

NORFOLK SOUTHERN CORP

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Subject Company: Norfolk Southern Corporation (Commission File No. 001-8339)

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This communication is neither an offer to purchase or exchange nor a solicitation of an offer to sell securities. This communication relates to a proposed business combination between Canadian Pacific Railway Limited ("CP") and Norfolk Southern Corporation ("NS").

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Canadian Pacific posted a link on the websites [www.cpr.ca](http://www.cpr.ca) and [cpconsolidation.com](http://cpconsolidation.com) to a video replay of an interview given by Hunter Harrison on March 8, 2016 and posted on [www.BNN.com](http://www.BNN.com). The following is a transcript:

Canadian Pacific Railway

First on BNN: CP Rail Chief Hunter Harrison on Norfolk Proposal and More

Event Date/Time: March 8, 2016

Q&A

Frances Horodelski

It's been a challenging year for railroad investors. The railroad index was down about 30 percent in 2015; essentially flat so far this year in midst of an oil slump, recessionary fears.

Investors are also, however, looking at the possibilities for consolidation, led by our next guest, the CEO of CP Rail Hunter Harrison.

Good morning.

E. Hunter Harrison —Chief Executive Officer, Canadian Pacific Railway

Good morning, Frances.

Frances Horodelski

Nice to see you here. It was about a year to the day that we had a conversation in this studio.

E. Hunter Harrison

It was.

Frances Horodelski

And at that time we were talking about consolidation, which was much on people's minds then. Still is.

Let's start with how it got so complicated. We've got declaratory orders, we've got voting trusts, we've got contingent value rights; this is all surrounding your offer for Norfolk Southern. Does it need to be this complex?

E. Hunter Harrison

No, it doesn't. It's, you know, it should be a pretty simple process, but when politics get involved things tend to get complicated.

Frances Horodelski

Let's start with the declaratory order which you have filed with the Surface Transportation Board. That seems to maybe clear the way; you're hoping it clears the way. Tell us a little bit about that, but also the timing on it because I understand that it's kind of open ended. The SCB can take as much time as they want to address that issue.

E. Hunter Harrison

But, you know, they never have. If you look historically, I think there have been like 144 requests for trust with the railroads, and 144 have been granted. For some reason this one was kind of a—you know, kind of set off more discussion than we anticipated. Our friends at Norfolk Southern raised issues that weren't going to be successful in getting approval, and so rather than go through and argue about it we said we'll seek declaratory order. And our shareholders had said the same thing; let's get this behind us and find out. And if we can't get that done then it's a dead issue and we'll move on.

Frances Horodelski

Those 144 approvals though, they were for smaller deals I would imagine.

E. Hunter Harrison

Well, no. Some of them were very large deals. One of them was—one that I'm very familiar with was Canadian National and Illinois Central. They—you know, they weren't any of the big UP-SP type arrangements, but they were pretty sizable issues. And they were noncontroversial. For some reason, and I wish I could explain it to you, this one became very controversial.

Frances Horodelski

Is it as simple as offering more?

E. Hunter Harrison

No. You know, it's really—gives us the ability to close a transaction and to go on and pay people their money and not have to go through 18 months to 24 months to wait for people to get their money and go through so-called dead money. People don't like dead money laying out there. So this just gives you a vehicle to close the transaction, subject to approval of the Surface Transportation Board.

Frances Horodelski

If it was turned around, and what you're proposing in terms of this voting trust issue is to put CP's assets into the trust and then for you to turnaround and manage Norfolk Southern. If it was turned around, would you agree to a deal structured that way?

E. Hunter Harrison

Sure.

Frances Horodelski

As simple as that.

E. Hunter Harrison

Yes.

Frances Horodelski

You would give up your position and allow, in this case, let's say Jim Squires to run your enterprise.

E. Hunter Harrison

We offered him that.

Frances Horodelski

And he turned it down flat?

E. Hunter Harrison

Yes. I mean, he—you know, it was kind of a cold question to him. I'm not saying he had a lot of time to reflect on it, but the first day I visited with him I invited him to be part of our organization and to discuss the various roles that we could play. And at that time he chose not to accept that, which I respect. And now we're where we are.

Frances Horodelski

You're trying to get a question on the proxy material for the next annual meeting for Norfolk; should be sometime in May. Their proxy material hasn't come out yet. What are the—what are the odds of you getting that question on to take this question directly to Norfolk Southern shareholders?

E. Hunter Harrison

Well, we think they're pretty high. Where this all started was with the shareholders. The shareholders of both companies came to us and said, you know, if we could take your numbers, your operating metrics and overlay them over another carrier, the numbers would be overwhelming. So that's where the process got started and began. And now we're to the point where this resolution that we've gotten down to—which is nonbinding, by the way—will be an opportunity for the shareholders to vote one way or the other and say that they should at least sit down and talk to us. And that's the one thing, I guess, we're probably the most disappointed in. I mean, you know, people see things different ways; we understand and appreciate that. But we don't understand the point of saying we will not talk. And one of their representatives said, there's been enough talk. Well, there was two people talking for two hours. Now this is a pretty complex transaction to just walk away after two hours. So we're hopeful that that will clear up some of the air.

And if the shareholders vote and say, you know, don't show confidence then we'll move on.

Frances Horodelski

So and that—there has been discussion recently—a year ago we were talking about the possibility of a CP-CSX merger. That seems to have come up again recently. You and your team have approached CSX. That's the discussion. Did you approach them again? And was their answer no again?

E. Hunter Harrison

Well, you know, we had discussions with them again. I don't think—

Frances Horodelski

What does that mean?

E. Hunter Harrison

Well, neither one said no. You know, there was not—nobody made any offers. We sat down and did what we call let's explore some opportunities. Now the next thing you know we were rebuffed. Well, I don't know how we got rebuffed because never made an offer.

We have always been for transactions and to expand the rail network in North America. We think it's inevitable, we think it's a way to add additional capacity without adding infrastructure, and it helps answer some of the challenges that the rail industry's going through.

Frances Horodelski

And those challenges, a lot of them focus on Chicago, and your discussions focus a lot on Chicago. You suggest that there's a lot of ways that you can alleviate the choke point that is Chicago. But everybody recognizes that Chicago's a problem. In my reading, all of the railroads do. Why do they not come forward with proposals of their own in terms of alleviating these problems? Or do they have things up their sleeve that they can use to solve this problem?

E. Hunter Harrison

Well, we don't have anything up our sleeve. We've been talking about this—

Frances Horodelski

I meant in terms of suggestions.

E. Hunter Harrison

No. I guess they don't see the world as we see it. They know that if there's something to be done in Chicago it will probably involve a merger. They're clearly not for mergers or transactions right now.

There was a recent study done by some retired individuals, rail execs that I have a great deal of respect for, who came up with some pretty good ideas about alleviating some of the problems in Chicago. And that—

Frances Horodelski

Non-merger ideas?

E. Hunter Harrison

Yes.

Frances Horodelski

Yes. Okay.

E. Hunter Harrison

Just an open book. What would you do in Chicago if you didn't have to worry about anything but physically moving trains safer and more effectively through Chicago? And it's laying on a shelf now collecting dust.

Frances Horodelski

Well, we're going to get further on that, the Chicago issue, the merger issue, and also the railroad industry.

We'll continue our conversation with Hunter Harrison, President and CEO of CP Rail right after this break.

Frances Horodelski

We're back with Hunter Harrison, President and CEO of CP Rail. Of course we've been talking about consolidation. In terms of the discussion, you've heard from, I understand, a lot of the shippers; those are your clients. Many are on side, but I understand FedEx and UPS are not. What are they seeing that you're not seeing? And why would they be against such an arrangement.

E. Hunter Harrison

Well, number one, I really don't know. If I had to speculate, my friends at Federal Express that I grew up with in Memphis, their home and my home, I don't know where they gained all this knowledge about railroads. And I was a little disappointed. You know, I don't mind people objecting to the transaction, but maybe they should discuss it with you. And so there's been no discussion. And I would imagine, the truth be known, somebody asked them to take that position, and they did it.

Frances Horodelski

And they took it. Just back to Norfolk Southern and CSX; does it matter which one in the end you merge with?

E. Hunter Harrison

No.

Frances Horodelski

No.

E. Hunter Harrison

And will—you said earlier that you had a conversation with CSX. Do you think you'll go back? Or will you go back more seriously with an offer?

E. Hunter Harrison

Well, you know, it's hard to speculate on what's going to happen, what they're going to do, what others are going to do; how this vote might come out. We believe strongly that consolidation would be healthy for North America. We believe we could fit end to end with anyone and create a stronger rail system. So if somebody wanted to merge with us, both companies work in the east; the ones in the west would fit too but they're a little large realistically for us to do a transaction with. So I wouldn't shut the door on it. I would say this: we're not going to lose focus on how we got here, and that's about running a good railroad at Canadian Pacific; that our first fiduciary responsibility is to those shareholders. And I don't want people to get the wrong impression that we're going to get so focused on this merger we're going to forget about what our job is.

So I would imagine at this point in time if we don't win the vote and there's not confidence shown from the shareholder that we'll move forward with CP. And we've got a good operation. Things are turning our way; we're pretty proud of that, and I think that'll be our next step.

Now if somebody picks up the phone in the next day and calls and says, hey, let's reconsider this, we would listen.

Frances Horodelski

Just a few other questions, because you talked about the operations at Norfolk Southern. It is a management issue? Is it a Jim Squires issue with that railroad?

E. Hunter Harrison

As far as our objections? Or...

Frances Horodelski

No, as far as their operating structure and their levels of profitability, which you believe you can correct.

E. Hunter Harrison

Well, I guess it's we think we could maybe add something to it. I don't want to sit here and be critical of Norfolk Southern. They run a good railroad. There has been some—clearly if you look at the numbers, there's been a little slippage. Now, some of that's obvious from coal and they've had some not-so-good breaks as we've had with crude. So we've been through similar type situations.

So it's not our job, or my job, to sit here and criticize Norfolk Southern. We just think, for an example, that we could put the two carriers together end-to-end, and it will make a stronger rail system.

Frances Horodelski

You mentioned crude. I know you've been quoted as saying the bottom fell out of crude; everybody kind of knows that. Operationally, we talk a lot in this country and politically about pipelines; a lot of discussion about energy east. And that in the end proponents say pipeline's much safer than railroads. Your response?

E. Hunter Harrison

You know, I don't think it's ever been a safety issue. I think both of us are needed at this point in time until there's some transition to other energy sources. We have not opposed any building of pipelines. We're going to do what we can do. I hope they do what they can do safely, and I don't think it's really an issue of safety.

Frances Horodelski

And just finally, I know your crystal ball is probably as clear as mine, but if we sit down a year from now do you think you will have gotten through all of these hurdles for Norfolk Southern and you will be a combined entity.

E. Hunter Harrison

I pray every night that that might happen. Yeah, I think that—you know, I think there's a strong possibility of that.

Frances Horodelski

Okay, Hunter.

E. Hunter Harrison

But they might give you another answer.

Frances Horodelski

Well, we'll see you in a year's time. Well, hopefully we'll see you before that.

E. Hunter Harrison

Right.

Frances Horodelski

Thank you very much.

E. Hunter Harrison

Thank you.

Frances Horodelski

Hunter Harrison, CEO—President and CEO of CP Rail.