

(b) where the Committee is satisfied that investments in new assets are necessary for the continued operation of the line or service, there shall be applied to the net book value of such investments the rate of return on capital, including an allowance for income tax, that, in the opinion of the Committee, is appropriate for the company at the time the investments in new assets are made; and

(c) the rate of return on capital, including an allowance for income tax, that, in the opinion of the Committee, is appropriate for the company at the time the computation is made, applied to the net book value of all other property that the Committee is satisfied is necessary for continued operation of the line or service.

Categories of Costs to Appear in Cost Submissions

6. For the purposes of the calculation of actual loss under sections 252 to 258 and 260 and 261 of the Act, the following categories of costs shall be shown in the cost submissions, with a separation between "labour" and "material and other" costs and, in the case of branch lines, a separation between "on-line" and "off-line" costs:

(a) "Category I cost" being all expenses that can be directly identified with the branch line or with the passenger-train service through company records;

(b) "Category II cost" being transportation and maintenance expenses that would be avoided if the line were abandoned or the service discontinued and that are shared in common with other traffic or other services, including the off-line costs of traffic originating or terminating on the branch line;

(c) "Category III cost" being all other expenses that would be avoided if the branch line were abandoned or the passenger-train service discontinued and that are not included in Categories I and II, including, where appropriate,

(i) superintendence expense,

(ii) traffic expense,

(iii) general expense,

(iv) communications expense, and

(v) non-revenue freight expense; and

(d) "Category IV cost" being the cost of capital calculated on the basis set forth in subsections 5(4) and (5).

Basis of Costs for Purposes of Sections 264, 272 and 276 to 278

7. For the purposes of section 264, 272, and 276 to 278 or for other purposes pertaining to rates for the carriage of goods,

(a) costs shall be variable costs based either on the expense accounts maintained under the *Uniform Classification of Accounts* and accounts reconcilable therewith or on such special studies of items and factors of costs as the Committee orders pursuant to section 46 of the *National Transportation Act*, and shall include the increases or decreases in