

SURFACE TRANSPORTATION BOARD PROPOSES CONSOLIDATED REPORTING BY RAILROADS

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a notice indicating that it intends to require railroads controlled by a common parent to file their financial reports on a consolidated basis, beginning with their calendar year 2001 operations. Railroads currently are required to use consolidated reporting in the documents they file with the Board to establish which carriers are earning adequate revenues; they are not, however, required to report their revenues on a consolidated basis for other purposes. The Board is seeking comment on consolidated reporting by **October 25, 2000**.

In proposing to require consolidated reporting, the Board pointed out that the Financial Accounting Standards Board (FASB), the organization responsible for the development of financial accounting standards, has provided in its Statement No. 94 that financial statements should generally use consolidated reporting for all majority-owned subsidiaries. The Board noted that FASB's statements of financial accounting standards typically become "Generally Accepted Accounting Principles" or "GAAP," and that the Board, like most regulatory agencies, generally follows GAAP. Because consolidated data tend to provide more meaningful and accurate information, the Board expressed the view that the major rail systems operating in the United States should report their data on a consolidated basis. This approach, the Board recognized, could change the "classification" status of some railroads, whose revenues would be combined with the revenues of their corporate siblings in determining whether the railroads that are part of commonly controlled families should be classified as Class I (carriers with inflation-adjusted annual revenues of at least \$250 million), Class II (carriers with inflation-adjusted annual revenues between \$20 million and \$250 million), or Class III (carriers with inflation-adjusted annual revenues below \$20 million).

The Board stated that it would likely require consolidated reporting for only the activities of commonly controlled U.S. railroads and their U.S. railroad-related affiliates, and that it would not expect to receive data on non-U.S. railroads and on non-railroad related operations. The Board also suggested that parties might comment on whether there are situations in which railroads under common control ought not to be required to report on a consolidated basis (for example, where such railroads have no connection with one another except for a common parent).

The Board issued its decision today in *Consolidated Railroad Reporting*, STB Ex Parte No. 634. A printed copy is available for a fee by contacting **D~To-D~ Office Solutions, Room 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 466-5530**. Today's notice also is available for viewing and downloading via the Board's website at **www.stb.dot.gov**.

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