



Brotherhood of Locomotive Engineers BNSF-BLE General Committees

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All BLE Members, BNSF Railway

_____, 2003
File:National Contract/Profit Sharing

Dear Brothers and Sisters:

Enclosed you will find a proposed BLE/BNSF specific modification to the tentative BLE National Agreement. This proposal was prepared pursuant to Article II of the proposed National Agreement, titled "Alternative Compensation Program" and is being submitted for membership ratification along with the proposed national settlement. Please be aware that before the BLE/BNSF modification can be applied, it and the National Agreement must both be accepted through membership ratification. As the proposed BLE/BNSF modification is being submitted for consideration with the National proposal, please remember that you must cast separate ballots on both proposals. For the National proposal to be ratified, a majority of the nationwide membership group must cast votes in favor of the proposal. The BLE/BNSF modification is only being considered by the BLE membership on the BNSF property and a majority of that group must cast votes in favor for it to be accepted, but those votes will only be considered if the National agreement has been ratified. If the National Agreement is accepted by the National group and the on property modification is accepted as well, it will modify the National Agreement only to the extent noted.

Before we discuss the enclosed agreements, we would briefly like to address the ratification process. As many of you are aware, the four BLE General Committees on this property worked very hard to present a fully on property settlement to this round of bargaining. Although we did reach an agreement in principle, the Carrier was never released from national handling to move forward with the on property agreement. While we were working to be released, the national bargaining team came to an accord, and since that time, our efforts have been to retain all portions of our original on property attempt and present them for membership consideration. Although the above described ratification process is not as simple as our strictly on property effort would have been, we do feel that we have retained the intent of our on property efforts and have been able to present them for consideration albeit in a piece meal fashion.

We would like to briefly discuss some of the particulars found in both of the enclosed agreements. The National Agreement encompasses the national settlement of all Wage/Rule issues as well as Health and Welfare issues. As with our attempted on property settlement, the national Health and Welfare settlement does include monthly employee contributions in order to retain the benefit level that our membership is accustomed to. Although this was no ones first choice, the other pattern settlements in our industry made it very apparent that BLE would not close this round of bargaining without the inclusion of employee contributions to the ever increasing insurance premium costs. The employee contributions found in the BLE proposal are in line with those negotiated and/or arbitrated by other unions and will be applied retroactively to July 1, 2001, also in line with the other negotiated and/or arbitrated settlements. Please note that all monthly employee contributions will be taken from your pre tax earnings, much like 401K contributions, minimizing the impact on pay day as much as possible.

The wage settlement in the proposed National Agreement will also be applied retroactively, with back pay payable based on each employees earnings. It will most likely be years end by time the agreement can be implemented, and in that event, the back pay period will include 4% of all earnings from July 1, 2002 until December 31, 2003 as well as an additional 2.5% of all earnings from July 1, 2003 until December 31, 2003. The temporary COLA increases currently included in our pay rates from July 1, 2002 forward will be rolled out of the rates as the proposed general wage increases will be applicable during that period. Also payable on signing date will be a \$1200.00 longevity bonus for all employees with seniority pre dating October 31, 1985. An entry rate equity payment of \$774.00 will also be due on signing, with that payment applicable to all assigned engineers. When all signing date elements are calculated, a pre 85 employee grossing \$50,000 on an annual basis would receive approximately \$3338.90, while a post 85 employee with the same gross would receive approximately \$2138.90. A pre 85 employee grossing \$70,000 on an annual basis would receive approximately \$4798.90 while a post 85 with the same gross would receive approximately \$3598.90. As you can see, even with the COLA roll out and the retroactive application of Health and Welfare costs, significant back pay will be received by the employees covered by the agreement. The cost and pay elements that make up the back pay calculation are all but identical to the numbers that would have been generated under our proposed on property agreement, so in that regard, the end is the same, we are just using a different venue to accomplish it.

One of the other pieces of the national proposal that we would like to discuss is the inclusion of "Trip Rates". This too was included in our on property effort and the primary purpose was to eliminate the majority of the pre/post 85 pay inequities that have plagued our membership since 1985. Although post 85 employee do not qualify for the \$1200.00 longevity payment, they will realize in many cases as much as a 10% increase in annual income when trip rates are implemented. This will be accomplished by only using pre 1985 pay rules and rates to calculate the trip rate averages. Although there are obviously concerns with any new pay structure, rest assured that we will do everything in our power to insure that these trip rate averages truly reflect the pre 85 earnings generated from the current normalized operation of each involved pool. These averages will be payable to all employees, whether working or deadheading, whether pre or post 85. The agreement also allows for reconsideration of the trip rate by either party if there is material change in operation after the average is developed. We will closely monitor each pool to insure that the trip rate remains a cost neutral average of the annual earnings currently made by each pre 85 employee in any given pool.

It is a matter of fact that we cannot continue to give all employees the same percentage increases as in the past and ever resolve this pre/post 85 inequity. Directives have been issued to each of our General Committees making it the utmost priority that these inequities be resolved and it is imperative in our minds that this be accomplished without delay.

We would also like to briefly discuss the BNSF specific modification, included as an "Alternative Compensation" option. This modification was also part of our on property effort and as in that effort, it is being offered as a choice to all BNSF engineers. Our efforts have always been driven towards presenting our membership with as many choices as possible, with the clear understanding that the democratic voice of the membership will make that choice. If the BLE members on the BNSF property decline this proposed modification, they will remain under the national settlement of the bargaining round. If the national settlement is ratified and the on property modification is also accepted, the national settlement will be modified as follows. The July 1, 2003 2.5% increase found in the national agreement will be applied through the end of 2003, and will be reflected in the back pay previously described. The first profit sharing/general wage increase modification would then be effective on January 1, 2004, when the pay rates as they stand on December 31, 2003 would be reduced by 1% going forward. In addition, the 3% wage increase previously scheduled to be effective July 1, 2004 would also be waived. In return, locomotive engineers would be entitled to a maximum profit sharing pay out of 6% on 2004 earnings. As in our previous on property efforts, the formula used to calculate the payable portion of the 6% would be the same formula used by the management.

To fairly compare the modifications described above, the traded general wage increases must be converted from a July start each year to an annualized value as profit sharing is based on an annual percentage. For the year 2004, the July 1, 2004 3% increase, which would have only been in effect for ½ of 2004, has an annualized value of 1.5% when spread over the entire year. The 1% increase effectively waived on January 1, 2004 would be waived for all of 2004, and when the two traded general wage increases are combined, the net increase waived for 2004 comes to 2.5%. This 2.5% would be traded for a maximum profit sharing payment of 6% of 2004's earnings. As part of the agreement, the Carrier has agreed to guarantee that the employees will receive at least one third of the 6% value in 2004, resulting in a minimum guarantee of 2% profit sharing pay out. As most of you are aware, profit sharing does come with some risk, but that risk has been significantly minimized for the year 2004. Although 2.5% in general wage increase has been waived, 2% profit sharing is guaranteed, with a potential of 6%. As a result, the risk in accepting profit sharing in the calendar year 2004 is only .5%, or ½ of 1% of the years earnings.

At the end of 2004, the membership would have a one time option to snap back to the waived percentage wage increases from that point forward. The memberships' decision on that option will be made after the pay out for 2004 has been determined. If the membership opts out of the profit sharing program, the 1% wage increase waived on January 1, 2003 and the 3% wage increase waived on July 1, 2004 would be applied to all rates from May 1, 1005 forward, but there would be no retroactive adjustments to the period that profit sharing remained in effect. If the membership opts to stay in the profit sharing program, the maximum pay out for 2005 will be increased to 8% on a permanent basis with no further cost to the employees. The end result is a permanent trade of 4% in general wage increases in return for a maximum profit sharing of 8%

for all years thereafter. Please remember that these profit sharing percentages are in addition to any profit sharing percentages already in effect on the BNSF property.

As information, the National Settlement also modified the original 3% wage increase due on July 1, 2004 by waiving .5% in return for a \$40.00 pre tax contribution per employee per month by the Carrier to fund a disability insurance benefit. As the on property modification waives the original 3% increase to obtain a profit sharing option, we would not be included in the national disability insurance program. At the same time, if we opt out of the profit sharing at the end of 2004, we would return to the full 3% wage increase rather than the 2.5% remaining in the national settlement. In addition, under the on property modification, the BNSF membership would have similar pre tax access to various insurance products, including group rated disability insurance. The primary difference between the national and on property insurance option is that under the national settlement, participation in the disability insurance program is mandatory. Under the on property variation, the employee is able to make a selection. Although the benefits and rates may vary between the two options, both provide a valid benefit and it is important that the membership understand the differences.

The remaining items that the General Committees had previously included in our on property effort will not become part of the settlement of this round of bargaining. Instead, they have been moved into a system proposal to modify our existing schedules. These proposals are being forwarded to each BLE Division on BNSF with all Division included in a property wide ratification under Article 43(b) of the BLE Constitution and Bylaws. Again, although our first choice was to present a single on property settlement of all issues in this round, we do believe that we have managed to present all of the items in our on property effort for consideration, albeit piece meal. The end result, if the three agreements are accepted, will be the same as though it was done in a single document.

In closing, we the undersigned are convinced that the enclosed agreements do provide closure to this round of bargaining in a manner that is equitable to the membership. There are several things that bring us to that conclusion, but rest assured that no crumbs were left on the table in BLE's collective efforts. As we are convinced that a third party would not give the membership any more than this at this stage of the round, we believe that the enclosed settlement is worthy of your consideration. We also believe that the agreements being considered by the BLE Divisions are worthy of your consideration and think that you will agree when you review them at your Division meetings. A power point presentation explaining all parts of each agreement is available upon request, please contact your Local Chairman to receive a copy.

Fraternally,



Dennis R. Pierce
General Chairman



Pat Williams
General Chairman



Austin Morrison
General Chairman



Rick Gibbons
General Chairman