



ASSOCIATION OF AMERICAN RAILROADS
425 3rd Street, SW, Suite 1000
Washington, D.C. 20024

Timothy J. Strafford
Associate General Counsel

Phone: (202) 639-2506
Fax: (202) 639-2868
E-mail: tstrafford@aar.org

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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Re: EP 664 (Sub-No. 3), *Revisions to the Cost-of-Capital Composite Railroad Criteria*

Dear Ms. Brown:

Pursuant to the Notice of Proposed Rulemaking served in the above docketed proceeding on April 18, 2017, the Association of American Railroads respectfully submits the attached comments.

Sincerely,

Timothy J. Strafford
Counsel for the Association
of American Railroads

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 664 (Sub-No. 3)

REVISIONS TO THE COST-OF-CAPITAL
COMPOSITE RAILROAD CRITERIA

COMMENTS OF THE
ASSOCIATION OF AMERICAN RAILROADS

In a Notice of Proposed Rulemaking (“NPRM”) served on April 18, 2017, the Surface Transportation Board (“STB” or “Board”) proposed to modify the screening criteria used to determine the composite railroad for the Board’s annual determination of the railroad industry’s cost of capital. Specifically, the Board proposed that one of the criteria be that a railroad company’s stock is listed on either the New York Stock Exchange (“NYSE”) or the Nasdaq Stock Market (“NASDAQ”), rather than listed on either the NYSE or American Stock Exchange (“AMEX”).

The Association of American Railroads (“AAR”) respectfully submits these comments as a party of record in accordance with the Board’s NPRM. The freight railroad members of the AAR account for the vast majority of North American freight railroad traffic, mileage, employees, and revenue. As such, the AAR has a strong interest in the proposer calculation of the railroad industry’s cost of capital and its use by the Board in a variety of regulatory applications.

The AAR supports the Board's proposal to update its procedures to reflect the current state of the marketplace. The Interstate Commerce Commission's original reason for adopting a criteria that a company's stock be listed on certain stock exchanges was to ensure the availability of stock data at a time when stock price data was not as readily available as it is now. *Railroad Cost of Capital – 1984*, 1 I.C.C.2d 989, 1004 (1985). The NPRM proposal accomplishes this goal as NASDAQ information is readily and publicly available. The AAR has retrieved stock data from NASDAQ for the last two cost-of-capital submissions to the Board. *See, e.g.*, AAR Comments, EP 558 (Sub-No. 20) (filed Apr. 20, 2017). As the NPRM notes, the parent company of a Class I railroad, CSX Corporation, transferred its stock listing from the NYSE to the NASDAQ in 2015. NPRM at 3 & n. 3.

The Board should move expeditiously to adopt this proposal and not allow any other party to expand the scope of this proceeding to encompass self-serving proposals that would manipulate the cost-of-capital process.

Respectfully submitted,



Kathryn D. Kirmayer
Timothy J. Strafford
Counsel for the Association
of American Railroads
425 Third Street, SW
Washington D.C. 20024
(202) 639-2506

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