UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 1999

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ---------- to ----------

Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	52-1188014
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Three Commercial Place Norfolk, Virginia	23510-2191
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code (757) 629-2680

No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (X) Yes ( ) No

The number of shares outstanding of each of the registrant's classes of Common Stock, as of the latest practicable date:

Class	Outstanding as of October 31, 1999
Common Stock (par value $1.00)	380,627,779 (excluding 21,627,902 shares held by registrant's consolidated subsidiaries)

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
($ in millions except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Railway operating revenues:				
Coal	$ 369	$ 321	$ 949	$ 960
General merchandise	864	597	2,210	1,824
Intermodal	267	130	565	409
TOTAL RAILWAY OPERATING REVENUES	1,500	1,048	3,724	3,193
Railway operating expenses:				
Compensation and benefits	574	370	1,355	1,131
Materials, services, and rents	354	206	837	602
Conrail rents and services (Note 3)	141	--	192	--
Depreciation	121	112	352	328
Diesel fuel	74	41	159	134
Casualties and other claims	36	21	100	73
Other	54	40	148	123
TOTAL RAILWAY OPERATING EXPENSES	1,354	790	3,143	2,391
Income from railway operations	146	258	581	802
Equity in earnings of Conrail				

(Note 3)	--	53	49	135
Other income - net	24	19	72	91
Interest expense on debt	(134)	(129)	(393)	(384)
Income from continuing operations before income taxes	36	201	309	644
Provision for income taxes	17	50	101	174
Income from continuing operations	19	151	208	470
Discontinued operations (Note 4):				
Loss from motor carrier operations, net of taxes	--	--	--	(1)
Gain on sale of motor carrier, net of taxes	--	7	--	105
Income from discontinued operations	--	7	--	104
NET INCOME	$ 19	$ 158	$ 208	$ 574

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (continued)
($ in millions except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Per share amounts (Note 6):				
Income from continuing operations, basic	$ 0.05	$ 0.40	$ 0.55	$ 1.24
Income from continuing operations, diluted	0.05	0.40	0.55	1.23
Net income, basic	0.05	0.42	0.55	1.52
Net income, diluted	0.05	0.42	0.55	1.51
Dividends	0.20	0.20	0.60	0.60

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
($ in millions)
(Unaudited)

September 30, December 31,

	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41	$ 5
Short-term investments	15	58
Accounts receivable, net of allowance for doubtful accounts of $5 million and $4 million, respectively	906	519
Materials and supplies	77	59
Deferred income taxes	143	141
Other current assets	134	131
Total current assets	1,316	913
Investment in Conrail (Note 3)	6,141	6,210
Properties less accumulated depreciation	10,903	10,477
Other assets	757	580
TOTAL ASSETS	$19,117	$18,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 3)	$ 83	$ --
Accounts payable	896	600
Income and other taxes	178	151
Other current liabilities	325	225
Current maturities of long-term debt (Note 5)	572	141
Total current liabilities	2,054	1,117
Long-term debt (Note 5)	7,329	7,483
Other liabilities	1,105	1,065
Minority interests	51	49
Deferred income taxes	2,653	2,545
TOTAL LIABILITIES	13,192	12,259
Stockholders' equity:		
Common stock $1.00 per share par value, 1,350,000,000 shares authorized; issued 402,202,604 shares and 401,031,994 shares, respectively	402	401
Additional paid-in capital	324	296
Accumulated other comprehensive income (Note 7)	(12)	(8)
Retained income	5,231	5,252
Less treasury stock at cost, 21,627,902 shares	(20)	(20)
TOTAL STOCKHOLDERS' EQUITY	5,925	5,921
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$19,117	$18,180

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
($ in millions)
(Unaudited)

Nine Months Ended
September 30,

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 208	$ 574
Reconciliation of net income to net cash provided by continuing operations:		
Depreciation	363	337
Deferred income taxes	52	51
Equity in earnings of Conrail (Note 3)	(23)	(135)
Nonoperating gains and losses on properties and investments	(28)	(41)
Income from discontinued operations	--	(104)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(371)	9
Materials and supplies	(16)	--
Other current assets	39	34
Current liabilities other than debt	345	67
Other - net	(3)	(31)
Net cash provided by continuing operations	566	761
Net cash used for discontinued operations	--	(2)
Net cash provided by operating activities	566	759
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions (Note 5)	(712)	(685)
Property sales and other transactions	73	59
Investment in Conrail	(2)	(38)
Investments, including short-term	(103)	(108)
Investment sales and other transactions	180	108
Proceeds from sale of motor carrier (Note 4)	--	207
Net cash used for investing activities	(564)	(457)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(228)	(227)
Common stock issued - net	18	29
Proceeds from borrowings (Note 5)	848	133
Debt repayments	(604)	(164)
Net cash provided by (used for) financing activities	34	(229)
Net increase in cash and cash equivalents	36	73
CASH AND CASH EQUIVALENTS:*		
At beginning of year	5	34
At end of period	$ 41	$ 107

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
($ in millions)
(Unaudited)

	Nine Months Ended September 30, 1999	1998
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		

Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 312	$ 323
Income taxes	$ 17	$ 78

* Cash equivalents represent all highly liquid investments purchased three months or less from maturity.

See accompanying notes to consolidated financial statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. In the opinion of Management, the accompanying unaudited interim financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Corporation's financial position as of Sept. 30, 1999, and results of operations and cash flows for the nine months ended Sept. 30, 1999 and 1998.

   Although Management believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements should be read in conjunction with: (a) the financial statements and notes included in the Corporation's latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

2. Commitments and Contingencies

   There have been no significant changes since year-end 1998 in the matters discussed in Note 16, COMMITMENTS AND CONTINGENCIES, appearing in the NS Annual Report on Form 10-K for 1998, Notes to Consolidated Financial Statements, beginning on page 80.

3. Investment in Conrail and Operations Over Its Lines

   Overview

   NS and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC), the major railroad in the Northeast. From May 23, 1997, the date NS and CSX completed their acquisition of Conrail stock, until June 1, 1999, Conrail's operations continued substantially unchanged while NS and CSX awaited regulatory approvals and thereafter devoted significant effort to prepare for the integration of the respective Conrail routes and assets to be leased to their railroad subsidiaries, Norfolk Southern Railway Company (NSR) and CSX Transportation, Inc. (CSXT). From time to time, NS and CSX, as the indirect owners of Conrail, may need to provide some of Conrail's cash requirements through capital contributions, loans, or advances.

   Commencement of Operations

   On June 1, 1999 (the "Closing Date"), NSR and CSXT began operating the Conrail routes and assets leased to them pursuant to operating and lease agreements.

3. Investment in Conrail and Operations Over Its Lines (continued)

The Operating Agreement between NSR and Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of CRC, governs substantially all nonequipment assets to be operated by NSR and has an initial 25-year term, renewable at the option of NSR for two five-year terms. Payments under the Operating Agreement are based on appraised values that are subject to adjustment every six years to reflect changes in such values. NSR also has leased or subleased for varying terms from PRR a number of equipment assets at rentals based on appraised values. NSR's payments to PRR under the Operating Agreement and lease agreements currently amount to approximately $340 million annually. In addition, all costs necessary to operate and maintain the PRR assets are borne by NSR. CSXT has entered into comparable arrangements, for the operation and use of certain other CRC assets, with another wholly owned CRC subsidiary.

NSR and CSXT also have entered into agreements with CRC governing other Conrail properties that continue to be owned and operated by Conrail (the "Shared Assets Areas"). NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas.

As a result of these transactions, both NS' railroad route miles and its railroad employees increased by approximately 50 percent, effective June 1, 1999. NSR and CSXT now provide substantially all rail freight services on Conrail's route system, perform or are responsible for performing most services incident to customer freight contracts, and employ the majority of Conrail's former work force. Consequently, NSR began to receive all freight revenues and incur all operating expenses on the PRR lines it now operates.

Since June 1, 1999, difficulties in NSR's integration of the PRR routes and assets have affected adversely both revenues and expenses. The higher expenses included the cost of a special incentive program available to unionized employees for much of the third quarter, higher labor costs and equipment rents, and service alteration costs to meet the needs of shippers. A long-term failure by NSR to integrate successfully these PRR properties could have a substantial adverse impact on NS' financial position, results of operations, and liquidity.

Accounting Treatment

NS is applying the equity method of accounting to its investment in Conrail in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock."

In August 1998, the effective date of the STB decision approving the Conrail transaction, NS' investment in Conrail exceeded its 58 percent of Conrail's net equity by $4.1 billion. This excess

3. Investment in Conrail and Operations Over Its Lines (continued)

has been allocated to the fair values of Conrail's assets and liabilities, using the principles of purchase accounting, as follows:

Property, equipment, and investments in railroads	$ 6,708
Other assets, principally pension and other employee benefit plans and trusts	224
Debt revaluation and other liabilities	(209)
Deferred taxes	(2,585)
Total	$ 4,138

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NS is amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated remaining useful lives of Conrail's property and equipment, including the related deferred tax effect of the differences in tax and accounting bases for certain assets. At Sept. 30, 1999, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was $4.0 billion.

NS' investment in Conrail includes $187 million ($115 million after taxes) of costs that will be paid by NSR. These costs consist principally of: (1) contractual obligations to Conrail employees imposed by the STB when it approved the transaction and (2) costs to relocate Conrail employees. Most of these costs are expected to be paid in the two years following the Closing Date; $56 million are classified on NS' balance sheet as "Current liabilities." However, certain contractual obligations by their terms will be paid out over a longer period and are classified as "Other liabilities" on NS' balance sheet. Through Sept. 30, 1999, NS has paid $23 million of these costs.

Effective June 1, 1999, NS' consolidated financial statements include the consolidated financial position and results of Triple Crown Services Company (TCS), a partnership in which subsidiaries of NS and PRR are partners. As a result, NS' total assets increased by approximately $140 million (including $121 million of properties, mostly RoadRailer (RT) equipment), and NS' total liabilities increased by approximately $130 million (including $109 million of long-term debt).

Related Party Transactions

Until the Closing Date, NSR and CRC had transactions with each other in the course of handling interline traffic. Most of the amounts receivable or payable related to these transactions have been satisfied.

3. Investment in Conrail and Operations Over Its Lines (continued)

NS provides to Conrail certain general and administrative support functions, the fees for which are billed in accordance with several service-provider arrangements.

"Conrail rents and services," a new line on the income statements beginning June 1, 1999, includes: (1) expenses for amounts due to PRR and CRC for use by NSR of operating properties and equipment, operation of the Shared Assets Areas, and continued operation of certain facilities during a transition period; and (2) NS' equity in the earnings (or loss) of Conrail, net of amortization.

"Other current assets" includes $51 million due from CRC, $39 million of which is for its vacation liability related to the portion of its work force that became NS employees on the Closing Date. NS increased its vacation liability accordingly, and will pay these employees as they take vacation.

"Accounts payable" includes $82 million due to PRR and CRC related to expenses included in "Conrail rents and services," as discussed above.

"Short-term debt" represents $83 million of interest-bearing loans made to NS by a PRR subsidiary, payable on demand.

Summary Financial Information - Conrail

The following summary financial information for Conrail should be read in conjunction with Conrail's audited financial statements included as an exhibit to NS' Annual Report on Form 10-K for 1998 filed with the Securities and Exchange Commission.

Conrail's operating results were significantly affected by the June 1, 1999, integration of PRR's and NYC's routes and assets with those of NSR and CSXT. Conrail's results of operations include freight line-haul revenues and related expenses through May 31, 1999, but reflect its new structure and operations since June. Conrail's major sources of operating revenues are now from NSR and CSXT. The composition of Conrail's operating expenses has changed also. Accordingly, meaningful comparisons to 1998's results are difficult.

Summarized Consolidated Statements Of Income - Conrail

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	($ in millions) (Unaudited)			
Operating revenues	$ 259	$ 976	$ 1,912	$ 2,886
Operating expenses	323	1,058	1,891	2,602
Operating income (loss)	(64)	(82)	21	284
Other-net	(21)	(23)	(66)	(66)
Income (loss) before income taxes	(85)	(105)	(45)	218
Provision for income taxes	(36)	(40)	(9)	83
Net income (loss)	$ (49)	$ (65)	$ (36)	$ 135

Note: Conrail's results in 1999 included after-tax expenses of $51 million in the third quarter and $117 million in the second quarter, principally to increase certain components of its casualty reserves based on an actuarial valuation and adjustments to certain litigation and environmental reserves related to settlements and completion of site reviews. Conrail's results in 1998 included a $187 million after-tax charge in the third quarter, primarily for estimated severance obligations to nonunion employees. These items were considered in the allocation of NS' investment in Conrail to the fair values of Conrail's assets and liabilities using the principles of purchase accounting and, accordingly, were excluded in determining NS' equity in Conrail's net income.

Summarized Consolidated Balance Sheets - Conrail

	September 30, 1999	December 31, 1998
	($ in millions) (Unaudited)	
Assets		
Current assets	$ 773	$ 1,005
Noncurrent assets	7,642	8,039
Total assets	$ 8,415	$ 9,044
Liabilities and stockholders' equity		
Current liabilities	$ 826	$ 1,207
Noncurrent liabilities	3,828	4,037
Stockholders' equity	3,761	3,800
Total liabilities and stockholders' equity	$ 8,415	$ 9,044

4. Discontinued Operations - Motor Carrier

During the first quarter of 1998, NS sold all the common stock of North American Van Lines, Inc. (NAVL), its motor carrier subsidiary. Proceeds from the sale in that quarter were $200 million, resulting in an $83 million pretax gain ($98 million, or $0.26 per share, after taxes). The higher after-tax gain was the result of differences between book and tax bases and the realization of deferred tax benefits. In the third quarter of 1998, as a result of a purchase price adjustment, NS recorded an additional after-tax gain of $7 million ($0.02 per share).

NAVL's results of operation and cash flows are presented as "Discontinued operations" in the accompanying 1998 financial statements. NAVL's operations in the first quarter of 1998 generated revenues of $207 million and a loss of $1 million.

5. Long-Term Debt

Term Notes

In April 1999, NS issued $400 million of 6.2 percent, 10-year term Senior Notes under its November 1998 $1 billion shelf registration and received net proceeds of $396 million.

5. Long-Term Debt (continued)

Equipment Trust Certificates

NSR issued equipment trust certificates in March and June 1999 and received net proceeds of $188 million. The certificates mature serially in the years 2000 through 2014, inclusive, and carry a weighted-average interest rate of 6.6 percent. Proceeds were used to acquire locomotives and freight cars, and, at Sept. 30, 1999, $14 million of the proceeds were included in "Other assets" and will be used later in the year to acquire additional equipment.

Capital Lease Obligations

During the first nine months of 1998, NSR entered into capital leases covering new locomotives. The related capital lease obligations, totaling $127 million, were reflected in the Consolidated Balance Sheet as debt and, because they were noncash transactions, were excluded from the Consolidated Statement of Cash Flows.

6. Earnings Per Share

The following table sets forth the reconciliation of the number of weighted-average shares outstanding used in the calculations of basic and diluted earnings per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In millions)			
Weighted-average shares outstanding	381	379	380	379
Dilutive effect of outstanding options and performance share units (as determined by the application of the treasury stock method)	1	2	2	2
Diluted weighted-average shares outstanding	382	381	382	381

There are no adjustments to "Net income" or "Income from continuing operations" for the diluted earnings per share computations. The calculations above exclude options whose exercise price exceeded the average market price for Common Stock. These totaled 5 million options in the first quarter, 7 million options in the second quarter, and 9 million options in the third quarter.

7. Comprehensive Income

NS' total comprehensive income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	($ in millions)			
Net income	$ 19	$ 158	$ 208	$ 574
Other comprehensive income	(2)	(1)	(4)	--
Total comprehensive income	$ 17	$ 157	$ 204	$ 574

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For NS, "Other comprehensive income" is the unrealized gains and losses on certain investments in debt and equity securities.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
and Results of Operations

In the following sections, NS provides data for corresponding periods in 1998 and, in some cases, indicates the percent of variance between the 1999 and 1998 data. However, NS cautions that all such data should be considered in light of the substantially different operating contexts to which they relate.

COMMENCEMENT OF OPERATIONS OVER CONRAIL'S LINES

On June 1, 1999, NS' railroad subsidiary (NSR) began operating a portion of Conrail's properties (NSR's new "Northern Region") under various agreements with Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of Consolidated Rail Corporation (CRC) (see Note 3). As a result, railroad route miles operated by NSR and railroad employees increased by approximately 50 percent. Results for the first nine months of 1999 reflect five months (January through May) of operating the former Norfolk Southern railroad system, plus NS' share of Conrail's earnings, and four months (June through September) of operating the new Norfolk Southern railroad system, which includes the Northern Region.

Since June 1, 1999, system congestion and other difficulties have complicated integration of the new routes. NSR has made progress in reducing congestion and continues to work diligently to resolve the operational issues and to reduce and clear the congestion. This effort has required additional labor and equipment resources, and the need for such additional resources is expected to continue until the congestion is cleared. In addition, some freight has been diverted from NSR, and, in some cases, NSR has incurred service alteration costs to meet the needs of shippers. The resulting decrease in revenues, coupled with increased costs, has negatively affected NS' results since June, and these effects will continue until the operational issues have been resolved. A long-term failure by NSR to integrate successfully the Northern Region could have a substantial adverse impact on NS' financial position, results of operations, and liquidity.

RESULTS OF OPERATIONS

Net Income

Net income for the third quarter of 1999 was $19 million, down $139 million, or 88 percent, compared with the third quarter of 1998. For the first nine months of 1999, net income was $208 million, $366 million, or 64 percent, below last year. Net income for the first nine months of 1998 included a $105 million after-tax gain from the sale of NS' motor carrier subsidiary, including $7 million recorded in the third quarter, which was reported in "Discontinued operations" (see Note 4). "Income from continuing operations" declined $132 million, or 87 percent, for the quarter, and $262 million, or 56 percent, for the first nine months. The declines in both periods were largely attributable to lower income from railway operations. The system congestion and related traffic diversions arising from the integration difficulties are estimated to have reduced operating income by $175 million in the third quarter and by $267 million since June 1, 1999.

Railway Operating Revenues

Third-quarter railway operating revenues were $1,500 million in 1999 and were $1,048 million in 1998. Railway operating revenues were $3,724 million for the first nine months of 1999, and were $3,193 million for the first nine months of 1998. As shown in the table below, the improvements were principally due to higher traffic volume, largely the result of the commencement of operations in the Northern Region. The revenue per unit variances reflect the consolidation of Triple Crown Services Company's (TCS) revenues, beginning June 1, 1999. Traffic diversions related to the operational difficulties resulted in estimated revenue losses of $73 million in the third quarter and $113 million since June 1, 1999, principally in the general merchandise commodity groups.

	Third Quarter 1999 vs. 1998 Increase (Decrease)	First Nine Months 1999 vs. 1998 Increase (Decrease)
	($ in millions)	
Traffic volume	$ 405	$ 488
Revenue per unit	47	43
	$ 452	$ 531

Revenues and carloads for the commodity groups were as follows:

	Revenues			
	Third Quarter 1999	Third Quarter 1998	Nine Months 1999	Nine Months 1998
	($ in millions)			
Coal	$ 369	$ 321	$ 949	$ 960
General merchandise:				
Automotive	190	129	537	412
Chemicals	206	145	520	436
Paper/clay/forest	159	133	426	409
Metals/construction	181	97	401	286
Agr./consumer prod./govt.	128	93	326	281
General merchandise	864	597	2,210	1,824
Intermodal	267	130	565	409
Total	$ 1,500	$ 1,048	$ 3,724	$ 3,193

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	Carloads			
	Third Quarter		Nine Months	
	1999	1998	1999	1998
	(In thousands)			
Coal	438	337	1,078	994
General merchandise:				
Automotive	155	110	446	354
Chemicals	129	100	342	304
Paper/clay/forest	126	111	341	344
Metals/construction	187	99	404	284
Agr./consumer prod./govt.	114	86	294	261
General merchandise	711	506	1,827	1,547
Intermodal	565	350	1,337	1,092
Total	1,714	1,193	4,242	3,633

After Dec. 1, 1999, some of the customers NSR serves in the Northern Region as successor to CRC contracts can elect to switch to CSXT. Likewise, some of CSXT's customers can switch to NSR. NS does not expect there to be a significant adverse effect from these potential traffic shifts.

Coal

Coal revenues were $369 million in the third quarter, versus $321 million last year, and were $949 million for the first nine months, versus $960 million last year. The increase for the quarter was due to the addition of Northern Region traffic. The decrease for the first nine months reflected lower export coal traffic volume that more than offset the combined effects of the Northern Region traffic volume and increased utility coal tonnage. Revenue yields have been affected by a change in the mix of traffic: Northern Region traffic and increased utility coal shipments (especially new shorter-haul business) and decreased export coal shipments. Total tonnage handled was 45.5 million tons in the third quarter, versus 34.3 million tons last year, and was 111.8 million tons for the first nine months, versus 102.0 million tons last year. Utility coal tonnage increased 46 percent in the quarter and 23 percent for the first nine months, principally due to the handling of traffic in the Northern Region. Domestic metallurgical coal, coke, and iron ore traffic volume increased 31 percent in the quarter and 3 percent for the first nine months, reflecting Northern Region traffic, partially offset by the effects of increased imports of lower-priced iron ore and steel and coke plant closures in the second quarter of 1998. Export coal tonnage fell 20 percent for the quarter and 31 percent for the first nine months, reflecting continued strong competition and weak demand in overseas markets and a strong U.S. dollar.

Fourth-quarter coal revenues are expected to be adversely affected by weak demand for export coal. However, with the addition of traffic in the Northern Region, total coal revenues are expected to be higher than in the same period last year.

A recent decision by a federal district court judge in West Virginia holds that some common mining practices in the coal industry are illegal. If sustained, the decision could have an adverse effect on coal mining operations and on NS' coal traffic, revenues, and royalties.

General Merchandise

General merchandise revenues were $864 million in the third quarter, versus $597 million last year, and were $2,210 million for the first nine months, versus $1,824 million last year. Traffic volume increased 40 percent for the quarter and 18 percent for the first nine months, principally due to the addition of traffic in the Northern Region. Average revenue per unit increased 3 percent for both periods, due to a longer average haul and an overall favorable change in traffic mix.

Fourth-quarter general merchandise revenues are expected to exceed those of last year, continuing to reflect Northern Region traffic.

Intermodal

Intermodal revenues were $267 million in the third quarter, versus $130 million last year, and were $565 million for the first nine months, versus $409 million last year. Traffic volume increased 61 percent for the quarter and 22 percent for the first nine months, largely due to the addition of Northern Region traffic and the consolidation of TCS' revenues, beginning on June 1. Average revenue per unit increased 26 percent in the quarter and 13 percent for the first nine months, due to the effects of consolidating TCS' revenues and a favorable change in the mix of traffic.

TCS provides door-to-door intermodal service using containers and RoadRailer (RT) equipment, which can be pulled over the highways in tractor-trailer configuration and over the rails by locomotives. TCS is a partnership in which subsidiaries of NS and PRR are partners. Prior to June 1, 1999, NS' revenues included only the amounts for rail services it performed under contract for TCS.

Fourth-quarter intermodal revenues are expected to be well above those of last year, continuing to reflect the Northern Region traffic and the consolidation of TCS' revenues.

Railway Operating Expenses

Third-quarter railway operating expenses were $1,354 million, up $564 million, or 71 percent, compared with last year. For the first nine months, railway operating expenses were $3,143 million, up $752 million, or 31 percent. Both increases reflected the commencement of operations in the Northern Region. It is estimated that additional costs of $116 million in the quarter and $176 million for the first nine months were incurred related to integration difficulties.

"Compensation and benefits" expense increased $204 million, or 55 percent, in the third quarter, and $224 million, or 20 percent, for the first nine months. Both increases were attributable to: (1) the 50 percent increase in NS' work force in June, upon commencement of operations in the Northern Region; and (2) costs associated with integration difficulties, principally a special work incentive program that increased expenses $49 million. The program was in effect for much of the third quarter, and the incentives, newly-issued Norfolk Southern Common Stock, will be paid in the fourth quarter. The effects of these increases were partially mitigated by lower performance-based incentive compensation.

"Materials, services, and rents" increased $148 million, or 72 percent, in the third quarter, and $235 million, or 39 percent, for the first nine months. Both increases reflected the commencement of operations in

the Northern Region, including expenses arising from integration difficulties such as higher equipment rents, expenses related to short-term locomotive leases, and costs for alternate transportation to meet the critical needs of customers, and the effect of the consolidation of TCS.

"Conrail rents and services," a new category of expense, amounted to $141 million in the third quarter and $192 million for the first nine months. This item includes amounts due to PRR and CRC related to: (1) use of their operating properties and equipment, (2) CRC's operation of the Shared Assets Areas, and (3) CRC's operation of certain transition facilities. Also included is NS' equity in Conrail's net earnings or loss since June 1, plus additional amortization related to the difference between NS' investment in Conrail and its underlying equity (see Note 3).

"Diesel fuel" expense increased $33 million, or 80 percent, in the third quarter, and $25 million, or 19 percent, for the first nine months. Consumption increased 39 percent for the quarter and 15 percent for the first nine months, principally due to the higher traffic volume resulting from operations in the Northern Region. The average price per gallon increased 32 percent in the quarter and 3 percent for the first nine months.

"Casualties and other claims" increased $15 million, or 71 percent, in the third quarter, and $27 million, or 37 percent, for the first nine months. Both increases were principally attributable to the commencement of operations in the Northern Region. The increase for the first nine months also reflected a settlement in the first quarter related to an environmental site in Slidell, La., and damages to automobiles being transported in a train that derailed in the first quarter.

"Other" expenses increased $14 million, or 35 percent, in the third quarter, and $25 million, or 20 percent, for the first nine months. Both increases resulted largely from the commencement of operations in the Northern Region.

The railway operating ratio was 90.3 percent in the third quarter, versus 75.4 percent last year, and was 84.4 percent for the first nine months, versus 74.9 percent last year. It is estimated that the combination of integration difficulties and related system congestion and traffic diversions increased the railway operating ratio by about 10.7 percentage points in the third quarter and 6.5 percentage points for the first nine months. The remaining increases in the railway operating ratio were principally attributable to the change in traffic mix related to the increased resource-intensive traffic, such as automotive and intermodal, and the new traffic in the Northern Region, coupled with decreased export coal traffic.

The railway operating ratio is expected to continue to be affected adversely until service and operations improve.

Equity in Earnings of Conrail

As discussed above, beginning in June, NS' equity in Conrail's earnings or loss and the related amortization is included in "Conrail rents and services," a new component of railway operating expenses. As a result of both this change in reporting and lower Conrail earnings, "Equity in earnings of Conrail" was significantly lower for the first nine months of 1999, compared with last year.

Other Income - Net

"Other income - net" was $5 million higher in the third quarter, but was $19 million lower for the first nine months. The increase for the quarter was principally due to higher rental income and gains from property sales. The decrease for the first nine months resulted primarily from lower gains from the sale of properties and investments and the effect of favorable adjustments last year to interest accruals on possible federal income tax liabilities resulting from the settlement of the 1993 and 1994 tax-year audits.

Provision for Income Taxes

The effective income tax rate was 47.2 percent in the third quarter, compared with 24.9 percent last year, and was 32.7 percent for the first nine months, compared with 27.0 percent last year. Excluding NS' equity in Conrail's after-tax earnings or loss, the effective rates for 1999 were 31.5 percent in the quarter and 35.3 percent in the first nine months, compared with 33.8 percent and 34.2 percent in the respective periods of 1998. The favorable comparison for the quarter resulted from tax credits that had a magnified effect on the effective rate calculation due to lower pretax income. The increase for the first nine months was due to the effects of favorable adjustments to income tax expenses in 1998 upon settlement of the 1993 and 1994 federal income tax audits.

Discontinued Operations

"Income from discontinued operations" for the first nine months of 1998 included a $105 million gain from the sale of NS' motor carrier subsidiary (see Note 4).

FINANCIAL CONDITION AND LIQUIDITY

	September 30, 1999	December 31, 1998
	($ in millions)	
Cash and short-term investments	$ 56	$ 63
Working capital deficit	$ 738	$ 204
Current assets to current liabilities	0.6	0.8
Debt-to-total capitalization	57.4%	56.3%

CASH PROVIDED BY OPERATING ACTIVITIES is NS' principal source of liquidity (see Consolidated Statements of Cash Flows on page 6). The decrease in "Net cash provided by operating activities" in the first nine months of 1999 was principally due to lower income from railway operations, mitigated by lower income tax payments. The large changes in "Accounts receivable" and "Current liabilities other than debt" in the 1999 cash flow statement primarily resulted from the June 1 commencement of operations in the Northern Region. In addition, collection of accounts receivable has slowed. NS' working capital deficit of $738 million at September 30, 1999, included $400 million of notes due May 1, 2000. NS currently has the capability to issue commercial paper to meet its more immediate working capital needs (see the discussion of financing activities, below).

CASH USED FOR INVESTING ACTIVITIES increased significantly in the first nine months of 1999, compared with the same period last year that included $207 million of proceeds from the sale of a subsidiary (see Note 4). Capital expenditures were 10 percent lower in the current year; however, "Property additions" increased, reflecting a change in financing methods: in 1999, locomotives and freight cars were financed through the sale of equipment trust certificates (see Note 5); in 1998, locomotives were acquired under capital leases, which were excluded from the Consolidated Statements of Cash Flows because they were noncash transactions. "Investment sales and other transactions" includes proceeds from borrowing against the net cash surrender value of company-owned life insurance.

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES in the first nine months of 1999 included proceeds from the sale of 10-year Senior Notes and equipment trust certificates (see Note 5). In addition, "Proceeds from borrowing" included amounts received from the sale of commercial paper and loans from a PRR subsidiary, which compose "Short-term debt" in the Consolidated Balance Sheet. "Debt repayments" in 1999 includes $539 million of reductions in outstanding commercial paper. NS expects to issue commercial paper as working capital needs arise and to repay such commercial paper as resources become available or by issuing additional commercial paper. In addition, NS has issued only $400 million of debt under its November 1998 $1 billion shelf registration.

CONRAIL'S RESULTS OF OPERATIONS, FINANCIAL CONDITION, AND LIQUIDITY

Conrail's operating results were significantly affected by the June 1, 1999, integration of PRR's and NYC's routes and assets with those of NSR and CSXT (see Note 3). Conrail's results of operations include freight line-haul revenues and related expenses through May 31, 1999, but reflect its new structure and operations since June. Conrail's major sources of operating revenues are now from NSR and CSXT. The composition of Conrail's operating expenses has changed also. Accordingly, meaningful comparisons to 1998's results are difficult.

Conrail recorded a third-quarter net loss of $49 million, versus a net loss of $65 million in the same period last year. For the first nine months, Conrail's net loss was $36 million in 1999, versus net income of $135 million in 1998. Results in 1999 included after-tax expenses of $51 million in the third quarter and $117 million in the second quarter, principally to increase certain components of its casualty reserves based on an actuarial valuation and adjustments to certain litigation and environmental reserves related to settlements and completion of site reviews. The environmental reserves include amounts for claims for remediation and other costs by the Commonwealth of Pennsylvania related to pre-Closing environmental sites at the Hollidaysburg and Juniata shops. Results in 1998 included a $187 million after-tax charge, primarily for estimated nonunion severance obligations. Excluding the effects of these expenses, Conrail's net income would have been down $120 million in the quarter and $190 million for the first nine months, principally due to costs related to the wind-down of certain functions and lower income from railway operations during the first five months of 1999.

Operating revenues were $259 million in the third quarter and $1,912 million for the first nine months, versus $976 million and $2,886 million, respectively, for the same periods last year, reflecting the change in operations. Operating expenses (excluding the expenses discussed above) declined $513 million in the third quarter and $659 million in the first nine months, reflecting the operation of most of its properties by NSR and CSXT, mitigated by the effects of transition-related expenses.

Conrail's working capital deficit was $53 million at Sept. 30, 1999, versus a deficit of $202 million at Dec. 31, 1998. In addition to cash flow from operations, the improvement in working capital resulted in part from the reclassification of certain employee obligations, partially offset by the reclassification of $250 million of long-term debt to current liabilities, reflecting the maturity of the debt in June 2000. Conrail should continue to have sufficient cash flow to meet its ongoing obligations, notwithstanding the change in the nature of its operations.

YEAR-2000 COMPLIANCE

General

In October 1995, NS initiated a project to review and modify, as necessary, its computer applications, hardware, and other equipment to make them Year-2000 compliant. NS has engaged outside consultants and independent contractors to assist with its Year-2000 project. The progress of the project is reviewed regularly by NS' senior management and by the Board's Audit Committee. The project is organized into three principal areas: mainframe systems, nonmainframe systems, and enterprise systems (operations and embedded processors), and for each such system involves: inventory, assessment, remediation, testing, and implementation. NS has incorporated all critical PRR assets it now operates into the project.

State of Readiness

For mainframe systems, all noncompliant business-critical applications have been remediated, unit tested, and placed back into production (implemented). System integration testing continues and is expected to be completed by year-end.

For nonmainframe and enterprise systems, all business-critical items have been remediated and system testing is substantially complete.

NS also has initiated formal communications with third parties having a substantial relationship to its business (including other railroads, significant suppliers, larger customers, and financial institutions) to determine the extent to which NS may be vulnerable to any such third parties' failure to achieve Year-2000 compliance. Thus far, NS has no information that indicates a significant third party may be unable to provide goods or services or to request NS' services because of Year-2000 compliance issues. NS will continue to monitor the progress of such third parties' Year-2000 compliance efforts and develop contingency plans as warranted.

Cost

NS has allocated existing information technology resources and has incurred incremental costs, mostly for contract programmers and consultants, in connection with its Year-2000 compliance project. Since the project began, Management estimates that up to 10 percent of NS' in-house programming resources have been used for Year-2000 compliance efforts. The effects of deferring other information technology projects to accommodate the Year-2000 effort have been minor. Incremental costs incurred through Sept. 30, 1999, which were expensed, are immaterial to NS' results of operations. Total incremental costs are expected to be approximately $25 million.

Contingency Plans

The project includes system testing, as appropriate, to substantiate that remediation successfully addresses Year-2000 compliance. NS has established a series of initiatives to focus on business-critical items to enable rail operations to continue in the event of a Year-2000 problem. In addition, contingency plans are being developed where warranted. NS intends to establish a command center at year-end to monitor and provide corrective action into the Year-2000, as necessary.

Conrail

NS is implementing its own information technology systems on the portion of Conrail's routes and assets it is operating. A majority of these systems have been implemented and are now operational; two remaining geographical areas are scheduled to have NS' transportation systems implemented prior to Dec. 7, 1999. In the Shared Assets Areas, some of Conrail's existing transportation systems will continue to be used and, therefore, were remediated, unit tested, and placed back into production. Testing between NS and Conrail is expected to be completed in November.

Risks

Failure to achieve Year-2000 compliance -- by NS, other railroads, its principal suppliers and customers, and certain financial institutions with which it has relationships -- could negatively affect NS' ability to conduct business for an extended period. Management believes that NS will be successful in its Year-2000 compliance effort; however, there can be no assurance that all NS information technology systems and components will be fully Year-2000 compliant. In addition, other companies on which NS systems and operations rely may or may not be fully compliant on a timely basis, and any such failure could have a material adverse effect on NS' financial position, results of operations, or liquidity.

LITIGATION

The Corporation and certain subsidiaries are defendants in numerous lawsuits relating principally to railroad operations.

On Sept. 8, 1997, a state court jury in New Orleans returned a verdict awarding $175 million in punitive damages against The Alabama Great Southern Railroad Company (AGS), a subsidiary of Norfolk Southern Railway Company, all of the common stock of which is owned by NS. The verdict was returned in a class action suit involving some 8,000 individuals who claim to have been damaged as the result of an explosion and fire that occurred in New Orleans on Sept. 9, 1987, when the chemical butadiene leaked from a tankcar.

The jury verdict awarded a total of nearly $3.2 billion in punitive damages against four other defendants in the same case: two rail carriers, the owner of the car, and the shipper. Previously, the jury had awarded nearly $2 million in compensatory damages to 20 of the more than 8,000 individual plaintiffs.

AGS and five of the nine defendants reached an agreement to settle this litigation. The three remaining defendants are not parties to the settlement agreement, and the litigation will continue against those defendants. Because it involves a class action, the settlement is subject to final approval by the trial court, and to possible appeals.

While the final outcome of this matter and other lawsuits cannot be predicted with certainty, it is the opinion of Management, based on known facts and circumstances, that the amount of NS' ultimate liability is unlikely to have a material adverse effect on NS' financial position, results of operations, or liquidity.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, within the meaning of the Private Securities Reform Act of 1995, that are based on current expectations, estimates, and projections. Such forward-looking statements reflect Management's good-faith evaluation of information currently available. However, because such statements are based upon, and therefore can be influenced by, a number of external variables over which Management has no, or incomplete, control, they are not, and should not be read as being, guarantees of future performance or of actual future results; nor will they necessarily prove to be accurate indications of the times at or by which any such performance or result will be achieved. Accordingly, actual outcomes and results may differ materially from those expressed in such forward-looking statements. This caveat has particular importance in the context of all such statements that relate to Year-2000 compliance and to the effects of the Conrail integration, including the estimates of revenue losses and additional expenses incurred to date, as well as the realization and the timing of benefits expected to result from the operation of PRR assets.

The forward-looking statements contained in this filing speak only as of the date on which they are made, and the Corporation does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date hereof. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements.

PART II. OTHER INFORMATION

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Financial Data Schedule.

(b) Reports on Form 8-K:

A report on Form 8-K was filed on July 7, 1999, reporting that, in connection with the integration of the Conrail properties being operated by NS' railroad subsidiary, NS had made available incentives to employees covered by collective bargaining agreements.

A report on Form 8-K was filed on July 14, 1999, reporting that preliminary calculations indicated that NS' earnings per share for the second quarter would be below the analysts' consensus.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORFOLK SOUTHERN CORPORATION
(Registrant)

Date: November 10, 1999 /s/ Dezora M. Martin
Dezora M. Martin
Corporate Secretary (Signature)

Date: November 10, 1999 /s/ John P. Rathbone
John P. Rathbone
Vice President and Controller
(Principal Accounting Officer) (Signature)

INDEX TO EXHIBITS

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Electronic Submission Exhibit Number	Description	Page
27	Financial Data Schedule. (This exhibit is required to be submitted electronically pursuant to the rules and regulations of the Securities and Exchange Commission and shall not be deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934).	31

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