


 The logo for UTU News features the letters 'UTU' in a stylized, bold font. The 'U' on the left is blue, the 'T' in the middle is red, and the 'U' on the right is blue. To the right of 'UTU' is the word 'News' in a large, black, serif font.

The Official Publication of the United Transportation Union

SPECIAL EDITION

Looking ahead: Where we go from here

We have a few things to talk about.



Charles L. Little
International President

At the beginning of this new century, we said it would be a very active year for the United Transportation Union. If you have been following the news, then you know what I'm talking about. Some have told me that they cannot remember more positive things being done in a shorter period of time in the last 20 years. You be the judge.

So, we thought we'd take this special opportunity to bring you up-to-date on a number of major issues the UTU has tackled. There are several major developments that deserve special attention, and that's what this Special Edition of the *UTU News* is all about.

Before I'm done, you'll hear about the status of the Operating Unity Initiative, major improvements to Railroad Retirement System, our historic agreement to end "cramdown," an update on National Contract negotiations, a note on contract talks in Los Angeles with the Metropolitan Transportation Authority, and a word on the success of the UTU's new national healthcare program.

Unification Initiative

Some things seem to get "curiouser" and "curiouser."

As many of you may have heard, on February 29 a special labor panel appointed by the National Mediation Board (NMB) dismissed the UTU's application to hold a representation election on the Union Pacific Railroad.

Then on March 1, barely 24 hours after the UP decision, the three-member Board itself sided with the UTU and dismissed a Brotherhood of Locomotive Engineers' (BLE) petition seeking a representation election on the TexMex Railroad in direct contradiction to what the Panel ruled the previous day on the UP. What made this significant is that many rail labor experts said that the representation disputes on both the UP and TexMex were factually and legally identical.

So, on March 2 we filed a petition with the NMB asking the Board to reconsider our application to hold a representation election on the Union Pacific Railroad. In doing so, we pointed out how the labor panel's decision contained "material errors of law and fact" and that the panel did not apply the Board's standards in making its determination, but invented its own.

As Yogi Berra said, "It ain't over till it's over." And by no means is our representation dispute with the BLE over on the UP – or anywhere else. The overwhelming support of the UTU's membership on this issue remains extremely strong, and we are committed to press on.

It is very clear to us that since the Board itself ruled in the UTU's favor on the TexMex dispute, and since the TexMex and UP disputes are "factually and legally identical," that the right thing for the Board to do is to make its own decision and order an election on the UP. That is

what we have asked it to do.

That's where things stand as this Special Edition goes to press. But let me reassure everyone that we will continue to press – and press hard – for unification of the historical operating crafts. The BLE should not take comfort in the labor panel's ruling, because we are accelerating our efforts.

Railroad Retirement

The UTU is part of a powerful coalition with 11 unions that will push legislation in the U.S. Congress this year to create the first major improvement in 25 years of the Railroad Retirement System. In the middle of this Special Edition, you will find all of the details of that agreement as well as the signatures of those forward-thinking union leaders who understand we have the unique opportunity for something very special.

We will need your help when the time is right to help pass this legislation that will lower the retirement age from 62 years old to 60 with 30 years of service and help the surviving spouses of deceased railroaders. This legislation has something for everyone, including younger workers who will need only five years to be vested in the system, and health benefits that will cover workers at the lower retirement age. The agreement also says that there can be future improvements if the funds are there, and among those improvements is the possibility to reduce the retirement age even more. But that will not happen this time, because the carriers will not agree to that condition, and it takes an agreement by the carriers *and* unions to pass legislation in Congress.

Now for some straight talk on this deal. Two signatures that are notably absent are the presidents' of the Brotherhoods of Locomotive Engineers and Maintenance of Way Employees. They are standing on the outside throwing rocks and dreaming that there is some magical way that they can force the railroads to agree to a 55/30 retirement age. That will not happen. If it could, all 11 unions would gladly agree to it and hail the two unions as heroes.

Sadly, however, it will be BLE and BMWWE members who will suffer because of their leaders' ill-conceived political posturing. If the BLE and BMWWE continue to stand on the outside throwing stones and not agree to be signatories to this deal, which is what their leaders are saying, it will only hurt their members, who will be shut out from having early medical benefits if they retire at age 60. Even the American Train Dispatchers Division of the BLE knows the folly of its sister union's ways and has joined this coalition. We believe that Congress will embrace it – even without the participation of the BLE and BMWWE.

The end of cramdown

With all of the talk about more mega-mergers among North American railroads in the wake of the Canadian National-Burlington Northern Santa Fe merger announcement, the agreement the UTU reached in mid-February with the National Carriers' Conference Committee (NCCC) to end cramdown has been hailed by many as truly "historic."

When a cramdown deal fell apart in December between the Association of American Railroads and the AFL-CIO, we were determined to step forward and protect UTU members. At the same time, it was our hope to create a framework – or prototype – that other unions could use to protect themselves. This agreement can be adapted to the specific concerns of different historical crafts, and is now being studied by other unions.

This deal is special because it gives the union the right to pick which contract applies. What that means is the carrier can no longer choose the contract that puts more money in its pocket and takes it out of the pockets of UTU members. No longer will you be at the mercy of inferior contracts. Another interesting twist is that you will be protected if your union fails to select an agreement within a certain time frame. If that happens, an impartial arbitrator will pick the agreement most beneficial to employees with regard to rates of pay, rules, working conditions, and crew consist agreements.

Even before this becomes law, and we will be asking Congress to act on cramdown in the form of a statute, all of the American railroads belonging to the NCCC – Union Pacific, BNSF, CSX, Norfolk Southern, Kansas City Southern – have agreed to be bound by its terms. That means we are protected beginning now.

National contract talks

The Section 6 notices have been out for several months, and we have had some preliminary meetings with the carriers on the next national contract. It is still early in the process, but what is different this time is that the nation's economy is strong and American rail labor has been acknowledged as the most productive in the world. Since 1980, the railroads have tripled productivity by increasing ton-miles by more than 50%, and the industry's overall rate of return on investment has increased dramatically.

Our primary mission in this round of talks is to eliminate the entry rate and dual basis of pay system that has plagued all employees hired since 1985. In a nutshell, wage and benefit equity and parity between pre- and post-1985 employees must be accomplished this time.

We want to make sure that as the most productive railroad workers in the world – and that's according to the World Bank – you are compensated accordingly. We are working to secure for you nothing less than your fair share of the pie – no matter when you were hired.

As more develops during this round of negotiations, we will keep you updated in the *UTU*

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Your cooperation needed to secure improved Railroad Retirement

Dear Brothers and Sisters:

We need your help. For the first time in 25 years, a real opportunity exists to greatly improve benefits paid by the Railroad Retirement System – but we need your active support to make it happen.



As you know, a strong coalition of 11 labor unions, including the UTU, recently reached a historic agreement with the railroads represented by the National Carriers' Conference Committee to vastly improve your Railroad Retirement System. Printed on this page is the complete description of that historic agreement, which has been signed by the chief executive officers of the members of the coalition.

Legislation that will make these improvements a reality will soon be introduced in Congress. To consider and pass such legislation, our lawmakers ask only that labor and management agree to the changes – and we've finally passed that hurdle – and they need to know that those served by the Railroad Retirement System see the need for a change. That's why your phone calls and letters in the days to come are so important to this effort.

When bill numbers are assigned and the legislation is ready for Congressional action, we will need your help and that of the entire membership, active and retired, to secure its passage and to ensure that the BLE and the BMWE do not jeopardize adoption of these important improvements to your pension system.

For your sake, and for the sake of those who will follow you into retirement, let your U.S. senators and representatives in Congress know we're ready for these changes now.

Fraternally yours,

Charles L. Little
Charles L. Little
UTU International President

A coalition of unions representing rail workers have reached a historic agreement with the national rail carriers to seek major legislative and contractual improvements to the Railroad Retirement System.

The rail labor coalition that reached this agreement with the carriers is comprised of the following unions: American Train Dispatchers Department-BLE, Brotherhood of Railroad Signalmen, International Association of Machinists, International Brotherhood of Boilermakers, International Brotherhood of Electrical Workers, Hotel Employees & Restaurant Employees International Union, National Conference of Firemen and Oilers-Service Employees International Union, Sheet Metal Workers' International Association, Transport Workers Union, Transportation Communications International Union and the United Transportation Union.

The agreement must now be drafted into legislation, and then passed by Congress. These changes, if enacted, would be the first major benefit improvements to our Railroad Retirement System in more than 25 years.

The improvements are made possible because the agreement calls for changing the current law that limits the investment of Railroad Retirement trust fund assets. Under the agreement, a newly established investment board would be permitted to invest trust fund assets like other large pension plans. According to both sides' actuaries, this should increase future returns. Employees will receive the improvements immediately upon the passage of enabling legislation, and the employers will receive an equivalent phased-in decrease in their Tier II tax rate.

The starting point of negotiations was that nothing could be done to jeopardize the solvency of what already is an excellent retirement system. Doing that meant making sure the Railroad Retirement Board signed off on the numbers, and they have. Just as important, the legislation will require the carriers, and only the carriers, to absorb any future tax increases that might be necessary to protect

Improvements at a glance

- **Unreduced retirement benefits at age 60 with 30 years of service;**
- **Retiree health insurance plan at age 60, with increases in lifetime benefit maximum indexed to medical inflation rate;**
- **Expansion of surviving spouse benefits;**
- **Carriers to ensure future solvency of fund by absorbing any necessary future tax increases;**
- **Repeal of Railroad Retirement caps on benefits for long-term employees; and**
- **Five-year vesting**

large separation payments, because they faced the prospect of having to buy their own health insurance for five years. From the beginning, our coalition made it clear to the carriers that any reduction in retirement age had to be accompanied by insurance coverage to make it worthwhile. We wanted a reduced retirement age that people can take advantage of, and we got it. Tying increases in the lifetime maximum to medical inflation will provide an element of protection to anyone who retires before the age of 65.

These health insurance improvements are the only part of the agreement that does not require amendments to the Railroad Retirement Act and all the rail carriers in GA-46000 have agreed to them. A committee of labor and management is charged with ensuring that rail carriers outside GA-46000 will agree to equivalent changes. We will seek to exclude from the legislation the Tier II tax reductions from any rail carrier that doesn't agree to these changes.

Today, if employees working for one of the national carriers retire at age 60, they are ineligible for GA-46000 coverage. That means they must purchase an individual plan or be without health coverage until age 65, when Medicare kicks in. Employees must be 61 and have 30 years of service before they are eligible for GA-46000 and eligible employees and dependents are subject to an individual lifetime benefit maximum of \$75,000.

GA-46000 was negotiated more than 20 years ago, and this is rail labor's first success in negotiating coverage at a younger age, as well as increasing the lifetime maximum.

Expansion of Surviving Spouse Benefits

The proposed change calls for the widow(er)'s annuity to be guaranteed to be an amount no less than the amount of the annuity the retiree was receiving in the month before death. Hence, an eligible widow(er) will receive the greater of the annuities the widow(er) would have otherwise received under the existing formula or the guaranteed amount. In a major improvement over House Resolution 52 introduced in Congress last year, the guarantee will apply to all eligible widow(er)s effective upon enactment, not just spouses who become widowed after the date of enactment.

This was a must-have part of any agreement, as the current system is inadequate. Retirees should rightly have the expectation that their spouses can live their retirement and not suffer financial devastation when the retiree dies. This improvement fixes what has been a long-standing inequity.

Under current Railroad Retirement and Social Security law, a widow(er) under Social Security or Tier I of Railroad Retirement is eligible for the full amount of the retirement benefit previously paid the deceased employee. In contrast, a widow(er) of the deceased railroad employee is eligible for only 50% of the employee's Tier II benefit.

Consequently, the widow(er) of a retired railroad employee suffers a proportionately greater reduction in family benefit income after the retiree's death than a widow(er) covered under Social Security.

Carriers to Ensure Future Solvency of Fund by Absorbing Any Necessary Future Tax Increases

Under the agreement, the carriers will be required to automatically absorb any future tax increases necessary to keep the Railroad Retirement System solvent. In the past, cash flow crises in the Railroad Retirement System led to employees paying higher Tier II taxes and/or cutbacks in benefits and eligibility. Under the agreement this would never happen again.

Based on current projections, the Railroad Retirement System is secure for as long as anyone can project. But projections can prove wrong. Should there be any unforeseen crises, employees and retirees alike will now be able to rest assured that they will not suffer as a result. Under this agreement, all the benefits we achieve, including the 60/30 provision and the improvement in surviving spouse annuities, will be safeguarded. The reductions in taxes that the carriers receive could be rolled back if something changes so that the system can't afford them.

Repeal of Retirement Benefit Maximum for Long-term Employees

The agreement not only calls for the Railroad Retirement Act Maximum (RRAM) to be repealed for future retirees, but also for retirees currently subject to it. Their annuities will immediately increase.

Currently the total amount of Railroad Retirement benefits payable to an employee and spouse is limited to the Railroad Retirement Act Maximum (RRAM) geared to the employee's average monthly earnings prior to retirement. The RRAM amount is derived from the highest two years of creditable Railroad Retirement or Social Security covered earnings in the 10-year period ending with the year the employee's annuity begins.

When the benefit maximum is applicable, the reduction in earned annuities can be significant, and most often penalizes long-service employees with moderate earnings, or employees forced to take New York Dock or Washington Job Protection Act buyouts.

The number of retirees affected by this reduction has grown in recent years, to where it currently affects about 10% of awardees.

This improvement has been mischaracterized by some as amounting to a benefit for high-paid railroad CEOs. According to the Railroad Retirement Board, that is simply false. Annuities for higher paid railroad employees are limited by the caps on creditable earnings, which in 2000 are set at \$76,200 for Tier I and \$56,700 for Tier II.

In other words, the annuity for an employee making \$76,000, or a CEO making ten times that amount, is the same. Eliminating

the RRAM will not affect this at all.

Five-Year Vesting

The 10-year vesting requirement under the agreement would be reduced to five (5) years for employees currently in service.

Currently an employee must have 10 years (120 months) of creditable railroad service to be eligible for Railroad Retirement benefits. Vesting for pensions in most other industries is usually shorter than 10 years.

Future Improvements

The agreement calls for automatic future improvements if the retirement plan becomes overfunded. Should the plan assets exceed a level deemed by the Railroad Retirement Board to be more than adequate to pay benefits, employees and the carriers will receive the surplus on a 50-50 basis. The carriers will be able to reduce their tax obligation, and the employees will have the choice of reducing their Tier II tax obligation, or using their share for benefit improvements such as further age reductions or increased monthly annuities.

However, under current projections, using fairly optimistic employment projections and estimates of investment return, the fund would not reach the triggering level for another 40 years. Should employment exceed expectations, and/or investment returns approximate the dizzying levels of the last few years, the triggering level could be reached much sooner.

Why This Agreement?

From the outset of negotiations, the unions which made this agreement to improve Railroad Retirement shared several principles.

First and foremost, the existing Railroad Retirement System could not be put in jeopardy by attaining benefits that were unaffordable.

Second, we relied on the projections of the Board's actuary, whose only interest was in preserving the solvency of the fund.

Third, our top priority was to achieve the maximum affordable reduction in retirement age – with health insurance – and to fix the current inequity for surviving spouses.

Finally, we were unwilling to subject union members to higher retirement taxes than they

currently pay.

Everyone understood that no reform could be achieved without the agreement of the railroad industry. Historically, neither rail labor nor rail management has ever been able to achieve unilateral changes in Railroad Retirement. No one believed that labor could achieve improvements unilaterally, especially under a Republican-controlled Congress. We were not interested in sponsoring legislation that was doomed to failure. We wanted real, attainable pension reform.

Everyone in rail labor started out wanting to reduce the retirement age as far as possible. The Railroad Retirement Board made it clear early on that our initial goal – 30/55 – was simply unaffordable without major tax increases, something to which neither the carriers nor most unions would agree.

The issue of health coverage was all-important. If you reduce the retirement age without providing health insurance, the actuaries determined that very few workers would be able to take advantage of the benefit. While fewer takers reduced the benefit cost, it remained a significant expenditure for all, while only a handful of employees would be able to use it. The vast majority of employees would get nothing out of it. By providing health insurance at age 60, this agreement achieves a real reduction in retirement age for the vast majority of long-term employees.

What's Next?

The agreement now has to be drafted into legislation, and then introduced into Congress. None of the changes will take effect unless Congress approves and the President signs it into law.

Many thought we'd never be able to achieve real improvements in our retirement system, but we've made the all-important first step. Now we have to follow through and get it passed into legislation. We have a powerful coalition – rail unions, the rail industry and retirees. But there will be those in Congress who oppose it. When the bill is introduced, we'll be calling on each of you to contact your congressional representatives to make the dream of earlier retirement with health insurance a reality.

Railroad Retirement Labor Coalition

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Looking ahead

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News and on our website, <http://www.utu.org>.

LACMTA negotiations

Just as important this year are contract talks in Los Angeles for our more than 4,350 brothers and sisters in Locals 1563, 1564, 1565, 1607, and 1608 who work for the LACMTA. As you read in the January *UTU News*, the transit agency's cost cutters have their knives out this year.

Our message to them is that the UTU stands in unwavering unity behind General Chairperson James Williams and has committed to provide all help necessary in order to secure a just contract for our MTA members in L.A.

To make matters more interesting, the MTA contract is up a few weeks before this summer's Democratic National Convention. As one of the first major unions to endorse Al Gore, we will let our friend know how important it is that this contract is fair to our members. Certainly a strike during the convention is something we hope doesn't happen, but there is no guarantee that anything could or won't happen if the MTA doesn't treat UTU members right.

There is a long history of contentious negotiations between the MTA and its unions. The current three-year contract came together in 1997 during the second week of July on the eve of a strike. So far, several MTA board members say they believe potential labor problems will be solved long before Democrats convene in mid-August.

Let's hope so.

Healthcare choice works

In January, the UTU offered many of its members working on Class I railroads healthcare choice in a new National Health and Welfare Plan. In many families, having the ability to choose healthcare providers is vitally important.

We are glad to report that thousands of members have availed themselves of their right to choose the healthcare plan they feel most comfortable using. In only the first year of our new plan, more than 25% of the eligible members chose to switch healthcare providers to the new BlueCross/BlueShield option. This strong response is testimony that our decision to offer more healthcare choice is extremely popular with UTU members. It is our wish that the BLE will no longer hold our engineer members who work under BLE contracts captive by not permitting them to take part in our new national healthcare plan.

The Power of One

Since the beginning of the new century, we have promoted the concept of The Power of One union in the 21st Century for all rail operating employees, and other transportation workers. We will continue that campaign until our goal becomes a reality.

We stand firm in the belief that the future demands an end to the archaic and splintered union representation system that benefits the carriers and does not benefit union workers in the 21st century.

The Power of One will not stop.



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Special Edition



One Union with the Power to Secure Our Fair Share of the Pie

Will we continue to prosper and hold our place among the world's highest paid and best-benefited unionized workforce in the 21st Century?

We believe that the only way to protect and preserve our hard-fought gains is under the Power of One union representing all historical operating crafts.

Together, unified and in solidarity, we will have the strength and negotiating-table leverage to face the railroads and protect all current employees.

Together, unified and in solidarity, we can secure our fair share of the pie.

That pie has been earned because North American railroad workers are now the most productive in the world, according to the World Bank.

Together, unified and in solidarity, we can achieve one of our foremost objectives: Wage and benefit equity and parity between pre- and post- 1985 employees!

In the 21st Century, we need the Power of One union to stand strong and make sure all of us keep our fair share of the pie.

Special Unity Poster #5: Display this poster to show your support for unity among UTU and BLE members.