

SURFACE TRANSPORTATION BOARD CALCULATES RAIL INDUSTRY'S COST OF CAPITAL FOR 2010

The Surface Transportation Board announced today that it has issued its decision calculating the railroad industry's cost of capital for 2010.

In [Railroad Cost of Capital—2010, Docket No. EP 558 \(Sub-No. 14\)](#), the Board found that the rail industry's after-tax cost of capital was 11.03 percent. Last year, the cost of capital was 10.43 percent.

The cost-of-capital figure represents the Board's estimate of the average rate of return needed to persuade investors to provide capital to the freight-rail industry.

Calculated annually, the cost-of-capital figure is an essential component of many of the agency's core regulatory responsibilities. The Board uses the cost of capital figure in evaluating the adequacy of individual railroads' revenues each year. It also uses the figure when determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line, or valuing a particular railroad operation.

The Board estimated the cost-of-equity component of the cost of capital using an average of a Capital Asset Pricing Model (CAPM) approach and a multi-stage Discounted Cash Flow (MS-DCF) model.

The Board's decision in Docket No. EP 558 (Sub-No. 14) is available at the Board's website at www.stb.dot.gov.

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