

UNITED TRANSPORTATION UNION

2011 NATIONAL RAIL CONTRACT PROPOSAL

UTU National Negotiating Team

- President Mike Futhey
- Assistant President Arty Martin
- National Legislative Director James Stem
- Vice President Robert Kerley
- Vice President Delbert Strunk
- General Chairman John Lesniewski (GO 049)
- General Chairman Pate King (GO 680)
- General Chairman Doyle Turner (GO 347)
- UTU Associate General Counsel Kevin Brodar

UTU Negotiating Committee



National Carriers' Conference Committee

- Burlington Northern Santa Fe
- CSX
- Kansas City Southern
- Norfolk Southern
- Soo Line (Canadian Pacific)
- Union Pacific
- 20+ smaller carriers, switching companies, etc.

Carriers' Position

- Rail employee wages do not fairly reflect current economic times or general labor market
- Rail employee health and welfare plan benefits and employee cost sharing do not reflect U. S. mainstream
- Unfunded federal mandates (PTC, RSIA) will greatly increase railroads' capital outlay and operating costs

Fringe Benefits Cost Comparison 2000-2010

ITEM	2000	2010	INCREASE %
TIER 1	\$ 4724	\$ 6621	40
TIER 2	9128	9683	6
UNEMPLOYMENT	669	885	32
HEALTH PLAN	6982	15670	124
RETIREE HEALTH PLAN	268	1871	597
DENTAL PLAN	443	687	55
VISION PLAN	90	123	36

UTU Response

- Railroad profits are at record levels and rising
- Profit per employee (bottom line productivity) continues to increase
- The current railroad work environment is not comparable to the U. S. “mainstream”
- Meaningful fatigue abatement and predictable work schedules will increase – not decrease – availability and productivity
- UTU Health and Welfare plan cost increases have been below national averages since 2004, and if adjusted for massive furloughs reflected in 2010 rates , plan cost increases are below CPI

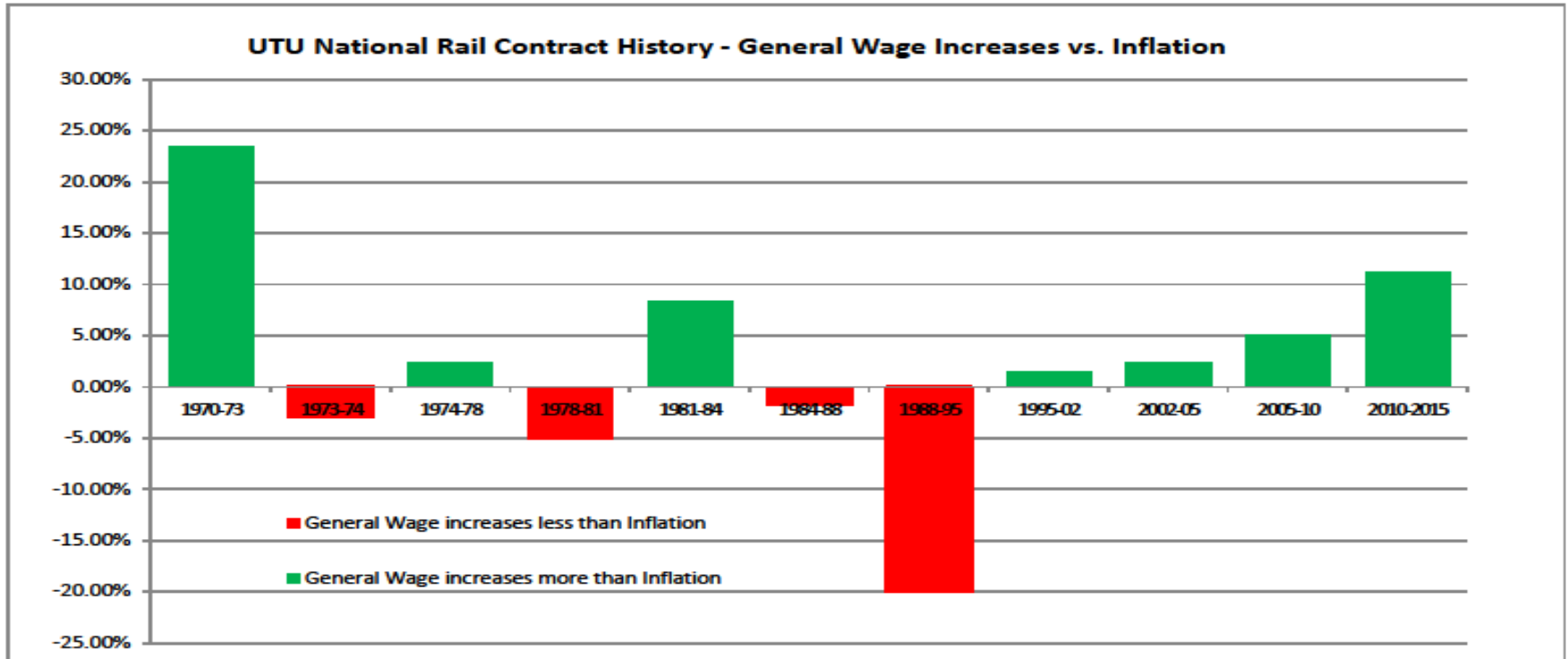
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ARTICLE 1 – WAGES

- July 1, 2010 - 2%
- July 1, 2011 - 2.5% (No COLA offset)
- July 1, 2012 - 3%
- July 1, 2013 - 3%
- July 1, 2014 - 3.5%
- January 1, 2015 - 3%

Compounded total 18.24%

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ARTICLE II – COLA

Why was “Harris” COLA not included?

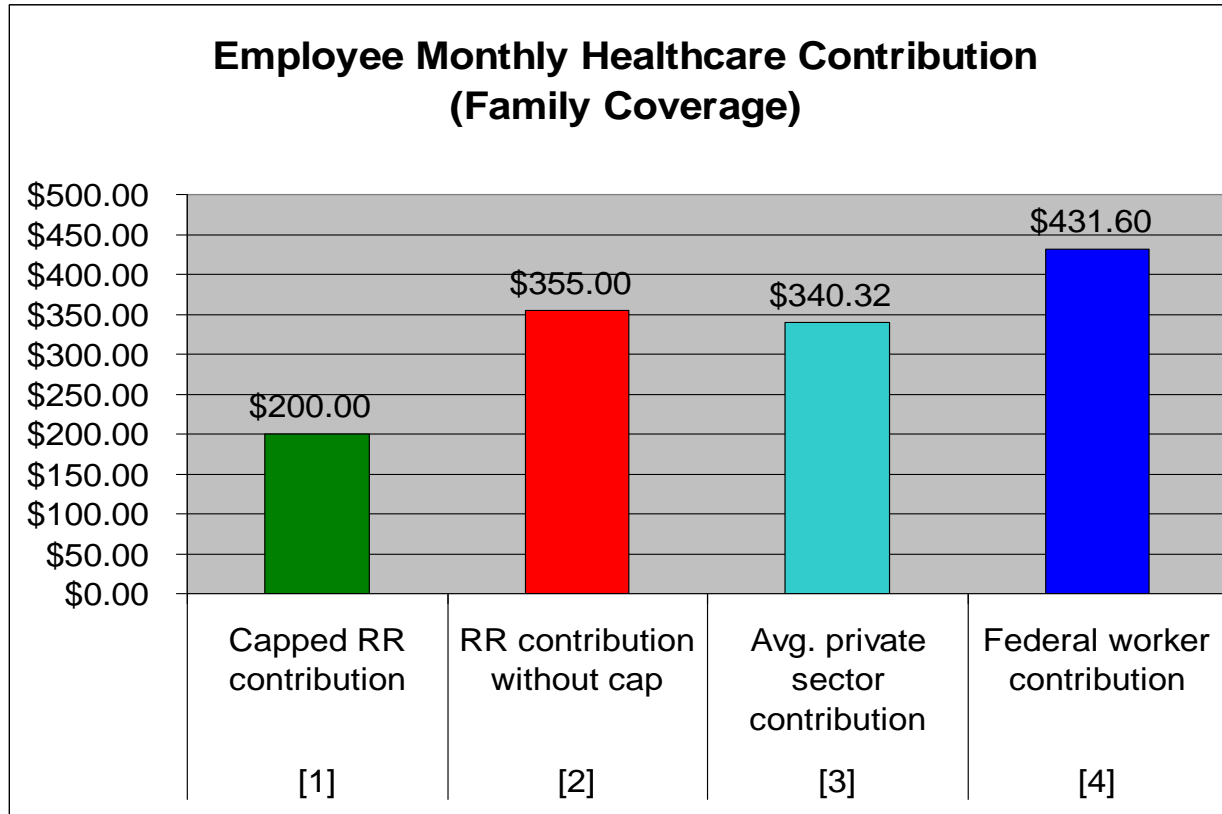
- Does not expedite negotiations as intended
 - Offsets future GWIs
- Increases employee H&W contribution with each payment.

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ARTICLE III – HEALTH AND WELFARE

- Employee contribution reduced to \$200 on Jan. 1, 2012 and FROZEN until July 1, 2016, then may increase to a maximum of \$230.

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[1] Capped RR contribution, under tentative national rail agreement, January 1, 2011 through June 30, 2016

[2] RR contribution estimated for 2015, based on existing national agreement provisions

[3] Average private sector employee contribution from Bureau of Labor Statistics

[4] Federal worker contribution from Blue Cross/Blue Shield Standard Option

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ARTICLE III – HEALTH AND WELFARE (cont.)

- MMCP in-network benefit subject to \$200 individual/\$400 family annual deductible and \$1000 individual/\$2000 family annual out-of-pocket maximum.
- 95/5% co-insurance after deductible is satisfied up to the out-of-pocket maximum.

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ARTICLE III – HEALTH AND WELFARE (cont.)

- \$75 co-pay for use of Emergency Room, **unless admitted.**
- \$20 co-pay for use of Urgent Care facilities.
- \$10 co-pay for use of Convenient Care Clinics.

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ARTICLE III – HEALTH AND WELFARE (cont.)

- Establishes a Radiology Management program to prevent unnecessary procedures – no member action required.
- Enhanced benefits for using “Centers of Excellence” providing best patient outcomes – voluntary program.

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ARTICLE III – HEALTH AND WELFARE (cont.)

- Treatment Support Program established for use by members and families at no cost and on a voluntary basis.
- Establishment of Prior Authorization, Step Therapy and Quantity/Duration Limits with safeguards to assure that medication is dispensed when authorization is not immediately obtainable.

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ARTICLE III – HEALTH AND WELFARE (cont.)

- Retail drug co-pays - \$5/25/45 (generic/brand name formulary/brand name non-formulary)
- Mail order drug co-pays - \$5/50/90
- Personalized Medicine Program established to get the right medication at the right dose at the right time to the individual. Program is voluntary and at no cost to the member.

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ARTICLE III – HEALTH AND WELFARE (cont.)

- Generic Rx Advantage Program established to encourage transfer from brand name medication to generic medication. Voluntary program to member.
- Prior Authorization, Step Therapy and Quantity/Duration Limits, Personalized Medicine and Generic Rx Programs applicable to The Railroad Employees National Early Retirement Major Medical Benefit Plan – ERMA (GA-46000) and to individuals who become eligible for ERMA coverage on or after January 1, 2012.

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ARTICLE IV – SERVICE SCALE

For current employees:

- \$3,000 bonus for employees under 5-year rate progression
- \$1,200 bonus for employees under less than 5-year rate progression
- \$1,200 bonus for employees under rate progression but currently compensated at 100% when working in promoted status

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ARTICLE IV – SERVICE SCALE

For new employees:

- Eliminates 5th year of current rate progression
- Preserves promotional advances

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ARTICLE V – FRA CERTIFICATION ALLOWANCE

- \$5.00 allowance per start on any position requiring FRA certification
- No duplication or pyramiding with other FRA certification allowances

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ARTICLE VI – LOCAL DISCUSSIONS **ALL COMPLETELY VOLUNTARY**

- Alternative compensation
- Compensated leave
- Compensation enhancement
- Electronic bidding and bumping
- Scope Rule – applicable to Yardmasters
(Article VII – Document B)

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ARTICLE VII – PROBATIONARY PERIOD

- 60 Days from completion of training and protecting first tour of compensated service
- Applies to employees who complete training on or after 30 days from effective date of Agreement

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ARTICLE VIII – GENERAL PROVISIONS

- Notices for changes may be served November 1, 2014
- Changes effective no sooner than January 1, 2015

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- Document “B” – Yardmaster specific issues
- 12.5 cent per hour special wage adjustment effective June 30, 2011 and subject to future GWIs.
- Increased benefits paid under the Supplemental Sickness Plan.

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Health and Welfare Example 1

Conductor Smith goes to his Primary Care Physician (PCP) for treatment of an arm injury. The physician examines him and recommends resting the arm. No other services are provided. Conductor Smith makes the \$20 co-pay at the time of service and is subject to no additional payments for the office visit.

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Health and Welfare Example 2

Conductor Smith goes to his PCP and in addition to the office visit the physician performs additional tests to determine the extent of his injury. The fee for the additional tests is \$300, for which no co-pay applies. Conductor Smith would pay the \$20 co-pay for the office visit and an additional \$200 deductible. The remaining \$100 is subject to 5% co-insurance (\$5) and applies to the out-of-pocket maximum. Smith has now met his deductible for the year.

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Health and Welfare Example 3

Conductor Smith does not improve and goes to a specialist for treatment of his arm injury. The specialist charges \$100 for the office visit and \$500 for tests and/or services rendered in addition to the office visit, for which a co-pay does not apply. Conductor Smith pays the \$35 specialist co-pay and \$25 (5%) co-insurance, since his annual deductible has already been satisfied. The plan pays the remaining \$65 for the office visit and the remaining \$475 for other services rendered.

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Health and Welfare Example 4

Foreman Jones goes to an emergency room with a severe skin rash and is discharged after treatment for poison ivy. Total ER charges are \$625. He pays the \$75 ER visit co-pay because those charges are included in the CPT code used to submit the charges. If separate charges are submitted for the ER services performed, then the \$200 deductible and the 5% co-insurance may be required.

Note: The same treatment at a “convenience clinic” would have been fully covered with a \$10 co-pay.

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Health and Welfare Example 5

Foreman Jones has satisfied both his \$200 annual individual deductible and \$1000 annual out-of-pocket maximum. Other family members incur medical charges for various illnesses/injuries. The COMBINED charges of ALL remaining family members for which no co-pay applies are \$22,000 for the year. Jones pays an additional \$200 to meet the annual family deductible and additional \$1,000 (5% co-insurance) to meet the family out-of-pocket maximum. The plan pays the remaining charges and Foreman Jones pays only the co-pay requirement(s) for the remainder of the calendar year.

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AWARD OF ARBITRATION BOARD NO. 559
EFFECTIVE MAY 8, 1996

(EXERPTS FROM THE DISCUSSION AND FINDINGS BEGINNING AT PAGE 5)

UTU POSITION

We need more money.

JUSTIFICATION

“...that is what it will take to satisfy the needs of the members...and the Carrier’s record profits permit greater sharing with UTU employees.”

“...the record profits reaped by the industry over the last several years, especially last year.”

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AWARD OF ARBITRATION BOARD NO. 559
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OPINION OF THE BOARD

“We believe it is not enough to simply claim ‘more’ and be rewarded with more.”

“We do not think that ‘bigness’ alone of profits by themselves are persuasive reasons for recommending wage increases.”

“Rail employees enjoy a significant advantage over employees in other industries. That conclusion stands whether one analyzes wage trends, wage levels, or total compensation, compares competitors such as truck, other transportation modes, or industry generally.”

“Thus, in our view, the union’s claim that current profit levels justify greater wage increases dose not fly.”

AWARD

“We first look at the agreement itself and ask ourselves whether it is a fair and reasonable settlement.” ... “It is fair and reasonable. It provides satisfactory wage increases...that will exceed that received by most American workers and satisfies legitimate expectations.”

“We have looked at...how it compares with respect to industry generally, not just with UTU employees. The answer is the same. It compares favorably.”