



November 17, 2009

Dear Senator:

The American freight railroads are a \$63 billion industry and constitute a vital link in the nation's economy, connecting producers with manufacturers and distributors at home and abroad. Railroads provide an environmentally friendly and efficient option to other modes of freight transportation, and good paying jobs for American workers. As an industry, railroads provide wages and benefits that are competitive with many major American businesses.

The health care reform legislation, now being shaped for consideration, will profoundly affect our industry and the lives of our employees and their families. Rail labor and management are joining together to express our deep opposition to the inclusion of any provision that would tax high value health care programs negotiated and maintained through railroad collective bargaining.

While there are a number of proposals under consideration that may affect us and impact our escalating health care costs, we are especially concerned about the proposed excise tax on high-value health care programs maintained by employers for their employees. Based on our interpretation of the drafted language regarding the determination of the "single" and "family" thresholds, in 2010 railroad plans will be close to if not in excess of the limits established for 2013 for these "Cadillac" Plans. We think it is very unlikely that the inflationary increase proposed for the excise tax will keep pace with the increases associated with health care costs, and over time more earnings will be at risk.

We are fundamentally opposed to this proposed tax, which not only puts the benefits currently provided to railroad employees at risk, but equally important has a direct cost impact to both railroads and railroad employees. This tax will hit all qualifying insurance plans at the 40% level without taking into account the earnings of the employees or the unique characteristics of the industry or benefit plans. Railroad health plans are unique in their coverage of on-duty injuries inherent in our safety sensitive industry. Railroad demographics reflect the productivity gains in the industry since deregulation, resulting in an older than average workforce.

We think that the excise tax unfairly penalizes employer-employee groups that have collectively bargained health care arrangements. It is our belief that it would be more beneficial to focus on

cost savings around cost containment and affordability instead of using an excise tax to help offset the added costs associated with health care reform.

Thank you for what we are certain will be your careful consideration of our views and concerns.

Respectfully,



Edward Hamberger
President and CEO
Association of American Railroads



Robert Scardeletti
International President
Transportation Communications
International Union



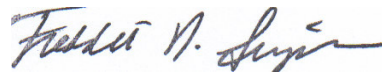
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Dan Pickett
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