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RAILROAD ACCOUNTING PRINCIPLES BOARD
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
MONDAY, MARCH 4, 1985

STATEMENT OF
CHARLES A. BOWSHER
CHAIRMAN
BEFORE THE
LEGISLATIVE SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1986



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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am appearing before you today in my capacity as Chairman of the Railroad Accounting Principles Board to discuss the budget estimate of \$1,000,000 for the Board operations during Fiscal Year 1986. Before describing the details of our budget estimate, I would like first to review briefly for you the Board's activities to date.

In December, I appointed the six Board Members who will work with me to establish accounting principles for use by the rail carriers regulated by the Interstate Commerce Commission. They are:

- Charles W. Bath, Vice President-Traffic, Farmland Industries Inc., Kansas City, MO;
- Richard E. Briggs, Executive Vice President, Association of American Railroads, Washington, DC;
- J. L. (Jack) Mahaffey, President, Shell Mining Co., Houston, TX;
- Merton J. (Joe) Peck, Professor of Economics, Yale University, New Haven, CT;
- Gordon Shillinglaw, Professor of Accounting, Graduate School of Business, Columbia University, New York, NY, and
- Ronald S. Young, Director, Bureau of Accounts, Interstate Commerce Commission, Washington, DC.

Mr. Charles R. Yager, formerly a Senior Manager with Peat Marwick, Mitchell & Co., was appointed as Executive Director of the

Board effective February 17, 1985. Mr. Yager is in the process of organizing the office, developing the work plan and selecting individuals to serve on his staff. We expect the RAPB staff to consist of 12 professionals and 3 support for a total of 15.

The Railroad Accounting Principles Board is within and responsible to the Legislative Branch. The Board's mission, as specified in the Staggers Rail Act of 1980, is to establish "principles governing the determination of economically accurate railroad costs directly and indirectly associated with particular movements of goods." These principles are to govern the calculation of railroad costs to be considered in railroad rate determinations by the Interstate Commerce Commission (ICC).

Historically, ICC has used its Rail Form A methodology for cost funding. In early 1983, the ICC instituted a rulemaking proceeding in which it proposed to adopt the Uniform Rail Costing System (URCS) as the exclusive methodology for computing costs for certain variable cost threshold provisions of the Staggers Act. In comments to the proceeding, the railroad industry supported the proposal while shippers suggested continued use of Rail Form A until URCS has been adequately applied and tested. Recently, the ICC decided to delay use of URCS as a regulatory tool until the Railroad Accounting Principles Board has had an opportunity to develop the principles under which such cost calculations should take place.

The Board members held a preliminary meeting on January 7, 1985, to discuss the mission of RAPB, the issues it must deal with, and how it will proceed with its work.

The Board members are scheduled to meet again on March 6, 1985. The Board has begun soliciting the views of interested parties on what issues need to be addressed. The Board will consult with representatives of all groups, including professional and industry associations, the academic community, government agencies, and representatives of individual companies.

The fiscal year 1986 Budget request of \$1,000,000 represents the amount authorized by the Staggers Rail Act as amended by H.R. 4439 (98th Congress, as passed by the House of Representatives on February 7, 1984), for the annual operation of RAPB. It is, we believe, the minimum amount necessary for the Board to perform the massive task of developing Accounting Principles for use in calculating costs for rate determinations under Title 49.

The fiscal year 1986 budget estimate will be allocated as follows:

- \$784,000 for salaries and related benefits of the members of the Board, permanent professional staff, part-time consulting assistants, and supportive clerical staff.
- \$85,000 for travel of the Board staff to gather data and meet with various shippers, rail carriers, and others to facilitate development of the "Principles". It will also pay for Board member's travel to Washington, DC for periodic RAPB meetings.
- \$56,000 for contractual services, computer services and reimbursement to other Government agencies for administrative and personnel services.

--\$75,000 for costs of space and services, communications, utilities, printing and reproduction and supplies and materials.

This statement covers, in general, a summary of the Board's activities. I will be glad to answer any of your questions.