



## Brotherhood of Locomotive Engineers BNSF-BLE General Committees

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All BLE Members, BNSF Railway

November 16, 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, 2004 and the 3% wage increase waived on July 1, 2004 would be applied to all rates from May 1, 2005 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 RIR'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

**Alternative Compensation Agreement**  
**Between**  
**The Burlington Northern and Santa Fe Railway Company ("BNSF")**  
**And**  
**The Brotherhood of Locomotive Engineers ("BLE")**

The following agreement is made pursuant to Article II - Optional Alternative Compensation Program of the \_\_\_\_\_, 2003 National Agreement between BNSF, other Carriers represented by the National Carriers' Conference Committee, and the employees of such Carriers represented by the Brotherhood of Locomotive Engineers.

**Article I-Alternative Compensation Program**

**Section 1-Profit Sharing**

(a) A new profit sharing plan shall be established for all BNSF engineers, effective January 1, 2004, according to the following terms.

(b) Under the new plan ("PS" Plan), each BNSF engineer may receive a profit sharing payment no later than April 30 of the year immediately following each "performance" (calendar) year, the first one of which shall be 2004. For 2004, for each engineer, said payment shall have a maximum potential of (be up to) six percent (6%) of the engineer's regular earnings (regular earnings exclude such things as any bonus or lump sum under this Agreement, any retroactive payment not attributable to 2004 earnings, benefit buy-out payment, moving/real estate benefit, previous year's profit sharing payment, etc.) as an engineer on BNSF property in the performance year. If the wage snap-back option provided for in Section 3 of this Article is not exercised, then for performance year 2005 and each subsequent performance year, the maximum potential shall be eight percent (8%), otherwise applied as indicated above for 2004.

(c) Each engineer's profit sharing payment will be determined based on the same company-wide goals, the same apportionment among the goals and the same performance standards in meeting those goals as are used for that performance year in the Incentive Compensation Plan for exempt employees ("ICP"). For example, at present, there are goals for operating income (40% of total); free cash flow (20% of total); on-time performance (15% of total); safety (personal injury rate and lost time) (15% of total) and contribution per revenue ton-

mile (10% of total). The payout on each goal depends on the attainment of specific, pre-announced targets for the goals and the approval of the ICP Committee. Presently, a 150% payout level for the ICP is equal to a 100% payout under the engineers' plan. Therefore, as an example, for performance year 2004, if the company has an ICP payout level at the 150% point, each engineer would get 6% as a profit sharing payment; if the company has an ICP payout level at the target (the ICP 100% point), each engineer would get 4%; and if the company has an ICP payout level at the 50% point, each engineer would get 2% as a profit sharing payment. For each performance year, the actual payout level will be as determined by the ICP Committee, and the same ICP goals and method applied for exempt employees in the Operating Department will be used for BNSF engineers, in accord with the financial result intended in the previous example.

(d) For performance year 2004 only, regardless of what the formula and computation as described just above produce, an engineer would receive no less than 33% of the maximum profit sharing potential, or, in other words, 2% of the engineer's regular earnings as a BNSF engineer, as a profit sharing payment for that performance year. There is no minimum payment guarantee for any subsequent performance year.

(e) If the design of the BNSF ICP itself (not the type or level of specific goals set from year to year) is ever changed in a way materially separating the interests of engineers under the engineers' plan from the interests of BNSF operating employees covered by the ICP, then the parties shall meet promptly to revise the PS Plan in a way which does not so separate the interests of engineers covered by it. If the parties cannot so agree, they shall submit the matter to expedited, parties-pay, final and binding arbitration before a single neutral. In such event, the arbitrator shall have jurisdiction exclusively to reformulate the PS Plan in a way which has no material adverse effect on either covered engineers or BNSF and which effectuates the intent represented here in view of the changed conditions.

## **Section 2 – Handling of General Wage Increases**

Effective January 1, 2004, standard basic daily rates of pay for employees represented by BLE in effect on December 31, 2003 shall be reduced by one (1) percent. The two and one half (2-1/2) percent general wage increase otherwise scheduled for July 1, 2004 and the national "Disability Insurance Plan", and the \$40.00 per month employer contribution to such plan, otherwise provided for

under the National Agreement, are eliminated in their entirety and shall not become effective at BNSF.

### **Section 3 - Wage Increase Snap-back Option for 2005**

(a) The Brotherhood of Locomotive Engineers shall have a one time right to cancel all engineers' participation in the PS plan after April 30, 2005, and, effective May 1, 2005, "snap back" BNSF engineers' wage rates to the rates as described in Section 3(b) below. To effect this one time election, BLE must provide written notice to BNSF of its intention to do so and deliver such written notice between April 1, 2005, and April 30, 2005. In the event such one-time snap-back election is properly exercised, each engineer shall be eligible for a four months' (prorated) profit sharing payment based on the ICP payout for performance year 2005 (with a maximum of 8 percent of eligible earnings for the period January 1, 2005 through April 30, 2005), but shall receive no wage increase "backpay" based on the snap-back exercise, corresponding to any period preceeding May 1, 2005. In such event, all engineers' eligibility for profit sharing otherwise provided for in Section 1 above, based on any performance period subsequent to April 30, 2005, will cease entirely.

(b) In the event that the "snap back" option is properly exercised, standard basic daily rates in effect on April 30, 2005 will first be increased by one (1) percent. The resulting standard basic daily rates will then be increased by three (3) percent. Both increases will be computed and applied in the same manner prescribed for a typical GWI in the 2003 National Agreement, except that such computation and application shall be effective May 1, 2005.

### **Section 4**

Nothing in this Agreement alters in any way the terms (coverage, etc.) of any profit sharing agreement in effect prior to this Agreement.

## **Article II-Flexible Spending Account**

### **Section 1.**

Article I, Section 5(b) and Article IV, Section 5 - "Short Term Disability" of the BLE 2003 National Agreement shall not become effective or otherwise apply at

BNSF. Instead, BNSF will establish an IRC Section 125 cafeteria plan for locomotive engineers. This plan will have a flexible spending account that will allow engineers to set aside money on a before-tax basis to pay for eligible expenses incurred by the engineer and his/her eligible dependents.

## Section 2.

The plan will also provide access to a variety of group insurance plans that will allow engineers to obtain coverage by paying premiums, on a pre-tax basis when possible.

## Section 3.

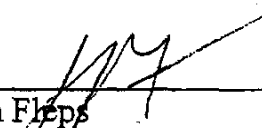
This cafeteria plan is being established under applicable sections of the Internal Revenue Code and other applicable laws as they exist in 2003. If the Code, or other applicable laws subsequently change to the company's detriment, so that the company is to bear more than just administrative costs, the plan will be revisited, and the parties will reach a resolution that fairly accomodates their mutual interests, including, if necessary, resort to a mechanism like that under Article 1, Section 1(e).


This Agreement shall be effective on the date signed and shall remain in effect until modified or changed in accordance with the provisions of the Railway Labor Act, as amended.

SIGNED AT FT. WORTH, TX THIS \_\_ DAY OF \_\_\_\_, 2003.

For The Burlington Northern and  
Santa Fe Railway Company:

For the Employees  
Represented by the  
Brotherhood of  
Locomotive Engineers:

  
\_\_\_\_\_  
John Fleps  
Vice President – Labor Relations

  
\_\_\_\_\_  
Austin Morrison  
General Chairman





Milton Siegle  
Assistant Vice President-Labor Relations



Rick Gibbons  
General Chairman



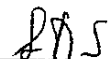
Wendell Bell  
General Director-Labor Relations



Pat Williams  
General Chairman



Dennis Pierce  
General Chairman



Steve Speagle  
Vice President

**BNSF**

JOHN J. FLEPS  
*Vice President - Labor Relations*

The Burlington Northern  
 and Santa Fe Railway Company

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November 6, 2003

Side Letter 1

Mr. Dennis Pierce  
 General Chairman, BLE  
 801 Cherry St., Ste 1010 Unit 8  
 Fort Worth, TX 76102

Mr. Pat Williams  
 General Chairman, BLE  
 509 SW Wilshire Blvd., Ste D  
 Burleson, TX 76028

Mr. Rick Gibbons  
 General Chairman, BLE  
 5040 S Harmony  
 Rogersville, MO 65742

Mr. Austin Morrison  
 General Chairman, BLE  
 7637 Canyon Dr.  
 Amarillo, TX 79110

Gentlemen:

This letter confirms several understandings that the parties have reached in connection with the National Agreement dated \_\_\_\_\_, 2003 and the Alternative Compensation Memorandum of Agreement dated \_\_\_\_\_, 2003.

1. In the application of Article I, Section 1, of the 2003 BLE National Agreement, it is agreed that, if an employee did not qualify for a longevity bonus under the UTU National Agreement of August 20, 2002 and doesn't qualify for this longevity bonus under Section 1(b)(1), the longevity bonus would nevertheless be paid to the employee when he returns to service in a craft covered by this Agreement.

2. In the application of Article I, Section 1, of this Alternative Compensation Agreement, it is agreed that the profit sharing payment under that section would be included in the calculation of vacation pay for vacation taken in the year after the receipt of such payment.

3. In the application of Article III, Part B, Section 2, of the 2003 BLE National Agreement, it is agreed that the cost-of-living adjustments will be applicable to overmile rates of pay.

4. General Wage Increases found in the National Agreement will be applicable to all special allowances that are expressly subject to general wage increases.

**BNSF**



JOHN J. FLEPS  
*Vice President - Labor Relations*

The Burlington Northern  
and Santa Fe Railway Company

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November 6, 2003

Side Letter 2

Mr. Dennis Pierce  
General Chairman, BLE  
801 Cherry St., Ste 1010 Unit 8  
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Mr. Pat Williams  
General Chairman, BLE  
509 SW Wilshire Blvd., Ste D  
Burleson, TX 76028

Mr. Rick Gibbons  
General Chairman, BLE  
5040 S. Harmony  
Rogersville, MO 65742

Mr. Austin Morrison  
General Chairman, BLE  
7637 Canyon Dr.  
Amarillo, TX 79110

Dear Sirs:

Prior to February 28, 2005, BNSF will notify its BLE general chairmen in writing of the engineers' profit sharing payout level for performance year 2004.

Yours truly,

A handwritten signature in dark ink, appearing to be "JF", written over a light background.