

BEFORE PRESIDENTIAL EMERGENCY BOARD NO. 242

**TESTIMONY OF WILLIAM CROSBIE
AMTRAK CHIEF OPERATING OFFICER**

December 12, 2007

My name is William Crosbie. I joined Amtrak in January 2003 as the Senior Vice President of Operations. Today, I serve as Amtrak's Chief Operating Officer and, in that capacity, am primarily responsible for Amtrak's day-to-day operations. I oversee the work performed by employees across Amtrak's system, including members of the labor organizations involved in this proceeding, and I am familiar with the work rules contained in the collective bargaining agreements between Amtrak and its employees. A copy of my biography is attached to this testimony as Exhibit 1.

Overview

My testimony today will address, in three parts, the compelling need for work rule reform at Amtrak. First, I will describe several operational challenges currently facing Amtrak, including an immediate and substantial need for capital investment in rolling stock and infrastructure. Second, I will identify a number of constraints that are unique to Amtrak, including increasing privatization within the passenger rail industry and intense pressure from Congress to decrease reliance on public subsidies. Finally, I will describe in detail the most significant of Amtrak's work rules proposals to the labor organizations involved in this proceeding. These work rules proposals focus on improving Amtrak's capability to get the work done – the necessary maintenance of equipment and infrastructure through efficient use of our skilled engineering and mechanical work forces. With respect to the engineering crafts, I will discuss Amtrak's proposals for subcontracting reform and increased workforce scheduling flexibility. With respect to the mechanical crafts, I will discuss Amtrak's proposals for

subcontracting reform and assignment flexibility. I do not intend to duplicate the efforts of my colleague, Joe Bress, with respect to Amtrak's other work rules proposals.

Background

Amtrak is the national intercity passenger rail carrier of the United States. It operates along a 21,000 route mile rail network, the majority of which is owned and maintained by other freight and commuter host railroads. Amtrak itself owns and/or maintains less than 700 route miles of track, including: 363 miles of track along the Northeast Corridor; a 61-mile track segment from New Haven to Springfield; 104 miles of track between Philadelphia and Harrisburg; and 97 miles of track in Michigan. Amtrak also is the owner and/or operator of a number of key railroad facilities in the United States, including nearly half of the 400 stations utilized by Amtrak's customers and a number of major maintenance terminals. My testimony today will focus only on the most critical elements of the Amtrak rail system: the infrastructure and rolling stock that are owned and maintained by Amtrak.

As noted above, Amtrak maintains and/or operates 363 miles of track along the "Northeast Corridor." The Northeast Corridor, which runs from Washington to Boston, is among the most complex rail corridors in the world. Whereas other countries have built dedicated infrastructure to support their high-speed passenger rail services, the NEC mixes high-speed intercity passenger traffic (including Amtrak's *Acela Express* trains) with freight rail traffic generated by several different railroads and commuter rail traffic generated by eight of the busiest commuter agencies in North America. Each day, nearly 2,000 trains transport approximately 750,000 passengers and 40,000 car miles of freight to destinations along the Corridor. The Northeast Corridor is the most densely utilized – and unquestionably the most important – rail corridor in the United States.

Amtrak's intercity passenger operation along the Northeast Corridor is unique in the transportation industry. Because passengers on the Corridor may choose from among several modes of transportation, including plane, bus, or automobile, Amtrak must consistently provide a smooth and comfortable ride, with an on-time arrival, in order to remain competitive in the Northeast Corridor market. In addition, unlike the freight railroads, Amtrak must schedule its trains to run at the times that people want to travel. Predictably, there is heavy Amtrak traffic on the NEC between the hours of 6:00 a.m. and 9:00 p.m. (with heavier peaks from 6:00 a.m. to 10:00 a.m. and 3:00 p.m. to 9:00 p.m.), and relatively "light" Amtrak traffic from 9:00 p.m. to 6:00 a.m. Further, as a result of commuter patterns, traffic is much heavier on the weekdays than on the weekends.

Operational Challenges

As Messrs. Bress, Campbell, and McHugh have previously explained, the financial crisis of the late 1990s and early 2000s had a profound impact on Amtrak's Northeast Corridor infrastructure. In order to remain solvent during a period of financial crisis, Amtrak was forced to defer much of the routine maintenance that should have been performed along the Northeast Corridor. Today, following years of neglect, much of Amtrak's infrastructure is in a state of disrepair, and there is a critical need for capital investment in the infrastructure rehabilitation and replacement. Specific elements of the Northeast Corridor infrastructure that must be rehabilitated or replaced include:

- Major bridges dating back to the turn of the century can no longer be maintained economically or reliably and must be replaced;
- Wood ties on main tracks, through switches, and interlockings are difficult and costly to maintain in a high-traffic environment and must be replaced with more durable concrete ties;

- Much of the overhead catenary system, which supplies environmentally clean power for Northeast Corridor locomotives, dates from the early part of the last century and must be fully rehabilitated or replaced;
- Major portions of the power supply systems, including trunk lines, frequency converters, and transformers are reaching the end of their useful lives and must be replaced to avoid outages stemming from failed components and increased power demand; and
- Interlockings and signal systems must be upgraded.

As the amount of ridership and rail traffic along the Northeast Corridor continues to escalate, Amtrak's state of good repair initiative has become increasingly imperative. Returning the Northeast Corridor to a state of good repair will improve reliability, enhance on-time performance, and reduce trip times for Amtrak and other Northeast Corridor users. In addition, completing the state of good repair initiative will provide an incremental increase in capacity for Amtrak and reduce Amtrak's long-term, recurring maintenance costs.

Amtrak has, consistent with its financial constraints, invested as much capital as it could obtain through the political process in its NEC infrastructure. Since Fiscal Year 2003, Amtrak has invested more than \$1.36 billion – or 2/3 of its total engineering budget – in its state of good repair initiative. However, despite this investment, several billion additional dollars must be invested in the coming years in order to achieve a state of good repair. Amtrak must therefore exert every reasonable effort conserve its scarce capital for investment in infrastructure repair and rehabilitation. This will require efforts by all Amtrak stakeholders, including management and the labor organizations involved in this proceeding, to eliminate waste and increase productivity wherever possible, including through reasonable work rule reform. Amtrak's goal is to use its skilled engineering and mechanical work forces to perform as much of the core craft work for which they are trained and are capable to perform.

Amtrak's locomotives, which enjoy the highest utilization rates of any locomotives in the rail industry, require more frequent maintenance than their freight rail counterparts. Likewise, Amtrak's passenger coaches have highly-specialized maintenance requirements due to the presence of on-board systems (*e.g.*, HVAC, waste, etc.) that are unique to an intercity passenger railroad. Thus, Amtrak faces challenges with respect to the maintenance of its rolling stock that are not faced by other participants in the rail industry.

Amtrak's maintenance challenges are compounded as its rolling stock grows older. Simply stated, Amtrak's equipment is old. Amtrak's 500 locomotives and 1500 passenger coaches are, on average, 16 and 23 years old, respectively – older than much of rolling stock utilized elsewhere in the rail industry. As one might expect, older equipment requires a tremendous amount of repair and maintenance. Given Amtrak's financial state and its reliance on public funding, wholesale replacement of this equipment, at a cost of more than \$7 billion, is not a viable option.

Unfortunately, the same financial constraints that resulted in the deferral of routine maintenance along Amtrak's Northeast Corridor from the late 1990s until the early part of the current decade also resulted in the deferral of routine maintenance on Amtrak's rolling stock. Predictably, as Amtrak's locomotives and passenger coaches fell into a state of disrepair, en-route failures mounted and the reliability of Amtrak's services declined dramatically. This, of course, had a direct impact on Amtrak's customers.

Despite its best efforts to complete state of good repair work in recent years, Amtrak has not fully recovered from the maintenance backlog that resulted from the deferred maintenance during its recent financial crisis. At the end of Fiscal Year 2006, only 55 percent of Amtrak's passenger coaches and approximately 90 percent of its locomotives were in a state of good

repair. While a fair amount of state of good repair work was completed on Amtrak's passenger coaches in Fiscal Year 2007, this work is not yet complete. Amtrak must continue to take steps in the coming years to generate and preserve the capital necessary to return all of its rolling stock to a state of good repair.

The Need for Efficiency

As Joe McHugh previously testified, Congress established Amtrak as a mixed-ownership government corporation to operate a national rail transportation system on a for-profit basis. Nevertheless, despite this congressional charge, Amtrak has never operated profitably, and continues to rely on public subsidies for a significant portion of its operating budget. Therefore, unlike in the freight industry, where inefficiencies simply reduce profit and shareholder dividends, *every dollar of inefficiency generated by Amtrak's operations is passed along directly to the nation's taxpayers.* For this reason, Congress has repeatedly admonished "all of Amtrak's stakeholders, including labor, management, and the Federal government, [to] participate in efforts to reduce Amtrak's costs and increase its revenues." Amtrak Reform and Accountability Act of 1997, § 2.

In the Amtrak Reform and Accountability Act of 1997, Congress sought to eliminate all federal funding to Amtrak by 2002. To achieve this goal, Congress directed Amtrak's management and labor organizations to "proceed quickly with proposals to modify collective bargaining agreements to make more efficient use of manpower and to realize cost savings which are necessary to reduce Federal financial assistance." *Id.* However, while Amtrak has repeatedly attempted to fulfill this congressional mandate by proposing work rule changes in the current round of bargaining that will reduce costs and permit more efficient operations, the labor organizations appearing before the Board today have generally refused to engage in this

dialogue. As a result, Amtrak has not fulfilled its congressional mandate. It is critical that the Board recommend measures that will allow Amtrak to comply with Congress's directives to ensure that Amtrak has the infrastructure and rolling stock (equipment) available to provide intercity passenger transportation services while limiting the Company's reliance on public subsidies.

The pressure on Amtrak to operate more efficiently comes from both inside and outside of Washington. Indeed, Amtrak has historically generated revenue by maintain and operating a number of commuter rail lines in communities throughout the country. However, an emerging trend toward privatization of commuter rail services has resulted in a loss of market share – and a steady source of income – to private entities such as Herzog Transit Services, TransAmerica Services, and Bombardier. In Fiscal Year 2006, Amtrak generated only \$115 million in revenue from the operation and maintenance of commuter rail services, down from \$258 million in Fiscal Year 2003.

Private entities such as Herzog generally are able to supply commuter rail services more cheaply than Amtrak, due in part to lower labor costs and less restrictive work rules. These private entities are in a better position than Amtrak to win competitive bids to provide these services. In 2005, Herzog ousted Amtrak as the long-time operator of San Diego's Coaster Rail System by submitting a competitive bid that was significantly lower than the bid submitted by Amtrak. As explained in Exhibit 6, Amtrak's higher bid was primarily attributable to labor costs. Amtrak simply could not afford to perform the work competitively using its own union-represented employees. Likewise, Amtrak lost a second competitive bid to Herzog in 2005, this time in connection with the operation of the Mid-Region Council of Government's commuter

rail system in New Mexico. Once again, Amtrak's higher costs were a factor in the decision to award the bid to Herzog. What this means is that Amtrak's employees lost work opportunities.

Work Rule Proposals

Amtrak has proposed in the current round of bargaining to modify several work rules that restrict employee productivity, lower efficiency, and increase costs. My colleague, Joe Bress, described a number of these rules in his introductory testimony. I will expand upon his discussion of those work rule changes that I believe are most imperative to Amtrak's day-to-day operations. Specifically, I will discuss subcontracting reform for both engineering craft and mechanical craft employees, workforce scheduling flexibility for engineering craft employees, and flexible assignment for mechanical craft employees.

A. Subcontracting Reform

In this round of bargaining, Amtrak has proposed to eliminate all restrictions on contracting out engineering craft work. In place of the existing restrictions, Amtrak has proposed to substitute a rule that permits contracting out, while simultaneously providing protections for employees who are adversely affected by Amtrak's contracting decisions. For the BRS, the proposal represents only a minor expansion of Amtrak's existing subcontracting rights. For the BMW, on the other hand, the proposal represents an important expansion of Amtrak's subcontracting rights. This is because the BMW's contracting rules are among the most restrictive rules in the entire rail industry. See Exhibit 5. Even so, and as explained in more detail below, the proposal is not intended to have a material impact on either BMW- or BRS-represented employees. Instead, it is intended to allow Amtrak to use its skilled BMW- and BRS-represented employees efficiently, in the skilled positions for which they are trained, by permitting Amtrak to contract out non-core functions to subcontractors.

As stated above, it is critical that Amtrak improve on-time performance to attract and retain customers, renew its existing infrastructure and equipment through its state of good repair initiative in order to ensure that operations remain safe and reliable, and build capacity to accommodate future levels of demand. Achieving these objectives will require a tremendous capital investment in existing infrastructure and equipment, and significant labor from Amtrak's engineering craft employees. Despite the BMW's assertions to the contrary, *Amtrak does not intend to contract out the "core" engineering functions that require the railroad-specific expertise of its engineering craft employees.* Under the proposal, Amtrak's engineering craft employees will continue to perform the state of good repair work that is within their primary skill set and core competency: track and signal maintenance.

Rather than contract out core engineering craft functions, Amtrak intends to use the flexibility that will be generated by its proposal to contract out "non-core" work – *i.e.*, work that is not directly related to track and signal maintenance, work requiring special equipment or skills not possessed by Amtrak's engineering craft employees, and work temporarily requiring additional personnel. Examples of non-core work include tree removal, brush and grass cutting, snow removal outside the right of way, asphalt paving, lead abatement, underwater inspection and repair, and installation and maintenance of cameras and electronic security systems. Subcontracting this non-core work will allow Amtrak to focus its limited engineering craft resources on the important capital projects necessary to achieve a state of good repair, while simultaneously enabling Amtrak to perform non-core work more efficiently throughout its system. This approach has some basis in the freight railroad industry. CSX Transportation, for instance, has negotiated an agreement with the BMW that expressly permits subcontracting of some of these non-core functions. See Exhibit 4.

Because Amtrak does not intend to contract out core work, the proposal will have a minimal impact on the workforce. Nevertheless, Amtrak has proposed significant protections for any employees who are adversely impacted by its subcontracting decisions. Under the proposal, any employees displaced as a result of subcontracting could choose between: (1) remaining on furlough (with reemployment rights); (2) accepting an immediate transfer (with relocation); and (3) accepting one year of severance pay. As a result of these generous labor protections, Amtrak's subcontracting proposal would permit the Company to improve its state of good repair more quickly and efficiently, with only a minimal impact on the workforce.

B. Workforce Scheduling Flexibility

Engineering craft work, by its very nature, must be performed in substantial blocks of uninterrupted track time. As a result, there is an inherent tension between the need to deliver passengers to their destinations on-time and the need to complete engineering work quickly and efficiently. Because on-time performance is paramount to the success of an intercity passenger rail system, engineering craft work generally is scheduled during "track windows," or periods of time during which the work can be performed without disrupting traffic.

Many years ago, when the current scheduling work rules were adopted, traffic windows occurred frequently throughout the day. In recent years, however, the amount of rail traffic on the Northeast Corridor has increased. As the next slide demonstrates, rail traffic on the Northeast Corridor has increased by approximately 65 percent – to nearly 12,000 trains per week – in the past 30 years. Due to these record-high levels of rail traffic, naturally occurring track windows have become scarce. Today, it is virtually impossible to perform work on the Northeast Corridor during the day from Monday to Friday. Instead, work can only be performed efficiently at night and on the weekend, when traffic is relatively "light." Nonetheless, Amtrak's

engineering agreements assume that a day-time, weekday schedule is the norm, while evening and night or weekend work is the exception. Amtrak must modify its agreements to reflect the time periods when work on railroad infrastructure must be performed.

The next slide contains a traffic chart, which is generally referred to in the railroad industry as a “string chart.” This string chart graphically represents the train traffic on the Northeast Corridor from New York City to Morris, New Jersey between midnight and 4:00 a.m. each weekday. The vertical axis shows geographic locations, while the horizontal axis shows the time of day. Each train is plotted on the graph as a roughly diagonal line. The line represents the specific train’s scheduled location along the NEC at every point in time. The time between trains at any given location – the track window – is measured by the horizontal distance between the diagonal lines. As shown by this chart, no more than 5 or 6 trains pass by any given location on this string chart each hour from midnight to 4:00 a.m.

By contrast, the string chart appearing on the right side of the slide represents the same track segment – New York City to Morris, New Jersey – between 8:00 a.m. and noon each weekday. As this second string chart demonstrates, during these hours, 25 or more trains may pass by a particular location each hour, and the track window is never more than a few minutes long. It is extremely difficult, and grossly inefficient, to perform work on the tracks depicted on this string chart during daytime hours because work employees must stop work, clear the tracks, and retreat to the side of the right-of-way each and every time a train passes by.

Work rule reform is necessary in this area because the current rules governing starting times and work weeks do not permit BMWE- and BRS-represented employees to perform engineering craft work at the times that they will be most productive. Among other things, the rules generally prescribe limited time frames within which the carriers have absolute discretion

to begin work. For example, the BRS agreement generally requires that the signal work begin between 0600 and 0800 each day. However, as even a cursory glance at the string charts on the preceding slide reveals, it is virtually impossible to perform work on the tracks during these hours. Moreover, to the extent that the rules permit do permit Amtrak to begin work at other times of day, the rules require Amtrak to maintain and operate a first shift before creating a second shift, and a second shift before creating a third shift, even though it is grossly inefficient to perform work during the first (and often the second) shifts across much of Amtrak's system.

In addition to the inefficiencies generated by current starting time rules, current work week rules also prevent engineering employees from working on those days when their services are needed most. The current BMWE and BRS agreements prohibit the Company from scheduling employees to work on both Saturday and Sunday, when these are by far the most efficient days of the week to perform engineering craft work.

The need for flexible starting time and work week rules is not confined to the employees performing track work. There is an equally compelling need for flexibility with respect to scheduling engineering craft work in Amtrak's facilities. For example, because approximately 500,000 commuters pass through New York City's Pennsylvania Station each day, there is little chance of getting engineering work done in that location during the daylight hours. In this example, work is best performed at night and on the weekend, when ridership and station congestion is low.

The artificial restrictions on starting times and work weeks contained in current engineering craft work rules impose an intolerable burden on Amtrak. Given the current level of train traffic and the imperative need for on-time performance, the carriers have proposed a rule that would allow them to meet intense operational demands by scheduling engineering craft

work as needed. Specifically, Amtrak has proposed: (1) to modify its starting time rules to permit any starting times for engineering craft employees, consistent with operational requirements; (2) to modify rules governing bulleting to permit the starting time of a gang to be changed temporarily upon 72 hours' notice; and (3) to modify the existing rules governing rest days as necessary to permit Saturday and Sunday coverage at the straight time rate. Amtrak's proposal is not an arbitrary demand for managerial flexibility. It is a proposal of necessity based on the limited availability of track time during normal daylight hours.

IV. Mechanical Crafts

A. Flexible Assignment

One of the most important work rules at issue in this proceeding involves employee utilization. Amtrak seeks the Board's help in eliminating the artificial craft barriers that it inherited from the freight railroads more than 30 years ago. Amtrak's proposal before this Board is not extreme, and its adoption will not harm the labor organizations or the employees they represent. What Amtrak seeks is the right to assign shop craft work to any employee who is trained for and capable of performing it safely and competently, without regard for the artificial craft barriers perpetuated by scope rules and past practices.

A brief history of the current scope rules is helpful to understanding Amtrak's proposal. The railroad industry of the early 1900s, into which the classification-of-work rules were born, was a vastly different industry than the industry today. At that time, railroads were the dominant form of transportation. They employed many more people than they do today, and, because practical alternatives were not generally available, were almost completely self-sufficient. The railroads actually manufactured and serviced many of the locomotives and rail cars they operated, and generated many of their own replacement parts. This work was very labor

intensive and well-suited to assignments that required mechanical craft employees to specialize in only limited aspects of locomotive maintenance and repair.

In 1918, when the railroads were under federal control as part of the country's World War I effort, the Director General promulgated rules that formally divided up every item of shop work among the various crafts. See Supplement No. 4 to General Order No. 27 (Exhibit 7). When the railroads returned to private control, the rigid classification-of-work rules remained in place and continued to dictate shop assignments. Any additional costs generated by the rigid classification rules were simply absorbed by the carriers or, given the industry's dominance, passed along to captive customers.

As steam was replaced by diesel and electricity, however, the industry changed dramatically, as did the nature of work performed by employees. Pre-fabricated parts, which could be removed and replaced using ordinary tools, took the place of the custom-fit parts that were handcrafted and machined from raw materials in railroad shops. As a result, much of the need for specialized craft skills disappeared. Employees in all mechanical crafts shared the basic mechanical skills necessary to perform a majority of the mechanical work.

As the availability of other modes of transportation increased, the inefficiencies caused by the classification-of-work rules loomed much larger and imposed costs that the industry found increasingly difficult to absorb or pass along. By 1970, these unjustifiable inefficiencies and costs could no longer be ignored. Thus, that year, PEB 176 concluded that "changing technology and the need for increased efficiency" warranted providing the freight carriers with the freedom to assign "incidental work" across craft lines. The resulting "incidental work rule" allowed certain basic tasks traditionally performed by members of one craft to be performed by members of other crafts. The scope of specific tasks encompassed by the incidental work rule was,

however, narrowly circumscribed. With few exceptions, the carriers remained hostage to the restrictive work rules that prevented a rational division of responsibility among available employees.

In 1975, Amtrak began direct operation and control of all aspects of its service. Among other things, Amtrak inherited the archaic classification-of-work rules from the freight carriers. Although Amtrak's mechanical craft scope rules were subsequently modified to incorporate the freight carriers' incidental work rule, Amtrak's version of the incidental work rule contained the same narrow limitations that preserved the concept of craft "ownership" of work.

In the 1990s, the freight carriers became frustrated that the incidental work rule provided little, if any, relief with respect to the most important aspects of their operations. Therefore, they asked PEB 219 to modify the incidental work rule and to eliminate the requirement on some carriers that an employee discovering a burned-out light bulb in a locomotive refrain from replacing the bulb himself and report the defect to his foreman, who would then summon a member of the craft "owning" the work to perform this extraordinarily simple task. Although PEB 219 recommended some expansion of the incidental work rule, its recommendations, which were extended to Amtrak by PEB 222, have done little to eliminate the most egregious inefficiencies associated with performing mechanical work.

Today, the scope rules continue to require that employees from multiple crafts perform work that could easily be performed by one or more employees from a single craft. For instance, it currently takes three employees from three separate crafts – the SMWIA, IBEW, and JCC – to repair an HVAC (air conditioning) unit on an Amtrak train. Likewise, it takes three employees from the same three crafts to repair one of the 4,000 toilets that Amtrak maintains. In both of these examples, a single employee could easily perform the work in the same or less amount of

time with little, if any, additional skills or training. There is no justification whatsoever for applying 19th century craft lines to the repair of equipment that, in all other industries, is performed by an individual trained in the skills, for example, of air conditioning repair.

The current scope rules also have a tremendous impact on the time that it takes to service a train between arrival at the station and its next scheduled departure. Today, when employees engaged in turnaround servicing discovers a problem in an area that is not “owned” by their craft, they must contact a foreman, who then summons one or more employees from the appropriate craft(s) to perform the work necessary to solve the problem. When this occurs, Amtrak experiences unproductive “dwell” time. There are, on average, approximately 14 minutes of dwell time associated with each such occurrence.

Given the inefficiencies generated by the current scope rules, Amtrak has proposed in this round of bargaining that all mechanical craft employees be permitted to perform any work that they are trained for and able to perform. The proposed change would enhance Amtrak’s ability to operate more efficiently and deliver customers to their destinations on-time. Indeed, by permitting Amtrak’s employees to perform work based on their capabilities, the waste and inefficiencies described above, including dwell time, would be eliminated. Employees would be permitted to complete a whole job or series of tasks that form an integrated portion of the job, and unnecessary coordinating, waiting, and travel time between tasks will be minimized. In the end, repair times and equipment availability will be improved, and work will flow more naturally and smoothly.

Contrary to the organizations’ assertions, the current rules are not justified by safety considerations. Even under the existing mechanical craft scope rules, the same work is already performed by members of different crafts at different locations across Amtrak’s system. For

example, trains in Newport News are serviced only by Carmen, while at other locations this same work may involve employees from the SMWIA, JCC, IAM, and IBEW. Likewise, single car air testing is performed by the SMWIA in Washington, and the JCC in other locations. Thus, it is incorrect to argue that only employees from a particular craft possess the skills necessary to safely perform this work. Moreover, given that other mechanical craft organizations have already agreed to and have operated under similar rules, the organizations' position in this proceeding is particularly unsupportable.

Amtrak estimates that simply by eliminating dwell time, it could enhance efficiency by ¼ percent each month and generate operational savings totaling approximately \$10 million each year. At the same time, the proposed rule change would have little, if any, impact on mechanical craft employees. There will be no loss of job security because Amtrak has sufficient craft work with its backlog of equipment maintenance demands. If anything, the enhanced job security provided by Amtrak's proposal will bring positive change to the work environment.

While a large portion of the work performed can be characterized as straightforward and routine, there will be a continuing need for specialized craft training and specialized assignment in certain circumstances. Amtrak does not propose the elimination of any of the mechanical crafts or the dilution of the special skills that are associated with the individual crafts. Rather, it seeks the discretion to assign tasks that can be performed by more than one craft to any available employee who can safely and efficiently do the job. When a task or job needs a specialized skill, an employee with that skill will be assigned, and it usually will be in the traditional craft or class. Where Amtrak needs a skill in its workforce, Amtrak will train or recruit as it always has.

Finally, Amtrak's flexible assignment proposal will have little, if any, impact on the mechanical craft labor organizations. This is because Amtrak has proposed to preserve craft

titles and craft equity by adopting an “equity percentage” rule that provides for a fair and historical distribution of membership and dues among the existing crafts.

Amtrak’s proposal benefits everyone. The Company improves efficiency and costs. Employees gain security. The work environment will be improved. The traditional representative role of the various crafts would not be disturbed. Simply stated, the proposal represents a reasonable solution to a serious operational problem, and should be adopted by the Board.

B. Subcontracting

Amtrak has proposed that it be allowed the same flexibility with respect to contracting out mechanical work that it has requested in its engineering craft subcontracting proposal. With respect to the mechanical crafts, however, Amtrak’s proposal is directed primarily at the elimination of certain lower-skilled jobs, such as coach cleaning, that can be performed more efficiently by the employees of an outside contractor than by Amtrak’s own mechanical craft workforce. The proposal incorporates the same employee protections – *i.e.*, a choice between furlough, relocation, or severance pay for any affected employees – that I described in connection with the BMW and BRS subcontracting proposal.

As an alternative to its mechanical class subcontracting proposal, Amtrak has proposed lower rates for employees in certain lower-skilled classifications, such as “coach cleaner” and “utility worker,” as well as increased flexibility with respect to the use of part time employees. In the absence of subcontracting relief, Amtrak will need the flexibility of lower-cost and/or part-time help in these lower-skilled classifications to meet its schedule and work requirements while simultaneously conserving scarce capital for investment in rolling stock and the Northeast Corridor infrastructure.

Amtrak's subcontracting and alternative rate proposals represent a reasoned solution to a significant problem. For Amtrak to survive, Amtrak and the labor organizations involved in this proceeding must exert every effort to conserve capital and reduce costs. Amtrak can meet its accountability to the public and accomplish these goals by contracting out lower-skilled work or by paying its lower-skilled employees the prevailing market rate for their services. By way of example, Amtrak currently employs 750 active coach cleaners who perform a total of 1.56 million hours of coach cleaning each year. The average hourly rate for an Amtrak coach cleaner, including benefits and FELA, is approximately \$25.50. The average hourly wage for a contractor's coach cleaner, including employment taxes, workers' compensation, an average G & A, and a 5 percent profit, is only \$17.75. In total, Amtrak estimates that it could save \$10 - \$12 million annually simply by contracting out its lower-skilled coach cleaning functions. Amtrak therefore requests that the Board grant the subcontracting relief requested in this round of bargaining.

Conclusion

Amtrak faces a variety of operational challenges and fiscal constraints that require work rule reform in this round of bargaining. Among other things, Amtrak must conserve its limited capital for investment in infrastructure and equipment in order to improve reliability, enhance on-time performance, and reduce trip times for Amtrak and other Northeast Corridor users. This requires that Amtrak and the labor organizations involved in this PEB make every effort to improve productivity, eliminate waste, reduce costs, and improve efficiency across Amtrak's operation. Amtrak's proposals to the engineering and mechanical craft labor organizations involved in this proceeding represent a reasonable attempt to achieve these goals.

Reasonable work rule reform and productivity improvements are essential given the congressional mandate to make efficient use of taxpayer money. As Joe Bress explained, Amtrak has honored and adhered to this congressional mandate through a series of agreements reached with various unions during this round of bargaining, including the TCU and the BLET. With respect to the unions appearing before this Board in this proceeding, Amtrak has offered several proposals – consistent with the internal Amtrak pattern – that address specific inefficiencies while simultaneously preserving core work and work opportunities for the Amtrak workforce. These proposals go no further than necessary to solve the difficult challenges that currently face the Company. If adopted, they will enhance Amtrak’s ability to provide efficient service to its customers with little or no impact on Amtrak’s employees. Accordingly, Amtrak requests that the Board adopt its work rules proposal in their entirety.

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EXHIBITS

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 - a. Engineering craft workforce schedule flexibility
 - b. Mechanical craft flexible assignment
 - c. Mechanical craft subcontracting
3. Engineering craft non-core work examples
4. CSXT-BMWE 2007 subcontracting agreement
5. Amtrak-BMWE subcontracting arbitration award(s)
6. "Coaster" work loss analysis
7. General Order No. 27