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August 21, 2015

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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

ENTERED
Office of Proceedings
August 21, 2015
Part of
Public Record

Re: EP 701, *Accelerating Reporting Requirements for Class I Railroads*
EP 720, *Accounting and Reporting of Business Combinations, Security*
Investments, Comprehensive Income, Derivative Instruments and Hedging
Activities

Dear Ms. Brown:

Pursuant to the Notices of Proposed Rulemaking served on July 8, 2015, in the above docketed proceedings, the Association of American Railroads hereby files the attached comments.

Sincerely,

Timothy J. Strafford
Counsel for the Association
of American Railroads

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 701

ACCELERATING REPORTING REQUIREMENTS
FOR CLASS I RAILROADS

STB Ex Parte No. 720

ACCOUNTING AND REPORTING OF BUSINESS COMBINATIONS, SECURITY
INVESTMENTS, COMPREHENSIVE INCOME, DERIVATIVE INSTRUMENTS AND
HEDGING ACTIVITIES

COMMENTS OF THE
ASSOCIATION OF AMERICAN RAILROADS

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FOR CLASS I RAILROADS

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COMMENTS OF THE
ASSOCIATION OF AMERICAN RAILROADS

In separate Notices of Proposed Rulemaking (“NPRM”) served on July 8, 2015, in the above captioned proceedings, the Surface Transportation Board (“Board” or “STB”) proposed to make several changes to its rules regarding how Class I freight railroads report certain financial and other data. In EP 701, the Board proposed to accelerate the filing deadlines for certain financial, employee, and traffic reports submitted by Class I railroads.¹ In EP 720, the Board proposed to revise its regulations to update the accounting and reporting requirements

¹ Specifically, the reports are: Schedule 250 (required under the Annual Report Form R-1); Quarterly Condensed Balance Sheet Forms (“CBS”); Quarterly Revenue, Expenses, and Income Reports (“RE&I”); Quarterly Wage Forms A&B (“Quarterly A&B”); Annual Wage Forms A&B (“Annual A&B”); Quarterly Reports of Fuel Cost, Consumption, and Surcharge Revenue (“Quarterly Fuel”); Quarterly Freight Commodity Statistics Report Forms (“Quarterly QCS”); Annual Freight Commodity Statistics Report Forms (“Annual QCS”); Annual Report of Cars Loaded and Terminated (“Form STB-54”); and Monthly Report of Number of Employees (“Form C”).

under its Uniform System of Accounts (“USOA”) for Class I railroads to increase consistency with current generally accepted accounting principles (“GAAP”) and revise the schedules and instructions for the Annual Report for Class I Railroads (“R-1” or “R-1 Report”) “to better meet regulatory requirements and industry needs.”

The Association of American Railroads (“AAR”) respectfully submits these comments as a party of record in accordance with the Board’s NPRMs and subsequent decision.² The AAR is a trade association representing the interests of North America’s major freight railroads, and often presents comments and testimony in STB proceedings. The AAR and its freight member railroads have a strong interest in this proceeding and in ensuring that the Board collects necessary data from AAR member railroads in the most efficient, least burdensome way possible. The AAR comments are supported by the verified statements of Thomas E. Hurlbut, Vice President and Controller of Norfolk Southern Corporation, and Angela C. Williams, Assistant Vice President and Assistant Controller of CSX Corporation.³

In EP 720, the AAR generally supports the Board’s proposal to eliminate unnecessary schedules from the R-1 Report, with the exception of Schedule 702 Miles of Road at Close of Year - By States and Territories (Single Track). In addition to those schedules proposed for elimination in the NPRM, the AAR submits that the Board should also eliminate other schedules that serve no useful purpose because they impose a regulatory burden on Class I

² The Board extended the procedural schedule in a single decision served in both proceedings on July 21, 2015.

³ Mr. Hurlbut’s and Ms. Williams’s statements each relate to the practices of their individual companies, as representative examples of the publicly traded railroads. As evidenced by their statements, the specific details of each company’s processes and timelines differ.

railroads with no corresponding public benefit. The Board should also make other changes to conform R-1 schedules to GAAP or to otherwise harmonize R-1 reporting requirements.

In EP 701, the AAR strongly opposes the acceleration of reporting deadlines because they would not confer public benefits. In contrast to the lack of any public benefit, the acceleration of quarterly financial reports would be particularly problematic because they would be incompatible with regulation under the Securities Exchange Act of 1934 (Pub.L. 73–291, 48 Stat. 881, enacted June 6, 1934, codified at 15 U.S.C. § 78a *et seq.*) (“Exchange Act”), creating additional reporting burdens for the railroads with publicly traded equity (“publicly traded railroads”) and disrupting their internal accounting and financial processes and independent auditor review. The altered timelines that are proposed could also result in investor confusion because the Board’s filing would be due prior to filings with the Securities and Exchange Commission (“SEC”). The AAR also requests clarification regarding the change proposed for 49 C.F.R. § 1246.1.

Finally, the AAR requests that the Board make any rule changes effective with sufficient lead time to allow railroads to implement those changes in both EP 701 and EP 720.

Comments

I. The AAR Supports the Elimination of Unused Schedules to the R-1 Report

The AAR strongly supports the Board’s effort to eliminate unused schedules to the R-1 Report. Such regulatory rationalization and streamlining is consistent with the President’s Executive Order 13579, which asked independent agencies like the Board to analyze their regulations and provide a plan to periodically reassess and streamline those regulations. The proposal is also consistent with the Board’s governing statute’s directives to

minimize the burdens imposed on rail carriers. The national Rail Transportation Policy directs the Board to ensure the availability of “accurate cost information in regulatory proceedings, while minimizing the burden on rail carriers of developing and maintaining the capability of providing such information,” 49 U.S.C. § 10101(13). Consistent with this policy, section 11161 provides that the Board maintain cost accounting rules that are the “most efficient and least burdensome means by which the required information may be developed for regulatory purposes.” Section 11164 further states that “[e]xpense and revenue accounting and reporting requirements . . . shall be cost effective and compatible with and not duplicative of the managerial and responsibility accounting requirements” of the carriers. Indeed, it is the agency’s stated policy that only information needed to carry out its regulatory function should be collected.⁴ *Policy Statement on Fin. & Statistical Reporting*, 44 Fed. Reg. 27537 (1979).

Elimination of unused R-1 schedules would meet these goals. The schedules proposed for elimination serve no useful purpose and largely match those identified by the AAR for elimination in its comments filed in EP 712, *Improving Regulation and Regulatory Review* (filed Jan. 10, 2012), with one exception: Schedule 702, Miles of Road at Close of Year – By States and Territories (Single Track). Schedule 702 is used to calculate state tax rates in the Revenue Shortfall Allocation Method. *See Annual Submission of Tax Information for Use in the Revenue Shortfall Allocation Method*, EP 682 (STB served Feb. 26, 2010) slip op. at 2 &

⁴ In the cited statement of policy, the ICC stated that “periodical reports, annual or quarterly, will be required only for information needed by the Commission regularly and frequently” and that “information needed occasionally will be collected only when specific needs arises.” Both statements support the AAR position in EP 724 (Sub-No. 4) that the Board should not make permanent granular level operations reports that would not be useful to understanding future service issues.

fn. 3. As such, the Board should retain Schedule 702, but eliminate the other proposed schedules as unnecessary for the Board's regulatory and oversight functions.

In addition to the schedules proposed to be eliminated in the NPRM, the AAR also asks the Board to eliminate the following R-1 schedules, consistent with the AAR Comments submitted in EP 712:

- Schedule 220 Retained Earnings,
- Schedule 342 Accumulated Depreciation – Improvements to Road and Equipment Leased from Others,
- Schedule 501 Guarantees and Suretyships, and
- Schedule 502 Compensating Balances and Short-Term Borrowing Arrangements.

The AAR also asks that the Board eliminate the following schedules:

- Schedule 310 Investments and Advances Affiliated Companies, and
- Schedule 310A Investments in Common Stocks of Affiliated Companies.

The Board should eliminate these schedules because they “contain data not used or usable to support the Board's regulatory objectives or which is not used for purposes of the Board's Uniform Rail Costing System ("URCS").” *See* AAR Comments, EP 712, *Improving Regulation and Regulatory Review*, at 16 (filed Jan. 10, 2012).

II. The Board Should Also Modify Certain Schedules to Conform to GAAP or to Otherwise Harmonize R-1 Schedules

The NPRM in EP 720 correctly notes that Sections 11142 and 11161 require the Board to conform its accounting rules to GAAP “[t]o the maximum extent practicable.” To the extent that the Board's other proposals in EP 720 conform to GAAP, the AAR supports them. The AAR submits that the Board should, consistent with the AAR's comments in EP

712, also conform the following schedules to GAAP and otherwise harmonize R-1 reporting requirements:

- Schedule 210 Results of Operations – Change the description in Line 41 to “Amortization of Premium or Discount on Funded Debt” to reflect that premium amortization is included in interest expense and remove line 22 (Release of Premiums on Funded Debt) where amortization of premium on funded debt is currently reported,
- Schedule 412 Way and Structures – Add a separate line for (44) Shop Machinery to reconcile the amortization expenses and depreciation for road accounts required in Schedules 335 and 412,
- Schedule 415 Supporting Schedule – Equipment – Combine owned and capitalized leases in the Schedule and eliminate Lines 38-40 pertaining to Machinery because the data is not in, and therefore does not support, Schedule 410 Equipment Accounts, and
- Schedule 755 Railroad Operating Statistics – Eliminate Line 89 (Cabooses Miles) because there has been a significant reduction in the use of cabooses by reporting rail carriers.

In addition, the STB should also adopt FASB Accounting Standards Codification No. 410 Asset Retirement and Environmental Obligations (“ASC 410”). ASC 410 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Because ASC 410 affects balance sheet and income statement accounts, implementation would likely impact the following R-1 schedules as well as any schedules that build upon these:

- Schedule 200 Comparative Statement of Financial Position,
- Schedule 210 Results of Operations,
- Schedule 335 Accumulated Depreciation – Road and Equipment Owned and Used, and
- Schedule 410 Railway Operating Expenses.

III. The Board Should Not Accelerate Filing Deadlines

The Board should not adopt the proposed changes that would accelerate filing deadlines. The agency should take into account “among other things, and to the extent practicable, the costs of cumulative regulations” and should “propose or adopt a regulation only upon a reasoned determination that its benefits justify its costs.” *See Memorandum for the Heads of Executive Departments and Agencies*, Cass R. Sunstein, Administrator the Office of Information and Regulatory Affairs (March 20, 2012). Because the NPRM does not articulate specific benefits to the public from the changes and the proposed accelerated deadlines would impose substantial burdens on the railroads and create other problems, it is clear that the proposed acceleration is contrary to the general legal requirements to minimize the Federal collection burden, and maximize the practical utility of the information collected by the Federal government. 44 U.S.C. § § 3508, 3504. They are also contrary to Congress’s specific direction to the Board to maintain the “most efficient and least burdensome means by which the required information may be developed for regulatory purposes,” 49 U.S.C. §11161 and “[e]xpense and revenue accounting and reporting requirements” that are “cost effective and compatible with and not duplicative of the managerial and responsibility accounting requirements” of the carriers. 49 U.S.C. §11164.

A. The Board Should Not Accelerate Filing Deadlines in the Absence of Public Benefits

The NPRM in EP 701 states generally that “[e]arlier reporting of financial information would also allow the Board and the public to more quickly identify and evaluate emerging trends, business conditions, and issues related to Class I railroads. The Board’s decision concerning revenue and expenses of the railroads would be based on more current

information.” But the NPRM does not establish how the earlier filing dates would accomplish these general goals. It is unclear what practical public benefit would be derived from filings made 5 to 15 days earlier (in the case of Form C, Quarterly A & B, Annual A & B, RE&I, CBS, and quarterly Fuel) or even 30 days earlier (in the case of Schedule 250, Form STB-54 Quarterly QCS and Annual QCS).

For example, the NPRM does not establish the benefits associated with requiring Schedule 250 to be filed earlier in the year. According to the “Uses and Needs” section related to Schedule 250 contained in Appendix B to the NPRM, requiring Schedule 250 to be filed at the same time as the R-1 report “would enable the Board to expedite the Board’s revenue adequacy determinations.” But it is not at all clear that earlier filing of Schedule 250 will lead to earlier annual revenue adequacy determinations by the Board. Schedule 250 contains the data necessary to calculate the net return on investment portion of the annual revenue adequacy determination, but that calculation is of no practical benefit until the annual railroad industry cost of capital is established by the Board. However, the timeline associated with Board’s annual proceeding for the cost of capital is already as early in the calendar year as the availability of the necessary data sources will allow.⁵ Looking back at the last ten years, the agency has never issued its cost of capital decision any earlier than July of the following year. Filing Schedule 250 at the end of March does not appear to affect that timeline or confer any other public benefit.

⁵ In 2008, the Board changed its methodology for calculating the railroad industry cost of capital, adopting the Capital Asset Pricing Model (“CAPM”). *See Methodology to be Employed in Determining the Railroad Industry’s Cost of Capital*, EP 664 (STB served Jan. 17, 2008). CAPM uses market risk premium data previously published in the Ibbotson SBBI Valuation Yearbook published by Morningstar, now published in Ibbotson SBBI Market Report that is not available until spring of the following year.

B. Accelerated Deadlines Would Impose Burdens on Railroads

Such unclear public benefits, if any, come at the expense of increased burden on the railroads. The NPRM considers the burdens associated with the proposed changes with a broad brush and makes assumptions that are unsupported, stating “Only negligible additional burdens to respondent railroads would be expected as a result of the expedited deadlines being proposed. Due to the availability of more robust financial reporting technology since the adoption of the current Class I railroad reporting requirements, the information requested should be readily available for timely filing under the proposed deadlines.” First, it is not necessarily true that the information requested should be readily available for timely filing under the proposed deadlines because, as discussed below, there are multiple, time-consuming steps to verifying the data that must occur and there are parallel concerns under SEC regulations related to the disclosure of the information. Second, it is not clear that accelerated deadlines do not increase the number of burden hours associated with a particular data collection.⁶ Williams V.S. at 2. In fact, accelerated filings that get ahead of internal process and reviews by auditors could result in more work to accelerate internal control procedures and independent auditor review, work related to later filing corrections, or both. Third, grouping deadlines for multiple reports compiled by the same personnel create resource problems for the railroads and greatly expand the amount of work needed to be completed in a

⁶ As the Board knows, the AAR has previously suggested that the Board’s cost data for compiling these reports should be updated. *See* AAR Comments, EP 712, *Improving Regulation and Regulatory Review* at 16 (filed Jan. 10, 2012) (suggesting that the Board update “the estimate of hours of preparation to reflect the actual amount of time spent by rail carriers in preparing the R-1s”). The AAR and its freight railroad members appreciate the opportunity to comment to the Office of Management and Budget on the burdens associated with RE&I, CBS, Quarterly A & B, and Form C. *See* 80 Fed Reg. 50714-5 (Aug. 20, 2015).

tight time period. *Id.* By requiring submission of the R-1 data and Schedule 250 at the same time or by requiring more quarterly reports on the same date, the Board would be increasing the amount of work individual railroad employees would need to complete at the same time. To avoid compliance failures and to maintain internal and disclosure controls, railroads may be forced to hire additional staff that would be largely underutilized at non-reporting intervals. Failure to do so could increase the possibility of errors in the data and the need to resubmit reports.

C. Accelerated Deadlines For Quarterly Financial Reports Should Not Be Adopted Because They Are Incompatible with SEC Regulation of Publicly Traded Railroads

Beyond these general concerns, the proposed accelerated deadlines for quarterly financial reports (CBS, RE&I, Quarterly A&B; and Quarterly Fuel) should not be adopted because they would greatly depart from the reporting deadlines of the SEC that publicly traded railroads must comply with. The Exchange Act requires public companies to make information publicly available to investors periodically to aid in their investment and voting decisions. The SEC's rules under the Exchange Act require disclosure at quarterly and annual intervals, with specified significant events reported on a more current basis. Specifically, a domestic issuer subject to the Exchange Act must, among other obligations, file the following reports:

- An annual report on Form 10-K,
- Quarterly reports on Form 10-Q, and
- Current reports on Form 8-K for a number of specified events

Filing the STB-required financial reports on the 15th day of the new quarter would be incompatible with and would create additional reporting obligations under SEC regulations.

The SEC is the primary regulator charged with making financial information of publicly traded companies available to the public.⁷ The SEC reviewed the deadlines in 2002 and 2005 for some filers (that included the publicly traded AAR member Class I railroads) and balanced the desire for timely information with “the time companies need to prepare their reports without undue burden,” and “emphasized that the amended filing deadlines should speed the flow of information to investors without sacrificing accuracy or completeness or imposing undue burden and expense.” SEC Release No. 33-8755 at 5 (2005). The SEC concluded that quarterly 10-Q reports would be due 40 days after the end of the fiscal quarter. *See* 17 C.F.R. § 249.308a (a)(1). Each of the publicly traded railroads, however, publicly reports its earnings and files necessary SEC reports as early as the 17th and no later than 30th day of the end of the prior quarter, before filing quarterly data with the Board.

The proposed rules would flip that order and put STB reporting out in front of SEC disclosures. If the publicly traded railroads are required to submit the STB financial reports by the 15th day, the publicly traded railroads will also have to file an 8-K with the SEC a few days before their respective earnings releases in addition to the 8-K and 10-Q they file after their earnings release.⁸ Such duplicative filings in a short period of time will increase the

⁷ “The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions.” <http://www.sec.gov/about/whatwedo.shtml>

⁸ If the Board were to adopt accelerated filing deadlines but did not adopt ASC 410 as suggested above, this sequence of events would also present another problem related to a “cost to remove” accounting adjustment. Data provided early to the Board could cause additional investor confusion because data filed at the Board would not have this adjustment and data filed at the SEC would.

burden on rail carriers without providing any meaningful improvement in the quality or timeliness of the information available on their performance – contrary to the directive in Section 11164 that the STB reporting requirements “shall be cost effective and compatible with and not duplicative of the managerial and responsibility accounting requirements” of the carriers and contrary to the SEC’s process for disclosure of meaningful financial and other information to the public.

Moreover, the acceleration of Form STB-54 from the end of the first quarter to the end of February, the Quarterly QCS from the end of February to the end of January, and the Annual A & B from the middle of February to the end of January will conflict with the preparation of the annual report on Form 10-K and annual proxy statements. In addition, regulations promulgated by the SEC under sections 953-956 of the Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) will require filings of increasingly complicated disclosures on such matters as executive compensation in future years, increasing the burden of acceleration of the STB reports.⁹

D. Accelerated Deadlines for Quarterly Financial Reports Could Cause Investor Confusion

Data provided early to the STB could cause confusion in the investor community when the SEC filing is made. The proposal creates several sources of potential confusion for investors. First, the information provided to the Board is based on a different corporate entity than the information provided in the SEC. For example, for Norfolk Southern, the Board reporting is based on Norfolk Southern Combined Railroad Subsidiaries, but the SEC

⁹ See <http://www.sec.gov/spotlight/dodd-frank.shtml#> (last accessed Aug. 20, 2015).

reporting is done at the level of Norfolk Southern Corporation and Subsidiaries. Hurlbut V.S. at 2.

Second, there are differences in accounting treatment in Board reports and SEC reports. As the Board knows there are instances in which the USOA differs from GAAP. *Id.* Although this is not an issue currently, the proposal would make it an issue. By causing the publicly traded railroads to file financial information with the STB in advance of release to the public, this will cause investors to focus on the STB information since it will be the first available public information. The investor community will likely use those data to try to estimate what the SEC-reported results will be. The differences in accounting therefore could cause confusion.

Third, the proposal creates a tension between reliable information and time. Hurlbut V.S. at 1-2 (noting that the internal control process ensures relevant and reliable data). Filing financial information with the STB in advance of the filing of financial information with the SEC would cause publicly traded railroads to release such information before completion of processes necessary to ensure that the publicly released financial information is accurate and complete. There are multiple internal steps that must be taken to collect, check, submit to auditors, and certify the company's data that Thomas Hurlbut explains in his verified statement. *Id.* Once their books are closed, which varies for different companies, but ranges from two to three weeks, draft data are subjected to internal verification processes to comply with each company's internal controls over financial reporting and disclosure controls and procedures. For example, draft results may be submitted for internal review to the chief financial officer and chief executive officer, to the disclosure committee and to the audit committee of the company's board of directors. The publicly traded railroads also submit the

financial information, including the data necessary for the CBS, RE&I, Quarterly A&B, Quarterly Fuel, and Quarterly QCS to their independent outside auditors for review. After this verification process is complete, earnings information is prepared and released to the stockholder and analyst community and furnished to the SEC on a Form 8-K. The chief financial officer and chief executive officer then certify the data for filing with SEC, the outside auditor provides an opinion letter for the year-end results and, in some cases, a review letter in connection with quarter-end results, and the data are filed in the publicly traded railroads' Form 10-Q (Form 10-K in the case of the 4th quarter) with the SEC. The railroad then files the quarterly data with the Board.

Short circuiting these internal control processes could have adverse consequences. As described above, providing the STB financial information in advance of the public release of SEC-entity financial information would cause publicly traded railroads to have to also furnish the STB financial information via a Form 8-K filing with the SEC. Therefore, they would have to ensure that the processes to prepare the STB information included the necessary internal controls and disclosure controls that are required by the SEC. The internal control and disclosure controls processes exist for that reason. Thus, the STB proposal would force the filing of such a Form 8-K, which would require publicly traded railroads to severely accelerate that process, jeopardizing its integrity. *Hurlbut V.S.* at 2.

IV. The Board Should Clarify the Proposed Change to 49 C.F.R. § 1246.1

The proposed change to the language of 49 CFR § 1246.1 would define the number of employees mid-month reported on Form C. The proposed section states that the number reported “should represent the average of the actual count at the beginning of the reported month and the actual count at the end of the month.” The AAR submits that this reflects a

substantive change to the information being reported. The reporting description on Form C is “Number of Employees Mid-Month,” which suggests a single data point in the middle of the month. If the Board believes that the number that should be reported is the average of the number of employees at the beginning of the month and the number of employees at the end of the month, it should change the reporting description of the report to “Average Number of Employees.” Changing to an average number being reported on Form C will require at least some railroads to make programming changes to generate the numbers and to draw data from different sources.

V. Sufficient Time Should be Allowed for Railroads to Implement Any Reporting Changes Adopted in this Proceeding

Finally, should the Board adopt the changes proposed in EP 701 and EP 720, the railroads will need to make changes to their internal accounting practices as well as their reporting activities to the Board. Depending on when a final rule is issued, the best way to implement reporting changes would be to begin with data from the first day of a calendar year. Moreover, some of the proposed changes, such as proposed changes related to Quarterly A & B, would require substantial lead time to implement and railroads should be allowed at least six months to implement the changes. The Board should not in any case, however, make the changes to reporting effective less than 90 days from the date of service of any final decision.

CONCLUSION

For the reasons discussed above, the Board should eliminate the R-1 schedules proposed for elimination in the NPRM, with the exception of Schedule 702 and should eliminate other R-1 schedules that do not serve a useful purpose. The Board should also further conform

reporting to GAAP and harmonize R-1 schedules. The Board should not adopt the proposed accelerated filing deadlines, particularly the quarterly financial reports, which would conflict with SEC regulation. The Board should also clarify 49 CFR § 1246.1 and allow railroads enough time to implement any changes adopted in these proceedings.

Respectfully Submitted,



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Counsel for the Association of
American Railroads

August 21, 2015

**VERIFIED STATEMENT OF
THOMAS E. HURLBUT**

1. I am Thomas E. Hurlbut, and I serve as Vice President and Controller of Norfolk Southern Corporation, which is a position I have had since November 1, 2013. Immediately prior to this position, I served as Vice President, Audit & Compliance starting from February 1, 2010.
2. Although the timeline can vary slightly, Norfolk Southern adheres to a diligent process for closing the books, reviewing the data, certifying the data, and making the data public.
3. That process involves many steps and many different individuals and committees inside the company as well as independent auditors. These steps are necessary to ensure that NS is providing accurate information to the public.
4. Under the Securities and Exchange Commission's 40-day filing deadline for large accelerated filers, Norfolk Southern's Form 10-Q filing deadline for the second fiscal quarter ended June 30, 2015, was August 9, 2015.
5. We publically released second-quarter earnings on a press release the morning of July 27, simultaneously furnished the release to the SEC on Form 8-K, held our earnings review with the analysts and stockholder community 45 minutes following the release, and filed our financial results on Form 10-Q with the SEC later that same day.
6. We filed our Quarterly Wage Forms A & B with the STB on July 28, our Quarterly Reports of Fuel Cost, Consumption, and Surcharge Revenue with the STB on July 29 and our RE&I and CBS with the STB on July 30.
7. Like all public companies, we are required to maintain a system of internal controls over financial reporting to ensure that our financial statements are complete and accurate. These controls are part of the process that culminates with the public release of financial information and the filings with the SEC. Among the many steps in that process are the following:
 - a. Gather and process financial records to generate reports for internal review.
 - b. Review preliminary reports for completeness and accuracy.
 - c. Preliminarily close the books for the quarter.
 - d. Generate drafts of end of quarter data.
 - e. Complete internal reviews of those data by management.
 - f. Provide data to independent auditors.
 - g. Review data and other information with the Disclosure Committee.
 - h. Prepare summaries for the Board of Directors.
 - i. Obtain internal management certifications to internal controls to support the Chief Executive Officer and Chief Financial Officer certifications.
 - j. Review the financial reports with the Controller, Chief Financial Officer, and the Chief Executive Officer.

- k. Close the books for the quarter.
 - l. Obtain Chief Executive Officer and Chief Financial Officer certifications to be filed with the Form 10-Q.
 - m. Review financial information with the Audit Committee.
 - n. Obtain internal management certifications to auditor representation letter.
 - o. Obtain management representation letter to independent auditor signed by Chief Executive Officer, Chief Financial officer, and Controller and deliver it to independent auditor
 - p. Obtain review opinion from independent auditor.
 - q. Prepare and review earnings information to be released to the analyst and stockholder community.
 - r. Prepare, review, sign and file Form 10-Q (Form 10-K in the case of year-end reporting) with the Securities and Exchange Commission.
8. This process is in place to ensure that Norfolk Southern provides complete, accurate, relevant and reliable data to the public. Of course, how quickly Norfolk Southern can complete all these steps depend on many factors including the availability of the individuals needed for each step.
 9. Providing our STB reporting after this process is complete ensures that information benefits from this same process and is complete and accurate.
 10. Providing the STB financial information in advance of the public release of financial information for our SEC reporting entity would introduce the possibility that the STB information would have to be revised if changes arose as a result of the above process.
 11. Providing the STB financial information in advance of the public release of financial information for our SEC reporting entity would cause confusion in the market because: (a) the reporting entities are different (Norfolk Southern Combined Railroad Subsidiaries for STB reporting and Norfolk Southern Corporation and Subsidiaries for SEC reporting); and (b) there can be differences in accounting in accordance with the USOA versus GAAP.
 12. Providing the STB financial information in advance of the public release of SEC-entity financial information likely would cause us to furnish the STB financial information via an 8-K filing with the SEC. Doing so would require us to ensure that the processes to prepare the STB information included the necessary internal controls and disclosure controls that are required by the SEC. Those very controls are in the process cited above; thus, the filing of such an 8-K would require us to severely accelerate that process, potentially compromising its integrity.

VERIFICATION

I, Thomas E. Hurlbut, declare under penalty of perjury that the foregoing is true and correct.

Executed on August 21, 2015

A handwritten signature in black ink, appearing to read 'THOMAS E. HURLBUT', written over a horizontal line.

Thomas E. Hurlbut

VERIFIED STATEMENT
OF
ANGELA C. WILLIAMS

1. My name is Angela C. Williams, and I serve as Assistant Vice President and Assistant Controller of CSX Corporation, which is a position I held since April 2011. Immediately prior to this position, I served as Director of Technical Accounting & Reporting from November 2005 to March 2011. My responsibilities include the oversight of the preparation and submission of each of the quarterly and annual financial reports that CSX files with the Securities and Exchange Commission ("SEC") and the Surface Transportation Board ("STB").
2. In connection with my Verified Statement, I have reviewed the comments of the Association of American Railroads in this proceeding.
3. CSX appreciates the STB's efforts to modernize the reporting framework and supports efficiency efforts. However, we share the concerns expressed in the AAR Comments, particularly with respect to the proposed acceleration of STB financial reporting deadlines.
4. CSX submits its filings well in advance of the deadline for Forms 10-Q and 10-K, and has frequently been the first Class I railroad to file its financial reports. Nevertheless, CSX has typically filed its 10-Q and 10-K within 19 days and 47 days, respectively, after the close of its fiscal quarter/year. Despite our continuous efforts to compress our filing deadline, CSX could not likely file its 10-Q within 15 days of its quarter end. If the STB filing deadlines were accelerated to 15 days, CSX would similarly have little chance of meeting that deadline.
 - a. For example, the second fiscal quarter of 2015 ended on June 26, 2015 and the SEC deadline to file our Form 10-Q was August 5, 2015. CSX filed its Form 10-Q on July 15th, 19 days after quarter close. Although we exceeded the SEC deadline by 21 days, we would have missed the STB's proposed accelerated deadline for most of its quarterly reports by 4 days.
 - b. In addition, CSX filed its STB RE&I and CBS on July 27, 2015, or 31 days after the end of our second fiscal quarter. Under the STB's accelerated deadline, CSX would be 16 days late.
5. The following processes are performed by CSX to ensure that our financial data and reports filed with the SEC are accurate, complete, and timely.
 - a. Rigorous control procedures, including those associated with Sarbanes-Oxley requirements, are performed.
 - b. Closing journal entries are required to close the books for the quarter.
 - c. Various account reconciliation and other analytical review processes are performed to ensure the accuracy of our financial data.
 - d. Once these processes are completed, financial reports must be reviewed by several committees, including our external auditors, senior officials, the CSX Board's Audit Committee and, ultimately, our Chief Executive Officer and Chief Financial Officer.
 - e. Once complete, our financial reports must be produced in accordance with both the STB and SEC regulations and verified again for accuracy and completeness.

The STB, CSX, the investment community, and all other interested parties benefit from the STB's existing schedule of filings, because the information provided to the STB has already been subject to above procedures to ensure accuracy and completeness.

6. The STB's proposed accelerated deadlines would likely require CSX and other railroads to release earnings and file a Form 8-K simultaneously with the STB filings to ensure compliance with SEC regulations. As noted above, our reporting procedures require more than 15 days to perform. Although CSX welcomes the opportunity to improve efficiencies, the challenges associated with the STB's proposal will place undue pressure on already constrained resources during the quarter close process.
7. Although CSX is similarly concerned with the STB's proposed acceleration of the annual and quarterly QCS filing deadline being accelerated to 30 days from the end of the fiscal year and fiscal quarter, CSX expects it could meet a deadline of 45 days from the end of the fiscal year and quarter.
8. In the event the STB does revise its filing deadlines, CSX would need at least 90 days to restructure its reporting system in order to have a meaningful chance of providing complete, accurate, and reliable data to the STB. Additionally, Forms A&B would need at least six months for implementation. CSX has engaged an internal group to determine the additional capital (primarily technology), human resources, and related systems upgrades in order to be responsive to the STB's proposal.

VERIFICATION

I, Angela C. Williams, declare under penalty of perjury that the foregoing is true and correct.

Executed on August 21, 2015


Angela C. Williams