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NEWS CLIPS

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Health insurance subsidy for laid-off workers has holes

By Sandra Block, USA TODAY
April 25, 2009
A new federal subsidy designed to help laid-off workers pay for health insurance could be out of reach for thousands of jobless workers because they worked for a small company or their former employer has gone out of business.

The subsidy, part of the economic stimulus package enacted earlier this year, covers 65% of COBRA premiums for individuals laid off between Sept. 1, 2008, and the end of this year. The subsidy is available for up to nine months.

Q&A: Help for small business employees
FEW INSURANCE OPTIONS: Some people don't qualifty

COBRA allows individuals who leave their jobs to continue their former employer's health coverage for up to 18 months. In the past, though, individuals had to pay 102% of the premiums, making COBRA unaffordable for most jobless workers. For a family, the average cost of unsubsidized COBRA premiums exceeds $1,000 a month. With the subsidy, the average family will pay $377 a month, according to the Kaiser Family Foundation.

Companies were required to notify former workers about the subsidy by April 18. The White House estimates more than 7 million unemployed workers will qualify. Reasons some will not:

•Their former employer has gone out of business. If an employer terminates its group health plan, former employees are ineligible for COBRA, says Michael Langan, principal with Towers Perrin, a human resources consultant. That makes them ineligible for the subsidy, too, he says.

During the last four months of 2008, the most recent data available, 11,645 businesses filed for Chapter 7 bankruptcy protection, up 70% from the same period in 2007, according to the Administrative Office of the U.S. Courts.

•They worked for a small company and live in a state that doesn't provide extended COBRA coverage. The federal COBRA law only applies to companies with 20 or more workers. Some 39 states and Washington, D.C., have enacted "mini COBRA" laws that require small companies that provide group coverage to allow former employees to continue that coverage. Still, gaps between the federal and state laws remain, leaving laid-off employees with a reduced subsidy or none at all. "There are a lot of people who can't avail themselves" of the full COBRA subsidy, says Ron Pollack, executive director of Families USA.

Jobless workers who haven't received a notice or have questions about their eligibility should contact the company that administers their employee benefits program, Langan says. The Department of Labor also has a fact sheet about the subsidy at www.dol.gov/ebsa/cobra.html.

54 pickets union it says is trying to steal members

April 26, 2009

By ERIK ORTIZ,

Members of Local 54 of UNITE-HERE in Atlantic City were among the union supporters who picketed Wednesday in front of the Service Employees International Union, or SEIU, headquarters in Washington, SEIU has been fostering a "hostile takeover" of its union, assisting in the secession of members and attempting to raid UNITE-HERE jurisdictions, according to UNITE-HERE.

New York-based UNITE-HERE said about 300 members were picketing, some holding signs that read, "Shame on you SEIU!"

Ramona Oliver, a spokeswoman for the SEIU, said UNITE-HERE's claims are "clearly not factual." The SEIU represents about 2 million health care, building cleaning and janitorial workers nationwide.

Local 54 President Bob McDevitt said he is upset that SEIU president Andy Stern has not tried to support Local 54 as it prepares to renegotiate its contracts with 10 of the gaming halls in Atlantic City this summer.

Stern was previously in the resort in March, championing a new Gaming Workers Council to help dealers represented by the United Auto Workers union win contracts with their respective casinos.

The division between SEIU and UNITE-HERE has been mounting.

A group of UNITE-HERE members unhappy with the union's direction broke away last month and formed a new union, Workers United, which is affiliated with the SEIU.

The new union has been accused of being a "front group" for Stern and his attempts to raid UNITE-HERE, although Workers United leaders maintain that they are autonomous.

The struggle between the two groups has played out at Harrah's Chester, a casino and racetrack outside Philadelphia.

Last year, UNITE-HERE's Philadelphia Joint Board negotiated a contract to represent service workers at the casino.

But this year, the Philadelphia Joint Board decided to leave UNITE-HERE and join Workers United.

In mid-February, McDevitt said, 550 of 600 workers at Harrah's Chester signed cards to remain with UNITE-HERE and join Local 54 instead.

Elana Levin, a spokeswoman for Workers United, said the union had not heard of that event taking place.

"Local 54 has conspired with management at (Harrah's Chester) to deny workers the right to choose," Richard Minter, organizing director of the Philadelphia Joint Board, said in a statement.

A Harrah's spokeswoman was unable to talk about union representation at the casino.

Union woos Wal-Mart workers in 17 states, LR

BY STEVE PAINTER
Posted on Sunday, April 26, 2009
URL: http://www.nwanews.com/adg/Business/258237/

Wal-Mart Stores Inc., which has fended off unions at its U.S. stores throughout its climb to the top of the retailing world, is now the focus of a major organizing effort by the United Food and Commercial Workers.

The union, with 1.3 million members in North America, is actively recruiting potential members at more than 100 Wal-Mart stores in 17 states, including the store at 8801 Base Line Road in Little Rock.

Meghan Scott, a Food and Commercial Workers spokesman in Washington, said the union increased its organizing efforts after the election of President Barack Obama and the reintroduction this year of federal legislation that would make it easier for workers to gain union representation.

"We've seen a pretty significant uptick in calls from Wal-Mart workers across the country," Scott said. "The workers just seem to be emboldened in a way that they have not been in the last few years."

Wal-Mart spokesman Daphne Moore said the company is fully aware of the push to organize. She said employees seeking to join unions do not represent the bulk of Wal-Mart workers.

"The large majority tell us they enjoy their jobs," she said. "Many of our associates just don't seem to feel that union membership would be a better deal."

A supercenter in North Miami Beach, Fla., is the latest hot spot for Wal-Mart union activity. Workers who have been signing up potential members gathered in the store's parking lot last week to deliver a petition to store management to "cease its coercion, intimidation and unfair labor practices" aimed at blocking union representation.

"We need this union," store employee Eugene Hart said. "We need a voice to get better wages, better benefits."

The 32-year-old said he has been with the company for three years and makes $10.15 an hour. He said he can't afford the $300 a month it would cost for health insurance through Wal-Mart's plans, so the medical bills for his premature baby were covered by Medicaid.

"That's unacceptable," he said. The organizing effort was going well, Hart said, before Wal-Mart sent a team from its Bentonville headquarters to talk to workers and show an antiunion video.

Moore rebutted workers' reports that Wal-Mart fired or reassigned managers at the store, but said it is not unusual for the company to make changes to get the "right leadership in place."

"Clearly some associates at our North Miami Beach store have some concerns. We are continuing to work with them to ensure that their concerns are addressed," she said.

In addition to Florida and Arkansas, Scott said the union is seeking to sign up members at Wal-Mart stores in Massachusetts, New York, Pennsylvania, Maryland, Virginia, Ohio, Illinois, Missouri, Wisconsin, Minnesota, Oklahoma, Texas, Louisiana, Washington and California.

Last year, in the midst of the presidential campaign, the AFL-CIO and other labor groups filed a complaint with the Federal Election Commission over reports that Wal-Mart required managers and supervisors to attend mandatory meetings at which they were warned that Obama's election would be bad for the company.

Obama supports legislation known as the Employee Free Choice Act that would allow workers to gain union representation if more than half of a proposed bargaining unit signs union cards.

Unions contend that companies use the time between card-signing and the election to intimidate workers with threats of dismissal or other retribution if a bargaining unit is formed.

The proposed legislation has been introduced in both houses of Congress but appears to be a few votes short of the 60 needed in the Senate to end an expected filibuster by opponents. U.S. Sen. Blanche Lincoln, D-Ark., previously a supporter of the bill, said recently she will not support it.

U.S. Sen. Mark Pryor, D-Ark., also an earlier supporter, said in a statement this month that the bill is "not perfect," and that he wants labor and management groups to recommend a compromise.

Under current law, workers can try to organize after signing up at least 30 percent of their colleagues. But employers usually demand government-run elections before accepting new unions.

The proposed legislation provides that if a majority of employees sign pro-union cards, the union would automatically be certified.

Wal-Mart is far from alone in opposing the Employee Free Choice Act. Most major retailers have expressed opposition, although a couple have suggested seeking a middle ground on the issue.

'UNDERSTAFFED, OVERWORKED'

Cynthia Murray of Laurel, Md., a nine-year employee in the apparel fitting room of a Wal-Mart store, said workers need representation to negotiate for better working conditions.

"We're understaffed, we're overworked," she said.

Murray said she's paid $10.80 an hour, and her most recent profit-sharing payment was $180. Full-time employees at her store are getting only 35 hours a week, she said, and part-time workers are down to 20 hours.

"I just want a fair deal, that's all," she said. "It's not like people aren't shopping here, they are. If we were in a slump or something, I could go with that, but we're not."

Murray said her store manager warned employees about opening the doors to a union, telling them that they wouldn't get paid any better with union representation. She said Wal-Mart has not threatened to fire her, but that many at her store fear some retaliation if they talk to union organizers.

"There's no doubt about it, they're afraid of Wal-Mart," she said.

Nelson Lichtenstein, a professor of labor history who has studied Wal-Mart for several years, said the new organizing effort clearly appears linked to the push for the Employee Free Choice Act.

"I think it's a kind of demonstration, as it were, to show that normal union-organizing processes don't work at Wal-Mart, and that's why you need the new labor law," he said.

If the union succeeds in organizing a few stores, he said, "that would show concretely that there is at least some percentage of Wal-Mart workers that want to form a union and they don't agree that everything is fine at Wal-Mart."

Establishing a few bargaining units also might encourage workers with some protection as a result of union representation to speak out publicly about any grievances against the company, he said.

Lichtenstein, who teaches at the University of California at Santa Barbara, has written a book to be published in July titled The Retail Evolution: How Wal-Mart Created a Brave New World of Business.

Lichtenstein said Wal-Mart's decision late last year to settle 63 class-action lawsuits alleging violations of wage and hour laws was a "dramatic" move that indicated Wal-Mart was "cognizant of a new environment" with the incoming Obama administration.

In Canada, the nation's Supreme Court has heard arguments but not yet ruled on whether Wal-Mart broke Canadian labor law when it closed a store in 2005 after workers voted to unionize.

And in a Texas case dating back nine years, Wal-Mart recently was ordered to negotiate with a few meat cutters over the impact of its decision to eliminate their jobs after they voted for union representation.

In Mexico, Wal-Mart bakery and restaurant employees are represented by that nation's largest union, a relationship established by Cifra, the company in which Wal-Mart bought a majority interest in 1997 as it expanded in Mexico. Unions also represent workers in Wal-Mart stores in the United Kingdom, Brazil, Japan and China.

'NO RESPECT'

Mark Moore, a 51-year-old overnight stocker for Wal-Mart in Dallas, said he'd welcome Food and Commercial Workers representation. He was a member of the union when he worked at Disney World in Orlando, Fla.

He has distributed and collected union cards at the store where he now works.

With union representation in his former job, he said, a shop steward would represent workers facing potential reprimands and advise them on what the company could or couldn't do and what to sign or not sign.

"All in all, it was real good. They did help us," he said.

Moore said he makes $9.90 an hour after three years at his current job, after starting at just over $7 an hour.

He said he has heard no threats of firing people for seeking union representation, but that one manager "harassed" him by checking on him every 15 minutes during one shift to see if he was getting his work done.

Workers at the store have met with a team from Wal-Mart headquarters, Moore said, and have been shown the anti-union video depicting purported pressure on workers to join.

"We don't pressure them like the videos have shown," he said.

Jackie Goebel of Milwaukee says she has seen Wal-Mart change during her nearly 21 years with the company. She works in claims, earning $18.36 an hour filing documentation for defective merchandise.

Earlier in her career, Goebel said, she considered Wal-Mart a very family-oriented company. Now, she says, if an employee says he or she can't come to work because a child is sick or the day care is closed due to weather, "they literally will fire you for it. There is no excuse good enough for them."

The company also has shifted more toward part-time employees, she said, but its insistence on "open availability" in scheduling precludes part timers from taking a second job.

"There is no respect in these stores for the hourly associates," she said.

April 27, 2009

Chrysler and Union Agree to Deal Before Federal Deadline

By NICK BUNKLEY and BILL VLASIC

DETROIT — Union leaders said Sunday that they had reached an agreement with Chrysler that meets federal requirements for the automaker to receive more financing.

The deal includes Fiat, the Italian automaker with which Chrysler was ordered by the government to form an alliance before Thursday.
Neither the United Automobile Workers union nor the company released details of the tentative agreement, which would modify the union's 2007 contract and reduce the amount of money Chrysler must pay into a new health fund for retirees.
The union plans to have its 26,000 Chrysler workers vote on the deal by Wednesday.
Chrysler said the agreement, reached during marathon negotiations over the weekend, satisfied the requirements laid out by the Obama administration for a deal by an April 30 deadline.
Even with the agreement, Chrysler is expected to seek Chapter 11 protection, in a case mapped out by the government in advance, including safeguards meant to protect worker benefits, people with knowledge of the company's plans said Sunday night.
A new company would be set up with the best assets of Chrysler, these people said. Fiat of Italy would own 20 percent to 35 percent of the new Chrysler, they said, with the government also holding a stake. Some of the equity in the new company would also be given to Chrysler's creditors as repayment.
These people spoke on condition of anonymity because the deals had not been finalized.
The Treasury Department has also reached an agreement with Daimler of Germany, the former owner of Chrysler, to settle tax and other claims left over from its sale of Chrysler in 2007 to Cerberus Capital Management, the private equity firm.
In order to persuade the union to back the sale to Cerberus, Daimler agreed to pay $1 billion to Chrysler if the company's pension plans were terminated in a subsequent bankruptcy filing. Details of the Treasury's deal with Daimler were not available.
Last week, the union reached an agreement in principle with the administration and Chrysler that would protect workers' pensions in the event of a bankruptcy filing and provide for a change in the financing of a health care trust set up in 2007.

Under that pension deal, workers would lose some benefits after the bankruptcy filing but would receive more protection than they would with a Chapter 11 filing that lacked government direction, people with knowledge of the agreement said.

Chrysler, which has received $4 billion in federal loans, is in the final stages of a reorganization process ordered by the government, which includes a mandate to provide financing for half of all union retiree health care using company stock.

In a statement Sunday night, Chrysler said the union agreement "provides the framework needed to ensure manufacturing competitiveness and helps to meet the guidelines set forth by the U.S. Treasury Department."

Meanwhile, the Canadian Automobile Workers union said Sunday that its members had ratified a cost-cutting deal covering 8,000 Chrysler workers in that country. The deal, which is expected to lead to similar cuts for Canadian workers at General Motors and Ford Motor, cuts workers' benefits, reduces time off and creates a health care trust for retirees.

The union said 87 percent of its members voted in favor of the deal, even though the union's president, Ken Lewenza, described the negotiation process as "torturous and unfair."

G.M. is set to unveil a revised revamping plan on Monday.

The union deals increase pressure on Chrysler's lenders to come to an agreement to reduce the automaker's $6.9 billion in secured debt. The lenders, a group of banks and private funds led by JPMorgan Chase, are still in talks with Treasury officials over terms of a debt-for-equity exchange to eliminate at least two-thirds of the debt.

Talks between the government and the lenders have picked up in recent days, with four proposals having passed between them. While a gap remains over how much the creditors should be repaid — as of Sunday, the two sides were about $2.25 billion apart — it has shrunk over the last two weeks.

In February, Chrysler said bankruptcy would most likely result in the liquidation of the company. But since then, the company has signaled that it could file for bankruptcy protection without having to shut down.

"My sense is that it's not liquidation, that it would be a reorganization," a Detroit-area Chrysler dealer, Carl Galeana, said Sunday. "I just think a shutdown of a corporation this size, in this economy, would be devastating."

Micheline Maynard contributed reporting from Detroit, and Michael J. de la

Merced from New York.

GM's New Road Map: Partial Nationalization

Automaker to Shed Brands and Workers; Future Hinges on Deal With Bondholders

By Steven Mufson
Washington Post Staff Writer
Tuesday, April 28, 2009

Once a symbol of capitalist might and U.S. industrial prowess, General Motors would be half owned by the Treasury under a new sweeping plan that would also shut down GM's Pontiac operations, lay off 21,000 workers and impose harsh terms on the company's bondholders.

The partial nationalization proposal -- a last-ditch effort developed by GM and the Obama administration's auto task force to keep the leading U.S. carmaker out of bankruptcy -- raised hackles in Congress and ratcheted up the game of brinkmanship with the company's bondholders, who have until May 8 to accept or to try to negotiate better terms.

If the bondholders reject the terms, GM would probably declare bankruptcy, chief executive Fritz Henderson said, potentially raising uncertainties for suppliers, workers and customers. That possibility loomed large yesterday after bondholders called the offer "neither reasonable nor adequate."

If the plan goes forward, it would mean a leaner and less indebted GM, formally controlled by the federal government. As it is, the government has been playing a large role at the company, asking for the resignation of the previous chief executive, G. Richard Wagoner Jr., and ordering that the company's board be reconstituted. The move would represent one of the largest ownership stakes the U.S. government has ever taken in an American manufacturer.

But the Obama administration said yesterday that it would not seek any seats on the company's board and vowed to take a hands-off approach to GM management. "This administration and this government have no desire to run an auto company on a day-to-day basis," said White House press secretary Robert Gibbs.

"Government ownership is an unfortunate outcome of this, not a goal," said one person familiar with Obama administration deliberations and who spoke on condition of anonymity in order to preserve his relationships with officials. He said the government "could have gotten nothing for something, or something for something" and that it insisted on a 50 percent stake to leave open the potential to recover some of the $18 billion the Treasury Department has already lent GM and the additional $9 billion that it would inject under the new plan.

Some members of Congress and economists expressed concern that the government was effectively nationalizing GM and might exert influence over company decisions, despite its denials. Luigi Zingales, a finance professor of finance at the University of Chicago, said it would be "irresistible for the political system not to exercise some pressure. Do you not think they will push GM to make green cars? Maybe that's the right thing to do and maybe not. But it shouldn't be decided by Congress."

Meanwhile, however, bondholders pose a major stumbling block to the restructuring. Under the proposed offering which GM filed with the Securities and Exchange Commission, investors holding $27.2 billion of GM bonds would swap those bonds for 10 percent of the equity shares of the restructured company. The United Auto Workers would get up to 39 percent of the company in return for half of the $20 billion GM owes to a health fund for retired workers. Current shareholders would get 1 percent of the new shares.

The Treasury said that to meet restructuring goals and to fulfill bond covenants, the restructuring proposal must win the support of 90 percent of the bondholders, an uphill battle because bondholders and analysts said the union had received more favorable terms even though its legal claim in bankruptcy court would be equal to the bondholders'. Investors who bought GM bonds in 2003 are particularly upset at being portrayed as obstacles because those bonds were used to provide funds for GM workers' pension plan.

"We are deeply concerned with today's decision by GM and the auto task force to offer only a small, inequitable percentage of stock to its bondholders in exchange for their bonds," advisers to an ad hoc group of bondholders said in a statement last night. "We believe the offer to be a blatant disregard of fairness for the bondholders who have funded this company and amounts to using taxpayer money to show political favoritism of one creditor over another."

Some advisers said that GM bondholders, if they are patient, might get more money from a bankruptcy proceeding than they are being offered under the new restructuring plan.

"In our view, the offer is unlikely to be accepted by bondholders, who are in effect being asked to sacrifice most of their claims in order to help GM satisfy commitments to the UAW. We therefore believe that unless the offer is revised before May 8, GM could potentially file for Chap. 11 protection by the end of next month," said Brian A. Johnson, an auto analyst for Barclays Capital. Johnson estimated that bondholders who took shares of common stock would get zero to 5 percent of the face value of their bonds. Recently, most GM bonds were selling at 8 to 13 cents for every dollar.

But a letter to bondholders that was part of the GM prospectus issued yesterday warned that "if we seek bankruptcy relief, you may receive consideration that is less than what is being offered in the exchange offers and it is possible that you may receive no consideration at all for your GM notes."

Asked about the fairness of the deal, Henderson said that the Treasury dictated the terms for the bondholders, requiring that their future stake be limited to no more than 10 percent of the company. "We went to the maximum and offered the 10 percent," Henderson said in an interview.

Administration officials argued that the UAW was making other sacrifices in wages and benefits, and that the company could not function without workers.

The decision to shed more workers drew immediate criticism from some in Congress, who said the government aid was supposed to save jobs, not cut them. "Our state has been hit hard enough already," Rep. Gary Peters, (D-Mich.) said in a statement. "The purpose of providing General Motors taxpayer funded loans was not just to keep GM in business, but to preserve American jobs. . . . We all know that GM must make cutbacks, but preserving as many American jobs as possible must be the primary goal of all restructuring efforts."

The plan unveiled yesterday also would accelerate and expand the closing of GM dealerships. The company also said it would cut its U.S. dealer network to 3,605 by the end of 2010 from about 6,200 in 2008. Its earlier plan aimed to trim that network to 4,200 by 2014. The new GM would focus on only four brands.

The closure of GM's Pontiac line was symbolic of the company's change of fortune. Introduced in 1926 and named, like the town in Michigan, after an 18th-century Ottawa Indian chief who united tribes to fight the British, Pontiac was popular for more than half a century. The Pontiac Web site yesterday was still advertising cars with a "total confidence" package of warranties and payment protections.

Pontiac will be phased out by 2010, and Henderson said the company does not expect to build Hummers, Saabs and Saturns after this year. Henderson said the company had received several bids for Hummer.

"Big is only good if you use it to your advantage," Henderson said at a televised news conference.

"The objective is not to survive, the objective is to develop an operating plan that allows us to win," Henderson added. "We need to have a more sustainable business model because, candidly we only want to do this once," he said. "We want to have this as truly a defining moment for our company."

Staff writers Peter Whoriskey and Kendra Marr contributed to this report.

4/27/2009 Stock Ownership

TCI sells 4.5 percent stake in CSX

The Children's Investment Fund Management L.L.P. (TCI) no longer is a part owner of CSX Corp., the Class I it engaged in a long proxy fight last year. Last week, TCI sold its

17.8 million shares in the railroad, according to Securities and Exchange Commission (SEC) filings. The company had owned a 4.5 percent stake in the Class I.

The hedge fund and TCI Managing Partner Christopher Hohn filed forms with the SEC indicating the sale of nearly all of the stock they held, says CSX spokesman Garrick Francis. Hohn will continue to own 5,150 CSX shares himself.

Last year, TCI and 3G Capital Partners Ltd. nominated five members to the railroad's board and won four seats after a long battle — which included lawsuits — with the Class I's senior managers. Hohn, London Underground Managing Director Timothy O'Toole, 3G Managing Director Alexandre Behring and Lamphere Capital Management Managing Director Gilbert Lamphere won election to the board.

However, Hohn has announced plans to not seek re-election. The other three board members expect to seek re-election at CSX's annual shareholders meeting on May 6.

— Jeff Stagl

Troubled TCI sells its stake in CSX

The Children's Investment Fund (TCI), a self-appointed advisor to companies that it perceives to be troubled, is having troubles of its own.

In a worsening global economy, TCI has lost around 40% of its value and some of its top managers. Now it has been disclosed that TCI has sold is entire 4.5% stake in CSX, where it won four board seats last year in a bitter proxy fight waged with the help of 3G Capital Partners Ltd., another hedge fund.

A filing with the Securities and Exchange Commission revealed that TCI sold its 17.8 million shares at prices ranging from $28.38 to $30.09. CSX shares were selling at $29.44 in trading early Monday afternoon.

TCI Managing Partner T.C Hohn had already decided to give up his seat on CSX's board this year, though he will retain 5,150 shares of his own in the company. The other three TCI nominees are seeking reelection at CSX's annual meeting May 6.

April 30, 2009

Obama Welcomes Specter to the Democratic Fold

By CARL HULSE and ADAM NAGOURNEY

WASHINGTON — President Obama and Vice President Joseph R. Biden Jr. welcomed Senator Arlen Specter of Pennsylvania to the Democratic fold at the White House on Wednesday morning, praising Mr. Specter warmly and telling him he can count on their support for re-election in 2010.

Mr. Specter announced his unexpected switch of political loyalties on Tuesday, saying that he was leaving the Republican Party because it had shifted far to the right of his views and because he did not think he could overcome a primary challenge next year. His move bolstered President Obama at a pivotal moment for his policy agenda and further marginalizing Republicans on Capitol Hill by bringing the Democratic majority within reach of a filibuster-proof 60 seats in the chamber.

At the early morning White House appearance, Senator Specter turned to Mr. Obama and said, "I think I can be of assistance to you, Mr. President."

Mr. Specter said he was "comfortable" with how Mr. Obama has conducted his presidency, which is 100 days old today, and that his own "centrist" approach on governance would help reach solutions on matters like health care, climate change, immigration, and the fiscal balancing act during a time of economic strain.

Mr. Biden, who spoke warmly of Mr. Specter as "my friend, my confidant, my partner," said that "anyone who thinks Arlen is going to cash in his independence has another think coming." Both Mr. Biden and Mr. Obama served with Mr. Specter in the Senate before the 2008 presidential election.

Mr. Obama pledged enthusiastic support for Mr. Specter’s candidacy as a Democrat in 2010, saying, "We are confident that Arlen Specter is going to get a sixth term."

Mr. Specter acknowledged on Tuesday that his decision to change parties was driven by his intense desire to win that sixth term. It came after he and his political advisers concluded over the weekend that he could not turn away a conservative challenger in a Republican primary, particularly in light of his vote for the president’s economic stimulus package.

“I am not prepared to have my 29-year record in the United States Senate decided by the Pennsylvania Republican primary electorate — not prepared to have that record decided by that jury,” said Mr. Specter, 79, a moderate who has long been known for breaking with his party.

Republicans were knocked off stride by the announcement, and many had no warning from Mr. Specter, who met a polite but chilly reception when he entered a party luncheon to inform his colleagues. They immediately labeled it, in the words of Senator John Cornyn of Texas, who heads the party’s campaign arm, a naked act of “political self-preservation,” and they sought to portray it as an isolated case growing out of Pennsylvania’s political environment.

The defection of Mr. Specter creates the potential for Democrats to control 60 votes in the

Senate if Al Franken prevails this summer in the court fight over last November's Minnesota Senate election, in which repeated recounts gave him a slight edge over the Republican incumbent, Norm Coleman, that has stood up in litigation so far.

If Democrats could hold those 60 votes together, Republicans would be unable to mount filibusters as Congress moves into the critical phase of acting on Mr. Obama's ambitious agenda on health care and energy. A last line of defense against a Democratic-controlled Congress and White House would thereby be eliminated.

"This is transformative," said Senator Ron Wyden, Democrat of Oregon. "It's game-changing."

Democrats warned that it would remain a formidable challenge to keep their ranks together. Mr. Specter said he would not be an automatic Democratic vote, though he will be pulled in that direction since he now faces the prospect of running in a Democratic primary.

Mr. Specter was one of just three Republican senators to vote in favor of the stimulus package this year. He is a supporter of abortion rights and expanded embryonic stem cell research, and he opposed a constitutional amendment to ban same-sex marriage. But he also voted to authorize the war in Iraq, backed President George W. Bush's Supreme Court nominees, favors school vouchers and has taken many other positions that put him at odds with most Democrats.

Even so, Mr. Specter said on Tuesday that he had received commitments from Mr. Obama and from Senator Harry Reid of Nevada, the majority leader, to support him in any primary, backing intended to deter Democratic challengers. Mr. Obama made good on that pledge on Wednesday.

Administration officials said Mr. Obama was handed a note from an aide at 10:25 a.m. Tuesday in his daily economic briefing. The note, said a senior administration official, read, "Specter is announcing he is changing parties." Seven minutes later, Mr. Obama reached Mr. Specter by telephone.

In a brief conversation, the president said, "You have my full support," said the official, who heard the phone call. The president added that Democrats were "thrilled to have you."

White House officials said Vice President Biden had been at the center of the effort to persuade Mr. Specter to change parties. They said a switch had been the subject of years of bantering and discussion between the two men, who often sat together while riding the Amtrak train home. But the conversation turned more earnest after Mr. Biden lobbied Mr. Specter to vote with the White House on the stimulus bill this year.

One adviser to Mr. Biden said that since that day 10 weeks ago, Mr. Biden and Mr. Specter had spoken 14 times — six times in person and eight in telephone conversations. In each case, White House officials said, Mr. Biden argued that the Republican Party had increasingly drifted away from Mr. Specter since the election and that ideologically, he was closer to the Democratic Party.

White House officials said that there was no realistic way to guarantee that Mr. Specter would not face a primary race for the Democratic nomination, but noted that there was no Democrat in a position to resist the state's political machine and make a serious challenge. More than that, White House officials said they had assured Mr. Specter that Mr. Obama would campaign for him and raise money for him if necessary.

"The president's appreciative of this decision and particularly appreciative of the support that he gave on a number of things, the stimulus package being one of them," said David Axelrod, Mr. Obama's senior adviser. "And the president will do whatever he can do to help."

Some Republicans bade good riddance to Mr. Specter, who was badly trailing in polls against former Representative Patrick J. Toomey, a former leader of the Club for Growth, a group of fiscal conservatives who have financed primary challenges against Republicans they consider to have strayed too far from conservative principles.

Michael Steele, chairman of the Republican National Committee, did not mince words, saying Mr. Specter "left to further his personal political interests because he knew that he was going to lose a Republican primary due to his left-wing voting record."

But Senator Olympia J. Snowe of Maine, a Republican who also supported the administration's economic stimulus plan, said Mr. Specter's view that the party had shifted too far to the right reflected the increasingly inhospitable climate for moderates in the Republican Party.

Ms. Snowe said national Republican leaders were not grasping that "political diversity makes a party stronger, and ultimately we are heading to having the smallest political tent in history."

Other Republicans said Democrats were on the verge of unchecked power in Washington, a theme Republicans have pushed in an effort to turn political weakness into a strength.

"The danger of that for the country," said Senator Mitch McConnell of Kentucky, the Republican leader, "is that there won't automatically be an ability to restrain the excess that is typically associated with big majorities and single-party rule."

Mr. Specter, who sat on the Democratic side of the dais during a committee hearing Tuesday afternoon, said he had been assured that his seniority would be recognized by his new party, which would put him in line to jump over some Democrats for subcommittee chairmanships after the 2010 midterm elections.

Mr. Specter has suffered from a variety of serious illnesses over the years, but said on Tuesday that he was "full of vim, vigor and vitality."

He has angered many Democrats over the years with his positions, particularly his support of Justices Clarence Thomas and Samuel A. Alito Jr. But he said that with his record of 10,000 votes cast over almost 30 years, he had done something to anger virtually everyone.

"I don't expect everybody to agree with all my votes," he said. "I don't agree with them all myself at this point."

Reporting was contributed by John H. Cushman Jr., David M. Herszenhorn, Robert Pear and Jeff Zeleny from Washington, and Katharine Q. Seelye from New York.

Specter Leaves GOP, Shifting Senate Balance

Democrats Are Poised to Hold A Powerful 60-Seat Majority

By Paul Kane, Chris Cillizza and Shailagh Murray
Washington Post Staff Writers
Wednesday, April 29, 2009

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Sen. Arlen Specter of Pennsylvania provided a boost to President Obama's ambitious legislative agenda yesterday by abandoning the Republican Party in the face of shifting political realities at home and an aggressive courtship by the White House and party leaders.

In an announcement that shocked colleagues on both sides of the aisle, Specter said he had become increasingly uncomfortable as a moderate in a party dominated by conservatives and would join the Democrats. He bluntly admitted that his decision was tied to his belief that he could not win reelection as a Republican next year.

Although he said he "will not be an automatic 60th vote" for Democrats, Specter's decision left Democratic Party leaders jubilant. The addition of Specter to their ranks, coupled with the likelihood that the Minnesota Supreme Court will name Al Franken the winner of that state's disputed Senate race in the coming months, means that Democrats are all but certain to control a filibuster-proof 60-seat majority in the chamber for the first time in about 30 years.

The news came on the eve of Obama's 100th day in office, and in a phone call shortly after he was informed of the party switch, the president promised Specter his "full support" in attempting to secure another term in 2010. Specter will appear with Obama and Vice President Biden, who helped lead efforts to bring Specter into the party fold, at the White House this morning.

Neither party has controlled 60 or more seats since 1978, and Republicans warned yesterday that such a majority would give Obama almost unfettered control over the federal government. But Specter vowed to maintain his current policy positions -- including opposition to a labor organizing bill and to the nominee Obama has tapped to run the key legal counsel unit at the Justice Department.

But even as Specter pledged his continued independence, Senate Majority Leader Harry M. Reid (D-Nev.) later told reporters that there is an effort underway to refashion the union legislation in an effort to gain Specter's support. The Pennsylvanian supported the legislation, known as the Employee Free Choice Act, in 2007 but announced his opposition to the bill in its current form as his primary challenge from former congressman Pat Toomey (R) gained momentum.

Democrats also hope the move will increase momentum for Obama's universal health-care plan, given that Specter, who has battled a brain tumor and Hodgkin's disease, is an ardent advocate of increased spending on medical research and causes.

Specter, 79, will retain seniority in the Senate as if he were elected as a Democrat when he first took office in 1980. As a result, he will likely receive a plum subcommittee chairmanship on the Appropriations Committee in the future, and he indicated that his goal is to one day chair the full committee. He has already served as Judiciary Committee chairman, after conservatives put aside major ideological concerns to elevate him to that post in 2004, and until yesterday he was the top Republican on that panel.

The decision was the culmination of a months-long effort by key Democrats to woo Specter, who began his political career as a Democrat in Philadelphia but has been a Republican for 43 years. Biden, a regular Amtrak passenger with Specter as the two traveled to Wilmington and Philadelphia, respectively, when both served in the Senate, met with him face to face six times and spoke on the phone with him on eight more occasions since mid-February, aides said. Pennsylvania Gov. Edward G. Rendell, whose first job as a prosecutor in Philadelphia came under the tutelage of then-District Attorney Specter, had also lobbied him about making the switch, but it was his Senate colleagues who apparently closed the deal.

Senate Majority Whip Richard J. Durbin (D-Ill.) said he approached Specter at the Senate gym a few weeks ago and, aware that he faced a difficult primary next year, asked, "Did you ever think about returning to your original party?" He said Specter responded, "You know, a number of people have talked to me about that."

During a vote Monday evening, Durbin realized the prospect of a switch could be more serious when he saw Specter's wife, Joan, seated in the visitors gallery. Specter and Reid then disappeared into the majority leader's office, and Durbin got a call from Reid a short while later, telling him the deal was done.

Specter's political standing in Pennsylvania has become increasingly tenuous in recent years. His record as a moderate, combined with the shrinking GOP base in the Keystone State, would make a general election difficult, and Toomey, who came within two percentage points of defeating Specter in 2004, was leading in public polls by double digits heading into next April's GOP primary.

Specter received his own final poll Friday, an assessment he called "bleak." He ultimately chose to cast his lot with Democrats, he said in a news conference yesterday, because "I am not prepared to have my 29-year record in the United States Senate decided by the Pennsylvania Republican primary electorate."

A handful of Pennsylvania Democrats had been considering pursuit of the Senate nomination, but potential opposition to Specter began to melt yesterday as the would-be contenders learned that he would have support from Obama and practically every leading Democrat in Washington.

Earlier this year, Specter outraged his Republican colleagues by supporting Obama's $787 billion economic stimulus program. Specter said at the time that the plan -- which he worked with two other Republicans to trim by more than $100 billion -- was necessary to avert another Great Depression. Toomey jumped in the race after he cast the votes, and Democrats soon stepped up their courtship efforts.

"The stimulus vote was a schism," Specter told reporters yesterday.

A decade ago, Republicans counted nine senators from the 11 states stretching up the Interstate 95 corridor north of the Capitol; today, they have three GOP senators from those states, and one, Judd Gregg (R-N.H.), will retire in 2010.

While Democrats celebrated the surprise move, Republicans alternately blasted Specter as a turncoat who had embraced political expediency over principle, or sank into soul-searching about the future of their party. Sen. Olympia Snowe (R-Maine), a fellow Northeastern moderate, called the news "devastating" for a party that has been unable to appeal to centrist voters.

"Many Republicans feel alienated and disaffected from the party," Snowe said.

Senate Republican leaders appeared ashen after Specter made a brief appearance at their weekly policy luncheon to tell them the news in person. "Obviously, we are not happy that Senator Specter has decided to become a Democrat," Senate Minority Leader Mitch McConnell (Ky.) told reporters, attempting to minimize the blow. "This is not a national story. This is a Pennsylvania story," he said.

Staff writer Michael D. Shear contributed to this report.

4/29/2009 Transition Part II

Jobin to succeed Mongeau as CN's CFO

Now that CN has tabbed Claude Mongeau to succeed E. Hunter Harrison as president and chief executive officer, the Class I has gone about the business of appointing Mongeau's successor as executive vice president and chief financial officer. Today, CN announced Luc Jobin will become the railroad's top financial officer on June 1.

Jobin will be responsible for financial management and strategic planning. Between June 1 and Dec. 31, Mongeau will serve as EVP and spend most of his time in the field to broaden his knowledge of the railroad's network and operations before he assumes his CEO duties next year, CN said.

Jobin most recently was EVP of Power Corp. of Canada. He previously spent 22 years in various financial and executive management posts with Imasco Ltd. and its Canadian subsidiary, Imperial Tobacco Canada Ltd.

"Luc is a seasoned corporate executive known for delivering sustainable corporate performance improvements and increased shareholder value," said Harrison in a prepared statement.

Biden hopes Specter backs card check compromise

By SAM HANANEL – April 29, 2009

WASHINGTON (AP) — Vice President Joe Biden said Wednesday he believes Pennsylvania Sen. Arlen Specter would have "an open mind" on voting for a bill that makes it easier to form unions if a compromise emerges.

Specter's party switch puts Democrats within reach of a 60-seat majority, which could overcome an expected Republican filibuster of the controversial Employee Free Choice Act.

The Pennsylvania senator disappointed labor leaders last month when he said he would not support the Employees Free Choice bill — also known as card check — in its current form. But he left the door open to supporting other labor reforms.

Biden told regional reporters in a telephone conference that he had not spoken with Specter about his position on the bill.

"But knowing Arlen, I believe Arlen will probably have an open mind if there's a compromise offered," Biden said. "But I don't know. That's my 34-year history of dealing with him. He's an intelligent, open-minded guy and I think he would listen to alternatives."

Biden said he remains hopeful that Congress will pass the bill, saying the White House is in "constant discussion" about it with labor and business groups.

"We are working very closely with labor, we support card check," Biden said.

Business groups have spent millions lobbying against the bill, which would take away the right of employers to demand secret ballot elections if workers indicate they want to form a union. Instead, the bill would give employees the right to organize by signing cards. The measure also calls for binding arbitration if management and the union cannot agree on a first contract.

Specter reiterated his opposition to those provisions when he announced his party switch on Tuesday.

"My change in party affiliation does not mean that I will be a party-line voter any more for the Democrats than I have been for the Republicans," Specter said. "For example, my position on Employees Free Choice will not change."

Still, Specter's comments last month that he would reconsider if changes were made to the bill has union leaders giddy about his party switch. They sense he will be free to soften his stance on the measure as Democrats work out a compromise.

"It's a huge change for labor and for progressives everywhere," said AFL-CIO legislative director Bill Samuel. "This provides the room, it provides space for him to continue this discussion and pass a meaningful bill."

Katie Packer, head of the Workforce Fairness Institute, said the business community "cannot and will not compromise on the right of workers to vote on contracts and on the existence and integrity of the secret ballot."

4/30/2009 Q1 Financials

KCS reins in costs to mitigate effects from revenue, volume declines

Similar to the other Class Is, Kansas City Southern was rocked by the recession’s impact on revenue and earnings in the first quarter, but steadied itself by controlling costs.

Today, KCS reported revenue of $346 million, down 23 percent compared with first-quarter 2008. The Class I’s traffic volume declined 15 percent primarily because of the weak U.S., Mexican and global economies, reduced fuel surcharge revenues and a weakened Mexican peso. Revenue dropped in four of five business lines, with only coal recording volume and revenue gains.

KCS recorded a net loss of $7.5 million compared with net income of $32.9 million in first-quarter 2008. The railroad reported a negative impact of $5.9 million from debt retirement costs and $5.1 million in a foreign exchange loss associated with the weakened peso.

In addition, operating income fell from $83.4 million in first-quarter 2008 to $48.5 million and KCS' operating ratio increased 4.5 points to 86.

"Four factors — foreign exchange losses, debt retirement costs, the impact of preferred stock dividends and higher depreciation resulting from significant recent capital investment — had an adverse effect on earnings per share for the quarter," said KCS Chairman and Chief Executive Officer Mike Haverty in a prepared statement. "However, these factors neither diminish our positioning for a strong rebound nor affect the long term strength of our franchise."

The good news for KCS is that operating costs diminished significantly in the quarter. Totaling $297.5 million, operating expenses declined 19 percent year over year. Fuel costs dropped 44 percent; casualties and insurance costs fell 32.8 percent; compensation/benefit costs decreased 23.4 percent; purchased service costs declined 13.1 percent; and equipment costs dropped 11.9 percent.

"Operating costs, excluding depreciation, were down 23 percent, yet operating performance metrics and customer service achieved all-time highs," said Haverty.

4/30/2009 Government Appointee

Senate confirms Szabo's nomination as FRA administrator

Next month, Joe Szabo will become the 13th administrator of the Federal Railroad Administration (FRA). Yesterday, the Senate confirmed his nomination as the agency's leader.

A fifth-generation railroader, Szabo, 51, is the first FRA administrator to come out the rail labor ranks. He most recently served the United Transportation Union (UTU) as Illinois state legislative director.

Szabo's appointment is a "validation that this Obama Administration is a friend of organized labor," said UTU International President Mike Futhey in a statement posted on the union's Web site.

Szabo began his railroading career in 1976 with the Illinois Central Railroad (IC), where he was a yard switchman, road trainman and commuter-rail conductor. He later joined Chicago's Metra after the IC sold its commuter-rail division in 1987. Szabo also previously served as mayor of Riverdale, Ill.

In 1984, Szabo was elected secretary/treasurer of UTU Local 1290, and later became a delegate and legislative representative. In 1992, he was elected vice chairman of the Illinois State Legislative Board, and in 1996, was installed as state legislative director.

4/30/2009 Labor

BMWED members ratify Soo Line pact

The Brotherhood of Maintenance of Way Employes Division's (BMWED) Midwest System Federation has ratified an agreement with Canadian Pacific's Soo Line Railroad.

Eighty-four percent of the federation members who returned ballots approved the contract, the BMWED said. The union had reached a tentative agreement with the Soo Line in March.

The contract resolves a round of collective bargaining that began on Jan. 1, 2005. About 500 Soo Line employees are represented by the BMWED federation.

CP Rail eyes link to access U.S. South, Gulf of Mexico

April 30, 2009

Canadian Pacific Railway Ltd. is discussing a new partnership with Kansas City Southern Railway Co. aimed at granting the railways access to each other's lines, the *Financial Post* reports. For CPR, this would create a more direct route to the Gulf of Mexico in exchange for greater access to Chicago along its own network.

Management teams from both railways are set to discuss the possibility of a deal in Calgary, a source briefed on the talks said.

Such an arrangement was made possible by CPR's recent acquisition of Dakota, Minnesota & Eastern Railroad Corp., which links the two railways in Kansas City, Mo.

"The CP acquisition of DM&E presents new opportunities for KCS and CP to work together over Kansas City and we are exploring those opportunities," said Doniele Kane, KCS spokeswoman.

In fact, the DM&E lines have the ability to connect to all seven of the top-tier North American railways, and growing its long-haul business through this new "Kansas City Gateway" has become a priority for CPR's management, they said on a conference call last week.

Carrying freight over longer distances is typically more profitable, and CPR's long-haul business has been hurt by declining potash and coal shipments.

"We looked at ... what point in time can we start the process of extending our hauls to reflect the new franchise that we have, and those discussions are underway with the various connecting carriers," said Brock Winters, CPR's vice-president of operations, on the call. "We've already migrated some and we'll migrate more."

The railway would look to move even more goods through this gateway when DM&E's current contracts expire, Winters said.

The talks between CPR and KCS are centered on reaching some sort of operational routing agreement, and industry observers say a so-called "coproduction agreement" would be a logical outcome. Such agreements are essentially alliances between the railways allowing each to run freight on each other's lines, while preserving the shippers' competitive options. They have become a popular alternative to mergers and acquisitions in the heavily regulated rail sector.

"The agreements are driven by the railroad operations departments [not marketing] and are designed to be 'market neutral' for the customer -- meaning there is no change in pricing or competition," said Walter Spracklin, RBC Capital Markets analyst, in a recent note. "At the end of the day, the agreements make sense and we would expect to see an increasing number of these partnerships. The savings are real and the benefits are significant and immediate."

Typically, these alliances are not defined by rates, Spracklin noted, but rather involve an equitable split of the savings realized. Both partners typically benefit through economies of scale, more efficient routing, quicker turnaround and lower fuel burn.

CPR's larger domestic rival, Canadian National Railway, recently reached a similar deal with Norfolk Southern Corp. to create its so-called "MidAmerica Corridor," in which each railway shares each other's lines between Chicago, St. Louis, Kentucky and Mississippi.

CN, which has one of the most fluid networks on the continent, currently has more than 100 such agreements across North America. CN's management says it approaches these agreements with the mindset of routing its trains the most efficient way possible across North America. If that requires running its trains across another railway's lines, it moves to strike deals such these, Spracklin said.

Pennsylvania bulk transfer facility work to begin soon **April 30, 2009**

Work is expected to begin any day now on a multi-modal bulk transfer facility at the city's Newberry rail yard, according to the Williamsport, Pa, Sun Gazette. It is hoped the $4.1-million project will relieve highway congestion and improve the efficient movement of bulk commodities in north central Pennsylvania, county transportation planner Mark Murawski said.

Work includes track rehabilitation, installation of new tracks, site work and construction of an 8,600-square-foot building, according to Jeff Stover, director of the SEDA-Council of Governments Joint Rail Authority, which owns the rail yard.

Catawissa Avenue and public utilities also will be extended into the rail yard to provide truck access to the facility, Stover said. The extension will benefit railroad business by providing an easy access, via the Reach Road interchange, to Interstate 180, Stover said.

The work should be completed by October.

"The project was originally envisioned by the Lycoming County Planning Commission when we completed a study in 2006 of the possibility of an inter-modal, truck-rail transportation facility," Murawski said.

The study, which was performed by Linare Consulting of Pittsburgh, with the assistance of Larson Design Group of Williamsport and R.L. Baker and Associates of Washington D.C., showed the area could support a bulk transfer facility for commodities such as corn sweetener, grain, plastic pellets, sand or fertilizer.

The study focused on a 12-county area and weighed whether the region could support a box transfer facility. Box freight includes vans and trailers that can be placed on railroad cars for transportation.

A survey of 111 companies in the study area, mostly involved in manufacturing and wholesale trade, showed those companies generated more than 80,000 truckloads of freight every year, according to the study. And while 68 of those companies showed an interest in box transfer services, the study revealed that type of facility would not be able to compete with a large box transfer hub located in Harrisburg.

"It was one of those rare cases where a paid consultant tells you what you don't want to hear," authority board chairman Jerry S. Walls said.

However, a bulk facility could be competitive, the study showed. Bulk refers to commodities that can be transported in railroad cars. A Bulkmatic bulk transfer terminal already is located in Williamsport at Maynard Street, but the facility only had room for 23 cars.

The study also showed that the Newberry Yard, which is home to the Lycoming Valley Railroad, would be ideal for that type of facility and could double the rail car capacity available at the Bulkmatic site.

According to Stover, the company, through Indiana-based subsidiary Railway Unloading Services, plans to move to the new facility, which provides a 40-car capacity.

The new facility could accommodate the natural gas industry by providing freight transportation for items such as hydrofracturing sand and piping, Murawski said.

"Newberry rail yard is going to play an important part in gas drilling activity that will be prevalent throughout the region," he said.

"Newberry yard is a natural fit," Murawski said. "It has plenty of space and plenty of infrastructure. They'll build additional trackage and a building to house the operation."

According to Stover, the facility and associated work will be paid for through a $1.2-million grant and $700,000 loan through the state Department of Transportation and a $300,000 investment by the rail authority. The rest will be covered by a loan through Jersey Shore State Bank, he said. Debt service will be paid though lease payments from the company renting the facility, he said.

5/1/2009 Traffic

Carloads still sluggish for North American roads, AAR data shows

Nearly four months into 2009, freight traffic isn’t getting any better for U.S. railroads. During the year’s 16th week ending April 25, they originated 260,652 carloads, down 22.4 percent, and 184,509 intermodal loads, down 17.8 percent compared with levels from the same week last year, according to the Association of American Railroads (AAR).

Canadian railroads reported 60,682 carloads, down 23.5 percent, and 41,679 containers and trailers, down 14.1 percent. Mexican railroads reported a 5.7 percent drop in carload volume to 10,944 units and a 0.5 percent increase in intermodal volume to 5,858 units.