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Availability

By: Robert #R.B." Frank-Div 839
Legislative Representative ICSLB

Dear Mr. Krebs:

November 27, 1999

At the Stockton town hall meeting, I listened intently to the excellent economic presentation by Matt Rose. During the Q and A session, commented to Mr. Rose that the recurring theme in his presentation was how BNSF tried to maximize its opportunity and potential in every conceivable category. Mr. Rose agreed. As a BNSF engineman and stockholder, I understand the need to maximize this opportunity and potential, otherwise known as cost control. Since the Staggers' Deregulation Act, our R.R. industry has been plagued with the immutable trend of price disinflation in freight haul rates, while simultaneously coping with the investment needs of expanding capacity, attempting to keep pace with shipper demand. This trend of diminishing price and pricing power in combination with the on going need for large capital investment, results in an economic impasse to profitability, which can only be remedied with cost control. The new layoff policy is yet another conceived category of cost control. I will devote the balance of this letter to some of the advantages and disadvantages of this new policy, the tally of which, may help determine if the short term gains will be outweighed by the longer term losses.

In the short term, briefly speaking, economies will be realized in fewer employees needed in combination with attendant savings in employee benefits. Better employee availability on weekends will result in fewer special claims along with reduced delays in crew dispatching. Theoretically, a more compact work force may result in fewer new hires along with their attendant cost of training. Fewer rule books, fewer radios, fewer random drug tests, fewer supplies, fewer clerks to administer- it all adds up. The savings will be measured in the millions of dollars.

Ironically, any success in realized savings by BNSF will be imitated by Union Pacific. Since no capital investment would be required to implement this policy, the savings will be passed on to the shippers in the form of continued disinflation of freight haul rates, thereby zeroing out any incremental profit potential for either BNSF or U.P. My main fear at this point, is implementation by both BNSF and U.P. will forever lock this policy into our R.R. economic structure of doing business with no way of turning back.

In the long term, I'm concerned with short-term economies becoming false economies. For example, every other article I've ever read in BNSF periodicals give high praise to the talent of BNSF people. Reasons for this pool of talent lay in our ability to bring our avocational, off-the-job technical and organizational skills to our on-the-job BNSF vocations. If we become overly captive to BNSF will this discourage good people from staying with the R.R. and/or discourage superior applicants from RR employment? Will this impact on the quality and quantity of R.R. management candidates? A high percentage of us applied to the R.R. with the covenant of layoff flexibility in mind. The time honored and contract honored custom and precedent of the layoff privilege boosted applicant demand, which enabled the R.R. to cherry-pick the best applicants out of many, over many years.

Ordinarily speaking, if we were 9 A.M. to 5 P.M., Monday through Friday salaried workers, there would be no argument as to who might be right or wrong in this matter. However, as it stands, many of us deal with 100 hour away from home work weeks and the oddest of non-schedules, for which we receive no overtime for weekend, grave, or swing shift duty, unlike other industries. If BNSF is to play "Carte Blanche" with our lives on, as well as off the job, does this open the collective bargaining gates for overtime rates, relative to weekend, grave or swing shift duty, like other industries? These are some of the issues —the ingredients, which have long been factored into the custom and precedent of the layoff privilege.

In my opinion, one huge oversight and insult stemming from this policy, involves working wives of RR- men. Since the Staggers' Deregulation Act, RR. wages, in most cases, have failed to keep pace with the cost of living, particularly housing, in most cities. Whether BNSF realizes it or not, the wife's economic contribution makes possible the continued R.R. employment of husband in many cases. If it weren't for this economic alliance, many R.R. men would need to seek other paying careers in the trades, sales, self-employment or certain types of government work, etc. BNSF management might argue this is true of most married couples, regardless of the spouse's industry of employment. This is true. However, in other industries, husbands and wives typically have in common a typical weekday daylight work schedule, enabling them to share most of their family time together, which is generally not the case in railroading. Thanks to railroaders' working wives, BNSF enjoys a competent, stable and affordable population of R.R. men. The new layoff policy will bring added, needless stress to many marriages. This is unconscionable.

In my 24 years of railroading, I have witnessed the elimination of the fireman, flagman, pin-puller, clerk, hostler, operator, pipe fitter, caboose, and the 100-mile day. The virtual elimination of the layoff privilege, however, has created a level of resentment and hostility greater than what was experienced by all the aforementioned eliminations combined. It is very interesting to note that the R.R. men who never layoff, are every bit as irate as those who do. I suppose the psychological comfort of realizing a layoff privilege exists, is roughly analogous to realizing that having a work-a-holic father is infinitely better than having no father at all.

In conclusion, I hope this letter is not viewed as combative by anyone, but rather viewed with enlightened mutual interest by everyone. I could have written more about such subjects as safety, family values, employee trust, employer honor, public relations, single parent railroaders, and litigious issues, etc. I made an effort not to duplicate what others may have written, regarding these other important subjects. Suffice it to say, there is a point where cost effectiveness ends and greed begins- There is a point where greed ends and false economy begins. There is even a point where false economy ends and economic chaos begins. Please honor and uphold the custom, precedent and contract in this particular matter.

Editor's Note: The following is a portion of the response from Mr- RD. Krebs, in relation to the above letter.

Dear Robert I'll start by saying that your letter is probably the most thoughtful I have received regarding our availability policy, and that's quite a feat considering the number of letters I've gotten. I appreciate the approach you took in your analysis of the policy, and I would like to give you my view on the various areas you covered.

You are certainly right about the Staggers Act's effect on rail price disinflation and that our having to cope with lower prices has been made more challenging by the large capital investment required to handle larger volumes of business and meet customers' expectations. A good case in point is our own railroad. I am sure you know that we have spent about \$10 billion in capital since our merger, in order to provide our customers with 90 percent plus on-time service across the system. You are also right about the benefits that better employee availability will bring to us. The result should be fewer employees and an overall cost savings. One of the most expensive aspects of "part-time" workers is that most of them qualify for full-time benefits, which, in some cases, are in the 40 to 50 percent range of actual pay for work performed.

You are also right that our competitors are also working to lower their costs, whether that be through better crew availability or other efficiencies.