



A bold voice for transportation workers

**WRITTEN STATEMENT OF
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**HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
ON
OPENING THE NORTHEAST CORRIDOR TO PRIVATE COMPETITION
FOR DEVELOPMENT OF HIGH-SPEED RAIL**

May 26, 2011

Chairman Mica and Ranking Member Rahall, thank you for the opportunity to testify on behalf of the 32 member unions of the Transportation Trades Department, AFL-CIO (TTD). TTD represents several million men and women who work throughout America's transportation sector, including those who operate, maintain and build our nation's railroads.

Everybody agrees that America desperately needs new investment in its transportation system and infrastructure. In 2009, a report from the National Surface Transportation Infrastructure Financing Commission concluded that our country must invest \$172 billion each year simply to maintain its existing transportation infrastructure. The costs to invest in new transport systems like modern transit and high-speed rail will require a major boost in investment. Throughout its more than 20 year history, TTD has engaged policy leaders on the need to improve and expand our transportation system as a proven way to create good jobs, weather economic downturns and ensure long-term economic growth and productivity. I might add that on these points and others the major business lobby groups, such as the U.S. Chamber of Commerce, concur with many of our views.

As members of this committee know, TTD is one of Amtrak's biggest supporters. After all, our affiliated unions proudly represent the majority of the 19,000 people who work for the railroad. But our support for Amtrak is based on more than just the fact that it is a major employer of highly skilled employees. Amtrak is an essential component of a multi-modal, inter-connected transportation system that our country desperately needs. Amtrak is a leader in developing next-generation high-speed rail with a strong record of ridership growth, partnerships with states, high quality commuter operations and innovative planning. And Amtrak manages one of the world's finest and most complex transportation corridors in the world: the Northeast Corridor (NEC).

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Most in this room today will agree that America needs high-speed rail because it is essential to our national economic future and, with a plan for better and more efficient connectivity with other modes of transport such as transit and aviation, it could revolutionize our transportation system. So the question to consider in this hearing is not whether we want high-speed rail, but rather how we want high-speed rail to be implemented. And that discussion should begin with a review of the state of Amtrak.

As someone who has worked on passenger rail issues throughout my two decade career, it is frustrating to hear some of the criticism directed at the railroad's leadership. As this committee knows I have had my differences with past Amtrak management and with previous Amtrak boards. But as someone who cares deeply about Amtrak's future, I am impressed by the current leadership's relentless focus on creating one of the world's great passenger railroads and making true high-speed rail service a reality. Many of Amtrak's critics are not paying attention. They rely on old perceptions of a struggling, visionless carrier. Those views are simply outdated.

First, Amtrak service has never been more popular, efficient and cost-effective. In fiscal year 2010, more than 28.7 million people took Amtrak and 2.7 million passengers rode just last month, which is a 10 percent increase over the previous April. Overall, Amtrak ridership rose every month for the last year and a half and set annual records for seven of the last eight fiscal years. The NEC is part of this success story. Over one-third of Amtrak's passengers in fiscal year 2010 rode on the NEC and in fiscal year 2011 thus far ridership on the NEC is up almost five percent.

Second, Amtrak has set forth a strategic vision to dramatically expand passenger rail and to specially develop enhanced high speed rail service on the NEC. And let me be clear: Amtrak's plan embraces private sector participation. Just last month, it issued a request for proposals that will develop private sector partnerships and stimulate private investment.

Amtrak's Next-Gen High-Speed Rail plan would develop a 220 m.p.h. high-speed rail system connecting Washington, D.C. to Boston. This new system will require new engineering and dedicated tracks that meet new design guidelines allowing high-speed service to operate safely. The Next-Gen plan will be a major boost to the economy and our transportation system. It will support 44,000 jobs a year during construction with over 120,000 permanent jobs after it is completed. Amtrak's careful original estimates projected a \$900 million surplus annually. In fact, reviews by peers involved in high-speed rail across the globe conclude that Amtrak's business and ridership projections are actually too conservative. Of course, we will quarrel over important details. And yes, with additional resources the plan could be executed faster. But in the end, this is a bold and long overdue initiative and one that contemplates a robust role for the private sector.

Despite these many successes, some seem to relish in belittling the carrier and calling it nothing more than a "Soviet-style railroad." While that may be a catchy phrase, it describes a railroad that simply doesn't exist. And for those who would continue to use this comparison, I would

suggest we actually pay attention to the fact that Russia is developing a 250 m.p.h. high-speed rail line between St. Petersburg and Moscow that is dependent on significant government assistance. And other governments around the globe are advancing and funding aggressive plans to modernize their transportation systems with long-term investments in high-speed rail.

Proposals to privatize Amtrak's NEC operations ignore both the inherent problems created when we allow for-profit companies to operate intercity passenger rail and the lesson learned from past privatization efforts. There is no high-speed passenger rail system in the world that operates without significant government assistance. Private sector companies simply cannot make a profit without federal support. By now, we should all know about Margaret Thatcher's ill-fated privatization of British Rail, which led to fatal accidents, deferred maintenance and required a massive taxpayer bailout. In Japan, high-speed passenger rail companies make money, but only because the national government makes major capital investments that do not show up on the books. I bet Amtrak's balance sheets would look far better if everyone agreed to ignore the federal government's contributions to passenger rail capital budgets and if all we were measuring was Amtrak's "above rail" performance on the NEC, for example. That would show an operation comfortably in the black. But in the real world, long-term capital is vital and must be a constant and reliable aspect of running a modern passenger transportation system.

Amtrak was created because private sector freight railroad companies simply could not make a profit operating passenger rail service. Today the NEC is a popular, modern operation that would not exist without Amtrak. In 1976, Amtrak took over the NEC because the private sector company providing the service went bankrupt. At that time, the route was dilapidated, dependent on decades-old signal systems and lacked a rational system to separate commuter and inter-city traffic through New York City.

During much of its 40 years of existence, Amtrak had to fight constantly to survive from year to year. Even in those almost impossible circumstances, the railroad managed to improve the NEC. From 1976 to 1990, Amtrak completely rebuilt the New York to Washington leg to allow it to handle higher speed trains. It rebuilt the signal system, substituted automation for manual control wherever possible and improved safety by closing grade crossings. In the 1990s, the railroad electrified the Boston to New Haven leg to allow trains to run the length of the NEC without changing engines. Those investments, which took years to implement because of cash starved budgets, paved the way for Acela, which today enjoys record ridership, trains often filled to capacity and projections for significant growth well into the future. The success story of the Acela service should lay to rest the old, tired rhetoric about Amtrak's ineffectiveness. The fact is that Amtrak built this wildly popular NEC service – and achieved today's improving performance metrics – despite many consecutive years of chronic under-funding, ill-advised "shut down" federal budgets and unwanted privatization mandates.

The fact is, the private sector does not appear interested in operating on the NEC. In order to spur the development of high-speed rail, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) required the Department of Transportation (DOT) to encourage public-private partnerships. In late 2008, the Federal Railroad Administration (FRA) issued a request for proposals to finance, design, construct, operate and maintain a high-speed intercity passenger rail system. Although eight submissions were received, there were no proposals for high-speed rail

on the NEC and instead those proposals focused on other rail corridors. This is not surprising to those of us who have evaluated the experiences of other successful high-speed passenger rail operations around the world.

High-speed and passenger rail operations need federal funding. No amount of wishful thinking or fairy dust will replace the need for real dollars. The private sector will not participate at a robust level without a reliable and steady stream of federal support. It is time to stop parroting disproven assertions about privatization.

We also must remember the complexities of managing the NEC and the inherent risks if we turn over operations to a new for-profit company. The NEC serves a region that produces more than 21 percent of America's GDP on only two percent of our land area. Every day, more than 700,000 people use 1,800 commuter trains to get to work along the NEC and cities and states are utterly dependent on the continuity of this service.

The NEC is one of the most complex rail networks on earth. At least 15 different rail carriers operate on the corridor. These include seven commuter operators (Long Island Rail Road, Maryland Area Regional Commuter, Massachusetts Bay Transportation Authority, Metro-North, New Jersey Transit, Shore Line East and Southeastern Pennsylvania Transportation Authority), seven freight carriers (Canadian Pacific, Connecticut Southern, Conrail, CSX, Norfolk Southern, Pan Am Railway and Providence & Worcester) and, of course, Amtrak. Amtrak provides dispatching to every one of the passenger, commuter and freight rail trains operating on the NEC. Any plan to remove Amtrak would need to replace the carrier's role as dispatcher in our nation's most intricate rail network.

The fact that this complex, nine-state operation functions every day is no small feat. Policy makers cannot ignore the impact on safety and the economy that any switch away from the current arrangement would have. At its core, a long-term NEC plan must embrace Amtrak as the entity that operates the trains and maintains the system and equipment. It makes no sense to replace Amtrak and ignore the decades of service and expertise the company's skilled employees provided to the nation.

This hearing may focus on the NEC, but we cannot ignore the fact that Amtrak operates a national passenger rail network. That system provides service to small and large communities around the country. More than 150 Amtrak stations are in rural areas, where the railroad is one of the few, if not the only, non-driving options for local residents. The decisions made here today could have a significant impact on those routes. The NEC is central to Amtrak's financial health. The operating profits from the NEC allow Amtrak to support most of the other train service it provides in the U.S. In other words, to undermine Amtrak's leadership role on the NEC is to undermine Amtrak's ability to operate outside of the NEC. If the NEC is removed from the Amtrak system, there will be no way for the railroad to contribute to funding its operation of a national passenger rail network.

The labor movement has long argued that our country should simultaneously develop both a strong transportation system and a solid domestic manufacturing base through mutually beneficial Buy America requirements. These rules ensure the production of raw materials and

finished products, including train equipment, here in the United States. PRIIA and the Recovery Act both applied Buy America requirements to Amtrak. Through its high-speed rail grants, the FRA has aggressively pursued a job creation agenda through the strict application of these same requirements. But there are also other important roles for the private sector in the development of the NEC.

As these operations are expanded, labor protections and statutes that cover government investments must be applied. Any construction work undertaken, whether in construction of new railroad lines or to increase building in new tax districts around rail stations, must be covered by Davis-Bacon prevailing wage requirements. For almost 80 years, prevailing wage standards have required contractors to pay workers current rates in a community where a project is under construction. Additionally, longstanding rail laws must apply to workers in this sector. The Railway Labor Act, the Railroad Retirement Act and the Railroad Unemployment Insurance Act all provide essential protections for workers' living standards and rights. By maintaining these longstanding protections, NEC high-speed rail investments can benefit everyone.

There is a clear role for private sector participation, but we must beware of an experimental free-for-all that puts the economy or jobs at risk. In particular, we have to ignore those whose support for a particular project is based on its ability to generate lucrative transaction fees. The development of a high-speed rail system on the NEC will generate significant revenues for a legion of lawyers and bankers who write the contracts and help transfer assets. Their only financial interest is in generating an asset transfer, regardless of whether it will grow our economy, improve traffic congestion or create jobs. These financial speculators have done enough harm to our economy and our country. We must be wary of their self-interested advice and motivations and instead support a transportation vision that will be in the national interest and profit our shared economic future.

Transportation labor supports Amtrak and endorses finding ways to boost private sector participation. But in the end Amtrak is and should remain the main provider of high-speed rail service on the NEC and across the country. It has proven its ability to provide safe, reliable service even in the worst of times. Today, we should invest in Amtrak's high-speed rail network to improve our nation's economic future and we should avoid risky privatization experiments on one of the world's premier transportation corridors.

Thank you for giving us the opportunity to testify.