



ASSOCIATION
OF AMERICAN
RAILROADS

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Vice President - Policy & Economics



March 5, 2004

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 second quarter 2004 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2004-2), *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 second quarter 2004 results on the fourth quarter 2002 base, and shows the percentage changes from the previous quarter.

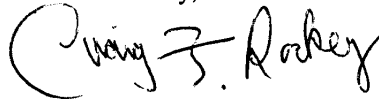
	<u>2004Q1</u>	<u>2004Q2</u>	<u>% Change</u>
All-Inclusive Index	101.8	102.6	0.8
Preliminary RCAF	1.018	1.026	0.8
Forecast Error Adjustment	0.007	0.007	
RCAF (Unadjusted)	1.025	1.033	0.8
Productivity Adjustment Factor	1.9834	1.9943	
RCAF (Adjusted)	0.517	0.518	0.2
PAF-5	2.0852	2.0950	
RCAF-5	0.492	0.493	0.2

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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, reading "Craig F. Rockey". The signature is written in a cursive, flowing style. The first name "Craig" is written with a large, prominent "C" that loops around the first part of the name. The last name "Rockey" is written in a similar cursive style.

Craig F. Rockey

Attachments

**Second Quarter 2004
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2004-2)

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

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

March 5, 2004

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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 second quarter of 2004.

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 (2001) weights were used for the fourth quarter of 2002 through the third quarter of 2003. Beginning with the fourth quarter of 2003, the 2002 weights are used. The biggest change in the weights was for Fuel, which decreased by 1.5 percentage points, close to its weight based on 1996 data. The Other component increased by 1.3 percentage points. The changes for the remaining components were by three tenths of a percentage point or less. The 2002 (current) and 2001 (previous) weights are shown below.

RCAF Weights		
	Previous 2001	Current 2002
Labor	37.8 %	38.0 %
Fuel	10.5	9.0
Materials & Supplies	4.6	4.6
Equipment Rents	10.5	10.3
Depreciation	10.6	10.9
Interest	3.8	3.7
Other	22.2	23.5

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

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

All-Inclusive Index Second Quarter 2004

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.

	2002 Weights	Forecast		Percent Change
		Previous 2004Q1	Current 2004Q2	
1. Labor	38.0%	276.8	279.5	1.0 %
2. Fuel	9.0%	110.8	120.8	9.0
3. M&S	4.6%	160.3	155.0	-3.3
4. Equipment Rents	10.3%	176.7	173.1	-2.0
5. Depreciation	10.9%	150.7	152.3	1.1
6. Interest	3.7%	98.0	98.0	0.0
7. Other	23.5%	163.9	163.9	0.0
8. Weighted Average				
a. 1980 = 100		199.3	200.8	
b. 1980 = 100 (linked)		195.6	197.1 ¹	
c. 4Q02 = 100		101.8	102.6 ²	0.8

¹ To calculate the 1980 = 100 Linked Index:

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 200.8 \text{ divided by } 199.3 \text{ times } 195.6 \\ &= 197.1 \end{aligned}$$

² To calculate the 4Q02 = 100 index:

$$\begin{aligned} \text{Index}_{4Q02} &= (\text{Current Linked Index} / 4Q02 \text{ Linking Factor}) * 100 \\ &= 197.1 \text{ divided by } 192.1 \text{ times } 100 \\ &= 102.6 \end{aligned}$$

4Q97 based index = 113.8
4Q92 based index = 125.6
4Q87 based index = 149.1

Forecast vs. Actual All-Inclusive Index Fourth Quarter 2003

As shown below, the fourth quarter actual index of 102.7 is 0.7 index points above the forecast value of 102.0. Like the previous quarter, the forecast error adjustment is 0.7 index points.

	2002	Fourth Quarter 2003		Amt
	Weights	Forecast	Actual	Difference
1. Labor	38.0%	278.3	278.3	
2. Fuel	9.0%	113.3	111.2	
3. M&S	4.6%	154.8	154.8	
4. Equipment Rents ¹	10.3%	175.7	176.8	
5. Depreciation	10.9%	152.4	152.0	
6. Interest	3.7%	98.0	98.0	
7. Other	23.5%	162.6	163.8	
8. Weighted Average				
a. 1980 = 100		199.6	199.8	
b. 1980 = 100 (linked)		195.9	197.2 ²	
c. 4Q02 = 100 ³		102.0	102.7	0.7

Forecast error → 0.7 index points

¹	2002	Fourth Quarter 2003	
	Weights	Forecast	Actual
Car-Hire	50.6%	177.8	178.0
Lease Rentals	49.4%	162.6	163.8
Weighted Average		170.3	171.0
Weighted Average (linked)		175.7	176.8

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

$$197.2 = 199.8 / 197.2 \times 194.6$$

Note: the previous actual index has been recalculated using 2002 weights.

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 12, 2004, the Surface Transportation Board (STB) served a decision in Ex Parte 290 (Sub-No. 4) which added the year 2002 to the Productivity Adjustment Factor (PAF) and deleted the year 1997. This creates an average annual productivity for 1998 through 2002 of 2.2 percent – an increase from the 1997 through 2001 average of 1.9 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

1998 - 2002

Year	Output Index (1)	Input Index (2)	Productivity ¹ Changes (3)
1998	1.006	1.018	0.988
1999	1.032	1.008	1.024
2000	1.029	0.953	1.079
2001	0.971	0.955	1.016
2002	1.012	1.006	1.006
Average			1.022
Previous Average (1997-2001)			1.019

¹ The values shown in Column 3 are based on full float calculations and may not exactly match numbers calculated using the rounded numbers displayed in Columns 1 and 2.

Calculation of PAF and PAF-5

For 1998-2002 use fourth root of avg. productivity change 1.0055
 For 1997-2001 use fourth root of previous avg. change 1.0047

Quarter	Year	PAF	PAF-5
Q1	2004	1.9834	2.0852
Q2	2004	1.9943	2.0950
Q3	2004	2.0053	2.1048
Q4	2004	2.0163	2.1147
Q1	2005	2.0274	2.1263

1997-2001

1998-2002

Rail Cost Adjustment Factor

Second Quarter 2004

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 2004Q1	Current 2004Q2	Percent Change
All-Inclusive Index ¹	101.8	102.6	0.8
Preliminary RCAF ²	1.018	1.026	0.8
Forecast Error Adjustment ³	<u>0.007</u>	<u>0.007</u>	
RCAF (Unadjusted) ⁴	1.025	1.033	0.8
Productivity Adjustment Factor ⁵	1.9834	1.9943	
RCAF (Adjusted) ⁶	0.517	0.518	0.2
PAF-5 ⁷	2.0852	2.0950	
RCAF-5 ⁸	0.492	0.493	0.2

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 Second Quarter 2004

The second quarter 2004 Labor Index is forecast to increase 1.0 percent as a result of new agreements with the Brotherhood of Locomotive Engineers.

New Contracts

National BLE Contract: On December 16, 2003, the Brotherhood of Locomotive Engineers (BLE) signed a new agreement with the National Carriers' Conference Committee. The agreement affects a group of railroads that includes five Class I railroads for health & welfare, and four of the five railroads are affected for wages and lump sums. Highlights are as follows.

- Longevity bonus of \$1,200 (applies to about two thirds of BLE employees for four railroads)
- Lump sum payment of \$774
- Roll in of 48 cents of the cost-of-living allowance effective June 30, 2002
- COLAs discontinued June 30, 2002
- Retroactive wage increase of 4 percent effective July 1, 2002
- Retroactive wage increase of 2.5 percent effective July 1, 2003
- Employee health & welfare cost sharing: Monthly Rates of
 - \$33.39 effective July 1, 2001
 - \$81.18 effective July 1, 2002
 - \$79.74 effective July 1, 2003
- Future wage increases and changes in cost sharing rates
- Service Scale "bump up" to full rate effective July 1, 2004
- Pay system simplification and trip rates

BNSF is using the Article II Optional Alternative Compensation Program, and has some differences in wage increases and bonuses from the main Article.

Norfolk Southern BLE Contract: On November 1, 2003, the BLE signed an independent agreement with Norfolk Southern. The new agreement continues the annual Thoroughbred Performance Bonus, adds wage increases in 2005 and 2007, and pays a \$2,000 signing bonus. A general provision aligns the NS BLE with the national agreement health & welfare cost sharing.

Wage Index

The Wage Index is forecast to increase 1.6 percent. The new BLE contract (see above) was the only national contract that affected this quarter's wage index. No wage increases from independent contracts were added to the index. Norfolk Southern's independent BLE contract affected lump sums and back pay.

Labor

Second Quarter 2004

Lump Sums: The lump sum adjustment increased significantly because of the BLE agreements. The national BLE contract contained a \$1,200 longevity bonus that affected about two thirds of the BLE employees for four railroads. The new contract also contained a \$774 signing bonus that affected three railroads. The Norfolk Southern Thoroughbred Bonus paid to its BLE employees in early 2003 was completely amortized and removed, but it was replaced with the new Thoroughbred Performance Bonus paid in early 2004 – which was more than double the amount of the previous year. In addition, the NS BLE employees signed a new agreement, and each employee received a \$2,000 signing bonus.

Back Pay: The back pay adjustment increased 10.5 cents because of the new national BLE contract. This amount is a net figure since COLAs paid after June 30, 2002 were offset against the back pay amount. In addition, retroactive health and welfare cost sharing amounts were also offset against back pay.

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. This hourly adjustment was unchanged.

Supplements Index

The Supplements Index is forecast to increase by 0.1 percent from the first quarter filing. All of the changes were caused by new BLE contracts.

Health & Welfare: The Health & Welfare hourly rate decreased 1.1 percent from the first quarter level because of employee cost sharing added under the new BLE contracts.

Railroad Retirement: The Railroad Retirement and Medicare hourly rate increased 1.0 percent as a result of the higher wage rate caused by the new BLE contracts.

Unemployment Insurance: The unemployment insurance hourly rate was unchanged.

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 was unchanged.

Labor Index Calculation

As shown in table A-1 on the next page, the 1.6 percent increase in the Wage Index and the 0.1 percent increase in the Supplements Index had a combined effect of a 1.0 percent increase in the Labor Index. The linked second quarter 2004 index is 279.5.

Labor
Second Quarter 2004

Table A-1 Labor Index

	2004Q1	2004Q2	Change	
			Percent	Amount
Base Wage – Straight Time & Pay For Time Not Worked	\$28.271	\$28.465	0.7%	\$0.194
Adjustments:				
Lump Sum	0.051	0.215	321.6%	0.164
Back Pay	0.025	0.130	420.0%	0.105
Other	0.010	0.010	0.0%	0.000
Total Wages	<u>28.357</u>	<u>28.820</u>	1.6%	0.463
 Health & Welfare Benefits	4.623	4.570	-1.1%	-0.053
RR Retirement & Medicare	6.038	6.098	1.0%	0.060
Unemployment Insurance	0.207	0.207	0.0%	0.000
Other	0.011	0.011	0.0%	0.000
Total Supplements	<u>\$10.879</u>	<u>\$10.886</u>	0.1%	0.007
 Total Labor	\$39.236	\$39.706		
 Wage Index¹	242.7	246.6	1.6%	
Supplements Index²	402.0	402.3	0.1%	
 Total labor Index, 2002 Weights ³	290.0	292.8		
Labor Index (linked)⁴	276.8	279.5	1.0%	

¹ 1980 wage rate \$11.685

² 1980 supplements rate \$2.706

³ 2002 weights: wages, supplements 70.3% 29.7%

⁴ 2004Q2 linked Index = 2004Q1 ^{linked} X (2004Q2 / 2004Q1)

= 276.8 x 292.8 / 290.0

Fuel Second Quarter 2004

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.

Once again, railroad fuel prices are very difficult to forecast. An OPEC announcement in February and recent events in Venezuela signaled possible higher oil prices; while in early March, OPEC hinted that it might take steps to moderate crude oil prices. (According to the New York Mercantile Exchange, about one quarter of the U.S. crude oil consumption is used to produce heating oil*.)

On February 10, the Organization of the Petroleum Exporting Countries (OPEC) announced that it would take a pre-emptive action against a spring decrease in oil prices. Members committed to comply with the current agreed production levels, and also decided to decrease production by four percent effective April 1. Recent unrest in Venezuela, the world's fifth largest oil exporter, has troubled the oil markets, and crude oil prices in early March are above \$35 per barrel. Concern over high crude oil prices prompted OPEC officials to say on March 4 that they would consider raising output if prices remain too high.

The railroads' second quarter (April 2004) fuel prices are expected to increase 9.0 percent from the first quarter forecast. This is a 1.1 percent decrease from the first quarter (January) actual level, as a cold and snowy winter in the northeast (19 percent colder according to the Department of Energy) pushed heating oil prices higher than expected.

Forecast fuel index	120.8
Change from previous quarter forecast	9.0%
Change from previous quarter actual	-1.1%

* Heating oil is very similar in composition to the diesel fuel used by locomotives, and is produced at the same refineries.

Materials & Supplies

Second Quarter 2004

The Materials & Supplies Index decreased 3.3 percent from the first quarter of 2004. Regional purchases of ballast were primary causes of the decline. Despite the decrease, the Index is still slightly above the level from two quarters ago (2003Q4), and is 1.5 percent above its level of a year ago.

2004Q2 Materials & Supplies Index = 155.0

2004Q1 Materials & Supplies Index = 160.3

Difference	-5.3 basis points
	or
	-3.3 %

Equipment Rents

Second Quarter 2004

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 portion of the Index was caused mostly by lower rates for privately-owned tank cars and autoracks.

	2002 Weight	2004Q1	2004Q2	Percent Change
Car Hire	50.6%	178.6	171.6	-3.9 %
Lease Rentals	49.4%	163.9	163.9	0.0
Weighted Average		171.3	167.8	-2.0
Weighted Average (Linked)		176.7	173.1	-2.0

Depreciation

Second Quarter 2004

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 normally 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, up by 1.1 percent from the previous quarter's forecast, is slightly below the fourth quarter forecast, and equal to the December level.

Forecasted depreciation index (1982=100)	137.7
Forecasted depreciation index (1980=100)	152.3
Change from previous quarter forecast	1.1%
Change from actual first month of previous quarter	0.0%
Change from same quarter of prior year (actual)	1.0%

Depreciation

Second Quarter 2004

PPI RAIL EQUIPMENT

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

Within-Sample Statistics

Sample size 72	Number of parameters 0
Mean 135.4	Standard deviation 0.7372
R-square 0.7613	Adjusted R-square 0.7646
Durbin-Watson 2.257	Ljung-Box(18)=8.806 P=0.03593
Forecast error 0.3577	BIC 0.3577
MAPE 0.001712	RMSE 0.3577
MAD 0.2319	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2003-07	136.700
2003-08	136.500
2003-09	136.900
2003-10	136.900
2003-11	137.600
2003-12	137.700

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-01	136.994	137.700	138.406
2004-02	136.702	137.700	138.698
2004-03	136.477	137.700	138.923
2004-04	136.288	137.700	139.112
2004-05	136.122	137.700	139.278
2004-06	135.971	137.700	139.429
QTR AVG	136.127	137.700	139.273
2004-07	135.832	137.700	139.568
2004-08	135.703	137.700	139.697
2004-09	135.582	137.700	139.818

Interest

Second Quarter 2004

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

2002	Interest Rate	7.69%
1980	Interest Rate	7.85%
2004Q2	Interest Index	98.0
2004Q1	Interest Index	98.0
	Percent Change	0.0%

Other Expenses

Second Quarter 2004

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 normally 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 have had very small increases for the three most recent months available.

Forecasted Other Expense (1982=100)	146.2
Forecasted Other Expense (1980=100)	163.9
Change from previous quarter forecast	0.0%
Change from actual first month of previous quarter	0.0%
Change from same quarter of prior year (actual)	1.0%

Other Expenses Second Quarter 2004

PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

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

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.3223	0.1124	2.8670	0.9945

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 4.956	Standard deviation 0.01577
R-square 0.9836	Adjusted R-square 0.9836
Durbin-Watson 2.025	Ljung-Box(18)=15.91 P=0.4011
Forecast error 0.002023	BIC 0.2939
MAPE 0.001555	RMSE 0.287
MAD 0.2216	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2003-07	144.600
2003-08	144.800
2003-09	145.100
2003-10	145.900
2003-11	146.100
2003-12	146.200

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-01	145.654	146.232	146.813
2004-02	145.284	146.243	147.207
2004-03	144.983	146.246	147.520
2004-04	144.730	146.247	147.780
2004-05	144.511	146.247	148.005
2004-06	144.315	146.247	148.205
QTR AVG	144.519	146.247	147.997
2004-07	144.138	146.248	148.388
2004-08	143.975	146.248	148.556
2004-09	143.823	146.248	148.713

Railroad and Union Abbreviations

Second Quarter 2004

Railroads

ATSF	The Atchison, Topeka & Santa Fe Railway (Merged with Burlington Northern to form BNSF.)
BNSF	The Burlington Northern and Santa Fe Railway
CC	Chicago, Central & Pacific (Part of CN's Grand Trunk Corp. Sometimes noted as CC&P.)
CN	Canadian National Railway (Commonly known as CN, owns Grand Trunk Corporation.)
CNGT	AAR's abbreviation for Grand Trunk Corporation (Most of CN's U.S. operations.)
CP	Canadian Pacific Railway (Also noted as CPR. Owns the U.S. Class I railroad Soo Line.)
CSX	CSX Transportation
DWP	Duluth, Winnipeg & Pacific Railway (Part of CN's Grand Trunk Corp.)
GTW	Grand Trunk Western Railroad (Part of CN's Grand Trunk Corp.)
IC	Illinois Central Railroad (Part of CN's Grand Trunk Corp.)
KCS	Kansas City Southern Railway
NS	Norfolk Southern Combined Railroad Subsidiaries (a.k.a. Norfolk Southern Railway or NS Rail)
SOO	Soo Line Railroad (Most of Canadian Pacific Railway's western U.S. operations.)
SSAM	Sault Saint Marie Bridge Company (Part of CN's Grand Trunk Corp.)
UP	Union Pacific Railroad
WC	Wisconsin Central and subsidiaries (Part of CN's Grand Trunk Corp.)

Major Unions Involved with Railroads

ATDA	American Train Dispatchers Department of the Brotherhood of Locomotive Engineers
BLE	Brotherhood of Locomotive Engineers
BMWE	Brotherhood of Maintenance of Way Employees
BRC	(see TCU-Carmen)
BRS	Brotherhood of Railroad Signalmen
IAM	International Association of Machinists and Aerospace Workers
IBBM	International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers
IBEW	International Brotherhood of Electrical Workers
IBFO	International Brotherhood of Firemen and Oilers (predecessor to NCFO)
NCFO	National Conference of Firemen and Oilers (labeled in AAR data bases as IBFO)
SMW	Sheet Metal Workers' International Association
TCU	Transportation Communication International Union
TCU-Carmen	Brotherhood of Railway Carmen Division of the Transportation Communications International Union
UTU	United Transportation Union
UTU-Yard	United Transportation Union Yardmaster Department (also noted as UTU-YMD)

210240

Work Papers Sent to STB for 2004 Q2 RCAF

March 5, 2004

▲
MAR 5 2004
RECEIVED

1. Index Calculation Spreadsheet (index_calc.xls, 2 pages)
2. Summary (of ST and PFTNW Hourly Rates)
3. Taxable wages calculation
4. National Contracts spreadsheet, 2 sections (2 and 5 pages)
5. BLE ST Hourly Rate for National
6. BLE Contract Pages: 3 National, 2 BNSF plus 2 pages from BLE web site.
7. Wall Street Journal - 3 month Treasury Bill Rate
8. 2004/Q2 RCAF Lump Sum Amortization (3 pages)
9. 2 pages from National BLE contract concerning longevity bonus and lump sums
10. 1 page memo concerning longevity bonus
11. 1 page from BNSF BLE contract concerning longevity bonus
12. 1 page memo concerning NS BLE contract
13. Thoroughbred Performance Bonus and Signing Bonus pages from NS BLE contract
14. Page from BLE web site concerning NS and BLE
15. 2004/Q2 RCAF Back Pay Amortization (4 pages)
16. Back pay calculation for national BLE (except BNSF)
17. Back pay calculation for national BLE (BNSF only)
18. 2-page Health & Welfare worksheet
19. Health & Welfare premiums for 2004
20. H&W cost sharing portions of BLE contracts for national, BNSF, and NS
21. Railroad Retirement spreadsheet (5 pages) & 1-page RRB memo for 2004 rates
22. Unemployment Insurance worksheet, 2 pages from SAS run, 3 pages supporting info
23. 4 pages of fuel information from the DOE, Wall Street Journal, and Bloomberg News
24. Summary of M&S
25. Car Hire Spreadsheet (2 pages) plus source data (2 pages)
26. 6 pages of PPI-RE for Depreciation including graph, input/output, and BLS data
27. 7 pages of PPI-LF for Other (and Lease Rentals) incl. graph, input/output, BLS data
28. Forecast Error calculation and work papers (9 pages)

ENTERED
Office of Proceedings

MAR 5 2004

Part of
Public Record

LABOR INDEX (RCAF)

02 Wts.	3Q/03 Original	3Q/03 Rebenchd	% Chg	4Q/03	% Chg fr. Orig	1Q/04	% Chg	2Q/04	% Chg	3Q/04	% Chg
Straight Time	PFTNW	\$22.418	\$22.512	0.4%	\$22.512	0.4%	\$22.708	0.9%	\$22.849	0.6%	--
		\$5.709	\$5.545	-2.9%	\$5.545	-2.9%	\$5.563	0.3%	\$5.616	1.0%	--
	Total	\$28.127	\$28.057	-0.2%	\$28.057	-0.2%	\$28.271	0.8%	\$28.465	0.7%	\$0.000
	Adjustments										
	Lump Sum	\$0.140	\$0.143		\$0.054		\$0.051		\$0.215		
	Back Pay	\$0.099	\$0.100		\$0.033		\$0.025		\$0.130		
	Other	\$0.010	\$0.010		\$0.010		\$0.010		\$0.010		
	Total Wages	\$28.376	\$28.310	-0.2%	\$28.154	-0.8%	\$28.357	0.7%	\$28.820	2%	\$0.000
	Pre-Tax Reduction	(\$0.070)	(\$0.066)		(\$0.066)		(\$0.267)		(\$0.342)		
	Taxable Wages	\$28.306	\$28.244		\$28.088		\$28.090		\$28.478		\$0.000
H & W		\$3.871	\$4.466	15.4%	\$4.466	15.4%	\$4.623	3.5%	\$4.570	-1.1%	--
	RR Ret & Medicare	\$6.355	\$6.357	0.0%	\$6.332	-0.4%	\$6.038	-4.6%	\$6.098	1.0%	--
	Suppl. Annuities	\$0.000	\$0.000		\$0.000		\$0.000	--	\$0.000	--	\$0.000
	Unemp. Insurance	\$0.325	\$0.328	0.9%	\$0.328	0.9%	\$0.207	-36.9%	\$0.207	0.0%	--
	Other	\$0.009	\$0.009	0.0%	\$0.010	11.1%	\$0.011	10.0%	\$0.011	0.0%	--
	Total	\$10.560	\$11.160	5.7%	\$11.136	5.5%	\$10.879	-2.3%	\$10.886	0.1%	\$0.000
	Adjustments										
Total Suppl.	\$10.560	\$11.160	5.7%	\$11.136	5.5%	\$10.879	-2.3%	\$10.886	0.1%	\$0.000	
		\$38.936	\$39.470	1.4%	\$39.290	0.9%	\$39.236	-0.1%	\$39.706	1.2%	\$0.000
Total Labor											
Wage Rate Index	0.7030	242.8	242.3	-0.2%	240.9	-0.8%	242.7	0.7%	246.6	1.6%	0.0
Suppl Index	0.2970	390.2	412.4	5.7%	411.5	5.5%	402.0	-2.3%	402.3	0.1%	0.0
Total Labor Index '01 Wts.		284.1									
Total Labor Index '02 Wts.		286.6	292.8	2.2%	291.6	1.7%	290.0	-0.5%	292.8	1.0%	0.0
Labor Index (Linked)		273.5			278.3	1.8%	276.8	-0.5%	279.5	1.0%	0.0 #####

ALL-INCLUSIVE INDEX

	02 Wts	3Q/03 01 Wts	3Q/03 02 Wts	% Chg	4Q/03	% Chg	1Q/04	% Chg	2Q/04	% Chg	3Q/04	% Chg
Labor	0.380	273.50	273.5	0.0%	278.3	1.8%	276.8	-0.5%	279.5	1.0%	0.0 #####	
Fuel	0.090	106.30	106.3	0.0%	113.3	6.6%	110.8	-2.2%	120.8	9.0%	--	
M&S	0.046	152.70	152.7	0.0%	154.8	1.4%	160.3	3.6%	155.0	-3.3%	--	
Equip. Rents	0.103	175.80	175.8	0.0%	175.7	-0.1%	176.7	0.6%	173.1	-2.0%	0.0 #####	
Depreciation	0.109	149.90	149.9	0.0%	152.4	1.7%	150.7	-1.1%	152.3	1.1%	--	
Interest	0.037	98.60	98.6	0.0%	98.0	-0.6%	98.0	0.0%	98.0	0.0%	98.0 0.0%	
Other	0.235	163.20	163.2	0.0%	162.6	-0.4%	163.9	0.8%	163.9	0.0%	--	
Weighted Avg. Linked	1.000	195.90 193.30	197.0	0.6%	199.6 195.9	1.3% 1.3%	199.3 195.6	-0.2% -0.2%	200.8 197.1	0.8% 0.8%	3.6 -98.2% 3.5 -98.2%	
10/1/80 basis		188.20			190.7	1.3%	190.5	-0.1%	191.9	0.7%	3.4 -98.2%	
10/1/82		159.90			162.0	1.3%	161.8	-0.1%	163.0	0.7%	2.9 -98.2%	
4Q/87		146.20			148.2	1.4%	148.0	-0.1%	149.1	0.7%	2.6 -98.3%	
4Q/92		123.20			124.9	1.4%	124.7	-0.2%	125.6	0.7%	2.2 -98.2%	
4Q/97		111.60			113.1	1.3%	112.9	-0.2%	113.8	0.8%	2.0 -98.2%	
4Q/02 basis		100.60			102.0	1.4%	101.8	-0.2%	102.6	0.8%	1.8 -98.2%	
Car Hire	0.506	177.40	177.4	0.0%	177.8	0.2%	178.6	0.4%	171.6	-3.9%	--	
Lease Rents	0.494	163.20	163.2	0.0%	162.6	-0.4%	163.9	0.8%	163.9	0.0%	0.0 --	
Wghted Avg Eq Rents		170.50	170.4	-0.1%	170.3	-0.1%	171.3	0.6%	167.8	-2.0%	0.0 --	
Linked Equipment Rents		175.80			175.7	-0.1%	176.7	0.6%	173.1	-2.0%	0.0 #####	
Preliminary RCAF	1.006				1.020	1.39%	1.018	-0.2%	1.026	0.8%	0.018 -98.2%	
Forecast Error Adj. RCAF Unadjusted	0.014 1.020				(0.003) 1.017	-0.29%	0.007 1.025	0.8%	0.007 1.033	0.8%	0.018 -98.3%	
PAF	1.9649				1.9741	0.47%	1.9834	0.47%	1.9943	0.55%	2.0053 0.6%	
RCAF Adjusted	0.519				0.515	-0.77%	0.517	0.4%	0.518	0.2%	0.009 #####	
PAF-5	2.0542				2.0754	1.03%	2.0852	0.47%	2.0950	0.47%	2.1048 0.47%	
RCAF-5	0.497				0.490	-1.41%	0.492	0.4%	0.493	0.2%	0.009 -98.2%	

Hourly Rate for 2004 Q2 Straight Time and Time Paid For But Not Worked

2004Q2 Straight Time Hourly Rate (from national spreadsheet) **\$22.814**
New National and BNSF BLE Contract

Adjustments to 2002 base:

Adjustments added 2003 Q1

GTW - TCU, BMWE, Carmen, IBFO, ATDA	3% General Wage Increase	0.002
Independent Non-Union	4% G.W.I. for IC & UP ATDA, misc CN rrs & groups	0.010
SOO - all unions except BMWE	National-like COLAs	0.001

Adjustments added 2003 Q2

GTW - BRS ¹ , UTU-YMD ²	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 ³	11 cents COLA 1/1/03	0.000

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 34 cents for BMWE	0.003
UP - UTU-YMD	16 cents COLA	0.001

Adjustments added 2003 Q4

GTW - new IBEW	8/15/03 contract 3% retros to Jan. 1 '01, '02, '03	0.000
----------------	--	-------

Adjustments added 2004 Q1

Non-union independent ⁴	2.5% for UP & IC Dispatchers, various CNGT	0.007
CNGT/GTW - all unions except UTU & BLE	3 percent, no IBBM employees	0.003
SOO - all unions except BMWE	COLA increase of 3 cents	0.000
UP Yardmasters	COLA increase of 3 cents, not national	0.000

Adjustments added 2004 Q2

No Adjustments

Adjusted STHR Total	\$22.849
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Pay For Time Not Worked

PFTNW (from national spread sheet)			\$5.607
Ratio Adj STHR to Nat STHR	22.849 /	22.814 =	1.00153

Adjusted Pay For Time Not Worked	\$5.616
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¹ New contract signed 1/21/03 with 3% GWI retro to 1/1/02 & 1/1/03.

² New contract 12/12/02 with 3% GWI retro to 1/1/02 & 1/1/03, not in 2002 wage stats, AAR received late.

³ UP Yardmasters are independent and still receiving COLAs. COLA amount confirmed by AAR late.

⁴ UP & IC Dispatchers, 7 employee groups for CNGT's CC&P, 3 for CNGT's SSAM, 8 for CNGT's WC.

RCAF Taxable Wages

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

In the RCAF calculation, Total Wages are the wages paid, while 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.

Some of the new national agreements feature Employee Health & Welfare Cost Sharing. Some of the independent agreements adopt the dollar amount contributed under the national agreement or the CN Management H&W Plan. This Cost Sharing 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 affect the Supplements portion of the Labor component of the index. The Taxable Wage Rate is used for Railroad Retirement and Unemployment Insurance calculations.

Reduction Calculation for 2Q/2004

U.S. ST Hours = 317,388,636

Wage Statistics are for 2002.

Union Group	Employees	Mo. Rate	Annual \$
TCU (BNSF, CSX, GTW, KCS, NS, UP)	11,701	(\$79.74)	-\$11,196,452.88
TCU-BRC (BNSF, CSX, KCS, NS, UP)	10,339	(\$79.74)	-\$9,893,182.32
Indep.\$25 Group (various CN)	2,123	(\$25.00)	-\$636,900.00
BRS (BNSF, CSX, GTW, KCS, NS, UP)	5,933	(\$79.74)	-\$5,677,169.04
UTU (BNSF, CC, CSX, DWP, GTW, IC, KCS, NS, UP)	38,270	(\$119.61)	-\$54,929,696.40
UTU-YMD (BNSF, CSX, GTW, KCS, NS)	1,772	(\$119.61)	-\$2,543,387.04
BLE (BNSF, CSX, KCS, NS, UP)	24,845	(\$79.74)	-\$23,773,683.60
Total	94,983		-\$108,650,471.28

Reduction in Wage Rate Per ST Hour	-\$0.34232628
Deduct this amount from the Wage Rate	-\$0.342

Note: Numerous DW&P unions' cost sharing expired at the end of 2003.
Total employees and monthly rates must match H&W sheet.

National Contracts U.S.

Straight Time Hourly Rate														
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER
Weight	0.23898	0.06946	0.17711	0.00649	0.03607	0.14634	0.0634	0.01305	0.03885	0.00616	0.02893	0.01404	0.01324	0.14786
2002 Avg.	18.401	20.001	20.848	19.222	20.558	18.237	18.918	16.704	19.301	17.666	19.548	28.969	24.964	34.845
12/31/02	18.742	20.011	20.848	19.227	20.564	18.290	18.927	16.710	19.307	17.995	19.555	28.969	25.298	34.845
1/1/03	18.742	20.111	20.934	19.335	20.668	18.290	19.028	16.815	19.411	17.995	19.660	29.043	25.298	36.239
4/1/03	18.742	20.917	20.934	19.335	20.668	18.290	19.779	16.815	19.411	17.995	19.660	29.043	25.298	36.239
7/1/03	19.182	21.491	21.059	19.492	20.819	18.727	20.325	16.968	19.563	18.411	19.813	29.151	25.560	36.239
10/1/03	19.182	21.491	21.059	19.492	20.819	18.727	20.325	16.968	19.563	18.411	19.813	29.151	25.560	36.239
1/1/04	19.182	21.491	21.082	19.521	22.071	18.727	20.325	16.996	19.591	18.411	19.842	29.171	25.560	37.144
4/1/04	19.182	21.491	21.878	19.521	22.071	18.727	20.325	16.996	19.591	18.411	19.842	29.171	25.560	37.144
7/1/04	19.182	21.491	21.878	19.521	22.071	18.727	20.325	16.996	19.591	18.411	19.842	29.171	25.560	37.144

		Weighted Straight Time Hourly Rate										Total		
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER
2002 Avg.	4.397	1.389	3.692	0.125	0.742	2.669	1.200	0.218	0.750	0.109	0.566	0.407	0.330	5.152
12/31/02	4.479	1.390	3.692	0.125	0.742	2.677	1.200	0.218	0.750	0.111	0.566	0.407	0.335	5.152
1/1/03	4.479	1.397	3.708	0.126	0.746	2.677	1.206	0.219	0.754	0.111	0.569	0.408	0.335	5.358
4/1/03	4.479	1.453	3.708	0.126	0.746	2.677	1.254	0.219	0.754	0.111	0.569	0.408	0.335	5.358
7/1/03	4.584	1.493	3.730	0.127	0.751	2.741	1.289	0.221	0.760	0.113	0.573	0.409	0.338	5.358
10/1/03	4.584	1.493	3.730	0.127	0.751	2.741	1.289	0.221	0.760	0.113	0.573	0.409	0.338	5.358
1/1/04	4.584	1.493	3.734	0.127	0.796	2.741	1.289	0.222	0.761	0.113	0.574	0.410	0.338	5.492
4/1/04	4.584	1.493	3.875	0.127	0.796	2.741	1.289	0.222	0.761	0.113	0.574	0.410	0.338	5.492
7/1/04	4.584	1.493	3.875	0.127	0.796	2.741	1.289	0.222	0.761	0.113	0.574	0.410	0.338	5.492

Note: The 2002 Average and 12/31/02 Straight Time Hourly Rates are the industry rates and include all Class 1 railroad employees. The rates for 1/1/03 through 7/1/04 are based on the industry year-end rate updated by national union wage increases using contract information. These national increases are diluted using "percent national" ratios to account for non-national union contracts. The impact of non-national or independent contract increases after 2002 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	0.23898	0.06946	0.17711	0.00649	0.03607	0.14634	0.0634	0.01305	0.03885	0.02893	0.01404	0.14786
2002 Avg.	8.755	4.997	7.742	3.966	4.360	3.510	3.521	2.832	4.150	2.889	4.305	6.336
12/31/02	8.918	5.000	7.742	3.967	4.362	3.520	3.522	2.833	4.152	2.942	4.305	6.420
1/1/03	8.918	5.025	7.774	3.989	4.384	3.520	3.541	2.851	4.174	2.942	4.316	6.420
4/1/03	8.918	5.226	7.774	3.989	4.384	3.520	3.681	2.851	4.174	2.942	4.316	6.420
7/1/03	9.127	5.370	7.821	4.021	4.416	3.604	3.783	2.877	4.207	3.010	4.332	6.487
10/1/03	9.127	5.370	7.821	4.021	4.416	3.604	3.783	2.877	4.207	3.010	4.332	6.487
1/1/04	9.127	5.370	7.829	4.027	4.681	3.604	3.783	2.882	4.213	3.010	4.335	6.487
4/1/04	9.127	5.370	8.125	4.027	4.681	3.604	3.783	2.882	4.213	3.010	4.335	6.487
7/1/04	9.127	5.370	8.125	4.027	4.681	3.604	3.783	2.882	4.213	3.010	4.335	6.487

Pay For Time Not Worked Hourly Rate												
UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR OTHER Total
2002 Avg.	2.092	0.347	1.371	0.157	0.514	0.223	0.037	0.161	0.018	0.114	0.060	0.158
12/31/02	2.131	0.347	1.371	0.157	0.515	0.223	0.037	0.161	0.018	0.114	0.060	0.158
1/1/03	2.131	0.349	1.377	0.158	0.515	0.225	0.037	0.162	0.018	0.115	0.061	0.164
4/1/03	2.131	0.363	1.377	0.158	0.515	0.233	0.037	0.162	0.018	0.115	0.061	0.164
7/1/03	2.181	0.373	1.385	0.159	0.527	0.240	0.038	0.163	0.019	0.116	0.061	0.164
10/1/03	2.181	0.373	1.385	0.159	0.527	0.240	0.038	0.163	0.019	0.116	0.061	0.164
1/1/04	2.181	0.373	1.387	0.169	0.527	0.240	0.038	0.164	0.019	0.116	0.061	0.169
4/1/04	2.181	0.373	1.439	0.169	0.527	0.240	0.038	0.164	0.019	0.116	0.061	0.169
7/1/04	2.181	0.373	1.439	0.169	0.527	0.240	0.038	0.164	0.019	0.116	0.061	0.169

U.S. National Contract

Page 1 of 5

UTU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				18.40064	8.75549
12/31/02 Industry Rate				18.74207	8.91795
1/1/03			93.879%	18.74207	8.91795
4/1/03			93.879%	18.74207	8.91795
7/1/03	2.50%		93.879%	19.18194	9.12726
10/1/03			93.879%	19.18194	9.12726
1/1/04			93.879%	19.18194	9.12726
4/1/04			93.879%	19.18194	9.12726
7/1/04			93.879%	19.18194	9.12726

TCU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				20.00082	4.99745
12/31/02 Industry Rate				20.01064	4.99990
1/1/03		0.11000	91.443%	20.11122	5.02504
4/1/03			91.443%	20.91738	5.22646
7/1/03	3.00%		91.443%	21.49120	5.36984
10/1/03			91.443%	21.49120	5.36984
1/1/04			91.443%	21.49120	5.36984
4/1/04			91.443%	21.49120	5.36984
7/1/04			91.443%	21.49120	5.36984

BLE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				20.84784	7.74236
12/31/02 Industry Rate				20.84784	7.74236
1/1/03			78.150%	20.93381	7.77428
4/1/03			78.150%	20.93381	7.77428
7/1/03			78.150%	21.05885	7.82072
10/1/03			78.150%	21.05885	7.82072
1/1/04			78.150%	21.08229	7.82942
4/1/04			78.150%	21.87830	8.12504
7/1/04			78.150%	21.87830	8.12504

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SMWIA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				19.22194	3.96562
12/31/02 Industry Rate				19.22681	3.96663
1/1/03		0.11000	98.176%	19.33481	3.98891
4/1/03			98.176%	19.33481	3.98891
7/1/03		0.16000	98.176%	19.49189	4.02131
10/1/03			98.176%	19.49189	4.02131
1/1/04		0.03000	98.176%	19.52134	4.02739
4/1/04			98.176%	19.52134	4.02739
7/1/04			98.176%	19.52134	4.02739

BRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				20.55777	4.36037
12/31/02 Industry Rate				20.56368	4.36162
1/1/03			94.437%	20.66756	4.38366
4/1/03			94.437%	20.66756	4.38366
7/1/03			94.437%	20.81866	4.41571
10/1/03			94.437%	20.81866	4.41571
1/1/04			94.437%	22.07128	4.68139
4/1/04			94.437%	22.07128	4.68139
7/1/04			94.437%	22.07128	4.68139

New national BRS contract removes all COLAs except 27 cents, adds 2.5%, 3.5% and 3.0% GWI. See BRS Straight Time Hourly Rate.

BMWE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				18.23706	3.51023
12/31/02 Industry Rate				18.28974	3.52037
1/1/03			92.940%	18.28974	3.52037
4/1/03			92.940%	18.28974	3.52037
7/1/03		0.47000	92.940%	18.72656	3.60445
10/1/03			92.940%	18.72656	3.60445
1/1/04			92.940%	18.72656	3.60445
4/1/04			92.940%	18.72656	3.60445
7/1/04			92.940%	18.72656	3.60445

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TCU-Carmen

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Ind				18.91827	3.52092
12/31/02				18.92657	3.52246
1/1/03			92.015%	19.02778	3.54130
4/1/03			92.015%	19.77907	3.68112
7/1/03	3.00%		92.015%	20.32506	3.78274
10/1/03			92.015%	20.32506	3.78274
1/1/04			92.015%	20.32506	3.78274
4/1/04			92.015%	20.32506	3.78274
7/1/04			92.015%	20.32506	3.78274

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

IBFO

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				16.70413	2.83214
12/31/02 Industry Rate				16.70984	2.83311
1/1/03		0.11000	95.484%	16.81487	2.85092
4/1/03			95.484%	16.81487	2.85092
7/1/03		0.16000	95.484%	16.96765	2.87682
10/1/03			95.484%	16.96765	2.87682
1/1/04		0.03000	95.484%	16.99629	2.88168
4/1/04			95.484%	16.99629	2.88168
7/1/04			95.484%	16.99629	2.88168

IAM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				19.30112	4.15036
12/31/02 Industry Rate				19.30684	4.15159
1/1/03		0.11000	94.743%	19.41106	4.17400
4/1/03			94.743%	19.41106	4.17400
7/1/03		0.16000	94.743%	19.56265	4.20660
10/1/03			94.743%	19.56265	4.20660
1/1/04		0.03000	94.743%	19.59107	4.21271
4/1/04			94.743%	19.59107	4.21271
7/1/04			94.743%	19.59107	4.21271

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IBBM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				17.66621	2.88867
12/31/02 Industry Rate				17.99459	2.94237
1/1/03			92.454%	17.99459	2.94237
4/1/03			92.454%	17.99459	2.94237
7/1/03	2.50%		92.454%	18.41051	3.01038
10/1/03			92.454%	18.41051	3.01038
1/1/04			92.454%	18.41051	3.01038
4/1/04			92.454%	18.41051	3.01038
7/1/04			92.454%	18.41051	3.01038

IBEW

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				19.54785	3.94779
12/31/02 Industry Rate				19.55472	3.94918
1/1/03		0.11000	95.608%	19.65989	3.97041
4/1/03			95.608%	19.65989	3.97041
7/1/03		0.16000	95.608%	19.81287	4.00131
10/1/03			95.608%	19.81287	4.00131
1/1/04		0.03000	95.608%	19.84155	4.00710
4/1/04			95.608%	19.84155	4.00710
7/1/04			95.608%	19.84155	4.00710

ATDA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				28.96879	4.30507
12/31/02 Industry Rate				28.96879	4.30507
1/1/03		0.11000	67.431%	29.04296	4.31610
4/1/03			67.431%	29.04296	4.31610
7/1/03		0.16000	67.431%	29.15085	4.33213
10/1/03			67.431%	29.15085	4.33213
1/1/04		0.03000	67.431%	29.17108	4.33514
4/1/04			67.431%	29.17108	4.33514
7/1/04			67.431%	29.17108	4.33514

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YDMSTRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				24.96420	6.33562
12/31/02 Industry Rate				25.29779	6.42029
1/1/03			41.501%	25.29779	6.42029
4/1/03			41.501%	25.29779	6.42029
7/1/03	2.50%		41.501%	25.56026	6.48690
10/1/03			41.501%	25.56026	6.48690
1/1/04			41.501%	25.56026	6.48690
4/1/04			41.501%	25.56026	6.48690
7/1/04			41.501%	25.56026	6.48690

OTHER

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2002 Industry Avg.				34.84474	1.06947
12/31/02 Industry Rate				34.84471	1.06947
1/1/03	4.00%		100.000%	36.23850	1.11225
4/1/03			100.000%	36.23850	1.11225
7/1/03			100.000%	36.23850	1.11225
10/1/03			100.000%	36.23850	1.11225
1/1/04	2.50%		100.000%	37.14446	1.14006
4/1/04			100.000%	37.14446	1.14006
7/1/04			100.000%	37.14446	1.14006

Check Sums

	Increase	Applicable	ST HR	PFTNW HR
2002 AVG			298.181	62.382
12/31/02			299.285	
		1228.261%		
		ok matches	ok matches	ok matches
			ok matches	

BLE (Locomotive Engineers) Straight Time Hourly Rate

National Contract BLE includes CSX, KCS & UP while BNSF takes the Optional Alternative Compensation Program

	National	BNSF	Total	
Employees Paid	14,301	6,022	20,323	from 2002 wage statistics
ST Hours Paid	30,580,131	13,351,361	43,931,492	from 2002 wage statistics
ST Comp \$	652,115,965	269,742,884	921,858,849	from 2002 wage statistics
Union Lump Sum	95,472	1,885,702	1,981,174	from 2002 wage statistics
2002 Avg ST HR	21.322	20.062	20.939	excl LS, Total matches YearEnd2002RCAF
Increase during 2002	\$0.10	\$0.10	\$0.10	COLA from 1996 contract
12/31/2001 STHR	\$21.222	\$19.962	\$20.839	
COLA Increase 1/1/2002	\$0.10	\$0.10	\$0.10	COLA from 1996 contract
Q1 1/1/2002 STHR	\$21.322	\$20.062	\$20.939	unchanged
Q2 4/1/2002 STHR	\$21.322	\$20.062	\$20.939	unchanged
6/30/02 STHR	\$21.322	\$20.062	\$20.939	unchanged
7/1/02 Gen. Wage Incr.	4.0%	4.0%	4.0%	new contract signed 12/16/03
Q3 7/1/02 STHR	\$22.175	\$20.865	\$21.776	
Q4 10/1/02 STHR	\$22.175	\$20.865	\$21.776	unchanged
Q1 1/1/03 STHR	\$22.175	\$20.865	\$21.776	unchanged
Q2 4/1/03 STHR	\$22.175	\$20.865	\$21.776	unchanged
7/1/03 Gen. Wage Incr.	2.5%	1.5%		new contract signed 12/16/03
Q3 7/1/03 STHR	\$22.729	\$21.178		
Q4 10/1/03 STHR	\$22.729	\$21.178		unchanged
Q1 1/1/04 STHR	\$22.729	\$21.178		unchanged
Q2 4/1/04 STHR	\$22.729	\$21.178		unchanged

ST Hours

Nat'l BLE ST Hrs Pd	30,580,131	from 2002 wage statistics
BNSF BLE ST Hrs Pd	13,351,361	from 2002 wage statistics
CCP BLE ST Hrs Pd	112,435	from 2002 wage statistics
DWP BLE ST Hrs Pd	86,841	from 2002 wage statistics
GTW BLE ST Hrs Pd	483,944	from 2002 wage statistics
IC BLE ST Hrs Pd	1,040,990	from 2002 wage statistics
NS BLE ST Hrs Pd	8,919,749	from 2002 wage statistics
SOO BLE ST Hrs Pd	929,621	from 2002 wage statistics
SSAM BLE ST Hrs Pd	14,209	from 2002 wage statistics
WC BLE ST Hrs Pd	694,828	from 2002 wage statistics
Total	56,214,109	matches total for BLE

ST Hourly Rate (YearEnd2002.xls)

Nat'l BLE 4/1/04 STHR	\$22.729
BNSF BLE 4/1/04 STHR	\$21.178
CCP BLE 12/31/02 STHR	\$20.44979
DWP BLE 12/31/02 STHR	\$19.02222
GTW BLE 12/31/02 STHR	\$22.57706
IC BLE 12/31/02 STHR	\$20.52624
NS BLE 12/31/02 STHR	\$20.24689
SOO BLE 12/31/02 STHR	\$18.44279
SSAM BLE 12/31/02 STHR	\$25.36456
WC BLE 12/31/02 STHR	\$25.49980

1/1/2002 wage rate includes 48 cents of COLAs, which get rolled into the wage rate under the new contracts. Three of the national contract railroads also get a 4% and 2.5% increase. BNSF, under Article II of the national contract, has alternative increases of 4% and 1.5 %.

see above calculations
see above calculations
calculated from w.s. and increase info
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ST Compensation

Nat'l BLE 4/1/04 ST\$	\$695,053,845.54
BNSF BLE 4/1/04 ST\$	\$282,750,041.32
CCP BLE 12/31/02 ST\$	\$2,299,272.00
DWP BLE 12/31/02 ST\$	\$1,651,909.00
GTW BLE 12/31/02 ST\$	\$10,926,031.00
IC BLE 12/31/02 ST\$	\$21,367,611.00
NS BLE 12/31/02 ST\$	\$180,597,177.00
SOO BLE 12/31/02 ST\$	\$17,144,802.00
SSAM BLE 12/31/02 ST\$	\$360,405.00
WC BLE 12/31/02 ST\$	\$17,717,972.00
Total	\$1,229,869,065.86

calculated using ST Hourly Rate x ST hours
calculated using ST Hourly Rate x ST hours
calculated using ST Hourly Rate x ST hours
calculated using ST Hourly Rate x ST hours
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calculated using ST Hourly Rate x ST hours

Total ST HR 4/1/04 \$21.87830

Total ST\$ divided by Total ST Hours Paid

These are the figures that go into the NatWage spreadsheet beginning with 2004Q2. They include the new BNSF and national contract wage rates for BLE as of 2004Q2. Non-national agreements are at the 12/31/2002 level, and are updated independently elsewhere.

(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 Lump Sum 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 3 - First General Wage Increase

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

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

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds
Yard Firemen	- Less than 500,000 pounds (separate computation covering five-day rates and other than five-day rates)

Section 4 - Second General Wage Increase

Effective July 1, 2003, all standard basic daily rates of pay in effect on June 30, 2003 for employees represented by the Brotherhood of Locomotive Engineers shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 3(b) above.

Section 5 - Third General Wage Increase

(a) Effective July 1, 2004, all standard basic daily rates of pay in effect on June 30, 2004 for employees represented by the Brotherhood of Locomotive Engineers shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 3(b) above.

(b) Effective July 1, 2004, in lieu of an additional general wage increase of one-half (1/2) percent, the carriers shall remit a \$40.00 payment per month with respect to eligible employees to be used to defray the cost of the BLE's insured short-term disability plan, as provided in Article IV, Part A, Section 5(a) of this Agreement.

Section 6 - 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 7- Application of Wage Increases

(a) The adjustments provided for in this Article (i) will apply to mileage rates of pay for overmiles, and (ii) will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(b) Miscellaneous rates based upon hourly or daily rates of pay, as provided in the schedules or wage agreements, shall be adjusted under this Agreement in the same manner as heretofore increased under previous wage agreements.

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

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under May 31, 1996 Agreement

Section 1

Article II, Part C, of the May 31, 1996 Agreement, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

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

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

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

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

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

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

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

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds
Yard Firemen	- Less than 500,000 pounds (separate computation covering five- day rates and other than five-day rates)

Section 3 - Second General Wage Increase

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

Section 4 - Profit Sharing for 2004

A new profit sharing plan shall be established for BNSF engineers, effective January 1, 2004, according to the following terms.

BNSF BLE

-6-

(ii) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4 cents and/or 6 cents per mile for miles in excess of the number encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

(iii) Daily rates of pay, other than standard, of firemen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number encompassed in the basic day, which are therefore paid on a daily basis without a mileage component, shall be increased as of the effective dates specified in Sections 1, 4, and 6 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as provided in paragraph (i) (i) above.

ARTICLE II - COST-OF-LIVING PAYMENTS

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

Section 1

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

Section 2

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



**Brotherhood of
Locomotive Engineers**
Since 1863, A Tradition of Forward Thinking

BLE members ratify national contract

CLEVELAND, December 16 -- By a 62% majority, BLE members have approved a new collective bargaining agreement with the nation's railroads.

An alternative compensation package was also ratified by a 60 percent majority of members who work for the Burlington Northern Santa Fe Railway.

The national agreement covers work rules and health & welfare. It includes general wage increases, a lump sum retroactive payment, and will, for the first time, provide short-term disability insurance starting in July 2004 for those covered.

"We were able to negotiate a reasonable contract in spite of facing several pattern agreements," President Hahs said. "It provides long overdue wage increases for our members and will bridge us into the next round of negotiations, which will start in November 2004."

President Hahs said the agreement was a significant gain for post-85 members, and will "bring our post-85 members up to par with our pre-85 members."

"The ratified agreement is the result of months of effort by members of the National Negotiating team and our general chairmen at the on-property level," President Hahs said. "I wish to thank those individuals: First vice-President Ed Rodzicz; Vice-President Paul Sorrow; Vice-President Dale McPherson; General Chairman Cleatus Roy (Southeast); General Chairman Gil Gore (West); General Chairman Tommy Roberts (East); General Chairman Larry Sykes (Norfolk Southern for health & welfare); and Mediator Sam Cognata of the National Mediation Board for his assistance. I also thank our attorneys Roland Wilder and Brother Tom Brennan."

As part of their alternative compensation package, members on the BNSF opted to bypass general wage increases to be paid in July 2004 in favor of

profit sharing, which is linked to the company's profitability.

The BLE's four General Chairmen on the BNSF worked together on the alternative compensation package -- Dennis Pierce, Austin Morrison, Pat Williams and Rick Gibbons.

"We entered into profit sharing and are hopeful our members will realize even more in earnings potential under this new agreement," said BNSF General Chairman Dennis Pierce. "This is the first BNSF system-wide agreement ratified by the entire merged property and it was made possible through the concerted efforts of all BNSF General Chairmen and International Vice-President Steve Speagle. We will continue our combined efforts as we look forward to the next round of negotiations."

"I also wish to thank President Hahn and members of the National Negotiating Team for getting this round of negotiations closed out."

"I'm glad we were able to put this round to a close," General Chairman Williams said. "The alternative compensation package we believe will make our members money. They'll get paid like they should be paid."

In the first year of the BNSF alternative compensation contract, members would see a maximum profit sharing of 6% of their annual earnings for 2004 and a maximum of 8% for 2005 and thereafter. Members have the right to opt out of the profit sharing after the first year.

"It was our attempt to squeeze more money out of the agreement," Pierce said. "But it won't happen overnight."

Tuesday, December 16, 2003
bentley@ble.org

<http://www.ble.org/pr/news/newsflash.asp?id=3856>

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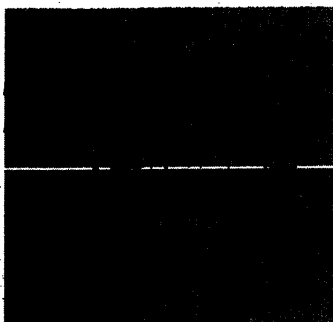
Volume represents total volume for each issue; price/yield data are for trades of \$1 million and greater. * Escalator spreads, in basis points (one basis point is one percentage point), over the 2, 3, 5, 10 or 30-year hot run Treasury note/bond. 2-year: 1.875 01/06; 3-year: 2.250 02/07; 5-year: 3.000 02/09; 10-year: 4.000 02/14; 30-year: 5.375 02/31. †Comparable U.S. Treasury issue. c-Convertible bond.

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.



M A M J J A S O N D J F
2003 2004

Source: Federal Reserve

Prime Rate: 4.00% (effective 06/27/03). The base rate on corporate loans posted by at least 75% of the nation's 30 largest banks.

Discount Rate (Primary): 2.00% (effective 06/25/03).

Federal Funds: 1.031% high, 0.969% low, 0.969% near closing bid, 1.000% offered. Effective rate: 1.00%. Source: Prebon Yamane (USA) Inc. Federal-funds target rate: 1.00% (effective 06/25/03).

Call Money: 2.75% (effective 06/30/03).

Commercial Paper: Placed directly by General Electric Capital Corp.: 1.02% 30 days; 0.80% 31 to 43 days; 1.03% 44 to 84 days; 1.04% 85 to 121 days; 0.80% 122 to 140 days; 1.07% 141 to 175 days; 1.08% 176 to 198 days; 1.11% 199 to 224 days; 1.14% 225 to 253 days; 1.18% 254 to 270 days.

Euro Commercial Paper: Placed directly by General Electric

Monday, February 23, 2004

Capital Corp.: 2.02% 30 days; 2.03% two months; 2.04% three months; 2.04% four months; 2.05% five months; 2.06% six months.

Dealer Commercial Paper: High-grade unsecured notes sold through dealers by major corporations: 0.97% 30 days; 0.98% 60 days; 0.99% 90 days.

Certificates of Deposit: 1.03% one month; 1.05% three months; 1.11% six months.

Bankers Acceptances: 1.02% 30 days; 1.03% 60 days; 1.04% 90 days; 1.05% 120 days; 1.07% 150 days; 1.10% 180 days.
Source: Prebon Yamane (USA) Inc.

Eurodollars: 1.03% - 1.00% one month; 1.06% - 1.03% two months; 1.07% - 1.04% three months; 1.09% - 1.05% four months; 1.12% - 1.09% five months; 1.14% - 1.10% six months. Source: Prebon Yamane (USA) Inc.

London Interbank Offered Rates (Libor): 1.0900% one month; 1.1200% three months; 1.1800% six months; 1.4100% one year. Effective rate for contracts entered into two days from date appearing at top of this column. Euro Libor: 2.06438% one month; 2.07100% three months; 2.09313% six months; 2.18438% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Interbank Offered Rates (Euribor): 2.065% one month; 2.073% three months; 2.093% six months; 2.186% one year. Source: Reuters.

Foreign Prime Rates: Canada 4.25%; European Central Bank 2.00%; Japan 1.375%; Switzerland 2.25%; Britain 4.00%.

Treasury Bills: Results of the Monday, February 23, 2004, auction of short-term U.S. government bills, sold at a discount from face value in units of \$1,000 to \$1 million: 0.930% 13 weeks; 0.995% 26 weeks. Tuesday, February 17, 2004 auction: 0.895% 4 weeks.

Overnight Repurchase Rate: 0.99%. Source: Garban Inter-capital.

Freddie Mac: Posted yields on 30-year mortgage commitments: Delivery within 30 days 5.32%, 60 days 5.40%, standard conventional fixed-rate mortgages; 3.375%, 2% rate capped one-year adjustable rate mortgages.

Rate capped one year adjustable rate mortgages.
Fannie Mae: Posted yields on 30 year mortgage commitments, (priced at par) for delivery within 30 days 5.38%, 60 days 5.46%, standard conventional fixed-rate mortgages; 2.95%, 6/2 rate capped one-year adjustable rate mortgages. Constant Maturity Debt Index: 1.030% three months; 1.095% six months; 1.292% one year.

Merrill Lynch Ready Assets Trust: 0.51%.

Contracts

net of all expenses, no broker commissions. Rates represent best deposit with annual interest payments. Yield spreads based on U.S. vs. the index rate unadjusted for semi vs. annual interest payments. Day index is average of all rates quoted. Universe is investment grade.

	1 YEAR	4 YEARS	5 YEARS	7 YEARS
	RATE %	CHANGE	RATE %	CHANGE
5.25	-0.02	3.28	+0.06	3.68
4.38	-0.04	3.11	+0.06	3.60
6.43	+0.03	3.19	+0.03	3.63
7.25				+0.02
7.13				4.22
6.63				4.09
6.25				4.16
5.50				+0.01
6.00	2.79	3.28	3.22	3.68
6.25				3.66
5.50				4.22
		+0.54		+0.56
				+0.69

Key International Bonds

Annuity Bond Index, Dec. 31, 1987=100

rep ave	TERMS		U.S. DOLLAR TERMS				
	3 MOS	SINCE 12/31	INDEX VALUE	1 DAY	1 MO	3 MOS	SINCE 12/31
Trac	+0.91	+0.79	245.95	+0.44	-1.54	+1.45	-0.22
Gen	+1.98	+0.18	420.85	-0.36	+1.23	+11.71	+4.50
Can	+2.11	+1.40	289.92	-0.07	-0.89	+7.49	+0.97
Cov	+2.04	+1.36	391.04	-0.07	-0.89	+7.41	+0.93
Gen	+2.84	+1.92	413.58	+0.67	-1.70	+0.02	-1.92
Gen	+2.00	+1.35	310.78	-0.06	-0.84	+7.37	+0.92
Trac	+2.06	+1.40	206.53	-0.07	-0.88	+7.43	+0.97
Em	+1.67	+1.24	336.29	+0.13	-0.63	+4.49	+0.91
Trac	+3.34	+0.40	296.02	+0.47	-2.07	+3.34	+0.40

re. Debt, Dec 31, 1993-100, 4-Jan, 2, 1995-100.

Tre _____
Tre _____

Corporate bonds

N	COUPON	MATURITY	LAST PRICE	LAST YIELD	*EST SPREAD	UST	EST VOL ('000's)
	7.750	Aug 15, 2006	101.125	7.243	559	2	12,690
sh	2.750	Jun 15, 2023	117.189	0.245	n.a.	n.a.	12,941
	8.250	Feb 01, 2009	102.000	6.986	5	5	12,940
CH	9.375	Feb 01, 2009	106.250	7.820	481	5	10,550
Co	11.625	Oct 15, 2009	106.000	6.810	379	5	9,622
Co	4.750	Feb 01, 2009	101.688	4.365	n.a.	n.a.	8,022
	9.375	Sep 15, 2010	109.590	7.511	5	5	7,801
sh	6.125	Feb 15, 2010	103.500	4.253	260	2	7,650
	4.000	Dec 15, 2006	100.500	3.809	n.a.	n.a.	7,070
	7.375	Aug 01, 2015	108.063	5.921	184	10	6,170

old data are for trades of \$250,000 and greater. * Estimated spreads, in basis points (100/10 or 30-year hot run Treasury note/bond; 2-year: 1.875 01/06; 3-year: 2.250 02/07; 5-year: 2.500 03/08). † Comparable U.S. Treasury issue. ‡ Convertible bond.

Major Stock Indexes			
DAILY			
Dow Jones Averages			
	LOW	HIGH	YTD
30 Industrials	10644.96	10560.44	% CHG
20 Transpations	2883.76	2848.68	% CHG
15 Utilities	273.44	271.22	% CHG
52-WEEK			
	LOW	HIGH	YTD
-9.41	-0.09	10737.70	+55.01
-37.32	-1.29	3080.32	+41.49
-5.06		1947.19	+1.98

This announcement appears as a

2004/Q2 RCAF Lump Sum Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
NS - BLE	2003Q1	2003Q2	\$15,214,993	0.04794	0.19175	317,388,636	2002
GTW - BRS	2003Q2	2003Q2	\$59,200	0.00019	0.00075	317,388,636	2002
CSX - UTU-YMD	2002Q4	2003Q2	\$296,800	0.00094	0.00374	317,388,636	2002
GTW - IAM	2003Q2	2003Q3	\$29,600	0.00009	0.00037	317,388,636	2002
IC - BMW & IBFO	2003Q3	2003Q3	\$620,400	0.00195	0.00782	317,388,636	2002
GTW - IBEW	2003Q4	2003Q4	\$19,200	0.00006	0.00024	317,388,636	2002
Nat'l - BLE	2004Q1	2004Q2	\$27,570,174	0.08687	0.34746	317,388,636	2002
NS - BLE	2004Q1	2004Q2	\$39,642,808	0.12490	0.49961	317,388,636	2002
Total				0.21388			

Should be slightly less
than amortized amount.

Interest Rate	
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	0.980
2004/Q1	0.930
2004/Q2	0.930
2004/Q3	
2004/Q4	

Lump Sum Adjustment for 2004 Q2	0.215122 or 0.215
---------------------------------	-------------------------

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				\$0.00037			
2003/Q3	4	1.100	0.2750	\$0.00028	\$0.00009	\$0.00000	\$0.00009
2003/Q4	3	0.980	0.2450	\$0.00019	\$0.00009	\$0.00000	\$0.00009
2004/Q1	2	0.930	0.2325	\$0.00009	\$0.00009	\$0.00000	\$0.00009
2004/Q2	1	0.930	0.2325	(\$0.00000)	\$0.00009	\$0.00000	\$0.00009

SCHEDULE: IC BMW & IBFO

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				\$0.00782			
2003/Q3	4	1.100	0.2750	\$0.00587	\$0.00197	\$0.00002	\$0.00195
2003/Q4	3	0.980	0.2450	\$0.00392	\$0.00197	\$0.00001	\$0.00195
2004/Q1	2	0.930	0.2325	\$0.00196	\$0.00197	\$0.00001	\$0.00196
2004/Q2	1	0.930	0.2325	(\$0.00000)	\$0.00197	\$0.00000	\$0.00196

SCHEDULE: GTW IBEW

Added 2003Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00024			
2003/Q4	4	0.980	0.2450	\$0.00018	\$0.00006	\$0.00000	\$0.00006
2004/Q1	3	0.930	0.2325	\$0.00012	\$0.00006	\$0.00000	\$0.00006
2004/Q2	2	0.930	0.2325	\$0.00006	\$0.00006	\$0.00000	\$0.00006
2004/Q3	1		0.0000	\$0.00000	\$0.00006	\$0.00000	\$0.00006

SCHEDULE: National BLE

Added 2004Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.34746			
2004/Q2	4	0.930	0.2325	\$0.26090	\$0.08737	\$0.00081	\$0.08656
2004/Q3	3		0.0000	\$0.17393	\$0.08697	\$0.00000	\$0.08697
2004/Q4	2		0.0000	\$0.08697	\$0.08697	\$0.00000	\$0.08697
2005/Q1	1		0.0000	\$0.00000	\$0.08697	\$0.00000	\$0.08697

SCHEDULE: NS BLE

Added 2004Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.49961			
2004/Q2	4	0.930	0.2325	\$0.37514	\$0.12563	\$0.00116	\$0.12447
2004/Q3	3		0.0000	\$0.25010	\$0.12505	\$0.00000	\$0.12505
2004/Q4	2		0.0000	\$0.12505	\$0.12505	\$0.00000	\$0.12505
2005/Q1	1		0.0000	\$0.00000	\$0.12505	\$0.00000	\$0.12505

National BLE

Case No. A-13252

MEDIATION AGREEMENT

THIS AGREEMENT, made this 16th day of December, 2003 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Brotherhood of Locomotive Engineers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

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

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

- (1) have an employment relationship with the carrier as a locomotive engineer on December 1, 2003;
- (2) have established seniority in train or engine service with a carrier signatory to this Agreement on or before October 31, 1985; and
- (3) (i) have received compensation for active service performed during the period October 1, 2003 through November 30, 2003, or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than (April 1, 2004), 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 - Lump Sum Payment

(a) Each employee who qualifies under subsection (b) shall be paid a Lump Sum of \$774.00. Such Lump Sum shall be paid at the same time that the retroactive portion of the general wage increases provided for in Sections 3 and 4 of this Article are paid.

(b) To qualify for the Lump Sum an employee must:

(1) have an employment relationship with the carrier as a locomotive engineer on December 1, 2003; and

(2) (i) have received compensation for active service performed during the period October 1, 2003 through November 30, 2003, or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than April 1, 2004, or



ASSOCIATION OF AMERICAN RAILROADS

MEMORANDUM

TO: File
FROM: Clyde Crimmel
DATE: February 18, 2004
RE: New BLE Contract Longevity Bonus

Carol Kearns of the National Railway Labor Conference told me on Wednesday (February 18) that the Article I Section 1 Longevity Bonus in the new Brotherhood of Locomotive Engineers contract applies to 67.1 percent of the BLE employees for CSX, KCS, and UP. In addition, 69 percent of the BNSF BLE employees are affected.

The Section 2 Lump Sum Payment applies to all BLE employees employed on December 1, 2003 that were paid for active service during October and November 2003.

BNSF
No Lump Sum

AGREEMENT

THIS AGREEMENT, made this ___ day of _____, 2003 by and between The Burlington Northern and Santa Fe Railway Company and its employees represented by the Brotherhood of Locomotive Engineers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

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

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

- (1) have an employment relationship with the carrier in a craft covered by this Agreement on _____, 2003;
- (2) have established seniority in train or engine service with a carrier signatory to this Agreement on or before May 31, 1986; and
- (3) (i) have received compensation for active service performed during the period _____, 2003 through _____, 2003, or
(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than January 1, 2004, 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



Memo

To: self
From: Clyde Crimmel
CC:
Date: 2/13/2004
Re: NS BLE Contract

The NS BLE contract (signed November 1, 2003) says in Article I, Section 1, "Effective January 1, 2003 and payable in 2004 and 2005, locomotive engineers represented by the undersigned General Committees will be eligible for a bonus up to a maximum fifteen percent (15%) of their engineer earnings in the preceding calendar year."

Scott Weaver, Director Labor Relations at Norfolk Southern, told me on the phone today (757 664-2062) that the BLE bonus paid in 2004 will be 83.6 percent of the maximum 15 percent, or 12.54 percent.

He also agreed that the NS BLE would be following the national agreement for Health & Welfare cost sharing (Article IX of the new NS contract), and reminded me about the signing bonus in the new contract.

NS BLE

AGREEMENT

It is HEREBY AGREED this 1st day of November 2003.

ARTICLE I - THOROUGHBRED PERFORMANCE BONUS**Section 1**

Effective January 1, 2003, and payable in 2004 and 2005 locomotive engineers represented by the undersigned General Committees will be eligible for a bonus up to a maximum fifteen percent (15%) of their engineer earnings in the preceding calendar year.

Section 2

Effective January 1, 2005 and payable in 2006, 2007 and 2008 locomotive engineers represented by the undersigned General Committees will be eligible for a bonus up to a maximum of ten (10%) of their engineer earnings in the preceding calendar year.

Section 3

Effective January 1, 2008 and payable in 2009 and each year thereafter, locomotive engineers represented by the undersigned General Committees will be eligible for a bonus up to a maximum fifteen percent (15%) of their engineer earnings in the preceding calendar year.

Section 4

The terms and conditions for the administration of the Thoroughbred Performance Bonus remain as specified in Article I, Sections 3 and 4 of the June 1996 Agreement between the parties, subject to the maximums stated in Sections 1, 2 and 3 above.

Section 5

The Brotherhood of Locomotive Engineers shall have the unilateral right to accept wage increases as provided in Side Letter 1 in lieu of the bonus provided for by Section 3 of this Article I effective on and after January 1, 2010 by providing written notice to the Carrier of its intention to do so between November 1, 2009 and November 30, 2009.

NS BLE

ARTICLE II - SIGNING BONUS

- (a) Not later than three months after the date of this Agreement each employee covered by this Agreement who qualifies under subsection (b) shall be paid a Lump Sum of \$2,000.00. Such Lump Sum shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local Taxes.
- (b) To qualify for the Lump Sum an employee must:
- (1) have an employment relationship with the Carrier as of April 1, 2003 or have retired or died subsequent to the date of this Agreement; and
 - (2)
 - (i) have compensation for active service performed during the period February 1, 2003 through March 31, 2003, or
 - (ii) have been on authorized leave for such entire period of personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than August 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 lump sum payment by virtue of employment under an agreement with another organization, nor will such payment be used to offset, construct or increase guarantees in protection agreement or arrangements. Engineers receiving a lump sum payment under a separate agreement, such as the Longevity Bonus contained in the 2002 UTU National Agreement, will receive the difference between that amount and \$2,000.00 (if otherwise eligible for the signing bonus).

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

Effective January 1, 2005 all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers in effect on December 31, 2004 shall be increased by four (4) percent.

Section 2 - Second General Wage Increase

Effective January 1, 2007 all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers in effect on December 31, 2006 shall be increased by two (2) percent.



NS, BLE reach agreement

(Norfolk Southern issued the following news release on November 7. More details to come next week.)

NORFOLK, Va. – Norfolk Southern Railway Co. and the Brotherhood of Locomotive Engineers (BLE) have reached a new agreement, with terms through 2009, that continues to link engineers' compensation to Norfolk Southern's corporate performance.

The agreement provides engineers with an annual bonus opportunity based on the same financial performance criteria that determines management bonuses. The BLE has participated in NS' bonus program since 1996.

Other highlights of the agreement include wage increases in 2005 and 2007, enhancements to the BLE's 401k plan and incentive pay for weekend/holiday work.

BLE General Chairman R.C. Wallace said, "We want to take the lead in helping NS become more customer-focused and more successful. We expect to show results that will trigger even higher bonus payments."

NS Senior Vice President Administration Jim Hixon said, "This agreement continues our cooperative and mutually beneficial partnership. By resolving the contract issues now, we will be able to focus our combined energies on improving operating efficiency and customer service on the railroad."

BLE General Chairman L.W. Sykes added, "Engineers have a dramatic impact on the success of NS' operations. This agreement allows our members to prosper by helping NS to prosper."

BLE General Chairman W.E. Knight said, "The bonus program has proven financially beneficial to our members. We all need to work hard to ensure the success of the program continues."

Friday, November 07, 2003
bentley@ble.org

<http://www.ble.org/pr/news/newsflash.asp?id=3833>

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<http://www.ble.org>

2004/Q2 RCAF Back Pay Amortization

	Quarter of Payment	Quarter Amortization Began	Amount	Annual Per ST Hour	1 Quarter Per ST Hour	U.S. ST Hours	
National - TCU	2003/Q2	2003/Q2	\$5,328,297	0.01678793	0.06715	317,388,636	2002
National - TCU-CAR	2003/Q2	2003/Q2	\$3,343,264	0.01053366	0.04213	317,388,636	2002
GTW - BRS&YMD	2003/Q1	2003/Q2	\$263,153	0.00082012	0.00332	317,388,636	2002
IC - UTU&UTU-YMD	2003/Q1	2003/Q2	\$87,496	0.00027567	0.00110	317,388,636	2002
UP - UTU-YMD	2003/Q1	2003/Q2	\$98,608	0.00031069	0.00124	317,388,636	2002
GTW - IAM	2003/Q3	2003/Q3	\$186,598	0.00058792	0.00235	317,388,636	2002
GTW - IBEW	2003/Q4	2003/Q4	\$162,885	0.00051320	0.00205	317,388,636	2002
National - BRS	2002/Q3	2004/Q1	\$9,960,269	0.03138193	0.12553	317,388,636	2002
National - UTU & YMD	2003/Q4	2004/Q1	(\$9,302,548)	-0.02930964	-0.11724	317,388,636	2002
DWP - BRS,TCU,BRC&UTU	Various	2004/Q1	(\$90,937)	-0.00028652	-0.00115	317,388,636	2002
GTW - BRS, TCU, UTU	Various	2004/Q1	(\$831,152)	-0.00261872	-0.01047	317,388,636	2002
IC 10 unions, CCP 2 unions	Various	2004/Q1	(\$1,464,198)	-0.00461327	-0.01845	317,388,636	2002
National - BLE	2002/Q3	2004/Q2	\$27,984,819	0.08817209	0.35269	317,388,636	2002
BNSF - BLE	2002/Q3	2004/Q2	\$14,322,841	0.04512714	0.18051	317,388,636	2002
Total				0.12895			

Should be slightly less
than amortized amount.

Interest Rate

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	0.980
2004/Q1	0.930
2004/Q2	0.930
2004/Q3	
2004/Q4	

Back Pay Adjustment for 2004 Q2	0.12970 or 0.130
---------------------------------	------------------------

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				\$0.00235			
2003/Q3	4	1.100	0.2750	\$0.00177	\$0.00059	\$0.00001	\$0.00059
2003/Q4	3	0.980	0.2450	\$0.00118	\$0.00059	\$0.00000	\$0.00059
2004/Q1	2	0.930	0.2325	\$0.00059	\$0.00059	\$0.00000	\$0.00059
2004/Q2	1	0.930	0.2325	(\$0.00000)	\$0.00059	\$0.00000	\$0.00059

SCHEDULE: GTW - IBEW

Added 2003Q4

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.00205			
2003/Q4	4	0.980	0.2450	\$0.00154	\$0.00052	\$0.00001	\$0.00051
2004/Q1	3	0.930	0.2325	\$0.00103	\$0.00052	\$0.00000	\$0.00051
2004/Q2	2	0.930	0.2325	\$0.00052	\$0.00052	\$0.00000	\$0.00051
2004/Q3	1		0.0000	\$0.00000	\$0.00052	\$0.00000	\$0.00052

SCHEDULE: National BRS

Added 2004Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.12553			
2004/Q1	4	0.930	0.2325	\$0.09426	\$0.03156	\$0.00029	\$0.03127
2004/Q2	3	0.930	0.2325	\$0.06291	\$0.03156	\$0.00022	\$0.03135
2004/Q3	2		0.0000	\$0.03145	\$0.03145	\$0.00000	\$0.03145
2004/Q4	1		0.0000	\$0.00000	\$0.03145	\$0.00000	\$0.03145

SCHEDULE: National UTU & UTU-Yardmasters

Added 2004Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				(\$0.11724)			
2004/Q1	4	0.930	0.2325	(\$0.08803)	(\$0.02948)	(\$0.00027)	(\$0.02921)
2004/Q2	3	0.930	0.2325	(\$0.05876)	(\$0.02948)	(\$0.00020)	(\$0.02928)
2004/Q3	2		0.0000	(\$0.02938)	(\$0.02938)	\$0.00000	(\$0.02938)
2004/Q4	1		0.0000	\$0.00000	(\$0.02938)	\$0.00000	(\$0.02938)

SCHEDULE: DWP - BRS, TCU, BRC and UTU

Added 2004Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				(\$0.00115)			
2004/Q1	4	0.930	0.2325	(\$0.00086)	(\$0.00029)	(\$0.00000)	(\$0.00029)
2004/Q2	3	0.930	0.2325	(\$0.00057)	(\$0.00029)	(\$0.00000)	(\$0.00029)
2004/Q3	2		0.0000	(\$0.00029)	(\$0.00029)	\$0.00000	(\$0.00029)
2004/Q4	1		0.0000	\$0.00000	(\$0.00029)	\$0.00000	(\$0.00029)

SCHEDULE: GTW - BRS, TCU, BRC, UTU, and UTU-YMD

Added 2004Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				(\$0.01047)			
2004/Q1	4	0.930	0.2325	(\$0.00787)	(\$0.00263)	(\$0.00002)	(\$0.00261)
2004/Q2	3	0.930	0.2325	(\$0.00525)	(\$0.00263)	(\$0.00002)	(\$0.00262)
2004/Q3	2		0.0000	(\$0.00262)	(\$0.00262)	\$0.00000	(\$0.00262)
2004/Q4	1		0.0000	\$0.00000	(\$0.00262)	\$0.00000	(\$0.00262)

SCHEDULE: IC - (all except IAM, UTU-YMD, and non-union dispatchers); CCP - BLE and UTU only
 Added 2004Q1

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				(\$0.01845)			
2004/Q1	4	0.930	0.2325	(\$0.01386)	(\$0.00464)	(\$0.00004)	(\$0.00460)
2004/Q2	3	0.930	0.2325	(\$0.00925)	(\$0.00464)	(\$0.00003)	(\$0.00461)
2004/Q3	2		0.0000	(\$0.00462)	(\$0.00462)	\$0.00000	(\$0.00462)
2004/Q4	1		0.0000	\$0.00000	(\$0.00462)	\$0.00000	(\$0.00462)

SCHEDULE: National BLE
 Added 2004Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.35269			
2004/Q2	4	0.930	0.2325	\$0.26482	\$0.08869	\$0.00082	\$0.08787
2004/Q3	3		0.0000	\$0.17655	\$0.08827	\$0.00000	\$0.08827
2004/Q4	2		0.0000	\$0.08827	\$0.08827	\$0.00000	\$0.08827
2005/Q1	1		0.0000	\$0.00000	\$0.08827	\$0.00000	\$0.08827

SCHEDULE: BNSF BLE
 Added 2004Q2

	Periods Remain- ing	3 Mo Treas Bill Rate	Qtly Int Rate	Principal Balance After Payment	Qtly Payment	Interest Payment	Principal Payment
Lump Sum				\$0.18051			
2004/Q2	4	0.930	0.2325	\$0.13554	\$0.04539	\$0.00042	\$0.04497
2004/Q3	3		0.0000	\$0.09036	\$0.04518	\$0.00000	\$0.04518
2004/Q4	2		0.0000	\$0.04518	\$0.04518	\$0.00000	\$0.04518
2005/Q1	1		0.0000	\$0.00000	\$0.04518	\$0.00000	\$0.04518

BACK PAY FOR NATIONAL BLE ADDED TO RCAF 2004Q2

National Agreement Railroads (includes CSX, KCS, UP)

ST Hours Paid 30,580,131 2002 Wage Statistics
 2002 ST Hourly Rate \$21,321.70 2002 Wage Statistics
 2002 PFTNW HR \$7,263.86 2002 Wage Statistics
 Ratio PFTNW/STHR 0.3406792 calc. from wage statistics
 STHR 12/31/2001 \$21,221.70 calc. from wage statistics and wage increase info, matches benchmark
 1/1/01 COLA incr. \$0.12000 part of 1996 contract, in NRLC memo
 7/1/01 COLA incr. \$0.11000 part of 1996 contract, in NRLC memo
 1/1/02 COLA incr. \$0.10000 part of 1996 contract, in NRLC memo
 1/1/03 COLA incr. \$0.11000 part of 1996 contract, in NRLC memo
 7/1/03 COLA incr. \$0.16000 part of 1996 contract, in NRLC memo
 1/1/04 COLA incr. \$0.03000 part of 1996 contract, in NRLC memo
 7/1/01 H&W Offset \$33.39 part of 2003 new contract, monthly employee contribution to help pay health & welfare costs
 6/30/02 Roll-in \$0.48000 part of 2003 new contract, COLAs rolled into wages
 7/1/02 G.W.I. 4.0% part of 2003 new contract, 4% general wage increase
 7/1/02 H&W Offset \$81.18 part of 2003 new contract, replaces earlier H&W offset
 7/1/03 G.W.I. 2.5% part of 2003 new contract, 2.5% general wage increase
 7/1/03 H&W Offset \$79.74 part of 2003 new contract, replaces earlier H&W offset

Qtr.	Total Hourly Rate in 2003 Contract			Total Hourly Rate Paid			Wage		Net	
	ST	PFTNW	Total	ST	PFTNW	Total	Back Pay \$	Difference	Offset \$	Back Pay \$
2001Q1	21,111.7	\$7,192.3	\$28,304.0	21,111.7	\$7,192.3	\$28,304.0	0.0	\$0.000		0.0
2001Q2	21,111.7	7,192.3	28,304.0	21,111.7	7,192.3	28,304.0	0.0	0.000		0.0
2001Q3	21,221.7	7,229.8	28,451.5	21,221.7	7,229.8	28,451.5	0.0	0.000	(\$1,885,499.9)	-1,885,499.91
2001Q4	21,221.7	7,229.8	28,451.5	21,221.7	7,229.8	28,451.5	0.0	0.000	(\$1,885,499.9)	-1,885,499.91
2002Q1	21,321.7	7,263.9	28,585.6	21,321.7	7,263.9	28,585.6	0.0	0.000		-1,885,499.91
2002Q2	21,321.7	7,263.9	28,585.6	21,321.7	7,263.9	28,585.6	0.0	0.000		-1,885,499.91
2002Q3	22,174.6	7,554.4	29,729.0	21,321.7	7,263.9	28,585.6	8,741,503.4	1.1434	(\$4,584,153.4)	4,157,350.01
2002Q4	22,174.6	7,554.4	29,729.0	21,321.7	7,263.9	28,585.6	8,741,503.4	1.1434	(\$4,584,153.4)	4,157,350.01
2003Q1	22,174.6	7,554.4	29,729.0	21,431.7	7,301.3	28,733.0	7,614,054.4	0.9959	(\$4,584,153.4)	3,029,900.97
2003Q2	22,174.6	7,554.4	29,729.0	21,431.7	7,301.3	28,733.0	7,614,054.4	0.9959	(\$4,584,153.4)	3,029,900.97
2003Q3	22,728.9	7,743.3	30,472.2	21,591.7	7,355.8	28,947.5	11,656,105.7	1.5247	(\$4,502,838.1)	7,153,267.68
2003Q4	22,728.9	7,743.3	30,472.2	21,591.7	7,355.8	28,947.5	11,656,105.7	1.5247	(\$4,502,838.1)	7,153,267.68
2004Q1	22,728.9	7,743.3	30,472.2	21,621.7	7,366.1	28,987.8	11,348,619.6	1.4844	(\$4,502,838.1)	6,845,781.58
Total										\$27,984,819.25

H&W Employee Cost Sharing				No. of		Monthly		Quarterly	
From	Thru			Employees		Rate		Amount	
Offset No. 1	2001Q3	2002Q2		18,823 ¹		\$33.39		\$1,885,499.91	
Offset No. 2	2002Q3	2003Q2		18,823 ¹		81.18		\$4,584,153.42	
Offset No. 3	2003Q3	2004Q1		18,823 ¹		79.74		\$4,502,838.06	

¹ New contract of NS BLE signed 11/1/03 matches national BLE H&W cost sharing provisions.
 NS employees are included in the calculations for H&W offsets only, no wage back pay for NS BLE.

Back Pay for BNSF BLE Added to RCAF 2004Q2

BNSF Agreement for BLE

ST Hours Paid	13,351,361	2002 Wage Statistics
2002 ST Hourly Rate	\$20,062.16	2002 Wage Statistics
2002 PFTNW HR	\$9,380.57	2002 Wage Statistics
Ratio PFTNW/STHR	0.4675754	calc. from wage statistics
STHR 12/31/2001	\$19,962.16	calc. from wage statistics and wage increase info, matches benchmark
1/1/01 COLA Incr.	\$0.12000	part of 1996 contract, in NRLC memo
7/1/01 COLA Incr.	\$0.11000	part of 1996 contract, in NRLC memo
1/1/02 COLA Incr.	\$0.10000	part of 1996 contract, in NRLC memo
7/1/03 COLA Incr.	\$0.11000	part of 1996 contract, in NRLC memo
1/1/03 COLA Incr.	\$0.16000	part of 1996 contract, in NRLC memo
7/1/04 COLA Incr.	\$0.03000	part of 1996 contract, in NRLC memo
1/1/01 H&W Offset	\$33.39	part of 2003 new contract, monthly employee contribution to help pay health & welfare costs
6/30/02 Roll-in	\$0.48000	part of 2003 new contract, COLAs rolled into wages
7/1/02 G.W.I.	4.0%	part of 2003 new contract, 4% general wage increase
7/1/02 H&W Offset	\$81.18	part of 2003 new contract, replaces earlier H&W offset
7/1/03 G.W.I.	1.5%	part of 2003 new contract, 2.5% general wage increase
7/1/03 H&W Offset	\$79.74	part of 2003 new contract, replaces earlier H&W offset

Qtr.	Total Hourly Rate In 2003 Contract			Total Hourly Rate Paid			Wage		Net
	ST	PFTNW	Total	ST	PFTNW	Total	Difference	Back Pay \$	
2001Q1	19,8522	\$9,2824	\$29,1345	19,8522	\$9,2824	\$29,1345	\$0.0000	0.0	0.00
2001Q2	19,8522	9,2824	29,1345	19,8522	9,2824	29,1345	0.0000	0.0	0.00
2001Q3	19,9622	9,3338	29,2960	19,9622	9,3338	29,2960	0.0000	0.0	-603,223.74
2001Q4	19,9622	9,3338	29,2960	19,9622	9,3338	29,2960	0.0000	0.0	-603,223.74
2002Q1	20,0622	9,3806	29,4427	20,0622	9,3806	29,4427	0.0000	0.0	-603,223.74
2002Q2	20,0622	9,3806	29,4427	20,0622	9,3806	29,4427	0.0000	0.0	-603,223.74
2002Q3	20,8646	9,7558	30,6204	20,0622	9,3806	29,4427	1.1777	3,931,006.2	2,464,408.29
2002Q4	20,8646	9,7558	30,6204	20,0622	9,3806	29,4427	1.1777	3,931,006.2	2,464,408.29
2003Q1	20,8646	9,7558	30,6204	20,1722	9,4320	29,6042	1.0163	3,392,167.6	1,925,569.74
2003Q2	20,8646	9,7558	30,6204	20,1722	9,4320	29,6042	1.0163	3,392,167.6	1,925,569.74
2003Q3	21,1776	9,9021	31,0798	20,3322	9,5068	29,8390	1.2408	4,141,494.9	2,700,912.01
2003Q4	21,1776	9,9021	31,0798	20,3322	9,5068	29,8390	1.2408	4,141,494.9	2,700,912.01
2004Q1	21,1776	9,9021	31,0798	20,3622	9,5208	29,8830	1.1967	3,994,538.9	2,553,956.04
Total									\$14,322,841.16

2004Q1 Calculation	
2002Q2	\$20,0622
4.0%	\$20,8646
1.5%	\$21,1776

H&W Employee Cost Sharing			No. of Employees	Monthly Rate	Quarterly Amount
From	Thru				
Offset No. 1	2001Q3	2002Q2	6,022	\$33.39	\$603,223.74
Offset No. 2	2002Q3	2003Q2	6,022	81.18	\$1,466,597.88
Offset No. 3	2003Q3	2004Q1	6,022	79.74	\$1,440,582.84

file: BLENewContract.xls

Association of American Railroads

2/23/04

Health and Welfare

	Employees Receiving				
	Pay 2002	Contribution		Total 2002	Total 2004
		2002	2004		
1. All Employees					
a. Group health	165,979	\$836.48	\$935.45	138,838,113.92	155,265,055.55
b. Group dental	165,979	43.41	52.20	7,205,148.39	8,664,103.80
c. Early retirement major medical*	165,979	38.58	70.93	6,403,469.82	11,772,890.47
d. Group vision	165,979	8.40	9.37	1,394,223.60	1,555,223.23
2. Suppl. Sickness					
a. Signalmen	6,218	32.24	33.00	200,468.32	205,194.00
b. Shopcrafts	25,455	46.22	61.00	1,176,530.10	1,552,755.00
c. MOW	25,839	33.32	38.00	860,955.48	981,882.00
d. Yardmasters	2,416	32.18	40.74	77,746.88	98,427.84
3. Total Premiums				\$156,156,656.51	\$180,095,531.89
4. Employee Contributions To H&W					
a. TCU (BNSF, CSX, GTW, KCS, NS, UP)	11,701		(\$79.74)		(\$933,037.74)
b. TCU-BRC (BNSF, CSX, KCS, NS, UP)	10,339		(\$79.74)		(824,431.86)
c. Indep.\$25 Group (various CN)	2,123		(\$25.00)		(53,075.00)
d. BRS (BNSF, CSX, GTW, KCS, NS, UP)	5,933		(\$79.74)		(473,097.42)
e. UTU (BNSF, CC, CSX, DWP, GTW, IC, KCS, NS, UP)	38,270		(\$119.61)		(4,577,474.70)
f. UTU-YMD (BNSF, CSX, GTW, KCS, NS)	1,772		(\$119.61)		(211,948.92)
g. BLE (BNSF, CSX, KCS, NS, UP)	24,845		(\$79.74)		(1,981,140.30)
Total	94,983			\$0.00	(\$9,054,205.94)
5. Net Employer Payments				\$156,156,656.51	\$171,041,325.95
6. Ratio Projected Year to Base Year, Based on Net Monthly Payments					1.09532
7. H&W hourly rate for base year				\$4.172	
8. H&W hourly rate for projected year					\$4.570

Sources:

Employee counts are from the 2002 112-Class Wage Statistics.

Health & Welfare monthly premiums per employee are from the National Railway Labor Conference.

Employee monthly contribution rates are specified in the union contracts.

H&W hourly rate for base year benchmark is in SUPPL2002.XLS, and based on annual report and wage data.

H&W hourly rate for projected year is the benchmark figure updated by the ratio of projected year to base year.

Notes:

* The Early Retirement Rate changed in March 2002. Figure shown \$38.58 = (2/12)*(\$31.00) plus (10/12)*(\$40.09)

See Page 2 for more detail on contracts and employees.

Health and Welfare**Supplemental Sickness**

Supplemental Sickness Plans:		2002 Pd. Employees
a. Signalmen	BRS	6,218
b. Shopcrafts	Total	25,455
	IBEW	5,068
	IBBM	1,006
	TCU-Car	11,269
	IAM	6,940
	SMW	1,172
c. MOW	BMWE	25,839
d. Yardmasters	UTU-YMD	2,416

Employee H&W Cost Sharing

Group	Railroads	Contract Source
a. TCU	BNSF, CSX, KCS, NS, UP GTW	Article III Part B Section 1 (c) Article VIII
b. TCU-Carmen	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (c)
c. Independent \$25		
BMWE	IC	Article III
BRS, IBBM, IBEW, NCFO	IC	Article III (a)
TCU, TCU-Car, SMW	IC	Article III (a)
BLE	IC and CC&P	Article 22 Section 1 and Attachment A
TCU-Car	GTW	Article V (a)
d. BRS	BNSF, CSX, KCS, NS, UP GTW	Article III Part B Section 1 (c) Article VII
e. UTU	BNSF, CSX, KCS, NS, UP CC&P and IC DW&P (including engineers) GTW	Article IV Part B Section 1 (a) Article 22 Section 1 Article 23 Section 1 Article II
f. UTU-YDM	BNSF, KCS, NS CSX	Article IV Part B Section 1 (a) Side Letter #1
g. BLE	CSX, KCS, UP BNSF NS	Article IV Part B Section 1 (c) Article III Part B Section 1 (c) Article IX Sections 2 & 3

Note: DW&P's engineers, which are typically represented by the BLE, are represented by the UTU.

NATIONAL RAILWAY LABOR CONFERENCE**EMPLOYEE BENEFITS DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ••••• PHONE: (202) 962-7200 FAX: (202) 962-7253

JOSEPH EPSTEIN
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SUSAN E. PARKS, CERS
 Benefits Administrator
 (202) 962-7225
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November 12, 2003

Mr. Clyde Crimmel
 Director Statistical Information
 Policy & Communications Department
 AAR-6th Floor
 50 F Street N.W.
 Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2004 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 61.00
Signalmen	\$ 33.00
Maintenance of Way	\$ 38.00
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 40.74
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$935.45
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 70.93
Aetna - National Dental Plan	\$ 52.20
VSP - National Vision Plan	\$ 9.37

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

Very truly yours,



Susan E. Parks

cc: Carol Keams

TOTAL P.02

National BLE

(i) Each of the Plan design changes contained in this Section shall be implemented as soon as practicable except as otherwise provided.

Section 5 - Short-Term Disability

(a) During each month beginning with the month of July, 2004, the carrier shall remit to the BLE's insured short-term disability plan ("STD Plan") the sum of \$40.00 (as provided in Article I, Section 5(b)) on a pre-tax basis with respect to each employee covered by this Agreement for whom the carrier is required to make a payment to the Railroad Employees National Health and Welfare Plan or to the new health and welfare plan described in Part C of this Article during the same month for foreign-to-occupation health care benefits.

(b) For carriers not covered by Article I, Section 5(b), carrier payment arrangements (if any) with respect to the STD Plan shall be governed by such terms as may be agreed to by the parties.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

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

BNSF BLE

-15-

if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

(h) The Plan design changes contained in this Section shall become effective April 1, 2003 or as soon thereafter as practicable.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

(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

NS BLE

Section 3

Effective January 1, 2004, the BLE will assume responsibility for all administrative costs associated with the plan.

ARTICLE IX - GENERAL PROVISIONS**Section 1**

The purpose of this Agreement is to fix the general level of compensation during the period of the Agreement. This Agreement shall remain in effect through December 31, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act. No party to this agreement shall serve, prior to November 1, 2009 (not to become effective before January 1, 2010) any notice or proposal (and any pending notices or proposals are hereby withdrawn). [This paragraph will not operate to prevent the application of Section 2 below.]

Section 2

It is expected that a national agreement (hereafter "NA") settling notices served by BLE and various railroads on or about November 1, 1999 will be reached in the future. It is also expected that, following the moratorium period contained in that NA, a subsequent national agreement (hereafter SNA) will be reached. It is agreed that the following provisions (under these or similar designations), if any, contained in the NA will be applicable to employees of the Carriers signatory to this Agreement: health & welfare (H&W), retirement, disability, availability, holidays, personal days, sick days, bereavement leave, vacation, off-track vehicle insurance, and detention time. It is also agreed that the following provisions (under these or similar designations), if any, contained in the SNA will be applicable to employees covered by this Agreement: H&W, cost saving, productivity improvement, classification, and staffing.

Section 3

It is intended that adoption of the H&W provisions from the NA and the SNA will a) cause the same plan design changes as are contained in those national agreements to be applicable to employees covered by this Agreement; and b) require employees to make H&W contributions in the same amounts and, except as provided below, on the same periodic basis as employees covered by those national agreements. The future value of i) any H&W contributions required for periods prior to January 1, 2004 shall be deducted from any bonus payable under Article I for calendar year 2003 (and payable in 2004); and ii) any H&W contributions required during 2004 plus any uncollected amount under i) above shall be deducted from any bonus payable under Article I for calendar year 2004 (and payable in 2005). Any uncollected H&W contributions required under i) and ii)

Railroad Retirement and Medicare

Employees Receiving Pay	165,979	(2002 Benchmark, 2001 RRB Distribution)
Tier I Maximum	87,900	(Year = 2004)
Tier II Maximum	65,100	(Year = 2004)
Medicare Maximum	no limit	(Year = 2004)
Tier I Tax Rate	6.20%	(Year = 2004)
Tier II Tax Rate	13.10%	(Year = 2004, with Railroad Retirement and Survivors' Improvement Act of 2001)
Medicare Tax Rate	1.45%	(Year = 2004)

USA RCAF	Rate	Factor	RR Ret Tax	Hourly Rate
2001	\$26.887			
2002	\$27.258	1.01380	\$507,963,943	\$6.539
1Q/2004	\$28.090	1.04474	\$469,033,322	\$6.038
2Q/2004	\$28.478	1.05917	\$473,744,180	\$6.098
3Q/2004		0.00000	\$0	\$0.000
4Q/2004		0.00000	\$0	#DIV/0!

RR Ret Tax from RR_Retirement_02annual.xls, Hourly rate from SUPPL2002.xls
Taxable Rate

Railroad Retirement & Medicare, U.S.

1Q/2004

1Q/2004

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2002	Avg Annual Earnings (2001 Stats)	Estimated Avg Annual Earnings	Avg City Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emgs	Tier II Tot Tax Emgs	Medicare Tot Tax Emgs
\$0 - 21699	1.072	1,779	\$12,130	\$12,673	\$3,168	\$3,168	\$3,168	\$3,168	\$5,637,131	\$5,637,131	\$5,637,131
21700 - 23699	0.179	297	\$23,114	24,148	6,037	6,037	6,037	6,037	1,793,621	1,793,621	1,793,621
23700 - 25699	0.089	148	\$24,336	25,425	6,356	6,356	6,356	6,356	938,948	938,948	938,948
25700 - 27699	0.804	1,334	\$26,739	27,935	6,984	6,984	6,984	6,984	9,319,739	9,319,739	9,319,739
27700 - 29699	0.938	1,557	\$28,713	29,998	7,499	7,499	7,499	7,499	11,675,728	11,675,728	11,675,728
29700 - 31699	0.983	1,632	\$30,792	32,170	8,042	8,042	8,042	8,042	13,121,817	13,121,817	13,121,817
31700 - 33699	1.519	2,521	\$32,773	34,239	8,560	8,560	8,560	8,560	21,581,246	21,581,246	21,581,246
33700 - 35699	2.144	3,559	\$34,763	36,318	9,080	9,080	9,080	9,080	32,310,567	32,310,567	32,310,567
35700 - 37699	3.037	5,041	\$36,820	38,467	9,617	9,617	9,617	9,617	48,476,485	48,476,485	48,476,485
37700 - 39699	5.672	9,414	\$38,827	40,564	10,141	10,141	10,141	10,141	95,471,249	95,471,249	95,471,249
39700 - 41699	7.234	12,007	\$40,735	42,558	10,639	10,639	10,639	10,639	127,746,429	127,746,429	127,746,429
41700 - 43699	6.610	10,971	\$42,640	44,548	11,137	11,137	11,137	11,137	122,185,930	122,185,930	122,185,930
43700 - 45699	6.163	10,229	\$44,762	46,765	11,691	11,691	11,691	11,691	119,592,569	119,592,569	119,592,569
45700 - 47699	5.136	8,525	\$46,622	48,708	12,177	12,177	12,177	12,177	103,805,045	103,805,045	103,805,045
47700 - 49699	4.779	7,932	\$48,621	50,796	12,699	12,699	12,699	12,699	100,731,073	100,731,073	100,731,073
49700 - 51699	3.975	6,598	\$50,759	53,030	13,258	13,258	13,258	13,258	87,468,713	87,468,713	87,468,713
51700 - 53699	3.930	6,523	\$52,686	55,043	13,761	13,761	13,761	13,761	89,761,546	89,761,546	89,761,546
53700 - 55699	4.377	7,265	\$54,759	57,299	14,302	14,302	14,302	14,302	103,904,558	103,904,558	103,904,558
55700 - 57699	4.020	6,672	\$56,759	59,299	14,825	14,825	14,825	14,825	98,915,268	98,915,268	98,915,268
57700 - 59699	3.439	5,708	\$58,696	61,322	15,331	15,331	15,331	15,331	87,507,087	87,507,087	87,507,087
59700 - 61699	3.528	5,856	\$60,650	63,364	15,841	15,841	15,841	15,841	92,760,253	92,760,253	92,760,253
61700 - 63699	2.903	4,818	\$62,644	65,447	16,362	16,362	16,362	16,362	78,836,813	78,836,813	78,836,813
63700 - 65699	2.546	4,226	\$64,727	67,623	16,906	16,906	16,906	16,906	68,775,307	68,775,307	68,775,307
65700 - 67699	2.724	4,521	\$66,734	69,720	17,430	17,430	17,430	17,430	73,583,636	73,583,636	73,583,636
67700 - 69699	1.563	2,594	\$68,734	71,809	17,952	17,952	17,952	17,952	46,572,885	46,572,885	46,572,885
69700 - 71699	2.814	4,671	\$70,746	73,911	18,478	18,478	18,478	18,478	76,014,813	76,014,813	76,014,813
71700 - 73699	2.278	3,781	\$72,657	75,908	18,977	18,977	18,977	18,977	61,535,801	61,535,801	61,535,801
73700 - 75699	1.608	2,669	\$74,692	78,034	19,508	19,508	19,508	19,508	52,067,015	52,067,015	52,067,015
75700 - 77699	1.251	2,076	\$76,898	80,339	20,085	20,085	20,085	20,085	43,437,036	43,437,036	43,437,036
77700 - 79699	1.251	2,076	\$78,694	82,215	20,554	20,554	20,554	20,554	33,793,366	33,793,366	33,793,366
79700 - 81699	1.429	2,372	\$80,490	84,091	21,023	21,023	21,023	21,023	25,338,271	25,338,271	25,338,271
81700 - 83699	0.938	1,557	\$82,775	86,479	21,620	21,620	21,620	21,620	28,958,024	28,958,024	28,958,024
83700 - 85699	1.072	1,779	\$84,613	88,399	22,100	22,100	22,100	22,100	20,502,929	20,502,929	20,502,929
85700 - 87699	0.759	1,260	\$86,655	90,532	22,633	22,633	22,633	22,633	24,122,682	24,122,682	24,122,682
87700 - 89699	0.893	1,482	\$88,556	92,518	23,130	23,130	23,130	23,130	26,553,860	26,553,860	26,553,860
89700 - 91699	0.983	1,632	\$90,582	94,635	23,659	23,659	23,659	23,659	19,314,354	19,314,354	19,314,354
91700 - 93699	0.715	1,187	\$92,448	96,584	24,146	24,146	24,146	24,146	18,098,765	18,098,765	18,098,765
93700 - 95699	0.670	1,112	\$94,515	98,744	24,686	24,686	24,686	24,686	107,377,002	107,377,002	107,377,002
95700 - over	3.975	6,598	\$117,648	122,912	30,728	30,728	30,728	30,728	2,195,146,335	2,195,146,335	2,195,146,335
TOTAL	100.00000	165,979							2,359,095,818	2,359,095,818	2,359,095,818
									0.062	0.131	0.0145
									\$146,263,941	\$287,564,170	\$35,205,211
									Tier I & II & Medicare		\$469,033,322

Deducted 0.001 to force total to 100.000

Railroad Retirement & Medicare, U.S.

2Q/2004

2Q/2004

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2002	Avg Annual Earnings (2001 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	1.072	1,779	\$12,130	\$12,848	\$3,212	\$3,212	\$3,212	\$3,212	\$5,714,995	\$5,714,995	\$5,714,995
21700 - 23699	0.179	297	\$23,114	24,482	6,120	6,120	6,120	6,120	1,818,396	1,818,396	1,818,396
23700 - 25699	0.089	148	\$24,336	25,776	6,444	6,444	6,444	6,444	951,918	951,918	951,918
25700 - 27699	0.804	1,334	\$26,739	28,321	7,080	7,080	7,080	7,080	9,448,470	9,448,470	9,448,470
27700 - 29699	0.938	1,557	\$28,713	30,412	7,603	7,603	7,603	7,603	11,837,001	11,837,001	11,837,001
29700 - 31699	0.983	1,632	\$30,792	32,614	8,154	8,154	8,154	8,154	13,303,065	13,303,065	13,303,065
31700 - 33699	1.519	2,521	\$32,773	34,712	8,678	8,678	8,678	8,678	21,879,342	21,879,342	21,879,342
33700 - 35699	2.144	3,559	\$34,763	36,820	9,205	9,205	9,205	9,205	32,756,864	32,756,864	32,756,864
35700 - 37699	3.037	5,041	\$36,820	38,999	9,750	9,750	9,750	9,750	49,146,078	49,146,078	49,146,078
37700 - 39699	5.672	9,414	\$38,827	41,125	10,281	10,281	10,281	10,281	96,789,969	96,789,969	96,789,969
39700 - 41699	7.234	12,007	\$40,735	43,145	10,786	10,786	10,786	10,786	129,510,958	129,510,958	129,510,958
41700 - 43699	6.610	10,971	\$42,640	45,163	11,291	11,291	11,291	11,291	123,873,653	123,873,653	123,873,653
43700 - 45699	6.163	10,229	\$44,762	47,411	11,853	11,853	11,853	11,853	121,244,471	121,244,471	121,244,471
45700 - 47699	5.136	8,525	\$46,622	49,381	12,345	12,345	12,345	12,345	105,238,877	105,238,877	105,238,877
47700 - 49699	4.779	7,932	\$48,621	51,498	12,875	12,875	12,875	12,875	102,122,446	102,122,446	102,122,446
49700 - 51699	3.975	6,598	\$50,759	53,763	13,441	13,441	13,441	13,441	88,676,896	88,676,896	88,676,896
51700 - 53699	3.930	6,523	\$52,686	55,804	13,951	13,951	13,951	13,951	91,001,399	91,001,399	91,001,399
53700 - 55699	4.377	7,265	\$54,759	57,999	14,500	14,500	14,500	14,500	105,339,765	105,339,765	105,339,765
55700 - 57699	4.020	6,672	\$56,759	60,118	15,029	15,029	15,029	15,029	100,281,560	100,281,560	100,281,560
57700 - 59699	3.439	5,708	\$58,696	62,169	15,542	15,542	15,542	15,542	88,715,800	88,715,800	88,715,800
59700 - 61699	3.528	5,856	\$60,650	64,239	16,060	16,060	16,060	16,060	94,041,527	94,041,527	94,041,527
61700 - 63699	2.903	4,818	\$62,644	66,351	16,588	16,588	16,588	16,588	79,925,766	79,925,766	79,925,766
63700 - 65699	2.546	4,226	\$64,727	68,557	17,139	17,139	17,139	17,139	72,427,612	72,427,612	72,427,612
65700 - 67699	2.724	4,521	\$66,734	70,683	17,671	17,671	17,671	17,671	79,894,071	79,894,071	79,894,071
67700 - 69699	1.563	2,594	\$68,734	72,801	18,200	18,200	18,200	18,200	42,221,448	42,221,448	42,221,448
69700 - 71699	2.814	4,671	\$70,746	74,932	18,733	18,733	18,733	18,733	87,495,612	87,495,612	87,495,612
71700 - 73699	2.278	3,781	\$72,657	76,956	19,239	19,239	19,239	19,239	72,743,044	72,743,044	72,743,044
73700 - 75699	1.608	2,669	\$74,692	79,112	19,778	19,778	19,778	19,778	52,786,203	52,786,203	52,786,203
75700 - 77699	1.251	2,076	\$76,898	81,448	20,362	20,362	20,362	20,362	42,279,773	42,279,773	42,279,773
77700 - 79699	1.251	2,076	\$78,694	83,351	20,838	20,838	20,838	20,838	33,793,366	33,793,366	33,793,366
79700 - 81699	1.429	2,372	\$80,490	85,253	21,313	21,313	21,313	21,313	38,601,695	38,601,695	38,601,695
81700 - 83699	0.938	1,557	\$82,775	87,673	21,918	21,918	21,918	21,918	34,124,187	34,124,187	34,124,187
83700 - 85699	1.072	1,779	\$84,613	89,620	22,405	22,405	22,405	22,405	28,958,024	28,958,024	28,958,024
85700 - 87699	0.759	1,260	\$86,655	91,783	22,946	22,946	22,946	22,946	20,502,929	20,502,929	20,502,929
87700 - 89699	0.893	1,482	\$88,556	93,796	23,449	23,449	23,449	23,449	24,122,682	24,122,682	24,122,682
89700 - 91699	0.983	1,632	\$90,582	95,942	23,986	23,986	23,986	23,986	34,755,996	34,755,996	34,755,996
91700 - 93699	0.715	1,187	\$92,448	97,918	24,480	24,480	24,480	24,480	26,553,860	26,553,860	26,553,860
93700 - 95699	0.670	1,112	\$94,515	100,108	25,027	25,027	25,027	25,027	19,314,354	19,314,354	19,314,354
95700 - over	3.975	6,598	\$117,648	124,610	31,152	31,152	31,152	31,152	18,098,765	18,098,765	18,098,765
TOTAL	100.000	165,979							2,387,113,411	2,214,134,784	2,461,482,201
Total Taxable									0.062	0.131	0.0145
Tax Rate											
Qty Pmt									\$148,001,031	\$290,051,657	\$35,691,492
Tier I & II & Medicare											\$473,744,180

Railroad Retirement & Medicare, U.S.

3Q/2004

3Q/2004

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2002	Avg Annual Earnings (2001 Stats)	Estimated Avg. Annual Earnings	Avg Qtrly Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emgs	Tier II Tot Tax Emgs	Medicare Tot Tax Emg
\$0 - 21699	1.072	1,779	\$12,130	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21700 - 23699	0.179	297	\$23,114	0	0	0	0	0	0	0	0
23700 - 25699	0.089	148	\$24,336	0	0	0	0	0	0	0	0
25700 - 27699	0.804	1,334	\$26,739	0	0	0	0	0	0	0	0
27700 - 29699	0.938	1,557	\$28,713	0	0	0	0	0	0	0	0
29700 - 31699	0.983	1,632	\$30,792	0	0	0	0	0	0	0	0
31700 - 33699	1.519	2,521	\$32,773	0	0	0	0	0	0	0	0
33700 - 35699	2.144	3,559	\$34,763	0	0	0	0	0	0	0	0
35700 - 37699	3.037	5,041	\$36,820	0	0	0	0	0	0	0	0
37700 - 39699	5.672	9,414	\$38,827	0	0	0	0	0	0	0	0
39700 - 41699	7.234	12,007	\$40,735	0	0	0	0	0	0	0	0
41700 - 43699	6.610	10,971	\$42,640	0	0	0	0	0	0	0	0
43700 - 45699	6.163	10,229	\$44,762	0	0	0	0	0	0	0	0
45700 - 47699	5.136	8,525	\$46,622	0	0	0	0	0	0	0	0
47700 - 49699	4.779	7,932	\$48,621	0	0	0	0	0	0	0	0
49700 - 51699	3.975	6,598	\$50,759	0	0	0	0	0	0	0	0
51700 - 53699	3.930	6,523	\$52,686	0	0	0	0	0	0	0	0
53700 - 55699	4.377	7,265	\$54,759	0	0	0	0	0	0	0	0
55700 - 57699	4.020	6,672	\$56,759	0	0	0	0	0	0	0	0
57700 - 59699	3.439	5,708	\$58,696	0	0	0	0	0	0	0	0
59700 - 61699	3.528	5,856	\$60,650	0	0	0	0	0	0	0	0
61700 - 63699	2.903	4,818	\$62,644	0	0	0	0	0	0	0	0
63700 - 65699	2.546	4,226	\$64,727	0	0	0	399	0	0	1,924,624	0
65700 - 67699	2.724	4,521	\$66,734	0	0	0	1,495	0	(0)	6,317,816	0
67700 - 69699	1.563	2,594	\$68,734	0	0	0	2,551	0	0	11,532,349	0
69700 - 71699	2.814	4,671	\$70,746	0	0	0	3,603	0	0	9,346,174	0
71700 - 73699	2.278	3,781	\$72,657	0	0	0	4,661	0	0	21,769,509	0
73700 - 75699	1.608	2,669	\$74,692	0	0	0	5,666	0	0	21,423,395	0
75700 - 77699	1.251	2,076	\$76,898	0	0	0	6,736	0	0	17,979,145	0
77700 - 79699	1.251	2,076	\$78,694	0	0	0	8,841	0	0	16,356,257	0
79700 - 81699	1.429	2,372	\$80,490	0	0	0	9,786	0	0	23,210,962	0
81700 - 83699	0.938	1,557	\$82,775	0	0	0	10,988	0	0	17,106,906	0
83700 - 85699	1.072	1,779	\$84,613	0	0	555	11,955	0	986,920	21,270,882	0
85700 - 87699	0.759	1,260	\$86,655	0	0	1,829	13,029	0	2,051,828	16,413,327	0
87700 - 89699	0.893	1,482	\$88,556	0	0	2,629	14,029	0	3,896,099	20,793,093	0
89700 - 91699	0.983	1,632	\$90,582	0	0	3,694	15,094	0	6,027,422	24,627,361	0
91700 - 93699	0.715	1,187	\$92,448	0	0	4,676	16,076	0	5,548,905	19,077,853	0
93700 - 95699	0.670	1,112	\$94,515	0	0	5,763	16,275	0	6,408,703	18,098,765	0
95700 - over	3.975	6,598	\$117,648	0	0	17,930	16,275	0	118,298,704	107,377,002	0
TOTAL	100.000	165,979						Total Taxable Tax Rate	143,218,580 0.062	393,024,190 0.131	0 0.0145

Qty Pmt	\$8,879,552	\$51,486,169	\$0
Tier I & II & Medicare			\$60,365,721

Railroad Retirement & Medicare, U.S.

4Q/2004

4Q/2004

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2002	Avg Annual Earnings (2001 Stats)	Estimated Avg. Annual Earnings	Avg Qtrly Earnings	Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emgs	Tier II Tot Tax Emgs	Medicare Tot Tax Emgs
\$0 - 4999	1.072	1,779	\$12,130	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5000 - 9999	0.179	297	\$23,114	0	0	0	0	0	0	0	0
10000 - 12499	0.089	148	\$24,336	0	0	0	0	0	0	0	0
12500 - 14999	0.804	1,334	\$26,739	0	0	0	0	0	0	0	0
15000 - 17499	0.938	1,557	\$28,713	0	0	0	0	0	0	0	0
17500 - 19999	0.983	1,632	\$30,792	0	0	0	0	0	0	0	0
20000 - 22499	1.519	2,521	\$32,773	0	0	0	0	0	0	0	0
22500 - 24999	2.144	3,559	\$34,763	0	0	0	0	0	0	0	0
25000 - 27499	3.037	5,041	\$36,820	0	0	0	0	0	0	0	0
27500 - 29999	5.672	9,414	\$38,827	0	0	0	0	0	0	0	0
30000 - 32499	7.234	12,007	\$40,735	0	0	0	0	0	0	0	0
32500 - 34999	6.610	10,971	\$42,640	0	0	0	0	0	0	0	0
35000 - 37499	6.163	10,229	\$44,762	0	0	0	0	0	0	0	0
37500 - 39999	5.136	8,525	\$46,622	0	0	0	0	0	0	0	0
40000 - 42499	4.779	7,932	\$48,621	0	0	0	0	0	0	0	0
42500 - 44999	3.975	6,598	\$50,759	0	0	0	0	0	0	0	0
45000 - 47499	3.930	6,523	\$52,686	0	0	0	0	0	0	0	0
47500 - 49999	4.377	7,265	\$54,759	0	0	0	0	0	0	0	0
50000 - 52499	4.020	6,672	\$56,759	0	0	0	0	0	0	0	0
52500 - 54999	3.439	5,708	\$58,696	0	0	0	0	0	0	0	0
55000 - 57499	3.528	5,856	\$60,650	0	0	0	0	0	0	0	0
57500 - 59999	2.903	4,818	\$62,644	0	0	(0)	0	0	(0)	0	0
60000 - 62499	2.546	4,226	\$64,727	0	0	0	0	0	0	0	0
62500 - 64999	2.724	4,521	\$66,734	0	0	0	0	0	0	0	0
65000 - 67499	1.563	2,594	\$68,734	0	0	0	0	0	0	0	0
67500 - 69999	2.814	4,671	\$70,746	0	0	0	0	0	0	0	0
70000 - 72499	2.278	3,781	\$72,657	0	0	0	0	0	0	0	0
72500 - 74999	1.608	2,669	\$74,692	0	0	0	0	0	0	0	0
75000 - 77499	1.251	2,076	\$76,898	0	0	0	0	0	0	0	0
77500 - 79999	1.251	2,076	\$78,694	0	0	0	0	0	0	0	0
80000 - 84999	1.429	2,372	\$80,490	0	0	0	0	0	0	0	0
85000 - 89999	0.938	1,557	\$82,775	0	0	0	0	0	0	0	0
90000 - 94999	1.072	1,779	\$84,613	0	0	0	0	0	0	0	0
95000 - 99999	0.759	1,260	\$86,655	0	0	0	0	0	0	0	0
100000 - 104999	0.893	1,482	\$88,556	0	0	0	0	0	0	0	0
105000 - 109999	0.983	1,632	\$90,582	0	0	0	0	0	0	0	0
110000 - 114999	0.715	1,187	\$92,448	0	0	0	0	0	0	0	0
115000 - 119999	0.670	1,112	\$94,515	0	0	0	888	0	0	987,413	0
120000 - 124999	3.975	6,598	\$117,648	0	0	0	13,055	0	0	86,135,086	0
TOTAL	100.000	165,979						Total Taxable Tax Rate	0.062	87,122,499	0.0145

Qtrly Pmt (\$0) \$11,413,047
Tier I & II & Medicare \$11,413,047

Program Letter**United States
Railroad Retirement Board****Office of Programs
Quality Reporting Service Center**

Letter No. 2004-01

Date: November 25, 2003

Phone: (312) 751- 4992

Fax: (312) 751- 7190

E-mail: qrsc@rrb.gov**TO:** Certification, Registration, Retirement and Unemployment Contact Officials**SUBJECT:** Notice of Annual Rates (2004)

Please distribute this notice to all individuals within your organization who may need the information in connection with their work.

Creditable and Taxable Compensation

The 2004 railroad retirement tax rates and maximum compensation bases are as follows:

<u>Component</u>	<u>Tax Rate</u>	<u>Earnings Base</u>
Employee Tier 1	6.20%	\$87,900
Employee Medicare	1.45%	No Limit
Employer Tier 1	6.20%	\$87,900
Employer Medicare	1.45%	No Limit
Employee Tier 2	4.90%*	\$65,100
Employer Tier 2	13.10%*	\$65,100
Railroad Unemployment	Variable	\$1,130 per month

* Beginning in 2004, the tier II tax rates are determined annually from a tax rate schedule based on an average account benefits ratio reflecting railroad retirement fund levels. Employer tax rates can range from 8.2 percent to 22.1 percent. Employee tax rates can range from 0 percent to 4.9 percent.

Experience Rating

In October 2003, each employer was sent a notice of their 2004 Railroad Unemployment Insurance Act (RUIA) contribution rate. If you have not received your notice, you should contact the Quality Reporting

RCAF Unemployment Insurance Tax

	<u>Unemployment Ins.</u>			<u>RRB</u>	<u>Factor</u>	<u>Avg. Ann.</u>	<u>Un. Ins.</u>
	<u>Tax</u>	<u>Earnings</u>	<u>Hourly</u>	<u>Sample</u>	<u>To Update</u>	<u>Taxable</u>	<u>Hourly</u>
	<u>Rate</u>	<u>Base</u>	<u>Earnings</u>	<u>Year</u>	<u>RRB Sample</u>	<u>Earnings</u>	<u>Rate</u>
			\$25.088	(1998)			
1999 Avg.	3.67%	\$11,640	\$24.662		0.983020	\$11,010.61	\$0.169
4Q/00	0.79%	\$12,060	\$25.925		1.033363	\$11,414.15	\$0.038
1Q/01	2.15%	\$12,600	\$26.173		1.043248	\$11,909.73	\$0.108
2Q/01	2.15%	\$12,600	\$26.190		1.043925	\$11,910.03	\$0.108
3Q/01	2.15%	\$12,600	\$26.415		1.052894	\$11,913.92	\$0.108
			\$24.662	(1999)			
2000 Avg.	0.79%	\$12,060	\$26.031		1.055511	\$11,480.03	\$0.051
4Q/01	2.15%	\$12,600	\$26.701		1.082678	\$11,987.52	\$0.145
1Q/02	3.81%	\$13,200	\$26.790		1.086287	\$12,542.24	\$0.269
2Q/02	3.81%	\$13,200	\$26.820		1.087503	\$12,542.66	\$0.269
3Q/02	3.81%	\$13,200	\$26.788		1.086205	\$12,542.21	\$0.269
			\$26.031	(2000)			
2001 Avg.	2.15%	\$12,600	\$26.887		1.032884	\$11,872.57	\$0.144
4Q/02	3.81%	\$13,200	\$27.525		1.057393	\$12,427.48	\$0.267
1Q/03	4.55%	\$13,440	\$27.797		1.067842	\$12,649.60	\$0.325
2Q/03	4.55%	\$13,440	\$27.885		1.071223	\$12,651.08	\$0.325
3Q/03	4.55%	\$13,440	\$28.306		1.087396	\$12,658.07	\$0.325
			\$26.887	(2001)			
2002 Avg.	3.81%	\$13,200	\$27.258		1.013798	\$12,454.56	\$0.266
4Q/03	4.61%	\$13,440	\$28.088		1.044668	\$12,685.46	\$0.328
1Q/04	2.88%	\$13,560	\$28.090		1.044743	\$12,795.43	\$0.207
2Q/04	2.88%	\$13,560	\$28.478		1.059174	\$12,800.56	\$0.207
3Q/04	2.88%	\$13,560			0.000000		

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.

TOTAL GROSS EARNINGS AND AVERAGE GROSS EARNINGS-2001 RRB File

The MEANS Procedure

Variable	N	Sum	Mean
ANUAL_US	2808	34972408.40	12454.56
QTRLY_US	2808	35943979.50	12800.56

The MEANS Procedure

Variable	N	Sum	Mean
FactorA	2808	2846.74	1.0137980
FactorQ	2808	2974.16	1.0591740
Capa	2808	37065600.00	13200.00
Capq	2808	38076480.00	13560.00

Crimmel, Clyde

From: Huddleston, Marla [Marla.Huddleston@rrb.gov]
ht: Friday, November 07, 2003 1:33 PM
To: Crimmel, Clyde
Subject: RE: Unemployment Insurance Tax Rate for 2004

The surcharge dropped from 2.5 percent in 2003 to 1.5 percent in 2004, so that clearly contributed to the decrease.

Marla

-----Original Message-----

From: Crimmel, Clyde [mailto:CCrimmel@aar.org]
Sent: Friday, November 07, 2003 12:07 PM
To: Huddleston, Marla
Subject: RE: Unemployment Insurance Tax Rate for 2004

Thanks for your help. Is it correct that the lower surcharge for 2004 caused the weighted average to decrease from the 2003 average?

-----Original Message-----

From: Huddleston, Marla [mailto:Marla.Huddleston@rrb.gov]
Sent: Friday, November 07, 2003 12:59 PM
To: Crimmel, Clyde
Cc: Liu, Shou-Lien
Subject: RE: Unemployment Insurance Tax Rate for 2004

Ignore my previous e-mail. Since I'm giving you the weighted average, whether or not I include railroads with zero payroll is irrelevant.

The weighted average contribution rate for class I freight railroads, with and without Duluth Missable & Iron Range, is 2.88 percent.

Marla

Marla L. Huddleston
U.S. Railroad Retirement Board
Bureau of the Actuary
Phone: (312) 751-4779
Fax: (312) 751-7129

-----Original Message-----

From: Crimmel, Clyde [mailto:CCrimmel@aar.org]
Sent: Thursday, November 06, 2003 2:28 PM
To: Huddleston, Marla
Cc: Liu, Shou-Lien
Subject: Unemployment Insurance Tax Rate for 2004

Marla,

Its that time again when I need a Class I Unemployment Insurance rate. Please send me the 2004 weighted average Unemployment Insurance Rate for Class I railroads.

Class I list is:

Burlington Northern Santa Fe
CN's U.S. operations known as

Chicago, Central & Pacific
Duluth, Winnipeg & Pacific
Fox Valley & Western
Grand Trunk Western
Illinois Central
Wisconsin Central
Sault St. Marie Bridge Company
Wisconsin Chicago Link
CSX Transportation
Kansas City Southern
Norfolk Southern
Soo Line (owned by Canadian Pacific)
Union Pacific

Can you send me a second rate that includes the Duluth, Missabe & Iron Range added to the Class I list?

Thanks,

A. Clyde Crimmel, Jr.
Director - Statistical Information
Association of American Railroads

Service Center.

Retirement and Survivor Benefits

Exempt Amounts for Annual Earnings Test for Less Than Full Retirement Age Annuitants: In 2004, the annual exempt amount for less than full retirement age annuitants is \$11,640. The monthly exempt amount for the first year of retirement in 2004 is \$970.

Exempt Amounts for Annual Earnings Test for Full Retirement Age Annuitants: In 2004, the annual exempt amount for full retirement age annuitants is \$31,080. The monthly exempt amount for the first year in retirement in 2004 is \$2,590.

Cost-of-living Increase: Annuitants will receive a cost-of-living increase effective December 2003. Tier I will increase by 2.1% and Tier II will increase by 0.7%. This increase is before adjustment for other benefits.

Unemployment and Sickness Benefits

Maximum Daily Benefit Rate: Under the Railroad Unemployment Insurance Act (RUIA), the maximum daily benefit rate is equal to 5 percent of the monthly RUIA compensation base, rounded down to the nearest multiple of \$1.00. For days of unemployment and sickness in registration periods beginning on and after July 1, 2004, the maximum daily rate is \$56.00. The maximum rate for registration periods beginning on or after July 1, 2005, is \$56.00.

Maximum Monthly Compensation Base: The monthly compensation base under the Railroad Unemployment Insurance Act for calendar year 2004 is \$1,130.

Qualifying Base Year Compensation: The amount of base year compensation required in 2004 to qualify for benefits in the benefit year beginning July 1, 2004, is \$2,825.00.

Compensation of \$2,825.00 is also the amount of creditable compensation required to end a voluntary leaving of work disqualification period in months in calendar year 2004. In addition, remuneration earned in calendar year 2004 from employment covered under the Act cannot be considered subsidiary remuneration if the employee's base year earnings are less than \$2,825.00.

Maximum Benefits: The monthly amount of base year 2004 compensation that can be counted in determining the maximum amount of normal benefits payable to an employee in the benefit year beginning July 1, 2004, is \$1,460.

Maximum Monthly Compensation Base and the Earnings Test: For unemployment registration periods beginning July 1, 2004 and later, no benefits are payable for which the total amount of an employee's earnings and other remuneration from railroad and non-railroad work for days in the period exceeds the monthly compensation amount of \$1,130.



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Crude Oil Little Changed Near 1-Year High on Supply Concern

March 2 (Bloomberg) -- Crude oil was little changed in London, close to a one-year high, on concern low supplies are hampering refiners' efforts to replenish gasoline reserves before the peak summer driving season.

Prices have risen 12 percent in the past month as a series of unplanned shutdowns in the U.S. have prevented refiners from restoring gasoline reserves. U.S. crude oil inventories stand close to 28-year lows. OPEC President Purnomo Yusgiantoro said the group is ready to increase its crude oil output if prices continue to rise.

"There's distinct concern of possible gasoline shortages in the coming months as the driving season approaches," said Keith Pascall, a broker at GNI Ltd. in London. "The OPEC comments are taking the heat off slightly."

Brent crude oil for April settlement was trading down 22 cents at \$33.12 a barrel on London's International Petroleum Exchange at 12:56 p.m. Yesterday, it closed up 3.4 percent at \$33.34, the highest since March 12, when the U.S. was preparing to invade Iraq.

On the New York Mercantile Exchange, April crude oil fell 22 cents to \$36.64 a barrel on after-hours electronic trading.

The Organization of Petroleum Exporting Countries aims to lower its crude oil price index to its target range of between \$22 and \$28 a barrel, Yusgiantoro said. The index was at \$31.82 a barrel as of March 1, the most recent price published by OPEC.

"If we have to produce more I believe colleagues in OPEC are ready to do that," Purnomo told reporters in Jakarta. "Leakage is possible to contain rising prices, so we can bring down the price to \$22 to \$28 a barrel."

Iraq Exports

Iraq, the world's second-largest holder of oil reserves, will resume crude-oil exports through a pipeline to Turkey's Mediterranean port of Ceyhan in the "near term," said Robert McKee, former top U.S. oil adviser in Iraq.

Iraq has completed repairs to the pipeline and is filling it with oil, McKee said in an interview in Dubai.

The country is trying boost exports to what they were before last year's U.S.-led invasion, as it struggles to repair oil pipelines and terminals damaged by war and sabotage. Until Friday, Iraq exported all its oil through the Basrah Oil Terminal in the Persian Gulf. It has since reopened the Khor al-Amaya terminal.

Khor al-Amaya is pumping 400,000 to 450,000 barrels a day and repairs, to be completed by early next year, will increase capacity to 1.2 million barrels a day, he said. The Basrah terminal is pumping 1.4 million barrels a day.

Iraq produced 1.96 million barrels of oil a day in January, according to Bloomberg estimates.

Traders were also looking ahead to tomorrow's inventory report, which is expected to show that U.S. gasoline reserves fell last week.

Reserves probably slid by 875,000 barrels from 203.4 million, according analysts polled by

Bloomberg News. Supplies stand 2.3 percent below year-ago levels.

Analysts were split over whether crude-oil supplies rose or fell last week. Five of the 10 analysts surveyed said supplies tumbled last week by as much as 3.3 million barrels, and four said supplies rose by as much as 2.5 million. One said inventories were unchanged.

Supplies in the week ended Feb. 20 were unchanged from the prior week at 273.8 million.

To contact the reporter on this story:
Angharad Couch in London at acouch2@bloomberg.net

To contact the editor on this story:
Tim Coulter at tcoulter@bloomberg.net
Willy Morris at wmorris@bloomberg.net

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Short-Term Energy Outlook – February 2004

February 10, 2004 Release (*Next Update: March 9, 2004*)

Winter Heating Fuel and Gasoline Costs (Figures 1 to 3)

A cold January (6 percent colder than normal nationally and 19 percent colder than normal in the Northeast) kept fuel prices and heating demand high, diminishing the likelihood that cumulative heating costs for the winter will fall below last year's high levels. The current estimate for winter 2003-2004 household heating bills compared to winter 2002-2003 is as follows: natural gas-heated homes: up 11 percent; heating oil users: down 1 percent; propane-heated households: up 7 percent; and homes with electric heat: up about 2 percent. These projections are national average values – actual heating bill changes may vary widely by region due to differences in weather and fuel price developments. Increased efficiency of a home's heating unit, the addition of insulation, or other home improvements also may affect year-to-year changes in household heating bills.

High crude oil prices over the last 2 months pushed gasoline costs and pump prices up to \$1.57 per gallon in January from \$1.48 per gallon in December. First quarter 2004 national average gasoline prices are now expected to be about \$1.62 per gallon for regular grade. Gasoline prices are expected to average \$1.57 per gallon in 2004, a penny more than the average for 2003. A smooth transition to summer gasoline blends would be required to add confidence to those expectations. Current gasoline inventories are in the low range, reducing chances for near-term price relief.

Oil Market Outlook (Figures 4 to 7)

The shift to colder-than-normal temperatures from mid-December through January helped push average crude oil prices up once again in January. West Texas Intermediate (WTI) prices topped \$34 last month, more than \$2 ahead of the December average. Inventories remain low but are holding well enough to yield a possible decline toward \$30 per barrel if the market can avoid supply interruptions or additional extraordinary demand surges. Price expectations through 2005 include some modest declines but are still centered near \$30 per barrel, with potential spikes remaining a danger until stocks rebuild to more normal levels. Increasing world demand and assumed OPEC restraint is expected to keep oil inventories near the low end of the historical range. This *Outlook* was prepared under the assumption that OPEC's February 10, 2004, meeting would yield no change in official production targets.

World oil demand is projected to grow by about 2 percent in 2004 and 2005, after posting an estimated 1.7 percent gain in 2003. Assuming these growth rates, oil demand in 2005 would be 3.1 million barrels per day above the 2003 level.

Non-OPEC oil supply in 2005 is projected at about 2.5 million barrels per day above the 2003 level. Most of the increases are projected to come from Russia and the Caspian Sea Region, with smaller increases expected from Africa, Canada, and Mexico. Total OPEC production (including natural gas liquids), which is estimated at 29.9 million barrels per day for 2003, is expected to grow to an average of 30.8 million barrels per day in 2005, allowing for some modest stock building over the period.

U.S. petroleum demand in 2003 grew an estimated 1.1 percent to just under 20 million barrels per day, with relatively weak growth in the transportation being offset by fuel oil demand growth, particularly in the electric power sector. In 2004, demand is expected to climb to 20.4 million barrels per day as transportation- and industrial-related use offset some slowing in fuel oil demand growth. An additional 470,000 barrels per day of demand is anticipated for 2005, bringing the annual average consumption rate to 20.9 million barrels per day.

Natural Gas Outlook (Figures 8 to 10)

AAR MATERIALS AND SUPPLIES INDEX
Region By Composition
First Quarter 2004
February 26, 2004

United States by Composition Category - Summary

Composition Category	Weight	Previous Quarter Index	Current Quarter Index	Relative Of Change
Forest Products	.1333	208.90	211.57	1.0128
Metal Products	.5310	116.32	117.75	1.0123
Miscellaneous Products	.3356	191.61	173.12	.9035
U.S. By Composition	--	153.92	148.83	.9669
U.S. By Composition (Linked)	--	151.12	146.12	.9669
United States (1977=100) Linking Factor: 1.423	--	215.04	207.93	.9669
United States (1980=100) Linking Factor: 1.061	--	160.34	155.03	.9669

Car Hire for RCAF

RCAF (Forecast)

		1980	June 3Q/03	Sept. 4Q/03	Dec. 1Q/04	Mar. 2Q/04	June 3Q/04
RATE							
	RR-OWNED TIME	31.00	64.00	64.00	64.00	64.00	0.00
	RR-OWNED MILEAGE	4.69	7.40	7.40	7.40	7.30	0.00
	PRIVATELY-OWNED CARS	25.47	44.61	44.78	45.04	42.50	#DIV/0!
	AUTORACKS	47.00	51.52	51.52	53.31	49.72	#DIV/0!
INDEX							
	RR-OWNED TIME	100.0	206.5	206.5	206.5	206.5	0.0
	RR-OWNED MILEAGE	100.0	157.8	157.8	157.8	155.7	0.0
	PRIVATELY-OWNED CARS	100.0	175.1	175.8	176.9	166.9	#DIV/0!
	AUTORACKS	100.0	109.6	109.6	113.4	105.8	#DIV/0!
CAR HIRE INDEX (old wts)	2001	100.0	180.3	--	--	--	--
CAR HIRE INDEX (new wts)	2002	100.0	180.2	180.6	181.4	174.3	#DIV/0!
CAR HIRE INDEX (LINKED)		100.0	177.4	177.8	178.6	171.6	NA

Note: The Car Hire Index for third quarter using *old weights* and *linked* should match that quarter's filing. The third quarter *new weights* version is used in the fourth quarter linked index calculation to ensure that the transition from old weights to new weights does not impact the linked index.

Equipment Rents Data From UMLER

	2003						2004							
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														
No. of Cars	8,879	8,821	8,795	8,987	8,982	8,163	8,123	8,111	8,110					
Superstructures														
Rate	26.0	26.0	26.0	28.0	28.0	31.0	30.0	30.0	30.0					
Superstructures #3 - Auto Rack	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0					
All other #1 - Time	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.3	7.3					
All other #2 - Mileage														
Privately Owned														
No. of Cars	50,419	50,255	50,093	49,897	49,661	49,400	49,221	49,058	48,814					
Superstructures	304,355	303,559	305,160	304,273	303,378	302,644	302,379	302,392	301,533					
Covered Hoppers	265,129	265,235	265,853	266,060	266,782	266,813	266,488	266,227	266,315					
Tank Cars	224,656	225,608	229,251	229,646	229,665	228,706	230,028	232,298	232,996					
Others														
Rate	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0					
Superstructures #1 - Time														
Superstructures #2 - Mileage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Superstructures #3 - Auto Rack	56.0	56.0	56.0	56.0	57.0	57.0	53.0	53.0	53.0					
Covered Hoppers #2 - Mileage	44.2	44.3	44.4	44.5	44.5	44.6	44.0	44.1	44.1					
Tank Cars #2 - Mileage	69.7	69.8	70.1	70.2	70.2	70.3	69.7	69.9	63.1					
Others #1 - Time	68.0	68.0	69.0	69.0	69.0	70.0	70.0	70.0	70.0					
Others #2 - Mileage	6.5	6.5	6.6	6.6	6.6	6.6	6.6	6.6	6.6					
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	21.60	21.60	21.92	21.92	21.92	22.14	22.14	22.14	22.14	0.00	0.00	0.00	0.00	0.00
Private Total	44.59	44.64	44.78	44.85	44.88	45.04	44.60	44.64	42.50	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Autotracks	51.51	51.52	51.52	51.73	52.56	53.31	49.74	49.74	49.72	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

WEIGHTS

	2001	2002
For RCAF & RCR		
RR-owned Time	0.211	0.213
RR-owned Mileage	0.084	0.094
Privately-owned Cars	0.705	0.693
Autotracks	0.000	0.000
----- Check sum	1.000	1.000

Weights for Equipment Rents (not used in Car Hire calculation)		
	2001	2002
Car Hire - U.S.	0.515	0.506
Lease Rentals - U.S.	0.485	0.494
----- Check sum	1.000	1.000

CAR GROUP	CAR COUNT	TIME	MILEAGE	AUTO RACK
-VEHICULAR FLATS	48,814	74 ¢/HR	.000 \$/MILE	53 ¢/HR
ONO. OF ZERO RATED VEH. FLATS 2/	178			
-COVERED HOPPERS	301,533	0 ¢/HR	.441 \$/MILE	
ONO. OF ZERO RATED COVERED HOPPERS 2/	9,609			
-TANKS	266,315	7 ¢/HR	.631 \$/MILE	
ONO. OF ZERO RATED TANKS 2/	9,301			
-ALL OTHER CARS	232,996	70 ¢/HR	.066 \$/MILE	
ONO. OF ZERO RATED *OTHER* CARS 2/	40,875			
TOTAL:	909,621			

1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:
 CAR TYPE D - LOCOMOTIVES
 CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND EOT DEVICE
 CAR TYPE U - CONTAINERS
 CAR TYPE Z - TRAILERS
 0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND GONX) 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.

CAR GROUP		AVERAGE RATE FOR 03/04			
		CAR RENTAL RATES			
		TIME	MILEAGE	AUTO RACK	
-VEHICULAR FLATS					
ONO. OF ZERO RATED VEH. FLATS 2/	CAR COUNT	103 ¢/HR	.080 \$/MILE	30 ¢/HR	
-ALL OTHER CARS	8,110				
ONO. OF ZERO RATED "OTHER" CARS 2/	54	64 ¢/HR	.073 \$/MILE		
	740,285				
	42,188				
0	TOTAL:				
	790,637				

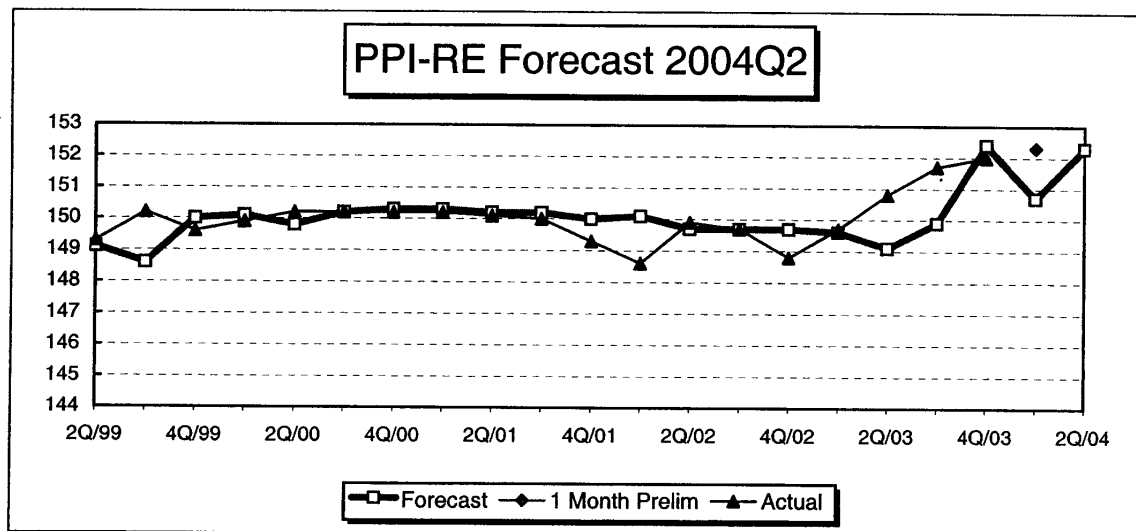
1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:
 CAR TYPE D - LOCOMOTIVES
 CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND EOT DEVICE
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PPI-RE Forecast (for Depreciation Component)

	Forecast	Actual	1 Month Prelim
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	150.8	
3Q/03	149.9	151.7	
4Q/03	152.4	152.0	
1Q/04	150.7		152.3
2Q/04	152.3		

1980 Base

	PPI-RE Forecast		Yr Ago Actual	Percent Change		
	(82=100)	(80=100)		Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
2004Q2						
Low	136.1	150.6	-0.1%			
Modpoint	137.7	152.3	1.0%	0.0%	0.2%	1.1%
High	139.3	154.1	2.2%			



re_ppi.txt
Forecast Pro for windows Version 3.00D
Database I:\Indexes2\RCAF\2004q2\5Deprec\FPre_ppi.xls is open and ready for use.
Expert data exploration of dependent variable PPIRE

Length 72 Minimum 134.300 Maximum 137.700
Mean 135.390 Standard deviation 0.732
Classical decomposition (multiplicative)
Trend-cycle: 49.82% Seasonal: 9.73% Irregular: 40.45%
Choice is narrowed down to Box-Jenkins or exponential smoothing.
Box-Jenkins outperforms exponential smoothing by 1.192 to 1.266 out-of-sample
Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12.
Series is nonstationary and nonseasonal.
Recommended model: Box-Jenkins

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

Within-Sample Statistics

Sample size 72	Number of parameters 0
Mean 135.4	Standard deviation 0.7372
R-square 0.7613	Adjusted R-square 0.7646
Durbin-Watson 2.257	Ljung-Box(18)=8.806 P=0.03593
Forecast error 0.3577	BIC 0.3577
MAPE 0.001712	RMSE 0.3577
MAD 0.2319	

Forecast Report
Mon Feb 23 12:16:12 2004
Box-Jenkins model for PPIRE
Analysis of Historic Fit Set

Date	Historic
1998-02	134.500
1998-03	134.500
1998-04	135.500
1998-05	135.300
1998-06	135.600
1998-07	135.200
1998-08	135.300
1998-09	135.300
1998-10	134.500
1998-11	134.300
1998-12	135.200
1999-01	134.600
1999-02	134.600
1999-03	134.600
1999-04	134.500
1999-05	134.500
1999-06	135.800
1999-07	135.900
1999-08	135.900
1999-09	135.800
1999-10	135.700
1999-11	135.300

re_ppi.txt

1999-12	135.500
2000-01	135.300
2000-02	135.300
2000-03	135.600
2000-04	135.800
2000-05	135.700
2000-06	135.800
2000-07	135.800
2000-08	135.700
2000-09	135.900
2000-10	135.800
2000-11	135.800
2000-12	135.800
2001-01	135.900
2001-02	135.900
2001-03	135.400
2001-04	135.500
2001-05	135.600
2001-06	135.700
2001-07	135.100
2001-08	135.100
2001-09	135.000
2001-10	134.600
2001-11	134.500
2001-12	134.500
2002-01	134.900
2002-02	134.600
2002-03	135.100
2002-04	135.000
2002-05	135.200
2002-06	135.400
2002-07	134.900
2002-08	135.000
2002-09	134.600
2002-10	134.500
2002-11	134.500
2002-12	134.500
2003-01	134.500
2003-02	135.400
2003-03	135.500
2003-04	136.000
2003-05	136.300
2003-06	136.300
2003-07	136.700
2003-08	136.500
2003-09	136.900
2003-10	136.900
2003-11	137.600
2003-12	137.700

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-01	136.994	137.700	138.406
2004-02	136.702	137.700	138.698
2004-03	136.477	137.700	138.923
2004-04	136.288	137.700	139.112
2004-05	136.122	137.700	139.278
2004-06	135.971	137.700	139.429
2004-07	135.832	137.700	139.568
2004-08	135.703	137.700	139.697

			re_ppi.txt
2004-09	135.582	137.700	139.818
2004-10	135.468	137.700	139.932
2004-11	135.359	137.700	140.041
2004-12	135.255	137.700	140.145



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As announced on February 17, the release of the Producer Price Index (PPI) for January 2004 has been delayed from the originally scheduled date of February 19, 2004. The delay was caused by unexpected difficulties in the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System.

These difficulties have taken longer to resolve than we originally expected. We continue to work diligently to resolve them. When a revised release date for the January 2004 PPI has been determined, we plan to announce it at least one day ahead of time on this web page and through a news advisory.

The Bureau of Labor Statistics expresses its apologies to those who have experienced any problems as a result of this delay.

- **[Link to News Advisory Issued on February 17, 2004](#)**

Last Modified Date: February 27, 2004

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U.S. Bureau of Labor Statistics
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Technical (web) questions: **webmaster@bls.gov**

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Data extracted on: March 04, 2004 (01:56 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	134.5	135.4	135.5	136.0	136.3	136.3	136.7	136.5	136.9 (P)	136.9 (P)	137.6 (P)	137.7 (P)	136.3 (P)
2004	No data available for this year.												

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

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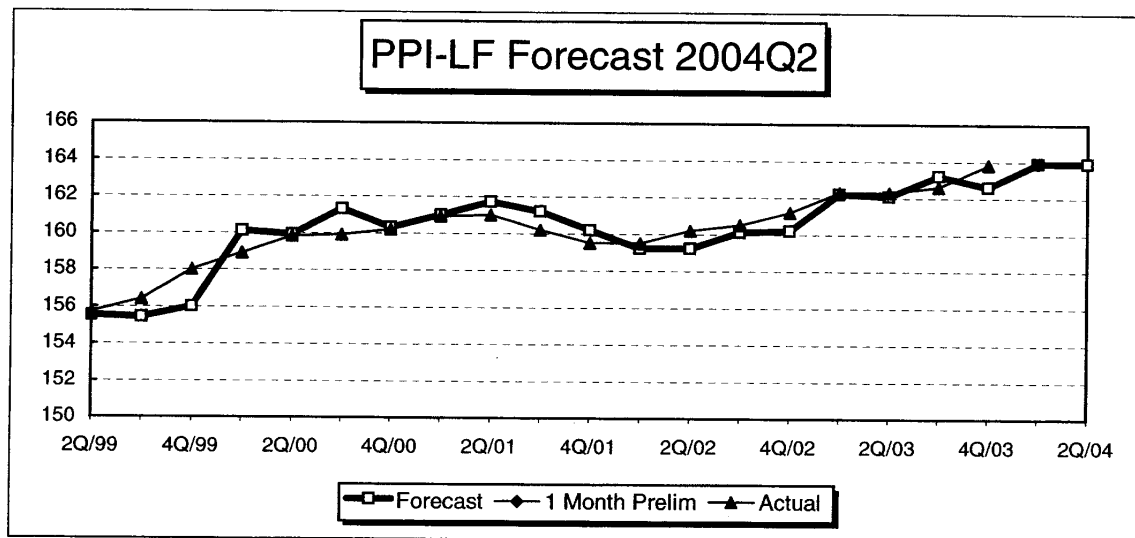
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PPI-LF Forecast (for Other and Lease Rentals Components)

	Forecast	Actual	1 Month Prelim
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	162.3	
3Q/03	163.2	162.6	
4Q/03	162.6	163.8	
1Q/04	163.9		163.9
2Q/04	163.9		

1980 Base

2004Q2	PPI-LF Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
Low	144.5	162.0	-0.2%			
Modpoint	146.2	163.9	1.0%	0.0%	0.1%	0.0%
High	148.0	165.9	2.2%			



1f_ppi.txt
Forecast Pro for Windows Version 3.000

Database I:\Indexes2\RCAF\2004q2\70ther\FPIf_ppi.xls is open and ready for use.

Expert data exploration of dependent variable PPILF

Length 72 Minimum 138.400 Maximum 146.200
Mean 142.021 Standard deviation 2.221

Classical decomposition (multiplicative)
Trend-cycle: 97.21% Seasonal: 0.45% Irregular: 2.34%

Log transform recommended for Box-Jenkins.

Choice is narrowed down to Box-Jenkins or exponential smoothing.

Box-Jenkins outperforms exponential smoothing by 0.897 to 1.135 out-of-sample Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12. For Box-Jenkins, I used a log transform.

Series is nonstationary and nonseasonal.

Recommended model: Box-Jenkins

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

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.3223	0.1124	2.8670	0.9945

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 4.956	Standard deviation 0.01577
R-square 0.9836	Adjusted R-square 0.9836
Durbin-Watson 2.025	Ljung-Box(18)=15.91 P=0.4011
Forecast error 0.002023	BIC 0.2939
MAPE 0.001555	RMSE 0.287
MAD 0.2216	

Forecast Report
Mon Feb 23 16:11:51 2004
Box-Jenkins model for PPILF
Analysis of Historic Fit Set

Date	Historic
1998-02	139.300
1998-03	139.500
1998-04	139.500
1998-05	139.300
1998-06	139.100
1998-07	139.000
1998-08	138.800
1998-09	138.500
1998-10	138.600
1998-11	138.400
1998-12	138.700
1999-01	138.600
1999-02	138.600
1999-03	138.600
1999-04	138.700

lf_ppi.txt

1999-05	138.900
1999-06	139.000
1999-07	139.300
1999-08	139.500
1999-09	139.800
1999-10	140.700
1999-11	140.800
1999-12	141.000
2000-01	141.400
2000-02	141.800
2000-03	142.100
2000-04	142.500
2000-05	142.500
2000-06	142.600
2000-07	142.700
2000-08	142.500
2000-09	142.700
2000-10	143.100
2000-11	142.900
2000-12	142.900
2001-01	143.500
2001-02	143.500
2001-03	143.600
2001-04	143.700
2001-05	143.700
2001-06	143.600
2001-07	143.200
2001-08	142.800
2001-09	142.800
2001-10	142.600
2001-11	142.300
2001-12	142.200
2002-01	142.200
2002-02	142.200
2002-03	142.400
2002-04	142.800
2002-05	142.700
2002-06	143.000
2002-07	143.000
2002-08	143.000
2002-09	143.200
2002-10	143.900
2002-11	143.800
2002-12	143.400
2003-01	144.000
2003-02	144.700
2003-03	145.300
2003-04	144.800
2003-05	144.900
2003-06	144.800
2003-07	144.600
2003-08	144.800
2003-09	145.100
2003-10	145.900
2003-11	146.100
2003-12	146.200

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-01	145.654	146.232	146.813

Page 2

2004-02	145.284	146.243	1f_ppi.txt
2004-03	144.983	146.246	147.207
2004-04	144.730	146.247	147.520
2004-05	144.511	146.247	147.780
2004-06	144.315	146.247	148.005
2004-07	144.138	146.248	148.205
2004-08	143.975	146.248	148.388
2004-09	143.823	146.248	148.556
2004-10	143.680	146.248	148.713
2004-11	143.545	146.248	148.861
2004-12	143.416	146.248	149.001
			149.135



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As announced on February 17, the release of the Producer Price Index (PPI) for January 2004 has been delayed from the originally scheduled date of February 19, 2004. The delay was caused by unexpected difficulties in the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System.

These difficulties have taken longer to resolve than we originally expected. We continue to work diligently to resolve them. When a revised release date for the January 2004 PPI has been determined, we plan to announce it at least one day ahead of time on this web page and through a news advisory.

The Bureau of Labor Statistics expresses its apologies to those who have experienced any problems as a result of this delay.

▪ [Link to News Advisory Issued on February 17, 2004](#)

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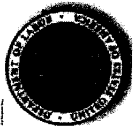
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<http://www.bls.gov/ppi/delaynotice.htm>

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Contact: Gary Steinberg
202-691-5902

For Release: Immediate
Tuesday, February 17, 2004

- NEWS ADVISORY -

DELAY OF RELEASE OF PRODUCER PRICE INDEX FOR JANUARY 2004

The release of the Producer Price Index (PPI) for January 2004 has been delayed from the originally scheduled date of February 19, 2004. The delay is caused by unexpected difficulties in the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System. The Bureau of Labor Statistics will announce a revised date for the release as soon as possible.

Last Modified Date: February 18, 2004



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Fax: (202) 691-7754
PPI data questions: ppi-info@bls.gov
Technical (web) questions: webmaster@bls.gov
Other comments: feedback@bls.gov

file://C:\DOCUME~1\CCrimmel\LOCALS~1\Temp\YA1XLZM2.htm

3/1/2004



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Data extracted on: March 04, 2004 (01:56 PM)

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
2003	144.0	144.7	145.3	144.8	144.9	144.8	144.6	144.8	145.1 (P)	145.9 (P)	146.1 (P)	146.2 (P)	145.1 (P)
2004	No data available for this year.												

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

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Forecast Error Calculation

	<u>Fourth Quarter 2003</u>		Diff
	<u>2003Q4</u>	<u>2003Q4</u>	
	<u>Forecast</u>	<u>Actual</u>	
Labor	Weight 38.0%	278.3	0.0
Fuel	9.0%	111.2	-2.1
M&S	4.6%	154.8	0.0
Equip Rents	10.3%	175.7	1.1
Depreciation	10.9%	152.4	-0.4
Interest	3.7%	98.0	0.0
Other	23.5%	162.6	1.2
Weighted Avg			
1980 = 100	199.6	199.8	
1980 = 100 (linked)	195.9	197.2	
4Q02 = 100	102.0	102.7	
4Q97 = 100	113.1	113.9	
4Q92 = 100	124.9	125.7	
Forecast Error	→	0.7	
Prior Quarter			
1980 = 100	197.0	197.2 ***	
1980 = 100 (linked)	193.3	194.6	
4Q02 = 100	100.6	101.3	
4Q97 = 100	111.6	112.4	
4Q92 = 100	123.2	124.0	
Equipment Rents			
Car Hire	177.8	178.0	
Lease Rentals	162.6	163.8	
Weighted Average	170.3	171.0	
Linked	175.7	176.8	
Prior Quarter			
Weighted Average	170.4	170.1 ***	
Linked	175.8	175.9	

* actual=forecast from 1st month of quarter

* actual=forecast from Equipment Rents below

PPI-RE	136.90	137.60	137.70	0.9040
* actual=forecast				
PPI-LF	145.90	146.10	146.20	0.8920

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

file: NewRCAF.xls

3/2/2004

All-Inclusive Index (Actual)

	02 Wts	3Q/03' 01 Wts	3Q/03 02 Wts	% Chg.	4Q/03 02 Wts	% Chg.	1Q/04 02 Wts	% Chg.	2Q/04 02 Wts	% Chg.	3Q/04 02 Wts	% Chg.
Labor												
Fuel	38.0%	273.5	273.5	0.0%	278.3	1.8%	276.8	-0.5%	-100.0%	-100.0%	#DIV/0!	#DIV/0!
M&S	9.0%	108.0	108.0	0.0%	111.2	3.0%	160.3	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Equipment Rents	4.6%	152.7	152.7	0.0%	154.8	1.4%	0.0	3.6%	-100.0%	-100.0%	#DIV/0!	#DIV/0!
Depreciation	10.3%	175.9	175.9	0.0%	176.8	0.5%	0.0	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Interest	10.9%	151.7	151.7	0.0%	152.0	0.2%	98.0	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other	3.7%	98.6	98.6	0.0%	98.0	-0.6%	98.0	0.0%	98.0	0.0%	98.0	0.0%
	23.5%	162.6	162.6	0.0%	163.8	0.7%		-100.0%	#DIV/0!	#DIV/0!		
	1.0000											
Weighted Avg.												
Linked		196.1	197.2	0.6%	199.8	1.3%	116.2	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
10/1/80		194.6	194.6	0.0%	197.2	1.3%	114.7	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
10/1/82		189.5	189.5	0.0%	192.0	1.3%	111.7	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4Q/87		161.0	161.0	0.0%	163.1	1.3%	94.9	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4Q/92		147.2	147.2	0.0%	149.2	1.4%	86.8	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4Q/97		124.0	124.0	0.0%	125.7	1.4%	73.1	-41.8%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4Q/02		112.4	112.4	0.0%	113.9	1.3%	66.2	-41.9%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
		101.3	101.3	0.0%	102.7	1.4%	59.7	-41.9%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Equipment Rents												
Car Hire	50.6%	177.4	177.4	0.0%	178.0	0.3%		-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Lease Rentals	49.4%	162.6	162.6	0.0%	163.8	0.7%	0.0	-100.0%	0.0	0.0	0.0	#DIV/0!
	1.0000											
ER Weighted Avg		170.2	170.1	-0.1%	171.0	0.5%	0.0	-100.0%	0.0	0.0	0.0	#DIV/0!
ER Linked		175.9	175.9	0.0%	176.8	0.5%	0.0	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

' Reflects the final actual third quarter values.

LABOR	01 Wts	02 Wts
FUEL	103.383	103.930
M&S	11.340	9.720
EQUIP RENTS	7.024	7.024
DEPR	18.470	18.118
INTEREST	16.080	16.535
OTHER	3.747	3.648
Weighted Avg.	36.097	38.211
	196.141	197.186

RCAF Fuel (Actual All-Inclusive Index)

October 2003

Average Price for Monthly Report

	October 2003 Price (1)	1/1/81 Price (2)	1/91 New Method Linking Factors (3)	October 2003 Index 1/1/81=100 (4)	(4) = (1) / (2) x (3)
U.S.	90.96	89.34	99.415	101.22	
East	89.83	91.56	99.435	97.56	
West	91.42	87.83	99.416	103.48	

Fuel Index on 1977 Base and 1980 Base

	October 2003 Index 1/1/81=100 (1)	Linking Factors 1977=100 (2)	1980=100 (3)	October 2003 Index 1977=100 (4)	October 2003 Index 1980=100 (5)	(4) = (1) x (2) (5) = (1) x (3)
U.S.	101.22	2.606	1.096	263.77	110.93	
East	97.56	2.569	1.134	250.62	110.63	
West	103.48	2.639	1.067	273.08	110.41	

Final Actual All-Inclusive Index

	1980=100 October 2003		October 2003 Linked Index
	Current Index	Adjustment Factor	
U.S.	110.93	1.00192	111.15 ←
East	110.63	1.00621	111.32
West	110.41	1.00024	110.44

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

1/19/2004

Association of American Railroads

file: MF200310calcs.xls

Car Hire for RCAF

RCAF (Actual)							
		1980	Aug 3Q/03	Nov. 4Q/03	Feb 1Q/04	May 2Q/04	Aug 3Q/04
RATE							
	RR-OWNED TIME	31.00	64.00	64.00	0.00	0.00	0.00
	RR-OWNED MILEAGE	4.69	7.40	7.40	0.00	0.00	0.00
	PRIVATELY-OWNED CARS	25.47	44.64	44.88	#DIV/0!	#DIV/0!	#DIV/0!
	AUTORACKS	47.00	51.52	52.56	#DIV/0!	#DIV/0!	#DIV/0!
INDEX							
	RR-OWNED TIME	100.0	206.5	206.5	0.0	0.0	0.0
	RR-OWNED MILEAGE	100.0	157.8	157.8	0.0	0.0	0.0
	PRIVATELY-OWNED CARS	100.0	175.3	176.2	#DIV/0!	#DIV/0!	#DIV/0!
	AUTORACKS	100.0	109.6	111.8	#DIV/0!	#DIV/0!	#DIV/0!
CAR HIRE INDEX (old wts)	2001	100.0	180.4	--	--	--	--
CAR HIRE INDEX (new wts)	2002	100.0	180.3	180.9	#DIV/0!	#DIV/0!	#DIV/0!
CAR HIRE INDEX (LINKED)		100.0	177.4	178.0	NA	NA	NA



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Delay of Release of PPI for January 2004

As announced on February 17, the release of the Producer Price Index (PPI) for January 2004 has been delayed from the originally scheduled date of February 19, 2004. The delay was caused by unexpected difficulties in the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System.

These difficulties have taken longer to resolve than we originally expected. We continue to work diligently to resolve them. When a revised release date for the January 2004 PPI has been determined, we plan to announce it at least one day ahead of time on this web page and through a news advisory.

The Bureau of Labor Statistics expresses its apologies to those who have experienced any problems as a result of this delay.

▪ [Link to News Advisory Issued on February 17, 2004](#)

Last Modified Date: February 27, 2004

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U.S. Bureau of Labor Statistics
Producer Price Index
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Washington, DC 20212-0001

URL: <http://www.bls.gov/PPI>

Phone: (202) 691-7705

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PPI data questions: ppi-info@bls.gov

Technical (web) questions: webmaster@bls.gov

Other comments: feedback@bls.gov



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Data extracted on: March 04, 2004 (01:56 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	134.5	135.4	135.5	136.0	136.3	136.3	136.7	136.5	136.9 (P)	136.9 (P)	137.6 (P)	137.7 (P)	136.3 (P)
2004	No data available for this year.												

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

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Data extracted on: March 04, 2004 (01:56 PM)

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
2003	144.0	144.7	145.3	144.8	144.9	144.8	144.6	144.8	145.1 (P)	145.9 (P)	146.1 (P)	146.2 (P)	145.1 (P)
2004	No data available for this year.												

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

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RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

		Forecast Year 2004			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	04Q1	04Q2	04Q3	04Q4
For Actual	→	03Q3	03Q4	04Q1	04Q2
January	2003	134.5	134.5	134.5	134.5
February	2003	135.4	135.4	135.4	135.4
March	2003	135.5	135.5	135.5	135.5
April	2003	136.0	136.0	136.0	136.0
May	2003	136.3	136.3	136.3	136.3
June	2003	136.3	136.3	136.3	136.3
July	2003	137.8	136.7	136.7	136.7
August	2003	136.5	136.5	136.5	136.5
September	2003	136.9	136.9	136.9	136.9
October	2003	136.9	136.9	136.9	136.9
November	2003		137.6	137.6	137.6
December	2003		137.7	137.7	137.7
January	2004	see note	137.7		
February	2004				
March	2004				
April	2004				
May	2004				
June	2004				
July	2004				
Actual Qtr.		137.1	137.4	NA	NA

1980=100

Actual Qtr.

First Mo. next qtr.

151.7	152.0	NA	NA
151.4	152.3	NA	NA

0.904 =1980

Note:

BLS announced on 2/17/04 the release of the PPI for January 2004 has been delayed from the originally scheduled date of 2/19/04. The delay is caused by the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System. As of 2/26/04, no release date has been announced; therefore, the most current month (December) data available is used for January 2004.

RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

		Forecast Year 2004			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	04Q1	04Q2	04Q3	04Q4
For Actual	→	03Q3	03Q4	04Q1	04Q2
January	2003	144.0	144.0	144.0	144.0
February	2003	144.7	144.7	144.7	144.7
March	2003	145.3	145.3	145.3	145.3
April	2003	144.8	144.8	144.8	144.8
May	2003	144.9	144.9	144.9	144.9
June	2003	144.8	144.8	144.8	144.8
July	2003	144.8	144.6	144.8	144.8
August	2003	145.0	144.8	145.0	145.0
September	2003	145.1	145.1	145.1	145.1
October	2003	145.9	145.9	145.9	145.9
November	2003		146.1	146.1	146.1
December	2003		146.2	146.2	146.2
January	2004	see note	146.2		
February	2004				
March	2004				
April	2004				
May	2004				
June	2004				
July	2004				
Actual Qtr.		145.0	146.1	NA	NA

1980=100

Actual Qtr.	162.6	163.8	NA	NA
First Mo. next qtr.	163.6	163.9	NA	NA

0.892 =1980

Note:

BLS announced on 2/17/04 the release of the PPI for January 2004 has been delayed from the originally scheduled date of 2/19/04. The delay is caused by the conversion of PPI data from the Standard Industrial Classification system to the North American Industry Classification System. As of 2/26/04, no release date has been announced; therefore, the most current month (December) data available is used for January 2004.

