



A bold voice for transportation workers

**WRITTEN STATEMENT OF
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**HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
RAILROADS, PIPELINES AND
HAZARDOUS MATERIALS SUBCOMMITTEE
ON
FINDING WAYS TO ENCOURAGE AND INCREASE
PRIVATE SECTOR PARTICIPATION IN PASSENGER RAIL SERVICE**

March 11, 2011

I am pleased to testify on behalf of the 32 member unions of the Transportation Trades Department, AFL-CIO (TTD). I want to thank Subcommittee Chairman Bill Shuster and Ranking Member Corrine Brown for inviting me to testify on the future of the critically important passenger rail sector.

The Transportation Trades Department, AFL-CIO (TTD) represents 32 unions whose members work in the aviation, rail, transit, highway, trucking, longshore, maritime and related industries. For more than 20 years, TTD has advocated for robust federal investment in transportation systems and infrastructure that creates jobs, spurs economic growth and allows passengers and freight to move more safely and efficiently.

Let me say at the outset that I appreciate the Committee's desire to hear from the labor movement on this important transportation policy issue. We have always enjoyed a strong working relationship with members of this Committee on both sides of the aisle and look forward to continuing that relationship as you tackle the nation's most pressing transportation challenges surrounding the mobility of Americans and the safe and efficient movement of goods.

Recently, the TTD Executive Committee met to develop and adopt major policy priorities for 2011. Among the actions taken by the leadership of our member unions was the adoption of a clear policy making the case for Amtrak as the centerpiece of high speed rail in America. That statement, adopted March 3 by our Executive Committee, is attached to my testimony.

Let me start with the views expressed in that statement.

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Amtrak and its employees have a positive story to tell – a story that cannot be ignored as this Committee considers various proposals to advance passenger rail, including measures designed to boost private sector participation. Amtrak ridership is on the rise with growth reported in each of the last 16 months. Annual ridership records were set in seven of the last eight fiscal years. On the Northeast Corridor (NEC), Amtrak is operationally in the black as NEC performance metrics continue to improve. And now that the company has stable senior management with a long-term vision and a Board committed to Amtrak’s growth and expansion, the future of the company is promising – that is, if Congress gives Amtrak and its workforce the chance to succeed.

Amtrak has recently offered a vision for growth and improved efficiency, including plans to build the Gateway passenger rail tunnel under the Hudson River and a broad proposal to upgrade and transform the NEC into one of the premier rail corridors in the world. Amtrak is also poised to upgrade its aging rolling stock, and has plans to spend \$11 billion over the next 14 years on this effort.¹ Overall, Amtrak is positioning itself as a provider of higher speed rail service in corridors and regions across the country.

I would submit that those who seek to slash Amtrak’s budget or privatize services – and in essence set the company up to fail – ignore the fact that the rail carrier and its skilled employees are performing better than at any time in its history. And now it is up to Congress, together with the Obama Administration, to foster – and not derail – the continued transformation of Amtrak as demand for passenger rail service is on the rise.

Amtrak funding is also more stable today than it was just a couple of years ago. In part, that is due to the work of this Committee in passing the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) which marked a significant turn in the history of Amtrak and passenger rail. We have a President who has made it a priority to build and expand the nation’s passenger rail capacity. In fact, unlike previous Administrations, the President’s recent budget calls for billions in new funding for Amtrak and high speed rail as part of President Obama’s longer-term vision. As unveiled last Labor Day, the President plans to make this the generation that rebuilds, expands and modernizes our multi-modal transportation system and infrastructure.

These unprecedented efforts to address our mobility needs are critical for our country, which according to the U.S. Census Bureau is projected to grow by 80 million people in the next 25 years, a statistic that makes our passenger transportation challenges that more daunting. Together, the President’s commitments and the foundation established by PRIIA will ensure that millions of Americans will have access to better quality, higher-speed passenger rail in the years ahead. To keep the momentum going forward, it is critical for Congress to fully fund Amtrak consistent with the PRIIA authorization levels.

Let me offer some observations about the private sector’s role in our transportation system. Obviously the private sector, together with the public sector, plays an enormous role in building, maintaining and operating the nation’s passenger and freight transportation system. The private

¹ The entire fleet plan replacement plan extends through 2040 with a total cost of \$23 billion.

sector also plays a major role – one that we are working hard to enhance and increase – in manufacturing the goods and equipment needed to operate, maintain and build our transportation network. Without a strong, well capitalized private sector in our transportation industry, America will not remain the world’s strongest economy.

But we must also remember that some aspects of our transportation system are not viable candidates for wholesale privatization. And I would submit that Amtrak and intercity passenger rail in general are best left as a public provider of an important and expanding transportation service. Is Amtrak perfect? No. But it is delivering on its central mission of providing a national and interconnected network of passenger rail that is safe, efficient and accessible to our growing population.

Those who believe that privatization may be a panacea are ignoring the fact that under this model, service would only be provided where it is profitable to do so for private investors and shareholders. This would abandon major regions of the country and leave passengers who need the service – or perhaps live in areas that lack legitimate alternatives – to fend for themselves. None of the world’s finest passenger rail systems operate under this type of model. The fact is that their governments are spending hundreds of billions of dollars in capital and are providing subsidies necessary to advance their respective passenger and freight transportation needs. The idea that these systems around the world are profitable and operate independent of government assistance is not supported by the facts.²

In the 1990s, British Rail privatized its passenger service as part of a broad based public service outsourcing effort. This endeavor did not increase efficiency but instead unleashed a torrent of problems. Fares jumped, severe layoffs were implemented, and maintenance and safety suffered. In fact while the quality of service deteriorated, accident rates increased. Tragically, these changes came to a head with the Stafford rail crash in 1996. In all, 31 passengers died in this accident which was linked to the problems stemming from privatization. In 1999, after less than a decade of private performance, British passenger rail reverted to a system that is not dissimilar to Amtrak today.³ But these difficulties with private rail operations are not confined to the United Kingdom. Robert Scardelletti, International President of the Transportation Communications International Union/IAM, in his testimony before the Transportation and Infrastructure Committee on January 27, 2011, provided examples revealing that private operators often have difficulty delivering the service they were contracted to provide.

² A study conducted in 2008 by the Amtrak Office of Inspector General in conjunction with BSL Management Consultants responded to claims made by media outlets and in Congressional hearings regarding European passenger train operation profitability. The study found that: 1) European passenger train operations often receive public funding that does not appear on their balance sheets; 2) Although some European companies report a profit, this profit is generated through a large amount of public funding; 3) The average subsidy provided to European train operations is well above the subsidy level provided to Amtrak; and 4) When the relative network sizes are taken into consideration, annual subsidies for European operations are much higher than for comparable Amtrak services. The study is available at: <http://www.amtrakoig.gov/sites/default/files/reports/E-08-02-042208.pdf>.

³ For a deeper look into the U.K.’s privatization failures see Elliott D. Sclar, “Amtrak privatization—The route to failure,” Economic Policy Institute, 2003.

As members of the Committee probably know, Amtrak's existence can be traced to the formerly private sector passenger rail services run by the freight carriers. But throughout the 1960s, private passenger rail service providers were losing large sums of money and racing toward bankruptcy. The train service these money-losing operations provided was badly deteriorating as equipment was run down, schedules became erratic and unreliable, and as the overall quality of train travel was on a downward spiral. By 1969, these problems led to the merger of the Pennsylvania Railroad, the New York Central Railroad and the New York, New Haven and Hartford Railroad. Despite the merger, the newly created Penn Central Railroad collapsed financially shortly afterward in June 1970 resulting in the largest bankruptcy in U.S. history at that time. Amtrak was then created in 1971 by the U.S. Congress and the Nixon Administration.

In the last 40 years, Amtrak has too often been forced to limp along from one budget crisis to the next. Amtrak has faced chronic under-funding, repeated attempts to break it up, and lacked a long-term commitment that has made it impossible to run the railroad the way it should run. The fact is that no public or private infrastructure operation can succeed if it is always capital-starved and uncertain about the next year's budget. In a capital intensive business like passenger rail, it is impossible to realize the vision of higher speed passenger rail corridors in various parts of the country without a steady and reliable stream of federal support.

Let me also state that if entities other than Amtrak are going to provide passenger service at any level, it must be ensured that the labor protections and statutes that currently apply to Amtrak, apply to these entities as well. Specifically, rail statutes including the Railway Labor Act, the Railroad Retirement Act and the Railroad Unemployment Insurance Act should apply to rail workers. It would make no sense to allow private sector competition but then create an artificial cost advantage over Amtrak based on coverage of federal statutes. In addition, Davis-Bacon prevailing-wage laws should apply to all construction work funded with federal dollars.

Investing and supporting passenger rail can also support our domestic transportation manufacturing sector and create good jobs here in America. Thanks to the Obama Administration's stringent application of Buy America domestic production requirements, which are governed by the Federal Railroad Administration (FRA), federal intercity passenger rail and high-speed rail funding require domestically manufactured rail equipment. FRA mandates not only that taxpayer funds be used only for U.S. manufactured goods and equipment, but also domestic concrete, iron and steel. I submit to this Committee that it is good economic policy to insist that if our country is going to invest billions in our transportation system and infrastructure, those investments must be used to boost and create good middle-class domestic manufacturing jobs. Because high-speed rail development is just beginning, strict adherence to domestic content requirements will afford investors and manufacturers the opportunity to develop their operations early, make the necessary investments to participate in the marketplace and capitalize on passenger rail's long-term promise. In the long-run, reliable and sustainable federal investment will boost private sector industry participation and job growth along the entire supply chain.

It is our sincere hope that the Committee will join us in advocating for Amtrak's transformation which is a success story in the making. Too often in Washington, time is wasted creating new federal programs rather than perfecting the ones we already have. Amtrak is one of those programs. It is not a "Soviet-style" railroad, although I would add that in recent years, Russia has spent more than three times the amount the U.S. has on rail as a percentage of its economy.⁴ Throughout its history, Amtrak has been forced to "run a business," so to speak, with inadequate capital. This Committee has a long history of making sure our transportation system has the capital and operating investments it needs to support the world's greatest economy. It is time to stop making Amtrak and its workforce perform miracles on shoestring budgets. The rest of the world seems to understand that when it comes to transportation systems and infrastructure, you can't cut your way to prosperity.

I look forward to working with the Committee to advance passenger rail policies that embrace a robust role for both the public and private sector. Without a federal vision that has at its core sustainable federal funding and a stable Amtrak operation, the goal of boosting private sector participation – including a renaissance in domestic transportation manufacturing – will not be realized.

Thank you for allowing us the opportunity to testify.

⁴ Michael Renner and Gary Gardner. "Global Competitiveness in the Rail and Transit Industry," 2010 Worldwatch Institute, Washington, DC, www.worldwatch.org/system/files/GlobalCompetitiveness-Rail.pdf, site accessed March 9, 2011.



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AMTRAK'S ROLE AS THE NATION'S HIGH SPEED PASSENGER RAILROAD

Amtrak plays an essential role in our national transportation network. The time to invest in the railroad's operating and capital needs, support its skilled and dedicated employees, and ensure that our national passenger rail carrier plays a central role in delivering on the promise of high-speed rail is now. We are heartened by President Obama's unprecedented and personal commitment to passenger rail and the vision he has advanced that recognizes the need to finally give chronically underfunded Amtrak the resources it needs to succeed.

We support the President's call in his budget for the infusion of billions more in support of Amtrak's capital and operating expenses as part of his plan to expand investments in a high-speed rail and in the process boost U.S. manufacturing jobs by rigidly enforcing Buy America rules. We also urge the President and Congress to restore the funds cut from Amtrak in 2010, which amounted to a reduction of \$275 million below authorized levels. And in 2012 we will work to fully fund Amtrak which is authorized to receive almost \$2.2 billion.

Sadly, rather than investing in our future, many in Washington want to drive Amtrak out of business by cutting its budget, privatizing its service and impugning its quality. Although critics would never admit it, Amtrak provides high quality service that is vital to many regions of the country. In fact, this is a new era for Amtrak with on-going performance improvements and increasing popularity among riders.

Amtrak ridership has grown for each of the last 15 months and has set annual ridership records in seven of the last eight fiscal years. On the Northeast Corridor (NEC), Amtrak is operationally in the black as the performance metrics on that part of its network continue to improve. Now that the company enjoys stable management with a vision to grow the railroad, Amtrak is instituting a rapid culture change, yielding positive results for passengers and employees alike. Amtrak's financial standing is improved and its debt load is significantly lower than in years past. In just the last few months, Amtrak offered several new visions for growth and improved efficiency, including plans to build the Gateway passenger rail tunnel under the Hudson River and a proposal to upgrade and transform the capabilities of the NEC. Those who seek to slash Amtrak's budget or privatize services ignore the fact that the railroad is performing better than at any time in its history.

Amtrak privatization is ill-conceived and ignores the lessons of history. When British Rail went private in the early 1990s, fares jumped, draconian layoffs were implemented and maintenance suffered. Service deteriorated rapidly while accidents increased. The story of British rail privatization reached a tragic climax with the 1996 Stafford rail crash, which killed 31 passengers and was linked to the failures of privatization. In 1999, the British government finally gave up on its failed privatization efforts and created a national passenger rail system that looks very much like Amtrak.

Congress created Amtrak after the Penn Central Railroad went bankrupt in 1970. It recognized the importance of passenger rail and the near impossibility of operating this capital intensive system without federal support. We reject the notion that private interests should now be able to take over passenger rail service with track improvements, station assets and rolling stock that exists thanks to decades of federal investments. And those who push for privatization ignore the fact that service would only be provided where it is profitable for private investors and shareholders. To hold passenger rail to that standard would limit service to a few choice routes and abandon riders in the rest of the country. None of the world's finest passenger rail systems are run under such a model. Their governments invest billions in capital and offer subsidies necessary to ensure the highest quality service.

Americans clearly want more transportation choices and a strong passenger rail network with Amtrak at its core is central to that effort. Old and tired ideas that say only the private sector can provide this service must be rejected. Instead, we call on Congress and the President to support and fully fund Amtrak and make this company and its workforce the centerpiece of high-speed rail in America.

Policy Statement No. W11-03
Adopted March 3, 2011