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August 28, 2006

UTU Local Secretaries
U.S. Rail Locals

Re: Enclosed bumper stickers "They Use Us - Then Abuse Us!"

Dear Sisters and Brothers:

This round of negotiations has been particularly tough. The carriers have employed deplorable tactics. Rail labor has been lied to at the bargaining table and the carriers have attempted to do as they have done in the past – divide and conquer.

The carriers have established a website, "Rail Labor Facts" (www.raillaborfacts.org), which has distorted the facts and is nothing more than an underhanded attempt to turn the membership against their International Union.

Rail labor has a few facts of its own. Attached is a bullet point listing of issues where rail labor has assisted the railroads over the past four (4) decades. The carriers could not, on their own, have accomplished the passage of these legislative acts which returned billions of dollars to the rail industry. But rail labor, by aligning with the carriers, aided the carriers to pass legislation favorable to the rail industry during an era when railroads were struggling financially.

Now the carriers want to show their gratitude by attempting to destroy the UTU.

We all understand that strikes are no longer an effective economic weapon in dealing with the railroads. Within hours of establishing pickets we are ordered back to work by conservative judges alleging national security issues, economic harm to industry and the country as a whole. We must find new ways of making railroads understand that in this era of record profits that we will not sit idly by and not be dealt with in a fair and equitable manner at the bargaining table.

We have risen to the task. Through communication and dialogue, we have gained allies among railroad captive shippers. We have formed an alliance with captive shippers. Captive shippers are being abused by carriers as labor is being abused.

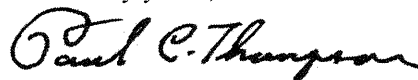
We must make the carriers understand that unless the UTU and all of rail labor is treated fairly at the bargaining table, then rail labor has no alternative but to inflict as much economic harm as possible on the railroads. Wall Street will not be happy with the next quarter's profits and the stock prices will fall.

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We are at a critical point in our negotiations and we ask for your assistance again. It is requested that you distribute the enclosed bumper stickers to your respective members to be displayed on their vehicles.

This campaign will focus the spotlight on the way railroads treat their employees as well as how they treat captive shippers.

Fraternally yours,



Paul C. Thompson
International President

Enclosure

cc: R.L. Marceau, Assistant President
All Local Presidents, U.S. Rail
All International Officers
All State Legislative Directors
All General Chairpersons, U.S. Rail
All Field & Asst. Field Supervisors
All Regional Insurance Representatives
All Designated Legal Counsel

THEY USE US - THEN ABUSE US!

HOW RAIL LABOR HAS AIDED RAILROADS OVER THE YEARS

The Carriers have established a website - *Rail Labor Facts* (www.raillaborfacts.org) which distorts the facts and distorts the carriers' goal in this round of negotiations.

Rail Labor has a few facts of its own.

Rail labor support of railroads on Capitol Hill has generated for freight railroads literally **tens of billions of dollars** in cash infusions, cumulative cash savings, loans and loan guarantees. Here is a listing of some of the major beneficial rail legislation passed by Congress with rail labor's support. Without rail labor support, virtually all of these bills likely would not have become law.

- Rail labor supported passage of the Transportation Act of 1958, which provided **\$500 million** in loan guarantees, railroad capital expenditures and maintenance. The Interstate Commerce Commission said in its 1963 annual report that without those loan guarantees, eastern railroads would not have survived.
- Rail labor supported passage of the Emergency Rail Services Act of 1970, which authorized federal loan guarantees of up to **\$200 million** for bankrupt railroads to use for "essential" operations.
- Rail labor provided crucial support in Congress for creation of Amtrak in 1971, through passage of the Rail Passenger Service Act of 1970. This legislation allowed freight railroads to get out of the money-losing railroad passenger business. The Interstate Commerce Commission had estimated railroads had lost **\$1 billion** operating passenger trains between 1967 and 1970.
- Rail labor supported passage of the Regional Rail Reorganization (3-R) Act of 1973, which authorized **\$1 billion** in federal loan guarantees, **\$559 million** in direct grants, and **\$85 million** in operating subsidies for bankrupt railroads.
- Rail labor provided support for passage of the Railroad Revitalization and Regulatory Reform (4-R) Act of 1976, which authorized **\$2.1 billion** in federal loans to Conrail; **\$1.6 billion** in federal loans and loan guarantees to other financially weak railroads for plant and equipment purchases and track rehabilitation; and **\$360 million** in branch line subsidies. The 4-R Act opened the

door to greater rail ratemaking freedom and, for the first time, imposed a time limitation on how long regulators had to approve railroad mergers. The 4-R Act also prohibited discriminatory state and local tax treatment of railroad property, and accelerated the process for railroads to abandon money-losing branch lines.

- Rail labor support was crucial to the passage of the Staggers Rail Act in 1980, which largely deregulated railroads. While this legislation was very harmful to Rail Labor, it was necessary to financially save the industry. The Staggers Act also expedited abandonment and merger proceedings. The productivity improvements flowing from job savings helped to restore railroad profitability. The Staggers Act also opened the door for railroads to transfer branch lines to short-line enterprises. Rail labor suffered substantially, but accepted those wounds to assist in the private-sector survival of freight railroads. Railroad bottom lines improved by literally **billions of dollars** as a result.
- Rail labor supported passage of the Economic Recovery Tax Act of 1981, which the Association of American Railroads said provided the rail industry with a one-time cash infusion of **\$2.5 billion**.
- To assure the continuation of Conrail in 1981, Railway Labor Executives Association President Fred Kroll coordinated with various rail unions to provide massive givebacks that totaled some **\$200 million** annually for three years, or a total of more than half a billion dollars in givebacks. Conrail President Stan Crane said in a speech May 4, 1988, "From that moment on, labor no longer was our adversary, but our partner. As a result of that understanding, I believe we have the best relationship with labor in the industry."
- Rail labor supported passage of Railroad Retirement Solvency Act of 1983, which raised to 62 the age at which 30-year railroad veterans could retire with full benefits. That law also increased Tier II contributions for employees by 2.25 percentage points, imposed income taxes on Tier II benefits, and deferred a scheduled Tier II COLA for retirees.
- During the 1980s, rail labor worked with railroads to defeat proposed legislation to permit construction of coal-slurry pipelines.
- During the 1990s, rail labor supported railroads in their opposition to captive-shippers who were seeking re-regulation legislation that would have capped rail rates, limited rail rate-making freedom and opened privately owned rail routes to use by other rail carriers.
- In the wake of rail-service meltdowns following the Union Pacific-Southern Pacific merger and the Conrail carve-up, rail labor supported the railroads requests before regulatory agencies and Congress for more time and patience in solving the problem without greater federal interference. That assistance extended

to support for temporarily lifting certain immigration restrictions to allow Canadian rail workers to take employment on U.S. railroads.

- The Railroad Retirement Reform legislation in 2002 was a joint labor-management effort that allowed carriers to save some **\$400 million annually** according to Railway Age magazine.
- Rail labor brought Democrats on board legislation in 2004 to repeal the 4.3 cents per gallon diesel-fuel tax imposed on railroads, which provided the rail industry with **\$180 million annually** in fuel-tax savings. That tax bill also provided Class II and III railroads, which feed business to Class I railroads, a track-maintenance tax credit of up to \$3,500 per mile of track.
- In 2005, rail labor supported the rail industry when the District of Columbia and dozens of other communities sought to divert hazmat shipments to less efficient and more costly routes. Rail labor testified before Congress in support of the railroads' position.
- In each session of Congress over the years, rail labor has supported the railroads' effort to obtain hundreds of millions of dollars in federal funds to pay for improvement of highway-rail grade-crossings.
- Each time motor carriers sought legislation to liberalize the length and weight of trucks on federally funded highways, rail labor has helped the rail industry defeat that legislation.

**RAIL LABOR HAS ALWAYS BEEN THERE
WHEN THE RAILROADS NEEDED US.**

**RAILROADS ARE NEVER THERE WHEN
RAIL LABOR NEEDS THEM.**

THEY USE US - THEN ABUSE US!



'They use us, then abuse us'

ASHEVILLE, N.C. -- "If the railroads want to destroy the craft of conductor and trainmen, then we will take them over the cliff with us," warned UTU International President Paul Thompson.

This blunt warning, at UTU's eastern regional meeting here, brought officers and members to their feet, applauding and shouting encouragement. Some 1,000 attended the regional meeting.

The theme of Thompson's talk was how railroads have used rail labor for their legislative objectives and then abused rail labor after gaining that support. "They use us, then abuse us," Thompson said repeatedly.

Thompson emphasized that the UTU prefers the carriers return to the negotiating table for open and honest good-faith dialogue toward a new national agreement. "We want action, not promises," Thompson said.

"If we laid all the railroads' broken promises end-to-end, they would extend longer than the BNSF transcon.

"Given the carriers' friends at the National Mediation Board, the White House (which appoints Presidential Emergency Boards) and among conservatives now controlling Congress, strikes no longer are an effective weapon in the fight for better wages, benefits and working conditions," Thompson said. "A new and completely different strategy is needed in these difficult times.

"We have risen to the task," Thompson said, explaining how the UTU, in solidarity with other labor organizations, has forged an alliance with another group suffering abuse by railroads -- captive shippers. "By linking arms with captive shippers, we have hit the carriers where it hurts most -- in the pocketbook," Thompson said. "The UTU and other unions have begun lobbying in support of shipper-friendly legislation, including a bill ending the railroads' antitrust immunity.

"Carriers now understand they no longer can abuse labor without risk," Thompson said. "It is time for the carriers to harvest a new strategy or reap the harvest they have sowed.

"The carriers have forgotten the many times rail labor was there for them when they needed us," Thompson said. "They ignore how much help labor has provided in boosting carrier profits to their current record level.

"In spite of decades of rail labor support for the railroads' legislative agenda, carriers abuse their employees, they have lied to us during these negotiations, they have attempted to pit one labor union against the other, they have failed to provide employees with sufficient training and rest, and they have failed to hire sufficient numbers of train crews," Thompson said.

"Throughout our working careers," Thompson said, "rail labor has supported legislation providing carriers with tens of billions of dollars in improved profits. And how do the carriers respond? They use us, then abuse us.

"We supported creation of Amtrak, which allowed freight railroads to eliminate passenger service and save \$1 billion annually.

"We supported railroad deregulation, including the Staggers Rail Act; we supported numerous tax-credit and federal loan programs for carriers; we supported railroad subsidy programs; we provided givebacks to save Conrail; we supported carriers in their fight against reregulation; we helped the carriers win elimination of a diesel fuel tax; and we have supported federal subsidies for highway-rail grade-crossing improvements.

"And what did the carriers do? They use us, then abuse us." Thompson said.

"When the carriers needed us, we were there for them. When we need the carriers, they are nowhere to be found. I am disgusted that the carriers now have developed a webpage containing misleading information," Thompson said.

"Their laborfacts.org web page claims they made a generous proposal, but the truth is, the proposal would have eliminated the craft of conductor and trainman. They promised buyouts, but we have seen their past promises, such as not to eliminate crew-consist agreements. We had to take them to federal court to force them to keep that one.

"Carriers claim we are among the highest paid workers in

America," Thompson said. "They don't explain how our members are required to work without days off, or adequate rest, or how we are subject to stalking, harassment and intimidation that we continually must ask the Federal Railroad Administration to investigate and halt.

"Our bargaining committee offers the carriers a means to get back on track," Thompson said:

- Stop all attempts to eliminate the conductor and trainman through operation of one-person crews that would put public safety and national security at risk;
- Sit down at the negotiating table to address a reasonable training program whose true objective is improved safety;
- Once an employee completes their required training, treat them as equals and stop this two-tier pay system that creates an underclass;
- Share some of your record profits with your employees who make those profits happen;
- Treat employees with respect;
- Work with labor and the FRA to address the fatigue problem before another horrific accident snuffs out more innocent lives;
- Reach out to labor to develop a quality of life that makes your company world class in every respect;
- Be honest and truthful in your dealings with labor. We may not always agree, but we should deal with one another out of trust.

Thompson said rail labor would not let up the pressure, which could send a wrong signal and encourage railroads to backslide. "I can assure you that the United Transportation Union is in better shape than ever before to meet all challenges.

As an example of unprecedented labor solidarity, Thompson passed out bumper stickers, with the logos of 11 rail unions, proclaiming: "The Nation's Railroads: They Use Us -- Then Abuse Us!"

More than 200,000 of those bumper stickers have been produced and are being distributed to the sponsoring unions: American

Train Dispatchers Association, Brotherhood of Maintenance of Way Employees Division; Brotherhood of Railroad Signalmen; Brotherhood of Locomotive Engineers and Trainmen; International Association of Machinists; International Brotherhood of Electrical Workers; National Conference of Firemen and Oilers; Sheet Metal Workers International Association; Transportation Communications Union; and the UTU.

August 25, 2006