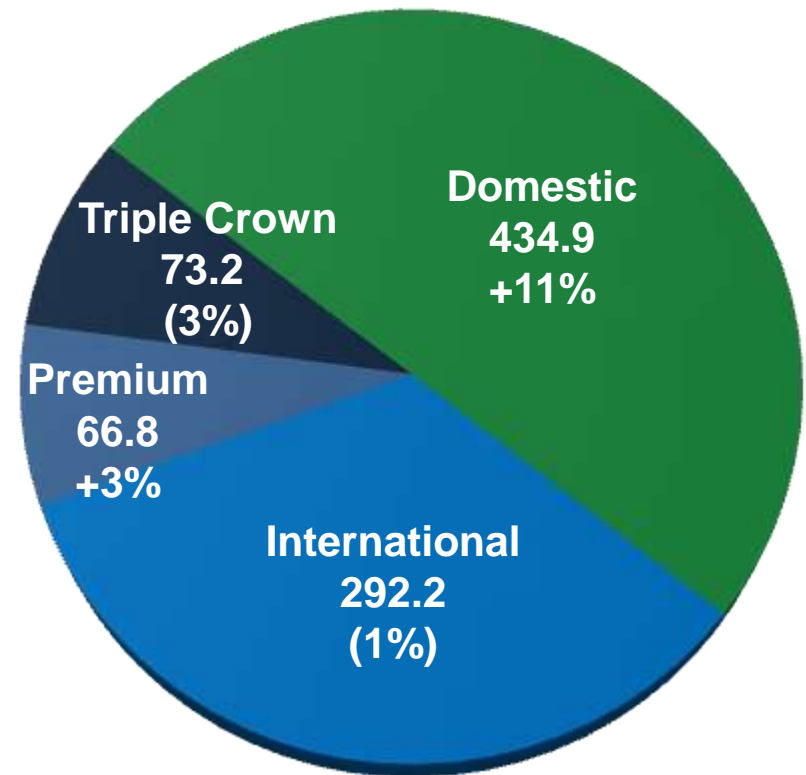
## Triple Crown

Soft retail activity and retooling  
at automotive plants

## Premium

Increased volumes with key  
accounts

3Q 2012 Volume (000's) &  
y-o-y Percent Change



# Crescent Corridor

*Sets the Stage for up to 34 New Service Lanes in 2013*



Terminal Investments

# Merchandise Comparisons

Third Quarter 2012 vs. 2011

## Revenue

**\$1.4 Billion, down (1%)**

## RPU

**Up 1%**

## Volume

**569,700 units, down (1%)**



# Merchandise Market

Third Quarter 2012 vs. 2011

**Volume of 569,700 units, down (1%)**

## MetCon

Lower iron & steel shipments driven by RG steel closure and weaker volumes of aggregates and frac sand

## Agriculture

Higher shipments of soybeans and feed offset decline in ethanol and wheat

## Chemicals

**Growth in crude oil;** currently shipping crude oil to six NS served refineries

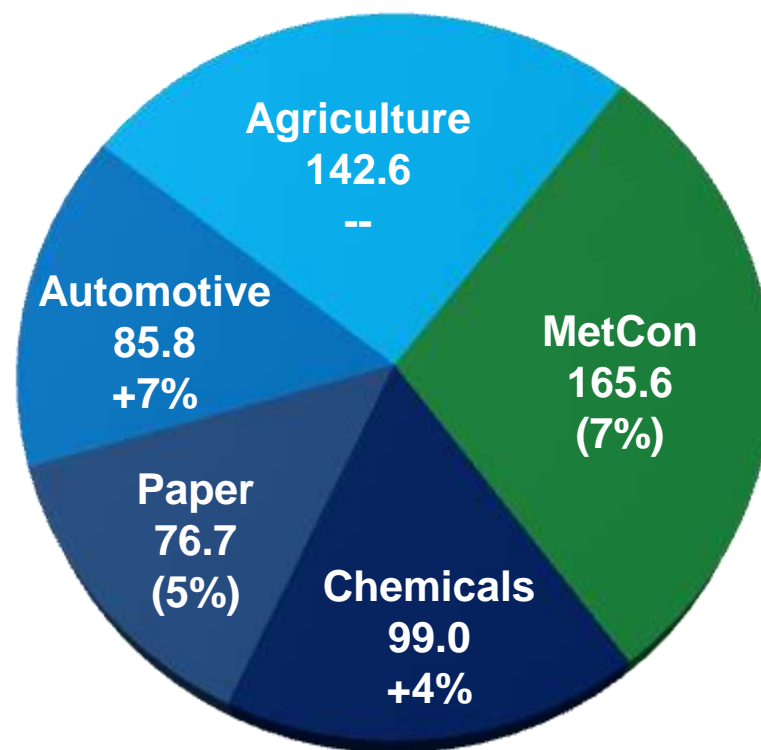
## Automotive

Increased light vehicle production tempered by retooling/model changes

## Paper

Declines in pulp and waste partially offset by lumber gains

**3Q 2012 Volume (000's) & y-o-y Percent Change**

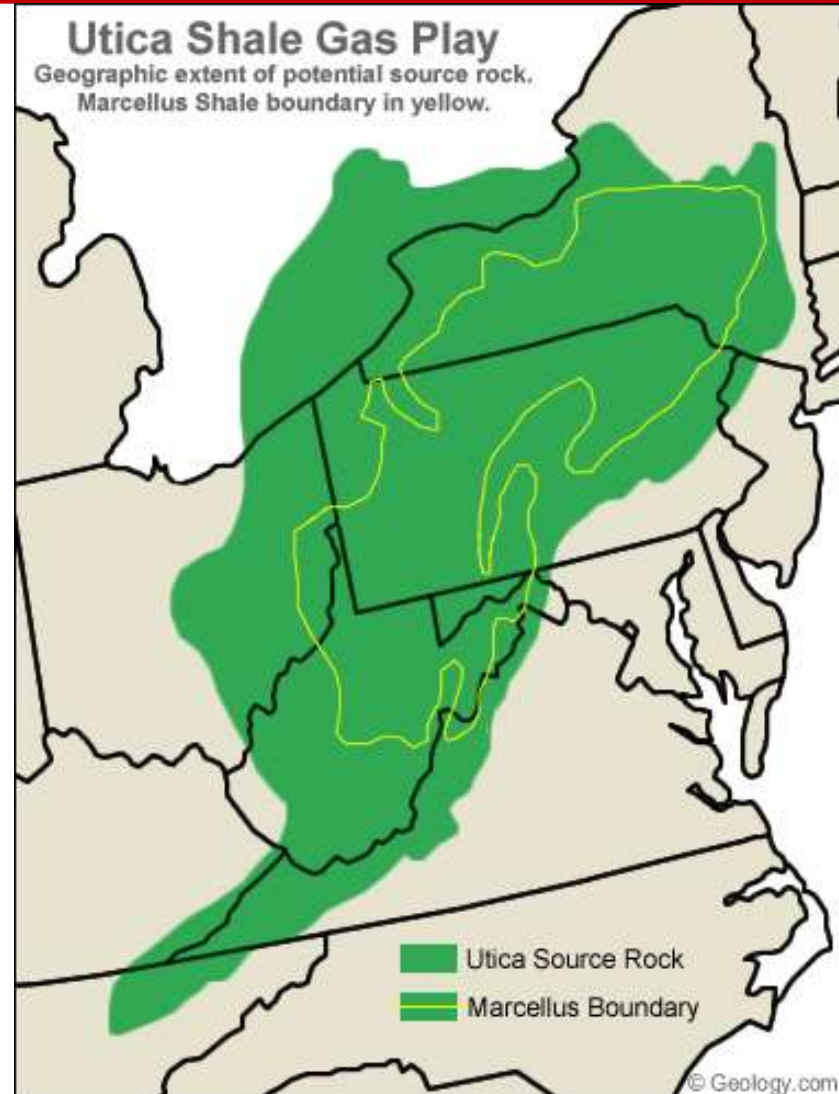
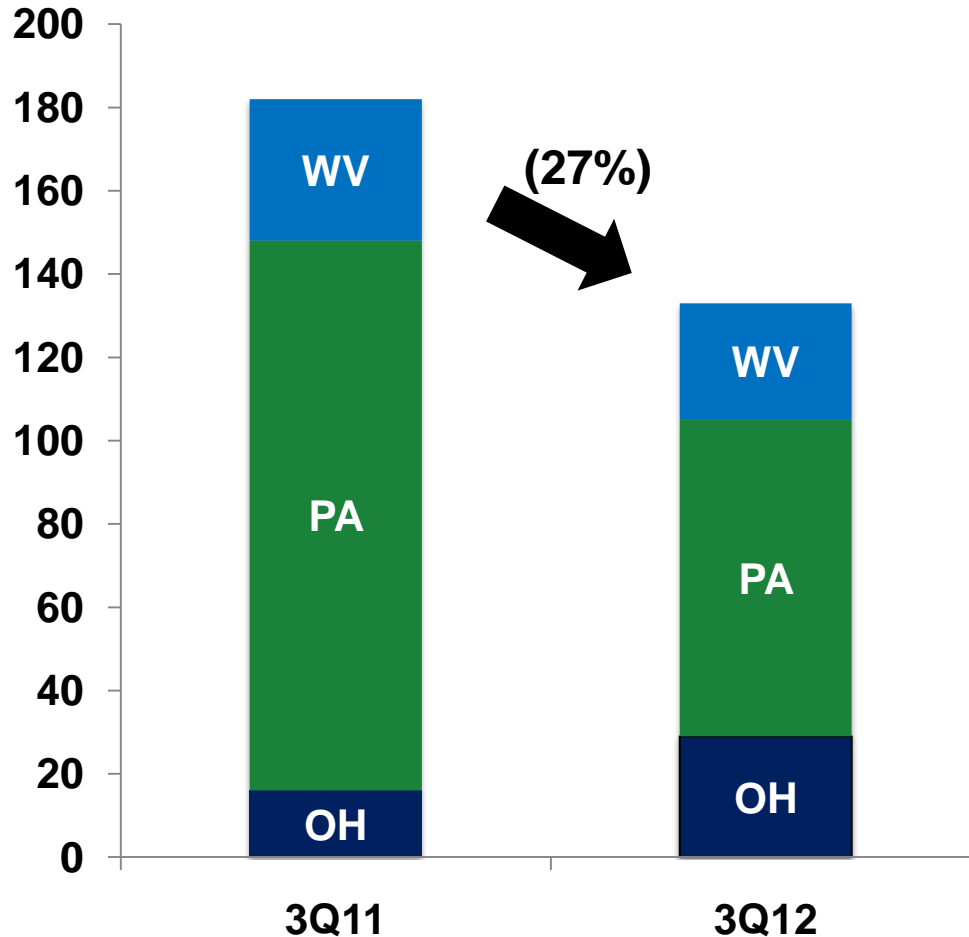




# Drilling Activity in NS Service Region

27% Decline in Active Rig Counts

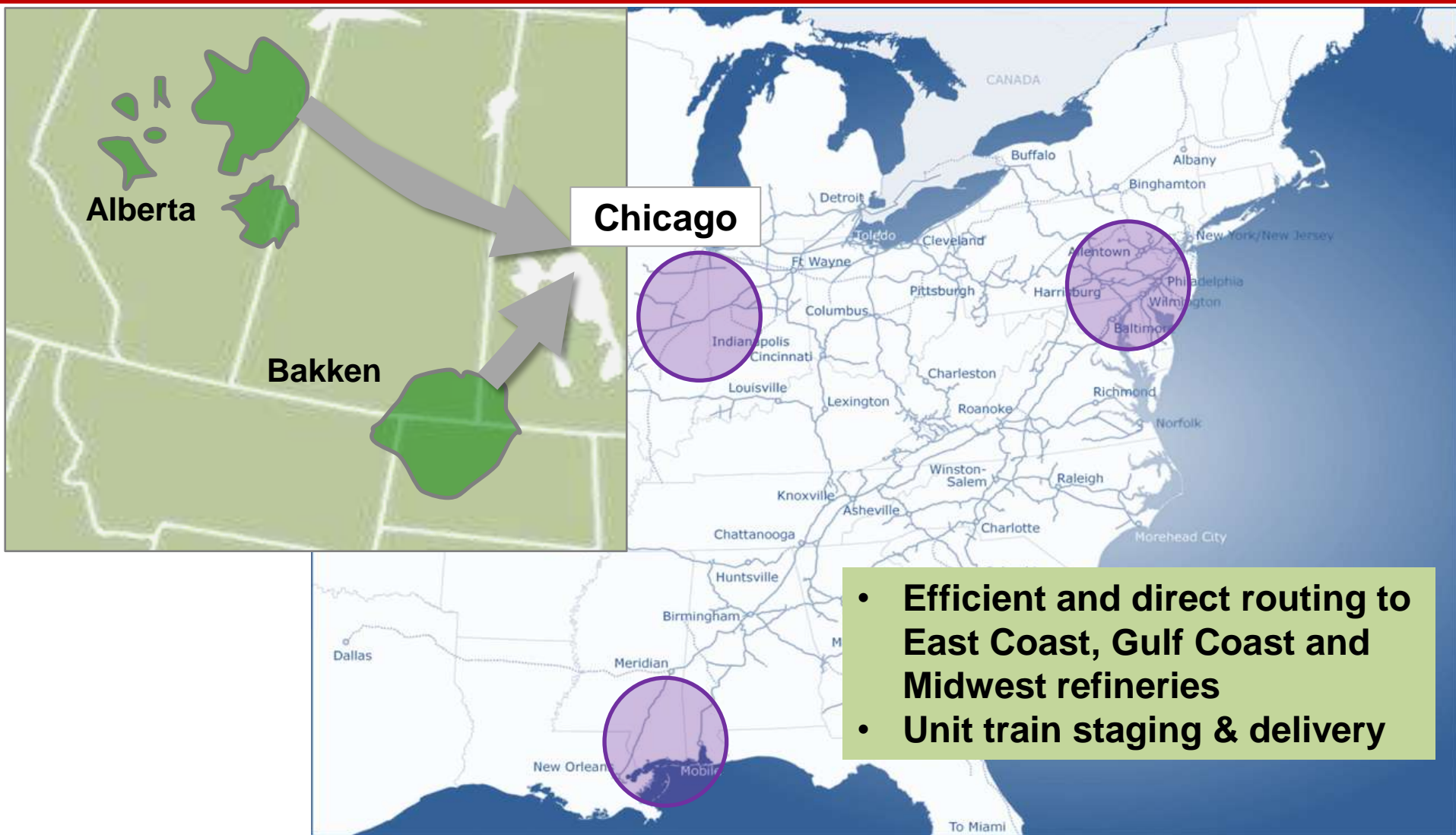
## Active Rigs



# *Third Quarter Automotive Volume Drivers*

- **Transfer of Ford Escape from Kansas City Assembly to Louisville Assembly**
- **Increased production of Ford F-150 at Kansas City**
- **Extended downtime for retooling at two NS served GM assembly plants**
- **Growth at other NS served plants**

# Crude Oil to East Coast, Gulf Coast and Midwest Refineries



# Business Outlook



## Coal

- Utility coal impacted by competition from natural gas and reduced demand for electricity
- Softer domestic metallurgical market to support steel production
- Weaker demand in European and Asian markets for both met and steam coal



## Intermodal

- Continued opportunities for highway conversion
- New Intermodal service lanes ahead as new corridor terminals open
- Growth with international shipping partners excluding negative Maersk comp
- Expansion in premium market segment



## Merchandise

- Project growth in crude oil
- Declining demand for sand and other materials for natural gas drilling
- Continued automotive growth but tougher comps
- Reduced U.S. corn and soybean crop



# Newark (Chrysler) Yard

- Still an active NS freight marshalling yard
- NS designs in 2012
- Cost constrained
- Phasing necessary
- AMTRAK proposed design
- Maintains current passenger service



# Thank You

