

BARGAINING UPDATE

The BMWED/SMART-Mechanical coalition held negotiations on Tuesday, May 24, 2016, with the National Carriers' Conference Committee (NCCC) at Norfolk Southern's corporate office in Atlanta, Georgia.

BMWED/SMART Mechanical's expert economist, Tom Roth, gave an in depth presentation regarding the "Big Four" Class 1 freight railroads' financial status. In summary, the demand for coal has been reduced on account of a glut of cheaper natural gas derived by fracking, coupled with a lessening of world demands for coal, particularly from China. Consequently, Burlington Northern Santa Fe, CSX, Norfolk Southern and Union Pacific have experienced decreased volumes of coal shipped by rail. However, the railroads have been able to adapt their business model by fulfilling other shipping demands to moderate their losses in coal volume. He also observed that while 2015 revenue was a little off from the peak year of 2014, the railroads were still doing comparatively well and have been enjoying a historically prosperous run for over a decade. The concluding remark of economist Roth was that the current financial and economic environments for the "Big Four" railroads are better than the last two rounds of national negotiations, even though 2016 will continue to see some structural readjustments in railroad operations.

The NCCC had no immediate comments regarding the presentation but did note that they desired to analyze the information and requested the sources of Roth's presentation. They further noted that they would provide a presentation regarding their position on the freight railroads' financial status at an unspecified future date.

Further negotiations are scheduled for the end of July 2016 as well as during September 2016. Although negotiations are proceeding slowly, we believe that the BMWED/SMART Mechanical initiatives on healthcare will assist the parties in reaching a voluntary agreement. For example, the TCU led bargaining coalition has joined us in the healthcare initiative and we are optimistic that the BLET led coalition will soon join as well.

