

NATIONAL RAILWAY LABOR CONFERENCE

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514/AREA CODE: 202-862-7200 FAX: 202-862-7230

A. KENNETH GRADIA
Vice Chairman

ROBERT F. ALLEN
Chairman

JOHN F. HENNECKE
Director of Labor Relations

JOANNA L. MOORHEAD
General Counsel

July 27, 2007

CIRCULAR 845-2

TO MEMBER ROADS:

This refers to our circulars in the above series in regard to national wage and rules negotiations involving employees represented by the Brotherhood of Locomotive Engineers and Trainmen.

There is attached a copy of the formal agreement, dated July 1, 2007, which has been executed following ratification.

Also attached is a Summary of Terms that summarizes the important points in the Agreement and highlights the steps to be followed in eliminating the existing COLA and applying the general wage increases and other adjustments as provided for in the Agreement.

Yours very truly,

JOHN F. HENNECKE

Director of Labor Relations

Attachments

BLET NATIONAL AGREEMENT

JULY 1, 2007

SUMMARY OF TERMS

Article I – Wages

July 1, 2005	2.5%
July 1, 2006	3.0%
July 1, 2007	3.0%
July 1, 2008	4.0%
July 1, 2009	4.5%

Article II – Optional Alternative Compensation System

- Implemented on an individual railroad and union basis, by mutual agreement.

Article III – Cost-of-Living Payments

- COLA eliminated on July 1, 2007
- COLA payments previously made to be credited against retroactive pay
- COLA amounts rolled in to basic rates of pay on and after July 1, 2005 are excluded before application of general wage increases (GWI's) and eliminated from basic rates of pay after application of such increases
- No COLA when contract reopens

Article IV – Health and Welfare

- Standardizes benefits for all RLBC unions
- Plan design changes as outlined in Part A
- Employee Cost Sharing
 - Effective January 1, 2007, employee cost sharing contribution will be 15% of the Carriers' Monthly Payment Rate for foreign-to-occupation employee and/or dependent health benefits, employee life insurance benefits, employee accidental death and dismemberment insurance benefits, dental plan benefits and vision plan benefits. (determined to be \$166.25 per month effective January 1, 2007)
 - Employee cost sharing to be adjusted effective January 1, 2008 and January 1, 2009
 - Effective January 1, 2010, employee monthly cost sharing contribution shall be adjusted to be the lesser of:
 - 15% of the Carrier's Monthly Payment Rate for 2010, or
 - \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater

- Retroactive contributions for the period on and after January 1, 2007 shall be offset against any retroactive wage payments

Example of Retroactive Pay, H&W Cost-Sharing and Hourly Rate computations are included in ATTACHMENT A (page 25)

Article V – General Provisions

- Settles disputes growing out of notices served upon the organization by the carriers on or subsequent to November 1, 2004, and the notices served by the organization upon the carriers on or subsequent to November 1, 2004
- Agreement remains in effect through December 31, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act
- Moratorium on the serving of any notice or proposal prior to November 1, 2009 (not to become effective before January 1, 2010)

BLET
July 1, 2007

AGREEMENT

DATED JULY 1, 2007

between railroads represented by the
NATIONAL CARRIERS' CONFERENCE COMMITTEE

and

employees of such railroads represented by the
BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN
A Division of the Rail Conference – International Brotherhood of Teamsters

Section 2 - Second General Wage Increase

Effective July 1, 2006, all standard basic daily rates of pay in effect on June 30, 2006 for employees represented by the BLET shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 3 - Third General Wage Increase

Effective July 1, 2007, all standard basic daily rates of pay in effect on June 30, 2007 for employees represented by the BLET shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 4 - Fourth General Wage Increase

Effective July 1, 2008, all standard basic daily rates of pay in effect on June 30, 2008 for employees represented by the BLET shall be increased by four (4) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 5 - Fifth General Wage Increase

Effective July 1, 2009, all standard basic daily rates of pay in effect on June 30, 2009 for employees represented by the BLET shall be increased by four-and-one-half (4-1/2) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 6 - Standard Rates

The standard basic daily rates of pay produced by application of the increases provided for in this Article are set forth in Appendix 1, which is a part of this Agreement.

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roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number comprising a basic day, which are therefore paid on a daily basis without a mileage component, whose rates had been increased by "an additional \$.40" effective July 1, 1968, the two-and-one-half (2-1/2) percent increase shall be applied to daily rates in effect on the day preceding the effective date of the general wage increase provided for in Section 1, exclusive of local freight differentials and any other money differential above existing standard daily rates. For firemen, the rates applicable in the weight-on-drivers bracket 950,000 and less than 1,000,000 pounds shall be utilized in computing the amount of increase. The same procedure shall be followed in computing the increases effective July 1, 2006, July 1, 2007, July 1, 2008, and July 1, 2009. The rates produced by application of the standard local freight differentials and the above-referred-to special increase of "an additional \$.40" to standard basic through freight rates of pay are set forth in Appendix 1 which is a part of this Agreement.

(i) Other than standard rates:

(i) Existing basic daily rates of pay other than standard shall be changed, effective as of the dates specified in Sections 1, 2, 3, 4 and 5 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as the standard rates were determined.

(ii) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4¢ and/or 6¢ per mile for miles in excess of the number encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

Section 2

The parties understand that neither the carrier nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the carrier nor the organization may be compelled to agree to any proposal made under this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Cost-of-Living Payments Under December 16, 2003 Agreement

Section 1

Article III, Part B, of the December 16, 2003 National BLET Agreement, shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that 2003 Agreement to employees for periods on and after July 1, 2005 shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

Section 2

Any local counterpart to the above-referenced Article III, Part B that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

ARTICLE IV - HEALTH AND WELFARE

Part A - Plan Changes

Section 1 - Continuation of Plans

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(d) This Section shall become effective with respect to employees covered by this Agreement on July 1, 2007 or as soon thereafter as practicable.

Section 3 - Design Changes To Contain Costs

(a) The Plan's Managed Medical Care Program ("MMCP") shall be revised as follows:

- (1) The Office Visit Co-Payment for In-Network Services shall be increased to \$20.00 for each office visit to a provider in general practice or who specializes in pediatrics, obstetrics-gynecology, family practice or internal medicine, and \$35.00 for each office visit to any other provider;
- (2) The Urgent Care Center Co-Payment for In-Network Services shall be increased to \$25.00 for each visit;
- (3) The Emergency Room Co-Payment for In-Network Services shall be increased to at least \$50.00 for each visit, but if the care received meets the applicable Plan definition of an Emergency, the Plan will reimburse the employee for the full amount paid for such care, except for \$25.00 if the visit does not result in hospital admission. For purposes of this Paragraph, the phrase "at least" shall be interpreted and applied consistent with practice under the Plan preceding the date of this Agreement;

- (4) The Annual Deductible for Out-of-Network Services shall be increased to \$300.00 per individual and \$900.00 per family;

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prescription and there is an equivalent Generic Drug-- increase to \$30.00 plus the difference between the Generic Drug and the Brand Name (Non-Generic) Drug.

(d) The Plan's Mail Order Prescription Drug Program co-payments per prescription are revised as follows:

- (1) Generic Drug – increase to \$20.00;
- (2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary – increase to \$30.00;
- (3) Brand Name (Non-Generic) Drug Not on Program Administrator's Formulary – increase to \$60.00.

(e) For purposes of the Plan, the term "children" as used in connection with determining "Eligible Dependents" under the Plan, shall be defined as follows:

"Children include:

- o natural children,
- o stepchildren,
- o adopted children (including children placed with you for adoption), and
- o your grandchildren, provided they have their legal residence with you and are dependent for care and support mainly upon you and wholly, in the aggregate, upon themselves, you, your spouse, scholarships and the like, and governmental disability benefits and the like."

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- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the "Carriers' Monthly Payment Rate" for any year shall mean the sum of what the carriers' monthly payments to —

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,
- (2) the Dental Plan for employee and dependent dental benefits, and
- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Carriers' Monthly Payment Rate for 2007 has been determined to be \$1,108.34 and the Employee Monthly Cost-Sharing Contribution Amount for 2007 has been determined to be \$166.25.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

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(b) This Agreement shall be construed as a separate agreement by and on behalf of each of said carriers and their employees represented by the organization signatory hereto, and shall remain in effect through December 31, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(c) No party to this Agreement shall serve or progress, prior to November 1, 2009 (not to become effective before January 1, 2010), any notice or proposal.

(d) This Article will not bar management and the organization on individual railroads from agreeing upon any subject of mutual interest.

SIGNED AT WASHINGTON, D.C. THIS 1st DAY OF JULY, 2007.

FOR THE PARTICIPATING
CARRIERS LISTED IN EX-
HIBIT A REPRESENTED
BY THE NATIONAL CAR-
RIERS' CONFERENCE
COMMITTEE:

FOR THE EMPLOYEES
REPRESENTED BY THE
BROTHERHOOD OF
LOCOMOTIVE ENGINEERS
AND TRAINMEN:

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July 1, 2007
#1

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

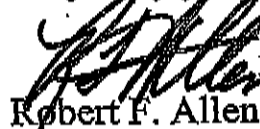
Dear Mr. Hahs:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 1 and 2 of the Agreement of this date.

The carriers will make all reasonable efforts to pay the retroactive portion of such general wage increases as soon as possible and no later than sixty (60) days after the date of this Agreement.

If a carrier finds it impossible to make such payments by that date, such carrier shall notify you in writing explaining why such payments have not been made and indicating when the payments will be made.

Very truly yours,



Robert F. Allen

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July 1, 2007

#3

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding regarding Article IV -- Health And Welfare of the Agreement of this date.

Notwithstanding any provision to the contrary, it is mutually understood and agreed that:

1. The Plan Design Changes contained in Article IV, Part A, Section 3 will be made effective as soon as feasible after the date of the Agreement and in no event later than August 1, 2007.
2. The Plan Benefit Change set forth in Article IV, Part A, Section 2(c) will be made effective on the same date as the changes in Paragraph 1 above.
3. The Plan Benefit Change set forth in Article IV, Part A, Section 2(a) will be made effective as soon as feasible after the date of the Agreement.

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July 1, 2007

#4

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This will confirm our understanding with respect to the Agreement of this date (Agreement).

The provisions of Article IV, Part B (Employee Sharing of Cost of H&W Plans) are not applicable to employees covered by the Agreement who reside in Canada.

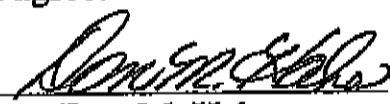
This will also confirm that existing contractual arrangements concerning Opt-Outs are not applicable to employees covered by the Agreement who reside in Canada.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,


Robert F. Allen

I agree:

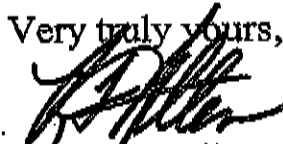

Don M. Hahs

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- (iii) the monthly dues amount established by the Hospital Association for payment by an active employee in that month.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,



Robert F. Allen

I agree:



Don M. Hahs

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July 1, 2007
#7

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

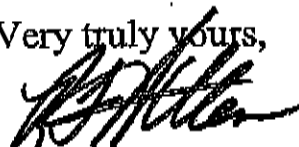
Dear Mr. Hahs:

This confirms our understanding regarding the Agreement of this date.

The parties concur that the hypothetical example set forth in Attachment A to this letter describes the appropriate methodology concerning the (i) computation of gross retroactive pay and retroactive H&W cost-sharing that shall be utilized by the railroads in determining the net retroactive amount payable to a covered employee under the terms of this Agreement, and (ii) determination of the standard basic daily rates of pay produced by application of the general wage increases provided for in Article I of this Agreement.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,


Robert F. Allen

I agree:


Don M. Hahs

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* $\$184.30 \times 1.03 = \189.83 (cumulative daily increase of \$10.03)

c. Total gross retroactive pay of \$3,574.18

2. COLA Credit (1/1/05 through 5/31/07)

Railroad entitled to following credit against gross retroactive pay for COLA allowances already paid:

a. For period 7/1/05 through 12/31/05:

$\$1.20^* \times 21.75 \text{ days} \times 6 \text{ months} = \156.60

* $\$0.15/\text{hr COLA} \times 8 \text{ hours} = \$1.20/\text{day}$

b. For period 1/1/06 through 6/30/06:

$\$3.68^* \times 21.75 \times 6 = \480.24

* $\$0.46/\text{hr COLA} \times 8 \text{ hours} = \$3.68/\text{day}$

c. For period 7/1/06 through 12/31/06:

$\$3.76^* \times 21.75 \times 6 = \490.68

* $\$0.47/\text{hr COLA} \times 8 \text{ hours} = \$3.76/\text{day}$

d. For period 1/1/07 through 5/31/07:

$\$4.96^* \times 21.75 \times 5 = \539.40

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July 1, 2007
#8

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding regarding the Agreement of this date.

If the number of employees represented by the BLET who elect participation in the Railroad Employees National Flexible Benefits Program (the "Program") for calendar year 2009 does not equal or exceed five (5) percent of all employees represented by the BLET eligible to make such election, the Program shall be terminated effective with respect to employees represented by the BLET midnight on December 31, 2009.

It is further understood that the flexible benefits arrangement applicable to the BLET on the BNSF Railway Company is not established under or covered by the Program and therefore will not be affected by this Side Letter.

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July 1, 2007

#9

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding regarding the Agreement of this date.

Where and to the extent that certification allowance payments are currently being made by a carrier covered by this Agreement to its locomotive engineers pursuant to the Award of Arbitration Board No. 564 and agreed-upon national Questions and Answers interpreting that Award, this will confirm that such payments shall continue to be made until changed or modified in accordance with the Railway Labor Act, as amended.

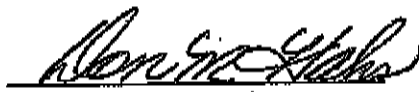
Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,



Robert F. Allen

I agree:



Don M. Hahs

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The Kansas City Southern Railway Company
Kansas City Southern Railway
Gateway Western Railway
Louisiana and Arkansas Railway
MidSouth Rail Corporation
Mid Louisiana Rail Corporation
SouthRail Corporation
Joint Agency
The Texas and Mexican Railway Company
Longview Switching Company
Portland Terminal Railroad Company
Union Pacific Railroad Company
Winston Salem Southbound Railway Company

* * * * *

Notes:

1 - Health & Welfare only

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FOR THE CARRIERS:**FOR THE BROTHERHOOD OF
LOCOMOTIVE ENGINEERS
AND TRAINMEN:**

July 1, 2007
Washington, D.C.