WRITTEN STATEMENT OF
EDWARD WYTKIND, PRESIDENT
TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS

May 14, 2008

On behalf of the 32 member unions of the Transportation Trades Department, AFL-CIO (TTD), and specifically the 10 unions that make up our Rail Labor Division, thank you for inviting me to testify on Amtrak Reauthorization.

The debate over Amtrak and the question of how to achieve a first-class national passenger rail system is not occurring in a vacuum. As this Committee is well aware, the list of recent significant infrastructure failures is long and shameful. A collapsed bridge in Minneapolis, failed levies in New Orleans, a steam pipe explosion under a New York City street – all drive home the point that we need to change fundamentally the way we look at basic infrastructure needs. The American Society of Civil Engineers conservatively estimates that we will need to invest an additional $1.6 trillion in infrastructure over the next five years, or $320 billion annually, just to bring our current system into good condition. I could spend the remainder of this statement chronicling the needs in all modes of transport – but this Committee knows and understands that we are massively under-investing in transportation operations and infrastructure. Our historic failure to invest in Amtrak is thus indicative of a broader, systemic problem.

Amtrak has never been more vital to our nation nor more in need of a robust, long-term funding plan. Passenger rail helps ease highway and airport congestion, and is critical to the success of our multi-modal transportation system. Performance, ridership and revenue are all rising. Employee productivity at Amtrak increased dramatically in recent years. Ridership reached a record high of 25.8 million passengers in 2007, according to Amtrak President and CEO Alex Kummant. For the first time in almost a decade we have new and up-to-date collective bargaining agreements in place. Congress must ensure that the costs of these contracts are fully funded and that the carrier can move forward with the capital improvements and expansion plans that we all know are urgently needed.

According to the American Association of State Highway and Transportation Officials (AASHTO), the U.S. must invest $60 billion in passenger rail by 2028 to address critical rail corridor infrastructure repairs and improvements. Amtrak has a $4 billion investment backlog. Our lack of rail capacity causes chokepoints and delays, a problem exacerbated by the fact that passenger and freight rail carriers share track throughout most of the country.

Transportation Trades Department, AFL-CIO
888 16th Street, NW • Suite 650 • Washington, DC 20006 • tel: 202.628.9262 • fax: 202.628.0391 • www.ttd.org
Edward Wytkind, President • Patricia Friend, Secretary-Treasurer

Around the world, leaders understand that a strong economy depends on an efficient transportation system that includes passenger rail. China plans to build over 1,500 miles of track in the next 12 years. Spain is building a national high speed rail network. Japan has over 1,200 miles of high speed passenger rail, with plans to build almost 200 miles more by 2020. France spends 20 times more per capita on rail than we do and has the best bullet train in Europe or the Americas.

The time has come for the U.S. to invest in passenger rail as well and reject calls by some to de-fund or privatize Amtrak. We can no longer tolerate the false promises and incendiary rhetoric of those who would destroy Amtrak with "shutdown budgets." We must reject the White House's irresponsible budgets that would drive the railroad out of business. We should stop under-funding passenger rail and then expect the carrier and its employees to do the impossible in terms of service and reliability.

I commend members of the Committee for introducing the Passenger Rail Investment Act (H.R. 6003) and RIDE-21 (H.R. 6004). While we have major concerns with some aspects of H.R. 6003, it is indeed significant that these bills would finally provide Amtrak and passenger rail in general with significant new investments that will allow Amtrak to fulfill its unmet promise and potential.

H.R. 6003 will provide over $14 billion during the next five years – including $3 billion in operational assistance for Amtrak, $6.7 billion in capital expenditures for passenger rail and over $1 billion to bring Amtrak into compliance with ADA rules. The bill also provides $1.7 billion for Amtrak to pay interest and principal from its mounting debt – obligations that Amtrak incurred due to chronic under-funding. This step will allow more flexibility for Amtrak to take advantage of financial markets and to plan for future capital-intensive projects. The bill also includes badly needed management and financial reforms to ensure the company's managers are running the railroad in an efficient manner.

Employee Costs

Let me also urge the Committee to ensure that the funding levels in this bill are adequate to fund the collective bargaining agreements recently agreed to by Amtrak and its unions, and to account for reasonable increases over the life of this reauthorization bill. Amtrak and its managers must be clear and specific with the Committee and others in Congress about what financing it will need to meet its labor obligations. As this Committee is aware, Amtrak workers went over eight years without updated contracts. During this time, workers and their unions had to endure stonewalling by the company and claims that it did not have the resources to provide its employees with the rates earned at freight railroads. Fortunately, the Presidential Emergency Board appointed by President Bush to hear this dispute rejected this argument and recommended terms that formed the basis for fair contracts.

For the railroad to succeed, it must retain good employees by offering competitive pay. It has to be understood that paying Amtrak workers a fair and reasonable wage constitutes a basic cost of business, akin to maintaining tracks or paying fuel costs. Amtrak must retain good employees and offer pay that will make Amtrak an attractive place to work for experienced railroad workers. Amtrak must accept this reality and budget its resources and requests to Congress accordingly.

On this point, let me specifically mention that as part of the new collective bargaining agreements, Amtrak employees were granted "back-pay" for the eight years they went without a general wage increase. Forty percent of that back-pay is due in 2008 and 60 percent is due in 2009. According to Amtrak, the company will need an additional $114 million to make the payments due in 2009. If Amtrak fails to make the payments, Amtrak workers will have their right to strike restored. Given the uncertain FY 2009 appropriations cycle, we are urging Congress to include this funding in a supplemental appropriations vehicle.

Privatization Initiatives

As I stated earlier, there are approaches included in H.R. 6003 that we oppose, and in particular we are concerned with provisions that appear to put passenger rail on a path to privatization. Let me say first that TTD has always recognized that the private sector does and can play an important role in both the financing and operation of our transportation system. Private sector airlines, bus companies and highway construction firms, to name a few, provide vital services and provide hundreds of thousands of our members with good-paying, high-quality jobs.

But at the same time, we know that some segments of the transportation network are better left to the public sector. This may be because of unique safety and security concerns, or because some transportation services must be universally provided but lack a for-profit market. We have always maintained, and history bears this out, that intercity passenger rail belongs in the public sector. To achieve high quality passenger rail significant ongoing investment must be made in rolling stock, signaling equipment, stations and tracks. These comprehensive and complex investments require organizations that are either operated by government or subsidized and tightly regulated.

As chronicled in a 2003 study conducted by the Economic Policy Institute (EPI), privatization of passenger rail is hardly the answer. We need only look at Great Britain's failed experiment to see what can happen when we allow a public service to be taken over by private interests. In the 1990's, British Rail, motivated by the zeal for broad privatization of various public services, was transformed from a publicly run service into a "competitive" railroad market. The story of British Rail underscores the threats of ideologically driven policy experiments such as rail privatization. British passengers were saddled with increased fares, shoddy maintenance practices and dangerous cost cutting, including excessive job reductions. This resulted in higher accident rates, deteriorated service and coordination problems within a maze of poorly managed providers. As a result, the British people were left with an operational meltdown of unprecedented proportions.

By 1999, with problems mounting, the government began to undo the privatization experiment. As pointed out by EPI, Britain will have a system that looks a lot like Amtrak in the end – but better funded. In fact, according to EPI, the conservative Shadow Secretary of State for Transport pledged to voters that if the Torries are returned to power, they will never attempt to re-privatize the rail system.

Amtrak was created out of the 1970 bankruptcy of the Penn Central Railroad – at that time the largest corporate failure in history. Congress established two separate corporations out of the Penn Central collapse – Conrail to take over freight service and Amtrak to provide intercity national passenger rail service in recognition that railroads all over the country were losing money on passenger rail. It would be a mistake to assume that today private operators will, like some wizard's wand, magically create new and better efficiencies in this capital-intensive industry.

Specifically, we are opposed to Section 502 of the bill, which would require the Department of Transportation to issue a Request for Proposals (RFP) for a high speed route between Washington, D.C. and New York City. Obviously Amtrak already operates several routes on this corridor, including its highly successful Acela service. While this service can and should be improved and expanded, we do not understand how the public will benefit by allowing a private operator to take over one of the most successful routes and prized assets in Amtrak's system.

Section 502(a)(2) states that an entity responding to the RFP must include in the application certain information about its proposed high speed rail service. We would note, however, that it is unclear if this information just needs to be in the application or if these are specific requirements of the service. It is also unclear how and if the winning bidder will be held accountable for the promises and commitments made in the application. This would not be the first time that a private company, seeking to win a government contract, over promised but eventually under-delivered.

Section 502(a)(2)(E) requires applicants to include in the application "the type of equipment to be used, including any technologies for … achieving less than 2-hour express service…" We are extremely concerned that the provision is silent on what will happen if this promise is unfilled – what happens, for example, if a bidding foreign or domestic corporation promises our government it will achieve the two-hour objective in, say, a few years and then falls an hour short of its promise. Moreover, the term "express service" calls into question if stops would be curtailed or abandoned altogether to achieve the two-hour time frame envisioned in this bill.

Under Section 502(a)(C) applicants must explain how they will comply with applicable federal rail safety regulations. This is a goal we support, but what is DOT prepared to do if violations surface and the service becomes questionable? What happens if the winning bidder becomes financially insolvent? We would submit that any of these occurrences are plausible, leaving the public and its almost 40-year investment in Amtrak at risk.

In short, there are no guarantees that the implementation of the proposal will balance the need for profitability for investors with service to communities of all sizes and congestion relief. We face the danger of allowing corporate investors to create a boutique service that caters only to the well-heeled rather than offering rail service at a variety of price points, including those attractive to middle and working class travelers.

I understand the intent of 502 is not to allow the RFP process to be completed until Congress specifically acts. Given the inherent questions and problems associated with this proposal, this safeguard is absolutely essential. But we think this point needs to be clarified in the text of the legislation. Under the long distance Intercity Passenger Rail Service Performance provision (Section 222), there is a specific caveat that "the Secretary shall not implement the selection process … until legislation has been enacted authorizing the Secretary to take such action." I urge the Committee to insert identical language for the RFP process established in Section 502 to ensure that Congress has the final say on whether privatization of high speed rail should move forward.

I should also note that the privatization provisions in this bill are not limited to the Northeast Corridor. Section 502(a)(1)(B) allows RFPs for other high speed rail operations "on any other corridor in the United States" once the report to Congress on the Washington, D.C. to New York City line is completed. Section 222 requires a process to consider other providers of rail service to serve so-called underperforming routes. Again, private operators, by definition, are driven to make a profit and not to serve the broader public interest and provide service on a universal basis. These provisions should sound the alarm bell to those smaller markets across the country whose service could be abandoned or curtailed by private operators that consider profit, not service, the core of their business model.

Applying Applicable Rail Laws

We understand this bill anticipates that entities other than Amtrak will increasingly operate passenger rail and possibly manage and own infrastructure. Putting aside the wisdom of this approach, it must be assured that any provider of rail service is covered as a rail carrier for all applicable rail and labor laws. This includes the Railway Labor Act, the Railroad Retirement Act, the Railroad Unemployment Insurance Act and the nation's federal rail safety laws, to name a few, that Amtrak operates under. We have already seen attempts to turn over passenger rail service to private entities while allowing these entities to avoid operating as rail carriers under the law, thus circumventing, for example, their obligations to participate in the railroad retirement system. It makes no sense to allow private or state operators to provide service but to hold them to different standards than Amtrak operates under today. We also must ensure that the interests of workers are protected if service is transferred to entities other than Amtrak.

Board of Director Reform

Ensuring that Amtrak's Board of Directors consists of knowledgeable, experienced individuals committed to a national passenger rail system is critical to the carrier's ability to succeed. In the recent past we have seen certain Board members driven more by ideology and partisan politics than by providing management oversight as fiduciaries. One recent member of the Amtrak Board was quoted during his confirmation hearing saying that he had never ridden a passenger train.

While the current Board has apparently and fortunately broken from this path, we must ensure that future Board members always put Amtrak's core mission first. We must find individuals who are not afraid to tell the President who appointed them that unrealistic funding levels should be rejected or that privatization schemes are not the answer. It is also critical that Amtrak's frontline workers be well-represented on the Board. Every CEO of this company, including Alex Kummant, has talked about how critical Amtrak workers are to the future of the carrier. We agree, and would call on the Committee to ensure that at least one spot on the Board is dedicated to a representative of Amtrak's employees.

Inspector General Reform

This bill addresses some of the concerns we have raised about the Office of the Inspector General (IG). Today, the IG functions as an extension of Amtrak management. By making separate authorizations, the Committee is providing the IG's office with more autonomy. We cannot allow

Amtrak to undermine the ability of Congress and the traveling public to receive independent assessment of the carrier's safety record, finances and operations. TTD has long held the belief that the IG's office should be separated from the company. Transportation labor looks forward to this change and we are hopeful that it improves IG independence.

Outsourcing

Over the years, Amtrak's Board of Directors has continually attempted to break up the carrier and outsource as many jobs as possible with little regard for the service, safety and security implications of its proposals. We hope this new bill will signal an end to these ideological ploys.

In the past, Amtrak has attempted to outsource services, such as maintenance and canteen workers, to companies without rail sector knowledge or experience. These decisions ignore the safety and security responsibilities of Amtrak's well trained employees. Amtrak workers have significant training in security issues, emergency preparedness and evacuation procedures, as well as technical engine maintenance issues. Such experience is lost when the railroad turns to companies without rail experience who hire untrained workers at low wages. Before resorting to contracting out, Amtrak management should include workers and unions in the effort to provide efficient and reliable services to passengers. Together we can continue to improve performance while preserving passenger safety and working in the best interest of the railroad, its passengers and the railroad's employees.

Conclusion

Under the leadership of Chairman Oberstar, H.R. 6003 marks a radical departure from the past. After years of shutdown budgets, it provides the funding so desperately needed not only to improve Amtrak but also to make it the 21st century passenger railroad this nation desperately needs. We ask the Committee and the Congress to embrace this new blueprint for Amtrak service across the nation. However, we urge the Committee to reject ill-advised privatization proposals that could undermine Amtrak service, threaten safety and harm Amtrak's employees.

Providing long-term financing for Amtrak strengthens our economy, reduces traffic congestion and creates good jobs. I look forward to working with you to strengthen Amtrak and passenger rail throughout America.

Thank you for providing us the opportunity to share our views with the Committee.