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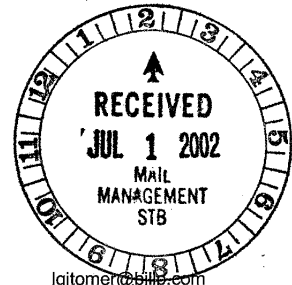
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July 1, 2002

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, DC 20423

RE: STB Ex Parte No. 589, *Calculation of Variable Costs in Rate Complaint Proceedings Involving Non-Class I Railroads*

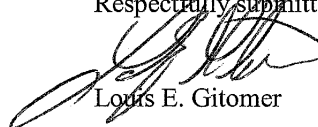
Dear Secretary Williams:

Enclosed for filing are the original and 10 copies of the comments of RailAmerica, Inc., and three floppy diskettes with the file Comments.doc.

Please time and date stamp the extra copy of this letter and the Comments and return it with our messenger.

If you have any questions, please contact me.

Respectfully submitted,



Louis E. Gitomer

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 589

CALCULATION OF VARIABLE COSTS IN RATE COMPLAINT PROCEEDINGS
INVOLVING NON-CLASS I RAILROADS

COMMENTS
OF
RAILAMERICA, INC.



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July 1, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

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CALCULATION OF VARIABLE COSTS IN RATE COMPLAINT PROCEEDINGS
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COMMENTS
OF
RAILAMERICA, INC.



RailAmerica, Inc. ("RailAmerica"), on behalf of its 37 subsidiary Class II and Class III railroads submits its brief comments to the Surface Transportation Board (the "Board") pursuant to the Board's Decision served April 30, 2002, in the above matter. RailAmerica believes that the Board is correct in proposing to return "to a policy of determining non-Class I railroads' variable costs using readily available regional URCS cost data of Class I carriers."

RailAmerica supports the Board's proposal for four reasons.

First, there is no justification for imposing the cost on non-Class I railroads of implementing and keeping their records in accordance with the Board's Uniform System of Accounts ("USOA") or to prepare and file annual reports containing the information needed to calculate variable costs using the Uniform Railroad Costing System ("URCS"). The Board's predecessor, the Interstate Commerce Commission (the "ICC") eliminated accounting and reporting requirements for Class III and Class II railroads in 1981 and 1982, respectively, in

order to reduce the burden on small railroads and because the information was not used for regulatory purposes.¹

RailAmerica's second reason for supporting the Board's proposal is that the non-Class I railroads are involved in very few rate disputes with their customers. As the Board recently said "Excusing smaller railroads from our accounting and reporting requirements has not caused any regulatory problems until now."² In over 20 years since the regulatory reporting and record keeping requirements were eliminated by the ICC for the non-Class I railroads, there has only been one rate complaint. One complaint in over 20 years hardly seems to be the type of justification necessary to re-establish a regulatory record keeping regime.

Thirdly, the actual rate setting process of non-Class I railroads weighs in favor of the solution proposed by the Board. Many of RailAmerica's subsidiaries do not set rates. The connecting Class I railroad sets the rate, including the portion of the movement over the RailAmerica subsidiary line, and pays the short line a fixed amount per car. Indeed, these rates are quoted, published, administered, increased and or decreased by the Class I railroad with no involvement whatsoever by the shortline, in almost all instances. Again, this situation argues in favor of using existing data while not imposing a burden on the non-Class I railroads.

Finally, the vast majority of non-Class I railroads are very small. For many of these railroads the cost of litigating a rate complaint is a daunting task. Adding the cost of record

¹ *Reduction of Accounting & Reporting Requirements*, ICC No. 37523 (ICC served Dec. 15, 1980), and *Elimination of Accounting & Reporting Requirements of Class II Railroads*, ICC No. 37614 (ICC served Feb. 25, 1982).

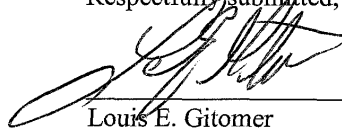
² *Minnesota Power, Inc. v. Duluth, Missabe and Iron Range Railway Company*, STB Docket No. 42038 (STB served March 6, 2000).

keeping to the process creates a disincentive to the preservation of the smallest of lines by the non-Class I railroads.

CONCLUSION

RailAmerica urges the Board to adopt its proposal of using variable costs using readily from the regional URCS cost data of Class I carriers.

Respectfully submitted,



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