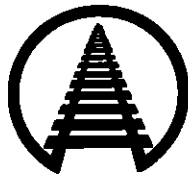


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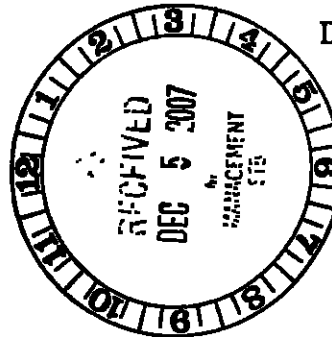
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ASSOCIATION  
OF AMERICAN  
RAILROADS

Craig F. Rockey  
Vice President - Policy & Economics

December 5, 2007



The Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
395 E Street, SW.  
Washington, DC 20423-0001

Dear Mr. Williams

This submission is the AAR forecast of the first quarter 2008 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2008-1) *Quarterly Rail 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 first quarter 2008 results on the fourth quarter 2007 base, and shows the percentage changes from the previous quarter.

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|                                | <u>2007Q4</u> | <u>2008Q1</u> | <u>% Change</u> |
|--------------------------------|---------------|---------------|-----------------|
| All-Inclusive Index            | 98.3          | 103.5         | 5.3             |
| Preliminary RCAF               | 0.983         | 1.035         | 5.3             |
| Forecast Error Adjustment      | 0.017         | 0.015         |                 |
| RCAF (Unadjusted)              | 1.000         | 1.050         | 5.0             |
| Productivity Adjustment Factor | 2.1528        | 2.1618        |                 |
| RCAF (Adjusted)                | 0.465         | 0.486         | 4.5             |
| PAF-5                          | 2.2668        | 2.2763        |                 |
| RCAF-5                         | 0.441         | 0.461         | 4.5             |

Page 2  
December 5, 2007

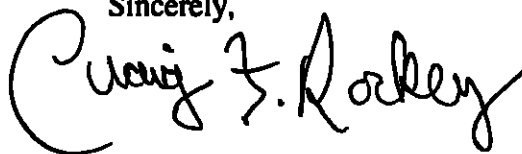
The Staggers Act requires the RCAF to be rebased every five years. The procedure necessary to calculate this rebasing was outlined by the ICC in Ex Parte No. 290 (Sub-No. 5) effective January 1, 1988. The rebasing calculation which will bring the index to the fourth quarter 2007 base is shown on page 1A of the attached filing.

Due to the fact that many people may need to compare the current RCAF to an older version that was calculated using a different base, the AAR has provided Attachment A, which contains historical RCAFs converted to a fourth quarter 2007 base. The AAR's recommended method for converting to another base is shown in the same attachment, as well as factors and indexes necessary to make those calculations.

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 Mac Frampton in the STB office handling this proceeding. All workpapers are available for STB inspection. Questions should be directed to me or Clyde Cimmel (202 639-2309) of this office.

Sincerely,

A handwritten signature in black ink that reads "Craig F. Rockey". The signature is written in a cursive, flowing style. The first name "Craig" is written with a large, looping "C". The last name "Rockey" is written with a large, looping "R".

Craig F. Rockey

Attachments

# Rail Cost Adjustment Factor — 2007Q4 Base

Attachment A  
Page 1 of 5

| Yr/Qtr<br>(Col 1) | Preliminary<br>RCAF<br>(Col 2) | Forecast<br>Error<br>Adjustment<br>(Col. 3) | RCAF<br>(Unad-<br>justed)<br>(Col 4) | Productivity-Adjusted RCAF                      |                               | STB's 2nd Productivity-<br>Adjusted RCAF<br>(Not endorsed by AAR) |                   |
|-------------------|--------------------------------|---------------------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------|-------------------------------------------------------------------|-------------------|
|                   |                                |                                             |                                      | Productivity<br>Adjustment<br>Factor<br>(Col 5) | RCAF<br>(Adjusted)<br>(Col 6) | PAF-5<br>(Col 7)                                                  | RCAF-5<br>(Col 8) |
| 1997 Q1           | 0 710                          | 0 002                                       | 0 712                                | 1 4426                                          | 0 494                         | 1 4733                                                            | 0 483             |
| Q2                | 0 706                          | 0 005                                       | 0 711                                | 1 4603                                          | 0 487                         | 1 4945                                                            | 0 476             |
| Q3                | 0 710                          | -0 001                                      | 0 709                                | 1 4783                                          | 0 480                         | 1 5160                                                            | 0 468             |
| Q4                | 0 704                          | 0 000                                       | 0 704                                | 1 4965                                          | 0 470                         | 1 5378                                                            | 0 458             |
| 1998 Q1           | 0 702                          | -0 001                                      | 0 701                                | 1 5149                                          | 0 463                         | 1 5567                                                            | 0 450             |
| Q2                | 0 697                          | 0 004                                       | 0 701                                | 1 5503                                          | 0 452                         | 1 5758                                                            | 0 445             |
| Q3                | 0 705                          | -0 002                                      | 0 703                                | 1 5866                                          | 0 443                         | 1 5952                                                            | 0 441             |
| Q4                | 0 705                          | 0 002                                       | 0 707                                | 1 6237                                          | 0 435                         | 1 6148                                                            | 0 438             |
| 1999 Q1           | 0 704                          | -0 002                                      | 0 702                                | 1 6617                                          | 0 422                         | 1 6526                                                            | 0 425             |
| Q2                | 0 700                          | -0 001                                      | 0 699                                | 1 6850                                          | 0 415                         | 1 6913                                                            | 0 413             |
| Q3                | 0 708                          | -0 003                                      | 0 705                                | 1 7086                                          | 0 413                         | 1 7309                                                            | 0 407             |
| Q4                | 0 708                          | 0 004                                       | 0 712                                | 1 7325                                          | 0 411                         | 1 7714                                                            | 0 402             |
| 2000 Q1           | 0 730                          | 0 005                                       | 0 735                                | 1 7568                                          | 0 418                         | 1 7962                                                            | 0 409             |
| Q2                | 0 733                          | 0 006                                       | 0 739                                | 1 7719                                          | 0 417                         | 1 8213                                                            | 0 406             |
| Q3                | 0 739                          | 0 001                                       | 0 740                                | 1 7871                                          | 0 414                         | 1 8468                                                            | 0 401             |
| Q4                | 0 746                          | 0 002                                       | 0 748                                | 1 8025                                          | 0 415                         | 1 8727                                                            | 0 399             |
| 2001 Q1           | 0 760                          | 0 003                                       | 0 763                                | 1 8180                                          | 0 420                         | 1 8888                                                            | 0 404             |
| Q2                | 0 755                          | 0 003                                       | 0 758                                | 1 8305                                          | 0 414                         | 1 9050                                                            | 0 398             |
| Q3                | 0 760                          | 0 000                                       | 0 760                                | 1 8431                                          | 0 412                         | 1 9214                                                            | 0 396             |
| Q4                | 0 757                          | 0 003                                       | 0 760                                | 1 8558                                          | 0 410                         | 1 9379                                                            | 0 392             |
| 2002 Q1           | 0 758                          | 0 000                                       | 0 758                                | 1 8686                                          | 0 406                         | 1 9513                                                            | 0 388             |
| Q2                | 0 749                          | -0 002                                      | 0 747                                | 1 8678                                          | 0 396                         | 1 9648                                                            | 0 380             |
| Q3                | 0 755                          | -0 007                                      | 0 748                                | 1 9072                                          | 0 392                         | 1 9784                                                            | 0 378             |
| Q4                | 0 772                          | 0 009                                       | 0 781                                | 1 9268                                          | 0 405                         | 1 9921                                                            | 0 392             |
| 2003 Q1           | 0 775                          | 0 003                                       | 0 778                                | 1 9466                                          | 0 400                         | 2 0126                                                            | 0 387             |
| Q2                | 0 790                          | 0 008                                       | 0 798                                | 1 9557                                          | 0 408                         | 2 0333                                                            | 0 392             |
| Q3                | 0 786                          | 0 011                                       | 0 797                                | 1 9649                                          | 0 406                         | 2 0542                                                            | 0 388             |
| Q4                | 0 797                          | -0 003                                      | 0 794                                | 1 9741                                          | 0 402                         | 2 0754                                                            | 0 383             |
| 2004 Q1           | 0 795                          | 0 005                                       | 0 800                                | 1 9834                                          | 0 403                         | 2 0852                                                            | 0 384             |
| Q2                | 0 802                          | 0 005                                       | 0 807                                | 1 9943                                          | 0 405                         | 2 0950                                                            | 0 385             |
| Q3                | 0 824                          | 0 013                                       | 0 837                                | 2 0053                                          | 0 417                         | 2 1048                                                            | 0 398             |
| Q4                | 0 840                          | 0 017                                       | 0 857                                | 2 0163                                          | 0 425                         | 2 1147                                                            | 0 405             |
| 2005 Q1           | 0 857                          | 0 008                                       | 0 865                                | 2 0274                                          | 0 427                         | 2 1263                                                            | 0 407             |
| Q2                | 0 874                          | 0 023                                       | 0 897                                | 2 0420                                          | 0 439                         | 2 1380                                                            | 0 420             |
| Q3                | 0 882                          | 0 005                                       | 0 887                                | 2 0567                                          | 0 431                         | 2 1498                                                            | 0 413             |
| Q4                | 0 916                          | 0 009                                       | 0 925                                | 2 0715                                          | 0 447                         | 2 1616                                                            | 0 428             |
| 2006 Q1           | 0 911                          | 0 009                                       | 0 920                                | 2 0864                                          | 0 441                         | 2 1772                                                            | 0 423             |
| Q2                | 0 910                          | 0 010                                       | 0 920                                | 2 0962                                          | 0 439                         | 2 1929                                                            | 0 420             |
| Q3                | 0 935                          | -0 004                                      | 0 931                                | 2 1061                                          | 0 442                         | 2 2087                                                            | 0 422             |
| Q4                | 0 956                          | 0 020                                       | 0 976                                | 2 1160                                          | 0 461                         | 2 2248                                                            | 0 439             |
| 2007 Q1           | 0 935                          | 0 008                                       | 0 943                                | 2 1259                                          | 0 444                         | 2 2351                                                            | 0 422             |
| Q2                | 0 935                          | -0 039                                      | 0 896                                | 2 1348                                          | 0 420                         | 2 2456                                                            | 0 399             |
| Q3                | 0 952                          | -0 016                                      | 0 936                                | 2 1438                                          | 0 437                         | 2 2562                                                            | 0 415             |
| Q4                | 0 983                          | 0 017                                       | 1 000                                | 2 1528                                          | 0 465                         | 2 2668                                                            | 0 441             |
| 2008 Q1           | 1 035                          | 0 015                                       | 1 050                                | 2 1618                                          | 0 486                         | 2 2763                                                            | 0 461             |

# Rail Cost Adjustment Factor — 2007Q4 Base

Attachment A  
Page 2 of 5

| Yr/Qtr<br>(Col 1) | Preliminary<br>RCAF<br>(Col 2) | Forecast<br>Error<br>Adjustment<br>(Col 3) | RCAF<br>(Unad-<br>justed)<br>(Col 4) | Productivity-Adjusted RCAF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                               |
|-------------------|--------------------------------|--------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                   |                                |                                            |                                      | Productivity<br>Adjustment<br>Factor<br>(Col 5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | RCAF<br>(Adjusted)<br>(Col 6) |
| 1985 Q2           | 0 512                          |                                            |                                      | <p>Beginning 1985Q2, the All-Inclusive Index was used to calculate the RCAF. The term "Preliminary RCAF" was not used, and the RCAF was calculated using a method like today's Preliminary RCAF calculation. There was no productivity adjustment. [In this table, the RCAF for 1985Q2-1986Q4 is in the Preliminary RCAF column.]</p> <p>Beginning 1987Q1, a forecast error adjustment was added. The terms "Preliminary RCAF", "Forecast Error Adjustment", and "RCAF" were used. [In this table, the RCAF for 1987Q1-1989Q1 is in the RCAF Unadjusted column.]</p> <p>Beginning 1989Q2, a productivity adjustment was added. What was formerly called the RCAF is now called the "RCAF (Unadjusted)" because it does not have a productivity adjustment. The productivity-adjusted RCAF is called the "RCAF (Adjusted)". In its October 3, 1996 decision, the Surface Transportation Board added another version of a productivity-adjusted RCAF called the "RCAF-5".</p> |                               |
| Q3                | 0 511                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q4                | 0 497                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| 1986 Q1           | 0 526                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q2                | 0 503                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q3                | 0 511                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q4                | 0 513                          |                                            |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| 1987 Q1           | 0 527                          | -0 004                                     | 0 523                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q2                | 0 525                          | 0 000                                      | 0 525                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q3                | 0 530                          | 0 003                                      | 0 533                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q4                | 0 534                          | 0 004                                      | 0 538                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| 1988 Q1           | 0 549                          | 0 003                                      | 0 552                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q2                | 0 557                          | 0 004                                      | 0 561                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q3                | 0 556                          | 0 001                                      | 0 557                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q4                | 0 555                          | 0 004                                      | 0 559                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| 1989 Q1           | 0 563                          | -0 001                                     | 0 562                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| Q2                | 0 567                          | -0 002                                     | 0 565                                | 1 0042                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 563                         |
| Q3                | 0 570                          | 0 003                                      | 0 573                                | 1 0084                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 568                         |
| Q4                | 0 576                          | 0 005                                      | 0 581                                | 1 0193                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 570                         |
| 1990 Q1           | 0 587                          | -0 002                                     | 0 585                                | 1 0303                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 568                         |
| Q2                | 0 588                          | 0 003                                      | 0 591                                | 1 0414                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 568                         |
| Q3                | 0 587                          | 0 003                                      | 0 590                                | 1 0526                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 561                         |
| Q4                | 0 606                          | 0 000                                      | 0 606                                | 1 0640                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 570                         |
| 1991 Q1           | 0 615                          | 0 000                                      | 0 615                                | 1 0755                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 572                         |
| Q2                | 0 606                          | 0 008                                      | 0 614                                | 1 0871                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 565                         |
| Q3                | 0 622                          | -0 005                                     | 0 617                                | 1 0988                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 562                         |
| Q4                | 0 632                          | -0 001                                     | 0 631                                | 1 1107                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 568                         |
| 1992 Q1           | 0 628                          | -0 001                                     | 0 627                                | 1 1227                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 558                         |
| Q2                | 0 622                          | 0 003                                      | 0 625                                | 1 1348                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 551                         |
| Q3                | 0 624                          | -0 001                                     | 0 623                                | 1 1471                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 543                         |
| Q4                | 0 635                          | 0 003                                      | 0 638                                | 1 1595                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 550                         |
| 1993 Q1           | 0 643                          | 0 003                                      | 0 646                                | 1 1720                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 551                         |
| Q2                | 0 640                          | 0 001                                      | 0 641                                | 1 1847                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 541                         |
| Q3                | 0 645                          | 0 001                                      | 0 646                                | 1 1975                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 539                         |
| Q4                | 0 654                          | 0 001                                      | 0 655                                | 1 2104                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 541                         |
| 1994 Q1           | 0 659                          | -0 002                                     | 0 657                                | 1 2253                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 536                         |
| Q2                | 0 652                          | 0 001                                      | 0 653                                | 1 2404                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 526                         |
| Q3                | 0 667                          | 0 000                                      | 0 667                                | 1 2557                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 531                         |
| Q4                | 0 666                          | 0 002                                      | 0 668                                | 1 2711                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 526                         |
| 1995 Q1           | 0 673                          | 0 002                                      | 0 675                                | 1 2867                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 525                         |
| Q2                | 0 680                          | 0 003                                      | 0 683                                | 1 3052                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 523                         |
| Q3                | 0 686                          | 0 003                                      | 0 689                                | 1 3240                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 520                         |
| Q4                | 0 687                          | 0 002                                      | 0 689                                | 1 3431                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 513                         |
| 1996 Q1           | 0 683                          | -0 003                                     | 0 680                                | 1 3624                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 499                         |
| Q2                | 0 681                          | -0 003                                     | 0 678                                | 1 3820                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 491                         |
| Q3                | 0 687                          | -0 001                                     | 0 686                                | 1 4019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 489                         |
| Q4                | 0 693                          | 0 004                                      | 0 697                                | 1 4221                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0 490                         |

## Sample Rebasing Calculations

Attachment A  
Page 3 of 5

### ***Preliminary RCAF:***

#### **Recommended Method**

The All-Inclusive Index (All) Forecast is divided by the appropriate Linking Factor

Example calculations (All and Linking Factors are listed on page 4)

2007Q1 on a 4Q07 basis =  $229.9 / 245.9 = 0.9349329 = 0.935$

2007Q1 on a 4Q02 basis =  $229.9 / 192.1 = 1.1967725 = 1.197$

2007Q1 on a 4Q97 basis =  $229.9 / 173.2 = 1.3273672 = 1.327$

#### **Alternative Method**

An alternative method can be used to convert a Preliminary RCAF from one basis to another basis without knowing the All-Inclusive Index. This method will occasionally have small rounding differences, and is not recommended except as a "check" or in cases where the All-Inclusive Index is not available. New base Index = (Old Linking Factor / New Linking Factor) x Old Base Index.

Example for converting 2007Q1 on a 4Q02 basis to a 4Q07 basis  
 $(192.1 / 245.9) \times 1.197 = 0.9351106 = 0.935$

### ***Forecast Error Adjustment:***

#### **Recommended Method**

- 1 Use the All-Inclusive Indexes (All) for the two quarters prior to the quarter to be adjusted
- 2 The All Actual is divided by the appropriate Linking Factor and rounded 3 digits after decimal
- 3 The All Forecast is divided by the appropriate Linking Factor and rounded
- 4 Take the result from step 2 and subtract the result from step 3

Example calculation for 2007Q1

1 Use A-I Index from 2 quarters prior, 2006Q3 232.0 = Actual, 230.0 = Forecast

2 Actual =  $232.0 / 245.9 = 0.9434730 = 0.943$

3 Forecast =  $230.0 / 245.9 = 0.9353396 = 0.935$

4 Forecast Error =  $0.943 - 0.935 = 0.008$

#### **Alternative Method**

This method has occasional rounding differences, and is not recommended except as a check or in cases where the All-Inclusive Indexes are not available. The new base Forecast Error Adjustment equals (Old Linking Factor / New Linking Factor) x Old Forecast Error Adjustment.

Example for converting 2006Q3 on a 4Q02 basis to a 4Q07 basis

Forecast Error 4Q07 basis =  $(192.1 / 245.9) \times 0.011 = 0.0085933 = 0.009$  (which is close, but not exact)

### ***RCAF (Unadjusted)***

RCAF (Unadjusted) = Preliminary RCAF + Forecast Error Adjustment

Example for 2007Q1, on a 4Q07 basis  $0.935 + 0.008 = 0.943$

### ***Productivity Adjustment Factor***

Use the Productivity Adjustment Factor as originally calculated for each quarter.

For 2007Q1, the Productivity Adjustment Factor is 2.1259

### ***RCAF (Adjusted)***

RCAF (Adjusted) = RCAF (Unadjusted) / Productivity Adjustment Factor

Example for 2007Q1, on a 4Q07 basis  $0.943 / 2.1259 = 0.4435768 = 0.444$

### ***PAF-5***

Use the STB's alternative productivity adjustment factor, PAF-5, as originally calculated.

For 2007Q1, the Productivity Adjustment Factor is 2.2351

### ***RCAF-5***

RCAF-5 = RCAF (Adjusted) / PAF-5

Example for 2007Q1, on a 4Q07 basis  $0.443 / 2.2351 = 0.4219051 = 0.422$

# Indexes & Factors for RCAF

Attachment A  
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| Yr/Qtr  | All Inclusive Index<br>1980 = 100 |        | Prod.<br>Adj.<br>Factor | PAF-5  | Original<br>Prelim<br>RCAF | Original<br>Forecast<br>Error | Linking<br>Factor |
|---------|-----------------------------------|--------|-------------------------|--------|----------------------------|-------------------------------|-------------------|
|         | Forecast                          | Actual |                         |        |                            |                               |                   |
| 1985 Q1 | -                                 | -      | -                       | -      | 0 000                      |                               | 120 9             |
| Q2      | 126 0                             | 126 6  | -                       | -      | 1 042                      |                               | 120 9             |
| Q3      | 125 7                             | 125 1  | -                       | -      | 1 040                      |                               | 120 9             |
| Q4      | 122 3                             | 123 3  | -                       | -      | 1 012                      |                               | 120 9             |
| 1986 Q1 | 129 3                             | 128 4  | -                       | -      | 1 069                      |                               | 120 9             |
| Q2      | 123 7                             | 124 2  | -                       | -      | 1 023                      |                               | 120 9             |
| Q3      | 125 7                             | 124 7  | -                       | -      | 1 040                      |                               | 120 9             |
| Q4      | 126 2                             | 126 1  | -                       | -      | 1 044                      |                               | 120 9             |
| 1987 Q1 | 129 5                             | 130 4  | -                       | -      | 1 071                      | -0 009                        | 120 9             |
| Q2      | 129 2                             | 130 1  | -                       | -      | 1 069                      | -0 001                        | 120 9             |
| Q3      | 130 4                             | 131 1  | -                       | -      | 1 079                      | 0 008                         | 120 9             |
| Q4      | 131 4                             | 132 3  | -                       | -      | 1 087                      | 0 006                         | 120 9             |
| 1988 Q1 | 135 1                             | 135 2  | -                       | -      | 1 022                      | 0 005                         | 132 2             |
| Q2      | 137 0                             | 137 9  | -                       | -      | 1 036                      | 0 007                         | 132 2             |
| Q3      | 136 7                             | 136 4  | -                       | -      | 1 034                      | 0 001                         | 132 2             |
| Q4      | 136 5                             | 136 1  | -                       | -      | 1 033                      | 0 007                         | 132 2             |
| 1989 Q1 | 138 5                             | 139 3  | -                       | -      | 1 048                      | -0 002                        | 132 2             |
| Q2      | 139 5                             | 140 7  | 1 0042                  | 1 0040 | 1 055                      | -0 003                        | 132 2             |
| Q3      | 140 2                             | 139 7  | 1 0084                  | 1 0080 | 1 061                      | 0 006                         | 132 2             |
| Q4      | 141 6                             | 142 3  | 1 0193                  | 1 0120 | 1 071                      | 0 009                         | 132 2             |
| 1990 Q1 | 144 4                             | 145 2  | 1 0303                  | 1 0264 | 1 092                      | -0 004                        | 132 2             |
| Q2      | 144 5                             | 144 6  | 1 0414                  | 1 0410 | 1 093                      | 0 005                         | 132 2             |
| Q3      | 144 3                             | 144 4  | 1 0526                  | 1 0558 | 1 092                      | 0 006                         | 132 2             |
| Q4      | 148 9                             | 150 9  | 1 0640                  | 1 0707 | 1 126                      | 0 000                         | 132 2             |
| 1991 Q1 | 151 2                             | 150 1  | 1 0755                  | 1 0834 | 1 144                      | 0 001                         | 132 2             |
| Q2      | 149 1                             | 148 8  | 1 0871                  | 1 0962 | 1 128                      | 0 015                         | 132 2             |
| Q3      | 153 0                             | 152 8  | 1 0988                  | 1 1091 | 1 157                      | -0 009                        | 132 2             |
| Q4      | 155 5                             | 156 1  | 1 1107                  | 1 1222 | 1 176                      | -0 002                        | 132 2             |
| 1992 Q1 | 154 5                             | 154 1  | 1 1227                  | 1 1351 | 1 169                      | -0 001                        | 132 2             |
| Q2      | 152 9                             | 153 7  | 1 1348                  | 1 1481 | 1 157                      | 0 005                         | 132 2             |
| Q3      | 153 5                             | 154 1  | 1 1471                  | 1 1613 | 1 161                      | -0 003                        | 132 2             |
| Q4      | 156 1                             | 156 5  | 1 1595                  | 1 1747 | 1 181                      | 0 006                         | 132 2             |
| 1993 Q1 | 158 1                             | 158 4  | 1 1720                  | 1 1926 | 1 008                      | 0 004                         | 156 9             |
| Q2      | 157 3                             | 157 5  | 1 1847                  | 1 2107 | 1 003                      | 0 002                         | 156 9             |
| Q3      | 158 6                             | 158 0  | 1 1975                  | 1 2291 | 1 011                      | 0 002                         | 156 9             |
| Q4      | 160 7                             | 161 0  | 1 2104                  | 1 2478 | 1 024                      | 0 001                         | 156 9             |
| 1994 Q1 | 162 1                             | 162 1  | 1 2253                  | 1 2621 | 1 033                      | -0 004                        | 156 9             |
| Q2      | 160 4                             | 160 7  | 1 2404                  | 1 2766 | 1 022                      | 0 002                         | 156 9             |
| Q3      | 164 1                             | 164 6  | 1 2557                  | 1 2913 | 1 046                      | 0 000                         | 156 9             |
| Q4      | 163 7                             | 164 4  | 1 2711                  | 1 3062 | 1 043                      | 0 002                         | 156 9             |
| 1995 Q1 | 165 5                             | 166 2  | 1 2867                  | 1 3222 | 1 055                      | 0 003                         | 156 9             |
| Q2      | 167 1                             | 167 6  | 1 3052                  | 1 3385 | 1 065                      | 0 005                         | 156 9             |
| Q3      | 168 8                             | 168 0  | 1 3240                  | 1 3550 | 1 076                      | 0 004                         | 156 9             |
| Q4      | 168 9                             | 168 2  | 1 3431                  | 1 3716 | 1 076                      | 0 003                         | 156 9             |
| 1996 Q1 | 168 0                             | 167 6  | 1 3624                  | 1 3914 | 1 071                      | -0 005                        | 156 9             |
| Q2      | 167 4                             | 168 4  | 1 3820                  | 1 4114 | 1 067                      | -0 004                        | 156 9             |
| Q3      | 169 0                             | 169 4  | 1 4019                  | 1 4317 | 1 077                      | -0 003                        | 156 9             |
| Q4      | 170 4                             | 171 6  | 1 4221                  | 1 4524 | 1 086                      | 0 006                         | 156 9             |
| 1997 Q1 | 174 7                             | 174 4  | 1 4426                  | 1 4733 | 1 113                      | 0 003                         | 156 9             |
| Q2      | 173 7                             | 173 7  | 1 4603                  | 1 4945 | 1 107                      | 0 008                         | 156 9             |
| Q3      | 174 6                             | 174 4  | 1 4783                  | 1 5160 | 1 113                      | -0 001                        | 156 9             |
| Q4      | 173 2                             | 174 2  | 1 4965                  | 1 5378 | 1 104                      | 0 000                         | 156 9             |

# Indexes & Factors for RCAF

Attachment A  
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| Yr/Qtr  | All Inclusive Index<br>1980 = 100 |        | Prod<br>Adj.<br>Factor | PAF-5  | Original<br>Prelim<br>RCAF | Original<br>Forecast<br>Error | Linking<br>Factor |
|---------|-----------------------------------|--------|------------------------|--------|----------------------------|-------------------------------|-------------------|
|         | Forecast                          | Actual |                        |        |                            |                               |                   |
| 1998 Q1 | 172.7                             | 172.1  | 1.5149                 | 1.5567 | 0.997                      | -0.001                        | 173.2             |
|         | 171.5                             | 171.8  | 1.5503                 | 1.5758 | 0.990                      | 0.006                         | 173.2             |
|         | 173.4                             | 172.9  | 1.5866                 | 1.5952 | 1.001                      | -0.003                        | 173.2             |
|         | 173.3                             | 173.2  | 1.6237                 | 1.6148 | 1.001                      | 0.002                         | 173.2             |
| 1999 Q1 | 173.0                             | 172.3  | 1.6617                 | 1.6526 | 0.999                      | -0.003                        | 173.2             |
|         | 172.1                             | 173.2  | 1.6850                 | 1.6913 | 0.994                      | -0.001                        | 173.2             |
|         | 174.2                             | 175.4  | 1.7086                 | 1.7309 | 1.006                      | -0.004                        | 173.2             |
|         | 174.1                             | 175.6  | 1.7325                 | 1.7714 | 1.005                      | 0.006                         | 173.2             |
| 2000 Q1 | 179.4                             | 179.8  | 1.7568                 | 1.7962 | 1.036                      | 0.007                         | 173.2             |
|         | 180.3                             | 180.8  | 1.7719                 | 1.8213 | 1.041                      | 0.009                         | 173.2             |
|         | 181.6                             | 182.5  | 1.7871                 | 1.8468 | 1.048                      | 0.002                         | 173.2             |
|         | 183.5                             | 184.1  | 1.8025                 | 1.8727 | 1.059                      | 0.003                         | 173.2             |
| 2001 Q1 | 186.9                             | 186.8  | 1.8180                 | 1.8888 | 1.079                      | 0.006                         | 173.2             |
|         | 185.6                             | 186.4  | 1.8305                 | 1.9050 | 1.072                      | 0.004                         | 173.2             |
|         | 186.9                             | 186.8  | 1.8431                 | 1.9214 | 1.079                      | 0.000                         | 173.2             |
|         | 186.1                             | 185.7  | 1.8558                 | 1.9379 | 1.074                      | 0.004                         | 173.2             |
| 2002 Q1 | 186.4                             | 184.7  | 1.8686                 | 1.9513 | 1.076                      | 0.000                         | 173.2             |
|         | 184.2                             | 186.4  | 1.8878                 | 1.9648 | 1.064                      | -0.002                        | 173.2             |
|         | 185.6                             | 186.4  | 1.9072                 | 1.9784 | 1.072                      | -0.010                        | 173.2             |
|         | 189.9                             | 191.7  | 1.9268                 | 1.9921 | 1.096                      | 0.012                         | 173.2             |
| 2003 Q1 | 190.6                             | 193.3  | 1.9466                 | 2.0126 | 0.992                      | 0.004                         | 192.1             |
|         | 194.3                             | 193.6  | 1.9557                 | 2.0333 | 1.011                      | 0.009                         | 192.1             |
|         | 193.3                             | 194.6  | 1.9649                 | 2.0542 | 1.006                      | 0.014                         | 192.1             |
|         | 195.9                             | 197.2  | 1.9741                 | 2.0754 | 1.020                      | -0.003                        | 192.1             |
| 2004 Q1 | 195.6                             | 198.7  | 1.9834                 | 2.0852 | 1.018                      | 0.007                         | 192.1             |
|         | 197.1                             | 201.3  | 1.9943                 | 2.0950 | 1.026                      | 0.007                         | 192.1             |
|         | 202.6                             | 204.5  | 2.0053                 | 2.1048 | 1.055                      | 0.016                         | 192.1             |
|         | 206.5                             | 212.2  | 2.0163                 | 2.1147 | 1.075                      | 0.022                         | 192.1             |
| 2005 Q1 | 210.7                             | 211.9  | 2.0274                 | 2.1263 | 1.097                      | 0.010                         | 192.1             |
|         | 214.9                             | 217.2  | 2.0420                 | 2.1380 | 1.119                      | 0.030                         | 192.1             |
|         | 217.0                             | 219.2  | 2.0567                 | 2.1498 | 1.130                      | 0.006                         | 192.1             |
|         | 225.3                             | 227.8  | 2.0715                 | 2.1616 | 1.173                      | 0.012                         | 192.1             |
| 2006 Q1 | 223.9                             | 223.1  | 2.0864                 | 2.1772 | 1.166                      | 0.011                         | 192.1             |
|         | 223.8                             | 228.7  | 2.0962                 | 2.1929 | 1.165                      | 0.013                         | 192.1             |
|         | 230.0                             | 232.0  | 2.1061                 | 2.2087 | 1.197                      | -0.005                        | 192.1             |
|         | 235.2                             | 225.6  | 2.1160                 | 2.2246 | 1.224                      | 0.026                         | 192.1             |
| 2007 Q1 | 229.9                             | 226.0  | 2.1259                 | 2.2351 | 1.197                      | 0.011                         | 192.1             |
|         | 230.0                             | 234.1  | 2.1348                 | 2.2456 | 1.197                      | -0.050                        | 192.1             |
|         | 234.0                             | 237.7  | 2.1438                 | 2.2562 | 1.218                      | -0.021                        | 192.1             |
|         | 241.7                             | -      | 2.1528                 | 2.2668 | 1.258                      | 0.022                         | 192.1             |
| 2008 Q1 | 254.4                             | -      | 2.1618                 | 2.2763 | 1.035                      | 0.015                         | 245.9             |

Preliminary RCAF = All-Inclusive Index Forecast / Linking Factor  
Forecast Error = (All Actual/Linking Factor) - (All Forecast/Linking Factor)  
where each is rounded to 3 digits after the decimal  
where All for forecast error calculation is from 2 quarters earlier  
RCAF Unadjusted = Preliminary RCAF less Forecast Error  
RCAF Adjusted = RCAF Unadjusted divided by Productivity Adjustment Factor  
Note Each RCAF is rounded to 3 digits after the decimal

Linking Factors  
10/1/80 = 102.7  
10/1/82 = 120.9  
4Q/87 = 132.2  
4Q/92 = 158.9  
4Q/97 = 173.2  
4Q/02 = 192.1  
4Q/07 = 245.9

**First Quarter 2008  
All-Inclusive Index**

**Ex Parte No. 290 (Sub-No. 5) (2008-1)**

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

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

**December 5, 2007**

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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 first quarter 2008.

## Rebasing

The statute relating to the Rail Cost Adjustment Factor (49 U.S.C. § 10708) requires the RCAF to be rebased every five years. This means that the new base period will be the fourth quarter of 2007, since the previous base period was the fourth quarter of 2002. The calculations are shown below.

### Rebasing the Denominator of the RCAF to the Fourth Quarter 2007

|   |                                                 |              |
|---|-------------------------------------------------|--------------|
| 1 | Fourth Quarter 2007 Linked Index                | 241.7        |
| 2 | Second Quarter 2007 Linked Index                |              |
|   | Calculated Using Actual Data                    | 234.1        |
|   | Calculated Using Forecasted Data                | <u>230.0</u> |
|   | Difference                                      | 4.1          |
| 3 | Fourth Quarter 2007 Linked Index                |              |
|   | Adjusted for Second Quarter 2007 Forecast Error | 245.8        |
|   | Rounding Adjustment to Force 1.000              | <u>0.1</u>   |
|   | <b>New Basing Factor for 2007Q4 = 100</b>       | <b>245.9</b> |

Note: Linked Indexes on this page refer to the All Inclusive Index, 1980=100 basis.

### Test of Basing Factor Fourth Quarter 2007 = 100

|   |                                                        |              |
|---|--------------------------------------------------------|--------------|
| 1 | Fourth Quarter 2007 Linked Index (1980 = 100)          | 241.7        |
|   | Divided by 2007Q4 Basing Factor                        | 245.9        |
|   | <b>Fourth Quarter 2007 Linked Index (2007Q4 = 100)</b> | <b>0.983</b> |
| 2 | Second Quarter 2007 Linked Index                       |              |
|   | Calculated Using Actual Data (1980 = 100)              | 234.1        |
|   | Calculated Using Forecasted Data (1980 = 100)          | 230.0        |
|   | Divide both by 2007Q4 Basing Factor                    | 245.9        |
|   | Calculated Using Actual Data (2007Q4 = 100)            | 0.952        |
|   | Calculated Using Forecasted Data (2007Q4 = 100)        | <u>0.935</u> |
|   | <b>Difference (Forecast Error Adjustment)</b>          | <b>0.017</b> |
| 3 | Fourth Quarter 2007 Linked Index (2007Q4 = 100)        |              |
|   | <b>Adjusted for Second Quarter 2007 Forecast Error</b> | <b>1.000</b> |

Note: Fourth Quarter 2007 Linked Index (2007Q4 = 100) must equal 1.000.

## 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 2006 (current) and 2005 (previous) weights are shown below. The previous (2005) weights were used for the fourth quarter of 2006 through the third quarter of 2007. Beginning with the fourth quarter of 2007, the 2006 weights are used. As those familiar with the U.S. economy in 2006 would expect, Fuel and Materials & Supplies increased their weight – especially Fuel. Labor, despite a 5.4 percent increase in the amount of labor expenses, decreased as a percentage of total expenses because of double-digit increases in Fuel and Materials & Supplies expenses. The biggest weight changes were Fuel's increase of 3.2 percentage points, and Other's decrease of 1.5 percentage points. Absolute changes for all of the remaining categories were by less than one percentage point.

| RCAF Weights         |                  |                 |
|----------------------|------------------|-----------------|
|                      | Previous<br>2005 | Current<br>2006 |
| Labor                | 35.3 %           | 34.5 %          |
| Fuel                 | 16.0             | 19.2            |
| Materials & Supplies | 4.6              | 5.0             |
| Equipment Rents      | 8.2              | 7.8             |
| Depreciation         | 11.1             | 10.6            |
| Interest             | 3.1              | 2.7             |
| Other                | 21.7             | 20.2            |

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

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

## All-Inclusive Index First Quarter 2008

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.

|                       | 2006<br>Weights | Forecast           |                    | Percent<br>Change |
|-----------------------|-----------------|--------------------|--------------------|-------------------|
|                       |                 | Previous<br>2007Q4 | Current<br>2008Q1  |                   |
| 1 Labor               | 34.5%           | 307.9              | 312.8              | 1.6 %             |
| 2 Fuel                | 19.2%           | 276.4              | 334.8              | 21.1              |
| 3. M&S                | 5.0%            | 218.4              | 218.5              | 0.0               |
| 4. Equipment Rents    | 7.8%            | 192.9              | 193.1              | 0.1               |
| 5 Depreciation        | 10.6%           | 200.2              | 200.1              | 0.0               |
| 6 Interest            | 2.7%            | 90.2               | 90.2               | 0.0               |
| 7 Other               | 20.2%           | 194.1              | 194.3              | 0.1               |
| 8 Weighted Average    |                 |                    |                    |                   |
| a 1980 = 100          |                 | 248.1              | 261.1              |                   |
| b 1980 = 100 (linked) |                 | 241.7              | 254.4 <sup>1</sup> |                   |
| c 4Q07 = 100          |                 | 98.3               | 103.5 <sup>2</sup> | 5.3               |

<sup>1</sup> To calculate the 1980 = 100 Linked Index

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 261.1 \quad \text{divided by} \quad 248.1 \quad \text{times} \quad 241.7 \\ &= 254.4 \end{aligned}$$

<sup>2</sup> To calculate the 4Q07 = 100 index

$$\begin{aligned} \text{Index}_{4Q07} &= (\text{Current Linked Index} / 4Q07 \text{ Linking Factor}) * 100 \\ &= 254.4 \quad \text{divided by} \quad 245.9 \quad \text{times} \quad 100 \\ &= 103.5 \end{aligned}$$

4Q02 based index = 132.4

4Q97 based index = 146.9

4Q92 based index = 162.1

4Q87 based index = 192.4

## Forecast vs. Actual All-Inclusive Index Third Quarter 2007

As shown below, the third quarter actual index of 96.7 is 1.5 index points above the forecast value of 95.2. Therefore, the forecast error adjustment for first quarter 2008 is 1.5 index points.

|                                 | 2005<br>Weights | Third Quarter 2007 |                    | Amt<br>Difference |
|---------------------------------|-----------------|--------------------|--------------------|-------------------|
|                                 |                 | Forecast           | Actual             |                   |
| 1. Labor                        | 35.3%           | 298.5              | 298.5              |                   |
| 2. Fuel                         | 16.0%           | 253.9              | 276.0              |                   |
| 3. M&S                          | 4.6%            | 212.6              | 212.6              |                   |
| 4. Equipment Rents <sup>1</sup> | 8.2%            | 192.5              | 192.0              |                   |
| 5. Depreciation                 | 11.1%           | 199.9              | 196.5              |                   |
| 6. Interest                     | 3.1%            | 96.9               | 96.9               |                   |
| 7. Other                        | 21.7%           | 193.2              | 191.9              |                   |
| 8. Weighted Average             |                 |                    |                    |                   |
| a. 1980 = 100                   |                 | 238.7              | 241.5              |                   |
| b. 1980 = 100 (linked)          |                 | 234.0              | 237.7 <sup>2</sup> |                   |
| c. 4Q07 = 100 <sup>3</sup>      |                 | 95.2               | 96.7               | 1.5               |

**Forecast error → 1.5 index points**

---

|                           |                 |                    |        |
|---------------------------|-----------------|--------------------|--------|
| <sup>1</sup>              | 2005<br>Weights | Third Quarter 2007 |        |
|                           |                 | Forecast           | Actual |
| Car-Hire                  | 49.2%           | 179.8              | 179.9  |
| Lease Rentals             | 50.8%           | 193.2              | 191.9  |
| Weighted Average          |                 | 186.6              | 186.0  |
| Weighted Average (linked) |                 | 192.5              | 192.0  |

<sup>2</sup> Linked actual index = (actual index / previous actual index) x previous linked actual index  

$$237.7 = 241.5 / 237.8 \times 234.1$$

<sup>3</sup> The 4Q07 based indexes are 1980 based indexes divided by the 4Q07 linking factor (245.9/100)  
 4Q02 based indexes are the 1980 based indexes divided by the 4Q02 linking factor (192.1/100)  
 4Q97 based indexes are the 1980 based indexes divided by the 4Q97 linking factor (173.2/100)  
 4Q92 based indexes are the 1980 based indexes divided by the 4Q92 linking factor (156.9/100)

## Productivity

On January 31, 2007, the Surface Transportation Board (STB) served a decision in Ex Parte 290 (Sub-No 4) which added the year 2005 to the Productivity Adjustment Factor (PAF) and deleted the year 2000. This creates an average annual productivity change for 2001 through 2005 of 1.7 percent – a 0.2 percentage point decrease from the 2000 through 2004 average of 1.9 percent. The components of this average annual value are shown on the following table in ratio format – therefore, 1.017 is the same as an increase of 1.7 percent. 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

2001 - 2005

| Year                         | Output Index<br>(1) | Input Index<br>(2) | Productivity <sup>1</sup><br>Changes<br>(3) |
|------------------------------|---------------------|--------------------|---------------------------------------------|
| 2001                         | 0.971               | 0.955              | 1.016                                       |
| 2002                         | 1.012               | 1.006              | 1.006                                       |
| 2003                         | 1.039               | 1.020              | 1.019                                       |
| 2004                         | 1.033               | 1.057              | 0.977                                       |
| 2005                         | 1.021               | 0.956              | 1.068                                       |
| Average                      |                     |                    | 1.017                                       |
| Previous Average (2000-2004) |                     |                    | 1.019                                       |

<sup>1</sup> 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 2001-2005, use fourth root of avg. productivity change = 1.0042

For 2000-2004, use fourth root of avg. productivity change = 1.0047

| Quarter | Year | PAF    | PAF-5  |             |
|---------|------|--------|--------|-------------|
| Q1      | 2007 | 2.1259 | 2.2351 | ← 2000-2004 |
| Q2      | 2007 | 2.1348 | 2.2456 | ←           |
| Q3      | 2007 | 2.1438 | 2.2562 | ← 2001-2005 |
| Q4      | 2007 | 2.1528 | 2.2668 |             |
| Q1      | 2008 | 2.1618 | 2.2763 |             |

## Rail Cost Adjustment Factor

### First Quarter 2008

Four RCAF values are presented in this filing. Two are not modified for productivity (Preliminary RCAF and RCAF Unadjusted), and two incorporate a productivity calculation (RCAF Adjusted and RCAF-5). The All-Inclusive Index and all four RCAF values, plus the percent change for each, are shown below. Note that the All-Inclusive Index is on a 2007Q4=100 basis.

|                                             | Previous<br>2007Q4 | Current<br>2008Q1 | Percent<br>Change |
|---------------------------------------------|--------------------|-------------------|-------------------|
| All-Inclusive Index <sup>1</sup>            | 98.3               | 103.5             | 5.3               |
| Preliminary RCAF <sup>2</sup>               | 0.983              | 1.035             | 5.3               |
| Forecast Error Adjustment <sup>3</sup>      | <u>0.017</u>       | <u>0.015</u>      |                   |
| RCAF (Unadjusted) <sup>4</sup>              | 1.000              | 1.050             | 5.0               |
| Productivity Adjustment Factor <sup>5</sup> | 2.1528             | 2.1618            |                   |
| RCAF (Adjusted) <sup>6</sup>                | 0.465              | 0.486             | 4.5               |
| PAF-5 <sup>7</sup>                          | 2.2668             | 2.2763            |                   |
| RCAF-5 <sup>8</sup>                         | 0.441              | 0.461             | 4.5               |

<sup>1</sup> See All-Inclusive Index on page 3.

<sup>2</sup> All-Inclusive Index divided by the All-Inclusive Index in the base period (100.0)

<sup>3</sup> 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.

<sup>4</sup> Preliminary RCAF plus the forecast error adjustment.

<sup>5</sup> See Productivity on page 5.

<sup>6</sup> RCAF (Unadjusted) divided by the Productivity Adjustment Factor (PAF).

<sup>7</sup> See Productivity on page 5.

<sup>8</sup> RCAF (Unadjusted) divided by the PAF-5.

## **Appendixes**

## **Labor**

### **First Quarter 2008**

The first quarter 2008 Labor Index is forecast to increase 1.6 percent. Wage increases and new labor agreements were the major contributors to the increase.

#### **New Labor Contracts**

**New National Agreements:** Three major railroad unions finalized new national agreements since the previous (September 5) RCAF filing, including the International Brotherhood of Electrical Workers (IBEW), the Transportation Communication International Union (TCU), and the Brotherhood of Railway Carmen Division of the Transportation Communication International Union (TCU-Carmen) [For a list of all common railroad and union abbreviations, see Appendix H]. These agreements are similar to those signed by other unions on July 1. Highlights typical of the new agreements are as follows:

- Cost of Living Allowances (COLA) eliminated, and COLAs on and after July 1, 2005 recovered from any retroactive wage increase payments
- Retroactive general wage increase of 2.5 percent effective July 1, 2005
- Retroactive general wage increase of 3.0 percent effective July 1, 2006
- Retroactive general wage increase of 3.0 percent effective July 1, 2007
- General wage increase of 4.0 percent effective July 1, 2008 [Added to RCAF at that time]
- General wage increase of 4.5 percent effective July 1, 2009 [Added to RCAF at that time]
- Employee Health & Welfare Cost Sharing monthly rate of \$166.25 effective January 1, 2007
- Future adjustments to the Cost Sharing rate in 2008, 2009, and 2010, all on January 1

The retroactive wage increases will cause back pay amounts that, following the standard RCAF procedure, will be amortized over four quarters. COLA payments already made, and the new 2007 employee Health & Welfare cost sharing rate (less the payments already made), serve as credit against gross retroactive pay.

#### **Wage Index**

The Wage Index portion of the Labor Index increased 2.0 percent from the previous quarter. January 1 wage increases plus new labor agreements caused the increase.

**Wage Increases:** In addition to the three new national agreements mentioned earlier, the three major national unions (IAM, UTU, UTU-YMD) that have not ratified new contracts are scheduled to receive a 1.6 percent increase in their cost-of-living allowance (COLA) effective January 1. A few of the independent unions will also receive either a wage increase or a COLA increase on January 1. Following past index procedure, non-union employees were assigned a January 1 wage increase (3 percent) equal to the amount that most unions received last July.

## **Labor**

### **First Quarter 2008**

**Lump Sums:** The lump sum rate was unchanged.

**Back Pay:** The back pay rate increased 20.2 cents mostly because of three new national labor agreements that featured retroactive general wage increases. Back pay amounts were also added for a few independent agreements involving railroads owned by CN and Canadian Pacific. A few small amounts involving CN-owned railroads were completely amortized and removed from the rate.

**Other:** Other wages contains the amortization of profit sharing payments that the BNSF Railway makes each year to its dispatchers, yardmasters, and engineers. The first quarter rate is slightly lower because of the lower interest rate used for amortization.

### **Supplements Index**

Higher wages, combined with higher maximum taxable earnings effective January 1, caused most of the 0.9 percent increase in the Supplements Index.

**Health & Welfare:** New Health & Welfare premiums (see pages 4 and 5 of this Appendix) become effective on January 1, and (unlike recent years) were mostly lower than the previous year. In addition, the new national agreements (see previous page) had higher employee health & welfare cost sharing rates, and the national unions without new agreements have increases scheduled for their employee cost sharing. Therefore, the Health & Welfare rate is lower by 1.4 percent.

**Railroad Retirement:** Wage increases combined with higher maximum taxable earnings, effective January 1, caused the increase in the Railroad Retirement rate.

**Unemployment Insurance:** Railroad unemployment insurance rates are experienced-rated by employer and will range from 2.15 (0.65 plus a 1.5 percent surcharge for 2008) to 12 percent on monthly employee compensation up to \$1,280. A January increase in the maximum taxable earnings caused the unemployment insurance hourly rate to increase 0.9 cents.

**Other:** The "Other" category is a reflection of all other fringe benefits, and currently contains employer contributions to employee 401(k) accounts, plus employer contributions to employee stock plans that are recorded as fringe benefits. The increase of 1.4 cents was caused by increased benefits associated with new labor agreements.

### **Labor Index Calculation**

As shown in Table A-1 on the next page, the 2.0 percent increase in the Wage Index and the 0.9 percent increase in the Supplements Index had a combined effect of a 1.6 percent increase in the Labor Index. The linked first quarter 2008 index is 312.8.

## Labor

### First Quarter 2008

Table A-1 Labor Index

|                                                               | 2007Q4          | 2008Q1          | Change  |         |
|---------------------------------------------------------------|-----------------|-----------------|---------|---------|
|                                                               |                 |                 | Percent | Amount  |
| <b>Base Wage</b> – Straight Time<br>& Pay For Time Not Worked | \$30 642        | \$31 072        | 1 4%    | \$0 430 |
| <b>Adjustments:</b>                                           |                 |                 |         |         |
| Lump Sum                                                      | 0.136           | 0.136           | 0 0%    | 0 000   |
| Back Pay                                                      | 0 448           | 0 650           | 45 1%   | 0.202   |
| Other                                                         | 0 171           | 0 170           | -0.6%   | -0.001  |
| <b>Total Wages</b>                                            | <u>31 397</u>   | <u>32 028</u>   | 2 0%    | 0.631   |
| <br>Health & Welfare Benefits                                 | 5.584           | 5 506           | -1 4%   | -0 078  |
| RR Retirement & Medicare                                      | 6 362           | 6.530           | 2 6%    | 0 168   |
| Unemployment Insurance                                        | 0 186           | 0 195           | 4 8%    | 0 009   |
| Other                                                         | 0.066           | 0.080           | 21 2%   | 0.014   |
| <b>Total Supplements</b>                                      | <u>\$12.198</u> | <u>\$12 311</u> | 0.9%    | 0.113   |
| <br>Total Labor                                               | <b>\$43.595</b> | <b>\$44 339</b> |         |         |
| <br><b>Wage Index</b> <sup>1</sup>                            | 268 7           | 274 1           | 2 0%    |         |
| <b>Supplements Index</b> <sup>2</sup>                         | 450.8           | 455 0           | 0 9%    |         |
| <br>Total labor Index, 2006 Weights <sup>3</sup>              | 319.5           | 324 6           |         |         |
| <b>Labor Index (linked)</b> <sup>4</sup>                      | <b>307.9</b>    | <b>312.8</b>    | 1 6%    |         |

---

<sup>1</sup> 1980 wage rate \$11 685

<sup>2</sup> 1980 supplements rate \$2 706

<sup>3</sup> 2006 weights wages, supplements 72 1% 27 9%

<sup>4</sup> 2008Q1 linked Index = 2007Q4 linked x (2008Q1 / 2007Q4)  
                               = 307 9       x 324 6 / 319 5

## Labor

### First Quarter 2008

### Supplement Comparisons

#### **Health and Welfare Rates**

| Plan                           | Railroad Contribution<br>Per Employee Per Month |            |            |         |         |
|--------------------------------|-------------------------------------------------|------------|------------|---------|---------|
|                                | 2006                                            | 2007       | 2008       | Change  |         |
|                                |                                                 |            |            | '05-'06 | '06-'07 |
| Group Health & Life            | \$1,001.02                                      | \$1,097.66 | \$1,076.61 | 9.7%    | -1.9%   |
| Early Retirement Major Medical | 87.86                                           | 89.06      | 110.98     | 1.4%    | 24.6%   |
| Group Dental                   | 47.20                                           | 47.14      | 45.72      | -0.1%   | -3.0%   |
| Group Vision                   | 10.66                                           | 10.70      | 10.16      | 0.4%    | -5.0%   |
| Supplemental Sickness          |                                                 |            |            |         |         |
| Maintenance of Way             | 36.00                                           | 36.06      | 14.89      | 0.2%    | -58.7%  |
| Shop Crafts                    | 61.00                                           | 61.06      | 30.04      | 0.1%    | -50.8%  |
| Signalmen                      | 32.00                                           | 32.06      | 8.55       | 0.2%    | -73.3%  |
| Yardmasters                    | 47.06                                           | 41.13      | 33.21      | -12.6%  | -19.3%  |

#### **Railroad Retirement and Medicare**

|          | Earnings Base |          |           | Employer Rate |        |        |
|----------|---------------|----------|-----------|---------------|--------|--------|
|          | 2006          | 2007     | 2008      | 2006          | 2007   | 2008   |
| Tier I   | \$94,200      | \$97,500 | \$102,000 | 6.20%         | 6.20%  | 6.20%  |
| Tier II  | 69,900        | 72,600   | 75,900    | 12.60%        | 12.10% | 12.10% |
| Medicare | no limit      | no limit | no limit  | 1.45%         | 1.45%  | 1.45%  |

#### **Unemployment Insurance**

| Monthly Taxable<br>Earnings Base |         |         | Weighted Avg.<br>Class I Rate |       |       |
|----------------------------------|---------|---------|-------------------------------|-------|-------|
| 2006                             | 2007    | 2008    | 2006                          | 2007  | 2008  |
| \$1,195                          | \$1,230 | \$1,280 | 2.36%                         | 2.47% | 2.48% |

**Labor**  
**First Quarter 2008**

**NATIONAL RAILWAY LABOR CONFERENCE**  
**EMPLOYEE BENEFITS DEPARTMENT**

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**(202) 862-7244** **(202) 862-7225**  
**E-mail jepstein@rrnrlc.org** **E-mail sparks@rrnrlc.org**

November 8, 2007

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

Dear Mr Crimmel

The revised employer Payment Rates which are effective January 1, 2008 are as follows

|                                                                                                                                            |            |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Aetna - Supplemental Sickness Plans                                                                                                        |            |
| ShopCrafts                                                                                                                                 | \$ 30 04   |
| Signalmen                                                                                                                                  | \$ 8 55    |
| Maintenance of Way                                                                                                                         | \$ 14 89   |
| Trustmark - Supplemental Sickness Plans                                                                                                    |            |
| Yardmasters                                                                                                                                | \$ 33 21   |
| Railroad Employees National Health & Welfare Plan &<br>National Railway Carriers/United Transportation Union H&W Plan<br>Non-Hospital Road | \$1,076 61 |
| Railroad Employees National Early Retirement<br>Major Medical Benefit Plan<br>Non-Hospital Road                                            | \$ 110 98  |
| Aetna - National Dental Plan                                                                                                               | \$ 45 72   |
| VSP - National Vision Plan                                                                                                                 | \$ 10 16   |

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

Very truly yours,



Susan E Parks

cc Glen Williams

## Fuel

### First Quarter 2008

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 their own forecast models and discussions with their major suppliers, and (3) a consensus of petroleum industry experts and general business publications

Crude oil\* prices have trended upward throughout 2007. The average daily posted price for West Texas Intermediate crude oil averaged \$75.69 per barrel in September, \$82.31 in October, and will average over \$90 for November. Although oil prices reached all-time highs after concern caused by a northern Minnesota pipeline fire, prices began falling at the end of November, possibly because of unfavorable economic news (housing, lower forecast for economic growth by White House) and probable increased production by the Organization of the Petroleum Exporting Countries (OPEC). Prices began rising again in December after OPEC announced it would leave output unchanged.

Heating oil\*\* followed a pattern similar to crude oil, with NYMEX prices trending upward from January throughout the year, falling at the end of November, and moving back up in early December. The average for November is expected to be close to 261 cents per gallon, while October's average is 230.11 cents per gallon. Weekly prices for residential heating oil reported by the Energy Information Administration revealed that prices at the end of November were over 11 percent higher than they were at the end of October.

The October 2007 average price for locomotive diesel fuel is the highest price ever recorded. Locomotive diesel fuel prices have trended upward all year, and the October average is 41 percent higher than January's.

The railroads believe that January (first quarter) locomotive diesel fuel prices will be 21.1 percent higher than the October (third quarter) forecast, but 12.5 percent above the fourth quarter price actually experienced. This difference was caused by a fourth quarter forecast that was too low.

|                                       |       |
|---------------------------------------|-------|
| Forecast Fuel Index                   | 334.8 |
| Change from previous quarter forecast | 21.1% |
| Change from previous quarter actual   | 12.5% |

---

\* Diesel fuel used by locomotives is made from refined crude oil, and therefore has some price correlation.

\*\* Heating oil and locomotive diesel fuel are part of a group of closely related products, commonly labeled as distillates, that differ mostly by their sulfur content. Because of these similarities, these fuels are produced together and have similar pricing trends.

## **Materials & Supplies**

### **First Quarter 2008**

The Materials & Supplies Index changed little from the fourth quarter level. A slight increase in the average price for metal products was mostly offset by slight decreases in prices for ties and ballast.

2008Q1 Materials & Supplies Index = 218.5

2007Q4 Materials & Supplies Index = 218.4

|            |                  |
|------------|------------------|
| Difference | 0.1 basis points |
|            | or               |
|            | 0.0 %            |

## Equipment Rents

### First Quarter 2008

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 rentals 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, which increased only slightly. The Car Hire portion of the Index increased slightly because of rate increases for privately-owned tank cars and covered hoppers. A 0.1 percent increase for both the PPI-LF (See Appendix G) used as a proxy for Lease Rentals, and the Car Hire Index, resulted in the overall Equipment Rent Index rising just 0.1 percent.

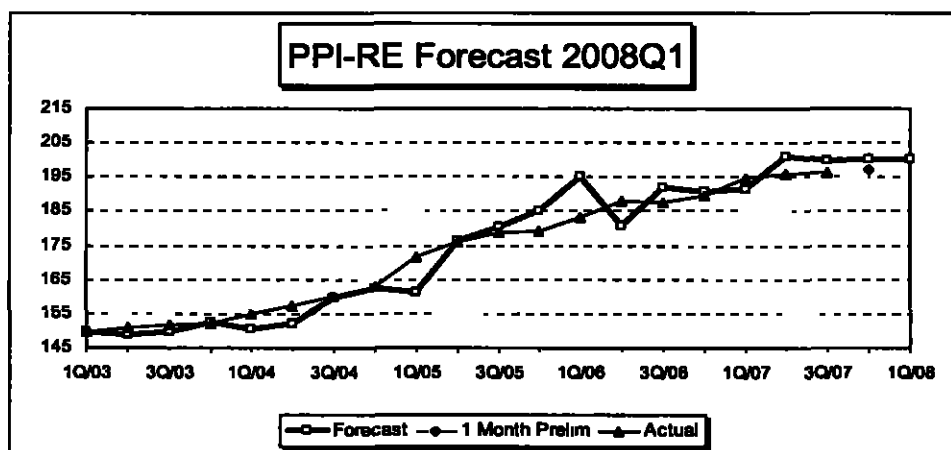
|                           | 2006   |        |        | Percent |
|---------------------------|--------|--------|--------|---------|
|                           | Weight | 2007Q4 | 2008Q1 | Change  |
| Car Hire                  | 46.3%  | 179.7  | 179.9  | 0.1 %   |
| Lease Rentals             | 53.7%  | 194.1  | 194.3  | 0.1     |
| Weighted Average          |        | 187.4  | 187.6  | 0.1     |
| Weighted Average (Linked) |        | 192.9  | 193.1  | 0.1     |

## Depreciation

### First Quarter 2008

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 figure forecast by the model reflects monthly PPI-RE figures that do not reflect a significant change in any direction.

|                                                    |       |
|----------------------------------------------------|-------|
| Forecast of Depreciation Index (1982=100)          | 180.9 |
| Forecast of Depreciation Index (1980=100)          | 200.1 |
| Change from previous quarter forecast              | 0.0%  |
| Change from actual first month of previous quarter | 1.5%  |
| Change from same quarter of prior year (actual)    | 2.7%  |



## Depreciation

### First Quarter 2008

#### PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

Recommended model Exponential Smoothing  
 Forecast Model for PPIRE  
 Multiplicative Winters Linear trend, Multiplicative seasonality  
 Confidence limits proportional to indexes and level

| Component | Smoothing Weight | Final Value | Seasonal Indexes   |         |         |         |
|-----------|------------------|-------------|--------------------|---------|---------|---------|
| Level     | 0.94692          | 178.35      | January - March    | 0.99898 | 0.99950 | 1.00269 |
| Trend     | 0.08126          | 0.62996     | April - June       | 0.99865 | 1.00014 | 1.00049 |
| Seasonal  | 0.99978          |             | July - September   | 1.00011 | 0.99999 | 0.99965 |
|           |                  |             | October - December | 0.99971 | 0.99899 | 1.00109 |

#### Within-Sample Statistics

|                      |                                 |
|----------------------|---------------------------------|
| Sample size 72       | Number of parameters 3          |
| Mean 152.4           | Standard deviation 16.17        |
| R-square 0.9944      | Adjusted R-square 0.9943        |
| Durbin-Watson 1.548  | ** Ljung-Box(18)=34.99 P=0.9905 |
| Forecast error 1.224 | BIC 1.31                        |
| MAPE 0.0052          | RMSE 1.198                      |
| MAD 0.8161           |                                 |

#### Actual Values for the Most Recent 6 Periods:

| Date    | Actual  |
|---------|---------|
| 2007-05 | 175.600 |
| 2007-06 | 176.400 |
| 2007-07 | 178.100 |
| 2007-08 | 177.500 |
| 2007-09 | 177.100 |
| 2007-10 | 178.300 |

#### Forecasted Values

| Date           | 2.5 Lower      | Forecast       | 97.5 Upper     |
|----------------|----------------|----------------|----------------|
| 2007-11        | 175.895        | 178.800        | 181.706        |
| 2007-12        | 175.644        | 179.807        | 183.970        |
| 2008-01        | 174.940        | 180.057        | 185.174        |
| 2008-02        | 174.861        | 180.781        | 186.701        |
| 2008-03        | 175.358        | 181.989        | 188.619        |
| <b>QTR AVG</b> | <b>175.053</b> | <b>180.942</b> | <b>186.831</b> |

## Interest

### First Quarter 2008

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. Beginning with fourth quarter 2007, the Interest Index is based on data for 2006.

#### 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                             |

|               |                       |             |
|---------------|-----------------------|-------------|
| 2006          | Interest Rate         | 7.08%       |
| 1980          | Interest Rate         | 7.85%       |
| <b>2008Q1</b> | <b>Interest Index</b> | <b>90.2</b> |
| <b>2007Q4</b> | <b>Interest Index</b> | <b>90.2</b> |
|               | <b>Percent Change</b> | <b>0.0%</b> |

## Other Expenses

### First Quarter 2008

#### PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

Recommended model Box-Jenkins

Forecast Model for PPILF

ARIMA(1,1,0)\*(2,0,0)

| Term  | Coefficient | Std. Error | t-Statistic | Significance |
|-------|-------------|------------|-------------|--------------|
| a[1]  | 0.6381      | 0.0940     | 6.7899      | 1.0000       |
| A[12] | 0.0832      | 0.0805     | 1.0343      | 0.6953 <     |
| A[24] | 0.8102      | 0.0821     | 9.8636      | 1.0000       |

#### Within-Sample Statistics

|                      |                              |
|----------------------|------------------------------|
| Sample size 72       | Number of parameters 3       |
| Mean 154.9           | Standard deviation 10.3      |
| R-square 0.9988      | Adjusted R-square 0.9987     |
| Durbin-Watson 1.953  | Ljung-Box(18)=26.95 P=0.9201 |
| Forecast error 0.367 | BIC 0.3928                   |
| MAPE 0.001713        | RMSE 0.3593                  |
| MAD 0.2713           |                              |

#### Actual Values for the Most Recent 6 Periods:

| Date    | Actual  |
|---------|---------|
| 2007-05 | 170.800 |
| 2007-06 | 171.000 |
| 2007-07 | 171.400 |
| 2007-08 | 171.000 |
| 2007-09 | 171.200 |
| 2007-10 | 172.000 |

#### Forecasted Values

| Date           | 2.5 Lower      | Forecast       | 97.5 Upper     |
|----------------|----------------|----------------|----------------|
| 2007-11        | 171.279        | 171.988        | 172.697        |
| 2007-12        | 170.607        | 171.968        | 173.329        |
| 2008-01        | 170.803        | 172.792        | 174.781        |
| 2008-02        | 170.707        | 173.282        | 175.856        |
| 2008-03        | 170.650        | 173.764        | 176.878        |
| <b>QTR AVG</b> | <b>170.720</b> | <b>173.279</b> | <b>175.838</b> |

## Railroad and Union Abbreviations

### First Quarter 2008

#### ***Railroads***

|      |                                                                                             |
|------|---------------------------------------------------------------------------------------------|
| BLE  | Bessemer & Lake Erie Railroad (Part of CN's Grand Trunk Corp )                              |
| BNSF | BNSF Railway Company                                                                        |
| 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 (Almost all 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                                                                          |
| DMIR | Duluth, Missabe & Iron Range Company (Part of CN's Grand Trunk Corp )                       |
| 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 (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 Association                                                                  |
| BLET       | Brotherhood of Locomotive Engineers and Trainmen Division of the International Brotherhood of Teamsters |
| BMWED      | Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters      |
| 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                                                         |
| NCFO       | National Conference of Firemen and Oilers                                                               |
| 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)                               |

#### ***Predecessor Unions (Some AAR databases use these old abbreviations.)***

|      |                                                                       |
|------|-----------------------------------------------------------------------|
| BLE  | Brotherhood of Locomotive Engineers (predecessor to BLET)             |
| BMWE | Brotherhood of Maintenance of Way Employees (predecessor to BMWED)    |
| BRC  | Brotherhood of Railway Carmen (predecessor to TCU-Carmen)             |
| IBFO | International Brotherhood of Firemen and Oilers (predecessor to NCFO) |

**DEC 05 2007 Workpapers Sent to STB for 2008 Q1 RCAF**

December 5, 2007

Part of  
Public Record

1. Index Calculation Spreadsheet (index\_calc.xls, 2 pages)
2. Summary (of ST and PFTNW Hourly Rates)
3. Taxable wages adjustment calculation
4. National Contracts spreadsheet, 2 sections (2 and 5 pages )
5. National Increase Applicability and U.S. 2006 Benchmark spreadsheets
6. Wage Rates After Adjusting for New National Contracts (1 page)
7. NRLC Circular with COLA info for UTU
8. NRLC Circular with COLA info for UTU-Yardmasters and IAM
9. Wall Street Journal - 3 month Treasury Bill Rate
10. 2007/Q4 RCAF Lump Sum Amortization (3 pages)
11. 2007/Q4 RCAF Back Pay Amortization (5 pages)
12. Summary of National Back Pay for 3 National Unions
13. Back pay calculations for 3 new national agreements
14. Health & Welfare worksheet (3 pages)
15. NRLC memo for employer health & welfare payment rates effective January 1, 2008.
16. NRLC circular with (2004 round) employee health & welfare contribution rates effective January 1, 2008.
17. NRLC circular with UTU, UTU-YDM, & IAM employee h&w contribution rates effective January 1, 2008.
18. Railroad Retirement spreadsheet (5 pages)
19. RRB Tax rate and maximum taxable earnings for 2008 for RR Retirement and Unemployment Ins.
20. Unemployment Insurance worksheet
21. 2-page SAS runs for Unemployment Insurance
22. Memo on new unemployment tax rate for 2008.
23. Three pages of information on oil prices.
24. Summary of Materials & Supplies
25. Car Hire Spreadsheet (2 pages) plus source data (2 pages)
26. 5 pages of PPI-RE for Depreciation including graph, input/output, and BLS source data
27. 5 pages of PPI-LF for Other (and Lease Rentals) incl. graph, input/output, BLS source data
28. Forecast Error calculation and workpapers (11 pages)

## **Workpapers Sent to STB for 2008 Q1 RCAF**

**December 5, 2007**

**Contract pages used for wage increases, back pay, lump sums, and employee Health & Welfare cost sharing.**

- 1. New national TCU (9 pages)**
- 2. New national TCU-Carmen (7 pages)**
- 3. New national IBEW (6 pages)**
- 4. New CCP & IC BRS (one page)**
- 5. WC & SSAM BRS (one page)**
- 6. IC IBEW (one page)**
- 7. IC SMW (one page)**
- 8. IC TCU (one page)**
- 9. IC & CCP UTU (one page)**
- 10. GTW UTU-YMD (one page)**
- 11. New SOO IBBM (2 pages)**
- 12. New SOO TCU (2 pages)**
- 13. New SOO IAM (one page)**

**RCAF All-Inclusive Index's Labor Index Based on 2006 Benchmarks**

| 06 Wts.                    | 3Q/07<br>Original | 3Q/07<br>Rebenchd | % Chg | 4Q/07     | % Chg<br>fr. Orig | 1Q/08     | % Chg | 2Q/08   | % Chg | 3Q/08   | % Chg |
|----------------------------|-------------------|-------------------|-------|-----------|-------------------|-----------|-------|---------|-------|---------|-------|
|                            |                   |                   |       |           |                   |           |       |         |       |         |       |
| Straight Time              | \$24.362          | \$24.278          | -0.3% | \$24.724  | 1.5%              | \$25.100  | 1.5%  |         | --    |         | --    |
| PFTNW                      | \$5.419           | \$5.813           | 7.3%  | \$5.918   | 9.2%              | \$5.972   | 0.9%  |         | --    |         | --    |
| Total                      | \$29.781          | \$30.091          | 1.0%  | \$30.642  | 2.9%              | \$31.072  | 1.4%  | \$0.000 | --    | \$0.000 | --    |
| Adjustments                |                   |                   |       |           |                   |           |       |         |       |         |       |
| Lump Sum                   | \$0.138           | \$0.135           |       | \$0.136   |                   | \$0.136   |       |         |       |         |       |
| Back Pay                   | \$0.013           | \$0.013           |       | \$0.448   |                   | \$0.650   |       |         |       |         |       |
| Other                      | \$0.176           | \$0.171           |       | \$0.171   |                   | \$0.170   |       |         |       |         |       |
| Total Wages                | \$30.108          | \$30.410          | 1.0%  | \$31.397  | 4.3%              | \$32.028  | 2.0%  | \$0.000 | --    | \$0.000 | --    |
| Pre-Tax Reduction          | (\$0.772)         | (\$0.755)         |       | (\$0.921) |                   | (\$0.957) |       |         |       |         |       |
| Taxable Wages              | \$29.336          | \$29.655          |       | \$30.476  |                   | \$31.071  |       | \$0.000 |       | \$0.000 |       |
| H & W                      | \$5.515           | \$5.719           | 3.7%  | \$5.584   | 1.3%              | \$5.506   | -1.4% |         | --    |         | --    |
| RR Ret & Medicare          | \$6.235           | \$6.236           | 0.0%  | \$6.362   | 2.0%              | \$6.530   | 2.6%  |         | --    |         | --    |
| Unemp. Insurance           | \$0.186           | \$0.186           | 0.0%  | \$0.186   | 0.0%              | \$0.195   | 4.8%  |         | --    |         | --    |
| Other                      | \$0.085           | \$0.083           | -2.4% | \$0.066   | -22.4%            | \$0.080   | 21.2% |         | --    |         | --    |
| Total                      | \$12.021          | \$12.224          | 1.7%  | \$12.198  | 1.5%              | \$12.311  | 0.9%  | \$0.000 | --    | \$0.000 | --    |
| Adjustments                |                   |                   |       |           |                   |           |       |         |       |         |       |
| Total Suppl.               | \$12.021          | \$12.224          | 1.7%  | \$12.198  | 1.5%              | \$12.311  | 0.9%  | \$0.000 | --    | \$0.000 | --    |
| Total Labor                | \$42.129          | \$42.634          | 1.2%  | \$43.595  | 3.5%              | \$44.339  | 1.7%  | \$0.000 | --    | \$0.000 | --    |
| Wage Rate Index            | 0.7210            | 260.2             | 1.0%  | 268.7     | 4.3%              | 274.1     | 2.0%  | 0.0     | --    | 0.0     | --    |
| Suppl Index                | 444.2             | 451.7             | 1.7%  | 450.8     | 1.5%              | 455.0     | 0.9%  | 0.0     | --    | 0.0     | --    |
| Total Labor Index '05 Wts. | 309.2             |                   |       |           |                   |           |       |         |       |         |       |
| Total Labor Index '06 Wts. | 309.7             | 313.6             | 1.3%  | 319.5     | 3.2%              | 324.6     | 1.6%  | 0.0     | --    | 0.0     | --    |
| Labor Index (Linked)       | 298.5             |                   |       | 307.9     | 3.1%              | 312.8     | 1.6%  | 0.0     | ##### | #DIV/0! | --    |

# All Inclusive Index and RCAF

|                                        | 06 Wts           | 3Q/07            | 3Q/07<br>06 Wts | % Chg | 4Q/07          | % Chg        | 1Q/08          | % Chg        | 2Q/08                    | % Chg | 3Q/08              | % Chg    |
|----------------------------------------|------------------|------------------|-----------------|-------|----------------|--------------|----------------|--------------|--------------------------|-------|--------------------|----------|
| Labor                                  | 0.345            | 298.50           | 298.5           | 0.0%  | 307.9          | 3.1%         | 312.8          | 1.6%         | 0.0 #####                |       | #DIV/0!            | --       |
| Fuel                                   | 0.192            | 253.90           | 253.9           | 0.0%  | 276.4          | 8.9%         | 334.8          | 21.1%        | --                       |       |                    | --       |
| M&S                                    | 0.050            | 212.60           | 212.6           | 0.0%  | 218.4          | 2.7%         | 218.5          | 0.0%         | --                       |       |                    | --       |
| Equip. Rents                           | 0.078            | 192.50           | 192.5           | 0.0%  | 192.9          | 0.2%         | 193.1          | 0.1%         | 0.0 #####                |       | #DIV/0!            | --       |
| Depreciation                           | 0.106            | 199.90           | 199.9           | 0.0%  | 200.2          | 0.2%         | 200.1          | 0.0%         | --                       |       |                    | --       |
| Interest                               | 0.027            | 96.90            | 96.9            | 0.0%  | 90.2           | -6.9%        | 90.2           | 0.0%         | 90.2 0.0%                |       | 90.2 0.0%          | 0.0%     |
| Other                                  | 0.202            | 193.20           | 193.2           | 0.0%  | 194.1          | 0.5%         | 194.3          | 0.1%         | --                       |       |                    | --       |
| Weighted Avg.<br>Linked                | 1.000            | 238.70<br>234.00 | 240.2           | 0.6%  | 248.1<br>241.7 | 3.3%<br>3.3% | 261.1<br>254.4 | 5.2%<br>5.3% | 2.4 -99.1%<br>2.3 -99.1% |       | #DIV/0!<br>#DIV/0! | --<br>-- |
| 10/1/80 basis                          | 102.7            | 227.80           |                 |       | 235.3          | 3.3%         | 247.7          | 5.3%         | 2.2 -99.1%               |       | #DIV/0!            | --       |
| 10/1/82                                | 120.9            | 193.50           |                 |       | 199.9          | 3.3%         | 210.4          | 5.3%         | 1.9 -99.1%               |       | #DIV/0!            | --       |
| 4Q/87                                  | 132.2            | 177.00           |                 |       | 182.8          | 3.3%         | 192.4          | 5.3%         | 1.7 -99.1%               |       | #DIV/0!            | --       |
| 4Q/92                                  | 156.9            | 149.10           |                 |       | 154.0          | 3.3%         | 162.1          | 5.3%         | 1.5 -99.1%               |       | #DIV/0!            | --       |
| 4Q/97                                  | 173.2            | 135.10           |                 |       | 139.5          | 3.3%         | 146.9          | 5.3%         | 1.3 -99.1%               |       | #DIV/0!            | --       |
| 4Q/02                                  | 192.1            | 121.80           |                 |       | 125.8          | 3.3%         | 132.4          | 5.2%         | 1.2 -99.1%               |       | #DIV/0!            | --       |
| 4Q/07 basis                            | 245.9            | 95.20            |                 |       | 98.3           | 3.3%         | 103.5          | 5.3%         | 0.9 -99.1%               |       | #DIV/0!            | --       |
| Car Hire                               | 0.463            | 179.80           | 179.8           | 0.0%  | 179.7          | -0.1%        | 179.9          | 0.1%         | --                       |       |                    | --       |
| Lease Rents                            | 0.537            | 193.20           | 193.2           | 0.0%  | 194.1          | 0.5%         | 194.3          | 0.1%         | 0.0 --                   |       | 0.0                | --       |
| Wghted Avg Eq Rents                    |                  | 186.60           | 187.0           | 0.2%  | 187.4          | 0.2%         | 187.6          | 0.1%         | 0.0 --                   |       | 0.0                | --       |
| Linked Equipment Rents                 |                  | 192.50           |                 |       | 192.9          | 0.2%         | 193.1          | 0.1%         | 0.0 #####                |       | #DN/0!             | --       |
| Preliminary RCAF                       | 0.952            |                  |                 |       | 0.983          | 3.26%        | 1.035          | 5.3%         | 0.009 -99.1%             |       | #DIV/0!            | --       |
| Forecast Error Adj.<br>RCAF Unadjusted | (0.016)<br>0.936 |                  |                 |       | 0.017<br>1.000 | 6.84%        | 0.015<br>1.050 | 5.0%         | 0.009 -99.1%             |       | #DIV/0!            | --       |
| PAF                                    | 2.1438           |                  |                 |       | 2.1528         | 0.42%        | 2.1618         | 0.42%        | --                       |       |                    | --       |
| RCAF Adjusted                          | 0.437            |                  |                 |       | 0.465          | 6.41%        | 0.496          | 4.5%         | #DIV/0!                  |       | #DIV/0!            | --       |
| PAF-5                                  | 2.2562           |                  |                 |       | 2.2668         | 0.47%        | 2.2763         | 0.42%        | --                       |       |                    | --       |
| RCAF-5                                 | 0.415            |                  |                 |       | 0.441          | 6.27%        | 0.461          | 4.5%         | #DIV/0!                  |       | #DIV/0!            | --       |

Note:  
The RCAFs shown here for Q3 and Q4 have been recalculated using a 4Q/07=100 base

# Hourly Rate for 2008 Q1

## Straight Time and Time Paid For But Not Worked

### 2008Q1 Straight Time Hourly Rate (from national spreadsheet)

**\$24 990**

3 new national agreements, 3 percent gwi for non-union, 16-cent COLA for UTU, UTU-YMD, IAM

#### Adjustments to 2006 base:

#### Adjustments added 2007 Q1

|                                       |                                                                                  |       |
|---------------------------------------|----------------------------------------------------------------------------------|-------|
| CN Railroads                          | 3% for GTW UTU-YMD, \$0 15 or \$0 01 COLA for some unions                        | 0.003 |
| Dispatcher 4 (BNSF, CSX, KCS, NS)     | \$0 15 COLA for BNSF and KCS                                                     | 0.001 |
| Misc. Independent BLET, UTU-YMD, ATDA | \$0 01 for UP ATDA, 2% for NS BLET, \$0 15 for BNSF BLET, CSX BLET & YMD, UP YMD | 0.028 |
| SOO Unions                            | \$0 08 COLA for BMWE, \$0 15 COLA for rest                                       | 0.002 |

#### Adjustments added 2007 Q2

|              |                                                            |       |
|--------------|------------------------------------------------------------|-------|
| CN Railroads | New contracts retro GWI for DMIR IBM, GTW BLET, IC TCU-CAR | 0.003 |
|--------------|------------------------------------------------------------|-------|

#### Adjustments added 2007 Q3

|                                                  |                                                                     |       |
|--------------------------------------------------|---------------------------------------------------------------------|-------|
| CN Railroads                                     | 3% GWI and \$0 10 COLA for some unions                              | 0.007 |
| Dispatcher 4 (BNSF, CSX, KCS, NS)                | \$0 10 COLA for BNSF, CSX and KCS                                   | 0.001 |
| Misc. Independent BLET, Yardmasters, Dispatchers | \$0 10 for BNSF BLET, CSX & UP YMD, new CSX BLET contract retro GWI | 0.008 |
| SOO Unions                                       | \$0 08 COLA for BMWE, \$0 10 COLA for rest                          | 0.001 |

#### Adjustments added 2007 Q4

|                                                  |                                                                         |       |
|--------------------------------------------------|-------------------------------------------------------------------------|-------|
| CN Railroads                                     | New contracts retro GWI for DMIR BRC, IC&CCP BMWE, GTW TCU, WC&SSAM UTU | 0.015 |
| Dispatcher 4 (BNSF, CSX, KCS, NS)                | New national contract retro GWI for BNSF, CSX and KCS                   | 0.009 |
| Misc. Independent BLET, Yardmasters, Dispatchers | New BNSF BLET contract with retro GWIs                                  | 0.018 |
| SOO BLET                                         | new BLET contract with retro GWIs                                       | 0.004 |

#### Adjustments added 2008 Q1

|                                                  |                                                                                        |       |
|--------------------------------------------------|----------------------------------------------------------------------------------------|-------|
| CN Railroads                                     | New IC&CCP BRC 4% for SSAM&WC BRS, 3% for non-union, \$0 16 COLA for some CCP DMIR, IC | 0.005 |
| Dispatcher 4 (BNSF, CSX, KCS, NS)                | No change                                                                              | 0.000 |
| Misc. Independent BLET, Yardmasters, Dispatchers | \$0 16 COLA for CSX and UP UTU-YMD, 3% for UP ATDA (non-union)                         | 0.001 |
| SOO BLET                                         | New ATDA, IBM and TCU contracts, \$0 16 COLA for rest except BLET                      | 0.004 |

#### Adjusted STHR Total

**\$25.100**

#### Pay For Time Not Worked

PFTNW (from national spread sheet)

**\$5.946**

Ratio Adj STHR to Nat STHR

25.100 / 24.990 =

**1.00440**

#### Adjusted Pay For Time Not Worked

**\$5.972**

#### Notes:

1. CN Railroads includes B&LE, CC&P, DMIR, DW&P, GTW, IC, WC, and SSAM
2. "Dispatcher 4" was benchmarked based on 2006 Wage Statistics as independent. The new national ATDA contract was signed September 1, 2007 but still added to 4Q 2007 wage rate as independent adjustments.

## 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.

Most 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, and some have their own employee contribution rate such as 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 1Q/2008

U.S. ST Hours = 342,756,730  
 Wage Statistics are for 2006.

| Union Group                                        | Employees      | Mo. Rate   | Annual \$                 |
|----------------------------------------------------|----------------|------------|---------------------------|
| National BLET (BNSF, CSX, KCS, NS, UP)             | 28,966         | (\$166.25) | (\$57,787,170.00)         |
| National BMWE (BNSF, CSX, KCS, NS, UP)             | 24,090         | (\$166.25) | (\$48,059,550.00)         |
| National BRS (BNSF, CSX, KCS, NS, UP)              | 5,859          | (\$166.25) | (\$11,688,705.00)         |
| National IAM (BNSF, CSX, KCS, NS, UP)              | 6,763          | (\$149.04) | (\$12,095,490.24)         |
| National IBBM (BNSF, CSX, KCS, NS, UP)             | 1,051          | (\$166.25) | (\$2,096,745.00)          |
| National IBEW (BNSF, CSX, KCS, NS, UP)             | 4,929          | (\$166.25) | (\$9,833,355.00)          |
| National NCFO (BNSF, CSX, KCS, NS, UP)             | 2,404          | (\$166.25) | (\$4,795,980.00)          |
| National SMW (BNSF, CSX, KCS, NS, UP)              | 1,059          | (\$166.25) | (\$2,112,705.00)          |
| National TCU (BNSF, CSX, KCS, NS, UP)              | 8,383          | (\$166.25) | (\$16,724,085.00)         |
| National TCU-CAR (BNSF, CSX, KCS, NS, UP)          | 10,407         | (\$166.25) | (\$20,761,965.00)         |
| National UTU (BNSF, CSX, KCS, NS, UP)              | 44,297         | (\$170.44) | (\$90,599,768.16)         |
| National UTU-Yardmasters (BNSF, CSX, KCS, NS)      | 1,701          | (\$170.44) | (\$3,479,021.28)          |
| Indep. Dispatchers (wt avg BNSF, CSX, KCS, NS)     | 1,791          | (\$164.92) | (\$3,544,460.64)          |
| Independent CNGT (wt avg all 104 union categories) | 5,892          | (\$78.28)  | (\$5,534,709.12)          |
| Independent SOO (wt avg all 13 unions)             | 2,567          | (\$128.72) | (\$3,965,090.88)          |
| Independent UP (Yardmasters only)                  | 491            | (\$147.31) | (\$867,950.52)            |
| <b>Total Union</b>                                 | <b>150,650</b> |            | <b>(\$293,946,750.84)</b> |
| <b>All Other @ \$2,839,968.66 total per month</b>  |                |            | <b>(\$34,079,623.92)</b>  |
| <b>Total</b>                                       |                |            | <b>(\$328,026,374.76)</b> |

|                                       |               |
|---------------------------------------|---------------|
| Reduction in Wage Rate Per ST Hour    | -\$0.95702388 |
| Deduct this amount from the Wage Rate | -\$0.957      |

# National Contracts U.S.

| Straight Time Hourly Rate |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|---------------------------|---------|---------|---------|--------|--------|---------|---------|---------|---------|---------|---------|---------|--------|---------|
|                           | UTU     | TCU     | BLET    | SMWIA  | BRS    | BMWE    | TCU-CAR | NCFO    | IAM     | IBBM    | IBEW    | ATDA    | YDMSTR | OTHER   |
| Weight                    | 0.27223 | 0.04641 | 0.19691 | 0.0056 | 0.0335 | 0.13529 | 0.05895 | 0.01288 | 0.03684 | 0.00593 | 0.02736 | 0.01269 | 0.0117 | 0.14371 |
| 2006 Avg.                 | 20.235  | 22.129  | 21.774  | 21.652 | 23.127 | 19.980  | 21.403  | 17.764  | 21.657  | 19.684  | 22.227  | 31.747  | 27.519 | 41.118  |
| 12/31/06                  | 20.242  | 22.134  | 21.778  | 21.658 | 23.130 | 19.991  | 21.412  | 17.776  | 21.672  | 19.698  | 22.232  | 31.801  | 27.524 | 41.118  |
| 1/1/07                    | 20.386  | 22.270  | 21.829  | 21.804 | 23.130 | 20.065  | 21.551  | 17.920  | 21.815  | 19.839  | 22.375  | 31.801  | 27.588 | 41.128  |
| 4/1/07                    | 20.386  | 22.270  | 21.829  | 21.804 | 23.130 | 20.065  | 21.551  | 17.920  | 21.815  | 19.839  | 22.375  | 31.801  | 27.588 | 41.128  |
| 7/1/07                    | 20.481  | 22.360  | 21.864  | 21.902 | 23.130 | 20.111  | 21.644  | 18.016  | 21.911  | 20.252  | 22.470  | 31.801  | 27.631 | 41.128  |
| 10/1/07                   | 20.481  | 22.360  | 22.339  | 23.009 | 25.045 | 21.742  | 21.644  | 18.772  | 21.911  | 21.147  | 22.470  | 31.801  | 27.631 | 41.128  |
| 1/1/08                    | 20.634  | 23.413  | 22.339  | 23.009 | 25.045 | 21.742  | 22.682  | 18.772  | 22.064  | 21.147  | 23.592  | 31.801  | 27.700 | 42.362  |
| 4/1/08                    | 20.634  | 23.413  | 22.339  | 23.009 | 25.045 | 21.742  | 22.682  | 18.772  | 22.064  | 21.147  | 23.592  | 31.801  | 27.700 | 42.362  |
| 7/1/08                    | 20.634  | 23.413  | 22.339  | 23.009 | 25.045 | 21.742  | 22.682  | 18.772  | 22.064  | 21.147  | 23.592  | 31.801  | 27.700 | 42.362  |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
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|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        |         |         |         |         |         |         |         |        |         |
|                           |         |         |         |        |        | </      |         |         |         |         |         |         |        |         |

|           |         |
|-----------|---------|
| Check Sum | 1.00000 |
|           | 332.017 |
|           | 332.167 |

## Weighted Straight Time Hourly Rate

| UTU       | TCU   | BLET  | SMWIA | BRS   | BMWE  | TCU-CAR | NCFO  | IAM   | IBBM  | IBEW  | ATDA  | YDMSTR | OTHER | Total  |
|-----------|-------|-------|-------|-------|-------|---------|-------|-------|-------|-------|-------|--------|-------|--------|
| 2006 Avg. | 5.509 | 1.027 | 4.288 | 0.121 | 0.775 | 2.703   | 1.262 | 0.229 | 0.798 | 0.117 | 0.608 | 0.403  | 5.909 | 24.069 |
| 12/31/06  | 5.511 | 1.027 | 4.288 | 0.121 | 0.775 | 2.705   | 1.262 | 0.229 | 0.798 | 0.117 | 0.608 | 0.403  | 5.909 | 24.076 |
| 1/1/07    | 5.550 | 1.033 | 4.298 | 0.122 | 0.775 | 2.715   | 1.270 | 0.231 | 0.804 | 0.118 | 0.612 | 0.403  | 5.911 | 24.155 |
| 4/1/07    | 5.550 | 1.033 | 4.298 | 0.122 | 0.775 | 2.715   | 1.270 | 0.231 | 0.804 | 0.118 | 0.612 | 0.403  | 5.911 | 24.165 |
| 7/1/07    | 5.576 | 1.038 | 4.305 | 0.123 | 0.775 | 2.721   | 1.275 | 0.232 | 0.807 | 0.120 | 0.615 | 0.403  | 5.911 | 24.221 |
| 10/1/07   | 5.576 | 1.038 | 4.399 | 0.129 | 0.839 | 2.942   | 1.276 | 0.242 | 0.807 | 0.125 | 0.615 | 0.403  | 5.911 | 24.624 |
| 1/1/08    | 5.617 | 1.067 | 4.399 | 0.129 | 0.839 | 2.942   | 1.337 | 0.242 | 0.813 | 0.125 | 0.646 | 0.403  | 6.088 | 24.990 |
| 4/1/08    | 5.617 | 1.067 | 4.399 | 0.129 | 0.839 | 2.942   | 1.337 | 0.242 | 0.813 | 0.125 | 0.646 | 0.403  | 6.088 | 24.990 |
| 7/1/08    | 5.617 | 1.067 | 4.399 | 0.129 | 0.839 | 2.942   | 1.337 | 0.242 | 0.813 | 0.125 | 0.646 | 0.403  | 6.088 | 24.990 |

Note. The 2006 Average and 12/31/06 Straight Time Hourly Rates are the industry rates, and include all Class I railroad employees. The rates for 1/1/07 through 7/1/08 are based on the industry year-end rates 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 impacts of non-national (or independent contract) increases after 2006 are not shown on this page and are handled separately.

# National Contracts U.S.

## Pay For Time Not Worked Hourly Rate

|           | UTU     | TCU     | BLET    | SMWIA  | BRS    | BMWE    | TCU-CAR | NCFO    | IAM     | IBBM    | IBEW    | ATDA    | YDMSTR | OTHER   |
|-----------|---------|---------|---------|--------|--------|---------|---------|---------|---------|---------|---------|---------|--------|---------|
| Weight    | 0.27223 | 0.04641 | 0.19691 | 0.0056 | 0.0335 | 0.13529 | 0.05895 | 0.01288 | 0.03684 | 0.00593 | 0.02736 | 0.01269 | 0.0117 | 0.14371 |
| 2006 Avg. | 8.161   | 5.075   | 8.700   | 4.027  | 4.946  | 3.578   | 3.775   | 3.083   | 4.065   | 2.945   | 4.076   | 6.505   | 7.156  | 1.410   |
| 12/31/06  | 8.164   | 5.076   | 8.702   | 4.028  | 4.947  | 3.580   | 3.777   | 3.085   | 4.068   | 2.947   | 4.077   | 6.516   | 7.157  | 1.410   |
| 1/1/07    | 8.222   | 5.107   | 8.722   | 4.056  | 4.947  | 3.593   | 3.801   | 3.110   | 4.095   | 2.969   | 4.103   | 6.516   | 7.174  | 1.410   |
| 4/1/07    | 8.222   | 5.107   | 8.722   | 4.056  | 4.947  | 3.593   | 3.801   | 3.110   | 4.095   | 2.969   | 4.103   | 6.516   | 7.174  | 1.410   |
| 7/1/07    | 8.260   | 5.128   | 8.736   | 4.074  | 4.947  | 3.601   | 3.818   | 3.127   | 4.113   | 3.030   | 4.121   | 6.516   | 7.185  | 1.410   |
| 10/1/07   | 8.260   | 5.128   | 8.926   | 4.280  | 5.356  | 3.893   | 3.818   | 3.258   | 4.113   | 3.164   | 4.121   | 6.516   | 7.185  | 1.410   |
| 1/1/08    | 8.322   | 5.369   | 8.926   | 4.280  | 5.356  | 3.893   | 4.001   | 3.258   | 4.142   | 3.164   | 4.326   | 6.516   | 7.203  | 1.452   |
| 4/1/08    | 8.322   | 5.369   | 8.926   | 4.280  | 5.356  | 3.893   | 4.001   | 3.258   | 4.142   | 3.164   | 4.326   | 6.516   | 7.203  | 1.452   |
| 7/1/08    | 8.322   | 5.369   | 8.926   | 4.280  | 5.356  | 3.893   | 4.001   | 3.258   | 4.142   | 3.164   | 4.326   | 6.516   | 7.203  | 1.452   |

## Pay For Time Not Worked Hourly Rate

|           | UTU   | TCU   | BLET  | SMWIA | BRS   | BMWE  | TCU-CAR | NCFO  | IAM   | IBBM  | IBEW  | ATDA  | YDMSTR | OTHER | Total |
|-----------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-------|-------|-------|--------|-------|-------|
| 2006 Avg. | 2.222 | 0.236 | 1.713 | 0.023 | 0.166 | 0.484 | 0.223   | 0.040 | 0.150 | 0.017 | 0.112 | 0.083 | 0.084  | 0.203 | 5.753 |
| 12/31/06  | 2.223 | 0.236 | 1.713 | 0.023 | 0.166 | 0.484 | 0.223   | 0.040 | 0.150 | 0.017 | 0.112 | 0.083 | 0.084  | 0.203 | 5.754 |
| 1/1/07    | 2.236 | 0.237 | 1.713 | 0.023 | 0.166 | 0.485 | 0.224   | 0.040 | 0.151 | 0.018 | 0.112 | 0.083 | 0.084  | 0.203 | 5.791 |
| 4/1/07    | 2.236 | 0.237 | 1.713 | 0.023 | 0.166 | 0.485 | 0.224   | 0.040 | 0.151 | 0.018 | 0.112 | 0.083 | 0.084  | 0.203 | 5.791 |
| 7/1/07    | 2.249 | 0.238 | 1.726 | 0.023 | 0.166 | 0.487 | 0.225   | 0.040 | 0.152 | 0.019 | 0.113 | 0.083 | 0.084  | 0.203 | 5.800 |
| 10/1/07   | 2.249 | 0.238 | 1.758 | 0.024 | 0.179 | 0.527 | 0.225   | 0.042 | 0.152 | 0.019 | 0.113 | 0.083 | 0.084  | 0.203 | 5.894 |
| 1/1/08    | 2.266 | 0.249 | 1.758 | 0.024 | 0.179 | 0.527 | 0.236   | 0.042 | 0.153 | 0.019 | 0.118 | 0.083 | 0.084  | 0.209 | 5.946 |
| 4/1/08    | 2.266 | 0.249 | 1.758 | 0.024 | 0.179 | 0.527 | 0.236   | 0.042 | 0.153 | 0.019 | 0.118 | 0.083 | 0.084  | 0.209 | 5.946 |
| 7/1/08    | 2.266 | 0.249 | 1.758 | 0.024 | 0.179 | 0.527 | 0.236   | 0.042 | 0.153 | 0.019 | 0.118 | 0.083 | 0.084  | 0.209 | 5.946 |

# U.S. National Contract

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## UTU

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg      |                     |                |            | 20.23547 | 8.16146  |
| 12/31/06 Industry Rate |                     |                |            | 20.24249 | 8.16429  |
| 1/1/07                 |                     | 0.15000        | 95.388%    | 20.38558 | 8.22200  |
| 4/1/07                 |                     |                | 95.388%    | 20.38558 | 8.22200  |
| 7/1/07                 |                     | 0.10000        | 95.388%    | 20.48097 | 8.26047  |
| 10/1/07                |                     |                | 95.388%    | 20.48097 | 8.26047  |
| 1/1/08                 |                     | 0.16000        | 95.388%    | 20.63359 | 8.32203  |
| 4/1/08                 |                     |                | 95.388%    | 20.63359 | 8.32203  |
| 7/1/08                 |                     |                | 95.388%    | 20.63359 | 8.32203  |

## TCU

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 22.12944 | 5.07490  |
| 12/31/06 Industry Rate |                     |                |            | 22.13431 | 5.07602  |
| 1/1/07                 |                     | 0.15000        | 90.271%    | 22.26971 | 5.10707  |
| 4/1/07                 |                     |                | 90.271%    | 22.26971 | 5.10707  |
| 7/1/07                 |                     | 0.10000        | 90.271%    | 22.35998 | 5.12777  |
| 10/1/07                |                     |                | 90.271%    | 22.35998 | 5.12777  |
| 1/1/08                 |                     |                | 90.271%    | 23.41299 | 5.36926  |
| 4/1/08                 |                     |                | 90.271%    | 23.41299 | 5.36926  |
| 7/1/08                 |                     |                | 90.271%    | 23.41299 | 5.36926  |

## BLET

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 21.77389 | 8.70021  |
| 12/31/06 Industry Rate |                     |                |            | 21.77803 | 8.70187  |
| 1/1/07                 |                     | 0.15000        | 34.251%    | 21.82941 | 8.72240  |
| 4/1/07                 |                     |                | 34.251%    | 21.82941 | 8.72240  |
| 7/1/07                 |                     | 0.10000        | 34.251%    | 21.86366 | 8.73608  |
| 10/1/07                |                     |                | 34.251%    | 22.33929 | 8.92613  |
| 1/1/08                 |                     |                | 34.251%    | 22.33929 | 8.92613  |
| 4/1/08                 |                     |                | 34.251%    | 22.33929 | 8.92613  |
| 7/1/08                 |                     |                | 34.251%    | 22.33929 | 8.92613  |

# U.S. National Contract

## SMWIA

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg      |                     |                |            | 21.65197 | 4.02722  |
| 12/31/06 Industry Rate |                     |                |            | 21.65761 | 4.02827  |
| 1/1/07                 |                     | 0.15000        | 97.827%    | 21.80435 | 4.05556  |
| 4/1/07                 |                     |                | 97.827%    | 21.80435 | 4.05556  |
| 7/1/07                 |                     | 0.10000        | 97.827%    | 21.90218 | 4.07376  |
| 10/1/07                |                     |                | 97.827%    | 23.00919 | 4.27966  |
| 1/1/08                 |                     |                | 97.827%    | 23.00919 | 4.27966  |
| 4/1/08                 |                     |                | 97.827%    | 23.00919 | 4.27966  |
| 7/1/08                 |                     |                | 97.827%    | 23.00919 | 4.27966  |

New contract removes COLAs beginning 7/1/05 and adds three retro G W I

## BRS

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg      |                     |                |            | 23.12687 | 4.94609  |
| 12/31/06 Industry Rate |                     |                |            | 23.13040 | 4.94685  |
| 1/1/07                 |                     |                | 94.845%    | 23.13040 | 4.94685  |
| 4/1/07                 |                     |                | 94.845%    | 23.13040 | 4.94685  |
| 7/1/07                 |                     |                | 94.845%    | 23.13040 | 4.94685  |
| 10/1/07                |                     |                | 94.845%    | 25.04482 | 5.35628  |
| 1/1/08                 |                     |                | 94.845%    | 25.04482 | 5.35628  |
| 4/1/08                 |                     |                | 94.845%    | 25.04482 | 5.35628  |
| 7/1/08                 |                     |                | 94.845%    | 25.04482 | 5.35628  |

New contract adds three retro G W I

No COLA provision in BRS 9/24/03 agreement

## BMWE

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 19.97987 | 3.57778  |
| 12/31/06 Industry Rate |                     |                |            | 19.99121 | 3.57981  |
| 1/1/07                 |                     | 0.08000        | 92.392%    | 20.06512 | 3.59305  |
| 4/1/07                 |                     |                | 92.392%    | 20.06512 | 3.59305  |
| 7/1/07                 |                     | 0.05000        | 92.392%    | 20.11132 | 3.60132  |
| 10/1/07                |                     |                | 92.392%    | 21.74237 | 3.89339  |
| 1/1/08                 |                     |                | 92.392%    | 21.74237 | 3.89339  |
| 4/1/08                 |                     |                | 92.392%    | 21.74237 | 3.89339  |
| 7/1/08                 |                     |                | 92.392%    | 21.74237 | 3.89339  |

New contract removes COLAs beginning 7/1/05 and adds three retro G W I

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## TCU-Carmen

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 21.40302 | 3.77519  |
| 12/31/06 Industry Rate |                     |                |            | 21.41190 | 3.77676  |
| 1/1/07                 |                     | 0.15000        | 92.710%    | 21.55096 | 3.80128  |
| 4/1/07                 |                     |                | 92.710%    | 21.55096 | 3.80128  |
| 7/1/07                 |                     | 0.10000        | 92.710%    | 21.64367 | 3.81764  |
| 10/1/07                |                     |                | 92.710%    | 21.64367 | 3.81764  |
| 1/1/08                 |                     |                | 92.710%    | 22.68153 | 4.00070  |
| 4/1/08                 |                     |                | 92.710%    | 22.68153 | 4.00070  |
| 7/1/08                 |                     |                | 92.710%    | 22.68153 | 4.00070  |

New contract removes COLAs beginning 7/1/05 and adds three retro G W I

## NCFO

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 17.76407 | 3.08290  |
| 12/31/06 Industry Rate |                     |                |            | 17.77636 | 3.08503  |
| 1/1/07                 |                     | 0.15000        | 95.865%    | 17.92016 | 3.10999  |
| 4/1/07                 |                     |                | 95.865%    | 17.92016 | 3.10999  |
| 7/1/07                 |                     | 0.10000        | 95.865%    | 18.01602 | 3.12662  |
| 10/1/07                |                     |                | 95.865%    | 18.77239 | 3.25789  |
| 1/1/08                 |                     |                | 95.865%    | 18.77239 | 3.25789  |
| 4/1/08                 |                     |                | 95.865%    | 18.77239 | 3.25789  |
| 7/1/08                 |                     |                | 95.865%    | 18.77239 | 3.25789  |

New contract removes COLAs beginning 7/1/05 and adds three retro G W I

## IAM

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg      |                     |                |            | 21.65735 | 4.06537  |
| 12/31/06 Industry Rate |                     |                |            | 21.67225 | 4.06817  |
| 1/1/07                 |                     | 0.15000        | 95.478%    | 21.81546 | 4.09505  |
| 4/1/07                 |                     |                | 95.478%    | 21.81546 | 4.09505  |
| 7/1/07                 |                     | 0.10000        | 95.478%    | 21.91094 | 4.11297  |
| 10/1/07                |                     |                | 95.478%    | 21.91094 | 4.11297  |
| 1/1/08                 |                     | 0.16000        | 95.478%    | 22.06371 | 4.14165  |
| 4/1/08                 |                     |                | 95.478%    | 22.06371 | 4.14165  |
| 7/1/08                 |                     |                | 95.478%    | 22.06371 | 4.14165  |

# U.S. National Contract

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## IBBM

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 19.68410 | 2.94546  |
| 12/31/06 Industry Rate |                     |                |            | 19.69762 | 2.94749  |
| 1/1/07                 |                     | 0.15000        | 93.938%    | 19.83853 | 2.96857  |
| 4/1/07                 |                     |                | 93.938%    | 19.83853 | 2.96857  |
| 7/1/07                 |                     | 0.44000        | 93.938%    | 20.25186 | 3.03042  |
| 10/1/07                |                     |                | 93.938%    | 21.14699 | 3.16437  |
| 1/1/08                 |                     |                | 93.938%    | 21.14699 | 3.16437  |
| 4/1/08                 |                     |                | 93.938%    | 21.14699 | 3.16437  |
| 7/1/08                 |                     |                | 93.938%    | 21.14699 | 3.16437  |

New contract removes COLAs beginning 7/1/05 and adds three retro G.W I

12/14/04 contract states effective 6/1/07 wage rate shall be increased \$0.34 per hour

## IBEW

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg      |                     |                |            | 22.22681 | 4.07615  |
| 12/31/06 Industry Rate |                     |                |            | 22.23189 | 4.07708  |
| 1/1/07                 |                     | 0.15000        | 95.112%    | 22.37456 | 4.10324  |
| 4/1/07                 |                     |                | 95.112%    | 22.37456 | 4.10324  |
| 7/1/07                 |                     | 0.10000        | 95.112%    | 22.46967 | 4.12068  |
| 10/1/07                |                     |                | 95.112%    | 22.46967 | 4.12068  |
| 1/1/08                 |                     |                | 95.112%    | 23.59176 | 4.32646  |
| 4/1/08                 |                     |                | 95.112%    | 23.59176 | 4.32646  |
| 7/1/08                 |                     |                | 95.112%    | 23.59176 | 4.32646  |

New contract removes COLAs beginning 7/1/05 and adds three retro G W I

## ATDA

|                        | Percentage Increase | Cents Increase | Applicable | ST HR    | PFTNW HR |
|------------------------|---------------------|----------------|------------|----------|----------|
| 2006 Industry Avg.     |                     |                |            | 31.74691 | 6.50471  |
| 12/31/06 Industry Rate |                     |                |            | 31.80064 | 6.51572  |
| 1/1/07                 |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 4/1/07                 |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 7/1/07                 |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 10/1/07                |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 1/1/08                 |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 4/1/08                 |                     |                | 0.000%     | 31.80064 | 6.51572  |
| 7/1/08                 |                     |                | 0.000%     | 31.80064 | 6.51572  |

## YDMSTRS

|                        | Percentage<br>Increase | Cents<br>Increase | Applicable | ST HR    | PFTNW<br>HR |
|------------------------|------------------------|-------------------|------------|----------|-------------|
| 2006 Industry Avg.     |                        |                   |            | 27.51913 | 7.15606     |
| 12/31/06 Industry Rate |                        |                   |            | 27.52390 | 7.15730     |
| 1/1/07                 |                        | 0.15000           | 42.979%    | 27.58837 | 7.17407     |
| 4/1/07                 |                        |                   | 42.979%    | 27.58837 | 7.17407     |
| 7/1/07                 |                        | 0.10000           | 42.979%    | 27.63135 | 7.18524     |
| 10/1/07                |                        |                   | 42.979%    | 27.63135 | 7.18524     |
| 1/1/08                 |                        | 0.16000           | 42.979%    | 27.70012 | 7.20313     |
| 4/1/08                 |                        |                   | 42.979%    | 27.70012 | 7.20313     |
| 7/1/08                 |                        |                   | 42.979%    | 27.70012 | 7.20313     |

## OTHER

|                        | Percentage<br>Increase | Cents<br>Increase | Applicable | ST HR    | PFTNW<br>HR |
|------------------------|------------------------|-------------------|------------|----------|-------------|
| 2006 Industry Avg      |                        |                   |            | 41.11808 | 1.40970     |
| 12/31/06 Industry Rate |                        |                   |            | 41.11808 | 1.40970     |
| 1/1/07                 |                        | 0.01000           | 100.000%   | 41.12808 | 1.41004     |
| 4/1/07                 |                        |                   | 100.000%   | 41.12808 | 1.41004     |
| 7/1/07                 |                        |                   | 100.000%   | 41.12808 | 1.41004     |
| 10/1/07                |                        |                   | 100.000%   | 41.12808 | 1.41004     |
| 1/1/08                 | 3.00%                  |                   | 100.000%   | 42.36192 | 1.45234     |
| 4/1/08                 |                        |                   | 100.000%   | 42.36192 | 1.45234     |
| 7/1/08                 |                        |                   | 100.000%   | 42.36192 | 1.45234     |

## Check Sums

|          | Increase | Applicable | ST HR     | PFTNW<br>HR |
|----------|----------|------------|-----------|-------------|
| 2006 AVG |          |            | 332.01699 | 67.50320    |
| 12/31/06 |          |            | 332.16670 |             |

Should match check sum on National  
Increase Applicability for U S Total page.

1121.058%

ok matches

ok matches

ok matches

All three should match  
check sums on U S.  
Benchmark page

ok matches

ok matches

ok matches

ok matches

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# National Increase Applicability for U.S. Total

| Year 2006  | Not Part of National Agreements* |             |            |         |          |           |           |         |         |          |           |            |            |         |           | U.S. National Increase | Percent National Contract |           |
|------------|----------------------------------|-------------|------------|---------|----------|-----------|-----------|---------|---------|----------|-----------|------------|------------|---------|-----------|------------------------|---------------------------|-----------|
| U.S. Total | Union                            | ST Hours Pd | CSX (E)    | BLE (E) | DMIR (E) | GTW (E)   | IC (E)    | CCP (E) | DWP (E) | SSAM (E) | WC (E)    | NS (E)     | BNSF (W)   | KCS (W) | SOO (W)   | UP (W)                 | ST Hours Pd               |           |
|            | UTU                              | 93,308,110  | -          | 35,370  | 115,497  | 542,896   | 1,429,842 | 133,469 | 79,324  | 14,355   | 639,019   | -          | -          | -       | 1,313,537 | -                      | 89,005,801                | 95.388%   |
|            | TCU                              | 15,906,099  | -          | 14,996  | 123,298  | 278,751   | 490,759   | 13,697  | 27,467  | 0        | 122,443   | -          | -          | -       | 478,069   | -                      | 14,358,618                | 90.271%   |
|            | BLET                             | 67,492,528  | 11,306,000 | 19,849  | 65,599   | 404,681   | 929,604   | 103,045 | 70,931  | 11,440   | 555,994   | 9,897,735  | 19,938,612 | -       | 1,082,091 | -                      | 23,117,077                | 34.251%   |
|            | SNW                              | 1,919,076   | -          | 0       | 3,903    | 0         | 34,456    | 0       | 0       | 0        | 0         | -          | -          | -       | 3,335     | -                      | 1,877,382                 | 97.827%   |
|            | BRS                              | 11,482,130  | -          | 9,470   | 0        | 99,976    | 219,329   | 29,817  | 13,238  | 0        | 116,174   | -          | -          | -       | 103,951   | -                      | 10,890,175                | 94.845%   |
|            | BMWE                             | 46,373,055  | -          | 60,177  | 0        | 396,876   | 968,041   | 169,616 | 0       | 79,255   | 958,927   | -          | -          | -       | 895,046   | -                      | 42,845,117                | 92.392%   |
|            | TCU-CAR                          | 20,206,363  | -          | 25,968  | 54,605   | 216,261   | 520,782   | 24,519  | 19,906  | 0        | 322,127   | -          | -          | -       | 288,799   | -                      | 18,733,398                | 92.710%   |
|            | IBFO                             | 4,413,389   | -          | 2,316   | 0        | 33,515    | 80,868    | 0       | 0       | 0        | 0         | -          | -          | -       | 65,814    | -                      | 4,230,876                 | 95.865%   |
|            | IAM                              | 12,626,673  | -          | 9,520   | 42,989   | 18,086    | 272,563   | 7,175   | 3,824   | 0        | 49,098    | -          | -          | -       | 167,905   | -                      | 12,055,713                | 95.478%   |
|            | IBBM                             | 2,032,168   | -          | 0       | 1,796    | 0         | 56,450    | 2,102   | 0       | 0        | 0         | -          | -          | -       | 62,834    | -                      | 1,908,988                 | 93.938%   |
|            | IBEW                             | 9,378,172   | -          | 10,738  | 68,329   | 34,689    | 189,236   | 11,365  | 3,512   | 4,912    | 32,667    | -          | -          | -       | 105,975   | -                      | 8,920,760                 | 95.112%   |
|            | ATDA                             | 4,348,885   | 648,379    | 0       | 1,864    | 27,689    | 78,438    | 0       | 7,408   | 0        | 61,791    | 875,647    | 1,180,109  | 70,551  | 84,615    | 1,302,414              | 0                         | 0.000%    |
|            | UTU-YMC                          | 4,008,853   | 1,122,484  | 0       | 0        | 0         | 63,775    | 0       | 0       | 0        | 42,136    | -          | -          | -       | 79,967    | 898,832                | 1,723,405                 | 42.978%   |
|            | OTHER                            | 49,258,229  | -          | -       | -        | -         | -         | -       | -       | -        | -         | -          | -          | -       | -         | -                      | 49,258,229                | 100.000%  |
|            | TOTAL                            | 342,756,730 | 13,078,863 | 188,404 | 475,871  | 2,117,054 | 5,350,622 | 494,805 | 225,410 | 109,962  | 2,900,376 | 10,763,382 | 21,128,721 | 70,551  | 4,729,938 | 2,199,246              | 279,925,525               |           |
|            | Sum (for proofing)               |             |            |         |          |           |           |         |         |          |           |            |            |         |           |                        |                           | 1121.058% |

\* In some cases, a railroad union is part of the national agreement but is being benchmarked as independent in anticipation of future independent agreements or because of a variation in their interpretation of the agreement.

Statistics based on AAR's 2006 112-Class Wage Statistics and knowledge of contracts as of August 2007

Percentages are full float

ATDA (dispatchers) are independent for each railroad. Although BNSF, CSX, and KCS are participating in a tentative national agreement, they are benchmarked as independent. NS is participating for H&W only. UP is non-union. IC & UP dispatchers are non-union, and given same increases as non-union, but handled independently.

# U.S. 2006 Benchmark

|                    | From AAR 112-Class Wage Statistics & Survey |                 |               |              |                 | ST \$ Adjusted<br>to Exclude<br>Lump Sums | 2006 Average<br>Hourly Rates |           | 12/31/2006<br>ST HR | ST Hrs.<br>2006<br>Weights |
|--------------------|---------------------------------------------|-----------------|---------------|--------------|-----------------|-------------------------------------------|------------------------------|-----------|---------------------|----------------------------|
|                    | ST Hrs.                                     | ST \$           |               | Union L. Sum | ST wo LS        |                                           | PFTNW                        |           |                     |                            |
|                    |                                             | PFTNW \$        |               |              |                 |                                           |                              |           |                     |                            |
| UTU                | 93,309,110                                  | \$1,888,807,695 | \$761,538,751 | \$653,726    | \$1,888,153,969 | \$20,235                                  | \$8.161                      | \$20,242  | 0.27223             |                            |
| TCU                | 15,906,099                                  | 355,965,072     | 80,721,905    | 3,972,012    | 351,993,060     | 22,129                                    | 5.075                        | 22,134    | 0.04641             |                            |
| BLET               | 67,492,528                                  | 1,554,100,984   | 587,199,358   | 84,526,156   | 1,469,574,828   | 21,774                                    | 8.700                        | 21,778    | 0.19691             |                            |
| SMW/IA             | 1,919,076                                   | 41,554,443      | 7,728,540     | 2,668        | 41,551,775      | 21,652                                    | 4.027                        | 21,658    | 0.00560             |                            |
| BRS                | 11,482,130                                  | 265,659,219     | 56,791,678    | 113,459      | 265,545,760     | 23,127                                    | 4.946                        | 23,130    | 0.03350             |                            |
| BMWE               | 46,373,055                                  | 926,828,567     | 165,912,556   | 300,788      | 926,527,779     | 19,980                                    | 3.578                        | 19,991    | 0.13529             |                            |
| TCU-CAR            | 20,206,363                                  | 432,568,838     | 76,282,858    | 91,643       | 432,477,195     | 21,403                                    | 3.775                        | 21,412    | 0.05895             |                            |
| NCFO               | 4,413,389                                   | 78,459,511      | 13,606,020    | 59,772       | 78,399,739      | 17,764                                    | 3.083                        | 17,776    | 0.01288             |                            |
| IAM                | 12,626,673                                  | 273,501,081     | 51,332,102    | 40,775       | 273,460,306     | 21,657                                    | 4.065                        | 21,672    | 0.03684             |                            |
| IBBM               | 2,032,168                                   | 40,120,524      | 5,985,679     | 119,125      | 40,001,399      | 19,684                                    | 2.945                        | 19,698    | 0.00593             |                            |
| IBEW               | 9,379,172                                   | 208,543,671     | 38,230,881    | 74,601       | 208,469,070     | 22,227                                    | 4.076                        | 22,232    | 0.02736             |                            |
| ATDA               | 4,348,885                                   | 143,526,067     | 28,288,220    | 5,462,409    | 138,063,658     | 31,747                                    | 6.505                        | 31,801    | 0.01269             |                            |
| UTU-YMD            | 4,009,853                                   | 112,159,739     | 28,694,761    | 1,812,056    | 110,347,683     | 27,519                                    | 7.156                        | 27,524    | 0.01170             |                            |
| OTHER              | 49,258,229                                  | 2,025,403,900   | 69,439,132    | 0            | 2,025,403,900   | 41,118                                    | 1.410                        | 41,118    | 0.14371             |                            |
| AAR 112 Total      | 342,756,730                                 | 8,347,199,311   | 1,971,752,441 | 97,229,190   | 8,249,970,121   | 24,069                                    | 5.753                        | 24,076    | 1.00000             |                            |
| Sum (for proofing) |                                             |                 |               |              |                 | 332.01699                                 | 67.50320                     | 332.16670 |                     |                            |

Year-End Figures are calculated, based on 2006 ws-112 and union contracts, in YearEnd2006\_final.xls exhibited in document titled "Year-End 2006 ST Hourly Rates for U.S."  
The ST Hours Weights and the Hourly Rates are full float.

# Wage Rates After Adjusting for New National Contracts

Page 1 of 1

|          |         | 2006                 |          | ST      | ST\$          | Total ST\$      | Total ST     | ST Hourly  |
|----------|---------|----------------------|----------|---------|---------------|-----------------|--------------|------------|
|          |         | ST Hrs               | Pd       | Rate    | (excl ULS)    | (excl ULS)      | Hours        | Rate       |
| BLE      | IBEW    | 10,738               | 12/31/06 | 22.293  | 239,382.7     |                 |              |            |
| CCP      | IBEW    | 11,365               | 12/31/06 | 23.235  | 264,067.0     |                 |              |            |
| DMIR     | IBEW    | 66,329               | 12/31/06 | 23.507  | 1,559,177.0   |                 |              |            |
| DWP      | IBEW    | 3,512                | 12/31/06 | 29.833  | 105,123.9     |                 |              |            |
| GTW      | IBEW    | 34,688               | 12/31/06 | 24.487  | 849,416.0     |                 |              |            |
| IC       | IBEW    | 188,236              | 12/31/06 | 22.397  | 4,215,941.2   |                 |              |            |
| SOO      | IBEW    | 105,975              | 12/31/06 | 21.844  | 2,314,970.9   |                 |              |            |
| SSAM     | IBEW    | 4,912                | 12/31/06 | 22.587  | 110,946.0     |                 |              |            |
| WC       | IBEW    | 32,667               | 12/31/06 | 24.817  | 810,681.0     |                 |              |            |
| National | IBEW    | 8,920,750            | 12/31/06 | 22.201  | 198,047,023.8 | \$208,516,729.4 | 9,379,172.0  | \$22.23189 |
|          |         | Less 7/1/05 COLA     |          | \$0.150 |               |                 |              |            |
|          |         | Less 1/1/06 COLA     |          | \$0.310 |               |                 |              |            |
|          |         | Less 7/1/06 COLA     |          | \$0.010 |               |                 |              |            |
|          |         | Plus 7/1/05 GWI      |          | 2.50%   |               |                 |              |            |
|          |         | Plus 7/1/06 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | Plus 7/1/07 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | New National IBEW    | 1/1/08   | 23.630  | 210,801,496.3 | \$221,271,202.0 | 9,379,172.0  | \$23.59178 |
| BLE      | TCU     | 14,996               | 12/31/06 | 22.601  | 338,929.0     |                 |              |            |
| CCP      | TCU     | 13,697               | 12/31/06 | 23.210  | 317,909.5     |                 |              |            |
| DMIR     | TCU     | 123,299              | 12/31/06 | 21.336  | 2,630,646.5   |                 |              |            |
| DWP      | TCU     | 27,467               | 12/31/06 | 23.305  | 640,118.0     |                 |              |            |
| GTW      | TCU     | 278,751              | 12/31/06 | 22.386  | 6,240,099.0   |                 |              |            |
| IC       | TCU     | 480,759              | 12/31/06 | 23.363  | 11,465,587.8  |                 |              |            |
| SOO      | TCU     | 476,069              | 12/31/06 | 22.483  | 10,703,481.3  |                 |              |            |
| SSAM     | TCU     | 0                    | 12/31/06 | 0.000   | 0.0           |                 |              |            |
| WC       | TCU     | 122,443              | 12/31/06 | 25.638  | 3,139,227.0   |                 |              |            |
| National | TCU     | 14,358,618           | 12/31/06 | 22.049  | 318,594,449.1 | \$362,070,447.2 | 15,906,099.0 | \$22.13431 |
|          |         | Less 7/1/05 COLA     |          | \$0.150 |               |                 |              |            |
|          |         | Less 1/1/06 COLA     |          | \$0.310 |               |                 |              |            |
|          |         | Less 7/1/06 COLA     |          | \$0.010 |               |                 |              |            |
|          |         | Plus 7/1/05 GWI      |          | 2.50%   |               |                 |              |            |
|          |         | Plus 7/1/06 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | Plus 7/1/07 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | New National TCU     | 10/1/07  | 23.466  | 336,933,401.7 | \$372,409,399.8 | 15,906,099.0 | \$23.41299 |
| BLE      | TCU-CAR | 25,968               | 12/31/06 | 22.286  | 578,722.8     |                 |              |            |
| CCP      | TCU-CAR | 24,519               | 12/31/06 | 22.431  | 549,990.6     |                 |              |            |
| DMIR     | TCU-CAR | 54,605               | 12/31/06 | 21.864  | 1,193,903.0   |                 |              |            |
| DWP      | TCU-CAR | 19,906               | 12/31/06 | 21.081  | 419,648.0     |                 |              |            |
| GTW      | TCU-CAR | 216,261              | 12/31/06 | 20.745  | 4,486,306.0   |                 |              |            |
| IC       | TCU-CAR | 520,782              | 12/31/06 | 21.815  | 11,360,987.9  |                 |              |            |
| SOO      | TCU-CAR | 288,799              | 12/31/06 | 21.002  | 6,065,334.0   |                 |              |            |
| SSAM     | TCU-CAR | 0                    | 12/31/06 | 0.000   | 0.0           |                 |              |            |
| WC       | TCU-CAR | 322,127              | 12/31/06 | 15.607  | 5,027,387.4   |                 |              |            |
| National | TCU-CAR | 18,733,396           | 12/31/06 | 21.511  | 402,974,257.0 | \$432,656,536.7 | 20,206,363.0 | \$21.41190 |
|          |         | Less 7/1/05 COLA     |          | \$0.150 |               |                 |              |            |
|          |         | Less 1/1/06 COLA     |          | \$0.310 |               |                 |              |            |
|          |         | Less 7/1/06 COLA     |          | \$0.010 |               |                 |              |            |
|          |         | Plus 7/1/05 GWI      |          | 2.50%   |               |                 |              |            |
|          |         | Plus 7/1/06 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | Plus 7/1/07 GWI      |          | 3.00%   |               |                 |              |            |
|          |         | New National TCU-Car | 10/1/07  | 22.880  | 428,628,849.3 | \$458,311,129.0 | 20,206,363.0 | \$22.68153 |

# NATIONAL RAILWAY LABOR CONFERENCE

## ECONOMIC RESEARCH DEPARTMENT

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

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H. GLEN WILLIAMS Jr.  
Director Economic Research  
(202) 862-7232

November 19, 2007

Tables of Standard UTU Rates of Pay

CIRCULAR NO. 832-7-10

TO MEMBER ROADS:

Attached is a set of rate tables (UTU) prepared pursuant to Article III, Part B of the National Agreement dated August 20, 2002, as amended in Section 3 of Document "A" of the Supplemental Agreement dated November 6, 2003, applicable to employees represented by the United Transportation Union.

Standard Daily and Mileage Rates of Pay  
Effective January 1, 2008

These tables apply a 16 cents per hour cost-of-living allowance to the basic daily rates of pay in effect December 31, 2007.

  
H. GLEN WILLIAMS Jr.

# **NATIONAL RAILWAY LABOR CONFERENCE**

## **ECONOMIC RESEARCH DEPARTMENT**

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**H. GLEN WILLIAMS Jr.**  
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**November 19, 2007**

**January 1, 2008 Cost-of-Living Allowance**  
**Under 2000-Round National Agreements**  
**UTU-Yardmasters, IAM**

**CIRCULAR NO. 832-18 (UTU-YARDMASTERS)**  
**CIRCULAR NO. 841-13 (IAM)**

**TO MEMBER ROADS:**

The 2000-Round National Agreements with the above-referenced organizations provide for a cost-of-living allowance to be payable on January 1, 2008. The COL adjustment will be sixteen cents, calculated on the basis of the change in the CPI-W for the measurement period March 2007 to September 2007.

This COL adjustment will be rolled into basic rates of pay.

  
H. Glen Williams, Jr.

3.390%

## CREDIT MARKETS

### U.S. government rates

| Discount | 5.00 | 5.00 | 6.25 | 5.00 |
|----------|------|------|------|------|
|----------|------|------|------|------|

### Federal funds

| Effective rate | 4.56   | 4.50   | 5.42   | 4.21   |
|----------------|--------|--------|--------|--------|
| High           | 4.6875 | 4.7500 | 7.5000 | 4.6250 |
| Low            | 4.6688 | 4.0000 | 5.3750 | 0.2500 |
| Bid            | 4.5000 | 4.2500 | 6.7500 | 0.0100 |
| Offer          | 4.5625 | 4.3750 | 7.5000 | 0.0313 |

### Treasury bill auction

| 4 weeks  | 3.680 | 3.870 | 5.175 | 3.270 |
|----------|-------|-------|-------|-------|
| 13 weeks | 3.390 | 3.430 | 5.035 | 2.850 |
| 26 weeks | 3.460 | 3.625 | 4.980 | 3.460 |

### Secondary market

#### Freddie Mac

| 30-year mortgage yields | 30 days | 60 days | 90 days | 1-year RNY |
|-------------------------|---------|---------|---------|------------|
|                         | 5.96    | 6.05    | 6.63    | 5.81       |
|                         | 5.98    | 6.09    | 6.64    | 5.82       |
|                         | 3.375   | 3.375   | 4.460   | 3.375      |

#### Fannie Mae

| 30-year mortgage yields | 30 days | 60 days | 90 days | 1-year RNY |
|-------------------------|---------|---------|---------|------------|
|                         | 6.079   | 6.095   | 6.727   | 5.913      |
|                         | 6.091   | 6.113   | 6.761   | 5.924      |

#### Constant maturity debt index

| Three months | 4.434 | 4.495 | 5.321 | 4.388 |
|--------------|-------|-------|-------|-------|
| Six months   | 4.315 | 4.366 | 5.519 | 4.314 |
| One year     | 4.132 | 4.163 | 5.323 | 4.132 |

#### Bankers acceptances

| 30 days  | 4.78 | 4.76 | 5.81 | 4.64 |
|----------|------|------|------|------|
| 60 days  | 5.05 | 4.96 | 5.81 | 4.71 |
| 90 days  | 5.05 | 4.96 | 5.81 | 4.81 |
| 120 days | 4.96 | 4.93 | 5.73 | 4.81 |
| 150 days | 4.93 | 4.86 | 5.63 | 4.75 |
| 180 days | 4.86 | 4.84 | 5.58 | 4.71 |

#### Notes on data:

U.S. prime rate and discount rate are effective October 31, 2007. U.S. prime rate is the base rate on corporate loans posted by at least 75% of the 30 largest U.S. banks. Other prime rates aren't directly comparable, lending practices vary widely by location. Discount rate is the charge on loans to depository institutions by the New York Federal Reserve Bank. Federal funds rate is on reserves traded among commercial banks for overnight use in amounts of \$1 million or more. Call money rate is the charge on loans to brokers on stock-exchange collateral. Dealer commercial paper rates are for high-grade unsecured notes sold through dealers by major corporations. Freddie Mac RNY is the required net yield for the one-year 2% rate-capped ARM. Libor is the British Bankers' Association average of interbank offered rates for dollar deposits in the London market. Libor swaps quoted are mid-market, semi-annual swap rates and pay the floating 3-month Libor rate.

Sources: Merrill Lynch, Bureau of Labor Statistics, Reuters, General Electric Capital Corp., Garban InterCapital, Tullett Prebon Information, Ltd.

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones indexes.

### London interbank offered rate, or Libor

| One month   | 4.79313 | 4.74000 | 5.82375 | 4.65188 |
|-------------|---------|---------|---------|---------|
| Three month | 5.04800 | 4.94875 | 5.72500 | 4.86500 |
| Six month   | 4.85425 | 4.80875 | 5.59500 | 4.73750 |
| One year    | 4.44000 | 4.46625 | 5.50656 | 4.44000 |

### Libor Swaps (USD)

| Two year   | 4.045 | 4.200 | 5.530 | 4.030 |
|------------|-------|-------|-------|-------|
| Three year | 4.110 | 4.275 | 5.590 | 4.103 |
| Five year  | 4.355 | 4.515 | 5.710 | 4.355 |
| Ten year   | 4.780 | 4.905 | 5.900 | 4.780 |
| 30 year    | 5.095 | 5.200 | 6.070 | 5.030 |

### Euro Libor

| One month   | 4.203 | 4.144 | 4.500 | 3.476 |
|-------------|-------|-------|-------|-------|
| Three month | 4.698 | 4.590 | 4.792 | 3.625 |
| Six month   | 4.672 | 4.591 | 4.794 | 3.720 |
| One year    | 4.620 | 4.580 | 4.807 | 3.803 |

### Euro interbank offered rate (Euribor)

| One month   | 4.199 | 4.144 | 4.495 | 3.474 |
|-------------|-------|-------|-------|-------|
| Three month | 4.697 | 4.584 | 4.795 | 3.624 |
| Six month   | 4.669 | 4.592 | 4.793 | 3.721 |
| One year    | 4.618 | 4.576 | 4.807 | 3.804 |

### Hilbor

| One month   | 3.198 | 3.714 | 5.704 | 2.199 |
|-------------|-------|-------|-------|-------|
| Three month | 3.551 | 3.784 | 5.451 | 3.150 |
| Six month   | 3.578 | 3.809 | 5.876 | 3.459 |
| One year    | 3.600 | 3.860 | 5.688 | 3.600 |

### Asian dollars

| One month   | 4.793 | 4.755 | 5.840 | 4.655 |
|-------------|-------|-------|-------|-------|
| Three month | 5.043 | 4.933 | 5.745 | 3.570 |
| Six month   | 4.857 | 4.800 | 5.600 | 4.758 |
| One year    | 4.442 | 4.505 | 5.936 | 4.442 |

LATEST Offer Bid Week 52-WEEK ago High Low

### Eurodollars (mid rates)

| One month   | 4.74 | 4.80 | 4.76 | 5.88 | 4.64 |
|-------------|------|------|------|------|------|
| Two month   | 5.04 | 5.10 | 5.00 | 5.85 | 4.75 |
| Three month | 5.03 | 5.10 | 1.99 | 5.83 | 4.83 |
| Four month  | 4.96 | 5.00 | 4.90 | 5.78 | 4.81 |
| Five month  | 4.90 | 4.98 | 1.85 | 5.69 | 4.77 |
| Six month   | 4.82 | 4.90 | 4.79 | 5.60 | 4.73 |

|              |                     |       |          |    |
|--------------|---------------------|-------|----------|----|
| Netherlands  | AEX                 | -1.52 | 473.32   |    |
| Spain        | IBEX 35             | -2.39 | 13602.4  | 1  |
| Sweden       | SX All Share        | -3.80 | 338.99   |    |
| Switzerland  | Swiss Market        | -1.26 | 8125.42  | 9  |
| U.K.         | FTSE 100            | -0.46 | 5858.9   |    |
| Asia-Pacific | DJ Asia-Pacific     | -2.45 | 138.37   |    |
| Australia    | S&P/ASX 200         | -2.04 | 5384.3   |    |
| China        | DJ CBN China 600    | -2.42 | 12815.31 | 44 |
| Hong Kong    | Hang Seng           | -3.89 | 18639.53 | 31 |
| India        | Bombay Sensex       | -4.29 | 12415.04 | 19 |
| Japan        | Nikkei Stock Avg    | -1.75 | 14837.66 | 18 |
| Russia       | DJ Russia Titans 10 | -2.09 | 5934.10  | 7  |
| Singapore    | Straits Times       | -3.34 | 2787.81  | 3  |
| South Korea  | Kospi               | -7.96 | 1355.79  | 2  |
| Taiwan       | Weighted            | -4.82 | 7344.56  | 9  |

\*Europe, Australia, Far East, U.S.-dollar terms

Source: Reuters, WSJ

## BONDS, RATES &

### Consumer Rates and Returns to Investor

#### U.S. consumer rates

A consumer rate against its benchmark over the past year

| Interest rate                                | Yield (%) | Rate (%) | 52-WEEK RANGE (%) | 3-yr avg (pct pts) |
|----------------------------------------------|-----------|----------|-------------------|--------------------|
| Federal-funds rate target                    | 4.50      | 4.50     | 4.50              | 2.50               |
| Prime rate <sup>2</sup>                      | 7.50      | 7.50     | 7.50              | 2.50               |
| Libor, 3 month                               | 4.95      | 4.87     | 4.87              | 2.66               |
| Money market, annual yield                   | 3.57      | 3.48     | 3.48              | 2.13               |
| Five-year CD, annual yield                   | 4.63      | 4.59     | 4.59              | 0.68               |
| 30-year mortgage, fixed <sup>1</sup>         | 6.02      | 5.67     | 5.67              | 0.60               |
| 15-year mortgage, fixed <sup>1</sup>         | 5.63      | 5.46     | 5.46              | 0.74               |
| Jumbo mortgages, \$417,000 plus <sup>1</sup> | 6.69      | 6.01     | 6.01              | 1.14               |
| Five-year adj mortgage (ARM) <sup>1</sup>    | 5.77      | 5.53     | 5.53              | 1.04               |
| New-car loan, 48 month                       | 6.90      | 6.85     | 6.85              | 0.73               |
| Home-equity loan, \$10,000                   | 6.96      | 6.66     | 6.66              | 3.35               |

| Interest rate                                | Yield (%) | Rate (%) | 52-WEEK RANGE (%) | 3-yr avg (pct pts) |
|----------------------------------------------|-----------|----------|-------------------|--------------------|
| Federal-funds rate target                    | 4.50      | 4.50     | 4.50              | 2.50               |
| Prime rate <sup>2</sup>                      | 7.50      | 7.50     | 7.50              | 2.50               |
| Libor, 3 month                               | 4.95      | 4.87     | 4.87              | 2.66               |
| Money market, annual yield                   | 3.57      | 3.48     | 3.48              | 2.13               |
| Five-year CD, annual yield                   | 4.63      | 4.59     | 4.59              | 0.68               |
| 30-year mortgage, fixed <sup>1</sup>         | 6.02      | 5.67     | 5.67              | 0.60               |
| 15-year mortgage, fixed <sup>1</sup>         | 5.63      | 5.46     | 5.46              | 0.74               |
| Jumbo mortgages, \$417,000 plus <sup>1</sup> | 6.69      | 6.01     | 6.01              | 1.14               |
| Five-year adj mortgage (ARM) <sup>1</sup>    | 5.77      | 5.53     | 5.53              | 1.04               |
| New-car loan, 48 month                       | 6.90      | 6.85     | 6.85              | 0.73               |
| Home-equity loan, \$10,000                   | 6.96      | 6.66     | 6.66              | 3.35               |

Bankrate.com rates based on survey of over 4,800 online banks. <sup>1</sup>Base rate posted by 75% of the nation's largest banks. <sup>2</sup>Excludes closing rates.

Sources: Reuters, WSJ Market Data Group, Bankrate.com

### Ben

Trea:  
Yield  
bills,

|         |      |
|---------|------|
| 1 month | 1.50 |
| 3 month | 1.50 |
| 6 month | 1.50 |
| 1 year  | 1.50 |
| 2 year  | 1.50 |
| 3 year  | 1.50 |
| 5 year  | 1.50 |
| 10 year | 1.50 |
| 30 year | 1.50 |

1 month

\*Semua

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Fixed-

Muni

EMBI

**RCAF Lump Sum Amortization  
2008/Q1**

|                             | <b>Quarter<br/>of<br/>Payment</b> | <b>Quarter<br/>Amortization<br/>Began</b> | <b>Amount</b>       | <b>Annual<br/>Per ST Hour</b> | <b>1 Quarter<br/>Per ST Hour</b> | <b>U.S.<br/>ST Hours</b> |      |
|-----------------------------|-----------------------------------|-------------------------------------------|---------------------|-------------------------------|----------------------------------|--------------------------|------|
| DMIR - IBBM                 | 2007Q1                            | 2007Q2                                    | \$4,000             | 0.00001                       | 0.00005                          | 342,756,730              | 2008 |
| IC - TCU-CAR                | 2007Q1                            | 2007Q2                                    | \$228,500           | 0.00066                       | 0.00264                          | 342,756,730              | 2008 |
| NS - BLET & ATDA            | 2007Q1                            | 2007Q2                                    | \$30,264,380        | 0.08830                       | 0.35319                          | 342,756,730              | 2008 |
| CSX - BLET                  | 2007Q3                            | 2007Q3                                    | \$14,435,000        | 0.04211                       | 0.16846                          | 342,756,730              | 2008 |
| CNGT - various <sup>1</sup> | Various                           | 2007Q4                                    | \$387,000           | 0.00113                       | 0.00452                          | 342,756,730              | 2008 |
| <b>Total</b>                |                                   |                                           | <b>\$45,316,880</b> | <b>0.13221</b>                |                                  |                          |      |

Should be slightly less than amortized amount.

**Fell out**

|            |        |        |         |         |         |             |      |
|------------|--------|--------|---------|---------|---------|-------------|------|
| DMIR - SMW | 2007Q1 | 2007Q1 | \$3,000 | 0.00001 | 0.00004 | 342,756,730 | 2008 |
| DWP - BRS  | 2006Q4 | 2007Q1 | \$6,000 | 0.00002 | 0.00007 | 342,756,730 | 2008 |

**Interest Rate**

|         |       |
|---------|-------|
| 2007/Q1 | 4.940 |
| 2007/Q2 | 5.035 |
| 07/Q3   | 4.775 |
| 2007/Q4 | 4.600 |
| 2008/Q1 | 3.390 |
| 2008/Q2 |       |
| 2008/Q3 |       |
| 2008/Q4 |       |
| 2009/Q1 |       |
| 2009/Q2 |       |
| 2009/Q3 |       |
| 2009/Q4 |       |

|                                        |                   |
|----------------------------------------|-------------------|
| <b>Lump Sum Adjustment for 2008/Q1</b> | <b>→ 0.135638</b> |
|                                        | <b>or</b>         |
|                                        | <b>0.136</b>      |

<sup>1</sup> DWP TCU-CAR, GTW BLET, and GTW TCU

**SCHEDULE: DMIR IBBM**

Added 2007Q2

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.00005                                |                 |                     |                      |
| 2007/Q2  | 4                         | 5.035                         | 1.2588              | \$0.00004                                | \$0.00001       | \$0.00000           | \$0.00001            |
| 2007/Q3  | 3                         | 4.775                         | 1.1938              | \$0.00002                                | \$0.00001       | \$0.00000           | \$0.00001            |
| 2007/Q4  | 2                         | 4.600                         | 1.1500              | \$0.00001                                | \$0.00001       | \$0.00000           | \$0.00001            |
| 2008/Q1  | 1                         | 3.390                         | 0.8475              | \$0.00000                                | \$0.00001       | \$0.00000           | \$0.00001            |

**SCHEDULE: IC TCU-CAR**

Added 2007Q2

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.00264                                |                 |                     |                      |
| 2007/Q2  | 4                         | 5.035                         | 1.2588              | \$0.00199                                | \$0.00068       | \$0.00003           | \$0.00065            |
| 2007/Q3  | 3                         | 4.775                         | 1.1938              | \$0.00134                                | \$0.00068       | \$0.00002           | \$0.00066            |
| 2007/Q4  | 2                         | 4.600                         | 1.1500              | \$0.00067                                | \$0.00068       | \$0.00002           | \$0.00067            |
| 2008/Q1  | 1                         | 3.390                         | 0.8475              | \$0.00000                                | \$0.00068       | \$0.00001           | \$0.00067            |

**SCHEDULE: NS BLET & ATDA (Thoroughbred Performance Bonus)**

Added 2007Q2

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.35319                                |                 |                     |                      |
| 2007/Q2  | 4                         | 5.035                         | 1.2588              | \$0.26654                                | \$0.09109       | \$0.00445           | \$0.08665            |
| 2007/Q3  | 3                         | 4.775                         | 1.1938              | \$0.17875                                | \$0.09098       | \$0.00318           | \$0.08779            |
| 2007/Q4  | 2                         | 4.600                         | 1.1500              | \$0.08988                                | \$0.09092       | \$0.00208           | \$0.08886            |
| 2008/Q1  | 1                         | 3.390                         | 0.8475              | \$0.00000                                | \$0.09065       | \$0.00076           | \$0.08988            |

**SCHEDULE: CSX BLET**

Added 2007Q3

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.16846                                |                 |                     |                      |
| 2007/Q3  | 4                         | 4.775                         | 1.1938              | \$0.12709                                | \$0.04338       | \$0.00201           | \$0.04137            |
| 2007/Q4  | 3                         | 4.600                         | 1.1500              | \$0.08521                                | \$0.04334       | \$0.00146           | \$0.04188            |
| 2008/Q1  | 2                         | 3.390                         | 0.8475              | \$0.04278                                | \$0.04315       | \$0.00072           | \$0.04243            |
| 2008/Q2  | 1                         |                               | 0.0000              | \$0.00000                                | \$0.04278       | \$0.00000           | \$0.04278            |

**SCHEDULE: CNGT various (DWP TCU-CAR, GTW BLET, and GTW TCU)**

Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.00452                                |                 |                     |                      |
| 2007/Q4  | 4                         | 4.600                         | 1.1500              | \$0.00341                                | \$0.00116       | \$0.00005           | \$0.00111            |
| 2008/Q1  | 3                         | 3.390                         | 0.8475              | \$0.00228                                | \$0.00115       | \$0.00003           | \$0.00113            |
| 2008/Q2  | 2                         |                               | 0.0000              | \$0.00114                                | \$0.00114       | \$0.00000           | \$0.00114            |
| 2008/Q3  | 1                         |                               | 0.0000              | \$0.00000                                | \$0.00114       | \$0.00000           | \$0.00114            |

**RCAF Back Pay Amortization  
2008/Q1**

|                                | <b>Quarter<br/>of<br/>Payment</b> | <b>Quarter<br/>Amortization<br/>Began</b> | <b>Amount</b>        | <b>Annual<br/>Per ST Hour</b> | <b>1 Quarter<br/>Per ST Hr.</b> | <b>U.S.<br/>ST Hours</b> |      |
|--------------------------------|-----------------------------------|-------------------------------------------|----------------------|-------------------------------|---------------------------------|--------------------------|------|
| GTC/CN - various <sup>1</sup>  | 2007Q1                            | 2007Q2                                    | \$3,003,130          | 0 00876170                    | 0 03505                         | 342,756,730              | 2006 |
| CSX - BLET (retro GWI)         | 2007Q2                            | 2007Q3                                    | \$477,940            | 0 00139440                    | 0 00558                         | 342,756,730              | 2006 |
| National IBBM                  | 2007Q2                            | 2007Q3                                    | \$71,390             | 0 00020828                    | 0 00083                         | 342,756,730              | 2006 |
| National 7 Unions <sup>2</sup> | 2007Q3                            | 2007Q4                                    | \$119,981,393        | 0 35004825                    | 1 40019                         | 342,756,730              | 2006 |
| BNSF - BLET                    | 2007Q3                            | 2007Q4                                    | \$15,874,984         | 0.04631560                    | 0 18526                         | 342,756,730              | 2006 |
| CSX - BLET (ECS offset)        | 2007Q2                            | 2007Q4                                    | (\$243,379)          | -0.00071006                   | -0 00284                        | 342,756,730              | 2006 |
| GTC/CN - various <sup>3</sup>  | 2007Q3                            | 2007Q4                                    | \$8,408,734          | 0 02453266                    | 0 09813                         | 342,756,730              | 2006 |
| SOO - BLET                     | 2007Q3                            | 2007Q4                                    | \$1,490,393          | 0 00434825                    | 0.01739                         | 342,756,730              | 2006 |
| National 3 Unions <sup>4</sup> | 2007Q4                            | 2008Q1                                    | \$66,876,916         | 0 19511482                    | 0 78046                         | 342,756,730              | 2006 |
| IC&CCP - BRS                   | 2008Q1                            | 2008Q1                                    | \$586,106            | 0 00170998                    | 0 00684                         | 342,756,730              | 2006 |
| SOO - ATDA, IAM, IBBM, TCU     | 2007Q4                            | 2008Q1                                    | \$1,236,670          | 0 00360801                    | 0 01443                         | 342,756,730              | 2006 |
| <b>Total</b>                   |                                   |                                           | <b>\$217,764,277</b> | <b>0 63533188</b>             |                                 |                          |      |

Should be slightly less  
than amortized amount

**Fell out**

|            |         |        |            |             |          |             |      |
|------------|---------|--------|------------|-------------|----------|-------------|------|
| IC - IBBM  | 2006/Q4 | 2007Q1 | \$42,252   | 0 00012327  | 0.00049  | 342,756,730 | 2006 |
| DMIR - SMW | 2007Q1  | 2007Q1 | \$3,577    | 0 00001044  | 0 00004  | 342,756,730 | 2006 |
| DWP - BRS  | 2006/Q4 | 2007Q1 | \$19,668   | 0 00005738  | 0 00023  | 342,756,730 | 2006 |
| BLE - UTU  | 2006/Q3 | 2007Q1 | (\$16,809) | -0 00004904 | -0 00020 | 342,756,730 | 2006 |

**Interest Rate**

|         |       |
|---------|-------|
| 2007/Q1 | 4 940 |
| 2007/Q2 | 5 035 |
| 2007/Q3 | 4 775 |
| 2007/Q4 | 4 600 |
| 2008/Q1 | 3 390 |
| 2008/Q2 |       |
| 2008/Q3 |       |
| 2008/Q4 |       |
| 2009/Q1 |       |
| 2009/Q2 |       |
| 2009/Q3 |       |
| 2009/Q4 |       |

Back Pay Adjustment for 2008/Q1

→ 0.64954  
or  
0.650

<sup>1</sup> BLE BLET, DMIR IBBM, GTW BLET, UTU, UTU-YMD, and IC TCU-CAR

<sup>2</sup> National BLET, BMW, BRS, IBBM, NCFO, SMW, and ATDA

<sup>3</sup> DWP TCU-CAR, GTW TCU, IC&CCP BMW and UTU, and WC&SSAM UTU

<sup>4</sup> National IBEW, TCU and TCU-CAR

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**SCHEDULE: BLE BLET(UTU), DMIR IBBM, GTW BLET, GTW UTU, GTW UTU-YMD, IC TCU-CAR**  
 Added 2007Q2

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 03505                                |                 |                     |                      |
| 2007/Q2  | 4                         | 5.035                         | 1.2588              | \$0.02645                                | \$0.00904       | \$0.00044           | \$0 00860            |
| 2007/Q3  | 3                         | 4 775                         | 1 1938              | \$0 01774                                | \$0 00903       | \$0 00032           | \$0 00871            |
| 2007/Q4  | 2                         | 4 600                         | 1 1500              | \$0 00892                                | \$0 00902       | \$0 00020           | \$0 00882            |
| 2008/Q1  | 1                         | 3 390                         | 0 8475              | \$0 00000                                | \$0.00899       | \$0 00008           | \$0 00892            |

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**SCHEDULE: CSX BLET (retro GWI)**  
 Added 2007Q3

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 00558                                |                 |                     |                      |
| 2007/Q3  | 4                         | 4 775                         | 1 1938              | \$0 00421                                | \$0 00144       | \$0 00007           | \$0 00137            |
| 2007/Q4  | 3                         | 4 600                         | 1 1500              | \$0 00282                                | \$0 00144       | \$0.00005           | \$0.00139            |
| 2008/Q1  | 2                         | 3 390                         | 0 8475              | \$0 00142                                | \$0.00143       | \$0 00002           | \$0 00140            |
| 2008/Q2  | 1                         |                               | 0 0000              | \$0 00000                                | \$0 00142       | \$0 00000           | \$0 00142            |

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**SCHEDULE: National IBBM**  
 Added 2007Q3

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 00083                                |                 |                     |                      |
| 2007/Q3  | 4                         | 4 775                         | 1 1938              | \$0 00063                                | \$0 00021       | \$0 00001           | \$0 00020            |
| 2007/Q4  | 3                         | 4 600                         | 1 1500              | \$0 00042                                | \$0 00021       | \$0 00001           | \$0 00021            |
| 2008/Q1  | 2                         | 3 390                         | 0 8475              | \$0 00021                                | \$0.00021       | \$0 00000           | \$0 00021            |
| 2008/Q2  | 1                         |                               | 0 0000              | \$0 00000                                | \$0 00021       | \$0 00000           | \$0 00021            |

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**SCHEDULE: National BLET, BMW, BRS, IBBM, NCFO and SMW**  
 Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$1 40019                                |                 |                     |                      |
| 2007/Q4  | 4                         | 4 600                         | 1 1500              | \$1.05613                                | \$0.36017       | \$0 01610           | \$0 34407            |
| 2008/Q1  | 3                         | 3.390                         | 0.8475              | \$0 70705                                | \$0.35803       | \$0 00895           | \$0 34908            |
| 2008/Q2  | 2                         |                               | 0 0000              | \$0 35353                                | \$0 35353       | \$0.00000           | \$0.35353            |
| 2008/Q3  | 1                         |                               | 0 0000              | \$0.00000                                | \$0 35353       | \$0 00000           | \$0 35353            |

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**SCHEDULE: BNSF BLET**  
 Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.18526                                |                 |                     |                      |
| 2007/Q4  | 4                         | 4 600                         | 1 1500              | \$0 13974                                | \$0 04765       | \$0 00213           | \$0.04552            |
| 2008/Q1  | 3                         | 3 390                         | 0.8475              | \$0 09355                                | \$0.04737       | \$0 00118           | \$0 04619            |
| 2008/Q2  | 2                         |                               | 0.0000              | \$0 04678                                | \$0 04678       | \$0 00000           | \$0 04678            |
| 2008/Q3  | 1                         |                               | 0 0000              | \$0 00000                                | \$0 04678       | \$0 00000           | \$0 04678            |

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**SCHEDULE: CSX BLET (ECS offset)**  
 Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | (\$0 00284)                              |                 |                     |                      |
| 2007/Q4  | 4                         | 4 600                         | 1 1500              | (\$0 00214)                              | (\$0 00073)     | (\$0 00003)         | (\$0 00070)          |
| 2008/Q1  | 3                         | 3 390                         | 0 8475              | (\$0 00143)                              | (\$0.00073)     | (\$0 00002)         | (\$0 00071)          |
| 2008/Q2  | 2                         |                               | 0 0000              | (\$0 00072)                              | (\$0 00072)     | \$0 00000           | (\$0 00072)          |
| 2008/Q3  | 1                         |                               | 0 0000              | \$0 00000                                | (\$0 00072)     | \$0 00000           | (\$0 00072)          |

**SCHEDULE: DWP TCU-CAR; GTW TCU; IC&CCP BMW and UTU; and WC&SSAM UTU**  
 Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.09813                                |                 |                     |                      |
| 2007/Q4  | 4                         | 4 600                         | 1 1500              | \$0.07402                                | \$0.02524       | \$0 00113           | \$0.02411            |
| 2008/Q1  | 3                         | 3 390                         | 0 8475              | \$0 04955                                | \$0.02509       | \$0 00083           | \$0 02446            |
| 2008/Q2  | 2                         |                               | 0.0000              | \$0.02478                                | \$0.02478       | \$0 00000           | \$0 02478            |
| 2008/Q3  | 1                         |                               | 0.0000              | \$0 00000                                | \$0.02478       | \$0.00000           | \$0 02478            |

**SCHEDULE: SOO BLET**  
 Added 2007Q4

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0.01739                                |                 |                     |                      |
| 2007/Q4  | 4                         | 4 600                         | 1 1500              | \$0.01312                                | \$0.00447       | \$0 00020           | \$0 00427            |
| 2008/Q1  | 3                         | 3 390                         | 0 8475              | \$0.00878                                | \$0.00445       | \$0 00011           | \$0.00434            |
| 2008/Q2  | 2                         |                               | 0 0000              | \$0.00439                                | \$0 00439       | \$0 00000           | \$0 00439            |
| 2008/Q3  | 1                         |                               | 0 0000              | \$0.00000                                | \$0 00439       | \$0 00000           | \$0 00439            |

**SCHEDULE: National IBEW, TCU and TCU-CAR**  
 Added 2008Q1

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 78046                                |                 |                     |                      |
| 2008/Q1  | 4                         | 3 390                         | 0 8475              | \$0 58781                                | \$0.19927       | \$0 00661           | \$0 19265            |
| 2008/Q2  | 3                         |                               | 0 0000              | \$0 39187                                | \$0 19594       | \$0 00000           | \$0 19594            |
| 2008/Q3  | 2                         |                               | 0 0000              | \$0.19594                                | \$0 19594       | \$0 00000           | \$0 19594            |
| 2008/Q4  | 1                         |                               | 0 0000              | \$0 00000                                | \$0 19594       | \$0 00000           | \$0 19594            |

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**SCHEDULE: IC and CCP BRS**  
 Added 2008Q1

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 00684                                |                 |                     |                      |
| 2008/Q1  | 4                         | 3 390                         | 0 8475              | \$0 00515                                | \$0.00175       | \$0 00006           | \$0.00169            |
| 2008/Q2  | 3                         |                               | 0 0000              | \$0 00343                                | \$0.00172       | \$0 00000           | \$0 00172            |
| 2008/Q3  | 2                         |                               | 0 0000              | \$0 00172                                | \$0.00172       | \$0 00000           | \$0 00172            |
| 2008/Q4  | 1                         |                               | 0 0000              | \$0 00000                                | \$0 00172       | \$0 00000           | \$0 00172            |

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**SCHEDULE: SOO ATDA, IBBM and TCU**  
 Added 2008Q1

|          | Periods<br>Remain-<br>ing | 3 Mo<br>Treas<br>Bill<br>Rate | Qtly<br>Int<br>Rate | Principal<br>Balance<br>After<br>Payment | Qtly<br>Payment | Interest<br>Payment | Principal<br>Payment |
|----------|---------------------------|-------------------------------|---------------------|------------------------------------------|-----------------|---------------------|----------------------|
| Lump Sum |                           |                               |                     | \$0 01443                                |                 |                     |                      |
| 2008/Q1  | 4                         | 3 390                         | 0 8475              | \$0 01087                                | \$0.00368       | \$0 00012           | \$0 00356            |
| 2008/Q2  | 3                         |                               | 0 0000              | \$0 00725                                | \$0 00362       | \$0 00000           | \$0.00362            |
| 2008/Q3  | 2                         |                               | 0 0000              | \$0 00362                                | \$0 00362       | \$0 00000           | \$0 00362            |
| 2008/Q4  | 1                         |                               | 0.0000              | \$0 00000                                | \$0 00362       | \$0 00000           | \$0 00362            |

**Backpay for 3 National Unions  
Added to RCAF 2008Q1**

|                                              |                        |
|----------------------------------------------|------------------------|
| See NewContract_IBEW.xls -- BackpaySum tab   | \$14,949,786.16        |
| See NewContract_TCU.xls -- BackpaySum tab    | \$23,759,235.52        |
| See NewContract_TCUCAR.xls -- BackpaySum tab | \$28,167,894.73        |
|                                              | <u>\$66,876,916.41</u> |

NOTE: All 3 contracts were signed 10/1/07.

# Back Pay for National TCU-CAR Added to RCAF 2008Q1

## National TCU-CAR New Contract Signed 10/1/07

|                         |            |                                                                    |
|-------------------------|------------|--------------------------------------------------------------------|
| ST Hours Paid           | 18,733,396 | 2006 Wage Statistics                                               |
| 2006 ST Hourly Rate     | \$21.50601 | 2006 Wage Statistics                                               |
| 2006 PFTNW HR           | \$3.82997  | 2006 Wage Statistics                                               |
| Ratio PFTNW/STHR        | 0.1780882  | calc. from wage statistics                                         |
| STHR 12/31/2006         | 21.51101   | from YearEnd2006_final including COLAs on 1/1/06 and 7/1/06        |
| 7/1/05 COLA             | \$0.15000  | old 1996 Agreement, Article II, Part C                             |
| 1/1/06 COLA             | \$0.31000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/06 COLA             | \$0.01000  | old 2003 Agreement, NRLC Circular                                  |
| 1/1/07 COLA             | \$0.15000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/07 COLA             | \$0.10000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/05-7/1/07 COLAs out | \$0.72000  | new contract, Article III Section 1 (7/1/05 & after COLAs removed) |
| 7/1/05 G.W.I.           | 2.50%      | new contract, Article I Section 1(a)                               |
| 7/1/06 G.W.I.           | 3.00%      | new contract, Article I Section 2                                  |
| 7/1/07 G.W.I.           | 3.00%      | new contract, Article I Section 3                                  |

|                   |          |                                                    |
|-------------------|----------|----------------------------------------------------|
| 1/1/07 H&W Offset | \$137.95 | old 2003 Agreement, NRLC Circular                  |
| 7/1/07 H&W Offset | \$147.73 | old 2003 Agreement, NRLC Circular                  |
| 1/1/07 H&W Offset | \$166.25 | new contract, Article IV Part B Section 1(a) & (e) |

| Qtr.   | Total Hourly Rate In 2007 Contract |        | Total Hourly Rate Paid |         | Difference | Wage    |             | Offset \$     | Net Back Pay \$ |
|--------|------------------------------------|--------|------------------------|---------|------------|---------|-------------|---------------|-----------------|
|        | ST                                 | PFTNW  | Total                  | ST      | PFTNW      | Total   | Back Pay \$ |               |                 |
| 2005Q1 | 21.0410                            | 3.7472 | 24.7882                | 21.0410 | 3.7472     | 24.7882 | 0.0         | 0.00          | 0.00            |
| 2005Q2 | 21.0410                            | 3.7472 | 24.7882                | 21.0410 | 3.7472     | 24.7882 | 0.0         | 0.00          | 0.00            |
| 2005Q3 | 21.5670                            | 3.8408 | 25.4079                | 21.1910 | 3.7739     | 24.9649 | 2,074,681.0 | 2,074,680.97  | 2,074,680.97    |
| 2005Q4 | 21.5670                            | 3.8408 | 25.4079                | 21.1910 | 3.7739     | 24.9649 | 2,074,681.0 | 2,074,680.97  | 2,074,680.97    |
| 2006Q1 | 21.5670                            | 3.8408 | 25.4079                | 21.5010 | 3.8291     | 25.3301 | 364,287.5   | 364,287.51    | 364,287.51      |
| 2006Q2 | 21.5670                            | 3.8408 | 25.4079                | 21.5010 | 3.8291     | 25.3301 | 364,287.5   | 364,287.51    | 364,287.51      |
| 2006Q3 | 22.2140                            | 3.9561 | 26.1701                | 21.5110 | 3.8309     | 25.3419 | 3,878,931.1 | 3,878,931.10  | 3,878,931.10    |
| 2006Q4 | 22.2140                            | 3.9561 | 26.1701                | 21.5110 | 3.8309     | 25.3419 | 3,878,931.1 | 3,878,931.10  | 3,878,931.10    |
| 2007Q1 | 22.2140                            | 3.9561 | 26.1701                | 21.6610 | 3.8576     | 25.5186 | 3,051,321.4 | (\$883,554.3) | 2,167,767.06    |
| 2007Q2 | 22.2140                            | 3.9561 | 26.1701                | 21.6610 | 3.8576     | 25.5186 | 3,051,321.4 | (\$883,554.3) | 2,167,767.06    |
| 2007Q3 | 22.8805                            | 4.0747 | 26.9552                | 21.7610 | 3.8754     | 25.6364 | 6,176,493.6 | (\$578,212.9) | 5,598,280.72    |
| 2007Q4 | 22.8805                            | 4.0747 | 26.9552                | 21.7610 | 3.8754     | 25.6364 | 6,176,493.6 | (\$578,212.9) | 5,598,280.72    |
| Total  |                                    |        |                        |         |            |         |             |               | 28,167,894.73   |

2008Q1 22.8805

| H&W Employee Cost Sharing |        |           | No. of Old Contract |          | New Contract |          | Quarterly Amount |
|---------------------------|--------|-----------|---------------------|----------|--------------|----------|------------------|
| From                      | Thru   | Employees | Mo.                 | Rate     | Mo.          | Rate     |                  |
| 2007Q1                    | 2007Q2 | 10,407    | \$137.95            | \$166.25 | \$166.25     | \$166.25 | \$883,554.30     |
| 2007Q3                    | 2007Q4 | 10,407    | \$147.73            | \$166.25 | \$166.25     | \$166.25 | \$578,212.92     |

# Back Pay for National TCU Added to RCAF 2008Q1

## National TCU New Contract Signed 10/1/07

|                         |            |                                                                    |
|-------------------------|------------|--------------------------------------------------------------------|
| ST Hours Paid           | 14,358,618 | 2006 Wage Statistics                                               |
| 2006 ST Hourly Rate     | \$22.04409 | 2006 Wage Statistics                                               |
| 2006 PFTNW HR           | \$5.15788  | 2006 Wage Statistics                                               |
| Ratio PFTNW/STHR        | 0.2339800  | calc. from wage statistics                                         |
| STHR 12/31/2006         | \$22.04909 | from YearEnd2006_final including COLAs on 1/1/06 and 7/1/06        |
| 7/1/05 COLA             | \$0.15000  | old 1996 Agreement, Article II, Part C                             |
| 1/1/06 COLA             | \$0.31000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/06 COLA             | \$0.01000  | old 2003 Agreement, NRLC Circular                                  |
| 1/1/07 COLA             | \$0.15000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/07 COLA             | \$0.10000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/05-7/1/07 COLAs out | \$0.72000  | new contract, Article III Section 1 (7/1/05 & after COLAs removed) |
| 7/1/05 G.W.I.           | 2.50%      | new contract, Article I Section 1(a)                               |
| 7/1/06 G.W.I.           | 3.00%      | new contract, Article I Section 2                                  |
| 7/1/07 G.W.I.           | 3.00%      | new contract, Article I Section 3                                  |

|                   |          |                                                    |
|-------------------|----------|----------------------------------------------------|
| 1/1/07 H&W Offset | \$137.70 | old 2003 Agreement, NRLC Circular                  |
| 7/1/07 H&W Offset | \$147.31 | old 2003 Agreement, NRLC Circular                  |
| 1/1/07 H&W Offset | \$166.25 | new contract, Article IV Part B Section 1(a) & (e) |

| Qtr.   | Total Hourly Rate In 2007 Contract |        |         | Total Hourly Rate Paid |        |         | Difference | Wage         |          | Offset \$      | Net Back Pay \$ |
|--------|------------------------------------|--------|---------|------------------------|--------|---------|------------|--------------|----------|----------------|-----------------|
|        | ST                                 | PFTNW  | Total   | ST                     | PFTNW  | Total   |            | Back Pay \$  | Mo. Rate |                |                 |
| 2005Q1 | 21.5791                            | 5.0491 | 26.6282 | 21.5791                | 5.0491 | 26.6282 | 0.0000     | 0.00         |          |                | 0.00            |
| 2005Q2 | 21.5791                            | 5.0491 | 26.6282 | 21.5791                | 5.0491 | 26.6282 | 0.0000     | 0.00         |          |                | 0.00            |
| 2005Q3 | 22.1186                            | 5.1753 | 27.2939 | 21.7291                | 5.0842 | 26.8133 | 0.4806     | 1,725,213.44 | \$166.25 |                | 1,725,213.44    |
| 2005Q4 | 22.1186                            | 5.1753 | 27.2939 | 21.7291                | 5.0842 | 26.8133 | 0.4806     | 1,725,213.44 | \$166.25 |                | 1,725,213.44    |
| 2006Q1 | 22.1186                            | 5.1753 | 27.2939 | 22.0391                | 5.1567 | 27.1958 | 0.0981     | 352,049.30   | \$166.25 |                | 352,049.30      |
| 2006Q2 | 22.1186                            | 5.1753 | 27.2939 | 22.0391                | 5.1567 | 27.1958 | 0.0981     | 352,049.30   | \$166.25 |                | 352,049.30      |
| 2006Q3 | 22.7821                            | 5.3306 | 28.1127 | 22.0491                | 5.1590 | 27.2081 | 0.9045     | 3,247,020.35 | \$166.25 |                | 3,247,020.35    |
| 2006Q4 | 22.7821                            | 5.3306 | 28.1127 | 22.0491                | 5.1590 | 27.2081 | 0.9045     | 3,247,020.35 | \$166.25 |                | 3,247,020.35    |
| 2007Q1 | 22.7821                            | 5.3306 | 28.1127 | 22.1991                | 5.1941 | 27.3932 | 0.7195     | 2,582,586.14 | \$166.25 | (\$718,004.00) | 1,864,582.14    |
| 2007Q2 | 22.7821                            | 5.3306 | 28.1127 | 22.1991                | 5.1941 | 27.3932 | 0.7195     | 2,582,586.14 | \$166.25 | (\$718,004.00) | 1,864,582.14    |
| 2007Q3 | 23.4656                            | 5.4905 | 28.9561 | 22.2991                | 5.2175 | 27.5166 | 1.4394     | 5,167,074.6  | \$166.25 | (\$476,322.11) | 4,690,752.53    |
| 2007Q4 | 23.4656                            | 5.4905 | 28.9561 | 22.2991                | 5.2175 | 27.5166 | 1.4394     | 5,167,074.6  | \$166.25 | (\$476,322.11) | 4,690,752.53    |
| Total  |                                    |        |         |                        |        |         |            |              |          |                | 23,759,235.52   |

2008Q1 23.4656

| H&W Employee Cost Sharing |        |           |          | No. of    |          | Old Contract |          | New Contract |          | Quarterly    |              |
|---------------------------|--------|-----------|----------|-----------|----------|--------------|----------|--------------|----------|--------------|--------------|
| From                      | Thru   | Employees | Mo. Rate | Employees | Mo. Rate | Employees    | Mo. Rate | Employees    | Mo. Rate | Amount       | Amount       |
| 2007Q1                    | 2007Q2 | 8,383     | \$137.70 | 8,383     | \$137.70 | 8,383        | \$166.25 | 8,383        | \$166.25 | \$718,003.95 | \$718,003.95 |
| 2007Q3                    | 2007Q4 | 8,383     | \$147.31 | 8,383     | \$147.31 | 8,383        | \$166.25 | 8,383        | \$166.25 | \$476,322.06 | \$476,322.06 |

# Back Pay for National IBEW Added to RCAF 2008Q1

## National IBEW New Contract Signed 10/1/07

|                         |            |                                                                    |
|-------------------------|------------|--------------------------------------------------------------------|
| ST Hours Paid           | 8,920,750  | 2006 Wage Statistics                                               |
| 2006 ST Hourly Rate     | \$22.19571 | 2006 Wage Statistics                                               |
| 2006 PFTNW HR           | \$4.09711  | 2006 Wage Statistics                                               |
| Ratio PFTNW/STHR        | 0          | 1845900 calc. from wage statistics                                 |
| STHR 12/31/2006         | \$22.20071 | from YearEnd2006_final including COLAs on 1/1/06 and 7/1/06        |
| 7/1/05 COLA             | \$0.15000  | old 1996 Agreement, Article II, Part C                             |
| 1/1/06 COLA             | \$0.31000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/06 COLA             | \$0.01000  | old 2003 Agreement, NRLC Circular                                  |
| 1/1/07 COLA             | \$0.15000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/07 COLA             | \$0.10000  | old 2003 Agreement, NRLC Circular                                  |
| 7/1/05-7/1/07 COLAs out | \$0 72000  | new contract, Article III Section 1 (7/1/05 & after COLAs removed) |
| 7/1/05 G.W.I.           | 2.50%      | new contract, Article I Section 1(a)                               |
| 7/1/06 G.W.I.           | 3.00%      | new contract, Article I Section 2                                  |
| 7/1/07 G.W.I.           | 3.00%      | new contract, Article I Section 3                                  |

|                   |          |                                                    |
|-------------------|----------|----------------------------------------------------|
| 1/1/07 H&W Offset | \$146.97 | old 2003 Agreement, NRLC Circular                  |
| 7/1/07 H&W Offset | \$156.97 | old 2003 Agreement, NRLC Circular                  |
| 1/1/07 H&W Offset | \$166.25 | new contract, Article IV Part B Section 1(a) & (e) |

| Qtr.   | Total Hourly Rate in 2007 Contract |        |         | Total Hourly Rate Paid |        |         | Difference | Wage        |          | Offset \$     | Back Pay \$   | Net |
|--------|------------------------------------|--------|---------|------------------------|--------|---------|------------|-------------|----------|---------------|---------------|-----|
|        | ST                                 | PFTNW  | Total   | ST                     | PFTNW  | Total   |            | Back Pay \$ | Mo. Rate |               |               |     |
| 2005Q1 | 21.7307                            | 4 0113 | 25 7420 | 21 7307                | 4 0113 | 25 7420 | 0 0000     | 0 0         |          |               | 0 00          |     |
| 2005Q2 | 21 7307                            | 4 0113 | 25 7420 | 21 7307                | 4 0113 | 25 7420 | 0 0000     | 0 0         |          |               | 0 00          |     |
| 2005Q3 | 22 2740                            | 4 1116 | 26 3855 | 21 8807                | 4 0390 | 25 9197 | 0 4659     | 1,038,957 8 |          |               | 1,038,957 77  |     |
| 2005Q4 | 22.2740                            | 4 1116 | 26 3855 | 21 8807                | 4 0390 | 25 9197 | 0 4659     | 1,038,957 8 |          |               | 1,038,957 77  |     |
| 2006Q1 | 22.2740                            | 4 1116 | 26 3855 | 22 1907                | 4 0962 | 26 2869 | 0 0986     | 219,981 9   |          |               | 219,981 85    |     |
| 2006Q2 | 22.2740                            | 4 1116 | 26 3855 | 22 1907                | 4 0962 | 26 2869 | 0 0986     | 219,981 9   |          |               | 219,981 85    |     |
| 2006Q3 | 22.9422                            | 4 2349 | 27 1771 | 22 2007                | 4 0980 | 26 2987 | 0 8784     | 1,958,904 1 |          |               | 1,958,904 09  |     |
| 2006Q4 | 22.9422                            | 4 2349 | 27 1771 | 22 2007                | 4 0980 | 26 2987 | 0 8784     | 1,958,904 1 |          |               | 1,958,904 09  |     |
| 2007Q1 | 22.9422                            | 4 2349 | 27 1771 | 22 3507                | 4 1257 | 26 4764 | 0 7007     | 1,562,625 4 |          | (\$285,093 4) | 1,277,532 06  |     |
| 2007Q2 | 22 9422                            | 4 2349 | 27 1771 | 22 3507                | 4 1257 | 26 4764 | 0 7007     | 1,562,625 4 |          | (\$285,093 4) | 1,277,532 06  |     |
| 2007Q3 | 23 6305                            | 4 3619 | 27 9924 | 22 4507                | 4 1442 | 26 5949 | 1 3975     | 3,116,740 7 |          | (\$137,223 4) | 2,979,517 32  |     |
| 2007Q4 | 23.6305                            | 4 3619 | 27 9924 | 22 4507                | 4 1442 | 26 5949 | 1 3975     | 3,116,740 7 |          | (\$137,223 4) | 2,979,517 32  |     |
| Total  |                                    |        |         |                        |        |         |            |             |          |               | 14,949,786.16 |     |

2008Q1 23.6305

| H&W Employee Cost Sharing |        |        |        | No. of Old Contract |          | New Contract |          | Quarterly    |              |
|---------------------------|--------|--------|--------|---------------------|----------|--------------|----------|--------------|--------------|
| From                      | Thru   | 2007Q1 | 2007Q2 | Employees           | Mo. Rate | Mo. Rate     | Mo. Rate | Amount       | Amount       |
| 2007Q1                    | 2007Q2 |        |        | 4,929               | \$146.97 | \$166.25     | \$166.25 | \$285,093.36 | \$285,093.36 |
| 2007Q3                    | 2007Q4 |        |        | 4,929               | \$156.97 | \$166.25     | \$166.25 | \$137,223.36 | \$137,223.36 |

## Health and Welfare

|                                                                    | Employees<br>Receiving |            | Monthly Contribution |                   | Total             | Total |
|--------------------------------------------------------------------|------------------------|------------|----------------------|-------------------|-------------------|-------|
|                                                                    | Pay<br>2006            | 2006 Avg   | 2008                 | 2006 Avg          | 2008              | 2008  |
| 1 All Employees                                                    |                        |            |                      |                   |                   |       |
| a. Group health                                                    | 175,772                | \$1,001 02 | \$1,076.61           | \$175,951,287 44  | \$189,237,892 92  |       |
| b. Group dental                                                    | 175,772                | 47.20      | 45.72                | 8,296,438.40      | 8,036,295.84      |       |
| c. Early retirement major medical                                  | 175,772                | 87 86      | 110 98               | 15,443,327 92     | 19,507,176 56     |       |
| d. Group vision                                                    | 175,772                | 10 66      | 10 16                | 1,873,729 52      | 1,785,843 52      |       |
| 2. Supplemental Sickness                                           |                        |            |                      |                   |                   |       |
| a. Signalmen                                                       | 6,185                  | 32 00      | 8 55                 | 197,920 00        | 52,881.75         |       |
| b. Shopcrafts                                                      | 25,599                 | 61 00      | 30 04                | 1,561,539.00      | 768,993 96        |       |
| c. MOW                                                             | 26,027                 | 36 00      | 14 89                | 936,972 00        | 387,542 03        |       |
| d. Yardmasters                                                     | 2,357                  | 47 06      | 33 21                | 110,920 42        | 78,275.97         |       |
| 3 Short-Term Disability                                            |                        |            |                      |                   |                   |       |
| a. Engineers (CSX, KCS, UP)                                        | 16,107                 | 40 00      | 40 00                | 644,280 00        | 644,280.00        |       |
| b. Engineers (SOO, \$40 began 2Q 2006)                             | 518                    | 30 00      | 40 00                | 15,540 00         | 20,720 00         |       |
| 4. Monthly Total Premiums                                          |                        |            |                      | 205,031,954 70    | 220,519,902 55    |       |
| 5 Monthly Employee Contributions To H&W                            |                        |            |                      |                   |                   |       |
| a. National BLET (BNSF, CSX, KCS, NS, UP)                          | 28,966                 | (\$127 64) | (\$166 25)           | (\$3,697,220 24)  | (\$4,815,597 50)  |       |
| b. National BMW (BNSF, CSX, KCS, NS, UP)                           | 24,090                 | \$0 00     | (\$166 25)           | \$0 00            | (4,004,962 50)    |       |
| c. National BRS (BNSF, CSX, KCS, NS, UP)                           | 5,859                  | (\$100.00) | (\$166 25)           | (\$585,900 00)    | (974,058.75)      |       |
| d. National IAM (BNSF, CSX, KCS, NS, UP)                           | 6,763                  | (\$106.62) | (\$149 04)           | (\$721,071 06)    | (1,007,957 52)    |       |
| e. National IBBM (BNSF, CSX, KCS, NS, UP)                          | 1,051                  | (\$123 28) | (\$166 25)           | (\$129,567 28)    | (174,728.75)      |       |
| f. National IBEW (BNSF, CSX, KCS, NS, UP)                          | 4,929                  | (\$131 96) | (\$166 25)           | (\$650,430 84)    | (819,446 25)      |       |
| g. National NCFO (BNSF, CSX, KCS, NS, UP)                          | 2,404                  | (\$131 96) | (\$166 25)           | (\$317,231.84)    | (399,665 00)      |       |
| h. National SMW (BNSF, CSX, KCS, NS, UP)                           | 1,059                  | (\$131 96) | (\$166 25)           | (\$139,745 64)    | (176,058 75)      |       |
| i. National TCU (BNSF, CSX, KCS, NS, UP)                           | 8,383                  | (\$123 28) | (\$166 25)           | (\$1,033,456 24)  | (1,393,673.75)    |       |
| j. National TCU-CAR (BNSF, CSX, KCS, NS, UP)                       | 10,407                 | (\$123.28) | (\$166 25)           | (\$1,282,974 96)  | (1,730,163 75)    |       |
| k. National UTU (BNSF, CSX, KCS, NS, UP)                           | 44,297                 | (\$131 96) | (\$170 44)           | (\$5,845,432 12)  | (7,549,980 68)    |       |
| l. National UTU-Yardmasters (BNSF, CSX, KCS, NS)                   | 1,701                  | (\$131 96) | (\$170 44)           | (\$224,463 96)    | (289,918.44)      |       |
| m. National ATDA (wt avg BNSF, KCS, NS, & CSX*)                    | 1,791                  | (\$128 85) | (\$164 92)           | (\$230,770 35)    | (295,371 72)      |       |
| n. Independent CNGT (wt avg all 104 union categories)              | 5,892                  | (\$54 08)  | (\$78 28)            | (\$318,639 36)    | (461,225.76)      |       |
| o. Independent SOO (weighted average all 13 unions)                | 2,567                  | (\$91 65)  | (\$128 72)           | (\$235,265 55)    | (330,424 24)      |       |
| p. Independent UP (Yardmasters only)                               | 491                    | (\$123 28) | (\$147 31)           | (\$60,530 48)     | (72,329 21)       |       |
| Total Major Union                                                  | 150,650                |            |                      | (\$15,472,699 92) | (\$24,495,562 57) |       |
| All Other Employee Contributions**                                 |                        |            |                      | (\$2,839,968 66)  | (\$2,839,968 66)  |       |
| 6 Net Employer Monthly Payments                                    |                        |            |                      | \$186,719,286 12  | \$193,184,371 32  |       |
| 7 Ratio Projected Year to Base Year, Based on Net Monthly Payments |                        |            |                      |                   | 1 03462           |       |
| 8 H&W hourly rate for base year                                    |                        |            |                      | \$5 322           |                   |       |
| 9 H&W hourly rate for projected quarter                            |                        |            |                      |                   | <b>\$5.506</b>    |       |

\* 70% of CSX Dispatchers participate in national agreement, remaining have independent agreement

\*\* Mostly non-union employee contributions. The \$15,472,699 92 in major union contributions, plus \$2,839,968 66 in all other employee contributions, totals to the 12-month average of the total employee contributions reported to the AAR in its WF survey

**Health and Welfare****Employer H&W Contribution**

| <b>Supplemental Sickness Plan:</b>         |            | <b>2006 Pd.<br/>Employees</b> | <b>East</b> | <b>West</b> |
|--------------------------------------------|------------|-------------------------------|-------------|-------------|
| a. Signalmen                               | BRS        | 6,185                         | 2,744       | 3,441       |
| b. Shopcrafts                              | Total      | 25,599                        | 10,588      | 15,011      |
|                                            | IBEW       | 5,177                         | 1,902       | 3,275       |
|                                            | IBBM       | 1,117                         | 293         | 824         |
|                                            | TCU-Car    | 11,149                        | 5,188       | 5,981       |
|                                            | IAM        | 7,073                         | 2,642       | 4,431       |
|                                            | SMW        | 1,083                         | 583         | 500         |
| c. MOW                                     | BMWED      | 26,027                        | 9,790       | 16,237      |
| d. Yardmasters                             | UTU-YMD    | 2,357                         | 1,380       | 977         |
| <b>Short-Term Disability Contribution:</b> |            |                               |             |             |
| a. Engineers                               | Total BLET | 16,107                        | 5,999       | 10,108      |
|                                            | CSX        | 5,999                         |             |             |
|                                            | KCS        | 542                           |             |             |
|                                            | UP         | 9,566                         |             |             |
| b. Engineers                               | SOO        | 518                           |             |             |

**Sources/Notes:**

Employee counts are from the 112-Class Wage Statistics. Monthly H&W premiums are from the NRLC, contracts, or the railroads. Projected quarter H&W Cost Sharing amounts are from the NRLC, union contracts, or pertinent railroads. Base year average monthly Cost Sharing amounts are from an AAR survey, NRLC, contracts, pertinent railroads. H&W hourly rate for base year benchmark is based on annual report and wage data. H&W rate for projected year is the benchmark figure updated by the ratio of projected year net payments to the base year. All Other employee contributions is the difference between total employee contributions for the base year and all known union amounts -- resulting in a non-union amount plus any adjustments caused by either opt-outs from union agreements or independent cost sharing agreements (if any) unknown to the AAR.

## Health and Welfare

### ***Employee H&W Cost Sharing***

| <b>Group</b>                  | <b>Railroads</b>                      | <b>Contract Source</b>                                                               |
|-------------------------------|---------------------------------------|--------------------------------------------------------------------------------------|
| a. BLET                       | BNSF, CSX, KCS, UP<br>NS              | Article IV Part B Section 1 (a) & (e)<br>Article IX Sections 2 & 3, same as national |
| b. BMWE                       | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| c. BRS                        | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| d. IAM                        | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (f)                                                      |
| e. IBBM                       | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| f. IBEW                       | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| g. NCFO                       | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| h. SMW                        | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| i. TCU                        | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| j. TCU-Carmen                 | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (a) & (e)                                                |
| k. UTU                        | BNSF, CSX, KCS, NS, UP                | Article IV Part B Section 1 (g)                                                      |
| l. UTU-YMD                    | BNSF, KCS, NS<br>CSX                  | Article IV Part B Section 1 (g)<br>Article IV and Side Letter #1                     |
| m. Dispatchers                | BNSF, CSX, KCS, NS                    | Article IV Part B Section 1 (a) & (e)                                                |
| n. Independent CN             | all union categories incl. \$0 agmnts |                                                                                      |
| o. Independent SOO            | all unions                            | Provided by Canadian Pacific Railway                                                 |
| p. Independent UP yardmasters |                                       | Article III Part B Section 1 (i)                                                     |

# NATIONAL RAILWAY LABOR CONFERENCE

## EMPLOYEE BENEFITS DEPARTMENT

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

**JOSEPH EPSTEIN**  
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**SUSAN E. PARKS, CEBS**  
Benefits Administrator  
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November 8, 2007

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

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2008 are as follows:

|                                                                                                                       |            |
|-----------------------------------------------------------------------------------------------------------------------|------------|
| Aetna - Supplemental Sickness Plans                                                                                   |            |
| ShopCrafts                                                                                                            | \$ 30.04   |
| Signalmen                                                                                                             | \$ 8.55    |
| Maintenance of Way                                                                                                    | \$ 14.89   |
| Trustmark - Supplemental Sickness Plans                                                                               |            |
| Yardmasters                                                                                                           | \$ 33.21   |
| Railroad Employees National Health & Welfare Plan &<br>National Railway Carriers/United Transportation Union H&W Plan |            |
| Non-Hospital Road                                                                                                     | \$1,076.61 |
| Railroad Employees National Early Retirement<br>Major Medical Benefit Plan                                            |            |
| Non-Hospital Road                                                                                                     | \$ 110.98  |
| Aetna - National Dental Plan                                                                                          | \$ 45.72   |
| VSP - National Vision Plan                                                                                            | \$ 10.16   |

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

Very truly yours,



Susan E. Parks

cc: Glen Williams

# NATIONAL RAILWAY LABOR CONFERENCE

## ECONOMIC RESEARCH DEPARTMENT

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

H. GLEN WILLIAMS Jr.  
Director Economic Research  
(202) 862-7232  
gwilliams@nrlrc.org

November 19, 2007

### Health and Welfare Contributions

### Under 2004 Round National Agreements

ATDD, BLET, BMWE, BRS, IBB, IBEW, NCFO, SMW, TCU, BRC

|                               |        |
|-------------------------------|--------|
| CIRCULAR NO. 504-101-16 (H&W) |        |
| CIRCULAR NO. 844-3            | (ATDD) |
| CIRCULAR NO. 845-6            | (BLET) |
| CIRCULAR NO. 846-4            | (BMWE) |
| CIRCULAR NO. 847-4            | (BRS)  |
| CIRCULAR NO. 849-6            | (IBB)  |
| CIRCULAR NO. 850-3            | (IBEW) |
| CIRCULAR NO. 851-6            | (NCFO) |
| CIRCULAR NO. 852-6            | (SMW)  |
| CIRCULAR NO. 853-3            | (TCU)  |
| CIRCULAR NO. 854-3            | (BRC)  |

### TO MEMBER ROADS:

The 2004 Round National Agreements with the above-referenced organizations changed the method of calculating employee cost-sharing contributions. Cost-sharing has been changed to 15% of the carriers' monthly payment rate as defined in Article IV (Article III for BRS) Part B of the new agreements.

The employee's contribution for 2008 under the new agreements will be \$166.25 per month, the same as was calculated for 2007.

  
H. Glen Williams, Jr.

# NATIONAL RAILWAY LABOR CONFERENCE

## ECONOMIC RESEARCH DEPARTMENT

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

H. GLEN WILLIAMS Jr.  
Director Economic Research  
(202) 862-7232  
gwilliams@rrnrlc.org

November 19, 2007

**January 1, 2008 Health and Welfare Contributions**  
**Under 2000 Round National Agreements**  
**UTU, UTU-Yardmasters, IAM**

CIRCULAR NO. 504-101-15 (H&W)  
CIRCULAR NO. 832-10-9 (UTU, including YARDMASTERS)  
CIRCULAR NO. 841-8-8 (IAM)  
CIRCULAR NO. 843-10-10 (UTU H&W)

### TO MEMBER ROADS:

The 2000 Round National Agreements with the above-referenced organizations provide for employee cost-sharing contributions to be adjusted on January 1, 2008. The applicable National Agreement sections and the entire amount of the monthly contributions effective January 1, 2008 are as follows:

| Organization    | 2000 Round National Agreement Reference                                                  | Monthly Contribution |
|-----------------|------------------------------------------------------------------------------------------|----------------------|
| UTU             | Article IV, Part B, Sect. 1 (g) of the Nov. 6, 2003 Supplemental Agreement               | \$170.44             |
| UTU-Yardmasters | Article IV, Part B, Sect. 1 (g) of Document B of the Nov. 6, 2003 Supplemental Agreement | \$170.44             |
| IAM             | Article IV, Part B, Sect. 1 (f)                                                          | \$149.04             |

  
H. Glen Williams, Jr.

# Railroad Retirement and Medicare

|                         |          |                                         |
|-------------------------|----------|-----------------------------------------|
| Employees Receiving Pay | 175,772  | (2006 Benchmark, 2005 RRB Distribution) |
| Tier I Maximum          | 102,000  | (Year = 2008)                           |
| Tier II Maximum         | 75,900   | (Year = 2008)                           |
| Medicare Maximum        | no limit | (Year = 2008)                           |
| Tier I Tax Rate         | 6.20%    | (Year = 2008)                           |
| Tier II Tax Rate        | 12.10%   | (Year = 2008)                           |
| Medicare Tax Rate       | 1.45%    | (Year = 2008)                           |

| USA RCAF | Rate     | Factor  | RR Ret Tax    | Hourly Rate |
|----------|----------|---------|---------------|-------------|
| 2005     | \$28.884 |         |               |             |
| 2006     | \$29.465 | 1.02011 | \$539,939,652 | \$6.293     |
| 1Q/2008  | \$31.071 | 1.07572 | \$560,251,674 | \$6.530     |
| 2Q/2008  |          | 0.00000 | \$0           | \$0.000     |
| 3Q/2008  |          | 0.00000 | \$0           | \$0.000     |
| 4Q/2008  |          | 0.00000 | \$0           | \$0.000     |

RR Ret Tax from RR\_Retirement\_06annual.xls, Hourly rate from SUPPL2006.xls  
Rate = Taxable Rate

Railroad Retirement & Medicare, U S

1Q/2008

1Q/2008

| Annual Earnings Groups | Percent of Total Employees | Employees Receiving Pay 2006 (2005 RRB Stats) | Avg Annual Earnings | Estimated Avg. Annual Earnings | Avg City Earnings | Tier I Taxable | Tier II Taxable | Medicare Taxable       | Tier I Tot Tax Emgs | Tier II Tot Tax Emg | Medicare Tot Tax Emg |
|------------------------|----------------------------|-----------------------------------------------|---------------------|--------------------------------|-------------------|----------------|-----------------|------------------------|---------------------|---------------------|----------------------|
| \$0 - 21699            | 0.423                      | 744                                           | \$9,150             | \$9,843                        | \$2,461           | \$2,461        | \$2,461         | \$2,461                | \$1,828,570         | \$1,828,570         | \$1,828,570          |
| 21700 - 23699          | 0.188                      | 330                                           | \$22,323            | 24,013                         | 6,003             | 6,003          | 6,003           | 6,003                  | 1,983,801           | 1,983,801           | 1,983,801            |
| 23700 - 25699          | 0.094                      | 165                                           | \$24,829            | 26,709                         | 6,677             | 6,677          | 6,677           | 6,677                  | 1,103,252           | 1,103,252           | 1,103,252            |
| 25700 - 27699          | 0.239                      | 578                                           | \$26,682            | 28,702                         | 7,176             | 7,176          | 7,176           | 7,176                  | 4,149,558           | 4,149,558           | 4,149,558            |
| 27700 - 29699          | 0.325                      | 413                                           | \$28,513            | 30,672                         | 7,668             | 7,668          | 7,668           | 7,668                  | 3,167,367           | 3,167,367           | 3,167,367            |
| 29700 - 31699          | 0.611                      | 1,074                                         | \$30,717            | 33,043                         | 8,261             | 8,261          | 8,261           | 8,261                  | 8,871,715           | 8,871,715           | 8,871,715            |
| 31700 - 33699          | 0.611                      | 1,074                                         | \$32,717            | 35,194                         | 8,799             | 8,799          | 8,799           | 8,799                  | 9,449,358           | 9,449,358           | 9,449,358            |
| 33700 - 35699          | 0.517                      | 909                                           | \$34,794            | 37,428                         | 9,357             | 9,357          | 9,357           | 9,357                  | 8,503,202           | 8,503,202           | 8,503,202            |
| 35700 - 37699          | 1.175                      | 2,065                                         | \$36,904            | 39,698                         | 9,925             | 9,925          | 9,925           | 9,925                  | 20,497,406          | 20,497,406          | 20,497,406           |
| 37700 - 39699          | 1.598                      | 2,809                                         | \$38,752            | 41,686                         | 10,422            | 10,422         | 10,422          | 10,422                 | 29,272,411          | 29,272,411          | 29,272,411           |
| 39700 - 41699          | 2.303                      | 4,048                                         | \$40,698            | 43,780                         | 10,945            | 10,945         | 10,945          | 10,945                 | 44,305,190          | 44,305,190          | 44,305,190           |
| 41700 - 43699          | 4.417                      | 7,764                                         | \$42,853            | 46,098                         | 11,524            | 11,524         | 11,524          | 11,524                 | 89,473,871          | 89,473,871          | 89,473,871           |
| 43700 - 45699          | 5.310                      | 9,333                                         | \$44,623            | 48,002                         | 12,000            | 12,000         | 12,000          | 12,000                 | 112,005,896         | 112,005,896         | 112,005,896          |
| 45700 - 47699          | 4.981                      | 8,755                                         | \$46,625            | 50,155                         | 12,539            | 12,539         | 12,539          | 12,539                 | 109,779,939         | 109,779,939         | 109,779,939          |
| 47700 - 49699          | 6.156                      | 10,821                                        | \$48,637            | 52,320                         | 13,080            | 13,080         | 13,080          | 13,080                 | 141,531,460         | 141,531,460         | 141,531,460          |
| 49700 - 51699          | 4.981                      | 8,755                                         | \$50,733            | 54,574                         | 13,644            | 13,644         | 13,644          | 13,644                 | 119,452,346         | 119,452,346         | 119,452,346          |
| 51700 - 53699          | 3.994                      | 7,020                                         | \$52,561            | 56,541                         | 14,135            | 14,135         | 14,135          | 14,135                 | 99,233,721          | 99,233,721          | 99,233,721           |
| 53700 - 55699          | 4.323                      | 7,599                                         | \$54,669            | 58,808                         | 14,702            | 14,702         | 14,702          | 14,702                 | 111,715,636         | 111,715,636         | 111,715,636          |
| 55700 - 57699          | 4.370                      | 7,681                                         | \$56,770            | 61,088                         | 15,267            | 15,267         | 15,267          | 15,267                 | 117,270,271         | 117,270,271         | 117,270,271          |
| 57700 - 59699          | 3.900                      | 6,855                                         | \$58,651            | 63,092                         | 15,773            | 15,773         | 15,773          | 15,773                 | 108,125,375         | 108,125,375         | 108,125,375          |
| 59700 - 61699          | 3.759                      | 6,607                                         | \$60,754            | 65,354                         | 16,339            | 16,339         | 16,339          | 16,339                 | 107,953,021         | 107,953,021         | 107,953,021          |
| 61700 - 63699          | 3.571                      | 6,277                                         | \$62,678            | 67,424                         | 16,856            | 16,856         | 16,856          | 16,856                 | 105,801,683         | 105,801,683         | 105,801,683          |
| 63700 - 65699          | 3.242                      | 5,698                                         | \$64,735            | 69,637                         | 17,409            | 17,409         | 17,409          | 17,409                 | 99,206,416          | 99,206,416          | 99,206,416           |
| 65700 - 67699          | 3.947                      | 6,938                                         | \$66,647            | 71,893                         | 17,923            | 17,923         | 17,923          | 17,923                 | 124,347,005         | 124,347,005         | 124,347,005          |
| 67700 - 69699          | 3.242                      | 5,689                                         | \$68,593            | 73,787                         | 18,447            | 18,447         | 18,447          | 18,447                 | 105,118,803         | 105,118,803         | 105,118,803          |
| 69700 - 71699          | 2.444                      | 4,296                                         | \$70,607            | 75,953                         | 18,988            | 18,988         | 18,988          | 18,988                 | 81,571,145          | 81,571,145          | 81,571,145           |
| 71700 - 73699          | 2.867                      | 5,039                                         | \$72,584            | 78,080                         | 19,520            | 19,520         | 19,520          | 19,520                 | 98,368,532          | 98,368,532          | 98,368,532           |
| 73700 - 75699          | 1.786                      | 3,139                                         | \$74,708            | 80,365                         | 20,091            | 20,091         | 20,091          | 20,091                 | 63,071,936          | 63,071,936          | 63,071,936           |
| 75700 - 77699          | 1.692                      | 2,974                                         | \$76,656            | 82,460                         | 20,615            | 20,615         | 20,615          | 20,615                 | 61,310,394          | 61,310,394          | 61,310,394           |
| 77700 - 79699          | 1.645                      | 2,891                                         | \$78,698            | 84,658                         | 21,164            | 21,164         | 21,164          | 21,164                 | 61,185,955          | 61,185,955          | 61,185,955           |
| 79700 - 81699          | 2.021                      | 3,552                                         | \$80,724            | 86,836                         | 21,709            | 21,709         | 21,709          | 21,709                 | 77,118,147          | 77,118,147          | 77,118,147           |
| 81700 - 83699          | 2.350                      | 4,131                                         | \$82,637            | 88,894                         | 22,223            | 22,223         | 22,223          | 22,223                 | 91,797,320          | 91,797,320          | 91,797,320           |
| 83700 - 85699          | 1.269                      | 2,231                                         | \$84,715            | 91,129                         | 22,782            | 22,782         | 22,782          | 22,782                 | 50,817,060          | 50,817,060          | 50,817,060           |
| 85700 - 87699          | 1.786                      | 3,139                                         | \$86,627            | 93,186                         | 23,297            | 23,297         | 23,297          | 23,297                 | 73,134,505          | 73,134,505          | 73,134,505           |
| 87700 - 89699          | 1.081                      | 1,900                                         | \$88,504            | 95,205                         | 23,801            | 23,801         | 23,801          | 23,801                 | 45,224,752          | 45,224,752          | 45,224,752           |
| 89700 - 91699          | 1.457                      | 2,561                                         | \$90,575            | 97,433                         | 24,358            | 24,358         | 24,358          | 24,358                 | 62,381,454          | 62,381,454          | 62,381,454           |
| 91700 - 93699          | 1.457                      | 2,561                                         | \$92,723            | 99,744                         | 24,936            | 24,936         | 24,936          | 24,936                 | 63,880,840          | 63,880,840          | 63,880,840           |
| 93700 - 95699          | 0.893                      | 1,570                                         | \$94,871            | 102,054                        | 25,514            | 25,514         | 25,514          | 25,514                 | 40,025,921          | 40,025,921          | 40,025,921           |
| 95700 - over           | 8.975                      | 15,776                                        | \$132,020           | 142,016                        | 35,504            | 35,504         | 35,504          | 35,504                 | 402,276,194         | 402,276,194         | 402,276,194          |
| TOTAL                  | 100.000000                 | 175,772                                       | \$65,880            |                                |                   |                |                 |                        | 2,956,302,426       | 2,742,197,149       | 3,114,142,860        |
|                        |                            |                                               |                     |                                |                   |                |                 | Total Taxable Tax Rate | 0.082               | 0.121               | 0.0145               |

City Pmt \$183,290,750 \$391,805,855 \$45,155,069  
Tier I & II & Medicare \$560,251,674

2Q/2008

| Annual<br>Earnings<br>Groups | Percent of<br>Total<br>Employees | Employees<br>Receiving<br>Pay 2006<br>(2005 RRB Stats) | Avg Annual<br>Earnings<br>(2005 RRB Stats) | Estimated<br>Avg Annual<br>Earnings | Avg City<br>Earnings | Tier I<br>Taxable | Tier II<br>Taxable | Medicare<br>Taxable       | Tier I<br>Tot Tax Emgs | Tier II<br>Tot Tax Emgs | Medicare<br>Tot Tax Emgs |
|------------------------------|----------------------------------|--------------------------------------------------------|--------------------------------------------|-------------------------------------|----------------------|-------------------|--------------------|---------------------------|------------------------|-------------------------|--------------------------|
| \$0 - 21699                  | 0.423                            | 744                                                    | \$9,150                                    | \$0                                 | \$0                  | \$0               | \$0                | \$0                       | \$0                    | \$0                     | \$0                      |
| 21700 - 23699                | 0.188                            | 330                                                    | \$22,323                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 23700 - 25699                | 0.094                            | 165                                                    | \$24,829                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 25700 - 27699                | 0.329                            | 578                                                    | \$26,682                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 27700 - 29699                | 0.235                            | 413                                                    | \$28,513                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 29700 - 31699                | 0.611                            | 1,074                                                  | \$30,717                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 31700 - 33699                | 0.611                            | 1,074                                                  | \$32,717                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 33700 - 35699                | 0.517                            | 909                                                    | \$34,794                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 35700 - 37699                | 1.175                            | 2,065                                                  | \$36,904                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 37700 - 39699                | 1.598                            | 2,809                                                  | \$38,752                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 39700 - 41699                | 2.303                            | 4,048                                                  | \$40,698                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 41700 - 43699                | 4.417                            | 7,764                                                  | \$42,853                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 43700 - 45699                | 5.310                            | 9,333                                                  | \$44,623                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 45700 - 47699                | 4.981                            | 8,755                                                  | \$46,625                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 47700 - 49699                | 6.156                            | 10,821                                                 | \$48,637                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 49700 - 51699                | 4.981                            | 8,755                                                  | \$50,733                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 51700 - 53699                | 3.984                            | 7,020                                                  | \$52,561                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 53700 - 55699                | 4.323                            | 7,599                                                  | \$54,669                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 55700 - 57699                | 4.370                            | 7,691                                                  | \$56,770                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 57700 - 59699                | 3.900                            | 6,855                                                  | \$58,651                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 59700 - 61699                | 3.759                            | 6,607                                                  | \$60,754                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 61700 - 63699                | 3.571                            | 6,277                                                  | \$62,678                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 63700 - 65699                | 3.242                            | 5,699                                                  | \$64,735                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 65700 - 67699                | 3.947                            | 6,838                                                  | \$66,847                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 67700 - 69699                | 3.242                            | 5,699                                                  | \$68,593                                   | 0                                   | 0                    | 0                 | 0                  | 0                         | 0                      | 0                       | 0                        |
| 69700 - 71699                | 2.444                            | 4,298                                                  | \$70,607                                   | 0                                   | 0                    | 0                 | 13                 | 0                         | 0                      | 57,056                  | 0                        |
| 71700 - 73699                | 2.867                            | 5,039                                                  | \$72,584                                   | 0                                   | 0                    | 0                 | 545                | 0                         | 0                      | 2,746,235               | 0                        |
| 73700 - 75699                | 1.786                            | 3,139                                                  | \$74,708                                   | 0                                   | 0                    | 0                 | 1,116              | 0                         | 0                      | 3,503,948               | 0                        |
| 75700 - 77699                | 1.692                            | 2,974                                                  | \$76,656                                   | 0                                   | 0                    | 0                 | 1,640              | 0                         | 0                      | 4,877,563               | 0                        |
| 77700 - 79699                | 1.645                            | 2,891                                                  | \$78,699                                   | 0                                   | 0                    | 0                 | 2,189              | 0                         | 0                      | 6,330,702               | 0                        |
| 79700 - 81699                | 2.021                            | 3,552                                                  | \$80,724                                   | 0                                   | 0                    | 0                 | 2,734              | 0                         | 0                      | 9,712,265               | 0                        |
| 81700 - 83699                | 2.350                            | 4,131                                                  | \$82,637                                   | 0                                   | 0                    | 0                 | 3,248              | 0                         | 0                      | 13,418,398              | 0                        |
| 83700 - 85699                | 1.269                            | 2,231                                                  | \$84,715                                   | 0                                   | 0                    | 0                 | 3,807              | 0                         | 0                      | 8,482,437               | 0                        |
| 85700 - 87699                | 1.788                            | 3,139                                                  | \$86,627                                   | 0                                   | 0                    | 0                 | 4,322              | 0                         | 0                      | 13,568,517              | 0                        |
| 87700 - 89699                | 1.081                            | 1,900                                                  | \$88,504                                   | 0                                   | 0                    | 0                 | 4,826              | 0                         | 0                      | 9,170,443               | 0                        |
| 89700 - 91699                | 1.457                            | 2,561                                                  | \$90,575                                   | 0                                   | 0                    | 0                 | 5,383              | 0                         | 0                      | 13,786,516              | 0                        |
| 91700 - 93699                | 1.457                            | 2,561                                                  | \$92,723                                   | 0                                   | 0                    | 0                 | 5,961              | 0                         | 0                      | 15,265,902              | 0                        |
| 93700 - 95699                | 0.893                            | 1,570                                                  | \$94,871                                   | 0                                   | 0                    | 14                | 6,539              | 0                         | 21,314                 | 10,263,241              | 0                        |
| 95700 - over                 | 8.975                            | 15,776                                                 | \$132,020                                  | 0                                   | 0                    | 10,004            | 16,529             | 0                         | 157,818,919            | 260,754,298             | 0                        |
| TOTAL                        | 100.000                          | 175,772                                                |                                            |                                     |                      |                   |                    | Total Taxable<br>Tax Rate | 157,840,233<br>0.062   | 371,945,511<br>0.121    | 0<br>0.0145              |

City Pmt \$9,786,094 \$45,005,407 \$0  
Tier I & II & Medicare \$54,791,501

| 3Q/2008                      |                                  |                                    |                                            |                                     |                       |                   |                    |                     |                        |                        |                         |                           |
|------------------------------|----------------------------------|------------------------------------|--------------------------------------------|-------------------------------------|-----------------------|-------------------|--------------------|---------------------|------------------------|------------------------|-------------------------|---------------------------|
| Annual<br>Earnings<br>Groups | Percent of<br>Total<br>Employees | Employees<br>Receiving<br>Pay 2006 | Avg Annual<br>Earnings<br>(2005 RRB Stats) | Estimated<br>Avg Annual<br>Earnings | Avg Qtrly<br>Earnings | Tier I<br>Taxable | Tier II<br>Taxable | Medicare<br>Taxable | Tier I<br>Tot Tax Emgs | Tier II<br>Tot Tax Emg | Medicare<br>Tot Tax Emg | Total Taxable<br>Tax Rate |
|                              |                                  |                                    |                                            |                                     |                       |                   |                    |                     |                        |                        |                         |                           |
| \$0 - 21699                  | 0.423                            | 744                                | \$8,150                                    | \$0                                 | \$0                   | \$0               | \$0                | \$0                 | \$0                    | \$0                    | \$0                     | 0                         |
| 21700 - 23699                | 0.188                            | 330                                | \$22,323                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 23700 - 25699                | 0.094                            | 165                                | \$24,829                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 25700 - 27699                | 0.329                            | 578                                | \$26,682                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 27700 - 29699                | 0.235                            | 413                                | \$28,513                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 29700 - 31699                | 0.611                            | 1,074                              | \$30,717                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 31700 - 33699                | 0.611                            | 1,074                              | \$32,717                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 33700 - 35699                | 0.517                            | 909                                | \$34,794                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 35700 - 37699                | 1.175                            | 2,065                              | \$36,904                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 37700 - 39699                | 1.598                            | 2,809                              | \$38,752                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 39700 - 41699                | 2.303                            | 4,048                              | \$40,698                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 41700 - 43699                | 4.417                            | 7,764                              | \$42,853                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 43700 - 45699                | 5.310                            | 9,333                              | \$44,623                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 45700 - 47699                | 4.981                            | 8,755                              | \$46,625                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 47700 - 49699                | 6.156                            | 10,821                             | \$48,637                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 49700 - 51699                | 4.981                            | 8,755                              | \$50,733                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 51700 - 53699                | 3.994                            | 7,020                              | \$52,561                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 53700 - 55699                | 4.323                            | 7,599                              | \$54,669                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 55700 - 57699                | 4.370                            | 7,681                              | \$56,770                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 57700 - 59699                | 3.900                            | 6,855                              | \$58,651                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 59700 - 61699                | 3.759                            | 6,607                              | \$60,754                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 61700 - 63699                | 3.571                            | 6,277                              | \$62,678                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 63700 - 65699                | 3.242                            | 5,699                              | \$64,735                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 65700 - 67699                | 3.947                            | 6,938                              | \$66,647                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 67700 - 69699                | 3.242                            | 5,699                              | \$68,583                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 69700 - 71699                | 2.444                            | 4,296                              | \$70,607                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 71700 - 73699                | 2.867                            | 5,039                              | \$72,584                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 73700 - 75699                | 1.786                            | 3,139                              | \$74,708                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 75700 - 77699                | 1.692                            | 2,974                              | \$76,656                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 77700 - 79699                | 1.645                            | 2,891                              | \$78,699                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 79700 - 81699                | 2.021                            | 3,552                              | \$80,724                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 81700 - 83699                | 2.350                            | 4,131                              | \$82,637                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 83700 - 85699                | 1.269                            | 2,231                              | \$84,715                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 85700 - 87699                | 1.786                            | 3,139                              | \$86,627                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 87700 - 89699                | 1.081                            | 1,900                              | \$88,504                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 89700 - 91699                | 1.457                            | 2,561                              | \$90,575                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 91700 - 93699                | 1.457                            | 2,561                              | \$92,723                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 93700 - 95699                | 0.893                            | 1,570                              | \$94,871                                   | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| 95700 - over                 | 8.975                            | 15,778                             | \$132,020                                  | 0                                   | 0                     | 0                 | 0                  | 0                   | 0                      | 0                      | 0                       | 0                         |
| TOTAL                        | 100.000                          | 175,772                            |                                            |                                     |                       |                   |                    |                     | 0.062                  | 0.121                  |                         | 0.0145                    |
| Qty Pmt                      |                                  |                                    |                                            |                                     |                       |                   |                    |                     |                        |                        |                         | \$0                       |
| Tier I & II & Medicare       |                                  |                                    |                                            |                                     |                       |                   |                    |                     |                        |                        |                         | \$0                       |

4Q/2008

| Annual<br>Earnings<br>Groups | Percent of<br>Total<br>Employees | Employees<br>Receiving<br>Pay 2006 | Avg Annual<br>Earnings<br>(2005 RRB Stats) | Estimated<br>Avg Annual<br>Earnings | Avg City<br>Earnings | Tier I<br>Taxable | Tier II<br>Taxable | Medicare<br>Taxable | Tier I<br>Tot Tax Emgs | Tier II<br>Tot Tax Emgs | Medicare<br>Tot Tax Emg |
|------------------------------|----------------------------------|------------------------------------|--------------------------------------------|-------------------------------------|----------------------|-------------------|--------------------|---------------------|------------------------|-------------------------|-------------------------|
| \$0 - 4999                   | 0.423                            | 744                                | \$8,150                                    | \$0                                 | \$0                  | \$0               | \$0                | \$0                 | \$0                    | \$0                     | \$0                     |
| 5000 - 9999                  | 0.188                            | 330                                | \$22,323                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 10000 - 12499                | 0.094                            | 165                                | \$24,829                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 12500 - 14999                | 0.329                            | 578                                | \$28,682                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 15000 - 17499                | 0.235                            | 413                                | \$28,513                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 17500 - 19999                | 0.611                            | 1,074                              | \$30,717                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 20000 - 22499                | 0.611                            | 1,074                              | \$32,717                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 22500 - 24999                | 0.517                            | 909                                | \$34,794                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 25000 - 27499                | 1.175                            | 2,065                              | \$36,904                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 27500 - 29999                | 1.598                            | 2,809                              | \$38,752                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 30000 - 32499                | 2.303                            | 4,048                              | \$40,698                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 32500 - 34999                | 4.417                            | 7,764                              | \$42,853                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 35000 - 37499                | 5.310                            | 9,333                              | \$44,823                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 37500 - 39999                | 4.981                            | 8,755                              | \$46,625                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 40000 - 42499                | 6.156                            | 10,821                             | \$48,637                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 42500 - 44999                | 4.981                            | 8,755                              | \$50,733                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 45000 - 47499                | 3.984                            | 7,020                              | \$52,561                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 47500 - 49999                | 4.323                            | 7,599                              | \$54,669                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 50000 - 52499                | 4.370                            | 7,681                              | \$56,770                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 52500 - 54999                | 3.900                            | 6,855                              | \$58,651                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 55000 - 57499                | 3.759                            | 6,607                              | \$60,754                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 57500 - 59999                | 3.571                            | 6,277                              | \$62,678                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 60000 - 62499                | 3.242                            | 5,699                              | \$64,735                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 62500 - 64999                | 3.947                            | 6,938                              | \$66,647                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 65000 - 67499                | 3.242                            | 5,699                              | \$68,583                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 67500 - 69999                | 2.444                            | 4,296                              | \$70,607                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 70000 - 72499                | 2.867                            | 5,039                              | \$72,594                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 72500 - 74999                | 1.786                            | 3,139                              | \$74,708                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 75000 - 77499                | 1.692                            | 2,974                              | \$76,656                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 77500 - 79999                | 1.645                            | 2,891                              | \$78,699                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 80000 - 84999                | 2.021                            | 3,552                              | \$80,724                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 85000 - 89999                | 2.350                            | 4,131                              | \$82,637                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 90000 - 94999                | 1.269                            | 2,231                              | \$84,715                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 95000 - 99999                | 1.786                            | 3,139                              | \$86,627                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 100000 - 104999              | 1.081                            | 1,900                              | \$88,604                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 105000 - 109999              | 1.457                            | 2,561                              | \$90,575                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 110000 - 114999              | 1.457                            | 2,561                              | \$92,723                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 115000 - 119999              | 0.893                            | 1,570                              | \$94,871                                   | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| 120000 - 124999              | 8.975                            | 15,776                             | \$132,020                                  | 0                                   | 0                    | 0                 | 0                  | 0                   | 0                      | 0                       | 0                       |
| TOTAL                        | 100.000                          | 175,772                            |                                            |                                     |                      |                   |                    |                     |                        |                         |                         |
| Total Taxable                |                                  |                                    |                                            |                                     |                      |                   |                    |                     | 0.062                  | 0.121                   | 0.0145                  |
| Tax Rate                     |                                  |                                    |                                            |                                     |                      |                   |                    |                     |                        |                         |                         |
| Qty Pmt                      |                                  |                                    |                                            |                                     |                      |                   |                    |                     | \$0                    | \$0                     | \$0                     |
| Tier I & II & Medicare       |                                  |                                    |                                            |                                     |                      |                   |                    |                     |                        |                         |                         |

**Tax Rates and Maximum Taxable Earnings Under Social Security,  
Railroad Retirement and Railroad Unemployment Insurance Programs, Continued**

| Period         | Railroad Retirement       |        |                          |          |          | Railroad Unemployment Insurance  |                                 |                              |                                 | Unemployment Repayment Tax [4] |                             |
|----------------|---------------------------|--------|--------------------------|----------|----------|----------------------------------|---------------------------------|------------------------------|---------------------------------|--------------------------------|-----------------------------|
|                | Maximum earnings base [3] |        | Tax rate (percent) [3]   |          |          | Maximum monthly taxable earnings | Employer tax rate [5] (percent) | Surcharge or (pooled credit) | New employer tax rate (percent) | Maximum taxable earnings       | Employer tax rate (percent) |
|                |                           |        | Tier 1                   | Tier 2   |          |                                  |                                 |                              |                                 |                                |                             |
|                | Tier 1 [7]                | Tier 2 | Employer & employee each | Employer | Employee |                                  |                                 |                              |                                 |                                |                             |
| 1991           | 53,400                    | 39,600 | 7.65                     | 16.1     | 4.9      | 785                              | 5.55 - 12.0                     | -                            | 8.00                            | 785                            | 4.0                         |
| 1992           | 55,500                    | 41,400 | 7.65                     | 16.1     | 4.9      | 785                              | 3.10 - 12.0                     | (3.12)                       | 8.00                            | 785                            | 4.0                         |
| 1993           | 57,600                    | 42,900 | 7.65                     | 16.1     | 4.9      | 810                              | 0.65 - 12.0                     | (5.31)                       | 7.30                            | 810                            | 4.0                         |
| 1994           | 60,800                    | 45,000 | 7.65                     | 16.1     | 4.9      | 840                              | 0.65 - 12.0                     | (0.22)                       | 6.06                            |                                |                             |
| 1995           | 61,200                    | 45,300 | 7.65                     | 16.1     | 4.9      | 850                              | 0.65 - 12.0                     |                              | 4.15                            |                                |                             |
| 1996           | 62,700                    | 46,500 | 7.65                     | 16.1     | 4.9      | 865                              | 0.65 - 12.0                     |                              | 2.31                            |                                |                             |
| 1997           | 66,400                    | 48,600 | 7.65                     | 16.1     | 4.9      | 890                              | 0.65 - 12.0                     |                              | 1.16                            |                                |                             |
| 1998           | 68,400                    | 50,700 | 7.65                     | 16.1     | 4.9      | 925                              | 2.15 - 12.0                     | 1.5                          | 0.85                            |                                |                             |
| 1999           | 72,600                    | 53,700 | 7.65                     | 16.1     | 4.9      | 970                              | 2.15 - 12.0                     | 1.5                          | 0.82                            |                                |                             |
| 2000           | 76,200                    | 56,700 | 7.65                     | 16.1     | 4.9      | 1,005                            | 0.65 - 12.0                     |                              | 1.67                            |                                |                             |
| 2001           | 80,400                    | 59,700 | 7.65                     | 16.1     | 4.9      | 1,050                            | 2.15 - 12.0                     | 1.5                          | 2.59                            |                                |                             |
| 2002           | 84,900                    | 63,000 | 7.65                     | 15.6     | 4.9      | 1,100                            | 3.15 - 12.0                     | 2.6                          | 2.71                            |                                |                             |
| 2003           | 87,000                    | 64,500 | 7.65                     | 14.2     | 4.9      | 1,120                            | 3.15 - 12.0                     | 2.5                          | 2.36                            |                                |                             |
| 2004           | 87,900                    | 65,100 | 7.65                     | 13.1     | 4.9      | 1,130                            | 2.15 - 12.0                     | 1.5                          | 2.38                            |                                |                             |
| 2005           | 90,000                    | 66,900 | 7.65                     | 12.6     | 4.4      | 1,150                            | 2.15 - 12.0                     | 1.5                          | 3.43                            |                                |                             |
| 2006           | 94,200                    | 69,900 | 7.65                     | 12.6     | 4.4      | 1,195                            | 2.15 - 12.0                     | 1.5                          | 4.03                            |                                |                             |
| 2007           | 97,500                    | 72,600 | 7.65                     | 12.1     | 3.9      | 1,230                            | 2.15 - 12.0                     | 1.5                          | 3.75                            |                                |                             |
| 2008           | 102,000                   | 75,900 | 7.65                     | [8]      | [8]      | 1,280                            | 2.15 - 12.0                     | 1.5                          | 3.02                            |                                |                             |
| 2009 and later | [2]                       | [2]    | 7.65                     | [8]      | [8]      | [2]                              | [5]                             | [5]                          | [5]                             |                                |                             |

fore tax credit Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985 and 2.0 percent in 1986-89.

2 Based on automatic adjustments in proportion to increases in average earnings levels.

3 Earnings bases are monthly through 1984 and annual for 1985 and later. October 1, 1973 was the effective date for the allocation of railroad retirement taxes by tiers, subject to a moratorium for certain railroad labor organizations. The tier 1 tax rate was set equal to the current social security tax rate.

4 This temporary tax applied to employers until all pre-October 1985 loans from the Railroad Retirement Account were fully repaid with interest on June 29, 1993. Earnings bases are annual through 1988 and monthly for 1989-1993.

5 Taxes are paid only by employer. From 1948 through 1988, the rate for a calendar year was based on a graduated schedule depending on the preceding September 30 account balance (including administration fund). Except for certain commuter railroads, the rate for 1989-1990 was fixed at 8.0 percent. Beginning in 1991, each employer's rate is experience-based, with a minimum of 0.65 percent and a maximum of 12 percent, or 12.5 percent if a 3.5 percent surcharge applies due to a low account balance.

6 Taxes are paid only by employers. The supplemental annuity tax was repealed for calendar years after 2001.

7 Beginning in 1991, the portion of the tier 1 tax rate which does not exceed the social security HI tax rate is applied to earnings up to the HI maximum taxable amount. In 1993, a 1.45 percent tax applied to earnings up to \$135,000 and a 6.2 percent tax applied to earnings up to \$57,600.

8 Beginning in 2004, the tier 2 tax rate will be determined annually from a tax rate schedule based on the average account benefits ratio. The average account benefits ratio is the average for the 10 fiscal years preceding the calendar year of the ratio of the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as of the close of each fiscal year to the total benefits and administrative expenses paid from those accounts during the fiscal year. 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.

## RCAF Unemployment Insurance Tax

|            | <u>Unemployment Ins.</u> |                 |                 | RRB         | Factor            | Avg. Ann.       | Un. Ins.    |
|------------|--------------------------|-----------------|-----------------|-------------|-------------------|-----------------|-------------|
|            | <u>Tax</u>               | <u>Earnings</u> | Hourly          | Sample      | To Update         | Taxable         | Hourly      |
|            | <u>Rate</u>              | <u>Base</u>     | <u>Earnings</u> | <u>Year</u> | <u>RRB Sample</u> | <u>Earnings</u> | <u>Rate</u> |
|            |                          |                 | \$27.258        | (2002)      |                   |                 |             |
| 2003 Avg.  | 4.61%                    | \$13,440        | \$27.952        |             | 1.025460          | \$12,566.01     | \$0.322     |
| 4Q/04      | 2.88%                    | \$13,560        | \$28.834        |             | 1.057818          | \$12,688.80     | \$0.203     |
| 1Q/05      | 2.28%                    | \$13,800        | \$29.332        |             | 1.076088          | \$12,913.18     | \$0.164     |
| 2Q/05      | 2.28%                    | \$13,800        | \$29.115        |             | 1.068127          | \$12,909.59     | \$0.164     |
| 3Q/05      | 2.28%                    | \$13,800        | \$29.408        |             | 1.078876          | \$12,914.43     | \$0.164     |
|            |                          |                 | \$27.952        | (2003)      |                   |                 |             |
| 2004 Avg.  | 2.88%                    | \$13,560        | \$28.151        |             | 1.007119          | \$12,797.12     | \$0.197     |
| 4Q/05      | 2.29%                    | \$13,800        | \$29.157        |             | 1.043110          | \$13,030.55     | \$0.159     |
| 1Q/06      | 2.36%                    | \$14,340        | \$29.277        |             | 1.047403          | \$13,526.36     | \$0.170     |
| 2Q/06      | 2.36%                    | \$14,340        | \$29.255        |             | 1.046616          | \$13,526.05     | \$0.170     |
| 3Q/06      | 2.36%                    | \$14,340        | \$29.302        |             | 1.048297          | \$13,526.71     | \$0.170     |
|            |                          |                 | \$28.151        | (2004)      |                   |                 |             |
| 2005 Avg.  | 2.29%                    | \$13,800        | \$28.884        |             | 1.026038          | \$12,810.75     | \$0.162     |
| 4Q/06      | 2.36%                    | \$14,340        | \$29.136        |             | 1.034990          | \$13,295.94     | \$0.173     |
| 1Q/07      | 2.47%                    | \$14,760        | \$29.220        |             | 1.037974          | \$13,670.56     | \$0.186     |
| 2Q/07      | 2.47%                    | \$14,760        | \$29.238        |             | 1.038613          | \$13,670.92     | \$0.186     |
| 3Q/07      | 2.47%                    | \$14,760        | \$29.336        |             | 1.042094          | \$13,672.83     | \$0.186     |
|            |                          |                 | \$28.884        | (2005)      |                   |                 |             |
| 2006 Avg.  | 2.36%                    | \$14,340        | \$29.465        |             | 1.020115          | \$13,053.43     | \$0.173     |
| 3Q/07 reb. | 2.47%                    | \$14,760        | \$29.655        |             | 1.026693          | \$13,422.16     | \$0.186     |
| 4Q/07      | 2.47%                    | \$14,760        | \$30.476        |             | 1.055117          | \$13,438.69     | \$0.186     |
| 1Q/08      | 2.48%                    | \$15,360        | \$31.071        |             | 1.075717          | \$13,972.06     | \$0.195     |
| 2Q/08      | 2.48%                    | \$15,360        |                 |             | 0.000000          |                 | ---         |
| 3Q/08      | 2.48%                    | \$15,360        |                 |             | 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.

2005 rate changes from 2.28% to 2.29% because rebenchmarking to 2004 (and later) wage statistics and annual report data adds BL&E and DMIR to the railroad group.

The MEANS Procedure

| Variable | N    | Sum         | Mean      |
|----------|------|-------------|-----------|
| FactorA  | 2850 | 2907.33     | 1.0201150 |
| FactorQ  | 2850 | 3065.79     | 1.0757170 |
| Capa     | 2850 | 40869000.00 | 14340.00  |
| Capq     | 2850 | 43776000.00 | 15360.00  |

The MEANS Procedure

| Variable | N    | Sum         | Mean     |
|----------|------|-------------|----------|
| ANUAL_US | 2850 | 37202270.07 | 13053.43 |
| QTRLY_US | 2850 | 39820385.11 | 13972.06 |



## ASSOCIATION OF AMERICAN RAILROADS

### MEMORANDUM

**TO:** Self  
**FROM:** Shou-Lien Liu  
**cc:** Clyde Crimmel  
**DATE:** October 30, 2007  
**RE:** Unemployment Insurance Tax Rate for 2008

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Unemployment Insurance rates for 2008 can range from a minimum of 0.65 percent to a maximum of 12 percent on monthly earnings up to \$1,280. A 1.5 percentage point surcharge will be in effect for 2008, meaning the minimum tax rate is effectively 2.15 percent. Marla Huddleston, Chief, Division of Benefit and Employment Analysis at the Railroad Retirement Board, said in her October 30 e-mail that the weighted average 2008 Unemployment Insurance rate for Class I railroads is **2.48 percent**, and there is no change if Dakota, Minnesota & Eastern Railroad Corporation (DME) and Iowa, Chicago & Eastern Railroad Corporation (ICE) are included. In addition, she said since the Elgin Joliet & Eastern Railway (EJE) is a subsidiary of Transtar, Inc. for experience rating purposes, EJE was not given an individual contribution rate.

[Back to Story - Help](#)

## Oil rises after OPEC holds quotas steady

**AP** Associated Press

By PABLO GORONDI, Associated Press Writer

1 hour, 3 minutes ago

Oil prices rose sharply to about \$90 a barrel Wednesday as OPEC members said they would keep output ceilings steady.

Expectations that a weekly U.S. petroleum supply report due later Wednesday would show a small decrease in crude inventories also supported prices.

Light, sweet crude for January delivery added \$1.61 to \$89.93 a barrel in electronic trading on the New York Mercantile Exchange by afternoon in Europe.

In London, January Brent crude futures rose \$1.28 to \$90.81 a barrel on the ICE Futures exchange.

OPEC's oil ministers issued a statement after a meeting in Abu Dhabi, United Arab Emirates, confirming that the group would leave output unchanged "for the time being," because the world was "well supplied" and crude reserves were at comfortable levels.

"We have enough stocks in the market," OPEC Secretary-General Abdalla Salem el-Badri said after the decision was reached. "There is no reason for prices to go (to) \$100 a barrel."

Still, the statement expressed concern about market volatility driven by speculation — and suggested it was ready to step in if needed by taking "every measure deemed necessary to keep market stability through the maintenance of supply and demand in balance."

The 13-nation group plans to meet again Feb. 1 for a review of winter demand and the world economy, which seemed to indicate that OPEC was prepared to increase quotas should prices go much higher.

OPEC's decision suggested that it now viewed prices near or above \$90 — an increase of about \$40 since the start of the year — as acceptable.

A number of reports have suggested that several OPEC countries are already exceeding their output quotas.

With the OPEC decision "putting a floor on the price decline," analysts said other issues would determine the chances of a new rally in the coming days.

"The focus will now shift back to the weekly statistics and the Fed meeting next week and its repercussion for the dollar index," said Olivier Jakob at Petromatrix in Switzerland.

Others seemed dismayed by OPEC's decision, saying the oil ministers considered prices above \$90 a barrel "as their birthright."

"How the market finishes today could tell us what prices really want to do," Peter Beutel, president of U.S. energy risk management firm Cameron Hanover, said in a research note. "If prices somehow find a way to finish in negative territory today, despite OPEC's greed, it would be really bearish."

Traders are also waiting for the U.S. Department of Energy's weekly petroleum inventory report, which is closely watched in the energy markets as a guidepost for demand.

U.S. crude stockpiles are likely to fall by 800,000 barrels and gasoline stocks to grow by 900,000 barrels, according to an average estimate of analysts surveyed by Dow Jones Newswires.

Refinery use is expected to rise 0.2 percentage point to 89.6 percent of capacity, according to the survey. Distillate stocks, which include heating oil and diesel fuel, are expected to drop by 300,000 barrels, analysts predict.

Heating oil futures added 4.95 cents to \$2.5613 a gallon on the Nymex, while gasoline prices rose 3.96 cents to \$2.2913 a gallon.

Natural gas futures fell 7.5 cents to \$7.080 per 1,000 cubic feet.

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Associated Press writer Gillian Wong in Singapore contributed to this report.

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**Energy Information Administration**  
Official Energy Statistics from the U.S. Government

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*Petroleum Navigator*

|         |        |                |                       |                   |        |             |              |
|---------|--------|----------------|-----------------------|-------------------|--------|-------------|--------------|
| Summary | Prices | Crude Reserves | Refining & Processing | Imports & Exports | Stocks | Consumption | Publications |
|---------|--------|----------------|-----------------------|-------------------|--------|-------------|--------------|

**Weekly Heating Oil and Propane Prices**

(Cents per Gallon Excluding Taxes)

Area: U.S

Period: Weekly

| Show Data By:<br><input checked="" type="radio"/> Data Series <input type="radio"/> Area | 10/22/07 | 10/29/07 | 11/05/07 | 11/12/07 | 11/19/07 | 11/26/07 | View History |
|------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|----------|--------------|
| Residential Heating Oil                                                                  | 286.9    | 295.3    | 311.0    | 320.6    | 321.5    | 328.7    | 1990-2007    |
| Wholesale Heating Oil                                                                    | 239.4    | 249.6    | 263.5    | 267.8    | 265.2    | 276.7    | 1990-2007    |
| Residential Propane                                                                      | 220.8    | 224.8    | 233.3    | 241.2    | 243.5    | 244.9    | 1990-2007    |
| Wholesale Propane                                                                        | 152.5    | 157.5    | 164.1    | 165.5    | 159.4    | 162.1    | 1990-2007    |

Last Updated 11/28/2007

- = No Data Reported; -- = Not Applicable, NA = Not Available, W = Withheld to avoid disclosure of individual company data

Notes: See Definitions, Sources, and Notes link above for more information on this table

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AAR MATERIALS AND SUPPLIES INDEX  
Region By Composition  
Fourth Quarter 2007  
November 28, 2007

United States by Composition Category - Summary  
-----

| Composition Category                              | Weight | Previous<br>Quarter<br>Index | Current<br>Quarter<br>Index | Relative Of<br>Change |
|---------------------------------------------------|--------|------------------------------|-----------------------------|-----------------------|
| -----                                             | -----  | -----                        | -----                       | -----                 |
| Forest Products                                   | .1184  | 221.88                       | 219.24                      | .9881                 |
| Metal Products                                    | .6461  | 174.19                       | 175.76                      | 1.0090                |
| Miscellaneous Products                            | .2355  | 264.31                       | 261.75                      | .9903                 |
| U.S. By Composition                               | --     | 201.06                       | 201.16                      | 1.0005                |
| U.S. By Composition (Linked)                      | --     | 205.87                       | 205.97                      | 1.0005                |
| United States (1977=100)<br>Linking Factor: 1.423 | --     | 292.95                       | 293.10                      | 1.0005                |
| United States (1980=100)<br>Linking Factor: 1.061 | --     | 218.43                       | 218.53                      | 1.0005                |

## Car Hire for RCAF

### RCAF (Forecast)

|                               | 1980  | June<br>3Q/07 | Sept.<br>4Q/07 | Dec.<br>1Q/08 | Mar.<br>2Q/08 | June<br>3Q/08 |
|-------------------------------|-------|---------------|----------------|---------------|---------------|---------------|
| <b>RATE</b>                   |       |               |                |               |               |               |
| RR-OWNED TIME                 | 31.00 | 67.00         | 67.00          | 67.00         | --            | --            |
| RR-OWNED MILEAGE              | 4.69  | 7.30          | 7.30           | 7.20          | --            | --            |
| PRIVATELY-OWNED CARS          | 25.47 | 44.76         | 44.73          | 44.89         | --            | --            |
| AUTORACKS                     | 47.00 | 47.82         | 48.97          | 50.84         | --            | --            |
| <b>INDEX</b>                  |       |               |                |               |               |               |
| RR-OWNED TIME                 | 100.0 | 216.1         | 216.1          | 216.1         | --            | --            |
| RR-OWNED MILEAGE              | 100.0 | 155.7         | 155.7          | 153.5         | --            | --            |
| PRIVATELY-OWNED CARS          | 100.0 | 175.8         | 175.6          | 176.2         | --            | --            |
| AUTORACKS                     | 100.0 | 101.7         | 104.2          | 108.2         | --            | --            |
| CAR HIRE INDEX (old wts) 2005 | 100.0 | 181.3         | --             | --            | --            | --            |
| CAR HIRE INDEX (new wts) 2006 | 100.0 | 180.8         | 180.7          | 180.9         | --            | --            |
| CAR HIRE INDEX (LINKED)       | 100.0 | 179.8         | 179.7          | 179.9         | --            | --            |

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.

Note Indexes are rounded, rates are full float.

## Equipment Rents Data From UMLER

|                                | 2007    |         |         |         |         |         | 2008 |     |     |     |     |     |     |     |
|--------------------------------|---------|---------|---------|---------|---------|---------|------|-----|-----|-----|-----|-----|-----|-----|
|                                | Jul     | Aug     | Sep     | Oct     | Nov     | Dec     | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Railroad Owned                 |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| No of Cars                     |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| Superstructures                |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| Rate                           | 9,404   | 9,399   | 9,393   | 9,381   | 9,343   | 9,332   |      |     |     |     |     |     |     |     |
| Superstructures #3 - Auto Rack |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| All other #1 - Time            | 18.0    | 17.0    | 17.0    | 18.0    | 18.0    | 18.0    |      |     |     |     |     |     |     |     |
| All other #2 - Mileage         | 67.0    | 67.0    | 67.0    | 67.0    | 67.0    | 67.0    |      |     |     |     |     |     |     |     |
| Privately Owned                | 7.2     | 7.3     | 7.3     | 7.2     | 7.2     | 7.2     |      |     |     |     |     |     |     |     |
| No of Cars                     |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| Superstructures                | 49,677  | 49,721  | 49,818  | 49,754  | 49,707  | 49,720  |      |     |     |     |     |     |     |     |
| Covered Hoppers                | 335,987 | 335,992 | 338,292 | 338,566 | 33,760  | 340,654 |      |     |     |     |     |     |     |     |
| Tank Cars                      | 294,240 | 294,531 | 297,036 | 298,508 | 298,139 | 300,010 |      |     |     |     |     |     |     |     |
| Others                         | 289,294 | 289,490 | 290,414 | 289,831 | 290,633 | 291,495 |      |     |     |     |     |     |     |     |
| Rate                           |         |         |         |         |         |         |      |     |     |     |     |     |     |     |
| Superstructures #1 - Time      | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    |      |     |     |     |     |     |     |     |
| Superstructures #2 - Mileage   | 0.8     | 0.8     | 0.8     | 0.8     | 0.8     | 0.8     |      |     |     |     |     |     |     |     |
| Superstructures #3 - Auto Rack | 54.0    | 54.0    | 55.0    | 56.0    | 56.0    | 57.0    |      |     |     |     |     |     |     |     |
| Covered Hoppers #2 - Mileage   | 44.5    | 44.5    | 44.6    | 44.7    | 44.8    | 44.9    |      |     |     |     |     |     |     |     |
| Tank Cars #2 - Mileage         | 72.7    | 72.7    | 71.9    | 72.0    | 72.1    | 72.2    |      |     |     |     |     |     |     |     |
| Others #1 - Time               | 67.0    | 68.0    | 68.0    | 68.0    | 68.0    | 68.0    |      |     |     |     |     |     |     |     |
| Others #2 - Mileage            | 6.9     | 6.9     | 6.9     | 6.9     | 6.8     | 6.8     |      |     |     |     |     |     |     |     |

## AVERAGE RATES

|                         |       |       |       |       |       |       |         |         |         |         |         |         |         |         |
|-------------------------|-------|-------|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|---------|---------|
| Private Superstructures | 18.66 | 18.66 | 18.66 | 18.66 | 18.66 | 18.66 |         |         |         |         |         |         |         |         |
| Private Others          | 21.77 | 21.55 | 21.55 | 21.55 | 21.23 | 21.23 |         |         |         |         |         |         |         |         |
| Private Total           | 44.95 | 44.89 | 44.73 | 44.85 | 44.83 | 44.89 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Autotracks              | 47.95 | 48.12 | 48.97 | 49.97 | 49.99 | 50.84 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

| WEIGHTS              | "Old Wts" "New Wts" |       |
|----------------------|---------------------|-------|
|                      | 2005                | 2006  |
| For RCAF & RCR       |                     |       |
| RR-owned Time        | 0.181               | 0.182 |
| RR-owned Mileage     | 0.089               | 0.097 |
| Privately-owned Cars | 0.790               | 0.716 |
| Autotracks           | 0.000               | 0.005 |
| Check sum            | 1.000               | 1.000 |

| Weights for Equipment Rents (not used in Car Hire calculation) |       |       |
|----------------------------------------------------------------|-------|-------|
|                                                                | 2005  | 2006  |
| Car Hire - U S                                                 | 0.482 | 0.483 |
| Lease Rentals - U S                                            | 0.508 | 0.537 |
| Check sum                                                      | 1.000 | 1.000 |

Note: The 4 bold lines are used for the Car Hire Rate. Private Total uses a weighted average of the Covered Hoppers, Tank Cars, Combined Private Superstructures, and Combined Private Others rates.

## AVERAGE RATE FOR 12/07

| CAR GROUP                          | CAR COUNT | TIME     | MILEAGE      | AUTO RACK |
|------------------------------------|-----------|----------|--------------|-----------|
| -VEHICULAR FLATS                   |           |          |              |           |
| ONO. OF ZERO RATED VEH. FLATS 2/   | 9,332     | 128 ¢/HR | .080 \$/MILE | 18 ¢/HR   |
| -ALL OTHER CARS                    | 103       |          |              |           |
| ONO. OF ZERO RATED "OTHER" CARS 2/ | 678,158   | 67 ¢/HR  | .072 \$/MILE |           |
| 0                                  | TOTAL.    |          |              |           |
|                                    | 723,783   |          |              |           |

1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:

CAR TYPE D - LOCOMOTIVES

CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND BOT DEVICE

CAR TYPE U - CONTAINERS

CAR TYPE Z - TRAILERS

0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND 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.

| AVERAGE RATE FOR 12/07               |           | CAR RENTAL RATES |              | AUTO RACK |         |
|--------------------------------------|-----------|------------------|--------------|-----------|---------|
| GROUP                                | CAR COUNT | TIME             | MILEAGE      |           |         |
| -VEHICULAR FLATS                     | 49,720    | 76 ¢/HR          | 008 \$/MILE  |           | 57 ¢/HR |
| ONO. OF ZERO RATED VEH. FLATS 2/     | 10        |                  |              |           |         |
| -COVERED HOPPERS                     | 340,654   | 0 ¢/HR           | .449 \$/MILE |           |         |
| ONO OF ZERO RATED COVERED HOPPERS 2/ | 10,072    |                  |              |           |         |
| -TANKS                               | 300,010   | 3 ¢/HR           | .722 \$/MILE |           |         |
| ONO. OF ZERO RATED TANKS 2/          | 8,428     |                  |              |           |         |
| -ALL OTHER CARS                      | 291,495   | 65 ¢/HR          | 068 \$/MILE  |           |         |
| ONO. OF ZERO RATED *OTHER* CARS 2/   | 38,987    |                  |              |           |         |
| TOTAL: 1,039,376                     |           |                  |              |           |         |

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 GONK) IS SHOWN ON THE PRIVATE EQUIPMENT REPORT.

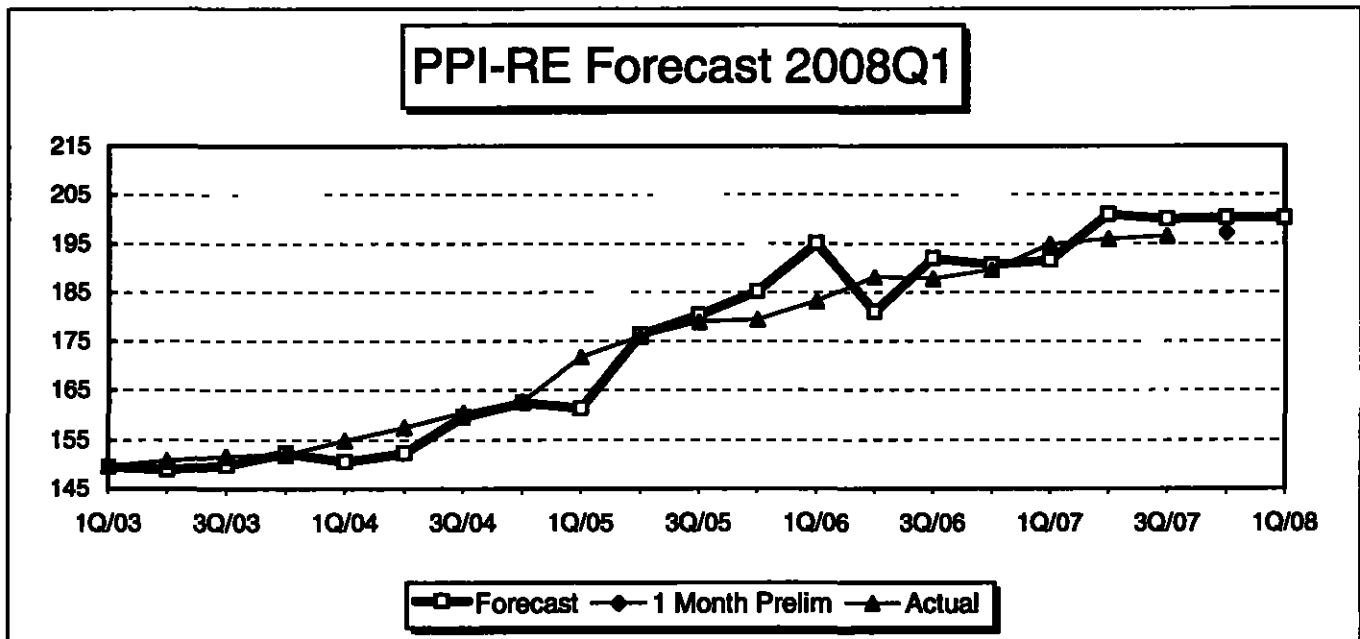
-2/ EQUIPMENT CAN BE ZERO RATED DUE TO OWNERS SUPPLYING INCORRECT OR INSUFFICIENT INFORMATION TO THE CAR ACCOUNTING PROCESS OR CARS WITH RATE INDICATOR SIX (6). THIS EQUIPMENT IS ELIMINATED FROM THE AVERAGING PROCESS.

## PPI-RE Forecast (for Depreciation Component)

|       | <u>Forecast</u> | <u>Actual</u> | <u>1 Month Prelim</u> |
|-------|-----------------|---------------|-----------------------|
| 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           | 154.8         |                       |
| 2Q/04 | 152.3           | 157.5         |                       |
| 3Q/04 | 159.6           | 160.3         |                       |
| 4Q/04 | 162.4           | 162.7         |                       |
| 1Q/05 | 161.3           | 171.7         |                       |
| 2Q/05 | 176.3           | 175.9         |                       |
| 3Q/05 | 180.3           | 178.9         |                       |
| 4Q/05 | 185.1           | 179.4         |                       |
| 1Q/06 | 195.0           | 183.1         |                       |
| 2Q/06 | 180.9           | 188.1         |                       |
| 3Q/06 | 191.9           | 187.7         |                       |
| 4Q/06 | 190.6           | 189.6         |                       |
| 1Q/07 | 191.6           | 194.8         |                       |
| 2Q/07 | 200.9           | 195.9         |                       |
| 3Q/07 | 199.9           | 196.5         |                       |
| 4Q/07 | 200.2           |               | 197.2                 |
| 1Q/08 | 200.1           |               |                       |

1980 Base

|          | <u>PPI-RE Forecast</u> |                 | <u>Percent Change</u> |                            |                            |                          |
|----------|------------------------|-----------------|-----------------------|----------------------------|----------------------------|--------------------------|
|          | <u>(82=100)</u>        | <u>(80=100)</u> | <u>Yr Ago Actual</u>  | <u>Latest Month Actual</u> | <u>2nd Prev Qtr Actual</u> | <u>Previous Forecast</u> |
| 2008Q1   |                        |                 |                       |                            |                            |                          |
| Low      | 175.1                  | 193.7           | -0.6%                 |                            |                            |                          |
| Modpoint | 180.9                  | 200.1           | 2.7%                  | 1.5%                       | 1.8%                       | 0.0%                     |
| High     | 186.8                  | 206.6           | 6.1%                  |                            |                            |                          |



re\_ppi.txt  
Forecast Pro Version 4.3 Standard Edition

Database I:\Indexes2\RCAF\2008q1\5Deprec\FPre\_ppi.xls is open and ready for use.

Expert data exploration of dependent variable PPIRE

Length 72 Minimum 134.500 Maximum 178.300  
Mean 152.364 Standard deviation 16.168

Classical decomposition (multiplicative)

Trend-cycle: 99.07% Seasonal: 0.32% Irregular: 0.61%

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

Exponential smoothing outperforms Box-Jenkins by 1.800 to 2.083 out-of-sample Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12.

Series is trended and nonseasonal.

Recommended model: Exponential Smoothing

Forecast Model for PPIRE

Multiplicative Winters: Linear trend, Multiplicative seasonality

Confidence limits proportional to indexes and level

| Component | Smoothing Weight | Final Value |
|-----------|------------------|-------------|
| Level     | 0.94692          | 178.35      |
| Trend     | 0.08126          | 0.62996     |
| Seasonal  | 0.99978          |             |

Seasonal Indexes

| January - March    | 0.99898 | 0.99950 | 1.00269 |
|--------------------|---------|---------|---------|
| April - June       | 0.99865 | 1.00014 | 1.00049 |
| July - September   | 1.00011 | 0.99999 | 0.99965 |
| October - December | 0.99971 | 0.99899 | 1.00109 |

Within-Sample Statistics

|                      |                                 |
|----------------------|---------------------------------|
| Sample size 72       | Number of parameters 3          |
| Mean 152.4           | Standard deviation 16.17        |
| R-square 0.9944      | Adjusted R-square 0.9943        |
| Durbin-Watson 1.548  | ** Ljung-Box(18)=34.99 P=0.9905 |
| Forecast error 1.224 | BIC 1.31                        |
| MAPE 0.0052          | RMSE 1.198                      |
| MAD 0.8161           |                                 |

Forecast Report

Wed Nov 14 09:19:47 2007

Exponential Smoothing model for PPIRE

Analysis of Historic Fit Set

| Date    | Historic |
|---------|----------|
| 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  |

re\_ppi.txt

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  
2003-10 137.200  
2003-11 137.700  
2003-12 137.300  
2004-01 137.900  
2004-02 140.100  
2004-03 142.200  
2004-04 142.800  
2004-05 143.500  
2004-06 143.700  
2004-07 143.200  
2004-08 143.500  
2004-09 144.200  
2004-10 145.000  
2004-11 147.000  
2004-12 153.200  
2005-01 153.400  
2005-02 156.000  
2005-03 161.600  
2005-04 161.100  
2005-05 161.300  
2005-06 161.200  
2005-07 161.500  
2005-08 161.800  
2005-09 161.800  
2005-10 161.700  
2005-11 161.900  
2005-12 162.200  
2006-01 164.200  
2006-02 165.500  
2006-03 168.200  
2006-04 168.200  
2006-05 169.600  
2006-06 171.300  
2006-07 170.600  
2006-08 170.900  
2006-09 170.400  
2006-10 170.200  
2006-11 170.300  
2006-12 172.700  
2007-01 173.900  
2007-02 175.600  
2007-03 176.100  
2007-04 174.200  
2007-05 175.600  
2007-06 176.400  
2007-07 178.100  
2007-08 177.500  
2007-09 177.100

2007-10 178.300

## Forecasted Values

| Date    | 2.5 Lower | Forecast | 97.5 Upper |
|---------|-----------|----------|------------|
| 2007-11 | 175.895   | 178.800  | 181.706    |
| 2007-12 | 175.644   | 179.807  | 183.970    |
| 2008-01 | 174.940   | 180.057  | 185.174    |
| 2008-02 | 174.861   | 180.781  | 186.701    |
| 2008-03 | 175.358   | 181.989  | 188.619    |
| 2008-04 | 174.618   | 181.885  | 189.152    |
| 2008-05 | 174.932   | 182.786  | 190.639    |
| 2008-06 | 175.080   | 183.480  | 191.880    |
| 2008-07 | 175.129   | 184.041  | 192.953    |
| 2008-08 | 175.252   | 184.649  | 194.046    |
| 2008-09 | 175.359   | 185.216  | 195.073    |
| 2008-10 | 175.560   | 185.857  | 196.154    |



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Data extracted on: November 14, 2007 (08:43 AM)

## PPI Commodity Data

### 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   |
|------|-------|-------|-------|-------|-------|-------|----------|----------|----------|----------|-------|-------|-------|
| 2006 | 164.2 | 165.5 | 168.2 | 168.2 | 169.6 | 171.3 | 170.6    | 170.9    | 170.4    | 170.2    | 170.3 | 172.7 | 169.4 |
| 2007 | 173.9 | 173.6 | 176.1 | 174.2 | 175.6 | 176.4 | 178.1(P) | 177.5(P) | 177.1(P) | 178.3(P) |       |       |       |

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

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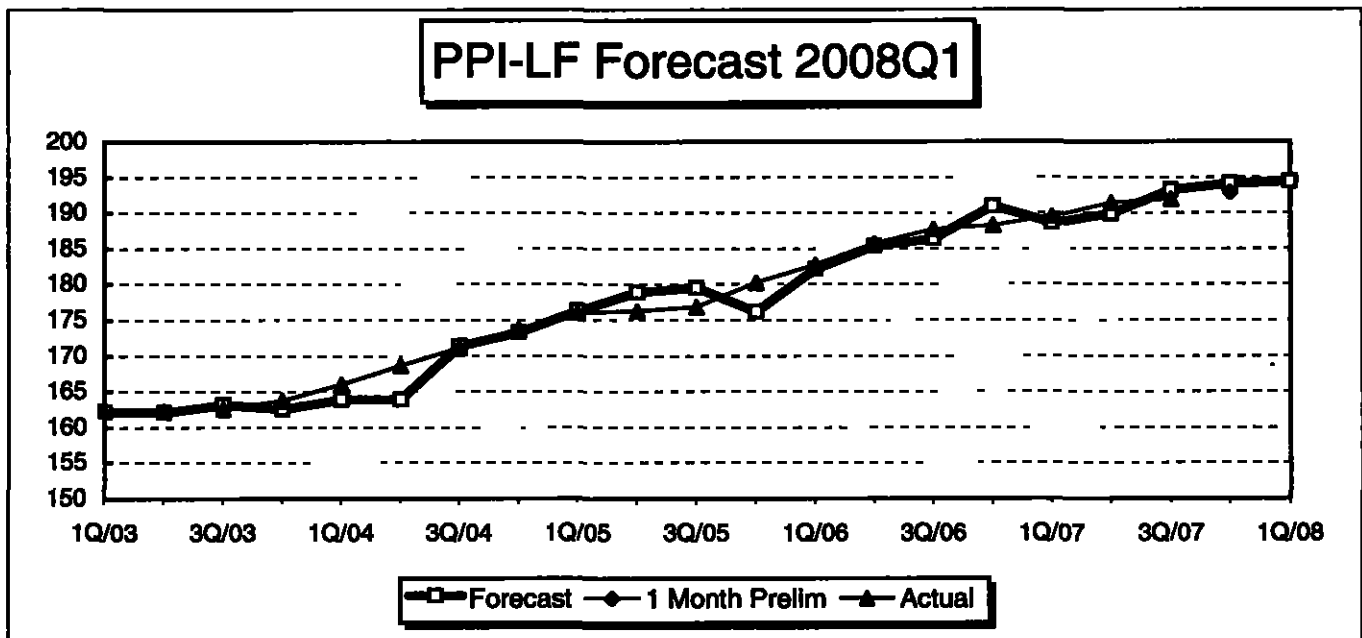
Phone: (202) 891-5300  
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Do you have a "Technical (web) question?"  
Do you have "Other comments?"

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

|       | <u>Forecast</u> | <u>Actual</u> | <u>1 Month Prelim</u> |
|-------|-----------------|---------------|-----------------------|
| 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           | 166.0         |                       |
| 2Q/04 | 163.9           | 168.6         |                       |
| 3Q/04 | 171.4           | 171.1         |                       |
| 4Q/04 | 173.3           | 173.7         |                       |
| 1Q/05 | 176.3           | 176.0         |                       |
| 2Q/05 | 178.9           | 176.3         |                       |
| 3Q/05 | 179.5           | 176.8         |                       |
| 4Q/05 | 176.2           | 180.2         |                       |
| 1Q/06 | 182.1           | 182.7         |                       |
| 2Q/06 | 185.3           | 185.7         |                       |
| 3Q/06 | 186.3           | 187.7         |                       |
| 4Q/06 | 190.9           | 188.2         |                       |
| 1Q/07 | 188.6           | 189.5         |                       |
| 2Q/07 | 189.8           | 191.4         |                       |
| 3Q/07 | 193.2           | 191.9         |                       |
| 4Q/07 | 194.1           |               | 192.8                 |
| 1Q/08 | 194.3           |               |                       |

1980 Base

| 2008Q1   | PPI-LF Forecast |          | Percent Change |                     |                     |                   |
|----------|-----------------|----------|----------------|---------------------|---------------------|-------------------|
|          | (82=100)        | (80=100) | Yr Ago Actual  | Latest Month Actual | 2nd Prev Qtr Actual | Previous Forecast |
| Low      | 170.7           | 191.4    | 1.0%           |                     |                     |                   |
| Modpoint | 173.3           | 194.3    | 2.5%           | 0.8%                | 1.3%                | 0.1%              |
| High     | 175.8           | 197.1    | 4.0%           |                     |                     |                   |



Forecast Pro Version 4.3 Standard Edition

Database I:\Indexes2\RCAF\2008q1\7other\FPIf\_ppi.xls is open and ready for use.

Expert data exploration of dependent variable PPILF

Length 72 Minimum 142.200 Maximum 172.000  
Mean 154.939 Standard deviation 10.300

Classical decomposition (multiplicative)

Trend-cycle: 99.56% Seasonal: 0.06% Irregular: 0.37%

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

Box-Jenkins outperforms exponential smoothing by 0.682 to 1.067 out-of-sample Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12.

Series is trended and seasonal.

Recommended model: Box-Jenkins

Forecast Model for PPILF

ARIMA(1,1,0)\*(2,0,0)

| Term  | Coefficient | Std. Error | t-Statistic | Significance |
|-------|-------------|------------|-------------|--------------|
| a[1]  | 0.6381      | 0.0940     | 6.7899      | 1.0000       |
| A[12] | 0.0832      | 0.0805     | 1.0343      | 0.6953 <-    |
| A[24] | 0.8102      | 0.0821     | 9.8636      | 1.0000       |

Embedded insignificant AR terms -- consider dynamic regression.

Within-Sample Statistics

|                      |                              |
|----------------------|------------------------------|
| Sample size 72       | Number of parameters 3       |
| Mean 154.9           | Standard deviation 10.3      |
| R-square 0.9988      | Adjusted R-square 0.9987     |
| Durbin-Watson 1.953  | Ljung-Box(18)=26.95 P=0.9201 |
| Forecast error 0.367 | BIC 0.3928                   |
| MAPE 0.001713        | RMSE 0.3593                  |
| MAD 0.2713           |                              |

Forecast Report

Wed Nov 14 10:02:06 2007

Box-Jenkins model for PPILF

Analysis of Historic Fit Set

| Date    | Historic |
|---------|----------|
| 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  |

lf\_ppi.txt

|         |         |
|---------|---------|
| 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 | 145.000 |
| 2003-10 | 145.900 |
| 2003-11 | 146.100 |
| 2003-12 | 146.300 |
| 2004-01 | 147.200 |
| 2004-02 | 148.200 |
| 2004-03 | 149.100 |
| 2004-04 | 150.000 |
| 2004-05 | 150.500 |
| 2004-06 | 150.900 |
| 2004-07 | 151.500 |
| 2004-08 | 152.600 |
| 2004-09 | 153.300 |
| 2004-10 | 154.600 |
| 2004-11 | 155.000 |
| 2004-12 | 155.400 |
| 2005-01 | 156.400 |
| 2005-02 | 156.900 |
| 2005-03 | 157.400 |
| 2005-04 | 157.600 |
| 2005-05 | 157.400 |
| 2005-06 | 157.000 |
| 2005-07 | 157.300 |
| 2005-08 | 157.500 |
| 2005-09 | 158.700 |
| 2005-10 | 160.500 |
| 2005-11 | 161.000 |
| 2005-12 | 161.300 |
| 2006-01 | 162.500 |
| 2006-02 | 163.200 |
| 2006-03 | 163.800 |
| 2006-04 | 164.800 |
| 2006-05 | 166.400 |
| 2006-06 | 166.800 |
| 2006-07 | 167.100 |
| 2006-08 | 167.500 |
| 2006-09 | 167.600 |
| 2006-10 | 167.700 |
| 2006-11 | 167.800 |
| 2006-12 | 167.900 |
| 2007-01 | 168.200 |
| 2007-02 | 168.600 |
| 2007-03 | 169.400 |
| 2007-04 | 170.300 |
| 2007-05 | 170.800 |
| 2007-06 | 171.000 |
| 2007-07 | 171.400 |
| 2007-08 | 171.000 |
| 2007-09 | 171.200 |
| 2007-10 | 172.000 |

Forecasted Values

| Date  | 2.5 Lower | Forecast | 97.5 Upper |
|-------|-----------|----------|------------|
| ----- |           |          |            |

|         |         |         |                       |
|---------|---------|---------|-----------------------|
| 2007-11 | 171.279 | 171.988 | lf_ppi.txt<br>172.697 |
| 2007-12 | 170.607 | 171.968 | 173.329               |
| 2008-01 | 170.803 | 172.792 | 174.781               |
| 2008-02 | 170.707 | 173.282 | 175.856               |
| 2008-03 | 170.650 | 173.764 | 176.878               |
| 2008-04 | 170.993 | 174.604 | 178.215               |
| 2008-05 | 171.845 | 175.913 | 179.982               |
| 2008-06 | 171.743 | 176.236 | 180.729               |
| 2008-07 | 171.613 | 176.500 | 181.388               |
| 2008-08 | 171.526 | 176.784 | 182.042               |
| 2008-09 | 171.271 | 176.877 | 182.483               |
| 2008-10 | 171.085 | 177.021 | 182.957               |



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## PPI Commodity Data

### 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   |
|------|-------|-------|-------|-------|-------|-------|----------|----------|----------|----------|-------|-------|-------|
| 2006 | 162.5 | 163.2 | 163.8 | 164.8 | 166.4 | 166.8 | 167.1    | 167.5    | 167.6    | 167.7    | 167.8 | 167.9 | 166.1 |
| 2007 | 168.2 | 168.6 | 169.4 | 170.3 | 170.8 | 171.0 | 171.4(P) | 171.0(P) | 171.2(P) | 172.0(P) |       |       |       |

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

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Forecast Error Calculation

|                     | Thlrd Quarter 2007 |          | Diff   |
|---------------------|--------------------|----------|--------|
|                     | 2005               | 2007Q3   |        |
| Labor               | Weight             | Forecast | Actual |
| Fuel                | 35.3%              | 298.5    | 298.5  |
| M&S                 | 16.0%              | 253.9    | 276.0  |
| Equip Rents         | 4.6%               | 212.6    | 212.6  |
| Depreciation        | 8.2%               | 192.5    | 192.0  |
| Interest            | 11.1%              | 199.9    | 196.5  |
| Other               | 3.1%               | 96.9     | 96.9   |
| Weighted Avg        | 21.7%              | 193.2    | 191.9  |
| 1980 = 100          |                    | 238.7    | 241.5  |
| 1980 = 100 (linked) |                    | 234.0    | 237.7  |
| 4Q07 = 100          | 2.459              | 95.2     | 96.7   |
| 4Q02 = 100          | 1.921              | 121.8    | 123.7  |
| 4Q97 = 100          | 1.732              | 135.1    | 137.2  |
| 4Q92 = 100          | 1.569              | 149.1    | 151.5  |

\* actual=forecast  
from 1st month of quarter  
\* actual=forecast  
from Equipment Rents below  
PPI-RE 178.10 177.50 177.10 0.9040  
\* actual=forecast  
PPI-LF 171.40 171.00 171.20 0.8920

calculated  
calculated  
calculated  
calculated  
calculated

calculated

Forecast Error → 1.5

|                     |           |
|---------------------|-----------|
| Prior Quarter       |           |
| 1980 = 100          | 237.8 *** |
| 1980 = 100 (linked) | 234.1     |
| 4Q07 = 100          | 95.2      |
| 4Q02 = 100          | 121.9     |
| 4Q97 = 100          | 135.2     |
| 4Q92 = 100          | 149.2     |

calculated  
calculated  
calculated  
calculated

|                  |       |
|------------------|-------|
| Equipment Rents  |       |
| Car Hire         | 179.8 |
| Lease Rentals    | 193.2 |
| Weighted Average | 186.6 |
| Linked           | 192.5 |
|                  | 179.9 |
|                  | 191.9 |
|                  | 186.0 |
|                  | 192.0 |

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

|                  |           |
|------------------|-----------|
| Prior Quarter    |           |
| Weighted Average | 184.4     |
| Linked           | 190.2     |
|                  | 185.4 *** |
|                  | 191.4     |

Sum of Weights ok  
Sum of ER Wt. ok

\*\*\*  
if fourth quarter, weighted avg for prior needs to use new weights, linked is ok

# All-Inclusive Index (Actual)

|                 | 05 Wts | 3Q/06<br>04 Wts | 3Q/06<br>05 Wts | % Chg. | 4Q/06<br>05 Wts | % Chg. | 1Q/07<br>05 Wts | % Chg. | 2Q/07<br>05 Wts | % Chg. | 3Q/07<br>05 Wts | % Chg. |
|-----------------|--------|-----------------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|
| Labor           | 35.3%  | 292.1           | 292.1           | 0.0%   | 293.0           | 0.3%   | 297.4           | 1.5%   | 298.2           | 0.3%   | 298.5           | 0.1%   |
| Fuel            | 16.0%  | 273.1           | 273.1           | 0.0%   | 225.1           | -17.6% | 211.3           | -6.1%  | 257.0           | 21.6%  | 276.0           | 7.4%   |
| M&S             | 4.6%   | 197.2           | 197.2           | 0.0%   | 204.3           | 3.6%   | 207.1           | 1.4%   | 206.1           | -0.5%  | 212.6           | 3.2%   |
| Equipment Rents | 8.2%   | 188.0           | 188.0           | 0.0%   | 188.1           | 0.1%   | 189.0           | 0.5%   | 191.4           | 1.3%   | 192.0           | 0.3%   |
| Depreciation    | 11.1%  | 187.7           | 187.7           | 0.0%   | 189.6           | 1.0%   | 194.8           | 2.7%   | 195.9           | 0.6%   | 196.5           | 0.3%   |
| Interest        | 3.1%   | 92.7            | 92.7            | 0.0%   | 96.9            | 4.5%   | 96.9            | 0.0%   | 96.9            | 0.0%   | 96.9            | 0.0%   |
| Other           | 21.7%  | 187.7           | 187.7           | 0.0%   | 188.2           | 0.3%   | 189.5           | 0.7%   | 191.4           | 1.0%   | 191.9           | 0.3%   |
|                 | 1.0000 |                 |                 |        |                 |        |                 |        |                 |        |                 |        |
| Weighted Avg.   |        | 233.2           | 235.7           | 1.1%   | 229.2           | -2.8%  | 229.6           | 0.2%   | 237.8           | 3.6%   | 241.5           | 1.6%   |
| Linked          |        | 232.0           |                 |        | 225.6           | -2.8%  | 226.0           | 0.2%   | 234.1           | 3.6%   | 237.7           | 1.5%   |
| 10/1/80         |        | 225.9           |                 |        | 219.7           | -2.7%  | 220.1           | 0.2%   | 227.9           | 3.5%   | 231.5           | 1.6%   |
| 10/1/82         |        | 191.9           |                 |        | 186.6           | -2.8%  | 186.9           | 0.2%   | 193.6           | 3.6%   | 196.6           | 1.5%   |
| 4Q/87           |        | 175.5           |                 |        | 170.7           | -2.7%  | 171.0           | 0.2%   | 177.1           | 3.6%   | 179.8           | 1.5%   |
| 4Q/92           |        | 147.9           |                 |        | 143.8           | -2.8%  | 144.0           | 0.1%   | 149.2           | 3.6%   | 151.5           | 1.5%   |
| 4Q/97           |        | 133.9           |                 |        | 130.3           | -2.7%  | 130.5           | 0.2%   | 135.2           | 3.6%   | 137.2           | 1.5%   |
| 4Q/02           |        | 120.8           |                 |        | 117.4           | -2.8%  | 117.6           | 0.2%   | 121.9           | 3.7%   | 123.7           | 1.5%   |
| 4Q/07           |        |                 |                 |        | 91.7            |        | 91.9            | 0.2%   | 95.2            | 3.6%   | 96.7            | 1.6%   |
| Equipment Rents |        |                 |                 |        |                 |        |                 |        |                 |        |                 |        |
| Car Hire        | 49.2%  | 176.3           | 176.3           | 0.0%   | 176.0           | -0.2%  | 176.5           | 0.3%   | 179.3           | 1.6%   | 179.9           | 0.3%   |
| Lease Rentals   | 50.8%  | 187.7           | 187.7           | 0.0%   | 188.2           | 0.3%   | 189.5           | 0.7%   | 191.4           | 1.0%   | 191.9           | 0.3%   |
|                 | 1.0000 |                 |                 |        |                 |        |                 |        |                 |        |                 |        |
| ER Weighted Avg |        | 181.9           | 182.1           | 0.1%   | 182.2           | 0.1%   | 183.1           | 0.5%   | 185.4           | 1.3%   | 186.0           | 0.3%   |
| ER Linked       |        | 188.0           |                 |        | 188.1           | 0.1%   | 189.0           | 0.5%   | 191.4           | 1.3%   | 192.0           | 0.3%   |

|                               |         |         |  |
|-------------------------------|---------|---------|--|
| Impact/Check of weight change |         |         |  |
| Labor                         | 04 Wts  | 05 Wts  |  |
| Fuel                          | 105.156 | 103.111 |  |
| Material & Supplies           | 33.045  | 43.696  |  |
| Equipment Rents               | 8.677   | 9.071   |  |
| Depreciation                  | 16.732  | 15.416  |  |
| Interest                      | 19.896  | 20.835  |  |
| Other                         | 2.781   | 2.874   |  |
| Weighted Avg                  | 46.925  | 40.731  |  |
| ER Weighted Avg               | 233.212 | 235.734 |  |
| ER Linked                     | 181.886 | 182.091 |  |

# RCAF Fuel (Actual All-Inclusive Index)

July 2007

## Average Price for Monthly Report

|      | July 2007<br>Price<br>(1) | 1/1/81<br>Price<br>(2) | 1/91 New<br>Method<br>Linking<br>Factors<br>(3) | July 2007<br>Index<br>1/1/81=100<br>(4) |
|------|---------------------------|------------------------|-------------------------------------------------|-----------------------------------------|
| U.S. | 225.89                    | 89.34                  | 99.415                                          | 251.36                                  |
| East | 220.09                    | 91.56                  | 99.435                                          | 239.02                                  |
| West | 228.35                    | 87.83                  | 99.416                                          | 258.47                                  |

$$(4) = (1) / (2) \times (3)$$

## Fuel Index on 1977 Base and 1980 Base

|      | July 2007<br>Index<br>1/1/81=100<br>(1) | Linking Factors<br>1977=100<br>(2) | 1980=100<br>(3) | July 2007 Index<br>1977=100<br>(4) | 1980=100<br>(5) |
|------|-----------------------------------------|------------------------------------|-----------------|------------------------------------|-----------------|
| U.S. | 251.36                                  | 2.606                              | 1.096           | 655.05                             | 275.49          |
| East | 239.02                                  | 2.569                              | 1.134           | 614.04                             | 271.05          |
| West | 258.47                                  | 2.639                              | 1.067           | 682.11                             | 275.79          |

$$(4) = (1) \times (2)$$

$$(5) = (1) \times (3)$$

## Final Actual All-inclusive Index

|      | 1980=100<br>July 2007<br>Current<br>Index | Adjustment<br>Factor | July 2007<br>Linked<br>Index |
|------|-------------------------------------------|----------------------|------------------------------|
| U.S. | 275.49                                    | 1.00192              | 276.02                       |
| East | 271.05                                    | 1.00621              | 272.73                       |
| West | 275.79                                    | 1.00024              | 275.86                       |



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

## Car Hire for RCAF

### RCAF (Actual)

|                          |      | 1980  | Aug<br>3Q/06 | Nov<br>4Q/06 | Feb<br>1Q/07 | May<br>2Q/07 | Aug<br>3Q/07 |
|--------------------------|------|-------|--------------|--------------|--------------|--------------|--------------|
| <b>RATE</b>              |      |       |              |              |              |              |              |
| RR-OWNED TIME            |      | 31.00 | 66.00        | 66.00        | 66.00        | 67.00        | 67.00        |
| RR-OWNED MILEAGE         |      | 4.69  | 7.30         | 7.30         | 7.30         | 7.30         | 7.30         |
| PRIVATELY-OWNED CARS     |      | 25.47 | 43.82        | 43.71        | 43.92        | 44.68        | 44.89        |
| AUTORACKS                |      | 47.00 | 47.12        | 48.79        | 45.22        | 47.33        | 48.12        |
| <b>INDEX</b>             |      |       |              |              |              |              |              |
| RR-OWNED TIME            |      | 100.0 | 212.9        | 212.9        | 212.9        | 216.1        | 216.1        |
| RR-OWNED MILEAGE         |      | 100.0 | 155.7        | 155.7        | 155.7        | 155.7        | 155.7        |
| PRIVATELY-OWNED CARS     |      | 100.0 | 172.1        | 171.6        | 172.4        | 175.4        | 176.2        |
| AUTORACKS                |      | 100.0 | 100.3        | 103.8        | 96.2         | 100.7        | 102.4        |
| CAR HIRE INDEX (old wts) | 2004 | 100.0 | 180.1        | --           | --           | --           | --           |
| CAR HIRE INDEX (new wts) | 2005 | 100.0 | 178.0        | 177.7        | 178.2        | 181.0        | 181.6        |
| CAR HIRE INDEX (LINKED)  |      | 100.0 | 176.3        | 176.0        | 176.5        | 179.3        | 179.9        |

Note Indexes are rounded, rates are full float.

Equipment Rents Data From UMLER

|                                | 2006    |         |         |         |         |         | 2007    |         |         |         |         |         |         |         |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                | Jul     | Aug     | Sep     | Oct     | Nov     | Dec     | Jan     | Feb     | Mar     | Apr     | May     | Jun     | Jul     | Aug     |
| Railroad Owned                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| No of Cars                     | 9,553   | 9,551   | 9,625   | 9,662   | 9,608   | 9,598   | 9,565   | 8,657   | 8,660   | 8,783   | 8,774   | 8,606   | 9,404   | 9,388   |
| Superstructures                |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Ratio                          | 17.0    | 17.0    | 17.0    | 17.0    | 17.0    | 17.0    | 18.0    | 18.0    | 18.0    | 17.0    | 21.0    | 18.0    | 18.0    | 17.0    |
| Superstructures #3 - Auto Rack | 66.0    | 66.0    | 66.0    | 66.0    | 66.0    | 66.0    | 66.0    | 66.0    | 66.0    | 67.0    | 67.0    | 67.0    | 67.0    | 67.0    |
| All other #1 - Time            | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.3     | 7.2     | 7.3     |
| All other #2 - Mileage         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Privately Owned                |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| No of Cars                     | 48,911  | 48,912  | 49,015  | 49,098  | 49,155  | 49,228  | 49,263  | 49,273  | 49,336  | 49,418  | 49,461  | 49,503  | 49,577  | 49,721  |
| Superstructures                | 317,783 | 318,516 | 320,066 | 321,161 | 322,236 | 323,300 | 324,210 | 327,592 | 329,842 | 330,403 | 331,426 | 333,362 | 335,397 | 336,982 |
| Covered Hoppers                | 277,762 | 278,283 | 278,772 | 279,854 | 279,952 | 280,290 | 283,855 | 285,536 | 286,963 | 288,405 | 289,097 | 291,194 | 294,240 | 294,531 |
| Tank Cars                      | 267,750 | 271,063 | 274,276 | 275,750 | 278,645 | 279,448 | 281,387 | 281,557 | 282,429 | 285,429 | 286,926 | 288,582 | 289,294 | 289,490 |
| Others                         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Ratio                          | 75.0    | 75.0    | 75.0    | 75.0    | 75.0    | 75.0    | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    | 76.0    |
| Superstructures #1 - Time      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.6     | 0.6     | 0.8     | 0.6     | 0.8     | 0.8     | 0.8     | 0.8     |
| Superstructures #2 - Mileage   | 53.0    | 53.0    | 54.0    | 54.0    | 55.0    | 55.0    | 50.0    | 50.0    | 51.0    | 51.0    | 52.0    | 53.0    | 54.0    | 54.0    |
| Superstructures #3 - Auto Rack | 44.5    | 44.4    | 44.5    | 44.5    | 44.5    | 44.5    | 44.0    | 44.2    | 44.3    | 44.3    | 44.4    | 44.4    | 44.5    | 44.5    |
| Covered Hoppers #2 - Mileage   | 68.8    | 69.0    | 69.3    | 69.4    | 69.5    | 69.7    | 69.3    | 69.6    | 72.1    | 72.2    | 72.4    | 72.4    | 72.7    | 72.7    |
| Tank Cars #2 - Mileage         | 70.0    | 69.0    | 68.0    | 68.0    | 67.0    | 67.0    | 67.0    | 68.0    | 67.0    | 67.0    | 68.0    | 67.0    | 67.0    | 66.0    |
| Others #1 - Time               | 6.7     | 6.7     | 6.7     | 6.6     | 6.6     | 6.6     | 6.9     | 6.9     | 6.9     | 6.8     | 6.9     | 6.9     | 6.9     | 6.9     |
| Others #2 - Mileage            |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| AVERAGE RATES                  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Private Superstructures        | 17.63   | 17.63   | 17.63   | 17.63   | 17.63   | 17.63   | 18.46   | 18.46   | 18.46   | 18.46   | 18.66   | 18.66   | 18.66   | 18.66   |
| Private Others                 | 22.24   | 22.02   | 21.80   | 21.70   | 21.47   | 21.47   | 21.77   | 22.00   | 21.77   | 21.57   | 21.56   | 21.77   | 21.77   | 21.55   |
| Private Total                  | 43.92   | 43.82   | 43.82   | 43.81   | 43.71   | 43.78   | 43.65   | 43.82   | 44.66   | 44.53   | 44.63   | 44.78   | 44.95   | 44.89   |
| Autoreacks                     | 47.12   | 47.12   | 47.93   | 47.92   | 48.79   | 48.80   | 44.47   | 45.22   | 46.08   | 45.37   | 47.33   | 47.82   | 47.95   | 46.12   |

|                      | "Old Wts" "New Wts" |       |
|----------------------|---------------------|-------|
|                      | 2004                | 2005  |
| For RCAF & RCR       |                     |       |
| RR-owned Time        | 0.235               | 0.181 |
| RR-owned Mileage     | 0.089               | 0.089 |
| Privately-owned Cars | 0.666               | 0.730 |
| Autoreacks           | 0.000               | 0.000 |
| ----- Check sum      | 1.000               | 1.000 |

| Weights for Equipment Rents (not used in Car Hire calculation) |       |       |
|----------------------------------------------------------------|-------|-------|
|                                                                | 2004  | 2005  |
| Car Hire - U S                                                 | 0.510 | 0.492 |
| Lease Rentals - U S                                            | 0.490 | 0.508 |
| ----- Check sum                                                | 1.000 | 1.000 |

Note: The 4 bold lines are used for the Car Hire Rate. Private Total uses a weighted average of the Covered Hoppers, Tank Cars, Combined Private Superstructures, and Combined Private Others rates.

|                                       |           | AVERAGE RATE FOR 08/07 |              |           |  |
|---------------------------------------|-----------|------------------------|--------------|-----------|--|
|                                       |           | CAR RENTAL RATES       |              |           |  |
| CAR GROUP                             | CAR COUNT | TIME                   | MILEAGE      | AUTO RACK |  |
| -VEHICULAR FLATS                      | 49,721    | 76 ¢/HR                | 008 \$/MILE  | 54 ¢/HR   |  |
| UNO. OF ZERO RATED VEH. FLATS 2/      | 10        |                        |              |           |  |
| -COVERED HOPPERS                      | 335,992   | 0 ¢/HR                 | .445 \$/MILE |           |  |
| UNO. OF ZERO RATED COVERED HOPPERS 2/ | 10,305    |                        |              |           |  |
| -TANKS                                | 294,531   | 3 ¢/HR                 | .727 \$/MILE |           |  |
| UNO. OF ZERO RATED TANKS 2/           | 8,485     |                        |              |           |  |
| -ALL OTHER CARS                       | 289,490   | 66 ¢/HR                | .069 \$/MILE |           |  |
| UNO OF ZERO RATED "OTHER" CARS 2/     | 39,571    |                        |              |           |  |
| TOTAL: 1,028,105                      |           |                        |              |           |  |

1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:

- CAR TYPE D - LOCOMOTIVES
- CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND BOT DEVICE
- CAR TYPE U - CONTAINERS
- CAR TYPE Z - TRAILERS

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

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

□

|                                    |           | AVERAGE RATE FOR 08/07 |           |
|------------------------------------|-----------|------------------------|-----------|
|                                    |           | CAR RENTAL RATES       |           |
| CAR GROUP                          | CAR COUNT | TIME                   | AUTO RACK |
| -----                              | -----     | -----                  | -----     |
| -VEHICULAR FLATS                   |           |                        |           |
| ONO. OF ZERO RATED VEH FLATS 2/    | 9,399     | 128 ¢/HR               | 17 ¢/HR   |
| -ALL OTHER CARS                    | 116       |                        |           |
| ONO. OF ZERO RATED "OTHER" CARS 2/ | 691,000   | 67 ¢/HR                |           |
|                                    | 35,980    |                        |           |
|                                    | -----     |                        |           |
| 0                                  | TOTAL     |                        |           |
|                                    | 736,495   |                        |           |

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

# RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

|              |      | Forecast Year 2008                 |       |       |       |
|--------------|------|------------------------------------|-------|-------|-------|
|              |      | As reported at end of month 82=100 |       |       |       |
|              |      | Nov.                               | Feb.  | May   | Aug.  |
| For Forecast | →    | 08Q1                               | 08Q2  | 08Q3  | 08Q4  |
| For Actual   | →    | 07Q3                               | 07Q4  | 08Q1  | 08Q2  |
| January      | 2007 | 173.9                              | 173.9 | 173.9 | 173.9 |
| February     | 2007 | 175.6                              | 175.6 | 175.6 | 175.6 |
| March        | 2007 | 176.1                              | 176.1 | 176.1 | 176.1 |
| April        | 2007 | 174.2                              | 174.2 | 174.2 | 174.2 |
| May          | 2007 | 175.6                              | 175.6 | 175.6 | 175.6 |
| June         | 2007 | 176.4                              | 176.4 | 176.4 | 176.4 |
| July         | 2007 | 178.1                              |       |       |       |
| August       | 2007 | 177.5                              |       |       |       |
| September    | 2007 | 177.1                              |       |       |       |
| October      | 2007 | 178.3                              |       |       |       |
| November     | 2007 |                                    |       |       |       |
| December     | 2007 |                                    |       |       |       |
| January      | 2008 |                                    |       |       |       |
| February     | 2008 |                                    |       |       |       |
| March        | 2008 |                                    |       |       |       |
| April        | 2008 |                                    |       |       |       |
| May          | 2008 |                                    |       |       |       |
| June         | 2008 |                                    |       |       |       |
| July         | 2008 |                                    |       |       |       |
| Actual Qtr.  |      | 177.6                              | NA    | NA    | NA    |

1980=100

Actual Qtr.

First Mo. next qtr.

|       |    |    |    |
|-------|----|----|----|
| 196.5 | NA | NA | NA |
| 197.2 | NA | NA | NA |

0.904 =1980



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## PPI Commodity Data

### 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   |
|------|-------|-------|-------|-------|-------|-------|----------|----------|----------|----------|-------|-------|-------|
| 2006 | 164.2 | 163.5 | 168.2 | 168.2 | 169.6 | 171.3 | 170.6    | 170.9    | 170.4    | 170.2    | 170.3 | 172.7 | 169.4 |
| 2007 | 173.9 | 175.6 | 176.1 | 174.2 | 175.6 | 176.4 | 178.1(P) | 177.5(P) | 177.1(P) | 178.3(P) |       |       |       |

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

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# RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

|              |      | Forecast Year 2008                 |       |       |       |
|--------------|------|------------------------------------|-------|-------|-------|
|              |      | As reported at end of month 82=100 |       |       |       |
|              |      | Nov.                               | Feb.  | May   | Aug.  |
| For Forecast | →    | 08Q1                               | 08Q2  | 08Q3  | 08Q4  |
| For Actual   | →    | 07Q3                               | 07Q4  | 08Q1  | 08Q2  |
| January      | 2007 | 168.2                              | 168.2 | 168.2 | 168.2 |
| February     | 2007 | 168.6                              | 168.6 | 168.6 | 168.6 |
| March        | 2007 | 169.4                              | 169.4 | 169.4 | 169.4 |
| April        | 2007 | 170.3                              | 170.3 | 170.3 | 170.3 |
| May          | 2007 | 170.8                              | 170.8 | 170.8 | 170.8 |
| June         | 2007 | 171.0                              | 171.0 | 171.0 | 171.0 |
| July         | 2007 | 171.4                              |       |       |       |
| August       | 2007 | 171.0                              |       |       |       |
| September    | 2007 | 171.2                              |       |       |       |
| October      | 2007 | 172.0                              |       |       |       |
| November     | 2007 |                                    |       |       |       |
| December     | 2007 |                                    |       |       |       |
| January      | 2008 |                                    |       |       |       |
| February     | 2008 |                                    |       |       |       |
| March        | 2008 |                                    |       |       |       |
| April        | 2008 |                                    |       |       |       |
| May          | 2008 |                                    |       |       |       |
| June         | 2008 |                                    |       |       |       |
| July         | 2008 |                                    |       |       |       |
| Actual Qtr.  |      | 171.2                              | NA    | NA    | NA    |

1980=100

|                     |       |    |    |    |
|---------------------|-------|----|----|----|
| Actual Qtr.         | 191.9 | NA | NA | NA |
| First Mo. next qtr. | 192.8 | NA | NA | NA |

0.892 =1980



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## PPI Commodity Data

### 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   |
|------|-------|-------|-------|-------|-------|-------|----------|----------|----------|----------|-------|-------|-------|
| 2006 | 162.5 | 163.2 | 163.8 | 164.8 | 166.4 | 166.8 | 167.1    | 167.5    | 167.6    | 167.7    | 167.8 | 167.9 | 166.1 |
| 2007 | 168.2 | 168.6 | 169.4 | 170.3 | 170.8 | 171.0 | 171.4(P) | 171.0(P) | 171.2(P) | 172.0(P) |       |       |       |

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

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Nat. TCU

**CLERKS NATIONAL AGREEMENT  
OCTOBER 1, 2007  
SUMMARY OF TERMS**

**Article I – Wages**

|              |      |
|--------------|------|
| July 1, 2005 | 2.5% |
| July 1, 2006 | 3.0% |
| July 1, 2007 | 3.0% |
| July 1, 2008 | 4.0% |
| July 1, 2009 | 4.5% |

**Article II – Optional Alternative Compensation System**

- Implemented on an individual railroad and union basis, by mutual agreement.

**Article III – Cost-of-Living Payments**

- COLA eliminated on October 1, 2007
- COLA payments previously made to be credited against retroactive pay
- COLA amounts rolled in to basic rates of pay on and after July 1, 2005 are excluded before application of general wage increases (GWT's) and eliminated from basic rates of pay after application of such increases
- No COLA when contract reopens

**Article IV – Health and Welfare**

- Standardizes benefits with other unions with ratified national agreements
- Plan design changes as outlined in Part A
- Employee Cost Sharing
  - Effective January 1, 2007, employee cost sharing contribution will be 15% of the Carriers' Monthly Payment Rate for foreign-to-occupation employee and/or dependent health benefits, employee life insurance benefits, employee accidental death and dismemberment insurance benefits, dental plan benefits and vision plan benefits. (determined to be \$166.25 per month effective January 1, 2007)
  - Employee cost sharing to be adjusted effective January 1, 2008 and January 1, 2009
  - Effective January 1, 2010, employee monthly cost sharing contribution shall be adjusted to be the lesser of:
    - 15% of the Carrier's Monthly Payment Rate for 2010, or
    - \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater

Nat. TCU

- Retroactive contributions for the period on and after January 1, 2007 shall be offset against any retroactive wage payments

**Example of Retroactive Pay, H&W Cost-Sharing and Hourly Rate computations are included in ATTACHMENT A (page 24)**

#### **Article VI – General Provisions**

- Settles disputes growing out of notices served upon the organization by the carriers on or subsequent to November 1, 2004, and the notices served by the organization upon the carriers on or subsequent to November 1, 2004
- Agreement remains in effect through December 31, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act
- Moratorium on the serving of any notice or proposal prior to November 1, 2009 (not to become effective before January 1, 2010)

#### **Side Letter No. 7**

- Notices served by the organization on or after November 1, 2004 that concern “local” issues, as specified in the side letter, may continue to be progressed within the peaceful procedures of the RLA through December 31, 2007. Any notice not resolved by mutual agreement by that date, unless otherwise mutually agreed by the parties, shall be deemed withdrawn.

Case No. A-13429

**MEDIATION AGREEMENT**

THIS AGREEMENT, made this 1<sup>st</sup> day of October, 2007 by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the Transportation Communications International Union, witnesseth:

**IT IS HEREBY AGREED:**

**ARTICLE I - WAGES**

**Section 1 - First General Wage Increase**

On July 1, 2005, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) **Hourly Rates** -

Add 2-1/2 percent to the existing hourly rates of pay.

(b) **Daily Rates** -

Add 2-1/2 percent to the existing daily rates of pay.

(c) **Weekly Rates** -

Add 2-1/2 percent to the existing weekly rates of pay.

(d) **Monthly Rates** -

Add 2-1/2 percent to the existing monthly rates of pay.

(e) **Red Caps** -

Hourly rates of pay, or guarantees, for Red Caps shall be increased by two-and-one-half (2-1/2) percent.

(f) **Disposition of Fractions** -

Rates of pay resulting from application of paragraphs (a) to (e) inclusive, above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(g) **Application of Wage Increases** -

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly, or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

(h) **COLA Payments**

Any cost-of-living allowance amounts rolled in to basic rates of pay on or after July 1, 2005 pursuant to Article II, Part B of the National Arbitrated TCU Agreement effective January 23, 2003

pursuant to the Award of Arbitration Board No. 579 (or any local counterpart agreement) shall be excluded before application of the general wage increases provided for in this Section 1 and eliminated from basic rates of pay after application of such increases.

### **Section 2 - Second General Wage Increase**

Effective July 1, 2006, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2006 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

### **Section 3 - Third General Wage Increase**

Effective July 1, 2007, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2007 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

### **Section 4 - Fourth General Wage Increase**

Effective July 1, 2008, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2008 for employees covered by this Agreement shall be increased in the amount of four (4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

**Section 5 - Fifth General Wage Increase**

Effective July 1, 2009, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2009 for employees covered by this Agreement shall be increased in the amount of four-and-one-half (4-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 5 shall be applied in the same manner as provided for in Section 1 hereof.

**ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM****Section 1**

A carrier or organization may propose alternative compensation arrangements for consideration by the other party. Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans. The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate representatives.

**Section 2**

The parties understand that neither the carrier nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the carrier nor the organization may be compelled to agree to any proposal made under this Article.

**ARTICLE III - COST-OF-LIVING PAYMENTS****Cost-of-Living Payments Under National Arbitrated Agreement Effective January 23, 2003****Section 1**

Article II, Part B, of the National TCU Arbitrated Agreement effective January 23, 2003 pursuant to the Award of Arbitration Board No. 579 shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that 2003 Arbitrated Agreement to employees for periods on and after July 1, 2005 shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

**Section 2**

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

**ARTICLE IV - HEALTH AND WELFARE****Part A - Plan Changes****Section 1 - Continuation of Plans**

The Railroad Employees National Health and Welfare Plan ("the Plan"), the Railroad Employees National Dental Plan ("the Dental Plan"), and the Railroad Employees National Vision Plan ("the Vision Plan"), modified as provided in this Article with respect to employees represented by the organization and their eligible dependents, will be continued subject to the provisions of the Railway Labor Act.

**Part B - Employee Sharing of Cost of H&W Plans****Section 1 – Monthly Employee Cost-Sharing Contributions**

(a) Effective January 1, 2007, each employee covered by this Agreement shall contribute 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, a monthly cost-sharing contribution in an amount equal to 15% of the Carriers' Monthly Payment Rate for 2007.

(b) The employee monthly cost-sharing contribution amount shall be adjusted, effective January 1, 2008, so as to equal 15% of the Carriers' Monthly Payment Rate for 2008 and, effective January 1, 2009, so as to equal 15% of the Carriers' Monthly Payment Rate for 2009.

(c) Effective January 1, 2010, the employee monthly cost-sharing contribution amount shall be adjusted to be the lesser of:

- (1) 15% of the Carrier's Monthly Payment Rate for 2010, or
- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the "Carriers' Monthly Payment Rate" for any year shall mean the sum of what the carriers' monthly payments to —

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,

- (2) the Dental Plan for employee and dependent dental benefits, and
- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Carriers' Monthly Payment Rate for 2007 has been determined to be \$1,108.34 and the Employee Monthly Cost-Sharing Contribution Amount for 2007 has been determined to be \$166.25.

#### **Section 2 - Pre-Tax Contributions**

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

#### **Section 3 - Retroactive Contributions**

Retroactive employee cost-sharing contributions payable for the period on and after January 1, 2007 shall be offset against any retroactive wage payments provided to the affected employee under Article I, Sections 1, 2 and 3 of this Agreement, provided, however, there shall be no such offset for any month for which the affected employee was not obligated to make a cost-sharing contribution.

#### **Section 4 - Prospective Contributions**

For months subsequent to the retroactive period covered by Section 3, employee cost-sharing contributions will be made for the employee by the

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Case No. A-13430

## **MEDIATION AGREEMENT**

THIS AGREEMENT, made this 1<sup>st</sup> day of October, 2007, by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the Brotherhood Railway Carmen - Division of Transportation Communications International Union, witnesseth:

**IT IS HEREBY AGREED:**

### **ARTICLE I - WAGES**

#### **Section 1 - First General Wage Increase**

On July 1, 2005, all hourly, daily, weekly, and monthly rates of pay of employees covered by this Agreement other than freight carmen in effect on the preceding day shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. Rates of pay of freight carmen shall be increased by the money amount of increase in the rates of pay of passenger carmen, so that the money differential existing as of the first increase date between the rates of passenger carmen and the rates of freight carmen will be preserved. The increase provided for in this Section 1 shall be applied as follows:

(a) **Hourly Rates -**

Add 2-1/2 percent to the existing hourly rates of pay.

(b) **Daily Rates -**

Add 2-1/2 percent to the existing daily rates of pay.

(c) **Weekly Rates -**

Add 2-1/2 percent to the existing weekly rates of pay.

(d) **Monthly Rates -**

Add 2-1/2 percent to the existing monthly rates of pay.

(e) **Disposition of Fractions -**

Rates of pay resulting from application of paragraphs (a) to (d), inclusive, above which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(f) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly, or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

(g) **COLA Payments**

Any cost-of-living allowance amounts rolled in to basic rates of pay on or after July 1, 2005 pursuant to Article II, Part B of the National Arbitrated BRC- Division of TCU Agreement effective January 23, 2003, pursuant to the Award of Arbitration Board No. 579 (or any local counterpart agreement) shall be excluded before application of the general wage increases provided for in this Section 1 and eliminated from basic rates of pay after application of such increases.

**Section 2 - Second General Wage Increase**

Effective July 1, 2006, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2006, for employees covered by this Agreement shall be increased by three (3) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

**Section 3 - Third General Wage Increase**

Effective July 1, 2007, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2007, for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

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**Section 4 - Fourth General Wage Increase**

Effective July 1, 2008, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2008, for employees covered by this Agreement shall be increased in the amount of four (4) percent applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

**Section 5 - Fifth General Wage Increase**

Effective July 1, 2009, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2009, for employees covered by this Agreement shall be increased in the amount of four-and-one-half (4-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. Rates of freight carmen shall be increased in the same manner as provided in Section 1 hereof. The increase provided for in this Section 5 shall be applied in the same manner as provided for in Section 1 hereof.

**ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM****Section 1**

A carrier or organization may propose alternative compensation arrangements for consideration by the other party. Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans. The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate representatives.

## **Section 2**

The parties understand that neither the carrier nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the carrier nor the organization may be compelled to agree to any proposal made under this Article.

## **ARTICLE III - COST-OF-LIVING PAYMENTS**

### **Cost-of-Living Payments Under National Arbitrated Agreement Effective January 23, 2003**

#### **Section 1**

Article II, Part B, of the National BRC – Division of TCU Arbitrated Agreement effective January 23, 2003, pursuant to the Award of Arbitration Board No. 579 shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that 2003 Arbitrated Agreement to employees for periods on and after July 1, 2005, shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

#### **Section 2**

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

## **ARTICLE IV - HEALTH AND WELFARE**

### **Part A - Plan Changes**

#### **Section 1 - Continuation of Plans**

This subsection is not intended to have any application to employees covered by this Agreement who reside in any geographic area where MMCP is not offered as of the date of such Agreement. Mandatory enrollment in MMCP for such employees shall be governed exclusively by Part A, Section 2(b) of this Article.

(i) The design changes contained in this Section, with the exception of subsection (h) above, shall become effective on October 1, 2007. Subsection (h) shall become effective as soon thereafter as practicable.

## **Part B - Employee Sharing of Cost of H&W Plans**

### **Section 1 - Monthly Employee Cost-Sharing Contributions**

(a) Effective January 1, 2007, each employee covered by this Agreement shall contribute 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, a monthly cost-sharing contribution in an amount equal to 15% of the Carriers' Monthly Payment Rate for 2007.

(b) The employee monthly cost-sharing contribution amount shall be adjusted, effective January 1, 2008, so as to equal 15% of the Carriers' Monthly Payment Rate for 2008 and, effective January 1, 2009, so as to equal 15% of the Carriers' Monthly Payment Rate for 2009.

(c) Effective January 1, 2010, the employee monthly cost-sharing contribution amount shall be adjusted to be the lesser of:

- (1) 15% of the Carrier's Monthly Payment Rate for 2010, or
- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the "Carriers' Monthly Payment Rate" for any year shall mean the sum of what the carriers' monthly payments to —

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,
- (2) the Dental Plan for employee and dependent dental benefits, and
- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Carriers' Monthly Payment Rate for 2007 has been determined to be \$1,108.34 and the Employee Monthly Cost-Sharing Contribution Amount for 2007 has been determined to be \$166.25.

### **Section 2 - Pre-Tax Contributions**

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

### **Section 3 - Retroactive Contributions**

Retroactive employee cost-sharing contributions payable for the period on and after January 1, 2007 shall be offset against any retroactive wage payments provided to the affected employee under Article I, Sections 1, 2 and 3 of this

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Case No. A-13434

## **MEDIATION AGREEMENT**

THIS AGREEMENT, effective October 1, 2007, by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the International Brotherhood of Electrical Workers, witnesseth:

**IT IS HEREBY AGREED:**

### **ARTICLE I - WAGES**

#### **Section 1 - First General Wage Increase**

On July 1, 2005, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) **Hourly Rates** -

Add 2-1/2 percent to the existing hourly rates of pay.

(b) **Daily Rates** -

Add 2-1/2 percent to the existing daily rates of pay.

(c) **Weekly Rates –**

Add 2-1/2 percent to the existing weekly rates of pay.

(d) **Monthly Rates -**

Add 2-1/2 percent to the existing monthly rates of pay.

(e) **Disposition of Fractions -**

Rates of pay resulting from application of paragraphs (a) to (d), inclusive, above which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(f) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly, or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

(g) **COLA Payments**

Any cost-of-living allowance amounts rolled in to basic rates of pay on or after July 1, 2005 pursuant to Article III, Part B of the National Arbitrated IBEW Agreement effective November 5, 2004 pursuant to the Award of Arbitration Board No. 582 (or any local counterpart agreement) shall be excluded before application of the

general wage increases provided for in this Section 1 and eliminated from basic rates of pay after application of such increases.

## **Section 2 - Second General Wage Increase**

Effective July 1, 2006, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2006 for employees covered by this Agreement shall be increased by three (3) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

## **Section 3 - Third General Wage Increase**

Effective July 1, 2007, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2007 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment.

## **Section 4 - Fourth General Wage Increase**

Effective July 1, 2008, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2008 for employees covered by this Agreement shall be increased in the amount of four (4) percent applied so as to give effect to this increase irrespective of the method of payment.

## **Section 5 - Fifth General Wage Increase**

Effective July 1, 2009, all hourly, daily, weekly, and monthly rates of pay in effect on June 30, 2009 for employees covered by this Agreement shall be increased in the amount of four-and-one-half (4-1/2) percent applied so as to give effect to this increase irrespective of the method of payment.

## **ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM**

### **Section 1**

A carrier or organization may propose alternative compensation arrangements for consideration by the other party. Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans. The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate representatives.

### **Section 2**

The parties understand that neither the carrier nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the carrier nor the organization may be compelled to agree to any proposal made under this Article.

## **ARTICLE III - COST-OF-LIVING PAYMENTS**

### **Cost-of-Living Payments Under National Arbitrated Agreement Effective November 5, 2004**

#### **Section 1**

Article III, Part B, of the National IBEW Arbitrated Agreement effective November 5, 2004 pursuant to the Award of Arbitration Board No. 582 shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that 2004 Arbitrated Agreement to employees for periods on and after July 1, 2005 shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

(a) Effective January 1, 2007, each employee covered by this Agreement shall contribute 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, a monthly cost-sharing contribution in an amount equal to 15% of the Carriers' Monthly Payment Rate for 2007.

(b) The employee monthly cost-sharing contribution amount shall be adjusted, effective January 1, 2008, so as to equal 15% of the Carriers' Monthly Payment Rate for 2008 and, effective January 1, 2009, so as to equal 15% of the Carriers' Monthly Payment Rate for 2009.

(c) Effective January 1, 2010, the employee monthly cost-sharing contribution amount shall be adjusted to be the lesser of:

- (1) 15% of the Carrier's Monthly Payment Rate for 2010, or
- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the "Carriers' Monthly Payment Rate" for any year shall mean the sum of what the carriers' monthly payments to —

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,
- (2) the Dental Plan for employee and dependent dental benefits, and

- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Carriers' Monthly Payment Rate for 2007 has been determined to be \$1,108.34 and the Employee Monthly Cost-Sharing Contribution Amount for 2007 has been determined to be \$166.25.

### **Section 2 - Pre-Tax Contributions**

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

### **Section 3 - Retroactive Contributions**

Retroactive employee cost-sharing contributions payable for the period on and after January 1, 2007 shall be offset against any retroactive wage payments provided to the affected employee under Article I, Sections 1, 2 and 3 of this Agreement, provided, however, there shall be no such offset for any month for which the affected employee was not obligated to make a cost-sharing contribution.

### **Section 4 - Prospective Contributions**

For months subsequent to the retroactive period covered by Section 3, employee cost-sharing contributions will be made for the employee by the employee's employer. The employer shall deduct the amount of such employee contributions from the employee's wages and retain the amounts so deducted as reimbursement for the employee contributions that the employer had made for the employee.

**AGREEMENT BETWEEN**  
**CHICAGO, CENTRAL AND PACIFIC RAILROAD (CCP)**  
**ILLINOIS CENTRAL RAILROAD COMPANY (IC)**  
**AND**  
**THE BROTHERHOOD OF RAILROAD SIGNALMEN**

**IT IS AGREED:**

**ARTICLE I – CONSOLIDATION OF AGREEMENTS**

Unless otherwise specified in this agreement:

- A. Effective 11:59 p.m., August 31, 2007, the Agreement between Chicago, Central and Pacific Railroad and the Brotherhood of Railroad Signalmen is eliminated in its entirety.
- B. Effective 12:01 a.m. September 1, 2007, employees subject to the agreement between Chicago, Central and Pacific Railroad and the Brotherhood of Railroad Signalmen will become subject to the agreement between the Illinois Central Railroad Company and the Brotherhood of Railroad Signalmen.
- C. Rule 22 of the agreement between the Illinois Central Railroad and the Brotherhood of Railroad Signalmen is modified in accordance with the provisions of Appendix 1 of this agreement to provide for the consolidation of Chicago, Central and Pacific Railroad and Illinois Central Railroad, Brotherhood of Railroad Signalmen seniority lists establishing prior rights as defined in Appendix 1.

**ARTICLE II – RATES OF PAY**

- A. Effective July 1, 2005, all rates of pay in effect on June 30, 2005, are increased by three per cent (3%).
- B. Effective July 1, 2006, all rates of pay in effect on June 30, 2006, are increased by three per cent (3%).
- C. Effective July 1, 2007, all rates of pay in effect on June 30, 2007, are increased by three per cent (3%).
- D. Effective July 1, 2008, all rates of pay in effect on June 30, 2008, are increased by four per cent (4%).
- E. Effective July 1, 2009, all rates of pay in effect on June 30, 2009, are increased by three per cent (3%).
- F. Rates of pay resulting from the application of A through E, which end in fractions of a cent shall be rounded to the nearest whole cent. Fractions less than one-half cent shall be dropped and fractions of one-half cent or more shall be increased to the nearest full cent.

WC BRS Agreement October 26, 2005

## **ARTICLE II – WAGES**

- A. Effective January 1, 2006, the rates of pay for classifications of Signals and Communications positions will be as shown in Attachment "A".
- B. Effective January 1, 2007, all rates of pay in effect on December 31, 2006 are increased by three percent (3%).
- C. Effective January 1, 2008, all rates of pay in effect on December 31, 2007 are increased by four percent (4%).
- D. Effective January 1, 2009, all rates of pay in effect on December 31, 2008 are increased by three percent (3%).

## **ARTICLE III – HEALTH & WELFARE**

- A. Effective January 1, 2006, employees subject to this Agreement will participate in the National Health and Welfare Plans, including National Early Retirement, dental, hearing and vision care, National Off-Track Vehicle Plan, Supplemental Sickness Plan, including all subsequent amendments, excluding cost sharing, in effect between the National Carriers' Conference Committee (NCCC) and the Brotherhood of Railroad Signalmen (BRS).
- B. The amount of employee cost sharing for National Health and Welfare Plans shall be One Hundred Dollars (\$100.00) per month. This amount shall remain fixed and not subject to change except in accordance with Article XII of this Agreement.

## **ARTICLE IV – PER DIEM ALLOWANCES**

When employees subject to this Agreement are entitled to per diem allowances, the allowance to cover travel and living expenses while away from home shall be as follows:

- A. \$27.00 per day when tour of duty terminates at a point at or within a seventy (70) mile radius of their residence.
- B. \$68.50 per day when tour of duty terminates at a point beyond a seventy (70) mile radius of their residence.
- C. Effective January 1, 2007, the allowance provided under paragraph A. will be increased by \$1 00, and the allowance provided under paragraph B. will be increased by \$1.50.

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

COLA

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

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

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

- (ii) Limitation. In calculations under paragraph (e), only fifty (50) percent of the increase in the BLS CPI in any measurement period shall be considered.
- (iii) If the increase in the BLS CPI from the base month of September 2004 to the measurement month of March 2005 exceeds 3% of the September base index, the measurement period that will be used for determining the cost-of-living adjustment to be effective the following January will be the 12-month period from such base month of September; the increase in the index that will be taken into account will be limited to that portion of the increase that is in excess of 3% of such September base index; and the maximum increase in that portion of the index that may be taken into account will be 6% of such September base index less the 3% mentioned in the preceding clause, to which will be added any residual tenths of points which had been dropped under paragraph (e) below in calculation of the cost-of-living allowance which will have become effective July 1, 2005 during such measurement period.
- (iv) Any increase in the BLS CPI from the base month of September 2004 to the measurement month of September 2005 in excess of 6% of the September 2004 base index will not be taken into account in the determination of subsequent cost-of-living adjustments.

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

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

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

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

| Measurement Periods |                   | Effective Date of Adjustment |
|---------------------|-------------------|------------------------------|
| Base Month          | Measurement Month |                              |
| September 2004      | March 2005        | July 1, 2005                 |
| March 2005          | September 2005    | January 1, 2006              |

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

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

IC TCU

exception provided in paragraph (d)(iii), according to the formula set forth in paragraph (e).

| Measurement Periods |                   | Effective Date of Adjustment |
|---------------------|-------------------|------------------------------|
| Base Month          | Measurement Month |                              |
| September 2004      | March 2005        | July 1, 2005                 |
| March 2005          | September 2005    | January 1, 2006              |

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

- (b) While a cost-of-living allowance is in effect, such cost-of-living allowance will apply to straight time, overtime, protected rates, vacations, holidays and personal leave days in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to special allowances and arbitraries representing duplicate time payments.
- (c) The amount of the cost-of-living allowance, if any, that will be effective from one adjustment date to the next may be equal to, or greater or less than, the cost-of-living allowance in effect in the preceding adjustment period.
- (d)(i) Cap. In calculations under paragraph (e), the maximum increase in the BLS CPI that will be taken into account will be as follows:

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

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

IC & CCP

UTU

**Side Letter 9 - Harris Cola**



Human Resources Department  
17641 South Ashland Ave,  
Homewood, IL 60430-1345

July 22, 2003

Mr. W. E. Biedenharn, Jr.  
General Chairperson

Mr. R. I. Heisel  
General Chairperson

Gentlemen:

The following confirms our discussion during the just concluded negotiations that resulted in the July 28, 2003 Hourly Rated Agreement regarding the inclusion of a Cost of Living Allowance. In this regard the parties agreed that the following criteria, commonly called a "Harris COLA," will be used in the event the parties are unable to reach an Agreement pursuant to the provisions outlined in Article 37 of this Agreement prior to July 1, 2006:

*A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this article on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-M" (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 January 1, 2007 based on the CPI for March 2006 as compared with the CPI for September, 2006.*

I trust the foregoing reflects our discussions on this matter.

Yours truly,

M. W. Becker  
Director Labor Relations

I concur:

\_\_\_\_\_  
W.E. Biedenharn, Jr.  
General Chairperson

\_\_\_\_\_  
R. Heisel  
General Chairperson - GM&O

GTW- YMD

Rules and Benefits effective upon ratification, or as otherwise indicated

October 5, 2006

**Term of Contract**

The Collective Agreement dated December 12, 2002 covering employees (on the former GTW) represented by the United Transportation Union (UTU-YM) will be renewed for a period of five years commencing January 1, 2005.

**IT IS AGREED:**

**ARTICLE I - RATES OF PAY**

- A. Effective January 1, 2005, all rates of pay in effect on December 31, 2004 are increased by three percent (3%).
- B. Effective January 1, 2006, all rates of pay in effect on December 31, 2005 are increased by three percent (3%).
- C. Effective January 1, 2007, all rates of pay in effect on December 31, 2006 are increased by three percent (3%).
- D. Effective January 1, 2008, all rates of pay in effect on December 31, 2007 are increased by three percent (3%).
- E. Effective January 1, 2009, all rates of pay in effect on December 31, 2008 are increased by four percent (4%).
- F. Rates of pay resulting from the application of paragraphs A through E, which end in fractions of a cent shall be rounded to the nearest whole cent. Fractions less than one-half cent shall be dropped and fractions of one-half cent or more shall be increased to the nearest full cent.

**ARTICLE II - COST-OF-LIVING ALLOWANCE AND ADJUSTMENTS THERETO  
AFTER JANUARY 1, 2010**

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

Soo IBM new

Side Letter No. 1

September 1, 2007

Mr. Dell R. Babcock, General Chairman  
International Association of Machinists & Aerospace Workers  
1376 Highland Village Drive, Suite 9  
Duluth, MN 55811

Dear Mr. Babcock:

Soo hereby agrees to adjust the rates of pay for Soo's IAM represented employees on the following interim basis until such time as a National Settlement is ratified. The intent of this arrangement is to provide Soo's machinists with a portion of the additional compensation to which they will be entitled once a National Settlement is in place. It is not intended to provide machinists with rate increases greater than what is included in the National Settlement for the 2005-2009 contract term.

Interim General Wage Increase Effective July 1, 2005

On July 1, 2005, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2 ½) percent applied so as to give effect to the increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2006

On July 1, 2006, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in amount of two (2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2007

On July 1, 2007, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two (2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2008

On July 1, 2008, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two (2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

**MEMORANDUM OF AGREEMENT  
BETWEEN THE  
SOO LINE RAILROAD COMPANY  
AND THE  
INTERNATIONAL BROTHERHOOD OF BOILERMAKERS  
AND BLACKSMITHS**

In consideration of the National Settlement reached with the NCCC/IBBB effective July 1, 2007, and IBBB's cooperation in facilitating the return of Soo's IBBB represented employees to The Railroad Employee's National Health & Welfare Plans, at the earliest practicable date, the parties have agreed:

**ARTICLE I – WAGES**

**Section 1 – First General Wage Increase**

On July 1, 2005, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2 ½) percent applied so as to give effect to the increase in pay irrespective of the method of payment.

**Section 2 - General Wage Increase Effective July 1, 2006**

On July 1, 2006, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in amount of three (3) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

**Section 3 - General Wage Increase Effective July 1, 2007**

On July 1, 2007, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

**Section 4 - General Wage Increase Effective July 1, 2008**

On July 1, 2008, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of four (4) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

**Section 5 - General Wage Increase Effective July 1, 2009**

On July 1, 2009, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of four and one-half (4-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

500 TCU new

June 21, 2007

Mr. Larry Swanson, Int'l Representative  
Transportation Communications International Union  
500 73rd Avenue, Suite 110  
Fridley, MN 55432

Dear Mr. Swanson:

The Soo Line Railroad (Soo) has not authorized National handling of Section 6 notices since the 1980s, and has instead resolved wages, benefits, and work rules somewhat differently. However, the parties acknowledge that relevant aspects of these National Settlements have provided the framework for settlements between Soo and the Transportation Communications International Union (TCU).

In consideration for TCU's cooperation in facilitating the return of Soo's TCU represented employees to The Railroad Employee's National Health & Welfare Plans, at the earliest practicable date, Soo agrees to the following.

Section 1.

Wages for Soo's TCU represented employees will be adjusted on the effective date of this agreement as stipulated in Side Letter No. 1 appended hereto. Within 30 (thirty) days of the ratification of the National Agreement between the National Carrier's Conference Committee (NCCC) and TCU that resolves these parties respective Section 6 notices for the bargaining round effective on January 1, 2005 (hereinafter National Settlement), the wages for Soo's TCU represented employees will be adjusted on the same basis and schedule as in the National Settlement, subject to offsets for already paid General Wage Increases under Side Letter No. 1 and for any additional employee cost sharing contributions in the National Settlement.

Section 2.

Employee health and welfare cost sharing contributions will be resolved on Soo on a comparable basis to the National Settlement.

The employee cost sharing contribution for 2007 will be the following or whatever TCU negotiates under the National Agreement:

01-01-07 thru 12-31-07

\$ 166.25 Per Employee per Month (PEPM)

Already paid employee cost sharing contributions will offset the above PEPM amounts.

Once the clerical employees are in the National Plan, all subsequent employee cost sharing contributions will be based on the National Plan costs and calculated and

500 TCU new

Side Letter No. 1

June 21, 2007

Mr. Larry Swanson, Int'l Representative  
Transportation Communications International Union  
500 73rd Avenue, Suite 110  
Fridley, MN 55432

Dear Mr. Swanson :

Soo hereby agrees to adjust the rates of pay for Soo's TCU represented employees on the following interim basis until such time as a National Settlement is ratified. The intent of this arrangement is to provide Soo's clerical employees with a portion of the additional compensation to which they will be entitled once a National Settlement is in place. It is not intended to provide clerical employees with rate increases greater than what is included in the National Settlement for the 2005-2009 contract term.

Interim General Wage Increase Effective July 1, 2005

On July 1, 2005, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2 ½) percent applied so as to give effect to the increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2006

On July 1, 2006, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in amount of three (3) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2007

On July 1, 2007, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Interim General Wage Increase Effective July 1, 2008

On July 1, 2008, or as otherwise outlined in Side Letter No. 11, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2 1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

**September 1, 2007**

**Mr. Dell R. Babcock, General Chairman  
International Association of Machinists & Aerospace Workers  
1376 Highland Village Drive, Suite 9  
Duluth, MN 55811**

**Dear Mr. Babcock:**

**The Soo Line Railroad (Soo) has not authorized National handling of Section 6 notices since the 1980s, and has instead resolved wages, benefits, and work rules somewhat differently. However, the parties acknowledge that relevant aspects of these National Settlements have provided the framework for settlements between Soo and the International Association of Machinists & Aerospace Workers Union (IAM).**

**In consideration for IAM's cooperation in facilitating the return of Soo's IAM represented employees to The Railroad Employee's National Health & Welfare Plans, at the earliest practicable date, Soo agrees to the following.**

**Section 1.**

**Wages for Soo's IAM represented employees will be adjusted on the effective date of this agreement as stipulated in Side Letter No. 1 appended hereto. [REDACTED]  
[REDACTED] that resolves these parties respective Section 6 notices for the bargaining round effective on January 1, 2005 (hereinafter National Settlement), the wages for Soo's IAM represented employees will be adjusted on the same basis and schedule as in the National Settlement, subject to offsets for already paid General Wage Increases pursuant to Side Letter No. 1 and for any additional employee cost sharing contributions under the National Settlement.**

**Section 2.**

**Employee health and welfare cost sharing contributions will be resolved on Soo on a comparable basis to the National Settlement. Employee cost sharing contributions will be based on the appropriate National Plan costs subsequent to return to the National Plan.**

**However, in consideration for expeditiously returning Soo's IAM represented employees to the National Plan, Soo agrees to [REDACTED]  
[REDACTED] at which time employee cost sharing contributions, including any retroactive contributions, will be adjusted in accord with the National Settlement terms and provisions.**