

SERVICE DATE – JANUARY 29, 2018

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 290 (Sub-No. 5)

QUARTERLY RAIL COST ADJUSTMENT FACTOR

Digest:¹ The rail cost adjustment factor (RCAF) is an index formulated to represent changes in railroad costs incurred by the nation's largest railroads over a specified period of time. The Board is required to publish the RCAF on at least a quarterly basis. Each quarter, the Association of American Railroads (AAR) computes three types of RCAF figures and submits those figures to the Board for approval. From March 3, 2017, through December 5, 2017, the RCAF submissions were calculated with a tentative productivity adjustment figure. This decision directs AAR to recalculate and submit those RCAF figures in its next quarterly RCAF submission using the final 2015 productivity adjustment figure.

Decided: January 25, 2018

In Railroad Cost Recovery Procedures, 1 I.C.C.2d 207 (1984), the Interstate Commerce Commission (ICC) outlined the procedures for calculating the all-inclusive index of railroad input prices and the method for computing the rail cost adjustment factor (RCAF). Under those procedures, the Association of American Railroads (AAR) is required to calculate the index on a quarterly basis and submit it to the agency on the fifth day of the last month of each calendar quarter. AAR's calculations depend on the productivity adjustment calculated annually by the Board.

On February 14, 2017, the Board tentatively adopted 1.020 (2.0% per year) as the measure of average (geometric mean) change in railroad productivity for the 2011-2015 (five-year) period. R.R. Cost Recovery Procedures—Productivity Adjustment, EP 290 (Sub-No. 4), slip op. at 1 (STB served Feb. 14, 2017), corrected EP 290 (Sub-No. 4) (STB served Feb. 24, 2017). In its March 3, 2017, June 5, 2017, September 5, 2017, and December 5, 2017 quarterly RCAF filings, AAR used the tentatively-adopted 1.020 productivity adjustment figure in its RCAF calculations.

On September 29, 2017, the Board proposed a revised productivity adjustment figure of 0.994 for the 2011-2015 five-year period, or -0.6% per year. See R.R. Cost Recovery

¹ The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. Policy Statement on Plain Language Digests in Decisions, EP 696 (STB served Sept. 2, 2010).

Procedures—Productivity Adjustment, EP 290 (Sub-No. 4) (STB served Sept. 29, 2017). Today, in a separate decision, the Board adopted as final the revised 2015 productivity adjustment that it proposed in its September 29, 2017 decision. See R.R. Cost Recovery Procedures—Productivity Adjustment, EP 290 (Sub-No. 4) (STB served Jan. 29, 2018).

Because AAR's RCAF submissions were calculated with the tentative productivity adjustment figure, AAR is directed to recalculate and submit the affected 2017 and 2018 RCAF figures using the final adopted geometric average productivity growth of 0.994 for the 2011-2015 five-year period in its next (March 5, 2018) quarterly RCAF submission.

It is ordered:

1. AAR is directed to recalculate and submit the affected 2017 and 2018 RCAF figures using the adopted 2015 productivity figure in its next quarterly RCAF submission.
2. The decision is effective on its date of service.

By the Board, Board Members Begeman and Miller.