

AGREEMENT

between the

UNION PACIFIC RAILROAD COMPANY

and the

**UNITED TRANSPORTATION UNION
(SP WEST)**

In Finance Docket No. 32760, the Surface Transportation Board (STB) approved the merger of Union Pacific Railroad Company/Missouri Pacific Railroad Company (Union Pacific or UP) with the Southern Pacific Transportation Company, the SPCSL Corp., the SSW Railway and the Denver and Rio Grande Western Railroad Company (SP). In approving this transaction, the STB imposed the New York Dock Labor Protective Conditions.

The parties understand that this document is the result of voluntary negotiations outside of merger negotiations and that the provisions entered into below are separate and apart from merger notices. Complete negotiations beginning with the service of notice under New York Dock conditions must still be handled for each merger area and those requirements are not waived by this Agreement. However, in order to reach a mutually satisfactory understanding for the handling of future UP/UTU SP West negotiations with regards to the collective bargaining agreement that will be selected by the Carrier and to equalize many of the pay and work rules on the UP system,

IT IS AGREED:

I. MUTUAL COMMITMENT

A. Union Pacific agrees that the SP-West UTU collective bargaining agreement (CBA), as amended by this Agreement, will be the governing collective bargaining agreement for the following territory: Starting either with the Portland Hub (as defined in the applicable merger implementing agreement/award) and The Dalles or one crew change point south out of Portland and The Dalles; to Elko, Nevada; to Yermo, California, and ending either one crew change point west out of El Paso or one crew change point northeast, east and southeast out of El Paso.

NOTE: The trackage between Barstow, California and Mojave, California will be joint trackage for both SP and UP South employees until that area is under a single collective bargaining agreement.

B. SP-West UTU agrees the collective bargaining provisions set forth below, in Sections II- XI and attachments (A-E) will constitute agreed-upon changes to the SP-West UTU collective bargaining agreement.

II. PROTECTION

A. All- SP West trainmen/switchmen (not including UP borrow outs on the SP) with a seniority date prior to June 1, 1997, working under the provisions of the SP-West UTU CBA as amended, will receive one test period average (TPA) composed of two parts - one part based on the employee's wages for calendar year 1996 and one part based on the employee's productivity fund payments earned in the productivity fund year 1996, if any. The wages part of the TPA shall be computed in accordance with the provisions of New York Dock. The total amount, wages plus productivity fund payments will be divided by twelve (12) to achieve a monthly TPA.

NOTE 1: In accordance with New York Dock, an employee's TPA will not include certain taxable and non- taxable items such as but not limited to relocation, lump sums, lump sum claims settlements, protection payments and away-from-home meal allowances. It will include the \$12.50 for in lieu meal allowances.

NOTE 2: Without prejudice to either party's position, the 1996 TPAs will include claim settlements paid in that year, including penalty payments, whether attributable to that test period or not. During the protective period, similar payments will be used as an offset to the monthly protection. This does not include lump sum claim settlements such as, but not limited to, the electric switch settlement nor the other items referred to in the Agreement and the letter included as Attachment "F" hereto.

B. Each employee who receives a TPA under Section II(A), above, will be automatically certified as a protected employee at the time of implementation of this amendment to the SP-West UTU Collective Bargaining Agreement. This protection shall be known as "Interim protection" and shall apply until the employee is covered by a New York Dock implementing agreement/award. Interim protection shall apply to all employees regardless of whether pre-July 9, 1990 crew consist protected or not. (See Paragraph F, below, for protection coverage after the employee's New York Dock protective period expires.) Any protection afforded because of this section and which occurs prior to the beginning of an employee's New York Dock protective period under a separate New York Dock implementing agreement/award, will be separate and apart from that protection and will not be used as an offset against the employee's New York Dock protective period.

EXAMPLE

	Emp A*@	Emp B*@	Emp C#	Emp D*@
Date of Hire	5/20/78	6/13/62	4/10/94	7/7/67
Eff. Date of Agmt	11/1/97	11/1/97	11/1/97	11/1/97
Date of Interim Prot	11/1/97	11/1/97	11/1/97	11/1/97
Date of Mer Imp Agmt	12/1/97	1/1/98	4/1/98	8/1/98
Merger Protection	NYDock	NYDock	NYDock	NYDock
Exp of NY Dock	12/1/03	1/1/04	4/1/02	8/1/04
Crew Consist Prot	Yes	Yes	No	Yes

*Crew Consist Protected employee

@NYDock protection for 6 years (based on length of service with a maximum of 6 years of service)

#NYDock protection for 4 years (based on length of service with 4 years of service)

The purpose of this example is to show that the interim protection is not offset against the number of years entitled under New York Dock.

C. Employees now covered by a protective arrangement may elect to continue coverage under that arrangement consistent with the New York Dock labor protective conditions.

Note : In accordance with Paragraph C, above, employees eligible for Peninsula Commute Service (PCS) or Siskiyou labor protection may elect to retain that coverage and convert to the protection afforded by this agreement upon expiration of the PCS or Siskiyou protection. (Employees who elect that protection shall remember that productivity funds have been converted to protection under this agreement and are not available under PCS and Siskiyou protection).

D. Each SP-West employee who worked a minimum of 150 yard shifts in 1996 as a regularly assigned yard employee will have that portion of his/her TPA that is based on calendar year 1996 wages increased by 14.82%. This is a one-time adjustment to equalize SP yard rates with National yard rates and will only apply to those SP-West employees who meet the requirements set forth in this Paragraph D. This increase will not apply to that portion of the TPAs based upon productivity fund payments.

E. Each SP-West UTU certified employee's TPA (wages plus productivity fund) will be subject to change based on future wage and COLA adjustments. The time period for computing such changes will begin with the implementation of this Agreement and shall run for the length of the employee's New York Dock protection. If this Agreement is initialed prior to August 14, 1997, then the July 1, 1997 National Increase shall apply if this Agreement is subsequently approved.

F. After expiration of the employee's New York Dock protective period, each pre-July 9, 1990 crew consist protected SP-West UTU employee will continue as a Crew Consist Protection protected employee for the employee's remaining employment in the craft of trainman/switchman subject to the following: the employee's TPA will be at the amount of the employee's final protection rate established in accordance with Paragraph E, above, and shall not be subject to future increases. The handling of crew consist protection payments and offsets will continue to be handled in the same manner as under New York Dock as detailed in this Agreement.

G. The TPAs for full-time and part time union officers will be based on the officer's own TPA or a TPA average derived from the two employees directly above and the two employees directly below the official, working at the official's normal work location and on the official's seniority roster. In calculating such an average, UP will "de-select" any employees with unusually low or high earnings. Full time and part time union officers are defined as General Committee and Local Committee officers.

H. All protection afforded and referenced in this Article II will be income (wage plus productivity fund where applicable) protection only. There will be no hours computation/hours protection for any afforded/referenced protection. Protection offsets are set forth in the Q&A's.

I. Employees will be eligible for the interim protection upon implementation of this Agreement. They shall become eligible for New York Dock and Crew Consist Protection only upon implementation or imposition of the negotiated merger proposal for each Hub, and if the SP-West agreement is applicable in that Hub after the merger. The parties agree to use best efforts to achieve a negotiated settlement.

III. NATIONAL WAGES AND RULES

A. SP-West UTU wage rates will now equal the national wage rates. (A copy of those wage rates is attached as Attachment E.) Previous lump sum payments provided for in the November 11, 1991 and May 8, 1996 National Agreements will not be made; however, future lump sum payments will be made in accordance with national agreements.

B. All provisions of the November 11, 1991 and May 8, 1996 National Agreements will apply to territory governed by the SP-West UTU collective bargaining agreement unless specifically provided for in this Agreement. Agreement provisions which will apply include, but are not limited to, the following: Promotion to Conductor, Expenses Away from Home, Road/Yard Work, Special Relief-Customer Service-Yard Crews, Interdivisional Service and Basic Day.

C. The current SP-West UTU eating rule will apply for local and road switcher service. Yard service will be governed by the national standard for eating in yard service. The Carrier will continue to pay the \$12.50 in lieu of allowance for pool freight runs until an area has been finalized in the merger with an agreement or award. Once an area has

been incorporated in a merger Hub, then the national \$1.50 in lieu of allowance will be paid on all pool freight runs.

D. All current employees (employees working in train/yard service at the time of implementation of this agreement) will have the entry rate provisions waived and will be paid at 100% of the National wage rate.

E. All new hires after the date of implementation will be subject to the following: entry rates will start at 85% of the national rate provided for in Section III(A), above, for first-year employees; at 90% for second-year employees; at 95% for third-year employees; and, at 100% for fourth year employees. These employees will be entitled to the 5% bump for promotion as provided for in Article VIII of the May 8, 1996, UTU National Agreement. Employees promoted to another craft will not restart their protection.

F. Current employees will retain the 100% entry rate of pay percentage at the time of promotion to another craft.

G. The SP-West UTU collective bargaining agreement will be subject to the National Moratorium set forth in the May 8, 1996, National Agreement, and all local notices and re-opener provisions in conflict with that Moratorium are null and void.

IV. CREW CONSIST

A. Because of the extended protection for crew consist protected employees provided for in Section II, above, all SP-West UTU special allowances and productivity fund payments will cease with the implementation of this Agreement.

B. (1) The standard crew for all through freight and for all hours-of-service relief will be one (1) conductor. There will be no car count or train length limitations in the operation of crews with one (1) conductor. There will be no car count, train length or work event restrictions of any type in the operation of crews with one (1) conductor/foreman and (1) brakeman/helper

(2) Trains operated with a crew of one (1) conductor will be restricted to no more than three work events en route between the initial and final terminals, subject to the following:

- a. A work event is considered to be a straight pick-up or set-out.
- b. Picking-up, setting-out or exchanging one or more locomotives and setting-out a bad order car shall not be considered a work event.
- c. Work performed in the initial and/or final terminal will be governed by applicable rules, including all national rules.
- d. Should a conductor be required to exceed three work events en route between terminals, the conductor shall also be paid the missing brakeman's wages. Only one such payment will be made regardless of the number of excess work events performed.

(3) The standard crew for local and road switcher service will be one (1) conductor and one (1) brakeman.

(4) The standard crew for yard service shall be determined according to the following:

- a. The Carrier may operate the same percentage of yard jobs foreman-only in a merged hub as it was entitled to operate foreman-only on May 19, 1997.

EXAMPLE: In the merged Los Angeles Hub, prior to merger UP had 30 switch engines and under the agreement was entitled to operate all 30 foreman-only. In the same merged hub, prior to the merger SP had 60 switch engines. In the merged Los Angeles Hub, the carrier may operate one-third of the switch engines foreman-only.

- b. The Carrier may establish utility positions in accordance with Attachment "A" to this agreement which may assist any number of both road and yard assignments at any location within a hub.

(5) The standard crew for non-revenue (including work train) service will be one (1) conductor/foreman. If the local chairman for the territory involved believes the assignment warrants a crew of one (1) conductor/foreman and (1) brakeman/helper, the local chairman and the local carrier officer responsible for that territory will conduct a joint check of the assignment to determine if a brakeman/helper is needed. If unable to agree, the criteria shall be that a brakeman/helper shall be needed if the assignment works four (4) or more hours on the ground or riding the outside of the equipment.

V. DISABILITY/LIFE INSURANCE/MEDICAL

A. All current SP-West UTU employees and subsequent new-hire employees who will work under the SP-West UTU collective bargaining agreement will be covered for medical benefits by the applicable National Plan (health, dental and, as of 1/1/99, vision).

B. Current SP-West UTU employees will continue to receive the disability and life insurance coverage now afforded them under the UTU SP-West collective bargaining agreement, if any, subject to Section C, below, for six years from January 1, 1998, whether a merger implementing agreement is or is not reached for each hub. Those former SP-West trainmen (Salt Lake - East) who transferred to the Salt lake City Hub will continue their disability for the same period so the group benefit ends on the same day. After the end of the six year protective period, the disability and life insurance policies will be eliminated from the SP-West UTU collective bargaining agreement, unless otherwise provided. It is understood this Agreement is made without prejudice to the positions of either party regarding whether or not such benefits are subject to preservation under New York Dock. This Agreement will not be cited by any party in any other negotiations or proceedings.

C. The SP-West UTU agreement covering disability premium payments will be upgraded to \$63.10. This is not a guarantee for benefit levels; it is only a guarantee for the amount of premium paid by the carrier per employee. Such payments will cease in accordance with Section V(B), above.

D. The UTU Committee may discuss joining the Union Pacific Employees Health Systems (UPEHS). The Carrier agrees that is a matter between the UTU and UPEHS.

VI. EXTRA BOARDS

A. The seniority extra board and no-bid vacancy rules will be amended as follows:

1. All seniority extra boards will become rotary extra boards working first-in, first-out.
2. Whenever a vacancy goes no-bid, the Carrier may fill that vacancy from the reserve board if available, or then the senior furloughed employee. If none available, then the junior employee on the extra board covering that position will be assigned. Vacancies on the extra board will be filled from the reserve board or the senior furloughed employee.

B. Extra Board types, guarantee rates and rules shall be as set forth in Attachment "B" to this agreement.

VII. ROTARY POOL FREIGHT SERVICE

A. All through freight service will be rotary pool freight service with blue print board provisions for placing employees in the proper order at the home terminal and at the far terminal. Blue Print provisions are attached hereto as Attachment "C" and will be applicable as each merger Hub is implemented. Employees are not runaround if used on the train for which called.

B. Assigned pool freight conductors will be allowed to trade pool turn positions with other conductors in the same pool subject to the following conditions:

1. The UTU Local Chairman or their designated representative shall submit the request to Carrier's CMS on behalf of the conductors wishing to exchange pool turns.
2. Both conductors shall be at their home terminal when the request is made in order to avoid any disruptions to the operation of the pool. However, an exchange may be made where one conductor is on vacation provided the vacation turn is vacant or concurrence is reached with the conductor temporarily assigned.

3. A trade may be made at any time up to call time provided the conductor who must accept the call is rested and available. A conductor may initiate only two trades per year.

4. No time claims involving runarounds or other penalties arising out of the trading/exchanging of turns under these provisions shall be progressed by or in behalf of any employee.

5. It is the intent of the parties that conductors will limit the use of these provisions to those situations in which they would otherwise have no choice and would be required to miss their turn.

VIII. CLAIMS SETTLEMENT

A. All time claims and grievances of record (a time claim or grievance of record is a time claim or grievance that has been denied by the carrier at any level, including Timekeeping; any claims involving the GRIDPAD arbitration and any claims involving gainsharing) submitted by either an employee or by the UTU as of December 31, 1996, will be settled and resolved by the payment of \$3700.00 to each SP-West UTU employee who performed service as a trainman/switchman between January 1, 1990 and December 31, 1996, and who is still in active service with the Carrier or who retired in 1997.

NOTE: It is possible time claim and grievance settlements will be reached with other organizations. Should any individual be entitled to a time claim and grievance settlement payment under this Agreement and under any other agreement, the maximum amount due such an individual will be \$3700.00.

B. This settlement does not cover outstanding discipline, medical and non-monetary (such as seniority disputes) cases but covers all other time claims and grievances and gainsharing claims, including those cases which have been docketed for arbitration but not argued and those cases argued at arbitration but where no decision has been rendered.

C. This settlement is final and binding and is made with prejudice regarding the GRIDPAD and gainsharing claims and hereinafter the organization shall not file nor progress any GRIDPAD or gainsharing claims. This settlement is without prejudice or precedent to either party's position with regard to the subject matter of all other time claims and grievances and will not be cited by either party in any future claims conferences, arbitration or negotiation.

D. Since the settlement of all time claims and grievances of record will create a new environment for the grievance process, the following will apply:

1. Formal local conferences are eliminated, however, local chairpersons are encouraged to handle claims and other issues directly with the Carrier's designated Labor Relations managers, assistant managers and labor relations officers; and,
2. The Carrier will no longer reimburse local chairpersons/union officials or employees for attending time claim/grievance conferences.
3. The SP local chairpersons will have access to Carrier records in a manner consistent with UP local chairpersons. Access will be available from home if the Local Chairperson owns sufficient technology, or at the on-duty point.

IX. REGION/SYSTEM AND RESERVE BOARDS

A. All current SP-West UTU train/yard service employees will retain "no furlough" status. Employees transferred to SP-West UTU collective bargaining agreement control as a result of a UP/SP merger implementing agreement and all new hires will not have such status. The Region/System Board Agreement will continue until an agreement or award is reached for each separate merger Hub and then a reserve board agreement will apply to that Hub using the provisions found in Attachment "D" to this agreement. Those provisions will include reserve board eligibility for SP-West UTU employees now entitled to "no furlough" status.

X. 401K PLAN

The current SP-West UTU 401K Plan will no longer be available for future deposits for monies paid after the close of business December 31, 1997. The current UP 401K Plan applicable to train service employees (road and yard) will apply to SP-West UTU train service employees (road and yard) after that date. The parties are negotiating agreements merging the 401K plans.

XI. MORATORIUM

Articles II-Protection and IV-Crew Consist and Attachment (D) are covered by a separate moratorium than the one described in III (F). Since they are in part, crew consist related, the provisions of these two articles and attachment are not subject to change through the Railway Labor Act Section 6 process prior to the attrition of all crew consist protected employees. This does not prevent the parties from voluntarily entering into agreements to modify these provisions.

XII. IMPLEMENTATION

This agreement will be effective in two parts. Article I - Mutual Commitment, Article II - Protection, Article III - National Wages and Rules, Article IV - Crew Consist, Article V - Disability/Life Insurance/Medical, Article VIII - Claims Settlement and Article XI - Moratorium shall become effective on the first day of the first month following notification from the UTU this Agreement has been approved so long as ten (10) days' notice is given the Carrier. The Carrier will begin processing the claim settlement checks as soon as possible. In order to give Timekeeping and CMS sufficient time to make the necessary programming changes, the remaining articles shall be effective on the first day of the first payroll period following a ten (10) days' notice by the Carrier to the UTU.

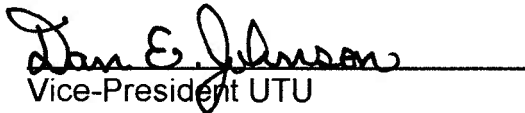
XIII. SAVINGS CLAUSE

Should any portion of this Agreement including attachments or any of the attached Questions and Answers conflict with the SP-West UTU collective bargaining agreement, this Agreement shall govern.

Signed at San Francisco, California, this 20th day of October, 1997.

FOR THE ORGANIZATION:


General Chairman UTU


Vice-President UTU

FOR THE CARRIER:


AVP Employee Relations


General Director Labor Relations

