

SURFACE TRANSPORTATION BOARD MAKES RAIL REVENUE ADEQUACY DETERMINATION FOR 2006

The Surface Transportation Board announced today that it has made its determinations of revenue adequacy for the seven Class I freight railroads (the Nation's largest) for 2006. The Board found that three Class I railroads, the BNSF Railway Company, the Norfolk Southern Railway Company, and the Soo Line Railroad Company (a subsidiary of Canadian Pacific Railway Company), were revenue adequate for 2006. All other Class I freight railroads were found to be revenue inadequate for that year.

A railroad is considered to be revenue adequate, under 49 U.S.C. 10704(a), if it achieves a rate of return on net investment (ROI) equal to at least the current cost of capital (i.e., the cost of borrowing) for that railroad. Congress directed the Board to conduct such revenue adequacy determinations on an annual basis.

In its April 15, 2008 decision in the Board proceeding entitled *Railroad Cost of Capital—2006*, STB Ex Parte No. 558 (Sub-No. 10), the agency determined that the 2006 rail industry cost of capital was 9.94 percent. By comparing that figure to 2006 ROI data filed with the agency by the Class I railroads in their *Annual Report R-1 Schedule 250* filings, the Board made revenue adequacy calculations for each railroad operating as of December 31, 2006.

A summary of the ROIs for all Class I freight railroads is as follows:

Railroad	ROI
BNSF Railway Company	11.43%
CSX Transportation, Inc.	8.15%
Grand Trunk Corporation Consolidated (Including all Canadian National U.S. affiliates)	9.47%
Kansas City Southern Railway Company	9.31%
Norfolk Southern Railway Company	14.36%
Soo Line Railroad Company (Including all Canadian Pacific U.S. affiliates)	11.60%
Union Pacific Railroad Company	8.21%

The Board issued its revenue adequacy determination [today, May 6, 2008, in the case entitled Railroad Revenue Adequacy—2006 Determination, STB Ex Parte No. 552 \(Sub-No. 11\)](#). That decision is available for viewing and downloading via the Board's Web site at <http://www.stb.dot.gov>, under "E-Library," then under "Decisions & Notices," beneath the date "5/6/08."

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