

SUPPORTING STATEMENT- RAIL DEPRECIATION STUDIES

A. Justification:

1. Why the collection is necessary. The Surface Transportation Board (Board) has broad statutory authority to provide economic regulatory oversight of railroads, addressing such matters as rates; service; the construction, acquisition and abandonment of rail lines; carrier mergers; and interchange of traffic among carriers (49 U.S.C. §§ 10101-11908). Under 49 U.S.C. § 11143, the Board is required to identify those classes of property for which rail carriers may include depreciation charges under operating expenses, and the Board must also prescribe a rate of depreciation that may be charged to those classes of property. Pursuant to the Board's authority under § 11145 and 49 C.F.R. Part 1201, § 4-2(b), the seven Class I (large) rail carriers are required to submit Depreciation Studies to the Board. Using appropriate industry-wide models for determining depreciation rates, these railroads submit information about their depreciable property and propose depreciation rates for this property. The Depreciation Study includes support for all the factors (such as average service lives, salvage ratios, and average remaining lives) used to develop the depreciation rates. The Board reviews the information in the railroads' Depreciation Studies and determines the appropriate depreciation rates.

2. How the collection will be used. The Board reviews the Depreciation Studies provided by Class I railroads and uses the information in these studies to prescribe depreciation rates. These depreciation rate prescriptions state the period for which the depreciation rates apply. Class I railroads apply the prescribed depreciation rates to their investment base to determine monthly and annual depreciation expense. This expense is included in the railroads' operating expenses, which are reported in their R-1 reports (OMB Control Number 2140-0009). Depreciation expenses are also used by the railroads to develop Income Statements and are included in the operating costs applied in various proceedings before the Board, such as rate reasonableness cases and determination of railroad revenue adequacy. Railroads also use the depreciation rates authorized by the Board in their own budgeting and preparing of appropriate financial statements for other purposes.

3. Extent of automated information collection. The carriers email this collection to the Board as an attachment.

4. Identification of duplication. The Board has exclusive jurisdiction over the economic regulation of freight railroads. No other Federal agency collects the information in the rail Depreciation Studies, nor is this information available from any other source.

5. Effects on small business. No small entities will be affected by the collection of this information. Only Class I railroads, which have operating revenues in excess of \$250 million

(1991 dollars) adjusted for inflation, are subject to this reporting requirement. The Board has adopted an indexing methodology that will ensure that regulated carriers are classified based on real business expansion, rather than the effects of inflation.

6. Impact of less frequent collections. Depreciation rates must be reviewed frequently to ensure appropriateness. Depreciation Studies are collected every three years for equipment and every six years for other depreciable property, such as track. Less frequent studies could result in significant misstatements of operating expenses, which the Board uses to set rates that railroads must charge when a railroad's rate is challenged by a shipper.

7. Special circumstances. No special circumstances apply to this collection.

8. Compliance with 5 C.F.R. § 1320.8. The Board published a notice in the Federal Register, providing a 60-day comment period regarding this collection. See 77 Fed. Reg. 44710 (7/30/12). No comments were submitted. As required, the Board also published a notice providing a 30-day comment period, with comments to be sent to OMB. See 78 Fed. Reg. 18676 (3/27/13).

9. Payments or gifts to respondents. The Board does not provide any payment or gift to respondents.

10. Assurance of confidentiality. The Class I carriers have been providing this information for many years and are aware that the information provided in Depreciation Studies is considered commercially confidential and is protected from disclosure under the Freedom of Information Act. Only the depreciation rate prescriptions, which are set by the Board based on this information, are made public by posting them on the Board's website.

11. Justification for collection of sensitive information. This collection contains no information of a personally sensitive nature.

12. Estimation of burden hours for respondents. Based on informal feedback recently provided from a sampling of the railroad industry, we estimate a per-respondent-railroad burden of no more than 515 hours annually and a total annual burden of 3,605 hours (515 hours X 7 Class I railroads). This estimate is based on reported burden hours of between 500 and 540 hours annually. The Board published these burden estimates in its 60-day Federal Register notice and requested comments as to their accuracy. No comments were received.

13. Other costs to respondents. (a) Continuing this existing collection will impose no start-up costs on respondents. (b) The cost to respondents is between \$8,340 and \$30,000 annually, resulting in an annual average of \$20,500 and a cumulative total for all 7 Class I railroads of \$143,500.

14. Costs to Board. We estimate that annually it takes 1,728 hours (GS 14/10 hourly rate with benefits of \$81.26) to review the Depreciation Studies and prepare the depreciation rate prescriptions based on the Depreciation Studies; 48 hours (GS 15/10 hourly rate with benefits of \$92.39) to review the depreciation rate prescriptions and the staff analysis and recommendations;

and 144 hours (GS 13/2 hourly rate with benefits of \$54.66) to do a Quality Assurance review of the depreciation rate prescriptions and the staff analysis and recommendations, resulting in a total cost to the Board of \$152,723.

15. Changes in burden hours. This is an existing collection without an OMB control number. The Board's predecessor agency, the Interstate Commerce Commission, began collecting Depreciation Studies in the mid-1970s.

16. Plans for tabulation and publication. The Board does not publish the information submitted in Depreciation Studies because this information is considered confidential. However, the depreciation rate prescriptions, which are prepared by the Board based on information in the Depreciation Studies, are posted on the Board's website.

17. Display of expiration date for OMB approval. No form is used for this collection. However, once the collection is approved, the Board will display the control number and expiration date of the collection by publishing a special notice in the Federal Register stating the control number and expiration date of the collection as provided in 5 C.F.R. § 1320.3(f)(3).

18. Exceptions to Certification Statement. No exceptions are sought.

B. Collections of Information Employing Statistical Methods:

Not applicable