

Biz NS

PREMIERE ISSUE

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Public-private partnerships

NS' changing work force



Public-Private Partnerships are a winning proposition

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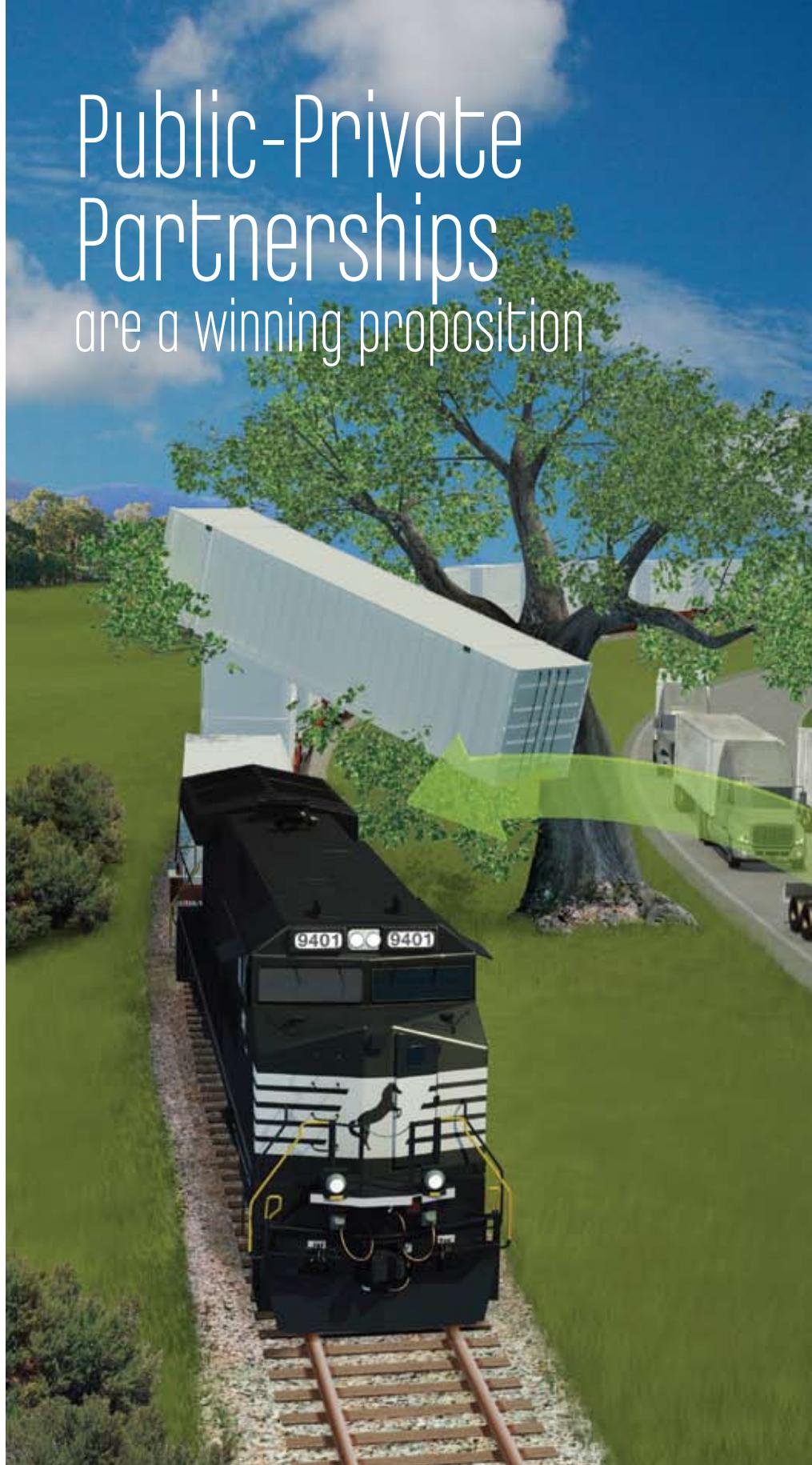
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■ Illustration depicts conversion of freight traffic from highway to rail. Public-private partnerships help create additional capacity for growth in rail intermodal traffic.

Growing Norfolk Southern's business plus improving the environment and the communities NS serves are compatible goals when the company works with Federal, state, and local governments on major improvement projects.

Known as public-private partnerships, they can accelerate improvements and provide significant mutual benefits.

What are they and why are they important?

"A public-private partnership occurs when we are able to partner with the federal and state governments to jointly fund a project that has both public and private benefits," said **Jim Hixon**, executive vice president law and corporate relations. "NS pays for the private benefits, and public money is used to help fund the public benefits."

Hixon said NS is able to make improvements to its infrastructure quicker and help communities gain significant benefits.

"These types of projects can take a very long time to complete if Norfolk Southern has to fund them on its own," Hixon said. "With the help of some public funds, we can expedite those projects and create opportunities for everyone involved."

In the past, railroads have been reluctant to ask for public money, but times have changed.

"For many years, we did not want to ask for public funding, because we thought there were too many strings attached," said **Bruno Maestri**, vice president government relations. "In today's environment, we realize that where there is a clear public benefit, it is appropriate to consider a public-private partnership to accelerate the completion of those projects and all the benefits that accrue to the partners."

Maestri said the tipping points for many state governments are truck congestion, fuel savings, and Norfolk Southern's willingness to invest in the private benefits to be realized.

"These types of projects can take a very long time to complete if Norfolk Southern has to fund them on its own. With the help of some public funds, we can expedite those projects and create opportunities for everyone involved."

Federal and state governments are realizing the advantages of rail transportation in reducing emissions, highway congestion, job creation, and fuel efficiency.



Freight trains can move a ton of freight an average of 436 miles on a single gallon of diesel fuel. This makes a jointly funded project more attractive.

"The public benefit must be clearly identified, and the transaction must be transparent," Maestri said. An internal committee at NS is charged with identifying projects that could be candidates for these joint ventures.

Projects to increase intermodal traffic are good candidates, according to **Mike McClellan**, vice president intermodal and automotive marketing.

"We try to identify potential projects that are extraordinarily strategic for Norfolk Southern's future, and then think about how best to fund them," McClellan said. "Those that have very clear public benefits are likely to be presented as public-private partnership opportunities."

Intermodal projects can reduce highway congestion by putting freight on rail cars instead of in trucks. A single intermodal train can haul the same volume of freight as nearly 300 trucks. A train carrying freight other than intermodal can take up to 500 trucks off the highway.

"We not only help reduce congestion, but we are more fuel efficient than over-the-road trucks, which in turn leads to reduced emissions," McClellan said. "In some projects, we're able to help create jobs in the communities along the route."

Still, public-private partnerships are not always an easy sell.

"We work hard to help our elected representatives understand the strategic importance of rail transportation to the nation's economic future," Maestri said. "We tell our story about what we carry, where we go, our



- Modern Facilities such as this one in Austell, Ga., will provide improved transit times for intermodal shippers. Improvements to the Heartland Corridor will allow double-stack intermodal shipments between Norfolk, Va., and Columbus, Ohio, for the first time.



“We not only help reduce congestion, but we are more fuel efficient than over-the-road trucks, which in turn leads to reduced emissions.”

costs and investments, our customers, and the many opportunities for expanding rail transportation. We show them how we can help eliminate some of the quality of life issues and highway safety issues they face in their communities. When we connect on those issues, we have more opportunity to explore how we can help each other.”

NS has a number of public-private partnerships under way—the Crescent Corridor, the Chicago Region Environmental and Transportation Efficiency—or CREATE—, and the Heartland Corridor projects.

What does the future hold for these partnerships? “We will continue to look for appropriate projects and work with the states and the federal government to jointly develop them,” Hixon said. “Everyone gets a lot more for their investment.” ■ BizNS

Crescent Corridor project aims to increase capacity for intermodal growth, reduce carbon footprint

Opening new avenues for domestic intermodal business and improving environmental quality are the goals in developing Norfolk Southern's Crescent Corridor. The corridor is a north-south route from northern New Jersey to Atlanta, west to Memphis, Tenn., and south to New Orleans. The corridor uses two main lines that roughly parallel I-81 and I-85 in Virginia and North Carolina.

Why did NS choose this particular route? **Mike**

McClellan, vice president automotive and intermodal marketing, said much of the impetus came from NS' shippers and domestic channel partners looking for a better network for domestic intermodal traffic to move between the Northeast and the Southeast paralleling I-81 and other key highways.

"Unlike the Heartland Corridor, which primarily supports our international business, the Crescent Corridor is focused on our domestic business. We worked with our

Because the average intermodal train replaces 300 trucks on the highway, saves fuel, and has a smaller carbon footprint, rail transportation is a good option to consider for public-private partnerships.

intermodal customers, and especially our domestic intermodal partners, to determine where the best opportunities to convert highway freight to NS would be," McClellan said. "This particular corridor provides

opportunities for us to compete with single-driver, over-the-road truck shipments of more than 550 miles, in partnership with our key domestic service providers."

McClellan said the goal is to offer high-speed, reliable, premium service to intermodal customers shipping between the Northeast and the Southeast.

The commonwealth of Virginia committed \$45 million to jump-start the project. Work on the corridor began in 2008 with improvements along a branch line between Manassas and Front Royal, Va. They include signals, the addition of three full-size passing tracks, and a five-mile segment of double track. NS is matching the state funds it received.

"This branch line was built before the Civil War and is

an important link with former Conrail lines, so it was critical to make some improvements," said **Bill Schafer**, director strategic planning.

Schafer said with the addition of former Conrail lines to NS' system, intermodal traffic has grown significantly, making upgrades to this connection essential.

The line also serves the Virginia Inland Port and local industries. Further improvements include upgrading the connection at Front Royal and extending a passing track at Berryville, Va. When complete, the upgrades will allow more trains to traverse the branch line at higher speeds.

McClellan said the Crescent Corridor will help improve asset utilization, reduce transit times, and grow business for NS and its domestic intermodal partners. Other factors have played a role in developing the corridor.

"Growth along the I-81 and I-85 corridors has increased highway congestion to a point where the public is asking the states to help relieve it," Schafer said. "States and the federal government have realized the value of rail transportation in that equation and are very supportive of developing more rail opportunities."

Schafer said because the average intermodal train replaces 300 trucks on the highway, saves fuel, and has a smaller carbon footprint, rail transportation is a good option to consider for public-private partnerships.

"We believe that the Crescent Corridor will bring relief to highway congestion, ultimately attracting more than a million truck shipments to rail in a given year," Schafer said. "Initially, nearly 350,000 truck shipments could be taken off the highways."

Public funding for more improvements has not been secured, and McClellan said further development will take place as it is funded.



Norfolk Southern CRESCENT CORRIDOR and Parallel Interstate Highways

— Crescent Corridor



As work progresses, Schafer said new terminals will be built near Memphis, Tenn., and in the Birmingham, Ala., metropolitan area.

A terminal is under construction at Charlotte, N.C., and Norfolk Southern is looking to acquire property in Maryland. Terminals in Harrisburg, Pa., and Bethlehem, Pa., will be upgraded and reconfigured. Croxton Yard and E-Rail in northern New Jersey will be expanded and capacity redistributed to accommodate more traffic.

“We look forward to working with the states to create truly truck-competitive services that will help alleviate congestion on highways paralleling the corridor,” McClellan said. ■ BizNS

■ A Norfolk Southern train travels the Lake Pontchartrain shoreline near New Orleans along the Crescent Corridor.



■ The CREATE project will alleviate congestion in the Chicago area and separate passenger traffic from freight.

A model for relieving congestion in Chicago

Six additional CREATE rail projects are scheduled to begin construction in 2009. These will focus on relieving passenger service conflicts with freight service within the region, helping to make Amtrak and METRA commuter service more reliable.

Chicago Region Environmental and Transportation Efficiency – or CREATE – is a first-of-its-kind partnership among the U.S. Department of Transportation, the state of Illinois, the city of Chicago, Norfolk Southern, CSX Transportation, Union Pacific Railroad, Canadian National Railway, BNSF Railroad, Canadian Pacific Railway, Amtrak, and METRA.

Improvements under CREATE will increase efficiency of passenger and freight rail service throughout the region and improve quality of life by separating passenger and freight rail service and relieving congestion between railway and roadway networks. The project includes 78 rail and highway infrastructure improvements in northeastern Illinois.

The multi-billion dollar program, with more than 70 projects geared to freight railroad, passenger railroad, and public improvements, recently has set several milestones. Of the 47 railroad, 25 public, and six passenger projects, 52 projects have started or completed the environmental study process.

Dave Orrison, Norfolk Southern system engineer public projects, has headed design and management of NS projects since the inception of CREATE, coordinating with other Chicago railroads' engineering departments.



- The Ashland switching lead extension was installed east of Morgan Street. The grading on the left is for the Fourth track to be built in 2009. When this project is done, there will be two main tracks on the right, a passing siding and the switching lead on the left.

- A 250,000-pound diamond-shaped rail switch was constructed and installed at Brighton Park. The new diamond aligned the main tracks through Brighton Park to allow for higher operating speeds. Passenger trains on the CN increased from 10 mph to 40 mph and track speed on NS and CSX from 10 mph to 25 mph.

“We’re making significant progress,” Orrison said. Construction on two projects has been completed. They include upgrading the connection between the Chicago Line and the Belt Railway of Chicago near the Illinois-Indiana state line. Six other railroad projects are well along in the construction phase. A project to extend the switching lead at NS’ Ashland Avenue facility and signaling some main line track to the Union Pacific connection at Ogden Junction through Ashland is well underway. The new switching lead was put into service Sept. 19, 2008, and work will continue through 2010 on bridges, additional track work, and signaling.

Six additional CREATE rail projects are scheduled to begin construction in 2009. These will focus on relieving passenger service conflicts with freight service within the region, helping to make Amtrak and METRA commuter service more reliable.

Orrison said NS is a major participant and beneficiary of several highway-rail grade separation projects.

Construction of a railroad bridge moves the METRA Rock Island District’s 78 daily commuter trains to a bridge over NS’ mainline tracks, which also are used by Amtrak. The current at-grade crossing is a major choke point for Amtrak and NS in Chicago.

Other projects will shift 30 daily METRA Southwest Service trains from Amtrak’s Union Station to METRA’s LaSalle Street Station to allow for further Amtrak growth at Union Station, reduce freight interference along the 75th Street corridor, and increase service reliability.

“The Englewood project, which is very important to us, recently marked a major milestone, receiving complete environmental approval last fall,” Orrison said. “Final design will begin in early 2009. NS and other railroads are working to have funding for the bridge and other major CREATE projects included in the next federal transportation bill.” ■ BizNS

Heartland Corridor clearance work progresses



Work to remove overhead obstructions and raise clearances between Norfolk and Columbus, Ohio, on Norfolk Southern's Heartland Corridor route continues.

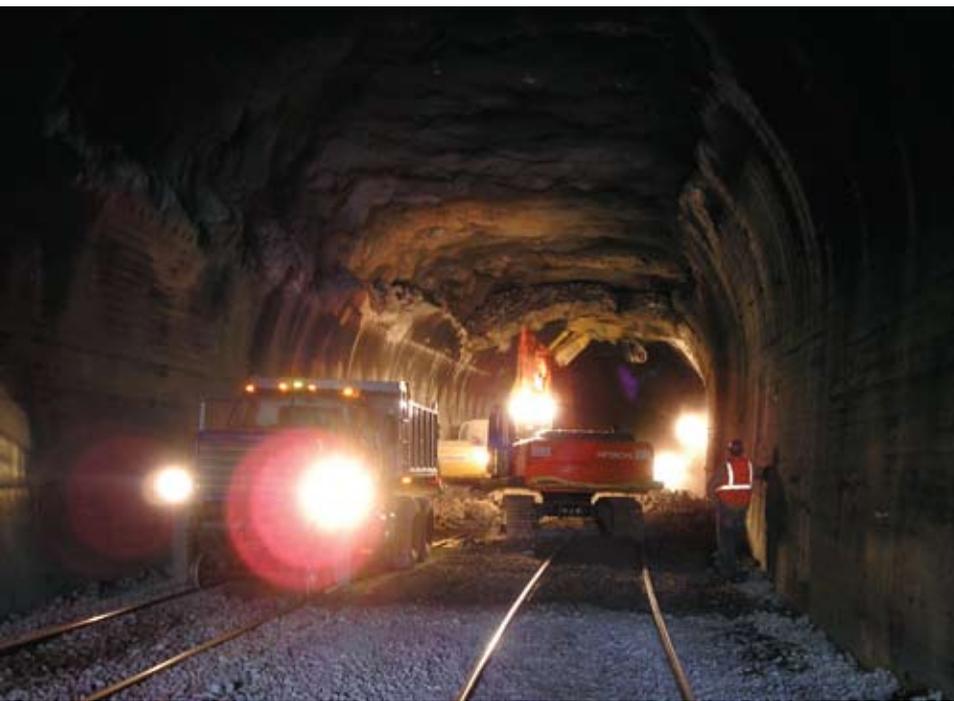
Improvements include eliminating 24 overhead obstructions and working on 28 tunnels to create clearance heights to run 20'3" double-stack intermodal trains and other higher dimensional freight.

The project is a public-private partnership to expand capacity, improve service consistency, reduce transit times for intermodal traffic between the mid-Atlantic and the Midwest, provide opportunities for economic development in West Virginia, Virginia, and Ohio, and benefits to the nation overall.

Along the 284-mile clearance route, improvements include eliminating 24 overhead obstructions and working on 28 tunnels to create clearance heights to run 20'3" double-stack intermodal trains and accommodate other higher dimensional freight. When complete, the route will reduce transit time by up to a day, bringing significant savings to NS and its customers.

"This is an important addition to our ability to offer more competitive service to international and domestic intermodal customers," said **Mike McClellan**, vice president intermodal and automotive marketing. "We handle a majority of the international intermodal traffic from Norfolk to the Midwest, and we expect that to increase. Reducing transit times and expanding our capacity are important to our success in handling that traffic."

Work is being done at many locations simultaneously in 10-hour windows five days a week to avoid interfering with rail traffic.



- (top): Work continues at Antler No. 2 tunnel.
- (bottom left): Work has been completed at Eggleston No. 1 tunnel.
- (bottom right): Roderfield tunnel improvements will help expedite intermodal trains along the Heartland Corridor.

The tunnels—all built between 1905 and 1910—have unique characteristics, which makes some more difficult to improve than others. Work includes cutting notches in the arches of five tunnels, replacing the roofs or walls of 16 tunnels, realigning and lowering track in five tunnels, bypassing one tunnel, and completely removing the roof of one tunnel. Depending on the magnitude of the work, improvements are taking between four and 54 weeks for each tunnel. Four tunnels along the route require no improvements.

“As work has progressed, we have been able to adjust to each situation and keep moving,” said **Jim Carter**, chief engineer bridges and structures.

At the end of 2008, work at Cowan, Eggleston No. 1, Eggleston No. 2, and Pembroke tunnels was completed as well as fencing and truss bridge improvements, plus track work at Huger tunnel. Work continues on Antler

No. 1, Antler No. 2, Welch, Hemphill No.1, Hemphill No. 2, Twin Branch No. 1, Twin Branch No. 2, Vaughn, Roderfield, Laurel, Gordon, and Big Sandy No. 2 tunnels. Work will start soon on Cooper, West Vivian, Big Four No.1, and Big Four No. 2 tunnels.

In addition to the tunnel clearances, the overall project included construction of the Rickenbacker Intermodal Terminal, which opened in 2008 at Columbus, Ohio. Two more intermodal terminals are contemplated for the Roanoke, Va., area and at Prichard, W.Va. Also part of the Heartland project are the relocation of a rail line in Portsmouth, Va., to serve the new APM marine terminal there, and a future fourth marine terminal to be built by the Virginia Port Authority on nearby Craney Island. All of the improvements are expected to spur economic development. The project is on schedule for completion in 2010. ■ BizNS





NS' changing work force: Retirements create both challenges and opportunities

Like other Fortune 500 companies across the country, Norfolk Southern's work force is changing. The railroad has been hiring as baby boomers begin to retire, taking with them years of corporate knowledge and expertise.

It's a companywide phenomenon, creating vacancies in a number of departments. Statistics from NS' human resources department reveal the scope: Currently, 44 percent of nonagreement and 40 percent of agreement employees are 50 or older. In raw numbers, that means nearly 12,400 employees out of a work force of



- (at left): Courtney Massey started with Norfolk Southern as a management trainee in material management and is now supervisor of service contracts in Roanoke.

- Miles Zadnichek, a customer account rep in Atlanta, tries his hand at the controls of a locomotive in a training class. He joined NS after graduating from Auburn University.

30,400 will be eligible to retire within the next five to 15 years. That covers about 2,200 nonagreement and 10,200 agreement positions.

“The demographic challenge may be the single biggest long-term challenge the current management team faces over the next five or more years,” said CEO

Wick Moorman.

NS began preparing for the exodus several years ago, focusing on the upsides. The possibilities for career advancement, for example, have rarely been better for promising young employees and mid-career professionals. In addition, an influx of leadership talent from other industries and the military is offering NS a chance to look anew at how to run the business.

“Change always represents an opportunity to think about the business differently,” Moorman said. “With the young people we’re hiring out of college and with the people coming in from the outside, we’re getting a lot of great ideas, a lot of fresh perspective for us to think about improving the way we do business. That’s a very healthy thing for any company.”

“I think the demographic challenge may be the single biggest long-term challenge the current management team faces over the next five or more years.”

The challenge facing NS is twofold—finding the numbers of people needed to fill the vacancies, and then making sure they have the skill and knowledge to do the work. To ensure that, NS has beefed up training and development programs to promote workers from the rank and file. NS also has overhauled its efforts to recruit 20- and 30-something “Millennials” and “Generation Xers.”

“The goal is to increase awareness of the career opportunities at Norfolk Southern,” said **Rick Davison**, assistant vice president human resources. “People know what Microsoft does, but when Norfolk Southern shows up on college campuses, students don’t know that we have cutting-edge technology, and they don’t think about a railroad as an exciting place to start a career. If we can get people to listen, we’ve got a pretty good story to tell.”

13
percent
of the company’s
nonagreement
employees are
under 30 years old.

15
percent
of the company’s
agreement
employees are
under 30 years old.

Together,
the percentages
represent about
4,500
employees.

“Both of those recognitions are the result of doing a lot of little things well,” Davison said. “There is no silver bullet. It’s a lot of hard work we’ve done.”

Overall, hiring for both agreement and nonagreement positions has increased significantly. The number of OST trainees has nearly tripled in the past two years, from 129 in 2006 to 323 in 2008 through November. The same is true for management trainee hires, increasing to 115 in 2008 from 46 in 2005.

On the agreement side, NS over the past four years has brought on substantial numbers of new conductors. While that hiring has leveled off recently due to a slowing economy, NS still expects to add conductors to keep pace with expected retirements. “We’ve hired a lot of great people,” Moorman said. “This has represented a big investment for us in time and dollars to bring these folks in and get them trained and qualified and out working.”

In 2009, despite the current economic downturn, the company expects to hire about 170 OST trainees and the same number of management trainees. NS recruiters believe the railroad’s relative stability will help attract the best and brightest.

“We have been a strong employer, and we’ve survived the ups and downs in recessions of the past,” said Cunningham. “We’re going to carefully monitor the situation, and we’re not going to frivolously fill positions, but we’ll continue hiring right through the recession. We hope that will give us a competitive advantage, because a lot of other employers won’t be.”

There is reason to be optimistic about long-term job prospects at NS. Demand for freight rail transportation nationwide is projected to nearly double by 2035, rising by an estimated 88 percent, according to the U.S. Department of Transportation.

With trains being much more fuel-efficient and emitting far fewer greenhouse gases per ton of freight than tractor-trailers, NS has the opportunity to leverage concerns about the environment and highway congestion into sustainable growth and profitability. If NS maintains its laser focus on safety and customer service, the railroad will continue to be the best in the business, Moorman said.

“Those have been the drivers of our success in the past,” he said, “and will continue to be the drivers of our future success.” ■ BizNS



- (clockwise from left): Derric Brown, a management trainee in transportation in Atlanta, reviews terminal performance and service metrics.

- In their first week in OST school, trainees attend orientation sessions, are issued laptops, and get a chance to network.

- Conductor trainees use lanterns as part of instruction in night-time operations at the McDonough training center.

As evidence that NS is on the right track, in 2008 *BusinessWeek* magazine ranked the railroad among the best companies in the country to launch a career, while *G.I. Jobs* magazine rated NS among the top military-friendly employers.

There is reason to be optimistic about long-term job prospects at NS. Demand for freight rail transportation nationwide is projected to nearly double by 2035, rising by an estimated 88 percent, according to the U.S. Department of Transportation.

T-School offers nonagreement employees big-picture views of NS, chance to network



- (From left to right): A cross-section of nonagreement employees participate in a T-School exercise called "A day in the life of Norfolk Southern."

- Lori Shinney, group manager Ford in Detroit, and Sharon London, manager Forecasting and business processes, coal business group in Roanoke, test their knowledge of NS' business and customers.

- Doug Evans, director of utility coal north in Philadelphia, and Pete Vorwerk, track supervisor maintenance-of-way, celebrate a success as they manage a simulated manufacturing company.

As Norfolk Southern prepared for a rise in retirements of baby boomer employees, the company discovered another looming challenge. Besides a need to ramp up training for new hires, NS realized it should do more to develop the railroad's remaining force of nonagreement employees.

The result: Thoroughbred School, known as T-School.

The program has received a resounding thumbs-up from participants, whose average rating for overall satisfaction was 6.4 on a scale of 1 to 7.

CEO **Wick Moorman** helped shepherd T-School into existence in 2007.

"It was designed with two or three objectives, but clearly the primary one was to give our nonagreement work force a better understanding of the company—how it works, the issues we face, and the goals we're trying to achieve," Moorman said.

"As I go around the company and talk to people," he added, "I get the sense that everyone has enjoyed it and come away with a fresh perspective on what NS is about and what they need to do in their individual roles to help the company succeed."

Moorman said T-School is an ideal forum for employees to exchange ideas and refine the company culture.

"NS has an extremely strong culture that has made us successful for a long time, but all cultures should be tweaked from time to time," Moorman said. "T-School is a great vehicle to help do that in terms of promoting higher levels of cooperation and communication across Norfolk Southern."

Because of economic uncertainties raised by the current recession, Moorman said the start-up of the second round of T-School will be delayed until July.

Even so, Moorman said he is committed to T-School and that the goal remains for eligible employees to complete the second program by the end of 2010.



Since T-School's launch in early 2007, more than **4,300 employees** – From assistant vice presidents to administrative assistants – have completed the first program, a four-day experience that included team building, knowledge sharing, and networking across departments.

“Every class is like a microcosm of the larger organization. We wanted to give people a better sense of the big picture, not only within the organization but of how all the pieces of our business fit into the global marketplace.”

Annie Adams, former director employee development and now strategic program director, worked with Moorman and his senior team to create the first T-School curriculum. The school brings nonagreement employees from across NS' 22-state organization to Norfolk's corporate headquarters.

“Every class is like a microcosm of the larger organization,” Adams said. “We wanted to give people a better sense of the big picture, not only within the organization but how all the pieces of our business fit into the global marketplace. One of the biggest advantages of the program is providing people an opportunity to meet and network and learn from their peers across the company about how those pieces fit.”

Tom Winter, current director employee development, said NS is now evaluating how the company can best provide employees with ongoing professional development. “We want to make sure,” he said, “that we've got programs in place that address all of the skills and development needs of the company.” ■ BizNS

NS' training program for operations supervisors offers advancement, draws outside talent

Jason Metcalf and **Joey Miller**, both in their early 30s, are trainees in the latest class of Norfolk Southern's Operations Supervisor Training program.



■ Jason Metcalf



■ Joey Miller

They got there under very different circumstances. Metcalf, with a college degree in sports management, came to NS in November, several months after the power-technology company he worked for in Tennessee filed for bankruptcy, taking his operations manager job with it. Miller, a high school graduate, served four years in the U.S. Army's 82nd Airborne Division and worked a factory job in West Virginia before signing on as a conductor two years ago.

Through the OST program, both are taking their first step up NS' management ladder. When they complete the six-month program, they'll be assigned supervisory jobs in the transportation department, possibly as trainmasters, assistant trainmasters, or as yardmasters.

After that, they plan to advance as far as they can.

"You can always find a job, but it's more difficult to find an opportunity," said Metcalf, who had never worked for a railroad. "This I feel is an opportunity. It's a good way to get in on the ground and learn how operations take place and to understand how and why things happen."

When Miller weighed leaving his agreement job for management, pay was a consideration. With overtime as an agreement employee, he could earn more than his starting salary as a supervisor. But he took a longer view, opting for greater job security and the potential for future advancement.

"On the union side, you might make more money overall for the year, but if business is down and you're not working, you're not getting paid," he said. "On the salary side, I know I've got a paycheck coming every two weeks. It's easier to budget, especially if you've got kids and a house payment."

Metcalf and Miller could be poster employees for the OST program. NS launched it in January 2006 after recognizing that many longtime supervisors would be retiring within five to 15 years. The program offers 17 weeks of on-the-job training and about five weeks of classroom time at the McDonough training center outside Atlanta, where trainees receive technical training, discuss safety issues, and learn communication skills. In many cases, they work alongside supervisors they might be replacing in a few years, soaking up institutional knowledge and learning from some of the best railroaders in the business.





“You can always find a job, but it’s more difficult to find an opportunity. This I feel is an opportunity. It’s a good way to get in on the ground and learn how operations take place and to understand how and why things happen.”

- Trainees in the OST program go through a “CareerLaunch” activity as orientation to moving into management.

“We have to accelerate the experience and the exposure for the OSTs,” said **Dan MacKay**, manager employee development. “Where someone may have taken 10 or 15 years to move into a terminal superintendent job or a senior general foreman on the mechanical side, with the approaching retirements we have to expedite that and make sure people are prepared for those positions.”

NS is reviewing ways to strengthen the field experience to ensure trainees are hitting training milestones, and also plans to create development opportunities after trainees begin their first supervisory job.

“There’s hardly a class that’s gone through that hasn’t had some sort of positive changes taking place and improvements being made,” said **Mark Manion**, executive vice president operations, a prime mover behind OST’s creation. “As far as things that can ramp up leadership skills and provide a better understanding of how all areas of operations work, the OST program has been extremely helpful.”

Those hired from the outside typically don’t have railroad experience but have supervised employees in other industries, enabling NS to tap into a broader talent pool and expand work force diversity, MacKay said.

Through November 2008, NS has hired nearly 700 supervisors through OST and expects to bring on 170 more in 2009. Currently, 57 percent of the trainees are external hires, while the rest are internal promotions from the agreement force.

Among the 46 trainees in the latest class is **Taryece Gause**, the program’s first intermodal department employee. Gause, 25, who has a college degree in political science, took an agreement job as an intermodal clerk at the 47th Street hub in Chicago with the goal to move into management. An uncle had worked more than 20 years with NS, so Gause knew the company rewarded hard work and dedication.

“Norfolk Southern is into diversity, and if you can do the job, they’re more than happy to have you. They want to show other women, that ‘Hey, like Obama, it can be done.’”



■ Marrietta Garland

■ Operations supervisor trainee Matt Borasky participates in a classroom exercise at Norfolk headquarters.

“I’ve never had a problem working hard, so I knew I would have an opportunity to expand,” Gause said. Some of his supervisors in Chicago joined NS as agreement employees, he said, and most employees know that CEO **Wick Moorman** started as a management trainee in the engineering department.

“The 19th floor of corporate headquarters in Norfolk is a long way from 47th Street in Chicago,” Gause said. “That’s a big ladder to climb starting out at ground level, but I’m not looking at a ceiling as of yet. I would encourage any other agreement employee to put themselves to the challenge and see how far they can climb, and have fun doing it.”

Marrietta Garland, hired in 2005 as a brakeman/conductor, is preparing for a job as road foreman of engines. Before coming to NS, Garland was a manager with a national photography chain but had worked in jobs traditionally held by men, including as a crane operator at a steel plant. At NS, she joined a growing number of female conductors, and Garland said supervisors encouraged her to apply for OST. She is one of two women in the latest class.

“Norfolk Southern is into diversity, and if you can do the job they’re more than happy to have you,” Garland said. “They want to show other women, that ‘Hey, like Obama, it can be done.’”

As NS has refined the program, more agreement employees are starting to view it as an attractive way to advance their careers.

“I took a cut in pay to start this because I’m not getting overtime, but I’ve got high hopes for the future,” said **Timothy Gilmer**, 45, who started on an NS rail tie surfacing gang in 2005 and now is training for a maintenance of way supervisor job. “It’s great for the

company to want to promote people from the inside, to give our laborers a chance to step up and make the play.”

As Manion talks to agreement employees who climbed aboard the OST program, he said it’s clear their reasons go beyond pay and benefits.

■ BizNS





To Fill management ranks, NS creates a message and training to reach 'Millennials'

For decades, Norfolk Southern's management trainee program has been the mainstay for generating the railroad's stable of future leaders. CEO **Wick Moorman** was a management trainee after graduating from Georgia Tech's engineering school.

"As people learn about what the true career opportunities are with us and the investment our company is willing to make in people, it creates a positive buzz for us."

■ (above): Alex Coyne, transportation department trainee, at Portlock Yard in Chesapeake, Va.

The program being pitched on college campuses these days is not your father's program. Now, it's about networking, gaining a "holistic" view of the railroad's business, and opportunity. Key messages include NS' embrace of technology, "green" initiatives, and volunteerism.

In this dot.com era, NS is working to show 20-something Millennials that the railroad actually is a very progressive company.

"Most college students don't know much about Norfolk Southern or the rail industry, and we've gotten up on our soapbox to really market ourselves," said **Juan Cunningham**, director management and staffing. "As people learn about what the true career opportunities are with us and the investment our company is willing to make in people, it creates a positive buzz for us."

NS has overhauled the management trainee program and adopted a targeted recruiter approach, focusing on about a dozen colleges and universities. NS employees now get into classrooms and assist students on senior design projects with a rail industry theme, and meet with such campus groups as Society of Women Engineers and the National Society of Black Engineers.

As a result, students who never thought about the railroad as a career are giving Norfolk Southern a serious look.

"I had offers from other companies, but I researched the benefits and the outlook and the opportunities for advancement at Norfolk Southern and thought it was the place to work. It really was a no brainer for me."



■ (clockwise from left):
Management trainee Derric Brown works in transportation.

■ Pete Sharbel, a management trainee in transportation in Atlanta, said NS' commitment to being "green" attracted him.

■ Allyson Klein, a management trainee in customer service in Atlanta, said NS' training program gave the railroad an edge over other companies she considered.

"I grew up in Pittsburgh so I'd see their trains, but I never considered working for a railroad, even in my last semester of college," said **Daren Douglas**, a December 2007 Penn State University mechanical engineering technology grad. He's now working as a management trainee at NS' Bellevue, Ohio, locomotive shop.

"Norfolk Southern actually recruited me at the school," he said. "I went through the interview process and realized I really liked the company. Everyone I spoke to loved what they were doing, and they were very enthusiastic about the opportunity for new hires to progress."

A big revelation for Douglas was learning about the railroad's use of technology to improve locomotive fuel efficiency and keep track of trains. "We're in the process of modifying locomotives to be able to talk to computers to tell them where the trains are running," he said. "Getting computers in here to manage these locomotives is huge."

NS began refocusing the trainee program in 2007 to fill leadership positions vacated by retiring Baby Boomer employees. In the past, most trainees were assigned to one department during their training period. But now, with retirements occurring in all areas of the company, trainees spend time in various departments, gaining a broad overview of the business. They also proceed through the training as a class, something new.

"They develop networks early on that they can use their entire career," said **Rick Davison**, assistant vice president human resources.

The revamped program initially ran for 15 months but has been slimmed down to a robust 13 months. The idea is to equip trainees with a common core of company knowledge, known as an "enterprise" approach.

"A lot of companies will train you a little while and then throw you to the wolves," said **Derric Brown**, a transportation trainee in Atlanta. "This is in-depth and gives you a chance to work through all the different departments and see every aspect of the company. I felt that would best prepare me to be successful."



Brown, 30, is older and more experienced than most NS management trainees. After graduating with a chemistry degree from Xavier University of Louisiana in 2000, Brown worked three years for Northrop Grumman Shipbuilding in Newport News, Va., as an environmental health and safety engineer. He came to NS after getting an MBA from Strayer University. He expects his first assignment will be as a terminal trainmaster or assistant trainmaster, overseeing the movement of rail freight.

"I had offers from other companies, but I researched the benefits and the outlook and the opportunities for advancement at Norfolk Southern and thought it was the place to work," Brown said. "It really was a no brainer for me."

Allyson Klein, 23, a Virginia Tech grad who describes herself as a "first-generation railroader," said NS' training program gave the company an edge over other large corporations that recruited her.

"A big difference is the amount of travel we're able to do, and the ability to see so many different parts of the company and learn so much so early in our careers," said Klein, a customer service trainee now in Atlanta. "For someone like me, just getting out of college and wanting to travel and really understand the company, it is a great opportunity."

NS recruiters play up the company's focus on such issues as fuel efficiency, sustainable business practices, environmental conservation, employee wellness, and community volunteerism. While those things appeal to employees of all ages, they particularly give the company a competitive edge with Millennials.

"Even though railroading is an old industry, this is a company that's moving forward in today's society and is able to take on the changing times," said **Alex Coyne**, 24, a transportation trainee now at NS' Portlock facility in Virginia. "That was kind of surprising to me, and it was a factor in my taking the job."

Pete Sharbel, 23, who majored in logistics and international business at the University of Tennessee at Knoxville, said NS' commitment to being a "green" company was a strong message for him. He's now a trainee in transportation in Atlanta.

"Being taught in a business program, you learn you have to weigh your options, looking at the good of the community vs. the good of the shareholder, and Norfolk Southern is showing how being green is good for business," Sharbel said. "It's incorporated into the whole business model. That's definitely something good they had to advertise." ■ BizNS

Norfolk Southern ranks among best for launching careers, hiring veterans

Call it advertising that money can't buy. As Norfolk Southern refines a long-term strategy to hire and prepare its future leaders, the railroad has earned national publicity as a top employer.

BusinessWeek magazine in September 2008 recognized NS as one of the best places to launch a career. At No. 20 on a Top 50 list of U.S. companies, NS was the highest-rated railroad and rose from No. 90 in 2007.

Among other pluses, the magazine cited NS' average pay for entry-level management hires, its practice of promoting from within, and its diversity.

"This recognition is very significant because BusinessWeek not only talked to us, but they based their rankings on hard facts and figures, including information they collected from college placement offices and college students," said **Rick Davison**, assistant vice president human resources. "Our ranking speaks volumes about NS and what kind of a company we are."

In November, NS won another plaudit. For the third consecutive year, the railroad made *G.I. Jobs* magazine's Top 50 list of military-friendly employers, ranking No. 30 for the year.

G.I. Jobs cited the increasing number of veterans at NS and the training available. During 2008, NS hired more than 400 veterans, representing around 20 percent of all new hires.

Cindy Earhart, vice president human resources, describes NS' emphasis on hiring veterans as "one of the best business investments we make." That includes advertising on military-oriented Web sites and hiring a contractor, **Mark Jenkins**, who works full time to recruit veterans.

People with military backgrounds bring technical skills and work experiences that match well with job opportunities at NS, Earhart said. They know the importance of such things as teamwork, safety, dedication, and leadership, all traits NS values highly.

The media recognition puts a spotlight on NS as an employer of choice at a time when its work force is undergoing a generational shift. Historically, NS has been a company where people spent their entire careers, a phenomenon that helps explain why long-term career prospects look strong. A large crop of baby boomer employees—now making up more than a third of NS' work force—are starting to retire, many with 30 years and more of service.

Recent college graduates hired into NS' management trainee program said the potential for career growth weighed heavily in their decision to join the railroad. An average starting salary of \$45,000 to \$50,000 was another incentive. Many passed up job offers at such corporations as Exxon Mobil, Pepsico, Lockheed Martin, Bridgestone Firestone, UPS, and Halliburton.

"I liked the fact that they were looking for people not only for the right-out-of-college jobs but to fill future jobs as well," said management trainee **Daren Douglas**, 23.

People with military
backgrounds bring
technical skills and work
experiences that match well
with job opportunities at NS.
They know the importance
of such things as teamwork,
safety, dedication,
and leadership, all traits
NS highly values.



■ Nathaniel Stripling, now retired from NS as a trainmaster after 29 years of service, instructs conductor trainees at the McDonough training center.

"I understood I was starting an entry-level job, but this company was the most enthusiastic about the prospects of moving up."

Perhaps most significant, many of the 20-something management trainees say they plan to stay until they retire. Especially in times of economic uncertainty, they consider NS a stable company that offers job security.

"I did a lot of research on the benefits and the retirement options," said management trainee **Allyson Klein**. "I wanted a company where I can stay and grow and spend my career."

Military veterans, as well as mid-career professionals looking to change careers, are joining NS for similar reasons. Since 2006, many have entered management through NS' Operations Supervisor Training program, which is aimed at agreement employees who want to move up, and for external candidates with supervisory experience.

Scott Davis, 45, spent nearly 12 years in the Army in power-generation support and then worked as a contractor and consultant in Bosnia and in Iraq, where he provided logistics support to U.S. military bases. In October, he joined NS' maintenance of way department through the OST program. He expects to spend the rest of his career at NS.

"What this company does is not going to be outsourced, so there's a certain amount of security that comes with that," Davis said. "There's a lot of growth potential because there's so many different facets to this company. It's a performance-driven company, and that's a big plus to me because if you're performing up to those standards, you know you're going to succeed."

Tasha Howell, 29, left the Navy last year after working in an avionics supervisory role, overseeing

maintenance of marine aircraft and F-14 and F/A-18 fighter jets. Her grandmother worked for a West Coast railroad in World War II. "It seems railroads have been around forever," Howell said, an OST trainee in transportation. "I think when the rest of the economy is not doing well, we will progress and continue to progress as the economy gets better."

Over the past three years, NS has retained 77 percent of the management and OST trainees it has hired, Davison said. Much of that is attributed to such improvements as more robust training opportunities, a mentoring program, and support and coaching. NS also has become more accommodating about where management trainees start their first job assignment. Because NS operates across 22 states, the railroad discovered in exit interviews that many people who left didn't want to live where NS placed them.

"Now, every trainee is asked early on if they have a geographic preference, and we do all we can to place them in a location they've listed," Davison said.

A key factor, though, is the positive outlook employees have of the railroad's future. Management and OST trainees alike talk about the railroad's competitive edge as a hauler of freight, knowing it is more fuel efficient and environmentally friendly than shipping goods by truck.

With the country moving toward a new "green" economy, NS recruiters play up the railroad's long-term strengths.

"We're looking beyond whatever the short-term economic issues may be and we're recruiting for the future," Davison said, "That's a strong message we have to take out there." ■ BizNS

Other news

New yard technology reduces damage, improves switching safety

Norfolk Southern's hump yards are getting a new look with process control systems. The systems are being installed to automate yards where rail cars are switched from one train to another for delivery to NS customers.

These improvements to asset utilization are part of NS' Track 2012, a five-year initiative that sets aggressive goals for company performance by 2012.

In hump yards, cars are switched using gravity. They are pushed to the top of a slight incline, or "hump," where they are uncoupled. They then roll down the other side of the hump onto the appropriate track where a new train is assembled. Process control systems control car speed, car spacing, and switch positions to ensure cars are routed to the correct track safely and efficiently.

"We actually began to upgrade our hump yards in 2000, when work was done at Conway, Pa.," said **Mark Dallas**, system manager service design. "We have worked since then to include Enola, Buckeye, Elkhart, Macon, Roanoke, and Bellevue."

Dallas said the upgraded technology brings significant rewards.

"Using this technology gives us some real advantages," Dallas said. "We can control car speed and spacing as cars make their way to the appropriate track. This helps prevent damage to lading and equipment. It also keeps things moving so we can improve train performance and our service."

By year-end 2011, the new technology is expected to be installed at all hump yards, including Birmingham, Ala., Allentown, Pa., Chattanooga and Knoxville, Tenn., Sheffield, Ala., and Linwood, N.C.

We're always looking For new ideas—InnovationNS

With the New Year under way, many employees across the system make New Year's resolutions. How about taking that one step further and making a resolution to participate in the innovatioNS process to improve your local work area and Norfolk Southern?

Many ways of participating include setting aside time each week to focus on innovation, discussing innovation opportunities with co-workers, brainstorming to identify solutions to everyday business challenges, identifying opportunities to eliminate waste, and submitting an idea to the innovatioNS' Web site.

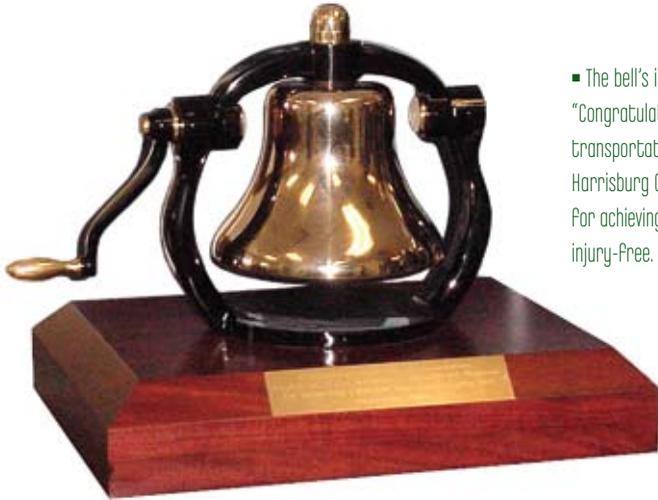
"The opportunities to incorporate innovation are endless and limited only by your creativity," said **Justin Meko**, manager innovation. "A new year brings with it new opportunities to set goals and improve as individuals and as a corporation. The innovation program provides the perfect platform for improvement, because it encourages employees to challenge their preconceived notions of what is possible."

Check out the innovatioNS Web site on the ERC for more information.

"The opportunities to incorporate innovation are endless and limited only by your creativity."



innovations.nscorp.com



■ The bell's inscription says:
"Congratulations to the
transportation employees of the
Harrisburg Consolidated Terminal
for achieving 1,000,000 man-hours
injury-free. September 2008."

Harrisburg Terminal works one million hours injury-free

The 175 employees at the Harrisburg Consolidated Terminal celebrated a milestone in safety, working one million hours without a reportable injury. The achievement over nearly three-and-a-half years is believed to be a first for a transportation group.

In recognition of their accomplishment, the terminal, which includes Enola, Harrisburg, and Rutherford yards, received a polished locomotive bell mounted on a hardwood base, with a congratulatory plaque attached.

Employees at all three locations also were treated to a holiday feast. **Don Grabb**, assistant vice president mechanical,

Bob Bartle, general manager Northern Region, and **Ben Fennell**, superintendent Harrisburg Division, addressed the group, praising them for their commitment to safety.

"The employees of the terminal are very proud of this accomplishment.

"The employees of the terminal are very proud of this accomplishment. Many of them, when asked, point out that they are their brothers keepers, and everyone watches out for each other."

Many of them, when asked, point out that they are their brothers keepers, and everyone watches out for each other. This is a cohesive unit, and everyone takes pride in their team. The terminal also is frequently best in connections and on-time performance as well. We have a lot of good things going on here, and the teammates are very aware of their performance on a daily basis. We are confident that this safety and work ethic will continue to carry us into 2009 and beyond," said **Jeff Moore**, superintendent of terminals.

Front Royal, Va., MW&S Forces celebrate 20 injury-free years

Maintenance of Way and Structures forces in Front Royal, Va., celebrated a milestone in late November 2008. They had worked injury-free for 20 years.

"This is truly an outstanding accomplishment in the engineering department, and the men working there now, as well as the recent retirees, are extremely proud of this accomplishment. All of them are very dedicated to every part of their jobs and are professionals in all that they do," said **Scott Snow**, division engineer Virginia Division.

Snow said that in the last 40 years there has been one injury in only four of those years.



ON THE COVER: *An eastbound Norfolk Southern coal train passes through Laurel and Roderfield tunnels on the Heartland Corridor. Improvements along the corridor, which connects Norfolk, Va., and Columbus, Ohio, will permit double-stack intermodal trains to operate along the route for the first time. The marks at the top of the tunnel arch indicate where the roof will be raised. The public-private partnership is on track for completion in 2010.*

BizNS presents an in-depth look at the challenges and opportunities Norfolk Southern faces. It is produced by the Corporate Communications Department.

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Conductor alerts Family to house fire

In late November 2008 at approximately 4 a.m., Norfolk Southern conductor **Jason Holman** was in Fostoria, Ohio, inspecting a westbound train. He noticed a house fire about a block away and went to alert the people inside. He pounded on the doors and rang the door bell. When he got no response, he kicked in the door. Inside was a family of seven, including several children. Fire department personnel said that Holman's actions likely prevented loss of life or serious injuries.

"I saw the fire and my only concern was getting those people out to safety. Anyone would have done that," Holman said.



■ Guy Frederick, left, chairman of NS' Fostoria district safety committee, presents a jacket to conductor Jason Holman as part of a safety award Holman received from the railroad. With them are members of Rick and Cindy Siferd's Family, who credit Holman with possibly saving their lives.

New service pin design unveiled



A new design for service anniversary awards featuring Norfolk Southern's updated logo debuted in January 2009. The new awards are cast in 10-carat gold and recognize longer service with gemstones of garnet (20 years), emerald (30 years), and diamond (40 and 50 years).

"Our service awards give us a reason to stop and say thank you to our dedicated employees. I am always amazed at the number of 30-, 40-, and even 50-year pins we distribute each year. I take this as testament to our employees' commitment and loyalty, as well as confirmation that NS is a great place to have a long, fulfilling career," said **Cindy Earhart**, vice president human resources.

