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as to how to apply the direction regarding employee protection contained in Section 11347 of the . . . (ICA). . . That determination was set forth in the Mendocino Coast conditions. . . . Nothing contained in Mendocino Coast refers to, or in any way indicates that, the arbitration process involved in implementing labor protective conditions is arbitration under the Railway Labor Act. Arbitration under Mendocino Coast is neither for the settlement of "major" disputes. . . nor "minor" disputes. . . . Rather, it is for the creation of an agreement which will implement the labor protective provisions which have been ordered by the ICC under authority of the ICA.

This is consistent with the case law establishing our right to review the awards of arbitrators acting pursuant to our labor conditions. See, e.g., International Brotherhood of Electrical Workers v. ICC, 862 F.2d 330 (D.C. Cir. 1988) ("Lace Curtain"), and United Transportation Union v. United States, Nos. 89-1216 and 89-1662 (D.C. Cir. June 15, 1990).

Thus, our jurisdiction over transactions such as those at issue here permits us to review and compels us to disapprove an arbitration award imposing an implementing agreement which will defeat the very purpose of the transaction approved by this Commission. What is essential is that the implementing agreement be consistent with the essential terms of the transaction and the objectives sought to be accomplished. This was not the case with the Kasher Award. In our January 10, 1989 Decision at 8, we found the Award to be inimical to the authorized transaction:

An important objective to be achieved by the GTI restructuring is the economies afforded by application of the more flexible ST work rules to the entire GTI system. By imposing the lessor's collective bargaining agreements, the arbitrator effectively foreclosed the transactions we authorized. Consequently, we will not affirm the arbitrator's decision to impose the rates of pay and work rules of the lessor carriers.
Id.

Thus, we reaffirm our previous decision and conclude that we did not exceed our appropriate scope of review, as described below, in setting aside those portions of the implementing agreement proposed by Arbitrator Kasher which were inimical to implementing the transaction we authorized.

With respect to RLEA's argument that Harris lacked jurisdiction to impose an implementing agreement because neither the Commission nor the NMB could or did properly substitute Harris for Kasher,²¹ we find ourselves constrained to agree with Harris that RLEA "has failed to show why, as a matter of law, Arbitrator Kasher had to continue to decide the case"

21/ We take issue with only one aspect of Harris' discussion of jurisdiction. Harris' suggestion (Award at 40) that the ICC constructively discharged Kasher from the proceedings is erroneous. As we explain above, because of disagreements among the parties as to who should undertake further arbitration, we referred the matter of the selection of an arbitrator to the National Mediation Board and requested that they select an arbitrator to conclude the proceeding. The NMB chose Harris.

Harris Award at 42. In Harris' view Kasher's function ceased when he rendered his award. *Id.* "Arbitrators, unlike judges, do not have continuing jurisdiction after rendering an award." *Id.*

At common law, an arbitrator did not have authority to modify or correct an award once it had been rendered, because of the doctrine of functus officio; i.e., having rendered the award, the arbitrator's task has been fulfilled. Similarly, an arbitrator had no authority to commence a subsequent hearing.

Harris Award at 41, quoting Fairweather, Practice and Procedure in Labor Arbitration, 2nd Ed. (1983), at 579-580. Harris noted that, while this rule has been modified to allow for technical corrections, that was not the case with the Kasher Award.

. . . There is nothing in the record which indicates that Arbitrator Kasher wishes to correct his award. Rather, it is the ICC which has set aside the award as not being consistent with its view of the transaction which it authorized. When Arbitrator Kasher rendered his award, his functions ceased. They can only be revived by the joint consent of the parties or the reappointment by the authorizing body. In this case, the original award has been set aside in part. The parties were asked to concur in an Implementing Agreement under more definitive guidelines than had been earlier set forth by the Commission. They were unable to do so and the provision requiring the appointment of a neutral referee went into effect. When the parties were unable to agree on a referee, in accordance with Mendocino Coast, the ICC requested the NMB to appoint an arbitrator. That was done.

Harris Award at 41-42. We agree with Harris' view of the functions and limits of an arbitrator's authority. Nothing in RLEA's submission convinces us that the Commission was required as a matter of law to continue with one arbitrator. We also note that the NMB, our sister agency with extensive expertise in arbitrations under our labor protective conditions, knowing that we had no objection to the matter continuing before Arbitrator Kasher, and being apprised of all the arguments presented to us by the parties, selected Harris to conclude this proceeding. Thus, we conclude that Harris had authority to arbitrate the remanded issues and to impose an implementing agreement as a result of the failure of the parties to voluntarily agree to one pursuant to our order of October 26, 1989.

c. Scope of Review

This contentious and hard fought proceeding has presented several issues for resolution on appeal from the Harris Award. However, in resolving them we are mindful of the standard of review by which we are bound in arbitral review cases. The Commission has determined to give arbitrators the prime responsibility for achieving a balance between collective bargaining rights and consolidation efficiencies. In so doing, the Commission limits its review of arbitral decisions under its labor conditions to recurring or otherwise significant issues of general importance regarding the interpretation of our labor conditions. Once having accepted a case for review, we may only overturn an arbitral award when it is shown that the award is irrational or fails to draw its essence from the imposed labor

conditions or it exceeds the authority reposed in arbitrators by those conditions. Carmen, supra, 6 I.C.C. 2d at 753 n.31, (citing Loveless v. Eastern Airlines, Inc., 681 F.2d 1272, 1276 (11th Cir. 1982)). This standard of review has been upheld by the D.C. Circuit. See, International Brotherhood of Electrical Workers v. ICC, 862 F.2d 330 (D.C. Cir. 1988).

We will review each of the matters appealed to assure that none raise issues of sufficient import as to compel vacation of the Award as a whole. If any one element is found wanting we believe that the entire Award would have to be vacated because of the intricate relationships between the Award's components. We view this Award as one which must be examined as a whole, however, for the reasonableness and fairness of its overall effect. Cf. Permian Rate Basin Cases, 390 U.S. 747, 767 (1968); accord, ICC v. American Trucking Associations, Inc., 467 U.S. 354, 365 (1984). Our review, as set forth below, convinces us that no issue or combination of issues raised requires vacation of the Award, that the Award presents a fair and equitable resolution of complex problems and is necessary to permit going forward with the transaction we authorized.

2. Commission Authority To Modify CBAs

RLEA continues to assert that the Commission is precluded from authorizing an implementing agreement that "abrogates existing CBAs." RLEA at 3. RLEA's argument is premised on its view that Article I, Sections 2 and 3 of the Commission's labor conditions, which requires the "preservation" of rights under existing CBAs, requires the modification of CBAs only by resort to the procedures in the Railway Labor Act, 45 U.S.C. 101, et seq. Absent the use of the RLA, notably Section 6 (45 U.S.C. 156), such modifications are illegal.

This view leads inexorably to the conclusion that Sections 2 and 3 may be used to frustrate any consolidation or other transaction approved by the Commission, despite the Commission's mandate to approve such transactions found to be in the public interest and to impose conditions for the protection of employees affected by the transaction. See, 49 U.S.C. 11347. Thus, in RLEA's view, where there is a conflict between the terms in the CBA and the transaction, the terms of the CBA can serve to override the transaction. RLEA at 3.

The Commission has rejected RLEA's formulation of the agency's ability to modify CBAs. As the Commission has determined in the past, Section 11347 permits arbitrators, appointed under Section 4 of its labor conditions, to modify provisions of CBAs where necessary to permit mergers. Carmen, supra, 6 I.C.C. 2d at 752; Brandywine Valley R.R. - Purchase, 5 I.C.C.2d 764 (1989). Such modifications have, in the past, been generally limited to issues regarding the selection of forces and assignment of employees. Carmen, supra, 6 I.C.C.2d at 720-21, 742-43.

This attempt to balance the right of the railroads to carry out approved mergers (under the Interstate Commerce Act) with the right of employees to bargain collectively over their conditions

22/ As the Commission has noted previously, its ability to modify CBAs may be traced to Sections 4 and 5 of the Washington Job Protection Agreement of 1936 (WJPA), a voluntary national collective bargaining agreement that provided bargaining and compensation protection to employees but left employers free to alter the size of their work force. The WJPA is generally conceded to be the blueprint for all subsequent job protection arrangements. See, Carmen, supra at 733.

of employment (derived from the Railway Labor Act) is in accordance with the Supreme Court's admonition in Pittsburgh and Lake Erie R.R. Co. v. RLEA, 109 S.Ct. 2584 (1989) to avoid conflicts between the two statutory regimes. Carmen, supra at 721, 753. In this way, the Commission may give effect to the statutes and carry out the will of the Congress by promoting the consolidation of the railroads and preserving employees' opportunities to bargain collectively.

Based on our decisions we conclude that an arbitrator, acting under the Commission's authority, may modify existing CBAs if such modifications are "necessary" to the transaction and generally may be said to concern the selection and assignment of forces. Harris correctly stated the scope of an arbitrator's authority to modify CBAs under Carmen. Harris Award at 45. After examining the Commission's statements in Carmen, Harris concluded (id.):

This arbitrator finds that he effectively has been directed by the ICC not to modify collective bargaining agreements in making an Implementing Agreement arbitration award except as such award effects the selection of forces or the assignment of employees; that is, questions involving scope rules and seniority rosters.

We expressly approve that statement.^{22/}

3. The Necessity Finding

RLEA and UTU challenge the individual components of the Harris Award on the grounds that the modifications sanctioned by Harris have not been shown to be necessary^{23/} to the carrying out of the transaction. This attack is premised largely on Harris' statement (Harris Award at 60) that if left to his own devices he would have imposed the lesser carriers' CBAs on the transactions as Kasher had done. From this, RLEA contends that no "necessary" finding was made by the arbitrator. UTU confines its attack largely to general statements that the Harris modifications were not necessary to the transactions.

We disagree. Harris accepted the Commission's determination that the implementation of sections 1, 2 and 3 of the Kasher Award exceeded Kasher's authority under our conditions because implementation of those provisions, which freeze existing operating patterns and procedures, would eviscerate the approved transaction.

In light of this determination, which binds the arbitrator, and despite the Commission's suggestion in its October 26, 1989

^{22/} We indicated in Carmen (6 I.C.C.2d at 721) that we were relying heavily on the experience of arbitrators (as well as management and labor) to determine "the nature of the CBA provisions that can be modified under our conditions to permit a merger to be carried out," anticipating that they would call upon their "institutional memories" (6 I.C.C.2d at 722) in exercising their powers to "[permit] the carrying out of the transaction while maintaining labor peace." Id.

^{24/} GTI suggests that the Commission can rely on Section 11341(a) in addition to our authority under Section 11347 to modify CBAs to effect such a modification. RLEA's argument here contends that the "necessary" requirement of 49 U.S.C. 11341(a) has not been met. As Section 11341(a) is not relied on in this decision we see no need to discuss the necessity requirement of section 11341(a).

decision that the ST/UTU agreement would be an appropriate vehicle upon which to base an implementing agreement, Harris declined to impose the ST/UTU agreement upon all employees accepting offers of employment with ST. Rather, he made extensive findings as to the manner in which ST was, in fact, operating. He then "deemed" as necessary to the consummation of the transaction certain modifications to both the lessors' and the ST's existing CBAs to obtain the flexibility and systemwide uniformity of operations, which he correctly recognized were required to achieve the improved service that the Commission found to be in the public interest in authorizing these transactions.^{25/} Accordingly, his proposed implementing agreement contains provisions overriding certain elements of the existing CBAs of both the lessor carriers and ST. In this context, we do not construe the use of the word "deemed" to undermine Harris' findings that the proposed modifications were necessary, as rail labor suggests. We thus reject this argument.

4. The Provisions of the Award

Five of the Harris Award modifications to the implementing agreement proposed in the Kasher Award are contested by the parties.^{26/} They are:

a. Employees furloughed from the lessor carriers will be given preferential hiring for newly created positions on ST, and will be placed on the lessors' seniority rosters, once hired. Harris Award, Implementing Agreement, Section 2.

b. Agreements between the MEC/PT and its employees are modified so that there will be a single seniority district on the MEC/PT. Harris Award at 60.

c. The incidental work rules contained in all of the applicable CBAs are modified to allow incidental work regardless of the location of the work as long as it shall not comprise fifty percent of the total work of an individual employee in any single day. Harris Award at 60.

d. The applicable CBAs are modified so that a conductor may be utilized without a brakeman in through freight service; and a conductor may be utilized with or without a brakeman on local freight and in yard work, if such usage complies with applicable Federal Railroad Authority safety standards. Harris Award at 60-61. Harris Award at 60.

e. ST employees hired after the date of the lease transactions who have performed work for the ST (on or in connection with a leased line or an ST line to which they had no seniority rights prior to the leases) shall have their names

25/ Throughout its submissions to the Commission, RLEA argues that only the lessor carriers' collective bargaining agreements are relevant or are the only CBAs that should concern the Arbitrator and the Commission. We agree with the view expressed by GTI that under our decision of October 26, 1989 the ST/UTU CBA is applicable to this transaction, and Harris was compelled to consider the provisions of this CBA, and ST operating procedures thereunder, as well as the other CBAs. It, as well as the other CBAs, had to be preserved as much as possible to be true to the restrictions of Sections 2 and 3 on the Commission's labor protections.

26/ The sixth provision, which expands the category of prior rights employees to include those on authorized leaves of absence at the time of consummation of the transaction, does not appear to be challenged. See fn. 9, supra.

added to the bottom of the appropriate lessors' seniority roster. Harris Award, Implementing Agreement, Section 2.

Harris, in reaching his conclusions regarding the merits of the Award, looked at the entire record of this proceeding. In so doing, he made credibility determinations concerning the witnesses he heard. Harris Award at 47. In his attempt to arrive at an implementing agreement, Harris presided over 12 days of hearings and heard numerous witnesses. Harris Award at 1. He made extensive findings of fact with respect to ST operating practices as necessary to assist him in formulating the proposed implementing agreement. Harris Award at 47.

a. Placement of Furloughed Employees on the ST Rosters

RLEA complains of the Harris Award's placement of preferentially hired employees, furloughed at the time of the lease transactions, on ST's seniority rosters. During the hearing before Harris, GTI indicated that it would be willing to add to the Implementing Agreement a provision which would allow for the preferential hiring to newly established positions on ST of lessor carrier employees who were furloughed or on inactive status at the time of the lease transactions. Harris Award at 51. Harris adopted this proposal with the alteration, apparently not objected to by GTI (GTI at 59-60), that, instead of placing the preferentially hired furloughed employees on the ST/UTU seniority roster these employees would be required to be placed on the bottom of the seniority rosters of the lessor carriers. Harris Award at 53. RLEA condemns this provision as abrogating the seniority rights of furloughed employees embodied in the lessor carriers' agreements.²⁷

As discussed in footnote 11, supra, RLEA is chiefly concerned that ST has been allowed to hire new employees during the period between the lease transactions and the implementation of the proposed implementing agreement (*i.e.* after hirings), without giving any preferential consideration to the arguably more experienced furloughed employees. Since the Harris Award preferential hiring term only begins to apply once the agreement is in place, RLEA's contention of necessity is that the furloughed employees' existing seniority rights in the lessor CBAs have already been violated. RLEA's objection, thus, has nothing to do with the preferential hiring provision but rather addresses whether the hiring of after hired employees has already violated the furloughed employees' existing CBA rights. This is a matter which the parties can pursue at a different time, perhaps in another forum. For us, it is sufficient to conclude that no party has made a sufficient showing to warrant our vacating or modifying this provision of the Award.

b. Merging of Seniority Districts

Clearly, the merging of the MEC and PT seniority districts is within the scope of the arbitrator's authority. It is classically the function of arbitrators to adjust seniority rosters in formulating implementing agreements. There can be no doubt that increasing the size of the MEC/PT seniority districts increases the flexibility in selection and assignment of forces, within those expanded districts and throughout the GTI system.

^{27/} RLEA also makes the argument that the modification is a "taking" without compensation. RLEA at 16, n.12. There is no "taking" in the constitutional sense, if only for the reason that there is no modification of any CBA. Moreover, these employees are being given an equity right, and for those employees unaffected by the transaction it is an additional right agreed to by GTI.

RLEA's complaint and argument addressed to this determination signify nothing more than its disagreement with that determination. Whether the increased flexibility associated with the expansion of the MEC/PT seniority districts should be provided in the overall context of the proposed implementing agreement is, of course, a matter for the informed discretion of the arbitrator. RLEA has presented no evidence to warrant the Commission's overturning this provision of the award.

c. Incidental Work Rule

Harris found that the ST was not operating under the "railroader" concept (a method of operating a railroad without the traditional railroad crafts). Harris Award at 57. Instead the arbitrator concluded that ST was:

utilizing its employees along traditional craft lines, albeit without a few of the crafts, and with a virtually unlimited incidental work rule.

Harris Award at 58. Harris based his conclusion on extensive findings regarding the ST's present ability to have individual employees do incidental work "historically . . . assigned" to a different craft. Harris Award at 47. The Award's factual findings then detail the ST operations to which employees of one craft have been assigned work usually assigned to other crafts. Harris Award at 47-50. Thus, for example, the ST has utilized anyone as a hostler for moving engines into repair facilities, and utilized carmen in the car repair facilities, thus eliminating machinists.

RLEA argues that the record does not demonstrate that the lessee carrier utilized its employees interchangeably and that this lack of cross-utilization (the railroader concept) defeats any argument that the modifications required by the proposed implementing agreement were necessary to the transaction. RLEA at 7-8. In our view, RLEA misstates the employee utilization scheme advanced by the lessee carrier and, as Harris properly found, also oversimplifies the reason for our authorization of the transaction. Harris Award at 46.

Harris specifically and properly rejected the simplistic notion that complete cross utilization of employees was the touchstone of our authorization of these transactions. Rather, as he concluded, what motivated our authorization was our desire to improve rail service in the region through increasing GTI's flexibility to operate more efficiently on a systematic basis. He addressed that concern, not by imposing the UTU/ST agreement as we had suggested, but rather by providing for the inclusion of an incidental work rule in each of the lessor and lessee carriers' CBAs. The rule plainly is intended to promote better and lower cost rail service, by facilitating the assignment of incidental work to employees when and where needed.

Thus, Harris required, in order to implement the transaction, that the lessor carriers' craft designations be utilized, but adopted in significantly modified form (i.e., subject to a 50% limitation); the virtually unlimited resort to the incidental work rule he found to exist in work assignment practices pursuant to the ST/UTU agreement. Harris expressly noted (Harris Award at 58) that this new found flexibility was central, in ST's view, to its manner of operating. Harris Award at 47. We agree, and conclude that this aspect of the agreement which he imposed is indispensable to obtaining the results we found to be in the public interest in authorizing these transactions. RLEA has presented nothing that requires the

Commission to vacate the Award based on Harris' establishing a uniform incidental work rule for application to all crafts throughout the GTI system, patterned after practice under the ST/UTU agreement.

d. Crew Consist Rule

UTU complains that the portion of the Award allowing ST to operate its trains with only an engineer and conductor in numerous situations (the so-called crew consist rule) is outside the scope of the arbitrator's authority.^{28/} UTU contends that the crew consist portion of the Award is at odds with Section 2 of the labor conditions, as well as rights under the RLA. Thus, UTU questions the ability of the arbitrator (and the Commission) under 49 U.S.C. 11347 to modify the CBAs in question.^{29/}

The arbitrator held that the crew consist rule was within the rubric of selection and assignment of forces. Harris found that the ST operates its train crews with an engineer, a conductor only on through freights, and a conductor only or a conductor and trainman on local freights, and a conductor only or a conductor and yardman on yard freights. Harris Award at 48. UTU argues that the ST/UTU agreement does not contain a crew consist rule and therefore it was fallacious for GTI to intimate that the Award decided to incorporate such a rule in lieu of the lesser carriers' CBA rule on crew consist size. While it is true that ST has no comparable rule, the Arbitrator found that the practice of ST concerning the crew consist was to operate without a brakeman. In light of the arbitrator's finding that the ST has made a practice of operating its trains with only an engineer and conductor in numerous situations, UTU's assertion that this provision should be vacated cannot stand. This is another instance in which Harris embodied ST practice in this implementing agreement and provided for operation of what he found to be ST practice throughout the GTI system.

We are not persuaded, moreover, as suggested by UTU, that the fact that a provision embodied within an overriding implementing agreement which may also be the subject of collective bargaining under the RLA prevents its inclusion in the implementing agreement absent a showing of bad faith not here made. To so hold would require finding that the NJPA, as embodied in Section 11347 and our labor protective conditions, relieves from the obligation of bargaining under the RLA only those items not bargainable under the RLA. This would reduce to insignificance the labor management compromise that everyone agrees unlocks the door to consolidations in the public interest. See, *CARMEN*, 6 I.C.C. 2d 732-737. We conclude that the provision of the Award extending the scope of ST's crewing practices to all

^{28/} RLEA does not specifically challenge this portion of the Award. UTU specifically challenges only this portion of the Award. UTU at 1.

^{29/} As we noted in footnote 15, *SURFA*. UTU claims that prior to the lease transactions, the carriers attempted to effect an abolishment of the crew size agreements on the lessor lines. Although not a matter of record evidence, we are concerned by the assertion that GTI only sought the Commission's approval for these transactions after bargaining under the RLA on this issue stalled. UTU reply at 4. We note, first, that since this allegation was made in UTU's reply, GTI did not have an opportunity to reply to it under our rules. However, we have found that the transactions at issue were undertaken for legitimate transportation purposes and not merely as a means to circumvent RLA bargaining obligations. See *SURFA* p.23.

operations within the GTI system in the context of the total implementing agreement does not require us to vacate the Award.

e. Extension of the Harris Award
To After Hired Employees

GTI asserts that the arbitrator was without authority to determine seniority for after hired employees because they are not eligible for employee protections. However, we do not view the arbitrator's placement of after hired employees of ST on the lessor carriers' seniority rosters as the broad exercise of arbitral authority GTI suggests. We construe the provision as limited to "after hired" employees (hired after the leases but before the final implementing agreement) and not extending to "new hires" (hired after the final implementing agreement). Applying this interpretation, we view Harris as having properly exercised his discretion to resolve the conflicting seniority interests of prior rights employees and after hires in a manner which allows the transaction to be effectively implemented.

Contrary to GTI's contention, we do not believe that arbitrators acting under our conditions are barred from resolving seniority issues because some of the employees involved may not be eligible for the substantive protections of our conditions. Because of the substantial delay in adopting a final implementing agreement, there is a large number of after hired employees whose seniority status is in question. Resolution of their seniority status is of critical importance to them and to the other employees, as well as to a harmonious working environment.

Resolution of the important and contentious issue of seniority has traditionally been a principal duty of arbitrators (Carmen at 742). Furthermore, the fact that employees who are ineligible for the substantive benefits of our protective conditions are placed on a seniority roster does not make them eligible for protections. They do not thereby become "affected" employees within our conditions. Thus, at most, this aspect of the award postpones achievement of the flexibility GTI seeks to achieve by assigning employees to an ST seniority roster rather than lessor carriers' seniority rosters until an implementing agreement is in place. Given the foregoing analysis it is clear to us that GTI has failed to demonstrate that arbitrator Harris was without authority to perform this important task of resolving seniority among the employees available for service upon the effectiveness of the implementing agreement proposed. As limited to after hired employees GTI has not provided a sufficient basis for vacating or modifying the Award based on its objection to this provision.

5. The Determination of the Protective Period

a. Protective Period

The final issue before us is a determination of the period of time that the labor protections will run. The Harris Award found that the protective period runs with the effective date of the implementing agreement, or when the employee is adversely affected, whichever shall occur last. All of the parties agree with this basic formulation. However, GTI contends that the agreement is also limited to employees adversely affected and available for service. We read GTI's pleadings as agreeing with arbitrator Harris that all employees in active service (as that term is defined by Harris) on the lessor lines at the time of the lease transactions involved are entitled to a "third offer" of employment. Apparently, GTI also agrees that an employee who accepts that offer and presents himself or herself as available for service will be entitled on the basis of the terms of the

Award to up to six years of income protection from the date of acceptance.^{10/}

This formulation does not appear to exclude persons who participated in the work stoppage from protection following the effectiveness of this implementing agreement and hence comports with our previous decisions requiring that no employee be forced to give up any rights prior to the effective date of an implementing agreement. We also agree with GTI's suggestion that, to be eligible for labor protection upon acceptance of the required offer of employment, employees offered employment must be available to begin that employment. If GTI does not intend to extend full protection up to six years to employees who participated in the work stoppage, should it be successful in overturning the Quinn Award, we can address the question of the effects of such a determination upon GTI's obligations under our employee protective conditions at that time.

b. Make Whole Provisions

Rail Labor contends that the make-whole payment protection period begins when employees were adversely affected by the lease transactions and continue from the time of the adverse effect until the effective date of the implementing agreement. Additionally, Rail Labor contends that the labor protection begins after the effective date of the implementing agreement when employees are adversely affected and continues for the following six years.

The Commission previously affirmed the make-whole provisions of the Kasher Award. January 10, 1989 Decision at 6. In so doing, we expressly affirmed the make whole allowances for loss of earnings and work-related expenses as provided in the Mendocino Coast labor protection provisions. *Id.* at 7. However, we provided that although protection could be commenced from the date of adverse effect, or the date an implementing agreement was finally arrived at, whichever came first, at the election of the parties, we expressly provided that total protection would not exceed six years. Thereafter, in response to a request for clarification by rail labor, we indicated that our prior holding did not intend to eliminate the up to 75 days of make whole protection provided in the Mendocino conditions. As a result we indicated that total benefits could not exceed the up to six years provided by our Mendocino conditions for labor protection plus the up to 75 days provided for make whole allowances. *See*, January 10, 1990 Decision. Once again we reiterated that the parties could elect to have protective benefits (not just make whole payments) run from the date of adverse effect prior to the effectiveness of an implementing agreement, rather than tying the protective period to the effectiveness of an implementing agreement (or subsequent adverse effect) as provided in the conditions. *Id.* As we have noted previously, all parties have elected to commence the protective period from the effectiveness

^{10/} We understand from a letter filed with Chief Administrative Law Judge Cross in the Sub-No. 2 proceeding that based on the announcement of our decision at our voting conference on August 14, 1990, ST has already mailed out copies of Arbitrator Harris' Award and Test Period Average (TPA's) to the extent not already furnished to all employees who were in active service as defined by Harris and also sent copies of the Award to employees who were on furlough at the time of the transactions. This indicates that GTI is beginning the process leading to the extension of third offers to all employees. We are heartened by this apparent attempt to resolve the long festering problems arising out of the manner in which this series of transactions was effectuated.

of an implementing agreement, and we will not interfere with that choice.

Questions concerning the availability of benefits during the make-whole period are already being considered in a separate Commission proceeding. This second proceeding, Delaware & Hudson Ry. Co. -- Lease and Trackage Rights Exemption -- Springfield Terminal Railway Company, Finance Docket No. 30965 (Sub-No.2), is designed to formulate procedures for the payment of employee claims filed with the carrier during the period after the lease transactions but before the effective date of the implementing agreement. Thus, it is an appropriate vehicle for determining the issues surrounding the make-whole benefits.^{11/} Referring to issues surrounding make whole payments to that proceeding is especially appropriate in light of GTI's willingness to extend third offers to all active service employees, leaving the issue of benefits prior to the implementing agreement as the remaining major area of contention in these protracted proceedings.

CONCLUSIONS

We recognize that this decision may not provide a perfect solution to the parties' conflicting interests. However, in the contentious proceedings that have become Springfield Terminal, we believe that we not only are permitted to leave to the discretion of an arbitrator who is an expert in labor law the task of equitably reconciling diverse and conflicting interests, but are obligated to do so unless the Award is shown to be plainly beyond the authority reposed in the arbitrator by the Commission. In the case of the Kasher Award we found the arbitrator to have exceeded his authority by imposing each of the lessors' CRAs which defeated the purpose of the transaction by freezing in place preexisting operating practices and procedures. The principal method of achieving the benefits of improved service which we envisioned in authorizing these transactions was to achieve the operating economies and efficiencies inherent in extending the more flexible operating procedures utilized by ST uniformly throughout the entire GTI system. Thus, we would have preferred to have had Arbitrator Harris utilize the ST/UTU agreement as his starting point in arriving at an implementing agreement. But he chose not to do so, and we cannot say that he exceeded the authority we reposed in him by deciding not to, provided he has built enough flexibility and systemwide uniformity into the implementing agreement so as to permit the New England region to enjoy some of the benefits of improved service by GTI we envisioned when we authorized these transactions.

We believe this Award does so and, in the process, equitably preserves the collectively bargained rights of employees to the maximum extent possible. Although we have reviewed each of the matters appealed to assure ourselves that none raised issues of sufficient magnitude as to require vacation of the Award as a whole, we view this Award as a seamless web which must be examined in its entirety for the reasonableness and fairness of its overall effect. Cf. Permian Rate Basin Cases, *supra*; ICC v. American Trucking Associations, Inc., *supra*. Had any one element been found defective, we believe the entire Award would have had

^{11/} We committed ourselves in Mendocino to consider greater levels of protection "where the need therefor has been specifically established." 360 I.C.C. at 653. This was specifically noted by the court affirming Mendocino, and it entrusted to us the task of determining when Section 11347 "may call for more than the baseline protections we now uphold." RIEA v. United States, 675 F.2d 1248, 1256 (D.C. Cir. 1982).

to be vacated because of the inextricable interrelationships between its various components.

Based on the foregoing, we are satisfied that arbitrator Harris had jurisdiction to formulate the implementing agreement under review upon his selection by the National Mediation Board. We conclude that no party has shown that Harris exceeded the authority vested in him by the Commission pursuant to the labor conditions imposed on this proceeding or otherwise proceeded unlawfully. Nor has any party shown that any of the issues raised by the appeals, considered either individually or collectively, require us to vacate the Award. We also conclude that the Harris Award as a whole effects a reasonable and equitable accommodation of the various conflicting and competing interests necessary to permit the transaction authorized by us to be carried out. Finally, we conclude that the implementing agreement imposed in connection with the Award is responsive to the instructions given by us in the various orders entered in these proceedings and that it avoids the infirmities which prompted us to vacate a portion of the prior arbitral award. Therefore, we decline to vacate the Harris Award and we dismiss the appeals which we accepted for consideration by our order served May 22, 1990.

This action will not significantly affect either the quality of the human environment or energy conservation.

It is ordered:

1. The appeals from the March 13, 1990 Award of Robert O. Harris in this proceeding by GTI, RLEA and UTU are dismissed.
2. The implementing agreement imposed in connection with the Award is approved as the implementing agreement required by our decision of February 17, 1988.
3. GTI shall cause to be distributed to all persons in active service (as that term is defined in the Harris Award) with B&M, MEC, PT or ST, at the time the first of the lease transactions embodied within this proceeding was consummated, a copy of this decision, the Harris Award, and a calculation of the employee's TPA to the extent these materials have not already been furnished.
4. ST shall make offers of employment to all persons in active service (as defined in the Harris award) with B&M, MEC, PT or ST at the time the first of the lease transactions embodied within this proceeding was consummated.
5. The protective period as set forth in the Mendocino conditions for each employee who accepts the offer required in number 4 above and presents himself or herself for service shall commence to run from the date on which such employee commences service pursuant to the implementing agreement approved herein or the date such an employee is adversely affected, whichever occurs later.
6. Issues involving make whole protection as set forth in the Mendocino conditions and the handling of claims for the period between the date the first of the lease transactions embodied within this proceeding was consummated and the effective date of this order shall be handled in the Sub-No. 2 proceeding which is hereby expanded to encompass all such issues. A copy of this decision and order shall be filed in the Sub-No. 2 proceeding.
7. The Delaware and Hudson Railway Company (D&H), a party to the Springfield Terminal proceeding prior to its entry into

reorganization under Chapter 11 of the Bankruptcy Code, to the extent it has not heretofore been dismissed from this proceeding, is hereby dismissed for want of prosecution and, in so doing, we vacate the stay.

8. The stay upon consummation of the B&M transaction to the extent not already consummated contained in our order of October, 1987 is vacated upon GTI's agreement to abide by the provisions of this order and its notification to the Secretary of the Commission in writing that it will do so.

9. This order is effective November 4, 1990.

By the Commission, Chairman Philbin, Vice Chairman Phillips, Commissioners Simmons, Lamboley and Emmett. Commissioner Lamboley concurred in part and dissented in part with a separate expression.

(SEAL)

Sidney L. Strickland, Jr.
Secretary

COMMISSIONER AMBOLEY, concurring in part and dissenting in part:

My views regarding the exercise of arbitral authority under the labor protection conditions mandated by 49 U.S.C. §§11343-347 and Commission review thereof, have been stated at length in conjunction with the various procedural and substantive decisions entered in these proceedings, beginning with Springfield Terminal I,¹ in the Carmen cases,² as well as in other related decisions,³ and need not be reiterated here.

In review of the initial Award rendered by Arbitrator Kashner, I voted to affirm the Award in its entirety. Springfield Terminal II. Notwithstanding the possibility that the Commission itself might have differed with the arbitrator on some issues, in my view, the limited, deferential scope of arbitral review, coupled with the record then developed, constrained any efforts to impose the Commission's own views and

¹ Finance Docket No. 30965, Delaware & Hudson Ry. Co. - Lease and Trackage Rights Exemption - Springfield Terminal Ry. Co., 4 I.C.C.2d 322 (1988) (Springfield Terminal I), also Finance Docket No. 30965 (Sub-No. 1), Delaware & Hudson Ry. Co. - Lease and Trackage Rights - Springfield Terminal Ry. Co. (Review of Arbitral Award - Kashner) (non-print), served January 10, 1989, (Springfield Terminal II) and (non-print), served January 25, 1990 (Springfield Terminal VI).

² The "Carmen" styled case involved two proceedings (1) Finance Docket No. 28905 (Sub-No. 22), CSX Corp. - Control - Chessie System, Inc. and Seaboard Coast Line, Inc. and Finance Docket No. 21215 (Sub-No. 4), Seaboard Airline RR Co. - Merger - Atlantic Coast Line RR Co., 4 I.C.C.2d 641 (1988), aff'g in part rev. 1, in part, Arbitration Between Bro. Ry. Carmen and CSX Transp. Co. (John B. LaRocco, Arbitrator) and (2) Finance Docket No. 24930 NS Corp. - Control - N&W Ry. Co. and Southern Ry. Co. (non-print), served June 10, 1988 (Dispatchers) aff'g Award in Arbitration Between N&W and American Trans. Dispatchers Assn. (Robert O. Harris, arbitrator). On appeal, the Commission decisions were reversed and remanded by the D.C. Circuit in Bro. of Railway Carmen v. I.C.C. (No. 88-1724) and American Trans. Dispatchers Assn. v. I.C.C. (No. 88-1694) 880 F.2d 562 (1988) modified on remand by the Commission, served June 21, 1990. CSX Corp. - Control - Chessie Systems, Inc. and Seaboard Coast Line, Inc., 6 I.C.C.2d 715 (1990) and (non-print), served July 20, 1990.

³ See also (1) Finance Docket No. 28585 (Sub-No. 24), BN, Inc. - Control & Merger - St. Louis - San Francisco Ry. Co. - Review of Arbitral Award (non-print), served June 23, 1988 vacating Award in Arbitration Between Bro. of Loc. Engrs. and BN (Arthur Van Wart). (On appeal the Commission decision was reversed by the 8th Circuit in Bro. of Loc. Engrs. v. I.C.C., 885 F.2d 446 (1989.)) and (2) Finance Docket No. 28905 (Sub-No. 23), CSX Corp. - Control - Chessie System, Inc. and Seaboard Coast Line, Inc. (non-print), served November 6, 1989, aff'g Award in Arbitration Between CSX Transp., Inc. and American Train Dispatchers Assn. (Robert J. Ables, Arbitrator).

achieve other results in lieu of the arbitrator's decision. I continue to believe that Arbitrator Kasher's award should be affirmed.

Indeed, it is apparent that Arbitrator Harris, whose subsequent award is here under review, basically agrees with the Kasher Award. After hearings, Arbitrator Harris reports that but for the Commission's decision in Springfield Terminal II, by which he feels bound, "he too would have reconciled the competing interests involved by imposing the lessor carriers' collective bargaining agreements". Harris Award at 60.

For me, the central issues in this case remain focused on the Kasher Award and the Springfield Terminal II decision.* The Commission's refusal to affirm portions of the Kasher Award in Springfield Terminal II is ostensibly based on operational "efficiencies" and "work rule flexibilities" to be achieved by the transactions as asserted by GTI. Initially, such allegations appear metaphysical, but nonetheless prove measurable later. Arbitrator Harris finds and concludes, as a matter of fact, that the claimed "efficiencies" of GTI are, in most respects, self-serving, lacking credibility and non-exist on the record as now developed.⁶ Moreover, prior representations concerning the provisions of the UTU/ST labor agreement significantly differ from the actual implementation and present employment practices on record.⁷

At its core, the fundamental precedent for the Springfield Terminal II decision was the Commission's view of the Interstate Commerce Act (ICA), pre-emption of the Railway Labor Act (RLA), and corresponding notions that any purported operational

* Arbitrator Harris frequently refers to those decisional issues as central to his analysis. See e.g., Harris Award at 5, 43, 47, and 55-57.

⁶ Harris Award at 29, 47, 57-58.

⁷ Id at 16-25.

efficiencies and economies, as well as requisite flexibility in management prerogatives, could be achieved by displacement and/or modification of existing collective bargaining agreements (CBA's). The authority for those plenary pre-emption views was largely discredited by the D.C. Circuit's decision in the Carmen case reversing and remanding the Commission decisions to set aside CBA's in arbitral review.⁷ On remand, while acknowledging limitations on its ability to pre-empt, the Commission nonetheless, reaffirmed its basic claim pre-emptive authority under the ICA over the RLA seemingly less pervasive view of modification or displacement of CBA provisions under §11347.⁸

Because I find the issues remain joined with the Kasher Award in Springfield Terminal II, I do not here consider or evaluate the Harris Award as separate or distinct. Nor do I find it necessary to address the jurisdictional and procedural claims surrounding the Harris Award.⁹

In my judgment, the public policy grounds asserted for vacating a portion of the Kasher Award do not withstand critical scrutiny in law or fact. If anything, the Harris Award serves to confirm the propriety of the Kasher Award. It is only because of the

⁷ Bro. of Railway Carmen v. I.C.C., *supra* n. 2. (Principally dispositive was the Courts review of 49 U.S.C. §11341(a). Arguments under §11347 were remanded for reconsideration by the Commission.)

⁸ CSX Corp. - Control - Chessie System, Inc. and Seaboard Coast Line, Inc., 6 I.C.C.2d 715 (1990).

⁹ I should note however, my view that the *functus officio* principle has little relevance in remand proceedings. See Enterprise Wheel & Car Corp. v. Steelworkers 269 F.2d 327 (4th Cir. 1959) *aff'd* in pertinent part Steelworkers v. Enterprise Wheel & Car Corp. 363 U.S. 593 (1960). On review, arbitral awards are customarily corrected or clarified by remand to the arbitrator rendering the award under review. Such was the Commission's order in Springfield Terminal II.

Commission decision in Springfield Terminal II that the Harris Award exists. The causal connection and the derivative premise of Springfield Terminal II for the Harris Award require that we again focus on the Kasher Award, as convenient as it might be at this juncture to otherwise only consider the Harris Award. The rationale and results of the Springfield Terminal II decision, in my view, remain questionable and should be re-examined."³

³ Cf. Harris Award at 45.

UNION PACIFIC RAILROAD COMPANY



1416 DODGE STREET
OMAHA NEBRASKA 68179

September 18, 1996
18W-UTU

Certified Mail-Return Receipt/Hand delivered

Mr. G.A. Eickmann
General Chairman UTU
2933 SW Woodside Drive Suite F
Topeka, KS 66614

Mr. R.D. Hogan
General Chairman UTU
5050 Poplar Avenue Suite 1510
Memphis TN 38157

Mr. J. G. Pollard
General Chairman UTU
1675 Carr, Suite 200N
Denver, CO 80215-3139

Mr. J.P. Kurtz
General Chairman UTU
1675 Carr, Suite 200N
Denver, CO 80215-3139

Mr. J.K. Spear
General Chairman UTU
2870 East 3300 South, Suite 5
Salt Lake City, Utah 84109

Gentlemen:

The U.S. Department of Transportation, Surface Transportation Board (STB), approved in Finance Docket 32760 the common control and merger of the rail carriers controlled by Union Pacific Corporation (Union Pacific Railroad and Missouri Pacific Railroad), collectively referred to as "UP" and the rail carriers controlled by Southern Pacific Corporation (Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corporation, and the Denver and Rio Grande Western Railroad Company), collectively referred to as "SP". The STB in its approval of the aforesaid Finance Docket has imposed the employee protective conditions set forth in New York Dock, 360 ICC 60.

Therefore, pursuant to Section 4 of New York Dock, notice is hereby given to implement that portion of the merger transaction which is set forth in Exhibit "A", attached. As you will note from reviewing the Exhibit, this merger transaction will affect employees, work and work locations and will obviously require the consolidation of employees under a single collective bargaining agreement.

This letter and Exhibit "A" will be hand delivered during the meeting in Kansas City on September 17 and 18, 1996 and mailed to your offices and posted on all applicable TE&Y bulletin boards. I suggest we establish meeting dates at our September 17 and 18 meetings.

Yours truly,

W.S. Hinckley

W.S. Hinckley
General Director Labor Relations

Notice

TO ALL TRAIN, ENGINE AND YARD SERVICE EMPLOYEES WORKING
ON THE TERRITORIES:

UNION PACIFIC

- DENVER TO OAKLEY INCLUDING OAKLEY
- DENVER TO CHEYENNE NOT INCLUDING
CHEYENNE
- PUEBLO TO HORACE
- DENVER TERMINAL

SOUTHERN PACIFIC

- DENVER TO AND INCLUDING GRAND
JUNCTION
- GRAND JUNCTION TO MONTROSE AND OLIVER
- PUEBLO TO DALHART NOT INCLUDING
DALHART BUT INCLUDING PUEBLO, TO
SOUTH FORK, TO DOTSERO AND TO DENVER
- DENVER TERMINAL

(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL LEADS AND
STATIONS BETWEEN THE POINTS IDENTIFIED)

WHO ARE REPRESENTED BY THE
BROTHERHOOD OF LOCOMOTIVE ENGINEERS
OR THE
UNITED TRANSPORTATION UNION

The U.S. Department of Transportation, Surface Transportation Board (STB), in Finance Docket No. 32760, has approved the merger of the Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") with the Southern Pacific Transportation Company, the SPCSL, Corp., the St. Louis-Southwestern Railway Company and the Denver and Rio Grande Western Railroad Company (collectively referred to as "SP").

In order to effectuate the benefits of this merger, UP and SP operations between the points identified above including certain terminal operations, must be consolidated into a common, unified operation.

Accordingly, to effectuate this merger in the above-described territory, and pursuant to the provisions of the New York Dock Conditions, this is to serve as the ninety (90) day required notice that on or after January 1, 1997, it is the intent of the UP and SP to place the following transaction into effect:

I. Dual Point Terminal Consolidations

- A. Denver-All UP and SP operations within the greater Denver area shall be consolidated into a unified terminal operation.
- B. Pueblo-All UP and SP operations within the greater Pueblo area shall be consolidated into a unified terminal operation.

II. Dual Point Pool Consolidations

- A. Denver-All Denver-Grand Junction and Denver-Phippsburg pool operations shall be combined into one pool with Denver as the home terminal. All Denver-Cheyenne and Denver-Oakley pool operations shall be combined into one pool with Denver as the home terminal. These pools may later be combined into a single pool should a single pool provide more efficient operations.
- B. Pueblo-All Denver-Pueblo, Pueblo-Alamosa and Pueblo-Dalhart pool operations shall be combined into one pool with Pueblo as the home terminal. The Pueblo-Minturn pool shall remain separate until terminated with the cessation of service on portions of that line. The Pueblo-Horace pool shall remain separate until terminated with the abandonment of portions of that line.

III. Other Operations

- A. Grand Junction-Grand Junction-Minturn pool operations shall remain separate until terminated with the cessation of service on portions of that line. Grand Junction-Denver operations will be combined with II A above. Pool, local, road switcher and yard operations not covered in the above originating at Grand Junction shall continue as traffic volumes warrant.
- B. Minturn Helpers-Helper Service at Minturn shall remain separate until terminated with the cessation of service on portions of the line where the helpers operate.

- C. Extra Boards -At locations where there are more than one extra board, extra boards may be combined into one or more extra boards. Helper service West and South of Denver may be protected from the combination road/yard extra board at Denver. If the Carrier establishes separate extra boards for the road and yard the road extra board shall protect this service.
- D. Any pool freight, local, work train or road switcher service may be established to operate from any point to any other point within the new Seniority District.
- E. Power plants between Denver and Pueblo may be serviced by either the Pueblo-Denver pool or the Denver Extra Board or a combination thereof.

IV. Seniority Consolidation

The seniority of all employees working in the territory described above shall be consolidated into one common new seniority district. All current seniority in all crafts shall be relinquished when new seniority is established.

V. Collective Bargaining Agreements

All of the employees subject to this notice shall be covered under a single, common collective bargaining agreement including all National Agreement rules. The agreement shall be compatible with the economies and efficiencies that will benefit the public as outlined in the carrier's operating plan.

VI. Allocation of Forces

An adequate supply of forces shall be relocated to areas where additional forces are needed including to Cheyenne and/or Rawlins.

VII. Affected Employees

As a result of this transaction, Carrier estimates the following approximate number of TE&Y employees will be affected:

	Enginemen	Trainmen/yardmen
Union Pacific Eastern District	9	10
Union Pacific MPUL	28	34
Denver and Rio Grande	91	101
Total	128	145

The Carriers' STB submission identified 93 engineers and 119 trainmen as possibly affected at these locations. In accordance with the previous letters to the BLE and UTU, this notice identifies 35 additional engineers and 26 additional trainmen/yardmen that could be affected upon completion of a negotiated agreement based on the Carriers' operating plan.

UNION PACIFIC RAILROAD COMPANY

Handout 12-2-96



December 2, 1996
Amended Notice
18W-UTU

1416 DODGE STREET
OMAHA NEBRASKA 68179

Certified Mail Return Receipt Requested/Hand-Delivered

Mr. G.A. Eickmann
General Chairman UTU
2933 SW Woodside Drive
Suite F
Topeka, KS 66614

Dear Sir:

The Carrier is hereby amending the Notice 18W served pursuant to Section 4 of New York Dock on September 18, 1996, pertaining to Finance Docket 32760 and the implementation of that portion of the Union Pacific/Southern Pacific merger transaction specified in that notice. The Carrier serves notice as specified on the attached Exhibit "A" to change all references in the September 18, 1996 Notice to the location "Oakley", Kansas to "at or near Sharon Springs, Kansas" on the Union Pacific. This amended notice does not amend or alter the remaining items set forth in the original Notice served on September 18, 1996. The employee protective conditions set forth in New York Dock apply to this amended notice.

This letter and the attached Exhibit "A" will be hand delivered during meetings in Salt Lake City the week of December 2, 1996, mailed to your office and posted on all applicable TE&Y bulletin Boards.

Yours truly,

W.S. Hinckley
General Director Labor Relations

cc: AM Lankford - UTU Vice President
PC Thompson - UTU Vice President
MB Futhey - UTU Vice President

Exhibit "A"
Amended Notice
18W-UTU

AMENDED NOTICE

TO ALL TRAIN AND YARD SERVICE EMPLOYEES WORKING ON THE TERRITORY:

UNION PACIFIC - DENVER to a location at or near SHARON SPRINGS, KANSAS

(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL LEADS AND STATIONS BETWEEN THE POINTS IDENTIFIED)

WHO ARE REPRESENTED BY THE UNITED TRANSPORTATION UNION

The U.S. Department of Transportation, Surface Transportation Board ("STB") approved the merger of the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") and Southern Pacific Rail Corporation, Southern Pacific Transportation Company ("SPT"), St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp., and The Denver & Rio Grande Western Railroad Company ("DRGW") (collectively referred to as "SP") in Finance Docket No. 32760.

The Notice previously served on the United Transportation Union dated September 18, 1996, covering employees working Denver to Oakley is hereby amended, in part, to include operations between Denver, Colorado to a location at or near Sharon Springs, Kansas in lieu of operations between Denver, Colorado and Oakley, Kansas. The remaining items in the September 18, 1996 Notice have not been amended by this notice.

New York Dock protective conditions apply to this amendment.

UNION PACIFIC RAILROAD COMPANY



1416 DODGE STREET
OMAHA, NEBRASKA 68179

September 18, 1996
19W-UTU

Certified Mail-Return Receipt/Hand Delivered

Mr. G.A. Eickmann
General Chairman UTU
2933 SW Woodside Drive Suite F
Topeka, KS 66614

Mr. D.E. Johnson
General Chairman UTU
1860 El Camino Real, Suite 201
Burlingame, CA 94010

Mr. J. G. Pollard
General Chairman UTU
1675 Carr, Suite 200N
Denver, CO 80215-3139

Mr. J.P. Kurtz
General Chairman UTU
1675 Carr, Suite 200N
Denver, CO 80215-3139

Mr. J.K. Spear
General Chairman UTU
2870 East 3300 South, Suite 5
Salt Lake City, Utah 84109

Mr. J. Previsich
General Chairman
1860 El Camino Real, Suite 201
Burlingame, CA 94010

Mr. R.E. Carter
General Chairman UTU
PO Box 1333
Pocatello ID 83204

Mr. N.J. Lucas
General Chairman UTU
112 J Street Suite 202
Sacramento CA 95814

Gentlemen:

The U.S. Department of Transportation, Surface Transportation Board (STB), approved in Finance Docket 32760 the common control and merger of the rail carriers controlled by Union Pacific Corporation (Union Pacific Railroad and Missouri Pacific Railroad), collectively referred to as "UP" and the rail carriers controlled by Southern Pacific Corporation (Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corporation, and the Denver and Rio Grande Western Railroad Company), collectively referred to as "SP". The STB in its approval of the aforesaid Finance Docket has imposed the employee protective conditions set forth in New York Dock, 360 ICC 60.

Therefore, pursuant to Section 4 of New York Dock, notice is hereby given to implement that portion of the merger transaction which is set forth in Exhibit "A", attached. As you will note from reviewing the Exhibit, this merger transaction will affect employees, work and work locations and will obviously require the consolidation of employees under a single collective bargaining agreement.

This letter and Exhibit "A" will be hand delivered during the meeting in Kansas City on September 17 and 18, 1996 and mailed to your offices and posted on all applicable TE&Y bulletin boards. I suggest we establish meeting dates at our September 17 and 18 meetings.

Yours truly,

W. S. Hinckley

W.S. Hinckley
General Director Labor Relations

NOTICE

**TO ALL TRAIN, ENGINE AND YARD SERVICE EMPLOYEES WORKING
ON THE TERRITORIES:**

UNION PACIFIC

**SALT LAKE TO GREEN RIVER NOT
INCLUDING GREEN RIVER
SALT LAKE TO POCATELLO NOT
INCLUDING POCATELLO
SALT LAKE TO CALIENTE (EITHER ROUTE)
OGDEN TERMINAL INCLUDING THE OUR&D
SALT LAKE AND PROVO TERMINALS
SALT LAKE TO AND INCLUDING WINNEMUCCA**

SOUTHERN PACIFIC

**OGDEN TO AND INCLUDING WINNEMUCCA
OGDEN TERMINAL
SALT LAKE TO GRAND JUNCTION NOT
INCLUDING GRAND JUNCTION
SALT LAKE TO OGDEN
SALT LAKE AND PROVO TERMINALS**

**(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL
LEADS AND STATIONS BETWEEN THE POINTS IDENTIFIED)**

**WHO ARE REPRESENTED BY THE
BROTHERHOOD OF LOCOMOTIVE ENGINEERS
OR THE
UNITED TRANSPORTATION UNION**

The U.S. Department of Transportation, Surface Transportation Board (STB), in Finance Docket No. 32760, has approved the merger of the Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") with the Southern Pacific Transportation Company, the SPCSL, Corp., the St. Louis-Southwestern

Railway Company and the Denver and Rio Grande Western Railroad Company (collectively referred to as "SP").

In order to effectuate the benefits of this merger, UP and SP operations between the points identified above including certain terminal operations, must be consolidated into a common, unified operation.

Accordingly, to effectuate this merger in the above-described territory, and pursuant to the provisions of the New York Dock Conditions, this is to serve as the ninety (90) day required notice that on or after January 1, 1997, it is the intent of the UP and SP to place the following transaction into effect:

I. Dual Point Terminal Consolidations

- A. Salt Lake City-All UP and SP operations within the greater Salt Lake City area shall be consolidated into a unified terminal operation.
- B. Ogden-All UP and SP operations (including the OUR&D) within the greater Ogden area shall be consolidated into a unified terminal operation.
- C. Provo-All UP and SP operations within the greater Provo area shall be consolidated into a unified terminal operation.
- D. Elko-Carlin-All UP and SP operations within the greater Elko and Carlin area shall be consolidated into a unified terminal operation at Elko.

II. Dual Point Pool Consolidations

- A. Salt Lake City-Elko and Ogden-Carlin-This may operate as either two pools with Salt Lake City and Ogden as the home terminals and Elko as a single away from home terminal or one pool with the home terminal in the Salt Lake City-Ogden metro complex. At Elko all crews may operate as a single far terminal pool for the return trip to the Salt Lake City- Ogden metro complex via either route with necessary transportation back to their tie-up point.
- B. Salt Lake City-Green River/Pocatello-These two pools shall be combined into one pool with Salt Lake as the home terminal and dual destination far terminals. Ogden-Green River may operate as a separate pool or be combined with the Salt Lake City-Green River pool with crews being operated back to the Salt Lake City-Ogden metro complex with necessary transportation back to their tie-up point.

- C. Salt Lake City-Grand Junction/Helper/Milford/Provo-These four pools shall be combined into one pool with Salt Lake City as the home terminal and multiple far terminals.
- D. Helper-Provo/Grand Junction-One pool shall be created with the home terminal at Helper with dual far terminal destinations of Provo and Grand Junction.
- E. Milford-Provo/Helper-One pool shall be created with the home terminal at Milford with dual far terminals of Provo and Helper.
- F. Salt Lake City-Ogden Metro Complex-Any pool crew with a home terminal in the Salt Lake City- Ogden metro complex may receive or leave their train anywhere within the limits of the Metro Complex which shall extend from the new terminal limits of Ogden through the new Terminal limits of Salt Lake.

III. Other Operations

- A. Salt Lake City-Ogden-All UP and SP pool, local, work train and road switcher operations within the Salt Lake City- Ogden metro complex and in the vicinity thereof shall be combined into a unified operation.
- B. Salt Lake City-Provo-All UP and SP pool, local, work train and road switcher operations between Salt Lake City and Provo and in the vicinity thereof (including mine runs out of Provo) shall be combined into a unified operation.
- C. Winnemucca-Wells-All UP and SP pool, local, work train and road switcher operations at and between Winnemucca and Wells and in the vicinity thereof shall be combined into a unified operation.
- D. Extra Boards-At locations where there are more than one extra board, extra boards may be combined into one or more extra boards.
- E. Any pool freight, local, work train or road switcher service may be established to operate from any point to any other point within the new Seniority District.

IV. Seniority Consolidation

- A. The seniority of all employees working in the territory described above shall be consolidated into one common new seniority district. All current seniority in all crafts shall be relinquished when new seniority is established. The seniority district shall be divided into three zones with seniority movement between the zones limited. The three zones shall be as follows:

Zone 1: Salt Lake City and Ogden West to and including Winnemucca not including the terminals of Salt Lake City and Ogden.

Zone 2: Salt Lake City North to McCammon and Ogden East to Green River not including Green River or the road switchers, locals and yard assignments that operate in the vicinity thereof but including all operations in the Ogden and Salt Lake City Terminals.

Zone 3: Salt Lake City East, not including the Salt Lake Terminal, to but not including Grand Junction and South to Caliente via either route including the Provo terminal.

- B. Seniority movement between the Zones shall be limited to once per year unless employees are reduced from their working lists and cannot hold an assignment in their current Zone.
- C. The Salt Lake and Ogden Yard extra boards shall be included in Zone 2. The combined road extra board(s) shall not be part of any Zone and will not have limitations on moving between them and the various zones.

V. Collective Bargaining Agreement

All of the employees subject to this notice shall be covered under a single, common collective bargaining agreement including all National Agreement rules. The agreement shall be compatible with the economies and efficiencies that will benefit the public as outlined in the carrier's operating plan.

VI. Allocation of Forces

An adequate supply of forces shall be relocated from locations where assignments are abolished to locations where new assignments are established.

VII. Affected Employees

As a result of this transaction, Carrier estimates the following approximate number of TE&Y employees will be affected.

	Enginemen	Trainmen/yardmen
Union Pacific Eastern District	20	19
Union Pacific SLC North	34	60

Union Pacific SLC South	08	10
Union Pacific OUR&D	00	00
Union Pacific WP	22	21
Southern Pacific D&RGW	<u>37</u>	<u>48</u>
Total	121	158

The Carrier's STB submission identified 77 engineers and 107 trainmen/yardmen as possibly affected at these locations. In accordance with the previous letters to the BLE and UTU, this notice identifies 44 additional engineers and 51 additional trainmen/yardmen that could be affected upon completion of a negotiated agreement based on the Carrier's operating plan.

UNION PACIFIC RAILROAD COMPANY



December 2, 1996
Amended Notice
19W-UTU

1416 DODGE STREET
OMAHA NEBRASKA 68102

Certified Mail Return Receipt Requested/Hand-Delivered

Mr. R.E. Carter
General Chairman UTU
PO Box 1333
Pocatello, ID 83204

Dear Sir:

The Carrier is hereby amending the Notice 19W served pursuant to Section 4 of New York Dock on September 18, 1996, pertaining to Finance Docket 32760 and the implementation of that portion of the Union Pacific/Southern Pacific merger transaction specified in that notice. The Carrier serves notice as specified on the attached Exhibit "A" to add the territory on the Union Pacific between Caliente, Nevada and Yermo, California to the September 18, 1996 Notice. This amended notice does not amend or alter the remaining items set forth in the original Notice served on September 18, 1996. The employee protective conditions set forth in New York Dock apply to this amended notice.

This letter and the attached Exhibit "A" will be hand delivered during meetings in Salt Lake City the week of December 2, 1996, mailed to your office and posted on all applicable TE&Y bulletin Boards.

Yours truly,

A handwritten signature in dark ink, appearing to read "W.S. Hinckley". The signature is fluid and cursive, with a prominent loop at the end.

W.S. Hinckley
General Director Labor Relations

cc: AM Lankford - UTU Vice President
PC Thompson - UTU Vice President
MB Futhey - UTU Vice President

AMENDED NOTICE

TO ALL TRAIN, ENGINE AND YARD SERVICE EMPLOYEES WORKING ON THE TERRITORY:

UNION PACIFIC - CALIENTE, NEVADA to YERMO, CALIFORNIA

(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL LEADS AND STATIONS BETWEEN THE POINTS IDENTIFIED)

WHO ARE REPRESENTED BY THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS
OR THE
UNITED TRANSPORTATION UNION

The U.S. Department of Transportation, Surface Transportation Board ("STB") approved the merger of the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") and Southern Pacific Rail Corporation, Southern Pacific Transportation Company ("SPT"), St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp., and The Denver & Rio Grande Western Railroad Company ("DRGW") (collectively referred to as "SP") in Finance Docket No. 32760.

The Notice(19W-UTU-BLE) previously served on the Brotherhood of Locomotive Engineers on September 20, 1996, and served on the United Transportation Union on September 18, 1996, covering employees working in the territories specified in that Notice is hereby amended, in part, to add operations between Caliente, Nevada and Yermo, California. As a result, Section IV, Seniority Consolidation, shall be amended to provide for a fourth zone as follows:

Zone 4: Caliente to Yermo

The remaining items in the Notice 19W-UTU-BLE have not been amended by this notice.

New York Dock protective conditions apply to this amendment.

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
OMAHA NEBRASKA 68179



December 6, 1996
Amended Notice
19W-UTU-BLE

Certified Mail-Return Receipt

Mr. D.L. Stewart
General Chairman BLE
44 North Main
Layton, UT 84041

Mr. E.L. Pruitt
General Chairman BLE
38750 Paseo Padre Parkway, Suite A-7
Fremont, CA 94536

Mr. N.J. Lucas
General Chairman UTU
112 J. Street, Suite 202
Sacramento, CA 95814

Mr. D.E. Johnson
General Chairman UTU
1860 El Camino Real, Suite 201
Burlingame, CA 94010

Gentlemen:

The Carrier is hereby amending the Notice 19W-UTU-BLE served pursuant to Section 4 of New York Dock served on the UTU September 18, 1996, and served on the BLE September 20, 1996, pertaining to Finance Docket 32760 and the implementation of that portion of the Union Pacific/Southern Pacific merger transaction specified in that notice. The Carrier serves notice as specified on the attached Exhibit "A" to include operations that run west of Elko but short of Winnemucca and exclude Winnemucca from the territories listed in Notice 19W-UTU-BLE. This amended notice does not alter or amend the remaining items set forth in the original notice served on September 18 and 20, 1996. The employee protective conditions set forth in New York Dock apply to this amended notice.

This letter and the attached Exhibit "A" will be posted on all applicable TE&Y bulletin boards.

Yours truly,

A handwritten signature in dark ink, appearing to read "W.S. Hinckley". The signature is written in a cursive, flowing style.

W.S. Hinckley
General Director Labor Relations

AMENDED NOTICE

TO ALL TRAIN, ENGINE AND YARD SERVICE EMPLOYEES WORKING ON THE TERRITORY:

UNION PACIFIC - Salt Lake to but excluding Winnemucca

SOUTHERN PACIFIC - Ogden to but excluding Winnemucca

(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL LEADS AND STATIONS BETWEEN THE POINTS IDENTIFIED)

**WHO ARE REPRESENTED BY THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS
OR THE
UNITED TRANSPORTATION UNION**

In Finance Docket No. 32760, the U.S. Department of Transportation, Surface Transportation Board ("STB") approved the merger of the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to, as "Union Pacific" or "UP") with the Southern Pacific Rail Corporation, Southern Pacific Transportation Company ("SPT"), the SPCSL Corp., the St. Louis Southwestern Railway Company ("SSW"), and the Denver and Rio Grande Western Railroad Company ("DRGW") (collectively referred to as "Southern Pacific" or "SP").

The Notice (19W-UTU-BLE) previously served on the Brotherhood of Locomotive Engineers on September 20, 1996, and served on the United Transportation Union on September 18, 1996, covering employees working in the territories specified in that Notice is hereby amended, in part, to include operations that run west of Elko but short of Winnemucca and excluding Winnemucca from the territories listed in the original Notice 19W-UTU-BLE. The remaining items in the original Notice 19W-UTU-BLE have not been amended by this notice.

New York Dock protective conditions apply to this amendment.

cc: Harold Ross - BLE General Counsel
James McCoy - BLE Vice President
Don Hahs - BLE Vice President
AM Lankford - UTU Vice President
PC Thompson - UTU Vice President
MB Futhey - UTU Vice President

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
OMAHA, NEBRASKA 68102



December 6, 1996
Amended Notice
19W-UTU-BLE

Certified Mail-Return Receipt

Mr. D.L. Stewart
General Chairman BLE
44 North Main
Layton, UT 84041

Mr. E.L. Pruitt
General Chairman BLE
38750 Paseo Padre Parkway, Suite A-7
Fremont, CA 94536

Mr. N.J. Lucas
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Yours truly,

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W.S. Hinckley
General Director Labor Relations

cc: Harold Ross - BLE General Counsel
James McCoy - BLE Vice President
Don Hahs - BLE Vice President
AM Lankford - UTU Vice President
PC Thompson - UTU Vice President
MB Futhey - UTU Vice President

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UNION PACIFIC - Salt Lake to but excluding Winnemucca

SOUTHERN PACIFIC - Ogden to but excluding Winnemucca

(THE ABOVE INCLUDES ALL MAIN AND BRANCH LINES, INDUSTRIAL LEADS AND STATIONS BETWEEN THE POINTS IDENTIFIED)

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New York Dock protective conditions apply to this amendment.

HANNUA
1-9-97
10:45am

To: Thomas L. Dein, Patrick G. Kenny, Jack E. Dennis
cc:
From: Thomas L. Dein
Date: 01/06/97 03:49:54 PM
Subject: Per our AM Discussion 01/06

**SALT LAKE CITY HUB
CONDUCTOR ASSIGNMENT RATIONALIZATION**

Pool Limits	Current Pool Crews	Projected Pool Crews	Crew Difference
Ogden - Green River	8	23	+ 15
Salt Lake City - Green River	42	28	-14
Salt Lake City - Pocatello	10	08	-2
Ogden - Elko	24	38	+ 14
Salt Lake City - Elko	36	11	-25
Salt Lake City - Milford	30	31	+ 1
Salt Lake City - Grand Jct	37	07	-30
Salt Lake City - Provo	01	05	+ 04
Milford - Las Vegas	47	48	+ 1
Las Vegas - Yermo	32	34	+ 2
Elko - Valmy	01	01	0
Salt Lake City - Ogden (UP)	07	0	-07
Salt Lake City - Ogden (SP)	07	0	-07
Total Pool Adjustments	282	234	-48

Yard & Local Job Assignment Locations	Current Jobs	Projected Jobs	Difference
Grand Jct	10	4	-6
Helper	2	2	0
Provo	5	4	-1
Roper	21	24	+3
Salt Lake City North Yard	24	15	-9
Ogden	18	10	-08
Elko / Carlin	5	3	-02
Totals	85	62	-23

Assumption: Current extra boards are properly sized to protect pool, local and yard assignments.

With this assumption, and the above projected decreases in conductor assignments (-71 total) the projected decrease in extra board assignments would be 21 (71 X 30%).

Partial List of Job Creations

Pocatello	10
Rawlins	10
Cheyenne	20
Dalhart	25
El Paso SP	23
El Paso UP	25
Tuscon	65
West Colton	25

Current conductor borrow-outs - 53.

Force assignments Salt Lake City - 05

**DENVER HUB
CONDUCTOR ASSIGNMENT RATIONALIZATION**

Pool Limits	Current Pool Crews	Projected Pool Crews	Crew Difference
Denver - Cheyenne	08	11	+03
Denver - Oakley (ShrnSpg)	04	18	+14
Salina - Oakley(Shrn Spg)	04	16	+12
Denver - Phippsburg 165	08	08	0
Denver - Grand Junction	14	22	+8
Denver - Pueblo	08	10	+02
Pueblo - Minturn	16	0	-16
Grand Jct - Minturn	17	0	-17
Pueblo - Horace	20	1	-19
Horace - Hoisington	16	1	-15
Hoisington - Council Grove	16	1	-15
Pueblo - Dalhart 266	10	13	+03
Totals	141	101	-40
Yard & Local Job Assignment Locations	Current Jobs	Projected Jobs	Difference
Denver	27	20	-07
Pueblo	10	4	-06

Grand Jct (See SLC Hub)			
Cheyenne (No Change)			
Hoisington (No Change)			
Council Grove (No Change)			
Totals	37	24	-13

Assumption: Current extra boards are properly sized to protect pool, local and yard assignments.

With this assumption, and the above projected decreases in conductor assignments (101 total) the projected decrease in extra board assignments would be ~~24~~ (101 X 30%).

Partial List of Job Creations

Pocatello	10	
Rawlins	10	
Cheyenne	20	
Dalhart	25	
El Paso	SP	23
El Paso UP	25	
Tuscon	65	
West Colton	25	

Current conductor borrow-outs - 53 SP & 5 UP.

**MERGER IMPLEMENTING
AGREEMENT
(Salt Lake Hub)**

between the

**UNION PACIFIC RAILROAD COMPANY
SOUTHERN PACIFIC RAILROAD COMPANY**

and the

UNITED TRANSPORTATION UNION

In Finance Docket No. 32760, the Surface Transportation Board 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 New York Dock labor protective conditions.

In order to achieve the benefits of operational changes made possible by the transaction, to consolidate the seniority of all employees working in the territory covered by this Agreement into one common seniority district covered under a single, common collective bargaining agreement,

IT IS AGREED:

I. SALT LAKE HUB.

A new seniority district shall be created that is within the following area: DRGW mile post 446.5 at Grand Junction, UP mile post 161.02 at Yermo, UP mile post 665.0 and SP mile post 553.0 at Eiko, UP mile post 110.0 at McCammon and UP mile post 847 at Granger and all stations, branch lines, industrial leads and main line between the points identified.

II. SENIORITY AND WORK CONSOLIDATION.

The following seniority consolidation will be made:

A. A new seniority district will be formed and master Seniority Rosters-- (UP/UTU) Salt Lake Hub--will be created for the employees working as Conductors, Brakemen, Yardmen (the term yardman shall, in this agreement, refer to all yard positions

including foreman, helper, utility man, herder, switchtender and post October 31, 1985 hostlers) and Firemen in the Salt Lake Hub on November 1, 1996. (The term "trainmen" is used hereafter as a generic term to include all UTU-C,T&Y represented employees and where applicable all UTU-E represented employees) The four new rosters will be created as follows:

1. Switchmen/brakemen placed on these rosters will be dovetailed based upon the employee's current seniority date. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.
2. Conductors placed on these rosters will be dovetailed based upon the employee's actual promotion date into the craft. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.
3. All employees placed on a roster may work all assignments protected by a roster in accordance with their seniority and the provisions set forth in this agreement.
4. New employees hired and placed on the rosters subsequent to the adoption of this agreement will have no prior rights.

B. Employees assigned to the merged rosters with a seniority date prior to November 1, 1996, will be accorded primary prior rights reflecting their previous seniority areas that remain in the Hub and secondary prior rights with dovetail rights being the final determination for selection purposes to pool operations as follows:

POOL	PRIMARY	SECONDARY	DOVETAIL
SLC-MILFORD	S. CENTRAL	NONE	YES
SLC-POCATELLO	IDAHO	NONE	YES
SLC-Green River	UPED/IDAHO-ratio	NONE	YES
OG-Green River	UPED	DRGW	YES
OG-ELKO	SP	WP	YES
SLC-ELKO	WP	SP	YES
SLC-Provo/Helper/Grand Jct.	DRGW	NONE	YES
SLC-PROVO	DRGW	NONE	YES
Milford-Provo/Helper	SO. CENTRAL	DRGW	YES

Milford-Las Vegas	So. Central/Las Vegas	NONE	YES
Las Vegas-Yermo	LAS VEGAS	NONE	YES

Note 1: The Carrier does not plan Salt Lake City - Ogden pool operations and this service will be handled by an extra board or road switcher service. If sufficient extra work develops to sustain 4 or more pool turns, then a pool shall be established and pro rated on a 50/50 basis with Idaho prior right employees taking the odd numbered turns and DRGW prior right employees taking the even numbered turns.

Note 2: Salt Lake City - Helper may be combined with either the Salt Lake City - Grand Junction or the Salt Lake City - Provo pool.

Note 3: This Section does not limit the Carrier to these pool operations. New pools operated on prior rights areas will have the same primary prior rights and those that operate over two prior right areas will be manned from the dovetail roster.

Note 4: The Salt Lake City-Elko pool and the Salt Lake City-Grand Junction pool shall be single-headed operations with Salt Lake City as the home terminal. The Carrier shall give ten days written notice of the change to single headed pools if not given in the original 30 day implementation notice.

C. Yard crews will not be restricted in a terminal where they can operate but the following will govern which employees will have preference for assignments that go on duty in the following areas:

LOCATION	PRIMARY	SECONDARY	DOVETAIL
ROPER	DRGW	IDAHO	YES
SLC-NorthYard/intermodal	IDAHO	DRGW	YES
OGDEN	OURD/IDAHO	SP	YES
ELKO	WP	SP	YES
CARLIN	SP	WP	YES
PROVO	DRGW	South Central	YES
Transfer Jobs	On Duty Point	NONE	YES
LAS VEGAS	LAS VEGAS	NONE	YES

D. Road Switchers will work in a given area and may cross prior right boundaries. Employees shall have prior rights to road switchers based on the on duty points:

1. Salt Lake City - North: Idaho.
2. Salt Lake City - Provo: DRGW
3. Provo - Milford: South Central
4. Salt Lake City - Milford via Tintic: South Central
5. In other areas the prior rights of the on duty points will govern.

E. Locals that continue current operations shall be prior righted. Locals that operate over more than one prior rights area shall be prior righted based on the on duty point.

F. It is understood that certain runs home terminated in the Salt Lake Hub will have away from home terminals outside the Salt Lake Hub and that certain runs home terminated outside the Salt Lake Hub will have away from home terminals inside the Salt Lake Hub. Examples are: Salt Lake City/Ogden runs to Green River and Pocatello, and Portola/Sparks to Elko. It is not the intent of this agreement to create seniority rights that interfere with these operations or to create double headed pools. For example, Sparks will continue to be the home terminal for Sparks/Elko runs and a double headed pool will not be established.

G. All trainman vacancies within the Salt Lake Hub must be filled prior to any trainman being reduced from the working list or prior to trainman being permitted to exercise to any reserve boards.

H. With the creation of the new seniority district all previous seniority outside the Salt Lake Hub held by trainmen on the new rosters shall be eliminated and all seniority inside the Hub held by trainmen outside the Hub shall be eliminated.

I. Trainmen will be treated for vacation and payment of arbitraries as though all their service on their original railroad had been performed on the merged railroad.

J. Trainmen who have been promoted to Engine service and hold engine service seniority inside the Salt Lake Hub and working therein on November 1, 1996 shall be placed on the appropriate roster(s) using their various trainmen seniority dates. Those Engine service employees, if any, who do not have a train service date in the Salt Lake Hub shall be given one in accordance with the October 31, 1985 National Agreement. Those engine service employees who previously came from an area that was not covered by an UTU-E contract shall be placed on the dovetail UTU-E roster with their current "reserve engineer" (fireman) seniority date.

III. TERMINAL CONSOLIDATIONS.

The terminal consolidations will be implemented in accordance with the following provisions:

A. Salt Lake City/Ogden Metro Complex. A new consolidated Salt Lake City/Ogden Metro Complex will be created to include the entire area within and including the following trackage:

Ogden mile posts 989.0 UP east, 3.25 UP north and 780.21 SP west and to Salt Lake City mile posts 739.0 DRGW south and 781.17 UP west.

1. All UP and SP pool, local, work train and road switcher operations within the SLC/Ogden Metro Complex shall be operated as a single carrier operation.

2. All road crews may receive/leave their trains at any location within the boundaries of the new complex and may perform any work within those boundaries pursuant to the controlling collective bargaining agreements. The Carrier will designate the on/off duty points for road crews within the new complex with the on/off duty points having appropriate facilities for inclement weather and other facilities as currently required in the collective bargaining agreement. The on-duty points shall be the same as the off-duty points.

3. All rail lines, yards and/or sidings within the new complex will be considered as common to all crews working in, into and out of the complex. All crews will be permitted to perform all permissible road/yard moves. Interchange rules are not applicable for intra-carrier moves within the complex.

4. In addition to the consolidated complex, all UP and SP operations within the greater Salt Lake City area and all UP and SP operations (including the OUR&D) within the greater Ogden area shall be consolidated into two, separate terminal operations. The existing switching limits at Ogden will now include the former SP rail line to SP Milepost 780.21. The existing UP switching limits at Salt Lake City will now include the Roper Yard switching limits (former DRGW) to DRGW Milepost 739.0.

B. Provo. All UP and SP operations within the greater Provo area shall be consolidated into a unified terminal operation.

C. Elko/Carlin. All UP and SP operations within the greater Elko and Carlin area shall be consolidated into a unified terminal operation at Elko. Carlin will become a station enroute.

D. General Conditions for Terminal Operations.

1. Initial delay and final delay will be governed by the controlling collective bargaining agreement, including the Duplicate Pay and Final Terminal Delay provisions of the 1985 and 1991 National Awards and implementing agreements.
2. Employees will be transported to/from their trains to/from their designated on/off duty point in accordance with Article VIII, Section 1 of the October 31, 1985 National Agreement.
3. The current application of National Agreement provisions regarding road work and Hours of Service relief under the combined road/yard service zone, shall continue to apply. Yard crews at any location within the Hub may perform such service in all directions out of their terminal.

Note: Items 1 through 3 are not intended to expand or restrict existing rules.

IV. POOL OPERATIONS.

A. The following pool consolidations may be implemented to achieve efficient operations in the Salt Lake City Hub:

1. **Salt Lake City - Elko and Ogden - Elko.** These operations may be run as either two separate pools or as a combined pool with the home terminal within the Salt Lake City/Ogden metro complex. This pool service shall be subject to the following:

(a) If the pools are combined, then the former SP and WP trainmen shall have prior rights on a 40/60 basis.

(b) If separate pools, the Carrier may operate the crews at the far terminal of Elko as one pool back to the metro complex with the crew being transported by the Carrier back to its original on duty point at the end of their service trip.

(c) The Carrier must give ten days written notice of its intent to change the number of pools or to combine the pools at Elko for a single pool returning to Salt Lake City/Ogden.

(d) Since Elko will no longer be a home terminal for pool freight operations east to the metro complex a sufficient number of pool and extra board employees will be relocated to the metro complex.

2. **Salt Lake City - Green River/Pocatello and Ogden - Green River.** These operations may be run as either one, two, or three separate pools. The Carrier shall determine whether to combine any or all of the pools and shall give ten days notice of its combining of pools.

3. **Salt Lake City - Grand Junction/Helper/ Provo.** These operations may be run as either one, two, or three separate pools with the home terminal within the metro complex. The carrier must give ten days written notice of its intent to change the number of pools. If run as a combined pool(s) then prior rights to the pool(s) shall be based on the percentages that existed on the day the ten day notice is given.

4. **Helper-Grand Junction/Provo and Milford-Provo/Helper.** Each of these operations will be run as a single pool.

5. **Other Service.** Any pool freight, local, work train or road switcher service may be established to operate from any point to any other point within the new Seniority District with the on duty point within the new seniority district.

Note: All service, with on duty points at Elko, operating to Winnemucca, but not including Winnemucca, shall be operated as part of the Salt Lake City Hub.

6. The operations listed in A 1-4 above, may be implemented separately, in groups or collectively, upon ten (10) days written notice by the Carrier to the General Chairman. Implementation notices governing item (5) above, shall be governed by applicable collective bargaining agreements.

Note 1: While the Sparks-Carlin and Wendel-Carlin pools are not covered in this notice it is understood that they will operate Sparks-Elko and Wendel-Elko and will be paid actual miles when operating trains between these two points pursuant to the current collective bargaining agreements and will be further handled when merger coordinations are handled for that area.

Note 2: The Portola-Elko and Winnemucca-Elko pools shall continue to operate pursuant to the current collective bargaining agreements and will be further handled when merger coordinations are handled for that area.

B. The terms and conditions of the pool operations set forth in Section A shall be the same for all pool freight runs whether run as combined pools or separate pools. The terms and conditions are those of the designated collective bargaining agreement as modified by subsequent national agreements, awards and implementing documents and those set forth below. The basic Interdivisional Service conditions shall apply to all pool freight service. Each pool shall be paid the actual miles run for service and combination service/deadhead with a minimum of a basic day.

1. **Twenty-Five Mile Zone** - At Salt Lake City, Ogden, Elko, Milford, Grand Junction, Helper, Provo, Green River, Las Vegas, Yermo and Pocatello pool crews may receive their train up to twenty-five miles on the far side of the terminal and run on through to the scheduled terminal. Crews shall be paid an additional one-half ($\frac{1}{2}$) basic day for this service in addition to the miles run between the two terminals. If the time spent in this zone is greater than four (4) hours, then they shall be paid on a minute basis.

Example: A Salt Lake City-Milford crew receives their north bound train ten miles south of Milford but within the 25 mile zone limits and runs to Salt Lake. They shall be paid the actual miles established for the Salt Lake-Milford run and an additional one-half basic day for handling the train from the point ten (10) miles south of Milford back through Milford.

Note: Crews receiving their trains on the far side of their terminal but within the Salt Lake-Ogden complex shall be paid under this provision.

2. **Turnaround Service/Hours of Service Relief**. Except as provided in (1) above, turnaround service/hours of service relief at both home and away from home terminals shall be handled by extra boards, if available, prior to setting up other employees. Trainmen used for this service may be used for multiple trips in one tour of duty in accordance with the designated collective bargaining agreement rules. Extra boards may handle this service in all directions out of a terminal that is within the Hub.

3. Nothing in this Section B (1) and (2) prevents the use of other employees to perform work currently permitted by prevailing agreements.

C. Agreement coverage. Employees working in the Salt Lake Hub shall be governed, in addition to the provisions of this Agreement by the UP Agreement covering the Eastern District for both road and yard, including all addenda and side letter agreements pertaining to that agreement, the 1996 National Agreement applicable to Union Pacific and previous National Agreement provisions still applicable. Except as specifically provided herein, the system and national collective bargaining agreements, awards and interpretations shall prevail. None

of the provisions of these agreements are retroactive. Since the employees have not worked under a daily preference system in the yard the employees shall be governed by the regular application system for yard assignments and the daily preference system shall not apply in the Salt Lake Hub.

D. After implementation, the application process will be used to fill all vacancies in the Hub as follows:

1. Prior right vacancies must first be filled by an employee with prior rights to the vacancy who is on a reserve board prior to considering applications from employees who do not have prior rights to the assignment
2. If no prior right applications are received, then the junior dovetailed employee on a reserve board at the location who holds prior rights to the assignment will be forced to the assignment or permitted to exercise seniority to a position held by another employee.
3. If there are no prior right employees on one of the reserve boards covering the vacant prior right assignment, then the senior non prior right applicant will be assigned. If no applications are received then the most junior employee on any of the reserve boards will be recalled and will take the assignment or displace a junior employee. If there are no trainmen on any reserve boards, then the senior furloughed trainman in the Salt Lake Hub shall be recalled to the vacancy. When forcing or recalling, prior rights trainmen shall be forced or recalled to prior right assignments prior to trainmen who do not have prior rights.
4. Non prior right vacancies will be filled by the senior applicant from the dovetail roster. If no applicant then the junior employee on any reserve board in the Hub shall be recalled to the vacancy in accordance with the provisions of the UPED reserve board agreement.

V. **EXTRA BOARDS.**

A. The following extra boards may be established to protect vacancies and other extra board work in or out of the Salt Lake City/Ogden metro complex or in the vicinity thereof:

1. **Ogden** : One conductor and one brakeman/switchmen (total of two) extra boards to protect the Ogden-Green River Pool, and the Ogden-Elko Pool (if pools are operated separately), the Ogden yard assignments and all road switchers, locals and work trains between Ogden-Green River, Clearfield-McCammon and Ogden-Elko.

2. **Salt Lake North:** One conductor and one brakeman/switchmen (total of two) extra boards to protect the Salt Lake- Pocatello/Green River Pool, the Salt Lake-Elko pool, all Salt Lake Yard assignments and all road switchers, locals and work trains between Salt Lake to Wendover and Salt Lake to Clearfield except work trains may work all the way to Ogden

Note: If the Carrier operates Metro Complex pools to Pocatello/ Green River and Elko then the above extra boards will convert to two sets of extra boards with one set covering east pool freight and one covering west pool freight. The east extra boards will also cover all road switcher, locals, yard assignments and work trains at or between Salt Lake and Pocatello/Green River/Ogden with the west extra board covering these assignments between Ogden/Salt Lake and Elko.

3. **Salt Lake South:** One conductor/brakeman extra board to protect Salt Lake -Milford/Helper/Grand Junction/Provo pool(s) and all road switcher local and work train assignments in this area.

Note: The Carrier may operate more than these extra boards in the Salt Lake Metro complex. When more than these extra boards are operated the Carrier shall notify the General Chairman what area each extra board shall cover. When combining extra boards the Carrier shall give ten (10) days written notice.

B. The Carrier may establish or keep extra boards at points such as Milford, Provo, Helper, Elko, Las Vegas etc to meet the needs of service pursuant to the designated collective bargaining agreement provisions. If there are less than three yard assignments at any of these locations then the extra boards shall be conductor/brakemen/switchmen boards. If at least three yard assignments then the extra boards shall be separated into a conductor board and a brakemen/switchmen board.

C. At any location where both UP and SP/DRGW extra boards exist the Carrier may combine these boards into one board.

D. The Ogden and Salt Lake extra boards shall be filled off the dovetail roster. Extra Boards in prior right areas such as Milford, Las Vegas and Helper shall be filled using prior rights. Extra boards at the dual locations of Provo and Elko shall be filled on a 50/50 basis. At Grand Junction the extra board will be a combination east-west board.

VI. PROTECTION.

The Surface Transportation Board has stated that adversely affected employees shall be covered by New York Dock protection.

VII. IMPLEMENTATION.

A. This implements the merger of the Union Pacific and Southern Pacific railroad operations in the area covered by Notice 19W and any amended notices thereto.

In addition, the parties understand that the overall implementation is being phased in to accommodate the cut over of computer operations, dispatching, track improvements and clerical support.

B. The Carrier shall give 30 days written notice for implementation of this agreement and the number of initial positions that will be changed in the Hub. Employees whose assignments are changed shall be permitted to exercise their new seniority. After the initial implementation the 10 day provisions of the various Articles shall govern.

C. Prior to the movement to reserve boards or transfers outside the Salt Lake Hub, it will be necessary to fill all positions in the Salt Lake Hub.

D. In an effort to provide for employees to follow their work to areas outside the Salt Lake Hub, the Carrier shall advertise vacancies at locations outside the Hub for a period of one year from the implementation date, as long as a surplus of trainmen exist in the Hub, for employees to make application. The dovetail roster shall be used for determining the senior applicant. Should an insufficient number of applications be received then the junior surplus employee shall be forced to the vacancy. Employees who move by application or force shall establish new seniority and relinquish seniority in the Hub.

VIII. CREW CONSIST.

A. Upon implementation of this agreement (award) all crew consist productivity funds that cover employees in the Hub shall be frozen pending payment of the shares to the employees both inside the Hub and outside the Hub. A new productivity fund shall be created on implementation day that will cover those employees in the Salt Lake Hub and the funds that cover employees outside the Hub shall continue for the employees who remain outside the Hub. The Salt Lake Hub employees shall have no interest or share in payments made to those funds after implementation date.

B. Payments into the new productivity fund shall be made in compliance with the UPED crew consist agreement. Those employees who would have participated in the shares of the productivity funds had they originally been hired on the UPED shall be eligible to participate in the distribution of the new fund except as stated in (D) below.

C. Employees who would have been covered under the UPED special allowance provisions had they been hired originally on the UP Eastern District shall be entitled to a special allowance under those provisions except as stated in (D) below.

D. Those employees who sold their special allowances/productivity funds previously are not entitled to those payments under this agreement (award).

E. While the UPED crew consist agreement will govern this Hub the Carrier is not required to place yardmen/brakemen on any local, road switcher, yard or other assignment anywhere in the Hub that is was not required to use under the least restrictive crew consist agreement that previously existed.

IX. FAMILIARIZATION.

A. Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips in order to become familiar with the new territory. Issues concerning individual qualifications shall be handled with local operating officers. The parties recognize that different terrain and train tonnage impact the number of trips necessary and the operating officer assigned to the merger will work with the local Managers of Operating Practices and local chairmen in implementing this section.

X. FIREMEN

A. This agreement also covers firemen. Pre-October 31, 1985 firemen will only have seniority in the Salt Lake Hub and if unable to work an engineer's assignment or a mandatory firemen's/hostler psotion they shall be permitted to hold a fireman's psotion first in their prior rights area and second, using their dovetail seniority.

B. Post October 31, 1985 firemen shall continue to be restricted to mandatory assignments and if unable to hold an engine service psotion will be required to exercise their train service seniority in the Hub.

XI. HEALTH AND WELFARE

Employees not previously covered by the UPED agreement shall have 60 says to join the Union Pacific Hospital Association in accordance with that agreement.

QUESTIONS AND ANSWERS -UTU SALT LAKE HUB

Article I - SALT LAKE HUB

- Q1. Does the new seniority district change switching limits at the mile posts indicated?
- A1. No. It is the intent of this agreement to identify the new seniority territory and not to change the existing switching limits except as specifically provided elsewhere in this agreement.
- Q2. Which Hub is Grand Junction in?
- A2. For seniority purposes trainmen are in the Denver Hub, however due to the unique nature of Grand Junction being a home terminal for one Hub and away from home for another Hub, the extra board may perform service on both sides of Grand Junction.
- Q3. What Hub are the Valmy coal assignments in?
- A3. Because they are on duty at Elko and work to or short of Winnemucca, but not including Winnemucca, they are part of the Salt Lake Hub. This is also true of assignments that work out of Carlin but short of Winnemucca.

Article II - SENIORITY AND WORK CONSOLIDATION

- Q4. How long will prior rights rosters be in effect?
- A4. They will lose effect through attrition.
- Q5. Do the OUR&D rosters and agreements survive this merger?
- A5. No.
- Q6. It is the intent of Article II B note 4 to operate SLC-Elko and SLC-Grand Junction as one pool?
- A6. No, each of these pool are now double headed and it is the intent of that note to run each pool as a single headed pool and not combine them with each other.
- Q7. In Article II(G), what does it mean when it refers to protecting all trainmen vacancies within the Hub?
- A7. If a vacancy exists in the Salt Lake Hub, it must be filled by a prior rights employee prior to placing employees on reserve boards. If a non prior rights employee is working in the Salt Lake Hub then a prior rights employee must displace that person prior to prior right trainmen going to a reserve board. If a vacancy exists in a pool and a trainman is on a reserve board that

person will be recalled prior to the carrier using trainmen who do not hold reserve board rights or hiring new trainmen..

Q8. Will existing pool freight terms and conditions apply on all pool freight runs?
A8. No. The terms and conditions set forth in the controlling collective bargaining agreements and this document will govern.

Q9. What is the status of an employee who placed in the Hub after November 1, 1996 but prior to the implementation of this Award?

Q9. They shall be placed on the roster using their dovetail date but they shall not have any prior rights.

Q10. Will an employee gain or lose vacation benefits as a result of the merger?

A10. No.

Q11. When the agreement is implemented, which vacation agreement will apply?

A11. The vacation agreements used to schedule vacations for 1997 will be used for the remainder of 1997. Thereafter the Eastern District Agreement will govern.

Q12. If a local operated by a UP Idaho trainman previously went on duty at the UP North Yard now goes on duty at the Roper Yard, does it now operate over more than one seniority district or is it continuing current operations?

A12. Changes in on duty points within a terminal or the travel over other trackage in a terminal does not alone alter the "continue current operations" intent of the Agreement.

Q13. What is the status of firemen's seniority?

A13. Firemen seniority will be dovetailed in a similar manner as trainmen.

ARTICLE III - TERMINAL CONSOLIDATIONS

Q14. Are the national road/yard zones covering yard crews measured by the metro complex limits or from the switching limits where the yard assignment goes on duty?

A14. The switching limits where the yard crew goes on duty.

Q15. If crews go on duty in the Complex short of Ogden, is Ogden part of the initial terminal?

A15. No, it is an intermediate point.

ARTICLE IV - POOL OPERATIONS

Q16. If the on duty point for the Salt Lake - Green River pool is moved from North Yard to Roper Yard, will the mileage paid be increased?

- A16. Yes. The mileage will be from the center of Roper Yard to Green River.
- Q17. Can you give some examples of work currently permitted by prevailing agreements as referenced in Article IV B 3?
- A17. Yes, yard crews are currently permitted to perform hours of service relief in the road/yard zone established in the National Agreement, ID crews may perform combination deadhead service and road switchers may handle trains that are laid down in their zone.
- Q18. Because of the elimination of Elko as a home terminal for pool service what type of job assignment will the trainmen who remain at Elko protect?
- A18. The Carrier anticipates that for those trainmen who remain in this area, that based on manpower needs, the guaranteed extra board will protect extra locals, branch line work (Valmy coal), yard vacancies, short turnaround service, HOSA relief work and so forth.
- Q19. Will the Carrier change the Las Vegas-Milford pool to a single-headed pool?
- A19. No, not as a result of this merger notice. Article IX of the 1986 National Award would govern any future action.
- Q20. If a crew in the 25 mile zone is delayed in bringing the train into the original terminal so that it does not have time to go on to the far terminal, what will happen to the crew?
- A20. Except in cases of emergency, the crew will be deadheaded on to the far terminal.
- Q21. Is it the intent of this agreement to use crews beyond the 25 mile zone?
- A21. No.
- Q22. In Article IV(B), is the ½ basic day for operating in the 25 mile zone frozen and/or is it a duplicate payment/ special allowance?
- A22. No, it is subject to future wage adjustments and it is not duplicate pay/special allowance.
- Q23. How is a crew paid if they operate in the 25 mile zone?
- A23. If a pre-October 31, 1985 trainman is transported to its train 10 miles south of Milford and he takes the train to Salt Lake and the time spent is one hour south of Milford and 9 hours 17 minutes between Milford and Salt Lake with no initial or final delay earned, the employee shall be paid as follows:
- A. One-half basic day for the service South of Milford because it is less than four hours spent in that service.
 - B. The road miles between Salt Lake and Milford (207).
 - C. One hour overtime because the agreement provides for overtime after 8 hours 17 minutes on the road trip between Salt Lake and Milford. (207 miles divided by 25 = 8'17")

- Q24. Would a post October 31, 1985 trainman be paid the same?
- A24. No. The National Disputes Committee has determined that post October 31, 1985 trainmen come under the overtime rules established under the National Agreements/Awards/Implementing Agreements that were effective after that date for both pre-existing runs and subsequently established runs. As such, the post October 31, 1985 trainman would not receive the one hour overtime in C above but receive the payments in A & B.
- Q25. How will initial terminal delay be determined when performing service as outlined above?
- A25. Initial terminal delay for crews entitled to such payments will be governed by the applicable collective bargaining agreement and will not commence when the crew operates back through the on duty point. Operation back through the on duty point shall be considered as operating through an intermediate point.
- Q26. What does "at the location" mean in Article IV D 2?
- A26. This is a geographical term that forces junior employees in the general location to a vacancy rather than someone much farther away.
- Q27. Is the identification of the UP Eastern District collective bargaining agreement in Article IV(C) a result of collective bargaining or selection by the Carrier?
- A27. Since UP purchased the SP system the Carrier selected the collective bargaining agreement to cover this Hub.
- Q28. When the UP Eastern District agreement becomes effective what happens to existing claims filed under the other collective bargaining agreements that formerly existed in the Salt Lake Hub?
- A28. The existing claims shall continue to be handled in accordance with those agreements and the Railway Labor Act. No new claims shall be filed under those agreements once the time limit for filing claims has expired for events that took place prior to the implementation date.
- Q29. In Article IV(D), if no applications are received for a vacancy on a prior rights assignment, does the prior right trainman called to fill the vacancy have the right to displace a junior prior right trainman from another assignment?
- A29. Yes. That trainman has the option of exercising his/her seniority to another position held by a junior prior right employee, within the time frame specified in the controlling collective bargaining agreement, or accepting the force to the vacancy.

ARTICLE V - EXTRA BOARDS

- Q30. How many extra boards will be combined at implementation?
A30. It is unknown at this time. The Carrier will give written notice of any consolidations whether at implementation or thereafter.
- Q31. Are these guaranteed extra boards?
A31. Yes. The pay provisions and guarantee offsets and reductions will be in accordance with the existing UPED guaranteed extra board agreement.

ARTICLE VI - PROTECTION

- Q32. What is loss on sale of home for less than fair value?
A32. This refers to the loss on the value of the home that results from the Carrier implementing this merger transaction. In many locations the impact of the merger may not affect the value of a home and in some locations the merger may affect the value of a home.
- Q33. If the parties cannot agree on the loss of fair value what happens?
A33. New York Dock Article I, Section 12(d) provides for a panel of real estate appraisers to determine the value before the merger announcement and the value after the merger transaction.
- Q34. What happens if an employee sells a \$50,000 home for \$20,000 to a family member?
A34. That is not a bona fide sale and the employee would not be entitled to a New York Dock payment for the difference below the fair value.
- Q35. What is the most difficult part of New York Dock in the sale transaction?
A35. Determine the value of the home before the merger transaction. While this can be done through the use of professional appraisers, many people think their home is valued at a different amount.
- Q36. Who is required to relocate and thus eligible for the allowance?
A36. An employee who can no longer hold a position at his/her location and must relocate to hold a position as a result of the merger. This excludes employees who are borrow outs or forced to a location and released.
- Q37. Are there mileage components that govern the eligibility for an allowance?
A37. Yes, the employee must have a reporting point farther than his/her old reporting point and at least 30 miles between the current home and the new reporting point and at least 30 miles between reporting points.

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Q38. Can you give some examples?

A38. The following examples would be applicable.

Example 1: Employee A lives 80 miles north of Salt Lake and works a yard assignment at Salt Lake. As a result of the merger he/she is assigned to a road switcher with an on duty point 20 miles north of Salt Lake. Because his new reporting point is closer to his place of residence no relocation benefits are allowable.

Example 2: Employee B lives 35 miles north of Salt Lake and goes on duty at the UP yard office in Salt Lake. As a result of the merger he/she goes on duty at the SP yard office which is six miles away. No relocation benefits are allowable.

Example 3: Employee C lives in Elko and is unable to hold an assignment at that location and places on an assignment at Salt Lake. The employee meets the requirement for relocation benefits.

Example 4: Employee D lives in Salt Lake and can hold an assignment in Salt Lake but elects to place on a Road Switcher 45 miles north of Salt Lake. Because the employee can hold in Salt Lake no relocation benefits are allowable.

Q39. Are there any restrictions on routing of traffic or combining assignments after implementation?

A39. There are no restrictions on the routing of traffic in the Salt Lake Hub once the 30 day notice of implementation has lapsed. There will be a single collective bargaining agreement and limitations that currently exist in that agreement will govern (e.g. radius provisions for road switchers, road/yard moves etc.). However, none of these restrictions cover through freight routing. The combining of assignments are covered in this agreement.

Article VIII - IMPLEMENTATION

Q40. On implementation will all trainmen be contacted concerning job placement?

A40. No, the implementation process will be phased in and employees will remain on their assignments unless abolished or combined and then they may place on another assignment or on a reserve board depending on their seniority rights. The new seniority rosters will be available for use by employees who have a displacement.

Q41. How will the new extra boards be created?

A41. When the Carrier gives notice that the current extra boards are being abolished and new ones created in accordance with the merger agreement, the Carrier will advise the number of assignments for each extra board and the effective date for the new extra board. The trainmen will have at least ten days to make application to the new extra board and the Jovetail roster

will be used for assignment to the Board. It is anticipated that the extra boards will have additional trainmen added at first to help with the familiarization process.

Q42. Will the Carrier transfer all surplus employees out of the Hub?

A42. No. The Carrier will retain some surplus to meet anticipated attrition and growth, however, the number will be determined by the Carrier.

Q43. When will reserve boards be established and under what conditions will they be governed?

A43. When reserve boards are established they will be governed by the current reserve board agreement covering the UP Eastern District.

GENERAL

Q44. Do the listing of mileposts in Article I mean that those are the limits that employees may work?

A44. No, the mile posts reflect a seniority district and in some cases assignments that go on duty in the new seniority district will have away from home terminals outside the seniority district which is common in many interdivisional runs.

Q45. If the milepost is on the east end of Yermo can the crew perform any work in the station of Yermo west of the mile post?

A45. Yes, Yermo is the away from home terminal and the crew may perform any work that is permissible under the Eastern District collective bargaining agreement as the crew does now under its current agreement. If a yard assignment is established it will not be filled by employees from the Salt Lake Hub

Q46. Will all pool freight be governed by the same rules?

A46. Yes, all pool freight will be governed by the UPED interdivisional rules, such as but not limited to, initial terminal delay, overtime, \$1.50 in lieu of eating en route.

Q47. Will all employees be paid the same?

A47. No, the current rules differ between pre and post October 31, 1985 employees with regards to such items as entry rates, duplicate payments and overtime. Since those are part of the National Agreements that supersede local rules they will continue to apply as they have applied on the UPED prior to the merger.

Q48. What will the miles paid be for the runs?

A48. Actual miles between terminals with a minimum of a basic day as determined by the National Agreement.

**MERGER IMPLEMENTING AGREEMENT
(Denver Hub)**

between the

**UNION PACIFIC/MISSOURI PACIFIC RAILROAD COMPANY
SOUTHERN PACIFIC TRANSPORTATION COMPANY**

and the

UNITED TRANSPORTATION UNION

In Finance Docket No. 32760, the U.S. Department of Transportation, Surface Transportation Board ("STB") approved the merger of the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") and Southern Pacific Rail Corporation, Southern Pacific Transportation Company ("SP"), St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp., and The Denver & Rio Grande Western Railroad Company ("DRGW") (collectively referred to as "SP"). In approving this transaction, the STB imposed New York Dock labor protective conditions.

In order to achieve the benefits of operational changes made possible by the transaction, to consolidate the seniority of all employees working in the territory covered by this Agreement into one common seniority district covered under a single, common collective bargaining agreement,

IT IS AGREED:

I. Denver Hub

A new seniority district shall be created that encompasses the following area: UP milepost 429.7 at Sharon Springs, Kansas; UP milepost 511.0 at Cheyenne, Wyoming; DRGW milepost 451.7 at Grand Junction, Colorado and milepost 251.7 at Alamosa, Colorado; SSW milepost 545.4 at Dalhart, Texas and UP milepost 732.1 at Horace, Kansas and all stations, branch lines, industrial leads and main line between the points identified.

II. Seniority and Work Consolidation.

The following seniority consolidations will be made:

A. A new seniority district will be formed and master Seniority Rosters, UP/UTU Denver Hub, will be created for the employees working as Conductors, Brakemen, yardmen (the term yardman shall, in this agreement, refer to all yard positions including foreman, helper, utility man, herder and switch tender) and Firemen in the Denver Hub on November

1, 1996. (The term "trainmen" is used hereafter as a generic term to include all UTU-C,T&Y represented employees and where applicable all UTU-E represented employees). The four new rosters will be created as follows:

1. Switchmen/brakemen placed on these rosters will be dovetailed based upon the employee's current seniority date. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.
2. Conductors placed on these rosters will be dovetailed based upon the employee's actual promotion date into the craft. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.

Prior Rights to Zones, Example (assumes only has 5 people on roster):

Name	Roster Ranking	Zone 1 (Denver Terminal, Denver-Axial/Bond to Sharon Springs/Cheyenne excluding Sharon Springs & Cheyenne yard/local/road switchers, Pueblo-Horace) [UPED,MPUL Pueblo roster,DRGW]	Zone 2 (Grand Junction/Denver/Bond/Montrose/Oliver/Mintum) [DRGW]	Zone 3 (Pueblo-Denver/S.Fork/Mintum to Dalhart, excluding Dalhart) [DRGW]
JONES, A.	#1	X		
SMITH, B.	#2	X		
ADAMS, C.	#3			X
BAILEY, D.	#4		X	
GREEN, E.	#5			X

3. All employees placed on the roster may work all assignments protected by the roster in accordance with their seniority and the provisions set forth in this Agreement.

4. New employees hired and placed on the new rosters on or after November 1, 1996, will have no prior rights but will have roster seniority rights in accordance with the zone and extra board provisions set forth in this Agreement.

B. The new UP/UTU seniority districts will be divided into the following three (3) Zones:

1. **Zone 1** will include Denver east to but not including Sharon Springs and the Oakley extra board, Denver north to but not including Cheyenne, Denver west to and including Bond and Axial, Pueblo east to Horace, and all road and yard

operations within the Denver Terminal including any road switchers at Colorado Springs.

Note: The Oakley extra board is part of the Denver Hub and assignments at Oakley will be filled by the Denver Hub. The reference to Sharon Springs is for pool freight service and the work normally protected by the oakley extra board shall continue as part of the Denver Hub.

2. **Zone 2** will include Grand Junction to Denver (long pool only), Grand Junction to Montrose, Oliver, Minturn (not including Minturn helper service) and Bond and yard assignments.

3. **Zone 3** will include Pueblo to Denver, South Fork, Minturn and to Dalhart not including Dalhart, but including Minturn helper service and yard assignments.

4. Road, road/yard or yard extra boards will not be part of any zone if they cover assignments in more than one zone. Extra boards that cover assignments in only one zone will be governed by zone rules and the current rules of the collective bargaining agreement for this Hub.

C. Trainmen initially assigned to the new rosters will be accorded prior rights to one of the three zones based on the following:

1. **Zone 1** -Trainmen assigned to rosters on the former Union Pacific Eastern District 12th District, MPUL Pueblo trainmen and DRGW employees working positions within the points specified for this Zone on November 1, 1996.

2. **Zone 2** -Trainmen assigned to rosters on the former DRGW, working positions within the points specified for this Zone on November 1, 1996.

3. **Zone 3** -Trainmen assigned to rosters on the former DRGW, working positions within the points specified for this Zone on November 1, 1996.

D. Trainmen hired and assigned to the merged roster after implementation shall be assigned to a zone, but without prior rights, based on the Carrier's determination of the demands of service at that time in the Denver Hub.

E. The purpose of creating zones is twofold: First it is to provide seniority in an area that an employee had some seniority prior to the merger, or contributed some work after the merger, unless that trackage is abandoned, and thus preference to some of their prior work over employees in other zones; Second to provide a defined area of trackage and train operations that an employee can become familiar so as not to be daily covering a multitude of different sections of track. As such the following will govern:

1. Trainmen will be allowed to make application for an assignment in a different zone as vacancies arise. If reduced from the working list in their zone, trainmen may exercise their common seniority in the remaining two zones.

2. Trainmen may not hold a reserve board outside their zone. The current collective bargaining agreement is amended to provide for a reserve board for each zone.

3. Trainmen with a seniority date prior to February 1, 1992 shall be permitted to hold a reserve board in their zone. Trainmen holding a seniority date subsequent to February 1, 1992 must be displaced prior to employees being permitted to hold a reserve board position.

F. It is understood that certain runs home terminated in the Denver Hub will have away from home terminals outside the Hub and that certain runs home terminated outside the Hub will have away from home terminals inside the Hub. Examples are Denver to Cheyenne and Pueblo to Dalhart. It is not the intent of this agreement to create seniority rights that interfere with these operations or to create double headed pools. For example, Denver will continue to be the home terminal for Denver-Cheyenne runs and Cheyenne will not have equity in these runs. The Denver-Rawlins run currently has no employees assigned to it. If this operation is reestablished at a later date the current Denver-Rawlins pool agreement will continue to apply with Denver as the home terminal.

G. All vacancies within the zones must be filled prior to any trainmen being reduced from the working list or prior to trainmen being permitted to exercise to any reserve board.

H. With the creation of the new seniority district all previous seniority outside the Denver Hub held by trainmen on the new rosters shall be eliminated and all seniority inside the Hub held by trainmen outside the Hub shall be eliminated.

I. Trainmen will be treated for vacation and payment of arbitraries as though all their service on their original railroad had been performed on the merged railroad.

J. Trainmen who have been promoted to Engine service and hold engine service seniority inside the Denver Hub and working therein on November 1, 1996, shall be placed on the appropriate roster(s) using their various trainmen seniority dates. Those Engine service employees, if any, who do not have a train service date in the Denver Hub shall be given one in accordance with the October 31, 1985 UTU National Agreement.

III. Terminal Consolidations

The following terminal consolidations will be implemented in accordance with the following provisions:

A. Denver Terminal

1. The existing switching limits at Denver will now include Denver Union Terminal north to and including M.P. 6.24 and M.P. 6.43 on the Dent Branch, south to and including M.P. 5.1, east to and including M.P. 635.10, and west to and including M.P. 7.5. Yard crews currently perform service on the Boulder Branch and they may continue to do so after implementation of this agreement in accordance with existing agreements.

Note: The intent of this section is to combine the two Carrier's facilities into a common terminal and not to extend the switching limits beyond the current established points.

2. All UP and SP operations within the greater Denver area shall be consolidated into a unified terminal operation.

3. All road crews may receive/leave their trains at any location within the boundaries of the new Denver terminal and may perform work anywhere within those boundaries pursuant to the applicable collective bargaining agreements. The Carrier will designate the on/off duty points for road crews with the on/off duty points having appropriate facilities for inclement weather and other facilities as currently required in the collective bargaining agreement.

4. All rail lines, yards, and/or sidings within the new Denver terminal will be considered as common to all crews working in, into and out of Denver. All crews will be permitted to perform all permissible road/yard moves pursuant to the applicable collective bargaining agreements. Interchange rules are not applicable for intra-carrier moves.

B. General Conditions for Terminal Operations

1. Initial delay and final delay will be governed by the controlling collective bargaining agreement, including the Duplicate Pay and Final Terminal Delay provisions of the 1985 and 1991 National Awards and implementing agreements.

2. Employees will be transported to/from their trains to/from their designated on/off duty point in accordance with Article VIII, Section 1 of the October 31, 1996 National Agreement.

3. The current application of National Agreement provisions regarding road work and Hours of Service relief under the combined road/yard service zone, shall continue to apply. Yard crews at Denver, Grand Junction and Pueblo may perform such service in all directions out of the terminal.

Note: Items 1 through 3 are not intended to expand or restrict existing rules

IV. Pool Operations.

A. The following pool consolidations may be implemented to achieve efficient operations in the Denver Hub:

1. All Grand Junction-Denver/Bond and Grand Junction-Minturn pool operations shall be combined into one pool with Grand Junction as the home terminal. Denver may have one, two or three pools, Denver-Phippsburg/Bond, Denver-Cheyenne, and Denver-Sharon Springs with the Carrier determining whether to combine the pools. Short pool operations when run shall be between Grand Junction-Bond and Denver-Bond.

2. All Pueblo-Denver and Pueblo-Dalhart pool operations shall be combined into one pool with Pueblo as the home terminal. The Pueblo-Alamosa local shall remain separate but Pueblo-Alamosa traffic may be combined with the Pueblo-Dalhart and Pueblo-Denver pool if future traffic increases result in pool operations. The Pueblo-Minturn pool shall remain separate until the number of pool turns drops below ten (10) due to the cessation of service on portions of that line, at that time, the Carrier may combine it with the remaining Pueblo pool. The Pueblo-Horace pool shall remain separate until terminated with the abandonment of portions of that line. The tri-weekly local provisions shall apply until abandonment of any portion of the line east of Pueblo where Pueblo crews now operate.

3. Pool, local, road switcher and yard operations not covered in the above originating at Grand Junction shall continue as traffic volumes warrant.

4. Helper service at Minturn shall remain separate until terminated with the cessation of service on portions of the line where the helpers operate.

5. Any pool freight, local, work train or road switcher service may be established to operate from any point to any other point within the new Seniority District with the on duty point within one of the zones.

6. The operations listed in A 1-4 above, may be implemented separately, in groups or collectively upon ten (10) days written notice from the Carrier to the General Chairman. Implementation notices covering item (5) above, shall be governed by applicable collective bargaining agreements.

7. Power plants between Denver and Pueblo may be serviced by either Pueblo-Denver pool or the Denver Extra board or a combination thereof. The Denver extra board shall be used first and if exhausted, the pool crew will be used and deadheaded home after completion of service.

B. The terms and conditions of the pool operations set forth in Section A shall be the same for all pool freight runs whether run as combined pools or separate pools. The terms and conditions are those of the designated collective bargaining agreement as modified by subsequent national agreements, awards and implementing documents and those set forth below. The basic Interdivisional Service conditions shall apply to all pool freight service. Each pool shall be paid the actual miles run for service and combination service/deadhead with a minimum of a basic day.

1. **Twenty-Five mile Zone** - At Grand Junction, Pueblo, Sharon Springs, Denver, Cheyenne and Dalhart, pool crews may receive their train up to twenty-five miles on the far side of the terminal and run on through to the scheduled terminal. Crews shall be paid an additional one-half (½) basic day for this service in addition to the miles run between the two terminals. If the time spent in this zone is greater than four (4) hours then they shall be paid on a minute basis.

Example: A Pueblo-Denver crew receives their north bound train ten miles south of the Pueblo terminal but within the 25 mile terminal zone limits and runs to Denver. They shall be paid the actual miles established for the Pueblo-Denver run and an additional one-half basic day for handling the train from the point ten (10) miles south of the Pueblo terminal.

2. **Turnaround Service/Hours of Service Relief** - Except as provided in (1) above, turnaround service and Hours of Service Relief at both home and away from home terminals shall be handled by extra boards, if available, prior to setting up other employees. Trainmen used for this service may be used for multiple trips in one tour of duty in accordance with the designated collective bargaining agreement rules. Extra boards may perform this service in all directions out of their home terminal within the Hub.

Note: Due to qualification issues at Minturn the pool crews will continue to perform Hours of Service relief at this location.

3. Nothing in this Section B (1) and (2) prevents the use of other trainmen to perform work currently permitted by prevailing agreements.,

C. Agreement Coverage - Employees working in the Denver Hub shall be governed, in addition to the provisions of this Agreement, by the Agreement between the Union Pacific Railroad Company and the UTU Union Pacific Eastern District, both road and yard, including all addenda and side letter agreements pertaining to that agreement, the 1996 National Agreement applicable to Union Pacific and previous National Agreement/Award/Implementing Document provisions still applicable. Except as specifically provided herein, the system and national collective bargaining agreements, awards and interpretations shall prevail. None of the provisions of these agreements are retroactive. Since most of the employees have not worked under a daily preference system in the yard the employees shall be governed by the regular application system for yard assignments and the daily preference system shall not apply in the Denver Hub.

D. After implementation, the application process will be used to fill all vacancies in the Hub as follows:

1. Prior right vacancies must first be filled by an employee with prior rights to the vacancy who is on a reserve board prior to considering applications from employees who do not have prior rights to the assignment including those in other zones within the Denver Hub. A reserve board employee will be recalled prior to considering applications from employees who do not have prior rights to the assignment.
2. If there are no prior right employees on the reserve board covering the vacant prior right assignment then the senior applicant without prior rights to the vacancy will be assigned. If no applications are received then the most junior employee on any of the other reserve boards will be recalled and will take the assignment or displace a junior employee. If there are no trainmen on any reserve board, then the senior furloughed trainman in the Denver Hub shall be recalled to the vacancy. When forcing or recalling, prior rights trainmen shall be forced or recalled to prior right assignments prior to trainmen who do not have prior rights.
3. Non prior right vacancies will be filled by the senior applicant from the dovetail roster. If no applicant then the junior employee on any reserve board in the Hub shall be recalled to the vacancy in accordance with the provisions of the UPED reserve board agreement.

V. EXTRA BOARDS

A. The following road/yard extra boards may be established to protect trainmen assignments as follows:

1. **Denver** - One conductor and one brakeman/switchman (total of 2) extra boards to protect the Denver-Cheyenne, Denver-Sharon Springs and Denver-Phippsburg and Denver-Bond pools, the Denver yard assignments and all road switchers, locals and work trains originating within these territories and extra service to any power plant and other extra board work.

2. **Pueblo** - One conductor and one brakeman/switchman (total of 2) extra boards to protect the Pueblo-Denver, Pueblo- Alamosa, Pueblo-Minturn and Pueblo-Dalhart pool operations, Pueblo Yard assignments and all road switchers, locals and work trains and other extra board work originating within the these territories. The MPUL extra board shall remain separate and shall be phased out with the Pueblo-Horace pool operations.

3. **Grand Junction** - One conductor and one brakeman/switchman (total of 2) extra boards to protect Grand Junction-Denver, Grand Junction-Bond and Grand Junction-Minturn pool(s), Grand Junction yard, road switcher, local and work train assignments and other extra board work originating within these territories. Since the extra board at Grand Junction is at a point joining two hubs, it may protect work up to but not including Helper, Utah.

Note: At each of the above locations the Carrier may operate more than these extra boards. When more than these extra board is operated the Carrier shall notify the General Chairman what area each extra board shall cover. When combining extra boards the Carrier shall give ten (10) days written notice.

B. The Carrier may establish extra boards at outside points to meet the needs of service pursuant to the designated collective bargaining agreement provisions. Extra boards at outside points such as Phippsburg may continue.

C. At any location where both UP and DRGW extra boards exist the Carrier may combine these boards into one board. If at any location there are less than three yard assignments then the extra boards referred to in A, B or C above shall be combined into a single Conductor/brakemen/switchmen extra board.

VI. PROTECTION

The Surface Transportation Board has stated that adversely affected employees shall be covered by New York Dock protection.

VII. HEALTH AND WELFARE

Employees not previously covered by the UPED agreement shall have 60 days to join the Union Pacific Hospital Association in accordance with that agreement.

VIII. IMPLEMENTATION

A. The Parties have entered into this agreement to implement the merger of the Union Pacific Railroad and Southern Pacific Railroad operations in the area covered by Notice 18W and any amended notices thereto.

In addition, the Parties understand that the overall operational implementation is being phased in to accommodate the cut over of computer operations, dispatching, track improvements and clerical support.

B. The Carrier shall give thirty (30) days written notice for implementation of this agreement and the number of initial positions that will be changed in the Hub. Employees whose assignments are changed shall be permitted to exercise their new seniority. After the initial implementation the 10 day provisions of Article IV(A)(6) and Article V(A) (note) shall govern.

C. Prior to movement to reserve boards or transfers outside the Hub, it will be necessary to fill all positions in the Denver Hub..

D. In an effort to provide for employees to follow their work to areas outside the Denver Hub, the Carrier shall advertise vacancies at locations outside the Hub for a period of one year from the implementation date, as long as a surplus of trainmen exist in the Hub, for employees to make application. The dovetail roster shall be used for determining the senior applicant. Should an insufficient number of applications be received then the junior surplus employee shall be forced to the vacancy. Employees who move by application or force shall establish new seniority and relinquish seniority in the Hub.

IX. CREW CONSIST.

A. Upon implementation of this agreement (award) all crew consist productivity funds that cover employees in the Hub shall be frozen pending payment of the shares to the employees both inside the Hub and outside the Hub. A new productivity fund shall be created on implementation day that will cover those employees in the Denver Hub and the funds that cover employees outside the Hub shall continue for the employees who remain outside the Hub. The Denver Hub employees shall have no interest or share in payments made to those funds after implementation date.

B. Payments into the new productivity fund shall be made in compliance with the UPED crew consist agreement. Those employees who would have participated in the shares of the productivity funds had they originally been hired on the UP Eastern District shall be eligible to participate in the distribution of the new fund except as stated in (D) below.

C. Employees who would have been covered under the UPED special allowance provisions had they been hired originally on the UP Eastern District shall be entitled to a special allowance under those provisions except as stated in (D) below.

D. Those employees who sold their special allowances/productivity funds previously are not entitled to those payments under this agreement (award).

E. While the UPED crew consist agreement will govern this Hub the Carrier is not required to place yardmen/brakemen on any local, road switcher, yard or other assignment anywhere in the Hub that is was not required to use under the least restrictive crew consist agreement that previously existed in either the Salt Lake or Denver Hub.

X. Familiarization

A. Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips in order to become familiar with the new territory. Issues concerning individual qualifications shall be handled with local operating officers. The parties recognize that different terrain and train tonnage impact the number of trips necessary and the operating officer assigned to the merger will work with the local Managers of operating practices and local chairmen in implementing this section.

XI. Firemen.

A. This agreement also covers firemen. Pre-October 31, 1985 firemen will only have seniority in the Denver Hub and if unable to work an engineer's assignment or a mandatory firemen's/hostler position they shall be permitted to hold a fireman's position first in their prior rights zone and second, using their dovetail seniority.

B. Post October 31, 1985 firemen shall continue to be restricted to mandatory assignments and if unable to hold an engine service position will be required to exercise their train service seniority in the Hub.

QUESTIONS & ANSWERS -UTU DENVER HUB

Article I - DENVER HUB

- Q1. Does the new seniority district change terminal limits at the mile posts indicated?
- A1. No. It is the intent of this agreement to identify the new seniority territory and not to change the existing terminal limits except as specifically provided elsewhere in this agreement.
- Q2. Which Hub is Grand Junction in?
- A2. For seniority purposes trainmen are in the Denver Hub, however due to the unique nature of Grand Junction being a home terminal for one Hub and away from home for another Hub, the extra board may perform service on both sides of Grand Junction.

Article II - SENIORITY AND WORK CONSOLIDATION

- Q3. What is the status of an employee who placed in the Hub after November 1, 1996 but prior to the implementation of this Award?
- A3. They shall be placed on the roster using their dovetail date but they shall not have any prior rights.
- Q4. What happens if employees still have the same seniority date based on the current hire date?
- A4. The UPED agreement has a provision for determining the seniority date under these conditions and that agreement will govern.
- Q5. Why do the zones appear to overlap?
- A5. Zones indicate a given area depending on the on duty point of an assignment. For example, for long pool service, Grand Junction is the proper zone for Grand Junction- Denver service. For short pool service Grand Junction is the zone for going to Bond and Denver is the proper zone for going Denver-Bond.
- Q6. In Article II(G), what does it mean when it refers to protecting all vacancies within a zone?
- A6. If a vacancy exists in a zone, it must be filled by a prior rights employee prior to placing employees on reserve boards. If a non prior rights employee is working in a zone then a prior rights employee must displace that person prior to going to a reserve board. If a vacancy exists in one zone and an employee in another zone is on a reserve board that person will be recalled prior to the Carrier hiring additional trainmen.

- Q7. Will existing pool freight terms and conditions apply on all pool freight runs?
 A7. No. The terms and conditions set forth in the controlling collective bargaining agreement and this document will govern.
- Q8. Will an employee gain or lose vacation benefits as a result of the merger?
 A8. No.
- Q9. When the agreement is implemented, which vacation agreement will apply?
 A9. The vacation agreements used to schedule vacations for 1997 will be used for the remainder of 1997. Thereafter the UPED agreement will govern.
- Q10. What is the status of firemen's seniority?
 A10. Firemen seniority will be dovetailed in a similar manner as trainmen.

Article III - TERMINAL CONSOLIDATIONS

- Q11. If a yard job goes on duty in the previous UP yard what are the switching limits for performing work in the road/yard zone west of Denver?
 A11. DRGW M.P. 7.5 will be used for all yard crews on duty in Denver.

Article IV - POOL OPERATIONS

- Q12. If the on duty point for the Denver-Cheyenne pool is moved from Denver Union Terminal to the DRGW Yard, will the mileage paid be increased?
 A12. Yes. The mileage will be from the center of DRGW Yard to Cheyenne.
- Q13. In Article IV A 6 how would other operations be established?
 A13. The controlling collective bargaining agreements would govern. For example ID service would be covered under Article IX of the 1985 National Agreement, road switchers can be established at any location under the local road switcher agreement.
- Q14. In Article IV(B) Section 3 provides that the Carrier has the right to perform work currently permitted by other agreements, can you give some examples?
 A14. Yes, yard crews are currently permitted to perform hours of service relief in the road/yard zone established in the National Agreement, ID crews may perform combination deadhead/service and road switchers may handle trains that are laid down in their zone.
- Q15. If a crew in the 25 mile zone is delayed in bringing the train into the original terminal so that it does not have time to go on to the far terminal, what will happen to the crew?
 A15. Except in cases of emergency, the crew will be deadheaded on to the far terminal.

- Q16. Is it the intent of this agreement to use crews beyond the 25 mile zone?
A16. No.
- Q17. In Article IV(B), is the ½ basic day for operating in the 25 mile zone frozen and/or is it a duplicate payment/special allowance?
A17. No, it is subject to future wage adjustments and it is not duplicate pay/special allowance.
- Q18. How is a crew paid if they operate in the 25 mile zone?
A18. If a pre-October 31, 1985 trainman is transported to its train 10 miles east of Sharon Springs and he takes the train to Denver and the time spent is one hour east of Sharon Springs and 9 hours 24 minutes between Sharon Springs and Denver with no initial or final delay earned, the employee shall be paid as follows:
- A. One-half basic day for the service east of Sharon Springs because it is less than four hours spent in that service.
 - B. The road miles between Sharon Springs and Denver.
 - C. One hour overtime because the agreement provides for overtime after 8 hours 24 minutes on the road trip between Sharon Springs and Denver. (210 miles divided by 25 = 8'24")
- Q19. Would a post October 31, 1985 trainman be paid the same?
A19. No. The National Disputes Committee has determined that post October 31, 1985 trainmen come under the overtime rules established under the National Agreements/Awards/Implementing Agreements that were effective after that date for both pre-existing runs and subsequently established runs. As such, the post October 31, 1985 trainman would not receive the one hour overtime in C above but receive the payments in A & B.
- Q20. How will initial terminal delay be determined when operating in the Zone?
A20. Initial terminal delay for crews entitled to such payments will be governed by the applicable collective bargaining agreement and will not commence when the crew operates back through the on duty point. Operation back through the on duty point shall be considered as operating through an intermediate point.
- Q21. When the UPED agreement becomes effective what happens to existing DRGW/MPUL claims?
A21. The existing claims shall continue to be handled in accordance with the DRGW/MPUL Agreements and the Railway Labor Act. No new claims shall be filed under that agreement once the time limit for filing claims has expired.
- Q22. Is the identification of the UPED collective bargaining agreement in Article IV© a result of collective bargaining or selection by the Carrier?
A22. Since UP purchased the SP system the Carrier selected the collective bargaining agreement to cover this Hub.

- Q23. In Article IV (D), if no applications are received for a vacancy on a prior rights assignment, does the prior right trainman called to fill the vacancy have the right to displace a junior trainman from another assignment?
- A23. Yes. That trainman has the option of exercising his/her seniority to another position held by a junior employee, within the time frame specified in the controlling collective bargaining agreement, or accepting the force to the vacancy.

Article V - EXTRA BOARDS

- Q24. How many extra boards will be combined at implementation?
- A24. It is unknown at this time. The Carrier will give written notice of any consolidations whether at implementation or thereafter.
- Q25. Are these guaranteed extra boards?
- A25. Yes. The pay provisions and guarantee offsets and reductions will be in accordance with the existing UPED guaranteed extra board agreement.

ARTICLE VI - PROTECTION

- Q26. What is loss on sale of home for less than fair value?
- A26. This refers to the loss on the value of the home that results from the carrier implementing this merger transaction. In many locations the impact of the merger may not affect the value of a home and in some locations the merger may affect the value of a home.
- Q27. If the parties cannot agree on the loss of fair value what happens?
- A27. New York Dock Article I Section 12 (d) provides for a panel of real estate appraisers to determine the value before the merger announcement and the value after the merger transaction.
- Q28. What happens if an employee sells a \$50,000 home for \$20,000 to a family member?
- A28. That is not a bona fide sale and the employee would not be entitled to a New York Dock payment for the difference below the fair value.
- Q29. What is the most difficult part of New York Dock in the sale transaction?
- A29. Determine the value of the home before the merger transaction. While this can be done through the use of professional appraisers, many people think their home is valued at a different amount.
- Q30. Who is required to relocate and is thus eligible for the New York Dock benefit?
- A30. An employee who can no longer hold a position at his/her location and must relocate to hold a position as a result of the merger. This excludes employees who are borrow outs or forced to a location and released.

- Q31. Are there mileage components that govern the eligibility for an allowance?
A31. Yes, the employee must have a reporting point farther than his/her old reporting point and at least 30 miles between the current home and the new reporting point and at least 30 miles between reporting points.
- Q32. Can you give some examples?
A32. The following examples would be applicable.

Example 1: Employee A lives 80 miles north of Denver and works a yard assignment at Denver. As a result of the merger he/she is assigned to a road switcher with an on duty point 20 miles north of Denver. Because his new reporting point is closer to his place of residence no relocation benefits are allowable.

Example 2: Employee B lives 35 miles north of Denver and goes on duty at the UP yard office in Denver. As a result of the merger he/she goes on duty at the DRGW yard office which is four miles away. No relocation benefits are allowable.

Example 3: Employee C lives in Pueblo and is unable to hold an assignment at that location and is placed in Zone 1, where a shortage exists, and places on an assignment at Denver. The employee meets the requirement for relocations benefits.

Example 4. Employee D lives in Denver and can hold an assignment in Denver but elects to place on a Road Switcher 45 miles north of Denver. Because the employee can hold in Denver, no relocation benefits are allowable.

Article VII-HEALTH AND WELFARE

- Q33. Must employees not covered under the UP Hospital Association join after the merger?
A33. Yes because it is part of the UPED UTU collective bargaining agreement.

Article VIII - IMPLEMENTATION

- Q34. Are there any restrictions on routing of traffic or combining assignments after implementation?
A34. There are no restrictions on the routing of traffic in the Denver Hub once the 30 day notice of implementation has lapsed. There will be a single collective bargaining agreement and limitations that currently exist in that agreement will govern, e.g., radius provisions for road switchers, road/yard moves etc. However, none of these restrictions cover through freight routing. The combining of assignments is covered in this agreement.

- Q35. On implementation will all trainmen be contacted concerning job placement?
A35. No, the implementation process will be phased in and employees will remain on their assignments unless abolished or combined and then they may place on another assignment or on the protection board depending on surplus. see Article VIII(B). The new seniority rosters will be available for use by employees who have a displacement.
- Q36. How will the new extra boards be created?
A36. When the Carrier gives notice that the current extra boards are being abolished and new ones created in accordance with the merger agreement, the Carrier will advise the number of assignments for each extra board and the effective date for the new extra board. The employees will have at least ten days to make application to the new extra board and the dovetail roster will be used for assignment to the Board. It is anticipated that the extra boards will have additional engineers added at first to help with the familiarization process.
- Q37. Will the Carrier transfer all surplus employees out of the Hub?
A37. No. The Carrier will retain some surplus to meet anticipated attrition and growth, however, the number will be determined by the Carrier.
- Q38. When will reserve boards be established and under what conditions will they be governed?
A38. They will be established in each zone at implementation. When reserve boards are established, they will be governed by the current agreement covering the UPED trainman at Denver.

Article IX- CREW CONSIST

- Q39. When this award is implemented will the productivity funds be paid out at that time?
A39. No, the number of credits that each employee, who will be in the Hub, has earned will be determined and frozen for the pre-existing fund. They will then start earning credits in the new fund. Those employees not in the Hub will continue to earn credits in their old fund.

GENERAL

- Q40. Do the listing of mileposts in Article I mean that those are the limits that employees may work?
A40. No, the mile posts reflect a seniority district and in some cases assignments that go on duty in the new seniority district will have away from home terminals outside the seniority district which is common in many interdivisional runs.

- Q41. If the milepost is on the west end of Sharon Springs can the crew perform any work in the station of Sharon Springs east of the mile post?
- A41. Yes, Sharon Springs is the away from home terminal and the crew may perform any work that is permissible under the Eastern District collective bargaining agreement. If a yard assignment is established it will not be filled by employees from the Denver Hub
- Q42. Will all pool freight be governed by the same rules?
- A42. Yes, all pool freight will be governed by the UPED interdivisional rules, such as but not limited to, initial terminal delay, overtime, \$1.50 in lieu of eating en route.
- Q43. Will all employees be paid the same?
- A43. No, the current rules differ between pre and post October 31, 1985 employees with regards to such items as duplicate payments and overtime. Since those are part of the National Agreements that supersede local rules they will continue to apply as they have applied on the UPED prior to the merger.
- Q44. What will the miles paid be for the runs?
- A44. Actual miles between terminals with a minimum of a basic day as determined by the National Agreement.

UNION PACIFIC RAILROAD COMPANY

J J MARCHANT
SA ASST VICE PRESIDENT,
LABOR RELATIONS

1416 DODGE STREET
OMAHA NEBRASKA 68179



February 26, 1996

Mr. Charles Little
President UTU
14600 Detroit Ave
Cleveland OH 44107

Dear Sir:

This refers to our earlier conversation concerning the issues of New York Dock protection and the certification of adversely affected UTU employees.

As you know, Union Pacific, in its SP Merger Application, stipulated to the imposition of the New York Dock conditions. The Labor Impact Study which UP filed with the Merger Application reported that 328 trainmen would transfer, that 1081 trainmen jobs (net) would be abolished, that 85 UTU represented yardmaster jobs and 17 hostler positions would be affected because of the implementation of the Operating Plan. The Labor Impact Study also indicates that a number of engineer positions will be affected but does not indicate how many, if any, of those are working on properties where engineers are represented by the UTU.

Within the New York Dock conditions, Section 11 addresses disputes and controversies regarding the interpretation, application or enforcement of the New York Dock conditions (except for Sections 4 and 12). Under Section 11, perhaps the two most serious areas for potential disputes involve whether an employee was adversely affected by a transaction and what will be such employee's protected rate of pay.

In an effort to eliminate as many of these disputes as possible, Union Pacific makes the following commitment regarding the issue of whether an employee was adversely affected by a transaction: UP will grant automatic certification as adversely affected by the merger to the 1409 train service employees, the 85 UTU-represented yardmasters and the 17 UTU represented hostlers projected to be adversely affected in the Labor Impact Study and to all other train service employees and UTU represented yardmasters and hostlers identified in any Merger Notice served after Board approval. UP will also grant automatic certification to any engineers adversely affected by the merger who are working on properties where engineers are represented by the UTU. UP will supply UTU with the names and TPA's of such employees as soon as possible upon implementation of approved merger.

Union Pacific commits to the foregoing on the basis of UTU's agreement, after merger approval, to voluntarily reach agreement for implementation of the Operating Plan accompanying the Merger Application. UP also commits that, in any Merger Notice served after Board approval, it will only seek those changes in existing collective bargaining agreements that are necessary to implement the approved transaction, meaning such changes that produce a public transportation benefit not based solely on savings achieved by agreement change(s).

Even with these commitments, differences of opinion are bound to occur. In order to ensure that any such differences are dealt with promptly and fairly, Union Pacific makes this final commitment: If at any time the International President of the UTU (or his designated representative) believes Union Pacific's application of the New York Dock conditions is inconsistent with our commitments, UTU and UP personnel will meet within five (5) days of notice from the UTU International President or his designated representative and agree to expedited arbitration with a written agreement within ten (10) days after the initial meeting if the matter is not resolved, which will contain, among other things, the full description for neutral selection, timing of hearing, and time for issuance of Award(s).

In view of Union Pacific's position regarding the issues of New York Dock protection and the certification of employees, I understand that the UTU will now support the UP/SP merger.

Sincerely,

cc: B. A. Boyd, Jr.
Asst. President UTU

J J MARCHANT
SR ASST VICE PRESIDENT
LABOR RELATIONS

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
OMAHA NEBRASKA 68179



March 26, 1996

Byron Boyd
Asst. President UTU
14600 Detroit Avenue
Cleveland, OH 44107

Dear Sir:

This refers to our earlier conversations concerning the most appropriate method of calculating a test period average for a union officer who is leaving his or her union office and returning to full time employment with the Carrier and had no Union Pacific earnings (in the case of a full time union officer) or reduced earnings (in the case of a part-time union officer) during the test period.

After discussing the matter with Mike Hartman, Director of Employee Relations, I advised that we usually calculate a TPA in such cases by using the earnings of the two individuals immediately above and immediately below the union officer on the seniority roster to produce an "average earnings." This average then becomes the union officer's TPA. Mike also assured me that, in calculating such an average, we "de-select" any employee with unusually low earnings (i.e., medical problems, excessive layoffs, etc.).

I assume that you are in agreement with the method of calculation described above. However, if you have any concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. J. Marchant". The signature is fluid and cursive, with a long, sweeping horizontal stroke at the end.

UNION PACIFIC RAILROAD COMPANY

J J MARCHANT
SR ASST VICE PRESIDENT/
LABOR RELATIONS

1416 DODGE STREET
OMAHA NEBRASKA 68179



March 8, 1996

Mr. R. P. McLaughlin
President - Brotherhood of
Locomotive Engineers
Standard Building
1369 Ontario Street
Cleveland OH 44113

Dear Sir:

This refers to our discussions concerning the issues of New York Dock protection and the certification of adversely affected BLE employees.

As you know, Union Pacific, in its SP Merger Application, stipulated to the imposition of the New York Dock conditions. The Labor Impact Study which Union Pacific filed with the Merger Application reported that 251 engineers would transfer and that 772 engineer jobs would be abolished because of the implementation of the Operating Plan.

Within the New York Dock conditions, Section 11 addresses disputes and controversies regarding the interpretation, application or enforcement of the New York Dock conditions (except for Sections 4 and 12). Under Section 11, perhaps the two most serious areas for potential disputes involve whether an employee was adversely affected by a transaction and what will be such employee's protected rate of pay.

In an effort to eliminate as many of these disputes as possible, Union Pacific makes the following commitment regarding the issue of whether an employee was adversely affected by a transaction: Union Pacific will grant automatic certification as adversely affected by the merger to the 1023 engineers projected to be adversely affected in the Labor Impact Study and to all other engineers identified in any Merger Notice served after Board approval. Union Pacific will supply BLE with the names and TPA's of such employees as soon as possible upon implementation of approved merger. Union Pacific also commits that, in any Merger Notice served after Board approval, it will only seek those changes in existing collective bargaining agreements that are necessary to implement the approved transaction, meaning such changes that produce a public transportation benefit not based solely on savings achieved by agreement changes(s).

Union Pacific commits to the foregoing on the basis of BLE's agreement, after merger approval, to voluntarily reach agreement for implementation of the Operating Plan accompanying the Merger Application.

Even with these commitments, differences of opinion are bound to occur. In order to ensure that any such differences are dealt with promptly and fairly, Union Pacific makes this final commitment: If at any time the affected General Chairman or the assigned International Vice President of the BLE believes Union Pacific's application of the New York Dock conditions is inconsistent with our commitments, BLE and Union Pacific personnel will meet within five (5) days of notice from the General Chairman or the International Vice President to attempt to resolve the dispute. If the matter is not resolved, the parties will agree to expedited arbitration with a written agreement within ten (10) days after the initial meeting. The Agreement will contain, among other things, the full description for neutral selection, timing of hearing, and time for issuance of Award(s).

In view of Union Pacific's position regarding the issues of New York Dock protection and the certification of employees, I understand that the BLE will now support the UP/SP merger.

Sincerely,

A handwritten signature in dark ink, appearing to read "John J. ...", with a long horizontal flourish extending to the right.

1 were held in some respect?

2 MR. GRIFFIN: The signalmen did meet with
3 the UP, as I said, there were no meaningful overtures
4 made to the BMW or to my knowledge to the
5 dispatchers.

6 VICE CHAIRPERSON SIMMONS: I see.

7 CHAIRPERSON MORGAN: Thank you very much.
8 Next we will hear from Clinton Miller and he will
9 represent the United Transportation Union and the
10 Transportation Communications International Union.
11 No? I can't get that right today, I guess.

12 MR. MILLER: May it please the Board, I'm
13 Clint Miller I'm general counsel to the United
14 Transportation Union. The Transportation
15 Communications International Union conceded their four
16 minutes to Mr. Griffin who just made the presentation
17 on behalf of the Allied Rail Union.

18 Seated at the table with me is UTU
19 National Legislative Director James M. Broganhooffer.

20 The United Transportation Union, as the
21 Board well knows, represents conductors, trainmen,
22 yard masters, Hostlers and some engineers of the

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1 applicants. UTU is in support of the proposed merger.

2 UTU's support of the merger is based on
3 the concerns as to the survivability of a stand alone
4 SP in the current environment in the West and
5 importantly, upon the agreements of the applicants, to
6 conditions that will help mitigate the impact of job
7 loss on our members.

8 UTU asks the Board to condition any
9 approval of the application upon those agreements that
10 were made part of our verified statement and comments
11 and brief, pursuant to its authority under Section
12 11324(C) as we requested in those documents.

13 The agreements with UP contain conditions
14 in the form of commitments in applying the New York
15 dock labor protected conditions which is the basis, as
16 I stated, for UTU's support for the proposed merger.

17 The chief condition that the applications
18 have agreed to with UTU is the automatic certification
19 as adversely affected by the merger of the train
20 service, yardmaster, hostler employees that are
21 projected to be adversely affected by the labor impact
22 study that was submitted with the application and of

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1 all other train service employees and UTU
2 representative yard masters, hostlers and engineers
3 that are identified in any merger notice that is
4 served after Board approval.

5 Moreover, the UP has agreed to supply UTU
6 with names and test period averages of those employees
7 adversely affected on an automatic certification basis
8 as soon as possible, upon the implementation of the
9 merger.

10 Further, and just as importantly, in any
11 merger notice served after Board approval, the
12 applicants in using the immunity provision will only
13 seek those changes in existing collective bargaining
14 agreements that are actually necessary to implement
15 the approved transaction, meaning such changes that
16 produce a public transportation benefit is not based
17 solely on savings achieved by changes in the labor
18 agreements themselves.

19 In the event that there are any
20 differences between UP and UTU, that arise with regard
21 to UP's application of the New York dock conditions
22 along the lines of these agreements and UTU takes the

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1 position that their behavior is inconsistent with
2 these commitments, UTU and UP personnel will meet upon
3 five days' notice from the UTU International President
4 and agree to expedited arbitration with a written
5 agreement within 10 days.

6 Finally, in the event UP uses a lease
7 arrangement or lease arrangements to complete the
8 merger of various SP properties into MP or UP, the New
9 York dock conditions would nevertheless be applicable,
10 rather than the N & W conditions as modified by
11 Mendocino Coast. UP has also voluntarily agreed with
12 UTU as to this condition.

13 In view of UP's agreement to these
14 conditions, UTU agreed to support this merger. These
15 commitments will eliminate a lot of the problems that
16 UTU has recently experienced in the UP-CNW merger that
17 are indicated by UTU's petitioned review of the
18 implementing agreement arbitration award that was
19 rendered therein by Arbitrator John McRut. Although
20 I am happy to advise the Board that late last Friday,
21 that matter was resolved by agreement of the parties
22 and as soon as I return to my office in Cleveland, we

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1 will be filing a withdrawal of our petition to review
2 the McRut award.

3 The UTU represents 79,000 transportation
4 industry workers in the United States and Canada and
5 believes itself to be the largest labor organization
6 in the rail industry representing a very substantial
7 portion of the employees of the applicants.

8 UTU views its chief responsibility to
9 protect the economic interest of its members and it's
10 the UTU members who actually make the national rail
11 transportation work.

12 As the Board is award, rail labor,
13 including UTU has been very concerned about and highly
14 critical of rail mergers in general because of the
15 significant job loss and family dislocations that they
16 entail, particularly where parallel lines are
17 involved.

18 UTU supports the proposed UP/SP merger,
19 not only because UP has agreed to conditions as to how
20 the New York dock conditions will be applied that will
21 help mitigate the impact of job loss on its members,
22 but also because of its concern about the continued

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1 viability of SP without a merger in a UPCS&W BNSF
2 environment in the West.

3 UTU is very familiar with the financial
4 condition of SP. UTU retained financial experts to
5 analyze the SP when it was sold to Rio Grande
6 industries, and again, when UP sought concessionary
7 labor agreements because of its cash losses in what
8 were termed wage adaptation negotiations that were
9 mandated by the report of Presidential Emergency Board
10 219 and Public Law 102-29 in 1991.

11 The congressional recognition of SP's cash
12 losses at that point provided SP with a way to pay our
13 members less money than employees doing exactly the
14 same work on other railroads. Our members now earn
15 about 20 to 25 percent less at SP than at other Class
16 1 railroads.

17 Congress did not want another Conrail,
18 Milwaukee or Rock Island situation on its hands when
19 it passed Public Law 1021-29 which mandated the wage
20 adaptation negotiations.

21 As UTU understands it, SP has lost about
22 \$1.3 billion from rail operations since the SP Santa

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1 Fe merger was rejected by the ICC. SP itself has been
2 spun out prematurely, we believe, of the SF SP holding
3 company pending the approval of that carrier merger.

4 As far as UTU is concerned, there just
5 isn't enough real estate left in either the original
6 spin out from SFSP holding company and the later Rio
7 Grande acquisition for the SP to continue to offset
8 its net operating losses from rail operations by
9 selling the real estate that it does have left. That
10 has been, as the Board knows, the modus operandi of SP
11 for quite some time.

12 UTU believes the approval of the BN Santa
13 Fe merger actually makes things worse for SP. SP
14 couldn't efficiently compete before that merger to
15 generate net income from rail operations. It probably
16 could not survive in UTU's view competing against the
17 UPCS&W and the BN Santa Fe in the current environment.

18 UTU believes that the financial condition
19 of an applicant carrier may be taken into
20 consideration in a merger, as well as negative
21 competitive consequences. There is a clear case of
22 financial need that has been made by the SP in this

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1 application.

2 UTU is not concerned with the niceties of
3 the failing carrier doctrine. Its concerns are
4 intensely more practical. We represent practical
5 people. UTU represents operating employees. They
6 know that single line service is more efficient than
7 interchange operations. They also know that trackage
8 rights can provide a way to address problems related
9 to competition. In fact, our SP members operate all
10 the new trains that SP now has a result of the
11 trackage rights that were obtained in the BN Santa Fe
12 merger. The SP operates over BN Santa Fe trackage
13 rights between Chicago and Kansas City, Kansas City
14 and Forth Worth and Pueblo and Fort Worth.

15 UTU also has concerns about the safety
16 implications of a stand alone SP. Financially
17 troubled railroads don't invest as much in safety and
18 in general are forced to cut corners. Deferring
19 required maintenance is the first corner cut in UTU's
20 experience and that in the long run leads to more
21 hazards to our members.

22 UTU also does not want the SP to be forced

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1 to be sold in pieces. As far as UTU is concerned,
2 that's just another 'unwelcome possibility if this
3 application is not approved. What happens to the
4 pieces that nobody wants?

5 More importantly, UTU members will lose
6 more jobs in piecemeal line sales at least some of
7 which which may be done by the exemption line sale
8 method with no labor protection at all. The new
9 owners likely will pay less and have worse working
10 conditions and UTU knows that from too much painful
11 past experience.

12 Support of this merger application is, in
13 sum, the best of a bad lot of choices for UTU. The
14 support itself is conditioned on the applicants'
15 agreements as to how applicable protective conditions
16 will be administered. On balance, because of the
17 uncertainty of the long-term survival of a stand-alone
18 SP, intact, in the current environment in the West
19 where two mega-carriers dominate rail service, UTU
20 submits approval of the merger is the best of a bad
21 lot of choices for this Board itself.

22 If there are no questions, that would

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1 complete the presentation.

2 COMMISSIONER OWEN: I would just like to
3 say one thing. I compliment you, first of all, for
4 working it out and I think that the gentleman sitting
5 to your left might have something to do with it.

6 Secondly, why doesn't some of the other
7 unions learn from your experience on how to sit down
8 and work with the railroad in trying negotiate some
9 kind of compromise situation?

10 MR. MILLER: Commissioner Owen, I'll say
11 in defense of all the other labor organizations that
12 as the former International President of this union,
13 Fred Harden, used to say it takes two to tango. I
14 heard Mr. Griffin say that no invitation had been made
15 to the Brotherhood of Maintenance and Weighing
16 Employees, for example. We have no criticism of other
17 parties. They have perhaps different needs and
18 different choices. Those are the kinds of things that
19 have to be approached by both parties. They have to
20 tango together in order to reach adjustment.

21 COMMISSIONER OWEN: I appreciate that very
22 much.

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1 CHAIRPERSON MORGAN: But clearly from your
2 perspective there's concern among the workers about
3 the future of SP. We heard a lot of discussion today
4 about whether it's the failing firm or whether it can
5 carry on for a while longer. But the workers are
6 concerned.

7 MR. MILLER: Chairman Morgan, the general
8 chairpersons of the general committees of adjustment
9 which are the bodies that we have that are chiefly
10 responsible for the administration of our contract
11 have made the International aware of their concerns
12 along these lines. They're the ones that have dealt
13 with the wage adaptation negotiations. They're the
14 ones that were in on the retention of the financial
15 experts in the two instances that I talked about and
16 they are the spokespersons for the employees that we
17 represent. They are the people who are on the ground.
18 They're on the firing line. And it is their concerns
19 that have driven UTU to make the adjustments that it
20 has made with Union Pacific, yes.

21 CHAIRPERSON MORGAN: And clearly if the SP
22 were to shrink its system or end up being sold in

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1 pieces that would not necessarily be in the interest
2 of your membership?

3 MR. MILLER: No, that would be a very
4 unwelcome prospect and that, as much as the conditions
5 that the Union Pacific has agreed to is what drives
6 us. We want the SP to remain as intact as possible.
7 The alternative of piece meal line sales to carriers
8 that we have no good relationship with or horror of
9 horrors, the prospect of exemption line sales to
10 regionals, particularly given the amendments to the
11 Interstate Commerce Act are something we don't want to
12 have anything to do with.

13 VICE CHAIRPERSON SIMMONS: You're to be
14 congratulated for your initiatives.

15 MR. MILLER: Thank you. It's the
16 initiative of the International President on down.

17 CHAIRPERSON MORGAN: Thank you. We will
18 now go to rebuttal time. Mr. Roach?

19 MR. ROACH: Thank you very much, Madam
20 Chairman. I know it's been a long day and I apologize
21 for the fact that I'm going to make it longer.

22 (Laughter.)

CHARLES L. LITTLE
International President

BYRON A. BOYD, JR.
Assistant President

ROGER D. GRIFFETH
General Secretary and Treasurer

United
transportation
union



14600 DETROIT AVENUE
CLEVELAND, OHIO 44107-4250
PHONE: 216-228-9400
FAX: 216-228-5755

FAX and UPS NEXT DAY AIR

February 3, 1997

Mr. J. J. Marchant
Senior Vice President-Labor Relations
Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 66179
FAX (402) 271-4474

Dear Mr. Marchant:

After meeting recently with UTU Assistant President Byron A. Boyd and UTU Vice Presidents P. C. Thompson, A. M. Lankford and M. B. Futhy regarding progress of implementing agreement negotiations with the carrier related to the UP-SP Merger, STB Finance Docket 32760, it is apparent to me that the carrier is not living up to the commitments contained in your February 26, 1996 letter to me regarding same, which were, as you know, addressed favorably to UTU in the STB Merger Decision and concurring opinions.

Chiefly, although not exclusively, the carrier has made it impossible to achieve voluntary implementing agreements by insisting upon provisions that produce benefits based solely on savings achieved by agreement changes. The UTU has addressed in its proposals all of the operational needs of the carrier necessary for implementation to produce public transportation benefits.

Therefore, pursuant to the "final commitment" of the carrier described in the penultimate paragraph of your February 26, 1996 letter, I believe Union Pacific's application of the New York Dock conditions is inconsistent with its commitments, requiring UTU and UP personnel to meet within five (5) days after your receipt of this letter to agree to expedited arbitration as described therein.

The UTU personnel to be involved in setting up the expedited arbitration will be myself, Assistant President Boyd, and General Counsel Clinton J. Miller, III. Please identify the carrier personnel to be involved.

Sincerely,

Charles L. Little
Charles L. Little
International President

cc: B. A. Boyd, Jr., Assistant President
R. W. Earley, Vice President-Administration
P. C. Thompson, Vice President (FAX)
A. M. Lankford, Vice President (FAX)
M. B. Futhy, Vice President (FAX)
All UP and SP General Chairpersons (FAX or UPS Next Day Air)

FEB 03 '97 15:46

PAGE. 02



February 4, 1997

FAX and UPS NEXT DAY AIR

Mr. Charles Little
International President
14600 Detroit Avenue
Cleveland, OH 44107-4250

Dear Sir:

This refers to your letter of February 3, 1997, requesting expedited arbitration due to the carrier's application of New York Dock conditions with respect to the UP/SP merger.

I was surprised by your letter as it seems to terminate the negotiations with your Organization. Mike Hartman advised your negotiators that he would be willing to meet with Mr. Lankford further if the UTU desired. Scott Hinckley advises that progress was made and that he advised Messrs. Futey and Thompson that he would review the progress with the undersigned and get back to them. The Carrier has reached agreement with several other Organizations under the same commitment letters and had hoped to reach one with the UTU.

Your second paragraph alludes to overreaching proposals by the Carrier and sound operational proposals by the UTU. Without going into detail, I believe that the negotiators failed to share with you the UTU proposals that were administratively burdensome and would have greatly increased transportation costs. The reason that I will not go into detail is that the parties agreed up-front and at their last meetings that neither party's proposals would be used outside the realm of negotiations. This was done in an effort to encourage a free flow of ideas without fear that a proposal would later be used against the party making it.

Because the parties have agreed that any proposal offered by either side during negotiations will not be placed before an arbitrator, it is improper for the UTU to seek to arbitrate the validity of the Carrier's proposal. The only proposals that may properly be before an arbitrator are the parties' proposed arbitration agreements.

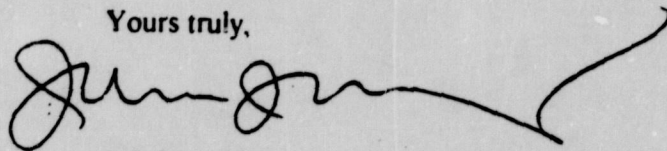
Since your negotiators have decided to terminate negotiations, it leaves me with no choice but to instruct Mr. W. S. Hinckley to serve an arbitration notice on the Salt Lake and Denver Hubs in accordance with New York Dock.

Without waiving my position regarding your request for arbitration, I suggest that these issues be progressed in the following manner:

- 1) The arbitration will be a Section 4 arbitration.
- 2) The arbitration will be expedited.
- 3) The arbitration will address the Denver/SLC Hubs.
- 4) The Organization may raise the February 26, 1996 letter issues in this arbitration with the Section 4 arbitrator deciding the appropriateness of those issues.

The Carrier personnel involved in both setting up this arbitration and participating in the arbitration will be Scott Hinckley and Dick Meredith. Please contact Scott at 271-5201 to begin the process of establishing the panel.

Yours truly,



J. J. Marchant

cc: B. A. Boyd
R. W. Earley
P. C. Thompson
A. M. Lankford
M. B. Futhey

020497 jjm

CHARLES L. LITTLE
International President

BYRON A. BOYD, JR.
Assistant President

ER D. GRIFFETH
General Secretary and Treasurer

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14600 DETROIT AVENUE
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February 7, 1997

J. J. Marchant, Vice President-
Labor Relations
Union Pacific Railroad
c/o Sonesta Beach Resort, Rm. 502
350 Ocean Drive
Key Biscayne, FL 33149
FAX (305) 361-3096

Dear Mr. Marchant:

This is in reply to your February 4, 1997 letter response to my February 3, 1997 letter to you invoking arbitration in accordance with your February 26, 1996 commitment letter.

To begin with, I am happy to hear that Scott Hinckley feels progress has been made, and I commend to you that my letter does not represent a termination of negotiations, but rather an impetus to successfully concluding them. Perhaps, Mr. Hinckley, and hopefully Mr. Hartman as well, will now be sufficiently motivated to get to their bottom line proposals.

Additionally, I obviously disagree with your view of the carrier and union proposals, and beyond that, I also disagree that the parties' proposals may not be used in this arbitration. UTU reserves the right to make any presentation it sees fit.

Finally, I disagree with the propriety of the carrier invoking New York Dock Art. I, Section 4 implementing agreement arbitration as to the so-called "Salt Lake and Denver Hub's" in advance of the commitment letter arbitration. From my reading of its decision and concurring opinions, I believe the STB would feel likewise. I have no problem with expediting the commitment letter arbitration since your February 26, 1996 letter calls for that. Nor do I have a problem with the Article I, Section 4 arbitration(s) occurring immediately after the commitment letter arbitration, perhaps even using the same arbitrator. I am willing to discuss these issues with you directly or with your designees. I look forward to hearing from you or them.

Sincerely,

Charles L. Little

Charles L. Little
International President

cc: B. A. Boyd, Assistant President (FAX)
R. W. Earley, Vice President-Administration
P. C. Thompson, Vice President (FAX)
A. M. Lankford, Vice President (FAX)
M. B. Futhey, Jr., Vice President (FAX)
All UP-SP General Chairperson (FAX or UPS Next Day Air)
Richard Meredith, Gen. Dir. Employee Relations Planning-UP (FAX)
Director Labor Relations-UP (FAX)

FEB 07 '97 14:03

PAGE. 02

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
OMAHA, NEBRASKA 68179



February 4, 1997

Mr. P. C. Thompson
Vice President, UTU
10805 West 48th Street
Shawnee Mission, KS 66203

Mr. Al M. Lankford
Vice President
13 Timbergreen Circle
Denton, TX 76205

Mr. M. B. Futhey, Jr.
Vice President
7610 Stout Road
Germantown, TN 38138

Gentlemen:

This refers to the Carrier's NYD notices dated September 18, 1996, as amended, for the Denver - SLC Hubs. Those notices were served in accordance with Section 4 of the NYD labor protective conditions.

The negotiations which have been held pursuant to those notices have continued well beyond the Section 4 minimum of 30 days.

Unfortunately, the negotiations have not been successful and it is the Carrier's opinion the parties are now at an impasse, especially in light of the UTU letter dated February 3, 1997.

Therefore, and in accordance with Section 4, this will serve as the required notice of the Carrier's desire to submit the dispute between the UTU and the UP/SP and the Denver/SLC Hubs to NYD arbitration.

It is my understanding that UTU President Little, Asst. President Boyd, and General Counsel Miller will be the UTU personnel involved in establishing the arbitration panel.

Yours truly,

A handwritten signature in dark ink, appearing to read "Scott Hinckley". The signature is written in a cursive, flowing style with a long, sweeping underline.

Scott Hinckley

33

UTU Draft to UP#1 1/9/97

*handout to WSH
@ 10:30am***MERGER IMPLEMENTING
AGREEMENT
(Salt Lake Hub)**

between the

**UNION PACIFIC RAILROAD COMPANY
SOUTHERN PACIFIC RAILROAD COMPANY**

and the

UNITED TRANSPORTATION UNION

In Finance Docket No. 32760, the Surface Transportation Board 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 order to achieve the benefits of operational changes made possible by the transaction, to coordinate the seniority of all employees working in the territory covered by this Agreement into one common seniority district and to provide agreement modifications necessary to effect the benefits of the merger,

IT IS AGREED:**I. SALT LAKE HUB**

A new seniority territory named Salt Lake Hub shall be created that is within the following area: DRGW mile post _____ at Grand Junction on the Southeast, UP mile post _____ at Yermo on the Southwest, UP mile post _____ and SP mile post _____ at Elko on the West, UP milepost _____ at McCammon on the North and UP mile post _____ at Granger on the East and all stations, branch lines, industrial leads and main line between the points identified.

In addition to the seniority rights of existing employees, the Salt Lake Hub shall have a common Seniority Roster for each craft (Brakemen, Conductors and Switchmen) created for all employees working in the Salt Lake Hub on _____, and a single common roster for all employees hired thereafter.

The parties agree that agreement modifications necessary to effect the merger are contained herein; all other provisions of existing agreements, including but not limited to, crew consist, reserve board slots, rates of pay, rules and working conditions are matters contained in individual agreements between the parties and are not affected by this agreement.

A. ZONES

The new UP/UTU Salt Lake Hub common seniority district will be divided into four (4) zones. Each zone shall include extra board(s) for Conductors, Brakemen and Switchmen as necessary to meet the needs of the service in that zone.

The purpose of creating zones is twofold: First, it is to allocate work in an area recognizing the entitlements of existing employees to that work; Second, to provide a defined area over which a trainman/switchman can become familiar with trackage and train operations so as not to be daily covering a multitude of different sections of track.

Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips, not less than _____ trips, unless mutually agreed to, in order to become familiar with the new territory. Employees on familiarization trips shall be compensated in accordance with the controlling agreement the same as if working the assignment on which becoming familiar. Issues concerning individual qualifications shall be handled with local operating officers.

Zones are defined as and will be governed by the following:

1. Zone 1 will include Salt Lake City and Ogden West to and including Elko via either route but will not include the terminals of Salt Lake City and Ogden. (current WP and SP pool and local operations)

Assignments (including extra board positions) in Zone 1 will be allocated ____% to the former WP and ____% to the former SP. Assignments in the zone will be governed by the controlling agreement for their respective allocation.

Assignments allocated to the former WP will be available for the exercise of prior rights seniority by former WP employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former SP will be available for the exercise of prior rights seniority by former SP employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 1 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

a. Pool operations

1. Salt Lake City - Elko and Ogden - Elko.

This operation may be run as two pools with home terminals at Ogden and Salt Lake City. Crews brought on duty in Ogden may be transported to Salt Lake City for departure and crews brought on duty at Salt Lake City may be transported to Ogden. The Carrier may operate the crews at the far terminal of Elko back to Salt Lake City or Ogden, with the crews transported by the carrier back to their original on duty point at the end of their service trip. Employees transported between Salt Lake City and Ogden shall be compensated established highway mileage (____) between those two points at the rate of the service trip.

b. Terminal consolidations

Elko - Carlin. All UP and SP operations within the greater Elko and Carlin area shall be consolidated into a unified terminal operation at Elko.

Note 1: While the Sparks-Carlin and Wendel-Carlin pools are not covered in this notice it is understood that they will operate Sparks -Elko and Wendel-Elko and will be paid actual miles when operating trains between these two points and will be further handled when merger coordinations are handled for the area West of Elko.

Note 2: The Portola-Elko pool shall continue to operate as it currently does and will be further handled when merger coordinations are handled for the area West of Elko.

c. Extra Boards

The following extra boards will be established to protect assignments in Zone 1:

1. Conductors' extra boards at Salt Lake and Ogden
2. Brakemen's extra boards at Salt Lake and Ogden
3. Combination extra board at Elko

2. Zone 2 will include Salt Lake City North to McCammon and Ogden east to Granger and all road operations in the Ogden and Salt Lake City terminals. Green River locals or road switchers are not included in this zone.

Assignments (including extra board positions) in Zone _____ will be allocated _____% to the former _____ and _____% to the former _____. Assignments in the zone will be governed by the controlling agreement for their respective allocation.

Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 2 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

- a. Pool operations
- b. Terminal Consolidations
- c. Extra Boards

The following extra boards will be established to protect assignments in Zone 2

- 1. Conductors' extra boards at _____
- 2. Brakemen's extra boards at _____
- 3. Yard extra board at _____

3. Zone 3 will include Salt Lake City East to but not including Grand Junction and South to Caliente via either route.

Assignments (including extra board positions) in Zone _____ will be allocated _____% to the former _____ and _____% to the former _____. Assignments in the zone will be governed by the controlling agreement for their respective allocation.

Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 3 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

- a. Pool operations
- B. Terminal consolidations
- c. Extra Boards

The following extra boards will be established to protect assignments in Zone 3

- 1. Conductors' extra boards at _____
- 2. Brakemen's extra boards at _____
- 3. Yard extra board at _____

4. Zone 4 will include Caliente to Yermo, California.

Assignments (including extra board positions) in Zone _____ will be allocated _____% to the former _____ and _____% to the former _____. Assignments in the zone will be governed by the controlling agreement for their respective allocation.

Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former _____ will be available for the exercise of prior rights seniority by former _____ employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 4 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

- A. Pool operations
- B. Terminal consolidations
- C. Extra Boards

The following extra boards will be established to protect assignments in Zone 4

- 1. Conductors' extra boards at _____
- 2. Brakemen's extra boards at _____
- 3. Yard extra board at _____

II. SENIORITY

To achieve the work efficiencies and allocation of forces that are necessary to make the Salt Lake Hub operate efficiently as a unified system, the following will apply:

- A. Existing rights of employees to exercise seniority in the Salt Lake Hub shall be preserved. Assignments in each Zone shall be allocated as set forth in the Zone provisions of Article I.A of this agreement. An allocated assignment shall be subject to seniority choice, as follows:

First: existing employees who have prior rights to the allocated work.

Second: employees from a Salt Lake Hub Common Roster.

Employees will be treated for vacation, entry rates and payment of arbitraries as though all their time in operating service on their original railroad had been performed on the merged railroad. A protected employee on any seniority roster will be considered a protected employee on all seniority rosters.

B. In addition to the seniority rights of existing employees, the Salt Lake Hub shall have a Seniority Roster for each craft (Brakemen, Conductors and Switchmen) created for all employees working in the Salt Lake Hub on _____. The new Salt Lake Hub rosters will be created as follows:

1. Existing employees placed on the new craft rosters will be dovetailed based upon the employee's earliest retained seniority date in the craft. If any employees have identical seniority dates in the craft, seniority will be determined by the earliest employee's retained seniority in a UTU represented craft. If the earliest retained seniority date is identical, seniority will be determined by birth date.
2. Employees hired subsequent to the effective date of this agreement shall be placed on a single common road/yard Salt Lake Hub roster which will rank below each of the craft rosters set forth above. Such employees shall, when qualified, rank as Conductor/Foreman in accordance with their relative standing on the common roster.

When a class of students completes their preparatory training and examinations, their order of standing for seniority will be determined as follows:

- a. **FIRST GROUP** - Employees from the carrier's other crafts will be ranked highest in potential seniority in the class of trainees based on the employee's number of years of continuous service with the carrier. In the event that two employees have the same date of hire, they shall be ranked according to their date of birth with the senior employee ranking ahead of

junior employees.

- b. **SECOND GROUP** - New employees will be ranked amongst themselves by their date of birth and placed behind Group 1 in seniority.

Thereafter, the first service performed by a member of said class as either a trainman or switchman will establish the common seniority date for all members of the class in the order determined by the above groups. If more than one class is prepared to mark up for service in the same Hub on the same date, all groups will be ranked in accordance with a and b above, as if they were all in the same class of students.

When a single new employee is marked up for initial service as either brakeman or switchman, he/she will establish a seniority date as of the date such initial service is performed.

NOTE: A seniority "picture" of all affected locations on the merged railroad(s) will be taken as of a specific date so that all employees are identified with a Hub roster.

III. HUB/SYSTEM BOARD

The Salt Lake Hub will be divided into Demand Number Areas (DNA). _____ A Hub/System Board will be established for the Hub. (see attachment)

For each DNA in a hub, a number of positions on the Hub/System Board equal to the number by which the supply of active employees exceeds the demand number shall be made available for seniority choice of Hub common roster employees at that DNA. If the Company's need for employees at a DNA exceeds the demand number, the Company may bulletin fewer Hub/System Board positions and allow employees in excess of the demand number to continue working at that DNA.

The Salt Lake Hub/System Board employees may be used anywhere on the Union Pacific Lines, including within the Salt Lake Hub.

IV. PROTECTION

A. The parties agree that all employees listed on the Salt Lake Hub common roster will be automatically certified for wage protection, which will be calculated pursuant to New York Dock provisions. (NYD Q's and A's will be attached)

B. Employees who relocate under this agreement will be governed by the relocation provisions of New York Dock as modified by Article XII of the 1972 UTU National Agreement or at employee option a lump sum payment of _____ in lieu thereof

C. If any other organization involved in this merger receives more generous protective

conditions than those set forth herein, the more generous provisions will be offered to the UTU.

V. IMPLEMENTATION

The Carrier shall give 30 days written notice for implementation of this agreement and the number of initial positions that will be changed in the Hub.

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ATTACHMENT "A"

HUB/SYSTEM BOARD

I DEMAND NUMBER

The Hub will be divided into Demand Number Areas.

The demand number represents the minimum number of trainmen/switchmen permitted to work on other than the Hub/System/Reserve Board from each Demand Number Area (DNA).

The demand number may be adjusted as a result of changes in operations, business conditions or other factors that would cause an increase or decrease in operations.

A downward adjustment in a demand number can only be made after 90 days from the date of the last downward adjustment.

The minimum demand number for each DNA will consist of the number of regular assignments within the DNA plus 30% the number of assignments. Sufficient workforce shall be maintained in each DNA to provide relief for vacations, layoffs, PL days, etc.

II TRANSFERS - No shortage to surplus

On the effective date of this Agreement, the ability of a trainman/switchman to exercise seniority between DNA's shall be temporarily restricted as follows:

A Prior rights employees do not count Non-prior rights employees as active

Employees at a DNA, where the supply of active employees is equal to or less than the demand number, shall not be allowed to transfer to a DNA where the supply of active employees, with seniority established prior to the effective date of this Agreement, is equal to or greater than the demand number for that DNA.

B Non-prior rights employees count everyone as active

Employees who establish seniority subsequent to the effective date of this agreement and who are at a DNA where the supply of active employees is equal to or less than the demand number, shall not be allowed to transfer to a DNA where the supply of active employees is equal to or greater than the demand number for that DNA.

C Definition of "Active Employee"

Active employees are those employees who hold a regular, extra, or Hub/System Board/Reserve Board position at a DNA and who have earned compensation as a trainman/switchman under the schedule agreement during the last 30 days. Trainmen/switchmen who commence a leave of absence, are dismissed, or reach the 30th day of absence for reasons such as suspension, illness or injury, shall no longer be considered active until they return to service and earn compensation as a trainman/switchman under schedule agreements.

III HUB/SYSTEM BOARD

A Defines where a "Hub/System Board" employee can work

One Hub/System Board will be established in each of the seniority hubs. While on a Hub/System Board, an employee is subject to being used in the capacity of an extra trainman or extra switchman at any DNA on the Union Pacific RR.

Hub/System Board employees must first be used within the Hub if positions exist prior to being sent to another DNA outside the Hub.

B Assignments - Needs of Service

Hub/System Board positions will be determined on a monthly basis as follows:

1 How to calculate the number of assignments

For each DNA in a hub, a number of positions on the Hub/System Board (including inactive positions) equal to the number by which the supply of active employees exceeds the demand number may be made available for seniority choice of Hub common roster employees at that DNA.

2 Allows carrier latitude in total number of assignments

If the Company's need for employees at a DNA exceeds the demand number, the Company may bulletin fewer Hub/System Board and/or Reserve Board positions and allow employees in excess of the demand number to continue working at that DNA.

C Voluntary

1 Bulletin period

The Company will bulletin voluntary Hub/System Board positions by Noon Pacific Time on the first day of the month preceding the month of assignment. Bids will close at Noon Pacific Time the 7th day of the month preceding the month of assignment and posted by 3 PM that day. Hub common roster employees who select the Hub/System/Reserve Board by seniority choice will be known as voluntary Hub/System/Reserve Board employees.

2 Exercise of seniority to get off the Hub/System Board

During the period of time he/she is on the Hub/System Board, a voluntary Hub/System Board employee will not be entitled to exercise seniority. Such employee will be allowed full exercise of seniority upon completion of their Hub/System Board obligation, in accordance with applicable agreements.

D Involuntary

The Company may elect to assign involuntary Hub/System Board positions to employees on the hub common roster, subject to the demand number for that DNA, or to the number of employees allowed to remain at that DNA. Involuntary Hub/System Board positions will be assigned on a monthly basis at Noon Pacific Time on the 10th day of the month preceding the effective month of the assignment, as follows:

1 Who to draft

At a DNA, if there are insufficient voluntary Hub/System Board employees to fill the number of Hub/System Board positions, the junior trainmen/switchmen on an extra board (including unassigned brakemen/switchmen) equal to the number of positions on the Hub/System Board not filled by voluntary employees shall be removed from the active list for that DNA. Employees reduced in this manner who hold common roster seniority will be allowed to mark to the Hub/System Board.

2 Released from Hub/System Board

These Hub/System Board employees will be known as involuntary Hub/System Board employees and, when released by the Company from their Hub/System Board obligation, will be allowed to mark to an extra board at the DNA from which assigned.

Exercising seniority from Hub/System Board

Involuntary Hub/System Board employees may exercise seniority from a Hub/System Board to a DNA as follows:

- a May mark to an extra board if the number of non-Hub/System Board trainmen/switchmen at that DNA is less than the demand number for that DNA; or,

By bid or bump to a regular position, subject to applicable agreements.

- b When exercise of seniority must be made

Assigned involuntary Hub/System Board employees must make application to exercise seniority from the Hub/System Board by Noon Pacific Time the 8th day of the month preceding the month in which the exercise of seniority will become effective.

Involuntary Hub/System Board employees will not be released from the Hub/System Board until the end of a cycle (month) as set forth above.

NOTE: should the assignment of the Hub/System Board positions leave a surplus of employees in a Zone within the DNA, junior employees may be reduced from an extra board in that Zone within the Demand Number Area. Employees so reduced may exercise their right to displacement, or may mark to an extra board in a shortage location within the Demand Number Area.

E Hub/System Board Work/Inactive assignments

The Company will make inactive and work assignments, referred to as cycles, available for seniority choice (date of hire as a trainman or switchman) to Hub/System Board employees on the first day of the month preceding the month of assignment. Bids will close at Noon Pacific Time the 15th day of the month preceding the month of assignment and posted by Noon the 16th day. Failure of a Hub/System Board employee to indicate a preference will be considered as no preference and such employee's cycle will be assigned by the Company.

A Hub/System Board employee not occupying an inactive position will be used on one of the following cycles:

31-day month:

Cycle - 20 consecutive 24-hour periods (work segment), with 11 consecutive 24-hour periods (rest segment); or,

Split Cycles - 10 consecutive-24 hour periods (work segment) with 5 consecutive 24-hour periods (rest segment) followed by 10 consecutive 24-hour periods (work segment) with 6 consecutive 24-hour periods (rest segment).

30-day month:

Cycle - 20 consecutive 24-hour periods (work segment), with 10 consecutive 24-hour periods (rest segment); or,

Split Cycles - 10 consecutive 24-hour periods (work segment) with 5 consecutive 24-hour periods (rest segment) followed by 10 consecutive 24-hour periods (work segment) with 5 consecutive 24-hour periods (rest segment).

29-day month:

Cycle - 20 consecutive 24-hour periods (work segment) with 9 consecutive 24-hour periods (rest segment); or,

Split Cycles - 10 consecutive 24-hour periods (work segment) with 5 consecutive 24-hour periods (rest segment) followed by 10 consecutive 24-hour periods (work segment) with 4 consecutive 24-hour periods (rest segment).

28-day month:

Cycle - 19 consecutive 24-hour periods (work segment) with 9 consecutive 24-hour periods (rest segment); or,

Split Cycles - 10 consecutive 24-hour periods (work segment) with 5 consecutive 24-hour periods (rest segment) followed by 9 consecutive 24-hour periods (work segment) with 4 consecutive 24-hour periods (rest segment).

F Work Segments of cycle

Work segments for a Hub/System Board employee shall begin at the time the employee reports to the on-duty point of the source of supply from which the

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employee bid or was placed on the Hub/System Board, and shall end at the time the employee is released from the work segment at that same source of supply.

The scheduled end of a Hub/System Board employee's work segment will be based on the date and time the work segment began. For example, a 20-day work segment which begins at 7:30 AM on July 11 will end at 7:30 AM on July 31 (480 hours later). In the event that a Hub/System Board employee is not returned to his/her home location at the scheduled end of his/her work segment, or the scheduled end of the voluntarily extended work segment, the employee will be compensated as follows:

1 Penalty for not being released at proper time

If arrival is less than four hours past scheduled end time: no extra compensation

If arrival is four hours or more, but less than eight hours past scheduled end time: \$245.00 in addition to regular earnings/guarantee.

If arrival is eight hours or more, but less than 24 hours past scheduled end time: \$245.00 in addition to regular earnings/guarantee plus succeeding work segment will be reduced by one day (24 hours).

If arrival is 24 hours or more, but less than 48 hours past scheduled end time: \$490.00 in addition to regular earnings/guarantee plus the succeeding work segment will be reduced by two days (48 hours).

For each additional 24 hours past the scheduled end time, until the employee returns to his/her home location: An additional \$245 plus the succeeding work segment will be reduced by one additional day (24 hours).

The Company will have the option of returning the Hub/System Board employee to his/her home source of supply prior to the scheduled expiration of his/her work segment in order to avoid delay in commencement of scheduled rest segment.

2 Marking up at work location

Hub/System Board employees will be marked to their work segment extra boards in accordance with their arrival time at the lodging facility. If two or more employees have the same arrival time, the employees will be marked to the board in reverse seniority order. Hub/System Board

employees who have been given advance approval to drive their vehicle will be treated, for purposes of board markup and rest, the same as if they had utilized Company provided transportation.

3 Order of call

Hub/System Board employees will only be assigned to protect service from one source of supply during a work segment. Hub/System Board employees utilized as extra trainmen will be marked to the bottom of the brakemen's extra board at a source of supply and will be used, in turn, with extra brakemen already on that extra board. Hub/System Board employees used in the capacity of extra switchmen will be marked to a "secondary" switchmen's extra board at a yard. Hub/System Board employees on such "secondary" switchmen's extra board will be used in turn, first in-first out to fill vacancies on yard assignments when no extra board switchmen are available with eight hours to work.

4 Marking Rest

Hub/System Board employees may mark rest of 12 hours at the completion of any tour of duty without deduction from guarantee..

G Transportation and Lodging

Hub/System Board employees will be entitled to transportation to and from their work segment, lodging, transportation between lodging and work assignments, and a daily meal allowance. If transportation to and from work segment is anticipated to exceed six hours, air transportation will be used where available.

1 Use of Private vehicle

Although under no obligation to do so, Hub/System Board employees may use their vehicle for transportation in lieu of Company-provided transportation upon advance approval from the Company. Hub/System Board employees who utilize their vehicle will be compensated for mileage (one round trip) from the employee's residence to and from the source of supply where used, and for work-related use while at that source of supply, in accordance with the Company's current mileage rate.

2 Per Diem

Hub/System Board employees will be compensated a day's meal

allowance (\$32.00) for any day on which they are away from their home location. For travel days, the meal allowance will be paid for any day the employee leaves his/her home location prior to 5:00 PM or arrives back at his/her home location after 11:00 AM.

3 In lieu of lodging

For each work segment, a Hub/System Board employee may elect a daily lodging allowance of \$20.00 in lieu of Company-provided lodging.

H Compensation

1 During Work Segment

Pay for a Hub/System Board employee will be based on actual earnings made during a work segment, but not less than \$4,900.00, subject to wage and/or cost-of-living increases, per work segment, plus penalties, when applicable. Payment for the first half of a month shall be \$2,450 (one half of work segment minimum) regardless of the amount actually earned. If total earnings for the work segment exceed \$4,900.00, for the second half the Hub/System Board employee will be paid actual earnings for the work segment plus penalties, less the \$2,450 paid for the first half. If total earnings for the work segment are less than \$4,900.00, for the second half the Hub/System Board employee will be paid \$4,900.00 plus penalties, less the \$2,450 paid for the first half.

2 Penalty for not protecting during work segment

Hub/System Board employees who make themselves unavailable for work for any portion of a work segment will have their work segment minimum (\$4,900.00) reduced by \$245.00 for each 24 hour period, or portion thereof, they are not available. Marking rest in accordance with agreement provisions will not be considered as making oneself unavailable. Guarantee (\$4,900.00 or \$2,450) will not be reduced for absences such as bereavement leave, jury duty, Company business (including physical and rules examinations), employee involvement programs, etc.

Trainman examples of items included in guarantee

Straight Time

Overtime

Initial Terminal Delay

Final Terminal Delay
Initial Terminal Switching
Final Terminal Switching
Air Test
All other duplicate pay arbitrary and allowance payments
Deadhead

Conductor-only Allowance

Trainman examples of items not included in guarantee

Road/Yard violations
Runarounds (depart and call in turn)
Service outside assignment
Penalty for work outside scope of UTU(T) agreement
Claims prior to employee placing on R/S Board
Crew Consist Special Allowance

Switchmen examples of items included in guarantee

Straight Time
Overtime

Cannonball
Service outside yard limits permitted by agreement
Any duplicate payment
Deadheads permitted by agreement
Hours-of-service relief
Footboard yardmaster
Use of foreman for flagging or for self-propelled equipment

Switchman examples of items not included in guarantee

Runarounds
Interchange violations
Service outside of assignment
Call and Release
Performing work of other yard crew
Road/Yard violations
Penalty for work outside scope of UTU(S) agreement
Claims prior to employee placing on R/S Board
Meal penalty
Others performing switchman duties
Penalties arising from improper use of foreman or helper
Crew Consist Special Allowance ;

3

Compensation for working on rest segment

Although under no obligation to do so, Hub/System Board employees who accept an offer to extend their work segment, or perform service during their rest segment, will be paid for such service at the applicable road or yard rate, but not less than \$245 per day (24 hours), in addition to their work segment earnings/guarantee. Hub/System Board employees on a secondary switchmen's extra board who accept an offer to extend their work segment, or perform service during their rest segment, will only be used when no regular or extra board switchman is available with eight hours to work.

4

Hub/System Board employees occupying inactive positions shall be compensated \$3,800.00, adjusted for future wage and/or cost of living increases, per monthly inactive cycle. Although under no obligation to do so, an inactive cycle employee who marks up to perform service at the request of the Company shall be compensated for all earnings in addition to the inactive cycle pay.

5

Vacation Credits

Hub/System Board employees will accrue vacation credits based on one vacation credit for each \$100.00 in earnings, including guarantee

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In Lieu Time

In lieu of vacation and holidays/personal leave days, Hub/System Board employees will be allowed paid time off as follows:

All employees with 20 years or more of service will be allowed the equivalent of three split cycles.

All employees with less than 20 years service will be allowed the equivalent of two split cycles.

The work segment(s) allowed as "in lieu time" will be scheduled as closely as possible to the employee's scheduled vacation.

In the event an employee is on the Hub/System Board for only a portion of a calendar year, vacation days and holiday/personal leave days due or already taken during periods not on the Hub/System Board will be taken into account. An employee on the Hub/System Board for a portion of a calendar year, and who leaves the Hub/System Board during the year, will be entitled to vacation and

holiday/personal leave days pursuant to the applicable agreement, less in lieu time taken while on the Hub/System Board. The total number of remaining days of entitlement will be divided by seven to determine the week(s) of vacation; all remaining days will be considered as personal leave days/holidays.

An employee who places to the Hub/System Board during a calendar year will have his/her in lieu time reduced by the number of vacation and holidays/personal leave days taken prior to his/her placing on the Hub/System Board. If the remainder of the vacation and/or holidays/personal leave days is not equal to a complete work segment, the remaining vacation and/or personal leave days will be taken at the beginning or end of a day work segment.

Examples of in lieu time for an employee on the Hub/System Board for only a portion of a calendar year:

Example One: Sixteen-year road employee entitled to 21 days' vacation and eight personal leave days (total of 29) uses two weeks of vacation (14 days) and three personal leave days in a calendar year prior to placing on the Hub/System Board. While on the Hub/System Board, this employee is entitled to two split cycles or one cycle as in lieu time, less the 17 days taken previously in the calendar year. If this Hub/System Board employee were to take in lieu time during September (30-day month), he/she would report 13 days late for the work segment or be released 13 days early from the work segment. Those 13 days combined with the 17 days taken previously would deplete this employee's in lieu time for the calendar year.

Example Two: Twenty-three year road employee entitled to 28 days' vacation and 11 personal leave days (total of 39) is on the Hub/System Board from the beginning of a calendar year through September. While on the Hub/System Board, this employee is entitled to three split cycles or one cycle and one split cycle as in lieu time. While on the Hub/System Board, the employee takes July (a 31-day month) as in lieu days. After coming off the Hub/System Board at the end of September, this employee has eight days remaining, of which seven are considered vacation and one personal leave day.

Example Three: Fifteen-year yard employee entitled to 21 days' vacation and 11 holidays (total of 32) is on Hub/System Board from beginning of calendar year through end of June, at which time he/she comes off Hub/System Board and bids in a regular position as a switchman. During the period of time on the Hub/System Board the employee did not use any in lieu time. For the remainder of the calendar year (July 1 - December 31), the employee would be entitled to three weeks of vacation and seven holidays. The reason only seven holidays remain is that the other four were observed while the employee was on the Hub/System Board.

Example Four: Twenty-six year yard employee entitled to 35 days' vacation and 11 personal leave days for a total of 46 is on the Hub/System Board for the entire calendar year. The employee takes April (a 30-day month) and the first half of August (15 days) as in lieu time. This depletes the employee's in lieu entitlement for the calendar year.

UTU to UP 1/23/97
ATTACHMENT "B" - Agreement

1. The Collective Bargaining Agreement for the Salt Lake Hub is:

Road: UP - Eastern District Road Schedule,

Yard: UP - UTU Yardmen Schedule for the territory Granger-Huntington-Salt Lake City-Butte, exclusive of crew consist agreements

Crew Consist: UP - Eastern District system crew consist condition for all crafts.

2. The existing Tier I, Tier II and Ready Reserve Boards as established in 1992 crew consist conductor only agreement on the UP Eastern District shall be maintained and established for the Salt Lake Hub. Employees who are considered protected employees in the Hub will also be considered as eligible to hold the aforementioned reserve boards in the Salt Lake City Hub.

3. It is understood and agreed by the parties that this consolidated agreement is a good faith effort to provide the carrier a single working agreement in the territory described in the Carrier's September 18, 1996 notice, while respecting the employees' entitlement to work under conditions no less desirable than before the merger. It is further understood that if it is found that an inadvertent omission of an agreement provision has occurred, the Carrier will immediately meet with the involved General Chairpersons and the General Chairperson will advise which of the previously effective rules and/or agreements will control in the factual situation.

It is further understood and agreed that this agreement is entered into with the clear understanding that it will not be characterized in any venue as evidence of a waiver of any moratorium(s) by these signatory Committees or others not signatory, unless specifically set forth in this agreement.

It is further understood and agreed that if particularized service exists in the territory addressed in this agreement that has not been specifically addressed, referenced or changed by the terms and conditions of this agreement, said particularized service will be maintained and operated under the terms and conditions as existed prior to the consummation of this agreement.

4. All UTU General Committees having jurisdiction in the Salt Lake Hub shall be considered as having a third party interest in any arbitration concerning the common Salt Lake Hub Agreement. Awards and/or interpretations concerning that agreement shall be applicable only in the Salt Lake Hub and shall not be referred to by any party outside the Salt Lake Hub.

5. All pool freight runs in the Salt Lake Hub shall be operated in accordance with the Interdivisional Pool Freight Rules contained in the 1972 National Agreement. Article XIII protection contained in that agreement is applicable.

UTU to UP 1/23/97

6. At the time of implementation of the Salt Lake Hub, it is not anticipated that there will be an adverse affect to employees holding seniority as firemen and hostlers in the Salt Lake Hub. However, it is recognized that all seniority rights and agreements pertaining to firemen and hostlers are preserved, with the exception that the training agreement from SP Western Lines shall be the common training agreement for the Salt Lake Hub.

The parties agree to meet in a timely manner as necessary in order to address equity concerns and the application of UTU-E agreements in the Salt Lake Hub.

7. It is recognized that with the source of supply to another craft of service being provided through UTU-represented crafts (such as but not limited to Fireman, Tra nmen, etc.), the Union Pacific will not enter into any agreement with any other organization that would alter or affect the ebb and flow between the respective crafts.

8. Standard union shop provisions will apply in the Salt Lake Hub.

NEW YORK DOCK Q & A'S - UP/SP MERGER

- Q1. Must a "Displaced Employee" exercise his seniority to an equal or higher paying job to which he would be entitled in order to qualify for displacement allowance?
- A. Not necessarily. However, a "Displaced Employee" failing to do so will be treated for purposes of the guarantee as occupying an available higher paying position, subject to the one-for-one principle as set forth in Question and Answer 5.
- Q2. If an employee cannot hold a position which does not require a change of residence, will he be required to change his residence to ensure receiving his displacement or dismissal allowance if that change will trigger a claim for guarantee payment to junior employees?
- A. No. A change of residence will not be required if it causes guarantee payment to flow to other employees.
- Q3. A job is available to more than one protected employee with higher posted earnings than any of their guarantees. Will the earnings of the higher, posted assignment be charged against the guarantees of all such employees?
- A. No more than one protected employee will be treated at any one time as occupying a higher rated position held by a junior employee. That is to say, the senior employee guarantee will be treated as occupying the position producing the highest earnings, the second such senior employee will be treated as occupying the position producing the second highest earnings, and so forth.
- Q4. An employee performs service as Extra Yardmaster, both prior to and subsequent to the effective date of the coordination. How will such service be computed?
- A. (1) Such service and time prior to the coordination shall be included in the test period computations.
- (2) Compensation for such service and time paid for subsequent to the coordination, and/or such service as could have been rendered, shall be applied against the test period guarantee.
- Q5. An employee with a guarantee of \$1,900 per month fails to exercise seniority to obtain a position with posted earnings of \$1,900-\$1,950. In a particular month, he earns \$1,850. What payment, if any, would be due?
- A. None, subject to the one-for-one principle. See Question and Answer 5.

Q6. May an employee called and used as an emergency conductor or engineer, as the case may be, be charged with a loss of earnings on his regular assignment or with higher posted earnings on other assignments account of being so used?

A. No, as he is protecting his seniority as conductor or engineer in accordance with the requirements of the applicable Agreement.

Q7. How is vacation pay treated in computing guarantees under this Agreement?

A. If a vacation falls entirely within one month, the compensation shall be treated as all other compensation creditable to that month. However, when a vacation commences in one month and ends in another, the vacation compensation will be proportioned between the months in accordance with the number of vacation days falling in each month.

Q8. If an employee elects to accept the protective conditions of this Agreement while otherwise eligible for protection under a former protective arrangement or agreement, will such employee resume protection under the former agreement at the expiration of the protective period under this Agreement?

A. Yes, provided protection under the former agreement has not been exhausted or expired.

Q9. What is the meaning of "change in residence"?

A. A "change in residence" as referred to in Section 5(b) and 6(d) of New York Dock shall only be considered "required" if the reporting point of the employee would be more than thirty (30) normal highway miles, via the most direct route, from the employee's point of employment at the time affected.

Q10. Are relocations that occur subsequent to the initial implementation of the merger subject to the relocation benefits contained in the merger implementing document?

A. It is understood, subsequent transactions can occur which prompt additional relocation allowances as contained in the merger implementing document.

Example: A train is removed from the Salt Lake City to Grand Junction pool six months after initial implementation and rerouted Ogden to Green River causing two employees, one from the pool and one from the extra board to relocate Salt Lake City to Ogden. Those employees would be qualified for relocation allowance.

Q11. What events must occur prior to the carrier having the right to off set an employee's TPA for failure to hold a position with higher potential earnings:

UTU to UP 1/23/97

A. It is understood, the carrier must post the positions in order, highest rated position first then second highest etc.... The employee must then have an opportunity to hold the higher rated position through the normal exercise of seniority. The aforementioned must not require a change of residence, and a higher rated position that does require a change of residence can not be used against the employee.

Q12. If a lower rated position, as posted by the carrier, makes more money than the position held by the claiming employee, can the carrier off set protection income through the income of the lower rated position?

A. No. The lower rated position can not be used against the earnings of a protected employee.

Q13. How will the TPA be calculated for elected agents or representatives of employees?

A. For each displaced or dismissed employee, who served as an elected agent or representative of employees on a full or part-time basis during the test period, the employee's test period average (TPA) shall be equivalent to the average TPA, after discounting for extraordinary absence, of the three next senior active and three next junior active employees in the same service on that district, or the employee's own TPA, whichever is greater. When determining such employee's own TPA, compensation from both the UTU and the Carrier, as reported on the W-2 forms, shall be included in the calculation.

UTU is UP 1/23/97

Signed this _____ day of _____, 1997

For the UTU:

A. M. Lankford

D. E. Johnson

P. C. Thompson

J. P. Kurtz

M. B. Futhy, Jr.

N. J. Lucas

R. E. Carter

G. A. Eickmann

For the Union Pacific:

J. G. Pollard

Scott Hinkley

J. K. Spear

J. Previsich

UTU supplemental merger negotiation

The UTU will adopt in the Salt Lake Hub the Crew Consist Agreement (Conductor/Foreman only operation) as contained in the Memorandum of Agreement between the Union Pacific Railroad Company and the United Transportation Union for the former Texas & Pacific and Gulf Coast Lines with the following additions:

- Full district miles will be paid on terminal to terminal deadheads for all employees.
- UP - Central District Road Switcher Agreement provisions will apply to all road switcher operations in the Salt Lake Hub.
- Trainmen will relinquish their right to eat on all pool freight assignments for one hour's pay in lieu thereof.
- Retention of existing SP Western Lines entry rates structure pursuant to Side Letter #10 of Award of Arbitration #510, which will be applicable to the entire Salt Lake Hub.
- 401-k matching fund.
- Work/Rest cycles in pool freight service.
- Pool guarantees.
- Continuation of 1996 levels of SP Western Lines trainmen disability insurance coverage to all employees in the Salt Lake Hub. Equally advantageous to carrier as it lessens potential for FELA actions, relieves carrier of "wage continuation" advance payments for injuries on duty.
- Monthly guarantee for combined Conductor/brakeman road extra board to be calculated using SP Western Lines Conductor Extra Board guarantee agreement, with a minimum of 22 basic days per semi-monthly pay period at Conductor's Local Freight rate of pay with a car count of 1 - 80.
- Extra yardmen will be guaranteed one day at foreman yard rate of pay for each day available payable each semi-monthly pay period.

united transportation union

January 22, 1997

*delivered
to WSH night of
1-22-97*

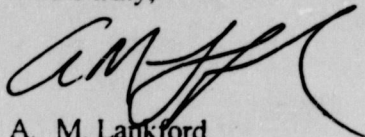
Mr. W. S. Hinkley
General Director, Labor Relations
Union Pacific Railroad
1416 Dodge Street
Omaha, Nebraska 68179

Dear Sir,

The Organization hereby submits the attached Merger Implementing Agreement proposal for consideration by the Carrier. The Organization submits that the referred-to proposal contains benefits for the Carrier not anticipated by Surface Transportation Board or New York Dock conditions. However, the Organization submits this proposal in an effort to reach a satisfactory, voluntary conclusion to the implementing negotiations.

It is not intended by the Organization that the contents be used as a basis for any consideration outside the forum intended.

Yours truly,



A. M. Lankford
Vice President, UTU

**MERGER IMPLEMENTING AGREEMENT
(Salt Lake Hub)**

between the

**UNION PACIFIC RAILROAD COMPANY
SOUTHERN PACIFIC RAILROAD COMPANY**

and the

UNITED TRANSPORTATION UNION

In Finance Docket No. 32760, the Surface Transportation Board 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 order to achieve the benefits of operational changes made possible by the transaction, to coordinate the seniority of all employees working in the territory covered by this Agreement into one common seniority district and to provide agreement modifications necessary to effect the benefits of the merger,

IT IS AGREED:

I. SALT LAKE HUB

A new seniority territory named Salt Lake Hub shall be created that is within the following area: DRGW mile post 450 at Grand Junction on the Southeast, UP mile post 164.4 at Yermo on the Southwest, UP mile post 670 and SP mile post 559.5 at Elko on the West, UP milepost 110 at McCammon on the North and UP mile post 847 at Granger on the East and all stations, branch lines, industrial leads and main line between the points identified.

In addition to the seniority rights of existing employees, the Salt Lake Hub shall have a common Seniority Roster for each craft (Brakemen, Conductors and Switchmen) created for all employees working in the Salt Lake Hub on _____, and a single common roster for all employees hired thereafter.

Employees working in the Salt Lake Hub shall remain under the jurisdiction of their prior General Committee, and will perform service in accordance with the agreement attached hereto as Attachment "B".

The parties recognize that the common agreement attached hereto incorporates for former Southern Pacific employees the work rule and basic day mileage modifications contained in the 1991 and 1996 National Agreements. Accordingly, such employees who were otherwise eligible

UTU to UP 1/23/97

to receive the lump sum payments contained in the 1991 and/or 1996 National Agreements shall receive those payments not later than 30 days following implementation of the common agreement.

A. ZONES

The new UP/UTU Salt Lake Hub common seniority district will be divided into five (5) zones. Zones shall include extra board(s) as set forth in this agreement. An extra board shall be regulated at not less than 50% of the number of positions that it protects. If an extra board has no employees rested and available, employees on another extra board in the terminal may be called, however, an extra board employee is not required to accept a call off zone. Extra Boards will be guaranteed the following:

Road Extra Board - 1925 miles per semi-monthly period at Conductors local freight rate of pay.

Yard Extra Board - 11 days per semi monthly pay period at yard helper rate of pay.

Combination Road/Yard - 1925 miles per semi-monthly period at Conductors local freight rate of pay.

The purpose of creating zones is twofold: First, it is to allocate work in an area recognizing the entitlements of existing employees to that work; Second, to provide a defined area over which a trainman/switchman can become familiar with trackage and train operations so as not to be daily covering a multitude of different sections of track.

Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips, not less than 10 trips, unless mutually agreed to, in order to become familiar with the new territory. Employees on familiarization trips shall be compensated in accordance with the controlling agreement the same as if working the assignment on which becoming familiar. Issues concerning individual qualifications shall be handled with local operating officers.

Zones are defined as and will be governed by the following:

1. Zone 1 will include Salt Lake City and Ogden West to Elko via either route but will not include the terminals of Elko, Salt Lake City and Ogden. (current WP and SP pool and local operations)

Pool assignments and extra board positions in Zone 1 will be allocated 60%* to the former WP and 40%* to the former SP. Local Freight, Road Switcher, work trains, helper service and pilot conductor service will be allocated to the former seniority district over which it operates. Assignments which operate over both former Seniority Districts shall, at the direction of the Organization, be assigned to the appropriate prior rights district in order to equalize the mileage equities between the districts.

Assignments allocated to the former WP will be available for the exercise of prior rights seniority by former WP employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former SP will be available for the exercise of prior rights seniority by former SP employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 1 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

a. Pool operations

1. Salt Lake City - Elko and Ogden - Elko.

This operation shall be run as one interdivisional pool with a home terminal at Ogden. Crews brought on duty in Ogden may be transported to Salt Lake City for departure. The Carrier may operate the crews at the far terminal of Elko back to Salt Lake City or Ogden, with the crews operating to Salt Lake City being transported by the carrier back to Ogden at the end of their service trip. Employees transported between Salt Lake City and Ogden shall be compensated established highway mileage (39) between those two points at the rate of and in addition to the service trip.

b. Terminal consolidations

The operation of the Salt Lake City to Elko pool operation will be relocated to Ogden

Note 1: Elko - Carlin. All UP and SP operations within the greater Elko and Carlin area shall be further handled when merger coordinations are handled for the Elko West area.

Note 2: While the Sparks-Carlin and Wendel-Carlin pools and yard and local assignments are not covered in this notice it is understood that they will operate Sparks -Elko and Wendel-

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Elko and will be paid actual miles when operating trains between these two points and will be further handled when merger coordinations are handled for the area west of Elko.

Note 3: The Portola-Elko pool shall continue to operate as it currently does and will be further handled when merger coordinations are handled for the Elko west area.

c. Extra Boards

The following extra board(s) will be established to protect all road assignments in Zone 1:

1. Road extra board at Ogden, which protects all Zone 1 road service assignments out of Ogden.

* 60/40 allocation may be subject to change when additional data is examined. The present allocation is based on UP provided data which includes 36 crews in WP pool and 24 crews in SP pool

2. Zone 2 will include Salt Lake City North to McCammon and Ogden east to Granger and all road operations in the Ogden and Salt Lake City terminals. Green River locals or road switchers are not included in this zone.

Assignments in the Salt Lake City - Pocatello pool will be allocated ____% to the former ____ and ____% to the former ____.

Assignments in the Salt Lake City - Green River pool will be allocated ____% to the former ____ and ____% to the former ____.

Assignments in the Ogden - Green River pool will be allocated ____% to the former ____ and ____% to the former ____.

Local Freight, Road Switcher, work trains, helper service and pilot conductor service will be allocated to the former seniority district over which it operates. Assignments which operate over more than one former Seniority District shall, at the direction of the Organization, be assigned to the appropriate prior rights district in order to equalize the equities between the districts.

Zone 2 Road Extra Board at Ogden will be allocated ____% to the former ____ and ____% to the former ____.

Zone 2 Road Extra Board at Salt Lake City will be allocated ____% to the former ____ and ____% to the former ____.

Assignments allocated to the former UP - Eastern District will be available for the exercise of prior rights seniority by former UP - Eastern District employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former UP - Idaho will be available for the exercise of prior rights seniority by former UP - Idaho employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former D&RGW will be available for the exercise of prior rights seniority by former DRGW employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 2 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

a. Pool operations:

Salt Lake City to Green River
Salt Lake City to Pocatello
Ogden to Green River

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b. Extra Boards

The following extra boards will be established to protect assignments in Zone 2

Road extra board at Ogden, which protects Zone 2 road assignments out of Ogden and Local and Road Switcher assignments at _____

Road extra board at Salt Lake City, which protects Zone 2 road assignments out of Salt Lake City.

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3. Zone 3 will include Salt Lake City East to and including Grand Junction Road assignments and South to Caliente via either route.

Assignments in the Salt Lake City - Milford pool will be allocated _____% to the former _____ and _____% to the former _____.

Assignments in the Salt Lake City - Grand Junction pool will be allocated _____% to the former _____ and _____% to the former _____.

Assignments in the Milford - Helper pool will be allocated _____% to the former _____ and _____% to the former _____.

Local Freight, Road Switcher, work trains, helper service and pilot conductor service will be allocated to the former seniority district over which it operates. Assignments which operate over both former Seniority Districts shall, at the direction of the Organization, be assigned to the appropriate prior rights district in order to equalize the equities between the districts.

Zone 3 Road Extra Board at Salt Lake City will be allocated _____% to the former _____ and _____% to the former _____.

Zone 3 Road Extra Board at Milford will be allocated _____% to the former _____ and _____% to the former _____.

Zone 3 Combination Extra Board at Grand Junction will be allocated _____% to the former _____ and _____% to the former _____.

Zone 3 Combination Extra Board at Provo will be allocated _____% to the former _____ and _____% to the former _____.

Zone 3 Road Extra Board at Helper will be allocated _____% to the former _____ and _____% to the former _____.

Assignments allocated to the former UP - South Central will be available for the exercise of prior rights seniority by former UP - South Central employees in accordance with their prior rights to the work in, or moved to, the Zone. Assignments allocated to the former DRGW will be available for the exercise of prior rights seniority by former DRGW employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 3 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

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a. Pool operations:

Salt Lake City - Milford
Salt Lake City - Grand Junction
Milford - Helper
Milford - Las Vegas

b. Extra Boards

The following extra boards will be established to protect all road assignments in Zone 3

1. Road extra board at Salt Lake City, which protects Zone 3 road service out of Salt Lake City.
2. Road extra board at Milford, which protects Zone 3 road service out of Milford
3. Combination extra board at Grand Junction, which protects Zone 3 yard and road service out of Grand Junction
4. Combination extra board at Provo, which protects Zone 3 yard and road service out of Provo.
5. A road extra board will be established at Helper which will protect Conductor's and Brakemen's extra work and vacancies at Helper.

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4. Zone 4 will include Caliente to Yermo, California.

Assignments (including extra board positions) in Zone 4 will be allocated 100% to the former UP - South Central.

Local Freight, Road Switcher, work trains, helper service and pilot conductor service will be allocated to the former seniority district over which it operates. Assignments which operate over both former Seniority Districts shall, at the direction of the Organization, be assigned to the appropriate prior rights district in order to equalize the equities between the districts.

Assignments allocated to the former UP - South Central will be available for the exercise of prior rights seniority by former UP - South Central employees in accordance with their prior rights to the work in, or moved to, the Zone.

Employees from the Salt Lake Hub common roster may exercise seniority to assignments in Zone 4 in accordance with their standing on the common roster and behind those who have prior rights to the assignment.

a. Pool operations:

Las Vegas to Yermo
Las Vegas to Milford

b. Extra Boards

The following extra boards will be established to protect assignments in Zone 4:

A road extra board will be established at Las Vegas which will protect all Conductor's vacancies other than road switchers.

A combination extra board will be established at Las Vegas which will protect all Conductor and Brakeman vacancies on the Las Vegas road switchers.

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5. Zone 5 will include yard operations at Salt Lake City, Ogden, Roper, Grand Junction and Provo.

A Working Roster shall be established for Zone 5. Positions on the Working Roster will be allocated 62%** to the former UP - Idaho and 38%** to the former DRGW.

Positions on the Working Roster allocated to the former UP - Idaho will be available for the exercise of prior rights seniority by former UP - Idaho employees in accordance with their prior rights to the work in, or moved to, the Zone. Positions on the Working Roster allocated to the former DRGW will be available for the exercise of prior rights seniority by former DRGW employees in accordance with their prior rights to the work in, or moved to, the Zone. Employees shall rank in seniority order on the working roster in accordance with their relative standing on the Salt Lake Hub Common Roster.

Employees from the Salt Lake Hub common roster may exercise seniority to a position on the Working Roster in accordance with their standing on the common roster and behind those who have prior rights to that position.

Assignments in Zone 5 shall be available for the exercise of seniority by employees from the Zone 5 Working Roster.

a. Terminal consolidations

Separate yard operations shall include Ogden, Grand Junction and Provo. Salt Lake City Yard and Roper Yard shall be combined into a single terminal.

b. Extra Boards

The following extra boards will be established to protect assignments in Zone 5:

Yard extra boards shall be established at Salt Lake City/Roper and Ogden. Yard Vacancies and extra work in Grand Junction and Provo will be filled from the Zone 3 extra boards at those terminals.

** - Subject to change when additional data is examined.

II. SENIORITY

To achieve the work efficiencies and allocation of forces that are necessary to make the Salt Lake Hub operate efficiently as a unified system, the following will apply:

A. Existing rights of employees to exercise seniority in the Salt Lake Hub shall be preserved. Assignments in each Zone shall be allocated as set forth in the Zone provisions of Article I.A of this agreement. An allocated assignment shall be subject to seniority choice, as follows:

- First: existing employees who have prior rights to the allocated work.
- Second: employees from a Salt Lake Hub Common Roster.

Employees will be treated for vacation, entry rates and payment of arbitraries as though all their time in operating service on their original railroad had been performed on the merged railroad. A protected employee on any seniority roster will be considered a protected employee on all seniority rosters. Each zone shall assign vacations to employees by craft in seniority order of the craft.

B. In addition to the seniority rights of existing employees, the Salt Lake Hub shall have a Seniority Roster for each craft (Brakemen, Conductors and Switchmen) created for all employees working in the Salt Lake Hub on _____. The new Salt Lake Hub rosters will be created as follows:

1. Existing employees placed on the new craft common rosters will be dovetailed based upon the employee's earliest retained seniority date in the craft. If any employees have identical seniority dates in the craft, seniority will be determined by the earliest employee's retained seniority in a UTU represented craft. If the earliest retained seniority date is identical, seniority will be determined by birth date.
2. Employees hired subsequent to the effective date of this agreement shall be placed on a single common road/yard Salt Lake Hub roster which will rank below each of the craft rosters set forth above. Such employees shall, when qualified, rank as Conductor/Foreman in accordance with their relative standing on the common roster.

When a class of students completes their preparatory training and examinations, their order of standing for seniority will be determined as follows:

- a. **FIRST GROUP** - Employees from the carrier's other crafts will be ranked highest in potential seniority in the class of trainees based on the employee's number of years of continuous service with the carrier. In the event that two employees have the same date of hire, they shall be ranked

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according to their date of birth with the senior employee ranking ahead of junior employees.

- b. SECOND GROUP - New employees will be ranked amongst themselves by their date of birth and placed behind Group 1 in seniority.

Thereafter, the first service performed by a member of said class as either a trainman or switchman will establish the common seniority date for all members of the class in the order determined by the above groups. If more than one class is prepared to mark up for service in the same Hub on the same date, all groups will be ranked in accordance with a and b above, as if they were all in the same class of students.

When a single new employee is marked up for initial service as either brakeman or switchman, he/she will establish a seniority date as of the date such initial service is performed.

NOTE: A seniority "picture" of all affected locations on the merged railroad(s) will be taken as of _____ so that all employees are identified with a Hub roster.

III. HUB/SYSTEM BOARD

The Salt Lake Hub will be divided into Demand Number Areas (DNA). A Hub/System Board will be established for the Hub. (see attachment)

For each DNA in a hub, a number of positions on the Hub/System Board equal to the number by which the supply of active employees exceeds the demand number shall be made available for seniority choice of Hub common roster employees at that DNA. If the Company's need for employees at a DNA exceeds the demand number, the Company may bulletin fewer Hub/System Board positions and allow employees in excess of the demand number to continue working at that DNA.

The Salt Lake Hub/System Board employees may be used anywhere on the Union Pacific Lines, including within the Salt Lake Hub.

IV. PROTECTION

A. The parties agree that all employees listed on the Salt Lake Hub common roster and all other employees working in the Salt Lake Hub and Elko at the time of implementation of this agreement will be automatically certified for wage protection which will be calculated pursuant to New York Dock provisions, with the exception that Test Period Averages shall be determined using the highest 12 individual months between and including January 1996 and the month prior to the month in which the protective period begins. Employees who earned their TPA while working under an agreement not subject to the percentage increases contained in the 1991 and/or 1996 National Agreements shall have their TPA's increased equivalent to the percentage

UTU to UP 1/23/97

increases not previously received. (Q's and A's relating to New York Dock are attached hereto)

B. Employees who are automatically certified as a result of this implementing agreement and who are not listed on the Salt Lake Hub Common Roster shall commence a new Protective Period pursuant to the implementing agreement for the Hub with which they are identified.

Employees remaining at Elko after the relocation of the Zone 1 ID pool freight assignments to Ogden, will have their TPA's calculated and such employees shall be paid the difference in earnings without filing a claim. At the time the parties meet to negotiate the merger conditions for Elko-West, the parties agree that those employees remaining at Elko who are subsequently relocated as a result of an implemented or arbitrated Elko West merger agreement, will have their protection period restarted, in line with that of other employees in the Elko West area that are certified as a result of the merger negotiations.

C. Employees who become eligible to receive compensation for moving expenses pursuant to the relocation provisions of New York Dock as modified by Article XII and XIII of the 1972 UTU National Agreement shall have the option of accepting the allowances set forth in New York Dock or a lump sum payment of \$30,000 for homeowners and \$10,000 for renters in lieu thereof. The foregoing shall also apply to employees who are automatically certified as a result of this agreement and who voluntarily follow their work to a new location. Employees who voluntarily follow their work and receive a moving allowance must not exercise seniority from the location to which moved for a period of five years from the markup date at the new location unless that employee is unable to hold a regular or extra position at that location.

D. Employees shall receive a separate Test Period Average (TPA) for their respective participation in their prior productivity fund. For any year following implementation of this agreement, including the year in which implemented, in which the employee receives less productivity fund compensation than his/her pro-fund TPA, the employee shall be compensated the difference. This entitlement shall continue subject to the moratoriums contained in the employee's prior productivity fund and may thereafter only be modified by negotiation with the General Committee having jurisdiction over that prior productivity fund. Elected full or part time union officers shall receive a pro-fund TPA equal to the average pro-fund TPA for the craft in which they hold seniority and in which they worked for the preponderance of the test period or such employee's own pro-fund TPA, whichever is greater.

E. If any other organization involved in this merger receives more generous protective conditions than those set forth herein, the more generous provisions will be offered to the UTU.

V. IMPLEMENTATION

The Carrier shall give 30 days written notice for implementation of this agreement and the number of initial positions that will be changed in the Hub.

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VI. SAVINGS CLAUSE

Health and Welfare

Disability insurance

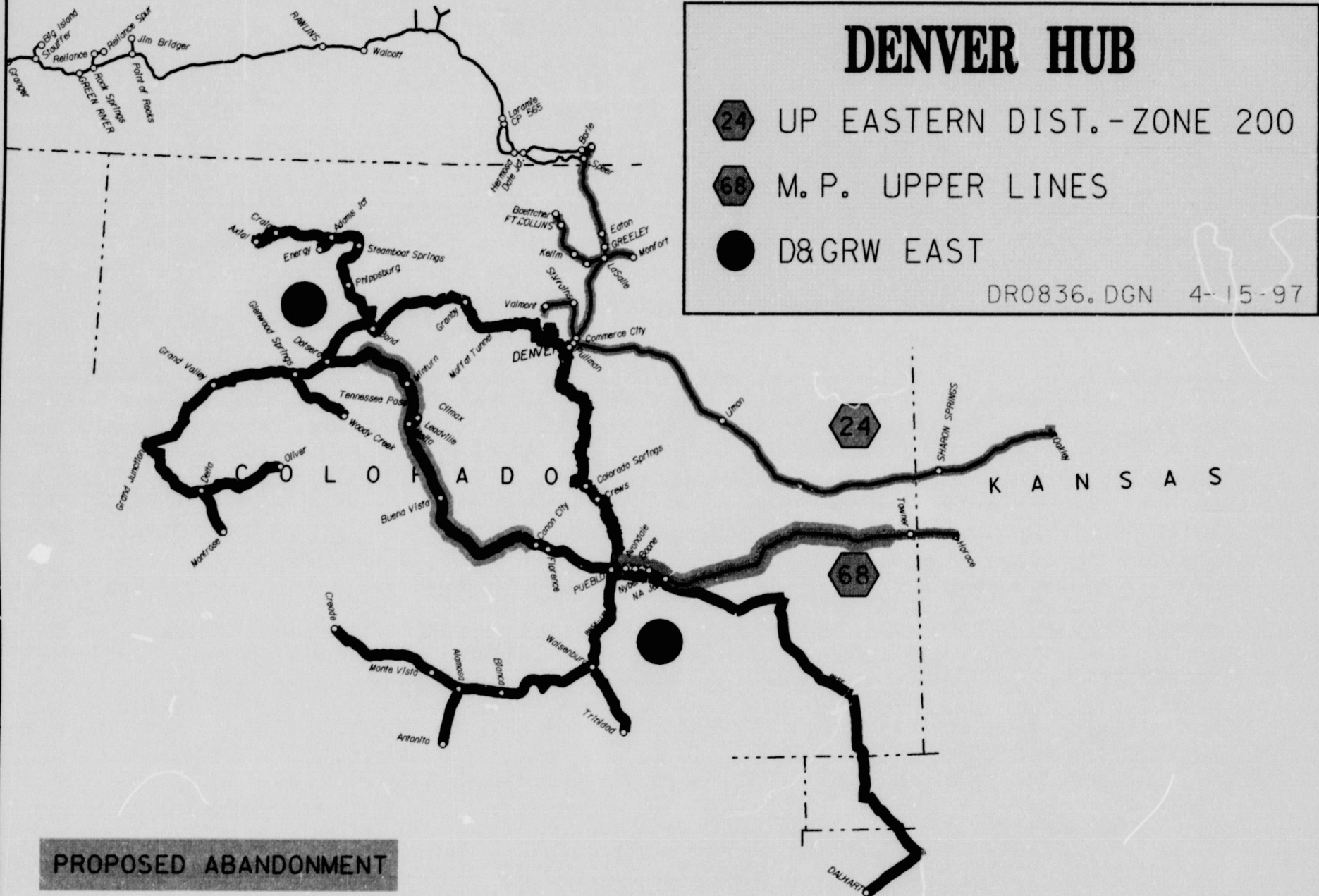
Protective agreements

Siskiyou

Peninsula Commute

Coast Line

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Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY
— CONTROL AND MERGER —
SOUTHERN PACIFIC RAIL CORPORATION,
SOUTHERN PACIFIC TRANSPORTATION COMPANY, ST. LOUIS
SOUTHWESTERN RAILWAY COMPANY, SPCSL CORP. AND THE
DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY

RAILROAD MERGER APPLICATION

VOLUME 3

OPERATING PLAN (EXHIBIT 13), LABOR IMPACT EXHIBIT,
DENSITY CHARTS (EXHIBIT 14), AND SUPPORTING STATEMENTS

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**VERIFIED STATEMENT
OF
R. BRADLEY KING AND MICHAEL D. ONGERTH**

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VERIFIED STATEMENT

OF

R. BRADLEY KING AND MICHAEL D. ONGERTH

Our names are R. Bradley King and Michael D. Ongerth. We are, respectively, UP's Vice President-Transportation and SP's Vice President-Strategic Development. For the last four months, we have been responsible for developing the UP/SP Operating Plan (Exhibit 13 to the Application), which describes in detail how the merged UP/SP system will provide improved, more efficient transportation service to shippers. This statement highlights the principal service benefits of a UP/SP merger and describes some of the operating efficiencies it will produce.

Qualifications

King: My railroading career began in 1970 when I joined MPRR's management training program. After completing the program in 1971, I was appointed Assistant Trainmaster at Coffeyville, Kansas, and then Trainmaster at Piro Bluff, Arkansas. Later assignments in the MPRR Operating Department took me to St. Louis; to Kansas City; back to Coffeyville; to Longview, Texas; and finally to Little Rock, Arkansas. After the UP/MP/WP merger, I moved to Omaha to become Assistant General Superintendent of Transportation and then General Manager of Transportation. In 1986, I became Assistant General Manager in Kansas City. Then I returned to Omaha in 1987 as General Director of Transportation.

In 1988, I assumed responsibility for the project to create UP's Harriman Dispatching Center. I spent the next five years overseeing implementation of centralized dispatching on UP. That assignment ended on July 16, 1993, when I was promoted to Vice President-Risk Management. I assumed my current position earlier this month as a result of a reorganization in UP's Operating Department.

Ongerth: I have been employed by SP since 1968, holding various positions in management of division operations in Oregon, California, Texas and Arkansas, including serving as General Manager of Northwestern Pacific Railway Company, formerly a 300-mile SP rail subsidiary in California. I have also served in various General Office positions involving the management of systemwide operations, including network or system operations planning, supervision of system Amtrak operations, and supervision of system intermodal operations.

In August 1992, I was appointed to my present position. As a member of senior management with responsibility for long-range planning and system development, I have a continuing overview of SP's operations and services, its position in the railroad industry, the competitive environment in which it operates, and the company's strengths and weaknesses.

I. The UP/SP Merger from an Operating Perspective

Historically and physically, major UP and SP routes were created to work together. The first transcontinental rail line was forged by predecessors of UP and SP, the original Union Pacific Railroad Company (which went bankrupt in 1893) and Central Pacific. This line was completed with the celebrated driving of a golden spike at

Promontory, Utah, on May 10, 1869. Through freight service between Sacramento and Omaha began five days later. For decades, UP and SPT jointly operated this premier Central Corridor route, known as the "Overland Route," via a connection at Ogden, a few dozen miles southeast of Promontory.

Most people are less aware that SPT and a UP predecessor, the Texas & Pacific Railway Co. ("T&P"), were partners in creating the original Southern Corridor transcontinental route. That first route, still the most direct route between California and many South Central cities, linked SPT's Los Angeles-El Paso line with T&P's line from El Paso to Ft. Worth, Dallas, Shreveport and New Orleans.

This history helps explain why SP and UP routes fit together so well today and why the route structure of each railroad addresses many of the other's weaknesses, as illustrated in the sketches on pages 10 and 11. As respected railroader and writer John W. Barriger III wrote many years ago, UP and SP comprise "the most natural merger in American railroading." SP's route structure requires something else UP brings: increased access to capital to live up to its potential. Here are some of the key ways in which UP and SP routes complement each other:

- SP's "Sunset Route" between El Paso and Southern California fits perfectly into the UP system by bridging the gap between Southern California and UP's extensive route network in Texas and other South Central states. UP's route between Texas and California passes through Kansas City, Wyoming and Utah, taking Texas-Los Angeles shipments many hundreds of miles out of the way. While UP operates the most direct rail route from Memphis, Dallas and Ft. Worth to El

Paso, it is relatively lightly used because it connects with SP at El Paso, which has its own single-line, though longer, route east of El Paso. UP/SP will combine the former T&P route with SP from El Paso west, recreating the premier rail route of a century ago between Southern California and Ft. Worth, Dallas and Memphis.

- On the West Coast, SP's lines between Los Angeles and Portland, which SP calls the I-5 Corridor, link the West Coast extremities of the UP system at Los Angeles, the San Francisco Bay Area, and Portland. This linkage is very important, because equipment flows differ among UP's three lines from Wyoming to the West Coast, creating severe equipment imbalances. SP's routes permit triangulation and reuse of equipment, yielding greater productivity.

- SP's I-5 Corridor ends at Portland -- short of the all-important Olympia/Seattle/Tacoma region. By combining the SP I-5 Corridor with UP's line between Portland and Seattle, UP/SP will offer, for the first time in history, a direct single-line rail service between California and Seattle. In addition, UP/SP will provide single-line service over this route between California and Eastern Oregon, Idaho, Washington and the Canadian gateway at Eastport, Idaho. A UP/SP merger will also bring the financial resources needed to remove clearance restrictions in Oregon's Cascade Mountains, which prevent SP from using high-cube doublestack equipment in this important corridor.

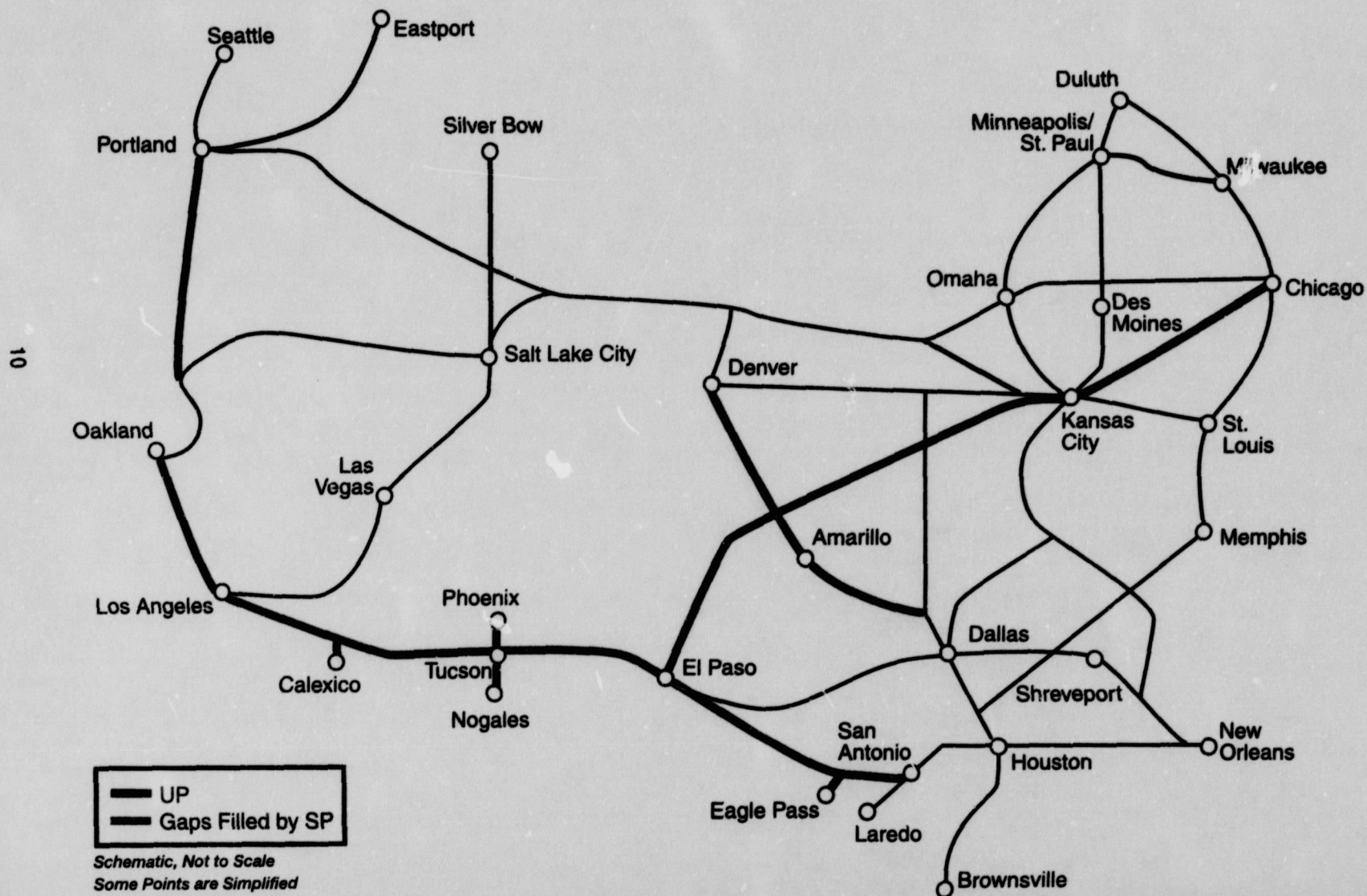
- For years, Santa Fe has dominated competition for Chicago-Northern California rail traffic. UP's line between Chicago and Ogden is excellent, but it then dips south to Salt Lake City over a severely congested line and, further west,

follows a circuitous path into and through Northern California. SP enjoys the better route between Oakland and Ogden, but east of Ogden it must negotiate the same congested UP segment between Ogden and Salt Lake City, climb over a steep grade in Utah, surmount the highest, steepest rail crossing of the Rocky Mountains, and traverse a circuitous route over UP trackage in Kansas. Combining UP east of Ogden with SP west of Ogden will recreate the Overland Route, giving UP/SP the ability to compete aggressively with BN/Santa Fe for even the fastest traffic between Chicago and Northern California and greatly reducing transit times for the many SP-served shippers in much of California.

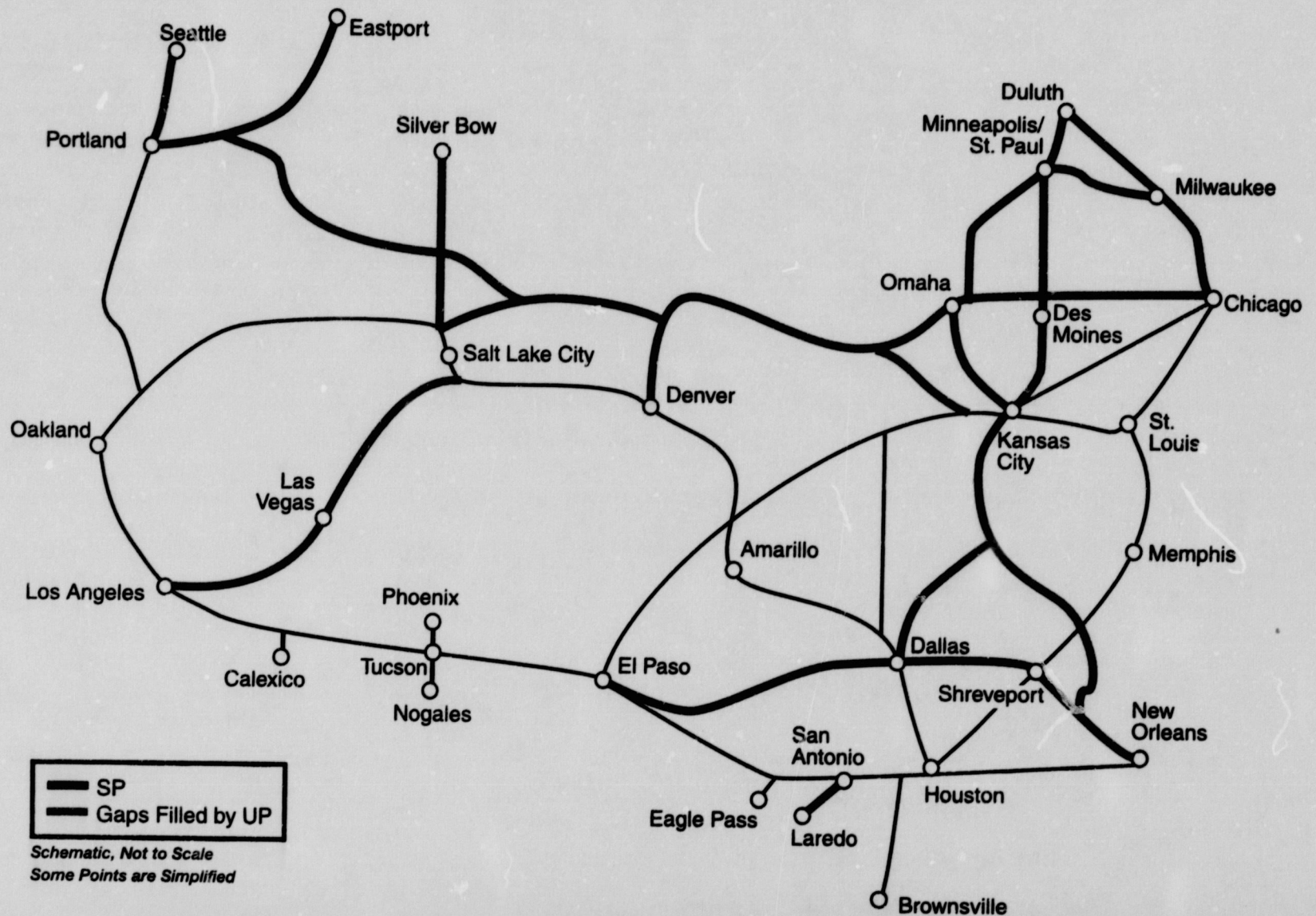
- Despite a massive and ongoing commitment of capital, UP's route between Chicago and Southern California is often congested. SP's Chicago-Los Angeles "Golden State" route, which relies on the former Rock Island "Tucumcari Line" west of Kansas City, is shorter but suffers from capacity limitations between Kansas City and El Paso and congestion west of El Paso. UP/SP will invest over \$365 million to upgrade the Tucumcari Line and add capacity west of El Paso. The merged system will then coordinate operations over its two Midwest-Southern California routes to ensure reliability and compete with the reliable service offered by BN/Santa Fe.

Although the complementary nature of the UP and SP networks (depicted on the following schematic maps) provides incentives for the two railroads to work together by voluntary agreement, the economic motivation for two independent railroads to use their assets jointly is often limited. This is true for such reasons as the two companies' differing

SP Fills Gaps in the UP System



UP Fills Gaps in the SP System



capital investment and management priorities, the "watershed" problem in which railroads receive a low return on management and capital investment in short hauls, and a natural desire to avoid the complications of interline coordination by focusing on their own single-line, albeit circuitous, routes. SSW's acquisition of the Tucumcari Line in 1980, UP's acquisition of WP and MPRR in 1982, and acquisition of SPT by the parent of DRGW in 1988 further weakened the incentives of these two railroads to pursue joint actions. After those acquisitions, UP and SP had incentives to channel formerly joint SP-UP traffic flows over their new system routes. This was especially true in the Central Corridor, where each system established its own single-line route, even though both new routes were more circuitous than the joint-line Overland Route over the Ogden interchange. UP and SP were now direct competitors, and that rivalry made it very difficult for them to pursue potential synergies.

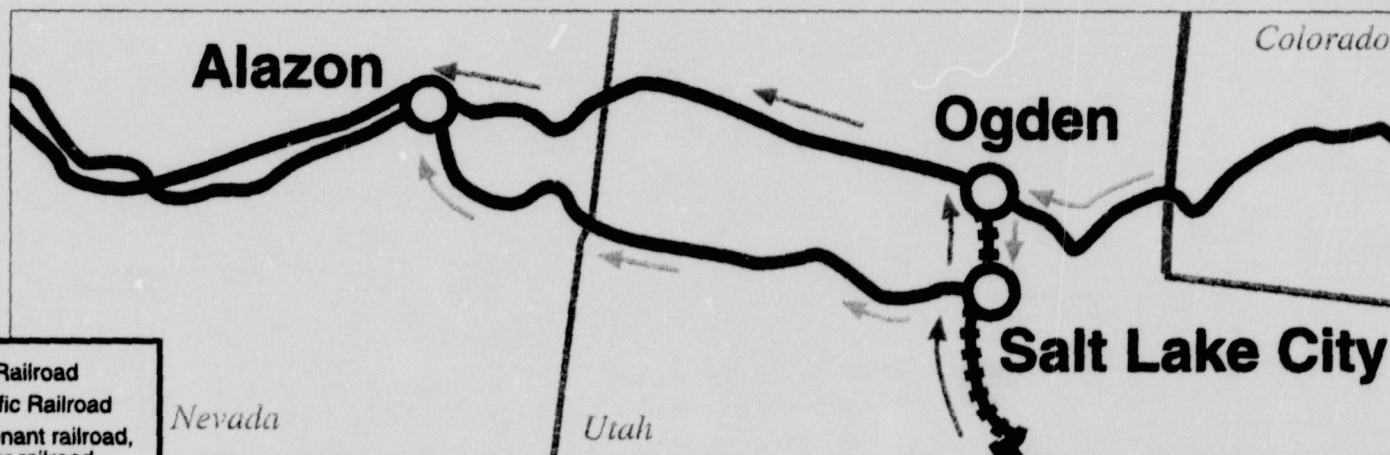
Economic theoreticians and lawyers opposing railroad consolidations sometimes say that railroads can achieve the benefits of rail consolidations without consolidation, but history teaches a different lesson. The theoretical argument works when the two companies are similarly motivated and are prepared to commit equal resources -- preconditions that rarely apply in practice. A coordination project that may appear to be a win-win situation for both railroads may in reality prove impractical. UP and SP operations in Northern Utah and Nevada provide a good example.

UP and SP main lines between the Salt Lake Valley and a point near Wells, Nevada (called Alazon on the railroads) form an elongated triangle, as illustrated on the next page. The triangle's vertical base is the UP mainline between Salt Lake City and

Westbound Trains to Northern California

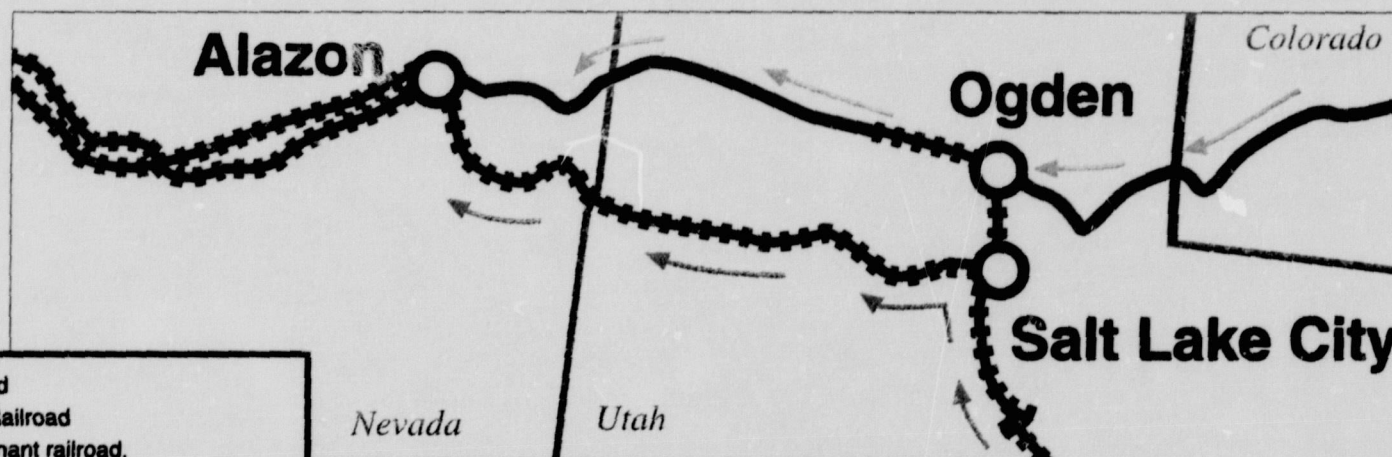
Pre-Merger

- Union Pacific Railroad
- Southern Pacific Railroad
- - - Dashed line tenant railroad, solid line owner railroad
- ← UP trains from the Midwest
- ← SP trains from the Midwest



Post-Merger

- UP/SP Railroad
- BN/Santa Fe Railroad
- - - Dashed line tenant railroad, solid line owner railroad
- ← UP/SP trains from the Midwest
- ← UP/SP & BN/Santa Fe trains from Colorado



Ogden, used jointly by SP and UP. SP's trains from the Midwest to Northern California enter Salt Lake City from the east, travel north over the joint line to Ogden on UP trackage rights, and then turn west across the Great Salt Lake toward Alazon. Westbound UP trains from the Midwest to Northern California reach Ogden from the east, turn south over the line to Salt Lake City in the opposite direction from SP's westbound trains, and then turn west again for the run to Alazon.

Every day for more than a decade, all UP trains between the Midwest and Northern California have taken the longer route between Ogden and Alazon via Salt Lake City, rather than going straight west over the SP line. Every SP train (until 1988, they were SPT-DRGW interline trains) has taken the longer route between Salt Lake City and Alazon via Ogden, rather than going straight west on the UP line. As a result, all the trains of both railroads have squeezed onto UP's congested, 35-mile line between Ogden and Salt Lake City. UP westbound trains heading south encounter SP westbound trains heading north on this jammed track, even though the trains of both railroads are headed west for the same destinations in California. Eastbound trains encounter the same inefficiencies in the opposite direction.

Every one of these UP and SP trains loses one and a half to four hours in the Salt Lake Valley and consumes extra fuel as it travels extra miles. Every train contributes to the congestion and delays that are an everyday event on the joint line, producing distrust and frustration for employees and managers of both railroads. Every train increases rail-highway conflicts and contributes to air pollution in the Salt Lake Valley.

The two railroads have discussed a rational reorganization of this operation for years. Superficially, this would appear to be a textbook case calling for mutual cooperation in mutual self-interest. Upon analysis, however, the issues were much more complex. Each railroad analyzed the commercial implications of shorter transit times on existing traffic flows and the effects of removing the bottleneck for its relative competitiveness. Labor issues were present, and the cost uncertainties associated with substantial revision of work assignments added to the price of the potential change. Compensation issues were vexing because the two routes differed in length and maintenance complexities, and the two companies could not agree on an equitable resolution of their differences.

One of the most important factors, from UP's standpoint, was its concern that SP might be unwilling or unable to commit the resources necessary to keep its line on its landfill across the Great Salt Lake up to the maintenance standard expected for UP core routes. UP did not want to have to reduce its service standards to accommodate perceived weak links furnished by others in UP's transportation chain. As a result, the coordination did not occur, and both railroads continue to suffer delay and incur expensive extra mileage.

As a combined system, UP/SP will overcome this expensive and inefficient arrangement to their (and BN/Santa Fe's) benefit. Most UP/SP trains between the Midwest and Northern California will operate over the direct east-west line through Ogden, as Congress intended more than a century ago when it created the route. Trains operating over the former DRGW line, including BN/Santa Fe trains, will run directly west from Salt

Lake City over the former WP line, eliminating the conflicting movement of trains in the Salt Lake Valley, reducing rail traffic through the Valley and dramatically reducing delays. This is only one of many opportunities UP/SP will seize to improve rail service that clearly would not be accomplished in the absence of common control.

In the following pages, we describe how the UP/SP Operating Plan was created. We highlight some of the new and enhanced services shippers can expect from coast to coast -- services that deserve the term "unprecedented." And we explain how UP/SP can provide those services while saving hundreds of millions of dollars -- savings that will stimulate further investment in railroading and that will accrue to our customers as we work to compete with a powerful BN/Santa Fe system.

II. Development of the Operating Plan

More than 200 professionals from a variety of disciplines at both companies were involved in developing the UP/SP Operating Plan. We made this investment of valuable time and resources because we wanted our Operating Plan to provide the best possible picture of the benefits of a UP/SP merger. To develop the Operating Plan, SP and UP created nine joint teams, each of which was assigned responsibility for identifying opportunities to improve service and realize efficiencies by combining UP and SP routes, facilities and strengths:

- **Transportation Plan.** This team was responsible for planning all train service for the entire UP/SP route network. It was aided by a proprietary computer network modeling program supplied by MultiModal Applied Systems, Inc., which projects how traffic moves between hundreds of points on a rail net-

work. By studying these traffic flows, and applying their knowledge of our two systems and their accumulated expertise, members of the transportation planning team developed train schedules and blocking plans for all UP/SP train services.

- Common Points. Divided into seven regional sub-teams, this team was responsible for making recommendations about how to combine, coordinate and improve UP and SP services and facilities at every point served by both railroads, plus other points significantly affected by the merger. Each of the sub-teams consisted of experienced operating officers with knowledge of their region, and local operating officials at many of the common points contributed their expertise.
- Intermodal/Automotive. This team developed plans for new expedited train service and the terminals necessary to support them. It grappled with the complex problems of coordinating numerous UP and SP intermodal facilities in the Chicago area and the equally complex UP and SP terminal facilities in Southern California. As the Operating Plan shows, UP/SP will offer significant improvements in intermodal and automotive services across the system.
- Centralized Functions. We established this team to address a range of related functions that both railroads generally administer from their headquarters offices. Its members studied train dispatching, crew management, locomotive management, centralized timekeeping, loss and

damage prevention, equipment utilization, and -- perhaps most importantly -- customer service. The team studied SP and UP practices and measured performance in each of these areas, looking for the "best practices" of each.

- **Locomotive Utilization and Fuel.** This team was charged with deciding how to integrate two large fleets of locomotives into a single efficient power pool. It was also responsible for determining the savings associated with more efficient locomotive utilization and for identifying potential fuel savings resulting from changes in operations.
- **Mechanical Facilities.** By visiting and studying locomotive and freight car repair facilities on both systems, this team identified opportunities to improve the efficiency of UP/SP mechanical services. Its charge included not only heavy repair shops but also one-stop repair facilities at terminals throughout the two systems.
- **Engineering Services.** UP and SP maintenance of way personnel evaluated opportunities for a UP/SP system to efficiently maintain its tracks and signals to a high standard. They looked at productivity of track gangs, locations of maintenance of way equipment shops and opportunities to reduce material costs. They also studied more than 100 construction projects that UP/SP will carry out in order to improve service.
- **Organizational Structure.** This team determined how to combine UP and SP operating managements to oversee the merged system's operations.

- **Environmental Impact.** Complying with all Commission environmental regulations, this team prepared an environmental report of roughly 2,500 pages. Our environmental experts, aided by consultants from Dames & Moore, evaluated the air, water, noise and other environmental impacts of our proposals.

Both of us thank each of the UP and SP employees who gave their creativity and spirit, as well as immense amounts of time, to this effort.

The first step in planning any rail consolidation is to create a picture of the two railroads' operations. This is done by identifying a base year -- in this case, 1994 -- and creating a traffic data base consisting of the two railroads' base-year traffic. In this instance, the task was more complex than usual, because the base year traffic data had to be modified in numerous ways to reflect intervening events, such as the BN/Santa Fe merger, with its related settlement agreements, and the UP/CNW merger. The traffic data were then revised to take into account projected traffic gains by the merged UP/SP system from other railroads and trucks, as well as traffic generated by new marketing opportunities. Finally, the data were modified again to reflect traffic that would be lost to BN/Santa Fe when it gains access to new markets and better routes through its settlement with UP and SP. Mr. Peterson's verified statement in Volume 2 describes the development of the traffic data base in more detail.

Another essential step in merger planning is to identify current operating patterns and statistics as a baseline for proposing changes. In doing this, we had to consider SP's practices in identifying its trains. On UP, all freight trains are expected to

operate on regular schedules in accordance with a systemwide transportation plan supported by our sophisticated computerized Transportation Control System ("TCS"). While SP's principal trains, such as intermodal trains, operate on established schedules, and SP is moving toward a scheduled system for all other trains, there are large daily variations in operating patterns. Train symbols and terminals points can change from day to day, and SP terminals are authorized to implement new trains as necessary to move the freight in accordance with a general plan. As a result, we created current operating data by combining UP's transportation plan operations with a network of selected SP trains having the capacity to handle SP system business, but we recognized that individual trains might not have operated on any particular day.

We then used the MultiModal model to help us identify the new operating patterns, train schedules, blocks, and connections UP/SP will be able to offer. A detailed description of this process may be found in the Operating Plan.

III. Service Benefits of a UP/SP Merger

We are pleased to describe the many operational benefits made possible by bringing our two railroads together. UP/SP will offer literally hundreds of new and improved train services -- so many that it would have been impractical to follow the conventional practice of putting all the schedules into the Operating Plan. (The schedules are in Applicants' document depository.) Virtually every intermodal (trailers and containers on flat cars), automotive (motor vehicles and auto parts), and manifest (conventional trains of boxcars, tank cars, flat cars, etc.) train schedule on our railroads was scrapped or changed. The resulting service improvements will affect not only UP/SP, but also

connecting railroads across the country, from improved connections with shortline railroads in Northern Oregon to improved blocking for interline service with CSX to the Southeast.

An impressive merger benefit, in terms of both handling costs and transit time improvements, comes from organizing trains to bypass or run through traditional interchange and intermediate terminals. This is possible on a large scale because the projected traffic volumes of the merged system repeatedly will reach the critical mass that supports a through service. To illustrate, a UP yard in Louisiana will build trains that bypass New Orleans and run through to numerous points throughout the Southeast. Trains from the South Central states will bypass Little Rock and St. Louis, running through to Conrail via Salem, Illinois. The UP/SP yard at Little Rock will build seven daily run-through trains for the eastern connections. In addition, the critical mass of the combined volumes of SP and UP will allow, in many cases, blocking through such traditional on-line rehandling points as Houston, West Colton, North Platte and Eugene, saving a day or more from the traditional pattern of blocking cars from one major classification yard to the next.

Using the MultiModal network modeling system, we compared how 1994 traffic on the two separate systems was handled, including the inefficient routings of the two separate carriers (such as Memphis to Los Angeles via Salt Lake City, or Chicago to Oakland via El Paso) and the actual blocking patterns used by UP and SP, with how the same traffic would be handled in a merged UP/SP system with the trains and blocking plans described in the Operating Plan. The comparison showed that 1994 traffic on UP and SP could have been handled by a merged UP/SP system for at least \$70 million less

in direct operating costs. These savings result from the full range of improvements made possible by a UP/SP merger, including more direct routes, faster transit times for UP/SP trains, specialized use of parallel routes, blocks that bypass intermediate terminals, and improved use of train crews, which is a prerequisite for these improvements. These savings do not include savings resulting from the improvement in SP operations and reliability that we expect as a result of the merger, because the model "corrected" all those problems before it made this comparison.

To support our new services and improved routing patterns, UP/SP will mount one of the most aggressive upgrading efforts in railroad history. We will build dozens of connections between our lines to ensure fluid and flexible operations. We will rehabilitate and modernize key SP freight yards at Roseville, California, and Kansas City, Kansas, in addition to making numerous improvements at many other yards on both systems. We will expand or build intermodal facilities in Southern California, Portland, Seattle, Salt Lake City, Denver, Chicago, St. Louis and other points. SP likely could not have afforded the projects on its lines, at least not in the foreseeable future, and the other projects would not be carried out without the incentives to establish efficient operations created by the merger.

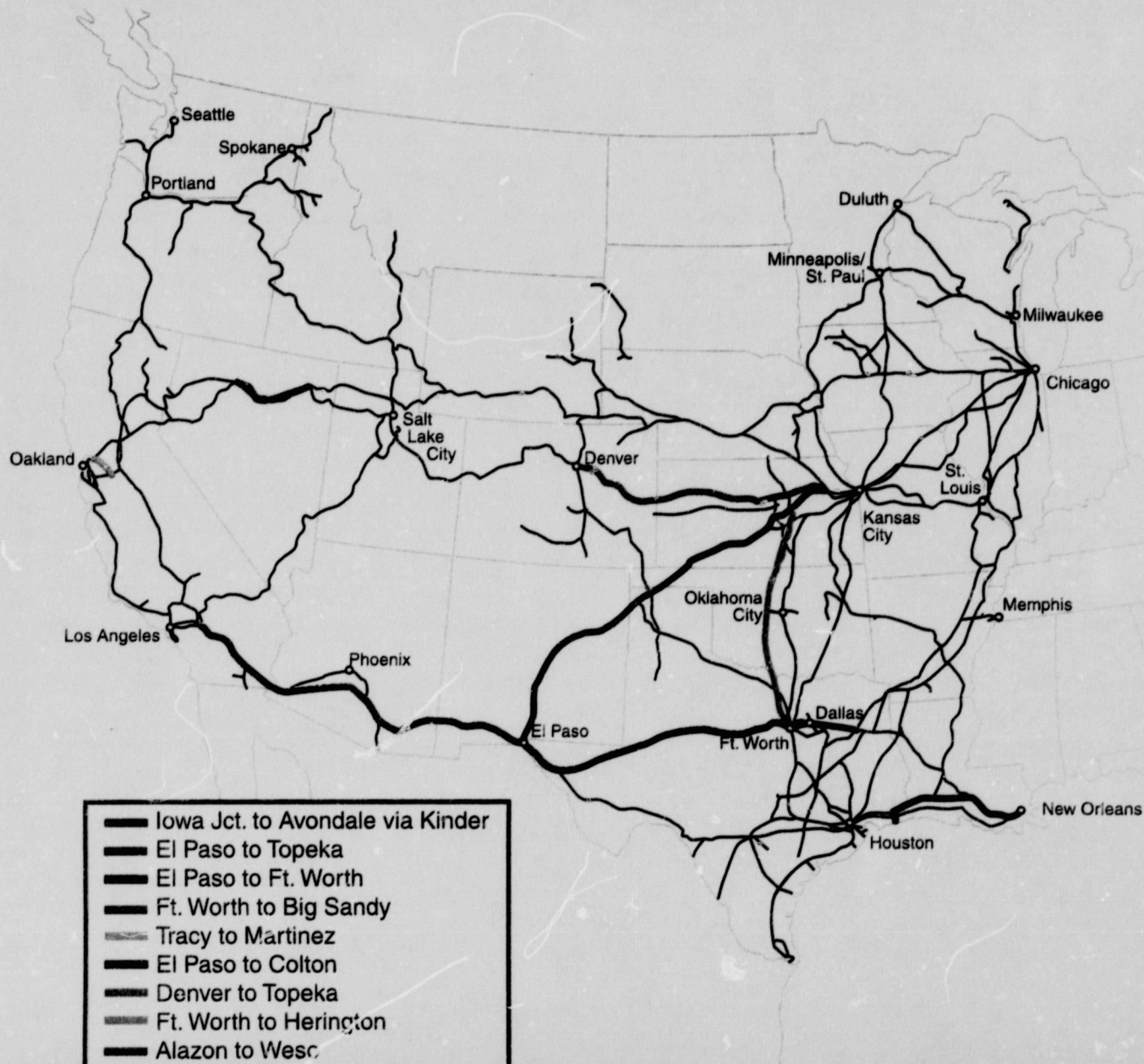
UP/SP will also upgrade a number of line segments. The principal corridor upgrades are listed in Table 1 on the next page and illustrated on the map on the following page.

**TABLE 1
CORRIDOR UPGRADES**

Line Segment	Description of Upgrade	Capital Investment
SP Sunset Route: El Paso-Los Angeles	Create over 100 miles of additional double track	\$221.4 million
SP Golden State Route: Topeka-El Paso	Install CTC; install \$24.7 million of welded rail; strengthen bridges; construct or extend ten sidings	\$145.8 million
UP T&P Line: Ft. Worth-El Paso	Install \$74.3 million of welded rail and ties; extend or build 18 sidings; other track and signal work	\$125.4 million
UP OKT Line: Herington-Ft. Worth	Install \$25.3 million of welded rail; build, extend or upgrade 22 sidings; strengthen bridges	\$91.5 million
UP KP Line: Denver-Topeka	Install \$49.4 million of welded rail; build or extend 15 sidings; other track and bridge work	\$86.6 million
UP Line: Iowa Jct.-Avondale	Install \$16.4 million of welded rail; strengthen bridges; build and extend sidings	\$44.3 million
Joint Line: Big Sandy-Ft. Worth	Build or extend sidings and double track; new crossovers	\$25.2 million
SP Mococo Line: Tracy-Martinez	Install \$14.7 million of welded rail; build sidings	\$21.0 million
Paired Track: Alazon-Weso	Signal for two-way operation; install crossovers	\$20.5 million

Major Corridor Upgrades

24



UP/SP will also remove clearance restrictions that bar use of efficient, full-height doublestack cars on SP's lines between Southern California and Portland and between Sacramento and Reno, projects SP has not been able to fund on its own.

A. New and Improved Train Service

In the following pages, we discuss some of the principal service improvements provided by a UP/SP merger. To organize this presentation, we focus on specific routes, corridors and service areas. Where appropriate, we also mention some of the BN/Santa Fe service improvements that we expect to result from our settlement, although it will be up to BN/Santa Fe management to decide how to take advantage of its new opportunities.

- **The I-5 Corridor/Pacific Crescent Route.** The UP/SP merger, with the accompanying BN/Santa Fe settlement, will create a new era of rail transportation on the West Coast. Both UP/SP and BN/Santa Fe will offer direct and competitive single-line rail service for the first time in history between California and the port cities of Seattle and Tacoma, as well as other Pacific Northwest points such as Spokane and gateways to Western Canada. Today, SP connects at Portland with UP and BN, neither of which is motivated by the relatively short hauls it would receive when connecting with SP to provide a premium intermodal service with SP. SP intermodal trains from California terminate at Portland, where a large part of the traffic shifts to busy Interstate 5 and travels by truck to Tacoma or Seattle. SP's intermodal service is further hampered by 22 tunnels and four bridge portals in the Cascades and Northern California that cannot accept high-cube doublestack

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shipments. On SP, there have always been higher-priority needs for capital funds than removing those impairments.

After merger, these inefficiencies and limitations will be swept away. UP/SP will target the really heavy volumes of traffic in this corridor, which are now on trucks on Interstate 5, not on any railroad. UP/SP will provide daily expedited intermodal service between Seattle and Southern California, serving Oakland and the northern San Joaquin Valley on the way. UP/SP will also operate multiple daily intermodal trains between Southern California and Portland; several trains will operate on schedules of 32.5 hours or less. In place of SP's mixed intermodal and carload trains between Portland and Oakland and between Oakland and Los Angeles, UP/SP will provide dedicated intermodal trains.

UP/SP will also introduce, for the first time in history, through intermodal trains between New Orleans and the Pacific Northwest, operating by way of Southern California to take maximum advantage of faster rail lines and increased capacity. These new trains will provide intermodal services not available from any rail carrier today, transporting shipments between New Orleans and San Antonio (as well as Houston, which is already served by BN/Santa Fe) and Northern California, Portland and Seattle/Tacoma.

UP/SP will boost manifest train service on the West Coast as well. SP's huge Roseville Yard northeast of Sacramento stands at the crossroads, the major hub through which all SP traffic flows through Northern California. When Roseville becomes congested, as it often has, all traffic suffers, including I-5 Corridor traffic.

Roseville was once a highly efficient facility capable of processing a large volume of traffic. In recent years, seventeen classification tracks, five receiving tracks and four departure tracks have been taken out of service.

UP/SP will restore Roseville Yard by investing over \$38 million in upgrading and rehabilitating the yard and constructing new track, making it the classification hub for Northern California and allowing it to take over much of the classification work now performed at other yards throughout California and Oregon. All out-of-service tracks in the bowl will be restored, bringing the total up to 40 bowl tracks, 23 receiving tracks, and 22 departure tracks. Also planned are a new hump computer and weigh-in-motion scale, new master and group retarders, track reconfigurations and a bypass track around the yard, all of which will further improve the efficiency of the yard. This investment will permit Roseville to serve efficiently as the distribution hub for traffic flows converging in Northern California.

Roseville Yard will send a daily freight train to UP's major classification yard at Hinkle, near Pendleton, Oregon, carrying traffic to Eastern Washington, Idaho, Montana and the CP gateway at Eastport, Idaho. Roseville will also prepare a Seattle block that will bypass the yards at Eugene and Portland without switching. Other trains will be blocked at Roseville for delivery to two shortline railroads created out of SP branch lines in recent years, the Central Oregon & Pacific and the Willamette & Pacific, improving service for every customer on those lines. UP/SP will operate a train directly to BN carrying interchange traffic that will include

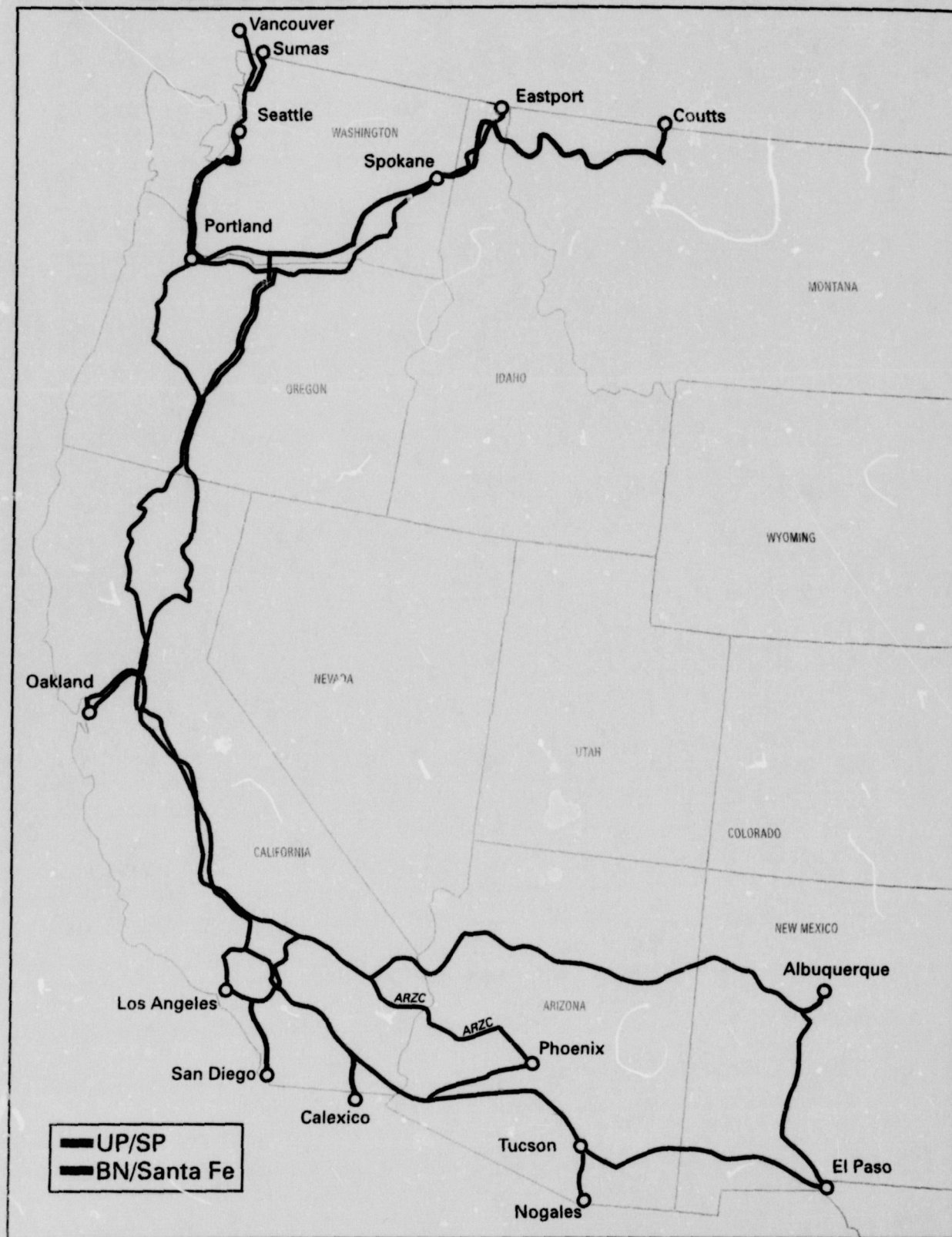
shipments benefitting from the agreement with BN/Santa Fe that allows UP/SP to compete for traffic throughout the upper Pacific Northwest.

Southbound traffic will be gathered by the reverse process and distributed in through trains and blocks from Roseville to freight yards in Southern California and all the way to Houston. Roseville, in its new role, will not only block to major yards like West Colton but also will make direct blocks for regional service yards in Southern California such as Anaheim, Gemco and City of Industry. Through trains from Northern California will run directly to or via these regional industry support yards, not only saving time in delivering their cars but also freeing up West Colton's capacity for other work. This is a benefit that SP could not achieve alone, and it comes about only because UP and SP together will have the ability to extend the I-5 Corridor and invest the resources necessary to develop this route.

We expect BN/Santa Fe to provide through freight service in this corridor as well, connecting Southern California with Seattle/Tacoma, Vancouver, B.C., and the Canadian gateways at Blaine and Sumas, Washington, and Coutts, Alberta, using trackage rights over UP/SP and its purchase of a UP line in Northern California. Both carriers will also serve the San Francisco Bay Area from both the Pacific Northwest and Southern California. The following simplified map depicts new single-line services by both railroads on the West Coast.

- **The Overland Route.** Historically, the premier rail route between the Midwest and Northern California was the original transcontinental rail line, the CNW-UP-SP route via Ogden, Utah. The CNW-UP-SP "Overland Limited" was

New Single-Line Service: I-5 Corridor



once one of the most prestigious passenger trains in America and the fastest way to travel between Chicago and San Francisco. Today, BN/Santa Fe owns the leading service route and the largest share of rail traffic. Its #199 and #391 trains, although they have been slowed somewhat recently by congestion resulting from traffic growth on Santa Fe, are sometimes regarded as the fastest freight trains in the United States.

Neither SP's Chicago-Oakland route nor the somewhat faster UP route can match BN/Santa Fe today in competing for premium traffic, such as United Parcel Service business and the traffic of LTL motor carriers. UP's route provides multiple track east of Ogden and relatively gentle grades, but it is too circuitous west of Ogden to attract premium traffic. SP's route is not competitive for any traffic requiring expedited handling, and its climb over the Sierra Nevada Mountains via Donner Pass includes tunnels and snowsheds with inadequate clearances for high-cube doublestack containers. SP has had little incentive to spend the \$18 million necessary to remove these restrictions, as its route has similar restrictions in Colorado that would be prohibitively expensive to remove.

SP's Central Corridor route between Ogden and Pueblo, Colorado, also suffers from clearance restrictions, and it climbs two mountain passes, one of which includes one of the steepest mainline grades in U.S. railroading. Because of this grade -- to 10,221-foot Tennessee Pass near Vail, Colorado -- SP continuously stations eighteen \$2 million locomotives at Minturn to help trains over a 28-mile segment. This is an expensive railroad to operate.

East of Pueblo, SP operates over former MPRR track, which still has large amounts of jointed rail. SP, which as the tenant moves over 97 percent of the traffic on this line, is responsible for the costs of maintaining it but has been unable to dedicate the capital to upgrade it, and UP lacks the incentive. Overall, SP's Central Corridor route has so many disadvantages that SP moves some of its Chicago-Oakland intermodal traffic through El Paso, hundreds of miles out of the way.

UP/SP will combine the advantages of UP's direct, high-capacity line between Chicago and Ogden with SP's direct Ogden-Oakland line to recreate the traditional Overland Route. UP/SP will use this route to provide the fastest rail service between Chicago and Northern California. We intend to match or beat BN/Santa Fe trains #199 and #991 reliably and consistently.

The fastest westbound train will make the run to Oakland in about 53.5 hours. It will stop in Roseville to set out traffic for a connecting train that makes early morning deliveries to UP's modern Lathrop intermodal facility near Stockton and to Fresno. The eastbound version will beat BN/Santa Fe's fastest schedule from the Bay Area to Chicago and will pick up connecting traffic at Roseville from Fresno and Lathrop. Other intermodal schedules will provide reliable service at lower cost than these premium trains. UP/SP will also operate intermodal trains between Kansas City and Oakland via the Overland Route, as well as between St. Louis and Oakland, serving Lathrop en route.

UP/SP will provide improved service for automotive traffic on the Central Corridor route, especially compared to current SP service over Tennessee Pass.

A through train from Chicago to Milpitas, California, will carry blocks of multi-level freight cars carrying automobiles for Denver, Salt Lake City, Martinez, California (to serve UP/SP's Bay Area auto facility at Benicia), and Milpitas. This through train, operating on a 70-hour schedule, will eliminate the need to switch the automobile shipments at a hump yard, reducing the risk of damage to vehicles. A similar automotive train will operate from Kansas City, and a connection from NS, directly to Denver and then to Ogden (dropping shipments for Salt Lake City) and Martinez.

UP/SP manifest freight service on the Overland Route will be superior as well. Traffic to Conrail points from Northern California and other Overland Route origins will move to North Platte, the world's largest railroad yard, where it will be reorganized into run-through trains with blocks for Elkhart, Indiana; Pittsburgh, Pennsylvania; and Selkirk, near Albany, New York. Frequency will be doubled. SP carload shippers, in particular, will enjoy substantial improvements in transit time over the UP/SP Overland Route as a result of these improvements, because SP does not now pre-block any traffic for Conrail at any location. North Platte will also build through trains with six blocks for NS at Kansas City and a new train to BN/Santa Fe at Argentine Yard in Kansas City.

Roseville will run daily through trains to St. Louis and Chicago with no en route classification. For CSX, GTW and NS Chicago traffic, Roseville will prepare a block of traffic that will operate without intermediate switching to the BRC's rebuilt double-hump Clearing Yard in Chicago. CSX asked us to deliver its cars to Clearing because BRC blocks CSX traffic into through trains and blocks destined

to points throughout the Eastern United States, including Grand Rapids, Cumberland (Maryland), Willard (Ohio), Cincinnati, Louisville, Nashville, Danville (Illinois), Waycross (Georgia) and Evansville (Indiana). GTW trains assembled by BRC carry blocks of traffic for points throughout Michigan and into Eastern Canada, including Flint, Battle Creek, Flat Rock (Detroit), Sarnia (Ontario), Toronto and Montreal. BRC makes seven classifications for various destinations on NS. Finally, SP traffic from Oregon to the Midwest will be rerouted over the much shorter UP route via Portland and Idaho, saving two to three days compared to current SP service.

At the west end of the Overland Route, heavier trains, such as unit grain trains, will continue to use the gentler grades of UP's Feather River route. UP/SP will maintain regular freight service over this line as well, providing service to and from the Midwest for shippers at locations such as Marysville and Oroville, California, and in Northern Nevada. Finally, UP/SP will maintain daily manifest service between Denver and Salt Lake City via Grand Junction to serve Colorado and Utah.

- **Midwest-Southern California Service.** Aided by trackage rights over BN/Santa Fe between Hutchinson, Kansas, and Chicago, SP's Golden State route is the shortest rail route between Chicago and Los Angeles. Together, UP and SP will devote the capital needed to upgrade this route and make it competitive with BN/Santa Fe's high-speed transcontinental mainline. UP/SP will install a \$68.2-million Centralized Traffic Control system between Herington and El Paso, add

\$24.7 million worth of welded rail, and construct or extend ten sidings and sections of double track at a cost of \$45.7 million.

These improvements are essential if this route is to be competitive. Most of the passing tracks on the route range from 15 to 20 miles apart -- a few further than that, some less -- but overall the sidings are very widely spaced for today's traffic volumes. Moreover, trains are dispatched by "DTC," or Direct Train Control, in which the dispatcher, by radio, authorizes the train to occupy certain blocks and instructs the crew where to take a siding. This is a slow, labor-intensive means of dispatching trains. Since the dispatcher can only deal with one situation at a time, it can result in delayed responses to other waiting trains. The sophisticated new programs available for CTC will create a largely automated operating plan for a district and reduce the time-consuming interactions between dispatcher and crews.

CTC will dramatically shorten the time required for "meets" and "passes," because manually operated switches will be upgraded to power switches controlled by the dispatcher. No longer will the crew have to leave the cab to take a train into and then out of a siding. Today, at only seven sidings (Efaw, Gallinas, Alamagordo, Orogrande, Liberal, Planeport and Whiteside), switches have been motorized and can be radio-controlled from the cab, so that the crew can line switches remotely and enter and exit without leaving the train. At the other 42 sidings on this line, taking a siding involves a crew member dropping off the train, opening the switch, closing it again after the train has pulled into the siding and walking to the head of the train, a mile or more away. After the meet has been accomplished, the train will

pull out and stop once it is back on the main; its crew member will line the switch and walk another mile back to the locomotive. If an 8,000-foot train is involved -- and SP operates many -- the total distance walked by the crew member will be over three miles, which can require an hour, all of which is dead time for that train. (The walking can be avoided, but only at the expense of leaving switches open, which requires one or more opposing trains to stop as well.) Very large improvements in transit times will therefore be realized on this route from a CTC and siding program.

Together, these investments, which SP likely will not be able to make in the near future, will permit the Golden State route to offer high-speed service and handle far more trains. UP/SP will also spend over \$220 million to create more than 100 additional miles of double track on SP's Sunset Route between El Paso and Los Angeles to improve performance of these trains after they pass El Paso.

UP/SP will coordinate operations over UP's Central Corridor route via Fremont, Nebraska, and Ogden with those over SP's Golden State route via El Paso to maximize service and reliability and reduce congestion. All manifest traffic between Southern California and Chicago or the Upper Midwest will be shifted to UP's Central Corridor line via Ogden, with its greater capacity and efficient North Platte hump yard. The Golden State route will then be freed to handle primarily expedited intermodal and automotive trains. Seventeen of 22 through trains on the line will be expedited trains, many of which will take advantage of UP/SP trackage rights by using new UP/SP access points to the Santa Fe line west of Chicago.

This route will carry manifest traffic only between St. Louis and Kansas City and Southern California, and to and from local points on the line.

When we concentrate fast trains on one line and manifest traffic on another, we effectively increase capacity on both. When trains operate at similar speeds, they cause much less disruption and delay than trains operating at a variety of speeds. In addition, by removing several high-speed westbound trains from the UP line via Ogden, we will make it possible for remaining eastbound expedited trains on that line to operate more reliably.

From Chicago to Southern California, UP/SP will offer a range of intermodal services via El Paso, including a fast intermodal schedule (to our new "Inland Empire" intermodal facility near San Bernardino) designed to compete against BN/Santa Fe for LTL traffic that neither UP or SP can handle competitively today. UP/SP will also offer reliable "3rd AM" intermodal trains to Los Angeles from the "Global" intermodal facilities in Chicago, the fastest reaching Los Angeles in 54 hours. Eastbound, UP/SP intermodal trains from Southern California to Chicago and intermediate points will operate over both routes, providing services comparable to those offered westbound via El Paso. UP/SP will also improve St. Louis-to-Los Angeles intermodal service, providing a 50-hour, 35-minute schedule from St. Louis to the Inland Empire ramp and a timing of 51 hours, 45 minutes to Los Angeles. We plan to retain the famous SP name for this fast train -- the "Blue Streak Merchandise" -- and we have improved its schedule by more than eleven hours.

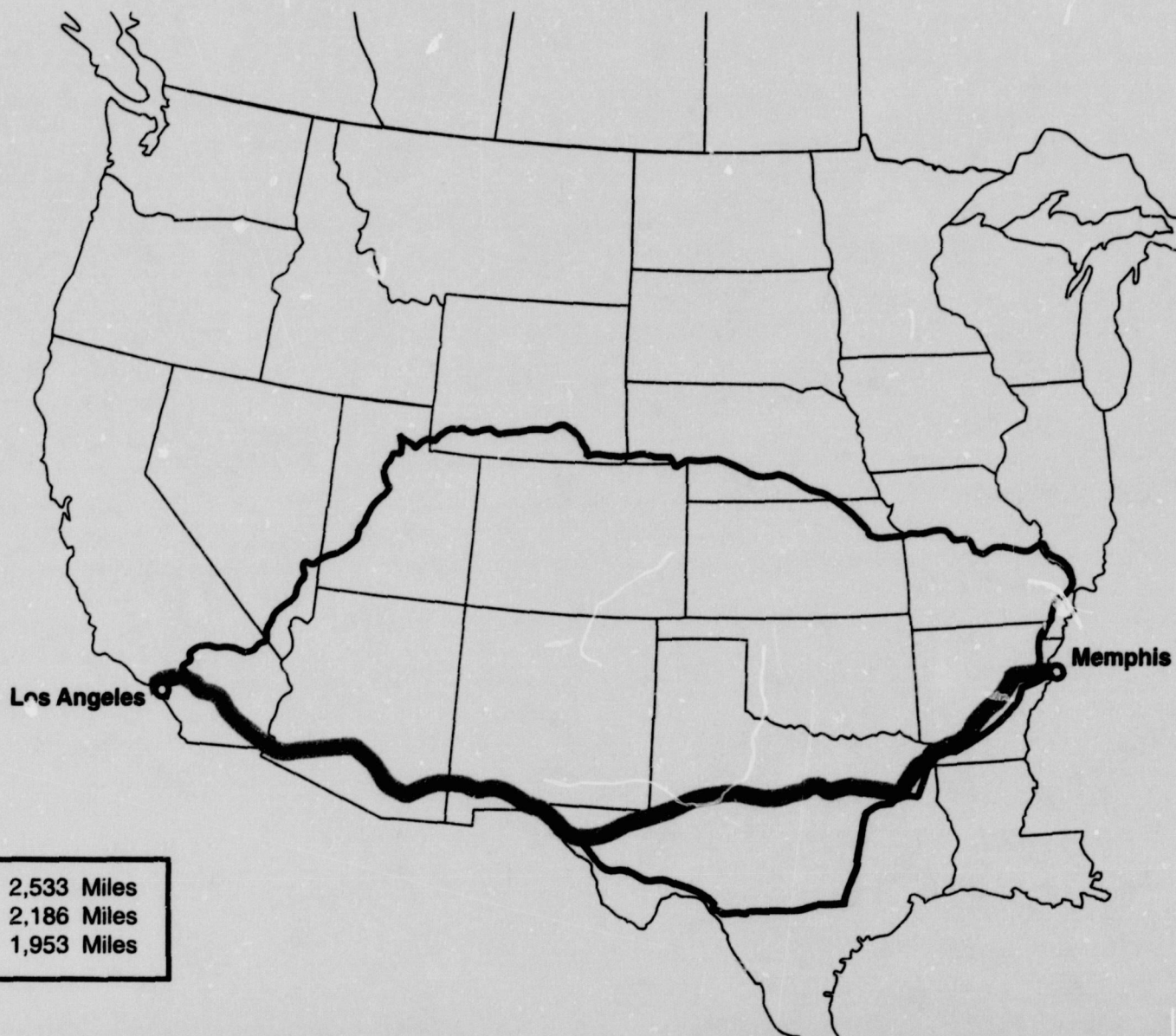
The Golden State route will provide expedited automotive train service as well. UP/SP will operate a dedicated automotive train from Chicago to the UP/SP automobile unloading facility at Mira Loma in Southern California. This train will set out autos destined for Phoenix during a stop at Tucson. UP/SP will supplement this service with a second westbound automotive train from Kansas City (and the NS connection) via Herington, Kansas, where its cars will be joined with other automotive shipments from St. Louis and from CP at Kansas City to Mira Loma and Long Beach, California. The automotive shipments handled through Herington will avoid the damage risks associated with going over the hump at North Platte.

- **Memphis-Texas-California Service**. As the following maps confirm, SP's route from Memphis to California is circuitous, dropping into South Texas before turning West. From Dallas, SP's route to California first runs straight south for 225 miles before it makes the turn west. UP's route between Memphis and California via St. Louis and North Platte is far more circuitous. The BN/Santa Fe route is the most direct single-line route available.

The UP/SP merger will change that, creating the shortest and fastest single-line route between Memphis and Los Angeles. The route will consist of UP and SP lines between Memphis and Dallas, UP's T&P line between Dallas and El Paso, and SP's Sunset Route between El Paso and the West Coast. This route is even more advantageous for service between Dallas/Ft. Worth and California, eliminating

Los Angeles-Memphis

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UP 2,533 Miles
SP 2,186 Miles
UP/SP 1,953 Miles

Los Angeles-Dallas

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significant circuitry on both SP and UP, as illustrated on the maps comparing UP/SP routes with current routes between Southern California and both Memphis and Dallas.

UP/SP will offer excellent service between Memphis and Southern California.

Each night, twin intermodal trains carrying doublestack and conventional intermodal equipment will depart the new UP/SP intermodal facility in West Memphis, arriving in Southern California 56 hours later. One of these trains will also carry automotive traffic to Long Beach and a block of intermodal traffic for Phoenix. Two eastbound intermodal schedules will operate to Memphis in 58 hours or less. In both directions, these trains will be faster than the fastest SP services today. UP/SP's dedicated intermodal service from Dallas to Southern California will reach the new Inland Empire intermodal ramp in less than 43.5 hours and will serve other UP/SP intermodal facilities in Los Angeles. Finally, a pair of Memphis-Oakland trains will compete head-to-head against BN/Santa Fe service over routes that are virtually identical in length.

UP/SP will assemble westbound manifest traffic from Memphis and its Memphis connections at SP's yard in Pine Bluff, which will prepare a through manifest train for West Colton Yard and City of Industry Yard in the Los Angeles Basin. This train will pick up cars for those destinations in Ft. Worth. In Southern California, the hump yard at West Colton will build a train for Ft. Worth and North Little Rock, Arkansas, which will connect to trains for Memphis and all eastern points.

- **The Sunset Route.** SP's historic Sunset Route is the shortest rail route between Los Angeles and both Houston and New Orleans. The UP/SP merger will improve reliability on this route by increasing capacity west of El Paso and by diverting part of the traffic east of El Paso to the more direct T&P route, reducing train conflicts on the SP single-line track line across West Texas.

As a result, train schedules will be improved. The three New Orleans-to-Southern California intermodal trains will operate five to eighteen hours faster than today's SP programmed schedules. The Houston-Los Angeles schedules will shave two to nine hours off current SP schedules. SP's "LBHOT" train from Long Beach to Houston will operate three hours faster than today as a result of increased track capacity, and with greater reliability as SP's schedule performance has suffered from inconsistency in the past.

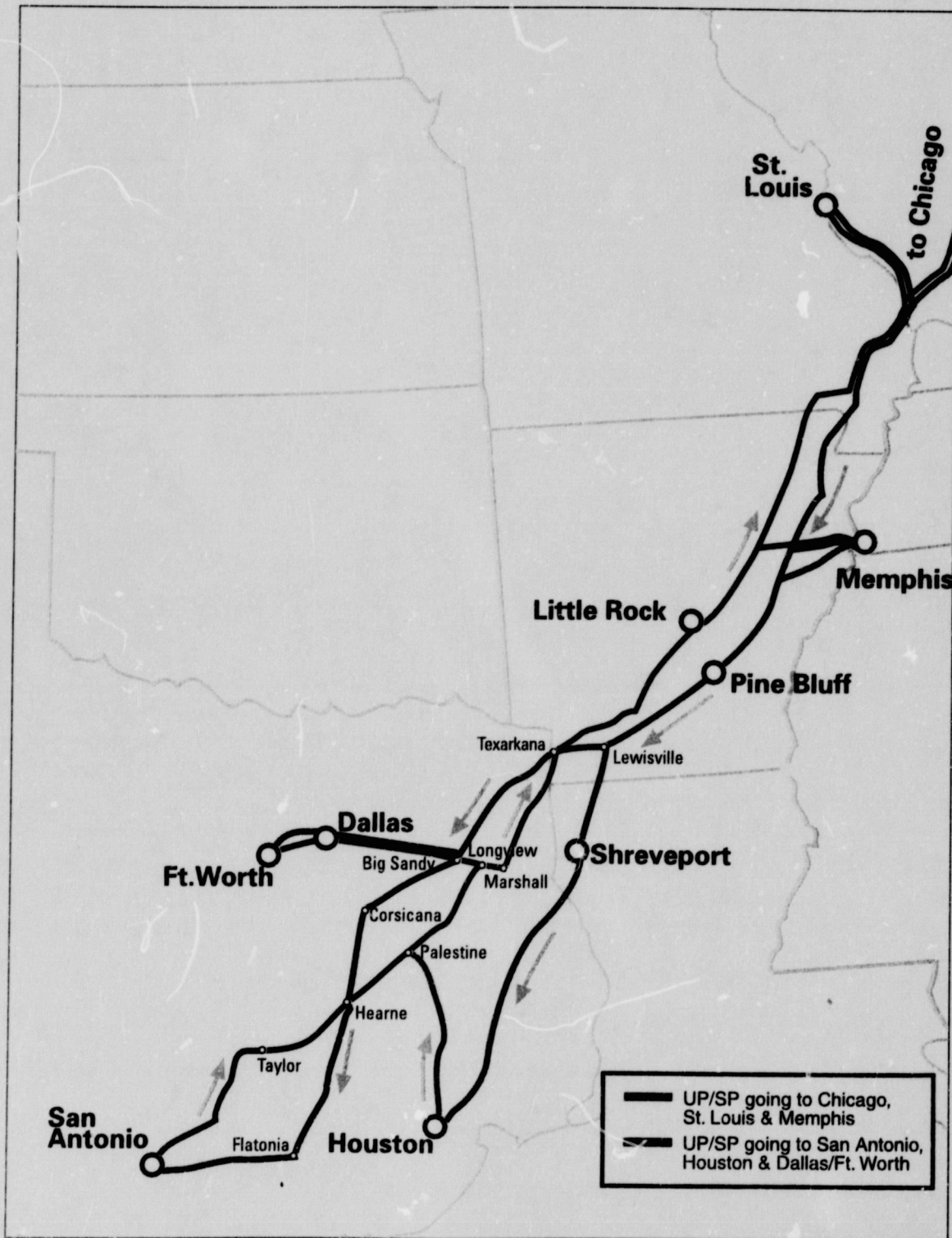
- **Mid-Continent Services.** UP and SP operate a web of routes connecting Chicago, St. Louis and Memphis at the north with Houston, San Antonio, Dallas/Ft. Worth and the Mexican border at the south. Each railroad has a spine line oriented northeast-southwest through Arkansas, with a hub freight yard. On SP, the spine is the SSW mainline between St. Louis and Texarkana, and the hub is a large hump yard at Pine Bluff. On UP, the spine is the MPRR mainline running diagonally across Arkansas, with the hub at North Little Rock, site of another major hump yard. The Arkansas rail map is simple compared to Central and Eastern Texas, where UP and SP form a complex network of rail lines connecting the four corners of Texarkana, Dallas-Ft. Worth, San Antonio and Houston.

We have determined that, even with BN/Santa Fe's diversions of traffic from UP/SP as a result of our settlement, neither the UP routes nor the SP routes could separately handle the traffic of both roads. UP's route via Little Rock is pressed to capacity. SP's route has somewhat more flexibility, because traffic between St. Louis and the West Coast was rerouted several years ago over the Golden State route. The capacity of both routes is needed; the question was how best to employ them.

We settled on a directional rail network, with traffic moving primarily north on UP's line through Little Rock and primarily south on SP's line through Pine Bluff. We continued the directional concept throughout the eastern half of Texas, where, in general, UP lines will form the northbound network and SP lines will be used for southbound traffic. The next page is a map depicting the northeast-southwest traffic flows on this directional system.

Directional operation will provide remarkable opportunities to improve service for our customers. The SP lines and most of the UP lines are single-track railroads. As all railroaders know, the primary cause of train delay on single track is meets between trains. In fact, the delay associated with train meets is such an unavoidable part of rail operations that it usually is not even classified as "delay," although movements of shippers' products and costly and scarce rail equipment are slowed. As additional trains are added, the number of meets and the amount of congestion increases geometrically.

Directional Operation South Central Area



Using a directional system, hundreds of meets can be avoided every day. Trains traverse the railroad much faster without adding new track capacity, and the railroad operates more smoothly. The train dispatcher's job is much simpler using directional running, as trains generally follow each other, except when a fast train overtakes a slower one. With directional running, two separate single-track lines can provide capacity equal to double track, and much more capacity when both single tracks are equipped with numerous sidings and Centralized Traffic Control, as are many of these UP and SP lines.

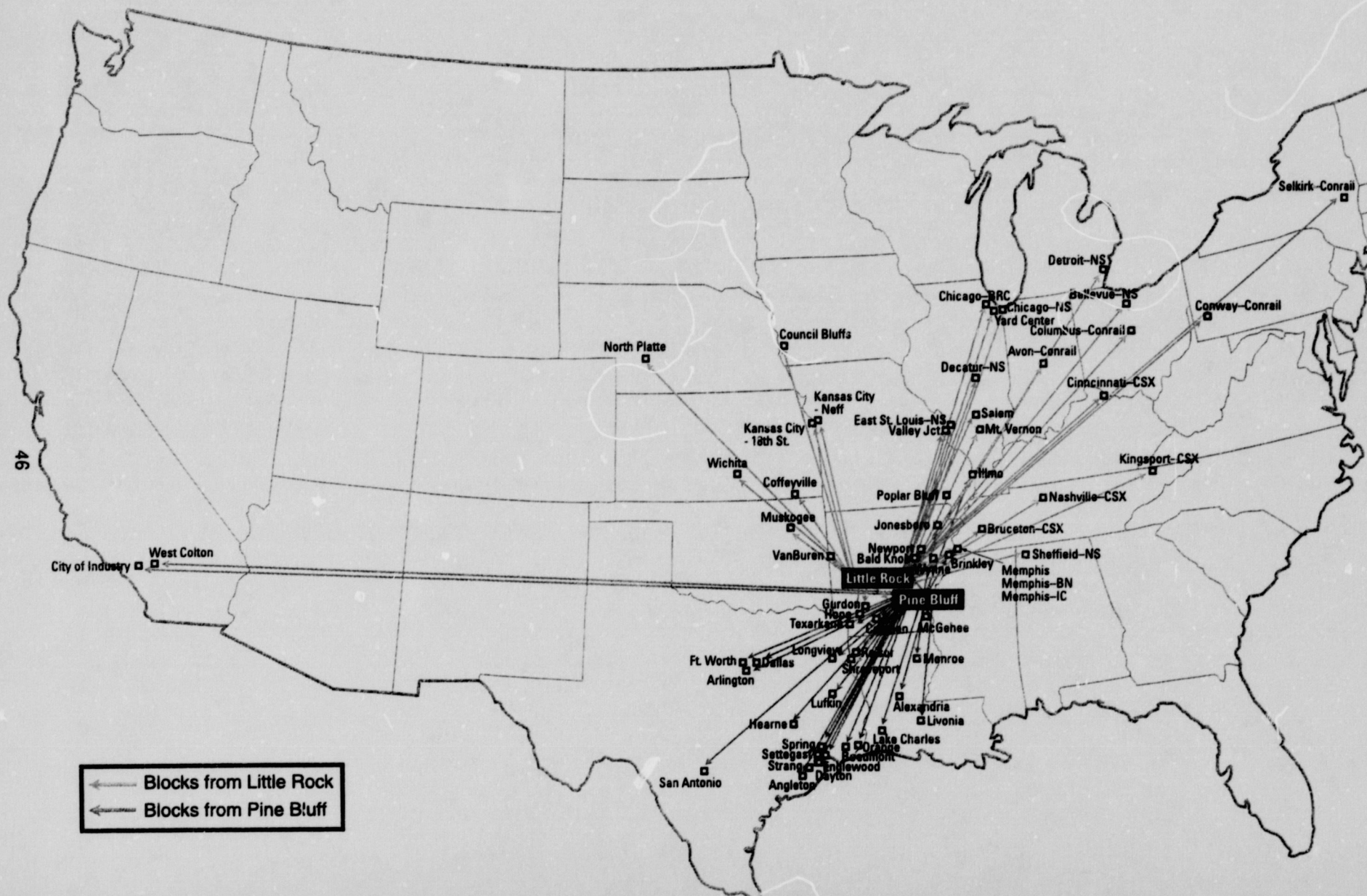
Directional operation is especially important for SP's "Rabbit," the single-track line segment running from Houston to Lewisville via Shreveport. (The line gets its nickname from the undulating terrain it traverses). It is a heavy-duty line handling high volumes of chemicals traffic, but it lacks CTC, or even block signals on portions of the line. Manual dispatching, coupled with long intervals between sidings (many ranging from 17 to 25 miles), severely limits the "Rabbit's" capacity when operated bi-directionally. If it could be used in one direction only, trains could be moved continuously, one behind another, at steady speeds, and thus a strong but unimproved line could be converted into a high-capacity line without major capital expenditures for CTC and other improvements that would be required if an independent SP were to seek to enhance this line's capacity. Directional routing will also significantly increase the routing of hazardous material shipments from the Gulf Coast area on block signal-protected lines.

The Operating Plan uses the "Rabbit" in one direction, southbound, handling the traffic of both systems moving toward the Gulf. In this plan, the lack of interference from opposing movements will increase reliability, while reducing transit times on the "Rabbit" from 2.7 to 4 hours per train.

Comparable bi-directional improvements will improve Ft. Worth service in the Mid-Continent Corridor by pairing trackage between Texarkana and Big Sandy, where SP's tracks will be used southbound, and UP's tracks will be used for northbound traffic. An even more extensive bi-directional pairing will speed service to San Antonio and Mexico. SP's line will be used for southbound traffic from Texarkana to San Antonio via Corsicana and Flatonia, while UP's line from San Antonio to Texarkana via Taylor and Hearne will be used northbound. These improved routings, which could not occur without merger, will yield substantial savings in transit time, expansion of capacity without capital expense, and reduction in operating costs.

Shippers will reap enormous benefits from UP/SP's use of directional routes. Not only will our trains operate faster and more reliably, but our freight yards -- the hubs on the spines -- will be assigned specialized functions to facilitate more detailed blocking and improved service. As shown on the following diagram, UP's North Little Rock yard will become a northbound blocking specialist, making new trains and blocks for the Upper Midwest and the entire eastern third of the country. It will build daily trains for NS and CSX via the Memphis gateway, as well as a new train for BN/Santa Fe at Memphis. The NS trains will run through to Sheffield,

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Alabama, with a block for Kingsport, Tennessee. The CSX train will run through to Nashville. UP/SP will also operate a through train to CSX via Salem, Illinois, which allows traffic to bypass St. Louis and save a day en route. This train will run through to Cincinnati. A new pre-blocked train will run from Little Rock to East St. Louis for NS with blocks for Detroit; Chicago; Decatur, Illinois; and Bellevue, Ohio.

Little Rock will also build several run-through trains for Conrail, all of which will bypass St. Louis using our connection at Salem, Illinois. UP/SP will deliver a solid train of traffic for Conway Yard at Pittsburgh, and another for Avon Yard at Indianapolis. A third train will run through to Selkirk Yard, near Albany, New York, with a new block of traffic for Columbus, Ohio. Two through trains from Little Rock to the BRC Clearing Yard in Chicago, one for Clearing's westbound hump and the other for its eastbound hump, will offer efficient connections throughout the Upper Midwest.

NS and CSX will deliver pre-blocked traffic from their Eastern facilities to SP's Pine Bluff Yard, which will serve as our south and west blocking specialist, processing shipments from throughout the Eastern United States and the Upper Midwest. The chart shows how Pine Bluff will build through trains and blocks to points as distant as Southern California and to every significant UP/SP rail facility in Louisiana and Texas. Trains will operate from Pine Bluff not only to major terminals such as Ft. Worth, Houston and San Antonio, but also directly to chemical coast yards at Dayton, Beaumont, Orange and Lake Charles, to Livonia Yard (for service to Baton Rouge and New Orleans), and to Strang Yard on the Houston Ship

Channel. Blocks to Angleton and Freeport will be carried to destination without classification. SP's Strang Yard will make blocks for Conrail which will not require route switching. These trains will save most shipments a day or more in transit by avoiding further switching at Houston and other facilities.

UP/SP will use field blocking, which involves running trains of traffic gathered at the regional service yards directly to a distant yard without switching at a nearby classification yard. For example, cars from the PTRA and HBT in Houston are now classified by UP and SP in Houston. Under the Operating Plan, HBT will prepare a new train for Little Rock, bypassing interchange and switching at Houston.

Not all trains in this corridor will be switched at Little Rock or Pine Bluff. At Houston, UP/SP will build a new through train operating directly to Conrail at Salem with blocks for Indianapolis and Pittsburgh. Livonia will also prepare a new through train for Conrail, blocked in the same way with traffic from Baton Rouge, New Orleans and connecting roads. UP/SP will continue to operate a train directly from Freeport and Angleton, major shipping points on the Gulf Coast south of Houston, to Chicago. Similar through train service will be provided for southbound traffic.

- **Mexico Service.** Rail service to and from Mexico will be significantly improved. In addition to the services we have already described, UP/SP will offer the first all-rail intermodal service between Southern California and the Laredo gateway. Today, SP provides limited intermodal service on this route by unloading trailers and containers at San Antonio, where they are turned over to motor carriers

for movement into Mexico. (UP's route from Los Angeles to Laredo via Wyoming is too circuitous to be competitive.) This lack of all-rail service limits the development of commerce between California (and the Pacific Rim) and Eastern Mexico. UP/SP will remedy the problem with new Southern California-Laredo intermodal service.

UP/SP will also improve carload service to Mexico. In spite of UP's progress in pre-clearing shipments through customs on the Mexican border, it still must hold many shipments destined for Mexico because of border crossing paperwork or congestion at the border. UP uses its Ney Yard in Ft. Worth, among others, to stage these shipments to Mexico because it does not have sufficient track space to hold trainloads of cars closer to Mexico. This causes many shipments to move out of route to Ft. Worth and delays when the cars are released. After merger, UP's SoSan Yard in San Antonio (other than the intermodal ramp) will be dedicated entirely to Mexican traffic and will serve as a staging location for shipments awaiting clearance across the border, saving a day or more for many shipments.

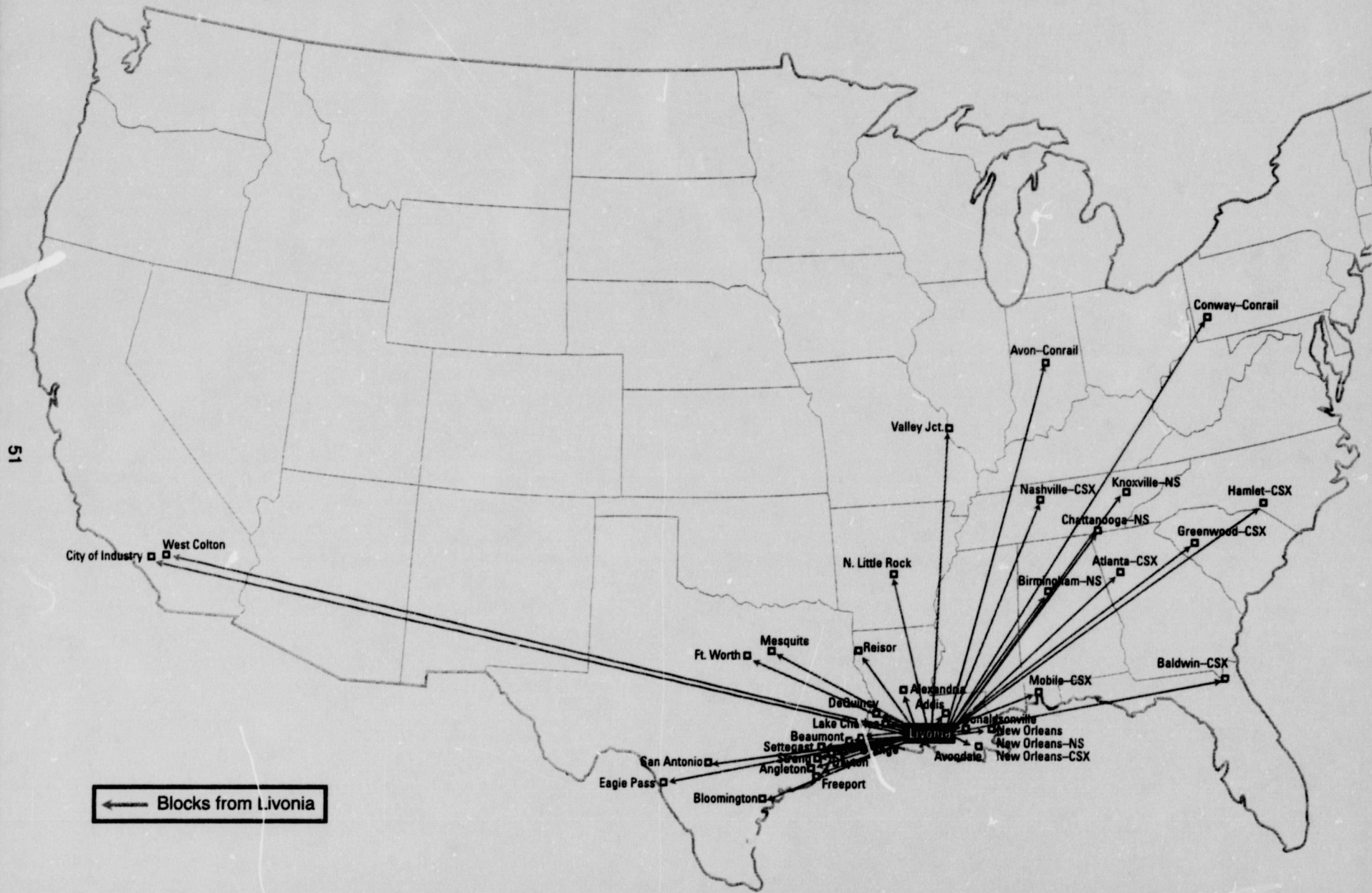
- **New Orleans Gateway Service.** UP/SP will bring significant improvements to train service between Houston and New Orleans and beyond in conjunction with connecting carriers via the New Orleans gateway. UP/SP will operate over two routes between Houston and New Orleans, allowing it to segregate traffic by type in order to improve service and reliability. Although a segment of one of these routes -- the current SP line -- will be sold to BN/Santa Fe, UP/SP will retain trackage rights, allowing it to use that route primarily for faster intermodal and

through trains. Most manifest trains will use the more northerly UP route, where UP's newest hump yard, located at Livonia, Louisiana, east of Baton Rouge, will be expanded so it can block eastbound traffic to numerous points throughout the Southeast and westbound traffic for system yards as far away as Southern California. UP/SP manifest trains with work at points such as Lake Charles, Orange and Beaumont will use the SP route to Iowa Junction, Louisiana, then transition via an upgraded connecting line to the UP route to and from Livonia.

By focusing manifest traffic at Livonia, UP/SP and its Eastern connections will provide greatly improved service through New Orleans. Today, UP builds run-through trains for NS and CSX, but with limited blocking. All cars delivered by SP to NS and CSX in New Orleans must be switched there. After merger, Livonia will build multiple pre-blocked run-through trains for destinations throughout the Southeast, saving transit time for most shipments.

As shown on the following blocking chart for Livonia Yard, run-through trains and blocks will operate from Livonia to CSX yards at Mobile, Alabama; Greenwood, South Carolina; Atlanta, Georgia; Hamlet, North Carolina; Nashville, Tennessee; and Baldwin, near Jacksonville, Florida, with a block of local traffic for New Orleans. Run-through trains for NS will operate to Chattanooga, Knoxville and Birmingham, again with a New Orleans block. New through train services from Strang, Orange, Beaumont, Lake Charles and other points on the Gulf Coast will expedite traffic getting to Livonia as well. We expect shipments from Gulf Coast shippers to most points in the Southeast to save a day or more compared to current service.

Blocks from Livonia (Louisiana) Yard



We also expect BN/Santa Fe to offer significant new service via the New Orleans gateway. BN/Santa Fe will purchase SP's line from New Orleans to Iowa Junction, Louisiana, and will receive trackage rights from Iowa Junction to Houston, as well as rights to service many large shippers along the Gulf Coast. BN/Santa Fe will be able to offer service between New Orleans and the West Coast via Houston or Beaumont on a very direct and efficient route. It will be able to connect New Orleans and the Pacific Northwest either via either Ft. Worth and Denver or its new West Coast route through Stockton, California. And BN/Santa Fe will be able to deliver shipments originating on the Gulf Coast to eastern connections at New Orleans or Memphis or transport them via Dallas/Ft. Worth to points throughout the Midwest.

- **Texas Service.** Throughout Central Texas, UP/SP will employ directional operation and traffic segregation to keep trains moving smoothly and improve the reliability of our service. UP/SP trains between Ft. Worth and Houston will run over the UP line between Houston and the important junction point at Hearne, Texas, half way to Dallas/Ft. Worth. Between Ft. Worth and Hearne, most southbound trains will use the UP line, while northbound trains will operate over the high-capacity SP line to Ft. Worth and Dallas. Traffic will be routed in this manner so that heavy coal trains, which run south, will use the UP line, which has lower grades. However, by combining the SP route between Hearne and Dallas with the UP route south of Hearne, UP/SP will be able to accommodate heavily loaded 286,000-lb. grain and coal cars that UP's existing route cannot handle.

Between Ft. Worth and San Antonio, manifest trains will use the direct UP route via Waco and Taylor, Texas, in both directions to take advantage of its speed and shorter mileage. Heavier trains to San Antonio and South Texas coal plants will stay on the UP to Hearne, where they will join the flow of southbound traffic on the SP line from Pine Bluff toward Flatonia and San Antonio, which has lower grades than the UP line. These routes are illustrated in the Operating Plan.

UP/SP will also assign specialized roles to its two routes between Houston and San Antonio. In general, priority traffic will use the current SP line, and rock and other restricted-speed trains will use the present UP line. Rock, sand and aggregates traffic moves in volume through that area. Operating that traffic on one line will allow us to use the other for faster trains. Since heavy aggregates trains will not be delayed by faster intermodal trains, their reliability will be improved as well.

- **Pacific Northwest-Denver-South Central Service.** In a settlement agreement reached in connection with its recently completed merger, BN/Santa Fe granted SP trackage rights over BN/Santa Fe lines between Pueblo and Ft. Worth. UP/SP will combine these trackage rights with UP's route network north and west of Denver and the UP/SP network south and east of Ft. Worth to provide through service between the South Central region and the Pacific Northwest via Denver.

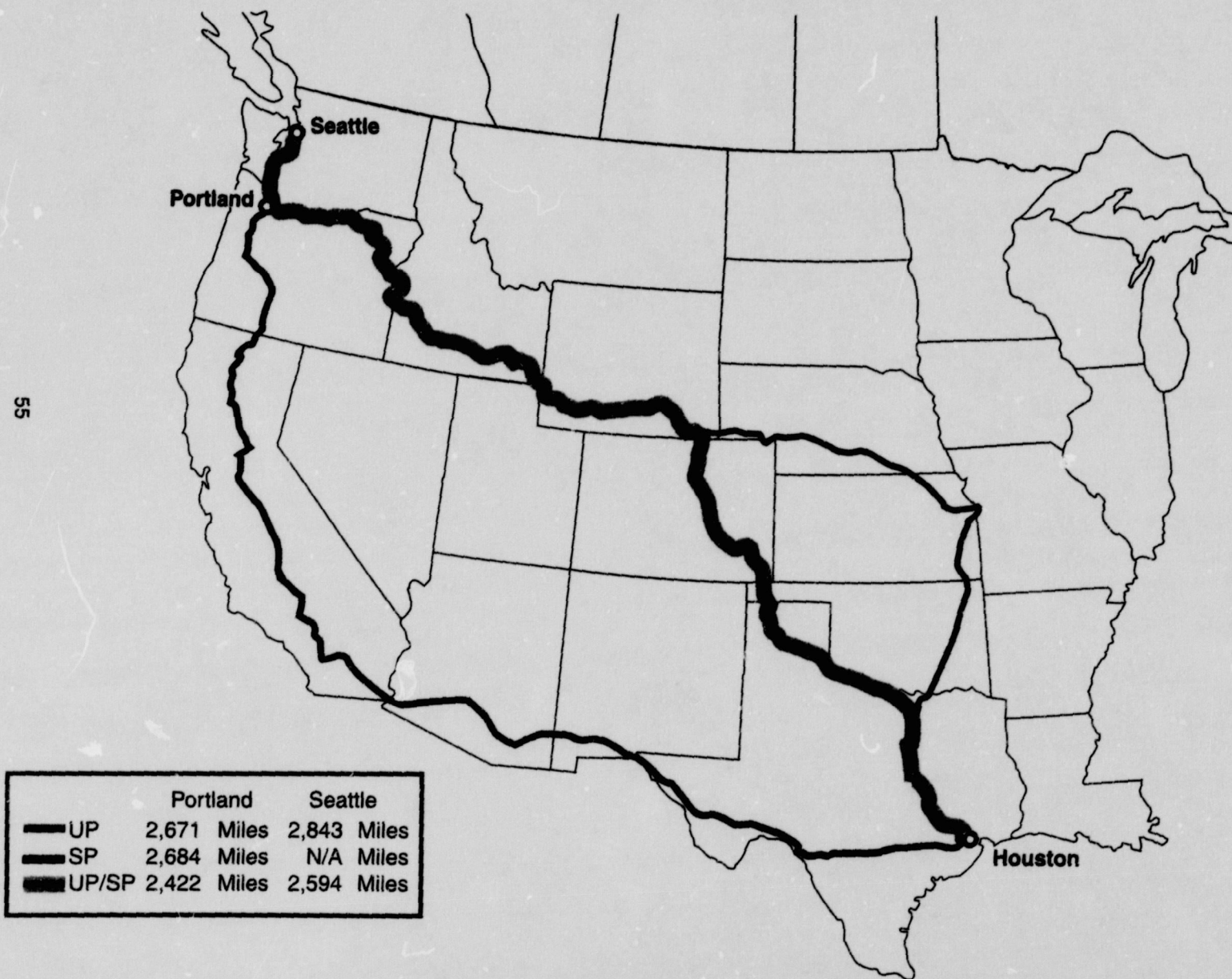
Before their recent consolidation, both BN and Santa Fe dropped intermodal service between Texas and Denver (though they have stated that they now intend to re-enter the market). In order to serve shippers who requested replacement

service, UP instituted a circuitous intermodal service from Texas to Denver and Utah via Kansas City, but these trains run only three or four times per week and cannot provide high quality service because of the lengthy route via Kansas City. After merger, UP/SP will operate a daily intermodal and manifest train between Dallas/Ft. Worth and Denver over the direct route through Amarillo, which will carry connecting traffic to and from Houston, New Orleans and other South Central points.

UP/SP will also inaugurate through manifest train service between Texas and the Pacific Northwest, providing direct competition to BN/Santa Fe. Westbound, this train will carry traffic from Louisiana and Texas through Denver to UP's Hinkle Yard near Pendleton, Oregon, which will send connecting trains to all Pacific Northwest destinations on UP/SP. The returning train will pick up soda ash shipments from Western Wyoming for delivery to Gulf ports, Mexican gateways and other South Central destinations. As the following map shows, this route will be much shorter than UP and SP alternative routes.

- **Kansas City Bypass Routes.** In recent years, Kansas City has become the second busiest rail terminal in the United States, and UP is -- or was before BN/Santa Fe was created -- the biggest user of the terminal. Kansas City has become a major bottleneck for the UP system, because all traffic between the original UPRR and MPRR must pass through the terminal. This includes the river of coal flowing out of the Powder River Basin in Wyoming destined to Georgia, Missouri, Arkansas, Oklahoma, Louisiana and Texas.

Pacific Northwest-Houston

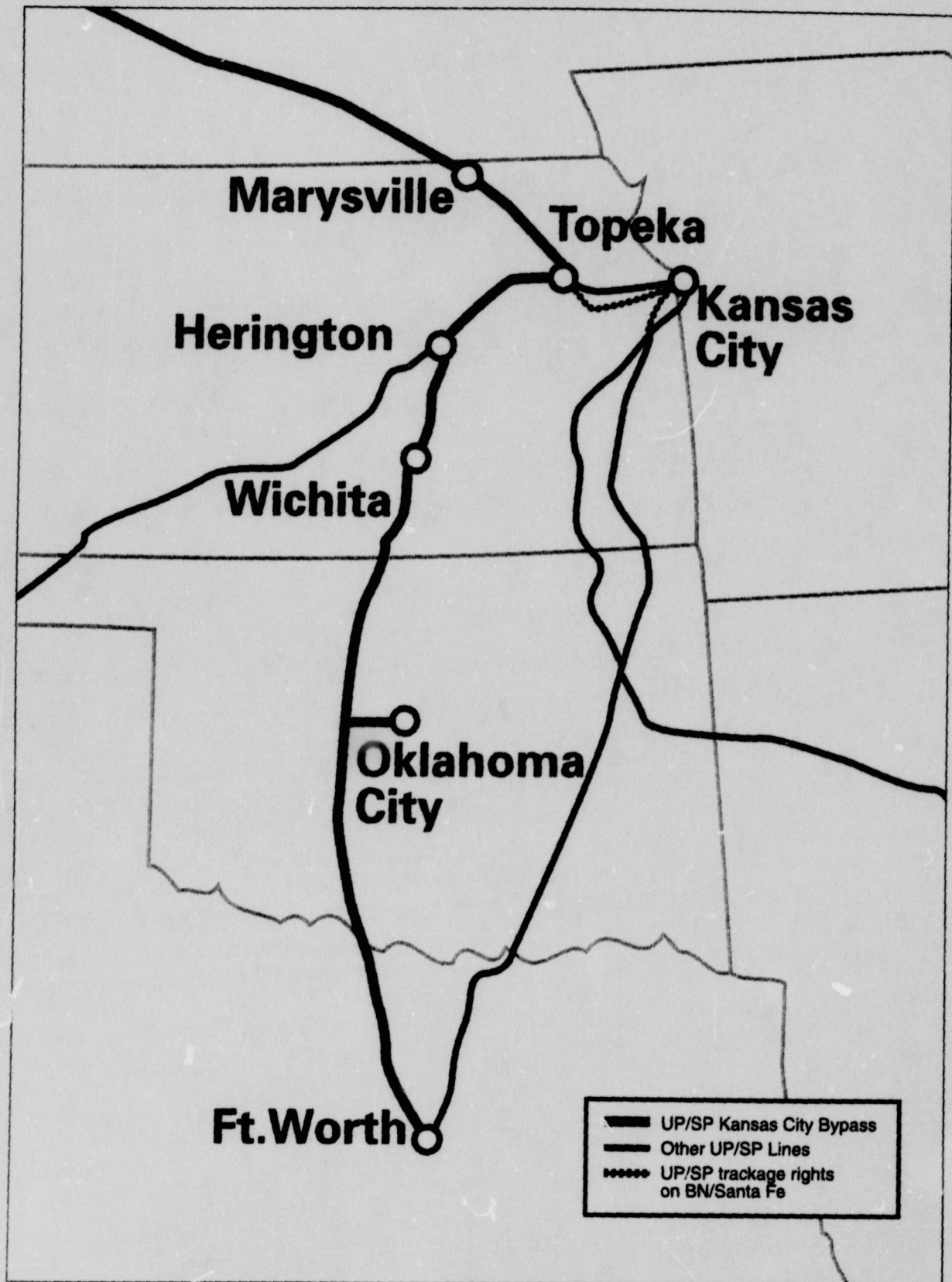


Kansas City also can be a major source of delay for SP. SP's Armourdale Yard is often pressed to the limit for the volume of traffic it handles. SP trains using the BN route to Chicago must operate through Eustic Tower, an additional cause of delay in Kansas City. Terminal delay has sometimes been so severe as to require as much as eight hours to travel a few miles. SP trains leaving Armourdale for the West use UP's congested line to Topeka and suffer delay while waiting to be slotted into the incessant flow of UP traffic.

To reduce congestion in Kansas City and improve service, UP/SP will create a new route for coal and grain traffic to Texas via Topeka, Kansas. As shown on the following map, coal and grain trains approaching Kansas City from the northwest on UP's line from North Platte will turn south at Topeka onto SP's line to Herington. These trains, primarily coal trains from the Powder River Basin and grain trains from Nebraska and Kansas, will then use the former OKT line acquired by UP in its MKT acquisition. The OKT line must be upgraded to handle large volumes of heavy traffic, and we plan to spend more than \$91 million to add and extend sidings, strengthen bridges, improve signals and improve track.

UP/SP will also reduce congestion in Kansas City by running traffic through the terminal without switching. For example, UP's Des Moines yard will create new trains for Parsons and Herington, Kansas, that do not set out or pick up in Kansas City. We will also operate our through manifest trains between the Pacific Northwest and Texas via Denver, taking additional traffic out of Kansas City.

Kansas City Bypass



UP/SP will operate approximately nine fewer trains per day on the busy Kansas City-Topeka segment.

- **The Kansas Pacific Route.** Today, SP coal trains from Colorado and Utah mines to Midwest destinations travel east either via 10,221-foot Tennessee Pass or by running east via Denver, which involves two helper districts to Pueblo. From Pueblo, SP coal trains run east over UP trackage rights to Herington, Kansas, and then northeast toward Topeka. Much of the SP track on the Tennessee Pass line, like much of the trackage rights line east of Pueblo, is jointed rail which would have to be replaced in coming years at great cost.

To handle this traffic more efficiently, UP/SP will upgrade the original Kansas Pacific mainline from Denver to Topeka via Salina, which was built shortly after the first transcontinental railroad. The "KP," as UP employees call it, offers the most direct route from Denver to Kansas City and St. Louis. This upgrading, which includes almost \$50 million worth of new track, ten new 9,300-foot sidings and five siding extensions, will cost approximately \$86.6 million. When it is finished, at least eight trains per day, including a pair of automotive trains between Denver and Kansas City, will use the route. The KP route will also be available as a relief route for UP's mainline via North Platte when it experiences congestion or heavy maintenance, permitting trains to run from Kansas City directly to Denver or the West Coast without passing through North Platte and allowing empty coal trains to be rerouted to the Powder River Basin via Topeka and Denver.

By upgrading this route, UP/SP will be able to abandon the scenic but operationally difficult rail line between Cañon City and Sage in Colorado, which public agencies could convert into perhaps the most remarkable recreational trail in America. (It passes through the bottom of the Royal Gorge and through several other remote canyons.) We have already received an expression of interest in this line from "rails-to-trails" interests. UP/SP will also be able to abandon substantial trackage in Colorado and Kansas, redeploying the value of those assets with very little, if any, impact on local shippers.

- **Oklahoma City Service.** Today, only BN/Santa Fe, using the fast Santa Fe route between Kansas City and Texas, can provide expedited rail service between Oklahoma City and Kansas City, Chicago and beyond. UP's OKT line from Oklahoma City was once part of the Rock Island system to Kansas City and Chicago. SP operates the former Rock Island segment between Herington and Kansas City. By combining these routes that once comprised the Rock Island and upgrading the OKT, UP/SP will be able to provide competition for BN/Santa Fe via Wichita and Herington. This route, while not as fast as the BN/Santa Fe line, is expected to be sufficiently fast to support the service required by General Motors for automotive traffic to Kansas City and Chicago, and our new Oklahoma City-Kansas City train on that route will improve service for other carload traffic as well.

B. More Reliable Rail Service.

In a number of important ways, we expect the UP/SP consolidation to improve the reliability of rail service compared to the service experienced by UP and SP shippers

today. Our goal is to meet shippers' demands for predictability and time-definite delivery, described by Professor La Londe in his statement.

Separate testimony by Mr. King:

Frankly, this is not the most comfortable time for UP to talk about service quality. UP has a strong reputation for high quality service, but the reliability of its service declined measurably in recent months. We found ourselves short of power and crews, especially in the face of an extraordinary surge of grain traffic, and we learned that we may have been too aggressive in the way we absorbed CNW -- a lesson we will remember in connection with a UP/SP merger. Our customers have been complaining, as they should.

UP is not accustomed to falling short of its performance targets, and it is taking the problem very seriously. Part of my new job is to fix it -- fast. To relieve a power shortage, UP has leased every spare locomotive it can find from any source in the U.S. and Canada, and we are taking delivery of two or three new locomotives every day. We doubled our locomotive order for next year. We are also hiring large numbers of train crew members. We have reorganized our operating regions, returning experienced CNW officers who had been rotated to other parts of the UP system to CNW territory. And we have established a new organization, called Customer Service Planning and Delivery, to implement information systems and operating designs that will return UP service to the level our customers expect.

Separate testimony by Mr. Ongerth:

SP's inconsistent service problems have proven stubbornly difficult to repair. SP routes are well situated to serve major national traffic patterns. Linking the Sunbelt and

the West Coast, our lines have exciting growth prospects. SP cannot fully capitalize on this potential, though, because a number of our routes are at the capacity of our existing plant much of the time. This shortage of capacity limits our ability to move trains expeditiously and reliably through our system. For example, trains experience long waits in sidings for meets or passes because we do not have Centralized Traffic Control on some heavily used segments. We sometimes fleet our time-sensitive trains and hold opposing traffic, because a single-track line, such as the Golden State route from Kansas City to El Paso, cannot accommodate a crush of traffic in both directions at the same time. Our terminals, particularly key hubs at Houston, Roseville and Kansas City, sometimes experience congestion, forcing us to hold trains out of the terminals until the congestion can be cleared.

More often than we would like to see, our train crews "die" under the Hours of Service Act, delaying their trains and causing further delays and costs as new crews must be called and transported to the trains. Unanticipated extensions of transit times further disrupt the cycling of locomotives and cars, resulting in additional delays. Because of delays like these, SP incurs increased equipment rental costs. Less obvious but also troubling is the fact that, when we make major capital investments, as we have in locomotives during the last two years, our investments sometimes do not serve us optimally because the capital asset -- in this case, locomotives -- cannot be used with optimum efficiency, given delays induced by other factors. We have a service level that fails to match that of our competitors, BN/Santa Fe and UP. We are a higher cost railroad forced to compete in an increasingly cost-sensitive and competitive environment.

Joint testimony:

1. Operating Control Systems. One of SP's weaknesses is that it lacks the technological capability to manage operations on its route network as the other major railroads do. UP manages its entire railroad with a system called TCS, or Transportation Control System. TCS provides a comprehensive framework and support system for UP operations. It contains UP's systemwide transportation plan, as well as operating plans for each train, which guide the activities of terminal supervisors and yardmasters who create and operate trains. It creates a service plan for every shipment on the entire UP network, assigning each car to appropriate scheduled trains and expected connections from origin to destination. It monitors car movements, providing information for UP operations planners. And it is also the source of information for UP's car accounting, statistical reporting and revenue accounting systems. TCS is integrated with a number of other computer applications that, for example, allow yardmasters to control their yards, operating officers to place helpers at the proper locations in trains, and shippers to keep track of the progress of their shipments.

By comparison, SP -- which was once a pioneer in operating systems technology -- is operating an older computer system that provides few of the aids to field operations available through TCS. SP wants to operate a scheduled railroad system, but it lacks the computer capability to do it well. SP's data system monitors where cars are, but it does not direct them to the right train at the right time. For cost-saving reasons, SP outsourced its data processing requirements to an independent contractor which demonstrated a slower-than-expected learning curve for the railroad's needs and operations.

With some qualifications, discussed below, the merger teams found that UP technology was superior to that of SP. Under the principle of selecting the best of both companies to serve the unified company, the system's operations support technology will be that of UP. UP/SP will implement TCS across the SP system. Operating officers, yardmasters and train dispatchers on SP will learn an entirely new way of doing business. That will not be easy. But it is essential if SP routes are to participate fully in the world of modern railroading and provide consistently reliable service. Most of the benefits will affect operating functions and may not be apparent to shippers, but they will leave their mark in effective cost reductions. Others will be very apparent to SP shippers, who will have, in addition to much faster transit times and better car supply, improved car distribution, expanded customer service functions and better car location data.

In addition, UP/SP will terminate SP's computer and information system outsourcing arrangement so that we can bring information services for the entire railroad under one roof. These changes will give UP/SP the technical support to create the operating discipline that SP's President has said is the company's most pressing need.

UP's freight claims procedures and loss and damage prevention efforts have been significantly more successful than SP's, with the result that UP's loss ratios (i.e., losses stated as a percentage of revenues) approach those of the trucking industry. Although SP recently has experienced substantial improvement in safety-related accidents and losses, it is still behind UP in this area. UP's superior record of freight claim handling results from UP's practices of dealing with damage incidents within the context of the whole transportation transaction -- interfacing with most critical UP system data bases, providing

analytical data for damage prevention, and organizing claims handling by commodity groups, with specialists covering each group and developing damage prevention efforts. On the other hand, SP's freight claim processing is currently a limited-budget, stand-alone process using contract services, which lacks the capability of supporting the same level of prevention effort. The merger will make UP's system available for the benefit of SP's shippers, without the need to commit SP's scarce capital resources to an expensive upgrade of its own system.

There are also areas where SP will be able to contribute its unique experience. An example is train makeup -- the distribution of cars of differing types, weights, and lengths within a train. This is an important matter for trains that operate in undulating or curving mountain-grade territory. Grades, curves, braking and locomotives pulling hard at low speeds all create longitudinal and/or lateral in-train forces which can create the risk of derailment if the train is not properly controlled. SP has had a team, supported by retained engineering consultants, studying these issues since 1991 in an ongoing effort to make the management of trains safer. They have developed pilot computer-based programs for the automatic exception reporting of sensitive trains, capable of providing a "no-go" warning for trains whose makeup suggests elevated risk. Concurrently, UP has had teams working with broader train makeup issues as part of an advanced computer-based yard management program, now under test at UP's Hinkle Yard. The SP sensitive-train program can dovetail with the broader program at UP, and we are thus at the threshold of creating what can be the world's most advanced system of train makeup monitoring for safety in mountainous terrain.

Although we will not be able to implement these train makeup improvements immediately upon consummation of the merger, joint development can proceed immediately after the merger. We have not attributed any specific dollar value to these improvements, but we nevertheless see them as providing important merger benefits, as they will significantly increase the safety of UP/SP rail operations. This is important to shippers -- and especially to shippers of hazardous materials -- because any major derailment and spill of hazardous materials can not only bring lawsuits against the railroad, but also drag the shipper into litigation and create negative publicity -- consequences that shippers sensibly wish to avoid.

A more striking technological development may lie just over the horizon. In cooperation with the Federal Railroad Administration and BN, UP has been working to solve the daunting technical problems associated with Positive Train Separation, or "PTS." Using ground-based stations or the Global Positioning Satellite system, PTS computers will monitor the exact position of every train to within a few feet. If successful, PTS should be able to stop trains in time to prevent collisions. PTS would also automatically advise the crews of opposing trains to adjust their speeds so that the trains will meet at sidings without stopping, saving large quantities of fuel and improving service. If PTS becomes feasible, it will present a major financial challenge to all railroads, but especially to a railroad with limited access to capital.

2. Route Efficiency, Separation and Flexibility. The entire railroad industry has been struggling with the effects of growing traffic and resulting congestion. UP and SP have not been spared. SP's Sunset Route is at or above capacity, with up to 40 trains in

a day on a largely single-track railroad. UP is adding capacity to its Central Corridor line at a rapid pace, but 100 to 120 trains per day are common on its lines in Central Nebraska. Part of the problem facing both of our railroads is that some of the traffic on our congested lines could move over more efficient routes. For example, due to slow speeds and limited clearances, SP runs intermodal traffic between Chicago and Northern California via El Paso and Los Angeles, taking it hundreds of extra miles and adding more trains to the already congested Sunset Route. UP transports manifest traffic from Tennessee, Louisiana and Texas to California via Kansas City, and North Platte, crowding its Central Corridor line, creating congestion in Kansas City and consuming fuel and time on a circuitous route. With highly efficient routes in virtually every major corridor, BN/Santa Fe does not face these problems that SP and UP separately face today.

Together, UP and SP will be able to use the most efficient routes throughout our combined system. The Sunset Route will carry traffic between New Orleans, Houston, Laredo and California. The T&P route will handle trains between Memphis and North Texas and California. From Kansas City and St. Louis to Los Angeles, we will use SP's Tucumcari Route. Traffic between Chicago and Northern California will be handled via UP's Overland Route. Oregon lumber traffic for the Midwest and East will be rerouted over UP's more direct route through Hinkle Yard and Pocatello. These reroutes will save large amounts of time for our shippers and make scarce capacity available without capital investment.

Where possible, we will also specialize the functions of our routes to make them even more efficient. We described earlier the route specialization in the Mid-Continent

Corridor, where SP lines will carry primarily southbound traffic and northbound traffic will be routed mainly over UP. We will specialize the functions of our Chicago-Southern California routes as well, routing carload traffic via North Platte in order to take advantage of its hump-yard capabilities and focusing expedited traffic on the Tucumcari Line.

The Operating Plan reflects the routings we expect to use on a regular basis, given what we know today, but one of the advantages of a UP/SP merger for shippers and railroaders alike is that we will enjoy the flexibility to use alternative routes whenever necessary. If one route becomes too congested, we can reroute traffic to another. If we have a major line disruption on the MPRR line through Little Rock, for example, we will be able to maintain service over the SSW line through Pine Bluff. This capability depends, of course, on flexible train crew agreements, which are discussed in the Operating Plan.

Route flexibility is especially important for track maintenance. The availability of alternate routes will make it possible to conduct maintenance of way work more efficiently, since traffic may be rerouted to allow maintenance work to go forward without interruption. SP's present lack of flexibility, for example on the single-track between El Paso and San Antonio, causes inefficiency both in train movements and in maintenance of way work. Trains that cannot use a parallel double track or an alternative route must be held up to give the maintenance crews a "window" in which to perform their work, yet the crews must periodically interrupt their work and put the track back together because trains on such a busy route cannot be held up for an entire workday. The availability of alternative UP routes will make it possible to keep crews working over much longer windows, and even

for entire workdays.^{1/} Although we have not attempted to quantify the benefits associated with these improved maintenance opportunities, the improved productivity and efficiency will be extremely valuable.

3. Improved Transit Times on SP. The UP/SP consolidation will bring the benefits of UP capital investment, maintenance standards, equipment, operating discipline and technology to SP shippers. As a result, we expect SP service to improve markedly. This improvement will benefit shippers, equipment owners and the railroad industry as a whole.

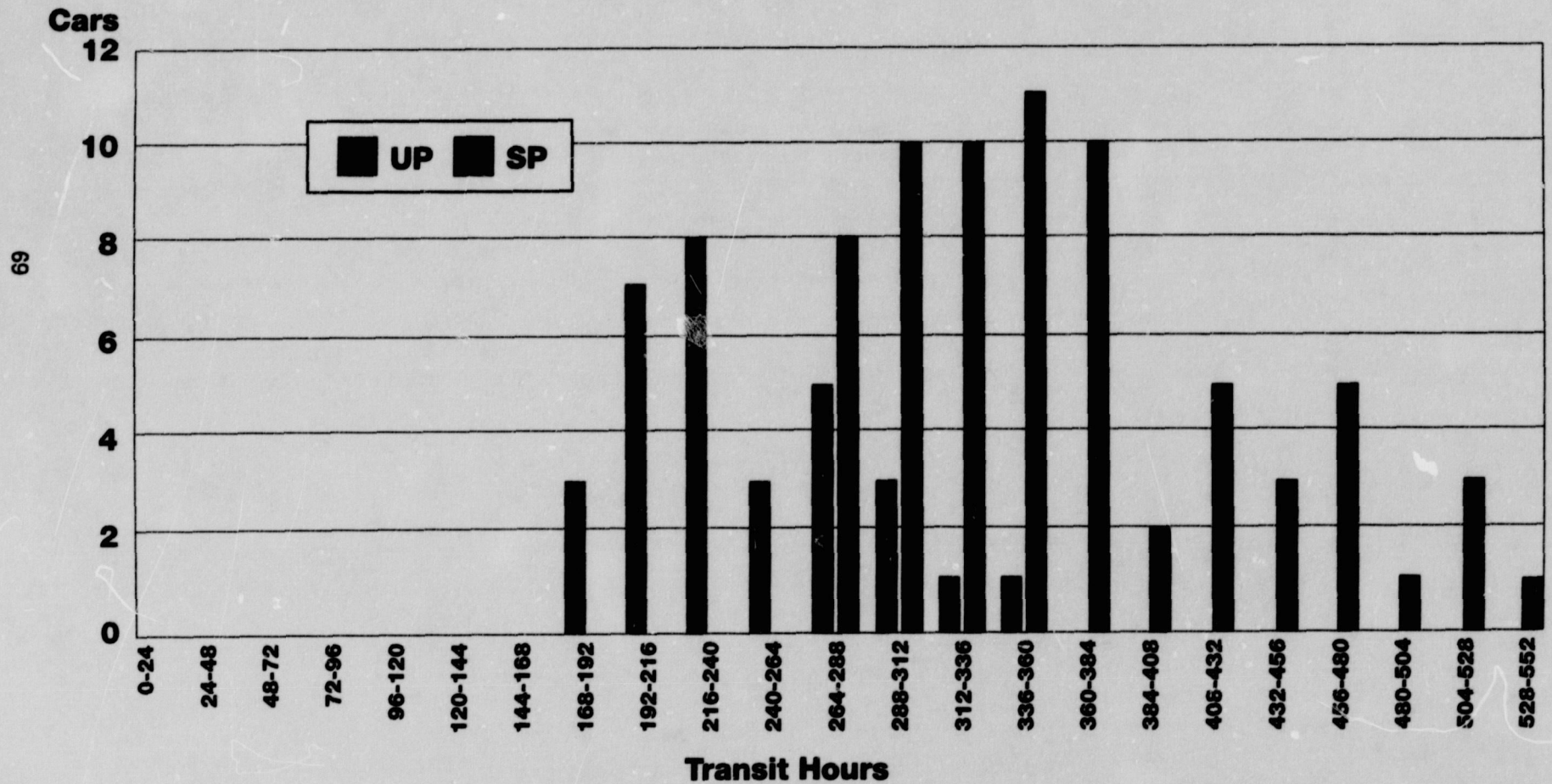
To measure this improvement, we evaluated actual UP and SP transit times during July, 1995 on a few corridors where the carriers compete. UP transit times were generally shorter than SP transit times between the same points, as illustrated by the attached charts. We observed the same pattern when we looked at car cycle times (the time from one loading to the next in the same car), which showed that SP car cycles usually are many days longer than UP car cycles. Second, and equally important, the range of transit times for SP service was usually greater than the range of transit times for UP service. In other words, UP service appeared to be more consistent. Shippers will not be surprised by this information, and the numbers bear out their individual experiences as reported in their verified statements.

^{1/} Lines that can be used for reroutes to accommodate maintenance of way work include, to name only a few, UP and SP routes in the Los Angeles Basin and the San Francisco Bay Area; UP and SP lines between Sacramento and Utah; the UP and SP lines between Houston and New Orleans; and the UP and SP lines between Dallas and El Paso.

Northern California to Memphis

Manifest Shipment Transit Time

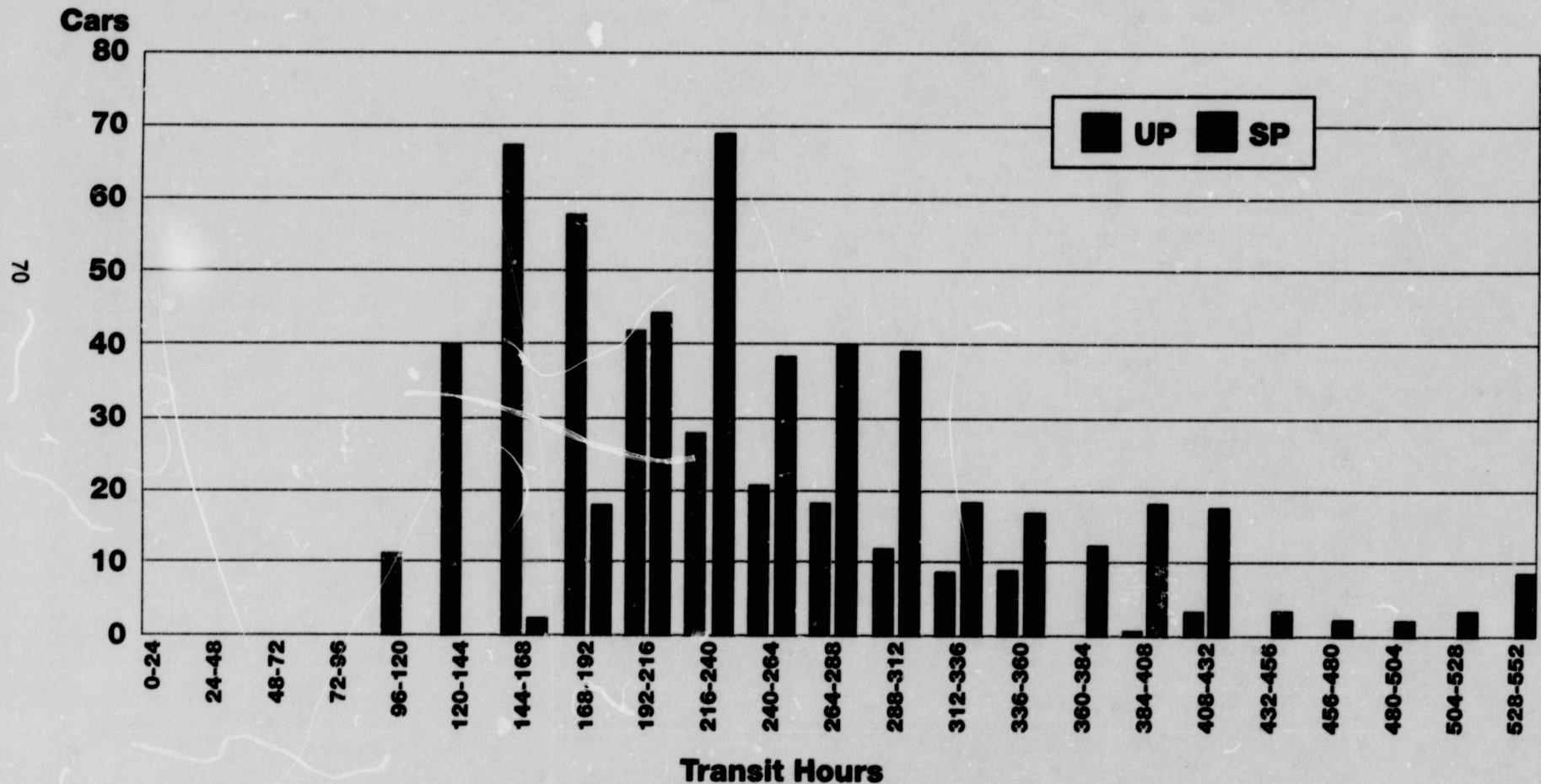
July 1995



St. Louis to Northern California

Manifest Shipment Transit Time

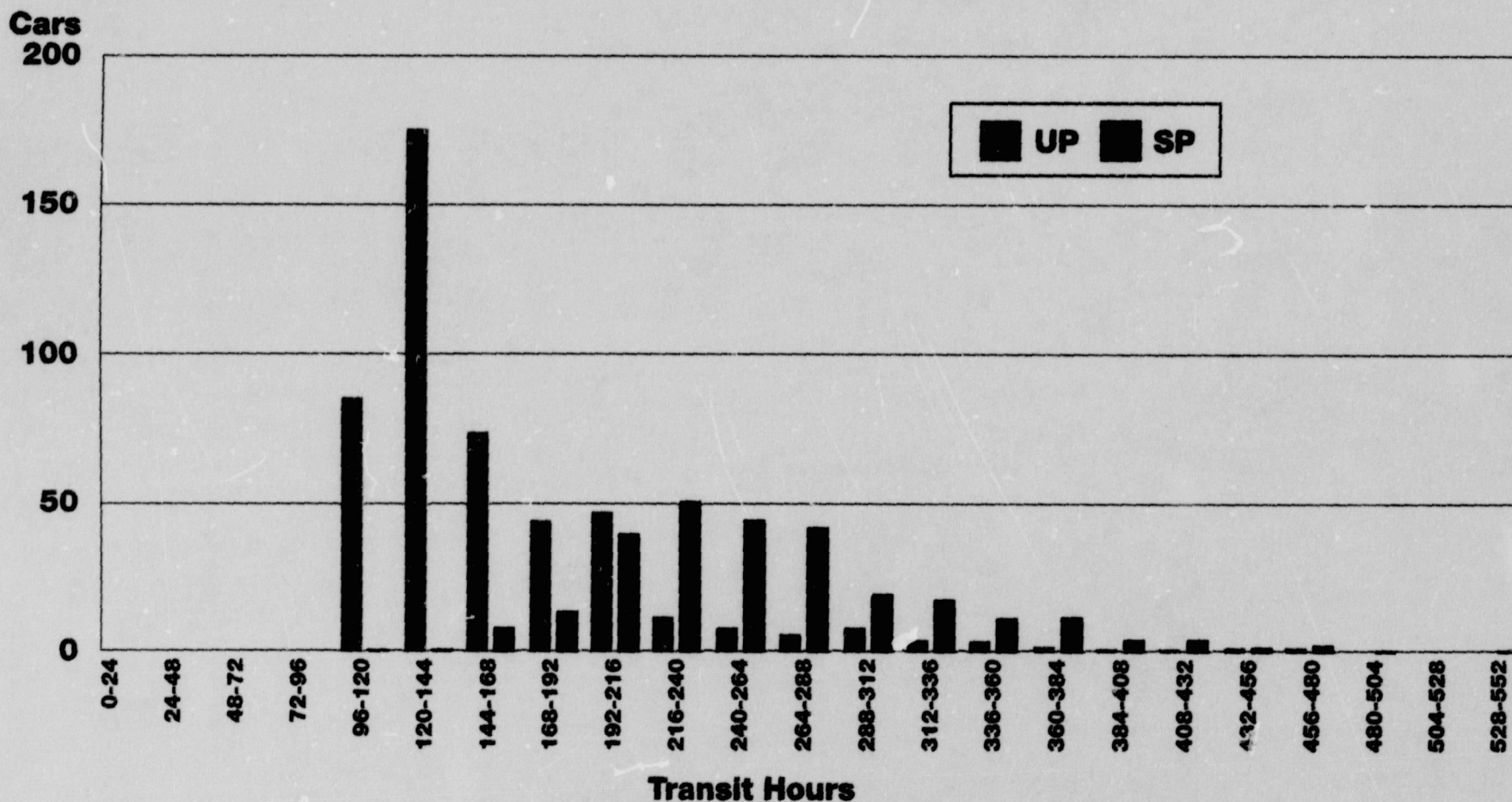
July 1995



St. Louis to Southern California

Manifest Shipment Transit Time

July 1995



We developed an indication of the benefits this improvement would have for shippers by comparing the programmed SP manifest train schedules included in our 1995 baseline, together with related blocking and connections, with post-merger UP/SP manifest train schedules, blocking and connections. Two points should be emphasized: First, we compared only SP's programmed schedules, not its actual train performance. Second, the UP/SP Operating Plan is based on realistic assumptions and conditions, including a very conservative assumption that UP/SP freight yards would process cars no faster than they do today (ignoring improvements in terminal operations identified in the Operating Plan). Third, we generally did not fine-tune the UP/SP Operating Plan to improve the model's train connections as we would in the real world. As a result, connecting service shown in the Operating Plan may be slower than it will be in reality.

On the basis of this conservative comparison, shippers of manifest traffic on SP can expect average improvements in total transit time of the magnitudes shown below. These improvements result from a combination of shorter routes, better blocking, faster trains and capacity increases:

<i>Portland to Chicago:</i>	<i>3 days, 22 hours</i>
<i>Portland to City of Industry (L.A.):</i>	<i>2 days, 19 hours</i>
<i>Portland to Houston:</i>	<i>4 days, 10 hours</i>
<i>Portland to St. Louis:</i>	<i>3 days, 10 hours</i>
<i>Oakland to Chicago:</i>	<i>2 days, 22 hours</i>
<i>Oakland to Ft. Worth:</i>	<i>2 days, 5 hours</i>
<i>Oakland to St. Louis:</i>	<i>1 day, 10 hours</i>

<i>Los Angeles to Memphis:</i>	<i>2 days, 10 hours</i>
<i>Los Angeles to Ft. Worth:</i>	<i>3 days, 5 hours</i>
<i>Chicago to Houston:</i>	<i>1 day, 14 hours</i>
<i>Ft. Worth to Chicago:</i>	<i>1 day, 16 hours</i>

This list does not purport to be inclusive, but only indicative, using major manifest traffic flows as exemplars. One can find exceptions to the pattern, where schedule time will be about the same, or, occasionally, where a point-to-point run today is faster than a UP/SP system connection based on a different operating assumption, but overall the pattern of improved transit times is consistent. In addition, since SP's current service standards are not presently being maintained with the desired degree of integrity, the observed improvement from the SP shipper's standpoint should be greater than the time reductions set forth above.

4. Reliable Trackage Rights Operations. UP/SP and BN/Santa Fe will conduct extensive operations over each other's lines. BN/Santa Fe will operate more than 6,000 miles of trackage rights over UP/SP on a number of line segments, including Denver-Stockton, Mojave-Kern Junction, Houston-Memphis, Houston-Iowa Junction and in several areas of Texas. UP/SP will operate some 4,200 miles of trackage rights over BN/Santa Fe on numerous segments, including Chicago-Kansas City using two routes, Kansas City-Hutchinson, Ft. Worth-Denver, Daggett-Riverside (UP/SP's mainline from Utah to Los Angeles), Portland-Tacoma (UP/SP's mainline to Seattle), and New Orleans to Iowa Jct., Louisiana (UP/SP's intermodal route to New Orleans). As a result, UP/SP and BN/Santa

Fe will be aggressive competitors who are also directly dependent on each other at the operating level.

UP/SP will work with BN/Santa Fe to ensure that trains of both railroads receive proper handling on all trackage rights segments. As the lead witnesses in last year's dispute between UP and SP over trackage rights operations, the two of us and our companies learned a great deal about what makes trackage rights operations work. Most importantly, we learned that effective trackage rights operations require management involvement on the part of both companies. The landlord's management must effectively instruct dispatching forces of their obligation to provide equal treatment to tenant trains. The tenant's management must supply the landlord with accurate and current information about tenant operating plans and play an active role in overseeing trackage rights operations. We drew upon those conclusions in planning UP/SP trackage rights operations.

UP/SP will create a separate service unit, equivalent in stature to its other service units, under the direction of a Superintendent whose primary responsibility will be to administer trackage rights operations on BN/Santa Fe lines. UP/SP will have the ability to provide electronic exchange of trackage rights train schedules, service priorities and operating data with BN/Santa Fe so that BN/Santa Fe understands our operating requirements and vice versa. We will make personnel available to provide all information BN/Santa Fe needs. Some time ago, UP and Santa Fe exchanged computer terminals so that they could monitor trackage rights operations on each other's lines, and UP/SP will expand those arrangements.

We encourage BN/Santa Fe to take similar steps to help us handle their trains efficiently. BN/Santa Fe has, and will continue to develop, the technological capabilities, management personnel, and financial resources needed to support trackage rights operations in a manner that SP was unable to afford. UP has found that Santa Fe is very effective in administering its trackage rights operations over UP between Ft. Worth and Sweetwater, Texas, and we expect BN/Santa Fe to be just as actively involved in managing its operations over UP/SP.

C. Improved Terminal Facilities.

The Operating Plan provides a detailed description of every significant terminal and common point affected by the UP/SP merger. It describes existing facilities and operations and explains how UP/SP will improve transportation service and efficiency.

Those plans differ depending on the needs of shippers at each location. In a number of cases, capacity is ample and the functions of a particular yard -- SP or UP -- are so closely duplicated by those of the other that one yard can simply be closed and its functions absorbed by its counterpart. In other cases, one yard, with limited improvements, can be made to serve the combined territory of two. In yet other cases, the growth of industry in an area has been such that the combined capacity of both yards should be preserved to give the company "breathing room" for the future, but the functions of the two can be reallocated to make best use of the total capacity. For example, efficiencies may be achieved by consolidating intermodal traffic at one yard and routing carload traffic through the other. Where none of these solutions is adequate, UP/SP will

construct a number of new facilities and expand others. In the following pages, we highlight the many benefits resulting from new and improved terminal operations.

1. Elimination of Interchange Delays. UP/SP will be able to improve service at virtually every common point by eliminating interchange delays between our two railroads. As separate systems, UP and SP interchange more than 305,000 loaded cars per year across the western two-thirds of the country. Almost every one of these cars is delayed as a result of the interchange process. The UP/SP merger will eliminate most of those delays.

Here is a simple but realistic example of how normal interchange causes unavoidable and expensive delay. Our example is a shipment from Des Moines to San Jose, California, interchanged from UP to SP at Stockton, a common interchange point. Our hypothetical car is shipped on December 1. It arrives at Stockton on UP train NPST at 4:40 pm on December 5. The train is switched at about midnight by a UP switch engine. Cars destined for industries served by UP are put in tracks to be picked up later by UP switch engines or local trains. Cars to be interchanged to SP are put in another track with other traffic destined to SP. On the morning of December 6, a UP yard engine makes the daily delivery of cars for SP to the SP yard. (Formal interchanges like this also involve a number of time-consuming related tasks, including inspection of cars for damage and functionality, maintenance of accounting records to reflect the time and place of interchange for allocation of car hire responsibility, and in most cases an FRA-mandated air brake test.)

Once the car moves to the SP yard, it is treated like any other new arrival. By late afternoon, all the cars from UP are switched into various tracks at the SP yard, depending on their destinations. Since our hypothetical car is en route to San Jose, it is switched into a track with traffic destined for SP's yard at Warm Springs, California. On the morning of December 7, an SP train picks up the car and takes it to Warm Springs, where a local freight moves it to San Jose.^{2/}

Although nothing went wrong and our hypothetical shipment was handled properly by both carriers, it spent most of two days in Stockton. This pattern is repeated almost 1,000 times per day across the UP and SP systems for traffic interchanged between two railroads. In fact, according to actual 1994 data, the average car time in terminals for each interchange between UP and SP was over 60 hours. This is the measure of delay associated with UP/SP interchanges. Avoiding such delays is one of the reasons shippers prefer single-line service.

After consolidation, interchanges between UP and SP will be eliminated. In the example, our hypothetical car would arrive in Roseville on train NPRV(1) at 2:25 p.m. on December 5. The car would be classified into a Warm Springs block and depart Roseville at 1:00 a.m. on December 6, arriving in Warm Springs at 7:45 a.m. on December 6, saving 24 hours.

^{2/} In the interest of presenting a reasonable example, we simplified the current handling of the sample car. In reality, under today's SP transportation plan, the car would be handled from Stockton to Roseville and then to Warm Springs on two trains, requiring three more days in transit.

Eliminating interchanges such as this example will save hundreds of thousands of car delays every year. Based on our very conservative opinion that UP/SP can save 24 hours out of the average of 60 hours we spend interchanging the average car, the railroad industry will save \$5.7 million worth of car time for reduced UP/SP interchanges. These savings are for railroad-owned cars only. Further savings will accrue to shippers and other owners of private rail cars, which also will be handled more efficiently.

2. Intermodal Terminal Improvements. An important advantage of a UP/SP merger is that the new system will have both the financial resources and the traffic potential to construct or expand intermodal facilities at a number of locations. The new and expanded intermodal facilities are shown on the following map. At other locations, UP/SP will assign specialized functions to existing intermodal ramps or combine UP/SP service at one facility or the other. UP/SP will organize the presently dispersed collection of eight Chicago-area terminals and four Southern California intermodal terminals, by handling traffic at the most efficient and desirable ramps.

UP/SP will construct a modern, \$67.5-million intermodal facility in the eastern Los Angeles Basin area known as the "Inland Empire." We have not yet identified a precise location for this facility, and completion will take time because of the lengthy environmental approval and permitting process in the area, but such a new facility is essential if UP/SP is to compete with BN/Santa Fe and its bustling San Bernardino terminal for Southern California intermodal business. This is the growth area in the Los Angeles Basin, and the less-than-truckload motor carriers prefer to use Inland Empire locations as distribution

Intermodal Facility Improvements

