

## PATCO's Revenge

*Capitol Hill cronyism may give the air traffic controllers what they always wanted*

By Steven J. Allen

**Summary:** Momentum is building behind a fake “privatization” of air traffic control proposed by a second-generation congressman whose family is notorious in Washington for wheeling and dealing and for extremely close relationships with lobbyists. The scheme would create a “Fannie Mae of the Air” authority that would be insulated from public accountability and beholden to a powerful union—a union that Ronald Reagan faced down in one of the most consequential political fights of the 20th Century.

In 1981, the air traffic controllers union, PATCO, went on strike and held hostage the safety of the flying public. President Reagan fired the controllers and broke the union. It was a pivotal moment, arguably altering the course of history at home and abroad. Now, Washington politicians and lobbyists, testing the bounds of ethical behavior, are working feverishly to create an unaccountable, special-interest-controlled monopoly “corporation” to run the nation’s air traffic control system—one that would give the controllers’ union the deal of a lifetime.

Straddling the realms of federal and private-sector employment, the controllers would get the benefits of both—high salaries and pensions, government-level job protection, and an end to the ban on strikes.

Call it PATCO’s Revenge.

### Controllers strike!

Air traffic controllers are, in the most-cited definition, “people trained to maintain the safe, orderly and expeditious flow of air traffic in the global air traffic control system.” In the popular mind, they’re the people, often ensconced in towers at airports, responsible for making sure that airplanes don’t fly into each other.

In the U.S., the Army and the Post Office



**Clockwise from lower left:** the PATCO strike; Reagan stands firm; Ann Eppard, Bud Shuster at the unveiling of his portrait; the highway; lobbyist Shelley Rubino; Rep. Bill Shuster.

developed radio-based systems that led to the nation’s first Air Traffic Control (ATC) tower, regulating the movement of planes at a specific airport in Cleveland in 1930. Soon, ATC grew into systems regulating air traffic from departure to destination, beginning with the first Air Route Traffic Control Center in Newark in 1935. By the 1950s, radar was in use to control airspace around major airports.

The Professional Air Traffic Controllers Organization (PATCO) was founded as a professional association in 1968 with the assistance of attorney F. Lee Bailey, who was famed for the Sam Sheppard and Boston Strangler cases and, later, for the Patty Hearst and O.J. Simpson cases. From the beginning, PATCO made trouble, declaring “Operation Air Safety” on July 3, 1968, a work-to-the-rule protest in which controllers adhered strictly to established standards for keeping aircraft separated. That led to significant delays.

The Federal Aviation Agency (now Administration) agreed to a voluntary payroll deduction for PATCO dues, on condition that the group remain a professional association. But in January 1969, the U.S. Civil Service Commission declared PATCO to be a union instead. In June, PATCO conducted a three-day protest in which many members called in sick, it being illegal for government workers to strike. In March 1970, another “sick-out” involved a reported

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2,000 controllers and caused major delays in air traffic.

Controllers returned to the job under court order, but their protests worked. The federal government hired new controllers, raised pay to attract more and better applicants, re-opened a training academy in Oklahoma City, and accelerated the adoption of new technology. The union could make a plausible case at that point that its work actions were aimed at improving public safety, not just at bettering members' pay and benefits and working conditions.

Not every protest could be justified as in the public interest, though. In June 1978, PATCO staged a slowdown after the airlines refused to take domestic controllers along on free, overseas "familiarization flights." One controller later admitted that "We weren't talking about our rights. We were talking about people who wanted a freebie to Tahiti."

PATCO's skirmishes with the feds continued throughout the Carter administration. The administration began to lay plans for cracking down on the controllers. Relations were so bad that, in 1980, the union's executive board endorsed the Republican candidate for president, Ronald Reagan. As a former president of the Screen Actors Guild, Reagan had negotiated labor agreements, and he was known to be sympathetic to PATCO.

In March 1981, the union set up "informational" picket lines across the country and demanded a raise averaging about \$10,000 a year (worth \$27,000 in 2016 dollars, a raise of more than 31 percent), with better retirement benefits and a four-day work week.

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Before the strike, Reagan actually went beyond his legal authority to offer the union a pay raise, something no president had done before. The raise, 11.4 percent, was considered particularly generous given the state of the economy and Reagan's mandate to cut government spending.

The offer was so generous that Democrats accused Reagan of paying off PATCO for its endorsement. Prominent among those critics: Rep. Geraldine Ferraro (D-N.Y.), whom Democrats would nominate for vice president in 1984.

The country was trying to climb out of a severe recession, and many Americans found it difficult to empathize with controllers who made an average of \$32,000 a year (roughly \$88,500 in today's money), with some making \$46,700 a year (roughly \$129,000). The controllers wanted more, and were willing to put the public at risk to get it.

Six and a half months into the Reagan administration, PATCO went on strike. Not only was a strike by federal employees illegal on its own terms, but each controller had, as a condition of employment, taken an oath not to participate "in any strike against the Government of the United States or any agency thereof."

President Reagan declared the strike a "peril to public safety" and ordered the controllers to go back to work within 48 hours or be fired and banned from federal employment. There were dozens of arrests, and four militant controllers in Texas were jailed.

Only about 10 percent of the 13,000 controllers returned to the job. The rest, it seems, didn't take Reagan's threat seriously. In a 2001 book, Reagan speechwriter Peggy Noonan described the situation:

Reagan told [Transportation Secretary Drew] Lewis to tell the union that under no circumstances would he accept an illegal strike, and under no circumstances would he negotiate a contract while a strike was on. He added this: You tell the leaders of PATCO that as a former union president I am the best friend they've ever had in the White House.

But Reagan's decision was not an easy one. Very few unions had supported him when he ran for president in 1980—but PATCO had. Very few union leaders had been friendly to him—but PATCO's had. And Reagan always had supported

the rights of workingmen and -women to bargain collectively and protect their interests. But no president, he thought, should ever tolerate an illegal strike by federal employees. . . . Reagan told Lewis he agreed with Calvin Coolidge: "There is no right to strike against the public safety by anybody, anywhere, at any time."

The President fired 11,345 controllers and enforced the employment ban. PATCO president Robert Poli attacked the administration's "intensive fascist tactics."

"I would like to think that there was a better solution than the one we had," Lewis said later. He said he worried about the decision for years because "I get letters from people who say they've lost their house and their wife left them because they don't have a job, and I'm not insensitive."

"By firing those who refused to heed his warning, and breaking their union, Reagan took a considerable risk," wrote historian Joseph A. McCartin of Georgetown University. "Even his closest advisors worried that a major air disaster might result from the wholesale replacement of striking workers."

There was an immediate aspect regarding national security: AWACS planes, airborne early warning and control aircraft critical to the national defense, could not have gone up without the controllers. "That's why they [the Soviets] thought Reagan would back down," Drew Lewis said later. "The Soviets and others in the world understood the implications of the strike."

The controllers were replaced with a mix of supervisors and staff along with military controllers and others from elsewhere in the government. The training process for new controllers, which normally took three years, was accelerated.

On September 19, a planned AFL-CIO demonstration in support of Poland's anti-Communist union Solidarity turned into a protest of Reagan administration policies, featuring hundreds of thousands of people stretching from the Washington Monument to the Capitol. Some signs compared Reagan's shutdown of PATCO to Communist oppression in Poland. (Ironically, AFL-CIO President Lane Kirkland, a patriot who opposed the idea of striking against the public safety, had dissuaded some Democrats from attacking Reagan too harshly over the affair.)

By October 1981, the Federal Labor Relations Authority, which deals with federal employee matters, decertified PATCO as the representative of the controllers. Facing heavy fines for its defiance of a back-to-work order, the union declared bankruptcy.

The *Los Angeles Times* reported:

In the weeks that followed [Reagan's victory over the union], analysts said PATCO's self-destruction was the inevitable result of multiple errors and miscalculations. They said these included, first and foremost, overconfidence, based on the strikers' conviction that they were irreplaceable. Added to that, the analysts said, were a gross underestimation of the President's resolve, a relatively inflexible bargaining position, a failure to coordinate with other unions, a mistaken belief that the business community would oppose the strike for economic reasons, poor public relations that helped make the strikers appear greedy, and poor timing in that the strike was called in the summer, when the air traffic control system is the least burdened by bad weather.

In 1986, Rep. Guy Molinari (R-N.Y.) introduced a measure to allow 1,000 of the blackballed former PATCO members to apply for jobs as FAA controllers. It was voted down in the Democrat-dominated House, 226-113. In 1987, a new union, the National Air Traffic Controllers Association (NATCA), was formed to take PATCO's place, and pledged never to engage in an illegal strike. In 1993, President Bill Clinton lifted the ban on hiring the PATCO strikers, and approximately 800 strikers returned. Today, NATCA, affiliated with the AFL-CIO, is the union for air traffic controllers employed by the FAA.

Two small unions exist under the old name, PATCO. One is a division of the Federation of Physicians & Dentists-Alliance of Healthcare and Professional Employees, an affiliate of the American Federation of State, County and Municipal Employees. Another, which uses the old PATCO trademark, allied itself with the Teamsters and is affiliated with the Office and Professional Employees International Union (AFL-CIO).

Air traffic controllers' pay increased such that, by 2006, the average controller made, in pay and benefits, \$173,000 (about \$213,000 in today's dollars) and the top 100 NATCA members made \$197,000 a year (more than \$242,000).

NATCA's political influence reached across party lines, so much that, in 2006 when the FAA imposed a contract on the union, 76 House Republicans joined 195 Democrats in a 271-148 vote to force the FAA to keep negotiating. It was only eight votes shy of the two-thirds needed to override a veto by President George W. Bush.

When President Obama took office in 2009, the *Washington Post* reported, "The new administration made it clear that it did not want to wage war with unions, and recent years have seen such a symbolic relationship between the union and the FAA that when reporters made a call to one of them, there were occasions when their call was returned by the other."

In 2012, NATCA endorsed Obama for reelection, noting that "The collaboration between NATCA and the FAA has been the result of both the President's restoration of fair collective bargaining for controllers and other safety professionals, and his strong leadership to restore and expand labor-management partnerships in the federal government."

#### **A turning point**

The 1981 strike and Reagan's response had major, lasting consequences. There had been 39 illegal work stoppages against the federal government between 1962 and 1981. There have been no significant stoppages since.

Federal Reserve Chairman Alan Greenspan said in 2003:

But perhaps the most important, and then highly controversial, domestic initiative was the firing of the air traffic controllers in August 1981. The President invoked the law that striking government employees forfeit their jobs, an action that unsettled those who cynically believed no President would ever uphold that law. President Reagan prevailed, as you know, but far more importantly his action gave weight to the legal right of private employers, previously not fully exercised, to use their own discretion to both hire and discharge workers.

There was great consternation among those who feared that an increased ability to lay off workers would raise the level of unemployment and amplify the sense of job insecurity. It turned out that with greater freedom to fire, the

risks of hiring declined. This increased flexibility contributed to the ability of the economy to operate with both low unemployment and low inflation.

According to historian Joseph A. McCartin, "Reagan's unprecedented dismissal of skilled strikers encouraged private employers to do likewise. Phelps Dodge and International Paper were among the companies that imitated Reagan by replacing strikers rather than negotiating with them. Other companies that were said to have been inspired to take a tough line included Greyhound, United Airlines, Caterpillar, and Hormel."

McCartin wrote that Reagan's "forceful handling of the walkout . . . impressed the Soviets, strengthening his hand in the talks he later pursued with Mikhail S. Gorbachev." Richard Allen, Reagan's first National Security Advisor, called the PATCO firing "Reagan's first foreign policy decision," and George Shultz, who was Secretary of State under Reagan, called it the most important foreign policy decision Reagan ever made. Reagan biographer Edmund Morris wrote that "Former Soviet apparatchiks will tell you that it was not his famous 'evil empire' speech in 1983 that convinced them he meant strategic business, so much as photographs of the leader of the air traffic controllers union being taken to jail in 1981."

The PATCO affair reverberated through the decades. Running for president in 2015, Gov. Scott Walker (R-Wisc.) cited, as experience relevant to foreign affairs, his defeat of unions in his state. He likened his stand to that of Reagan. "The Soviet Union started treating [Reagan] more seriously once he did something like that. Ideas have to have consequences. And I think [President Obama] has failed mainly because he's made threats and hasn't followed through on them."

On the other hand, left-wing filmmaker Michael Moore said that Reagan's firing of the PATCO strikers was the beginning of "America's downward slide." But most Americans—certainly, most conservatives and Republicans—would see the effects of the PATCO firings as positive. Yet, today, *Republicans* in Congress are leading the effort to undo what Reagan did by turning the air traffic control system over to a monopoly controlled by special interests who will be able to strike under protection of the law.

## A not-so-private function

Last June, Rep. Bill Shuster (R-Penn.), chairman of the House Committee on Transportation and Infrastructure, proposed creating a nonprofit, federally chartered corporation to operate air traffic control. It would be governed by a board of special interests (known in Washington-speak as “stakeholders”); it would be financed by user fees; and it would be insulated from the democratic process.

Shuster suggested later that the undemocratic aspect was a plus, because the new system would “establish a stable, self-sustaining, and fair user fee funding structure for ATC, eliminating it from the budget process and the annual appropriations cycle.” The industry group Airlines for America has suggested that airline taxes and fees amounting to \$13 billion a year would be more than sufficient to cover the cost of the new system.

In place of constitutional democracy, the corporation would have a board that would play special interests against one another. “You’ve got to make sure that commercial aviation, freight, [general aviation], passengers—you’ve got to make sure that all the stakeholders have a spot and the board is balanced such that no one stakeholder has too much power,” said Rep. Blake Farenthold (R-Texas).

Unveiled formally as the Aviation Innovation, Reform, and Reauthorization (AIRR) Act, the Shuster proposal had a hearing a week after it was introduced, and a committee mark-up (debate and amendment session) the following day. After some 75 amendments were considered, and about half of them were approved, the AIRR Act was voted out of committee 32 to 26, with only two Republicans opposed.

Many Republicans signed onto the proposal, which was sold as “privatization,” although in fact it would be a government-sponsored entity, not a private one. Examples of government-sponsored corporations include the Federal National Mortgage Association, known as Fannie Mae, which served as a slush fund for funneling tens of millions of dollars each to political operatives and helped create the Great Recession; and the Corporation for Public Broadcasting, which funds a mix of educational shows, British costume dramas, and other programs aimed at wealthy audiences, as well as emitting left-wing propaganda.

Once created, such entities are rarely supervised in any meaningful way.

## Union backing

Government employee unions have long opposed efforts at real privatization of functions currently performed by the government. Interestingly, the Shuster proposal is backed by the air traffic controllers union, NATCA.

And why not? The plan protects NATCA members’ compensation. In fact, it allows the controllers to receive raises above what they could earn as federal employees. It protects their federal health benefits and their retirement benefits, even for pensions based on their higher “private sector” salaries. And it effectively eliminates the prohibition on strikes.

All the while, nothing protects taxpayers from the potential for a bailout such as the one that, in the wake of the post-9/11 downturn in air travel, rescued the “privatized” air traffic control systems of Britain and Canada.

On February 3, NATCA issued its statement of support:

... We have looked at every single word and pored over every detail and proposal. We have specifically focused on what protects our members’ rights, pay, benefits, and retirement, and what ensures the safety of the National Airspace System (NAS) while also addressing the current problem of providing a stable and predictable funding stream to operate and improve a 24/7 safety function. After extremely careful review, consideration, and deliberation, we have reached a decision: NATCA supports this bill. We applaud the very hard work that the Committee has done to think outside the box and come up with a comprehensive bill that addresses the concerns we have shared with them. . . . In reviewing this bill, we found that it is in alignment with all of our organization’s policies, practices, and principles. . . .

We want to be very clear on this point: this is NOT a for-profit model. As we’ve said throughout this process, that would be something we would oppose. Many voices in the public discussion of this issue, including the news media, will continue to use the word privatization

to describe this bill. But to us, privatization has always meant a profit motive where safety is not the top priority. That definition does NOT fit this bill today. . . .

...which, of course, is part of the problem.

Proponents describe the Shuster plan as creating a corporation that would be, as they say, “run like a business.” But a real business is subject to powerful incentives to make a profit by keeping costs down while keeping customers happy, and a real business continually faces the prospect of failure. If it’s too big to fail, or too *essential* to fail, it’s not a real business (and it will inevitably be bailed out some day). If it exercises governmental powers, or is legally invulnerable to competition, it’s not a real business. It’s crony capitalism, not real capitalism.

What the AIRR Act creates is not a business, and it’s outside Constitutional government. It is based on the delegation of the powers of elected officials to a board of people who aren’t themselves elected or appointed by someone elected. Two of the board seats go to people appointed by the Secretary of Transportation, who is appointed by the President. Otherwise, the seats go to special-interest “stakeholders.”

The so-called “stakeholder” board would include the two members appointed by the Transportation Secretary; four members from the industry group Airlines for America (A4A); two members from the Aircraft Owners and Pilots Association (general aviation, i.e., civilian aviation outside the regular passenger airlines); one member each from the Air Line Pilots Association and NATCA, both affiliated with the AFL-CIO; plus the CEO selected by the board. During the “mark-up” process in which a committee debates and amends legislation, groups dealing with business aviation and aerospace manufacturing were allotted seats on the board.

“The surprise thumbs-up from NATCA has been a clincher for Rep. Bill Shuster’s plan for an independent air traffic control,” *Politico* reported. An internal memorandum from NATCA made clear that last-minute wheeling-and-dealing was behind the group’s endorsement. “We were a bit surprised when the Chairman indicated they were going to introduce it and swiftly hold a hearing and mark it up in committee next week. At that time there were still several

outstanding issues that the majority staff were not going to include in the bill, so we were going to oppose it. The night before the chairman introduced the bill, his staff added what we needed to the bill to ensure our members (not just ours but all of the unionized workforce) were protected.”

Testifying before Shuster’s committee, NATCA President Paul Rinaldi noted sarcastically how ATC funding has been affected by activist Republicans. “Our 24/7 aviation system has been challenged by 23 extensions in authorization, a partial shutdown, a complete government shutdown, as well as numerous threatened shutdowns. Aviation safety should not come second to defunding Obamacare, Planned Parenthood, Syrian refugees, or gun control or any other ‘important’ issue that comes before the body.”

### Criticism

Writing in the Washington newspaper *The Hill*, Rep. Mike Pompeo (R-Kan.) declared that “private monopolies run by special interests should not get to raise taxes and set regulatory policy for the United States. That is unfortunately what Congress is about to do to the aviation industry.” The conservative group Heritage Action concurred: “Understandably, many conservatives are eager to privatize our nation’s air traffic control system. But, concerns have arisen that this attempt would instead create an organization similar to other government-sponsored enterprises that keep taxpayers on the hook for serious missteps.”

Russ Brown, president of the Center for Independent Employees, called the AIRR Act

an old-fashioned case of bait and switch, as there is no private business that would actually do the job of managing America’s airspace, if the bill becomes law. What is proposed is a quasi-governmental agency that will be accountable to no one. . . .

The act in privatizing the air traffic controllers will not move their collective bargaining into the agencies that oversee the private sector either. Instead the air traffic controllers will remain in the jurisdiction of the Federal Employees Relations Authority, which currently is mandated to only cover government paid employees.

There are two other agencies that cover the private sector, the National Labor

Relations Board (NLRB) and the National Mediation Board (NMB). The NLRB oversees the National Labor Relations Act, which governs most American labor relations. However, two of America’s industries, railroads and airlines, fall under the jurisdiction of the Railway Labor Act (RLA). The RLA is designed to ensure America’s commerce is not interrupted due to a labor dispute. But this new air traffic controller agency will not fall under the RLA and its anti-strike protections.

The Manhattan Institute’s Diana Furchtgott-Roth, a former chief economist at the Labor Department and frequent contributor to *Labor Watch*, wrote:

Thirty-five years after President Reagan crushed the air-traffic controllers’ union for calling an illegal strike, Big Labor has its eyes on recapturing the air-traffic-control system. Its unwitting allies are Republicans on Capitol Hill, who are proposing to spin off air-traffic control into a federally funded, independent non-profit corporation, a process they call “privatization.”

Why is Chairman Shuster rushing this union giveaway bill, disguised as privatization, through his committee? . . . To see the answer, follow the money. In the 2016 election cycle, according to the Center for Responsive Politics, Bill Shuster so far has received \$118,000 from unions, including NATCA (\$10,000), the Carpenters and Joiners Union (\$10,000), the Laborers Union (\$10,000), the Painters and Allied Trades Union (\$10,000), and the Air Line Pilots Association (\$10,000). He received \$170,000 from unions in the 2014 cycle.

Privatizing the air-traffic-control system would be an excellent move, but the proposed new ATC Corporation is a Trojan horse, an expansion of union power cleverly disguised as privatization. The resulting entity would limit reorganization and cost savings, benefiting neither consumers nor employees.

. . . Should there be a strike, there would be no remedy for the new corporation other than to pursue arbitration. If the ATC and the union could not agree, the dispute would go before a three-person arbitration board. Neither the union nor the employer would have the option of

walking away from a contract imposed by the arbitrators. There would be no consequences for the striking employees. . . .

The “private” employees would belong to NATCA—which would also continue representing federal workers, a blatant conflict of interest. . . . NATCA would continue to set wages, and the ATC Corporation would continue to deduct union dues from those wages and send them to NATCA. That means no bonuses, no merit pay, no promotions for more qualified individuals, no layoffs for poorly performing individuals. . . . And NATCA isn’t limited to setting compensation. Few reforms can be accomplished at the new ATC Corporation without NATCA approval.

NATCA would be deemed the representative of the controllers, even though it’s been almost 30 years since that particular union was voted in as the controllers’ representative. No new vote—no recertification—would be required.

Why are Republicans taking the side of NATCA? The answer is rooted deeply in the culture of Washington and in the story of two congressmen named Shuster.

### Like father...

Rep. Bill Shuster has chaired the Transportation and Infrastructure Committee, known as T&I, for the past three years. But his ties to the committee go back decades, to his father, Rep. Elmer G. “Bud” Shuster, who chaired the panel from January 1995 to January 2001. It’s believed the Shusters represent the only instance of a father and son chairing the same Congressional committee.

The elder Shuster, born in Pennsylvania in 1932, received his M.B.A. from Duquesne University and his Ph.D. from American University in Washington, D.C. Shuster claimed in his autobiography that, in college, he was recruited to serve in the Central Intelligence Agency. He joined RCA, rising to vice president, and started his own computer business in the D.C. area. In 1972, he was elected to Congress from the district that includes Altoona. After his initial election, Shuster never again experienced a tough race. He faced a famous and well-funded opponent in 1984—Nancy Kulp, one of the stars of the hit TV series *The Beverly Hillbillies*—and he defeated her two-to-one.

He rose to become chairman of the Republican Policy Committee (the #4 GOP leadership position), but lost a 1980 race against Trent Lott (R-Miss.) for Republican whip (the #2 GOP position). Following his loss to Lott, Shuster settled into his work on the T&I committee and became known for working closely with Democrats on highway and water projects, “pork-barrel” spending. Some of the projects appeared in legislation passed over President Reagan’s veto.

He also became known for his lifestyle. In 1989-90, for example, he spent almost \$107,000 in campaign funds on meals, the most of any congressman and four times the amount spent by the next most self-indulgent congressional diner.

When Shuster was elected to the House, Democrats had held the majority and the speakership and all the committee chairmanships for 18 years. It would be another 22 years before 1994’s “Gingrich Revolution,” in which the Republicans took control of the House. Suddenly, after the ’94 election, Shuster was chairman. It was a role he relished, using it to dish out pork-barrel spending for his district and for the districts of other Congressmen who knew how to play ball with him. When he pushed legislation known as the Building Efficient Surface Transportation Equity Act (BESTEA), his colleagues, noting his propensity for pork, jokingly said it stood for the “Bud E. Shuster Transportation for All Eternity Act.”

Taxpayer advocate Thomas Schatz of the Council for Citizens Against Government Waste called Shuster’s BESTEA “pork-barrel politics of the worst kind” and “a transparent attempt to bribe Southern and Midwestern representatives into breaking the balanced budget agreement” that the new House Speaker, Newt Gingrich (R-Ga.), and his lieutenants had negotiated. The group Taxpayers for Common Sense said, “Shuster’s bill authorizes reckless budget shenanigans . . . putting transportation spending on auto-pilot.”

Members of the Republican majority took over in 1994 as reformers, and to a remarkable degree they acted as reformers, fulfilling the “Contract with America” platform on which they had been elected. Speaker Gingrich defied the seniority system in some cases in order to install reformers in key positions. Shuster, though, was powerful and well-connected enough to defy Gingrich.

Shuster had spent many years in the minority, watching the majority Democrats, particularly the committee chairmen, as they enjoyed power and respect and, often, as they amassed wealth on the side. Now it was his turn to be kowtowed to. The *Washington Post* reported in 1997 that “Republicans and Democrats who have sided against Shuster’s pet issues . . . admit they live in fear of reprisals.”

One of his best-known projects was U.S. 220 between Altoona and the Pennsylvania Turnpike, built at a cost of \$90 million, 80 percent from federal funds. It forms the southern segment of Interstate 99, later designated by Gov. Bob Casey (D) as the Bud Shuster Highway. The *New York Times* reported in 2008:

It has been called an economic engine, Bud Shuster’s Rollercoaster and an enabler of suburban sprawl. Whatever one calls it, the final, 18-mile section of Interstate 99 that opened here last month in Central Pennsylvania—connecting Interstate 80 and the Pennsylvania Turnpike, Interstate 76, for the first time—was not built quickly, and it was not cheap. At \$631 million, including \$83 million to clean up toxic pyritic rock that was the result of a 35-million-year-old meteor impact, this section of I-99 was nearly twice as expensive as anticipated and took at least four years longer than expected to finish. . . .

“Here’s a case of where you had a politician with a very personal goal of spending hundreds of millions of dollars in his district while the nation’s infrastructure was crumbling,” said Steve Ellis, vice president of Taxpayers for Common Sense, based in Washington, which has long cited I-99 as an example of pork barrel spending at its worst. . . .

[When Shuster] was told that the highway would officially be considered a “spur” connecting I-76 and I-80 and would have to be named something like Interstate 876 or Interstate 280, he resisted because, he said, it was not “catchy.” So, reaching into his childhood memories of the old rickety street car, No. 99, that took people from his hometown of Glassport, Pa., to McKeesport, he wrote into law that it would be called I-99, believed to be the first time that was ever done. That violated

the highway numbering protocol the federal government usually uses for Interstates, which requires north-south highway numbers to rise from lower in the west, like Interstate 5, to higher in the east, like Interstate 95. . . .

By deciding to go over [Skytop Mountain, rather than the route favored by conservationists], the Pennsylvania Department of Transportation cut into an acidic pyrite rock formation. . . . [T]he formation, a result of the meteor that created the Chesapeake Bay, was so acidic that when exposed to air and water, the runoff had the pH level of battery acid.

*Businessweek* in 1995 declared that Bud Shuster “could[n’t] care less if he’s labeled a big spender.”

Those who think GOP stands for “gutting oversized programs” haven’t met Representative E.G. Shuster. In March, the Senate tried to slash \$140 million for highway programs attached to a \$3 billion defense bill. But that was before Shuster, the tenacious chairman of the House Transportation & Infrastructure Committee, weighed in. By the time House and Senate conferees wrapped up the bill on Apr. 5, every cent for highways had miraculously been restored.

Chalk up another win for the Republicans’ preeminent Prince of Pork. While his GOP colleagues are hell-bent on downsizing government, former software executive turned lawmaker Shuster (R-Pa.) is determined to spend more federal money—in his own district and those of his many political colleagues. . . .

Take U.S. 220 between Altoona and the Pennsylvania Turnpike, a multi-lane architectural marvel named the Bud Shuster Highway. It was built at a cost of \$90 million, 80% from federal funds, he said. In fact, the 1991 transportation bill brought more money to Pennsylvania—\$934 million—than to any other state. That included \$287 million for Shuster’s district, more than what many states received. “This process presents temptations to the purest of saints to feed at the public trough,” grouses Joe Winkelmann, director of governmental affairs with Washington (D.C.)-based Citizens Against Government Waste. . . .

Key to Shuster's clout is his willingness to share the wealth, liberally funding demonstration projects to help win votes for fellow incumbents regardless of party (table). Shuster supported the Tasman Corridor, a 12.4-mile commuter rail line linking Milpitas and Mountain View, Calif., in the congressional district of Democratic ally Norm Y. Mineta, ranking member of the House Transportation Committee. The Federal Transit Administration estimates it would cost up to \$33 to attract each new rider—five times as much as the agency says is acceptable. Total estimated cost: \$500 million.

By the way, Mineta, like other high-ranking members of the T&I committee, used pork to help make himself popular. He was so popular in Washington that he ended up serving in the Cabinets of both Bill Clinton (as Commerce Secretary) and George W. Bush (as Transportation Secretary).

When it comes to taxpayers' money, spreading the wealth is bipartisan. "We're glad to have him. Before Bud, we never got anything from the government," said a state Democratic committeeman from Shuster's district.

### The office wife

Going back to his time as a businessman, prior to his election to Congress, Shuster was well-served by an aide named Ann Eppard. In Washington, she was always by his side during long days on the Hill, escorting him around town, eating meals with him, keeping track of the countless details that a member of Congress must deal with. She was, as they say in Washington, his "office wife." (The term does not necessarily suggest impropriety.) By 1994, she made \$108,000 a year—close to \$175,000 in 2016 dollars.

Shortly before Republicans took control of the House for the first time in 40 years, Eppard left Shuster's staff to become a lobbyist. A month after the 1994 election, she bought a townhouse in Alexandria, outside Washington, for \$823,000 (adjusted for inflation, more than \$1.3 million today). By 1997, she moved up to a townhouse worth \$1.4 million (more than \$2.1 million today).

House staffers may not lobby their former bosses for one year after they leave their employ, although they may lobby other

members of Congress, including committee members who depend on remaining in the good graces of the chairman. Eppard and Shuster claimed that she did not violate the one-year rule.

Eppard's lobbying business took off. By mid-1995, her client list included Conrail, the Ocean Common Carriers Coalition, the American Transportation Builders Association, the Outdoor Advertising Association of America, and Amtrak, the government passenger rail corporation. Amtrak alone paid her \$100,000 a year. Within two years, she had at least 33 clients. Meanwhile, she made \$3,000 a month as a consultant to Shuster's campaign and was getting together with Shuster "several times a week," according to the congressman. When Congress was in session, she visited his office almost daily.

Her duties for his campaign included putting together events such as birthday parties for Shuster at which attendance by transportation industry representatives—who also served as campaign donors—was considered mandatory. "I certainly am working hard to make sure that Bud Shuster has enough of a war chest so that anyone thinks seriously about challenging him," she told a reporter.

In 1997, some 200 to 250 transportation lobbyists were invited to a \$1,000-a-plate birthday party fundraiser for Shuster that was put together by Eppard. Also invited: 10 state legislators from Shuster's district, whom Shuster and Eppard pressed to support a gasoline tax increase. A 1998 *Washington Post* article described one of Shuster's three birthday bashes for 1998:

A birthday party for a powerful congressional committee chairman always draws a crowd, even at \$1,000 a plate. But with a six-year, \$218 billion highway reauthorization bill on the table, nobody wants the chairman of the House Transportation and Infrastructure Committee to be lonely on this late January night. And so they have come, these men and women, most of whom are lobbyists for the transportation industry. The turnout ranges from planes to trains to automobiles, from asphalt and concrete to billboards to roadway reflectors: Union Pacific, American Airlines, 3M, the Associated General Contractors, the Outdoor Advertising Association of America, and so on. . . .

Shuster, a Pennsylvania Republican halfway through his 13th term, is somewhat shy. Working a room is not his favorite pastime. In his stead, a woman named Ann Eppard is standing by the door in a black cocktail dress, greeting the guests she has invited. . . .

Eppard was far more aggressive than Shuster. The congressman says that on more than one occasion, a donor handed Eppard a check and she immediately handed it back, saying, "That's not enough."

Eppard headed a committee that raised an estimated \$40,000 for a portrait honoring Shuster as chairman of the Transportation and Infrastructure committee.

Shuster would sometimes spend the night at Eppard's house, as came to light when a reporter staked out the place and saw Shuster leaving at 7 a.m. Some saw this as evidence of improper conduct—she was divorced, while Shuster's wife resided back home in Pennsylvania—but Shuster and Eppard insisted that their relationship was platonic and that members of their two families often stayed at each other's homes. The *Journal of Commerce* reported in 1996 that "Rep. Shuster and Ms. Eppard are quick to say their lawmaker-lobbyist relationship is typical of hundreds of similar arrangements in Washington. The difference between them and others, he said, is how open they have been about it. 'This goes on all the time around this town,' he said."

In 1998, Eppard was indicted on charges that she took \$230,000 in illegal payments in 1989-94 while she was on Shuster's staff—allegedly, bribes to influence government action on the "Big Dig," the massive Central Artery/Tunnel Project in Boston that was under construction from 1991 to 2007 and cost \$14.6 billion (an overrun, adjusted for inflation, of 190 percent). She allegedly secured favorable treatment for two businessmen whose property lay in the path of the project. "Mr. Shuster was widely reported to have been under investigation in the Boston case, but he was never charged," the *New York Times* reported. Eppard was also accused of embezzling \$27,500 from Shuster's re-election campaign. Eventually, she pled guilty to a misdemeanor charge of receiving improper compensation and paid a \$5,000 fine.

## A new Shuster

One of the key reforms of the Gingrich Era was the imposition of term limits on committee chairmen. In 2000, Shuster sought and was denied a waiver. He became, according to *The Almanac of American Politics*, “disgruntled.”

In addition, he was the target of an investigation by the House Ethics Committee. In October 2000, the committee voted unanimously to issue Shuster a letter of reproof, a sort of reprimand. “By your actions you have brought discredit to the House of Representatives,” the committee wrote. According to the *New York Times*, Shuster had been accused of “being too close to a former top aide [Eppard] who became a transportation industry lobbyist; of improperly accepting gifts; of encouraging his Congressional employees to blur the line between Capitol Hill duties and re-election campaign work, and of keeping sloppy campaign-expense records.”

Shuster faced no opposition in the elections of 1998 and 2000. In January 2001, just after being re-elected, he resigned from Congress, citing his health. The abrupt resignation helped ensure that only one person was in a strong position to succeed him: his son Bill.

The younger Shuster had an M.B.A. from American University, had worked for Goodyear Tire, and was the owner/operator of the family’s automobile dealership. At a February 18 convention—one that opponents claimed was “stacked”—Bill Shuster won the Republican nomination, defeating a state representative. He received 69 of the 133 votes, two more than a majority. In the general election on May 15, he defeated a Democrat county commissioner 52 to 44 percent, an unimpressive showing given his parentage and name, his access to his father’s political organization and funding sources, the two-to-one Republican leanings of the district, and the fact that Democrats at the national level had written off the election as unwinnable.

Bill was challenged in the 2004 primary and squeaked by with 51 percent. In 2014, he defeated a primary challenger backed by the Tea Party movement, 53 to 34 percent. Other than those two primary challenges, he has been re-elected easily every two years.

In the House, Shuster attempted to practice the pork-barrel politics of his father—for

example, claiming \$22 million in earmarks in 2008. He even claimed credit for \$9 million sent to his district as a result of President Obama’s 2009 “stimulus” bill, which he had voted against (as did every other Republican in the House).

In 2012, he served as state co-chair for Mitt Romney’s presidential campaign.

*Politico* reported that year that Shuster had “managed to develop strong relationships with House Speaker John Boehner, Majority Leader Eric Cantor, and Majority Whip Kevin McCarthy. . . . ‘Shuster is the ultimate team player,’ [said] a former leadership aide . . .” (By 2016, Boehner would be gone from the Speakership, forced out by reformers; Cantor would lose his House seat to a Tea Party-backed reformer; and McCarthy would fail in his bid to become Speaker.)

Bill Shuster’s ascension that year to the chairmanship of the T&I committee led to speculation that he would attempt to increase “revenue” (taxes) for highway spending. Shuster told the *Pittsburgh Tribune-Review* that he would consider abandoning the Republican no-new-taxes pledge to fund transportation projects. The publication *Bond Buyer* reported that Shuster appeared open to the idea of changing the way that highways are financed, from a system based on a gasoline tax to one based on the number of miles a person drives. “He’s apparently game for that,” said a highway lobbyist. The new system would triple the taxes imposed under the current system. And *Politico* reported that “Shuster wants to explore—but not necessarily enact—a bevy of funding opportunities, including the gas tax, more tolling, a miles-traveled fee for vehicles and tying energy production to infrastructure.”

As Shuster became chairman, Rep. Nick Rahall (D-W.V.), a protégé of the late Sen. Robert Byrd, declared his relationship with both Shusters “excellent” and said, in *Politico*’s words, “that he hopes Shuster’s closeness with top GOP brass will give him the green light to run the committee his own way. . . . ‘I’m looking forward to Mr. Shuster running the show. . . . I recall his father bucking the leadership on their side, i.e., Mr. Gingrich, from the get-go. And winning.”

“Expect more pork as Shuster gets the Transport gavel,” read the headline on a December 2012 *Townhall* column by Tad DeHaven of the Mercatus Center at George Mason University. Something else political

observers should have expected: Shuster, like his father, would have a cozy relationship with Washington lobbyists.

## Friendly skies

Airlines for America, known as A4A and formerly known as Air Transport Association of America, is the largest trade association in the industry, representing U.S. airlines. Its member airlines and their affiliates transport more than 90 percent of U.S. airline passenger and cargo traffic.

A4A’s members include Alaska Airlines, American Airlines, Federal Express, Hawaiian Airlines, JetBlue, Southwest, United Continental, and UPS Airlines. Delta split with the organization last year.

Its president is Nicholas Calio, who served as Assistant to the President for Legislative Affairs for both Presidents Bush. He is a former senior vice president of the National Association of Wholesaler-Distributors and former executive vice president for global government affairs at Citigroup. In 1998, he was named one of the 10 most powerful lobbyists in Washington. Calio, it’s widely reported, is a close friend of Chairman Shuster.

According to Bloomberg News, A4A in 2013 had 26 lobbyists, including President Obama’s former top lobbyist, and spent almost \$8 million on in-house lobbyists and for representatives from five firms on K Street, the infamous thoroughfare in Washington, D.C. that is home base for the lobbying industry. One of those lobbyists is Shelley Rubino, vice president for global government affairs. Rubino formerly worked as a top aide to Connecticut House Speaker Thomas Ritter (D) and served in Washington as chief of staff to Rep. John Larson (D-Conn.), chairman of the Democratic Caucus. She reportedly made \$460,000 in salary and benefits in 2013.

Last April, Shuster issued a statement that “Ms. Rubino and I have a private and personal relationship, and out of respect for her and her family, that is all I will say about that.” According to press reports, the two have been dating since summer 2014, around the time Shuster’s wife filed for divorce after 27 years of marriage. The divorce was final later that year. Shuster’s spokesman said that, while Rubino continues to lobby other officials, she has not lobbied Shuster since they became romantically involved.



*Politico* reported:

On Feb. 10, Nick Calio, head of the nation's top airline trade group, Airlines for America, testified before Rep. Bill Shuster's House Transportation and Infrastructure Committee. The topic was a top priority for both men: A bill to overhaul the Federal Aviation Administration, most controversially by putting air traffic control in the hands of an entity favorable to the airlines.

Two days later, Shuster's committee approved the measure. And the week after that, he and Calio escaped to Miami Beach, Florida, with Shelley Rubino, an Airlines for America vice president who is Shuster's girlfriend. The three lounged by the pool and dined together during festivities tied to Rep. Mario Diaz-Balart's (R-Fla.) annual weekend fundraising trip. Attendees said they looked as if they were traveling in a pack.

Stan Brand, former general counsel of the House, told *Politico*, "Absent some exchange of gifts or things that would otherwise be a problem under the rules, I don't think the mere fact of her relationship with [Shuster] trespasses any other rules, at least none that I know of."

According to the Hagerstown, Maryland *Herald-Mail*, Shuster called press reports on his relationship with Rubino "the liberal media coming after the conservatives." Meanwhile, Shuster hired Chris Brown, A4A's vice president for legislative and regulatory policy, as staff director of the Transportation and Infrastructure committee's aviation subcommittee, which handles the FAA reorganization.

And A4A's senior vice president for government relations, Christine Burgeson, is married to Eric Burgeson, chief of staff in Shuster's congressional office. She began her Washington career working for Sen. Trent Lott, who defeated Bud Shuster for House Minority Whip in 1980.

Shuster was the top House recipient of airline industry contributions in 2014. *Environment and Energy Daily* reported last year that the congressman's brother, Bob Shuster, is a lobbyist whose clients include Chevy Chase, Maryland, a Washington, D.C. suburb that is fighting expansion of a mass

transit rail project. Bob Shuster said that he does not lobby his brother.

Of course, such an interlocking network of relationships is the norm for Washington. Jeffrey Lord of the *American Spectator*, who was once a congressional aide to Bud Shuster, wrote about what he called the "smear" of Bill Shuster:

The left, after having virtually single-handedly created the influence business, is now shocked—shocked!—that the very human men and women who fill all these positions are ... human! Which is to say, relationships—romantic relationships and friendship relationships, job-hiring-revolving-door relationships—are as inevitable as the sun rising in the East.

What did they expect? All of Washington, D.C. works this way. And news flash—Washington relationships work this way in the media, on Capitol Hill, in the White House, in the bureaucracies, and every lobbying business in town. Back in 2006, the *New York Times* actually ran a story focusing on members of Congress—not to mention their staff members—who married lobbyists. After, presumably, dating them. There were a lot of them. The story ran with a photo of then-Democratic Congressman John Dingell with lobbyist wife Debbie. And not to put too fine a point on this—when Dingell retired, lobbyist wife Debbie was elected to replace him.

In 2012 the American public learned that Republican vice presidential nominee Paul Ryan met his wife when, yes indeed, she was a K Street lobbyist. Senate Democratic Whip Dick Durbin of Illinois is married to a lobbyist. And so it goes. On, and on. Both parties. All three branches of government.

Sadly, Jeffrey Lord is correct.

### **You're just ign'rint**

Republicans took control of the House of Representatives in 2010 riding a wave of popular opposition to business-as-usual in Washington. Since then, the political culture in the nation's capital hasn't changed much. Washington politics is still dominated by an aristocracy of special-interest lobbyists, well-connected political consultants and wealthy nonprofters, unelected and unac-

countable bureaucrats, corruption-enablers in the news media, and politicians who look down on those ignorant people who elected them.

Appearing February 22 on the Fox News program *The Kelly File*, House Speaker Paul Ryan (R-Wisc.) expressed frustration at what he saw as the profound cluelessness of his critics. He complained about people who criticize the Republican leadership. On abortion, the Internal Revenue Service, and other matters, Ryan said, "we got some good conservative wins" in the recent budget deal.

Megyn Kelly: You know, people hear that and say [hands to face, mock gasp] "He's talking about compromise! We hate compromise!" That's why, also, a lot of people love Ted Cruz. They say, y'know, "Die tryin'! Die tryin'!"

Ryan: Y'know what—I find myself giving civics lessons all the time.

Kelly: Am I gonna get one now?

Ryan: Maybe a short one.

Kelly: A'right.

Ryan: Maybe two sentences.

Kelly: [chuckle]

Ryan [deliberately, as if explaining to a child]: For a bill to become a laaaaw, it has to pass the House, then the Senate, and then the president has to sign it.

Kelly: *Schoolhouse Rock*.

The problem, as the Washington elite sees it, is that too few people have taken a civic class on "How a Bill Becomes Law," and not enough people know the "I'm Just a Bill" song from the kids' educational series *Schoolhouse Rock*. If only they knew better, those grassroots rubes would understand what a great job the elite is doing on their behalf.

As for the wheeling-and-dealing-and-heaven-knows-what-else that went on behind the scenes of the T&I/A4A/NATCA negotiations, that doesn't concern you—unless you're a "stakeholder," of course. "Stakeholders" will get a say in the new system. If you're a regular American, well, you just need to pay your taxes and pay those fees and mind your own business.

*Dr. Steven J. Allen (JD, PhD) is editor of Labor Watch.*

**LW**

# LaborNotes

For the first time ever, a majority of states have Right to Work laws. In February, legislators voted to make **West Virginia** the 26th state with such a law, which protects workers from being compelled to join or pay dues to a union as a condition of employment. A former union stronghold, West Virginia follows the path of other former union strongholds like **Michigan** (which became RTW state #24 in 2013) and **Wisconsin** (#25 in 2015). The state legislature overrode the veto of **Gov. Earl Ray Tomblin** (D), with the **House** voting for RTW by 54 to 43 and the **Senate** voting 18 to 16. Eight House **Republicans** sided with unions against the override. In the Senate, the vote was along party lines, **Republicans** in favor of the override, **Democrats** against.

Once a year, *Union Corruption Update's* **Carl Horowitz**, a frequent contributor to *Labor Watch*, compiles a list of the top news stories covered in his publication. Among his greatest hits this past year: The comptroller of a **Carpenters** regional council in Michigan was charged with stealing \$500,000. A family in the **Inland Empire** area of **Southern California** was indicted for looting their union of around \$900,000. Three local union officials in **New York City**, two from the **Allied Novelty and Production Workers** and one from the **Teamsters**, were indicted in federal court on charges of obtaining illegal kickbacks or stealing a combined more than \$1 million from union health plans; they allegedly extracted payments from a third-party administrator in return for allowing the administrator to retain the management contract. As we reported previously, the business manager of **Laborers Local 657** and two co-owners of a building contractor were charged with theft, fraud, money laundering, and bribe-taking related to the disappearance of more than \$1.7 million in union funds, with part of the scheme involving a campaign to establish political parties in the Arab state of **Qatar**, and a former president of the **Jacksonville, Florida Fraternal Order of Police** pled guilty to receiving \$570,000 (out of a scam totaling \$300 million) from illegal Internet café gambling operations channeled through a military veterans' charity.

In **Detroit**, Horowitz noted, former union vice president **Paul Stewart**, who was trustee of the police pension fund, was sentenced to 57 months in prison and three years of supervised release, and required to make restitution, for conspiracy involving bribes and kickbacks during the reign of **Mayor Kwame Kilpatrick**, who is now serving a 28-year sentence for perjury, racketeering, and other crimes. And, in **Oakland, California**, **United Food and Commercial Workers** organizer **Daniel Rush** was indicted on charges of fraud and extortion in connection with his alleged receipt of \$500,000 in payoffs from marijuana dispensary operators—in return for advice on how to avoid being unionized.

In the May 2013 *Labor Watch*, **Diana Furchtgott-Roth** of the **Manhattan Institute** warned that the **Obama administration** might change the so-called “persuader rule,” overturning more than 50 years of precedent. Now those changes are happening. As Furchtgott-Roth noted in a recent *Wall Street Journal* op-ed, the **Labor Department** “is proposing a new rule, due out in March to take effect before summer, that will require companies to make public the names of the outside attorneys and consultants that give them advice on unionization. These attorneys and consultants, in turn, would have to make public all the other clients they help with union matters, and how much they charged these clients. The rule would deter many if not most outside attorneys and consultants from offering their services to companies facing a unionization drive. The burden will fall heavily on small businesses that do not have the in-house staff of large corporations. The rule does not apply to consultants offering advice to unions.” How ridiculous is the new rule? “Suppose a firm puts in a gym at the same time as a rival is unionized. The gym could be construed as an attempt to fend off a union drive and the designer could qualify as an adviser—and be forced to declare its other clients.”

At this writing, **Hillary Clinton** appears to be fighting off a challenge by **Sen. Bernie Sanders** (I-Vt.) for the Democratic presidential nomination. Critical to her effort was what appeared to be an extremely narrow victory in the **Iowa** caucus (although it's likely the actual vote count will never be released). The left-wing *American Prospect* noted the importance of unions, particularly unions of government employees, to Clinton's campaign: “The linchpins of Clinton's labor support are the nation's four giant public employee unions: the **American Federation of State, County and Municipal Employees** (AFSCME); the **American Federation of Teachers** (AFT); the **National Education Association** (NEA); and the **Service Employees International Union** (SEIU). (No more than half of SEIU's roughly two million members work in the public sector, however.) These “Big Four” alone represent more than 7.5 million union members—roughly, half the nation's union members. . . . [O]n Clinton's behalf, they are pooling their vast member ranks and substantial political coffers to animate a coordinated offensive in Iowa and beyond. On the Sunday before caucus day, the **Machinists Hall** in **Cedar Rapids** was filling up with union members, quickly turning into a sea of green (AFSCME), blue (teachers unions), and purple (SEIU).”