

ASSOCIATION
OF AMERICAN
RAILROADS

Craig F. Rockey
Vice President - Policy & Economics

September 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 fourth quarter 2001 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2001-4), *Quarterly Rail Cost Adjustment Factor*. The versions of RCAF-related indices covered in this filing are: the All-Inclusive Index (initiated in the second quarter 1985), the Unadjusted RCAF (produced since October 1982), the Adjusted RCAF (first published in the second quarter of 1989), and the RCAF-5 (created by the STB in its Ex Parte No. 290 (Sub-No. 7) decision served October 3, 1996). The table below summarizes the fourth quarter 2001 results, and shows the percentage changes from the previous quarter.

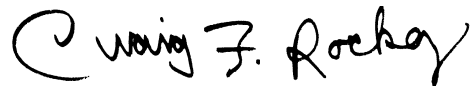
	<u>2001Q3</u>	<u>2001Q4</u>	<u>% Change</u>
All-Inclusive Index	107.9	107.4	-0.5
Preliminary RCAF	1.079	1.074	-0.5
Forecast Error Adjustment	0.000	0.004	
RCAF (Unadjusted)	1.079	1.078	-0.1
Productivity Adjustment Factor	1.8431	1.8558	
RCAF (Adjusted)	0.585	0.581	-0.7
PAF-5	1.9214	1.9379	
RCAF-5	0.562	0.556	-1.1

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

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

Sincerely,

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

Craig F. Rockey

Attachments

**Fourth Quarter 2001
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2001-4)

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

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

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

The previous (1999) weights were used for the fourth quarter of 2000 through the third quarter of 2001. Beginning with the fourth quarter of 2001, the 2000 weights are used. The major changes in the weights were for Fuel and Labor as the railroads experienced lower labor expenses while fuel prices soared. The changes for the remaining components were by one half of a percentage point or less. The 2000 (current) and 1999 (previous) weights are shown below.

RCAF Weights		
	Previous 1999	Current 2000
Labor	39.3 %	36.5 %
Fuel	7.1	10.7
Materials & Supplies	5.3	4.8
Equipment Rents	11.4	11.1
Depreciation	10.6	10.2
Interest	4.6	4.6
Other	21.7	22.1

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

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

All-Inclusive Index Fourth Quarter 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.

	2000 Weights	Forecast		Percent Change
		Previous 2001Q3	Current 2001Q4	
1. Labor	36.5%	256.3	253.0	-1.3 %
2. Fuel	10.7%	108.3	108.5	0.2
3. M&S	4.8%	155.8	153.8	-1.3
4. Equipment Rents	11.1%	177.8	179.2	0.8
5. Depreciation	10.2%	150.2	150.0	-0.1
6. Interest	4.6%	94.9	108.8	14.6
7. Other	22.1%	161.2	160.2	-0.6
8. Weighted Average				
a. 1980 = 100		187.7	186.9	
b. 1980 = 100 (linked)		186.9	186.1 ¹	
c. 4Q97 = 100		107.9	107.4 ²	-0.5

Note: The 187.7 weighted average for 2001Q3 is recalculated with 2000 weights to eliminate any changes in the fourth quarter index that would be caused by changing weights. The original figure with 1999 weights is 192.2.

¹ To calculate the 1980 = 100 Linked Index:

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

$$= \quad 186.9 \quad \text{divided by} \quad 187.7 \quad \text{times} \quad 186.9$$

$$= \quad 186.1$$

² To calculate the 4Q97 = 100 index:

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

$$= \quad 186.1 \quad \text{divided by} \quad 173.2 \quad \text{times} \quad 100$$

$$= \quad 107.4$$

4Q92 based index = 118.6
 4Q87 based index = 140.8

Forecast vs. Actual All-Inclusive Index Second 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	Second Quarter 2001		Amt Difference
		Forecast	Actual	
1. Labor	39.3%	254.5	254.5	
2. Fuel	7.1%	102.7	107.8	
3. M&S	5.3%	149.5	149.5	
4. Equipment Rents ¹	11.4%	177.9	177.9	
5. Depreciation	10.6%	150.2	150.1	
6. Interest	4.6%	94.9	94.9	
7. Other	21.7%	161.7	161.0	
8. Weighted Average				
a. 1980 = 100		190.9	191.1	
b. 1980 = 100 (linked)		185.6	186.4 ²	
c. 4Q97 = 100 ³		107.2	107.6	0.4

Forecast error —————▶ **0.4 index points**

1	1999 Weights	Second Quarter 2001	
		Forecast	Actual
Car-Hire	54.9%	182.9	182.9
Lease Rentals	45.1%	161.7	161.0
Weighted Average		173.3	173.0
Weighted Average (linked)		177.9	177.9

² Linked actual index = (actual index / previous actual index) x previous linked actual index.
 $186.4 = 191.1 / 191.5 \times 186.8$

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).
 2001Q2 actual index based on 4Q92: —————▶ 118.8

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 Fourth 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 2001Q3	Current 2001Q4	Percent Change
All-Inclusive Index ¹	107.9	107.4	-0.5
Preliminary RCAF ²	1.079	1.074	-0.5
Forecast Error Adjustment ³	0.000	0.004	
RCAF (Unadjusted) ⁴	1.079	1.078	-0.1
Productivity Adjustment Factor ⁵	1.8431	1.8558	
RCAF (Adjusted) ⁶	0.585	0.581	-0.7
PAF-5 ⁷	1.9214	1.9379	
RCAF-5 ⁸	0.562	0.556	-1.1

¹ See All-Inclusive Index on page 3.

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

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

⁴ Preliminary RCAF plus the forecast error adjustment.

⁵ See Productivity on page 5.

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

⁷ See Productivity on page 5.

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

Appendixes

Labor

Fourth Quarter 2001

The fourth quarter 2001 labor rate is forecast to decrease 1.3 percent. Rebenchmarking caused the wage index to increase 1.1 percent, but the rebenched supplements index decreased 5.2 percent. A large rebenchmarking decrease in health & welfare caused the decreases in the supplements index and the overall labor rate.

Rebenchmarking: Rebenchmarking, as well as updating the internal weights (i.e., the proportion of labor costs represented by wages and supplements, respectively), is reflected each year in the fourth quarter filing. The 2000 data underlying the fourth quarter rebenchmarking are obtained from the railroads' R-1 Annual Reports to the Surface Transportation Board and the railroads' 112-Class Wage Statistics. The source for the wage and supplements internal weights, like the external weights, is the R-1 Annual Report summary.

Wage Index

National Contracts: There were no new national agreements to add at the time of this filing. The current agreements do not have wage increases for the fourth quarter 2001.

Independent Contracts: One new contract for CN/Illinois Central's Brotherhood of Railway Signalmen was added. This contract, signed June 5, has a 3 percent retroactive increase effective July 1, 2000. An additional increase of 3 percent is effective July 1, 2001. In addition to those and future wage increases, the CN/IC signalmen also received a signing bonus.

Base Wage Rate: Other than a \$0.001 increase caused by the new CN/IC BRS contract, all of the change in the base wage rate was caused by rebenchmarking.

Lump Sums: Half of the \$0.002 increase in the lump sum adjustment was caused by rebenchmarking, and the remaining increase was caused by the addition of the CN/IC BRS signing bonus.

Back Pay: Rebenchmarking caused the back pay adjustment to increase \$0.003 from the third quarter filing. The addition of the new CN/IC BRS contract combined with rebenchmarking caused the back pay adjustment to increase \$0.004.

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 fourth quarter figure is unchanged from the third quarter filing.

Labor

Fourth Quarter 2001

Supplements Index

The Supplements index is forecast to decrease by 5.2 percent from the third quarter filing. The change is mostly caused by a large decrease in the rebenchmarked health and welfare adjustment.

Health & Welfare: The rebenchmarked third and fourth quarter health and welfare hourly rate decreased by nearly 29 percent from the original third quarter filing. This decrease caused not only the supplements index to decline, but also is the reason for the decrease in the overall labor index.

Railroad Retirement: Rebenchmarking and a higher rebenchmarked wage rate caused the Railroad Retirement rate to increase by 8.2 percent.

Supplemental Annuities: Rebenchmarking caused the supplemental annuities rate to increase from \$0.232 to \$0.240.

Unemployment Insurance: Rebenchmarking and a higher rebenchmarked wage rate caused the unemployment insurance rate to increase from \$0.108 to \$0.145.

Other: The "Other" category, a reflection of a quarterly employer matching contribution by BNSF to certain BLE and BMWWE employees, increased by \$0.001 because of higher contributions. The remaining \$0.001 increase was caused by rebenchmarking.

Labor Index Calculation

As shown in table A-1 on the next page, the 1.1 percent increase in the Wage Index and the 5.2 percent decrease in the Supplements Index had a combined effect of a 1.3 percent decrease in the Labor Index. The linked fourth quarter 2001 labor index of 253.0 is determined by multiplying the third quarter linked index of 256.3 times the change between the fourth quarter labor index (261.0) and a third quarter labor index (264.4) recalculated using the original third quarter wages and supplements indexes weighted with new 2000 weights. This method eliminates changes caused by the new weights, but captures changes caused by rebenchmarking. The purpose of the center "Updated to Reflect..." column in table A-1 is only to enable the reader to discern the impact of rebenchmarking.

Labor
Fourth Quarter 2001
Table A-1 Labor Index

	2001Q3		2001Q4	
	Used in Previous Index Filing	Updated to Reflect 2000 Actual Data	Based on 2000 Data	Pct Chg From Prev. Filing
<u>Base Wage</u> – Straight Time & Pay For Time Not Worked	\$26.319	\$26.598	\$26.599	1.1%
Adjustments:				
Lump Sum	0.030	0.031	0.032	6.7%
Back Pay	0.062	0.065	0.066	6.5%
Other	0.004	0.004	0.004	0.0%
Total Wages	\$26.415	\$26.698	26.701	1.1%
Health & Welfare Benefits	3.684	2.624	2.624	-28.8%
RR Retirement & Medicare	5.985	6.474	6.474	8.2%
Supplemental Annuities	0.232	0.240	0.240	3.4%
Unemployment Insurance	0.108	0.145	0.145	34.3%
Other	0.008	0.009	0.010	25.0%
Adjustments	0.000	0.000	0.000	
Total Supplements	\$10.017	\$9.492	\$9.493	-5.2%
Total Labor	\$36.432	\$36.190	\$36.194	
Wage Index¹	226.1	228.5	228.5	1.1%
Supplements Index²	370.2	350.8	350.8	-5.2%
Total labor Index, 1999 Weights ³	262.8			
Total labor Index, 2000 Weights ⁴	264.4	261.0	261.0	
Labor Index (linked)⁵	256.3		253.0	-1.3%

¹ 1980 wage rate \$11.685
² 1980 supplements rate \$2.706
³ 1999 weights: wages, supplements 74.5% 25.5%
⁴ 2000 weights: wages, supplements 73.4% 26.6%
⁵ 2001Q4 linked Index = 2001Q3_{linked} x (2001Q4_{WT2000} / 2001Q3_{WT2000})
= 256.3 x 261.0 / 264.4

Fuel

Fourth 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.

The railroads expect fourth quarter (October) fuel prices to increase from the third quarter (July) actual level. Prices for August have already increased from the July average, possibly caused by some refinery outages. The outage causing the most concern is at an Illinois refinery which was damaged by fire on August 14. This 163,000 barrels per day plant may take six months to restore operations. In addition to the refiner difficulties, OPEC plans to cut oil production beginning September 1.

Forecast fuel index	108.5
Increase from previous quarter forecast	0.2%
Increase from previous quarter actual	7.1%

Materials & Supplies

Fourth Quarter 2001

The materials & supplies index for fourth quarter 2001 is 1.3 percent lower than the previous quarter. Most of this decrease was caused by ballast purchases. During the previous quarter, some of the ballast purchases were made in the higher-priced Northeast. For the current quarter, some of the track maintenance work has shifted back to the South and its lower-priced ballast. Although the current index is lower than the third quarter, it is still 2.9 percent higher than second quarter's 149.5.

2001Q4 Materials & Supplies Index = 153.8

2001Q3 Materials & Supplies Index = 155.8

Difference -2.0 basis points
or
-1.3 %

Equipment Rents Fourth 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. To eliminate any changes caused by the new weights, the third quarter weighted average (but not the linked value) has been recalculated using the new weights.

	2000 Weight	2001Q3	2001Q4	Percent Change
Car Hire	52.8%	183.0	186.5	1.9 %
Lease Rentals	47.2%	161.2	160.2	-0.6
Weighted Average		172.7	174.1	0.8
Weighted Average (Linked)		177.8	179.2	0.8

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.

Privately owned cars caused all of the increase in the fourth quarter car hire index. Most of the increase in car hire rates for privately owned cars was in tank car mileage rates.

Depreciation Fourth 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, slightly lower than the previous quarter's forecast, reflects a PPI-RE that decreased for two recent months from a fairly constant level.

Forecasted depreciation index (1982=100)	135.6
Forecasted depreciation index (1980=100)	150.0
Increase from previous quarter forecast	-0.1%
Increase from actual first month of previous quarter	0.0%
Increase from same quarter of prior year (actual)	-0.1%

Depreciation Fourth Quarter 2001

PPI RAIL EQUIPMENT

Forecast Model for PPIRE

Simple exponential smoothing: No trend, No seasonality

Component	Smoothing Weight	Final Value
Level	0.49062	135.64

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 135.6	Standard deviation 1.411
R-square 0.2892	Adjusted R-square 0.2892
Durbin-Watson 1.613	Ljung-Box(18)=19.23 P=0.622
Forecast error 1.19	BIC 1.217
MAPE 0.003947	RMSE 1.182
MAD 0.5359	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2001-02	135.9
2001-03	135.4
2001-04	135.8
2001-05	135.8
2001-06	135.6
2001-07	135.6

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2001-08	133.255	135.641	138.027
2001-09	132.984	135.641	138.299
2001-10	132.737	135.641	138.545
2001-11	132.510	135.641	138.772
2001-12	132.299	135.641	138.984
Qtr Avg.	132.515	135.641	138.767
2002-01	132.100	135.641	139.183
2002-02	131.911	135.641	139.371
2002-03	131.732	135.641	139.551

Interest Fourth 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 Obligatons - Non-Current
44	Debt in Default - Non-Current
45	Accounts Payable: Affiliated Companies - Non-Current
46	Unamortized Debt Premium - Non-Current

2000	Interest Rate	8.54%
1980	Interest Rate	7.85%
2001Q4	Interest Index	108.8
2001Q3	Interest Index	94.9
	Percent Change	14.6%

Other Expenses

Fourth 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 lower monthly data.

Forecasted Other Expense (1982=100)	142.9
Forecasted Other Expense (1980=100)	160.2
Increase from previous quarter forecast	-0.6%
Increase from actual first month of previous quarter	-0.2%
Increase from same quarter of prior year (actual)	0.0%

Other Expenses Fourth 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]	0.8355	0.1199	6.9667	1.0000
b[1]	0.7931	0.1621	4.8938	1.0000
b[2]	-0.2471	0.1227	-2.0128	0.9519

Within-Sample Statistics

Sample size 72	Number of parameters 3
Mean 4.942	Standard deviation 0.0125
R-square 0.985	Adjusted R-square 0.9845
Durbin-Watson 1.872	Ljung-Box(18)=14.26 P=0.2878
Forecast error 0.001556	BIC 0.2332
MAPE 0.001166	RMSE 0.214
MAD 0.1637	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2001-02	143.500
2001-03	143.600
2001-04	143.600
2001-05	143.700
2001-06	143.600
2001-07	143.200

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2001-08	142.744	143.173	143.604
2001-09	142.425	143.045	143.667
2001-10	142.098	142.938	143.782
2001-11	141.776	142.848	143.928
2001-12	141.466	142.773	144.093
QTR AVG	141.780	142.853	143.934
2002-01	141.169	142.711	144.270
2002-02	140.886	142.659	144.454
2002-03	140.617	142.615	144.642