

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

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

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

10 Thursday,  
 11 September 16, 1999  
 12 10:00 a.m.

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14 HON. RICHARD A. GEIST, CHAIRMAN, TRANSPORTATION COMMITTEE  
 15 HON. GEORGE C. HASAY, CHAIRMAN, COMMERCE & ECONOMIC  
 16 DEVELOPMENT COMMITTEE

17 MEMBERS OF HOUSE OF REPRESENTATIVES

18 Hon. David Argall	Hon. Joseph Petrarca
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24 Hon. Dennis Leh	Hon. Jere Strittmatter
25 Hon. Phyllis Mundy	Hon. Thomas Tangretti

26 Also Present:

27 Eric Bugaile, Majority Research Analyst, Transportation  
 28 Paul Gnazzo, Majority Research Analyst, Transportation  
 29 Paul Parsells, Minority Executive Director, Transportation  
 30 Jodie Stuck, Majority Research Analyst, Commerce  
 31 David Krantz, Minority Executive Director, Commerce  
 32 William Andring, Minority Counsel, Commerce

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1           CHAIRMAN HASAY: Good morning. The hour of 10  
2 o'clock having arrived, the House Transportation and the  
3 House Commerce Committee will come to order.

4           The hearing this morning starts out with Mr. Dan  
5 Mazur, the Assistant Vice President for Strategic Planning  
6 of the Norfolk Southern Corporation. Is Mr. Mazur here?

7           MR. TIMMONS: No, he's not, but I am. I am Rich  
8 Timmons here in Harrisburg, and I will speak along with  
9 two of my colleagues, Mr. Roger Bennett and Mr. Bill  
10 Schafer.

11          CHAIRMAN HASAY: Okay, welcome.

12          MR. TIMMONS: Thank you very much.

13          Good morning, Mr. Chairman. It is a privilege  
14 to be here this morning to address this joint committee as  
15 they consider the vitally important subjects of economic  
16 development and the essential linkage of that development  
17 to transportation in the Commonwealth. Mr. Jim McClellan  
18 and Dan Mazur both send their regrets. They expected to  
19 be here today, but the hurricane has gotten in the way of  
20 their travels, and so with me today is Mr. Roger Bennett,  
21 on my left, who is the Director of Industrial Development  
22 for this region, and on my right is Mr. Bill Schafer, who  
23 is the Director of Corporate Affairs for the region. Both  
24 reside here in Pennsylvania and both I think some of you  
25 have had dealings with in the past.

1           My theme today will focus on growth and the  
2 building of the infrastructure needed for that growth, and  
3 I will briefly comment on the broad NS vision for the  
4 future in Pennsylvania. But I must first start with the  
5 question on all of your minds, I'm sure, which is when  
6 will Norfolk Southern's service return to normal? That  
7 question is very complex, but we believe that we must deal  
8 with the problems that face us today before we can devote  
9 full attention to the future.

10           To begin with, let me publicly thank members of  
11 the legislature, other State agencies and departments, and  
12 our customers for your continued patience and  
13 cooperation. I am all too well aware that NS has  
14 experienced numerous service failures in the Conrail  
15 acquisition process. That has hurt many in Pennsylvania,  
16 from shippers to railroad employees to Amtrak passengers.  
17 Now this is not how we envisioned paying you back for the  
18 great support that we received for the Conrail  
19 transaction. I know our' faulty integration surprised many  
20 of you, as it frankly surprised me as a relative newcomer  
21 to Norfolk Southern.

22           So what happened? There is no single good  
23 answer but rather a combination of things that have upset  
24 the balance of our system. You all know how entry called  
25 and complex a large transportation network is and how

1 difficult it is to restore balance once it goes off-key,  
2 and in this particular case it went off-key very early.  
3 We experienced problems with our information systems, were  
4 confronted with crew calling difficulties, and then  
5 problems with our operating plan became immediately  
6 apparent mostly likely stemming from last minute new  
7 customer demands that impacted our operations. Clearly in  
8 some cases we simply miscalculated the intricacies of the  
9 system we inherited and its demands.

10 I could speak to you for hours with the lessons  
11 of hindsight. For example, we might have been slower  
12 to convert some Conrail procedures to NS on day one. We  
13 might have done more training with our new employees, and  
14 we should have done it sooner. And we might have had  
15 better information technology controls in place that had  
16 been better melded with the Conrail software.

17 Our experience warned us that integration of an  
18 entity as large as Conrail relative to the former NS would  
19 be an enormous challenge. We knew that and we spent  
20 millions to prepare drawing on the lessons from the Union  
21 Pacific and Southern Pacific meltdown two years ago. We  
22 did have contingency plans. Even so, we still fell way  
23 short. Nevertheless, with Y2K just around the corner, we  
24 felt that computer systems integration had to be done as a  
25 priority, and I remain convinced that the concept of

1 integrating sooner rather than later will prove to be an  
2 important advantage for the future. While painful, we  
3 believe that the worst of the problems are behind us, and  
4 with important exceptions, we now have compatible  
5 systems. Most importantly, we have systems that are ready  
6 for the new millennium. This is not to imply that  
7 significant challenges will not continue to confront us or  
8 that service will return to normal in the near future.  
9 The process we embarked on is one of incrementalism, and  
10 there just is no silver bullet to generate overnight  
11 fixes.

12 But I will say that once the problems were  
13 identified, Norfolk Southern did take not very long to  
14 respond. We redeployed locomotives and crews from other  
15 parts of the system. We accelerated hiring and training.  
16 We borrowed and leased locomotives, and we now have  
17 another 400 locomotives in a lease condition. We used  
18 shortline and regional carriers for switching and for new  
19 through routes. We reactivated the Conrail yards that had  
20 seen little use in recent years. We even reactivated  
21 employees as well as calling back retirees. All of these  
22 efforts continue today.

23 The transaction did produce a number of  
24 benefits. Rates for a number of Pennsylvania customers  
25 were reduced, and many got new service options. For

1 example, some Pennsylvania utilities are now receiving  
2 coal at reduced transportation rates, and coal from the  
3 Mon Valley is moving to southeastern utilities. And it is  
4 abundantly clear that business is out there. Our  
5 shortline partners, marketing personnel and customers,  
6 leave no doubt about that.

7 As many of you know, NS made huge investments in  
8 anticipation of the Conrail transaction. Of particular  
9 benefit to Pennsylvania customers were the following: The  
10 upgrade of the Sunbury line; sitings and improved signals  
11 on the Hagerstown line; new intermodal terminal underway  
12 in Rutherford Yards; improvements to the Canadian Pacific  
13 capital interlocking; rail on the Buffalo line; a new  
14 Bethlehem intermodal facility; Erie 19th Street track  
15 relocation, and some donation of real estate; Pattenburg  
16 tunnel increase; the purchase of 60 new GE locomotives  
17 from Erie, and then their manufacture in Altoona; and  
18 numerous other projects programmed in the Norfolk Southern  
19 capital budget.

20 Overall, NS has spent well over a half a billion  
21 dollars in added infrastructure improvements, yet it still  
22 fell short of the needs that we require today. How did  
23 this happen and what are the lessons we have learned?  
24 Probably the most important thing we have learned is the  
25 importance of having extra capacity in place when the

1 unexpected occurs. Another valuable insight is that even  
2 good plans and preparation can unexpectedly unravel. NS  
3 had a good sunny day plan, but it was not robust enough to  
4 be able to handle the widespread problems almost from day  
5 one. It is impossible to provide quality service with a  
6 railroad that is running overcapacity. Things do go  
7 wrong, and there has to be some wiggle room. Too often  
8 today that wiggle room does not exist for us.

9           Unfortunately, our contingency planning was  
10 flawed, and in my estimation we were overconfident and  
11 possibly complacent in this process.

12           Now the future of our railroad will be  
13 determined by how well we meet three specific challenges:

14           First, we need to grow the business. Wall  
15 Street wants growth, and the country will have to depend  
16 on railroads more in the future, because it is  
17 increasingly difficult to add capacity to the highway  
18 system.

19           Second, to grow the business, we must offer much  
20 better service. Obviously, we have taken a step backward  
21 from that goal with the Conrail implementation. The  
22 diversion to highway was swift and substantial. Service  
23 counts above all else except safety.

24           Third, we must earn an adequate return on  
25 investment. Not only must we take care of operating



1 expenses for the railroad, but we must commit to capital  
2 spending for infrastructure and equipment, and we must pay  
3 off the debt that we incurred for this acquisition.

4 So how do we plan to resolve these issues and  
5 meet the challenges of the future? At NS we are  
6 concentrating on five key areas:

7 We are systematically identifying any remaining  
8 bottlenecks in the system, and we are looking at our own  
9 network, as well as the networks of connecting shortlines  
10 and regional carriers, to determine the most efficient way  
11 to increase capacity.

12 We are making certain that we do not sell off  
13 rail lines that we might need in the future. We are  
14 focused on potential through routes and routes in urban  
15 areas.

16 We are seeking public funding for some  
17 infrastructure projects, and it's worth noting that NS was  
18 the only Class 1 carrier in the United States to use ISTEA  
19 funding in that regard.

20 We are being very protective of capacity in  
21 terms of our relations with Amtrak and commuter  
22 transportation. The days of surplus capacity are largely  
23 over.

24 And we are reviewing what we are handling and  
25 how we are handling it to make certain that capacity is

1 used to produce the best bang for the buck.

2           These initiatives are an azimuth that chart a  
3 course for future growth and service reliability for the  
4 future. But let me stress that we have always looked at  
5 our entry into Pennsylvania as a new player joining the  
6 team. That team consists of our customers, the State  
7 government and its agencies, the shortline and regional  
8 railroads, and the communities in which we operate. The  
9 team has enormous potential for economic success if  
10 harnessed and focused towards goals that benefit the  
11 members.

12           Our future success is directly tied to the  
13 interaction of the team. State economic policies,  
14 legislation and regulation, funding, taxes, and the  
15 employee base all affect railroad economics and our  
16 capacity to contribute to the team's forward momentum. To  
17 date, we have enjoyed remarkably tolerant customers, State  
18 agencies and officials who have bent double to work with  
19 us, most notably PennDOT and the Public Utility  
20 Commission, shortline and regional railroads that have  
21 eased our current difficulties and been magnanimous in  
22 every issue. But I must be frank. The recent PURTA  
23 legislation has dealt the railroads in Pennsylvania a  
24 heavy blow, and that coupled with existing capital stock  
25 and franchise and corporate net income taxes as well.

1 These conditions joined with other capital budget  
2 eliminations in this past capital budget disadvantage  
3 railroads in the highly competitive transportation world.  
4 Remember that railroads are privately funded, unlike  
5 roadways, ports and airfields. It is apparent to me that  
6 the pressures of the financial and commercial marketplaces  
7 will force major rail carriers to think and act outside  
8 the box in the months and years to come.

9 Let me also point out that we are probably about  
10 a year or so behind our original projections for projects  
11 and activities in the Commonwealth and in other States  
12 that came our way in the acquisition of Conrail. As you  
13 may recall, most of our planning was linked to a 1998  
14 split date of Conrail between NS and CSXT. This was  
15 delayed until past summer. And so activities have been  
16 delayed, and a reassessment of priorities and needs is  
17 underway. However, first things first, and the service  
18 problems of the moment must take priority.

19 In closing, I would like to congratulate the  
20 Commonwealth for its forward thinking and progressive  
21 attitudes toward railroads. No State has a more  
22 illustrious rail tradition, and you have shown yourself to  
23 be a leader among States. You have supported an extensive  
24 shortline network and have invested in improvements in the  
25 tracks of those lines. And that investment played a key

1 role in NS's ability to avoid gridlock early on in the  
2 Conrail acquisition, as these lines provided much-needed  
3 extra capacity. Your funding of the doublestack clearance  
4 route through the State, coupled with Bethlehem and  
5 Rutherford intermodal yards, is going to make Pennsylvania  
6 the hub of northeastern intermodal traffic, with  
7 doublestack service in all directions from Harrisburg. No  
8 other road rivals that visionary investment.

9 With initiatives such as these, the Pennsylvania  
10 team is demonstrating the right stuff for our businesses  
11 and communities. All of us at NS look forward to working  
12 with Pennsylvania to develop the infrastructure, the  
13 relationships, and seizing opportunities needed for growth  
14 into the 21st century.

15 Mr. Chairman, thank you for your forbearance  
16 and patience in receiving these remarks, and now we are  
17 prepared, I hope, to answer any of your questions. Thank  
18 you very much.

19 CHAIRMAN HASAY: The Chair thanks the  
20 gentleman.

21 Chairman Geist, comments.

22 CHAIRMAN GEIST: Boy, I got lots of comments.  
23 This is not the kind of paper I expected from Norfolk  
24 Southern. I have in this file (indicating) a list of all  
25 your press releases for the last three years, and this is

1 a radical departure from those press releases.

2 Let me ask a few questions. First of all, on  
3 Amtrak, there's a client base in Pennsylvania that is  
4 extremely upset with Norfolk Southern's blocking the  
5 Amtrak trains from keeping their schedules. When do you  
6 see that being alleviated, and will Norfolk Southern be  
7 working with Amtrak and the people who ride Amtrak to see  
8 if that railroad can run somewhat on schedule?

9 MR. TIMMONS: Let me make a quick observation  
10 about that and then turn this over to Mr. Bill Schafer,  
11 who works in that area. It is very apparent to us that  
12 we've got blockages on the systems and we're holding  
13 Amtrak trains up for extended periods of time, which are  
14 truly an inconvenience to the customers. This is not a  
15 condition that we're proud of, and obviously we're working  
16 hard to fix it. In terms of predicting when we might be  
17 able to return service to normal, I'm not sure that's an  
18 easy prediction based on surging traffic that we expect to  
19 come this fall and the problems associated with continued  
20 congestion.

21 But let me ask Bill Schafer to comment on that.

22 MR. SCHAFFER: Rich is right. And it is no  
23 secret, if anybody's ridden Amtrak since June 1, that the  
24 Amtrak trains that Norfolk Southern operates across  
25 Pennsylvania, and indeed all the way to Chicago, have had

1 on-time problems. To a lesser extent they're experiencing  
2 similar on-time problems on CSX as well.

3 I personally track the delays every day, and I  
4 report these delays directly to our offices in Norfolk.  
5 That information is getting attention at the highest  
6 level, I can assure you. And I have ridden Amtrak a  
7 number of times across the Commonwealth to see for myself  
8 the nature and types of delays that are occurred. It is my  
9 belief, based on what I read and what I've experienced,  
10 that we are not intentionally delaying these trains.  
11 Whenever, for example, they get stuck behind a freight  
12 train, at their earliest opportunity they are sent around  
13 them to go the other way, but inevitably there is another  
14 freight train up ahead of you that is stopped or going  
15 slowly that tends to slow it down.

16 The question about when will it get better? I  
17 wish I could answer the question. I don't know.

18 CHAIRMAN GEIST: Bill, yesterday CSX and others  
19 in their testimony said that the problem that they didn't  
20 realize that when they bought the railroad was the  
21 inadequacy of the yard capacity on Conrail and the ability  
22 to make up trains and send them through, and CSX is now  
23 making up trains way ahead of schedule and sending them  
24 past yards. Is Norfolk Southern doing the same thing, or  
25 are you looking at yard capacity, or what are you doing in

1 anticipation of moving, as the gentleman says, the fall  
2 freight when we really start picking it up?

3 MR. SCHAFER: The patterns after day one changed  
4 sufficiently, but I think simply that a lot of the yards  
5 and the methods that we were using to organize the freight  
6 in the yards, the capacity, whatever you want to call it,  
7 has been inadequate to handle that. We have made a lot of  
8 progress. I can remember early in the transaction how bad  
9 Conway Yard was. Conway is virtually fluid now. But it's  
10 the kind of thing that -- it's the sort of thing that kind  
11 of we'll fix a problem in one place and you'll find it  
12 cropping up somewhere else.

13 Part of the talk that I have heard is to  
14 increase the capacity we have at different yards.  
15 Rutherford Yard that we're working on right now will be a  
16 big, big help in this respect as far as capacity is  
17 concerned. We're doing similar things to what you  
18 described CSX doing as far as organizing trains early,  
19 getting them out early, largely from an intermodal  
20 standpoint. The intermodal terminals, the trains tend to  
21 get out of there right on schedule. Where they encounter  
22 problems is over the road because there are just so many  
23 other trains that are trying to get to this line or to  
24 that yard.

25 CHAIRMAN GEIST: Well, in yard capacity--

1                   MR. TIMMONS: Mr. Chairman, let me add to that,  
2 if I can.

3                   CHAIRMAN GEIST: Sure.

4                   MR. TIMMONS: There are several specific  
5 initiatives that are on the periphery of Pennsylvania that  
6 have an immediate impact on traffic throughout the State.  
7 You may or may not be aware of a recent decision by the  
8 corporation to invest in the re-opening of Bison Yard,  
9 which is in Buffalo. We have already decided to start  
10 opening Tiffs Yard, and we're fairly well along with  
11 that. So there are two new yards that will handle traffic  
12 on the Chicago line and the southern tier, and traffic  
13 coming up from Harrisburg.

14                   In addition, trains are being assembled over in  
15 Elkhart, Indiana, I believe, that will bypass the  
16 congestion at Conway and the congestion that crops up from  
17 time to time here in Enola by using the southern tier.  
18 Two weeks ago we eliminated six trains that were coming  
19 into Harrisburg specifically. Their freight would  
20 probably delay on the order of about 24 hours, but that  
21 would reduce the number of trains passing into these  
22 yards. A number of aggressive initiatives like that on a  
23 smaller scale at the division level I think will  
24 contribute to clearing this stuff up.

25                   CHAIRMAN GEIST: On to the mission of this



1 hearing. Intermodalism and the investment that the State  
2 has and our creating the atmosphere for prosperity to  
3 happen, whether it's the Keystone Opportunity Zones, the  
4 brownfields legislation, all these things are what we  
5 consider trump cards that have been handed to the Class 1  
6 railroads for true economic development. As a partner  
7 working with the railroads, when you mention Rutherford,  
8 for instance, there's a huge State component that's going  
9 to take place at Rutherford called highway access and how  
10 to move a bunch of trucks in and out of there  
11 efficiently. Yet we have not seen Norfolk Southern  
12 appearing at any of the previous 12-year hearings held  
13 around the State. Does Norfolk Southern plan to testify  
14 at each of those hearings where Norfolk facilities would  
15 impact with the State of Pennsylvania?

16 MR. TIMMONS: First off, let me plead ignorance  
17 on the specifics of the hearings. It's certainly not our  
18 intent to avoid any obligations that we would have in  
19 terms of impacting communities, and so if our thoughts and  
20 inputs to the 12-year plan are necessary and needed, by  
21 all means we'll be there and we'll provide our best  
22 thinking on that.

23 CHAIRMAN GEIST: In each of those areas there's  
24 an MPO or an LDD, which is local development districts.  
25 Norfolk Southern needs to participate in that planning

1 process. They need to become working partners, especially  
2 with the highway guys, the shortlines, and others as we  
3 need to bring these folks to the table with a really good  
4 intermodal plan, and that we haven't seen in years. The  
5 Department of Transportation needs to weigh economic  
6 development heavily in making decisions as to where we  
7 place liquid fuels dollars as an investment.

8 For example, you don't mention Pitcairn in any  
9 of your testimony. Pitcairn was a very large operation  
10 that was planned by Conrail in the past for intermodal  
11 truck pick-up and delivery. Has that been dropped from  
12 Norfolk Southern's radar screen, or is Pitcairn still  
13 planned?

14 MR. TIMMONS: Well, as you know, Pitcairn was  
15 about a \$5 million investment with Conrail probably four  
16 or five years ago. The truth of Pitcairn is that  
17 Conrail's expectations for Pitcairn were never fully  
18 realized. We inherited the best work that Conrail did,  
19 and while Pitcairn is an important facility on the system,  
20 it just does not handle the traffic that everybody hoped  
21 it would. In my own view, having been out there to look  
22 at it, probably one of the inhibitors is connected to road  
23 access.

24 CHAIRMAN GEIST: That's correct, and last year  
25 when the MPO in Pittsburgh gave their presentation, not

1 one word was mentioned about Pitcairn. And I really  
2 believe that that is the fault of the railroad for not  
3 working with their planning people to show the strategic  
4 importance of that and what it can mean to the region.  
5 We're really good at looking at old highway projects and  
6 what we need to do to fix them. We're very, very bad at  
7 any kind of visionary work to look at what we have to do  
8 in the future. And it takes us much longer to react to  
9 build a roadway access than it does for you to do the work  
10 that you would be doing in those yards.

11 So I would really strongly suggest that Norfolk  
12 Southern, CSX, and the shortlines, and that Brother  
13 McFarren and his troops become very strong participators  
14 in the MPO planning process, and in checking on who has  
15 votes on those MPO boards. It's hard for me to find any  
16 railroad that has a voting member on any of them. And if  
17 we're really going to be serious about economic  
18 development and if we're going to be very serious about  
19 really filling our brownfields and our KOZ zones, you're  
20 going to play a huge role in that. And I think that what  
21 we need to do now in this committee is not talk about your  
22 operating problems, because you're going to fix those. If  
23 you don't do that, then we're going to have Burlington  
24 Northern here.

25 What we really need to be talking about in this

1 hearing is what we're going to be doing about economic  
2 development and how Norfolk Southern is going to be  
3 playing with that and how you're going to be participating  
4 and working with this General Assembly as we go about the  
5 business of really seeding this area with very good  
6 companies and companies that are going to use railroads to  
7 ship with.

8           In the past we have watched huge warehousing  
9 facilities being built, never with any railroad access.  
10 We have these projects all over the State that come before  
11 the MPO that there's no real access. I've been asking  
12 these questions for 20 years on that commission as, well,  
13 have you considered this, have you considered that? And  
14 when you do, there's always a residual problem that comes  
15 with it.

16           When Wal-Mart built their facilities in  
17 Phillipsburg, Pennsylvania, that was wonderful. Now we  
18 have to build a bypass around Phillipsburg because of all  
19 the truck traffic. There's a big investment of State  
20 liquid fuels dollars that take place at all these  
21 facilities. In Altoona, my favorite little haunt is that  
22 we have that wonderful facility just north of your Juniata  
23 shops, but we need to build a four-lane access road off of  
24 Pinecroft off the interstate to open up the KOZ and that  
25 whole brownfields area, and once again after our

1 presentation from ABCD Corporation yesterday, we saw 700  
2 of the best development acres in Pennsylvania with water,  
3 sewer, and everything, but we don't have road access and  
4 we don't have a railroad plan in place to really make that  
5 a good industrial park. So I was hoping that you would  
6 comment on that and other areas of Pennsylvania in how you  
7 see the economic development taking place and how you see  
8 Moody Husband, who does an excellent job for you and Bill,  
9 I mean, these are good folks. These are the best that God  
10 puts on earth, and how they're going to contribute to  
11 Pennsylvania's future growth and the growth of the  
12 railroad. And that's the question that I have for you and  
13 for your economic development people.

14 MR. TIMMONS: Mr. Chairman, let me make a  
15 general observation on what you've said and then I'll ask  
16 Roger Bennett to provide some insights on some of those  
17 things.

18 First off, thanks for the insight on the MPO  
19 involvement. I don't think -- there are a large number of  
20 MPOs in this State. We have to be very selective, because  
21 obviously we can't cover them all.

22 CHAIRMAN GEIST: No, you also don't have access  
23 to a lot of them.

24 MR. TIMMONS: That's right. So we need to look  
25 at that, and we will. We'll try to figure out how to be

1 more proactive in that particular arena. As you know  
2 better than anyone, railroad economics are absolutely  
3 essential to the way railroads function. In other words,  
4 you've got to put your facilities where there are  
5 opportunities and where there is a return. There may be  
6 some very attractive environs to go in, but if the  
7 economic analysis is such that you can't make a return on  
8 it, it's hard.

9           The general philosophy which the railroads have  
10 attempted to avoid, assiduously avoid, is the "build it  
11 and they will come" approach. There must be some very,  
12 very solid business bases on which to invest the large  
13 capital expenditures necessary for railroads to go into an  
14 area. And I will tell you that there are probably a  
15 number of areas throughout the State that we need to  
16 review and take a look at in a very serious way and make  
17 some tough judgments. Some of those I'm confident will  
18 pan out. Some of them will be it's not their time yet.  
19 It may be in the future, but it is not their time right  
20 now.

21           So that is a little bit of a precursor. If  
22 Roger Bennett could make a few comments in that same  
23 vein.

24           MR. BENNETT: Thank you, Rich.

25           Our department is one of the first departments

1 that engaged in the northeast. We actually set up an  
2 office in Philadelphia back in 1997, almost two years in  
3 advance of the actual split date. We currently in our  
4 industrial development group have seven professionals that  
5 principally work in Pennsylvania. Looking at the  
6 expenditure by Norfolk Southern for just this group alone  
7 is in excess of \$900,000 a year.

8 Our group works hopefully as a partner with the  
9 people like the Governor's Action Team, people like Marty  
10 Marasco and ABCD Corporation to recruit and work within  
11 the expanding rail-served industries along our lines and  
12 the lines of our shortline partners.

13 The KOZ initiative in the State is probably a  
14 good very unique program. I know of no other State other  
15 than possibly Michigan that has that extensive of tax  
16 abatement program to encourage economic development.  
17 Norfolk Southern is the adjacent rail carrier to a number  
18 of these sites, including the sub zones in Altoona,  
19 Reading, Erie, and Hazleton. Office Max, I believe, is  
20 one of the first rail-served industries that has located  
21 in one of these KOZ zones, and I think that was  
22 significant in that announcement. And they will be a  
23 rail-served customer of Norfolk Southern.

24 We're also involved with the brownfields  
25 initiative. We're in a partnership with the Bethlehem

1 Steel on their Bethlehem Commerce Center. One of the  
2 first announcements that Bethlehem made there of course  
3 was their Bethlehem Intermodal Facility. We hope that in  
4 the future there will be additional announcements there.  
5 One of the keys to that will be enhanced infrastructure  
6 with the highway/rail connection there along Interstate  
7 78.

8 So we have had a number of opportunities already  
9 to work with industries expanding within the State and  
10 hope that we're able to become a viable partner with the  
11 other economic development entities.

12 CHAIRMAN GEIST: This General Assembly in the  
13 last 20 years, 21-plus years that I have been here, has  
14 been a wonderful friend to the railroad industry. When  
15 Conrail was struggling and they were on their knees, and  
16 this State was in terrible financial condition, this  
17 General Assembly stepped up to the plate and gave them  
18 hundreds of millions of dollars of tax credits if they  
19 reinvested that money into trackage in Pennsylvania and  
20 service to this community. We have a history of working  
21 as a partner with the railroad industry and we would look  
22 forward to doing that with Norfolk Southern. Norfolk  
23 Southern comes to this State with a reputation of being a  
24 company that is very independent of government and very  
25 nonworking with local government. And I think we're just



1 looking for the right smoke signals. When it comes to  
2 that kind of development and that kind of partnership in  
3 those areas, I know that Representative Dave Argall is  
4 probably the leading voice in this General Assembly for  
5 taking care of those old inner cities that have been  
6 abandoned and we've done a great job in this State of  
7 building the interstate highway system to bypass those  
8 communities. Now the only real service that we have in a  
9 lot of those communities is the Class 1 railroads linked  
10 to the shortlines. Now it's really incumbent upon us  
11 politically to create the atmosphere again so that Tom  
12 Tangretti and other people can help to locate businesses  
13 in those old worn-out cities, and those old worn-out  
14 industrial sites.

15 And we're about to commit to do that. Whether  
16 it takes us as a legislative body to write legislation  
17 telling PennDOT that they will have to do this, we don't  
18 know. We think it can be done without that. But we've  
19 got to take these sites and we have to create the  
20 transportation combinations of highway and rail to make  
21 them really cook. And if it does take us creating an  
22 industrial park without having it filled, I think there  
23 are ways to do that. But we're looking forward to working  
24 with you to do that.

25 Now in the past Norfolk Southern has made some

1 hearty claims about their ability to attract megabusiness  
2 to rail sites in the south. What plans does Norfolk  
3 Southern have in a labor State like Pennsylvania to show  
4 us that you can do that in Pennsylvania? I believe that  
5 your claim was six out of seven new car manufacturing  
6 facilities in the last 10 years were located on Norfolk  
7 Southern's lines, is that correct? Is that accurate?

8 MR. BENNETT: I'm not sure what the actual  
9 number is today, Representative. I think it's probably  
10 gone up with the new location of the new Honda facility in  
11 Lincoln, Alabama.

12 CHAIRMAN GEIST: I didn't want to say that.

13 MR. BENNETT: We work in partnership with all  
14 the States that we serve, we serve 22 States, so we try to  
15 work with Alabama, Georgia, and Illinois, all three final  
16 sites for the most recently cited assembly sites located  
17 off of Norfolk Southern lines.

18 And yes, it's a team effort. We're hoping to be  
19 a positive part of that team, but I think the business  
20 atmosphere in the State is very important, incentives are  
21 very important, available land is very important, so  
22 hopefully quality rail service is very important as well.  
23 So we hope to be here to provide quality rail service and  
24 do what we can to recruit companies such as the ones you  
25 mentioned to the northeast, and particularly to

1 Pennsylvania.

2 CHAIRMAN GEIST: We would hope that Pennsylvania  
3 is still the biggest State you serve with the most rail  
4 miles in it, and we would hope that we get the kind of  
5 attention in Pennsylvania that other States have received  
6 in the past from Norfolk Southern, and we're looking  
7 forward to working with you as a partner in making that  
8 happen. And I think that when you come to us with the  
9 Sunny Day moneys and everything else that we've set aside  
10 to have that instant impact, the State of Pennsylvania has  
11 a tremendous amount of tools to work with. And if you  
12 don't, come to us and we'll provide them. Because I think  
13 that's what our mission is about. Whether we're  
14 Republican or Democrat, we want to make our economy work  
15 and we want to make real manufacturing jobs out there that  
16 only a railroad and a highway can serve.

17 I have a bunch of other questions but I'm going  
18 to pass on those so that other members of this committee  
19 can ask questions because I know that there are other  
20 members of this committee that have questions, and I think  
21 that Representative Argall had questions.

22 MR. TIMMONS: Mr. Chairman, before we entertain  
23 Representative Argall's questions, let me make a comment  
24 at large about your observation about our inability or  
25 unwillingness to work with State governments. I'm

1 disappointed that that is our reputation, if in case  
2 that's -- if that's true, it's unfortunate. We don't  
3 believe that, and we'll strive hard to change that, if  
4 that is the case, and we'll do that through words and  
5 deeds as well.

6 I will tell you that the success of the  
7 southeastern United States in attracting business is part  
8 of a partnership that I mentioned earlier in my remarks.  
9 This is a coalition of effort and energy related to taxes  
10 and related to funding and related to legislation that  
11 makes the opportunities lucrative and beneficial to all  
12 parties involved. So we need to work at that in this  
13 region, and since we're brand new here, we may not know  
14 all the ropes, but we're quick learners and we'll get on  
15 with it.

16 CHAIRMAN GEIST: David.

17 REPRESENTATIVE ARGALL: In the interest of time,  
18 I'll limit myself to one question. I think you're getting  
19 the message that economic development remains perhaps the  
20 number one issue in most counties in Pennsylvania. We've  
21 seen some successes, the Office Max site that you  
22 indicated is I think in the top mile of my district that  
23 stretches for 50 miles from almost Reading but not quite  
24 because my neighbors here represent the city, and almost  
25 to the city of Hazleton, so it's a large rural area where

1 jobs is a critical issue. A lot of people were very  
2 nervous when this whole merger/acquisition discussion  
3 began. People in the shortlines, the Blue Mountain  
4 Reading is headquartered in my district. People in the  
5 economic development profession were very nervous, not  
6 just in Schuylkill and Berks but all across Schuylkill  
7 County. I know a lot of commitments were made, and I sat  
8 through many of the hearings that Chairman Geist presided  
9 over on this issue, and I guess when people tell me that  
10 we're still nervous about this, that the process is taking  
11 longer than it should have, how would you suggest I  
12 respond to my constituents and say, what are we going to  
13 do about this railroad issue? How can we insure that the  
14 changes that we're seeing are changes for the better so  
15 that we can begin to create more of those jobs that are so  
16 desperately needed in some of those pockets of high  
17 employment that are remaining in Pennsylvania?

18 MR. TIMMONS: In a general sense, it's perfectly  
19 understandable that the folks in these regions are  
20 probably somewhat disenchanted by the acquisition over the  
21 past 100 days. Clearly, the shortlines have had adverse  
22 impacts based on our service problems. Shippers and  
23 customers have been dissatisfied with the degree of  
24 service, the reliability of that service. That may be  
25 somewhat reflected in their comments to you. Our

1 initiatives, of course, are designed over time to return  
2 to a normal state of service and dependability. The  
3 business that we are focusing on, which is trying to grow  
4 railroad business, will come once we can demonstrate and  
5 once we are clear partners in that good business working  
6 relationships. With all of the troubles that we have  
7 right now, I believe it's probably unreasonable but  
8 understandable that we are just not going to be able to  
9 grow the business and provide the customers in your area  
10 or any area with the kind of service that we thought we  
11 would initially.

12 So I guess my plea is it's going to take time  
13 and you need to give us some slack until we achieve these  
14 standards that have been our norm in the past.

15 REPRESENTATIVE ARGALL: I think in your  
16 testimony you were reluctant to offer a time line. Any --  
17 is it too early to say?

18 MR. TIMMONS: I think it's too early to say.  
19 We've been at it 100 days. Keep in mind that each day  
20 we're trying to keep track of a quarter million cars,  
21 1,800 trains, which is a fairly large thing to do, and  
22 we've had particular problems in the northeast. And so  
23 with the Christmas traditional increase in railroad  
24 traffic, in other words, there's coal for the winter,  
25 there are grain shipments, all the new autos, all the new

1 auto and car parts start moving, the Christmas gifts,  
2 packages, et cetera, start to move, this is a high point  
3 in rail shipping each year. Our best estimate is that  
4 somewhere around 10, 12, 13 percent increase on the system  
5 has already started and will probably peak in the December  
6 late, early January time period. And so with our service  
7 right now not at acceptable levels, we are going to be  
8 hustling very quick to keep all of this stuff moving.

9           Probably after we have been through a full  
10 calendar cycle would be my guess. We'll have a very clear  
11 understanding of what to anticipate and what the  
12 complications are going to be in Pennsylvania year in and  
13 year out. That full cycle doesn't terminate until late  
14 spring. I'm not forecasting that we're going to have  
15 problems that long. Hopefully, we're incrementally  
16 applying fixings and solutions to take care of these  
17 things, but still and all we will not have been at it for  
18 a year until next June.

19           REPRESENTATIVE ARGALL: Thank you.

20           CHAIRMAN HASAY: Representative Smith.

21           REPRESENTATIVE SMITH: Thank you, Mr. Chairman.  
22 I certainly agree with the comments and the questions that  
23 were presented to you by Chairman Geist relative to some  
24 of the past problems and the future. In yesterday's  
25 testimony and comments there was a fair amount of

1 discussion about the relationship with the shortlines, and  
2 it was fairly optimistic and positive. I would, however,  
3 like to hear your assessment of how that relationship is  
4 going and your commitment to maintaining a positive  
5 relationship there with the shortline and regional  
6 railroads that serve as feeder systems, and feeder systems  
7 to your railroad, but they are THE railroad in many of our  
8 districts.

9 MR. TIMMONS: Absolutely, and they are critical  
10 and essential to the way we look at doing business in  
11 Pennsylvania. Permit me to go back to the days of Conrail  
12 and say that that particular system was basically an  
13 east-west railroad operation. They maximized profit by  
14 operating the railroads east and west and were not too  
15 concerned with the smaller railroads. They did have a  
16 special relationship program, but they were not too  
17 concerned with working with them as closely as we think we  
18 must. And so our approach has been to openly dialogue  
19 with shortline and regional railroads on a recurring  
20 basis.

21 We've got a Keystone State Railroad Association  
22 that brings together shortlines and regionals as well as  
23 Class 1 railroads. There's a tremendous amount of monthly  
24 interchange on those problems. Each day I receive  
25 shortline inputs on the problems that they are having on



1 their yards, with their customers, and on their systems.  
2 That information is provided to the corporate headquarters  
3 in Norfolk so that they are fully aware of what the  
4 problems are here. Many of these reports that we receive  
5 very honestly are unvarnished and extremely candid. Well,  
6 that's good from our standpoint. At least we know exactly  
7 what's going on out there and we take that and pass that  
8 on in that light.

9 As you've pointed out, the feeder approach to  
10 this is where we think the backbone of the Class 1 and  
11 Class 3 railroads really rests. Unfortunately, they have  
12 been hurt in the past 100 days. They have suffered very  
13 significantly, and to their credit and to our admiration  
14 they have stepped up to this task and looked at this as an  
15 industry problem as opposed to a Class 1 versus Class 3 or  
16 Class 2 railroad.

17 Fundamentally, the rail industry in Pennsylvania  
18 is in this together. Norfolk Southern has got to succeed  
19 in order for those shortlines to fully capitalize on their  
20 potential in their regions. So we're committed, we have a  
21 marketing group that focuses on those shortlines  
22 full-time. We meet with them, talk to them and have a  
23 very healthy dialogue. I'm very proud of our relationship  
24 both personal and professional with the shortlines, and  
25 they have been immensely helpful in this very, very

1 difficult three months. They have contributed, despite  
2 the fact that they are being damaged, they have  
3 contributed enormously in helping us avoid the gridlock  
4 and the problems that we're dealing with every day.

5 REPRESENTATIVE SMITH: Thank you. I appreciate  
6 that comment. Certainly the relationship that exists and  
7 the future relationship there is something that I  
8 personally will be watching and I think many of us in the  
9 General Assembly will.

10 As Chairman Geist had noted, we have a good  
11 relationship with the railroads in the sense that we're  
12 willing to put money into it, we have in the past and I  
13 think we will in the future. I think that's a part of  
14 what these hearings are all about as to how to tie that  
15 money to spend it most wisely and efficiently to create  
16 jobs and economic development, which certainly benefits  
17 the railroads as well. More traffic for you.

18 One of the comments that was made yesterday by  
19 Mr. McFarren had to do with the changes in the size of the  
20 vehicles or the weight capacity, the size of the boxcars,  
21 and I was curious, as a big operator in a more national  
22 sense, if you could give us some feeling for how often  
23 that kind of thing changes? As we wrestle with putting  
24 infrastructure dollars into bridges and this and that for  
25 railroads, we can't afford to be constantly upscaling to

1 that. And Mr. McFarren gave an adequate answer as far as  
2 I was concerned, I would be interested in your perspective  
3 on what kind of changes we might anticipate on that  
4 front.

5 MR. TIMMONS: This is an important subject. It  
6 gets back to something I mentioned earlier, and it's  
7 related to railroad economics. What you're really looking  
8 at here is more efficiency and greater profit if you're  
9 shipping larger bulk quantities. I mean, it's that  
10 simple. It's an old Pennsylvania Railroad maxim: Fill  
11 them up to the max and run as many cars as you can on as  
12 few trains. That's basically the guideline. The industry  
13 standard has been traditionally in recent years 263,000  
14 pounds axle weight on the cars. We have migrated to  
15 283,000 pounds in recent years to satisfy these economic  
16 drives from both shippers and from the railroads. The  
17 shortline organizations generally in Pennsylvania don't  
18 have the 283,000 pound capacity car, although some are  
19 already installing that rail. The heavier weight rail is  
20 not universal, but it is very, very common throughout the  
21 rail industry in the United States, and some of the  
22 shortlines have predicted what that means, and obviously  
23 cannot interchange with the Class 1 with the heavier cars,  
24 unless they've got, A, the axle weight; and two, they've  
25 got the right weight rail. Rail weight comes in various

1 standards. Norfolk Southern uses about 138 pound rail.  
2 Older rail goes all the way down to 120 pounds, and so  
3 we've increased the weight on the rail and the capacity  
4 along with the axle weight.

5 To compound the problem a little further, the  
6 industry is now moving to a 315,000 pound axle weight  
7 car. Now, this poses some interesting challenges. So the  
8 future is clear, and for the shortlines to play in this  
9 league, they're going to have to upgrade as a minimum to  
10 the 283,000 pound capacity car.

11 I'd also make an interesting historical  
12 observation. When these car weights started to go up,  
13 Norfolk Southern engineers and Conrail engineers started  
14 looking at what the bridge capacities were in  
15 Pennsylvania. Very concerned about that. Interestingly  
16 enough, the Pennsylvania Railroad and the Reading Railroad  
17 and the Lehigh so over-engineered their bridges, that we  
18 have bridges on the system today that require  
19 fundamentally no modifications structurally that handle  
20 these particular weights. Some of these bridges go back  
21 to pre-World War I periods of time. So I am not nearly as  
22 concerned about bridge capacity as I am about rail  
23 infrastructure and the shortlines being able to afford the  
24 costs associated with increased car capacity.

25 A little bit of a windy answer, but I hope that

1 sheds some light on that.

2 REPRESENTATIVE SMITH: Thank you very much. I  
3 appreciate your comments.

4 Thank you, Mr. Chairman.

5 CHAIRMAN HASAY: Chairman Battisto.

6 REPRESENTATIVE BATTISTO: Thank you, Mr.  
7 Chairman.

8 Good morning.

9 MR. TIMMONS: Morning, sir.

10 REPRESENTATIVE BATTISTO: When I first met you,  
11 actually I guess the first person from Norfolk Southern I  
12 met was Bill Schafer a while ago, a couple years ago, and  
13 the thing that struck me about Norfolk Southern, and I  
14 said this to other people back home and other places, that  
15 you seem to be a very entrepreneurial railroad, and we're  
16 happy for that. I'm happy for that and we're happy for  
17 that in Pennsylvania, and I hear some good things about  
18 your close relationship, that you're closely working with  
19 the shortlines, because I think you clearly understand  
20 that if they produce a lot of business, they will ship it  
21 to you and you'll ship it on, and that's important. So we  
22 really want you to succeed.

23 But a couple of things have to be focussed on  
24 and reiterated about, and the one thing that Chairman  
25 Geist said, that is the fact that it seems many people

1 don't really understand the effect that MPOs have now on  
2 infrastructure projects that are developed by the State  
3 Transportation Commission. Yesterday we had a very  
4 erudite gentleman representing Maglev, Incorporated,  
5 before us talking about rail passenger service, and he  
6 really knew very little about the effects that MPOs have  
7 on the prioritizing of projects in this State, and he said  
8 that he hadn't been asked to testify and we said, you  
9 testify. You don't have to be asked. You have to be  
10 aggressive yourself.

11 And I say that to you. You have to get to know  
12 the MPOs, you have to know that in the next week, the 22nd  
13 or 23rd of September, the first State Transportation  
14 Commission hearing will be held in Franklin, Pennsylvania,  
15 then I think we go to Altoona, we go to Williamsport, we  
16 go to Fort Washington, we go to Harrisburg here, and end  
17 up in Pittsburgh sometime around the 28th of October. So  
18 within about one month there are about six hearings  
19 throughout the State, and you've got to tell the railroad  
20 story to MPOs so that they in turn come before the  
21 commission and tell the story about railroads, about  
22 railroad needs, because certainly the MPOs hear an awful  
23 lot about highways. In fact, and we said this yesterday  
24 and we'll reiterate this point, the MPOs and the  
25 commission have been pretty much oriented toward highways

1 only and bridges, and we need, if we're going to talk  
2 about intermodalism, we need to understand what it means,  
3 and railroads play a very vital role, we want you to play  
4 a great role, so you've got to do that, you've got to  
5 educate yourself about that. We will certainly help you  
6 and direct you because we want you to have a voice before  
7 the MPOs and before the commission.

8           The second point, you mentioned in your  
9 testimony about certain needs and certain problems and  
10 that one of the things you talked about was the PURTA tax  
11 and the capital stock and franchise tax. The capital  
12 stock and franchise tax has been something we've discussed  
13 for a long time in Pennsylvania. It's a difficult  
14 business tax, and so that's not new. But again, the  
15 entity in this State that lobbies on behalf of business is  
16 the State Chamber, they come to our offices very often  
17 with respect to what to do about this tax or that tax.  
18 And you ought to, and if you haven't you certainly ought  
19 to, talk to the Chamber closely about your needs and the  
20 way the PURTA tax affects you. They'll know about the  
21 capital stock and franchise tax. They've been talking to  
22 us about that for a long time, and we have been trying to  
23 reduce it little by little the last few years, even though  
24 it's high, even though it in itself is a burdensome tax.  
25 But you've got to make that known to the entities like the

1 State Chamber. You can lobby yourselves, because the  
2 State Chamber lobbies on behalf of business. Get to them,  
3 because that's a very important matter for your sake, and  
4 if it's going to be done legislatively, they come us then,  
5 we've got to hear their voices, okay?

6 A couple questions, quickly, if I can just go  
7 on.

8 CHAIRMAN GEIST: You're the chairman.

9 REPRESENTATIVE BATTISTO: You mentioned also  
10 that there were some eliminations in the capital budget.  
11 Could you be specific about that? Did PennDOT put them  
12 in?

13 MR. TIMMONS: We don't understand exactly how  
14 that process worked internally.

15 REPRESENTATIVE BATTISTO: Okay, that's another  
16 one.

17 MR. TIMMONS: And maybe we shouldn't in any kind  
18 of specifics.

19 REPRESENTATIVE BATTISTO: Oh, yeah, you should.  
20 You should.

21 REPRESENTATIVE PRESTON: You should.

22 REPRESENTATIVE BATTISTO: Go ahead.

23 MR. TIMMONS: There were a large number of rail  
24 related projects in the capital budget. Those seemed to  
25 me, as I reviewed them, and they were not just for Norfolk



1 Southern, they were across the spectrum of shortlines and  
2 Class 1's and Class 2's, it seemed to me that some of  
3 those had merit. They ranged all the way from good sites  
4 and good initiatives that could enhance economic  
5 development to safety initiatives.

6 REPRESENTATIVE BATTISTO: To grade crossings.

7 MR. TIMMONS: Grade crossings was part of it.

8 REPRESENTATIVE BATTISTO: Okay.

9 MR. TIMMONS: So a little bit of this came up  
10 yesterday, but I felt it was useful to point that out  
11 because as we talk about the way the State invested its  
12 money for maximum return, the capital budget sent some  
13 very, very clear signals and indicators about where the  
14 priorities in the State are vis-a-vis railroads.

15 REPRESENTATIVE BATTISTO: I absolutely agree  
16 with you with respect to the items. I thought maybe there  
17 were also some items that maybe you had discussed with  
18 PennDOT they put in specifically, not for you specifically  
19 but for the railroad, obviously it would help Norfolk  
20 Southern, but, yes, we're aware and in fact we brought up  
21 yesterday the issue about grade crossings, and if you  
22 heard Deputy Secretary Liz Voras, she talked about that  
23 and lamented the fact that they were eliminated and vowed  
24 that that won't happen again, because again, it all  
25 probably happened because the whole process, whether it's

1 capital budgets or whether it's Transportation Commissions  
2 and so forth, have not been oriented towards railroads as  
3 well as they have been oriented toward our highways.

4 One last question, if I just may, directed at  
5 Mr. Bennett. Have you taken an inventory of the various  
6 industrial sites that are maybe available for development  
7 along your main line and also working in conjunction with  
8 the shortlines? Do you have some kind of an inventory of  
9 those things?

10 MR. BENNETT: We basically inherited the  
11 inventory of sites that Conrail had along their system,  
12 and in Pennsylvania that's probably in excess of something  
13 like 500 sites. That included sites along the former  
14 Conrail lines as well as the shortline connections.  
15 That's sort of an ongoing process. It's part of our  
16 daily, weekly, monthly responsibility to try to identify  
17 new industrial sites, learn which sites are ready for  
18 development to be able to recommend those quickly if we  
19 get a request through our national marketing or sales  
20 force if somebody's looking for a building, somebody's  
21 looking for land. So that's an ongoing process at NS.  
22 So, yes, we do.

23 REPRESENTATIVE BATTISTO: Thank you.

24 Thank you, Mr. Chairman. Thank you.

25 CHAIRMAN HASAY: Chairman Geist for final

1 comments.

2 CHAIRMAN GEIST: Thank you very much, George.

3 When the State of Pennsylvania is looking to  
4 invest millions of dollars from commerce, when we're  
5 looking to invest millions and millions of dollars in  
6 liquid fuels in roads to connect intermodal facilities, we  
7 believe that you should be playing a very, very active  
8 role in that economic development with the economic  
9 development organizations in the counties in which you  
10 serve. We also stand, as a committee, on both committees,  
11 to do what we can do to create the atmosphere for your  
12 risk investment to take place. We don't think you're  
13 always going to succeed, but we want to create the best  
14 atmosphere for you to take that risk that you need to take  
15 as a private corporation.

16 I have one other question that was asked to me  
17 by some of the suppliers in Pennsylvania who are still  
18 concerned about Norfolk Southern having corporate  
19 headquarters in Norfolk and doing business with the supply  
20 industry here in Pennsylvania. Have you integrated the  
21 supply industry of Pennsylvania into your system of  
22 buying, and is that level still the same as it was with  
23 Conrail?

24 MR. TIMMONS: I don't know. I can tell you that  
25 in a general sense our material acquisition department

1 basically takes bids on materials, whether it's rail or  
2 whether it's ties or whether it's ballast, or whatever it  
3 happens to be, and they fundamentally go with the most  
4 economical bid that meets the technical requirements.  
5 There have been a number of manufacturers here that make  
6 small railroad components and parts that have been  
7 contacted. I know that because they have called me.  
8 Whether we have made adjustments such as you indicated,  
9 are we buying at the same level Conrail was, are we buying  
10 as broadly throughout the State, I can't answer that  
11 question, but I pledge to you we'll get into that and  
12 provide you information.

13 CHAIRMAN GEIST: I would hope for that. The  
14 other thing that I want to say is that we know the growth  
15 of transportation in Pennsylvania and on Pennsylvania's  
16 highways. We know that we're going to have capacity  
17 problems in the year 2005 on some of our interstates  
18 running north and south. You made a pledge to take 1  
19 million trucks off of the roads, and we hope that you get  
20 all the ones back that are off plus those million, and we  
21 stand ready as a committee to try to help you do that.  
22 And we want to thank you very much for your testimony  
23 today, and I think that this is very good for us and I  
24 think this is very good for Norfolk Southern. We hope  
25 that your identity and your corporate identity in

1 Pennsylvania is that of a friend.

2 MR. TIMMONS: Thank you very much, Mr.  
3 Chairman. We appreciate the opportunity to talk to you  
4 today and encourage you to call on us, any members to call  
5 on us, if we can be of any assistance in any matter.

6 Thank you again.

7 CHAIRMAN HASAY: One final question.  
8 Representative Preston.

9 REPRESENTATIVE PRESTON: Thank you very much,  
10 Mr. Chairman.

11 What I would encourage you, I guess, since I've  
12 heard mostly this side of Harrisburg and up, but those of  
13 us down in southwestern Pennsylvania, all of this is  
14 affecting a couple thousand employees and an awful lot of  
15 spin-off corporations. We've had also some, as we try to  
16 develop along the rivers, we've had some problems in the  
17 past, not with you, but it will be with you now, with  
18 major economic development from our convention centers to  
19 other different projects that we would like to be able to  
20 fund to do, but we need cooperation. I would appreciate  
21 if you could have someone get in touch with my office so I  
22 could direct to you to eight or nine different counties  
23 that we are working with with our consortium, with  
24 economic development, along with the capital budget, and  
25 that's some of the things that Joe says, that it would

1 really help if we had some cooperation, because if not,  
2 there are some projects that are going to wind up going to  
3 other States.

4 Thank you, Mr. Chairman.

5 MR. TIMMONS: We would certainly be happy to do  
6 that, Mr. Representative.

7 CHAIRMAN HASAY: Thank you very much for your  
8 testimony today. I know we're running a little behind and  
9 it's because of the questions from the members, so thank  
10 you again very much. We look forward to working with you  
11 together. Thank you.

12 MR. TIMMONS: Thank you, Mr. Chairman.

13 CHAIRMAN HASAY: Before I introduce our next  
14 witness, for the record I would like to introduce my panel  
15 today. To my far left is Representative Preston from  
16 Allegheny County, Representative Leh from Berks County,  
17 Representative Smith from Jefferson County, Representative  
18 Markosek from Allegheny, Representative Santoni from Berks  
19 County, Representative Tangretti from Westmoreland County,  
20 Representative Argall from Schuylkill County, and  
21 Representative Stevenson from Allegheny County. And to my  
22 far left is Representative Hess from Bedford County,  
23 Chairman Battisto from Monroe County, and Chairman Geist  
24 from Blair County, and Representative Mundy from Luzerne  
25 County, and Chairman Caltagirone from Berks County. And

1 we also welcome Representative Staback from Lackawanna  
2 County.

3 Next we have Mr. Robert Connolly, the Executive  
4 Director for the Redevelopment Authority of Luzerne  
5 County. Thank you, and good morning, Mr. Connolly and  
6 associates.

7 MR. CONNOLLY: Good morning.

8 CHAIRMAN HASAY: And we have Representative  
9 Druce here and Representative Petrarca. And  
10 Representative Gordner from Columbia County as well. So  
11 in this joint committee we have good attendance this  
12 morning.

13 So we can keep things in order, welcome, Mr.  
14 Connolly. I guess we have with you we also have Steve  
15 May, the President of the Luzerne and Susquehanna Railroad  
16 Company, and Mr. Ed Craft of Midstate Lumber. Thank you  
17 for coming this morning, and you may proceed.

18 MR. CONNOLLY: Thank you, Mr. Chairman.

19 Good morning, madam and gentlemen. On September  
20 17, 1993, the former Pocono Northeast Railroad Company,  
21 PNER, ceased its rail service to customers along 60-plus  
22 miles of rail line in northeastern Pennsylvania. The  
23 company had been in operation for 11 years since acquiring  
24 the line from Conrail in the early 1980s. From September  
25 29, 1993, to May 24, 1994, the rail service was provided

1 by a Common Carrier Directed Service Order No. 1513 as  
2 issued by the Interstate Commerce Commission.

3 In March of 1994, at the direction of the  
4 Luzerne County Board of Commissioners, the Luzerne County  
5 Redevelopment Authority entered into negotiations with F&L  
6 Realty, owners of the Pocono Northeast Railroad, to  
7 initially lease the rail line and then proceed to purchase  
8 when the appropriate funding could be obtained. This  
9 would ensure service to the 19 shippers who were being  
10 serviced by the defunct PNER.

11 In May 1994, the Luzerne County Redevelopment  
12 Authority was successful in negotiating a lease with F&L  
13 Realty to operate the rail line. The lease was funded  
14 through Luzerne County Commissioners, with an agreement by  
15 F&L Realty to continue the lease until a grant could be  
16 received for the purchase of the rail line.

17 Simultaneously with the above noted activities, a new  
18 nonprofit entity, the Luzerne County Rail Corporation, was  
19 formed to own the operating rights of the former PNER.

20 July 1 of 1994, the Luzerne County Rail  
21 Corporation advertised for a rail operator to the former  
22 PNER. Four weeks later, on July 28 of 1994, Luzerne  
23 County Rail Corporation awarded the operating rights to  
24 Luzerne and Susquehanna Railroad to operate the line, thus  
25 maintaining rail service to 19 shippers who were elated to



1 be guaranteed full service.

2           Finally, on June 10, 1996, the LCRA was able to  
3 purchase the entire former PNER, approximately 66 miles of  
4 trackage and 200 acres of associated lands through a \$3.1  
5 million capital budget grant from Pennsylvania Department  
6 of Transportation. \$2.1 million were designated for the  
7 \$5.4 million purchase price, leaving approximately \$3.3  
8 million balance on the mortgage, which is being held by  
9 F&L Realty interest-free for the first 3 years, and then 3  
10 percent per annum after that. \$1 million was then  
11 designated for rail line rehabilitation. This was our  
12 life line for 18 months, with most of the rehabilitation  
13 being done to effect emergency repairs to keep the rail  
14 line operational for our rail users.

15           The Luzerne County Redevelopment Authority  
16 received a major setback in January of 1996 when major  
17 flooding destroyed the rail line at eight sites, totalling  
18 about six miles of line. Fortunately, the LCRA was able  
19 to receive nearly \$800,000 in FEMA/PEMA grants to  
20 rehabilitate all flood damage. To date, the LCRA has been  
21 awarded nearly \$700,000 in rail freight assistance grants  
22 for rehabilitation of its existing rail lines. The total  
23 grant money spent on rehabilitation to this rail are  
24 approximately \$2.5 million. In addition, the operator,  
25 L&S Railroad, has expended approximately \$300,000 of their

1 own dollars on rehabilitation of the rail line in order to  
2 provide their customers with improved service. The total  
3 of \$2.8 million spent on rehabilitations is only a drop in  
4 the bucket needed to rebuild this old coal hauling  
5 railroad, which has received no more than 500,000 rehabbed  
6 in the last 15 years prior to the LCRA leasing and/or  
7 owning this rail line.

8           However, we believe every dollar spent has been  
9 more than worthwhile. Since the LCRA has taken over the  
10 line, we have increased from 19 shippers to 26 shippers,  
11 with more expected in the near future. The rail line has  
12 become the very backbone of economic development in  
13 Luzerne County. The LCRA has 120 acres of former PNER  
14 rail line, Pennsylvania's newly implemented Keystone  
15 Opportunity Zone program. The rail line now has the  
16 potential of servicing hundreds of additional acres of KOZ  
17 land owned by others. Local economic development entities  
18 have seen a 400- to 500-percent increase in the need for  
19 new sites requiring rail' service. All of this  
20 demonstrates the tremendous potential and need for the  
21 growth of the Luzerne County Redevelopment Authority rail  
22 line.

23           Mr. Ed Craft, sitting in for Mr. Sam Milazzo,  
24 President of the Rail Users Association, will give you a  
25 detailed view of what the rail line means to the shippers

1 and how it has grown since the LCRA took control of the  
2 line.

3 Mr. Steve May, President of L&S Railroad, will  
4 provide you with an idea of the rail line and the growth  
5 potential as viewed by the operator.

6 In summation, the LCRA has taken an old  
7 tarnished, worn-out coal railroad and begun to polish it  
8 up with the help of many - the Luzerne County  
9 Commissioners, the Pennsylvania Department of  
10 Transportation, FEMA, PEMA, and L&S Railroad, and most  
11 importantly, the support and encouragement of our elected  
12 officials.

13 Act 35 of 1999 contains a line item that  
14 authorizes \$7,800,000 for acquisition and rehabilitation  
15 of the LCRA line. Our primary goal is to finalize  
16 acquisition by paying the balance of the \$3.3 million due  
17 on the mortgage and to obtain additional moneys for  
18 rehabilitation, which is, sorely needed. We must finish  
19 polishing of this old coal railroad and turn it into a  
20 gleaming diamond of economic development in northeastern  
21 Pennsylvania.

22 This can be accomplished with support of the  
23 Pennsylvania State legislature. We thank you for your  
24 past support. Without your support, we would not be  
25 sitting here today. An improved rail system in

1 northeastern Pennsylvania will positively create economic  
2 development. We need to finish the job. Thank you for  
3 your time.

4 CHAIRMAN HASAY: Thank you, Bob.

5 Before we go into questions or comments, I'll  
6 let Mr. Milazzo proceed.

7 MR. CRAFT: My prepared comments?

8 CHAIRMAN HASAY: Yes.

9 MR. CRAFT: Mr. Chairman, before I start, Sam  
10 Milazzo was scheduled to be here. He has suffered a minor  
11 but temporary health setback. He expresses his concerns  
12 that he could not be here.

13 CHAIRMAN HASAY: We're sorry to hear that.

14 MR. CRAFT: When Representative Mundy visited me  
15 at Midstate Lumber, that was a short time ago, and now I'm  
16 the new General Manager of Milazzo Industries, so I can  
17 speak from some experience for Milazzo.

18 CHAIRMAN HASAY: Okay, go ahead.

19 MR. CRAFT: As I read my prepared statement, I  
20 will have to make some effort to change Sam Milazzo  
21 because I can't fill that man's shoes.

22 My name is Ed Craft, and I am the General  
23 Manager of Milazzo Industries. You have heard from Bob  
24 Connolly from Luzerne County Redevelopment Authority and  
25 the Luzerne County Rail Corporation on the ownership, and

1 you will hear shortly from Steve May on the operating  
2 line, the L&S. My purpose here today is to provide you  
3 with information on the rail user's needs and concerns.  
4 This will be addressed from the standpoint of our own  
5 operation first, and then followed by some comments on the  
6 other rail users and their needs.

7           Milazzo Industries operates a manufacturing  
8 facility along the Susquehanna River in Pittston,  
9 Pennsylvania. And I'll throw in a little commercial here,  
10 we produce a quality line of ice milk products under the  
11 line of Qik Joe, along with more than 20 other products.  
12 Our employee head count ranges from a base of 35 core  
13 personnel to approximately 50 when products are in peak  
14 demand. We have been in business since 1929, and our  
15 reliance on inbound rail service wholly for supply of  
16 needed raw materials for manufacturing process began  
17 around 1970.

18           We receive more than 90 percent of our raw  
19 material by rail, and the number of cars has grown each  
20 year. In 1998, we received 188 rail cars, and we estimate  
21 the car count for 1999, depending on the weather, will be  
22 225 cars. We have had a high of 245 I think in 1992.

23           Rail service is essential to our survival as a  
24 business. Without rail deliveries, any combination of  
25 alternate delivery methods would increase our expenses.

1 We have examined receiving raw materials by truck or by  
2 rail to an off-site delivery point and transshipment to  
3 our plant by truck. Both of these methods would result in  
4 higher costs. Increase costs our ability to remain  
5 competitive and jeopardizes our ability to stay in  
6 business. We must have rail service to survive. That is  
7 a fact.

8 We also have to have reliable service for  
9 deliveries, switches, and pickup of empty cars. The level  
10 or quality of service is directly tied to the condition of  
11 the lines. Steve May will expound on that later as far as  
12 the condition of the line. We need prompt delivery of  
13 materials to feed our manufacturing process and timely  
14 switching and removal of empty cars.

15 As it relates to our Rail Users Group that we  
16 formed in September of 1993, as Mr. Connolly indicated,  
17 the Pocono Northeast ceased its operations, and some 18  
18 shippers and rail users met three days later and formed a  
19 Rail User's Association committed to the resumption of  
20 service in the short-term, and the long-range goal of  
21 buying the railroad. Mr. Milazzo, Sam Milazzo, has served  
22 as president of this group since it was formed, and we can  
23 report that we were successful in getting the directed  
24 service established in the ICC, and we now have the  
25 Luzerne County Redevelopment Authority as the owner of the

1 railroad.

2 Our group, which has grown to 25 or 26 users,  
3 continues to be plagued by slow and often interrupted  
4 service, primarily because of the line's poor condition.  
5 Many of these companies, including Milazzo industries,  
6 have committed their own funds to making the most needed  
7 repairs for keeping the system operational. At Milazzo  
8 Industries, we repaired track and two switches behind our  
9 plant, partially at our expense. This is testimony both  
10 to the railroad's importance and the user's commitment to  
11 keeping it running. Companies such as Air Products  
12 Corporation, Biscontini Distribution Centers, Carbon  
13 Sales, Compression Polymers, Celotex Corporation, Lettica  
14 Corporation are just a few of the 25 businesses who employ  
15 more than 2,100 people with a payroll of more than \$50  
16 million. Many of these companies are in the same position  
17 as Milazzo Industries with respect to the effect cost  
18 increases would have on their businesses.

19 It is estimated that the loss of rail service  
20 would be followed by subsequent loss of some 950 jobs and  
21 more than \$30 million in payroll. We cannot let that  
22 happen.

23 I am here on behalf of Milazzo Industries and  
24 the other rail users to urge you to support the economic  
25 efforts we represent and to support the additional funding

1 needed to both secure the property and to provide for its  
2 rehabilitation.

3 Thank you for the opportunity to present this  
4 testimony. As Bob said, and I'm sure Steve will, your  
5 support today was greatly appreciated, and we need your  
6 help to complete the job.

7 CHAIRMAN HASAY: Thank you, Mr. Craft.

8 Mr. May.

9 MR. MAY: Thank you. On July 28, 1994, the  
10 Luzerne County Rail Corporation awarded the Luzerne  
11 Susquehanna Railway as their exclusive freight operator  
12 with actual freight operations commencing on August 25,  
13 1994, over the former Pocono Northeast Railroad. The  
14 condition of the operating facilities was an accepted  
15 track status. Accepted track status is a condition of  
16 track that does not meet the required standards as  
17 outlined by the Federal Railway Administration. Although  
18 track improvements have been made in some locations, more  
19 funding is still needed to bring this underutilized  
20 facility into an efficient property that the customer can  
21 rely and depend on.

22 As Mr. Connolly has outlined, much track repair  
23 has been performed over the past few years. Although this  
24 has improved some of our line segments, many still need to  
25 be upgraded. Our main track connecting Pittston to



1 Wilkes-Barre is in dire need of funding to bring the  
2 trackage into at least a Class 1 track status. This line  
3 is a major artery to our operations and extremely  
4 important for our growth opportunities. The track allows  
5 LS to connect with Norfolk Southern at Pittston and CP  
6 Rail at Hudson. Without this connection, our customers  
7 will lose their ability to play both railroads for more  
8 competitive shipping rates.

9 Ashley, PA, is an area that is severely  
10 underdeveloped for freight train traffic. This trackage  
11 passes through Old Ashley Rail Yard, which has potential  
12 to provide a site for a new industrial park housing nearly  
13 100 acres. At this location, the LCRC and LS are jointly  
14 working together with a new customer. This customer will  
15 make new jobs for the community and State, while also  
16 generating additional carloadings for the railroad. The  
17 trackage continues on into the Hanover Industrial Park,  
18 where we serve Rugby Building Supply. This area, along  
19 with the Ashley Rail Yard properties, pose to be areas  
20 that will see great industrial growth over the next few  
21 years. Again, these sites are prime development zones  
22 with existing utilities, easy access to Interstate 81, and  
23 the only thing lacking is a stable track structure.

24 Currently, our heavy traffic levels are  
25 operating from Pittston to Moosic. This traffic makes up

1 60 percent of our traffic revenues. The trackage from  
2 Avoca to Lower Montage Road located in Moosic is also  
3 operated as accepted track conditions. This trackage  
4 allows us to provide service to Lettica Corporation and  
5 Maui Cup. Three years ago the LS and the LCRC reactivated  
6 approximately 10 miles of trackage that had been inactive  
7 for nearly 18 years. Brush, trees, and track tie  
8 installation was performed to bring the track into a  
9 borderline Class 1 track condition. Also that same year,  
10 LS was able to secure an operating agreement with the  
11 Scranton Chamber of Commerce to reactive the abandoned  
12 Minooka Industrial Track to access Compression Polymer  
13 Group. All of this work to restore this track to a full  
14 service operation serving this customer three days per  
15 week was expensed by the LS Railway. Estimated  
16 expenditures to open this line was \$98,000.

17 The LS partnered with the Compression Polymer  
18 Group to construct new tracks throughout the facility to  
19 better serve their needs' and to enable LS to capture all  
20 the freight movements by serving their customers direct  
21 and moving this traffic off the highways. Today LS  
22 delivers nearly 500 shipments to this customer annually,  
23 with projections by the year 2000 to increase by 40  
24 percent due to expansions nearly completed. This customer  
25 is obviously dependent and confident that we will continue

1 to serve his need. This partnered project required  
2 construction of 3,000 lineal feet of new trackage for a  
3 total cost of \$298,000, of which LS provided \$150,000 of  
4 the funding. The LS has been fortunate to receive two  
5 rail freight grants for track maintenance projects. The  
6 first project will allow us to improve our track  
7 conditions from Avoca to the Montage Road located in  
8 Moosic. Our second grant, of which we were notified on  
9 Monday, will allow LS to improve our trackage conditions  
10 to a safe condition from Montage Road passing through the  
11 Minooka Industrial Tracks. These two projects, when  
12 complete, will allow me to breathe easier knowing that we  
13 will be able to provide service more efficiently, and most  
14 importantly, more safely. The matching funds for these  
15 projects are provided by LS for an estimated cost of  
16 \$143,000. As you can see, the LS is investing serious  
17 moneys in this railroad because we know service and  
18 commitment to our existing and future customers is  
19 required to insure the continued competitiveness in their  
20 markets.

21           These grants are vital to the survival of  
22 shortline operations and the commuters they serve.  
23 Without them, these lines will disappear only to increased  
24 truck traffic, loss of thousands of jobs, loss of  
25 industry. The lists of disadvantages only continues.

1 I encourage you to visit our operations, ride  
2 our freight trains and visit us to see what our employees  
3 deal with with trying to operate this line in the manner  
4 to provide service to these many companies that depend on  
5 our service. The tree growth has not been addressed in 20  
6 years. LS and LCRC, as well as our customers, have been  
7 chipping in their funds to make this railroad a railroad  
8 for all to be proud of. The growth potential for this  
9 railroad is endless.

10 We need your support to help finalize the  
11 acquisition of this property so that the new customers and  
12 existing customers can feel secure in their investments  
13 along this rail line. Knowing the railroad is going to be  
14 there will certainly make one feel better when looking to  
15 relocate an industry. New customers that we have been  
16 trying to bring to this area are cautious and will not  
17 make any commitments until the rail line purchase is  
18 complete.

19 I appreciate the opportunity for the time given  
20 to me today to express the need and the importance of this  
21 underutilized facility to the counties of Luzerne and  
22 Lackawanna, to the State of Pennsylvania, employees,  
23 families, and industries who depend on rail services.

24 Thank you.

25 CHAIRMAN HASAY: Thank you very much, Mr. May

1 and Mr. Connolly and Mr. Craft, for the information you  
2 brought before the House Transportation Committee and the  
3 House Commerce Committee.

4 One of the reasons for this public hearing is to  
5 bring out rail lines such as yours so that the public is  
6 made more aware of the importance of this line, and the  
7 media is made more aware of the importance of this line in  
8 economic development as well as the nearly 1,000 employees  
9 of the families that this line helps. So we're going to  
10 do what we can to help you with this rail line and also  
11 take you up on your invitation. I'll contact Mr. Connolly  
12 and I'll arrange to have the other legislators involved to  
13 see and take a ride on that train to see what is needed to  
14 improve that line.

15 Representative Mundy has some comments.

16 CHAIRMAN GEIST: Just don't let George drive  
17 it.

18 REPRESENTATIVE MUNDY: I'll drive it.

19 CHAIRMAN GEIST: That's even worse.

20 REPRESENTATIVE MUNDY: I was on a helicopter  
21 during the flood, I can handle a train ride.

22 Thank you for being here today to highlight for  
23 PCN, the viewers of Pennsylvania Cable Network, very  
24 specifically what rail means in terms of infrastructure  
25 for economic development, specifically in our county, but

1 I know that we're not alone in having these rail  
2 infrastructure needs. This is, as we've been hearing for  
3 the last two days, this is a need statewide, but I think  
4 your situation was a little unique in that the rail  
5 service was halted abruptly when one owner of a railroad  
6 just decided he wasn't going to provide service anymore  
7 and the next day that was it. And fortunately, Luzerne  
8 County stepped up to the plate and filled that gap,  
9 because there was no private entity who was willing to buy  
10 the railroad, which would have left obviously the shippers  
11 without any service, and the employees would have been out  
12 of jobs.

13 So, I mean, very clearly the economic impact of  
14 a lack of rail service is amplified by your testimony, and  
15 I really appreciate it. Bob, could you tell me what has  
16 been done, now we know that the money is in the capital  
17 budget for both acquisition and rehabilitation, can you  
18 tell us what the Luzerne County Rail Authority has done to  
19 shake that money loose? ' What have you done in terms of  
20 submitting the required applications? Are you aware that  
21 anything is lacking in your application for these capital  
22 budget funds?

23 MR. CONNOLLY: We have recently received an  
24 application from Mr. John Brown, who is in the audience  
25 here from PennDOT, and we are proceeding to put that

1 together and finalize it, be in touch with him to submit  
2 that, hopefully, it will be in October, if not the end of  
3 September. We're putting also together some testimony for  
4 the Transportation Commission hearings--

5 REPRESENTATIVE MUNDY: Good.

6 MR. CONNOLLY: --in the middle of October. And  
7 we want to finalize our total efforts by sometime in  
8 October for that. But Mr. Brown has been very gracious in  
9 helping us and his forays to supply us with the  
10 information and the applications to get some help. We  
11 also will be looking at other funding sources and we have,  
12 we continue to look into Rail Freight Assistance Program  
13 through PennDOT has just been super. It's been keeping us  
14 alive.

15 REPRESENTATIVE MUNDY: And I know that one of  
16 the shippers received a significant grant from the Rail  
17 Freight Assistance line item.

18 MR. CONNOLLY: Yes, and they can go on their  
19 own, too. And we are, Chairman Geist will like to hear  
20 this, we're a member of the MPO of Luzerne/Lackawanna  
21 County.

22 CHAIRMAN GEIST: You're the first.

23 MR. CONNOLLY: Out of very few rail entities,  
24 and I would like to say that Lackawanna County is also  
25 part of that, represented on the MPO.

1                   CHAIRMAN GEIST: That was the Erie and  
2 Lackamundy Railroad.

3                   (Laughter.)

4                   MR. CONNOLLY: That's good. But we're  
5 proceeding, I think, with necessary applications we have.  
6 And we are in touch with PennDOT.

7                   REPRESENTATIVE MUNDY: Great. And that was my  
8 second question was were you in touch with the MPO, and  
9 were you a part of that process? So I'm delighted to hear  
10 that you are. And can I just suggest that when Adrian  
11 Morolly of the Luzerne/Lackawanna MPO makes his testimony,  
12 presents his testimony, even though hopefully you're  
13 included in his plan, I would suggest that he also  
14 emphasizes the rail situation in his testimony, not just  
15 in his submitted plan but also in his testimony before the  
16 commission, in addition to your testifying directly.

17                  MR. CONNOLLY: Okay, it's a good point.

18                  REPRESENTATIVE MUNDY: I think the emphasis that  
19 the MPO is behind your efforts is very important. And I  
20 can assure you that Representative Hasay and Senator Musto  
21 and all of the Luzerne County legislative delegation is  
22 100 percent behind your efforts and will do everything we  
23 can. I would suggest that you keep up your lobbying  
24 efforts because while the capital budget item is in place,  
25 it's the Governor and PennDOT that releases those funds.



1 So I continue to highlight that to the shippers and to the  
2 rail authority. Thank you.

3 MR. CONNOLLY: Thank you.

4 CHAIRMAN HASAY: Sometimes I suspect that the  
5 general public doesn't realize that you have to have the  
6 rail line because you can't use truck traffic, because  
7 some of what you haul can't be done or can't be utilized  
8 by truck traffic to haul it. It has to be by rail only.  
9 So for the general public to know that and for the PCN  
10 viewers to know that, I think that's important on this  
11 shortline that we have.

12 Chairman Geist has some comments.

13 CHAIRMAN GEIST: Thank you. As an old track  
14 designer, I'm trying to figure out what a semi-Class 1  
15 design is for track, but we'll worry about that later.

16 You have an industrial park that you mentioned  
17 in your testimony of 100 acres.

18 MR. CONNOLLY: Yes.

19 CHAIRMAN GEIST: You have a railroad that needs  
20 money from the General Assembly through John Brown on our  
21 \$8.6 million dedicated fund that we have for rail  
22 improvement. Has the Department of Commerce sat down with  
23 your district engineer and you to talk about the impact of  
24 pooling those moneys and what it can mean for industrial  
25 development in your area?

1 MR. CONNOLLY: No. No.

2 CHAIRMAN GEIST: That's why we're having these  
3 hearings today. If we're going to have an investment of  
4 State dollars in that line, if we have all that State  
5 money available for industrial parks, then why in the name  
6 of God aren't we sitting down and talking about how to  
7 maximize our effort to create the atmosphere for  
8 investment to happen? And I believe, strongly believe,  
9 that this is where the MPO process can start playing a  
10 major role in it. We're investing over a billion dollars  
11 a year in a moving 12-year box, and certainly we have to  
12 be able to integrate your shortline and that highway  
13 system up there and the Department of Commerce's economic  
14 development moneys because you guys, you have every right  
15 to stand up and pound your chest and say, my God, we've  
16 done it. The number of car loadings that are coming out  
17 of there are phenomenal for growth. If Norfolk Southern  
18 had that kind of growth, we wouldn't have to worry about  
19 the next 265 days. This is the kind of success story that  
20 we're looking for all over the State of Pennsylvania, and  
21 you fellows should certainly be applauded for it.

22 I would hope that John and Liz, and Liz's  
23 testimony yesterday certainly reflected that, and the  
24 Secretary of Commerce can sit down and say, let's just  
25 pyramid this and make it go. It's a natural. And that

1 Joe and I have been talking about this for a long time.  
2 We have to find a way to do that in Pennsylvania, and as  
3 you know in the MPO process, there's no economic  
4 development check-off, none, because most of all our  
5 decisions in the MPO process are based on past experience,  
6 whether it's accidents or traffic counts. So if you don't  
7 have any traffic, you don't count, and we have to be able  
8 to change that to make our best guess estimates. And we  
9 appreciate your involvement with that.

10 That's what I wanted to say. I just wanted to  
11 ask that question about are our agencies talking to each  
12 other to make decisions that are high-impact decisions?  
13 Because if you upgrade that line, then you can go out and  
14 sell that site without any problems. I mean, an upgraded  
15 site is just a wonderful thing to have today.

16 MR. CONNOLLY: Thank you, Chairman Geist. We've  
17 kind of approached that from a back door with the KOZ  
18 plan. We as the redevelopment authority are the  
19 coordinators for the entire Luzerne/Lackawanna County KOZ  
20 sites, which they number probably 210 or 215 and cover  
21 about 4,600 acres, so we started that process, but that's  
22 perfect to follow up on that, you're exactly right. I  
23 think everything is starting -- we're seeing more  
24 cooperation and gelling of efforts than ever before  
25 pointing toward economic development and railroads. Thank

1 you very much.

2 I would just like to close in one comment that  
3 you made. You said you're a wonderful friend of the  
4 railroads. You've been our best friend, one of our only  
5 friends. You made a lot of this happen. We really  
6 appreciate and thank you for all your support.

7 CHAIRMAN HASAY: Well, I think it's really  
8 incumbent upon us to look into this and to work with you  
9 on this, especially since our industrial parks in Luzerne  
10 County, Hanover Estates is getting almost filled and of  
11 course Crestwood in Mountain Top is getting filled, and  
12 I've been working with Steve Barouk, the Chairman of the  
13 Chamber, for a potential additional industrial park across  
14 from Hanover Estates. We're trying to work from money to  
15 set the infrastructure for that park as well, as well as  
16 the expansion at Crestwood. In fact, I met with a major  
17 employer on Tuesday who's thinking about expanding his  
18 facility to another 300 jobs in our area, and railroad was  
19 brought up immediately to have it right next to you, and  
20 so the tracks are there and it's part of that line.

21 So again, thank you for coming here today and  
22 voicing our economic concerns in northeast Pennsylvania.

23 Chairman Battisto has a question before you  
24 leave.

25 REPRESENTATIVE BATTISTO: First of all, just a

1 quick comment. I'm very impressed by the way you've taken  
2 over that line and grown the business, and of course you  
3 seem to indicate there's a potential for more and more  
4 customers. Do you have an inventory of how many sites are  
5 along that 60-mile stretch, how many other potential sites  
6 could be developed?

7 MR. CONNOLLY: We have an inventory of our  
8 Luzerne County Redevelopment Authority owned sites. We  
9 are also putting together sites, we've done it two ways, I  
10 guess all the rail sites were put together recently by  
11 Lenaire Associates in Pittsburgh, and they recorded all  
12 the sites in the State, railroad sites available. But  
13 with the KOZ program we have now expanded that and we're  
14 able to deal with the other economic development agencies  
15 and the Chambers and we are getting together a better  
16 list. It keeps improving and increasing as we go. But  
17 it's a good point. And we're going on a web site with  
18 them. We have a full web site coming out through the KOZ  
19 plan for all rail sites or all sites in a KOZ zone, but  
20 particularly those with rail service will be highlighted.

21 REPRESENTATIVE BATTISTO: How is the highway  
22 system with respect to near these sites? I mean, are they  
23 sites to which you're in competition with truck?

24 MR. CONNOLLY: Yeah, our larger sites are within  
25 maybe two to four miles of 81, Interstate 81, and most of

1 the other sites are within three to five miles.

2 REPRESENTATIVE BATTISTO: Is it my understanding  
3 that you talk about getting up to Class 1 status, is it my  
4 understanding that the entire line has no status better  
5 than Class 1? Is that where you are, Class 1 pretty  
6 much?

7 MR. CONNOLLY: Well, we have certain segments  
8 that we've repaired through Rail Freight Assistance grant,  
9 through the FEMA/PEMA moneys, through the million dollar  
10 rehab that are now Class 1 and possibly Class 2, but a  
11 vast majority of the 60 miles--

12 REPRESENTATIVE BATTISTO: Because I know there's  
13 an 18-mile segment of the Monroe County Rail Authority  
14 line, and we brought that up to Class 3, which is 40 miles  
15 an hour for freights, so that means you're about 20 miles  
16 an hour for freight, is that what it is, give or take?

17 MR. CONNOLLY: It's slow enough that Chairman  
18 Hasay could drive the engine, probably 5 miles an hour to  
19 10.

20 REPRESENTATIVE BATTISTO: My last quick question  
21 is you talk about the problems with respect to the poor  
22 condition of the line and how that interrupts service.  
23 What about a service provided by the Class 1's handling  
24 your business? Has that been pretty good?

25 MR. CONNOLLY: I think Steve could address that

1 a little better. He deals directly with it.

2 MR. MAY: June 1, CP's traffic has been  
3 maintained. Our interchanges, we may be seeing some  
4 48-hour delays since June 1. In Pennsylvania, our  
5 interchange points to the Luzerne/Susquehanna was horrible  
6 for at least the first 30, maybe 45 days, some days  
7 nonexistent. But now it's gotten better. We are still  
8 seeing some delays, it may be like a 48-hour delay, which  
9 is acceptable at this point. The customers can accept  
10 that. When you have a three-, four-week delay on a  
11 shipment, then it becomes a problem.

12 The southern tier, I have a shortline in New  
13 York on the southern tier, and they have not improved at  
14 all. Actually, it's worse since June 1.

15 REPRESENTATIVE BATTISTO: Who is that with?

16 MR. MAY: That's Norfolk Southern.

17 REPRESENTATIVE BATTISTO: Thank you, Mr.  
18 Chairman. Thank you.

19 CHAIRMAN HASAY: Thank you very much, gentlemen,  
20 for testifying today.

21 MR. CONNOLLY: Thank you.

22 MR. MAY: Thank you.

23 CHAIRMAN GEIST: If I could have your attention  
24 please, our next presenter is Paul Haaland from The Road  
25 Information Program from Washington, D.C., and we're

1 really pleased to have a national heavy hitter come here  
2 and talk about economic development and transportation,  
3 intermodality.

4 MR. HAALAND: Thank you, Mr. Chairman.

5 My name is Paul Haaland. I am the Assistant  
6 Director of Research and Communications for The Road  
7 Information Program, otherwise known as TRIP, the National  
8 Highway Transportation Nonprofit Research Center. I am  
9 here at the request of the Pennsylvania Highway  
10 Information Association.

11 TRIP was founded in 1971, and we research,  
12 evaluate and distribute economic and technical data on  
13 highway transportation issues. We specialize in State  
14 road and bridge condition reports, and over the past 25  
15 years TRIP has analyzed conditions in nearly every State  
16 in the country, including Pennsylvania.

17 On a personal note, I am a former newspaper  
18 reporter from Pennsylvania. I worked for newspapers in  
19 Gettysburg and Johnstown. In Johnstown, I covered  
20 transportation issues, observing firsthand the problems  
21 confronting communities with inefficient connections to  
22 the wider transportation system. When I arrived in  
23 Johnstown, the only scheduled commercial airline service  
24 from the area's small airport was to Pittsburgh. This  
25 situation was inconvenient and expensive for business



1 travelers who made frequent trips to cities to the east.

2 Many of the stories I wrote about aviation  
3 concerned local efforts to expand service from Cambria  
4 County's airport. Johnstown is an economically depressed  
5 city and it needs the jobs provided by commercial growth,  
6 yet business leaders told me that the lack of adequate  
7 transportation connections made it more difficult for them  
8 to expand their operations.

9 I was asked to testify on the importance of  
10 freight transport and the growing need here in  
11 Pennsylvania for improved intermodal transportation  
12 systems and on what other States are doing in this area.  
13 The efficient movement of goods has long been a major  
14 component of a successful economy. With the advent of the  
15 global economy and international competition, businesses  
16 are under pressure to eliminate inefficiencies in their  
17 production and distribution systems. Freight transport is  
18 a huge part of the American economy, and Pennsylvania  
19 plays an important role in facilitating freight movement.  
20 More than \$6 trillion of freight is moved on the country's  
21 transportation system, and Pennsylvania carries the most  
22 truck traffic of any State along the eastern seaboard.  
23 Only three other States in the country have more  
24 interstate miles than the Keystone State.

25 In addition, \$240 billion worth of goods are

1 shipped from destinations within Pennsylvania annually, 80  
2 percent by highways. State governments in the United  
3 States and governments overseas are recognizing the urgent  
4 need to upgrade their transportation systems to position  
5 themselves to succeed in the new economy. In Europe and  
6 Asia, thousands of miles of new highways are being built  
7 to improve the competitiveness of their own economies.

8 Highways are only part of the solution,  
9 however. An efficient and a comprehensive transportation  
10 network also includes railroads, airports, and waterways,  
11 since freight is often conducted via several modes. In  
12 this country, some State governments have embraced the  
13 challenge of the future. California, Oregon, and Texas,  
14 to name just three, have all developed or begun to  
15 implement intermodal transportation plans designed to  
16 improve the movement of freight.

17 In California, inadequate capacity has created  
18 bottlenecks in local transportation systems serving the  
19 ports of San Diego, San Francisco, Oakland, Long Beach,  
20 and Los Angeles. The 20-mile \$2.3 billion Alameda  
21 Corridor project will expand rail and highway capacity  
22 from these ports to national rail lines and the interstate  
23 highway system. The Southern California Association of  
24 Governments currently is studying an \$8.7 billion system  
25 of 141 miles of truck-only lanes to meet the area's

1 growing truck traveling needs.

2 Also, the Oregon Department of Transportation  
3 has been developing an intermodal management systems plan  
4 identifying the challenges to building connectors to major  
5 intermodal freight facilities in Oregon.

6 Lastly, the Texas Transportation Institute has  
7 created, in conjunction with the Texas Department of  
8 Transportation, a strategic plan for commercial truck  
9 operations in Texas. The purpose of the plan is to  
10 prepare a road map for the State's commercial vehicle  
11 operations program.

12 All of these preparations are prompted by the  
13 changing realities of freight transport. As an analyst  
14 with the Federal Highway Administration has observed,  
15 just-in-time shipping and other efficiencies has made the  
16 nation's transportation system a rolling warehouse.  
17 Companies are trying to cut warehouse costs and free up  
18 capital for other uses by putting more and more of their  
19 inventory on the road. With more capital on hand,  
20 companies can spend more on plant and equipment, R&D, and  
21 worker productivity, according to the FHWA.

22 To quote the review of National Freight Policy  
23 by the American Association of State Highway and  
24 Transportation Officials, products that remain in  
25 inventory for too long can become obsolete due to

1 technology, cost, or style. Businesses can be expected to  
2 continue to generate an increased number of more frequent,  
3 smaller sized shipments to smaller destinations.

4 As national and global markets have become more  
5 competitive, businesses in both the manufacturing and  
6 service sector have looked for improvements in mobility to  
7 improve their competitiveness. It's estimated that  
8 logistics and transportation costs account for  
9 approximately a quarter of the costs of products on the  
10 shelf. As the importance of foreign trade has become  
11 increasingly critical to the bottom line of many of our  
12 businesses, the reduction in logistics and distribution  
13 costs have been critical in allowing American companies to  
14 remain competitive with overseas competition.

15 As the cost of distributing and receiving  
16 products becomes increasingly critical to a company's  
17 profitability, decisions on whether to expand or relocate  
18 facilities increasingly depends on how well connected a  
19 community is to a transportation system. Here in  
20 Pennsylvania, regions not adequately served by highways,  
21 rail, and airports have little hope of attracting  
22 significant economic growth.

23 Research has shown that companies tend to place  
24 their production facilities in areas with good access to  
25 both raw material and markets, according to a report

1 co-authored by the Boston University for Transportation  
2 Studies. Companies are trying to reduce their assembly  
3 costs, the costs of transporting raw material to the  
4 production site, and their distribution costs, the costs  
5 of transporting finished goods to market. As a result of  
6 these changes, freight will become a larger and larger  
7 segment of the transportation network.

8 Freight volumes are expected to increase by more  
9 than 20 percent by 2006, the FHWA reports. In addition to  
10 leaving local roads, which allow companies to draw  
11 employees from a larger area, the business community's  
12 increasingly dependent on the quality of the surrounding  
13 highway system, as well as efficient and reliable  
14 airports, waterways, and railroads. These efficiencies  
15 have resulted in real savings. As U.S. companies have  
16 moved to more efficient distribution systems, overall  
17 logistics costs have decreased from 17 percent to 10  
18 percent of GNP in the last 15 years.

19 Our organization commends the leadership of this  
20 body in recognizing the critical importance of freight  
21 movement to the quality of life in the Commonwealth.  
22 Sound strategic planning is required to address these  
23 crucial intermodal freight transfer needs.

24 CHAIRMAN HASAY: Thank you, Mr. Haaland.

25 MR. HAALAND: Thank you.

1 CHAIRMAN HASAY: Chairman Geist for questions.

2 CHAIRMAN GEIST: Thank you very much.

3 I think your testimony was absolutely fantastic  
4 and is really why we're having these joint hearings. In  
5 your testimony on page 6, you state a number that we've  
6 been given in various forms by various people testifying,  
7 and that is by the year 2006, freight volumes are expected  
8 to increase on the interstates by 20 percent. Now, based  
9 upon capacity that we currently are serving on our  
10 interstate network in Pennsylvania and realizing that we  
11 have twice as much truck traffic as either New York, New  
12 Jersey or Ohio, and that's a startling number for us to  
13 try to comprehend what we're going to do with that, A; and  
14 B, is how do we in Pennsylvania prepare for the investment  
15 that we need to make to capitalize on the more movement of  
16 freight that's going to take place? And then I guess the  
17 next part of that would be, realizing that these roads and  
18 the railroads now are becoming traveling warehouses where  
19 goods are delivered just in time, you're going to see a  
20 huge reduction in the amount of time that it takes to  
21 travel by highway to deliver products. And what should we  
22 in this committee be doing to prepare for that year 2005  
23 and 2006 as we start our hearings of the Transportation  
24 Commission in Pennsylvania?

25 ~~MR. HAALAND: That's a good question.~~

1 Specifically, I can't really get into details on projects  
2 and infrastructure, but we have found nationally that  
3 infrastructure improvements, whether they be rail,  
4 airports, highways, do have economic development impacts.  
5 The FHWA, the Federal Highway Administration, would be a  
6 better resource, I think, on the specific long-term  
7 results of any specific State efforts.

8 CHAIRMAN GEIST: Let me go back into your  
9 testimony for a moment. On the intermodal components in  
10 Texas and California, for instance, the intermodal plans,  
11 the State of California we know has plans to build  
12 truck-only lanes as the HOV lanes that we currently have.  
13 Will the trucking industry be taxed at a rate that will  
14 pay for those, or will those be paid for by the motoring  
15 public out of liquid fuels moneys? I think that that  
16 question has to be asked because we in Pennsylvania are  
17 going to be faced with that with Interstates 81 and 83  
18 through this part of the State.

19 MR. HAALAND: Well, I know in Oregon there's a  
20 controversy right now between AAA and the American  
21 Trucking Association over how they're going to tax trucks,  
22 whether it's going to be a weight/mile system or diesel  
23 tax. And I think that you might have more of these  
24 situations, but I can't specifically, I don't know  
25 specifically the answer for Pennsylvania.

1           CHAIRMAN GEIST: All right, one more question  
2 about that. Intermodal facilities. An intermodal  
3 facility combines liquid fuels, it combines the private  
4 railroad and it combines really our Commerce Department in  
5 Pennsylvania. Is there any definitive writing that you  
6 know of in any work in any State that clearly points out  
7 how they're solving this problem of getting that truck  
8 traffic rapidly onto trains or road railers or whatever  
9 form we have? We discussed Pitcairn today. Pitcairn's  
10 not even on Norfolk Southern's radar screen when it comes  
11 to development, yet we know we need an intermodal port in  
12 Pittsburgh. Rutherford, we know that there's a big  
13 investment of State dollars that we're going to need to  
14 move 2,000-plus trucks a day in and out of there. Are  
15 there any other States that you know of that are really  
16 preparing for this and taking a look at it? We don't want  
17 to break the Liquid Fuels Trust Fund in Pennsylvania.  
18 None of us want to do that, but we want to be able to have  
19 parallel investments that we know that are going to really  
20 impact on economic development as we see the trucking  
21 industry, the rail industry, air freight all coming  
22 together. And Harrisburg is probably with HIA and the  
23 testimony we heard yesterday, everybody knows we have a  
24 problem, but nobody's offering any solutions on how to  
25 solve that. Are there any States that we can go to now



1 for information that you feel that they would be headed  
2 where we are here in Pennsylvania?

3 MR. HAALAND: I don't know of any specific  
4 State, but I'm certain we can contact the Association of  
5 State Transportation Officials, ASTO.

6 CHAIRMAN GEIST: Would you provide that through  
7 my office and through Chairman Battisto so that we can  
8 integrate that?

9 MR. HAALAND: I can assist you.

10 CHAIRMAN GEIST: We believe in a little  
11 discussion that we've had amongst the three chairmen here,  
12 we should be having our Secretary of Commerce and our  
13 Secretary of Transportation and the Governor in before our  
14 committees and talk about policy that we can set now.  
15 None of us are, probably we're all in the checkout line of  
16 politics now, but those people that are coming in the  
17 future are going to have terrible transportation problems  
18 to wrestle with right here in Pennsylvania. If you could  
19 provide that, I would really appreciate that.

20 MR. HAALAND: I can certainly help you with  
21 that, Mr. Chairman.

22 CHAIRMAN GEIST: Thank you. That concludes my  
23 questions.

24 CHAIRMAN HASAY: Chairman Battisto.

25 REPRESENTATIVE BATTISTO: Just one. In your

1 testimony, sir, you mentioned that about \$248 billion  
2 worth of goods are shipped from destinations from  
3 Pennsylvania outward a year, 80 percent by highways. With  
4 the recent acquisition by Norfolk Southern and CSX of the  
5 Conrail system, former Conrail system, do you think  
6 there's a potential for changing those percentages  
7 somewhat? Do you see any potential for, for example,  
8 changing it from 80-20 to 70-30? I mean, is there a  
9 potential for reducing the amount of trucks on the  
10 highways and putting more on rail if indeed they are  
11 somewhat rail dependent but they have to be shipped by  
12 truck?

13 MR. HAALAND: Well, I'm certainly not a rail  
14 expert. I do know more about highways. So specifically,  
15 I can't answer that question. But I think that it kind of  
16 comes down to whether there is enough rail freight  
17 capability or capacity. And the previous people giving  
18 you testimony talked about improving rail. So that could  
19 be a solution over the long term if you do improve your  
20 rail freight system, that could create a demand for the  
21 shippers. But it seems from what I have read that the  
22 trucking industry certainly is very successful and it  
23 certainly is expanding its operations. So and that kind  
24 of goes along with passenger travel as well. We're seeing  
25 increased usage of the highways and increased usage of

1 local roads.

2 So I think the answer to that question is not  
3 easy and it's not going to be tomorrow if we're going to  
4 get an answer to that question.

5 REPRESENTATIVE BATTISTO: Thank you.

6 Thank you, Mr. Chairman.

7 CHAIRMAN HASAY: Thank you, Mr. Haaland.

8 The committee hearing will now break and take a  
9 short break until a return at 12:30. Thank you.

10 (Whereupon, the proceedings were recessed at  
11 12:10 p.m., and were reconvened at 12:38 p.m.)

12 CHAIRMAN HASAY: This hearing will now come to  
13 order.

14 Our next one to testify is Mr. Tim Dempsey, the  
15 Executive Director of the Pennsylvania Downtown Center.  
16 Mr. Dempsey, welcome here this afternoon, and you may  
17 proceed.

18 MR. DEMPSEY: Thank you.

19 Good afternoon, Mr. Chairman and members of the  
20 committees. My name is Tim Dempsey. I'm the Executive  
21 Director of the Pennsylvania Downtown Center. I would  
22 like to thank you for providing me with this opportunity  
23 to comment on the issue of transportation and how it  
24 relates to economic development. Before I do that,  
25 however, I would like to take a moment to provide you with

1 some brief background information on my organization.

2           The Pennsylvania Downtown Center is the  
3 Commonwealth's only statewide nonprofit solely dedicated  
4 to the issue of downtown and neighborhood business  
5 district revitalization. Working as a partner with the  
6 Department of Community and Economic Development since  
7 1987, PDC has provided assistance to the 93 communities  
8 funded through the State's Main Street Commercial  
9 Revitalization Program. By providing Technical  
10 assistance, outreach services, and educational programs,  
11 our organization has enabled communities to develop and  
12 execute successful downtown revitalization efforts. In  
13 addition, our organization has assisted over 100  
14 communities not funded through the State's official  
15 program.

16           The issue of transportation as it relates to  
17 economic development in our downtowns is a very complex  
18 and hotly debated topic. Issues ranging from the impact  
19 of constructing new highway bypasses around downtowns to  
20 the lack of adequate public transportation have been  
21 discussed for many years. My goal here today is not to  
22 rehash the debate or these perennial issues but rather to  
23 focus on the concepts that downtown economic development  
24 requires unique transportation systems and that concrete  
25 steps can be taken to facilitate development of those

1 systems.

2 A physical model of the city before the  
3 widespread use of the automobile was pedestrian oriented.  
4 Workers, consumers, and visitors in downtowns moved about  
5 locally on foot while being provided regional access via  
6 public transportation; that is, the trolleys and trains  
7 that once ran through our cities.

8 As a result of this physical model, the economic  
9 model of downtown followed suit. Businesses clustered  
10 together in tightening their districts to accommodate  
11 pedestrians. The high level of foot traffic thus became an  
12 essential component for supporting a thriving central  
13 business district where densities were high.

14 As automobile use became more widespread,  
15 residential and commercial location decisions reflected  
16 the increased mobility of our nation. Businesses can now  
17 locate in areas beyond the traditional commercial centers,  
18 no longer as dependent on pedestrian activity, but  
19 increasingly dependent on automobile traffic.

20 Many businesses that remained downtown suffered  
21 as the sidewalks emptied. To address the shift in  
22 increased mobility of consumers and goods, many downtowns  
23 and main streets gave priority to the automobile. While  
24 the shift in focus to expedite vehicular movement improved  
25 traffic flow and ease of access, changes were often

1 brought about with less and less consideration for the  
2 pedestrian, in some cases hindering, discouraging, or even  
3 preventing pedestrian movement.

4           As we enter the 21st century, we need to examine  
5 closely how we can adjust transportation policy to  
6 regenerate economic activity in our downtowns. Green  
7 initiatives that need to be undertaken include the  
8 following: First, we need to create physical environments  
9 that accommodate automobiles will place safe and efficient  
10 pedestrian movement as the top transportation priority in  
11 downtowns. Second, we need to encourage greater linkage  
12 between transportation and comprehensive land use  
13 planning. And third, we need to continue to develop and  
14 encourage alternative modes of transportation that ease  
15 congestion and support downtown pedestrian activity.

16           If you were to examine any successful downtown  
17 or Main Street, you would discover that pedestrian  
18 movement is given priority. The reason for this is  
19 clear: Pedestrian activity creates a domino effect.  
20 Increased retail and service activity leads to the demand  
21 for property, which results in higher real estate values,  
22 all of which mean an improvement in the quality of life,  
23 which further attracts major employers and residents. By  
24 carefully evaluating, and when necessary altering such  
25 elements as one-way streets, excessive speed limits, and

1 lack of crosswalks, communities can stimulate pedestrian  
2 activity. While some downtowns require major changes,  
3 most only require a creative application of transportation  
4 guidelines that allow for flexible solutions, solutions  
5 that place a priority on pedestrians and recognize that  
6 vast and efficient automobile movement should not always  
7 be the top priority.

8           We also need to evaluate transportation and its  
9 relationship to land use planning. As I stated earlier,  
10 there's been a great deal of debate on issues such as the  
11 impact of highway bypasses on existing commercial  
12 districts. While there have been many bypass studies  
13 assessing impact after the fact, we often fail to analyze  
14 the economic impact before it occurs. We must do a better  
15 job of understanding the link between new commercial  
16 development and its impact on existing commercial centers  
17 and how transportation decisions affect those linkages.  
18 With so many existing commercial centers in decline, can  
19 we continue to justify the ongoing construction of new  
20 highways and roads that may ultimately lead to the decline  
21 and the infrastructure investments we have already made?  
22 This does not mean we stop growth and limit improvements  
23 in transportation capacity. Rather, it means that we  
24 reinvest in existing infrastructure where transportation  
25 already exists.

1           Related to the issue of land use is our need to  
2 encourage alternative modes of transportation. As traffic  
3 continues to grow in communities of all sizes, and we  
4 spend more time in our cars than ever before, we need  
5 creative solutions to ease congestion. Unfortunately,  
6 large scale use of public transportation is not likely  
7 anytime soon. The continued low-density development  
8 patterns and our marriage to the automobile are major  
9 factors limiting widespread use of public transit.

10           However, proposals such as the Schuylkill Valley  
11 Metro from Reading to Philadelphia should be encouraged  
12 and supported. This proposed line, with potential stops  
13 at nearby struggling downtowns, offers a tremendous  
14 opportunity to reduce traffic and stimulate local economic  
15 development in existing business districts.

16           In addition to public transportation,  
17 alternative modes such as bicycling should continue to be  
18 examined and accommodated where appropriate.

19           There are many factors that have played a role  
20 in the economic decline of our downtowns, and  
21 transportation is just one factor involved in this complex  
22 problem. Unlike so many other factors, however,  
23 transportation has a unique ability to help solve the  
24 problem of downtown disinvestment. With innovative  
25 transportation planning in our downtowns that facilitates



1 pedestrian movement, development of comprehensive  
2 strategies that accommodate economic sustainability in all  
3 commercial areas, and the sensible application of  
4 alternative modes of transportation, we can stimulate  
5 economic development in our traditional business  
6 districts. Our downtowns and main streets once served as  
7 the economic hubs of our communities. While this may  
8 never be so again, we can nonetheless create viable and  
9 sustainable commercial centers that reflect their  
10 important position as the heart and identity of our  
11 communities.

12 Mr. Chairman, I would like to thank you for your  
13 time this afternoon. I will be happy to entertain any  
14 questions.

15 CHAIRMAN HASAY: Thank you very much, Mr.  
16 Dempsey.

17 I will recognize now the gentleman from  
18 Schuylkill, Mr. Argall. He's our expert in the  
19 legislature on downtown planning. Mr. Argall.

20 REPRESENTATIVE ARGALL: I'm not sure where to  
21 begin, with that kind of an introduction.

22 Yesterday we heard from PennDOT that at least in  
23 a few isolated circumstances there is an ongoing effort  
24 between the Department of Transportation and the  
25 Department of Community and Economic Development to

1 partner together in fixing some of the problems affecting  
2 some of our downtowns with the full understanding that if  
3 DCED goes in and starts to help financially to fix up  
4 buildings and we encourage more people to come downtown,  
5 that then can create a negative effect with additional  
6 traffic congestion. I think Chambersburg was one  
7 instance. I'd asked them for more information and I'd  
8 like to ask you, have you seen many examples of that kind  
9 of partnership between those two State agencies in working  
10 to improve our downtowns?

11 MR. DEMPSEY: We're starting to see those  
12 partnerships. PennDOT's program Sustainable Streets,  
13 which selected six model communities to work in their  
14 downtown and focus on pedestrian activity, I think is a  
15 new initiative that has a lot of promise. I think what we  
16 need to do though is to make sure those initiatives are  
17 followed through, that it's not just lip service or  
18 another Streetscape Program, that we truly do come up with  
19 design elements that accommodate pedestrians. Again, we  
20 need to move to traffic, and every downtown recognizes the  
21 need to move automobiles, but we have to insure, again,  
22 these programs also focus on pedestrians. And we're  
23 seeing some good things, but again, we need to keep the  
24 pressure on so these programs truly become integrated at  
25 the regional level, because I think there is a lot of

1 recognition at the top that this is important, but we need  
2 to make sure that filters down.

3 REPRESENTATIVE ARGALL: I think one of the ways,  
4 perhaps to borrow a page from Representative Geist's  
5 books, to keep the pressure on would be for you and  
6 perhaps your colleagues across the State to attend one or  
7 more of the State Transportation Commission hearings.  
8 Because yesterday I bit my tongue. We heard a  
9 presentation on why the State should be spending millions  
10 of dollars on some additional exits that may or may not be  
11 needed. I do not understand the circumstances. But what  
12 I don't think we want the State to be doing is spending  
13 millions of dollars to move a business from the middle of  
14 the downtown to two miles away, because I don't see that  
15 200 jobs here is any better than 200 jobs two miles away,  
16 or moving the tax base from the city to the borough to the  
17 township. That's just shifting pieces across on the chess  
18 board, and so you might want to attend some of those  
19 hearings. I think they'd be very educational for you to  
20 listen, but I think it also would be very helpful for the  
21 members of the commission to hear some of the things that  
22 are happening in some of the downtowns.

23 Thank you, Mr. Chairman.

24 CHAIRMAN HASAY: Chairman Geist.

25 CHAIRMAN GEIST: One of the biggest complaints

1 that we hear about downtown is access, that you can't get  
2 a tractor trailer to bring goods and services to businesses  
3 that are still there, that you can't get people in and out  
4 because you don't have parking facilities, and that most  
5 of the downtowns in western Pennsylvania are still  
6 serviced by railroad right-of-way, but yet we don't have  
7 any rail diesel car type of service into there, and buses  
8 have a very hard time negotiating in and out a lot of  
9 those areas. Have you done any white papers at all on any  
10 of these issues?

11 MR. DEMPSEY: We haven't done any white papers  
12 in terms of truck access. I know there is difficulty in  
13 some downtowns, but what we find, if there's a demand for  
14 the goods, they'll find a way to get them delivered with  
15 creative scheduling, bringing trucks in earlier in the  
16 morning or later at night. Parking though is the number  
17 one issue oftentimes in a downtown. But the problem we  
18 find with parking, it's one of a couple things. Number  
19 one, it's one of perception. People perceive there's a  
20 lack of parking, when in reality a lot of our communities  
21 have adequate lots. They might be behind the main  
22 commercial district. There's a lack of signage, a lack of  
23 identity. I was in Oxford yesterday with their Main  
24 Street program, and they have quite a bit of parking, but  
25 they have no signage. Now, people in the community know

1 where to go, but someone like me, a visitor, may not know  
2 where to go to park. So we can address some of those  
3 parking issues.

4 And the other thing I always like to look at in  
5 terms of parking is people will shop at a regional mall,  
6 they'll look three football fields across the lot to the  
7 front door and they'll walk that distance, and they'll do  
8 the same in the downtown if there's a good mix of  
9 businesses. In center city downtown Pittsburgh,  
10 Manauyunk, Bloomsburg, some good examples of communities  
11 where if you have the right business there, people will  
12 spend the time walking, so parking can then be  
13 accommodated maybe in different locations. It doesn't  
14 always have to be right on the street.

15 CHAIRMAN GEIST: How about commuter rail in a  
16 lot of these areas, as we call it light rail in my  
17 business?

18 MR. DEMPSEY: Well, I think light rail in your  
19 larger downtowns is always an exceptional idea. I think  
20 if you look at southeastern Pennsylvania and some of the  
21 proposed stops, Phoenixville as a proposed stop is a  
22 potential to bring people to that community, that downtown  
23 would be nearby. There's an opportunity then for people  
24 to live in Phoenixville and then go into downtown  
25 Philadelphia, stimulate movement there where people again

1 are going to be going past the downtown. So I think  
2 there's spin-off benefits for that as well.

3 CHAIRMAN GEIST: For those of us on this  
4 committee who follow Representative Argall's legislation,  
5 we think that he's on the right path and would hope that  
6 we get the political support that we need for the  
7 revitalization efforts of all these small city town  
8 centers across Pennsylvania. They have truly been  
9 neglected since the '50s, and we just don't do it with a  
10 Band-Aid. It has to be a concentrated effort of economic  
11 development, and that's why we're having these joint  
12 hearings today. We've got to be able to get our highway,  
13 our rail, our air access, and people have to be able to  
14 move about freely. And if we don't have that right  
15 combination, none of this works. And I applaud Dave  
16 Argall for recognizing that and being at the point of the  
17 spear in the General Assembly to try to correct it.

18 CHAIRMAN HASAY: Bloomsburg was a good example  
19 of a downtown's abilities, and they have street parking.  
20 I would suspect that street parking, and then they have  
21 off-street parking behind the main street, which has, I  
22 think, been very successful in Bloomsburg, and they have  
23 done some of that in Luzerne Borough in Luzerne County as  
24 well. So I think the local planning is important, and so  
25 is the street parking. I guess it gives the perception

1 that once you see the off-street parking signs that the  
2 downtown is healthy and alive and people will stop to look  
3 and that.

4 Chairman Battisto, do you have any comments?

5 REPRESENTATIVE BATTISTO: No, I don't have any  
6 comments except, I'm sorry, but I do have a question to  
7 ask you about, sort of sounds off the wall in a way, I  
8 mention one community, but Brookville, for example. Did  
9 you have anything to with Brookville downtown?

10 MR. DEMPSEY: Brookville actually was started by  
11 one of our board members, the person responsible for a lot  
12 of activity there, David Taylor was one of our board  
13 members, he was an original person who helped start our  
14 organization. So yes, we've been involved in that  
15 community. We provided a lot of the technical assistance  
16 that communities across the State then use to help  
17 themselves.

18 REPRESENTATIVE BATTISTO: Well, I'm just going  
19 to say to Pennsylvania and to the world about this because  
20 in driving Route 80 westward, I always used to see the  
21 water tower in the community of Brookville, and I happen  
22 to know a little about it because my son went to school  
23 with somebody from Brookville, but anyway, so we were on  
24 our way to Erie to a State Transportation Commission  
25 meeting and we were looking for something to eat and we

1 stopped in Brookville, Paul Parsells and I. We were so  
2 impressed. Besides having dinner in a nice little  
3 restaurant, impressed by the main street in Brookville.  
4 If all downtowns of that size, and I assume it's a borough  
5 of maybe 8,000 or 9,000 or 6,000, I'm not sure, give or  
6 take, not large, had a very impressive downtown. And you  
7 could tell there was some work into it, it just didn't  
8 happen. It took a lot of work.

9 MR. DEMPSEY: Yeah, the process in Brookville is  
10 ongoing. I mean, they started 15 years ago and they're  
11 continuing on. This is something that you don't just let  
12 go, you have to continually reinvest in it, but if you do  
13 that you see the payoff.

14 CHAIRMAN BATTISTO: Yeah, we saw it definitely.

15 MR. DEMPSEY: And just to comment once more  
16 again on the parking, in terms of on-street, we definitely  
17 encourage that, because the on-street parking serves a  
18 couple purposes. It's that initial convenience parking,  
19 and then it can be supported by other lots. But it's also  
20 a buffer zone between the roadway and the sidewalk which  
21 makes a pedestrian feel safer versus having that traffic  
22 run right up to the curb where you're a little bit  
23 intimidated. So again, we would encourage efforts like  
24 that.

25 CHAIRMAN GEIST: Next year, Brookville's Chamber



1 of Commerce Man of the Year, Joe Battisto.

2 REPRESENTATIVE BATTISTO: And Parsells. He was  
3 there too.

4 CHAIRMAN HASAY: Thank you very much, Mr.  
5 Dempsey, for your testimony today.

6 MR. DEMPSEY: Thank you very much.

7 CHAIRMAN HASAY: Next we have Jeffrey L. Bohn,  
8 President of the Pennsylvania Truck Transportation  
9 Alliance, and with him is Ruth Dietz, the CEO of Ono  
10 Transport Services, Inc. I think I know where Ono is.  
11 It's by Oyes.

12 Thank you for coming here today.

13 MR. BOHN: There is an Oyes in Ono, by the way.  
14 That used to be our convenience store, the truck stop.

15 CHAIRMAN HASAY: I know where that is.

16 MR. BOHN: Okay, that's our facility.

17 CHAIRMAN HASAY: I stopped there for gas and an  
18 iced tea.

19 Okay, you may proceed. Thank you.

20 MRS. DIETZ: Thank you, Chairman Hasay, Chairman  
21 Geist, and members of the House Commerce and Economic  
22 Development and Transportation Committees, for this  
23 opportunity to talk about transportation and economic  
24 development in the Commonwealth. I am Mrs. Ruth B.  
25 Dietz. I am the CEO and owner of J.P. Donmoyer,

1 Incorporated, which provides regional trucking services  
2 from terminals in Ono and York, Pennsylvania. I have with  
3 me my son, Jeff Bohn, President of J.P. Donmoyer,  
4 Incorporated, and President of the Pennsylvania Truck  
5 Transportation Alliance, which is known as PTTA.

6 Please allow me to provide some background on my  
7 company and myself. J.P. Donmoyer is one of the two dry  
8 bulk carriers ISO 9002 certified in North America. We  
9 provide truckload dry bulk deliveries of Pennsylvania  
10 products such as limestone, coal, grains and fertilizer to  
11 water and sewer plants, power plants, cogenerators, steel  
12 mills and feed mills throughout Pennsylvania, west as far  
13 as Chicago, north to New York and Boston, and south as far  
14 as Atlanta. We have about 100 tractors on the road daily  
15 and employ approximately 150 people full-time. We're a  
16 state-of-the-art company and have been successful in  
17 keeping our customers and ourselves competitive in today's  
18 global economy.

19 I'm here today because I care deeply about the  
20 Pennsylvania we will give to our children and  
21 grandchildren. The transportation and trucking industries  
22 are just as important in keeping jobs in Pennsylvania as  
23 any other part of our business and community  
24 infrastructures. Pennsylvania businesses must have  
25 reliable and efficient access to the materials they need

1 to make the many products they sell. They must also be  
2 able to transport their products as efficiently as  
3 possible to stay competitive. In the end, what we are all  
4 working for is a healthy and robust economy for all  
5 Pennsylvanians.

6 MR. BOHN: PTTA was formed in 1997 to provide a  
7 proactive public policy voice for Pennsylvania truckers.  
8 We're a resource for the General Assembly regarding  
9 trucking and transportation issues. Today's hearing is an  
10 opportunity for us to work together for the advancement of  
11 trucking and transportation and economic development in  
12 the Commonwealth. It's important for public and private  
13 leaders to always be promoting good jobs for  
14 Pennsylvanians. We appreciate today's hearing which  
15 indicates your understanding of the critical role played  
16 by transportation and trucking in the well-being of  
17 commerce, economic development, and jobs in the  
18 Commonwealth.

19 We are the Keystone State. Geography makes  
20 Pennsylvania a key crossroad in the movement of commerce.  
21 Pennsylvania exports many products that must be  
22 transported to national and international markets. Many  
23 products from other places also travel through  
24 Pennsylvania on the way to their destination. We can view  
25 the movement of commerce through our State as an

1 opportunity, or we can erect barriers to this economic  
2 opportunity. We need to provide leadership rather than  
3 assuming a defensive posture. We have repeatedly found  
4 that our customers who buy Pennsylvania limestone, coal,  
5 and grain can easily switch to producers from other  
6 States, and in fact other countries. More specifically,  
7 margins are very narrow, and often the costs and ease of  
8 transportation is the difference. Only with all partners  
9 - business, government, labor, et cetera - working  
10 together can we stay competitive.

11 Pennsylvania exports many products which must be  
12 transported to the national and international markets. As  
13 a result, today's shippers benefit from brisk competition  
14 for their business. My company must compete not only with  
15 other truckers but rail as well. We have no problem  
16 competing fairly with rail because both modes have their  
17 strengths. We are also committed to development of  
18 intermodal services because we understand that  
19 Pennsylvania products must be transported as efficiently  
20 as possible. However, if the Commonwealth invests in  
21 intermodal infrastructure, we believe Pennsylvania  
22 carriers should be able to participate in the business.

23 We're aware of your concerns over the use of  
24 secondary roads by motor carriers. We believe it makes a  
25 lot of sense to encourage trucks to use interstates and

1 the Pennsylvania Turnpike wherever possible. However, the  
2 toll rates and fuel taxes on the turnpike make it too  
3 expensive in many cases to economically justify using this  
4 road instead of secondary roads.

5 We have followed the many current Growing  
6 Greener and land preservation proposals. We believe these  
7 issues are ripe for resolution and fully support  
8 revitalization of brownfields and existing  
9 infrastructure. We also agree that transportation  
10 facilities need to be operated as good neighbors in the  
11 community and in compliance with environmental standards.  
12 As we work to competitively transport Pennsylvania  
13 products to market, we must keep this in mind. When  
14 transportation is needed to move Pennsylvania products, we  
15 must all work together to make sure we have the  
16 infrastructure required to keep Pennsylvanians working.

17 MRS. DIETZ: I have lived in Lebanon County all  
18 of my life. Because of the road infrastructure and the  
19 work ethics of the local people, we have been able to  
20 attract such business giants as Sid Tool, Ingraham Micro,  
21 Sherwin Williams, AMP, and Swift Transportation.

22 As an active member of the local school board  
23 and a leader in various community organizations, I was  
24 fortunate enough to play a role in structuring a plan that  
25 was appealing to the budgets of the businesses in search

1 of a fertile business climate. The net effect of this  
2 hard work has been the creation of over 2,000 good paying  
3 jobs and millions of dollars injected into the local  
4 economy.

5 Transportation and related industries were named  
6 one of the biggest employers in Pennsylvania. Competition  
7 and transportation technology has increased efficiency and  
8 safety, but we must always strive to do better. Computers  
9 not only allow us to constantly monitor and record  
10 operation of our equipment but also helps keep customer  
11 inventories as efficient as possible due to just-in-time  
12 delivery service. Logistics, which is basically movement  
13 of products from point A to point B, has become a true  
14 science, and we have some of the best operations right  
15 here in Pennsylvania.

16 My company offers wages and benefits to raise a  
17 family. Our current annual wage is \$43,000 to \$45,000,  
18 plus benefits such as health insurance, 401K pension plan,  
19 and an employee assistance program. We have worked with  
20 the Commonwealth to provide job opportunities, training,  
21 and upward mobility for Pennsylvanians. Several examples  
22 of people who have dramatically improved their job  
23 situation through training and employment at J.P.  
24 Donmoyer, Inc., are attached.

25 Recent trends indicate that our industry is

1 better at providing excellent opportunities for people to  
2 move up the economic ladder, thereby opening positions to  
3 other industries to employ those currently unemployed.  
4 We're constantly concerned about putting the best-trained  
5 drivers on the road. We have found it difficult and  
6 expensive to attract and retain the kind of driver we want  
7 and you want on the road. We're encouraged by the  
8 discussions we have had with Chairman Geist and look  
9 forward to working with you as partners to insure the  
10 Commonwealth has the efficient and safe transportation  
11 infrastructure necessary to maintain and develop the  
12 Pennsylvania we will give to our children and  
13 grandchildren.

14           Again, thank you for this opportunity, and we  
15 look forward to working with you, and we'll be happy to  
16 respond to any of your questions.

17           CHAIRMAN HASAY: Thank you, Mrs. Dietz and Mr.  
18 Bohn, for your testimony today.

19           You made a statement that the toll rates on the  
20 Pennsylvania Turnpike make it too expensive to run your  
21 trucks?

22           MR. BOHN: Yes. That is what we -- we've done  
23 extensive studies on the cost of running our vehicles on  
24 the turnpike with the current toll rates and fuel taxes  
25 and running them on secondary roads, Route 22 or Route 30,

1 and in some cases it makes sense economically to be on the  
2 turnpike, but for us particularly running shorter  
3 distances in the State of Pennsylvania, certainly there  
4 are benefits to running on the turnpike that we would like  
5 to enjoy but the cost is much too high to make it  
6 feasible.

7 One of the best examples I like to give on that  
8 is a number we often use for the turnpike is 22 cents a  
9 mile to run a truck on it. And a typical truck of ours,  
10 the revenue is \$1.35 a mile. So if we spend \$.22 of that  
11 \$1.35 just to run on one road, we can't make any money.  
12 We typically make a few pennies per mile, and 22 cents  
13 puts it way out of our league. It's a constant  
14 frustration for us.

15 CHAIRMAN HASAY: Well, that may be one area that  
16 the Transportation and the Commerce Committees maybe need  
17 to examine to see if the number of trucks are down  
18 compared to maybe five years ago. Maybe that has an  
19 effect on other trucking industries as well, other  
20 companies.

21 I will now turn it over to Chairman Geist.

22 CHAIRMAN GEIST: Thank you very much.

23 Intermodal. Has your company ever explored with  
24 a Class 1 railroad, or a shortline linked with a Class 1  
25 railroad, the possibility of generating one of your



1 products that you haul, limestone or grain, et cetera, in  
2 a truck-rail combination? Have you done any of those kind  
3 of deals and are you exploring any of those deals and have  
4 you worked with the Department of Commerce and/or  
5 Transportation to facilitate any of that kind of business  
6 development in Pennsylvania?

7 MR. BOHN: We've had some very preliminary  
8 discussions through the years off and on on some  
9 possibilities. Most recently, Norfolk Southern had been  
10 talking a little bit with our association at PTTA about  
11 working with us and those discussions went on for a short  
12 period of time. Nothing has ever gotten really to the  
13 point where we'd have a proposal or something to take to  
14 the next step.

15 CHAIRMAN GEIST: Do you haul ballast?

16 MR. BOHN: No, we don't.

17 CHAIRMAN GEIST: I know that the discussions on  
18 ballast for some of the shortlines to quarry it and then  
19 ship it, this kind of economic development is something  
20 that we in Pennsylvania have to explore since we have so  
21 much quarrying operations in this State and we produce a  
22 hard stone that a lot of other States crave. It's kind of  
23 logical to develop that kind of business.

24 Now inland ports, Rutherford Yard, no highway  
25 access. What's the potential, in your eyes, as you see

1 it, for the trucking industry for the development of the  
2 inland port of Rutherford?

3 MR. BOHN: I think you mentioned the lack of  
4 great highway access is always going to be a big barrier,  
5 especially if a lot of trucks start going in and out.  
6 There's a lot of problems running on the kind of roads  
7 that access places like that.

8 CHAIRMAN GEIST: One of the problems that we  
9 have is that it takes two to seven years from the time you  
10 propose a highway until you actually can start building it  
11 because of all the restraints that we have to go through,  
12 yet we listen to the rail industry say that it can take  
13 them a year or two years to develop that yard to  
14 capacity. In that squeeze period of five years, how do  
15 you handle 2,000 truck movements a day through Sam's  
16 Club?

17 MR. BOHN: That would be a challenge. And  
18 businesses would be frustrated, and obviously safety is a  
19 factor there.

20 CHAIRMAN GEIST: We're looking at the increased  
21 truck transportation in Pennsylvania, a tremendous,  
22 tremendous increase based upon numbers that we've been  
23 presented of growth through the year 2006 that was just  
24 testified before you sat down. Yesterday we had numbers  
25 that were given to us that clearly show that we have a

1 huge capacity problem coming on our interstates in  
2 Pennsylvania. Intelligent highways and use of that, do  
3 you see your industry in the future doing a lot more night  
4 shipping and less day shipping to try to fill in the peaks  
5 and valleys of utilization of the interstates? Do you  
6 favor a reduced license that would only allow you to run  
7 certain hours at night versus day? Would you work a deal  
8 with the turnpike if they told you that off-peak times  
9 they could take you on the turnpike for 10 cents a mile?  
10 Have any of these things ever been explored with you and  
11 the department?

12 MR. BOHN: The turnpike, we've had some talks  
13 with them and there has been some, again, preliminary  
14 talks of off-peak pricing and so forth, and that would be  
15 of interest to us. One of the things we do find is right  
16 now a lot of the shipments are going at night. We live  
17 very close to Route 81 and during the day it's quite a few  
18 cars and some trucks, during the night it's almost all  
19 trucks it seems when you get out there.

20 CHAIRMAN GEIST: They're there when I'm there.  
21 I mean, they plan it that way.

22 MR. BOHN: And one of the critical things with  
23 that is just the economics of it. With just-in-time  
24 deliveries in particular that's becoming more important,  
25 shippers tell us we want deliveries at 10 a.m., 2 p.m., 4

1 p.m., or give us very specific times. And many times we  
2 don't have the possibilities of scheduling on off-peak  
3 times. But there are times when there is flexibility and  
4 we do need to get the shippers involved in this concern.

5 CHAIRMAN GEIST: Has your industry met with the  
6 MPOs across the State to talk about your problems and  
7 presenting your problems to the Transportation  
8 Commission?

9 MR. BOHN: I don't know, our particular  
10 organization has not had any formal types of things on  
11 that. We would be interested in doing so though.

12 CHAIRMAN GEIST: I would strongly suggest that  
13 the trucking industry get involved at the local levels  
14 with the MPOs and the LDDs and that we start addressing  
15 the future needs. I know that Representative Hess and I  
16 both are very concerned about the Bedford exit of the  
17 Pennsylvania Turnpike and the congestion that takes place  
18 there. It wasn't a problem a few years ago. I know the  
19 Breezewood exit, there's a lot of concern about the direct  
20 access onto 70 right off of the interstate, off the  
21 turnpike. So these are things that your industry has to  
22 bring before the MPOs if we want to make the economy hum.  
23 And since it takes so long to address and fix, we think  
24 that we need as much lead and advance time as we possibly  
25 can get from you folks.

1           MR. BOHN: We would certainly agree. That's an  
2 area we need to be active in.

3           CHAIRMAN GEIST: Thank you. That concludes my  
4 questioning.

5           CHAIRMAN HASAY: Chairman Battisto.

6           REPRESENTATIVE BATTISTO: Thank you, Mr.  
7 Chairman.

8           First of all, just a comment. I just want to  
9 commend both of you. I could see exuding from you the  
10 sense of the work ethic, and you must transmit that to  
11 your employees, I think. You seem to operate a very good  
12 business, and the fact that you pay wages of \$43,000 to  
13 \$45,000 a year is very commendable. Keep up that good  
14 work.

15          MRS. DIETZ: Thank you.

16          REPRESENTATIVE BATTISTO: A question about  
17 attracting these new businesses to Lebanon County. You  
18 indicated that the road infrastructure is probably a key  
19 factor, along with the work ethic of the people there, and  
20 that's good. I read from time to time, and I know we all  
21 read comments and stories about various truckers and the  
22 trucking companies and groups that rate highways in  
23 Pennsylvania. And very often the ratings are not too  
24 good, even though we do maintain 44,000 miles of roadways  
25 compared to like 3,000 for New Jersey, and so forth. But

1       how do you, besides the tolls on the turnpike, that's a  
2       different story, I'm talking about condition of the  
3       roads. And you go to Chicago, you go to Boston, does the  
4       condition of roads in Pennsylvania work favorably for you,  
5       or how would you candidly assess the situation?

6               MR. BOHN: To respond sort of just again, it's  
7       just my personal impression in talking to drivers and so  
8       forth, I think particularly over the last two years the  
9       condition of the roads has improved. Secretary Mallory, I  
10      think, has done a lot for improving PennDOT, and the funds  
11      that he's acquired over the last few years obviously have  
12      helped that.

13             I think probably the biggest drawback we've seen  
14      and that I hear is not so much the condition of the actual  
15      roads we have but the size and the overall ability to  
16      handle the traffic. Our roads are full.

17             REPRESENTATIVE BATTISTO: Like the secondary  
18      roads?

19             MR. BOHN: Even the interstates.

20             REPRESENTATIVE BATTISTO: Do you use 80 very  
21      much?

22             MR. BOHN: Yeah, we're up there some.

23             REPRESENTATIVE BATTISTO: You use 81?

24             MR. BOHN: Yes, Route 81, 78 quite a bit,  
25      Schuylkill Expressway, and so forth. And the access, for

1 instance, to Philadelphia is difficult, and some cities  
2 are much easier to get in. So I think it's just that the  
3 condition has improved and I think those years where Route  
4 80 was known as one of the worst roads around, and as you  
5 mentioned truckers voted Pennsylvania as not the best for  
6 roads, I think we're seeing that improve, and there's a  
7 whole lot of reasons for that that are beyond our  
8 control.

9 But the whole, as was mentioned earlier, there  
10 is a lot of traffic on our highways, and it's growing  
11 rapidly and we're starting to hit capacity in a lot of  
12 places and it's just going to really bottleneck things.

13 REPRESENTATIVE BATTISTO: Thank you.

14 Thank you, Mr. Chairman. Thank you.

15 CHAIRMAN HASAY: You stated in your testimony  
16 that you had some difficulty in obtaining drivers? Is it  
17 because of CDL requirements or something else? Can you  
18 explain?

19 MR. BOHN: If we had the answers to why it's so  
20 difficult to retain drivers, we would be appearing before  
21 all the trucking companies at this point. There's a  
22 multitude of reasons. I don't think the CDL in any way,  
23 shape, or form was a negative. I think if anything that  
24 was a positive, and we would certainly support even  
25 further enhancing, particularly on a national level, the

1 professional requirements of drivers. However, it is a  
2 very difficult job. And salaries have come up  
3 significantly in the past few years, however, working  
4 conditions are difficult in that there's a lot of  
5 variables that you just didn't know when you go out in the  
6 morning. One shipper wants you there at 7:00 in the  
7 morning, the other wants you there at 12:00 noon. Every  
8 day you're running a different type of route. And between  
9 traffic and just delays in shippers at delivery points,  
10 it's a very stressful job. And that really adds to the  
11 difficulty in obtaining and retaining drivers.

12 CHAIRMAN HASAY: That's understandable. Thank  
13 you very much for your testimony today. I appreciate  
14 having the Pennsylvania Truck Transportation Alliance here  
15 today.

16 REPRESENTATIVE PRESTON: Mr. Chairman, could I  
17 have one?

18 CHAIRMAN HASAY: I'm sorry, Representative  
19 Preston has a question.

20 REPRESENTATIVE PRESTON: Thank you, and I  
21 appreciate, especially since I came in through the door  
22 again late.

23 I serve on the Federal Truck Weight and Measure  
24 for representing the United States, there are only about  
25 three of us who are elected, the rest are technocrats.



1 I've met on the West Coast and in the mountain States with  
2 the people who are developing the corridors under the  
3 NAFTA agreement with Canada, United States, and Mexico. I  
4 know that some of the chairmen and people in the Council  
5 of State Governments last month that they were starting to  
6 form a meeting, but the corridor out here in the east is  
7 starting to form. What, in your opinion, are we going to  
8 be, because I don't really see Pennsylvania stepping up to  
9 the plate. When you look at that Mexico is 150,000  
10 pounds, Canada is 129,000 pounds and we're still at 80,000  
11 pounds, and we're talking about the quality of the roads.  
12 This is inevitable. Have you been involved with  
13 stretching down in Pennsylvania the corridor? Because  
14 we're not participating, and a lot of the States thought  
15 this was going to go away. Western States are really up  
16 on it, they've already stuck it in their compacts, they're  
17 already looking at the financing. We are about two years  
18 behind. What do you see coming?

19 MR. BOHN: Well, I think you're correct in  
20 stating these things are going to be coming to the  
21 forefront. They're not just going to go away. If nothing  
22 else, just the capacity in the roads. If you can put more  
23 product in on one truck, that may be a reasonable  
24 alternative to decreasing the number of trucks on the  
25 road. And it becomes is it worse to have two trucks, or

1 is it worse to have one big one? And I don't have an  
2 answer for that.

3 I think, again, we as a State need to, as you  
4 sort of alluded to, we need to get to the forefront and  
5 get on the ball with that, realizing that it's not just  
6 going to go away.

7 And the public perception is one of the most  
8 difficult things I think we struggle with. Unfortunately,  
9 the negative perception of big trucks is sometimes  
10 exaggerated and overblown, and then unfortunately we do  
11 have some, those occasional incidents where something just  
12 goes wrong or there is a bad driver that should not have  
13 been on the road and it becomes a very visible thing. And  
14 that seems to set us back. Somehow we need to provide  
15 some leadership and say we need to look at this issue  
16 realistically.

17 REPRESENTATIVE PRESTON: Because I always hear  
18 when people are complaining about the weight limits, and  
19 as I've learned, and I visibly have seen nine actual  
20 configurations, I've reviewed 11 axle operations, and when  
21 I look at the weight and the amount of free cycles that we  
22 have here in Pennsylvania, and yet in the sense we're  
23 doing this enormous road resurfacing program, which is  
24 still not sufficient for the future to be able to meet the  
25 needs, what do you suggest that we need to try to do or do

1 we ring a bell and say, wake up, America, or  
2 Pennsylvania?

3 MR. BOHN: One of the important things I think  
4 there is if a road is constructed properly from the very  
5 bottom up, the weight on it, if it's distributed properly,  
6 as you said, is not quite as significant a factor in the  
7 wear of the roads as is often perceived. Unfortunately,  
8 many roads in the past where you can cheat a little bit on  
9 the foundation and so forth, and then weight will be  
10 pretty detrimental to the road. But if a road is built  
11 properly, the Pennsylvania Turnpike, there are sections of  
12 that road I believe were built in the '40s and just now  
13 for the first time are being redone, and they were  
14 subjected to tremendous amounts of traffic through the  
15 years. But the road was constructed looking into the  
16 future, and not just to get by with as little money as  
17 possible.

18 REPRESENTATIVE PRESTON: Okay, thank you very  
19 much.

20 Thank you very much, Mr. Chairman, because this  
21 is something that I am sending to the Transportation  
22 Committees in about five States in this region. It is  
23 going to be impacting on us. A lot of the trucking  
24 companies are glad in a sense because they don't have to  
25 stand in line when they cross the borders as part of the

1 agreement, and for those who aren't aware of that, it is a  
2 long process. But this is something that if we do not  
3 move forward, Pennsylvania, New York is already making  
4 fast adjustments. Maine, Vermont, New Hampshire,  
5 Connecticut, and Massachusetts have already basically  
6 formed their compact, and we need to be able to  
7 participate in that very soon. Thank you.

8 CHAIRMAN HASAY: Thank you very much for coming  
9 here today. Thank you.

10 Next we have a Tom Shaughnessey from the Lehigh  
11 Valley Partnership. Welcome to the hearing.

12 MR. SHAUGHNESSEY: Thank you. Good afternoon.

13 CHAIRMAN HASAY: You may proceed.

14 MR. SHAUGHNESSEY: Thank you, Chairman Hasay,  
15 Chairman Geist, Chairman Battisto, members, ladies and  
16 gentlemen. My name is Tom Shaughnessey. I'm Vice  
17 President of Business Development for the Lehigh Valley  
18 Economic Development Corporation. I'm appearing before  
19 you today as a representative of the Lehigh Valley  
20 Partnership, a coalition of business, civic, and  
21 government leaders who from 1996 to 1998 prepared a  
22 comprehensive strategic plan for the Lehigh Valley called  
23 the Lehigh Valley Spirit of Investment Report. The  
24 strategic plan was prepared by volunteers representing  
25 major sections of the Valley's citizenry.

1           The central theme and overriding issue of this  
2 initiative became immediately clear, the need for  
3 revitalization of the cities of Allentown, Bethlehem and  
4 Easton and most of our older boroughs throughout the  
5 Lehigh Valley. Through this ongoing multi-year planning  
6 effort, the partnership is now addressing with local  
7 elected officials growing economic and social distress  
8 apparent in our inner city neighborhoods. My remarks  
9 today will illustrate the critical importance of  
10 transportation policies and funding in spawning the  
11 redevelopment of Lehigh Valley urban centers and others  
12 across Pennsylvania.

13           As an economic developer, I often refer to the  
14 current economy as the best of times. Certainly, the  
15 strong economic base of the Lehigh Valley and the  
16 impressive record of new investments and jobs created are  
17 unparalleled in my lifetime. Our economy has become well  
18 diversified, and we are positioned for further success  
19 thanks in great part to the critical and extensive  
20 transportation projects now underway in the Lehigh Valley  
21 suburbs. The most critical of these of course is the \$130  
22 million Route 33 extension linking Route 22 to Interstate  
23 78. This project, three decades in the making, will  
24 finally be completed in the year 2002. The economic  
25 benefits of Route 33 in Northampton County and the \$154

1 million Route 222 bypass in western Lehigh County will  
2 position the Lehigh Valley for continued economic progress  
3 and success. For these we are grateful.

4 An assessment of weaknesses, however, in the  
5 partnership plan showed that economic progress is not  
6 being enjoyed by our inner cities. The report lists these  
7 weaknesses: One, decaying center city commercial and real  
8 estate bases; two, isolation of Hispanic majority of many  
9 distressed neighborhoods; increasing tax isolation of the  
10 city of Allentown, Allentown School District and other  
11 older municipalities; four, related education challenges  
12 due to clashing values, cultural diversity, and high rates  
13 of family mobility.

14 Meanwhile, a new threat has become evident,  
15 certainly one no longer news to you. Urban sprawl is  
16 becoming a major issue in the Lehigh Valley, as it is in  
17 legislative districts across Pennsylvania. In the Lehigh  
18 Valley from 1960 to 1990, Lehigh Valley's urban areas grew  
19 60 percent in population. During the same time it grew  
20 137 percent in land area. Between 1972 and 1994, 12 to 13  
21 percent of Lehigh Valley's farmland and natural areas were  
22 subdivided and developed. We are eating up valuable land  
23 at twice the rate as the population is growing.

24 The Lehigh Valley Partnership, through the  
25 Spirit of Investment Plan, gave impetus to a regional

1 brownfields program. Over a 10-month period in 1997, a  
2 19-person task force, which I was asked to chair, prepared  
3 an inventory and strategy plan for 72 brownfield sites,  
4 representing over 1,050 acres of land. Already we've  
5 added 15 additional sites, for a total of 87 redevelopment  
6 or brownfield sites. Twenty-nine of these representing  
7 360 acres are situated in the cities of Allentown,  
8 Bethlehem, and Easton.

9           Assuming the creation of at least 10 jobs for  
10 every acre of property returned to productive use, these  
11 brownfield properties represent 3,600 potential jobs that  
12 can be created in these cities.

13           The Brownfields Strategy Task Force has matured  
14 into the Lehigh Valley Land Recycling Initiative and now  
15 has its own staff and office. It has received a \$200,000  
16 Environmental Protection Agency demonstration grant, and  
17 has worked closely with the Land Recycling Office of the  
18 Pennsylvania Department of Environmental Protection in  
19 remediating nine sites. Three of the DEP key sites that  
20 are being remediated throughout Pennsylvania are located  
21 in the Lehigh Valley: One in Easton, one in Allentown,  
22 and one in the borough of Bangor.

23           The Spirit of Investment Plan lists more than 50  
24 transportation elements. The implementation of key  
25 transportation elements is recognized as being important

1 to the success of the overall plan. However, what is  
2 really crucial in moving this plan forward is the adoption  
3 of land use policies and reforms that direct investments  
4 to the redevelopment of our cities and older communities.  
5 These must be established at a State level and be linked  
6 to both transportation and urban redevelopment  
7 initiatives.

8           Currently, the House and Senate of the  
9 Commonwealth are considering reform legislation from the  
10 way land should be regulated. The current Municipalities  
11 Planning Code, Act 247, is no longer functional given the  
12 suburban pressures to convert valuable farmland for all  
13 types of low-density development. There is much to debate  
14 in analyzing these reform bills, particularly House Bills  
15 13, 14, and 15 introduced by Representative Steil and  
16 Senate Bill 300 introduced by Senator Gerlach. They make  
17 good strides in reforming the long overdue planning  
18 practices. They fall short, however, in recognizing the  
19 interaction between land use and transportation  
20 infrastructure is critical.

21           On January 7 of this year, in response to  
22 recommendations of the 21st Century Environmental  
23 Commission, Governor Ridge issued Executive Order 1999-1  
24 on land use planning. Among the eight policies  
25 promulgated are these, quote: "Development should be



1 encouraged and supported in areas that have been  
2 previously developed," end quote. And, quote,  
3 "infrastructure maintenance and improvement plans should  
4 be consistent with sound land use practices," end quote.

5 We're hopeful that transportation policy and the  
6 funding that follows such policy will indeed interact and  
7 link directly with these adopted land use policies.

8 Each year the Commonwealth appropriates hundreds  
9 of millions of dollars in transportation projects and  
10 improvements. Is there a better way to curb sprawl and  
11 redevelop urban brownfield sites than by prioritizing the  
12 spending of appropriations away from the suburbs and into  
13 our urban centers? The Commonwealth, in cooperation with  
14 municipalities and their economic development and urban  
15 redevelopment authorities, must provide greater incentives  
16 to convert brownfield sites to productive industrial  
17 centers. Pennsylvania's Act 2, the Land Recycling and  
18 Environmental Standards Act, is probably the most  
19 progressive brownfields law in the nation. But it will  
20 never reach its full potential unless it is coupled with  
21 meaningful investment in inner city transportation  
22 projects.

23 Bethlehem Steel Corporation and the city of  
24 Bethlehem are undertaking what is perhaps the largest and  
25 most ambitious brownfields project in the nation, the

1 conversion of 1,760 acres of former steelmaking land and  
2 buildings to a vast new economic and cultural complex.  
3 This project, just beginning now in 1999, is expected to  
4 last a decade before final buildout includes the 162 acre,  
5 2.5 million square foot Bethlehem Works project, which is  
6 a mixed use entertainment/museum/recreation and cultural  
7 center. Anticipated uses include the National Museum of  
8 Industrial History, a 330,000 foot facility to be  
9 redeveloped in affiliation with the Smithsonian  
10 Institution. Other attractions will be a 250-room hotel,  
11 a multiplex cinema, a natatorium, an ice skating center,  
12 and over 175,000 square feet of specialty retail and  
13 restaurant space.

14 Bethlehem Commerce Center, a major rail-served  
15 industrial park and distribution center, is being  
16 developed on the remaining 1,600 acres. This project has  
17 been ready with participation from Pennsylvania DEP under  
18 Act 2 and the U.S. Environmental Protection Agency.  
19 Approximately 200 acres are reserved for the full  
20 build-out of the Bethlehem Intermodal Terminal, a  
21 partnership between the PB&E Railroad and Norfolk  
22 Southern.

23 Phase 1 just opened. It's a \$15 million  
24 project, with the capacity of up to 100,000 lifts. A full  
25 range of utility services are available on-site. The

1 impact these projects will have on Lehigh Valley will be  
2 incredible. Bethlehem Works is expected to generate an  
3 investment of \$405 million. Bethlehem Commerce Center's  
4 investment is expected to be \$550 million, for a combined  
5 project cost of almost a billion dollars. Together these  
6 redevelopment efforts are expected to generate  
7 approximately 9,000 full-time equivalent jobs and generate  
8 over \$70 million annually in taxes to State and local  
9 jurisdictions. The timing, success, and failure of  
10 Bethlehem Works and Bethlehem Commerce Center will depend  
11 on the ability of the city to procure the necessary funds  
12 to rebuild and upgrade Route 412 on Interstate 78 into  
13 South Bethlehem. Engineering estimates have determined  
14 that the project will cost approximately \$30 million.  
15 City officials have already procured \$5 million through  
16 the TEA program and will testify in November for placement  
17 with the MPO and the Lehigh Valley Transportation Study on  
18 both the 12-year program and the 4-year transportation  
19 improvement program.

20 I want to stress though that the Commonwealth's  
21 investment, matched by Federal dollars, is the best  
22 leverage of transportation funding. In the case of  
23 Bethlehem Works and Bethlehem Commerce Center, a leverage  
24 of a billion dollars.

25 Across the Lehigh River in Allentown, hopes of

1 urban revitalization hinge upon a redevelopment project 10  
2 years in the making. Its central component is Lehigh  
3 Landing, a 27-acre, \$32 million riverfront redevelopment  
4 effort in a former manufacturing district. This property  
5 is both a brownfields site and a Pennsylvania Keystone  
6 Opportunity Zone site. Once again, the key ingredient in  
7 leveraging and revitalizing center city Allentown and  
8 attracting the necessary investment for success of Lehigh  
9 Landing is a limited access highway that will be directed  
10 toward the urban core. This is the extension of  
11 Allentown's American Parkway Project, and will provide  
12 direct urban access to Route 22. This 1.5-mile American  
13 Parkway extension is on the 12-year plan, but is currently  
14 unfunded with no set timetable for completion. Total  
15 project cost is \$49 million. Only \$4 million of Federal  
16 TEA funds have been earmarked for this vital project.

17 In summary, the Allentown and Bethlehem projects  
18 that I described are good examples of the critical  
19 importance transportation connections have in saving urban  
20 neighborhoods and downtowns. As it was stated in the  
21 Partnership's Spirit of Investment Report, the best path  
22 to development of distressed communities is to, quote,  
23 "reattach those communities to the opportunities offered  
24 in the surrounding community," end quote. Reattachment  
25 begins with the ability of a region and its people to

1 easily access urban centers. We ask the Pennsylvania  
2 legislature to make immediate steps to assure that  
3 priority consideration and transportation policy and  
4 spending be given to projects that reattach urban centers,  
5 promote land recycling for urban economic development, and  
6 curb not only suburban sprawl, and more importantly  
7 prevent the further decline of our cities and small  
8 towns.

9           The Lehigh Valley Partnership appreciates the  
10 opportunity provided to me today in presenting this  
11 testimony. I did attach a copy of the executive summary  
12 of the Spirit of Investment Report to my testimony. Thank  
13 you. I'll be pleased to answer any questions you may  
14 have.

15           CHAIRMAN HASAY: Thank you, Mr. Shaughnessey,  
16 for coming here today.

17           The KOZs are really starting to be an economic  
18 development in the Commonwealth, as we've heard from  
19 witnesses. I'm letting you know that I believe that  
20 Governor Ridge is going to either enlarge or enhance the  
21 KOZs probably this fall through the House Commerce  
22 Committee, we've been informed. So you may be hearing  
23 more on that program.

24           In your Enhancing the Valley, I see where  
25 through your planning codes you've, in order to save

1 valuable farmland, have you encouraged or required that in  
2 order to save this farmland to go into townhouses instead  
3 of single home units?

4 MR. SHAUGHNESSEY: Well, we have. We're trying  
5 to promote high-density residential development in some of  
6 our suburban townships. We're also promoting, of course,  
7 more strength given to counties in the region wide  
8 planning commission.

9 CHAIRMAN HASAY: That's a unique idea in order  
10 to save farmland, townhouses.

11 Chairman Geist.

12 CHAIRMAN GEIST: Thank you very much. I think  
13 your presentation is very well done, especially when it  
14 talks about using the brownfields and developing them into  
15 economic centers. And one thing that's lacking in your  
16 presentation is multimodal approach to solving that  
17 problem. And as your friend and our friend on the  
18 commission, we have talked about this at length, how can  
19 you justify a huge expenditure of State highway dollars  
20 into an industrial park and yet you don't have a rail site  
21 going into it?

22 MR. SHAUGHNESSEY: Which site are you referring  
23 to, Representative?

24 CHAIRMAN GEIST: There are two sites and I don't  
25 know which one. I know the Bethlehem site we're concerned

1 about rail siting, the huge investment, and the one  
2 downtown site that does not have a rail siting into it.

3 MR. SHAUGHNESSEY: Right. The Bethlehem  
4 Commerce Center, 1,600 acres, is a prime rail site and  
5 does house the 200-acre Bethlehem intermodal  
6 transportation facility. That will be probably the prime  
7 rail-served industrial site in eastern Pennsylvania when  
8 completed.

9 CHAIRMAN GEIST: That site, as I understand it  
10 now, is a partnership with Norfolk Southern and your folks  
11 up there, is that correct?

12 MR. SHAUGHNESSEY: Yes, with the Philadelphia,  
13 Bethlehem, and New England Railroad, which is wholly owned  
14 and operated through Bethlehem Steel Corporation, yes.

15 CHAIRMAN GEIST: We on this committee thought it  
16 was so important to come together to talk about the impact  
17 of transportation and what our Department of Commerce can  
18 do together, and one of the reasons that we have cited  
19 this together is because of our concern about the cities  
20 that were bypassed by the interstate system and now have  
21 become the fertile grounds. If we can reach them by roads  
22 and if we can have good rail service in there, we can  
23 revitalize these brownfields and KOZs into really economic  
24 gems, and I think that your testimony today really  
25 highlights that. And we only wish we had the prosperity

1 of the Lehigh Valley in Blair County right now. You guys  
2 are just absolutely bursting at the seams with new jobs  
3 and some of the problems that come with it. We would  
4 welcome some of that urban sprawl. Very good testimony.

5 CHAIRMAN HASAY: Chairman Battisto.

6 REPRESENTATIVE BATTISTO: Thank you, Mr.  
7 Chairman.

8 A question about the American Parkway project as  
9 it would impact the city of Allentown and up that  
10 riverfront project. I had correspondence about a month or  
11 so ago from a legislator from the Lehigh Valley who talked  
12 about that project, and I see it's on the 12-year plan,  
13 but it's like probably in the last 4 years, so it's  
14 floating out there.

15 MR. SHAUGHNESSEY: That's exactly right.

16 REPRESENTATIVE BATTISTO: Whenever it was  
17 presented, I'm not sure when it was presented before the  
18 State Transportation Commission by the MPO, obviously it  
19 didn't receive very high priority when it was presented.  
20 That's the way it appears anyway. I don't know. Are you  
21 aware of how that was presented?

22 MR. SHAUGHNESSEY: I'm not, although it was  
23 presented only recently over the last two years, I  
24 believe.

25 REPRESENTATIVE BATTISTO: Two years ago.



1           MR. SHAUGHNESSEY: Certainly for downtown  
2 Allentown's sake there is much talk about a sports arena  
3 and all types of riverfront development, very much  
4 contingent upon that project.

5           REPRESENTATIVE BATTISTO: Yeah. Well, again,  
6 during our last two days of hearings, time and time again  
7 the issue about the importance of entities like  
8 communities and economic development entities, the  
9 importance of their communicating with the MPOs to make  
10 sure the MPOs know exactly what the priorities of people  
11 like you are, that can't be underestimated or can't be  
12 exaggerated. And the upcoming hearing that you, that the  
13 Lehigh Valley would be involved in will occur really, the  
14 Woodlands in Wilkes-Barre, October 14. I guess you're  
15 aware of that hearing?

16           MR. SHAUGHNESSEY: Yes, I am.

17           REPRESENTATIVE BATTISTO: And I'm not sure who,  
18 but again, I'm talking about the parkway because that was  
19 communicated to me by a couple of the legislators, how  
20 important it is to them. I told them, you know, how  
21 important it would be for them to lobby with the MPOs, and  
22 I reiterate that point to you, that if indeed it's on the  
23 third of four years, now is the time to make a strong case  
24 for it based upon the effect that it will have on downtown  
25 Allentown. So I encourage you and the legislators out

1 there to make that case, because that's how to get the  
2 attention of the commission when it reprioritizes its  
3 projects after the hearings.

4 MR. SHAUGHNESSEY: Thank you, sir.

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

7 CHAIRMAN HASAY: Thank you very much for your  
8 testimony this afternoon, Mr. Shaughnessey. Have a safe  
9 trip home.

10 Next do we have from the Pocono Raceway Mr. John  
11 Waters? Is he here?

12 (No response.)

13 CHAIRMAN HASAY: We were here to try to talk  
14 about getting in and out of the track when there's a  
15 NASCAR Winston Cup race. We've had inquiries about that.

16 CHAIRMAN GEIST: He's probably stuck in  
17 traffic.


18 CHAIRMAN HASAY: If he's not here, then we have  
19 to reschedule Pocono Raceway again.

20 Okay, well, thank you very much for the members  
21 and for the audience and those who testified this morning  
22 and afternoon. This hearing is now adjourned.

23 (Whereupon, the proceedings were concluded at  
24 1:55 p.m.)

25

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.

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**TESTIMONY GIVEN TO JOINT HEARINGS  
BEFORE THE HOUSE TRANSPORTATION  
AND HOUSE ECONOMIC DEVELOPMENT  
COMMITTEES**

**By**

**Robert P. Connolly, Executive Director  
Redevelopment Authority of Luzerne County**

**September 16, 1999  
Room 8, East Wing, Main Capitol  
Harrisburg, Pennsylvania 17120**

On September 17, 1993, the former Pocono Northeast Railroad Company (PNER) ceased its rail service to customers along 60+ miles of rail line in Northeastern Pennsylvania. The Company had been in operation for eleven (11) years since acquiring the line from Conrail in the early 1980's. From September 29, 1993 to May 24, 1994, rail service was provided by a common carrier Directed Service Order (DSO) #1513 as issued by the Interstate Commerce Commission (ICC).

In March 1994, at the direction of the Luzerne County Board of Commissioners, the Luzerne County Redevelopment Authority (LCRA) entered into negotiations with F&L Realty, owners of the Pocono Northeast Railroad, to initially lease the rail line and then proceed to purchase when the appropriate funding could be obtained. This would insure service to the 19 shippers who were being serviced by the defunct PNER.

In May, 1994, the Luzerne County Redevelopment Authority was successful in negotiating a lease with F&L Realty to operate the rail line. The lease was funded through the Luzerne County Commissioners with an agreement by F&L Realty to continue the lease until a grant could be received for the purchase of the rail line. Simultaneously with the above noted activities a new non-profit entity, the Luzerne County Rail Corporation, was formed to own the operating rights of the former PNER.

On July 1, 1994, the Luzerne County Rail Corporation advertised for a rail operator of the former PNER. Four weeks later on July 28, 1994, the Luzerne County Rail Corporation awarded its operating rights to the Luzerne & Susquehanna Railroad to operate the rail line thus maintaining rail service to 19 shippers who were elated to be guaranteed service.

Finally on June 10, 1996, the LCRA was able to purchase the entire former PNER, including approximately 66 miles of trackage and 200 acres of associated lands through a \$3.1 Million Capital Budget Grant from the Pennsylvania Department of Transportation. \$2.1 Million dollars was designated toward the \$5.4 Million purchase price leaving an approximate \$3.3 Million balance on the mortgage, which is being held by F&L Realty-interest free for the first three (3) years and 3% per annum, thereafter.

One Million Dollars was then designated for rail line rehabilitation. This was our lifeline for 18 months with most of the rehabilitation being done to effect emergency repairs to keep the rail line operational for our rail users.

The Luzerne County Redevelopment Authority received a major setback in January 1996 when major flooding destroyed the rail line at 8 sites totaling approximately 6 miles of rail line. Fortunately the LCRA was able to receive nearly \$800,000. in FEMA/PEMA grants to rehabilitate all flood damage.

To date, the LCRA has been awarded nearly \$700,000. In Rail Freight Assistance Grants for rehabilitation of its existing rail line. The total grant monies spent on rehabilitation to this rail are approximately \$2.5 Million Dollars. In addition the operator, L&S railroad has expended approximately \$300,000. of their own dollars on rehabilitation of the rail line in order to provide their customers with improved service.

The total of \$2.8 Million Dollars spent on rehabilitation is only a "drop in the bucket" needed to rebuild this old coal hauling railroad, which has received no more than \$500,000. in rehab in the 15 years prior to the LCRA leasing and/or owning this rail line.

However, we believe every dollar spent has been more than worthwhile. Since the LCRA has taken over the line we have increased from 19 shippers to 26 shippers with more expected in the near future. The rail line has become the very backbone of economic development in Luzerne County. The LCRA has 120 acres of former PNER rail land in Pennsylvania's newly implemented Keystone Opportunity Zone program. The rail line now has the potential of servicing hundreds of additional acres of KOZ land owned by others. Local economic development entities have seen a 400% to 500% increase in the need for new sites requiring rail service. All of this demonstrates the tremendous potential and need for the growth of the Luzerne County Redevelopment Authority rail line.

Mr. Sam Milazzo, President, Rail Users Association will give you a detailed view of what the rail line means to the shippers and how it has grown since the LCRA took control of the rail line. Mr. Steve May, President, L&S Railroad will provide you with an idea of the needs of the rail line and the growth potential as viewed by the operator.

In summation, the LCRA has taken an old, tarnished, worn-out coal railroad and begun to polish it up through the help of many. The Luzerne County Commissioners, Pennsylvania Department of Transportation, FEMA/PEMA and L&S Railroad, and most importantly, the support and encouragement of our elected State Officials.

Act 35 of 1999 contains a line item that authorizes \$7,800,000. For acquisition and rehabilitation of the LCRA rail line. Our primary goal is to finalize acquisition by paying the balance of the \$3.3 Million due on the mortgage and to obtain additional monies for rehabilitation, which is sorely needed. We must finish the polishing of this old coal railroad and turn it into a gleaming diamond of economic development in Northeastern Pennsylvania. This can be accomplished with the support of the Pennsylvania State Legislators.

We thank you for your past support. Without your support we would not be sitting here today. An improved rail system in Northeastern Pennsylvania will positively create economic development. We need to finish the job.

**Testimony by**  
**THE LEHIGH VALLEY PARTNERSHIP**  
**To the**  
**TRANSPORTATION COMMITTEE**  
**And the**  
**COMMERCE & ECONOMIC DEVELOPMENT**  
**COMMITTEE**  
**Of the**  
**PENNSYLVANIA HOUSE OF REPRESENTATIVES**  
**September 16, 1999**



My name is Thomas J. Shaughnessy, Vice President of Business Development for the Lehigh Valley Economic Development Corporation, Allentown. I appear before you this afternoon on behalf of the Lehigh Valley Partnership, a coalition of business, civic and government leaders that from 1996 through 1998, prepared the comprehensive strategic plan for the Lehigh Valley. Called the **Lehigh Valley Spirit of Investment Report**, the strategic plan was prepared by volunteers representing major sectors of the Valley's citizenry.

The central theme and overriding issue of this initiative became immediately clear -- **the revitalization of the cities of Allentown, Bethlehem and Easton and most of the older boroughs of the Lehigh Valley**. Through this ongoing multi-year planning effort, the primary strategic recommendations address the growing economic and social distress apparent in our inner city neighborhoods. My remarks today will illustrate the critical importance of transportation policies and funding in spawning the redevelopment of Lehigh Valley urban centers and others across Pennsylvania.

As an economic developer, I refer often to the current economy as "the best of times", certainly the strong economic base of the Lehigh Valley and the impressive record of new investments and jobs created are unparalleled in my lifetime. Our economy has become well diversified; and we are positioned for further success thanks in a great part through the critical and expensive transportation projects now underway in the Lehigh Valley suburbs. The most critical of these, of course, is the \$130M Route 33 extension. This project, 3 decades in the making will finally be completed in 2002. The economic development benefits of Route 33 in Northampton County and the \$154M Route 222 bypass in western Lehigh County will position the Lehigh Valley for continued success. For that we are grateful.

An assessment of weaknesses unveiled in the Partnership Plan showed that economic progress is not being enjoyed by our inner cities. The report lists these weaknesses:

1. Decaying center city commercial real estate bases
2. Isolation of Hispanic majority of many distressed inner city neighborhoods
3. Increasing tax isolation of City of Allentown, Allentown School District and other older municipalities.
4. Related education challenges due to clashing values, cultural diversity and high rates of family mobility

Meanwhile, a new threat became evident -- certainly one no longer news to you. Urban sprawl is becoming a major issue in the Lehigh Valley as it is in legislative districts across Pennsylvania. In the Lehigh Valley, from 1960 to 1990, the Lehigh Valley's urban areas grew 60% in population. During the same period it grew 137% in land area. Between 1972 and 1994, 12-13% of the Lehigh Valley's farmland and natural areas were

subdivided and developed. We are eating up valuable land at twice the rate our population is growing.

### **Lehigh Valley Land Recycling Initiative**

The Lehigh Valley Partnership, through the "Spirit of Investment" initiative, gave impetus to a regional brownfields program. A nineteen person task force, which I was asked to chair, over a 10 month period in 1997, prepared an inventory and strategy plan for 72 brownfield sites -- over 250 sites were cataloged with the remaining 72 having the best chance to be redeveloped. These represented over 1,050 acres of land. Already another 15 sites have been added for a total of 87 sites. Twenty-nine of these sites representing 360 acres are situated in Allentown, Bethlehem and Easton.

Assuming the creation of at least 10 jobs for every acre of property returned to productive use, this land represents 3,600 jobs that might be created in the cities.

The brownfields strategy task force has matured into the Lehigh Valley Land Recycling Initiative and has now has its own staff and office. It has received a \$200,000 EPA demonstration grant and has worked closely with the Land Recycling Office of DEP in remediating nine sites.

### **Link between Land Use Policy and Transportation Policy**

The "Spirit of Investment" plan lists more than 50 transportation elements. The implementation of key transportation elements is recognized as being important to the success of the overall plan. However, what is really crucial in moving the plan forward are the adoption of land-use policies and reforms that direct investment to the redevelopment of our cities and older communities. These must be established at the state level and be linked to both transportation and urban redevelopment initiatives.

Currently, the House and Senate of the Commonwealth are considering reform legislation on the way land use should be regulated. The current Municipalities Planning Code, Act 247, is no longer functional given the suburban pressures to convert valuable farmland for all types of low-density development. There is much to debate in analyzing these land use reform bills, particularly House Bills 13, 14 and 15 introduced by Representative Steil and Senate Bill 300, introduced by Senator Gerlach. They make good strides in reforming the long overdue planning practices. They fall short, however, in recognizing the interaction between land use and transportation infrastructure.

On January 7 of this year, in response to the recommendations of the 21<sup>st</sup> Century Environment Commission, Governor Ridge issued Executive Order 1999-1 on **Land Use Planning**. Among the eight policies promulgated are:

*“ development should be encouraged and supported in areas that have been previously developed...”* and

*“ infrastructure maintenance and improvement plans should be consistent with sound land use practices.”*

We are hopeful that transportation policy and the funding that follows such policy will, indeed, interact and link directly with these adopted land use policies.

### **Revitalizing our Cities and PennDOT Spending**

Each year the Commonwealth appropriates hundreds of millions of dollars in transportation projects and improvements. What a better way to curb sprawl and redevelop urban brownfield sites is there than by prioritizing the spending of these appropriations away from the suburbs and into our urban centers. The Commonwealth, in cooperation with municipalities and their economic development and urban redevelopment authorities, must provide greater financial incentives to convert brownfield sites to productive industrial centers. Pennsylvania's Act 2, the Land Recycling And Environmental Standards Act is probably the most progressive brownfields law in the nation but it will never reach its full potential unless it is coupled with meaningful investment in inner city transportation projects.

### **Bethlehem's Revitalization Plan and Route 412 Investment**

Bethlehem Steel Corporation and the City of Bethlehem are undertaking what is perhaps the largest and most ambitious brownfields project in America today...the conversion of 1760 acres of former steelmaking land and buildings to a vast new economic and cultural center. The project, beginning in 1999 and expected to last a decade before final buildout includes the 162 acre, 2.5 million square foot **Bethlehem Works** project, a mixed-use entertainment/museum/recreation and cultural center. Anticipated uses include the National Museum of Industrial History, a 330,000 square foot facility to be redeveloped in affiliation with the Smithsonian Institution. Other attractions will be a 250-room hotel, multi-plex cinema, a natatorium, an ice skating center and over 175,000 square feet of specialty retail and restaurant space.

**Bethlehem Commerce Center**, a major rail-served industrial park and distribution center is being developed on the remaining 1,600 acres. The project has been readied with participation from the PA DEP under ACT 2 and the U.S. Environmental Protection Agency. Approximately 200 acres are reserved for the full build-out of the BethIntermodal Terminal which opened Phase One, a \$15M project, in August 1999 with capacity to handle up to 100,000 lifts. The full range of utility services will be available on-site.

The impact these projects will have on the Lehigh Valley economy can be incredible. **Bethlehem Works** is estimated to generate an investment of \$405M. **Bethlehem Commerce Center's** investment is expected to be \$550M for a combined project cost of almost a Billion Dollars. Together these redevelopment efforts are expected to create

approximately 9,000 full-time equivalent jobs and generate over \$70M in taxes each year to state and local jurisdictions.

The timing, success or failure of **Bethlehem Works and the Bethlehem Commerce Center** will depend on the ability of the City to procure the necessary funds to rebuild and upgrade PA Route 412 from Interstate 78 into South Bethlehem. Engineering estimates have determined that the project will cost approximately \$30M. City officials have procured a \$5M TEA appropriation and will testify in November for placement on both the 12-Year Program and the 4-year TIP. I want to stress that the Commonwealth's investment, matched by federal dollars, is the best leverage of transportation funding – in the case of Bethlehem Works and Bethlehem Commerce Center – a leverage of a Billion Dollars.

### **Allentown's Renewal and the American Parkway Project**

Across the Lehigh River in Allentown, hopes of urban revitalization hinge upon a redevelopment project 10 years in the making. Its central component is **Lehigh Landing**, a 27 acre, \$32M riverfront redevelopment effort in a former manufacturing district. The property is both a brownfield and a Pennsylvania Keystone Opportunity Zone site. Once again the key ingredient in revitalizing center city Allentown and attracting the necessary investment for **Lehigh Landing** is a limited access highway to the urban core. The extension of Allentown's American Parkway will provide direct urban access to Route 22. The 1.5 mile American Parkway extension project is on the 12 year plan but is currently unfunded with no set timetable for completion. Total project cost is \$49M. Only \$4M of federal TEA dollars have been earmarked for this vital project.

### **Summary**

The Allentown and Bethlehem projects that I described are good examples of the critical importance transportation connections have to saving our urban neighborhoods and downtowns. As was stated in the Partnership's Spirit of Investment report, the best path to development of distressed communities is to "reattach those communities to the opportunities offered in the surrounding community." Reattachment begins with the ability of a region and its people to easily access urban centers. We ask the Pennsylvania Legislature to take immediate steps to assure that priority consideration in transportation policy and spending be given to projects that reattach urban centers, promote land recycling for urban economic development, and curb not only suburban sprawl but more importantly, prevent the further decline of our cities and small towns.

The Lehigh Valley Partnership appreciates the opportunity provided to me today in presenting this testimony. A copy of the Executive Summary of the "Spirit of Investment" Report is attached to my written testimony. Thank You.

Sept. 16, 1999

## **Freight and the Importance of Transportation Infrastructure**

Hello. My name is Paul Haaland. I am the Assistant Director of Research and Communications for The Road Information Program, otherwise known as TRIP, a national highway transportation non-profit research group. I am here at the request of the Pennsylvania Highway Information Association.

TRIP was founded in 1971 and we research, evaluate and distribute economic and technical data on highway transportation issues. We specialize in state road and bridge conditions reports, and over the past 25 years, TRIP has analyzed conditions in nearly every state in the country, including Pennsylvania.

On a personal note, I am a former newspaper reporter from Pennsylvania; I worked for newspapers in Gettysburg and Johnstown. In Johnstown, I covered transportation issues, observing firsthand the problems confronting communities with inefficient connections to the wider transportation system.

When I arrived in Johnstown, the only scheduled, commercial airline service

from the area's small airport was to Pittsburgh. This situation was inconvenient and expensive for business travelers who made frequent trips to cities to the east. Many of the stories I wrote about aviation concerned local efforts to expand service from Cambria County's airport.

Johnstown is an economically-depressed city and it needs the jobs provided by commercial growth, yet business leaders told me that the lack of adequate transportation connections made it more difficult for them to expand their operations.

I was asked to testify on the importance of freight transport and the growing need here in Pennsylvania for improved intermodal transportation systems and on what other states are doing in this area.

The efficient movement of goods has long been a major component of a successful economy. With the advent of the global economy and international competition, businesses are under pressure to eliminate inefficiencies in their production and distribution systems.

Freight transport is a huge part of the American economy and Pennsylvania

plays an important role in facilitating freight movement; more than \$6 trillion worth of freight is moved on the country's transportation system and Pennsylvania carries the most truck traffic of any state along the Eastern seaboard. Only three other states in the country have more Interstate miles than the Keystone State. In addition, \$248 billion worth of goods are shipped from destinations within Pennsylvania annually -- 80 percent by highways.

State governments in the United States and governments overseas are recognizing the urgent need to upgrade their transportation systems to position themselves to succeed in the new economy. In Europe and Asia, thousands of miles of new highways are being built to improve the competitiveness of their own economies. Highways are only part of the solution however. An efficient and comprehensive transportation network also includes railroads, airports and waterways, since freight is often conducted via several modes.

In this country, some state governments have embraced the challenge of the future. California, Oregon and Texas, to name just three, have all developed or begun to implement, intermodal transportation plans designed to improve the movement of freight.

In California, inadequate capacity has created bottlenecks in local transportation systems serving the ports of San Diego, San Francisco, Oakland, Long Beach and Los Angeles. The 20-mile, \$2.3 billion Alameda Corridor project will expand rail and highway capacity from these ports to national rail lines and the Interstate highway system. The Southern California Association of Governments (SCAG) currently is studying an \$8.7 billion system of 141 miles of truck-only lanes to meet the area's growing truck travel needs.

Also, the Oregon Department of Transportation has been developing an Intermodal Management Systems plan identifying the challenges to building connectors to major intermodal freight facilities in Oregon.

Lastly, the Texas Transportation Institute has created, in conjunction with the Texas Department of Transportation, a strategic plan for commercial truck operations in Texas. The purpose of the plan is to prepare a road map for the state's commercial vehicle operations program.

All of these preparations are prompted by the changing realities of freight transport. As an analyst with the Federal Highway Administration (FHWA) has observed, Just In Time shipping and other efficiencies has made the nation's



transportation system “a rolling warehouse.” Companies are trying to cut warehouse costs and free up capital for other uses by putting more and more of their inventory on the road. With more capital on hand, companies can spend more on plant and equipment, R&D and worker productivity, according to the FHWA.

To quote the Review of National Freight Policy by the American Association of State Highway and Transportation Officials (AASHTO), “Products that remain in inventory for too long can become obsolete, due to technology, cost, or style. Businesses can be expected to continue to generate an increased number of more frequent, smaller size shipments, to farther destinations.”

As national and global markets have become more competitive, businesses -- in both the manufacturing and service sector -- have looked for improvements in mobility to improve their competitiveness. It's estimated that logistics and transportation costs account for approximately a quarter of the cost of products on the shelf. As the importance of foreign trade has become increasingly critical to the bottom line of many of our businesses, the reduction in logistics and distribution costs have been critical in allowing American companies to remain competitive with overseas competition.

As the cost of distributing and receiving products becomes increasingly critical to companies' profitability, decisions on whether to expand or relocate facilities increasingly depends on how well-connected a community is to the transportation system. Here in Pennsylvania, regions not adequately served by highways, rail and airports have little hope of attracting significant economic growth.

Research has shown that companies tend to place their production facilities in areas with good access to both raw material and markets, according to a report co-authored by the Boston University Center for Transportation Studies. Companies are trying to reduce their assembly costs, the costs of transporting raw material to the production site, and their distribution costs, the costs of transporting finished goods to market.

As a result of these changes, freight will become a larger and larger segment of the transportation network. Freight volumes are expected to increase by more than 20 percent by 2006, the FHWA reports.

In addition to needing local roads, which allow companies to draw

employees from a larger area, the business community is increasingly dependent on the quality of the surrounding highway system, as well as efficient and reliable airports, waterways and railroads. These efficiencies have resulted in real savings; as U.S. companies have moved to more efficient distribution systems, overall logistics costs have decreased from 17 percent to 10 percent of GNP in the last 15 years.

Our organization commends the leadership of this body in recognizing the critical importance of freight movement to the quality of life in the Commonwealth. Sound strategic planning is required to address these crucial intermodal freight transport needs.

**REMARKS OF RICH TIMMONS  
RESIDENT VICE PRESIDENT – PUBLIC AFFAIRS  
NORFOLK SOUTHERN RAILROAD**

**TESTIMONY TO THE PA HOUSE TRANSPORTATION AND COMMERCE AND  
ECONOMIC DEVELOPMENT COMMITTEES**

**SEPTEMBER 16, 1999 10:10 A.M.  
HARRISBURG, PA**

Good morning, Mr. Chairman. It is a privilege to be here this morning to address this Joint Committee as they consider the vitally important subjects of economic development and the essential linkage of that development to transportation in the Commonwealth. Jim McClellan and Dan Mazur both send regrets. Hurricane Floyd has altered their plans and best efforts to be here this morning.

With me today are Bill Schafer, Director of Corporate Affairs and Roger Bennett, Director of Industrial Development. Both reside in Pennsylvania and many of you have had dealings with them in the past.

My theme today will focus on growth and the building of the infrastructure needed for that growth and I will briefly comment on the broad NS vision for the future in Pennsylvania. But I must first start with the question on all of your minds: When will Norfolk Southern's service return to normal? That question is complex, but we believe that we must deal with the problems that face us today before we can devote full attention to the future.

To begin with, let me publicly thank members of the legislature, other state agencies and departments and our customers for your continued patience and cooperation. I am all too aware that NS has experienced numerous service failures in its Conrail acquisition. That has hurt many in Pennsylvania, from shippers to railroad

employees to Amtrak passengers. This is not how we envisioned paying you back for your support of the Conrail transaction. I know our faulty integration surprised many of you, as it frankly surprised me, as a relative newcomer to NS.

So, what happened? There is no single answer, but rather a combination of things have upset the balance of our system. You all know how intricate and complex a large transportation network is, and how difficult it is to restore balance once it goes off-key. And in this case, it went off-key early. We experienced 1) problems with our information systems, 2) were confronted with crew-calling difficulties, 3) and then problems with our operating plan were immediately apparent, most likely stemming from last-minute new customer traffic demands that impacted our operations. In some cases, we simply miscalculated the complexity of the system we inherited and its demands.

I could speak to you for hours with the lessons of hindsight. For example, we might have been slower to convert some Conrail procedures to NS on Day One. We might have done more training with our new employees, and sooner. And we might have had better Information Technology controls in place that had been better melded with the Conrail software.

Our experience warned us that the integration of an entity as large as Conrail, relative to the former NS would be an enormous challenge. We knew that, and we spent millions to prepare drawing on the lessons from the UP/SP meltdown two years ago. We had contingency plans. Even so, we still fell short. Nevertheless, with Y2K just around the corner, we felt that the computer systems integration had to be done as a priority, and I remain convinced that the concept of integrating sooner rather than later will prove to be an important advantage for the future. While painful, we believe that the

worst of the problems are behind us, and, with important exceptions, we now have compatible systems. Most importantly, we have systems that are ready for the new millennium. This is not to imply that significant challenges will not continue to confront us or that service will return to a normal state in the near future. The process we are embarked on is one of incrementalism – there is no “silver bullet”.

But I will say that once the problems were identified, NS did not take long to respond. We redeployed locomotives and crews from other parts of the NS system. We accelerated hiring and training. We borrowed and leased locomotives – we now have another 400 locomotives leased. We used shortline and regional carriers for switching and for new, through routes. We reactivated Conrail yards that had seen little use in recent years. We even reactivated employees as we called back retirees. All of these efforts continue to this day.

The transaction did produce a number of benefits, rates for a number of PA customers were reduced and many got new service options. For example, some PA utilities are receiving coal at reduced transportation rates, and coal from the Mon Valley is moving to Southeastern utilities. And it is abundantly clear that the business is out there. Our shortline partners, marketing personnel and customers leave no doubt about that.

As many of you know, NS made huge investments in anticipation of the Conrail transaction. Of particular benefit to PA customers were the following:

1. The upgrade of the Sunbury Line, with the D&H.
2. Sidings and improved signals on Hagerstown Line.
3. New IM terminal at Rutherford Yards.
4. Improvements to CP Capital interlocking.

5. TC & Rail on the Buffalo Line.
6. The Bethlehem IM Facility.
7. The Erie 19<sup>th</sup> Street track relocation project and real estate donation.
8. The Pattenburg Tunnel for double stack clearance.
9. The purchase of 60 Erie GE locomotives which were then manufactured in Altoona.

And numerous other projects programmed in the NS Capital Budget.

Overall, NS spent well over half a billion in added infrastructure improvements. Yet it still fell short of the needs. How did that happen and what are the lessons we have learned?

The most important thing we have learned is the importance of having extra capacity in place when the unexpected occurs. Another valuable insight is that even good plans and preparation can unexpectedly unravel. NS had a good “sunny day” plan; but it was not robust enough to deal with widespread problems almost from Day One. It is impossible to provide quality service with a railroad that is running over capacity. Things do go wrong, and there has to be some wiggle room. Too often today, that wiggle room does not exist.

Unfortunately, our contingency planning was flawed and in my estimation, we were overconfident and possibly complacent.

Now the future of our railroad will be determined by how well we meet three specific challenges. First, we need to grow the business. Wall Street wants growth, and the country will have to depend on railroads more in the future, because it is increasingly difficult to add capacity to the highway system. Second, to grow the business, we must offer much better service. Obviously, we have taken a step

backward from that goal with the Conrail implementation. The diversion to highway was swift, and substantial. Service counts above all else except safety. Third, we must earn an adequate ROI. Not only must we take care of operating expenses for the railroad, we must commit to Capital spending for infrastructure and equipment, AND we must pay off the debt.

So, how do we plan to resolve these issues, and meet the challenges? At NS, we are concentrating on 5 key areas:

1. We are systematically identifying any remaining bottlenecks in the system. We are looking at our own network, as well as the networks of connecting shortlines and regional carriers to determine the most efficient way to increase capacity.
2. We are making certain that we do not sell off rail lines that we might need in the future. We are focused on potential through routes and routes in urban areas.
3. We are seeking public funding for some infrastructure projects. NS was the only Class I carrier to use ISTEA funding.
4. We are being very protective of capacity in terms of our relations with Amtrak and commuter trains. The days of surplus capacity are largely over.
5. And, we are reviewing what we are handling, and how we are handling it, to make certain that capacity is used to produce the best bang for the buck.

These initiatives are an azimuth that chart a course for future growth and service reliability for the future. But let me stress that we have always looked at our entry into Pennsylvania as a new player joining the team. That team consists of our customers, the state government and its agents, the shortline and regional railroads and the



communities in which we operate. This team has enormous potential for economic success if harnessed and focused toward goals that benefit the members.

Our future success is directly tied to the interaction of the team – state economic policies, legislation and regulations, funding, taxes, and the employee base all effect railroad economics and our capacity to contribute to the teams forward momentum. To date, we have enjoyed remarkably tolerant customers, state agencies and officials who have bent double to work with us (notably, PennDOT and the PUC), shortline and regional railroads that have eased our current difficulties and been magnanimous in every instance.

But I must be frank. The recent PURTA legislation has dealt the railroads in Pennsylvania a heavy blow, and that coupled with existing Capital Stock and Franchise and Corporate Net Income taxes. These conditions joined with other Capital Budget eliminations disadvantage railroads in the highly competitive transportation world. Remember that railroads are privately funded unlike roadways, ports and airfields. It is apparent to me that the pressures of the financial and the commercial marketplaces will force major rail carriers to think, and act, outside the box in the months and years to come.

Let me also point out that we are probably about a year or so behind our original projections for projects and activities in the Commonwealth and in other states that came our way in the acquisition of Conrail. As you may recall, most of our planning was linked to a 1998 split date of Conrail between NS and CSXT. This was delayed until this past summer so activities have been delayed, and reassessment of priorities and needs is underway. However, first things first, and the service problems of the moment must take priority.

In closing, I would like to congratulate the Commonwealth for its forward thinking and progressive attitudes toward railroads. No state has a more illustrious rail tradition and you have shown yourself to be a leader among states. You have supported an extensive shortline network and have invested in improvements in the tracks of those lines. And that investment played a key role in NS' ability to avoid "gridlock" early in the Conrail acquisition as these lines provided much needed extra capacity.

Your funding of the doublestack clearance route through the state coupled with Bethlehem and Rutherford intermodal yards, is going to make PA the hub of Northeastern intermodal traffic, with doublestack service in all directions from Harrisburg. No other road rivals that visionary investment.

With initiatives such as these, the "Pennsylvania Team" is demonstrating the right stuff for our businesses and communities. All of us at NS look forward to working with PA in developing the infrastructure, relationships, and seizing opportunities needed for growth into the 21<sup>st</sup> century.

Mr. Chairman, thank you for your forbearance in patiently receiving these remarks and now we are prepared (I hope) for your questions.

P E N N S Y L V A N I A  
DOWNTOWN CENTER

Testimony of Timothy H. Dempsey  
Executive Director  
Pennsylvania Downtown Center

Testimony Before  
*Transportation/Commerce & Economic Development*  
*Joint Public Hearing*

Thursday, September 16, 1999  
Harrisburg

Good morning Mr. Chairmen and members of the committees. My name is Tim Dempsey; I am the Executive Director of the Pennsylvania Downtown Center (PDC). I would like to thank you for providing me with this opportunity to comment on the issue of transportation and how it relates to economic development. Before I do that, however, I would like to take a moment to provide you with some brief background on my organization.

The Pennsylvania Downtown Center is the Commonwealth's only statewide nonprofit solely dedicated to the issue of downtown and neighborhood business district revitalization. Working as a partner with the Department of Community & Economic Development since 1987, PDC has provided assistance to the ninety-three communities funded through the State's Main Street Commercial Revitalization Program. By providing technical assistance, outreach services, and educational programs, our organization has enabled communities to develop and execute successful downtown revitalization efforts. In addition, our organization has assisted over one hundred communities not funded through the State's official program.

The issue of transportation as it relates to economic development in our downtowns is a very complex and hotly debated topic. Issues ranging from the impact of constructing new highway by-passes around downtowns to the lack of adequate public transportation have been discussed for many years. My goal here today is not to rehash the debate over these perennial issues, but rather to focus on the concepts that downtown economic development requires unique transportation systems and that concrete steps can be taken to facilitate development of those systems.

The physical model of the city before the widespread use of the automobile was pedestrian oriented. Workers, consumers, and visitors in downtown moved about locally on foot, while being provided regional access via public transportation, i.e. the trolleys and trains that once ran through our cities. As a result of this physical model, the economic model of downtown followed suit. Businesses clustered together in tightly knit districts to accommodate pedestrians. The high level of foot traffic thus became an

essential component for supporting a thriving central business district where densities were high.

As automobile use became more widespread, residential and commercial location decisions reflected the increased mobility of our nation. Businesses could now locate in areas beyond the traditional commercial centers, no longer as dependent on pedestrian activity but increasingly dependent on automobile traffic. Many businesses that remained downtown suffered as the sidewalks emptied. To address this shift in the increased mobility of consumers and goods, many downtowns and Main Streets gave priority to the automobile. While a shift in focus to expedite vehicular movement improved traffic flow and ease of access, changes were often brought about with less and less consideration for the pedestrian, in some cases hindering, discouraging, or even preventing pedestrian movement.

As we enter the 21<sup>st</sup> Century, we need to examine closely how we can adjust transportation policy to regenerate economic activity in our downtowns. Three initiatives that need to be undertaken include the following:

1. Create physical environments that accommodate automobiles but place safe and efficient pedestrian movement as the top transportation priority in downtowns.
2. Encourage a greater linkage between transportation and comprehensive land use planning.
3. Continue to develop and encourage alternative modes of transportation that ease congestion and support downtown pedestrian activity.

If you were to examine any successful downtown or Main Street you would discover that pedestrian movement is given priority. The reason for this is clear - pedestrian activity creates a domino effect: increased retail and service activity leads to demand for property which results in higher real estate values, all of which mean an improvement in quality of life which further attracts major employers and residents. By carefully evaluating and, when necessary, altering such elements as one-way streets, excessive speed limits, and the lack of crosswalks, communities can stimulate pedestrian activity.

While some downtowns require major changes, most only require a creative application of transportation guidelines that allow for flexible solutions – solutions that place a priority on pedestrians and recognize that fast and efficient automobile movement should not always be the top priority.

We also need to evaluate transportation and its relationship to land use planning. As I stated earlier, there has been a great deal of debate on issues such as the impact of highway by-passes on existing commercial districts. While there have been many by-pass studies assessing impact after the fact, we often fail to analyze the economic impact before it occurs. We must do a better job of understanding the link between new commercial development and its impact on existing commercial centers and how transportation decisions affect those linkages. With so many existing commercial centers in decline, can we continue to justify the ongoing construction of new highways and roads that may ultimately lead to the decline in the infrastructure investments we have already made? This does not mean we stop growth and limit improvements in transportation capacity, rather, it means that we reinvest in existing infrastructure where transportation already exists.

Related to issue of land use is our need to encourage alternative modes of transportation. As traffic continues to grow in communities of all sizes and we spend more time in our cars than ever before, we need creative solutions to ease congestion. Unfortunately, large-scale use of public transportation is not likely anytime soon. The continued low density development patterns and our marriage to the automobile are major factors limiting widespread use of public transit. However, proposals such as the Schuylkill Valley Metro from Reading to Philadelphia should be encouraged and supported. This proposed line, with potential stops nearby struggling downtowns, offers a tremendous opportunity to reduce traffic and stimulate local economic development in existing business districts. In addition to public transportation, alternative modes such as bicycling should continue to be examined and accommodated where appropriate.

There are many factors that have played a role in the economic decline of our downtowns and transportation is just one factor involved in this complex problem. Unlike so many other factors, however, transportation has a unique ability to help solve the problem of downtown disinvestment. With innovative transportation planning in our downtowns that facilitates pedestrian movement, development of comprehensive strategies that accommodate economic sustainability in all commercial areas, and the sensible application of alternative modes of transportation, we can stimulate economic development in our traditional business districts. Our downtowns and Main Streets once served as the economic hubs of our communities. While many may never do so again, we can none the less create viable and sustainable commercial centers that reflect their important position as the heart and identity of our communities.

Mr. Chairmen, I would like to thank you for your time this afternoon and would be happy to entertain any questions.

**Testimony**

Of

**Mrs. Ruth B. Dietz & Jeffrey L. Bohn**

On Behalf of

**The Pennsylvania Truck Transportation Alliance**

Before the

**Pennsylvania House of Representatives**

**Commerce and Economic Development Committee**

And

**Transportation Committee**

Concerning

**Transportation and Economic Development in Pennsylvania**

**September 16, 1999**



Thank you Chairman Hasay, Chairman Geist and members of the House Commerce and Economic Development and Transportation Committees for this opportunity to talk about transportation and economic development in the Commonwealth. I am Mrs. Ruth B. Dietz. I am the CEO and Owner of J.P. Donmoyer, Inc. which provides regional trucking services from terminals in Ono and York, Pennsylvania. I have with me my son Jeff Bohn, President of J.P. Donmoyer, Inc. and President of the Pennsylvania Truck Transportation Alliance (PTTA).

Please allow me to provide some background on my company and myself. J. P. Donmoyer is one of two dry bulk carriers ISO 9002 companies certified in North America. We provide truckload dry bulk deliveries of Pennsylvania products, such as limestone, coal, grains and fertilizers, to water and sewer plants, power plants, cogenerators, steel mills and feed mills throughout Pennsylvania, west as far as Chicago, north to New York and Boston, and south as far as Atlanta. We have about 100 tractors on the road daily and employ approximately 150 people full time. We are a state-of-the-art company that has been successful in keeping our customers and ourselves competitive in today's global economy. I am here today because I care deeply about the Pennsylvania we will give to our children and grandchildren. The transportation and trucking industries are just as important in keeping jobs in Pennsylvania as any other part of our business and community infrastructures. Pennsylvania businesses must have reliable and efficient access to the materials they need to make the many products they sell. They must also be able to transport their products as efficiently as possible to stay competitive. In the end, what we are all working for is a healthy and robust economy for all Pennsylvanians.

PTTA was formed in 1997 to provide a pro-active public policy voice for Pennsylvania truckers. We are a resource for the General Assembly regarding trucking and transportation issues. Today's hearing is an opportunity for us to work together for the advancement of

trucking and transportation and economic development in the Commonwealth. It's important for public and private leaders to always be promoting good jobs for Pennsylvanians. We appreciate today's hearing which indicates your understanding of the critical role played by transportation and trucking in the well-being of commerce, economic development and jobs in the Commonwealth.

We are the Keystone State. Geography makes Pennsylvania a key crossroad in the movement of commerce. Pennsylvania exports many products that must be transported to national and international markets. Many products from other places also travel through Pennsylvania on their way to their destination. We can view the movement of commerce through our state as an opportunity or we can erect barriers to this economic opportunity. We need to provide leadership rather than assuming a defensive posture. We have repeatedly found that our customers who buy Pennsylvania limestone, coal, and grain can easily switch to producers from other states, and in fact other countries. More specifically, margins are very narrow and often the cost and ease of transportation is the difference. Only with all partners, business, government, labor, etc. Working together can we stay competitive.

Pennsylvania exports many products which must be transported to national and international markets. As a result, today's shippers benefit from brisk competition for their business. My company must compete not only with other truckers but rail as well. We have no problem competing fairly with rail because both modes have their strengths.

We are also committed to development of intermodal services because we understand that Pennsylvania products must be transported as efficiently as possible. However, if the Commonwealth invests in intermodal infrastructure we believe Pennsylvania carriers should be able to participate in the business.

We are aware of your concerns over the use of secondary roads by motor carriers. We believe it makes a lot more sense to encourage trucks to use interstates and the Pennsylvania Turnpike whenever possible. However, the toll rates and fuel taxes on the Turnpike make it too expensive in many cases to economically justify using this road instead of secondary roads.

We have followed the many current “Growing Green” and land preservation proposals. We believe these issues are ripe for resolution and fully support revitalization of brown fields and existing infrastructure. We also agree that transportation facilities need to be operated as good neighbors in the community and in compliance with environmental standards. As we work to competitively transport Pennsylvania products to market we must keep this in mind. When transportation is needed to move Pennsylvania products we must all work together to make sure we have the infrastructure required to keep Pennsylvanians working.

I have lived in Lebanon County all my life. Because of the road infrastructure and the work ethics of the local people, we have recently been able to attract such business giants as Sid Tool, Ingraham Micro, Sherwin Williams, Amp, and Swift Transportation.

As an active member of the local school board and a leader in various community organizations I was fortunate enough to play a role in structuring a plan that was appealing to the budgets of the businesses in search of a fertile business climate. The net effect of this hard work has been the creation of over 2,000 good paying jobs and millions of dollars injected into the local economy.

Transportation and related industries remain one the biggest employers in Pennsylvania. Competition and transportation technology has increased efficiency and safety, but we must always strive to do better. Computers not only allow us to constantly monitor and record operation of our equipment but also helps keep customers’ inventories as efficient as

possible due to “just in time” delivery services. Logistics--which is basically movement of products from point A to point B-- has become a true science and we have some of the best operations right here in Pennsylvania.

My company offers wages and benefits to raise a family. Our current average annual wage is \$43-45,000., plus benefits such as health insurance, a 401K pension plan and an Employee Assistance Program. We have worked with the commonwealth to provide job opportunities, training, and upward mobility for Pennsylvanians. Several examples of people who have dramatically improved their job situation through training and employment at J.P. Donmoyer, Inc are attached. Recent trends indicate that our industry is better at providing excellent opportunities for people to move up the economic ladder, thereby opening positions for other industries to employ those currently unemployed.

We are constantly concerned about putting the best-trained drivers on the road. We have found it difficult and expensive to attract and retain the kind of driver we want and you want on the road. We are encouraged by the discussions we have had with Chairman Geist and look forward to working with you as partners to ensure the Commonwealth has the efficient and safe transportation infrastructure necessary to maintain and develop the Pennsylvania we will give to our children and grandchildren.

Again, thank you for this opportunity and we look forward to working with you and will be happy to try to respond to your questions.

## Job Opportunities and Upward Mobility for Pennsylvanians in the Trucking Industry

Here are several examples of people who dramatically improved their job situation through training and employment at J.P. Donmoyer, Inc.

<u>Person</u>	<u>Prior Earnings</u>	<u>Training</u>	<u>1997 Earnings</u>	<u>Hire Date</u>
25 year old mother	<i>\$4.20/hour</i>	4 weeks school 4 weeks OJT	<b>\$32,513</b>	12/96
44 year old male	<i>\$11,440/year</i>	4 weeks school 4 weeks OJT	<b>\$37,489</b>	3/93
42 year old male	<i>\$20,800/year</i>	4 weeks school 4 weeks OJT	<b>\$32,690</b>	6/96
57 year old male	<i>\$20,800/year</i>	4 weeks school 4 weeks OJT	<b>\$39,455</b>	11/91
58 year old male	<i>\$20,020/year</i>	4 weeks school 4 weeks OJT	<b>\$39,118</b>	8/92

Four of the above were provided with JTPA funds through SETCO for their schooling. cost - \$3,500 each

All 5 went through J.P. Donmoyer, Inc.'s training program, paid by J.P. Donmoyer, Inc. cost - \$2,000 each

*Approximately 50% of the drivers currently employed by J.P. Donmoyer, Inc. were hired directly from driver training schools.*

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TESTIMONY GIVEN TO JOINT HEARINGS  
BEFORE THE HOUSE TRANSPORTATION

AND

HOUSE ECONOMIC DEVELOPMENT COMMITTEES

BY

SAMUEL J. MILAZZO, PRESIDENT  
MILAZZO INDUSTRIES, INC. & RAIL SHIPPERS  
ASSOCIATION

**My name is Sam Milazzo. I am the owner and C.E.O. of Milazzo Industries, Inc. You have heard from Bob Connolly of the Luzerne County Redevelopment Authority, and Steve May of the Luzerne & Susquehanna Railroad, representing the ownership & management and rail operations, respectively.**

**My purpose here today is to provide you with information on rail user's needs and concerns. This will be addressed from the standpoint of my own operation first, and followed by some comments on the other rail users and their needs. We operate a manufacturing facility in Pittston, PA and produce a line of quality ice-melt products under the brand name Qik Joe along with more than 20 other products.**

**Our employee head count ranges from a base of 35 to approximately 50 when our products are in peak demand.**

**We have been in business since 1929, and our reliance on in-bound rail service began around 1970.**

**We receive more than 90% of our raw materials by rail and the number of cars has grown each year. In 1998, we received 188 cars and we estimate the car count for 1999 will be approximately 225 cars.**

**Rail service is essential to our survival as a business. Without rail deliveries, any combination of alternate delivery methods would increase our expenses. We have examined receiving raw materials by truck or by rail to an off-site delivery point and trans-shipment to our plant by truck. Both of these methods would result in higher costs.**

**Increased costs impact our ability to remain competitive and jeopardizes our ability to stay in business. We must have rail service to survive.**

**We also must have reliable service for deliveries, switches, and pick-ups. The level or quality of service is directly tied to the condition of the line. We need prompt delivery of materials to feed our manufacturing process and timely switching and removal of empty cars.**

**In September 1993, only three days after the Pocono Northeast Railway ceased operations, some 18 shippers and rail users formed a Rail Users Association committed to the resumption of service in the short term and a long range goal of buying the railroad.**

**I have served as president of this group since it was formed and I can report that we were successful in getting directed service established. We now have the Luzerne County Redevelopment Authority as the owner of the railroad.**



**Our group, which has grown to 25 rail users, continues to be plagued by slow and often interrupted service because of the line's poor condition. Many of these companies, including Milazzo Industries, have committed their own funds to making the most needed repairs to keep the system operational.**

**This is testimony both to the railroad's importance and the user's commitment to keep it running. Companies such as:**

- ◆ Air Products Corporation**
- ◆ Biscontini Distribution Centers**
- ◆ Carbon Sales**
- ◆ Compression Polymers**
- ◆ Celotex Corporation**
- ◆ Letica Corporation**

**are just a few of the 25 businesses who employ more than 2,100 people with a payroll of nearly \$50,000,000.**

**Many of these companies are in the same position as Milazzo Industries with respect to the effect cost increases would have on their businesses.**

**It is estimated that the loss of rail service would be followed by a loss of 950 jobs and more than \$31,000,000 in payroll.**

**We cannot let that happen!**

**I am here on behalf of my company and the other rail users to urge you to support the economic efforts we represent and to support the additional funding needed to both secure the property and provide for its rehabilitation.**

**Thank you for the opportunity to present this testimony. Your support to date is greatly appreciated. We need your help again to complete the job.**

On July 28, 1994 The Luzerne County Rail Corporation awarded the Luzerne Susquehanna Railway as their exclusive freight operator with actual freight operations commencing on August 25, 1994 over the former Pocono Northeast Railroad.

The condition of the operating facilities was in accepted track status. Accepted status is a condition of track that does not meet the required standards as outlined by the Federal Railway Administration. Although track improvements have been made in some locations, more funding is still needed to bring this under-utilized facility into an efficient property that the customer can rely and depend on. As Mr. Connolly has outlined much track repair has been performed over the past few years. Although this has improved some of our line segments, many still need to be upgraded.

Our main track connecting Pittston to Wilkes-Barre is in dire need of funding to bring this trackage into at least a Class 1 track status. This line is a major artery to our operations and is extremely important for our growth opportunities. This track allows LS to connect with Norfolk Southern at Pittston, PA and CP Rail at Hudson, PA. Without this connection our customers lose their ability to play both railroads for more competitive shipping rates.

Ashley, PA is an area that is severely under developed for freight train traffic. This trackage passes through the Old Ashley Rail Yard which has potential to provide a site for a new industrial park housing nearly 100 acres. At this location, the LCRC and LS are jointly working together with a new customer. This customer will make new jobs for the community and state while also generating additional carloadings for the railroad. This trackage continues on into the Hanover Industrial Park where we serve Rugby Building Supply. This area along with the Ashley Rail Yard properties pose to be areas that will see great industrial growth over the next few years. Again, these sites are prime development zones with existing utilities and easy access to interstate 81, the only thing lacking is a stable track structure.

Currently our heavy traffic levels are operating from Pittston, PA to Moosic, PA. This traffic makes up about 60% of our traffic revenues. The

trackage from Avoca, PA to lower Montage Road located in Moosic, PA is also operated as accepted track conditions. This trackage allows us to provide service to Lettica Corporation and Maui Cup. Three years ago the LS and LCRC re-activated approximately 10 miles of trackage that had been inactive for nearly 18 years. Brush, trees and track tie installation was performed to bring this track into a borderline Class 1 track condition. Also that same year, LS was able to secure an operating agreement from Scranton Chamber of Commerce to reactivate the abandoned Minooka Industrial Track to access Compression Polymer Group. All of this work to restore this track to a full service operation serving this customer 3 days per week was expensed by the LS Railway. Estimated expenditures to open this line was \$98,000.00.

The LS partnered with Compression Polymer to construct new trackage throughout their facility to better serve their needs and to enable LS to capture all the freight movements by serving this customer direct and moving this traffic off the highways. Today LS delivers nearly 500 shipments to this customer annually with the projections for the year 2000 to increase by 40% due to expansions nearly completed. This customer is obviously dependent and confident that we will continue to serve his needs. This partnered project required construction of 3000 lineal foot of new trackage for a total cost of \$298,000.00, of which LS provided \$150,000.00.

The LS has been fortunate to have received two rail freight grants for track maintenance projects. The first project will allow us to improve our track conditions from Avoca, PA to lower Montage Road located in Moosic, PA. Our second grant of which we were notified on Monday will allow LS to improve our trackage conditions to a safe condition from Montage Road crossing through the Minooka Industrial Tracks. These two projects, when complete will allow me to breath easier knowing that we will be able to provide the service more efficiently and most importantly more safely. The matching funds for these projects are provided by LS for an estimated cost of \$143,000.00. As you can see, The LS is investing serious monies in this railroad because we know service and commitment to our existing and future customers is required to insure the continued

**competitiveness in their markets.**

**These grants are vital to the survival of shortline operations and the communities they serve. Without them these lines would disappear; only increase truck traffic, loss of thousands of jobs, loss of industries, the list of disadvantages only continue.**

**I encourage you to visit our operations, ride our freight trains and see what our employees deal with trying to operate this line in a manner that provides service to these many companies that depend on rail service. The tree growth has not been addressed in 20 years. LS and LCRC as well as our customers have been chipping in their own funds to make this railroad a railroad for all to be proud of. The growth potential for this railroad is endless.**

**We need your support to help finalize the acquisition of this property so that new customers and existing customers can feel secure in their investments along this rail line. Knowing the railroad is going to be here will certainly make one feel better when looking to relocate an industry. New customers that we have been trying to bring to this area are cautious and will not make any commitments until the rail line purchase is complete.**

**I appreciate the opportunity for the time given to me today to express the need and importance of this under-utilized facility to the counties of Luzerne and Lackawanna, to the state of PA, employees, families and industries that depend on rail service.**

**Thank you**