

"An Injury To One Is An Injury To All"

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Office of the General Chairman
Jed Dodd

September 18, 2006

To: All Amtrak Committees

From: Jed Dodd

Re: **Alexander Kummant - New Amtrak CEO Appointed**

David Hughes Too Liberal for Amtrak's Board of Directors

Amtrak's Board of Directors rejected the application of acting Amtrak CEO David Hughes and appointed Alexander Kummant as the new CEO. The Amtrak Board of Directors thought David Hughes was too liberal and wanted someone more hardline. David Hughes served as Vice President of Engineering and took over when David Gunn was fired. While at Amtrak, David Hughes demanded major concessions from the Union to negotiate a new agreement. He served demands on the Union to give Amtrak the right to replace any job with a contractor, work 3-12 hour days a week without overtime, reduce health care coverage for the disabled Amtrak worker, increase employee contributions to the health plan by 100 dollars per month, eliminate due process rights for employees and permit Amtrak to discipline employees without a trial.

In addition, it was the desire of the Amtrak Board to have a CEO that did not have experience in operating urban commuter transit systems. This last phrase requires repeating. The Amtrak Board of Directors deliberately looked for someone who did not have urban transit experience to be the CEO of Amtrak. The Amtrak Board of Directors are appointed by President Bush.

The choice of the Amtrak Board of Directors to carry on their attack against the workers, to implement their program to destroy publicly financed rail passenger service in the United States and to find someone with no experience in operating an urban rail transit system is Alexander Kummant.

Attached for your information is an article written by Transportation Reporter Frank Wilner about our new Amtrak President.

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KUMMANT'S KAMPF: QUESTIONS SURROUND NEW AMTRAK CEO

Frank N. Wilner*

Alexander Kummant, age 45, is Amtrak's new president.

For better or worse – and likely best for Kummant – he doesn't face Senate confirmation. Questions about political connections, cronyism and incessant job hopping could prove embarrassing.

Kummant avoided Senate confirmation because notwithstanding Amtrak's billion-dollar-plus annual federal subsidy, its president serves at the pleasure of the Amtrak board.

The executive search firm of Heidrick & Struggles, hired by the Amtrak board, had no success in bringing forth successful candidates for Amtrak president following the board's sacking in November 2005 of David Gunn.

Qualified airline executives had no interest in taking the helm of an organization targeted for elimination by the Bush administration and with inflexible labor contracts, a flawed business model, a quite demoralized and less than creative management team and a requirement for 24/7 cadging on Capitol Hill for daily operating funds.

At one point, Amtrak Chairman David Laney proposed installing, as the new president, Amtrak's chief engineer, David Hughes, who was serving as interim president after Gunn's sacking.

But board members Floyd Hall and Enrique Sosa vetoed Hughes, with Hall, say sources, "strongly opposing Hughes."

* *Frank N. Wilner, editor-in-chief of the Journal of Transportation Law, Logistics & Policy, is author of four books on railroad economics and labor, including, The Amtrak Story. He writes frequently on rail economics for Railway Age and Traffic World magazines. His article, "Amtrak: Out Damned Mail & Express," appeared in the 1Q 2006 Journal. Wilner earned undergraduate and graduate degrees in economics and labor relations from Virginia Tech.*

Hall, hailed as a turnaround artist for his efforts at K-Mart, knows full well that repairing a flawed business model means getting rid of those responsible – and perceived responsible. It is likely the Amtrak board will encourage significant blood-letting within the Amtrak managerial ranks, and that is best achieved by someone having no friends within the organization.

Additionally troubling to the board, three previous Amtrak presidents (Tom Downs, George Warrington and David Gunn) had Northeast rail-transit backgrounds. A fresh perspective was desired. .

While Hughes' background was freight railroading (Boston & Maine and Bangor & Aroostook), most of his career was spent in the Northeast and involved a close working relationship with the Massachusetts Bay Transportation Authority when Gunn ran the MBTA. In fact, Hughes developed a close professional relationship with Gunn, who hired Hughes at Amtrak.

Conrail President Ronald Batory, Association of American Railroads Vice President Robert VanderClute (formerly Amtrak's chief operating officer), and former New Jersey Transit chairman and MBTA general manager John Haley did not advance beyond interviews with the search firm even though the Heidrick & Struggles' head hunters were said to have given them positive marks.

There also was a failed effort by former CIA operative Bob Kiley (recall former President George H.W. Bush was CIA director) to advance Kiley protege and former Conrail president Tim O'Toole (now running London's subway system).

Some father-and-son unpleasantness at the White House (as reported by "W"-antagonist Maureen Dowd of *The New York Times*) may have contributed to the O'Toole failure. After all, Amtrak Chairman Laney was appointed by "W" and also is a "W" fund raiser. Moreover, Kiley and the deposed Gunn are close friends.

7 JOBS IN 8 YEARS

So from where in the world did Kummant emerge? Everywhere, it seems, as Kummant hops from job-to-job and around the globe as if tethered to a Pogo stick. Since 1998, Kummant has held seven separate jobs with seven different employers.

One might think such incessant job-hopping would cause all but a McDonald's manager to be skeptical.

But consider the Amtrak culture. Kummant succeeds Gunn, who was cashiered following the cashiering of Warrington and the previous cashiering of Downs. Amtrak's

Amfleet coaches may not receive as much lubrication as Amtrak's revolving-door presidency.

Kummant may have received a boost from several railroad execs: John Snow, the former CSX chairman, former treasury secretary and Bush cheerleader; as well as BNSF chairman and Bush fundraiser Matt Rose, and Union Pacific chairman and Bush fundraiser Dick Davidson.

Whoa, Nelly. CSX and UP have been murdering Amtrak passenger-train performance even though the statute clearly states Amtrak trains are to have "preference" over freight trains when using freight railroad track. (*See*, 49 U.S.C. 24308(c)). That was part of the bargain struck 35 years ago when Congress, in creating Amtrak, relieved the freights of their common carrier responsibility to operate money-losing passenger trains.

POLITICS AND CRONYISM

Kummant's hiring connects some troublesome dots:

- From suburban Dallas zip codes, Amtrak Chairman Laney and Kummant made contributions to "W's" re-election campaign.
- Laney is a Bush Pioneer, meaning he bundled more than \$100,000 in campaign contributions for "W".
- Laney, nominated to the Amtrak board by Bush, was chairman of the Texas Transportation Commission when "W" was governor.
- Amtrak board member Hall pumped \$360,000 in soft money into the Bush political effort.
- Heidrick & Struggles partner Les Csorba, another Texan and former Bush White House adviser, is a Bush Pioneer.
- BNSF's Rose, a Laney neighbor, as well as UP's Davidson, are Bush Rangers, meaning they bundled more than \$200,000 in campaign contributions for "W".
- BNSF holds 35 percent of Amtrak common stock (received in lieu of tax credits – in exchange for donated passenger equipment – when Amtrak was created in 1971).

- As the saying goes, “It’s better to be inside the tent pissing out than outside pissing in” – especially if it means influencing Amtrak’s track access, its route system and (perhaps) its privatization.
- Kummant’s wife, Kathleen Regan, also is a Bush contributor. While Kummant was at UP, she was vice president of business development and e-commerce for BNSF. She was hired at the railroad by BNSF Executive Vice President and Chief Operations Officer Carl Ice, also a Bush contributor. (She has since departed BNSF.)
- Kummant once held employment at Union Pacific, having been brought aboard by former UP president Ike Evans, who knew Kummant from when they were both executives at Emerson Electric. (Yes, while Kummant made executive decisions as VP of UP’s central operating region in Kansas City, Kathleen Regan made executive marketing decisions at competitor BNSF.)
- Usually reliable sources advise that while Gunn was paid just south of \$300,000 annually, the Amtrak board approved a near-\$400,000 salary for Kummant.

Were there Senate confirmation, lawmakers might have interesting questions for Kummant --prefaced by John D. Rockefeller’s admonition, “A friendship founded on business is a good deal better than a business founded on friendship.”

Only Kummant can answer whether his and his wife’s support of the Bush administration (which has Amtrak in similar cross-hairs as Saddam Hussein), and their ties to freight railroad execs (most with a demonstrated animus toward passenger trains) will influence Kummant’s decision making.

With the Bush administration unable to kill Amtrak through the congressional budget process, it is appropriate to enquire whether there is now an attempt afoot to kill Amtrak from within.

“NO COMMENT”

After being introduced to the media by Laney, Kummant refused interviews even though aggressive media relations is essential to preserving Amtrak’s positive image among taxpayers, who, for 35 years, have successfully demanded continued funding and operation of a national intercity rail passenger network.

You can be sure the first question Kummant would have been asked by journalists was whether Kummant buys into Laney’s previously stated intention to separate Amtrak’s Northeast Corridor from the less-traveled intercity routes – a proposal even many Senate Republicans oppose because of its potential to Balkanize and erode political support for a national intercity rail passenger network.

MANNHEIM STEAMROLLER

Kummant, who as CEO also becomes Amtrak's chief fundraiser, has no lobbying experience and is an unknown to congressional lawmakers and staff who determine the annual Amtrak subsidy.

Kummant's brief introduction to the media revealed a stern countenance – “a wolf in wolf's clothing,” said one.

Of this, Amtrak's dozen or so labor union chiefs might take heed: Unlike the generous Warrington, Kummant pushes back much like an NFL linesman. “Steamroller,” is one term used to describe Kummant, who was a 13-month president of German steamroller manufacturer BOMAG.

Because he avoided the Senate confirmation process, Kummant was spared having to discuss his labor relations theories with lawmakers.

WHERE'S THE TRACK RECORD?

Interestingly, Amtrak's press release announcing Kummant's hiring stressed that as executive vice president and chief marketing officer of Komatsu, Kummant had “a continuing record as an adaptable change agent in diverse environments.” Whatever that may mean if rewritten in English, it failed to say that he held the Komatsu job only six months.

Kummant once was quoted that he disparages self-improvement books: “I think management books are enormously overrated, recycling platitudes that any manager knows, while novels, in the end, are about understanding the human animal.”

Dostoevsky's *Crime and Punishment* is good escape reading, but Kummant's professional expertise might have benefitted more had he inspected books by W. Edwards Deming, revered for his contribution to Japan's becoming renowned for producing innovative, high-quality products. An NBC documentary on Deming said it best: “If Japan can, why can't we?” Indeed, there are lessons here for Amtrak.

Ike Evans, Kummant's handler at UP, said Kummant “wants to understand how things work,” but Kummant seems never to stick around long enough to establish a track record.

Although a single observation hardly an accurate description makes, a major rail shipper of forest products, who knew Kummant at UP, says, “If you backed Alex into a corner and demanded he tell you everything he knows about railroads, he wouldn't be talking more than a couple of minutes.”

Kummant's contrast with Alan Mulally, Ford's new CEO, is chilling. Mulally previously spent 37 years at Boeing – that's called a track record – where Mulally was hailed for team building, high energy, a relentless focus and industrial savvy.

For sure, Kummant may be the *deus ex machina* Amtrak sorely needs. Some 25 million rail passengers – a number that could grow substantially as gas prices remain high, as highway congestion increases, as airlines continue trimming capacity, and as the population ages – deserve more answers on Kummant's abilities and intentions than so far have been provided.

BOTTOM LINE

If America is to have a world-class national intercity rail passenger network, Congress must provide predictable and reliable funding, the Amtrak board must install a world-class management team and not interfere in day-to-day decision making, and the Amtrak CEO must have the respect of Congress, freight railroads, Amtrak employees, Amtrak's powerful labor unions, and the public.

KUMMANT'S TRAVELS

Kummant earned a B.S. in mechanical engineer from Cleveland's Case Western Reserve University, a master's in manufacturing engineering from Carnegie Mellon, and an MBA from Stanford.

Here is Kummant's employment history:

Until February 1998, Kummant is at Emerson Electric as president of its SWECO Division in Cincinnati (job #1).

In February 1998, SPX Corp. announces Kummant is hired as president of the company's Filtran unit (job #2).

In September 1999, UP President Evans, formerly with Emerson Electric, hires Kummant as a vice president and general manager of industrial products. Kummant is later promoted to vice president of UP's central operating region in Kansas City (job #3).

During the first quarter 2003, Kummant departs Union Pacific.

In December 2003, Kummant is named president of BOMAG, a German-based manufacturer of heavy industrial equipment (job #4).

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In January 2005, *World Highways* magazine reports Kummant “will leave the company (BOMAG) for personal reasons and return home in the USA.”

In April 2005, Komatsu announces Kummant is hired as executive vice president and chief marketing officer of Komatsu (job #5).

In May 2006, *Appliance Magazine* reports Kummant is hired as vice president and general manager of Invensys Controls, with responsibility for American business (job #6).

On Aug. 29, 2006, Kummant is hired as president of Amtrak (job #7 since 1998).

ENDNOTE

David Hughes remains at Amtrak in a “designated for assignment” status.

Sources say Hughes, a Harvard Business School graduate and fluent in Portuguese and Spanish, may join a high-speed rail project in the UK, run by former MBTA, Bechtel and Amtrak professional engineer Vinay Mudholkar.