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of this section by the ratio(s) developed in paragraph (o)(4) of this section.

(p) *Opportunity costs.* Applicant-carrier may, at its discretion, present evidence of its opportunity costs, if the assets engaged in the line proposed to be abandoned could be used more profitably in some other capacity.

Opportunity costs may be calculated in accordance with the methodology established in §1152.34 of this part, or by using any other reasonable, fully explained method. Opportunity costs are not included as costs on Exhibit 1 described at §1152.36. These costs should be submitted as a separate exhibit to the application.

(q) *Labor costs.* (1) The salaries, wages and fringe benefits of personnel exclusively assigned to the line segment shall be deemed attributable costs of the segment. The salaries, wages, and fringe benefits of personnel not exclusively assigned to the line segment shall be deemed attributable costs of the segment to the extent they are shown to be apportionable to the segment to be abandoned.

(2) These costs shall be deemed attributable notwithstanding any obligation of applicant to provide employee protection for employees after the abandonment.

§1152.33 Apportionment rules for the assignment of expenses to on-branch costs.

The accounts specified under §1152.32 (a), (b), (c), and (d) as having an assignment basis other than “Actual” shall be apportioned according to the rules contained in this section.

(a) *Maintenance of way and structures—(1) Roadway machines.* All accounts designated XX-13-36 shall be assigned to the branch on the basis of the average repair costs, for each type of machine, included in the daily rental fees charged by the operating railroad or as published by the General Manager’s Association of Chicago (GMA), based on the actual number of days each type of machine is used on the branch.

(2) *Small tools and supplies.* All accounts designated XX-13-37 shall be assigned to the branch as follows:

(i) The costs of supplies, consumed in the operation of roadway machines,

shall be assigned to the branch on the basis of the average costs of supplies per day, included in the daily rental fees charged by the operating railroad or as published by the GMA, multiplied by the actual number of days that the machine is used on the branch;

(ii) The costs of small tools shall be assigned to the branch on the basis of the ratio that the branch amounts in Accounts 11-11-10 through 11-11-17 and 11-11-48, plus 11-12-10 through 11-12-17 and 11-12-48, bear to the railroad’s system total for the same accounts.

(3) *Fringe benefits.* Fringe benefits shall be assigned to the branch separated between running, switching and other, on the ratio that the total branch salary and wages bear to the total system salaries and wages for each activity as follows:

(i) *Fringe benefits—Running, Account 12-11-00,* total of all 11-11-XX accounts branch to system;

(ii) *Fringe benefits—Switching, Account 12-12-00,* total of all 11-12-XX accounts branch to system; and

(iii) *Fringe benefits—Other, Account 12-13-00,* total of all 11-13-XX accounts branch to system.

(b) *Maintenance of equipment—(1) Locomotive repairs and maintenance.* All accounts designated XX-21-41 shall be separated between yard and road with a further separation between diesel and other (electric). The costs for these accounts for yard locomotives shall be assigned to the branch separately for diesel and electric locomotives on the basis of the ratio of branch diesel and electric yard locomotive unit-hours to the total system diesel and electric yard locomotive unit-hours. The costs for these accounts for road locomotives shall be assigned to the branch separately for diesel and electric locomotives on the basis of the ratio of branch diesel and electric locomotive gross ton-miles in road service to the total system diesel and electric locomotive gross ton-miles in road service. The costs assigned under these accounts for specialized equipment devoted exclusively to branch line service shall be the actual costs for the specific equipment used.

(2) *Locomotive depreciation.* Locomotive depreciation shall be calculated

and assigned in accordance with the procedures set forth in §1152.32(o).

(3) *Fringe Benefits.* Fringe benefits for locomotives and other equipment shall be assigned to the branch on the ratio that the total branch salary and wages bear to the system total salaries and wages for each type of equipment as follows:

(i) *Locomotives—Account 12-21-00,* total of all 11-21-XX accounts branch to system.

(ii) *Other Equipment—Account 12-23-00,* total of all 11-23-XX accounts branch to system.

(iii) Fringe benefits for freight cars shall be calculated by first estimating the total in Account 11-22-42, Freight car repairs—salaries and wages, that is included in the total on branch costs for freight cars as determined from the car-day and car-mile cost calculations in §1152.32(g) of these regulations. To this amount is added the branch totals in the balance of all 11-22-XX accounts. The ratio of this total branch account to the system total for all 11-22-XX accounts is applied to Account 12-22-00, Fringe Benefits—Freight Cars.

(c) *Transportation—(1) Train operations—(i) Engine Crews-Materials.* Account 21-31-56; *Train Crews-Materials,* Account 21-31-57; *Train Inspection and Lubrication-Salaries and Wages,* Account 11-31-62; and *Train Inspection and Lubrication-Materials,* Account 21-31-62. If the branch is served by a local/way or through train, the costs in these accounts shall be assigned to the branch on the weighted ratio of the loaded freight train cars on the branch to the total system loaded freight train cars, and the loaded and empty car-miles on the branch to the total system loaded and empty car-miles. This shall be calculated as follows:

(A) To determine the car-mile portion of these accounts:

(1) Multiply the total amounts in these accounts (from the R-1 Annual Report, Schedule 410) by 69 percent, which is the ratio of train-mile and running expenses;

(2) Divide the amount in paragraph (c)(1)(i)(A)(1) of this section by the total system loaded and empty car-miles; and

(3) Multiply the car-mile unit cost factor from paragraph (c)(1)(i)(A)(2) of

this section by the on-branch car-miles (loaded and empty).

(B) To determine the carload portion of these accounts:

(1) Multiply the total amounts in these accounts by 31 percent, which is the ratio of terminal expenses;

(2) Divide the amount in paragraph (c)(1)(i)(B)(1) of this section by the total system carloads; and

(3) Multiply the carload unit cost factor from paragraph (c)(1)(i)(B)(2) of this section by the on-branch carloads.

(C) To determine the total costs assignable to the branch for these accounts, add the amounts developed in paragraphs (c)(1)(i)(A)(3) and (c)(1)(i)(B)(3) of this section.

(ii) All accounts designated xx-31-67 shall be assigned to the branch in accordance with the following procedure. The dollar amounts used in the determination of locomotive fuel costs shall be based on data contained in the most recent publication issued by the General Managers Association (GMA) relating to the rental of locomotives. The total number of locomotive unit hours incurred by the locomotive(s) shall then be categorized according to the applicable GMA horsepower classification group. The fuel cost is derived from the Repairs and Supplies Expenses element of the locomotive rental rates published by the GMA. The fuel cost per locomotive unit hour shall be determined for each GMA horsepower classification group by multiplying the latest GMA fuel cost percentage by the Repairs and Supplies Expense per hour included in each group. The fuel cost update ratio is determined by using the indices for fuel from the Association of American Railroad's (AAR's) Railroad Cost Recovery Index (RCR). The indices shall be taken from the district to which the railroad is assigned by the Board. The index for the current period is divided by the index of the period representative of the GMA publication to develop the fuel update ratio. The fuel cost per locomotive unit hour developed for each GMA horsepower group shall be multiplied by the fuel update ratio to determine the fuel cost per locomotive hour for each horsepower group. The updated fuel cost per locomotive unit hour for each applicable GMA group

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shall be multiplied by the number of locomotive unit hours incurred in serving the branch by locomotives of that GMA horsepower classification group. The total cost developed under this procedure for each horsepower classification shall be the locomotive fuel cost assignable to the branch line.

(iii) *Electric power purchased or produced for motive power*—All accounts designated XX-31-68 shall be assigned to the branch on the ratio of road electric locomotive unit hours on the branch to the total system road electric locomotive unit hours.

(iv) *Servicing locomotives*—All accounts designated XX-31-69 shall be assigned to the branch on the ratio of road locomotive unit miles on the branch to the total system road locomotive unit miles.

(2) *Yard operations*—(i) *Switch Crews—Materials, Account 21-32-64, and Servicing Locomotives*, all accounts designated XX-32-69. The costs for these accounts shall be assigned to the branch on the ratio of yard locomotive unit hours on the branch to the system total yard locomotive unit hours.

(ii) *Locomotive fuel*—All accounts designated XX-32-67 shall be assigned to the branch on the ratio of yard diesel locomotive unit hours on the branch to the total system yard diesel locomotive unit hours.

(iii) *Electric power purchased or produced for motive power*—All accounts designated XX-32-68 shall be assigned to the branch on the ratio of yard electric locomotive unit hours on the branch to the total system yard electric locomotive unit hours.

(3) *Administrative support operations*—(i) *Loss and damage claims processing*—All accounts designated XX-35-78 shall be assigned to the branch on the ratio of the number of claims processed for loss or damage occurring on the branch to the total number of claims processed by the railroad.

(ii) [Reserved]

(4) *Transportation fringe benefits*. Fringe benefits shall be assigned to the branch separated between train operations, yard operations, train and yard operations common, specialized service operations, and administrative support operations. The costs for each activity shall be assigned to the branch on the

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ratio that the total branch salary and wages bear to the total system salary and wages for each activity shown below.

(i) *Train Operations, Account 12-31-00*, total of all 11-31-XX accounts branch to system.

(ii) *Yard Operations, Account 12-32-00*, total of all 11-32-XX accounts branch to system.

(iii) *Train and Yard Operations Common, Account 12-33-00*, total of all 11-33-XX accounts branch to system.

(iv) *Specialized Service Operations, Account 12-34-00*, total of all 11-34-XX accounts branch to system.

(v) *Administrative Support, Account 12-35-00*, total of all 11-35-XX accounts branch to system.

(d) *General administrative*. (1) *Fringe Benefits, Account 12-61-00*, shall be assigned to the branch on the ratio that the total branch salary and wages in all 11-61-XX accounts bear to the system total salary and wages in all 11-61-XX accounts.

(2) [Reserved]

§1152.34 Return on investment.

Return on investment for road property shall be computed according to the procedures set forth in this section.

(a) [Reserved]

(b) [Reserved]

(c) *Return on investment—road properties*. Return on investment—road properties shall be computed according to the following procedures:

(1) The investment base to which the nominal return element shall apply shall be the sum of:

(i) The allowable working capital computed at 15 days on-branch cash avoidable costs (on branch avoidable costs less depreciation).

(ii) The amount of current income tax benefits resulting from abandonment of the line which would have been applicable to the period of the subsidy agreement. (Conversely, if the railroad would incur an income tax liability from abandonment, the liability should be deducted from the investment base.) This information is to be furnished by the railroad and subject to audit by the person offering the subsidy.

(iii) The net liquidation value for the highest and best use for non-rail purposes of the rail properties on the line