

**TELL THE TRUTH UTU
FACT v. MYTH
IN THE
UTU 2011 NATIONAL
RAIL CONTRACT SLIDE SHOW**

(See The Truth In Red Italics)

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
- ***THE TRUTH – The Railroad Industry can not be compared to the U.S. mainstream. Railroad employees experience over 20% higher health costs just due to the nature of our jobs (one of the highest numbers observed in industry data). In short, our jobs make us sick and now the railroads want us to pay for it.***

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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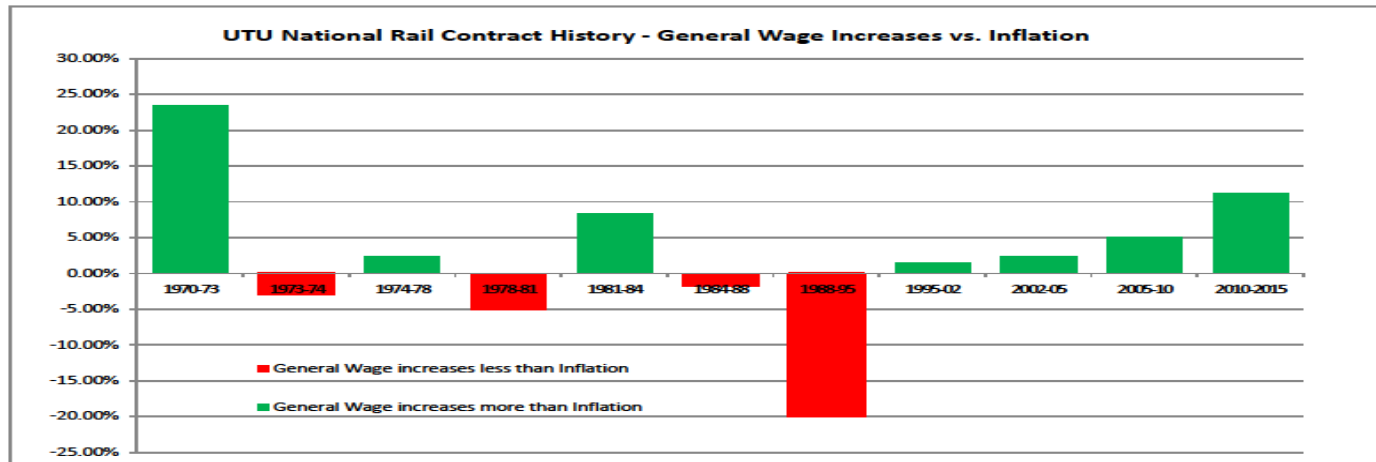
ARTICLE 1 – WAGES

- 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%

- ***THE TRUTH*** – *This is a 5 year deal (2010-2014) that yields 14% GWI's for a compounded total of 14.9%. This is significantly less than the 17% GWI's (18.2% compounded) in 2005-2009 RLBC pattern Freight Agreement. UTU leadership negotiated lower GWI's even though the Class I Freight profits more than doubled from \$15.9 billion to \$32.7 billion in the comparable periods.*
- *The sixth year (January 1, 2015) is part of the next national agreement and subject to a smoke and mirrors side letter.*

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- THE TRUTH** – The 2010-2015 calculation is speculative and not very good speculation at that. The truth is that over the first 18 months of the UTU tentative agreement inflation has run at an annual rate of 3.4%. In order to break even with inflation, the rate can not exceed 2.6% over the remaining 54 months of agreement. For the UTU proposal to match real wage improvement in the 2005 RLBC pattern agreement, inflation can not exceed 2.1% per year over the remaining 54 months. The real improvement in the 2005 RLBC pattern Agreement was 2.4% per year – based on change in rate net of H&W contribution increase.

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ARTICLE II – COLA

Why was “Harris” COLA not included?

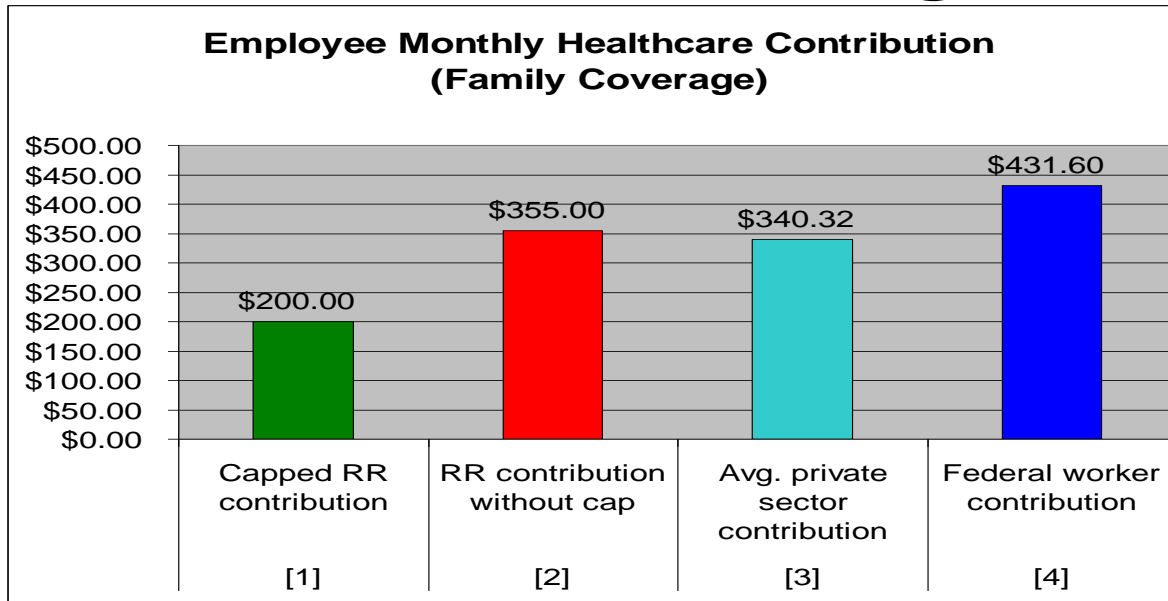
- Does not expedite negotiations as intended
 - Offsets future GWIs
- Increases employee H&W contribution with each payment.
- *THE TRUTH – RLBC scrapped the Harris COLA in the 2005-2009 pattern Agreement. To the surprise of all of rail labor, UTU added it back in to their 2005-2009 Agreement and claimed it was a victory! Apparently UTU leadership now recognizes that it was wrong.*
- *The UTU leadership misinformed its members about the Harris COLA in the last national Agreement, just like it is misinforming them on wages and health care in this proposed Agreement.*

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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.
- ***THE TRUTH*** – *This freeze on premium contributions is more than offset by the UTU plan design changes that will cost each employee \$77.77 per month on average. Cost Shifting is a direct contradiction to the Union Solidarity position of not making the sick pay more.*

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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

- ***THE TRUTH – This is a scare tactic. No one believes that the “RR contribution without cap” (Item [2]) will rise to \$355.00 per month by 2015. Carriers proposed a cap of \$230.00 to RLBC during bargaining. The Amtrak Agreement cap is \$230 through 2013.***

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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.
- ***THE TRUTH*** – *There are no deductibles now. This is not cost control, it is cost shifting from wealthy railroads to the backs of middle class workers. If the UTU proposal was applied to all crafts, the savings to the railroads from this cost shifting is estimated to exceed \$250 million over five years. That is more than a quarter of a billion dollars shifted from your pockets to the railroads. And we all know this is a slippery slope. Once the railroads get new categories of deductibles, they will push relentlessly to increase them in each subsequent round of bargaining.*

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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.
- ***THE TRUTH – Members travel a lot and ER might be their only access to after hours care since about 20% do not have access to alternative after hours care.***

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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.
- ***THE TRUTH*** – *The first bullet point means doctors and clerks paid by insurance companies to help keep costs down and profits up will play a role in making radiology decisions rather than just your doctor. At very best, it will mean increased red tape and delay associated with radiological testing. Any program of this type should be jointly controlled by the unions and not implemented by management and run by the insurance companies as UTU proposes. We agree with the second bullet point.*

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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.
- ***THE TRUTH*** – *The second bullet point means that Medco and not your doctor will be making decisions about which medicines are right for you. The result will be delays in receiving medicine you need and/or higher costs. If you don't agree with their decisions your cost could be substantially higher, even thousands of dollars a year.*

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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.
- ***THE TRUTH – Employees will***
 - *get zero reimbursement for drugs not authorized by Medco (the insurance company);*
 - *pay at least \$20 dollars more per script when no generic alternative is available; and*
 - *pay up to \$90.00 for a three-month supply of non-formulary brand drugs rather than the \$60.00 they would pay today.*

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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.
- ***THE TRUTH – Retirees get the same Medco driven cost increases and red tape headaches as active members. A retiree could pay over \$300 per month for drugs if they don't agree with Medco on what drugs work for them.***

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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
- ***THE TRUTH – Up front lump sums are more than offset by low GWI's and tremendous cost shifting in H&W plan. Don't be fooled!***

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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
- ***THE TRUTH*** – *Certification pay will not apply to all employees. Moreover, BLE currently has certification pay and most Engineers would gladly give it back to avoid certification which is administered by Carriers and used as additional grounds to discipline employees.*

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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)
- *Same offered to all crafts in this and previous rounds.*

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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
- ***THE TRUTH – 60 days from start date is already common in the industry.***

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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
- ***THE TRUTH*** – *This proves the fact that this is a 5 year deal from 2010 through 2014. The sixth year (2015) is part of the next Agreement and subject to a smoke and mirrors side letter.*

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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.

- ***THE TRUTH – Agree as long as there are no minor complications the cost is the same.***

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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.

- ***THE TRUTH – This is an example of the massive cost shifting in the UTU plan. Today's cost of \$20 jumps to \$225.00.***

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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.

- ***THE TRUTH – More cost shifting... The current Plan cost of three visits for a single injury is \$75.00 vs. \$305 under the proposed Plan. How is paying \$230 more for an injury better?***

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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.

- ***THE TRUTH*** – *So Foreman Jones goes to the ER because he worked today until 11pm and both the urgent care and convenient care are closed and he needs some medicine to be productive at work tomorrow morning. Under UTUs plan it cost him at least \$50 more (depending on how the ER bills). How is this helping our Brothers and Sisters?*

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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.

- ***THE TRUTH*** – *So this example illustrates that under the UTU deductible and coinsurance for MMCP, you would have to pay \$2400 out of pocket rather than \$0 under the current plan. How does this help our Brothers and Sisters?*

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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.”

- *Arbitration Board 559 was voluntarily agreed to by UTU leadership even though there were other options available under the law. Anyone familiar with the arbitration business would have known that the outcome of Arbitration Board 559 would be the imposition of the Agreement that the UTU membership rejected. Did UTU leadership voluntarily agree to Arbitration Board 559 to punish its members for rejecting an Agreement the leadership had recommended? If the UTU membership rejects this rotten deal, they will not be required to go to arbitration. Instead, they can stand in solidarity with the rest of rail labor to get a fair contract.*

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

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

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.”