

STATEMENT OF LEONARD BLISTEIN

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Railroad Revenue Adequacy - 2003 Determination, STB Ex Parte No. 552 (Sub-no. 8)

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

You have before you a draft decision for Ex Parte 552 Sub No. 8, the Board's annual railroad revenue adequacy determination for the year 2003.

The Board and the ICC have made revenue adequacy determinations each year since 1978.

A railroad is determined to be revenue adequate or inadequate based on comparing its rate of return on net investment to the cost of capital determined by the Board in its annual cost of capital determination, the most recent one being Ex Parte 558 Sub 7, which found the 2003 cost of capital to be 9.4%.

The draft before you has found that no Class I railroad was earning the industry cost of capital for 2003 and therefore none are revenue adequate.

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