

## **SURFACE TRANSPORTATION BOARD CALCULATES RAIL INDUSTRY'S COST OF CAPITAL FOR 2008**

The Surface Transportation Board announced today that it has issued its decision calculating the railroad industry's cost of capital for 2008.

In Railroad Cost of Capital--2008, STB Ex Parte No. 558 (Sub-No. 12), the Board found that the rail industry's after-tax cost of capital for 2008 was 11.75 percent. Last year, the cost-of-capital was 11.33 percent.

The Board uses the cost of capital figure in evaluating the adequacy of individual railroads' 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.

This year, consistent with the Board's decision in STB Ex Parte No. 664, Sub-No 1 (STB served Jan. 28, 2009), the Board estimated the cost of equity component of the cost of capital using an average of a Capital Asset Pricing Model (CAPM) approach and a multi-stage Discounted Cash Flow (MS-DCF) model.

The Board's decision in [STB Ex Parte No. 558 \(Sub-No. 12\)](#) was issued today, September 25, 2009. That decision 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 "**09/25/09**."

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