The American railroad industry has survived for more than a century because of its ability to adapt and innovate in the face of unrelenting challenges. The industry has persisted through economic downturns, wars, fierce competition, and periods of crushing regulation by investing in and implementing new technologies, operating procedures, and business lines. Workplace changes resulting from these advances have not always been embraced at the bargaining table, but those changes have ultimately benefitted railroads, our people, and the industries and communities we serve. We have been able to provide, even in the face of these systemic changes, amongst the very best pay and benefits of any jobs in our economy. And the industry has done this while building and operating a vibrant transportation system that is the backbone of our economy and an extremely safe and environmentally-friendly means of shipping freight.

We move forward at the bargaining table today with previously unfathomable technologies now proven and scalable in ways that can make our system better and safer. Drones, ultrasound, smart sensors, software advancements, big data – these technologies and others, led by the implementation of Positive Train Control ("PTC"), are the modern-day fuel of America's freight rail network. Together with our strong cultures, these technologies are delivering the safest era ever for U.S. railroads. To secure a future that is even safer, the railroad industry believes we must embrace these new technologies and work together to implement them.

Many current economic forecasts call for long-term increases in freight demand, and the opportunity exists to win a greater share of the growing global marketplace for freight. Yet railroads must overcome unrelenting pressure from customers and powerful economic forces to price our services to the market – not to our costs – to retain our current traffic levels and capture new business. Significant challenges to our success include the decline of coal, advancements in trucking, the increasing long-term exposure of our manufacturing and agriculture sectors to global competition, the continued shift towards a services-oriented economy, changes in customer supply chain strategies that require faster and more reliable scheduled service, and renewed threats of increased regulation. Entrenching ourselves in outdated approaches and failing to fully utilize new technologies will diminish our ability to resist these pressures and forces.

This industry has typically lagged behind the rest of the industrial world in adapting workplace practices to new technologies. This approach has only delayed and limited the available options to respond when changes must occur. To meet our challenges head on, we must modernize all aspects of our business, including the terms and conditions of employment. In particular, certain work rules – across all crafts – have not been updated at the national bargaining table for decades. These anachronistic provisions fail to account for modern technology and impede rather than support the timely delivery of freight. Some of these rules also degrade rather than enhance employee quality of life. Reform can and should result in safer workplaces, better and more predictable schedules, greater access to technology, and a wider range of jobs with less travel. Securing a future with leading pay, benefits and healthcare can and will remain part of this employment model if we succeed in meeting these challenges.

We also need to continue the process of modernizing the health and welfare benefit plans that cover our people and retirees. The plans continue to have an outdated design, including the lack of any tiered employee monthly contributions for spouses and dependents, as well as the lack of a mechanism for annual adjustments to employee cost-sharing to keep pace with increasing health care costs. As a consequence, the plans remain extraordinarily rich when compared to employer-sponsored health benefits typically offered to the American workforce. The richness of the plans fosters an environment within which covered employees and their dependents are not sufficiently engaged in managing their healthcare choices. This lack of engagement leads to poor health decisions and overutilization of health services. As a result, we are not producing good health outcomes and behaviors while still facing health care expenditures that are well outside the mainstream.

Modernizing our agreements is critical to the railroad industry's long-term ability to compete and provide job security. We cannot ignore external competitive pressures and carry on as if past financial performance is simply guaranteed in the future. The security and prosperity of the entire railroad community depends on our continued ability to innovate, adapt, and manage our labor costs in a responsible, measured manner. It is in our long-term interest – labor and management alike – to continue to work together toward a future of stable employment, leading pay and benefits, and safe, efficient service.

The railroads' bargaining proposals – which are based on the foregoing principles – include the following:

1. Wages and Compensation

Adjust wages and/or other compensation to achieve a fair and competitive labor cost structure that reflects the economic conditions of the railroads and (1) accounts for the history of prior wage increases that have resulted in compensation that is significantly above average for comparable positions, and (2) better corresponds to pay levels of positions of comparable skills in other industries. Align compensation elements with work actually performed, and modify any existing incentive compensation arrangements, where applicable, to better align pay with the needs and goals of railroad operations. Any wage and compensation adjustments shall be effective only upon the date of signing of a new agreement. In other words, such adjustments will not be back-dated or be calculated retroactively from the amendable date of current agreements.

2. Health and Welfare

The railroads seek to modernize the health care plans' design and administrative practices and make available resources to enable covered employees and their dependents to better engage in their own healthcare decisions. Specifically:

- Increase member cost-sharing to establish an actuarial value that reflects the mainstream health plan design.
- Introduce a tiered employee monthly contribution structure and add surcharges for working spouse enrollment and tobacco use.
- Implement a mechanism to maintain the agreed-upon actuarial value and total cost-share split in the future (i.e., annual "indexing" or elimination of fixed co-pays).
- Adopt all pharmacy management rules and programs to ensure appropriate medications are being prescribed.
- Reconfigure the medical vendor network to utilize networks with favorable provider discounts and overall cost of care.
- Offer digital health programs to improve member engagement in health care decisions, increase use of value-add programs, and to help members manage chronic health conditions.
- Establish additional direct relationships with centers of excellence to ensure members have the best care available for serious and complex conditions.
- Amend ERMA to mirror the active plan design for pharmacy benefits and to require

monthly retiree contributions.

- Require additional payments from employees to account for any delayed implementation of plan changes agreed to by other unions.

3. Work Rules

The prior two national bargaining rounds have concluded without any major changes to work rules, and some work rules have not been updated at the national bargaining table for decades. In this round, the railroads are seeking changes to rules that restrict flexibility, impede efficiency, degrade the industry's ability to compete, and no longer reflect mainstream standards.

While the railroads' proposed work rule reforms cover all crafts, the impact of those proposals may vary by craft and include the following:

- Changing various provisions that limit subcontracting flexibility in areas that are not core to our operations, do not align with the best deployment and utilization of our skilled employees, impede our ability to perform regular maintenance and repair and respond promptly to unexpected events that can create further risk to operations, and impose significant additional cost, delay and operational impact throughout our network.
- Updating provisions that restrict management discretion over the assignment of work or that continue to allow for antiquated methods of distribution of work assignments or that are inconsistent with the need to support 24/7 operations. Additional discretion in these areas would add flexibility over which crafts (as well as employees with certain qualifications within a craft) may perform work in various circumstances, when such work may be assigned and performed, the duration of time the work may be performed, and the circumstances under which work rules may be relaxed to meet customer demands. Likewise, modernizing assignment procedures – including through use of

electronic bidding – will provide benefits for both carriers and employees.

- Simplifying carrier agreements, consolidating multiple legacy railroad contracts within the same workgroup, reducing methods of payment calculation, and accelerating when certain operational changes may be implemented. By simplifying these provisions, railroads will bring these aspects of existing agreements into greater alignment with mainstream business practices and eliminate or revise outdated, unnecessary, and/or overly complex agreement language, pay systems, and notice rules.
- Eliminating or revising other work rules that inhibit efficient operations and modernizing outdated agreement terms to correspond to current standards in American transportation industries, including relaxing arbitrary geographical limits on work performed by train crews, allowing for greater flexibility to timely deploy well-trained teams to critical projects, and sunsetting excessive forms and lengths of furlough protections not enjoyed elsewhere in U.S. industries.

4. General Contract Reform

In addition to the foregoing proposals, make all necessary changes in contracts, rules and practices to improve operational efficiency and productivity, simplify and streamline existing contracts and contract language, facilitate the gradual elimination of redundant or unnecessary positions, reduce time paid but not worked, enhance safety, enable expanded use of technology, and otherwise reflect the competitive and financial needs of the industry as well as the mutual interest of the carriers and their employees in responsible, stable, enduring, and fair rules, rates of pay, and working conditions.

5. Duration and Moratoriums

Provide for agreement of sufficient duration to facilitate labor stability and predictability. Adopt moratorium similar to that contained in the last national settlement. Replace any extant moratorium in local agreements with single, consolidated moratorium.

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The carriers reserve the right to amend or modify these proposals and/or to make additional proposals to the extent permitted by law.