

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

By

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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.