

ASSOCIATION
OF AMERICAN
RAILROADS

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September 5, 2002

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board, Room 711
1925 K Street, N.W.
Washington, DC 20423-0001



Dear Mr. Williams:

This submission is the AAR forecast of the fourth quarter 2002 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2002-4), *Quarterly Rail Cost Adjustment Factor*. The versions of RCAF-related indices covered in this filing are: the All-Inclusive Index (initiated in the second quarter 1985), the Unadjusted RCAF (produced since October 1982), the Adjusted RCAF (first published in the second quarter of 1989), and the RCAF-5 (created by the STB in its Ex Parte No. 290 (Sub-No. 7) decision served October 3, 1996). The table below summarizes the fourth quarter 2002 results, and shows the percentage changes from the previous quarter.

	<u>2002Q3</u>	<u>2002Q4</u>	<u>% Change</u>
All-Inclusive Index	107.2	109.6	2.2
Preliminary RCAF	1.072	1.096	2.2
Forecast Error Adjustment	-0.010	0.012	
RCAF (Unadjusted)	1.062	1.108	4.3
Productivity Adjustment Factor	1.9072	1.9268	
RCAF (Adjusted)	0.557	0.575	3.2
PAF-5	1.9784	1.9921	
RCAF-5	0.537	0.556	3.5

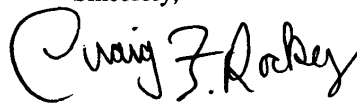
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September 5, 2002

In its October 3, 1996 decision in Ex Parte No. 290 (Sub-No. 7), *Productivity Adjustment - Implementation*, the STB noted its intent to publish, in addition to the RCAF (Unadjusted) and RCAF (Adjusted), an RCAF-5 (i.e., a calculation of the productivity adjusted RCAF values as if the agency had always used a 5-year rolling average to calculate the productivity adjustment). In response to a request by STB staff, the AAR is including a calculation of the RCAF-5 in its quarterly RCAF filing. The AAR and its members, however, do not believe the publication of a third RCAF index is required or permitted by the applicable statute (49 U.S.C. § 10708) and do not endorse its publication.

Two copies of the quarterly non-proprietary workpapers underlying this submission are filed herewith, in accordance with the ICC's order in Ex Parte No. 290 (Sub-No. 2), *Railroad Cost Recovery Procedures*, served February 8, 1990. A third copy of the working papers has been delivered to Jeff Warren in the STB office handling this proceeding. All workpapers are available for STB inspection. Questions should be directed to me or Clyde Crimmel (202 639-2309) of this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Craig F. Rockey". The signature is written in a cursive, flowing style with a large initial "C".

Craig F. Rockey

Attachments

**Fourth Quarter 2002
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2002-4)

**Quarterly Rail Cost Adjustment Factor
Surface Transportation Board**

**Policy and Economics Department
Association of American Railroads**

September 5, 2002

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Introduction

On January 2, 1985, the Interstate Commerce Commission (ICC) [now the Surface Transportation Board (STB)] adopted the All-Inclusive Index of Railroad costs as the basis for the Rail Cost Adjustment Factor (RCAF). The quarterly projection of railroad costs, as documented herein, employs the All-Inclusive Index as required by the regulations. Also presented in this submission is the RCAF, both Adjusted and Unadjusted, as required by the ICC in its decision in Ex Parte No. 290 (Sub-No. 4), *Rail Cost Recovery Procedures - Productivity Adjustment*, served March 24, 1989. In addition, the AAR has included (but does not endorse) the RCAF-5, which was instituted by an STB decision served October 3, 1996 in Ex Parte No. 290 (Sub-No. 7), *Productivity Adjustment - Implementation*. This quarter's projection of railroad costs is for the fourth quarter of 2002.

Index Weights

In the Ex Parte No. 290 (Sub-No. 2) final rules, issued in April 1981, the Interstate Commerce Commission mandated that the weights of each major cost component be updated annually. These "external" weights are calculated using data from Schedules 410 and 210 of the R-1 annual report filed with the Surface Transportation Board by the Class I railroads. The weights are typically updated with the fourth quarter projection.

The previous (2000) weights were used for the fourth quarter of 2001 through the third quarter of 2002. Beginning with the fourth quarter of 2002, the 2001 weights are used. The biggest change in the weights was for Labor, which increased by 1.3 percentage points and moved closer to its weights for the late 1990s. Interest decreased by 0.8 percentage points to almost match its 1997 weight. The changes for the remaining components were by six tenths of a percentage point or less. The 2001 (current) and 2000 (previous) weights are shown below.

RCAF Weights		
	Previous 2000	Current 2001
Labor	36.5 %	37.8 %
Fuel	10.7	10.5
Materials & Supplies	4.8	4.6
Equipment Rents	11.1	10.5
Depreciation	10.2	10.6
Interest	4.6	3.8
Other	22.1	22.2

Reweighting of the index is accomplished by calculating both the current quarter (normally the fourth) and prior (normally the third) quarter indexes with the new weights. The relative change between the two quarters is then multiplied times the prior quarter (usually the third) *linked* index. Use of this method ensures that the weight change, by itself, does not cause a change in the level of the All-Inclusive Index.

Internal weights in the labor and equipment rents components are updated at the same time as the external weights. When these weights are changed, they are also linked using the procedure described above in order to eliminate the effect of the change in weighting.

All-Inclusive Index Fourth Quarter 2002

The components and values of the current and previous All-Inclusive Indexes are shown below. Details of the construction of each component of the index are contained in the Appendices.

	2001 Weights	Forecast		Percent Change
		Previous 2002Q3	Current 2002Q4	
1. Labor	37.8%	257.1	267.6	4.1 %
2. Fuel	10.5%	94.4	103.5	9.6
3. M&S	4.6%	149.9	148.6	-0.9
4. Equipment Rents	10.5%	177.0	175.9	-0.6
5. Depreciation	10.6%	149.7	149.7	0.0
6. Interest	3.8%	108.8	98.6	-9.4
7. Other	22.2%	160.1	160.2	0.1
8. Weighted Average				
a. 1980 = 100		188.1	192.5	
b. 1980 = 100 (linked)		185.6	189.9 ¹	
c. 4Q97 = 100		107.2	109.6 ²	2.2

Note: The 188.1 weighted average for 2002Q3 is recalculated with 2001 weights to eliminate any changes in the fourth quarter index that would be caused by changing weights. The original figure with 2000 weights is 186.4.

¹ To calculate the 1980 = 100 Linked Index:

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 192.5 \text{ divided by } 188.1 \text{ times } 185.6 \\ &= 189.9 \end{aligned}$$

² To calculate the 4Q97 = 100 index:

$$\begin{aligned} \text{Index}_{4Q97} &= (\text{Current Linked Index} / 4Q97 \text{ Index}) * 100 \\ &= 189.9 \text{ divided by } 173.2 \text{ times } 100 \\ &= 109.6 \end{aligned}$$

$$4Q92 \text{ based index} = 121.0$$

$$4Q87 \text{ based index} = 143.6$$

Forecast vs. Actual All-Inclusive Index Second Quarter 2002

As shown below, the second quarter actual index of 107.6 is 1.2 index points above the forecast value of 106.4. Thus, the forecast error adjustment in the fourth quarter 2002 is 1.2 index points.

	2000	Second Quarter 2002		Amt
	Weights	Forecast	Actual	Difference
1. Labor	36.5%	257.3	257.3	
2. Fuel	10.7%	82.5	91.6	
3. M&S	4.8%	150.0	150.0	
4. Equipment Rents ¹	11.1%	176.6	177.4	
5. Depreciation	10.2%	149.7	149.9	
6. Interest	4.6%	108.8	108.8	
7. Other	22.1%	159.2	160.2	
8. Weighted Average				
a. 1980 = 100		185.0	186.3	
b. 1980 = 100 (linked)		184.2	186.4 ²	
c. 4Q97 = 100 ³		106.4	107.6	1.2

Forecast error —————> 1.2 Index points

¹	2000	Second Quarter 2002	
	Weights	Forecast	Actual
Car-Hire	52.8%	182.6	182.5
Lease Rentals	47.2%	159.2	160.2
Weighted Average		171.6	172.0
Weighted Average (linked)		176.6	177.4

² Linked actual index = (actual index / previous actual index) x previous linked actual index.

$$186.4 = 186.3 / 184.6 \times 184.7$$

³ The 4Q97 based indexes are 1980 based indexes divided by the 4Q97 index (173.2/100).
 4Q92 based indexes are the 1980 based indexes divided by the 4Q92 index (156.9/100).
 2002Q2 actual index based on 4Q92: —————> 118.8

Productivity

On February 1, 2002, the STB served a decision in Ex Parte 290 (Sub-No. 4) which added the year 2000 to the Productivity Adjustment Factor (PAF) and deleted the year 1995. This creates an average annual productivity for 1996 through 2000 of 4.2 percent – an increase from the 1995 through 1999 average of 2.8 percent. The components of this average annual value are shown on the following table. Productivity changes are calculated by dividing the output index by the input index. The average annual rate is calculated by multiplying each of the five productivity changes together and taking the result to the one fifth power. The quarterly productivity adjustment factors (PAF) are calculated by increasing the previous quarter's PAF by quarterly versions of the annual rate which are the fourth root of the average annual growth rate. The difference between the PAF and the PAF-5 is the timing of the 5-year productivity trend.

Comparison of Output, Input, & Productivity

1996 - 2000

Year	Output Index (1)	Input Index (2)	Productivity Changes (3)
1996	1.038	0.913	1.137
1997	1.007	1.019	0.988
1998	1.005	1.018	0.987
1999	1.028	1.003	1.025
2000	1.028	0.950	<u>1.082</u>
Average			1.042
Previous Average (1995-1999)			1.028

Calculation of PAF and PAF-5

For 1996-2000 use fourth root of avg. productivity change 1.0103
 For 1995-1999 use fourth root of previous avg. change 1.0069

Quarter	Year	PAF	PAF-5
Q1	2002	1.8686	1.9513
Q2	2002	1.8878	1.9648
Q3	2002	1.9072	1.9784
Q4	2002	1.9268	1.9921
Q1	2003	1.9466	2.0126

1995-1999

1996-2000

Rail Cost Adjustment Factor

Fourth Quarter 2002

Four RCAF values are presented in this filing. Two of the indexes, the All-Inclusive Index and the Unadjusted RCAF, are not modified for productivity, while the Adjusted RCAF and the RCAF-5 incorporate a productivity calculation. The All-Inclusive Index and all four RCAF values, plus the percent change for each, are shown below.

	Previous 2002Q3	Current 2002Q4	Percent Change
All-Inclusive Index ¹	107.2	109.6	2.2
Preliminary RCAF ²	1.072	1.096	2.2
Forecast Error Adjustment ³	<u>-0.010</u>	<u>0.012</u>	
RCAF (Unadjusted) ⁴	1.062	1.108	4.3
Productivity Adjustment Factor ⁵	1.9072	1.9268	
RCAF (Adjusted) ⁶	0.557	0.575	3.2
PAF-5 ⁷	1.9784	1.9921	
RCAF-5 ⁸	0.537	0.556	3.5

¹ See All-Inclusive Index on page 3.

² All-Inclusive Index divided by the All-Inclusive Index in the base period (100.0).

³ The current figure is from Forecast vs. Actual All-Inclusive Index in this filing (page 4). The previous quarter figure is shown in a similar section of the previous quarter's filing.

⁴ Preliminary RCAF plus the forecast error adjustment.

⁵ See Productivity on page 5.

⁶ RCAF (Unadjusted) divided by the Productivity Adjustment Factor (PAF).

⁷ See Productivity on page 5.

⁸ RCAF (Unadjusted) divided by the PAF-5.

Appendixes

Labor Fourth Quarter 2002

The fourth quarter 2002 Labor Index is forecast to increase 4.1 percent, caused by a combination of rebenchmarking (to 2001 wage statistics and annual report data) and a new national contract with the largest railroad union, the United Transportation Union.

Rebenchmarking: Rebenchmarking, as well as updating the internal weights (i.e., the proportion of labor costs represented by wages and supplements, respectively), is reflected each year in the fourth quarter filing. The 2001 data underlying the fourth quarter rebenchmarking are obtained from the railroads' R-1 Annual Reports (including railroad revisions through August 30) to the Surface Transportation Board and the railroads' 112-Class Wage Statistics. The source for the wage and supplements internal weights, like the external weights, is the R-1 Annual Report summary.

Wage Index

The Wage Index is expected to increase 2.7 percent. The most significant changes in the Wage Index were rebenchmarking and the new UTU contract. The new contract contains a bonus and a 4 percent increase with back pay.

UTU Contract: On August 20, 2002, the United Transportation Union (UTU) signed a new agreement with the National Carriers' Conference Committee. The agreement affects non-yardmaster employees represented by the UTU for a group of railroads that includes 5 Class I railroads. Highlights of the agreement which affect the fourth quarter 2002 index are as follows: (1) a \$1,200 Longevity Bonus for qualifying employees; (2) the 48 cent cost-of-living allowance (already in the index) is rolled into basic rates of pay effective June 30, 2002; (3) a 4 percent general wage increase effective July 1, 2002. The new contract, which simplifies the pay system and addresses remote control issues, also has general wage increases of 2½ percent effective July 1, 2003, and 3 percent effective July 1, 2004. Cost-of-living adjustments, based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), could be made payable beginning July 1, 2005, with adjustments every 6 months.

UTU-YMD Contract: On August 20, 2002, the Yardmasters Department of the United Transportation Union (UTU-YMD) also signed an agreement with the National Carriers' Conference Committee. The agreement affects the wages of 3 Class I railroads and has provisions like the 3 highlights and future wage increases described for the UTU contract. The criteria for employees to qualify for the Longevity Bonus are slightly different.

Other National Contracts: None of the national agreements have provisions for a wage increase during the fourth quarter.

Labor

Fourth Quarter 2002

Independent Contracts: A new contract for Canadian National's Grand Trunk Railroad and the National Conference of Fireman and Oilers (NCFO) was added to the wage index. This contract, which was signed on July 22, 2002, contains two retroactive wage increases of 3 percent.

On August 29, 2002, the UTU Yardmasters Department ratified an independent agreement with CSX Transportation which calls for a 4 percent general wage increase effective July 1, 2002 and an \$800 signing bonus. Half of the signing bonus will be paid within 60 days of the signing of the agreement, and the other half will be paid no later than March 31, 2003. Therefore, a \$400 signing bonus was added to the wage index for the fourth quarter. A second \$400 signing bonus will be added to the first quarter 2003 index.

Lump Sums: The lump sum adjustment increased by 9.0 cents as 4 adjustments were added and 1 adjustment was completely amortized and removed. Most of the increase (8.4 cents) was caused by the new UTU contract, which had a \$1,200 Longevity Bonus that applied to 58 percent of the UTU employees from 5 Class I railroads. The UTU accounts for more railroad employees than any other railroad union. Lump sum amounts were also added for the national UTU-Yardmasters contract, and the independent contracts for CSX's UTU-Yardmasters and GTW's NCFO. The lump sum amount removed was for CN/Illinois Central's Brotherhood of Railway Signalmen.

Back Pay: The back pay adjustment increased by 6.7 cents per hour. Like the lump sum amounts, most of the increase was caused by the new UTU agreement. The UTU contract had a retroactive increase effective July 1, 2002, which caused one quarter of back pay to be added to the index. Back pay amounts were also added for the national UTU-Yardmasters contract, and the independent contracts for CSX's UTU-Yardmasters and GTW's NCFO. A back pay amount for CN/Illinois Central's Brotherhood of Railway Signalmen was completely amortized and removed from the index.

Other: This component contains the amortization of a profit sharing payment that the BNSF made to its Brotherhood of Locomotive Engineers employees from the former Atchison, Topeka and Santa Fe Railway in early 2002 for performance in 2001. The fourth quarter adjustment of \$0.002 is unchanged from the prior quarter.

Supplements Index

The Supplements Index is forecast to increase by 6.2 percent from the third quarter filing. Much of this change was caused by rebenchmarking to 2001 annual report data.

Health & Welfare: Rebenchmarking caused the Health and Welfare hourly rate to increase by nearly 17 percent.

Labor Fourth Quarter 2002

Railroad Retirement: Rebenchmarking caused a slight increase in the Railroad Retirement & Medicare rate, but most of the increase was a result of the new labor contracts and higher wages.

Supplemental Annuities: The Supplemental Annuity Tax rate was repealed by the Railroad Retirement and Survivors' Improvement Act of 2001, and continues to be zero.

Unemployment Insurance: The railroad Unemployment Insurance rate decreased by 2 tenths of a cent, and this change was caused by rebenchmarking.

Other: The "Other" category, a reflection of a quarterly employer matching contribution by BNSF to certain BLE and BMW employees, is \$0.001 higher than the prior quarter. The increase was caused by a seasonal increase in the contribution amount.

Labor Index Calculation

As shown in table A-1 on the next page, the 2.7 percent increase in the Wage Index and the 6.2 percent increase in the Supplements Index had a combined effect of a 4.1 percent increase in the Labor Index. The linked fourth quarter 2002 labor index of 267.6 is determined by multiplying the third quarter linked index of 257.1 times the change between the fourth quarter labor index (278.0) and a third quarter labor index (267.1) recalculated using the original third quarter wages and supplements indexes weighted with new 2001 weights. This method eliminates changes caused by the new weights, but captures changes caused by rebenchmarking. The purpose of the center "Updated to Reflect..." column in table A-1 is only to enable the reader to discern the impact of rebenchmarking.

Labor
Fourth Quarter 2002
Table A-1 Labor Index

	2002Q3		2002Q4	
	Used in Previous Index Filing	Updated to Reflect 2001 Actual Data	Based on 2001 Data	Pct Chg From Prev. Filing
Base Wage – Straight Time & Pay For Time Not Worked	\$26.728	\$27.045	\$27.308	2.2%
Adjustments:				
Lump Sum	0.055	0.058	0.145	163.6%
Back Pay	0.003	0.003	0.070	2233.3%
Other	0.002	0.002	0.002	0.0%
Total Wages	<u>\$26.788</u>	<u>\$27.108</u>	<u>27.525</u>	2.8%
 Health & Welfare Benefits	3.099	3.624	3.624	16.9%
RR Retirement & Medicare	6.482	6.501	6.572	1.4%
Supplemental Annuities	0.000	0.000	0.000	
Unemployment Insurance	0.269	0.267	0.267	-0.7%
Other	0.009	0.009	0.010	11.1%
Adjustments	0.000	0.000	0.000	
Total Supplements	<u>\$9.859</u>	<u>\$10.401</u>	<u>\$10.473</u>	6.2%
 Total Labor	\$36.647	\$37.509	\$37.998	
 Wage Index¹	229.3	232.0	235.6	2.7%
Supplements Index²	364.3	384.4	387.0	6.2%
 Total labor Index, 2000 Weights ³	265.2			
Total labor Index, 2001 Weights ⁴	267.1	274.7	278.0	
 Labor Index (linked)⁵	257.1		267.6	4.1%

¹ 1980 wage rate \$11.685

² 1980 supplements rate \$2.706

³ 2000 weights: wages, supplements 73.4% 26.6%

⁴ 2001 weights: wages, supplements 72.0% 28.0%

⁵ 2002Q4 linked Index = 2002Q3_{linked} X (2002Q4_{WT2001} / 2002Q3_{WT2001})

= 257.1 x 278.0 / 267.1

Fuel

Fourth Quarter 2002

The forecast for fuel is based on: (1) a survey of railroad fuel purchasing officers concerning current price and volume levels, (2) expectations of railroad purchasing officers based on discussions with their major suppliers, and (3) a consensus of petroleum industry experts and general business publications.

In mid-August, crude oil futures climbed to their highest level since September 2001. Concern about the possibility of the U.S. attacking Iraq (the Middle East's fourth-largest oil producer) caused crude oil and heating oil* prices to increase in August. Fourth quarter (October) fuel prices are expected to increase 13.1 percent from the third quarter (July) actual level – a 9.6 percent increase from the third quarter forecast.

Forecast fuel index	103.5
Change from previous quarter forecast	9.6%
Change from previous quarter actual	13.1%

* Heating oil is very similar to the diesel fuel used by locomotives. Heating Oil spot prices and futures prices are monitored by the U.S. Department of Energy and other energy industry groups.

Materials & Supplies
Fourth Quarter 2002

The Materials & Supplies index decreased by 0.9 percent in the fourth quarter 2002. Rail and ballast prices caused much of the decrease.

2002Q4 Materials & Supplies Index = 148.6

2002Q3 Materials & Supplies Index = 149.9

Difference	-1.3 basis points
	or
	-0.9 %

Equipment Rents

Fourth Quarter 2002

The equipment rents index consists of two components -- car hire and lease rentals. The methodology used to create these two components and the final equipment rents index are explained below.

Car Hire

The car hire component is indexed using data from the Car Hire Accounting Rate Master (CHARM) file. Car hire rates for the forecast quarter are estimated based on data for the most recent month available. For the first quarter, December 1 of the previous year is used. For the second, third and fourth quarters; March 1, June 1, and September 1 are used, respectively. Using data retrieved from the latest CHARM file, an average rate per car is developed. Next, those average rates are grouped into car type categories to create an overall summary of car hire rates. The summary rates are then compared from quarter to quarter to determine the car hire index.

Lease Rentals

The lease rental portion of the equipment rents index uses the Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF). The Commission adopted this surrogate in its decision served March 13, 1987. The AAR uses six years of historical data to derive its forecast for the PPI-LF. The forecast is used not only for lease rentals, but also for the "Other" component of the All-Inclusive Index. Appendix G discusses the forecast in more detail.

Equipment Rent Index Calculation

The table below calculates the Equipment Rent Index. To eliminate any changes caused by the fourth quarter's new weights, the third quarter weighted average (but not the linked value) has been recalculated using the new weights. The third quarter weighted average using the old weights was 172.0. Much of the decrease in the Car Hire Index was caused by lower tank car rates.

	2001 Weight	2002Q3	2002Q4	Percent Change
Car Hire	51.5%	182.7	180.3	-1.3 %
Lease Rentals	48.5%	160.1	160.2	0.1
Weighted Average		171.7	170.6	-0.6
Weighted Average (Linked)		177.0	175.9	-0.6

Depreciation

Fourth Quarter 2002

The Producer Price Index for Railroad Equipment (PPI-RE) is used to index depreciation expense. The PPI-RE is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts, respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The value for the forecast, unchanged from the previous quarter's forecast, reflects a PPI-RE that does not have a consistent trend of increases or decreases.

Forecasted depreciation index (1982=100)	135.3
Forecasted depreciation index (1980=100)	149.7
Change from previous quarter forecast	0.0%
Change from actual first month of previous quarter	-0.3%
Change from same quarter of prior year (actual)	0.3%

Depreciation

Fourth Quarter 2002

PPI RAIL EQUIPMENT

Forecast Model for PPIRE
ARIMA(0,0,1)

Term	Coefficient	Std. Error	t-Statistic	Significance
b[1]	-0.5437	0.1002	-5.4286	1.0000
_CONST	135.2861			

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 135.3	Standard deviation 1.263
R-square 0.2857	Adjusted R-square 0.2857
Durbin-Watson 1.802	Ljung-Box(18)=9.62 P=0.05639
Forecast error 1.068	BIC 1.092
MAPE 0.004473	RMSE 1.06
MAD 0.6084	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2002-02	134.600
2002-03	135.100
2002-04	135.100
2002-05	135.400
2002-06	136.100
2002-07	135.800

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2002-08	133.289	135.367	137.445
2002-09	132.921	135.286	137.651
2002-10	132.921	135.286	137.651
2002-11	132.921	135.286	137.651
2002-12	132.921	135.286	137.651
QTR AVG	132.921	135.286	137.651
2003-01	132.921	135.286	137.651
2003-02	132.921	135.286	137.651
2003-03	132.921	135.286	137.651

Interest

Fourth Quarter 2002

The Interstate Commerce Commission, in its decision served February 28, 1989, revised the All-Inclusive Index methodology to include a specific interest component, which is to track changes in the average interest rate from year to year. The interest rate is essentially the embedded cost of debt, i.e., total interest expense divided by average total long term debt. The interest rate is calculated for the most recent year and used until the next year's figures are available. Typically in the fourth quarter filing, the interest rate is updated to the new level. The source for interest expense is Schedule 210, column b, from the R-1 annual report. The lines used from current R-1 annual reports are listed below. The source for average total debt is Schedule 200 from the R-1 annual report. The sums of data from columns b and c (ending and beginning balances) are combined and divided by 2 to compute an average balance. The line numbers are listed below.

Interest Expense (Schedule 210)

Line	
42	Total Fixed Charges
44	Contingent Interest
less	
22	Release of Premium on Funded Debt

Average Total Debt (Schedule 200)

Line	
30	Current Loans and Notes Payable
39	Equipment Obligations and Other Long Term Debt Due Within One Year
41	Funded Debt Unmatured - Non-Current
42	Equipment Obligations - Non-Current
43	Capitalized Lease Obligations - Non-Current
44	Debt in Default - Non-Current
45	Accounts Payable: Affiliated Companies - Non-Current
46	Unamortized Debt Premium - Non-Current

2001	Interest Rate	7.74%
1980	Interest Rate	7.85%
2002Q4	Interest Index	98.6
2002Q3	Interest Index	108.8
	Percent Change	-9.4%

Other Expenses

Fourth Quarter 2002

The Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF) is used to index purchased services, casualties and insurance, loss and damage, taxes (other than income and payroll), general and administrative expenses, and lease rentals. These expenses, when grouped together, are usually called "Other" expenses.

Like the PPI-RE, the PPI-LF is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The figure forecast by the model is slightly higher than the previous quarter forecast, and it is slightly lower than the actual first month of the previous quarter.

Forecasted Other Expense (1982=100)	142.9
Forecasted Other Expense (1980=100)	160.2
Change from previous quarter forecast	0.1%
Change from actual first month of previous quarter	-0.1%
Change from same quarter of prior year (actual)	0.4%

Other Expenses

Fourth Quarter 2002

PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

Forecast Model for PPILF
ARIMA(1,1,0)*(1,0,0) with log transform

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.4663	0.1057	4.4114	1.0000
A[12]	0.4108	0.1129	3.6394	0.9995

Within-Sample Statistics

Sample size 72	Number of parameters 2
Mean 4.947	Standard deviation 0.0135
R-square 0.9884	Adjusted R-square 0.9882
Durbin-Watson 2.2	Ljung-Box(18)=21.03 P=0.7223
Forecast error 0.001465	BIC 0.2157
MAPE 0.001118	RMSE 0.2038
MAD 0.1576	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2002-02	142.200
2002-03	142.400
2002-04	142.800
2002-05	142.800
2002-06	143.100
2002-07	143.100

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2002-08	142.605	143.012	143.420
2002-09	142.325	143.048	143.774
2002-10	141.988	142.982	143.983
2002-11	141.637	142.866	144.105
2002-12	141.394	142.828	144.277
QTR AVG	141.673	142.892	144.122
2003-01	141.212	142.830	144.467
2003-02	141.046	142.831	144.638
2003-03	140.975	142.914	144.879



Document "A"

AGREEMENT

THIS AGREEMENT, made this 20th day of August, 2002 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees (other than Yardmasters) of such carriers shown thereon and represented by the United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

ENTERED
Office of Proceedings
SEP 5 2002
Part of
Public Record

(a) Not later than three months after the date of this Agreement each employee who qualifies under subsection (b) shall be paid a Longevity Bonus of \$1,200. Such Bonus shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local taxes.

(b) To qualify for the Longevity Bonus an employee must:

- (1) have an employment relationship with the carrier in a craft covered by this Agreement on September 1, 2002;
- (2) have established seniority in train or engine service with a carrier signatory to this Agreement on or before October 31, 1985; and
- (3) (i) have received compensation for active service performed during the period July 1, 2002 through August 31, 2002, or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than January 1, 2003, or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - First General Wage Increase (for other than Dining Car Stewards)

(a) Effective July 1, 2002, all standard basic daily rates of pay for employees represented by the United Transportation Union in effect on June 30, 2002 shall be increased by four (4) percent.

(b) In computing the increase for enginemen under paragraph (a) above, four (4) percent shall be applied to the standard basic daily rates of pay applicable in the following weight-on-drivers brackets, and the amounts so produced shall be added to each standard basic daily rate of pay:

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds

Yard Firemen - Less than 500,000 pounds
(separate computation covering five- day
rates and other than five-day rates)

Section 3 - Second General Wage Increase (for other than Dining Car
Stewards)

Effective July 1, 2003, all standard basic daily rates of pay in effect on June 30, 2003 for employees represented by the United Transportation Union shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section

Section 4 - Third General Wage Increase (for other than Dining Car
Stewards)

Effective July 1, 2004, all standard basic daily rates of pay in effect on June 30, 2004 for employees represented by the United Transportation Union shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 2(b) above.

Section 5 - Standard Rates

The standard basic daily rates of pay produced by application of the increases provided for in this Article are set forth in Appendix 1, which is a part of this Agreement.

Section 6 - Application of Wage Increases

(a) The adjustments provided for in this Article will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money, but will apply to mileage rates of pay for miles run in excess of the number of miles comprising a basic day.

(b) In engine service and in train and yard ground service, miscellaneous rates based upon hourly or daily rates of pay, as provided in the schedules or wage agreements, shall be adjusted in the same manner as heretofore increased under previous wage agreements.

(c) In determining new hourly rates, fractions of a cent will be disposed of by applying the next higher quarter of a cent.

(d) Daily earnings minima shall be changed by the amount of the respective daily adjustments.

(e) Standard monthly rates and money monthly guarantees applicable in passenger train service shall be thirty times the new standard daily rates. Other than standard monthly rates and money monthly guarantees shall be so adjusted that money differentials existing as of June 30, 2002 shall be preserved.

(f) Existing monthly rates and money monthly guarantees applicable in train service other than passenger will be changed in the same proportion as the daily rate for the class of service involved is adjusted.

(g) Existing money differentials above existing standard daily rates shall be maintained.

(h) In local freight service, the same differential in excess of through freight rates shall be maintained.

(i) The existing differential of \$6.00 per basic day in passenger, freight, and yard service, and 6¢ per mile for miles in excess of the number of miles encompassed in the basic day, currently payable to engineers working without firemen, shall be maintained and applied in the same manner as the local freight differential.

(j) In computing the first increase in rates of pay effective under Section 2 for engineers, firemen, conductors, brakemen and flagmen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number comprising a basic day, which are therefore paid on a daily basis without a mileage component, whose rates had been increased by "an additional \$.40" effective July 1, 1968, the four (4) percent increase shall be applied to daily rates in effect on the day preceding the effective date of the general wage increase provided for in Section 2, exclusive of car scale additives, local freight differentials, and any other money differential above existing standard daily rates. For firemen, the rates applicable in the weight-on-drivers bracket 950,000 and less than 1,000,000 pounds shall be utilized in computing the amount of increase. The same procedure shall be followed in computing the increases effective July 1, 2003 and July 1, 2004. The rates produced by application of the standard local freight differentials and the above-referred-to special increase of "an additional \$.40" to standard basic through freight rates of pay are set forth in Appendix 1 which is a part of this Agreement.

(k) Other than standard rates:

(i) Existing basic daily rates of pay other than standard shall be changed, effective as of the dates specified in Sections 2, 3, and 4 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as the standard rates were determined.

(ii) The existing differential of \$6.00 per basic day in passenger, freight, and yard service, and 6¢ per mile for miles in excess of the number of miles encompassed in the basic day, currently payable to engineers working without firemen, shall be maintained and applied in the same manner as the local freight differential.

(iii) Daily rates of pay, other than standard, of engineers, firemen, conductors, brakemen and flagmen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number encompassed in the basic day, which are therefore paid on a daily basis without a mileage component, shall be increased as of the effective dates specified in Sections 2, 3, and 4 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as provided in paragraph (k)(i) above. This provision does not apply to the Trip Rates established pursuant to Article V of this Agreement.

Section 7 - General Wage Increases for Dining Car Stewards

(a) Effective July 1, 2002, all basic monthly rates of pay in effect on June 30, 2002 for dining car stewards represented by the United Transportation Union shall be increased by four (4) percent.

(b) Effective July 1, 2003 all basic monthly rates of pay in effect on June 30, 2003 for dining car stewards represented by the United Transportation Union shall be increased by two-and-one-half (2-1/2) percent.

(c) Effective July 1, 2004, all basic monthly rates of pay in effect on June 30, 2004 for dining car stewards represented by the United Transportation Union shall be increased by three (3) percent.

ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier, at its discretion, may offer employees alternative compensation arrangements in lieu of the general wage increases provided in

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Appendix D, Document "A" of Award of Arbitration Board No. 559 dated May 8, 1996

Section 1

Article II, Part C, Document "A" of Appendix D of the Award of Arbitration Board No. 559 dated May 8, 1996, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (d), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Appendix D, Document "A" of Award of Arbitration Board No. 559 dated May 8, 1996

Section 1

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Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

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Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (d), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become

effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (d)(iii), according to the formula set forth in paragraph (e).

<u>Measurement Periods</u>		
<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(b) While a cost-of-living allowance is in effect, such cost-of-living allowance shall apply to straight time, overtime, vacations, holidays and to special allowances in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(c) The amount of the cost-of-living allowance, if any, that shall be effective from one adjustment date to the next may be equal to, or greater or less than, the cost-of-living allowance in effect in the preceding adjustment period.

(d) (i) Cap. In calculations under paragraph (e), the maximum increase in the CPI that shall be taken into account shall be as follows:

<u>Effective Date of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
July 1, 2005	3% of September 2004 CPI
January 1, 2006	6% of September 2004 CPI, less the increase from September 2004 to March 2005

Effective Dates of Adjustment and Maximum CPI Increases conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(ii) Limitation. In calculations under paragraph (e), only fifty (50) percent of the increase in the CPI in any measurement period shall be considered.

(iii) If the increase in the CPI from the base month of September 2004 to the measurement month of March 2005 exceeds 3% of the September 2004 base index, the measurement period that shall be used for determining the cost-of-living adjustment to be effective the following January shall be the 12-month period from such base month of September; the increase in the index that shall be taken into account shall be limited to that portion of the increase that is in excess of 3% of such September base index; and the maximum increase in that portion of the index that may be taken into account shall be 6% of such September base index less the 3% mentioned in the preceding clause, to which shall be added any residual tenths of points which had been dropped under paragraph (e) below in calculation of the cost-of-living adjustment which shall have become effective July 1, 2005 during such measurement period.

(iv) Any increase in the CPI from the base month of September 2004 to the measurement month of September 2005 in excess of 6% of the

September 2004 base index shall not be taken into account in the determination of subsequent cost-of-living adjustments.

(v) The procedure specified in subparagraphs (iii) and (iv) shall be applicable to all subsequent periods during which this Article is in effect.

(e) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (d), shall be converted into cents on the basis of one cent equals 0.3 full points. (By "0.3 full points" it is intended that any remainder of 0.1 point or 0.2 point of change after the conversion shall not be counted.)

The cost-of-living allowance in effect on December 31, 2005 shall be adjusted (increased or decreased) effective January 1, 2006 by the whole number of cents produced by dividing by 0.3 the number of points (including tenths of points) change, as limited by paragraph (d), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division shall be dropped. The result of such division shall be added to the amount of the cost-of-living allowance in effect on December 31, 2005 if the CPI shall have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index shall have been lower at the end than at the beginning of the measurement period and then, only, to the extent that the allowance remains at zero or above. The same procedure shall be followed in applying subsequent adjustments.

(f) Continuance of the cost-of-living allowance and the adjustments thereto provided herein is dependent upon the availability of the official monthly BLS Consumer Price Index (CPI-W) calculated on the same basis as such Index, except that, if the Bureau of Labor Statistics, U.S. Department of Labor should, during the effective period of this Article, revise or change the methods or basic data used in calculating such Index in such a way as to affect the direct comparability of such revised or changed index with the CPI-W during a measurement period, then that Bureau shall be requested to furnish a

conversion factor designed to adjust the newly revised index to the basis of the CPI-W during such measurement period.

Section 2 - Payment of Cost-of-Living Allowances

(a) The cost-of-living allowance that becomes effective July 1, 2005 shall be payable to each employee commencing on that date.

(b) The increase in the cost-of-living allowance effective January 1, 2006 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(c) The increase in the cost-of-living allowance effective July 1, 2006 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(d) The procedure specified in paragraphs (b) and (c) shall be followed with respect to computation of the cost-of-living allowances payable in subsequent years during which this Article is in effect.

(e) In making calculations under this Section, fractions of a cent shall be rounded to the nearest whole cent; fractions less than one-half cent shall be dropped and fractions of one-half cent or more shall be increased to the nearest full cent.

Section 3 - Application of Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Part B will not become part of basic rates of pay. Such allowance will be applied as follows:

(a) For other than dining car stewards, each one cent per hour of cost-of-living allowance will be treated as an increase of 8 cents in the basic daily rates of pay produced by application of Article I of this Agreement. The cost-

of-living allowance will otherwise be applied in keeping with the provisions of Section 6 of Article I.

(b) For dining car stewards, each one cent per hour of cost-of-living allowance will be treated as an increase of \$1.80 in the monthly rates of pay produced by application of Sections 6 and 7 of Article I.

Section 4 - Continuation of Part B

The arrangements set forth in this Part B shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act.

ARTICLE IV - HEALTH AND WELFARE

Section 1

The parties mutually agree that their health and welfare issues shall be resolved as provided in Section 2 of this Article and that such settlement will be incorporated into and become part of this Agreement and will be deemed full and final disposition of the parties' respective notices on these matters.

Section 2

(a) The parties, realizing the complexities of the current health and welfare problems related to cost containment and other issues, agree to establish a health and welfare negotiating committee to study and examine such issues. Such committee will consist of such partisan members the parties deem necessary and such experts as determined necessary by the parties. Each party will be responsible for the expenses and compensation of their own partisan members and will share the expenses and compensation of the experts. The committee is authorized to comprehensively examine the following subjects:

- O Plan Redesign
- O Cost Containment
- O Cost Sharing
- O Administrative Changes
- O Vendor Review

(b) In the event that a negotiated health and welfare agreement is reached with the UTU, such settlement shall be promptly submitted to a membership ratification vote.

(c) Either party may refer the health and welfare issue to final and binding arbitration under subsection (d) at any time after the earlier of (i) the date a negotiated health and welfare agreement hereunder fails ratification, or (ii) no earlier than ninety (90) days after the effective date of this Agreement.

(d)(1) Either party may refer the health and welfare issue to final and binding arbitration under the Railway Labor Act pursuant to subsection (c) by written notice to the other party.

(2) The Arbitration Board shall consist of two partisan members, one appointed by UTU and one appointed by NCCC, and a neutral arbitrator who shall serve as Chairman. The Chairman shall be selected by mutual agreement or through alternative striking from an eleven-person list provided by the National Mediation Board in accordance with its current procedures for providing a list to parties to New York Dock arbitration disputes, the order of striking to be determined by coin flip or other mutually acceptable method. Each party shall bear its own costs and shall share equally the fees and expenses of the neutral and all other costs of the arbitration.

(3) Hearings before the Board shall commence within thirty (30) days after the dispute has been referred to it. The Board's decision shall be in writing and shall be issued not later than sixty (60) days after commencement of the hearings.

Section 3

Nothing herein shall be construed to bar the parties from reaching mutual agreement on any matter relating to health and welfare.

ARTICLE V - PAY SYSTEM SIMPLIFICATION

PART A - GENERAL

Section 1 - General

The parties have agreed that the current pay system should be simplified. In agreeing upon a new pay system the following principles shall apply:

(a) The new pay system will neither create nor result in additional pay-related costs for a carrier, nor gains for its employees, nor losses for pre October 31, 1985 employees, except insofar as those employees acquiring seniority in train or engine service subsequent to October 31, 1985 who, coincident with the establishment of Trip Rates pursuant to this Article, will have their Trip Rates calculated based upon elements of pay for which they were not eligible prior to the date of this Agreement. Except as otherwise provided herein, pay elements not specifically identified in Part B, Section 5 will continue to be covered by existing rules and will not be impacted by this Article.

(b) The provisions of the new pay system will have no effect on work rules except where a pay element is incorporated in a Trip Rate.

(c) Any pay element incorporated in a Trip Rate established hereunder will not be used to support a claim for that pay element relating to that trip, and carrier shall not be required to respond to any such claim.

Section 2 - Mutual Cooperation

The parties recognize that successful implementation of this Article is dependent upon the mutual cooperation of all involved. Therefore, a Joint Committee shall be established on each carrier party to this Agreement consisting of an equal number of organization and management participants. To the extent possible, the Committee shall consist of representatives from that property who participated in the negotiations leading to this Agreement. The initial responsibility of the Committee shall be to explain the intent of this Article to the affected employees and managers so that there will be a clear and consistent understanding as to the Article's purpose and intent.

PART B - THROUGH FREIGHT SERVICE

Section 1 - General

A new pay system shall be implemented as provided in this Part for all employees covered by this Agreement working in through freight (assigned and unassigned) service.

Section 2 - Trip Rates

(a) Each carrier shall develop Trip Rates for Starts in through freight service runs/pools. Separate Trip Rates shall be developed for conductors and brakemen. The Trip Rates shall incorporate the pay elements specified in Section 5 except as otherwise agreed by the parties or determined by the Disputes Committee established in Section 6 hereof. Once Trip Rates become effective for runs/pools, pay elements incorporated in such Trip Rates will not

be used to support any claims for those pay elements relating to that trip. Pay elements not included in Trip Rates will continue to be covered by existing rules.

(b) A Trip Rate shall be developed for each separate run/pool except as otherwise provided in Section 9.

Section 3 - Computation of Trip Rates

(a) Trip Rates for through freight service runs/pools shall be derived as follows:

- (1) add together all earnings attributable to the elements of pay to be incorporated in the Trip Rate actually paid to the employees (including extra employees) whose seniority in train service was established on or before October 31, 1985 ("Pre-85 Employees") for all through freight Starts involving service performed on such runs/pools during the Test Period;
- (2) divide the earnings derived from the calculation in (1) above by the total through freight Starts made during the Test Period by the Pre-85 Employees (including extra employees) who performed service;
- (3) the Trip Rate for each Start on such run/pool for all employees (including extra employees) shall be the dollar amount derived by the calculation set forth in (2);
- (4) the earnings described in paragraph (1) above shall include all compensation attributable to the Starts described in paragraph (2) above and subsection (b) below.

(b) For purposes solely of this Article, the term "Start" shall mean a fully compensated trip performed by the pool/run (including extra employees), including other trips such as deadhead, hours of service relief, and turnaround service directly related to and performed by the pool/run.

(c) Test Period. The parties agree that the differences in the prevailing operating conditions on each Carrier signatory to this Agreement warrant the establishment of Test Periods being developed on an individual railroad basis, pool/run by pool/run. The objective in developing Test Periods will be to establish a measurement which reflects a 12-month period of "normalized operations." Normalized operations as defined and used herein will mean an operating pattern which is not adversely affected by the implementation of a major transaction such as an acquisition, control or merger involving two or more Carriers or any other unusual or extenuating circumstances. The Carrier will bear by a preponderance of the evidence the burden of substantiating its reasons for selecting the Test Periods proposed for runs/pools.

Section 4 - Computation and Application Adjustments

(a) In the computation and application of the Trip Rates described in Section 3 above, the adjustments set forth in subsection (b) and (c) shall be made, where appropriate:

(b) Computation Adjustments:

- (1) If and to the extent that General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) become effective during a Test Period, appropriate computation adjustments shall be made, but there shall be no duplication or pyramiding;

- (2) Trip Rates shall be subject to adjustment for General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) that become effective during the period from close of the Test Period to the effective date of the Trip Rate, but there shall be no duplication or pyramiding.

(c) Application Adjustments:

- (1) General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) that become effective on or after the effective date of a Trip Rate shall be applied, but there shall be no duplication or pyramiding.
- (2) Trip Rates applicable to employees covered by rules adjusting compensation based on the employee's length of service with the carrier (such as Article IV, Section 5 of the UTU Implementing Document A of November 1, 1991) shall be adjusted by such rules.

(d) Each Trip Rate established pursuant to this Article shall be used solely to compensate employees for a Start in the involved run/pool. The Trip Rate shall not modify existing rules governing payment for personal leave, vacation, etc.

Section 5 - National Pay Elements

(a) The following pay elements shall be incorporated in each Trip Rate except as otherwise agreed by the parties or determined by the Disputes Panel established in Section 6 of this Part:

- (1) payments attributable to mileage or time;

- (2) payments attributable to terminal/departure/yard runarounds;
- (3) payments attributable to conversion of the employee's assignment to local freight rates;
- (4) payments made, pursuant to agreement, to employees in lieu of being afforded meal periods, and penalty payments made to employees attributable to violations of rules relating to employees eating en route in through freight service (this does not apply to non-taxable meal allowances);
- (5) payments made to an employee resulting from being required, in accordance with existing agreements, to "step up" in the employee's pool, which for this purpose shall mean taking a turn in such pool earlier than would otherwise be the case due to other sources of supply being exhausted.
- (6) payments attributable to initial terminal delay;
- (7) payments attributable to final terminal delay;
- (8) payments attributable to deadheading;
- (9) payments attributable to terminal switching (initial, intermediate and final).

(b) In the establishment of Trip Rates for runs/pools pursuant to this Article, the parties may mutually agree to modify the National Pay Elements specified above, and/or to include additional pay elements, with respect to such Trip Rates. Pay elements not expressly included in Trip Rates will continue to be covered by existing rules.

Section 6 - National Disputes Committee

A National Disputes Committee ("Disputes Committee") is established for the purpose of resolving any disputes that may arise under this Article. Such Committee shall consist of the President of the UTU and the Chairman of the NCCC, and a neutral Chairman selected by the parties or, absent agreement, appointed by the National Mediation Board. Each partisan member may select others to serve on the Committee at his discretion. If the partisan members of the Committee are unable to agree on resolution of any dispute within ten (10) days after convening, the matter will be referred to the neutral Chairman for resolution. The neutral Chairman will resolve the dispute within ten (10) days after referral of the matter. Each party shall bear its own costs and shall equally share the fees and expenses of the neutral. Any resolution by the Committee or by the neutral shall be final and binding and shall be enforceable and reviewable under Section 3 of the Railway Labor Act.

Section 7 - New Runs/Pools

Trip Rates for new runs/pools that existing agreements permit to be established may be so established based on Trip Rates for comparable runs/pools. Any dispute regarding such matters may be referred by either party to the Disputes Committee.

Section 8 - Material Changes

Trip Rates established pursuant to this Article shall be established in such a manner as to make them stable. If subsequent material changes occur that significantly affect a run/pool, the Trip Rate for such run/pool shall be adjusted to fairly reflect the changed circumstances occasioned by the material change. If the parties cannot agree on such adjustment, the matter may be referred by either party to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that contends that a material change that significantly affects a run/pool has occurred.

Section 9 - Implementation

(a) Runs/Pools. Trip Rates for runs/pools shall be implemented as follows:

Carrier will serve notice on the authorized Organization representative(s) that will include the following information:

- (1) Identification of runs/pools involved;
- (2) Test Period Proposed (consistent with Section 3(c));
- (3) Proposed Trip Rate(s) for the runs/pools, together with a summary of the underlying data supporting computation, based solely on incorporation of National Pay Elements set forth in Section 5 above;
- (4) Any proposed modifications to the National Pay Elements and/or additional pay elements to be incorporated with respect to the proposed Trip Rate(s) for the runs/pools, and a summary of the underlying data supporting computation of such Trip Rate(s).

(b) The parties shall meet within thirty (30) days after service of the carrier notice to discuss the carrier proposal and any related proposals made by the Organization. At the request of the Organization, carrier will provide opportunity to review all relevant carrier data supporting the proposed Trip Rate computations.

(c) Trip Rates for the runs/pools shall become effective as follows:

- (1) On the date agreed to by the parties;

- (2) Absent agreement or a written referral to the Disputes Committee, thirty (30) days after service of the Carrier notice, where Trip Rate is based solely on incorporation of the National Pay Elements; or
- (3) Where the matter has been referred to the Disputes Committee, on the effective date of such Committee's resolution of the dispute.

(d) If the parties are unable, despite best efforts, to reach agreement on implementation of a Trip Rate for a run/pool, either party may refer the dispute to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that proposes implementation.

(e) If either party concludes that implementing a Trip Rate for a run/pool is inappropriate, it shall promptly notify the other party of its conclusion. The parties shall meet and make a reasonable effort to resolve the matter after review and discussion of all relevant information. If the parties are unable to resolve the matter despite their best efforts, either side may refer the matter to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that proposes not to implement a Trip Rate with respect to the run/pool involved.

(f) The parties mutually intend to work diligently with the ultimate objective of developing Trip Rates for through freight runs/pools. If either party believes that the rate of progress in developing Trip Rates is insufficient, it may refer the matter to the Disputes Committee, and it shall bear the burden of proof by a preponderance of the evidence.

(g) Trip Rates for runs/pools should be implemented as expeditiously as possible, but in any event, all of them shall be implemented no later than thirty

(30) months after the date of this Agreement, unless the parties otherwise agree or the Dispute Committee otherwise decides.

(h) In the event that Trip Rates are not implemented for runs/pools on a carrier by the date specified in subsection (g) above, effective the next day thereafter, the dual basis of pay shall be eliminated with respect to post October 31, 1985 employees on such runs/pools (including extra employees) and such employees will be paid on the same basis as Pre-85 Employees represented by UTU with respect to the national pay elements identified in Section 5 of this Part, provided, however, that where the carrier has taken all actions required in this Part to implement Trip Rates with respect to the above-referenced runs/pools as described in this Section and the trip rate issue(s) is/are in the dispute resolution process described in this Article, such runs/pools will be governed solely by the outcome of such dispute resolution process.

PART C - OTHER CLASSES OF SERVICE

Trip rates will be established for other classes of road service (road switchers, local freight, etc.) consistent with the terms, conditions, principles and guidelines as currently established in this Article and consistent with each class of service.

ARTICLE VI - SERVICE SCALE

Section 1

Any employee who is subject, on June 30, 2004, to Article IV, Section 5 of the UTU Implementing Document A of November 1, 1991 shall be compensated, on and after July 1, 2004, at the full rate of the position when working as a conductor/foreman, brakeman/helper, hostler, or engineer (on a carrier party hereto on which the UTU represents locomotive engineers).

Section 2

Local rules that adjust compensation for employees based on length of service on carriers that are not covered by the aforementioned Article IV, Section 5 are hereby amended in the same manner as provided in Section 1.

Section 3

Each carrier covered by this Article shall establish a Service Scale that shall be applicable to all employees whose seniority in train or engine service is established on or after July 1, 2004. Such Service Scale shall conform to the rules in effect on such carrier on June 30, 2004 that adjust employee compensation based on length of service (including the aforementioned Article IV, Section 5 where and to the extent applicable). The carrier shall make arrangements with the applicable organization representative(s) for a process to review such preexisting rules prior to establishment of the Service Scale.

ARTICLE VII - ENHANCED MANPOWER UTILIZATION

Section 1

(a) A carrier may propose implementation of a rule providing for the automatic mark up of employees for service after the expiration of any period of authorized or approved time off, in accordance with the procedures set forth herein.

(b) The carrier shall serve written notice of its proposal on the appropriate organization representative(s). Such proposal shall include a synopsis of the proposed rule, which shall be consistent with validated current scientific data and findings regarding employee rest and fatigue abatement. An initial conference on the proposal will be held within thirty (30) days after the

postmarked date of the notice. If the parties fail to resolve the matter within sixty (60) days after the date of the initial conference, the carrier may submit the matter to final and binding party-paid arbitration at any time thereafter.

(c) The arbitrator's jurisdiction shall be limited to a determination of the terms and conditions for an automatic mark-up rule in light of all relevant circumstances involved. The arbitrator's decision shall be in writing and shall be issued not later than thirty (30) days after conclusion of the hearing.

ARTICLE VIII - NATIONAL WAGE AND RULES PANEL

The parties mutually recognize that the National Wage and Rules Panel has provided a non-confrontational setting and meaningful opportunity to obtain and share information, analyze problems and develop options to deal with issues of common concern. Continuation of the Panel's efforts will, in the parties' judgment, continue to build trust, avert conflict and improve administration of their labor agreements.

Section 1 - Continuation of Panel

The National Wage and Rules Panel established pursuant to the Award of Arbitration Board No. 559, Appendix D, Document A, Article XIII, shall continue as provided therein, except as otherwise specified in this Article.

Section 2 - Amendments to Article XIII

(a) Article XIII, Section 1 is amended to read as follows:

“(a) The parties, realizing the complexities of the changing rail industry and environment, and to alleviate any adversarial relationships emanating from such, agree to establish a non-binding joint review Panel to study and examine those unresolved subjects.

The National Wage and Rules Panel (Panel) shall consist of three (3) members representing the United Transportation Union and three (3) members representing the carriers. The President of UTU and the Chairman of the National Carriers' Conference Committee (NCCC) shall be ex officio members of the Panel.

(b) The parties will assume the compensation and expenses of their respective members. Any incidental expenses incurred in connection with Panel meetings shall be shared equally by the parties."

(b) The list of subjects set forth in Article XIII, Section 2 is amended to add the following issues, and the parties hereby commit to use their best efforts to resolve such matters:

- employee protective arrangements
- access to employee medical information
- employee availability
- vacation scheduling
- daily mark up (preference) rules in yard service
- national training agreements
- yard conditions related to Remote Control Technology

(c) Article XIII, Section 4(a) is amended to read as follows:

"While the Panel's recommendations shall not be considered final and binding, the parties shall exert good faith efforts to utilize those recommendations as a basis for settlement of the issues involved.

Notwithstanding any provision to the contrary, the Panel may be dissolved at any time by majority vote of the members."

ARTICLE IX - OFF-TRACK VEHICLE ACCIDENT BENEFITS

Article XI(b) of the July 17, 1968 Brotherhood of Railroad Trainmen Agreement, Article IX(b) of the July 29, 1968 Switchmen's Union of North America Agreement, Article IX(b) of the September 14, 1968 Brotherhood of Locomotive Firemen and Enginemen Agreement, Article V(b) of the March 19, 1969 United Transportation Union (C) Agreement and Article V(b) of the April 15, 1969 United Transportation Union (E) Agreement, as amended by Article XIII of the August 25, 1978 United Transportation Union Agreement, are further amended as follows effective on the date of this Agreement.

Section 1

Paragraph(b)(1) - Accidental Death or Dismemberment of the above-referenced Agreement provisions is amended to read as follows:

"(1) Accidental Death or Dismemberment

The carrier will provide for loss of life or dismemberment occurring within 120 days after date of an accident covered in paragraph (a):

Loss of Life	\$300,000
Loss of Both Hands	\$300,000
Loss of Both Feet	\$300,000
Loss of Sight of Both Eyes	\$300,000
Loss of One Hand and One Foot	\$300,000
Loss of One Hand and Sight of One Eye	\$300,000
Loss of One Foot and Sight of One Eye	\$300,000
Loss of One Hand or One Foot or Sight of One Eye	\$150,000

"Loss" shall mean, with regard to hands and feet, dismemberment by severance through or above wrist or ankle joints; with regard to eyes, entire and irrecoverable loss of sight.

No more than \$300,000 will be paid under this paragraph to any one employee or his personal representative as a result of any one accident."

Section 2

Paragraph (b)(3) - Time Loss of the above-referenced Agreement provisions is amended to read as follows:

"(3) Time Loss

The carrier will provide an employee who is injured as a result of an accident covered under paragraph (a) commencing within 30 days after such accident 80% of the employee's basic full-time weekly compensation from the carrier for time actually lost, subject to a maximum payment of \$1,000.00 per week for time lost during a period of 156 continuous weeks following such accident provided, however, that such weekly payment shall be reduced by such amounts as the employee is entitled to receive as sickness benefits under provisions of the Railroad Unemployment Insurance Act."

Section 3

Paragraph(b)(4) - Aggregate Limit of the above-referenced Agreement provisions is amended by raising such limit to \$10,000,000.

ARTICLE X - GENERAL PROVISIONS

Section 1 - Court Approval

This Agreement is subject to approval of the courts with respect to participating carriers in the hands of receivers or trustees.

Section 2 - Effect of this Agreement

(a) The purpose of this Agreement is to fix the general level of compensation during the period of the Agreement and is in settlement of the dispute growing out of the notices dated November 1, 1999 served by and on behalf of the carriers listed in Exhibit A upon the organization signatory hereto, and the notices dated on or subsequent to November 1, 1999 served by the organization upon such carriers, except as otherwise provided in Article IV of this Agreement.

(b) This Agreement shall be construed as a separate agreement by and on behalf of each of said carriers and their employees represented by the organization signatory hereto, and shall remain in effect through December 31, 2004 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(c) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal for changing any matter contained in:

- (1) This Agreement,
- (2) the proposals of the parties identified in Section 2(a) of this Article, and
- (3) Section 2(c) of Article XV of the Agreement of January 27, 1972,

and any pending notices which propose such matters are hereby withdrawn, except as otherwise provided in Article IV of this Agreement.

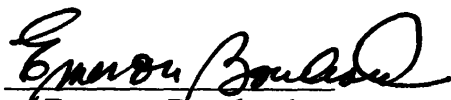
(d) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal which might properly have been served when the last moratorium ended on January 1, 2000.

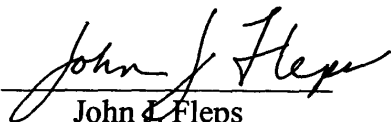
(e) This Article will not bar management and committees on individual railroads from agreeing upon any subject of mutual interest.

SIGNED AT WASHINGTON, D.C. THIS 20th DAY OF AUGUST, 2002.

FOR THE PARTICIPATING CARRIERS
LISTED IN EXHIBIT A REPRESENTED
BY THE NATIONAL CARRIERS'
CONFERENCE COMMITTEE:

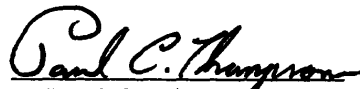

Robert F. Allen
Chairman

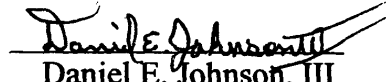

Emerson Bouchard
Kansas City Southern

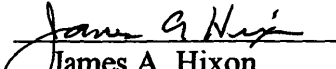

John E. Fleps
The Burlington Northern and
Santa Fe Railway Co.

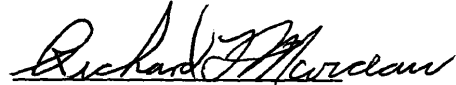
FOR THE EMPLOYEES
REPRESENTED BY THE
UNITED TRANSPORTA-
TION UNION:

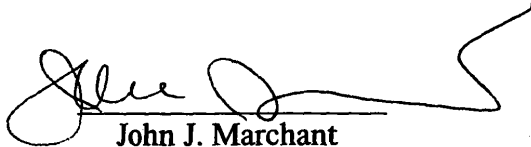

Byron A. Boyd, Jr.
President


Paul C. Thompson
Assistant President

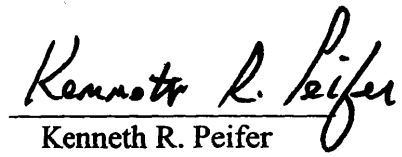

Daniel E. Johnson, III
General Secretary and
Treasurer


James A. Hixon
Norfolk Southern Railway Co.


Richard L. Marceau
Vice President

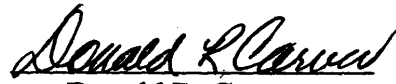

John J. Marchant
Union Pacific Railroad

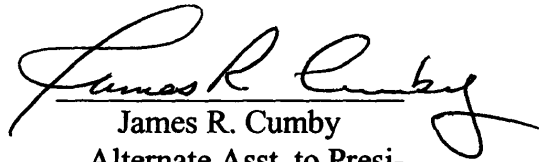

Carl M. Vahldick
Vice President


Kenneth R. Peifer
CSX Transportation, Inc.


David L. Hakey
Vice President


Arthur Martin, III
Vice President

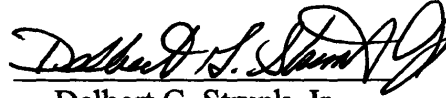

Donald R. Carver
Asst. to President-
Yardmasters



James R. Cumby
Alternate Asst. to President - Yardmasters



David B. Snyder
General Chairperson, BNSF



Delbert G. Strunk, Jr.
General Chairperson, NS



John T. Reed
General Chairperson, CSXT

August 20, 2002
#1

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

Dear Mr. Boyd:

This confirms our understanding with respect to Document "A" of the Agreement of this date.

In the event that this Agreement becomes effective subsequent to July 1, 2002, any cost-of-living amount payments made to employees pursuant to Article II, Part C, Document "A" of Appendix D of the Award of Arbitration Board No. 559 on and after that date shall be recovered from any retroactive wage increase payments made under Article I.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,


Robert F. Allen

I agree:


Byron A. Boyd, Jr.

August 20, 2002
#2

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

Dear Mr. Boyd:

This confirms our understanding with respect to Article VI - Service Scale of Document "A" of the Agreement of this date.

The parties agree that at the earliest opportunity in the next national bargaining round, the matter of relating the existing service scales in effect on each participating road to training and experience will be addressed.

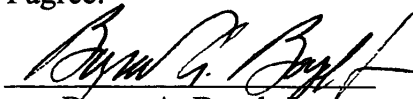
Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,



Robert F. Allen

I agree:



Byron A. Boyd, Jr.

August 20, 2002
#3

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

Dear Mr. Boyd:

This confirms our understanding with respect to Document "A" of the Agreement of this date.

The parties exchanged various proposals and drafts antecedent to adoption of the various Articles that appear in this Agreement. It is our mutual understanding that none of such antecedent proposals and drafts will be used by any party for any purpose and that the provisions of this Agreement will be interpreted and applied as though such proposals and drafts had not been used or exchanged in the negotiation.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,



Robert F. Allen

I agree:


Byron A. Boyd, Jr.

Exhibit A
UTU

CARRIERS REPRESENTED BY THE NATIONAL CARRIERS' CONFERENCE COMMITTEE IN CONNECTION WITH NOTICES DATED NOVEMBER 1, 1999 OF DESIRE TO REVISE AND SUPPLEMENT EXISTING AGREEMENTS IN ACCORDANCE THEREWITH, SERVED BY AND ON BEHALF OF SUCH CARRIERS UPON THE UNITED TRANSPORTATION UNION, AND NOTICES DATED ON OR SUBSEQUENT TO NOVEMBER 1, 1999 AND SERVED ON SUCH CARRIERS BY THE GENERAL CHAIRMEN, OR OTHER RECOGNIZED REPRESENTATIVES OF THE UNITED TRANSPORTATION UNION FOR CONCURRENT HANDLING THEREWITH.

Subject to indicated footnotes, this authorization is co-extensive with notices filed and with provisions of current schedule agreements applicable to employees represented by the United Transportation Union (E), (C), (T) and/or (S), as indicated by an "X" in the appropriate column(s) below:

RAILROADS	UTU			
	(E)	(C)	(T)	(S)
Alameda Belt Line Ry.		X		X
Alton & Southern Ry.	X			X
The Belt Railway Co. of Chicago			X-2	
Bessemer and Lake Erie R.R.	X-1		X-1	
The Burlington Northern and Santa Fe Ry. Co.	X	X	X	X
Central California Traction Co.	X	X	X	X
Columbia & Cowlitz Ry.	X	X	X	
Consolidated Rail Corporation		X	X	X

RAILROADS

UTU
(E) (C) (T) (S)

CSX Transportation, Inc.:

Atlanta & West Point R.R.(former)

X X

The Baltimore & Ohio Chicago Term.
R.R. Co.

X X X

The Baltimore and Ohio R.R. Co.
(former)

X X X

The Chesapeake and Ohio Ry. Co.
(former)

X X X X

CSXT Northern (former Conrail)

X X X

Gainesville Midland Railroad Company

X X

Louisville & Nashville R.R. Co. (former)

X X

Nashville, Chattanooga & St. Louis
Ry. Co. (former)

X X

Seaboard Coast Line R.R. Co.
(former)

X X X

Western Railway of Alabama

X X

Duluth, Missabe & Iron Range Ry. Co.

X-1 X-1

Elgin, Joliet and Eastern Ry. Co.

X-1 X-1 X-1

Kansas City Southern

X X X X

Lake Superior & Ishpeming R.R. Co.

X-1 X-1 X-1 X-1

Longview Switching Co.

X X

Los Angeles Junction Railroad Company

X X X

Manufacturers Railway Company

X X

New Orleans Public Belt Railroad

X-2 X-2

Norfolk and Ports. Belt Line R.R. Co.

X X X

RAILROADS

(E) (C) UTU
(T) (S)

N

Norfolk Southern Railway Company				
The Alabama Great Sou. R.R. Co.	X	X	X	X
Atlantic & East Car. Ry. Co.	X	X	X	X
Central of Georgia R.R. Co.	X	X	X	X
The Cinn., N.O. & Tex. Pac. Ry. Co.	X	X	X	X
Georgia Sou. and Fla. Ry. Co.	X	X	X	X
Tenn., Ala. and Georgia Ry. Co.	X	X	X	X
Tennessee Railway Company	X	X	X	X
Northeast Ill. Reg. Commuter R.R. Corp.				
(METRA)	X-2	X-2	X-2	X-2
North. Ind. Commuter Transp. District		X-2	X-2	X-2
Oakland Terminal Railway		X		X
Peoria and Pekin Union Ry. Co.		X		X
Port Terminal Railroad Association				
Portland Terminal Railroad Co.	X		X	
Terminal Railroad Assoc. of St. Louis	X		X-2	
The Texas Mexican Ry. Co.*	X	X	X	X
Union Pacific Railroad				
Utah Railway Company	X	X	X	X
Wichita Terminal Association		X		
Winston Salem Southbound Railway Company	X			X

NOTES:

- 1 - Wages and Rules only.
- 2 - Health and Welfare only.

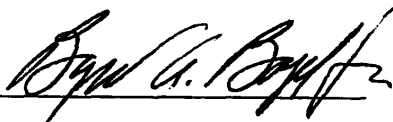
* UTU's representation of employees on this carrier terminated effective July 15, 2002.

FOR THE CARRIERS:



A handwritten signature in black ink, appearing to be "J. Hill", written over a horizontal line.

FOR THE UNITED TRANSPORTATION UNION:



A handwritten signature in black ink, appearing to be "Dw. G. Buff", written over a horizontal line.

August 20, 2002
Washington, D.C.



Document "B"
(Yardmasters)

AGREEMENT

THIS AGREEMENT, made this 20th day of August, 2002 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Yardmasters Department, United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

ENTERED
Office of Proceedings

SEP 5 2002

Part of
Public Record

Section 1 - Longevity Bonus

(a) Not later than three months after the date of this Agreement, each employee who qualifies under subsection (b) shall be paid a Longevity Bonus of \$1,200. Such Bonus shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local taxes.

(b) To qualify for the Longevity Bonus an employee must:

(1) have an employment relationship with the carrier under this Agreement on September 1, 2002;

(2) have established seniority with the carrier as a yardmaster on or before June 15, 1987; and

(3) (i) have received compensation for active service performed during the period July 1, 2002 through August 31, 2002, or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and

Medical Leave Act, and return to active service not later than January 1, 2003, or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - First General Wage Increase

Effective July 1, 2002, all standard basic daily rates of pay for employees covered by this Agreement in effect on June 30, 2002 shall be increased by four (4) percent.

Section 3 - Second General Wage Increase

Effective July 1, 2003, all standard basic daily rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 2 above.

Section 4 - Third General Wage Increase

Effective July 1, 2004, all standard basic daily rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 2 above.

Section 5 - Application of Wage Increases

Special allowances not included in fixed daily, weekly or monthly rates

of pay for all services rendered, and arbitraries representing duplicate time payments will not be increased.

ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier, at its discretion, may offer employees alternative compensation arrangements in lieu of the general wage increases provided in Article I (in whole or part). Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans.

Section 2

(a) The following conditions shall govern implementation of alternative compensation arrangements pursuant to this Article:

- (1) Carrier shall notify the appropriate organization representative(s) regarding its proposed alternative compensation arrangement(s). The parties shall meet promptly on such proposal and use their best efforts to reach agreement on implementation;
- (2) The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate organization representative(s);
- (3) The proposed arrangement(s) must be made available to the smallest employee grouping that can be reasonably administered.

(b) Nothing herein shall be construed to bar the parties from reaching

mutual agreement on different terms or conditions pertaining to implementation of this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Appendix D, Document "B" of Award of Arbitration Board No. 559 dated May 8, 1996

Section 1

Article II, Part C, Document "B" of Appendix D of the Award of Arbitration Board No. 559 dated May 8, 1996, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance

shall be payable effective July 1, 2005 based, subject to paragraph (d), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (d)(iii), according to the formula set forth in paragraph (e).

<u>Measurement Periods</u>		
<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(b) While a cost-of-living allowance is in effect, such cost-of-living allowance shall apply to straight time, overtime, protected rates, vacations, holidays and personal leave days in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to special allowances and arbitraries representing duplicate time payments.

(c) The amount of the cost-of-living allowance, if any, that shall be effective from one adjustment date to the next may be equal to, or greater or less than, the cost-of-living allowance in effect in the preceding adjustment period.

(d)(i) Cap. In calculations under paragraph (e), the maximum increase in the CPI that shall be taken into account shall be as follows:

<u>Effective Date of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
July 1, 2005	3% of September 2004 CPI
January 1, 2006	6% of September 2004 CPI, less the increase from September 2004 to March 2005

Effective Dates of Adjustment and Maximum CPI Increases conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(ii) Limitation. In calculations under paragraph (e), only fifty (50) percent of the increase in the CPI in any measurement period shall be considered.

(iii) If the increase in the CPI from the base month of September 2004 to the measurement month of March 2005 exceeds 3% of the September 2004 base index, the measurement period that shall be used for determining the cost-of-living adjustment to be effective the following January shall be the 12-month period from such base month of September; the increase in the index that shall be taken into account shall be limited to that portion of the increase that is in excess of 3% of such September base index; and the maximum increase in that portion of the index that may be taken into account shall be 6% of such September base index less the 3% mentioned in the preceding clause, to which shall be added any residual tenths of points which had been dropped under paragraph (e) below in calculation of the cost-of-living adjustment which shall have become effective July 1, 2005 during such measurement period.

(iv) Any increase in the CPI from the base month of September 2004 to the measurement month of September 2005 in excess of 6% of the

September 2004 base index shall not be taken into account in the determination of subsequent cost-of-living adjustments.

(v) The procedure specified in subparagraphs (iii) and (iv) shall be applicable to all subsequent periods during which this Article is in effect.

(e) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (d), shall be converted into cents on the basis of one cent equals 0.3 full points. (By "0.3 full points" it is intended that any remainder of 0.1 point or 0.2 point of change after the conversion shall not be counted.)

The cost-of-living allowance in effect on December 31, 2005 shall be adjusted (increased or decreased) effective January 1, 2006 by the whole number of cents produced by dividing by 0.3 the number of points (including tenths of points) change, as limited by paragraph (d), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division shall be dropped. The result of such division shall be added to the amount of the cost-of-living allowance in effect on December 31, 2005 if the CPI shall have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index shall have been lower at the end than at the beginning of the measurement period and then, only, to the extent that the allowance remains at zero or above. The same procedure shall be followed in applying subsequent adjustments.

(f) Continuance of the cost-of-living allowance and the adjustments thereto provided herein is dependent upon the availability of the official monthly BLS Consumer Price Index (CPI-W) calculated on the same basis as such Index, except that, if the Bureau of Labor Statistics, U.S. Department of Labor should, during the effective period of this Article, revise or change the methods or basic data used in calculating such Index in such a way as to affect the direct comparability of such revised or changed index with the CPI-W during a measurement period, then that Bureau shall be requested to furnish a conversion factor designed to adjust the newly revised index to the basis of the

CPI-W during such measurement period.

Section 2 - Payment of Cost-of-Living Allowances

(a) The cost-of-living allowance that becomes effective July 1, 2005 shall be payable to each employee commencing on that date.

(b) The increase in the cost-of-living allowance effective January 1, 2006 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(c) The increase in the cost-of-living allowance effective July 1, 2006 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(d) The procedure specified in paragraphs (b) and (c) shall be followed with respect to computation of the cost-of-living allowances payable in subsequent years during which this Article is in effect.

(e) In making calculations under this Section, fractions of a cent shall be rounded to the nearest whole cent; fractions less than one-half cent shall be dropped and fractions of one-half cent or more shall be increased to the nearest full cent.

Section 3 - Application of Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Part B will not become part of basic rates of pay. Each one cent per hour of cost-of-living allowance will be applied to basic monthly rates of pay produced by application of the general wage increase provisions of Article I on each railroad in the same manner as used in applying the cost-of-living adjustment provisions of the June 15, 1987 National Agreement.

Section 4 - Continuation of Part B

The arrangements set forth in this Part B shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act.

ARTICLE IV - HEALTH AND WELFARE

Section 1

The parties mutually agree that their health and welfare issues shall be resolved as provided in Section 2 of this Article and that such settlement will be incorporated into and become part of this Agreement and will be deemed full and final disposition of the parties' respective notices on these matters.

Section 2

(a) The parties, realizing the complexities of the current health and welfare problems related to cost containment and other issues, agree to establish a health and welfare negotiating committee to study and examine such issues. Such committee will consist of such partisan members the parties deem necessary and such experts as determined necessary by the parties. Each party will be responsible for the expenses and compensation of their own partisan members and will share the expenses and compensation of the experts. The committee is authorized to comprehensively examine the following subjects:

- ☐ Plan Redesign
- ☐ Cost Containment
- ☐ Cost Sharing
- ☐ Administrative Changes

O Vendor Review

(b) In the event that a negotiated health and welfare agreement is reached with the UTU, such settlement shall be promptly submitted to a membership ratification vote.

(c) Either party may refer the health and welfare issue to final and binding arbitration under subsection (d) at any time after the earlier of (i) the date a negotiated health and welfare agreement hereunder fails ratification, or (ii) no earlier than ninety (90) days after the effective date of this Agreement.

(d)(1) Either party may refer the health and welfare issue to final and binding arbitration under the Railway Labor Act pursuant to subsection (c) by written notice to the other party.

(2) The Arbitration Board shall consist of two partisan members, one appointed by UTU and one appointed by NCCC, and a neutral arbitrator who shall serve as Chairman. The Chairman shall be selected by mutual agreement or through alternative striking from an eleven-person list provided by the National Mediation Board in accordance with its current procedures for providing a list to parties to New York Dock arbitration disputes, the order of striking to be determined by coin flip or other mutually acceptable method. Each party shall bear its own costs and shall share equally the fees and expenses of the neutral and all other costs of the arbitration.

(3) Hearings before the Board shall commence within thirty (30) days after the dispute has been referred to it. The Board's decision shall be in writing and shall be issued not later than sixty (60) days after commencement of the hearings.

Section 3

Nothing herein shall be construed to bar the parties from reaching mutual agreement on any matter relating to health and welfare.

ARTICLE V - SERVICE SCALE

Section 1

Any employee who is subject, on June 30, 2004, to Article III of the June 15, 1987 National Agreement shall be compensated, on and after July 1, 2004, at the full rate of the position when working as a yardmaster.

Section 2

Local rules that adjust compensation for employees based on length of service on carriers that are not covered by the aforementioned Article III are hereby amended in the same manner as provided in Section 1.

Section 3

Each carrier covered by this Article shall establish a Service Scale that shall be applicable to all employees entering service on or after July 1, 2004 on positions covered by an agreement with the organization signatory hereto. Such Service Scale shall conform to the rules in effect on such carrier on June 30, 2004 with respect to the yardmaster craft that adjust employee compensation based on length of service (including the aforementioned Article III where and to the extent applicable). The carrier shall make arrangements with the applicable organization representative(s) for a process to review such preexisting rules prior to establishment of the Service Scale.

ARTICLE VI - SUPPLEMENTAL SICKNESS

The October 31, 1978 Supplemental Sickness Benefit Agreement, as subsequently amended (Sickness Agreement), shall be further amended as provided in this Article.

Section 1 - Adjustment of Plan Benefits

(a) The benefits provided under the Plan established pursuant to the Sickness Agreement shall be adjusted as provided in paragraph (b) so as to restore the same ratio of benefits to rates of pay as existed on December 31, 1999 under the terms of Article VII, Document "B" of Appendix D of the Award of Arbitration Board No. 559. Enactment of the agreed-upon RUIA legislation shall not cause the ratio of benefits to rates of pay to differ from that which existed on December 31, 1999.

(b) Section 4 of the Sickness Agreement shall be revised to read as follows:

"4. Benefits.

(a) Subject to the provisions of Subparagraph 4(b), the monthly benefit under this Plan for employees eligible to receive sickness benefits under the Railroad Unemployment Insurance Act (RUIA) will be \$1505.50, and the monthly benefit under this Plan for employees who have exhausted their sickness benefit under the RUIA will be \$2,506. For disabilities lasting less than a month, and for any residual days of disability lasting more than an exact number of months, benefits will be paid on a calendar day's basis at 1/30 of the monthly benefit rate.

(b) If the RUIA should be so amended as to increase daily benefit rates thereunder for days of sickness, and the sum of 21.75 times the average daily benefit for Yardmasters under the RUIA as so amended plus the amount of the \$1505.50 monthly benefit should exceed \$2,630, the amount of the monthly benefit shall be reduced to the extent that the sum of the amount of the reduced monthly benefit plus 21.75 times the average daily benefit for yardmasters under the amended RUIA will not exceed \$2,630. 'The average daily benefit for Yardmasters under the RUIA as so amended' for purposes of this Paragraph 4(b) is the benefit which would be payable to a Yardmaster

who had worked full time in his base year and whose monthly rate of pay at the December 31, 1999 wage level was \$3,757."

Section 2 - Adjustment of Plan Benefits During Agreement Term

Effective December 31, 2004, the benefits provided under the Plan shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on the effective date of this Article.

Section 3 - Amendment of Paragraph 6 of Sickness Agreement

Paragraph 6 of the Sickness Agreement is amended by revising the last sentence thereof to read as follows:

"For purposes of this Paragraph, a recovery shall be deemed to be for loss of wages to the extent of any actual wages lost due to the disability involved, regardless of how such recovery may be allocated for any other purpose."

ARTICLE VII - OFF-TRACK VEHICLE BENEFITS

Article IV of the September 20, 1968 Agreement ("1968 Agreement"), as amended by Article VI of the October 31, 1978 Agreement, is further amended as follows effective on the date of this Agreement:

Section 1

Paragraph (b)(1) of the 1968 Agreement is amended to read as follows:

"(1) Accidental Death or Dismemberment

The carrier will provide for loss of life or dismemberment occurring within 120 days after date of an accident covered in paragraph (a):

Loss of Life	\$300,000
Loss of Both Hands	\$300,000
Loss of Both Feet	\$300,000
Loss of Sight of Both Eyes	\$300,000
Loss of One Hand and One Foot	\$300,000
Loss of One Hand and Sight of One Eye	\$300,000
Loss of One Foot and Sight of One Eye	\$300,000
Loss of One Hand or One Foot or Sight of One Eye	\$150,000

"Loss" shall mean, with regard to hands and feet, dismemberment by severance through or above wrist or ankle joints; with regard to eyes, entire and irrecoverable loss of sight.

No more than \$300,000 will be paid under this paragraph to any one employee or his personal representative as a result of any one accident."

Section 2

Paragraph(b)(3) of the 1968 Agreement is amended to read as follows:

"(3) Time Loss

The carrier will provide an employee who is injured as a result of an accident covered under paragraph (a) commencing within 30 days after such accident 80% of the employee's basic full-time weekly compensation from the carrier for time actually lost, subject to a maximum payment of \$1,000.00 per week for time lost during a period of 156 continuous weeks following such accident provided, however, that such weekly payment shall be reduced by such amounts as the employee is entitled to receive as sickness benefits under provisions of the Railroad Unemployment Insurance Act."

Section 3

Paragraph(b)(4) of the 1968 Agreement is amended by substituting the figure "\$10,000,000" for the figure "\$1,000,000" wherever the latter figure appears.

ARTICLE VIII - VACATIONS

Existing agreements pertaining to vacations are amended to provide that an employee receiving a vacation, or pay in lieu thereof, will be paid for each week (five work days) of such vacation 1/52 of the compensation earned by such employee on the carrier on which the employee qualified for vacation during the calendar year preceding the year in which the vacation is taken. The term "compensation" as used herein shall be interpreted and applied consistent with the rules and practices on the carrier applicable to operating craft employees covered by agreements with the United Transportation Union.

ARTICLE IX - TURNOVER TIME

Existing agreements are amended to provide that an employee covered by this Agreement shall receive an allowance for all time consumed immediately prior or subsequent to the employee's regular tour of duty that is (i) required by the carrier, and (ii) directly involves the transition of ongoing work responsibilities between shifts. Such allowance shall not exceed an amount equal to fifteen (15) minutes' time at the straight time rate of pay.

ARTICLE X - GENERAL PROVISIONS

Section 1 - Court Approval

This Agreement is subject to approval of the courts with respect to participating carriers in the hands of receivers or trustees.

Section 2 - Effect of this Agreement

(a) The purpose of this Agreement is to fix the general level of compensation during the period of the Agreement and is in settlement of the dispute growing out of the notices dated November 1, 1999 served by and on behalf of the carriers listed in Exhibit A upon the organization signatory hereto, and the notices dated on or subsequent to November 1, 1999 served by the organization upon such carriers except as otherwise provided in Article IV of this Agreement.

(b) This Agreement shall be construed as a separate agreement by and on behalf of each of said carriers and their employees represented by the organization signatory hereto, and shall remain in effect through December 31, 2004 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

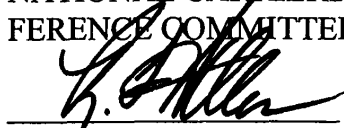
(c) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal for changing any matter contained in this Agreement or which proposes matters covered by the proposals of the parties cited in paragraph (a) of this Section, and any proposals in pending notices relating to such subject matters are hereby withdrawn except as otherwise provided in Article IV of this Agreement.

(d) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal which might properly have been served when the last moratorium ended on January 1, 2000.

(e) This Article will not bar management and committees on individual railroads from agreeing upon any subject of mutual interest.

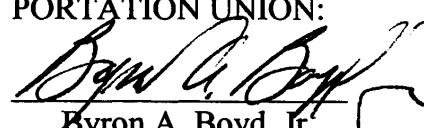
SIGNED AT WASHINGTON, D.C. THIS 20th DAY OF AUGUST, 2002.

FOR THE PARTICIPATING
CARRIERS LISTED IN EXHIBIT A
REPRESENTED BY THE
NATIONAL CARRIERS' CON-
FERENCE COMMITTEE:



Robert F. Allen
Chairman

FOR THE EMPLOYEES
REPRESENTED BY THE
YARDMASTERS DEPART-
MENT, UNITED TRANS-
PORTATION UNION:



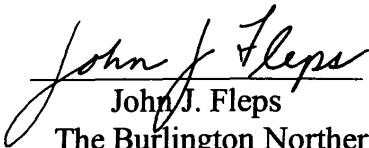
Byron A. Boyd, Jr.
President



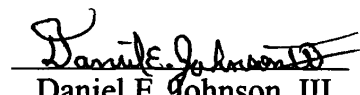
Emerson Bouchard
Kansas City Southern



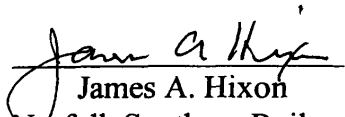
Paul C. Thompson
Assistant President



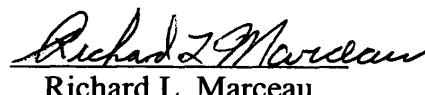
John J. Fleps
The Burlington Northern and
Santa Fe Railway Co.



Daniel E. Johnson, III
General Secretary and
Treasurer



James A. Hixon
Norfolk Southern Railway Co.



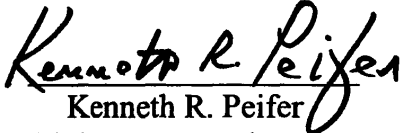
Richard L. Marceau
Vice President



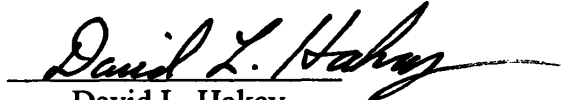
John J. Marchant
Union Pacific Railroad



Carl M. Vahldick
Vice President



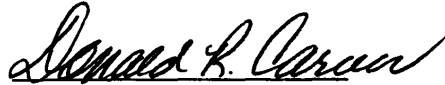
Kenneth R. Peifer
CSX Transportation, Inc.



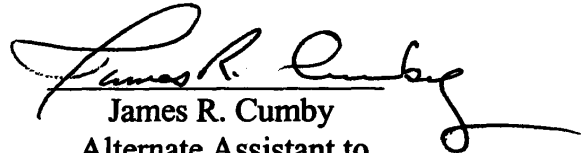
David L. Hakey
Vice President



Arthur Martin, III
Vice President



Donald R. Carver
Assistant to President-Yard-
Masters

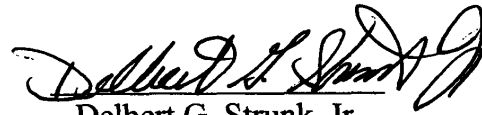


James R. Cumby
Alternate Assistant to
President - Yardmasters

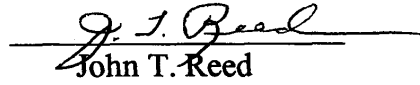


David B. Snyder
General Chairperson, BNSF

-19-



Delbert G. Strunk, Jr.
General Chairperson, NS



John T. Reed
General Chairperson, CSXT

August 20, 2002
#1

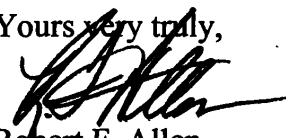
Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

Dear Mr. Boyd:

This confirms our understanding that the provisions of Document "B" of the Agreement of this date will also be applied to yardmasters who are represented by the United Transportation Union but not represented by its Yardmasters Department.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,



Robert F. Allen

I agree:



Byron A. Boyd, Jr.

August 20, 2002
#2

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

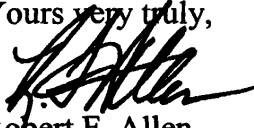
Dear Mr. Boyd:

This confirms our understanding with respect to Document "B" of the Agreement of this date.

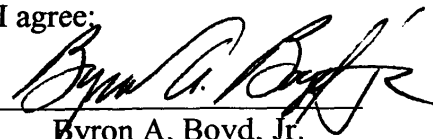
In the event that this Agreement becomes effective subsequent to July 1, 2002, any cost-of-living amount payments made to employees pursuant to Article II, Part C, Document "B" of Appendix D of the Award of Arbitration Board No. 559 on and after that date shall be recovered from any retroactive wage increase payments made under Article I.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,


Robert F. Allen

I agree:


Byron A. Boyd, Jr.

August 20, 2002
#3

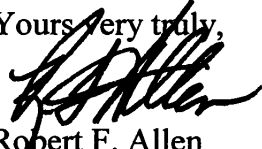
Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

Dear Mr. Boyd:

This confirms our understanding with respect to Article V - Service Scale of Document "B" of the Agreement of this date.

The parties agree that at the earliest opportunity in the next national bargaining round, the matter of relating the existing service scales in effect on each participating road to training and experience will be addressed.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,

Robert F. Allen

I agree:

Byron A. Boyd, Jr.

August 20, 2002

#4

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107

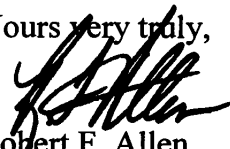
Dear Mr. Boyd:

This confirms our understanding with respect to Document "B" of the Agreement of this date.

The parties exchanged various proposals and drafts antecedent to adoption of the various Articles that appear in this Agreement. It is our mutual understanding that none of such antecedent proposals and drafts will be used by any party for any purpose and that the provisions of this Agreement will be interpreted and applied as though such proposals and drafts had not been used or exchanged in the negotiation.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,


Robert F. Allen

I agree:


Byron A. Boyd, Jr.

Exhibit A
(UTU - Ymstrs.)

CARRIERS REPRESENTED BY THE NATIONAL CARRIERS' CONFERENCE COMMITTEE IN CONNECTION WITH NOTICES DATED NOVEMBER 1, 1999 OF DESIRE TO REVISE AND SUPPLEMENT EXISTING AGREEMENTS IN ACCORDANCE THEREWITH, SERVED BY AND ON BEHALF OF SUCH CARRIERS UPON THE UNITED TRANSPORTATION UNION, AND NOTICES DATED ON OR SUBSEQUENT TO NOVEMBER 1, 1999 AND SERVED ON SUCH CARRIERS BY THE GENERAL CHAIRMEN, OR OTHER RECOGNIZED REPRESENTATIVES OF THE YARDMASTERS DEPARTMENT - UNITED TRANSPORTATION UNION FOR CONCURRENT HANDLING THEREWITH.

Subject to indicated footnotes, this authorization is co-extensive with notices filed and with provisions of current schedule agreements applicable to employees represented by the Yardmasters Department - United Transportation Union.

Alton & Southern Railway
The Burlington Northern and Santa Fe Railway Co.
Consolidated Rail Corporation - 3
Duluth, Missabe & Iron Range Railway Co. - 1
Kansas City Southern
New Orleans Public Belt Railroad - 2
Norfolk & Portsmouth Belt Line Railroad Co.
Norfolk Southern Railway Company
 The Alabama Great Southern Railroad Co.
 Atlantic and East Carolina Railway Co.
 Central of Georgia Railroad Co.

The Cincinnati, New Orleans & Texas Pac. Ry. Co.
Georgia Southern and Florida Railway Co.
Tennessee, Alabama and Georgia Railway Co.
Tennessee Railway Co.

Northeast Illinois Regional Commuter R.R. Corp. (METRA) - 4
Peoria and Pekin Union Railway Co.
Port Terminal Railroad Association
Portland Terminal Railroad Company
Terminal Railroad Association of St. Louis

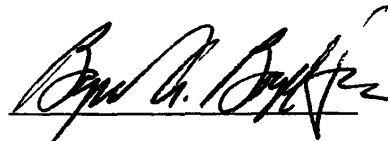
NOTES:

- 1 - Wages and Rules only.
- 2 - Health and Welfare only.
- 3 - Wages and Rules and Health and Welfare only.
- 4 - Health and Welfare and Supplemental Sickness only.

FOR THE CARRIERS:



FOR THE UNITED TRANSPORTATION UNION:



August 20, 2002
Washington, D.C.



QUESTIONS AND ANSWERS

ENTERED
Office of Proceedings

SEP 5 2002

Part of
Public Record

Article I - Wages

Q-1 How do the eligibility provisions for the Longevity Bonus in this Agreement differ from the eligibility provisions for the Signing Bonus and Lump Sum Payments provided for in Article I, Document "A" of Appendix D of the Award of Arbitration Board No. 559 dated May 8, 1996 ("1996 Agreement")?

A-1 The dates, of course, are different, and the time period for ascertaining eligibility is different. All other eligibility issues should be governed by how eligibility was determined under the 1996 Agreement.

* * * * *

Q-2 What are some examples of the application of the Answer to Q-1?

A-2 The following are illustrative examples:

E-1. An employee is reinstated to service with seniority unimpaired but without pay for all time lost. Is such employee entitled to the payment provided for in Section 1(a)?

No.

E-2. Will receipt of vacation pay during the period July 1, 2002 and August 31, 2002 qualify an individual for the Longevity Bonus?

No.

E-3. An employee received compensation for active service performed during the period July 1, 2002 and August 31, 2002 but died prior to September 1, 2002. Is this employee eligible for the Longevity Bonus?

Yes, provided the employee is otherwise eligible as provided in the Article.

E-4. Will employees on reserve boards, guaranteed extra boards, and the like, and those employees receiving displacement/dismissal allowance under the various labor protective provisions be eligible for the Longevity Bonus provided for in the Article?

Yes, provided that such employees are otherwise eligible as provided in the Article.

E-5. Will the Longevity Bonus be included in earnings for calculation of vacation pay?

Yes.

E-6. Will employees on authorized military leave during the period specified in Article I, Section 1(b)(3)(i) be eligible for the Longevity Bonus upon return to service with the Carrier?

Yes, provided they have established seniority in train or engine service with a covered carrier on or before October 31, 1985.

E-7. If an employee is unable to work at any time between July 1, 2002 through August 31, 2002 due to his/her part-time involvement with union business, is such employee eligible for the Longevity Bonus?

No.

* * * * *

Q-3 Will the payment of the Longevity Bonus be used to offset any guarantee an employee may be receiving, regardless of type of guarantee it may be?

A-3 The Longevity Bonus cannot be used to offset guarantees in protective agreements or arrangements.

* * * * *

Q-4 Under what circumstances will UTU members working as engineers be eligible for the Longevity Bonus?

A-4 If such employee performed service under a UTU collective bargaining agreement at any time during the period July 1, 2002 through August 31, 2002 and is otherwise eligible, such employee will be eligible for the Bonus.

* * * * *

Q-5 How will General Wage Increases (GWI) and Cost-of-Living (COLA) be applied to other than standard rates of pay and monthly guarantees applicable to road and yard service employees?

A-5 The GWI's and COLA's provided for in this Agreement will be applied in the same manner as they have been applied in the past.

* * * * *

Q-6 Will the 4% GWI be paid retroactive to July 1, 2002, following ratification and adoption of this Agreement?

A-6 Yes.

* * * * *

Q-7 Is it the parties' intent that an employee who otherwise qualified under Article I, Section 1, and who received compensation for active service performed during the specified period, would not be eligible for the

Page -4-

Longevity Bonus if he/she were off at any time during the qualification period for union business?

A-7 No.

Article II - Optional Alternative Compensation Program

Q-1 How will such a program be determined and implemented?

A-1 The program is totally optional, and will be offered at each Carrier's discretion, and will be implemented only by mutual agreement between the parties.

* * * * *

Q-2 What is meant by the term "smallest employee grouping that can be reasonably administered"?

A-2 The least number of employees agreed to by the parties.

* * * * *

Q-3 May employees elect to opt out of an agreed to "Optional Alternative Compensation Program" when offered?

A-3 Alternative compensation arrangements negotiated under this Article will cover only the employees mutually agreed to by the parties.

Article III - Cost-of-Living Payments

Q-1 Will the cost-of-living adjustments provided for in Part B be applicable to overmile rates of pay?

A-1 Yes.

Article IV - Health and Welfare

Q-1 Will any tentative agreement to change Health and Welfare coverage go out for ratification to the affected membership of UTU?

A-1 Yes

Article V - Pay System Simplification

Q-1 May the parties subject to the local negotiations that establish Trip Rates agree to include other components (including overtime) in Trip Rates?

A-1 Yes, provided there is mutual agreement to do so.

* * * * *

Q-2 If an employee is subject to entry rates and rate progression at the time Trip Rates are established, is such employee to receive the applicable percentage, i.e., 75%, 80%, 85%, etc., of the newly established Trip Rate?

A-2 Yes, as provided in Article V, Part B, Section 4(c)(2) and Article VI.

* * * * *

Q-3 Under Article V, Parts B and C, will Trip Rates be developed and implemented on the same basis described therein for engineers and firemen (where applicable) on those properties where UTU is the duly designated representative for such employees under the Railway Labor Act?

A-3 Yes.

* * * * *

Q-4 Once a Trip Rate has been developed, are future general wage increases and cost-of-living allowances applicable to the entire Trip Rate?

A-4 Yes, except as provided in Article V, Part B, Section 4(c)(1).

Q-5 Once a pay element has been incorporated in the calculation of the trip rate, will claims for that pay element be considered by the Carrier?

A-5 No. Claims for such pay elements incorporated in the Trip Rate will not be considered by the Carrier and will not be responded to.

* * * * *

Q-6 Will all claim settlements or arbitration decisions related to pay elements that are included in Trip Rates be incorporated in the Trip Rate calculation?

A-6 Yes, for those settlements or decisions that are based on events that took place during the applicable Test Period, but were not included during the initial Trip Rate calculation.

* * * * *

Q-7 Where a pool/run consists entirely of post-85 employees, will the earnings attributable to them be computed as if they were pre-85 employees?

A-7 Yes, but where the parties determine that recomputing earnings to determine as to what elements of pay to be incorporated in the Trip Rate would have been paid to pre-85 employees is not feasible, the parties may use data from a comparable run (comparable in length, running time, and other operating characteristics) to determine the value of such pay elements, which will be included in the Trip Rate computation.

* * * * *

Q-8 Will earnings paid to extra employees working in the pool be included in the test period?

A-8 Yes, as provided in Article V, Part B, Section 3.

Q-9 After the establishment of Trip Rates, the Carrier required additional work of a crew so as to violate a work rule not included in the Trip Rate calculation. Is such penalty payment still applicable and, if so, at what rate?

A-9 Yes, penalty payments not included in the Trip Rate will still be payable at the same amount at which paid prior to the establishment of Trip Rates. For example, if a certain penalty payment is paid as a basic day prior to the establishment of Trip Rates and that penalty payment is not included in the Trip Rate, the proper penalty payment would still be a basic day after the implementation of Trip Rates.

* * * * *

Q-10 How will an employee covered by the Trip Rates be compensated for personal leave days, holiday pay and/or vacation pay?

A-10 Compensation for personal leave days, holiday pay and/or vacation pay, will continue to be paid in accordance with rules and practices in existence prior to establishment of Trip Rates. If those rules and practices require payment of earnings of a trip, Trip Rates, if established, will apply.

* * * * *

Q-11 Can either party, i.e., UTU or Carrier, submit a dispute over the Trip Rate implementation to the National Disputes Committee?

A-11 Yes.

Q-12 At what point is it appropriate for a dispute to be referred to the National Disputes Committee?

A-12 After notice has been served pursuant to Article V, Part B, Section 9(a) and carrier has proposed a Test Period for a particular run/pool, if an impasse develops, either party may refer a dispute to the National Disputes Committee.

* * * * *

Q-13 Does a Trip Rate proposed by the Carrier, based solely upon the incorporation of the National Pay Elements set forth in Section 5, become effective thirty (30) days after the Carrier's notice is served, absent agreement between the parties?

A-13 Yes, unless the UTU representative(s) make a timely written referral of the matter to the National Disputes Committee.

* * * * *

Q-14 If Trip Rates are not established by the date specified in Article V, Part B, Section 9(g), can the Carrier delay the application of the national pay elements set forth in Article V, Part B, Section 5 to post October 31, 1985 employees effective the next day after that date by simply referring the matter to the National Disputes Committee?

A-14 No. Under those circumstances, Article V, Part B, Section 9(h) provides in part that, effective on the next day after the date specified in Article V, Part B, Section 9(g), post October 31, 1985 employees on runs/pools for which Trip Rates have not been implemented by such date "will be paid on the same basis as Pre-85 Employees represented by UTU with respect to the national pay elements identified in Section 5 of this Part", and the National Disputes Committee will resolve the Trip Rate issue(s) in dispute if such is referred to the Disputes Committee by either party. However, disputes pending before the National Disputes Committee prior to such

date over any issue will be governed solely by the outcome of the dispute resolution process as provided in Article V, Part B, Section 9(h).

* * * * *

Q-15 Does the implementation of Trip Rates permit road crews to perform any additional work (moves) at the initial, intermediate or final terminals over and above that permitted by existing agreements?

A-15 Article V, Part A, Section 1(b) provides that the provisions of the new pay system will have no effect on work rules except where a pay element is incorporated in a Trip Rate.

* * * * *

Q-16 In computing overtime will the Trip Rate be used?

A-16 No. Overtime will continue to be applied as it is now.

* * * * *

Q-17 Will Trip Rates be applicable to both the working trip and the deadhead trip?

A-17 Yes. Where Trip Rates are implemented, employees will receive the Trip Rate for both the deadhead and the working trip. Multiple Trip Rates will not be paid when service and deadhead(s) are combined during a tour of duty.

* * * * *

Q-18 Road extra board employees are used to provide Hours of Service relief as well as protecting other road assignment vacancies. How will these employees be compensated when performing service once Trip Rates are established?

A-18 A road extra board employee called to provide hours of service relief, in straight away or multiple trip turnaround service, will be paid the Trip Rate of the service for which called. When called to fill vacancies, road extra board employees will be paid the appropriate Trip Rate of the assignment for which called.

* * * * *

Q-19 What constitutes a "material change"?

A-19 Article V, Part B, Section 8 provides a process for adjustment of an established Trip Rate in response to a subsequent material change, i.e., one that significantly affects the run/pool.

* * * * *

Q-20 What elements of pay will be included in a yard Trip Rate?

A-20 This determination will be made, where the parties agree to implement a yard Trip Rate, on a basis that is consistent both with yard service and with the terms, conditions, principles and guidelines set forth in Parts A and B of Article V.

* * * * *

Q-21 How will the "12-month period of normalized operations" be determined in calculating Trip Rates?

A-21 The 12-month Test Period will be proposed by the carrier in its notice, with the burden of substantiating such period as reflecting "normalized operations" for the pool/run placed on the carrier.

Q-22 Will the establishment of Trip Rates in any way affect Crew Consist provisions?

A-22 No.

* * * * *

Q-23 Will pay elements not specifically included in Trip Rates continue to be applicable?

A-23 Yes.

* * * * *

Q-24 How will Trip Rates be determined for new runs/pools since there is no "Test Period"?

A-24 As provided in Article V, Part B, Section 7.

* * * * *

Q-25 Will the establishment of Trip Rates have any affect on local agreements providing for mileage and/or earnings regulations.

A-25 No. Such local agreements will continue to apply.

* * * * *

Q-26 Does the 12-month period of Normalized Operations contemplated by this Article have to be consecutive?

A-26 Yes, if the 12 consecutive months actually reflect Normalized Operations.

Q-27 Are additional mileage or time payments, such as constructive mileage or terminal mileage payments, afforded certain group(s) of employees as a result of other agreement rules or provisions other than the October 31, 1985 National Agreement to be included in the earnings used to develop a Trip Rate?

A-27 No.

* * * * *

Q-28 Does the term "yard runarounds" refer to road crews who are called in order but depart the initial terminal out of that order?

A-28 Yes.

* * * * *

Q-29 Will implementation of Trip Rates change a protected employee's test period average or test period hours?

A-29 No.

Article VI - Service Scale

Q-1 If an agreement is not reached on an individual railroad as contemplated by Section 3, how will employees establishing seniority on or after July 1, 2004 be compensated?

A-1 In accordance with the rules that adjust employee compensation based on length of service in effect on such railroad on June 30, 2004

* * * * *

Q-2 Are entry rates and rate progression provisions of existing agreements eliminated on July 1, 2004?

A-2 Yes, but only for employees subject to such provisions on June 30, 2004 represented by UTU and only when working in a UTU represented craft as a conductor/foreman, brakeman/helper, hostler, engineer (where represented by UTU) or yardmaster on and after July 1, 2004.

* * * * *

Q-3 A local rule currently provides that an employee who is subject to rate progression will be paid, when working as a conductor, at the full rate of pay. Is that local rule affected by Article VI?

A-3 No.

* * * * *

Q-4 How will the new Service Scale contemplated by Section 3 be established?

A-4 By the Carrier, subject to review by the organization representative(s).

Q-5 Will the Service Scale to be established by the Carrier be identical to that which is governed by existing rules, which are in effect on such Carrier on June 30, 2004?

A-5 Yes.

* * * * *

Q-6 Does this Article apply to firemen in training programs to become locomotive engineers?

A-6 No.

Article VII - Enhanced Manpower Utilization

Q-1 What is meant by the phrase "authorized or approved time off"?

A-1 This phrase is intended to mean the time such as, but not limited to, when an employee is off account of personal illness, Family and Medical Leave Act, personal leave days, vacations, or any other approved time off.

* * * * *

Q-2 Is the Carrier required to provide the organization representative(s) anything more than a synopsis of their proposed rule?

A-2 Yes. A detailed proposal must be provided to the organization representative(s) prior to any submission of the matter to final and binding arbitration.

* * * * *

Q-3 Will this Article have any affect on existing work/rest agreements currently in effect?

A-3 No.

Article VIII - National Wage & Rules Panel

Q-1 Are the items to be considered by the Panel limited to those set forth in this rule?

A-1 No. The parties are free to discuss and resolve any matters of mutual concern consistent with the intent of this forum.

Article IX - Off-Track Vehicle Accident Benefits

Q-1 What effect do the improvements to the Off-Track Vehicle Accident benefits have upon employees entitled to receive them?

A-1 The Off-Track Vehicle Accident benefit improvements merely increase existing benefit levels.

* * * * *

Q-2 What changes were made to the application of "Off Track Vehicle Coverage"?

A-2 The benefits were increased and there are no changes to the application.

Article X - General Provisions

Q-1 In several Articles of this Agreement reference is made to the date October 31, 1985 when discussing "pre-85" and "post-85" employees.

The parties recognize that other specific dates may exist in agreements which define issues relative to "pre-85" and "post-85" employees, such as, but not limited to, the June 28, 1985 Conrail Agreement and the June 15, 1987 Agreement covering Yardmasters represented by the former Railroad Yardmasters of America.

Accordingly, do the parties agree that the reference to "pre-85" and "post-85" employees in this Agreement is intended to include all employees such as those referenced above?

A-1 The parties agree that this must be answered on a case-by-case basis in light of the parties' mutual intentions and an evaluation of the relevant facts and circumstances.

Yardmasters - Document B

Article I - Wages

Q-1 If a yardmaster has a seniority date after June 15, 1987, but does have seniority in another craft represented by UTU prior to October 31, 1985, per Document "A", will he qualify for the \$1,200 Longevity Bonus?

A-1 Yes, if otherwise eligible under Article I, Section 1(b).

* * * * *

Article VI - Supplemental Sickness

Q-1 Do the amendments in Article VI affect Sickness Plans on carriers that are covered by the National Agreement but not party to the October 31, 1978 Supplemental Sickness Benefit Agreement?

A-1 No.

* * * * *

Article VIII - Vacations

Q-1 In a vacation step up year, does a yardmaster receive compensation for the additional week in that year if the week is taken after his/her anniversary date?

A-1 Only if provided for under existing agreements.

Remote Control Agreement

Q-1 Will the 46 minute payment for remote control operation continue and be subject to all future general wage increases and COLA's?

A-1 Yes, because such increases are automatically built into the 46 minutes.

* * * * *

Q-2 May the carrier offer engine service employees up to 50% of any RCL buyouts and reserve board positions, etc.?

A-2 Yes.

* * * * *

Q-3 May those engineers who accept an RCL buyout or reserve board position, etc. belong to either BLE or UTU?

A-3 Yes, they may belong to either organization.

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REMOTE CONTROL AGREEMENT



THIS AGREEMENT, made this 20th day of August, 2002, by and between each of the carriers listed in Exhibit A, attached hereto and made a part hereof, and the employees of such carriers shown thereon and represented by the United Transportation Union, regarding each such carrier's implementation and utilization of remote control technology for assignments including, but not limited to, yard engines, road switchers, locals and other comparable assignments, witnesseth:

Section 1 - Protection

Protection shall be provided to covered employees in connection with implementation of this Agreement as provided in Attachment A hereto.

Section 2 - Compensation

Effective January 1, 2002, each employee covered by this Agreement assigned to a Remote Control Operator-qualified ("RCO") position and operating Remote Control Locomotive ("RCL") equipment will be paid a special allowance per tour of duty in the amount equal to forty-six minutes at the straight time hourly rate of the applicable position in addition to all other earnings. In no event will there be more than one such payment to an employee per tour of duty.

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Section 3 - Training/Certification

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- A. For each location where remote control equipment is implemented, the Carrier will provide training so that all ground service employees will be qualified to use remote control equipment. Carrier training programs shall be conducted frequently enough to ensure that employees will be able, without unreasonable delay, to freely exercise seniority to and from RCO assignments. Yardmasters supervising remote control operations will be trained to become familiar with procedures governing remote control operations.

- B. As a sufficient number of RCO-qualified UTU-represented employees are trained, they may be used to train ground service employees during the on-the-job portion of the training, with the selection of UTU-represented RCO trainers to be a joint effort between UTU and Carrier. Certification remains a responsibility of management.

Section 4 - Bidding/Protection of Positions

- A. RCL assignments shall be advertised in the usual manner at the implementing location.
- B. If insufficient bids are received for the RCO positions involved (including relief), employees shall be force assigned in the usual manner at the implementing location.
- C. Each employee bidding or assigned to an RCO position shall complete the Carrier's RCO training program and shall be held on such position until such time as sufficient qualified employees are available at the location to protect such position.

Section 5 - Overview Committee

- A. A local overview committee consisting of two (2) UTU and various Carrier representatives will meet at mutually agreeable times and locations to discuss and resolve issues and problems associated with the implementation of remote control technology. The UTU representatives shall be selected by the organization.
- B. Regular meetings will occur during the first one-hundred twenty (120) days of operation and on an "as needed" basis thereafter. During such 120-day period, the UTU representatives shall be made whole for lost time, if any, due to attending committee meetings.

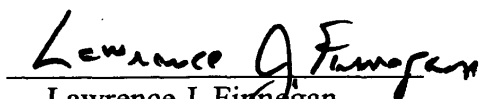
- C. The UTU Local Chairmen may participate in the training program as observers for purposes of becoming familiar with and explaining the use of remote control technology to prospective trainees and interested employees.

SIGNED AT WASHINGTON, D.C. THIS 20th DAY OF AUGUST, 2002.

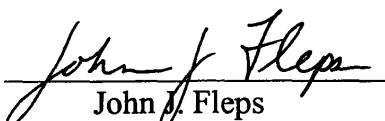
FOR THE CARRIERS:



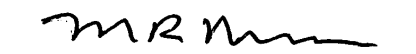
Emerson Bouchard
Kansas City Southern



Lawrence J. Finnegan
Consolidated Rail Corporation

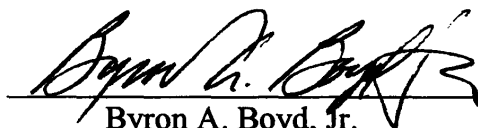


John J. Fleps
The Burlington Northern and
Santa Fe Railway Company

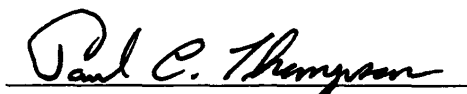


Mark R. MacMahon
Norfolk Southern Railway Co.

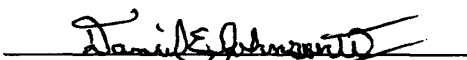
FOR THE EMPLOYEES REPRESENTED BY THE UNITED TRANSPORTATION UNION:



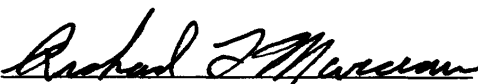
Byron A. Boyd, Jr.
President



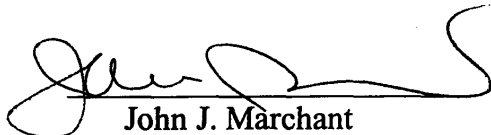
Paul C. Thompson
Assistant President



Daniel E. Johnson, III
General Secretary and Treasurer



Richard L. Marceau
Vice President

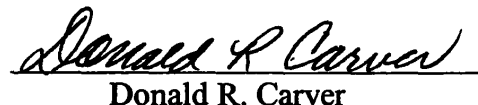

John J. Marchant
Union Pacific Railroad

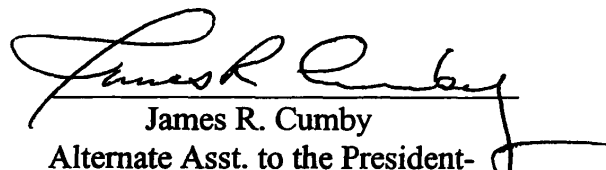

Kenneth R. Peifer
CSX Transportation, Inc.


Carl M. Vahldick
Vice President


David L. Hakey
Vice President


Arthur Martin, III
Vice President


Donald R. Carver
Asst. to the President-Yardmasters


James R. Cumby
Alternate Asst. to the President-
Yardmasters


David B. Snyder
General Chairperson, BNSF

Page -5-

A handwritten signature in cursive script, reading "Delbert G. Strunk, Jr.", written over a horizontal line.

Delbert G. Strunk, Jr.
General Chairperson, NS

A handwritten signature in cursive script, reading "John T. Reed", written over a horizontal line.

John T. Reed
General Chairperson, CSXT

ATTACHMENT A

LABOR PROTECTION

1. A protected class of employees shall be established to include those employees in train service (and engine service where UTU holds the contract) as of the effective date of this Agreement. Employees on the effective date of this Agreement who are (i) furloughed and subsequently recalled, (ii) out of service due to carrier disciplinary action and subsequently reinstated to service with seniority unimpaired, or (iii) in yardmaster or engine service (where UTU does not hold the contract), and hold train service seniority, and subsequently exercise such seniority, will be included in the protected class.
2. The period that any member of the protected class may be eligible for protection as provided herein shall be six (6) years from the first date on which an RCL assignment is established in his location.
3. At any location where an RCL assignment is established, the senior protected employee who cannot hold a position through the normal exercise of seniority will qualify to hold a remote control protection ("RCP") slot as provided for below. The normal exercise of seniority to another location shall not reduce the number of RCP slots. If a question develops as to which employee is the appropriate occupant of the RCP slot, the General Chairman and designated carrier representative will determine which employee will occupy such slot.
4. Upon establishment of an RCL assignment, a RCP slot shall be created at that location on a one-for-one basis, i.e., one slot for each such assignment.

5. Any RCP slots shall be reduced on a one-for-one basis by any of the following:
 - A. A buy-out accepted by a train or engine service employee (in service on the effective date of this Agreement) on that seniority district after the effective date of this Agreement;
 - B. The abolishment of an RCL assignment at that location; or
 - C. The establishment of any RCL reserve board position, etc. for train or engine service employees at that location.

Note: See attached Side Letter

6. An employee holding a protected slot shall be paid at the yard helper rate based on 5 days per week, provided however, that when his last regular assignment was as a yard foreman, the yard foreman rate shall apply.
7. There shall be no pyramiding of any protective benefits, but the employee shall be paid the higher level of protection.
8. This Agreement does not change any existing rights or obligations employees have under existing protective arrangements.

August 20, 2002

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, OH 44107

Dear Mr. Boyd:

This is in reference to the Agreement dated August 20, 2002 between certain carriers and the United Transportation Union concerning implementation of remote control technology.

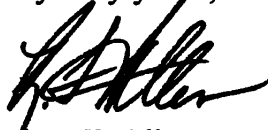
Appendix A, Labor Protection, of that Agreement provides in pertinent part for the reduction of Remote Control Protection ("RCP") slots created thereunder on a one-for-one basis for (i) a buy-out accepted by a train or engine service employee (in service on the effective date of the Agreement) on an affected seniority district, or (ii) the establishment of a Remote Control Locomotive ("RCL") reserve board position, etc. for train or engine service employees at the affected location.

This will confirm our mutual agreement as to the manner in which such provisions will be applied. If RCL buy outs are offered on an affected seniority district, the Carrier may offer up to one-half of the total buy outs to engine service employees. Any such buy outs shall be offered in seniority order to affected employees. The same arrangements would apply to establishment of RCL reserve board positions at the affected location.

Page -9-

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,



Robert F. Allen

I agree:



Byron A. Boyd, Jr.

August 20, 2002

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, OH 44107

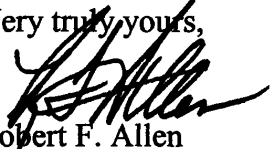
Dear Mr. Boyd:

This is in reference to the Agreement dated August 20, 2002 concerning implementation of remote control technology (Agreement).

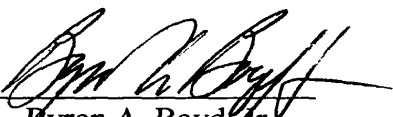
This will confirm our understanding that where applicable rules unduly restrict implementation of the objectives of Section 4 of the Agreement at a location, the parties commit to developing a process that will temporarily amend such rules to permit the effective and expeditious implementation of remote control technology. The parties understand the process is intended to facilitate implementation of such technology at the location, and not to permanently modify existing rules.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,


Robert F. Allen

I agree:


Byron A. Boyd, Jr.

August 20, 2002

Mr. Byron A. Boyd, Jr.
President
United Transportation Union
14600 Detroit Avenue
Cleveland, OH 44107

Dear Mr. Boyd:

This is in reference to the Agreement dated August 20, 2002 concerning implementation of remote control technology (Agreement).

This will confirm our understanding that any of the carriers listed in the attachment to this Letter may elect to become a party to the Agreement as provided herein.

1. Such election shall be made by written notice served on the appropriate organization representative(s). Such notice may be served at any time within the ninety (90) day period following the date of the Agreement and will become effective fifteen (15) days after the date of service.
2. If a dispute arises between the carrier and any labor organization affecting implementation of remote control technology pursuant to Paragraph 1 of this Letter, such dispute shall be resolved directly by such parties in accordance with applicable law.

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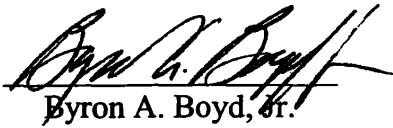
Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. F. Allen", written in a cursive style.

Robert F. Allen

I agree:

A handwritten signature in black ink, appearing to read "Byron A. Boyd, Jr.", written in a cursive style.

Byron A. Boyd, Jr.

ATTACHMENT

Alameda Belt Line
Alton & Southern Ry.
Bessemer and Lake Erie Railroad
Central California Traction Co.
Duluth, Missabe and Iron Range Ry. Co.
Elgin, Joliet and Eastern Ry. Co.
Longview Switching Co.
Los Angeles Junction Ry. Co.
Manufacturers Ry. Co.
Norfolk & Portsmouth Belt Line R.R. Co.
Oakland Terminal Ry.
Port Terminal Railroad Association
The Texas Mexican Ry. Co.*
Terminal Railroad Association of St. Louis
Portland Terminal R.R. Co.
Winston-Salem Southbound Ry. Co.
Wichita Union Terminal Ry. Co.

- * UTU's representation of employees on this carrier terminated effective July 15, 2002

EXHIBIT A

The Burlington Northern and Santa Fe Railway Company

Consolidated Rail Corporation

CSX Transportation, Inc.

The Baltimore and Ohio Chicago Terminal R.R. Co.

CSXT Northern (former Conrail)

Gainesville Midland R.R.Co.

Western Railway of Alabama

Kansas City Southern

Norfolk Southern Railway Company

The Alabama Great Southern R.R.Co.

Atlantic and East Caroline Ry. Co.

Central of Georgia R.R.Co.

The Cinn. N.O. and Tex. Pac. Ry. Co.

Georgia Sou. and Florida Ry. Co.

Tenn. Ala. and Georgia Ry. Co.

The Tennessee Railway Co.

Union Pacific Railroad

Workpapers Sent to STB for 2002 Q4 RCAF

September 5, 2002



1. Index Calculation Spreadsheet (index_calc.xls, 2 pages)
2. Summary (of ST and PFTNW Hourly Rates) (Q4 and restated Q3)
3. National Contracts spreadsheet, 2 sections (2 and 5 pages)
4. National Increase Applicability and U.S. 2001 Benchmark spreadsheets
5. National Railway Labor Conference memos concerning COLAs (2)
6. 4 pages from UTU & UTU-YMD contracts concerning COLAs and wage increase
7. Wall Street Journal - 3 month Treasury Bill Rate
8. "Yardmasters ratify CSXT agreement" from UTU web site
9. 2 pages from GTW-NCFO contract
10. 2002/Q4 RCAF Lump Sum Amortization (4 pages)
11. 2 pages from GTW-NCFO contract concerning signing bonus
12. National UTU Lump Sum added 2002 Q4....
13. Memo concerning UTU Signing Bonus -- (actually a Longevity Bonus)
14. 1 page from UTU Document "A" concerning Longevity Bonus
15. National UTU-YMD Lump Sum added 2002 Q4....
16. 1 page from UTU Document "B" Yardmasters Dept. concerning Longevity Bonus
17. 2002/Q4 RCAF Back Pay Amortization (4 pages)
18. Back Pay for National UTU added to RCAF 2002Q4
19. Back Pay for National UTU-YMD added to RCAF 2002Q4
20. Health & Welfare worksheet with 3 pages of rates info
21. Railroad Retirement spreadsheet (5 pages)
22. Supplemental Annuity memo
23. Unemployment Insurance worksheet, 2 pages from SAS run, 3 pages supporting data
24. 11 pages of heating oil history and outlook
25. Summary of M&S
26. Car Hire Spreadsheet (2 pages)
27. 4 pages of PPI-RE for Depreciation
28. Interest Rate Index calculation spreadsheet
29. 4 pages of PPI-LF for Other (and Lease Rentals)
30. Forecast Error calculation and workpapers (9 pages)

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Benchmarking Data

1. 2001 RCAF Weights (12 pages)
2. Benchmarks for Supplements (2 pages)
3. Calculation of 12/31/2001 Straight Time Hourly Rate (3 pages)
4. Railroad Retirement & Medicare 2001 (4 pages)
5. 2001 112-Class Wage Statistics (Summary)

LABOR INDEX (RCAF)

	01 Wts.	3Q/02	3Q/02	% Chg	4Q/02	% Chg	1Q/03	% Chg	2Q/03	% Chg	3Q/03	% Chg
		Original	Rebenchd		ft. Orig							
Straight Time		\$21,550	\$21,565	0.1%	\$21,742	0.9%						
PFTNW		\$5,178	\$5,480	5.8%	\$5,566	7.5%						
Total		\$26,728	\$27,045	1.2%	\$27,308	2.2%	\$0,000	--	\$0,000	--	\$0,000	--
Adjustments												
Lump Sum		\$0,055	\$0,058		\$0,145							
Back Pay		\$0,003	\$0,003		\$0,070							
Other		\$0,002	\$0,002		\$0,002							
Total Wages		\$26,786	\$27,108	1.2%	\$27,525	2.8%	\$0,000	--	\$0,000	--	\$0,000	--
H & W		\$3,099	\$3,624	16.9%	\$3,624	16.9%						
RR Ret & Medicare		\$6,482	\$6,501	0.3%	\$6,572	1.4%			\$0,000	--	\$0,000	--
Suppl. Annuities		\$0,000	\$0,000		\$0,000		\$0,000	--	\$0,000	--	\$0,000	--
Unemp. Insurance		\$0,269	\$0,267	-0.7%	\$0,267	-0.7%						
Other		\$0,009	\$0,009	0.0%	\$0,010	11.1%						
Total		\$9,859	\$10,401	5.5%	\$10,473	6.2%	\$0,000	--	\$0,000	--	\$0,000	--
Adjustments												
Total Suppl.		\$9,859	\$10,401	5.5%	\$10,473	6.2%	\$0,000	--	\$0,000	--	\$0,000	--
Total Labor		\$36,647	\$37,509	2.4%	\$37,998	3.7%	\$0,000	--	\$0,000	--	\$0,000	--
Wage Rate Index	0.7200	229.3	232.0	1.2%	235.6	2.7%	0.0	--	0.0	--	0.0	--
Suppl Index	0.2800	364.3	384.4	5.5%	387.0	6.2%	0.0	--	0.0	--	0.0	--
Total Labor Index '00 Wts.		265.2										
Total Labor Index '01 Wts.		267.1	274.7	2.8%	278.0	4.1%	0.0	--	0.0	--	0.0	--
Labor Index (Linked)		257.1			267.6	4.1%	0.0	-100.0%	#DIV/0!	--	#DIV/0!	--

ALL-INCLUSIVE INDEX

	01 Wts	3Q/02 00 Wts	3Q/02 01 Wts	% Chg	4Q/02	% Chg	1Q/03	% Chg	2Q/03	% Chg	3Q/03	% Chg
Labor	0.378	257.10	257.1	0.0%	267.6	4.1%	0	-100.0%	#DIV/0!	--	#DIV/0!	--
Fuel	0.105	94.40	94.4	0.0%	103.5	9.6%	--	--	--	--	--	--
M&S	0.046	149.90	149.9	0.0%	148.6	-0.9%	--	--	--	--	--	--
Equip. Rents	0.105	177.00	177.0	0.0%	175.9	-0.6%	0	-100.0%	#DIV/0!	--	#DIV/0!	--
Depreciation	0.106	149.70	149.7	0.0%	149.7	0.0%	--	--	--	--	--	--
Interest	0.038	108.80	108.8	0.0%	98.6	-9.4%	98.6	0.0%	98.6	0.0%	98.6	0.0%
Other	0.222	160.10	160.1	0.0%	160.2	0.1%	--	--	--	--	--	--
Weighted Avg.	1.000	186.40	188.1	0.9%	192.5	2.3%	3.7	-98.1%	#DIV/0!	--	#DIV/0!	--
Linked		185.60			189.9	2.3%	3.7	-98.1%	#DIV/0!	--	#DIV/0!	--
10/1/80 basis		180.70			184.9	2.3%	3.6	-98.1%	#DIV/0!	--	#DIV/0!	--
10/1/82		153.50			157.1	2.3%	3.1	-98.0%	#DIV/0!	--	#DIV/0!	--
4Q/87		140.40			143.6	2.3%	2.8	-98.1%	#DIV/0!	--	#DIV/0!	--
4Q/92		118.30			121.0	2.3%	2.4	-98.0%	#DIV/0!	--	#DIV/0!	--
4Q/97 basis		107.20			109.6	2.2%	2.1	-98.1%	#DIV/0!	--	#DIV/0!	--
Car Hire	0.515	182.70	182.7	0.0%	180.3	-1.3%	--	--	--	--	--	--
Lease Rents	0.485	160.10	160.1	0.0%	160.2	0.1%	0.0	--	0.0	--	0.0	--
Wghted Avg Eq Rents		172.00	171.7	-0.2%	170.6	-0.6%	0.0	--	0.0	--	0.0	--
Linked Equipment Rents		177.00			175.9	-0.6%	0.0	-100.0%	#DIV/0!	--	#DIV/0!	--
Preliminary RCAF	1.072				1.096	2.24%	0.021	-98.1%	#DIV/0!	--	#DIV/0!	--
Forecast Error Adj.	(0.010)				0.012							
RCAF Unadjusted	1.062				1.108	4.33%	0.021	-98.1%	#DIV/0!	--	#DIV/0!	--
PAF	1.9072				1.9288	1.03%	1.9466	1.03%				
RCAF Adjusted	0.557				0.575	3.23%	0.011	-98.1%	#DIV/0!	--	#DIV/0!	--
PAF-5	1.9784				1.9921	0.69%	2.0126	1.03%				
RCAF-5	0.537				0.556	3.54%	0.010	-98.2%	#DIV/0!	--	#DIV/0!	--

Hourly Rate for 2002 Q4 Straight Time and Time Paid For But Not Worked

2002Q4 Straight Time Hourly Rate (from national spreadsheet)	\$21.726
2001 Wage Stats, UTU 4% increase	

Adjustments to 2001 base:

Adjustments added 2002 Q1

GTW - BMWE, Carmen	3 Percent	0.001
IC & UP - ATDA	Non-Union Increase of 10 cents	0.000
IC - BLE, UTU, UTU-YDM	10 cents COLA	0.001
SOO - all unions	National-like COLAs	0.001

Adjustments added 2002 Q2

GTW - TCU	3 Percent retro effective 1/1/02	0.001
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Adjustments added 2002 Q3

IC - except UTU, UTU-YMD, BLE	3 percent general wage increase	0.005
SOO - BMWE ¹	2 retro increases + COLA + COLA in 2002Q1 offset	0.003

Adjustments added 2002 Q4

CSX - UTU-YMD ²	4 Percent retro effective 7/1/02	0.004
GTW - IBFO ³	3 percent retro to 1/1/01 and 1/1/02	0.000

Adjusted STHR Total	\$21.742
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Pay For Time Not Worked

PFTNW (from national spread sheet)		\$5.562
Ratio Adj STHR to Nat STHR	21.742 / 21.726 =	1.00074

Adjusted Pay For Time Not Worked	\$5.566
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¹ New contract signed 4/1/02 having retro GWI 3.5% 1/1/01 & 2% 7/1/01. Previous COLAs \$0.15 7/1/00, \$0.12 1/1/01, \$0.11 7/1/01, and \$0.10 were eliminated on various dates. Figure shown here is "net" after reductions for adjustments already in place.

² New contract signed 8/29/02 having retro GWI 4% to 7/1/02.

³ New contract signed 7/2/02 having retro GWI 3% 1/1/01 & 1/1/02 each.

Restated Hourly Rate for 2002 Q3 Straight Time and Time Paid For But Not Worked

2002Q3 Straight Time Hourly Rate (from national spreadsheet)	\$21.553
BMW 10 cent COLA added	

Adjustments to 2001 base:

Adjustments added 2002 Q1

GTW - BMW, Carmen	3 Percent	0.001
IC & UP - ATDA	Non-Union Increase of 10 cents	0.000
IC - BLE, UTU, UTU-YDM	10 cents COLA	0.001
SOO - all unions	National-like COLAs	0.001

Adjustments added 2002 Q2

GTW - TCU	3 Percent retro effective 2002 Q1	0.001
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Adjustments added 2002 Q3

IC - except UTU, UTU-YMD, BLE	3 percent general wage increase	0.005
SOO - BMW ¹	2 retro increases + COLA + COLA in 2002Q1 offset	0.003

Adjusted STHR Total	\$21.565
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Pay For Time Not Worked

PFTNW (from national spread sheet)	\$5.477
Ratio Adj STHR to Nat STHR 21.565 / 21.553 =	1.00056

Adjusted Pay For Time Not Worked	\$5.480
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¹ New contract signed 4/1/02 having retro GWI 3.5% 1/1/01 & 2% 7/1/01. Previous COLAs \$0.12 1/1/01, \$0.11 7/1/01, and \$0.10 1/1/02 were eliminated on various dates. Figure shown here is "net" after reductions for adjustments already in place.

Weight	Straight Time Hourly Rate													
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER
2001 Avg.	18.347	19.649	20.663	19.090	20.375	18.503	18.960	17.336	19.207	18.423	18.406	27.296	24.988	33.387
12/31/01	18.402	19.710	20.708	19.150	20.434	18.656	19.020	17.394	19.267	18.485	18.466	27.347	25.042	33.387
1/1/02	18.497	19.803	20.787	19.248	20.530	18.656	19.114	17.490	19.363	18.579	18.562	27.438	25.084	33.487
4/1/02	18.497	19.803	20.787	19.248	20.530	18.656	19.114	17.490	19.363	18.579	18.562	27.438	25.084	33.487
7/1/02	18.497	19.803	20.787	19.248	20.530	18.751	19.114	17.490	19.363	18.579	18.562	27.438	25.084	33.487
10/1/02	19.201	19.803	20.787	19.248	20.530	18.751	19.114	17.490	19.363	18.579	18.562	27.438	25.504	33.487
1/1/03	19.201	19.803	20.787	19.248	20.530	18.751	19.114	17.490	19.363	18.579	18.562	27.438	25.504	33.487
4/1/03	19.201	19.803	20.787	19.248	20.530	18.751	19.114	17.490	19.363	18.579	18.562	27.438	25.504	33.487
7/1/03	19.201	19.803	20.787	19.248	20.530	18.751	19.114	17.490	19.363	18.579	18.562	27.438	25.504	33.487

		Weighted Straight Time Hourly Rate												
UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER	Total
2001 Avg.	4.369	1.453	3.625	0.139	0.745	2.533	1.264	0.270	0.780	0.582	0.291	0.355	4.879	21.401
12/31/01	4.382	1.457	3.633	0.139	0.747	2.554	1.268	0.270	0.783	0.584	0.292	0.356	4.879	21.461
1/1/02	4.405	1.464	3.647	0.140	0.750	2.554	1.274	0.272	0.787	0.587	0.293	0.356	4.894	21.540
4/1/02	4.405	1.464	3.647	0.140	0.750	2.554	1.274	0.272	0.787	0.587	0.293	0.356	4.894	21.540
7/1/02	4.405	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.587	0.293	0.356	4.894	21.553
10/1/02	4.573	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.587	0.293	0.362	4.894	21.726
1/1/03	4.573	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.587	0.293	0.362	4.894	21.726
4/1/03	4.573	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.587	0.293	0.362	4.894	21.726
7/1/03	4.573	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.587	0.293	0.362	4.894	21.726

Note: The 2001 Average and 12/31/01 Straight Time Hourly Rates are the Industry rates and include all Class I railroad employees. The rates for 1/1/02 through 7/1/03 are based on the industry year-end rate updated by national union wage increases using contract information. These national increases are diluted using "percent national" ratios to account for non-national union contracts. The impact of non-national or independent contract increases after 2001 are not shown on this page and are handled separately.

National Contracts U.S.

Pay For Time Not Worked Hourly Rate												
UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR OTHER
Weight	0.23815	0.07394	0.17545	0.00727	0.03656	0.13691	0.06684	0.01555	0.04062	0.03165	0.01066	0.14614
2001 Avg.	9.077	4.833	8.165	3.571	3.866	3.813	3.103	2.601	3.593	3.099	5.681	0.962
12/31/01	9.104	4.848	8.183	3.582	3.877	3.845	3.113	2.610	3.605	3.109	5.691	0.962
1/1/02	9.151	4.871	8.214	3.600	3.895	3.845	3.128	2.624	3.623	3.126	5.710	0.965
4/1/02	9.151	4.871	8.214	3.600	3.895	3.845	3.128	2.624	3.623	3.126	5.710	0.965
7/1/02	9.151	4.871	8.214	3.600	3.895	3.864	3.128	2.624	3.623	3.126	5.710	0.965
10/1/02	9.499	4.871	8.214	3.600	3.895	3.864	3.128	2.624	3.623	3.126	5.710	0.965
1/1/03	9.499	4.871	8.214	3.600	3.895	3.864	3.128	2.624	3.623	3.126	5.710	0.965
4/1/03	9.499	4.871	8.214	3.600	3.895	3.864	3.128	2.624	3.623	3.126	5.710	0.965
7/1/03	9.499	4.871	8.214	3.600	3.895	3.864	3.128	2.624	3.623	3.126	5.710	0.965

Pay For Time Not Worked Hourly Rate												
UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR OTHER Total
2001 Avg.	2.162	0.357	1.433	0.026	0.141	0.522	0.207	0.040	0.146	0.098	0.061	0.141 5.435
12/31/01	2.168	0.358	1.436	0.026	0.142	0.526	0.207	0.041	0.146	0.098	0.061	0.141 5.452
1/1/02	2.179	0.360	1.441	0.026	0.142	0.526	0.208	0.041	0.147	0.099	0.061	0.141 5.475
4/1/02	2.179	0.360	1.441	0.026	0.142	0.526	0.208	0.041	0.147	0.099	0.061	0.141 5.475
7/1/02	2.179	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.099	0.061	0.141 5.477
10/1/02	2.262	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.099	0.061	0.141 5.562
1/1/03	2.262	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.099	0.061	0.141 5.562
4/1/03	2.262	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.099	0.061	0.141 5.562
7/1/03	2.262	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.099	0.061	0.141 5.562

U.S. National Contract

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UTU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				18.34734	9.07693
12/31/01 Industry Rate				18.40200	9.10398
1/1/02		0.10000	95.114%	18.49711	9.15103
4/1/02			95.114%	18.49711	9.15103
7/1/02		0.00000	95.114%	18.49711	9.15103
10/1/02	4.00%		95.114%	19.20085	9.49919
1/1/03			95.114%	19.20085	9.49919
4/1/03			95.114%	19.20085	9.49919
7/1/03			95.114%	19.20085	9.49919

10/1/02
increase
actually
retroactive
to 7/1/02.

TCU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				19.64908	4.83289
12/31/01 Industry Rate				19.71000	4.84788
1/1/02		0.10000	92.833%	19.80283	4.87071
4/1/02			92.833%	19.80283	4.87071
7/1/02		0.00000	92.833%	19.80283	4.87071
10/1/02			92.833%	19.80283	4.87071
1/1/03			92.833%	19.80283	4.87071
4/1/03			92.833%	19.80283	4.87071
7/1/03			92.833%	19.80283	4.87071

BLE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				20.66260	8.16478
12/31/01 Industry Rate				20.70800	8.18272
1/1/02		0.10000	79.337%	20.78734	8.21407
4/1/02			79.337%	20.78734	8.21407
7/1/02		0.00000	79.337%	20.78734	8.21407
10/1/02			79.337%	20.78734	8.21407
1/1/03			79.337%	20.78734	8.21407
4/1/03			79.337%	20.78734	8.21407
7/1/03			79.337%	20.78734	8.21407

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SMWIA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				19.090	3.571
12/31/01 Industry Rate				19.15000	3.58190
1/1/02		0.10000	98.313%	19.24831	3.60029
4/1/02			98.313%	19.24831	3.60029
7/1/02		0.00000	98.313%	19.24831	3.60029
10/1/02			98.313%	19.24831	3.60029
1/1/03			98.313%	19.24831	3.60029
4/1/03			98.313%	19.24831	3.60029
7/1/03			98.313%	19.24831	3.60029

BRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				20.37528	3.86575
12/31/01 Industry Rate				20.43400	3.87689
1/1/02		0.10000	95.752%	20.52975	3.89506
4/1/02			95.752%	20.52975	3.89506
7/1/02		0.00000	95.752%	20.52975	3.89506
10/1/02			95.752%	20.52975	3.89506
1/1/03			95.752%	20.52975	3.89506
4/1/03			95.752%	20.52975	3.89506
7/1/03			95.752%	20.52975	3.89506

BMWE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				18.50257	3.81321
12/31/01 Industry Rate				18.65600	3.84483
1/1/02		0.00000	94.987%	18.65600	3.84483
4/1/02			94.987%	18.65600	3.84483
7/1/02		0.10000	94.987%	18.75099	3.86440
10/1/02			94.987%	18.75099	3.86440
1/1/03			94.987%	18.75099	3.86440
4/1/03			94.987%	18.75099	3.86440
7/1/03			94.987%	18.75099	3.86440

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TCU-Carmen

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				18.960	3.103
12/31/01 Industry Rate				19.02000	3.11279
1/1/02		0.10000	94.146%	19.11415	3.12820
4/1/02			94.146%	19.11415	3.12820
7/1/02		0.00000	94.146%	19.11415	3.12820
10/1/02			94.146%	19.11415	3.12820
1/1/03			94.146%	19.11415	3.12820
4/1/03			94.146%	19.11415	3.12820
7/1/03			94.146%	19.11415	3.12820

IBFO

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				17.33642	2.60114
12/31/01 Industry Rate				17.39400	2.60978
1/1/02		0.10000	96.284%	17.49028	2.62423
4/1/02			96.284%	17.49028	2.62423
7/1/02		0.00000	96.284%	17.49028	2.62423
10/1/02			96.284%	17.49028	2.62423
1/1/03			96.284%	17.49028	2.62423
4/1/03			96.284%	17.49028	2.62423
7/1/03			96.284%	17.49028	2.62423

IAM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				19.207	3.593
12/31/01 Industry Rate				19.26700	3.60463
1/1/02		0.10000	96.442%	19.36344	3.62267
4/1/02			96.442%	19.36344	3.62267
7/1/02		0.00000	96.442%	19.36344	3.62267
10/1/02			96.442%	19.36344	3.62267
1/1/03			96.442%	19.36344	3.62267
4/1/03			96.442%	19.36344	3.62267
7/1/03			96.442%	19.36344	3.62267

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IBBM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				18.42298	2.74005
12/31/01 Industry Rate				18.48500	2.74928
1/1/02		0.10000	94.363%	18.57936	2.76331
4/1/02			94.363%	18.57936	2.76331
7/1/02		0.00000	94.363%	18.57936	2.76331
10/1/02			94.363%	18.57936	2.76331
1/1/03			94.363%	18.57936	2.76331
4/1/03			94.363%	18.57936	2.76331
7/1/03			94.363%	18.57936	2.76331

IBEW

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				18.40638	3.09944
12/31/01 Industry Rate				18.46600	3.10948
1/1/02		0.10000	96.217%	18.56222	3.12568
4/1/02			96.217%	18.56222	3.12568
7/1/02		0.00000	96.217%	18.56222	3.12568
10/1/02			96.217%	18.56222	3.12568
1/1/03			96.217%	18.56222	3.12568
4/1/03			96.217%	18.56222	3.12568
7/1/03			96.217%	18.56222	3.12568

ATDA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				27.296	5.681
12/31/01 Industry Rate				27.34700	5.69121
1/1/02		0.10000	90.532%	27.43753	5.71005
4/1/02			90.532%	27.43753	5.71005
7/1/02		0.00000	90.532%	27.43753	5.71005
10/1/02			90.532%	27.43753	5.71005
1/1/03			90.532%	27.43753	5.71005
4/1/03			90.532%	27.43753	5.71005
7/1/03			90.532%	27.43753	5.71005

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YDMSTRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				24.98780	5.92402
12/31/01 Industry Rate				25.04200	5.93687
1/1/02		0.10000	41.904%	25.08390	5.94680
4/1/02			41.904%	25.08390	5.94680
7/1/02		0.00000	41.904%	25.08390	5.94680
10/1/02	4.00%		41.904%	25.50435	6.04648
1/1/03			41.904%	25.50435	6.04648
4/1/03			41.904%	25.50435	6.04648
7/1/03			41.904%	25.50435	6.04648

10/1/02
increase
actually
retroactive
to 7/1/02.

OTHER

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2001 Industry Avg.				33.38674	0.96182
12/31/01 Industry Rate				33.38700	0.96183
1/1/02		0.10000	100.000%	33.48700	0.96471
4/1/02			100.000%	33.48700	0.96471
7/1/02			100.000%	33.48700	0.96471
10/1/02			100.000%	33.48700	0.96471
1/1/03			100.000%	33.48700	0.96471
4/1/03			100.000%	33.48700	0.96471
7/1/03			100.000%	33.48700	0.96471

Check Sums

	Increase	Applicable	ST HR	PFTNW HR
2001 AVG			294.631	61.028
12/31/01			295.468	
		12.662		

ok matches ok matches ok matches
ok matches

38 cents of COLAs embedded in all union 2001 statistics except BMW has 31 cents.

National Increase Applicability for U.S. Total

Union	Year 2001 U.S. Total ST Hrs Pd	Not Part of National Agreements						National Increase	
		CSX (E)	GTW (E)	SOO (W)	IC (E)	NS (E)	UP (W)	ST Hrs Pd	Pct of U.S.
UTU	76,968,466	--	737,872	1,115,685	1,906,942	--	--	73,207,967	95.114%
TCU	23,895,463	--	399,265	586,294	727,114	--	--	22,182,790	92.833%
BLE	56,704,778	--	538,261	958,768	1,180,668	9,039,407	--	44,987,674	79.337%
SMW	2,348,665	--	0	6,079	33,541	--	--	2,309,045	98.313%
BRS	11,814,548	--	141,596	141,865	218,413	--	--	11,312,674	95.752%
BMWE	44,248,110	--	418,185	941,264	858,795	--	--	42,029,866	94.987%
TCU-CAR	21,538,786	--	334,967	350,436	575,577	--	--	20,277,806	94.146%
IBFO	5,025,207	--	38,698	70,681	77,380	--	--	4,838,448	96.284%
IAM	13,129,235	--	48,492	172,959	245,682	--	--	12,662,102	96.442%
IBBM	2,020,374	--	0	43,258	70,630	--	--	1,906,486	94.363%
IBEW	10,227,438	--	56,094	129,906	200,929	--	--	9,840,509	96.217%
ATDA	3,446,304	--	69,672	80,724	73,848	--	102,041	3,120,019	90.532%
UTU-YMD	4,588,929	1,276,644	75,989	67,569	82,460	--	1,163,336	1,922,931	41.904%
OTHER	47,232,340	--	--	--	--	--	--	47,232,340	100.000%
U.S. TOTAL	323,188,643	1,276,644	2,859,091	4,665,488	6,251,979	9,039,407	1,265,377	297,830,657	92.154%

ATDA (dispatchers) are independent for each railroad. However, most of these agreements are similar to the national shopcraft agreements.

GTW & SOO have their own ATDA agreements handled here independently.

IC & UP dispatchers are non-union, and given same increases as non-union, but handled independently.

The former ATSF dispatchers are non-union, but they are treated as national-like with increases similar to national shopcrafts.

Statistics based on AAR's 2001 112-Class Wage Statistics and knowledge of contracts as of August 2002.
Percentages are rounded to as displayed or 5 digits after the decimal (e.g., .02597).

Check Sum 12.86224

U.S. 2001 Benchmark

	From AAR 112-Class Wage Statistics & Survey				ST \$ Adjusted		2001 Average		12/31/2001		ST Hrs. 2001	
	ST Hrs.	ST \$	PFTNW \$	Union Lump Sum	Lump Sums	ST wo LS	Hourly Rates	PFTNW	ST HR	Weights		
UTU	76,968,466	1,412,742,707	698,637,743	575,971	1,412,166,736	18,347	9.077		18.402	0.23815		
TCU	23,895,463	471,591,100	115,484,207	2,067,214	469,523,886	19,649	4.833		19.710	0.07394		
BLE	56,704,778	1,183,186,103	462,982,138	11,518,237	1,171,667,866	20,663	8.165		20.708	0.17545		
SMWIA	2,348,665	44,869,310	8,386,488	32,500	44,836,810	19,090	3.571		19.150	0.00727		
BRS	11,814,548	240,928,046	45,672,112	203,358	240,724,688	20,375	3.866		20.434	0.03656		
BMWE	44,248,110	819,327,360	168,727,230	623,547	818,703,813	18,503	3.813		18.656	0.13691		
TCU-CAR	21,538,786	408,548,293	66,834,005	174,347	408,373,946	18,960	3.103		19.020	0.06664		
IBFO	5,025,207	87,191,365	13,071,274	72,251	87,119,114	17,336	2.601		17.394	0.01555		
IAM	13,129,235	252,467,063	47,179,750	287,825	252,179,238	19,207	3.593		19.267	0.04062		
IBBM	2,020,374	37,303,695	5,535,932	82,386	37,221,309	18,423	2.740		18.485	0.00625		
IBEW	10,227,438	188,419,927	31,699,371	169,768	188,250,159	18,406	3.099		18.466	0.03165		
ATDA	3,446,304	94,858,848	19,577,322	787,295	94,071,553	27,296	5.681		27.347	0.01068		
YDMSTRS	4,588,929	114,734,330	27,184,899	67,081	114,667,249	24,988	5.924		25.042	0.01420		
OTHER	47,232,340	1,576,933,866	45,429,004	0	1,576,933,866	33,387	0.962		33.387	0.14614		
AAR 112 Total	323,188,643	6,933,102,013	1,756,401,455	16,661,780	6,916,440,233	21,401	5.435			1.00000		
Check Total	323,188,643					284,631	61.028		285.488			

The ST Hours Weights are full float.

NATIONAL RAILWAY LABOR CONFERENCE

ECONOMIC RESEARCH DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 • • PHONE: (202) 862-7200 FAX: (202) 862-7253

CAROL LUTZ KEARNS
Director Economic Research
(202) 862-7217
ckearns@nrlc.org

April 17, 2002

July 1, 2002 Cost-of-Living Allowance
Under 1996 National Agreements
BLE, UTU, UTU-Yardmasters, BMW, BRS,
TCU-Clerks, TCU-Carmen, IBB, NCF&O, IBEW, IAM, SMWIA

CIRCULAR NO. 804-14 (BLE)
CIRCULAR NO. 805-26(UTU)
CIRCULAR NO. 805-27 (YARDMASTERS)
CIRCULAR NO. 807-18 (CLERKS)
CIRCULAR NO. 809-16 (BRS)
CIRCULAR NO. 810-16 (CARMEN)
CIRCULAR NO. 811-11 (IBB)
CIRCULAR NO. 812-12 (NCF&O)
CIRCULAR NO. 813-16 (IBEW)
CIRCULAR NO. 814-17 (IAM)
CIRCULAR NO. 815-17 (SMWIA)

TO MEMBER ROADS:

The current National Agreements with the above-referenced organizations provide, in Article II, Part C, for a cost-of-living allowance to be payable on July 1, 2002. Calculated on the basis of the change in the CPI-W for the measurement period September 2001 to March 2002, there will be no adjustment to the current 48-cent COL allowance. It will remain at 48 cents effective July 1, 2002.

Carol L. Kearns

NATIONAL RAILWAY LABOR CONFERENCE**ECONOMIC RESEARCH DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 • • PHONE: (202) 862-7200 FAX: (202) 862-7253

CAROL LUTZ KEARNS
Director Economic Research
(202) 862-7217
ckearns@nrlc.org

April 17, 2002

July 1, 2002 General Wage Increase
Under the May 31, 2001 BMW National Agreement

CIRCULAR NO. 835-7**TO MEMBER ROADS:**

The National Agreement with the Brotherhood of Maintenance of Way Employees provides in Article I, Section 3 for a cost-of-living wage adjustment to be payable and rolled into rates of pay on July 1, 2002. This wage adjustment will be ten (10) cents.

Calculated on the basis of the change in the CPI-W for the measurement period March 2001 to March 2002, the gross COL adjustment is 20 cents. Article I, Section 3 provides that such COL amount is subject to reduction by the lesser of (i) 40% of the increase in the carriers' 2002 payment rate for health benefits over the 2001 rate (on an hourly basis) and (ii) one-half of the COL amount. Forty percent of the 2002 increase in BMW health benefits is 23.4 cents. Therefore the limitation of one-half of the gross COL adjustment applies, and the July 1, 2002 COL wage adjustment is 20 cents minus ten (10) cents, or ten cents net.

Carol L. Kearns

UTU 8/20/02
Document "A"

-2-

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than January 1, 2003, or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - First General Wage Increase (for other than Dining Car Stewards)

(a) Effective July 1, 2002, all standard basic daily rates of pay for employees represented by the United Transportation Union in effect on June 30, 2002 shall be increased by four (4) percent.

(b) In computing the increase for enginemen under paragraph (a) above, four (4) percent shall be applied to the standard basic daily rates of pay applicable in the following weight-on-drivers brackets, and the amounts so produced shall be added to each standard basic daily rate of pay:

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Appendix D, Document "A" of Award of Arbitration Board No. 559 dated May 8, 1996

Section 1

Article II, Part C, Document "A" of Appendix D of the Award of Arbitration Board No. 559 dated May 8, 1996, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (d), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become

8/20/02
Document "B"
(Yardmasters)

-2-

Medical Leave Act, and return to active service not later than January 1, 2003, or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - First General Wage Increase

Effective July 1, 2002, all standard basic daily rates of pay for employees covered by this Agreement in effect on June 30, 2002 shall be increased by four (4) percent.

Section 3 - Second General Wage Increase

Effective July 1, 2003, all standard basic daily rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 2 above.

Section 4 - Third General Wage Increase

Effective July 1, 2004, all standard basic daily rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 2 above.

Section 5 - Application of Wage Increases

Special allowances not included in fixed daily, weekly or monthly rates

8/20/02
Document "B"
(Yardmasters)

- 4 -

mutual agreement on different terms or conditions pertaining to implementation of this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Appendix D, Document "B" of Award of Arbitration Board No. 559 dated May 8, 1996

Section 1

Article II, Part C, Document "B" of Appendix D of the Award of Arbitration Board No. 559 dated May 8, 1996, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance

1.630%

ex Exchange (Pa)-Pacific
 ni Cap (C)-Chicago
 (T)-Toronto (F)-Foreign
 See Five-day archive available

[illegible]

The key U. S. and foreign annual interest rates below are a guide to general levels but don't always represent actual transactions.

Yields paid by corporations for short-term financing, typically for daily operation

A S O N D J F M A M J J A
 2001 2002

Source: Federal Reserve

Prime Rate: 4.75% (effective 12/12/01).
Discount Rate: 1.25% (effective 12/11/01).
Federal Funds: 1.750% high, 1.625% low, 1.625% near closing bid, 1.668% offered. Effective rate: 1.73%. Source: Proton Yamano (USA) Inc. Federal-funds target rate: 1.750% (effective 12/11/01).
Call Money: 3.50% (effective 12/12/01).
Commercial Paper: Placed directly by General Electric Capital Corp.: 1.725 30 to 64 days; 1.70% 65 to 270 days.
Euro Commercial Paper: Placed directly by General Electric Capital Corp.: 3.30% 30 days; 3.31% two months; 3.32% three months; 3.34% four months; 3.34% five months; 3.35% six months.

Monday, August 19, 2002

Dealer Commercial Paper: High-grade unsecured notes sold through dealers by major corporations: 1.75% 30 days; 1.69% 60 days; 1.68% 90 days.

Certificates of Deposit: 1.75% one month; 1.70% three months; 1.70% six months.

Bankers Acceptances: 1.74% 30 days; 1.72% 60 days; 1.71% 90 days; 1.70% 120 days; 1.70% 150 days; 1.70% 180 days.
Source: Proton Yamane (USA) Inc.

Eurodollars: 1.76% - 1.74% one month; 1.74% - 1.70% two months; 1.73% - 1.70% three months; 1.72% - 1.68% four months; 1.72% - 1.68% five months; 1.74% - 1.70% six months. Source: Proben Yamane (USA) Inc.

London Interbank Offered Rates (Libor): 1.8858% one month; 1.7700% three month; 1.76594% six month; 1.93875% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Libor: 3.32900% one month; 3.3562% three months; 3.4011% six months; 3.4971% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Interbank Offered Rates (Euribor): 3.327% one month; 3.360% three months; 3.404% six months; 3.441% one year. Source: Reuters.

Foreign Prime Rates: Canada 4.50%; Germany 3.25%; Japan 1.375%; Switzerland 2.625%; Britain 4.00%.

Treasury Bills: Results of the Monday, August 19, 2002, auction of short-term U.S. government bills, sold at a discount from face value in units of \$1,000 to \$1 million: 1.630% 13 weeks; 1.630% 26 weeks. Tuesday, August 13, 2002 auction: 1.670% 4 weeks.

Overnight Repurchase Rate: 2.74%. Source: Garban International.

FredMc Mac: Posted yields on 30-year mortgage commitments. Delivery within 30 days 6.00%, 60 days 6.09%, standard conventional fixed-rate mortgages: 3.375%, 2% rate capped one-year adjustable rate mortgages.

Fannie Mae: Posted yields on 30 year mortgage commitments (priced at par) for delivery within 30 days 6.18%, 60 days 6.19%, standard conventional fixed-rate mortgages: 3.75%, 6/2 rate capped one-year adjustable rate mortgages. Standard Maturity Debt Index: 1.688% three months; 1.683% six months; 1.845% one year.

Merrill Lynch Ready Assets Trust: 1.36%.

Consumer Price Index: July, 1981, up 1.5% from a year ago. Bureau of Labor Statistics.



"The Voice of Transportation Labor"
UNITED TRANSPORTATION UNION

Yardmasters ratify CSXT agreement

CLEVELAND -- By more than 90 percent margins, yardmasters overwhelmingly have ratified a new agreement on wages and work rules with CSX Transportation. Wage provisions of the agreement run through Dec. 31, 2004.

Yardmasters on CSXT (non-Conrail lines) voted 340-26 to ratify the agreement, while yardmasters on CSXT Northern Lines (formerly Conrail) approved the new agreement by a 55-4 margin. Almost 60 percent of those eligible to vote -- on both CSXT and CSXT Northern Lines -- cast ballots.

Donald R. Carver, assistant to the president of the UTU and director of the Yardmasters' Department, praised the efforts of four CSXT general chairmen, Doyle Turner, Ron Kratz, Richard DeGenova and Dennis Burke, as well as J.R. Cumby, alternate assistant to the president.

Yardmasters on CSXT were not covered by national negotiations (except for health care) that led to a separate agreement with other major railroads.

August 29, 2002

AGREEMENT
between the
GRAND TRUNK WESTERN RAILROAD INCORPORATED
and its employees represented by the
NATIONAL CONFERENCE OF FIREMEN AND OILERS

ARTICLE I - WAGES

Section 1 - Signing Bonus

A lump sum signing bonus in the amount of \$400.00 shall be made to employees covered by this agreement who have an active employment relationship with the company under the agreement with the organization signatory hereto on the date of this agreement. There shall be no duplication of the signing bonus payment by virtue of employment under another agreement nor will such payments be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - General Wage Increase

Effective January 1, 2001 all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

Section 3 - General Wage Increase

Effective January 1, 2002, all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

ARTICLE VI - EFFECTIVE DATE OF AGREEMENT

Except as otherwise provided for herein, this Agreement shall become effective sixty (60) days following the date the company receives written advice of ratification of this agreement.

ARTICLE VII - MORATORIUM

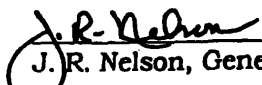
This agreement is in full and final settlement of the Organization's Section 6 Notice dated January 12, 2001 and all other pending notices.

All rules, practices and agreements in effect between the Grand Trunk Western Railroad Incorporated and the Organization, unless specifically modified, changed or abrogated herein, will remain in effect until changed in accordance with the provisions of the Railway Labor Act, as amended.

Neither party may serve nor progress any new notices prior to September 1, 2004 and not to become effective prior to January 1, 2005.

Signed at Troy, Michigan this 2nd day of July 2002.

**FOR THE
NATIONAL CONFERENCE OF
FIREMEN AND OILERS**


J. R. Nelson, General Chairman

**FOR THE
GRAND TRUNK WESTERN
RAILROAD INCORPORATED**


M. J. Kovacs, Director
Labor Relations

2002/Q4 RCAF Lump Sum Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
IC - BRS	2001/Q3	2001/Q4	\$183,000	0.00054	0.00216	338,882,539	2000
IC - IBBM, IBEW	2001/Q3	2002/Q1	\$208,500	0.00065	0.00258	323,188,643	2001
NS-BLE	2002/Q1	2002/Q2	\$17,905,340	0.05540	0.22161	323,188,643	2001
GTW - TCU	2002/Q1	2002/Q2	\$158,400	0.00049	0.00196	323,188,643	2001
GTW - IBFO	2002/Q4	2002/Q4	\$22,400	0.00007	0.00028	323,188,643	2001
National - UTU	2002/Q4	2002/Q4	\$27,032,400	0.08364	0.33457	323,188,643	2001
National - UTU-YMD	2002/Q4	2002/Q4	\$836,400	0.00259	0.01035	323,188,643	2001
CSX - UTU-YMD	2002/Q4	2002/Q4	\$296,800	0.00092	0.00367	323,188,643	2001
Total				0.14376			

Should be slightly less
than amortized amount.

Interest Rate

2001/Q1	6.175
2001/Q2	4.905
2001/Q3	3.540
2001/Q4	3.330
2002/Q1	1.900
2002/Q2	1.735
2002/Q3	1.745
2002/Q4	1.630
2003/Q1	
2003/Q2	
2003/Q3	
2003/Q4	

Lump Sum Adjustment for 2002 Q4 → 0.14524
or
0.145

SCHEDULE: IC - IBBM, IBEW

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00258			
2002/Q1	4	1.900	0.4750	\$0.00194	\$0.00065	\$0.00001	\$0.00064
2002/Q2	3	1.735	0.4338	\$0.00130	\$0.00065	\$0.00001	\$0.00064
2002/Q3	2	1.745	0.4363	\$0.00065	\$0.00065	\$0.00001	\$0.00065
2002/Q4	1	1.630	0.4075	\$0.00000	\$0.00065	\$0.00000	\$0.00065

SCHEDULE: NS - BLE

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.22161			
2002/Q2	4	1.735	0.4338	\$0.16657	\$0.05600	\$0.00096	\$0.05504
2002/Q3	3	1.745	0.4363	\$0.11129	\$0.05601	\$0.00073	\$0.05528
2002/Q4	2	1.630	0.4075	\$0.05576	\$0.05598	\$0.00045	\$0.05553
2003/Q1	1	0.000	0.0000	\$0.00000	\$0.05576	\$0.00000	\$0.05576

SCHEDULE: GTW - TCU

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00196			
2002/Q2	4	1.735	0.4338	\$0.00147	\$0.00050	\$0.00001	\$0.00049
2002/Q3	3	1.745	0.4363	\$0.00098	\$0.00050	\$0.00001	\$0.00049
2002/Q4	2	1.630	0.4075	\$0.00049	\$0.00050	\$0.00000	\$0.00049
2003/Q1	1	0.000	0.0000	\$0.00000	\$0.00049	\$0.00000	\$0.00049

SCHEDULE: GTW - IBFO

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00028			
2002/Q4	4	1.630	0.4075	\$0.00021	\$0.00007	\$0.00000	\$0.00007
2003/Q1	3	0.000	0.0000	\$0.00014	\$0.00007	\$0.00000	\$0.00007
2003/Q2	2	0.000	0.0000	\$0.00007	\$0.00007	\$0.00000	\$0.00007
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00007	\$0.00000	\$0.00007

SCHEDULE: National UTU

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.33457			
2002/Q4	4	1.630	0.4075	\$0.25144	\$0.08450	\$0.00136	\$0.08313
2003/Q1	3	0.000	0.0000	\$0.16763	\$0.08381	\$0.00000	\$0.08381
2003/Q2	2	0.000	0.0000	\$0.08381	\$0.08381	\$0.00000	\$0.08381
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.08381	\$0.00000	\$0.08381

SCHEDULE: National UTU-YMD

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.01035			
2002/Q4	4	1.630	0.4075	\$0.00778	\$0.00261	\$0.00004	\$0.00257
2003/Q1	3	0.000	0.0000	\$0.00519	\$0.00259	\$0.00000	\$0.00259
2003/Q2	2	0.000	0.0000	\$0.00259	\$0.00259	\$0.00000	\$0.00259
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00259	\$0.00000	\$0.00259

SCHEDULE: CSX UTU-YMD

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00367			
2002/Q4	4	1.630	0.4075	\$0.00276	\$0.00093	\$0.00001	\$0.00091
2003/Q1	3	0.000	0.0000	\$0.00184	\$0.00092	\$0.00000	\$0.00092
2003/Q2	2	0.000	0.0000	\$0.00092	\$0.00092	\$0.00000	\$0.00092
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00092	\$0.00000	\$0.00092



Marilyn J. Kovacs, Director Labor Relations
Canadian National Railway (Grand Trunk District)
2800 Livernois, Suite 300, PO Box 5025
Troy, Michigan 48007-5025
Phone: (248) 740-6211 Fax: (248) 740-6213

July 2, 2002
Our File: 8000-704
Side Letter No. 1

Mr. J. R. Nelson, President/General Chairman
National Conference of Firemen & Oilers
P.O. Box 620
Vinton, VA 24179

Dear Sir:

This will confirm our understanding that the signing bonus payment provided in Article I, Section 1, of the July 2, 2002 will be doubled if the company receives written advice of the ratification of this agreement on or before July 19, 2002.

Additionally, upon payment of the above, all time claims, other than those involving discipline, based on an occurrence prior to the effective date of this agreement are considered withdrawn.

Please indicate your agreement by signing in the space provided below.

Yours very truly,

M. J. Kovacs
Director Labor Relations

AGREED:

J. R. Nelson, General Chairman

Date: July 2, 2002

www.cn.ca

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**AGREEMENT
between the
GRAND TRUNK WESTERN RAILROAD INCORPORATED
and its employees represented by the
NATIONAL CONFERENCE OF FIREMEN AND OILERS**

ARTICLE I - WAGES

Section 1 - Signing Bonus

A lump sum signing bonus in the amount of \$400.00 shall be made to employees covered by this agreement who have an active employment relationship with the company under the agreement with the organization signatory hereto on the date of this agreement. There shall be no duplication of the signing bonus payment by virtue of employment under another agreement nor will such payments be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - General Wage Increase

Effective January 1, 2001 all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

Section 3 - General Wage Increase

Effective January 1, 2002, all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

Highly Confidential

National UTU Lump Sum added 2002 Q4 to RCAF

New Contract signed August 20, 2002

2001 WS-112

Total Class I UTU employees paid	40,437
less independent GTW	398
less independent IC	635
less independent SOO	<u>564</u>

Total UTU Class I employees in national agreement	38,840
Percent UTU employees eligible for Article I Section 1 Longevity Bonus (Per Carol Kearns of NLRC)	<u>58%</u>
Employees receiving Bonus	22,527

Item	Amount	Employees	Total
Article I Section 1 Longevity Bonus in new contract signed 8/20/2002	\$1,200	22,527	\$27,032,400

Total Lump Sums			\$27,032,400
-----------------	--	--	---------------------

**Association of
American Railroads**



Memo

To: self
From: Clyde Crimmel
CC: Shou-Lien Liu
Date: 8/19/2002
Re: UTU Signing Bonus

The new UTU contract calls for a signing bonus for senior employees. Carol Kearns of the National Labor Railway Conference called today, and said that 58% of the UTU employees will receive the signing bonus. Her database used to calculate this figure consisted of the "big 4" Class I railroads plus Kansas City Southern.

AGREEMENT

THIS AGREEMENT, made this 20th day of August, 2002 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees (other than Yardmasters) of such carriers shown thereon and represented by the United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

(a) Not later than three months after the date of this Agreement each employee who qualifies under subsection (b) shall be paid a Longevity Bonus of \$1,200. Such Bonus shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local taxes.

(b) To qualify for the Longevity Bonus an employee must:

- (1) have an employment relationship with the carrier in a craft covered by this Agreement on September 1, 2002;
- (2) have established seniority in train or engine service with a carrier signatory to this Agreement on or before October 31, 1985; and
- (3) (i) have received compensation for active service performed during the period July 1, 2002 through August 31, 2002, or

Highly Confidential

National UTU-YMD Lump Sum added 2002 Q4 to RCAF

New Contract signed August 20, 2002 for Yardmasters Department of UTU

2001 WS-112

Total Class I UTU employees paid	2,598
less independent CSX	742
less independent GTW	37
less independent IC	46
less independent SOO	44
less independent UP	<u>623</u>

Total UTU Class I employees in national agreement	1,106
---	-------

Percent UTU employees eligible for Article I Section 1 Longevity Bonus (Per Carol Kearns of NLRC employment table for BNSF, KCS & NS)

63%

Employees receiving Bonus	697
---------------------------	-----

Item	Amount	Employees	Total
Document "B" Article I Section 1 Longevity Bonus in new contract signed 8/20/2002	\$1,200	697	\$836,400

Total Lump Sums			\$836,400
-----------------	--	--	------------------

Document "B"
(Yardmasters)

AGREEMENT

THIS AGREEMENT, made this 20th day of August, 2002 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Yardmasters Department, United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

(a) Not later than three months after the date of this Agreement, each employee who qualifies under subsection (b) shall be paid a Longevity Bonus of \$1,200. Such Bonus shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local taxes.

(b) To qualify for the Longevity Bonus an employee must:

(1) have an employment relationship with the carrier under this Agreement on September 1, 2002;

(2) have established seniority with the carrier as a yardmaster on or before June 15, 1987; and

(3) (i) have received compensation for active service performed during the period July 1, 2002 through August 31, 2002, or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and

2002/Q4 RCAF Back Pay Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
IC - BRS	2000/Q2 & 2001/Q1	2001/Q4	\$116,938	0.00034507	0.00138	338,882,530	2000
IC - IBBM and IBEV	2001/Q3	2002/Q1	\$58,670	0.00018153	0.00073	323,188,643	2001
GTW - TCU	2002/Q1	2002/Q2	\$68,541	0.00021208	0.00085	323,188,643	2001
SOO - BMW	2002/Q3	2002/Q3	\$768,484	0.00237782	0.00951	323,188,643	2001
GTW - IBFO	2002/Q4	2002/Q4	\$60,562	0.00018739	0.00075	323,188,643	2001
National - UTU	2002/Q4	2002/Q4	\$20,296,909	0.06280205	0.25121	323,188,643	2001
National - UTU-YMD	2002/Q4	2002/Q4	\$586,975	0.00181620	0.00726	323,188,643	2001
CSX - UTU-YMD	2002/Q4	2002/Q4	\$402,462	0.00124529	0.00498	323,188,643	2001
Total				0.06882			

Should be slightly less
than amortized amount.

Interest Rate	
2001/Q1	6.175
2001/Q2	4.905
2001/Q3	3.540
2001/Q4	3.330
2002/Q1	1.900
2002/Q2	1.735
2002/Q3	1.745
2002/Q4	1.630
2003/Q1	
2003/Q2	
2003/Q3	
2003/Q4	

Back Pay Adjustment for 2002 Q4	0.06953 or 0.070
---------------------------------	------------------------

SCHEDULE: IC - IBBM, IBEW
 Added 2002Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00073			
2002/Q1	4	1.900	0.4750	\$0.00055	\$0.00018	\$0.00000	\$0.00018
2002/Q2	3	1.735	0.4338	\$0.00036	\$0.00018	\$0.00000	\$0.00018
2002/Q3	2	1.745	0.4363	\$0.00018	\$0.00018	\$0.00000	\$0.00018
2002/Q4	1	1.630	0.4075	\$0.00000	\$0.00018	\$0.00000	\$0.00018

SCHEDULE: GTW - TCU
 Added 2002Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00085			
2002/Q2	4	1.735	0.4338	\$0.00064	\$0.00021	\$0.00000	\$0.00021
2002/Q3	3	1.745	0.4363	\$0.00043	\$0.00021	\$0.00000	\$0.00021
2002/Q4	2	1.630	0.4075	\$0.00021	\$0.00021	\$0.00000	\$0.00021
2003/Q1	1	0.000	0.0000	\$0.00000	\$0.00021	\$0.00000	\$0.00021

SCHEDULE: SOO - BMW
 Added 2002Q3

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00951			
2002/Q3	4	1.745	0.4363	\$0.00715	\$0.00240	\$0.00004	\$0.00236
2002/Q4	3	1.630	0.4075	\$0.00478	\$0.00240	\$0.00003	\$0.00237
2003/Q1	2	0.000	0.0000	\$0.00239	\$0.00239	\$0.00000	\$0.00239
2003/Q2	1	0.000	0.0000	\$0.00000	\$0.00239	\$0.00000	\$0.00239

SCHEDULE: GTW - IBFO

Added 2002Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00075			
2002/Q4	4	1.630	0.4075	\$0.00056	\$0.00019	\$0.00000	\$0.00019
2003/Q1	3	0.000	0.0000	\$0.00038	\$0.00019	\$0.00000	\$0.00019
2003/Q2	2	0.000	0.0000	\$0.00019	\$0.00019	\$0.00000	\$0.00019
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00019	\$0.00000	\$0.00019

SCHEDULE: National - UTU

Added 2002Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.25121			
2002/Q4	4	1.630	0.4075	\$0.18879	\$0.06344	\$0.00102	\$0.06242
2003/Q1	3	0.000	0.0000	\$0.12586	\$0.06293	\$0.00000	\$0.06293
2003/Q2	2	0.000	0.0000	\$0.06293	\$0.06293	\$0.00000	\$0.06293
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.06293	\$0.00000	\$0.06293

SCHEDULE: National - UTU-YMD

Added 2002Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qty Int Rate	Principal Balance After Payment	Qty Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00726			
2002/Q4	4	1.630	0.4075	\$0.00546	\$0.00183	\$0.00003	\$0.00181
2003/Q1	3	0.000	0.0000	\$0.00364	\$0.00182	\$0.00000	\$0.00182
2003/Q2	2	0.000	0.0000	\$0.00182	\$0.00182	\$0.00000	\$0.00182
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00182	\$0.00000	\$0.00182

SCHEDULE: CSX - UTU-YMD

Added 2002Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00498			
2002/Q4	4	1.630	0.4075	\$0.00374	\$0.00126	\$0.00002	\$0.00124
2003/Q1	3	0.000	0.0000	\$0.00250	\$0.00125	\$0.00000	\$0.00125
2003/Q2	2	0.000	0.0000	\$0.00125	\$0.00125	\$0.00000	\$0.00125
2003/Q3	1	0.000	0.0000	\$0.00000	\$0.00125	\$0.00000	\$0.00125

Highly Confidential

Backpay for National UTU added to RCAF 2002Q4

National UTU New Contract 8/20/02

National 2001 Base Year (Incl. COLAs \$0.12 on 1/1/01 and \$0.11 on 7/1/01)									
Union	ST Pay	PFTNW	Lump Sums	ST Hours	PFTNW / Net ST Pay	2001 Average HR	12/31/01 Year End HR		
						ST	PFTNW	ST	PFTNW
UTU	\$1,352,972,508	\$880,802,492	\$574,547	73,207,967	0.48861542	\$18,473	\$9,026	\$18,528	\$9,053

Date	Article I	Amount	Increase Amount	ST Wage Rate	PFTNW Wage Rate	ST+PFTNW Wage Rate	Total Increase	Yrs of Backpay	Total Backpay
2001 Year End ¹									
Already Captured Wage Increase 1/1/2002		\$0.10	\$0.100	\$18.628	\$9.102	\$27.730			
Retroactive Wage Increases 7/1/2002		4.00%	\$0.745	\$19.373	\$9.466	\$28.839	\$1.109	0.25	\$20,296,909

National UTU Total Backpay

\$20,296,909

Article III Section 1 of Document "A" says that the COLA "shall be rolled in to basic rates of pay."

Note:

The 2001 wage statistics shown on this page are for the 5 Class I railroads participating in the national agreement, and exclude 3 independent contract (GTW, IC, SOO) railroads.

RCAFBackpay_New.xls(NatUTU2002Q4)

AAR

8/30/2002

Highly Confidential

Backpay for National UTU-YMD added to RCAF 2002Q4

National UTU-Yardmasters Department New Contract 8/20/02

National 2001 Base Year (incl. COLAs \$0.12 on 1/1/01 and \$0.11 on 7/1/01)									
Union	ST Pay	PFTNW	Lump Sums	ST Hours	ST	PFTNW / Net ST Pay	2001 Average HR	12/31/01 Year End HR	
UTU-YMD	\$47,408,587	\$10,981,930	\$67,081	1,922,931	0.23197255		\$24.619	\$5.711	\$24.674
	Article I	Amount	Increase	ST	PFTNW	ST+PFTNW	Total	Yrs of	Total
2001 Year End ¹			Amount	Wage Rate	Wage Rate	Wage Rate	Increase	Backpay	Backpay
Already Captured Wage Increase				\$24.674	\$5.724	\$30.398			
1/1/2002		\$0.10	\$0.100	\$24.774	\$5.747	\$30.521			
Retroactive Wage Increases									
7/1/2002		4.00%	\$0.991	\$25.765	\$5.977	\$31.742	\$1.221	0.25	\$586,975

National UTU-YMD Total Backpay

\$586,975

Article III Section 1 of Document "B" says that the COLA "shall be rolled in to basic rates of pay."

Note:

The 2001 wage statistics shown on this page are for the 3 Class I railroads participating in the national agreement, and exclude 5 independent contract (CSX, GTW, IC, SOO, UP) railroads.

RCAFbackpay_New.xls(NatYMD2002Q4)

AAR

8/30/2002

2002 Q4 = Rebench 2002 Q3
Health and Welfare 2002

	Employees Receiving Pay 2001	From NRLC		Total 2001	Total 2002
		2001 Contribution	2002 Contribution		
1. All Employees					
a. Group health	170,799	\$705.52	\$836.48	120,502,110.48	142,869,947.52
b. Group dental	170,799	43.27	43.41	7,390,472.73	7,414,384.59
c. Early retirement	170,799	30.35	40.09	5,183,749.65	6,847,331.91
major medical			was 31.00		
d. Group vision	170,799	7.51	8.40	1,282,700.49	1,434,711.80
2. Suppl. Sickness					
a. Signalmen	6,295	23.59	32.24	148,499.05	202,950.80
b. Shopcrafts	26,710	38.51	46.22	1,028,602.10	1,234,536.20
c. MOW	25,665	24.53	33.32	629,562.45	855,157.80
d. Yardmasters	2,598	29.65	32.18	77,030.70	83,603.64
3. Total				\$136,242,727.65	\$160,942,624.06
4. Ratio Projected Year to Base Year					1.18129
5. H&W hourly rate for base year (from SUPPL2001.XLS H&W, titled Benchmarks for Supplements)				\$3.068	
6. H&W hourly rate for projected year (ratio times base year)					\$3.624
Unions with Supplemental Sickness Plans:					
Signalmen - BRS					
Shopcrafts - IBEW, IBBM, BRC, IAM, SMWIA					
MOW - BMWE					
Yardmasters - UTU-YD					
	2001 Employees Receiving Pay				
Craft Groups					
Signalmen					
BRS	6,295				
Shopcrafts					
IBEW	5,214				
IBBM	1,102				
TCU-Carmen	11,830				
IAM	7,255				
SMWIA	1,309				
Total	26,710				
Maint of Way					
BMWE	25,665				
Yardmasters					
UTU-Yardmast	2,598				

Jan-February	\$3.589
Weighted Jan-March	
0.666	\$2.39027
0.334	\$1.21049
	\$3.601

2002 Q1	\$3.601
2002 Q2 Q3 Q4	\$3.624

NATIONAL RAILWAY LABOR CONFERENCE**EMPLOYEE BENEFITS DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3506 ♦♦♦♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@nrlc.org

SUSAN E. PARKS, CEBS
Benefits Administrator
(202) 862-7225
E-mail: sparks@nrlc.org

November 17, 2000

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2001 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 38.51
Signalmen	\$ 23.58
Maintenance of Way	\$ 24.53
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 29.65
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$705.52
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 30.35
Aetna US Healthcare - National Dental Plan	\$ 43.27
VSP - National Vision Plan	\$ 7.51

If you have any questions or need clarification, please contact me.

Very truly yours,


Susan E. Parks

cc: Carol Kearns

TOTAL P.02

NATIONAL RAILWAY LABOR CONFERENCE**EMPLOYEE BENEFITS DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ***** PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@nrlc.org

SUSAN E. PARKS, CEBS
Benefits Administrator
(202) 862-7225
E-mail: sparks@nrlc.org

November 16, 2001

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2002 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 46.22
Signalmen	\$ 32.24
Maintenance of Way	\$ 33.32
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 32.18
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$836.48
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 31.00
Aetna US Healthcare - National Dental Plan	\$ 43.41
VSP - National Vision Plan	\$ 8.40

If you have any questions or need clarification, please contact me.

Very truly yours,


Susan E. Parks

cc: Carol Kearns

NATIONAL RAILWAY LABOR CONFERENCE EMPLOYEE BENEFITS DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ☎ PHONE: (202) 862-7200 FAX: (202) 862-7253

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January 22, 2002

CONTINUED PARTICIPATION IN THE RAILROAD EMPLOYEES NATIONAL EARLY RETIREMENT MAJOR MEDICAL BENEFIT PLAN EFFECTIVE MARCH 1, 2002

CIRCULAR NO. 679-2-31

TO: MEMBER ROADS AND OTHER PARTICIPATING RAILROADS

Our Circulars of the 679-2 series provide information about the continuation of The Railroad Employees National Early Retirement Major Medical Benefit Plan ("ERMA"), and the applicable Contract/Payment Rates.

As a result of the recently enacted Railroad Retirement and Survivors' Improvement Act of 2001 ("RRSIA") and the change in the minimum eligibility age (to 60) for coverage under the ERMA Plan, we anticipate a large increase in the number of railroad employees who will retire at age 60 or 61. Therefore, we expect a large increase in the number of individuals covered under the ERMA Plan during 2002.

We believe that any significant increase in the number of individuals covered under ERMA will result in an increase in Plan costs that roughly corresponds to the percentage increase in the number of covered individuals. In order to fund these increased Plan costs, the ERMA contribution rates, which are based on the number of active employees, will need to be increased accordingly. The potential passage of RRSIA was not factored into the rates which were set for January 1, 2002.

→ The new Employer Payment Rate per qualifying employee per month for Non-Hospital Roads is \$40.09, and for Hospital Roads is \$21.16. The new Hospital Association dues offset is \$18.93 per employee per month.

The ERMA payments are due on the same date as the health and welfare plan payments and are unchanged from those dates announced in Circular 679-2-30:

January 15, 2002
February 14, 2002
March 14, 2002
April 15, 2002
May 15, 2002
June 14, 2002

July 15, 2002
August 15, 2002
September 13, 2002
October 15, 2002
November 14, 2002
December 13, 2002

The "pick-up" obligation effective March 1, 2002 for groups transferring from Hospital Association to Non-Hospital Association coverage is \$56.79 per employee.

UNITEDHealthcare will send revised monthly report forms reflecting the new payment schedules. Attached are tables providing details.

Joseph Epstein

Railroad Retirement and Medicare

Employees Receiving Pay 170,789 (2001 Benchmark, 2000 RRB Distribution)
 Tier I Maximum 84,900 (Year = 2002)
 Tier II Maximum 63,000 (Year = 2002)
 Medicare Maximum no limit (Year = 2002)
 Tier I Tax Rate 6.20% (Year = 2002)
 Tier II Tax Rate 15.60% (Year = 2002, with Railroad Retirement and Survivors' Improvement Act of 2001)
 Medicare Tax Rate 1.45% (Year = 2002)

USA RCAF	Rate	Factor	RR Ret Tax	Hourly Rate
2000	\$26.031			
2001	\$26.887	1.03288	\$523,925,453	\$6.483
1Q/2002	\$27.111	1.04149	\$524,576,439	\$6.501
2Q/2002	\$27.139	1.04256	\$524,960,816	\$6.506
3Q/2002	\$27.108	1.04137	\$524,535,258	\$6.501
4Q/2002	\$27.525	1.05739	\$530,259,720	\$6.572

Rate & Tax from RR_Retirement_01annual.xls, Hourly rate from SUPPL01.xls
 a.2011
 a.0006

F. Railroad Retirement & Medicare, U.S.

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	10/2002		10/2002				
			Avg Annual Earnings (2000 State)	Est Avg Annual Earnings	Avg City Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Total Tax Emg
\$0 - 21699	0.698	1,192	\$12,952	\$13,489	\$3,372	\$3,372	\$3,372	\$3,372	\$4,020,428
21700 - 23699	0.131	224	22,635	23,574	5,994	5,994	5,994	5,994	1,318,657
23700 - 25699	0.349	596	24,553	25,603	6,401	6,401	6,401	6,401	3,815,402
25700 - 27699	0.916	1,565	26,762	27,872	6,988	6,988	6,988	6,988	10,901,696
27700 - 29699	1.265	2,161	28,957	29,946	7,461	7,461	7,461	7,461	16,121,345
29700 - 31699	0.829	1,416	30,833	32,112	8,028	8,028	8,028	8,028	11,367,117
31700 - 33699	1.962	3,351	32,919	34,181	8,545	8,545	8,545	8,545	28,635,473
33700 - 35699	2.268	3,974	34,901	36,245	9,061	9,061	9,061	9,061	35,100,620
35700 - 37699	2.754	4,820	36,832	38,300	9,590	9,590	9,590	9,590	77,868,982
37700 - 39699	8.120	12,361	38,705	40,311	10,078	10,078	10,078	10,078	124,567,762
39700 - 41699	7.237	12,361	40,706	42,395	10,599	10,599	10,599	10,599	123,947,786
41700 - 43699	8.947	11,695	42,697	44,468	11,117	11,117	11,117	11,117	128,359,335
43700 - 45699	8.760	11,546	44,701	46,558	11,639	11,639	11,639	11,639	114,444,120
45700 - 47699	5.757	9,833	46,965	48,601	12,150	12,150	12,150	12,150	105,879,466
47700 - 49699	5.102	8,714	48,679	50,689	12,675	12,675	12,675	12,675	91,571,859
49700 - 51699	4.230	7,225	50,723	52,827	13,207	13,207	13,207	13,207	88,371,895
51700 - 53699	4.361	7,449	52,872	54,857	13,714	13,714	13,714	13,714	98,076,010
53700 - 55699	4.187	7,151	54,852	56,919	14,230	14,230	14,230	14,230	84,798,281
55700 - 57699	3.489	5,959	56,923	59,072	14,789	14,789	14,789	14,789	84,614,053
57700 - 59699	3.751	6,407	58,719	61,055	15,284	15,284	15,284	15,284	76,030,674
59700 - 61699	2.878	4,916	60,635	63,151	15,788	15,788	15,788	15,788	66,194,952
61700 - 63699	2.529	4,320	62,557	65,152	16,286	16,286	16,286	16,286	65,691,857
63700 - 65699	2.442	4,171	64,704	67,369	16,947	16,947	16,947	16,947	64,535,121
65700 - 67699	2.399	4,087	66,534	69,607	17,402	17,402	17,402	17,402	69,030,560
67700 - 69699	2.985	5,095	68,099	71,518	17,890	17,890	17,890	17,890	88,155,339
69700 - 71699	2.875	4,916	70,754	73,690	18,422	18,422	18,422	18,422	77,420,625
71700 - 73699	2.224	3,799	72,812	75,833	18,958	18,958	18,958	18,958	72,014,137
73700 - 75699	1.832	3,129	74,852	77,958	19,489	19,489	19,489	19,489	60,963,015
75700 - 77699	2.791	4,767	76,481	79,654	19,914	19,914	19,914	19,914	59,827,474
77700 - 79699	1.396	2,394	78,742	82,009	20,502	20,502	20,502	20,502	49,262,343
79700 - 81699	1.003	1,713	80,630	83,975	20,994	20,994	20,994	20,994	76,090,251
81700 - 83699	0.986	1,182	82,636	86,094	21,516	21,516	21,516	21,516	94,627,799
83700 - 85699	0.954	1,117	84,803	88,351	21,225	21,225	21,225	21,225	37,553,576
85700 - 87699	0.811	1,044	86,002	90,195	21,750	21,750	21,750	21,750	48,894,579
87700 - 89699	0.998	1,192	88,245	92,219	22,549	22,549	22,549	22,549	35,984,797
89700 - 91699	0.741	1,296	90,980	94,630	23,055	23,055	23,055	23,055	25,861,025
91700 - 93699	0.998	1,182	92,535	96,792	23,657	23,657	23,657	23,657	17,593,151
93700 - 95699	0.998	1,182	94,746	98,677	24,198	24,198	24,198	24,198	18,776,789
95700 - over	3.065	5,285	120,349	125,342	21,225	21,225	21,225	21,225	19,933,524
TOTAL	100.00000	170,799							26,846,246
									11,728,767
									83,285,006
									165,700,361
									2,434,223,744
									0.0145
									0.156
									\$32,544,365
									\$524,576,439

II. Railroad Retirement & Medicare, U.S.

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 State)	Est Avg Annual Earnings	Avg City Earnings	20/2002				Medicare Taxable	Tier I Tot Tax Enrg	Tier II Tot Tax Enrg	Medicare Tot Tax Enrg	
						Tier I Taxable	Tier II Taxable	Tier I Taxable	Tier II Taxable					
\$0 - 21699	0.698	1,182	\$12,952	\$13,503	\$3,376	\$3,376	\$3,376	\$3,376	\$3,376	\$3,376	\$4,024,580	\$4,024,580	\$4,024,580	
21700 - 23999	0.131	224	\$22,635	23,598	5,900	5,900	5,900	5,900	5,900	5,900	1,320,019	1,320,019	1,320,019	
24000 - 25999	0.349	596	\$24,583	25,929	6,407	6,407	6,407	6,407	6,407	6,407	3,819,343	3,819,343	3,819,343	
26000 - 27999	0.916	1,555	\$28,762	27,901	6,975	6,975	6,975	6,975	6,975	6,975	10,912,955	10,912,955	10,912,955	
28000 - 29999	1.265	2,161	\$28,657	29,077	7,469	7,469	7,469	7,469	7,469	7,469	16,137,995	16,137,995	16,137,995	
30000 - 31999	0.829	1,416	\$30,833	32,145	8,036	8,036	8,036	8,036	8,036	8,036	11,376,857	11,376,857	11,376,857	
32000 - 33999	1.962	3,351	\$32,819	34,216	8,554	8,554	8,554	8,554	8,554	8,554	28,665,048	28,665,048	28,665,048	
34000 - 35999	2.268	3,874	\$34,801	36,282	9,071	9,071	9,071	9,071	9,071	9,071	35,136,872	35,136,872	35,136,872	
36000 - 37999	4.754	8,120	\$36,882	38,400	9,600	9,600	9,600	9,600	9,600	9,600	77,949,404	77,949,404	77,949,404	
38000 - 39999	7.237	12,381	\$38,705	40,352	10,088	10,088	10,088	10,088	10,088	10,088	124,896,414	124,896,414	124,896,414	
40000 - 41999	6.847	11,895	\$40,708	42,339	10,610	10,610	10,610	10,610	10,610	10,610	124,075,798	124,075,798	124,075,798	
42000 - 43999	5.757	9,833	\$42,697	44,514	11,129	11,129	11,129	11,129	11,129	11,129	128,490,902	128,490,902	128,490,902	
44000 - 45999	5.102	8,714	\$44,701	46,604	11,651	11,651	11,651	11,651	11,651	11,651	114,562,317	114,562,317	114,562,317	
46000 - 47999	4.230	7,225	\$46,668	48,681	12,163	12,163	12,163	12,163	12,163	12,163	105,988,817	105,988,817	105,988,817	
48000 - 49999	4.361	7,449	\$48,679	50,751	12,688	12,688	12,688	12,688	12,688	12,688	91,666,434	91,666,434	91,666,434	
50000 - 51999	4.187	7,151	\$50,723	52,882	13,221	13,221	13,221	13,221	13,221	13,221	96,473,482	96,473,482	96,473,482	
52000 - 53999	3.489	5,959	\$52,872	54,914	13,728	13,728	13,728	13,728	13,728	13,728	84,885,959	84,885,959	84,885,959	
54000 - 55999	2.878	4,916	\$54,914	56,979	14,245	14,245	14,245	14,245	14,245	14,245	74,711,769	74,711,769	74,711,769	
56000 - 57999	2.529	4,320	\$56,979	58,133	14,763	14,763	14,763	14,763	14,763	14,763	68,032,231	68,032,231	68,032,231	
58000 - 59999	2.442	4,171	\$58,623	61,118	15,280	15,280	15,280	15,280	15,280	15,280	64,535,121	64,535,121	64,535,121	
60000 - 61999	2.399	4,097	\$60,635	63,216	15,804	15,804	15,804	15,804	15,804	15,804	59,827,474	59,827,474	59,827,474	
62000 - 63999	2.968	5,098	\$62,657	65,220	16,305	16,305	16,305	16,305	16,305	16,305	54,827,100	54,827,100	54,827,100	
64000 - 65999	2.878	4,916	\$64,704	67,458	16,865	16,865	16,865	16,865	16,865	16,865	51,045,998	51,045,998	51,045,998	
66000 - 67999	2.224	3,799	\$66,834	69,679	17,420	17,420	17,420	17,420	17,420	17,420	48,282,943	48,282,943	48,282,943	
68000 - 69999	1.832	3,129	\$68,669	71,592	17,988	17,988	17,988	17,988	17,988	17,988	45,025,840	45,025,840	45,025,840	
70000 - 71999	2.791	4,767	\$70,754	73,786	18,441	18,441	18,441	18,441	18,441	18,441	42,981,545	42,981,545	42,981,545	
72000 - 73999	1.366	2,364	\$72,812	75,911	18,978	18,978	18,978	18,978	18,978	18,978	38,001,941	38,001,941	38,001,941	
74000 - 75999	1.713	3,003	\$74,862	78,038	19,510	19,510	19,510	19,510	19,510	19,510	35,303,957	35,303,957	35,303,957	
76000 - 77999	1.003	1,713	\$76,941	79,736	19,934	19,934	19,934	19,934	19,934	19,934	32,708,865	32,708,865	32,708,865	
78000 - 79999	0.668	1,117	\$78,742	82,094	20,523	20,523	20,523	20,523	20,523	20,523	22,150,026	22,150,026	22,150,026	
80000 - 81999	0.654	1,044	\$80,630	84,082	21,015	21,015	21,015	21,015	21,015	21,015	18,776,788	18,776,788	18,776,788	
82000 - 83999	0.611	1,044	\$82,636	86,183	21,538	21,538	21,538	21,538	21,538	21,538	16,439,415	16,439,415	16,439,415	
84000 - 85999	0.698	1,182	\$84,803	88,413	22,103	22,103	22,103	22,103	22,103	22,103	15,833,524	15,833,524	15,833,524	
86000 - 87999	0.741	1,266	\$86,545	90,266	22,572	22,572	22,572	22,572	22,572	22,572	14,892,797	14,892,797	14,892,797	
88000 - 89999	0.698	1,182	\$88,545	92,314	23,078	23,078	23,078	23,078	23,078	23,078	13,726,787	13,726,787	13,726,787	
90000 - 91999	0.436	745	\$90,860	94,727	23,662	23,662	23,662	23,662	23,662	23,662	11,226,797	11,226,797	11,226,797	
92000 - 93999	3.096	5,288	\$92,936	96,992	24,223	24,223	24,223	24,223	24,223	24,223	83,285,006	83,285,006	83,285,006	
94000 - over			\$94,746	98,779	24,695	24,695	24,695	24,695	24,695	24,695	112,236,464	112,236,464	112,236,464	
TOTAL	100.000	170,799		125,472	31,368	31,368	31,368	31,368	31,368	31,368	2,398,895,466	2,197,169,595	2,436,737,788	
											0.052	0.156	0.0145	
											\$342,759,457	\$342,759,457	\$35,332,698	
											\$146,869,661	\$146,869,661	\$524,960,616	

Tier I & II Medicare

F: Railroad Retirement & Medicare, U.S.

30/2002

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 Stats)	Est Avg Annual Earnings	Avg City Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Enrg	Tier II Tot Tax Enrg	Medicare Tot Tax Enrg
\$0 - 21699	0.698	1,192	\$12,982	\$13,488	\$3,372	\$3,372	\$3,372	\$3,372	\$4,019,983	\$4,019,983	\$4,019,983
21700 - 23699	0.131	224	\$22,635	23,571	5,893	5,893	5,893	5,893	1,318,511	1,318,511	1,318,511
23700 - 25699	0.349	588	\$24,583	25,800	6,400	6,400	6,400	6,400	3,814,980	3,814,980	3,814,980
25700 - 27699	0.916	1,565	\$28,782	27,899	6,987	6,987	6,987	6,987	10,900,489	10,900,489	10,900,489
27700 - 29699	1.265	2,161	\$29,657	29,843	7,481	7,481	7,481	7,481	16,119,561	16,119,561	16,119,561
29700 - 31699	0.828	1,416	\$30,633	32,109	8,027	8,027	8,027	8,027	11,395,859	11,395,859	11,395,859
31700 - 33699	1.982	3,351	\$32,819	34,177	8,544	8,544	8,544	8,544	28,632,304	28,632,304	28,632,304
33700 - 35699	2.298	3,874	\$34,801	36,241	9,060	9,060	9,060	9,060	35,098,738	35,098,738	35,098,738
35700 - 37699	4.754	8,120	\$36,832	38,358	9,589	9,589	9,589	9,589	77,860,365	77,860,365	77,860,365
37700 - 39699	7.237	12,381	\$38,705	40,308	10,077	10,077	10,077	10,077	124,553,978	124,553,978	124,553,978
39700 - 41699	8.947	11,666	\$40,706	42,390	10,598	10,598	10,598	10,598	123,934,070	123,934,070	123,934,070
41700 - 43699	6.780	11,546	\$42,897	44,464	11,116	11,116	11,116	11,116	128,344,131	128,344,131	128,344,131
43700 - 45699	5.757	9,853	\$44,701	46,550	11,638	11,638	11,638	11,638	114,431,456	114,431,456	114,431,456
45700 - 47699	5.102	8,714	\$46,985	48,598	12,149	12,149	12,149	12,149	105,867,750	105,867,750	105,867,750
47700 - 49699	4.230	7,225	\$48,679	50,683	12,673	12,673	12,673	12,673	81,561,728	81,561,728	81,561,728
49700 - 51699	4.361	7,449	\$50,723	52,822	13,205	13,205	13,205	13,205	98,361,009	98,361,009	98,361,009
51700 - 53699	4.187	7,151	\$52,672	54,951	13,713	13,713	13,713	13,713	86,085,157	86,085,157	86,085,157
53700 - 55699	3.489	5,989	\$54,662	56,913	14,228	14,228	14,228	14,228	84,788,897	84,788,897	84,788,897
55700 - 57699	3.781	6,407	\$56,719	59,098	14,768	14,768	14,768	14,768	94,603,583	94,603,583	94,603,583
57700 - 59699	2.878	4,916	\$58,623	61,048	15,282	15,282	15,282	15,282	75,022,371	75,022,371	75,022,371
59700 - 61699	2.529	4,320	\$60,635	63,144	15,788	15,788	15,788	15,788	66,187,408	66,187,408	66,187,408
61700 - 63699	2.442	4,171	\$62,557	65,145	16,286	16,286	16,286	16,286	65,891,857	65,891,857	65,891,857
63700 - 65699	2.399	4,097	\$64,704	67,261	16,845	16,845	16,845	16,845	66,022,921	66,022,921	66,022,921
65700 - 67699	2.588	4,368	\$66,834	69,599	17,400	17,400	17,400	17,400	79,787,899	79,787,899	79,787,899
67700 - 69699	2.878	4,916	\$68,689	71,510	17,878	17,878	17,878	17,878	77,420,825	77,420,825	77,420,825
69700 - 71699	2.137	3,799	\$70,754	73,851	18,420	18,420	18,420	18,420	67,233,772	67,233,772	67,233,772
71700 - 73699	2.224	3,799	\$72,812	75,825	18,968	18,968	18,968	18,968	60,976,267	60,976,267	60,976,267
73700 - 75699	1.832	3,129	\$74,862	77,949	19,487	19,487	19,487	19,487	48,282,343	48,282,343	48,282,343
75700 - 77699	2.791	4,797	\$76,481	79,646	19,911	19,911	19,911	19,911	75,090,261	75,090,261	75,090,261
77700 - 79699	1.386	2,384	\$78,742	82,000	20,500	20,500	20,500	20,500	35,990,817	35,990,817	35,990,817
79700 - 81699	1.003	1,713	\$80,630	83,066	20,991	20,991	20,991	20,991	18,778,798	18,778,798	18,778,798
81700 - 83699	0.898	1,182	\$82,636	86,095	21,514	21,514	21,514	21,514	25,303,967	25,303,967	25,303,967
83700 - 85699	0.654	1,117	\$84,803	88,312	22,078	22,078	22,078	22,078	17,583,151	17,583,151	17,583,151
85700 - 87699	0.611	1,044	\$86,602	90,185	22,546	22,546	22,546	22,546	16,486,415	16,486,415	16,486,415
87700 - 89699	0.698	1,192	\$88,545	92,208	23,062	23,062	23,062	23,062	18,778,788	18,778,788	18,778,788
89700 - 91699	0.741	1,265	\$90,860	94,619	23,665	23,665	23,665	23,665	19,593,524	19,593,524	19,593,524
91700 - 93699	0.698	1,182	\$92,956	96,781	24,195	24,195	24,195	24,195	11,728,767	11,728,767	11,728,767
93700 - 95699	0.436	745	\$94,746	98,695	24,688	24,688	24,688	24,688	83,296,008	83,296,008	83,296,008
95700 - over	3.096	5,286	\$120,349	125,328	31,332	31,332	31,332	31,332	2,185,650,171	2,185,650,171	2,185,650,171
TOTAL	100.000	170,799							\$342,531,427	\$342,531,427	\$342,531,427
									0.0145		
									\$524,535,256		

Railroad Retirement & Medicare, U.S. 4Q/2002

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 State)	Est Avg Annual Earnings	Avg City Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Total Tax Eng	Tier II Total Tax Eng	Medicare Total Tax Eng
\$0 - 4999	0.698	1,192	\$12,952	\$13,895	\$3,424	\$3,424	\$3,424	\$3,424	\$4,061,822	\$4,061,822	\$4,061,822
5000 - 9999	0.131	224	\$22,535	23,934	5,994	5,994	5,994	5,994	1,336,794	1,336,794	1,336,794
10000 - 14999	0.349	598	\$24,583	25,994	6,498	6,498	6,498	6,498	3,873,666	3,873,666	3,873,666
15000 - 19999	0.916	1,565	\$26,782	28,208	7,074	7,074	7,074	7,074	11,068,171	11,068,171	11,068,171
20000 - 24999	0.829	1,416	\$30,833	30,302	7,575	7,575	7,575	7,575	16,367,527	16,367,527	16,367,527
25000 - 29999	1.962	3,351	\$32,819	32,603	8,151	8,151	8,151	8,151	11,540,699	11,540,699	11,540,699
30000 - 34999	2.268	3,874	\$34,801	34,703	8,676	8,676	8,676	8,676	29,072,753	29,072,753	29,072,753
35000 - 39999	4.754	8,120	\$38,632	38,798	9,200	9,200	9,200	9,200	35,636,626	35,636,626	35,636,626
40000 - 44999	7.237	12,361	\$38,705	40,928	10,232	10,232	10,232	10,232	79,058,084	79,058,084	79,058,084
45000 - 49999	6.847	11,895	\$40,708	43,042	10,761	10,761	10,761	10,761	126,468,981	126,468,981	126,468,981
50000 - 54999	6.760	11,546	\$42,897	45,148	11,287	11,287	11,287	11,287	125,840,537	125,840,537	125,840,537
55000 - 59999	5.757	9,833	\$44,701	47,267	11,817	11,817	11,817	11,817	130,318,438	130,318,438	130,318,438
60000 - 64999	5.102	8,714	\$46,668	49,343	12,336	12,336	12,336	12,336	116,191,746	116,191,746	116,191,746
65000 - 69999	4.230	7,225	\$48,679	51,473	12,868	12,868	12,868	12,868	107,496,304	107,496,304	107,496,304
70000 - 74999	4.361	7,449	\$50,723	53,634	13,409	13,409	13,409	13,409	99,674,088	99,674,088	99,674,088
75000 - 79999	4.167	7,151	\$52,672	55,695	13,924	13,924	13,924	13,924	96,573,685	96,573,685	96,573,685
80000 - 84999	3.499	6,069	\$54,662	57,799	14,447	14,447	14,447	14,447	96,083,197	96,083,197	96,083,197
85000 - 89999	3.761	6,407	\$56,719	59,974	14,964	14,964	14,964	14,964	96,056,862	96,056,862	96,056,862
90000 - 94999	2.878	4,916	\$58,623	61,988	15,487	15,487	15,487	15,487	76,176,434	76,176,434	76,176,434
95000 - 99999	2.529	4,320	\$60,635	64,115	16,029	16,029	16,029	16,029	66,236,327	66,236,327	66,236,327
100000 - 104999	2.442	4,171	\$62,557	66,147	16,537	16,537	16,537	16,537	64,536,121	64,536,121	64,536,121
105000 - 109999	2.399	4,067	\$64,704	68,418	17,104	17,104	17,104	17,104	76,787,899	76,787,899	76,787,899
110000 - 114999	2.966	5,086	\$66,669	70,870	17,667	17,667	17,667	17,667	86,230,499	86,230,499	86,230,499
115000 - 119999	2.878	4,916	\$68,699	72,810	18,183	18,183	18,183	18,183	77,430,626	77,430,626	77,430,626
120000 - 124999	2.137	3,850	\$70,754	74,815	18,704	18,704	18,704	18,704	68,268,023	68,268,023	68,268,023
125000 - 129999	2.224	3,799	\$72,812	76,991	19,248	19,248	19,248	19,248	59,827,474	59,827,474	59,827,474
130000 - 134999	1.832	3,129	\$74,862	79,148	19,787	19,787	19,787	19,787	49,262,343	49,262,343	49,262,343
135000 - 139999	2.791	4,767	\$76,861	80,870	20,316	20,316	20,316	20,316	37,563,578	37,563,578	37,563,578
140000 - 144999	1.396	2,394	\$78,742	83,261	20,815	20,815	20,815	20,815	26,981,545	26,981,545	26,981,545
145000 - 149999	1.003	1,713	\$80,630	85,259	21,314	21,314	21,314	21,314	16,776,768	16,776,768	16,776,768
150000 - 154999	0.864	1,117	\$82,638	87,379	21,845	21,845	21,845	21,845	18,933,524	18,933,524	18,933,524
155000 - 159999	0.611	1,044	\$84,803	89,670	22,418	22,418	22,418	22,418	23,904,942	23,904,942	23,904,942
160000 - 164999	0.968	1,182	\$86,902	91,672	22,993	22,993	22,993	22,993	26,040,948	26,040,948	26,040,948
165000 - 169999	0.741	1,266	\$88,945	93,627	23,407	23,407	23,407	23,407	27,904,942	27,904,942	27,904,942
170000 - 174999	0.698	1,182	\$90,980	96,076	23,967	23,967	23,967	23,967	29,268,775	29,268,775	29,268,775
175000 - 179999	0.436	745	\$92,936	98,270	24,567	24,567	24,567	24,567	18,661,303	18,661,303	18,661,303
180000 - 184999	0.398	5,288	\$94,746	100,164	25,046	25,046	25,046	25,046	63,265,008	63,265,008	63,265,008
185000 - 189999	3.098	5,288	\$120,349	127,256	31,814	31,814	31,814	31,814	2,216,086,877	2,216,086,877	2,216,086,877
TOTAL	100.000	170,799							2,396,622,692	2,396,622,692	2,396,622,692

Total Taxable	2,396,622,692	0.062	0.0145
City Pmt	\$148,714,617		
Tier I & II & Medicare	\$346,709,865		
	\$530,259,720		

**Association of
American Railroads**



Memo

To: self
From: Clyde Crimmel
CC: Shou-Lien Liu
Date: 1/30/2002
Re: Supplemental Annuities

On December 21, 2001, President Bush signed into law the Railroad Retirement and Survivors' Improvement Act of 2001. Among other things, this new law repealed the Supplemental Annuities tax paid by railroad employers effective 2002. [See RRB News No. 01-14 December 2001]

RCAF Unemployment Insurance Tax

	Unemployment Ins. Tax Rate	Earnings Base	Hourly Earnings	RRB Sample Year	Factor To Update RRB Sample	Avg. Ann. Taxable Earnings	Un. Ins. Hourly Rate
			\$23.955	(1997)			
1998 Avg.	2.20%	\$11,100	\$25.088		1.047297	\$10,500.17	\$0.140
4Q/99	3.67%	\$11,640	\$24.770		1.034022	\$10,989.82	\$0.244
1Q/00	0.79%	\$12,060	\$26.008		1.085702	\$11,391.18	\$0.054
2Q/00	0.79%	\$12,060	\$26.014		1.085953	\$11,391.27	\$0.054
3Q/00	0.79%	\$12,060	\$26.399		1.102025	\$11,396.64	\$0.054
			\$25.088	(1998)			
1999 Avg.	3.67%	\$11,640	\$24.662		0.983020	\$11,010.61	\$0.169
4Q/00	0.79%	\$12,060	\$25.925		1.033363	\$11,414.15	\$0.038
1Q/01	2.15%	\$12,600	\$26.173		1.043248	\$11,909.73	\$0.108
2Q/01	2.15%	\$12,600	\$26.190		1.043925	\$11,910.03	\$0.108
3Q/01	2.15%	\$12,600	\$26.415		1.052894	\$11,913.92	\$0.108
			\$24.662	(1999)			
2000 Avg.	0.79%	\$12,060	\$26.031		1.055511	\$11,480.03	\$0.051
4Q/01	2.15%	\$12,600	\$26.701		1.082678	\$11,987.52	\$0.145
1Q/02	3.81%	\$13,200	\$26.790		1.086287	\$12,542.24	\$0.269
2Q/02	3.81%	\$13,200	\$26.820		1.087503	\$12,542.66	\$0.269
3Q/02	3.81%	\$13,200	\$26.788		1.086205	\$12,542.21	\$0.269
			\$26.031	(2000)			
2001 Avg.	2.15%	\$12,600	\$26.887		1.032884	\$11,872.57	\$0.144
4Q/02	3.81%	\$13,200	\$27.525		1.057393	\$12,427.48	\$0.267
1Q/03					0.000000		\$0.000
2Q/03					0.000000		#DIV/0!
3Q/03					0.000000		#DIV/0!

Note: Average Annual Taxable Earnings is calculated from the RRB 1% sample data, by multiplying the average annual earnings in the file times the "Factor", and limiting the amount to the earnings base. Thus, the annual hourly earnings used for the calculation of the Factor is for the RRB sample year, and the Factor brings the earnings in the RRB 1% sample file to the current quarter's level.

The MEANS Procedure

Variable	N	Sum	Mean
ANUAL_US	2946	34976590.42	11872.57
QTRLY_US	2946	36590698.61	12420.47

Factors and Caps 2001 and 2002Q4

The MEANS Procedure

Variable	N	Sum	Mean
FactorA	2946	3042.88	1.0328840
FactorQ	2946	3067.89	1.0413740
Capa	2946	37119600.00	12600.00
Capq	2946	38887200.00	13200.00

**Association of
American Railroads**

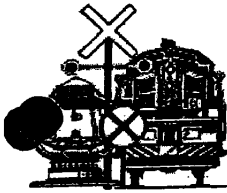


Memo

To: self
From: Clyde Crimmel
CC: Shou-Lien Liu
Date: 10/22/01
Re: Unemployment Insurance Tax Rate for 2002

Marla Huddleston, Chief, Division of Benefit and Employment Analysis at the Railroad Retirement Board, said today that the weighted¹ average 2002 Unemployment Insurance Rates for Class I railroads (excluding CONRAIL and AMTRAK) is 3.81 percent. A 2.5 percent surcharge was added for 2002.

¹ The weights are based on current payroll figures.



RRB News

U.S. Railroad Retirement Board

Office of Public Affairs 844 North Rush Street Chicago, Illinois 60611-2092

312-751-4777
312-751-7154 (fax)
www.rrb.gov

No. 01-14

For Immediate Release
December 2001

Revised Year 2002 Railroad Retirement Payroll Taxes

The Railroad Retirement and Survivors' Improvement Act of 2001, signed into law by President Bush on December 21, 2001, among other provisions, amended the Internal Revenue Code to reduce tier II railroad retirement tax rates on rail employers, including rail labor organizations, in 2002 and 2003, and provided for future adjustments in the tier II railroad retirement tax rates assessed on both rail employers and rail employees, depending on railroad retirement fund levels. The new law also repealed the railroad retirement supplemental annuity tax paid by rail employers.

Under the new law, rail employers and rail labor organizations will pay a tier II retirement tax of 15.60 percent in 2002 and 14.20 percent in 2003. Under prior law, the rate was 16.10 percent. The tier II tax rate for rail employee representatives will be 14.75 percent in 2002 and 14.20 percent in 2003. The new law does not affect the tier II earnings bases, and the maximum amount of an employee's railroad earnings subject to the tier II tax will be \$63,000 in 2002, as previously announced.

While there is no change in the tier II tax rate of 4.90 percent for rail employees in the years 2002 and 2003, the new law provides future automatic adjustments in the tier II tax rates for employees as well as for employers. Beginning with the taxes payable for calendar year 2004, tier II taxes will be based on the ratio of certain asset balances to the sum of benefits and administrative expenses. Depending on this ratio, tier II tax rates for employers will range between 8.20 percent and 22.10 percent, while the tier II tax rates for employees will be between 0 percent and 4.90 percent.

The new law does not change the railroad retirement tier I tax on rail employers and employees. The tier I tax rate remains at 7.65 percent for rail employers and employees, which is the same as the social security tax, and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate is still \$84,900 in 2002; there is no maximum on earnings subject to the 1.45 percent Medicare rate.

In 2002, a rail employer's tier I and tier II retirement taxes on an employee earning \$84,900 will be \$16,322.85. Under prior law, the amount would have been \$16,637.85 in 2002.

(More)

The new law also repealed the railroad retirement supplemental annuity tax, which is no longer payable for years after 2001. This work-hours tax had been paid solely by rail employers and employee representatives and at a rate determined quarterly by the Board, 26 cents per work-hour throughout 2001.

The new law does not affect railroad unemployment insurance taxes in any way. These taxes, paid by rail employers, are experience-rated by employer, and in 2002, the unemployment insurance tax rates range from 3.15 percent (the minimum basic rate of 0.65 percent plus a 2.50 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,100.

The 2.50 percent surcharge does not apply to new employers in 2002. New employers pay an unemployment insurance tax rate of 2.71 percent, which represents the average rate paid by all employers in the period 1998-2000.

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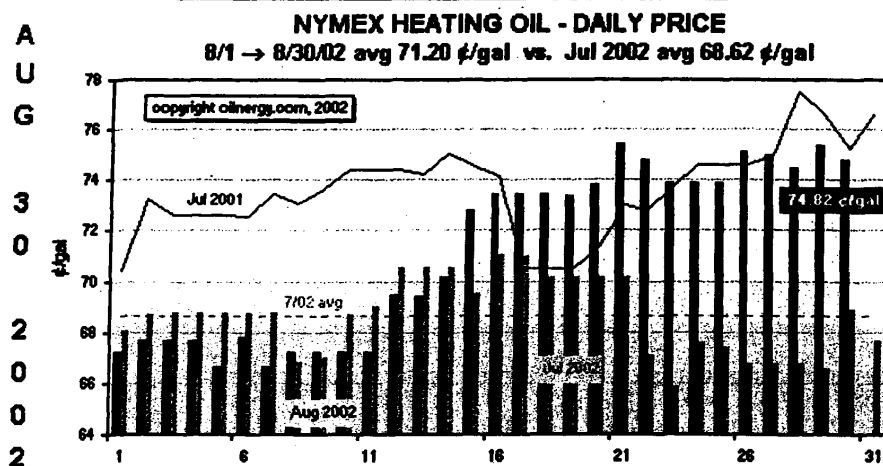
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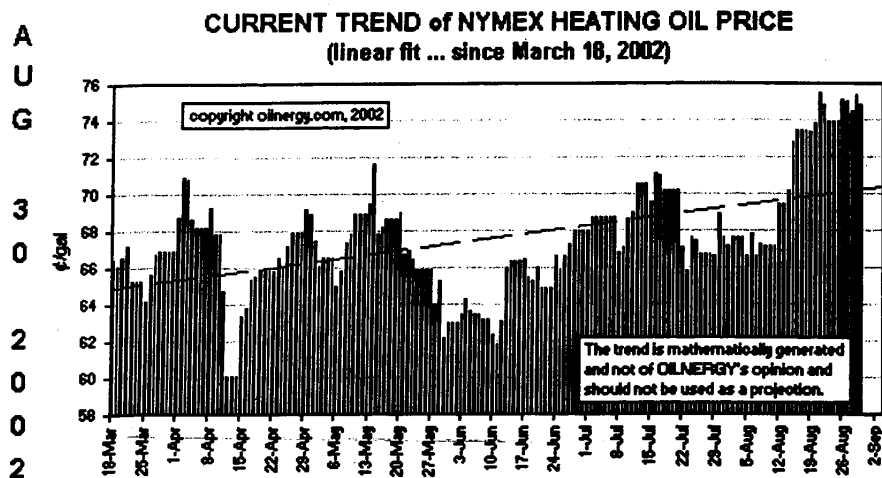
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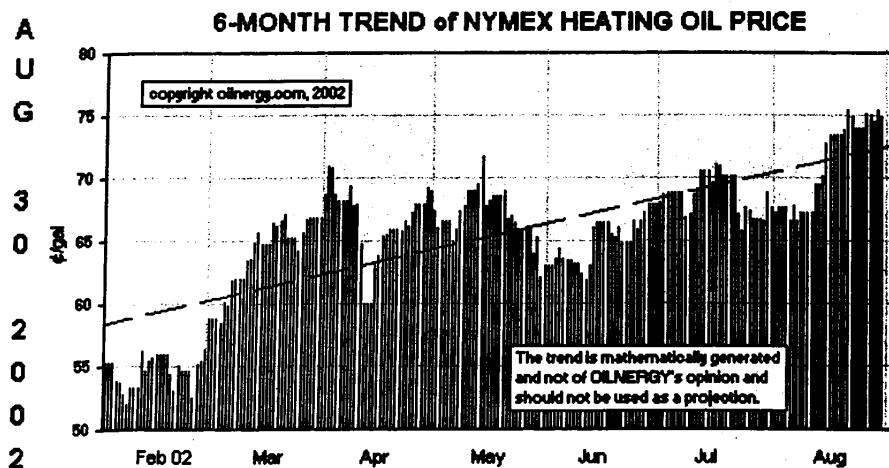
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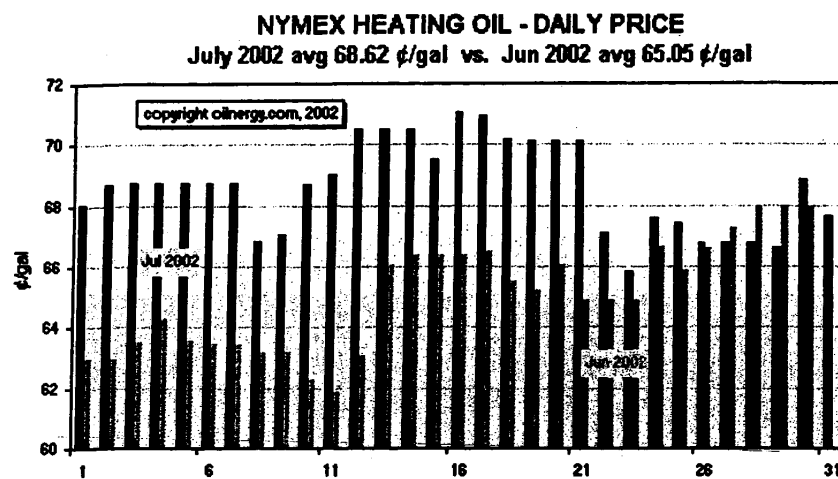
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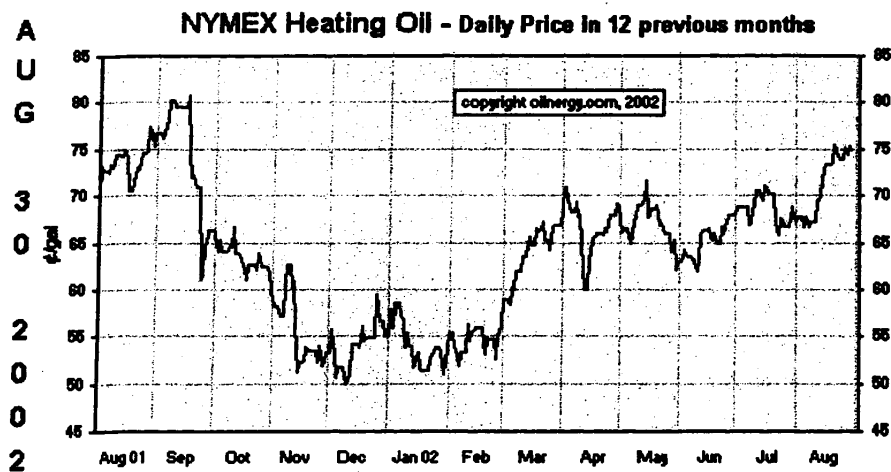
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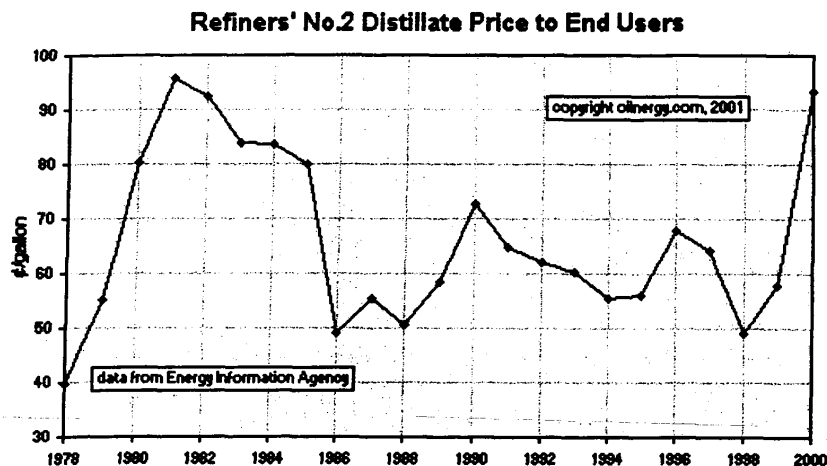
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Daily	Current Trend	6 Mos Trend	Past 2 Mos	Past 12 Mos	Since 1978	Address	Home
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Numeric data is available, click [here](#) for information.

Daily	Current Trend	6 Mos Trend	Past 2 Mos	Past 12 Mos	Since 1978	Address	Home
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Numeric data is available, click [here](#) for information.

Daily	Current Trend	6 Mos Trend	Past 2 Mos	Past 12 Mos	Since 1978	Address	Home
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Yahoo! News Tuesday, August 20, 2002

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Crude hits 11-month high

Mon Aug 19, 6:47 PM ET

NEW YORK - Crude oil futures climbed to their highest level since last September on Monday, driven higher by fears of shortages.

On the New York Mercantile Exchange, front-month September crude oil futures rose 51 cents to close at dlr 29.84 a

September heating oil was down .6 cent to finish at 73.39 cents a gallon, while September gasoline fell .10 cent to close cents a gallon. September natural gas futures were up 11.8 cents to close at dlr 3.267 per 1,000 cubic feet.

On London's International Petroleum Exchange, September Brent futures rose 26 cents to dlr 27.26 a barrel.

The gains were mostly a spillover of last week's powerful rally, analysts said

The catalysts, however, were comments by Kuwait's acting oil minister.

Ahmad Fahd al-Ahmad al-Sabah said the Organization of Petroleum Exporting Countries, of which Kuwait is a key member, will raise its current oil production quotas at its next ministerial meeting in September.

At the same time, however, he said OPEC ([news - web sites](#)) will try its best to keep oil prices within its preferred band of dlr 28 a barrel to dlr 28 a barrel, according to the Interfax news agency.

Al-Sabah made the comments in Moscow, where he held talks with Russian oil officials.

Under an informal agreement, OPEC members are to increase output by 500,000 barrels a day if the price of the group's basket of crudes climbs above dlr 28 for 20 consecutive days, and to cut production by the same amount if prices stay below dlr 28 a barrel for 10 straight days.

On Friday, the basket price stood at dlr 26.58 a barrel.

OPEC has never triggered the so-called price band mechanism, using it instead as a rough guidepost for changing production.

Tim Evans, an analyst at IFR Pegasus in New York, said that the Kuwaiti minister's comments "leave plenty of further room for upside for this market."

Last week oil prices rallied more than 8 percent after government and industry data showed a sharp decline in crude stockpiles. Reports emerged that the United States was moving military hardware to the Persian Gulf in an apparent preparation for a possible conflict with Iraq.



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Crude Oil Rises on Concern U.S. Will Attack Iraq, 'War Premium' Lifts Cost

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08/26 14:41

Crude Oil Rises on Concern U.S. May Be Planning Iraq Invasion

By Mark Shank

New York, Aug. 26 (Bloomberg) — Crude oil rose, bringing a three-month rally to 16 percent, on speculation that the U.S. will attack Iraq, the Middle East's fourth-largest producer.

U.S. Vice President Dick Cheney today rejected arguments against attacking Iraq, saying the Persian Gulf country probably possesses weapons of mass destruction and can't be allowed to grow stronger. Expectations of a U.S. attack, and fighting between Israel and the Palestinians this year, have added as much as \$6 to the price of a barrel of oil, analysts said.

"As long as there is the so-called war premium, prices will be held up at these levels," said Michael Fitzpatrick, a futures broker at Fimat USA Inc. in New York. "Prices may come off a bit if there is further delay in an attack, but not by much."

Crude oil for October delivery was up 65 cents, or 2.3 percent, at \$29.28 a barrel at the 2:30 p.m. close of trading on the New York Mercantile Exchange. Prices were up 48 percent this year and rose above \$30 a barrel last week for the first time in more than a year on concern that Middle East exports might be reduced by an invasion of Iraq.

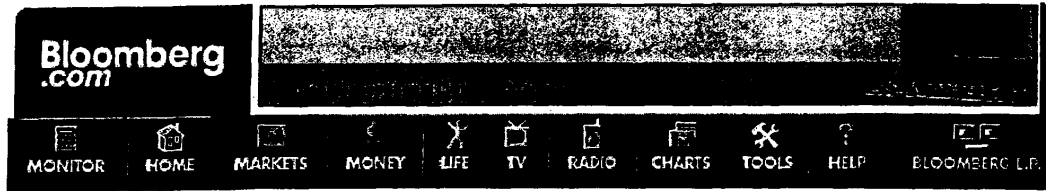
The International Petroleum Exchange in London was closed for a holiday.

"It looks like prices are headed back to \$30," said Aaron Kildow, a broker at Prudential Securities Inc. in New York. "There isn't a lot of new news but some speculators are betting on further price rises."

U.S. President George W. Bush has called for the overthrow of Iraqi President Saddam Hussein on the grounds that Iraq is developing nuclear, chemical and biological weapons. Bush said last week that Hussein must be removed "in the interests of the world."

'Flawed' Logic

The logic of waiting to attack until Iraq actually possesses nuclear weapons is "deeply flawed," Cheney told the National Convention of the Veterans of Foreign Wars.



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'Flawed' Logic

The logic of waiting to attack until Iraq actually possesses nuclear weapons is "deeply flawed," Cheney told the National Convention of the Veterans of Foreign Wars.

Former Secretary of State James Baker became the latest official who served under Bush's father to urge caution in confronting Iraq. Baker said in Sunday's New York Times that the current administration should build international support for a face-off with Iraq and should reject advice advocating unilateral military action.

Iraq borders three members of the Organization of Petroleum Exporting Countries: Saudi Arabia, Iran and Kuwait. During the 1990-91 Gulf War Iraqi forces occupied Kuwait and threatened Saudi Arabia, the world's largest oil exporter.

A U.S.-led air strike on southern Iraq yesterday left eight Iraqi civilians dead and nine wounded, the official Iraq News Agency reported, citing a government official.

Fighters from the U.S. and the U.K. have jointly enforced a no-fly zone over southern and northern Iraq since the Gulf War.

Hundreds of similar skirmishes have taken place since a U.S.-led bombing campaign against Iraq in December 1998, after Iraq refused to allow United Nations inspectors access to documents and suspected arms sites.

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THE WALL STREET JOURNAL.

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MONDAY, AUGUST 26, 2002 - VOL. CCXL NO. 40 - ★★ ★★ \$1.00

What's News—

Business and Finance

PEC INDICATED that it would cover any shortfalls in production if the U.S. goes to war with Iraq. Yet carmakers are reluctant to increase output quotas at their 19 meeting. Economists say that high oil prices, near a barrel, will threaten a U.S. economic recovery.

(Article in Column 4)

Some board members of Enron's controlling trust are wavering in their support of a potential of the company amid mounting political opposition.

(Article on Page A3)

A employment survey found that employers expecting to hire in the fourth quarter, resting dim hiring prospects.

(Article on Page A2)

Continental and Northwest unveiled a 10-year proposal that would let the airlines seat on each others' flights.

(Article on Page A2)

Some hotel industry's recovery is delayed until 2004 by a stock-market decline and distant fears about traveling.

(Article on Page A3)

Federal prosecutors investigating Enron's collapse are having a hard time pinpointing evidence that shows ex-CEO Kenneth Lay acted to commit fraud.

(Article on Page A3)

OL invested millions in OxyMedia last year as the cable channel agreed to run ads on the service. Online Web service. The section is one of several AOL investments under scrutiny.

World-Wide

A UTILITY IS donating to a wildlife refuge to win pollution credits.

In what the Bush administration hopes will be the first of many such deals, Entergy is giving 600 acres to a federal refuge in Louisiana, and will get credit for the carbon dioxide trapped by trees at the site if the U.S. ever regulates such emissions. The Kyoto Protocol includes a credit-trading mechanism, but the U.S. isn't a party to the pact. (Page A4)

World leaders gathered in South Africa for today's environmental summit. Ten years after the first such event, in Brazil, delegates concede little has been done to prevent global warming or species extinctions.

The prospect of war on Iraq continued to stir debate in the GOP. Ex-Secretary of State Baker wants Bush to seek U.N. backing by forcing the arms-inspection issue. House GOP Whip DeLay said no U.N. approval is needed since Bush answers only to the American people. He wants military action to begin "the sooner, the better" after Congress is consulted.

Iraq claimed U.S.-British bombing killed eight near the southern city of Basra in air raids totaling 35 sorties from bases in Kuwait. Allied officials said planes were enforcing a "no-fly" zone and hit military sites.

Two Afghans were injured when a grenade exploded near a U.N. guest house in Kabul. A U.S. sweep in the southeast ended, and the commander said hostile forces seem to have been tipped off about the raids. The State Department agreed to take responsibility for President Karzai's security.

Israel demanded that Palestinians do more to halt attacks if a deal to withdraw troops in return for security guarantees is to spread beyond Bethlehem. The Palestinians say Israel is stalling. Palestinian militants for the first time have killed a woman accused of collaborating with Israel.

One in 32 U.S. adults was either behind bars or on probation or parole in 2001, according to the Justice

Fastow's Footsteps Tracking Andrew Fastow's career at Enron



- **1990:** Fastow joins Enron, an early hire by Jeffrey Skilling.
- **January 1997:** Chief Executive Kenneth Lay and Skilling, promoted to president, name Fastow head of new finance department.
- **March 1998:** Fastow named chief financial officer.
- **June 1998:** Skilling and Fastow tell board of plan for new partnership known as LJM Cayman.
- **Late 1998 to early 2000:** Fastow raises nearly \$400 million for LJM2 partnership.
- **Oct. 16, 2001:** Enron says it will take \$1.01 billion charge against earnings.
- **Oct. 24, 2001:** Fastow is put on leave.
- **Aug. 21, 2002:** Michael Kopper pleads guilty to money laundering and wire-fraud conspiracy, says he kicked back money to Fastow. Prosecutors seek order to seize \$23.6 million from Fastow and associates.

Oil Prices Threaten Recovery As Saudis Try to Reassure U.S.



Singapore

Oil prices hovering near \$30 a barrel on fears of a U.S.-Iraq war are threatening to impede a U.S. economic recovery, even as Saudis and some other OPEC members said they would make up shortfalls if there's an attack.

Officials of the Organization of Petroleum Exporting Countries, concerned about avoiding a price collapse in the spring, raised doubts that the cartel would formally increase supply to reduce prices at its meeting Sept. 19 in Osaka, Japan. The high price of oil could squeeze both corporate profits and household incomes, and hurt the consumer spending that has been the econ-

omy's mainstay in the past year. It comes as growth forecasts already are being revised downward for the rest of the year.

With the price of a barrel peaking at \$30.11 last week and Saudi ambassador Prince Bandar bin Sultan scheduled to meet President George W. Bush at his Texas ranch tomorrow, Saudi officials sought to reassure the markets and U.S. officials. They and other OPEC suppliers who see Iraq as a regional threat have indicated to the Bush administration that they will sell more oil and fill any shortfalls that might result from war. Because of its cuts in production, OPEC has spare capacity of about six million barrels a day that it could put into the market, most of it in Saudi Arabia.

At the same time, OPEC is signaling it is reluctant to raise its formal production quotas, even though demand rises as winter nears. Officials of the cartel don't think the high price is a result of fundamentals, but of fears about a U.S. invasion. "We would have to be very cautious about doing anything that would lead to a price collapse next year," says Adnan A. Shihab-Eldin, OPEC's chief economist.

The economic consequences of keeping the spigot turned down could be serious. Economists note that the last four U.S. recessions have coincided with—or been preceded by—\$30-a-barrel

Full Speed Ahead

How Enron B Created a Cul Of Pushing L

Fastow and Others Cl Staff, Badgered F Porsches, Ferraris

A Chart 'to Intimidat

By ANITA RAGAN, KATHRYN KRANEK AND ALICE BAKER

When Enron Corp. was Chief Financial Officer, Andrew Fastow had a Lucite cube on his desk laying out the company's vision. These were communication, a inscription explained what When Enron says it's going face off," it said, it will "rip

It was a characteristic of Enron, where the prevail culture was to push over limits: business practices, social behavior. At Enron's

Inside the Invest

Compared with the roadsters have laid out against Fastow, the cases against Skilling will take long

face, lavishly paid executive blind e-mail bids for its places. One of them paid a well-placed spot for a sign

This culture drove Enron growth, as the company from a stodgy energy business into a global trader and financier. led Enron to collapse under mindbogglingly complex dodges.

Last week brought the consequences, as former Enron CFO Michael Kopper pleads charges that he helped build Enron's fortune and funneled millions to Fastow and others. Tl clearing the federal government paring a case against Mr. Finance and accounti

Late-Night Television Has No Use Anymore For Old Troupers

to on Page C1)

declined 2% on Fri-
Dow industrials and
ed their fifth
k of gains last week.
to on Page C1)

ding's Xenical obe-
appears to prevent the
type 2 diabetes,
s found.

to on Page B5)

a \$2.9 billion contract
U.S.'s next-genera-
mental-satellite sys-
; a blow to Lockheed.
to on Page A4)

er cut its net-income
he current fiscal year
ing a downturn in the
ss-aircraft market.

to on Page A4)

will launch today an
gn that makes a
mparison of its new
with Apple's iMac.

to on Page B1)

il-business lobby is
ward new health-insur-
for its members, but
such plans may end
small employers.

to on Page A4)

oil companies agreed
nezuels develop its
s reserves. The ac-
s a major shift in the
energy strategy.

to on Page A8)

locking on its local
stations in an effort
ound the network.

Article on Page B1)

Markets

SE vol. 1,867,395,330
adaq vol. 1,488,030,052.
lals 8572.36, ▼ -130.68;
nposite 1330.62, ▼ -42.33;
dex 948.86, ▼ -21.34.
al.); 10-yr Treasury
yld 4.236%; 30-yr
+34/32, yld 5.627%.
\$4 yen, -0.25; euro 97.31
\$ against the dollar.
as: Oil futures \$28.63 a
90.21; Dow Jones-AIG
418, ▼ -2.213; DJ-AIG
1, ▼ -0.276.

2.3% increase over 2000, to 6.6 mil-
lion. Texas had the most, followed
by California. From 1995 to 2001, the
average annual increase was 3.6%.

■ A Saudi man gave himself up in
his homeland after being named in
a U.S. terrorism alert, and the FBI
wants to interview to him. Bush is to
meet with the Saudi ambassador at
his Texas ranch tomorrow. (Page A4)

■ The FBI is asking Senate Intelli-
gence panel members for a range of
records in its investigation of leaks
of vague warnings spy agencies in-
tercepted Sept. 10. The House's
panel doesn't appear to be targeted.

■ Russia-Georgia tensions rose as
Tbilisi rushed troops to the Pankisi
Gorge, accusing Moscow of bomb-
ing villages in the area. The U.S.
called Friday's bombing a "violation
of Georgia's sovereignty." (Page A9)

■ Spain is poised to begin cracking
down this week on groups it accuses
of aiding the Basque militant group
ETA. An early target is a chain of
120 taverns Madrid says is part of
ETA's financial network. (Page A9)

■ An ex-Army researcher again pro-
fessed innocence in the anthrax at-
tacks and criticized Ashcroft's han-
dling of the case. He agreed to give
the FBI blood and writing samples.

■ China's Communists set Nov. 8 as
the date for a party congress mark-
ing the start of a leadership suc-
cession. President Jiang is due to cede
the post of party chief to Hu Jintao.
■ Chinese dikes held at rain-swollen
Lake Dongting in Hunan province af-
ter a fierce sandbagging effort by
one million people. But flood fears
persist downstream on the Yangtze.

■ Zimbabwe's Mugabe shuffled his
cabinet, dismissing the moderate fi-
nance chief and retaining hard-lin-
ers who helped impose harsh press
laws and evictions of white farmers.

■ Louisville, Ky., defeated Sendai,
Japan, by a score of 1-0 to win Lit-
tle League Baseball's World Series.

Online Today

■ Eyes on the Road: The lat-
est tire recall is scary, but
this time firms have lessons
from the Firestone-Ford mess.

■ Real Time: Starbucks adores tech-
nology. AOL can't get its legs. And
a special look at those moviegoers
who yak away on cellphones.

■ Hospital Broobaha: Hospital buy-
ing groups have gotten a harsh rap
lately. But some facts have been
overlooked amid the frenzy.

Charles Nelson Reilly Is Alive And Kicking, but You Won't See Him on Leno

By JEFFREY ZASLOW

Charles Nelson Reilly is buried 650
feet beneath the surface of the Earth.
It's not his body, though. It's his body
of work. Master tapes of his 98 zany ap-
pearances on "The
Tonight Show Star-
ring Johnny Car-
son" are now
stored in a former
salt mine far below
Hutchinson, Kan.,
where old shows
go. Mr. Reilly is en-
tombed alongside
Charo, Red Buttons
and thousands of
other talk-show
guests of that era.



Charles Nelson
Reilly

For Mr. Reilly, the 71-year-old ra-
conteur, the burial
is fitting. No longer invited to be-on talk-
shows, he now tours in a one-man play,
"The Life of Reilly."

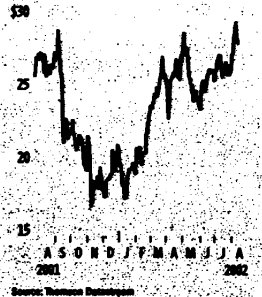
"People think I'm dead," he says.
"The box office gets a lot of calls. They
ask, 'Who's playing Reilly?'"

Such is the fate for scores of perform-
ers who once entertained America in
10-minute bursts on late-night TV.
They're still alive. They still have fans
who see their acts in Branson, Mo., or on
cruise ships. But today's talk-show book-
ers often want nothing to do with them.

As David Letterman and Jay Leno fight
for the same parade of young actors, the
old guard yearns for a return to the
couches of their youth. Many have agents
who make fruitless calls to get them air-
time. Others accept that the world has
Please Turn to Page A6, Column 4

Costly Crude

New York Mercantile Exchange crude-
oil futures, in dollars per barrel



oil. A return trip over that \$30 threshold
now wouldn't necessarily mean a re-
newed recession because the economy
is less reliant on oil than in the past.
But, says Jan Hatzius, an economist
with Goldman Sachs, "It ranks as a big
risk."

Oil prices broke the \$30 mark several
times early in 2001 as OPEC sought to
keep supplies tight. Fears over an Iraq-
related shortfall now are exacerbated
because OPEC's production limits are
keeping global inventories from being
built up; they normally act as cushions
against supply-and-demand shocks.
OPEC's strategy "opens the market up
to momentary spikes," says Larry Gold-
stein, president of the New York-based
Petroleum Industry Research Founda-
tion.

The impact of \$30 oil prices hasn't
yet been felt, but Mr. Hatzius says they
could become significant if prices re-
main above \$30 for several months. One
reason for the muted impact so far:
Please Turn to Page A6, Column 4

cowboy culture—and the way up was
such as Mr. Pastow and former Chief Ex-
ecutive Jeffrey Skilling inspired it—are
key to understanding what happened
this historic business debacle. Only now
the full scope becoming apparent, as
government probes and a growing empi-
ress by some former and current empl-
ees to speak about it.

Fast Cars
Enron executives lived large, be-
ginning with fast cars. Porches were
favorite. Former Enron Broadband
Vice Chief Kenneth Rice drove in a
rari Challenge races, an exclusive as-
sociation for the rich. "They were guys who
afford not only to buy Ferraris, but
wreck them," says Todd Rensaul,
former information-technology dire-
ctor at the company.

Sometimes, employees celebrat-
ed their deals or trading wins by head-
ing to a local strip club. Brittany L. Lucas
dancer at a club called Treasures, rec-
alled a group of about eight Enron men sit-
ting in last summer and announcing they
had \$10,000 to celebrate with. "The
guys were known for spending big and
letting you know they worked the
says Mr. Lucas, who says she saw
\$1,200 for herself that weekday a
noon, her best day ever. In late
Enron advised employees they should
use their company cards at the club
citing the club in a memo under
discreet billing names.

Despite its growing size, Enron
acted a little like a family business
times. In 1997, it acquired a com-
pany co-owned by a son of Chairman Ken
Lay, which planned to go into the
news of trading pulp and paper. En-
ron says they were urged to use a
agency operated by a sister of the
man. "It was beyond encouraged,"
James Alexander, financial chief of
Enron Global Power & Pipelines in 1995.
The sister of Mr. Lay said last
Please Turn to Page A7, Column 4

INSIDE TODAY'S JOURNAL

**Would a Strawberry Sound
as Sweet?**

Corporate nam-
ing consultants
are turning to
phonemes—sounds
that evoke mean-
ings and emotions—
to devise
monikers from
BlackBerry to
Pentium to Cialis. PAGE B1

Clipping the Hedges
The bear market is mauling hedge-
fund performance, likely leading to

a major shakeout among those
once-highflying investment pools.
HEARD ON THE STREET, C1

**TV Signals Elude
Beijing's Grasp**
China's government sought to
crack down on illicit viewing of
foreign chan-
nels with a
new satellite
plan. The re-
sults haven't
been exactly
what the
leaders had in
mind. A8

**Taking the
Fight to
Biotech**

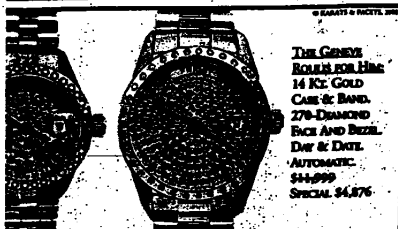
Generic-drug makers,
fresh from victories
against makers of brand-
name drugs, are aiming
at the biotech industry by
promoting "generic biologics."

Just Deserts for an Enemy
Alleged dirty-bomb plotter J
Padilla is being deprived of a
process—and that's perfectly
argues Robert F. Turner.
OPINION, A11



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consumer implications. American is the largest U.S. carrier.

While the Department of Transportation doesn't approve code-sharing pacts, it can delay such agreements from taking effect for as long as six months by extending an initial 30-day review period, as it did last week with the US Air.

Please Turn to Page A5, Column 1

promoters, and beneficiaries, of options-based pay schemes.

gest promoters, and beneficiaries, of options-based pay schemes.

Journalists See an infographic on the debate over expensing stock options and track companies that have voluntarily made the move, in the Online Journal at WSJ.com/Journalists.

Rise in Oil Prices Threatens Any U.S. Recovery

Continued From First Page

Gasoline prices have been more stable. While gasoline prices are up from their December lows, they remain 3.5 cents below a year ago, at \$1.39 a gallon for regular gasoline, according to the Department of Energy's Energy Information Administration. The prices have been held down by increasing supplies of gasoline imports. But over time, they can be expected to rise, along with home heating bills, if oil prices stay up.

Bad Timing

Goldman Sachs estimates that every sustained dollar increase in oil prices amounts to a \$5 billion transfer of income from American households to oil producers. Such a tax would come at a bad time for many household budgets, with the job market appearing to have stagnated and wage growth slowing.

Last year at this time, gasoline prices began falling substantially, dropping to a low of about \$1.06 a gallon by December. Those sharp declines helped fuel consumer spending in the months after the shock of Sept. 11 and as Christmas shopping approached.

OPEC is under a certain amount of pressure to increase oil production. OPEC members Nigeria, Algeria and Venezuela are chafing at their quotas, and non-OPEC countries such as Russia continue to gain market share by boosting output, while the cartel has slashed official quotas by five million barrels a day

since early 2001.

OPEC itself projects global oil demand will increase in the fourth quarter to 77.8 million barrels a day, a rise of 1.8 million barrels a day from the third quarter. Some of that demand is seasonal. But demand is also higher than in the fourth quarter of a year ago, when it had fallen after the Sept. 11 terrorist attacks.

OPEC officials have in past months indicated that a fourth-quarter rise in demand of more than 1.5 million barrels a day would merit an official output boost, but it appears the cartel may prefer to drip-feed supplies into tightening markets. OPEC is already producing about 25 million barrels a day, more than 1.5 million barrels over its official quota.

Side of Caution

"OPEC prefers to err on the side of caution," says Leo Drollas, deputy director for the London-based Centre for Global Energy Studies, who predicts that OPEC will wait until January next year to officially raise its output.

Rising oil prices also have the potential to hurt corporate profit margins—by increasing material costs—at a time when companies are trying to recover from last year's historic profit collapse. Airlines are especially vulnerable, with jet-fuel costs up about 1% from a year ago, and up 4% from their December lows.

Added together, this is likely to restrain an already limping economy. Macroeconomic Advisers, a St. Louis forecasting firm, revised its predictions for the second half of the year to 2.5% annual growth from 3.25%. But even the new forecast was built on the assumption that oil prices would average \$28 to \$27 a barrel. Higher-than-predicted oil prices darken the growth outlook even

more. According to Joel Franks, the firm's chairman, every \$10 increase in the price of a barrel of oil shaves about 0.5% off growth.

The Energy Department says U.S. crude-oil stocks have been declining since March, while global inventories are falling at a rate of 600,000 barrels a day, according to the Centre for Global Energy Studies. The United Nations' retroactive pricing formula for Iraqi oil continues to discourage traders from buying Iraqi crude, further cutting global supplies by some 500,000 barrels a day.

Next year, OPEC estimates demand will rise by a modest 700,000 barrels a day to 78.55 million barrels a day, with non-OPEC supply up 500,000 barrels a day. The Paris-based International Energy Agency sees non-OPEC supply rising less, by 700,000 barrels a day next year, but OPEC officials stick to their forecast. "In the longer term, this doesn't appear to be a market in need of oil," said Mr. Shihab-Eddin, the OPEC economist. "There is plenty of supply."

The spiking oil prices have had less of an impact on Asian currencies, strengthening currencies have helped offset the price of oil, which is traded in dollars. Japan and Korea, Asia's two largest oil importers, have seen their currencies appreciate more than 5% against the dollar this year. And in Korea, an official from the Ministry of Finance and Economy told reporters that rising oil prices haven't affected the economy.

Perhaps the biggest worry for Asia is that high oil prices will slow spending by U.S. companies and consumers. That could threaten exports from Asia and likely stall the growth experienced in most Asian countries so far this year.

CORRECTIONS & AMPLIFICATIONS

THE DAKOTA VALUE CAPTURE Co-operative proposes to build a biorefinery in South Dakota capable of producing 20 million gallons of ethanol a year. A chart accompanying an Aug. 16 Politics & Policy article about the biorefinery mistakenly said its ethanol-production capability would be 20,000 gallons a year.

DOMESTIC PORT AUTHORITIES

are likely to receive funds from the Senate Appropriations Subcommittee on Transportation for seaport-security initiatives. A Technology Journal article Thursday, incorrectly said the world's three largest seaport operators—Hutchinson Wharves Ltd., P&A Corp. and P&O Ports—were likely to receive funds from the subcommittee to help carry out an initiative for shipping-container security.

AAR MATERIALS AND SUPPLIES INDEX
Region By Composition
Third Quarter 2002
September 3, 2002

United States by Composition Category - Summary

Composition Category	Weight	Previous Quarter Index	Current Quarter Index	Relative Of Change
Forest Products	.0963	184.55	189.35	1.0260
Metal Products	.4358	117.35	115.87	.9874
Miscellaneous Products	.4678	172.57	170.12	.9858
U.S. By Composition	--	149.64	148.31	.9911
U.S. By Composition (Linked)	--	141.29	140.03	.9911
United States (1977=100) Linking Factor: 1.423	--	201.06	199.26	.9911
United States (1980=100) Linking Factor: 1.061	--	149.91	148.57	.9911

Car Hire for RCAF

RCAF (Forecast)

	1980	June 3Q/02	Sept. 4Q/02	Dec. 1Q/03	Mar. 2Q/03	June 3Q/03
RATE						
RR-OWNED TIME	31.00	66.00	66.00	0.00	0.00	0.00
RR-OWNED MILEAGE	4.69	7.60	7.60	0.00	0.00	0.00
PRIVATELY-OWNED CARS	25.47	45.96	45.09	#DIV/0!	#DIV/0!	#DIV/0!
AUTORACKS	47.00	53.31	53.64	#DIV/0!	#DIV/0!	#DIV/0!
INDEX						
RR-OWNED TIME	100.0	212.9	212.9	0.0	0.0	0.0
RR-OWNED MILEAGE	100.0	162.0	162.0	0.0	0.0	0.0
PRIVATELY-OWNED CARS	100.0	180.4	177.0	#DIV/0!	#DIV/0!	#DIV/0!
AUTORACKS	100.0	113.4	114.1	#DIV/0!	#DIV/0!	#DIV/0!
CAR HIRE INDEX (old wts) 2000	100.0	185.3	--	--	--	--
CAR HIRE INDEX (new wts) 2001	100.0	185.7	183.3	#DIV/0!	#DIV/0!	#DIV/0!
CAR HIRE INDEX (LINKED)	100.0	182.7	180.9	NA	NA	NA

Note: The Car Hire Index for third quarter using *old weights* and *linked* should match that quarter's filing. The third quarter *new weights* version is used in the fourth quarter linked index calculation to ensure that the transition from old weights to new weights does not impact the linked index.

Equipment Rents Data From UNLIER

	2002						2003							
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														

Railroad Owned														
No. of Cars														
Rate	9,642	9,582	9,179											
Superstructures														
Rate	28.0	28.0	29.0											
Superstructures #3 - Auto Rack	66.0	66.0	66.0											
All other #1 - Time	7.6	7.6	7.6											
All other #2 - Mileage														
Privately Owned														
No. of Cars	52,002	51,914	51,805											
Superstructures	302,717	302,323	303,627											
Covered Hoppers	263,197	263,298	265,232											
Tank Cars	204,043	206,070	207,061											
Others														
Rate	74.0	74.0	74.0											
Superstructures #1 - Time	0.0	0.0	0.0											
Superstructures #2 - Mileage	58.0	58.0	58.0											
Superstructures #3 - Auto Rack	44.3	44.3	44.3											
Covered Hoppers #2 - Mileage	72.5	72.5	70.2											
Tank Cars #2 - Mileage	64.0	64.0	65.0											
Others #1 - Time	6.6	6.6	6.6											
Others #2 - Mileage														

AVERAGE RATES

Private Superstructures	17.39	17.39	17.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Private Others	20.81	20.81	21.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Private Total	45.80	45.77	45.09	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Autotracks	53.31	53.33	53.64	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

WEIGHTS

	2000	2001
For RCAF & RCR		
RR-owned Time	0.203	0.211
RR-owned Mileage	0.096	0.094
Privately-owned Cars	0.710	0.705
Autotracks	0.001	0.000
Check sum	1.000	1.000

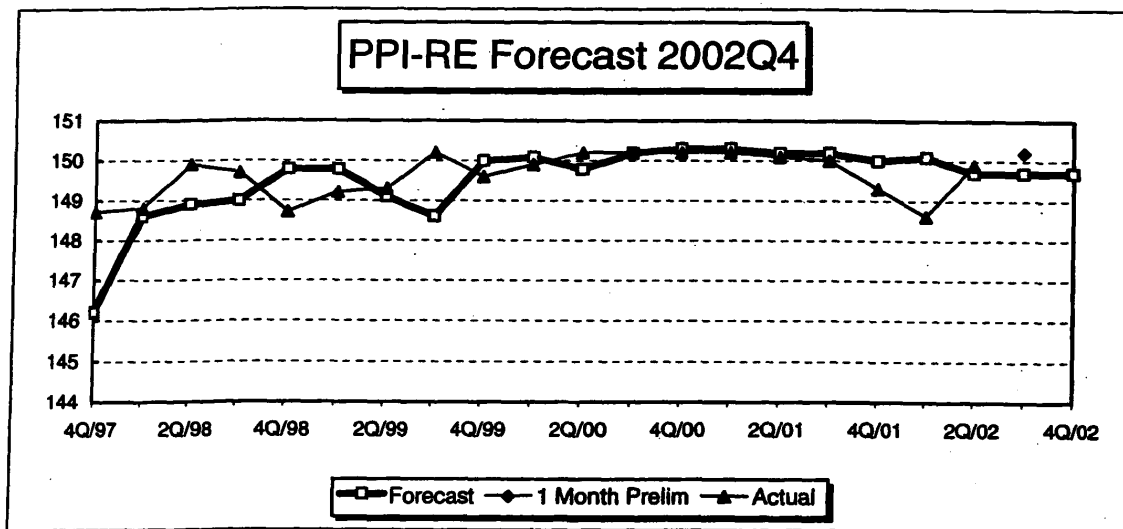
Weights for Equipment Rents (not used in Car Hire calculation)		
Car Hire - U.S.	2000	2001
Lease Rentals - U.S.	0.328	0.515
Check sum	0.472	0.485
Check sum	1.000	1.000

PPI-RE Forecast (for Depreciation Component)

	Forecast	Actual	1 Month Prelim
4Q/97	146.2	148.7	
1Q/98	148.6	148.8	
2Q/98	148.9	149.9	
3Q/98	149.0	149.7	
4Q/98	149.8	148.7	
1Q/99	149.8	149.2	
2Q/99	149.1	149.3	
3Q/99	148.6	150.2	
4Q/99	150.0	149.6	
1Q/00	150.1	149.9	
2Q/00	149.8	150.2	
3Q/00	150.2	150.2	
4Q/00	150.3	150.2	
1Q/01	150.3	150.2	
2Q/01	150.2	150.1	
3Q/01	150.2	150.0	
4Q/01	150.0	149.3	
1Q/02	150.1	148.6	
2Q/02	149.7	149.9	
3Q/02	149.7		150.2
4Q/02	149.7		

1980 Base

	PPI-RE Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
2002Q4						
Low	132.9	147.0	-1.5%			
Modpoint	135.3	149.7	0.3%	-0.3%	-0.1%	0.0%
High	137.7	152.3	2.0%			



RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

		Forecast Year 2002			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	02Q1	02Q2	02Q3	02Q4
For Actual	→	01Q3	01Q4	02Q1	02Q2
January	2001	135.9	135.9	135.9	135.9
February	2001	135.9	135.9	135.9	135.9
March	2001	135.4	135.4	135.4	135.4
April	2001	135.5	135.5	135.5	135.5
May	2001	135.6	135.6	135.6	135.6
June	2001	135.7	135.7	135.7	135.7
July	2001	135.6	135.1	135.1	135.1
August	2001	135.7	135.1	135.1	135.1
September	2001	135.6	135.0	135.0	135.0
October	2001	135.8	135.8	134.6	134.6
November	2001		134.7	134.5	134.5
December	2001		134.5	134.5	134.5
January	2002		134.1	134.1	134.9
February	2002			134.4	134.6
March	2002			134.4	135.1
April	2002			135.1	135.1
May	2002				135.4
June	2002				136.1
July	2002				135.8
Actual Qtr.		135.6	135.0	134.3	135.5

1980=100

Actual Qtr.

First Mo. next qtr.

150.0	149.3	148.6	149.9
150.2	148.3	149.4	150.2

0.904 =1980



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Data extracted on: August 19, 2002 (03:08 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted
Group : Transportation equipment
Item : Railroad equipment
Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2001	135.9	135.9	135.4	135.5	135.6	135.7	135.1	135.1	135.0	134.6	134.5	134.5	135.2
2002	134.9	134.6	135.1	135.1 (P)	135.4 (P)	136.1 (P)	135.8 (P)						

P : Preliminary. All indexes are subject to revision four months after original publication.

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8/19/02

Calculation of Interest Rate for RCAF

Sch. 210	2001 Col. b.
L. 42	1,154,406
L. 44	8,488
-L. 22	10,492
Tot. Interest	1,152,402

Sch. 200	(close of year) Col b.	(beg. of year) Col c.
L. 30	0	20,000
L. 39	811,062	782,967
L. 41	2,451,573	2,689,245
L. 42	2,455,546	2,744,972
L. 43	2,386,133	2,424,850
L. 44	0	0
L. 45	6,867,426	6,363,965
L. 46	(107,259)	(107,226)
Tot. Debt	14,864,481	14,918,773

7.74%

Index (1980=100)

98.6

Sch. 210	1980 Col. b.
L. 44	1,015,377
L. 46	19,097
-L. 22	413
Tot. Interest	1,034,061

Sch. 200	Col b.	Col c.
L. 26	56,047	40,480
L. 34	975,151	1,016,289
L. 36	4,459,060	4,230,627
L. 37	6,110,818	5,461,765
L. 38	1,477,000	1,519,719
L. 39	207,142	207,142
L. 40	393,362	279,509
L. 41	(54,679)	(24,481)
Tot. Debt	13,623,901	12,731,050

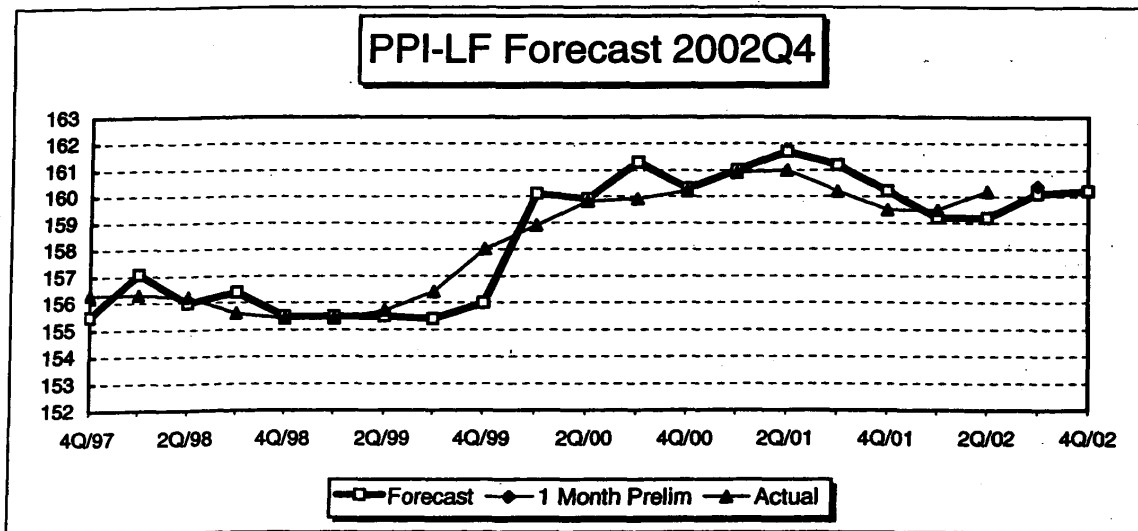
7.85%

PPI-LF Forecast (for Other and Lease Rentals Components)

	Forecast	Actual	1 Month Prelim
4Q/97	155.5	156.3	
1Q/98	157.1	156.3	
2Q/98	156.0	156.2	
3Q/98	156.4	155.6	
4Q/98	155.5	155.4	
1Q/99	155.5	155.4	
2Q/99	155.5	155.7	
3Q/99	155.4	156.4	
4Q/99	156.0	158.0	
1Q/00	160.1	158.9	
2Q/00	159.9	159.8	
3Q/00	161.3	159.9	
4Q/00	160.3	160.2	
1Q/01	161.0	160.9	
2Q/01	161.7	161.0	
3Q/01	161.2	160.2	
4Q/01	160.2	159.5	
1Q/02	159.2	159.5	
2Q/02	159.2	160.2	
3Q/02	160.1		160.4
4Q/02	160.2		

1980 Base

2002Q4	PPI-LF Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
Low	141.7	158.8	-0.4%			
Modpoint	142.9	160.2	0.4%	-0.1%	0.0%	0.1%
High	144.1	161.5	1.3%			



**PPI INDUSTRIAL COMMODITIES LESS FUEL
AND RELATED PRODUCTS AND POWER**

Forecast Model for PPILF
ARIMA(1,1,0)*(1,0,0) with log transform

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.4663	0.1057	4.4114	1.0000
A[12]	0.4108	0.1129	3.6394	0.9995

Within-Sample Statistics

Sample size 72	Number of parameters 2
Mean 4.947	Standard deviation 0.0135
R-square 0.9884	Adjusted R-square 0.9882
Durbin-Watson 2.2	Ljung-Box(18)=21.03 P=0.7223
Forecast error 0.001465	BIC 0.2157
MAPE 0.001118	RMSE 0.2038
MAD 0.1576	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2002-02	142.200
2002-03	142.400
2002-04	142.800
2002-05	142.800
2002-06	143.100
2002-07	143.100

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2002-08	142.605	143.012	143.420
2002-09	142.325	143.048	143.774
2002-10	141.988	142.982	143.983
2002-11	141.637	142.866	144.105
2002-12	141.394	142.828	144.277
QTR AVG	141.673	142.892	144.122
2003-01	141.212	142.830	144.467
2003-02	141.046	142.831	144.638
2003-03	140.975	142.914	144.879

RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

		Forecast Year 2002			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	02Q1	02Q2	02Q3	02Q4
For Actual	→	01Q3	01Q4	02Q1	02Q2
January	2001	143.5	143.5	143.5	143.5
February	2001	143.5	143.5	143.5	143.5
March	2001	143.6	143.6	143.6	143.6
April	2001	143.7	143.7	143.7	143.7
May	2001	143.7	143.7	143.7	143.7
June	2001	143.6	143.6	143.6	143.6
July	2001	143.2	143.2	143.2	143.2
August	2001	142.7	142.8	142.8	142.8
September	2001	142.7	142.8	142.8	142.8
October	2001	142.5	142.5	142.6	142.6
November	2001		142.3	142.3	142.3
December	2001		142.0	142.2	142.2
January	2002		142.2	142.2	142.2
February	2002			142.2	142.2
March	2002			142.5	142.4
April	2002			142.8	142.8
May	2002				142.8
June	2002				143.1
July	2002				143.1
Actual Qtr.		142.9	142.3	142.3	142.9

1980=100

Actual Qtr.

First Mo. next qtr.

160.2	159.5	159.5	160.2
159.8	159.4	160.1	160.4

0.892 =1980



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Producer Price Index-Commodities

Series Catalog:

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2001	143.5	143.5	143.6	143.7	143.7	143.6	143.2	142.8	142.8	142.6	142.3	142.2	143.1
2002	142.2	142.2	142.4	142.8 (P)	142.8 (P)	143.1 (P)	143.1 (P)						

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Forecast Error Calculation

	Second Quarter 2002		Diff
	2002Q2	2002Q2	
Labor	Weight	Forecast	Actual
Fuel	36.5%	257.3	257.3
M&S	10.7%	82.5	91.6
Equip Rents	4.8%	150.0	150.0
Depreciation	11.1%	176.6	177.4
Interest	10.2%	149.7	149.9
Other	4.6%	106.8	108.8
Weighted Avg	22.1%	159.2	160.2
1980 = 100		185.0	186.3
1980 = 100 (linked)		184.2	186.4
4Q97 = 100		106.4	107.6
4Q92 = 100		117.4	118.8
Forecast Error	1.2		

* actual=forecast
from 1st month of quarter

* actual=forecast
from Equipment Rents below

PPI-RE 135.10 135.40 136.10 0.9040

* actual=forecast
PPI-LF 142.80 142.80 143.10 0.8920

calculated
calculated
calculated
calculated

calculated

Prior Quarter	
1980 = 100	187.2
1980 = 100 (linked)	184.7
4Q97 = 100	107.6
4Q92 = 100	118.8

184.6 ***
184.7
106.6
117.7

calculated
calculated

Equipment Rents	
Car Hire	52.8%
Lease Rentals	47.2%
Weighted Average	182.6
Linked	159.2
	171.6
	176.6
	182.5
	160.2
	172.0
	177.4

from UMLER equipment rents
calculated (equals PPI-LF from above)
calculated
calculated

Prior Quarter	
Weighted Average	173.8
Linked	178.9
	173.3 ***
	178.7

*** If fourth quarter, weighted avg for prior needs to use new weights, linked is ok

Sum of Weights ok
Sum of ER Wt. ok

	00 Wts	99r Wts	3Q/01 00 Wts	% CHG	4Q/01 00 Wts	% CHG	1Q/02 00 Wts	% CHG	2Q/02 00 Wts	% CHG	3Q/02 00 Wts	% CHG
LABOR	36.5%	256.3	256.3	0.0%	253.0	-1.3%	256.9	1.5%	257.3	0.2%		-100.0%
FUEL	10.7%	101.3	101.3	0.0%	97.7	-3.6%	75.9	-22.3%	91.6	20.7%		-100.0%
M&S	4.8%	155.8	155.8	0.0%	153.8	-1.3%	155.5	1.1%	150.0	-3.5%		-100.0%
EQUIP RENTS	11.1%	177.7	177.7	0.0%	179.2	0.8%	178.7	-0.3%	177.4	-0.7%	0.0	-100.0%
DEPR	10.2%	150.0	150.0	0.0%	149.3	-0.5%	148.6	-0.5%	149.9	0.9%		-100.0%
INTEREST	4.6%	94.9	94.9	0.0%	108.8	14.6%	108.8	0.0%	108.8	0.0%	108.8	0.0%
OTHER	22.1%	160.2	160.2	0.0%	159.5	-0.4%	159.5	0.0%	160.2	0.4%		-100.0%
WGTD AVG	1.0000											
LINKED		191.5	186.7	-2.5%	185.6	-0.6%	184.6	-0.5%	186.3	0.9%	5.0	-97.3%
10/1/80		186.8	186.8	0.0%	185.7	-0.6%	184.7	-0.5%	186.4	0.9%	5.0	-97.3%
10/1/82		181.9	181.9	0.0%	180.8	-0.6%	179.8	-0.6%	181.5	0.9%	4.9	-97.3%
4Q/87		154.5	154.5	0.0%	153.6	-0.6%	152.8	-0.5%	154.2	0.9%	4.1	-97.3%
4Q/92		141.3	141.3	0.0%	140.5	-0.6%	139.7	-0.6%	141.0	0.9%	3.8	-97.3%
4Q/97		119.1	119.1	0.0%	118.4	-0.6%	117.7	-0.6%	118.8	0.9%	3.2	-97.3%
		107.9	107.9	0.0%	107.2	-0.6%	106.6	-0.6%	107.6	0.9%	2.9	-97.3%
Equipment Rents												
CAR HIRE	52.8%	183.2	183.2	0.0%	186.6	1.9%	185.7	-0.5%	182.5	-1.7%		-100.0%
LEASE RENTS	47.2%	160.2	160.2	0.0%	159.5	-0.4%	159.5	0.0%	160.2	0.4%	0.0	-100.0%
	1.0000											
ER WGTD AVG		172.8	172.3	-0.3%	173.8	0.9%	173.3	-0.3%	172.0	-0.8%	0.0	-100.0%
ER LINKED		177.7	177.7	0.0%	179.2	0.8%	178.7	-0.3%	177.4	-0.7%	0.0	-100.0%

¹ Reflects the final actual third quarter values.

	99r Wts	00 Wts
LABOR	100.726	93.550
FUEL	7.192	10.839
M&S	8.257	7.478
EQUIP RENTS	20.258	19.725
DEPR	15.900	15.300
INTEREST	4.365	4.365
OTHER	34.763	35.404
Weighted Avg.	191.462	186.661

All-Inclusive Index

Revised Second Quarter 2002

The components and values of the current and previous All-Inclusive Indexes are shown below. Details of the construction of each component of the index are contained in the Appendices.

		Forecast		
	2000	Previous	Current	Percent
	Weights	2002Q1	2002Q2	Change
1. Labor	36.5%	260.3	257.3	-1.2 %
2. Fuel	10.7%	87.4	82.5	-5.6
3. M&S	4.8%	155.5	150.0	-3.5
4. Equipment Rents	11.1%	178.9	176.6	-1.3
5. Depreciation	10.2%	150.1	149.7	-0.3
6. Interest	4.6%	108.8	108.8	0.0
7. Other	22.1%	159.2	159.2	0.0
8. Weighted Average				
a. 1980 = 100		187.2	185.0	
b. 1980 = 100 (linked)		186.4	184.2 ¹	
c. 4Q97 = 100		107.6	106.4 ²	-1.1

¹ To calculate the 1980 = 100 Linked Index:

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 185.0 \text{ divided by } 187.2 \text{ times } 186.4 \\ &= 184.2 \end{aligned}$$

² To calculate the 4Q97 = 100 index:

$$\begin{aligned} \text{Index}_{4Q97} &= (\text{Current Linked Index} / 4Q97 \text{ Index}) * 100 \\ &= 184.2 \text{ divided by } 173.2 \text{ times } 100 \\ &= 106.4 \end{aligned}$$

4Q92 based index = 117.4

4Q87 based index = 139.3

RCAF Fuel (Actual All-Inclusive Index)

April 2002

Average Price for Monthly Report

	April 2002 Price (1)	1/1/81 Price (2)	1/91 New Method Linking Factors (3)	April 2002 Index 1/1/81=100 (4)	(4) = (1) / (2) x (3)
U.S.	74.94	89.34	99.415	83.39	
East	72.76	91.56	99.435	79.02	
West	75.88	87.83	99.416	85.89	

Fuel Index on 1977 Base and 1980 Base

	April 2002 Index 1/1/81=100 (1)	Linking Factors 1977=100 (2)	1980=100 (3)	April 2002 Index 1977=100 (4)	1980=100 (5)	(4) = (1) x (2) (5) = (1) x (3)
U.S.	83.39	2.606	1.096	217.32	91.40	
East	79.02	2.569	1.134	203.00	89.61	
West	85.89	2.639	1.067	226.66	91.64	

Final Actual All-Inclusive Index

	1980=100 April 2002 Current Index	Adjustment Factor	April 2002 Linked Index
U.S.	91.40	1.00192	91.57 ←
East	89.61	1.00621	90.16
West	91.64	1.00024	91.67

January	= Q1
April	= Q2
July	= Q3
October	= Q4

8/27/2002 2:18 PM

Association of American Railroads

file: MF200204calcs.xls

Car Hire for RCAF

RCAF (Actual)		1980	Aug 3Q/01	Nov. 4Q/01	Feb 1Q/02	May 2Q/02	Aug 3Q/02
RATE							
	RR-OWNED TIME	31.00	66.00	66.00	66.00	66.00	66.00
	RR-OWNED MILEAGE	4.69	7.60	7.60	7.60	7.60	7.60
	PRIVATELY-OWNED CARS	25.47	46.15	47.37	47.04	45.91	45.77
	AUTORACKS	47.00	56.64	57.43	52.11	53.04	53.33
INDEX							
	RR-OWNED TIME	100.0	212.9	212.9	212.9	212.9	212.9
	RR-OWNED MILEAGE	100.0	162.0	162.0	162.0	162.0	162.0
	PRIVATELY-OWNED CARS	100.0	181.2	186.0	184.7	180.2	179.7
	AUTORACKS	100.0	120.5	122.2	110.9	112.9	113.5
CAR HIRE INDEX (old wts)	1999r	100.0	187.0	--	--	--	--
CAR HIRE INDEX (new wts)	2000	100.0	185.9	189.3	188.4	185.2	184.9
CAR HIRE INDEX (LINKED)		100.0	183.2	186.6	185.7	182.5	182.2

RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

		Forecast Year 2002			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	02Q1	02Q2	02Q3	02Q4
For Actual	→	01Q3	01Q4	02Q1	02Q2
January	2001	135.9	135.9	135.9	135.9
February	2001	135.9	135.9	135.9	135.9
March	2001	135.4	135.4	135.4	135.4
April	2001	135.5	135.5	135.5	135.5
May	2001	135.6	135.6	135.6	135.6
June	2001	135.7	135.7	135.7	135.7
July	2001	135.6	135.1	135.1	135.1
August	2001	135.7	135.1	135.1	135.1
September	2001	135.6	135.0	135.0	135.0
October	2001	135.8	135.8	134.6	134.6
November	2001		134.7	134.5	134.5
December	2001		134.5	134.5	134.5
January	2002		134.1	134.1	134.9
February	2002			134.4	134.6
March	2002			134.4	135.1
April	2002			135.1	135.1
May	2002				135.4
June	2002				136.1
July	2002				135.8
Actual Qtr.		135.6	135.0	134.3	135.5

1980=100

Actual Qtr.

First Mo. next qtr.

150.0	149.3	148.6	149.9
150.2	148.3	149.4	150.2

0.904 =1980



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Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted
Group : Transportation equipment
Item : Railroad equipment
Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2001	135.9	135.9	135.4	135.5	135.6	135.7	135.1	135.1	135.0	134.6	134.5	134.5	135.2
2002	134.9	134.6	135.1	135.1 (P)	135.4 (P)	136.1 (P)	135.8 (P)						

P : Preliminary. All indexes are subject to revision four months after original publication.

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RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

		Forecast Year 2002			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	02Q1	02Q2	02Q3	02Q4
For Actual	→	01Q3	01Q4	02Q1	02Q2
January	2001	143.5	143.5	143.5	143.5
February	2001	143.5	143.5	143.5	143.5
March	2001	143.6	143.6	143.6	143.6
April	2001	143.7	143.7	143.7	143.7
May	2001	143.7	143.7	143.7	143.7
June	2001	143.6	143.6	143.6	143.6
July	2001	143.2	143.2	143.2	143.2
August	2001	142.7	142.8	142.8	142.8
September	2001	142.7	142.8	142.8	142.8
October	2001	142.5	142.5	142.6	142.6
November	2001		142.3	142.3	142.3
December	2001		142.0	142.2	142.2
January	2002		142.2	142.2	142.2
February	2002			142.2	142.2
March	2002			142.5	142.4
April	2002			142.8	142.8
May	2002				142.8
June	2002				143.1
July	2002				143.1
Actual Qtr.		142.9	142.3	142.3	142.9

1980=100

Actual Qtr.

First Mo. next qtr.

160.2	159.5	159.5	160.2
159.8	159.4	160.1	160.4

0.892 =1980

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Producer Price Index-Commodities**Series Catalog:**

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2001	143.5	143.5	143.6	143.7	143.7	143.6	143.2	142.8	142.8	142.6	142.3	142.2	143.1
2002	142.2	142.2	142.4	142.8 (P)	142.8 (P)	143.1 (P)	143.1 (P)						

P : Preliminary. All indexes are subject to revision four months after original publication.

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RCA Weights

	U.S.	East	West	2001	2000	Amt Chg	1999	1998
Labor	\$11,425,074	\$4,822,367	\$6,602,707	37.8%	36.5%	1.3%	39.3%	39.9%
Fuel	3,180,858	991,104	2,189,754	10.5%	10.7%	-0.2%	7.1%	7.0%
Mat & Sup.	1,377,226	553,746	823,480	4.6%	4.8%	-0.2%	5.3%	5.5%
Equip. Rents	3,187,537	1,152,948	2,034,589	10.5%	11.1%	-0.6%	11.4%	10.8%
Depreciation	3,189,766	1,108,179	2,081,587	10.6%	10.2%	0.4%	10.6%	10.6%
Interest	1,147,043	329,525	817,518	3.8%	4.6%	-0.8%	4.6%	4.8%
Other	6,692,295	3,473,947	3,218,348	22.2%	22.1%	0.1%	21.7%	21.4%
Total	\$30,199,799	\$12,431,816	\$17,767,983	100.0%	100.0%		100.0%	100.0%

Check

410 6201	29,052,756
Interest	1,147,043
Total	30,199,799
	ok

Note: 0.1% subtracted from Equipment Rents to force total of rounded numbers to 100.0%.

Other	U.S.	East	West	2001	2000	Amt Chg.
Purch Service	\$4,282,389	\$2,472,567	\$1,809,822	14.2%	14.4%	-0.2%
Taxes	631,945	274,310	357,635	2.1%	2.0%	0.1%
Cas & Insur	819,628	303,665	515,963	2.7%	2.8%	0.0%
Loss & Dam	130,257	53,715	76,542	0.4%	0.3%	0.1%
Gen & Admn	828,076	369,690	458,386	2.7%	2.6%	0.1%
Total	\$6,692,295	\$3,473,947	\$3,218,348	22.2%	22.1%	0.1%

RCR and RCAF Internal Weights

	U.S.	East	West	U.S. 2001	East 2001	West 2001	U.S. 2000	Amt Diff
Labor								
Wages	8,229,405	3,442,785	4,786,820	72.0%	71.4%	72.5%	73.4%	-1.4%
Wage Supplem	3,195,669	1,379,582	1,816,087	28.0%	28.6%	27.5%	26.6%	1.4%
Total	11,425,074	4,822,367	6,602,707	100.0%	100.0%	100.0%	100.0%	
	ok	ok	ok					
Depreciation (RCR)								
Road	2,064,328	588,856	1,475,472	64.7%	53.1%	70.9%	63.7%	1.0%
Locomotive	533,615	197,552	338,063	16.7%	17.8%	16.1%	17.0%	-0.3%
Freight Car	380,538	214,557	165,981	12.0%	19.4%	8.0%	12.2%	-0.2%
Other Equip.	211,285	107,214	104,071	6.6%	9.7%	5.0%	7.1%	-0.5%
Total	3,189,766	1,108,179	2,081,587	100.0%	100.0%	100.0%	100.0%	
Check	ok	ok	ok					
Deprec - Other (RCR)								
Locomotive	533,615	197,552	338,063	58.4%	47.9%	66.9%	58.2%	0.2%
Freight Car	380,538	214,557	165,981	41.6%	52.1%	33.1%	41.8%	-0.2%
Total	914,153	412,109	502,044	100.0%	100.0%	100.0%	100.0%	
Equip. Rents								
Car Hire	1,640,530	665,858	974,672	51.5%	57.8%	47.9%	52.8%	-1.3%
Lease Rents	1,547,007	487,090	1,059,917	48.5%	42.2%	52.1%	47.2%	1.3%
Total	3,187,537	1,152,948	2,034,589	100.0%	100.0%	100.0%	100.0%	
Check	ok	ok	ok					
Interest (RCR)								
Road	82,170,579	29,936,065	52,234,494	79.0%	74.4%	82.0%	78.2%	0.8%
Locomotive	12,056,895	4,825,364	7,231,531	11.6%	12.0%	11.3%	11.9%	-0.3%
Freight Car	9,763,388	5,497,129	4,266,259	9.4%	13.6%	6.7%	9.9%	-0.5%
Total	103,990,862	40,258,578	63,732,284	100.0%	100.0%	100.0%	100.0%	
from Sch. 352B	ok	ok	ok					
Car Hire								
RR Time excl Autork	333,223			21.3%			20.3%	1.0%
RR Mileage excl Auto	133,177			8.5%			8.6%	-0.1%
Private excl Autorack	1,114,356			71.3%			71.0%	0.3%
Autorack	-18,803			-1.2%			0.1%	-1.3%
Total	1,561,953			99.9%			100.0%	
from Sch. 414	ok							
Car Hire, Adjusted to eliminate negative numbers								
RR Time excl Autork	333,223			21.1%			20.3%	0.8%
RR Mileage excl Auto	133,177			8.4%			8.6%	-0.2%
Private excl Autorack	1,114,356			70.5%			71.0%	-0.5%
Autorack	0			0.0%			0.1%	-0.1%
Total	1,580,756			100.0%			100.0%	

Note: These numbers are all rounded to 3 digits after the decimal or 1 digit after the decimal for a percentage. In the event that the rounded percentages do not sum to 100.0%, the number that is closest to rounding in the other direction will be changed to force a 100.0% total. The number is identified by a bold font.

U.S. Summary

RCR RCAF Weights

Year	Sch	Line	COLB	COLC	COLD	COLE	COLF	COLG	COLH	Checksum
2001	210	22	10,492	11,316	0	0	0	0	0	21,808
2001	210	42	1,154,406	1,316,240	0	0	0	0	0	2,470,646
2001	210	44	8,488	9,302	0	0	0	0	0	17,790
2001	353	31	75,400,814	4,331,819	0	2,437,948	0	0	0	82,170,579
2001	353	32	12,056,895	0	0	0	0	0	0	12,056,895
2001	353	33	9,763,382	6	0	0	0	0	0	9,763,388
2001	410	112	0	0	0	254,437	254,437	3,310	257,747	769,931
2001	410	113	0	0	0	27,790	27,790	218	28,008	63,806
2001	410	114	0	0	0	126,617	126,617	419	127,036	380,689
2001	410	115	0	0	0	97,164	97,164	28	97,192	291,548
2001	410	116	0	0	0	11,270	11,270	0	11,270	33,810
2001	410	117	0	0	0	29,530	29,530	0	29,530	88,580
2001	410	136	0	0	0	1,423,732	1,423,732	1,784	1,425,496	4,274,724
2001	410	137	0	0	0	225,426	225,426	0	225,426	676,278
2001	410	138	0	0	0	415,170	415,170	0	415,170	1,245,510
2001	410	205	0	0	0	191,030	191,030	1,341	192,371	575,772
2001	410	206	0	0	0	72,743	72,743	5	72,748	218,239
2001	410	207	0	0	690,062	0	690,062	0	690,062	2,070,186
2001	410	208	0	0	-21,897	0	-21,897	0	-21,897	-85,691
2001	410	211	0	0	2,262	0	2,262	0	2,262	6,786
2001	410	212	0	0	-8,805	0	-8,805	0	-8,805	-28,415
2001	410	213	0	0	0	533,615	533,615	29	533,644	1,600,903
2001	410	224	0	0	0	136,817	136,817	0	136,817	410,451
2001	410	225	0	0	0	108,042	108,042	0	108,042	318,128
2001	410	226	0	0	719,645	0	719,645	0	719,645	2,158,935
2001	410	227	0	0	-14,194	0	-14,194	0	-14,194	-42,582
2001	410	230	0	0	2,312,213	0	2,312,213	0	2,312,213	6,936,639
2001	410	231	0	0	-750,280	0	-750,280	0	-750,280	-2,250,780
2001	410	232	0	0	0	380,538	380,538	0	380,538	1,141,614
2001	410	309	0	0	0	4,348	4,348	3,851	8,199	20,746
2001	410	310	0	0	0	1,969	1,969	8	1,977	5,923
2001	410	311	0	0	198,897	0	198,897	1,144	200,041	598,979
2001	410	312	0	0	-25,506	0	-25,506	0	-25,506	-76,518
2001	410	315	0	0	146,189	0	146,189	0	146,189	438,567
2001	410	316	0	0	-61,069	0	-61,069	0	-61,069	-183,207
2001	410	317	0	0	0	211,285	211,285	126	211,411	634,107
2001	410	409	367	2,934,743	799	956	2,936,865	6,381	2,945,246	8,827,357
2001	410	410	0	0	0	0	0	0	0	0
2001	410	412	0	0	0	5,425	5,425	0	5,425	16,275
2001	410	414	0	0	0	1,359,614	1,359,614	6,679	1,366,293	4,082,200
2001	410	415	0	0	0	308,914	308,914	2,901	311,815	932,544
2001	410	425	140	245,316	0	0	245,456	0	245,456	736,368
2001	410	426	0	0	0	0	0	0	0	0
2001	410	428	0	0	0	354	354	0	354	1,062
2001	410	430	0	0	0	465,705	465,705	801	466,506	1,366,717
2001	410	431	0	0	0	95,179	95,179	0	95,179	285,537
2001	410	504	0	0	0	124,478	124,478	3,430	127,908	380,294
2001	410	505	0	0	0	849	849	0	849	2,547
2001	410	511	0	0	0	0	0	0	0	0
2001	410	512	0	0	0	23,110	23,110	0	23,110	69,330
2001	410	513	0	0	0	5,333	5,333	0	5,333	15,999
2001	410	522	0	0	0	153,884	153,884	1,409	155,293	464,470
2001	410	523	0	0	0	24,377	24,377	0	24,377	73,131
2001	410	611	0	0	0	306,392	306,392	1,241	307,633	921,658
2001	410	612	0	0	0	67,107	67,107	7	67,114	201,335
2001	410	614	0	0	0	496,151	496,151	1,246	499,397	1,496,945
2001	410	615	0	0	0	133,794	133,794	116	133,910	401,614
2001	410	620	7,888,792	4,557,285	7,956,414	8,650,285	29,052,756	111,111	29,163,867	87,380,490
2001	414	18	0	0	122,309	25,355	0	78,151	0	225,815
2001	414	19	0	149,119	601,141	1,139,711	282,296	890,206	0	3,082,473
Checksum			106,283,776	13,555,146	11,868,200	20,076,422	43,527,099	1,117,922	43,394,368	239,822,933

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NS Purchased Services /Fringe Benefits/Wages Adjustment (\$000)

2001 Schedule 410

Management Fee Wages included in Line 618d	\$340,613	68.42%
Management Fee Fringe Benefits included in Line 618d	145,076	29.14%
Non-Management Fee Wages or Fringes (calc)	12,127	2.44%
NS Line 618 column (d)	497,816	100.00%

This adjustment removes some dollars from the purchased services column (d) and puts them in the wages column (b) or the fringe benefits lines general column (e).

The purpose of the adjustment is to prevent distortions in the All-Inclusive Index's weights and Health & Welfare benchmark. The All-Inclusive Index is used to calculate the Rail Cost Adjustment Factor.

Effective June 1, 2000, Norfolk Southern Corporation began charging Norfolk Southern Combined Railroad Subsidiaries (NS Rail) a fee for management services the corporation performs for NS Rail. This fee is reported in the purchased services column of line 618 (General & Administrative - Other) of Schedule 410 of the NS Rail R-1 annual report to the Surface Transportation Board. Previously, these costs were reported in various lines of the salaries & wages column for wages; or in the fringe benefits lines of the general column for fringe benefits.



**NORFOLK
SOUTHERN**

Norfolk Southern Corporation
Accounting Department
Three Commercial Place
Norfolk, Virginia 23510-2191

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Marilyn Brummer
Manager Statistical Analysis
and Development
(757) 629-2764

Norfolk, VA - August 9, 2002

Mr. A. Clyde Crimmel, Jr.
Director - Statistical Information
Association of American Railroads
50 F Street, N.W.
Washington, DC 20001-1564

Dear Mr. Crimmel:

Norfolk Southern Corporation (NS) is the parent holding company of Norfolk Southern Railway Company (NSR). Norfolk Southern Combined Railroad Subsidiaries (NS Rail) is comprised principally of Norfolk Southern Railway Consolidated. NS officers and employees perform various management functions for NS Rail. Effective June 1, 2000, NS began charging NS Rail an arm's-length fee for management services it performs for NS Rail. Previously, costs incurred by NS to perform management services were charged to NS Rail.

We are providing this information solely for the use of the AAR in the process of weighting, benchmarking and calculating the Rail Cost Adjustment Factor and is pursuant to your request. NS Rail's fringe benefits for 2001 are included in lines 112, 113, 114, 205, 224, 309, 414, 430, 505, 512, 522 and 611 of schedule 410. The management fee paid by NS Rail to NS is reported in the Purchased Services column of line 618, included in which are amounts for wages and fringe benefits incurred by NS in the provision of management services to NS Rail: fringe benefits - \$145,076 (000s) and wages - \$340,613 (000s).

Please let me know if you require anything further.

Very truly yours,

A handwritten signature in cursive script that reads "Marilyn Brummer".

cc: C. M. Barton
R. M. Kesler, Jr.

RCR and RCAF Weights

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	U.S.	East	West	US-E-W
Wages				
Sch 410				
620 (b)	7,888,792	3,102,172	4,786,620	0
NS Adj	<u>340,613</u>	<u>340,613</u>	<u>0</u>	0
Adj Wages	8,229,405	3,442,785	4,786,620	0

Wage Supplements

Sch 410				
112 (f)	254,437	141,223	113,214	0
113 (f)	27,790	2,801	24,989	0
114 (f)	126,617	67,079	59,538	0
205 (f)	191,030	74,035	116,995	0
224 (f)	136,817	47,119	89,698	0
309 (f)	4,348	2,726	1,622	0
414 (f)	1,359,614	482,761	876,853	0
430 (f)	465,705	232,156	233,549	0
505 (f)	849	72	777	0
512 (f)	23,110	17,162	5,948	0
522 (f)	153,884	62,777	91,107	0
611 (f)	306,392	104,595	201,797	0
Total	3,050,593	1,234,506	1,816,087	0
NS Adj	<u>145,076</u>	<u>145,076</u>	<u>0</u>	0
Adj Supp	3,195,669	1,379,582	1,816,087	0

Fuel

Sch. 410				
409 (c)	2,934,743	908,204	2,026,539	0
409 (d)	799	252	547	0
410 (c)	0	0	0	0
410 (d)	0	0	0	0
425 (c)	245,316	82,648	162,668	0
425 (d)	0	0	0	0
426 (c)	0	0	0	0
426 (d)	0	0	0	0
Total	3,180,858	991,104	2,189,754	0

RCR and RCAF Weights

	U.S.	East	West	US-E-W
Materials and Supplies				
Sch. 410				
620 (c)	4,557,285	1,544,598	3,012,687	0
less				0
409 (c)	2,934,743	908,204	2,026,539	0
410 (c)	0	0	0	0
425 (c)	245,316	82,648	162,668	0
426 (c)	0	0	0	0
Total	1,377,226	553,746	823,480	0
Equipment Rents				
Sch. 410				
211 (f)	2,262	190	2,072	0
212 (f)	-8,805	-1,234	-7,571	0
230 (f)	2,312,213	967,082	1,345,131	0
231 (f)	-750,260	-335,926	-414,334	0
315 (f)	146,189	62,655	83,534	0
316 (f)	-61,069	-26,909	-34,160	0
Rents	1,640,530	665,858	974,672	0
207 (f)	690,062	229,410	460,652	0
208 (f)	-21,897	-20,593	-1,304	0
226 (f)	719,645	255,759	463,886	0
227 (f)	-14,194	-10,425	-3,769	0
311 (f)	198,897	57,950	140,947	0
312 (f)	-25,506	-25,011	-495	0
Lease	1,547,007	487,090	1,059,917	0
Total	3,187,537	1,152,948	2,034,589	0
Car Hire	0.515	0.578	0.479	
Lease Rentals	0.485	0.422	0.521	
Total	1.000	1.000	1.000	

RCR and RCAF Weights

	U.S.	East	West	US-E-W
Depreciation				
Sch. 410				
136 (f)	1,423,732	380,159	1,043,573	0
137 (f)	225,426	22,228	203,198	0
138 (f)	415,170	186,469	228,701	0
213 (f)	533,615	197,552	336,063	0
232 (f)	380,538	214,557	165,981	0
317 (f)	211,285	107,214	104,071	0
Total	3,189,766	1,108,179	2,081,587	0

Interest				
Sch. 210				
42 (b)	1,154,406	329,366	825,040	0
44 (b)	8,488	186	8,302	0
less				0
22(b)	10,492	27	10,465	0
Total	1,152,402	329,525	822,877	0
Sch. 410 (times ratio of freight to total)				
620 (f)	29,052,756	12,102,291	16,950,465	0
620 (h)	29,163,867	12,102,291	17,061,576	0
ratio (ff)		1.00000000	0.99348765	0
Total	1,147,043	329,525	817,518	0

Note: U.S. = East + West

Taxes (other than income and payroll)				
Sch. 410				
614 (f)	498,151	212,759	285,392	0
615 (f)	133,794	61,551	72,243	0
Total	631,945	274,310	357,635	0

RCR and RCAF Weights

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	U.S.	East	West	US-E-W
Other				
Other = Casualties & Insurance + Loss & Damage + General & Administrative				
Sch. 410				
Casualties & Insurance				
115 (f)	97,164	37,478	59,686	0
116 (f)	11,270	835	10,435	0
117 (f)	29,530	10,562	18,968	0
206 (f)	72,743	33,743	39,000	0
225 (f)	106,042	46,733	59,309	0
310 (f)	1,969	1,056	913	0
415 (f)	308,914	85,721	223,193	0
431 (f)	95,179	41,381	53,798	0
513 (f)	5,333	3,484	1,849	0
523 (f)	24,377	3,327	21,050	0
612 (f)	67,107	39,345	27,762	0
Total	819,628	303,665	515,963	0
Loss & Damage				
Sch. 410				
412 (f)	5,425	1,728	3,697	0
428 (f)	354	0	354	0
504 (f)	124,478	51,987	72,491	0
511 (f)	0	0	0	0
Total	130,257	53,715	76,542	0
General & Administrative				
Sch. 410				
620 (e)	8,650,265	3,344,065	5,306,200	0
+NS Adj S	<u>145,076</u>	<u>145,076</u>	0	0
620 (e) Adj	8,795,341	3,489,141	5,306,200	0
less				
W Supp Adj	3,195,669	1,379,582	1,816,087	0
Deprec.	3,189,766	1,108,179	2,081,587	0
Taxes	631,945	274,310	357,635	0
Cas & Ins	819,628	303,665	515,963	0
Loss & D	130,257	53,715	76,542	0
(e) = (f) chk	problem			
Total G&A	828,076	369,690	458,386	0
Total Other	1,777,961	727,070	1,050,891	

RCR and RCAF Weights

	U.S.	East	West	US-E-W
Car Hire				
Sch.414				
19 (g)	890,206	432,887	457,319	0
less				
19 (d)	601,141	267,570	333,571	0
Time	289,065	165,317	123,748	0
18 (g)	78,151	23,895	54,256	0
less				
18 (d)	122,309	24,028	98,281	0
Time, A-Rk	-44,158	-133	-44,025	0
Time, XAR	333,223	165,450	167,773	0
19 (f)	282,296	117,272	165,024	0
less				
19 (c)	149,119	68,356	80,763	0
Mileage	133,177	48,916	84,261	0
18 (f)	0	0	0	0
less				
18 (c)	0	0	0	0
Mi, A-Rk	0	0	0	0
Mile, XAR	133,177	48,916	84,261	0
19 (e)	1,139,711	416,923	722,788	0
less				
19 (b)	0	0	0	0
Private	1,139,711	416,923	722,788	0
18 (e)	25,355	0	25,355	0
less				
18 (b)	0	0	0	0
Priv, A-Rk	25,355	0	25,355	0
Priv., XAR	1,114,356	416,923	697,433	0
Time, A-Rk	-44,158	-133	-44,025	0
Mi, A-Rk	0	0	0	0
Priv, A-Rk	25,355	0	25,355	0
Autorack	-18,803	-133	-18,670	0

RCR and RCAF Weights

	U.S.	East	West	US-E-W
Car Hire				
Sch.414				
19 (g)	890,206	432,887	457,319	0
less				
19 (d)	601,141	267,570	333,571	0
Time	289,065	165,317	123,748	0
18 (g)	78,151	23,895	54,256	0
less				
18 (d)	122,309	24,028	98,281	0
Time, A-Rk	-44,158	-133	-44,025	0
Time, XAR	333,223	165,450	167,773	0
19 (f)	282,296	117,272	165,024	0
less				
19 (c)	149,119	68,356	80,763	0
Mileage	133,177	48,916	84,261	0
18 (f)	0	0	0	0
less				
18 (c)	0	0	0	0
Mi, A-Rk	0	0	0	0
Mile, XAR	133,177	48,916	84,261	0
19 (e)	1,139,711	416,923	722,788	0
less				
19 (b)	0	0	0	0
Private	1,139,711	416,923	722,788	0
18 (e)	25,355	0	25,355	0
less				
18 (b)	0	0	0	0
Priv, A-Rk	25,355	0	25,355	0
Priv., XAR	1,114,356	416,923	697,433	0
Time, A-Rk	-44,158	-133	-44,025	0
Mi, A-Rk	0	0	0	0
Priv, A-Rk	25,355	0	25,355	0
Autorack	-18,803	-133	-18,670	0

RCR and RCAF Weights

HIGHLY
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	U.S.	East	West	US-E-W
Purchased Services				
Sch. 410				
620 (d)	7,956,414	4,111,456	3,844,958	0
less				0
112 (d)	0	0	0	0
113 (d)	0	0	0	0
114 (d)	0	0	0	0
115 (d)	0	0	0	0
116 (d)	0	0	0	0
117 (d)	0	0	0	0
136 (d)	0	0	0	0
137 (d)	0	0	0	0
138 (d)	0	0	0	0
205 (d)	0	0	0	0
206 (d)	0	0	0	0
207 (d)	690,062	229,410	460,652	0
208 (d)	-21,897	-20,593	-1,304	0
211 (d)	2,262	190	2,072	0
212 (d)	-8,805	-1,234	-7,571	0
213 (d)	0	0	0	0
224 (d)	0	0	0	0
225 (d)	0	0	0	0
226 (d)	719,645	255,759	463,886	0
227 (d)	-14,194	-10,425	-3,769	0
230 (d)	2,312,213	967,082	1,345,131	0
231 (d)	-750,260	-335,926	-414,334	0
232 (d)	0	0	0	0
309 (d)	0	0	0	0
310 (d)	0	0	0	0
311 (d)	198,897	57,950	140,947	0
312 (d)	-25,506	-25,011	-495	0
315 (d)	146,189	62,655	83,534	0
316 (d)	-61,069	-26,909	-34,160	0
317 (d)	0	0	0	0
409 (d)	799	252	547	0
410 (d)	0	0	0	0
412 (d)	0	0	0	0
414 (d)	0	0	0	0
415 (d)	0	0	0	0
425 (d)	0	0	0	0
426 (d)	0	0	0	0
428 (d)	0	0	0	0
430 (d)	0	0	0	0
431 (d)	0	0	0	0
504 (d)	0	0	0	0
505 (d)	0	0	0	0
511 (d)	0	0	0	0
512 (d)	0	0	0	0
513 (d)	0	0	0	0
522 (d)	0	0	0	0
523 (d)	0	0	0	0
611 (d)	0	0	0	0
612 (d)	0	0	0	0
614 (d)	0	0	0	0
615 (d)	0	0	0	0
Total	4,768,078	2,958,256	1,809,822	0
- NS Adj W	340,613	340,613	0	0
- NS Adj S	145,076	145,076	0	0
Adj Pur Ser	4,282,389	2,472,567	1,809,822	0

**HIGHLY
CONFIDENTIAL****Benchmarks for Supplements**

Page 1 of 3

Current year: 2001

	U.S.	East	West	E & W Check	
Fringe Benefits (\$000)					
Sch. 410, Line & Col.					
112 (h)	\$257,747	\$141,223	\$116,524	257,747	ok
113 (h)	28,008	2,801	25,207	28,008	ok
114 (h)	127,036	67,079	59,957	127,036	ok
205 (h)	192,371	74,035	118,336	192,371	ok
224 (h)	136,817	47,119	89,698	136,817	ok
309 (h)	8,199	2,726	5,473	8,199	ok
414 (h)	1,366,293	482,761	883,532	1,366,293	ok
430 (h)	466,506	232,156	234,350	466,506	ok
505 (h)	849	72	777	849	ok
512 (h)	23,110	17,162	5,948	23,110	ok
522 (h)	155,293	62,777	92,516	155,293	ok
611 (h)	307,633	104,595	203,038	307,633	ok
NS FB Adj.	145,076	145,076	0	145,076	ok
Total F.B.	3,214,938	1,379,582	1,835,356.000	3,214,938	ok

Payroll Taxes (\$000)

Sch. 450 Line, Col (b)

5 [RR Ret.]	1,958,427	797,528	1,160,899	1,958,427	ok
6 [Hosp Ins]	140,071	56,130	83,941	140,071	ok
7 [Sup An]	75,050	30,599	44,451	75,050	ok
8 [Unemp Ins]	46,552	19,536	27,016	46,552	ok
5 & 6	2,098,498	853,658	1,244,840	2,098,498	ok
1 RR's 401(k) match	3,289	0	3,289	3,289	ok

112-Class Wage Statistics

ST Hrs.	323,188,643	129,552,609	193,636,034	323,188,643	ok
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Fringe Benefits By Category (\$000)

H&W	991,549.000	475,789.000	515,760.000	991,549	ok
RR Ret.&Med.	2,098,498	853,658	1,244,840	2,098,498	ok
Sup. Annuities	75,050	30,599	44,451	75,050	ok
Unemp. Ins.	46,552	19,536	27,016	46,552	ok
1 RR's 401(k) match	3,289	0	3,289	3,289	ok
Total	3,214,938	1,379,582	1,835,356	3,214,938	ok

Rates (\$ per ST Hr.)

H&W	\$3.068	\$3.673	\$2.664	
RR Ret.&Med.	\$6.493	\$6.589	\$6.429	
Sup. Annuities	\$0.232	\$0.236	\$0.230	
Unemp. Ins.	\$0.144	\$0.151	\$0.140	

1 RR's 401(k) match handled as "other" in supplements

[The 401(k) match amount is highly confidential.]

Benchmarks for Supplements**Page 2 of 3**

	U.S.	East	West
2001 Rates:			
H&W	\$3.068	\$3.673	\$2.664
RR Ret.&Med.	\$6.493	\$6.589	\$6.429
Sup. Annuities	\$0.232	\$0.236	\$0.230
Unemp. Ins.	\$0.144	\$0.151	\$0.140
2000 Rates:			
H&W	\$2.200	\$2.514	\$1.985
RR Ret.&Med.	\$6.245	\$6.394	\$6.142
Sup. Annuities	\$0.245	\$0.264	\$0.232
Unemp. Ins.	\$0.051	\$0.060	\$0.045
% Chg.			
H&W	39.5%	46.1%	34.2% Rates up in 2001
RR Ret.&Med.	4.0%	3.0%	4.7%
Sup. Annuities	-5.3%	-10.6%	-0.9% Rate down in 2001
Unemp. Ins.	182.4%	151.7%	211.1% Rate way up in 2001

U.S. Year-End 2001 ST Hourly Rates (Highly Confidential)

Ord		As of 12/31/2001					ST Hourly Rate
		2001 ST Hrs Pd	ST HR 12/31/2001	ST\$ (excl ULS)	Total ST\$ (excl ULS)	Total ST Hours	
1	Natl UTU	73,207,967	\$18.528	1,356,424,399			
1	IC UTU	1,906,942	\$14.248	27,169,656			
1	SOO UTU	1,115,685	\$17.156	19,140,928			
1	GTW UTU	737,872	\$18.464	13,624,436	1,416,359,419	76,968,466	18.402 UTU
2	Natl TCU	22,182,790	\$19.693	436,837,185			
2	IC TCU	727,114	\$20.095	14,611,547			
2	SOO TCU	586,294	\$19.162	11,234,590			
2	GTW TCU	399,265	\$20.802	8,305,653	470,988,975	23,895,463	19.710 TCU
3	Natl BLE	44,987,674	\$20.947	942,345,122			
3	NS BLE	9,039,407	\$20.236	182,925,114			
3	IC BLE	1,180,668	\$18.189	19,113,511			
3	SOO BLE	958,768	\$18.544	17,778,944			
3	GTW BLE	538,261	\$22.475	12,097,166	1,174,259,857	56,704,778	20.708 BLE
4	Natl SMW	2,309,045	\$19.136	44,185,718			
4	IC SMW	33,541	\$20.293	680,645			
4	SOO SMW	6,079	\$18.373	111,690			
4	GTW SMW	0	\$0.000	0	44,978,054	2,348,665	19.150 SMW
5	Natl BRS	11,312,674	\$20.436	231,180,801			
5	IC BRS	218,413	\$21.419	4,678,104			
5	SOO BRS	141,885	\$18.925	2,684,746			
5	GTW BRS	141,596	\$20.334	2,879,165	241,422,815	11,814,548	20.434 BRS
6	Natl BMWE	42,029,866	\$18.698	785,679,560			
6	SOO BMWE	941,264	\$17.291	16,275,377			
6	IC BMWE	858,795	\$17.851	15,330,068			
6	GTW BMWE	418,185	\$19.151	8,008,480	825,493,485	44,248,110	18.656 BMWE
7	Natl TCU-CAR	20,277,806	\$18.954	384,354,691			
7	IC TCU-CAR	575,577	\$20.137	11,590,370			
7	SOO TCU-CAR	350,436	\$18.357	6,433,091			
7	GTW TCU-CAR	334,967	\$21.791	7,299,139	409,677,291	21,538,786	19.020 TCU-CAR
8	Natl IBFO	4,838,448	\$17.439	84,378,571			
8	IC IBFO	77,380	\$15.777	1,220,800			
8	SOO IBFO	70,681	\$15.599	1,102,529			
8	GTW IBFO	38,698	\$18.218	704,995	87,406,895	5,025,207	17.394 IBFO
9	Natl IAM	12,662,102	\$19.261	243,883,552			
9	IC IAM	245,682	\$20.225	4,968,997			
9	SOO IAM	172,959	\$18.565	3,210,907			
9	GTW IAM	48,482	\$18.438	894,075	252,957,530	13,129,235	19.267 IAM
10	Natl IBBM	1,906,486	\$18.498	35,266,584			
10	IC IBBM	70,630	\$17.572	1,241,096			
10	SOO IBBM	43,258	\$19.394	838,939			
10	GTW IBBM	0	\$0.000	0	37,346,619	2,020,374	18.485 IBBM
11	Natl IBEW	9,840,509	\$18.401	181,073,546			
11	IC IBEW	200,929	\$20.598	4,138,702			
11	SOO IBEW	129,906	\$18.946	2,461,156			
11	GTW IBEW	56,094	\$21.132	1,185,400	188,858,804	10,227,438	18.466 IBEW
12	Natl ATDA	3,120,019	\$27.430	85,583,320			
12	UP ATDA	102,041	\$29.084	2,965,679			
12	SOO ATDA	80,724	\$24.726	1,995,947			
12	IC ATDA	73,848	\$28.208	2,083,076			
12	GTW ATDA	69,672	\$23.246	1,619,572	94,247,594	3,446,304	27.347 ATDA
13	Natl UTU-YMD	1,922,931	\$24.674	47,447,267			
13	CSX UTU-YMD	1,276,644	\$22.198	28,338,355			
13	IC UTU-YMD	82,460	\$26.051	2,146,152			
13	GTW UTU-YMD	75,989	\$26.095	1,982,906			
13	SOO UTU-YMD	67,569	\$23.281	1,573,072			
13	UP UTU-YMD	1,163,336	\$28.733	33,425,707	114,915,461	4,588,929	25.042 UTU-YMD
14	Natl OTHER	47,232,340	\$33.387	1,576,933,866	1,576,933,866	47,232,340	33.387 OTHER
Check Sums		323,188,643	1,132.835	6,935,846,646	6,935,846,646	323,188,643	295.468
		323,188,643	1,132.835				

Calculations To Get Year-End 2001 Hourly Rates (Highly Confidential)

Page 1 of 2

Type Ord	Group 1 - COLA Increases	2001		2001 Avg.		2001		Increases		Straight Time Hourly Rate		Check	
		ST Hrs Pd	ST-ULS	PFTNW	ST-LS	PFTNW	ST-LS	During Year		12/31/2000	1/1/2001	12/31/2001	Avg.
		ST Hrs Pd	ST-ULS	PFTNW	ST-LS	PFTNW	ST-LS	Q1	Q3	Q3	Q3	Q3	Diff.
1	1 Natl UTU	73,207,967	18,473	9,028	1,352,397,961	680,802,492	COLA	COLA	COLA	\$18,298	\$18,418	\$18,528	18,473 0.000
1	2 Natl TCU	22,182,780	19,638	4,798	435,617,132	108,441,897	\$0.12	\$0.12	\$0.11	\$19,313	\$19,583	\$19,693	19,638 0.000
1	3 Natl BLE	44,987,674	20,892	8,358	898,870,800	376,027,790	\$0.27	\$0.27	\$0.11	\$20,717	\$20,837	\$20,947	20,892 0.000
1	4 Natl SMW	2,308,045	19,081	3,584	44,058,721	8,274,768	\$0.12	\$0.12	\$0.11	\$18,756	\$19,028	\$19,138	19,081 0.000
1	5 Natl BRS	11,312,874	20,381	3,911	230,553,604	44,248,200	\$0.27	\$0.27	\$0.11	\$20,208	\$20,328	\$20,438	20,381 0.000
1	7 Natl TCU-CAR	20,277,908	18,899	3,120	383,239,412	63,276,438	\$0.12	\$0.12	\$0.11	\$18,574	\$18,844	\$18,954	18,899 0.000
1	8 Natl IBFO	4,838,448	17,384	2,832	84,112,456	12,732,589	\$0.27	\$0.27	\$0.11	\$17,059	\$17,329	\$17,439	17,384 0.000
1	9 Natl IAM	12,662,102	19,208	3,597	243,187,138	45,550,564	\$0.12	\$0.12	\$0.11	\$18,881	\$19,151	\$19,261	19,208 0.000
1	10 Natl IBBM	1,906,488	18,443	2,782	36,161,727	5,265,974	\$0.27	\$0.27	\$0.11	\$18,118	\$18,388	\$18,498	18,443 0.000
1	11 Natl IBEW	9,840,509	18,348	3,100	180,532,318	30,507,451	\$0.12	\$0.12	\$0.11	\$18,021	\$18,291	\$18,401	18,348 0.000
1	12 Natl ATDA	3,120,019	27,375	5,881	85,411,719	18,348,538	\$0.27	\$0.27	\$0.11	\$27,050	\$27,320	\$27,430	27,375 0.000
1	13 Natl UTU-YMD	1,922,931	24,619	5,711	47,941,508	10,981,930	\$0.12	\$0.12	\$0.11	\$24,444	\$24,564	\$24,674	24,619 0.000
1	14 Natl OTHER	47,232,340	33,387	0.962	1,576,933,886	45,428,004	\$0.27	\$0.27	\$0.11	\$33,117	\$33,387	\$33,497	33,387 0.000
1	14.5 CSX	1,276,644	22,143	9,155	28,268,140	11,687,903	\$0.12	\$0.12	\$0.11	\$22,988	\$23,258	\$23,368	22,143 0.000
1	14.8 UP	1,163,336	28,678	2,898	33,361,724	3,126,757	\$0.12	\$0.12	\$0.11	\$28,503	\$28,773	\$28,883	28,678 0.000
1	28 IC	1,908,942	14,193	8,785	27,084,774	16,783,105	\$0.12	\$0.12	\$0.11	\$14,018	\$14,288	\$14,398	14,193 0.000
1	30 IC	1,180,688	18,134	7,231	19,048,574	8,537,097	\$0.00	\$0.00	\$0.11	\$16,079	\$16,349	\$16,459	18,134 0.000
1	38 IC	73,848	28,208	2,229	2,083,078	164,640	\$0.27	\$0.27	\$0.11	\$27,838	\$28,108	\$28,218	28,208 0.000
1	40 IC	82,460	25,998	3,747	2,143,617	308,938	\$0.12	\$0.12	\$0.11	\$25,821	\$26,091	\$26,201	25,998 0.000
1	41 SOO	1,115,685	17,101	11,515	19,079,585	12,847,223	\$0.12	\$0.12	\$0.11	\$17,928	\$18,198	\$18,308	17,101 0.000
1	42 SOO TCU	588,204	18,107	4,708	11,202,344	2,780,082	\$0.27	\$0.27	\$0.11	\$18,782	\$19,052	\$19,162	18,107 0.000
1	43 SOO BLE	958,768	18,489	7,068	17,726,212	6,776,941	\$0.12	\$0.12	\$0.11	\$18,314	\$18,584	\$18,694	18,489 0.000
1	44 SOO SMW	6,079	18,318	3,520	111,356	21,386	\$0.27	\$0.27	\$0.11	\$17,963	\$18,233	\$18,343	18,318 0.000
1	45 SOO BRS	141,865	18,870	3,080	2,676,943	434,174	\$0.12	\$0.12	\$0.11	\$18,685	\$18,955	\$19,065	18,870 0.000
1	46 SOO BWWE	941,264	17,236	2,833	16,223,607	2,686,648	\$0.12	\$0.12	\$0.11	\$17,061	\$17,331	\$17,441	17,236 0.000
1	47 SOO TCU-CAR	350,438	18,302	3,562	6,413,617	1,248,343	\$0.27	\$0.27	\$0.11	\$17,977	\$18,247	\$18,357	18,302 0.000
1	48 SOO IBFO	70,681	15,544	1,852	1,086,842	130,679	\$0.12	\$0.12	\$0.11	\$15,219	\$15,489	\$15,599	15,544 0.000
1	49 SOO IAM	172,959	18,510	3,112	3,201,384	538,194	\$0.27	\$0.27	\$0.11	\$18,185	\$18,455	\$18,565	18,510 0.000
1	50 SOO IBBM	43,258	19,338	3,798	836,560	164,304	\$0.12	\$0.12	\$0.11	\$19,014	\$19,284	\$19,394	19,338 0.000
1	51 SOO IBEW	128,908	18,891	2,438	2,454,011	316,752	\$0.27	\$0.27	\$0.11	\$18,568	\$18,838	\$18,948	18,891 0.000
1	52 SOO ATDA	80,724	24,671	7,721	1,991,507	623,300	\$0.12	\$0.12	\$0.11	\$24,346	\$24,616	\$24,726	24,671 0.000
1	53 SOO UTU-YMD	67,588	23,228	6,918	1,586,356	467,446	\$0.27	\$0.27	\$0.11	\$23,051	\$23,321	\$23,431	23,228 0.000
1	55 UP	102,041	29,064	0.880	2,965,679	68,433	\$0.12	\$0.12	\$0.11	\$28,794	\$29,064	\$29,174	29,064 0.000
2	6 Natl BWWE	42,028,866	18,543	3,884	778,364,931	183,240,789	3.50%	\$0.31	\$0.31	\$17,768	\$18,388	\$18,698	18,543 0.000

Group 2 - Percentage Increase and COLA Increase

file: YearEnd2001RCAF2.xls

Association of American Railroads

8/28/2002

Calculations To Get Year-End 2001 ST Hourly Rates (Highly Confidential)

Page 2 of 2

Types Ord	2001 ST Hrs Pd	2001 Avg.		2001		Increases During Year			Straight Time Hourly Rate		Check			
		Group 3 - Beginning of Year Rate Same as End of Year and Average		ST-LS	PFTNW	Q1	Q3	Q3	12/31/2000	1/1/2001	12/31/2001	Avg.	Diff.	
		ST-ULS	PFTNW											
3 15 GTW UTU	737,872	18,464	11,180	13,624,436	8,234,823	3.00%			\$17,927	\$18,484	\$18,484	0.000		
3 16 GTW TCU	398,265	20,802	10,775	8,305,653	4,301,944	3.00%			\$20,196	\$20,802	\$20,802	0.000		
3 17 GTW BLE	538,261	22,475	7,258	12,097,166	3,908,553	3.00%			\$21,820	\$22,475	\$22,475	0.000		
3 19 GTW BRS	141,598	20,334	2,435	2,878,165	344,751	3.00%			\$19,741	\$20,334	\$20,334	0.000		
3 20 GTW BWME	418,185	19,151	2,429	8,008,480	1,015,951	6.00%			\$18,051	\$19,151	\$19,151	0.000		
3 21 GTW TCU-CAR	334,967	21,791	2,688	7,299,139	883,584	12.55%			\$19,361	\$21,791	\$21,791	0.000		
3 22 GTW IBFO	38,898	18,218	2,461	704,985	95,220				\$18,218	\$18,218	\$18,218	0.000		
3 23 GTW IAM	48,492	18,438	9,598	884,075	485,338				\$18,438	\$18,438	\$18,438	0.000		
3 25 GTW IBEW	56,084	21,132	2,783	1,185,400	156,118				\$21,132	\$21,132	\$21,132	0.000		
3 26 GTW ATDA	69,672	23,246	5,331	1,619,572	371,411				\$23,246	\$23,246	\$23,246	0.000		
3 27 GTW UTU-YMD	75,989	26,085	8,053	1,982,908	611,925	3.00%			\$25,335	\$26,085	\$26,085	0.000		
3 54 NS BLE	9,039,407	20,238	7,483	182,925,114	67,733,757	No Increase - lump sum only.						\$20,238	20,238	0.000
Group 4 - Mid-Year Percentage Increase														
4 29 IC TCU	727,114	19,803	2,723	14,398,757	1,980,284				\$19,510	\$19,510	\$20,085	19,803	0.000	
4 31 IC SMW	33,541	19,997	2,682	670,733	90,308	3.00%			\$19,128	\$19,702	\$20,283	19,997	0.000	
4 32 IC BRS	218,413	21,107	2,948	4,809,978	643,987	3.00%	retro		\$20,189	\$20,795	\$21,419	21,107	0.000	
4 33 IC BWME	858,795	17,591	2,100	15,108,815	1,803,832	3.00%	retro		\$17,331	\$17,331	\$17,851	17,591	0.000	
4 34 IC TCU-CAR	575,577	19,844	2,480	11,421,578	1,415,640	3.00%			\$19,550	\$19,550	\$20,137	19,844	0.000	
4 35 IC IBFO	77,380	15,547	1,455	1,203,021	112,586	3.00%			\$15,317	\$15,317	\$15,777	15,547	0.000	
4 36 IC IAM	245,882	19,931	2,547	4,888,633	625,654	3.00%	retro		\$19,084	\$19,638	\$20,225	19,931	0.000	
4 37 IC IBBM	70,830	17,316	1,498	1,223,022	105,654	3.00%	retro		\$16,563	\$17,080	\$17,572	17,316	0.000	
4 38 IC IBEW	200,929	20,288	3,579	4,078,430	719,050	3.00%	retro		\$18,415	\$19,988	\$20,598	20,288	0.000	
Group 5 - No ST Hours														
5 18 GTW SMW	0	-	-	-4,000	0	3.00%			\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
5 24 GTW IBBM	0	-	-	0	0				\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
Check Sums	323,188,643	1,128.50	252.39	6,918,440,233	1,758,401,455				1,107	1,124,158	1,132,835			
From Summary	323,188,643			6,918,440,233	1,758,401,455									

Hourly Rates are full float.

Note: GTW has recorded 4,000 in lump sums for SMW, yet no STS - this is improbable.

Note: GTW BWME (April 18 - 2 retro 3%) and TCU-Carmen (April 9 - 4 retro 3%) signed new contracts during 2001

Note: 5 IC unions signed contracts during 2001 that had increases retroactive to July 1, 2000. Those unions were: SMW - 5/18/01, BRS - 6/5/01, IAM - 5/15/01, IBBM - 7/5/01, IBEW - 7/12/01. The IC SMW 12/31/00 STHR of \$19.128 is the rate in place at that time. However, the May 19, 2001 3% retroactive increase effective 7/1/00 would make the 12/31/00 rate equal to the 1/1/01 rate of \$19.702. A similar situation exists for the other unions with retroactive increases signed during 2001.

file: YearEnd2001RCAF2.xls

Association of American Railroads

8/28/2002

Railroad Retirement and Medicare
170,799 AAR's 2001 112-Class Summary

Emp Rcvry
 Tier I Maximum
 Tier II Maximum
 Medicare Maximum
 Tier I Tax Rate
 Tier II Tax Rate
 Medicare Tax Rate

80,400 from RRB for 2001
 59,700 from RRB for 2001
 no limit from RRB for 2001
 6.20% from RRB for 2001
 16.10% from RRB for 2001
 1.45% from RRB for 2001

U.S.	Wage Rate	Factor	RR Ret Tax	RR Retirement Hourly Rate
2000	\$28.031			
2001	\$28.887	1.03288	\$623,925,463	\$8.483

Rate from 2000 Benchmark
 Hourly rate from SUPPL2001.xls

The purpose of this sheet is to get this Railroad Retirement Tax number. The "Factor" (ratio of the two wage rates) is used to update earnings in the Gross Earnings File (2000) to the Benchmark (2001) year.

Railroad Retirement and Medicare

Annual Earnings Groups	RRB Stats 2000		Average Annual Earnings		Avg City Earnings 2001	Tier I Taxable 2001	Tier II Taxable 2001	Medicare Taxable 2001	Tier I Tot Tax Emgs 2001	Tier II Tot Tax Emg 2001	Medicare Tot Tax Emg 2001
	Employee Distribution	2001 Employees (Based on Dist.)	RRB Stats 2000	Estimated 2000							
\$0 - 21699	0.898	1,192	\$12,952	\$13,378	\$3,344	3,344	\$3,344	\$3,344	\$3,987,210	\$3,987,210	\$3,987,210
21700 - 23699	0.131	224	\$22,635	\$23,378	5,845	5,845	5,845	5,845	1,307,762	1,307,762	1,307,762
23700 - 25699	0.349	596	\$24,593	\$25,391	6,348	6,348	6,348	6,348	3,783,878	3,783,878	3,783,878
25700 - 27699	0.916	1,565	\$26,762	\$27,842	6,911	6,911	6,911	6,911	10,811,822	10,811,822	10,811,822
27700 - 29699	1.265	2,161	\$28,657	\$29,599	7,400	7,400	7,400	7,400	15,988,145	15,988,145	15,988,145
29700 - 31699	0.829	1,416	\$30,833	\$31,847	7,982	7,982	7,982	7,982	11,273,198	11,273,198	11,273,198
31700 - 33699	1.962	3,351	\$32,819	\$33,898	8,475	8,475	8,475	8,475	28,398,877	28,398,877	28,398,877
33700 - 35699	2.268	3,874	\$34,801	\$35,945	8,986	8,986	8,986	8,986	34,810,607	34,810,607	34,810,607
35700 - 37699	4.754	8,120	\$36,832	\$38,043	9,511	9,511	9,511	9,511	77,225,603	77,225,603	77,225,603
37700 - 39699	7.237	12,361	\$38,705	\$39,978	9,994	9,994	9,994	9,994	123,538,542	123,538,542	123,538,542
39700 - 41699	6.847	11,686	\$40,706	\$42,045	10,511	10,511	10,511	10,511	122,923,689	122,923,689	122,923,689
41700 - 43699	6.780	11,548	\$42,697	\$44,101	11,025	11,025	11,025	11,025	127,297,798	127,297,798	127,297,798
43700 - 45699	5.757	9,833	\$44,701	\$46,171	11,543	11,543	11,543	11,543	113,498,545	113,498,545	113,498,545
45700 - 47699	5.102	8,714	\$46,695	\$48,200	12,050	12,050	12,050	12,050	105,004,655	105,004,655	105,004,655
47700 - 49699	4.230	7,225	\$48,679	\$50,280	12,570	12,570	12,570	12,570	90,815,263	90,815,263	90,815,263
49700 - 51699	4.361	7,449	\$50,723	\$52,391	13,088	13,088	13,088	13,088	97,559,114	97,559,114	97,559,114
51700 - 53699	4.187	7,151	\$52,672	\$54,404	13,601	13,601	13,601	13,601	97,265,673	97,265,673	97,265,673
53700 - 55699	3.489	5,959	\$54,652	\$56,449	14,112	14,112	14,112	14,112	84,097,649	84,097,649	84,097,649
55700 - 57699	3.751	6,407	\$56,719	\$58,584	14,646	14,646	14,646	14,646	83,832,321	83,832,321	83,832,321
57700 - 59699	2.878	4,916	\$58,623	\$60,551	15,138	15,138	14,825	15,138	74,410,746	73,365,259	74,410,746
59700 - 61699	2.529	4,320	\$60,635	\$62,629	15,657	15,657	14,825	15,657	67,631,503	64,468,638	67,631,503
61700 - 63699	2.442	4,171	\$62,557	\$64,614	16,154	16,154	14,825	16,154	67,374,941	62,250,855	67,374,941
63700 - 65699	2.399	4,097	\$64,704	\$66,832	16,708	16,708	14,825	16,708	68,460,207	61,154,710	68,460,207
65700 - 67699	2.966	5,098	\$66,834	\$69,032	17,258	17,258	14,825	17,258	87,426,970	75,608,533	87,426,970
67700 - 69699	2.878	4,916	\$68,669	\$70,927	17,732	17,732	14,825	17,732	87,162,231	73,365,259	87,162,231
69700 - 71699	2.137	3,650	\$70,764	\$73,061	18,270	18,270	14,825	18,270	86,885,644	60,478,154	86,885,644
71700 - 73699	2.224	3,799	\$72,812	\$75,206	18,802	18,802	14,825	18,802	71,419,132	54,475,871	71,419,132
73700 - 75699	1.832	3,129	\$74,862	\$77,313	19,328	19,328	14,825	19,328	60,478,154	46,700,887	60,478,154
75700 - 77699	2.791	4,767	\$76,481	\$78,998	19,749	19,749	14,825	19,749	54,143,474	41,925,416	54,143,474
77700 - 79699	1.398	2,384	\$78,742	\$81,331	20,333	20,333	14,825	20,333	47,925,518	35,596,484	47,925,518
79700 - 81699	1.003	1,713	\$80,630	\$83,281	20,820	20,100	14,825	20,820	34,433,591	25,568,228	34,433,591
81700 - 83699	0.698	1,192	\$82,638	\$85,353	21,338	20,100	14,825	21,338	22,962,752	17,793,242	22,962,752
83700 - 85699	0.654	1,117	\$84,803	\$87,592	21,898	20,100	14,825	21,898	20,975,998	15,575,480	20,975,998
85700 - 87699	0.611	1,044	\$86,602	\$89,450	22,362	20,100	14,825	22,362	17,793,242	17,793,242	17,793,242
87700 - 89699	0.698	1,182	\$88,545	\$91,457	22,864	20,100	14,825	22,864	18,889,367	18,889,367	18,889,367
89700 - 91699	0.741	1,266	\$90,860	\$93,848	23,462	20,100	14,825	23,462	17,793,242	17,793,242	17,793,242
91700 - 93699	0.698	1,192	\$92,982	\$95,962	23,968	20,100	14,825	23,968	14,988,141	14,988,141	14,988,141
93700 - 95699	0.436	745	\$94,746	\$97,862	24,465	20,100	14,825	24,465	106,287,535	78,922,480	106,287,535
95700 - over	3.098	5,288	\$120,349	\$124,307	31,077	20,100	14,825	31,077	2,332,984,380	2,138,356,042	2,414,111,390
TOTAL	100.000	170,799	\$2,305,583						0.062	0.161	0.0145
									\$144,845,032	\$344,275,808	\$36,004,815
									Tier I & II & Medicare Taxes		
											\$523,925,453

Solid Employee Distribution percentages adjusted to force rounded percentages to total to 100.000%.

Data based on Railroad Retirement Board's Gross Earnings File for 2000, the latest year available.

Estimated Annual Earnings are based on Gross Earnings File updated by ratio of Wage Rates for years involved.

(Billed Employee Distribution percentages adjusted to force rounded percentages to total to 100.000%.
 Data based on Railroad Retirement Board's Gross Earnings File for 2000, the latest year available.
 Estimated Annual Earnings are based on Gross Earnings File updated by ratio of Wage Rates for years involved.

Tax Rate 0.062
 City Pmt \$14,645,082
 Tier I & II Medicare Taxes \$523,925,453

2001 RR Retirement Benchmarking

2001 ST Comp. Incl. Lump Sums (112)	U.S.
2001 PFTNW (112)	\$6,933,102,013
	<u>1,756,401,455</u>
TOTAL	\$8,689,503,468
ST Hours Paid For (112)	323,188,643
ST Hourly Rate	\$21.452
PFTNW Hourly Rate	\$5.435
ST + PFTNW Hourly Rate	\$26.887

Figures are from AAR 112-Class Wage Statistics Summary, Year 2001

2000 RR Retirement Benchmarking

2000 ST Comp. Ind. Lump Sums (112)	U.S.
2000 PFTNW (112)	\$7,113,082,088
	<u>1,708,388,831</u>
TOTAL	\$8,821,448,919
ST Hours Paid For (112)	338,882,538
ST Hourly Rate	\$28.031

Figures are from AAR 112-Class Wage Statistics Summary, Year 2000

**AAR 2001 112-Class Wage Statistics
U.S.**

Union	Employees	Straight Time		PFTNW	Union Lump
	Paid	Hours	Comp.	Comp.	Sums
UTU	40,437	76,968,466	\$1,412,742,707	\$698,637,743	\$575,971
TCU	13,692	23,895,463	471,591,100	115,484,207	2,067,214
BLE	27,271	56,704,778	1,183,186,103	462,982,138	11,518,237
SMW	1,309	2,348,665	44,869,310	8,386,468	32,500
BRS	6,295	11,814,548	240,928,046	45,672,112	203,358
BMWE	25,665	44,248,110	819,327,360	168,727,230	623,547
TCU-CAR	11,830	21,538,786	408,548,293	66,834,005	174,347
IBFO	2,814	5,025,207	87,191,365	13,071,274	72,251
IAM	7,255	13,129,235	252,467,063	47,179,750	287,825
IBBM	1,102	2,020,374	37,303,695	5,535,932	82,386
IBEW	5,214	10,227,438	188,419,927	31,699,371	169,768
ATDA	1,965	3,446,304	94,858,848	19,577,322	787,295
UTU-YMD	2,598	4,588,929	114,734,330	27,184,899	67,081
OTHER	23,352	47,232,340	1,576,933,866	45,429,004	N/A
Total	170,799	323,188,643	\$6,933,102,013	\$1,756,401,455	\$16,661,780