

April 2016

**SUPPORTING STATEMENT - MODIFICATION OF
RAILROAD ANNUAL REPORT, R-1 (in EP 720)**

A. Justification:

1. (a) 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). Information from the Annual R-1 reports, which are required to be filed by Class I (large) railroads under 49 U.S.C. § 11145, is used in the following contexts: abandonments (49 U.S.C. § 10903); mergers, acquisition of control, and consolidations (49 U.S.C. §§ 11323-24); Uniform Rail Costing System (URCS) (49 U.S.C. §§ 11161-11164); rail revenue adequacy proceedings (49 U.S.C. § 10704(a)(2)); Rail Cost Adjustment Factor (49 U.S.C. § 10708); and other rail cost studies, investigations, and rulemakings (49 U.S.C. §§ 10701, 10704(a)(1), 10705, 10707, 11701).

(b) Why the modification is necessary. The Board is adopting a final rule that amends its Uniform System of Accounts (USOA) and Form R-1. Consistent with the proposals in the NPRM, the final rule adds new general instructions and accounts for recognizing changes in the fair value of certain security investments, items of other comprehensive income, derivative instruments, and hedging activities. Additionally, the rule revises the USOA to reflect current accounting practices for business combinations by removing existing instructions for the pooling-of-interest method of accounting. The rule also revises Form R-1 to include the new accounts and a new reporting schedule consistent with the revisions to the USOA.

The rule also eliminates certain schedules currently contained in Form R-1 that are not used for any regulatory or other purposes by the Board. In light of comments received in response to the NPRM, however, Schedule 702, which the Board had proposed to eliminate, will be retained.

The purpose of the revisions is to promote sound and uniform accounting and financial reporting for the above types of transactions and events. The Board believes that such requirements are needed at this time because these types of transactions and events are neither specifically nor correctly addressed in the existing USOA and Form R-1. The new instructions, accounts, and reporting schedule will result in improved, consistent, and complete accounting and reporting and will ensure that the Board has the appropriate financial and operational information necessary to carry out its regulatory responsibilities to monitor the railroad industry. Furthermore, while the new reporting requirements may add some respondent burdens, other reporting burdens on the Class I railroads will be significantly reduced as a result of the

elimination of several schedules in Form R-1. Taken as a whole, we estimate that the burden on respondents will not increase.

2. How the collection will be used. The R-1 reports show operating expenses of the carriers, including those for right-of-way and structures, equipment, train and yard operations, and general and administrative expenses. The reports are used by the Board, other Federal agencies, and industry groups to monitor and assess railroad industry growth, financial stability, traffic, and operations.

The Board uses data from the R-1 reports to more effectively carry out its statutory responsibilities, including acting on railroad requests for authority to engage in Board-regulated financial transactions such as mergers, acquisitions of control, consolidations, and abandonments; conducting proceedings to determine whether rail revenues are adequate; developing an index known as the rail cost adjustment factor; and conducting other investigations as well as rulemakings. In addition, certain information from this report is entered into the Board's Uniform Rail Costing System (URCS), which is a cost measurement methodology developed by the Board pursuant to 49 U.S.C. §§ 11161-62 and used as a tool in rail rate proceedings to calculate the variable costs associated with providing a particular service.

3. Extent of automated information collection. The railroads submit this report electronically in Excel spreadsheet format. In addition, as required by statute, carriers submit a signed and notarized hard copy of this report to the Board.

4. Identification of duplication. No other Federal agency has economic regulatory authority over freight rail transportation. Therefore no other Federal agency collects the majority of the information in this report, nor is such information available from any other source. (To the extent that a small portion of this information is also collected by the U.S. Securities and Exchange Commission, it is not collected in a format that is useful to the Board.) Therefore, there is no duplication of information. In most instances, the information sought is unique to each carrier.

5. Effects on small business. No small entities will be affected by the collection of this information. This reporting requirement applies only to Class I railroads, which, under the Board's regulations, have annual carrier operating revenues of \$250 million or more in 1991 dollars (adjusted for inflation using 2013 data, the revenue threshold for a Class I rail carrier is \$467,063,129). The Board has adopted an indexing methodology to ensure that regulated carriers are classified based on real business expansion, rather than the effects of inflation.

6. Impact of less frequent collections. Under 49 U.S.C. § 11145, Class I railroads must file Annual Reports. Without this annual collection, the Board's ability to accurately and efficiently fulfill its statutory responsibilities would be diminished.

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

8. Compliance with 5 C.F.R. § 1320.8. As part of its proposed rule, the Board published a notice providing a 30-day comment period regarding the proposed modifications and an

additional 30-day period for reply comments. 80 Fed. Reg. 39021.

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

10. Assurance of confidentiality. All information collected through this report is available to the public.

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

12. Estimation of burden hours for respondents. The following information pertains to the estimate of burden hours associated with this collection:

(1) Number of respondents: 7.

(2) Frequency of response: annual.

(3) Annual burden per respondent and total annual burden. Based on information recently provided by the railroad industry, we estimate a per-respondent-railroad burden of no more than 800 hours for the entire R-1 report. The estimate includes time spent reviewing instructions; searching existing data sources; gathering and maintaining the data needed; completing and reviewing the collection of information; and converting the data from the carrier's individual accounting system to the Board's USOA, which ensures that the information will be presented in a consistent accounting format across all reporting railroads. See 49 U.S.C. §§ 11141-43, 11161-64, 49 C.F.R. §§ 1200-1201. The total estimated annual burden hours for all seven carriers is, therefore, no more than 5,600 hours (seven respondents X 800 hours). There should be no change in burden hours as a result of the modifications in the final rule.

13. Other costs to respondents: The respondent carriers are required by statute to submit a copy of the annual report, signed under oath. See 49 U.S.C. § 11145. A hard copy of the report is mailed to the agency at an estimated cost of \$4.00 per respondent, resulting in a total annual non-burden-hour cost of \$28.00 for all seven respondents. No other non-hour costs for operation, maintenance, or purchase of services associated with this collection have been identified: (a) Neither the existing collection, nor the modifications adopted in this rule, will impose start-up costs on respondents. (b) An additional copy of the report in Excel format is submitted to the agency electronically.

14. Costs to Board: We estimate that it takes 42 hours (GS 14/9 at \$83.05 per hour, including benefits) to enter the R-1 data into URCS system and two hours (Expert/Consultant at \$68.37 per hour, including benefits) to post the submitted Excel spreadsheets to the website, resulting in a total annual cost to the Board of \$3,625.

15. Changes in burden hours. No change in burden hours is requested. The modifications are not expected to affect the number of burden hours associated with this collection.

16. Plans for tabulation and publication: The individual R-1 reports are posted in their entirety on the Board's website at www.stb.dot.gov/stb/industry/econ_reports.html (select "Complete Class I Railroad Annual Reports" hyperlink).

17. Display of expiration date for OMB approval. No exception is sought. The control number and expiration date for this collection appear on the cover sheet of the instructions.

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

B. Collections of Information Employing Statistical Methods:

Not applicable