

An Injury to One Is An Injury to All

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Office of the General Chairman
Jed Dodd

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Dear Brothers and Sisters,

Re: Tentative National Freight Agreement

There are three coalitions of different unions bargaining with freight management to resolve the current national contract dispute. Recently the coalition called the "CBG" which consists of the BLET, UTU, BRS, ATDA, NCFO and IBBB broke ranks with the rest of rail labor and initialed a tentative agreement with management. This tentative agreement is a step backwards for all railroad workers and in no way meets the legitimate needs of the BMWED membership. Since bargaining began the Class 1 railroads have made 30 billion dollars in profits and can easily afford to improve the lives of railroad workers. The CBG proposal will reduce our overall compensation. If ratified by the CBG membership, this agreement will make it much more difficult to achieve a just and fair agreement for the BMWED freight or passenger rail membership.

We believe that the information that is on the web sites of the BLET, UTU and BRS announcing this agreement does not honestly portray the impact of the agreement. The tentative agreement is a 24 page document and contains significant increases in the cost of health care. For example, the agreement doubles the cost of co-insurance payments and doubles the percentage of those expenses that you pay out of pocket. Hopefully the membership of the CBG will read the actual agreement, and not the CBG "explanation," and make an informed decision of whether to vote no or yes on the proposal. We have read the 24 pages and the purpose of this letter is to explain why this agreement is unacceptable to us. You will need this information when you are having discussions about it with your family, coworkers and other railroad workers.

Four Year Agreement Not a Five Year Agreement as Reported

CBG reports the agreement as a compounded 13.1% wage increase over five years. This includes the 3% which was already paid during the amendable period on January 1, 2015,

and was part of the last agreement ratified by the membership in the last agreement. CBG wants to count it twice and call it a wage increase from this contract which it is not. Without the 3% from the last agreement the wage increases are a compounded 9.8% over four years and no retroactivity for the first six months of 2016. This is 2.4% a year gross, and with the health care increased costs to the membership the amount really is 2.0% per year. With this tentative agreement, buying power for railroad worker's wages, when measured against inflation, will be less at the end of the contract than it was at the beginning of the contract.

Health and Welfare Design Changes are Real Money Out of Our Members Pockets!!!

The CBG reports that there is no increase in \$228 per month in cost sharing expense for health care under the tentative agreement and that is good. However, they fail to report the effect of the increase in deductibles, co-pays, co-insurance will have on the average railroad family's pocket book. For instance co-insurance jumps from 5% to 10% for those in managed care (most of us). Deductibles for single and family double. Co-pays for doctor visits and prescription drugs also rise substantially. The effect on all railroad workers is bad but on those who use more than the average amount of health care it can be catastrophic.

The average railroad worker pays \$3,836.00 per year for health care (includes all costs, monthly cost sharing, deductibles, co-insurance, co-pays etc.). Under the CBG agreement this number will jump an additional \$600.00/year for about half of us. However, for the other half who start to use the plan, because either they or their family need health care, this number jumps enormously. Under the CBG plan, by 2020, 7% of all railroad workers (7000 people) will pay almost \$10,000.00 per year out of their pockets when their health care needs require it. In our jobs because of what we are exposed to, and the beating the job puts on our bodies, it is virtually guaranteed that at one time or the other everyone will be in that 7% pool paying out nearly \$10,000.00 per year. In 2018, the changes agreed to by the by the CBG agreement will provide the railroads with 100.4 million dollars in healthcare costs each year they have shifted to you from them. That cost shifting will continue to rise with inflation in the cost of medical services.

Alternative Proposals Rejected by CBG

On our bargaining table we proposed a realignment of the managed care networks that will provide the same savings to the benefit plan (over 100 million dollars annually) that the CBG concessions provide but no change in additional costs to the members. This proposal was analyzed by management consultants and found to be accurate. The big loser in this proposal would have been United Health Care and not the railroad worker. CBG was offered to join in this proposal, but never gave it serious consideration and then misrepresented it as bad for the member because of the disruption in the networks. This "network disruption argument" was shown to be nonsense because although the network provider would change there would be very little disruption to the member because most doctors belong to multiple networks. In fact the disruption, if any, would be less than currently occurs when doctors and hospitals drop out of insurance company networks. The CBG proposal does a good job of defending the profit

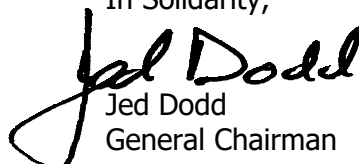
interests of United Health Care.

A copy of the 24 page document tentatively agreed to by the CBG can be found on our web site at www.pennfedbmwe.org >National Agreements>National Bargaining.

Conclusion

The CBG agreement is a step backward in an industry that is literally shoveling money into the bank accounts of its shareholders. Under this proposal when the wage increases are properly calculated, the health care cost increases are properly calculated and this result is measured against inflation, railroad workers will have less in 2020 in overall compensation than they did in 2015.

This is why this agreement is not acceptable to our Union and hopefully when the CBG membership vote on this agreement they will be provided with all of the facts in which to make an informed decision about the future of their working lives.

In Solidarity,

Jed Dodd
General Chairman