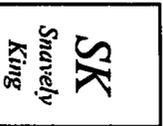


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Uniform Rail Costing System: URCS

Surface Transportation Board

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

Review Of The

Surface Transportation Board's

General Costing System

Preliminary Analysis of STB Issues

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The Guiding Principles

- URCS and its predecessor costing methodology, Rail Form A, have a long history. The basis for the current URCS system, including the studies underlying the costing procedures, extends back for many years.
 - Because this is a highly technical matter, a revision of URCS will require significant resources to be expended by the Board.
 - If the Board decides to initiate a revision of URCS, it must commit to a review and possible revision of all aspects of URCS. A piece meal or partial revision is not appropriate.
 - If the Board decides to initiate a revision of URCS, that effort must be transparent. The Board, or its contractor, must make its data, analyses and work papers available to the public.

Rail Costing Timeline

ICC
System of
Accounts
1907

ICC Rail
Form A
Costing
1939

RFA
Statistical
Studies
1972

New ICC
System of
Accounts
1978

URCS Rail
Costing
Design
1978

URCS
Statistical
Studies
1982

URCS
Adopted
by ICC
1989

URCS Usage
Reaffirmed
by STB
1996

URCS TOFC
And private car costs
Revised by STB
1997

Stagers
Rail Act
1980

STB
Replaces ICC
1996

The Three Phases of URCS

URCS Phase I
Regression Analyses and
Estimates of
Cost Variability



URCS Phase II
Unit Cost Calculation



URCS Phase III
Shipment Cost Estimates

URCS Issues Identified by STB

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.

URCS Uses Some 1960's Source Documents

WORKTABLE A1 PART 8

OPERATING STATISTICS

LINE CODE	IDENTIFICATION	SOURCE	AMOUNT
(1)			
580	A1801 RATIO - TOTAL/REVENUE TRAILER MILES (BY REGION)	STMT 194-69	148
581	A1802 AVERAGE NO. TRAILERS/CONTAINERS PER CAR (BY REGION)	STMT 194-69	549356
582	A1803 LINEHAUL MILES PER TRAILER DAY (BY REGION)	STMT 194-69	478
583	A1804 TRAILER DAYS PER O&T EVENT (BY REGION)	STMT 194-69	729
584	A1805 AVERAGE TARE WEIGHT TRAILER - REFRIG.	UMLR FILE	73
585	A1806 AVERAGE TARE WEIGHT TRAILER - NON REFRIG.	UMLR FILE	5
586	A1586 PORTION OF TIME S&T COS. SERVED BY CARRIERS	STMT 7-63	.75
587	A1587 WEIGHTING FACTOR SWITCHING VS LINEHAUL	STMT 7-63	26
588	A1588 URBAN PORTION OF TOTAL LAND VALUE	STMT 7-63	.75
589	A1589 RURAL PORTION OF TOTAL LAND VALUE	STMT 7-63	.25
590	A1590 RUNNING PORTION OF URBAN LAND VALUE	STMT 7-63	.16
591	A1591 SWITCHING PORTION OF URBAN LAND VALUE	STMT 194-69	.84
592	A1594 TRAILER DAYS - REFRIG. TRAILERS - 1969	STMT 194-69	2402
593	A1595 TRAILER DAYS - OTHER TRAILERS - 1969	STMT 194-69	9214
594	A1596 TOP/COP/C LOADED CAR MILES - 1969	STMT 194-69	80338 3
595	A1597 WEIGHTING FACTOR TRAIN SWITCHING (WAGES)	STMT 7-63	1625

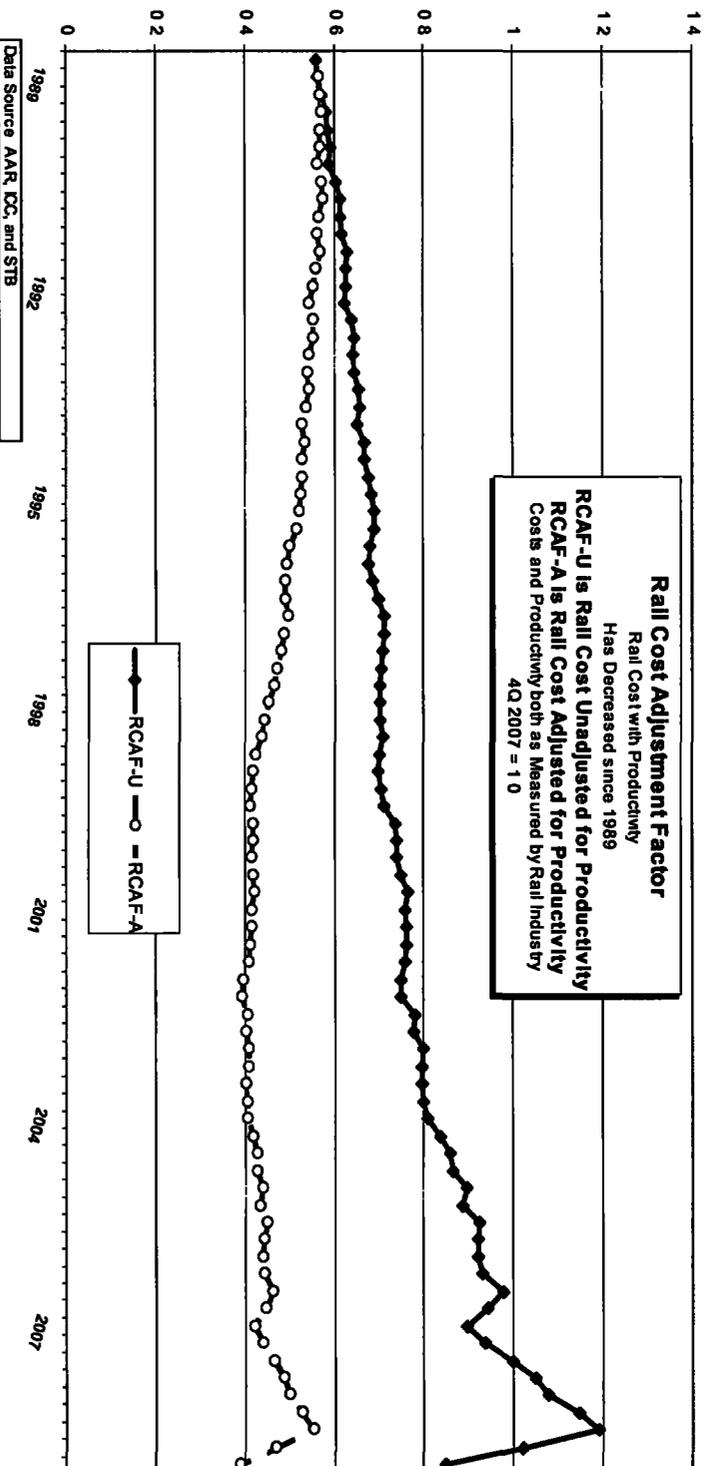
*Manual Form A1
Rail Form*

- Several URCS cost areas draw on ICC source documents developed for use in Rail Form A (RFA) during the 1960's
- These were designed for the predecessor ICC costing system. They were not updated when URCS was adopted.
- See the Source column of Worktable A1 part 8; part of the currently-used URCS

Areas Affected by RFA Costing Factors and Studies

- Efficiency adjustments associated with unit-train and multi-car movements
- Historical Studies such as Equated Switch Factors
- Inter train and Intra train switch frequency (non intermodal)
- Traditional trailer or container on flat car (TOFC/COFC) costing instead of reflecting increased efficiency of Double Stack
- Origin and Destination Switching Spotted to Pulled ratio

The Rail Cost Adjustment Factor (RCAF)



- The RCAF is a logical candidate for use in updating URCs costs to the current quarter.
 - The Rail Cost Adjustment Factor is frequently used in negotiations and other rate related matters.
 - The RCAF is based on data assembled by the AAR and largely collected from the railroads.
 - The RCAF is reviewed and adjusted as appropriate by the STB on a quarterly basis.
- The RCAF-A 20 year declining cost pattern, with costs adjusted for productivity, suggests the potential for significant revisions to variability estimates.

Statistical Relationships Used In URCS, Including Variability Estimates

- This is the single most powerful issue identified by the STB. It could generate a significant change in the estimation of railroad costs.
- The impact of these factors permeates URCS and largely determines the bottom line results of a wide range of applications of URCS in both commercial and regulatory applications.
- The RCAF-A 20 year declining cost pattern suggests the potential for significant revisions to variability estimates.
- Any revision of URCS, especially in this area, must be transparent. The Board, or any contractor employed by the Board, must make its data, analyses and work papers available to the public.

The Guiding Principles

- URCS and its predecessor costing methodology, Rail Form A, have a long history. The basis for the current URCS system, including the studies underlying the costing procedures, extends back for many years.
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