**Statement of Stephen J. Bruno**
**Vice President, Brotherhood of Locomotive Engineers and Trainmen**
**Before the Senate Committee on Commerce, Science and Transportation**
**Hearing on**
**Transportation Infrastructure Funding**
**July 20, 2011**

Good morning, Chairman Rockefeller, Ranking Member Hutchison and members of the Committee. My name is Stephen Bruno and I am a Vice President of the Brotherhood of Locomotive Engineers and Trainmen, which is a Division of the Teamsters Rail Conference.

I am here today to provide you with our perspective regarding infrastructure financing, and particularly using federal funding to leverage private investment in public infrastructure.

I would first like to take the opportunity to compliment the Chairman on his legislation, S. 936, which would finance large scale projects of state, regional or national scope. We especially applaud the provision that grants increased flexibility to states for the types of projects they may fund with their Federal Highway Administration Surface Transportation program funds, by adding passenger and freight rail projects to the list of eligible projects.

At the same time, I would also like to encourage the Chairman to complete the labor protections of working men and women to include compliance with other laws that that Davis-Bacon does not cover. Projects initiated pursuant to this legislation must be deemed railroad projects so that upon completion the operating entity clearly understands their legal responsibility to comply with provisions of the Railway Labor Act, Railroad Retirement Act, and other statutes covering railroad workers.

Everyone acknowledges that our nation's infrastructure is in dire need of repair and expansion. The safety of the traveling public and the jobs created by funding the expansion and maintenance of our infrastructure, and from the resulting revenue created by increasing employment and productivity are a win-win for every entity affected or involved and for the nation as a whole.

Our rail corridors are clogged and our highways are even more congested. Time is money, sitting in traffic is wasteful and these delays unjustifiably increase the cost of moving goods throughout our country. This cost is an increasing burden to the shippers and carriers and is passed along to the consumer. Our truck drivers are more stressed than ever, having to make split second decisions to avoid collisions because of the traffic volume. Nearly half of the bridges in the United States are more than 40 years old, and one of every four bridges in the U.S. is structurally deficient or functionally obsolete, as we were reminded when 13 people were killed and 145 were injured in the tragic 2007 bridge collapse in Minnesota. (National Bridge Inventory 2008, Federal Highway Administration).

We are way behind our global competitors in investing in our infrastructure. Our transportation network is crumbling while countries like China spend hundreds of billions of dollars to improve their infrastructure and reduce the transportation cost for their goods. According to the Economist, total public spending on transport and water infrastructure in the U.S. now stands at 2.4% of GDP. Europe, by contrast, invests 5% of GDP in its infrastructure, while China invests 9% ("Life in the Slow Lane", The Economist, April 28, 2011.) If we are to remain competitive in the global marketplace, then we have to make a commitment to invest in our ports, rail and highway network.

The economic benefits of infrastructure spending are indisputable. Countless studies have shown that investment in infrastructure delivers jobs and economic growth, as many statistics amply prove. At the present time:

- According to the U.S. Department of Transportation, roughly 47,000 jobs are supported for one year by each billion dollars of annual spending on public transportation.

- U.S. companies and individuals derive over $788 billion a year in direct economic benefits from using highways and public transportation to conduct business and commute to and from work.

- Businesses gain $314.7 billion a year in economic benefits from their use of the nation's surface transportation system, mainly through lower costs and higher productivity.

- Individual Americans obtain $473.7 billion in direct economic benefits from their use of highways and public transportation, in the time they save commuting to work and the additional income they can earn by working further from home.

Increased investment in highways and public transportation systems would increase the benefits derived by both businesses and individuals (APTA, *Healthy Returns: The Economic Impact of Public Investment in Surface Transportation*, March 2005).

America badly needs an economic boost, as unemployment stubbornly remains near record levels, while private investment dollars sit idle on the sidelines. Infrastructure financing and investment is a proven job creator and economic stimulator and it is an investment in the future of America. The jobs directly created through rail infrastructure investment – employing those who build, maintain and utilize the infrastructure, such as the men and women the Teamsters Rail Conference represents – are exactly the types of jobs this country desperately needs. They pay a living wage, have good health benefits and provide the security that comes from representation by a labor organization. And just as importantly, infrastructure jobs cannot be outsourced and the Americans who secure these jobs cannot have their middle class wages and benefits cut out from under them unless other Americans allow it to happen which is why the types of labor protections we urged above are vital to the long term success of this nation.

The political climate of this country has shifted the debate over financing such projects from the public sector to the private sector, while ignoring the evolution of the private sector corporations into multi-national entities who are responsible to their shareholders and not the American people. Cash-strapped states and localities can barely meet their current transportation needs, much less address those of the future. Given these challenges, we do believe there is a role for private capital in infrastructure financing to bridge that gap, but we also believe that strong conditions must be attached.

First and foremost, private funding must be used to supplement, not replace, the current sources of funds. Moreover, Americans – including labor – must continue to have the same protections they are entitled to and have fought so hard to acquire.

Certain questions must be answered before private funding sources are allowed, including: Who maintains control of the infrastructure? What are long-term costs to government? Who is liable if private entities encounter financial difficulty, or withdraw when the rate of return is lower than expected? There are numerous examples of rail projects around the world, in which for-profit entities often fail to maintain the same level of service or encounter financial difficulties, and leave the government and the taxpayers holding the proverbial bag for the costs of the project. A similar outcome here would be unacceptable. The leaders of our country must recognize that some projects are never going to produce a profit. Bridges, highways and public transportation facilities are intended to provide for the public good -- not corporate profit. Now is the time to place the American citizens' interests as the primary purpose of legislation not corporate enticements. The people of the United States should be the primary beneficiaries of this legislation, not corporate shareholders.

For this reason, cost-benefit analytics cannot be the only determinant for new starts or improvement projects; safety and other public benefits must also be weighed. Frankly, we are concerned that when private investment is the exclusive source – or even a predominant source – of financing, profitability will become the reason for decision making. Inevitably, safety will be compromised, with the end result being that important safety improvements or projects could be deferred due to lack of profitability. Similarly, projects with the highest profitability will be pursued, while other more vital, but less profitable, projects – such as those that service poor or rural communities – languish. You cannot allow this to happen.

Additionally, while the jobs created by infrastructure development and funding cannot be off-shored, the profits could be sent overseas if significant foreign investment is allowed. Accordingly, Buy America protocols, currently in use in infrastructure projects, must be maintained. The federal funds contributed by American taxpayers that leverage private investment should be used for the good of the American public, and circulate in the American economy; they should not be sent overseas.

We believe there is a right way and a wrong way to privately finance infrastructure, and while examples of both abound, I am going to use the circumstances of one piece of infrastructure that I am very familiar with to illustrate this – Amtrak's Northeast Corridor. As you know, Amtrak was founded 40 years ago when the freight railroads won a 15-year battle to cut and run from their common carrier obligation to operate unprofitable passenger service. At that time, Congress acknowledged the need to continue running passenger rail as a public service and created the private entity that is the National Passenger Rail Corporation.

One of the assets this creation brought to the company was the Northeast Corridor, which is one of the few pieces of infrastructure solely owned by Amtrak. Amtrak makes an operating profit in the Northeast Corridor; that profit offsets operating losses on Amtrak's other routes and acts to reduce the federal subsidy required for off-Corridor operations. Amtrak also uses those revenues to help finance and maintain its rolling stock, as well as more than 500 stations, mechanical and equipment shops, and other facilities it owns or operates in 46 states. The Northeast Corridor is also the backbone of several commuter agencies that provide service to millions of American citizens weekly. It is easily Amtrak's most valuable asset, and one of the most valuable pieces of real estate in the nation. As such, it has attracted the attention of both members of Congress and investors who are now salivating over its profit potential. Once privatized, those profits will never be reinvested in other less profitable routes or facilities to the detriment of America.

The Northeast Corridor also represents one of the best opportunities for the development of true high speed rail in this country. To accomplish this goal, Amtrak has created an in-depth business plan that will maximize the opportunity for private investment to finance the construction of infrastructure and the acquisition of equipment required to provide the next generation of high speed rail (220 m.p.h.) in this country. And the railroad is going about this process in the right way – a way that will not be detrimental to the public or its workers by maintaining the spirit of public service that was the reason behind the founding of Amtrak.

In April, Amtrak issued a request for proposals for an implementable business and financial plan. Amtrak will be the primary developer and operator of the system, and will identify and develop both public and private funding to reach its goals. This plan, part of the long term vision for high speed rail in the Northeast Corridor has been fully vetted, peer reviewed and properly balances private capital investments with public benefits.

Conversely, the proposal for the Northeast Corridor recently unveiled by Representatives Mica and Shuster is severely out of balance -- placing corporate profits ahead of the public's interest. The proposal would transfer Amtrak's crown jewel – the Northeast Corridor – to the Department of Transportation and a new Northeast Corridor Executive Committee. After transferring Amtrak's assets to their corporate friends, the proposal leaves Amtrak with all its current debts and liabilities. Their proposal allows corporate locusts to swarm in, acquire and leverage the profitable assets and leave a rotting husk.

Under that scenario, Amtrak would have to discontinue services to many Americans and could not continue operating across the United States. The proposal would also take the rest of Amtrak – its long-distance and state-supported routes, which are operated on private, freight rail lines – and bid it out to the private sector who long ago determined it's not profitable – delivering a death knell to Amtrak. Let me be clear, the Mica/Shuster proposal is a plan designed to put America's national railroad out of existence.

In addition to the impact on the public, the consequences to the workers from the Mica/Schuster corporate scheme are horrendous. While its sponsors have repeatedly claimed the proposal would protect Amtrak workers and maintain current labor standards, the truth is far different. Basic rights and protections that cover current Amtrak workers would be eliminated or significantly curtailed once the conversion to private operation of Amtrak's Northeast Corridor or off-corridor services occurs. Additionally, because the bill dictates that the private entities providing rail service are considered rail carriers "only for purposes of title 49, United States Code," other important laws and protections that cover rail workers would be inapplicable and unenforceable because they are not in Title 49 but elsewhere in the law. Private providers of passenger rail service, unlike Amtrak and freight railroads, would not be covered by the Railroad Retirement Act, the Railroad Unemployment Insurance Act, the Railway Labor Act and numerous other statutes that apply to all rail carriers and their employees under the Mica/Shuster proposal.

This proposal starkly contrasts with Amtrak's plans, and is a model for what **<u>not</u>** to do when planning public/private partnerships. Not only is the travelling public jeopardized by the Mica/Shuster legislation, but it would cause 20,000 additional workers to go onto our nation's unemployment rolls at a time when infrastructure investment should create jobs – not eliminate them. It also would jeopardize the future viability of the Railroad Retirement system.

In closing, I want to reiterate that we believe infrastructure investment is an invaluable means of economic development, and that there is a role for private investment. However, the infusion of private funds must be done in a way that minimizes impact on taxpayers, the public good and railroad workers. We must always remember that **<u>public</u>** transportation – whether ports, roads or railroads – is just that: a service to the **<u>public</u>**, whose interests must remain foremost.

Thank you again for the opportunity to appear before you and I will be happy to answer any questions you may have.