

Transportation Communications Union/IAM

International Association of Machinists and Aerospace Workers



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National President



BEFORE THE SURFACE TRANSPORTATION BOARD

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URGENT ISSUES IN FREIGHT RAIL SERVICE

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Written Statement of

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Dear Chairman Oberman and Members of the Board:

Thank you for holding this hearing on Urgent Issues in Freight Rail Service, and for the opportunity to submit comments.

My name is Matt Hollis, and I'm a 2nd generation, 18-year railroader currently serving as National Vice President & Special Assistant to the President of the Transportation Communications Union (TCU). In this capacity, I am a part of our bargaining team with the freight rail carriers in national negotiations, which have sadly been stalled for the last three years.

For reference, TCU represents many different employees across the rail industry, including:

- Clerical – which itself is an umbrella term for many different job classifications, such as payroll and bill clerks, crew callers and crew haulers, bridge tenders, storekeepers, customer operations, warehouse, stevedores, shipping terminal, intermodal equipment operators, deck foreman and cargo coordinators, operators and operator foremen, IT employees, and others.
- Carmen - Employees who inspect, maintain, and repair rail cars.
- Supervisors - Employees who oversee all different types of crafts on the railroad.

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- Yardmasters (at Union Pacific) – those that oversee and coordinate yard operations (think air traffic control, but for the rail yards).
- Many others.

I'm also testifying today on behalf of our Machinists brothers and sisters, represented by International Association of Machinists (IAM) District Lodge 19. These shop mechanical employees inspect, maintain and repair locomotives and track maintenance equipment. TCU and IAM District Lodge 19 combined make up the IAM's Railroad Division.

I'd like to preface my testimony today by saying upfront that some of my comments will be related to traditional labor matters like wages and working conditions, including safety. So while we understand that the STB is the economic regulator, it is a fact that the *service provided by the railroads* is inextricably linked to the *conditions of the railroads*. This includes the conditions of the rolling stock, infrastructure, and – most important – the conditions of the workforce.

From my position at TCU, I have had a front row seat to the complete and utter degradation of our nation's Class 1 railroads over the past 6-7 years. I've watched as private equity firms have acquired controlling stakes in railroads only to use their power to deploy business models that extract as much wealth as possible, to the detriment of the railroads' workers, their customers, and ultimately, the public interest.

The Class 1 railroads have each deployed their own variations of the Precision Scheduled Railroading (PSR) business model – a misnomer, as any real railroader would tell you that PSR is neither precise nor well-scheduled, and hardly resembles what they would call “railroading.” A more accurate description would be doing “less with less” – or, moving fewer carloads with drastically fewer employees.

Under this approach, the railroads forego long-term investments in favor of short-term gains. They have degraded labor relations and the careers of rail workers. They've applied various pressures to make the railroads less safe for workers and communities. And, important to the Board, they've made a career on the railroad that was once a pathway to the middle and upper middle class, to a career that is hostile and unappealing – taking what were once considered highly-desired and competitive positions to what you're seeing today: a labor shortage where people refuse recall or outright resign their positions. There is even a Facebook group called “Railroad Resignation Letters,” that was started a little over a month ago. It already has 400+ members.¹

All of this is due to the railroads' persistent pursuit of their almighty Operating Ratio; or, as I call it, their “false profit.” Their singular goal has been to reduce costs to the railroads – in salaries for workers, headcounts, and services for customers – to reduce the operating ratio and massively boost profits.

For freight customers, it's been a mess. Many of our members who work in intermodal and clerical report a shifting dynamic – from one where our members and customers worked in a

¹ <https://www.facebook.com/groups/2216303101866176>

constructive and collegial manner, to what is now a hostile atmosphere as our members are asked to enforce demurrage schemes to tack on petty penalties, stack containers several rows deep – delaying pickups, and sometimes outright denying service to customers unless they meet minimum carloads or abide by the railroads’ new restrictive scheduling practices.

Rail workers in the mechanical crafts have seen negative effects as well. Our Machinist and Carmen members consistently report being pressured NOT to “shop” cars and locomotives (send them to the shops for repairs). For those unfamiliar, that means that our members – journeymen positions who have been trained to inspect and repair rail cars and locomotives according to federal regulations and AAR standards – are being pressured to “overlook” defects on rolling stock so that trains can get out the door.

Likewise, our Machinists members, who inspect and repair locomotives, have been cut so drastically that railroads are often relying on less-trained, less-qualified employees to perform inspections.²

For our testimony, we’ve decided to highlight three specific crafts that we believe tell the story of PSR’s impact on the workforce and best highlight current issues with freight rail service, but rest assured that the same or similar dynamics have been playing out throughout TCU and IAM’s represented crafts, as well as the rest of the workforce, as you’ve likely heard from others.

Intermodal Equipment Operators (IEOs)

TCU’s intermodal workers have been at the forefront of our nation’s supply chain crisis during the past couple of years. For background, these employees load and unload intermodal trains using cranes, side-loading vehicles, and drayage trucks. They rely on their equipment being in top-working order, but most important they rely on each other. Unloading (or grounding) intermodal containers is a choreographed dance that requires skilled movements to be done in concert and coordination with your coworkers. Unfortunately, that is often not the case in today’s intermodal environment. Our members often report that their equipment is broken or in sad states of disrepair, further compounding the work onto fewer cranes, loaders and trucks. The minimum time to be trained to operate equipment is 6 months. Therefore, even if railroads were successful in bringing in new hires, which they are not, they wouldn’t be fully qualified at the outset.

To make matters worse, our intermodal facilities have become dangerously understaffed. At CSX, intermodal headcounts have been reduced from 623 in 2018 to 437 today – a 30% decrease. Even in the past two years, during the height of the intermodal boom, CSX intermodal employees dropped by 50. Many of these losses have been due to resignations as IEOs have been exhausted by the increasing workloads and demands from management. CSX



Photo 1 - CSX Intermodal Equipment Operator

² See Attachment A - IAM Letters to FRA on NCFD laborers performing locomotive inspections

Intermodal employees have the lowest rate of pay amongst their peers. Current new hires start and cap out at \$20.06 an hour, as it's been since 2018. No new efforts from management to incentivize new hires have been made, despite pleas from local managers, supervisors, and union officials. While CSX has experienced record profits and record workloads, requests to increase pay, or provide incentive bonuses or payouts are being refused due to the stalled round of bargaining.

I ask the Board to put yourselves in our members shoes: if you were asked to work throughout COVID, performing forced overtime, mandated 12-hour shifts, 6-days a week, while your company reaped record gains, would you ask for a raise? A bonus perhaps? A lot of rhetoric has been thrown around in the COVID era thanking frontline workers for their efforts, but never is that gratitude backed up in any material way, at least not in our industry.

Unfortunately, the sad reality is that despite their statements, CSX in particular isn't interested in giving any of our crafts any help – including intermodal. CSX CEO Jim Foote said himself last week on their quarterly earnings call that, other than conductors and engineers, they don't need any more people: “We don't need a lot -- we don't need more people fixing the track and laying rail. They are doing a great job out there. We need more engineers and conductors, and that's it...”³

I'd ask the Board to consider that statement after what I've told you today, and whether or not you think that it is at all possible that the only employees CSX needs are more conductors and engineers. Indeed, I would challenge Mr. Foote to come to any intermodal yard or mechanical shop, and tell that to our members' faces.

Unfortunately, CSX is not alone in neglecting its intermodal workers. At BNSF Intermodal facilities, conditions are similar. And while wages may seem slightly better, they are often in higher cost of living areas. At BNSF's Cicero and Corwith intermodal facilities in Chicago, full wage rates average around \$26/hr. In Memphis, TN, full wage rates are around \$23/hr. And in Seattle, the average full wage rate is \$25.79/hr, while the starting rate is \$22.58/hr – hardly an attractive wage in such an expensive city. BNSF's attempts at incentivizing new hires has largely failed, despite offering bonuses to new hires of \$5,000-\$7500 (albeit with a three year commitment). In Seattle, they are still 30 IEOs short of their target.

At Union Pacific (UP), TCU represents members in Chicago and at UP's large Intermodal Container Transfer Facility (ICTF) in Los Angeles, where the average full wage rate is \$26.94/hr. Our members are still short-staffed, overworked, and feel increasingly underpaid as cost of living has skyrocketed.

It's the same sad story at all these intermodal facilities: nobody wants to work the job the way it's being offered. Mandatory 12-hour shifts, 6-days a week, on your feet all day, hustling as fast as possible. I'd leave too if there were comparable jobs that let me spend more time with my family.

³ CSX Transportation (April 20, 2022). [CEO Jim Foote on Q1 2022 Results - Earnings Call Transcript](https://www.seekingalpha.com). www.seekingalpha.com

Carmen

The Carman craft includes employees that inspect, repair, and maintain freight rail cars. They assemble trains in yards and perform Class 1 brake tests prior to departure. More specifically, they inspect wheels, axles, drafting gears and yokes, couplers, brakes and brake assemblies, hand holds, and many other safety-related points on a rail car. In total, there are approximately 90 inspection points per-car, per-side (180 in total) depending on the type of car.

Carmen perform repairs, both on the RIP (repair-in-place) track as well as more comprehensive repairs in car shops. Their skillset is an apprentice-track position, meaning that you're hired into the Carman craft as an apprentice, and spend 732 working days (6 different 122-day phases) to become a journeyman. During this time, a Carman becomes highly skilled at inspecting and repairing rail cars. Often times these jobs carry specialized skills that our members can utilize outside the industry, such as welding and metal work.

Unfortunately, the Carman career, like other crafts, has undergone a transformation in the PSR era. What was once a tough but good living has transformed into a hostile environment where our members are constantly harassed and pressured by local management to work faster, to skip inspections, and allow "Bad Order" cars to leave the yard.

Outgoing trains are supposed to undergo pre-departure inspections, where – as mentioned - Carmen inspect up to 90 individual points per side (~180 in total) on each and every rail car. Carmen used to be provided up to three minutes per-car. Now they are expected to perform these same inspections in less than a minute.⁴ This is impossible without cutting corners. Carmen used to get underneath the cars, touching, grabbing, and banging various components, but now they only get a brief visual inspection.

As some Carmen like to say, "this is the only job where they train you to do a job, and then fire you for doing it." During the onset of PSR, Carmen were repeatedly threatened by local management that if they didn't improve speeds, that management would close their yard. Because of manpower shortages (much of which the railroads caused themselves), the remaining Carmen are forced to work massive amounts of overtime, sometimes 16-hour shifts, several days in a row. Some sleep in their cars rather than waste time commuting home, just so they can sleep for an extra hour or two. Our members often reference the joke pirate flag: "the beatings will continue until morale improves." Nothing more accurately describes the current state of a Carman career.



As a result of this worsening environment, and combined with aforementioned stagnant wages and constant forced overtime, the Carman craft is experiencing record resignations.

The following are some relevant statistics. I apologize for the inconsistency of the date ranges of these statistics, but unfortunately the railroads do not often provide us with complete data sets:

⁴ See Attachment B – "Union Pacific Proviso Yard Memo to Car Foreman, June 9th, 2019"

- Since January 1st, 2019, CSX has had 157 resignations from the Carman craft.
- Since January 1st, 2021, Norfolk Southern has had 144 resignations from the Carman craft.
- Since January 1st, 2019, Union Pacific has seen 271 resignations or refuse recall from the Carman craft.
- Since March, 2021, BNSF has seen 143 resignations in the Carman craft.
- Since March, 2021, CN has seen 24 resignations in the Carman craft.

We have provided a number of resignation letters and testimonials from both Carmen and Machinists in the attachments.⁵

I cannot stress this enough: this is NOT normal in the rail industry. As I've mentioned, these jobs were once prized positions. You commonly "had to know someone" to get a job on the railroad. Today, not only can they not hire, but as evidenced, the railroads are struggling to retain existing employees.

Machinists

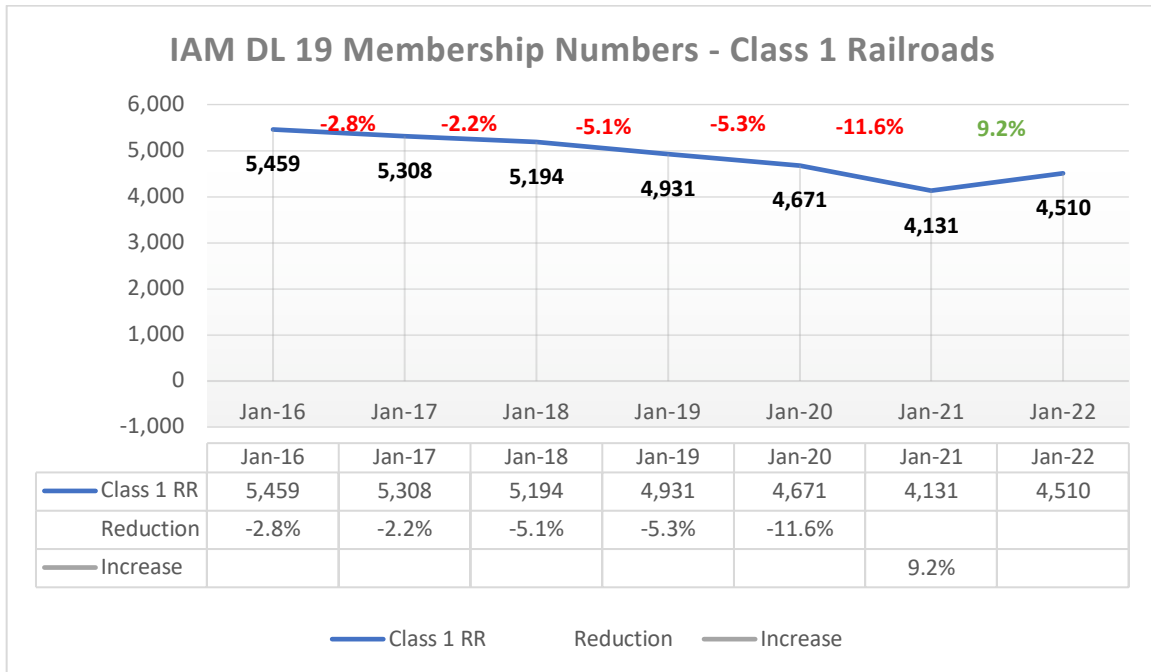
The IAM District Lodge 19 represents the Machinist craft on the railroads. A Machinist is a shop craft whose primary function is to repair, overhaul, maintain and inspect locomotives and track maintenance equipment. These are highly specialized craft skills trained by the railroad, and often unique to the railroad. These skills include working with complex pneumatic systems, machining parts with extremely small tolerances, rebuilding airbrakes and truck assemblies, and many other tasks.



Photo 2 - A railroad machinist

As you can surmise, the Machinist craft has been hit hard during the PSR era as well:

⁵ Attachment C – “Testimonials and Resignation Letters from Carmen and Machinists”



In 2015, Norfolk Southern employed approximately 1,129 Machinists. In 2021, they had 476. At one shop, eight Machinists resigned in one month alone due to forced overtime on every shift, every day. At NS’ Chattanooga shop, they recently recalled 28 furloughed Machinists – many did not return, eliminating nearly 100+ combined years of experience.

At Union Pacific, 378 Machinists are currently furloughed across the system. At UP’s North Platte shop, there used to be 351 machinists, including 21 apprentices. Today there are 248 machinists, and zero apprentices. 17 machinists resigned to seek out better employment opportunities, citing UP’s toxic work environment, dehumanizing treatment from management, or unrealistic expectations as a result of operation changes brought on by PSR.

At BNSF, 367 machinists have resigned since 2015, while an additional 383 have been furloughed. At CSX, the trends are the same.

Just like in the Carmen and other shop crafts, the remaining Machinists have faced the same pressures not to inspect or repair locomotives: limited time frames, reduced manpower forcing the remaining work onto the hands to too few. As one Machinist from NS put it in his resignation letter: “the culture changed from caring about safety to just getting engines out the door, whether they were fixed or not.” He went on to say:

“My personal nail in the coffin of my tenure at NS came at the cost of a very amazing human being. His name was Stuart Riggs, a great guy who’d lend anyone a hand, was great at his job. While his accident was definitely a freak one, the shop area where it happened had been reported numerous times for being in disrepair...But I later learned not 6 hours later when I returned, that things were...business as usual...I took a \$15/hour pay cut to leave. I still do not regret this as my new employer actually cares about safety,

and even in the current working climate [they aren't] hammering workers with overtime due to being understaffed..."⁶

In addition to safety being degraded, the quality of a Machinist career has deteriorated as well. Due to PSR job cuts, employees are often forced to transfer all over the country in order to keep their jobs. For example, a CSX Machinist with 20+ years of service was repeatedly furloughed and forced to move his family from Corbin, KY to Huntington, WV, to Russell, KY, all in a short time frame. Another CSX Machinist with 10+ years of service was forced to transfer from Atlanta, GA to Nashville, TN then to Evansville, IN, bringing his family in tow, before finally resigning once he found more secure employment. I wish these were rare occurrences, but unfortunately they have become commonplace. This forced job-hopping happens constantly, all across the Class 1 railroads, amongst all of the crafts.

The sad result of this new business model has been fairly obvious: a lack of serviceable locomotives and a lack of employees to service them. Today, while Union Pacific complains about lack of locomotive power available, they currently have 2,024 locomotives in sitting in storage. Unfortunately, nobody knows what kind of state those locomotives are in because all of the railroads have made a habit of cannibalizing stored locomotives for parts, further proof of PSR's destructive business model that's left our railroad network unable to respond to the times. As mentioned above, many of the railroads are scrambling to put locomotives on the tracks: the only problem is they don't have enough machinists to prep them, or enough crews to run them. They cut them all.

These are the perils of running a railroad so lean in an attempt to appease shareholders, who are reaping record gains. It's fine if your sole mission is profit, but it comes at the cost to America's freight commerce and the public interest as our customers divert to other modes of transportation that are less-efficient, more carbon-heavy, but perhaps more convenient or accessible versus the current freight rail model.

The common themes I've discussed today – and they are by no means limited to the crafts we represent – are as follows:

- Massive cuts to the workforce over the past 6 years – anywhere from 20%-35%, depending on craft, and the resulting workloads being placed onto the remaining few.
- New pressures applied to our members NOT to inspect and identify or even repair faulty rolling stock and equipment.
- Degradation of the overall quality of the jobs, both from working conditions and wage levels.

All of this has contributed to a labor shortage that is of the railroads own making. I've seen railroads often deflect on these matters by blaming broader labor market shortages. The evidence I've supplied today, as well as that of my fellow labor colleagues, hopefully proves otherwise.

⁶ Alan Zook Testimonial, Resigned October, 2021; Written April 19th, 2022

Because while the railroads are surely impacted by broader labor market issues, one must only look at the railroads' actions – both past and present – to understand how we got here.

National Negotiations

Most companies, if faced with broad resignations and inability to higher, would attempt to fix these issues with common-sense solutions. One such avenue, which has been suggested by President Biden from time to time: “Pay them more money.” Unfortunately, that has not been the case on the railroads. For the past three years we've been part of an excruciatingly slow bargaining process with the carriers and their National Carriers Conference Committee (NCCC).

It is quite clear that we are being intentionally slow-walked by the railroads in an attempt to better their chances at a more favorable outcome. For those unaware, the end of Railway Labor Act (RLA) bargaining process culminates in a Presidential Emergency Board (PEB), a panel of three arbitrators selected by the President of the United States. Towards the end of mediation, the arbitrators ask both parties to make their best-and-final offers and then select whichever they find more reasonable. This selection is non-binding, however. So the true end-of-the-road has historically fallen to Congress, who traditionally has taken the PEB recommendation and legislated the contract into law. The other option is for the National Mediation Board (NMB) to release the parties to conduct work stoppages (i.e. lockout or strike).

We hope the NMB, a Presidential Emergency Board, and Congress fully understand the dynamics at play: that for three years we've been in negotiations with the railroads; for three years we have seen a pandemic, a boom in shipments, massively increased workloads, record railroad profits, and now a dramatic rise in inflation.

All of these things have had a huge impact on railroad workers, and working people in general. And all during this time, the railroads have clung to their purse-strings, refusing to offer any wage increases or hardship bonuses, or anything else towards making a career on the railroad an attractive endeavor.

This past week, CSX announced they are offering to provide an \$600/month for seven months advance to its workforce, for the first time acknowledging the tough conditions its employees are facing in these inflationary times. CSX's offer, while a nice gesture, is interesting for two reasons: (1) it is an advance on back-pay that CSX presumes our members will get when a contract settles (to be clear, an advance is not a bonus); and, (2) this is in direct contradiction to NCCC's current bargaining stance where they have thus far refused to include back-pay as part of a contract.

On that note, the absence of back pay in any contract would set an awful precedent by providing an incentive to employers to forever drag their feet, as the longer they delay a contract the more money they save. Second, I'm mentioning this to both counter any notion that what CSX is offering is a bonus (again, an advance is not a bonus), but also to demonstrate how unserious these negotiations with the NCCC have become.

The carriers aren't diligently working towards a contract. In fact, in national negotiations last week, we spent 90 minutes discussing whether to cover vasectomies in the healthcare plan, and the railroads wanting to form a "subcommittee" to explore that matter – all while wage increases remain unaddressed. The railroads are simply playing games to waste time and drag out the process. And during these "negotiations," wages continue to remain flat and labor shortages persist.

Recommendations and Actions

Our members are absolutely furious that the railroads continue to drag their feet at the bargaining table while amassing record profits. And though there are pros and cons of the Railway Labor Act (RLA), one of its restrictions is that it's very difficult to strike. But make no mistake: if striking were a viable option, our members would have walked out long ago. The net result of the RLA's bargaining process is unfortunately one where wage increases are not very responsive to the times. While workers in other industries have struck in order to seek better wages and conditions, railroaders have been stuck treading water for three years straight.

Therefore, it should come as no surprise that first suggestion for the railroads to alleviate workforce shortages and resulting service issues is this: give us a contract. Making a job on the railroad attractive largely begins and ends with offering attractive wages. The more attractive the job, the more applicants you get, the more new hires, fewer resignations, etc. In addition, the more employees we have, the less work is piled onto the hands of a few, the less pressure is applied to cut corners. All leading to better and safer rail operations that best serve the public interest. This is obvious to everyone in the rail industry, including local management, just not to the C-Suite executives or their private equity benefactors.

For the Board, I would offer the following set of questions and suggestions:

- Have *all* the changes that the railroads have made in the name of PSR actually been made to be more efficient? And how does this efficiency impact the broader obligations the railroads have to their customers and America's freight commerce network to deliver freight reliably and safely?
- What are the knock-on effects of PSR on customers, both at micro and macroeconomic levels? Does America become less economically competitive if access to rail transportation becomes more difficult and inaccessible and/or more expensive?
- America's freight rail network today is rigid and fragile, unable to respond to market shifts like the uptick in volumes during the pandemic. What new framework could the Board create to better analyze the impacts of PSR on the rail industry? In the past, the STB, its predecessor, and Congress have devised myriad cost calculations and determinants to measure and document whether the railroads are proper stewards of their important national position. Will the Board use today's lessons to rethink those metrics and/or incentivize the industry to take better care of itself, its workforce, its customers, and therefore the public interest?

- The Board should seek greater enforcement of the railroads' common carrier obligation. Much of what we've seen in the PSR era has been detrimental to the concept of offering access to rail service for those customers that want or need it. For example, if a small, low-margin scrap recycler was built in a location specifically to access cheaper freight rail transportation, and then the railroad suddenly alters their business model to either deny or severely restrict access, does that run afoul of the railroads' obligation to provide service? To that end, if the Board believes it lacks the requisite authority to properly regulate the railroads, we believe the Board should ask Congress for greater authority.

In closing, my comments today are not meant to air grievances before the Board in an effort to alter the outcome of national negotiations, or to punish the railroads for their draconian business practices these past few years. Rather, my testimony today is meant to highlight and expose the realities of what careers on the railroads have become, and to demonstrate to the Board the challenges our workforce faces in trying to serve the rail customers.

As a second-generation railroader, my heritage is not uncommon. Many of those who worked or continue to work on the rails are second-, third-, and fourth generation railroaders. This is our industry and our passion. Rail labor itself has a vested interest in having railroads be a safe, stable, viable, and profitable industry for decades to come, but that runs counter to the rent-seeking and extractive efforts by private equity and Wall Street these past few years.

The question is: where will the Board side? Will it side with those that want this industry to grow and thrive? To advance and expand into new markets? To bring more business to the rails rather than less? Or will it side with the forces that have degraded the industry to such an extent that we find ourselves having this hearing today?

I believe my comments, those of my labor colleagues, and indeed many of the shippers can be summarized as such: We must save the railroads from themselves.

Thank you for the opportunity to speak before the Board today. I look forward to your questions.