

1 COMMONWEALTH OF PENNSYLVANIA
 2 HOUSE OF REPRESENTATIVES
 3 COMMITTEE ON TRANSPORTATION AND
 COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

4 In Re: Joint Public Hearing, Transportation Modalities and
 Their Role in Economic Development

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6 Stenographic record of hearing held in Room 8E-A
 7 East Wing, Capitol Building Harrisburg, PA

8 Wednesday,
 9 September 15, 1999
 10 10:00 a.m.

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12 HON. RICHARD A. GEIST, CHAIRMAN, TRANSPORTATION COMMITTEE
 13 HON. GEORGE C. HASAY, CHAIRMAN, COMMERCE & ECONOMIC
 DEVELOPMENT COMMITTEE

14 MEMBERS OF HOUSE OF REPRESENTATIVES

15 Hon. Robert Allen	Hon. Susan Laughlin
16 Hon. David Argall	Hon. Phyllis Mundy
Hon. Ellen Bard	Hon. Joseph Petrarca
17 Hon. Robert Bastian	Hon. Joseph Preston
Hon. Joseph Battisto	Hon. Dante Santoni
18 Hon. Thomas Caltagirone	Hon. Samuel Smith
Hon. Peter Daley	Hon. Edward Staback
19 Hon. Thomas Druce	Hon. Stephen Stetler
Hon. Robert Flick	Hon. Thomas Stevenson
20 Hon. John Gordner	Hon. Jere Strittmatter
Hon. Jeffrey Habay	Hon. Thomas Tangretti
21 Hon. Dick Hess	Hon. Matthew Wright

22 Also Present:

23 Eric Bugaile, Majority Research Analyst, Transportation
 24 Paul Gnazzo, Majority Research Analyst, Transportation
 Paul Parsells, Minority Executive Director, Transportation
 25 Jodie Stuck, Majority Research Analyst, Commerce
 David Krantz, Minority Executive Director, Commerce
 William Andring, Minority Counsel, Commerce

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1 CHAIRMAN HASAY: Good morning. The hour of
2 10:00 o'clock having arrived, the House Commerce and
3 Economic Development Committee and the House
4 Transportation Committee will come to order. This hearing
5 is about commerce and about transportation and the
6 importance that transportation has on commerce.

7 To my far left at the front table is
8 Representative Habay from Allegheny County; and
9 Representative Battisto, Monroe County; Chairman Geist
10 from Blair County; and to my far right is Representative
11 Laughlin from Beaver and Allegheny Counties; and
12 Representative Hess from Bedford County. And at the
13 second table to the far left is Representative Mundy from
14 Luzerne County, Representative Bastian from Somerset
15 County, Representative Bard from Montgomery County,
16 Representative Smith from Jefferson County, Representative
17 Tangretti from Westmoreland, and Representative Argall
18 from Schuylkill.

19 REPRESENTATIVE STABACK: And Representative
20 Staback from Lackawanna.

21 CHAIRMAN HASAY: As I said before,
22 Representative Staback from Lackawanna County.

23 So I'll turn it over now to Representative
24 Geist, the Chairman of the House Transportation
25 Committee.

1 CHAIRMAN GEIST: Thank you very much, George.

2 Transportation plays a huge role in economic
3 development, whether we like to believe it or not. We in
4 western Pennsylvania have seen the effects of a decline in
5 transportation and the rebuilding of transportation, and
6 one of the things that we have learned, that if we don't
7 have all of our modalities blended together, then we are
8 doomed to repeat the sins of the past.

9 We have some things that have happened in the
10 last few years that have really changed the face of
11 economic development. For instance, in Pete Daley's
12 district, and other districts around the State, we know
13 that where we once had very strong heavy manufacturing,
14 those businesses went out of business, and then because of
15 our DER and other laws that we have, those areas were not
16 conducive for development because nobody wanted the sins
17 of the past to carry along in liability.

18 We in this General Assembly passed a brownfields
19 law which has opened up huge areas of Pennsylvania to be
20 reseeded economically. Last year we passed the Keystone
21 Opportunity Zones, which has opened up other huge areas,
22 and a lot of them are the same areas in Pennsylvania.
23 Fortunately, or unfortunately, during the building of the
24 interstates, we bypassed many of these communities. Now
25 what do we have? We have these wonderful economic

1 development sites without highway access adequate for
2 heavy trucking and without rail sitings and the blending
3 of the truck and the train into these ripe fields for
4 economic development.

5 Our committee is going to be having some of the
6 very best and brightest of the industry and government
7 testify as to that blending of government and private
8 sector as we go about the business of developing
9 Pennsylvania. Whether it's western Pennsylvania and the
10 Pitcairn yard which will become a huge intermodal port
11 with both truck and rail, whether it's Harrisburg
12 International Airport which will become an intermodal
13 facility for air freight, trucking, and train, and rail
14 passenger, or whether it's Rutherford yards here, or
15 whether it's Bethlehem, and we could go on and on with
16 that list.

17 This committee, in joint hearing, will be taking
18 a look at what we in Pennsylvania are going to do for the
19 next 10 years to rapidly have an infusion of economic
20 development and hard investment capital both in
21 transportation and economic development. We know that the
22 12-year plan that we work with is basically a Federal
23 layout for all the MPOs that every State and Pennsylvania
24 has to use. Pennsylvania has a lot of different
25 situations than other States, and we want to make sure in

1 that MPO process that what we use in Pennsylvania is
2 conducive so that we can have economic development
3 transportation projects move up very high on the 12-year
4 plan. And as we go into that cycle right now that we're
5 into right now with testimony all over the State of
6 Pennsylvania, I think that Liz Voras and her crew will be
7 coming to the forefront of that process.

8 So without further adieu to get things rolling,
9 I'd like to introduce Elizabeth Sarge Voras, very, very
10 knowledgeable in this business, former head of the Senate
11 Transportation Committee. This is the woman who wrote the
12 Rail Freight Advisory Committee legislation and probably
13 knows more about intermodalism than anybody in the State
14 of Pennsylvania.

15 Along with her will be Tim McNulty, Executive
16 Deputy Secretary for the Pennsylvania Department of
17 Community and Economic Development. That partnership
18 should become very, very strong as we move to seed these
19 sites in the part of Pennsylvania that does not have
20 economic recovery.

21 Liz, you're on.

22 DEPUTY SECRETARY VORAS: Good morning, committee
23 Chairmen. At the first outset, I want to apologize for
24 Secretary Mallory. I know that he had been invited to
25 testify. He's actually in a meeting with all of our

1 district engineers today as they go over their budget
2 presentations in preparation for the next fiscal year, so
3 I do apologize for Secretary Mallory.

4 CHAIRMAN GEIST: Brad Mallory is a new hero in
5 transportation. He's the only Secretary of Transportation
6 who ever rode 130 miles on a bicycle in two days with the
7 Governor of Pennsylvania, and I just want to congratulate
8 him. Ellen Bard behind me also rode that 130 miles, and
9 I'm really proud of her. And there's 400 other people
10 today that are hurting all over Pennsylvania.

11 (Laughter.)

12 DEPUTY SECRETARY VORAS: It's indeed an honor
13 for me to join you this morning to discuss transportation
14 and its relationship to economic development. Few of us
15 would argue the benefits of an interconnecting highway and
16 bridge system. It's what's necessary to get raw materials
17 to the plant and finished products to the market. It's
18 what is necessary to get people to and from work, whether
19 it be to a factory, an apple orchard, or a professional
20 office in a towering skyscraper. On the other hand, too
21 many of us are totally unaware of the important role that
22 railroads and aviation play in the total transportation
23 mix and their impact on the economy locally and globally.

24 As Deputy Secretary for these two modes, I took
25 it upon myself to have as one of my major goals before I

1 leave this administration to bring that knowledge of the
2 role that these two modes play in economic development to
3 the forefront, not only to people like yourselves, but to
4 communities across Pennsylvania and to the media as well.
5 In my presentations that I do across Pennsylvania do some
6 of that accomplishing that goal.

7 Let me start with the impact of railroads. I'll
8 tell you some things that you may not know: 62 of the 67
9 counties in the State have workers employed in rail or
10 rail created jobs. Direct railroad employment totals
11 nearly 11,000 workers in Pennsylvania with wages equaling
12 more than \$5 million annually. On the aviation side, the
13 147 public use airports in the Commonwealth contribute
14 directly and indirectly to more than 230,000 jobs, with an
15 associated payroll of more than \$4.5 billion. These job
16 numbers and total payrolls themselves are impressive, but
17 the raw materials and finished products that the railroads
18 and aircrafts move for Pennsylvania businesses and our
19 consumption across the State and throughout this country
20 are the real contributing factors to economic development
21 here at home.

22 We at PennDOT understand it takes everyone, both
23 the public and the private sector, working together to
24 make the Commonwealth economically viable. Therefore, the
25 department has developed partnerships with those in both

1 the rail freight industry and rail related businesses, as
2 well as our airports and our aviation service providers.
3 And many of you actually serve on these committees or have
4 staff members that are very faithful in coming to these
5 committee meetings. We have the Rail Freight Advisory
6 Committee, we have the Aviation Council of Pennsylvania,
7 we have the System Changes Task Force of PennDOT, and
8 lately in the last year we've been conducting regional
9 chats across the Commonwealth to get our message out to
10 the airports and the authorities members and to get the
11 airports and the authority members, quite frankly, to talk
12 with each other. That has opened unprecedented lines of
13 communication within the industries and the department.

14 Few of us experienced it, but many of us recall
15 stories of the glory days of trains when the rails were
16 king. Over time, highways became the rails and trucks
17 became the trains, but with Norfolk Southern and CSX
18 Transportation earlier this year assuming the former
19 Conrail tracks in Pennsylvania, with doublestack service
20 becoming a reality and intermodal connections increasing,
21 the working days of railroads have emerged.

22 Three Class 1 railroads now serve Pennsylvania -
23 Norfolk Southern, CSX Transportation, and Canadian Pacific
24 Railways. In addition, with nearly 70 shortline and
25 regional railroads feeding the Class 1's, Pennsylvania

1 ranks first in the nation with the number of operating
2 railroads. With nearly 5,300 miles of track, we're fifth
3 in track mileage among the 50 States.

4 Pennsylvania sees as one of its major rail
5 responsibilities getting the products to and from the
6 major carriers. Our goal has been to financially support
7 those rail maintenance, improvement and construction
8 projects that facilitate regional and shortline railroads'
9 movement between the Class 1's and their customers. An
10 important thing to note here is that shippers in
11 Pennsylvania, the businesses themselves, are eligible to
12 receive both the Rail Freight Assistance Program money and
13 our capital budget money. That's an important distinction
14 that we have here in Pennsylvania.

15 With the commitment of Governor Ridge and the
16 concurrence of the General Assembly, for which I
17 personally thank you, available funding to the Rail
18 Freight Assistance Program has increased. In 1996, those
19 grants total \$3.6 million. The next year the total went
20 to more than \$8 million. The amount for the current
21 fiscal year represents still another modest increase to
22 \$8.5 million. I think that if you listen to anybody who's
23 been in State government, most notably transportation, for
24 any length of time, they will tell you that the Rail
25 Freight Assistance Program, although small in dollar

1 amount when compared to say a highway project, probably
2 has the most bang for its buck of any program that we have
3 here in Pennsylvania. The applicants estimate that upon
4 completion, more than 6,000 new jobs will be created with
5 that \$8.5 million this year. Through the capital budget
6 program, we're also able to fund an additional \$10 million
7 annually to railroads and businesses that use rail.

8 Increased use of rail freight also helps make
9 our highways safer by cutting back on the number of trucks
10 on the road. Let me state right upfront, however, that
11 PennDOT sees a place for both trains and truck when it
12 comes to hauling raw materials and finished products.
13 What's really exciting is the trend that we see developing
14 between the two modes; not a trend of increased
15 competition, but a growing desire to further cooperation.
16 Perhaps most simply put, trains make the long haul and
17 trucks take the shorter routes. Through intermodal
18 cooperation you're seeing more and more trailers hauled on
19 flat cars or jacked up as high railers, with tractors
20 waiting at the end of the line to take the trailer to the
21 final destinations.

22 The Ridge administration and the General
23 Assembly have recognized the resurgence of rail freight
24 service through increased appropriations to the Rail
25 Freight Assistance Program. We need to have our regional

1 and shortline railroads in position to meet the feeder
2 needs of CSX, NS, and CP. The State appropriations
3 provided for this purpose have been an investment in that
4 local, regional, and State economic development activity.

5 As you're all aware, 1999 brought with it a
6 significant change in rail operations in the
7 Commonwealth. I believe that NS and CSXT pre-split did
8 everything in their power to insure the success of this
9 major endeavor. But despite all of the advanced planning
10 and cooperation, the changeover has not occurred without
11 problems, and the railroads are the first to acknowledge
12 this fact.

13 We have been monitoring this situation in the
14 State. Department officials have met with CSX and NS to
15 identify the source of the problems and their plans to
16 resolve them. We have received weekly updates from
17 railroad officials to keep us apprised. We have
18 facilitated meetings between shippers and businesses and
19 developed a complaint processing procedure to address
20 complaint resolution between shippers and the railroads.
21 Monitoring by the Bureau of Rail Freight will continue so
22 long as we feel there are major problems interrupting
23 their rail operations in Pennsylvania.

24 I want to break from my written testimony here
25 to tell you that I was probably one of the ones in the

1 beginning when the merger was announced that very strongly
2 advocated in Pennsylvania with the Governor's Office that
3 we have a partnership approach with NS and CSX in this
4 endeavor. I felt, and I've learned that you can catch
5 more flies with honey than with vinegar, and knowing of
6 the relationship that Conrail had had through the years
7 with administrative officials, legislative officials, it
8 was bumpy at times, and I really didn't want to leave that
9 legacy as we welcome such a major new partner to
10 Pennsylvania. So from the very beginning of NS coming to
11 town and CSX playing a larger role, I firmly believed, and
12 still believe, that the right thing to do was to play a
13 partnership role with them as opposed to an adversarial
14 role with them. I think as a result of that as a State,
15 we probably have gotten more commitments and will continue
16 to receive more economic development dollars from them
17 than any other State in which they operate. You may want
18 to ask them about that tomorrow, but I've heard Vice
19 President Craig Lewis say that to a whole room full of
20 people up and down the eastern seaboard that our approach
21 worked very well when it came to developing that
22 relationship.

23 I must admit though that I and many others had
24 hoped that this transition would have been much smoother.
25 However, I do continue to give credit to the men and women

1 of Norfolk Southern and CSX Transportation for their
2 diligence and commitment to resolving their outstanding
3 problems, and their efforts to continue through all of
4 that to make major infrastructure improvements and
5 expansion in Pennsylvania that they committed to early on.
6 The chairman had alluded to some of these. They're
7 investing \$5 million in Bethlehem intermodal yard, \$40
8 million facility at the Rutherford yard here in
9 Harrisburg, a \$5 million expansion at Pitcairn, the
10 retooling and expansion of locomotive shops in Altoona,
11 Juniata, and Hollidaysburg to the tune of about \$67
12 million.

13 The bottom line is despite everything else, it
14 is in everyone's best interest for NS and CSX to succeed
15 in their endeavor. If they don't succeed, then we can't
16 succeed in our economic development activities.

17 I would like to turn and discuss the aviation
18 side of economic development. It's hard to put a price
19 tag on the economic contribution of aviation. However,
20 five years ago we did a study at PennDOT that estimated
21 that our airport system in Pennsylvania on an annual basis
22 supports over 230,000 tenant and visitor related jobs,
23 with an associated payroll of more than \$4.4 million.
24 Businesses rely on our airport system to transport their
25 employees. Corporate aircraft daily shuttle CEOs,

1 technicians and clients from different facilities
2 throughout the State and the nation. Many businesses rely
3 on aviation to transport their goods by air. From the
4 U.S. Postal Service to United Parcel Service to Federal
5 Express, movers and shakers find next-day delivery
6 essential. And without airports and airplanes, this would
7 be virtually impossible.

8 Aerial photography, aerial ag spraying, aerial
9 pipeline safety inspections are a few of the least
10 realized but important uses of aviation. Law enforcement,
11 military and medical airlifts contribute on a daily basis
12 to the quality of a life of a community and the State.

13 Obviously, we can't forget the obvious: the
14 hundreds of thousands of personal individual business men
15 and women and tourists who use our 16 scheduled service
16 airports to travel both near and far. Pennsylvania,
17 again, only with your support, has provided funding for
18 important safety and maintenance projects, as well as new
19 construction projects. Currently, 147 public use airports
20 can qualify for the financial assistance. In fact, we are
21 one of the few States that recognize the importance of
22 privately owned but publicly used aviation facilities by
23 making them eligible for our funding streams as well.

24 For more than 30 years, which is one of the
25 oldest programs in the country, PennDOT's Bureau of

1 Aviation has administered a restricted fund for aviation
2 improvement projects. The program has grown from \$1
3 million annually to \$7.5 million a year today. That money
4 comes from the tax placed on the sales of aviation fuels
5 in the State.

6 We are now one of only nine States that receive
7 a block grant to further improve airport maintenance and
8 construction. Again, these dollars come from taxes on
9 fuel, airline ticket fees, freightway bills, and
10 international departure fees. The Bureau of Aviation has
11 received \$8.5 million in Federal funds to distribute to
12 eligible Pennsylvania airports throughout the past two
13 years. In addition, Governor Ridge has annually
14 appropriated dollars for both aviation and rail freight
15 projects that have been approved for funding in the
16 State's General Fund budget.

17 I believe that PennDOT has been there to help,
18 but not only by passing out dollars and checks. As I
19 stated previously, we share our thoughts, our ideas, our
20 expertise with airport operators and rail freight
21 leadership in the Commonwealth. We are in the process of
22 conducting major studies that will further enhance the
23 ability of the transportation system to attract businesses
24 and further show the value of that system to all
25 concerned.

1 One of the ones I want to highlight I have right
2 here in front of me, some of you are aware of it, it's
3 called the Rail Freight Properties Directory, it's hot off
4 the presses. It was an endeavor that I began probably a
5 year and a half ago. In this compilation will be all of
6 the rail served sites along our regionals and our
7 shortlines that are available for development. The Class
8 1's already have something like this. The regionals and
9 the shortlines did not have something like this, so we
10 took it upon ourselves to find some money. Actually, it
11 was highway money, if you want to know the truth of it,
12 Rick, which is quite interesting with this, and the FHWA
13 came through with us for funding to do a Rail Freight
14 Properties Directory. This will be placed in the hands of
15 Chambers of Commerce, yourselves, all the railroads,
16 anybody out there that is in the business of trying to
17 market these parcels along these lines. It will be
18 available through a partnership with DCED on the Team
19 Pennsylvania web site, on the PennDOT web site, so it will
20 be in electronic format as well.

21 I will leave these here and I encourage you to
22 look at it, because I think from an economic development
23 perspective it will go a long way toward attracting new
24 businesses. It has everything from what utilities are
25 there, the size of the parcels, the road access, so all

1 the information that someone would need to help make that
2 decision is going to be contained in this directory.

3 We're also doing a heavy car study to ensure
4 that shortlines and regionals that need to be upgraded to
5 handle the larger cars. As the Class 1's move to a
6 heavier car, we've got to make sure that regionals and
7 shortlines can accommodate those cars for consistency, and
8 we're in the process of just getting started with a
9 statewide aviation system plan and pavement management
10 system that will ensure our limited funds will be spent
11 where they benefit the system most.

12 In the time allotted, I hope if you weren't
13 aware that you're now aware of the economic impact that
14 these two modes of transportation have at the local,
15 regional, State, national, and, yes, even international
16 impact. I appreciate the past support provided by the
17 General Assembly, and I look forward to working in
18 partnership with you as PennDOT continues to move
19 Pennsylvania forward with all modes of transportation.

20 Thank you.

21 CHAIRMAN HASAY: Thank you, Deputy Secretary
22 Voras.

23 I would just like to comment, before we go into
24 questions, about your assistance with the Iron Highway
25 Express that comes through Luzerne County that goes from

1 Washington, D.C., to Montreal, Canada, which is a new rail
2 that was purchased by Canadian Pacific, your help has been
3 very much appreciated by the people in the villages of
4 Wapwallopen and Mauchinaugua. And I would also like to
5 thank the McFarren Group for their communication link that
6 brought together, because it was hard in the past for a
7 legislator to contact the railroad to get a response from
8 the railroad or get a return letter from the railroad, but
9 it's now starting to change, and with that cooperation, I
10 think it's going to be very helpful for other legislators
11 and the citizens of this Commonwealth as well. So I thank
12 you again, Deputy Secretary Voras, very much for that
13 assistance.

14 I would like to acknowledge for the record we
15 have Representative Caltagirone, the Democratic Chairman
16 from Berks County that's here, Representative Daley from
17 Westmoreland County, Representative Stevenson from
18 Allegheny County, and Representative Preston from
19 Allegheny County.

20 Chairman Geist.

21 CHAIRMAN GEIST: Thank you very much, Liz, for
22 your outstanding testimony.

23 The question that I'm going to ask you for the
24 committee is one that had really knocked my socks off when
25 you had the consultants in on the air freight and the

1 opportunities in Pennsylvania and the tying of rail access
2 and highway access into a rail freight/air freight
3 facility. Can you explain to this committee a little bit
4 about why you need 6,000 acres and why you need that in-
5 and-out ability to move stuff in and out rapidly? That
6 blending of the modalities makes so much sense, and yet we
7 don't hear anything about it.

8 DEPUTY SECRETARY VORAS: Actually, there is a
9 Federal program, it's the NHS Connectors Program, that was
10 started in 1991 with ISTEA and has since had a resurgence
11 of activity. There's a committee ongoing at PennDOT that
12 John is member of and Mary Kay heads up to look at that
13 exact issue of connectivity, most especially as it relates
14 to air freight. The connector road that was built to the
15 Harrisburg International Airport is a perfect example of
16 an airport that was there that needed to have a road
17 constructed to it, and air freight at HIA is booming, and
18 in fact the growth at that airport will probably be air
19 freight.

20 So the Chairman is correct in saying that
21 airports especially tend to be necessarily on the
22 outskirts of the town, and so you have to be sure that you
23 have the highway transportation. Rail transportation
24 isn't as important because things that move by air freight
25 are generally high value/lightweight as opposed to rail

1 transportation and freight transportation, which is
2 generally low value and heavier weight. So it's really
3 the highway access that you need to insure, and in fact
4 then the passenger access as well. I know, Rick, that's
5 near and dear to your heart, as it is to mine, that people
6 have a way to get to airport facilities not only by car
7 but by transit and/or light rail as well.

8 So there is a committee at PennDOT that has been
9 re-established, re-energized to look at this issue of
10 interconnectivity.

11 CHAIRMAN GEIST: Thank you very much.

12 I would also like to introduce Representative
13 Dante Santoni is here with us.

14 And at this time I would like to turn this over
15 to my partner in crime, you couldn't have a better guy
16 than Joe Battisto as the Chairman of the Democratic side
17 of this committee, and Joe, it's all yours.

18 REPRESENTATIVE BATTISTO: Thank you very much,
19 Rick, and we do work together very carefully in this
20 committee and try to do the best for Pennsylvania with
21 respect to transportation needs.

22 Liz, in your testimony I can only say that I
23 concur with almost everything you said with respect to the
24 importance of rail freight and of course aviation and the
25 whole mix of intermodal transportation. But in particular

1 you talk about the increase in rail freight assistance,
2 which is good, it's up to \$8.5 million. With respect to
3 that, do we have a large backlog of pending applications
4 concerning, you know, rail freight assistance projects?

5 DEPUTY SECRETARY VORAS: Typically, when we put
6 the applications out, and we have them on the Internet now
7 so they go pretty broadly, we get approximately \$20
8 million to \$22 million worth of requests, and that's State
9 share only, for an \$8.5 million program. So you're
10 correct in your assertion that we still have a lot of
11 unmet needs out there as it pertains to our industry, and
12 we have probably the best program in the country. We do
13 more for our shortlines and regionals than any other State
14 in the country, but that is typically the disparity in the
15 amounts of money.

16 REPRESENTATIVE BATTISTO: But as you pointed
17 out, \$3.6 million to now \$8.5 million, that increased, but
18 that pales compared to what we put in other
19 infrastructure, and I think it only proves the point that
20 nationwide our policy has been too much directed towards
21 highways alone. They're a very important part of
22 infrastructures, but rail dependent industries, as you
23 know, I'm concerned about a rail line that moves through
24 Monroe County that Norfolk Southern has taken over as part
25 of it now. The other part is owned by Lackawanna Rail

1 Authority and Monroe County Rail Authority, and we have
2 just situated on that line two rail dependent industries.
3 Without that rail line, we wouldn't have had these two
4 industries, and there's a great chance for considerable
5 expansion at one of those facilities for many other jobs,
6 and it ideally works. As you said, the train brings the
7 bulky stuff in, the wheat and other products like that,
8 the oil, and the trucks take out the packaged flour and
9 other material.

10 DEPUTY SECRETARY VORAS: Well, and typically
11 they're good jobs, high paying and stable jobs.

12 REPRESENTATIVE BATTISTO: And I just have one
13 other question about that. One of the problems we've
14 encountered, and I know it's a statewide problem,
15 nationwide problem, are the grade crossings, and it's very
16 expensive to eliminate these. The \$8.5 million would be
17 eaten up in just one project. And I know there's some
18 question about whether we could fund those kinds of
19 activities with rail assistance money. I don't know
20 whether we, I think we sort of rejected an application.

21 DEPUTY SECRETARY VORAS: We have done it. We
22 don't do it on a regular basis because there is a Section
23 130 program that money from the Federal Highway
24 Administration or FRA comes down through to PennDOT for
25 grade crossings. But again, grade crossings are something

1 in Pennsylvania I think this most recent capital budget
2 showed that how many of them that were in there. It's an
3 issue that is out there and it does definitely need to be
4 dealt with in one way, shape, or form, because we have a
5 lot of unmet needs when it comes to grade crossings, and
6 quite frankly, the traveling public, the vehicular traffic
7 demands it.

8 REPRESENTATIVE BATTISTO: And that Federal
9 program is minuscule compared to the needs.

10 DEPUTY SECRETARY VORAS: Right.

11 REPRESENTATIVE BATTISTO: I almost think that we
12 have to, we're talking about \$10 million in capital
13 budget, we almost have to allocate a certain amount of
14 capital budget moneys for grade crossing improvement,
15 because that is a real problem.

16 DEPUTY SECRETARY VORAS: I think what happened
17 with the capital budget, in my mind, perhaps didn't need
18 to happen as far as the bluelining if only we had had
19 better lines of communication. I was unaware, as deputy,
20 that all of that was transpiring, and I really wished that
21 someone would have come and talked to me about it--

22 CHAIRMAN GEIST: So do we.

23 DEPUTY SECRETARY VORAS: --so I could have
24 worked some things behind this scenes to talk to some
25 folks about how it is, but you live and learn, as my dear

1 deceased father always said, and if in fact you're going
2 to be doing another capital budget, I think we should open
3 those lines of communication earlier.

4 REPRESENTATIVE BATTISTO: Thank you, Deputy
5 Secretary. Thank you.

6 CHAIRMAN GEIST: Questions?

7 Representative Argall.

8 REPRESENTATIVE ARGALL: In your comments about
9 the major changes in the mergers of railroads in the last
10 few years, I think a lot of us have a lot of concerns
11 about that, and I think in the rural counties of
12 Pennsylvania, especially those rural counties that despite
13 this extraordinary economic growth that we've seen in the
14 last few years, not all of our rural counties are taking
15 part fully in that. Chairman Geist had noted the work
16 we've done on the Keystone Opportunity Zones and some of
17 our other efforts, the brownfields, to try to stimulate
18 growth in many cases where industry used to be and it
19 evaporated over the years. How has the merger helped or
20 hurt those rural counties that still are at the bottom of
21 our unemployment data, or the top I guess, depending on
22 how you read the numbers?

23 DEPUTY SECRETARY VORAS: Quite frankly, I would
24 say the merger helped in two ways. First of all, NS is
25 much more aggressive in their marketing. Now quite

1 frankly, you can say right now maybe we haven't seen that,
2 but rightfully so they've been dealing with this other
3 bigger issue. But they have a massive marketing effort
4 and a massive marketing division. They get out and market
5 their lines. Therefore, if they market their lines, then
6 connecting railroads and the shortlines that feed into
7 their lines will see the benefits of that. They go with
8 the shortlines. They partner, NS does. When they're
9 approaching businesses, they don't always look to just
10 say, well, business, you locate on my line, NS's line.
11 They look at the entire system that exists in the State,
12 and it's just as good for them if they get the connection
13 to feed and they carry it the long way, so it's just as
14 important to them to locate on the shortline.

15 The second thing that NS brings to the table
16 that we didn't have here in Pennsylvania prior to their
17 arrival was new markets. NS can get Pennsylvania goods to
18 markets that Pennsylvania goods were never able to get to
19 with freight service. At least not get to easily. We've
20 got single line service to places in this country that we
21 never could get to before. Those two things is what NS
22 brings to the table. In my mind, what we bring to the
23 table as the Commonwealth is this group that I've started
24 called the System Changes Task Force, because the bottom
25 line is the big railroads do not want to be in the

1 business of having all these little spaghetti lines. I
2 think ultimately they want to have a streamlined system,
3 and that makes sense.

4 We have the System Changes Task Force which gets
5 together quarterly, and quite frankly, now we kind of
6 chit-chat a little bit and there's not that much to talk
7 about, but that's a good thing, because the System Changes
8 Task Force is all about getting the Class 1's to come to
9 us ahead of time and saying, you know, about a year from
10 now there's this line up in such-and-such a county and we
11 don't think we're going to want to hang onto it. It
12 doesn't make sense to us as a Class 1 to hang onto it.
13 But if they tell us early enough like that, then we can
14 get out there and start working with existing railroad
15 companies, work with the municipalities, work with the
16 counties to try and find a new buyer, a new home for that
17 rail line so that these lines just don't go out of
18 existence.

19 So I would say the department plays a role in
20 restimulating lines that perhaps have kind of grown over
21 or don't have as many car loads as that they had, and NS
22 brings something to the table when it comes to new market
23 surge and their aggressive marketing campaign that they
24 will have in the Commonwealth. I'm sure that they will.

25 REPRESENTATIVE ARGALL: Has the merger

1 specifically had an impact in those KOZ sites yet? We
2 were ecstatic in my district when several of them won
3 through the application process, but we also understand
4 that there's a need to move on those quickly because an
5 11- or 12-year commitment for a tax-free zone is a heck of
6 a lot better than a 2- or 3-year commitment, and if we
7 wait too long, every year that incentive becomes much less
8 attractive, and some of these sites, well, they haven't
9 gotten a lot of attention over the last 20 or 30 years,
10 including an abandoned rail site right outside my
11 hometown, and so I know we need to take some time to clean
12 up the site, to get perhaps the rail sitings installed,
13 but if we take too long, the KOZ designation may mean very
14 little, and so I'm curious as to how this interplay is
15 reacting and how long it's going to take to get us where
16 we need to be.

17 DEPUTY SECRETARY VORAS: Well, in fact, you're
18 correct. We used the fact of the KOZ being established as
19 one of our criteria starting this year with regard to our
20 Rail Freight Assistance Program applications. Many of
21 them, as you noted, were selected that were in KOZs. I'm
22 a firm believer that it takes a lot of people to make a
23 dance work, and I'm not that familiar with the KOZ
24 legislation and exactly how it's supposed to work, but I'm
25 a firm believer that God helps those who help themselves,

1 and if local communities decide that they want to get
2 behind a site and help make something happen, I always
3 look for local commitment when I'm ready to make an
4 investment in something, because I believe if the local
5 commitment is there, then my fiduciary responsibility is
6 going to be upheld and we're going to see a return on that
7 investment for years to come. And so I think it would be
8 incumbent upon the locales that have these KOZs in their
9 midst to become active.

10 I know that NS wants and needs to grow the rail
11 business in Pennsylvania. Unfortunately, due to the
12 situation, they've not been able to take those folks that
13 are their marketing folks and put them full force on that
14 efforts, but they will. I firmly believe that they will.
15 That's why we've taken a stance with regard to their
16 issues that they have right now that we try to help them
17 every way we can, because the sooner they can get their
18 problems resolved, the sooner we can all get about the
19 business of growing economic development opportunities in
20 Pennsylvania.

21 CHAIRMAN GEIST: Liz, follow that up with what
22 probably becomes the heart of this matter, and Joe and I
23 have talked about this before, when we do the 12-year
24 plan, there is no category for economic development or
25 economic recovery that weighs in the decision where a road

1 goes. There is no category that says that you get extra
2 points because this is an intermodal project where you
3 blend rail and highway together.

4 DEPUTY SECRETARY VORAS: There is an intermodal
5 category.

6 CHAIRMAN GEIST: Right, but it doesn't weigh
7 heavily upon--

8 DEPUTY SECRETARY VORAS: The selection.

9 CHAIRMAN GEIST: --the selection. The MPOs have
10 the process where they have traditionally gone that we
11 need this, this, this, this, this and this is the
12 inventory we have and we move these projects based on past
13 need. Future anticipated need never grades out well. How
14 do we as House members have input into that process when
15 that process is designed to freeze us out and we vote for
16 the moneys?

17 DEPUTY SECRETARY VORAS: Again, I look at the
18 impact that a local community then feeding into their MPO
19 can have on the process. I mean, the bottom line is it's
20 a trickle-up theory, and if rail projects become the
21 foremost activity that a community gets together and they
22 decide this is the most important thing for us, the MPO
23 will go along with it and the Commonwealth will go along
24 with it. It has to work both ways.

25 CHAIRMAN GEIST: For example, we went to

1 Pittsburgh last year with the commission. We listened to
2 all the testimony from the MPO. There wasn't one word
3 about Pitcairn, there wasn't one word about highway access
4 to move 3,000 trucks a day in and out of there. It wasn't
5 even on their radar screen.

6 DEPUTY SECRETARY VORAS: Well, one of the things
7 that I can tell you we are going to be doing, and I'm glad
8 actually that you brought this up, we didn't plan this but
9 it's a good way for me to tell you about new positions
10 that we're creating in all of our MPOs and LDDs in every
11 PennDOT district called IMS coordinators. We, up to this
12 point, have had kind of a loosey-goosey relationship with
13 the MPOs and the LDDs and the districts as it relates to
14 the non-highway modes, but starting this year we have
15 formally established IMS, intermodal management systems,
16 coordinators in all the PennDOT district engineering
17 offices, and it's going to be included in every single one
18 of the MPO and LDD's work plans. So in order for them to
19 continue to get money from the Feds through PennDOT, they
20 have to have an IMS coordinator. We have a serious
21 curriculum and training that they're all going to have to
22 go through, and so I would say that you've known PennDOT
23 longer than I've known PennDOT, and Rome wasn't built in a
24 day, but I think that we have come a long way at PennDOT
25 in having the entire department recognize the non-highway

1 modes and the role that they play.

2 But you're correct. I mean, you've got to get
3 the MPOs and the LDDs, and some of them get it, but again,
4 we're going to put it in their work plan so they have to
5 do it. They have to look at the non-highway modes in
6 order to continue to get their planning dollars from the
7 Federal government.

8 CHAIRMAN GEIST: Thank you.

9 Representative Laughlin.

10 REPRESENTATIVE LAUGHLIN: Yes. Thank you very
11 much, Ms. Voras, for coming down here. It was good to see
12 you a couple of months ago when you were in my district
13 with a large check.

14 DEPUTY SECRETARY VORAS: A very large check.

15 REPRESENTATIVE LAUGHLIN: You noticed though
16 when you came to the Leetsdale Park there you had to cross
17 a railroad crossing, and I've been working since 1992 to
18 get an overhead bridge there. We did get on the first
19 phase of the Transportation Commission in order to get the
20 money and we do have the money, but there's been many
21 delays on it for studies for environmental and
22 archeological, so maybe you can help us speed that up.

23 You know I come from Conway, where they have the
24 largest -- used to have the largest push button rail yard
25 in the world, and hopefully we're going to get that \$30

1 million maintenance shop there, but what I want to ask you
2 now is over the last few months, over the summer, I've
3 been getting an awful lot of complaints ever since the
4 takeover of CSX, and the complaint is the trains are
5 taking a long period of time at the railroad crossings and
6 keeping residents from going into their homes. So there
7 was someone monitoring that that lives there and it was
8 unbelievable how long those trains were just standing
9 there.

10 DEPUTY SECRETARY VORAS: We have had similar
11 complaints.

12 REPRESENTATIVE LAUGHLIN: You have?

13 DEPUTY SECRETARY VORAS: And I would tell you
14 that the best thing for you to do is to have those folks
15 call us and we will directly get to the railroads. I have
16 not heard of one scenario where we didn't hear about it
17 and made a phone call and it stopped. So if your staff
18 wants to just forward those phone calls to us or capture
19 them somehow and get them to us, we will get to the
20 railroads posthaste and get it resolved.

21 REPRESENTATIVE LAUGHLIN: The other complaint
22 they had was the whistles. They said that the whistles
23 were like for minutes for a lot of time spent blowing that
24 whistle, and I did call someone from Philadelphia and they
25 told me that there is nothing that can be done about the

1 whistles, but it seems like it's gotten worse since NS and
2 CSX have taken over.

3 DEPUTY SECRETARY VORAS: The whistle is
4 regulated. They do have to do that at certain intervals,
5 they do have to do it within certain mile limits of a
6 crossing and of town. Maybe what we're witnessing is
7 Conrail kind of had an internal way of interpreting that
8 and perhaps NS and CSX have a different internal way and
9 maybe what you're hearing is NS and CSX are doing more of
10 what -- I'm speculating here, but I would say again,
11 anything like that we would be happy to serve as an
12 ombudsman to get to the railroads and talk about it,
13 because quite frankly, they want to be good neighbors. I
14 mean, I haven't come across any of them and any of those
15 railroads that doesn't want to, I mean, when we brought it
16 to their attention, the folks that we've been dealing with
17 say that that shouldn't be happening, and they've dealt
18 with it promptly.

19 So again, any of those things that you get,
20 please send them to us and we'll take care of it.

21 REPRESENTATIVE LAUGHLIN: Okay. I will do
22 that.

23 CHAIRMAN HASAY: Deputy Secretary McNulty of the
24 Department of Community and Economic Development, you have
25 some comments to share as well, and then we'll go to

1 questions later.

2 DEPUTY SECRETARY McNULTY: Thank you, Mr.
3 Chairman.

4 I want to apologize for Secretary McCullough,
5 who could not be here this morning. I have submitted some
6 written remarks for your review, but I think what I'll do
7 is make a couple observations as it relates to those and
8 then leave more time for questions.

9 I would like to talk a little bit about the
10 importance from an economic development point of view that
11 regards the competitiveness of our transportation
12 infrastructure, talk a little bit about the activities
13 we've undertaken in partnership with you and PennDOT over
14 the last five years, and then just touch very briefly on a
15 couple of issues that I think are particularly critical
16 from a DCED perspective for the future.

17 First, as has been stated I think very clearly
18 here, transportation infrastructure remains a fundamental
19 determinant of our ability to grow, attract, and retain
20 jobs. It is consistently among the top two to three
21 factors that businesses investigate and rank us against in
22 considering Pennsylvania as a location for business. When
23 we have benchmarked ourselves against our competing
24 States, we've consistently found that CEOs in Pennsylvania
25 and CEOs in other States regard our transportation

1 infrastructure as superior to our competitors. So it
2 remains a critical economic advantage for Pennsylvania and
3 one that clearly we need to nurture and capitalize on.

4 I would also like to point out that our
5 transportation systems are in and of themselves an
6 economic engine, as Liz mentioned. We remain a major rail
7 manufacturing and technology center with over 120,000
8 Pennsylvania workers engaged in the production of rail car
9 and rail technologies in supplying those technologies, and
10 transportation equipment remains the driving force of our
11 sales overseas in markets as diverse as Mexico and
12 Singapore. So our investments in transportation also need
13 to nurture that role of our infrastructure as an economic
14 engine itself.

15 In the last five years, I think there has been a
16 tremendous partnership with the department, with PennDOT,
17 and with the General Assembly to really focus on
18 transportation as an economic development tool. With your
19 help, our infrastructure funding, which provides that kind
20 of last gap financing and grants for access roads and rail
21 spurs, and increasingly things such as fiberoptic
22 connections, we have increased that funding up to now \$33
23 million, with \$8 million of that money in this year's
24 budget set aside specifically for infrastructure
25 improvements in Keystone Opportunity Zones. And I think

1 it will be critical as we move through this year to see
2 how effective that set-aside is in meeting the added
3 infrastructure investments that those zones need to
4 capitalize on job opportunities.

5 But as we have increased that program, the
6 demand continues to significantly outstrip our available
7 resources. And in particular, I think what's interesting
8 in that program is that the demand is changing
9 dramatically over the years. For instance, right now in
10 the northern tier portion of Pennsylvania, we're using our
11 infrastructure funding to help a manufacturer develop a
12 wireless tower and communications system so that they can
13 sell their products on the worldwide web. Those, I think,
14 are critical investments and appropriate investments for
15 our infrastructure funds to be used for because they do
16 have a direct impact on jobs. They do not lessen, though,
17 the demand for access roads and the other types of
18 investments that we have used that program for. That same
19 manufacturer, when he is selling for 24 hours on the web,
20 will face increasing needs for improvements in access
21 roads and other types of investments. But our
22 infrastructure program has grown and with your partnership
23 I think is positioned to be strategic in areas such as
24 Keystone Opportunity Zones.

25 The second activity I would like to mention is

1 again a new budget initiative this year, and that is the
2 PennPlus program, which was enacted by the General
3 Assembly. It is only a \$4 million program, but I think,
4 Mr. Chairman, we're particularly eager in working with
5 PennDOT to explore the opportunities on a pilot basis as
6 to how that program can provide a leveraging tool to bring
7 Federal investment, particularly in transportation
8 facilities that are near to intermodal transportation.

9 And finally, in terms of our activities over the
10 last five years, I'd like to mention an area that where we
11 have had very strong cooperation and coordination with
12 PennDOT, and that is in the area of better linking the
13 investments that the Department of Community and Economic
14 Development makes to help small and particularly rural
15 downtowns to revitalize themselves with our highway
16 investments and road improvement investments. We have,
17 over the last year, had a coordinated team from our Main
18 Street program in DCED and with PennDOT's highway
19 officials looking at how to link Federal funds for highway
20 improvement with our Main Street improvements and the
21 rehabilitation of buildings, and the development of Street
22 Scape and other types of improvements designed to bring
23 businesses back to the downtowns and to make the downtowns
24 simply more competitive economic units. In an area such
25 as Chambersburg and Newport, where we have begun that

1 effort, I think the signs are very promising that that
2 coordination will have a significant impact on better
3 economic growth in our rural downtowns in particular.

4 Lastly, in terms of looking to the future, I'd
5 like to mention just two trends that I think are
6 critically important from an economic development point of
7 view in terms of our future investments in
8 infrastructure. The first is the increasing trend for the
9 defining factor and the competitiveness of business to be
10 the ability to get products to market fast. I mean, we're
11 increasingly hearing that speed to market is the essential
12 determinant of business success, be it in a traditional
13 manufacturer, a service company, or any type of basic
14 business operation.

15 Our transportation assets clearly give us an
16 advantage as speed to market becomes more critical, but I
17 think that dynamic places an even greater emphasis on the
18 need for intermodal investments and our ability to link
19 dynamically access to information technologies and high
20 speed data services with highway, air, and rail services.

21 The last thing I'd like to mention as we look at
22 our transportation infrastructure from an economic
23 development point of view, the ability of that
24 infrastructure to serve what will soon be the world's
25 largest industry, the tourism industry, is also critically

1 important, and that perspective I think requires us to
2 continue to make investments that enable our ports to
3 handle not only the shipment of goods but -cruise functions
4 and tour functions, to look at the opportunity to
5 capitalize on our rail system and the historic nature of
6 our rail system as a tourism development opportunity. And
7 lastly, to begin, as we have with PennDOT, to look at a
8 comprehensive strategy for roadway signs that enables us
9 to better package our tourism destinations and be able to
10 move visitors sufficiently and effectively through the
11 Commonwealth.

12 Thank you very much.

13 CHAIRMAN HASAY: Thank you, Secretary McNulty.

14 Referring to the railroads of Canadian Pacific
15 has the new main line, the Iron Highway, and Southern
16 Norfolk, have they significantly helped in economic
17 development with that new line that's coming through?

18 DEPUTY SECRETARY McNULTY: I think we've had a
19 strong economic development partnership in developing
20 potential sites along that line, and I would say just
21 echoing Liz's comments regarding CSX and Norfolk Southern,
22 and having been in economic development in Pennsylvania
23 and having watched the role that those railroads played in
24 winning the BMW location in South Carolina, and the
25 Mercedes-Benz location in Alabama, I think they are a

1 great addition from the perspective of an economic
2 development partner.

3 CHAIRMAN HASAY: Well, that's indeed pleasing to
4 hear that. With that we do have some of those crossings
5 that we're going to have to install, some of those gates
6 and bells and whistles, for the safety of the public. I'm
7 sure that will be on a gradual basis in improving those
8 crossings. Thank you.

9 Representative Mundy.

10 REPRESENTATIVE MUNDY: Thank you, Mr. Chairman.

11 I'd like to go back to Ms. Voras for a moment,
12 if I could. I really appreciate your emphasizing the
13 nature of rail and aviation in terms of economic
14 development, because I think those two issues are often
15 very much overlooked. And with regard to the issue of
16 aviation, I'm from northeastern Pennsylvania. We have the
17 Wilkes-Barre/Scranton International Airport, and it is a
18 constant challenge to get carriers, I'm talking about
19 passenger carriers now, I'm not all that familiar with
20 freight in and out of the airport, but passenger service
21 is really a problem. And I've had many CEOs and people
22 who use the airport indicate to me that it's very
23 difficult to get in and out of there quickly,
24 efficiently. Flights are cancelled. I mean, here's a CEO
25 who has a meeting in another part of the country and can't

1 get out of the Avoca Airport, having made that flight
2 reservation well in advance, and all of a sudden the
3 flight is cancelled.

4 And so I guess my question is, you know, we seem
5 to have done everything that we could logically to
6 increase the service and improve the service, try to get
7 more carriers in, try to create competition. What are
8 other airports in the State doing to try to improve their
9 passenger service and make it more reliable, and frankly,
10 more affordable? Flights to Pittsburgh are probably more
11 than they are to Florida, and that's a real problem for
12 us. And I just can't seem to get my hands on a solution.
13 Do you have any suggestions for us?

14 DEPUTY SECRETARY VORAS: I'm not an expert in
15 the airline industry, however, the little that I do know
16 has led me to the conclusion that typically when an
17 airline is trying to make a decision about whether to
18 serve a market or not, they look at it from a pure bottom
19 line perspective: Can they make money here or can't
20 they? If the market is there, and they have extensive
21 marketing departments that go out and really look, because
22 this is a big investment for them to make a decision to
23 come and serve at a particular airport, if they do their
24 marketing surveys and those surveys determine that if they
25 come there the ridership will be there, they will come.

1 So the bottom line from an airport perspective
2 as far as what they can do to entice them: Nice
3 facilities, I mean, let's face it, terminal buildings do
4 make a difference; gates that are available, and gates are
5 where the airplanes get up to the terminal building, are
6 there available gates or will new ones have to constructed
7 in order to accommodate another carrier; and ridership.

8 So in the end, it's kind of like which comes
9 first, the chicken or the egg? And the area has to be
10 economically stable enough that there are going to be
11 enough people utilizing that airport for whatever reason,
12 business or pleasure, to entice a carrier to want to come
13 and make the big financial commitment to serve that
14 market. I mean, it really comes down to ridership.

15 REPRESENTATIVE MUNDY: In the area of ridership,
16 do other areas of the State, for example the Allentown
17 airport, do they get their business community leaders all
18 together and get them to make commitments to the airline
19 that if you have flights to different areas of the country
20 where we go on a regular basis, we will use the airport?

21 DEPUTY SECRETARY VORAS: Various airports in the
22 Commonwealth use various techniques. But I'm glad you
23 brought that up, because I am a firm believer that
24 communities have got to get behind their airports. I know
25 that Johnstown Airport did do exactly that when they were

1 trying to entice another carrier to come to that airport.
2 Some of the authority members who were very active in the
3 business community went out and got commitments from
4 businesses in those communities that if this carrier comes
5 they will use this carrier X amount of flights in the
6 first year, second year, third year. Sometimes it does
7 take that much, if you're having trouble generating the
8 ridership on your own.

9 But again, it really does come down to how many
10 people in that greater metropolitan area are going to use
11 that facility either for business or pleasure. It comes
12 down to plain dollars and cents for an airline.

13 REPRESENTATIVE MUNDY: What role does the MPO
14 play in aviation?

15 DEPUTY SECRETARY VORAS: Right now the role that
16 an MPO plays in aviation is very dependent on where the
17 airport and what part of Pennsylvania you're talking
18 about. And it's not a large role. MPOs traditionally
19 have been highway and bridge and transit related.
20 Airports have, for the most part across the country, been
21 fairly self-sufficient in the way they look at themselves
22 and the role that they play within a community. I think
23 more and more they're seeing that they have to have a
24 strong relationship. But airports like Philadelphia
25 International and Pittsburgh International, even for our

1 relationship with them, it's more or less we'll just get
2 the heck out of your way, because they do what they do,
3 they know what they do, they more or less just need us to
4 let them do what they do best.

5 REPRESENTATIVE MUNDY: Does it make sense for
6 the airlines and the rail to both jointly approach the
7 MPOs and ask to be included? Is there anything that
8 precludes them from doing that in either law or regulation
9 at the State level?

10 DEPUTY SECRETARY VORAS: Right now an airport,
11 say Philadelphia International, decides what improvement
12 projects they're going to undertake, that's really
13 something that if we don't have any money involved in it,
14 we really don't and can't dictate what those projects
15 are. That's between them and the carriers that serve that
16 facility. So when you look at what an MPO's role is
17 traditionally, it's been their role, they're there at the
18 table because there's money that's coming to that region
19 that the MPO legally, because of ISTEA when it was passed
20 back in 1991 it gave the MPOs a legitimacy at the table.

21 For the airlines and the airports, that money is
22 all self-contained. It's generated there, it's from the
23 FAA, it doesn't flow through the MPOs, so there really
24 isn't a clear-cut role. We are trying at PennDOT, through
25 these IMS coordinators, to bring the MPOs, it's more of an

1 educational thing. We've got to get them up to speed on
2 exactly how it all works. So it's more of an educational
3 thing as opposed to a blessing that an airport has to get
4 from an MPO, because quite frankly, they don't have to get
5 that blessing now.

6 REPRESENTATIVE MUNDY: Thank you very much.

7 CHAIRMAN HASAY: Thank you.

8 I know we're running behind schedule, but
9 members do have questions.

10 Representative Smith.

11 REPRESENTATIVE SMITH: Thank you, Mr. Chairman.

12 I want to reinforce the previous comments of
13 Representative Argall and Representative Geist in that I
14 think they tie in together as much as some of the rural
15 counties that have historically had higher unemployment
16 rates over the years don't always find themselves in the
17 position to gain advantage of some of the economic
18 development tools that we have, and that's what you two
19 are both before us to say. I especially appreciated the
20 comments of Chairman Geist in that the 12-year plan as it
21 relates to highways somehow doesn't seem to have at least
22 an identifiable component where economic development is a
23 factor in the prioritization and all in the 12-year plan,
24 and so perhaps as you folks have your internal discussions
25 with your bosses and others that you might emphasize that

1 that is an area of need.

2 On the railroads also, Liz, you had commented
3 that you thought that NS was going to have a better
4 marketing perspective or approach and all. I was always
5 annoyed that Conrail, as they kind-of left Pennsylvania
6 over the last 10 years, abandoned what you call the
7 spaghetti lines, I guess. They let them run down and
8 abandoned them and left either the shortlines to try to
9 pick up some of the pieces or the Commonwealth, through
10 our Rail Freight Assistance Program, as you are aware, it
11 takes a fair amount of the money that our Rail Freight
12 Assistance Program goes into kind of rehabilitating those
13 old lines, and I wanted you to maybe reinforce your
14 comment relative to where NS would be going in its
15 relationship about the shortlines, because that is the
16 only connection we have in a lot of Pennsylvania with rail
17 freight transportation.

18 DEPUTY SECRETARY VORAS: Having heard the horror
19 stories when I first got this job and having known them,
20 quite frankly, from working for Senator Corman for all
21 those years, you're correct. I mean, it always would seem
22 that if Conrail was going to abandon say a particular
23 portion of their line, they'd cut the track right before a
24 major shipper, so that little guys wouldn't have the car
25 loadings that they needed to really make a go of it.

1 When NS came to town, and we knew this was going
2 to happen, one of the very first things that we said to
3 them was, you're not going to do this. If you're going to
4 come into this State and eventually trim down and become a
5 lean, mean fighting machine, which I know they want to do,
6 and most Class 1's want to do that, we've got to have
7 acknowledgment that if you're going to abandon, we're
8 going to work on getting these lines into some hands of
9 other people, we have to make it viable. The lines have
10 got to be viable.

11 And from a corporate perspective, NS, in my
12 opinion, has a totally different way of thinking in that
13 relationship with the shortlines and the regionals. It's
14 a partnership. Because they get it. The fact is, if the
15 shortlines are successful, then the Class 1's are
16 successful. Conrail, in my mind, and I'm sure many of you
17 sitting there, it was more of an adversarial role that was
18 played with the regionals and the shortlines, and NS is
19 not like that. And that's why the System Changes Task
20 Force is so important, because they've committed to me
21 that we won't be the last ones to find out about it.
22 We're going to all have enough warning when they're going
23 to do these kinds of things that we will all have an
24 ability. And I mean, you folks too, you will be involved
25 in this. Right now we have the Minority and Majority

1 Chairs of both the House and Senate that sit on that
2 committee and faithfully come to that meeting every
3 quarter before our STC meeting, and we hear from them.
4 Right now, quite frankly, we don't hear that much because
5 there isn't that much, but there probably will be. And
6 that's why we have the Governor's Office there, we have
7 DCED at those meetings, so we all can find out about
8 things before it becomes a chaotic situation and we're
9 knee-jerking and trying to figure out what to do.

10 So again, the relationship that we've built with
11 NS and the relationship that they have, the partnership
12 that they see with the shortlines, and I think if you talk
13 to some of your shortlines in your area you'll probably
14 hear that from them too that it's been different since NS
15 has been here as far as that relationship building.

16 REPRESENTATIVE SMITH: Well, lately they've just
17 been wondering if NS's trains were going to keep moving,
18 but nevertheless--

19 DEPUTY SECRETARY VORAS: The train whistles are
20 near and dear to my heart too, let me tell you.

21 REPRESENTATIVE SMITH: I know why they were
22 sitting in Representative Laughlin's district, because
23 they were just not moving anywhere.

24 I appreciate your commitment to that and would
25 encourage you to hold strong to that. Also just one

1 parting comment. I do appreciate the work that both of
2 you individually have done when called upon to respond to
3 the economic and transportation needs, and I think that
4 you've done a good job and I do appreciate your time here
5 today and your help in the past.

6 DEPUTY SECRETARY VORAS: Thank you.

7 CHAIRMAN HASAY: We have a few more members that
8 have questions.

9 Representative Bard.

10 REPRESENTATIVE BARD: Thank you. I think that
11 it's so important today that the Chairmen have convened
12 this joint hearing to emphasize the interplay between
13 economic development, land use, transportation, and that
14 is critical, and I thank you for your testimony
15 emphasizing the need for intermodalism and so forth.

16 As a member of the Transportation Committee, I
17 am going to ask you a policy question, since you're
18 sitting here for the Secretary, Ms. Voras.

19 With regard to transportation, and I come from
20 southeastern Pennsylvania, where we, for example, have had
21 an 18-acre Wanamaker site on the market for years and
22 years and years. When I would talk with developers about
23 the potential of this site, they would say you're too far
24 from the turnpike, it takes too long down this outmoded
25 infrastructure that can't be expanded to bring our

1 customers to market, so to speak. And when I saw the
2 keystone address that was delivered by Governor
3 Glendenning at the American Public Transit Association
4 this year, there were some points that I thought were
5 applicable to this situation, and I have copies of that
6 testimony for the members and I'm presenting it for the
7 record. But there was one rather provocative statement
8 that I wanted to ask that relates to transportation
9 policy. I wanted to quote what he said in his remarks:

10 "In the past this nation generally has dealt
11 with congestion issues from a vehicle-oriented
12 perspective. That is, how can we move more cars
13 farther and faster? Smart growth, by contrast,
14 demands that we take a more people-oriented, more
15 community-oriented view that actually asks the
16 heretical question: How can we reduce the need to use
17 the car? The transportation department that asks that
18 question comes to a dramatically different conclusion
19 than the one that is only trying to move more," and
20 that's his emphasis, "cars farther and faster."

21 And I was wondering if you could react to that
22 statement from the point of view of the department.

23 DEPUTY SECRETARY VORAS: I have, on occasion,
24 heard the Secretary react to statements similar to that
25 one, and my understanding is that Brad's belief is that we

1 are in the business of not selecting one mode over another
2 mode, that we are in fact in the business of providing
3 options for all people and letting the people decide which
4 mode it is that what they would like to use. And I know
5 he firmly believes that.

6 REPRESENTATIVE BARD: As we're approaching this
7 issue from an economic development standpoint, one of the
8 other aspects of this site is that there is a SEPTA
9 station within a block of this site. Is there a role, how
10 does the department become involved in making that an
11 option that would potentially weigh into some of these
12 development decisions, that that would be seen as an
13 asset?

14 DEPUTY SECRETARY VORAS: Is the SEPTA site
15 active now? Is there bus service to it?

16 REPRESENTATIVE BARD: Yes, it is.

17 DEPUTY SECRETARY VORAS: The Commonwealth
18 provides, and Rick probably knows the number better than I
19 do, significant dollars to SEPTA for all kinds of things,
20 for operations, maintenance, buses, bus repair, so the
21 Commonwealth is a major partner as it relates to our
22 transit systems in the Commonwealth and providing them
23 needed moneys so that they don't have to recoup all of
24 that at the fare box, because if they had to recoup it at
25 the fare box, most of them would not be in existence.

1 Most transit systems -- it's a good transit
2 system that can recoup 50 percent of what it actually
3 costs them to provide that trip at the fare box. The rest
4 of the money is subsidy.

5 REPRESENTATIVE BARD: And I guess the point
6 about having these hearings is to focus attention on that
7 interplay between these different options, as you
8 mentioned, and the fact they can have a significant role
9 perhaps because Pennsylvania is such a diverse State, some
10 having more of a role in one area of the State, and
11 perhaps sorting that all out is--

12 DEPUTY SECRETARY VORAS: Certainly if it was a
13 labor intensive corridor built at that site, then
14 certainly the access to that SEPTA stop would be a very
15 beneficial one if you had to move people to get to work
16 every day. We can talk more about this afterwards,
17 because I'm curious now where the site is and what exactly
18 the problems are with that site.

19 REPRESENTATIVE BARD: All right, thanks very
20 much.

21 CHAIRMAN HASAY: Representative Tangretti.

22 REPRESENTATIVE TANGRETTI: Thank you, Mr.
23 Chairman.

24 Interestingly that Representative Bard and I are
25 on the same wavelength.

1 CHAIRMAN GEIST: That's scary.

2 REPRESENTATIVE TANGRETTI: Right.

3 It just seems to me though by your answer, and
4 I'll ask Mr. McNulty to comment as well, that you do not
5 think that transit, and I don't want to put words in your
6 mouth, but you do not think that transit is part of
7 economic development. Do I sense that? Is that an
8 accurate portrayal of what you--

9 DEPUTY SECRETARY VORAS: Quite the contrary.
10 This administration has a very active welfare-to-work
11 program that, again, my Deputy Rick Peltz is in charge
12 of. So I'm not 100 percent familiar with the program, but
13 I know that there has been a major emphasis here in
14 Pennsylvania.

15 REPRESENTATIVE TANGRETTI: Let me clarify that,
16 because I guess, and I understand that and I've talked to
17 Mr. Peltz about transit issues and I understand his
18 commitment, but it just seems to me that when we talk
19 about economic development, we talk about infrastructure
20 needs, we talk about business needs, all tied into one,
21 and getting their products to market and getting the kind
22 of raw materials they need to produce their products,
23 whatever that may be, but there seems to be this void of
24 discussion about getting people to and from the
25 workplace.

1 As a matter of fact, it seems to me that the
2 discussion has always solely been, primarily been, at
3 least in the MPO meetings that I've attended to a large
4 extent, about using highways for that purpose, and it just
5 seems to me that when CEOs are looking for quality of life
6 issues, or for that matter in freeing up highways for the
7 purposes of getting these products to and from markets,
8 ought we not to be thinking about commuter rail lines,
9 light rail, some other sort of movement of people from
10 their home to their workplace and the reverse?

11 And I was interested in Mr. McNulty's comments
12 about revitalizing the downtown areas. Certainly, that's
13 not unique to Chambersburg and the other places that he
14 mentioned. But it just seems that we haven't focused on
15 that as a State as a commitment to economic development,
16 and I'm just curious if either of you would comment on
17 that.

18 DEPUTY SECRETARY McNULTY: Well, I think that
19 bringing employment closer to individuals, that's the
20 focus, the heart of the KOZ and the brownfield effort. I
21 think also one of the things, I think we've done it very
22 well over the last four years, is focus our Governor's
23 Action Team on projects in downtown areas, be they center
24 city Philadelphia, some Wilkes-Barre projects we've done,
25 Uniontown, Pennsylvania. So I think we've tried to, in

1 working with employers and with prospects, is to focus on
2 maximizing the competitiveness and the attractiveness of
3 downtown sites that are close to individuals.

4 We have also not hesitated to use economic
5 development incentive money in cases where some bridge
6 financing is needed from a transit point of view. And the
7 best example of that I think is the UPS facility in
8 Philadelphia where we used our Opportunity Grant money
9 basically to seed fund a nighttime bus line for SEPTA as a
10 trial run to see if it could become self-sustaining. So
11 we've been willing to make those kind of pure economic
12 development investments when human capital and the ability
13 of individuals to really engage in employment
14 opportunities was at stake.

15 And so I think it is a fundamental focus, and I
16 mentioned that infrastructure is always the top three
17 factors that an employer brings to us. Certainly, access
18 to skilled workers is generally first. So I think the
19 interplay, you're correct on the interplay, and I think
20 from a programmatic point of view and in some of our
21 projects we have emphasized those interactions.

22 CHAIRMAN GEIST: Let me jump in here and say
23 that the MPO process that we have in Pennsylvania, which
24 was foisted upon us by the Federal government, has some
25 serious flaws. That if you want to talk about running

1 light rail from Harrisburg to York to Baltimore, how many
2 MPO districts does that pass through or what priority
3 would it have as an umbrella above them all? We aren't
4 prepared to deal with that, and we have serious flaws with
5 that. We have an MPO process that was designed to push
6 highways only. And although PennDOT recognizes it and we
7 in this room recognize it, we have to put our arms around
8 that problem and say let's solve this. Mass transit is an
9 economic generator first when you have to get people to
10 jobs. You aren't going to do it. We don't have enough
11 Schuylkill Expressways in Pennsylvania. You can't build
12 enough highways to move the number of people you need to
13 move in and out to get to jobs. We have to start
14 recognizing that in our MPO process.

15 We have to recognize the seamless travel between
16 Amtrak, SEPTA, U.S. Air, all of it. And we have to start
17 handling that. And somehow we've got to come to grips
18 with this in this General Assembly. And I think
19 Representative Tangretti's right, I think Representative
20 Argall, who's the number one expert in this General
21 Assembly on intercity development, those are the things
22 that we're about.

23 And we certainly don't have answers. None of us
24 have answers, and you don't have answers. But we're going
25 into that round right now of this whole process where you

1 have development districts that adjoin other districts,
2 that where you have Chester County, where they have as
3 many people going to work every day in Chester County who
4 live in there, so you have this mass movement of people,
5 but yet there's no mass transit system to really take care
6 of that. You have employers who have come before us
7 saying, we have huge needs for people to work, but we
8 can't find them. And those are the kind of social
9 problems that go along with this that go along with the
10 economic development that we're trying to talk about.

11 But for those old worn-out steel towns and those
12 heavy manufacturing facilities where you have done a
13 fantastic job with the KOZs and everything else, we have
14 got to come up with some kind of solutions so that we can
15 have meaningful economic development in real jobs created
16 with the infusion and investment of our transportation
17 dollars, and I think that Tommy Tangretti's question just
18 hits the nail right on the head, and this is where we've
19 got to go with our MPO process, and this is where the
20 members of the General Assembly have to set up and say,
21 look, if the Federal government says this is the way it is
22 for Arizona, that's not the way it is for Allegheny
23 County, that's not the way it is for Philadelphia, and in
24 Lackawanna County that doesn't work there. For old
25 worn-out industrial places in Pennsylvania, we've got to

1 find a way to make this work as an infusion of real
2 investment dollars.

3 DEPUTY SECRETARY VORAS: But again, Rick, I
4 mean, you and I have known each other for a long time.

5 CHAIRMAN GEIST: Too long. No.

6 DEPUTY SECRETARY VORAS: But I'm still 24,
7 remember that. What it comes right down to is dollars and
8 cents.

9 CHAIRMAN GEIST: Right.

10 DEPUTY SECRETARY VORAS: There's just so much
11 money to go around, and the day that an MPO or a
12 legislator comes to the STC and says, you know that
13 highway project I've been talking about for the last 10
14 years? Well, now I want it to be a light rail system
15 instead. I mean, there's difficult choices that have to
16 be made with a limited amount of dollars.

17 CHAIRMAN GEIST: And you know we're really great
18 at spending money. And we're really fortunate right now,
19 we have a huge surplus in dollars. We have the
20 opportunity to start looking at our resources and how we
21 allocate those resources in Pennsylvania, and I think
22 these hearings are going to be very telling when it comes
23 to those kind of needs. We're just looking forward. This
24 is public policy at its best.

25 DEPUTY SECRETARY VORAS: I was just going to

1 say.

2 REPRESENTATIVE TANGRETTI: Thank you, Mr.
3 Chairman.

4 CHAIRMAN HASAY: Representative Argall for short
5 questions.

6 REPRESENTATIVE ARGALL: It won't even be a
7 question. If I could just ask Mr. McNulty to provide me
8 with some of the case histories on successful projects
9 where DCED and PennDOT have partnered together, because in
10 my largest community, DCED has been very helpful in the
11 downtown revitalization program, and when I've talked to
12 PennDOT's highway people, we all kind of stood on the
13 intersection corners and scratched our heads and no one
14 came up with helpful suggestions, and maybe in that case
15 they simply don't exist, but I'd like to take a second
16 stab at it and see how other communities have done that.

17 Thank you very much.

18 CHAIRMAN HASAY: Representative Preston.

19 REPRESENTATIVE PRESTON: Thank you, Mr.
20 Chairman. And I guess since I serve on both committees
21 I'm not going to take any extra time. Don't worry.

22 I guess it is good having all four Chairmen
23 here, and Ms. Mundy and I were sitting here talking that
24 if we just look at between the four subjects - rail,
25 freight, the ports - we probably need to have more

1 in-depth discussion and take each one separately and
2 concentrate on this.

3 So I guess coming from Allegheny County and
4 having the largest port per se as far as tonnage is
5 concerned, I guess Representative Pippy and myself both
6 serve on the Port Commission, which is a State created
7 agency, I know Barbara McNees planned on inviting you out,
8 we've been inviting people out similarly with the trips,
9 but as we talk about the intermodal transportation, and I
10 think the different Representatives have raised these
11 issues about being more inclusive from the beginning
12 levels of transportation. And to give you an example, you
13 mentioned welfare-to-work, it is difficult for someone
14 from welfare to work that has to deal with child care and
15 that has to also go on public transportation where we have
16 our IDC parks where public transportation has to let them
17 off because the park was never designed for public
18 transportation, and people have to walk three-quarters of
19 a mile. So when you have a need, here's a company that
20 has a need, we have to have a better plan, because most of
21 the people who are planning drove to the meeting. So it's
22 not really being inclusive.

23 And I say to my good friend here, Mr. Argall, if
24 we improve on economic development, and I'm also on this
25 River Task Force now that we have, which we're going to be

1 calling you as we develop an outline for the Three Rivers
2 plan of economic development, the more people we have
3 working, the more people we have buying the products from
4 the area at more competitive prices and less spoilage. So
5 the dollars turn around.

6 And I always sit down and think what would
7 happen if the schools in our area would cut out our milk
8 program, how many people in the dairy producers would be
9 still sitting there if we would stop those programs, and I
10 try to get the dairy producers, when they start chastising
11 people to support some of these subsidies for the milk
12 program, that they're cutting their own throats. We need
13 to communicate this even more.

14 In dealing with the ports and the rail issues,
15 and when you come from a metropolitan area, we cannot
16 build the convention center, we're limited to what we can
17 do, the expansions and the things that we will be coming
18 to the State and government and to our banks to be able to
19 look at, you know, which will be over a couple billion
20 dollars in the coming years. The issue about the rails,
21 the rail beds and the safety issues are very
22 quality-of-life situations. What are you planning on
23 doing about that, as you heard the Chairman say that we
24 have a surplus. It would be nice instead of we just
25 increase it, maybe if we would just have one major shot,

1 one major inoculation to eliminate some of the situations
2 so that you could go on to something else. What do you
3 plan on doing about these things?

4 DEPUTY SECRETARY VORAS: Grade crossing safety
5 is something near and dear to my heart. We, in fact, at
6 two meetings ago at the Rail Freight Advisory Committee,
7 established a subcommittee designed specifically to beef
8 up the efforts here in Pennsylvania as it relates to grade
9 crossing safety. I think, again, mostly what you find
10 with grade crossing and grade crossing safety is that
11 people aren't educated enough as far as how fast that
12 train is moving and they think that they can beat the
13 train. I mean, the video footage that I have seen of
14 tractor trailers going out around one bar across the track
15 and then out around the other bar to get across that track
16 and getting hit in the meantime, it's frightening. So we
17 have established a new subcommittee of the Rail Freight
18 Advisory Committee. Actually, the FRA is sitting on that
19 committee, we have the School Bus Association, we have the
20 petroleum haulers sitting on that committee that are
21 reporting back to us as far as the re-energizing as far as
22 the massive campaign here in Pennsylvania.

23 There is something called Operation Lifesaver
24 that is spearheaded by the FRA and the major rail carriers
25 that's a national effort, but again, I personally believe

1 that it could be more targeted to school kids, more
2 targeted to school bus drivers, petroleum haulers, to get
3 the message out. I mean, every program I think goes
4 through its phases, and that's one that was up and down
5 and we need to just give it, like you said, a shot in the
6 arm to get the message out to the people.

7 REPRESENTATIVE PRESTON: Mr. Chairman, we need
8 to get together amongst ourselves to discuss this MPO
9 issue, because over the years we have always had a lot of
10 problems. As Rick was saying earlier when he came to
11 Allegheny County, it used to be that only roads were
12 considered. Now we're up to mass transit, but we're still
13 not looking at the other issues. And am I right, it is
14 the government who recognizes the MPO, because it's his
15 overall State report that they submit, and I know out in
16 the southeast there's four States involved with the MPO.

17 DEPUTY SECRETARY VORAS: Counties. There's five
18 counties. The RPC actually has five counties in
19 Pennsylvania, but four counties in New Jersey as well.

20 REPRESENTATIVE PRESTON: Right. Thank you.

21 CHAIRMAN HASAY: And one final question from
22 Representative Habay.

23 REPRESENTATIVE HABAY: Thank you, Mr. Chairman.

24 Liz and Tim, thank you very much for coming
25 today, and on behalf of the newly formed Allegheny County

1 Airport Authority, of which I'm a member, it's finally
2 going to happen as it looks on October 8 with the FAA
3 transfer agreement, I want to thank you for your
4 cooperation in working with us to obtain \$100 million for
5 the new maintenance facility for U.S. Airways. Hopefully,
6 that will be a big boom for economic development and
7 transportation in our area.

8 The one question, there were a few questions on
9 aviation that I was going to ask, but in the interest of
10 time, I want to limit it only to a light rail question. I
11 represent a district, the North Hills, Allegheny Valley,
12 most of the northern border of the city of Pittsburgh, and
13 I've talked to many Representatives in the Allegheny
14 Valley, Pittsburgh, southern Butler County, some of my
15 neighbors in the other parts of Allegheny County, we've
16 come to the conclusion we have some incredible rail line
17 infrastructure that we have there. The possibilities of
18 bringing light rail or commuter rail on some of the CX
19 lines there, those are lines that extend into Butler
20 County, up towards Lawrence County on the northern sector
21 and, the ones that go up into the Allegheny Valley, what
22 sort of advice would you give if somebody like myself and
23 the other Representatives were to begin this process,
24 because we've seen enormous success in the lines of the T
25 and the Port Authority system to go into the south hills.

1 What would be your advice now that we're doing the north
2 shore connector from the city of Pittsburgh over to the
3 new development sites in the north shore Pittsburgh for
4 that to go about happening, and where should we really
5 begin that process?

6 DEPUTY SECRETARY VORAS: In point of fact, that
7 process actually for those lines that you're talking about
8 has already started. I learned about it quite recently
9 through an interview that I did with Russ Peterson who
10 owns those rail lines and uses them for rail freight.
11 There is a study that is ongoing at SPC that the MPO in
12 your region has established of looking at the feasibility
13 of using those existing freight lines. Because you're
14 absolutely correct, when you look at from an
15 infrastructure and a people moving perspective, it's
16 perfectly located. And I know that that study's ongoing
17 and we're all, I talked to my deputy, Rick Peltz, about
18 that issue, and so he and his staff are well aware of that
19 study and we're all awaiting anxiously to see what the
20 feasibility study, but it actually has begun, the
21 feasibility study, to look at the usability of those
22 freight lines as passenger lines.

23 REPRESENTATIVE HABAY: Thank you very much.

24 CHAIRMAN HASAY: Thank you. Both Chairmen would
25 like to thank Deputy Secretary Vorgas and Deputy Secretary

1 McNulty for coming here this morning and testifying before
2 the House Commerce and House Transportation Committee.

3 Representative Geist.

4 CHAIRMAN GEIST: Thank you very much, George.

5 At this time I would like to introduce our next person who
6 is going to testify, and this is somebody who is making a
7 homecoming to the General Assembly. Fran Egan served with
8 us in the House, and now she's the Assistant General
9 Manager of Public Government Affairs for SEPTA, and for
10 those of us who believe that mass transit systems are
11 economic development systems and no urbanized area can
12 really survive without them, we would like to turn it over
13 to Fran.

14 CHAIRMAN HASAY: Before you begin, for the
15 record, I would like to announce that Representative
16 Strittmatter was here and Representative Druce is here,
17 Representative Petrarca is here, and Representative Allen,
18 and Representative Stettler and Representative Wright, and
19 Representative Flick.

20 Fran, you may proceed at your convenience. It's
21 nice to see you again.

22 MS. EGAN: Thank you, Mr. Chairman.

23 Good morning, Chairman Hasay and Chairman Geist,
24 and members of the House Transportation and House Commerce
25 and Economic Development Committees. My name is Frances

1 Egan. I am the Assistant General Manager for Public and
2 Government Affairs at the Southeastern Pennsylvania
3 Transportation Authority. With me I have our Chief
4 Government Affairs Officer, Nancy Hudder. I would like to
5 introduce her this morning. And I do want to thank
6 Chairman Geist and his staff for accommodating my request
7 to present testimony today.

8 On a personal note, I just want to say that I am
9 proud and honored to be in a position now, after having
10 left the legislature 10 years ago, to be in a position to
11 work on important issues of mutual concern. And
12 Representative Geist, for 10 years you kidded me about
13 having the worst Philadelphia accent that you ever heard,
14 and you will probably be disappointed to discover as I
15 read my testimony that it's probably gotten worse since I
16 haven't gotten out of Philadelphia in the last 10 years.
17 But it is a pleasure to be here.

18 I am pleased to provide testimony to support the
19 joint committee's study on the impact of transportation on
20 economic development in the Commonwealth of Pennsylvania.
21 We wholeheartedly concur with Representative Geist's
22 observation that the success of economic development
23 initiatives within our great Commonwealth can only be
24 assured by addressing the issues of transportation
25 access.

1 A healthy transportation infrastructure can
2 serve as a vital tool to support economic prosperity.
3 Access to employment is essential to improve the quality
4 of life for all citizens and enable businesses to attract
5 qualified workers. Moreover, the time and expense of
6 bringing goods and services to the marketplace would be
7 prohibited without a multimodal transportation system
8 utilizing public conveyance and private vehicles.
9 Investment in transportation infrastructure can also
10 provide attractive incentives to stimulate private capital
11 development interest in communities and business centers
12 accessible by these transit links.

13 As the fifth largest transit agency in the
14 nation and primary provider of public transportation
15 services for southeastern Pennsylvania, SEPTA recognizes
16 its role and responsibility to support regional economic
17 development by serving the needs of existing business
18 centers and ensuring access to new and growing
19 marketplaces.

20 Through the framework of our strategic business
21 plan, SEPTA has taken a proactive approach to supporting
22 regional economic development activities by establishing
23 working partnerships with public and private entities to
24 provide public transportation service. The authority has
25 been working with the Pennsylvania Department of

1 Transportation in the development and implementation of
2 the Route 202 congestion mitigation plan designed to
3 support the three-year \$250 million construction project
4 to rebuild a critical section of Route 202 in the Great
5 Valley/King of Prussia area. SEPTA has formulated a
6 comprehensive plan of new and enhanced public
7 transportation alternatives for the anticipated short-term
8 construction inconvenience and vehicular traffic
9 congestion, and to maximize the long-term economic
10 benefits that will accrue from improved access to this
11 growing economic hub.

12 Creating new transportation infrastructure, as
13 Representative Hasay noted, can indeed turn an entire
14 community around. To that end, SEPTA is working to build
15 on the strengths of our core service infrastructure to
16 establish new access opportunities in areas previously
17 unserved or underserved by public transportation. The
18 recent success of our small bus links, the Horsham and
19 Commonwealth Breeze services, created in partnership with
20 SEPTA, county officials, area businesses, and the county's
21 transportation management association, underscores the
22 point. Since the inception of the Horsam Breeze route in
23 1996, service has quadrupled, with more than 1,100
24 employees from area business and retail centers using this
25 service to get to and from work.

1 Horsham's success paved the way to create the
2 Commonwealth Breeze to meet the transportation needs of
3 other area businesses not served by the original Breeze
4 route service. Owing to the success of these routes, the
5 authority is investigating the possibility of expanding
6 the Horsham Breeze into Philadelphia to better serve its
7 current customers and to provide area businesses with
8 access to a broader employee base.

9 The recent inauguration of the other bus route,
10 305, serving Darby and airport complex businesses, is
11 another example of establishing a new transportation
12 infrastructure in support of community economic
13 development initiatives. Working in partnership with the
14 Darby Revitalization Task Force and Delaware County, SEPTA
15 has created a new bus service to connect individuals
16 seeking employment opportunities with growing employment
17 centers in and around Philadelphia International Airport.

18 SEPTA's ability to provide service to meet
19 capacity and to expand service as market demand increases
20 is essential to keep our region's economic development
21 engine moving. As the network of transportation access
22 grows, the needs of both employers and those seeking
23 employment can be met. This win-win situation also
24 represents a win for statewide and regional economies in
25 the form of tax revenues and dollars being spent on goods

1 and services in the local economies.

2 In addition to addressing current transportation
3 needs, SEPTA believes in the importance of long-range
4 planning to evaluate the region's future access demands.
5 At present, we are engaged in two critical planning
6 studies for the Schuylkill Valley and Cross Country Metro
7 rail line projects. The proposed Schuylkill Valley Metro,
8 linking key locations in Bucks, Chester, Montgomery, and
9 Philadelphia Counties, offers the potential to provide
10 access to major retail, employment, and business centers
11 to an estimated 20,000 to 30,000 daily riders. SEPTA last
12 operated rail service in this corridor in 1981, several
13 years before the opening of U.S. 422 expressway and the
14 recent explosion of growth in suburban communities
15 surrounding Philadelphia.

16 Development, sprawl, congestion, and few
17 transportation alternatives to private vehicle travel have
18 caused SEPTA and its partner on this project, the Berks
19 Area Reading Transportation Authority, to look at the
20 possibility of bringing back rail service. Based on
21 comparable experiences in Portland, Oregon, the potential
22 economic benefits accruing from a project like Schuylkill
23 Valley Metro may be in excess of \$14 billion. This
24 project was recently mentioned in newspaper articles about
25 the proposed construction of a new baseball stadium in

1 Philadelphia. In this instance, the economic benefits of
2 public transportation can extend beyond business interests
3 to the Commonwealth's leisure and visitor and tourism
4 industries.

5 The second study, the Cross County Metro, covers
6 a 60-mile corridor beginning at Glenloch in Chester
7 County, traveling through King of Prussia and Norristown
8 in Montgomery County, and terminating in Morrisville,
9 Bucks County. Included in this assessment study will be
10 an evaluation of a service line between King of Prussia
11 and Glenloch to identify potential rail stops along the
12 Great Valley and Route 202 corridors. Creating enhanced
13 public transit access to key employment centers such as
14 King of Prussia will provide many benefits to Montgomery
15 County, county businesses, and individuals seeking job
16 opportunities.

17 Within our service region, the viability of
18 public transportation infrastructure and service is
19 critical to continue the recent course of economic and
20 demographic growth. On behalf of the Board and General
21 Manager, Jack Leary, of SEPTA, I would like to pledge
22 SEPTA's support and collective professional expertise to
23 assist your joint efforts to formulate a transportation
24 agenda to enhance the economic well-being of the
25 Commonwealth of Pennsylvania.

1 Thank you for the opportunity to speak. I would
2 be happy to answer any questions.

3 CHAIRMAN GEIST: Fran, thank you very, very
4 much.

5 Economic development and mass transit go hand in
6 hand. In this General Assembly are many that still think
7 of SEPTA being nothing but a patronage system. That is so
8 far antiquated that we need to be talking now about the
9 public policy of marrying the commuting automobile, the
10 airport, with your system. And that means that when we do
11 the MPO process in Philadelphia, we're talking about the
12 park, parking lots, the combination of a system so that we
13 can leave the pressure that we have all around the region,
14 not just in and out, but in the circular process.

15 The other thing that we need to be talking about
16 as a public policy with SEPTA is the economic development
17 bill that I've been working on for about five years so
18 that we can develop sites around the fixed structure of
19 SEPTA. When we put a billion dollars into your Franklin
20 Line and yet you see station sites around there, around
21 the station sites that look like Dresden after World War
22 II, it's time that we start talking about using that
23 system as an economic development tool.

24 We have a lot of Representatives from your area
25 on this committee, and I don't want to waste any more of

1 my time talking about our economic development plans. I
2 would rather open it up now to questions from members of
3 the committee.

4 Representative Battisto.

5 REPRESENTATIVE BATTISTO: I just have one
6 question. First of all, your testimony sort of goes hand
7 in hand with a question that a Representative asked
8 earlier today. Many people talk about public
9 transportation and don't see the effect that public
10 transportation has on economic development. And in your
11 efforts to open up more areas, more employment areas
12 around Philadelphia, around the growing counties of
13 Chester and Bucks and Montgomery to public transportation,
14 are you using in all cases, for example, are you using in
15 all cases existing lines, or is there a need for
16 additional infrastructure, more rail lines? Do you need
17 more public infrastructure investment to make these
18 corridors available to your service?

19 MS. EGAN: Well, I think the answer to that is
20 both. We have, as cited in my testimony, created a few
21 new bus routes in the surrounding counties of
22 Philadelphia, but certainly hand-in-hand with that, and
23 partnering with that down the road is increased dollars
24 for enhancing our current infrastructure, too.

25 REPRESENTATIVE BATTISTO: I travel 309 coming

1 through Quakertown and south through Bucks County into
2 Philadelphia, which is a very congested area. Was there
3 ever any thought, I don't mean on 309 of course, but was
4 there ever any study done, for example, extending high
5 speed rail lines north through those counties to connect
6 with SEPTA service that eventually would go into the city
7 of Philadelphia? I know that's an enormous undertaking, I
8 understand that.

9 MS. EGAN: You know, I'm not sure. Under Jack
10 Leary's leadership, we have a whole strategic plan now
11 that takes us into the next five years, and that link that
12 you're talking about, that link from the city north into
13 Bucks County, that was an issue raised, as a matter of
14 fact, when I was in Washington, by Congressman Greenwood
15 along the same issues, and I've asked our capital projects
16 manager to get back to me. So when I have that issue
17 addressed specifically, I could copy you on the answer.

18 REPRESENTATIVE BATTISTO: That would be very
19 interesting. Thank you.

20 Thank you, Mr. Chairman.

21 CHAIRMAN GEIST: Tom.

22 REPRESENTATIVE TANGRETTI: Thank you, Mr.
23 Chairman.

24 Good morning. It's still morning. It seems
25 like afternoon. You were here for the testimony of the

1 two Deputy Secretaries, were you not?

2 MS. EGAN: Yes, I was.

3 REPRESENTATIVE TANGRETTI: If I were quicker on
4 my feet, I would have pointed out to Deputy Secretary
5 Voras that now is the time that we ought to be thinking
6 about transit versus highway, since we have to, under the
7 new Federal law, do we not, project over the next 25 years
8 transportation systems for development as it links to
9 economic development and other things, 5-year increments,
10 the first 5 years obviously being those that are fiscally
11 restrained in terms of money that we have available to
12 us. Isn't that accurate?

13 MS. EGAN: Yes.

14 REPRESENTATIVE TANGRETTI: So that to indicate
15 that a Representative who might want to make a switch
16 between a highway and a transit system is a little
17 disingenuous in view of the fact that now is the time that
18 we ought to be doing that, not five years from now or not
19 when the highway has already been designed and planned and
20 ready the let for construction, agreed?

21 MS. EGAN: Yes.

22 REPRESENTATIVE TANGRETTI: Has SEPTA been
23 involved with the planning process in southeastern
24 Pennsylvania, and to what extent?

25 MS. EGAN: We have been. We do have, and, well,

1 I've only been at SEPTA a few months now. I already have
2 enjoyed what I feel is a very open and accessible
3 relationship with the Pennsylvania Department of
4 Transportation. They are hearing our concerns, they are
5 willing to talk about them. We do that in our
6 relationship individually, SEPTA to PennDOT, and we also
7 do that through associations like the PPTA. So while I
8 agree that there's always, you know, in our opinion
9 there's a lot more to be done, and probably the venue for
10 public transportation, in our opinion, needs to be opened
11 a lot wider than it has been, but on the other hand I
12 don't want to project to you that we don't have a good
13 relationship and that there isn't a willingness to
14 cooperate and hear our plans for the future.

15 REPRESENTATIVE TANGRETTI: What is the planning
16 organization for southeastern Pennsylvania? What's it
17 called?

18 MS. EGAN: Delaware Valley--

19 MS. HUDDER: Delaware Valley Regional Planning
20 Commission. DVRPC is the acronym.

21 REPRESENTATIVE TANGRETTI: And your organization
22 is represented on that board?

23 MS. EGAN: Yes.

24 REPRESENTATIVE TANGRETTI: And based on what
25 you've just said, you're satisfied with the level of

1 cooperation and the process undertaken for this projection
2 of transit and other transportation needs for the next 20
3 years?

4 MS. EGAN: Nancy Hudder would like to answer.

5 MS. HUDDER: There is one problem in that we're
6 not a voting member of the MPO, and how that happened I'm
7 not sure, but we would like to have that revised. I think
8 that would have to be at the Federal level where SEPTA had
9 a vote on the board. We participate in planning, but we
10 don't have as strong a voice as we would like to have.

11 REPRESENTATIVE TANGRETTI: If this is
12 inappropriate, then you just say it's inappropriate. Do
13 you feel that there's a definite slant away from transit,
14 or an important point, more toward highway construction as
15 opposed to transit?

16 MS. EGAN: Well, the way I would answer that
17 question is to say that I wish, as representing SEPTA, we
18 would always wish that there would be more attention given
19 to public transportation.

20 REPRESENTATIVE TANGRETTI: Very artfully done.

21 MS. EGAN: You know where I came from.

22 REPRESENTATIVE TANGRETTI: Yes.

23 Final question. Who's funding the studies that
24 you mentioned in your testimony?

25 MS. EGAN: Well, I believe it's Federal.

1 MS. HUDDER: Yes.

2 MS. EGAN: Federal dollars are supporting those
3 studies--

4 MS. HUDDER: Feasibility studies.

5 MS. EGAN: From T-21 funds.

6 REPRESENTATIVE TANGRETTI: Thank you, Mr.
7 Chairman. Thank you very much.

8 REPRESENTATIVE GEIST: David.

9 REPRESENTATIVE ARGALL: Just to welcome Fran
10 back and to alert you that if the study for the Schuylkill
11 Valley Metro is successful in showing us that the number
12 of riders between Reading and Philadelphia and that whole
13 corridor proves to be successful and the trains begin to
14 run again, there are a number of folks in northern Berks
15 County and southern Schuylkill County that will be
16 petitioning SEPTA to re-open some rail lines that were
17 closed about 20 years ago and go a little further north.
18 We realize it's premature to be asking now, that you have
19 to prove that the larger metropolitan area can be served,
20 but there's a lot of excitement in the region and I wish
21 you the best of luck with that.

22 MS. EGAN: Thank you, Representative Argall.

23 CHAIRMAN GEIST: Representative Battisto.

24 REPRESENTATIVE BATTISTO: Fran, one more
25 question that I neglected to ask when I was talking to

1 you. I know you're new in your position, and you heard
2 comments and questions about the fact that MPOs seem to
3 be, oh, historically they've been sort of slanted toward
4 highway-oriented projects and other kinds of projects
5 rather than airport and public transit projects. How
6 closely, I mean, do you really, through either maybe an
7 elected Representative, you know Representatives, you know
8 politicians, do you have any direct connection with the
9 MPOs with respect to lobbying for projects that you think
10 are very essential to SEPTA's well-being?

11 MS. EGAN: Well, we certainly recognize them as
12 a key player in bringing about the support we need to get
13 major projects through the State legislature and through
14 the Congress in Washington. So, I mean, we all have to be
15 partners in an effort like that or it won't be successful.

16 REPRESENTATIVE BATTISTO: Just one follow-up
17 quickly. You indicated that you don't have, you don't
18 have a voting position on the--

19 MS. EGAN: On the Delaware Valley Regional
20 Planning Commission.

21 REPRESENTATIVE BATTISTO: But you do attend
22 their meetings then?

23 MS. HUDDER: Oh, yes. We're very active, and I
24 think they understand, you know, that we play a big role
25 there. But that was one problem that I don't know how it

1 fell through the cracks or how it happened, but we aren't
2 a voting member.

3 MS. EGAN: I guess I'll have to work on that in
4 my new job.

5 REPRESENTATIVE BATTISTO: You'll have to work on
6 that, yeah, because we actually have a planning commission
7 in Monroe County, now we're a small county, but our
8 planning commission member is a voting member of the
9 regional MPO.

10 MS. EGAN: I'll have to see what we have to do
11 to get that corrected.

12 CHAIRMAN GEIST: One of the interests that I
13 have in planning process of public policy planning is that
14 when you do the location analysis of a 202 corridor or
15 some of the other rebuilds in the Philadelphia region, and
16 we are looking at PennDOT costs of as much as \$50 million
17 a mile to build six lanes of highway, have we had
18 consideration for using light rail instead of balancing
19 that off against the lane costs of new construction? Have
20 we done any of that kind of weighted transportation
21 planning, and have we used any of the methods that we have
22 of flexing the Federal highway moneys, the 80-20 moneys,
23 into these types of projects where we can move people
24 faster and quicker than we are now?

25 Philadelphia, for instance, and I read one study

1 based upon one of the private light package and mail
2 movers was that the average speed across the Philadelphia
3 region in a 24-hour period was 17 miles an hour for their
4 vehicles, and we are close to gridlock on a lot of these.
5 No matter how much money we throw at a highway, we're
6 still going to have the same kind of problems. But yet we
7 don't see anything coming out of that region or the
8 department that tells us that for this much more money we
9 could save this much money and do this and do that. And
10 is SEPTA an active partner in proposing and doing any of
11 that?

12 MS. EGAN: I'm not aware of that. However, I
13 can tell you that's an excellent question. I'm going to
14 ask our Assistant General Manager for Strategic Planning,
15 whose responsibility right now is the design project of
16 Schuylkill Valley and other projects, to look at that very
17 question and try to come up with some kind of comparative
18 number for you.

19 CHAIRMAN GEIST: Would PennDOT ask for proposals
20 when they go through this process after they go through
21 planning, is there a process for public transit to come in
22 with an unsolicited proposal to say, PennDOT, we believe
23 if you did this and we did this together, we can save an
24 awful lot of taxpayers' money and provide better service?
25 Has any of that ever been done, to your knowledge?

1 MS. EGAN: I don't know. Do you know?

2 MS. HUDDER: Well, I would just say that the
3 State Transportation Committee is having hearings this
4 fall and that would be perhaps the vehicle for promoting
5 this, because I think that that hasn't been done, I don't
6 think. It's a very sensitive area between highway funding
7 and transit spending, but I think there's coming to be a
8 general recognition across the State in all areas, because
9 public transit really affects every county. We have an
10 organization called the Pennsylvania Public Transportation
11 Association, which includes every transit organization in
12 the State, and that's from the very small, from the very
13 littlest, Cumberland County with like four paratransit, up
14 to the largest, which is SEPTA, and I think the elected
15 officials are coming to the understanding that this all
16 has to mesh and this all has to, also with the highways we
17 have to consider a whole intermodal program that we can no
18 longer just look at one type of transportation.

19 CHAIRMAN GEIST: This General Assembly made that
20 statement with \$105 million that we gave you in capital
21 projects and the \$40-some million that we gave to
22 Pittsburgh with the hope that we could start accomplishing
23 a lot of that, and that was General Fund moneys. That
24 wasn't liquid fuels moneys. So I agree, I think that we
25 need to really get into this much, much more. As an

1 economic development basis, we've got to show that there's
2 a tremendous return on investment for the investment of
3 public dollars into those systems rather than some of the
4 other methodologies that we've used to test mass transit
5 in the past. And I know that our committees and this
6 joint hearing, we want to bring a lot of that stuff to the
7 forefront.

8 MS. EGAN: And we'll attempt to do that,
9 Chairman Geist.

10 CHAIRMAN GEIST: Are there any other questions
11 from the members?

12 (No response.)

13 CHAIRMAN GEIST: We thank you very much.

14 MS. EGAN: Thank you very much.

15 CHAIRMAN GEIST: Our next testifier is Kevin
16 Evans, who is Director of Site Engineering for Crown
17 American Realty Trust. Crown American has been very
18 active all over the State of Pennsylvania and all over
19 America, and they are probably, as far as I'm concerned,
20 the leading private company in working with PennDOT with
21 the infusion of private capital, along with the liquid
22 fuels moneys, to make access and egress possible for
23 creating and developing projects that really bring
24 employment to our State.

25 So Kevin, it's all yours.

1 MR. EVANS: Thank you for those kind words, Mr.
2 Chairman.

3 Good morning, members of the House
4 Transportation Committee and the House Commerce and
5 Economic Development Committee. My name is Kevin Evans.
6 I'm the Director of Site Engineering for Crown American
7 Realty Trust. Our headquarters is located in Johnstown,
8 Pennsylvania, and we are one of the largest developers of
9 enclosed shopping malls in the mid-Atlantic region, and
10 we're the owner/operator of 17 major retail centers within
11 the Commonwealth of Pennsylvania.

12 Our testimony today is on behalf of the
13 importance of encouraging public/private partnerships to
14 facilitate much-needed transportation improvements in the
15 Commonwealth of Pennsylvania, and to stress the economic
16 impacts that are created from these partnerships. To
17 illustrate these points, we would like to illustrate some
18 specific examples in which Crown America has worked
19 effectively with the Commonwealth and the Department of
20 Transportation as well as local transportation officials
21 to accomplish regional objectives while improving the
22 local road work and creating new economic development
23 opportunities.

24 The first project we'd like to talk about occurs
25 in the city of Scranton and Dixon City Borough in

1 Lackawanna County. Crown American there is owner of the
2 Viewmont Mall and Viewmont Commerce Center, which
3 combined, comprises 1.2 million square feet of retail
4 development. We have worked closely with the Commonwealth
5 of Pennsylvania Department of Transportation, Lackawanna
6 County, the city of Scranton, and the Borough of Dixon
7 City to develop a strategy to improve the local road
8 network while providing an opportunity for expansion of
9 the properties we have, the Viewmont Mall and the Viewmont
10 Commerce Center, as well as additional economic
11 development by adjoining property owners. It has been a
12 partnership that has really been spearheaded by PennDOT,
13 but all the other partners have worked closely together.
14 This partnership has resulted in approximately \$9 million
15 being invested to improve the local roadway system.

16 Let me talk a little bit about how that works.
17 First, to increase new development in the area, Crown
18 American has spent \$3.2 million of our own money to build
19 a new roadway called Viewmont Drive. It's an over 1 mile
20 road, four lanes which connects Main Avenue in Dixon City
21 Borough to Route 6. Today, Viewmont Drive is a primary
22 access road connecting Viewmont Mall, Viewmont Commerce
23 Center, and Dixon City Crossings. In addition, Crown has
24 contributed \$1.25 million to widen, resignalize, and
25 improve Main Avenue and also upgrade ramps to exit 56 of

1 Interstate 81 in Lackawanna County.

2 In addition, PennDOT and the Dixon City Borough
3 General Authority contributed \$4.5 million for
4 improvements to Route 6 and the construction of a new
5 roadway called Commerce Drive in Dixon City Borough, which
6 connects to Route 6. Together, these improvements provide
7 the highway capacity necessary to allow the expansion of
8 Viewmont Mall to over 900,000 square feet. In addition,
9 they allowed for the opening of Viewmont Commerce Center,
10 a new 425,000 square foot office and retail development
11 area.

12 By allowing this new development to move
13 forward, the investment of local road systems served as
14 the economic stimulus for the region in need of job
15 creation and tax base expansion. During the construction
16 of Viewmont Mall, expansion and the opening of the
17 commerce center, nearly 400 new construction jobs were
18 generated, and an additional 1,100 new employment
19 opportunities were created for full-time residents. This
20 generates an annual payroll in excess of \$19 million, and
21 expansion to the local and State tax base by generating
22 annual revenue increases in excess of \$1.6 million in
23 property and real estate taxes, \$1.7 million in State
24 sales taxes, \$532,000 in State income tax, and nearly
25 \$300,000 in local income tax.

1 While this partnership was successful in
2 increasing the access and mobility of the local road
3 network, Crown American has also continued to work
4 ongoingly with the Department of Transportation to address
5 additional needs along Interstate 81, specifically exits
6 56 and 57. On two occasions, Crown has offered testimony
7 at the State Transportation Commission in support of the
8 hearings, we've attended meetings of the MPO trying to
9 encourage and elicit the support of PennDOT District 4 to
10 secure funding for reconstruction of exit ramps at Exit 56
11 on Interstate 81. Although we have not been successful in
12 securing these funds, we have worked through the T-21 bill
13 to obtain \$1.3 million for the construction of the new
14 access ramp to be located midway between Exit 56 and 57.
15 This project is a much lower cost than reconstruction of
16 Exit 56, which is estimated at over \$10 million.

17 The proposed access ramp which we are currently
18 working on includes the construction of northbound
19 on-ramps and off-ramps approximately 5,000 feet north of
20 Exit 56 and 3,000 feet south of Exit 57. These ramps will
21 provide a direct access to the 180-acre retail center near
22 the project.

23 This appropriation of Federal highway funds for
24 this project is an excellent example of how the public
25 investment through the roadway system can be used to

1 leverage public investment in the community and foster
2 economic revitalization. The access ramp will provide
3 direct access to the existing retail center, while
4 channeling traffic away from Exits 56 and 57. In
5 addition, the new ramps will also provide opportunity for
6 continued development to out parcels currently designated
7 for future development. This combined development has the
8 potential for creating another 500 new jobs to the center,
9 and an additional 200 jobs as spin-off jobs. These jobs
10 increase the annual payroll by another \$8 million.

11 In addition, the project would also provide
12 access to another 335 acres of land which has been
13 designated for industrial, commercial, and recreational
14 use in Dixon City Borough. Development of this property
15 presents an unprecedented opportunity for economic growth
16 and new job creation.

17 The primary objective of the new ramp system is
18 to facilitate the region's goal of relieving traffic
19 congestion and promote economic growth. The new ramps
20 reduce traffic and both back-ups on Exits 56 and 57 of
21 Interstate 81, and also alleviates traffic on Route 6. To
22 bring these projects to fruition, Crown is prepared to
23 donate the right-of-way that would be needed for the
24 construction of these ramps. The estimated value of that
25 is nearly \$600,000.

1 Looking at all these projects together, and if
2 you look at the total contribution made to these projects,
3 Crown's contribution to the project will be over \$5
4 million. In addition, the State and local government
5 contribution is nearly \$6 million. We feel this is a
6 prime example of how the public and private partnerships
7 can work together to really facilitate a project.

8 Another project that we worked on successfully
9 is in Lackawanna County, where we worked with PennDOT, the
10 Lackawanna County Planning Commission to improve the
11 traffic in the vicinity of the Lycoming Mall, which is
12 located in Muncy Township. In consultation with the
13 Department of Transportation, Crown has entered into a
14 formal agreement with the Lycoming County Planning
15 Commission to form a voluntary public/private partnership
16 to provide access to the mall, and at the same time create
17 jobs for the region.

18 As part of this agreement, Crown has made a
19 significant investment to the local road network,
20 including the installation of new traffic signals, the
21 installation of widening projects to the ramps, as well as
22 ramp improvements at Halls Station. These improvements
23 cost about \$425,000.

24 In addition, PennDOT completed a \$1.6 million
25 project in the same area of the Halls Station corridor,

1 again a way that both the public and private partnership
2 has worked together. We continue this today in that we're
3 working with the Lycoming County Planning Commission to
4 secure approximately \$7.8 million in Federal
5 appropriations for the construction of new exit ramps and
6 the widening of the bridge structure at the Interstate
7 180/Lycoming Mall road interchange. These improvements
8 are needed to meet the existing traffic demands and to
9 accommodate the planned expansions in and around the
10 facility. In total, this project will provide safer and
11 more efficient access to nearly 250 acres of land which
12 can be used for new development or expansion of existing
13 businesses.

14 Crown operates a mall in this area called the
15 Lycoming Mall, which is approximately 900,000 square
16 feet. In addition, there are seven separately owned
17 outparcel developments comprising another 200,000 square
18 foot of space. This development provides 1,500 full- and
19 part-time positions.

20 The implementation of the new ramp system and
21 the road improvements will add an additional 500,000
22 square feet of development at the Lycoming Mall. This
23 expansion will create an additional 1,200 full- and
24 part-time positions, and at the same time create 500
25 spinoff jobs and more than 300 construction jobs. In

1 total, these jobs will result in \$28 million in new
2 payroll, and once this is completed, the mall will employ
3 approximately 2,700 full- and part-time workers. Local
4 tax revenue will also increase substantially. Crown's
5 expansion will provide increases in \$282,000 in local
6 income taxes, \$20,000 in local occupational withholding
7 taxes, and nearly \$789,000 in State withholding taxes.

8 In addition, by creating new job opportunities
9 and increasing tax revenues, the improvements also serve
10 to reduce congestion and improve the safety of the local
11 roadway network. Traffic studies conducted by the
12 Lycoming County Planning Commission indicate that these
13 improvements will significantly reduce congestion
14 throughout the county corridor. This project was
15 specifically recommended in the County Planning
16 Commission's Phase II Pennsylvania Route 405 Corridor
17 Study, which was implemented to address transportation and
18 safety capacity efficiencies throughout Lycoming County.

19 These are the two projects where the
20 public/private partnership mechanism has really worked
21 successfully. It is clear that investments in our
22 transportation system can serve as an effective catalyst
23 for economic growth. However, the potential for new job
24 creation and development are best maximized through the
25 pooling of resources between private corporations and

1 public agencies. These public/private partnerships are
2 essential to ensure that highway improvements are designed
3 to serve the Commonwealth's goal of creating a safe and
4 more efficient transportation network, while providing new
5 opportunities for job creation and economic development.

6 On behalf of Crown American, I would like to
7 thank all members of the committees for allowing us to
8 present this testimony today with regard to the value of
9 public/private partnerships. Crown American looks forward
10 to making future public investments toward improving our
11 transportation system and creating new jobs for
12 Pennsylvania.

13 CHAIRMAN GEIST: Kevin, thank you very much. I
14 think that the testimony that you gave was outstanding.
15 It clearly shows that PennDOT has been working with the
16 private sector to create jobs, to create capital
17 investment, and the spinoff that you point out to local
18 school districts and local municipalities in the tax
19 revenues generated clearly show what we believe is what
20 this General Assembly is about in creating the atmosphere
21 for that kind of investment in development to happen with
22 the local government being able to have control of
23 projects once they're completed. I think that PennDOT
24 should be applauded for what they're doing, and I think
25 that Crown American should be applauded also.

1 If there are any questions.

2 Joe.

3 REPRESENTATIVE BATTISTO: Thank you very much
4 for your testimony. I'm just south of that one
5 development you talk about, Viewmont Mall. I'm familiar
6 with that. We're in Monroe County, and we have a
7 tremendous amount of pressure for commercial development
8 along the Route 611 corridor and 940 corridor, and we do
9 this very thing that you're talking about. We meet with
10 private developers of course and assess certain amounts
11 that each entity will contribute, the private developer,
12 PennDOT, sometimes the Feds and the county and so forth.
13 We do it informally. My question to you is, is that the
14 way you work, informally? You sit down with PennDOT, you
15 and local governments sit down and assess impacts based
16 upon traffic counts?

17 I ask that because we do have a formal piece of
18 legislation that I don't think anybody ever used, I don't
19 know if anybody uses that, because it seems to be a
20 cumbersome mechanism, but some people talk about the fact
21 that you can't arrive at decisions informally. I say you
22 can. I'm asking you, what method do you use?

23 MR. EVANS: We've actually done it both ways.
24 In Lackawanna County, it was really an informal mechanism
25 where the city, the borough, PennDOT, as well as the

1 development community sat down together and we probably
2 met no fewer than two dozen times working through the
3 project and deciding who was going to be responsible for
4 what in determining whose share is responsible for what.
5 In that way it worked well informally. In Lycoming
6 County, there was actually a formal document that was
7 created between PennDOT, Crown, and the Lycoming County
8 Planning Commission, where we projected what development
9 we were looking at doing, we prepared the traffic report,
10 working with PennDOT, to determine the improvements that
11 would be necessary, and then it was determined that there
12 were certain improvements that PennDOT could make that the
13 county could work together with and improvements that we
14 would work on, and we actually created a formal document
15 that listed, as the project came to fruition in phases,
16 what improvements needed to go in there. There were
17 improvements that we would actually put money into an
18 escrow account, that as PennDOT made improvements, those
19 funds were drawn. So it can really be done both ways.

20 REPRESENTATIVE BATTISTO: So you actually were
21 implementing the principle of concurrency?

22 MR. EVANS: Yes.

23 REPRESENTATIVE BATTISTO: But you weren't using
24 the piece of legislation that we passed?

25 MR. EVANS: No.

1 REPRESENTATIVE BATTISTO: You were dealing with
2 it just more informally?

3 MR. EVANS: Right.

4 REPRESENTATIVE BATTISTO: Thank you very much.
5 Thank you, Mr. Chairman.

6 CHAIRMAN GEIST: I don't see any other
7 questions, and at this time I'm going to invoke the
8 Chairman's prerogative, since we're running so late in
9 that, I don't know if we're running on Norfolk Southern
10 time or General Assembly time, but at this time I'm going
11 to call a 35-minute recess so that we can grab lunch, and
12 then--

13 REPRESENTATIVE BATTISTO: Could I just ask you
14 one thing, before you do that, I hate to usurp excellent
15 cooperation, I have two people here who are testifying
16 next and both are business, one is a business person and
17 one that have to get back. So they will not take that
18 long, both Paul Canevari and Chuck Leonard.

19 CHAIRMAN GEIST: Okay, we're going to do this
20 Norfolk Southern style and you guys can go next and then
21 we'll break for lunch.

22 And Joe said since they're buying lunch, they
23 can go next.

24 It's all yours.

25 MR. CANEVARI: Good afternoon, Honorable

1 Chairmen and committee members. My name is Paul
2 Canevari. I am on the Board of Directors of the Monroe
3 County Railroad Authority, and Vice Chairman of the Monroe
4 County Industrial Development Corporation, and Chairman of
5 the Board of the Pocono Mountains Chamber of Commerce.

6 In my capacity as Community Development Director
7 for Pennsylvania Power & Light Company, I work directly
8 with local and regional agencies responsible for economic
9 development. I wish to thank this committee for the
10 opportunity to address the issue of railroads and their
11 direct link to the success of economic development in
12 Pennsylvania. As a board member with the Monroe County
13 Railroad Authority, we have been directly involved in
14 preserving and rehabilitating rail lines in northeastern
15 Pennsylvania. These important rail lines faced
16 abandonment and liquidation.

17 Our efforts at preserving the former Conrail
18 line through the Poconos enabled a major economic
19 development project to be completed. The project resulted
20 in the location of two new industries in Pennsylvania. At
21 Mt. Pocono, in close partnership with the Lackawanna
22 County Railroad Authority and PP&L, we assisted in
23 locating a \$39 million state-of-the-art flour mill built
24 by Harvest States Cooperatives from Minneapolis,
25 Minnesota. The flour mill currently receives unit trains

1 of wheat over the former Conrail main line, which we have
2 rehabilitated. The mill has created approximately 40 new
3 permanent jobs in our region and will almost certainly
4 create hundreds more with the addition of a bakery and a
5 pasta plant.

6 In Fresco, the Monroe County Rail Authority was
7 crucial in locating Best Way Lumber Products, which will
8 provide many more new jobs to our region. Again, the
9 rehabilitation of the former Conrail line has been the
10 major motivating incentive for this company to relocate in
11 Pennsylvania. Rebuilt rail lines have become major
12 catalysts to spur location of new industries and jobs in
13 our great State.

14 I come before you today to ask your support and
15 assistance in the pursuit of further economic growth in
16 our region of Pennsylvania. Specifically, on behalf of
17 Monroe County and the Monroe County Rail Authority, I ask
18 this committee's support and assistance in obtaining the
19 release of the Pennsylvania capital budget line item of
20 \$1.4 million. This money will allow the Monroe County
21 Rail Authority to acquire and rehabilitate a 15-mile rail
22 line that runs directly through the center of the county.
23 This rail line, currently owned by Norfolk Southern
24 Corporation, has been the subject of acquisition
25 negotiations between the Monroe County Rail Authority and

1 Norfolk Southern. The release of these funds is now
2 viable in order to complete the purchase of the
3 rehabilitation of the rail line.

4 With the acumen and skills that the Monroe
5 County Rail Authority possesses, and working in close
6 partnership with the Monroe County Industrial Development
7 Authority, this rail line acquisition will assuredly lead
8 to further industrial relocations in Pennsylvania. Our
9 success speaks for itself. We are able to take
10 underutilized, even abandoned rail lines and turn them
11 into industrial corridors that become magnets for new
12 industry. We are experts in approaching and identifying
13 rail dependent industries like flour mills and lumber
14 companies and providing them with local incentives to
15 locate in Pennsylvania, even with the sharp competition
16 that exists with neighboring States. These companies
17 provide high quality, good paying jobs for the people of
18 Pennsylvania, and help the State and local tax base.

19 The acquisition of the 15-mile rail line that is
20 the subject of my remarks today also allows the operation
21 of tourist train excursions. Tourist trains will be an
22 obvious benefit to one of our other major industries in
23 the Poconos - the tourism industry. The acquisition of
24 this line will allow Monroe County Rail Authority to work
25 with the National Park Service through the Steamtown

1 National Historic site and the Delaware Water Gap National
2 Recreation Area to connect the two sites with steam power
3 excursion trains which currently run between Scranton and
4 Mt. Pocono. This connection could open a new avenue of
5 travel for Pocono visitors, greatly enhancing the tourism
6 potential for our region. In addition, this rail line
7 will form an integral link in the Scranton to New York
8 City rail link, which is being reconstructed as a means of
9 commuter passenger service to help alleviate the severe
10 highway congestion problems occurring on Interstate 80
11 between Pennsylvania and New Jersey. We greatly
12 anticipate that the resumption of this passenger service
13 will also enhance white collar industry such as the
14 attraction of back office, administrative office parks in
15 Pennsylvania.

16 I again would like to thank this committee for
17 this opportunity to request your direct support in the
18 release of the State capital line item for this vital rail
19 economic development project for our region of
20 Pennsylvania. I also personally thank Representative Joe
21 Battisto for his unceasing efforts in directly helping us
22 to acquire and rehabilitate this rail line. Without his
23 efforts as our champion in these rail projects, we
24 certainly would not have come as far as we have or have
25 been as successful in our results.

1 Thank you very much.

2 CHAIRMAN GEIST: Thank you. I also echo that
3 your champion is Joe Battisto. He's done a heck of a job
4 for you.

5 Let me ask Charles, since so much of your
6 testimony, I just read through both of them, are the same,
7 if you could go ahead and do yours and summarize, and I
8 have a couple questions and then I want to ask you about
9 the MPO process in your region.

10 MR. LEONARD: Okay, we'll try to do that. My
11 name is Charles Leonard, the Executive Director of the
12 Monroe County Industrial Development Authority. I will
13 try to be brief. I think that our comments today are I
14 guess influenced by the fact that we are a community that
15 has been characterized or has been subject to a rapid and
16 ever-increasing population growth over the recent years,
17 and I think that my comments are definitely, I guess,
18 influenced by that particular phenomenon that we're
19 confronted with.

20 Our location provides us with some unique
21 advantage with regard to the attraction and retention of
22 business and industry, and since we're talking here about
23 economic development, that's what I want to focus on. We
24 are blessed by the fact that east-west travelers on Route
25 80 enter Monroe County first when arriving in

1 Pennsylvania. This market access factor provides us with
2 a selling point, whether we are pitching a company that
3 desires to be as close to the northeastern marketplace as
4 possible, or the family planning a weekend skiing in the
5 Poconos. This market access is absolutely dependent upon
6 an excellent transportation system.

7 Of course, this proximity to the marketplace is
8 primarily functioned on the interstate system, but to
9 retain Pennsylvania business and to attract the new
10 industries we need for the future, we must confront our
11 extreme congestion and ensure an adequate system of State
12 and local roads for providing access to that system.

13 In the 20 years of economic development work all
14 within Pennsylvania, I have never worked with a company
15 that was willing to relocate on the promise of future
16 roads or infrastructure. It must be in place. We must be
17 willing to invest the dollars necessary to adequately
18 prepare for the future we desire for Pennsylvania. Roads
19 are an investment that must be made if we are to compete
20 for the jobs of the future. Any discussion of the
21 symbiotic relationship between economic development and
22 transportation must include air travel. For some
23 companies, air travel availability is a mere convenience
24 issue, but for many it's an absolute necessity. As firms
25 have become more globally involved, the availability of

1 quality of air service has increased in importance for
2 business decisionmakers.

3 Monroe County has adequate access to commercial
4 flights via Lehigh Valley International, Avoca, and for
5 those who want to drive, Newark, New Jersey, but the most
6 critical airport to us, from a business retention and
7 retraction standpoint, is the General Aviation Airport in
8 Coolbaugh Township known as the Mt. Pocono Municipal
9 Airport. Our Pocono Mountains Industrial Park is
10 immediately adjacent to this facility and we market the
11 airport as an amenity. Many local corporate enterprises
12 have occasion to use this facility, but some have
13 indicated that if it weren't for this airport, they would
14 seek an alternative location to our community.

15 Our largest private sector employer, Pasteur
16 Merieux Connaught uses the service of this local airport
17 more than 150 times per year. We estimate that this
18 airport is an asset that helps us retain thousands of
19 Monroe County jobs, and we urge the State of Pennsylvania
20 and the legislature to continue to recognize these small
21 airport facilities as critical assets to job creation and
22 retention.

23 Paul has already talked about rail service.
24 Rail service to our community is critical and the growth
25 of freight service to our community is absolutely a great

1 asset for us. But I think I would like to make a few
2 comments on passenger rail. We believe that the State,
3 and we heard some comments earlier about it, needs to do
4 rails in alternative to highway transportation. We are
5 subject to a considerable amount of congestion going into
6 New Jersey and coming out of it, and we believe that in
7 the future we will have the growth that will require us to
8 seek alternatives to highway transportation, and we
9 believe that it will enhance our local economy and
10 conserve our quality of life, and when I say that I mean
11 passenger rail service. We believe that Pennsylvania
12 should assume a leadership role in the effort to establish
13 passenger rail alternatives for its people.

14 The development of our transportation resources
15 will determine the future of Pennsylvania. To assure a
16 healthy economy, we must make a commitment to assuring an
17 excellent transportation network. Economic development
18 and transportation are inextricably linked. We applaud
19 the committees for recognizing that out of transportation
20 infrastructure, economic development will grow. We thank
21 you for the opportunity to present before you to today,
22 and we will answer any questions.

23 CHAIRMAN GEIST: Thank you very much. I know
24 both of you guys have been very active in the MPO process
25 as we have it today. How in the world do we ever have

1 Monroe County and that region up there interact with the
2 State of New Jersey and the State of New York so that we
3 can build a commuter rail line that's absolutely
4 desperately needed and would relieve tremendous pressure
5 on Interstate 80 and would save so much productive time,
6 there's so much lost time for people who do that daily.
7 What would be your suggestion to us as legislators to
8 enhance the projects and enhance the process so that we
9 can get about the business of investing in this? You
10 don't go into New Jersey with your planning process, but
11 you're tied big time to it.

12 MR. CANEVARI: We recognize this 15 miles of
13 track that we're talking about today goes right to the
14 Delaware River.

15 CHAIRMAN GEIST: Right.

16 MR. CANEVARI: Beyond that, the only other area
17 that needs to be acquired is the bridge that goes from
18 Pennsylvania to New Jersey. I believe for the most part,
19 everything is in place in New Jersey, with the exception
20 of 26 miles of track that must be rebuilt. The State has
21 acquired that right-of-way, but since it was sold, and I
22 don't remember when exactly that was, the track and the
23 ballast and everything there has been removed. So in
24 essence, once this line is acquired in Pennsylvania, and
25 the ball is in New Jersey's hands to move forward with the

1 project.

2 MR. LEONARD: And I think our relationship with
3 New Jersey in regard to rail service has been excellent
4 and really has occurred outside of the MPO process, and in
5 regard to highways, I'm not aware of any
6 interrelationships that occur within the MPO process.
7 Definitely the MPO process is definitely lacking in that
8 regard. There's no doubt about it.

9 MR. CANEVARI: And also recognize that I believe
10 that something like 15,000 to 20,000 of our residents of
11 Monroe County daily travel, via bus or automobile, from
12 Monroe County across the border to New Jersey and New York
13 to work.

14 CHAIRMAN GEIST: Thank you.

15 Joe.

16 REPRESENTATIVE BATTISTO: Of course, Paul
17 focused on the 15-mile segment, and that 15-mile segment,
18 the track these he's talking about, runs from East
19 Stroudsburg to the New Jersey line. West of there, the
20 Monroe County Rail Authority owns a segment as far as
21 Pocono Summit, and from there to Scranton, the Lackawanna
22 County Rail Authority owns that. But with the acquisition
23 of that 15 miles they're talking about and the
24 rehabilitation of it, that's all part of one capital
25 allocation, the entire line from Scranton to the New

1 Jersey border will be in pretty good condition certainly
2 for freight service, and for passenger service too.

3 There's one thing though that was brought up,
4 and I don't know if you were here, were you here when the
5 Deputy Secretary was before us and testified?

6 MR. CANEVARI: Only partial.

7 REPRESENTATIVE BATTISTO: Okay, but we talked
8 about grade crossings, and you just might address that,
9 with respect to that segment of line. What about the
10 condition of them and the need for eliminating them?
11 They're expensive, those undertakings are expensive, but
12 is that a problem? What kind of problem is that?

13 MR. LEONARD: Well, it's a critical problem. Of
14 course, in order to make freight service cost effective,
15 and I think also with especially passenger service, these
16 grade crossings are going to have to be eliminated or
17 major dollars will have to be expended. And I can't tell
18 you off the top of my head, Joe, how many there are, but I
19 know that there are a number that are problematic,
20 especially on the line that Paul is addressing, and it's
21 something that's a cost factor that we'll have to give
22 consideration to.

23 REPRESENTATIVE BATTISTO: I focus on that only
24 because certainly I know about that line, but this is a
25 statewide problem and we're going to have to make some

1 kind of real effort to deal with grade crossings
2 throughout the Commonwealth, because they certainly affect
3 the efficiency of a rail line, no matter if you're talking
4 about rail passenger service or freight service. I think
5 we ought to really focus on that issue.

6 Thank you, Mr. Chairman.

7 CHAIRMAN GEIST: Thank you very much. I just
8 checked with the other panelists and there were no
9 questions. We want to thank you very much, and I'm
10 anxious to see an MPO that brings a rail project as their
11 number one project in their rankings.

12 At this time, at the suggestion of staff, we're
13 going to break for 20 minutes and then reconvene back here
14 and hear some exciting testimony from Marty Marasco.

15 (Whereupon, the proceedings were recessed at
16 12:25 and were reconvened at 1:05 p.m.)

17 CHAIRMAN HASAY: This hearing of the House
18 Commerce Committee and the House Transportation Committee
19 will come to order.

20 CHAIRMAN GEIST: First of all, I want to thank
21 everybody for their patience. This morning we allowed the
22 schedule to run overtime because there were so many
23 questions from the committee. So after our short lunch
24 break, it is my pleasure right now to first of all do a
25 little bragging and then do a little introduction.

1 We in Blair County are very proud of our ABCD
2 Corporation, and that ABCD Corporation was voted the best
3 economic development group in the State of Pennsylvania,
4 and I believe that Marty Marasco, who runs that agency,
5 clearly deserves the crown that he wears. It's an awfully
6 hard job when you're in first place to stay there. So
7 it's a wonderful compliment and it's also a great
8 challenge.

9 Along with Marty today is Brian McFarland,
10 Director of Logistics for the Ward Corporation. For those
11 of you who don't know the Ward Corporation, it's one of
12 the biggest trucking companies in the United States,
13 headquartered in Altoona Pennsylvania, and a company that
14 has been at the cutting edge of growth and innovation for
15 50 years. And at this time I would like to turn it over
16 the Marty and to Brian, and I know that Marty is probably
17 going to summarize his testimony so that we can get to the
18 salient points.

19 Gentlemen, you're on.

20 MR. MARASCO: Thank you, Mr. Chairman.

21 Good afternoon, Mr. Chairman, distinguished
22 members of the committee. I would like to thank you for
23 the opportunity to be here with you today to underscore
24 the importance of transportation to the mission of the
25 organization that I represent, that of economic

1 development. As Chairman Geist said, I have Brian
2 McFarland with me today. He's the Director of Logistics
3 with the Ward Corporation of Pennsylvania.

4 My name is Martin J. Marasco. I'm the Executive
5 Director of ABCD Corporation. Our organization serves as
6 a catalyst in the formulation, implementation, and
7 promotion of economic development initiatives aimed at the
8 selective attraction of new business to the area, the
9 retention and expansion of existing business, and the
10 startup of new enterprises. We are dedicated to business
11 growth, job retention and creation primarily in the
12 Altoona/Blair County area. However, our mission
13 encompasses the broader regional focus which emphasizes
14 extending along the I-99 regional corridor, and area that
15 we refer to as the "green banana," and both Brian and I
16 are both wearing our "green banana" pins. We've been
17 accused oftentimes of being pickle salesmen, but we refer
18 to it as an area that's ready to ripen.

19 Rick referred to us as the economic development
20 agency of the year. We were very proud of that
21 selection. We recognize that a commitment to a team
22 effort is the strongest underlying theme that contributes
23 to the success of our organization. In referring to
24 teamwork within our organization, I'm talking about our
25 staff, our board of directors, our committees, in relation

1 with our local, State, and Federal elected officials,
2 State and Federal agencies and departments, and in
3 conjunction with our service provider partners and
4 educational institutions. We would like to think we're
5 creating a cooperative advantage.

6 The goal of economic development is the creation
7 of a business operating environment that is conducive to
8 employment growth. We want to assist businesses in
9 prospering so that they are in a position to create
10 long-term stable employment opportunities, bring new
11 investment and maintain investment, to sustain the
12 economic well-being of the community and achieve growth.

13 As in the past, Blair County's and the State of
14 Pennsylvania's future economic growth and development will
15 depend largely upon the adequacy of the local, regional,
16 statewide transportation system. During the past 20
17 years, and especially the last 10 years, there have been
18 countless publications and reports focused on life in the
19 21st century. It has commonly been referred to as the
20 information age, the age of technology, the fifth wave of
21 industrialization. If I may quote, "Advances in
22 transportation technology and infrastructure have long
23 been catalysts of change in the business world and sources
24 of competitive advantage."

25 Transportation improvements have preceded every

1 stage of industrial development in our history. As we
2 begin the 21st century, a new wave of industrialization is
3 emerging that will be based on innovations and logistics
4 and manufacturing. An industrialized age that will depend
5 even more on a fast and reliable transportation network
6 that minimizes the cost of production. A leading
7 logistics company recently reported that manufacturing and
8 distribution executives consider product delivery as
9 important as product quality.

10 I would like to comment on the potentially
11 enormous cooperative advantage that is being created right
12 here in Pennsylvania by teaming up with the high-impact
13 diversity of transportation with the wisdom and
14 broad-based viewpoint of the economic development
15 community.

16 First, I would like to point out the major
17 overriding trends that will help shape the future of
18 economic development and transportation right here in
19 Pennsylvania.

20 Economic globalization means booming world trade
21 in merchandise, and that will mandate a parallel boom in
22 the movement of goods and people. There is no question
23 that the transportation of merchandise, business travelers
24 and tourists around the world is and will continue to be a
25 high-growth business with fierce competition among all

1 modes of travel.

2 Transportation already consumes more than 20
3 percent of the world's primary energy needs and probably
4 creates more air pollution than manufacturing does.
5 That's with hundreds of millions of cars on the roads of
6 the world. The Federal Highway Administration forecasts
7 that congestion on America's highways will quadruple by
8 2005, resulting in an enormous loss of productive time.
9 It will take entirely new ways of thinking about
10 transportation to minimize environmental degradation and
11 the risk of occasional fuel shortages. Competitive
12 success will require vision and aggressive action to put
13 in place entirely new infrastructures that fully integrate
14 all transportation modes, telecommunications, and
15 industrial facilities to cut sourcing, production, and
16 delivery cycle times. Special attention must be given to
17 creating seamless intermodal interfaces and to the
18 infrastructure elements that will support those
19 interfaces, and in the process meet the challenge and
20 provide Pennsylvania manufacturers with strategic
21 advantages in the new speed-driven economic era.

22 In a world of interstate branch banking, instant
23 telecommunications, and dispersal of high-tech
24 entrepreneurialship, major businesses' growth can be
25 headquartered anywhere, and anywhere is where they will

1 be. This trend will favor the creation of new businesses
2 in places that are attractive to live in, often in less
3 congested areas near metroplexes.

4 As economic development professionals, we see
5 both near-term and long-term opportunities for 21st
6 century growth. The most important of these may be the
7 urgency to open up more and more south trade quarters.
8 Keep in mind that in 1997, Canada and Mexico accounted for
9 nearly one-third of U.S. goods trade. In 1996, over \$400
10 billion worth of goods moved by land between these three
11 countries, an increase of 21 percent since 1994. In our
12 view, we are just starting to see the logistic hubs that
13 are centrally located for north/south as well as east/west
14 distribution. We must strengthen that positioning by
15 strategically strengthening our transportation
16 infrastructure and then leveraging that investment with
17 exciting new KOZ opportunities, brownfield initiatives,
18 enterprise zones, and utility infrastructure development,
19 all power points to produce very robust opportunities for
20 job creation centers and all based on 21st century
21 transportation realities.

22 Fast growth can come from disproportionate
23 investment. It happens when you focus on your power
24 points, on the big winner behaviors.

25 We talk about alliances, and in Altoona, our

1 heart and soul is transportation, and the movement of
2 goods was our very reason for being. The transportation
3 providers will need, more than ever, productivity
4 enhancing, technologically up-to-the-minute equipment. We
5 welcome the aggressive engineering and construction
6 management of Norfolk Southern to our community. We are
7 we're confident that Norfolk Southern's effort to reduce
8 costs and improve productivity will allow for even more
9 focus on seamless marketing and new product development.

10 We are sitting here in the heart of the Keystone
11 State, a name still very much applicable. When the
12 question of market access comes to the table,
13 Pennsylvania's total market access is superb, but in order
14 to strengthen that position, the development of secondary
15 and tertiary product catch basins to feed the market
16 pipeline is vital. Where there are natural catch basins
17 in place, logistic facilities, some on the cutting edge,
18 need to be developed for manufacturing, retail, and
19 distribution clusters in order to strengthen the
20 feed-through concept. The hub-and-spoke transportation
21 system must be developed to help balance the issues of
22 timely delivery and cost. Pragmatically, the real issue
23 is not "just in time" but "need it now." And relating
24 today's needs to tomorrow's marketplace will be critical.

25 Finally, as an economic development agency, we

1 pragmatically realize the distribution of transportation
2 is a very, very capital intensive business and will become
3 even more so as information technology and rolling stock
4 is improved and upgraded. Most companies really do
5 understand the concept of activity-based costing. It is
6 more than vital for our success and our global
7 competitiveness that they locate their key operations
8 where they have access to the highest value work force,
9 and with regional transportation partners ready to go.
10 Call this the required geography of logistics, if you
11 will, the ability to meet customer service requirements,
12 present and future, and to do that in acceptable costs may
13 very well be the most important question to be answered in
14 the strategic planning process of both transportation
15 providers and this very committee.

16 In the heart of the I-99 growth corridor, we
17 have several major distribution facilities already
18 expanding. An aggressive Norfolk Southern industrial
19 development department soliciting new business, and a
20 technically up-to-date airport with a vision for a runway
21 adjacent cargo park. And very importantly, our elected
22 Representatives, and at this time I would like to
23 acknowledge Representative Geist for his continued support
24 and enthusiasm as far as our overall program goes,
25 particularly in transportation and economic development,

1 all of these people to a man understand the critical
2 importance of ready-to-go transportation infrastructure
3 and its impact in the job creation process. The number
4 one initiative in the strategic plan for the Altoona-Blair
5 County Development Corporation is the identification and
6 development of land to create an attractive menu of full
7 service business and industrial parks to serve the ever
8 growing needs of our existing industrial base, as well as
9 to properly position the corporation to attract new
10 business opportunities in Blair County.

11 ABCD Corporation has expended considerable time,
12 energy, and financial resources in moving forward to
13 implement this number one initiative. After a number of
14 years of analysis and negotiations, we are beginning to
15 see positive results of our actions and efforts. However,
16 development opportunity in Blair County is still hampered
17 by insufficient utility infrastructure and access systems
18 serving existing and potential development sites.

19 One project that I would like to highlight
20 exemplifies economic development potential supported by
21 transportation infrastructure. Negotiations continue with
22 both Norfolk Southern and a private property owner to move
23 forward on the acquisition and development of parcels
24 north of the city of Altoona in what we refer to as the
25 Northern Altoona Industrial Park, an area of over 700

1 acres that has recently been designated by the Governor as
2 a Keystone Opportunity Zone. This effort reinforces the
3 importance of the completion of the Northern Altoona
4 Access Improvements Project that connects these areas of
5 Altoona, Logan, and Antis Townships to the Pinecroft
6 Interchange of I-99.

7 If I may, Mr. Chairman, for a second, we have
8 some visuals here. I want to give you a perspective. The
9 first one shows the I-99 corridor, which is a regional
10 interconnected corridor that will eventually tie in I-76
11 in the south in Bedford County through Blair County,
12 through Centre County, up to I-80. That is very
13 critical. That is what we refer to as the "green banana,"
14 if you will.

15 We have in place at this time an enterprise zone
16 that was originally just focusing on the city of Altoona.
17 We have expanded that zone that now includes six
18 municipalities. It is a prime example of
19 intergovernmental cooperation, and it encompasses the
20 sites that I just mentioned to you.

21 We have what we believe is a tremendous
22 opportunity. On the right is the I-99 corridor. The
23 Pinecroft Interchange sits there at the very top on the
24 right-hand side (indicating). The area there that says
25 Northern Altoona Industrial Site are the two properties

1 that I had referred to. Within a designated enterprise
2 zone, a Keystone Opportunity Zone, underutilized areas.
3 Also a brownfield site. Brownfield initiative has already
4 been undertaken on the one site, and we hope in the very
5 near future on the second side if we are successful in
6 acquiring that property.

7 All major infrastructure is in close proximity.
8 The city of Altoona has a recently completed a \$48 million
9 sewage treatment plant. We can get over 3 million gallons
10 of water a day into the site, all electric, gas service.
11 What is really needed here is interconnectors to provide
12 access from this site and from other areas in northern
13 Altoona to the Pinecroft interchange. We have the Ward
14 Corporation, their three warehouse and distribution
15 facilities are very near the Juniata and Eighth Street
16 Bridge. We have the Penn State campus of Altoona, which
17 has just been expanded to a four-year campus. We have a
18 major regional hospital. All of these require the access
19 that an interchange is very critical.

20 So we've put a lot of the elements in place to
21 make this a very attractive area for medium to heavy
22 industrial, or warehousing distribution, or even possibly
23 an intermodal facility. And again, we have the main line
24 of Norfolk Southern that extends along the property of
25 that site.

1 I would be remiss if I did not mention the
2 Altoona-Blair County Airport, since air cargo will play a
3 major role in the 21st century in the new wave of
4 industrialization. Transportation improvements to the
5 Altoona-Blair County Airport must remain a priority in
6 order to maximize past public investment and capitalize
7 upon the additional economic development potential that
8 exists at the airport. The Altoona-Blair County Airport
9 offers not only an additional transportation mode, but
10 functions as a significant economic contributor to the
11 local regional economy.

12 In order to better serve the traveling public,
13 and as companies become more globally oriented, improved
14 airport access systems are mandatory to support long term
15 economic growth in Blair County. A multi-phased plan
16 supports the development of a complex that will provide
17 the infrastructure and facilities necessary to promote
18 expanded business and general aviation services at the
19 airport. What is needed in conjunction with the overall
20 development plan for the airport is improvement of the
21 local highway network which acts as an essential connector
22 to the regional highway network, the I-99 corridor.

23 In closing, if I appear to be leveraging some of
24 our local strengths, my interest was simply to cite
25 examples process. We may well be qualified to do this as

1 Pennsylvania's I-99 "green banana" regional growth
2 corridor, the only north/south limited access corridor
3 west of Harrisburg, soon to connect I-80 and the
4 Pennsylvania Turnpike. Much of the recent success that
5 has been achieved in Bedford and Blair Counties is being
6 triggered by the improvements to our regional highway
7 system. We're rapidly emerging as the logical
8 off-metroplex growth corridor, and some of our strongest
9 growth is in distribution. Rather like a core competency.

10 Finally, we must continue to treat
11 transportation as an economic development investment with
12 the biggest of economic multipliers, keeping in mind that
13 in the next decade, Pennsylvania's positioning as the hub,
14 the crossroads of transportation between the dynamic new
15 south, the growing lower Canadian market, the revitalized
16 midwest, and the eastern metroplex, puts us in an enviable
17 position to seize a competitive economic advantage for our
18 people and the Commonwealth. We believe that a flexible
19 and efficient transportation system linking suppliers,
20 producers, and end users is vital for Pennsylvania to
21 succeed in the new global economy. Speed and flexibility
22 are central to creating value today, and will remain even
23 more so in the future.

24 Thank you for your attention.

25 CHAIRMAN GEIST: Brian.

1 MR. MCFARLAND: Good afternoon, Mr. Chairman,
2 distinguished members of the committee. I have provided
3 in front of you some written testimony on why we feel an
4 intermodal port would be ideally located in the Altoona
5 area. The highway infrastructure required to support such
6 an enterprise is in place, and it is less congested than
7 those high traffic pattern areas associated with the
8 larger cities you would find in the east and western part
9 of the State. With this matrix in place, it allows
10 freight to move to approximately 80 percent of the
11 mid-Atlantic region on a next-day delivery basis. With
12 the completion of I-99, which will transverse all the
13 major highways crossing the State, will only enhance our
14 accessibility to Altoona.

15 Altoona is fortunate to have a major rail
16 company such as Norfolk Southern already operating in a
17 large service area in the city. Currently, all rail
18 freight going to the northeastern States passes through
19 this service yard. In addition to their current facility,
20 Norfolk Southern owns additional land for expansion, if
21 required.

22 There are numerous motor freight carriers within
23 a 30-mile radius of Altoona that can support both the TOFC
24 and container drayage service, or any other type of motor
25 transportation service derived from this type of

1 operation.

2 Due to the nature of this region, combined with
3 the overall number of freight carriers servicing customers
4 in this geographical region, the pricing structure
5 promotes a very competitive rate base. Therefore, any
6 additional freight brought into this region will enjoy a
7 very competitive rate not normally found in our
8 neighboring regions.

9 The Blair County region has a reputation of
10 supplying a highly capable work force at a very
11 competitive cost in comparison to other industrialized
12 sections of the State. In addition, technical expertise
13 required for this type of business is readily available.

14 To summarize, the logistics advantages of
15 Altoona is that it's centrally located, it has easy access
16 to all the major highways servicing the State, it has an
17 established major railroad service, and numerous motor
18 freight carriers in the near vicinity. It also has an
19 existing competitive work force that is readily
20 available. Combine this with the recently acquired KOZ
21 zone in this region, it makes a powerful tool to provide
22 any intermodal provider.

23 Thank you.

24 CHAIRMAN GEIST: Thank you very much,
25 gentlemen.

1 I have a couple of questions that I think cut to
2 the heart of what our joint committee is about. When
3 you're talking about tying an interstate highway and the
4 main line of a Class 1 railroad together, and you have to
5 work in a region that I believe we have an MPO and an LDD
6 that will service the "green banana," the question I have,
7 the first question is do you have a vote on that MPO or
8 the LDD?

9 MR. MARASCO: No, we do not.

10 CHAIRMAN GEIST: We heard that from Joe
11 Battisto's group also in their part of the State, and it
12 seems to me that if we're going to have economic
13 development really count in the weighing of projects and
14 the investment that we make of liquid fuels moneys, that
15 we should have some kind of an economic development
16 initiative that would score in the 12-year plan, and the
17 reason I say that is because the opportunities like the
18 KOZ and the brownfields weren't about when a lot of the
19 planning that was done in the module, and I think the
20 module that we use in Blair County is 30 years old. How
21 do we overcome that?

22 MR. MARASCO: That's a good question, Mr.
23 Chairman, to be honest.

24 CHAIRMAN GEIST: That is the question.

25 MR. MARASCO: I will say this, although we do

1 not have a vote, I think from the standpoint of providing
2 input, and as you know, we do testify at all of the State
3 Transportation Committee hearings. At one point our
4 organization actually coordinated testimony until that
5 structure was changed about two years ago, so now the MPO
6 does have the lead in that effort. But we try to make it
7 a point from our standpoint to make sure that the MPO is
8 aware of economic development initiatives within our
9 county and hopefully within the region so that our voice
10 can be heard at these public meetings.

11 CHAIRMAN GEIST: Both CSX and Norfolk Southern
12 made great claims of economic development in full page
13 newspaper ads and other documents that were sent to
14 members of this body during the hostile takeover, and then
15 after they fell in love. Has Norfolk Southern stepped to
16 the plate in an active manner with us in our area to get
17 into this business of economic development?

18 MR. MARASCO: I can say I have had numerous
19 meetings with the industrial development department staff
20 of Norfolk Southern. I find them to be very cooperative,
21 and we are working with them, as I mentioned, on several
22 projects within our community. We would hope that as time
23 goes by some of those projects will be brought to
24 fruition, but they have agreed to work hand-in-hand with
25 us on several developments that we are initiating.

1 CHAIRMAN GEIST: We heard from the Crown
2 Corporation about their public/private initiatives that
3 they've been so successful with working with Commerce and
4 the Department of Transportation in real job creation.
5 The Ward Truckings and the Smith Truckings and those
6 groups, have they been brought together by your group with
7 Norfolk Southern and our local district engineer to
8 discuss how we could rapidly move these projects to
9 fruition?

10 MR. MARASCO: Not on a formal basis, but yes,
11 individually we have. We've had meetings with Ward
12 Corporation and Norfolk Southern people and with Smith
13 Trucking and several others in the community, but not on a
14 formal basis.

15 CHAIRMAN GEIST: I really believe that we've got
16 to somehow in this term of the General Assembly, and
17 Representative Argall has addressed some of this in
18 legislation he's written, and maybe that's the vehicle
19 that we should be talking about, we've really got to find
20 a way that we can formalize this process in the General
21 Assembly so that economic development and revitalization
22 of our worn-out brownfields, intercities and the KOZs can
23 somehow have a legitimate standing now in the process of
24 how we allocate the liquid fuels moneys and other moneys,
25 not just those moneys but the Commerce programs, so that

1 we can hit this thing with a rifle shot rather than a
2 shotgun shot. And I really believe that we've got to be
3 doing something about that.

4 I think your testimony today was excellent and
5 it clearly shows this committee what transportation
6 enhancement dollars really mean to economic development.

7 Are there any questions from anybody else on the
8 panel?

9 REPRESENTATIVE BATTISTO: I just have one
10 question.

11 With respect to Chairman Geist brought up the
12 idea of MPOs, and we've been discussing an awful lot just
13 how much input local entities have into the priorities
14 that MPOs establish with respect to transportation
15 systems. For example, in Monroe County, Chuck Leonard is
16 your counterpart.

17 MR. MARASCO: Yes.

18 REPRESENTATIVE BATTISTO: And the planning
19 commission in our county gets representatives from all the
20 municipalities together, and Chuck and other people, and
21 we go over our transportation needs, and we first
22 developed a list of priorities - rails, highway, and so
23 forth, bridges - and of course the chairman of the
24 planning commission is a voting member of the MPO, so he
25 takes our priorities and naturally he puts them together

1 with the priorities of other counties that come to that
2 MPO, and through our own lobbying and muscle work, we try
3 to get our priorities naturally to the top.

4 Do you have a similar system in Blair?

5 MR. MARASCO: We do meet, as I said, there's
6 testimony being given next week at the State
7 Transportation meeting in Altoona, and we did get together
8 with the various groups, municipalities, our organization
9 and our MPO planning group and the regional planning
10 group, and we discussed and we outlined for them what our
11 concerns are from an economic development standpoint.
12 Yes, to answer your question.

13 REPRESENTATIVE BATTISTO: Do you find that the
14 MPO is responsive to your--

15 MR. MARASCO: I would say in most instances yes,
16 but there are situations where I think there should be
17 more of a thrust given to some of the, and I think what it
18 is is it seems to be that the MPO process, although it's
19 supposed to be diversified and hit all modes of
20 transportation, its real emphasis is on basically
21 highways. And all the other modes, they're talked about,
22 but they're not really incorporated. Even when the
23 testimony is presented, it's almost all geared towards
24 highways. There is some mass transit presented too.

25 But I think we need to find some way to mesh all

1 that together. The process is not that bad because of the
2 input, as you suggested, that can happen. But I think it
3 has to happen in all facets and all modes, not
4 specifically highways.

5 REPRESENTATIVE BATTISTO: I think you're right,
6 and I think we all have to change that mentality of sort
7 of we talk about intermodalism, but then sometimes it's
8 not practiced at all levels.

9 MR. MARASCO: Exactly. Thank you.

10 REPRESENTATIVE BATTISTO: Thank you.

11 CHAIRMAN GEIST: Any other questions?

12 Sam.

13 REPRESENTATIVE SMITH: Thank you, Mr. Chairman.

14 As we're talking about the way the local
15 development districts or the MPO works as it influences
16 the long-term planning of transportation projects, and of
17 course trying to tie that into economic development, when
18 you look at the region that you folks try to influence,
19 how much interrelationship or what's communicating between
20 your region and the region to the north of you, to the
21 west of you, whatever? How is that taking place?
22 Because, I mean, obviously some of these projects go
23 beyond just, you know, the actual community. I mean,
24 that's why you went from just having county planning
25 commissions making recommendations to regional. How are

1 we, what do you see going on there?

2 MR. MARASCO: Well, from the standpoint of
3 transportation planning and infrastructure, you have to
4 understand that we are classified basically as an
5 industrial development corporation. Our primary thrust is
6 on the Altoona-Blair County area. However, we do
7 participate in what we call the Southern Alleghenys
8 Network as far as Team Pennsylvania goes, and we do meet,
9 on a six-county basis, monthly to discuss various issues
10 that affect our six-county area.

11 Now, you're talking about going beyond that
12 region, that southern Allegheny region?

13 REPRESENTATIVE SMITH: Correct.

14 MR. MARASCO: Again, I'm a member of PEDAA,
15 Pennsylvania Economic Development Association, and we do
16 have discussions with our counterparts from throughout the
17 State, particularly when it comes budget time and we're
18 trying to look at what our needs are from an economic
19 development standpoint. Pennsylvania is very diverse, and
20 sometimes it's very difficult to come to consensus on what
21 program we think is the best for our area, for the
22 northeast, for Erie, for Pittsburgh, for Philadelphia.
23 But we do sit down and we do discuss that.

24 From my recollection, from an IDC standpoint, we
25 have not had communications on infrastructure development

1 and transportation. But we do communicate very actively
2 with our neighboring counties - Clearfield, Jefferson,
3 Somerset - and also Penn State, the State College area.
4 So we do communicate on that basis.

5 REPRESENTATIVE SMITH: I appreciate that. And I
6 didn't expect that you would have a perfect answer to how
7 that would be dealt with, but it did come up previously,
8 and I think for some areas of Pennsylvania, the counties
9 getting together and planning through their LDDs has been
10 very helpful.

11 MR. MARASCO: Right.

12 REPRESENTATIVE SMITH: Because it has helped
13 them focus on the regional needs, but at some point those
14 regional needs transcend to the statewide and to the
15 larger picture.

16 MR. MARASCO: Exactly.

17 REPRESENTATIVE SMITH: And that's what I was
18 really fishing at.

19 MR. MARASCO: If I may, I think there's a very
20 exciting program presented through the T-21 bill, and
21 that's the TCSB program, which could do some of the things
22 that you're talking about. We are encouraging that right
23 now in taking a look at the I-99 corridor coming from 80
24 the whole way down through into Fulton County where we
25 have Clearfield, Centre County, Jefferson County, and then

1 four of our counties trying to work together to put a TCSB
2 program together where we can look at strategies that can
3 promote the development of the corridor from a
4 transportation standpoint, but also from an infrastructure
5 needs standpoint.

6 A lot of times you put the transportation in
7 place, in our county in particular, we have a major
8 regional highway, but we have some difficulties because we
9 have severe restraints. As a development group right now,
10 I only control about 40 acres of land that I can market
11 because of flood plain, because of steep slope, because of
12 wetlands. Okay? Land is at a premium. It costs a lot of
13 money in our county to develop, so we're trying to look at
14 this from a regional basis. Counties outside of our area
15 and taking a look at that, look at the conservation, look
16 at the environmental problems, look at the infrastructure
17 needs as they relate to the transportation network, and I
18 think that's very important and that's one mechanism that
19 I think could be used and should be encouraged to be
20 used.

21 REPRESENTATIVE SMITH: Thank you.

22 CHAIRMAN GEIST: North and south of us we've had
23 two major, major warehousing operations that have been
24 developed that were single modality biased only. No rail
25 service, no competing transportation into that. How in

1 the world did a Class 1 railroad ever not be competitive
2 and allow these facilities to go in where they have huge
3 truck limits every day that the Representatives who
4 represent that area now are pounded with the fact that we
5 need highway access for these facilities that, oh, my God,
6 people in town are just going nuts. The aftereffect of
7 development sometimes is that we have to come in and spend
8 an awful lot of money then because of it.

9 That marketing that we should be seeing from
10 those people, is it in place now and are you seeing that?

11 MR. MARASCO: I'm going to ask Brian to maybe
12 comment on that a little bit. He's more the logistics man
13 that I am.

14 Brian, do you want to comment on that?

15 MR. McFARLAND: As of right now, the predecessor
16 Conrail did not. Conrail was not aggressive at all in
17 trying to find new business. When we start looking at
18 land up in Vale, it was you who assisted us in trying to
19 get a rail system up there. Conrail wasn't willing to
20 work with us or willing to look at the business
21 opportunities.

22 We do see a change in Norfolk Southern. We have
23 had multiple meetings with Norfolk Southern, and it
24 appears that they are being more optimistic in listening
25 to our needs, along with other warehouses' needs in the

1 region. Now whether that comes to fruition or not,
2 there's still a lot of leg work to be done, but at least
3 they're listening, versus the door being closed when
4 Conrail was in place.

5 CHAIRMAN GEIST: Our meetings with the trucking
6 industry that we've been having over the last year and the
7 tremendous need for drivers and driver training, the
8 things, the enhancements that that industry needs in
9 Pennsylvania fit hand-in-glove with the economic
10 development that we're talking about here today, and if
11 there aren't any other questions from any of the other
12 committee members, then I would just like to thank you
13 very much for the excellent testimony that you've given.

14 MR. MARASCO: Thank you.

15 CHAIRMAN GEIST: At this time I would like to
16 call Stephen Thienel, Regional Vice President for State
17 relations for CSX Corporation, and Sharon W. Disque,
18 Manager Industrial Development for CSX Transportation.
19 And for that modality that often is overlooked in the MPO
20 process, we would like to invite you to give your
21 testimony on the new day of railroading in Pennsylvania.

22 MR. THIENEL: Thank you, Mr. Chairman. As you
23 stated, my name is Steve Thienel. Sharon's here with me.
24 We're both out of the Baltimore office. I know the
25 earlier plan was for Mr. Spiegel to be here, our Chief

1 Operating Officer, and I was actually supposed to be in
2 Jacksonville today to talk about commuter policies, but
3 some guy name Floyd came along and Jacksonville is shut
4 down, the airport is closed today, so I'm here and he's
5 there.

6 I do not have any prepared testimony. The way
7 we plan, if you don't object, Sharon has about a 10-minute
8 testimony and she'll present that and then we'll turn it
9 back to you to ask questions.

10 MS. DISQUE: As Steve mentioned, I'm the
11 Industrial Development Manager from CSX Transportation.
12 My territory includes eastern Pennsylvania, Delaware,
13 Maryland, and West Virginia. And in that unique role as
14 an economic development professional for a transportation
15 company, I would like to share with you some comments
16 about the program we have in place and the new changes we
17 have for our program in Pennsylvania.

18 First, we like to provide hands-on partnerships
19 with the local and State organizations. That includes
20 professional expertise. What I learn in one territory, I
21 like to share that expertise in another. I can see the
22 best practices in one location and implement those in
23 areas that maybe have potential but lack that.

24 We also do extensive identification of sites for
25 development. Industrial development projects often boil

1 down to whether real estate is available in the target
2 area that the prospect has identified. In this effort in
3 Pennsylvania, we have added a consultant to identify
4 additional properties. He just came on this week, so
5 we've put more resources there and we're hoping to get up
6 to speed, beyond speed.

7 We also lobby for support of rail-served
8 industrial parks. Many communities lack control of the
9 acreage or there are development pressures for land to go
10 to uses adjacent to rail other than industrial uses, and
11 it's imperative that that land be preserved, developed,
12 that infrastructure be extended to those parcels. In
13 fact, nationally, surveys year after year of site
14 selection executives indicate that between 27 and 30
15 percent of the industrial development projects in an
16 active search mode at any given time have a rail
17 requirement. Rail is either desired or absolutely
18 necessary for the location of the facility.

19 We also provide project development and
20 management. Within the railroad we have our own, shall I
21 say, permitting process. Plans must be submitted, design
22 guidelines have to be followed, and as the Industrial
23 Development Manager in my territory, I'm the first contact
24 for that.

25 We provide financial help for marketing and rail

1 infrastructure, and Pennsylvania is lucky to benefit from
2 negotiations in the Conrail acquisition. Funds are set
3 aside for capital expenditures in Pennsylvania. And we
4 provide technical engineering support. Basically, we have
5 staff who go out to the site with the prospect and
6 determine whether the site can be rail served. Rail does
7 not climb at steep grades, it does not go at tight curves,
8 and often real estate issues challenge those requirements,
9 but we put the expertise out there early in the projects
10 so that companies know whether they can actually locate on
11 the property or not.

12 Among the industrial sites, we have
13 approximately 102 identified within Pennsylvania, and
14 that's throughout 15 counties and the city of
15 Philadelphia. It includes rural, suburban, and urban
16 locations, and for each of those properties the
17 infrastructure - and that includes water, sewer, gas,
18 electric, line sizes, pressure, et cetera - have been
19 identified. The zoning, we prefer to only recommend sites
20 that are appropriately zoned. The size of the parcels can
21 be accessed; rail, highway, and deep water access are all
22 identified.

23 Within Pennsylvania most recently, we've
24 announced Gerber Products, National Gypsum, U.S. Gypsum,
25 Galtech. We have another project underway, Hanover

1 terminal. York Paper is the first project in the shared
2 assets area in Philadelphia. It will be served by Norfolk
3 Southern and CSX. York Paper is the first project we've
4 successfully implemented since shared access has been
5 announced. Their switch just went in.

6 If you have any questions about the program, I
7 would be happy to answer those.

8 CHAIRMAN GEIST: Thank you very much.

9 I would be very curious, you work in all these
10 different States. Public/private partnerships, dual
11 modalities, how do other States rank their investment of
12 liquid fuels moneys to match up to your infrastructure
13 developments? If you have an industrial park that you
14 want to develop, you have a very large client, you need
15 highway access, you need the rail access, et cetera. Is
16 there a model that you like best of any of the other
17 States that you work in?

18 MS. DISQUE: The model I like best is
19 Pennsylvania. It is light-years ahead of what Maryland
20 offers. Maryland is still taking incentive money and
21 basically allocating it to road access. Very few projects
22 have used any of the incentive money for rail. Maryland
23 typically falls back to conventional programs like
24 Community Development Block Grant to pay for rail service.

25 CHAIRMAN GEIST: Following the same logic, we

1 have the most shortlines of any State. You have a lot of
2 those that now connect to CSX. How much, because you have
3 all the horsepower, most shortlines have no horsepower,
4 other than to be on their knees begging, how many of the
5 partnerships have you worked with to locate industry along
6 the shortline where you're going to benefit?

7 MS. DISQUE: I couldn't tell you the number of
8 projects, but I do not distinguish between sites on
9 shortlines and sites on CSX. I may have a prospect that
10 will tell me they prefer to locate on CSX direct, but
11 realistically my site inventory is tight enough, I'm going
12 to recommend sites on shortlines and CSX.

13 CHAIRMAN GEIST: I've been told by a development
14 specialist in the northeast corridor who contracts only
15 for major corporations for relocations and expansion that
16 it's extremely difficult anywhere within the corridor now
17 to find very good sites with work force and everything
18 else that they're looking for. They now, in his logic,
19 told me that the ideal location sites will be off-corridor
20 and within 100 miles of the northeast corridor moving
21 inland. Since CSX is so active in those areas, do you see
22 that trend as being a trend that you recognize, or is this
23 just for the Fortune 500, or what's going on out there?

24 MS. DISQUE: Companies still prefer to be in the
25 middle, in the thick of the corridor, but the searches

1 have extended. It's interesting. It's basically
2 recognition by the individuals responsible for making that
3 corporate recommendation. They start out at ground zero
4 and have to move out. Work force is driving a lot of
5 that. Tight real estate, it's always going to be a
6 challenge, but more companies are considering brownfield
7 locations.

8 CHAIRMAN GEIST: And tell us what your
9 perception of the Keystone Opportunity Zones, if you're
10 going out marketing, what kind of a trump card is that to
11 play?

12 MS. DISQUE: A Keystone Opportunity Zone is
13 basically going to be the trump card in the last round,
14 when two sites are competing for one project and one is a
15 KOZ and the other is not and all other things are equal,
16 that KOZ is going to win the project. It's a significant
17 advantage. It also demonstrates, just by having that
18 designation, that there's significant cooperation between
19 all levels of government.

20 CHAIRMAN GEIST: That's all I have.
21 George.

22 CHAIRMAN HASAY: Just a comment, Mr. Chairman.
23 The Governor's Office called the Commerce Committee this
24 week and has indicated they may do some more work or more
25 expansion on KOZ either areas, which would be linked

1 through legislation probably this fall.

2 Thank you, Mr. Chairman.

3 CHAIRMAN GEIST: Joe.

4 REPRESENTATIVE BATTISTO: One quick comment and
5 maybe a couple questions.

6 First of all, when the acquisition of Conrail by
7 CSX and Norfolk Southern first broke a couple years ago, I
8 guess, I know I personally, and I think I can speak for
9 the chairman and the rest of us, hailed that as a great
10 day for the east and for Pennsylvania, because I for years
11 worked with a fairly recalcitrant transportation system
12 that I called Conrail. But in any event, it seems that
13 both entities are entrepreneurial, and we need that, we
14 want you to grow, we want to help the shortlines grow and
15 all of us grow. But despite all the planning and
16 preplanning and putting off the turnover until June 1, I
17 know you, and when I say you, I mean the two companies,
18 but you're speaking for yourselves, encounter some
19 problems with respect to the interfacing computer systems
20 and other logistics. Are you frankly overcoming those
21 now? I mean, I still hear some things from people, but
22 you speak for yourselves and we'll let Norfolk Southern to
23 speak for themselves when they come, but are you getting
24 over that hump? Can we really say now that you'll be able
25 to find cars and deliver on time and make on-time

1 deliveries?

2 MR. THIENEL: Well, let me say certainly the
3 split-up of Conrail was a major, major task, one we all
4 realized was going to be an extremely large job. We
5 thought we did a significant amount of planning, we
6 thought we were well prepared, but quite frankly, things
7 didn't go quite as well as we had hoped. Certainly, we
8 have not met our shipper's expectations, and I think
9 that's obvious and nobody is going to argue that.

10 On the positive side, I think we had a fairly
11 good plan. I think what caught us by surprise was the
12 lack of yard capacity, classification yards. Conrail, as
13 you all know, was an amalgamation of many bankrupt
14 railroads, seven, and they did a very good job of
15 rationalizing their system down to being able to very
16 efficiently and effectively operate as one railroad.
17 Unfortunately, we found when we split there just wasn't
18 enough yard capacity for two railroads to absorb all the
19 business that we had available to us.

20 On the positive side, the system has remain
21 fluent. The cars are moving. They're not moving as
22 timely as we want. We have seen improvements. We have
23 gone back and reworked the plan, made some changes. We're
24 trying to avoid yards as much as we can, do as much
25 pre-blocking--

1 CHAIRMAN GEIST: Explain pre-blocking. This is
2 not a railroad meeting.

3 MR. THIENEL: Well, sort of historically what
4 the railroads have tended to do was we'd make up trains at
5 each yard and we'd just bump along and then reclassify the
6 entire train when we got to the next yard. Over the
7 years, we've gotten better and better at blocking in
8 advance so that you can bypass or minimize the amount of
9 switching in a future yard, and we actually now have
10 gotten to the point where we're going past yards where we
11 can and we'll block, we have two trains say going that
12 same day, Cleveland, for example, has been a major problem
13 for us. We're running trains through Cleveland and not
14 even stopping if we can at all possibly do that. Through
15 the planning process we've been able to avoid some of the
16 problems that we saw. However, we also realize that some
17 of these places that don't have a lot of capacity are
18 going to have to have additional capacity. But
19 unfortunately, that can't happen overnight and it's going
20 to take a lot of money, but we're already addressing those
21 issues. I know down at the Baltimore terminal I spent a
22 couple days just walking around earlier this week talking
23 about things that we can do to add capacity.

24 So yes, to answer your question, no, it was a
25 difficult situation. We're making improvements

1 continually. We hope to get back to meeting our shipper's
2 expectations and get some of the business back on the
3 railroads that we lost.

4 REPRESENTATIVE BATTISTO: That's good to hear,
5 because a follow-up to that question is this question:
6 First comment and question. During the hearings with
7 respect to the acquisition, we heard statistics with
8 respect to the number of trucks, you meaning the two
9 entities, would be able to take off the highways over a
10 period of time, and it amounted to considerable numbers.

11 CHAIRMAN GEIST: 1 million.

12 REPRESENTATIVE BATTISTO: And I do know that you
13 sort of temporarily, you didn't, I mean, the railroad
14 industry lost some business short-term because I know
15 FedEx and a few others, but hopefully you'll regain that
16 and go beyond that, but do you still have positive hopes
17 that once you overcome this hump and get some of the
18 business back you will be able to do what you said you
19 were able to do a year or two ago?

20 MR. THIENEL: Well, absolutely. You're correct
21 that we have lost some truck business, UPS specifically,
22 we have also taken off some other transit. We had taken
23 some action initially to minimize the congestion we had,
24 but as we get things squared around, we definitely are
25 going to start adding these trains back on, and quite

1 frankly, we have to pay for this merger, and the only way
2 we're going to do it is to put more business on the
3 railroad, so we're working very hard at that goal.

4 REPRESENTATIVE BATTISTO: Thank you.

5 Thank you, Mr. Chairman.

6 CHAIRMAN GEIST: George.

7 CHAIRMAN HASAY: In the other States that you
8 work in, Ms. Disque, do those other States have KOZs like
9 we have?

10 MS. DISQUE: No, they don't. Several have
11 enterprise zones, but nothing as extensive as the KOZs.

12 CHAIRMAN HASAY: Okay, does your area include
13 Ohio?

14 MS. DISQUE: No, it doesn't.

15 CHAIRMAN HASAY: What were those States again?

16 MS. DISQUE: West Virginia, Maryland, Delaware,
17 and eastern Pennsylvania.

18 CHAIRMAN HASAY: Thank you.

19 Thank you, Mr. Chairman.

20 CHAIRMAN GEIST: Any questions from the
21 committee?

22 (No response.)

23 CHAIRMAN GEIST: We want to thank you very much
24 for testifying. As we go through this process of trying
25 to build a seamless transportation system that is also an

1 economic generator, we believe that Class 1 railroads are
2 going to play a huge role in the State of Pennsylvania,
3 much greater than they ever have, and we hope that CSX is
4 willing to become a working partner with government to
5 make a lot of this happen. I don't think it can happen
6 today with everything that we have going without that.
7 The days of the stand-alone giant railroads telling us
8 what to do, and et cetera, I think that's long gone, and
9 we're interested to see what a Virginia based railroad can
10 do working with some of us Yankees up north. So we just
11 want to thank you very much.

12 MR. THIENEL: You're welcome, Mr. Chairman,
13 thank you.

14 CHAIRMAN HASAY: Next on the list to testify is
15 Phil McFarren, Executive Director of the Keystone State
16 Railroad Association. Phil represents a lot of the
17 shortline railroads and is very active working with us and
18 the Department of Transportation as we try to integrate a
19 lot of this process into the MPO process. And Phil, we'd
20 be delighted if you'd give us your testimony and then we
21 have some questions that we want to ask you about economic
22 development, shortlines, and the State as a partner.

23 MR. MCFARREN: Thank you, Mr. Chairman.

24 On behalf of the largest State railroad
25 association in the United States, why it's a great

1 opportunity to make this presentation. As most of you
2 know, the Keystone State Railroad Association is truly an
3 entrepreneurial effort. We were organized just 3 1/2
4 years ago, and we're now the largest such State
5 association and we believe one of the best. We do have
6 all the Class 1 railroad entities, the regional and
7 shortlines, as members of the association.

8 The growth has not been without some pain and
9 turmoil. Government and even some companies have
10 sometimes struggled with the concept of such an
11 organization so quickly organized and request a position
12 at the policymaking table of government. One of the
13 reasons for that primarily is that our agenda is much
14 broader than a normal State railroad association. It
15 extends to things like economic development and economic
16 development projects.

17 Some view us as competition to government, which
18 is really unfortunate, because our goal is to be an
19 effective partner. To be effective, however, we must
20 change the image of our industry and we must become better
21 at attracting customers with capital investment to areas
22 served by our industry, which is a primary focus of
23 today's meeting.

24 I think it's first helpful to discuss some
25 background. Railroads are at a major crossroads as we

1 enter a close merger phase of a new millennium. Railroads
2 require huge capital investments. Now some \$2 1/2 billion
3 per year nationally, with a current economic rate of
4 return and a slow increase in carload growth. We are
5 concluding a decade of dramatic merger consolidations.
6 We've had a reduction in costs, a reduction in overall
7 employee costs, and major improvements in size, quality,
8 and efficiency of equipment. Now the decade of
9 opportunity is upon us where the industry will either grow
10 or die.

11 Government, and especially the legislative
12 branch, will play a major role, including the following:
13 First of all, government is in a position to assure a
14 level playing field between entities. You're in a
15 position to partner with the railroad industry to create
16 industrial magnet centers of companies who want timely,
17 quality, cost-effective customer service. Pennsylvania,
18 in particular, is in a unique position to develop these
19 type of centers, and we have four or five that are almost
20 currently under way that are ideal to what we're talking
21 about.

22 We need to focus anew on infrastructure
23 financing, which is not so much a question of more
24 dollars, it's getting the most efficient combination of
25 financing. Realizing that timing is almost everything, a

1 theme very familiar in your political world, it's equally
2 significant in attracting capital investment. And this is
3 especially a problem for the railroad industry. In each
4 case, your most reliable rail transportation consultant is
5 probably your local rail provider, and in many cases the
6 railroad's other Class 1 partners. More and more, many,
7 many companies want to have the capability of exchanging
8 traffic with more than one Class 1 carrier, obviously
9 because that gives them a competitive rate situation.

10 The Keystone State Railroad Association is often
11 your coordinating agency to bring partners together and to
12 bring a focus to various proposed programs and solutions.
13 There are major changes in policy occurring in the
14 railroad industry itself. Several of these changes will
15 have a major impact on your decisionmaking, and some of
16 these changes include: The 286,000 pound car, which has
17 already been mentioned a couple of times. That standard
18 is already here. It's not a proposed standard. Many
19 Pennsylvania shortline and regional railroads will need
20 major bridge and infrastructure upgrades to handle this
21 new standard. I would like to add that many shortlines
22 and Class 1's are now being asked to handle 315,000 pound
23 cars for some of the heavier industry loads.

24 Box cars are now 80 feet, not 40 feet, which
25 makes many railroad spurs obsolete, and in some cases

1 actually inoperable. We have a case of this up north in
2 Wilkes-Barre where there's a distribution center that
3 needs to completely redo its whole intermodal layout
4 service of that center, and one of the primary reasons was
5 the spur was built for 40-foot boxcars, and the 80-foot
6 cars are just tearing the track apart. I don't know how
7 they really continue to operate.

8 Our Class 1 partners - in Pennsylvania's case,
9 Norfolk Southern, CP, and CSX - want to partner with
10 public agencies to finance infrastructure development
11 improvement. Previously, these entities oppose public
12 grants, except for the rehabilitation of track for
13 shortlines which was previously abandoned by those same
14 carriers. This will require State government to consider
15 increased funding, or shortline and regional railroads
16 will see a sharp decrease in available financing because
17 of the capital that Class 1's require for projects is
18 much, much greater than required for a normal shortline
19 project.

20 As you might now suspect, capital for
21 maintaining and upgrading our rail infrastructure is in
22 short supply. The new Federal rail loan funds and State
23 programs need to be meshed so as to fund larger projects.
24 In some cases, maybe even incremental financing may be
25 part of the answer. For those of you who are not aware,

1 the regulations on the Federal loan programs for Class 1's
2 to shortlines are still under consideration. We expect at
3 the earliest those regulations might be completed by the
4 first of the year.

5 Pennsylvania's Rail Freight Assistance Program
6 has been exemplary, but every year a much greater portion
7 goes to traditional economic development projects, which
8 are sitings and industrial parks, and this does nothing to
9 improve the shortline or regional railroad infrastructure
10 serving those areas. Some of these expenditures are being
11 made in a speculative manner without regard to the
12 servicing rail line's capability. As a result, the funds
13 for Rail Freight Assistance Program have really been
14 tripled, but the shortlines and regional railroads have
15 not seen that kind of a dramatic increase in their share
16 of funding for two reasons: Projects are limited to
17 \$300,000, and we only have roughly 8 to 10 regional
18 shortline operations in the Commonwealth, so if each one
19 gets a grant each year, as you can easily see, that's only
20 \$3 million of the total.

21 The policy of PennDOT has been even more severe
22 in that if a railroad gets major capital budget funding in
23 any year, the general policy has been to exclude them from
24 the Rail Freight Assistance Program for that year. So the
25 amount of money that goes to real railroad infrastructure

1 has not been increasing as dramatically as might meet the
2 eye from the surface.

3 As a result, it leaves only capital budget
4 funding available for major infrastructure improvements.
5 To give you an idea on this, a major bridge rehabilitation
6 project to handle the heavier cars normally runs about
7 \$500,000. That's more than the Rail Freight Assistance
8 Program can provide in many cases, and as a result,
9 companies have to wait until the capital budget cycle
10 comes around. I don't have to tell you that's very
11 unpredictable. It may happen next year, it may happen two
12 years from now, it may happen three years from now, and as
13 a result, the planning of infrastructure improvements is
14 very much a problem. And yet the changes that we see
15 happening, especially relative to the merger, are
16 happening very rapidly. Many of the shortlines have to
17 completely change their traffic patterns to now
18 interchange efficiently with the Class 1 railroads. What
19 was yesterday going to be the main line of a shortline has
20 suddenly been changed, and a whole new segment now will
21 need to be the major corridor of traffic because of where
22 the Class 1's prefer to interchange traffic.

23 Yesterday, the American Shortline Railroad
24 Association, which is the national organization of
25 shortlines and regionals, made a major announcement in

1 that they are going to explore two new areas of funding at
2 the Federal level. They want to look at diverting a
3 portion of existing transportation funding to a dedicated
4 infrastructure fund similar to that used for mass
5 transit. The second option is to seek more flexible
6 funding for intermodal related projects designed to
7 relieve current congestion and environmental problems.

8 The recent CSX/NS purchase of Conrail is truly
9 redefining the core functions of many shortline and
10 regional railroads, at least for the short-term, and I say
11 the short-term because nobody quite knows how long these
12 arrangements are going to continue. But many of the
13 shortlines are doing things today that they never thought
14 about doing prior to the merger. They are classifying
15 traffic, they are blocking specific destination trains,
16 they are synchronizing their information systems to
17 correspond with Class 1's, and many of you are probably
18 saying, well, how does this all relate to economic
19 development? Is it a negative or a positive? And I think
20 from my perspective, if we can partner together, a
21 solution to many of these issues may be found, because
22 what we're really doing is we are rationalizing a system.
23 Railroads will be a major player in originating rail
24 traffic, and jobs will grow in Pennsylvania if we have
25 that partnering, and even the security analyst told the

1 shortline association yesterday that he really believes
2 that if railroads can get their act together, it could be
3 a major growth industry as of the neglect that in effect
4 takes place as it relates to railroad companies currently
5 on Wall Street.

6 I think conversely, if we ignore the problems,
7 if we let other States control the location of industrial
8 jobs and shipping gateways, our rail transportation system
9 will be reduced to corridor overhead traffic, and our
10 overall transportation system will be more costly to
11 maintain and probably deteriorate. Most of you may
12 realize this, but I think it's significant to note that
13 about 35 percent of all rail freight traffic in the United
14 States passes through Pennsylvania.

15 One of our biggest problems is the lack of
16 understanding of the railroad system by legislators,
17 administrative officials, and others, and I think you've
18 already hit on that as it relates to your MPOs and the
19 12-year plan hearings. Until a year ago, the MPOs and the
20 12-year planning hearings didn't even want to hear from
21 railroads. In fact, they discouraged railroads from even
22 appearing. And even today when you do appear, you get
23 very much the feeling that half the audience is sitting
24 there saying, what are you people doing here, this is
25 about highways. And to some extent, that's what happens

1 with the department. The department is organized to run
2 highways in Pennsylvania, and to run them very well, and
3 they do that. What happens many times with rail projects
4 is that we sort of get ping-ponged back and forth. If you
5 don't get on the 12-year plan, you can't be considered;
6 you can't get on the 12-year plan at the State level until
7 you get on the local MPO plan; and then to get on the
8 local MPO plan you must be a priority or else you really
9 don't get funding at the State level, and many of these
10 projects just get ping-ponged back and forth year after
11 year.

12 I think it's fair to say that we live in a very
13 competitive country. We're constantly challenged by an
14 equally competitive world. In this example, I'll just
15 give you two. I was in New York the last couple of days
16 and I had a conversation with some railroad people from
17 Maine, and Maine, of all States, a very small State with
18 probably fewer capital dollars than most States, is
19 completely redoing its rail system with a lot of
20 partnering and a lot of financing to completely
21 restructure its rail freight system.

22 And the second point I would make with you is
23 that many shortline and regional railroads in the United
24 States are the preferred operator of many foreign rail
25 systems being privatized by their national public owners.

1 The major reason is their ability to dramatically cut
2 operating costs and their emphasis on customer service.
3 The key customer slogan, here as well as everywhere else
4 anymore, is more and better service on a scheduled timely
5 basis. And as an industry, we want to be an aggressive
6 partner in attracting and expanding the field of
7 customers, because serving these customers may often
8 depend on our ability to work together. No one has yet
9 found the silver bullet, but we can tell you that new and
10 expanded government regulations and antagonistic officials
11 and a sea of misunderstanding will certainly detour our
12 best efforts.

13 I appreciate the opportunity to share with you
14 my goals and visions as it relates to the industry, and
15 obviously we work with many of you in various locations on
16 a lot of various projects that relate to economic
17 development as well.

18 With that, I'd be very happy to try and answer
19 your questions.

20 CHAIRMAN GEIST: Thank you very much, Phil.

21 Juts for the committee's edification, how many
22 gross million tons a year of freight are hauled in
23 Pennsylvania in total?

24 MR. MCFARREN: Gross million tons? I used to
25 have that number at the tip of my tongue, but I don't

1 today. I can't tell you.

2 CHAIRMAN GEIST: All right.

3 MR. MCFARREN: It's 35 percent of the gross
4 total.

5 CHAIRMAN GEIST: Well, I know that it's
6 increasing.

7 Now the next question is, what's the trend in
8 Pennsylvania and where has it been going?

9 MR. MCFARREN: It's very flat.

10 CHAIRMAN GEIST: Yeah, it's very, very flat.

11 MR. MCFARREN: There is considerable growth
12 among several of the shortline entities, but overall it's
13 been pretty flat, which is a national trend. The national
14 trend on car loading is trailing the trend of industrial
15 production.

16 CHAIRMAN GEIST: The other question I have is,
17 as you know, we've had an infrastructure development bill
18 in this committee now for I think four years, \$50 million
19 revolving, that has not received really much interest, but
20 yet your testimony today points out that if we want
21 everybody to be able to handle the same freight cars, we
22 need to upgrade the facilities in Pennsylvania or you're
23 going to lose industry on those lines.

24 MR. MCFARREN: You're going to lose the
25 capability of serving some customers.

1 CHAIRMAN GEIST: Right.

2 MR. MCFARREN: And you're going to limit the
3 areas where you can locate future customers because you
4 won't be able to get the goods there.

5 CHAIRMAN GEIST: That concludes the questions
6 I have, because a lot of them are going to be repetitive.

7 George.

8 CHAIRMAN HASAY: Thank you, Mr. Chairman.

9 I would like to thank the McFarland Group for
10 the work that they've done on a very hazardous situation
11 on Route 239 that travels between Wapwallopen and
12 Mauchinaguan in Luzerne County. Without your assistance
13 and intervention through the cooperation of Canadian
14 Pacific, I don't think that track would have ever been
15 moved before, but through your efforts and your staff, the
16 people of those areas thank you very much for your
17 assistance in working with PennDOT and Canadian Pacific in
18 resolving that safety factor that where a State highway
19 wasn't wide enough almost for one car between the
20 mountain, the railroad tracks, and the highway. So it's
21 worked out very, very well in the interest of those in
22 Luzerne County.

23 Thank you, Mr. Chairman.

24 REPRESENTATIVE BATTISTO: Phil, Chairman Geist
25 mentioned, and you confirmed the fact, that car loading

1 has been flat, as far as increase, has pretty much held
2 its own for quite some time in Pennsylvania. I could see
3 that certainly even though Conrail, I have to give them
4 some credit, I'm always sort of -- they're passe, but
5 still, I do give them some credit for at least becoming
6 profitable, at the expense of course of many, many people,
7 many, many shortline rail lines. But with the passing of
8 Conrail and the new era of two Class 1 railroads in
9 Pennsylvania, I know there's not enough history as yet,
10 you have some hurdles to overcome, but if indeed the car
11 loading has been flat, that means the trucking industry
12 has picked up more and more carloads, because certainly
13 the economy has been fairly healthy the last five or six
14 or seven years, and certainly more cargo being moved. The
15 question is, who's moving it? Do you see, though, in the
16 future, once the two Class 1's overcome their growing
17 pains, growing pains from the standpoint of coordinating
18 their efforts in Pennsylvania and the other States, do you
19 see hope with respect to a better working relationship
20 between these two Class 1's and the shortlines and the
21 potential for growing more industries and increasing
22 carloads and getting some of the excess truck traffic off
23 the roadway?

24 MR. MCFARREN: Well, I do see hope from two
25 perspectives. First of all, this merger has surprised

1 everyone. No one expected it to go the way that it's
2 gone. Everyone expected a much smoother transition. And
3 prior to the merger, many shortlines, frankly, were
4 looking at a fairly negative prospect of the future
5 because they thought they were going to lose a lot of
6 overhead traffic, they were going to have a decrease in
7 their revenues. You know, out of every disaster comes
8 some positive things, and what has happened is that the
9 shortlines in many ways are being relied on in ways that
10 they never dreamed they would be needed as part of this
11 merger. So in many cases we have shortlines doing more
12 and more business, and of course if that trend would
13 continue and the function would continue to be expanded,
14 that would be a very positive development.

15 The other thing that's happening is that all the
16 shortlines in Pennsylvania and the Class 1 carriers I
17 think realize we either solve this thing together or we're
18 going to go down together. So for the first time we have
19 convened monthly roundtable meetings that are purely for
20 the purpose of the various railroads sort of having it out
21 internally about what are we going to do to solve this
22 problem or that problem, whatever. We think long-term,
23 those are going to be very constructive.

24 The second reason that I'm very positive is that
25 we don't really have a choice. In essence, CSX doesn't

1 really have a choice. As Mr. Thienel pointed out, they
2 paid a lot of money for Conrail, they've got to pay for
3 it, and there's really only one way to pay for it, and
4 that's that we have to increase the customer base.
5 There's not much room to increase rates. It's going to
6 have to come in the broadening of the customer base.

7 So we know we have a lot of homework to do, and
8 I think there's more of a cooperative spirit out there in
9 the industry than probably there's ever been.

10 REPRESENTATIVE BATTISTO: Well, that's certainly
11 good to hear, because that in itself will be a positive
12 step with respect to trying to grow some more businesses
13 along both the shortlines and the Class 1 lines.

14 Thank you, Mr. Chairman. Thank you.

15 CHAIRMAN GEIST: Sam.

16 REPRESENTATIVE SMITH: Thank you, Mr. Chairman.

17 I would like to just follow up on that. As
18 you're talking about the positives, and I am encouraged by
19 that, but I would like to note the one item you have in
20 your brochure that's listed in red, and it says
21 "Conservatively, Pennsylvania railroads need to increase
22 traffic by some \$1 billion per year to finance the rail
23 restructuring in process," and I emphasize that because I
24 think you were getting around to it but you hadn't stated
25 it quite as directly as you do in your brochure.

1 To that end, how much is that dispersed over the
2 entire system? I mean, how much of that would have to
3 fall on the Class 1's and how much of that growth in new
4 traffic would be out on the spurs of the shortlines?

5 MR. MCFARREN: Well, I would guess the most
6 optimistic split maybe would be 60-40, because a lot of
7 the traffic and a lot of the growth in the traffic is long
8 distance traffic that's totally within the control of the
9 Class 1's. For example, the Harrisburg to Montreal
10 corridor is sort of a new corridor. We have the prospect
11 of shifting a lot of freight traffic to corridors like
12 that. And there are more corridors. That's just one
13 example.

14 I think part of the resolution to the current
15 congestion problem is going to have to be an increase of
16 capacity in many sections of the system. And in many
17 cases that increase in capacity will primarily benefit
18 perhaps the Class 1's more than the shortlines. The
19 shortlines and the regional growth will occur where it has
20 been occurring.

21 Just to give you an example, we have probably
22 the strongest regional railroad systems of any State. If
23 you take a look at the Reading lines, you look at where
24 they were six, eight years ago and where they are today,
25 traffic is two or three times at least what it was. The

1 North Shore Railroad System has grown tremendously. The
2 Genesee and Wyoming people, when they first bought that
3 system, their Pennsylvania-originated traffic was only
4 like 25 percent. The rest was overhead. Today, about 70
5 percent of their traffic originates in Pennsylvania.

6 So these are all very positive signs, and they
7 are trends that with the advent of the KOZ zones and
8 stuff, we should be able to continue those trends and
9 perhaps accelerate them.

10 REPRESENTATIVE SMITH: When you spoke about the
11 partnering to create industrial magnet centers, I think is
12 the term you used, is that something that can be done to
13 scale, if you will? I mean, is that something that can be
14 done not only in an Altoona or a Pittsburgh area but also
15 in a smaller community geared to a shortline? Can that
16 kind of intermodality, if I understand what you mean by
17 industrial magnet centers, maybe I don't.

18 MR. McFARREN: I think you're on target on
19 that. I think the KOZ zones in many cases are ideal
20 locations for such centers, but if you, and I would
21 encourage this committee to go up and take a look at the
22 distribution center up in Wilkes-Barre. That distribution
23 center has become the distribution center for like 12 to
24 14 manufacturers. When they first came to us to ask us
25 how they might get some help, they were doing 500 cars a

1 year in business. Today they're doing 1,400 cars in
2 business. And the problem they have is getting those
3 1,400 cars in and out of the facility. They need to
4 expand rapidly, quickly, and they're servicing local
5 manufacturing companies. It's a true intermodal system.
6 The raw materials and such are coming in by rail,
7 transferred to truck, distributed on a just-in-time
8 delivery basis. In fact, for one customer, that
9 distribution center keeps two trucks loaded all the time
10 because at any hour they may get a call to deliver, that
11 truck of raw material. The finished products come back
12 through that center and in many cases are shipped out
13 again by rail.

14 We have the Beth Intermodal Center that just
15 opened up in Allentown. I think that whole site is a
16 tremendous site for a lot of this similar type activity.
17 You have the same thing out in the Sony area of
18 Westmoreland County, Fayette County, and that area. And
19 you just have these all over the Commonwealth, these
20 centers are popping up, and I think all of them can be
21 very viable. Obviously, the trick is to work in
22 partnership with the economic development people to get
23 those kinds of companies interested in those centers. But
24 I think because of Pennsylvania's location, those type of
25 developments have the greatest potential. You can go

1 after the General Motors, the Fords, and the huge
2 companies of the world all you want to, and maybe you'll
3 get lucky and land one every 20 years, but the real growth
4 is probably in the smaller industrial companies that need
5 that kind of specialized service.

6 REPRESENTATIVE SMITH: One other question, kind
7 of on a different subject. You had mentioned the increase
8 in size of the pound capacity of the cars. That poses a
9 problem, and the length of the cars, you also mentioned
10 the length of the boxcars. That poses a problem for me in
11 that if the Commonwealth is going to be trying to step up
12 to the plate and do more to develop and replace
13 infrastructure, one thing we can't be doing is building
14 bridges that will handle the capacity of a 286,000 pound
15 car, only to five years later be told, oh, well, now the
16 industry is going to 312,000 pound cars. What can we do
17 to plan according to that? Because we can't afford the
18 infrastructure to be changing every, you know, even on a
19 20- to 50-year basis, if you really look out there, we
20 can't afford that.

21 MR. MCFARREN: I agree with that, and I don't
22 have the magic answer to that. I'd say it's like the
23 design of many bridges and everything else that you do,
24 there needs to be some thought given to designing those at
25 appropriate level so that you can maybe handle future

1 increases. You know, we still have a lot of wooden
2 trestle bridges and structures like that in Pennsylvania,
3 and frankly, it's going to be very, very costly to
4 transform those structures into carrying huge weights.

5 REPRESENTATIVE SMITH: Thank you, Phil. I
6 appreciate the work that you've done for the railroads.
7 As you know, I'm very supportive of the shortlines and the
8 impact that they have directly in my district, obviously.

9 One last passing comment, I can't help myself on
10 this. You commented about better service and such things
11 and you kind of ended up with a customer slogan. I think
12 that one of the keys to the success and to the railroads
13 picking up that billion dollars in new traffic will be
14 them achieving the goal of meeting that customer
15 satisfaction. I still hear that from people that do deal
16 with railroads, that the railroads kind of still go where
17 they want to go and not necessarily where the customer
18 wants or needs it to be there, and that's a historic
19 problem, and I don't say that critically of you, but I
20 just say it as a matter of putting it on the record, I
21 guess.

22 MR. McFARREN: All I can say is that I think
23 there's a national recognition in the industry that that
24 has to be their future focus, and they know they have to
25 get there.

1 REPRESENTATIVE SMITH: That's good to hear.

2 MR. McFARREN: It's contrary to prior times when
3 they just did it when they felt like it.

4 REPRESENTATIVE SMITH: Thank you, Mr. Chairman.

5 CHAIRMAN GEIST: Phil, we want to thank you. In
6 closing, one final question. Will we be seeing the
7 shortlines and the Class 1's at all of the meetings of the
8 State Transportation Commission actively engaged in giving
9 testimony this year?

10 MR. McFARREN: I have encouraged all of them to
11 do that. I think though that past experience has been a
12 negative and there is not a lot of excitement about going
13 and making another presentation that maybe doesn't yield.

14 CHAIRMAN GEIST: I know that I was really
15 surprised when the Governor bluelined the money I put in
16 for the study of extending a shortline into a county that
17 had 3,000 truck movements a day into a facility, that
18 study money was bluelined. I kind of shook my head
19 because it goes from one MPO to a local development
20 district and it crosses two county lines, but yet it's
21 almost an absolute necessity. If you want economic
22 development in that area, which was suffering for years
23 and years, and as Liz said this morning, she had no idea
24 that any of those decisions were made about the
25 crossings. We need the strong input at the development

1 district and at the district offices from the shortlines.
2 And it's almost unconscionable that we at PennDOT and
3 Economic Development and Commerce would build a large
4 industrial park today without two modalities servicing it,
5 that we would invest huge amounts of State dollars to do
6 this. And we need the help of everybody that's in the
7 business and everybody that's in the industry to maximize
8 the investment that we have and the investment
9 opportunities, and I would hope that those people step up
10 to the plate and get very active at the local planning
11 process.

12 MR. MCFARREN: Well, we're going to try and get
13 them to do that, but I think the crossing issue is a very
14 good one to discuss in regard to that. The Transportation
15 Committee staff of both Houses came to us and asked us to
16 do a lot of research and asked for submission of numbers
17 for repairing crossings, and we did that, and we got those
18 in the capital budget and they were bluelined out. And
19 when we asked why they were bluelined out, there were like
20 two answers. Well, you guys had them in the wrong
21 budget. And the inference was we should have had them in
22 the highway transportation capital budget. But of course,
23 all of us know highway transportation dollars can't be
24 used to replace and rehabilitate signals and the actual
25 crossing itself. And I just think we have a lot of people

1 who frankly don't understand the enormity of the problem.
2 I mean, yes, we do have 130 funds for crossings. The
3 problem is it's about \$8 million a year and we have an
4 annual demand for crossing upgrades of about \$30 million
5 to \$40 million a year, and the two are never going to meet
6 and we're never going to get close without figuring out a
7 little more innovative financing on those crossings. And
8 all of you have a whole bundle of those.

9 CHAIRMAN GEIST: Thank you very much.

10 REPRESENTATIVE BATTISTO: May I just say one
11 quick question, because of that very point.

12 Phil, you mentioned that past history about the
13 reluctance to testify because the testimony has been taken
14 and forgotten about, but I think there is sort of a new
15 day, just as you talked about, you see some optimism with
16 respect to business, I see some too. I don't know if you
17 heard Liz this morning, and she was taken by surprise
18 too. You might say, well, how can that happen? Well, it
19 happens when you see many things in the capital budget,
20 but I know that rankled me, to say the least, because we
21 have some crossings that clearly need to be rehabilitated
22 and improved, and I can tell you one thing, I'm going to
23 be very vigilant about that, and I think the Chairman to
24 my right will certainly be very vigilant. So I think you
25 ought to redouble your efforts with respect to that and

1 make sure you do testify, because we're going to try to
2 give you, from our standpoint, more than a fair hearing,
3 because I think there has to be some kind of dedication to
4 intermodalism. If we talk it, we have to practice it.

5 MR. MCFARREN: Well, I think one of the big
6 steps is for you all to hold hearings and meetings like
7 this so we can get a broader understanding of some of
8 these issues and how they really are financed. But we've
9 had so many miscommunications on some of the capital
10 budget items, it's, you know, I'm embarrassed by it. I
11 feel like we didn't do enough.

12 REPRESENTATIVE BATTISTO: Well, I frankly think
13 that grade crossings could be funded under our Rail
14 Assistance Program. However, the reason why they are
15 probably not is that we're up to \$8.5 million, but there's
16 a \$25 million or \$22 million demand each year for actually
17 rehabilitating the line itself. So that's probably one of
18 the reasons why. But we can argue that we had \$50 million
19 there and we need it really, those things should be taken,
20 because that's part of the rail line. But if not there,
21 certainly we should be able to accommodate those in the
22 capital budget. Or both, really.

23 Thank you. Thank you, Mr. Chairman.

24 CHAIRMAN HASAY: Mr. Chairman, before you go, I
25 think there was a lack of communication in the previous

1 railroads and the previous railroad owners between the
2 legislature and their companies. I can remember calling
3 sometimes Conrail and some other companies that I won't
4 mention their names, not responding to letters, not
5 responding to phone calls, even going to their place and
6 talking to them about a problem at a crossing or tunnel or
7 something of that nature, and never getting back to me,
8 and now I'm seeing a complete reawakening of the railroad
9 system itself just through Canadian Pacific in a safety
10 manner. I mean, years ago they wouldn't answer mail or
11 communicate. So I think they need to, what they started
12 now I think is good and I think they need to just
13 communicate better with legislatures not only in this
14 State but in the other States as well. I think they
15 really need to do that and have some of their problems
16 heard, and perhaps having the legislature addressing some
17 of those problems or being able to assist.

18 So thank you again for your testimony today.

19 MR. MCFARREN: ' Thank you.

20 CHAIRMAN GEIST: Next on the list is Fred
21 Gurney, President and CEO of Maglev, Inc., and my longtime
22 passion.

23 MR. GURNEY: Chairman Geist, Chairman Hasay, I'm
24 delighted to be here to be able to address the group of
25 you and talk about transportation and economic

1 development. I represent Maglev, Inc., Maglev,
2 Incorporated, a company that's vitally interested in the
3 future of development of both transportation and job
4 creation.

5 Our interest stems from our principal objective,
6 and that is of developing a high-speed magnetic levitation
7 transportation system. High-speed Maglev is a reality.
8 Some of you may not be aware, but high-speed Maglev has
9 been carrying fare paying passengers for a number of
10 years, even though in a limited way, it's been doing it in
11 Germany. We at Maglev, Inc., predict that high-speed
12 Maglevs will be operational in the United States within
13 the next five years. We are postured to grab this
14 opportunity for Pennsylvania. It's real, it's here, and
15 the time is now.

16 But there is competition. There are six other
17 States, all of whom are vying to be the first to have a
18 high-speed Maglev in the United States. There is little
19 time, hesitation, or for' extended debate. If Pennsylvania
20 wants to have a leadership position in this new
21 transportation system and its associated economics, we
22 must act now and we must work diligently.

23 Pennsylvania had initial push on the high-speed
24 Maglev through the efforts of the Pennsylvania High-Speed
25 Intercity Rail Passenger Commission. Our organization,

1 Maglev, Inc., was built from that commission, but
2 developed its nucleus in 1988 through a study from the
3 Rail System Center at Carnegie Mellon University
4 concerning the future transportation needs in the United
5 States.

6 The conclusion of that study was unequivocal:
7 High-speed Maglev was the safest, fastest, and most
8 innovative way to meet our nation's transportation needs
9 and to fill the niche between the air and highway modes
10 which were then becoming saturated. That saturation
11 condition is continually growing, and is a growing problem
12 today.

13 High-speed Maglev offers a means to alleviate
14 that problem. High-speed Maglev is a train-like
15 transportation mode that allows the vehicle to move over a
16 fixed guideway without the vehicle or the guideway being
17 in contact. The vehicle is lifted and is propelled
18 electromagnetically, and it does that without any moving
19 parts. It makes only an aerodynamic noise at higher
20 speeds, and is virtually emission-free from the vehicle
21 itself. It can move right into the hearts of our cities
22 or into our shopping centers, and through its use it can
23 help us in our air quality and our individual quality of
24 life.

25 In the next paragraph of my prepared text, I put

1 in words which all of you know well are Pennsylvania's
2 history with transportation, its innovation. I would like
3 to skip those and go right on into what I think some of
4 the needs for high-speed Maglev are in Pennsylvania.

5 One of the key features of high-speed Maglev is
6 it offers a fusion with other modes of transportation. To
7 me, it's more than just intermodalism. It actually
8 promotes other kinds of transportation modes and enhances
9 them. In southwestern Pennsylvania, we have a very
10 important economic asset that is only partially tapped.
11 That asset is the Pittsburgh International Airport. The
12 Pittsburgh Airport is one of the largest in land area of
13 any of the airports of the country. It is located
14 approximately halfway between New York City and Chicago,
15 and within one hour flying time it encompasses 51 percent
16 of the population of the United States, and 50 percent of
17 the population of Canada. Within that region, 63 percent
18 of the industrial output of the United States is
19 accessible.

20 The Pittsburgh Airport is located in a
21 noncongested area, so it's almost conflict-free from the
22 population centers or other industry. That means that
23 that airport, unlike others, can expand easily with
24 minimum roadblocks from the citizens or from industry.

25 Now, while we have this unique advantage, as I

1 said, it's to a considerable extent untapped. One of the
2 principal reasons for that is the access between the
3 airport and even the downtown Pittsburgh area. The
4 transportation link between the city and the airport is
5 restricted by the channeled east/west traffic of that
6 region. Rugged ridges, river crossings, and ultimate
7 passage through the Fort Pitt tunnel provide congestion
8 that makes it very difficult for movement from the city to
9 the airport.

10 The organization that I represent is in the
11 initial phases of a pre-construction planning of a
12 transportation system that will alleviate that problem.
13 High-speed Maglev offers a unique advantage in the
14 Pittsburgh area because of the ridges that we must
15 traverse. High-speed Maglev can climb grades of about 10
16 percent. That's compared to about 3-percent grade
17 climbing capability for steel wheel on rail. Really, a
18 unique advantage in our area. The segment that we're
19 talking about can be traversed at speeds of up to 250, and
20 perhaps even 300 miles per hour.

21 Our first objective is to build a line from the
22 airport through downtown, and then on out to the eastern
23 suburbs of Monroeville and Greensburg. Our next phase
24 objective is to traverse the Commonwealth with high-speed
25 Maglev. Continued expansion towards the west, towards

1 Cleveland, Detroit and Chicago would establish
2 southwestern Pennsylvania as a natural focal point for
3 linking the population centers of the northeast with those
4 of the midwest and come back and exploit the unique
5 advantages of our airport. Those advantages could place
6 that airport as the natural point of arrival and departure
7 for intercontinental flights to Europe or to Asia.

8 Another concern impacting the growth of commerce
9 in our region, and truly that of the United States, is the
10 increasing delays associated with our highways and
11 airports. Almost every day there are reports of road
12 rage, and more increasingly air rage, that are broadcast
13 to us over the media, emphasizing the growing frustration
14 of travelers. Statistics on the lost productivity from
15 travel delays show that the growth of this problem is
16 continuing. The cities and the regions that could provide
17 a mechanism for capturing this lost time will place
18 themselves in a significant position to reap the
19 tremendous economic benefits of new industry arrival.
20 High-speed Maglev offers a means and opportunity to
21 capture some of that lost time.

22 Let me give you an example. The current highway
23 travel time between Philadelphia and Pittsburgh is about
24 six hours. If you were to go by air, and counting the
25 delays at the airports, that's still about a 3-hour travel

1 time. With high-speed Maglev and with stations located
2 off-line, an express run can be made between Philadelphia
3 and Pittsburgh in just slightly over 1 1/2 hours. Even
4 with stops at the intermediate cities of Lancaster,
5 Harrisburg, State College, Altoona, Johnstown, Greensburg,
6 and Monroeville, that travel time would be slightly over
7 two hours.

8 Building high-speed Maglev will have a long-term
9 economic effect on us all. The raw materials, the
10 fabrication expertise and the construction requirements to
11 build a high-speed Maglev by themselves would provide an
12 economic stimulus of a significant magnitude. The
13 estimates, by Argonne National Laboratory, in a study that
14 they conducted called the National Maglev Initiative,
15 showed that the manufacturing for high-speed Maglev would
16 create a \$200 billion industry in the United States. That
17 region, that State which first starts high-speed Maglev
18 will be able to capture the bulk of those benefits. We
19 want to capture those for Pennsylvania.

20 Let's take a little bit of time and look at the
21 raw material usage that high-speed Maglev requires. And
22 for an example, I'll talk about only 100 miles of dual
23 guideway structure. In 100 miles of dual guideway
24 structure, Maglev would require 4,000 tons of plate steel,
25 40,000 tons of reinforcing steel bar, 55,000 tons of

1 magnetic steel laminates, over 30 miles of aluminum
2 conducting wire, wire of about 3/4-inch diameter, 53,000
3 cubic yards of concrete.

4 Building Maglev and supplying the materials for
5 it creates jobs. But remember now, that's only for 100
6 miles. The vehicles will require aluminum sheet, copper,
7 steel, and various nonmetallics in their body structure.
8 The transportation power, the signal, communication and
9 control system will require power transformers, computers,
10 controlled electronics. The stations and support
11 buildings themselves require all the assorted materials
12 that compose modern buildings.

13 There will be another significant number of jobs
14 created in the manufacturing, construction, installation
15 and the maintenance activities associated with the
16 construction itself. The exact number of jobs with
17 documentation will be developed by us by June 30 of next
18 year, but our best current estimate is that approximately
19 5,000 jobs would be created for the construction of 100
20 miles of duo guideway for high-speed Maglev. These will
21 include some very high wage advanced manufacturing jobs,
22 which would be associated with the Maglev guideway
23 structure itself.

24 Now, every factory job or construction job
25 creates an associated number of spin-off and support

1 jobs. There are various multipliers that are used to
2 project those associated jobs, but a factor of about 2 1/2
3 is generally accepted. If we take the jobs that we just
4 mentioned on manufacturing, add to those of supplying the
5 raw material, we could see that about 100 miles of
6 construction of high-speed Maglev guideway would result in
7 approximately 20,000 new jobs. And that number compares
8 somewhat favorably to the German estimates of about 19,000
9 jobs created for their Berlin to Hamburg line over a
10 period of years.

11 Of particular significance in the job creation
12 area though is that new jobs would be created which in
13 themselves would be available to offer spin-out jobs. One
14 such area is in the fabrication of the guideway itself.
15 That guideway beam is a very large structure. It's about
16 10 feet wide, it's about 7 feet deep, and it's up to 165
17 feet long. And even though that structure is very
18 massive, its fabrication must be accomplished to very
19 stringent dimensional tolerances. Those close dimensional
20 tolerances will require that the guideway structure be
21 fabricated in an environmentally controlled facility using
22 robotics and computer controlled operations.

23 Now initially, this may sound as if it's a very
24 expensive operation, but in actuality, once it's
25 established, that kind of manufacturing, that kind of

1 fabrication, will result in a savings of 20 to 30 percent
2 over conventional methods. Now, the fabrication process
3 developed for this guideway is also applicable to the
4 fabrication of steel bridges, ship building, and
5 conventional buildings.

6 Now, while it's true that these structures may
7 not demand the close tolerances that we will require for
8 guideway fabrication, the cost savings are there
9 nevertheless. In a recent discussion that I had with
10 gentlemen at Kvaerner Philadelphia Shipyards, the
11 production vice president told me that up to one-third of
12 the costs in ship building, up to one-third of the costs
13 are associated with rework. They were in the process of
14 assembling a precision fabrication system, not to get
15 tight tolerances, but to take advantage of the cost
16 reduction that they could get from reduced rework. When
17 you apply that to a bridge building which we have
18 throughout the United States, and particularly here in
19 Pennsylvania, you can see where this thing could have a
20 tremendous impact. You would have not only the reduction
21 in costs associated with the fabrication itself, but you
22 would have a cost reduction associated with reduced
23 rework.

24 What that would mean is that the tax funds
25 dedicated to bridge building would go a lot further. Now,

1 if we consider the National Bridge Inventory Statistics,
2 which show that approximately 30 percent of all the
3 bridges in this country are deficient in some way, you can
4 see that just a small amount of cost reduction in
5 fabrication can go a long way whenever we're talking about
6 tax dollars.

7 Maglev, Inc., is particularly interested in
8 telling its story about the benefits of high-speed Maglev
9 and about the transportation system that it could create,
10 and the economic generator that it would be for
11 Pennsylvania. We have an opportunity to capture for
12 Pennsylvania a leading role in the transportation
13 technology and in this industrial development.

14 We look forward to working with the Commonwealth
15 of Pennsylvania in a partnership that will bring
16 additional jobs for Pennsylvania. The pieces are in place
17 for the Commonwealth of Pennsylvania to capture this
18 leading edge technology. With the help of our private
19 partners and the Commonwealth, we have secured a lead in
20 this technology and in this industry. Senator Arlen
21 Specter rode the high-speed Maglev last year when he was
22 on a trip to Germany. Since then, he has been successful
23 in securing earmarked funds for Pennsylvania as part of
24 TEA-21. We have just received \$4 million of earmarked
25 funds, along with matching funds from the Commonwealth

1 through PennDOT, to get underway with the pre-construction
2 engineering of a high-speed Maglev in Pennsylvania. In
3 the TEA-21 budget, there's about \$1 billion available for
4 Pennsylvania to capture, to establish our position as a
5 leader in this technology and this leading edge industry.
6 We need your enthusiasm to capture this technology and we
7 need your support. Thank you.

8 CHAIRMAN GEIST: Okay, you got it.

9 (Laughter.)

10 CHAIRMAN GEIST: I guess as the number one
11 cheerleader for this project for 21 or 22 years, and
12 having just led a study group to Germany and all over
13 Europe, it's quite apparent that when it comes to
14 transportation, we've got to become intermodal. And I
15 hope to see you testifying at all the Transportation
16 Commission hearings as the corridor goes through every
17 part of the State. The only suggestion I have, it takes
18 103 in the House and 26 in the Senate, and if you're going
19 to get a corridor, you'd better get it all at once.

20 Any questions from the committee?

21 REPRESENTATIVE BATTISTO: I have a lot of
22 questions, and I'm not going to ask all the questions. I
23 have just always been absolutely -- I'm sorry, but this is
24 something I'm very interested in. First of all, are you
25 going to be in Pittsburgh on the 28th or 29th of this

1 month when the State Transportation Commission is there
2 for two days of hearings concerning transportation, not
3 just highways, transportation demands and needs? Is
4 somebody going to be testifying on behalf of Maglev,
5 Inc.?

6 MR. GURNEY: We will be there. We have not been
7 asked to testify, but we will be there.

8 REPRESENTATIVE BATTISTO: You don't have to be
9 asked. See, that's the problem. That's the problem,
10 sir. You don't have to be asked. You have to testify.
11 You have to, I mean, is Allegheny County one MPO? I'm not
12 sure.

13 REPRESENTATIVE TANGRETTI: No, there's one for
14 the whole region.

15 REPRESENTATIVE BATTISTO: Whatever, there is no
16 way, I mean, you have to, Maglev, Inc., has to, through
17 yourselves or through the county, has to get on that
18 agenda.

19 MR. GURNEY: We will be on it.

20 REPRESENTATIVE BATTISTO: I mean, we hear you
21 today. I mean, I've always been impressed by the whole
22 idea of a new industry, beside a new transportation, a
23 whole new industry, that \$200 billion you're talking about
24 is something very significant and good for Pennsylvania,
25 and we're interested in it, I certainly am and I know I

1 don't have to talk for Rick, Rick talks enough about that,
2 but the fact of the matter is if we do have some earmarked
3 funding and if you want our enthusiasm, you have mine and
4 I think you have other people's too, our support has to be
5 more than moral support, you're going to need some money
6 along the way. Initially, in 1985 we were talking about
7 this, we were talking about \$10 billion for connecting
8 Philadelphia with Pittsburgh, and of course people were
9 scratching their heads, they thought that was exorbitant.
10 No one saw the pictures that you unfolded. I said no one,
11 meaning, as Rick said, you need 102 votes, and of course
12 26.

13 But you have to elucidate that before a group.
14 You're talking somewhat to the choir, but it's very
15 important because it's going to be on television too for
16 the world to hear this, but you also have to sit and talk
17 before the commission on the 28th and 29th in Pittsburgh.
18 Get on that agenda. It's an important item for
19 Pennsylvania, I believe.'

20 MR. GURNEY: We will be on that agenda.

21 CHAIRMAN GEIST: In every district in the
22 corridor, not just Pittsburgh. This is a Pennsylvania
23 project, not a Pittsburgh project.

24 REPRESENTATIVE BATTISTO: I'm going to stop
25 there.

1 CHAIRMAN GEIST: Yeah.

2 MR. GURNEY: Okay, we'll take that to heart.

3 REPRESENTATIVE TANGRETTI: Thank you, Mr.
4 Chairman.

5 Hi, Fred. I happen to sit on the policy
6 committee for SPC, and in the last meeting we had there
7 was a discussion about transit versus highway dollars, and
8 as a matter of fact, October 1 there's going to be a
9 meeting in which this entire transit issue versus the
10 highway dollars is going to be discussed in more detail.
11 But my understanding of the process is that the MPO, in
12 concert with PennDOT, has already essentially designed
13 their transportation plan for the next 5 to 25 years, and
14 that these various transportation hearings, Transportation
15 Commission hearings that are going to take place, are kind
16 of a verification of what they've already come to an
17 agreement on, at least through the SPC in southwest
18 Pennsylvania, and PennDOT, by virtue of Deputy Secretary
19 King and his people.

20 But in that plan, they talk about Maglev and
21 they talk about that Maglev is going to be part of the
22 study of the future. And I'm still confused, and that's
23 why I asked a lot of questions about this whole transit
24 issue in general, and specifically Maglev as it relates to
25 where this all shakes out. We have transportation plans

1 dealing with highways. We talked about the Mon Valley
2 Expressway, the southern beltway, the Laurel Valley
3 Expressway, and billions of dollars of highway dollars
4 dedicated for concrete. But I don't see anything other
5 than studies and plans as it relates to particularly
6 Maglev and other transit issues.

7 My question to you is, have you been involved to
8 any extent with this planning process vis-a-vis SPC or
9 PennDOT, and to what extent has that taken place?

10 MR. GURNEY: Well, we have been involved with
11 the planning process, probably not as extensively for an
12 earlier period of years as we perhaps should have been,
13 but we are involved now. We are particularly involved
14 with the noodle corridor, as you know, the multimodal
15 corridor between the airport and downtown, because that
16 corridor has the possibility of having a Maglev line as
17 well as a light rail line or as well as a toll road all
18 combined in there, so I think we're part of that plan now
19 and we're part of that plan because of that synergism that
20 you gain from having more than one mode of transportation
21 involved in an area. But were we involved in that
22 planning process as extensively as we are now, were we
23 that way a few years ago? The answer is no, we were not.

24 REPRESENTATIVE TANGRETTI: Are you satisfied
25 that your involvement is adequate to present your

1 project's qualifications and need for the area? Do you
2 feel that you're getting a fair hearing in terms of that
3 process?

4 MR. GURNEY: In our recent markets with the SPC,
5 yes, I am satisfied with that. As of now.

6 REPRESENTATIVE TANGRETTI: Okay. Then just what
7 is the timeframe and the dollar amounts beyond this \$8
8 million or \$9 million you have recently acquired past the
9 pre-engineering stage? Where are we from that date on, or
10 whatever the timeframe is beyond those dollars?

11 MR. GURNEY: The legislation, the TEA-21
12 legislation, really requires that we have an operational
13 system in place in six years.

14 REPRESENTATIVE TANGRETTI: Six years from the
15 passage of the legislation?

16 MR. GURNEY: That's correct. That's correct.
17 Now, that makes that very, very tight, a very tight
18 schedule, as you might really imagine, and whether that's
19 going to be the actual schedule that we'll hold to or not
20 is going to be determined, but that's what it requires
21 now. So in order to achieve that means that we have to do
22 the pre-engineering work in the next 2 1/2 years, and
23 overlapping that is doing the manufacturing development,
24 the kind of manufacturing development that I talked about
25 with precision manufacturing. And it's done in other

1 parts of the world, not in the United States, but it can
2 be done in the United States. We have all the ingredients
3 to put that together, but we have to do that in an
4 overlapping way. We cannot do these things in a
5 serialized fashion. We have to do that and parallel. And
6 then we have to get the manufacturing accomplished so we
7 can have it first line operational within six years, so
8 that's our objective is to have the airport to downtown, a
9 run available in six years.

10 REPRESENTATIVE TANGRETTI: So I understand, and
11 this is my last question, the process then is for at some
12 point the MPO to give their blessing to the Maglev as the
13 project for that corridor, or are we talking about, are
14 you in competition with a light rail plan, light rail
15 vehicle plan, additional toll roads, additional bus way?
16 I mean, or is this in addition to?

17 MR. GURNEY: This is in addition to. We should
18 not be in competition with those other modes. There are
19 plans, and how in-depth those plans are I'm not really
20 that certain, for a light rail system that could possibly
21 extend up to the airport, and certainly there are plans
22 for a toll road going from the downtown area to the
23 airport section of that road. And would that siphon off
24 traffic? Is there enough traffic between the downtown
25 area and the airport to accommodate all of those? I do

1 not know yet. We're going to be doing a ridership study
2 over the next few months and we'll be able to give you a
3 better answer as that ridership study evolves.

4 REPRESENTATIVE TANGRETTI: Thank you, Mr.
5 Chairman.

6 CHAIRMAN HASAY: Any other questions?

7 REPRESENTATIVE STEVENSON: Yes, Mr. Chairman.

8 CHAIRMAN HASAY: Representative Stevenson.

9 REPRESENTATIVE STEVENSON: Fred, let's assume
10 the funding is there, Federal, State funding, everything
11 is in place, do you have any studies that show your cost
12 of operation with other competitive transportation modes?
13 In essence, will Maglev be cheaper to operate, more
14 expensive, in the middle, compared to other competitive
15 modes of transportation?

16 MR. GURNEY: The answer to your question, do we
17 have studies which show that? The studies that we have
18 really have a lot of assumptions associated with them.
19 The effort that we will be doing this next year, over the
20 next year, will really address that, because we do have a
21 very important cost feature to analyze in this next 12
22 months. But in a competitive sort of way, Maglev is, in
23 my opinion, a very, very competitive transportation mode.

24 Let me give you an example people. Maglev will
25 cost, and the number, since this group here has been

1 talking about the cost of highways, you probably are well
2 familiar with how much highways cost, but in the
3 Pittsburgh area, Interstate 279 North, about 15 years ago
4 when that was completed, cost about \$37 million a mile.
5 Maglev today will cost slightly over \$30 million a mile
6 for a dual guideway system. And while so that puts it,
7 now again, we're comparing apples and oranges a little
8 bit, but it is one mode of transportation compared to
9 another.

10 REPRESENTATIVE STEVENSON: I'm really talking
11 about costs of operating your vehicles versus costs of
12 operating a bus for one mile.

13 MR. GURNEY: Let me tell you that the
14 information that we have up to today is that we can allow
15 transportation between downtown and the airport and also
16 between downtown and Monroeville and Greensburg at about
17 25 cents a passenger mile. Now, comparing that to what
18 the government allows you to drive your automobile, that's
19 about 31 to 32 cents a mile, I think, so we're less than
20 that. And if you're going downtown and park, of course
21 you have the parking rates which go from \$2 to \$17 a day.
22 So the answer, I think, is yes.

23 REPRESENTATIVE STEVENSON: So there are
24 studies. Could you get us a copy of those?

25 MR. GURNEY: I can give you the information that

1 we have.

2 REPRESENTATIVE STEVENSON: Great. That would be
3 helpful.

4 MR. GURNEY: I will do that.

5 REPRESENTATIVE STEVENSON: Thank you.

6 CHAIRMAN HASAY: Thank you very much for coming
7 here in front of the House Commerce and the House
8 Transportation Committee. Thank you very much.

9 Next we have David G. Holdsworth, the Executive
10 Director of the Susquehanna Area Regional Airport
11 Authority. Thank you for coming here today in front of
12 the joint committee hearing, and you can proceed at your
13 own convenience.

14 MR. HOLDSWORTH: Thank you, Mr. Chairman, and
15 members of the committee. It's a great honor to be here
16 this afternoon on behalf of the members of the board of
17 the Susquehanna Area Regional Airport Authority. We do
18 appreciate the time and opportunity to present what we
19 feel are a number of economic development opportunities
20 that are at Capital City Airport and Harrisburg
21 International.

22 I want to spend just a few moments reminding you
23 of the process that we went through, we meaning the
24 members of the legislature and SARAA, in creating this
25 economic development opportunity. In the beginning of

1 1997, five municipalities put together a group of
2 individuals to negotiate with the Commonwealth to take
3 over Harrisburg International and Capital City Airport.
4 That process was successful, and in September of 1997,
5 SARAA was created by seven sponsoring municipalities: The
6 counties of Cumberland, Dauphin, and York; Harrisburg city
7 and York city; and Lower Swatara Township in Dauphin
8 County and Fairview Township in northern York County. At
9 the end of 1997, the legislature passed unanimously
10 legislation allowing the Commonwealth to transfer
11 ownership and operation of Harrisburg International and
12 Capital City Airport to SARAA, the Susquehanna Area
13 Regional Airport Authority, and on January 1 we did take
14 over the operation and control of the airport.

15 From its inception, this project has been an
16 economic development project that was felt by the region
17 that with Commonwealth ownership, the region was not
18 benefitting to its maximum from the ownership and
19 operation of Harrisburg International Airport. As we have
20 developed our vision as an organization, economic
21 development, as you can see there in the notes, I've
22 included our mission statement, economic development is
23 prominent. We do have two airports to run, we are trying
24 to serve our customers, the passengers, and the airlines,
25 but at the same time we recognize our responsibility to

1 the community in creating jobs and economic
2 opportunities.

3 Just a couple of facts about the economic
4 activity at Harrisburg International and Capital City
5 Airport. We are the third largest airport in the
6 Commonwealth and we serve about a million and a half
7 passengers per year. We are running about flat this year
8 on unenplaned passengers. That's because our major
9 airline, U.S. Airways, was having some equipment and
10 staffing problems. I think their total enplanements are
11 down about 5 percent. Some of our other airlines are
12 experiencing tremendous growth, and I'll speak to that in
13 a few minutes.

14 Cargo tonnage, I was interested to hear that the
15 rail lines are running about flat. As you can see here,
16 we are not a major number of tons per year, but we are
17 experiencing tremendous growth, 14 percent here to date.
18 Those numbers have been running at about 8 percent per
19 year for the last 15 years, and we see tremendous
20 opportunity in serving the community through additional
21 facilities in cargo.

22 Capital City Airport, which is our general
23 aviation reliever airport for central Pennsylvania, is the
24 largest general aviation airport in central Pennsylvania.
25 It continues to see a slight growth. General aviation has

1 not been doing well on a national level, except for the
2 last few years where it has begun to turn back up, and our
3 activity level really on a year-to-year basis is even
4 doing better than this. The reason the numbers are so
5 small as far as growth is concerned at this point is
6 because of decreased military activity at the Capital City
7 Airport.

8 Just a couple of facts that were not in the
9 notes. There was an economic impact study that was done
10 in 1993 prior to SARAA's taking over the airport. It just
11 indicated, and I'll just read a couple of numbers here.
12 The total numbers of jobs, either direct or indirect, for
13 HIA is about 4,600. It represents \$129 million worth of
14 personal income in 1993 dollars, \$306 million worth of
15 business revenue, and \$33 million in State, local, and
16 Federal taxes.

17 Capital City Airport, about 100 jobs, \$3.1
18 million worth of personal income, \$3.2 million worth of
19 business revenue, and about \$400,000 in State, local, and
20 Federal taxes.

21 What we really wanted to come and talk to you
22 about a little bit this afternoon was what we accomplished
23 since you have transferred the airports to us in the last
24 18 months. Obviously, there's some basic housekeeping
25 items such as safety and security that we must deal with.

1 These include increasing the fire and police complements,
2 additional equipment for both, and continuing to replace
3 snow removal and other equipment at the airport.

4 The most exciting part of what SARAA is trying
5 to accomplish is to increase air service. We are, as an
6 airport, really a facility. Airports are a complicated
7 business entity, but their real main mission is very
8 simple: It's to move people from one mode of
9 transportation to another. Air service development at
10 this point has not been a major focus. We have had some
11 air service developments, however, in the last 18
12 months. TWA has added what we call a tag service between
13 Harrisburg International and St. Louis through Dulles,
14 100-seat aircraft, which we are using more than 50
15 percent. That gave us access back to what was the first
16 commercial air service this region had, to TWA and their
17 system. That has been a tremendous success for TWA and
18 for the airport. United Express has added a third flight
19 to Dulles. At a time when people can have access to other
20 international flights from one of their major hubs, United
21 at Dulles. Comair, which is Delta Express, has added a
22 fourth regional jet to Cincinnati, which is Delta's major
23 hub in the midwest.

24 Now to the major economic opportunities that we
25 have sought to accomplish in the last 12 months, really.

1 Purchase of two pieces of property, one is the Crawford
2 Station site, which is substantially in Middletown
3 Borough. There are some economic development and air site
4 development opportunities in this purchase by SARAA.
5 However, the major reason for that purchase was to
6 continue to support the growth of the Air National Guard
7 193rd Unit that we host at Harrisburg International
8 Airport. As we've gone through, and we'll mention the
9 master plan in a minute, but as we've gone through that
10 process, we have assumed the master plan with the Air
11 National Guard to put in place in mid-1995, and that
12 assumed that the airport would control Crawford Station
13 and make that available to the Air National Guard for
14 their future growth.

15 The purchase by SARAA of the Bethlehem Steel
16 property is one that is current news. There is, in your
17 package, a press release on this project, the resale of a
18 portion of the project to Gannett Fleming for a 106,000
19 square foot manufacturing facility. I'd like to just take
20 a minute to profile this because my background is economic
21 development and I get excited when municipalities and
22 economic development entities come together in a
23 cooperative effort.

24 Gannett Fleming, I'm sure as you know, is in
25 engineering, but they also have a manufacturing component

1 to them. They are in two facilities now. They are
2 looking to move approximately 90 employees to this site.
3 Potential growth of 35 employees over the next five
4 years.

5 What's so exciting about this is the facility
6 sits in Lower Swatara Township, but as we've gone through
7 it, Highspire Borough in Dauphin County has also been part
8 of the approval process, and so we have two municipalities
9 working cooperatively together to approve this project.
10 There have been no less than three economic development
11 entities that have participated in this process at various
12 levels. Dauphin County Office of Economic and Community
13 Development has applied to the Department of Community and
14 Economic Development for a \$6 million bond issue to
15 finance the structure itself. The Capital Region Economic
16 Development Corporation applied for and received approval
17 for a \$400,000 infrastructure grant for the project, and
18 the city of Harrisburg is applying as the sponsor for the
19 enterprise zone, this project is in a State designated
20 enterprise zone, for tax credits for the project.

21 SARAA purchased the Bethlehem Steel site with
22 the knowledge that we only needed about 30 acres for
23 airport development, and also with the knowledge that
24 Gannett Fleming needed this site, and we worked diligently
25 to make this project a success. As I said in the notes, a

1 portion of the property, about 16 acres, is in a KOZ. We
2 continue to actively market the property, and we look
3 forward to successfully selling the property to
4 manufacturers who will continue to add economic activity
5 to the region.

6 I wanted to very briefly present to you just
7 some of the basic materials that's in the blue package
8 here on our master plan. I'm not going to go through this
9 in any great detail, just respond to questions. There is
10 one thing, Mr. Chairman, that I specifically wanted to
11 point out on your behalf, knowing your love of
12 intermodal. If you turn to the HIA concept plan, which is
13 this depiction, it's the wonderful colors, you'll see
14 pretty much in the middle of the plan right at the base of
15 the airport connector road, there is a site that the
16 Commonwealth of Pennsylvania and PennDOT has retained
17 ownership of. It's a site that's been proposed for a
18 train station really to serve enhanced service by Amtrak
19 in the Harrisburg-Philadelphia corridor. We have been
20 part of this project since the very beginning. I'm not
21 claiming any credit by saying that, just that we're aware
22 of it and we want to support it.

23 As is noted there, we have, in our planning
24 process, identified a potential right-of-way for future
25 train station to terminal building access. This is a

1 project that we see being developed over the 20-year
2 timeframe of this master plan, and we look forward to
3 working with the MPO and with Amtrak and PennDOT to make
4 it a success.

5 The master plan, just very briefly, has been
6 driven by three factors. Number one, tremendous passenger
7 growth, and if you look at the fourth page you can see
8 some of the numbers there, we currently have, it's a typo
9 here, it's actually 740,000 enplaned passengers at HIA.
10 Our projections are, on a conservative growth pattern, to
11 be at 1.2 million in 2018. That would drive our terminal
12 building to increase from to 136,000 square feet today to
13 220,000 square feet in 2018; 7 jet gates to 18 jet gates.

14 As you can see, cargo is a very major component
15 of what we plan for. We see easily a tripling of the
16 cargo demand in the region, and as you look at the plans
17 for HIA, you can see there that we have allowed a
18 significant amount of land, of what we consider very
19 valuable commodity land in an airport, to serve the
20 community in this way.

21 The Capital City numbers you can see there,
22 53,000 operations this year, going to 63,000. There isn't
23 really a significant amount of capital investment that's
24 required at Capital City Airport. I would ask you just to
25 turn briefly to the back of the blue presentation, if you

1 will. There are two sheets there that I just wanted to
2 refer you to. One is the master plan cost estimates.
3 Looking at Phase 1, which is the next five years,
4 including 1999, the airport is needing to finance
5 approximately \$61 million worth of projects. You can see
6 that there's about \$2 million in Capital City, and the
7 balance at Harrisburg International Airport. By far the
8 largest single investment is in the terminal building
9 complex. That includes terminal expansion and parking and
10 access facilities at HIA.

11 How do we fund that? If you turn over, and
12 don't be confused by the total line items here, \$87
13 million includes some assumed private investment at HIA
14 and Capital City Airport over a five-year window, but you
15 can see that we have plugged in quite a diversity of
16 financing opportunities, one of which is the capital
17 budget in the amount of approximately \$5 million. And
18 this is really the point that I would like to make with
19 the committee today. It's been quite easy for airports
20 like Pittsburgh and Philadelphia to come to the
21 Commonwealth and attract hundreds of millions of dollars
22 of capital items. I think as you go back to your
23 districts and you ask your airports of like size, it's
24 very difficult for us to attract similar amounts of
25 money. And airports such as Erie, Lehigh Valley,

1 Scranton/Wilkes-Barre, Harrisburg International, all are
2 looking at major capital programs over the next 5 to 10
3 years and are seeking much more significant numbers than
4 \$5 million. We see this as a real problem. It's not
5 necessarily addressed in the process of the capital
6 budget. We can't wait to implement a project. We really
7 must know that the financing is there. The capital budget
8 process is not a known factor, and so we're really hoping
9 to put together, with our sister airports, a process where
10 we can come to you as legislators and ask you for special
11 treatment for capital projects moving forward.

12 Thank you for the time, and excited about
13 working with you.

14 CHAIRMAN GEIST: Well, thank you very much. You
15 know that's my pet project, to combine the modalities at
16 HIA. I recently had the opportunity of questioning
17 Amtrak's president on why you couldn't buy one ticket at
18 an Amtrak station and get off at HIA and fly anywhere in
19 the United States, and he informed me that you guys are
20 working on that.

21 I have a question about the master plan though.
22 In building 5, which is marked as a 3,000 space parking
23 garage.

24 MR. HOLDSWORTH: Yes.

25 CHAIRMAN GEIST: When is that going to be

1 built?

2 MR. HOLDSWORTH: In the first, the total 3,000
3 over a 20-year period. The first 500 spaces in the first
4 five years.

5 CHAIRMAN GEIST: Wouldn't it be logical to build
6 a building extension there over the tracks to put your
7 multimodal train station, bus, taxi right there, rather
8 than a separate facility across the tracks?

9 MR. HOLDSWORTH: I think the problem with the
10 Amtrak site is it's pretty constrained at this time.

11 CHAIRMAN GEIST: No, I understand that.

12 MR. HOLDSWORTH: I'm not sure -- I'm not trying
13 to be difficult, but you're talking about us moving the
14 Amtrak facility to our side of the railroad track?

15 CHAIRMAN GEIST: Absolutely.

16 MR. HOLDSWORTH: That's an opportunity. There
17 is a limited amount of acreage on our side of Airport
18 Drive.

19 CHAIRMAN GEIST: And then the other point that
20 interests me is when we had the BA presentation with Liz
21 Voras and they talked about the total number of acres
22 needed to support the operation, they stated that you need
23 an additional 6,000 acres, and I didn't see any money in
24 that plan for land acquisition.

25 MR. HOLDSWORTH: The physical constraints that

1 Harrisburg International Airport struggles with are many.
2 Obviously the river, which in other locations airports are
3 planning multi-billion dollar projects along the river and
4 base.

5 CHAIRMAN GEIST: Correct.

6 MR. HOLDSWORTH: We have not taken that tack.
7 We have, in the master plan, assumed that we can work
8 within the acreage that we own or have just recently
9 acquired, and that has been the gist of our plan.

10 CHAIRMAN GEIST: And then also in this plan,
11 years ago we were approached in the commission to extend
12 the entrance road to the airport, and actually build
13 another bridge across the Susquehanna into York County.
14 Has that plan died, or it just didn't make this drawing?

15 MR. HOLDSWORTH: We have basically assumed all
16 the off-site infrastructure being in place over the next
17 20 years and have not gone to the MPO or any of the other
18 transportation agencies asking for an additional bridge. I
19 think that's a much bigger issue than just the airport.

20 CHAIRMAN GEIST: Best guess estimate, when can I
21 buy an Amtrak ticket in Altoona and get on an airplane in
22 Harrisburg?

23 MR. HOLDSWORTH: I would say that's probably at
24 least a five-year timeframe now. And it's not because
25 we're being resistant to the process. We very much have

1 embraced the fact that we want a train station there. On
2 paper it might appear as if there's competition between
3 ourselves and Amtrak. We only enplane about 2,000 people
4 a year going directly to Philadelphia. It's not a major
5 issue for us.

6 CHAIRMAN GEIST: No, the Harrisburg Airport then
7 would become, for those people that live in Montgomery
8 County or those people who live in Blair County, would
9 become the airport of choice if you could buy a ticket,
10 one ticket for less than the cost of on-ground parking in
11 Pittsburgh or Philadelphia and you don't have to park your
12 car and walk half a county away to get there. The
13 advantages are so obvious to the huge population, and this
14 is actually eastern Pennsylvania, Harrisburg. Those of us
15 in Altoona know that we're central Pennsylvania. But for
16 us to get from central to eastern Pennsylvania, and for
17 those people who live in eastern Pennsylvania to get to
18 your airport becomes a huge base of people who could fly,
19 and I don't ever see it showing up anywhere.

20 We don't have an airplane that goes east out of
21 Altoona. We're captive. We have to fly to Pittsburgh or
22 we have to drive to State College.

23 MR. HOLDSWORTH: Actually we pick up, Altoona is
24 a portion of our service territory, as is State College.

25 CHAIRMAN GEIST: Right.

1 MR. HOLDSWORTH: Great competition that we have
2 to the south is BWI.

3 Let me clarify I think for a moment what you
4 asked, and I think what I was referring to was the
5 physical connection between the terminal building and the
6 train station.

7 CHAIRMAN GEIST: Right.

8 MR. HOLDSWORTH: In our conversations with
9 Amtrak, with PennDOT, we've offered and continue to offer
10 to connect the train station via our courtesy vans that
11 run the airport constantly with the terminal building.
12 Not the physical connection certainly that someday in the
13 future would be prudent. But certainly an ability to
14 connect the two modes of transportation in a way that
15 you're talking about a three to five-minute bus ride.
16 That would be available immediately. As soon as the train
17 station is built, we can provide that opportunity.

18 CHAIRMAN GEIST: It's just inconceivable that we
19 talk multimodal, you have the turnpike, the main line of
20 the railroad, an interstate highway and an airport, and
21 you can throw a baseball, a Little Leaguer can throw a
22 baseball and hit them all and you can't get off, you can't
23 get connected there.

24 I mean, if we're going to talk the game, then we
25 ought to start really getting into the game. And this

1 thing just keeps kicking around. I fully supported and
2 totally supported what you've done down there, and I think
3 it's wonderful, and I just would hope that next year we
4 can purchase a ticket in Altoona and get off in Harrisburg
5 and fly to wherever we want to go.

6 I got to tell you something, driving 22 from
7 Altoona to Pittsburgh Airport is a death march.

8 MR. HOLDSWORTH: I lived in that area. I know
9 what you're speaking to.

10 CHAIRMAN GEIST: When we have people from
11 Altoona that their airport of choice now is Baltimore,
12 you're missing a tremendous market in our part of the
13 State.

14 MR. HOLDSWORTH: Just to respond to what you're
15 talking about, as we look at the market that Harrisburg
16 International Airport should serve, we are way under in
17 our plane numbers. When you compare us to the national
18 average, the national average per capita for enplanements
19 is about 1.6 enplanements for an airport of this size per
20 capita. Our service territory is about 2 million, and you
21 can see we're only servicing about 750,000 people.

22 CHAIRMAN GEIST: So you have nowhere to go but
23 to grow.

24 MR. HOLDSWORTH: Absolutely.

25 CHAIRMAN GEIST: And if Fred would build that

1 darn train, you could do it a lot faster.

2 MR. HOLDSWORTH: Absolutely.

3 CHAIRMAN GEIST: All right, anybody have any
4 questions?

5 REPRESENTATIVE MUNDY: I do, Mr. Chairman.

6 CHAIRMAN GEIST: Phyllis.

7 REPRESENTATIVE MUNDY: Thank you.

8 Actually, the first testifier this morning I
9 asked the question about passenger service aviation wise,
10 and my friend Steve Stettler indicated to me that you are
11 the whiz when it comes to building ridership for the
12 airport, and I'm very interested in how you went about
13 doing that. Do you have any suggestions for us in
14 northeastern Pennsylvania with the Wilkes-Barre/Scranton
15 Airport? We have poor service, I think, we have high
16 charges to fly from Avoca to Pittsburgh, Avoca to
17 Philadelphia to make connections south, west, wherever we
18 want to go, and I'm wondering, obviously that's because
19 there's no competition. I'm almost to the point where I'm
20 willing to subsidize an airline to serve our airport so
21 that we can create some competition between airlines so
22 that they don't gouge us the way they do. But I just
23 recently came in to Avoca from Pittsburgh on 140-passenger
24 plane, there were 14 of us on the plane. Now, why they
25 were using that size plane, I can't tell you, and I kept

1 waiting for my flight to be cancelled, but as I was on the
2 plane I was talking to a woman who travels on business
3 frequently and she told me stories about having to be at a
4 meeting out west and having her flight cancelled and it
5 wasn't going to leave until the next day. So I'm really
6 interested in how, obviously for economic development that
7 stinks. I mean, no CEO is going to put up with conditions
8 like that, and I'm wondering what we can do. How do we
9 get increased ridership? Do we get all of our CEOs from
10 all of our major companies together and get them to commit
11 a certain amount of traffic to that airport? Do you have
12 any suggestions for us?

13 MR. HOLDSWORTH: You've touched a lot of issues,
14 some of which airports and communities have control over
15 and some of which we don't. The Commonwealth is blessed
16 and cursed at the same time with U.S. Airways, and I think
17 you've referred to them without naming them. U.S. Airways
18 has, I think, through their purchase of Allegheny many
19 years ago, basically a monopoly on the Commonwealth. Two
20 of their major hubs obviously are in the Commonwealth,
21 Pittsburgh and Philadelphia. They are an incredible
22 economic engine for this Commonwealth. But at the same
23 time, as you have indicated, there is no competition. And
24 I think personally that's the key to creating better
25 opportunities for service in our respective communities.

1 We sort of have had things dropped in our laps,
2 I mean, TWA and some of the other things, or just because
3 the airlines have sort of paid attention a little bit more
4 to HIA, seen it as an opportunity in added service.

5 REPRESENTATIVE MUNDY: But is that because of
6 increased ridership?

7 MR. HOLDSWORTH: Yes.

8 REPRESENTATIVE MUNDY: How did you get that
9 increase ridership? Just population growth? Do we have
10 to wait for that in northeastern Pennsylvania?

11 MR. HOLDSWORTH: I think it's partly that.
12 We're just getting started on a two-prong market
13 approach. One is to the traveling public, I think. This
14 fall you'll be seeing a lot of billboards and other mass
15 marketing efforts on our behalf to attract more of the
16 traveling public. The image is out there that HIA, and
17 I'm sure it's the same with Scranton, it's expensive to
18 fly through these airports, when in fact if you book 21
19 days in advance and stay over a Saturday, sometimes it's
20 more competitive or cheaper to fly out of some of these
21 smaller airports. The airlines have recognized that
22 there's is an efficiency to attract leisure travelers
23 through the local airport.

24 On the other hand, the people that they
25 recognize are the major customers, and our numbers are

1 about 65 percent business traveler, and I would venture to
2 guess. Scranton is probably in the same league, they
3 recognize that the business traveler is going to
4 Harrisburg or coming from Harrisburg because they have
5 business to transact there and they don't have to discount
6 to travel. It's a shock to you and I when we get on
7 airplanes and they're half empty, and yet it costs \$250
8 one way to go to New York City on a 35-minute flight,
9 okay? You would think they would want to drop the price
10 and fill the plane. How they are sophisticated, I don't
11 know, but they are very sophisticated in yield
12 management.

13 CHAIRMAN GEIST: Explain how they can charge so
14 much to go between Harrisburg and Pittsburgh.

15 MR. HOLDSWORTH: And have one person sitting in
16 the seat next to you paying \$700, and you paid \$200
17 because you booked 21 days in advance? All the major
18 airlines, and a lot of the smaller airlines, have very
19 sophisticated computer systems where they continually
20 monitor the ticket purchases in city pairs and they can
21 look at a flight between Pittsburgh and Harrisburg or
22 Pittsburgh and Scranton and say, okay, if we discount four
23 seats on that flight, we know we're going to fill up the
24 rest of the airplane with business travelers. They are in
25 the business to make money, and that's the conflict

1 between us as communities and airports and them as
2 airlines. They want to make money. Their shareholders
3 want them to make money for the shareholders. So they're
4 going to make as much money on a route as they possibly
5 can, and they have very sophisticated models to do that.

6 I think the challenge that airports have, and
7 there are very few airports out there that are really
8 doing this, but as sophisticated as airlines are, they are
9 also, and their staff are also, under tremendous pressure
10 to not make mistakes. U.S. Airways has made some really
11 incredible mistakes this summer, and they've paid dearly
12 for it. In not having their equipment on-line, in having
13 crews out on training at the peak time of their season,
14 and so our enplanements are off, their enplanements at HIA
15 are about 25 percent, which is what they're experiencing
16 systemwide.

17 But what you have to do with the airlines is you
18 have to go and make a business case to them which says, on
19 these two city pairs, we think you're going to make money,
20 here's how much money, here's the level of service, i.e.
21 the number of flights per day at certain times, here's the
22 equipment. We can't do that. We're not sophisticated
23 enough. We're not a large enough airport to have that
24 staff capability in-house, and so we've gone and hired an
25 expert, consultant who can go out and look at our

1 community, tell us how many people are actually going to
2 Baltimore and flying from there.

3 I'll give you an example of one of the most
4 underserved markets from Harrisburg. It's Orlando. There
5 are 500 seats per month direct flight to Orlando out of
6 HIA. It's one flight on Saturday morning. There are
7 4,000 people flying from HIA to Orlando every month. So
8 there is a tremendous opportunity there for direct
9 service. What we don't have our handle on is how many
10 people are driving to Baltimore and taking Southwest or
11 Metrojet to Orlando? You can easily double the number and
12 you're not at all exaggerating.

13 But I think the key is to get your airport to
14 start to focus on how you can attract airlines, especially
15 a discount airline. If you get a discount airline into
16 your airport, it changes a lot. And it doesn't have to be
17 a Southwest. There are a number of air carriers out there
18 who are smaller, who are very aggressive but are well
19 capitalized and can provide service to major markets. The
20 challenge that they have is that as the traveling public
21 books a flight, 9 times out of 10 as a business traveler
22 you're going to look at how many miles you can get, you
23 know, free travel. That's a real challenge for some of
24 the discount carriers because they don't offer that. They
25 are offering the low ticket. That's where you start to

1 talk about your community leaders. That's where community
2 leaders, in guaranteeing people in seats, that's where
3 that comes to play.

4 REPRESENTATIVE MUNDY: Thank you.

5 MR. HOLDSWORTH: And we've just started that
6 process. We have just started the process. We've just
7 hired a consultant and we're just starting to talk to the
8 airlines. It's a three- to five-year process, but there
9 are some real tremendous success stories out there of
10 communities who have transformed their air service by
11 being aggressive and going after the airlines.

12 REPRESENTATIVE MUNDY: Thank you.

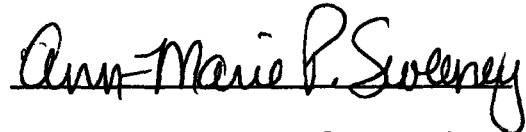
13 CHAIRMAN GEIST: David, thank you very much.

14 MR. HOLDSWORTH: Thank you, sir.

15 CHAIRMAN GEIST: We're going to adjourn until
16 tomorrow morning, and we want to thank everybody for their
17 participation today. This was a great day of testimony.

18 (Whereupon, the proceedings were concluded at
19 3:45 p.m.)
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1 I hereby certify that the proceedings
2 and evidence are contained fully and accurately in the
3 notes taken by me during the hearing of the within cause,
4 and that this is a true and correct transcript of the
5 same.

6
7 

8 ANN-MARIE P. SWEENEY

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