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PUBLIC HEARING

before

**SUBCOMMITTEE OF THE
SENATE INDEPENDENT AUTHORITIES COMMITTEE**

**Study of the Port of Camden-Philadelphia
and Its Relation to the
Delaware River Port Authority**

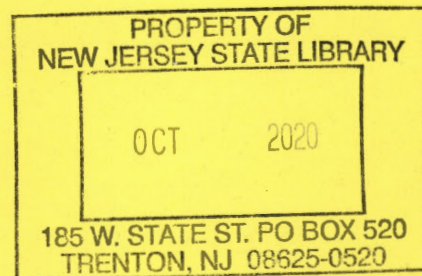
November 13, 1986
Room 408
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

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

ALSO PRESENT:

Peter Manoogian
Office of Legislative Services
Aide, Subcommittee of the
Senate Independent Authorities Committee



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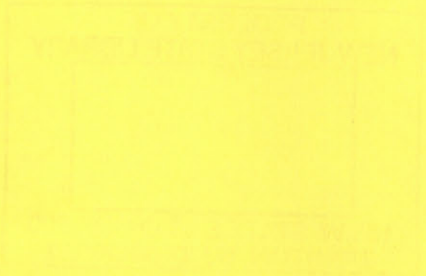
PUBLIC HEALTH

1951

REPORT OF THE
COMMISSION ON INDUSTRIAL ACCIDENTS

Study of the
Industrial Accidents
in the State of
California

Presented to the
Legislature of the State of
California
January 1951



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New Jersey State Legislature

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October 30, 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 November 13, 1986 at 10:00 A.M. The hearing will be a continuation of the hearing previously held on September 16, 1986 concerning the future of the Delaware River Port Authority. It will focus on the response to certain questions posed at that hearing concerning the proposed unification of Port activities under the Authority and the financial issues raised by the proposed unification. The Chairman of the subcommittee is Senator Walter Rand.

The public hearing will be held in Room 408, State House Annex, Trenton, 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.

TABLE OF CONTENTS

	Page
James Kelly President Delaware River Port Authority	2
William K. Dickey Commissioner Deleware River Port Authority	19
Mary Ruth Talley Commssioner Delaware River Port Authority	25

APPENDIX

Questions, information, and statistics submitted by the Senate Independent Authorities Committee	1x
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SENATOR WALTER RAND (Chairman): Good Morning, ladies and gentlemen. My name is Walter Rand and I'm Chairman of 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. I'd like to welcome you here today, and at this time let me present to you those persons who are present here on the Committee. Senator Cowan, good morning; Dr. Peter Manoogian, who is a staff aide of this Committee; Madelyn Rumowicz, who is also a majority staff person; and Jim Carroll, who is sitting here for Senator Hurley.

If you wish to speak today and you have not notified the Committee, please give your name to Peter Manoogian, our Committee Aide, after the opening remarks are concluded.

I call this public hearing to order for the purpose of continuing our consideration of the future of the Delaware River Port Authority, focusing particularly on the proposed unification of port activities under this authority.

Our purpose here today is to review the responses to certain questions posed at the hearing held on September 16, concerning the proposed unification. It is the case that ports which are competitive with the port of Camden/Philadelphia, are operated on a unified basis.

There is a conceptual agreement on the part of most actors in the port community of the desirability of establishing a unified port in the Delaware Valley Region. The question for us to be initially concerned with is, what is the exact nature of the unification plan which is being proposed? Has progress been made, for example, beyond the rather preliminary idea proposed at the last hearing? And secondly, what are the strongest arguments which can be marshaled in favor of the unification plan? What, for example, are its benefits to the region and to both states?

Thirdly, what are the financial ramifications of the proposal? How would the financial needs of unification

be met, and what impact would this have on the existing bridge and port facilities? I think we could say that unification is a powerful and attractive concept. What we are concerned with is the development of the well-thought-out proposal and a plan that is fiscally sound.

Thank you for your attention to my remarks, and we look forward to the presentations to be made by the speakers here today. And the first witness is Mr. Kelly, the President of the Delaware River Port Authority.

J A M E S K E L L Y: Good Morning, Mr. Chairman and members of the panel. I appreciate the opportunity to appear in person before you. I believe you have received the responses that you requested from us in writing and have had the opportunity to review them. The thought of unification comes about as a result of many problems that are current in the operation of the ports of Philadelphia today.

There are internal problems -- with internal competitive pressures that are counterproductive to the growth and development of the port. There are external problems that cannot be addressed by private operators who are presently the operators of our ports, because of the strong financial abilities of the competing authorities on the ports to our north and the ports to our south.

Today in the port business -- the entire port industry, nationally and internationally -- the concept of unification is a fixed one. It's one that's working. It's one that's in place everywhere in the world. It's one that is self-supporting. The industry no longer looks entirely to subsidization from sources other than its own business abilities on the unification of the ports throughout the world, to have contributed substantially to the ability of ports to support themselves.

In our own neighborhoods, the Port of New York, as you all are aware of, is completely unified under the New York/New

Jersey Port Authority. In the case of Baltimore, it is unified under a certain single operator of the State of Maryland through the Department of Transportation. The most recent one coming into the unification fold, is the Ports of Hampton Roads -- Ports of Virginia -- that are unified under an agency created by the State of Virginia.

They have unified the port systems of Virginia and I believe that in the material of my responses to you, I have given you a report of that port by the Executive Director of that port, Mr. Robert Bray, who traces the history of unification, starting with the problems that were being faced by the ports of the Hampton Roads area, and how they were overcome through the acquisition. All of the facilities in the three port complexes under the aegis of the Virginia Port Authority are now being operated by a subsidiary of the Virginia Port Authority as one single operating unit.

The advantages, of course, are that there are no duplication of facilities. All of the facilities and resources of the unified area are applied to their problems and applied to the competitive position enabling all of those resources to be put to use to attract a customer and to serve him properly.

The unification has enabled the Ports of Virginia to market their ports through a unified marketing system. If you are trying to market a port such as the Ports of Philadelphia, you are -- particularly as an authority -- probably, third or fourth on the totem pole to be able to close the deal -- to negotiate a shipment -- to negotiate a steamship company calling at your port. You're too far away from the action.

Virginia overcame that by virtue of unification and that unification has caused those ports to become profitable over the last few years. It has enabled them to triple their cargo. Nowadays, the Ports of Hampton Roads are right up with the big boys. They were small two or three years ago. Today, they are in full competition with all of the ports of the

country and are doing a magnificent job in attracting controllers of cargo to their port areas.

So in essence, what we would look at here in the Ports of Philadelphia is the problems of some diversification. We have the Port of Wilmington, the Port of Gloucester, the Port of Camden, and the Port of Philadelphia. Each, in a sense, competing with each other and duplicating facilities and cutting prices, and not providing the services that we could provide in a uniformed system.

How to get from here to there? I think the question that is most burning in your minds-- How do we get to from a fragmented port into a sophisticated unified port? I don't think it could happen overnight. I don't think we could throw money at it. I think it's a phased-in type of approach that must be taken.

Each of the facilities that are being operated on the port today, particularly in the South Jersey area of your interest, are operated by the South Jersey Port Corporation which does an outstanding professional job. It operates the facility, in a sense, in a microcosm of unification. We have a public agency operating open terminals, allowing any steamship line to come in, allowing the unions to operate on their piers, allowing any stevedore or warehouseman to come in and operate in their area with their assistance.

They also have their own labor forces to operate the terminal behind where the ships are loaded and unloaded and work with their own labor force. It really is an idea unified type of system that now must be spread out around the port.

The Port of Gloucester is operated by a private operator who pays taxes, who, on his own, must dredge the river, compete with governmental agencies both in the port and outside the port, and it is his desire that unification occur to enable him to compete on an equal basis with public agencies and unified ports -- and give him an opportunity to compete better than he can compete today.

On the other side of the river, you have the Philadelphia Port Corporation that owns, as a landlord for the City of Philadelphia, all of the major commercial terminals outside of the river. However, their modus operandi is to lease all of their facilities to a private operator. The example that I'll use is the Packer Avenue Marine Terminal. This is a 125 acre Marine terminal that is leased to one single private operator, Lavino Shipping Company, who operates that facility in a monopolistic fashion. Not that they shouldn't, and not using that in a derogatory fashion, but the Lavino Shipping Company operates that. They do all of the stevedoring on it. They do all of the cargo handling and they do all of the agency work for anything that appears on the Packer Avenue Marine Terminal.

Well that marine terminal is grossly underutilized. It probably is utilized to the extent of about 33%. If that terminal were open, such as the South Jersey Port Corporation is open, to all comers, that would not be operated at 33%; It would be operated at 100%. And if that operation, rather than being leased to a private operator or leased to an authority -- let's say the Delaware River Port Authority -- that authority in the industry practice would be to bring in all of the operators that they could possibly bring into that area and to operate it in a highly efficient fashion.

That, in essence, is what we're talking about when we talk about unification. We have good examples of it and we have bad examples of our present experience, and I've cited a couple of them for you. I am convinced through conferences with a broad cross section of the management of the Port -- that unification is an universal desire and need in this port area.

How will the Port Authority address it? Again, I think it's a phased operation that we should undertake. I think, initially, the Port Authority should look to what are

the needs of the Port that are not being addressed by existing organizations. For example: In the South Jersey area, the Broadway Terminal or the old New York Shipyard is an area that could certainly be substantially developed above and beyond what it is today.

Whether or not South Jersey Port Corporation can invest funds in that to develop it to its highest and best use, in my personal opinion, is somewhat doubtful. The Port Authority, however, would have financial resources and the ability to study and plan and develop that terminal to a profitable margin enabling it to amortize any investment that it might make in it. And then the Port of Camden would be doubled in size, doubled in employment, and still be operated by the South Jersey Port Corporation. I think that's an example of an immediate phasing.

Let the Port Authority address the development issues. Planning is something the Port Authority can do in a general basis, and we are in fact doing it today.

General regional planning: How should that whole region fit together in a unified port development structure? And once we get a regional plan — and that's what the Port Authority should also contribute is regional planning -- and then take the steps to invest in those regional plans that would bring about self-sufficiency for the Port.

In addition to the regional planning, our ability to invest in new development is our current ability to market the Port. We are presently doing that and that would certainly contribute additionally to the unification, particularly if the Port Authority marketing had a better grip on the final negotiations to enable us to negotiate to a sale or to a location in the port by a port operator.

In addition, the Port Authority through its ability to invest, plan, and to market, should then begin to exercise certain control over duplication of developments in the Port to

enable a rationalization of the use of our facilities, a rationalization of internal competition, and a rationalization on how we would address outside competitive forces -- money being spent on other areas on subsidies and on features of port development that are now addressed by the public sector rather than by the private sector.

Mr. Chairman, that generally is my overall feeling. You have my papers. I'm sure I'd be delighted to answer any questions that I can.

SENATOR RAND: All right, Mr. Kelly, first of all let me thank you for your very quick response to our initial set of questions, and we appreciate getting them as quickly as we did. We think that they are very glossy -- and we think that are, and I use the word, kindly. I'm not trying to be in any way-- They are superficial answers, very frankly, and we want to get into a little more depth.

I don't think that there is any objection to the end. Unification is a notable objective. It's something that we want to leave the door open for. I think that the advantages certainly, far outweigh the disadvantages, and I would suppose that this Committee and its final report would certainly agree with that.

But, we start off with a handicap that it's a bistate agency. If you look at the successful ports you mentioned, Baltimore and Wilmington, Hampton Roads and Norfolk-- They are state agencies. And so, I would be much happier if the other side were part of New Jersey, rather than part of Pennsylvania, and we have representatives from Pennsylvania-- So we lay everything on the table, rather than the situation that we are in.

The competitive situation is between whatever commerce there is on the Delaware River and between the Philadelphia side and the Jersey side. And part of the questions that we are going to ask very frankly are, what do we do? And the

phased-in scares me to no end. The word that you used, "phased in," frightens me to no end because I sit on this side of the river as a representative of New Jersey, and if I interpret phasing -- or you mean phasing-in -- that you will take this piece and that piece selectively? That frightens me for one reason: I would rather see a grand design, I would rather see a totality of what you intend to do in the broad perception rather than on the phasing-in. Very frankly, I don't want to be put in a competitive disadvantage.

The State of New Jersey has put in since 1968 or 1969, millions of dollars in the South Jersey Port and continues to do so. And before I'm satisfied -- and I speak just for myself, Senator Cowan can speak for himself -- I've got to have a little better response in the sense of what do we do with the problems on the other side of the river? Are we there just to alleviate those problems at the expense of one side or the other? Or is the house going to be cleaned up before we, using the word that you used, "phase-in"? What advantages does it give this side of the river, if any?

You used the word, just a moment ago, that you're not going to have duplication of services. Does that mean that you are going to favor one side as against the other side? What happens if there isn't enough commerce for both sides? Are you going to allocate and is the allocation going to be priced on a continuing-- The story, very frankly, of the cooperation between both sides has not been good as far as I'm concerned.

I think that the papers show very clearly that our Commissioners don't agree with their Commissioners. And it seems that all we have is controversy. We can't even agree on the redecking of the bridge; We can't even agree on where the steel comes from; We can't even agree on the bond issue. We can't even agree on a capitalization program; We can't even agree on insurance people on who to carry, and very frankly, that really doesn't concern me because I know there are certain factors that are involved.

But, it occurs to me that there is such a stand-off between both sides and I'm satisfied that the Jersey Commissioners are protecting the Jersey interest. That remains a very, very vital question in my mind as to how we can address the Pennsylvania side as well as the Jersey side.

And so I start with that and it says I don't know how long, and I don't have to remind anybody— Maybe I ought to remind Senator Cowan. Senator Cowan, the Betsy Ross Bridge was built some years ago, and we didn't even have ingress or egress on the Philadelphia side until finally just now, and that took years to accomplish.

We're beginning to build Route 90, which is a connection from one road that crosses over from 73 to the Betsy Ross Bridge and finally Pennsylvania side just as agreed -- is that correct? -- to build the entrances to the Betsy Ross. So we have a history, not of cooperation, but of, rather, confrontation. And I'll get to the increase tolls.

So, that is really fundamentally a very big problem, Mr. Kelly. Before we begin to phase-in, I would have to see something positive. And we do have a representative from Pennsylvania. So, I don't say anything that I won't say publicly. Before we even begin the other grand design, before we even begin to phase-in, I certainly would want to see what goes on and what happens on the other side of the river just as well as ours.

I feel very strongly about that. Senator Cowan, do you have any question?

SENATOR COWAN: No. No comments. I think you very covered everything well, Walter.

SENATOR RAND: The responses of the questions posed on September 16 indicate there's been some preliminary thinking with regard to the unification plan. Are you further along on the development of that plan? And what are the details of the plan, if they have in fact been developed? What we have here

is basically the fact that unification is important and what you told us is a fact that other areas have done it and we appreciate that. And you have told us that you can get some wharfage fees, and so forth. But what we would like to know is is there any plan with more intense scrutiny that has been developed?

Let me ask you some questions. When will the audit committee issue its response and when will the World Trade Center issue its report? And what are looked upon as benefits of the plan to the regions and to the states involved? Has anything been developed on that, Mr. Kelly?

MR. KELLY: Only to the extent that our regional planning continues. You referred to the World Trade report. That is continuing and should be available to us within the next month or two. And that will be what I referred to earlier as the regional plan. The Port absolutely, as you pointed out, requires a regional plan that is specific and long-range and addresses the financial issues and the financial issues of Pennsylvania and New Jersey. You are absolutely correct, Senator, and we agree with you and we trying to address that problem.

In respect to the questions that I said had been referred to the audit committee, the audit committee has met, I believe once or twice since that time. There has been a proposal by the Auditor General of the Commonwealth of Pennsylvania, who is hoping for some coordination with the New Jersey Department of Finance, to do an audit on the finances of the Delaware River Port Authority. This has not come to a vote before the Commission yet. Whether or not the Commission wants that to happen, has not been resolved.

As you know, there has been an election in Pennsylvania and there will probably be a change in the structure of the Pennsylvania side within the next month or two. At this point, I would say that we are sitting still.

I'm sure my chairman will address that more elaborately than I can.

SENATOR RAND: We've developed a list of questions and I'm going to read them off, which are based-- It's a consolidation of the questions that we asked, but I think that these are important and we ask: What are the courses associated with the unification plan? How are these costs to be met, from an increase in tolls? Increase bonding? Wharfage and drayage fees, rentals, State subsidies? And we note from our studies, of what you submitted -- the data -- to us that the revenues from wharfage, drayage, and rentals will not be sufficient to defray the cost of unification.

An increase in tolls would appear to be required after the State subsidies to support the plan. Our analyst has told us that. They are usually pretty well on target. And we would hope that you would address that. It is appropriate on the other hand to reduce the cost of the operation of DRP, perhaps through a bistate audit to identify where reductions might take place or having New Jersey Transit take over PATCO and thereby, reduce part of the DRP contribution of paying the deficit of the operation.

We throw that out because we are awaiting a report which we have not received from New Jersey Transit, and I think that report was due some six months ago. We have just written them a letter asking for that report and that's part of the budgetary language, so it is a part of the law. And we do ask, what future is projected for the Philadelphia Port Corporation since there are speculations that it will not have sufficient revenues to pay off the debt services on its bonds? Who picks that up? Do we pick it up? Does Pennsylvania pick it up? Or is it charged to the total unification process? Is it intended to develop the unification plan in more detail so that it may be submitted to the two states along with provisions for

funding? And will legislation be required to enact this plan or may it be done within the framework of the existing compact of legislation? And very frankly, what we do is-- What is the view of the executive branch, particularly the Governor's office towards unification and possible language? And of course, we want to know very frankly from both sides of the river -- from the Pennsylvania side and certainly from the New Jersey side.

We asked those, in all seriousness, because we think we can't even comment any more until those questions are answered in great depth -- and certainly, with us having the opportunity to review them. Senator Cowan?

SENATOR COWAN: No. I'm just scanning through some of this material. When you talk unification, that's all fine, if that was to be in place, but of course, you expect to be competitive on an equalized basis with these other ports.

With the increases that these other ports have had, where would you expect to be competitive? What would you expect to be drawing? If these other ports are consumedly growing now, where would you expect to draw in new tonnage? What type of commodities?

MR. KELLY: We would expect to draw in cargo, primarily from our own hinterlands. Today, the ports that are competing with us are taking our cargos away. The steamship services that we have are declining as a result of cargo being diverted out of our own competitive area. Our first and foremost desire would be to retrieve all of the cargo that we are losing. And we also look to be competitive in the Midwest, where all of us compete on an equal basis. And where we are very weak because of our lack of proper steamship service, we look to that area to improve our lot.

We look to strengthen the areas that we are strong in. We're strong in many commodities: food products, paper, steel -- and we look to improve in that. Lots of our cargo in

the import area has been taken away from us by facilities and cheap labor practices and other devices.

SENATOR COWAN: What percentage of your tonnage is import?

MR. KELLY: Our imports are extremely high at this point in terms of general cargo. Of our 7 million tons of cargo, roughly 5 million of them are import and 2 million of them are export. And that's contrary to other ports where the balance is much better achieved, and we need to achieve that balance. We're not doing it under today's system.

SENATOR RAND: Mr. Kelly brings up a very interesting point in some of the reports that I've read. It's amazing how much tonnage is lost to competitive ports that go into the area surrounding the Delaware River Port Authority.

MR. KELLY: That's right.

SENATOR RAND: And that in itself is certainly a disturbing factor. I mean, thousands of tons are going to other ports and so forth which eventually wind up in the Pennsylvania/New Jersey area.

Now, whether their labor costs are too high, or whether their operating costs are too high, very frankly, I haven't got enough information to begin to analyze that and neither does our staff. But there is something, of course. We admit one thing. We start off with a handicap. We are some 70, 80, or 90 miles up the river, and that costs more money to bring it up. So, all those have to be, I suppose, understood.

But it is disturbing when imports that should be addressed to areas which the Delaware River Port Authority's involved in do go to foreign ports, so to speak. I don't mean foreign ports overseas, but to ports of Norfolk, Baltimore, and elsewhere. That's most disturbing, whether that's merchandising or labor cost, I don't know. Mr. Kelly can answer that much better than I can.

MR. KELLY: Well, it's unification, Senator, all around us.

SENATOR COWAN: What's the depth of the port and river coming up? You have any problems?

MR. KELLY: We have a 40 feet channel. We're equal to the other ports in terms of our channel depth. Although, we are 100 miles up river, that is not necessarily a deterrent because Baltimore is 200 miles up river and the farther inland you are, the closer you are to the consuming markets. And it's cheaper to move cargo by ship than it is to move it by truck or rails.

Sometimes the inland location can serve as an advantage to us and sometimes it can be a disadvantage.

SENATOR COWAN: And they come up all the way by themselves with no tugs involved?

MR. KELLY: They use tugs to dock, but they come up by themselves with a river pilot.

SENATOR RAND: Mr. Kelly, may I ask you a question? Have you been in conversation with the Port of Wilmington?

MR. KELLY: Yes sir.

SENATOR RAND: And have you been in conversation with our Salem Port? Before I cast stones on Philly, our Salem Port doesn't make me too proud of their financial record either. So, I want you to understand that I'm trying to criticize one agency as against another. Very truthfully, I think that we ought to look into the Salem Port operation. We just had a appropriation of a million dollars to refinance a debt. And that's only a 15 footer or 17 footer--

MR. KELLY: Less than that.

SENATOR RAND: Less than that.

MR. KELLY: Twelve footer.

SENATOR RAND: Maybe they should be by themselves and maybe they should be taken under the wing somehow. I don't know how viable they are, very frankly. But that was not an

inexpensive endeavor by the State of New Jersey, very frankly, or the federal government. So I ask you that--

MR. KELLY: We have tried to assist them, particularly in the marketing area. We have conferred with their staffs from the very outset, and we have tried to assist them.

SENATOR RAND: I've never understood why they're an independent agency in the first place, but that's only my opinion. Again, to make it very clear, I ask those questions because I think that has to be taken in the context of the entire unification. Is that going to be a part of the process?

MR. KELLY: Yes sir. Certainly.

SENATOR RAND: Has there been any consideration giving to the Gloucester County area?

MR. KELLY: Indeed.

SENATOR RAND: There's tremendous waterfront footage there.

MR. KELLY: That was the one that I referred to as the Holt Company.

SENATOR RAND: Now, that is Gloucester City. I'm going down to Gloucester County in which there are some 2500 acres that I know that people have come and spoken to me on. Is that being one of the considerations?

MR. KELLY: Yes sir, within our regional planning function, we have identified two very large parcels of land in the Gloucester County area. One, that I refer to as National Steel across from the Philadelphia Airport, another one near the Commodore Barry Bridge, and the third one that we've identified is the obvious one of the old New York Shipyard, as being available for development. All of those are and should be developed.

SENATOR RAND: I just have one more comment to make to you, of course. And I guess I'll wave this flag and I'm sure that one of your Commissioners will disagree, but I must tell you that I am not going to -- just me, again, personally -- I

am not going to stand for something like this. Port Authority increases tolls to three dollars -- PATH fare going to a dollar. I am not going to put the burden on the tollpayer. I repeat that again: I am absolutely unequivocally opposed to putting this on the backs of the Jersey consumer, which fundamentally, are 80% of those riding the bridge and riding PATCO are consumers-- I am not going to try to destroy that. And so, I would hope that the fiscal study considers that also -- that port development, even though one of your Commissioners said that no matter how it goes, it's still the taxpayer that pays. I understand that, but let me say this to you, it's not going to be my consumer that pays. There is no way that consumer is going to pay more on that PATCO ride or on that toll bridge.

I mean, for the upkeep of the bridge, if it has to go to a dollar, I am not -- that's one thing. But when someone tells me that you have to raise it 50¢ for port subsidation and so forth, you've got to do better than that -- much better.

MR. KELLY: Senator, there's nowhere in my responses have I indicated--

SENATOR RAND: That's very clear. I want to make that clear. You did not say that.

MR. KELLY: And if you will look at exhibit H, which is our projections to the year 2000, on schedule two -- second page in-- If you will look at the very bottom line, it's entitled, "Reserve Balance 12/31" you will see that with two modest toll increases, one in 1990 and another in 1995 of ten cents each, the Port Authority can fund over \$250 million worth of capital projects between now and the year 2000, including the redecking of the Walt Whitman Bridge. And perform all of the capital projects that we foresee in that time period and still wind up with a \$66 million reserve.

SENATOR RAND: Those two ten-cent increases from \$.90 to \$1.00 to \$1.10-- Is that what you are saying? It will give

us \$250 million paying the-- Now how about your debt ammorization?

MR. KELLY: It includes debt ammorization.

SENATOR RAND: And you will have a surplus of \$250 million?

MR. KELLY: No. We will pay for a capital budget. If you look four lines up from the bottom, you see on the left the caption, "Capital Budget DRPA PATCO," -- "DRP Share"-- The subtotal line there indicates our capital project funding over this period of time.

SENATOR RAND: Okay.

MR. KELLY: And that includes the Ben Franklin Bridge, the Walt Whitman Bridge, all of the PATCO projects, and incidentally, they are all enumerated in this outline behind the scheduled two page-- Each and every project that we will undertake in that period of time is enumerated and outlined here. All of this indicates that we will be able to pay our present debt service. We will be able to pay our PATCO deficits all the way through that period of time with very, very modest increases.

SENATOR RAND: That's without any new bonding, is that correct?

MR. KELLY: That's without new bonding of any kind.

SENATOR RAND: But if you do new bonding, then you begin to diminish that.

MR. KELLY: Sir, in my judgment, any bonding that we do for any port development project would be done on a cost benefit analysis. An analysis would indicate that the bonds would be paid by the project that we are developing--

SENATOR RAND: Okay.

MR. KELLY: --and not by anything extracted from here.

SENATOR RAND: By the capital operation of this portion.

MR. KELLY: Yes. In this capital budget in this operation here, there is \$5 million in the capital program for start-up of unification included. And beyond that, any new development that might occur, would be self-sustaining. And hopefully, we'd take a business approach to this and require that any new development be self-sustaining.

SENATOR RAND: Then what you are saying is that in 1990 we would need a ten cent increase, is that correct?

MR. KELLY: Yes sir.

SENATOR RAND: And in 1994.

MR. KELLY: It would be ten cents more.

SENATOR RAND: Ten cents in 1990 and ten cents in 1994. That's a-- (Speaker is interrupted.) I've just been reminded by Peter Manoogian, who has studied port operations throughout the country, that most ports operate at a deficit.

MR. KELLY: I have to disagree, sir.

SENATOR RAND: That's the analysis that he has made over the study. We can submit to you information on that, and we will. Is that right, Peter? We have some information on that to you.

MR. KELLY: I'd be glad to have the American Association of Port Authorities develop their opinion because all of the ports of the country of this hemisphere belong to that organization, and that organization does not operate there.

SENATOR RAND: Of course, again my individual position, Mr. Kelly, is that if the end is justified and the means can be shown to reach that end or if there's a fair equitable addressing of the problems on both sides of the river, I have no problem with the State being involved. I think that they have to make a capital contribution to economic development to the performance, and I'm going to come to that-- But even if they do write an audit deficit, if the stimulation of an economic activity is large enough to offset that lost portion, then certainly both States ought to make a commitment.

MR. KELLY: Absolutely. That is practiced around the country -- stimulating that type of economic development.

SENATOR RAND: Senator Cowan, any more questions?

SENATOR COWAN: No.

SENATOR RAND: Mr. Kelly, thank you very much.

MR. KELLY: My pleasure. Thank you very much for having me.

SENATOR RAND: Mr. Dickey, the Chairman of the Delaware River Port Authority. I'd like to welcome you, former Speaker of the House.

W I L L I A M K. D I C K E Y: Thank you Senator Rand, Senator Cowan. I think Mr. Kelly has presented our responses as adequately as we can do them at this time. Perhaps, this hearing is one of many that will take place concerning the proposal of unification because, I think some questions can't be answered at the minute. Perhaps, we're premature in asking them, but they should be asked, nonetheless.

I have had the honor of serving as Chairman of the Delaware River Port Authority for the past two years. You've pointed up some controversies that have occurred and I think that they have been, generally, healthy for the Port Authority -- to give consideration to the various proposals and the reasons why some of them have generated some controversies.

The present proposal of port unification, however, is not one that the Commissioner disagree about, really. The Pennsylvania Commissioners, I believe, sponsored the resolution to move forward to develop plans for port unification. I think that I can speak for the New Jersey Commissioners, that we are generally in accord with the concept of regional development of the port. I, for myself, think that we have to also include the State of Delaware in that concept, because we have the Port of Wilmington involved in the commerce of the Delaware River. There is a concept of developing the deep water of the Delaware Bay off the State of Delaware or off the State of New Jersey to

accommodate larger ships, and perhaps your Committee should give consideration as to whether the State of Delaware should be brought into these considerations.

I have the good fortune of being one of the sponsors of the legislation, which produced the South Jersey Port Corporation. That was during my tenure in the State Legislature, and I was very pleased to be able to sponsor that along with Senator Laskin back in those years. And I think it has been for the benefit of the South Jersey area. I recognize that the State appropriations have been made during that time in support of that South Jersey Port Corporation.

But it has been one that has been beneficial not only to the work force of South Jersey, but to the City of Camden because they received an amount in lieu of taxes. They didn't lose the tax base for the New York Shipbuilding property that is now called the Broadway Terminal. And generally speaking, the South Jersey Port Corporation is doing very well. Also, the private enterprise in Gloucester City seems to be doing, generally, pretty well.

We have also a port operation in Pennsauken, New Jersey at Petty Island, which seems to be successful. So, at the present time, the facilities on the New Jersey side are operating rather well. The problem is developing on the Pennsylvania side in the Philadelphia area. By virtue of my position as Chairman of the Port Authority, I'm also ex officio director of the Philadelphia Port Corporation. And, I have been, in that capacity, made privy to some of their problems -- and they are real serious problems.

I have to tell you that the Philadelphia Port Corporation, as presently constituted, has among the directors tremendous conflicts of interest, because sitting on that board are terminal operators and labor leaders who have a direct interest in the port's facilities. And they participate in our Philadelphia Port Corporation negotiations on leasing terminal

facilities, so the conflict is very pronounced as you observe the various interests in that Port Corporation. The directors are appointed by the City of Philadelphia, the Mayor, and also by the Philadelphia Chamber of Commerce.

SENATOR RAND: Mr. Dickey, don't you have the same thing on the Delaware River Port Authority, sitting Commissioners who bear the same responsibilities as you just said? I didn't want to bring that up. They are owners and operators, and they sit on the Delaware River Port Authority.

MR. DICKEY: Yes.

SENATOR RAND: I mean, I quite-- In my feeble mind I quite correlate that they are part of a process which is the very part of what they are involved in financially and everything else. I've got to tell you that's one of the things that upsets me to no end.

MR. DICKEY: Yes. That's not true of the New Jersey Commissioners.

SENATOR RAND: No, I didn't say that, absolutely. I've no problem on that.

MR. DICKEY: But, I have to agree with you that on the Pennsylvania side of the table of our Commission, there are some conflicts of interest. There's at least one terminal operator and there's President of the International Longshoremen's Association, and perhaps there's some other conflict, which is not so obvious.

But the Philadelphia Port Corporation does lease the terminal facilities on the Philadelphia side. It has that responsibility and it's taken it over from the City of Philadelphia. There is a considerable bond indebtedness in this for those capital improvements. It is operating at a substantial financial loss. It received last year an appropriation from Pennsylvania for \$4 million, which is totally inadequate for the job that should be done. And I have to say to you very honestly, that I think if port unification

comes about as a concept and a reality, we are going to have to look to the State legislatures of both New Jersey and Pennsylvania for appropriations for capital start-ups, at least. We've seen it in the South Jersey Port Corporation where it's required State appropriations.

So, I don't want to avoid this subject. It's going to mean some cost to the State of New Jersey and to the Commonwealth of Pennsylvania. I would like to see the State of Delaware brought into this matter, but that may not be possible because of their environmental laws, which are now in the Federal Courts. Their environmental laws prohibit the deep water port development in the bay and has been subject to litigation in Federal Court. The question is whether the State can control the waters of the Delaware Bay for commerce by their environmental legislation.

I want to assure you, Mr. Chairman and Senator Cowan, that the New Jersey Commissioners are not divided. We speak generally as a unified group. We looked at the interest of the State of New Jersey, but we also view the regional interest of the ports along the Delaware River. I think that's very evident by the fact that the New Jersey Commissioners are cooperative on the concept of port unification. Even though, perhaps the financial advantages don't appear as evident for New Jersey as they do for the Pennsylvania side.

The controversies, with reference to port development, hinge on the issue of whether we should borrow money today with a bond issue on the concept of using the money to redeck the Ben Franklin Bridge and to preserve our present reserves for other projects. It has been the New Jersey Commissioners' position that we are not willing to go into debt unless there is a project that we can fully understand and know the concepts of— So, that we are not going to approve a bond issue as proposed by the present Pennsylvania Commissioners. We are not willing to increase our funded indebtedness for a project that we have not defined.

And I think that clarifies the present disagreement between the Pennsylvania Commissioners and the New Jersey Commissioners. They seem to want to borrow money -- first, talking about somewhere between \$39 million and \$60 million and then coming up with numbers, such as \$50 million and now \$40 million without spelling out the purposes of that borrowing. The New Jersey Commissioners are unified in not being willing to authorize that indebtedness until we know what kind of a project it's going to be used for. So, I think that gives the answer to the current controversy. Perhaps, the press has been able to dramatize that somewhat.

We've had other controversy, as you point out, concerning the redecking of the bridge and the use of domestic steel versus whatever steel the contractor wanted to buy. I also had controversies concerning the insurance on that project, and they have been genuine disagreements with the Pennsylvania Commissioners. And we as New Jersey Commissioners have been generally unified in taking the positions that we have.

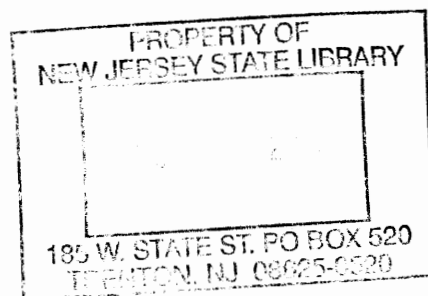
I'll be glad to try to answer any other questions you may want to direct to me as Chairman of the Port Authority.

SENATOR RAND: Thank you very much Mr. Dickey. Let me say this to you Commissioner, that some of the things that I have just heard clarifies some points that I was a little fuzzy about, and what you are telling me -- if I can correlate the two pieces of testimony -- is that the report that we got here on the future capital projects is very dependent upon us following the script rather than going and starting a series of bond flotations right now. Is that correct?

MR. DICKEY: That's correct, sir.

SENATOR RAND: Fine. I have no problem with that and I had no problem with the New Jersey Commissioners, by the way.

MR. DICKEY: Thank you.



SENATOR RAND: I think that they have been very protective of the Jersey interests and I am very happy about that. At the sense of repeating myself, I think it's important for the Commissioners to make sure that our consumers are not waffled and to make sure that we don't bail out a situation that we have no control over and assume some huge debts, and to make sure that we don't hurt ourselves competitively on the Jersey side. It took us a long time to get where we are. There were bad days there for awhile, if you remember, Commissioner — bad days back in the early '70s. And the other side did very well. And there really was no sympathy for the Jersey side except the legislators up here that appropriated the money with the Governor's signature. I am certainly not going to be the one to do anything that's going to give an unfair advantage to anybody else whether it be Pennsylvania, Delaware, or anybody else. I am here to protect the interests of New Jersey and I'm going to protect them.

MR. DICKEY: We appreciate that, sir.

SENATOR RAND: And with that in mind, I think that the Commissioners on our side have tried to do that. So, I have no problems and I very happy that you gave some of the explanations. Senator Cowan?

SENATOR COWAN: Well, like yourself, Walter, I'm very pleased to have our former Speaker here today along with his Commissioner and his Director. And I'm pleased as a North Jersey legislator to hear what you are proposing on looking into the future on what can be done. The New York/New Jersey Port Authority certainly has done a tremendous amount of contributing to the economic growth for the region. Of course, I would not like to see such things, as our Chairman has mentioned, that we've had in the last two days in our papers. Statewide, we're talking about fare increases that are affecting the consumer. What it has done, again I have to give it a lot of pluses; but when it comes down to things such as this, that's totally negative in many minds.

MR. DICKEY: I want to express our appreciation to Senator Rand for his deep interest in the work of the Delaware River Port Authority. He frequently communicates with us, and we're glad to have that communication.

SENATOR RAND: Thank you very much, Commissioner Dickey. Commissioner Mary Ruth Talley, good morning.

MARY RUTH TALLEY: Good morning to all of you and thank you very much. There is really very little that I can add. It has been very well expressed by our president and by our chairman and also with the remarks that you have made. So, mine will be quite brief. But there are just a couple of points that I would like to stress. One of which you did allude to in talking about the burden that would be placed on the consumer or on the tollpayer.

I would just like to express my view on that in that I do believe that it is a populist cliché that when it is held up to reason, it sort of fails and falters, because if you use that rationale, then the other two bridges, the Commodore Barry and the Betsy Ross that you talked about, might not have been built and PATCO might not have been built.

If you use that logic that the present tollpayers should not be paying for the erection of the two additional bridges, or they should not be paying for our transit line, and then you can take that in a much larger context and apply it to almost every segment of the paying public -- that a certain group should not be paying for this or they shouldn't be paying for that.

The fact of the matter is, that I believe we are above, beyond, and far away from that kind of thinking for the simple reason that federal, State, county, and local taxes can no longer do and provide all the things that our society needs and demands right now.

Therefore, all governmental agencies are looking to other areas for asset resources, or I should say dollars --

money -- to do the things that are now necessary in our society, which day-by-day becomes older, more sophisticated, and is also now in severe competition with the rest of the world. And this is something that is a first: We have not had to compete in a global sense and believe me, just as we had the great industrial age which everything after that changed, I can tell you right now, we are in the same kind of massive transition.

I am not an export professional, but I have traveled extensively for the world trade efforts and believe me, when I saw what is going on in the rest of the world as it pertains to port business which is movement of cargo and goods that are necessary for our civilization-- But it means jobs, money, and expendable income for inhabitants of regions, countries, and our world.

So, in that broad context, I must ask you a question. If we do not unify our port region -- and I use that in the context of the 11 counties that we have talked about before, that covers the tristate region -- If we do not look at that concept as a way of solving the problems that are right now and going to be in our future, then I say to you, do we accept the alternative? In other words, I feel we are beyond just asking the question and in expressing your concerns on who is going to pay for this. I am saying to you that it is the only answer for a large segment of our region and for their economic benefit.

So, if we say here that there are resources and assets that are available to be used for economic development -- economic well-being -- from now until 2000 or however far out you would like to look -- I say to you that if don't do it now, then we are really in deep, deep trouble. And as you look at the numbers of people who are employed in a port business, particularly from our 11 counties -- that's what I'm concerned about and I think that's what you are concerned about -- then I

say to you that we have to go through this unification. We have to find the solutions because the sheer dollars and cents make sense.

And if you go back to our charter that created us by the bistate Legislatures and read the three mandates that are in there, the third one is economic development or waterborne commerce. Now, through the years since you created us, we have taken care of the transportation facilities across the bridges. We have provided for a high speed transit system to reduce the traffic flow over the bridges. And all of that -- you're right -- has been found with controversy. But I also remember a time not too far in the past that questioned, "Why did we build those two bridges when they're not being used?" I think today every last one of us would say, "Thank God we built those bridges when we did."

And that's what I want to say now. If we don't unify these ports for this region, not just for the benefit of South Jersey, not just to help Pennsylvania or Philadelphia Port Corporation or whoever-- That's not it. It is to help the 11-county region. And if we don't do that now, are we going to then be facing some six, eight, or ten years and say why didn't we take the steps that we knew had to be done.

You have heard that, yes, the businesses right now are doing well. I say again, not as a professional, but I can tell you, long-term, "uh uh." To continue as we are doing -- status quo -- for now and the next 12 to 24 months -- no way, no way. There are too many larger games. The rest of the world is eager to trade. The rest of the ports just in our mid-Atlantic region are just dying to take what cargo we have.

They want that chilean fruit so bad, they can taste it, because it developed into a sweet little business. All the rest of the ports want it. And this is the kind of change that is out there in the global economy. And unless we make aggressive moves and decisions and capital expenses and get our act together now. We don't have to bother.

SENATOR RAND: Commissioner, the achievement for port unification -- let me give all the positives -- is worthwhile and is necessary for us to exist. There is no way -- let me make it very clear to you, and I admire you for the stands that you have taken and for the job that you have done -- that will I compromise on the fundamental things when I said it is not going to cost our consumers money for non transportation objectives. It is not going to be a bailout no matter how important it is for the other side. And it is not going to be to a competitive disadvantage on the Jersey side. How worthy the cause might be, my position is where I am because of who I represent.

And there is no way, no matter how worthy, I am not going to have down in South Jersey what I'm getting bombarded with from North Jersey -- and I've been called already by seven Senators-- Senator Cowan has asked me this morning to hold immediate hearings in North Jersey on the headlines that appeared for the New York/New Jersey Port Authority.

We are not going to get into that quicksand. We're not going to raise PATCO fares so that the 11 million riders will drop down to ten and the very fares that you ride destroy what you tried to do in the first place, because every time we raise fares, we lose a proportion of people that we never get back.

I'd sort of like to adopt President Kelly and Chairman Dickey's viewpoint. And I thought that they made a very good point in that it was a balanced outlook as to move in a manner which does not hurt the very things that we stand for and I think that is an acceptable stand and very worthwhile from the New Jersey viewpoint.

It may not be from the Pennsylvania viewpoint, but I don't represent Pennsylvania. I represent 185,000 constituents and their families on this side of the river. And the careful-- Maybe it's plotting. But it satisfies me and it

makes me feel more comfortable than the sudden rush -- no matter how important it is -- of reaching for an objective that's worthwhile. And you notice that I didn't close the door and I have never closed the door from the start of any of these hearings.

Merely, that there are concerns that New Jersey is vitally interested in that concerns our well-being. And I don't think we take a backwards step to anybody to address those concerns. And of course, I for one, will not, no matter how important the objective is.

So, if it's a situation where I'm being very close-minded, so be it. And I usually am a very flexible person, so I'm quite satisfied that we are moving in a very deliberate manner, and I think that it is worthy. And I would hope that we would be a party to the ongoing studies and the concerns that we have addressed because I have to report back to my colleagues in the Senate as to what we think. We have to report back and very frankly they are going to take cognizance of the concerns that we voiced. And I can assure you that they will be interested in first, foremost, and lastly what it does for New Jersey.

Senator Cowan?

SENATOR COWAN: No, fine, thank you.

SENATOR RAND: Thank you very much Commissioner. It was nice of you to come up here to attend. We're always glad to hear from you. Is there anybody else that wishes to make some remarks? (Negative response) All right, let me just make some concluding remarks.

In concluding this second public hearing concerning port unification, the argument re: port unification certainly sounds persuasive, and it appears that in order to remain competitive, the Port of Camden/Philadelphia will have to become more unified and the problem of the present incidences seem to be twofold. In the first place, a more detailed and

throughout plan is required which will gain the support of actors both within and without the port community, and I am hopeful that an imaginative approval would gain support in the Legislature and in the Governor's office.

I am certainly very sincere about that. I believe that it's time, very frankly, that the Governors of both States-- If port unification is so important to the benefit of the region and to the benefit of both States, then we certainly have to have the Governor's office in this State and certainly the incoming Governor of Pennsylvania be seriously involved.

Secondly, is the question of ways and means and how is this plan to be accomplished in a fiscally sound fashion which does not unduly burden the DRPA, and can we gain support for some sort of assistance from the States? And of course, that's another important element that we've brought into the picture. If it is that important, certainly there should be a contribution, as in most states. There are ports that we've studied, that made major contributions to the economic well-being of those ports.

And we did throw out the possibility of New Jersey Transit to be concerned with the operations of PATCO, to free up more DRPA's funds for unification endeavors. I think it's fair to say that the Governors of both States will have to become involved in some fashion to speed up unification.

I, therefore from my port, call upon Governor Kean's office to study this matter and to act in the new year to give whatever importance is thought appropriate to the project. For our part, this Subcommittee will expect the interested parties to report back to it in 1987 with whatever progress has been made. And I thank you for your attention to my remarks, and I'd like Senator Cowan to make some concluding remarks.

SENATOR COWAN: Thank you very much, Mr. Chairman. Again, I'm pleased to see the actions that are being taken because, since I have been down here in the Legislature,

particularly coming from the northernly County of Hudson, I've often heard that it seems that the South Jersey area has been neglected to some degree. I don't think in the long-term that it has been neglected.

It's been the fact of the people involved and the region involved. In that term, right now, it does appear that following, perhaps, the resurrection of Atlantic City to some degree, it has drawn some attractiveness to South Jersey. The things that you have been doing here in your shore area also have grown and become known more so than it has been in a long time.

Now we are talking about a bistate agency with a port. We're talking about transportation and network which is now being put into place which should, in the overall again, contribute to the total regional-- Did I say bistate? Perhaps a tristate -- entity that will exist when it comes to its full fruition. And that can only benefit the whole State, as our Chairman has indicated -- not only South Jersey, but North Jersey.

I certainly would look to be of any assistance that I could be in this endeavor.

SENATOR RAND: Thank you very much, Senator Cowan. I want to thank President Kelly, Commissioner Dickey, and Commissioner Mary Ruth Talley for your attendance here. I think this has been a very good meeting. It may be a little shorter than the last one, but I think we know where we are headed and we think we know what to expect. And the questions that we've asked I'm sure we will get some answers. Thank you very much, ladies and gentlemen. This meeting is adjourned.

(HEARING CONCLUDED)

APPENDIX

QUESTIONS FOR PUBLIC HEARING

September 16, 1986

- Q. 1) Would you please describe in detail the port unification plan which has been proposed.
- A. 1) The Port Unification Proposal of the Delaware River Port Authority is set forth in EXHIBITS A and B attached.

Elements of Port Unification under study are as follows:

- A. Declaration of intention to unify port by public and private sectors of the Port.
- B. Organizational structure of Port Unification
- C. Financing of Port Unification

- Q. 2) What is the status of the Port Unification Proposal currently?
- A. 2) The President of the Delaware River Port Authority has held discussions of the proposal (Exhibit A) with the Chairman of the Philadelphia Port Corporation, the Chairman and Executive Director of the South Jersey Port Corporation, the Executive Director of the Delaware River and Bay Authority, the Board of Directors of the Philadelphia Maritime Exchange, the Board of Directors of PENJERDEL, and with major private port operators including the Chairman of the Board and President of Lavino Shipping Company, the Vice President of the International Terminal Operators, the President of Holt Systems, Inc., the President of Independent Pier Company and many other agents, brokers, and ship operators. There is consensus that a unification of port operations, marketing, development and financing is essential to the long term survival of the Port. All parties would agree to a declaration of an intention to unify the Port. No consensus has developed determining how the Port should be unified and operated in the future.
- Q. 3) (a) What would be the function of the DRPA and
(b) the Proposed Subsidiary Corporation, the Delaware River Ports Operating Corporation, under the program? Would it operate Port facilities or act as a landlord?
- A. 3) (a) The function of the Delaware River Port Authority itself would be primarily the Port financier, generating capital to fund port development projects.

Presently, none of the other Port operating agencies has the strong financial credit base to generate capital funds of the magnitudes generated by the competing port agencies of New York, Baltimore, Norfolk or other major port areas of the national port system. (See Exhibit C)

- A. 3) (b) The Delaware River Ports Operating Company, subsidiary to the Delaware River Port Authority, would act as the regional port planning agency (Exhibit D), the regional port marketing agency and would undertake operating functions to be determined during the five year phase-in process of unification. ✓

Master planning for the regional port system is essential to ensure rational development of infrastructure, facilities and equipment over the near and long terms. Furthermore, it is essential to strengthen the external marketing program and minimize internal competition through the institution of professional planning and marketing programs.

The Delaware River Ports Operating Company may serve as a port operator or as a port landlord or a combination thereof, depending upon the needs of the South Jersey Port Corporation and the Philadelphia Port Corporation.

- Q. 4) (a) What would be the relation of the DRPA-DRPOC to the existing Public Corporations - the South Jersey Port Corporation and the Philadelphia Port Corporation?

(b) To the private corporations such as Holt?

- A. 4) (a) At the outset of unification, a phase in period of 5 to 10 years is prescribed. There is no intention to substitute the DRPA for the existing agencies. It is the intention of the DRPA to assist in addressing port problems, needs and future development which are not or cannot be addressed by the existing port organizational structure.

- A. 4) (b) The private owners/operators of pier facilities need to be phased in to a port unification program. Rationalization of port facilities and equipment would be difficult if not impossible to obtain without proprietary control by the unifying agency. All private operators have recognized the need for unification and rationalization. Implementation will be complex, delicate and will probably require a substantial phase-in period.

- Q. 5) (a) How would it acquire port facilities?

(b) How would it pay for acquisition?

- A. 5) (a) The Port Unification program does not necessarily require total acquisition of pier facilities. The program does require a unified control over the use of port facilities.)

In order to obtain control over the use of facilities, several methods can be applied.

The end result of unification is to make the facilities of the port available to as many steamship operators and other controllers of cargo as possible. At present, our major terminals are operated by private companies performing all terminal and stevedoring services to a limited number of steamship companies and other controllers of cargo.

This system has resulted in substantial under utilization of our port infrastructure. Under utilization increases unit costs, dampens the Port's ability to attract new customers and severely curtails the ability of private enterprise to profit from port operations.

The approach to unification must address this condition. The South Jersey Port Corporation operates on an open basis and therefore meets the criteria already. It does not, however, have the ability to expand on its successful base due to its limited ability to raise capital.

Therefore, the DRPA need not acquire or unduly regulate the South Jersey Port Corporation, but should contribute to its development by financing new development and expansion.

On the Philadelphia side of the river, Packer Avenue and Tioga Terminals are closed operations under the control of two private operators, Lavino & I.T.O. A simple rent formula is applied to equalize debt service payments to the city and pier dredging is for the account of the tenant. Packer Avenue and Tioga are the major port facilities of Philadelphia. The Port and the City are completely dependent on the ability of private operators to attract port business and to retain it. The terminals are severely underutilized demonstrating a need for change. In this instance, the Port Authority might acquire the terminals by lease or by the assumption of the debt obligation and open the terminals to a multi-user program. Similar approaches, including purchase by eminent domain, might be applied to the control of the non-public terminals such as the Holt Systems facilities.

A. 5) (b) How to pay for acquisition.

The traditional means of generating revenues for the payment of rents or amortization of debt on port facilities is the assessment of wharfage and dockage charges. In the case of the South Jersey Port Corporation and the Packer and Tioga facilities of the Philadelphia Port Corporation, wharfage and dockage charges exceed the combined debt services. (See Exhibit E)

but not generating with open sea

There are other revenue sources which may also be available. Exhibit F sets forth the operating results of the Port Authority of New York and New Jersey by operating unit. The Marine element shows Gross Operating Income in 1985 of \$13,566,000.

- Q. 6) (a) How would this plan benefit the Port?
- (b) 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 this now?
- (c) Since the DRPA already has a Marketing Division, why would centralizing marketing under it lead to more Port traffic?
- A. 6) (a) The purpose of unification is to urgently address in the near term port problems involving both internal and external competitive forces, the solutions to which are beyond the capabilities of existing public and private port entities. In the long term, master planning for the development of the Port on a regional basis must be established. (Exhibit G) The status quo is unacceptable.
- A. 6) (b) The DRPA sought concurrent legislation in the mid-1960's for its plan to develop two 300-acre marine and industrial terminals in the cities of Chester, PA and Camden, NJ. Although the legislation was enacted in New Jersey and had passed in the Pennsylvania Legislature, a change of direction by New Jersey revoked that State's authorization of the plan.

The DRPA abandoned its port plans and proceeded with other very substantial transportation projects: 1) the construction of the PATCO High Speed Line; 2) the construction of the Betsy Ross Bridge; and 3) the construction of the Commodore Barry Bridge. Capital investments in these and other transportation facilities amounted to \$500,000,000 over a 20-year period.

The DRPA has an outstanding record in the improvement of the regional transportation infrastructure. It has demonstrated ability to construct and operate major transportation facilities. It has demonstrated ability to raise capital, without any state tax support, and to develop sound, self-supporting capital investment programs. A need for additional river crossings or major expansion of the PATCO system is not presently foreseen by the Commission. Therefore, the Commission wishes to bring its attention and expertise to the development of the regional ports.

- A. 6) (c) The Philadelphia Port Corporation established a marketing system which paralleled the DRPA's marketing system in the United States but concentrated its efforts on the tenants of the Philadelphia Port Corporation, while DRPA was selling all regional facilities. This caused confusion in the minds of customers because of duplication of effort of our two organizations. Neither organization had any authority to actually negotiate a piece of business. We discovered a prospect, brought the prospect to the attention of one or more private operators, and hoped for the best, often never knowing the ultimate result. Unification will centralize marketing under one umbrella, DRPA, and will place the DRPA in a position to negotiate business to a final conclusion.

*Wanted to see a
S.J. PC
better port
gaining
more*

A. 6) (c) continued

Our competing ports have this flexibility and power to negotiate contracts. This port needs to be placed on equal terms. On equal terms, we sincerely believe we can generate sufficient business to provide a self-supporting revenue flow to enable the Port Authority to support substantial capital investment.

Q. 7) (a) The various port facilities are now competitive with one another. Would the proposal reduce competition and thus drive business away from the Port?

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

A. 7) (a) An open port facility system will make all major port terminal facilities available to all port operators and will open the port facilities to new cargo control customers who now have no access to the port on their own behalf. All of the port operators, private and public, interviewed have concurred in this concept. Unification will not stifle competition, it will enhance it.

A. 7) (b) The South Jersey Port Corporation's facilities are operated on an open basis at the present time. Unification would not change or injure their method of operating. The Holt Systems, Gloucester, supports unification in that it gives them open access to Philadelphia facilities enabling them to expand their very successful port cargo generating base. Philadelphia based operators using Holt facilities likewise benefit the Holt bottom line.

Q. 8) The management and operation of the Philadelphia Port Corporation have been subject to criticism. How would Port Unification deal with problems of this Port Corporation?

A. 8) The problems of the Philadelphia Port Corporation are problems of the port in general. Unification will undertake to isolate the organizational problems of the Port Corporation from the objective of maximizing the productive use of their major port facilities. The DRPA would control the use of the facilities through direct lease from the Port Corporation in the near term and perhaps permanent acquisition of the facilities in the long term.

Q. 9) Would the debts, liabilities and problems of the Philadelphia Port Corporation be taken over by the DRPA?

A. 9) There would be no advantage to the regional port to simply transfer problems, debts and liabilities from one port entity to another. Negotiations between the two entities should seek a long range advantage to port development without unduly burdening either organization with residual debts, liabilities or problems.

- Q. 10) Would the DRPA have any role in hotel and tourist development of the Port, such as the Penn's Landing area waterfront development or the Camden waterfront development?
- A. 10) Waterfront use should be of concern to any regional port agency. It is common practice in the port industry for the lead port agency to assist in all types of waterfront development. The New York-New Jersey Port Authority is a leader in the broad approach to waterfront development. Generally, waterfront development for public use has been a self-sustaining investment and in the case of New York, a highly profitable venture (See Exhibit F). Other port agencies successfully engaged in self-supporting public use projects are the Maryland Port Administration, Massachusetts Port Authority, Port of New Orleans, Port of Oakland, Port of Long Beach, Port of Los Angeles, et al.

FINANCIAL CONSIDERATIONS

- Q. 11) There has been controversy between the New Jersey and Pennsylvania delegations concerning financing of port activities. It is apparently the case that the Pennsylvania Commissioners have supported 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 the bonds ought not to be voted for that purpose. Is that a fair summary of the two positions?
- A. 11) Yes.
- Q. 12) (a) 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?
- (b) Is it not the case that the bond issue funds are to be effectively used for a future contingency, without guarantee of sufficient revenues?
- A. 12) (a) This question has been referred to the Audit Committee for study and recommendation.
- (b) This question has been referred to the Audit Committee for study and recommendation.
- Q. 13) Would it not be sounder 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?
- A. 13) This question has been referred to the Audit Committee for study and recommendation.

- Q. 14) Concerning the unification project costs, what would be the projected costs of unification, particularly the acquisition of port facilities? What are the revenue projections from these facilities? How would these costs be paid for?
- A. 14) See Questions 5(a) and 5(b) and Exhibit E.
- Q. 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 increasing PATCO deficit? Since the users of these facilities are principally New Jersey residents, wouldn't this be detrimental to their interests?
- A. 15) A staff report to the Finance Committee (Exhibit H) projected revenues, operating expenses and capital fund requirements to the year 2000, including a \$5,000,000 capital item for a start-up of a port unification program. The report indicates with a 10% toll increase in 1990 and again in 1994, all capital projects including the Walt Whitman Bridge can be completed and a substantial reserve will remain at the year 2000.
- A similar result obtains, if the Port Authority were to fund the Benjamin Franklin Bridge deck by bonding, similar revenue enhancement would be required and a substantial reserve will remain in the year 2000.

Capital funding for port unification projects should stand on their own and be self-sustaining. Under this premise, port unification will not siphon off funds for the capital needs of the bridges or of PATCO. New Jersey residents will not be unduly impacted through the year 2000 and should be positively enhanced by improved economic benefits from port improvements.

- Q. 16) (a) Would you please discuss Schedule I (projections to the year 2000, 90c toll), and Schedule II (projections to year 2000 with 10% toll increases in 1990 and 1994)?
- (b & c) What is the allocation of the net income of the Authority? Is it allocated to reserves? Please state the amount of reserves.
- A. 16) (a) Schedule I (Projections to the year 2000, 90c toll) shows that without revenue enhancement, the DRPA will go into deficit by the year 1990, requiring a toll increase. Schedule II, shows the financial picture with a 10% toll increase from 90c to \$1.00 on 1/1/90 and a second toll increase on 1/1/94 of 10% from \$1.00 to \$1.10. Under Schedule II, all of the capital programs through the year 2000 can be funded and the reserve balances will be in excess of \$66,000,000.
- (b & c) The net income of DRPA is the residual of all revenues, tolls and investment income, after providing for bridge operating expenses, bond service, PATCO deficit and World Trade expenses. Net income is allocated to the General Reserve Fund and can be used for any authorized purpose of DRPA. All capital expenditures are funded out of the General Reserve Fund. The projected amount

A. 16) (b & c) continued

of reserves available for the Capital program at the end of each calendar year is stated in Schedules I & II at the final line, entitled "Reserve Balance 12/31."

Q. 17) 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? If these projections are not known in sufficient detail at this time, shouldn't there be a projection for these capital expenditures before any additional financial commitments are made?

A. 17) Exhibit H details the Capital expenditures on existing facilities through the year 2000. The Schedules I and II projects how revenues can mesh with the capital program. The Audit Committee of DRPA is examining projections of Capital expenditures and sources of revenue. Results of the Audit Committee's conclusions will be available to the Sub-Committee of the Senate Independent Authorities Committee.

PORT UNIFICATION PROGRAM

- A. Bond Issue (up to \$70,000,000) by DRPA ✓ *(not primarily discussed)*
- B. Declaration of intention to unify Port operations by Delaware River Port Authority, Philadelphia Port Corporation and South Jersey Port Corporation in phased steps over five year period.
- C. Set up Delaware River Ports Operating Co., (subsidiary of DRPA) to:
1. Unify and perform all port marketing immediately
 2. Develop plans and programs to phase in all port operations, public and private, over 5 to 10 year period.
 3. Develop Port Operating Plans to address issues
 - a) Open terminals, leased terminals, combo terminals and establish terminal operating program and equipment usage rental or lease, etc.
 - b) Address pier dredging program
 - c) Address Drayage program
 4. Develop self-sustaining revenue source from operations
 - a) Wharfage and Dockage
 - b) Terminal operations
 - c) Equipment rentals and ground leases
 - d) State Subsidies ✓
- Will they be self-sustaining?*

RESOLUTION

RESOLVED: that the Delaware River Port Authority hereby declares its intention to bring about a unification of Delaware River Port operations, and

FURTHER RESOLVED: that the Delaware River Port Authority will consult with all public and private port entities on the Delaware River, to develop and coordinate plans and programs to unify and finance port operations in order to insure maximum economic development of the Delaware River and Bay through port development.

JRK:mjg
7/86

PORT UNIFICATION PROGRAM

- A. Declaration of intention to unify port operations by the Delaware River Port Authority, the Philadelphia Port Corporation, and the South Jersey Port Corporation in phased steps over a five year period.

- B. Develop plans and programs to phase in all Delaware River port operations, public and private, over a five to ten year period and to address the following issues:
 - 1. Open Terminals
 - 2. Leased Terminals
 - 3. Combination Terminals
 - 4. Equipment Usage and Rental
 - 5. Pier Dredging Programs
 - 6. Drayage Programs
 - 7. Facility Takeover Program
financing through leasing or
refinancing
 - 8. Unify Port Marketing

- C. Develop self-sustaining port revenue sources:
 - 1. Wharfage and Dockage
 - 2. Terminal Operations
 - 3. Ground Leases & Equipment Rentals
 - 4. State Subsidy Programs *(from 4 terminals)*

JRK:mjg
7/86

2. Agencies Handling State Funds

What state agency administers the state's funds for port and terminal development?

In the 25 states that funded port and terminal development, the administration of the funds was the responsibility of 12 state departments of transportation, eight state port authorities or commissions, four state economic development agencies and one state project construction agency. The various state agencies are indicated in Table 2.

State DOT's which administered state funds for port development included Alaska, Connecticut, Hawaii, Louisiana, Maine, Maryland (the Maryland Port Administration was consolidated into Maryland DOT in 1971), Missouri, New York, Ohio, Pennsylvania, Tennessee and Wisconsin. State economic development departments administered port funds in Delaware, Kentucky, Mississippi and Oregon, while the Capital Development Board in Illinois directed the construction of state funded port projects.

State port authorities or commissions which funded landside port and terminal projects included the Alabama State Docks Department, Georgia Ports Authority, Indiana Port Commission, New Hampshire State Port Authority, North Carolina State Port Authority, Rhode Island Port Authority, South Carolina State Ports Authority and Virginia Port Authority. The Massachusetts Port Authority received no state funds for port projects.

Table 2

State Agencies That Administered
Port and Terminal Development Funds

<u>East Coast</u>	<u>State Agency</u>
Connecticut	Department of Transportation
Delaware	Economic Development Division
Georgia	Georgia Ports Authority
Maine	Department of Transportation
Maryland	Maryland Port Administration (DOT)
New Hampshire	New Hampshire State Port Authority
New York	Department of Transportation
North Carolina	North Carolina State Port Authority
Pennsylvania	Department of Transportation
Puerto Rico	Puerto Rico Ports Authority (DOT)
Rhode Island	Rhode Island Port Authority
South Carolina	South Carolina State Ports Authority
Virginia	Virginia Port Authority
 <u>Gulf Coast</u>	
Alabama	Alabama State Docks Department
Louisiana	Department of Transportation
Mississippi	Department of Economic Development
 <u>Mississippi Valley/Midwest</u>	
Illinois	Capital Development Board
Indiana	Indiana Port Commission
Kentucky	Commerce Cabinet
Missouri	Highway and Transportation Department
Ohio	Department of Transportation
Tennessee	Department of Transportation
Wisconsin	Department of Transportation
 <u>West Coast/Pacific</u>	
Alaska	Department of Transportation
Hawaii	Department of Transportation
Oregon	Department of Economic Development

SIGNIFICANT FINDINGS

Some of the significant findings of the AASHTO Survey of State Funding of Landside Port Facilities and Cargo Terminals are as follows:

- o Nationally, of the 41 states located on navigable waterways, 25 funded landside port facilities and cargo terminals during all or some part of the period 1977-1984.
- o States invested \$1.1 billion in port facilities and terminals during the eight-year period, 1977-1984.
- o \$997.5 million was expended by states on tidewater landside port and terminal facilities, \$64.6 million at Great Lakes ports and \$63.8 million for inland waterway terminals.
- o East Coast states invested \$504.7 million in port and terminal development, the Gulf Coast states invested \$342.3 million, the Midwest states invested \$108.8 million and the West Coast/Pacific states invested \$170.0 million in port projects.
- o State port and terminal construction funds were administered by twelve state departments of transportation, eight state port authorities, four state economic development agencies and one capital development agency.
- o In terms of the state agencies responsible for administering state funds for port and terminal projects, \$515.7 million was administered by state departments of transportation, \$559.1 million by state port authorities and \$51.0 million by state departments of commerce or other state agencies.
- o Fifteen states authorize a state agency to fund projects at the discretion of the state agency, while 11 states report that the state legislature provides funds for port projects on the basis of recommendations by a state agency. In five states the legislature authorizes funds on a project-by-project basis without regard for the recommendations of a state agency.
- o The sources of state funds invested in landside port facilities and terminals included general obligation bonds, \$463.1 million; general revenue funds, \$251.5 million; revenue bonds, \$231.0 million; charges on users, \$92.7 million; transportation trust funds, \$85.2 million; and private contributions, \$2.4 million.
- o States and local units of government have created 243 local port authorities, port departments, dock boards or port commissions to develop port facilities.
- o While the amount of state funds expended annually for landside port facilities has been significant, the results of this survey are not necessarily indicative of past or future national trends in state funding of port facilities. This is due, in part, to differences in state statutes that specify the sources of funds that may be used for port development. Additionally, only a relatively small number of states have ongoing annual funding programs. Of the 25 states that funded port development projects in the years 1977-1984, only nine states funded port projects in each of the eight years.

Table 3B

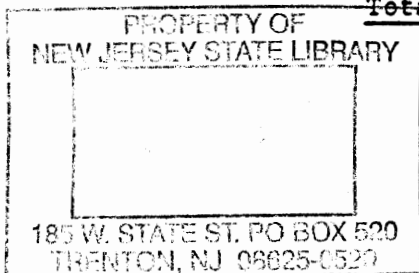
State Funding of Ports and Terminals, By
Deep Draft and Shallow Draft Waterways, 1977-1984

<u>Deep-Draft Tidewater States</u>	<u>State Funding 1977 - 1984</u>
Alabama	\$ 133,400,000 ✓
Alaska	116,085,000
Connecticut	1,668,000
Delaware	4,050,000
Georgia	170,889,000 ✓
Hawaii	51,571,000
Louisiana	195,519,000 ✓
Maine	4,982,000
Maryland	75,540,000
Mississippi	9,400,000
New Hampshire	1,815,000
New York	29,950,000
North Carolina	20,068,000
Oregon	2,389,000
Pennsylvania	8,263,000 ✓?
Rhode Island	13,450,000
South Carolina	103,778,000 ✓
Virginia	54,693,000
Sub-Total	<u>\$ 997,510,000</u>

<u>Deep-Draft Great Lakes States</u>	<u>State Funding 1977 - 1984</u>
Illinois	\$ 15,000,000
Indiana	31,881,000
New York	12,365,000 ✓?
Pennsylvania	1,601,000 ✓
Wisconsin	3,715,000
Sub-Total	<u>\$ 64,562,000</u>

<u>Inland Waterway States</u>	<u>State Funding 1977 - 1984</u>
Illinois	\$ 4,526,000
Indiana	29,160,000
Kentucky	15,664,000
Louisiana	4,000,000
Missouri	2,984,000
Ohio	4,000,000 ✓?
Pennsylvania	1,626,000 ✓
Tennessee	1,709,000
Wisconsin	116,000
Sub-Total	<u>\$ 63,785,000</u>

<u>Total</u>	<u>\$1,125,857,000</u>
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What is the amount of state funds used to finance landside port facilities and cargo terminals during the past eight years?

The 25 states that funded port and terminal facilities invested over \$1.1 billion during the eight-year period 1977-1984. State funding of ports is reported by both calendar and fiscal years. The survey responses are not reconciled to a common year. Because for some projects, state funds were used to match federal and/or local funds, the total project costs and the actual dollar investment in port facilities generated by this investment of state funds was somewhat greater than the totals presented in this report.

Table 3A indicates the yearly investment of states in landside port facilities and terminal development during the eight-year period. The East Coast states invested \$504.7 million in port development, while the Gulf Coast states invested \$342.3 million, the Midwest states invested \$108.8 million and the West Coast/Pacific states invested \$170.0 million in port projects. Leading the states in the funding of ports and terminals were Louisiana, \$199.5 million; Georgia, \$170.9 million; Alabama, \$133.4 million; Alaska, \$116.1 million; and South Carolina, \$103.8 million.

A comparison of the amounts of state funds in deep-draft and shallow-draft (inland waterway) port and terminal facilities, presented in Table 3B, indicates that most state funds are used for deep-draft projects. During the eight-year period 1977-1984, nearly \$1.1 billion were expended on deep-draft ports, while only \$63.8 million in state funds were expended for inland waterway port projects. The deep-draft funding can be separated into tidewater and Great Lakes projects. The tidewater state investment was \$997.5 million during the eight-year period, while \$64.6 million in state funds were invested in Great Lakes ports.

In terms of the various state agencies responsible for administering state funds for port and terminal projects, \$515.7 million was administered by state departments of transportation, \$559.1 million by state port authorities and \$51.0 million by state departments of commerce or other state agencies.

Before state funds or funds collected by the state are authorized for the construction of a public cargo terminal, which types of plans must recommend the specific project, if any?

1. The proposed cargo terminal project must be included in the state multi-modal transportation plan.
2. The cargo terminal must be included in a statewide port development master plan.
- ✓ 3. A local port authority or the state port authority must have its own adopted port development master plan for the area or waterways encompassed by the port authority.
4. State funds may be authorized for cargo terminal projects without any of the above levels of port development master planning.

For those states which have port funding programs, projects are selected either on the basis of a planning process or by political choices made by the state legislature. Twelve of the 25 states which funded port development, including Alabama, Alaska, Georgia, Illinois, Louisiana, ✓ Mississippi, New York, Ohio, Oregon, Pennsylvania, Rhode Island and Wisconsin, relied upon the state legislature to award funds for port projects without any requirements for statewide or local port plans.

There are three generally recognized levels of planning which are used to determine port development needs. These include the preparation of a multi-modal state transportation plan which includes recommendations for port development, a statewide port development master plan or port capital development program, and port development plans for local port authorities.

Only five of the states, Connecticut, Hawaii, Maine, New Hampshire and Tennessee, required that port projects be included in a state multi-modal transportation plan to receive state funding. In addition, both Connecticut and Hawaii required that specific port projects be included in

a statewide port development plan and in the master plan for the individual port in order to receive state funds. In Puerto Rico, while there is no requirement for port projects to be included in a multi-modal transportation plan, the Puerto Rico Ports Authority must recommend specific projects in the island's port plan and in the Authority's plans for individual ports.

Besides Connecticut and Hawaii, nine other states and Puerto Rico required that port projects must be recommended in a port master plan for the area or waterways within the port authority. Such a requirement applies to six state port authorities: Georgia Ports Authority, Indiana Port Commission, New Hampshire State Port Authority, North Carolina State Port Authority, South Carolina State Ports Authority and Virginia Port Authority; three DOT's: Hawaii, Missouri and Tennessee; and the Kentucky Commerce Cabinet.

Table 6

Plans Required For State Funding of Ports

1. The proposed cargo terminal project must be included in the state multi-modal transportation plan.
2. The cargo terminal must be included in a statewide port development master plan.
3. A local port authority or the state port authority must have its own adopted port development master plan for the area or waterways encompassed by the port authority.
4. State funds may be authorized for cargo terminal projects without any of the above levels of port development master planning.

The number on each column below corresponds to the above numbered types of plans. An "X" under a column indicates a type of plan which is required by the state.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>East Coast</u>				
Connecticut	x	x	x	
Delaware				x
Georgia			x	
Maine	x			
Maryland	x			
New Hampshire			x	
New York				x
North Carolina			x	
Pennsylvania				x
Puerto Rico		x	x	
Rhode Island				x
South Carolina			x	
Virginia			x	
<u>Gulf Coast</u>				
Alabama				x
Louisiana				x
Mississippi				x
<u>Mississippi Valley/Midwest</u>				
Illinois				x
Indiana			x	
Kentucky			x	
Missouri			x	
Ohio				x
Tennessee	x		x	
Wisconsin				x

Table 6 (cont'd)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>West Coast/Pacific</u>				
Alaska				x
Hawaii	x	x	x	
Oregon				x

Before state funds or funds collected by the state are authorized for an individual port or public terminal project, which types of project-specific studies or analyses are completed?

1. Engineering cost study
2. Project revenue analysis
3. Benefit-cost study
4. Commodity flow projections
5. Other (specify)

✓ This question received responses from 21 of the states which funded port development projects. Twenty states require the completion of engineering cost studies, 12 states require commodity flow projections, 10 states require benefit-cost studies and nine states require project revenue analyses. The only states to require all four types of special studies were Connecticut, Georgia, Mississippi, Missouri and Pennsylvania. In addition, the states of Indiana, Maryland, Pennsylvania, Virginia and Wisconsin reported that environmental studies or reviews are prepared. New York requires economic studies, Alaska requires feasibility studies and Oregon requires collateral appraisals for land, buildings, equipment and other financed items and also requires port audit reports. Louisiana reports that no special studies are necessary for funds to be authorized by the state for a port project. Puerto Rico reports that all four types of special studies are required before funds are authorized for a port project. The responses are presented in Table 7.

EXHIBIT E

<u>OUTSTANDING DEBT</u>	<u>ANNUAL DEBT SERVICE</u>	<u>TERM</u>	<u>REVENUE FROM DOCKAGE & WHARFAGE</u>
<u>PHILA. PORT CORP.</u> \$50,000,000	<u>\$5,000,000</u>	30 years to 2005	<u>\$5,500,000</u>
<u>SOUTH JERSEY PORT CORP.</u> \$30,000,000	\$2,500,000	Series A to 2011 Series B to 2020	<u>\$3,500,000</u>
<u>DELAWARE RIVER PORT AUTH.</u> <u>TO FINANCE EXISTING DEBTS</u>			
\$80,000,000	\$7,500,000	25 years to 2010	<u>\$9,000,000</u>

*what
about
cost of
operations?*

Note L—Information on Port Authority Operations by Operating Segment:

1. Operating Results

Gross Operating Income (Loss) consists of Revenues from Operations less operating and maintenance expenses, depreciation and Bus Program amortization. General Administrative and Development Expenses, Financial Income and Interest Expense are not considered in calculating Gross Operating Income (Loss). Allocated general administrative and development expenses for the Ground and Mass Transportation group are \$63,380,000 in 1985 and \$47,500,000 in 1984 and for the Port Commerce and Economic Development group are \$65,425,000 in 1985 and \$55,229,000 in 1984.

	Ground and Mass Transportation				Port Commerce and Economic Development				Combined	
	Tunnels & Bridges	Bus Terminal and Bus Programs	Rail	Total	Air Terminals (in thousands)	Marine & Other Facilities	World Trade Facilities	Total	1985	1984
1985										
Gross Operating Revenues	\$213,066	\$ 20,150	\$ 44,583	\$ 277,819	\$511,141	\$ 70,853	\$241,027	\$ 823,021	<u>\$1,100,840</u>	
Interdepartmental Revenues		52	1,756	1,808		567	37,187	37,754		
Revenues from Operations	213,066	20,202	46,339	279,627	511,141	71,420	278,214	860,775		
Gross Operating Income (Loss)	103,306	(59,992)	(62,251)	(19,037)	126,256	13,566	89,686	229,508	\$210,471	
1984										
Gross Operating Revenues	\$204,365	\$ 20,515	\$ 36,090	\$ 262,970	\$480,641	\$ 60,009	\$196,440	\$ 737,090		<u>\$1,000,062</u>
Interdepartmental Revenues		73	1,318	1,391		849	32,677	33,526		
Revenues from Operations	204,365	20,588	37,408	264,361	480,641	60,858	229,117	770,616		
Gross Operating Income (Loss)	105,453	(43,982)	(53,421)	8,050	140,463	9,410	92,932	242,705		<u>\$250,755</u>
General Administrative and Development Expenses									<u>(128,805)</u>	<u>(102,729)</u>
Income from Operations									81,666	148,026
Financial Income									84,955	85,943
Interest Expense									<u>(138,127)</u>	<u>(114,920)</u>
Income Before Extraordinary Items									58,494	119,049
Extraordinary Items										
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements									4,851	3,821
Gain on insurance proceeds (Note B)										7,072
Net Income									<u>\$ 63,345</u>	<u>\$129,942</u>

2. Asset Information

The table below contains a summary of information on the Port Authority's assets. Facilities, net consists of facilities at cost less accumulated depreciation.

	Ground and Mass Transportation				Port Commerce and Economic Development				Total Assets
	Tunnels & Bridges	Bus Terminal and Bus Programs	Rail	Total	Air Terminals (in thousands)	Marine & Other Facilities	World Trade Facilities	Total	
1985 Assets									
Facilities, net-beginning of year	\$475,436	\$207,736	\$226,088	\$ 909,260	\$751,962	\$393,426	\$912,661	\$2,058,039	\$2,967,299
Net capital expenditures	42,919	9,845	57,027	109,791	114,889	92,257	28,765	235,911	345,702
Depreciation	(111,628)	(4,201)	(7,778)	(123,607)	(57,827)	(17,790)	(21,071)	(96,688)	(120,393)
Facilities, net-end of year	<u>\$406,727</u>	<u>213,280</u>	<u>\$275,337</u>	<u>995,346</u>	<u>\$809,014</u>	<u>\$467,893</u>	<u>\$920,355</u>	<u>2,197,262</u>	<u>3,192,608</u>
Unamortized Cost-Bus Programs		249,189		249,189					249,189
Total		<u>\$462,469</u>		<u>\$1,244,535</u>				<u>\$2,197,262</u>	<u>3,441,797</u>
Cash, investments, accounts receivable and other assets									<u>1,604,511</u>
Total Assets									<u>\$5,046,308</u>
1984 Assets									
Facilities, net-beginning of year	\$450,818	\$192,424	\$215,398	\$ 858,640	\$743,268	\$376,579	\$900,911	\$2,020,758	\$2,879,398
Net capital expenditures	35,436	18,771	18,843	73,050	63,070	34,946	32,788	130,804	203,854
Depreciation	(110,818)	(3,459)	(8,153)	(122,430)	(54,366)	(18,099)	(21,036)	(93,501)	(115,953)
Facilities, net-end of year	<u>\$475,436</u>	<u>207,736</u>	<u>\$226,088</u>	<u>909,260</u>	<u>\$751,962</u>	<u>\$393,426</u>	<u>\$912,661</u>	<u>2,058,039</u>	<u>2,967,299</u>
Unamortized Cost-Bus Programs		288,111		288,111					288,111
Total		<u>\$495,847</u>		<u>\$1,197,371</u>				<u>\$2,058,039</u>	<u>3,255,410</u>
Cash, investments, accounts receivable and other assets									<u>1,201,289</u>
Total Assets									<u>\$4,456,692</u>

To: Ray Heinzelmann
From: Ray Lawler
Subject: Status of Twenty Year Plan Work Program
Date: Sept. 19, 1986

Considerable progress has been made on the development of the 20 Year Port Master Plan. The world market analysis is at the point where most of the research has been completed and the first draft of the report is undergoing preliminary editing and corrections. The present status is:

- o The world overview has been completed. The study indicated that three major geographical markets and two secondary markets (North Europe, the Far East, and South America; the Mediterranean, and to a lesser extent Australia/Oceania) which represent the broadest range of trade opportunities for the region. These have been selected as our primary geographical target markets.
- o An analysis of the commodity markets is nearing completion and I expect to have a first preliminary draft by September 30th. The study indicates that the following general commodity trades offer the best long term potential for the port:
 - Iron and steel imports.
 - Fruit, vegetables and similar food product imports.
 - Containerized cargo focus on Europe, The Mediterranean, and for long term development, South America. The Far East also offers considerable potential if the region can attract an around the world service. Under present conditions it cannot compete with the West Coast and the landbridges.
 - Auto mobile imports.
 - Both paper and waste paper imports and exports.
- o The bulk overview study should be completed by Sept. 30th. The region appears to have the strongest competitive position vis-a-vis other port ranges in the declining petroleum import trades. Coal is the most import dry bulk export growth market, followed by bulk imports of crude fertilizer and cement. The metalferrous ores import trades have in the past been very important to the region. They have been, however, over the last seven years, declining rapidly and cannot be regarded as a trade with long term growth potential for the area.
- o A focused study on the North Atlantic trade route is near completion. Research on the Far East study is completed and the report is being written. The South American Study is done. The Mediterranean and Australia/Oceania studies have just been started. These latter two can be completed on the side as we

get into the scenario development phase. In depth studies of the iron and steel trades, fruits and vegetables and auto imports have been started with written reports expected by Oct. 15th.

Overall, we have completed a market data base incorporating 8 years of time series data for the world by trade route and coast as well as port/country data on the region's six most important trade routes. This data has been organized into easily accessible modules and housed on our P.C. Although some of the detailed analysis are not finished, we now have sufficient knowledge of the markets to begin developing planning scenarios.

Regarding the assessment of the region's development resources, we have completed several of the most import modules. These include:

- o The Port Facilities and Warehouse data base.
- o An analysis of the regions port facilities.
- o Willard Cooper has begun developing the base maps that are needed for the transportation study. This work, however, has been halted temporarily due to Willard's illness. Portions of the work will be reassigned and completed in the next two months.

Also to be completed are:

- o The inventory and assessment of industrial development properties and facilities to be assigned to Pat Alburger.
- o An assessment of region's industrial composition as well as its economic, political, social, and financial resources.

Finely we are still waiting word from NOAA regarding the current status of our proposal for the development of the econometric planning model. NOAA is supposed to make the announcement regarding the winners at next weeks national conference being held in Philadelphia. Jose and Bill will be covering this meeting for World Trade.

I do believe we have developed a sufficient foundation to begin the scenario development phase starting in October while finishing up odds and ends of the market study.

PROGRESS REPORT: 20 Yr. PORT MASTER PLAN

DATA BASE DEVELOPMENT AND ANALYSIS

Data Bases

Analysis: Capabilities
& Limitations

Products

Port Facilities Inventory
(Complete)

Port Facilities Analysis
(Complete)

Computerized &
Summary Report
Delaware River &
U.S. East Coast

Warehousing Facilities
(Complete)

Warehousing Analysis
(Complete)

Computerized
Summary Report
Delaware River Region

87x
Market Data System
(Complete)

Market Analysis
(Completed)

Computerized &
Summary Report 90%
.World Overview
.Commodity Overview
.Target Markets
Far East
No. Europe
South America
Mediterranean (10%)
Oceania (10%)
.Bulk Market (05%)
Iron & Steel (50%)
Fruit & Vegetable (30%)
Auto & Parts (20%)
Paper & Wood Paper (20%)

Industrial Facilities Inventory
(In progress, 10%)

Regional Manufacture Inventory
(In Progress, 15%)

Regional Economic Resources
& Constraints

ALTERNATIVE SCENARIO DEVELOPMENTS

Beginning October 1

IMPLEMENTATION

o Containerized Potentials

- . North Europe
- . Mediterranean
- . South America
- . Far East
- . Oceania

o Breakbulk

- . Iron & Steel
- . Fruit & Vegetable & Food Products (Cocoa)
- . Auto & Auto Parts
- . Papers & Paper Products
- . Lumber & Wood Products

o Dry Bulk

- . Coal
- . Fertilizer
- . Cement
- . Ores

o Liquid Bulk

- . Petroleum



Facility & Services
Logistic & Infrastructure
Economics

Development
Seminars

Port Integration

Target Date
December 31, 1986

28X

DELAWARE RIVER PORT AUTHORITY

.90 Toll

Projections to the Year 2000

(000 omitted)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Toll Revenues	\$67,307	\$75,375	\$78,195	\$80,082	\$82,099	\$83,862	\$85,640	\$87,315	\$89,033	\$91,179	\$93,376	\$95,626	\$97,931	\$100,291	\$102,708
Investment Income	9,000	6,158	5,882	5,746	5,678	5,678	5,678	5,678							
Operating Expenses	<u>34,961</u>	<u>36,709</u>	<u>38,545</u>	<u>40,472</u>	<u>42,495</u>	<u>44,620</u>	<u>46,851</u>	<u>49,194</u>	<u>51,653</u>	<u>54,236</u>	<u>56,948</u>	<u>59,795</u>	<u>62,785</u>	<u>65,924</u>	<u>69,220</u>
Net Revenues	41,346	44,824	45,532	45,356	45,282	44,920	44,467	43,799							
Bond Service	20,186	20,551	23,883	23,727	24,136	24,183	24,209	24,231	24,268	24,292	24,317	24,363	24,413	24,443	24,477
Required Add'l Res.	1,053	874	918	964	1,012	1,062	1,116	1,171	1,230	1,291	1,356	1,424	1,495	1,570	1,648
PATCO Deficit	3,629	4,242	4,939	3,580	4,330	5,127	5,974	4,317	5,228	6,196	7,225	5,206	6,313	7,489	8,739
World Trade	<u>2,663</u>	<u>2,796</u>	<u>2,936</u>	<u>3,083</u>	<u>3,237</u>	<u>3,399</u>	<u>3,569</u>	<u>3,747</u>	<u>3,934</u>	<u>4,131</u>	<u>4,338</u>	<u>4,555</u>	<u>4,782</u>	<u>5,021</u>	<u>5,273</u>
Net Income	13,815	16,361	12,856	14,002	12,567	11,149	9,539	10,333							
Capital Budgets:															
DRPA	52,285	16,200	7,200	9,850	16,250	7,600	16,600	16,600	31,500	31,500	20,000	6,700	6,500	6,000	3,500
PATCO-DRPA Share	<u>2,124</u>	<u>4,100</u>	<u>7,600</u>	<u>5,400</u>	<u>8,300</u>	<u>1,900</u>	<u>2,300</u>	<u>1,900</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>
	<u>54,409</u>	<u>20,300</u>	<u>14,800</u>	<u>15,250</u>	<u>24,550</u>	<u>9,500</u>	<u>18,900</u>	<u>18,500</u>	<u>33,300</u>	<u>33,300</u>	<u>21,800</u>	<u>8,500</u>	<u>8,300</u>	<u>7,800</u>	<u>5,300</u>
Year Change to Res.	40,594	(3,939)	(1,944)	(1,248)	(11,983)	1,649	(9,301)	(7,867)							
Reserve Balance 1/1	47,442	6,848	2,909	965	(283)	(12,266)	(10,617)	(19,918)	(27,785)						
Reserve Balance 12/31	<u>\$ 6,848</u>	<u>\$ 2,909</u>	<u>\$ 965</u>	<u>\$ (283)</u>	<u>\$ (12,266)</u>	<u>\$ (10,617)</u>	<u>\$ (19,918)</u>	<u>\$ (27,785)</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

SCHEME II

DELAWARE RIVER PORT AUTHORITY

Projections to the Year 2000

.90 Toll thru 12/31/89
 a) 1.00 (10% increase) Toll 1/1/90
 b) 1.10 (10% increase) Toll 1/1/94

(000 omitted)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Toll Revenues	\$67,307	\$75,375	\$78,195	\$80,082	\$90,309	\$92,248	\$94,204	\$96,047	\$107,730	\$110,325	\$112,985	\$115,708	\$118,496	\$121,352	\$124,27
Investment Income	9,000	6,158	5,882	5,746	5,678	5,678	6,097	6,077	6,144	5,742	5,678	5,678	6,639	7,832	9,01
Operating Expenses	<u>34,961</u>	<u>36,709</u>	<u>38,545</u>	<u>40,472</u>	<u>42,495</u>	<u>44,620</u>	<u>46,851</u>	<u>49,194</u>	<u>51,653</u>	<u>54,236</u>	<u>56,948</u>	<u>59,795</u>	<u>62,785</u>	<u>65,924</u>	<u>69,22</u>
Net Revenues	41,346	44,824	45,532	45,356	53,492	53,306	53,450	52,930	62,221	61,831	61,715	61,591	62,350	63,260	64,01
Bond Service	20,186	20,551	23,883	23,727	24,136	24,183	24,209	24,231	24,268	24,292	24,317	24,363	24,413	24,443	24,41
Required Add'l Res.	1,053	874	918	964	1,012	1,062	1,116	1,171	1,230	1,291	1,356	1,424	1,495	1,570	1,61
PATCO Deficit	3,629	4,242	4,939	3,580	4,330	5,127	5,974	4,317	5,228	6,196	7,225	5,206	6,313	7,489	8,71
World Trade	<u>2,663</u>	<u>2,796</u>	<u>2,936</u>	<u>3,083</u>	<u>3,237</u>	<u>3,399</u>	<u>3,569</u>	<u>3,747</u>	<u>3,934</u>	<u>4,131</u>	<u>4,338</u>	<u>4,555</u>	<u>4,782</u>	<u>5,021</u>	<u>5,21</u>
Net Income	13,815	16,361	12,856	14,002	20,777	19,535	18,582	19,464	27,561	25,921	24,479	26,043	25,347	24,737	23,91
Capital Budgets:															
DRPA	52,285	16,200	7,200	9,850	16,250	7,600	16,600	16,600	31,500	31,500	20,000	6,700	6,500	6,000	3,51
PATCO-DRPA Share	<u>2,124</u>	<u>4,100</u>	<u>7,600</u>	<u>5,400</u>	<u>8,300</u>	<u>1,900</u>	<u>2,300</u>	<u>1,900</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>
	<u>54,409</u>	<u>20,300</u>	<u>14,800</u>	<u>15,250</u>	<u>24,550</u>	<u>9,500</u>	<u>18,900</u>	<u>18,500</u>	<u>33,300</u>	<u>33,300</u>	<u>21,800</u>	<u>8,500</u>	<u>8,300</u>	<u>7,800</u>	<u>5,31</u>
Year Change to Res.	40,594	(3,939)	(1,944)	(1,248)	(3,773)	10,035	(318)	964	(5,739)	(7,379)	2,679	17,543	17,047	16,937	18,61
Reserve Balance 1/1	47,442	6,848	2,909	965	(283)	(4,056)	5,979	5,661	6,625	886	(6,493)	(3,814)	13,729	30,776	47,71
Reserve Balance 12/31	<u>\$ 6,848</u>	<u>\$ 2,909</u>	<u>\$ 965</u>	<u>\$ (283)</u>	<u>\$(4,056)</u>	<u>\$ 5,979</u>	<u>\$ 5,661</u>	<u>\$ 6,625</u>	<u>\$ 886</u>	<u>\$(6,493)</u>	<u>\$(3,814)</u>	<u>\$13,729</u>	<u>\$30,776</u>	<u>\$47,713</u>	<u>\$66,31</u>
					(a)				(b)						

*re-checking
 completed?*

(Continued)

PROJECT	Estimated Cost	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Benjamin Franklin Bridge															
1. Roadway Deck Replacement	10,000	10,000													
2. Rehabilitation Toll Tunnel	1,000	1,000													
3. Repairs-Substructure	1,000				1,000										
4. Replace Main Pwr. Feeders-Adm.	1,800			1,800											
5. Rehab.-Abutment Approach Structure	7,000											4,000	3,000		
6. Preparation for Painting	4,500		1,500	1,500	1,500										
7. I-95 Vine Street	500		500												
8. Replacement-Pedestrian Walk	1,700	1,200	500												
Walt Whitman Bridge															
9. Roadway Deck Replacement	108,500						15,000	15,000	30,000	30,000	18,500				
Suspended Span	22,500														
Phila.-28th St. Bridge	15,500														
Phila.-Bridge to Anchorage	31,000														
NJ Anchorage-Pier G1	11,800														
NJ Pier G1 Black Horse Pike	27,700														
	<u>108,500</u>														
10. Roadway Safety Improvements	2,000	500	500	500	500										
11. Replacement-Concrete Toll Lanes	1,000					1,000									
12. Replacement-Collars-Suspender Ropes	500		500												
13. Replacement-Selected Suspender Ropes	2,000														2,000
14. Repairs-Substructures	900				900										
15. Repave Service Roads and Parking Lots	1,100													1,100	
16. Cathodic Protection-Substructure	2,000					2,000									
Commodore Barry Bridge															
17. Admin. Complex-Sewerage Connections	500	500													
18. Rehabilitation-Vibration Dampers	1,000													1,000	
19. Cathodic Protection-Substructure	2,000												2,000		
20. Rehabilitation-Substructure and Sealing	500		500												
Betsy Ross Bridge															
21. Route 90 Connection NJ	5,000	1,250	1,250	1,250	1,250										
22. Pennsylvania Connection	10,000				7,000	3,000									
23. Rehabilitation-Substructure and Sealing	1,100			1,100											
24. Replacement-Concrete Toll Lanes	1,200											1,200			
25. Cathodic Protection-Substructure	2,400													2,400	
All Bridge Facilities															
26. Installation-Fire and Burglar System	800		200	200	100	100	100	100							
27. Minor Projects	14,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
28. Vehicles and Equipment	7,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500
SUB-TOTAL - DRPA Engineering Division															
	191,000	15,950	6,950	7,850	13,750	7,600	16,600	16,600	31,500	31,500	20,000	6,700	6,500	6,000	3,500
Regional Port Development															
	5,000	250	250	2,000	2,500										
GRAND TOTAL - DRPA															
	196,000	16,200	7,200	9,850	16,250	7,600	16,600	16,600	31,500	31,500	20,000	6,700	6,500	6,000	3,500

31x

Engg. & Plan. Div.

JAL:lsj

7/10/86

DESCRIPTION OF

DELAWARE RIVER PORT AUTHORITYPOTENTIAL CAPITAL IMPROVEMENT PROJECTION

- | | | |
|----|---|-----------|
| 1. | BFB Roadway Deck Replacement

Contract BF-8-84 | \$ 10,000 |
| 2. | BFB Rehabilitation Toll Tunnel

Unlike the Authority's three other toll plazas that have a complete box tunnel located below the roadway concrete deck slab for the full width of the plaza, the BFB tunnel is enclosed with a roof that is actually the roadway deck slab. This concrete roadway deck slab is deteriorating and water is leaking through the slab onto automatic toll collection equipment and other electrical equipment as well as toll collection personnel who use the tunnel. Replacement cost is estimated at \$1,000,000. | \$ 1,000 |
| 3. | BFB Substructure Repairs

As the result of the contamination of the pier caps with salt and de-icing chemicals, we have already observed reinforcing steel deterioration. The rusting results in delaminated and spalled concrete. Repairs must be made to these areas before the pier cap is sealed or before the installation of cathodic protection. | \$ 1,000 |
| 4. | BFB Replace Main Power Feeders, Administration Complex

The main power cables feeding the Administration Building at the BFB have been in service for many years. Increased demand in the building has taxed the capacity of the cables. The cost for installing new cable is estimated to be \$1,800,000. | \$ 1,800 |
| 5. | BFB Rehabilitation Abutment Approach Structure

The tee beam approach spans to the steel multi-girder spans on both the Philadelphia and Camden Approaches to the BFB were not replaced with the rest of the deck. From past experience with similar structures, tee beam approaches will have to be replaced in about ten (10) years. | \$ 7,000 |
| 6. | BFB Preparation for Painting

After 60 years, the BFB has accumulated approximately 23 layers of paint. This paint film has reached a thickness that allows it to expand independently of the steel it covers. The cost to remove paint down to bare metal is not in the normal reserve fund for painting the bridges. The estimated cost of the work is \$4,500,000. | \$ 4,500 |
| 7. | BFB I-95 Vine Street

Recently, the Port Authority executed an Agreement with the Commonwealth of Pennsylvania for that portion of the total improvement wherein the DRPA will be participating. Currently, staff has assigned a DRPA cost of \$500,000 to this project. | \$ 500 |

8. BFB Replace Pedestrian Walk \$ 1,700
- Staff is currently investigating various types of alternatives for the replacement, including steel plate, pre-cast concrete and cast-in-place concrete. Work is scheduled for 1987/88 after completion of the Bridge Deck Project.
9. WWB Roadway Deck Rehabilitation \$108,500
- In the Fall of 1986, the Authority will engage a consultant to study and prepare a Condition Report on the WWB roadway deck, including all bridge decks within the Philadelphia and Gloucester approaches. If the study recommends a concrete deck replacement for all the bridges, the estimated cost would be \$108,500,000.
10. WWB Roadway Safety Improvement \$ 2,000
- The Philadelphia and Gloucester approaches to the WWB contain miles of guardrail and barrier of 1957 vintage that should be brought up to current standards. A study in the Fall of 1986 will determine to what extent improvements are necessary. The estimated cost of this work is \$2,000,000.
11. WWB Replace Concrete Toll Lanes \$ 1,000
- In 1984 about 35% of the toll plaza roadway was replaced. The remaining roadway will need to be replaced between 1990 and 1995. The estimated cost of this work is \$1,000,000.
12. WWB Replace Collars Suspender Ropes \$ 500
- It is anticipated that the current suspender rope study will recommend that the present collars that prevent the suspender ropes from rubbing on the top chord support be modified to minimize suspender rope wear. The estimated cost to replace all suspender rope collars is \$500,000.
13. WWB Replace Selected Suspender Ropes \$ 2,000
- Although it appears that the suspender ropes are in satisfactory condition, in all probability there will be a need to replace at least some of the ropes on a selective basis. The estimated cost of this is \$2,000,000.
14. WWB Substructure Repairs \$ 900
- See No. 3.
15. WWB Repave Service Roads and Parking Lots \$ 1,100
- The driveways and parking at each Administration and Maintenance Building require resurfacing on an average of 12-18 years, depending on usage.

16. WWB Cathodic Protection Substructures \$ 2,000
- All of our concrete pier caps have been exposed to and contaminated by salt and de-icing chemicals which flow through the expansion dams during snow and ice storms. These chemicals penetrate the concrete pier caps and attack the steel reinforcing steel much in the same manner that steel is attacked in a coastal environment.
- Cathodic Protection is the only method for arresting the chemical attack to the steel by chloride ions, which contaminate the concrete pier caps.
17. CBB Administration Complex Sewerage Connection \$ 500
- Sewer connection at the CBB is in the design development phase. This sewer connection will eliminate the problem of sewerage treatment and disposal and remove the Authority from groundwater and surface water pollution liability exposure.
18. CBB Rehabilitation Vibration Dampers \$ 1,000
- The vibration dampeners were installed at the Commodore Barry Bridge in 1976. These are mechanical devices which require maintenance and have a limited life. The dampers were estimated for a ten year life cycle and we anticipate a need for replacing the units in 1995.
19. CBB Cathodic Protection Substructure \$ 2,000
- See Number 16.
20. CBB Rehabilitation Substructure and Sealing \$ 500
- See Number 3.
21. BRB Route 90 Connection NJ \$ 9,000
- Recent negotiations with the New Jersey Department of Transportation have resulted in a cooperation agreement calling for the Delaware River Port Authority to participate in the construction of N.J. Route 90, presently estimated to cost \$31.8 Million. The agreement requires the Delaware River Port Authority to pay the State \$4.0 Million on or before June 30, 1986 and annual cash payments beginning June 30, 1987 of at least \$500,000 but not in excess of \$1,250,000 for a total amount of \$9.0 Million.
22. BRB Pennsylvania Connection \$ 10,000
- Recently the Pennsylvania Department of Transportation presented their recommendations for interconnecting the Betsy Ross Bridge and the Delaware Expressway (I-95) with the local street system of Philadelphia. This project represents the DRPA's participation in a westward extension of the Betsy Ross Bridge approach roadway to a connection at Aramingo Avenue and a further westward at-grade connection to Torresdale Avenue.

23. BRB Rehabilitation Substructure and Sealing \$ 1,100
See Number 3.
24. BRB Replace Concrete Toll Lanes \$ 1,200
Replacement cycle for the concrete through the toll lanes is a function of the volume of traffic which uses each facility. We estimate from experience that this cycle will vary from 25 to 30 years based on the volume and class of traffic.
25. BRB Cathodic Protection Substructure \$ 2,400
See Number 16.
26. All Bridge Facilities - Install Fire and Burglar System \$ 800
Installation of fire and burglar devices to provide protective warning systems where none now exists. These installations should provide a savings in our insurance premiums which will offset the cost of the systems in a few years.
27. All Bridge Facilities - Minor Projects \$ 14,000
Minor projects, repairs and replacements are planned which collectively cost approximately \$1 Million each year. Items costing \$500,000 or more are considered individually as a line item.
28. All Bridge Facilities - Vehicles and Equipment \$ 7,000
An annual program of equipment and vehicles replacement and/or acquisition is programmed in an amount not to exceed \$500,000.

SCHEDULE 5

PATCO REVENUE EXPENSE PROJECTION TO THE YEAR 2000

Ref.	Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1	Ridership/1000	10,550	10,729	10,912	10,525	10,704	10,886	11,071	10,678	10,860	11,044	11,232	10,834	11,018	11,205	11,396
2	Av'ge Fare/Pass'r	\$1.37	\$1.37	\$1.37	\$1.64	\$1.64	\$1.64	\$1.64	\$1.97	\$1.97	\$1.97	\$1.97	\$2.37	\$2.37	\$2.37	\$2.37
3	Pass'r Revenue/1000	\$14,454	\$14,699	\$14,949	\$17,303	\$17,597	\$17,896	\$18,201	\$21,066	\$21,424	\$21,789	\$22,159	\$25,647	\$26,083	\$26,527	\$26,977
4	Other Revenue/1000	\$462	\$530	\$557	\$584	\$614	\$644	\$676	\$710	\$746	\$783	\$822	\$863	\$906	\$952	\$999
5	Total Revenue/1000	\$14,916	\$15,229	\$15,506	\$17,887	\$18,211	\$18,541	\$18,877	\$21,776	\$22,170	\$22,572	\$22,981	\$26,510	\$26,990	\$27,478	\$27,977
6	Total Expense/1000	\$18,544	\$19,471	\$20,445	\$21,467	\$22,540	\$23,667	\$24,851	\$26,093	\$27,398	\$28,768	\$30,206	\$31,717	\$33,302	\$34,967	\$36,716
7	Op. Profit (Loss)/1000	(\$3,629)	(\$4,242)	(\$4,939)	(\$3,580)	(\$4,330)	(\$5,127)	(\$5,974)	(\$4,317)	(\$5,228)	(\$6,196)	(\$7,225)	(\$5,206)	(\$6,313)	(\$7,489)	(\$8,739)
8	Operating Ratio	80.4%	78.2%	75.8%	83.3%	80.8%	78.3%	76.0%	83.5%	80.9%	78.5%	76.1%	83.6%	81.0%	78.6%	76.2%
9	Fare Inc. Trigger/1000	(\$4,762)	(\$5,000)	(\$5,250)	(\$5,513)	(\$5,788)	(\$6,078)	(\$6,381)	(\$6,700)	(\$7,036)	(\$7,387)	(\$7,757)	(\$8,144)	(\$8,552)	(\$8,979)	(\$9,428)
10	Fare Increase %	0.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%

Remarks:

1. Fare Increases will be initiated as necessary to limit operating loss to \$5M (1987 dollars) adjusted for 5% inflation each year thereafter.
2. Ridership is assumed to increase 1.7% annually due to population growth.
3. Expenses are assumed to increase at a 5% rate of inflation annually.
4. It is assumed that a 20% fare increase will be sought when necessary.
5. The last fare increase was in March 1983.

SCHEDULE 6

PATCO-POTENTIAL CAPITAL IMPROVEMENT PROJECTIONS - TOTAL PROJECT COST

(000 Omitted)

Project Description	Estimated Cost	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Transit Car Upgrade	18,640	1,080	1,080	1,080	1,200	1,200	1,300	1,300	1,400	1,400	1,500	1,500	1,500	1,500	1,600
Rehabilitate Camden Bridges	5,800	5,100			100		100		100				200	200	
Reverse Signaling	15,100	9,100		2,000		2,000	1,000	1,000							
Replace Obsolete Track Components	17,660	750	500	500	4,130	500	2,880	2,600	600	600	700	700	1,000	1,000	1,200
Parking Expansion	1,519	319							300						900
Rehabilitate Shops	6,250		1,000	2,000	2,000					500	750				
Rehabilitate Stations	20,540	1,000	1,920	1,000	3,920	1,200			2,000		2,000	2,500	2,000	2,000	1,000
Facilities Support Equipment	12,811	851	4,750	2,050	160	160	170	170	600	2,500	200	300	300	300	300
	98,320	18,200	9,250	8,630	11,510	5,060	5,450	5,070	5,000	5,000	5,150	5,000	5,000	5,000	5,000

PATCO-POTENTIAL CAPITAL IMPROVEMENT PROJECTIONS - DRPA PROJECT COST

	DRPA Estimated Cost	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Existing Grants	2,000	1,500	500												
Amendments to Existing Grants	2,800	1,800	1,000												
Potential Grants #9	11,200	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Sub Total	16,000	4,100	2,300	800	800	800	800	800	800	800	800	800	800	800	800
DRPA Capital	28,100	-	5,300	4,600	7,500	1,100	1,500	1,100	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Grand Total	44,100	4,100	7,600	5,400	8,300	1,900	2,300	1,900	1,800	1,800	1,800	1,800	1,800	1,800	1,800

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SCHEDULE 7

PATCO CAPITAL BUDGET PROGRAM 1987-2000

A DESCRIPTION OF PROJECTS

1. Transit car upgrading encompasses complete rewiring of the 1968 Budd cars, along with overhaul of all electrical and mechanical components. It includes replacement of obsolescent 1968 electronics packages with new components similar to those used in the 1980 Vickers cars. The Budd cars are at about their mid-life, have accumulated about 900,000 miles per car, so require upgrading and overhaul to ensure their reliable operation for their expected 40 year life.
2. Rehabilitation of overstreet bridges is required to ensure trouble free operation indefinitely. The bridges in Camden (Broadway-Ferry Avenue) were built by the Pennsylvania Railroad Co. 1900-1914, and while renovated in 1968, are now due for substantial rehabilitation to compensate for the effects of weather and operational wear and tear.

The bridges built in 1968 between Ferry Avenue and Lindenwold will require moderate rehabilitation before the year 2000.
3. Reverse signalling of the entire line is planned to be carried out in stages, working from Philadelphia to Lindenwold. This will provide fast, safe operation under cab signal protection when operating single track around a work site. This will be increasingly necessary with major bridge rehabilitation and renewal of track components.
4. Replacement of obsolete track components will become increasingly necessary as the PATCO line reaches 20 years of age and beyond. Some curved rails, some deteriorated ties and third rail coverboard will be replaced each year. Such replacements will continue indefinitely.
5. Parking expansion at Ashland is needed to meet the immediate need at that station where the lot is filled to 95% capacity or more every weekday. Rehabilitation of existing parking lot paving, curbing, drainage and signs is required periodically to ensure that these lots will be safe and attractive to PATCO's customers.
6. Lindenwold shop expansion is desired so that PATCO will be able to more efficiently upgrade and overhaul the 25 Budd married-pairs built in 1968. It is expected to begin work on them in mid-1988 when the 25 single-unit Budd cars will have been completed. The shop would be extended two car lengths westward to allow two married-pairs (4 cars) to be worked on simultaneously. The older portion of the shop, built in 1968, would be rehabilitated, which would include replacing the boilers.
7. Modernization and rehabilitation of all stations (except Broadway and Woodcrest) will be necessary. Subway stations date from 1928 (8th/Market), 1936 (City Hall), 1953 (Locust St. Stations), and while superficially renovated in 1968, are due for significant renovation and upgrading to be attractive to PATCO's customers. Suburban stations built in 1968 will be 25 years old by 1993, so will require moderate rehabilitation.

Similarly, electrical substations, and fencing along the right-of-way, will need rehabilitation, renewal or replacement.

8. Continual renewal and replacement of facilities support equipment is required. Each year certain motor vehicles, shop machinery, electronic and electrical test equipment, computer hardware, and other plant and equipment must be renewed or replaced. Some new facilities and equipment will become necessary as PATCO's plant ages.

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Att. General

QUESTIONS FOR PUBLIC HEARING TO BE HELD ON
NOVEMBER 13, 1986

THE UNIFICATION PLAN

1. THE RESPONSES TO THE QUESTIONS POSED ON SEPTEMBER 16 INDICATE THAT THERE HAS BEEN ONLY SOME RATHER PRELIMINARY THINKING WITH REGARD TO THE UNIFICATION PLAN. ARE THE INTERESTED PARTIES NOW FURTHER ALONG ON THE DEVELOPMENT OF SUCH A PLAN?
2. WHAT ARE THE DETAILS OF THE PLAN, IF THEY HAVE IN FACT BEEN DEVELOPED?
3. WHEN WILL THE AUDIT COMMITTEE ISSUE ITS RESPONSE? WHEN WILL THE WORLD TRADE CENTER ISSUE ITS REPORT?
4. WHAT ARE LOOKED UPON AS THE BENEFITS OF THE PLAN? TO THE REGION? TO THE STATES INVOLVED?

FISCAL ASPECTS

5. WHAT ARE THE COSTS ASSOCIATED WITH THE UNIFICATION PLAN?
6. HOW ARE THESE COSTS TO BE MET? FROM a) AN INCREASE IN TOLLS? b) INCREASED BONDING? c) WHARFAGE AND DRAYAGE CHARGES? d) RENTALS? e) STATE SUBSIDIES?

(IT SHOULD BE NOTED THAT REVENUES FROM WHARFAGE AND DRAYAGE AND RENTALS WOULD NOT BE SUFFICIENT TO DEFRAY THE COSTS OF UNIFICATION. AN INCREASE IN TOLLS WOULD APPEAR TO BE REQUIRED, ABSENT STATE SUBSIDIES, TO SUPPORT THE PLAN.)

7. IS IT APPROPRIATE, ON THE OTHER HAND, TO REDUCE THE COSTS OF THE OPERATION OF THE DRPA, PERHAPS THROUGH a) A BI-STATE AUDIT TO IDENTIFY WHERE REDUCTIONS MIGHT TAKE PLACE OR b) HAVING NJ TRANSIT TAKE OVER PATCO AND THEREBY REDUCE PART OF THE DRPA CONTRIBUTION TO PAYING THE DEFICIT OF THAT OPERATION?

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CONSIDERATIONS FOR THE FUTURE

8. WHAT FUTURE IS PROJECTED FOR THE PHILADELPHIA PORT CORPORATION, SINCE THERE IS SPECULATION THAT IT WILL NOT HAVE SUFFICIENT REVENUES TO PAY OFF THE DEBT SERVICE ON ITS BONDS?
9. IS IT INTENDED TO DEVELOP THE UNIFICATION PLAN IN MORE DETAIL SO THAT IT MAY BE SUBMITTED TO THE TWO STATES, ALONG WITH A PROVISION FOR FUNDING?
10. WILL LEGISLATION BE REQUIRED TO ENACT THIS PLAN OR MAY IT BE DONE WITHIN THE FRAMEWORK OF THE EXISTING COMPACT AND LEGISLATION?
11. WHAT IS THE VIEW OF THE EXECUTIVE BRANCH, PARTICULARLY THE GOVERNOR'S OFFICE, TOWARD UNIFICATION AND POSSIBLE LEGISLATION?

