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SERVICE DATE – LATE RELEASE APRIL 6, 2009

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 431 (Sub-No. 3)

REVIEW OF THE SURFACE TRANSPORTATION BOARD'S GENERAL COSTING SYSTEM

AGENCY: Surface Transportation Board.

ACTION: Notice of Public Hearing.

SUMMARY: The Surface Transportation Board will hold a public hearing beginning at 9:00 a.m. on Thursday, April 30, 2009, at its headquarters in Washington, DC. The purpose of the public hearing will be to examine issues related to the Board's Uniform Railroad Costing System (URCS). Persons wishing to speak at the hearing should notify the Board in writing.

DATES: The public hearing will take place on Thursday, April 30, 2009. Any person wishing to speak at the hearing should file with the Board a combined written notice of intent to participate (identifying the party, the proposed speaker, the time requested, and topic(s) to be covered) and their written testimony as soon as possible, but no later than April 23, 2009. Written submissions by interested persons who do not wish to appear at the hearing will also be due by April 23, 2009.

ADDRESSES: All combined notices of intent to participate and testimony may be submitted either via the Board's e-filing format or in the traditional paper format. Any person using e-filing should attach a document and otherwise comply with the Board's "www.stb.dot.gov" website, at the "E-FILING" link. Any person submitting a filing in the traditional paper format should send an original and 10 copies of the filing to: Surface Transportation Board, Attn: STB Ex Parte No. 431 (Sub-No. 3), 395 E Street S.W., Washington, DC 20423-0001.

FOR FURTHER INFORMATION, CONTACT: Timothy J. Strafford, (202) 245-0356.

[Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at: (800) 877-8339.]

SUPPLEMENTARY INFORMATION: The Board uses URCS to determine a rail carrier's variable costs in a variety of regulatory proceedings. URCS determines, for each Class I railroad, the portion of each category of expenses shown in the carrier's Annual Report to the Board (STB Form R-1) that represents its system-average variable unit cost for that cost category for that year. More specifically, URCS consists of a series of computer programs and manual procedures organized into three phases. Phase I compiles the raw data provided by the carriers into a useable format, and then uses statistical estimation procedures to determine the portion of

specific expense account groupings that vary with changes in the volume of activity. In Phase II, these cost/volume relationships are then used to develop the variable unit costs that allow costing of specific rail movements. Finally, in Phase III, these variable unit costs are applied to determine the costs of specific movements via an interactive computer program that permits the user to enter operating characteristic data for the specific movements under consideration.

URCS was initially adopted by the Board's predecessor agency, the Interstate Commerce Commission, as the general purpose costing system in Ex Parte No. 431 (Sub-No. 1), Adoption of the Uniform Railroad Costing System As A General Purpose Costing System For All Regulatory Costing Purposes, 5 I.C.C.2d 894 (1989). Periodic review of URCS is called for in 49 U.S.C. 11161.

The first review of URCS came in a decision served on October 1, 1997, in which the system was modified to: (1) alter the procedures used to determine the variable costs associated with rail movements of intermodal traffic; (2) revise the train switching conversion factor used in the costing procedures; (3) discontinue the collection of cost data on switching and terminal companies; and (4) revise the procedure for determining the variable cost of using privately-owned rail cars. See Review of the General Purpose Costing System, 2 S.T.B. 659 (1997). On reconsideration in a decision served on December 12, 1997, the costing of intermodal rail movements was further modified. See Review of the General Purpose Costing System, 2 S.T.B. 754 (1997).

The Board believes it is time for a second, and more comprehensive, review of URCS to determine whether and to what extent modifications are needed to account for recent changes in Board procedures and to improve the system outputs. Accordingly, the Board is instituting this proceeding and holding a hearing to receive public comment on how best to revise the existing URCS model. Parties are specifically encouraged to address whether and how the Board could:

1. Improve the efficiency adjustments associated with unit-train and multi-car movements;
2. Update the historical studies used in URCS;
3. Improve the costing of trailer or container on flat car (TOFC/COFC) traffic;
4. Update the URCS national car tare weight calculation to account for the number of car miles that each car type operates;
5. Update the number of miles between non-intermodal intertrain/intratrain (I&I) switches by URCS car type;
6. Disaggregate loss and damage information by carrier and by two-digit Standard Transportation Commodity Code (STCC) groupings;
7. Revise the Train Switching Conversion factor used to place all road train crew wages on a common mileage basis;

8. Require carriers to report their average switch engine speeds in order to better reflect switching expenses;
9. Revise the ratio of urban and rural land values to allocate expenses between running and switching;
10. Revise the URCS car types to eliminate outdated car types and add new car types to reflect those currently used in the railroad industry;
11. Revise the spotted to pulled factor for each car type;
12. Revise the approach used in individual proceedings to index URCS in order to use the Rail Cost Adjustment Factor indexes published by the Board; and
13. Update the various statistical relationships used in URCS, including the variability estimates.

The Board welcomes suggestions on additional aspects or features of URCS the Board should revisit. However, note that, by an advance notice of proposed rulemaking served and published on January 5, 2009 (74 FR 248), the Board already sought comments on whether and how the Board should update its accounting and financial reporting for Class I rail carriers and URCS to better capture the operating cost of transporting hazardous materials. The Board is currently reviewing the comments submitted. Therefore, comments for this public hearing need not duplicate those already submitted in that proceeding.

As a follow up to this hearing, the Board will accept comments for 30 days responsive to the hearing.

Date of Hearing. The hearing will begin at 9:00 am on Thursday, April 30, 2009, in the 1st floor hearing room at the Board's headquarters at 395 E Street, S.W., in Washington, DC, and will continue until every person scheduled to speak has been heard.

Notice of Intent to Participate and Testimony. Any person wishing to speak at the hearing should file with the Board a combined written notice of intent to participate (identifying the party, the proposed speaker, the time requested, and topic(s) to be covered) and their written testimony as soon as possible, but no later than April 23, 2009.

Board Releases and Live Audio Available Via the Internet. Decisions and notices of the Board, including this notice, are available on the Board's website at "www.stb.dot.gov." This hearing will be available on the Board's website by live video streaming. To access the hearing, click on the "Live Video" link under "Information Center" at the left side of the home page beginning at 9:00 a.m. on April 30, 2009.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

Dated: April 6, 2009.

Anne K. Quinlan
Acting Secretary