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SERVICE DATE – JULY 12, 2021

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 748

INDEXING THE ANNUAL OPERATING REVENUES OF RAILROADS

Decided: July 6, 2021

The Surface Transportation Board (Board) is publishing the annual deflator factor and inflation-adjusted railroad revenue thresholds for 2020. The deflator factor is used by the railroads to adjust their gross annual operating revenues for classification purposes. This indexing methodology ensures that railroads are classified based on real business expansion and not on the effects of inflation. Classification is important because it determines the extent to which individual railroads must comply with the Board's reporting requirements.

The Board's annual deflator factor is based on the annual average Railroad Freight Price Index developed by the Bureau of Labor Statistics and is used to deflate revenues for comparison with established revenue thresholds.

Application of the annual deflator factors for 2016-2020 results in the following annual revenue thresholds:

Railroad Revenue Thresholds¹

Year	Factor	Class I	Class II
2016	0.5585	447,621,226	35,809,698
2017	0.5390	463,860,933	37,108,875
2018	0.5103	489,935,956	39,194,876
2019	0.4952	504,803,294	40,384,263
2020 ²	1.0000	900,000,000	40,400,000

The annual inflation-adjusted deflator factor and revenue thresholds for 2020 are effective January 1, 2020. Notice of this decision will be published in the Federal Register.

By the Board, William Brennan, PhD, Chief Economist & Director, Office of Economics.

¹ In Montana Rail Link, Inc., & Wisconsin Central Ltd., Joint Petition for Rulemaking with Respect to 49 C.F.R. Part 1201, 8 I.C.C.2d 625 (1992), the Board's predecessor, the Interstate Commerce Commission, raised the revenue classification level for Class I railroads from \$50 million (1978 dollars) to \$250 million (1991 dollars), effective for the reporting year beginning January 1, 1992. The Class II threshold was also raised from \$10 million (1978 dollars) to \$20 million (1991 dollars). On April 5, 2021, the Board issued a Final Rule in Montana Rail Link, Inc.—Petition for Rulemaking—Classification of Carriers, Docket No. EP 763, in which the revenue classification level for Class I railroads was raised from \$250 million (1991 dollars) to \$900 million (2019 dollars) effective for the reporting year beginning January 1, 2020. The Class II threshold was converted and rounded from \$20 million (1991 dollars) to \$40.4 million (2019 dollars).

² The 2019 values reflect those in Indexing the Annual Operating Revenues of Railroads, EP 748 (STB served June 10, 2020). The 2020 values are based on the new thresholds established in Docket No. EP 763 and the deflator factor is referenced to the new base year of 2019. As the Railroad Freight Price Index remained the same from 2019 to 2020, the annual deflator factor for 2020 is 1.0000.