

PAUL C. THOMPSON
International President

RICK L. MARCEAU
Assistant President

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December 16, 2004

Chairpersons
General Committees of Adjustment
United Transportation Union
Railroads in the U.S.

Dear Chairpersons:

This has reference to my letter of April 7, 2004, regarding the understanding reached with the National Carrier's Conference Committee as to the manner in which the cost sharing contribution will be determined for those employees who "ebb/flow" between train service and engine service.

A copy of this understanding is attached hereto for reference as there are certain obligations required of the carrier and the affected employee who ~~may be~~ entitled to compensation.

You will note that the carrier was to provide the General Chairperson(s) a list containing the names of employees who have paid a July 2001 - June 2003 cost-sharing contribution no later than July 1, 2004. If you have not yet received this list, we suggest you contact the carrier immediately to obtain such list.

Further, not later than January 31, 2005, the carrier is to provide a list containing the names of employees whose compensation has been affected by the application of the 2004 wage deferral that was contained in the November 6, 2003 UTU Health & Welfare agreement.

Any employee affected adversely as a result of the cost-sharing and wage deferral must then make a request, in writing, to the carrier officer designated for that purpose on or before March 1, 2005 and such reimbursement, if any, will be paid on or before April 1, 2005.

Should any disputes arise over the application of this understanding, please contact this office immediately.

With kind regards, I remain

Fraternally yours,

A handwritten signature in black ink that reads "Paul C. Thompson". The signature is written in a cursive, flowing style.

Paul C. Thompson
International President

cc: R.L. Marceau, Assistant President
D.L. Hakey, Vice-President Administration
International Officers
State Legislative Directors
Field Supervisors



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united transportation union

April 7, 2004

Chairpersons
General Committees of Adjustment
Railroads in the United States
United Transportation Union

Dear Sir and Brother:

In addition to the enhanced benefits identified in my letter of March 24, 2004, the United Transportation Union Health and Welfare Negotiating Committee and the National Carriers' Conference Committee ("NCCC") agreed on a joint interpretation as to the manner in which the cost sharing contribution will be determined for those employees who "ebb/flow" between train service and engine service.

Because of the many different scenarios that exist, as well as the complexities of the issues involved, and in order to fairly treat all members in all operating craft positions, understandings were reached that apply to the ebb/flow employee. For your file and information, you will find attached a copy of a Letter of Understanding reached between UTU, NCCC, and BLET covering this issue. You will also find enclosed a copy of a Letter of Understanding regarding retroactive payments by ebb/flow employees, who are also subject to the wage deferral, along with illustrative examples as to its actual application.

Effectively, if an ebb/flow employee worked in both train service and engine service in a month during the retroactive period (July 2001-June 2003), and was covered for a preponderance of that time under the BLET agreements, he/she would be subject to the retroactive cost-sharing deductions for that month from his/her retroactive pay adjustments as provided for in the BLET National Agreement. After the retroactive period from July 2003 to June 2004, an ebb/flow employee would either be subject to the cost-sharing contributions of the UTU or BLET National Agreement based on a snap shot approach.

In order to ensure that UTU members are not adversely affected with regard to the cost-sharing requirements of the two distinctively different agreements, the UTU also reached a Letter of Understanding, which is designed to reimburse certain ebb/flow employees subject to the UTU wage deferral who also were subject to a retroactive contribution, determined on a case-by-case basis.

I trust this will be helpful in answering any questions you may receive. Please contact this office should any disputes arise over its application.

With kind regards, I remain

Fraternally yours,

Paul C. Thompson
International President

Enclosures

cc: D. L. Hakey, Vice President - Administration
International Officers
State Legislative Directors
Field S...

NATIONAL RAILWAY LABOR CONFERENCE

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514/AREA CODE: 202-862-7200 FAX: 202-862-7230

ROBERT F. ALLEN

Chairman

A. Kenneth Gradia
Vice Chairman

John F. Hennecke
Director of Labor Relations

Joanna L. Moorhead
General Counsel

March 16, 2004

Mr. Paul C. Thompson
International President
United Transportation Union
14600 Detroit Avenue
Cleveland, OH 44107

Dear Mr. Thompson:

This will confirm the further understanding reached between the Carriers represented by the National Carriers' Conference Committee and the United Transportation Union in connection with implementation of the Letter Agreement dated March 16, 2004 between and among the UTU, such Carriers, and the Brotherhood of Locomotive Engineers and Trainmen ("Letter Agreement"). Pursuant to the Letter Agreement, "ebb/flow" employees (as that term is defined therein) are subject to payment of health and welfare cost-sharing contributions for months falling within the period July 1, 2001 through June 30, 2003 under certain circumstances. The parties recognize that an ebb/flow employee who is required to make such contributions may also be subject to Section 2 of the November 6, 2003 Supplemental Agreement, Document "A" between the UTU and certain carriers represented by the NCCC, which provides for deferral of a General Wage Increase from July 1, 2004 to December 1, 2004 ("2004 wage deferral") to defray health and welfare costs.

This will confirm our understanding that an ebb/flow employee who makes cost-sharing contributions pursuant to the Letter Agreement for months within the period July 1, 2001 through June 30, 2003 ("July 01-June 03 cost-sharing contributions") and whose compensation is affected by application of the 2004 wage deferral shall be reimbursed by his employing carrier the amount (if any) by which the sum of (i) his/her actual wage deferral, plus (ii) his/her July 01-June 03 cost sharing contributions, exceeds the value of the 2004 wage deferral to the carrier if he/she had been subject to such wage deferral for the entire period of July 1, 2004 through November 30, 2004. Such reimbursement shall not exceed the ebb/flow employee's actual wage deferral amount. The intended application of this paragraph is illustrated in the Attachment to this Letter.

Each carrier covered by this understanding shall provide the following information to the appropriate UTU General Chairmen:

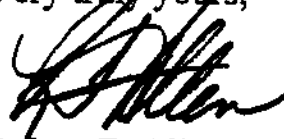
(i) Not later than July 1, 2004, a list containing the names of the employees who have paid a July 01-June 03 cost-sharing contribution pursuant to the Letter Agreement; and

(ii) Not later than January 31, 2005, a list containing the names of the employees whose compensation has been affected by application of the 2004 wage deferral.

A request for reimbursement pursuant to this understanding shall be made in writing to the carrier official designated for that purpose on or before March 1, 2005, and shall be handled on a case-by-case basis. Such request may be made by the employee or by his/her union representative. Reimbursement payments due to employees shall be made on or before April 1, 2005.

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

Very truly yours,



Robert F. Allen

I concur:



Paul C. Thompson

ATTACHMENT

AGREED-TO EXAMPLES

Assumptions

1. Employee X holds a local freight conductor assignment paid at a daily rate of \$150.95 on July 1, 2004 ("Job 111"). The daily rate for Job 111 will be \$155.42 on December 1, 2004.
2. The difference between those two rates, \$4.47/day, represents the deferral amount attributable to application of Section 2 of the November 6, 2003 Supplemental National UTU Agreement, which moved the effective date of the Third General Wage Increase of the 2002 National UTU Agreement from July 1, 2004 to December 1, 2004 ("deferral period") to defray health and welfare costs.
3. Job 111 works 109 days during the deferral period of July 1, 2004 through November 30, 2004. Thus, the "full" amount of wage deferral attributable to such assignment is \$487.23 (109 X \$4.47).
4. Employee X performed compensated service as a locomotive engineer at some time during the period July 1, 2001 through June 30, 2003 and must pay retroactive health and welfare cost-sharing in accordance with the Letter Agreement between UTU, BLET, and the carriers.

Illustrative Examples

Based on the above assumptions, the following examples illustrate the intended application of the March 16, 2004 Letter of Understanding between UTU and the NCCC-represented carriers. In each case, it is assumed that X's UTU-agreement covered compensated service is limited to Job 111.

Example 1: X works 109 days on Job 111 during the deferral period and paid \$902.16 in retroactive cost-sharing.

Result: X's actual wage deferral is \$487.23 (109 x \$4.47) and his total cost-sharing is \$902.16. The sum of those amounts is \$1389.39, which

exceeds the "full" deferral amount by \$902.16. That number exceeds X's actual wage deferral amount (which is same as the "full" deferral amount, \$487.23). X is reimbursed by the carrier his/her actual wage deferral amount of \$487.23.

Example 2: X worked 90 (ninety) days on Job 111 during the deferral period and paid \$572.85 in retroactive cost-sharing.

Result: X's actual wage deferral is \$402.30 (90 X \$4.47) and his/her total cost-sharing is \$572.85. The sum of those amounts is \$975.15, which exceeds the "full" deferral amount by \$487.92. That number exceeds X's actual wage deferral amount, so he/she is reimbursed by the carrier the actual wage deferral amount of \$402.30.

Example 3: X worked 80 (eighty) days on Job 111 during the deferral period and paid \$295.92 in retroactive cost-sharing.

Result: X's actual wage deferral is \$357.60 (80 X \$4.47) and his/her total cost-sharing is \$295.92. The sum of those amounts is \$653.52, which exceeds the "full" deferral amount by \$166.29 (\$653.52-\$487.23). The carrier reimburses X \$166.29 of the wages that were deferred.

Example 4: X worked 50 (fifty) days on Job 111 during the deferral period and paid \$133.56 in retroactive cost-sharing.

Result: X's actual wage deferral is \$223.50 (50 X \$4.47) and his/her total cost-sharing is \$133.56. The sum of those amounts is \$357.06, which is less than the "full" deferral amount. No reimbursement is due to X.

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ROBERT F. ALLEN
Chairman

A. Kenneth Gradia
Vice Chairman

John F. Hennecke
Director of Labor Relations

Joanna L. Moorhead
General Counsel

March 16, 2004

Mr. Don M. Hahs
National President
Brotherhood of Locomotive Engineers
and Trainmen
1370 Ontario Avenue
Cleveland, OH 44113-1702

Mr. Paul C. Thompson
International President
United Transportation Union
14600 Detroit Avenue
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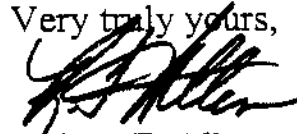
Gentlemen:

This confirms the mutual understanding reached on behalf of the Carriers represented by the National Carriers' Conference Committee, the United Transportation Union, and the Brotherhood of Locomotive Engineers and Trainmen with respect to employees who from time to time move between work under collective bargaining agreements held by UTU and BLET ("ebb/flow employees") and the application of certain employee cost-sharing provisions in the November 6, 2003 Supplemental Agreement between such Carriers and the United Transportation Union, and the December 16, 2003 Agreement between such Carriers and the Brotherhood of Locomotive Engineers.

Our understanding is set forth in the Attachment to this Letter. The Attachment describes our mutual intentions as to the appropriate interpretation and application of such employee cost sharing provisions to ebb/flow employees, notwithstanding anything in the aforementioned Agreements that may be deemed inconsistent with or contrary to its terms.

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

Very truly yours,



Robert F. Allen

We concur:



Don M. Hahs



Paul C. Thompson

Attachment

ATTACHMENT

**METHOD OF DETERMINING EMPLOYEE CONTRIBUTIONS FOR
EBB/FLOW EMPLOYEES**

1. July 2001 through June 2003

- A. An ebb/flow employee would pay a retroactive employee contribution for each month with respect to which he/she was deemed to be covered by the BLE agreement.
- B. An ebb/flow employee would not pay a retroactive employee contribution for any month with respect to which he/she was deemed to be covered by the UTU agreement.
- C. Determinations regarding whether an ebb/flow employee is deemed to be covered by the BLE or the UTU agreement in any particular month shall be based on the preponderance of service rendered.

2. July 2003 through June 2004

- A. An ebb/flow employee who is (i) frozen into participation in the NRC/UTU Plan for either (at carrier election) (a) calendar year 2004 by reason of being listed in United Health Care's ("UHC") records as of the last business day in August, 2003 as working under a UTU agreement or (b) calendar year 2003 by reason of being listed in UHC's records as of the last business day in August, 2002 as working under a UTU agreement, and/or (ii) reported to UHC as covered by the UTU agreement for November 2003, would pay an employee contribution of \$119.61 per month for the period November 2003 through June 2004. No retroactive employee contributions would be collected for any month within this period.

B. An ebb/flow employee not covered by paragraph A would pay \$79.74 per month for the period July 2003 through June 2004.

3. **July 2004 forward**

The parties recognize that the BLE and UTU health and welfare arrangements differ in certain material respects such as plan design and implementation timing and mutually agree that the parties should continue to explore the potential impacts of such variations on ebb /flow employees and any further arrangements that may be appropriate to address such concerns.