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P U B L I C H E A R I N G

before

SUBCOMMITTEE OF THE SENATE INDEPENDENT AUTHORITIES COMMITTEE

to

**(Study the Port of Camden-Philadelphia and its relation
to the Delaware River Port Authority)**

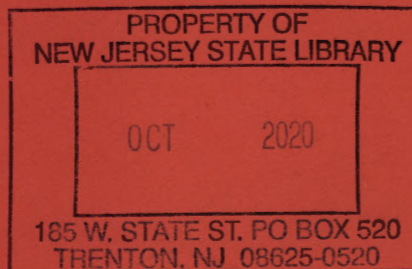
September 16, 1986
Board Room
Delaware River Port Authority
Camden, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Walter Rand, Chairman
Senator Thomas F. Cowan
Senator James R. Hurley

ALSO PRESENT:

Peter R. Manoogian
Office of Legislative Services
Aide, Subcommitted of the Senate
Independent Authorities Committee



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Hearing Recorded and Transcribed by
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New Jersey State Legislature

SENATE INDEPENDENT AUTHORITIES COMMITTEE

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September 2, 1986

NOTICE OF PUBLIC HEARING

The subcommittee of the Senate Independent Authorities Committee, created to study the Port of Camden-Philadelphia and its relation to the Delaware River Port Authority, will hold a public hearing on September 16, 1986, beginning at 10:30 A.M. The subject of the hearing will be the future of the Delaware River Port Authority and will focus on the proposed unification of Port activities under the authority, the revenue and cost projections of the authority's operational and capital program, and related issues. The chairman of the subcommittee is Senator Walter Rand.

The public hearing will be held in the Board Room of the Delaware River Port Authority, located in the Administration Building, adjacent to the Benjamin Franklin Bridge Toll Plaza, Camden, New Jersey.

Those wishing to testify at, or wishing further information on the public hearing should contact Peter R. Manoogian, Office of Legislative Services, at (609) 984-7381.

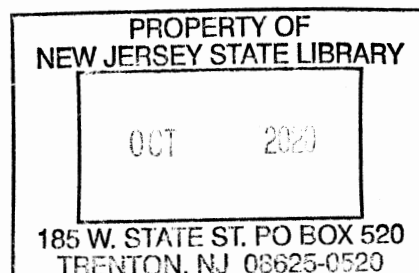


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SENATOR WALTER RAND (Chairman): Good morning, ladies and gentlemen. My name is Walter Rand, and I am Chairman of the newly formed Subcommittee of the Senate Independent Authorities Committee, created to study the Port of Camden-Philadelphia and its relation to the Delaware River Port Authority. I would like to welcome you here today. At this time, I would like to introduce those persons who are present here at the Committee table.

On my right is Senator Tom Cowan from Hudson County, who has a tremendous knowledge of port workings. He is very well acquainted with the New York-New Jersey Port Authority. He has been involved in many of their problems, and brings a matter of expertise which is second to none. Of course, he is not only on the Independent Authorities Committee, but he also serves on the Senate Transportation and Communications Committee. So, he serves in two fields which are very akin and very closely allied together, and his knowledge of the problem will indeed be helpful to us.

On my left is the Senate Aide to this Committee from the Office of Legislative Services, Dr. Peter Manoogian. For those of you who wish to speak today, who have not notified the Committee, please give your name to Peter Manoogian, after the opening remarks have been concluded, and we will then call upon you.

Senator Hurley, who will be sitting on my extreme left, will be here shortly. He represents Cumberland County. The moment he comes in, I will introduce him.

I call this public hearing to order to consider testimony concerning the future of the Delaware River Port Authority, focusing particularly on the proposed unification of port activities under this Authority, the revenue and cost projections of the Authority's operational and capital program, and related issues.

As you know, the Commissioners of the Port Authority have been considering a proposal which would unify the public

and private activities of the port, principally on the New Jersey and Pennsylvania sides of the Delaware River, under one Authority, presumably the current Delaware River Port Authority. It is proposed that a subsidiary corporation, the Delaware River Ports Operating Corporation, be created to develop plans and programs for this unification. We are interested in determining the exact nature of the unification plan which is being proposed. What would its relation be to the existing public corporations -- the South Jersey Port Corporation and the Philadelphia Port Corporation -- and the private corporations, such as the Holt Company? How would the proposed organizational structure function in relation to port matters? Would it be an operational arm or act as a landlord?

Secondly, we are concerned with the advisability of creating such a unified port organization. Would it be in the interest of the port as a whole, as well as in the interest of New Jersey and Pennsylvania, to create such an organization? What sort of economic and organizational benefits could be expected from such a proposal?

Thirdly, it is important to consider the financial ramifications of the proposal. How would the new organization be financed? Where would funds be acquired to purchase any properties which might be required by the DRPA? Also, how would these funding requirements be related to the existing and future operational expenses of the Authority?

Finally, what impact would this proposal have on the operation and maintenance of the existing capital facilities, such as the bridges, as well as the PATCO High Speed Line? Would sufficient funding remain to properly deal with these matters?

It is no secret that there have been disagreements between the Pennsylvania and New Jersey Commissioners on some of these matters. This Committee, however, is not prejudging the issue. We are here to receive testimony and ask questions

of all parties. We look forward to the presentations to be made by the speakers here today.

Again, let me call upon those people who wish to testify. If you will please step up here to the table, we will get your names on the list, and will then call you accordingly.

The first gentleman we will hear from will be Mr. James Kelly, President, Delaware River Port Authority. Mr. Kelly?

J A M E S R. K E L L Y: Thank you, Senator, gentlemen. The Delaware River Port Authority, as you know, is a bi-state agency that has three basic responsibilities in this region. One is to create, finance, and operate the bridges across the Delaware River; secondly, to finance, build, and operate the PATCO High Speed Line; and thirdly, we have port responsibilities in the development of commerce, which we presently implement through our World Trade Division, and our compact has much broader authorizations for the Port Authority to act in the port area.

Because of our marketing function, we are constantly aware, intimately aware, and immediately aware of problems that occur in the port. Basically, our problems are twofold in this port, and I will keep it to the simple scenario. One, we have internal competition; we have internal duplication of management; and, externally, we are faced with extensive competition by unified ports which develop their own revenue streams and can operate in a businesslike fashion in the marketplace, leaving our port at a serious disadvantage from a competitive point of view.

The Port Authority itself has previously attempted to get into the port business in the physical sense. In about 1967, 1968, proposals were made and actually passed by both Legislatures authorizing the Port Authority to construct facilities in Camden and in Chester, Pennsylvania. That course of action was sidetracked in favor of creating the South Jersey

Port Corporation to operate the facilities here in the Camden area, and the creation of the Philadelphia Port Corporation to develop and lease facilities on behalf of the City of Philadelphia.

I think that those steps at that time may have been appropriate, but they were both considered to be a middle-term solution. Each of them was looking forward to a unification at the time they were created, and we believe the sense of the port today is that unification is a necessity; that its time has come and it should be done by the Delaware River Port Authority, generally speaking, is the sense of the port community.

Senator, today I have a number of our Commissioners here to testify, to show you the very strong feelings we have on port interests. I would like to conclude my statement at this point and allow our Commissioners to speak.

SENATOR RAND: Mr. Kelly, would you please just sit there for a moment? Senator Cowan, please forgive me; I sort of snubbed you. I know you had some remarks to make, so would you please make them at this time?

SENATOR COWAN: Thank you very much, Walter. I don't believe you have ever snubbed me.

I certainly want to thank you for inviting me down here this morning for this very serious and interesting hearing. If we have any further hearings down here, Walter, I would just suggest that you would have no trouble attracting me down again, judging from the response you have had here this morning, and certainly from the coffee and buns which you have provided. The pastry is excellent and the coffee is just as good.

Getting to the serious business, really, I am not that familiar, and I intend to learn as much as I can today, particularly when we are talking about unification, what exists, and how it exists.

My background, as Walter mentioned, has been dealing with the New York-New Jersey Port Authority in particular and, of course, up until about 10 years ago, it was just known as the New York Port Authority. But, we have had a number of very serious things happening up there. They have -- as I understand what you are talking about here -- unification. I believe they have unification. They are now expanding their activities, even to the point where in the last four years, where there have been fare increases -- and I just mention that to everyone who is here because I know there are Pennsylvania Commissioners present at this hearing also-- Agreements were made, within the past several years, between the Governors of the States of New York and New Jersey, where they are actually prorating the fare increases and setting up a bank for development. When I say prorating, they are going by the percentage of usage on entries to the vehicle crossings -- the tunnels, the Washington Bridge, etc. But, the amount of usage up in the New York area-- Fifty-five percent is the figure and statistic they come back with; 55% of the entries are made by New Jersey residents.

So, this bank is being set up. Funds are already being used for further industrial development. Fifty-five percent of that money is coming back to the State of New Jersey. I just mention that as one point, not to shy away, or scare away the Pennsylvania Commissioners, because maybe 55% is going the other way. I may have opened up a Pandora's box.

But, we are even to the point now where we have public consciousness. That is one thing I would stress here this morning -- public consciousness -- which I think Senator Rand has keyed into in bringing this forth, starting with this hearing today. With autonomous bodies, particularly bi-state bodies, but all autonomous bodies, public consciousness is very aware today. Every time they turn around, the fares are going up, and they are wondering what is happening. The siting of facilities is becoming another alert factor to the public.

So, I am here to assist, in any way I can, Senator Rand in his endeavors, just as he has done with me in the North Jersey area. I hope the hearing will move forth with input that will certainly enlighten all of us, particularly me.

Thank you very much.

SENATOR RAND: Senator Cowan, thank you very much. I am going to do something now which I usually never do at a hearing. Maybe, with the testimony that is developed, and at least showing you what we want, maybe we can get the facts out on the table.

I address this to Mr. Kelly, and I am sure the other Commissioners will respond to it. We are going to ask some questions, Mr. Kelly, and I am going to read some of the questions we are going to ask:

Would you please describe in detail the port unification plan which has been proposed?

What is the status of that plan currently?

What would be the function of the Delaware River Port Authority, and the proposed subsidiary corporation, the Delaware River Ports Operating Corporation, under the program?

Would it operate the port facilities or act as a landlord?

What would be the relation of the DRPA, DRPOC to the existing public corporations -- the South Jersey Port Corporation, the Philadelphia Port Corporation, and the private corporations, such as Holt?

How would it acquire port facilities, and how would it pay for those acquisitions?

How would this plan benefit the port?

Since the Philadelphia Port Corporation was created to do something the DRPA was not interested in, or capable of doing, why should the DRPA be qualified to do it at this particular moment?

Since the DRPA already has a Marketing Division, why would centralizing marketing lead to more traffic in the port when they are responsible for the major amount of the traffic into the port now?

The various port facilities are now competitive with one another. Would this proposal reduce competition and thus drive business away from the port?

Would it mean that competitive New Jersey ports would be put in the same situation as uncompetitive Philadelphia ports?

The management and operation of the Philadelphia Port Corporation has been subject to criticism. How would the port unification deal with the problems of this port corporation?

Would the debts, liabilities, and problems of that Philadelphia Port Corporation be taken over by the DRPA?

Would the DRPA have any role in hotel or tourist development of the port, such as the Penns Landing area, the Waterfront Development, or the Camden Waterfront Development?

Those are the general questions. We have a lot of financial questions to ask, but I think if we begin to focus in on that, then we can ask the questions afterwards -- the financial considerations -- which, of course, are a very, very important part of this hearing.

Mr. Kelly, I will be glad to hear from you, or I will continue with your Commissioners. (much laughter) That is only 50% of them, ladies and gentlemen. So that there will be no misinterpretation, we believe that the Legislatures of both states have the right to ask those questions, and have the right to be involved -- both from the Harrisburg viewpoint and from the Trenton viewpoint.

We have asked for legal interpretations, and our Legislative Services has -- completely under the compact -- said that what we are doing is absolutely correct. We are keeping the door open to answer these questions, both for the

benefit of the Philadelphia side -- the Pennsylvania side, and for the benefit of the New Jersey side. Mr. Kelly?

A U D I T O R G E N E R A L D O N A L D B A I L E Y
(speaking from audience): May I?

MR. KELLY: Certainly.

AUDITOR GENERAL BAILEY: Senator, I think you have asked an excellent group of questions. First of all, I think we ought to answer them -- I would like to know the answers to a lot of them myself -- but I haven't had a chance to see those questions. I don't know if any of the other Commissioners have. I don't know if Mr. Kelly has. It might be stretching things just a little bit to expect any kind of detailed, or perhaps even meaningful responses to those questions off the tops of our respective and/or collective heads.

I have ruminated on a lot of the questions you have asked, myself. I think they are excellent. I think we ought to answer them, but I wonder if I might have a list of them.

SENATOR RAND: Mr. Bailey -- distinguished Auditor General of Pennsylvania -- let me say this: I only spoke these. Again, that is 50% of the questions; we have another list. There is no question, we do not expect the answers today. I don't think you could physically give those answers today.

AUDITOR GENERAL BAILEY: In that connection -- and I assumed your response -- I am wondering, in terms of your staff and making them available, if we could sit down-- I would like to draw on your resources, in addition to our own, to develop, or to help to develop some of the information surrounding those questions.

I would really like to compliment you on asking them. I think what we very much need to do is develop the kind of information that will make answering those questions possible. Then we can reach the decisions we have to--

SENATOR RAND: We certainly will do that, and I can assure you, Mr. Bailey--

AUDITOR GENERAL BAILEY: I would be grateful.

SENATOR RAND: I believe this is the first in a series of hearings. I don't believe we can accomplish what we want to do today. I want to make it very clear to you -- and we are very appreciative of you joining with us today -- that we are not here in any adversarial position. We are here to keep the door open. We think the Delaware River Port Authority has a great future. We think it can do a lot more for both sides of the river. We have said that for the last 11 years that I have been in the Legislature.

AUDITOR GENERAL BAILEY: I want to go with you on that; I want to join you.

SENATOR RAND: What we want to do is begin a dialogue, so that both sides of the river can understand what is going on, and maybe we can reach some conclusions which will be beneficial to both sides. That is the major aim.

AUDITOR GENERAL BAILEY: I think that is terrific. I would like to join you in that effort. I thank you very much, Senator.

SENATOR RAND: You're welcome. Mr. Kelly, do you want me to begin to call the Commissioners, or would you like to respond in any way?

MR. KELLY: I would like to bring you up-to-date on the early part of your question as to where we stand on the port unification concept, or proposal. What we have is a general concept of what port unification means and what it demands from the area. I mentioned earlier that we have two main problems. We have internal problems and we have external problems from the point of view of competition among ports.

Therefore, we have taken the steps of interviewing, or talking with, all of the players in the port, including the private operators, including the Philadelphia Port Corporation, the South Jersey Port Corporation, and the Maritime Exchange, which is here today to testify. We met with Mr. Holt on the New Jersey side to conceptualize what unification means.

In our concept, we talked of several things. We talked about the unification of the marketing as Step 1. When you go out into the market, if you are not speaking with a single voice, if you have two or three or four different people calling on the same company, or proposing different solutions to their problems, you have a very hazy impression created in the port. Therefore, we felt that marketing should be unified among us all, so that all of us could cooperate. We have done that very significantly by bringing together all the public and all the private operators into the marketing flow we have established.

Secondly, we recognize a number of problems that occur in the port that have been expressed to us by our operators. Incidentally, I shouldn't forget to mention Lavino . Craig Johnson is the President of that, and I have discussed these matters with him. But, there are problems in the port, such as open terminals, leased lands, operating programs, and equipment usage. Other ports, for example, do most of the pier dredging for their operators. We don't do that here. We lay that on the individual operators, which causes a problem.

We have had outside subsidies attacking our port, such as the financing of drayage; that is, the movement of cargo between a marine terminal and a railhead. It is very difficult for us to compete against that as a divided unit.

So, those are the things we look to correct. We recognize them as problems. I think we are all unanimous in these discussions that these are indeed problems that must be corrected.

We also have to look at such things as, where does the money come from? We are looking to the port to be, as much as possible, self-sustaining. Other ports are. It is being done in Baltimore; it is being done in Norfolk; it is being done in New York. So, there is a self-sustaining element to the port, and we have to look at that. The wharfage, the dockets, the

terminal operations, equipment rental, ground rentals -- all of these things producing revenues.

In final answer to your question, this is generally a concept that we are looking at and discussing with everybody. We do not expect it to occur overnight. We are looking at a five-year phase program, getting into it as early as we can, and moving it along over the years until we can solve all of our problems and get total cooperation from among the port interests.

SENATOR RAND: Thank you, Mr. Kelly. I will tell you what I will do very quickly, if I may. Let me read the other 50% of the questions, and then I will direct our Senate Aide to make sure that the Authority gets a list of the questions. Maybe in the future we can develop some answers to some of these.

We have divided this into two parts, namely, the general questions I was asking Mr. Kelly and, of course, the second part is the financial considerations. Let me read them very quickly to you, if I may:

There has been controversy between the New Jersey and Pennsylvania delegations concerning financing of port activities. It is apparent, in the case of the Pennsylvania Commissioners supporting the floating of a bond issue for the payment of the redecking of the Benjamin Franklin Bridge, freeing up the reserves set aside for that purpose to be used as reserves for future projects and other occurrences. The New Jersey Commissioners are of the view that the reserves set aside should be used for the redecking, and that the bonds ought not to be voted for that purpose. Is that a fair summary of the two positions?

Is it not unusual, then, to take a reserve fund dedicated for one purpose, essentially dissolve it, and use the funds for a future contingency, such as port unification, which has not yet been approved?

Is it not the case that the bond issue funds are to be effectively used for a future contingency without guarantee of sufficient revenues?

13) -- these are the questions in order. Would it not be sound or public policy to use the reserve funds for the purpose for which they are pledged, and for which the tolls were increased, and then to float a bond, if necessary, for the unification project, if that is approved?

14) Concerning the unification of project costs, what would be the projected costs of unification, particularly the acquisition of port facilities? What other revenue projection from these facilities, and how will these costs be paid for?

15) How would port unification costs be covered without substantial toll increases or the reduction of reserves? Wouldn't port unification costs siphon off funds needed for the bridges, particularly the redecking of the Walt Whitman Bridge and the increase of PATCO deficit? Since the users of these facilities are principally New Jersey residents, wouldn't this be detrimental to their interests?

16) Would you please discuss the schedule -- production to the year 2000 -- of the 90-cent toll, and Schedule Two -- production to the year 2000 -- with 10% toll increases in 1990 and 1994. What is the allocation of the net income of the Authority? Is it allocated the reserves? Please state the amount of reserves.

And last, what are the projections by the DRPA for capital expenditures on existing facilities for the next 20 years? How do these projections mesh with the income and bonding revenues which may accrue to the Authority? And, if these projections are not known in sufficient detail at this time, shouldn't there be a projection of these capital expenditures before any additional financing commitments are made?

These are indeed very deep questions, and I will go back to the Honorable Mr. Bailey and tell him that he is absolutely right; it is quite unfair to ask these questions, maybe, at this particular time in the depth we ask them. So, we will get those questions to you. We will follow up with additional hearings. We feel, again, that the Legislatures of both states have the right to the answers to these questions.

I will make one announcement before we begin with the next witness. I was notified by the Department of Transportation that they have finished a two-year study of PATCO, and Al Harf, the Director of Transportation Planning and Research, will be in touch with the Delaware River Port Authority staff to discuss the report of New Jersey Transit concerning the operation of PATCO. I don't know very much about it, except little tidbits, but I am sure that at that time, after the discussion with your staff, it will be made public, as it should be. It was part of the appropriation process in 1984-1985, in which the Governor signed a study as to how we could keep the fares down. Very frankly, that is what I am interested in on the PATCO.

Mr. Kelly, we thank you very, very much. We will get this list of questions to you. If you will make sure to distribute them to your staff and to your Commissioners, we will appreciate that. Then, we will carry on from there.

MR. KELLY: Thank you very much, Senator. We will do that.

SENATOR RAND: The Honorable Don Bailey, Auditor General of Pennsylvania. Would you please come right up here, Mr. Bailey. You are going to be taped, etc., so--

AUDITOR GENERAL BAILEY: Shadows of Mr. Danilo. I am a little worried about this.

SENATOR RAND: No, this is a public hearing. That's all it is, very open--

AUDITOR GENERAL BAILEY: I was beginning to get a little concerned here.

SENATOR RAND: You will even be given a copy of the report.

AUDITOR GENERAL BAILEY: I thank you, Senator, very much. I would like to begin by saying that I could not agree more strongly with the proposition -- and I say this as a former Congressman myself -- with the thesis that the respective Legislatures should have answers to these questions. This is something that I agree with wholeheartedly. I think it is crucial for all of us to understand-- I certainly want to say to you very humbly, Senator, as a Commissioner, that I believe it is my duty to try to see that this information is supplied to you. I would also like to compliment you, and compliment staff, on the work that was done on putting the questions together, because I think it was just a fine job.

Let's, however, if we can -- because I don't want to waste the time of the people here -- get to some basic issues, as I see them. I think we are talking, in all honesty, about colloquial political conflicts at their base. I think we all know that. I think it wouldn't be honest of us if we didn't recognize that.

I think those potential conflicts between, in this case, the interests as they are perceived by New Jersey and the interests as perceived by Pennsylvania, can be counterproductive unless we supply the answers to the questions you have here.

I would like to make a suggestion because I think Mr. Kelly was correct. We are looking at a conceptual issue right now and, if we plug in the answers to the questions you have, I am satisfied, at least from what little knowledge I have at this point, that you will agree with us, and I hope we can persuade you, that the Delaware River Port Authority is the

organization that will provide the kind of unifying effort we need, in order to make this area -- not New Jersey, not one side of the river or this side, but this area -- function in the interests, economically, politically, socially, etc., of people in this area.

To do an analysis, and I think we should do, at its core, a cost-benefit analysis, much like the work that was done on airport authorities by the United States Congress when the user fee issue was raised nationally as part of the national taxation and budget process-- I think if we do that analysis we are going to come to an inescapable conclusion; that is, that regardless of qualitative or quantitative advantages that will inure to the benefit of either side of the river, we are talking about a net gain for everyone.

Now, the plethora of questions you have raised here comes within the confines of that concept because, you see, our alternative choice is to avoid the proper development and to avoid the progress of this area. That is what the alternative is. In short, if we all know that we need to and have to do something, the issue in responding to your questions simply becomes how we solve the problem.

Now, there are going to be a lot of political fights along that way; I'm sure friendly ones. Honest disagreements of opinion I am sure will come in. But, I would like to add this as a Commissioner from Pennsylvania who knows how difficult these kinds of compromises can be: If -- and I have no reason to doubt you; in fact, I am very impressed with the work you have done here, and obviously very impressed with your demeanor and grasp of the problems we have here, and would compliment the Committee on that interest-- If we can reach, conceptually at least, an agreement that given the transportation and communication and development functions of this area, that we need to do something to bring it together, in light of the fact that obviously we are here talking about

the need to unify, or it comes up as a problem as a result of our reflections on past failure to develop or keep pace with South Atlantic Port Development or some other East Coast port development-- If we can view the problem in that context and work together, I don't think there are difficult answers to the questions you raise. I think we have to look at user fee issues.

I think we also have to look at present structure in light of questions concerning subsidy, in light of, you know, gee, what money are we spending now to do what we need to do and what has to be done.

Secondly, I would hope that we could avoid, until we have answers to the questions, the mixing of issues. I think that can be something-- I don't think it is politically tempting or anything like that. I don't want to provide that innuendo and be misunderstood. But I think we need to look, in context, at the function that users fees, i.e., tolls, etc. and transportation functions, play in a context -- and we are talking about issues like financing operations or capital projects here out of tolls or future tolls or toll policy, as opposed to borrowing policy-- I think we need to get those things in perspective and try to separate them, at least in terms of basic functions that we all know have to be performed here on an ongoing daily basis and are going to be performed in the future.

Sit back, look at port development in terms of what we can do to benefit both sides. I, myself, would be more than willing -- and I speak only for myself -- to do anything to compromise with New Jersey, or respond to the feelings of New Jersey, because that is the undercurrent here -- the pun is not intended, but it is here -- that would enable us to move forward and develop this area.

I was privileged to have the honor to serve in a capacity on a trade subcommittee when I was in Congress -- of

the Ways and Means Committee -- and America's future just has to do with dealing with these problems. We have a unique opportunity to avoid parochial conflicts here in developing this port and moving forward.

I would simply conclude with expressing my personal congratulations again. I think the list of questions you raised is excellent. I would like an opportunity to work on them. I would like an opportunity to share some staff time with you to work on answering those questions and finding out where we agree and/or disagree on some of the conclusions and answers that surround them. And, I would like a little time to do so.

I do take you at your word, at your expressed interest in moving forward with area development, and I think we can do that within decent environmental constraints and provide jobs and development everywhere. I would be the last one to argue with the proposition that what we do as an area should be pursued as an area project, and that means a very due and proper consideration to the needs of New Jersey, which is a great State.

I thank you.

SENATOR RAND: Thank you very much. Senator Cowan?

SENATOR COWAN: No questions. Very nice, Commissioner.

SENATOR RAND: Commissioner, I will say one thing to you: If we weren't here on an open and honest discussion-- Senator Cowan knows that we never submit a list of questions that we intend to ask to anyone, whether it be the New York-New Jersey Port Authority or anybody else. But I thought in all honesty, we ought to deliver this to you so you would know what we are driving at.

AUDITOR GENERAL BAILEY: I think the questions-- I think they are the best catalyst that I have seen come along on this issue in a long time. Quite frankly, I think you ought to be credited with providing a basic starting point, because

regardless of how the answers to those questions come down -- and they may not come down in a positive way; we don't know-- My view is very much and very strongly pro-unification, because I do not believe we can move forward governmentally, economically-- I just don't think we can move forward without it. That is my personal view. But, by the same token, without the job you have done here, I don't know if we would have self-generated that approach. We have asked those questions in a general way, but I think the pressure of having to respond to you -- which I endorse wholeheartedly -- will enable us to get those answers out in the public, to make the media aware of them, and our other politicians aware of them, etc.

I would like the list to take with me. I would like to get them right now, if I could.

SENATOR RAND: We will get you a copy.

AUDITOR GENERAL BAILEY: Thank you very much.

SENATOR RAND: Thank you very much.

Is the Mayor of the City of Camden here?

UNIDENTIFIED PERSON FROM AUDIENCE: He won't be here.

SENATOR RAND: He won't be here? All right. We are going to try to be very fair, Commissioner Ross. We are going to go from one to the other. Commissioner Cowgill? Then we will come back to this side. Good morning.

COMMISSIONER JOSEPH W. COWGILL: Good morning. My remarks will be very short. I think everybody on the New Jersey side is in favor of unification. All I want to know is, who pays? As far as I am personally concerned, I cannot, in good conscience, ask the people crossing our bridges to make up the bill for any more losers. We are already losing, between capital and operating costs, \$10 million a year on PATCO. I believe our World Trade costs us around \$4 million a year. All of this comes out of tolls, and I am quite positive you will find, if you are able to do the job that Senator Cowan tells us about -- you will find that the great

bulk of the people using our bridges and paying those tolls are from New Jersey.

Now, who pays? As far as I am concerned -- I have a somewhat old-fashioned concept, I suppose -- you ought to pay as you go. I don't think you ought to borrow yourself out into the future, unless you know where the money is going to come from. President Kelly has said many times that this is going to be self-sufficient, it is going to pay -- all these World Trade projects are going to pay for their costs. But, every time you get to the bottom of the list of where the money is coming from, you see at the bottom a subsidy from the New Jersey Legislature and one from that of the Commonwealth.

I would certainly want something more solid than we had some years back on the approaches to the Betsy Ross Bridge, where the Governor of Pennsylvania wrote a letter which was published as part of the prospectus for selling those bonds, that they would build the approaches on the Pennsylvania side, and New Jersey said they would. No sooner had the bonds been sold, than Governor Shafer backed down, and did not include the money to finish on the Pennsylvania side.

Then the Governor of New Jersey said, "Well, if you're not going to pay for it, we're not," and we had a bridge going from nowhere to nowhere. New Jersey is now completing Route 90, which will give us the approach on the Jersey side of the Betsy Ross Bridge, but the point -- the main point here -- is that I don't think it is fair, and I am unalterably opposed to any further loading of the costs of these losing projects onto the people who cross those bridges and pay those tolls.

You know, we have a World Trade Committee, or a World Affairs Committee, that is engaged at the moment in a report which will, I believe -- it's still with staff -- tell us what we basically need. I don't think any of us ought to -- at least on the Commission -- ought to say anything until we get that report and see what our people in staff tell us we need. Then we can address the question.

Let's talk about New York, New Jersey, Baltimore, Norfolk. The port operations in Maryland -- in Baltimore -- are operated by the State of Maryland. They appropriate the money; they issue the bonds, but they are general obligation bonds. They are not revenue bonds. The same thing is true of the State of Virginia. We have no taxing power. The only possibility we've got, in my opinion, to get the money to pay for all this, is an appropriation from the Legislatures of each states, and then you can do all of these things.

One last thing to remember: Everybody seems to forget about the fact that Philadelphia lies 100 miles from the sea. New York is on the ocean, so is Norfolk, so is Baltimore. Our shippers, our ship operators, have to travel 100 miles up and 100 miles back. That costs money, which puts us, to some extent, at a disadvantage. But I think I, as a Commissioner, want to see the report of our World Trade Committee, the projection of the next five years, the next 20 years, to see what they say is going to happen.

Thank you.

SENATOR RAND: Commissioner Cowgill, thank you very much. Senator Cowan?

SENATOR COWAN: I have no questions.

SENATOR RAND: Commissioner Cowgill, you said there is a \$10 million deficit on your operating expenditures. That is not all attributable to PATCO, is it?

COMMISSIONER COWGILL: Wait a minute; wait a minute. I said there is a \$4 million operating deficit, and a \$6 million -- if I didn't say it, I meant to--

SENATOR RAND: Okay.

COMMISSIONER COWGILL: --and \$6 million for the interest to amortization on the bonds that built PATCO. So, the total amount is \$10 million a year.

SENATOR RAND: Okay. Thank you very much. Commissioner Robert Ross, Vice Chairman, Delaware River Port Authority.

COMMISSIONER ROBERT S. ROSS, JR.: Mr. Chairman, I, too, would like to compliment your Committee on the work they have done in preparation for this hearing. I think the issues you have identified, the questions you are asking, and your participation could not be more appropriate or more timely.

The Pennsylvania Commissioners, I think as a body, have been very concerned about two things: One, the role of the port in the economy of this region, and secondly, what the Delaware River Port Authority ought to be doing. We think we are at a crossroads, as far as the Port Authority is concerned. Should the Port Authority continue to do a marketing effort, continue to maintain its bridges and run PATCO, or should it attempt to expand its role? If the decision is to expand, under what terms and circumstances? That is really -- as I understand it -- what your Committee is all about here today.

It assumes a decision on the greater issue, which is that the ports of Philadelphia, both sides of the river, will continue in the future, or should continue in the future, as being a viable, competitive port facility. One could reach the decision, based on business trends, things that have been happening to companies and public agencies in the port, that Philadelphia, Camden, whatever you want to call it -- its day has passed, and that our future lies in other forms of development, be they residential, be they other types of commerce unrelated to ports and unrelated to port transportation.

I think the Pennsylvania Commissioners are far from reaching that conclusion; in fact, feel very strongly that we ought to attempt to restructure and revitalize ourselves and become more competitive. To that end, we have been meeting amongst ourselves, and you have already heard from the Auditor General. You will be hearing from Commissioner Talmadge, who

has spent a great deal of time on this issue. He has experience, because of his role in the longshoremen's union, with the way in which ports are operated all over the country; in fact, all over the world. We regard him as being quite an expert from the labor perspective and port organizations as to what our competition is up to.

I think the same thing can be said of Commissioner Johnson, who is the President of Lavino Shipping, and is involved on a day-to-day basis not only with what is going on in the competitive atmosphere of this port, but in other ports where his company is operating. I think both gentlemen can bring to light, far better than I can, the particular competitive problems that we are being confronted with today and in the future.

It is also, I think, our feeling that the financial questions you have raised are very difficult questions indeed, and Senator Cowgill, I think, has quite accurately raised the big question, who pays? I think it is a question that is on everybody's mind. From my way of thinking, from what I have understood about the competitive climate that we are attempting to operate under, and the kinds of port organizations that are in existence along the East Coast, we have a difficult problem to confront. It is clear that there are different forms of subsidy that are at work and that are successfully taking cargoes away from this area. That appears to be occurring, while at the same time we have intra-port competition. It is legitimate competition; it is tough; it is part of the American system. But it is operating in a context that is not helping us, as a whole, to compete against the other seemingly more sophisticated, better financed entities. I can't help but look at the New York-New Jersey organization and see all of the creative things they are doing with economic development, and all of the things they are doing in real estate, and other forms of transportation, that we don't seem to be able to do for this region.

From a Pennsylvania perspective, I think it is clearly something that we would like to do. We think the potential is there. We think we have the talent, in terms of management in the port community. We think we have the people with the right ideas. We think we have the business knowledge and background. But, we feel that it is disorganized and, therefore, not as effective as it could be. So we are seeking, through the experience of our Commissioners, to bring some of this information into a forum, which happily you are providing today, and will in the future, to try to wrestle with some of these problems.

As far as a procedure is concerned, we have been, through our own offices and through Jim Kelly, trying to go to everyone in the community who has a concern with the future of the port, and that clearly involves legislators, mayors, governors, business leaders, labor leaders, private citizens of the community. We think that this will fail if we do not hear from everyone and know what everyone's concern and everyone's stake is.

It is a very difficult thing, it seems to me, to reach this kind of a compromise. It easily falls apart if you overlook someone's interest and don't consider it and don't try to deal with it. Again, all of the questions and the issues you have raised, I think, go a long way toward doing that very process. Without it, I don't think we have a chance.

Finally, with regard to where we as Pennsylvania Commissioners find ourselves today, we feel that we have an obligation to both state governments to conduct the affairs of this Authority to fulfill what we regard as a primary mission; that is, to maintain the transportation infrastructure which is in place today. We feel very strongly that we have no business participating in a process that is going to involve additional expenses, is going to involve many complicated management procedures for this Authority, if, in fact, this Authority is

used for port unification, until we have a clear picture as to how we are going to pay for and finance the things we must do in the future to ensure our capital budget, as it has been presented to us.

To that end, we are working through our standing Audit Committee to reexamine the budgeting process for capital items. We are reexamining the way in which we have paid for things historically and the way in which we are proposing to pay for things in the future. We feel an obligation to answer those questions internally and present them to you and others in the community, before we go too much further in saying we will do this or that in the future. We think we need to take care of our own house first; that is our responsibility. We intend to do everything we can to resolve our differences with the New Jersey delegation and be on about that business, which is, after all, the first thing we need to do.

I thank you very much for the opportunity, and I look forward to working with all of you in the future.

SENATOR RAND: Thank you very much. Before you leave, allow me to introduce Senator Hurley, on my extreme left, who represents parts of Cumberland County and Cape May, and who is very interested since his county is part of this Delaware River compact.

Senator Hurley, what we have done is a very unusual step. We have presented the Commissioners with a list of questions -- which you have in front of you -- which is something we never do. But, we felt that we ought to let them know what we want to hear, or what we want to find out about, and what kind of information we seek to gather. I have made it very plain that we will come back to listen to their responses in the future.

At this time, if you would like to say something before we continue, why--

SENATOR HURLEY: No, you continue, Mr. Chairman.

SENATOR RAND: Thank you. Senator Cowan, do you have any questions?

SENATOR COWAN: No questions.

SENATOR RAND: Commissioner, let me say one thing very quickly. When I said that I came here with an open mind, that wasn't quite so, and I must apologize. I come with an open mind on the matter of unification in progress of the port, but I will not -- and I have to adhere to what Senator Cowgill said -- allow the consumers of the State of New Jersey, especially in the district which I represent, to bear the burden of whatever the port wants to do. That means PATCO fares and tolls. Those are the people who use it. One of the things we are driving at is, if we get the proper answers as far as financing and funding and who is going to pay, and they are equitable-- I want to tell you this: I am not one of those who don't believe that the State of New Jersey and the State of Pennsylvania ought to kick in. The State of New Jersey -- with apologies to my distinguished friend from North Jersey -- gives North Jersey \$65 million in subsidies for rail, and South Jersey doesn't get a nickel.

So, I have no compunction about both states-- If that is going to develop this region, if that is going to aid us in the overall development of the Delaware Valley, I have no problem asking Harrisburg to contribute some money and no problem asking the State of New Jersey to contribute some money.

COMMISSIONER ROSS: Well, in response to that, I have to say that we have a job to do before we go and ask either state Legislature for a nickel, and that is, to satisfy those representatives that we have done everything we can to put together a management proposal for the port that will be as economical, as efficient, as cost-effective as we possibly can. I think we have to prove, beyond any doubt, that a supreme effort has been made to run this place as appropriately as it can be run, without subsidies. If we reach the point

where there is no question in anyone's mind that no other savings can be realized, then I think we will have a case to be made. Today I don't think we do. I think that is something that needs a great deal of attention.

With regard to the burden on tollpayers, I am very concerned about that because that, in effect, is a tax on the commerce and the way of living for everybody in this region. It is something that has to have a great deal of attention paid to it because any change in it has very serious implications for both business and private individuals who live and work in this region.

My fear is that people will not pay enough attention to who, in fact, the tollpayer is. As you say, he may well be -- in overwhelming numbers -- a resident of New Jersey. He may also have a job as a member of Alex's union as a stevedore; he may work for Lavino Shipping; he may work for a bank that finances trade; he may work for an insurance company that insures trade. I think we have to recognize the economic impact of the business activity of the port on everybody's life, and what that is worth to everybody. What burdens should people bear, whether they be in Harrisburg, whether they be in Trenton, whether they be in Camden, Philadelphia, Gloucester, wherever? But, a careful analysis of what all this is worth to us as a port, as an economy, and what we should be willing to pay--

There is clearly a price that we all are unwilling to pay. It cannot be justified and, therefore, it should not be incurred and, therefore, certain decisions ought to be made not to do something with the port. Maybe we are at a posture because, as Senator Cowgill suggests, we are 100 miles away from the Atlantic Ocean. Maybe we don't belong in the port business. Maybe it is too expensive to subsidize this operation. But, the only way we are going to get the answer to that question, is by going through the exercise that you have initiated.

SENATOR RAND: Thank you very much. Commissioner Mary Ruth Talley?

COMMISSIONER MARY RUTH TALLEY: Senator, I will be very happy to wait, since I am the other Commissioner from New Jersey, if you want--

COMMISSIONER FRANCIS L. BODINE: I would just like to offer a comment, Senator.

SENATOR RAND: Would you please come to the microphone?

COMMISSIONER BODINE: Certainly.

SENATOR RAND: Thank you.

COMMISSIONER BODINE: Thank you, Senator. Commissioner Bailey complimented you on the series of questions you provided. I would like to thank you, because I am the Chairman of the Executive Committee, and last Wednesday I was given the task to do a study on this and to give a full report to the Commissioners.

I called for a meeting for tomorrow morning. Quite honestly, I didn't know where I was going to start, so your questions are not only very apropos, but they will be very helpful to me, as the Chairman of the Executive Committee, in initiating that study, which will eventually be reported back to you and the other members of your Committee.

I want you to know that the Commissioners of DRPA have initiated, on our own, a study to determine -- first of all, a review of the compact and the feasibility of the unification, and believe me, I appreciate your questions, and I just wanted to thank you for them.

SENATOR RAND: Thank you. Senator Cowan, any questions?

SENATOR COWAN: No questions.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: No, Mr. Chairman.

SENATOR RAND: Thank you very much.

COMMISSIONER BODINE: Thank you.

SENATOR RAND: Commissioner Alexander Talmadge? Good morning, sir.

COMMISSIONER ALEXANDER TALMADGE: Good morning.

SENATOR RAND: We are trying to be fair. You notice we are going from side to side.

COMMISSIONER TALMADGE: Is that being fair?

SENATOR RAND: Well, we are trying to be as equitable as we can. Prejudicial, yes, but equitable.

UNIDENTIFIED PERSON FROM AUDIENCE: That is truly an honest man.

COMMISSIONER TALMADGE: I appreciate the opportunity to appear before this honorable Committee.

I am for port unification. As you may know, or not know, I am the Assistant General Organizer of the International Longshoremen's Union, and in that capacity I have traveled to the southern ports -- to the ports just south of Philadelphia, namely, Baltimore and Norfolk. At the ports I have seen in my travels, the port authorities are unified. The Virginia Legislature gave the Port of Norfolk \$65 million to help to subsidize the port. The State of Maryland gave the port \$50 million to help to subsidize the port. That says to me that with the structure we have, we are not unified. To compete in that area, we must be unified.

I appreciate your questions. I canceled a very important meeting to come here, and after I heard your questions I wished I hadn't canceled that meeting. (laughter) But, I represent longshoremen who live in Philadelphia and New Jersey. All of my men believe in port unification. We think it is essential that this port be unified.

I disagree with the statement you made that the Philadelphia Port is more costly than the Port of New Jersey. Perhaps my disagreement is in error, but I contend that the same wages that are paid in Philadelphia are paid in New

Jersey. As a matter of fact, we are in the process of negotiating our contract and, for the first time -- and I have spent 42 years on the waterfront-- From its inception, from the time that Mayor Tate decided to create the Port Authority, because at that time we had no container facilities, it was decided that that was the only way we could get container facilities in the Port of Philadelphia. Our members helped to subsidize that.

To give you an example, in our master contract, we had negotiated royalties on the containers. The Port Authority -- not the Port Authority, the Philadelphia Port Corporation came to us, and asked us to forego that for a year. We agreed. We went to our membership and got them to forego the royalties for a year. Then, six months later, they came and asked us to give it six more months. So, the members of our union helped to subsidize the port. We will do all we can to make this a port.

Certainly, it is 100 miles from the sea, but it is the largest freshwater port that we have in the United States. We have enough industries here to attract ships. If we can have unification, I think we can go a long way toward competing with the other ports. Down South, the port authorities own the ports, run the ports. In Norfolk -- in Virginia -- the same thing happens. So, I am for port unification.

SENATOR RAND: Thank you very much. Senator Cowan?

SENATOR COWAN: Well, I am always pleased to hear that the labor movement is out there subsidizing further economic development to create jobs and for the whole area. I am very pleased to hear that, Alex.

COMMISSIONER TALMADGE: Thank you.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: No questions.

SENATOR RAND: Thank you very much.

COMMISSIONER TALMADGE: Thank you.

COMMISSIONER ROSS (speaking from audience): One of the things we have been focusing on is our compact itself, what it says and what it means. Article 1, Subsection C -- and this is the list of purposes that the two states -- through the legislative process -- have given us as a task to carry out-- Paragraph C states: "The improvement and development of the port district for port purposes by or through the acquisition, construction, maintenance, or operation of any and all projects; for the improvement and development of the port district for port purposes, or directly related thereto, either directly by purchase, lease, or contract, or by lease or agreement with any other public or private body or preparation in any other manner."

The question in our minds -- and what we are looking at -- is, what does that really mean we can do, and what does it mean that we can't do? Do we have to address the compact if we are going to fulfill whatever the consolidation program might be? Presumably you have resources to consider that issue, as do the people in Harrisburg.

SENATOR RAND: We will get a legal interpretation of that. We have asked, informally, our legal people in Legislative Services, and they tell us -- from what they can see very quickly without getting a formal opinion -- that what we are doing now is absolutely within the jurisdiction of the Legislature.

COMMISSIONER ROSS: Oh, I understand that. It is a question of what-- If we all came to some agreement as to what this Authority ought to do, would we have to go back and change that language in any way? What was the legislative intent behind that language?

SENATOR RAND: Off the record, it is my understanding that you would need legislative action by both states, but that is not a formal legal opinion. On that basis-- That is one of the reasons we are here. Again, that may not be--

COMMISSIONER ROSS: I think you ought to be here in any event.

SENATOR RAND: Yes, I can understand that. Thank you.

COMMISSIONER PERRIN C. HAMILTON: Senator Rand, I am Commissioner Hamilton from Pennsylvania. I believe I am listed as wanting to testify. In the interest of brevity, and to avoid repetition, I would simply like to endorse the comments of Commissioner Ross, and let it go at that.

SENATOR RAND: Okay

COMMISSIONER HAMILTON: Thank you.

SENATOR RAND: Thank you very much. Commissioner Talley -- Mary Ruth? It is always nice to have a refreshing young lady in front of us. Gentlemen, I'm sure you must have a wonderful time during your caucuses, and so forth.

COMMISSIONER TALLEY: Thank you, Senator Rand, and good morning, Senator Cowan and Senator Hurley. I am a New Jersey Commissioner to the Delaware River Port Authority who is beginning her fifth year. During the last two years, I have served on the Authority as Chairman of its World Trade Committee.

I would like to make three statements. The first: The problems confronting our port community -- and I use that as meaning a tri-state area covering approximately 11 counties-- The problems confronting that region should be solved by adhering to strict business principles. By that I mean bottom lines, profits, losses; the merits of doing business on the river; the merits of cargo coming up the river, for which revenue is received and, therefore, revenue is then spent, disbursed, distributed throughout the region we are talking about.

I am going back to business basics as being the first reason -- if you would use that -- to examine what is going on currently in the port community. Therefore, what the President

has talked about -- and some of the other Commissioners here have said -- in the discussions that have been going on, a lot of it depends on the sheer business. Is it profitable? Are there profits? That is something we have to keep in mind, and at the top of our minds. It has got to be profitable for our region.

When we permit business matters to become political playgrounds for Machiavellian machinations, we all lose. The end result is poor. We don't get a good product. The heart, the meat, is gone, because so many compromises have to be made that we don't get the best results. The resultant carcass cannot come to life and do the job that needs to be done. This is why I am saying in my first statement, let's get to the business. Some of the questions you asked relative to finances are what I mean. Let's get to the business part of our port communities first.

What is going on here? What is profitable? What is not profitable? And, can we do business? That is number one.

Now, having said that, let me hurry on to the second statement so that no one misinterprets what I am saying. The solutions to our problems need to be solved by two groups -- the business groups and, shall we say, our elected officials -- the public sector? But, instead of the two hands being outstretched, with this tremendous gulf in-between, let's get the two hands together grasping and saying, "How can we solve our problems together?"

Now, you have heard the saying that we are all entitled to our individual opinions. We are not all entitled to our own set of facts. That is where the education process must come into play. I call it the "graying of the politician," if you will, or the "graying of the businessman." Each must educate the other as to what is going on. And, only by doing that will we solve some of the problems and address some of the questions that you have rightly asked.

So, I am saying on the one side, "Let's get the business, the sheer economics addressed. Let's get them out on the table. Let's talk about them." Then, let's have a process where the businessman and the elected officials -- in the entire region I am talking about -- can sit down and discuss the resultant facts, because then we will get the conclusions and the answers.

Number three, one path that would be a direction for our ports that I would like to suggest, and which is based on many conversations with top staff, my World Trade Division, many trade missions abroad and many trade missions in what we call our "hinderlands," talking with port people, talking with business people, seeing the large, large ports of our world-- It is a layman's opinion, but, nevertheless, it is my feeling that a path for us should be to focus or, if you will, to specialize--

Let me give you an example. I am sure you are all aware of the Chilean grape that has been a big plus for our ports. It is a specialized product. Two years -- I am going to say roughly two years ago, 12 million cases were imported through our ports of Philadelphia. In '86, that number has grown to 26 million cases. Quite possibly, next year that number could be anywhere from 28 million cases to 30 million cases. Granted, it is a seasonal item; however, it is an important cargo for our ports.

Okay, it is a success story, but what happens when you have a success story? What does competition do? Competition tries to take it away from you. So, we have that problem facing us right now. We also have the problem of our Chilean exporters, who are saying, "Hey, ports of Philadelphia, are you really going to be able to handle our increased business? What are you doing for us? We would like dedicated terminals. We want warehouses. We want space that is always going to be here for all of our ships in these particular months."

So, instead of just being able to say, "Hey, we are going to take those 30 million cases, and we're home free--" That is not the case. We have to constantly sit down now and reassess how we are going to keep that business. And that might mean that we need to specialize. By that I mean, okay, we need to build maybe "X" number of warehouses that we are going to dedicate to fruit. Maybe we even need to get into specialized gangs, the watersiders, so that a certain number of people can handle that fruit carefully, efficiently, and safely, because that is the business of this port.

What I am saying is that perhaps specialization is one answer for our port region. You can use that example with taking any of some other products, for instance, steel and paper, all of which are our bread and butter. If we are going to keep that business, then we need to focus in on how to serve them better, how to keep that cargo, get more of it, and how to make sure it arrives and is handled safely, and is distributed to where it is going to be ultimately used profitably.

I simply make those three statements. I, too, am going to be looking forward to working on the answers to the questions, Senator, that you have asked, and rightly so. I would hope that this morning efforts will prove fruitful -- a pun intended -- and I thank you for the opportunity to speak.

SENATOR RAND: Thank you very much, Commissioner. Senator Cowan, do you have any questions?

SENATOR COWAN: Very interesting comments, especially the Chilean grapes. I know we have had a lot of them up in North Jersey during this past summer, not only Chilean grapes, but also Chilean wine has become a very heavy import in the area. I don't know if you handle that down here, but I have seen quite a bit of that.

COMMISSIONER TALLEY: Recognizing that when I say "specialization," naturally Chilean grapes do not come in year-round. If you are going to build new facilities to handle

the increased production -- or the increased shipment through three months, then that means we are also going to be looking at fruit that can be shipped, therefore use the facilities through the remainder of the months. That may be going after kiwi from "Austral-Asia." Maybe you understand what I am saying. Once we have committed to a type of commodity, then we zero in and we get those facilities filled and we service, you know, that exporter.

SENATOR COWAN: The Authority is already feeling the pressure of competition from other ports seeking this. Did I understand you correctly?

COMMISSIONER TALLEY: Oh, absolutely. As a matter of fact, our World Trade Director just went down to Chile and just got out. That was to, shall we say, assure the exporters that Philadelphia can, and will, indeed, handle their increased cargo efficiently. It is basically, you know, to go down and say, "Hey, yes. What are your concerns? How else can we help you?" And, in addition to that, we also have to be careful of our own Federal Drug Administration and Customs. As they come up with increased regulations, if you will, we have to worry about fumigation. Those are the kinds of things that we will probably have to address here in our ports to be able to say, "Hey, we are going to take all the Chilean fruit that you can possibly export. We want it here."

SENATOR RAND: That is if there is a unification.

COMMISSIONER TALLEY: Okay.

SENATOR RAND: Because we don't run any ports right now.

COMMISSIONER TALLEY: All of my comments are intended to mean that I stand behind unification, and have since almost the first time I came on the Commission because of the Port Authority. I couldn't understand why we have in our name "Port Authority," and yet we are the only port authority in the entire United States that does not own, operate, or lease any

port facilities. I kept trying to, you know, mesh these two together. Why do we call ourselves a port authority, when we don't function as a port? We have a tremendous World Trade staff of professionals, and I will go back to what my fellow Jersey Commissioner, Frank Bodine, told you, that we are expecting a 20-year plan to come out of my World Trade Division before the end of the year that will be a blueprint, shall we say, of some alternatives, some things that can happen here, given a certain set of conditions.

It would be difficult, I think, for us as Commissioners, whether it be Jersey or Pennsylvania -- I am saying now as the entire Authority -- to answer all of your questions without the benefit of the in-house study, because it is with the use of computers, analysis, models, and that sort of thing, taking entire trade routes, the whole trade picture, and plugging all of that in to come up with answers, at least options.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: At what point would you-- How do you consider this question of profitability? Are you talking about profitability of ports vs. profitability of other functions of this Authority, independently, in concert? What do you mean by profitability?

COMMISSIONER TALLEY: Well, okay. Yes. First of all, the business of exporting and importing and, therefore, that is port business, shippers-- Do you understand what I am saying? And the whole line of people involved in port business. What do they need to conduct their business so that it results in a bottom line that is either a "P" or a loss? We need to address that.

SENATOR HURLEY: But, you are not making that judgment now. You are not making that judgment, saying that it has to be profitable on the port side, or else I am not interested? I am not trying to put words in your mouth, but are you saying that?

COMMISSIONER TALLEY: I am saying that I think everyone -- at least on my Authority -- needs to have that sort of set of facts. Again, I go back to, not their own set of facts, but facts that can be substantiated by the business community, relative to port business.

SENATOR HURLEY: Aren't those facts known now by looking at the annual reports of the various organizations that we are talking about unifying?

COMMISSIONER TALLEY: Well, you've got to understand where I come from. I don't come from annual reports and statistics. No, I think in layman's terms, I would be more interested in what phases of port activities are producing, you know, the old saying, "Cash cows," and what are losers. Because then you can make up your mind whether there is going to have to be subsidies, which I-- Do you understand what I'm saying?

SENATOR HURLEY: Sure, I do; I think I do. I don't know anything about the Port of Philadelphia, but we in the Legislature know something about the South Jersey Port Corporation, and a lot of other ports throughout the country. Without being an expert, it seems to me that that is not too difficult to pull together. Are you talking about pulling it together? Or, are you talking about your own study that was initiated by this Authority?

COMMISSIONER TALLEY: No, I am talking about pulling it together, with all the port businesses that are up and down on both sides.

SENATOR HURLEY: And then making some determinations of your own.

COMMISSIONER TALLEY: Absolutely. You know, if a certain set of circumstances changed, what then would be the profit/loss picture? Do you see what I'm saying?

SENATOR HURLEY: I have one other question, Mr. Chairman.

SENATOR RAND: Go ahead.

SENATOR HURLEY: You are not projecting, are you? In other words, are you talking about what is happening now, or are you projecting what could happen if we are unified?

COMMISSIONER TALLEY: Before you can get to that point, I think you have to have a thorough understanding by all parties -- here is what I am saying -- where you have the public sector, elected officials, and businesspeople understanding what is going on right now, so therefore you have a clear picture of what the facts are now, before you can project.

SENATOR HURLEY: You are not making any judgment; you are not prejudging anything.

COMMISSIONER TALLEY: I don't want to be in a position of prejudging. You know, I have some ideas and opinions, but I also would want to see the facts.

SENATOR RAND: Thank you very much, Commissioner.

Commissioner Craig Johnson?

UNIDENTIFIED COMMISSIONER: You are liable to be here all day.

SENATOR RAND: Well, we hope to be finished by four o'clock. I don't think we ought to be any longer than that. We don't have too big of a list here. We should have about three or four more.

UNIDENTIFIED COMMISSIONER: I was just kidding.

SENATOR RAND: Commissioner Johnson, since you are from the Pennsylvania side, before you start, let me say that I have never been critical of the Philadelphia Port. I only just read the papers and always save all of the articles. So, I just want you to know that you have never heard me make any criticism of the Philadelphia Port. I think that is something they are going to have to face. The only thing I can tell you is what I read in the papers; that's all.

COMMISSIONER TALMADGE: May I ask you a question, sir?

SENATOR RAND: Certainly.

COMMISSIONER TALMADGE: Do you believe everything you read in the papers?

SENATOR RAND: Not always.

SENATOR HURLEY: Only about himself.

SENATOR RAND: Commissioner Johnson.

COMMISSIONER CRAIG JOHNSON: I would like to add my thanks to you for providing us with this opportunity to discuss the Delaware River Port Authority, along with the question of port unification.

I thought I knew how I wanted to approach what I wanted to say to you, but so much has been said that I agree with, that to go about it in any sort of an orderly way I think I would repeat much of what you have heard, and I don't want to do that.

What I would like to do is try to put my perspective on some of the questions that you may have, or some of the points that have been raised. I will just take them in turn.

One of the things you might be wondering is, what problem do we have in the Port of Philadelphia, or do we have in the ports in this area? Why are we talking about all of this right now? My perspective on that is that I look at the whole Port of Philadelphia as a business. It is a business that has been severely challenged in the last three to five years by competition. The underlying conditions in the shipping industry create a situation where this business today, with some exceptions in the area of specialized cargoes-- Those exceptions aside, the name of this business today is price. It is a long, complicated story as to how the business got there, but if you are dealing with ship owners or shippers today, you had better be prepared to offer a low price. The people who influence where cargo goes today have many more options than they had five years ago. It has to do with deregulation of transportation and a whole other host of issues.

Another element that has entered in the last three to five years that wasn't there previous to that time in any measurable way, is the involvement of states in ports. We have heard about Maryland and we have heard about Virginia. Virginia is something of a latecomer to the game. South Carolina has been active for a long time, and continues to be active. Georgia has made a tremendous inroad. I will never forget going down to visit people at the Georgia Port Authority. They talked about their tremendous plans for growth in the future. They pulled out a map and showed me where their cargo was going to come from, and it was a bull's-eye targeted on Cleveland, Ohio, which looked like the same place our cargo was going to come from.

So, states up and down the coast have gotten very active, and that has had a lot to do with the nature of the competition the Philadelphia ports have felt. We have a system here which is kind of unique in the way the port is organized. We have some private operators working together with some quasi-public bodies, having relationships on terminals and exclusive use of terminals, which is quite different from the way other ports are organized.

As a result of that, I think that when we get into these competitive times where the nature of the business is price, and where states are making large subsidies, the port is handicapped in terms of reacting. Because of its historical structure, the port is handicapped in reacting to that competition and the pressures that competition provides. So I think in the last two years, probably, all of these factors have come together and have boiled up to create a situation where the system that worked very well some years ago, no longer works today.

I hope it is helpful to realize why we are talking about this today. I don't know that we would have talked about this two years ago.

That has another side to it, I think, that makes me concerned when I hear about plans that are being worked on and studies that are being undertaken, and so forth. There is a timing issue here. I think the overall stability of the port is a question that has a time element. I think that because of the nature of the competitive situation among ports on the East Coast -- which are our major competitors here in this port -- there is an awful lot of cargo trading hands. People are moving from one place to another. People are abandoning established patterns and taking up new patterns. Like any other business, I think, once you have made a change, you are not likely to make a change again. So, if it takes us a long time in this port to decide how we are going to resolve these problems, I think some opportunities may pass us by, and we may be ready when things have settled down. So I think we must -- whatever we do -- realize that time is of the essence.

Now, why is unification part of the solution that people talk about? Well, I think it is because unification provides a way for the disparate parts of the port to respond to the pressures of competition. We don't have any way to plan what facilities we should have. In the past, each of the parties has been free to decide on his own, and you get duplication, and you get facilities that really add capacity that is not needed, and you get other kinds of cargoes for which there are no facilities where there are opportunities.

When you are in a situation where there are limited resources, and there are limited resources here, given the support by the various states and the City of Philadelphia, and the moneys that are generated within the private end of the system overall-- Compared to the \$65 million and \$50 million annually, we are talking about limited resources, and when you have limited resources, you can't afford to spend them on duplicating facilities and competitive situations.

We have a number of people who historically have had to be involved in any decision that is made. That hurts your ability to react to competition. When people from the DRPA World Trade Division or the Philadelphia Port Corporation Marketing Group go out to make sales appeals to various people to come to the port, they don't have the ability to go head-to-head with the representatives from the other port authorities, be they Virginia, Maryland, or New York-New Jersey, which have, because of the way they are structured, the authority to make a deal. It doesn't happen here. It is complicated. Two and three people have to be involved in order to make any deal, and at a time when you have to be very active and responsive, as we are in now, that is cumbersome.

So I think those are various reasons why unification is an idea that people have found to solve the problem, an idea that could be applied to solve the problem. Why the DRPA? I think that is a little bit of a confusing one. One of the reasons I think people are talking about the DRPA is that if you lined up all of the major players in the port, the DRPA is the big, important player. The World Trade Division represents the ports of Philadelphia around the world, and has for some time. Much of the port community looks to the DRPA to represent the ports. So, it is a prominent player; it is an obvious choice as one of the things to spearhead unification.

I think another reason that the DRPA is a logical choice, is that it already represents the cooperation between the two states involved. There are no other agencies involved in the port scene today that do that, that are in place working together. There is a vehicle, if you will. Now, the confusing part for me is, does that mean that the moneys required come from tollpayers? I don't think so. I think the tollpayers provide support for the vehicle to keep the vehicle in place, to provide some of the resources we have in the way of knowledge about the port, through the World Trade Division and

Mr. Kelly's involvement in the port over the years. Some of the most knowledgeable people we have in the Port of Philadelphia work for the DRPA, or are involved in the DRPA.

SENATOR RAND: Yet the tollpayer pays for the World Trade Division. Instead of both states making a contribution, the tollpayer, the PATCO rider, or whatever it is -- or the man who comes across the bridge-- He has paid for the World Trade Division for years. Of course, I have always been against that. I have urged the State of New Jersey and the State of Pennsylvania to make an annual contribution. If it is good for both states and good for the Valley, why should that tollpayer pay? What should the consumer pay for the World Trade Division? it's up to what, \$3 million, \$4 million? I don't know what it is. They do very fine work, but why should he pay for it? Why should I, the consumer, going across that bridge-- You're right, he ought to pay for the vehicle; that's a user charge. But, why should he pay for the World Trade Division?

COMMISSIONER JOHNSON: I think when you extend that to say, "Why should he pay for the whole operation of the port?" you run into a difficult question, which is the question that Senator Cowgill struggles with. I think that is a good question.

SENATOR RAND: We struggle with that also.

COMMISSIONER JOHNSON: All right, let me put it another way for a minute. It seems to me, on the question of can it be profitable, and does there need to be subsidy from someplace-- Some are predicting that maybe it can be profitable, and some are predicting that it may well need subsidies. I think if Virginia pours the money into the port system that it does, and Maryland pours the money into the port system that it does, I think it is a simple calculation. I think in this market today, and for the foreseeable future, the business of ports is a business that will have to be subsidized to some extent.

Now, I think if you unify the various competing pieces in the Port of Philadelphia, you will save money, because there is duplication. You may well save a tremendous amount of money, but will that reduce the need for some subsidy? I doubt it, because I don't see how this port, in a competitively difficult situation, can hope to match the efforts of neighboring ports without resources that come close to the resources that are being poured in by those states.

Now, to me -- I will get back to the vehicle of the DRPA -- the DRPA, if it is the alternative that is selected to provide unification in the Port of Philadelphia-- It seems to me that the DRPA is a vehicle to go back to the respective states, something that has been suggested here, and to bring the support of the respective states into this port. I separate the tollpayer as a source of the revenue to support the ports, because I don't think that will work in the long run. I think that in the long run, Pennsylvania and New Jersey have to realize that if they do want to make this a viable port in today's competitive situation, they are going to have to recognize how it works and do what other states are doing.

SENATOR RAND: Are you saying that unification is a matter of survival and the states ought to understand that -- the respective both states?

COMMISSIONER JOHNSON: I'll say that.

SENATOR RAND: That's a fair statement. I would have to agree with you on that.

COMMISSIONER JOHNSON: So, for me, it is a matter of survival. Public support is necessary. The question is, is the DRPA the most logical vehicle existing to make that happen? In my assessment of who is involved in the port, who can get us from where we are today to where we need to be as quickly as possible, the DRPA is the most logical candidate.

SENATOR RAND: To be very truthful, Commissioner, we have no other. The Legislature and the Governor look, perhaps,

a little askance at creating another authority. I have to tell you that. So, very truthfully, we have no other choice but the Delaware River Port Authority. I sometimes think that maybe some other choices would be better, from what the inactivity of the port has done to a matter of almost an emergency nature, because we are facing an emergency nature. Yet, we sat back all these years-- We sat back idly while-- Politicians, if you will, have said, "You ought to do more. That is to be a vehicle crossing situation." We in the South, who have always been envious of the situation where the infrastructure is handled by the New York-New Jersey Port Authority, where port development, where river development-- As the river development here in Camden, or across the river--

You know, I read with interest about your Penn's Landing development and so forth, and it would appear to us that the catalyst for such development could be the Delaware River Port Authority. If you have been slow, maybe this is the light by which to awaken you. So, we concur with many of the things you have said.

Senator Cowan, do you have any questions?

SENATOR COWAN: That was a very informative statement. As was indicated, not being that knowledgeable myself directly now, I think, really, as far as the point that was raised before by Commissioner Ross regarding the compact itself and the extent of what you have the capabilities for-- That is pretty well defined as far as the New York-New Jersey Port Authority is concerned. They have gone into things that people thought they didn't belong in, too, but they proved to be profitable. Okay? That has been brought up here before.

I have had occasion over the last six or seven years -- particularly up until about five years ago -- to ride down on I-95 and go into Philadelphia, along that side. I passed there and saw miles and miles of endless, fallow port facilities just stripped bare. Anything, certainly so far as

we are concerned -- and why this Committee is here today initiating this, and very supportive of Senator Rand and Senator Hurley-- As you say, it is a regional thing, and we recognize that. I recognize that it is regional. It is regional in the Port of New York. It is regional down here in the Port of Philadelphia because it is going to benefit both states.

I certainly would be supportive of anything that would enhance your position.

COMMISSIONER JOHNSON: I would add one thing: I think the questions, as I remember them from having heard them, are really very good questions. I think that if we--

SENATOR RAND: Well, Commissioner, we are playing for keeps. We don't think that we are on an exercise just to hear ourselves. We are genuinely interested. We think, very frankly-- I think the three of us would agree that we can absolutely talk the New Jersey Legislature into accepting your recommendations if they are honestly brought forth, and if you answer the questions we presented to you; in consultation not only with the staff and yourselves, but we would hope that you would speak to shippers; we would hope that you would speak to port operators; we would hope that you would speak to labor people. We would like you to bring in the entire family which makes up the port -- public officials and everybody else.

I don't want it to be, very frankly -- and I speak personally, although I think I might speak for my colleagues -- a one-sided report of just the Commissioners and the staff of this particular Delaware River Port Authority. I think that everybody has to be brought in. There are a lot of players out there. I hear -- and I really am not happy to hear -- a lot of rumblings out there -- shippers, port operators -- I get to speak to all of them -- politicians, public officials. They want to be talked to. They want to be convinced that unification is not only a matter of survival, but, as Commissioner Ross says, that their interests are protected.

I hope you will embrace the entire community, whether they are shippers on this side, whether they are shippers on the other side, whether they are owners or operators, or labor people, or anybody else. I want everybody brought into play, and I want everybody to have some input. We may not agree with all of them, but I think they have the right to be heard on a question as important as this.

COMMISSIONER JOHNSON: I agree with that. I think that many of the questions you have, as I heard them, are implementation questions, or details about how it would look. We have enough information to answer, and the question we need to answer is, do we want to solve the problem? Because the details can be worked out if we do, if there is support in Trenton and support in Harrisburg. I think that is the question that the Commissioners have to address, and that is the question that I would say the respective state governments have to address.

Many of the questions -- I am not saying we shouldn't answer them-- You will learn, and we will learn a great deal in the process. Many people will be heard from, and the answers will be better as a result. I think that many of them are questions that really come back and hinge on the basic question, do we want to or don't we want to? It seems to me that that is the question we have to address.

SENATOR RAND: Thank you very much, Commissioner. Is there any Commissioner who I have missed?

SENATOR HURLEY: Mr. Chairman?

SENATOR RAND: Oh, Senator Hurley. I apologize.

SENATOR HURLEY: Are you suggesting, sir, that you have not addressed that? When you say, "We should address," do you mean the Authority has not addressed whether you are the vehicle to implement this and whether you want to do it?

COMMISSIONER JOHNSON: I think that the Authority has not addressed that for two reasons. This is my personal

opinion gathered from what I hear sitting over there. One reason is, I think there is a question about whether we can address it vis-a-vis the compact, and we don't want to do it if we can't. We want to get the compact straightened out so we can do it if we want to, but I don't which-- Do you want to and get the compact changed, or do you get the compact changed to see if you want to? I think that is the chicken and the egg there.

I think the second question is the confusion about the tollpayer vs. subsidy. I think there is some concern there that if we decide that we want to do it, we are going to put it on the tollpayer, without any feelings about the possibility of subsidy from the states. I think that gives us pause. I think that is something we are wrestling with to try to understand that.

SENATOR RAND: And until I get that question answered, I can assure you that at least my vote will not be to expand the compact in any manner whatsoever. I have to tell you this -- I can't speak for Senator Hurley, but I speak for myself -- until I am satisfied that the positions are in place, and that the tollpayer is not going to be soaked, and that the consumer is not going to be hurt, and that there is a plausible -- procedure I won't tell you about, but results I will -- that there is a viable program that we can present to the Legislature-- See, I don't think you will have any problem if you present a program to the Legislature. If they think it is absolutely correct, you will have, in my opinion-- Our northern legislators are just as sympathetic to our cause as our southern legislators. If you present a program to them that is viable, self-sustaining, doesn't tax the consumer, I don't think you will have any problems with the Legislature.

Senator Hurley?

SENATOR HURLEY: Probably everyone in the room knows more about this subject than I do. I came completely out of

left field to this hearing today. But, how bad is this emergency?

COMMISSIONER JOHNSON: In what terms?

SENATOR HURLEY: I heard the word "emergency" used, and I have heard some other words to indicate that there is trouble. I want to know from you, if you can tell me, how bad the trouble is? In other words, if we are looking for a solution to a problem -- that word was used, too -- "problem" -- trouble, problem, and emergency were used -- how bad is this? Where are we?

COMMISSIONER JOHNSON: I don't know how to answer that. I would say that if it took us-- I would say that the problem will develop past a critical stage if it takes a year. That is my feeling.

SENATOR HURLEY: I have one other comment to make--

COMMISSIONER JOHNSON: Let me say one other thing: It is a confusing picture. I started out looking at the port as a business, as a single entity. Some of the players in the port are quite successful. Some of the niches in the port are quite successful. Some others are quite unsuccessful, and on the whole, it is unsuccessful. All right? So, it is a confusing picture because you can look at it and say, "That doesn't look like an emergency." But, on the whole, I submit that it is an emergency, and a solution will have to be found within a year.

SENATOR HURLEY: Okay.

COMMISSIONER ROSS: It can be illustrated with the tonnage figures most easily, but there are other things that are going down.

SENATOR HURLEY: Okay. Let me make one other comment. Don't we have a parallel, and I am harkening back to Commissioner Talley's comments about a study-- Don't we have a parallel situation to the New York-New Jersey Port Authority and when they got into the port business, and how they got into the port business?

COMMISSIONER JOHNSON: I wish I knew more about how and when.

SENATOR HURLEY: I don't know either.

COMMISSIONER JOHNSON: I can't answer that question.

SENATOR RAND: Their compact was much broader, much more diversified than ours.

SENATOR HURLEY: From the beginning? That was my point, from the beginning?

SENATOR RAND: From the beginning, plus they plunged, where we just put our fingers in. You know, have you gone to the ocean?

SENATOR HURLEY: I understand that. I have heard that from people for years, but I wanted to know-- You answered part of my question; that is, the compact was broader to begin with. But, at some point in time-- I guess what I am pointing at is that there is information out there. A lot of mistakes have already been made that you could avoid by looking at that Authority -- what they have done profitably and unprofitably and unsuccessfully -- and, also, to respond to this whole ratepayer business. How has the ratepayer -- I mean the user, been subsidizing that Authority and some of its port activities? Has it or hasn't it? I don't know. I don't expect you to answer; that is a rhetorical question.

SENATOR RAND: Well, their only income is from the users. They have no other income.

SENATOR HURLEY: But they have the users of the port, too. I mean--

SENATOR RAND: Well, they don't run the port.

SENATOR HURLEY: They don't run Port Elizabeth?

SENATOR RAND: No, no. Do you mean up in New York?

SENATOR HURLEY: Yeah, I'm talking about New York.

SENATOR RAND: Oh, yeah, they run the ports and, of course, they have airports; they have industrial parks.

SENATOR COWAN: But, here, you really don't have anything defined except what, control of bridges? You have nothing defined other than that. What you are talking about with the Port Authority-- You're talking about a 25-mile radius of the port itself -- commerce, industry, whatever is involved.

COMMISSIONER JOHNSON: But, I was talking about the--

SENATOR COWAN: Even when they came, Jim, to points in time-- Excuse me, but even when they came to points in time, such as the building of the Twin Towers, the World Trade Center, they sat down and worked it out, because they were able to take over a deficit operating railroad, mass transit -- PATH, known as PATH today, the old Hudson-Manhattan Railroad. They were able to do these things, to sit down. If they needed to broaden their scope, they were able to sit down and get it done, just as they have done recently, as I mentioned earlier in my opening statement. They were able to sit down and get things done.

SENATOR HURLEY: I wasn't here.

COMMISSIONER JOHNSON: There was a proposal several years ago for the Philadelphia side, which talked about taking these finger piers that you drive by and see, and they are gradually being developed for one thing or another, and taking the proceeds from that real estate development and having that be another source of income.

But to get back to a fundamental question, that is, is being in the port business a good business, and what are you willing to do to be in the port business? It always comes back to that, I think.

SENATOR RAND: Commissioner Talley, did you have something you wanted to say?

COMMISSIONER TALLEY: I just want to share two questions that I am most often asked. One is from people outside our geographic district, as well as outside of the country, and the second is from people right here in our area.

The first question that foreigners ask when we go on these trade missions is, who is your harbor master, meaning who is in charge here, and Craig alluded to that. Here we are, a team of 24 or 26, made up of public sector and private operators and private businesspeople, going together as a team to solicit cargo. We sit down and talk to businesspeople to get them to send their cargo up the Delaware River, rather than towards the north or south, or wherever else. So, they look at this team and say -- just as Craig said -- "Who makes the decision here?" I have to dance around that very, very carefully, and I have to give the positive that it is teamwork. We are here as a team and we work together as a team. But, that is a fudge because, let's face it, a team only works when there is a coach, someone who pulls it together. That is why I think the unification subject has finally come into being because -- just as Craig has said, and others have said -- it is no longer working the way it did many years ago because competition, world markets, everything, the whole picture has changed. Because of that, we need to change right here in our port community.

That is one question that I am often, often asked, and it is very, very difficult to answer, and answer to the businessman who wants to do business with us. That is one reason I am solidly behind unification.

Number two, and it gets into this whole subject of the tollpayer-- The question I get asked is, "How come we still pay tolls on your bridges? We remember when the bridges were built, that as soon as the bonds were paid off, they were to become toll-free facilities." Okay. This is where I fault the public sector, because the total story really didn't get out. The first half of it is true, but the second half is, after the bridge was built -- and I am talking about our grand old lady -- after she was built, neither state wanted to commit or appropriate funds to maintain her. Both states said, "Not me."

So, you have a facility that goes up, and we have since added three more. Every day they age. They age from the 18-wheelers that we need to support the port. We can't do without them, but they place wear and tear on the facilities. So, the Authority -- our name changed from the Joint Bridge, or the Bridge Commission to the Port Authority-- But, the whole idea of a toll-free facility went out the window very early in the game.

So, a totally autonomous body was formed with the ability to levy tolls, and then the tolls would be used to maintain the facilities. Now, whether you are talking the tollpaying public, or the taxpaying public, it is really the same thing. Government subsidies. Who pays those? We all do, from our taxes. And we have no say, Senator Cowan, as to how much gets paid in a direct subsidy to the New York-New Jersey Port Authority. Do you see what I am saying? So, I don't understand why we make this big--

SENATOR COWAN: The only thing I would submit at this point in time, Commissioner, is that the New York-New Jersey Port Authority has provided some tremendous subsidies to the State of New Jersey, not only in many areas, but particularly Transpac I and Transpac II with buses. I believe that some of them might even be down in this area.

SENATOR HURLEY: Quite a few, Senator.

COMMISSIONER TALLEY: One of the reasons why the area and both state governments are looking towards my Authority to do more in the way of economics, is because we are a revenue-producing body, because the finiteness of government funds has, more or less, been seen as at an end. Government cannot do it all any more. So, state governments look to what authorities are left around the area that can, in fact, go out for bond money.

You know, I think it is unfair to keep harping on the tollpayer and what he is actually subsidizing, because the end

result is, it's the same old story, you know, taxes and everything else go into a pool to be spent for the economic welfare of society as a whole in a particular region, in a particular state, in a particular county.

So, I don't want it to be all of a sudden that this whole thing falls on the tollpayer. Our Authority has the ability to go out to the bond market, because we are producing enough revenue to pay off those bonds. But, we need to do both. I have said this before. We need to have a schedule of tolls, and we need to go out to the bond market.

SENATOR HURLEY: May I ask you one quick question? If there is a question about the compact and your ability to do this, how did you get in the World Trade business?

COMMISSIONER TALLEY: I think if you go back to the compact in the very beginning-- The final sentence, if I remember, said something about "to promote commerce--" Jim, you can probably cite it work for word better than I can.

MR. KELLY: It is part of our authorized purpose just that the Port Authority must promote commerce on the Delaware River. It doesn't tell us how to and it doesn't require us to get any further permission. So, the World Trade Division is the judgment of the Commission on how we should promote the port under that purpose.

COMMISSIONER TALLEY: I would like to make one final statement as far as how we can function, and it is a major difference between the New York-New Jersey Port Authority, where both Governors have veto power. This Authority does not give either government that power.

SENATOR RAND: The Legislature passed it on this side; the Pennsylvania Legislature did not pass it. In order to be operative, it has to be passed by both Legislatures. So, we passed it on this side; it has never been passed by the Pennsylvania side.

COMMISSIONER TALLEY: That does change how things can be enacted.

SENATOR RAND: Okay, Senator Hurley?

SENATOR HURLEY: That's fine.

SENATOR RAND: Thank you, Commissioners. Are there any Commissioners I have missed? I want to make sure. There are no Commissioners? (no response) Fine. I have three more people. If I do not call your name, if anyone else wishes to testify, please come up here. If your name is not on the list, we can't call you. The three people I have left are: A representative of the Philadelphia Maritime Exchange, and I will call him in a moment; Mr. Shenefelt, Director, Bucks Hub Conference; and, Mr. Holt. Are there any others besides those three gentlemen who wish to testify? (no response) Okay. We will start with William Harrison. Good afternoon, sir.

W I L L I A M A . H A R R I S O N: Good afternoon to you, sir. Senator Rand, Committee members, and Port Authority Commissioners: My name is William A. Harrison, Executive Director of the Ports of Philadelphia Maritime Exchange.

The Ports of Philadelphia Maritime Exchange is a private, nonprofit corporation which has served the ports of Philadelphia for over 100 years. Its membership consists of approximately 200 business firms and individuals representing all of the elements of port operation in the tri-state Delaware Valley region.

The maritime community has found it necessary for one objective agency to take on the delicate assignment of bringing various interests together to work toward the common good. The Exchange is well-suited to this task because of the regional quality of its membership, and because it maintains its finger on the pulse of the port as acting as its communication and information center.

At the outset, I must tell you how very impressed I am, Senator Rand, with you and the members of your Committee, as well as the Port Authority Commissioners here, for the statements that have been made today. They, to a surprising

degree, coincide with the statements I will be making as a representative of the business community.

SENATOR RAND: I will leave here happier than when I came in, because there is so much agreement that it is just positively wonderful.

MR. HARRISON: Exactly. That is my feeling. I will go away from here with a great deal more hope about your ability to achieve solutions to the many problems we have in this port.

There are over 2800 merchant ships each year that call at the Delaware River ports. These ships generate over one billion dollars annually into the Delaware Valley economy, and directly and indirectly employ 93,000 people here.

We consider the port to be this region's most important asset and, as such, it deserves to be nurtured and protected in every way possible. Competition between ports continues to be fierce. It is this organization's view that the ports of Philadelphia suffer and generally come out second best in the competition with the ports to the north and south. Complications are added when it is realized that in addition to the ongoing competition that this port must deal with externally, we also face the inter-port competition that exists among South Jersey ports, the Port of Philadelphia, and the Port of Wilmington. We consider this added competition especially harmful as it dilutes our efforts to direct the port's resources exclusively to the outside competitive forces, which demand our continued attention.

We believe that the proposal presented to unify the tri-state port communities is a useful undertaking, and certainly on its face is an attractive alternative to present conditions. This is not to say that we do not have reservations which require answers before the Ports of Philadelphia Maritime Exchange can give its specific endorsement.

I should like to briefly outline some of the important reservations which we have and which we feel must be satisfied before we can completely support the concept. The Ports of Philadelphia Maritime Exchange's Board of Directors received a briefing on the unification concept from the Chairman, Vice Chairman, and President of the Delaware River Port Authority during a meeting held on September 8. The concept, as presented, raised several questions which I would mention here.

The Maritime Exchange Board, especially considering the current depressed state of business activity in the port, needs assurance that the Port Authority is committed to using its total resource capability in the interest of moving a unified port toward a better economic climate than currently exists. We are not willing to endorse a program that does not provide the necessary motivation to do much more than simply place the ports of Philadelphia into a different organizational structure.

Most important, a unified port must employ port professionals in positions of responsibility at all operational levels. There is also a need for this organization -- and we presume others -- to know what the game plan is. For example, what specific marine terminals will be involved, and will these facilities be operated directly by the Port Authority as open terminals, or will they be leased to private operators, or will there be some combination of these two plans? Will the marketing efforts be beefed up? This is the sort of information which will permit us to make an intelligent assessment on the proposal.

Our competitive ports utilize a variety of means to attract ships and cargo which go far beyond the financial capabilities of the private sector. We would hope to hear that the Port Authority is also prepared to meet such challenges head-on. It is our perception that under its current structure, the Port Authority does not regularly take forceful,

political positions to support the port when those positions might offend a political block, or perhaps a permanent political figure. The Port Authority, under the unification plan, must have the freedom to defend and speak out for the port in unrestrained fashion in those instances where the port interest is placed in jeopardy.

As I have described, we do have concerns which we hope will be addressed. I would like to emphasize here that it is our belief that unification of the Delaware River ports offers the best hope for our survival, and we applaud those who have proposed the concept. We are mindful of the need for all elements to work toward a truly unified port. A unified port would, for the first time, allow the Delaware Valley region to coordinate its initiations and responses in the competitive battles which we continually face. This region has tremendous resources which should be harnessed for the common good.

The Ports of Philadelphia Maritime Exchange is totally prepared to help move the process of unification forward. We are prepared to offer our services to you, Mr. Chairman, and to your Committee, if we can, in any way, provide you with a better understanding of the issue from the private sector's perception. Meanwhile, we very much appreciate having the opportunity to express our views here today. If there are any questions, I will be glad to try to answer them.

SENATOR RAND: Thank you very much. Senator Cowan?

SENATOR COWAN: As the representative of the private industry in the area, have you had much communication with the Delaware River Port Authority itself over a period of years? How long have you had--

MR. HARRISON: Yes. It is fair to say that we have an excellent relationship with Mr. Kelly and his staff. It is the one thing, I think, that has kept our head above water up to this time.

SENATOR RAND: Let me serve warning to all political figures then. (laughter) I would hope that this Committee could be made cognizant of the report that you received on September 8, because I must be very honest with you, we did not receive that report. Did we receive that report, Peter? (receives negative response from Committee Aide) It was the report where they were briefed by Mr. Kelly as to the progress that has been made so far. We didn't know that any progress had been made, but we would be very, very happy to receive some of that same information. I guess that will be forthcoming. If I may ask someone from the-- Mr. Kelly, will we be able to get that?

MR. KELLY: Yes, sir, I will undertake to get that for you.

SENATOR RAND: We would appreciate that. Thank you very much. Thank you very much, Mr. Harrison.

MR. HARRISON: Thank you, sir.

SENATOR RAND: Thomas Holt. See, gentlemen, we have now heard from the public sector, and I am very happy that we have someone here from the private sector. I had hoped that we would have many more from the private sector, but I am sure that as this dialogue continues and we go further, we will have more representation. Mr. Holt, we are glad you could join us.

THOMAS HOLT: Senator Rand, good afternoon -- Senator Cowan, Senator Hurley, who will be back, I hope. Commissioners, guests, and my fellow associates in our world of import/export: This morning, there was a doubt in my mind about whether I should come forward and address this esteemed Committee. I thank you now for this opportunity because, as much as I have heard, the various comments around the table, I think it is best that I come forward and explain our position in the private sector, and I can only speak for our company.

I think, involuntarily, I have set out to do port unification where it has to be done in order for a quality of

life to be maintained in our import/export region. You will hear words such as "governance, regional committees, unification, Shipping Act of 1984." All these things are coming, and coming fast. We are about three years late in trying to come to the body of the Delaware River as a unified section to the world market. For the moment, we should applaud the fact that unification has taken place already between the Philadelphia Port Corporation and the World Trade Division of the Delaware River Port Authority. This, from me personally, has eliminated confusion in our marketplace when our people go throughout the world calling on our customers.

A small company like us budgets \$1.6 million for world marketing. Many years ago when my dad used to say, "Take this tractor and trailer to New York," there was only the Port of New York. As well as I can remember, there was only the Port of Philadelphia. Today, we stand and prove to the world that there is a Port of Philadelphia, both on the New Jersey side and also on the Pennsylvania side, and I think that anyone who knows our company understands what I'm saying.

There is a missing ingredient in this room, and if you don't have it, you are not going to be successful. If I may be so blunt, that is the Port of Wilmington, because without a tri-state drive, there will not be the proper unification required to bring success to this table.

Now, let me talk about what that means. There is only one other revenue dollar that comes into the mainstream of our economy in this country that has more impact, in my opinion, than the port. That is government, the government being the largest employer in our country. The ripple effect of one ton of cargo virtually touches everyone throughout our community, directly or indirectly. When I hear the concern about the cost of transportation through the fees of the bridges, I hasten to think of what we as a private entity pay in bridge tolls.

SENATOR RAND: Are you talking about the trucks that come through?

MR. HOLT: I am talking about trucks that come through because, remember, God made us to be between Baltimore and New York, and when the decision was made for road systems, there were no tolls to go to New York or to Baltimore from the Midwest. There is a significant cost in bringing a ton of cargo from the Midwest to or from the port.

So, we now have one hand tied behind us. We then turn around and, with the Shipping Act of 1984, we have the ability to become a world port center on the eastern seaboard. What has happened? We have confusion; we have bickering; we have people who are out to destroy each other from Wilmington to New Jersey to Philadelphia, all frustrating the ability to bring a job, or jobs, to the ports of Philadelphia.

The Shipping Act of 1984 should do for the steamship world what unification should do for the Port of Philadelphia. It brings together competitors who can now operate in efficiency and economy on a through-put ton of cargo from one port to another. But it has a backlash for us. While we are surely 90 miles from the sea, and it gives us great concern in marketing the ability to handle a ton of cargo, the steamship lines are now saying, "Now that we have joined in rationalization, we are going to go load-center concept. We will go New York/Norfolk. We'll go Baltimore/Norfolk, or Baltimore/New York." Nobody is talking about poor little Philadelphia. The only guys who get involved are Alex, and I, and a couple of other people who are in this with their dollar. Remember, you are looking at a guy who is motivated by greed. Always remember that. We are a private company. We must make a profit, and that profit is then distributed to the various banks which own me. Okay? (laughter)

Now, with this issue in mind, we are unifying involuntarily. Our company is making decisions that I never thought we would be making in all the years that we have been in business. But, if you recognize the natural resource you

have here, with the ability of a desiring labor force, this can be the greatest port in the country. We talk about ports. You can go to Los Angeles-- They will waltz out in Long Beach, California, a 2020 plant. I said to a guy, "What does 2020 mean?" He said, "Well, in the year 2020, we are going to have 2000 acres out there in the water. We are going to make Los Angeles and Long Beach a first-class port." It is now, because they have the ability to function.

True, Virginia is a newcomer to our marketplace. They're kicking the stuffings out of us. I'll tell you, every time you come up against Virginia for a ton of cargo, be prepared to fight. The ability of the southern railroads to come to the party and put a price on the table to move a railroad car from Chicago to Norfolk-- We need creative imagination.

What I want to do, and I haven't done it yet, is tell you that no matter what you do with your talks, no matter where you go with them, I have expressed to President Kelly the dedicated position of our company to assist you in any way you want to be assisted, through our private ability to tell you what the market is doing, and, yes, Commissioner Talley, don't worry about fruit. I will handle it all. Where are you?

COMMISSIONER TALLEY: I knew you would.

MR. HOLT: I mean, there are plenty of warehouses and piers. So, we are here to support whatever you want to talk about. I will give you the good side of it; I will give you the bad side of it. My people will help you with whatever little statistics we've gathered through our modest success in our world. But, like my children tell me, "Dad, make the decision. Get it done while I am young." You've got to get on with it. We don't have five years.

SENATOR RAND: You certainly concur with Commissioner Johnson then, don't you?

MR. HOLT: Well, Commissioner Johnson and I have had the privilege of being competitors and, also, friends. I have to echo exactly what he said. If you do not elect to unify, there will still be cargoes in the Port of Philadelphia. Alex's man-hours will be down to 500,000 man-hours, instead of three million. You will still have coal; you will still have scrap; you will still have some general cargo. But, is that the quality of life you want to give to your constituents?

You, as a public entity, have been chosen, I think -- and maybe I'm wrong -- to be the vanguard of bringing a quality of life to the Delaware Valley area. That Delaware Valley area doesn't stop 25 miles from here. It goes to Chicago. I consider Chicago our territory, not Norfolk's. You would be astonished how many loads of cargo we move through our terminal that wind up in California.

Right now, the situation we are faced with is, we are not moving fast enough. The West Coast is going "mini land bridge" across the country with double-decker trains. We can't get a double-decker train into the Port of Philadelphia. Can't do it. We've got our hands tied behind our backs. The millions of dollars that are being spent in North Jersey -- and I applaud North Jersey-- I didn't say New York. North Jersey is there. They've done it. We're talking about it. Norfolk has done it. We're talking about it. And even Baltimore -- they've done it. We're talking about it.

SENATOR RAND: Mr. Holt, if you are talking about bringing in Wilmington -- and I have no objection to it -- that is a procedural question which the Commissioners of the Port Authority are going to have to face. Are you talking also about Salem? Are you talking about Gloucester County? Because I have had inquiries. By the way, I happen to represent a portion of Gloucester County, and I get that inquiry every day. "We've got a great waterfront down here. Why isn't the Delaware River Port Authority involved in that?" Are you talking about bringing in those players also?

MR. HOLT: Senator, I would welcome help in my world wherever I can find it. I say to you that without Wilmington, which is a major force in our river, with natural 50 feet of deep water, with the ability of growth, without them, we could have a beautiful port up here, but no cargo.

SENATOR RAND: You're saying they have to be an important player?

MR. HOLT: I think they are the first. That is my humble opinion. Now, we could talk about this for the next 14 months -- we are a little tight for lunch, and I appreciate the opportunity to address you -- but I am going to rededicate our company to assist anywhere we can. We support your World Trade Division, which I think is the premier way to go to attract cargo to this port.

SENATOR RAND: One final question from me: Has the Delaware River Port Authority been in touch with you? Have you been asked to give your opinions? Have you been asked for your input?

MR. HOLT: As I mentioned earlier, I was asked to come forward here, and I was really hesitant about speaking because I thought, really, whatever I would say would just confuse you. But I felt after hearing everybody that I better say what I had to say. I don't think I said it all, but it is going to take a long time to say it.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: No questions.

SENATOR RAND: Mr. Holt, we thank you very much.

MR. HOLT: Thank you, gentlemen.

SENATOR COWAN: Thank you.

SENATOR RAND: Mr. Shenefelt, Director, Bucks Hub Conference.

A R T H U R B. S H E N E F E L T: You never heard of it.

SENATOR RAND: Well, I heard of it last week.

MR. SHENEFELT: Right.

SENATOR RAND: About 150 words, is that correct, sir?

MR. SHENEFELT: That's about it.

SENATOR RAND: Okay. I am not trying to limit you, by the way. That was your own remark. Good afternoon.

MR. SHENEFELT: Good afternoon. Mr. Chairman, ladies and gentlemen: Before too many people leave for the men's room or lunch, I will go quickly over what I wrote, which is more than 150 words. I can come down to the crux of it by saying that the last two witnesses have hit some of the points that I was going to get at, primarily more than two states--

The Bucks Hub Conference, very quickly -- there is a resume on the back of my prepared statement -- is an amalgam of corporate interests, roughly from New Brunswick down through what is commonly called the Princeton Corridor, and as far as City Line, Philadelphia, in the Bucks area.

The Bucks Hub is not a new idea. I'll tell you who drafted the abstract drawing. That was The Wall Street Journal a couple of years ago for a magazine that I publish. But it pretty well tells you that this is an intermodal and multi-state problem. I haven't heard much about intermodal. I think it was only within the last 15 minutes that I heard the word railroad mentioned. I think before Mr. Holt gets away, what we need is a time differential on rates.

Now, I had something to do with the concept of mini-bridge rates going way back before they were invented. I will tell you this: The Delaware River Port Authority has the expertise, and people within it who anticipate many of the things I have written here. If you give me time, I will go through it, and if you don't, I won't. But these tariff ideas, like-- Europe Port West is not a new idea. Your Delaware River Port Authority people looked at that in 1972. This is the tri-state thing that we ought to have here. I think it is more than tri-state. It reflects what Mr. Holt was talking about off the shore of California. It has been looked at for 25 years by people in New York, Tokyo, and elsewhere.

So, let me just plow through this real quickly. I'm sorry to do it; I know everybody wants to get out of here. A multi-state area of confusion is what you've got here. The Bucks Hub-- Let me put it this way: A former Governor of Pennsylvania asked me to take a look at the port-serving facilities -- rail, truck, etc. The problem here is you have land surface transportation coming to the water's edge, and you have the water's edge coming to land transportation.

We can beat Wilmington, Norfolk, and New York in land transportation, given differential rates, which have not been addressed, but which must be addressed with railroad top executives, and the only way you can hammer them in is with the public sector. You people, with your leadership, could do that. That has ramifications with the purchase of Conrail and/or whether it is to be purchased, and so forth, but there are rail people ready to talk to you about a rate structure that would do exactly what Mr. Holt is talking about, bringing access.

SENATOR RAND: Do you mean we can get rate advantages?

MR. SHENEFELT: Absolutely, why not? A rate is a time factor. I will get back into that.

We should have studies. Mr. Kelly, as well as anyone I know in this country, and his people, know-- I am not saying he would agree with everything I have to say, but he has done -- his people know and have the expertise to address these problems. I must agree with someone who said, "You have to watch out for political figures." It reminds me of a Mae West movie. Someone said to a bartender, "The flies in here are terrible," and he said, "You point out the ones you don't like, and I will kill them for you."

Well, we do have some problems in the political public sector. One of the things the Bucks Hub Conference can do, along with the M. S. Regional Council and the Alliance for Action, is to bring top corporate expertise, in this country

and outside of it, to your assistance, to listen to you. We don't want to belabor points or people, but we think the private corporate strength here -- abroad and here -- coming in here can save Philadelphia. I agree with Mr. Holt. This is the greatest port area. This is the one, and 90 feet of water channel doesn't make a damned bit of difference. We go through Houston with Philadelphia cargo. We have Chilean fruit and produce. The Delaware River Port Authority has one of the finest experts in the world on Chilean, Venezuelan, and Australian produce that could come in here, and it's, to some extent, flight bound outside of the area because of land bridge, because of other factors.

There is no reason why unit train priced cargo couldn't come in from the West Coast from the Far East. This should be Tokyo East and Europe West. That is what we should have, in an offshore corporate structure. There has been mention here of arrangements with reference to Newark. I can remember the days when we put containers-- We were the first to put containers on the Degan Highway for the New York Central and the old West Side yards, before Bergen ever mushroomed in North Jersey.

Speaking of the resources of the Port of New York -- the Port Authority there -- back in '57, they were the biggest financial entity in the City of New York, a very powerful, well-capitalized structure.

Another thing on the subject of subsidies here today-- There is no such thing as a subsidy. There is a capital formation at the front -- seed money. If you start thinking in terms of a business proposal, there are people all over the world and in this country within 27 miles of where we sit, who would sit down with you and say, "Let's get a plan that goes from here in five years, eight years, 10 or 12." That is the way the Japanese set up a business proposal in transportation.

May I say that the last time I was here, I was a representative of the Japanese National Railways, which came here at Mr. Florio's suggestion, before a House committee meeting. I was in favor, and the Japanese were against participating. You talk about South Jersey -- Camden, Philadelphia -- we should have had a bullet train in there. We've got a bullet train now, but you don't know about it. It goes right through your town of Trenton. We will get to that.

I am all through. I have a hell of a lot of things to tell you, but I am ready for a question. I will defend myself. I think you need private sector cooperation, and you need the guys in Harrisburg to understand. We don't have to go through PennDOT and Harrisburg to get to Washington. We in Southeast Pennsylvania joined with you in New Jersey-- We will go with you to Washington.

SENATOR RAND: You touched on some subjects, Mr. Shenefelt, that are certainly very important.

MR. SHENEFELT: They're tender, I know.

SENATOR RAND: Fortunately, I think we have Congressmen from this area, both on the Pennsylvania side and the New Jersey side, who would be very sympathetic with some of the--

MR. SHENEFELT: I differ with you, Mr. Chairman. We have Congressmen on the Pennsylvania side who can't understand what we are talking about -- some of them. Some of them.

SENATOR RAND: I am really a little surprised to hear that--

MR. SHENEFELT: I have been, too, for a number of years.

SENATOR RAND: --because on the matter of Conrail, I have spoken to some of them and have gotten a very sympathetic approach.

MR. SHENEFELT: That may be. But, at the water's edge, we have a problem.

SENATOR RAND: I would hope that we could have a consensus of opinion, certainly, on the congressional delegate from both sides. I know Congressman Florio is certainly very interested.

MR. SHENEFELT: Yes, he is.

SENATOR RAND: He would have been here today if he were not tied up in Washington. I know we are going to keep him cognizant of what is going on. I would hope that the next time we have a hearing -- which will be called--

MR. SHENEFELT: Congressman Florio is the person who invited us here a few years ago. I don't think there is any criticism to be leveled at any public figure, not so far, but I think if you are-- As you said to me the other day, "I am for what is good for New Jersey." I think what is good for New Jersey is good for Wilmington. I listed all the port entities, or a few of them. As one outside expert said--

SENATOR RAND: You even put Salem in there.

MR. SHENEFELT: You bet. I heard you mention that. An expert with a sense of humor said the other day, "The problem with the Delaware River is, everybody's got a 10-foot cat bank of water plus a Port Authority." It is all good. As a previous witness said, a lot has happened since he drove a truck to New York. That is all gone. You have the best, the most efficient, highly planned intermodal facility, and it's in Bucks County. It ain't in Philadelphia, for good reason. I had a lot to do with positioning that port facility there; not down here.

One other thing to Mr. Holt. If he is going to build lights on the Delaware on the New Jersey side, we are going to build lights on the Delaware on the Bucks County side at U.S. Steel and Parchment. We are going to put pier facilities in there.

Now, why don't we work together before we work separately? Thank you.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: No, thank you.

SENATOR RAND: Thank you very much.

MR. SHENEFELT: Thank you very much,.

SENATOR RAND: Is there anyone I have neglected to call whose name was on the witness list? (no response) Is there anyone who wishes to testify whose name was not on the agenda? If so, we will listen. (no response) If not, let me ask Senator Cowan to make some concluding remarks, and then I will. Senator?

SENATOR COWAN: Senator, Commissioners, guests, people who testified: I was very impressed today with what was addressed. I could only think, as the testimony was given, about the fact that we started out mentioning two communities and extended that to almost four or five, including a tri-state view. As this testimony was being given, it ran through my mind, perhaps almost to a matter-of-fact conclusion, that many things are being cut back now. We hear of all the different bills on the Federal level, and the cutbacks that have affected the states and all of the services and subsidies, so to speak, that we were receiving from the Federal government, and how now the states are going to be more responsive and more responsible. Perhaps they should be reversed -- more responsible and responsive.

I am looking at something now that perhaps maybe some of you other people here today are also looking at, that there could be something here that will have a good, effective regional workability that could service the growth that is needed in this area. I have heard so many times from my colleague and compatriot, Senator Rand, about how South Jersey has been denied. I am sure he only relates that to what communities in this region should be provided with.

With that, I can only conclude that I hope the hearings will continue. I hope we will have further input, and

perhaps can help serve at least as some part of a vehicle to contribute to growth in this area. I know, as most of you here know, that New Jersey is on a roll. I don't just mean Atlantic City. We have really come a long way in the brief period of time that I have been in the Legislature -- the past four or five years -- and we have really started to see the effect of it. If we do not continue with that growth in other facets, whatever it may be, whether it is the Delaware River Port Authority -- whatever it may be-- If we do not continue to contribute toward a sustaining growth, then all of us here are lacking in something.

SENATOR RAND: Thank you very much, Senator Cowan. Let me thank Senator Cowan, let me thank Senator Hurley, let me thank my staff and everybody connected with me. Let me thank the Commissioners and all those who have testified. I also want to thank the Delaware River Port Authority for their hospitality. We are very cognizant of their certainly wanting to keep in touch with us, and we deeply appreciate it.

Let me make one final closing statement. It is a very funny thing that we didn't have these problems years ago. If the Delaware River Port Authority did not move four or five years ago -- as I heard here today -- maybe it was because we didn't have as complex an economy as what is developing in South Jersey. Somebody from The Newark Star-Ledger asked me last week what the difference is today as compared to five or ten years ago when I first went into the Legislature, and I simply said one thing: "The problems that they had in North Jersey have now caught up with South Jersey." We have gridlock problems; we have road problems; we have transportation problems; we have port problems. So, we have come into our generation, so to speak, in South Jersey. The very complex problems we have we are going to have to solve, and the Delaware River Port Authority is one of them.

We think they can make a great contribution to both your side of the river and our side of the river. We are going to await your telling us when we ought to convene another hearing. We think we have opened up a dialogue. There are some people who have asked me, "Why didn't you hold this hearing next January," and I simply said, "That would be too late. The time is now." If I don't hear from you ladies and gentlemen, and from your Executive Director, within the next four, five, or six weeks, then I am certainly going to stir up something.

We want to be kept apprised about everything that is going on. Whether it is good, bad, or indifferent, we certainly would like to know. I would submit to you once more that if you come up with a viable plan that is beneficial to everyone-- I must tell you I am sorry that more shippers didn't testify today. I also have to be very honest with you -- and the Executive Director of South Jersey Port Corporation is here-- I have to say this to you: I am very unhappy-- Maybe that is too strong of a word, but I wish the South Jersey Port would have testified. I want input from everybody. There is no one to be shut out of this process. If I, at any time, feel that someone is being shut out of the process-- That doesn't say we have to agree with them and that doesn't say that we have to meet their terms, but everybody has a right to input, anyone who is a player in this total arena.

So, we will wait to hear from you gentlemen. We have given you, I think, copies of the questions which we think are important to the Legislature. When you think you are ready for a reply, or ready to give us some information, or give us additional information, we will convene another public hearing down here.

Thank you very much.

(HEARING CONCLUDED)

APPENDIX

S T A T E M E N T

of

Arthur B Shenefelt
Director
The Bucks HUB Conference

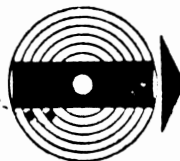
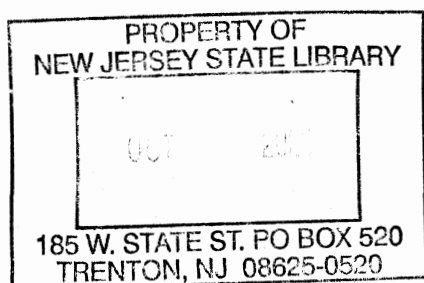
before

The Honorable Walter Rand
Chairman
Senate Transportation Committee
New Jersey Legislature

at

Board Room
Delaware River Joint Toll Bridge Commission
10:30 AM Tuesday
September 16, 1986

HEARING SUBJECT: PORT AREA UNIFICATION



The Bucks HUB Conference
P. O. Box 73
Washington Crossing, Pa. 18977
(215) 946-0575

Bucks Hub

Interchange

NJ Turnpike

US 1

Boston

Metroliner

Northeast Corridor

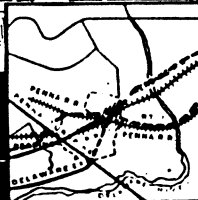
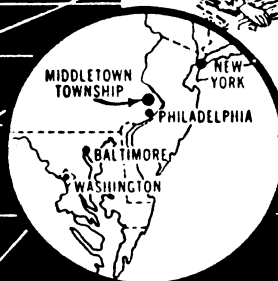
Washington

I 95

PA Turnpike

Washington

Miami



PORT AREA UNIFICATION

My name is Arthur B. Shenefelt. I am director and spokesman for The Bucks Hub Conference, an amalgam of private sector, largely corporate, interests that seek a regional solution to a regional problem -- the multi-state congestion and lack of coordination affecting 22 counties in four and a half states; -- New Jersey, Pennsylvania, Delaware, Maryland and tips of Virginia and Manhattan, New York.

We plagiarized in our name-seeking. We recall the PUGWASH CONFERENCE that Cyrus Eaton fostered off the coast of Nova Scotia, favoring and training experts in better relations between the Soviet Union and the United States. And we are not unmindful of the CONFERENCE BOARD in New York which has an illustrious reputation for sticking to facts and objective analysis of economic trends.

Mr. Chairman, we believe the BUCKS HUB AREA, this 22 county region centers down in terms of transport to a HUB related to "port" in more senses than ocean transport. And by your own remarks we know you see it too in terms related to highway, rail access for both passengers as well as freight.

Our problem is that state, county and municipal agencies in the public sector either are at war with each other, or at most unmindful, each of the needs of the others. This apparently is doubly so as regards the states, particularly Pennsylvania and New Jersey in the instant case.

M O R E...

Indeed, we learn with some chagrin of recent actions among board members of various agencies in which recommendations by New Jersey members are opposed by Pennsylvania members simply because they were forwarded by New Jersey members.

But what of the real picture. The people can't move. Freight can't meet tight commercial schedules. Not because we don't have the technological means. But because politicians are standing in the way with roadblocks. This is not their fault. So far. Each is protecting his own view of his constituency. You may well say: 'I am for what is good for New Jersey.' We say what is good for the whole Mercer, Middlesex, Bucks, Somerset, Burlington, Camden, Philadelphia, Wilmington, Port Elizabeth-South, Baltimore-North Area is good for New Jersey, Pennsylvania and all the rest.

The problem is that nobody's in charge. We have commissions in charge of commissions with no real authority and responsibility. We have the Philadelphia Port Corporation -- a sad spectacle of misdirection and mismanagement, a prime cause for lack of use of Philadelphia piers and port facilities; the Wilmington Board of Harbor Commissioners; the Delaware River Port Authority; the Salem, New Jersey Port Authority; the Bridgeport, New Jersey Port Authority. Unification indeed!

We have bridges that don't bridge. The Burlington Bristol Bridge is a 12th century moat that separates rather than bridges two points of this Northeast Corridor that could complement each other in commercial enterprise and instead separates routinely ocean from automobile traffic in a manner reminiscent of the 19th rather than the 20th century.

M O R E...

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We have the Scudders Falls Bridge. Obsolete, like the Schuylkill Expressway, the day it was built.

One of the world's largest oil companies has its state-of-the-art research center at Pennington, New Jersey. And 36% of its employees can't get to work because they live too far away. -- Ten miles on the other side of the Delaware!

The 7-square mile area that is the City of Trenton is finishing off \$239 million worth of new construction, a nice piece of it related to Japanese -type Bullet Train use of the Northeast Corridor. And the station complex, when it is finished, will be more easily reached from Bucks County than from New Brunswick. and Princeton.

Mr. Chairman, the area needs unification. It needs overview and oversight by agencies that perhaps don't yet exist. Under your leadership and with the cooperation of far-sighted people aiming at new methods in Harrisburg, new support systems from Washington, we may solve an impacting problem in migration and a shipping disaster in distributive commerce. We can work together, under your leadership. Or each of us can work separately to the detriment of the other.

You in New Jersey can take freight away from Philadelphia with new and good container ports at Pettys Island and Camden under the excellent foresight of Mr. Holt, among others. And we in Bucks County can take it away from you in new container piers at Parchment and U. S. Steel in a grand new BUCKS HUB FREE ZONE that is long overdue. We have better access to immediate rail and highway delivery than you do.

CK

We think it a scandal of monumental proportion that PennDOT, that worst of all state transportation departments, has allowed its sixth district to sit for 18 years on plans for improvement in the southeastern portion of Pennsylvania. And worse, has not even met with New Jersey DOT and Bridge Commission officials to seek solutions to inter state access. We need your leadership and like leadership in Harrisburg and the urgings of the federal constabulary to remedy this overdue deathtrap to mobility and commerce.

We need New Jerseyans who can think Turnpike, Interstate and Atlantic Seaboard as one, part of a service system that is continental and intercontinental in character. We share a glorious opportunity to construct here, for us all -- all together -- an intermodal system that serves all equally. That uses the network of key rail and highway service to deliver to two thirds of the greatest buying market in the world.

The world is knocking at our door. And we with feudal certainty are slamming it shut with monastic myopia.

It is no news to some here, that plans have been off and on the drawing boards for 14 years, calling for an off-shore 'EUROPE PORT WEST' that could compete successfully with Canada, Boston, New York, Savannah Houston and Portland-Seattle for foreign ship arrivals, fast unloading and turnaround.

We need imaginative rate making. I was privileged to work with those who anticipated mini-bridge and landbridge tariffs that today afford unit train coast to coast delivery systems. With a new schedule of time-differential rates we could accept our own cargo at our own ports.

M O R E...

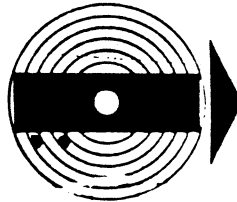
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It flies in the face of only a little purposefully directed negotiation by government -- that we have not had, for example -- that this Port has no mini-bridge rate though ports immediately north and south of us do.

We implore you and others like you for your leadership and assistance.

Thank you, Mr. Chairman, for your courtesy in allowing me to talk to you today. I shall be pleased to try to answer any questions. Or to file with you any information and supportive material you may request.

A brief biographical sketch is appended to this statement for your convenience.



The following was excerpted from a Day & Zimmerman Engineering proposal to build a high speed rail service between Los Angeles and Las Vegas.

ARTHUR B. SHENEFELT
Project Associate

Prior to becoming associated with TAD as a Project Associate, Mr. Shenefelt served for more than 30 years in assignments involved with tracking and evaluating international and domestic advances in rail/highway technology. He has served in related government roles at federal, state, and local levels. As a private consultant he has been very active in latest developments of foreign rail technologies, particularly those of Germany, Great Britain, France, and Japan. Until recently he was sole American consultant to the Japanese National Railways, Nissho Iwai American Corporation, Inc. trade group and equipment manufacturer; Japanese Railway Services, Inc.; he helped organize the Japanese Railway Technology Corporation where he served as Executive Vice President.

Mr. Shenefelt has conducted federally-funded studies in intermodal facility design and placement, research and development sites, and studies related to public/private funding and supports for R&D institutions devoted to transport technology.

He was named personal transportation advisor by the former Governor of Pennsylvania and helped organize a Governors' Rail Caucus among the chief executives of five states. He was named Transportation Advisor and Press Secretary by the Chairman of the United States Senate Transportation Subcommittee and served as spokesman during the passage of the 3-R and 4-R rail bankruptcy statutes. Likewise, for public hearings he assembled technological information and funding proposals relative to the proposed high-speed improvement of the Northeast Corridor.

Mr. Shenefelt served with The New York Times, Associated Press; and The New York Journal of Commerce, as Transportation Editor. He was national spokesman for the trucking industry in two major rounds of bargaining with the International Teamsters. Also, he was spokesman for the industry's first effort to organize the 12,000 independent trucking companies of Chicago.

He was Public Relations Director of the country's oldest rail union, the Locomotive Engineers; and served as labor relations consultant to or Press Relations Director of several major eastern railroads, the New York Central, and the Central Railroad of New Jersey, among others.

Mr. Shenefelt represented all domestic freight forwarders for a dozen years, many of the nation's largest trucking companies and transportation trade associations, among them, the New York State Motor Truck Association and the Freight Forwarders Institute. He was founder, publisher, and editor of Truck News, New York.

He was spokesman for the companies that developed Plan III and IV piggyback and container rates allowing shippers the right to own equipment carried at flat rates aboard rail flatcars, and developed the promotional materials relevant to instituting that service coast to coast.

Mr. Shenefelt has participated in the major High-Speed Rail efforts in various stages of development in Ohio, Pennsylvania, California, Texas, Illinois, Florida, New Jersey, Nevada, and the District of Columbia. He has prepared high-speed corridor proposals at the request of the former Chairman of the U.S. Senate Science, Technology and Commerce Committee - Senator Cannon of Nevada - and for research associates of the present Federal Railroad Administrator, Robert Blanchette.

