Thank you, Chairman Nober.

I am pleased that the Board is seeking comments from all interested persons on this proceeding. How the Board currently measures the railroad industry's cost of capital has been the subject of some debate. On the one hand, some argue that our approach overstates the railroads' cost of capital and thereby leads to the finding that the carriers, on the whole, are revenue inadequate. They believe that the evidence shows that railroads have ready access to capital markets and are healthier financially than we suggest. On the other hand, there are those who argue that our approach, in fact, understates the cost of capital to the railroads because we understate risk, especially asymmetric risk.

These conflicting arguments have led me to the firm conclusion that, at the very least, we should take a serious look at our current methods of calculation here at the STB, and I look forward to working with the Chairman and Commissioner Buttrey in the coming year to devise a strategy to do just that.

In this current proceeding, I am most interested in exploring the effectiveness of our using the criteria set forth in Railroad Cost of Capital – 1984 as we seek to determine the cost of capital for 2004. As such, I am open to learning about alternative approaches to calculating cost of capital from those who elect to comment, in addition to any other thoughts they may submit.

Thank you.