

Carrier's Exhibit No.

BEFORE PRESIDENTIAL EMERGENCY BOARD NO. 242

**Disputes Between the
National Railroad Passenger Corporation and
Employees Represented by Certain Labor Organizations**

**WAGE AND BENEFIT COMPARABILITY ANALYSIS OF
AMTRAK'S PEB UNION EMPLOYEES**

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ON BEHALF OF THE NATIONAL RAILROAD PASSENGER CORPORATION

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EXECUTIVE SUMMARY

In this report I analyze the wages and benefits of Amtrak employees represented by the nine union groups that are the subject of this Presidential Emergency Board. My principal findings and conclusions are as follows:

PRIOR TO AMTRAK'S PROPOSED WAGE INCREASES:

- The average wage of these Amtrak employees was 8-9% above the average wage of comparable private sector employees in 2000-2001, but this wage advantage narrowed and ultimately reversed to a wage deficit over the next several years as the wage increases of the Amtrak employees were limited to COLA roll-ins.
- Currently, the average wage of these Amtrak employees is 4.0% lower than the wages of comparable private sector workers.
- These Amtrak employees enjoy a substantial non-wage benefits premium, and when the cost of benefits is added to wages, they currently have a 19% premium in total compensation relative to comparable private sector workers.
- The finding that these Amtrak employees have a total compensation premium is supported by their very low quit rates, which have averaged only 2%-3% per year.

SUBSEQUENT TO AMTRAK'S PROPOSED WAGE INCREASES:

- Amtrak's wage proposal will increase the average wage of these Amtrak employees to a rate 10% above that of comparable workers in the private sector, and subsequent wage increases will maintain this Amtrak wage advantage over the life of the contract.
- Following the implementation of Amtrak's wage proposal for these employees, Amtrak should be able to continue to attract and retain a highly qualified workforce.

A. INTRODUCTION

A.1. Qualifications of James W. Gillula

My name is James W. Gillula. I am employed as a Managing Director of Global Insight, Inc. Global Insight is an economic analysis and forecasting company with 23 offices worldwide, including Washington, DC where I am based. Global Insight provides economic and financial information and consulting services to over 3,800 clients in industry and government. The company was formed in 2001 by the merger of Standard & Poor's DRI, with whom I was employed, and Wharton Econometric Forecasting Associates. Previously I was a senior economist with the U.S. Department of Commerce. I have a B.A. in economics from Washington University in St. Louis and M.A. and Ph.D. degrees in economics from Duke University.

I am a specialist in the field of labor economics and demographic analysis. Over the past 18 years I have conducted numerous wage and benefit comparability analyses for clients in government and private industry. In collaboration with academic colleagues, I have co-authored six studies of pay comparability of U.S. Postal Service employees for use in interest arbitration of collective bargaining contracts, and the methodology employed in these studies has been published in refereed journals. I have also conducted comparability analyses of the wages and benefits of firms in the airline and automotive parts industries in support of Section 1113 bankruptcy proceedings, including United Airlines, Delta Airlines, Tower Automotive, Delphi, Inc., and Dana Automotive, among others. I collaborated with academic colleagues in the preparation of evidence presented before Presidential Emergency Boards involving Northwest Airlines mechanics in 2001 and United Airlines mechanics in 2002. I have also produced numerous other studies of demographic and labor market trends in areas such as trucking, port

operations, and local government employees (teachers, fire fighters, and police). I have testified in interest arbitrations on behalf of the U.S. Postal Service on two occasions.

A.2. Purpose of Testimony

My testimony compares the compensation (the sum of wages and benefits) received by Amtrak employees who are represented by certain unions with the compensation received by workers in similar occupations economy-wide. The Amtrak employees included in my analysis are those represented by the Brotherhood of Maintenance of Way Employees (BMWE), American Railway and Airline Supervisors Association-Mechanical Foremen and Supervisors (ARASA-ME and ARASA-MW), Brotherhood of Railroad Signalmen (BRS), International Association of Machinists and Aerospace Workers (IAM), the International Brotherhood of Electrical Workers (IBEW), the Joint Council of Carmen and Coach Cleaners (JCC), National Conference of Firemen and Oilers (NCFO), and the American Train Dispatchers Association (ATDA). I refer to these employees collectively as the PEB union employees.

The data sources used in the analysis and my methodology are described in Section B. Section C reports the results of my analysis of the current wages of these Amtrak employees and Amtrak's wage proposals. Section D reports the results of my analysis of the non-wage benefits of these Amtrak employees and their total compensation. In Section E I analyze an important additional labor market indicator – the quit rate of Amtrak employees. Section F is a summary of my findings and conclusions.

B. METHODOLOGY AND DATA SOURCES

The principal criterion used in this analysis is wage and benefit comparability. The comparability standard is the criterion that academic economists use in evaluating relative wages and benefits. Comparability analysis compares the wages and benefits of a group of workers to

the wages and benefits of other workers with roughly similar skills in jobs that have similarly attractive working conditions.

The comparability standard is based on the principle that workers with comparable skills and comparable working conditions should receive comparable compensation. This can be supported on a norm of basic fairness or horizontal equity across workers doing comparable work. When the standard is met, workers with comparable skills working in jobs with similarly attractive (or unattractive) worker conditions are paid the same amount, regardless of whether they work in the railroad transportation industry or other sectors of the economy.

The concept of equal pay for comparable skills and working conditions is also an outcome produced in a competitive labor market. From the perspective of employers, comparability has the feature of requiring that compensation be set at the level required to attract and retain well-qualified employees. A firm that provides a competitive wage and benefits package is not at a competitive disadvantage.

B.1. Comparison Groups

Comparability analysis requires the choice of a comparison group or groups with which Amtrak's unionized employees can be compared. The comparison group should consist of workers in the relevant labor market with roughly similar skills and in jobs with roughly similar working conditions as Amtrak's workers. The nine Amtrak PEB unions employ workers in dozens of job titles. My analysis of Amtrak's wages is based on comparisons with the private sector market wage of workers in occupations comparable to Amtrak's workers using occupational wage data published by the Bureau of Labor Statistics (BLS). The BLS wage data are based on the 2000 Standard Occupational Classification (SOC). Amtrak personnel specialists determined the SOC category to which each Amtrak job title corresponds based on

their knowledge of the requirements of Amtrak's jobs and published descriptions of the SOC occupational categories.

The employees in the 9 PEB unions that are the subject of this report are classified in 32 detailed SOC occupational categories. Some of these SOC occupational categories are occupations restricted largely to the railroad transportation industry (e.g., Rail Track Laying and Maintenance Equipment Operators and Rail Car Repairers). In these cases, the wage comparison is largely a comparison within the railroad transportation industry. Other occupational categories where Amtrak employees are classified are occupations in which workers are employed in many industries across the economy in addition to railroad transportation. The basic skills required and working conditions faced in these occupations are often similar to those at Amtrak and, indeed, Amtrak competes with employers in other industries for employees in this broad array of occupations. Use of the average private sector wage by occupation in the analysis thus captures both the factors that are specific to the railroad transportation industry and the competitive wage in the broad U.S. labor market.

B.2. Data Sources for Wages

To conduct my wage analysis, I compare the average hourly wage of Amtrak employees in each occupational classification to the average hourly wage of full-time private sector workers in that occupation. The wage measure is straight time wages including COLA, but excluding any overtime premium, consistent with the way BLS wage data are reported. BLS conducts two independent data collection efforts from which data on wages by occupation are published – the Occupational Employment Statistics (OES) survey and the National Compensation Survey (NCS). The advantages and shortcomings of these two databases for comparative analysis of Amtrak's wages can be summarized as follows:

- The NCS has the advantage of reporting wages for full-time private sector workers separately, while the OES reports only overall average wages by occupation, including part-time as well as full-time workers and including most government workers as well.
- The OES has the advantage of providing occupational wage data on a consistent basis for several years. The OES data have been published based on the latest (2000) version of the Standard Occupational Classification (SOC) since 1999, while the NCS made the transition to the use of the revised SOC only with the publication of the most recent data (for June 2006).

I use data from both BLS surveys. The comparative analysis of Amtrak's wages by occupation is based on the NCS data for full-time private sector workers. The most recent data on national average wages from the National Compensation Survey are for June 2006. To analyze changes in the relative wage position of Amtrak employees in the 9 PEB unions since 2000, I construct an index of change in the market wage of workers comparable to Amtrak workers for the period 2000-2006 using the OES data. I then apply this wage index to the market wage in 2006 from the NCS data to calculate the average market wage in dollars per hour for each year since 2000.

For Amtrak employees, I received data on average hourly earnings by occupation of employees in the 9 PEB unions for each calendar year, 2000-2007. (The data for 2007 are for the period January through September.) The detailed analysis of wages by occupation that I present compares average wages of Amtrak employees in 2006 with the mid-year (June) 2006 wages of comparable private sector workers from the National Compensation Survey.

To estimate the current (2007) market wage for private sector workers comparable to Amtrak employees in the 9 PEB unions, I adjust the BLS wage data to mid-year 2007 levels

using the increase in wages over this period as measured by the BLS Employment Cost Index (ECI) for wages and salaries. The ECI database includes wage indexes for broad occupational categories, including four categories where nearly all Amtrak employees in the 9 PEB unions are classified. These four occupational categories and the current share of Amtrak employees in each are as follows:

- Construction and extraction (15%)
- Installation, maintenance and repair (60%)
- Production (5%)
- Transportation and material moving (20%)

The wage change between 2006 and 2007 for private sector workers comparable to Amtrak employees was estimated as a weighted average of the ECIs for these four occupational groups, using as weights the Amtrak employment shares – an increase of 2.8%.

B.3. Data Sources for Benefits

Compensation of employees includes both wages and benefits. My comparative analysis of the nonwage benefits of employees focuses on the cost of providing these benefits rather than on the features of the benefit plans. I compare the average cost of nonwage benefits for Amtrak's PEB union employees with the average cost of benefits of comparable full-time private sector workers. The BLS collects data on Employer Costs for Employee Compensation (ECEC) in the private sector. To compare the cost of benefits provided to Amtrak employees to the average cost of benefits provided to full-time private sector employees throughout the economy, I used data provided by Amtrak on costs in the same benefit categories that are used in the published BLS data. Specifically, I measure the dollar cost of employer payments for the following three

categories of worker benefits: paid leave; medical, life and other insurance; and retirement plans and Social Security.

My analysis of the cost of benefits and the total compensation of Amtrak employees in the 9 PEB unions is based on data for 2007. The data required to conduct a time series analysis like that done for average wages, 2000-2007, were not available. The benefit analysis compares the average cost of benefits for all employees in the 9 PEB unions with the average cost for comparable full-time private sector workers. The benefit cost data provided by Amtrak included:

- Information on the number of hours worked (at straight-time rates and at overtime rates) and the number of hours of paid leave for these employees.
- Accounting ratios indicating the ratio of benefit cost to total earnings for each category of employee benefits.

The starting point for the calculation of the average cost of benefits of comparable full-time private sector workers is the average wage of these workers in 2007, estimated as described in the previous section. The cost of benefits for these private sector workers is estimated based on the ratio of benefit cost to the wage for each benefit as reported in the BLS ECEC data for mid-year (June) 2007. Ratios of benefit costs to the wage rate were calculated for each of the four broad occupational categories identified in the previous section, and a weighted average benefit structure for private sector workers comparable to Amtrak employees was calculated using Amtrak employment shares as weights. The cost per hour worked of Social Security/Medicare benefits, which is not reported separately for full-time workers in the ECEC data, was estimated from the ECEC data covering both full-time and part-time workers.

B.4. Quit Rate Data

An additional component of my analysis of Amtrak's compensation is a comparison of the quit rates of Amtrak employees in the 9 PEB unions with quit rates of workers in the private sector and in the transportation industry. If Amtrak employees are relatively highly compensated compared with similar employees in the economy, then voluntary quits should be relatively low. The quit rate provides important confirming evidence as to the existence of a compensation premium. Workers who believe that they are underpaid and/or that their job has other adverse characteristics are most likely to go elsewhere. Workers who believe that they are paid more than they could get elsewhere in the economy generally stay put.

The quit rate for both Amtrak employees and workers elsewhere in the economy is measured by the percentage of workers who voluntarily quit their jobs during the year, excluding retirements. Amtrak provided data on the number of quits annually, 2001-2007 and headcounts at the beginning of each year. Data for 2007 are for January through September. The quit rate is calculated as the number of quits during the year expressed as a percentage of the average headcount during the year – calculated as an average of the beginning-of-year and end-of-year counts. The quit rate for 2007 is an annualized rate based on the nine months of data available.

Economy-wide quit rate data are taken from the BLS Job Openings, Layoffs and Terminations Survey (JOLTS). Part-time workers, who typically have higher quit rates, are included in the figures compiled by JOLTS. Some small portion of the large differences seen in quit rates for Amtrak employees and workers economy-wide may be due to this inclusion of part-time workers. I compare Amtrak's quit rates with workers throughout the private sector and separately with workers in the transportation, warehousing and utilities sector. The comparison of quit rates at Amtrak with quits in the transportation, warehousing and utilities sector will be

less unaffected by part-time workers, since part-time employment is low in transportation and utilities.

C. WAGE ANALYSIS

C.1. Wages by Occupation

Amtrak had 6,733 employees, including those on leave, represented by the 9 PEB unions that are the subject of this report as of September 30, 2007. As described in section B.1, these employees were classified in 32 different occupations based on the Standard Occupational Classification. The distribution of employees by occupation within each union is illustrated in appendix Table A-1. The employees in each occupation were grouped across all unions for purposes of this wage analysis. The average wages by occupation for Amtrak employees and comparable full-time workers in the private sector in 2006 are shown in Exhibit 1. Principal findings from this wage comparison are:

- Across all occupations, the average hourly wage of Amtrak employees in the nine PEB unions in 2006 was \$19.94. This was 2.3% below the average wage of comparable full-time workers in the private sector.
- Amtrak pays a substantial wage premium in many occupations involving relatively lower or basic skills required across the economy, such as cleaners, helpers and drivers, while Amtrak workers in some skilled crafts, such as electrical and electronics technicians have a wage deficit compared to comparable workers economy-wide. This reflects the fact that Amtrak's wage structure is somewhat compressed, with the highest occupational wage 71% above the lowest – compared to the private sector where the highest occupational wage is over three times the lowest.

Exhibit 1.
Average Hourly Earnings of Amtrak PEB Union Employees and
Comparable Private Sector Workers: 2006

Occupation	Amtrak Wage	Private Sector Wage	Amtrak Wage Difference	Amtrak Headcount 1/1/2006
Average	\$19.94	\$20.41	-2.3%	7,120
Dispatchers, Except Police, Fire, and Ambulance	25.98	16.88	53.9%	120
Cleaners of Vehicles and Equipment	15.21	10.32	47.4%	909
Helpers--Installation, Maintenance, and Repair Workers	17.22	11.86	45.2%	7
Cabinetmakers and Bench Carpenters	19.19	13.37	43.5%	2
Truck Drivers, Light or Delivery Services	18.87	14.47	30.4%	72
Radio Mechanics	24.54	19.17 ^b	28.0%	28
First-Line Supervisors/Managers of Housekeeping and Janitorial Workers	20.33	16.39	24.0%	28
Bridge and Lock Tenders	18.23	14.92 ^a	22.2%	17
Welders, Cutters, Solderers, and Brazers	19.75	16.45	20.1%	290
Industrial Truck and Tractor Operators	17.02	14.25	19.4%	155
Maintenance and Repair Workers, General	19.95	16.80	18.8%	292
Truck Drivers, Heavy and Tractor-Trailer	18.98	16.96	11.9%	59
Hazardous Materials Removal Workers	20.83	18.99	9.7%	3
Mobile Heavy Equipment Mechanics, Except Engines	20.60	19.22	7.2%	125
Bus and Truck Mechanics and Diesel Engine Specialists	20.08	19.50	3.0%	376
Rail Yard Engineers, Dinkey Operators, and Hostlers	19.43	19.24 ^b	1.0%	52
Electricians	23.08	22.94	0.6%	7
Crane and Tower Operators	18.40	18.53	-0.7%	13
Electrical and Electronics Installers and Repairers, Transportation Equipment	21.65	22.57	-4.1%	283
Stationary Engineers and Boiler Operators	22.90	24.28	-5.7%	16
First-Line Supervisors/Managers of Construction Trades and Extraction Workers	25.19	26.93	-6.5%	170
Rail Car Repairers	19.95	21.66	-7.9%	1,697
Rail-Track Laying and Maintenance Equipment Operators	19.02	20.83	-8.7%	765
Signal and Track Switch Repairers	21.57	23.88	-9.7%	606
First-Line Supervisors/Managers of Mechanics, Installers, and Repairers	22.68	26.51	-14.4%	422
Plumbers, Pipefitters, and Steamfitters	19.54	23.31	-16.2%	14
Transportation Inspectors	20.71	26.26	-21.1%	173
Electrical Power-Line Installers and Repairers	20.51	26.87	-23.7%	285
Power Distributors and Dispatchers	24.97	32.90	-24.1%	38
Structural Iron and Steel Workers	19.31	27.88	-30.7%	22
Electrical and Electronics Repairers, Powerhouse, Substation, and Relay	20.11	29.34	-31.5%	74

Source: Amtrak wages and headcount: Amtrak personnel records. Private sector wages: BLS, *National Compensation Survey, Occupational Earnings in the United States*, 2006. Table 4, except as noted.

^aibid., civilian full-time wage, Table 2.

^bBLS, *Occupational Employment Survey*, May 2006.

- Forty-four percent of Amtrak employees are in four occupations that are primarily railroad industry occupations, i.e., the majority of employment in these occupations is in the railroad transportation industry ('Rail yard engineers, dinkey operators, and hostlers,' 'Rail car repairers,' 'Rail-track laying and maintenance equipment operators,' and 'Signal and track switch repairers'). Amtrak employees in these railroad industry occupations on average had an 8.3% wage deficit in 2006. Amtrak employees in all other occupations had a wage premium of 3.0%.

As described in section B.2, the BLS conducts a second survey in addition to the NCS from which data on wages by occupation are published – the Occupational Employment Statistics (OES) survey. If we use data from the OES in May 2006 to calculate the average wage by occupation of workers comparable to Amtrak's PEB union employees (using Amtrak employment shares as weights), we obtain an average wage of \$19.63 – 3.8% lower than the \$20.41 market wage obtained from the NCS data. Based on this OES average wage, Amtrak employees are found to be 1.6% above the wage of comparable employees economy-wide, rather than 2.3% below using NCS data as shown in Exhibit 1. However, as stated in section B.2, the NCS is the preferred measure because it excludes part-time workers and measures the market wage in the private sector of the economy.

Despite the limitations of the OES data for our purposes, they still provide some useful additional insights into the relative wage position of Amtrak's PEB union employees. First, the OES reports average wages by occupation within individual industries. An average wage within the railroad transportation industry in 2006 is reported for most of the occupations in Exhibit 1. Although this narrower basis of comparison is not appropriate from the standpoint of the comparability criterion, for reference purposes I calculated an average wage across the Amtrak

occupations using OES wage rates within the railroad industry where available and economy-wide OES wage rates for occupations for which OES does not report a wage within the railroad transportation industry. The result was an average wage of \$21.61. The average wage of Amtrak's PEB employees in 2006 (\$19.94) is 7.7% below this figure.

C.2. Wage Trends Since 2000

Secondly, the OES data provide a basis for analyzing changes over time in the relative wage position of Amtrak's PEB union employees. OES data have been published based on the latest version of the Standard Occupational Classification since 1999, while the NCS data were published on this basis for the first time in 2006. Therefore, I use the OES data for 1999-2006 to construct a time series measure of the wages of workers comparable to Amtrak's PEB union employees, but I adjust the entire time series to be consistent with the market wage estimate calculated for 2006 from the NCS. The steps in the process are as follows:

- For each year, 1999-2006, calculate a weighted average of OES wages by occupation in the 32 occupational categories in which Amtrak's PEB union employees are classified, using as weights the Amtrak employment shares in each year.
- Adjust this average wage calculated from OES data upward in each year by the difference between the NCS market wage and the OES average wage in 2006 to measure change in the wage for full-time private sector workers over time.
- To estimate the market wage for private sector employees comparable to Amtrak's PEB union employees in 2007, I increased the 2006 value by the average increase in the wages of these occupations between 2006 and 2007 as measured by BLS Employment Cost Indexes as described in section B.2.

The OES occupational data for the fourth quarter of 1999 through May 2006 and the average wage calculated using Amtrak employment weights are shown in appendix Tables A-2 and A-3. Exhibit 2 shows the comparison of the average wage of Amtrak's PEB union employees over the period with the resulting market wage for comparable private sector employees. The hourly wage rates and the wage differential between Amtrak's PEB union employees and comparable private sector workers are given in Exhibit 3.

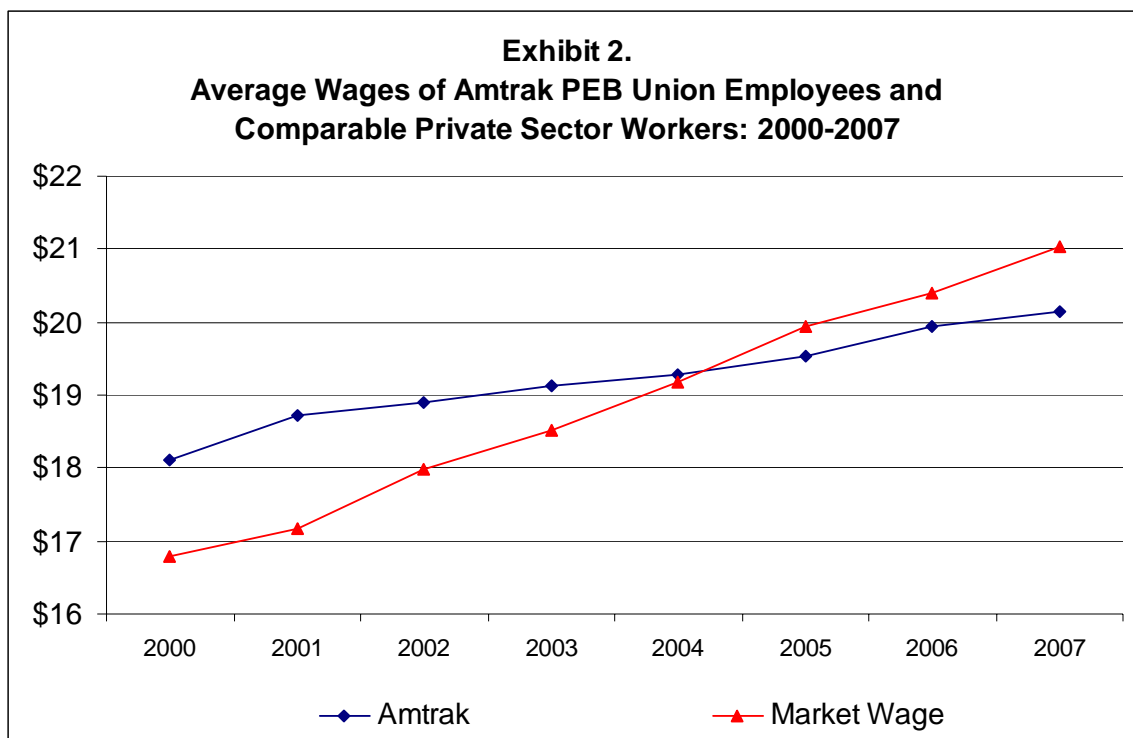


Exhibit 3.
Wage Differential Between Amtrak PEB Union Employees and Comparable Private Sector Workers: 2000-2007

Year	2000	2001	2002	2003	2004	2005	2006	2007
Amtrak Wage	\$18.11	\$18.71	\$18.90	\$19.12	\$19.29	\$19.54	\$19.94	\$20.15
Comparable Private Sector Wage	\$16.80	\$17.16	\$17.98	\$18.51	\$19.17	\$19.94	\$20.41	\$20.98
Amtrak Wage Differential	+7.8%	+9.0%	+5.1%	+3.3%	+0.6%	-2.0%	-2.3%	-4.0%

The principal findings from this time series comparison of Amtrak's wages are as follows:

- The average wage of Amtrak's PEB union employees was 8-9% above the average wage of comparable private sector employees in 2000 and 2001.
- As Amtrak wage increases were limited to COLA roll-ins over the next four years, this wage gap was closed, and the average wage of Amtrak's PEB union employees was roughly at market in 2004.
- In the last three years the average wage of Amtrak's PEB union employees fell further behind the market wage, and Amtrak currently shows a shortfall of 4.0%.

C.3. Amtrak's Wage Proposal

Amtrak's wage proposal calls for an immediate 14.8% average increase to current wage rates, including COLA, and subsequent wage increases of 1.5% on April 1, 2008, 3.5% on July 1, 2008, and 3.5% on July 1, 2009. To analyze the impact of this wage proposal on the relative wage position of Amtrak's PEB union employees, these percentage increases were applied sequentially to the average Amtrak wage in 2007 estimated above (\$20.15). The initial 14.8% wage increase (to \$23.14) is assumed to go into effect on January 1, 2008. Subsequent wage increases raise the average wage to \$23.49 on April 1, 2008 and \$24.31 on July 1, 2008. The average wage for all of 2008 was calculated as a weighted average of these three rates that will be in effect during the year. Average wage rates for 2009 and 2010 were calculated similarly.

Although wage growth in the blue collar occupational groups where Amtrak's PEB union employees are classified has lagged overall wage growth in the economy in recent years, for comparison purposes I project future increases in the average wage of private sector workers in occupations comparable to Amtrak's PEB union employees to grow at the rate currently forecast

by Global Insight's U.S. Economic Service for the overall private sector ECI for wages and salaries – 3.0% in 2008, 2.7% in 2009, and 3.0% in 2010.

The resulting estimates of projected average wages for Amtrak PEB union employees under Amtrak's wage proposal and my forecast of average wages for comparable private sector workers are displayed in Exhibit 4 and Exhibit 5.

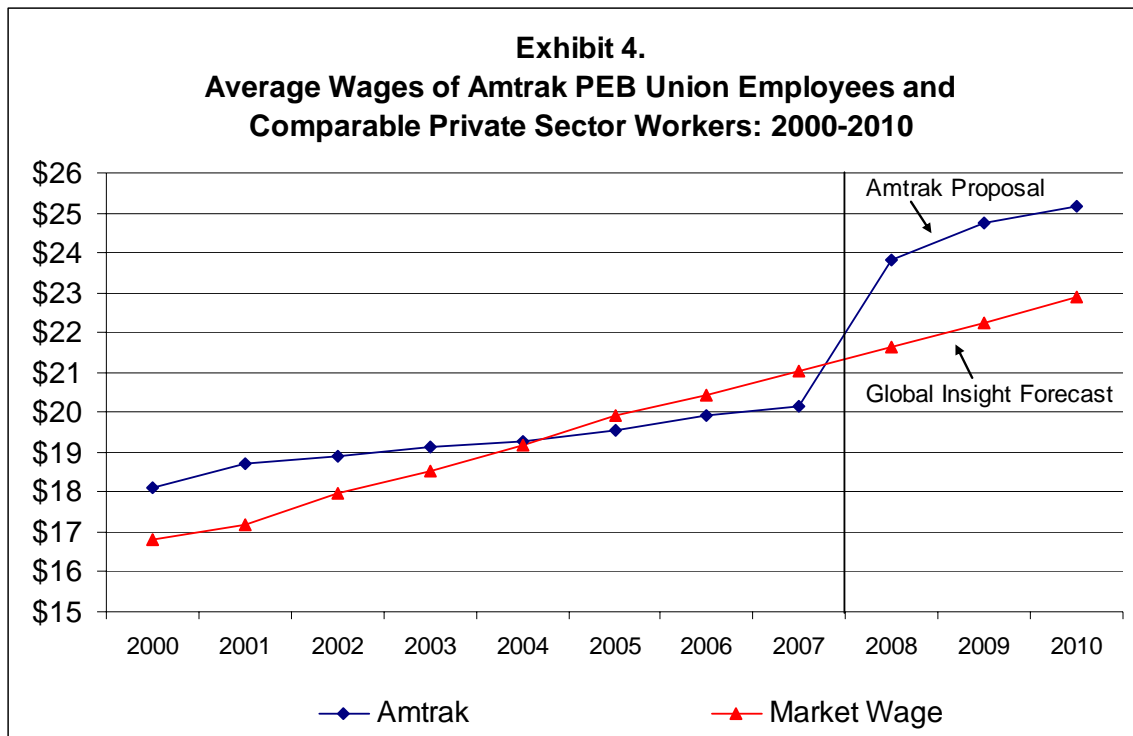


Exhibit 5.
Wage Differential Between Amtrak PEB Union Employees and Comparable Private Sector Workers Projected for 2008-2010

Year	2007	2008	2009	2010
Amtrak Wage	\$20.15	\$23.81	\$24.73	\$25.16
Comparable Private Sector Wage	\$20.98	\$21.61	\$22.19	\$22.86
Amtrak Wage Differential	-4.0%	+10.2%	+11.4%	+10.1%

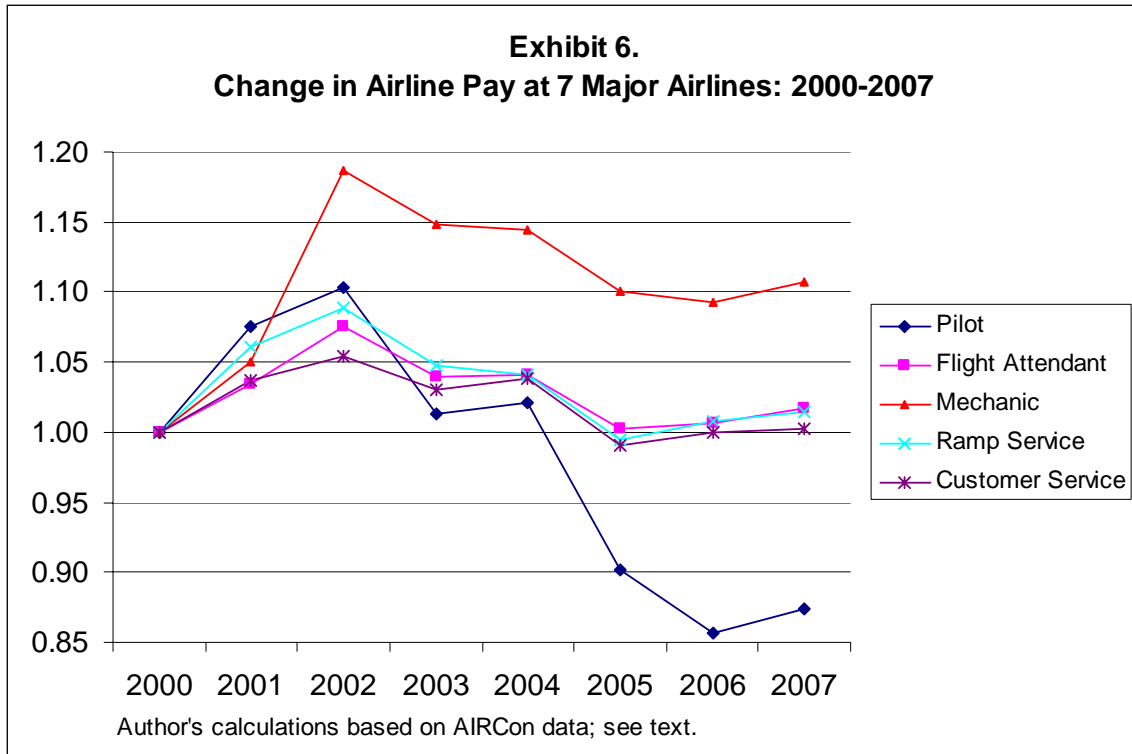
The result of Amtrak's wage proposal will be to increase the average wage of Amtrak's PEB union employees to 10% above the average wage of comparable workers economy-wide and generally maintain this wage advantage over the next two years. Even if wage growth among comparable workers were to accelerate much more sharply than the 2.9% average annual growth projected, the average wage of Amtrak's PEB union employees still would remain above market levels.

C.4. Wage Trends in Airline Passenger Transportation

In past contract settlement proceedings, Amtrak unions have sometimes presented data on wage trends in the airline industry as relevant to setting appropriate wage increases for Amtrak employees. For many years the airline industry served as one of the high-wage "datapoints" that could be proposed as a relevant comparator, because the wage premiums enjoyed by many airline industry crafts were among the highest in the economy. The relevance of the airline comparison at this juncture is what the industry's recent experience tells us about the importance of competitive wages for firms operating in a competitive product market.

Strong competition from new low-cost entrants into the airline industry, in conjunction with falling passenger volume in the aftermath of the 911 disaster, put great downward pressure on the revenue of the legacy carriers just as wages were accelerating due to large contract settlements at the turn of the decade. Labor costs could be brought into line with revenue potential only through a painful period of restructuring, involving bankruptcy proceedings for several major airlines. Amtrak faces its own version of disconnect between revenue and costs – requiring an annual subsidy in excess of \$1 billion in order to continue operations and resulting governmental pressure to seek efficiencies in its operation.

After continuing their rise through 2002, the average wages of employees of the major airlines began a steady decline that lasted for 3-4 years, as one airline after another entered (or reentered) the restructuring process. Exhibit 6 illustrates these airline wage trends. This chart is based on airline industry pay data maintained by the Airline Industrial Relations Conference. For each of the five employee groups shown, an average of the top-of-scale wage rate for the seven major airlines (American, Continental, Delta, Northwest, Southwest, United, and US Airways) was calculated using employment weights. For pilots and flight attendants, the calculation is standardized on a 75-hour month. The pilot calculation is based on the pay rate for a captain of the primary type of aircraft in use at each airline. The time series of hourly or monthly pay rates for each employee group was then converted to an index with 2000 set to 1.0.



Pilots suffered the steepest cuts in wages. In 2006 pilot pay was 14% below the 2000 level and 22% lower than the peak in 2002. Mechanics got sharp pay increases through 2002 and experienced smaller wage cuts (this comparison excludes license, line and longevity pay, which are substantial for mechanics, and thus may understate the wage decline). Yet mechanic wages in 2007 were still only 10% above their level in 2000. Other airline employee groups experienced wage cuts over three years of 6-9%, and their current pay rates show almost no net increase compared to 2000 levels. This analysis does not include the reductions in pension and other benefits experienced by airline employees during this period.

D. ANALYSIS OF BENEFITS AND TOTAL COMPENSATION

My analysis of the nonwage benefits of Amtrak's PEB union employees focuses on the cost of providing these benefits rather than on the features of the benefit plans. I compare the cost of benefits of Amtrak's workers with the average cost of benefits of comparable full-time private sector workers. As described in section B.3, Amtrak provided data on the cost of three major categories of benefits for their PEB union employees in 2007 as well as information on the share of paid leave hours in total hours paid in 2007. These data were used to calculate Amtrak's benefit costs on a cost per hour worked basis, consistent with the way benefit costs are reported by the BLS in the Employer Costs for Employee Compensation (ECEC) database.

In section C.2, I estimated the average wage of private sector workers comparable to Amtrak's PEB union employees in 2007 as \$20.98. The average cost of benefits for a full-time private sector worker earning \$20.98 was estimated using ECEC data from June 2007 for the benefit costs of workers in the occupations where Amtrak's PEB union employees are classified. The benefit cost data for four broad occupational categories were averaged, using as weights the shares of Amtrak's PEB employees in the four categories. The cost of benefits in each of the

three benefit categories (paid leave, insurance, and retirement/Social Security) was then estimated by applying the corresponding 'benefit cost'/wage ratio to the \$20.98 wage rate of workers comparable to Amtrak's employees.

**Exhibit 7.
Total Compensation of Amtrak PEB Union Employees and
Comparable Private Sector Workers: 2007**

	Amtrak	Comparable Private Sector Workers	Amtrak Difference
Total Compensation	\$34.26	\$28.76	19%
Wages and Salaries	\$20.15	\$20.98	-4%
Total Benefits	\$14.11	\$7.78	81%
Paid Leave	\$2.30	\$1.93	19%
Health and Other Insurance	\$7.07	\$2.71	161%
Retirement Plans and Social Security	\$4.75	\$3.14	51%

The results of this calculation are presented in Exhibit 7. Principal findings of this analysis are as follows:

- While the current average wage of Amtrak's PEB union employees is 4% below the wage of comparable private sector workers, the total compensation of Amtrak employees is 19% higher than comparable workers.
- Amtrak's PEB union employees have a benefits premium of 81%, and they have greater benefits than comparable private sector workers in all three benefit categories.
- Amtrak's PEB employees have an especially large benefits premium for health, life and other insurance, where they have a very rich benefit plan with zero employee contribution, in sharp contrast to comparable workers across the private sector.

E. QUIT RATES

If Amtrak's PEB union employees have a compensation premium, as my analysis indicates, then voluntary quits should be relatively low. Thus, the quit rate provides confirming evidence as to the existence of a compensation premium. Exhibit 8 compares the quit rate of Amtrak workers with the quit rate in the economy as a whole and in the transportation sector. The quit rate is the percentage of workers who voluntarily quit their jobs over some time period, measured at an annual rate (retirements are not counted as voluntary quits). Here I present figures for Amtrak's PEB union employees annually for 2000-2007.

Exhibit 8.
Quit Rates of Amtrak PEB Union Employees and
Economy-wide Quit Rates: 2001-2007

	2001	2002	2003	2004	2005	2006	2007*
Amtrak	2.3%	2.1%	2.2%	2.7%	2.6%	3.0%	2.8%
Total Private Sector	26.3%	23.2%	21.6%	24.0%	26.1%	26.7%	26.5%
Transportation, Warehousing and Utilities Industry	18.7%	15.7%	13.9%	16.0%	18.4%	19.4%	17.6%

*Annualized rate based on data for January-September 2007.

Source: Amtrak: Personnel records. Private Sector and transportation industry: BLS, Job Openings and Labor Turnover survey at <http://data.bls.gov/PDQ/outside.jsp?survey=jt>

The quit rate data support the conclusion that there exists a compensation premium for Amtrak's PEB union employees. Amtrak employee quit rates are very low, averaging 2-3% per year over the entire period analyzed. Effectively, Amtrak workers rarely quit their jobs. In the overall private sector the quit rate has averaged 26-27% in recent years. In the transportation, warehousing and utilities industry, the quit rate has ranged from 14-19%, still much higher than at Amtrak. These differentials in quit rates are supportive of the conclusion that a compensation premium exists among Amtrak's union employees.

F. SUMMARY AND CONCLUSIONS

In this report I have analyzed the current wages, benefits and total compensation of Amtrak employees represented by nine union groups that are the subject of this Presidential Emergency Board. My principal findings and conclusions are as follows:

PRIOR TO AMTRAK'S PROPOSED WAGE INCREASES:

- The average wage of Amtrak's PEB union employees was 8-9% above the average wage of comparable private sector employees in 2000-2001, but this wage advantage narrowed over the next four years, and the Amtrak average wage was roughly at market in 2004.
- Since 2005, the average wage of Amtrak's PEB union employees has been slightly below the average wage of comparable workers economy-wide, and in 2007 it was 4.0% lower.
- Taking into account three major categories of non-wage benefits, Amtrak's PEB union employees currently have a benefits premium of 81% relative to comparable private sector workers.
- Amtrak's PEB union employees currently have a total compensation premium of 19% relative to comparable private sector workers.
- The finding that Amtrak's PEB union employees have a total compensation premium is supported by the very low quit rates of Amtrak employees, which have averaged only 2%-3% per year.

SUBSEQUENT TO AMTRAK'S PROPOSED WAGE INCREASES:

- Amtrak's wage proposal will increase the average wage of their PEB union employees to a rate 10% above that of comparable employees in the private sector, and subsequent wage increases will maintain this wage advantage for Amtrak employees over the life of the contract.

- Following the implementation of the wage increases Amtrak has proposed, Amtrak should be able to continue to attract and retain a highly qualified workforce.

Appendix Table A-2. OES Average Hourly Wages by Occupation

	Q4 1999	Q4 2000	Q4 2001	Q4 2002	May 2003	May 2004	May 2005	May 2006
First-Line Supervisors/Managers of Housekeeping/Janitorial Workers	11.67	13.38	14.18	14.63	14.90	15.32	15.66	16.16
Dispatchers, Except Police, Fire, and Ambulance	14.14	14.62	15.55	15.70	15.80	16.01	16.15	16.56
First-Line Supervisors/Managers of Constr Trades & Extraction Workers	21.98	22.95	23.77	24.50	25.06	25.95	26.79	27.64
Electricians	20.28	20.29	20.75	21.11	21.20	21.58	21.94	22.41
Plumbers, Pipefitters, and Steamfitters	18.63	19.31	19.78	20.49	20.89	21.21	21.56	22.03
Structural Iron and Steel Workers	18.16	18.82	19.55	20.37	20.49	21.30	20.93	21.13
Hazardous Materials Removal Workers	15.22	15.21	16.59	17.12	17.30	17.54	17.90	18.43
Rail-Track Laying and Maintenance Equipment Operators	17.81	14.84	16.40	16.75	16.91	17.96	18.81	19.06
First-Line Supervisors/Managers of Mechanics, Installers, and Repairers	21.65	22.39	23.32	24.05	24.53	25.34	26.15	26.98
Radio Mechanics	16.33	16.73	17.36	18.37	18.80	18.30	18.78	19.17
Electric Motor, Power Tool, and Related Repairers	14.81	16.38	15.85	16.36	16.19	16.11	16.77	16.74
Electrical & Electronics Installers & Repairers, Transportation Equipment	15.54	17.16	18.20	18.56	18.91	19.46	20.20	20.98
Electrical and Electronics Repairers, Powerhouse, Substation, and Relay	21.87	22.35	23.30	24.02	24.28	25.51	26.26	27.34
Bus and Truck Mechanics and Diesel Engine Specialists	15.29	15.97	16.62	17.01	17.27	17.66	17.96	18.48
Mobile Heavy Equipment Mechanics, Except Engines	16.24	16.73	17.26	17.69	18.07	18.68	19.32	19.90
Rail Car Repairers	17.83	15.85	17.90	18.35	18.52	19.01	20.32	20.68
Maintenance and Repair Workers, General	12.95	14.14	14.54	14.91	15.05	15.41	15.70	16.11
Electrical Power-Line Installers and Repairers	20.91	21.39	22.04	22.68	22.82	22.91	23.65	23.99
Signal and Track Switch Repairers	19.90	18.94	20.61	20.98	21.32	21.73	23.25	23.98
Helpers--Installation, Maintenance, and Repair Workers	10.03	10.88	11.16	11.33	11.25	11.18	11.17	11.64
Welders, Cutters, Solderers, and Brazers	13.40	13.98	14.55	14.82	15.06	15.41	15.52	15.81
Cabinetmakers and Bench Carpenters	11.20	11.60	12.08	12.32	12.56	12.90	13.29	13.83
Power Distributors and Dispatchers	22.89	23.65	25.33	26.08	26.73	28.03	28.61	30.12
Stationary Engineers and Boiler Operators	18.78	19.94	20.43	21.26	21.32	21.66	21.94	22.59
Truck Drivers, Heavy and Tractor-Trailer	15.34	15.78	16.20	16.52	16.51	16.63	17.05	17.46
Truck Drivers, Light or Delivery Services	11.31	11.84	12.32	12.65	12.76	12.88	12.99	13.23
Rail Yard Engineers, Dinkey Operators, and Hostlers	17.43	19.22	19.29	19.52	19.30	18.41	18.99	19.24
Bridge and Lock Tenders	13.46	14.60	14.81	15.17	16.93	17.05	17.44	17.27
Transportation Inspectors	20.66	21.25	22.37	23.06	23.67	24.89	25.59	26.62
Crane and Tower Operators	16.21	16.99	17.68	18.42	18.73	18.81	19.65	19.93
Industrial Truck and Tractor Operators	12.33	12.54	13.00	13.34	13.46	13.57	13.86	13.99
Cleaners of Vehicles and Equipment	8.00	8.36	8.78	9.05	9.15	9.33	9.48	9.68

BLS, Occupational Employment Statistics at <http://www.bls.gov/oes/home.htm>.

Appendix Table A-3. Calculation of Market Wage for Workers Comparable to Amtrak's PEB Union Employees

	Q4 1999	Q4 2000	Q4 2001	Q4 2002	May 2003	May 2004	May 2005	May 2006
Average of All Occupations in Table A-2 ^a	16.38	15.93	17.08	17.51	17.81	18.44	19.18	19.63
		2000	2001	2002	2003	2004	2005	2006
May Average Wage for All Years ^b		16.16	16.51	17.30	17.81	18.44	19.18	19.63
Increased by 4.0% to be Consistent with 2006 NCS Average Wage		16.80	17.16	17.98	18.51	19.17	19.94	20.41

^aWeighted average using occupational employment shares of Amtrak PEB union employees in each year as weights.

^bValues for 2000-2002 calculated as average of Q4 of current and previous year.