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Presentation

Operator

Greetings. Welcome to Norfolk Southern's First Quarter 2023 Earnings Call. [Operator Instructions]. As a reminder, this conference is being recorded. It is now my pleasure to introduce Luke Nichols, Senior Director of Investor Relations. Thank you, Mr. Nichols, you may begin.

Luke Nichols
Senior Director of Investor Relations

Thank you, and good morning, everyone. Please note that during today's call, we will make certain forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or future performance of Norfolk Southern Corporation, which are subject to risks and uncertainties and may differ materially from actual results.

Please refer to our annual and quarterly reports filed with the SEC for a full disclosure of those risks and uncertainties we view as most important. Our presentation slides are available at nscorp.com in the Investors section, along with a reconciliation of any non-GAAP measures used today to the comparable GAAP measures.

Turning to Slide 3. It's now my pleasure to introduce Norfolk Southern's President and Chief Executive Officer, Alan Shaw.

Alan H. Shaw
President, CEO & Director

Good morning, and thank you for joining our first quarter earnings call. I will begin with an update on East Palestine and our ongoing focus on safe operations. From the beginning, we have been guided by one principle. We are going to do whatever it takes to make it right for East Palestine and the surrounding areas. We're cleaning the site safely, thoroughly and with urgency. We're assisting families, supporting local businesses and non-profits and investing in long-term projects for the area's future prosperity.

I went to East Palestine in the immediate aftermath of the derailment and have returned almost every week to meet with members of the community and monitor our work.

I've been in churches, schools, meeting halls, businesses and living rooms, asking how Norfolk Southern can use our resources to help the community recover and thrive. I'm proud of our people and our progress. I'm also proud of the crew and the locomotive that night.

According to the National Transportation Safety Board's preliminary report, they were operating the train properly and took the right actions after receiving the alarm, the wayside detectors worked, and there were no track defects. As the NTSB continues its work, we have already begun to take actions designed to further enhance safety such as installing additional safety sensors, accelerating the deployment of advanced early detection technologies and increasing safety training for first responders.

The firefighters and other emergency responders who ran to the scene that night in East Palestine have our deepest gratitude and respect. They are heroes. We also appreciate the leadership of local state and federal officials and agencies in response to these events, we share their goals of helping people affected by the derailment and finding evidence-based approaches to rail safety. We are a safe railroad.

In 2022, Norfolk Southern had fewer derailments than any other year in the last 2 decades, and our rate of employee injuries was the lowest in a decade. We strive to do better. While events of the last few months have focused national attention on rail safety, the remits at Norfolk Southern in the first quarter declined from the same period last year, continuing a trend of improvement. We are going to learn from this accident to become an even safer company.

I have been personally engaged in Washington to support specific federal legislative provisions to enhance safety. As the initial learnings from East Palestine have made clear, meaningful enhancements will require the combined efforts of the entire industry, railcar owners, leasing companies, equipment manufacturers and the railroad companies.

Norfolk Southern intends to be a leader in that effort, and we embrace that role.

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Turning to Slide 4. At our Investor Day last December, we charted a new course for sustainable long-term value creation. We were the first railroad to launch a strategy that starts with safe, reliable and resilient service for our customers balanced with smart sustainable growth and productivity improvements.

With everything we do we will focus on long-term priorities and value rather than just the short term. I am reaffirming my commitment to that vision and building the team to drive that strategy. This new direction is even more important today, and we have been working to execute our industry-leading strategy.

Our customer-centric operations-driven approach supports both service and safety and will enable us to grow with our customers sustainably for the long term. Our powerful network, desirable geographic footprint, best-in-class channel partners and strong relationships with our valued customers, uniquely position Norfolk Southern to deliver on our strategy. When we spoke in January service was the best in 2 years, customers were noticing and December volumes were at 52-week highs defined typical seasonality. Consistent with the long-term vision, after the East Palestine and Springfield derailments, we made 2 decisions. We knew would have a near-term impact on service, capacity and revenue.

First, we are pulling up the tracks at the derailment site in East Palestine and removing the impact of soil in response to feedback from the community and the EPA. Since March 3, we have had only 1 track at a time in service with trains running at restricted speed through this section of our busiest quarter. This mainline segment links Chicago to Eastern Pennsylvania, New Jersey and New York, and there's a strength of our franchise.

We anticipate completing the remediation and having both tracks of service by early June.

Second, out of an abundance of caution, in early March, we accelerated the analysis of train makeup rules as part of our broader efforts to improve safety, service and productivity, which we began implementing soon thereafter. As a result of these purposeful actions on our part, train capacity was limited initially. Paul will address this in greater detail.

We are restoring capacity as we dial in this new set of processes. We do not anticipate any meaningful long-term impacts of service, capacity or cost structure. These were the right things to do. They are also the best decisions to enhance our ability to deliver on our long-term strategy of delivering resilient service. It will take some time to build resiliency and we're making progress.

We continue to invest to ensure we have the right team and resources where they are needed to provide our customers with safe best-in-class service. As we shared when we announced our new strategy last December, we aren't focused on managing short-term OR with actions that will undermine our longer-term goals. We strive for more.

Our longer-term commitment to competitive margins will be balanced with other important financial measures such as growth in revenue, EPS and ROIC.

Putting that plan into action, we are making strategic investments in the near term that position us to deliver long-term value. One of those investments is to maintain the people and resources we need through economic downturns. This will allow us to respond more quickly and capture revenue growth when markets recover. Even more significant, resilient service enables our customers to confidently build rail into their supply chains and supports highway to rail conversions. We will use temporary downturns to invest in training, creating career opportunities for the craft railroaders who are the heart and soul of Norfolk Southern.

I enjoy the time I spend in crew rooms and have made it my personal goal to listen to my craft colleagues about what they need. I won't stop working until our service and safety culture is the acknowledged model for the industry.

Our strategy is a better way forward for the industry. It's a better way to deliver value to shareholders, and it's the right thing to do for our employees, our customers and the communities we serve.

Before I turn it over to Mark, I'd like to take a moment and recognize our customers who have shown a tremendous amount of support throughout the challenges of the first quarter. I received countless calls, letters and e-mails from customers recognizing Norfolk Southern's positive response and dedication to making it right. It's made me proud to be part of the Norfolk Southern team and truly demonstrates the deep partnerships we have forged with our customers.

I'll now turn it over to Mark.

Mark R. George
Executive VP & CFO

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Thank you, and good morning, everyone. On Page 6, you will see our key financial results for the quarter. The top row represents the GAAP measures. On the second row are the current cost estimates and impacts related to the Eastern Ohio incident and response. On the third row, you see the adjusted results.

The $387 million of expense that we recorded for the incident includes costs associated with the cleanup of the site, community support and restoration payments, legal and advisory expenses and a preliminary estimate of claims and settlements. It is important to note that no insurance or other recoveries are assumed in these estimates and that credits associated with these recoveries will be determined and recorded in future periods.

Similarly, as we learn more, one can expect future estimates of cost will result in revisions to the accruals in subsequent quarters. The 2 rows at the bottom reflect the variances versus Q1 of 2022. GAAP earnings were down year-over-year due to the Eastern Ohio cost that were recorded.

The adjusted variances at the bottom reflects 7% revenue growth that Ed will detail shortly, along with adjusted net income growth of 8% and adjusted EPS growth of 13%. Adjusted operating expense were up 11% in the quarter, and Slide 7 details the drivers, which I will walk through now.

Adjusted operating expenses were up $204 million or 11%, with the majority of the increase being driven by inflation and incremental service-related costs. Inflationary pressures are visible in pretty much all P&L categories, most notably in comp and ben from last year's wage settlements. In comp and ben, we also saw an increase in headcount as we continue to build our T&E resources to help us become more reliable and resilient in support of our long-term strategy for growth.

Purchase service growth is also impacted by inflation, but is also driven in part by technology investments, including projects aimed at improving productivity, operational executability and enhanced safety. The service disruptions triggered by the Eastern Ohio derailment, the associated shutdown of our main line in a critical corridor as well as the acceleration of our enhanced train makeup rules is having an incremental impact on costs, resulting in slower network speeds that inflates equipment rents while also driving a meaningful increase in material costs, in part because we strategically work to bring locomotives into service from our stored fleet to help accelerate our network.

Moving to depreciation, please recall that we gave guidance on depreciation headwind this year from a recently completed roadway depreciation study, and that contributed $8 million of headwind in the quarter, and that will continue as a headwind in subsequent quarters. We also drove fuel efficiency by another 1% improvement in the quarter versus last year.

Moving to the P&L results below operating income on Slide 8 and I'll talk to the adjusted variances here in the right-hand columns. Operating income grew 1%. Other income was $56 million, aided by favorable returns on company-owned life insurance and that helped adjusted pretax income grow 7%. Net income grew 8% and EPS grew 13% in the quarter.

Turning to free cash flow and shareholder distributions on Slide 9. Cash from operations was $179 million higher, in part from changes in working capital, while free cash flow was $140 million higher than last year, and we remain committed to returning capital to shareholders with a strong dividend, supplemented by share repurchases.

Let me turn now to Paul for his review on operations.

Paul B. Duncan
Executive VP & COO

Thank you, Mark. I'll begin on Slide 11. On my first earnings call as Chief Operating Officer this January, I shared my intention to begin every update with safety. This reflects the priority we put on the topic. Everything we do starts with safety. At the time, my leadership team and I were in the middle of kickoff meetings with operations leaders across our network. Alan joined us for some of those meetings. Our marketing leadership team participated in others.

We started every meeting with safety discussing that it is an enterprise priority. We are investing in our leadership this year with all of our ballast line supervisors in starting every conversation with safety. As leaders, we set the tone and tone influences culture.

We are also investing in the development of community responders, including a new regional training facility in Bellevue, Ohio. We are a safe railroad and constantly challenge ourselves to do even better.

We will continue to work with our employees and community partners on safety-related initiatives that further enhance our culture in these areas. I'll note specific steps we are taking to enhance safety after reviewing the NTSB's preliminary report on the East Palestine derailment, including adding 200 more hot bearing detectors onto our network expanding our network of acoustic bearing detectors

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and accelerating the deployment of digital train inspection portals, our most advanced safety technology, which we described in greater detail during our Investor Day.

On Slide 12, you will see our safety metrics. As Alan noted, in 2022, Norfolk Southern had the lowest rate of employee injuries in a decade with a 1.01 frequency ratio. We began 2023 with a 0.89 injury frequency ratio and continue to work so all of our colleagues go home to their families in the same condition they arrive. We are also making strides to reduce our FRA accident rate. We are showing one additional graph this quarter, reflecting the frequency of accidents that occur on mainline tracks.

While we strive to reduce all accidents, mainline accidents tend to have greater impact to the communities that we serve. These have generally been flat with year-over-year improvement through Q1 compared to Q1 2022. Our investment in infrastructure is paying off, and we're confident our focus on equipment inspection technology will continue to drive our mainline accident rate lower.

Turning to Slide 13, I'll provide an update on our overall service. In the first quarter, we accelerated the analysis of train makeup rules as part of our broader efforts to improve safety, service and productivity. We began implementing enhancements soon thereafter, resulting in a significant short-term impact on velocity and the performance of our railroad. However, these changes were the right thing to do and have increased the reliability of our network and also allowed us to become even more productive. For example, we are now operating 50% more merchandise trains with distributed power than this same time last year. This was only possible thanks to our continuing commitment to locomotive modernization, another example of how we are investing in long-term value.

As Alan explained, we also made the decision to pull up the 2 mainline tracks at the derailment site and remove all impacted soil. From March 3, until the remediation is complete, currently expected in early June, we are only operating one track at reduced speed through that section of our busy Premier Corridor. We have everything we need to recover from this temporary setback to our momentum. Remember that prior to the derailment, our service was the best it had been in 2 years. As we dial in our train makeup enhancements, we are already seeing improvements to our network in recent weeks.

We will continue to work through the backlog and do not expect any meaningful long-term impacts. We are eager to get back to the execution of our service-oriented strategy.

Transitioning to Slide 14. As we invest in the people and resources we need to execute our strategy and become more resilient, we still have about 1/3 of our high-end locations below our minimum staffing target based on anticipated demand. We continue to hire at a strong pace and have a robust pipeline of trainees in place. We are employing incentives to attract candidates in targeted locations, and we are taking a series of steps to provide immediate support where it is needed. For example, we are leveraging our go teams and temporary transfers in critical areas as we continue to restore the network.

Moving to Slide 15 for our productivity update. Starting with locomotives, we maintained progress in the quarter on keeping locomotive velocity well above last year's levels. The overall Train & Engine workforce productivity metric remains below last year due to the elevated pipeline of conductor trainees as well as maintaining capacity in support of service and future growth.

As we have discussed, an essential aspect of our balanced strategy for service, productivity and growth is to provide resilient service through economic downturns and times of volume uncertainty. This represents a deliberate strategic investment to maintain capacity in support of service and future growth.

Lastly, our modernized locomotive fleet and fuel efficiency initiatives produced another quarter of record fuel productivity. This is another area where we will continue to invest to drive benefits for our shareholders, customers and the communities we serve.

I'll now turn it over to Ed Elkins.

Claude E. Elkins
Executive VP & Chief Marketing Officer

Thanks, Paul, and good morning to everyone on the call. I'm starting on Slide 17, where our results for the quarter speak to the benefits of our diverse portfolio in that we were able to de-leverage strong market conditions in our merchandise and coal markets to offset weaker conditions in our intermodal markets. This enabled year-over-year growth in revenue and revenue per unit in the first quarter.

As you can see, overall volume was flat, but total revenue increased 7% to $3.1 billion due to higher fuel surcharges and positive mix, which more than offset lower volume in storage revenue in intermodal. Volume and revenue were strongest in January when our service product was the best it has been in 2 years, and the truck market was showing signs of rebalancing. Volume and revenue decelerated throughout the quarter as service disruptions impacted our ability to meet customer demand in key markets and the truck market continued to deteriorate.

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Our performance in January demonstrates that a customer-centric operations-driven approach can yield significant value for our customers and our shareholders. Within merchandise, volume growth of 5% was led by strength in sand, automotive, grain and aggregates markets. These gains were partially offset by weakness in demand for plastics and for pulp board. Volume improvement was the largest driver of double-digit revenue growth in merchandise this quarter, followed by higher fuel prices and price gains.

Intermodal markets were notably weaker this quarter, particularly within our domestic lines of business where a weak freight environment and a weakening truck sector combined to drive a 4% volume decline year-over-year. International intermodal was a bright spot this quarter with volumes improving 9% year-over-year on higher demand for IPI services, even as overall imports fell, which helped to mitigate some of the domestic declines.

Intermodal revenue benefited from higher fuel surcharges and price this quarter However, not enough to overcome the negative impacts of lower storage revenue and lower domestic volume, which drove a 5% decline in revenue versus the prior period.

Now I'd note that the combination of improving international IPI volumes and declining intermodal storage revenue is a strong indication that supply chain congestion is rapidly unwinding in the U.S.

Coal shipments in the first quarter were up 5% year-over-year, led by export, which is currently experiencing continued high levels of demand as well as greater coal supply in our service territory to meet that demand. Volume growth was muted somewhat by year-over-year declines in utility coal due to depressed natural gas prices and mild winter weather.

Coal revenue was up 13% in the first quarter, driven by higher volumes, fuel surcharge and price gains.

Now moving to Slide 18. As we look ahead to the remainder of 2023, we expect near-term headwinds to pressure volume and revenue throughout the second quarter. However, we are optimistic that our service product will be much improved in the back half of the year, positioning us to return to growth when market conditions permit.

Additionally, we are walking on to the field today with the best marketing team in the business. And this team is working hard to identify new avenues to growth in the form of new markets to serve and new products to deliver. Even in a decelerating economy, we know that we can offer exceptional value to customers seeking to reduce their overall spend on transportation and reduce their carbon footprint. As we look at the rest of the year, Merchandise growth will be led by automotive shipments, supported by the forecasted 5% growth in U.S. light vehicle production for the remaining quarters of 2023. Also contributing to growth in automotive shipments is a backlog of shippable ground counts that we will work through as our service improves.

We also expect strong volume improvement in our metals market where improved equipment cycle times will enable us to serve unmet demand. Partially offsetting expected growth will be weakness in our chemicals markets where certain segments, like plastics, are experiencing weaker demand.

Facility downtime and increased pipeline capacity will also drive year-over-year declines in shipments of crude oil and natural gas liquids. Within our intermodal markets, volume in 2023 will be largely dependent on economic conditions, particularly the health of the American consumer. Currently, we see headwinds from excess truck capacity replenished inventories and a challenging consumer economy, and these headwinds are likely to persist throughout the second quarter, negatively impacting volume, particularly in our domestic lines of business.

Looking at the back half of '23, clearly, the economic conditions remain uncertain. We see continued weakness in the housing market, which negatively impacts demand for furniture, home appliances, electronics, all those things that want to move in a container. That market has not rebalanced as we anticipated earlier this year, with spot and contract truck rates continuing to fall throughout the first quarter.

So the timing of the rebalancing will have a large impact on our volume outlook. Additionally, our domestic partners outlook for the second half of '23 has dimmed somewhat. International intermodal shipments will be driven by demand for IPI, which is a function of import volumes, which is declining and supply chain fluidity, which is improving.

Fluidity has returned to supply chains faster than we expected, which will be a tailwind to volumes, but will negatively impact intermodal storage revenue for the remainder of this year. Taken together, we are optimistic for our intermodal business to overcome these near-term challenges and to finish the year with momentum to realize the long-term potential of this market.

We have the best intermodal partners in the industry. And our team is working hard to ensure that we are positioned for success with them as the market turns.

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Lastly, volume in our coal business for the remainder of '23 will be up versus '22 with growth in export coal shipments more than offsetting expected declines in utility coal. Strength in export coal markets will be driven by new coal production coming online at NS-served mines and sustained international demand for U.S. sourced coal. However, the expected increase in volume will be more than offset by anticipated lower revenue per unit due to lower seaborne coal prices and reduced fuel surcharge revenue.

The utility outlook is highly dependent upon weather and natural gas pricing, which is currently expected to average less than $3 per million BTU in '23, a more than 50% decrease from last year.

In addition, stockpiles are currently at increased levels, which further pressures demand for utility coal shipments. Overall, we have a cautious outlook for the remainder of '23. Improving service levels will be a tailwind, but persistent market headwinds and a stubbornly loose truck market will temper our ability to grow in the near term.

Overall, growth in 2023 will be dependent on the macro environment. We continue to put our efforts on things that we can control to deliver on our customer-centric operations-driven strategy. We are making the investments required to deliver compelling logistics value for the long-term through a simple, reliable and efficient customer experience.

Lastly, on Slide 19, I'd like to highlight a recent industrial development success that demonstrates the long-term value of locating along Norfolk Southern lines. Scout Motors, an independent U.S. company backed by Volkswagen Group is locating a new manufacturing plant in Blythewood, South Carolina and a site served by Norfolk Southern. In Phase 1, this new plant will produce more than 200,000 new electric vehicles and create over 4,000 permanent jobs. The $2 billion investment by Scout will revive an iconic brand that last produced vehicles in 1980, and we couldn't be happier that Scout selected a site served by Norfolk Southern. We look forward to serving their business by the end of 2026.

Before I close, I'd like to say thank you to our customers who have supported us through the challenges of this first quarter. We appreciate every opportunity that they give us to participate in their supply chains, and we look forward to successfully growing these partnerships. We are confident in our ability to realize long-term growth and we look forward to delivering results for our customers and for our shareholders.

And with that, I'll turn it back over to Alan to bring us home.

Alan H. Shaw
President, CEO & Director

Thanks, Ed. This week marks the end of my first year as CEO. As I reflect on the year more broadly and especially the last few months, I appreciate that adversity reveals character. That's true for people, and it's true for organizations. I'm inspired by my colleagues at Norfolk Southern, who are rising to the challenge of doing the right thing.

We are anchored by our values and driven by our responsibility to safely deliver the goods and materials that move the U.S. economy. Moving forward, Norfolk Southern will be known for safe operations and for delivering service, productivity and growth through our pioneering new strategy. Our response in East Palestine will be a source of pride for years to come, and we will be a stronger company, setting the pace for our industry. Whether it's our commitment to the citizens of East Palestine, our employees, our customers are to all the communities in which we operate every day. When we do the next right thing, we deliver long-term value creation for our shareholders. We will now open the call to questions. Operator?

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Question and Answer

Operator

[Operator Instructions] Our first question is from Ken Hoexter with Bank of America.

Kenneth Scott Hoexter
BofA Securities, Research Division

Great. Thanks for the rundown there. Just maybe Alan or Ed, you talked about rebounding service levels, yet volumes are down 8% quarter-to-date much worse than the flat in the first quarter. Maybe you could talk a little bit about the timing from when you get back to that normal seed through this quarter? And then you mentioned you're still about 1/3 of the target levels or below the target level of your T&E targets in some regions. Third seems awfully big, given the focus you've had on hiring people. Maybe talk about the sustained cost impact and the ability to get there.

Alan H. Shaw
President, CEO & Director

Ken, thanks for the question. Yes, we're in the process of recovering service. And I want to make it really clear. We had a great service product to close last year and in January. And you saw the attendant impact on our volumes, right? It proves that our unique vision, our unique focus and our unique strategy works in this industry. And we remain committed to executing on that.

In the aftermath of East Palestine, we had some tough decisions to make. And we made those decisions knowing full well that it would have a near-term impact on our service and our productivity and our growth, but they were the right decisions to make because they align with our core values, and they are long -- aligned with our long-term focus as a customer-centric operations-driven service organization. The same operating team and the same marketing team that delivered that exceptional service product late last year and the beginning of this year is in place now. And we're in much better shape with our resources. And so I don't think the climb out will be nearly as long. Certainly, we want to get the track back in place in East Palestine. And that, as Paul noted, will probably happen in the beginning of June. And so I think as we move into and through the third quarter, you're going to see us in a position to deliver that exceptional service product that customers have become accustomed to receiving from Norfolk Southern.

Ed, do you want to talk about what you're hearing from customers on that?

Claude E. Elkins
Executive VP & Chief Marketing Officer

Sure. And I appreciate the question. really, it's a story of a couple of different markets. We've been very fortunate, frankly, that we've been able to preserve a large amount of fluidity in our intermodal network. We think that's really important as we move forward here as we work off this excess inventory because bid season is happening right now, and we will see our customers come through this with some very strong performance later on in the year. So we're banking on the come, so to speak, in terms of our customers' performance on the intermodal side.

The consumer market is clearly still deteriorating. You've heard that elsewhere. You read it in the Wall Street Journal On the industrial side, there's still lots of demand out there for us to meet with additional capacity as we improve our service. We're bullish on that front.

Operator

Our next question is from Amit Mehrotra with Deutsche Bank. Okay. We will come back to him. Our next question will be from Chris Wetherbee with Citi Group.

Christian F. Wetherbee
Citigroup Inc., Research Division

There's 2 comments that you made in the prepared remarks that I wanted to just maybe see if we can get a little bit more color on, Alan, you talked about, I think, over the long run, no long-term impacts from the derailment on service capacity or cost structure. So really wanted to sort of explore that cost structure dynamic and maybe how you're thinking about that?

And then Mark, you talked a little bit about the potential, I think, for future estimates of cost that could result in accruals. I think that's obviously a very important dynamic as we're thinking about the long-term impact of the derailment. So if we could just sort of think

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about the longer-term outlook and what it might mean from a cost perspective going forward, so we can get an idea of sort of what the run rate earnings power of this network is going forward, that would be very helpful.

Alan H. Shaw
President, CEO & Director

Yes. Chris, as I talked about cost structure and service going forward. It was in the context of our new train marshalling rules, which did initially have an impact because we -- frankly, we got really conservative on our train marshalling rules based on the environment and recent events. As we are dialing that in and analyzing each train symbol on each line segment, we're adding capacity back into the network. And as Paul noted, we're using this as an opportunity to significantly increase our use of distributed power, which will frankly ultimately enhance our productivity and our train length. So I feel very confident that we did the right thing at that time, and it's going to generate long-term benefit for NS and our customers and our shareholders, and that's kind of what our strategic vision is all about. Mark?

Mark R. George
Executive VP & CFO

Yes. So on East Palestine, Chris, as of the first quarter point in time, we made an estimate of the various elements of costs that we'd be facing and came up with that $387 million. The preponderance of that really is related to the environmental cleanup efforts and future environmental remediation activities. And also, it's important to note that because of the EPA involvement in all of this, there is likely to be oversight costs that we have to reimburse the government for as well. So that's all part of the estimate.

There are things that are -- we could not estimate and therefore, could not record in the quarter, stuff really related to legal, I'll give you just one example with the Ohio Attorney General and the 3 funds that are going to be established. There was no way to estimate that. So that would be an example of something in the future that would come.

So as we learn of new things and are able and realize that they're probable and they're estimable, we will record those. But at the same time, I remind you that there are no insurance recovery estimates that have been recorded at this point. In fact, of that $387 million, cash out the door has really been $55 million, okay? So most of this is accrual based on estimates.

Insurance filings will really be done as we incur the costs from a cash perspective. So down the road, we'll be assembling our filings for the insurance companies and seeking reimbursement, and we will record those in due course as a credit. And so with regard to predictability or estimating those, it's impossible if we could estimate and we probably would have booked them already. So we'll just have to keep reporting these out as we go in the subsequent quarters.

Alan H. Shaw
President, CEO & Director

Yes. And I'll add, nor does our estimate include any potential recovery from other parties as well.

Mark R. George
Executive VP & CFO

Correct. Correct.

Operator

Our next question is from Scott Group with Wolfe Research.

Scott H. Group
Wolfe Research, LLC

Thanks. Mark, the materials costs were really high. Any color on where that goes from here? Just any thoughts on the operating ratio from here? And then separately, Ed, the merchandise yields actually fell a little bit from Q4 to Q1. I thought Q1 has a lot of repricing. I just would have thought merchandise yields would have been better. Any color there?

Mark R. George
Executive VP & CFO

Yes. So on materials, Scott, the impact from what we had early in the year had a pretty profound sudden impact on the network. We needed to get locomotives to help dig us out, so we basically took locomotives out of stored status. Some of them required a lot of

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work to get them rejuvenated so they could help take us out. I think there will be some incremental material costs that will linger here in the second quarter and should ease in the back half of the year as we see our network fluidity improve. Ed?

Claude E. Elkins
Executive VP & Chief Marketing Officer

Sure. Our core pricing remained very strong in the first quarter. As a matter of fact, we exceeded our expectations in several markets, including in coal and intermodal. I think what you're really seeing on the merchandise side is a mix issue. We noted that plastics was weak and some of our other chemicals. A lot of it goes into housing and everybody knows what's happening to the housing markets right now. it's a challenge, but that's a mix issue. Our core pricing story remains very much intact and in fact, I'm very bullish for it.

Operator

Our next question is from Brandon Oglenski with Barclays.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

Paul, can you talk to the train makeup changes that you guys discussed and how that had a near-term impact, but what's going to change in the future that allows you to get back to your productivity targets?

Alan H. Shaw
President, CEO & Director

Brandon, I'm going to cover that because that's something that Paul and I discussed at length. As I noted, we had some tough decisions to make in the first quarter. And the trend makeup rules was -- decision was based on the ongoing environment of recent events. Paul and I had a discussion in early March, and we decided we were going to get really conservative on our train makeup rules until we had an opportunity to deeply and thoroughly analyze each train symbol over each line segment. That created some congestion on our network because it had an initial impact on reducing capacity on our network.

Paul and his team are going through each train symbol, each line segment, doing the analysis, looking at the physics figuring out the right configuration of the train and the right configuration for the locomotives. And as we do that, we're adding capacity back in. As Paul noted, that includes expanded use of distributed power, which is going to support our productivity initiatives going forward. And ultimately, we are convinced that it's not going to have an impact on service. It's not going to have an impact on capacity and in many cases, it's probably going to improve productivity.

Operator

Our next question is from Amit Mehrotra with Deutsche Bank.

Amit Singh Mehrotra
Deutsche Bank AG, Research Division

Alan, I wanted to ask about how the remediation efforts are going. I think the EPA update the few pages that they put out a few weeks ago was pretty positive in terms of the progress that you guys are making. And just related to that, what do you think the volume impact has been? Because you were at this kind of 130,000 to 140,000 weekly carloads. Obviously, that's dipped down, just helpful to think -- do you think there's a snapback in early June?

And then Mark, I'm also trying to understand the impact fuel has on yield and operating income. It's been volatile to the downside, and I'm just thinking that maybe it turns into a headwind on OI dollars as you progress through the year. Any thoughts around that in terms of what the headwind or tailwind or neutrality is from fuel on operating income as we progress through the year?

Alan H. Shaw
President, CEO & Director

Yes, Amit, I'll handle the first part of your 3-part 1 question. Yes, when we -- when this happened, we said we're going to stay true to our core values, and we're going to do what's right. And that means we're going to do what's right for the long-term best interest of Norfolk Southern and East Palestine. And frankly, our response in East Palestine has reinforced my conviction that taking a long-term view, the best interest of your shareholders, your customers, your employees and the communities you serve, as a customer-centric operations-driven service organization is the right vision and the right strategy for Norfolk Southern.

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And so I met with the head of the EPA, and I made my personal commitment that we were going to do more than less. And that's what you're seeing. We've got 300 people on the ground whether they are employees or contractors, 7 days a week, and I sincerely appreciate their sacrifices and their willingness to do this, and frankly, the sacrifices of their families as well. And they're intently focused on the environmental remediation. They're intently focused on community assistance and they're intently focused on helping the community thrive. And we've reached a major milestone about 1.5 weeks ago, where we finished the remediation under one track and have started on another track. And that was something that we did didn't necessarily need to be done because we had an environmentally acceptable solution in place, but that was something that we did based on feedback that I received from the citizens of the community and from the EPA.

Ed, do you want to talk about what you're seeing in the markets and the volume impact of the slower network but also the macro trends?

Claude E. Elkins
Executive VP & Chief Marketing Officer

Sure, absolutely. And it's kind of a -- I'll try to answer it in 2 parts. Let's go to the industrial side first. Clearly, as we accelerate our network, work off the backlog of inventory at our yards, we're going to be able to present our customers with more capacity. And we know that there are customers that are ready to load that additional capacity right now whether it's in the steel markets, whether it's in the scrap markets. It's certainly in the auto markets. And I would also mention our ag and our coal networks, which also are going to benefit from increased fluidity and sustained demand, we believe, going forward.

On the intermodal side, it's really a demand story. There's been what I would call a tremendous amount of demand destruction out there in the general economy, and we're seeing that manifest itself in our containerized volume opportunities. But look, we're not sitting on our hands here. We got, like I said, the best team in the industry working right now to figure out how to deliver more value for our customers in the form of additional lanes and additional products and services that we can successfully execute in the marketplace. And we'll be ready when the market rotates here.

Alan H. Shaw
President, CEO & Director

And you and Paul are also resizing the intermodal network based on current demand.

Claude E. Elkins
Executive VP & Chief Marketing Officer

That's right.

Alan H. Shaw
President, CEO & Director

Look, it's not a question of when the volume and the demand from the U.S. consumers are going to recover. It's when it happens, right? And so that's part of our strategy is to invest through the downturn so that we're there for the upside.

Claude E. Elkins
Executive VP & Chief Marketing Officer

Yes. And that's what makes it, frankly, so important that we've been able to insulate for the most part the intermodal network from many of the disruptions that we've seen here today. And that's very purposeful on our part because we want our customers to have confidence as they go to their customers and sell Norfolk Southern's value.

Alan H. Shaw
President, CEO & Director

Mark, I think there was a...

Mark R. George
Executive VP & CFO

Yes. So just real quick on fuel. We did have a lag benefit. While fuel prices are coming down, we had a lag benefit on the surcharge that provided some tailwind to us in this quarter, but that is going to quickly diminish and turn into headwinds as we go through the back of the year if the fuel curves hold true.

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Operator

Our next question is from Jordan Alliger with Goldman Sachs.

Jordan Robert Alliger
Goldman Sachs Group, Inc., Research Division

I think you addressed this in some ways, but I'm just curious, the derailment and the impact on the various service metrics. Has it had an impact on the marketing side of the equation as you go out and try to sell business? And then sort of similarly, in terms of the operational stuff you guys were trying to do as you went into this year around TOP|SPG, et cetera, has had an impact on some of the initiatives away from the remediation efforts.

Claude E. Elkins
Executive VP & Chief Marketing Officer

Speaking to our -- to the customer side of the business, there's -- we really have not had a more supportive group of constituents out there than our customers. They want us to get the network back up and running. They know that we're doing the right thing, not only for East Palestine but for them. And frankly, we are looking forward to delivering that additional capacity to them very quickly.

Alan H. Shaw
President, CEO & Director

Jordan, both Ed and I referenced this in our prepared remarks. We certainly appreciate the support and the outreach from our customers through this. And they're proud of our response. They see what we're doing. They know what we're made of. They know that we do what we say we're going to do, and they're seeing us follow through with that. And so we're going to come out of this stronger and better as a result. Paul, do you want to talk about the interaction between our operating plan and current service?

Paul B. Duncan
Executive VP & COO

Oh, absolutely. We're seeing improvements over the last few weeks. And I want to go back to the point that was made around TOP|SPG. TOP|SPG was implemented as a simpler, more executable plan that will provide us a quicker path to improving service, especially when we have major service interruptions. We've seen strong improvements in our intermodal franchise as of late, building on the momentum out of the TOP|SPG implementation last year that I referenced.

Again, right now, this is all about pent-up demand and inventory across the network in our merchandise space, we're going to continue to work after it.

Operator

Our next question is from Brian Ossenbeck with JPMorgan.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Maybe to follow up with Ed first. You mentioned you had some stronger-than-expected results both in coal and intermodal ARPU. Wondering if you could give some thoughts on that as both of those clearly we have some pretty distinct factors and tailwinds that have been affected them more recently in terms of the export market and the storage fees.

And then, Alan, maybe you can just give us a sense of the timing for some of these other public hearings or maybe mile markers that we should be keeping in mind for the NTSB and their investigation, the public hearing of East Palestine, [takes the review], things that are pretty much unprecedented. But maybe it still be helpful to hear if there's any sort of time line we should keep on our calendars in terms of when the next updates for these investigations are expected or at least what we should consider the next sort of update when it comes to those things, not just the numbers that you're recording, but the more public-facing side of it.

Claude E. Elkins
Executive VP & Chief Marketing Officer

I think that might be a record for nesting questions. All right, Brian. Let's talk about coal first. We're still seeing strength in pricing, but all the indices have come off the recent highs. And as you know, a lot of our performance is predicated off those forward curves. [Low-balled] at 250-ish and API is about [140], U.S. met coal forward curves still have the price above $200 throughout at least the third quarter. So we're feeling pretty good there. I think the real story is on the demand and supply side. We know that China is

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reopening to Australian coal that's going to revert some trade flows. [indiscernible] is ending, which will mean stronger Australian supply will come back, but U.S. net production is increasing 5.4 metric tons. That's new mines and incremental production. And I think most of those tons are going to move export.

On the demand side, we're still seeing limited spot demand, but European production has increased about 14% month-over-month in February, and that's due to blast furnaces cranking back up again. And the met coal exports from the U.S. are forecast to increase about 7.5%. Now we can be bullish or we could be bearish about China. I prefer to be bullish. The Chinese manufacturing PMI index came in above 52%. That's the highest reading in 2 years. So I believe that there is some demand there. We know that there's healthy demand from the auto sector. So we feel good about coal going forward.

On the intermodal side, there's no doubt there's a headwind from the storage piece and as I noted in the prepared remarks, we're seeing those markets -- excuse me, those congestion charges unwind even faster than we expected. Even though we predicted a year ago that they were going to unwind faster, so as those normalize, that's good for volume, as I noted on the IPI side. And think about it this way, for our international volume to grow 9%, that was freight that was moving on the highway last year. And we talked a lot last year about how it was going to revert to the mean when markets normalize, and that's what we're seeing right now.

Alan H. Shaw
President, CEO & Director

Brian, with respect to hearings, the NTSB has announced it may conduct a field hearing this summer, as you noted. That date has not yet been finalized. We don't really have anything else scheduled at this point, but that doesn't mean others won't pop up. I met with the chair of the NTSB just last week and committed our full cooperation with their investigation. And you saw as soon as the NTSB released its preliminary results, we initiated a 6-point safety plan. And I'll also note that I've been in D.C. multiple occasions with our elected officials and with our regulators, offering my full-throated support for many of the provisions in the rail safety bills that are out there.

We are going to take and we have taken an industry-leading role in advancing these safety initiatives, and we embrace that role.

Operator

[Operator Instructions] Our next question is from Tom Wadewitz with UBS. Okay. We will come back to him. And our next question will be from Jeff Kauffman with Vertical Research Partners.

Jeffrey Asher Kauffman
Vertical Research Partners, LLC

Congratulations on a challenging quarter. I've only got 1 question. Everyone is trying to figure out is this a recession? Is this not a recession? Are we heading into a recession? There's a lot of anomalies in your data because of the single track that you're running in a key part of your line and the effect that's having on traffic. But I'd love to hear your view in terms of what's the macro? Where do you believe we're headed? And then kind of how do we back out the effect of your remediation efforts on your own traffic volumes here?

Alan H. Shaw
President, CEO & Director

Ed, you're about as tight with our customers as can be. Why don't you talk about what you're hearing?

Claude E. Elkins
Executive VP & Chief Marketing Officer

Sure. I think the one word that describes it best is murkiness, and quite frankly, it doesn't matter whether you're on the consumer side of the coin or on the industrial side, there is a clear line of sight, I think, on the industrial markets for a quarter or 2 of demand. We see that clearly. We also see clearly that there is further deterioration in the truckload markets right now. The real question is the second half of the year. And you have heard from other calls and other entities that probably their outlook has changed somewhat, particularly on the consumer side. But we know that there's still pent-up demand in many of these industrial markets.

So I am with you in terms of there's a lot of cross currents out there and a tremendous amount of, again, murkiness, but I think the one thing I want to reassure you of is we are positioning ourselves to be ready when these markets do turn and they will turn.

Operator

And we will come back to Tom Wadewitz with UBS.

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Thomas Richard Wadewitz
UBS Investment Bank, Research Division

Mark, I wanted to ask you if you could help us think about operating ratio. You've got a lot of moving parts right now. It seems pretty clear when you look at second half maybe or beyond June, you could see some help from the network being more fluid. But how do we think about maybe seasonal pattern in OR relative to what's normal if you think about 2Q versus 1Q? Or if you assume stability in volume or some pickup in volume, how do you think about it in the second half, given that you've got storage charges revenue per car maybe in export? Just a lot of moving parts, but any thoughts on OR would be helpful.

Mark R. George
Executive VP & CFO

Yes. Thanks for the question, Tom. So Look, I think inflation is going to be a consistent pressure point for our operating ratio throughout the year. So if we think about that as probably a primary headwind. I'd say that's probably fairly consistent throughout the year. Service has kind of emerged in the first quarter as kind of a bigger headwind, and we were expecting that really to start unwinding here. And the reality is, it may continue to be a headwind for another quarter before that starts to flip and become a tailwind in the second half, assuming service does get back to where we know it should be kind of where we were in that January time frame. Let's not forget we really did have a very good January and the pain we're seeing here in the quarter is really a result of just February and March.

I do believe that we get some volume in the back half of the year, that will represent some tailwind and then I think the third component to bear in mind is fuel, as touched upon earlier, there's been a tailwind here in the first quarter. It might be a modest tailwind in the second quarter. And again, if the fuel curves hold constant, it will become more of a headwind in the back half.

Operator

Our next question is from Ravi Shanker with Morgan Stanley.

Ravi Shanker
Morgan Stanley, Research Division

So just a couple of follow-ups here. Just on the settlement itself, is the message from you that the accrual that you made in 1Q is like the high watermark for how much it's going to cost you and could potentially come down as you get the insurance claims? Or kind of do you think that as the settlements are kind of further legal action or something takes place over the next several years kind of that number could go up. Just trying to mention what [in terms of] number does over time. And also, I think you guys have been the kind of biggest proponents of using mixed freight trains of probably any of the U.S. [castle] or railroads. Do you think your ability to run that is going to be slightly diminished kind of post this acumen?

Alan H. Shaw
President, CEO & Director

Ravi, I think Mark was pretty clear that there are some moving parts in our estimate. There are some things that we know that are going to hit that have not been estimated. That includes additional charges. It also includes the potential for insurance claims and also recoveries from other third parties. What we've given you now is what we're able to accrue.

With respect to our mix freight, our new train marshalling rules, which have really enhanced the use of DP are going to allow us to leverage that and drive productivity into that network.

Operator

Our next question is from Jason Seidl with TD Cowen.

Jason H. Seidl
TD Cowen, Research Division

How should we think about headcount sequentially sort of as we move throughout the year? And you mentioned your below minimum staffing levels in a good part of your network. And then I think before you mentioned this time around, even in the downturn, you're going to think about furloughs a lot differently than you have in the past. I would just like to get a little bit of color on that.

Alan H. Shaw
President, CEO & Director

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Well, Jason, as we talked about, as we articulated our unique vision for the industry, we are going to invest throughout a downturn because we want to make sure we're there for the upturn. It's not a question of, if demand returns, it's only a question of when. And we're taking a long-term approach. That's the right thing to do for our shareholders and our customers and our employees and the communities we serve. You want to add a little bit more color on headcount, Mark?

Mark R. George
Executive VP & CFO

Well, yes, I think you see that we've got some trajectory in Paul's slide on our T&E count. We still have over 900 of conductor trainees. And as Paul mentioned, we've got a fair amount of our key locations that are still below our targeted levels. And we want to get to resilient levels in our locations here because we're feeling the pain of not being resilient. We made a promise to be resilient in our new strategy, and we're committed to get there. Unfortunately, we're not there yet, and that's part of why you're seeing us deal with the service challenge here again here in the second quarter.

So there's more hiring to do. I think you'll start to see once we get to the levels we determine are appropriate at all of our locations we'll bring our trainee counts down probably by more than half of where they are today, and that will help us just handle normal attrition. But remember, the targeted numbers for headcount really is a dynamic number. And it does depend on the volume outlook and the demand outlook by area, by commodity type, by lane. So there's really a lot more sophisticated modeling than ever we put into trying to determine what our appropriate levels are. So I think you will continue to see it go up throughout the course of the year.

Operator

Our next question is from Justin Long with Stephens Inc.

Justin Trennon Long
Stephens Inc., Research Division

I wanted to circle back to intermodal. If I look at your domestic intermodal volumes, they've declined sequentially for 3 consecutive quarters. And obviously, there's weakness in demand that you've talked about, and that's well known. But what's your confidence that first quarter is the bottom in terms of domestic intermodal volumes? Or is there a potential we see sequential pressure continue into 2Q?

Claude E. Elkins
Executive VP & Chief Marketing Officer

I think it's really going to be predicated by what happens in the overall economy, particularly that consumer sector. We continue to get very strong reports from our customers regarding their ability to win bids going forward. So we're bullish on that part. I think you've heard in other places, though, that many times those bids, the volumes are not manifest themselves at the rate that they were advertised so to speak, because the demand is not there. We're keeping a very close eye on the inventory sales ratio, which is about normal now, there's still maybe a little bit of replenishment to do in certain sectors, but we're close to normal on that front. So we're watching very closely what's happening in the macro economy, I firmly believe that as the market rotates, we will be very well positioned to take advantage of that first [hint] of growth that comes out of the gate.

Alan H. Shaw
President, CEO & Director

Yes, we're aligned with the best channel partners in the industry. And they're investing for growth right now through this soft patch. So we're going to grow with them. And Ed, you were able to take share from truck and the international market.

Claude E. Elkins
Executive VP & Chief Marketing Officer

No, that's exactly right. I would also say we're putting a lot of emphasis on the quality of our intermodal product at the terminal level. And we are also focused on first and final mile markets and how we can deliver additional value there. So we're very well positioned, we believe, to come out of this as the market rotates.

Operator

Our next question is from Walter Spracklin with RBC Capital Markets.

James McGarragle
RBC Capital Markets, Research Division

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This is James McGarragle, I'm on for Walter this morning. I wanted to ask a question though related to the new Scout Motors EV plant in South Carolina. Are you able to discuss any other opportunities like this that you have in the pipeline? And now looking a little longer term, what's the team's strategy to bring more of this type of business to the railroad. Is it utilizing excess real estate or selling and eventually improved service product? Or anything else you can speak to?

Claude E. Elkins
Executive VP & Chief Marketing Officer

Sure. Absolutely. We have over 600 active projects in our pipeline. And while we can't talk about really any of those, many of them under NDA, what I can tell you is that we are really well positioned to serve the EV and battery ecosystems including support for additional battery manufacturing and as they search for plant sites for manufacturing. The recent Scout Motors assembly plant and proposed reopening of a lithium mine nearby, present some more unique opportunities for us.

There's 3 opportunities really for us to participate in the EV space. One is moving raw materials, one is moving components and one is moving the finished vehicles. We're actively working on all 3 of those segments.

Operator

Our next question is from David Vernon with Bernstein.

David Scott Vernon
Sanford C. Bernstein & Co., LLC., Research Division

So Mark, can you talk a little bit about the trajectory for cost per employees to kind of go throughout the year, the $140 million level, is that a good number to be modeling off of and then, Ed, if you wouldn't mind, maybe -- I want to take a run at asking you to mention how much the accessorial and surcharge revenue headwind could be inside of the intermodal ARPU. I just want to make sure we're not confusing the minus 1 in ARPU ex fuel with core price as opposed to accessorial. And if you could help us to mention that, that would be helpful.

Mark R. George
Executive VP & CFO

Yes. David, real quick, on the comp and ben per employee. First quarter it was pretty much like I had guided last quarter that $35,000 range. And I do expect it to kind of go sideways from here throughout the course of the year. We will have a step up in the third quarter just from the wage increase that happens for the agreement folks, another 4% here in the third quarter, but that should be mitigated by a wind-down and in some of these service-related costs. So I'd say it's going to be in that $35,000 and change territory throughout the year, per quarter.

Claude E. Elkins
Executive VP & Chief Marketing Officer

Yes. And on the [indiscernible] side, we made it pretty clear I think we expect year-over-year declines in accessorial revenue. It's a really [indiscernible] be a significant headwind to revenue or ARPU less fuel for the remainder of '23 and that's going to be offset by some positive impacts from price and volume, [indiscernible] plan. And then beginning in '24, the revenue from accessorial charges is likely to be much more in line with what we've experienced pre-pandemic. First quarter, we took a significant step towards normalization, as I noted.

Operator

Our next question is from Jon Chappell with Evercore ISI.

Jonathan B. Chappell
Evercore ISI Institutional Equities, Research Division

Mark, on your Slide 7, when you lay out the OpEx components, I understand there's a lot of inflation associated with that. But is there any way to talk about some of the costs associated with just running the one line at a reduced speed from the beginning of March. What we should think about that cost component to be in the second quarter as you go through June? And do you think that those will really be ring-fenced then into the second quarter with kind of normalization starting in early 3Q?

Mark R. George
Executive VP & CFO

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Yes, Jon, I'd say the cost related to the service disruption we've had, they show up a little bit in the comp and ben with regard to recrews and overtime, they show up in the purchase services as well. Part of that is related to drayage costs that we have to incur, taxis and we've even had to enter into some short-term land leases just to relieve some congestion in the terminal.

So that's kind of where you see that play out. And I think that will persist into the second quarter and diminish in the second half. And similarly, in materials is kind of where I'd say the bigger impact was, and that's related to the locomotive restorations that we've had to do here, just to try to provide some immediate relief to the yards and to our line of road to deal with this disruption. So that, again, will probably -- we'll probably still have some incremental cost of materials in that second quarter and start to diminish in the third and fourth quarter.

Operator

Our next question is from Ari Rosa with Credit Suisse.

Ariel Luis Rosa
Crédit Suisse AG, Research Division

So Alan, you mentioned that the crew is operating properly and there were no track defects in the East Palestine incident. Just curious to hear what do you think could have been done differently to avoid that incident? And then with the 6-point plan that you guys have proposed, just wanted to get a sense for what you think the costs are associated with that and kind of what the steps are moving forward. Is that included in the $387 million? Or is that a separate cost?

Alan H. Shaw
President, CEO & Director

Yes. Obviously, as CEO, I think about that every day. What could we have done better? What could we have done differently? And I asked my team in the immediate aftermath to come up with some solutions. As soon as we got the preliminary results of the NTSB report, you saw the 6-point Safety Plan, which included adding $200 million hot box detectors across our network. And I'll note that the spacing of our hot box detectors was already amongst the lowest in the industry. But you know what, we can do better. We're augmenting that. And so we're adding about 25% more hot box detectors.

We're partnering with the Georgia Tech Research Institute on next-generation machine visioning, inspection portals. And the first one is going to go up outside of East Palestine. So there are a couple of things that we're doing there. They're all to enhance safety because we're going to continue to focus on doing better. That's our goal.

Mark R. George
Executive VP & CFO

And Ari, the cost related to that 6-point plan, it's really largely the capital associated with those incremental hot box detectors, which we said would be in that $50 million neighborhood over the next couple of years. So not a meaningful impact to our overall CapEx budget.

Operator

We have reached the end of our question-and-answer session. I would like to turn the call back over to Mr. Alan Shaw for closing comments.

Alan H. Shaw
President, CEO & Director

Yes. Thank you for your interest in Norfolk Southern and your time this morning. Have a good morning.

Operator
Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines, and have a wonderful day.

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