

AGREEMENT

By and Between

MASSACHUSETTS BAY COMMUTER RAILROAD COMPANY

And

BROTHERHOOD OF LOCOMOTIVE ENGINEERS

WHEREAS, the Massachusetts Bay Commuter Railroad (hereinafter "MBCR") has agreed to assume certain responsibilities for the operation of the Commuter Passenger Railroad for the Massachusetts Bay Transportation Authority (hereinafter "MBTA"), effective July 1, 2003;

WHEREAS, it is the desire of the parties to this Agreement to avoid any interruption of service in the interests of the public and to minimize impact on the commuter rail employees of Amtrak, the operator of MBTA Commuter Railroad prior to July 1, 2003;

WHEREAS, the assumption of this operation will result in the establishment by MBCR of comparable positions necessary to perform certain work formerly performed by commuter rail employees of Amtrak as the operator; and

WHEREAS, MBCR intends to offer employment with MBCR to certain commuter rail employees of Amtrak,

NOW, THEREFORE, IT IS AGREED:

PART I

1. MBCR recognizes the Brotherhood of Locomotive Engineers (hereinafter "BLE" or "Organization") as the bargaining representative of the Passenger Engineers to be employed in the service covered by this Agreement.
2. The Rules Agreement effective October 26, 1982, as amended, presently in effect between Amtrak and the Brotherhood of Locomotive Engineers and applicable to employees performing service on the MBTA Commuter Railroad, will continue to apply to the operations and service which MBCR is to provide the MBTA Commuter Railroad except as specifically provided herein.

- A. Nothing in this Agreement is intended or shall be construed to provide additional pay, benefits, or coverage of specific Rules Agreement provisions to MBCR employees which were not applicable to them during their employment with Amtrak, except as specifically provided herein.
 - B. The adoption by MBCR of the current Rules Agreement provisions between the BLE and Amtrak, as amended herein, satisfies the obligation of MBCR under Exhibit 7, Section 3.B., of the Agreement between MBCR and MBTA dated February 19, 2003 (“Operating Agreement”).
3. The service covered by this Agreement will be a single, separate seniority district and the employees securing a position in accordance with this Agreement will be placed on a separate seniority roster identified as the “MBCR Commuter Service Seniority District Roster.”
4. On or before May 1, 2003, MBCR will deliver, by certified mail, return receipt requested, to the home address of all qualified engineers defined in Paragraph B. below, a conditional offer of employment, along with other required documents (such as those described in Side Letter No. 1). These documents must be completed and returned to MBCR, by the date set forth therein (postmark to govern), with a copy to the BLE General Chairman, in order for the employee to be eligible for further participation in the employment process set forth in this Agreement. MBCR shall have no further employment obligations to individuals who fail or decline to return the requisite completed documents within the time prescribed. Those employees who timely complete the process described in this paragraph are referred to hereinafter as “eligible employees.”
- A. MBCR will provide the General Chairman of the Organization with not less than thirty (30) days written notification of MBCR’s assumption of the operation, which notice will list the estimated number of positions to be established by MBCR. Nothing in this Agreement is intended to impose an obligation upon MBCR to establish minimum staffing levels or requirements.
 - B. The positions to be established by MBCR will be advertised on or before June 1, 2003, also by mail, for a period of fifteen (15) calendar days via special bulletin notice to the following employees:
 - i. All Passenger Engineers with prior rights to Amtrak work Zone CS-1.
 - ii. All other Passenger Engineers working in Amtrak work Zone CS-1 as of the date of this Agreement.

- iii. All other Passenger Engineers working in the Boston Crew Base in Work Zone 1.

The advertisement of positions will show the MBCR headquarters location, run description, starting time, rest days, rate of pay, etc. The bulletin notice will contain the following statement:

“This will serve as notice that these positions will be established on MBCR for the MBTA Passenger Railroad operation effective 12:01 a.m., July 1, 2003. Bids will be accepted only from employees who have declared their eligibility by bidding on the Special Bulletin No. _____ dated _____. Only those bids postmarked or personally delivered to the office of the undersigned and receipt obtained within seven calendar days of the date of this notice will be accepted.”

- C. Eligible applicants will be accepted in seniority order based upon their standing on the current Amtrak Passenger Engineers’ National Seniority Roster; provided, however, that a Passenger Engineer with prior rights to Amtrak Work Zone CS-1 shall be placed on the MBCR Roster in the same relative order as he stands on the Work Zone CS-1 Prior Rights Roster. Passenger Engineers identified on the Work Zone CS-1 Prior Rights Roster with so-called “prior, prior rights” will maintain standing on the MBCR Roster consistent with such rights.
- D. Eligible employees who apply for but are unable to secure a position under this Agreement, prior to MBCR assuming the service, will be placed in a MBTA Commuter Service application pool and, as positions become available, they will be offered Passenger Engineer positions which they must accept or relinquish their rights to employment as Passenger Engineers. Upon accepting such positions, they will be placed on the MBCR roster in the same relative standing they would have been given if they had been a successful bidder during the original application period.
- E. Eligible, qualified Passenger Engineers, as set forth in B. above, who are inactive for the entire application and bidding period by reason of sickness, temporary or occupational disability, disciplinary suspension or dismissal, military leave, leave of absence to take a full time union position with BLE or a management position related to MBTA Commuter Railroad service, revocation of engineer certification, or vacation, shall have the right to make application within five (5) days of their return to active status. Such Passenger Engineers possessing sufficient seniority to have been selected in accordance with Paragraph C., above, will be placed on the MBCR Roster as if they had been in

active status during the original application period, and will exercise their seniority in accordance with the applicable provisions of the Rules Agreement. Those Passenger Engineers in this category who, upon return to active status, lack sufficient seniority to have been selected in accordance with Paragraph C., above, will be placed in the application pool with the same relative standing they would have had if they had been in active status during the original application period.

Note: With the exception of those employees on vacation during the application and bidding period, the provisions of Part II, Item 1.B.(1) of this Agreement shall not apply to employees in this status on the effective date of the Agreement.

- F. Employees who were granted leaves of absence to take promotion to non-agreement management positions on Amtrak unrelated to MBTA Commuter Railroad service shall retain the right to exercise their seniority pursuant to sub-section E., above, for a period of two (2) years commencing July 1, 2003. If after the expiration of that two-year period such employees have not returned to service on MBCR on a position represented by the Brotherhood of Locomotive Engineers, such rights will be extinguished.
5. Existing Rules Agreement provisions pertaining to disapproval of employment application will not be applicable to those employees who accept employment with MBCR pursuant to the terms of this Agreement
 6. Compensated days and years of service currently recognized by Amtrak shall be used in determining eligibility for vacation and personal leave days entitlements for employees who accept a position with MBCR pursuant to this Agreement. The Company anticipates it will receive information from Amtrak outlining such information, as well as the number of vacation and personal leave days each employee has accrued but has not taken for the calendar year. An individual employee who disputes the correctness of the information provided by Amtrak may request further review. In the event of disagreement, the Local Chairman and the Manager-Labor Relations will meet for the purpose of informally resolving the dispute.
 7. MBCR recognizes its obligation pursuant to the Operating Agreement between MBCR and MBTA to provide health and welfare benefits substantially equivalent to those in effect on June 30, 2003. MBCR has sought input and participation from the Organization in its fulfillment of this obligation.
 8. There shall be no pyramiding or duplication of any benefit(s) in the application of any portion of this Agreement.

PART II

1. It is understood and acknowledged that the Brotherhood of Locomotive Engineer is currently engaged in wage and rules negotiations with Amtrak pursuant to notices served under Section 6 of the Railway Labor Act (hereinafter "RLA") upon Amtrak on or about December 30, 1999, and counter-proposals served by Amtrak upon the Organization. In that regard, the parties agree as follows:
 - A. By executing this Agreement, it is agreed and understood that any and all outstanding notices served under Section 6 of the RLA by and between the Organization and Amtrak shall have no standing as between the parties to this Agreement. The Organization represents that such notices have not been settled with Amtrak. The parties agree that MBCR has no obligation with respect to retroactive wage or other settlement monies, if any, which the Organization may believe are owed to the employees covered under this Agreement by their predecessor employer (Amtrak). This Agreement shall not be construed as a relinquishment by the Organization of its rights to pursue payment of any such monies from Amtrak for the period preceding July 1, 2003.
 - B. The basic wage rates in effect for all job classifications and positions in effect on June 30, 2003, shall be assumed by MBCR as the basic rates of pay in effect upon assumption of the service on July 1, 2003. These rates of pay include COLA adjustments totaling 59 cents per hour which were in effect on June 30, 2003, and will be rolled into the basic rates on July 1, 2003, prior to the application of the general wage increase described in sub-paragraph (2) below. Thereafter, the following shall apply:

(1) Implementation Incentive

Subject to the conditions set forth below, effective on the date of MBCR's assumption of the MBTA Commuter Railroad service, each eligible employee covered by this Agreement will be entitled to a lump sum implementation incentive of one thousand dollars (\$1,000). This incentive is subject to approval and appropriation of the MBTA. This incentive is further subject to the Organization commencing the ratification process forthwith. The Organization acknowledges and agrees that MBCR may commence the application and hiring process for BLE members during this ratification process. The Company will make all reasonable efforts to pay the incentive within 30 days from July 1, 2003.

(2) First General Wage Increase

Effective July 1, 2003, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of five percent (5 %).

(a) Disposition of Fractions

Rates of pay resulting from application of this Section B. which end in a fraction of a cent will be rounded to the nearest whole cent; fractions less than one-half cent will be dropped, and fractions of one-half cent or more will be increased to the nearest full cent.

(b) Application of Wage Increases

The increase in wages provided for in this Section B. shall be applied in accordance with the wage or working conditions agreement in effect. Special allowances and differentials not included in fixed hourly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

(3) Second General Wage Increase

Effective July 1, 2004, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of three percent (3 %). The increase provided in this Section will be applied in the same manner as provided in Section (2) hereof.

(4) Third General Wage Increase

Effective July 1, 2005, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of one and one-half percent (1½%). The increase in this Section will be applied in the same manner as provided in Section (2) hereof.

(5) Fourth General Wage Increase

Effective January 1, 2006, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of two and one-half percent (2½%). The increase provided in this Section will be applied in the same manner as provided in Section (2) hereof.

(6) Fifth General Wage Increase

Effective July 1, 2006, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of one and one-half percent (1½%). The increase in this Section will be applied in the same manner as provided in Section (2) hereof.

(7) Sixth General Wage Increase

Effective January 1, 2007, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of one and one-half percent (1½%). The increase in this Section will be applied in the same manner as provided in Section (2) hereof.

(8) Seventh General Wage Increase

Effective July 1, 2007, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of five percent (5 %). The increase in this Section will be applied in the same manner as provided in Section (2) hereof.

- C. Except to the extent set forth in Part II 1.B., the existing COLA provisions between the BLE and Amtrak shall have no further force and effect. Effective July 1, 2008, Appendix I shall become effective. Any COLA adjustment which may be applied in accordance with Appendix I shall not be rolled into base rates without future negotiations and agreement between the parties.
- D. The purpose of this Part II is to fix the general level of compensation during the period of the Agreement. No party to this Agreement shall serve, prior to October 1, 2007 (not to become effective before July 1, 2008) any notice or proposal for the purpose of changing the subject matter of the provisions of Part II of this Agreement or which proposes matters covered by the proposals of the Organization cited in Paragraph 1 of this section.

Part III

1. The following modifications/clarifications of the Rules Agreement are agreed to in order to accommodate the change in administrative structure on MBCR:

- A. Rule 3 – Seniority of the current Rules Agreement is modified to the extent that sub-paragraph g.1. shall read as follows:

“g. 1. Employees who are not qualified locomotive engineers who transfer to or are hired for positions as Passenger Engineer, will establish a conditional

seniority date as of the date they first commence the classroom phase of the training program. However, it is understood that a trainee will not be permitted to exercise seniority or work as a passenger engineer until successful completion of the entire training program, including qualifying on the physical characteristics of the entire service area, at which time the conditional seniority date will become permanent, and the employee will be considered a qualified locomotive engineer. Where two (2) or more employees are certified who have the same conditional date, they will be ranked based on their earliest retained seniority date at MBCR. Employees without prior service at MBCR will be ranked based on the date and time they report to the medical examiner.”

- B. Rule 5 – Seniority Roster of the current Rules Agreement is modified to the extent that sub-paragraph a. shall read as follows:

“a. A roster showing dates entered service, seniority dates, promotion dates, prior rights (if any), and seniority standing will be posted in a conspicuous place at all crew bases for the information of Passenger Engineers, with copies to the General Chairman.”

- C. Rule 6 – Bulletins And Assignments of the current rules Agreement is modified to the extent that the first paragraph of sub-section n. is eliminated and the following inserted in its place:

“n. All positions will be readvertised twice per year in April and October, coincident with the change of time. Applications must be submitted in writing by 12:00 Noon on the fifteenth day prior to the change of time, and awards will be effective at 12:01 a.m. on the Monday following the change of time.”

Part IV

1. Any dispute or controversy with respect to the interpretation, application or enforcement of the provisions of this Agreement which has not been resolved by the parties within thirty (30) days may be submitted by either party to a Special Board of Adjustment for final and binding decision thereon as provided by Section 3, Second of the Railway Labor Act.
2. This Agreement shall become effective July 1, 2003, and shall continue in effect thereafter unless or until changed pursuant to the terms of the Railway Labor Act, as amended.

Signed at Boston, Massachusetts this ____ day of _____, 2003.

For the Organization:

For the Company:

General Chairman, BLE

Manager-Labor Relations, MBCR

General Manager, MBCR

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and BLE relating to MBCR assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our negotiations it was agreed, without prejudice to the positions of either party concerning MBCR's right to require pre-employment physicals, MBCR will modify its pre-employment medical requirements to the following extent:

1. Amtrak commuter rail employees will be required to sign a release instructing and authorizing Amtrak to provide MBCR with a copy of the employee's Amtrak medical records. The Amtrak employee will also be required to complete MBCR's Pre-employment Medical Questionnaire. Should MBCR's Medical Department determine that additional information is required as a result of the information provided on that Questionnaire, the employee will be required to request his/her physician to provide such additional information. Any further action in this area, which may include a physician examination by a MBCR-designated physician, will be handled on a case-by-case basis in accordance with the provisions of the applicable Rules Agreement.
2. The Amtrak commuter rail employee will be required to undergo drug and alcohol testing. Any employee testing positive for a controlled substance will be provided the opportunity, upon his/her request, for a split sample test at the employee's expense, by a testing facility selected by MBCR which will use another testing method that is specific for the substance(s) detected in the initial test.
3. In the event of a confirmed positive result, the employee may not be accepted for employment with MBCR. The employee may, at no cost to MBCR, seek self-recovery and/or provide a satisfactory test result within 45 days from the date of deferral. Upon such timely presentation, the employee will then be eligible to complete the employment process set forth in the Agreement. Upon such employment, seniority and other rights will be governed by the provisions of Part I, Section 3(A) of this Agreement. As a condition of employment, the employee will be required to agree and comply with the instructions set forth in the Prevention Program Companion Agreement.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager-Labor Relations

AGREED:

General Chairman, BLE

Side Letter No. 2
April 17, 2003

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and BLE relating to MBCR assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our negotiations the Organization expressed concern over MBCR's stated intent to acquire copies of Amtrak's discipline records covering each employee hired by MBCR and consideration of past records in any future instances of administration of discipline. Pursuant to these discussions, the parties agreed that such records would not be used or considered commencing July 1, 2003, except for the following:

1. Employees with a previous Rule G violation that resulted in a Waiver Agreement and probationary period that is still in effect on July 1, 2003, will be considered still bound by the terms of such arrangement when employed on MBCR. This will include, but not be limited to, obligations of ongoing participation in EAP counseling, follow-up/random testing, and/or any other condition agreed to in conjunction with the Waiver Agreement. Upon completing the probationary requirements, the provisions of the Rule G Bypass and Prevention Program Companion Agreements will apply.
2. This Agreement does not supercede any action which MBCR may be required to take under the provisions of the CFR, federal or other laws, or regulations imposed by the FRA.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager-Labor Relations

AGREED:

General Chairman, BLE

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and BLE relating to MBCR's assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our negotiations we discussed the matters of Safety and Training Programs. The Organization and MBCR emphasized their commitment to continuing these discussions formally and informally throughout the term of this Agreement.

This will confirm MBCR stated to the Organization during our negotiations that safety is of the utmost importance to MBCR, and it is the Company's intention to implement a comprehensive and effective safety program on the property at the earliest possible date. The Company recognizes the critical importance of partnering with the Organization in the formulation and execution of its safety effort, and your Organization will be contacted at the earliest opportunity to meet and discuss this matter in greater depth. In particular, MBCR and the Organization are committed to establishing a joint management/labor safety committee to meet periodically and discuss those issues related to safety.

This will also confirm that MBCR and the Organization discussed the importance of developing a comprehensive and effective training program for engineers. MBCR is committed to developing a thorough training program that combines both locomotive simulator training and extensive on-the-job training. MBCR will seek the input of the Organization as it continues to develop and modify its engineer training programs.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager-Labor Relations

AGREED:

General Chairman, BLE

Side Letter No. 4
April 17, 2003

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and the BLE relating to MBCR's assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our discussions it was acknowledged that certain modifications of the Rules Agreement are necessary in order to accommodate the administrative structure on MBCR. Specifically, Rule 20 (Time Limit on Claims) and Rule 21 (Discipline and Investigation) require adjustment. Accordingly, the Manager – Labor Relations and the General Chairman will agree to commence discussion and adopt such mutually agreed upon changes prior to July 1, 2003. Those administrative adjustments will be incorporated as an addendum to this Side Letter.

Additionally, the parties agreed meet after July 1, 2003, to reach an understanding regarding how unresolved grievances will be adjudicated. Among the items to be addressed at this meeting will be the Organization's request to establish a standing Special Board of Adjustment and an expedited arbitration board for the handling of unresolved discipline appeals.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager – Labor Relations

AGREED:

General Chairman, BLE

Side Letter No. 5
April 17, 2003

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and the BLE relating to MBCR's assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our discussions the Organization advanced desired modifications to the procedures for administering the Guaranteed Extra Board. It was agreed that the representatives would meet within 90 days of July 1, 2003, or on a date otherwise agreed, to review calling procedures and discuss issues which may have arisen after the transition.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager-Labor Relations

AGREED:

General Chairman, BLE

Side Letter No. 6
April 17, 2003

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between MBCR and the BLE relating to MBCR's assumption of operation of the MBTA Commuter Railroad service on July 1, 2003.

During our negotiations the parties agreed that the protection of the legitimate privacy interests of MBCR employees is a shared concern. Accordingly, except where prohibited by law, MBCR agrees that employee information, including but not limited to information contained in an employee's personnel and medical files, shall not be disseminated to the MBTA until such time as the MBTA agrees in writing not to disclose such employee information to any other party.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

Manager-Labor Relations

AGREED:

General Chairman, BLE

APPENDIX I

Cost of Living Allowance and Adjustments Thereto After July 1, 2008

Section 1 – Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost of living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the “Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)” (1967=100), U.S. Index, all items – unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective January 1, 2009 based, subject to paragraph (d), on the CPI for September 2008 as compared with the CPI for March 2008. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (d)(iii), according to the formula set forth in paragraph (e).

Measurement Periods

<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
March 2008	September 2008	January 1, 2009
September 2008	March 2009	July 1, 2009

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(b) While a cost-of-living allowance is in effect, such cost-of-living allowance will apply to straight time, overtime, vacations, holidays and to special allowances in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(c) The amount of the cost-of-living allowance, if any, that will be effective from one adjustment date to the next may be equal to, or greater or less than, the cost-of-living allowance in effect in the preceding adjustment period.

(d) (i) Cap. In calculations under paragraph (e), the maximum increase in the CPI that shall be taken into account shall be as follows:

<u>Effective Date Of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
January 1, 2009	3% of March 2008 CPI
July 1, 2009	6% of March 2008 CPI, less the increase from March 2008 to September 2008

Effective Dates of Adjustment and Maximum CPI Increases conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(ii) Limitation. In calculations under paragraph (e), only fifty (50) percent of the increase in the CPI in any measurement period shall be considered.

(iii) If the increase in the CPI from the base month of March 2008 to the measurement month of September 2008 exceeds 3% of the March 2008 base index, the measurement period that will be used for determining the cost-of-living adjustment to be effective the following January will be the 12-month period from such base month of March; the increase in the index that will be taken into account will be limited to that portion of the increase that is in excess of 3% of such March base index; and the maximum increase in that portion of the index that may be taken into account will be 6% of such March base index less the 3% mentioned in the preceding clause, to which will be added any residual tenths of points which had been dropped under paragraph (e) below in calculation of the cost-of-living adjustment which shall have become effective January 1, 2009 during such measurement period.

(iv) any increase in the CPI from the base month of March 2008 to the measurement month of March 2009 in excess of 6% of the March 2008 base index will not be taken into account in the determination of subsequent cost-of-living adjustments.

(v) The procedure specified in subparagraphs (iii) and (iv) will be applicable to all subsequent periods during which this Article is in effect.

(e) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (d), will be converted into cents on the basis of one cent equals 0.3 full points. (By "0.3 full points" it is intended that any remainder of 0.1 point or 0.2 point of change after the conversion shall not be counted.)

The cost-of-living allowance in effect on June 30, 2009 will be adjusted (increased or decreased) effective July 1, 2009 by the whole number of cents produced by dividing by 0.3 the number of points (including tenths of points) change, as limited by paragraph (d), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division will be dropped. The result of such division will be added to the amount of the cost-of-living allowance in effect on June 30, 2009 if the CPI will have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index will have been lower at the end than at the beginning of the measurement period and then, only, to the extent that the allowance remains at zero or above. The same procedure will be followed in applying subsequent adjustments.

(f) Continuance of the cost-of-living allowance and the adjustments thereto provided herein is dependent upon the availability of the official monthly BLS Consumer Price Index (CPI-W) calculated on the same basis as such Index, except that, if the Bureau of Labor Statistics, U.S. Department of Labor should, during the effective period of this Article, revise or change the methods or basic data used in calculating such Index in such a way as to affect the direct comparability of such revised or changed index with the CPI-W during a measurement period, then that Bureau shall be requested to furnish a conversion factor designed to adjust the newly revised index to the basis of the CPI-W during such measurement period.

Section 2 – Payment of Cost-of-Living Allowances

(a) The cost-of-living allowance that becomes effective January 1, 2009 shall be payable to each employee commencing on that date.

(b) The increase in the cost-of-living allowance effective July 1, 2009 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(c) The increase in the cost-of-living allowance effective January 1, 2010 pursuant to Section 1 of this Part shall be payable to each employee commencing on that date.

(d) The procedure specified in paragraphs (b) and (c) shall be followed with respect to computation of the cost-of-living allowances payable in subsequent years during which this Article is in effect.

(e) In making calculations under this Section, fractions of a cent shall be rounded to the nearest whole cent; fractions less than one-half cent shall be dropped and fractions of one-half cent or more shall be increased to the nearest full cent.

Section 3 – Application of Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Part B will be payable as provided in Section 2 of this Part and will not become part of basic rates of pay. Such allowance shall be applied as follows:

(a) Hourly Rates – Add the amount of the cost-of-living allowance to the hourly rate of pay produced by application of Article I.

(b) Application of Wage Increases – The increase in wages produced by application of the cost-of-living allowances shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and its employees represented by the Organization signatory hereto. Special allowances not included in said rates and arbitraries representing duplicate time payments will not be increased.

Section 4.

The arrangements set forth in this Appendix I shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act.

(End of Appendix)