

**SURFACE TRANSPORTATION BOARD DENIES RAILROAD REQUEST THAT IT  
RECONSIDER PRIOR DECISION SETTING ADDITIONAL PRODUCTIVITY-ADJUSTED  
RCAF**

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**SURFACE TRANSPORTATION BOARD DENIES RAILROAD  
REQUEST THAT IT RECONSIDER PRIOR DECISION  
SETTING ADDITIONAL PRODUCTIVITY-ADJUSTED RCAF**

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has denied a petition filed by railroad interests asking the Board to reconsider its prior decision adopting revised procedures for calculating the rail cost adjustment factor (RCAF). The RCAF is an inflation index that was historically used in regulating rail rates. Since passage of the ICC Termination Act of 1995 (Termination Act), however, the RCAF is principally used as a way of determining how much rates should change under unregulated rail transportation contracts.

In this case, the railroads wanted the Board to calculate the RCAF in a certain way, while the shippers favored a different methodology. In a decision issued in October 1996, the Board found that neither methodology was incorrect. Because the Termination Act directed the Board to be neutral in calculating the RCAF, the Board found no basis on which to pick either the railroads' approach or the shippers' approach. Rather, it found that it could best maintain its neutrality by publishing the RCAF under both the railroads' approach, and under a somewhat modified version of the shippers' approach, and by leaving it to the parties to individual contracts to determine which approach, if either, was contemplated by the contract. See Release No. 96-56, Oct. 3, 1996, for further details.

In seeking reconsideration, the railroads argued that the Board had to pick only one methodology. Several shippers opposed the railroads and supported the Board's decision to publish two versions of the RCAF. The Board agreed with the shippers and denied the railroads' petition.

The Board's decision was issued today in Productivity Adjustment--Implementation, Ex Parte No. 290 (Sub-No. 7).