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**Testimony of Robert C. Baugh
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Subcommittee on Railroads, Pipelines, & Hazardous Materials
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Chairwoman Brown and Ranking Member Shuster, on behalf of the 10 million members of the AFL-CIO and the affiliates of the Industrial Union Council, I want to thank you and the members of the Subcommittee on Railroads, Pipelines, & Hazardous Materials for the opportunity to testify this afternoon on this important subject.

Addressing global climate change, protecting our environment and achieving energy independence are critical to the economic, environmental and security interests of the United States. America must lead a technological revolution in the way energy is generated and used with massive investments in new labor-enhancing technologies and energy efficiency. High speed rail is one of those revolutionary technologies that this nation needs but one in which we lag behind much of the world.

With high speed rail the nation stands at the crossroads of opportunity for domestic investments in innovation, new technology and energy efficiency that will save jobs, create new jobs and new industries and revitalize American manufacturing. Our transportation system can serve to reduce greenhouse gas emissions. Public transportation and high speed rail offer an excellent opportunity to move people and goods more efficiently while promoting good jobs. But, while we can be certain that the rail lines will be built here there is no guarantee that they and all the related technology will be made here. What is needed is a new industrial policy — an environmental economic development policy — to guarantee that these investments are made in the United States and that they result in good sustainable union jobs here at home.

The Current Situation in Manufacturing

In the current recession the nation has lost jobs for more than 21 straight months. We have an official unemployment rate of nearly 10% that most economists acknowledge is actually closer to 15%. The nearly 2 million manufacturing jobs lost in this period only adds to the devastation of the years prior to this downturn. Since 2001 the nation has

witnessed the closure of 40,000 manufacturing facilities and the loss of more than 5 million manufacturing jobs of which approximately 1 million were professional/technical (design, engineering, R&D, etc.). The industrial Midwest and the state of Michigan, with real unemployment approaching 25%, sit at ground zero. Within their borders lies an army of dislocated and discouraged skilled autoworkers, machinists, steelworkers, industrial engineers, designers, scientists and closed facilities that represent the best of our nations' skills and technical capacity to create, innovate and manufacture the goods needed for a sustainable future.

These job losses through the decade have also been accompanied by a series of record trade deficits driven by manufactured goods deficits. For example, the 2006 and 2007 goods and services trade deficit of \$ 756 billion and \$701 billion were driven by goods deficits of more than \$836 billion each of those years and, even with record oil prices, the non petroleum/manufactured goods deficits were more than \$500 billion in every year. In the run up to the recession China accounted for well over half the manufactured goods deficit. In spite of the recession, the annual trade deficits with China continue to break records hitting \$266 billion in 2008 and the 2009 deficit appears to be headed for another record with China now accounting for 75% of the manufactured goods deficit.

To our economic peril, the nation has ignored the economic maxim: it matters where things are made. We have seriously undermined damaged our technical capacity to innovate and to make things. The loss of these skilled workers, designers, engineers etc. means that the next innovation, the next best idea, the next process improvement, the next investment will be made in some other country not ours. The past decades massive loss of jobs, investment and technical capacity in manufacturing and wildly imbalanced trade must not be the precedent for the future. It is time to change direction.

An Environmental Economic Development Policy

Our nation is stumbling toward an industrial policy, an environmental economic development policy. We have decided we need an auto industry because it is the backbone of an advanced industrial economy. We made a down payment on a new energy policy in the Recovery Act and in the House passed climate legislation. And, we now have an individual appointed by the President, Ron Bloom, whose job it is to actually think about manufacturing policies and strategies for the nation. This is an important step forward because every single one of our competitors, from the European Union to China, has a manufacturing strategy and industrial policies to support that strategy. It is time for the United States to do the same and reinvigorate our manufacturing base. The development of a high speed across the U.S. offers such an opportunity.

High speed rail investments, like the ones in a sustainable energy infrastructure must be structured to create good jobs here in the United States. But, we have an uphill battle to fight. Three decades ago, the United States led the world in renewable energy

technology, but today too many of our energy investments create jobs in other countries. The United States is home to only two of the 10 largest solar photo-voltaic producers, one of the top 10 advanced battery manufacturers and two of the top 10 wind turbine producers. Last year, less than half of the record 8,300 megawatts of wind turbines installed in the United States were made in this country. In 2008, the United States ran an overall green trade deficit of \$8.9 billion, including a deficit of \$6.4 billion in the critical category of renewable energy. Our immediate goal must be to convert this trade deficit into a trade surplus.

The challenge may even be greater in high speed rail. This technology has been a fact of life for decades in Europe, Japan and more recently Singapore and China. The technological revolution spawned by these systems continues to evolve from rail to magnetic levitation. The innovation, knowledge, and experience of building and maintaining high speed rail equipments and systems is embedded in the nations that have developed and deployed the technology over the past thirty years. The limited domestic manufacturing experience is tied to the high speed rail system in the northeast. When it comes to the next generation of high speed rail, the U.S. has one firm, Maglev Inc. located in the Pittsburgh area, engaged with the development of this state of the art technology. This is only one example of a broad range of high speed rail technologies that an advanced manufacturing economy such as ours should have the capability of delivering but we have lacked the long term investments to fully develop this capacity. Our investments in high speed rail must begin with the goal of capturing the best technology in the world and have it all made here.

While we may have limited experience with high speed rail we do have some with Amtrak and its workforce in the northeast. In addition, Amtrak provides a national network with an extensive reservation system, existing rolling stock, statutory relationships with the freight railroads, a physical infrastructure that could be leveraged to support various high speed rail initiatives. Most importantly, Amtrak has a dedicated and experienced workforce that will be critical in rolling out and operating high speed passenger rail service. These employees are the best trained passenger rail workers in the nation, and are well positioned to implement a high-speed rail program.

Investing in the Future

The Industrial Union Council and the AFL-CIO joined with transportation labor in endorsing a broad agenda to rebuild and expand our national transportation system. One of our priorities was passage of a robust economic stimulus bill that made a down payment on a new energy policy for the nation including massive new investments in transportation. The legislation signed by the President provided an infusion of \$48 billion for transportation in the stimulus legislation. The Federal Railroad Administration's (FRA) High Speed Rail Program has already been overwhelmed with an initial pre-application process yielding over \$102 billion worth of requests from 40 states. The FRA will have to decide how best to allocate the \$8 billion already appropriated for this program.

The Industrial Union Council is here today in support of these efforts and of this committee's interest in making additional long term investments in high speed rail. It is in the nation's interest to maximize the opportunities all these investments offer.

The Recovery Act made an important statement and step in the right direction by the inclusion of the Buy American language that honored existing trade agreements. For the Industrial Union Council, I would like to express our appreciation Chairman Oberstar and the members of this committee for their support of the Buy American provisions. It is amazing that in spite of the legality of laws that have been on the books for seventy years, compliance with WTO regulations and our treaty obligations, this action drew reckless and irresponsible charges of protectionism and trade wars.

Making certain that public dollars are invested and recycled in this economy is common sense public and economic development policy. This is exactly what every other nation does in developing industries and investing in their own countries to create and retain good jobs. To ensure that public investments result in the creation of good green jobs here in the United States we must use our domestic investment laws, strengthen them and begin to think and act as other nation states do.

Thinking and Investing Strategically

The use of Buy American laws was an important tactical move but it wasn't particularly strategic. The fact that the manufacturing situation has changed so dramatically over the past two decades and that the best high speed rail technologies (as well as other mass transit technologies) are foreign suggests that Buy American laws alone is not enough to get the job done. Its application tends to be on a project-by-project basis and those are local and regional (within a state). In addition, the current system of distributing resources across the nation does not result in cooperation between states nor does it give a public body the financial leverage to negotiate at a scale.

Recent developments in Wisconsin and Los Angeles offer an example of the limitations. Transportation officials there are to be commended for leveraging their financial resources and negotiating smartly with foreign firms to get a rail car assembly plants put in place as part of the deal. They went as far as their financial resources could take them to generate manufacturing jobs as a part of their rail investments. However, in the greater scheme of things, developing a real industry will require more than a set of scattered assembly plants. It means having the means to negotiate for all the technology and the full production system to both to generate jobs and to become fully engaged with technological innovation in the industry.

There is another reality with the current system. State economic development agencies will compete with one another for this work at a huge cost to the public purse unless directed otherwise. There is nothing in this legislation that demands/requires a variety of forms of cooperation and collaboration between the states or regions. Funding

must address the common design, regional collaboration and targeted industry development goals.

The challenge for American high speed rail is to develop an entire industry and new technologies i.e. the entire production system from the supply chain to the engineering and R&D. That takes scale, financial leverage and cooperation. These investments must be at scale (by design or via regional collaboration) to provide the negotiating power necessary to leverage both private capital and the best international technology to invest domestically. It requires the ability to think in a larger economic context ... to have the financial leverage to negotiate at scale and to target regions like the industrial Midwest and auto and steel industries to take advantage of the idled heavy industry capacity, and pool of skilled workers, designers and engineers. And, within in this macro context the goals should be to leverage/encourage comparable systems and common design while using the best technology in the world and having it made here.

Recommendations for Industry Development and Job Creation

Congress must make an aggressive sustained commitment of resources to fund the energy and environmental transition of our nation. We must fund new technology, energy efficiency and the research and development that enables industries such as the transportation and manufacturing sectors to transition while also assuring that these global energy price sensitive industries remain competitive. In addition, Congress must assure that R&D investments resulting in new products or technology must also lead to domestic investments that create good jobs. Currently, there are no requirements linking R&D investments to domestic employment opportunities. A useful role for the federal government would be to support industry development through a national research and development network and local incubators linked to transit systems, universities, vendors and suppliers to help reinvigorate the production supply chain.

Congress must enforce and strengthen Buy American and other domestic investment requirements for federal procurement and grants to states and local governments. This commitment includes tightening domestic content thresholds, requiring waiver transparency (place on the internet in real time), limiting available waivers, expanding product coverage to all manufactured goods and raw materials, prohibiting project segmentation and mandating common-sense standards for product substitutability.

Congress must enact other forms of investment criteria for public resources not covered by Buy American and related laws. For example, criteria used in earlier proposed climate legislation for the award of financial incentives to targeted manufacturers included: (1) use of domestically produced parts and components, (2) return of idle manufacturing capacity to productive service, and (3) location in states with the highest number of unemployed manufacturing workers.

Congress and the administration must adopt a manufacturing strategy that targets resources to revitalize our manufacturing base in the industrial heartland and utilizes the existing pool of skilled workers, engineering talent and idled capacity. The use of Buy American, related regulations and domestic investment criteria can be a powerful incentive for government and industry to be more strategic in the targeting of public investments but these tools need to become more strategic. Our energy and mass transit resources are currently spread so widely that it is difficult to maximize the potential impact of these investments. Currently there are no rules, guidance or incentives in place to ensure a more strategic approach. The federal government must use its own financial leverage to encourage regional and national collaboration to achieve the following goals: common designs, system comparability, attracting the world's best technology and using our combined financial resources to build new industries by leveraging private capital, international technology and establishing the entire production systems here.

Congress must assure that its investments have standards that lead to good jobs. It is critical that the FRA vigorously enforces the statutory requirements attached to high speed rail and other transportation investments, especially those designed to protect the jobs and rights of workers. Specifically, the FRA must ensure that any recipient of funding make certain that rail workers are covered under the appropriate rail and labor statutes. Davis-Bacon prevailing wage requirements must fully apply to all covered construction work. Labor protections for displaced workers and requirements to preserve existing collective bargaining agreements must be administered fairly and consistent with the law.

The AFL-CIO and the affiliates of the Industrial Union Council look forward to continuing to work with this committee in its efforts to build a high speed rail system for the nation that utilizes and builds upon America's manufacturing base.