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ASSOCIATION OF AMERICAN RAILROADS

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July 1, 2002

DELIVERED BY MESSENGER

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board, Suite 100
1925 K. Street, N.W.
Washington, D.C. 20423-0001

Re: STB Docket Ex Parte No. 589, Calculation Of
Variable Costs In Rate Complaint Proceedings
Involving Non-Class I Railroads

Dear Mr. Williams,

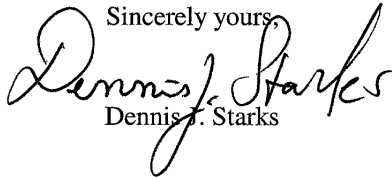
This is intended to serve as the comment of the Association of American Railroads (AAR), on behalf of its member railroads, in the proceeding referenced above. Specifically, by Decision served April 30, 2002, the Board instituted this proceeding to settle how it intends to estimate the variable costs of non-Class I railroads in future rate cases; inasmuch as such railroads are not required to keep their accounting records in accordance with the Uniform System of Accounts (USOA), or to file annual reports containing the information needed to calculate variable costs using the Uniform Railroad Costing System (URCS).

As such, by this proceeding, the Board solicits comments on its proposal to return to a policy of determining non-Class I railroads' variable costs using readily available regional URCS cost data of Class I carriers (Dec. p. 7).

The AAR has no objection to regional USOA and URCS data, compiled and submitted on behalf of Class-I railroads, being used in non-Class I railroad rate proceedings in the manner in which the Board proposes. Indeed, the Board already uses an amalgamation of Class I regional costing data to reflect the costs of non-Class I railroads in other contexts -- such as costing the Waybill Sample.

However, while the AAR does not object to the use of Class I USOA and URCS data in the manner proposed, the AAR strongly urges that the Board make clear that no conclusions relating to Class I railroads should be derived from the use of the data in non-Class I rate proceedings.

Lastly, the AAR reserves the right to submit further comment in this proceeding in response to comments of other parties.

Sincerely yours,

Dennis J. Starks

Enclosures: An original and 10 copies