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C.W. Moorman
Chairman, President and
Chief Executive Officer

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The Honorable Charles D. Nottingham
Office of the Chairman
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

Dear Chairman Nottingham:

I write in response to your request for an update on Norfolk Southern's preparations for this year's peak shipping season, which is commonly referred to as the "Fall Peak."

Based on the current business environment, Norfolk Southern expects to be in a position to handle the demand for our rail services during the 2008 Fall Peak. However, we remain concerned about events such as weather which are outside our control, and initiatives in Washington that could undermine Norfolk Southern's ability to earn its cost of capital, invest in its business, provide better service, and handle its share of the projected growth in demand for freight transportation.

I. Traffic Expectations for the 2008 Fall Peak

Based on our present view of various markets, Norfolk Southern outlines its views on Fall Peak traffic as follows based on major commodity groups. Of course, market conditions could change and render our current views incorrect. We recognize the challenges we could face if we see actual volume levels significantly higher than those we anticipate.

Looking first at coal, coal volumes are up through the first two quarters compared to 2007. This increase is largely driven by strong export demand which should continue throughout the year. In addition to substantial increases in the export of high-quality metallurgical coal for steelmaking, for the first time in many years, we will move several million tons of steam coal to Europe. The export growth is driven largely, as you may expect, by increased demand for coal to Europe and Asia. The weaker U.S. dollar along with tight worldwide coal supply also are factors driving this surge in demand.

With respect to domestic coal, utility volume in the northern half of our service network continues to be positive and is up year-over-year to date. We continue to handle longer-haul, spot moves from the West due to increased demand and tight coal supply in our service territory, which help to offset declines to southern-based utilities that continue to be at normal stockpile levels. However, in our view, these stockpiles are now reaching levels that will demand higher volumes later this summer and fall.

In intermodal, as I mentioned, our international volume continues to experience net decreases driven primarily by a soft economy and resulting import weakness. Our total volumes associated with West Coast ports declined during the first half of the year while volumes through East Coast ports increased as a result of network restructuring by ocean carriers and relative strength in U.S. exports. This has helped to spread the business we are handling across the network. For domestic intermodal, there are clear signs of increasing demand across our network. Norfolk Southern believes this demand is a result of improved intermodal service levels, comparatively more efficient fuel consumption, and an increasing interest on the part of shippers in reducing and managing their carbon "footprint" with regard to transportation.

As for our merchandise business, Norfolk Southern's agriculture and metals traffic continues to be strong, helping to offset losses in our consumer driven and manufacturing-related sectors.

An area of our business that has been weaker is our chemicals business. That business was down through the second quarter mainly due to weakness in the housing markets, and, to a lesser extent, automotive production in North America. Also, highway construction related commodities such as asphalt were off due to high crude oil prices.

Automotive traffic has been weaker as automobile companies struggle with market conditions. Volume declines are a result of economic decline and North American vehicle production cuts driven by a continuing shift in demand from larger SUVs and pick-up trucks to more fuel-efficient passenger and smaller light-truck class vehicles and by an extended, but now-resolved, labor strike at a major auto parts supplier which disrupted production.

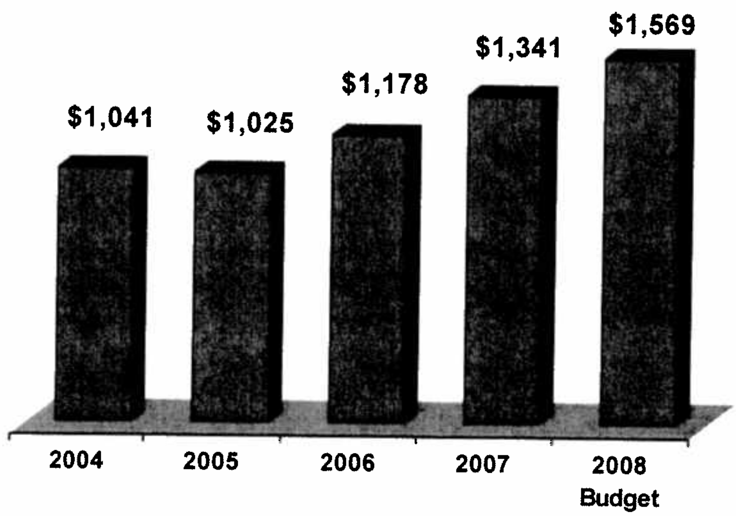
Looking ahead at the rest of 2008, we do not see any signs that the businesses which are strong will weaken, and we expect continued weakness in the housing and automotive sectors.

II. Operating and Capacity Efforts to Prepare for 2008 Fall Peak

As in other years, Norfolk Southern's goal for the Fall Peak period is to move as much freight as possible safely and efficiently. We will judge our performance by a number of factors, including the safety of our operations and the metrics we make available to the public such as cars on line, terminal dwell, and train velocity. But there are many factors outside our control that affect our operations, such as the fact that the volume of freight moving during a particular Fall Peak varies.

Most importantly, Norfolk Southern has a process in place to assist it in achieving that goal. The TOP (Thoroughbred Operating Plan) Steering Committee, a group of senior managers from Norfolk Southern's Operations, Marketing, Information Technology, Strategic Planning and Finance, has oversight of and responsibility for Norfolk Southern's Operating Plan. As a matter of routine we make periodic changes to the plan due to changes in business volume and shifts in traffic mix, and such changes have been made again this year to make the plan reflect volume trends and expectations. Heavier volume patterns are typical in the fall, and as a result we tend to make somewhat more changes to the plan for the Fall Peak than for other times of year.

In addition, Norfolk Southern continues to make large capital expenditures to maintain and expand its infrastructure. The following chart illustrates our capital investment in each year since 2004 in millions:



It is noteworthy that our capital investment budget for 2008 is larger than our net income for 2007, which was $1.464 billion.

When considering investments in infrastructure, we look toward the future and try to prioritize and determine where we will need extra investment to increase our capacity. Infrastructure improvements are evaluated in light of (i) the extent to which such improvements will increase safe and efficient rail operations, (ii) projected traffic levels, and (iii) the value of other competing requests for capital dollars.

In 2007, Norfolk Southern among other things:

- Invested in capacity by making capital roadway improvements. Norfolk Southern spent $616 million for rail, crosstie, ballast and bridge programs, including $47 million in infrastructure investments for increased capacity. In addition, Norfolk Southern spent $38 million for communications, signal, and electrical projects; $48 million for maintenance of way equipment; and $13 million for environmental projects and public improvements such as grade crossing separations and crossing signal upgrades.

- Made capital investments in intermodal terminals and equipment to add capacity to the Norfolk Southern intermodal network and to increase access and capacity for coal traffic, bulk transfer facilities, and vehicle production and distribution facilities – all at a cost of about $93 million.

- Spent about $41 million for capital projects related to computers, systems and information technology, which will enhance safety and improve operating efficiency and equipment utilization.

- Invested approximately $427 million in capital on equipment to:

    - Purchase 88 six-axle locomotives and upgrade existing locomotives.

    - Purchase 1,200 new higher-capacity coal cars as part of a multiyear program to replace the existing coal car fleet.

    - Purchase over 700 freight cars as their leases expire; certify and rebuild approximately 300 multilevel automobile racks; and add supplemental restraints to multilevel racks.

- Leased or renewed expiring equipment operating leases covering more than 3,000 cars.

- Repaired freight cars at a cost of $55 million.

Norfolk Southern's announced 2008 capital budget includes, among other things:

- Investing in capacity by making capital roadway improvements. Norfolk Southern plans to spend $633 million for rail, crosstie, ballast, and bridge programs.

- Spending $143 million on intermodal terminals and equipment, bulk transfer facilities, and mechanical repair and service facilities.

- Making $388 million in capital investments on equipment to:

  - Purchase 39 new locomotives.
  - Purchase more than 2000 new higher-capacity coal cars as part of a multiyear program to replace the existing coal car fleet.
  - Purchase or lease approximately 500 freight cars, some of which as leases expire.
  - Continue to rebuild or improve multi-level racks.
- Investing $66 million in technology to enhance safety, improve operating efficiencies and equipment utilization, and automate and update planning and modeling tools.
- Spending $339 million to:
  - Increase capacity for coal and merchandise traffic.
  - Further public-private partnerships, such as the Heartland Corridor project, the Crescent Corridor project, and the Chicago Region Environmental and Transportation Efficiency Program (CREATE).
  - Upgrade and improve communications, signals, roadway equipment, and grade crossings and separations.

At Norfolk Southern, our people are our most important asset. Expenditures made to hire, train, and pay crews are not capital dollars, but clearly crews are a critical part of our capacity. Therefore, we are hiring and training to maintain our current level of train and engine employees.

Norfolk Southern has only recently begun its 2009 capital budget process, so we are unable to report on those plans at this time.

III. Customer Communications

At Norfolk Southern, customer communication is what we do every day. It starts with our active sales team, who make calls and visits to customers. It extends to our marketing leadership who also call on customers. Through these direct communications and other correspondence, we are able to communicate information directly to customers and ascertain our customers' views of future demand for rail transportation.

Our customer communication also includes participation in shipper association meetings and other venues where NS personnel are available to customers. It encompasses participation at shipper association meetings where Norfolk Southern personnel are available to customers.

In addition, we communicate with our customers in several other ways. Our Central Yard Operations team serves as the primary contact point for day-to-day customer contact receiving and placing thousands of calls each day for shipment pickup and delivery orders. Norfolk Southern's National Customer Service Center assists customers with information on shipment status and other information on active shipments. Information on active shipments is also available through Norfolk Southern's Voice Response shipment tracking system.

AccessNS is also a powerful tool for communicating information with customers. There are a number of reports, including customized reports available to customers through AccessNS. AccessNS is a secure web-based system where customers can access detailed information on active shipments, pipelines, ETA information, shipment performance, and a number of other reports. Customers can also register on AccessNS for service alerts that provide automatic notification of weather related or other events that might cause delays in transit.

Earlier this year, Norfolk Southern launched Pacesetter, a new web-based application which provides current and more detailed information about active shipments, customer pipelines, and ETAs. Pacesetter provides the customer with the most current data and at nearly the same level of detail seen by Norfolk Southern's Customer Service and Transportation managers. Using Pacesetter, customers can order and release cars directly, as well as provide any specific instructions for crews. Using Pacesetter, customers also have full visibility of available inventory and demurrage records. Pacesetter customers also have the option of serviced-based demurrage, which gives customers extra demurrage credits when shipments arrive more than 24 hours earlier or later than originally scheduled.

Whether by phone, fax, email, or any of our web-based applications, customer communications are an important and ongoing part of our business.

IV. Selected Major Initiatives

Last year Norfolk Southern reported in its Fall Peak letter that we expected to begin work on the Heartland Corridor project later last year. As you will recall, this public-private partnership will improve 28 tunnels in four states so that they are able to handle double-stacked intermodal trains. In addition to Federal and state funding for this project, Norfolk Southern will invest approximately $60 million. It includes the development of a new Norfolk Southern-owned intermodal facility in Columbus, Ohio, which opened in March of this year, and, which when fully developed, will have the capacity to handle 400,000 lifts per year.

Work on the corridor is now well underway, and we are pleased that efforts thus far have gone according to plan. Of course, any project of this size and scope can encounter hiccups, and we do expect to continue to encounter some delays along these rail lines that run through our primary Central Appalachian coal-hauling territory while we work on tunnel clearances. Nevertheless, we think the plans we formulated are minimizing the impact of this construction project.

In 2008, Norfolk Southern has already initiated other developments to improve or extend our service, among which we highlight two. The first is our "Empire Link". Norfolk Southern Corporation and ten New York-based short line railroads created a program to convert short-haul truck movements to rail. The Empire Link allows the short line railroads to market the excess rail freight capacity on Norfolk Southern's Southern Tier main line between Binghamton and Silver Springs, N.Y., as well as on branch lines between Corning and Geneva, and between Waverly and Ludlowville.

The second is our project with Pan American Railways to create an improved rail route between Albany, New York, and the greater Boston, Massachusetts area. Investments in this corridor are expected to improve safety, track quality and customer service, boost train speed and reliability, and increase capacity on the route. As you know, this transaction requires certain Board approvals and is currently on the Board's docket.

V. Coal Transportation

Norfolk Southern has the capacity to handle coal from traditional origins. Some utilities are looking for coal from non-traditional origins because of inadequate supplies at the mines from which such utilities have normally purchased, and the recent diversion of coal from utility to export markets. We are currently working with our utilities to negotiate contracts to insure that we have the time and money to build the infrastructure necessary to move coal from these non-traditional origins.

However, sufficient rail infrastructure is only one factor to have an adequate supply of coal for utilities and other domestic users. Overall demand (both domestic and international) for coal, the price of coal, the ability to open new mines to expand supply, the price differential between export and domestic coal, the inventory strategies of utilities, environmental regulations (including the prospects of further regulation), and other factors will play a role in determining whether there is an adequate supply of coal for all domestic users. The Board should be concerned about all these links in the supply chain, which are not impacted by railroad performance.

VI. 2008 Floods

Norfolk Southern was not as severely affected by the flooding in the Mid-west earlier this year as other railroads, but did sustain some damage. We had lines out of service in the Springfield/Hannibal, MO, district, although we were able to use some tracks in the area to serve local customers. In addition, Norfolk Southern had to impose slow orders in the Kansas City district near Salisbury, MO, Keytesville, MO, and Brunswick, MO, and in the St. Louis district near St. Peters., MO. As a result of the floods, we had to re-route 245 of our trains over other Norfolk Southern lines between Decatur, St. Louis, and Moberly, MO, between June 12, 2008, and July 4, 2008.

Despite the damage to our system, we were able to assist other railroads. In particular, Norfolk Southern handled 88 trains for other railroads. These trains moved over Norfolk Southern lines as re-routes to avoid damage on the other railroads' lines.

VI. Regulatory and Legislative Landscape Could Disrupt Our Ability to Meet Rail Transportation Demands in the Future

As in past years, calls to re-regulate the railroads remain very troubling. At the heart of these proposals, however, is the irreconcilable notion that shippers can have better service, more rail infrastructure, and ever-declining rates – all at the same time. The last thing the country needs in the face of current predictions of demand for future freight transportation is to reverse course. Even the current regulatory system measures our return on the basis of historical costs rather than replacement costs. The railroad industry has long-lived assets such that historical costs bear no relation to the cost a railroad would actually incur to replace its assets. This policy should be reconsidered.

We also remain concerned that the current policy of forcing railroads to carry highly hazardous materials while affording no protection from ruinous liability is untenable. The risks we face are not currently recognized by the regulatory regime, and further rules regarding highly hazardous materials are under consideration by other government agencies. These new rules would place constraints on our railroads, which could adversely affect the capacity available to transport coal, grain, automobiles, intermodal trailers and containers, steel, paper, and the hundreds of other products that move by rail. These policies also should be reconsidered.

In sum, we believe that Norfolk Southern is well positioned to handle any incremental volumes that may materialize as a result of the Fall Peak. Nevertheless, Norfolk Southern will continue to monitor market conditions and government actions that could affect the Fall Peak and capacity investment and to work toward continuing safely to transport freight.

Sincerely,

C.W. Moorman

Charles W. Moorman

cc: The Honorable W. Douglas Buttrey
The Honorable Francis P. Mulvey
Mr. Edward R. Hamberger