

NATIONAL RAILWAY LABOR CONFERENCE

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November 3, 2014

VIA FEDERAL EXPRESS AND ELECTRONIC MAIL

Mr. John Previsich
President, Transportation Division
SMART
24950 Country Club Boulevard, Suite 340
North Olmsted, Ohio 44070

Dear Mr. Previsich:

The rail freight carriers represented by the National Carriers' Conference Committee (NCCC) for the 2015 wage, rules and benefits round of collective bargaining intend to bargain on a concerted national basis with respect to their employees represented by your organization, as has been the case generally in all past bargaining rounds since the 1930's. Those carriers have authorized NCCC representation by duly executed powers of attorney and are listed in Attachment A hereto. That list will be supplemented from time to time as additional carriers authorize representation by the NCCC in national handling with respect to your organization.

Attachment B comprises a notice served nationally on your organization on behalf of these carriers pursuant to Section 6 of the Railway Labor Act. It is served upon you as the national representative of your organization and the carriers propose it be handled nationally and concurrently with any Section 6 proposals that may be served by your organization.

We believe that national handling represents the best opportunity for your organization and the freight railroads to manage our way to and through the next round of collective bargaining in a manner that serves the mutual interests of our respective constituents and their separate interests as well.

For convenience and expedition, we propose that initial conferences be waived on our notice and any notices that may be served by your organization. Please contact me so that we can schedule a date and time to meet.

Yours very truly



A. Kenneth Gradia

Attachments

cc: All NCCC-represented carriers

SECTION 6 NOTICE

America's freight railroads have combined innovation, enormous capital investments, a commitment to customer service, and a talented and highly compensated work force to forge and sustain a vibrant industry. The railroads must continue to make responsible decisions and investments so that we can safely, efficiently and consistently meet and exceed customer expectations. Our success in the marketplace is essential to attracting investors, facilitating industry growth and stability, and providing long term career opportunities to our employees.

As this national bargaining round commences, the industry is confronted with significant challenges, some new and others persistent. Industry healthcare expenditures and coverage provisions substantially exceed mainstream norms, a problem exacerbated by significant additional costs resulting from requirements in health care reform legislation that have been borne entirely by the railroads. Unfunded legislative mandates such as Positive Train Control have and will continue to require massive additional investments in the coming years. The freight transportation marketplace continues to be fiercely competitive and railroads must consistently deliver safe, efficient and reliable service to retain and attract shippers.

Simply stated, our most fundamental bargaining imperative is to ensure that our agreements provide a platform for our employees to safely deliver excellent service at competitive prices to our customers. To obtain and retain business, we must consistently deliver value. Our compensation and benefit costs must reflect the marketplace in which

we compete for business in order to sustain and grow our business. Anachronistic work rules and practices that hinder our ability to give customers high quality, cost-effective service, or which add unnecessary costs, must be reformed. We must eliminate barriers that hinder or prevent the flexible and efficient utilization of our employees and assets. Our health care plan designs and cost-sharing arrangements must continue to be reformed to reflect mainstream norms.

In the end, the security and prosperity of the entire rail community—labor and management employees, their families, and our retirees—rests squarely on sustained success in the marketplace. A secure future in an industry that can provide stable employment and attractive pay and benefits continues to be within our grasp if we resolve to work together to achieve whatever it takes to be and remain competitive. This new bargaining round presents us with a fresh opportunity to lay the foundation for the industry's continued success for many years to come.

Set forth below are the railroads' bargaining proposals.

Compensation and Wages: Develop a wage and compensation package that achieves a fair and competitive cost structure, reflecting economic conditions, the general labor market, and the competitive transportation marketplace, and taking into account existing wage and benefit levels. Alternatively, develop compensation arrangements that reflect the risks and rewards of the business enterprise, while linking pay to productivity and performance.

Health and Welfare: Continue to modify the Plan design and funding responsibilities begun in the last round of collective bargaining so that, among other

things, (i) Plan benefits and employee cost-sharing mirror current mainstream norms, and (ii) employee/member utilization choices and decisions reflect a heightened awareness of treatment efficiencies and cost-effective and clinically appropriate alternatives that are designed to foster improved health. Address issues and additional costs associated with requirements imposed by the Affordable Care Act and other legislative changes.

Improved Service and Productivity: Eliminate or revise as necessary work rules that (i) interfere with or inhibit the railroads' ability to provide customers with timely, high quality, and cost-effective service, (ii) impede productive utilization of employees, and/or (iii) prevent the railroads from utilizing the most efficient and cost-effective means of safely accomplishing necessary work. Revise or implement as necessary rules to (i) optimize workforce productivity and stability, and (ii) improve operational flexibility, fluidity, and velocity.

Workforce Stability and Availability: Institute processes and structures that will improve retention, enhance employee quality of life, and increase safety and efficiency by providing for more predictable work/rest schedules and systematic movement to and from assignments (including a more orderly and efficient means of effectuating the exercise of employees' seniority rights).

Implement measures reflecting mutual commitment to ensure railroads' ability to meet customer service and operational requirements, while providing equitable distribution of time off for entire employee population and reducing the amount of unplanned time employees are unavailable for service.

Duration and Moratorium: Ensure that any agreement is of sufficient duration to facilitate labor stability and predictability, and includes provisions assuring complete labor peace during the moratorium period.

The railroads will provide more specific and detailed proposals on these and related changes as discussions proceed during this round of bargaining.