

UNION PACIFIC RAILROAD COMPANY

PHILLIPS
DIRECTOR, LABOR RELATIONS1410 DODGE STREET
OMAHA, NEBRASKA 68179

November 2, 2001

Mr. John O. McArthur
General Chairman BRS
P.O. Box 5100
Fallon, NV 89407

Dear Sir:

This is in reference to our discussions regarding the installation and maintenance of vehicle detection devices. You have requested that the Carrier set forth in writing an offer of compromise discussed in our recent meeting on this matter.

As you are aware, the Carrier has not employed such devices in the past. They are now being installed along with four quadrant gates at grade crossings on the line between Chicago and St. Louis which is being upgraded at the behest of the State of Illinois for high-speed passenger service. Twelve crossings are scheduled to be completed by the end of the year, and approximately fifty six (56) more crossings are scheduled for upgrade in 2002.

Because the vehicle detection equipment is installed in the public roadway, because it detects motor vehicles rather than trains, and because our signalmen have never performed such work, the Carrier maintains that installation and maintenance of the equipment is not covered by the scope rule of the collective bargaining agreement. Consequently, the installation of the vehicle detection systems at the first twelve (12) crossings has been contracted to a firm which specializes in such work. The State of Illinois has also agreed to reimburse the Carrier for additional costs associated with maintenance of the four quadrant gate crossings, which includes the vehicle detection systems, whether such work is performed by our employees or by outside parties contracted by the Carrier. In contrast to the Carrier's position, you have advised that it is the Organization's position that both installation and maintenance of vehicle detection equipment are covered by the agreement scope rule.

In order to address our differences, we met in Omaha on October 25, 2001. The parties discussed several possible means of resolving the matter amicably, including expedited arbitration. When we concluded our meeting, the Carrier proposed the following compromise. Without prejudice to our position regarding scope rule coverage of the work, the Carrier offered to allow signalmen to perform maintenance work on the vehicle detection systems after they have been installed. The Carrier also offered to allow signalmen to install the detection system, including wiring in the roadway. While there may be occasions in the future where the Carrier would use signalmen for cutting or paving of

the roadway surface in connection with such installation, the Carrier would not be obligated to use signalmen for such roadway work.

As you were advised during our meeting, the work on the initial twelve (12) crossings has already begun and the Carrier is obligated to utilize the specialists currently involved in the installation. The compromise described above would become effective after the initial twelve (12) detection systems have been installed. The Carrier may, however, employ signalmen with the contractor during this time frame to familiarize them with the work.

You were also advised that this compromise offer is made to resolve a disputed issue, and it may not be construed as a concession regarding scope coverage of either the maintenance or installation of the vehicle detection systems. While this offer is made in a good faith attempt to reach an agreement which is acceptable to all parties, it is without prejudice to the Carrier's position set forth above.

It is my understanding that you will discuss this offer of compromise with Mr. Pickett and Mr. Jones and advise me of the Organization's response. It is also my understanding that no job action will be taken while this offer is pending. If you do not share this understanding, please let me know. Thank you for your consideration.

Yours truly,



Michael D. Phillips
Director Labor Relations

cc: Dan Moresette
Phil Abaray