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VIA FAX, E-MAIL AND U. S. MAIL

Mr. T. J. Donnigan
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 P. O. Box 609
 Pocatello, ID 83204-0609

Mr. G. Gore
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 1448 MacArthur Avenue
 Harvey, LA 70058

Mr. D. W. Hannah
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 1902 Orange Tree Lane, Suite #190
 Redlands, CA 92374

Mr. B. D. MacArthur
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 501 No. Second Street
 Clinton, IA 52732

Mr. C. R. Rightnowar
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 320 Brookes Drive, Suite #115
 Hazelwood, MO 63042

Mr. M. A. Young
 General Chairman
 Brotherhood of Locomotive Engineers
 and Trainmen
 1620 Central Avenue, Suite #203
 Cheyenne, WY 82001

Gentlemen:

Pursuant to Article VII, Section 1 of the Agreement of December 16, 2003 BLE National Agreement, this letter shall serve as Union Pacific Railroad Company's ("UP") notice of its intent to implement the provisions of said Article VII. Specifically, it is UP's intention to negotiate an agreement providing, *"...for the automatic mark up of employees for service after the expiration of any period of authorized or approved time off..."*

In connection with the foregoing, it will be UP's intent to progress the requisite negotiations and, if necessary, arbitration for an "automatic mark up" agreement in compliance with the process and timetable set forth in Article VII. Accordingly, you will find two documents accompanying this letter. The first document is a synopsis of UP's

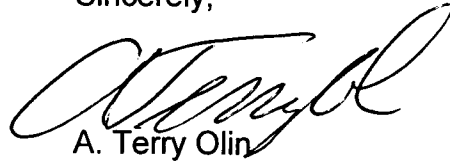
A. Terry Olin
 General Director

UNION PACIFIC RAILROAD
 1400 Douglas St., Stop 0710, Omaha, NE 68179-0710
 ph. (402) 544-3201 fx. (402) 233-2787
 terryolin@up.com

proposed rule governing the automatic mark up of engineers. The second document is the proposed agreement covering this topic.

Finally, and consistent with the requirements of Article VII, UP suggests the parties commence negotiations on this matter Thursday, July 22, 2004 in Conference 702 in UP's headquarters building (Union Pacific Center), located at 1400 Douglas Street, in downtown Omaha. If this date is unworkable, we should hold the requisite negotiations during our scheduled session on July 28 and 29, 2004, in Minneapolis, Minnesota. It is imperative such negotiations be promptly commenced in order to ensure the timetable set forth in Article VII is met. UP will be prepared to discuss the proposed Agreement on any or all of the aforementioned dates.

Sincerely,



A. Terry Olin
General Director – Labor Relations
Arbitration & Negotiations

Enclosures

cc: Mr. J. J. Marchant
Mr. R. D. Meredith
Ms. S. F. Boone
Mr. T. M. Stone
Mr. R. D. Rock
Mr. A. C. Hallberg – Roseville, CA
Mr. R. P. Guidry – Spring, TX
Mr. M. Brazytis – WT08
Dr. D. W. Holland – Mail Stop 1040

**PROPOSED ENHANCED MANPOWER UTILIZATION AGREEMENT
("AUTOMATIC MARK-UP")**

SYNOPSISⁱ

1. Engineers will be automatically marked up for service upon expiration of any period of authorized /approved time off (absence), regardless of whether the time off (absence) is compensated – e.g., vacation, personal leave day, etc. -- or non-compensated – lay off sick, etc – or the reason for such absence.
2. Engineers automatically marked up for service will be governed by the following:
 - a. Engineers, except those assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service, will be automatically marked up for service and available for call/service upon expiration of the approved/authorized duration of their absences.
 - b.
 - i. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose approved/authorized absences do not exceed 72 hours will be automatically marked up for service and available for call/service upon expiration of the approved/authorized duration of their absences.
 - ii. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose approved/authorized absences exceed 72 hours and expire between 6:30 a.m. and 10:00 p.m. will be automatically marked up for service and available for call/service upon expiration of their approved/authorized absences.
 - iii. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose approved/authorized absences exceed 72 hours and expire between 10:01 p.m. and 5:59 a.m. will be automatically marked up for service upon expiration of their approved/authorized absences but will not be eligible or called for an assignment that starts prior to 6:30 a.m. Pursuant to applicable calling rules, engineers covered by this paragraph can be called prior to 6:30 a.m. for an assignment that starts subsequent to 6:29 a.m.
3. Except for the limitation set forth in Item 2, Paragraph b.iii., above, all engineers automatically marked up for service pursuant to this Agreement will be available for and subject to call at the time they are marked-up for service.

Attachment to UP's Notice of July 7, 2004

4. Engineers must make all requests for time off to the appropriate UP representative.
5. The appropriate Union Pacific representative will determine whether an employee's request for time off is approved and, if approved, the duration of the involved absence and/or the time the employee will be marked-up for service.
6. There will be no unauthorized or automatic extension of any approved leave of absence.

ⁱ The sole purpose of this synopsis is to provide an overview of UP's proposed rule governing automatic mark-ups. It is provided as information only and does not constitute an agreement between the parties or necessarily reflect the final terms and conditions of an agreement providing for automatic mark-ups.

MEMORANDUM OF AGREEMENT

between

UNION PACIFIC RAILROAD COMPANY

and the

BROTHERHOOD OF LOCOMOTIVE ENGINEERS & TRAINMEN

ENHANCED MANPOWER UTILIZATION

On July 7, 2004, Union Pacific Railroad Company ("UP") served notice pursuant to Article VII of the 2003 BLE National Agreement on the Brotherhood of Locomotive Engineers and Trainmen ("BLET") advising of its intent to negotiate an agreement providing, "...for the automatic mark up of employees for service after the expiration of any period of authorized or approved time off...." Additionally, UP advised, "... it will be UP's intent to progress the requisite negotiations and, if necessary, arbitration for an 'automatic mark up' agreement in compliance with the process and timetable set forth in Article VII."

Pursuant thereto, the parties have negotiated an agreement governing the manner, consistent with existing scientific data regarding rest and fatigue abatement, in which engineers will be automatically marked up for service upon expiration of their approved/authorized absence. Accordingly, **IT IS AGREED:**

- I. Engineers will be automatically marked up for service by UP upon expiration of any period of authorized /approved time off (absence), regardless of whether the time off (absence) is compensated – e.g., vacation, personal leave day, etc. -- or non-compensated – lay off sick, etc – or the reason(s) for the absences.
- II. Engineers marked up for service pursuant to this Agreement will be governed by the following:
 - A. Engineers, except those assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service, will be automatically marked up for service and/or available for call/service upon expiration of the approved/authorized duration of their absences.
 - B. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose

approved/authorized absences do not exceed 72 hours will be automatically marked up for service and available for call/service upon expiration of the approved/authorized duration of their absences.

- C. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose approved/authorized absences exceed 72 hours and expire between 6:30 a.m. and 10:00 p.m. will be automatically marked up for service and available for call/service upon expiration of their approved/authorized absences.
 - D. Engineers assigned in unassigned (pool) freight service or to an extra board that protects unassigned (pool) freight service whose approved/authorized absences exceed 72 hours and expire between 10:01 p.m. and 5:59 a.m. will be automatically marked up for service upon expiration of their approved/authorized absences but will not be eligible or called for an assignment that starts prior to 6:29 a.m. Engineers covered by this Paragraph D will be available for call/service for an assignment starting subsequent to 6:29 a.m. -- i.e., such engineers can be called prior to 6:30 a.m. for an assignment that starts subsequent to 6:29 a.m.
- III.
- A. The freight pool turn or extra board position occupied by an engineer marked up for service pursuant to this Agreement will commence rotation/movement within the pool or extra board coincident with the time the involved engineer is marked up for service.
 - B. The freight pool turn or extra board position occupied by an engineer covered by Paragraph D of Section II, above, will commence rotation/movement within the pool or extra board coincident with the time the involved engineer is marked up for service except that if his/her pool turn or extra board positions reaches the first-out position before he or she is available for service pursuant to Section II, Paragraph D of this Agreement, the engineer's pool turn/extra board position will be held in the first-out position until he/she is available for service and/or call.
- IV. All requests for time off must be made to the appropriate UP representative (CMS or other designated official(s)) who will determine whether the request for time off is approved and, if approved, the approved duration of the absence and/or the time the employee will be marked-up for service.
- V. There will be no unauthorized or automatic extension(s) of any approved absence. If additional time off is desired (extension), the engineer must contact the appropriate UP representative (CMS or other designated official(s)) prior to expiration of his/her current approved absence to request an extension of the approved absence/leave. UP has no obligation to grant an extension.

VI. In the event the provisions of this Agreement conflict in any manner with the provisions of existing collective bargaining agreement rules, provisions and/or practices, the terms and conditions of this Agreement will govern.

SIGNED THIS _____ TH DAY OF _____, 2004, IN OMAHA, NEBRASKA

FOR BROTHERHOOD OF LOCOMOTIVE
ENGINEERS AND TRAINMEN:

FOR UNION PACIFIC RAILROAD
COMPANY:

T. J. Donnigan
General Chairman

S. F. Boone
Director – Labor Relations

G. Gore
General Chairman

R. P. Guidry
Director – Labor Relations

D. W. Hannah
General Chairman

A. C. Hallberg
Director – Labor Relations

B. D. MacArthur
General Chairman

T. M. Stone
Director – Labor Relations

C. R. Rightnowar
General Chairman

R. D. Rock
Director – Labor Relations

M. A. Young
General Chairman

A. Terry Olin
General Director – Labor Relations

ARTICLE VII - ENHANCED MANPOWER UTILIZATION

Section 1

(a) A carrier may propose implementation of a rule providing for the automatic mark up of employees for service after the expiration of any period of authorized or approved time off, in accordance with the procedures set forth herein.

(b) The carrier shall serve written notice of its proposal on the appropriate organization representative(s). Such proposal shall include a synopsis of the proposed rule, which shall be consistent with validated current scientific data and findings regarding employee rest and fatigue abatement. An initial conference on the proposal will be held within thirty (30) days after the postmarked date of the notice. If the parties fail to resolve the matter within sixty (60) days after the date of the initial conference, the carrier may submit the matter to final and binding party-paid arbitration at any time thereafter.

(c) The arbitrator's jurisdiction shall be limited to a determination of the terms and conditions for an automatic mark-up rule in light of all relevant circumstances involved. The arbitrator's decision shall be in writing and shall be issued not later than thirty (30) days after conclusion of the hearing.

ARTICLE VIII - NATIONAL WAGE AND RULES PANEL

The parties mutually recognize that the National Wage and Rules Panel has provided a non-confrontational setting and meaningful opportunity to obtain and share information, analyze problems and develop options to deal with issues of common concern. Continuation of the Panel's

efforts will, in the parties' judgment, continue to build trust, avert conflict and improve administration of their labor agreements.

Section 1 - Continuation of Panel

The National Wage and Rules Panel established pursuant to Article XI of the May 31, 1996 BLE Agreement shall continue as provided therein, except as otherwise specified in this Article.

Section 2 - Amendments to Article XI