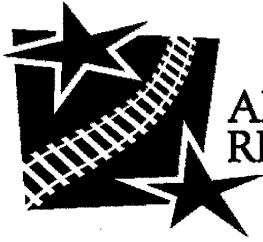


205749

ENTERED
Office of Proceedings

JUL 1 2002

Part of
Public Record



**AMERICAN SHORT LINE AND
REGIONAL RAILROAD ASSOCIATION**

The Voice of America's Independent Railroads

Donald J. Norden
Acting General Counsel

July 1, 2002
Via Hand Delivery

Surface Transportation Board
Office of the Secretary
1925 K Street, NW
Washington, DC 20423

**RE: Ex Parte No. 589 Calculation of Variable Costs in Rate Complaint Proceedings
Involving Non-Class I Railroads**

Dear Sir:

Attached for filing with the Surface Transportation Board are the original and ten paper copies of a letter of the American Short Line and Regional Railroad Association being submitted in the above-captioned proceeding.

Please contact the undersigned should any questions arise regarding this matter.

Respectfully Submitted,

Donald J. Norden
Acting General Counsel

140701.21y

205749

ENTERED
Office of Proceedings

JUL 1 2002

Part of
Public Record

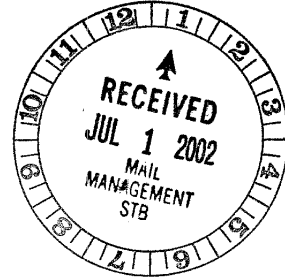


AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION

The Voice of America's Independent Railroads

Donald J. Norden
Acting General Counsel

July 1, 2002



Hon. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

**Re: Ex Parte No. 589 Calculation of Variable Costs in Rate Complaint Proceedings
Involving Non-Class I Railroads**

Dear Secretary Williams:

The American Short Line and Regional Railroad Association (ASLRRRA) hereby submits its comments in regard to the above pending proceeding.

ASLRRRA is a non-profit trade association that represents the interests of its 425 Class II and III short line and regional railroad members in legislative and regulatory matters. Short line and regional railroads are an important and growing component of the railroad industry. Today, they operate and maintain 29 percent of the American railroad industry's route mileage, and account for 9 percent of the rail industry's freight revenue and 11 percent of the railroad employment.

However, short line and regional railroads are small businesses. They have been able to be viable by being flexible and achieving efficiencies wherever possible. Wisely, the Board has generally recognized the differences between small railroads and large railroads in terms of the relative burden imposed by particular forms of regulatory requirements. The ASLRRRA is pleased that the Board continues such recognition in its proposal put forward in this proceeding.

ASLRRRA **supports** the proposal of the STB to use Uniform Rail Costing System (URCS) Class I regional average variable costs as a surrogate for the variable costs of Class II and III railroads in rate complaint cases.

Since the former Interstate Commerce Commission relieved Class II and III railroads of the burden of R-1 reporting approximately two decades ago, most small railroads have adopted accounting systems which are well-suited to the needs of a small business. These accounting systems generally do not follow the Uniform System of Accounts (USOA), which is the source of data for the URCS, or other regulatory requirements that remain applicable to Class I railroads. For the small railroads to be required to maintain and produce records and data kept in USOA format would be a major significant burden and expense.

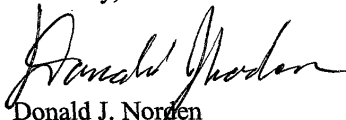
In further support of the ASLRRRA view and the Board's proposal, ASLRRRA notes there has been only one rate case in the recent past involving a smaller railroad, NOR No. 42038, *Minnesota v. Duluth, Missable & Iron Range Railway Company*. That case was dismissed January 5, 2001, following settlement by the parties. ASLRRRA believes the existence of only one rate case among 425 Class II and III railroads in the recent past does not come close to establishing a record for a need for imposing additional accounting and reporting burdens on all 425 Class II and III railroads.

Accordingly, ASLRRRA believes the Board's proposal is a both a practical and fair manner to accomplish the twin objectives of having something available in the event of a future rate case involving a small railroad, while at the same time ensuring what is available is not overly burdensome and costly to a small railroad that might be involved in a future rate case.

Finally, the Board also stated it would welcome suggestions on how the URCS costs of Class I railroads can practically be adjusted to better reflect the operations of non-Class I railroads. However, ASLRRRA believes the better way to frame the issue is if there is a demonstrable need for such adjustments. ASLRRRA will review any comments submitted by other parties on this topic and may file reply comments on this sub-issue as appropriate and helpful for the Board.

Thank you for considering the comments of ASLRRRA.

Sincerely,


Donald J. Norden
Acting General Counsel