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July 8, 2015

Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: Ex Parte No. 722: Railroad Revenue Adequacy

Dear Ms. Brown:

Norfolk Southern Railway Company provides notice of its intent to participate in the hearing on July 22-23, 2015 regarding Railroad Revenue Adequacy.

Speaking on behalf of Norfolk Southern will be Professor David Sappington, Professor Bradford Cornell, and Mr. Raymond Atkins, who collectively will urge the STB to abandon an independent, top-down revenue adequacy constraint.

Professor David Sappington of the University of Florida—a leading expert on “performance-based regulations”—will describe the modern movement away from rate-of-return regulation because of the known incentive problems that plague this kind of regulation and stifle innovation, productivity, capital investments, and competition.

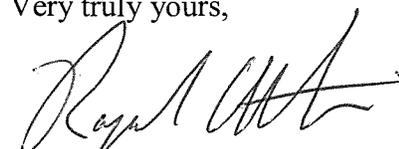
Professor Bradford Cornell of the California Institute of Technology will then describe the measurement errors that render the annual revenue adequacy findings unsuitable for use in regulating rates, including the paramount failure to measure revenue adequacy on the basis of current replacement costs. Professor Cornell will also explain how—even if the measurement errors were corrected—there is no correlation between the system-wide financial health of a railroad and the reasonableness of a particular rate.

Finally, Mr. Atkins will discuss why the Board should avoid developing and imposing yet another rate constraint on the railroad industry. He will describe how the Stand-Alone Cost (SAC) and Simplified-SAC tests serve as revenue adequacy tests that appropriately are targeted to the portion of the rail system used to serve the complaining shipper.

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Norfolk Southern requests a total of 45 minutes to make its presentation.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ray A. Atkins", written in a cursive style.

Raymond A. Atkins

RAA:caj