

BACKGROUND on 1986 Speech by T Finkbiner to NS Employees

This video was made in October 1986. Norfolk Southern Corporation (NS) had just purchased North American Van Lines, Inc. (NAVL) from Pepsico Corporation. NS was sitting on a billion dollars in cash and was trying to figure out what to do with it--they could not spend it on the railroad because they were not making their cost of capital! (The late 1980s was the early part of the "vulture capital" era where financiers were buying companies with the companies own cash and NS was trying to avoid this but wanted to stay in transportation.)

In 1986, NAVL had the biggest truckload operation in the US with \$250 million in revenue; JB Hunt had less than \$150 million; and Schneider was at about \$185 but still unionized (teamsters). Arnold McKinnon, who was then EVP of Marketing for NS, and Jim McClellan, who was Director of Strategic Planning, did the deal with Pepsico. McClellan was convinced that intermodal was the way to go and convinced Arnold to sponsor the deal. The deal was consummated in August 1986 but had to be approved by the US Congress because there was a restriction on railroads buying truck lines, the result of the earlier era of regulation (this exemption, which also allowed UP to buy Overnite) was tacked on to another bill and passed at the end of June 1987. So NS owned NAVL at the time but was unable to operate it. In 1985 NS had intermodal revenues of \$240 million but an operating loss of over \$1 Million so was doing poorly and hoped that the NAVL acquisition would energize the intermodal program.

I was Vice President of Marketing & Administration for North American Commercial Transport, the truckload arm of NAVL, and appointed the official NAVL/NS liaison. The NS management invited me to Brosnan Forrest, the official NS retreat near Columbia, South Carolina, to give a speech to the Senior Management group about what it would take to be successful in the intermodal business. I had just finished a six-week tour of the NS facilities and intermodal business, and what you see in this video is the result of my visit--you had "junk service," using "junk equipment" and "junk schedules" through "junk facilities" and you were going to have to change all of that if you ever wanted to have a good intermodal business.

Three months after the purchase on 1 November 1987, I was literally hi-jacked to Norfolk ("I would really appreciate it if you would take this job, son!!"- Arnold McKinnon, then Chairman of the Board of Norfolk Southern Corporation) and made Assistant Vice President of Intermodal & International Marketing for Norfolk Southern Corporation. At age 35, I was one year younger than the next youngest person ever to be appointed an Assistant Vice President (the famous Bill Brosnan of Southern Railroad later Chairman, President, & CEO of Southern Railroad and the first President of Norfolk Southern Corporation).

This background provides context and perspective to this speech.