

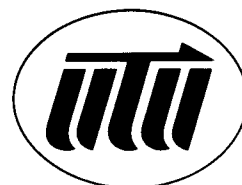
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UPS Next Day Air

October 19, 2000

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Attn: STB Ex Parte 634
1925 K. Street, N.W.
Washington, DC 20423-0001
(202) 565-1519



Re: STB Ex Parte No. 634

Dear Mr. Williams:

Please find enclosed the original and 10 copies of United Transportation Union's Comments for filing in the above-captioned matter. In accordance with Board orders, we have also enclosed a diskette in WordPerfect format.

Thank you.

Sincerely,

Daniel R. Elliott, III
Assistant General Counsel

cc: C. J. Miller, III, General Counsel

200059

BEFORE THE
SURFACE TRANSPORTATION BOARD

DEPARTMENT OF TRANSPORTATION

STB EX PARTE NO. 634



COMMENTS OF UNITED TRANSPORTATION UNION

United Transportation Union ("UTU") respectfully submits its comments regarding the Surface Transportation Board ("STB") proposal to require consolidated financial reporting by commonly controlled railroads. UTU supports this proposal which adopts Financial Accounting Standards Board ("FASB") Statement No. 94. The proposal follows the "Generally Accepted Accounting Principles" ("GAAP"), which is in line with the Board's general policy. This proposal is logical since it implements a reporting method that the Board already uses to a certain extent and other industries generally follow.

As the Board mentioned, FASB No. 94, *Consolidation of All Majority-owned Subsidiaries*, requires the preparer of financial statements to use consolidated reporting for all majority-owned subsidiaries unless control is temporary or does not rest with the majority owner. The Board presently requires this consolidated reporting method for all railroad and railroad related activities in conformance with GAAP for "revenue adequacy" purposes. Now, the Board proposes to adopt this consolidated reporting method for all regulatory purposes. There does not appear to be any reason to do otherwise since this method would make the Board's policy more consistent and would provide more meaningful and accurate information on all rail systems operating in the United States.

It is generally recognized that consolidated statements are more meaningful than separate statements and that they are usually needed for a fair presentation when a company directly or

indirectly has a controlling financial interest in other companies. Consolidated reports that include all majority-owned subsidiaries whose control is not a question better meet the objectives of financial reporting and more fully possess the qualitative characteristics of useful financial information, especially relevance, representational faithfulness, and comparability. Any costs to carriers will clearly be outweighed by the benefits of more relevant, representationally faithful, and comparable consolidated reports by carriers.

Information that is most relevant to the Board should include consolidated financial statements that present the results of operations and the financial position of a parent company and its subsidiaries as if the group were a single company with one or more branches or divisions. If the assets, liabilities, revenues, expenses, and cash flows of majority-owned subsidiaries are excluded from reports, the statements of the railroad do not faithfully represent the operating results, financial status, and capital structure of the carrier. Reports that exclude majority-owned carriers provide an incomplete picture of an operation. Relevance of information is adversely affected where information is omitted, even if the omission does not falsify what is shown.

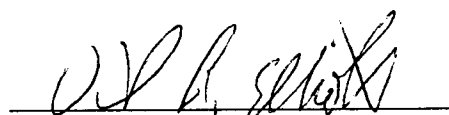
Moreover, consolidation of reports will improve comparability between carriers. Information about a carrier gains greatly in usefulness if it can be compared with similar information about other carriers. The significance of information depends to a great extent on the Board's ability to relate it to some benchmark. Also, comparability would be enhanced due to more comprehensive disclosure of financial results.

This consolidated reporting will more accurately reflect the true state of companies who have more than one majority-owned carrier. Some carriers in the same corporate family are separate for the purposes of the Surface Transportation Board, but are one entity for the purposes of the National Mediation Board. Some carriers in the same corporate family operate under the control of one

holding company, but are separate for purposes of the STB. Consolidated rail reporting would require a railroad to combine its revenues with its corporate siblings that are part of the commonly controlled family. This approach would change the "classification" status of some railroads to more accurately reflect their true size. As a result, the Board would be able to treat these commonly controlled families of carriers in a more consistent manner.

Based on this discussion, UTU supports the Surface Transportation Board proposal to use FASB No. 94 standards for all railroad reporting beginning in calendar year 2001.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "D. R. Elliott, III", is written over a horizontal line.

Daniel R. Elliott, III
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