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, 2001

( ) 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 last practicable date:

Class	Outstanding as of October 31, 2001
Common Stock (par value $1.00)	385,528,270 (excluding 21,363,974 shares held by registrant's consolidated subsidiaries)

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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 Sept. 30,		Nine Months Ended Sept. 30,	
	2001	2000	2001	2000
Railway operating revenues:				
Coal	$ 366	$ 363	$1,154	$1,087
General merchandise	862	878	2,655	2,735
Intermodal	280	294	831	813
TOTAL RAILWAY OPERATING REVENUES	1,508	1,535	4,640	4,635
Railway operating expenses:				
Compensation and benefits (Note 4)	478	507	1,499	1,678
Materials, services and rents	363	360	1,112	1,078
Conrail rents and services (Note 5)	113	119	324	364
Depreciation	129	126	384	377
Diesel fuel	93	118	316	339
Casualties and other claims	32	33	109	99
Other	55	61	164	183
TOTAL RAILWAY OPERATING EXPENSES	1,263	1,324	3,908	4,118
Income from railway operations	245	211	732	517
Other income - net	16	81	67	154
Interest expense on debt	(137)	(136)	(417)	(415)
Income from continuing operations before income taxes	124	156	382	256
Provision for income taxes	45	57	135	89

Income from continuing operations	79	99	247	167
Discontinued operations - gain on sale of motor carrier, net of taxes (Note 3)	--	--	13	--
NET INCOME	$ 79	$ 99	$ 260	$ 167
Per share amounts (Note 9):				
Income from continuing operations, basic and diluted	$ 0.20	$ 0.26	$ 0.64	$ 0.44
Net income, basic and diluted	$ 0.20	$ 0.26	$ 0.67	$ 0.44
Dividends	$ 0.06	$ 0.20	$ 0.18	$ 0.60

See accompanying notes to Consolidated Financial Statements.

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

	Sept. 30, 2001	Dec. 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134	$ --
Short-term investments	--	2
Accounts receivable, net	456	411
Due from Conrail (Note 5)	6	31
Materials and supplies	89	91
Deferred income taxes	170	182
Other current assets	38	132
Total current assets	893	849
Investment in Conrail (Note 5)	6,188	6,154
Properties less accumulated depreciation	11,276	11,105
Other assets	1,028	868
TOTAL ASSETS	$ 19,385	$ 18,976
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 869	$ 925
Income and other taxes	259	251
Notes and accounts payable to Conrail (Note 5)	351	155
Other current liabilities	300	259
Current maturities of long-term debt	604	297
Total current liabilities	2,383	1,887
Long-term debt (Note 6)	7,064	7,339
Other liabilities	1,079	1,131
Minority interests	45	50
Deferred income taxes	2,781	2,745
TOTAL LIABILITIES	13,352	13,152

Stockholders' equity:
Common stock $1.00 per share par value,

1,350,000,000 shares authorized; issued 406,837,206 and 405,421,447 shares, respectively	407	405
Additional paid-in capital	416	392
Accumulated other comprehensive loss (Note 10)	(14)	(6)
Retained income	5,244	5,053
Less treasury stock at cost, 21,363,974 shares	(20)	(20)
TOTAL STOCKHOLDERS' EQUITY	6,033	5,824
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,385	$ 18,976

See accompanying notes to Consolidated Financial Statements.

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

	Nine Months Ended Sept. 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 260	$ 167
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	395	387
Deferred income taxes	49	2
Equity in earnings of Conrail	(31)	(13)
Gains and losses on properties and investments	(27)	(141)
Income from discontinued operations	(13)	--
Changes in assets and liabilities affecting operations:		
Accounts receivable (Note 7)	(55)	388
Materials and supplies	2	(16)
Other current assets and due from Conrail	117	130
Current liabilities other than debt	--	303
Other - net	(120)	16
Net cash provided by operating activities	577	1,223
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(594)	(508)
Property sales and other transactions	38	116
Investments, including short-term	(81)	(64)
Investment sales and other transactions	35	43
Net cash used for investing activities	(602)	(413)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(69)	(230)
Common stock issued - net	14	1
Proceeds from borrowings	1,940	875
Debt repayments	(1,726)	(1,342)
Net cash provided by (used for) financing activities	159	(696)
Net increase in cash and cash		

equivalents	134	114
CASH AND CASH EQUIVALENTS:		
At beginning of year	--	37
At end of period	$ 134	$ 151
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 360	$ 335
Income taxes	$ 71	$ 6

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, 2001, its results of operations for the three and nine months ended Sept. 30, 2001 and 2000, and its cash flows for the nine months ended Sept. 30, 2001 and 2000.

   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 any 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 2000 in the matters discussed in NOTE 17, COMMITMENTS AND CONTINGENCIES, appearing in the NS Annual Report on Form 10-K for 2000, Notes to Consolidated Financial Statements, beginning on page 78.

3. Discontinued Operations

   Results for the nine months ended Sept. 30, 2001 include an additional after-tax gain of $13 million, or 3 cents per share, recorded in the first quarter, related to the 1998 sale of NS' motor carrier subsidiary, North American Van Lines, Inc. This noncash gain resulted from the expiration of certain indemnities contained in the sales agreement.

4. Work-Force Reduction Costs in 2000

   "Compensation and benefits" expenses for the nine months ended Sept. 30, 2000, include $101 million of costs recorded in the first quarter related to actions taken to reduce the size of the work force, which reduced net income by $62 million, or 16 cents per share. These costs resulted principally from a voluntary early retirement program accepted by 919 of 1,180 eligible employees. The retirements were effective March 1, 2000, and most of the related benefits are being paid from the Corporation's overfunded pension plan. The resulting noncash reduction to NS' pension plan asset is included in "Other - net" in the Consolidated Statement of Cash Flows. In addition, an accrual was made for certain postemployment benefits due to some union employees who were furloughed.

5. 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 freight railroad in the Northeast. NS has a 58 percent economic and 50 percent voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. From time to time, NS and CSX, as the indirect owners of Conrail, may need to make capital contributions, loans or advances to Conrail.

Operations of Conrail's Lines

NS' railroad subsidiary, Norfolk Southern Railway Company (NSR) operates as a part of its rail system the routes and assets of Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of CRC, pursuant to operating and lease agreements. Costs necessary to operate and maintain the PRR assets, including leasehold improvements, are borne by NSR. CSX Transportation, Inc. (CSXT) operates the routes and assets of another CRC subsidiary under comparable terms. Certain other Conrail routes and assets (the "Shared Assets Areas") continue to be operated by CRC for the joint and exclusive benefit of NSR and CSXT. In addition to a fee paid for access, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas.

Investment in Conrail

NS is applying the equity method of accounting to its investment in Conrail. 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, 2001, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was $3.8 billion.

NS' Consolidated Balance Sheet at Sept. 30, 2001 includes $86 million of liabilities related to the Conrail transaction, principally for contractual obligations to Conrail employees imposed by the Surface Transportation Board when it approved the transaction. Through Sept. 30, 2001, NS has paid $101 million of these costs.

Related-Party Transactions

NS provides certain general and administrative support functions to Conrail, the fees for which are billed in accordance with several service-provider arrangements. Any unpaid balance is included in "Due from Conrail."

"Conrail rents and services" includes: (1) expenses for amounts due to PRR and CRC for use by NSR of operating properties and equipment and operation of the Shared Assets Areas and (2) NS' equity in the earnings of Conrail, net of amortization.

"Notes and accounts payable to Conrail" includes $263 million at Sept. 30, 2001, and $51 million at Dec. 31, 2000, of interest-bearing loans made to NS by a PRR subsidiary, payable on demand. The interest rate for these loans is variable and was 3.8 percent at Sept. 30, 2001. Also included is $88 million at Sept. 30, 2001, and $104 million at Dec. 31, 2000, due to PRR and CRC related to expenses included in "Conrail rents and services," as discussed above.

Summary Financial Information - Conrail

The following historical cost basis financial information should be read in conjunction with Conrail's audited financial statements, included as Exhibit 99 with NS' 2000 Annual Report on Form 10-K.

Summarized Consolidated Statements of Income - Conrail

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine months Ended Sept. 30, 2001	Nine months Ended Sept. 30, 2000
	($ in millions) (Unaudited)			
Operating revenues	$ 223	$ 243	$ 685	$ 748
Operating expenses	165	178	487	571
Operating income	58	65	198	177
Other income (expense) - net	(2)	(6)	(13)	33
Income before income taxes	56	59	185	210
Provision for income taxes	21	24	58	79
Net income	$ 35	$ 35	$ 127	$ 131

Note: Conrail's results for the first nine months of 2000 included a gain from the sale in the first quarter of property that had been written up to fair market value in the allocation of NS' investment in Conrail. Accordingly, the gain related to that fair-value write-up, totaling $16 million after taxes, was excluded in determining NS' equity in Conrail's net income.

Summarized Consolidated Balance Sheets - Conrail

	Sept. 30, 2001	Dec. 31, 2000
	($ in millions) (Unaudited)	
Assets:		
Current assets	$ 820	$ 520
Noncurrent assets	7,323	7,540
Total assets	$ 8,143	$ 8,060
Liabilities and stockholders' equity:		
Current liabilities	$ 403	$ 435
Noncurrent liabilities	3,611	3,643
Stockholders' equity	4,129	3,982
Total liabilities and stockholders' equity	$ 8,143	$ 8,060

6. Long-Term Debt

In February 2001, NS received net proceeds of $987 million from issuing $300 million of 6.75 percent, 10-year term Senior Notes and $700 million of 7.25 percent, 30-year term Senior Notes. The notes were issued under NS' October 2000 $1 billion shelf registration. In July 2001, NS issued $250 million floating rate, 2-year term Senior Notes under the $1 billion shelf registration that became effective in April 2001.

7. Accounts Receivable

Beginning in May 2000, a bankruptcy-remote special purpose subsidiary of NS sold without recourse undivided ownership interests in a pool of accounts receivable totaling approximately $700 million. The buyers have a priority collection interest in the entire pool of receivables, and as a result, NS has retained credit risk to the extent the pool of receivables exceeds the amount sold. NS services and collects the receivables on behalf of the buyers; however, no servicing asset or liability has been recognized because the benefits of servicing are estimated to be just adequate to compensate NS for its responsibilities. Payments collected from sold receivables are reinvested in new accounts receivable on behalf of the buyers.

Accounts receivable sold under this arrangement, and therefore not included in "Accounts receivable, net" on the Consolidated Balance Sheets, were $395 million at Sept. 30, 2001, and $388 million at Dec. 31, 2000. The fees associated with the sales, which are based on the buyers' financing costs, are included in "Other income - net."

8. Derivative Financial Instruments

On January 1, 2001, NS adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (SFAS 138). The Statements establish accounting and reporting standards for derivative instruments and hedging activities, requiring that all derivatives be recognized in the financial statements as either assets or liabilities and that they be measured at fair value. Changes in fair value are recorded as adjustments to the assets or liabilities being hedged in "Other comprehensive income", or in current earnings, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction represented and the effectiveness of the hedge. The adoption of SFAS 133 and SFAS 138 resulted in the recognition of a $5 million asset and a $5 million increase in long-term debt as of Jan. 1, 2001.

NS uses derivative financial instruments to reduce the risk of volatility in its diesel fuel costs and to manage its overall exposure to fluctuations in interest rates. NS does not engage in the trading of derivatives. NS' management has determined that its derivative financial instruments qualify as either fair-value or cash-flow hedges, having values which highly correlate with the underlying hedged exposures, and has designated such instruments as hedging transactions. Credit risk related to the derivative financial instruments is considered to be minimal and is managed by requiring high credit standards for counterparties and periodic settlements.

Diesel Fuel Hedging

In second quarter 2001, NS began a program to hedge a portion of its diesel fuel consumption. The intent of the program is to assist in the management of NS' aggregate risk exposure to fuel price fluctuations, which can significantly affect NS' operating margins and profitability, through the use of one or more types of derivative instruments. Diesel fuel costs represented approximately 7 percent and 8 percent of NS' operating expenses for the third quarter and first nine months of 2001, respectively. The program provides that NS will not enter into any fuel hedges with a duration of more than thirty-six months, and that no more than eighty percent of NS' average monthly fuel consumption will be hedged for each month within any thirty-six month period.

NS has entered into two types of diesel fuel derivative transactions through third quarter 2001. NS' management has designated these derivative instruments as cash-flow hedges of the exposure to variability in expected future cash flows attributable to fluctuations in diesel fuel prices. In April, NS purchased eight monthly call options at a strike price of $0.84 per gallon of Nymex No. 2 heating oil. The cost of the monthly options, which expire serially through Dec. 31, 2001, is being amortized as a component of diesel fuel expense. Because the price of diesel fuel did not reach the strike price at any time through the third quarter, NS has not recorded any benefit related to these transactions. During the third quarter, NS entered into 72 fuel swaps for approximately 108 million gallons at an average price of approximately $0.66 per gallon of Nymex No. 2 heating oil. As of Sept. 30, 2001, outstanding swaps covered approximately 21 percent, 22 percent, and 12 percent of estimated fuel purchases for the remainder of 2001 and for the years 2002 and 2003, respectively.

NS' fuel hedging activity resulted in a net increase in diesel fuel expense of $1.8 million and $2.1 million, respectively, for the third quarter and first nine months of 2001. Ineffectiveness related to the use of diesel fuel hedges through Sept. 30, 2001, was less than $1 million.

Interest Rate Hedging

NS manages its overall exposure to fluctuations in interest rates by issuing both fixed and floating-rate debt instruments, and by entering into interest rate hedging transactions. NS had $258 million, or 3.6 percent, and $287 million, or 4.4 percent, of its fixed rate debt portfolio hedged at Sept. 30, 2001 and Sept. 30, 2000, respectively, using interest rate swaps that qualify for and are designated as fair-value hedge transactions. These swaps have been effective in hedging the changes in fair value of the related debt arising from changes in interest rates, and accordingly, there has been no impact on earnings resulting from ineffectiveness associated with these derivative transactions.

Fair Values

The fair values of NS' diesel fuel derivative instruments at Sept. 30, 2001, were determined based upon current fair market values as quoted by third party dealers. Fair values of interest rate swaps were determined based upon the present value of expected future cash flows discounted at the appropriate implied spot rate from the spot rate yield curve. Fair value adjustments are noncash transactions, and accordingly, are excluded from the Consolidated Statement of Cash Flows. At Sept. 30, 2001, "Accumulated other comprehensive income," a component of "Stockholders' equity," includes $4 million relating to the decrease in the fair value of the derivative fuel hedging transactions that will terminate within the next twelve months.

The asset and liability positions of NS' outstanding derivative financial instruments at Sept. 30, 2001 and Dec. 31, 2000 were as follows:

	Sept. 30, 2001	Dec. 31, 2000
	($ in millions)	
Interest rate hedges:		
Gross fair market asset position	$ 18	$ --
Gross fair market (liability) position	--	--
Fuel hedges:		
Gross fair market asset position	1	--
Gross fair market (liability) position	(7)	--
Total net asset position	$ 12	$ --

9. 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 Sept. 30,		Nine months Ended Sept. 30,	
	2001	2000	2001	2000
	(In millions)			
Weighted-average shares outstanding	385.4	383.5	385.0	383.2
Dilutive effect of outstanding options and performance share units (as determined by the application of the treasury stock method)	1.7	0.2	1.3	0.3
Diluted weighted-average shares outstanding	387.1	383.7	386.3	383.5

The calculations exclude options on shares whose exercise price exceeded the average market price of Common Stock for the period as follows: in 2001, 19 million in each of the third and second quarters and 28 million in the first quarter; and in 2000, 28 million in each of the third and first quarters and 20 million in the second quarter. There are no adjustments to "Net income" for the diluted earnings per share computations.

10. Comprehensive Income

NS' total comprehensive income was as follows:

	Three Months Ended Sept. 30,		Nine months Ended Sept. 30,	
	2001	2000	2001	2000

($ in millions)

Net income	$ 79	$ 99	$ 260	$ 167
Other comprehensive income (loss)	(4)	3	(8)	5
Total comprehensive income	$ 75	$ 102	$ 252	$ 172

For NS, "Other comprehensive income (loss)" reflects the unrealized gains and losses on certain investments in debt and equity securities and net fair value adjustments to certain derivative financial instruments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

RESULTS OF OPERATIONS

Net Income

Third-quarter net income was $79 million in 2001, down $20 million, or 20 percent, compared with third quarter last year, reflecting lower nonoperating income that was somewhat offset by a 16 percent increase in income from railway operations. For the first nine months of 2001, net income was $260 million and included $13 million of additional after-tax gain related to the 1998 sale of NS' motor carrier subsidiary, which is reported as "Discontinued operations" on the Consolidated Statement of Income (see Note 3). Income from continuing operations was $247 million year-to-date, compared with $167 million for the first nine months of last year. Results in 2000 included $62 million of after-tax costs related to actions taken to reduce the size of the work force (see Note 4). Excluding the effects of last year's work-force reduction costs, income from continuing operations increased $18 million, principally due to higher income from railway operations, which was somewhat offset by lower nonoperating income.

Railway Operating Revenues

Third-quarter railway operating revenues were $1.5 billion in 2001, down $27 million, or 2 percent, compared with third-quarter 2000. For the first nine months, railway operating revenues were $4.6 billion, up $5 million, compared with the same period last year. Both periods benefited from higher revenue per unit; however, these benefits were overshadowed by declines in traffic volume of 6 percent for the quarter and 4 percent for the first nine months.

	Third Quarter 2001 vs. 2000 Increase (Decrease) ($ in millions)	First Nine months 2001 vs. 2000 Increase (Decrease) ($ in millions)
Traffic volume (carloads)	$ (97)	$ (181)
Revenue per unit/mix	70	186
	$ (27)	$ 5

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (continued)

Revenues and carloads for the commodity groups were as follows (prior year data has been reclassified to conform to the current presentation):

	Revenues			
	Third Quarter		Nine months	
	2001	2000	2001	2000
	($ in millions)			
Coal	$ 366	$ 363	$ 1,154	$ 1,087
General merchandise:				
Automotive	199	208	657	698
Chemicals	190	189	569	569
Metals/construction	176	172	518	531
Paper/clay/forest	150	160	466	477
Agr./consumer prod./govt.	147	149	445	460
General merchandise	862	878	2,655	2,735
Intermodal	280	294	831	813
Total	$ 1,508	$ 1,535	$ 4,640	$ 4,635

	Carloads			
	Third Quarter		Nine months	
	2001	2000	2001	2000
	(In thousands)			
Coal	403	425	1,279	1,282
General merchandise:				
Automotive	137	158	462	530
Chemicals	110	114	328	343
Metals/construction	186	194	537	591
Paper/clay/forest	110	122	344	374
Agr./consumer prod./govt.	120	129	376	392
General merchandise	663	717	2,047	2,230
Intermodal	557	590	1,638	1,653
Total	1,623	1,732	4,964	5,165

Coal

Coal revenues increased $3 million, or 1 percent, in the third quarter and $67 million, or 6 percent, in the first nine months, compared with the same periods last year. Total tonnage handled decreased 4 percent for the quarter, but increased 1 percent for the year-to-date. The decline for the quarter reflected losses in export coal and domestic metallurgical coal, coke and iron ore, partially offset by gains in utility coal. Year-to-date tonnage benefited from stronger utility demand earlier in the year. Utility coal volume increased 5 percent in the quarter and 11 percent year-to-date. Growth moderated in the quarter, reflecting milder weather and production problems at some mines. Domestic metallurgical coal, coke and iron ore volume declined 23 percent for the quarter and 25 percent for the first nine months, principally due to continued weakness in the steel-production industry. Export coal volume decreased 41 percent in the quarter and 25 percent year-to-date, due in part to high domestic prices which are diverting coal from the export market. Coal revenue per unit increased 6 percent for both the quarter and year-to-date, reflecting utilization of higher

capacity cars, higher rates and favorable changes in the mix of traffic and length of hauls. In addition, higher export rates resulting from the annual contract negotiations began to take effect late in the second quarter.

Fourth-quarter coal revenues are expected to continue to compare favorably year-over-year, supported by steady demand for coal-fired electricity.

General Merchandise

General merchandise revenues decreased $16 million, or 2 percent, in the third quarter and $80 million, or 3 percent, for the first nine months, compared with the same periods last year. Traffic volume (carloads) declined 8 percent in the quarter and the year-to-date, as all commodity groups posted decreases for both periods. Automotive traffic volume was 13 percent lower in both periods, reflecting continued production cutbacks in the face of the slow economy. Metals and construction traffic volume declined 4 percent in the quarter and 9 percent for the first nine months, principally due to the effects of the economic slowdown and continued weakness in the steel industry. Paper, clay and forest products traffic volume decreased 10 percent in the quarter and 8 percent year-to-date, largely due to production cutbacks by paper producers, which were mitigated by increased lumber volume. For both periods, higher revenue per unit, largely the result of higher rates and favorable changes in the mix of traffic, offset much of the effects of the traffic volume decreases. Revenue per unit for the automotive group also benefited from improved yield associated with the redesign of the mixing center network and changes in the type of equipment used on certain movements.

Fourth-quarter general merchandise revenues are expected to be comparable to those of last year, which began to show the adverse effects of the economic slowdown.

Intermodal

Intermodal revenues decreased $14 million, or 5 percent, in the third quarter, but increased $18 million, or 2 percent, for the first nine months, compared with the same periods last year. For the quarter, traffic volume (units) declined 6 percent compared with third quarter last year, principally due to a 26 percent decrease in trailer volume. For the year-to-date, shipments were only slightly below last year, as a 6 percent increase in container traffic volume largely offset a 22 percent decline in trailer traffic volume. Revenue per unit increased for both periods, primarily due to rate increases.

Fourth-quarter intermodal revenues are expected to benefit from new business and facility improvements; however, continued softness in the economy could offset these benefits.

Railway Operating Expenses

Third-quarter railway operating expenses were $1.3 billion, down $61 million, or 5 percent, compared with third quarter last year. For the first nine months, expenses were $3.9 billion, down $210 million, or 5 percent. Expenses in 2000 included $101 million of work-force reduction costs in the first quarter (see Note 4); excluding these costs, 2001 expenses were down $109 million, or 3 percent.

"Compensation and benefits" expenses decreased $29 million, or 6 percent, in the third quarter and $78 million, or 5 percent, year-to-date, excluding the first-quarter 2000 work-force reduction costs. Lower salaries and wages, a result of last year's work force reductions, were somewhat offset by higher wage rates and benefit costs for union employees and lower pension income.

"Materials, services and rents" expenses increased $3 million, or 1 percent, in the quarter and $34 million, or 3 percent, year-to-date, primarily due to higher mechanical and engineering costs and higher expenses for intermodal-related and other purchased services. These increases were partially offset by lower equipment rents and joint facility expenses.

"Conrail rents and services" expenses decreased $6 million, or 5 percent, in the third quarter and $40 million, or 11 percent, year-to-date. Both declines reflected lower expenses in the Shared Assets Areas. The year-to-date also benefited from higher equity earnings from Conrail.

"Diesel fuel" expenses decreased $25 million, or 21 percent, in the third quarter and $23 million, or 7 percent, for the first nine months. Both periods benefited from lower consumption -- down 15 percent for the quarter and 8 percent for the year-to-date. The price per gallon dropped 8 percent in the quarter, but remained slightly higher for the year-to-date.

"Casualties and other claims" expenses decreased slightly in the third quarter, but increased $10 million, or 10 percent, for the first nine months. The year-to-date increase reflected the absence of a premium refund that provided a benefit last year and adverse claims development.

"Other" expenses decreased $6 million, or 10 percent, in the third quarter and $19 million, or 10 percent, for the first nine months. Both declines primarily resulted from lower property and sales and use taxes, together with lower travel and relocation costs.

The third-quarter railway operating ratio was 83.8 percent in 2001, compared with 86.3 percent in the third quarter of 2000. For the first nine months, the ratio was 84.2 percent in 2001, compared with 86.7 percent in 2000 (excluding the work-force reduction costs, which added 2.1 percentage points to the ratio).

Other Income - Net

"Other income - net" decreased $65 million in the third quarter and $87 million for the first nine months, compared with the same periods last year. The declines reflected the absence of significant gains that occurred in 2000 -- a $73 million gain in the third quarter from the sale of certain timber properties and a $28 million gain in the second quarter from the sale of gas and oil royalty and working interests. Results in 2001 benefited from lower interest accruals on federal income tax liabilities and a $13 million gain from a non-recurring settlement in the first quarter.

Provision for Income Taxes

The third-quarter effective income tax rate was 36.3 percent in 2001, compared with 36.5 percent for the same period last year. For the first nine months, the effective rate was 35.3 percent, compared with 34.8 percent last year-to-date. Excluding NS' equity in Conrail's after-tax income, the third-quarter rate was 37.8 percent in 2001 and 37.3 percent in 2000, and the year-to-date rate was 38.5 percent in 2001 and 36.6 percent in 2000. Both increases resulted from a reduction in the level of benefits from investments in coal-seam gas properties.

FINANCIAL CONDITION AND LIQUIDITY

Cash provided by operating activities, NS' principal source of liquidity, decreased significantly in the first nine months of 2001, compared with last year. The decline resulted from: (1) the absence of the large cash infusion received May 1, 2000, upon commencement of the program to sell accounts receivable; (2) higher tax payments this year, including the settlement of federal tax years 1995 and 1996; (3) the absence of employee bonus payments in 2000 and (4) a litigation settlement payment this year. These items were somewhat offset by higher operating income and the receipt of cash from a

non-recurring settlement. NS' working capital deficit was $1.5 billion at Sept. 30, 2001, compared with $1.0 billion at Dec. 31, 2000. NS currently has the capability to issue commercial paper to meet its more immediate working capital needs. In addition, NS can borrow available funds from PRR. (See the discussion of financing activities, below.)

Cash used for investing activities increased significantly in the first nine months of 2001, compared with last year. The increase resulted from a 17 percent rise in property additions, reflecting the purchase of locomotives versus no such purchase in the first nine months of 2000, somewhat offset by less track program work and fewer freight car purchases.

Cash provided by financing activities was $159 million for the first nine months of 2001. Sources of cash included $1.2 billion of net proceeds from the sale of Senior Notes (see Note 6), $174 million of proceeds from the sale of equipment trust certificates and a net increase of $212 million in borrowings from PRR (see the discussion of Conrail's financial condition and liquidity, below). Uses of cash included a $1.1 billion net reduction to commercial paper and a $200 million repayment of Senior Notes. NS' debt-to-total capitalization ratio (excluding notes payable to Conrail) was 56.0 percent at Sept. 30, 2001, compared with 56.7 percent at Dec. 31, 2000. NS currently has in place a new $1 billion, 5-year credit facility, which replaced the facility that would have expired May 2002. The new agreement provides for borrowings at prevailing rates and includes financial covenants similar to the old facility. In addition, NS has issued only $250 million of debt under its $1 billion shelf registration that became effective in April 2001.

CONRAIL'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND LIQUIDITY

Conrail's third-quarter net income was $35 million in 2001, unchanged compared with the same period of last year. For the first nine months, net income was $127 million this year, compared with $131 million last year. The decline was the result of the absence of a $37 million after-tax gain from a property sale in the first quarter of 2000 (see Note 5), largely offset by lower casualties and other claims expenses, a favorable adjustment to state income tax reserves and an environmental settlement in Conrail's favor.

Conrail's operating revenues decreased 8 percent in each of the third quarter and first nine months, compared with the same periods of last year. The declines resulted from lower revenues at Conrail's Indiana Harbor Belt subsidiary, the expiration of certain equipment leases and lower operating fees, largely because of reduced operating costs in the Shared Assets Areas.

Conrail's operating expenses decreased 7 percent in the third quarter and 15 percent for the first nine months, compared with the same periods of last year. The decline for the quarter was principally due to lower compensation and benefits. The year-to-date decline primarily resulted from lower expenses for materials, services and rents; casualties and other claims; and compensation and benefits.

Conrail's working capital was $417 million at Sept. 30, 2001, compared with $85 million at Dec. 31, 2000. Conrail is expected to have sufficient cash flow to meet its ongoing obligations.

NS' equity in earnings of Conrail, net of amortization, was $5 million in the third quarter, compared with $3 million last year, and was $31 million for the first nine months, compared with $13 million last year.

OTHER MATTERS

Telecommunications Subsidiary

NS' subsidiary, Thoroughbred Technology and Telecommunications, Inc. ("T-Cubed"), is co-developing fiber optic infrastructure with members of the telecommunications industry. This industry has recently experienced a severe downturn. During the second quarter, one of T-Cubed's co-developers filed for protection under Chapter 11 of the U.S. Bankruptcy Code and foreign laws. This co-developer owes T-Cubed amounts for work performed on joint projects; however, based on known facts and circumstances, Management believes that such amounts ultimately will be realized.

As a result of changes in the values of telecommunications assets, T-Cubed is monitoring its carrying amount of these assets, as required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." To date, based on the known facts and circumstances, Management believes that its ultimate investment in these assets, which is expected to total about $140 million upon completion of the network, will be recovered, and accordingly, no impairment has been recognized. However, due to the evolving circumstances in this industry, T-Cubed expects to complete in the fourth quarter a more detailed market evaluation of the prospects for recovering its investment in these assets.

Labor Arbitration

Several hundred claims have been filed on behalf of NSR employees furloughed after June 1, 1999, for various periods of time, alleging that the furloughs were a result of the Conrail transaction and seeking "New York Dock" income protection benefits. One labor organization has initiated arbitration on behalf of approximately one hundred of these claimants. Management believes, based on known facts and circumstances, including the availability of legal defenses, that the amount of liability for these claims should not have a material adverse effect on NS' financial position, results of operations or liquidity. Depending on the outcome of the arbitration, other claims may be filed or progressed to arbitration. Should all such claimants prevail, there could be a significant effect on results of operations in a particular quarter.

Labor Agreements

Approximately 85 percent of NS' railroad employees are covered by collective bargaining agreements with 15 different labor unions. These agreements remain in effect until changed pursuant to the Railway Labor Act. Moratorium provisions in these agreements permitted NS and the unions to propose such changes in late 1999; negotiations at the national level commenced shortly thereafter. The outcome of these negotiations is uncertain. However, an agreement was reached with the Brotherhood of Locomotive Engineers, which represents about 5,000 NS employees, and a national agreement has been reached with the Brotherhood of Maintenance of Way Employes, which represents about 4,500 NS employees. In addition, a tentative national agreement (subject to ratification) has been reached with the United Transportation Union, which represents about 7,500 NS employees. The tentative national agreement reached with the International Brotherhood of Electrical Workers, which represents about 1,000 NS employees, was not ratified.

REQUIRED ACCOUNTING CHANGES AND NEW ACCOUNTING PRONOUNCEMENT

Effective Jan. 1, 2001, NS adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (see Note 8).

Effective April 1, 2001, NS adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which replaced SFAS No. 125 of the same name. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and requires certain disclosures, but carries over most of the provisions of SFAS No. 125. NS adopted the disclosure requirements with its 2000 Annual Report; the remaining provisions of SFAS No. 140 did not have a material effect on NS' financial statements.

In October 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement No. 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but it retains many of the fundamental provisions of that Statement. Statement No. 144 also broadens the presentation of discontinued operations to include more disposal transactions. NS will adopt Statement No. 144 effective Jan. 1, 2002, and expects it will not have a material effect on its financial statements.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that may be identified by the use of words like "believe," "expect," "anticipate" and "project." Forward-looking statements reflect Management's good-faith evaluation of information currently available. However, such statements are dependent on and, therefore, can be influenced by, a number of external variables over which Management has little or no control, including: domestic and international economic conditions; the business environment in industries that produce and consume rail freight; competition and consolidation within the transportation industry; fluctuation in prices of key materials, in particular diesel fuel; labor difficulties, including strikes and work stoppages; legislative and regulatory developments; changes in securities and capital markets; and natural events such as severe weather, floods and earthquakes. Forward-looking statements are not, and should not be relied upon as, a guaranty of future performance or results. Nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. The Company undertakes no obligation to update or revise forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

There has been no material change to the disclosures made under the heading "Market Risks and Hedging Activities" on page 46 of the

Corporation's 2000 Annual Report on Form 10-K. Additional information required by this item is included in Part I, Item I, "Financial Statements" in Note 8 on page 9.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10(w) Agreement providing enhanced pension benefits to three officers in exchange for their continued employment with the Corporation for two years. The agreement was entered into with L. Ike Prillaman, Vice Chairman and Chief Marketing Officer; Stephen C. Tobias, Vice Chairman and Chief Operating Officer; and Henry C. Wolf, Vice Chairman and Chief Financial Officer.

(b) Report on Form 8-K:

A report on Form 8-K was filed July 5, 2001, advising of certain details of the issuance and sale of Registrant's Floating Rate Senior Notes, and attaching as exhibits the related agreements, indenture and opinions.

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: Nov. 9, 2001

/s/ Dezora M. Martin
Dezora M. Martin
Corporate Secretary (Signature)

Date: Nov. 9, 2001

/s/ John P. Rathbone
John P. Rathbone
Senior Vice President and Controller
(Principal Accounting Officer) (Signature)

EXHIBIT INDEX

Electronic Submission Exhibit Number	Description	Page

10(w)	Agreement providing enhanced pension benefits to three officers in exchange for their continued employment with the Corporation for two years. The agreement was entered into with L. Ike Prillaman, Vice Chairman and Chief Marketing Officer; Stephen C. Tobias, Vice Chairman and Chief Operating Officer; and Henry C. Wolf, Vice Chairman and Chief Financial Officer.	24

AGREEMENT

THIS AGREEMENT is made this _________ day of September, 2001, by and between ______________________, hereinafter referred to as "Employee," and NORFOLK SOUTHERN CORPORATION, hereinafter referred to as "NS."

WITNESSETH:

WHEREAS, Employee has highly specialized skills which are valuable to NS;

WHEREAS, NS and its Board of Directors are willing, in consideration of Employee entering into this Agreement and fulfilling its terms, to provide an enhanced pension benefit to Employee;

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. Term: Employee agrees to perform services for NS, if desired by NS, for not less than two (2) consecutive years, commencing on October 1, 2001, ("Commencement Date") and ending on September 30, 2003 ("Termination Date").

2. Pension Enhancement: NS' Board of Directors has directed NS to provide an enhanced pension benefit "Pension Enhancement" to Employee upon satisfactory completion of this Agreement. The Pension Enhancement shall be in addition to the retirement benefits Employee may be entitled to under the Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies ("Retirement Plan") and the Supplemental Benefit Plan of Norfolk Southern Corporation and Participating Subsidiary Companies ("Supplemental Plan") (together, "Retirement Plans"), and this additional benefit shall be provided under Article IV, Section 2 of the Supplemental Plan. The Pension Enhancement shall equal the excess of:

   (a) the monthly benefit under Article VI of the Retirement Plan and under Article IV, Section 1 of the Supplemental Plan if such benefit had been computed (i) by including an additional three years of Creditable Service and (ii) by determining Average Final Compensation on the basis of the average monthly Compensation paid to the Member during any three Compensation Years out of the 120 months of Creditable Service ending with the last month in which the Member was employed in a Nonagreement Position which will produce the highest average monthly compensation; over

   (b) the monthly benefit actually payable under the Retirement Plans.

   For the purposes of this section of the Agreement, capitalized terms shall be as defined in the Retirement Plans and "Compensation Year" shall mean any twelve consecutive month period of Creditable Service ending on the last day of the same month as the last month in which the Member was employed in a Nonagreement Position.

3. Employee's Responsibility: Employee agrees to perform services for NS, if desired by NS, for the term of this Agreement. Should Employee separate from employment with NS, retire under the Retirement Plans or any other retirement plan sponsored by NS, or be involuntarily terminated from employment for reasons determined by NS' Board of Directors, in its sole discretion, to be within Employee's control, during the term of this Agreement and prior to the Termination Date, Employee will forfeit all rights and claims to the Pension Enhancement.

   In the event Employee (i) dies; (ii) is determined to be disabled under the terms of the Long-Term Disability Plan; or (iii) is involuntarily terminated by NS for reasons determined by NS' Board of Directors, in its sole discretion, to be outside Employee's control (e.g., job abolishment), Employee will remain entitled to the full amount of the Pension Enhancement.

4. At-Will Employment: It is understood that Employee remains an at-will employee, and this Agreement is not intended to create a contract for, or right to, employment for any term whatsoever. NS specifically reserves the right to discontinue Employee's employment at any time and for any reason. Likewise, this Agreement is not intended to address the terms and conditions of Employee's employment, such as salary and benefits, which will be determined by NS and its Board of Directors as it would for any other officer and at-will employee.

5. Governing Law: This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

6. Amendments and Termination: This Agreement may be amended, supplemented and terminated only by a written instrument duly executed by all of the Parties.

7. Waiver: The failure of either Party to insist upon strict performance of any of the terms and conditions of this Agreement will not constitute a waiver of any of its rights hereunder.

8. Severability: If any provisions of this Agreement are held illegal, invalid, or unenforceable, such illegality, invalidity, or unenforceability will not affect any other provision hereof. This Agreement shall, in such circumstances, by deemed modified to the extent necessary to render enforceable the provisions hereof.

9. Entire Agreement: This Agreement constitutes the entire understanding among the Parties with respect to the subject matter contained herein and supersedes any prior understandings and agreements among them respecting such subject matter.

10. Effective Date: This Agreement will become effective upon its execution by both Parties.

IN WITNESS WHEREOF, this Agreement is executed and delivered on behalf of NS by one or more officers of NS thereunto duly authorized, as of the day and year first above written, and Employee has indicated his acceptance of and intent to be bound by this Agreement in the space provided below.

ACCEPTED:

By

Employee

NORFOLK SOUTHERN CORPORATION

By

James A. Hixon
Senior Vice President Administration