

Task No. 97-7: Calculation of Reportable Damages

Report of the Accident Reports Working Group to the Railroad Safety Advisory Committee

February 13, 2002

Background

The method of calculating railroad property damage resulting from a train accident can be significant in determining if the accident is reportable to the FRA, and accident damages are also used as a surrogate for determining the seriousness of the accident. The FRA had wrestled with this issue during the general revision of the Accident Reporting Regulation in 1994. At that time, FRA determined that only direct labor costs (not fringe benefits) were to be used in the labor costs. After the hearings on the Notice of Proposed Rulemaking (NPRM) were completed, the FRA held a round table to continue the discussions about replacement costs, using salvaged parts and value of depreciated equipment. No agreement was reached. Rather than delay the Final Rule, the preamble of the Regulation (June 18, 1996) stated that the issue would be turned over to the RSAC process.

On September 30, 1997, the RSAC accepted this task, which has as its purpose “to clarify criteria for calculating railroad property damage, with specific focus on the calculation of damages exceeding the reporting threshold.” Specifically, the Working Group was asked this question: “Could clarification of the means used by railroads to estimate railroad property damage improve the consistency of reporting?”

Methodology

The RSAC Working Group discussed a wide range of issues related to the reporting of equipment, track and structure damages. It was recognized that application of generally accepted accounting principles was useful in gathering data regarding the total economic impact of train accidents; however, it was noted that this approach may result in accidents with similar physical consequences (e.g., cars derailed, track destroyed) being treated dissimilarly with respect to reportability.. To address this concern, the Working Group agreed to pursue development of a technique for arriving at standardizing costs. The group assisted in preparing a survey of each basic category of expense (freight cars, tank cars, locomotives, types of track, signal systems, etc.) and the extent of damage (derailed - upright, derailed - not upright, destroyed, etc.). The survey ran for six months on major railroads, commuter rail, and a short line railroad. Participation was voluntary.

The expectation was that a standard value could be obtained for each component of cost that would let the reporting office know the “FRA cost” of the accident immediately after the accident scene was surveyed. This would mean that the actual cost of repairs would not have to be tracked by the railroad for FRA record keeping, and the new system would be simpler.

Review of the Pilot Survey

Upon conclusion of the data collection, a statistical analysis was performed by an independent statistician. The recommendation was to run the study for two more years with a larger sample, which would require a significant segment of the industry to provide concurrent reporting under two different systems for an extended period of time. In discussing the methodology and data collected, the Working Group also realized that the speed of the train at the time of the accident would also need to be factored in, and a stratified system would need to be developed. This would likely make the proposed system more complex.

After review, the Working Group was not convinced that successful development of the new methodology could be assured by pursuing further study. Nor was the group able to identify other readily available means of addressing the task requirements.

Findings

The Working Group recognizes that the current system has notable limitations with respect to the consistency of reporting of train accidents with damage estimates falling near the threshold. However, the Working Group was not able to identify a different method that would improve the current system. The Working Group notes that any new method based on other available approaches is likely to have other limitations. Further, transition to a new reporting system could artificially change the frequency of accidents and the accident rate, defeating comparability of historical data for some time to come.

Consensus Recommendation

The Working Group recommends that the current reporting system be retained and that this task be terminated.

Respectfully Submitted,

Robert Finkelstein
for the Working Group