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House Commerce Committee

Public Hearing on:

Economic Development and Job Creation

Lincoln Park Performing Arts Center
1200 Midland Avenue
Midland, PA 15059-1696

Date: Thursday, March 25, 2010

Reporter: Donna M. McMullen, RMR

WEBER REPORTING

Pittsburgh, Pennsylvania

(412) 401-6226

1 Committee Members:

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3 Representative Peter J. Daley, Chairperson
4 Majority Chairperson in House
5 Commerce Committee
6 49th Legislative District, Democrat
7 Fayette County (part)
8 Washington County (part)

6

7 Robb Miller
8 Majority Executive Director
9 Commerce Committee
10 To Representative Peter J. Daley

8

9

10 Representative Mark Longietti
11 Subcommittee Chairperson
12 7th Legislative District, Democrat
13 Mercer County (part)

11

12

13 Representative Jim Marshall
14 14th Legislative District, Republican
15 Beaver County (part)

13

14

15 Representative Paul Costa
16 34th Legislative District, Democrat
17 Allegheny County (part)

15

16

17 Representative Robert F. Matzie
18 16th Legislative District
19 Allegheny County (part)
20 (Beaver County (part)

18

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20 Representative Jaret Gibbons
21 10th Legislative District
22 Beaver County (part)
23 Butler County (part)
24 Lawrence County (part)

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ALSO PRESENT:

Destiny Zeiders
Media Specialist
to Representative Peter J. Daley

Craig Conforti
District Constituent Outreach Specialist to
State Representative Jim Marshall
14th Legislative District

John Scarpato, Analyst

Sandra Altland
Legislative Assistant/Committee Secretary

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P R O C E E D I N G S

(1:35 p.m.)

CHAIRPERSON DALEY: This House Commerce
Committee Public Hearing comes to order.

My name is Pete Daley. I am the Majority
Chairman of the House Commerce Committee. I'm
going to have the folks at the table here
introduce themselves starting with Sandy, at the
end of the table to my right.

MS. ALTLAND: Sandy Altland. I work in
Representative Peter Daley's office.

MS. ZEIDERS: Destiny Zeiders, Analyst for
Representative Daley.

REPRESENTATIVE MATZIE: State Representative
Rob Matzie from Beaver and Allegheny County, 16th
District.

REPRESENTATIVE COSTA: Good afternoon.
Representative Paul Costa, the eastern suburbs of
Allegheny County.

REPRESENTATIVE LONGIETTI: I'm Representative
Mark Longietti from Mercer County.

MR. ROBB MILLER: I'm Robb Miller. I'm the
Executive Director of the House Commerce Committee.

REPRESENTATIVE MARSHALL: Jim Marshall, 14th

1 District, right here in Beaver County.

2 MR. SCARPATO: John Scarpato. I'm staff with
3 Chairman Dick Hess and the Republican Congress.

4 MR. CONFORTI: Greg Conforti. I work in the
5 office of Representative Marshall.

6 CHAIRPERSON DALEY: As I said, my name is
7 Pete Daley. I represent the 49th Legislative District
8 in Washington and Fayette Counties, and I've been in
9 the Legislature for fourteen terms.

10 I really understand the problems that
11 Beaver Valley has and southwestern Pennsylvania
12 being the fact that the Mon Valley, which is very
13 similar in population and history and the type of
14 individuals that have lived here, religion,
15 diversity. Our areas are very similar.

16 What I've done with this Committee, as
17 the Chair, we have decided over the last several
18 months or for the next several months we're going
19 to meet and help to develop a job creation tour
20 around the State. We've been in Philadelphia,
21 we've been in Hermitage, we've been to Windber,
22 Williamsport last year, Old Economy tomorrow.
23 We're going to be in the Mon Valley in a couple of
24 weeks. We're going to go back to Philadelphia, so
25 we're traveling around the State to sort of kind

1 of draw as much information as we can in some ways
2 to create a new economic development opportunity.

3 With that said, I would ask anyone
4 testifying to please state your name so the
5 stenographer can record the same. I'm going to
6 turn it over to Representative Jim Marshall, who
7 is hosting this event today. Please speak slowly,
8 because if you're from western Pennsylvania, we
9 all know we speak a little faster than most other
10 people around the State.

11 With that said, Representative Jim
12 Marshall.

13 REPRESENTATIVE MARSHALL: Thank you,
14 Mr. Chairman. I'm especially grateful that you would
15 bring the Committee here to Beaver County, my district.
16 I truly appreciate that. I'm glad to have some of the
17 members of the Committee here to listen to the
18 testimony. It is very important to me. You know, I
19 realize that the economy is slow right now. So much
20 relies on job creation in our industry. We each should
21 focus on different aspects of economic development, and
22 I chose mine to be more of the heavy industry and
23 manufacturing in Pennsylvania, how the State can
24 improve their dealings with industry, whether it would
25 be better to stand back and let the businesses interact

1 with each other and progress on their own or how we can
2 assist in the disparity.

3 I have asked members of different local
4 government entities, members of local industries,
5 as well as some of the members of the local unions
6 to see how we can open communications better and
7 work together to bring the economy back and keep
8 manufacturing "made in the USA" and specifically
9 made right here in Pennsylvania.

10 So with that I'd like to also thank
11 Lincoln Park, the School for Performing Arts, for
12 having this terrific venue and having the
13 opportunity to take our group on a tour of the
14 building, the facility. And we truly appreciate
15 Steve Catanzarite, as well as Dr. Nick Trombetta
16 with their generous hosting of this event.

17 So we would begin with Joe Nardone
18 representing Beaver County Chamber of Commerce;
19 Jim Palmer, President of Beaver County Corporation
20 for Economic Development; and Petra Mitchell from
21 Catalyst Connection. If you could come up to the
22 table and stage here, and we would start with
23 Joe Nardone.

24 MR. NARDONE: Good afternoon. My name is
25 Joe Nardone. And it's interesting, Jim, you were

1 talking about heavy industry, and we're kind of in a
2 heavy industry in a different respect. We are in the
3 heavy lifting in the IT community, in the information
4 technology community. We have a cloud computing center
5 located in Chippewa, and we are literally changing the
6 way that business is done from a technology perspective
7 every day. So it's a very exciting thing for us.

8 The goal that I would have today would be
9 to communicate that I think attitude is probably
10 "The" most important thing in conducting good
11 business between State and business owners. I am
12 an entrepreneur. I'm a small business owner. I
13 have a total of about 20 employees. My wife runs
14 a small real estate business where she buys and
15 fixes up property and rents and maintains it.
16 It's allowed her to spend time with our four
17 children over the years, so it's been very
18 beneficial for us.

19 The challenges are that the way that the
20 Commonwealth is constructed at the moment is
21 extremely difficult and inflexible in terms of
22 being able to start a business and being able to
23 find the proper authorities to get approval for
24 various projects. When we deal with either school
25 districts or we deal with local municipalities or

1 we deal with all of those various small
2 enterprises, it makes things very challenging.

3 So I guess one of the things that I would
4 do is to suggest that we find a way to streamline
5 governance in the State of Pennsylvania, and
6 because we're one of the original 13 colonies,
7 we're saddled with a lot of baggage that most of
8 the country is not. So how we creatively do that
9 is, I guess, part of the challenge.

10 I think the other challenge is that we've
11 had a history of heavy industry, and we've had a
12 history of great success. One of the challenges,
13 though, is that in the last 25 years there's been
14 a bit of a flux out of, a flow out of the region
15 of good leadership. And what I mean by that is
16 the creative, innovative kinds of things that
17 would lead to dramatic change that would benefit
18 high-tech industries like ours, and I think all
19 industry. And I think that we need to share and
20 spread the great ideas, the great leadership we
21 have better than we do. I think we need to
22 realistically look at what organizations produce
23 the best results and maximize and use them more.

24 Another thing that is a challenge is
25 dealing with the current State of real estate

1 taxation in the State. I've spent many years in
2 that industry. I've done a lot of consulting work
3 in that industry, and every other state that
4 borders us has a much more progressive means for
5 measuring, weighing and assessing real estate.
6 Beaver County hasn't been looked at since 1978.
7 It will never be looked at from a valuation
8 perspective because it is politically extremely
9 unpopular. The Legislature needs to take
10 responsibility for that and simply adopt some
11 measures that make common sense that allow us to
12 do those things periodically. It's like weeding a
13 garden: You simply need to make sure that your
14 values are fair and then assessments are
15 reasonable. Taxpayers never have a problem paying
16 for things. They want fire protection, they want
17 police protection. What they abhor is inequality
18 in taxation, and that's what you have in
19 Pennsylvania.

20 I personally believe that one of the
21 reasons that real estate development is so
22 retarded in Beaver County is because of this
23 inequality. You cannot easily determine what a
24 new construction will be assessed at in the county
25 when the new construction will be assessed at a

1 current market rate as opposed to other nearby
2 properties, which are still on the 1978 level.
3 Yes, they try to make some adjustments, but it's
4 very unequal.

5 I think that the other big challenge is
6 that you can't make people start businesses, you
7 can't make people or business owners hire
8 employees. They have to want to do it, so it's
9 not like typical government activities where you
10 pass a law and you say, "You're going to have to
11 do this," and you enforce it. This is a
12 partnership between the State and the business
13 community. It has to be something that is
14 mutually beneficial or business owners will not
15 take the risk. And what you see right now in the
16 low numbers of business start-ups in the State of
17 Pennsylvania is the fact that people have decided
18 it's not worth the risk, and rather than the
19 Commonwealth and the Legislature creating a better
20 environment where there's less risk, they're, in
21 fact, doing the opposite and adding more risk. So
22 on top of having to manage customer relationships,
23 employee relationships, vendor relationships, I
24 also have to manage a very complicated
25 relationship with the State of Pennsylvania, which

1 is not necessarily positive in all those respects.

2 So I would like to think about it as
3 dating. The better you are in that relationship
4 the more attractive you become, the more people
5 that will want to be partners with you because,
6 like it or not, we're all partners with the State
7 of Pennsylvania.

8 Specifically to programs, the KIZ program
9 has been a tremendous benefit to us. It has
10 allowed us to hire some very expensive talent from
11 the Pittsburgh region that have allowed us to
12 expand and grow. Our business has not been
13 declining in the last 18 months. It's been
14 expanding. We've grown significantly on the Cloud
15 computing side, but the KIZ program, which rewards
16 growth -- it doesn't necessarily manage or monitor
17 other things. It rewards growing a business.
18 It's one of the few programs that's simple to
19 apply for. It is a zone-type program where you
20 get a coordinator to help you navigate the
21 process, which is one of the big problems with
22 what happens with State programs is: There is no
23 direction, no one responsible for it. Doug
24 Campbell from StartingGate does a tremendous job
25 in helping us to navigate that process.

1 Programs that work like OVR, we've hired
2 a number of OVR employees over the last five
3 years. They've been fantastic. On-the-job
4 training where we get some compensation to defray
5 the cost of bringing people up to speed has been
6 fantastic. We have the knowledge and the skills
7 to teach and train and bring people up to speed,
8 but that cost is recognized by OJT, and we're able
9 to do that. So that's excellent.

10 The bad programs: The bad programs are
11 typically programs that slow things down. Bad
12 programs typically are programs that put more
13 layers between the entrepreneur and the business
14 owner and whatever benefit you're trying to
15 disburse. In one example, we tried to purchase a
16 sign through the Main Street Program in the City
17 of Beaver Falls, and unfortunately the process was
18 ridiculous. It was, I think, 50 percent of the
19 cost of the sign. If the sign was going to be
20 1,500 bucks, we were looking at an \$800 benefit.
21 They wanted us to attend multiple Council
22 Meetings. We had to submit designs, specs. We
23 had to do all kinds of drafts and pictures. The
24 project had to be done inside of 30 days. It
25 wasn't like we had 90 to 120 in order to think

1 about it, plan it and execute it. The market
2 moves so fast. Government's challenge is that it
3 obviously does not, and so you have to find a way
4 to make that work.

5 The SPC Program for a loan, we applied
6 for a \$200,000 low-interest loan in order to fill
7 out our new data center, which we are building.
8 It's going to be a multi-million dollar facility
9 when it's completed, and we're occupying new space
10 that StartingGate is actually bringing on-line.

11 Unfortunately, people who start and run
12 businesses have, I'll use history as a kind way of
13 saying, we've got pasts. We've done things, in
14 most cases, entrepreneurs have failed their way to
15 success. The challenge with the loan program is
16 that the value of the project or the success of
17 the partners is outweighed by credit scores. Now,
18 that may seem like common sense to someone who is
19 in banking, but if you're in the venture-capital
20 arena, you'd find that to be naive. And
21 unfortunately most programs that the State
22 operates are managed by bankers. And I've got
23 nothing against bankers. They do their job very
24 well, but they're not interested in growth,
25 they're not interested in lending money to people

1 who are venture capitalists or start-up
2 entrepreneurs.

3 One other program I did not mention that
4 is also very good is WEDnet. The WEDnet training
5 program that is administrated by the Community
6 College, which, again, I cannot say "enough" good
7 things about the Community College. We're very,
8 very fortunate to have that organization, but we
9 are able to actually bring in specialized training
10 from around the country and have them teach our
11 staff about the things that they need to know from
12 a technology as well as a personal side.

13 I guess that's it, aside from the fact
14 that I would suggest if we could find ways to
15 involve more of the people involved in the
16 day-to-day process of building, growing and
17 sustaining business, when we are putting together
18 policy. I think we tend to end up going to the
19 academic community before we go to the people
20 whose hands are in the soil, so to speak. Okay.

21 REPRESENTATIVE MARSHALL: Okay, thank you very
22 much. If you could please pass the microphone down.
23 We're going to go in the order of where you're sitting.
24 If you're ready.

25 MS. MITCHELL: Whichever order you'd like to

1 go in.

2 REPRESENTATIVE MARSHALL: All right. Please
3 go ahead.

4 MS. MITCHELL: All right. Well, thank you,
5 Representative Marshall, Representative Daley. My name
6 is Petra Mitchell. I'm the President and CEO of
7 Catalyst Connection. Catalyst Connection is an
8 Industrial Resource Center Program that receives
9 funding through the Department of Community and
10 Economic Development.

11 This afternoon I'd like to touch on just
12 a few highlights from my testimony, which I
13 submitted earlier and is available sitting down
14 there in the books.

15 A couple of things I'd like to touch on
16 is just first to provide a few highlights about
17 the IRC Program and talk about it in light of
18 overall economic development spending in
19 Pennsylvania.

20 The Industrial Resource Center Program
21 focuses on manufacturing, so I'd like to touch on
22 manufacturing in Pennsylvania, and then
23 specifically some of the results that we have been
24 able to achieve in creating jobs and growing
25 businesses, and then moving forward: What do we

1 need to do to continue that trend, to continue to
2 grow manufacturing and add jobs in Beaver County
3 and the rest of southwestern Pennsylvania and all
4 of Pennsylvania.

5 So, again, Catalyst Connection is an
6 economic development organization. We provide
7 outreach and technical assistance to
8 manufacturers, and by doing so we help them to
9 reduce costs, improve productivity, and more
10 importantly, in today's environment, to grow the
11 revenues and create jobs. And we are part of the
12 State's economic development investment, and
13 according to a recent report published by the
14 Keystone Research Center, we're part of the
15 investments that they would call "grow-your-own
16 programs." So grow-your-own are programs that are
17 intended for existing businesses like
18 Mr. Nardone's business and so forth.

19 Some of the things that you mentioned are
20 categorized overall as part of grow-your-own, and
21 in this particular report it estimates or tells us
22 that the State has spent approximately \$1 billion
23 for economic development programs across a wide
24 variety of agencies. That was a 2008 benchmark,
25 and since then that spending has been reduced by

1 approximately 28 percent. However, the spending
2 on grow-your-own programs has been reduced more
3 significantly, so that portion of the total pie
4 has been reduced by 47 percent. And the
5 Industrial Resource Center Program and the Ben
6 Franklin Program, two specific programs mentioned
7 in the report, have been reduced by 55 and
8 60 percent respectively. So even though we're
9 very small programs, it seems to me, in my
10 opinion, I would say, it's somewhat an unbalanced
11 approach to economic development spending.
12 Obviously you want to have portfolio spending, you
13 want to focus on a number of different
14 initiatives, and so forth. But, again, to me it
15 seems a little bit unbalanced in terms of how that
16 spending has changed over the last two years
17 throughout this difficult economy.

18 So specifically regarding manufacturing
19 in Pennsylvania, the Industrial Resource Center
20 Program is the only program that is dedicated to
21 manufacturing and serving small and medium-sized
22 manufacturers in Pennsylvania. There's
23 approximately 16,000 of those types of
24 establishments throughout the State. In our
25 region, which we would call about 12 counties in

1 southwestern Pennsylvania, there's approximately
2 4,000 of those companies, and then specifically in
3 Beaver County we have about 200 or 250
4 establishments that we're aware of. Those
5 companies collectively employ 567,000 people with
6 average wages of around \$50,000.

7 I think it's important to note that there
8 is a significant multiplier effect for every job
9 in manufacturing. And according to a recent study
10 published by NAM, there's at least, NAM estimates,
11 two to three professional services jobs for every
12 manufacturing jobs. So those are the attorneys,
13 the accountants and so forth, as well as an
14 additional two to three service sector jobs. So
15 the dry cleaners, gas stations, that kind of
16 thing. So, again, creating jobs in manufacturing,
17 as you all know, is very desirable and a very
18 worthwhile thing to do because it has a
19 significant effect on a community.

20 Another important point to note is that
21 we all know that manufacturing has experienced
22 significant job losses over the years. According
23 to the White House Framework for U.S.
24 Manufacturing, a major component of those job
25 losses -- and I don't think this is brought up

1 very often -- is due to the productivity gains
2 that manufacturing has experienced over the last
3 ten to twenty years. Productivity in
4 manufacturing has increased two and a half times
5 out of other sectors. And so when you couple that
6 with a decrease in worldwide demand for products
7 and services due to a difficult economy and you
8 couple that with significant increases in overseas
9 competition, imported goods and so forth, you can
10 really understand why there's been job losses in
11 manufacturing.

12 And so the key to taking advantage of
13 this rebounding economy, growing jobs, adding jobs
14 is obviously to grow the businesses first. And
15 companies have to have the sales, they have to
16 have the product offerings and so forth, and the
17 need to hire more employees. If that need exists,
18 they will definitely hire those employees. And,
19 again, we just talked about the importance of
20 manufacturers growing jobs.

21 The Industrial Resource Center Program,
22 as I mentioned, therefore, provides a direct link
23 to this overall desire to grow manufacturing
24 companies. Through our affiliation with the
25 national, our national funding agency, we are able

1 to provide a wide variety of business growth,
2 innovation, product development and so forth
3 related services that helps companies to grow
4 sales, improve their market strategies, launch new
5 products and so forth.

6 As part of our national affiliation, our
7 clients and companies that we work with are asked
8 to participate in an annual survey, and in this
9 survey they tell us specifically the results that
10 they've achieved. In 2009, while many of us
11 experienced significant declines -- and it's been
12 very difficult. There's no doubt about it. But
13 the companies that we've worked with still created
14 or retained over a thousand jobs. And also these
15 companies invested an additional \$19 million of
16 capital investments in their business. This is
17 significant because, in 2009, as many of you know,
18 capital investments almost came to a complete
19 halt. And so again, you know, the return on
20 investment, on the State's investment in a program
21 like the Industrial Resource Centers, occurs with
22 business taxes that are paid. And actually if you
23 just look at the payroll taxes that were paid as a
24 result of these jobs being created and retained,
25 it more than triple pays for the State investments

1 that have occurred.

2 So now we're talking about moving
3 forward. How do we continue to help our
4 manufacturers and what does the future look like
5 for them? Well, Catalyst Connection, as well as
6 the other industrial resource centers, spends most
7 of its State and Federal resources to conduct
8 outreach and create awareness among the
9 manufacturing community.

10 So what we do is we're able to provide
11 information, we're providing access to a lot of
12 the programs that are available to them, looking
13 for ways to implement industry-best practices and
14 so forth. And then when those companies choose to
15 implement an improvement initiative, they pay for
16 those services. And so really it's a way that
17 we're able to leverage the funding that we
18 received. It requires us to continuously
19 demonstrate value for what we do, and it also
20 encourages the companies that we serve to seek a
21 return on their investment. And I think those
22 three things have been proven over and over again
23 in the data that I've presented.

24 Another area that, just in terms of the
25 outreach, again, as Mr. Nardone mentioned, the

1 educational institutions have just a tremendous
2 wealth of resources available for our
3 manufacturers. Unfortunately, not too many of
4 them know about it. So it's very difficult for
5 some of the schools -- maybe you've experienced
6 that -- to get the word out, to really tell
7 everyone what's available, how do you access this,
8 how do you take advantage of it and so forth. And
9 that's another role that we're able to provide to
10 the manufacturers that we serve.

11 And finally I'd just like to touch on a
12 recent study of over 2,500 small and medium-sized
13 manufacturing CEOs across the country that talked
14 about, "What is the future going to look like for
15 manufacturing in your company?"

16 This report verified for us that the
17 companies that are really doing well and will
18 continue to do well are those that innovate and
19 invest in their business. They're also the ones
20 that seek external assistance, and they measure
21 their performance and they measure their results.

22 Another key point that this study told us
23 is that over the next five years 50 percent of the
24 CEOs will or may have a leadership transition in
25 their business. This is making it a critical time

1 to create business value and to prepare the next
2 generation of leaders.

3 And I think Catalyst Connection and the
4 Industrial Resource Center Program are well
5 positioned to help companies do that. Again,
6 based on the rigorous data and the analysis that
7 we've been subjected to through both our State and
8 Federal funding programs, we're confident that
9 every million dollars of funding will create or
10 retain over 500 jobs. I think that's very highly
11 desirable compared to some of the other programs
12 where it's about \$2,000 a job and other programs
13 that we're aware of, the benchmarks are 30 to
14 \$50,000 per job.

15 So, again, I'd like to emphasize, I
16 believe the investment in the Industrial Resource
17 Center Program is an investment in creating jobs
18 in manufacturing. I think it's an investment that
19 has a significant return, and I'd like to continue
20 to seek your support in maintaining a small,
21 modest investment in State funding. Thank you.

22 REPRESENTATIVE MARSHALL: Thank you, Petra.
23 That was very well presented. If we could have
24 Jim Palmer.

25 MR. PALMER: Thank you. My name is

1 Jim Palmer. I'm President of the Beaver County
2 Corporation for Economic Development. CED is a
3 non-profit, industrial development corporation governed
4 by a 17 member Board of Directors that represent
5 community and business interests and includes the
6 sitting Beaver County Commissioners.

7 CED began in 1987. It has a staff of
8 four people. Our mission is threefold: Develop
9 industrial properties, operate financing programs
10 primarily for industrial and manufacturing firms,
11 and undertake significant community initiatives.
12 A copy of our most recent annual report either has
13 been or will be provided to you that not only
14 shows the types of projects that we do, but the
15 accomplishments that we've been able to achieve
16 over the years since our inception.

17 We partner with other economic
18 development providers like Workforce Development
19 folks or Catalyst Connection to supplement the
20 services we provide to our customers.

21 As part of our function, we do direct
22 lending. We've been certified by DCED as an area
23 loan organization for the purpose of offering
24 small business first loans and by PIDA for the
25 purpose of offering PIDA loans. From our

1 perspective, access to capital, particularly to
2 smaller firms, is a critical issue in the current
3 economy.

4 A recent presentation that I was able to
5 hear from BNY Mellon on capital markets reported
6 that current credit standards have gone from 10 to
7 20 equity percent participation and 65 to
8 85 percent loan to value standards to 20-40 equity
9 and 55 to 75 loan to value. This has made access
10 to debt for capital investment difficult for even
11 profitable firms having a track record with their
12 lenders and the postponement of planned
13 investments, regardless of the record low-interest
14 rates. The current environment makes support of
15 programs like Small Business First, PIDA, and the
16 Machinery and Equipment Loan Fund, critical in
17 providing available capital to cause plant
18 projects to happen now rather than later.

19 Site development funding is a critical
20 issue in turning vacant and unproductive land in
21 our communities to productive use. This is
22 particularly true in southwestern Pennsylvania
23 where land values are lower than in certain other
24 parts of the State and costs are comparable for
25 brownfield properties and generally higher for

1 other sites due to issues like terrain.

2 Currently there appears to be no funds
3 available in either of the two major site
4 development programs: Business in Our Sites and
5 the Redevelopment Assistance Capital Program.
6 More importantly, in my opinion at least, when
7 funds are available, it's a feast or famine system
8 for allocating. Issues here are not only the
9 amount of funding, but its availability over a
10 period of time in order to be able to adequately
11 plan and permit development sites.

12 Our site development funds make permanent
13 improvements in our communities, improvements that
14 increase land value, improvements that allow
15 communities not only to compete for attracting new
16 firms, but more importantly, retain those firms
17 already in our communities as they grow.

18 The ongoing availability of Redevelopment
19 Assistance, Business in Our Sites, and the
20 Infrastructure Development Program, is not only
21 important in terms of the job creation potential,
22 but their community building potential.

23 A collateral issue in regard to site
24 development is permitting. The issue from our
25 perspective is accomplishing what we think the

1 regulation process was instituted to do, that is,
2 balance interests and do so in a reasonable and
3 timely manner. Too often the permitting process
4 becomes an advocacy process for regulators rather
5 than a process for ensuring that the interests
6 that they are charged to protect are balanced in a
7 reasonable manner against those seeking to be
8 permitted.

9 Timeliness is cost. The permitting
10 process for such things as wetlands and highway
11 occupancy should respect that fact. Also, recent
12 issues for NPDES permitting on brownfield sites
13 regarding water quality has the potential to undo
14 the accomplishments of the Land Recycling Act;
15 and, again, we need to be reasonable in regard to
16 the nature of brownfield site development.

17 Finally, I want to advocate support for
18 the Enterprise Zone portion of the New Communities
19 Program. The Enterprise Zone Program has
20 established a track record for a number of years
21 supporting development in distressed communities
22 through tax credits, treatment of brownfield
23 properties, and providing a source of capital for
24 projects through its Competitive Grant Program.

25 I'd like to thank Representative Marshall

1 for the invitation and the Committee for the
2 opportunity to appear. We understand the issues
3 you face with the State budget in limited
4 resources and the extensive needs and appreciate
5 whatever support you're able to offer to economic
6 development initiatives. Thank you.

7 REPRESENTATIVE MARSHALL: Thank you,
8 President Palmer. I've always wanted to say that, Jim.

9 I'd also like to note that our neighbor
10 and friend and colleague, Representative Gibbons,
11 is here if you'd like to introduce yourself.

12 REPRESENTATIVE GIBBONS: I just want to thank
13 Representative Marshall and Chairman Daley for inviting
14 me to come down. I apologize, I was on a congressional
15 seat last session, but what I'm on now is a different
16 Committee, but I do appreciate the opportunity to be
17 here today.

18 I want to thank you for inviting me down.
19 I do represent the northeast corner of Beaver
20 County, as well as a good portion of Lawrence and
21 a little chunk of Butler County as well. So I
22 want to thank you for allowing me to join you
23 today.

24 REPRESENTATIVE MARSHALL: Thank you. Any
25 questions from the members?

1 REPRESENTATIVE LONGIETTI: I want to thank you
2 each for your testimony.

3 Mr. Nardone, I picked up something on one
4 of your action items that I think is important
5 and, that is, developing entrepreneurships.
6 Recently I had a meeting with the Director of
7 Small Business Development Center up in Erie. She
8 pointed out Pennsylvania lacks in this state
9 entrepreneurship. And I think your suggestion of
10 trying to institute that policy is a good
11 suggestion.

12 I want to get your reaction or thoughts
13 on perhaps the next level. I saw you're a
14 Carnegie Mellon graduate. HOPE Scholarships, some
15 states have what they call HOPE Scholarships. I
16 think it started in Georgia. Pennsylvania is
17 looking at a possibility. And the idea, the one
18 proposal is that a student that has at least a 3.0
19 GPA and graduates at the top 10 percent of their
20 class in high school would get some assistance
21 from the State toward college, and that could be a
22 State school or it could be a private institution,
23 like Carnegie Mellon, with the commitment to
24 return to Pennsylvania and live in Pennsylvania
25 for the next four or five years.

1 I wanted to see what your reaction to
2 that thought is and whether that would help bring
3 the leaders or the entrepreneurs into Pennsylvania
4 or stay in Pennsylvania.

5 MR. NARDONE: Obviously anything that would
6 create some sort of a beholding on the part of the
7 beneficiary, I mean, it's going to attract those people
8 to look at it, I guess, from an ideal perspective, if
9 there is an infrastructure or a network in the State of
10 Pennsylvania that encourages people to do those things.

11 I've been a mentor of entrepreneurs for
12 close to twenty years, and I've been mentoring
13 high school kids at Beaver Falls and other high
14 schools to go to college. And to be quite honest
15 with you, it's just the fact that they don't know.
16 It's just the fact that if they had somebody to
17 hold their hand, to show them the methods, it
18 would cut the time in start-ups dramatically. It
19 would cause the number of kids who are not going
20 to college or not staying to stay. And I think
21 that if you have people who do stay and they have
22 a track record, and if it's a HOPE Scholarship
23 that's going to facilitate that, I think that's
24 okay. I think anything that encourages it is
25 good. However, I would think that it would be

1 best if we were able to create an environment
2 where we were doing more of the mentoring where
3 people could see, "Oh, it's not as hard as it
4 really looks."

5 Just one comment or point on that is: I
6 speak at Geneva College on a regular basis to
7 their entrepreneurship class. They have a book
8 there. It's about this thick (indicating), and
9 one of the chapters is probably 30 pages on how to
10 get a name, file a fictitious name form. And
11 another one is on how to get an EIN number. Well,
12 I mean, that's 60 pages worth of garbage when what
13 you really need is -- and it's not an indictment
14 on Geneva, because they're a great school, and
15 they're teaching kids how to do those things.

16 That should be like two paragraphs, and let's get
17 on with it, because you're going to fail in your
18 business the first one, two or three times. What
19 we've got to get people to accept is that's the
20 way it is, and let's go. I mean, let's quit
21 wasting time trying not to fail the first time.
22 Let's get it out of the way. Let's learn the
23 lessons we need, and let's move on with it.
24 That's where the success is. It's on the other
25 side of that.

1 REPRESENTATIVE LONGIETTI: Thank you. And one
2 quick question for Mr. Palmer. You mentioned a number
3 of programs on small businesses first. I believe
4 there's a proposal to recapitalize that program and
5 perhaps expand it also to commercial enterprises, even
6 down possibly to somebody who wants to open up a
7 restaurant or expand a restaurant. I just wanted to
8 get your general thoughts on possibly expanding that
9 program in commercial.

10 MR. PALMER: Again, these are my personal
11 thoughts: I think that to get the maximum value out of
12 the State investment, we need to focus on value-added
13 firms, and that may not necessarily be retail or
14 commercial firms.

15 REPRESENTATIVE LONGIETTI: I appreciate that
16 answer. Thank you. Thank you, Mr. Chairman.

17 REPRESENTATIVE MARSHALL: Representative
18 Matzie.

19 REPRESENTATIVE MATZIE: Thank you,
20 Representative Marshall. I think the one thing, Jim,
21 in your testimony talking about retention, I think
22 that's one word that oftentimes isn't mentioned enough.
23 And I know our area is faced with the demise of
24 industry over the course of the last 20 or 30 years,
25 and I know there's still some people thinking it's

1 coming back. But I think that the retaining of good,
2 quality jobs that we still have and improving upon some
3 of the companies that we do have and allowing them an
4 opportunity to expand is crucial.

5 You mentioned in your testimony, and I
6 won't comment on anything else, about our House,
7 we just passed our legislation last week, so that
8 would go over to the Senate, and I know that's a
9 program that you have utilized over the years and
10 has been of great benefit to Beaver County.

11 Getting back to Mark's last comment, I
12 know, I was thinking in the back of my mind when
13 he asked you that question, you have explored that
14 opportunity on one occasion, and it was a failure
15 relative to a helping out or a loaning. You
16 eventually got your money back through a retail
17 and normally you do stick with industries. So I
18 think it's important to note that industry and the
19 manufacturing in that vein is really what you're
20 about, and that's really what we're going to
21 cover. We have a better return with a lot of the
22 programs that are in State government. Would you
23 agree?

24 MR. PALMER: Yes, absolutely. And just as a
25 side comment to that, you know part of Petra's

1 testimony was that businesses are increasing their
2 productivity and that necessarily doesn't bode well for
3 employment because the machine replaces the man, and
4 that's what makes retention even more important. I
5 mean, if you can hold your own in terms of numbers of
6 employees, not that you don't want to grow employees
7 certainly, not that we don't want to grow employees,
8 but that's an accomplishment given that what's
9 happening is the increases in productivity are designed
10 in large part to increase or decrease your labor costs.
11 It may sound like spin, but it's a win.

12 REPRESENTATIVE MATZIE: Yeah.

13 MR. PALMER: But it's a win.

14 REPRESENTATIVE MATZIE: I appreciate your
15 testimony, and I asked that they focus briefly on what
16 you have, all three of you professionals in our region
17 or county, helping to move along as far as economic
18 development is concerned. Thank you, Jim.

19 REPRESENTATIVE MARSHALL: Mr. Chairman.

20 CHAIRPERSON DALEY: Thank you. Mr. Nardone, I
21 enjoyed reading your testimony where you have good
22 programs and bad programs. We see good and bad program
23 attitudes around the State. We find, or at least we've
24 heard, duplicative efforts at various levels by various
25 agencies that do fundamentally the same thing in terms

1 of economic development opportunity. We would seek and
2 try to develop sort of a one-stop-shop in making our
3 efforts considerably easier instead of stepping all
4 over everyone's feet. It may help to streamline,
5 especially in southwestern Pennsylvania, streamline
6 their efforts. I find it rather curious among the
7 people who are working today in terms of who are
8 receiving and setting up bills, the funds we've talked
9 about, the incorporations and so forth. Do you have
10 any comments on where we are headed?

11 MR. NARDONE: I think the challenge right now
12 is that there is a fundamental paradigm shift in terms
13 of the way people will work, and I think Mr. Palmer has
14 actually accented that. I think he's described that.

15 I was in Erie yesterday at Better Baked
16 Foods, and they're a customer of ours. And when
17 you walk into that facility, they make French
18 bread pizza by the bazillions. And, yes, there
19 are people working there, but the technology that
20 they employ is phenomenal. And what you see is
21 that the way that they leverage their human
22 capital through technology is changing who works
23 there and how they work there. And so what
24 happens is now you've got all of these individuals
25 who have to decide if they're going to work in a

1 factory or upgrade their skills, understand what
2 free enterprise is and embrace it inside of a
3 State that empowers them do that.

4 The challenge we have is that the systems
5 and tools that we have to reward and encourage and
6 lend to those people are not in place. We've got
7 in place tools that will lend to large
8 capital-intense types of factories, and we don't
9 have mechanisms in order to create what really the
10 industry took from us over a hundred years and
11 that was what we had before the industrial
12 revolution, which was people working in small
13 shops, crafts, skills. Technology allows people
14 to do that today in a much more robust fashion.
15 It's the future. It's not the past. I mean,
16 we're talking about the future, and I think the
17 future is: Unfortunately the machine has already
18 replaced the man and now the man needs to find a
19 way to be productive and contribute and connect.
20 And those programs currently are not doing a very
21 good job of that.

22 CHAIRPERSON DALEY: There's been some talk
23 about creating a revitalization effort. If you
24 remember back in the early '80's, we created
25 renaissance programs, targeting the Beaver Valley, the

1 Mon Valley, and I think the Shenango Valley. We're
2 looking at something that may go back into those same
3 areas, which would develop downtown businesses and
4 develop residential housing for the poor. Do you think
5 that's an idea that would make any sense?

6 MR. NARDONE: I mean, that's an interesting
7 idea. Obviously, people are attracted to nice areas.
8 They're attracted to places where there's opportunity
9 for jobs and quality living. I would think that the
10 private sector would do those things if it was enabled.
11 I think at the moment I think the private sector is
12 handcuffed by the bureaucracy in small towns and
13 boroughs. I think if that was eliminated by having a
14 one-stop-shop at the county level, in other words,
15 making the county the smallest unit of government in
16 the State, I think you'd see that happen by itself. I
17 don't think you need to fund that.

18 I think the biggest challenge that we
19 have is that there is a lack of belief that
20 America works for them, for individuals. In other
21 words, free enterprise doesn't work for them. And
22 once they believe that, then it's all over but the
23 shouting, and they get it once they get past that.

24 CHAIRPERSON DALEY: Mr. Palmer.

25 MR. PALMER: I'm going down. I'm going the

1 wrong way. We exist because of the Renaissance
2 Communities Program. We were the beneficiary of it in
3 the mid '80's and we came to be because of that. If it
4 is properly governed, not necessarily at the State
5 level, but at the recipient level, it became a
6 capacity-building tool for the Beaver County community
7 because I would venture to say you can say we haven't
8 done enough or whatever you want to say about us, but
9 the fact is there have been things that we have been
10 able to do that weren't done before. We came to be in
11 the Renaissance Communities Program and the
12 Revitalization Program because of the way our Board of
13 Directors governed it allowed us to come into being and
14 create that ongoing capacity.

15 So I think it's a two-prong issue: One
16 is that I would hope that people would think we're
17 evidence that it works, but the second part to it
18 is: It has to be overseen at the local level in a
19 way that takes advantage of that opportunity to
20 build a long-term capability.

21 MS. MITCHELL: Can I comment on that as well?
22 In my testimony earlier, I mentioned the U.S., the
23 White House U.S. Framework for Manufacturing, and one
24 of the important points that's noted in there is the
25 importance of industry or manufacturing in a small

1 community. And so the idea being that -- and I'm sure
2 you've experienced this in Beaver County -- one major
3 plant closes down, the community almost completely
4 shuts down or is very significantly affected. The
5 opposite of that can happen as well when a community
6 focuses on a particular cluster or an industry and
7 grows that and creates those jobs. The community, the
8 neighborhood will become vibrant as a result of that as
9 well. And I think that's where possibly the private
10 sector will take over. If there's demand that will
11 follow.

12 REPRESENTATIVE MARSHALL: Thank you very much.
13 I think Chairman Daley had lots to do with the
14 Renaissance Community Program. We appreciate his
15 efforts in that to help our county as well. I really
16 don't have a question, but I was wondering,
17 Mr. Nardone, if you would briefly elaborate on what
18 your business does particularly in terms that I can
19 understand.

20 MR. NARDONE: In terms of...

21 REPRESENTATIVE MARSHALL: Just describe it.

22 MR. NARDONE: Essentially in Chippewa we have
23 a network operation center. It's a building that holds
24 lots of computer technology. The internet comes into
25 that building and the people from around the country,

1 rather than turning on a PC that has information on
2 that particular PC, they turn on that computer, and it
3 connects to our servers in Chippewa. So doctors in
4 Memphis, Tennessee, manufacturers in Arizona,
5 manufacturers in Uniontown, Cleveland, Erie, they
6 connect from all over the country into our network
7 operation center, and they run their businesses, their
8 enterprise resource planning, their capacity
9 scheduling. All of their various tools are being
10 managed and maintained by Beaver Countians in Chippewa.
11 We are doing the heavy lifting of the computer age.
12 We're doing industrial computing, if you want to use
13 the vernacular. And we're in the process of expanding
14 this. We're building a new data center to do that. So
15 what we do is we concentrate, the experts, the geeks,
16 if you will, in our facility. We capitalize the
17 investment. We pour the dollars in so they don't have
18 to, and we provide them with an operational expense,
19 opportunity, in terms of a capital expense opportunity
20 if they want to start a business or if they want to run
21 one. It's a great tool for entrepreneurs because you
22 don't have to buy a network in order to use all the
23 tools that are available across the cloud, across the
24 internet. So just like you get cable TV to your house,
25 we deliver applications to people's businesses all over

1 the State, and they come out of Chippewa. And that's
2 exactly what it is. Does that help?

3 REPRESENTATIVE MARSHALL: Yes, thank you.
4 Okay. Thank you very much. A great group to start
5 out. And next we have Larry Symons, Executive Vice
6 President from the Ellwood Group, Allen Dworakowski,
7 Director of Community Affairs with PGT Trucking, and
8 Elliot Davis, Assistant General Counsel to Allegheny
9 Technologies, Incorporated. And if the members of the
10 audience could sign in we could make sure that we get
11 information to you, perhaps if you have to leave early.
12 We can provide you with information from the hearing.

13 If we could start with Mr. Davis.

14 MR. DAVIS: Thank you, Chairman Daley, members
15 of the House Commerce Committee, my name is Elliot
16 Davis. I am Assistant General Counsel for Allegheny
17 Technologies, Incorporated, ATI. ATI is one of the
18 largest and most diversified specialty metal producers
19 in the world. We are headquartered in Pittsburgh,
20 Pennsylvania and have operations all over the globe,
21 including right here in Midland.

22 A little background on ATI. We provide a
23 wide range of specialty metals for some societies,
24 the most technologically advanced and beneficial
25 products; superconducting metals for medical,

1 diagnostic scanning systems, aerostructural and
2 propulsion components for the world's commercial
3 aircraft industry; metals for a broad range of
4 applications in the resurgent nuclear energy
5 industry; key components for sustainable energy,
6 including wind turbines and solar energy cells and
7 a wide variety of next generation materials for
8 the oil and gas industry.

9 In 2009, ATI was profitable in spite of
10 one of the most challenging global recessions in
11 nearly 75 years. Our balance sheet is strong and
12 our U.S. defined benefit pension plan is
13 essentially fully funded. In 2009, we invested
14 \$454 million in capital expenditures and asset
15 acquisitions primarily in the United States. Our
16 new titanium and superalloys forging facilities in
17 Bakers, North Carolina was completed on time under
18 budget. Our new premium titanium sponge facility
19 in Rowley, Utah began operating at the end of
20 2009. We added advanced powdered metals to our
21 array of high-end products by creating HI powdered
22 metals after our October, 2009 acquisition of
23 powdered metals facilities located in Oakdale, PA
24 and Robinson, PA, very nearby.

25 ATI powdered metals expands our breadth

1 of products for next generation jet engines and
2 high-end oil and gas applications. We also
3 recently invested \$60 million to upgrade our
4 Washington plate facility in Washington, PA and
5 invest in our melt shop consolidation in
6 Brackenridge, Pennsylvania.

7 Since 2004, we have self-funded
8 approximately \$1.8 billion in capital investments
9 and acquisitions to enable and to sustain future
10 profit and growth by expanding and enhancing our
11 global specialty metals manufacturing
12 capabilities.

13 I want to commend Chairman Daley, as well
14 as Representative Marshall, who represents our
15 Midland operations, for choosing the Midland
16 community for this hearing, and in particular for
17 inviting ATI to present testimony.

18 The public policy talked about at today's
19 hearing is critically important: Economic
20 development and job creation. It is to that topic
21 I would speak with a particular emphasis on
22 several recent legislative enactments that should
23 serve as a model as you contemplate further
24 efforts to prepare Pennsylvania to emerge from the
25 national recession.

1 Within the last three years the
2 Pennsylvania General Assembly enacted several
3 important pieces of legislation that have a direct
4 and positive impact on our current Pennsylvania
5 operations and are helping to pave the way for our
6 plans to expand those operations, and we suspect
7 for other manufacturers to do so as well.

8 In July, 2007 Governor Rendell signed Act
9 36 of 2007. Act 36 contained important provisions
10 for large, industrial customers with operations in
11 electric utility territories where rate caps had
12 expired under the Electric Deregulation Act.

13 As you can appreciate, ATI is one of the
14 largest consumers of electricity in Pennsylvania.
15 Several of our key operations are located in
16 Duquesne Light's utility territory where rate caps
17 had already expired several years ago. Duquesne
18 Light requested the PUC to permit it to continue
19 offering a competitive long-term, fixed rate
20 electricity option for its large industrial
21 customers. Unfortunately, the PUC denied that
22 request. As a result, ATI and other large
23 industrial customers found themselves facing
24 electricity price spikes in the 40 to 50 percent
25 range, which on top of the tax and regulatory

1 environment in Pennsylvania was particularly
2 detrimental to our Pennsylvania operations.

3 Act 36 helped to stimulate the
4 competitive electricity market by encouraging
5 competitive suppliers of electricity to think
6 outside the box and compete with the default
7 electric utility, Duquesne Light, for large
8 industrial customers.

9 This appears to be a win/win for both
10 customers and electricity generators, and we
11 applaud the General Assembly's vision for
12 embracing this solution.

13 Approximately one year later, in July,
14 2008, the General Assembly enacted changes to the
15 Keystone Opportunities Zone Act. Shortly
16 thereafter, we announced our plans to build a \$1.2
17 billion advanced specialty metals hot rolling and
18 processing facility in Brackenridge, Pennsylvania.
19 We remain excited about this project, and in
20 particular the impact this project is expected to
21 have in terms of complementing our other
22 Pennsylvania operations, including right here in
23 Midland. That facility will feed the finishing
24 mill that's located just across the highway from
25 where we sit. So that will be a good thing for

1 Midland and for many other parts of Pennsylvania.

2 I want to offer a special thanks to the
3 particular leadership roles played by Chairman
4 Daley and Representative Marshall. Without this
5 leadership, this important legislative victory,
6 not to mention our Brackenridge announcement,
7 might not have been possible.

8 Most recently, I want to commend the
9 Pennsylvania General Assembly for enacting long
10 sought, critical reforms to Pennsylvania's
11 Corporate Net Income Tax. That will benefit all
12 manufacturers and other cyclical
13 Pennsylvania-based companies for many years to
14 come. Those changes, which will take effect over
15 a two-year period, include an increase in the NOL
16 cap from 12 1/2 percent to 20 percent and an
17 increase in the sales factor from 70 percent to
18 90 percent. These proposed changes represent
19 important structural reforms that will enhance and
20 accelerate economic growth within the Commonwealth
21 as the global recession subsides.

22 Just as important, these corporate tax
23 changes represent an important acknowledgment of
24 the special role that manufacturing companies
25 continue to play in Pennsylvania's overall

1 economy. We would like to see more positive
2 changes to help Pennsylvania manufacturing
3 companies create and retain jobs.

4 And I'd just like to echo a couple of the
5 comments that were made by the preceding panel.
6 Mr. Nardone said that they're partners with
7 Pennsylvania, and that's the way we feel. We feel
8 it's a partnership with the government, and we
9 work hard on that.

10 Miss Mitchell talked about manufacturing
11 jobs and their importance here in Pennsylvania.
12 And I think they are critically important, and I
13 think that we do need to develop those jobs as
14 well as the high-tech jobs that Mr. Nardone was
15 focused on. It's important for us to have, I
16 think, the full range. That's what makes this
17 State great.

18 And Mr. Palmer in his remarks talked
19 about the timing of permit approvals, and when
20 we've done that, I've mentioned a number of
21 projects that we've had and the development that
22 we've done over the last few years, and that's one
23 area where we work very hard with the
24 environmental and other regulatory authorities.
25 But it's a time-consuming process, and that's

1 something that I think we could focus on to make
2 us more competitive.

3 For that and for your continued
4 leadership and commitment toward improving
5 Pennsylvania's competitive position within the
6 United States, Allegheny Technologies thanks you.

7 REPRESENTATIVE MARSHALL: Thank you,
8 Mr. Davis, and we thank ATI for embracing Midland and
9 really the whole area. Thank you for your testimony.
10 Mr. Dworakowski, please.

11 MR. ALLEN DWORAKOWSKI: Good afternoon. Thank
12 you, Representative Marshall, and panel for this
13 opportunity to speak here this afternoon.

14 Just briefly let me give you a little bit
15 of background about PGT Trucking. And, again, to
16 refer back to Mr. Nardone when he talks about the
17 aliveness of entrepreneurship, back in 1981 a
18 gentleman by the name of Mr. Patrick Gallagher
19 started with two trucks that he owned and three
20 independent contractors that said, I would venture
21 to say, "I want to build my own company to service
22 not only the Beaver County and Pennsylvania area,
23 but what is well known as the Rust Belt."
24 Anything from the Chicago area, all the way
25 through the midwest over to the east coast. He

1 started right here in Midland. Very shortly
2 afterwards to move up the road to Industry,
3 Pennsylvania where the corporate office was until
4 probably 1987, '88, when thoughts were we needed
5 to expand. We were unable to do that in Industry
6 so we moved across the river over to Potter
7 Township.

8 At that time, through the help of the
9 Beaver County CED and Jim Palmer and his group, we
10 were able to get some low-interest money and help
11 to finance the beginning of our corporate office
12 over in Potter Township, which we're very proud
13 of. It started out with one building and one
14 24-hour shop. Now we've added five buildings in
15 addition in the last probably six years, the
16 latest in 2008, where we put together our
17 state-of-the-art Operations Center, again, with
18 some assistance on some low-interest money from
19 the State of Pennsylvania.

20 So we were very thankful that the State
21 saw the opportunity of a growing entrepreneur to
22 continue to bring more jobs, not only to
23 Pennsylvania, but definitely to the Beaver County
24 area.

25 Another program that's been helpful that

1 the State's provided for going on ten years was
2 mentioned earlier, and that's the Workforce
3 Economic Development Network of Pennsylvania known
4 as WEDnet. PGT was fortunate to be asked or find
5 out about the program back ten years ago, and we
6 were one of the first companies that said that's
7 something that we can do to help our employees.

8 As a company, we're very, very keen in
9 training our people. We find that the best
10 employee is one that can multitask and not only
11 knows the job at hand, but also knows what their
12 neighbor in another department's doing. We find
13 that this builds teamwork, we find that this
14 builds reliability and a feeling of belonging.
15 And sometimes we like to call it the PGT family.

16 WEDnet's helped us to take it to another
17 level. Internally, there is always training
18 monies that are available, but WEDnet has provided
19 the additional monies that helps us to take
20 someone in a non-accounting type of situation and
21 teach them a little bit more of the basic
22 accounting to take them in a non-IT type situation
23 and have them understand more about computers.

24 This does nothing more than add value to the
25 employee, and a valuable employee is always an

1 asset to a company. So we thank the State of
2 Pennsylvania for their program.

3 I had the opportunity last year to speak
4 very shortly, for about two minutes, in
5 Harrisburg. I had my picture on the steps. I
6 liked that picture. Mr. Marshall, we had a chance
7 to talk there and meet you at your office. So,
8 again, I think this is our hiatus year for WEDnet,
9 but we're looking forward to working with the
10 local Workforce Development people next year and
11 hopefully the funding remains. I know some of it
12 has been cut, but so have a lot of other things, I
13 guess.

14 One of the areas that's very difficult
15 for PGT when we start looking at opportunities in
16 the State is that we're not in manufacturing. And
17 it has been mentioned many times before,
18 manufacturing seems to be the key. I understand
19 that when a large manufacturing concern moves into
20 the area, it brings hundreds of jobs. But as was
21 spoken of earlier, when they move out of the area,
22 those hundreds of jobs leave and sometimes so does
23 the community.

24 We're in a service business, and many
25 times when people think of service they think of

1 Burger King, they think of McDonald's, but you
2 know what, we have gentlemen and ladies going up
3 and down the road, 7-by-24 every day driving big
4 rigs. 80,000 pounds up and down the road. They
5 make a very good living. It's a very difficult
6 job, but they make a very good living. And there
7 is a lot of training that is necessary to maintain
8 a good, safe posture so that we not only can
9 operate at a better bottom line, but that we can
10 fulfill our obligation to you, the motoring
11 public, to keep the highway safe.

12 So training today is important, but it's
13 also training tomorrow and the next day and the
14 retraining aspect for all our drivers and all the
15 support groups. So, again, that's where the
16 WEDnet fits in very well for us.

17 Unfortunately, when we look at attempting
18 to expand, many times we're limited because we
19 don't have the internal dollars, and there's none
20 available because, again, we don't make a widget.
21 We're in the service industry.

22 A key area that's been all over the
23 papers and talked about is the green movement.
24 Everybody talks about, how do we become a more
25 green business, county, state? And when you start

1 talking trucking and you start talking a thousand
2 trucks on the road burning diesel fuel, guess who
3 points the finger at us and says we're the bad
4 guys? Well, there are ways that we can get better
5 at what we do. And as life would have it, a press
6 release hit about four days ago, and I thought it
7 very apropos for this testimony. And this is from
8 the State of Iowa, and it states: The Iowa
9 Department of Natural Resources recently awarded
10 TMC Transportation with a \$680,500 grant to
11 reduce Iowa's diesel exhaust program to install
12 Climacab APUs on 100 TMC trucks. APUs are
13 separate units that are put into the tractors that
14 the drivers use that help them get heat in the
15 winter and help them get cooling in the summer.

16 Basically they can operate either on electricity,
17 run off the batteries or if they do work on the
18 diesel fuel it really reduces the amount that's
19 burnt.

20 And I have a few statistics that I
21 brought. And when we talked about the burning of
22 diesel, our average diesel fleet averages about
23 six miles per gallon. For every one-tenth mile
24 per gallon that we can achieve, naturally we're
25 burning less diesel and air quality is increased.

1 Our trucks travel in excess of 78 million miles a
2 year. At six-miles per gallon that means we burn
3 13 million gallons of diesel. So you can see at
4 one-tenth of a gallon increase we save about
5 213,000 gallons of diesel burnt, which means it's
6 cleaner air for you, for me and for everyone else.

7 Our drivers operate in a sleeper truck,
8 and a sleeper truck is nothing more than having a
9 camper right in back of you. They crawl in when
10 they park, they get their rest. They are required
11 by Federal Guidelines to take a ten-hour minimum
12 rest after fourteen hours of work. And because we
13 run coast to coast most times they live in a truck
14 for anywhere from five to six days. During that
15 time they need heat, they need cooling, so they
16 idle their truck. With an APU you don't need to
17 idle your truck.

18 Now, what happens is the idling of a
19 truck for eight hours burns about one gallon of
20 fuel. Running an APU for probably seven days is
21 less than one gallon of fuel. So we talk about a
22 tremendous savings in fuel, we talk about better
23 creature comforts for drivers, and we talk about
24 helping make America green.

25 To my knowledge and part of my

1 responsibility with PGT is to always be on the
2 lookout for what's available out there for grants,
3 whether it be federally-funded or whether it be
4 State-funded. I find it very difficult to find
5 anything available to the private sector.
6 Recently there have been grants lending themselves
7 towards the use of APUs and for cleaner diesel,
8 but they are limited to municipalities, they are
9 limited to public buses. Nothing is reaching down
10 into the private sector. I have a thousand trucks
11 on the road. If I can get help somehow as TMC did
12 in the State of Iowa for a hundred that's a start
13 for me not to buy 213,000 gallons of fuel. Now, I
14 can reinvest and maybe buy 20 more myself. So
15 when I look at the State and all the help it's
16 provided PGT in our existence, I still look and
17 say, there's areas where maybe it's a big ticket
18 item, but it's areas where we can help each other
19 clean up the environment, maintain, which is very
20 important, maintain the employment we have and
21 also grow so that we can increase employment.

22 There's been some mention of the
23 difficult economic times over the last couple of
24 years, and we felt it. We are one of the
25 survivors. We are in a mode right now where

1 capacity is becoming very keen. Industry is
2 starting to grow. We are getting requests from
3 our customers for more trucks to transport more
4 goods. One of the reasons it's happening as
5 quickly as it is is because a lot of our
6 competitors are not here anymore. As recent as
7 four months ago a major competitor of ours with
8 1,700 power units closed their doors. Somebody
9 has to haul that business. We're still in
10 business, so we can take advantage of that, but
11 now the crises come. We need truck drivers. We
12 have a very difficult time finding truck drivers.
13 It's not an admiral type of profession, although
14 our drivers average on the low end of 45,000, on a
15 high end of \$70,000 a year. Not real bad for
16 someone who doesn't have a four-year college
17 degree.

18 We recently have been working to partner
19 with the Community College of Beaver County to
20 establish training for truck driving and to
21 establish continual training that we can use
22 utilizing their expertise in the educational area,
23 using our expertise in the specifics of what is
24 needed. Hopefully we can put that together, and
25 we look to do that possibly by June. But that's

1 just a start. So, again, training funds are
2 definitely the lifeblood to keep us going to keep
3 product going up and down the highway and the
4 ability to be able to burn less diesel and keep
5 our air cleaner is an area that I think we're all
6 looking at.

7 I want to thank you for this opportunity
8 to speak about my company and our recent -- well,
9 not recent. Since 1981 our dealings in
10 Pennsylvania. We are in Potter Township. We plan
11 on staying there. At the present time our
12 staffing there is close to 150. We're hopeful
13 that in the next two years that will grow by 10
14 percent, and we definitely always hire local
15 people. Thank you.

16 REPRESENTATIVE MARSHALL: Thank you,
17 Mr. Dworakowski. Thanks for your testimony. Next we
18 have Larry Symons, Executive Vice President, from the
19 Ellwood Group.

20 MR. LARRY SYMONS: Thank you. My thanks to
21 the Committee for inviting us to give our testimony
22 today.

23 A little bit of background on the Ellwood
24 Group. The Ellwood Group is a company,
25 privately-held company that began in 1910 in

1 Ellwood City, Pennsylvania. It is still primarily
2 located in Pennsylvania, and last year our sales
3 were \$800 million. We employ about 1,700 people.
4 1,300 of those in Pennsylvania.

5 I was asked to comment today on what are
6 the key things we think that will encourage
7 continued and expanded economic development in
8 Pennsylvania and also jobs creation. We've
9 outlined five key points that I would just like to
10 comment on in a summary fashion.

11 The first one was already mentioned by
12 Elliot, which is a reduced -- and several of the
13 other people -- which is a reduced tax burden on
14 companies, business, in the State of Pennsylvania.
15 As noted earlier, the movement to a single sales
16 tax factor has improved the situation for
17 businesses in Pennsylvania. And it's also by
18 being increased to become the primary factor up to
19 90 percent in a couple of years. It will help
20 eliminate the inappropriate practice that existed
21 before of taxing people more that invested in
22 people and taxing people more for employing people
23 in Pennsylvania. So that's a good example of a
24 program that's going in the right direction, but
25 it even needs to go further.

1 I used income tax as an example, but
2 other taxes, real estate taxes and how they're
3 determined and established and assessed are also
4 other critical factors of another good example of
5 tax reductions.

6 We personally believe that the less the
7 tax, the less taxes that are imposed on business
8 in the State the better off the State will end up
9 being. Some states that have gone to even
10 zero-based taxes I think provides some proof in
11 the pudding to the success that can be there.

12 Secondly, we think a lot of change has
13 been enacted and a lot of improvement made, but we
14 think that the Workers' Compensation system
15 continues to need to be reformed more in
16 Pennsylvania to reduce the cost of claims, but
17 also there's a lot of chances to reduce the cost
18 of administration and the unnecessary costs that
19 are associated with Workers' Compensation.

20 The third item is enacting Tort Reform,
21 which I don't think I've heard mentioned today,
22 but we think that is critical so that businesses
23 in our State are not subjected to unfair treatment
24 in the courts. Things like focusing on the
25 deepest pockets and determining and going after

1 parties at fault instead of just those with the
2 deepest pockets.

3 The fourth item I wanted to mention was
4 targeting State funds and assistance to businesses
5 making long-lasting or significant investments in
6 the State of Pennsylvania. That does not in my
7 mind need to just be a manufacturing company.
8 That can be anyone who is making a long lasting
9 investment in Pennsylvania.

10 PGT, with all of your investments and
11 trucks and other things, you're significantly
12 involved in Pennsylvania. ATI, obviously for
13 many, many reasons.

14 Major equipment investments are a very
15 good example of that. Using us as an example, we
16 have made ongoing investments in Pennsylvania for
17 a hundred years, including hundreds of millions of
18 dollars in just the last five years. This
19 equipment that we've invested in will, in all
20 likelihood, operate for up to 50 years in the
21 places that we're installing it. Therefore, those
22 people will be there, they will be working.

23 The last item I wanted to comment on, I
24 heard commented on earlier today also, was
25 productivity. To compete in the world markets

1 that we compete in today, you have to be hopefully
2 more, but at least as productive as all of your
3 competitors are. We have grown our businesses and
4 actually increased our employment over the years,
5 but we've also very significantly increased our
6 productivity. And why that works is we're able to
7 get more market share, more penetration into the
8 markets we serve; and, therefore, not only get a
9 lower cost through higher productivity, but also
10 employ more people as a result. So productivity
11 is not the antithesis of jobs. I think it is a
12 critical factor in order to be able to maintain
13 jobs.

14 That's all the major points that we
15 wanted to cover. Thank you very much for letting
16 us testify.

17 REPRESENTATIVE MARSHALL: Thank you very much,
18 and we would receive any questions from the Committee.
19 Okay, thank you very much. I really appreciate the
20 groups such as yours to really have this testimony
21 here. The Ellwood Group, ATI and, of course, PGT
22 giants in the area as far as employers, and we really
23 appreciate you coming down here to Midland. Thank you
24 very much.

25 MR. LARRY SYMONS: You're welcome.

1 REPRESENTATIVE MARSHALL: Two more groups that
2 we have to offer testimony today are the United Steel
3 Workers, Rick Galliano, President of Local 9305,
4 District 10 of Beaver Falls, and Greg Vogt, IBEW, Local
5 Union 5, Pittsburgh, PA. Rick offered written
6 testimony. He hoped to be here. Is there any other
7 member that is here in his place? Okay, Mr. Vogt.

8 MR. GREG VOGT: Good afternoon. My name is
9 Greg Vogt, and I'm an Assistant Business Manager with
10 IBEW, International Brotherhood of Electrical Workers,
11 Local No. 5, with offices at 5 Hot Metal Street,
12 Pittsburgh, Pennsylvania.

13 We're a union of about 2,800
14 electricians. We operate in 22 counties in
15 southwestern and central Pennsylvania, and
16 currently we have about 440 of our members who are
17 unemployed.

18 Thank you for giving me the opportunity
19 to give testimony today concerning economic
20 development, job creation and retention. Today
21 I'd like to address three areas that I believe
22 should be in the discussion when talking about
23 economic development.

24 One, the promotion of traditional
25 apprenticeship programs and, therefore, union

1 construction, the Keystone Development Partnership
2 and LED Lighting Opportunities.

3 Union apprenticeship programs across
4 Pennsylvania provide 82 percent of all of
5 apprenticeship training. That would be for all
6 the building trades, unions, whether the
7 Carpenters, Operating Engineers, Electricians, and
8 so forth.

9 I submit to the Committee the findings of
10 the 2002 research paper, "Construction
11 Apprenticeship and Training in Pennsylvania." The
12 conclusions finds quite simply that the union
13 programs outperform and are better than non-union
14 programs in all areas of measurement. Whether
15 it's numbers trained or graduation rates or
16 minority and female training and recruitment,
17 union programs outperform the non-union
18 counterparts.

19 And so when society places its bets and
20 training dollars, all bets should be placed on
21 union building trades apprenticeship programs.
22 Supporting union building trades apprenticeship
23 programs are easy to say, much harder to do.
24 That's because the health of these programs depend
25 directly on the demand of union construction

1 workers. Without the demand there is no need to
2 train nor the dollars to do so.

3 I can speak expertly on how
4 apprenticeship training and funding carries out in
5 my union, IBEW, Local 5. Every hour that a Local
6 No. 5 journeyman wireman/technician is employed a
7 contribution of 75 cents per hour is made to our
8 Joint Apprenticeship Fund. This is the fund that
9 pays for all of our training. Without these
10 contractor contributions, the education would
11 stop. We currently have 422 apprentices enrolled
12 in our five-year program. This year we will bring
13 onboard another 60 to 100 apprentices.

14 I want to give you an example on how
15 union apprenticeship is not supported. This is
16 when out of State, non-union contractors work on
17 projects that clearly should have helped, not hurt
18 Pennsylvanians.

19 For an example, I cite the multi-million
20 dollar Clearfield County Bionol Project as such an
21 example. This is a project that was heavily
22 subsidized and supported by Pennsylvania tax
23 dollars and was supposed to be a boon to
24 Clearfield County and the new ethanol industry
25 just getting underway in Pennsylvania. The owner,

1 BioEnergy of Massachusetts, hired Fagen,
2 Incorporated of Minnesota. The end result is that
3 Clearfield County felt the temporary importation
4 of 300 non-union construction workers from mostly
5 the midwest and the southwest. Very few
6 Pennsylvania construction workers were employed.

7 When talking and promoting economic
8 development, I believe now more than ever that
9 construction workers and just who is going to be
10 employed in the project is as important now as
11 ever. The Bionol Project failed for local
12 construction workers because those who could make
13 a difference did nothing. No local contractors
14 and workers found work. Those in power should
15 have demanded a project Labor Agreement with the
16 local building trades in that area. This would
17 have been the safeguard that would have helped to
18 promote local jobs for local workers and in turn
19 supported apprenticeship programs.

20 When thinking about attracting and
21 retaining Pennsylvania business, don't just think
22 about the permanent jobs, those that oftentimes
23 don't last longer than the construction. Ignoring
24 Pennsylvania construction workers is a big
25 mistake.

1 The second point I wanted to make kind of
2 ties into a lot of the testimony that occurred
3 earlier today, talked about partnerships, talked
4 about training, and I'll just get right to my
5 testimony.

6 The Keystone Development Partnership is
7 based on the Keystone Transit Career Ladder
8 Partnership that started in 2001 and expanded to
9 the utilities, transportation, advanced
10 manufacturing and the building construction
11 sectors. Formed by the Pennsylvania AFL-CIO, the
12 partnership serves 30 of Pennsylvania's public
13 transit agencies and over 12 utility companies,
14 including their affiliated unions. Primarily
15 underwritten by the Pennsylvania Department of
16 Labor & Industry, KDP also receives grants from
17 private foundations and contracts with the
18 Pennsylvania Workforce Investment Boards for
19 training program management.

20 KDP Industry Partnerships create and
21 support workers and their employers to work
22 together to form Workforce Development Solutions.
23 KDP assists industry stakeholders to develop or
24 enhance Labor Management Partnerships, training
25 programs and career ladder for both new hire and

1 incumbent employees. KDP's proven training model
2 was found on the common interest of workers,
3 organized labor, management, community, government
4 and education. KDP resources support joint
5 training programs that successfully align
6 incumbent employee skills with both
7 state-of-the-art and rapidly emerging green
8 technologies. This also provides employers with
9 effective pre-employment programs to ensure a
10 ready access to capable new hires.

11 In the past program year, the
12 partnerships delivered training to 2,000 mechanics
13 statewide as part of the Transit Career Ladder
14 Partnership. An additional 1,000 workers were
15 trained in the utility industry as result of KDP's
16 subsidies. KDP aligns consortium-based or shared
17 training between partners that results in an
18 economy of scale, fills classroom, and offers the
19 opportunity to schedule classes more than once.
20 This gives employers flexibility for assigning
21 trainees.

22 Recent examples of KDP training would be:
23 Duquesne Light Company. Courses on basic
24 electricity and safety; PPL, HVAC training; RRI,
25 Sunberry Generating Station; the classes on Beck

1 Drive Training; PA American Water Company; Class E
2 water distribution; UGI, First Responder Training.
3 That would be leak detection and line location; PA
4 American Water; dam safety training.

5 I think the important thing to understand
6 about KDP is it's a very good resource for
7 companies and their employees to try to meander
8 their way through the various ways so they can
9 become more productive and better trained.

10 One phone call, they pretty much know the
11 ropes on what kind of training is being offered in
12 the area. For example, PGT Trucking had an issue
13 where they needed some sort of a specialized
14 mechanic class, and if that class was already
15 being offered somewhere in Beaver County, they
16 could hook them up.

17 The last point I'd like to make is, I
18 mean, my last section is about LED Lighting
19 opportunities, and we heard a little bit today
20 about the greening of America and the breathing of
21 clean air. I think one of the big items or areas
22 that could really help Pennsylvania is in the area
23 of LED lighting.

24 Energy usage and generation are very
25 important to my union. Energy generation is

1 important because we all need an adequate supply
2 of affordable electric and the working utility of
3 bringing that electricity to business and homes is
4 the work that my union performs.

5 One of the reasons energy use is
6 important is because with shrinking municipal
7 budgets and the constant desire to save resources,
8 cost savings can be achieved and savings can be
9 had by installing LED lighting. LED lighting
10 retrofits are capable of lowering energy usage up
11 to 80 percent. Here in Pennsylvania, IBEW Local
12 No. 5 and, of course, other IBEW locals, Imbue
13 Technologies have brought LED lighting to such
14 notable projects as: The City of Pittsburgh
15 Traffic Signal Project. There's 501 traffic
16 intersections in the City of Pittsburgh. Every
17 one of those lights are now LED lights. The
18 Allegheny County Jail, the Housing Authority of
19 Allegheny County, also the IBEW. Imbue
20 technologies will soon bring LED lighting to the
21 Aliquippa Fire Station and replace all the
22 exterior lighting, the Community College of
23 Allegheny County on five of their campuses, all
24 the exterior lighting will be replaced, the City
25 of New Kensington, the downtown street lighting,

1 the Pittsburgh International Airport Parking
2 Garage and all areas of exterior lighting, and the
3 Beaver County Parking Garage, they're going to do
4 a lighting conversion there.

5 Our partner, Imbue Technology, is a
6 minority-owned firm that distributes Appalachian
7 Lighting products. That's very important because
8 Appalachian Lighting is headquartered and
9 manufactures its LED fixtures using American
10 products in its Ellwood City, Pennsylvania
11 facility. The expansion and use of LED lighting
12 technologies could mean additional company
13 manufacturing and employment in Pennsylvania and
14 work opportunities for IBEW, Local No. 5.

15 One key area to think about when you
16 think about LED lighting is it's usually most
17 effective when the lighting is on a majority of
18 the daytime. That's why parking garages, street
19 lighting, traffic lighting are really important.
20 A big growth would be navigation lighting up and
21 down bridges, you can imagine, airports, runways.
22 Those lights that stay on all day would be
23 excellent targets, plus if there's more use in LED
24 lighting it certainly would be more demand for
25 manufacturing. I know that if certain things

1 happen here in western Pennsylvania, I believe
2 Appalachian Lighting will be opening up a new
3 factory, employ more workers to produce more LED
4 fixtures.

5 They do have a patent on -- one of the
6 problems with LEDs is the dissipation of heat, and
7 they have a patented way to dissipate heat so that
8 their lifespan of their LEDs lasts a lot longer
9 than their Chinese or Taiwanese competitors.

10 When municipalities, governments,
11 companies think about replacing LED lighting, they
12 should really think about an American product and
13 American workers. So that's pretty much all I had
14 to say. It's kind of a wide range of subjects,
15 but that's all I have.

16 REPRESENTATIVE MARSHALL: All right, thank
17 you. I do believe we have some questions. We'll start
18 with Representative Gibbons.

19 REPRESENTATIVE GIBBONS: It's less of a
20 question. It's just more of a comment. I'm glad to
21 see you, and I'm aware that IBEW, Local 5 is involved
22 with the projects with Appalachian Lighting, the
23 application of projects, a company that actually
24 started around the time I was coming into office.
25 We've had a lot of great work trying to grow that, grow

1 those seeds. We've done a lot to try and keep that
2 business local, and they have intentions of keeping
3 that business here in the Beaver/Lawrence County area.
4 So I know some of these projects, and there's other
5 projects that they've done in the past involved
6 included the retrofitting of the lights right in
7 Ellwood City, and a lot of the monies for these
8 projects has actually come out of some of the Federal
9 ERA money, which helped to produce \$250,000 recently
10 for Ellwood City. Prior to that, in previous years,
11 there's also been money through the State to try to cut
12 down energy. I'm starting to see that product grow,
13 seeing prior companies as well, seeing this technology.
14 It's a great technology. And, as you said, it's
15 American-made, which is fantastic. It's fantastic that
16 we have American-made products.

17 And really I think the career technology,
18 as we talked about, is the future, especially
19 we're talking about energy conservation. The best
20 way that we can help to reduce -- and we talk
21 about issues of reduction all the time. One of
22 the best ways of reducing consumption -- and this
23 is a great way to reduce consumption. It's
24 efficient, it's strong. I'm glad to be on the
25 receiving end just working with them to install

1 these products. As you said, we're looking to the
2 future of that company to hopefully grow maybe as
3 many as 100 employees here in the area. Perhaps
4 even more. But I think this is a great company.
5 It's the type of company you want to attract to
6 this region. And as we continue to grow, it's
7 really an example of what we can do with some of
8 the investments into this area. Actually Ellwood
9 City was the first purchase, the Borough of
10 Ellwood City was the first purchase of their
11 lights, got them up and running. So it wasn't a
12 case of government mandating, getting involved and
13 getting the company started, and now they've
14 grown. My guess is in a few years we'll be
15 probably one of the premier providers of LED
16 lighting in the country. So I'm looking forward
17 to that, and I'd just like to see you're very
18 involved in the project.

19 MR. GREG VOGT: Thank you. It's also good to
20 see companies that want to be here, stay here. I think
21 we heard from a lot of people today who have
22 businesses, they want to stay here. That's real
23 encouraging when those folks do take off.

24 REPRESENTATIVE MARSHALL: Thank you.
25 Representative Longietti.

1 REPRESENTATIVE LONGIETTI: Thank you for your
2 testimony. A comment or a question. A comment. A
3 couple of years ago the Democrat Policy Committee had
4 some hearings in western Pennsylvania with some biotech
5 companies. I'd like to share this comment, one of
6 those companies, they're located in Cranberry. They
7 built a brand-new LEDs certified building. And the CEO
8 was sharing some comments with us, some of which we
9 heard here today, upon acting on some of the
10 difficulties in Pennsylvania with permitting and that
11 sort of thing. One of our members asked the question:
12 "Is there anything positive that you've had in your
13 experience?" In fact, it might have been
14 Representative Costa. And I'm trying to remember. But
15 he said, "Yes, as a matter of fact, there was." He
16 said, "The building trades that were used to build our
17 building." And he related to us that he was so
18 impressed with the professionalism and the skill. That
19 it came in on time, underbudget, and it was a very
20 positive experience compared to some of the experiences
21 that they had in other states when they didn't use
22 building trades like this.

23 I wanted to share that with you. You
24 probably don't hear that enough with something
25 that was a positive comment that was made to each

1 of us sitting here that we took back home with us.

2 MR. GREG VOGT: Thank you.

3 REPRESENTATIVE LONGIETTI: A question on that
4 LED lighting, and perhaps I need to follow up with
5 Representative Gibbons after the hearing. Have you
6 seen, because I understood that the Stimulus Plan did
7 have some funds available particularly to smaller
8 communities to possibly convert traffic lighting to
9 LED. I didn't know how much you actually saw come out
10 of the Stimulus Plan. I've not seen any in my little
11 communities take advantage of that, so I was wondering
12 if you've seen anything.

13 MR. GREG VOGT: You know, I really don't know,
14 but I do know that the City of Pittsburgh is broke, and
15 they're even looking to do their street lighting,
16 40,000 street lights. So, I would imagine that's where
17 the money's coming from, that and anticipated savings
18 and whether they can finance the savings over a period
19 of time, I would imagine.

20 REPRESENTATIVE LONGIETTI: It really is a real
21 opportunity for communities large or small to save
22 money on their electric. Thank you.

23 REPRESENTATIVE MARSHALL: Thank you.
24 Representative Costa.

25 REPRESENTATIVE COSTA: Thank you, Chairman

1 Marshall. Thank you for coming to testify, actually
2 all of you, thank you all for coming today to testify.
3 This is really helpful to us. We do appreciate it.

4 But, Greg, I want to talk to you a little
5 bit about the apprenticeship program and ask you
6 some questions about it. You said it's a
7 five-year program. During that time of the
8 program they're doing classroom work and I assume
9 field work. You said you have 400 members that
10 are unemployed.

11 MR. GREG VOGT: 440, yeah.

12 REPRESENTATIVE COSTA: And of that are the
13 apprentices included?

14 MR. GREG VOGT: No. We might have a few. I
15 mean, there's always going to be, so you can imagine,
16 some folks that aren't working because they broke an
17 arm or at home playing football with their kid or maybe
18 they're at home having a baby, they've got a sick
19 parent. There's always somebody going to be off. But
20 by and large apprentices usually aren't unemployed.
21 Those 440 folks that I mentioned are unemployed
22 journeyman wiremen, technicians. And when I said we
23 have 422 apprentices, that was from the first year up
24 through fifth. So you can appreciate towards the end
25 of this year or this summer those 50 will have

1 graduated and then a new class will come on. So, I
2 mean, we constantly have a churning, I guess you'd say,
3 of new folks coming in and other people leaving.

4 REPRESENTATIVE COSTA: Does the unemployment
5 rate affect the time frame that those students become
6 apprentices?

7 MR. GREG VOGT: Well, certainly, if they're
8 not working they certainly won't get the 10,000 hours
9 of on-the-job training that they need. Our program is
10 based on 144 hours of classroom time and 10,000 hours
11 of work in the field. Of course, if you don't get the
12 10,000 hours you don't graduate. So, I mean, your pay
13 scale is based on your level of completion. But ours
14 is a very, as you're well aware, Representative, I
15 mean, the building trades throughout southwestern
16 Pennsylvania take great pride in their training
17 programs. I mean, you've seen throughout, I mean, the
18 Carpenters Union built a new, a beautiful facility if
19 you're driving out toward the airport and you've seen
20 that. The steamfitters, the plumbers. A lot of money
21 paid in to joint apprenticeship programs. Those
22 programs are administered both by members of management
23 and labor. So it's not a one-way street where labor is
24 saying: This is what we're going to train, and it's
25 not management saying: This is what we're going to

1 train. We've come together and we've agreed on the
2 numbers and the quantity and the training that needs to
3 be done. So it really is a collaborative effort.

4 REPRESENTATIVE COSTA: Thank you very much. I
5 appreciate it.

6 MR. GREG VOGT: Thank you.

7 REPRESENTATIVE MARSHALL: And your facility in
8 Pittsburgh is also a great new facility for apprentice
9 training. I was glad to be able to have a tour of that
10 last year.

11 MR. GREG VOGT: Thank you.

12 REPRESENTATIVE MARSHALL: And Representative
13 Matzie, just real quickly and we'll end our hearing.

14 REPRESENTATIVE MATZIE: Just to real quickly
15 reiterate, I think the audience needs to understand and
16 recognize especially when we take our Committees on the
17 road, while we don't have a full Committee here today,
18 all the testimony will go back to our Committee, and
19 this isn't about Democrat or Republican. It's about
20 job creation and economic development, and we're
21 pleased to have two Chairmen that understand that:
22 Chairman Hess and Chairman Daley, who was here earlier.

23 The Keystone Development Partnership I
24 think is something that our members really need to
25 be educated on. I had an opportunity when I first

1 started as a staff member to come out here and
2 start working with the utility companies just
3 because of Local 712 and 29, et cetera, how many
4 jobs in Beaver County and this region rely on the
5 utilities, electric. So talk if you can a little
6 bit about where we are on that, especially we have
7 a lot of guys that will be eligible for
8 retirement, whether or not they're going to take
9 it as a result of the economy and how it's
10 affected retirement. But we don't have the
11 workforce ready to take over every one of the jobs
12 if everyone would retire, right?

13 MR. GREG VOGT: Well, Representative, I'm
14 always ready for that shortage of labor so we can
15 exploit that situation. The KDP is a good resource.
16 The building trades traditionally have been slower to
17 embrace it. It's worked very well in the utility
18 industry because we do have a group of captive
19 employees in a captive company, whether it's any of the
20 power stations up and down the river that generate
21 electricity. There's new training and there's training
22 that has do be done continually, and they are able to
23 step up and help to provide some of that training, more
24 productive workforce as everyone said.

25 REPRESENTATIVE MATZIE: I mean, it's important

1 for our Committee to understand that's something we as
2 policymakers really need to embrace and understand and
3 recognize the shortage of good, talented workforce and
4 not having the ability to take over those positions
5 when they become available. So we really need to look
6 long and hard, especially at budget time. No matter
7 how tough budgets are, if we don't do our part to work
8 with the private sector to ensure that we can, in fact,
9 have a workforce ready and available to take on those
10 good paying jobs, and that's something we need to look
11 long and hard at. I appreciate your testimony.

12 MR. GREG VOGT: Thank you.

13 REPRESENTATIVE MARSHALL: Thank you. Greg,
14 thanks for being up here. I had asked obviously
15 several building trade groups to come up. I really
16 appreciate you coming up to bring important information
17 to this group. And I'd also like to say, really to
18 concur with Representative Matzie, it really isn't
19 about politics. It's not strange for me to be one
20 Republican in a group at any time, whether it's here in
21 the district or up in Harrisburg. And, really, I don't
22 look at the R or the D. We're all here to serve the
23 people. I didn't hand-pick this group of
24 Representatives that's here today, but if I would have,
25 I couldn't have done a better job. This is a group

1 that really likes to listen to all aspects of business,
2 whether it's labor, whether it's building trades,
3 corporations, local government. We want to listen and
4 make Pennsylvania better. That's what it's all about.
5 So thank you for being here. I thank all the groups
6 that came to testify, the audience that's here as well.

7 In closing, I'd just like to comment that
8 Representative Matzie is having a hearing tomorrow
9 on Economic Development, specifically the Main
10 Street Program. Rob, if you'd like to elaborate
11 on that.

12 REPRESENTATIVE MATZIE: Well, I think it's
13 really main street economic development and how much
14 small business really affects economic development. I
15 think one of the statistics is for every small business
16 in the downtown equates to three jobs. So we need to
17 understand and recognize how important that is to our
18 communities and having shown by lighting the downtown
19 really identifies how that economy represents itself
20 and attracts people to the community.

21 So Mark Peluso from Town Center
22 Associates is going to be presenting a really
23 in-depth presentation. As a result of that we
24 will have some dialogue, Q and A, and roundtable
25 discussion. So we're looking forward to it. And

1 we're having it at Old Economy Village so that
2 gives us an opportunity to showcase members who
3 will be attending our wonderful Pennsylvania
4 historic museum site in my hometown across from my
5 district office.

6 REPRESENTATIVE MARSHALL: Thanks, Rob. That's
7 at 270 Sixteenth Street, Ambridge. I think most of the
8 people locally know where Old Economy Village is, but
9 if there's others in the audience that plan to attend,
10 it's certainly worthwhile. And it's no coincidence
11 that we have both events in Beaver County back to back,
12 mine in the afternoon and Rob's the next morning. This
13 Committee tries to be really economically considerate
14 of the taxpayers' dollars. We're here not for show.
15 We're here to get information, and we feel it's
16 important to come out in the district to get that
17 information.

18 So thank you to the members that took the
19 time out of their schedule to attend, thank you
20 all for being here for the hearing today, and at
21 this time we will adjourn the hearing.

22 (THEREUPON, proceedings concluded at 3:22 p.m.)
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COURT REPORTER'S CERTIFICATE

I hereby certify that I, Donna M. McMullen, RMR, Notary Public, reported in stenotype the record of proceedings in the above-entitled matter, and that this copy is a full, true, and accurate transcript of my said stenotype notes.

Court Reporter, RMR

dated: April 5, 2010