

BEFORE ARBITRATION BOARD NO. 582

In the Matter of Dispute Between

Earle William Hockenberry, Chair

CARRIERS REPRESENTED BY THE
NATIONAL CARRIERS' CONFERENCE
COMMITTEE (NCCC)

And

EMPLOYEES REPRESENTED BY THE
INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS (IBEW)

Representing the NCCC: Benjamin W. Boley, Esquire
Robert F. Allen, Chairman
A. Kenneth Gradia, Vice Chairman

Representing the IBEW: Michael S. Wolly, Esquire
N. Ray Cobb, Director, Railroad Department

Statement of the Dispute:

This Arbitration Board was established pursuant to an August 4, 2004 Arbitration Agreement between the National Carriers' Conference Committee and the International Brotherhood of Electrical Workers to resolve the following dispute between the parties:

Should the agreement disposing of the Section 6 notices of the IBEW served on the carriers on and after November 1, 2000 and the Section 6 notices of the carriers served on the IBEW on or about November 1, 2000 include a provision(s) for employee cost sharing of increases in the cost to the carriers of the collectively bargained health insurance plan, and if so, what should such provision(s) be?¹

¹ The authority of this Board is limited to the question of cost sharing of increases to the health insurance plan. The parties have agreed in their submissions that other parts of the tentative recommended agreement will be included unchanged and imposed by this Board.

The parties opened their Agreement for change on January 1, 2000², and bargained thereafter, reaching a tentative recommended agreement on three occasions; however, such agreement failed IBEW membership ratification in July, 2001, October, 2003, and March, 2004 when the issue was submitted to binding arbitration for resolution.

In accord with the August 4, 2004 Arbitration Agreement, the parties exchanged written submissions on August 25, 2004, reply submissions on September 15, 2004, and were represented by counsel at a hearing before the Board on September 20, 2004 wherein an opportunity was provided to the parties to present evidence and argument in support of their various claims. Pursuant to the Arbitration Agreement, there was no live testimony, cross-examination of witnesses, or post-hearing briefs.

The Organization seeks an arbitrated agreement that provides for no employee contributions, except for the \$8.67 PEPM plan contribution established in the parties' 1996 Agreement, with no further escalation of the rate until the next agreement. In the alternative, the IBEW seeks the original recommended agreement, without any provision for employee contributions for the period July, 2001 through June, 2002; and thereafter only in conjunction with the effective dates of percentage wage increases, that is, \$81.18 PEPM contribution between July, 2002 and June, 2003, \$79.74 PEPM contribution between July, 2003 and June, 2004, \$91.32 PEPM contribution between July, 2004 and June, 2005, with that figure plus the lesser of 50% of the increase in the carriers' payment rate 2005 over 2004 or one-half of the COLA payable at the beginning of each six-month period from July, 2005 through June, 2006. The Organization also proposes the addition of a new side letter stating that no employee's obligation to reimburse the carrier retroactively for health care cost sharing should exceed the amount of retroactive wages he/she is due to receive in a lump sum.

The Carriers seek an employee PEPM contribution for July, 2001 through June, 2002 of \$33.39; for July, 2002 through June, 2003 the amount of \$81.18; for July, 2003 through June, 2004 the amount of \$91.38; for July, 2004 through June, 2005 the amount of \$100.00; and for July, 2005 through June, 2006, \$100.00 plus the lesser of 50% of the increase in the carriers' payment rate 2005 over 2004 or one-half of the COLA payable at the beginning of each six-month period. In addition, the Carriers reject the effort of the IBEW to add a new side letter to the recommended agreement, claiming such an issue is not properly before this Board, has no relationship to the issue before this Board, and no side letter of similar content was before the IBEW membership as part of the tentative recommended agreement for ratification.

Based upon the arguments of the parties and a detailed review of the exhibits offered and precedent cited, it is the decision of this Board that the Carriers' position in the dispute is to be accepted, with the reminder of the Recommended Agreement³

² The Carriers served Section 6 notices first, on November 1, 1999 as to proposed changes in the prior Agreement, and the IBEW served its notices of proposed changes on or about December 15, 1999.

³ Exhibit 3 to the August 4, 2004 Arbitration Agreement.

imposed unchanged except as to an annotation that the Agreement was the result of arbitration.

AWARD

The Employee Contributions PEPM for the Period:

July, 2001 through June, 2002:	\$33.39
July, 2002 through June, 2003:	\$81.18
July, 2003 through June, 2004:	\$91.38
July, 2004 through June, 2005:	\$100.00
July, 2005 through June, 2006:	\$100.00 plus the lesser of 50% of the increase in the carriers' payment rate 2005 over 2004 or one- half of the COLA payable at the beginning of each six-month period.

DATED: October 26, 2004
Great Falls, Virginia

Signed ***E. W. HOCKENBERRY***

EARLE WILLIAM HOCKENBERRY

ARBITRATED AGREEMENT

THIS ARBITRATED AGREEMENT, effective November 5, 2004 pursuant to the Award of Arbitration Board No. 582, by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the International Brotherhood of Electrical Workers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) Hourly Rates -

Add 2-1/2 percent to the existing hourly rates of pay.

(b) Daily Rates -

Add 2-1/2 percent to the existing daily rates of pay.

(c) Weekly Rates -

Add 2-1/2 percent to the existing weekly rates of pay.

(d) Monthly Rates -

Add 2-1/2 percent to the existing monthly rates of pay.

(e) Disposition of Fractions -

Rates of pay resulting from application of paragraphs (a) to (d), inclusive, above which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(f) Application of Wage Increase -

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective July 1, 2002, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased by three-and-one-half (3-1/2) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly, daily, weekly and monthly rates of

pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment

ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier, at its discretion, may offer employees alternative compensation arrangements in lieu of the general wage increases provided in Article I (in whole or part). Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans.

Section 2

(a) The following conditions shall govern implementation of alternative compensation arrangements pursuant to this Article:

(1) Carrier shall notify the appropriate organization representative(s) regarding its proposed alternative compensation arrangement(s). The parties shall meet promptly on such proposal and use their best efforts to reach agreement on implementation;

(2) The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate organization representative(s);

(3) The proposed arrangement(s) must be made available to the smallest employee grouping that can be reasonably administered.

(b) Nothing herein shall be construed to bar the parties from reaching mutual agreement on different terms or conditions pertaining to implementation of this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Article II, Part C of Agreement dated September 16, 1996

On October 1, 2001, twenty-seven (27) cents-per hour of the cost-of-living allowance payable pursuant to Article II, Part C of the Agreement dated September 16, 1996 ("Article II, Part C") shall be rolled in to basic rates of pay. Article II, Part C shall be eliminated effective June 30, 2002. Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

Part B - Cost of Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost of living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as

published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

Measurement Periods

<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(b)(i) Cap. In calculations under paragraph (c), the maximum increase in the CPI that shall be taken into account shall be as follows:

<u>Effective Date of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
July 1, 2005	3% of September 2004 CPI
January 1, 2006	6% of September 2004 CPI, less the increase from September 2004 to March 2005

Effective Dates of Adjustment and Maximum CPI Increases conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(ii) Limitation. In calculations under paragraph (c), only fifty (50) percent of the increase in the CPI in any measurement period shall be considered.

(iii) If the increase in the CPI from the base month of September 2004 to the measurement month of March 2005 exceeds 3% of the September 2004 base index, the measurement period that will be used for determining the cost-of-living adjustment to be effective the following January will be the 12-month period from such base month of September; the increase in the index that will be taken into account will be limited to that portion of the increase that is in excess of 3% of such September base index; and the maximum increase in that portion of the index that may be taken into account will be 6% of such September base index less the 3% mentioned in the preceding clause, to which will be added any residual tenths of points which had been dropped under paragraph (c) below in calculation of the cost-of-living adjustment which shall have become effective July 1, 2005 during such measurement period.

(iv) Any increase in the CPI from the base month of September 2004 to the measurement month of September 2005 in excess of 6% of the September 2004 base index will not be taken into account in the determination of subsequent cost-of-living adjustments.

(v) The procedure specified in subparagraphs (iii) and (iv) will be applicable to all subsequent periods during which this Article is in effect.

(c) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (b), will be converted into cents on the basis of one cent equals 0.3 full points. (By "0.3 full points" it is intended that any remainder of 0.1 point or 0.2 point of change after the

conversion shall not be counted.)

The cost-of-living allowance effective January 1, 2006 shall be the whole number of cents produced by dividing by 0.3 the number of points (including tenths of points) change, as limited by paragraph (b), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division will be dropped. The result of such division will be added to the amount of the cost-of-living allowance in effect on December 31, 2005 if the CPI will have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index will have been lower at the end than at the beginning of the measurement period, but in no event shall basic rates of pay be reduced below the levels in effect on June 30, 2005. If the result of such division requires a subtraction from basic rates of pay in effect on December 31, 2005, the employee cost-sharing contribution amount in effect on that date pursuant to Article IV, Part B, Section 1(e) of this Agreement shall be adjusted effective January 1, 2006 as appropriate to reflect such subtraction. The same procedure will be followed in applying subsequent adjustments.

(d) Continuance of the cost-of-living allowance and the adjustments thereto provided herein is dependent upon the availability of the official monthly BLS Consumer Price Index (CPI-W) calculated on the same basis as such Index, except that, if the Bureau of Labor Statistics, U.S. Department of Labor should, during the effective period of this Article, revise or change the methods or basic data used in calculating such Index in such a way as to affect the direct comparability of such revised or changed index with the CPI-W during a measurement period, then that Bureau shall be requested to furnish a conversion factor designed to adjust the newly revised index to the basis of the CPI-W during such measurement period.

Section 2 - Payment of Cost-of-Living Allowances

(a) The cost-of-living allowance that becomes effective July 1, 2005 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(b) The increase in the cost-of-living allowance effective January 1, 2006 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(c) The increase in the cost-of-living allowance effective July 1, 2006 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(d) The procedure specified in paragraphs (b) and (c) shall be followed with respect to computation of the cost-of-living allowances payable in subsequent years during which this Article is in effect.

Section 3 - Application of Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Part B will be payable as provided in Section 2 of this Part and will be applied as follows:

(a) Hourly Rates - Add the amount of the cost-of-living allowance to the hourly rate of pay produced by application of Article I.

(b) Daily Rates - Determine the equivalent hourly rate by dividing the established daily rate by the number of hours comprehended by the daily rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the daily rate shall be added to the daily rate produced by application of Article I.

(c) Weekly Rates - Determine the equivalent hourly rate by dividing the established weekly rate by the number of hours comprehended by the weekly rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the weekly rate shall be added to the weekly rate produced by application of Article I.

(d) Monthly Rates - Determine the equivalent hourly rate by dividing

the established monthly rate by the number of hours comprehended by the monthly rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the monthly rate shall be added to the monthly rate produced by application of Article I.

(e) Minimum Daily Increases - The increase in rates of pay described in paragraphs (a) through (d), inclusive, shall be not less than eight times the applicable increase per hour for each full time day of eight hours, required to be paid for by the rules agreement. In instances where under the existing rules agreement an employee is worked less than eight hours per day, the increase shall be determined by the number of hours required to be paid for by the rules agreement.

(f) Application of Wage Increases - The increase in wages produced by application of the cost-of-living allowances shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and its employees represented by the Organization signatory hereto. Special allowances not included in said rates and arbitraries representing duplicate time payments will not be increased.

Section 4 - Continuation of Part B

The arrangements set forth in Part B of this Article shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act.

ARTICLE IV - HEALTH AND WELFARE

Part A - Plan Changes

Section 1 - Continuation of Health and Welfare Plan

The Railroad Employees National Health and Welfare Plan ("the Plan"), modified as provided in this Article with respect to employees

represented by the organization and their eligible dependents, will be continued subject to the provisions of the Railway Labor Act.

Section 2 - Plan Benefit Changes

(a) In addition to the Plan's existing coverage for speech therapy, such therapy will be a Covered Health Service under the CHCB and the Plan's Managed Medical Care Program ("MMCP"), when given to children under three years of age as part of a treatment for infantile autism, development delay, cerebral palsy, hearing impairment, or major congenital anomalies that affect speech.

(b) Phenylketonurial blood tests ("PKU") will be a Covered Health Service under the MMCP and the CHCB when given to infants under the age of one in a hospital or on an out-patient basis.

(c) The MMCP will continue to require a co-payment with respect to the first office visit by a participant or beneficiary to her obstetrician or gynecologist for treatment of a pregnancy but will not require a co-payment with respect to any subsequent visit to that obstetrician or gynecologist for treatment of the same pregnancy.

(d) The MMCP will not require a co-payment on behalf of a participant or beneficiary with respect to any visit to a physician's office solely for the administration of an allergy shot.

(e) A Hearing Benefit will be provided. Such arrangement shall provide a Maximum Benefit of \$600.00 annually for each covered person for covered expenses. Covered expenses shall consist of charges for medically necessary tests and examinations to establish whether and to what extent there is a hearing loss and charges for a permanent hearing aid that is medically necessary to restore lost hearing or help impaired hearing. Such Benefit may, at the carriers' option, be administered through the Plan or as a separate arrangement administered by the National Carriers' Conference Committee, and will include standard limitations, conditions and exclusions.

(f) The Plan life insurance benefit for active employees shall be increased to \$20,000, and the Plan's maximum accidental death and dismemberment benefit for active employees shall be increased to \$16,000.

(g) All of the benefits as changed herein will be subject to the Plan's generally applicable limitations, conditions, and exclusions. Existing Plan provisions not specifically amended by this Section shall continue in effect without change.

(h) Each of the changes contained in this Section shall be implemented as soon as practicable.

Section 3 - Vision Care

The benefits provided under the Vision Care Plan shall be changed from the Select to the Standard arrangement as soon as practicable.

Section 4 - Plan Design Changes To Contain Costs

(a) The parties will promptly solicit bids from interested companies to provide those services to the Plan involving the Managed Medical Care Program ("MMCP") that are currently provided by Aetna U.S. Healthcare. The parties will evaluate the bids received and the capabilities of the companies making those bids and will accept such of them (or enter into negotiations with the bidding company or companies) as the parties deem appropriate.

(b) The parties will promptly research the existence, costs, benefits and services provided, outcomes and other relevant statistics of regional health maintenance organizations, and shall make participation in such of those organizations as the parties deem appropriate available as an option to individuals covered by the Plan.

(c) With respect to geographic areas where the Plan's MMCP is not

currently available but where companies capable of administering the MMCP provide such services, the parties will solicit proposals from such companies to administer the MMCP, and will evaluate the proposals they receive and accept such of them (or enter into negotiations with the proposing company or companies) as the parties deem appropriate.

(d) The parties will solicit proposals from pharmacy benefit managers who specialize in filling prescriptions for injectable medications and will accept one or more of such proposals (or enter into negotiations with the proposing company or companies) as the parties deem appropriate.

(e) With respect to Plan participants and their beneficiaries who live in an area where they may choose between CHCB and MMCP coverage, such Plan's participants and their beneficiaries shall no longer have a choice but shall be enrolled in the MMCP.

(f) The Individual and Family Out-of-Network Deductibles under the Plan's MMCP will be increased to \$200 and \$600, respectively.

(g) During a prescribed election period preceding the first day of the fourth full calendar month following the date of this Agreement and preceding each January 1 thereafter, employees may certify to the Plan or its designee in writing that they have health care coverage (which includes medical, prescription drug, and mental health/substance abuse benefits) under another group health plan or health insurance policy that they identify by name and, where applicable, by group number, and for that reason they elect to forego coverage for foreign-to-occupation health benefits for themselves and their dependents under the Plan and under any Hospital Association plan in which they participate. Such election is hereafter referred to as an "Opt-Out Election" and, where exercised, will eliminate an employer's obligation to make a contribution to the Plan and/or dues offset payment to a Hospital Association for foreign-to-occupation health benefits for the employee and his dependents.

Each employee who makes an Opt-Out Election will be paid by his

employer \$100 for each month that his employer is required to make a contribution to the Plan on his behalf for life insurance and accidental death and dismemberment benefits as a result of compensated service rendered, or vacation pay received, by the employee during the prior month; provided, however, that the employee's Opt-Out Election is in effect for the entire month.

If an event described below in the final paragraph of this subsection (g) occurs subsequent to an employee's Opt-Out Election, the employee may, upon providing the Plan or its designee with proof satisfactory to it of the occurrence of such event, revoke his or her Opt-Out Election. An employee may also revoke his or her Opt-Out Election by providing the Plan or its designee with proof satisfactory to it that, after the employee made the Opt-Out Election, a person became a dependent of the employee through a marriage, birth, or adoption or placement for adoption. An employee who revokes an Opt-Out Election will, along with his or her dependents, be once again covered (effective the first day of the first month following such revocation that the employee and/or his dependents would have been covered but for the Opt-Out Election the employee had previously made) for foreign-to-occupation health benefits under the Plan or, in the case of an employee who is a member of a Hospital Association, by the Plan (for dependent coverage) and by the Hospital Association (for employee coverage). See Side Letter No. 7.

The following events are the events referred to in the immediately preceding paragraph:

- (i) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (ii) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.
- (h) The Plan's Prescription Drug Card Program co-payments per

prescription are revised as follows: (i) Generic Drug - \$5.00; (ii) Brand Name Drug - \$10.00. The Plan's Mail Order Prescription Drug Program co-payment per prescription is revised as follows: (i) Generic Drug - \$10.00; (ii) Brand Name Drug - \$15.00.

(i) The parties shall establish a new benefit package denominated as the Basic Health Care Benefit ("BHCB") that will be administered by one or more vendors. Participation in that arrangement shall be made available as an option to individuals covered by the Plan. The plan design for the BHCB shall be as provided in Attachment A hereto.

(j) Blue Cross Blue Shield programs selected by the parties will be made available for selection by employees choosing coverage under the MMCP in all areas where the MMCP is made available under the Plan and throughout the United States for selection by employees choosing coverage under the CHCB.

(k) Each of the Plan design changes contained in this Section shall be implemented as soon as practicable except as otherwise provided.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

(c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$91.38.

(d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be increased by the lesser of (x) thirty (30) percent of the increase, if any, in the carriers' 2004 monthly payment rate over such payment rate for 2003, and (y) \$8.62.

(e) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (d) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.

(f) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (e) of this Section exceeds the product described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(g) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect on June 30, 2006 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (f) of this Section exceeds the product described in part (y) of such subsection (f), and (y) one-half of the cost-of-living allowance effective July 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(h) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers'

2007 monthly payment rate over such payment rate for 2006, plus (ii) the amount (if any) by which the number described in part (x) of subsection (g) of this Section exceeds the product described in part (y) of such subsection (g), and (y) one-half of the cost-of-living allowance effective January 1, 2007 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2005.

(i) The pattern specified in subsections (g), and (h) above shall be followed with respect to computation of adjustments to the amount of the employee cost sharing contribution in subsequent periods during which this Part is in effect.

(j) The carriers' payment rate for any year shall mean twelve times the sum of what the carriers' payments to the Plan would have been, in the absence of any employee contributions to the Plan, for foreign-to-occupation health benefits under the Plan per month (in such year) per employee. The carriers' monthly payment rate for any year shall mean the carriers' payment rate for that year divided by 12. An "employee" for these purposes is any employee who either (i) is fully covered for employee benefits under the Plan or (ii) has elected to opt-out of foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which he participates. Carrier payments to the Plan for these purposes (x) shall include amounts paid pursuant to Section 3(f) of Part A of this Article III to employees who elected to opt-out of foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which they participate, but (y) shall not include the amounts per such employee per month (in such year) taken from the Special Account, or from any other special account, fund or trust maintained in connection with the Plan, to pay or provide for current Plan benefits, or any amounts paid by remaining carriers to make up the unpaid contributions of terminating carriers pursuant to Article III, Part A, Section 1 of the November 1, 1991 National Agreement between the organization signatory hereto and the carriers represented by the National Carriers' Conference Committee.

(k) For the purpose of this Section, the ASTE Hours to be used shall be

based on all such hours for individuals who are employed by Class One carriers that are participating in national bargaining in the round of negotiations that commenced January 1, 2000 and are working in crafts and classes represented by the International Brotherhood of Electrical Workers.

(l) If the per month employee cost-sharing contribution amount ("cost-sharing amount") is increased for the period July 2005 through December 2005 or any subsequent periods and if a lower payment rate is established for the calendar year that immediately follows, then the cost-sharing amount shall be adjusted as appropriate to reflect such decreased benefit costs. Such adjustment shall be made effective January 1 of the calendar year for which such payment rate decrease is applicable and in no event shall take into account any portion of a payment rate below the payment rate level established for calendar year 2004. The cost-sharing amount shall also be subject to adjustment as provided in Article III, Part B, Section 1(c) of this Agreement.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be on a pre-tax basis, and in that connection a Section 125 cafeteria plan will be established pursuant to this Agreement.

Section 3 - Retroactive Contributions

Retroactive employee cost-sharing contributions payable for the period on and after July 1, 2001 shall be offset against any retroactive wage payments provided to the employee under Article I, Sections 1, 2, 3 and 4 of this Agreement.

Section 4 - Prospective Contributions

For months subsequent to the retroactive period covered by Section 3, at the employer's election, employee cost-sharing contributions may be made for the employee by the employee's employer. If that election is exercised,

the employer shall then deduct the amount of such employee contributions from the employee's wages and retain the amounts so deducted as reimbursement for the employee contributions that the employer had made for the employee.

ARTICLE V - SUPPLEMENTAL SICKNESS

The March 29, 1979 Supplemental Sickness Benefit Agreement, as amended by Article VI of the September 16, 1996 National Agreement (Sickness Agreement), shall be further amended as provided in this Article.

Section 1 - Adjustment of Plan Benefits

(a) The benefits provided under the Plan established pursuant to the Sickness Agreement shall be adjusted as provided in paragraph (b) so as to restore the same ratio of benefits to rates of pay as existed on December 31, 1999 under the terms of that Agreement.

(b) Section 4 of the Sickness Agreement shall be revised as follows:

	<u>Per Hour</u>	<u>Per Month</u>
Class I Employees Earning (as of 12/31/99)	\$17.77 or more	\$3,092 or more
Class II Employees Earning (as of 12/31/99)	\$14.53 or more but less than \$17.77	\$2,528 or more but less than \$3,092
Class III Employees Earning (as of 12/31/99)	Less than \$14.53	Less than \$2,528

Basic and Maximum Benefit Amount Per Month

<u>Classification</u>	<u>Basic</u>	<u>RUIA</u>	<u>Maximum</u>
Class I	\$1,101.50	\$1,000.50	\$2,102
Class II	\$ 875.50	\$1,000.50	\$1,876
Class III	\$ 679.50	\$1,000.50	\$1,680

Combined Benefit Limit

<u>Classification</u>	<u>Maximum Monthly Amount</u>
Class I	\$2,255
Class II	\$2,009
Class III	\$1,801

Section 2 - Further Adjustment of Plan Benefits

Effective December 31, 2004, the benefits provided under the Plan shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on the effective date of this Article.

ARTICLE VI - OFF-TRACK VEHICLE ACCIDENT BENEFITS

Article IV of the October 7, 1971 RED National Agreement, as amended by Article VII of the December 6, 1978 RED National Agreement, is further amended as follows effective the first day of the calendar month immediately following the date of this Agreement.

Section 1

Paragraph(b)(1) - Accidental Death or Dismemberment of the above-referenced Agreement provisions is amended to read as follows:

"(1) Accidental Death or Dismemberment

The carrier will provide for loss of life or dismemberment occurring within 120 days after date of an accident covered in paragraph (a):

Loss of Life	\$300,000
Loss of Both Hands	\$300,000
Loss of Both Feet	\$300,000
Loss of Sight of Both Eyes	\$300,000
Loss of One Hand and One Foot	\$300,000
Loss of One Hand and Sight of One Eye	\$300,000
Loss of One Foot and Sight of One Eye	\$300,000
Loss of One Hand or One Foot or Sight of One Eye	\$150,000

"Loss" shall mean, with regard to hands and feet, dismemberment by severance through or above wrist or ankle joints; with regard to eyes, entire and irrecoverable loss of sight.

No more than \$300,000 will be paid under this paragraph to any one employee or his personal representative as a result of any one accident."

Section 2

Paragraph (b)(3) - Time Loss of the above-referenced Agreement provisions is amended to read as follows:

“(3) Time Loss

The carrier will provide an employee who is injured as a result of an accident covered under paragraph (a) commencing within 30 days after such accident 80% of the employee's basic full-time weekly compensation from the carrier for time actually lost, subject to a maximum payment of \$1,000.00 per week for time lost during a period of 156 continuous weeks following such accident provided, however, that such weekly payment shall be reduced by such amounts as the employee is entitled to receive as sickness benefits under provisions of the Railroad Unemployment Insurance Act.”

Section 3

Paragraph(b)(4) - Aggregate Limit of the above-referenced Agreement provisions is amended by raising such limit to \$10,000,000.

ARTICLE VII - GENERAL PROVISIONS

Section 1 - Court Approval

This Agreement is subject to approval of the courts with respect to participating carriers in the hands of receivers or trustees.

Section 2 - Effect of this Agreement

(a) The purpose of this Agreement is to fix the general level of compensation during the period of the Agreement, and to settle the disputes growing out of the notices dated November 1, 1999 and served upon the organization signatory hereto by the carriers listed in Exhibit A on that date, and notices dated on or subsequent to November 1, 1999, served by the organization upon such carriers. 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, 2004 and thereafter until changed or modified

in accordance with the provisions of the Railway Labor Act, as amended.

(b) No party to this Agreement shall serve, prior to November 1, 2004 (not to become effective before January 1, 2005), any notice or proposal for the purpose of changing the subject matter of the provisions of this Agreement or which proposes matters covered by the proposals of the parties cited in paragraph (a) of this Section, and any proposals in pending notices relating to such subject matters are hereby withdrawn.

(c) No party to this Agreement shall serve or progress, prior to November 1, 2004 (not to become effective before January 1, 2005), any notice or proposal.

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

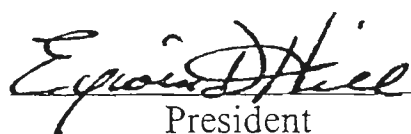
SIGNED AT WASHINGTON, D.C., THIS 5 DAY OF NOVEMBER, 2004.

FOR THE PARTICIPATING
CARRIERS LISTED IN
EXHIBIT A REPRESENTED
BY THE NATIONAL CARRIERS'
CONFERENCE COMMITTEE:



Chairman

FOR THE EMPLOYEES
REPRESENTED BY THE
INTERNATIONAL BROTHER-
HOOD OF ELECTRICAL
WORKERS:



President

November 5, 2004

#1

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 1, 2, 3 and 4 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,

A handwritten signature in black ink, appearing to read "R. F. Allen", written in a cursive style.

Robert F. Allen

November 5, 2004
#2

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036


Dear Mr. Hill:

This refers to the increase in wages provided for in Sections 1, 2, 3 and 4 of Article I of the Agreement of this date.

It is understood that (i) the retroactive portion of those wage increases shall be applied only to employees who have an employment relationship with a carrier on the date of this Agreement or who retired or died subsequent to June 30, 2002, and (ii) for the purposes of computing retroactive pay, the First General Wage Increase provided for in Section 1 shall be deemed to become effective at midnight on June 30, 2002.

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

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004
#3

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036
Dear Mr. Hill:

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

For the purpose of computation and application of the employee cost-sharing provisions contained in Article IV, Part B of the Agreement, for the period July 2004 through June 2005 and all subsequent periods, the payment rate used shall (i) be based on the costs of the Plan with respect to the employees covered by this Agreement (and employees who are (a) entitled to the same benefits (at the same levels), and (b) subject to the Plan design changes set forth in Article IV of this Agreement), and (ii) be established for a calendar year on or before December 31 of the immediately preceding year and may be changed during such calendar year only if additional contributions are needed to fund Plan benefits and expenses with respect to IBEW-represented employees that must be paid during such year.

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

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004
#4

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

This confirms our understanding regarding the Agreement of this date.

Beginning with the first full calendar month immediately following the date of this Agreement in which an active employee receives his or her FO healthcare benefits from a Hospital Association and not from the National Health & Welfare Plan and makes a prospective Plan contribution pursuant to Article IV, Part B, Section 4, then, at the carrier's option, either:

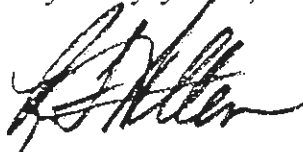
- (1) Such employee's monthly "cost-sharing contribution amount" referred to in Article IV, Part B Section 1 shall be reduced by the Reduction Factor; or
- (2) The carrier shall pay the Hospital Association each month an amount equal to the Reduction Factor, provided that the Hospital Association that receives such payment has agreed to decrease the employee's dues by the same amount.

For purposes of this Side Letter, the term "Reduction Factor" means with respect to any given month, the smallest of:

- (i) the monthly dues amount in effect on January 1, 2003 that was established by the Hospital Association for payment by an active employee,
- (ii) the “cost-sharing contribution amount” for the month referred to in Article IV, Part B, Section 1, or
- (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:



Edwin D. Hill

November 5, 2004
#5

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

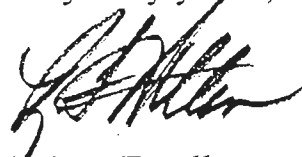
Dear Mr. Hill:

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

The provisions of Article IV, Part A, Section 4(g) (Opt-Outs) and Part B (Employee Cost Sharing of Plan Cost Increases) 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.

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004
#6

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

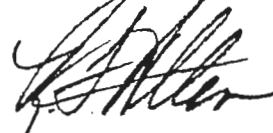
Article IV, Part A, Section 4(g) of the Agreement of this date (Agreement) provides employees with an option to opt out of coverage for foreign-to-occupation health benefits for themselves and their dependents under the Plan and under any Hospital Association plan in which they participate. This will confirm our understanding with respect to the intended application of that provision.

1. An employee who opts out will be opting out of FO health coverage only and (if he otherwise satisfies eligibility and coverage requirements) will continue to have on-duty injury coverage, coverage under the Dental and Vision Plans, and life and AD&D insurance coverage.

2. If a husband and wife are each covered by the Plan (or the NRC/UTU Plan or a Hospital Association) by virtue of railroad employment and either or both hold positions covered by this Agreement, an IBEW-represented spouse may elect to opt out as provided in Section 4(g). If that election is made (and provided the other spouse remains so covered), (i) such IBEW-represented spouse shall not receive the \$100/month payment provided in Section 4(g) and shall not be required to make the employee cost-sharing contributions required under Article IV, Part B, and (ii) the Plan's coordination of benefits rules in effect on the date of this Agreement that are applied when a husband and wife are covered under the Plan both as an Eligible Employee and as an Eligible Dependent shall continue to be applicable.

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

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004

#7

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

This confirms our understanding with respect to the opt-out provision, Article IV, Part A, Section 4(g) of our Agreement of this date.

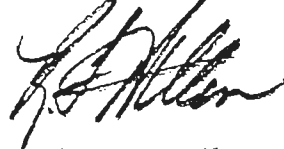
It is understood that for purposes of Section 9801(f) of the Internal Revenue Code, (i) any opt-out election shall be treated as a declination of coverage, or a failure to enroll, for foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which the employee making the election may participate, (ii) that the provisions of Section 9801(f) and the regulations thereunder shall govern how any individual covered by an election to opt-out may nonetheless become covered for foreign-to-occupation health benefits under the Plan or any Hospital Association plan prior to the next regular opt-out election period, (iii) that the terms of Article IV, Part A, Section 4(g) of our Agreement shall be interpreted and applied so as to be in compliance with Section 9801(f), and (iv) that the employer's payment of \$100 per month to an employee who has elected to opt-out shall cease immediately upon the employee and/or his dependents or any one of his dependents becoming covered, pursuant to Section 9801(f), for foreign-to-occupation health benefits under the Plan or any Hospital Association plan.

Furthermore, and notwithstanding the above, the parties recognize that an employee may lose coverage under the health plan or health insurance policy that he or she relied upon in electing to forego coverage for foreign-to-occupation health benefits under the Plan, and that such loss of coverage may

be attributable to an event that is not listed in Section 9801(f) of the Internal Revenue Code and is beyond the control of the employee or of any member of his or her family. In such a case, and only to the extent permissible under Section 125 of the Internal Revenue Code: (a) the employee may ask his/her employer that his or her opt-out election be revoked; (b) the employer involved may in its discretion grant the request in the interest of fairness and equity; and (c) if the request is granted, the employee's opt-out election shall be treated as revoked as of the day the employer received the request.

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

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004
#8

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

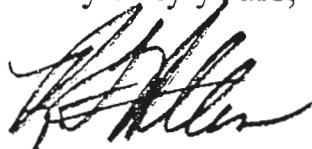
Dear Mr. Hill:

This confirms our understanding regarding Article IV, Part B of the Agreement of this date.

1. If the initial deduction from an employee's wages for his monthly cost-sharing contribution pursuant to Article IV, Part B, Section 4 is scheduled to be made at the same time as the payroll deduction for the employee's union dues, the union dues deduction may be made on a subsequent date mutually agreeable to the parties.
2. Each carrier shall examine the feasibility of including in the standard payroll documents provided to its employees information concerning the cost of the Plan and the employee's cost sharing contributions. The results of that examination will be shared with the authorized organization representative and, if feasible, the parties shall use their best efforts to implement such arrangements.

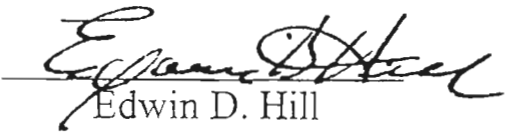
Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'R. F. Allen'.

Robert F. Allen

I agree:

A handwritten signature in cursive script, appearing to read 'Edwin D. Hill'.

Edwin D. Hill

November 5, 2004
#9

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

This refers to the IBEW's letter dated June 1, 2001 expressing concern about the efforts of one organization to claim work that falls under the jurisdiction of the IBEW.

Please be advised that it is not the intention of the carriers to negotiate agreements during this round of national bargaining that would assign work within the jurisdiction of IBEW to any other organization.

I trust that this satisfies the concern expressed in your letter.

Very truly yours,



Robert F. Allen

November 5, 2004
#10

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

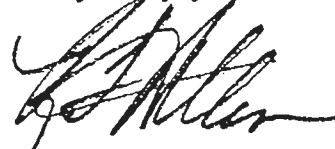
Dear Mr. Hill:

During the negotiations leading to our National Agreement of this date, the organization sought an opportunity to pursue peaceful discussions locally during the term of this Agreement with respect to arrangements under which covered employees would be allowed to take a portion of their vacation in single day increments. This will confirm our understanding with respect to this matter.

At the request of the organization's designated representative(s), carrier officials shall meet at such times and locations as mutually agreed to discuss appropriate arrangements under which single day vacations would be authorized. It is expressly understood that existing rules, if any, pertaining to single day vacations shall be preserved except as otherwise altered by mutual agreement of the parties pursuant to the discussions contemplated by this Letter.

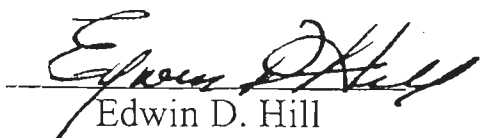
Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

November 5, 2004
#11

Mr. Edwin D. Hill
President
International Brotherhood of
Electrical Workers
1125 Fifteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Hill:

This refers to our discussions in connection with our National Agreement of this date and will confirm our understanding regarding the issue of subcontracting.

Pursuant to your request, the National Carriers' Conference Committee will meet with your designated representative(s) on an on-going basis for the purpose of finding new ways to enhance opportunities for performing electrician's work within the rail industry in lieu of subcontracting such work to non-railroad vendors and/or suppliers.

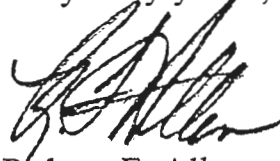
The carriers signatory to this Agreement recognize that as a result of various internal and external developments affecting the rail industry, it makes sense to review current subcontracting practices and policies and to work with their employees in discussing new and mutually satisfactory approaches to this issue.

Conferences to begin such discussions will commence no later than ninety (90) days after the date of this Agreement. Such meetings will be held no less than once every three (3) months thereafter unless otherwise agreed.

This letter is not intended to create any new rights with respect to the employees represented by the organization or to restrict any of the existing rights of a carrier.

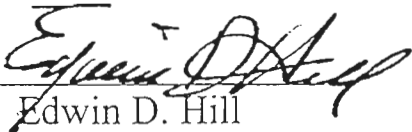
If this reflects our understanding, please indicate your concurrence in the space provided below.

Very truly yours,



Robert F. Allen

I agree:



Edwin D. Hill

EXHIBIT A
(IBEW)

RAILROADS REPRESENTED BY THE NATIONAL CARRIERS' CONFERENCE COMMITTEE IN CONNECTION WITH NOTICES DATED NOVEMBER 1, 1999 OF DESIRE TO REVISE AND SUPPLEMENT EXISTING AGREEMENTS IN ACCORDANCE THEREWITH, SERVED BY AND ON BEHALF OF SUCH CARRIERS UPON THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, AND NOTICES DATED ON OR SUBSEQUENT TO NOVEMBER 1, 1999 AND SERVED ON SUCH CARRIERS BY THE GENERAL CHAIRMEN, OR OTHER RECOGNIZED REPRESENTATIVES, OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS FOR CONCURRENT HANDLING THEREWITH.

Subject to indicated footnotes, this authorization is co-extensive with notices filed and with provisions of current schedule agreements applicable to employees represented by the International Brotherhood of Electrical Workers.

The Belt Railway Company of Chicago - 2
 Bessemer and Lake Erie Railroad - 1
 The Burlington Northern and Santa Fe Railway Company
 Consolidated Rail Corporation
 CSX Transportation, Inc.
 Elgin, Joliet and Eastern Railway Company - 3
 Indiana Harbor Belt Railroad Company
 The Kansas City Southern Railway Company
 Lake Superior & Ishpeming Railroad Company - 4
 Norfolk Southern Railway Company
 The Alabama Great Southern Railroad Company
 Atlantic & East Carolina Railway Company
 Central of Georgia Railroad Company
 The Cincinnati, New Orleans & Texas Pac. Ry. Co.
 Georgia Southern and Florida Railway Company
 Interstate Railroad Company
 Tennessee, Alabama and Georgia Railway Company
 Tennessee Railway Company

Northeast Illinois Regional Commuter RR Corp (METRA) - 2
Northern Indiana Commuter Transportation District - 2
Peoria and Pekin Union Railway Company
Terminal Railroad Association of St. Louis
The Texas Mexican Railway Company
Union Pacific Railroad

* * * * *

NOTES:

- 1 - Wages and Rules only
- 2 - Health and Welfare and Supplemental Sickness only
- 3 - Wages and Rules and Health and Welfare only
- 4 - Wages and Rules and Supplemental Sickness only

FOR THE CARRIERS:



A handwritten signature in black ink, appearing to be 'R. Allen', written over a horizontal line.

FOR THE INTERNATIONAL
BROTHERHOOD OF ELEC-
TRICAL WORKERS:



A handwritten signature in black ink, appearing to be 'Eugene D. Hall', written over a horizontal line.

November 5, 2004
Washington, D.C.