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October 31, 2015

NA-BMWED-2012
AG-BMWE-2

Messrs. S. J. Alexander, General Chairman - BMWED
D. E. Bogart Jr., General Chairman - BMWED (D&H)
J. E. David, General Chairman - BMWED
J. Dodd, General Chairman - BMWED
E. W. Long III, General Chairman - BMWED

Gentlemen:

This is in reference to previous discussions and prior correspondence, including BMWED's joint letter dated August 4, 2015, and the Carrier's letter dated August 26, 2015, concerning the computation of the Meal Allowances and Travel Allowance, in applying the CPI-W beginning January 1, 2015, and thereafter, pursuant to Article I of the February 27, 2012 Memorandum of Agreement. Although the parties are in accord with the application of the February 27, 2012 Memorandum of Agreement in computing these allowance amounts that took effect on January 1, 2015, our discussions identified differing views with respect to the proper computation of subsequent semi-annual adjustments as provided for in the language of Article I. Accordingly, the parties have determined it necessary to clarify the pertinent Article I language to dispose of any potential ambiguity in subsequent adjustments of the involved allowances.

Article I of the February 27, 2012 Memorandum of Agreement set forth precise allowance amounts that became effective July 1, 2012. Article I further provided for subsequent adjustment of the involved allowances by stating the following:

> ...shall be further adjusted beginning January 1, 2015, by the percentage increase in the CPI-W (1967=100) in the previous 12 month period. Subsequent adjustments will take place semi-annually beginning on July 1, 2015 and continuing thereafter until changed by agreement.

The above language is clear and unambiguous with respect to the requirement for any adjustment due to take place on each January 1 and July 1, starting in 2015 and continuing. The language is also clear and unambiguous that the initial adjustment that occurred effective on January 1, 2015, was to be based on an increase in CPI-W over a twelve month period. However, the Article I language does not state with similar precision what specific months constitute the measurement periods or how the computation of the allowances is affected when the CPI-W decreases. Our discussions identified differing arguable interpretations. In the interest of constructively resolving those differences consistent with the practical realities and the spirit inherent in the decision to provide for automatic adjustment of the allowances, this will confirm our understanding that the proper application of Article I for the semi-annual adjustments is as described below.

Measurement Period

The CPI-W is published on a monthly basis and the figure for a preceding month becomes available during the latter half of the following month. In the practical realities of the Payroll system, the figures for the involved months must be obtained, the comparison performed, and then any adjustment due on January 1 or July 1 inputted into the system prior to the effective date. Accordingly, in performing the computation that required use of a 12 month period for the adjustment due on January 1, 2015, the CPI-W data available at the end of November 2014, which included through October 2014, as well as the previous 12 months, was used for the comparison.

The CPI-W for October 2014 was 233.229. This, when compared to the October 2013 value of 229.735, resulted in the 1.5% increase in CPI-W for these 12 months, on which the January 1, 2015 adjustments (for example, $28.00 raised to $28.42) were calculated. (Note that had the CPI-W comparison been from November 2014 to November 2013 the increase would have only been 1.0%, or using the December 2014 to December 2013 comparison the increase would have been even less – only 0.3%). Given that the initial 12 previous months for the January 1, 2015 adjustment were from end of October 2013 through October 2014, the first of the subsequent six month periods for semi-annual adjustment is from end of October 2014 through April 2015 to be effective July 1, 2015. In like manner, continuing the subsequent semi-annual adjustments would result in comparing the index through October for the following January 1 adjustment and then through April for the following July 1 adjustment. Confirming this continued use of October and April as the ends of the measurement periods (as opposed for example to December and June) keeps the semi-annual adjustments consistent with the end of the initial 12 month period used and also provides opportunity to perform the calculation, announce it, and accomplish the necessary correction in the Payroll system in order that the adjusted amounts are in use beginning on the January 1 or July 1 effective dates.

Calculation of Allowance Amount

The parties have concurred that the manner in which the adjustments were made to the involved allowances effective January 1, 2015 was correct. As noted above, the rise in the CPI-W to 233.229 for October 2014 resulted in the 1.5% raise in the monetary amounts of the respective allowances. Over the next six months the CPI-W fell and was at 231.52 at end of April 2015. Accordingly, this will confirm our understanding that in the proper application of Article I, during any subsequent semi-annual adjustment to be effective on January 1 or July 1, the monetary amount of the involved allowances will:

1) Not be reduced regardless of the amount of decrease in the CPI-W;

2) Be raised upon the CPI-W for the applicable April or October being higher than the CPI-W amount was at the end of the last measurement period for which the comparison resulted in a raise in the amount of the monetary allowance. Given that the last raise in the monetary allowances resulted from the CPI-W of 233.229 at the end of the applicable measurement period, the CPI-W must be above 233.229, for a subsequent April or October, in order to result in a raise in the monetary amount of the allowances (wherein such raise in the allowances would be effective the corresponding July 1 or January 1). The amount of the next monetary increase would be based on the difference between the new higher CPI-W figure and 233.229. Similarly, for any subsequent semi-annual adjustment to result in an additional raise to the monetary amount of the allowances, the CPI-W for the respective April or October must exceed

> the new CPI-W figure that resulted in the preceding raise applied to the involved allowances. In effect, when the CPI-W trends downward for one or more measurement periods, as for the first six months following the measurement period that resulted in the January 1, 2015 raise in the allowance amounts, the CPI-W must rise above the subsequent losses before it can result in a further raise in the monetary allowances through the semi-annual adjustment process.

This clarification is the full and final resolution regarding the proper computation of any change to the monetary amount of the involved allowances as contemplated by the semi-annual adjustments provided by Article I of the February 27, 2012 Memorandum of Agreement.

Please indicate your concurrence by signing below.

Very truly yours,

D. L. Kerby

I CONCUR:

S. J. Alexander, General Chairman - BMWED

D. E. Bogart Jr., General Chairman - BMWED (D&H)

J. E. David, General Chairman - BMWED

J. Dodd, General Chairman - BMWED

E. W. Long III, General Chairman - BMWED