



Norfolk Southern Corporation  
223 East City Hall Avenue  
Norfolk, Virginia 23510-1728

D. L. Kerby  
Assistant Vice President  
Labor Relations  
(757) 629-2405

March 3, 2017

CN-CM-6-104

Mr. C. G. Lakin, National Representative  
Brotherhood Railway Carmen Division - TCU  
P. O. Box 71026  
Knoxville, Tennessee 37938

Mr. G. E. Maslanka, Director Railroad Division  
Transport Workers Union  
501 3rd Street NW  
Washington, DC 20001

Gentlemen:

This is to advise of the Carrier's intent to exercise its right, pursuant to the December 8, 2010 Letter of Understanding, to cancel the December 8, 2010 Agreement to staff the new Intermodal Terminals located at Rossville, Tennessee, McCalla, Alabama, Charlotte, North Carolina, and Greencastle, Pennsylvania, with members of your craft. The December 8, 2010 letters recognized that: 1) there was no requirement to use members of your craft to perform mechanical work at these Intermodal Terminals being constructed on the Crescent Corridor, 2) the parties agreed to do so on a without prejudice basis consistent with the desire to arrange for an efficient operation that will support the train traffic growth potential and enhance job stability for members of your craft, and 3) the Carrier retained the right to cancel in its entirety in the event that the Carrier determines that safety/performance at any one of these Intermodal Terminals falls below a satisfactory level (copies of the December 8, 2010 letters are attached for your reference). The Carrier has determined to cancel the staffing of these Intermodal Terminals with members of your craft covered by the current July 1, 2012 BRC/NS Agreement effective on May 1, 2017, or shortly thereafter, as detailed below.

As you are aware, the Railroad Industry as a whole is facing significant economic and operational pressures and, accordingly, Norfolk Southern is focusing on initiatives to advance customer service, improve network efficiencies, and drive long-term growth. During 2016 the Carrier has experienced a deteriorated safety performance:

- 45% increase in reportable injuries through 2016 (61) vs 2015 yearend total (42).

- Two of these 2016 reportable injuries occurred at the Crescent Corridor Intermodal Terminals (one at Charlotte and one at McCalla).

The third quarter 2016 financial summary reflected a decline in performance:

- Railway operating revenues were \$2.5 billion, down 7 percent compared with third quarter 2015, due to reduced volumes and lower fuel surcharge revenues. Overall volume declined 4 percent to 1.9 million units for the quarter.
- General merchandise revenues were \$1.6 billion, 4 percent lower than the same period last year. Volume declined 4 percent, due to fewer crude oil, vehicles, pulpboard, and feed market shipments. The five merchandise commodity groups reported the following year-over-year revenue results:
  - 1) Chemicals: \$408 million, down 10 percent
  - 2) Agriculture: \$380 million, even
  - 3) Metals/Construction: \$337 million, up 2 percent
  - 4) Automotive: \$236 million, down 4 percent
  - 5) Paper/Forest: \$191 million, down 6 percent
- Coal revenues were \$397 million, 18 percent lower compared with the same quarter last year. Above-normal stockpiles and low natural gas prices combined to decrease volume by 15 percent.
- Intermodal revenues were \$575 million, 7 percent lower compared with third quarter 2015. Volume declined one percent due to lower Triple Crown Services volume, a result of last year's restructuring. Domestic volume, excluding Triple Crown Services, and International volume were up 8 percent and one percent, respectively.

The fourth quarter 2016 financial summary reflected the continued decline in volumes, and accordingly the need to continually improve on efficiencies:

- Railway operating revenues of \$2.5 billion declined 1 percent compared with fourth quarter 2015, reflecting lower merchandise and coal traffic volume, as well as reduced fuel surcharges. These declines were offset in part by intermodal volume growth that eclipsed the effects of the 2015 Triple Crown restructuring.
- General merchandise revenues were \$1.5 billion, 1 percent lower than the same period last year. Volume was 3% lower overall, as growth in steel and agriculture was offset by declines in energy markets, vehicles, and paper and forest products. Norfolk Southern's five merchandise commodity groups reported the following year-over-year revenue results:

- Agriculture: \$399 million, up 4 percent
  - Chemicals: \$395 million, down 7 percent
  - Metals/Construction: \$296 million, up 6 percent
  - Automotive: \$237 million, down 5 percent
  - Paper/Forest: \$177 million, down 5 percent
- Intermodal revenues increased to \$583 million, a 4 percent gain compared with fourth quarter 2015. Volumes increased 7 percent, with growth in domestic and international traffic offsetting the Triple Crown restructuring.
  - Coal revenues declined 7 percent to \$403 million compared with fourth quarter 2015. Volume fell 4 percent with an increase in export coal softening the decline in the utility market.

With these economic conditions in mind, note that a February 1, 2017 article in The Journal of Commerce titled "US rails under pressure to rejuvenate intermodal" stated in part the following:

Improving efficiency and taking cost out of the supply chain will be important ingredients to railroads' success as they compete for domestic cargo with a trucking industry that is moving into driverless trucks and Uber-type operations, Ruest said. "It's all about competition. If highway transport makes a breakthrough, the railroad has to respond," he said.

Although North American intermodal volume began to rally in the later months of 2016, total volume for 2016 was still down 1.6 percent year-over-year, according to the Association of American Railroads. Domestic container volume growth, in particular, slowed, going from 6.4 percent year-over-year in the first quarter of 2016 to 3.3 percent in the third, according to the Intermodal Association of North America.

Given the current volumes on the Crescent Corridor, margins can be improved through elimination of the use of the current staffing of NS Carman to perform the available mechanical work in these Intermodal facilities. In addition to resulting in a more efficient utilization of forces, the Carrier will also be able to reduce costs associated with freight car material, facility and vehicle expenses.

In connection with this change in operations at the Crescent Corridor Intermodal Terminals, the following positions are to be abolished effective on April 2, 2017, or shortly thereafter:

<u>JOB TITLE</u>	<u>LOCATION</u>	<u>CURRENT OCCUPANT</u>
Carman	Greencastle	S. T. Ballard
Carman	Greencastle	T. D. Jones

Messrs. Lakin and Maslanka  
March 3, 2017  
CN-CM-6-104  
Page 4 of 4

<u>JOB TITLE</u>	<u>LOCATION</u>	<u>CURRENT OCCUPANT</u>
Carman	Greencastle	B. B. Baughman
Carman	McCalla	D. P. Shearer
Carman	McCalla	J. D. Carrol
Carman	Rossville	S. M. Kelley
Carman	Rossville	P. L. Little
Carman	Rossville	C. L. Wilbanks
Carman	Rossville	R. T. Schottel
Carman	Charlotte	T. W. Coffey
Carman	Charlotte	M. B. Murphy
Carman	Charlotte	J. L. Veale

It is anticipated that any affected employees will have opportunity to obtain another Carman position through exercise of seniority or transfer to fill a vacancy.

Please contact us if you have any questions or desire to discuss this matter.

Very truly yours,



D. L. Kerby  
Assistant Vice President  
Labor Relations

Attachments



Norfolk Southern Corporation  
223 East City Hall Avenue  
Norfolk, Virginia 23510-1728

S. R. Weaver  
Assistant Vice President  
Labor Relations  
(757) 629-2453

December 8, 2010

CN-CM-6-104

Mr. R. E. Cain, International Representative  
Brotherhood Railway Carmen Division - TCU  
204 Merry Hill Road  
Sterrett, Alabama 35147

Mr. G. E. Maslanka, Director Railroad Division  
Transport Workers Union  
501 3rd Street NW  
Washington, DC 20001

Gentlemen:

This refers to our discussion on December 6, 2010, concerning the Intermodal Terminals to be constructed on the Crescent Corridor, which, along with other improvements being made by the Carrier along this 2,500 mile route from Memphis and New Orleans to New Jersey, will enable the handling of more rail freight traffic. The parties recognize the growth opportunity presented by the Crescent Corridor and desire to arrange for an efficient operation that will support the train traffic growth potential and enhance job stability for members of your craft. Accordingly, although there is no requirement to use employees covered by the current January 1, 2003 Agreement to perform work at each of the Intermodal Terminals to be constructed on the Crescent Corridor, the parties agree, without prejudice to the position of either party, to staff certain locations with members of your craft under the terms set forth below.

**I. Work Points Covered** – At the new Intermodal Terminals to be located at Rossville, Tennessee, McCalla, Alabama, Charlotte, North Carolina, and Greencastle, Pennsylvania, as well as at the Intermodal Terminal to be located at Prichard, West Virginia, Carrier employees represented by BRC or by TWU will be assigned to perform mechanical work at these outlying point locations. The Carmen positions established at these five Intermodal Terminals may be required to perform any mechanical work assigned pertaining to the Intermodal Terminal operation or in road work.

**II. Filling Positions** – Rossville, Tennessee, McCalla, Alabama, Charlotte, North Carolina, Greencastle, Pennsylvania, and Prichard, West Virginia Intermodal Terminals will constitute new seniority points for Carmen.

**A. Permanent Carmen vacancies or new Carmen positions assigned at these Intermodal Terminals will be bulletined in accordance with Rule 17 of the January 1, 2003 Agreement, as follows:**

- **Rossville, Tennessee Intermodal Terminal positions or vacancies bulletined first to Carmen at Memphis, Tennessee**
- **McCalla, Alabama Intermodal Terminal positions or vacancies bulletined first to Carmen at Birmingham, Alabama**
- **Charlotte, North Carolina Intermodal Terminal positions or vacancies bulletined first to Carmen at Charlotte, North Carolina**
- **Greencastle, Pennsylvania Intermodal Terminal positions or vacancies bulletined first to Carmen at Harrisburg, Pennsylvania**
- **Prichard, West Virginia Intermodal Terminal positions or vacancies bulletined first to Carmen at Kenova, West Virginia, and second preference to Carmen at Portsmouth, Ohio**

**B. For each of these five Intermodal Terminal locations, the successful applicant would establish a seniority date at the respective Intermodal Terminal, as of the first day of service on the Intermodal Terminal position. Such successful applicant would retain their applicable seniority at their home point, but may return to their home point only in the event there is no position they may fill in the exercise of their seniority rights at the respective Intermodal Terminal where they established seniority. However, to meet service requirements, the Carrier may require Carmen assigned to a position at one of these Intermodal Terminals to temporarily report at the home point referenced in Paragraph A and augment the local forces. In like manner, Carmen assigned to Greencastle, Pennsylvania Intermodal Terminal positions may also be required to temporarily report at Vardo Yard, Hagerstown, Maryland.**

**In the event of a reduction in force resulting in the furlough of Carmen at one of the home points referenced in Paragraph A, such furloughed Carmen would not be allowed to displace a junior Carman assigned to a position at the Intermodal Terminal, which is a separate seniority point.**

**If the above process fails to fill all of the Carmen positions available at any of the involved Intermodal Terminals, such additional Carmen positions, if filled, may then be filled in accordance with Rule 16 – Transfers of the January 1, 2003 Agreement or by the employment of journeymen Carmen, if available, or student mechanics.**

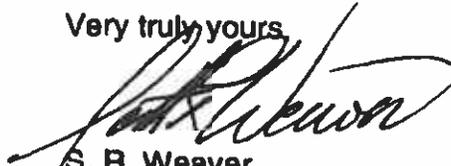
**III. Starting Times** – Pursuant to Rule 3 (D) of the November 9, 2007 Letter of Agreement, “the starting time of one or a small group of employees may be bulletined different from the established starting time as referred to in this rule, based on actual service requirements and after discussion between the proper company officer and the international representative.” In the application of this provision to the involved Intermodal Terminals, it is understood that the service requirements may necessitate either a one-shift or two-shift operation where one or both shifts differ from the established starting time intervals or the staggering of starting times for overlapping shifts.

**IV. TTX** – Management will maintain the right to designate a track(s) at each of these Intermodal Terminals where TTX personnel may perform upgrade/program work to TTX freight cars.

Except as expressly stipulated herein, the rules, rates of pay, and working conditions pursuant to the January 1, 2003 Agreement, as amended, will apply to Carmen positions established at the Rossville, Tennessee, McCalla, Alabama, Charlotte, North Carolina, Greencastle, Pennsylvania, and Prichard, West Virginia Intermodal Terminals.

Please indicate your concurrence in this matter by signing in the space below and returning a copy for our files.

Very truly yours,

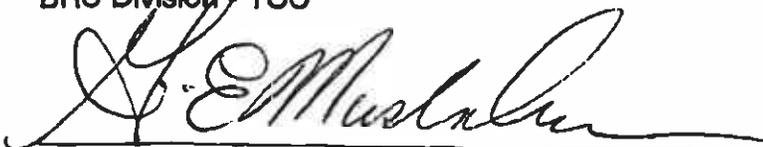


S. R. Weaver  
Assistant Vice President  
Labor Relations

Agreed:



R. E. Cain, International Representative  
BRC Division / TCU



G. E. Maslanka, Director Railroad Division, TWU  
International Vice President



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204 Merry Hill Road  
Sterrett, Alabama 35147

Mr. G. E. Maslanka, Director Railroad Division  
Transport Workers Union  
501 3rd Street NW  
Washington, DC 20001

Gentlemen:

This refers to our discussion on December 6, 2010, concerning the staffing of the Intermodal Terminals to be constructed on the Crescent Corridor, as well as at Prichard, West Virginia, and the establishment of four ten-hour day work weeks at the program car shops. In reaching those agreements the parties also enter into the understanding detailed below.

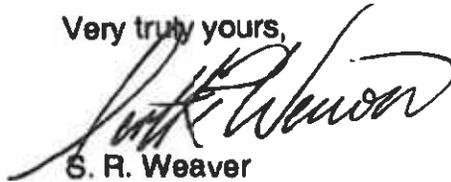
The parties agree that the Carrier retains the right to cancel the December 8, 2010 letter of agreement to staff certain Intermodal Terminals with members of your craft in its entirety by written notice to the representatives in the event that the Carrier determines that safety/performance at any one of these five Intermodal Terminals falls below a satisfactory level. However, in the event that the Carrier does exercise the right to cancel this letter of agreement and replace the Carrier's Carmen force at any of the five covered Intermodal Terminals:

- The previous performance of work by Carmen at the Intermodal Terminal location(s) pursuant to the December 8, 2010 letter of agreement will not serve as any restriction on the Carrier's right to subsequently assign mechanical work at the location(s) or at any new Intermodal Terminals to other than Carmen.
- The appropriate Carmen International Representative may elect to cancel the four ten-hour day work week arrangement for the program Car Shops, by giving the designated Carrier Officer 30 days written notice.

Messrs. Cain and Maslanka  
December 8, 2010  
CN-CM-6-104  
Page 2 of 2

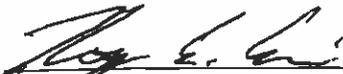
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Very truly yours,

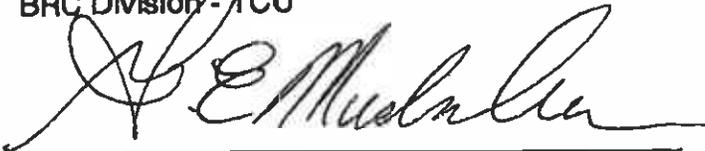


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