

Voting Conference, December 13, 2004

**Statement of Leonard Blistein
Financial Analyst, STB Office of Economics, Environmental Analysis, and Administration**

**Railroad Cost of Capital - 2004
STB Ex Parte No. 558, Sub-No. 8**

Good morning Chairman Nober, Vice Chairman Mulvey, and Commissioner Buttrey.

You have before you the draft notice of proposed rulemaking instituting Ex Parte 558 Sub No. 8, the Board's annual determination of the railroad industry's cost of capital for the year 2004.

The Board and the ICC have made determinations of the railroads' cost of capital each year since 1978. The figure developed in this year's proceeding will replace the 2003 number developed in Ex Parte 558, Sub No. 7.

The cost of capital is used in the Board's annual railroad revenue adequacy determination, maximum rate proceedings, abandonment proceedings, trackage rights compensation cases, and in the Uniform Rail Costing System. It is also used by various state agencies, primarily for the determination of asset values for assessment of ad valorem taxes.

This NPR, like those for previous years, requests comments on the costs of debt and equity components for the major Class I railroad holding companies.

I will be happy to answer and questions that you may have at this time.