



# TEAMSTERS CANADA RAIL CONFERENCE DIVISION 320



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**Subject: TCRC – CN Negotiations update (4)**

Dear Brothers and Sisters,

The appended message CN CEO Hunter Harrison sent to all CN Managers is forwarded to you for your information. This office has also received a circular from the TCRC regarding the current negotiations status. It would appear that things are not going well for our Brothers & Sisters, and we all hope they stay strong in their resolve, and are successful in the days ahead!

In Solidarity,

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S&C Officer  
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Dear colleagues,

We have notified the TCRC (Teamsters Canada Rail Conference) leadership and our managers that as a result of our negotiations having broken off with no settlement, we are planning to implement two labour contract changes for our Canadian locomotive engineers. These changes are to be effective starting Saturday November 28th.

After 14 months of trying to bargain new agreements with the union, we have no reason to expect that further talks would result in a settlement at this time. However, we have indicated to the TCRC that if they have suggestions to resolve our differences, we would meet with them as soon as tomorrow.

Since we began negotiations, we have been determined to reach a deal with no labour disruption, and have presented several options to the union's bargaining committee in an effort to obtain collective agreements. We proposed an agreement that had enhanced wage and benefit increases in exchange for modest work rule changes, which focused principally on moving the engineers' mileage cap limits to 4,300 miles per month to match the conductors' in 2009 and 2010. It's important to note that we were not asking the engineers to do additional work for free, as our proposals would allow the engineers to earn more pay at the increased rates we were offering. To date, the union leaders have declined our requested work rule changes but yet press for a significant list of their wage and work rule changes that would have a negative impact on our operations. We have not been able to find common ground on work rule proposals.

So, to try to get a deal, we then offered a status quo deal with 2% wage increases going forward for 2009, 2010, 2011, and 3% for 2012 along with standard benefit improvements. Our offers were very competitive, especially compared with settlements reached at VIA and other railroads. The union rejected that offer as well.

And, finally, to break the impasse, we again offered to refer our outstanding differences to binding arbitration, to have a neutral third party decide what would be a fair settlement in the current economic climate. The arbitration mechanism was how the TCRC-represented engineers at VIA finally ended their collective agreement dispute, after a brief strike in the summer. We are still willing to go through the arbitration process and avoid any possibility of a similar conflict altogether. None of our options, however, have been accepted by the union.

The TCRC have stated that our wage offers are lower than, for instance, the wages rates in effect for the USW (Steelworkers) group representing track maintainers in Canada. However, we need to recall that the Steelworkers negotiated their rates in 2007, and exchanged work rule productivity for their increases. Furthermore, our offers are consistent with other settlements in Canada. Recently, Statistics Canada reported that the consumer price index decreased 0.9% year-over-year at the end of September. In a period of deflation, we are still proposing wage increases, and we are hopeful that the TCRC leadership and our employees recognize that we have adjusted our wage offers only to reflect current economic realities.

Further delay will not serve to clarify the issues as the parties understand each others' positions, but will only prolong the uncertainty associated with having expired labour agreements. Although we would prefer to make changes that are based on mutual agreements with the union, we believe at this point we have to move forward. Consequently, on Saturday, we are planning to implement both a wage increase of 1.5 per cent and a change in mileage caps, increasing them from the 3,800 mile limit that has been the maximum threshold for nearly 100 years to 4,300 miles, the same limit as the conductors'. To be precise, these changes are to be effective at 00:01 local time on Saturday morning, November 28th and they are the only changes we are planning to implement at this time.

Some may wonder why we offered a wage increase of 2% at the bargaining table but are implementing 1.5%. That is because our offers were made to consider the stability and certainty that comes with collective agreements that are binding for 3 or 4 years. Until we can achieve such agreements with the TCRC, we do not have that stability and we should not pay a premium for it. The most recent Government of Canada analyses show that consumer prices in Canada have declined by almost 1% since September 2008, which makes a 1.5% increase quite fair in the circumstances. As a whole, the locomotive engineers on our property have not experienced the economic effects of the recession at work. While other employers are asking for concessions or implementing large-scale lay-offs, our engineers have not faced either of those unpleasant realities. In fact, the engineers received a 4% wage increase in 2008 (when inflation rose by 2.3 %).

We have all witnessed first hand the effects of the most severe economic downturn of the last 70 years, and its effects on our friends and neighbours. But we have managed to weather this storm better than most, through your hard work and sacrifices. We have offered real wage increases in line with current patterns in the industry, along with benefit improvements. Still we could not get a deal. We are disappointed that we have to take this action but we hope you understand the need to move forward.

We appreciate your support during this uncertain time, and I know that the company and our customers can always count on you giving us your best if the situation changes. We will keep you informed as circumstances develop.

E. Hunter Harrison, President and CEO

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