52998
EB

SERVICE DATE – APRIL 24, 2025

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 290 (Sub-No. 5)

(2026-2)

QUARTERLY RAIL COST ADJUSTMENT FACTOR

Digest:[1] The rail cost adjustment factor (RCAF) is an index formulated to represent changes in railroad costs incurred by the nation's largest railroads over a specified period of time. The Surface Transportation Board (Board) is required by law to publish the RCAF on at least a quarterly basis. Each quarter, the Association of American Railroads computes three types of RCAF figures and submits those figures to the Board for approval. The Board has reviewed AAR's revised submission following the Board's issuance of the 2024 productivity adjustment and adopts the RCAF figures for the second quarter of 2026 in lieu of the previously released figures.

Decided: April 21, 2026

In Railroad Cost Recovery Procedures, 1 I.C.C.2d 207 (1984), the Interstate Commerce Commission (ICC) outlined the procedures for calculating the all-inclusive index of railroad input prices and the method for computing the rail cost adjustment factor (RCAF). Under the procedures, the Association of American Railroads (AAR) is required to calculate the index on a quarterly basis and submit it to the agency on the fifth day of the last month of each calendar quarter. In Railroad Cost Recovery Procedures—Productivity Adjustment, 5 I.C.C.2d 434 (1989), aff'd sub nom. Edison Electric Institute v. ICC, 969 F.2d 1221 (D.C. Cir. 1992), the ICC adopted procedures that require the adjustment of the quarterly index for a measure of productivity.

The provisions of 49 U.S.C. § 10708 direct the Surface Transportation Board (Board) to continue to publish both an unadjusted RCAF and a productivity-adjusted RCAF. In Productivity Adjustment—Implementation, 1 S.T.B. 739 (1996), the Board decided to publish a second productivity-adjusted RCAF called the RCAF-5. Consequently, three indices are now filed with the Board: the RCAF (Unadjusted); the RCAF (Adjusted); and the RCAF-5. The RCAF (Unadjusted) is an index reflecting cost changes experienced by the railroad industry, without reference to changes in rail productivity. The RCAF (Adjusted) is an index that reflects

[1] 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).

national average productivity changes as originally developed and applied by the ICC, the calculation of which is currently based on a five-year moving average. The RCAF-5 is an index that also reflects national average productivity changes; however, those productivity changes are calculated as if a five-year moving average had been applied consistently from the productivity adjustment's inception in 1989.

The index of railroad input prices, RCAF (Unadjusted), RCAF (Adjusted), and RCAF-5 for the second quarter of 2026 are shown in Table A of the Appendix to this decision. Table B shows the fourth quarter 2025 index and the RCAF calculated on both an actual and a forecasted basis. The difference between the actual calculation and the forecasted calculation is the forecast error adjustment.

AAR's calculations have been examined by the Board's Office of Economics, and the Board finds that AAR has complied with agency procedures. The Board finds that the second quarter 2026 RCAF (Unadjusted) is 1.016, an increase of 0.1% from the first quarter 2026 RCAF (Unadjusted) of 1.015. The RCAF (Adjusted) is calculated, in part, using the RCAF (Unadjusted) and a five-year moving geometric average of productivity change for U.S. Class I railroads from 2020-2024, which is 1.015 (1.5% per year).[2] The second quarter 2026 RCAF (Adjusted) is 0.388, a decrease of 0.3% from the first quarter 2026 RCAF (Adjusted) of 0.389.[3]

In accordance with Productivity Adjustment—Implementation, 1 S.T.B. at 748-49, the RCAF-5 for this quarter will use a productivity trend for the years 2019-2023, which is 1.014 (1.4% per year). The RCAF-5 for the second quarter of 2026 is 0.368, a decrease of 0.3% from the first quarter 2026 RCAF-5 of 0.369.[4]

---

[2] The productivity adjustment factor used reflects the most recently released figure which incorporated 2024 into the five-year average. R.R. Cost Recovery Procedures—Productivity Adjustment, EP 290 (Sub-No. 4) (STB served Mar. 31, 2026). On March 20, 2026, the Board served a decision using the years 2019-2023 for the five-year average because the productivity adjustment containing 2024 had not yet been released. See Quarterly Rail Cost Adjustment Factor, EP 290 (Sub-No. 5), slip op. at 2 n.2 (STB served Mar. 20, 2026). The Board directed AAR to update its calculations in a revised filing for this quarter once the 2024 productivity adjustment decision was served. (Id.) The Board served the 2024 productivity adjustment decision on March 31, 2026, see R.R. Cost Recovery Procedures, EP 290 (Sub-No. 4), and AAR submitted a revised filing with updated calculations on April 2, 2026. This decision, therefore, contains the Board's official RCAF figures for the second quarter of 2026.

[3] The second quarter 2026 RCAF Adjusted (0.388) is calculated by dividing the second quarter 2026 RCAF Unadjusted (1.016) by the second quarter productivity adjustment factor (PAF) of 2.6164. The second quarter 2026 PAF is calculated by multiplying the first quarter 2026 productivity adjustment of 2.6068 by the fourth root (1.0037) of the 2020-2024 annual average productivity growth rate of 1.5%.

[4] The second quarter 2026 RCAF-5 (0.368) is calculated by dividing the second quarter 2026 RCAF Unadjusted (1.016) by the second quarter productivity adjustment factor-5 (PAF-5) of 2.7606. The second quarter 2026 PAF-5 is calculated by multiplying the first quarter 2026 PAF-5 of 2.7510 by the fourth root (1.0035) of the 2019-2023 annual average productivity

(. . . continued)

This action is categorically excluded from environmental review under 49 C.F.R. § 1105.6(c).

It is ordered:

1. The Board finds that the second quarter 2026 RCAF (Unadjusted) is 1.016, RCAF (Adjusted) is 0.388, and RCAF-5 is 0.368.

2. This decision supersedes the decision served in this docket on March 20, 2026.

3. Notice of this decision will be published in the Federal Register.

4. The effective date of this decision is April 24, 2026.

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

growth rate of 1.4%.

APPENDIX

TABLE A

EP 290 (Sub-No. 5) (2026-2)
All Inclusive Index of Railroad Input Costs
(Endnotes Following Table B)

LINE NO.	INDEX COMPONENT	2024 WEIGHTS	FIRST QUARTER 2026 FORECAST[5]	SECOND QUARTER 2026 FORECAST
1	LABOR	32.4%	573.0	575.6
2	FUEL	14.6%	299.8	304.3
3	MATERIALS AND SUPPLIES	4.9%	387.1	389.2
4	EQUIPMENT RENTS	4.4%	301.3	304.6
5	DEPRECIATION	16.6%	242.7	243.5
6	INTEREST	2.4%	58.1	58.1
7	OTHER ITEMS[1]	24.7%	303.5	320.2
8	WEIGHTED AVERAGE	100.0%	378.3	384.3
9	LINKED INDEX[2]		344.3	349.8
10	PRELIMINARY RAIL COST ADJUSTMENT FACTOR[3]		100.6	102.2
11	FORECAST ERROR ADJUSTMENT[4]		0.009	-0.006
12	RCAF (UNADJUSTED) (LINE 10 +LINE 11)		1.015	1.016
13	RCAF (ADJUSTED)		0.389	0.388
14	RCAF-5		0.369	0.368

[5] The first-quarter 2026 values shown here were calculated using the methodology applied in that quarter—the component indices were calculated as a quarterly average using the most recently available monthly data at the time, which corresponded to the December 2025–February 2026 period rather than the standard three-month quarter of January–March 2026. That methodology did not affect the final RCAF numbers for that quarter, which would have been the same had the typical data been available and used. These appendices are presented as previously calculated and are self-contained within that quarter. Accordingly, they are reproduced here for historical reference but do not affect the calculation of subsequent quarters' component values.

TABLE B

EP 290 (Sub-No. 5) (2026-2)
Comparison of Fourth Quarter 2025 Index
Calculated on Both a Forecasted and an Actual Basis

LINE NO.	INDEX COMPONENT	2024 WEIGHTS	FOURTH QUARTER 2025 FORECAST	FOURTH QUARTER 2025 ACTUAL
1	LABOR	32.4%	542.3	542.3
2	FUEL	14.6%	298.8	295.4
3	MATERIALS AND SUPPLIES	4.9%	369.0	369.0
4	EQUIPMENT RENTS	4.4%	301.7	297.8
5	DEPRECIATION	16.6%	242.8	241.5
6	INTEREST	2.4%	58.1	58.1
7	OTHER ITEMS	24.7%	305.7	304.1
8	WEIGHTED AVERAGE	100.0%	367.9	366.6
9	LINKED INDEX		334.8	332.8
10	RAIL COST ADJUSTMENT FACTOR		97.8	97.2

Endnotes:

---

[1] "Other Items" is a combination of Purchased Services, Casualties and Insurance, General and Administrative, Other Taxes, Loss and Damage, Lease Rentals, and Special Charges, price changes for all of which are measured by the Producer Price Index for Industrial Commodities Less Fuel and Related Products and Power.

[2] Linking is necessitated by a change to the 2024 weights beginning in the fourth quarter of 2025. The following formula was used for the current quarter's index:

$$\frac{\text{2nd Qr. 2026 Index (2024 Weights)}}{\text{1st Qr. 2026 Index (2024 Weights)}} \quad \text{Times} \quad \text{1st Quarter Linked Index (1980 = 100 Linked)} \quad \text{Equals Linked Index (Current Quarter)}$$

Or

$$\frac{384.3}{378.3} \times 344.3 = 349.8$$

[3] The first quarter 2023 RCAF was rebased using the October 1, 2022 level of 342.3 in accordance with the requirements of the Staggers Rail Act of 1980 (10/1/2022 = 100).

[4] The second quarter 2026 forecast error adjustment was calculated as follows: (a) fourth quarter 2025 RCAF using forecasted data equals 97.8; (b) fourth quarter 2025 RCAF using actual data equals 97.2; and (c) the difference equals the forecast error (b-a) of -0.6. Because the actual fourth quarter value is less than the forecast value, the difference is subtracted from the Preliminary RCAF.