

SURFACE TRANSPORTATION BOARD CALCULATES RAIL INDUSTRY'S 2006 COST OF CAPITAL

The Surface Transportation Board (Board) today issued its final decision calculating the railroad industry's cost of capital for 2006. The Board found that the railroad industry had an after-tax cost of capital of 9.94 percent. This reflects a 2.26-percent drop from the 2005 cost of capital (12.2 percent).

Today's decision in the proceeding entitled *Railroad Cost of Capital—2006*, STB Ex Parte No. 558 (Sub-No. 10), implemented the Board's recent methodological change for calculating the cost of equity, a key component of the cost of capital. The Board used the Capital Asset Pricing Model (CAPM) adopted in its January 17, 2008 decision in *Methodology to be Employed in Determining the Railroad Industry's Cost of Capital*, STB Ex Parte No. 664, to estimate the cost of equity.

The Board uses the cost of capital figure in evaluating the adequacy of individual railroads' revenues each year, as well as in various types of regulatory proceedings (such as determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line, or valuing a particular railroad operation in certain other types of cases).

[The Board's decision](http://www.stb.dot.gov) is available for viewing and downloading via the Board's Web site at <http://www.stb.dot.gov>, under "E-Library," then under "Decisions & Notices," beneath the date "4/15/08."

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