

36980  
OE

SERVICE DATE – APRIL 25, 2006

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES - NON-COAL PROCEEDINGS

Decided: April 24, 2006

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996), the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied. CMP was adopted as the preferred procedure for evaluating the reasonableness of challenged rates in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985)

In its 1996 decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost > 180” (R/VC> 180) percentages for each Class I railroad for the 4-year period 1991-1994. The RSAM percentage measures the average mark-up above a carrier’s variable cost that the carrier would need to charge all its potentially captive traffic (traffic priced above 180% of variable costs) in order for the carrier to recover all of its non-variable costs under the Board’s Uniform Rail Costing System (URCS). RSAM accounts for a railroad’s need to earn adequate revenues as required by 49 U.S.C 10704(a)(2).

The R/VC> 180 percentage represents the average mark-up above variable cost that a carrier receives on its high-rated traffic (traffic priced above 180% of variable cost). The Board updates the RSAM and R/VC> 180 tables annually.

The attached tables contain RSAM and R/VC> 180 percentages for the period 2001-2004 for all Class I carriers except Grand Trunk Corporation (GTC), and contains Western but not Eastern or National composite percentages. GTC is the reporting entity for Canadian National’s U.S. operations. GTC’s 2002 reporting represents a significant change from prior years, due to the consolidation of Illinois Central, Grand Trunk Western and the Wisconsin Central LTD. Therefore, because the operating statistics of GTC beginning with the year 2002 are not comparable to the previously reported individual railroad statistics, the Board could not compute a meaningful 4-year average for GTC or for Eastern or National composites. Thus, the tables reflect only the 2002-2004 results for GTC and for the Eastern and National composites.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental  
Analysis, and Administration.

Vernon A. Williams  
Secretary

**Table I**  
**RSAM Mark-up Percentages 2001 - 2004**  
**(Range Represents RSAM With & Without Efficiency Adjustment)**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>BNSF</b>	245-315	215-266	234-275	273-366	258-354
<b>CSXT</b>	242-281	254-292	247-283	223-259	242-290
<b>GTC</b>		322-375	390-486	415-497	
<b>KCS</b>	268-315	241-298	263-289	266-310	302-364
<b>NS</b>	186-222	197-226	181-210	179-216	186-235
<b>SOO</b>	256-329	234-331	226-283	237-260	328-441
<b>UP</b>	215-274	245-306	206-237	196-255	213-299
<b>Eastern Region</b>		232-266	226-262	215-254	
<b>Western Region</b>	227-292	231-290	219-254	224-297	233-326
<b>National</b>		234-282	222-258	221-280	

**Table II**  
**R/VC>180 Percentages 2001-2004**  
**Actual Average Mark-up Percentages for Traffic Above 180% R/VC**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>BNSF</b>	244	234	216	258	266
<b>CSXT</b>	196	197	187	207	192
<b>GTC</b>		233	252	228	
<b>KCS</b>	245	259	219	238	263
<b>NS</b>	215	212	209	221	219
<b>SOO</b>	235	261	219	205	256
<b>UP</b>	223	210	210	236	234
<b>Eastern Region</b>		207	202	214	
<b>Western Region</b>	233	222	213	247	249
<b>National</b>		217	208	234	