STATEMENT OF LEONARD BLISTEIN

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Railroad Cost of Capital - 2003, STB Ex Parte No. 558 (Sub-no. 7)

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

You have before you a draft decision in Ex Parte 558 Sub No. 7, the Board's annual determination of the railroad industry's cost of capital for the year 2003. The Board and the ICC have made determinations of the railroads' cost of capital each year since 1978.

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 (URCS).

The cost of capital is based on the weighted costs of debt and equity components for BNSF, CSX, NSC, and UP.

The draft before you has found this year's cost of capital to be 9.4%, based on a current cost of debt of 5%, a current cost of common equity of 12.7% and a capital structure mix consisting of 42.8% debt and 57.2% common equity. No preferred equity was outstanding at the end of 2003.

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