

ASSOCIATION
OF AMERICAN
RAILROADS

Craig F. Rockey
Vice President - Policy & Economics

June 5, 2001

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

Dear Mr. Williams:

This submission is the AAR forecast of the third quarter 2001 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2001-3), *Quarterly Rail Cost Adjustment Factor*. The versions of RCAF-related indices covered in this filing are: the All-Inclusive Index (initiated in the second quarter 1985), the Unadjusted RCAF (produced since October 1982), the Adjusted RCAF (first published in the second quarter of 1989), and the RCAF-5 (created by the STB in its Ex Parte No. 290 (Sub-No. 7) decision served October 3, 1996). The table below summarizes the third quarter 2001 results, and shows the percentage changes from the previous quarter.

	<u>2001Q2</u>	<u>2001Q3</u>	<u>% Change</u>
All-Inclusive Index	107.2	107.9	0.7
Preliminary RCAF	1.072	1.079	0.7
Forecast Error Adjustment	0.004	0.000	
RCAF (Unadjusted)	1.076	1.079	0.3
Productivity Adjustment Factor	1.8305	1.8431	
RCAF (Adjusted)	0.588	0.585	-0.5
PAF-5	1.9050	1.9214	
RCAF-5	0.565	0.562	-0.5

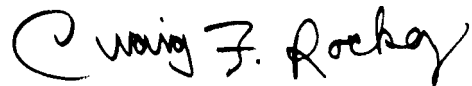
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June 5, 2001

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

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

Sincerely,

A handwritten signature in black ink that reads "Craig F. Rockey". The signature is written in a cursive style with a large, stylized initial "C".

Craig F. Rockey

Attachments

**Third Quarter 2001
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2001-3)

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

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

June 5, 2001

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Introduction

On January 2, 1985, the Interstate Commerce Commission (ICC) [now the Surface Transportation Board (STB)] adopted the All-Inclusive Index of Railroad costs as the basis for the Rail Cost Adjustment Factor (RCAF). The quarterly projection of railroad costs, as documented herein, employs the All-Inclusive Index as required by the regulations. Also presented in this submission is the RCAF, both Adjusted and Unadjusted, as required by the ICC in its decision in Ex Parte No. 290 (Sub-No. 4), *Rail Cost Recovery Procedures - Productivity Adjustment*, served March 24, 1989. In addition, the AAR has included (but does not endorse) the RCAF-5, which was instituted by an STB decision served October 3, 1996 in Ex Parte No. 290 (Sub-No. 7), *Productivity Adjustment - Implementation*. This quarter's projection of railroad costs is for the third quarter of 2001.

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. The external weights are calculated using data from Schedules 410 and 210 of the R-1 annual report filed with the Surface Transportation Board by the Class I railroads. The weights are typically updated with the fourth quarter projection.

The previous (1998) weights were used for the fourth quarter of 1999 through the third quarter of 2000. Beginning with the fourth quarter of 2000, the 1999 weights are used. Because of an October revision by one railroad to its annual report (after the 2000Q4 RCAF had been approved), the 1999 weights were revised slightly after one quarter. More detail on the revision can be found in the (2001Q1) December 5, 2000 RCAF filing. The forecast error in the 2001Q2 filing accounted for the revision to the 1999 weights. All changes from 1998 to 1999 were by less than 1 percentage point. The current 1999 (with revisions) and 1998 weights are shown below.

RCAF Weights		
	Previous 1998	Current 1999
Labor	39.9 %	39.3 %
Fuel	7.0	7.1
Materials & Supplies	5.5	5.3
Equipment Rents	10.8	11.4
Depreciation	10.6	10.6
Interest	4.8	4.6
Other	21.4	21.7

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 linked in order to eliminate the effect of the change in weighting.

All-Inclusive Index Third Quarter 2001

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.

	1999 Weights	Forecast		Percent Change
		Previous 2001Q2	Current 2001Q3	
1. Labor	39.3%	254.5	256.3	0.7 %
2. Fuel	7.1%	102.7	108.3	5.5
3. M&S	5.3%	149.5	155.8	4.2
4. Equipment Rents	11.4%	177.9	177.8	-0.1
5. Depreciation	10.6%	150.2	150.2	0.0
6. Interest	4.6%	94.9	94.9	0.0
7. Other	21.7%	161.7	161.2	-0.3
8. Weighted Average				
a. 1980 = 100		190.9	192.2	
b. 1980 = 100 (linked)		185.6	186.9 ¹	
c. 4Q97 = 100		107.2	107.9 ²	0.7

¹ To calculate the 1980 = 100 Linked Index:

$$\text{Index}_{80} = (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index}$$

$$= 192.2 \text{ divided by } 190.9 \text{ times } 185.6$$

$$= 186.9$$

² To calculate the 4Q97 = 100 index:

$$\text{Index}_{4Q97} = (\text{Current Linked Index} / 4Q97 \text{ Index}) * 100$$

$$= 186.9 \text{ divided by } 173.2 \text{ times } 100$$

$$= 107.9$$

4Q92 based index = 119.1
 4Q87 based index = 141.4

Forecast vs. Actual All-Inclusive Index First Quarter 2001

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

	1999 Weights	First Quarter 2001		Amt Difference
		Forecast	Actual	
1. Labor	39.3%	254.4	254.4	
2. Fuel	7.1%	129.7	118.7	
3. M&S	5.3%	148.7	148.7	
4. Equipment Rents ¹	11.4%	174.7	175.1	
5. Depreciation	10.6%	150.3	150.2	
6. Interest	4.6%	94.9	94.9	
7. Other	21.7%	161.0	160.9	
8. Weighted Average				
a. 1980 = 100		192.2	191.5	
b. 1980 = 100 (linked)		186.9	186.8 ²	
c. 4Q97 = 100 ³		107.9	107.9	0.0

Forecast error —————▶ **0.0 index points**

1	1999 Weights	First Quarter 2001	
		Forecast	Actual
Car-Hire	54.9%	177.7	178.1
Lease Rentals	45.1%	161.0	160.9
Weighted Average		170.2	170.3
Weighted Average (linked)		174.7	175.1

² Linked actual index = (actual index / previous actual index) x previous linked actual index.
 $186.8 = 191.5 / 188.7 \times 184.1$

³ The 4Q97 based indexes are 1980 based indexes divided by the 4Q97 index (173.2/100).
 4Q92 based indexes are the 1980 based indexes divided by the 4Q92 index (156.9/100).
 2001Q1 actual index based on 4Q92: —————▶ 119.1

Productivity

On January 25, 2001, the STB served a decision in Ex Parte 290 (Sub-No. 4) which added the year 1999 to the Productivity Adjustment Factor (PAF) and deleted the year 1994. This creates an average annual productivity for 1995 through 1999 of 2.8 percent – a decrease from the 1994 through 1998 average of 3.5 percent. The components of this average annual value are shown on the following table. Productivity changes are calculated by dividing the output index by the input index. The average annual rate is calculated by multiplying each of the five productivity changes together and taking the result to the one fifth power. The quarterly productivity adjustment factors (PAF) are calculated by increasing the previous quarter's PAF by quarterly versions of the annual rate which are the fourth root of the average annual growth rate. The difference between the PAF and the PAF-5 is the timing of the 5-year productivity trend.

Comparison of Output, Input, & Productivity			
1995 - 1999			
Year	Output Index (1)	Input Index (2)	Productivity Changes (3)
1995	1.058	1.045	1.012
1996	1.038	0.913	1.137
1997	1.007	1.019	0.988
1998	1.005	1.018	0.987
1999	1.028	1.003	<u>1.025</u>
Average			1.028
Previous Average (1994-1998)			1.035

Calculation of PAF and PAF-5			
For 1995-1999 use fourth root of avg. productivity change			1.0069
For 1994-1998 use fourth root of previous avg. change			1.0086
Quarter	Year	PAF	PAF-5
Q1	2001	<u>1.8180</u>	1.8888 ← 1994-1998
Q2	2001	1.8305	1.9050 ←
Q3	2001	1.8431	1.9214 ← 1995-1999
Q4	2001	1.8558	1.9379
Q1	2002	1.8686	1.9513

Rail Cost Adjustment Factor Third Quarter 2001

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

	Previous 2001Q2	Current 2001Q3	Percent Change
All-Inclusive Index ¹	107.2	107.9	0.7
Preliminary RCAF ²	1.072	1.079	0.7
Forecast Error Adjustment ³	0.004	0.000	
RCAF (Unadjusted) ⁴	<u>1.076</u>	<u>1.079</u>	0.3
Productivity Adjustment Factor ⁵	1.8305	1.8431	
RCAF (Adjusted) ⁶	0.588	0.585	-0.5
PAF-5 ⁷	1.9050	1.9214	
RCAF-5 ⁸	0.565	0.562	-0.5

¹ See All-Inclusive Index on page 3.

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

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

⁴ Preliminary RCAF plus the forecast error adjustment.

⁵ See Productivity on page 5.

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

⁷ See Productivity on page 5.

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

Appendixes

Labor

Third Quarter 2001

The wage index and supplements index for the third quarter 2001 increased from the second quarter by 0.9 percent and 0.4 percent, respectively. The increases were caused mostly by 11 cents per hour cost-of-living allowance (COLA) wage increases effective July 1 for most unions, plus a new national agreement for the Brotherhood of Maintenance of Way Employees (BMWE). The wage increases also affected the employer contributions for railroad retirement. The combined impact of these changes in wages and in supplements is a 0.7 percent increase in the overall labor index.

Wage Index

National COLA: The national agreements for all the major railroad unions provide for a cost-of-living allowance (COLA) payable on July 1, 2001. The COLA will be 11 cents (except for the BMWE), based on the change in the CPI-W for the period September 2000 to March 2001, as noted in the April 17 memo from the National Railway Labor Conference to its member railroads.

BMWE Contract: On May 31, 2001, the Brotherhood of Maintenance of Way Employees (BMWE) signed a new national agreement with the National Carriers' Conference Committee. Highlights of the agreement which affect the third quarter of 2001 are as follows: (1) the 15 cent and 12 cent COLAs (from 7/1/00 and 1/1/01, respectively) are removed effective January 1, 2001; (2) a general wage increase of 3.5 percent is effective retroactive to January 1, 2001; (3) back pay for the first half of 2001 is offset by the COLA amounts already received; (4) a new COLA amount of 31 cents, which includes a Health & Welfare offset, is effective July 1, 2001.

Independent Contracts: Three new contracts for Grand Trunk Western were added to the wage index for the GTW United Transportation Union, the Brotherhood of Railway Carmen (TCU-Carmen), and the BMWE. These contracts called for retroactive increases of 3 percent per year beginning in 1998 for two contracts and beginning in 2000 for the other.

The CN/Illinois Central unions received either a 3 percent increase or a 11 cent COLA. Contracts for the Transportation Communications International Union, National Conference of Fireman and Oilers, and BMWE have 3 percent increases effective July 1, 2001. New contracts, which also have 3 percent wage increases, were added for the Sheet Metal Workers' International Association, the TCU-Carmen, and the International Association of Machinists and Aerospace Workers.

The Soo Line unions received COLA increases similar to the national versions. Most of the Soo unions are treated as national-like, meaning their increases are captured in the national grouping. The Soo BMWE, which is currently benchmarked as national-like, has not had time to evaluate the new national agreement, and it is still using an agreement similar to the old BMWE national agreement. Offsets to the national hourly rate and national back pay amounts account for this difference.

Labor

Third Quarter 2001

Lump Sums: The lump sum adjustment for the third quarter decreased slightly as the CN/IC UTU lump sum payment was completely amortized. A small lump sum was added for the GTW TCU-Carmen signing bonus included in their new contract. Lump sum signing bonuses were also added for the CN/IC SMW, TCU-Carmen, and IAM.

Back Pay: The back pay rate increased in the third quarter despite the removal of two amounts because of the addition of four new figures. The amounts completely amortized and removed were for the March 2000 Norfolk Southern and GTW BLE contracts. A back pay amount was added for three recent GTW agreements that were for the UTU, BMW, and TCU-Carmen. Back pay amounts were also added for new Illinois Central contracts for the IAM, SMW, and TCU-Carmen. In addition, the new national BMW agreement called for a retroactive increase effective January 1, 2001 offset by the COLA amount received for the retro time period. Because current calculations benchmark the SOO BMW as national-like, and the SOO BMW has not yet adopted a contract similar to the national agreement, a negative-offset back pay amount was added to remove SOO from the national back pay amount.

Other: This component contains the amortization of a profit sharing payment that the BNSF made to its Brotherhood of Locomotive Engineers employees from the former Atchison, Topeka and Santa Fe Railway in early 2001. The 2000 payment is now completely amortized, and the third quarter 2001 is the beginning of the amortization of the 2001 payment. The new profit sharing payment is significantly less than the payment for the prior year. The third quarter adjustment to wages is \$0.004, half of last quarter's \$0.008 adjustment.

Supplements Index

The Supplements index is forecast to increase by 0.4 percent from the second quarter. Health & welfare costs, supplemental annuities, and unemployment insurance were unchanged. Railroad retirement increased because of the increase in total wages caused by the BMW increase and COLA adjustments for most of the other unions. (Total Supplements shown on table A-1 increased by 0.34 percent. The Supplements Index, which is rounded to the nearest tenth, increased by 0.35 percent. This slight difference caused by rounding is the reason that Total Supplements and the Supplements Index do not show the same increase in table A-1.)

Labor Index Calculation

As shown in table A-1 on the next page, the 0.9 percent increase in the Wage Index and the 0.4 percent increase in the Supplements Index had a combined effect of a 0.7 percent increase in the Labor Index.

Labor Third Quarter 2001

Table A-1 Labor Index

	2001Q2	2001Q3	Change	
			Percent	Amount
<u>Base Wage</u> – Straight Time & Pay For Time Not Worked	\$26.100	\$26.319	0.8%	\$0.219
Adjustments:				
Lump Sum	0.031	0.030	-3.2%	-0.001
Back Pay	0.051	0.062	21.6%	0.011
Other	0.008	0.004	-50.0%	-0.004
Total Wages	<u>\$26.190</u>	<u>26.415</u>	0.9%	0.225
Health & Welfare Benefits	3.684	3.684	0.0%	0.000
RR Retirement & Medicare	5.950	5.985	0.6%	0.035
Supplemental Annuities	0.232	0.232	0.0%	0.000
Unemployment Insurance	0.108	0.108	0.0%	0.000
Other	0.009	0.008	-11.1%	-0.001
Adjustments	0.000	0.000		
Total Supplements	<u>\$9.983</u>	<u>\$10.017</u>	0.3%	0.034
Total Labor	\$36.173	\$36.432		
Wage Index¹	224.1	226.1	0.9%	
Supplements Index²	368.9	370.2	0.4%	
Total labor Index, 1999 Weights ³	261.0	262.8		
Labor Index (linked)⁴	254.5	256.3	0.7%	

¹ 1980 wage rate \$11.685

² 1980 supplements rate \$2.706

³ 1999 weights: wages, supplements 74.5% 25.5%

⁴ 2001Q3 linked Index = 2001Q2_{linked} x (2001Q3 / 2001Q2)
 = 254.5 x 262.8 / 261.0

Fuel

Third Quarter 2001

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

Railroad fuel prices had been trending lower since November 2000. Beginning in April 2001, prices began increasing again. Third quarter (July 2001) railroad fuel prices are expected to be just 0.7 percent higher than the second quarter (April) actual level. Members of OPEC have recently said they intend to keep production constant, making refiner capacities the leading constraint on fuel supply instead of oil production.

Forecasted fuel index	108.3
Increase from previous quarter forecast	5.5%
Increase from previous quarter actual	0.7%

Materials & Supplies

Third Quarter 2001

The materials & supplies index for third quarter 2001 is 4.2 percent higher than the previous quarter. Most of this increase was caused by ballast purchases in the Northeast.

2001Q3 Materials & Supplies Index = 155.8

2001Q2 Materials & Supplies Index = 149.5

Difference	6.3 basis points
	or
	4.2 %

Equipment Rents Third Quarter 2001

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 the Car Hire Rate Master File (CHARM). First, an average rate per car is developed. Second, those average rates are grouped into car type categories to create an overall summary of car hire rates. Car hire rates for the forecast quarter are estimated based on data for the most recent month available. The summary rates are then compared from quarter to quarter to determine the car hire index.

Lease Rentals

The lease rental portion of the equipment rents index uses the Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF). The Commission adopted this surrogate in its decision served March 13, 1987. The AAR forecast of the PPI-LF is discussed in Appendix G.

Equipment Rent Index Calculation

The table below calculates the Equipment Rent Index.

	1999 Weight	2001Q2	2001Q3	Percent Change
Car Hire	54.9%	182.9	183.0	0.1 %
Lease Rentals	45.1%	161.7	161.2	-0.3
Weighted Average		173.3	173.2	-0.1
Weighted Average (Linked)		177.9	177.8	-0.1

The Car Hire forecast uses the latest CHARM File rates. 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.

The Lease Rental forecast uses the AAR PPI-LF forecast for that quarter.

Depreciation Third Quarter 2001

The Producer Price Index for Railroad Equipment (PPI-RE) is used to index depreciation expense. The PPI-RE is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts, respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The value for the forecast, unchanged from the previous quarter's forecast, reflects a PPI RE that has not changed in the last 7 months.

Forecasted depreciation index (1982=100)	135.8
Forecasted depreciation index (1980=100)	150.2
Increase from previous quarter forecast	0.0%
Increase from actual first month of previous quarter	0.0%
Increase from same quarter of prior year	0.0%

Depreciation Third Quarter 2001

PPI RAIL EQUIPMENT

Forecast Model for PPIRE

Simple exponential smoothing: No trend, No seasonality

Component	Smoothing Weight	Final Value
Level	0.51875	135.80

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 135.6	Standard deviation 1.416
R-square 0.2892	Adjusted R-square 0.2892
Durbin-Watson 1.634	Ljung-Box(18)=18.54 P=0.5797
Forecast error 1.193	BIC 1.221
MAPE 0.003979	RMSE 1.185
MAD 0.5403	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2000-11	135.8
2000-12	135.8
2001-01	135.8
2001-02	135.8
2001-03	135.8
2001-04	135.8

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2001-05	133.407	135.800	138.193
2001-06	133.104	135.800	138.496
2001-07	132.832	135.800	138.768
2001-08	132.583	135.800	139.017
2001-09	132.352	135.800	139.248
Qtr Avg.	132.589	135.800	139.011
2001-10	132.135	135.800	139.465
2001-11	131.931	135.800	139.669
2001-12	131.737	135.800	139.864

Interest Third Quarter 2001

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

Interest Expense (Schedule 210)

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

Average Total Debt (Schedule 200)

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

1999	Interest Rate	7.45%
1980	Interest Rate	7.85%
2001Q3	Interest Index	94.9
2001Q2	Interest Index	94.9
	Percent Change	0.0%

Other Expenses

Third Quarter 2001

The Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF) is used to index purchased services, casualties and insurance, loss and damage, taxes (other than income and payroll), general and administrative expenses, and lease rentals. Like the PPI-RE, the PPI-LF is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The figure forecast by the model is lower than the previous quarter forecast and reflects a recent trend of lesser increases.

Forecasted Other Expense (1982=100)	143.8
Forecasted Other Expense (1980=100)	161.2
Increase from previous quarter forecast	-0.3%
Increase from actual first month of previous quarter	0.1%
Increase from same quarter of prior year	0.8%

Other Expenses

Third Quarter 2001

PPI INDUSTRIAL COMMODITIES LESS FUEL AND RELATED PRODUCTS AND POWER

Forecast Model for PPILF
ARIMA(1,1,2) with log transform

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.8546	0.1080	7.9135	1.0000
b[1]	0.8565	0.1468	5.8345	1.0000
b[2]	-0.2835	0.1209	-2.3451	0.9781

Within-Sample Statistics

Sample size 72	Number of parameters 3
Mean 4.941	Standard deviation 0.01142
R-square 0.9828	Adjusted R-square 0.9823
Durbin-Watson 1.916	Ljung-Box(18)=14.94 P=0.3338
Forecast error 0.00152	BIC 0.2277
MAPE 0.001146	MSE 0.2088
MAD 0.1606	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2000-11	142.900
2000-12	142.900
2001-01	143.500
2001-02	143.400
2001-03	143.500
2001-04	143.600

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2001-05	143.253	143.675	144.097
2001-06	143.141	143.736	144.334
2001-07	142.986	143.789	144.597
2001-08	142.807	143.834	144.868
2001-09	142.615	143.873	145.141
Qtr Avg.	142.803	143.832	144.869
2001-10	142.416	143.906	145.411
2001-11	142.213	143.934	145.676
2001-12	142.009	143.958	145.934