

July 31, 2001

**TO: ALL BMW SYSTEM OFFICERS**

**From: Bruce Glover**

**RE: "A DREAM COME TRUE", "BUT NO FREE LUNCH"**

Dear Sirs and Brothers:

Our discussions concerning the proposed BMW/IBB "merger" ignore the realities of the existing IBB union dues structure. When you look at it, it's clear that we are not going to get the services we now get without the Systems paying more money. If you can't pay, they can force you to consolidate.

Look at how the IBB is structured and how it is funded. IBB Division members pay "Division dues". The Division dues are the same as our System dues, except they are used to pay for services we now get from Grand Lodge. The proposed merger agreement does not establish adequate BMW Division dues to pay for our services. The only place that money can come from is the System. If you are a small System, a System with limited financial reserves, or a System that is not interested in spending its existing reserves to pay for services that are now provided by Grand Lodge, you should take a closer look at this proposed merger.

There is nothing in the merger agreement that provides for or requires the IBB International to pay for the services of the BMW Division. IBB does not provide these services to any other Division. The merger agreement, with the IBB Constitution and By-Laws, will, without doubt, result in a new level of "BMW Division dues" or else the Systems will have to absorb the cost of the services we now enjoy from Grand Lodge. Allow me to explain below.

To start, remember that the "merger" agreement is a contract between BMW and IBB. The foundation of the agreement is established in paragraphs two and three as shown below.

Paragraph two of the agreement provides:

"The terms contained in this agreement shall be the exclusive terms governing the merger. Oral agreements, representations or written terms not included in this merger agreement shall have no legal affect or consequence and shall be construed only as

statements of opinion of which neither party has relied."

Paragraph three, in part, provides:

"The Constitution of the International Brotherhood of Boilermakers shall be the supreme law of the merged organization, subject to the terms of this merger agreement...".

Those two paragraphs confirm that it's only what's in black and white that counts, even then the IBB Constitution and its President's interpretation shall be supreme.

With that established, look now at how the IBB operates its entire Union and each of its existing Divisions. The operation of each Division is prescribed in the IBB Constitution and By-Laws, beginning at Article 20. You find that each Division charges its members a "division" or "field" dues to pay for the operation of the Division. These separate dues fund the Division Directors, Division Representatives and activities. The IBB International does not pay the cost or expense for the services performed by the Division. It's not reasonable to suggest that IBB will treat BMW differently than it does all of the rest of its Divisions. There is nothing in the merger agreement that requires it and no one believes that BMW will get what all other IBB Divisions do not.

The Division dues structure of the IBB is provided in its Constitution and the dues collection information is confirmed in the Union's LM-2 government reports. IBB Constitution and By-Laws Article 20.1.2 establishes the functions of the Construction Division and provides in part:

"It shall be the function of the Construction Division to assist in collective bargaining in the industry to negotiate and administer all International Brotherhood work jurisdiction agreements...".

Article 20.3.1 establishes the Construction Division Fund:

"To finance those Division activities set forth in Article 20.1.2..."

Article 20.3.2 requires the payment of "field dues supplement" in the amount of 0.75% of the gross income received from such employment.

Article 20.3.3 requires the payment of "field dues" of "not less than 2 and 3/4% (2.75%) of the gross income of all members or

temporary non-members employed in the construction or maintenance work in the lodges/districts jurisdiction". And, "They shall transmit to the International Secretary/Treasurer for deposit to the account of the Construction Division Fund the field dues supplement amount required by Article 20.3.2 and shall retain for deposit to the account of the lodge/district the amount of the field dues collected."

Article 21 establishes the National Transient Division.

Article 21.1.2 describes the function of the Division including "effectively protecting and promoting the interests of the National Transient membership...".

Articles 21.2.1 and 21.2.2 provide the administration of the Division by a Director appointed by the President and as many Division Representatives as determined appropriate by the President.

Article 21.3.1 establishes the National Transient Division Fund to finance those Division activities set forth in Articles 21.1.2 and 21.3.3.

Article 21.3.2 requires that the National Transient Division Fund be financed from field dues and field dues supplement as described in Articles 20.3.2 and 20.3.3.

Article 22 provides for the "Railroad Division".

Article 22.1.2 establishes the function of the Railroad Division to include:

"It shall be the function of the Railroad Division to negotiate and administer all labor agreements in the industry and to engage in research and other related organizational activities to the end of effectively protecting and promoting the interest of members employed in the railroad industry".

Article 22.2.1 and Article 22.2.2 provide for the administration within the Division by a Director appointed by the President and Division Representatives.

Article 22.3 establishes the "Railroad Division Fund".

Article 22.3.2 provides for the current payment of "Railroad Division dues" by each member in the amount of \$20.50 per month.

IBB Constitution Articles 23 and 24 likewise provide two additional Divisions of the IBB Union and establish the function and a Division fund supported by payment of "Division dues".

The IBB Constitution demonstrates that the operation of each IBB Division, its cost of services, to be paid by the members in addition to the \$16.95 "per capita" paid to the International. It's true that certain services are provided by the payment of "per capita". But, it is equally true the day-to-day Union services are not funded by "per capita" but instead are funded by Division dues. Those Division dues pay for services we now receive from Grand Lodge.

Review carefully every piece of correspondence and in particular the merger agreement and you will see nothing in writing to fund the BMW Division sufficient to pay for the services we expect. It's just not there!

In his July 20, 2001 letter to BMW Vice President Gary Housch, BMW President Fleming says: "Because the BMW Division will continue to handle those areas on behalf of our membership, \$2.05 will be retained to offset the cost of providing these Division services, with the remaining \$1.00 being rebated back to the Systems for their use as they see fit."

Fleming continues, "In addition, no other Boilermaker Division outside of the BMW Division will have seven Regional Directors (former BMW Vice Presidents) and staff, six Executive Committee members (former BMW Executive Board), four full-time attorneys on staff, a fully staffed arbitration office, and a fully staffed legislative department, two journals, etc."

Fleming then says, "Of course, we could have negotiated an agreement that would have kept our dues in line with the International's current per capita rate of \$16.95, but we would have to either eliminate current services and positions, or raise system and local dues sufficiently to absorb the cost of providing these services on their own."

The problem with Fleming's letter is, the cost of the services he's talking about cannot be paid for by the difference remaining after the "per capita" payment.

Run the numbers yourself. Based on the current BMW fiscal year budget, the cost of providing the services described by President Fleming above (not including "etc.") is equivalent to approximately \$4.25 million or \$8.85 per member, per month. This cannot be paid for by the \$1.20 difference that would remain from our "per capita".

We expect \$8.85 per member per month in services, but unfortunately, based on the merger agreement, only \$.75 per

member per month remains after our "per capita" payment. And, there is nothing in the merger agreement that guarantees BMW Division members get \$8.85 worth of services for \$.75 per month. It is simply unrealistic to believe that IBB will give you these services for free. "There is no such thing as a free lunch."

It's true, the \$8.85 per month estimate described above will be reduced in part by health care savings. The \$8.85 per month estimate does not include our Secretary/Treasurer's Department, our Research Department, our Safety, Organizing, Education or the many other departments and services we currently enjoy. I assume those will be funded from our "per capita" payment. This estimate includes only those items identified in President Fleming's July 20, 2001 letter. Even with a "savings" reduction, the numbers don't add up! That money will have to come from somewhere. Every other IBB Division gets it from Division dues. For us it comes from the members or it comes from System dues.

Every BMW System Officer realizes that we get more services from our Grand Lodge than most unions do. We are the envy of our counterparts. While our counterparts must write each of their own submissions and argue their cases at arbitration, we have our specialized BMW Chicago office to provide this service. It is true the merger agreement preserves the Chicago operation. But, clearly there is nothing in that merger agreement that identifies how it and the other services listed will be funded. When you consider that no IBB Division gets this type of service, do you believe that, in the long run, over time, BMW will continue to get these types of services? It is not realistic.

To eliminate or even limit our access to services such as our Chicago office or use them only on a pay for service basis would be a "dream come true" for railroad management. They have long wanted BMW Systems to not have that luxury. Well, there is no mechanism in the merger agreement to fund these services unless it comes from additional membership dues or from existing System dues.

President Fleming has long advocated that Systems should be required to pay their own legal bills and even required to pay their own arbitration costs. Given the political structure provided for in the merger agreement, this could be a "dream come true" as well. The IBB Constitution grants broad authoritative powers to President Fleming and IBB President Jones. The BMW Executive Vice President will now answer to the IBB President, not to BMW Systems.

After the "honeymoon" is over, if BMW Systems want to retain the services, they will either pay a "BMW Division" per capita or they will pay for the services themselves. This will have most impact on smaller Systems or those with less financial reserves. Keep in mind the merger agreement requires Systems that do not provide "essential services" will be consolidated under the IBB Constitution. This too would be a "dream come true" for some in our Union.

You need to study this proposed merger closely. Carefully examine the IBB Constitution and the operation of the existing IBB Union. Consider how each IBB Division is required to pay for its own services. From that it's clear the \$16.95 "per capita" does not pay for Division services. The merger agreement does not adequately fund the BMW Division. That money has to come from somewhere. "There is no free lunch". Those Systems unwilling or unable to pay for those services will end up merged.

Brothers, these are the most important days in the history of our Union. Let's go with our eyes open. The services we currently receive are necessary to the operation of our Systems. In fact, those services allow us to be a different kind of union. It allows the Systems to do more member contact, more lodge meetings, more grass roots at the work place. It makes us better! Our counterparts don't have that opportunity because they are spending time and resources performing the services we have provided to us.

I discussed this BMW Division funding problem in conversation with a BMW Merger Committee member who conceded that "this may be a problem down the road". When you consider this proposed "merger", you must look "down the road". The cost of these services will ultimately fall to the Systems. That's not a step forward for BMW as a union. It's a step backwards and one more reason why the proposed IBB merger is not the best deal we can get for our members. The proposed merger does not deserve your support.

In Solidarity,

Bruce G. Glover  
General Chairman

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