Improving Freight Mobility in a Changing International Environment

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Overview

- The Importance of Intermodal to NS
- Global Freight Movement Trends
- Funding Options and Opportunities
NS Business Mix by Revenue
3Q ‘06-2Q ‘07 Revenue: $9.34 Billion

- Coal: 25%
- Agriculture: 10%
- Metals: 12%
- Chemicals: 12%
- Automotive: 10%
- Intermodal: 22%
- Paper: 9%
- Chemicals: 12%
NS Volume Growth
1st Qtr. 2003 – 1st Qtr. 2007

Indexed to 2003 Q1

Intermodal
Total
Coal
Merchandise

Source: NS Financial Statements
NS vs CSX Intermodal Volumes

Through 2006, NS grew about 1.1 million loads since the first 12 months after Conrail. CSX about 142,000 loads

Source: American Railroad Association
Intermodal Volume by Line of Business
3Q 2006 – 2Q 2007

International: 51%
Domestic: 15%
Premium: 8%
Triple Crown: 10%
Truckload: 16%
Domestic: 15%
NS International Volume

Units (Millions)

2001 2002 2003 2004 2005 2006 Jan-Sep
Freight Movement Trends
What’s Driving Intermodal Demand?

- Strong Growth of US Trade
  - Consumer Demand for Cheap Imports
  - Strong $ Boosting Exports

- Increasing Highway Congestion

- Changes in Shipping Patterns
  - More Traffic Going From East to West
  - Increased Use of Panama and Suez Canals
Current and Future Routes from Asia to the US
NS International Traffic Flows
January - August 2007 vs. 2006

Westbound Forwarded Empty
-33.4%

Transpacific Exports
-2.3%

Transpacific Imports
-7.6%

EC Eastbound Empty
+19.9%

EC Exports
+15.4%

EC Imports
+8.9%

NS International Traffic with a West Coast Focus
2006: 57%
2007: 51%

Percent of port-related volume, does not include business moving between two non-port locations.
# East Coast Port Services

<table>
<thead>
<tr>
<th>City</th>
<th>Access Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York / New Jersey</td>
<td>On Dock Access at Maher, APMT, and NYCT Marine Terminals</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>Near Dock Access</td>
</tr>
<tr>
<td>Baltimore</td>
<td>Near Dock Access / Drayage Subservice</td>
</tr>
<tr>
<td>Norfolk</td>
<td>On Dock and Near Dock Access with Drayage Subservice</td>
</tr>
<tr>
<td></td>
<td>Maersk APM On Dock Q4 2007</td>
</tr>
<tr>
<td>Charleston</td>
<td>Near Dock and On Dock</td>
</tr>
<tr>
<td>Savannah Garden City</td>
<td>On Dock Service</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>Near Dock and On Dock services</td>
</tr>
<tr>
<td></td>
<td>Dames Point: Dec. 2008</td>
</tr>
<tr>
<td>Miami</td>
<td>Near Dock service</td>
</tr>
</tbody>
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Investment and Development
Annual Capital Investment

Over $850 million is currently or will be invested in Intermodal Capacity.
Investment Lags Demand

- Locomotive Purchases: 1 to 2 years
- Locomotive Engineers: 3+ years
- Passing Siding/Double Track: 2 to 7 years
- Intermodal Terminal: 3 to 12 years
- Major PPP: 5 to 15 years
Funding Options

- **NS Capital Investment**
  - 50% of total NS Capital Investment goes to regular maintenance
  - Over $850 million is currently or will be invested in Intermodal Capacity over the next 3 years

- **Joint Ventures**
  - NS investment in another Railroad’s property
  - KCS – Meridian Speedway

- **Public Private Partnerships**
  - Federal
  - State
  - Local (County, City, MPOs)
Benefits of Heartland Corridor and GLP - Rickenbacker

- Heartland Corridor
  - 220 route mile reduction between Norfolk and Midwest
  - Productivity gains
  - Freight diverted from congested NS routes
  - Improvement in NS’ competitive position with Hampton Roads ports

- GLP – Rickenbacker
  - Fully integrated logistics center
  - Concentrated mobility between truck, intermodal, railcar and air cargo
  - Reduction in drayage expense for customers
  - East Coast and Transcon Access
The Heartland Corridor Projects:

- **Mainline Clearance Project:** $150mm
  - Roanoke, Terminal: $22mm
  - Prichard, WV Terminal: $19mm

**Central Corridor Total**

**Government Funding**
- Federal: $95mm
- Ohio: $1mm
- Virginia: $22mm
- West Virginia: $15mm

**Total Government**
- $133mm

**Western Freeway Relocation:**
- Rickenbacker, OH Terminal
- Associated – Petersburg
- TCS Discovery Park Terminal
- APM Virginia Terminal
- Crewe Terminal

**Associated Clearance Projects:**
Global Logistics Park – Rickenbacker (Columbus, OH)

- GLP – Rickenbacker is NS’ first integrated logistics park
- Located 18 miles from Columbus
- Over 15,000 acres of existing or planned development
- Anchored by NS’ new 300 acre intermodal facility and the Rickenbacker airport
- Integrates intermodal, carload and logistics capabilities
- Intermodal shipments begin at the end of this year
Columbus Has Network Access
Meridian Speedway

- 40 miles of new track completed
- 75 miles of crossties replaced
- 150 miles of ballast and surface work completed
- 45 miles of formerly non-signaled territory converted to centralized train control
Introducing the “I-81 Crescent Corridor”
The Crescent Corridor Represents A Significant Opportunity for Freight Transportation

- Long haul intermodal services along I-20, I-40, I-75, I-85 and I-81 Corridors are largely undeveloped.

- Significant highway congestion along portions of these routes, particularly in Virginia.

- NS estimates that there are over 1 million divertible truckloads in this corridor.

- Existing intermodal and motor carrier interest in developing services in this corridor.
Summary

- Intermodal rail services play a key role in the US transportation network.

- Continued Intermodal growth will be supported by road congestion, fuel costs, and environmental concerns, and must be accommodated in long term planning.

- Public-Private Partnerships will grow in importance as an ingredient for a successful transportation system.