

SURFACE TRANSPORTATION BOARD

Docket No. EP 552 (Sub-No. 29)

RAILROAD REVENUE ADEQUACY—2024 DETERMINATION

Digest:<sup>1</sup> The Board finds that two Class I railroads (CSX Transportation, Inc. and Union Pacific Railroad Company) are revenue adequate for the year 2024, meaning that those railroads achieved a rate of return equal to or greater than the Board's calculation of the average cost of capital for the freight rail industry.

Decided: August 14, 2025

This annual determination of railroad revenue adequacy under 49 U.S.C. 10704(a)(3) is made in accordance with the standards and procedures developed in Standards for Railroad Revenue Adequacy (Standards I), 364 I.C.C. 803 (1981); Standards for Railroad Revenue Adequacy (Standards II), 3 I.C.C.2d 261 (1986); and Supplemental Reporting of Consolidated Information for Revenue Adequacy Purposes (Supplemental Reporting), 5 I.C.C.2d 65 (1988). Pursuant to those procedures, which are essentially mechanical, a railroad is considered revenue adequate under 49 U.S.C. 10704(a) if it achieves a rate of return on net investment (ROI) equal to at least the current cost of capital for the railroad industry.

In Railroad Cost of Capital—2024, EP 558 (Sub-No. 28) (STB served July 21, 2025), the Board determined that the 2024 railroad industry cost of capital was 10.68%. By comparing this figure to the 2024 ROIs, calculated from data reported in the carriers' Annual Report R-1 Schedule 250 filings, a revenue adequacy figure has been determined for each of the Class I freight railroads that were in operation as of December 31, 2024.<sup>2</sup>

A summary of the ROIs for all Class I railroads is set forth in Appendix A to this decision. Appendix B provides the railroads' R-1 Schedule 250 data that was used to compute the ROIs. The Board finds two carriers (CSX Transportation, Inc. and Union Pacific Railroad

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<sup>1</sup> The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. See Pol'y Statement on Plain Language Digs. in Decisions, EP 696 (STB served Sept. 2, 2010).

<sup>2</sup> Annual Report R-1 filings do not include rail operations in Canada or Mexico. The Board implements accounting and cost reporting rules (pursuant to 49 U.S.C. 11164) for rail carriers subject to the Board's jurisdiction, which encompasses transportation in the United States pursuant to 49 U.S.C 10501(a)(2).

Company) to be revenue adequate for 2024.<sup>3</sup> The Board's findings will be final on the effective date of this decision.

It is ordered:

1. This decision is effective on its service date.
2. Notice of this decision will be published in the Federal Register.

By the Board, Board Members Fuchs, Hedlund, Primus, and Schultz.

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<sup>3</sup> Pursuant to Standards I, 364 I.C.C. at 803, Standards II, 3 I.C.C.2d at 261, and Supplemental Reporting, 5 I.C.C.2d at 65, revenue adequacy determinations for Class I carriers are made on a system-wide basis, which includes certain railroad affiliates.

**APPENDIX A**

Railroad	ROI
BNSF Railway Company	10.17%
CSX Transportation, Inc.	13.72%
Grand Trunk Corporation (including U.S. affiliates of Canadian National Railway)	6.64%
Norfolk Southern Combined Railroad Subsidiaries	10.52%
Soo Line Corporation & Kansas City Southern Railway Company	5.68%
Union Pacific Railroad Company	16.19%

## APPENDIX B

(Dollars in Thousands)

Railroad	BNSF	CSX	GT	NS	SOO/KCSR	UP
Combined/Consolidated Net Railway Operating Income for Reporting Entity	5,153,495	3,304,661	809,779	2,066,534	831,804	6,983,977
Add: Interest Income from Working Capital Allowance – Cash Portion	11,623	11,220	778	33,153	2,595	0
Add: Income Taxes Associated with Non-Rail Income and Deductions	384,845	248,647	1,295	402,044	5,360	100,632
Add: Gain or (loss) from transfer/reclassification to nonrail-status (net of income taxes)	2,452	9,088	372	366,057	169	22,755
<b>** Adjusted Net Railway Operating Income **</b>	<b>5,552,415</b>	<b>3,573,616</b>	<b>812,224</b>	<b>2,867,788</b>	<b>839,928</b>	<b>7,107,364</b>
<b>** Calculating the Adjusted Investment in Railroad Property for the Reporting Entity **</b>						
Combined Investment in Railroad Property Used in Transportation Service – Ending Balance	69,394,987	32,947,427	15,290,121	34,484,407	18,759,577	55,812,520
Combined Investment in Railroad Property Used in Transportation Service – Beginning Balance	68,218,601	32,097,119	14,906,280	32,058,301	18,369,356	54,925,066
<b>Combined Investment in Railroad Property Used in Transportation Service – Average</b>	<b>68,806,794</b>	<b>32,522,273</b>	<b>15,098,201</b>	<b>33,271,354</b>	<b>18,564,467</b>	<b>55,368,793</b>
Interest During Construction – Ending Balance	0	0	0	0	10,803	43,236
Interest During Construction – Beginning Balance	0	0	0	2,580	8,044	43,238
<b>Interest During Construction – Average</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,290</b>	<b>9,424</b>	<b>43,237</b>
Other Elements of Investment – Ending Balance	0	0	0	0	0	0
Other Elements of Investment – Beginning Balance	0	0	0	0	0	0
<b>Other Elements of Investment – Average</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Rail Assets of Rail Related Affiliates – Ending Balance	0	0	221,869	0	11,522	0
Net Rail Assets of Rail Related Affiliates – Beginning Balance	0	0	224,033	0	6,866	0
<b>Net Rail Assets of Rail Related Affiliates – Average</b>	<b>-</b>	<b>-</b>	<b>222,951</b>	<b>-</b>	<b>9,194</b>	<b>-</b>
Working Capital Allowance – Ending Balance	1,334,882	526,906	187,562	930,278	176,626	853,610
Working Capital Allowance – Beginning Balance	1,204,889	575,654	189,115	988,949	107,125	862,672
<b>Working Capital Allowance – Average</b>	<b>1,269,886</b>	<b>551,280</b>	<b>188,339</b>	<b>959,614</b>	<b>141,876</b>	<b>858,141</b>
Accumulated Deferred Income Tax Credits – Ending Balance	15,704,045	7,041,144	3,309,596	7,072,944	3,915,353	12,296,744
Accumulated Deferred Income Tax Credits – Beginning Balance	15,210,887	7,022,784	3,250,998	6,889,653	3,909,726	12,291,910
<b>Accumulated Deferred Income Tax Credits – Average</b>	<b>15,457,466</b>	<b>7,031,964</b>	<b>3,280,297</b>	<b>6,981,299</b>	<b>3,912,540</b>	<b>12,294,327</b>
Tax Adjusted Net Investment Base – Ending Balance	55,025,824	26,433,189	12,389,956	28,341,741	15,021,569	44,326,150
Tax Adjusted Net Investment Base – Beginning Balance	54,212,603	25,649,989	12,068,430	26,155,017	14,565,577	43,452,590
<b>* Tax Adjusted Net Investment Base *</b>	<b>54,619,214</b>	<b>26,041,589</b>	<b>12,229,193</b>	<b>27,248,379</b>	<b>14,793,573</b>	<b>43,889,370</b>
<b>TAX ADJUSTED RETURN ON INVESTMENT</b>	<b>10.17%</b>	<b>13.72%</b>	<b>6.64%</b>	<b>10.52%</b>	<b>5.68%</b>	<b>16.19%</b>