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SERVICE DATE - MAY 20, 1997

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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Ex Parte No. 290 (Sub No. 4)]

Railroad Cost Recovery Procedures-Productivity Adjustment

AGENCY: Surface Transportation Board.

ACTION: Clarification of STB decision.

SUMMARY: The Western Coal Traffic League (League), an association of utility coal shippers, seeks clarification of our inclusion of approximately \$24 million in below-the-line special charges for the Illinois Central Railroad (IC) and Soo Line Railroad (Soo) in the 1995 productivity decision served February 18, 1997.¹ The League asserts that a railroad-related below-the-line special charge for the Southern Pacific Railroad (SP) was not included in the 1994 productivity calculation.²

We included the 1995 below-the-line special charges of IC and Soo in the productivity calculation because the information contained in the railroads' Annual Reports and

¹ Notice of availability of the Board's full decision was published at 62 FR 7294, (February 18, 1997).

² *Productivity Adjustment-Implementation*, 9 I.C.C.2d 1072, 1082 (1993), requires the inclusion of railroad-related below-the-line special charges in the productivity calculation.

interviews conducted by our audit staff with the railroads' accounting personnel convinced us the 1995 below-the-line special charges were railroad-related expenses. The railroads incurred these below-the-line special charges for prepayment of debt on railroad property and equipment. Clearly, the payment of debt on rail properties is railroad-related and is properly included in the productivity calculation.

The League contrasts our action here with the finding that SP's 1994 below-the-line special charge was not rail-related. On further review, we find that the 1994 SP below-the-line special charge of \$9,872,000 was for post-employment benefits for former railroad employees. We agree with the League that this special charge is railroad-related and should be included in the 1994 productivity calculation. However, because of the small size of this below-the-line special charge, its inclusion in the 1994 productivity calculation would not change the productivity measure.

EFFECTIVE DATE: May 20, 1997.

FOR FURTHER INFORMATION CONTACT: H. Jeff Warren, (202) 565-1549. TDD for the hearing impaired: (202)565-1695.

It is ordered:

1. The inclusion of the below-the-line special charges of the IC and Soo in the 1995 productivity calculation is

affirmed.

2. The 1994 below-the-line special charge of the SP is appropriately included in the 1994 productivity measure.

3. This decision is effective on [service data].

This action will not significantly affect either the quality of the human environment or energy conservation.

Decided: May 7, 1997.

By the Board, Chairman Morgan and Vice Chairman Owen.

Vernon A. Williams
Secretary