

## **SURFACE TRANSPORTATION BOARD DETERMINES RAIL INDUSTRY'S COST OF CAPITAL FOR 2016**

The Surface Transportation Board announced today that it has issued its decision determining the railroad industry's cost of capital for 2016.

In Railroad Cost of Capital—2016, Docket No. EP 558 (Sub-No. 20), the Board found that the rail industry's after-tax cost of capital was 8.88 percent for 2016. For 2015, the cost of capital was 9.61 percent.

The cost-of-capital figure represents the Board's estimate of the average rate of return needed to persuade investors to provide capital to the freight rail industry.

Calculated annually, the cost-of-capital figure is an essential component of many of the agency's core regulatory responsibilities. The Board uses the cost-of-capital figure in evaluating the adequacy of an individual railroad's revenues each year. It also uses the figure when determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line, or valuing a particular railroad operation.

The Board's decision in Docket No. EP 558 (Sub-No. 20) may be viewed and downloaded at the Board's website, [www.stb.gov](http://www.stb.gov), under "E-LIBRARY / Decisions & Notices / 08/7/2017" .

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