

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 748

INDEXING THE ANNUAL OPERATING REVENUES OF RAILROADS

Decided: May 20, 2024

The Surface Transportation Board (Board) is publishing the annual deflator factor and inflation-adjusted railroad revenue thresholds for 2023. 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 of the Producer Price Index (PPI) industry data for line-haul railroads developed by the Bureau of Labor Statistics (BLS)¹ and is used to deflate revenues for comparison with established revenue thresholds.

Application of the annual deflator factors for 2019-2023 results in the following annual revenue thresholds:

Railroad Revenue Thresholds²

Year	Factor	Class I	Class II
2019 ³	0.4952	504,803,294	40,384,263
2020 ⁴	1.0000	900,000,000	40,400,000
2021	0.9535	943,898,958	42,370,575
2022	0.8721	1,032,002,719	46,325,455
2023	0.8541	1,053,709,560	47,299,851

¹ Starting in this year's decision, the reference to the series for the Railroad Freight Price Index has been changed to match BLS's terminology (PPI industry data for line-haul railroads) for ease of identifying the information.

² 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). In Montana Rail Link, Inc.—Petition for Rulemaking—Classification of Carriers, EP 763 (STB served Apr. 5, 2021), the revenue classification level for Class I railroads was raised from \$250 million (1991 dollars) to \$900 million (2019 dollars), and the Class II threshold was converted and rounded from \$20 million (1991 dollars) to \$40.4 million (2019 dollars), effective for the reporting year beginning January 1, 2020.

³ The 2019 values reflect those in Indexing the Annual Operating Revenues of Railroads, EP 748 (STB served June 10, 2020).

⁴ The 2020 and subsequent values are based on the thresholds established in Docket No. EP 763, and the deflator factor is referenced to the new base year of 2019. As the PPI industry data for line-haul railroads remained the same from 2019 to 2020, the annual deflator factor for 2020 was 1.0000.

The annual inflation-adjusted deflator factor and revenue thresholds for 2023 are effective January 1, 2023. Notice of this decision will be published in the Federal Register.

By the Board, Kristen Monaco, PhD, Director, Office of Economics.