

BEFORE PRESIDENTIAL EMERGENCY BOARD NO. 242

**STATEMENT OF ALEX KUMMANT
AMTRAK PRESIDENT AND CEO**

Good morning, Mister Chairman.

My name is Alex Kummant, and I am the President and Chief Executive Officer of the National Rail Passenger Corporation, or “Amtrak,” as it is familiarly known to millions of Americans. Amtrak is, as you have today heard and no doubt knew, is a federally-owned corporation and the nation’s leading provider of intercity passenger rail service in the United States. The corporate officers who have preceded me have done a great job of describing the company’s finances, its operations, and the history and state of its labor relations. I hope to explain how our positions and our plans fit into the larger picture of our corporate strategy and our vision for Amtrak’s growth and development.

All of the parties need a labor settlement. It must be a durable agreement, one that establishes an equitable solution. It will likely set a pattern for the 60% plus of Amtrak employees who are not represented in these proceedings. Because Amtrak is the only Federally-controlled and funded entity that’s subject to the Railway Labor Act, its fit with existing freight settlement patterns is imperfect. But Amtrak is offering a fair and reasonable proposal for settlement. We wish to increase our employees’ compensation – substantially – and at the same time to reform and improve our business processes, and above all else, to get on with the business of running our railroad.

This PEB has an opportunity to help us arrive at a solution. It can do this most effectively by sorting out those issues that can be solved by the two sides, with their own resources within the context of the PEB process, from those that will require political

intervention. Almost all of the substantive issues that the two sides have raised in negotiations fall into the former category; the demand for back pay falls into the latter.

Mr. Chairman, Amtrak cannot afford to meet the demands for back pay that it currently faces. In the past year, I have worked with our Board of Directors to produce the offer that we recently made to the Brotherhood of Locomotive Engineers and Trainmen. We proposed raising wages some 30 % , and we added a signing bonus for \$4,500. This was a good offer, and one that we hope will become the basis of a settlement. But it was more than just a good offer; it was the best we could afford. We offered it in the hope that it would convince the union leadership and the rank and file, and it was, in a financial sense, the very best we could do. Mr. Campbell has testified already about the state of our finances. I think his authoritative statement explains our financial state and predicts the consequences of an unaffordable settlement with great clarity, and I hope you will weigh it carefully.

Our goals in this process are simple. We want to give our employees a fair economic settlement, including a large wage increase. We are seeking help in the containment of health care costs. But we also must improve efficiencies and capabilities to perform work through changes in work rules

Amtrak is an unusual business existing at the intersection of private enterprise and public policy. Its culture, its organization, its physical plant and even some of its equipment is an inheritance, bequeathed to the company by the private freight railroads that preceded it. Like a federal agency it is dependent upon the annual Congressional appropriations process for both capital needs and operational funding.

Amtrak's capital needs are worth special mention. During the last few years before the 2002 intervention, the railroad was allowed to run down because there wasn't enough funding to maintain it. We have been working hard ever since at making up for the time and the money we lost. I credit my predecessor, David Gunn, for his efforts to return the property to a state of good repair, and we are all beneficiaries of his vision and his undoubted determination to run this railroad well.

But state of good repair is more than just repair and maintenance of existing assets. It is the replacement of assets that have passed their life cycle, and Amtrak has no shortage of those. The time is fast approaching when we will need to replace most of the electric locomotives that power our Northeast Corridor service, and we are still running baggage cars and diners that were outshopped when Harry Truman occupied the White House. The Amfleet cars that entered service in the 1970s will soon need to be replaced, too - and that's just equipment we need to keep our existing service going. Our fleet is barely large enough for our current needs, our engines and cars are the railroad industry leaders in annual mileage - and demand on our existing routes continues to grow.

Our infrastructure needs investment as well. The Northeast Corridor is not *one of* the busiest lines in the country - it is *the* busiest line in the country, and one of the busiest in the world. It is a good piece of railroad, but it was built a century ago, and that infrastructure requires continuous maintenance, and expensive investment.

To meet these funding challenges, Amtrak is going to have to expand. We're going to have to expand service on our existing routes to accommodate demand, and we're going to have to use the capacity that exists in our company to do it. The real

opportunity for Amtrak is corridor service. Our existing corridor services are booming, and the evidence seems to suggest that there's a real, untapped market out there for fast, frequent train service between large urban areas over shorter distances - say fewer than 350 miles. Some of these areas we serve now; some we would like to serve, and some would like us to serve them. State governments are very interested in corridor service, but we can't make it appealing if we can't make it affordable.

The most tangible manifestation of our position at that intersection I mentioned earlier is funding. Amtrak is dependent on the legislative process for funding, and it will remain so for the foreseeable future. That the company will continue to receive Federal support is thankfully not currently an issue: the issue is the scale and scope of that support, and that issue will be decided by the ongoing public dialogue on the company's funding. Amtrak's friends have not been shy about pointing out the economic and social trends that highlight our relevance: rising fuel costs, airport and highway congestion, and security issues. They're also not shy about pointing out that money is tight; even our political supporters are united in urging us to keep costs down. We compete with an arena full of contenders for Federal funding. Many of them are represented by strong lobbies, and there is simply not enough money in the budget to satisfy everyone. We ask for what we can, but we don't get it – not because our allies are unwilling, but because legislative competition for funding is so fierce.

Those trends highlight more than our relevance: they illustrate a tremendous opportunity. The revenues we envision – and indeed, those we are now drawing – will support the raises we are budgeting. But it's going to be, as Wellington said, “the nearest run thing you ever saw in your life”. Amtrak will have to make *every single one* of its

revenue projections in Fiscal Year 2008 - projections, remember, that are extrapolations from the single best year we have ever had – to afford the pay raises we offered in the BLET agreement.

The Congress has taken some tentative steps toward a multi-year funding process, although they are by no means certain. In the end, though, the best guarantor of jobs and salaries is not Congress: it is a prosperous, growing Amtrak that is capable of meeting its own payroll and providing opportunities to its employees. If we can get the work rules that will allow us to grow efficiently, I think we can take advantage of the favorable economic climate to expand service and provide greater opportunities for our current workforce.

Amtrak's unique nature prevents simple comparison with freight or commuter rail practices, and there must be benchmarks to guide the continuing negotiations, so that we don't find ourselves confronting another Emergency Board in a more or less short period of time. We want a settlement that's fair, that's widely agreed to be fair, that will allow us to get on with business and that will set a pattern and guide our expectations of future negotiations. We also need to achieve meaningful reform of the way that we do business, so that the company can achieve some useful efficiencies and so that it can grow its business while investing in much-needed capital improvements.

With those comments in mind, I would say that Amtrak hopes to obtain a settlement that's fair to all of the involved parties, and that establishes a just and affordable pattern of wage raises and cost distribution. We feel that the agreement we arrived at in 2007 with the BLET provides an example of such a settlement, and we hope that the Board will agree. It certainly provides an indication of the upper bound of our

ability to address the outstanding demand for back pay, and we hope that the PEB will address this issue, if it decides to, by recommending that the union leadership take this request to the United States Congress. Amtrak cannot afford a larger settlement, and the consequences of an attempt to fit it within the company's budget are serious.

On behalf of Amtrak, I wish to thank you for the opportunity to testify today, and thank you for your service on this board during this busy holiday season. I hope that the evidence our officers have presented depicts the company that I have tried to describe. It is a company staffed by thousands of dedicated employees, who have chosen this work in part because they believe that the passenger train has a great future in America. With some hard work, and some changes in the way we do business, we should be able both to reward their dedication and perseverance, and to build on the efforts of those who have come before us. We all labor under a unique set of circumstances, but the dedication of our employees is exemplary, and I hope that at the end of this proceeding we will be able to shake hands, walk out of the room, and return to the vital business of railroading secure in the knowledge that we have arrived at an agreement that bolsters the company, provides for its employees, and secures both a solid place in the economic future of our country.

Thank you very much for your willingness to address these issues and help the parties work towards a settlement.

I am now prepared to answer any questions you might have.



Alex Kummant

President and Chief Executive Officer
National Railroad Passenger Corporation (Amtrak)

Alex Kummant has served as President and CEO of Amtrak since September 2006, appointed by the railroad's Board of Directors.

The veteran railroad and industrial executive is responsible for a business in excess of \$3 billion in annual revenues, more than \$9 billion in assets and 19,000 employees.

The nation's sole intercity passenger railroad, Amtrak was established by an act of Congress in 1970 and serves an average of about 70,000 passengers daily in more than 500 communities across 46 states on nearly 300 daily trains.

Immediately prior to coming to Amtrak, Kummant was Vice President and General Manager of the Controls Americas division of Invensys Controls, a manufacturer of components, systems and services used for temperature management, safety, water heating, food equipment and other appliances. In 2005, Kummant was Executive Vice President and Chief Marketing Officer at Komatsu America Corporation, a heavy equipment maker for mining and excavation. In 2004, he served as President of BOMAG, a manufacturer of heavy equipment for road construction.

From 1999 to 2003, Kummant held several executive positions with the Union Pacific Railroad, the nation's largest freight railroad, and drove improved customer service, on-time delivery of client products, and significant gains in performance of individual business and operating units. As a Regional Vice President in 2002-2003, he led 6,000 transportation, engineering, construction, mechanical, and other employees supporting an 8,000-mile rail network. Kummant was Vice President of Premium Operations in 2001-2002, overseeing the intermodal and automotive distribution network. Kummant's first post at Union Pacific was Vice President and General Manager responsible for the carrier's Industrial Products business.



Kummant was President of the Lightnin and Filtran divisions of SPX Corporation in 1998-1999, after serving as President of SWECO Division of Emerson Electric from 1996 to 1998. He held several other posts at Emerson, after starting in 1992 as a strategic planner.

He began his professional career as an engineer for Standard Oil Company in 1982, moved to the Carnegie Group Inc. in 1986 and was a Senior Analyst in the Steel Business Unit at The Timken Co. from 1990 to 1992.

A native of Ohio, Kummant holds a B.S. degree in mechanical engineering from Case Western Reserve University (1982), a Master's degree in manufacturing engineering from Carnegie Mellon University (1986) and a Masters in Business Administration from Stanford University (1990).

His first railroad job came at age 18 for the Lake Terminal Railroad at the U.S. Steel Lorain Works in Lorain, Ohio, working on a track crew.

Kummant, 46, is married to Kathleen Regan Kummant, a former senior executive with the Santa Fe and BNSF railways.