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OF AMERICAN
RAILROADS



Craig F. Rocky
Vice President - Policy & Economics

The Honorable Vernon A. Williams
Secretary

Surface Transportation Board, Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

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Dear Mr. Williams:

This submission is the AAR forecast of the third quarter 2003 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2003-3), *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 third quarter 2003 results on the fourth quarter 2002 base, and shows the percentage changes from the previous quarter.

	<u>2003Q2</u>	<u>2003Q3</u>	<u>% Change</u>
All-Inclusive Index	101.1	100.6	-0.5
Preliminary RCAF	1.011	1.006	-0.5
Forecast Error Adjustment	0.009	0.014	
RCAF (Unadjusted)	1.020	1.020	0.0
Productivity Adjustment Factor	1.9557	1.9649	
RCAF (Adjusted)	0.522	0.519	-0.6
PAF-5	2.0333	2.0542	
RCAF-5	0.502	0.497	-1.0

Page 2
June 5, 2003

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 black ink, appearing to read "Craig F. Rockey". The signature is written in a cursive, somewhat stylized font. The first letter "C" is large and loops around the first part of the name.

Craig F. Rockey

Attachments

**Third Quarter 2003
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2003-3)

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

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

June 5, 2003

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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 third quarter of 2003.

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

Reweightings 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

Third Quarter 2003

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 2003Q2	Current 2003Q3	
1. Labor	37.8%	270.4	273.5	1.1 %
2. Fuel	10.5%	130.4	106.3	-18.5
3. M&S	4.6%	152.6	152.7	0.1
4. Equipment Rents	10.5%	175.9	175.8	-0.1
5. Depreciation	10.6%	149.1	149.9	0.5
6. Interest	3.8%	98.6	98.6	0.0
7. Other	22.2%	162.1	163.2	0.7
8. Weighted Average				
a. 1980 = 100		196.9	195.9	
b. 1980 = 100 (linked)		194.3	193.3 ¹	
c. 4Q02 = 100		101.1	100.6 ²	-0.5

¹ To calculate the 1980 = 100 Linked Index:

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 195.9 \text{ divided by } 196.9 \text{ times } 194.3 \\ &= 193.3 \end{aligned}$$

² To calculate the 4Q02 = 100 index:

$$\begin{aligned} \text{Index}_{4Q02} &= (\text{Current Linked Index} / 4Q02 \text{ Linking Factor}) * 100 \\ &= 193.3 \text{ divided by } 192.1 \text{ times } 100 \\ &= 100.6 \end{aligned}$$

$$4Q97 \text{ based index} = 111.6$$

$$4Q92 \text{ based index} = 123.2$$

$$4Q87 \text{ based index} = 146.2$$

Forecast vs. Actual All-Inclusive Index First Quarter 2003

As shown below, the first quarter actual index of 100.6 is 1.4 index points above the forecast value of 99.2. Thus, the forecast error adjustment in the third quarter 2003 is 1.4 index points.

	2001	First Quarter 2003		Amt
	Weights	Forecast	Actual	Difference
1. Labor	37.8%	269.7	269.7	
2. Fuel	10.5%	100.7	113.8	
3. M&S	4.6%	144.2	144.2	
4. Equipment Rents ¹	10.5%	175.2	177.0	
5. Depreciation	10.6%	149.6	149.7	
6. Interest	3.8%	98.6	98.6	
7. Other	22.2%	162.2	162.3	
8. Weighted Average				
a. 1980 = 100		193.2	194.8	
b. 1980 = 100 (linked)		190.6	193.3 ²	
c. 4Q02 = 100 ³		99.2	100.6	1.4

Forecast error → 1.4 index points

¹	2001	First Quarter 2003	
	Weights	Forecast	Actual
Car-Hire	51.5%	177.2	179.8
Lease Rentals	48.5%	162.2	162.3
Weighted Average		169.9	171.3
Weighted Average (linked)		175.2	177.0

² Linked actual index = (actual index / previous actual index) x previous linked actual index.
 $193.3 = 194.8 / 193.2 \times 191.7$

³ The 4Q02 based indexes are 1980 based indexes divided by the 4Q02 linking factor (192.1/100).
 4Q97 based indexes are the 1980 based indexes divided by the 4Q97 linking factor (173.2/100).
 4Q92 based indexes are the 1980 based indexes divided by the 4Q92 linking factor (156.9/100).

Productivity

On January 31, 2003, the Surface Transportation Board (STB) served a decision in Ex Parte 290 (Sub-No. 4) which added the year 2001 to the Productivity Adjustment Factor (PAF) and deleted the year 1996. This creates an average annual productivity for 1997 through 2001 of 1.9 percent – an decrease from the 1996 through 2000 average of 4.2 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

1997 - 2001

Year	Output Index (1)	Input Index (2)	Productivity Changes (3)
1997	1.008	1.019	0.989
1998	1.006	1.018	0.988
1999	1.032	1.008	1.024
2000	1.029	0.953	1.080
2001	0.971	0.955	1.017
Average			1.019
Previous Average (1996-2000)			1.042

Note: To be consist with their recent requirement that CSX Transportation (CSXT) include expenses and operating statistics for CSX Intermodal traffic carried by CSXT, the STB has recalculated all of the Input and Output Indexes used to develop the latest 5-year average. The impact of this change was insignificant.

Calculation of PAF and PAF-5

For 1997-2001 use fourth root of avg. productivity change 1.0047
For 1996-2000 use fourth root of previous avg. change 1.0103

Quarter	Year	PAF	PAF-5	
Q1	2003	1.9466	2.0126	1996-2000
Q2	2003	1.9557	2.0333	
Q3	2003	1.9649	2.0542	1997-2001
Q4	2003	1.9741	2.0754	
Q1	2004	1.9834	2.0852	

Rail Cost Adjustment Factor

Third Quarter 2003

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 2003Q2	Current 2003Q3	Percent Change
All-Inclusive Index ¹	101.1	100.6	-0.5
Preliminary RCAF ²	1.011	1.006	-0.5
Forecast Error Adjustment ³	<u>0.009</u>	<u>0.014</u>	
RCAF (Unadjusted) ⁴	1.020	1.020	—
Productivity Adjustment Factor ⁵	1.9557	1.9649	
RCAF (Adjusted) ⁶	0.522	0.519	-0.6
PAF-5 ⁷	2.0333	2.0542	
RCAF-5 ⁸	0.502	0.497	-1.0

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 Third Quarter 2003

The third quarter 2003 Labor Index is forecast to increase 1.1 percent, caused by July's mixture of wage increases, cost-of-living wage increases, and increases in cost-of-living allowances. The Wage Index increased 1.5 percent, and the Supplements Index increased 0.6 percent.

Wage Index

National Contracts: All unions received some type of wage increase effective July 1. The United Transportation Union (UTU), the Yardmasters Department of the UTU, and the International Brotherhood of Boilermakers and Blacksmiths will all receive a 2.5 percent general wage increase. The Transportation Communications International Union (TCU), and the Brotherhood Railway Carmen Division of the TCU will have a 3.0 percent wage increase. The Brotherhood of Maintenance of Way Employees (BMWWE) has a cost of living wage adjustment of 47 cents. The remaining unions will receive a 16 cent increase in their cost of living allowance (COLA). In this filing, non-union employees were not assigned a wage increase for the third quarter.

Independent Contracts: One new contract, signed in May for Canadian National's Grand Trunk Western Railroad (GTW) and its International Association of Machinists and Aerospace Workers (IAM), was added to the wage index. A 3 percent wage increase for most Illinois Central unions will go into effect on July 1. Union Pacific's yardmasters and nearly all of the Soo Line's unions will receive a 16 cent increase in their COLA beginning with the third quarter. Most of CSX's yardmasters have chosen their labor agreement's Alternative Compensation Program, and will forego a 2.5 percent general wage increase in July. Instead, the CSX yardmasters will receive 50 percent matches on the first six percent of 401(k) contributions, and a performance bonus 401(k) match based on corporate results. The employer match will be added to the index in future filings.

Lump Sums: The lump sum adjustment increased by 0.2 cents as a signing bonus for the new GTW IAM contract was added.

Back Pay: The back pay adjustment decreased 0.2 cents. A back pay amount was added for the new GTW IAM contract, and one larger amount was fully amortized and removed.

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 2003 for performance in 2002. A new formula and better year caused the profit sharing amount to increase significantly, and the hourly adjustment increased from \$0.002 to \$0.010. This figure had been \$0.008 two years ago.

Labor

Third Quarter 2003

Supplements Index

The Supplements Index is forecast to increase by 0.6 percent from the second quarter filing. This change was caused by Railroad Retirement taxes that increased with the July wage increases.

Health & Welfare: The health & welfare premiums are unchanged from the prior quarter. The employer contribution has increased slightly as the national TCU and TCU-Carmen health & welfare cost sharing rates decrease slightly beginning July 1.

Railroad Retirement: Higher wages caused the increase in the Railroad Retirement and Medicare hourly rate. Railroad Retirement and Medicare taxes were calculated on taxable wages. Taxable wages are wages less the pre-tax contributions by TCU and TCU-Carmen employees for health & welfare cost sharing.

Unemployment Insurance: Railroad unemployment insurance costs are unchanged from the prior quarter.

Other: The "Other" category, a reflection of a quarterly employer matching 401(k) contribution by BNSF to certain BMW and Brotherhood of Locomotive Engineers employees, decreased by one tenth of one cent.

Labor Index Calculation

As shown in table A-1 on the next page, the 1.5 percent increase in the Wage Index and the 0.6 percent increase in the Supplements Index had a combined effect of a 1.1 percent increase in the Labor Index. The linked third quarter 2003 index is 273.5.

Labor

Third Quarter 2003

Table A-1 Labor Index

	2003Q2	2003Q3	Change	
			Percent	Amount
Base Wage – Straight Time & Pay For Time Not Worked	\$27.716	\$28.127	1.5%	\$0.411
Adjustments:				
Lump Sum	0.138	0.140	1.4%	0.002
Back Pay	0.101	0.099	-2.0%	-0.002
Other	0.002	0.010	400.0%	0.008
Total Wages	<u>27.957</u>	<u>28.376</u>	1.5%	0.419
Health & Welfare Benefits	3.870	3.871	0.0%	0.001
RR Retirement & Medicare	6.287	6.355	1.1%	0.068
Supplemental Annuities	0.000	0.000		0.000
Unemployment Insurance	0.325	0.325	0.0%	0.000
Other	0.010	0.009	-10.0%	-0.001
Adjustments	0.000	0.000		
Total Supplements	<u>\$10.492</u>	<u>\$10.560</u>	0.6%	0.068
Total Labor	\$38.449	\$38.936		
Wage Index¹	239.3	242.8	1.5%	
Supplements Index²	387.7	390.2	0.6%	
Total labor Index, 2001 Weights ³	280.9	284.1		
Labor Index (linked)⁴	270.4	273.5	1.1%	

¹ 1980 wage rate \$11.685

² 1980 supplements rate \$2.706

³ 2001 weights: wages, supplements 72.0% 28.0%

⁴ 2003Q3 linked Index = 2003Q2 linked x (2003Q3 / 2003Q2)
 = 270.4 x 284.1 / 280.9

Fuel

Third Quarter 2003

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.

April railroad fuel prices dropped 19 percent from their March level, but are still higher than any month in 2002. Crude oil prices began decreasing slightly before troops from the United States entered Iraq in March. A similar pattern occurred before the Persian Gulf War in late 1990 and early 1991. Further reductions in oil prices are less likely, since OPEC has said that it may reduce output in order to keep oil prices within its target range. Early June crude oil prices rose above \$30 due to concern about low supplies of distillate fuels (including heating oil*) in the United States.

The railroads' third quarter (July 2003) fuel prices are expected to decrease 4.2 percent from the second quarter (April) actual level – an 18.5 percent decrease from the second quarter forecast.

Forecast fuel index	106.3
Change from previous quarter forecast	-18.5%
Change from previous quarter actual	-4.2%

* 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

Third Quarter 2003

The Materials & Supplies index is relatively stable for the third quarter 2003. Decreases in rail prices were offset by slight increases in other categories, causing the 0.1 percent increase in the index.

2003Q3 Materials & Supplies Index = 152.7

2003Q2 Materials & Supplies Index = 152.6

Difference	0.1 basis points
	or
	0.1 %

Equipment Rents

Third Quarter 2003

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. The decrease in the Car Hire Index was caused by lower rates for railroad-owned cars.

	2001 Weight	2003Q2	2003Q3	Percent Change
Car Hire	51.5%	178.7	177.4	-0.7 %
Lease Rentals	48.5%	162.1	163.2	0.7
Weighted Average		170.6	170.5	-0.1
Weighted Average (Linked)		175.9	175.8	-0.1

Depreciation

Third Quarter 2003

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, increased slightly from the previous quarter's forecast, reflects a PPI-RE that has had small increases each month in 2003.

Forecasted depreciation index (1982=100)	135.5
Forecasted depreciation index (1980=100)	149.9
Change from previous quarter forecast	0.5%
Change from actual first month of previous quarter	-0.3%
Change from same quarter of prior year (actual)	0.1%

Depreciation Third Quarter 2003

PPI RAIL EQUIPMENT

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

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.8379	0.0643	13.0390	1.0000
_CONST	21.9013			

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 135.1	Standard deviation 0.6037
R-square 0.6693	Adjusted R-square 0.6693
Durbin-Watson 2.059	Ljung-Box(18)=19.68 P=0.6491
Forecast error 0.3472	BIC 0.3551
MAPE 0.001923	RMSE 0.3448
MAD 0.2596	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2002-11	134.500
2002-12	134.500
2003-01	134.800
2003-02	135.500
2003-03	135.700
2003-04	136.000

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2003-05	135.178	135.854	136.529
2003-06	134.849	135.731	136.613
2003-07	134.627	135.628	136.629
2003-08	134.465	135.542	136.619
2003-09	134.343	135.470	136.597
QTR AVG	134.478	135.547	136.615
2003-10	134.248	135.410	136.571
2003-11	134.174	135.359	136.544
2003-12	134.116	135.317	136.517

Interest

Third Quarter 2003

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%
2003Q3	Interest Index	98.6
2003Q2	Interest Index	98.6
	Percent Change	0.0%

Other Expenses

Third Quarter 2003

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 reflects monthly PPI-LF figures that increased in January, February, and March of 2003.

Forecasted Other Expense (1982=100)	145.6
Forecasted Other Expense (1980=100)	163.2
Change from previous quarter forecast	0.7%
Change from actual first month of previous quarter	0.5%
Change from same quarter of prior year (actual)	1.7%

Other Expenses

Third Quarter 2003

PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

Forecast Model for PPILF

Multiplicative Winters: Linear trend, Multiplicative seasonality

Confidence limits proportional to indexes and level

Copponent	Smoothing Weight	Final Value
Level	0.91653	144.93
Trend	0.24675	0.16734
Seasonal	0.99641	

Seasonal Indexes

January - March	1.00036	0.99974	1.00001
April - June	0.99977	0.99984	1.00019
July - September	1.00010	0.99979	0.99975
October - December	1.00123	0.99990	0.99933

Within-Sample Statistics

Sample size 72	Number of parameters 3
Mean 141.3	Standard deviation 2.061
R-square 0.9842	Adjusted R-square 0.9838
Durbin-Watson 1.658	Ljung-Box(18)=17.53 P=0.5132
Forecast error 0.2625	BIC 0.2809
MAPE 0.001317	RMSE 0.257
MAD 0.1872	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2002-11	143.800
2002-12	143.400
2003-01	144.300
2003-02	144.800
2003-03	145.400
2003-04	144.900

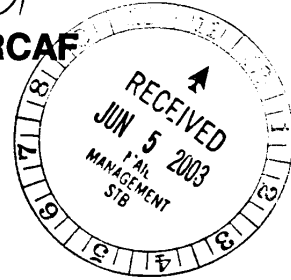
Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2003-05	144.519	145.077	145.636
2003-06	144.447	145.296	146.144
2003-07	144.387	145.449	146.511
2003-08	144.333	145.571	146.810
2003-09	144.339	145.733	147.126
QTR AVG	144.353	145.584	146.816

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Workpapers Sent to STB for 2003 Q3 RCAF

June 5, 2003



1. Index Calculation Spreadsheet (index_calc.xls, 2 pages)
2. Taxable wages calculation
3. Summary (of ST and PFTNW Hourly Rates)
4. National Contracts spreadsheet, 2 sections (2 and 5 pages)
5. COLA memo from National Railway Labor Conference
6. COL Wage Adjustment for BMW memo from National Railway Labor Conference
7. 2 pages from national BMW contract concerning COL Wage Adjustment
8. Single pages from national IBBM, TCU, TCU-Carmen, UTU, and UTU-Yardmaster contracts concerning general wage increases
9. 3 pages from new GTW IAM contract
10. 9 pages from IC contracts concerning July wage increases
11. 1 page from SOO BMW contract
12. 1 page from CSX Yardmaster contract -- Alternative Compensation Program
13. Wall Street Journal - 3 month Treasury Bill Rate
14. 2003/Q3 RCAF Lump Sum Amortization (5 pages)
15. Lump Sum contract pages from GTW (2) and IC (2)
16. 2003/Q1 RCAF Back Pay Amortization (5 pages)
17. 2 wage increase pages from new GTW IAM contract
18. Health & Welfare worksheet with 2 pages of rates info and 2 pages of cost-sharing info
19. Railroad Retirement spreadsheet (5 pages) plus 2 pages of rate info
20. Unemployment Insurance worksheet, 3 pages supporting info
21. 3 pages of fuel price articles from various sources
22. Summary of M&S
23. Car Hire Spreadsheet (2 pages) plus 2 pages of source printout data
24. 2 pages of PPI-RE for Depreciation
25. 2 pages of PPI-LF for Other (and Lease Rentals)
26. Forecast Error calculation and workpapers (9 pages including PPI, Fuel, Car Hire)

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LABOR INDEX (RCAF)

01 Wts.											
	3Q/02 Original	3Q/02 Rebenchd	% Chg	4Q/02	% Chg fr. Orig	1Q/03	% Chg	2Q/03	% Chg	3Q/03	% Chg
Straight Time											
PFTNW	\$21.550	\$21.565	0.1%	\$21.742	0.9%	\$21.992	1.1%	\$22.107	0.5%	\$22.418	1.4%
	\$5.178	\$5.480	5.8%	\$5.566	7.5%	\$5.585	0.3%	\$5.609	0.4%	\$5.709	1.8%
Total	\$26.728	\$27.045	1.2%	\$27.308	2.2%	\$27.577	1.0%	\$27.716	0.5%	\$28.127	1.5%
Adjustments											
Lump Sum	\$0.055	\$0.058		\$0.145		\$0.146		\$0.138		\$0.140	
Back Pay	\$0.003	\$0.003		\$0.070		\$0.072		\$0.101		\$0.099	
Other	\$0.002	\$0.002		\$0.002		\$0.002		\$0.002		\$0.010	
Total Wages	\$26.788	\$27.108	1.2%	\$27.525	2.8%	\$27.797	1%	\$27.957	1%	\$28.376	1%
Pre-Tax Reduction								(\$0.072)		(\$0.070)	
Taxable Wages	\$26.788	\$27.108		\$27.525		\$27.797		\$27.885		\$28.306	
H & W	\$3.099	\$3.624	16.9%	\$3.624	16.9%	\$3.913	8.0%	\$3.870	-1.1%	\$3.871	0.0%
RR Ret & Medicare	\$6.482	\$6.501	0.3%	\$6.572	1.4%	\$6.273	-4.5%	\$6.287	0.2%	\$6.355	1.1%
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%	\$0.325	21.7%	\$0.325	0.0%	\$0.325	0.0%
Other	\$0.009	\$0.009	0.0%	\$0.010	11.1%	\$0.010	0.0%	\$0.010	0.0%	\$0.009	-10.0%
Total	\$9.859	\$10.401	5.5%	\$10.473	6.2%	\$10.521	0.5%	\$10.492	-0.3%	\$10.560	0.6%
Adjustments											
Total Suppl.	\$9.859	\$10.401	5.5%	\$10.473	6.2%	\$10.521	0.5%	\$10.492	-0.3%	\$10.560	0.6%
Total Labor	\$36.647	\$37.509	2.4%	\$37.998	3.7%	\$38.318	0.8%	\$38.449	0.3%	\$38.936	1.3%
Wage Rate Index	0.7200	229.3	232.0	235.6	2.7%	237.9	1.0%	239.3	0.6%	242.8	1.5%
Suppl Index	0.2800	364.3	384.4	387.0	6.2%	388.8	0.5%	387.7	-0.3%	390.2	0.6%
Total Labor Index '00 Wts.		265.2									
Total Labor Index '01 Wts.		267.1	274.7	278.0	4.1%	280.2	0.8%	280.9	0.2%	284.1	1.1%
Labor Index (Linked)		257.1		267.6	4.1%	269.7	0.8%	270.4	0.3%	273.5	1.1%

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%	269.7	0.8%	270.4	0.3%	273.5	1.1%
Fuel	0.105	94.40	94.4	0.0%	103.5	9.6%	100.7	-2.7%	130.4	29.5%	106.3	-18.5%
M&S	0.046	149.90	149.9	0.0%	148.6	-0.9%	144.2	-3.0%	152.6	5.8%	152.7	0.1%
Equip. Rents	0.105	177.00	177.0	0.0%	175.9	-0.6%	175.2	-0.4%	175.9	0.4%	175.8	-0.1%
Depreciation	0.106	149.70	149.7	0.0%	149.7	0.0%	149.6	-0.1%	149.1	-0.3%	149.9	0.5%
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%	162.2	1.2%	162.1	-0.1%	163.2	0.7%
Weighted Avg. Linked	1.000	186.40	188.1	0.9%	192.5	2.3%	193.2	0.4%	196.9	1.9%	195.9	-0.5%
		185.60			189.9	2.3%	190.6	0.4%	194.3	1.9%	193.3	-0.5%
10/1/80 basis		180.70			184.9	2.3%	185.6	0.4%	189.2	1.9%	188.2	-0.5%
10/1/82		153.50			157.1	2.3%	157.7	0.4%	160.7	1.9%	159.9	-0.5%
4Q/87		140.40			143.6	2.3%	144.2	0.4%	147.0	1.9%	146.2	-0.5%
4Q/92		118.30			121.0	2.3%	121.5	0.4%	123.8	1.9%	123.2	-0.5%
4Q/97		107.20			109.6	2.2%	110.0	0.4%	112.2	2.0%	111.6	-0.5%
4Q/02 basis		96.60			98.9	2.4%	99.2	0.3%	101.1	1.9%	100.6	-0.5%
Car Hire	0.515	182.70	182.7	0.0%	180.3	-1.3%	177.2	-1.7%	178.7	0.8%	177.4	-0.7%
Lease Rents	0.485	160.10	160.1	0.0%	160.2	0.1%	162.2	1.2%	162.1	-0.1%	163.2	0.7%
Wghted Avg Eq Rents		172.00	171.7	-0.2%	170.6	-0.6%	169.9	-0.4%	170.6	0.4%	170.5	-0.1%
Linked Equipment Rents		177.00			175.9	-0.6%	175.2	-0.4%	175.9	0.4%	175.8	-0.1%
Preliminary RCAF	0.966				0.989	2.38%	0.992	0.3%	1.011	1.9%	1.006	-0.5%
Forecast Error Adj. RCAF Unadjusted	(0.009) 0.957				0.011 1.000	4.49%	0.004 0.996	-0.4%	0.009 1.020	2.4%	0.014 1.020	0.0%
PAF	1.9072				1.9268	1.03%	1.9466	1.03%	1.9557	0.47%	1.9649	0.5%
RCAF Adjusted	0.502				0.519	3.39%	0.512	-1.3%	0.522	2.0%	0.519	-0.57%
PAF-5	1.9784				1.9921	0.69%	2.0126	1.03%	2.0333	1.03%	2.0542	1.03%
RCAF-5	0.484				0.502	3.72%	0.495	-1.4%	0.502	1.4%	0.497	-1.0%

RCAF Taxable Wages

(To Use for Railroad Retirement and Unemployment Insurance Payroll Tax Calculations)

In the RCAF calculation, Total Wages are the wages paid, Taxable Wages are the wages on which to base payroll tax calculations. The difference is caused by pre-tax employee contributions to help pay Health & Welfare costs. This page calculates that wage rate difference.

The new national TCU and TCU-Carmen arbitration decision, which affects five Class I railroads, features a Health & Welfare Offset. This Offset is a pre-tax employee contribution to Health & Welfare insurance premiums paid by the employer. The employee contribution reduces employer Health & Welfare costs, while the Health & Welfare insurance premiums paid to the provider are unchanged. In the RCAF calculation, the reduction to the employer's Health & Welfare costs are reflected in the 2003-Q3 Health & Welfare calculation, which affects the Supplements portion of the Labor component of the Index.

The RCAF's Wage Rate includes the amount that will be used by the employee to help offset H&W costs. Because the H&W Offset is pre-tax, a Taxable Wage Rate is used for payroll tax calculations. The Taxable Wage Rate is the Wage Rate reduced by the before-tax H&W Offset. Health & Welfare Offsets retroactively in effect prior to 2002-Q2 are reflected in the RCAF as a reduction in back pay amounts, which affects the Wage Rate portion of the Labor component of the index. Payroll taxes are paid on the net amount of the back pay -- so no further reduction in the Taxable Wage Rate is necessary for back pay.

Reduction Calculation for 3Q/2003

U.S. ST Hours = 323,188,643

Wage Statistics are for 2001.

This monthly pre-tax H&W Offset is effective 7/1/03 through 6/30/04.

Five Class I Railroads are part of the national TCU & TCU-Carmen arbitration decision.

Union	Employees	Mo. Rate	Annual \$
TCU - National	12,591	\$79.74	\$12,048,076.08
TCU-Car - National	11,149	\$79.74	\$10,668,255.12
Total			\$22,716,331.20

Reduction in Wage Rate Per ST Hour	\$0.07028815
Deduct this amount from the Wage Rate	\$0.070

Hourly Rate for 2003 Q3

Straight Time and Time Paid For But Not Worked

2003Q2 Straight Time Hourly Rate (from national spreadsheet) \$22.384
 UTU & UTU-YMD 2.5%, TCU & TCU-Car 3%, IBBM 2.5%, BMWWE \$0.47 COLA, Otr Unions \$0.16 COLA

Adjustments to 2001 base:

Adjustments added 2002 Q1

GTW - BMWWE, 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 - BMWWE 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

Adjustments added 2003 Q1

GTW - TCU, BMWWE, Carmen, IBFO, ATDA ⁴	3% GWI + ATDA 3% retro to 1/1/01 and 1/1/02	0.003
IC & UP - ATDA	Non-Union Increase of 4 percent	0.001
SOO - all unions except BMWWE	National-like COLAs	0.001

Adjustments added 2003 Q2

GTW - BRS, UTU-YMD ⁵	3% GWI retro to 1/1/02 and 1/1/03	0.001
IC - UTU, UTU-YDM	11 cents COLA 1/1/03	0.001
UP - UTU-YMD ⁶	10 cents COLA 1/1/02, 11 cents 1/1/03	0.001

Adjustments added 2003 Q3

GTW - new IAM	5/2/03 contract 3% retros to Jan. 1 '01, '02, '03	0.000
IC - most unions	3 percent	0.006
SOO - All Unions	16 cents COLAs, except 47 cents for BMWWE	0.003
UP - UTU-YMD	16 cents COLA	0.001

Adjusted STHR Total	\$22.418
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Pay For Time Not Worked

PFTNW (from national spread sheet)	\$5.700
Ratio Adj STHR to Nat STHR	22.418 / 22.384 = 1.00152

Adjusted Pay For Time Not Worked	\$5.709
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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 with retro 4% to 7/1/02.

³ New contract signed 7/2/02 with retro 3% for 1/1/01 & 1/1/02 each.

⁴ New contract signed 10/31/02 with 3% increase on 1/1/03 and retro 3% for 1/1/01 & 1/1/02 each.

⁵ New contract signed 1/21/03 with 3% GWI retro to 1/1/02 & 1/1/03 each.

⁶ UP Yardmasters were rebenchmarked as not national-like beginning 2002Q4, but increases were not added.

		Straight Time 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	0.06664	0.01555	0.04062	0.00625	0.03165	0.01066	0.0142	0.14614
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	25.084	33.487
1/1/03	19.201	19.905	20.875	19.356	20.635	18.751	19.218	17.596	19.470	19.281	18.668	27.537	25.504	34.826
4/1/03	19.201	20.715	20.875	19.356	20.835	18.751	19.997	17.596	19.470	19.281	18.668	27.537	25.504	34.826
7/1/03	19.657	21.292	21.002	19.514	20.788	19.197	20.562	17.750	19.624	19.735	18.822	27.682	25.772	34.826

	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	0.115	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	0.116	0.584	0.292	0.356	4.879	21.461
10/1/02	4.573	1.464	3.647	0.140	0.750	2.567	1.274	0.272	0.787	0.116	0.587	0.293	0.362	4.894	21.726
1/1/03	4.573	1.472	3.663	0.141	0.754	2.567	1.281	0.274	0.791	0.121	0.591	0.294	0.362	5.090	21.971
4/1/03	4.573	1.532	3.663	0.141	0.754	2.567	1.333	0.274	0.791	0.121	0.591	0.294	0.362	5.090	22.083
7/1/03	4.681	1.574	3.685	0.142	0.760	2.628	1.370	0.276	0.797	0.123	0.596	0.295	0.366	5.090	22.384

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 railroad 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	0.03856	0.13691	0.06864	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	4.896	8.249	3.621	3.915	3.864	3.145	2.640	3.643	3.144	5.731	1.003
4/1/03	9.499	5.095	8.249	3.621	3.915	3.864	3.273	2.640	3.643	3.144	5.731	1.003
7/1/03	9.725	5.237	8.299	3.650	3.944	3.956	3.365	2.663	3.671	3.169	5.761	1.003

		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	0.017	0.098	0.084 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	0.017	0.098	0.084 0.141 5.452
10/1/02	2.262	0.360	1.441	0.026	0.142	0.529	0.208	0.041	0.147	0.017	0.099	0.086 0.141 5.562
1/1/03	2.262	0.362	1.447	0.026	0.143	0.529	0.210	0.041	0.148	0.018	0.099	0.086 0.147 5.580
4/1/03	2.262	0.377	1.447	0.026	0.143	0.529	0.218	0.041	0.148	0.018	0.099	0.086 0.147 5.603
7/1/03	2.316	0.387	1.456	0.027	0.144	0.542	0.224	0.041	0.149	0.018	0.100	0.087 0.147 5.700

U.S. National Contract

4/25/2003

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	2.50%		95.114%	19.65742	9.72506

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			92.833%	19.80283	4.87071
10/1/02			92.833%	19.80283	4.87071
1/1/03		0.11000	92.833%	19.90495	4.89583
4/1/03			92.833%	20.71493	5.09505
7/1/03	3.00%		92.833%	21.29184	5.23695

38 cents of
COLA
embedded
in 2001.

New national TCU contract removes all COLAs except 27 cents, adds 2.5% GWI and 3.5% GWI. See TCU (Clerks & Carman) Straight Time Hourly Rate.

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		0.11000	79.337%	20.87461	8.24856
4/1/03			79.337%	20.87461	8.24856
7/1/03		0.16000	79.337%	21.00155	8.29872

U.S. National Contract

4/25/2003

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		0.11000	98.313%	19.35646	3.62051
4/1/03			98.313%	19.35646	3.62051
7/1/03		0.16000	98.313%	19.51376	3.64994

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		0.11000	95.752%	20.63508	3.91504
4/1/03			95.752%	20.63508	3.91504
7/1/03		0.16000	95.752%	20.78828	3.94411

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		0.47000	94.987%	19.19743	3.95641

U.S. National Contract

4/25/2003

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			94.146%	19.11415	3.12820
10/1/02			94.146%	19.11415	3.12820
1/1/03		0.11000	94.146%	19.21771	3.14515
4/1/03			94.146%	19.99688	3.27267
7/1/03	3.00%		94.146%	20.56167	3.36510

36 cents of COLA embedded in 2001.

New national TCU contract removes all COLAs except 27 cents, adds 2.5% GWI and 3.5% GWL. See TCU (Clerks & Carmen) Straight Time Hourly Rate.

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		0.11000	96.284%	17.59620	2.64012
4/1/03			96.284%	17.59620	2.64012
7/1/03		0.16000	96.284%	17.75025	2.66323

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		0.11000	96.442%	19.46953	3.64252
4/1/03			96.442%	19.46953	3.64252
7/1/03		0.16000	96.442%	19.62384	3.67139

U.S. National Contract

4/25/2003

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	4.00%		94.363%	19.28064	2.86761
4/1/03			94.363%	19.28064	2.86761
7/1/03	2.50%		94.363%	19.73549	2.93526

1/1/03 4%
increase
actually
retroactive
to 7/1/02.

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		0.11000	96.217%	18.66806	3.14351
4/1/03			96.217%	18.66806	3.14351
7/1/03		0.16000	96.217%	18.82200	3.16943

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		0.11000	90.532%	27.53712	5.73078
4/1/03			90.532%	27.53712	5.73078
7/1/03		0.16000	90.532%	27.68197	5.76092

U.S. National Contract

4/25/2003

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	2.50%		41.904%	25.77153	6.10982

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	4.00%		100.000%	34.82648	1.00330
4/1/03			100.000%	34.82648	1.00330
7/1/03			100.000%	34.82648	1.00330

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 RAILWAY LABOR CONFERENCE**ECONOMIC RESEARCH DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3516 • • PHONE: (202) 862-7280 FAX: (202) 862-7253

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

April 16, 2003

July 1, 2003 Cost-of-Living Allowance**Under 1996 National Agreements****BLE, UTU, UTU-Yardmasters, BMWE, BRS,****TCU-Clerks, TCU-Carmen, IBB, NCF&O, IBEW, IAM, SMWIA**

CIRCULAR NO. 804-16 (BLE)
CIRCULAR NO. 805-31 (UTU)
CIRCULAR NO. 805-32 (YARDMASTERS)
CIRCULAR NO. 807-20 (CLERKS)
CIRCULAR NO. 809-18 (BRS)
CIRCULAR NO. 810-18 (CARMEN)
CIRCULAR NO. 811-13 (IBB)
CIRCULAR NO. 812-14 (NCF&O)
CIRCULAR NO. 813-18 (IBEW)
CIRCULAR NO. 814-19 (IAM)
CIRCULAR NO. 815-19 (SMWIA)

TO MEMBER ROADS:

The 1996 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, 2003. The COL adjustment will be 16 cents, calculated on the basis of the change in the CPI-W for the measurement period September 2002 to March 2003. The 16 cents will be added to the existing 59-cent COL allowance for a total COL allowance of 75 cents effective July 1, 2003.

This COL allowance for the BMWE, UTU, Yardmasters, IBB, and TCU Clerks and Carmen applies only to those railroads that have not eliminated the COL Adjustment provisions of the 1996 contracts through subsequent agreements. For example, if you are a party to any of the national agreements with those organizations reached in 2001, 2002, or 2003, the COL adjustment should be disregarded insofar as employees covered by such contracts.

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 16, 2003

July 1, 2003 General Wage Increase
Under the May 31, 2001 BMWF National Agreement

CIRCULAR NO. 835-8

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, 2003. This wage adjustment will be forty-seven (47) cents.

Calculated on the basis of the change in the CPI-W for the measurement period March 2002 to March 2003, the gross COL adjustment is 56 cents. Article I, Section 3 provides that such COL amount is subject to reduction by the lesser of (i) 45% of the increase in the carriers' 2003 payment rate for health benefits over the 2002 rate (on an hourly basis) and (ii) one-half of the COL amount. Forty-five percent of the 2003 increase in BMWF health benefits is 8.6 cents. Therefore the July 1, 2003 COL wage adjustment is 56 cents minus 8.6 cents, or 47 cents net (rounded).

Carol L. Kearns

increase provided for in this Section 2 shall be applied in the same manner as provided for in Article II, Part B, Section 3.

Section 3 - Third General Wage Increase

(a) A cost-of-living wage adjustment, calculated in accordance with this subsection, shall be payable and rolled in to basic rates of pay on July 1, 2002. Such wage adjustment shall be equal to the difference between (i) the cost-of-living wage adjustment calculated pursuant to Article II, Part B of this Agreement except as otherwise provided in subsection (b) hereof, and (ii) the lesser of (x) the cents per hour produced by dividing forty (40) percent of the increase, if any, in the carriers' 2002 payment rate over such payment rate for 2001, by the average composite straight-time equivalent hours that are subject to wage increases for the latest year for which statistics are available, and (y) one-half of the amount referred to in (i) above.

(b) The measurement period for this cost-of-living wage adjustment shall be March 2001 to March 2002, and the provisions of Article II, Part B, Section 1(d) shall not be applicable.

(c) All hourly, daily, weekly, monthly and piece-work rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased by the amount computed pursuant to subsection (a) applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 2 (c) hereof.

Section 4 - Fourth General Wage Increase

(a) A cost-of-living wage adjustment, calculated in accordance with this subsection, shall be payable and rolled in to basic rates of pay on July 1, 2003. Such wage adjustment shall be equal to the difference between (i) the cost-of-living wage adjustment calculated pursuant to Article II, Part

B of this Agreement except as otherwise provided in subsection (b) hereof, and (ii) the lesser of (x) the cents per hour produced by dividing forty-five (45) percent of the increase, if any, in the carriers' 2003 payment rate over such payment rate for 2002, by the average composite straight-time equivalent hours that are subject to wage increases for the latest year for which statistics are available, and (y) one-half of the amount referred to in (i) above.

(b) The measurement period for this cost-of-living wage adjustment shall be March 2002 to March 2003, and the provisions of Article II, Part B, Section 1(d) shall not be applicable.

(c) All hourly, daily, weekly, monthly and piece-work rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased by the amount computed pursuant to subsection (a) applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 2(c) hereof.

Section 5 - Fifth General Wage Increase

(a) A cost-of-living wage adjustment, calculated in accordance with this subsection, shall be payable and rolled in to basic rates of pay on July 1, 2004. Such wage adjustment shall be equal to the difference between (i) the cost-of-living wage adjustment calculated pursuant to Article II, Part B of this Agreement except as otherwise provided in subsection (b) hereof, and (ii) the lesser of (x) the cents per hour produced by dividing fifty (50) percent of the increase, if any, in the carriers' 2004 payment rate over such payment rate for 2003, by the average composite straight-time equivalent hours that are subject to wage increases for the latest year for which statistics are available, and (y) one-half of the amount referred to in (i) above.

(b) The measurement period for this cost-of-living wage adjustment

(e) Disposition of Fractions -

Rates of pay resulting from application of paragraphs (a) to (d) inclusive, above, which end in 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.

(f) Application of Wage Increase -

The increase in wages provided for in this Section 2 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

Section 3 - Second General Wage Increase

Effective July 1, 2003, all hourly, daily, weekly and monthly 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 applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 2 hereof.

Section 4 - Third General Wage Increase

Effective July 1, 2004 all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement

TCU

The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under National Agreement Dated September 9, 1996

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part C of the National Agreement dated September 9, 1996 ("Article II, Part C") shall be rolled in to basic rates of pay. Article II, Part C shall be eliminated effective June 30, 2002. Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under National Agreement Dated September 9, 1996

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part C of the National Agreement dated September 9, 1996 ("Article II, Part C") shall be rolled in to basic rates of pay. Article II, Part C shall be eliminated effective June 30, 2002. Cost-of-living allowance payments made to employees for periods on

UTU

-3-

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.

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

AGREEMENT
between the
GRAND TRUNK WESTERN RAILROAD INCORPORATED
and its employees represented by the
INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS

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%.

GTW IAM

Section 4 - General Wage Increase

Effective January 1, 2003, all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

Section 5 - General Wage Increase

Effective January 1, 2004, all hourly, daily and monthly rates of pay shall be increased by 3%.

Section 6 - Eligibility and Payment

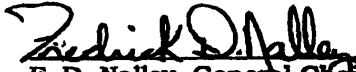
The signing bonus provided for in Section 1 shall be payable only to employees who have an active employment relationship with the company on the date of this agreement having an active employment relationship under Section 1 includes employees who are furloughed (other than those in voluntary furlough status) or those on leave of absence, such as sick, personal or injury leave unless they have applied for a Railroad Retirement Act disability annuity as of the date of this agreement and are subsequently granted such annuity.

The retroactive portion of the general wage increases provided in Section 2 of this Article I shall be payable only to employees who have an active employment relationship with the company which includes employees who are

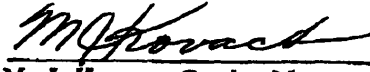
Neither party may serve nor progress any new notices prior to September 1, 2004 and not to become effective prior to January 1, 2005.

Signed at Troy, Michigan this 5th day of May 2003.

**FOR THE
INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS**


F. D. Nalley, General Chairman

**FOR THE
GRAND TRUNK WESTERN
RAILROAD INCORPORATED**


M. J. Kovacs, Senior Manager
Human Resources

APPROVED:


R. L. Reynolds, President

IC - TCU

Section 5 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 6 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 7 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 2 through 6, which end in 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.
- (b) Insofar as concerns deductions, which may be made from the rates resulting from the increases herein granted, under Section 3(m) of the Fair Labor Standards Act of 1938, they may continue to be made to the extent that such deductions were being legally made as of August 31, 1941.

**ARTICLE II - COST-OF-LIVING ALLOWANCE AND ADJUSTMENTS THERETO
AFTER JANUARY 1, 2005**

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

- (a) A cost-of-living allowance will be payable in the manner set forth in and subject to the provisions of this Article, 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 BLS CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (d), on the BLS CPI for September 2004 as compared with the BLS CPI for March 2005. Such allowance, and further cost-of-living adjustments thereto which will become effective as described below, will be based on the change in the BLS CPI during the respective measurement periods shown in the following table, subject to the

**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
SHEET METAL WORKERS' INTERNATIONAL ASSOCIATION**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.

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**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
BROTHERHOOD OF RAILROAD SIGNALMEN**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.
- (b) Insofar as concerns deductions, which may be made from the rates resulting from the increases herein granted, under Section 3(m) of the Fair Labor Standards Act of 1938, they may continue to be made to the extent that such deductions were being legally made as of August 31, 1941.

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**AGREEMENT BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
THE BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES**

IT IS AGREED:

ARTICLE I - WAGES**Section 1 - First General Wage Increase**

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 3 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 and 2, which end in 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.
- (b) Insofar as concerns deductions, which may be made from the rates resulting from the increases herein granted, under Section 3(m) of the Fair Labor Standards Act of 1938, they may continue to be made to the extent that such deductions were being legally made as of August 31, 1941.

**ARTICLE II - COST-OF-LIVING ALLOWANCE AND ADJUSTMENTS
THEREAFTER AFTER JANUARY 1, 2005**

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

- (a) A cost-of-living allowance will be payable in the manner set forth in and subject to the provisions of this Article, 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 BLS CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (d), on the BLS CPI for September 2004 as compared with the BLS CPI for March 2005. Such allowance, and further cost-of-living adjustments thereto which will become effective as described below, will

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Fax #	312-639-2499	Fax #			

**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
BROTHERHOOD RAILWAY CARMEN DIVISION
TRANSPORTATION COMMUNICATIONS INTERNATIONAL UNION**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.

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**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
NATIONAL CONFERENCE OF FIREMEN AND OILERS
SERVICE EMPLOYEES INTERNATIONAL UNION**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 3 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 and 2, which end in 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.
- (b) Insofar as concerns deductions, which may be made from the rates resulting from the increases herein granted, under Section 3(m) of the Fair Labor Standards Act of 1938, they may continue to be made to the extent that such deductions were being legally made as of August 31, 1941.

**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.

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**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, IRON SHIP BUILDERS,
BLACKSMITHS, FORGERS AND HELPERS**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.

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**AGREEMENT
BETWEEN
CANADIAN NATIONAL/ILLINOIS CENTRAL RAILROAD
AND
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS**

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2000, the rates of pay in effect on June 30, 2000, shall be increased in the amount of 3%.

Section 2 - Second General Wage Increase

Effective July 1, 2001, the rates of pay in effect on June 30, 2001, shall be increased in the amount of 3%.

Section 3 - Third General Wage Increase

Effective July 1, 2002, the rates of pay in effect on June 30, 2002, shall be increased in the amount of 3%.

Section 4 - Fourth General Wage Increase

Effective July 1, 2003, the rates of pay in effect on June 30, 2003, shall be increased in the amount of 3%.

Section 5 - Fifth General Wage Increase

Effective July 1, 2004, the rates of pay in effect on June 30, 2004, shall be increased in the amount of 3%.

Section 6 - Application of Wage Increases

- (a) Rates of pay resulting from application of Sections 1 through 5, which end in 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.

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(a) applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Article II, Part B, Section 3.

Section 4 – Fourth General Wage Increase

- (a) A cost-of-living wage adjustment, calculated in accordance with this subsection, shall be payable and rolled into basic rates of pay on July 1, 2003. Such wage adjustment shall be equal to the difference between (i) the cost-of-living wage adjustment calculated pursuant to Article II, Part B of this Agreement except as otherwise provided in subsection (b) hereof, and (ii) the lesser of (x) the cents per hour produced by dividing forty-five (45) percent of the increase, if any, in the Soo Line Railroad Health and Welfare Plan for Union Employees 2003 payment rate over such payment rate for 2002, by the average composite straight-time equivalent hours that are subject to wage increases for the latest year for which statistics are available, and (y) one-half of the amount referred to in (i) above.
- (b) The measurement period for this cost-of-living wage adjustment shall be March 2002 to March 2003, and the provisions of Article II, Part B, Section 1 (d) shall not be applicable.
- (c) All hourly rates of pay in effect on June 30, 2003, for employees covered by this Agreement shall be increased by the amount computed pursuant to subsection (a) applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 3(c) hereof.

Section 5 – Fifth General Wage Increase

- (a) A cost-of-living wage adjustment, calculated in accordance with this subsection, shall be payable and rolled in to basic rates of pay on July 1, 2004. Such wage adjustment shall be equal to the difference between (i) the cost-of-living wage adjustment calculated pursuant to Article II, Part B of this Agreement except as otherwise provided in subsection (b) hereof, and (ii) the lesser of (x) the cents per hour produced by dividing fifty (50) percent of the increase, if any, in the Soo Line Railroad Health and Welfare Plan for Union Employees 2004 payment rate over such payment rate for 2003, by the average composite straight-time equivalent hours that are subject to wage increases for the latest year for which statistics are available, and (y) one-half of the amount referred to in (i) above.
- (b) The measurement period for this cost-of-living wage adjustment shall be March 2003 to March 2004, and the provisions of Article II, Part B, Section 1 (d) shall not be applicable.
- (c) All hourly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased by the amount computed pursuant to subsection (a) applied so as to give effect to this increase irrespective of the method of

ARTICLE II - ALTERNATIVE COMPENSATION PROGRAM

The parties agree that the two-and one-half (2-1/2) percent general wage increase due July 1, 2003 will be converted into a matched 401(k) Plan pursuant to Article II of the proposed UTU National Agreement, Document B, dated _____, 2002.

Effective July 1, 2003 each UTU Yardmaster who participates in the CSXT "Capital Builder Plan" will receive a fifty (50) percent match on the first six (6) percent of contributions made by that Yardmaster to his 401(k) account. Only earnings made in service as a Yardmaster will be matched under this program.

In addition to the matched 401(k) provision of this program, there will be a performance bonus component tied to corporate results. Each participant in the "Capital Builder Plan" will have all 2003 contributions made as a Yardmaster eligible for an additional match contribution which will be applied as follows:

(a) Subsequent to the CSX Board of Directors' Meeting held in February each year, the Highest Designated Officer of the Carrier will notify the UTU-YM International Representative of the CSXT Management Incentive Compensation Program (MICP) results.

(b) The general level of bonus award applied to CSXT management will be applied to the CSXT Yardmasters as follows:

Threshold	(40%) MICP --	12% (of each participant's 401(k) YM contribution) UTU-YM performance bonus
Target	(100%) MICP --	32% (of each participant's 401(k) YM contribution) UTU-YM performance bonus
Maximum	(160%) MICP --	50% (of each participant's 401(k) YM contribution) UTU-YM performance bonus

(c) The UTU-YM performance bonus described above will be prorated on the precise level of MICP payment made to management.

(d) The UTU-YM International Representative will be notified of the MICP performance level within forty-five (45) days of the applicable CSX Board of Directors' Meeting. The UTU-YM performance bonus will be added to each participant's account within sixty (60) days following the aforesaid Board of Directors' meeting.

(e) Appendix J of the current CSXT System Yardmaster Agreement will be held in suspension so long as the matched 401(k) program remains in place. Any award made to CSXT Yardmasters under Appendix J in 2003 will be deposited into each Yardmaster's 401(k) account. Non-participants will receive a cash equivalent. Those Yardmasters who receive any award under Appendix J in the first quarter of 2003 in their 401(k) account will have that amount matched in the fourth quarter of 2003. Those Yardmasters eligible for the March 31, 2003 signing bonus payment will also have that amount matched in the fourth quarter of 2003, if the \$400.00 payment was placed in their 401(k) account.

THURSDAY, MAY 29, 2003 C13

funds, which include commercial paper and Treasury bills fell to 52 days from 53.

The highest seven-day compound yields among retail taxable general-purpose money funds belonged to the PayPal Money Market Fund at 1.21%, followed by Phoenix-Goodwin Money Market Fund at 1.19% and RBB MMP/Sansom Street fund at 1.11%.

Tax-free funds saw net inflows of \$102 million, bringing total tax-free assets to \$289.247 billion. During the week, institutions added \$9 million, while retail investors added \$93 million.

Average seven-day simple yields for

Sources: Bankrate.com; Inmoneynet's Money Fund Report

tax-free money-market funds fell to 0.68% from 0.69%, as did average seven-day compound yields. Thirty-day simple yields fell to 0.72% from 0.73%, while compound yields fell to 0.72% from 0.74%. The average maturity of tax-free funds increased to 33 days.

The highest seven-day compound yields among retail tax-free money-market funds were Alpine Municipal Money Market Fund's 1.24%, Vanguard Tax-Exempt Money Market Fund's 1.12% and Invesco Treasurer's T-E Res's 1.11%.

Money Rates

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

Commercial Paper

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

[illegible]

Source: Federal Reserve

Prime Rate: 4.25% (effective 11/07/02).

Discount Rate: 2.25% (effective 01/09/03)

Federal Funds: 1.375% High, 1.125% low, 1.250% near closing bid, 1.375% offered. Effective rate: 1.29%. Source: Prebon Yamane (USA) Inc. Federal-funds target rate: 1.250% (effective 11/06/02).

Call Money: 3.00% (effective 11/07/02).

Commercial Paper: Placed directly by General Electric Capital Corp.: 1.05% 30 to 41 days; 1.24% 42 to 49 days; 1.22% 50 to 61 days; 1.20% 62 to 92 days; 1.18% 93 to 119 days; 1.05% 120 to 128 days; 1.18% 129 to 149 days; 1.16% 150 to 270 days.

Euro Commercial Paper: Placed directly by General Electric Capital Corp.: 2.36% 30 days; 2.28% two months; 2.24%

Wednesday, May 28, 2003

three months; 2.19% four months; 2.19% five months;
2.16% six months.

Dealer Commercial Paper: High-grade unsecured notes sold through dealers by major corporations: 1.21% 30 days; 1.28% 60 days; 1.19% 90 days.

Certificates of Deposit: 1.25% one month; 1.22% three months; 1.18% six months.
Bankers Acceptances: 1.25% 30 days; 1.22% 60 days; 1.18% 90 days.

90 days; 1.18% 120 days; 1.16% 150 days; 1.16% 180 days.
Source: Preben Yamane (USA) Inc.

Eurodollars: 1.25% - 1.27% one month; 1.22% - 1.25% three months; 1.21% - 1.24% six months; 1.16% - 1.20% for

months: 1.15% - 1.19% five months: 1.15% - 1.19% six months. Source: Prebon Yarnane (USA) Inc.
London Interbank Offered Rates (Libor): 1.3200% one

month; 1.2800% three months; 1.2625% six months; 1.2375% one year. Effective rate for contracts entered into two days from date appearing at top of this column.
Euro Libor: 2.41458% one month; 2.29653% three months; 2.22375% six months; 2.17313% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Interbank Offered Rates (Euribor): 2.412% one month; 2.294% three months; 2.220% six months; 2.170% one year. Source: Reuters.

Foreign Prime Rates: Canada 5.00%; European Central Bank 2.50%; Japan 1.375%; Switzerland 2.25%; Britain 3.75%.

Treasury Bills: Results of the Wednesday, May 28, 2003, auction of short-term U.S. government bills, sold at a discount from face value in units of \$1,000 to \$1 million:
1.100% 13 weeks; 1.080% 26 weeks. Wednesday, May 28, 2003 auction: 1.180% 4-weeks.

Overnight Repurchase Rate: 1.25%. Source: Garban Inter-capital.

Freddie Mac: Posted yields on 30-year mortgage commitments. Delivery within 30 days 4.77%, 60 days 4.88%, standard conventional fixed-rate mortgages: 2.875%, 2% who agreed to accept adjustable rate treatment.

Fannie Mae: Posted yields on 30 year mortgage commitments (priced at par) for delivery within 30 days 4.88%,

60 days 4.98%, standard conventional fixed-rate mortgages; 3.00%, 6/2 rate capped one-year adjustable rate

mortgages. Constant Maturity Debt Index: 1.202% three months; 1.168% six months; 1.175% one year.

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2003/Q3 RCAF Lump Sum Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
GTW - IBFO	2002Q4	2002/Q4	\$22,400	0.00007	0.00028	323,188,643	2001
National - UTU	2002Q4	2002/Q4	\$27,032,400	0.08364	0.33457	323,188,643	2001
National - UTU-YMD	2002Q4	2002/Q4	\$836,400	0.00259	0.01035	323,188,643	2001
CSX - UTU-YMD	2002Q4	2002/Q4	\$296,800	0.00092	0.00367	323,188,643	2001
National - IBBM	2003Q1	2003Q1	\$625,800	0.00194	0.00775	323,188,643	2001
GTW - ATDA	2003Q1	2003Q1	\$32,800	0.00010	0.00041	323,188,643	2001
NS - BLE	2003Q1	2003Q2	\$15,214,993	0.04708	0.18831	323,188,643	2001
GTW - BRS	2003Q2	2003Q2	\$59,200	0.00018	0.00073	323,188,643	2001
CSX - UTU-YMD	2002Q4	2003Q2	\$296,800	0.00092	0.00367	323,188,643	2001
GTW - IAM	2003Q2	2003Q3	\$29,600	0.00009	0.00037	323,188,643	2001
IC - BMW & IBFO	2003Q3	2003Q3	\$620,400	0.00192	0.00768	323,188,643	2001
Total				0.13945			

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	1.210
2003/Q2	1.175
2003/Q3	1.100
2003/Q4	

Lump Sum Adjustment for 2003 Q3 → 0.14049
or
0.140

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	1.210	0.3025	\$0.00014	\$0.00007	\$0.00000	\$0.00007
2003/Q2	2	1.175	0.2938	\$0.00007	\$0.00007	\$0.00000	\$0.00007
2003/Q3	1	1.100	0.2750	\$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	1.210	0.3025	\$0.16788	\$0.08432	\$0.00076	\$0.08356
2003/Q2	2	1.175	0.2938	\$0.08406	\$0.08431	\$0.00049	\$0.08382
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.08429	\$0.00023	\$0.08406

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	1.210	0.3025	\$0.00519	\$0.00261	\$0.00002	\$0.00259
2003/Q2	2	1.175	0.2938	\$0.00260	\$0.00261	\$0.00002	\$0.00259
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.00261	\$0.00001	\$0.00260

SCHEDULE: CSX UTU-YMD (1st installment)

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly 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	1.210	0.3025	\$0.00184	\$0.00093	\$0.00001	\$0.00092
2003/Q2	2	1.175	0.2938	\$0.00092	\$0.00093	\$0.00001	\$0.00092
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.00093	\$0.00000	\$0.00092

SCHEDULE: National IBBM

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00775			
2003/Q1	4	1.210	0.3025	\$0.00582	\$0.00195	\$0.00002	\$0.00193
2003/Q2	3	1.175	0.2938	\$0.00388	\$0.00195	\$0.00002	\$0.00193
2003/Q3	2	1.100	0.2750	\$0.00194	\$0.00195	\$0.00001	\$0.00194
2003/Q4	1		0.0000	\$0.00000	\$0.00194	\$0.00000	\$0.00194

SCHEDULE: GTW ATDA

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00041			
2003/Q1	4	1.210	0.3025	\$0.00030	\$0.00010	\$0.00000	\$0.00010
2003/Q2	3	1.175	0.2938	\$0.00020	\$0.00010	\$0.00000	\$0.00010
2003/Q3	2	1.100	0.2750	\$0.00010	\$0.00010	\$0.00000	\$0.00010
2003/Q4	1		0.0000	\$0.00000	\$0.00010	\$0.00000	\$0.00010

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				\$0.18831			
2003/Q2	4	1.175	0.2938	\$0.14144	\$0.04742	\$0.00055	\$0.04687
2003/Q3	3	1.100	0.2750	\$0.09442	\$0.04741	\$0.00039	\$0.04702
2003/Q4	2		0.0000	\$0.04721	\$0.04721	\$0.00000	\$0.04721
2004/Q1	1		0.0000	\$0.00000	\$0.04721	\$0.00000	\$0.04721

SCHEDULE: GTW BRS

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00073			
2003/Q2	4	1.175	0.2938	\$0.00055	\$0.00018	\$0.00000	\$0.00018
2003/Q3	3	1.100	0.2750	\$0.00037	\$0.00018	\$0.00000	\$0.00018
2003/Q4	2		0.0000	\$0.00018	\$0.00018	\$0.00000	\$0.00018
2004/Q1	1		0.0000	\$0.00000	\$0.00018	\$0.00000	\$0.00018

SCHEDULE: CSX UTU-YMD (2nd installment)

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00367			
2003/Q2	4	1.175	0.2938	\$0.00276	\$0.00093	\$0.00001	\$0.00091
2003/Q3	3	1.100	0.2750	\$0.00184	\$0.00092	\$0.00001	\$0.00092
2003/Q4	2		0.0000	\$0.00092	\$0.00092	\$0.00000	\$0.00092
2004/Q1	1		0.0000	\$0.00000	\$0.00092	\$0.00000	\$0.00092

SCHEDULE: GTW IAM

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00037			
2003/Q3	4	1.100	0.2750	\$0.00028	\$0.00009	\$0.00000	\$0.00009
2003/Q4	3		0.0000	\$0.00018	\$0.00009	\$0.00000	\$0.00009
2004/Q1	2		0.0000	\$0.00009	\$0.00009	\$0.00000	\$0.00009
2004/Q2	1		0.0000	\$0.00000	\$0.00009	\$0.00000	\$0.00009

SCHEDULE: IC BMW & IBFO

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00768			
2003/Q3	4	1.100	0.2750	\$0.00577	\$0.00193	\$0.00002	\$0.00191
2003/Q4	3		0.0000	\$0.00384	\$0.00192	\$0.00000	\$0.00192
2004/Q1	2		0.0000	\$0.00192	\$0.00192	\$0.00000	\$0.00192
2004/Q2	1		0.0000	\$0.00000	\$0.00192	\$0.00000	\$0.00192

**AGREEMENT
between the
GRAND TRUNK WESTERN RAILROAD INCORPORATED
and its employees represented by the
INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS**

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%.

EN

May 5, 2003
Our File: 8000-710
Side Letter No. 1

Mr. F. D. Nalley, General Chairman
International Association of Machinists
and Aerospace Workers
111 Park Road
Paducah, KY 42003

Dear Sir:

This will confirm our understanding that the signing bonus payment provided in Article I, Section 1, of the May 5, 2003 Agreement will be doubled if the company receives written advice of the ratification of this agreement on or before June 6, 2003.

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 without precedent or prejudice.

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

Yours very truly,



M. J. Kovacs
Senior Manager, Human Resources

AGREED:


F. D. Nalley - General Chairman

Date: MAY 5, 2003

lsmel1.doc

** TOTAL PAGE.07 **

IC NCFO

ARTICLE VII - BEREAVEMENT LEAVE

Effective September 1, 2001, Rule 35 is changed to read as follows:

Bereavement leave of three (3) calendar days, to be taken at the discretion of the employee, will be allowed upon furnishing proof of death of an employee's brother, half-brother, sister, half-sister, parent, child, spouse or spouse's parent. In such cases, a minimum basic day's pay at the rate of the last service rendered will be allowed for each of the three (3) days. Employees involved will make provision for taking leave with their supervising officials in the usual manner. This rule is also applicable when the above family relationships are established through the legal adoption process.

ARTICLE VIII - GENERAL PROVISIONS

- (a) The purpose of this Agreement is to fix the general level of compensation and rules covering working conditions through December 31, 2004 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.
- (b) Neither party to this agreement shall serve, prior to November 1, 2004 (not to become effective prior to January 1, 2005), any notice or proposal for the purpose of changing, adding to, or deleting the provisions of any agreement in effect between the parties.

ARTICLE IX - SIGNING BONUS

- (a) Within sixty (60) days of the signing date of this agreement, each employee assigned to a position subject to this agreement will be paid one thousand two hundred dollars (\$1200.00).
- (b) Upon payment of the amount indicated in paragraph (a), all claims and grievances based on an occurrence prior to the date of this agreement, other than those involving disciplinary action, are considered resolved without prejudice to the position of either party and with the understanding that such settlements will not be cited by either party in any future case.
- (c) Unless otherwise indicated, this agreement is effective on July 30, 2001.

ARTICLE XI - GENERAL PROVISIONS

- (a) The purpose of this Agreement is to fix the general level of compensation and rules covering working conditions through December 31, 2004 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.
- (b) Neither party to this agreement shall serve, prior to November 1, 2004 (not to become effective prior to January 1, 2005), any notice or proposal for the purpose of changing, adding to, or deleting the provisions of any agreement in effect between the parties.

ARTICLE XII - OUTSTANDING CLAIMS SETTLEMENT

- (a) Within sixty (60) days of the date of this agreement, each employee assigned to a position subject to this agreement will be paid one thousand two hundred dollars (\$1200.00).
- (b) Upon payment of the amount indicated in paragraph (a), all claims and grievances based on an occurrence prior to the date of this agreement, other than those involving disciplinary action, are considered resolved without prejudice to the position of either party and with the understanding that such settlements will not be cited by either party in any future case.
- (c) Unless otherwise indicated, this agreement is effective on October 1, 2001.

Signed the 25th day of September 2001, at Chicago, Illinois.

FOR THE CANADIAN NATIONAL/
ILLINOIS CENTRAL RAILROAD


K. A. Madigan - Vice President - Human
Resources - U.S. Operations


J. S. Gibbins, Director - Labor Relations


C. K. Cortez, Manager - Labor Relations

FOR THE BROTHERHOOD OF
MAINTENANCE OF WAY
EMPLOYEES


Hayward J. Granier
General Chairman

APPROVED:


R. A. Lau, Vice President

2003/Q3 RCAF Back Pay Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
SOO - BMW E	2002/Q3	2002/Q3	\$768,484	0.00237782	0.000951	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
National - IBBM	2003/Q1	2003/Q1	\$815,683	0.00252386	0.01010	323,188,643	2001
GTW - ATDA	2003/Q1	2003/Q1	\$180,959	0.00055992	0.00224	323,188,643	2001
National - TCU	2003/Q2	2003/Q2	\$5,328,297	0.01648665	0.06595	323,188,643	2001
National - TCU-CAR	2003/Q2	2003/Q2	\$3,343,264	0.01034462	0.04138	323,188,643	2001
GTW - BRS&YMD	2003/Q1	2003/Q2	\$263,153	0.00081424	0.00326	323,188,643	2001
IC - UTU&UTU-YMD	2003/Q1	2003/Q2	\$87,496	0.00027073	0.00108	323,188,643	2001
UP - UTU-YMD	2003/Q1	2003/Q2	\$98,608	0.00030511	0.00122	323,188,643	2001
GTW - IAM	2003/Q3	2003/Q3	\$186,598	0.00057737	0.00231	323,188,643	2001
Total				0.09793			

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	1.210
2003/Q2	1.175
2003/Q3	1.100
2003/Q4	

Back Pay Adjustment for 2003 Q3 → 0.09867
or
0.099

SCHEDULE: GTW - IBFO

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				\$0.00075			
2002/Q4	4	1.630	0.4075	\$0.00056	\$0.00019	\$0.00000	\$0.00019
2003/Q1	3	1.210	0.3025	\$0.00038	\$0.00019	\$0.00000	\$0.00019
2003/Q2	2	1.175	0.2938	\$0.00019	\$0.00019	\$0.00000	\$0.00019
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.00019	\$0.00000	\$0.00019

SCHEDULE: National - UTU

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				\$0.25121			
2002/Q4	4	1.630	0.4075	\$0.18879	\$0.06344	\$0.00102	\$0.06242
2003/Q1	3	1.210	0.3025	\$0.12605	\$0.06331	\$0.00057	\$0.06274
2003/Q2	2	1.175	0.2938	\$0.06312	\$0.06330	\$0.00037	\$0.06293
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.06329	\$0.00017	\$0.06312

SCHEDULE: National - 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				\$0.00726			
2002/Q4	4	1.630	0.4075	\$0.00546	\$0.00183	\$0.00003	\$0.00181
2003/Q1	3	1.210	0.3025	\$0.00365	\$0.00183	\$0.00002	\$0.00181
2003/Q2	2	1.175	0.2938	\$0.00183	\$0.00183	\$0.00001	\$0.00182
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.00183	\$0.00001	\$0.00183

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	1.210	0.3025	\$0.00250	\$0.00126	\$0.00001	\$0.00124
2003/Q2	2	1.175	0.2938	\$0.00125	\$0.00126	\$0.00001	\$0.00125
2003/Q3	1	1.100	0.2750	\$0.00000	\$0.00125	\$0.00000	\$0.00125

SCHEDULE: National - IBBM

Added 2003Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.01010			
2003/Q1	4	1.210	0.3025	\$0.00758	\$0.00254	\$0.00003	\$0.00251
2003/Q2	3	1.175	0.2938	\$0.00506	\$0.00254	\$0.00002	\$0.00252
2003/Q3	2	1.100	0.2750	\$0.00253	\$0.00254	\$0.00001	\$0.00253
2003/Q4	1		0.0000	\$0.00000	\$0.00253	\$0.00000	\$0.00253

SCHEDULE: GTW - ATDA

Added 2003Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00224			
2003/Q1	4	1.210	0.3025	\$0.00168	\$0.00056	\$0.00001	\$0.00056
2003/Q2	3	1.175	0.2938	\$0.00112	\$0.00056	\$0.00000	\$0.00056
2003/Q3	2	1.100	0.2750	\$0.00056	\$0.00056	\$0.00000	\$0.00056
2003/Q4	1		0.0000	\$0.00000	\$0.00056	\$0.00000	\$0.00056

SCHEDULE: National TCU

Added 2003Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.06595			
2003/Q2	4	1.175	0.2938	\$0.04953	\$0.01661	\$0.00019	\$0.01641
2003/Q3	3	1.100	0.2750	\$0.03307	\$0.01660	\$0.00014	\$0.01647
2003/Q4	2		0.0000	\$0.01653	\$0.01653	\$0.00000	\$0.01653
2004/Q1	1		0.0000	\$0.00000	\$0.01653	\$0.00000	\$0.01653

SCHEDULE: National TCU-carmen

Added 2003Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.04138			
2003/Q2	4	1.175	0.2938	\$0.03108	\$0.01042	\$0.00012	\$0.01030
2003/Q3	3	1.100	0.2750	\$0.02075	\$0.01042	\$0.00009	\$0.01033
2003/Q4	2		0.0000	\$0.01037	\$0.01037	\$0.00000	\$0.01037
2004/Q1	1		0.0000	\$0.00000	\$0.01037	\$0.00000	\$0.01037

SCHEDULE: GTW - BRS & UTU-YMD

Added 2003Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00326			
2003/Q2	4	1.175	0.2938	\$0.00245	\$0.00082	\$0.00001	\$0.00081
2003/Q3	3	1.100	0.2750	\$0.00163	\$0.00082	\$0.00001	\$0.00081
2003/Q4	2		0.0000	\$0.00082	\$0.00082	\$0.00000	\$0.00082
2004/Q1	1		0.0000	\$0.00000	\$0.00082	\$0.00000	\$0.00082

SCHEDULE: IC - UTU & UTU-YMD

Added 2003Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00108			
2003/Q2	4	1.175	0.2938	\$0.00081	\$0.00027	\$0.00000	\$0.00027
2003/Q3	3	1.100	0.2750	\$0.00054	\$0.00027	\$0.00000	\$0.00027
2003/Q4	2		0.0000	\$0.00027	\$0.00027	\$0.00000	\$0.00027
2004/Q1	1		0.0000	\$0.00000	\$0.00027	\$0.00000	\$0.00027

SCHEDULE: UP - UTU-YMD

Added 2003Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00122			
2003/Q2	4	1.175	0.2938	\$0.00092	\$0.00031	\$0.00000	\$0.00030
2003/Q3	3	1.100	0.2750	\$0.00061	\$0.00031	\$0.00000	\$0.00030
2003/Q4	2		0.0000	\$0.00031	\$0.00031	\$0.00000	\$0.00031
2004/Q1	1		0.0000	\$0.00000	\$0.00031	\$0.00000	\$0.00031

SCHEDULE: GTW - IAM

Added 2003Q3

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00231			
2003/Q3	4	1.100	0.2750	\$0.00173	\$0.00058	\$0.00001	\$0.00057
2003/Q4	3		0.0000	\$0.00116	\$0.00058	\$0.00000	\$0.00058
2004/Q1	2		0.0000	\$0.00058	\$0.00058	\$0.00000	\$0.00058
2004/Q2	1		0.0000	\$0.00000	\$0.00058	\$0.00000	\$0.00058

AGREEMENT
between the
GRAND TRUNK WESTERN RAILROAD INCORPORATED
and its employees represented by the
INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS

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%.

Section 4 - General Wage Increase

Effective January 1, 2003, all hourly, daily and monthly rates of pay shall be increased retroactively by 3%.

Section 5 - General Wage Increase

Effective January 1, 2004, all hourly, daily and monthly rates of pay shall be increased by 3%.

Section 6 - Eligibility and Payment

The signing bonus provided for in Section 1 shall be payable only to employees who have an active employment relationship with the company on the date of this agreement having an active employment relationship under Section 1 includes employees who are furloughed (other than those in voluntary furlough status) or those on leave of absence, such as sick, personal or injury leave unless they have applied for a Railroad Retirement Act disability annuity as of the date of this agreement and are subsequently granted such annuity.

The retroactive portion of the general wage increases provided in Section 2 of this Article 1 shall be payable only to employees who have an active employment relationship with the company which includes employees who are

2003 Q3

Health and Welfare 2003 – with Offsets

	Employees Receiving Pay 2001	From NRLC		Total 2001	Total 2003
		2001 Contribution	2003 Contribution		
1. All Employees					
a. Group health	170,799	\$705.52	\$875.93	120,502,110.48	149,607,968.07
b. Group dental	170,799	43.27	52.20	7,390,472.73	8,915,707.80
c. Early retirement major medical	170,799	30.35	65.73	5,183,749.65	11,226,618.27
d. Group vision	170,799	7.51	8.61	1,282,700.49	1,470,579.39
2. Suppl. Sickness					
a. Signalmen	6,295	23.59	31.75	148,499.05	199,866.25
b. Shopcrafts	26,710	38.51	47.50	1,028,602.10	1,268,725.00
c. MOW	25,665	24.53	39.25	629,562.45	1,007,351.25
d. Yardmasters	2,598	29.65	31.33	77,030.70	81,395.34
3. Total Premiums				\$136,242,727.65	\$173,778,211.37
4. H&W Offsets					
a. TCU & TCU-Carmen, 5 RR	23,740		(\$79.74)		(\$1,893,027.60)
5. Total Employer Payments				\$136,242,727.65	\$171,885,183.77
6. Ratio Projected Year to Base Year					1.26161
7. H&W hourly rate for base year (from SUPPL2001.XLS H&W, titled Benchmarks for Supplements)				\$3.068	
8. H&W hourly rate for projected year (ratio times base year)					\$3.871

Unions with Supplemental Sickness Plans:

Signalmen - BRS

Shopcrafts - IBEW, IBBM, BRC, IAM, SMWIA

MOW - BMWE

Yardmasters - UTU-YD

Craft Groups	2001 Employees Receiving Pay
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

TCU and TCU-Carmen cost-sharing
found in Part B, Section 1 of agreement.

**NATIONAL RAILWAY LABOR CONFERENCE
EMPLOYEE BENEFITS DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3518 ***PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director, Employee Benefits
(202) 862-7200
E-mail: jepstein@nrlc.org

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

November 14, 2002

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

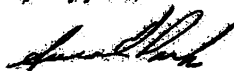
Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2003 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 47.50
Signalmen	\$ 31.75
Maintenance of Way	\$ 39.25
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 31.33
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$875.93
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 65.73
Aetna - National Dental Plan	\$ 52.20
VSP - National Vision Plan	\$ 6.61

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. 20036-3506 ♦♦♦♦ 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) 862-7235
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

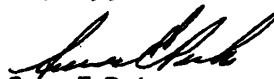
Dear Mr. Crimmel:

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

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 38.51
Signalmen	\$ 23.59
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

(c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.

(d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be increased by the lesser of (x) thirty (30) percent of the increase, if any, in the carriers' 2004 monthly payment rate over such payment rate for 2003, and (y) \$20.26.

(e) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (d) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005 pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.

(f) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (e) of this Section exceeds the product described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2006 pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(g) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect on June 30, 2006 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (f) of this Section exceeds the product described in part (y) of such subsection (f), and (y) one-half of the cost-of-living allowance effective July 1, 2006 pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(h) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006 shall be increased by the

Railroad Retirement and Medicare

Employees Receiving Pay 170,799 (2001 Benchmark, 2000 RRB Distribution)
 Tier I Maximum 87,000 (Year = 2003)
 Tier II Maximum 64,500 (Year = 2003)
 Medicare Maximum no limit (Year = 2003)
 Tier I Tax Rate 6.20% (Year = 2003)
 Tier II Tax Rate 14.20% (Year = 2003, with Railroad Retirement and Survivors' Improvement Act of 2001)
 Medicare Tax Rate 1.45% (Year = 2003)

USA RCAF	Rate	Factor	RR Ret Tax	Hourly Rate
2000	\$26.031			
2001	\$26.887	1.03288	\$523,925,453	\$6.493
1Q/2003	\$27.797	1.06784	\$506,137,319	\$6.273
2Q/2003	\$27.885	1.07122	\$507,284,974	\$6.287
3Q/2003	\$28.306	1.08740	\$512,775,462	\$6.355
4Q/2003		0.00000	\$0	\$0.000

Rate & Tax from RR_Retirement_01annual.xls, Hourly rate from SUPPL01.xls

Taxable Wage Rate from Index_calc.xls

Railroad Retirement & Medicare, U.S.

10/2003

10/2003

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 Stats)	Estimated Avg. Annual Earnings	Avg Qtrly Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Encls	Tier II Tot Tax Encls	Medicare Tot Tax Encls
\$0 - 21699	0.698	1,192	\$12,852	\$13,831	\$3,458	\$3,458	\$3,458	\$3,458	\$4,122,158	\$4,122,158	\$4,122,158
21700 - 23699	0.131	224	22,635	24,171	6,043	6,043	6,043	6,043	1,352,023	1,352,023	1,352,023
23700 - 25699	0.349	596	24,583	26,251	6,563	6,563	6,563	6,563	3,911,945	3,911,945	3,911,945
25700 - 27699	0.916	1,565	28,782	28,578	7,144	7,144	7,144	7,144	11,177,546	11,177,546	11,177,546
27700 - 29699	1.265	2,161	28,657	30,601	7,850	7,850	7,850	7,850	16,529,269	16,529,269	16,529,269
29700 - 31699	0.829	1,416	30,833	32,925	8,231	8,231	8,231	8,231	11,654,744	11,654,744	11,654,744
31700 - 33699	1.962	3,351	32,819	35,046	8,761	8,761	8,761	8,761	29,360,048	29,360,048	29,360,048
33700 - 35699	2.268	3,874	34,801	37,182	9,290	9,290	9,290	9,290	35,988,785	35,988,785	35,988,785
35700 - 37699	4.754	8,120	36,832	39,331	9,833	9,833	9,833	9,833	79,839,331	79,839,331	79,839,331
37700 - 39699	7.237	12,361	38,705	41,331	10,333	10,333	10,333	10,333	127,719,748	127,719,748	127,719,748
39700 - 41699	6.847	11,895	40,706	43,468	10,867	10,867	10,867	10,867	127,084,084	127,084,084	127,084,084
41700 - 43699	6.780	11,546	42,697	45,594	11,398	11,398	11,398	11,398	131,606,235	131,606,235	131,606,235
43700 - 45699	5.757	9,833	44,701	47,734	11,933	11,933	11,933	11,933	117,339,944	117,339,944	117,339,944
45700 - 47699	5.102	8,714	46,665	49,831	12,458	12,458	12,458	12,458	108,558,574	108,558,574	108,558,574
47700 - 49699	4.230	7,225	48,679	51,981	12,995	12,995	12,995	12,995	93,888,937	93,888,937	93,888,937
49700 - 51699	4.361	7,449	50,723	54,164	13,541	13,541	13,541	13,541	100,861,036	100,861,036	100,861,036
51700 - 53699	4.187	7,151	52,672	56,245	14,061	14,061	14,061	14,061	100,557,864	100,557,864	100,557,864
53700 - 55699	3.489	5,959	54,652	58,360	14,590	14,590	14,590	14,590	86,943,964	86,943,964	86,943,964
55700 - 57699	3.751	6,407	56,719	60,567	15,142	15,142	15,142	15,142	97,008,109	97,008,109	97,008,109
57700 - 59699	2.878	4,916	58,623	62,600	15,650	15,650	15,650	15,650	76,929,204	76,929,204	76,929,204
59700 - 61699	2.529	4,320	60,635	64,749	16,187	16,187	16,187	16,187	69,820,515	69,820,515	69,820,515
61700 - 63699	2.442	4,171	62,557	66,801	16,700	16,700	16,700	16,700	67,255,270	67,255,270	67,255,270
63700 - 65699	2.399	4,097	64,704	68,084	17,273	17,273	17,273	17,273	66,071,672	66,071,672	66,071,672
65700 - 67699	2.966	5,066	66,834	71,368	17,842	17,842	17,842	17,842	90,385,967	90,385,967	90,385,967
67700 - 69699	2.878	4,916	68,669	73,328	18,332	18,332	18,332	18,332	90,112,268	90,112,268	90,112,268
69700 - 71699	2.137	3,650	70,754	75,554	18,889	18,889	18,889	18,889	68,942,843	68,942,843	68,942,843
71700 - 73699	2.224	3,799	72,812	77,752	19,438	19,438	19,438	19,438	73,836,338	73,836,338	73,836,338
73700 - 75699	1.632	3,129	74,852	79,830	19,983	19,983	19,983	19,983	62,526,092	62,526,092	62,526,092
75700 - 77699	2.791	4,767	76,481	81,670	20,417	20,417	20,417	20,417	76,867,876	76,867,876	76,867,876
77700 - 79699	1.396	2,384	78,742	84,084	21,021	21,021	21,021	21,021	38,447,709	38,447,709	38,447,709
79700 - 81699	1.003	1,713	80,630	86,100	21,525	21,525	21,525	21,525	50,121,524	50,121,524	50,121,524
81700 - 83699	0.698	1,192	82,636	88,242	22,061	22,061	22,061	22,061	27,623,963	27,623,963	27,623,963
83700 - 85699	0.654	1,117	84,803	90,556	22,639	22,639	22,639	22,639	19,223,854	19,223,854	19,223,854
85700 - 87699	0.611	1,044	86,602	92,477	23,119	23,119	23,119	23,119	18,012,036	18,012,036	18,012,036
87700 - 89699	0.698	1,192	88,545	94,552	23,638	23,638	23,638	23,638	16,827,758	16,827,758	16,827,758
89700 - 91699	0.741	1,266	90,890	97,024	24,256	24,256	24,256	24,256	19,223,854	19,223,854	19,223,854
91700 - 93699	0.698	1,192	92,836	99,241	24,810	24,810	24,810	24,810	20,406,132	20,406,132	20,406,132
93700 - 95699	0.436	745	94,748	101,174	25,293	25,293	25,293	25,293	18,836,614	18,836,614	18,836,614
95700 - over	3.096	5,288	120,349	128,514	32,128	32,128	32,128	32,128	85,267,985	85,267,985	85,267,985
TOTAL	100.000000	170,799									
Total Taxable									2,428,435,358	2,250,063,152	2,495,817,838
Tax Rate									0.062	0.142	0.0145
City Pmt									\$150,438,982	\$318,508,968	\$36,169,359
Tier I & II & Medicare											\$506,137,319

Railroad Retirement & Medicare, U.S.

20/2003

20/2003

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 Stats)	Estimated Avg. Annual Earnings	Avg Qlty Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Eings	Tier II Tot Tax Eings	Medicare Tot Tax Eings
\$0 - 21699	0.698	1,192	\$12,952	\$13,874	\$3,469	\$3,469	\$3,469	\$3,469	\$4,135,208	\$4,135,208	\$4,135,208
21700 - 23699	0.131	224	\$22,635	24,247	6,082	6,082	6,082	6,082	1,356,304	1,356,304	1,356,304
23700 - 25699	0.349	596	\$24,583	26,334	6,583	6,583	6,583	6,583	3,924,329	3,924,329	3,924,329
25700 - 27699	0.916	1,565	\$26,762	28,668	7,167	7,167	7,167	7,167	11,212,931	11,212,931	11,212,931
27700 - 29699	1.265	2,161	\$28,657	30,698	7,675	7,675	7,675	7,675	16,581,598	16,581,598	16,581,598
29700 - 31699	0.829	1,416	\$30,833	33,029	8,257	8,257	8,257	8,257	11,691,640	11,691,640	11,691,640
31700 - 33699	1.962	3,351	\$32,819	35,156	8,789	8,789	8,789	8,789	29,452,996	29,452,996	29,452,996
33700 - 35699	2.268	3,874	\$34,801	37,280	9,320	9,320	9,320	9,320	36,102,718	36,102,718	36,102,718
35700 - 37699	4.754	8,120	\$36,832	39,455	9,864	9,864	9,864	9,864	80,092,087	80,092,087	80,092,087
37700 - 39699	7.237	12,361	\$38,705	41,482	10,365	10,365	10,365	10,365	128,124,084	128,124,084	128,124,084
39700 - 41699	6.847	11,695	\$40,706	43,605	10,901	10,901	10,901	10,901	127,486,408	127,486,408	127,486,408
41700 - 43699	6.760	11,546	\$42,697	45,738	11,434	11,434	11,434	11,434	132,022,875	132,022,875	132,022,875
43700 - 45699	5.757	9,833	\$44,701	47,885	11,971	11,971	11,971	11,971	117,711,420	117,711,420	117,711,420
45700 - 47699	5.102	8,714	\$46,665	49,989	12,497	12,497	12,497	12,497	108,902,250	108,902,250	108,902,250
47700 - 49699	4.230	7,225	\$48,679	52,146	13,037	13,037	13,037	13,037	94,186,172	94,186,172	94,186,172
49700 - 51699	4.361	7,449	\$50,723	54,336	13,584	13,584	13,584	13,584	101,180,343	101,180,343	101,180,343
51700 - 53699	4.187	7,151	\$52,672	56,423	14,106	14,106	14,106	14,106	100,876,011	100,876,011	100,876,011
53700 - 55699	3.489	5,959	\$54,652	58,544	14,636	14,636	14,636	14,636	87,219,212	87,219,212	87,219,212
55700 - 57699	3.751	6,407	\$56,719	60,759	15,190	15,190	15,190	15,190	77,315,218	77,315,218	77,315,218
57700 - 59699	2.878	4,916	\$58,623	62,798	15,700	15,700	15,700	15,700	77,172,747	77,172,747	77,172,747
59700 - 61699	2.529	4,320	\$60,635	64,954	16,238	16,238	16,238	16,238	69,652,046	69,652,046	69,652,046
61700 - 63699	2.442	4,171	\$62,557	67,012	16,753	16,753	16,753	16,753	67,255,949	67,255,949	67,255,949
63700 - 65699	2.399	4,097	\$64,704	69,312	17,328	17,328	17,328	17,328	71,001,334	71,001,334	71,001,334
65700 - 67699	2.966	5,066	\$66,834	71,594	17,899	17,899	17,899	17,899	80,672,112	80,672,112	80,672,112
67700 - 69699	2.878	4,916	\$68,869	73,560	18,390	18,390	18,390	18,390	78,263,973	78,263,973	78,263,973
69700 - 71699	2.137	3,650	\$70,754	75,793	18,948	18,948	18,948	18,948	68,160,902	68,160,902	68,160,902
71700 - 73699	2.224	3,789	\$72,812	77,998	19,499	19,499	19,499	19,499	74,070,090	74,070,090	74,070,090
73700 - 75699	1.832	3,129	\$74,852	80,183	20,046	20,046	20,046	20,046	62,724,038	62,724,038	62,724,038
75700 - 77699	2.791	4,767	\$76,481	81,928	20,482	20,482	20,482	20,482	97,637,921	97,637,921	97,637,921
77700 - 79699	1.396	2,394	\$78,742	84,350	21,088	21,088	21,088	21,088	76,867,876	76,867,876	76,867,876
79700 - 81699	1.003	1,713	\$80,630	86,373	21,583	21,583	21,583	21,583	50,280,199	50,280,199	50,280,199
81700 - 83699	0.698	1,192	\$82,636	88,522	22,130	22,130	22,130	22,130	27,623,963	27,623,963	27,623,963
83700 - 85699	0.654	1,117	\$84,803	90,843	22,711	22,711	22,711	22,711	36,991,566	36,991,566	36,991,566
85700 - 87699	0.611	1,044	\$86,802	92,770	23,193	23,193	23,193	23,193	18,012,036	18,012,036	18,012,036
87700 - 89699	0.698	1,192	\$88,545	94,851	23,713	23,713	23,713	23,713	16,827,758	16,827,758	16,827,758
89700 - 91699	0.741	1,266	\$90,860	97,331	24,333	24,333	24,333	24,333	19,223,854	19,223,854	19,223,854
91700 - 93699	0.698	1,192	\$92,836	99,555	24,899	24,899	24,899	24,899	20,408,132	20,408,132	20,408,132
93700 - 95699	0.436	745	\$94,746	101,494	25,374	25,374	25,374	25,374	19,223,854	19,223,854	19,223,854
95700 - over	3.096	5,288	\$120,349	128,921	32,230	32,230	32,230	32,230	16,196,869	16,196,869	16,196,869
TOTAL	100.000	170,799							2,433,219,421	2,254,376,357	2,503,719,121
									0.062	0.142	0.0145
									\$150,859,604	\$320,121,443	\$36,303,927
									Tier I & II & Medicare		\$507,284,974

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 Stats)	Estimated Avg. Annual Earnings	Avg Qtrly Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emg	Tier II Tot Tax Emg	Medicare Tot Tax Emg
\$0 - 21699	0.698	1,192	\$12,952	\$14,084	\$3,521	\$3,521	\$3,521	\$3,521	\$4,197,640	\$4,197,640	\$4,197,640
21700 - 23699	0.131	224	\$22,835	24,613	6,153	6,153	6,153	6,153	1,376,781	1,376,781	1,376,781
23700 - 25699	0.349	596	\$24,583	26,731	6,683	6,683	6,683	6,683	3,983,578	3,983,578	3,983,578
25700 - 27699	0.916	1,565	\$26,762	29,101	7,275	7,275	7,275	7,275	11,382,221	11,382,221	11,382,221
27700 - 29699	1.265	2,161	\$28,657	31,162	7,790	7,790	7,790	7,790	16,831,942	16,831,942	16,831,942
29700 - 31699	0.829	1,416	\$30,833	33,528	8,382	8,382	8,382	8,382	11,868,157	11,868,157	11,868,157
31700 - 33699	1.962	3,351	\$32,819	36,687	8,922	8,922	8,922	8,922	29,897,669	29,897,669	29,897,669
33700 - 35699	2.268	3,874	\$34,801	37,842	9,461	9,461	9,461	9,461	36,647,787	36,647,787	36,647,787
35700 - 37699	4.754	8,120	\$36,832	40,051	10,013	10,013	10,013	10,013	81,301,295	81,301,295	81,301,295
37700 - 39699	7.237	12,361	\$38,705	42,088	10,522	10,522	10,522	10,522	130,058,466	130,058,466	130,058,466
39700 - 41699	6.847	11,695	\$40,706	44,264	11,068	11,068	11,068	11,068	129,411,163	129,411,163	129,411,163
41700 - 43699	6.760	11,548	\$42,897	46,429	11,607	11,607	11,607	11,607	134,016,120	134,016,120	134,016,120
43700 - 45699	5.757	9,833	\$44,701	48,608	12,152	12,152	12,152	12,152	110,548,426	110,548,426	110,548,426
45700 - 47699	5.102	8,714	\$46,865	50,743	12,688	12,688	12,688	12,688	95,608,168	95,608,168	95,608,168
47700 - 49699	4.230	7,225	\$48,679	52,933	13,233	13,233	13,233	13,233	102,707,936	102,707,936	102,707,936
49700 - 51699	4.361	7,449	\$50,723	55,156	13,789	13,789	13,789	13,789	102,399,009	102,399,009	102,399,009
51700 - 53699	4.187	7,151	\$52,872	57,275	14,319	14,319	14,319	14,319	88,536,023	88,536,023	88,536,023
53700 - 55699	3.489	5,959	\$54,852	59,428	14,857	14,857	14,857	14,857	78,337,879	78,337,879	78,337,879
55700 - 57699	3.751	6,407	\$56,719	61,676	15,419	15,419	15,419	15,419	67,255,949	67,255,949	67,255,949
57700 - 59699	2.878	4,916	\$58,623	63,746	15,937	15,937	15,937	15,937	58,855,841	58,855,841	58,855,841
59700 - 61699	2.529	4,320	\$60,835	65,834	16,484	16,484	16,484	16,484	51,038,316	51,038,316	51,038,316
61700 - 63699	2.442	4,171	\$62,557	68,024	17,006	17,006	17,006	17,006	38,447,708	38,447,708	38,447,708
63700 - 65699	2.399	4,097	\$64,704	70,359	17,590	17,590	17,590	17,590	27,823,963	27,823,963	27,823,963
65700 - 67699	2.968	5,068	\$66,834	72,675	18,169	18,169	18,169	18,169	18,012,036	18,012,036	18,012,036
67700 - 69699	2.878	4,916	\$68,669	74,970	18,688	18,688	18,688	18,688	16,827,758	16,827,758	16,827,758
69700 - 71699	2.137	3,650	\$70,754	76,938	19,234	19,234	19,234	19,234	15,223,854	15,223,854	15,223,854
71700 - 73699	2.224	3,789	\$72,812	79,175	19,794	19,794	19,794	19,794	20,408,132	20,408,132	20,408,132
73700 - 75699	1.832	3,129	\$74,862	81,384	20,348	20,348	20,348	20,348	19,223,854	19,223,854	19,223,854
75700 - 77699	2.791	4,767	\$76,481	83,165	20,791	20,791	20,791	20,791	18,223,854	18,223,854	18,223,854
77700 - 79699	1.396	2,384	\$78,742	85,624	21,408	21,408	21,408	21,408	16,168,889	16,168,889	16,168,889
79700 - 81699	1.003	1,713	\$80,830	87,677	21,919	21,919	21,919	21,919	12,008,024	12,008,024	12,008,024
81700 - 83699	0.698	1,192	\$82,636	89,858	22,465	22,465	22,465	22,465	85,287,985	85,287,985	85,287,985
83700 - 85699	0.654	1,117	\$84,803	92,214	23,064	23,064	23,064	23,064	2,275,011,117	2,275,011,117	2,275,011,117
85700 - 87699	0.611	1,044	\$86,802	94,171	23,543	23,543	23,543	23,543	0.062	0.142	0.0145
87700 - 89699	0.698	1,192	\$88,545	96,283	24,071	24,071	24,071	24,071			
89700 - 91699	0.741	1,268	\$90,860	98,801	24,700	24,700	24,700	24,700			
91700 - 93699	0.698	1,192	\$92,938	101,058	25,265	25,265	25,265	25,265			
93700 - 95699	0.438	745	\$94,746	103,026	25,757	25,757	25,757	25,757			
95700 - over	3.096	5,288	\$120,349	130,867	32,717	32,717	32,717	32,717			
TOTAL	100.000	170,789									

Total Taxable	2,465,674,994	2,275,011,117	2,541,519,578
Tax Rate	0.062	0.142	0.0145
Qtrly Pmt	\$152,871,850	\$323,051,579	\$36,852,034
Tier I & II & Medicare			\$512,775,462

4Q/2003

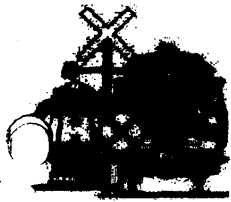
*12/2003											
Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2001	Avg Annual Earnings (2000 Stats)	Estimated Avg. Annual Earnings	Avg City Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emg	Tier II Tot Tax Emg	Medicare Tot Tax Emg
\$0 - 4999	0.698	1,192	\$12,952	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5000 - 9999	0.131	224	\$22,635	0	0	0	0	0	0	0	0
10000 - 12499	0.349	596	\$24,583	0	0	0	0	0	0	0	0
12500 - 14999	0.916	1,565	\$26,782	0	0	0	0	0	0	0	0
15000 - 17499	1.265	2,161	\$28,657	0	0	0	0	0	0	0	0
17500 - 19999	0.829	1,416	\$30,833	0	0	0	0	0	0	0	0
20000 - 22499	1.982	3,351	\$32,819	0	0	0	0	0	0	0	0
22500 - 24999	2.268	3,874	\$34,801	0	0	0	0	0	0	0	0
25000 - 27499	4.754	8,120	\$36,832	0	0	0	0	0	0	0	0
27500 - 29999	7.237	12,361	\$38,705	0	0	0	0	0	0	0	0
30000 - 32499	6.847	11,895	\$40,706	0	0	0	0	0	0	0	0
32500 - 34999	6.760	11,546	\$42,697	0	0	0	0	0	0	0	0
35000 - 37499	5.757	9,833	\$44,701	0	0	0	0	0	0	0	0
37500 - 39999	5.102	8,714	\$46,685	0	0	0	0	0	0	0	0
40000 - 42499	4.230	7,225	\$48,679	0	0	0	0	0	0	0	0
42500 - 44999	4.361	7,449	\$50,723	0	0	0	0	0	0	0	0
45000 - 47499	4.187	7,151	\$52,672	0	0	0	0	0	0	0	0
47500 - 49999	3.489	5,959	\$54,652	0	0	0	0	0	0	0	0
50000 - 52499	3.751	6,407	\$56,719	0	0	0	0	0	0	0	0
52500 - 54999	2.878	4,916	\$58,623	0	0	0	0	0	0	0	0
55000 - 57499	2.529	4,320	\$60,635	0	0	0	534	0	2,307,100	0	0
57500 - 59999	2.442	4,171	\$62,557	0	0	0	2,084	0	8,683,958	0	0
60000 - 62499	2.399	4,097	\$64,704	0	0	0	3,816	0	15,636,877	0	0
62500 - 64999	2.968	5,066	\$66,834	0	0	0	5,534	0	28,036,300	0	0
65000 - 67499	2.876	4,916	\$68,669	0	0	0	7,014	0	34,480,238	0	0
67500 - 69999	2.137	3,650	\$70,754	0	0	0	8,698	0	31,741,096	0	0
70000 - 72499	2.224	3,799	\$72,812	0	0	0	10,368	0	39,338,996	0	0
72500 - 74999	1.832	3,129	\$74,852	0	0	0	12,002	0	37,553,960	0	0
75000 - 77499	2.791	4,767	\$76,481	0	0	0	13,316	0	63,476,116	0	0
77500 - 79999	1.398	2,384	\$78,742	0	0	0	15,139	0	36,097,912	0	0
80000 - 84999	1.003	1,713	\$80,630	0	0	0	16,125	0	27,623,963	0	0
85000 - 89999	0.698	1,192	\$82,636	0	0	1,405	16,125	0	1,675,549	0	0
90000 - 94999	0.654	1,117	\$84,803	0	0	3,153	16,125	0	3,522,415	18,012,036	0
95000 - 99999	0.611	1,044	\$86,602	0	0	4,604	16,125	0	4,805,161	16,827,758	0
100000 - 104999	0.698	1,192	\$88,545	0	0	6,172	16,125	0	7,357,809	19,223,854	0
105000 - 109999	0.741	1,266	\$90,860	0	0	8,039	16,125	0	10,174,395	20,408,132	0
110000 - 114999	0.698	1,262	\$92,836	0	0	9,714	16,125	0	11,580,318	19,223,854	0
115000 - 119999	0.436	745	\$94,746	0	0	11,174	16,125	0	8,320,769	12,008,024	0
120000 - 124999	3.096	5,288	\$120,349	0	0	21,750	16,125	0	115,012,631	85,267,985	0
TOTAL	100.000	170,799						Total Taxable Tax Rate	162,449,046	535,182,014	0
									0.062	0.142	0.0145

Qty	Unit	Qty Pmt	Unit Pmt	Net Amt
1	1	\$10,071,841		\$0
1	1	\$75,995,846		\$0
Tier I & II & Medicare				\$98,067,687

RR_Retirement.xls

AAR Page 5 of 5

5/29/03



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. 02-5

For Immediate Release
October 2002

Year 2003 Railroad Retirement and Unemployment Insurance Taxes

Railroad retirement tax rates on employees remain the same in 2003 while the overall rate for employers decreases, but the amounts of compensation subject to these payroll taxes increase for both employees and employers as a result of indexing to average national wage increases. The railroad unemployment insurance experience-based tax rates paid by employers to fund railroad unemployment and sickness insurance benefits in 2003 will continue to include a surcharge of 2.5 percent.

Retirement Taxes. - The railroad retirement tier I payroll tax rate on covered rail employers and employees for the year 2003 remains at 7.65 percent, and the tier II tax rate on employees will remain at 4.90 percent in 2003, but the tier II tax rates on employers and employee representatives will decrease to 14.20 percent in 2003. The tier II tax rates for employers and employee representatives had been 15.60 percent and 14.75 percent, respectively, in 2002. An employee representative is a labor official of a non-covered labor organization who represents employees covered under the Acts administered by the Railroad Retirement Board.

The railroad retirement tier I tax rate of 7.65 percent for employers and employees 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 will increase to \$87,000 in 2003 from \$84,900 in 2002. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and 14.20 percent on employers, will increase to \$64,500 from \$63,000.

(More)

In 2003, the railroad retirement tax on an employee earning \$87,000 will be \$9,816.00 compared to \$6,655.50 under social security, and the employer's tax will be \$15,814.50. In 2002, the regular railroad retirement tax on an employee earning \$84,900 was \$9,581.85 and the employer's regular railroad retirement tax on such an employee was \$16,322.85.

The Railroad Retirement and Survivors' Improvement Act of 2001, among other provisions, amended the Internal Revenue Code to reduce tier II tax rates on rail employers in 2002 and 2003, and provided for future adjustments in the tier II tax rates assessed on both rail employers and employees, depending on railroad retirement fund levels.

Unemployment Insurance Taxes. - Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. The basic tax rates range from a minimum of 0.65 percent to a maximum of 12 percent on monthly earnings up to \$1,120 in 2003, up from \$1,100 in 2002. However, the Railroad Unemployment Insurance Act also provides for a surcharge in the event the Railroad Unemployment Insurance Account balance falls below an indexed threshold amount, and such a surcharge of 2.5 percent applied in 2002. Since the accrual balance of the Railroad Unemployment Insurance Account was \$40 million on June 30, 2002, which was less than the indexed threshold of \$57 million, a surcharge of 2.5 percent will again be added to the basic tax rates in 2003, but not so as to increase the maximum 12 percent rate.

Consequently, in 2003 the unemployment insurance tax rates on railroad employers will range from 3.15 percent (the minimum basic rate of 0.65 percent plus the 2.5 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,120.

The 2.5 percent surcharge will not apply to new employers in 2003, and new employers will initially pay a tax rate of 2.36 percent, which represents the average rate paid by all employers in the period 1999-2001.

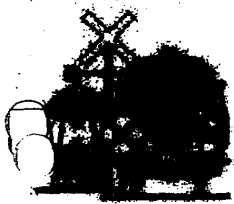
For 68 percent of covered employers, the unemployment insurance rate assessed will be 3.15 percent in 2003, which is \$35.28 per month for each employee with earnings of \$1,120 or more per month, and 12 percent will be assessed a rate of 12 percent, which is \$134.40 per month for each employee with earnings of \$1,120 or more per month.

###

RCAF Unemployment Insurance Tax

	<u>Unemployment Ins.</u>					
	<u>Tax</u>	<u>Earnings</u>	<u>Hourly</u>	<u>RRB</u>	<u>Factor</u>	<u>Avg. Ann.</u>
	<u>Rate</u>	<u>Base</u>	<u>Earnings</u>	<u>Sample</u>	<u>To Update</u>	<u>Taxable</u>
				<u>Year</u>	<u>RRB Sample</u>	<u>Earnings</u>
						<u>Un. Ins.</u>
						<u>Hourly</u>
						<u>Rate</u>
			\$23.955	(1997)		
1998 Avg.	2.20%	\$11,100	\$25.088		1.047297	\$10,500.17
4Q/99	3.67%	\$11,640	\$24.770		1.034022	\$10,989.82
1Q/00	0.79%	\$12,060	\$26.008		1.085702	\$11,391.18
2Q/00	0.79%	\$12,060	\$26.014		1.085953	\$11,391.27
3Q/00	0.79%	\$12,060	\$26.399		1.102025	\$11,396.64
			\$25.088	(1998)		
1999 Avg.	3.67%	\$11,640	\$24.662		0.983020	\$11,010.61
4Q/00	0.79%	\$12,060	\$25.925		1.033363	\$11,414.15
1Q/01	2.15%	\$12,600	\$26.173		1.043248	\$11,909.73
2Q/01	2.15%	\$12,600	\$26.190		1.043925	\$11,910.03
3Q/01	2.15%	\$12,600	\$26.415		1.052894	\$11,913.92
			\$24.662	(1999)		
2000 Avg.	0.79%	\$12,060	\$26.031		1.055511	\$11,480.03
4Q/01	2.15%	\$12,600	\$26.701		1.082678	\$11,987.52
1Q/02	3.81%	\$13,200	\$26.790		1.086287	\$12,542.24
2Q/02	3.81%	\$13,200	\$26.820		1.087503	\$12,542.66
3Q/02	3.81%	\$13,200	\$26.788		1.086205	\$12,542.21
			\$26.031	(2000)		
2001 Avg.	2.15%	\$12,600	\$26.887		1.032884	\$11,872.57
4Q/02	3.81%	\$13,200	\$27.525		1.057393	\$12,427.48
1Q/03	4.55%	\$13,440	\$27.797		1.067842	\$12,649.60
2Q/03	4.55%	\$13,440	\$27.885		1.071223	\$12,651.08
3Q/03	4.55%	\$13,440	\$28.306		1.087396	\$12,658.07

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.



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###

**Association of
American Railroads**



Memo

To: self
From: Clyde Crimmel
CC: Shou-Lien Liu
Date: 11/4/02
Re: Unemployment Insurance Tax Rate for 2003

Marla Huddleston, Chief, Division of Benefit and Employment Analysis at the Railroad Retirement Board, said today that the weighted¹ average 2003 Unemployment Insurance Rate for Class I railroads (excluding Conrail, Amtrak, and Wisconsin Central) is 4.55 percent. A 2.5 percent surcharge was continued for 2003.

The Surface Transportation Board served a decision in Ex Parte No. 634 on November 7, 2001, that, effective January 1, 2002, "Class I rail systems should file consolidated reports that combine the operations of all their commonly controlled railroads or railroad-related affiliates functioning as an integrated rail system within the United States." Therefore, Canadian National will begin reporting, in 2002, a combined entity that will include Grand Trunk Western, Illinois Central, Wisconsin Central, and additional U.S. operations. Currently, Canadian National is calling this entity GT Corp.

Because we are currently using 2001 wage statistics that do not include Wisconsin Central, we should use 4.55 percent as the Unemployment Insurance Tax rate for 2003. For the fourth quarter 2003 RCAF filing, we will rebenchmark to 2002 wage statistics (and annual report data) that include Wisconsin Central in the GT Corp. data. At that time, we should also use an Unemployment Insurance rate that includes Wisconsin Central. Marla Huddleston said that the average rate including Wisconsin Central is 4.61 percent.

¹ The weights are based on current payroll figures.


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Crude Oil Rises Above \$30 on Declining U.S. Gasoline Supplies

June 2 (Bloomberg) -- Crude oil rose above \$30 in New York for the first time since April on expectations that inventories of gasoline and other refined fuels will lag year-earlier levels in the months ahead.

U.S. gasoline supplies fell 3.4 million barrels to a five-week low of 205 million barrels in the week ended May 23, the Energy Department said last week. Supplies of distillate fuels, which include heating oil and diesel, were down 1.9 percent from a year earlier. Crude oil rose 15 percent in New York last month as refiners raised gasoline output to meet motorist demand.

“Crude-oil stocks may fall as refiners try to increase gasoline production,” said Kyle Cooper, an analyst with Citigroup Global Markets Inc. in Houston. “The government is also buying crude oil for the Strategic Petroleum Reserve, which is supporting prices.”

Crude oil for July delivery was up 50 cents, or 1.7 percent, at \$30.06 a barrel as of 10:43 a.m. on the New York Mercantile Exchange, the highest price since April 22. Oil was up 18 percent from a year ago.

Price gains accelerated after futures rose above last week's high of \$29.65 a barrel, according to traders who try to predict market moves based on charts and graphs.

“We’ve finally been able to make a decisive break through resistance in the \$29.60 area, and will now test new levels,” said Tom Bentz, an oil broker at BNP Paribas Commodity Futures Inc. in New York.

The next price to look for is \$30.16 a barrel, based on a three-week Fibonacci graph, Bentz said.

In London, the July Brent crude-oil futures contract was up 38 cents, or 1.4 percent, at \$26.70 a barrel on the International Petroleum Exchange.

Refinery demand may reduce crude-oil supplies, which were 10 percent below year-earlier levels.

Price Forecast

http://quote.bloomberg.com/apps/news?pid=71000001&refer=commodity_futures&sid=avl_s.78HqF8

6/2/2003

Oil prices are expected to decline during the second half of the year as Iraq resumes oil exports following the U.S.-led invasion in March, according to a Bloomberg News survey of 25 banks, brokerages and consultants.

New York crude oil is expected to average \$26.02 barrel from June through December, down from \$31.48 so far this year. Brent crude oil will average \$24.13, down from \$28.50 a barrel in the first half of 2003.

Last Updated: June 2, 2003 10:47 EDT

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OPEC's Silva: May Consider Cutting Output at June Meeting

Wed May 28, 11:14 AM ET

CARACAS (Dow Jones)—The Organization of Petroleum Exporting Countries may, at its June 11 meeting, consider reducing output to keep world oil prices within its target range of \$22 a barrel to \$28 a barrel, the group's Secretary General, Alvaro Silva, said Wednesday.

Related Quotes

DJIA 8974.33 +124.07 sites (News - Websites) will consider that ... it is one of the options," Silva told reporters at
 NASDAQ 1616.50 +20.59 Caracas' Central University, where he was due to speak.
 ^SPC 975.33 +11.74

"If there is a need to remove oil from the market to keep prices within the band, OPEC (news - web sites) will consider that ... it is one of the options," Silva told reporters at Caracas' Central University, where he was due to speak.

Separately, Silva said it would be best if Iraq (news - web sites) could come back progressively to the market, possibly by June. But he declined to give any Iraqi export figures.

delayed 20 mins - disclaimer
 Quote Data provided by Reuters

Iraqi officials have said the country could increase oil output to more than 1 million barrels per day within the next months.

Silva said Iraq hasn't been invited to the June OPEC meeting in Doha, Qatar, and any integration of Iraq in a formal OPEC accord has to be discussed in the future.

OPEC in April agreed to remove 2 million b/d from the market while increasing its ceiling to 25.4 million b/d.

-By Fred Pals, Dow Jones Newswires; 58212 564 1339; fred.pals@dowjones.com

AAR MATERIALS AND SUPPLIES INDEX
Region By Composition
Second Quarter 2003
June 4, 2003

United States by Composition Category - Summary

Composition Category	Weight	Previous Quarter Index	Current Quarter Index	Relative Of Change
Forest Products	.1333	190.62	192.51	1.0099
Metal Products	.5310	114.28	113.05	.9892
Miscellaneous Products	.3356	179.89	181.31	1.0079
U.S. By Composition	--	146.46	146.54	1.0005
U.S. By Composition (Linked)	--	143.81	143.88	1.0005
United States (1977=100) Linking Factor: 1.423	--	204.64	204.74	1.0005
United States (1980=100) Linking Factor: 1.061	--	152.58	152.66	1.0005

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	66.00	66.00	64.00
RR-OWNED MILEAGE	4.69	7.60	7.60	7.60	7.50	7.40
PRIVATELY-OWNED CARS	25.47	45.96	45.09	43.90	44.52	44.61
AUTORACKS	47.00	53.31	53.64	53.66	50.51	51.52
INDEX						
RR-OWNED TIME	100.0	212.9	212.9	212.9	212.9	206.5
RR-OWNED MILEAGE	100.0	162.0	162.0	162.0	159.9	157.8
PRIVATELY-OWNED CARS	100.0	180.4	177.0	172.4	174.8	175.1
AUTORACKS	100.0	113.4	114.1	114.2	107.5	109.6
CAR HIRE INDEX (old wts) 2000	100.0	185.3	--	--	--	--
CAR HIRE INDEX (new wts) 2001	100.0	185.7	183.3	180.1	181.6	180.3
CAR HIRE INDEX (LINKED)	100.0	182.7	180.3	177.2	178.7	177.4

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 UMLER

2002

2003

	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														
No. of Cars														
Superstructures														
Rate	9,642	9,582	9,179	9,150	9,068	9,060	9,028	9,017	9,014	8,927	8,900	8,874		
Superstructures #3 - Auto Rack														
All other #1 - Time	28.0	28.0	29.0	29.0	29.0	29.0	28.0	25.0	25.0	26.0	26.0	26.0		
All other #2 - Mileage	66.0	66.0	66.0	66.0	66.0	66.0	65.0	66.0	66.0	66.0	65.0	64.0		
Privately Owned														
No. of Cars														
Superstructures														
Covered Hoppers	52,002	51,914	51,805	51,700	51,821	51,537	51,418	51,356	51,270	50,998	50,724	50,554		
Tank Cars	302,717	302,323	303,627	304,568	303,442	303,451	303,552	304,235	303,826	303,887	304,070	304,773		
Others	283,197	283,298	285,232	284,829	284,388	284,866	284,843	285,958	285,985	286,160	284,476	285,032		
Rate	204,043	206,070	207,081	207,884	208,201	211,586	212,413	212,011	213,925	215,940	216,843	223,774		
Superstructures #1 - Time	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0		
Superstructures #2 - Mileage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Superstructures #3 - Auto Rack	58.0	58.0	58.0	58.0	58.0	58.0	55.0	55.0	55.0	55.0	55.0	56.0		
Covered Hoppers #2 - Mileage	44.3	44.3	44.3	44.3	44.3	44.3	43.9	44.0	44.1	44.1	44.2	44.2		
Tank Cars #2 - Mileage	72.5	72.6	70.2	70.4	70.8	70.8	70.1	70.2	69.2	69.3	69.6	69.7		
Others #1 - Time	64.0	64.0	65.0	64.0	64.0	64.0	65.0	65.0	65.0	65.0	65.0	66.0		
Others #2 - Mileage	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.5	6.6	6.5	6.5		
AVERAGE RATES														
Private Superstructures	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	0.00	0.00
Private Others	20.81	20.81	21.03	20.81	20.81	16.37	21.03	21.03	20.93	21.03	21.15	21.60	0.00	0.00
Private Total	45.80	45.77	45.09	45.07	45.11	43.90	44.76	44.88	44.52	44.53	44.57	44.61	#DIV/0!	#DIV/0!
Autotracks	53.31	53.33	53.64	53.64	53.67	53.66	50.67	50.52	50.51	50.68	50.67	51.52	#DIV/0!	#DIV/0!
WEIGHTS														
For RCAF & RCR														
RR-owned Time	0.203	0.211												
RR-owned Mileage	0.086	0.084												
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.	0.528	0.515												
Check sum	1.000	1.000												

RAILROAD EQUIPMENT 1/
AVERAGE RATE FOR 06/03

1 PROGRAM: DERE799
CURRENT DATE: JUNE 01, 2003

CAR RENTAL RATES		AUTO RACK	
TIME	MILEAGE	TIME	MILEAGE
114 ¢/HR	.082 \$/MILE	26 ¢/HR	
64 ¢/HR	.074 \$/MILE		
CAR COUNT			
8,874			
94			
753,837			
46,894			
TOTAL:	809,699		

0 - THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:
1/ CAR TYPE D - LOCOMOTIVES
CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND BOT DEVICE
CAR TYPE U - CONTAINERS
CAR TYPE Z - TRAILERS
0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND GONK) IS SHOWN ON THE PRIVATE EQUIPMENT REPORT.
-2/ EQUIPMENT CAN BE ZERO RATED DUE TO OWNERS SUPPLYING INCORRECT OR INSUFFICIENT INFORMATION TO THE CAR ACCOUNTING PROCESS OR CARS WITH RATE INDICATOR SIX (6). THIS EQUIPMENT IS ELIMINATED FROM THE AVERAGING PROCESS.

PRIVATE EQUIPMENT 1/		AVERAGE RATE FOR 06/03	
CAR RENTAL RATES		MILEAGE	
TIME		MILEAGE	
74 ¢/HR		.000 \$/MILE	
0 ¢/HR		.442 \$/MILE	
8 ¢/HR		.697 \$/MILE	
68 ¢/HR		.065 \$/MILE	
CAR COUNT		MILEAGE	
50,554		.000 \$/MILE	
304,773		.442 \$/MILE	
9,905		.697 \$/MILE	
265,032		.065 \$/MILE	
9,265		.065 \$/MILE	
223,774		.065 \$/MILE	
42,143		.065 \$/MILE	
TOTAL:		905,456	

1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:

CAR TYPE D - LOCOMOTIVES OF WAY, SCALE, PASSENGER, CABOOSE AND EOT DEVICE

CAR TYPE M - MAINTENANCE

CAR TYPE U - CONTAINERS

CAR TYPE Z - TRAILERS

0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND GONK) IS SHOWN ON THE PRIVATE EQUIPMENT REPORT.

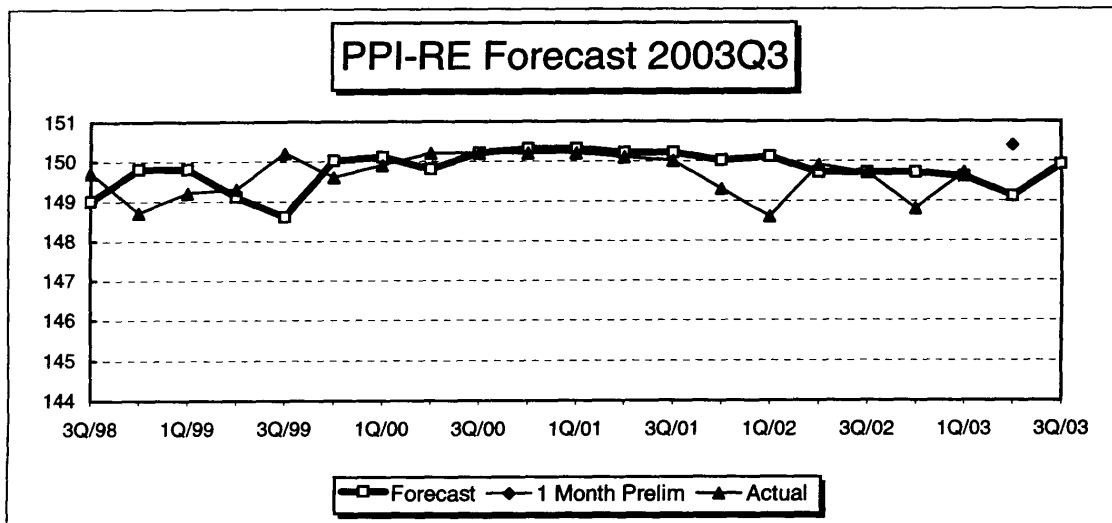
-2/ EQUIPMENT CAN BE ZERO RATED DUE TO OWNERS SUPPLYING INCORRECT OR INSUFFICIENT INFORMATION TO THE CAR ACCOUNTING PROCESS OR CARS WITH RATE INDICATOR SIX (6). THIS EQUIPMENT IS ELIMINATED FROM THE AVERAGING PROCESS.

PPI-RE Forecast (for Depreciation Component)

	Forecast	Actual	1 Month Prelim
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	149.7	
4Q/02	149.7	148.8	
1Q/03	149.6	149.7	
2Q/03	149.1		150.4
3Q/03	149.9		

1980 Base

2003Q3	PPI-RE Forecast		Yr Ago Actual	Percent Change		
	(82=100)	(80=100)		Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
Low	134.5	148.8	-0.6%			
Modpoint	135.5	149.9	0.1%	-0.3%	0.1%	0.5%
High	136.6	151.1	0.9%			



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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
2002	134.9	134.6	135.1	135.0	135.2	135.4	134.9	135.0	134.6	134.5	134.5	134.5	134.9
2003	134.8(P)	135.5(P)	135.7(P)	136.0(P)									

P : Preliminary. All indexes are subject to revision four months after original publication.

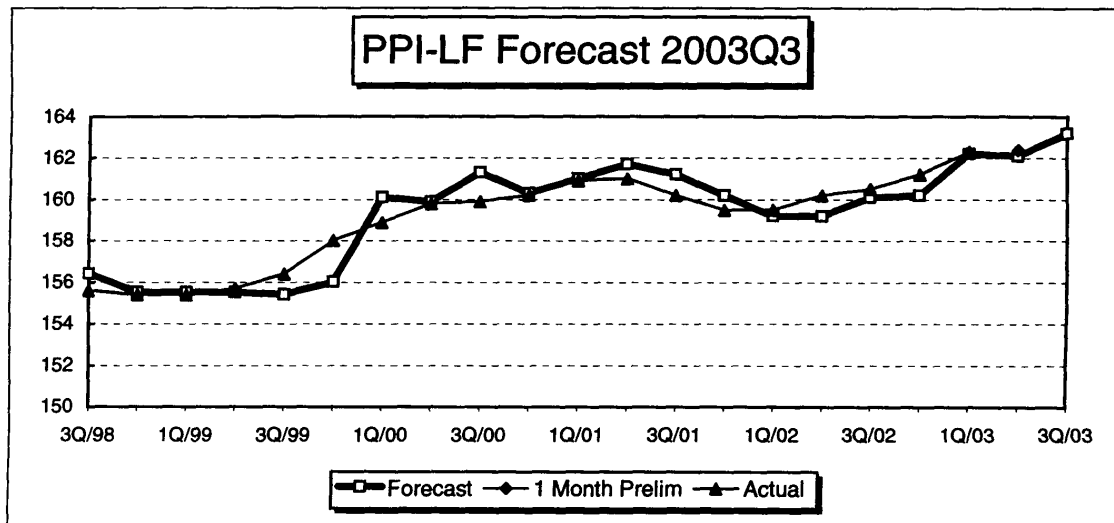
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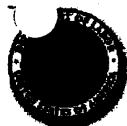
PPI-LF Forecast (for Other and Lease Rentals Components)

	Forecast	Actual	1 Month Prelim
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	160.5	
4Q/02	160.2	161.2	
1Q/03	162.2	162.3	
2Q/03	162.1		162.4
3Q/03	163.2		

1980 Base

	PPI-LF Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
2003Q2						
Low	144.4	161.9	0.9%			
Modpoint	145.6	163.2	1.7%	0.5%	0.6%	0.7%
High	146.8	164.6	2.6%			



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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
2002	142.2	142.2	142.4	142.8	142.7	143.0	143.0	143.0	143.2	143.9	143.8	143.4	143.0
2003	144.3(P)	144.8(P)	145.4(P)	144.9(P)									

P : Preliminary. All indexes are subject to revision four months after original publication.

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Forecast Error Calculation

	2001	First Quarter 2003		Diff
	Weight	2003Q1 Forecast	2003Q1 Actual	
Labor	37.8%	269.7	269.7	0.0
Fuel	10.5%	100.7	113.8	13.1
M&S	4.6%	144.2	144.2	0.0
Equip Rents	10.5%	175.2	177.0	1.8
Depreciation	10.6%	149.6	149.7	0.1
Interest	3.8%	98.6	98.6	0.0
Other	22.2%	162.2	162.3	0.1
Weighted Avg				
1980 = 100		193.2	194.8	
1980 = 100 (linked)		190.6	193.3	
4Q02 = 100		99.2	100.6	
4Q97 = 100		110.0	111.6	
4Q92 = 100		121.5	123.2	

Forecast Error → 1.4

Prior Quarter		
1980 = 100	192.5	193.2 ***
1980 = 100 (linked)	189.9	191.7
4Q02 = 100	98.9	99.8
4Q97 = 100	109.6	110.7
4Q92 = 100	121.0	122.2

Equipment Rents		
Car Hire	177.2	179.8
Lease Rentals	162.2	162.3
Weighted Average	169.9	171.3
Linked	175.2	177.0

Prior Quarter		
Weighted Average	170.6	171.1 ***
Linked	175.9	176.8

Sum of Weights ok
Sum of ER Wt. ok

file: NewRCAF.xls

5/15/2003

* actual=forecast
from 1st month of quarter
* actual=forecast
from Equipment Rents below
PPI-RE 134.80 135.50 135.70 0.9040
* actual=forecast
PPI-LF 144.30 144.80 145.40 0.8920

calculated
calculated
calculated
calculated

calculated

calculated
calculated
calculated

from UMLER equipment rents
calculated (equals PPI-LF from above)
calculated
calculated

If fourth quarter, weighted avg for prior needs to use new weights, linked is ok

RCAF Fuel (Actual All-Inclusive Index)

January 2003

Average Price for Monthly Report

	January 2003 Price (1)	1/1/81 Price (2)	1/91 New Method Linking Factors (3)	January 2003 Index 1/1/81=100 (4)	(4) = (1) / (2) x (3)
U.S.	93.09	89.34	99.415	103.59	
East	95.22	91.56	99.435	103.41	
West	92.14	87.83	99.416	104.29	

Fuel Index on 1977 Base and 1980 Base

	January 2003 Index 1/1/81=100 (1)	Linking Factors 1977=100 (2)	1980=100 (3)	January 2003 Index 1977=100 (4)	1980=100 (5)	(4) = (1) x (2) (5) = (1) x (3)
U.S.	103.59	2.606	1.096	269.95	113.53	
East	103.41	2.569	1.134	265.66	117.27	
West	104.29	2.639	1.067	275.23	111.28	

Final Actual All-Inclusive Index

	1980=100 January 2003 Current Index	Adjustment Factor	January 2003 Linked Index
U.S.	113.53	1.00192	113.75 ←
East	117.27	1.00621	117.99
West	111.28	1.00024	111.31

January	= Q1
April	= Q2
July	= Q3
October	= Q4

2/20/2003

Association of American Railroads

file: MF200301calcs.xls

Car Hire for RCAF

RCAF (Actual)		1980	Aug 3Q/02	Nov. 4Q/02	Feb 1Q/03	May 2Q/03	Aug 3Q/03
RATE							
	RR-OWNED TIME	31.00	66.00	66.00	66.00	0.00	0.00
	RR-OWNED MILEAGE	4.69	7.60	7.60	7.60	0.00	0.00
	PRIVATELY-OWNED CARS	25.47	45.77	45.11	44.88	#DIV/0!	#DIV/0!
	AUTORACKS	47.00	53.33	53.67	50.52	#DIV/0!	#DIV/0!
INDEX							
	RR-OWNED TIME	100.0	212.9	212.9	212.9	0.0	0.0
	RR-OWNED MILEAGE	100.0	162.0	162.0	162.0	0.0	0.0
	PRIVATELY-OWNED CARS	100.0	179.7	177.1	176.2	#DIV/0!	#DIV/0!
	AUTORACKS	100.0	113.5	114.2	107.5	#DIV/0!	#DIV/0!
CAR HIRE INDEX (old wts)	2000	100.0	184.9	--	--	--	--
CAR HIRE INDEX (new wts)	2001	100.0	185.2	183.4	182.8	#DIV/0!	#DIV/0!
CAR HIRE INDEX (LINKED)		100.0	182.2	180.4	179.8	NA	NA

Equipment Rents Data From UMLER

	2002						2003							
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														
No. of Cars														
Superstructures														
Rate	9,642	9,582	9,179	9,150	9,068	9,060	9,028	9,017	9,014					
Superstructures #3 - Auto Rack														
All other #1 - Time	28.0	28.0	29.0	29.0	29.0	29.0	26.0	25.0	25.0					
All other #2 - Mileage	66.0	66.0	66.0	66.0	66.0	66.0	65.0	66.0	66.0					
Privately Owned														
No. of Cars														
Superstructures														
Covered Hoppers	52,002	51,914	51,805	51,700	51,821	51,537	51,418	51,356	51,270					
Tank Cars	302,717	302,323	303,627	304,568	303,442	303,451	303,552	304,235	303,628					
Others	283,197	283,298	285,232	284,829	284,368	284,866	284,843	285,956	285,985					
Rate	204,043	206,070	207,081	207,884	208,201	211,586	212,413	212,011	213,925					
Superstructures #1 - Time														
Superstructures #2 - Mileage	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0					
Superstructures #3 - Auto Rack	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Covered Hoppers #2 - Mileage	58.0	58.0	58.0	58.0	58.0	58.0	55.0	55.0	55.0					
Tank Cars #2 - Mileage	44.3	44.3	44.3	44.3	44.3	44.3	43.9	44.0	44.1					
Others #1 - Time	72.5	72.6	70.2	70.4	70.6	70.6	70.1	70.2	69.2					
Others #2 - Mileage	64.0	64.0	65.0	64.0	64.0	64.0	65.0	65.0	65.0					
Rate	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.5					
AVERAGE RATES														
Private Superstructures	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	0.00	0.00	0.00	0.00	0.00
Private Others	20.81	20.81	21.03	20.81	20.81	16.37	21.03	21.03	20.93	0.00	0.00	0.00	0.00	0.00
Private Total	45.80	45.77	45.09	45.07	45.11	43.90	44.76	44.88	44.52	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Autotracks	53.31	53.33	53.64	53.64	53.67	53.66	50.67	50.52	50.51	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
WEIGHTS														
For RCAF & RCR														
RR-owned Time	0.203	0.211												
RR-owned Mileage	0.086	0.084												
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.	0.528	0.515												
Check sum	1.000	1.000												

RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

		Forecast Year 2003			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	03Q1	03Q2	03Q3	03Q4
For Actual	→	02Q3	02Q4	03Q1	03Q2
January	2002	134.9	134.9	134.9	134.9
February	2002	134.6	134.6	134.6	134.6
March	2002	135.1	135.1	135.1	135.1
April	2002	135.0	135.0	135.0	135.0
May	2002	135.2	135.2	135.2	135.2
June	2002	135.4	135.4	135.4	135.4
July	2002	135.8	134.9	134.9	134.9
August	2002	135.4	135.0	135.0	135.0
September	2002	134.7	134.6	134.6	134.6
October	2002	134.2	134.2	134.5	134.5
November	2002		134.7	134.5	134.5
December	2002		134.7	134.5	134.5
January	2003		134.8	134.8	
February	2003			135.5	
March	2003			135.7	
April	2003			136.0	
May	2003				
June	2003				
July	2003				
Actual Qtr.		135.3	134.5	135.3	NA

1980=100

Actual Qtr.

First Mo. next qtr.

149.7	148.8	149.7	NA
148.5	149.1	150.4	NA

0.904 =1980

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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
2002	134.9	134.6	135.1	135.0	135.2	135.4	134.9	135.0	134.6	134.5	134.5	134.5	134.9
2003	134.8(P)	135.5(P)	135.7(P)	136.0(P)									

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RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

		Forecast Year 2003			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	03Q1	03Q2	03Q3	03Q4
For Actual	→	02Q3	02Q4	03Q1	03Q2
January	2002	142.2	142.2	142.2	142.2
February	2002	142.2	142.2	142.2	142.2
March	2002	142.4	142.4	142.4	142.4
April	2002	142.8	142.8	142.8	142.8
May	2002	142.7	142.7	142.7	142.7
June	2002	143.0	143.0	143.0	143.0
July	2002	143.1	143.0	143.0	143.0
August	2002	143.2	143.0	143.0	143.0
September	2002	143.2	143.2	143.2	143.2
October	2002	143.9	143.9	143.9	143.9
November	2002		143.9	143.8	143.8
December	2002		143.5	143.4	143.4
January	2003		144.3	144.3	
February	2003			144.8	
March	2003			145.4	
April	2003			144.9	
May	2003				
June	2003				
July	2003				
Actual Qtr.		143.2	143.8	144.8	NA

1980=100

Actual Qtr.

First Mo. next qtr.

160.5	161.2	162.3	NA
161.3	161.8	162.4	NA

0.892 =1980

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Data extracted on: May 16, 2003 (08:58 AM)

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
2002	142.2	142.2	142.4	142.8	142.7	143.0	143.0	143.0	143.2	143.9	143.8	143.4	143.0
2003	144.3(P)	144.8(P)	145.4(P)	144.9(P)									

P : Preliminary. All indexes are subject to revision four months after original publication.

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ALL-INCLUSIVE INDEX (ACTUAL)

	01 Wts	3Q/02 ¹ 00 Wts	3Q/02 01 Wts	% CHG	4Q/02 01 Wts	% CHG	1Q/03 01 Wts	% CHG	2Q/03 01 Wts	% CHG	3Q/03 01 Wts	% CHG
LABOR	37.8%	257.1	257.1	0.0%	267.6	4.1%	269.7	0.8%	270.4	0.3%	-100.0%	
FUEL	10.5%	91.5	91.5	0.0%	107.8	17.8%	113.8	5.6%		-100.0%	#DIV/0!	
M&S	4.6%	149.9	149.9	0.0%	148.6	-0.9%	144.2	-3.0%	152.6	5.8%	-100.0%	
EQUIP RENTS	10.5%	177.4	177.4	0.0%	176.8	-0.3%	177.0	0.1%	0.0	-100.0%	#####	
DEPR	10.6%	149.7	149.7	0.0%	148.8	-0.6%	149.7	0.6%		-100.0%	#DIV/0!	
INTEREST	3.8%	108.8	108.8	0.0%	98.6	-9.4%	98.6	0.0%	98.6	0.0%	98.6	0.0%
OTHER	22.2%	160.5	160.5	0.0%	161.2	0.4%	162.3	0.7%		-100.0%	#DIV/0!	
WGTD AVG	1.0000											
LINKED		186.3	187.9	0.9%	193.2	2.8%	194.8	0.8%	113.0	-42.0%	#####	
10/1/80		186.4	186.4	0.0%	191.7	2.8%	193.3	0.8%	112.1	-42.0%	#####	
10/1/82		181.5	181.5	0.0%	186.7	2.9%	188.2	0.8%	109.2	-42.0%	#####	
4Q/87		154.2	154.2	0.0%	158.6	2.9%	159.9	0.8%	92.7	-42.0%	#####	
4Q/92		141.0	141.0	0.0%	145.0	2.8%	146.2	0.8%	84.8	-42.0%	#####	
4Q/97		118.8	118.8	0.0%	122.2	2.9%	123.2	0.8%	71.4	-42.0%	#####	
4Q/02		107.6	107.6	0.0%	110.7	2.9%	111.6	0.8%	64.7	-42.0%	#####	
		97.0	97.0	0.0%	99.8	2.9%	100.6	0.8%	58.4	-41.9%	#####	
Equipment Rents												
CAR HIRE	51.5%	182.2	182.2	0.0%	180.4	-1.0%	179.8	-0.3%		-100.0%	#DIV/0!	
LEASE RENTS	48.5%	160.5	160.5	0.0%	161.2	0.4%	162.3	0.7%	0.0	-100.0%	0.0	#DIV/0!
	1.0000											
ER WGTD AVG		172.0	171.7	-0.2%	171.1	-0.3%	171.3	0.1%	0.0	-100.0%	0.0	#DIV/0!
ER LINKED		177.4	177.4	0.0%	176.8	-0.3%	177.0	0.1%	0.0	-100.0%	#####	
* Reflects the final actual third quarter values.												
LABOR		00 Wts	01 Wts									
FUEL		93.842	97.184									
M&S		9.791	9.608									
EQUIP RENTS		7.195	6.895									
DEPR		19.691	18.627									
INTEREST		15.269	15.868									
OTHER		5.005	4.134									
Weighted Avg.		35.471	35.631									
		186.263	187.947									