

TESTIMONY OF
JAMES A. STEM, JR.
NATIONAL LEGISLATIVE DIRECTOR
SMART – TRANSPORTATION DIVISION

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE

HEARING ON
FREIGHT AND PASSENGER RAIL IN AMERICA'S
TRANSPORTATION SYSTEM

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SMART - Transportation Division
National Legislative Office
304 Pennsylvania Avenue, SE
Washington, DC 20003

Chairman Shuster, Ranking Member Rahall, Members of the Transportation and Infrastructure Committee, my name is James Stem and I am the National Legislative Director of the Transportation Division of the Sheet Metal, Air, Rail, Transportation Union (SMART) The SMART Transportation Division, formally the United Transportation Union, is an organization representing approximately 80,000 transportation employees with active rail members working in all operating crafts (engineers, conductors, yardmasters, trainmen, switchmen).

Thank you for the opportunity to testify today and present our views on rail transportation policy.

UTU (SMART) and most of rail labor have a long history of supporting our industry and working in partnership with the industry on a variety of pertinent issues. We understand that the most secure job is one at a profitable company that provides services that America needs. We have participated in many successful partnerships with our railroad carriers on equipment safety standards, hours of service improvements, Railroad Retirement Pension reforms, and many opportunities to grow our freight and passenger rail industries.

We think one of the success stories of partnership that should be recognized is the Rail Safety Advisory Committee (RSAC) that is sponsored by the Federal Railroad Administration. The RSAC was originally chartered during the Clinton administration, and was the first time that railroad management, rail labor, rail suppliers, and the FRA were all gathered together in an informal setting to participate in problem solving, an exchange of thoughts, and an opportunity for suggestions on improved safety, with the conclusion being a negotiated rule making process. RSAC continued to function well through the Bush administration, and continues today. Our rail industry today has improved safety processes in place because of the RSAC.

We are proud to be a part of the industry today, positioned to handle the additional freight which must come to rail from our highways, and also, prepared to provide flexible services like "mobile pipelines for oil", and efficient handling of multi-modal containerized shipments. Our rail industry today is involved in a rail renaissance that will bring many decades of growth to both freight and passenger rail services. Our rail employees have earned the equity to participate in the policy decisions that will impact our industry.

We are pro-active in our support for the industry and take an active role in policy discussions supporting the expansion of freight and passenger rail across the country. We also work with all segments of our rail and transit industries in legislative activities designed to highlight the advantages of rail. Our rail employees today have earned equity in the rail industry and are very aggressive in supporting long term growth and stability of our industry.

Our passenger and freight railroads are vital parts of America's transportation system, which require a level of skill and professionalism in the operation and maintenance that translates into tens of thousands of good career jobs for railroad employees. It takes many years to train and qualify most of the safety critical railroad employee crafts, and our industry now focuses on hiring military veterans. Military veterans understand the discipline necessary to operate in a

safety critical environment, and acceptance of their role in the overall safety of the operation. This decision to focus on military veterans has proven to be a win-win situation for all involved. The railroads get a stable and mature employee that readily accepts instructions and safety critical responsibilities, and the new employees get a stable career position with a middle class salary and good benefits. Once they are trained and qualified, they have transferable skills that are very much in demand.

America has the most advanced freight rail system in the world. Union labor helped build it; we maintain it, and we operate the trains on it. As we will discuss more fully herein, Amtrak is a modern success story, providing passenger service across our country and world-class passenger service in the Northeast Corridor. With this Committee's help, Amtrak can grow and come much closer to meeting the growing demand for passenger rail services. Amtrak has developed long-range plans for dramatically improved service in the future.

Railroad jobs are not just jobs. They are careers where a person can earn a living wage to provide for their family and send their kids to college. Our rail industry enjoys the lowest turnover rate of any blue collar industry in the country. In spite of the 24 / 7 operations in all types of weather, working on the railroad is more than a job, and even more than a career - it quickly becomes a chosen way of life. We are expecting the influx of new military veterans to even further reduce our turn-over rate and also to contribute to improved safety performance.

We look forward to working with the Committee during the RSIA and PRIIA reauthorization. We have a few technical corrections to suggest for consideration and are working with your Committee staff.

Coal:

The transportation of coal for generation and export is the single largest commodity shipped on America's freight railroads today. Forty percent of all freight rail cars are coal cars, 25% of freight revenues, and 20% of all freight rail jobs are derived from the shipment of coal. The revenues from coal has built and rebuilt many of our nation's rail lines, and those lines now benefit all shippers who are located on them.

While the United States is the Middle East of coal, containing 29% of the world's recoverable reserves, the use of coal for electrical generation is temporarily diminishing. Current low natural gas prices and unworkable environmental regulations are the largest reasons for the decline. Exporting available coal resources makes sense financially, but like many things in America, nothing is easy. There are some discussions occurring on the West coast about environmental concerns with the exportation of coal, and we are participating to support continued use of coal in environmentally friendly ways. This west coast port expansion will allow America to ship high-quality, low-sulfur powder-river-basin coal to Asia. Much of these exports will displace the dirtier coal now being burned. We are working with our railroads, community groups, and

others to overcome the opposition to these proposed port expansions. I mention this as another example of how we support our industry in tangible ways.

Oil:

A bright spot for freight rail is the dramatic increase in the shipping of oil by train, or what we like to call “mobile pipelines”, from the Bakken oil formation located primarily in North Dakota. The Bakken oil field is producing far more oil than existing pipelines can carry, and even the proposed Keystone XL pipeline, when built will carry only a small amount of Bakken oil to market. Estimates are 64% of Bakken crude is now shipped by rail, and not all oil pipelines are running at capacity. This means oil producers are choosing rail over pipelines and much of the Bakken oil will continue to be shipped by rail well into the future.

Shipping oil by train was somewhat slow to start in the Bakken because the costs are a bit higher than by pipeline. But once oil producers began using rail they found they had an added benefit and flexibility of being able to ship to any refinery they wanted and are able to “play the market” in a way they otherwise could not when a pipeline holds them captive to just one refinery.

This dramatic increase of shipping oil by rail was a good test for the flexibility of the industry, and the record indicates the industry responded in a timely and positive manner with new dependable service. Thousands of new tank cars are being built around the country to help address this new demand for service.

Amtrak:

I need not remind this Committee about the importance of Amtrak. It’s America’s passenger railroad, rising up from the ashes of a cadre of bankrupt private service providers and charged with providing vital rail passenger service across America.

Amtrak is a partner with our private freight railroads, and has negotiated operating agreements with them for more than 40 years. Amtrak’s employees, many of whom are federally certified, know and understand the complex operating rules that govern these freight railroads.

Since its inception, Amtrak has done a remarkable job with often inadequate resources. They are setting ridership records each year with growing passenger volumes, and Amtrak now recovers 79% of their operating costs from ticket revenue. The price of fuel, the growing highway and airport congestion, and the significant increase in the number of passenger rail options, all contribute to the constant increases in ridership.

While in recent years Amtrak has had no shortage of congressional critics, we ask that your Committee take a fresh look at this American success story and work with the leaders of Amtrak and others to help "America's Railroad" build on their 40 years of success. Amtrak was created because the demand for rail passenger services remained strong, and the private railroads could not make a profit from the operation of their own passenger trains.

Amtrak does an excellent job in running passenger trains. This Committee could offer help in the financing of equipment and attracting private capital. Amtrak has engaged in many successful partnerships with private entities: The Orient Express cars added to the rear of Amtrak trains in Denver and Salt Lake City, 10% of the stations Amtrak services around the country are owned by the private sector, Amtrak leases space to many private vendors in the stations they own and operate, and Amtrak has entered into agreements for equipment procurement from private entities supported by a RIF Loan.

Allowing consideration of RIF loans for private entities wanting to provide new and refurbished equipment for Amtrak will attract private investments in support of expanding Amtrak operations. This process will help many local communities and provide additional options for Amtrak's equipment needs.

Truck Size and Truck Weight Increases

Increasing truck weight limits would have serious implications for our environment. Many transportation professionals are working to find innovative ways to shift more freight shipments from our highways to our railroads as a congestion mitigation strategy, and also as a highway maintenance schedule strategy. Railroads move cargo nearly four times as far as trucks per gallon of fuel and emit one-third the pollutants per ton mile when compared to trucks. By allowing heavier trucks on the road and increasing taxpayer subsidies, Congress would be incentivizing more shipments of freight by trucks using public highways rather than by more fuel-efficient modes like rail. This is the reason why increases in truck weights have never resulted in fewer trucks on our highways.

Our railroads today do an excellent job of moving heavy loads around our country on privately owned and privately maintained rights of way. Our public infrastructure cannot absorb this additional burden.

Hazardous Material Shipments

The safest and most efficient form of movement of commodities that qualify as hazardous materials is by rail. These haz mat shipments require special handling by our rail operating

crews, which includes documentation and secure hand off procedures at interchange or crew change points. These products are given the extra attention that they deserve when moved by rail.

As our American manufacturing industries grow, these industries will require new chemical products that are available today. An increase in the quantity and number of products that qualify as hazardous materials is the expectation, and this will result in significant increases in rail hazmat shipments.

Switching haz mat cars also requires additional precautions. As some major shippers attempt to get Congressional support for switching haz mat cars much more frequently in and out of trains to somehow achieve lower freight rates, we want to make sure that you understand the significant safety concerns that are involved in those choices. Switching and interchanging containers of very dangerous substances packaged in containers weighing 100 tons or more, is not an academic or a sanitary exercise.

We would like the opportunity to offer additional input to this Committee should the consideration of mandating additional switching of haz mat cars to require changes in freight rates come before this committee. The employees do have "skin in the game" when significant increases in switching of haz mat cars is under consideration. From our vantage point, this debate is not about one group of large corporations attempting to involve Congress in their negotiations with another group of large corporations; this debate centers on the safety of the operation and the current processes involving the proper handling of placarded hazardous materials. We hope this conversation never occurs in this Committee.

Summary

As Congress struggles to deal with problems of inadequate and crumbling infrastructure, environmental concerns and energy issues, we ask that you keep in mind railroads as an important means to help address all these problems.

If many of us sitting in this room today had been successful over the past twenty years in getting a National Transportation Policy and a National Energy Policy, itemizing our consensus expectations, there is no argument that both freight and passenger rail would be a focus for energy efficiency, relieving highway congestion, preserving existing highway and bridge maintenance schedules, and also providing flexible viable options as our population continues to grow. The lack of either a Transportation nor Energy policy has contributed to the struggle for appropriate solutions for our constant transportation problems.

As the price of fuel in this country continues to spiral upwards, we look forward to working with this Committee to find fresh ideas on how best to improve Amtrak and other rail passenger

services to provide new travel options for our citizens around the country. Each time I pass through a major airport, I marvel at the number of flights listed on the board for destinations that are 350 miles or less from that airport. Higher speed rail and high speed rail would complement, not compete, with air travel services. If we shifted the passengers that are scheduled to fly 300 miles to higher speed rail, in most cases the passenger would arrive in the same amount of time. Open airport slots could then be filled with longer distance flights, and postpone the construction of new airports or new runways.

Faced with the problem of highway congestion, part of the answer should be to develop policies that shift freight and passenger traffic to railroads. A single freight train can take 280 trucks off the highway with a greatly improved use of fuel resources. The railroads have shared the fact that today our railroads can move one ton of freight almost 500 miles with one gallon of fuel oil. A high speed rail corridor can transport as many passengers as eight new lanes of interstate highway.

Looking at ways to address environmental concerns, keep in mind freight and passenger trains produce a fraction of the pollutants that trucks and automobiles use in moving the comparable number of tons and passengers.

In attempting to make America energy independent, consider trains are almost five times more fuel efficient than trucks. Another point should be under consideration - trains operate on privately owned and maintained rights of way and pay 100% of the cost of their use of that right of way. It is not the rail industry that is asking Congress to rebuild all the off ramps of the Interstate Highway system and forgive the extra bridge maintenance needed to increase the size and weight of big trucks moving on our highways.

When deciding about whether or not to pour new seas of concrete at airports and around cities, I urge this Committee to think about the less expensive and better alternative of building high and higher speed rail. A new commuter rail system is one of the solutions to local highway congestion.

Thanks again for the opportunity to appear here today and we look forward to working with this Committee to find ways to meet our nation's transportation needs.

I will be happy to answer any questions the Committee members may have.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of Rule XI of the Rules of the House of Representatives, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name: James A. Stem Jr.

(2) Other than yourself, name of entity you are representing:

SMART- Transportation Division

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

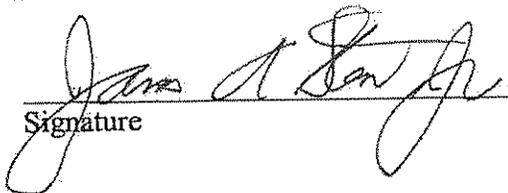
YES If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

N/A

Signature



Date

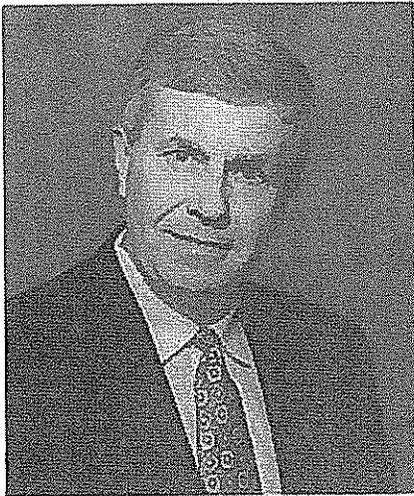
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James A. Stem Jr.

National Legislative Director

James A. Stem Jr., national legislative director of the 125,000-member Transportation Division of the Sheet Metal, Air, Rail, Transportation Union (SMART), was born, in Raleigh, N.C. the son of a school teacher and a railroad conductor.

Stem began his railroad career as a trainman for the Seaboard Air Line Railroad in Raleigh and has worked as a trainman, switchman, conductor, hostler helper, hostler, fireman and locomotive engineer and currently holds seniority as a locomotive engineer on CSX between Richmond, Va., and Florence, SC. Stem worked on the railroad during summer vacations while attending college at the University of North Carolina at Chapel Hill.



Stem has been working to find ways to improve rail operational safety, remove fatigue as a safety issue, and to improve freight and passenger rail services and public transportation options all of his career. He is an active member of the Federal Railroad Administration Rail Safety Advisory Committee.

Stem is active in the Baptist Church, the Masonic Lodge and civic mission groups. He and his wife Bonnie were blessed with three children, have four wonderful grandchildren and reside in Alexandria, Va.