

**CANADIAN NATIONAL RAILWAY COMPANY**

COMPREHENSIVE MEMORANDUM OF SETTLEMENT  
CONCERNING THE INTEGRATION OF THE FORMER BC RAIL OPERATIONS INTO THOSE  
OF CANADIAN NATIONAL RAILWAY COMPANY, REVISIONS TO THE COLLECTIVE  
AGREEMENTS AND RESOLUTION OF MATERIAL CHANGE ISSUES  
COVERING RUNNING TRADES EMPLOYEES REPRESENTED BY  
THE COUNCIL OF TRADE UNIONS FOR BC RAIL (hereinafter referred to as the Council), BUT  
MORE SPECIFICALLY EMPLOYEES REPRESENTED BY CAW Local 110 and UTU  
NECESSARY TO REFLECT THE AGREED UPON AMENDMENTS

Add to, revise, or eliminate existing rules, agreements, understandings or practices, however established, to address the following issues but not necessarily limited thereto.

Vancouver, British Columbia

November 17, 2004

## WITHOUT PREJUDICE

Given the desire to seek a smooth and efficient transition, and consistent with our mutual interest in a long and stable relationship and to eliminate or minimize jurisdictional disputes (inter and intra-union) going forward, the parties agree that:

1. The Council acknowledges that as of the July 14, 2004 closing date, employees represented by the Council and/or its constituent organizations are employees of CN.
2. Upon execution of this offer of settlement, the term of the BC Rail collective agreement applying to the CAW 110 and UTU (the BC Rail Agreements) will be extended to expire on December 31, 2006 subject to the changes as outlined below:

a) Benefit Provision

Effective April 1, 2005, the benefit provisions in the BC Rail Agreements will be rendered null and void and will be replaced by the applicable provisions from the corresponding CN running trades agreements. BCR group benefits applicable to active employees (i.e. extended healthcare, provincial medicare premiums, dental, vision, life, AD&D, short and long-term disability) remain in effect until April 1, 2005. Thereafter, any new benefit claim or claims will be reimbursed as per the provisions of the CN group benefit plans. This date may change if the systems are not ready to effect this change.

b) Vacation Leave Provisions

Vacation entitlements for vacation to be taken in the calendar year 2005 will be governed by BC Rail's collective agreements. The vacation leave provisions in the BC Rail Agreements will be amended to reflect the entitlements in the CN running trades collective agreements for vacation leave to be taken in the calendar year 2006 and thereafter.

c) Post Retirement Benefits

BCR post-retirement benefits (i.e. retiree medical, provincial medicare premiums and life insurance) will be maintained for those retirees and eligible survivors presently in receipt of same. Active employees who retire under the terms of the BCR Pension Plan prior to December 31, 2005 shall be eligible to receive BCR post-retirement benefits. Active employees who retire on or after January 1, 2006 will be governed by post retirement benefits then in effect in the CN running trades collective agreements.

d) Unionized Employee Bonus Plan/Wages

The Unionized Employee Bonus plan will be terminated after the payments for the calendar year 2004. Employees leaving with severances under this agreement will be eligible for a bonus prorated for time worked in 2004. In lieu of any bonus plan payouts or wage increases for the remainder of the collective agreement, there will be a general wage increase on January 1, 2006 equivalent to the general wage increase in the corresponding CN running trades agreements for 2006, but in any event, shall be no more than 3%.

e) Direct Deposit

Effective April 1, 2005, BC Rail employees will be paid under CN's regular payroll (2 weeks in arrears) by direct deposit electronic transfer of funds. Employees may, if they so desire, use banked time or waive vacation entitlements in order to assist with the transition. All banked time must be exhausted or paid out in full upon the migration to the CN payroll systems. This date may change if the systems are not ready to effect this change.

f) Council Funding

The collective agreement provisions calling for deductions from employee wages to provide for Council Funding are null and void.

g) Union Education Fund

The collective agreement provisions calling for payments to Unions for the Union Educational fund are null and void.

h) Red Circling of Yard Rates

Should BCR collective agreements be merged with CN collective agreements, BCR basic hourly wage rates for yard/road switcher positions will be maintained until the corresponding job rates for the corresponding CN job classifications reach or exceed those rates.

3. In return for the difference in "out of pocket losses" for LTD and provincial health care premiums and other health care benefits between the BCR collective agreements and the corresponding CN running trades collective agreements, employees of BC Rail active and in service on August 1, 2005 will receive a one time lump sum payment of \$5,000 (taxable). Depending on the individual's tax status, some or all this amount may be transferred to an RRSP.
4. Employees in receipt of BC Rail long-term disability benefits at the time of execution of this offer of settlement shall continue to receive said benefits until such time as the termination of that claim under the provisions of the BC Rail LTD policy.
5. The Company advised the Council that effective January 1, 2006, active members of the BC Rail Pension Plan will join the CN Pension Plan for future service and future pension accruals shall be governed by the terms of the CN Pension Plan. All BCR employees will be immediately vested under the new Pension plan. All prior service and pension benefits accrued under the former BC Rail Plan will be administered and funded as per the rules of the BC Rail Pension Plan. For purposes of calculating pension eligibility, combined pensionable service in both plans shall be recognized in each respective plan. Pensionable earnings after January 1, 2006 shall continue to be used for purposes of calculating final average earnings under the BC Rail Pension Plan. This provision will not form part of any collective agreement.
6. The parties (BCR & CN unions as well as the Company) agree to meet to address and attempt to resolve any seniority issues that arise out of the potential intermingling of employees covered under the BC Rail Agreements and employees covered under the corresponding CN running trades collective agreements. Should the parties be unable to

reach an agreement on seniority, the matter will be referred to an interest arbitrator, selected by CN and the corresponding CN union (or if no agreement, then as appointed by the Minister of Labour) for final and binding determination.

7. Employees adversely affected by Material Change notices served on the CAW 110 and the UTU dated July 27, 2004 and September 29, 2004, (as revised in discussions between the parties – see Appendix A) actively working in locations where positions are eliminated on the date of execution of this agreement, will be entitled to elect a separation allowance or to relocate with relocation assistance as follows:

a) Separation Allowance – UTU

- i) Employees who qualify will be entitled to the following separation allowance to be offered by seniority in the affected location:
- ii) Employees will be credited with “points” for each year (or major portion thereof) of service with BC Rail.
  - (1) Six (6) points for each of the first fifteen (15) years of service
  - (2) Two (2) points for each of the subsequent years of service
  - (3) Each point is worth one thousand dollars (\$1,000)
  - (4) The maximum point entitlement is one hundred (100) for a maximum severance of one hundred thousand dollars (\$100,000). (taxable). Depending on the individual’s tax status, some or all of this amount may be transferred to an RRSP.
- (5) To receive this severance an employee must resign.

b) Separation Allowance – CAW 110

- i) To address particular demographic issues specific to the CAW 110, the parties have agreed to a different formula for the calculation of separation allowances for this employee group which the parties agree should not form a precedent for separation packages in any other Union group. CAW 110 employees who qualify will be entitled to the following separation allowance to be offered by seniority in the affected location:
- ii) Employees will be credited with “points” for each year (or major portion thereof) of service with BC Rail.
  - (1) Four (4) points for each of the first fifteen (15) years of service
  - (2) Nine (9) points for each of the subsequent years of service
  - (3) Each point is worth one thousand dollars (\$1,000)
  - (4) The maximum point entitlement is one hundred and five (105) for a maximum severance of one hundred and five thousand dollars (\$105,000) (taxable). Depending on the individual’s tax status, some or all of this amount may be transferred to an RRSP.
- (5) To receive this severance an employee must resign

c) Relocation

- i) Affected employees who cannot hold a position in their zone may elect to displace an employee in another zone with relocation assistance if they have sufficient seniority to claim a position at the destination terminal.
- ii) In such a case, the affected employee who actually relocates by changing his principal place of residence will be entitled to a lump sum of twenty five thousand dollars (\$25,000) in relocation assistance. This is a taxable amount.
- iii) Employees will be required to pay back one-half of the lump sum relocation benefit if they voluntarily cease their employment relationship with the Company within two years of receiving the lump sum relocation benefit.
- iv) For each employee who elects to displace a more junior employee in another zone under this agreement, a severance will be offered in that zone as per the provisions of paragraph 7 a) or 7 b) as applicable.

d) Relocation Fund

The parties have agreed to establish separate funds to cover the cost of relocations as follows:

The Unions each have agreed to fund the first 5 relocations (at \$25,000 per relocation) out of the funds designated for separation costs. (Fund A)

The Company has agreed to cover the cost of up to the next 10 relocations (at \$25,000 per relocation) per constituent union in a second fund. (Fund B)

The Unions have agreed to establish a third fund, taken from separation costs, to pay for additional relocations if any. (Fund C)

The initial funding of each of these funds is as follows:

	UTU	CAW 110
Fund A	\$125,000	\$31,000
Fund B	\$250,000	\$250,000
Fund C	\$139,000	\$0

Additional monies will be contributed to these funds as follows:

The amount in Fund A and Fund C can be increased if the actual costs of separation allowances is less than \$100,000 per UTU represented employees and \$105,000 per CAW 110 represented employee. For example, if under the separation formula, a CAW employee receives a separation allowance of \$80,000, \$25,000 will be added to the funds. Initial payments will be made to the Fund A until that fund has reached \$125,000. Any subsequent payments will be made to Fund C.

For employees of each constituent Union, relocation assistance will be funded first through the monies in the Fund A, second from the Fund B, and finally through the Fund C. After funding the relocations, any funds remaining in Fund A and Fund C will be provided to the appropriate constituent Union for disbursement among its members and/or employees who have severed under this agreement based on a formula agreed to by the Company and the constituent Unions. The Company's agreement will not be unreasonably withheld.

Any funds remaining in the Fund B will be returned to the Company

These funds represent the maximum relocation benefits payable; any relocation after these amounts are depleted, will be at the employee's expense.

- e) In the event that there are insufficient senior volunteers, the junior affected employee(s) at the terminal must elect to resign/retire or to relocate. Where a junior employee has insufficient seniority to move to another terminal or chooses not to exercise seniority to another terminal, the employee must resign/retire in accordance with the terms of this article.
  - f) An employee may elect to receive severance monies in two payments over a period not greater than 13 months.
8. The Council, as the certified bargaining agent for the unionized employees of BCR, and the constituent sub units, and their officers will not oppose in any way, but will actively support the principle of this offer and CN's application(s) on sale of business and review of bargaining unit structures under the Canada Labour Code.
  9. The Council and its constituent sub-units, will work in good faith and in a spirit of cooperation with the Company and the CIRB to integrate the Council's existing bargaining unit into the existing CN bargaining units without delay, in the most expeditious fashion.
  10. Pending the resolution of the Company's applications to the Canada Industrial Relations Board, unless otherwise agreed with the Council and/or a constituent sub-unit, the matter of dues will continue to be administered as per the provisions of the BCR collective agreement.
  11. BCR employees will be eligible to participate in Company Employee Share Investment Plan as of October 1, 2004. The Company may, at its discretion, alter, amend, revise or discontinue the Plan, in any manner, in whole or in part provided thirty days' notice in writing is given to the Union. This provision will not form part of any Collective Agreement.
  12. This offer will take effect upon execution of this agreement or as otherwise specified herein.

13. This offer also resolves all issues outstanding between the parties related to the material change notices dated July 27, 2004 and September 29, 2004, with the exception of the issues related to operations on the Fort Nelson Subdivision.

SIGNED AT VANCOUVER, BRITISH COLUMBIA, this 17th day of November, 2004.

<u>Kimberly A. Madigan</u> Vice-President Labour Relations North America	<u>Robert Sharpe</u> Chairman of the BC Rail Council of Trade Unions	<u>Dennis Byron</u> General Chairperson UTU
<u>Joe Torchia</u> Business Partner Labour Relations	<u>Mike Horne</u> President CAW Local 110	<u>John Holliday</u> Local Chairperson UTU Local 1778
<u>Paul Straszak</u> Director Labour Relations	<u>Vince Jones</u> Vice President CAW Local 110	<u>Sylvia Leblanc</u> Local Chairperson UTU Local 1923
<u>Ron Valliere</u> Senior Manager Service Design	<u>Evan Bennett</u> Vice President CAW Local 110	
<u>Christine Joanis</u> Manager Labour Relations	<u>Todd Wallace</u> Vice-President CAW Local 110	

## APPENDIX A

The following table outlines the staffing reductions anticipated by the Company:

### Staffing Requirements

November 16 2004

<b>UTU</b>	<b>Present Population</b>	<b>Req't</b>	<b>Present Reductions</b>
North Vancouver	45	21	24
Squamish	incl. in NV #	incl. in NV #	incl. in NV #
Lillooet	18	8	10
Williams Lake	28	18	10
Quesnel	7	7	0
	<b>98</b>	<b>54</b>	<b>44</b>
<b>CAW 110</b>	<b>Present Population</b>	<b>Req't</b>	<b>Present Reductions</b>
North Vancouver	23	7	16
Squamish	incl. in NV #	incl. in NV #	incl. in NV #
Lillooet	12	7	5
Williams Lake	17	7	10
Quesnel	Incl. in Will Lk #	Incl. in Will Lk #	Incl. in Will Lk #
	52	21	31
<b>Total</b>	<b>150</b>	<b>75</b>	<b>75</b>