



RAIL SUPPORT SERVICES

March 2, 1999

LETTER OF UNDERSTANDING BETWEEN BC RAIL LTD. AND CANADIAN UNION OF
TRANSPORTATION EMPLOYEES LOCAL NO. 1, CONCERNING RELIEF OF
LOCOMOTIVE ENGINEERS ON THE TUMBLER SUBDIVISION
EMPLOYED IN PUSHER SERVICE

Mr. Steve Szeplaky
General Chairman
Canadian Union of Transportation Employees
Local No. 1
625 Vancouver Street
Prince George, B.C.
V2L 5R6

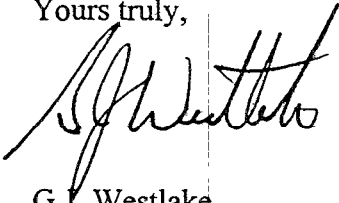
Dear Sir:

This will serve to confirm our understanding reached at a meeting on February 16th/17th, 1999; wherein we agreed on the following terms and conditions for supplying locomotive engineer relief for pusher service on coal trains:

1. If circumstances arise wherein a vacancy occurs for relief in pusher service, and relief cannot be provided from the Prince George spareboard because of the travel time involved (less than ten (10) hours notice until the order time of the crew), that relief will be provided from the spareboard/auxiliary board at Chetwynd or Fort St. John.
2. Deadheaded Enginemen will not be permitted to take rest upon arrival at Tumbler.
3. If no auxiliary or spareboard enginemen are available at Chetwynd or Fort St. John, the Company will call the least conflicting "blue tag enginemen" in seniority order, providing that the call-out does not conflict with their regular assignment.
4. This agreement is subject to cancellation upon thirty (30) days written notice from either party, to the other.

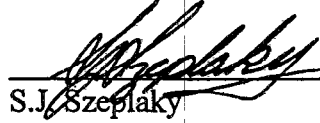
Please indicate your concurrence by signing in the space provided below.

Yours truly,

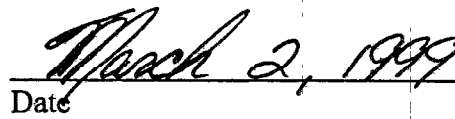


G.J. Westlake
Director, Service Delivery

I concur to this understanding:



S.J. Szepiaky
General Chairman
CUTE Local No. 1



Date