

**NATIONAL SURFACE TRANSPORTATION COMMISSION
NEW YORK CITY FIELD HEARING**

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**PANEL I: SETTING THE STAGE -
TRANSPORTATION AND THE ECONOMY**

GERALD SHAHEEN, Group President, Caterpillar, and Chairman of the Board of Directors U.S. Chamber of Commerce

ROBERT D. YARO, President, Regional Plan Association

RAE ROSEN, Senior Economist and Assistant Vice President, Federal Reserve Bank of New York

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PANEL II: INTERCITY RAIL, MASS TRANSIT AND REGIONAL INTERCONNECTEDNESS IN 2056

DREW GALLOWAY, Chief, Corridor Development and Project Planning and Analysis Department, Amtrak

DAVID KING, General Manager, Triangle Transit Authority

D.C. AGRAWAL, Assistant Executive Director for Corporate Strategy, Policy, and Contracts, NJ Transit

JAMES BOICE, Deputy Commissioner, Connecticut Department of Transportation

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Wednesday, November 15, 2006 - 2:00 p.m.
MTA Offices, 2 Broadway, New York, New York

- COMMISSIONERS:**
JACK SCHENENDORF
FRANK McARDLE
PAUL WYRICH
STEVE HEMINGER
FRANK BUSALACCHI

1 MR. SCHENENDORF: On behalf of our
2 chairperson, Secretary Peters, myself and my
3 fellow commissioners, I'd like to welcome you
4 to this Field Hearing of the National Surface
5 Transportation Policy and Revenue Study
6 Commission. We are honored to be in New York
7 City, and we look forward to hearing about the
8 transportation needs of this great city and of
9 the northeast region of our country.

10 We are facing a national transportation
11 crisis. In fact, we're facing the perfect
12 storm. Over the next 20 to 30 to 40 years,
13 projected increases in freight shipments and
14 personal travel will overwhelm our aging and
15 under-invested transportation infrastructure.
16 Unless we as a nation do something about it,
17 our economy will suffer and our way of life
18 will be greatly diminished.

19 The commission was established by section
20 1909 of the SAFETEA-LU bill. Purpose of the
21 commission is to study our surface
22 transportation system: Our highways, our
23 bridges, our transit systems, our intercity
24 rail systems and our intercity freight systems;

1 and we're to determine the needs that exist out
2 there over the next 40 to 50 years. What
3 investment levels are needed? We're also
4 tasked with looking at the proper roles of
5 government, what should the role of the federal
6 government be, state and local government, what
7 role can the private sector play in solving
8 these problems and finally, how are we going to
9 finance all of this investment.

10 We are charged with looking at ways to
11 raise revenues for the Highway Trust Fund and
12 to also look at new and alternative ways of
13 financing such as public and private toll roads
14 being among the alternatives we'll be looking
15 at.

16 Just at the outset, I would like to --
17 and before turning to the other commissioners
18 for any opening statements they may have, I
19 would like to thank on behalf of all of the
20 commissioners our host organizations, and if
21 you'll bear with me, I'll just read them
22 through because they've done a great job in
23 both hosting this hearing and hosting the tours
24 that we've had: The Americans For

1 Transportation Mobility, Coalition of
2 Northeastern Governors, the Eastern Regional
3 Conference of the Council of State Governments,
4 the I-95 Corridor Coalition, the Metropolitan
5 Transportation Authority, the New York Roadway
6 Improvement Coalition, the New York State
7 Department of Transportation, the Northeast
8 Association of State Transportation Officials,
9 the Port Authority of New York and New Jersey
10 and the Transportation Construction Coalition.

11 We thank all of you and your staff for
12 hosting this hearing and for all of the
13 accommodations you've provided for us and the
14 tours that you provided earlier today.

15 Also, before turning it over, I would
16 like to acknowledge that we have two officials
17 here that should be acknowledged and that's
18 Rick Capka, the Federal Highway Administrator,
19 who is in the back and Jim Simpson, the Federal
20 Transit Administrator, who I believe is here
21 somewhere. There he is.

22 And with that I'd like to turn it over to
23 the other commissioners for any opening
24 statements they may have.

1 Our host today is really Frank McArdle,
2 so let's start with him.

3 MR. McARDLE: I just want to thank the
4 host organizations and all the people at the
5 host organizations for making this what I think
6 will be an extraordinary set of presentations
7 and hearings for us.

8 We are tasked with an awesome
9 responsibility of weighing out the debate over
10 transportation for the next 50 years. We
11 really need to look that long-term. Those of
12 you engaged in projects understand that it
13 takes longer and longer now to bring a project
14 from a first idea to execution.

15 We've been tasked with looking out 50
16 years because that 50 years is a horizon we can
17 all contemplate with, not 300 million people,
18 but 450 million people here in the United
19 States. More and more concentrated as I'm sure
20 we will hear today in coastal, in major urban
21 centers, for which transportation becomes the
22 life blood of that growth and success both in
23 terms of people in the commercial organizations
24 for whom they'll work. And I look forward here

1 to hearing about this area because many of the
2 issues that will, in fact, face the urban areas
3 across the United States will be faced first
4 here because of the age here, the densities
5 here and the inter connections that are here
6 between agencies and systems of transportation.

7 Thank you.

8 MR. SCHENENDORF: Thank you, Commissioner
9 McArdle. Commissioner Heminger.

10 MR. HEMINGER: Thank you, Mr. Chairman.
11 I guess I'd like to say two things at the
12 outset. The first, I'm sure is something
13 that's been on all of our minds and that we had
14 election a couple of days ago, which will
15 result in the next few weeks in different
16 parties running the two houses of Congress. In
17 fact, the member of Congress who appointed me
18 to this commission, a great privilege that I'm
19 honored to have, is about to become the first
20 woman elected speaker in the history of the
21 United States.

22 So these are significant times. At the
23 same time I'm mindful of a phrase that our
24 first chairman, Secretary Manetta, used to

1 utter all the time and that is, "There are no
2 republican bridges or democratic roads." And I
3 think truer words were never spoken and I know
4 that our commission has, so far, and will
5 continue to work in a non-partisan way to try
6 to develop for the Congress and the President,
7 of whatever party, the best possible
8 transportation solutions that we can devise.

9 The second thing I wanted to mention in
10 particular given our location just a few blocks
11 away from the former World Trade Center site,
12 we appreciate especially the graciousness the
13 Port Authority of New York and New Jersey has
14 shown us. I know they lost a number of lives
15 in their own ranks during those events, and I
16 think we are all encouraged to see the ongoing
17 recovery of this great city in this great
18 region and I'm pleased to be here.

19 MR. SCHENENDORF: Thank you.
20 Commissioner Weyrich.

21 MR. WEYRICH: Thank you, Mr. Chairman. I
22 very much appreciate the effort of those who
23 put together what I thought was an
24 extraordinarily well thought-out tour this

1 morning; gave us, although brief, insight into
2 several different transit modes.

3 I am particularly pleased because absent
4 in the discussions thus far, has been
5 consideration of rail and I think rail, whether
6 heavy rail, commuter rail or light rail is a
7 very important component of our transportation
8 future. And as Commissioner McArdle indicated,
9 we do have to look 50 years out. And unless we
10 understand the role of rail, we will not make,
11 in my view, the proper considerations.

12 So I thank you all for being here. It's
13 quite an excellent turnout, and I don't dance
14 or anything, so I guess I'm here coming to
15 listen to policy but again my appreciation.

16 MR. SCHENENDORF: Thank you.

17 Commissioner Busalacchi.

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

19

20 Once again, huge things, everybody has
21 put this together. You travel around the
22 country and you come into these areas and the
23 coming here to be treated with such class as
24 we've been treated for the short time that

1 we've been here, it's very appreciated and I
2 want to thank everybody that has done that.

3 This area is really indicative of some of
4 the problems this country is facing. I agree
5 with Commissioner Weyrich that passenger rail
6 has got to fit into all of this someplace. We
7 viewed the port situation today and that, also,
8 is very complex by its very nature and it's
9 something that this commission is going to have
10 to address. But that's why we're holding these
11 hearings; to listen to people and to listen to
12 what their ideas are because we know that the
13 overall situation here is going to be very
14 serious. So I thank everybody for coming here
15 today, and I know when I leave here I will not
16 be a Yankee fan, ever. Jack.

17 MR. SCHENENDORF: Thank you.

18 We have one panelist who is yet to arrive
19 on our first panel but I think we'll get
20 started. The -- I unfortunately I will have to
21 play the bad cop for this. We're going to try
22 to keep for a schedule. In fact, we're going
23 to try to make up some time because,
24 unfortunately, our tours were a little late.

1 So we are going to have a five-minute
2 timer, and for all of your opening remarks we
3 would ask that you try to keep to those five
4 minutes to give plenty of time for questioning,
5 if that works for everybody, and I guess are we
6 going to start with a video presentation I
7 understand.

8

9 [VIDEO: Shifting goods, getting to
10 work, delivering products to consumers, all
11 these critical functions depends on maintaining
12 a safe integrated transportation system meeting
13 today's challenges to create a prosperous
14 future.

15 The 11 states plus The District of
16 Columbia that comprise the northeast region
17 form a connected, interdependent transportation
18 system. Highways, transit, rail, air and water
19 transport all work together and together this
20 region faces unique needs.

21 The northeast is the largest consumer
22 market in the country and the most
23 truck-dependent region. In recent years rail
24 freight has increased. We encompass some of

1 the most heavily populated urban areas in the
2 country. At the same time we are home to many
3 rural communities and heavy suburban
4 development. This region's distinctive
5 geography that has dictated travel routes
6 throughout history, coupled with soaring land
7 costs, restrict our options for new
8 infrastructure development.

9 Our often centuries-old infrastructure,
10 deteriorating from harsh winters, is
11 overburdened. The northeast demographic is
12 diverse, with higher percentages of groups who
13 often rely on public transportation including
14 foreign born, lower income and older citizens.
15 A significant portion of the U.S./Canadian
16 trade corridor, so critical for international
17 commerce, runs through the northeast region.

18 Our states face many transportation
19 challenges, but we share a common vision; that
20 of a safe, reliable, balanced, integrated
21 multi-mobile transportation system and we rely
22 on our partnership with the federal government
23 to build and to sustain that system.

24 We have been innovative in cutting across

1 the stove pipes of federal transportation
2 programs to create new synergies, but more work
3 is needed. Unlike other regions the northeast
4 cannot build its way out of congestion. Our
5 agencies coordinate operations to manage
6 service demands and make strategic and
7 innovative investments to increase highway and
8 transit capacity. As a result we're the
9 nation's number one region for bus, subway, and
10 commuter rail.

11 These essential systems relieve highway
12 capacity demands and improve air quality. It
13 is critical that they be maintained, expanded
14 and improved by a continued federal/state
15 financial partnership. Our highways, bridges,
16 tunnels, buses, subways, ferries, ports,
17 airports and rail serve more than the
18 northeast. They are core to the American
19 economy and a major gateway to the world,
20 facilitating a safe, steady flow of people and
21 products throughout the region and beyond.

22 International trade agreements negotiated
23 by the federal government have created great
24 economic opportunities as well as

1 infrastructure demands here in the northeast
2 that require federal support. From the cost of
3 doing business to our quality of life and
4 environment our ability to meet these
5 challenges has enormous consequences for our
6 region and the nation.

7 Now is the time to address these
8 challenges. Investing in the northeast region
9 today will ensure new synergies tomorrow. The
10 best way to predict the future is to create
11 it.]

12

13 (END OF VIDEO)

14

15 MR. SCHENENDORF: Thank you. Our first
16 panel consists of three people, Gerry Shaheen,
17 who is Group President, Caterpillar, and
18 Chairman of the Board of U.S. Chamber of
19 Commerce; Robert Yaro, who is the President of
20 the Regional Planning Association, and Rae
21 Rosen, the Senior Economist and Assistant Vice
22 President of the Federal Reserve Bank of New
23 York.

24 Let's start with Mr. Shaheen; would you

1 like to -- five minutes.

2 MR. SHAHEEN: Yes, Jack. Five minutes.

3 Came a long way for five minutes.

4 Again, my name is Gerry Shaheen. I'm a
5 Group President of the Caterpillar. I'm
6 Chairman of the U.S. Chamber of Commerce, and
7 I'm going to cut to the quick.

8 My company, Caterpillar, uses
9 transportation. We're involved in
10 transportation. Everybody thinks of us as
11 being involved in transportation by building
12 it, but gentlemen, we use it. And if we use it
13 we're not competitive. And if we're not
14 competitive we're going to go somewhere in this
15 world to be competitive, because we are going
16 to be a global player; we are going to survive,
17 and we're going to go where it takes to be
18 competitive. And transportation in this
19 country is breaking down.

20 We talk about a crisis in the future;
21 we're there now. We operate more than a
22 hundred production facilities in over 40
23 countries; we sell our manufactured goods to a
24 network of 200 independently owned dealers; we

1 employ 90,000 people; 17,000 in a Peoria area,
2 which is the world headquarters of Caterpillar.

3 For those of you who don't know where Peoria
4 is, it does play there; and it is halfway
5 between Chicago and St. Louis and it's a very
6 good place to do business.

7 Now, I'm going to move through my
8 remarks, and simply tell you that every day
9 1700 trucks move Caterpillar products, parts
10 and components around our country. Annually,
11 these trucks log in more than 439 million miles
12 on our nation's highways and our truck miles
13 have grown more than 20 percent in the last two
14 years during this boom economy that we don't
15 want to recognize but that we clearly are in.

16 We also have a third-party logistics
17 business where we supply and provide hard
18 technology and warehousing expertise to
19 third-party companies. And I would name them,
20 but I won't, but we have over sixty clients;
21 they're very important to us. And we're a
22 proud member of the transportation community,
23 and we're proud of the role that we have played
24 in helping President Eisenhower's vision of a

1 20th century highway system come into fruition.

2 Now, what about the future; how are we
3 going to handle the future? Well, let me move
4 forward here and simply say that to have a
5 strong vision is one thing, gentlemen, but to
6 be able to pay for it is quite another, and
7 that's where we always get hung up.

8 I appreciate this commission's efforts to
9 examine alternative transportation funding
10 sources. Many of you, I hope, know that the
11 U.S. Chamber's public policy think tank, the
12 National Chamber Foundation, commissioned an
13 independent study to identify ways to fill the
14 gaps in highway and public transportation
15 investment. We don't have all the answers and
16 what we publish doesn't mean we necessarily
17 agree with, but we can say this: That the
18 study did conclude that indexing the federal
19 gas tax to inflation must be considered. It's
20 the only major existing user fee not presently
21 indexed.

22 Since 1993 the last time the gas tax was
23 adjusted it lost one-third of its purchasing
24 power, through cost of living and inflationary

1 pressure on it.

2 Our study also recommended the
3 stakeholders considered closing exemptions to
4 the Highway Trust Fund so that revenues
5 collected for surface transportation are, in
6 fact, spent on transportation. This is one
7 recommendation I can say, unequivocally, the
8 chamber wholeheartedly endorses.

9 Federal and state governments should
10 consider the California example. In 2002
11 voters were overwhelmingly approved a
12 legislative constitutional amendment that
13 requires gasoline and diesel fuel sales tax
14 revenues to be allocated to specific
15 transportation projects. Together, the gas tax
16 and state wide sales tax in California
17 generates some five point billion dollars a
18 year.

19 The implementation of a user fee for
20 alternative energy cars is another option that
21 should be considered. Rather than exempt them
22 from everything, our study found that people
23 driving hybrids may not be paying their fair
24 share to maintain our roads. Hybrids use less

1 fuel; that's commendable. But when you have a
2 revenue stream based on fuel, it points out
3 that they're not paying their fair share of the
4 wear and tear that their automobile mode of
5 transportation is causing on the system.

6 Mileage-based transportation revenues
7 systems should also be considered. For
8 instance, states should consider vehicle miles
9 of travel, VMTs, as a way to reduce the gas
10 tax.

11 Let me stop and make a few ad-lib
12 comments if I will.

13 Gentlemen, the highway systems of today
14 are what the navigable rivers were when this
15 country was formed. They move the economy.
16 They create the economy. Just look at where
17 roads have been built and what's happened
18 around those pods of economic development.

19 We can't continue to rely on the coasts
20 of our nation to be the center of our
21 economics. We have technology today and if we
22 have the proper system we can move people and
23 goods effectively. And while we're thinking
24 about it, and while we get caught in the morass

1 of what to do, China is doing it. They're
2 going to build a transportation system that
3 will link their country together and make it
4 even more competitive than it is today in the
5 world scene.

6 Commissioners, thank you for allowing me
7 to make a few brief remarks this morning. I
8 look forward to your questions. Thank you.

9 MR. SCHENENDORF: Thank you and just so
10 everybody knows, your full written statements
11 will be placed in the record.

12 Mr. Yaro.

13 MR. YARO: Thanks very much. Thanks for
14 coming to New York and thanks for giving us
15 this opportunity to discuss with you the
16 transportation needs of the New York
17 metropolitan area and of the nation.

18 I'm Bob Yaro; I'm President of Regional
19 Plan Association. We're the oldest independent
20 metropolitan planning organization in the U.S.
21 and I guess in the world, founded in 1929. And
22 while our primary focus is on the New York
23 metropolitan area the tri-state region around
24 New York, we occasionally engage in urgent

1 national issues faced in metropolitan areas.
2 And recently RPA convened the National
3 Committee for America 2050, a group of regional
4 planners, researchers, government, civic,
5 academic leaders to meet the challenges and the
6 opportunities of America's rapid population
7 growth that's expected by mid century.

8 This country is expected to grow by 40
9 percent by 2050, adding at least 120 million
10 people. The National Committee for America
11 2050 is promoting an ambitious infrastructure
12 and economic development framework, really in a
13 set of bottom up strategies and ten emerging
14 mega regions; large networks of metropolitan
15 areas like the northeast corridor that are now
16 emerging all over the country.

17 And we believe these mega regions are the
18 new competitive units in the global economy and
19 must compete with similarly sized -- the term
20 the Europeans use, is global integration zones,
21 in Europe and Southeast Asia, where tens of
22 billions of dollars in both public and private
23 investments have been made in high-speed rail
24 and goods movement systems to support the

1 highly mobile work force of the global economy.

2 And if America is to compete internationally
3 it has to make the similar dramatic investments
4 in its metropolitan infrastructure systems to
5 keep pace.

6 Much in the manner of the interstate
7 system in the last century, our surface
8 transportation policy must provide a bold
9 framework for another half century of work and
10 development. In doing so it will lead to
11 accommodate population growth, move goods and
12 transition alternative energy sources and
13 alternative transportation options that could
14 be supported by increased densities.

15 Our metropolitan regions can accommodate
16 the projected increases in population in this
17 country if we focus density around transit
18 systems to continue to expand our transit
19 systems.

20 History has shown that as public
21 authorities invested in the safety, efficiency
22 and operation of these systems the public has
23 responded by riding transit more frequently.

24 And New York is the perfect place to

1 begin this discussion. The New York region
2 boasts the highest use of public transit
3 anywhere in the country and our systems are
4 struggling to cover operating costs, and invest
5 needed capacity and support our growing
6 regional economy and population. And these are
7 -- by the way, this problem of managing -- of
8 creating capacity for growth is an issue here
9 in New York City where we're expecting to add
10 over a million new residents over the next
11 decade. It's an issue in the New York
12 metropolitan area where we're expecting to add
13 four million additional residents and three
14 million jobs over the next 25 years in the
15 northeast, which is one of the slower growing
16 mega regions where we expect to add 19 million
17 to the 49 million already here by mid century
18 and in the nation as a whole.

19 So we've got this challenge of creating
20 capacity in the city, in our region in the
21 northeast, and the mega regions across the
22 country.

23 But we believe that capacity expanding
24 projects like what we call our mega projects

1 here in New York, Second Avenue Subway, East
2 Side Access, and Trans Hudson Express Tunnel,
3 the new transit link across the Hudson River
4 from New Jersey are going to be needed if this
5 region is going to accommodate the growth
6 that's projected to come here.

7 We also must support the construction --
8 another big project here in New York is the
9 Moynihan Station, [inaudible] Penn Station, the
10 largest transportation hub in the country, and
11 where we've got both security and capacity
12 problems.

13 The local strategy here in New York has
14 to be coupled with investments in Amtrak's
15 northeast corridor to improve the corridor, to
16 improve the speed, frequency, and reliability
17 of intercity service.

18 And if you think about it for a moment,
19 the growth of metropolitan areas in the late
20 20th century was enabled by the creation of the
21 interstate system. The region's metropolitan
22 areas that are 30 to 60 miles across work well
23 with limited access highways. If you stand
24 back and think about it, the mega regions like

1 the northeast corridor, that stretch from 300
2 to 5- or 600 miles across, they're too big to
3 be served efficiently by highways, too small to
4 be serviced efficiently by air; and rail,
5 intercity rail and ultimately high-speed rail,
6 is probably the answer to the mobility, at
7 least the intercity and the metropolitan trips
8 in these places.

9 And, of course, we've got these enormous
10 capacity problems on I-95 and the other
11 interstate links of the mega regions and
12 commercial aviation system where New York and
13 Boston and Philadelphia and others are adding
14 capacity but we're still going to run short of
15 the needs.

16 So we think the model we've used here,
17 which has been a good one, could be a model for
18 the other emerging mega regions across the
19 country.

20 I need to add that we believe that we
21 need to continue to invest in the nation's
22 highways and create new capacity on the
23 intercity legs of the interstate system, adopt
24 intelligent transportation pricing systems to

1 manage congestion and to manage traffic
2 incidents.

3 Highways should be connected to networks
4 of commuter rail, connected to airports, so
5 that each will provide redundancy and global
6 choice, fare and toll payments are seamless.

7 Finally we need to prepare and contend
8 with the major impact with goods movement on
9 our nation's highways. Goods movements are
10 increasing by three percent a year in this
11 region and we simply don't have the capacity to
12 accommodate the growth that's here that's
13 expected. This is a competitive issue.
14 Foreign trade is growing, putting a greater
15 burden on airports, seaports and highways.
16 This is combined with transport's just-in-time
17 delivery with retail businesses consolidated
18 and shifted large parts of their inventory
19 trucks traveling on the highways.

20 Pricing and demand management are two
21 ways of dealing with truck movements on
22 highways so the implementation of truck-only
23 toll lanes, waterborne and rail solutions, we
24 believe, can complement the interstate system

1 and better manage an expanded interstate
2 system.

3 None of these investments would be
4 possible unless we do a better job of finding
5 the funds to pay for them. Today in the U.S.
6 the primary source, as you know, our funding
7 for surface transportation is the federal motor
8 fuels tax of 18.4 cents a gallons, commonly
9 known as the gas tax. Gas tax raises 31
10 billion a year.

11 Gas tax is a good tax; it raises a lot of
12 revenue, it's appropriate for an aging
13 transportation system, it provides incentives
14 to conserve energy and it's easy to administer.

15
16 And the problem with the gas tax is it
17 doesn't change when prices change. Its
18 purchasing power rose with inflation it would
19 improve vehicle mileage. Purchasing power of
20 the gas tax declined by \$4,000 for every
21 million miles traveled from 1999 to 2004.

22 To combat the eroding gas tax road and
23 raise the revenues that are needed we should
24 shift to an ad valorem gas tax, we believe; a

1 percentage tax on the price of fuel. Ad
2 valorem tax on motor fuels can raise a steadier
3 stream and more reliable stream of funds
4 without requiring frequent increases. Using ad
5 valorem tax captures the increase in prices
6 that today are going solely to the oil
7 companies and foreign governments.

8 RPA estimates ad valorem gas tax of ten
9 percent would raise approximately 32 billion a
10 year, roughly equivalent to today's revenue
11 from the gas tax. 15 percent ad valorem tax
12 brings 48 billion annually. Ad valorem tax has
13 the added advantage of --

14 MR. SCHENENDORF: If I can just
15 interrupt, we're trying to hold people to five
16 minutes so if you can just summarize.

17 MR. YARO: I'm done.

18 We also think that tolls are part of
19 this. Tolls raise about 6.5 billion a year,
20 one fifth of the amount raised by the gas tax.

21 And, obviously, just to conclude, we
22 believe that these are complex problems,
23 they're going to be complex answers, no silver
24 bullets. We're going to need a range of both

1 public and private sources to finance the next
2 generation infrastructure.

3 Punch line: We need to make some big
4 investments. We need to get creative. If we
5 don't do that, it's going to be reflective on
6 the competitiveness of this region, of mega
7 regions across the country and on the country
8 as a whole. Thank you.

9 MR. SCHENENDORF: Miss Rosen.

10 MS. ROSEN: Thank you for inviting me to
11 speak today. I'm from the Federal Reserve Bank
12 of New York, and our district is just part of
13 Connecticut, southwest Connecticut actually,
14 New Jersey and New York, so my knowledge
15 stretches up the coast as far as Boston but it
16 gets sketchy when we start getting up to New
17 Hampshire and Vermont.

18 I brought some charts because I was asked
19 to demonstrate the link between transportation
20 and the economy, and I thought we could best do
21 this graphically.

22 If you could put the first one, please.

23 This is a picture of payroll employment
24 in New York City. As you can see there's

1 really been no job growth in almost 50 years;
2 that's the point of the chart. How do we have
3 a robust driving economy when there's been no
4 job growth?

5 Next chart. Over this time, however,
6 real income, with personal income adjusted for
7 inflation, has more than doubled. It's
8 averaged growth of real terms two percent a
9 year. So you have to ask what's happened in
10 this economy that we can do this. Because this
11 will be a phenomena that will be repeated up
12 and down the coast.

13 We have large aging cities which can
14 grow. By growth, however, we might meet
15 economic growth but not necessarily population
16 growth; but what do we need to do to accomplish
17 that.

18 Next chart. Each day into New York City
19 and out of New York City we bring the
20 equivalent of three cities worth of people, and
21 as you see in the chart about 760,000 people
22 move in and out on a routine basis. So we're
23 drawing on a very large labor pool.

24 Next chart. The labor pool for New York

1 City is close to nine million people. And that
2 is the basis on which we've been able to
3 increase output despite what really amounts to
4 a fixed labor market. We've drawn on a range
5 of skills that couldn't be filled just in the
6 five boroughs. We've drawn the best of the
7 best that commute into Manhattan to serve a
8 national and international labor market and the
9 mix of what New York City has produced has
10 evolved over the 50 years so that everybody's
11 income has grown, the standard of living has
12 risen, the number of jobs has been flat.

13 Now, going forward, if we don't have the
14 transportation structure that permits us to
15 continue that kind of people mobility, the
16 economy will stagnate and decline because you
17 can't find the range of people you need just
18 within this small pool here for the kind of
19 global competition that provides New York.
20 We're pulling in the people from the tri-state
21 area.

22 Can I have the next chart, please.

23 And that would be my -- I think it's the
24 final chart. Fully ten percent of northern New

1 Jersey commutes to New York City and they make
2 over ten percent of their income here. But we
3 have an equally large amount coming in from
4 southwest Connecticut. We have -- it used to
5 be 30 percent; it's down to 20 percent of Long
6 Island. Westchester has an exceedingly high
7 percentage of its population commuting here, so
8 it's the mega city, which Bob defined, and that
9 really is the prototype going forward. And
10 where you don't have the transportation pieces
11 to deliver it, such as Stamford, Connecticut,
12 you have a city that's constrained and can't
13 grow. The joke is that they bring in people
14 before 2:00 because they can't get them there
15 after 2, the highways are so congested.

16 And if you go south, you have the same
17 phenomena. Slowly growing cities in terms of
18 population, more rapidly growing output, but
19 the thing that enables us to do this is a
20 transportation system that allows us to pull on
21 a whole range of people with the kind of skills
22 that we need to meet an evolving economy.

23 And I titled this, "The Agglomerative
24 Scenario," and by that I meant what the

1 transportation allows us to do is have
2 knowledge spillovers. So when you pull them
3 all in, the finance community also pulls in
4 legal, it pulls in advertising in New York
5 City, it pulls in banking; it draws on a whole
6 range of other activities. And that's a
7 beneficial cycle in that it increases
8 employment across the board, across many
9 industries.

10 It means that we have a very deep labor
11 pool. People will come to New York City
12 because if they lose their job at one bank
13 that's merging, there are 18 other banks they
14 can find employment at.

15 And lastly it means clusters of scale.
16 We could have highly specialized legal
17 companies that look only at bankruptcy
18 [unclear] locally the transportation sector
19 because the volume of business is so large
20 here.

21 Well, that's the future of a competitive
22 city and it doesn't work without a very evolved
23 and complicated transportation system.

24 MR. SCHENENDORF: Thank you very much.

1 Thank all of the panelists. I'd like to start
2 the questioning with Commissioner McArdle.

3 MR. McARDLE: Not quite sure where we
4 should start on this. Perhaps I'd like to
5 start with Rae Rosen because there's a specific
6 question that I would ask you. What's
7 interesting in the charts that you present --
8 are you familiar with the work of a gentleman
9 named Ed Sealy?

10 MS. ROSEN: No.

11 MR. McARDLE: Ed Sealy worked for New
12 York City Department of Transportation at one
13 point, among many agencies, and he did a study
14 that took the charts you presented and drew a
15 conclusion that I think you're drawing as well.

16 And he argued that the transportation system
17 here, basically in place before 1950 for all
18 intents and purposes, not having changed in
19 shape since 1950, effectively capped the number
20 of jobs that you could have in New York City
21 because if you did not add more transportation
22 capacity, if you could not find ways of
23 capturing more bedrooms to get people into the
24 core, you simply could not add jobs.

1 You could build office space but you
2 would shuffle people around unless you added
3 the connections into the bedroom communities.
4 And he argued very strongly that it was that
5 transportation element, not anything else that
6 really got New York City to the 3.8 to 4
7 million job range at which point it always
8 seemed to stall out.

9 And I think that's the conclusion you're
10 kind of drawing as well.

11 MS. ROSEN: I would agree with you. The
12 we've tapped the largest possible labor pool
13 and it doesn't go beyond that because we can't
14 really bring them in and also we can't house
15 them.

16 So you do have to be able to bring them
17 in, and in a high -- either bring them in or
18 create the circular transportation system which
19 would enable them to go from community to
20 community in the outer circle. But that
21 doesn't exist either, so you could have that
22 developing.

23 I was talking with a gentleman I saw in
24 Atlanta, it appears to be this outer ring

1 that's developing but it's extraordinarily
2 difficult to get around that outer ring because
3 you're going to need both pieces in the
4 transportation linking them because your
5 housing is so incredibly expensive. Your cost
6 of production is so expensive in the inner city
7 that you will constantly be pushing out lower
8 and lower levels of activity and the only thing
9 that permits you to do this and then hold on to
10 the higher levels of production and have this
11 continuous revolution is that transportation
12 system.

13 MR. McARDLE: Thank you.

14 MR. SCHENENDORF: Commissioner Heminger.

15 MR. HEMINGER: Thank you, Mr. Chairman.

16 As my colleagues know, we spent a lot of time
17 in our field hearing in Dallas talking about
18 tolls. And today, at least in two pieces of
19 testimony, we heard about the gas tax so maybe
20 this will be equal time for the gas tax here in
21 New York, and I'd like to ask each of you a
22 question about it.

23 Mr. Shaheen, as I recall the study that
24 the Chamber of Commerce did, not too long ago,

1 on transportation need, identified a very large
2 number in terms of an annual gap. It may have
3 been on the order of a hundred [unclear]
4 [billion/million] dollars, and if you were to
5 translate that into just the federal fuel tax,
6 and I know your study looked at all levels of
7 government, it would be about 50 cents per
8 gallon.

9 Is the chamber willing to support an
10 increase whether at the federal or state level
11 of that size?

12 MR. SHAHEEN: Commissioner Heminger,
13 that's a good question and I'm going to dodge
14 it a bit. We put --

15 MR. HEMINGER: You got a lot of company.

16 MR. SHAHEEN: We put this study together
17 and I didn't -- I was not -- didn't have the
18 time to read my text in full, but I said the
19 Chamber doesn't sponsor each and every one of
20 the recommendations that came back from the
21 study.

22 We wanted it to be an instigator of
23 thought, kind of like what you're doing.
24 You're asking very relevant questions. I would

1 point out, however, that there isn't one magic
2 bullet that's going to solve the revenue needs
3 of transportation. It's going to have to be
4 well thought out. The people that use this
5 system are going to have to pay. We have to be
6 sure we keep it in the hands of all of our
7 citizens and businesses and don't exclude them
8 because they might not be able to pay, but
9 we're going to have to become innovative.
10 We're also going to have to consider
11 public/private partnerships that basically
12 create a business out of transportation, if
13 there is demand in an area that will pay for
14 it.

15 So I don't think there's any one
16 solution. I think we have to be prudent. We
17 know there's a political element of this, but
18 as a businessman and in my role at the Chamber,
19 Commissioner, speaking on behalf of all
20 businesses, this -- without transportation, our
21 businesses won't flourish, as proven by the New
22 York model if I can refer to what we've heard
23 here today. I didn't know that jobs were
24 stagnated in New York, but I understand it. I

1 understand it.

2 And so that's going to creep around all
3 of our big cities and into our -- the middle
4 part of our country if we don't recognize that
5 the economics starts with transportation.

6 Transportation and education are the two
7 biggest challenges to business growth in this
8 country today. An educated work force or we
9 have another crisis we could spend a lifetime
10 on and transportation.

11 MR. HEMINGER: Mr. Yaro, a similar
12 question for you and one of the interesting
13 things in your testimony, and I do have to
14 commend the work you're doing on America 2050
15 and Commissioner McArdle provided the
16 prospectus to all of us, and it's really useful
17 work, I think it's really going to help us in
18 our work as well. You talk about converting to
19 an ad valorem tax, but then you just sort of
20 give a couple of examples. You know, the
21 current tax would equal 10 and 15 cents would
22 equal this.

23 Have you delved into the notion of how
24 high that percentage tax ought to be in order

1 to support the needs that are illuminated?

2 MR. YARO: Well, I think what you're
3 hearing from us, and I agree with the previous
4 speaker, that there are no silver bullets; that
5 we're not going to solve this problem just with
6 the gas tax but the gas tax should be a really
7 important part of it.

8 It's interesting. I was in Italy last
9 month and it got a lot of attention over there,
10 not as much attention here, but Bob Lutz, Vice
11 Chairman of General Motors at the Paris Auto
12 Show made a very strong statement saying that
13 the U.S. automobile industry, in order to
14 survive, needs to see stability in gas prices
15 and he recommended gas prices that were in the
16 same neighborhood as European gas prices; get
17 the total cost of fuel per gallon up in the \$3
18 to \$4 a gallon range. He said they've got to
19 have it to do product planning in this country,
20 to be able to export U.S. made vehicles to the
21 rest of the world. So, you know, it isn't just
22 folks are worried about the economy in New York
23 City, for example. This is an important issue.
24 We've got people in the industry, you know,

1 maybe I can extract a little bit more out of
2 you with a more specific question. A couple of
3 weeks ago, the, I believe, former chairman of
4 the President's Council of Economic Advisors,
5 who's now at Harvard, had an op-ed in the Wall
6 Street Journal. And he endorsed a dollar
7 increase in fuel tax, primarily on the grounds
8 of promoting alternative energy sources, being
9 more effective in CAFE standards, which are
10 more of a command and control approach, as well
11 as rebuilding infrastructure.

12 What do you think of that, as a fellow
13 economist?

14 MS. ROSEN: I think George Benson is also
15 the one who talked about collapsing housing
16 prices ten years ago.

17 MR. HEMINGER: So you think he's wrong
18 about this too?

19 MS. ROSEN: I think his comment was
20 correct in terms of creating an interest from
21 the public in efficient vehicles. It was
22 pretty clear with the movement to SUVs and four
23 by fours that if gasoline prices don't keep
24 pace with the cost of other goods, consumers

1 will go right back to larger, more powerful
2 vehicles. So I think one way of really
3 encouraging the consumer to vote their
4 pocketbook, which they usually do, could be a
5 test, but I don't know if that's the only way.

6 MR. HEMINGER: Okay. Thank you.

7 MR. SCHENENDORF: Commissioner
8 Busalacchi.

9 MR. BUSALACCHI: Yes, this is for -- and
10 probably I'd like to hear from all three of
11 you, but let's just assume for a second that we
12 get the magic tax in place and everything is
13 honky dory. We seem to get into this trap of
14 not talking about needs. And you know we've
15 got to get back on track and talk about needs
16 not public/private partnerships. We've got to
17 talk about what's got to be done in this
18 country, and I think the other -- the trap that
19 we get into is -- when we're doing this we tend
20 to concentrate on highways for the most part.
21 And I just want to know what your feeling is
22 because when we get into an area like this, you
23 know, I really get excited when I get into an
24 area like this because I see all the transit

1 and the intercity passenger rail and things
2 like that and how are we going to -- how are we
3 going to fund that?

4 Well, when you look at this area here,
5 should that be part of this magic bullet or
6 this fix? Because it's not now. I mean we all
7 know how it happens now, and I think most of us
8 feel it's really broken. So if we were to get
9 this magic revenue stream, should rail be
10 included in that?

11 I mean, obviously, I feel that way but I
12 want to hear from you because we just -- we
13 seem to be always kind of -- we start talking
14 about this and we tend to get into the trap of
15 talking about trucks and cars, as well we
16 should, but we kind of push rail again to the
17 side and it's such a huge part of this part of
18 the country. I mean just what we saw today.
19 And so I want to know what your feeling is
20 about that. Should we put more focus on that
21 or less or what?

22 MR. SHAHEEN: I think you ask a very good
23 and deep question, and I respond as follows:
24 The problem of New York City in this region is

1 not necessarily the problem of Atlanta or
2 Chicago or Peoria or Omaha. So when we talk
3 about transportation, talk about it as one
4 arrow we're making a mistake, and you're
5 recognizing that, and you know, let's talk
6 about rail. You know, where is rail? What is
7 rail? How do we want to use rail?

8 Rail could be a reliever. I think when
9 people get into the debate of cars, trucks,
10 planes and rail, everybody's fighting for the
11 premier position. In my opinion, rail is a
12 reliever. Rail does some things very well; it
13 does other things very poorly in the scheme of
14 things. So I think if we looked at our
15 transportation challenges more regionally than
16 national. We've got a national problem but the
17 same solution won't fit all, and rail does have
18 a role. There should be relief in
19 transportation of people with rail in the
20 northeast because you're highly concentrated.
21 You've got the road beds; you've got to improve
22 the service so people want to use it.

23 In other parts of this country you're not
24 going to get away from individual automobiles,

1 et cetera, because of what else isn't there to
2 use. So if you'd allow me to expand your
3 question to: Does one size fit all? I'd say
4 quickly no, it has to be regional. It has to
5 solve the transportation challenges of the
6 region and New York is a good example. Does
7 role play -- does rail play a role? Yes, but
8 in my opinion, personal opinion, it's a
9 reliever role. It does very good with hauling
10 commodities; very good at hauling weight and
11 very good at handling people when there's
12 congestion around it, but I don't think it's a
13 national solution to what we're dealing with; I
14 think it's regional.

15 MR. YARO: I would argue that when you
16 look at these ten mega regions, I would urge
17 you to go to the centerfold, centerfold of this
18 America 2050 report where these are mapped.
19 The consistent theme in all these places is
20 that they've all run out of capacity on the
21 highway systems and many of them have run out
22 of capacity on the transit systems as Rae
23 pointed out both here and predictably here in
24 the northeast, New York, Boston, Philly, and so

1 forth, but I think some of the same capacity
2 constraints are there in the rest of the
3 country.

4 So I think what you're hearing from all
5 three panelists is that the key to the future
6 competitiveness and livability of America's
7 economic engines, this big metropolitan area
8 and networks of metro areas, mega regions, is
9 create a new capacity and transportation
10 systems.

11 Some of that could be accommodated on the
12 highways and particularly in the intercity
13 routes, there probably is the potential where
14 rights-of-way and so forth, but you get inside
15 of the beltways and we just don't have the
16 rights-of-way in most of metropolitan America.
17 There's no place to put additional cars or
18 trucks and so we got to get creative. It
19 probably means that we need to move to
20 intermobile systems and rail. And I agree that
21 rail can relieve highways. I think we may find
22 given the increase in goods movement the
23 capacity of those interstate links is just so
24 precious that we can't afford to have single

1 occupant vehicles out there occupying space.
2 We've got to give people alternatives that are
3 convenient and safe and well priced and so
4 forth, and that means rail. It means
5 intermobile links between the highway system
6 and the rail system. It probably means improve
7 rail freight. You've got kinks in this region,
8 in the rail freight system; it doesn't get
9 across the Hudson River, it doesn't connect
10 well to airports and seaports and so forth.
11 Same thing going on in L.A., in the Port of
12 Oakland and in some of the inland ports in St.
13 Louis and Kansas City and Chicago and so forth.

14 So I think we need to be thinking about
15 multi mobile systems and I agree this is not
16 one size fits all; that the needs would be
17 different in each of these mega regions.

18 We need bottom up strategies but
19 consistent themes; more capacity in the
20 interstate system between cities and expanded
21 rail and inter mobile links within metropolitan
22 areas in the mega regions.

23 MS. ROSEN: Speaking just about the
24 northeast, most of our manufacturing is moving

1 increasingly offshore to China and the Asian
2 countries and the bulk of the buying power in
3 the US is along the east coast, certainly east
4 of the Mississippi. So the efficient handling
5 of that freight as it comes back in; it's
6 crucial to the development going forward, and
7 we don't handle it efficiently right now.

8 We can't get it off the boats easily in
9 the port of Elizabeth, Newark; and we don't get
10 it onto -- any volume of it doesn't get on to
11 rail, it goes on truck. This is not an
12 efficient viable system going forward for the
13 kind of goods and freight growth we're going to
14 have. So it's rather important that we solve
15 that and the trucks that carry that back up all
16 along I-95, back up into Connecticut and
17 Massachusetts, so we under-use rail for freight
18 and that should be part of the solution.

19 But I'd go a little bit beyond that and
20 say we also need help creating multi-state
21 jurisdictions because we also need to have
22 rationale efficient use of our airports. And
23 here we're crossing -- because of the
24 uniqueness of New York we cross the tri-state

1 area and it isn't just sufficient to have a
2 coordination of Newark, LaGuardia and Kennedy.
3 It's become really apparent we need to know
4 what's going on at Teterboro and we need more
5 efficient use of that and we probably need to
6 bring Stewart in, Stewart International in as
7 well because some of the backups that we've got
8 in the New York side might be dissipated if we
9 use those airports more efficiently. But
10 creating the tri-state structure is a difficult
11 thing.

12 It's New York City, which is this big --
13 the economy is almost as big in New York City
14 as that in Massachusetts. So, it's a state in
15 and of itself and it's got to work through a
16 governor and then it's got to have some way to
17 get to the other governors; this is difficult.
18 And we need the federal government's help to
19 create that kind of organization that will help
20 us to solve those problems.

21 There's a bridge, the Tappan Zee Bridge,
22 which Connecticut really wants expended. It's
23 really crucial to Connecticut, but it connects
24 to parts of New York State. So how does

1 Connecticut make its voice heard? It's tough.
2 So we need help in pulling these organizations.
3 We need some help from the federal government
4 in setting up a new entity that can meet and
5 work this out.

6 And I'd add that EZ Pass should have been
7 adopted much sooner if there had been some
8 coordination. In some states [unclear].

9 MR. SHAHEEN: I want to support bringing
10 ports into your equation. I don't know if it's
11 there or not, but as a mid western
12 manufacturer, we're -- that does over half our
13 business outside of this country, and by the
14 way, Caterpillars are net exporters to China,
15 so it's important that we move American goods
16 out. The ports in this country are becoming
17 clogged, if they aren't already.

18 It is really a challenge to get timely
19 shipment both out and back into this country
20 through our ports; and it usually breaks down.
21 You can get it to the waters outside of the
22 ports. You can even get it in. You can't get
23 it out of the port. So I think -- I hope you
24 expand your view to look at all of that as part

1 of your transportation formula.

2 MR. BUSALACCHI: Well, you know, you just
3 hit on something and I think -- so by saying
4 that it's your feeling that the commission also
5 should look at how goods are moved in and out
6 of ports such as trucks and trucking.

7 MR. SHAHEEN: Or rail.

8 MR. BUSALACCHI: It's my understanding,
9 you know, I mean, I think I have a little bit
10 of knowledge about the trucking industry, that
11 you're getting very close to meltdown in this
12 area because of the shortage of truckers. And
13 that should be part of our charge as well if
14 you're throwing this all into the mix; correct?

15

16 MR. SHAHEEN: Yes and some ports do have
17 rail capability, too. Don't exclude rail from
18 that. In fact, you know, if business were
19 attacking this problem, we would go about it
20 differently because there would be a profit
21 motive in it and we'd make the best efficient
22 decision for the long-term. But don't discount
23 time rail to ports because as far as I know in
24 the field, the world economy is going to

1 continue to be global in the world, so goods
2 are going to be going through and out and so
3 forth. If we're concerned about the economy,
4 we have to consider the ports and not just
5 truck, I'd suggest.

6 MS. ROSEN: Could I just add, I'm sorry
7 if I was too subtle, but the problem is rail at
8 the Port of Elizabeth in New Jersey, in that we
9 don't make efficient use of the rail that's
10 there because there are different kinds of
11 ownership in New Jersey and so some use of some
12 rail is precluded from freight. And I don't
13 know how you -- I don't think there's a
14 consensus on how you solve that problem but
15 it's going to require considerable
16 deliberation.

17 MR. YARO: I'll come back to something
18 that you said Commissioner Busalacchi, and that
19 is that we need to start with the framework.
20 We need to start with the vision for the future
21 of the transportation system and then you can
22 back into how you're going to pay for it.

23 I think what you're hearing from all
24 three of us is that we've got a terrific mid

1 20th century transportation system in this
2 country and we've got a 21st century economy
3 that just doesn't match up with the
4 transportation system any longer.

5 I'm kind of an amateur historian of
6 planning history in this country. You know,
7 we've had three -- we've had well, two full
8 national plans. One with Jefferson and one
9 with Teddy Roosevelt and then two others with
10 Lincoln that would have gone farther had he not
11 been assassinated. And the most recent one
12 with Franklin Roosevelt, and that's where the
13 interstate system came from. And every half
14 century in American history, the federal
15 government has stepped forward and created a
16 vision for the future of the country and its
17 economy and transportation system.

18 And I want to agree with what Mr. Shaheen
19 said here earlier and that is that the
20 transportation, you know, essentially is the
21 neighbor of the economy. You know, we've had
22 so much attention to education, which is
23 vitally important, but we have to be thinking
24 about people and about place, if we're going to

1 be thinking about a 21st century economy.

2 Today's conversations about place and
3 creating capacity in the productive places
4 around the United States, the places that drive
5 the national economy, and this port issue and
6 the freight issue, is probably Exhibit A. We
7 have a -- we have a national freight and goods
8 movement system that was designed around an
9 economy in which about five percent of the
10 economy was in global trade. We're now what?
11 About 15 or 17 percent and going up rapidly,
12 and the transportation system simply is not
13 keeping up with the economy that's emerging.
14 It's not enabling the U.S. economy to grow.

15 And several times in American history
16 we've created bold visions for the future of
17 the transportation system, and then it's really
18 been part of a bold vision for the future of
19 our economy and for our, you know, for the
20 well-being of the whole country. It's time to
21 do that again, and then you can have a
22 conversation about how to pay for it. But
23 first we've got to have this bold vision for
24 what the future of the country is going to be

1 and how we're going to make sure that every
2 region of the country, you know, has a chance
3 to be a part of the global economy.

4 And I think most particularly, the given
5 is that you've got these unbelievably
6 productive places like the northeast and nine
7 others like it around the country that are
8 going to be the drivers of the U.S. and the
9 global economy. And we just don't have a
10 transportation system that's going to allow it
11 to succeed.

12 The rest of the world is moving ahead
13 with these investments and we've been sitting
14 here on our assets, quite honestly, and so we
15 need to start with a vision and then we can
16 talk about how to pay for it.

17 MR. SCHENENDORF: Thank you.

18 Commissioner Weyrich.

19 MR. WEYRICH: Well, I associate myself
20 with what has been said. I do think that there
21 has been a great lack of vision when it comes
22 to integrating rail into the metropolitan areas
23 that are going to be much larger in the future.

24 It was mentioned here that 80 percent of the

1 public is going to exist in the coastal areas.
2 And if we're to project 50 years out, then we
3 have to understand that, and we have to project
4 accordingly, and I am just wondering if any of
5 you have any comments along that line.

6 MR. SHAHEEN: Why would any of us, if we
7 could control it, want to amass 80 percent of
8 our population in coasts if we didn't have to?

9 And if -- you know transportation can be
10 that mover of people elsewhere. If we put 80
11 percent of the people in the United States on
12 the coast, in the future, 50 years from now,
13 whatever the time frame is, I'm getting a
14 little out of my element here but that would be
15 the craziest thing we would ever let happen.
16 Now, we can't dictate. This is a free country.

17 But we can create economic prosperity
18 elsewhere that will cause people to move. Who
19 would have thought Atlanta 50 years ago would
20 be what it is today? They made it attractive.

21 And so you know transportation can also
22 be an instrument of social change, as subtle as
23 it is, if you can allow people to go to places
24 where they can have good lives and they can

1 take care of their families, et cetera. We
2 don't have to let it happen if we don't want
3 to.

4 Now, if we don't improve our
5 transportation people will cluster on the
6 coast; they always have. But I'm not sure we
7 really have to let that happen if we don't want
8 to. And transportation could be the subtle
9 instigator to get people to move. China is
10 doing that. Now, it's a little different
11 system admittedly.

12 MR. YARO: Europeans.

13 MR. SHAHEEN: And the Europeans as well.

14 MR. YARO: To say that, obviously, there
15 is a concentration of population along the
16 coast but we've also got very vital places in
17 other parts of the country. Midwest, for
18 example, has been underperforming. It's pretty
19 interesting if you look at the approach that
20 the Chinese, for example, and the Europeans
21 have been taking to underperforming regions
22 like that. In both cases they've been
23 investing hundreds of billions of dollars in --
24 a lot of it's in infrastructure, a lot of it's

1 in improved rail and highway systems, a lot in
2 education and urban redevelopment, urban
3 re=greening and so forth. But we're really
4 alone among the industrialized countries, in
5 just saying, well, if we've got a seven or
6 eight state region that's in trouble, well,
7 have a nice day. Or Mrs. Thatcher once said
8 "Get on your bike." That was her strategy, by
9 the way, just before she got voted out of
10 office. And whether it's the UK or Germany or
11 Japan or China or Korea, these bypass and
12 underperforming places, national governments
13 are reinvesting in these places, and
14 transportation is a really vital and
15 fundamental part of those strategies, but,
16 again, the strategies need to be broader than
17 that.

18 I just want to say one other thing and
19 that is about this region. New York has really
20 put its money where its mouth is on its transit
21 system. You know, we've put about \$75 billion
22 into this system over the last 25 years into
23 the mass transit system. That's the subways
24 and regional rail, in all three states, New

1 York, New Jersey and Connecticut, and we're
2 about to invest in the neighborhood of about 50
3 billion dollars more in sustaining that system
4 and in expanding that system. There are three
5 big projects that create the capacity that Rae
6 was talking about that's needed; East Side
7 Access, Second Avenue subway and the access to
8 the region's corridor, new rail tunnel from New
9 Jersey. Together these are about \$30 billion
10 and what they do is they create the capacity
11 that the core of the New York metropolitan area
12 needs to grow in the first half of the 21st
13 century.

14 We've done this before in New York. As
15 Frank pointed out we stopped doing it. When
16 Fiorello La Guardia was mayor in 1940s; we
17 stopped investing in expanding this system. So
18 we're making those investments, and I'm
19 concerned that other parts of the country --
20 some of them are, Chicago is going ahead with
21 some regional rail investments; L.A. has
22 virtually stopped investing in the regional
23 rail system. Atlanta has been very slow to
24 expand its regional rail system and so forth.

1 But we need to create capacity in all these
2 places if, in fact, they are going to continue
3 to succeed, and I think it's part of the
4 strategy in the Midwest as well as the
5 coastline.

6 MS. ROSEN: I just wanted to back up to
7 your basic premise which is even if we didn't
8 have population growth along this part of the
9 east coast, you wouldn't be able to sustain the
10 current level of output, given our high cost
11 cities, if you don't improve the transportation
12 back and forth with the outer suburbs. That's
13 crucial to maintaining productivity in a high
14 cost place. So you've got to do that just to
15 sustain your current position.

16 The second point I'd want to make is that
17 the investment Paul was talking about that's
18 being made in New York City is good but it's
19 not sufficient because it isn't being matched
20 to scale by Connecticut, New Jersey, and
21 Pennsylvania, and they are feeders to this
22 labor pool. And for the city to be competitive
23 globally and to compete, drawing on this huge
24 labor pool, you've got to be able to get the

1 best of the best in and out of the city. And
2 that's drawing on a much larger area than just
3 the five boroughs. It's difficult to get here
4 from Pennsylvania, Connecticut sort of gets
5 lost in the wash but they aren't well connected
6 to Massachusetts and they aren't well connected
7 to New York. And the parts of the state that
8 are least developed have the least highways and
9 fewest airports. You can see lack of
10 transportation undermines them.

11 MR. SCHENENDORF: Thank you. There seems
12 to be a consensus that we certainly have
13 tremendous transportation needs as we go
14 forward and we need to increase investment.
15 And I'd like to ask each of you to say what you
16 think the role of the federal government is.
17 Does the federal government need to step up to
18 the plate and increase its investment as we go
19 forward or can the federal government really
20 back away from this problem and leave it to the
21 states and private sector?

22 MS. ROSEN: I think the federal
23 government has a major role here, primarily
24 because of the geography. In the northeast we

1 cross multiple state boundaries and to get the
2 cooperation we need and the leadership we need
3 to do this there's a federal government role.
4 And there's also a federal government role in
5 the funding of it.

6 So we can talk about which piece and how
7 we share it but it seems to me it's
8 fundamental, and it goes beyond roads, it's
9 also the rails, and it's also the freight and
10 the ports, and I don't know how it will get
11 done without that partnership with the private
12 sector and then the federal and state
13 government. It's a partnership among all three
14 and, in some cases, the feds are going to have
15 to lead the way. In other cases I think the
16 private partnership might be the leader but we
17 couldn't be able to do it without the funds
18 from the federal government as part of it.

19 MR. YARO: Let's go back to the history
20 of the country that every, you know, every key
21 point in the nation's history the federal
22 government has gotten out front and created a
23 framework and created a financing mechanism.
24 This is as old as George Washington who came up

1 with the concept of the federal government
2 making grants of public land to private
3 companies to develop canals and this is in the
4 1780s and 1790s. Jefferson, you know, did a
5 national plan that was designed to integrate
6 the west and develop the west.

7 By the way, this question that
8 Commissioner Weyrich raised I think is a
9 vitally important one. This strategy has to be
10 -- you know, there needs to be a national
11 framework designed to promote the prosperity of
12 every part of the country.

13 It's a wonderful story that I was told by
14 Charles Elliot who was on the staff of the
15 National Resources Planning Administration
16 during the new deal in the Roosevelt
17 administration in the 1930s. They came -- the
18 staff came up with a proposal for what became
19 the interstate highway system and it was
20 focused on the parts of the country that had
21 the industrial economy and had congestions on
22 the highways already. It was basically the
23 northeast, the Midwest, and west coast; most of
24 the country was left out.

1 President took this map and flipped it
2 over and drew his own map of the country and
3 drew, I think it was eight or ten east/west
4 lines across it, then eight or ten north/south
5 lines and handed it back to Frederick Delano,
6 the chairman of the resources board, and to
7 Charles Elliot, the staff director and said,
8 "Gentlemen, we need a national transportation
9 strategy that benefits the entire country, that
10 links every corner of this country and brings
11 every corner of the country into the nation's
12 prosperity." And we need to do this again.
13 And I think the federal government needs to
14 create the vision. It needs to create a strong
15 framework and, by the way, the absence of it we
16 saw with SAFETEA-LU last year what the absence
17 of that does. 7,000 earmarks and no compelling
18 vision for the future of the country. No
19 compelling investment strategy.

20 And then the federal government needs to
21 put its money where its mouth is. The federal
22 government needs to provide powerful financial
23 incentives for both public investments but also
24 for private investments. It's a 200 year old

1 tradition and departure from that, I think, is
2 going to undercut the economic potential of
3 this country in the 21st century.

4 MR. SHAHEEN: You might find this an
5 unusual comment from someone from the U.S.
6 Chamber of Commerce but, yes, there is a role
7 for the federal government.

8 You know, we could get into a big debate
9 about why governments exist. They exist for
10 security and they exist to handle issues that
11 people can't handle on their own or in the
12 smaller pockets. I think we've got one here.

13 You hear the testimony today; this is a
14 national crisis. It approaches every element
15 of our country. We need a vision.

16 What the government doesn't do well is
17 execute, so I think we have to find a model in
18 all this where some good thinking goes into the
19 vision, et cetera, and we're not afraid to have
20 execution in the hands of local regions and
21 businesses with the efficiencies that come from
22 that for execution. But most definitely there
23 are some key issues in this country and this is
24 one of them that's going to take a national

1 vision.

2 MR. WEYRICH: My very close friend
3 Senator Jim Inhofe of Oklahoma, who is a very
4 strong conservative, votes against most of the
5 programs that the federal government has
6 passed, but he says that the only two things
7 that are really constitutional are national
8 defense and infrastructure. And even he, who
9 is a very strong conservative, has recognized
10 that this is the responsibility of the federal
11 government.

12 I agree with you that what we must try to
13 do in this study is provide some kind of vision
14 for the future. And it's not going to be easy
15 and we have, shall we say competing forces in
16 that regard. But I assure you we will give it
17 our very best.

18 MR. SCHENENDORF: One additional
19 question, Mr. Shaheen, wearing your Chamber
20 cap. In the past, as we've gotten involved in
21 surface transportation legislation, business
22 played a role. Transportation has always been
23 important but it really hasn't been at the top
24 of their list in being really willing to use

1 political capital. Do you think things have
2 gotten to the point where, as we go forward
3 into the next reauthorization bill, that
4 business will really step up and say the kinds
5 of things you're saying here today and put some
6 of their political capital on getting a bill
7 that has a big vision and big investment
8 strategies?

9 MR. SHAHEEN: The short answer is yes. I
10 think in getting the SAFETEA-LU, we've looked
11 back and done a biopsy on that process several
12 times and, quite frankly, business should have
13 stepped up quicker. We should have spoke with
14 one voice. We should have put more capital at
15 it and I can't -- I chaired the committee that
16 generated the Chamber reports, so I was very
17 close to it. I cannot tell you how my phone is
18 ringing now from various constituents in this
19 problem that want to get started now, and
20 coming together and speaking with one voice for
21 the next reauthorization. So I can say pretty
22 confidently that American business will speak
23 differently than it did the last time.

24 MR. SCHENENDORF: Thank you. Any of the

1 other commissioners have additional questions?

2 Mr. McArdle.

3 MR. McARDLE: I have a question for Mr.
4 Shaheen, kind of putting on his Caterpillar
5 hat, and perhaps addressed to all of you, which
6 is the whole question about carbon and carbon
7 budgets and carbon taxes. Because we've heard
8 from the UK, if they are kind of a metaphor for
9 the discussion, that at some point in this next
10 50 year period to which we're looking, we will
11 have to address the fuels we use, the carbon
12 that's generated and how to manage that. And
13 Caterpillar's obviously at the forefront of
14 this because you have been creating, you know,
15 clean fuel engines, substantially reduced the
16 outputs of pollutants at this point, and appear
17 to be coming, you know, the kind of model
18 engine of choice, you and your other
19 competitor's name I won't mention, for creating
20 rail opportunities as well to clean up the air
21 and to, in fact, make the transportation that
22 much cleaner.

23 Have you calculated what we would need to
24 have as simply a carbon tax on fuels to, in

1 fact, accommodate the carbon that's used in the
2 fuels and what that means for you and how we,
3 in fact, again following your model, encourage
4 the minimization of carbon development in
5 transportation?

6 MR. SHAHEEN: It kind of bothers me to
7 tax something you don't want, and so then it's
8 a penalty tax to drive you away from it. You
9 know, I think the industrial base of this
10 country, Caterpillar and our competitors,
11 through the EPA regulations, we'll respond to
12 what you want.

13 I can't tell you how large an amount of
14 money we spent meeting the EPA requirements for
15 tier 2, 3, 4-A and 4-B. We're going to be at
16 this until the middle of the next decade, and
17 we're passing it along to the customer, but
18 that is what it takes to meet the regulations.

19
20 I want to talk about coal for a minute, a
21 big source of carbon, and say that, you know,
22 coal is the answer to our energy dilemma;
23 technology will make it clean. Tell us what
24 you want. Let us price for it. And that

1 energy source can be a positive impact on our
2 economy, not a negative. Now I know I'm
3 sneaking around your subject here but we've got
4 more coal than anybody. We're not using a lot
5 of it because it's dirty. We're going after
6 the Powder River Basin. Talk about rail. If
7 we didn't have rail and coal coming to the
8 northeast from the basin you would be freezing
9 in the dark here and we'd be freezing in the
10 dark in the Midwest. There's technology out
11 there today that will make this work. Tell us
12 what you want. Put it in the hands of
13 business. Let us use our technology on it.
14 Let us clean it up. But the tax carbon is an
15 indirect way -- it doesn't make much sense to
16 me.

17 MR. McARDLE: Any of you else looked at
18 that issue in the transportation context?

19 MS. ROSEN: Not in the transportation
20 context, but in other contexts, most economists
21 would agree with you. That is, don't dictate
22 how you get the solution. Just tell us the end
23 result and let business figure out the way to
24 get there and price accordingly and that is

1 usually the most efficient and cheapest way to
2 get there.

3 MR. SCHENENDORF: Thank you. I
4 appreciate -- any of you have anything you'd
5 like to add?

6 MR. SHAHEEN: I just commend all of you
7 for taking times out of your day jobs to do
8 this, and I hope something comes of it. We
9 need a vision.

10 MR. SCHENENDORF: Thank you.

11 MR. McARDLE: Thank you.

12 MR. SCHENENDORF: Will the second panel
13 come forward.

14

15 (Pause.)

16

17 MR. SCHENENDORF: I'd like to welcome
18 Drew Galloway, who is chief of Corridor
19 Development and Project Planning for Amtrak;
20 David King, the General Manager with the
21 Triangle Transit Authority; D.C. Agrawal, the
22 Assistant Executive Director of Corporate
23 Strategy, Policy, and Contracts, New Jersey
24 Transit; and James Boice, Deputy Commissioner,

1 Connecticut Department of Transportation.

2 I'd like to start with you, Mr. Galloway.

3 Once again, your entire written statement
4 will be in the record, and if you would try to
5 keep your own remarks to five minutes, it would
6 be much appreciated.

7 MR. GALLOWAY: I will do my best. I have
8 a PowerPoint on the northeast corridor since
9 our topic is inter-connections on the northeast
10 corridor, and I thought it would be useful to
11 start this out and just give everybody a brief
12 description as we go through it.

13 And thank you again for the opportunity.

14 Next slide, please.

15 This is a schematic of the northeast
16 corridor as defined. The 457 route miles was
17 conveyed to Amtrak as part of the process. It
18 also created Conrail Consolidated Rail
19 Corporation in 1976.

20 There are multiple owners within it, I
21 should say, with the states of New York and
22 Connecticut owning a portion between New
23 Rochelle and New Haven and State of
24 Massachusetts owning the railroad between its

1 border and Boston.

2 There are over 1800 trains per day on the
3 northeast corridor, carrying in excess of 200
4 million passengers a year. There is, at no
5 time, in any time of the day or any day of the
6 year, that there are not trains operating on
7 it. Next slide.

8 Talking about Amtrak itself, we are the
9 intercity operator. There are about 3.8
10 million passengers per year that ride long
11 distance trains. There are multiple injection
12 points of Amtrak trains into the northeast
13 corridor with a group coming in from the north
14 and the east and then another group coming in
15 from Pennsylvania and Washington and that's
16 what's showing here. Next slide, please.

17 There are about 50 freight trains a day
18 that operate on the northeast corridor and the
19 northeast corridor is important if not entirely
20 dependent to certain ports. With Baltimore,
21 Wilmington, Providence, Davidsville and New
22 Haven all being dependent on access through
23 various facilities associated with the
24 northeast corridor.

1 This is a diagram showing where major
2 freight flows are. There are three class 1s
3 that operate on the corridor and about six
4 different short lines at various different
5 points as well as a regional pull, Providence
6 and Worcester. Next slide.

7 Commuter services: Part of the act of
8 conveying the property to Amtrak also provided
9 the rights of commuters to operate on it.
10 There are nine different users right now and
11 what this is showing is a diagram of the use of
12 various different commuter lines that affect
13 the corridor.

14 Amtrak carries approximately 14 million
15 riders on the northeast corridor. Every state
16 that we have there are multi ride tickets to
17 and from New York, and New York being the topic
18 here, about 50 percent of all travel on the
19 northeast corridor is associated with one leg
20 or the other to and from New York. The rest of
21 it is all commuter travel. Next slide.

22 From an historical perspective -- next
23 slide, please, I'll go quickly on this.

24 We believe there's a lot of success as

1 shown in this next slide. I won't go through
2 every project but every one listed here did not
3 exist at the time the northeast corridor was
4 created. And we heard Mr. Yaro talk about 25
5 billion in investment that's taking place;
6 that's just in the New York area. These
7 projects are all listed up and down the
8 northeast corridor and investment has taken
9 place from one end to the other. Next slide.

10 That's just an illustrative of the change
11 in the volume showing - and you're in the
12 control center in Penn Station today. Before
13 NJ Transit began a very ambitious program
14 called New Initiatives, in the early 1990s,
15 there were about 250 trains a day through two
16 single track tunnels in the Hudson River.
17 We're approaching the 500 train per day mark.
18 Next slide.

19 Every project here is listed -- is on
20 someone's TIP or state plan. By our estimate
21 just within of the 15 mile contiguous region of
22 New York, approximately 17 to 18 billion
23 dollars' worth of capital investment affecting
24 the northeast corridor and Amtrak services is

1 planned and under way. Next slide.

2 This is talking about the northeast
3 corridor, but I wanted to also note these are
4 the other places, the other regions that, in
5 our view, get it; that are looking at inter
6 regional multimodal planning and use of
7 services and we're very proud and pleased to
8 work with these groups. Others such as Texas
9 and Georgia are not far behind but are some
10 steps behind some of the other places. Next
11 slide.

12 Challenges. Challenges for us really get
13 down to money in many respects. Next slide
14 after this.

15 Capacity and use is not equal.
16 Particularly in and around the big terminals
17 there is tremendous use and facility. In Penn
18 Station today over 1200 trains a day are in use
19 there.

20 We have a maintenance backlog that's part
21 of the conveyance of the corridor and while
22 we -- Amtrak maintains the railroad from - and is
23 working towards achieving a state of good
24 repair. There is still a sizable backlog of

1 investments that we believe are necessary to
2 bring it up to that state. We use facilities
3 that go back to the post Civil War era. Next
4 slide. I'll try and finish it up; skip this
5 one.

6 Amtrak roles and responsibilities. We
7 try to be a good steward of the corridor. We
8 are undertaking a collaborative master plan and
9 investment and the policy issues come down to
10 money in terms of costing of allocation of use
11 of it and of scheduling of future services.
12 Next slide. It's very humorous but it's true.
13 What happens on one end of this very, very busy
14 corridor affects every other user and traveler
15 on it. Thank you.

16 MR. SCHENENDORF: Thank you. We'll now
17 go to Mr. King.

18 MR. KING: Thank you, Mr. Chairman. I
19 need to point out that I'm in a competitive
20 disadvantage here. Everybody's been dealing
21 with the problem by talking fast, but I'm from
22 North Carolina, so I'll do as best I can.

23 MR. McARDLE: Thank you. Your time is
24 up.

1 MR. KING: I'm going to try to make three
2 points that are contained in my written remarks
3 and one that is not and [inaudible] [and hope
4 that answers the] first questions.

5 Number one, as you said about your
6 daunting task of advising on policy and
7 programs in the transportation field, I hope
8 that you will take the -- certainly what Mr.
9 Weyrich and Secretary Busalacchi said, and what
10 I firmly believe to be true -- the point about
11 rail and take it to heart.

12 I now work in Triangle Transit Authority
13 which is a three county transit activity in
14 Durham, Chapel Hill, Raleigh area, North
15 Carolina, but for 33 years I was an employee of
16 the state DOT and a colleague of the
17 secretary's.

18 In that capacity I became very aware of
19 the role that rail can play, is not playing,
20 and should play as we look to have the new
21 vision of what the transportation system should
22 be as your task, as commissioners to try to
23 help advise on that.

24 The difficulty, of course, is that the

1 railroad industry is private. They have
2 historically resisted government help for fear
3 of having it erode their independence and
4 create inefficiencies in their business model,
5 but I think there are ways for the public
6 sector and private sector to collaborate, both
7 for moving freight in this great glut of global
8 freight movement that we're all experiencing,
9 as well as helping us move passengers. What is
10 missing there, I will get to in point number 3,
11 but basically it's a federal platform to allow
12 that sort of collaboration to take place.

13 Point number 2: We have, around the
14 country, and my presentation in your packet has
15 a map that looks like this, very simple map
16 that shows you the national Amtrak system. But
17 in red it shows you a number of corridors that
18 have been worked on by states or multi state
19 consortia that closely mirrors what the
20 country's population growth and population
21 density will look like in 2056; 50 years from
22 now.

23 A lot of those corridors have had a
24 significant amount of work done on them. In

1 Wisconsin, for example, the
2 Madison/Milwaukee/Chicago corridor and other
3 corridors in and out of Chicago received a
4 great deal of work. And in my part of the
5 world, Charlotte, Greensboro, Raleigh, Richmond
6 corridor received a great deal of work,
7 environmental work, records of decisions and so
8 forth but no federal money with which to move
9 them forward.

10 One factor, which I think is
11 representative of similar situations around the
12 country: you just heard Drew talk about the
13 northeast corridor; well, if Charlotte,
14 Greensboro, Raleigh, Richmond, Washington, DC,
15 were a corridor that was in service now at the
16 110 mile an hour level, the bump in revenues
17 and ridership for the northeast corridor would
18 be around 18 percent. That's a nine-year-old
19 piece of information from the US [unclear]
20 report but it gives you some indication of the
21 synergy that might be available.

22 A lot of those corridors are ready to go
23 and what is missing, point number 3, a federal
24 funding partner that recognizes that rail

1 should be part of the national transportation
2 system in spite of the privateness of the
3 industry.

4 I point out in my written remarks some of
5 the characteristics, clearly trying to
6 collaborate in an area where there's not a
7 whole lot of history of collaboration between
8 class 1 railroad and state government or, as
9 one of the earlier panelists said, in the multi
10 state consortia they really don't exist in a
11 lot of cases. We've worked closely with
12 Virginia, but those collaborations are new
13 ground and the only way to get the parties to
14 the table is to provide some money.

15 Unfortunately I'm unable to tell you
16 exactly where you ought to get it but, if it
17 were available, I could tell you that a lot of
18 very interesting collaborations would be taking
19 place, where railroad money, state money,
20 regional money and private money from other
21 sources would be coming together to solve
22 capacity problems, state problems, safety
23 problems, in the interest of both passengers
24 and freight.

1 Final quick point has to do with transit.
2 My current agency is trying to deal with the
3 explosive growth in the research triangle park
4 area of North Carolina which, although it's not
5 Manhattan, certainly on a smaller scale,
6 mirrors some of the same things that you heard
7 Miss Rosen talking about with respect to
8 commuting and inter-commuting and productivity
9 and efficiencies. If we cannot get on top of
10 that we will eventually wither and die.

11 The fact is that there is no federal
12 delivery mechanism including the [unclear] [New
13 Starts] program that does a very good job of
14 that. So I will leave it at that since my
15 buzzer just went off.

16 MR. SCHENENDORF: Okay, thank you. Next
17 panelist, Mr. Agrawal; is that correct?

18 MR. AGRAWAL: Thank you. Good afternoon.

19
20 New Jersey Transit is the nation's third
21 largest public transportation agency. We carry
22 about 825,000 passengers each day. We operate
23 rail, bus and light rail services and we are in
24 the middle of this mega region of the

1 northeast.

2 America's population has topped 300
3 million last month and is expected to grow by
4 another 40 percent in the next 50 years. The
5 overwhelming share is going to be in one of
6 these regions like northeast.

7 What we need to do is provide real
8 transportation choices in this area if the
9 economy is going to grow. It's the only way
10 this region can stay competitive.

11 Surface transportation needs vary from
12 state to state, region to region. For this
13 region, especially, in addition to the goods
14 movement, which I'm not going to talk about, is
15 we need 21st century transportation systems.

16 What we have today is really built by
17 parents and grandparents and is severely
18 capacity constrained. We have not made major
19 new investments in the surface transportation
20 of this country. What we have handled the last
21 25 years has been trying to get more efficiency
22 out of the existing one.

23 Just let me give you an example, and I
24 think you saw it in a couple of charts. We are

1 carrying, on the rail system today, nearly
2 double the passengers we used to carry 25 years
3 ago. We are now operating 21 trains per hour
4 on one track into New York from New Jersey,
5 which is about 50 percent more than ten years
6 ago, through some investments in signal
7 systems, track, but we have reached the
8 capacity on those trips.

9 The highway system is also at capacity.
10 There's the exclusive bus lane which was put in
11 1970s for buses into [inaudible]. That bus
12 lane in the peak hour carries 675 buses.
13 That's a bus every ten seconds.

14 The critical issue is if you don't take
15 any actions to improve surface transportation
16 systems, we need to also consider the airports
17 are also reaching capacity limits. Newark,
18 LaGuardia and Philadelphia need more capacity
19 now. And what this region knows from
20 experience is the way to relieve highway and
21 airport congestion is through rail.

22 We need more frequent, direct,
23 market-sensitive, intercity rail, commuter
24 rail, and mass transit connecting systems. In

1 fact, today you saw Newark airport station.
2 It's a good example of what is invested in the
3 last five years to connect the airport to the
4 rail system. We need more of that.

5 As somebody else mentioned earlier, I
6 think in the other panel, we need to break
7 through the chronic and historic institutional
8 boundaries in this region because the region is
9 large with a lot of different institution
10 structures, and that's the only way we can have
11 a connected regional rail network.

12 We at New Jersey Transit already go
13 across state lines. We serve New York, we
14 serve Pennsylvania and we are in discussions
15 with New York MTA and Amtrak on one end and
16 [unclear] on the other end of expanding
17 services throughout the New York/Philadelphia
18 regions.

19 We believe that the -- we can have larger
20 regional networks. These networks are
21 achievable and, for our part, New Jersey is
22 taking action to expand its capacity.

23 You heard today about the new
24 Trans-Hudson Express Tunnel project they

1 [unclear]; it's in design and construction and
2 it will break -- at least break capacity
3 bottleneck between Newark and New York, but by
4 doubling capacity from about 25 trains to 50
5 trains per hour.

6 The northeast corridor is a critical
7 investment region. It is the only regional
8 rail corridor which exists. Amtrak, a
9 for-profit federal entity, owns it and
10 currently serves as the steward of often
11 fragile, north east corridor infrastructure
12 with virtually little accountability to the
13 other state [unclear] [borders] which use it.

14 As a result the bar has been set too low.

15 The national [unclear] on Amtrak on merely
16 bringing the northeast corridor to [unclear]
17 Amtrak. We believe the northeast corridor
18 needs long-term investment strategies.

19 One last point, quickly, is that the use
20 of public monies that you talk about, you
21 should consider as investments in the
22 infrastructure because they do produce results.

23 I can give you a number of examples in the
24 testimony, but one quick one, on the

1 Hudson-Bergen Light Rail line which some of you
2 saw; the project cost 2.2 billion and it has
3 resulted in just one year one station 3.2
4 billion in private investments. Thank you very
5 much.

6 MR. SCHENENDORF: Thank you. Mr. Boice.

7 MR. BOICE: Yes, thank you. Good
8 afternoon. A little bit about the Connecticut
9 Department of Transportation. We like to think
10 we're unique among DOTs in that we don't own
11 and just operate the highway system, but we own
12 and operate two commuter railroads that carry
13 over 34 million passengers a year.

14 We are involved in 21 different bus
15 districts in the State of Connecticut that
16 carry over 35 million passengers a year. We
17 own and operate six public airports including
18 Bradley International, which is the second
19 largest airport in New England, and we also
20 operate two ferries and one deep water port, so
21 we like to think we're unique in DOTs and that
22 we are a very operational DOT.

23 As to the topic at hand, far and foremost
24 to make intercity passenger service viable now

1 and in the future, a key thing is we need a
2 clear transparent national rail vision and it
3 must be established and hopefully this panel
4 will weigh in on that very heavily.

5 The vision must recognize the important
6 role of intercity passenger rail in any
7 society. The financial commitment must be from
8 the federal government to a national rail
9 system and it is essential to the viability of
10 passenger rail system both in short and the
11 long-term.

12 This commitment must be for commuter
13 rail, corridor services, intercity rail, and
14 any new emerging services.

15 One thing I think we've all learned, at
16 least demonstrated on 9/11, is we must have an
17 alternative to air travel. And I think other
18 national governments throughout the world that
19 invested in rail, and I think it's time for the
20 United States to do that as well.

21 The choices and options provided by
22 passenger rail service, both intercity and
23 commuter, are vital to today's citizens and
24 will increase in importance as we move into the

1 future.

2 We've all heard about congestion, how we
3 have to address that and rail is a very
4 integral part of that.

5 Passenger rail services provide both
6 mobility and accessibility to millions of
7 Americans as an alternative to highway and air
8 travel and thereby reduce the rate of growth on
9 our highway system and our airways; that's key;
10 I think we need to remember that. It also
11 assists in managing and improving our air
12 quality, which is a factor mentioned yesterday,
13 so we need to do that.

14 It also stimulates our economic growth,
15 provides for livable communities in and around
16 transit centers; it's something that's growing
17 is a transit-orientated development. We're
18 seeing a lot of it in Connecticut and hearing
19 more about it in the northeast and around the
20 country, and we need a national rail policy
21 that will embrace and support this type of
22 transportation.

23 One thing, I'd be remiss if I didn't talk
24 about our New Haven commuter service in a

1 little more detail. We're very proud of our
2 partnership with the MTA and the Metro-North
3 railroad as we operate over 300 trains a day
4 between New Haven and Grand Central. And also
5 the State of Connecticut, we like to point out
6 that we own 47 miles through the northeast
7 corridor, as Mr. Galloway pointed out. We
8 invest over \$120 million a year in capital
9 improvements in that section of the corridor.
10 And from Amtrak we only receive an incremental
11 cost allocation for their use of that corridor.

12 One of the things that irritate us is our
13 Short Line East service, which operates on the
14 Amtrak owned portion, which is very fledging,
15 growing at 11 percent per year. We're running
16 out of parking and equipment for the growth of
17 that service. We pay fully allocated costs to
18 Amtrak. So I think that's an issue that you
19 need to do address as you look at those joint
20 corridors, is how you share the cost of them.

21 Any federal or state capital financing
22 program established for infrastructure that
23 would need to go on the northeast corridor can
24 only be implemented after Amtrak-owned portions

1 of the corridor are brought up to a state of
2 good repair.

3 First thing you mentioned we hear about
4 hopefully is some kind of 80-20 program similar
5 to the federal highway program, where the
6 federal government will provide 80 percent of
7 the capital improvements, and the states, 20
8 percent. Such a program, if implemented, must
9 be eligible for all infrastructure projects. I
10 can point that out. We believe that's very
11 critical.

12 Opportunities for passenger rail
13 expansion throughout this country are at a
14 critical crossroads. Federal operating
15 subsidies to Amtrak and cooperation between
16 urban transit agencies using federal funding
17 have long been the custom for funding intercity
18 commuter rail. I think we need to continue
19 with that. I think we need to look to the
20 federal government to continue that
21 involvement.

22 Many states already provide significant
23 passenger -- financial support for passenger
24 rail. This regional coalition of states that

1 provide funding, the states provide funding
2 directly to Amtrak for increased intercity rail
3 in various corridors as you saw from Drew's
4 presentation.

5 States participate in funding of
6 improvements for freight and infrastructure and
7 for other intercity routes, and I think this
8 will all continue, but we still need an
9 overriding vision from the federal government
10 and we do need that federal involvement if
11 transportation is going to be a true federal
12 transportation system.

13 In Connecticut we're investing heavily in
14 transportation. We have over 1.5 billion
15 dollars programmed over the next two years.

16 What I'd really like to get to here, very
17 quickly, is our vision for commuter rail and
18 that is one where we're looking at, and I think
19 DOT will need to establish a national rail
20 system, at least two north/west/south routes,
21 at least three -- two east/west routes, at
22 least three north/south routes and connect
23 these routes to major urban areas in the three
24 to five mile corridor range. And we need to

1 look at new corridors, not just look at freight
2 corridors, existing freight corridors there
3 today. We're talking about new and additional
4 services. We need to look at new rail
5 corridors that connect these major urban areas
6 and need to establish a core national rail
7 system. We really firmly believe in that with
8 the State of Connecticut, and I look forward to
9 your questions.

10 MR. SCHENENDORF: Thank you.
11 Fortunately, the commission has a number of
12 transit and rail experts on the commission, and
13 I'm going to start with one of them.
14 Commissioner Weyrich.

15 MR. WEYRICH: I am pleased to hear what
16 you had to say. It is a recognition of what I
17 feel is an essential part of our overall
18 vision. And I can only promise you that while
19 we have no crystal ball, and we don't have any
20 way of absolutely calculating what is going to
21 happen, we're going to give it our best and we
22 hope to provide you with a vision and a means
23 of funding which will help you fulfill your
24 responsibilities at the state and local level.

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2

MR. SCHENENDORF: Any questions?

3

MR. WEYRICH: No.

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MR. SCHENENDORF: I'll turn to our other major expert, Commissioner Busalacchi.

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MR. BUSALACCHI: David, you really look relaxed. You've got to go back to work.

8

MR. KING: You're on your own time.

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MR. BUSALACCHI: David, and any of the other panelists can chime in here, and I think you probably all had the meeting before the meeting because you all sound the same.

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I think it's important that what you're all seeing here is that we really need a federal partner. I think that's what you said, David, and I think basically everyone is saying the same thing. You know, rail should be part of this transportation vision. I think that's what Paul was talking about. Certainly, that's what I'm talking about.

21

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23

24

But, you know, your feeling beyond that if all this were to change and that were to happen, the process of getting new starts and things like that, I mean, it's not working very

1 well right now. So what is your -- what is
2 your view? How should that -- how should it
3 change? How do you vision this process?

4 Because those of us on the panel, not
5 just people here, but we realize that this may
6 be a big part of it as well. Just having the
7 funding is one thing, but how you get to that,
8 it might take years; is that correct?

9 MR. KING: I think the point has been
10 well made by the previous panel and by this
11 panel that everything is connected to
12 everything else. Regional service both feeds
13 and is fed by the national Amtrak system for
14 example; local transit is fed by regional
15 transit. So the question is: Where do you
16 start with the question of growing rail?

17 As I said in my comments, the railroads
18 are private, and they have been reluctant to
19 deal with states. Most railroad companies, the
20 large ones, and I understand Miss Rosen is on
21 your commission, operate over a couple dozen
22 states. So one state to them -- we think we're
23 important at the state level [unclear] -- but
24 railroad, we respect, and the only way to get

1 their attention is to be able to propose
2 something that's in their interest as well as
3 yours, which means you're dealing with public
4 benefits and private benefits.

5 We don't have a good model or track
6 record in trying to assess public and private
7 benefits in a way that allows us to share those
8 costs equitably. So part of the growing pain
9 of getting involved with a federal funding
10 partner and state or multi state -- I really
11 think Miss Rosen made a very excellent point
12 when she pointed out that a lot of these
13 problems -- the northeast corridor is how many
14 states, Drew?

15 MR. GALLOWAY: Nine.

16 MR. KING: Nine states. The southeast
17 corridor we've been working with is four, could
18 be as many as seven if we [unclear]. There are
19 no mechanisms in place for seven states to work
20 together on a kind of issue like this, and
21 there's certainly no mechanism to bring a
22 couple of railroad companies to the table to
23 work on those things unless there's some money.

24 The money will be the platform that

1 allows us to work these relationship problems
2 out, these benefit sharing and therefore cost
3 sharing problems out through time. So the lack
4 of the federal partner has dwarfed our ability
5 to actually get anything meaningful done.

6 Wisconsin, North Carolina, California,
7 Washington, states all over the country have
8 done some. We've invested well over a hundred
9 million dollars with north and southern, but
10 that's a speck compared to what we need to do.
11 When we really get the ball rolling is if we
12 have a federal partner that were in there as a
13 funding partner, and we had a way of assessing
14 public and private benefits and perhaps even
15 third-party review of that, of that benefit
16 assessment so that the parties weren't arguing
17 with each other. They had a third-party
18 objective where they opine or whether or not
19 they accurately assess those --

20 MR. BUSALACCHI: I'd like to add a little
21 bit to that. You mentioned partnerships. You
22 know, partnership with the MTA, Metro North and
23 the MTA; two parties. Two parties can pretty
24 much get along and yet disagreements, so you go

1 to arbitration. The only one that wins there
2 are the lawyers, in my belief. But to try to
3 get three, four, seven, nine, I think becomes
4 extremely difficult and that's why I think the
5 federal government needs to step in and either,
6 A, somehow provide the capital investment for
7 that, maybe even the ownership of it, of that
8 corridor system.

9 But I think the other overriding part of
10 that is how the different rail services can
11 operate over that corridor if commuter rail
12 maybe up to 1700 miles, some regional rail up
13 to maybe 2- 250 miles, then you have that
14 intercity rail 3 to 500 miles, or even longer.
15 You could have three different kinds of
16 operators operating on there.

17 One of the things that Connecticut has
18 been trying to work under is whoever owns it,
19 how to charge an equitable user fee for that,
20 the usage of those tracks. And it doesn't have
21 to be right down to the penny or the nickel but
22 some standard. Is it 50 cents a car mile, 75
23 cents? Something simple like that should be
24 able to be established that all the partners or

1 all the users could then be charged and that,
2 somehow, needs to be flushed out. If you have
3 these different operators over the lines, the
4 ownership, how does it get charged?

5 That's, again, one of the problems;
6 Amtrak, as a congressional owner, they only --
7 we only can charge them incremental costs;
8 you're paying [unclear] [fully outgate]; it's a
9 huge discrepancy. And I just don't think
10 that's fair. If you really want to grow this,
11 I think you have to level [inaudible] [those
12 fees out].

13 MR. GALLOWAY: If I could add to that.
14 Don't want to get into an argument with Jim
15 over the cost.

16 MR. BOICE: That's why you put us at each
17 end.

18 MR. GALLOWAY: There are legislative
19 constraints, I guess with can duke it out
20 afterwards, in how the corridor was formed and
21 operated. We have proposed something we're
22 calling proportional costs, and we put the same
23 effect Jim is talking about, which is to
24 equalize the cost and methodology across the

1 board.

2 But the other point I would like to
3 really make from an Amtrak perspective, and
4 particularly, I think it's true from the other
5 agencies, is predictability of funding, and the
6 industry is probably the most capital intensive
7 in the world, if not among the most capital
8 intensive in the world.

9 It's very difficult to plan multi-year,
10 multi-decade projects and also arrange to have
11 skilled labor and skilled staff available if
12 you live from, in our case, year to year in
13 annual grants, makes it extremely difficult and
14 also to work with our partners on that very
15 basis.

16 MR. WEYRICH: Could I ask Mr. King a
17 question? We, when I say we, I worked with
18 Senator Inhofe on the Senate side and the
19 House; there was a bi-partisan group that got
20 something called the Small Starts program
21 together.

22 The idea of that program was to encourage
23 street cars, but it's not being administered
24 that way. It is being administered as a bus

1 rapid transit project, which, if you look at
2 the legislative history, is not at all what was
3 intended.

4 I just wondered whether you've had any
5 experience with this and if you agree with my
6 view.

7 MR. KING: Well, I'm pleased to report
8 that I agree wholeheartedly with your view.
9 Charlotte, North Carolina, is building the
10 first light rail system in North Carolina since
11 the '20s of the last century, and that's the
12 first nine and a half miles of a regional
13 system to serve greater Charlotte, which is a
14 very, very fast growing community. They had
15 intended a streetcar system to complement that
16 and to serve as a circulator. They had looked
17 at the Small Starts program, as it was
18 conceived, as a way of doing that, and their
19 conclusion is the same as yours, that that is
20 not what the federal transit administration
21 intends at this point.

22 I only got to scratch the surface of my
23 criticism of the [inaudible] Starts program and
24 Mr. Simpson was the beneficiary of some of my

1 thoughts earlier in the hall. He probably
2 wished he hadn't met me, but the fact is that
3 only a very few systems across the country are
4 able to enter that pipeline every year, and
5 every year the requirements are ratcheted up,
6 particularly in such a way that a multi
7 [unclear], relatively low density area like
8 ours cannot qualify.

9 There needs to be another delivery
10 mechanism and that delivery mechanism needs to
11 take advantage of some of the very innovative
12 things that have been done between the
13 development community and units of government
14 such as the one I work for, which allow some of
15 the value of the property that has developed
16 adjacent and around stations to be captured and
17 plowed back into the capital. Or, if an equity
18 position is taken, which is what we're
19 proposing with our local master developer, to
20 be plowed back into operating costs downstream.

21 There is no federal program that allows
22 us to start something that might change the
23 whole way we deliver urban transit systems.

24 MR. WEYRICH: The FTA doesn't even

1 recognize what you've suggested as a means to
2 fund a project. They have a very narrow view
3 of what should constitute the ability to fund
4 the rail line and it is not a realistic view
5 because it does not take into account the
6 development that occurs.

7 We rode the Hudson-Bergen Light Rail line
8 today and the new investment along that line is
9 extraordinary. But you would get no credit for
10 that and the fact that property taxes can be
11 higher and you can retrieve revenue from that,
12 you would get no credit from the federal
13 government for that.

14 MR. KING: The Charlotte system I alluded
15 to is almost, today's the 15th of November, it
16 is about 54 weeks from opening. 54 weeks in
17 advance of the ribbon cutting and the first
18 revenue service over 625 million dollars' worth
19 of development on the ad valorem tax rolls of
20 the County of [unclear] Bergen, City of
21 Charlotte, is in place and delivering to those
22 communities ad valorem tax.

23 No credit was given to that.

24 The cost of the system is a -- full

1 funding grant agreement was \$424 million. A
2 year -- a year out they've already got 625
3 million dollars' worth of development.

4 MR. WEYRICH: Just one other point. You
5 mentioned the difficulty of hammering out
6 agreements with one another. Have you
7 considered interstate compacts for doing that?

8 MR. KING: Yes, sir. In fact, North
9 Carolina, Virginia and perhaps Illinois and
10 Wisconsin and Washington and Oregon are
11 probably the three state pairs that I can think
12 of that work most closely together. North
13 Carolina and Virginia's general assemblies have
14 both passed an identical interstate compact
15 which creates a vehicle to accept and receive
16 and dispense and build, if the money was there,
17 the system from Charlotte to Greensboro to
18 Raleigh to Richmond, which will join the
19 northeast corridor at Union Station and add
20 that 18 percent revenue and ridership growth
21 that I alluded to.

22 So that is in place, but I agree with
23 what Mr. Boice said. I think when you start
24 adding multiple partners, the degree of

1 difficulty in coming to a consensus about how
2 benefits are assessed and therefore how costs
3 are assessed in the absence of federal money,
4 makes it virtually impossible. The federal
5 funding program that we keep saying is the
6 missing link is the grease which allows the
7 multi jurisdictional problems to be ironed out.

8 MR. AGRAWAL: [Unclear] [So why did
9 Congress inaudible.] Dealing with interstate
10 compacts which was floated for the northeast
11 corridor about two years ago by [unclear],
12 realizes it's not going to work in this region
13 given multitude of the states. Some states
14 change their [unclear] [spots] like Delaware
15 and some other states, like New Jersey,
16 [unclear] [don't have any user] rail system.

17 What we need is institutional mechanisms
18 different than the traditional. We need to
19 make sure that they work for the local kind of
20 services we have. And when you talk about
21 federal role, I think it's not only the funding
22 side, but in an area like the northeast which
23 is multiple states, it has to be [unclear] and
24 sufficient framework could define what the

1 federal funding level is going to be and how
2 the states and how the public agencies will
3 work.

4 I mean, the freight side what we have
5 been dealing with in the State of New Jersey is
6 -- what we have is an historic rail network.
7 Some very actively used for freight; some very
8 lightly used for freight and some very active
9 for passengers. We have -- basically a
10 partnership can figure out which lines to run
11 passenger service and which lines predominantly
12 for freight. And it's that -- we need to lay
13 out that kind of a plan beyond just a New
14 Jersey State border because it's only a small
15 piece of the total rail network. These are the
16 issues which need to be addressed in your
17 effort in developing a program because if you
18 just leave it to the money aspects without
19 solving some of the institutional baggage which
20 is there, we will be very difficult to move
21 projects along.

22 MR. SCHENENDORF: Commissioner Heminger.

23 MR. HEMINGER: Thank you, Mr. Chairman,
24 maybe just an observation and then a question

1 for the panel. We heard this morning from the
2 Port Authority, that, I believe about ten of
3 the U.S. ports are doing about 80 percent of
4 the container volume. We heard just now from
5 Mr. Yaro about the mega regions. I can't help
6 noticing that Mr. King's map where the red is,
7 there's about nine of these ten and I would
8 venture to say those ports are probably about
9 eight of the ten. So this level of overlap in
10 these areas of economic activity and
11 transportation development, I think, really do
12 merit our attention as we move forward. And
13 the last conversation is about the difficult
14 institutional tangle that you find in many of
15 those areas that I think we're going to need to
16 wade our way through.

17 The question I want to ask the panel
18 about, and this is again getting back to our
19 vision and what should be in our vision, is
20 about high-speed rail; over 200 miles an hour.
21 Something we don't have here but Europe and
22 Asia are blessed with, and in many cases it
23 means brand new rights-of-way with no freight
24 conflict at all; significant expense.

1 I'd just appreciate your professional
2 judgment about, not only in your regions but
3 nationally, whether that should play a
4 significant role in our vision for surface
5 transportation future. Let's start with
6 Amtrak; they've got the closest thing.

7 MR. GALLOWAY: I can think of three,
8 maybe four parts of the nation that would have
9 the density and distances that would make a
10 commercial venture such as that, or public
11 investment, possibly work. Enormous
12 difficulties.

13 MR. HEMINGER: Which three or four?

14 MR. GALLOWAY: Pick your mega regions.

15 MR. HEMINGER: How about California?

16 MR. GALLOWAY: California is obviously
17 one of those --

18 MR. HEMINGER: This corridor here?

19 MR. GALLOWAY: In that, yes. I think the
20 distances and the densities and the population
21 growth can --

22 MR. HEMINGER: Texas?

23 MR. GALLOWAY: I think so, yes. And
24 Florida probably has the opportunities in that

1 context as well.

2 There's a problem with high-speed rail
3 from our perspective, and we've stated pretty
4 strongly an incremental approach is an
5 alternative that we think merits close
6 investigation, is the very large massive
7 investment up front to build it, to construct
8 it, and then begin it before you realize the
9 benefits. Whereas an incremental program you
10 can do a little on investment, take advantage
11 of it, make some more investments and go on
12 that way.

13 The northeast corridor had two large
14 improvement programs that were federally funded
15 since the 1970s. Each one took about 12 to 15
16 years to actually spend all those funds because
17 of the complexity of making the investments as
18 you went along. But the services benefit from
19 that immediately, and over time as improvements
20 came on scene.

21 MR. ARGAWAL: I'll speak for New Jersey.
22 I think you have capacity [unclear] how to run
23 more service. Before you talk about high speed
24 service we need to increase the frequency of

1 what [unclear] [there is out there]. We need
2 to expand the capacity, at least in this part
3 of the northeast, because we will -- this
4 economy is a knowledge-based economy. People
5 value the time for high speed, for frequency as
6 much critical, they need ability to get from
7 place to place without [inaudible], and we need
8 to sort of keep that issue in translation as we
9 do an incremental approach.

10 MR. HEMINGER: So you favor the
11 incremental approach as well.

12 MR. ARGAWAL: Given the history of where
13 we are, the debate on high speed has been going
14 on for so long. As a result we have sort of
15 lost on what the focus should be which is first
16 upgrading what we have today and then expanding
17 it to critical capacity needs.

18 MR. BOICE: I agree with your
19 observation. I think if you really went to
20 high-speed rail, you're looking at new
21 corridors, dedicated corridors, and where can
22 you make those economically viable for those
23 dedicated trains; do we have those densities in
24 certain parts of the country or will we have

1 them in 2050 or 2056?

2 Some of the panel may talk about it
3 tomorrow, I'm not so sure but I think if you
4 could demonstrate that and find that -- those
5 benefits, you might want to look into that out
6 into those years. But before that I think the
7 benefits of 90, 100, 125 mile-an-hour would
8 far outweigh those with a much lower investment
9 with a much higher rate of return as we
10 incrementally try to build and connect these
11 major urban areas with rail service again
12 looking at those 3- to 500 mile corridors.

13 MR. KING: Well, given the license to try
14 to be a visionary, you're tempted to respond in
15 the affirmative, that high-speed rail is the
16 way to go. And perhaps, as Drew says, there
17 may be several corridors that we should try to
18 do it just to anchor the fact that it can't
19 succeed on this continent as it has in Europe
20 and elsewhere.

21 But I too, am an incrementalist, and that
22 has been the product of 30 years of trying to
23 make progress and seeing that's the only way to
24 make progress. So, I may be a victim of my

1 experience.

2 You can get, if you take the context of,
3 let's say, Piedmont, North Carolina, where you
4 have three million people within about 20 miles
5 of our corridor, you can get 90 percent of the
6 benefits at only 110 miles an hour, and the 110
7 miles an hour is achievable. It's achievable
8 if we had a steady predictable stream of
9 federal support, coupled with state support,
10 and some recognition by the class one railroads
11 if they were also getting freight benefits out
12 of the projects, which I think it's essential.
13 I think they need to have that delivered as
14 part of the project or else you don't bring it
15 into the table.

16 At 110 miles an hour, we get 90 percent
17 of the benefits for a small fraction of the
18 cost. That's point number 1.

19 Point number 2, the environmental process
20 to lay out the new corridors would be a decade,
21 maybe multi-decade, process given the same
22 sorts of environmental processes that our
23 brethren on the highway side have to
24 experience. We would have the same sort of

1 environmental hurdles and it would be a long,
2 long-term affair.

3 MR. SCHENENDORF: Another one of our
4 transit experts report today, Commissioner
5 McArdle.

6 MR. McARDLE: A couple of things. Are
7 any of you familiar with the way in which the
8 basin commissions work with the Department of
9 Interior? And how they work as coordinating
10 mechanisms? It might be worth your examination
11 of the River Basin Commissions. Somebody had a
12 lot of experience with the Delaware River Basin
13 Commission that basically defines how the water
14 flows in New York City, in New Jersey and
15 everywhere else.

16 The federal government's role there is
17 not an operator but they -- because the
18 operators are the states, in essence, but the
19 federal government has provided there a very
20 significant role.

21 It is housed within the Department of
22 Interior. The executive director is a federal
23 employee. His job is basically to referee and
24 make sure that the competing goals within the

1 basin get met and over the time I was
2 associated with it it's proved to be very
3 effective; in fact, ironing out all of the
4 issues that you're laying out there. And in
5 the water supply side, that is a fairly common
6 basin commission role that's played certainly
7 throughout the country and very much.

8 We don't know much about the Department
9 of Interior on this side of the country, so to
10 speak, but it is a model that has actually
11 worked very effectively in the basin commission
12 areas and something to work with.

13 But the question I have really kind of --
14 I begin by directing it to Mr. Boice, and it's
15 kind of an observation as well.

16 I was in Connecticut one day and heard a
17 debate, picked up the local paper and there it
18 was in the paper as well, in which along the
19 gold coast of Connecticut an argument was being
20 made that you needed a cardiac trauma center
21 basically every ten miles. You needed one in
22 Greenwich, you needed one in Stamford, you
23 needed one in Norwalk, you really needed one in
24 Bridgeport before you even got to New Haven,

1 which is where the regional health care center
2 is at Yale, New Haven. Largely because no one
3 could guarantee that they could get cardiac
4 cases across the 95 corridor to any place
5 unless they had them basically every ten miles.

6 Just the way the whole flow works.

7 And that brought it home to me how
8 crowded and problematic that corridor was
9 proving to be for people managing something you
10 don't necessarily easily associate with a
11 transportation issue, which is health care
12 management within an urban involvement.

13 And the question really goes: If, in
14 fact, Connecticut had a 50 year horizon to plan
15 for, could you envision easily what you think
16 you would invest in that corridor?

17 It seems to me one of the problems we
18 keep hearing about is that with a very narrow
19 planning corridor, a 20-year planning corridor
20 with no flows of money, no one is doing, kind
21 of, idealized design.

22 What you would invest 50 years out to
23 tell you what you start building today. And
24 that's got to be an issue for southern

1 Connecticut because you've seen such explosive
2 growth between Greenwich and Stamford. I have
3 a sense you can't manage much more growth given
4 the way the flows of people are.

5 MR. BOICE: It is difficult, and you're
6 right, part of the problem is we plan to what
7 we anticipate our funding level to be in the
8 future and, you know, we are guilty of that;
9 that we aren't working way outside of that.

10 But we have made attempts to look out at
11 least 20 years, beyond maybe 30- 40 years.
12 Maybe not quite get to 50, if you will.

13 But you're right, when we looked at that
14 corridor and we've got some plans that we're
15 looking at -- I'll tell you, we're not going to
16 build our way out of it with the highway
17 system. It's just too big. Even if you try to
18 widen I-95 it's too huge an economic impact
19 because everything -- it's an older
20 infrastructure. Everything got built up to it;
21 you're not going to destroy that economic value
22 to that arena by trying to doing that. So you
23 look at balancing between the road systems that
24 are there; can we make them operate more

1 efficiently? That's what we're trying to do.
2 And then we're looking at what can we do on the
3 railroad? I think the biggest growth is,
4 again, on the railroad. As DC talked about,
5 with increased signals we can run more trains,
6 run them a little faster. What major
7 investments we're doing right now are added
8 stations on that line, added parking on that
9 line. That's where we're trying to direct
10 development through land use and some smart
11 growth techniques and transit oriented
12 development. It's starting to pay off where
13 we've got new stations that are going to be
14 starting final design and construction with a
15 lot of development around that; to keep the
16 people from driving.

17 I mean, one of the interesting parts we
18 have there in Connecticut is you take an eight,
19 nine mile trip to the train station. Well,
20 they're going on Interstate 95 those five, six
21 miles; you got to get them off of there too,
22 and how do you do that? That's the difficult
23 part.

24 So if we can get people clustered

1 together, in that arena; it's starting to
2 happen now. We're starting to see that in our
3 development, and we're putting in place more of
4 that transit-orientated development. I think
5 that's the key for the longer term.

6 MR. McARDLE: Are the communities willing
7 to accept that kind of development now in
8 Connecticut?

9 MR. BOICE: There are a couple and we're
10 hopeful that they will be the models for the
11 others to follow, yes. There are a couple that
12 have bought into it and again, as I say, I
13 believe those will be the models for the
14 future.

15 MR. ARGAWAL: I think New Jersey is
16 similar. I think the governor created a smart
17 growth initiative about four years ago, trying
18 to match growth land use, trying to get people
19 back in the cities. Unfortunately for us we
20 have old rail lines and trying to make
21 investment in that by expanding capacity and
22 trying to focus economic benefits to what we
23 call transit villages which are economic zones
24 around the transit stations so that we can

1 focus on development.

2 You saw the Hudson-Bergen rail line
3 today. It used to have only one million square
4 feet of office space in 1988 when it was
5 planned. Today it's got 17 million square feet
6 of space.

7 So there is work trying to connect the
8 workers where they want to go with the people
9 where they live and that's gold coast area I
10 would think. Transit plays a major role. We
11 need to capture that value in making the
12 transit [inaudible]. We have not done a good
13 job. We do those major studies and try to
14 start new projects but after they're completed,
15 we not really have gotten together and say this
16 is the additional tax revenue which are coming,
17 the federal level, state level, local level
18 from these investors and they are real.

19 MR. GALLOWAY: We've started to undertake
20 updating a master plan for one of these
21 corridors and the firms brought in basically
22 say the econometric models don't work that far
23 into the future, and they're unwilling to give
24 us a sense of what it is.

1 I think the issue really comes down to is
2 the region is growing modestly, and from a high
3 speed rail and intercity standpoint, the change
4 in our ridership is a mobileship, and the only
5 way that's really going to work is through a
6 collaborative effort with the states and making
7 investments that support the intercity service
8 as well as the commuter service and that
9 mechanism has not existed very well right now.

10 MR. McARDLE: But if I might follow up,
11 if you look at the northeast corridor, you
12 know, as something you would invest in, do you
13 have basically kind of the ideal design for the
14 northeast corridor? One that works; what you
15 would invest? And I don't mean unconstrained.
16 Something you can defend professionally as the
17 total investment that you would make in the
18 northeast corridor and the benefits that come
19 out of that?

20 So whatever the number is, and it could
21 be a number that's very large and scary to a
22 lot of people, but a number that lays out what
23 the investment is so that people can have some
24 idea of what the end state is and why that

1 investment, made incrementally, to go back to
2 the point Mr. King made, in fact, has that
3 long-term payoff for everybody?

4 MR. GALLOWAY: And that's why I said
5 we're updating our master plan. We don't have
6 that number right now, in terms of investment
7 or benefits that accrue from it.

8 The previous plans that were laid out
9 were either through the legislative process or,
10 frankly, just existed as part of the
11 inheritance or legacy of operating the
12 northeast corridor.

13 The conditions have changed so
14 dramatically over the last quarter century that
15 it's very difficult to see the vision keeping
16 up with it. The example I like to use is
17 commuter service between Baltimore and Maryland
18 when the northeast corridor was created there
19 was a grand total of two round trips a day
20 between Baltimore and Maryland; commuter
21 trains. It's about 56 today.

22 The growth has been dramatic on the
23 commuter side. There's been changes on the
24 freight side. It has created constraints and

1 choke points within the system that are
2 affecting all of our ability to reach the
3 vision that we need. That's why we're moving
4 forward with developing a new master plan
5 that's collaborative with all the states that
6 specifically will invite them in to be part of
7 the steering process to do that.

8 MR. BOICE: If I could just add one other
9 thing I think we all should think about, not
10 just the physical infrastructure. If something
11 were to happen in Connecticut -- if you invest
12 in the physical infrastructure and overlook the
13 rolling stock. And we got caught in
14 Connecticut with poor rolling stock and now
15 we're putting in a billion dollars to catch up.

16 And that's a billion dollars of state owned
17 money, by the way.

18 I think if you're looking for that
19 federal partnership, is it going to be just the
20 physical. I think you got to think about the
21 rolling stock side. I know Amtrak -- I won't
22 speak for Drew here, but I think they could use
23 a little more investment in some rolling stock
24 right now as well. Some of their equipment is

1 getting old like ours was.

2 So I think as you're looking at this
3 rail, it's not just the physical investment,
4 the infrastructure, but the rolling stock is
5 expensive and you need to have a plan to make
6 sure you have good rolling stock for your
7 ridership as well.

8 MR. GALLOWAY: We have a virtual bidding
9 war right now between the states for available
10 rolling stock. Almost anything that's
11 competitive that can roll is being looked at by
12 states across the nation because demands are
13 growing that much.

14 And I think just to echo what Jim was
15 saying, we believe that there's enough revenue
16 that could probably be generated from the
17 collection of the operators along the northeast
18 corridor to sustain normal maintenance.

19 The issue really comes with backlog which
20 is, again, part of a legacy and future capacity
21 and trip time improvements that go well beyond
22 the ability, I think, of users to generate that
23 type of funds.

24 MR. McARDLE: But presumably the spin-off

1 is the kind of spin-off you end up with the
2 northeast corridor investment and the same was
3 with the light rail. Because if you look at
4 that 16 million square feet of additional
5 office space, putting aside any of the personal
6 income tax or corporate taxes that are
7 generated within those buildings and New York
8 City that would throw off \$160 million a year
9 in additional property taxes, okay, right off
10 the bat because that's basically what the tax
11 here is; about ten bucks a square is property
12 tax.

13 That's a huge increment to the tax base
14 in those communities.

15 MR. ARGAWAL: As an example, the tunnel
16 project is going to cost approximately 7.2
17 billion over the next ten years. Once it is
18 built, it is expected to generate 44,000 new
19 jobs, and just in taxes alone it's going to
20 generate about \$480 million per year, annually.

21 That's a lot of money coming into the
22 federal coffers, state coffers, local coffers.
23 We need to, as I said, -- that's just an
24 example, only capacity between Newark and New

1 York.

2 Just imagine what we can do if we add
3 more capacity to the rest of the -- to connect
4 Boston to Washington with more frequent --
5 that's the level of investment we need, and I
6 know with Amtrak, you asked a question whether
7 there's a master plan, but we do need to
8 establish a process to get that kind of master
9 plan.

10 There's no process today. It's more a
11 cooperative process by Amtrak initiating effort
12 in making sure it happens, but you need that
13 master plan, you need a funding plan for the
14 federal partnership and that's -- which sort of
15 lays out division in its totality, not just on
16 a needs base but on a funding base.

17 MR. SCHENENDORF: Now we get into the
18 non-expert in transit, intercity rail.

19 I've got three I think fairly simple
20 questions. First I just want to make sure in
21 my own mind I understand when we talk and DOT
22 talks about -- we've had presentations made to
23 us on the transit needs study that DOT does --
24 that needs study does not reflect the kinds of

1 improvements that you're talking about; is that
2 correct.

3 MR. BOICE: Yeah. You need a separate --

4 MR. SCHENENDORF: So these investments
5 really are over and above, for the most part,
6 what we're talking about with DOT needs study
7 as to what the existing systems needs.

8 MR. BOICE: Right. It's best to bring it
9 to a state of repair; right?

10 MR. SCHENENDORF: The second question is,
11 and I'd like each of you to comment on this, as
12 to whether or not we need additional federal
13 investment to make all this happen or whether
14 or not the federal government could play a
15 diminished role and really leave it to the
16 states in the private sector to accomplish
17 these transportation objectives; and as to
18 which of those two paths we need to go down if
19 we're going to try to accomplish the kinds of
20 things we've talked about. I'd like each one
21 of you to say which one you think we ought to
22 do.

23 MR. GALLOWAY: From our perspective we've
24 maintained consistently, we think there's a

1 federal role for the national system and then
2 specifically on the northeast corridor; both to
3 address what I call the historic legacy of
4 under funding and assets that have been put
5 into either a state of deferred maintenance or
6 due for replacement. And that was our legacy
7 that was inherited by the whole region from a
8 series of six or seven bankrupt railroads in
9 the 1970s that brought this all about.

10 I think when we looked at it we believe
11 it's a stretch to get just private development
12 to look at it from a system perspective and be
13 able to raise the capital that's really
14 necessary to achieve the type of benefits that
15 we think are possible. So we would say we
16 think there's a continuing federal role for it.

17

18 MR. SCHENENDORF: Would you say it needed
19 to be increased investment levels from what it
20 is today?

21 MR. GALLOWAY: Yes, I do. Again, the
22 rate of growth that the region has experienced,
23 predominantly on the commuter side but
24 certainly on intercity as well, is exceeding

1 the ability of the region to invest properly,
2 to keep up with it. It's been a struggle in
3 many cases.

4 MR. SCHENENDORF: Mr. King.

5 MR. KING: Mr. Yaro talked about his view
6 of history, the last great thrust of the
7 federal visioning. The interstate system is
8 breaking down, in lots of parts of the country,
9 and there's not enough money to put it in a
10 position to accept the traffic we expect over
11 the next couple of decades.

12 I-81 in Virginia is a good example of a
13 corridor that is under a lot of stress, a lot
14 of which is freight-related stress. Where
15 north and southern state of Virginia and some
16 of the surrounding states up or down stream on
17 I-81 have tried, have struggled and needed --
18 deserve a lot of credit for having struggled
19 with the question of how to optimize
20 through-put of passengers and freight through
21 that corridor. But failing a source of federal
22 multi-state funding, back to this
23 jurisdictional issue, those discussions have
24 not yielded anything of great substance.

1 You've got the same issue in other
2 corridors. I would mention I-95. I know that
3 Neil Pedersen is on your agenda for tomorrow.
4 He chairs the I-95 Corridor Coalition, and it
5 is broader than just the road, the I-95, of
6 course, but I-95 is experiencing a great deal
7 of stress.

8 In North Carolina we've got 182 miles of
9 it. We've got three plus billion dollars'
10 worth of capital that needs to be sunk into it
11 over the next ten years or so. Should have
12 started five years ago, have not started, and
13 if we do a poor job of that in North Carolina,
14 when you head south you suffer.

15 And we're not the only state that's not
16 doing its fair share or its share because there
17 is no adequate resources for the job. As we
18 look at the sources issue, we ought to be
19 looking at what burden, what part, particularly
20 the freight burden, we can place on rail, for
21 all the reasons that we all agree with; it's a
22 better energy policy, it's a better air quality
23 policy, it's a better hazardous materials
24 policy, and it can also, if done intelligently,

1 foster passenger service as well.

2 The lack of the federal platform and
3 funding stream, predictable multi-year funding
4 stream, stunts the growth of all those
5 discussions.

6 MR. AGRAWAL: I think the infrastructure
7 investments are so huge and the value captured
8 is [unclear] around this structure there is
9 very little private investment on this capacity
10 transportation study. The benefits which
11 accrue are very hard for a private company to
12 capture in their income streams.

13 So we needed a federal -- we have tried
14 at the state level in terms of execution,
15 design/build kind of role for private sector to
16 come in and it worked. It can work in the
17 future as well, but the underlying capital
18 investment, which shifts the benefits across --
19 because it comes from -- the benefits can
20 impact [unclear] for this area. State and
21 public sectors are very [unclear]. The needs
22 are so great in the multi-jurisdictional area
23 like that, the federal government has to play a
24 strong role similar to the transit model or the

1 highway model.

2 MR. WEYRICH: Mr. Chairman, if I might, I
3 have to depart now, and I apologize to you and
4 to the excellent panelists these are really
5 first rate people and they understand the
6 problems, and I hope we pay particular
7 attention to what they've told us. But, again,
8 it's not -- it's a commitment that I have back
9 in Washington that causes me to leave at this
10 particular time so --

11 MR. McARDLE: Thank you.

12 MR. WEYRICH: Thank you.

13 MR. KING: From the Connecticut
14 perspective there's two things. There's the
15 infrastructure and then there's the operations.
16 And I believe you absolutely need a federal
17 involvement in the infrastructure and a state
18 involvement. There's a role for the private
19 sector, but, as we've learned with
20 public/private partnerships, you need a revenue
21 side. In Connecticut your works -- you have
22 stations, we have parking structures revenue/
23 We're getting a lot of interest in private
24 sectors building those parking garages and new

1 stations for us, because it's a payback for
2 them over life and we get a nice new station
3 out of it.

4 If we have that revenue stream, I think
5 the public or the private side definitely has a
6 role, but there's a lot of other infrastructure
7 that I don't see how you can do a
8 public/private partnership right now. And
9 that's why I think the federal government needs
10 to step up and the state governments need to
11 step up, we need a bigger role. If we're going
12 to have a national rail system we do need the
13 federal government to step up to that.

14 Connecticut's perspective? Hey, we'll
15 oversee the operating deficit. We spend \$200
16 million a year in Connecticut to subsidize our
17 bus and rail services, but we'd see a benefit
18 to that; less automobiles, better air quality.
19 You couldn't put those automobiles on the roads
20 today, so there is that benefit. We're willing
21 to put that kind of money up but we really need
22 a long-term commitment from the federal
23 government.

24 MR. SCHENENDORF: Thank you. My last

1 question, and this is probably the most naive
2 of the questions. You put out a very bold
3 vision for rail transportation that, frankly,
4 involves a lot of improvements on the freight
5 rail system.

6 We also hear there are currently record
7 levels of investment being made in the freight
8 rail systems by the railroads, but that would
9 even have to increase significantly just for
10 them to keep their current market share of
11 freight as we move forward, and if they were
12 actually going to attract -- expand their
13 market share of freight and take more trucks
14 off the highways, that level of investment
15 would even have to go up further.

16 Is this all doable? I mean can you make
17 that kind of investment to get more freight
18 onto these railroads and at the same time,
19 provide the kind of bold rail vision that
20 you're talking about on these tracks? Is it
21 technologically possible to do all of this and
22 keep these trains moving; multi jurisdictional
23 trains, some of them faster than others, and
24 keep the whole freight system running with

1 increased freight and, really, enough capacity
2 to actually take more trucks off the highways?

3 MR. BOICE: I think you're going to need
4 new rail rights-of-way to make that happen. I
5 don't think you can do it within the existing
6 rights-of-ways. As freight traffic grows
7 they're not going to want passenger trains on
8 there because they're privately owned; they're
9 making money off of that. They're going to
10 want to carry more freight on that so the
11 window of opportunity to use it for passenger
12 services, I think, dwindles.

13 Can you get some efficiencies out of it?
14 Sure, but I think if you're really looking bold
15 and longer term, if you want to look for maybe
16 that 50 year vision, then you really have to
17 look for a significant number of new rail
18 rights-of-ways to be able to handle not only
19 passengers but maybe even new freight
20 rights-of-ways.

21 MR. KING: Let me suggest that that's
22 probably an answer that is more accurate in
23 Connecticut or perhaps in the northeast
24 corridor than it is in other parts of the

1 country. We've got unused capacity in
2 rights-of-way in the southeast in particular
3 [unclear], and a lot less developed areas of
4 the country that can be exploited before you a
5 have to seek a lot of new rail rights-of-way.

6 What is missing in the equation, I tried
7 to allude to a way to deal with it in my
8 written remarks, is a way of assessing
9 benefits. There is a significant public
10 benefit to a better freight railroad. The
11 freight railroad has historically been expected
12 to make the private investments in their
13 railroad to grow their business and make profit
14 for their shareholders, but the public sectors
15 benefit in the form of less wear and tear on
16 highways.

17 If you want to get a highway engineer
18 excited about rail, the best way to do it is
19 tell him how you're going to take 85,000 pound
20 loads off his highway, which is beating his
21 highway to death. So those public benefits,
22 not to mention air quality and energy benefits,
23 are not properly, I think, assessed as we think
24 about this combination of funding, private and

1 public.

2 Railroad shareholder capital, which is
3 invested in the hundreds of millions in the
4 bigger areas, perhaps more than a billion a
5 year, but not tens of billions a year, and
6 public financing which are -- or funding --
7 which is virtually unavailable because we don't
8 have a federal partner. So the public benefits
9 of more successful rail have really not been
10 exploited, and it's hurting our interstate
11 highway system.

12 MR. ARGAWAL: I think from New Jersey,
13 not just speaking on the inter rail piece, we
14 have fairly extensive railroad networks here,
15 and the discussions we have are recognizing
16 which corridors make sense for passenger and
17 which will be for large freight. And if given
18 the built-up nature of New Jersey, it's the
19 most densely populated, it's very possibly new
20 corridors that can work on, expanding right
21 away. Generally they are wide enough, but it's
22 a question of this area is very expensive so we
23 need the flexibility to make sure that any new
24 projects which come in have that recognition

1 that this cost of doing business of this kind
2 is going to be more expensive than an open area
3 where you can [unclear].

4 MR. GALLOWAY: Just to round it out, I
5 think it depends on the market, and not every
6 end point requires a train every 30 minutes or
7 every hour a passing train, so that if there is
8 some of the more regional markets that have
9 smaller population sizes, then a shared use
10 facility makes a lot of sense.

11 I think what Jim is alluding to, the very
12 dense passenger operations or the very high
13 speed operations then separation almost becomes
14 a necessity. So part of this is to look at
15 what the market is and make a determination on
16 that.

17 The other thing is looking at it from an
18 incremental benefit and investment that helps
19 on passenger service can help on freight
20 service. And I've seen examples in Virginia,
21 in California and frankly Wisconsin, where all
22 of these investments have really been made as
23 part of the public expenditure to help on the
24 passenger side and the freight, the host

1 railroads benefit from it as well. Their
2 throughput goes up, congestion goes down for
3 them and there's general improvements that they
4 see. And several of the class one railroads,
5 which historically resisted any interest in
6 type of public investment and shared
7 facilities, have really come to recognize that
8 there's some value in it for them as well.

9 The final piece on that, and this gets
10 back to market size again, we're all in the
11 business of running the service, which means
12 it's not just about capital investment and
13 improving it, it's maintaining it day in and
14 day out. And that's done from revenues or
15 access fees or assessments from the local
16 areas, and sharing it means you're sharing
17 revenues and sharing maintenance costs for a
18 variety of different users. That makes a big
19 difference in making certain corridors
20 successful and -- but otherwise it's simply
21 push them out of economic viability.

22 MR. SCHENENDORF: Thank you.

23 Do any of the other commissioners have
24 additional questions?

1 MR. McARDLE: I have one question that
2 kind of follows up on that and, again, there
3 was a time when the New Haven railroad ran both
4 the freight and the passenger services from New
5 York to Boston. And I wonder now that you have
6 a split operation, and we have the same thing
7 with the Long Island Railroad, has that made a
8 difference in the way in which freight's been
9 allowed to grow or encouraged to grow within
10 the Connecticut corridor? As somebody who
11 drives 95 a lot, I get struck by the queuing at
12 night. It's like the trucks kind of pull in
13 and just kind of just huddle up at some point
14 in time and there seems to be, you know,
15 literally no room in some of the rest stops
16 along I-95 for a single more truck. They are
17 literally now back on the shoulders, you know,
18 a half mile at some of the rest areas simply as
19 they queue.

20 Was the whole integration of both
21 passenger and freight components, when the New
22 Haven ran, a better way to operate in terms of
23 kind of just meeting the needs of freight
24 movement in that corridor? Because it seems

1 we've all gone to trucks, but there's no more
2 room for the trucks, it seems, in that corridor
3 from New York eastward.

4 MR. BOICE: I think you've seen a
5 transformation. You don't have that heavy
6 industry along the New Haven line that you had
7 50, 60 years ago, 40 years ago even, and what's
8 happened is, we've looked at that an awful lot.
9 We've studied truck and goods movement flows
10 in Connecticut.

11 The problem that we see here is that the
12 majority of those trucks are making multiple
13 stops. All commodities; they're just not rail
14 compatible. They come out of the major
15 warehouses out of northern New Jersey or
16 wherever, and they need to be anywhere in
17 Connecticut in three, four hours, even sitting
18 an hour on the George Washington Bridge or they
19 can be Rhode Island, in Massachusetts, in five
20 or six hours. You're not going to compete with
21 that even if you could put them on a rail car,
22 in my opinion. I think that's part of the
23 problem and New England is the end of the line,
24 if you will. And sooner or later it's got to

1 be delivered by a truck and it's just
2 economically where do you put it on a truck.

3 From Connecticut's perspective, we have
4 looked a lot at -- and we've tried to invest in
5 freight bulk facilities and those types of
6 commodities that are more conducive to rail,
7 and right now are being served [unclear] [up
8 till being in main line] from Massachusetts
9 down, works pretty well for us. The northeast
10 corridor, that is the New Haven line, is more
11 valuable moving people today.

12 MR. McARDLE: But it's kind of -- it's
13 almost -- I asked you kind of a trick question
14 because people have this habit of buying
15 things. If we could break them of that it
16 would be a lot easier, but because they buy
17 things, they're in stores, you need to get the
18 deliveries to the retail and the wholesale
19 operations and as you point out quite rightly,
20 the northeast is basically by the rail network,
21 making Jersey the only donor state on the
22 federal highway side. Because that's where the
23 warehousing is, that's where the trucks get
24 fueled, that's where the gas tax gets credited,

1 when all the consumptions is miles driven on
2 the roads of Connecticut and New York. I make
3 that as a plea how this all works because we
4 don't get credit for that any more than we get
5 credit for all the tourists that go through
6 North Carolina and South Carolina on their way
7 to Florida, generating all kinds of additional
8 monies for those states but that's beside the
9 point.

10 Given that's the case, you really seem to
11 have a task in Connecticut, if the population
12 is to grow in this corridor, of getting more
13 and more people off 95 literally so you can
14 just have the capacity for the trucks to make
15 those local deliveries. Because as it is now,
16 that conflict, because you don't have any
17 option for the local freight, really seems to
18 be growing every year.

19 MR. BOICE: It's a balancing act. We're
20 looking at water, maybe possibly water plays a
21 role in a limited fashion but you're right,
22 it's a huge challenge we face over the next
23 umpteen years.

24 MR. McARDLE: 50 years out, the roads

1 ultimately become much more freight dense every
2 time we add people who buy things.

3 MR. GALLOWAY: I think there are some
4 operating challenges and New Haven typically
5 ran passenger trains in the 75 to 95
6 mile-an-hour range and had relatively short
7 freight trains. That was one of their
8 hallmarks. A high speed train, at 150 miles an
9 hour is traveling 200 feet in a second, and the
10 disparity in an operating profile between a
11 passenger train going that fast, or close to
12 that fast, and a freight train becomes a real
13 problem in trying to manage it over a shared
14 route, and that's something I don't think the
15 New Haven ever really had to deal with in that
16 context.

17 The other thing, freight trains have
18 gotten bigger and heavier, and typically you,
19 say, come forward to have a 3- or 4,000 ton
20 freight train which was probably on the large
21 side. Now it's common to see 7- 8- 9- 10,000
22 tons, so you're dealing with big things that
23 move and big things that move fast. And the
24 combination of them is difficult to manage

1 successfully, particularly when the densities
2 get very high on one side or the other.

3 That being said, we are working with the
4 state along northeast corridor and one of the
5 class one railroads to expand their service,
6 and this is in the middle of the high speed
7 corridor. There are some ways to do it, but
8 there are probably limited opportunities and
9 cost some money to make it happen.

10 MR. SCHENENDORF: Thank you very much. I
11 appreciate your being here.

12 The last event for the day will be to
13 allow people to make comments or ask questions
14 from the audience. I think we have one person
15 who is willing to take us up on that, a Ron
16 Kilcoyne. Is he still here? Ron, is that you?
17 Microphone right there.

18 AUDIENCE SPEAKER: Good evening, my name
19 is Ron Kilcoyne. I serve as the chief
20 executive officer for the Greater Bridgeport
21 Transit Authority in Bridgeport, Connecticut,
22 and I realize you've had a long day so you
23 don't want to hear a lot, but I just wanted to
24 take advantage of being in the area to make a

1 few comments for the benefit of the commission;
2 some basic, general comments.

3 I've been in the public transportation
4 industry for 26 years and as a transit
5 professional and as a student of
6 transportation, I've come to the conclusion
7 that when it comes to congestion, traffic
8 congestion, the only way to reduce traffic
9 congestion is to either have a significant
10 decline in population or economic activity.
11 And since the population in the United States
12 is expected to continue to grow for the next 50
13 years and beyond, and I've never met anyone who
14 thinks encouraging economic depression is a
15 good public policy, reality is that we're going
16 to have congestion and so the -- the way we
17 approach things is how do we mitigate
18 congestion, how do we -- and the best way to
19 mitigate congestion is to provide quality
20 alternatives to congestion; ways that people
21 can avoid that congestion.

22 Fix right-of-way transit, giving buses
23 priority, are, you know, two key areas.
24 Therefore, you know, my own personal

1 recommendation for -- is, as the commission
2 does its work is to look at how do we fund
3 maintaining the infrastructure we have in all
4 modes of transportation in a top notch
5 condition and then expand that capacity by
6 providing alternatives, specifically as public
7 transportation and rail.

8 I think you probably heard in your
9 testimony or you're going to hear in your
10 testimonies is that there's not enough -- we
11 are not investing naturally enough in our
12 infrastructure to keep it in this light
13 condition and to provide the necessary capacity
14 alternatives, which means there is going to
15 have to be an increased funding.

16 You asked some of the speakers should
17 there be an increased federal role. In order
18 for -- to provide consistency and to meet goals
19 nationally, there needs -- I believe there
20 needs to be increased federal role, both in
21 funding as well as in the ways the funding is
22 distributed to encourage high levels of
23 investment at state and local level.

24 Yes, it is going to have to be a

1 partnership but there have to be incentives,
2 there has to be investment, which means you're
3 going to ultimately have to increase fuel
4 taxes, and then I think phase those in. Phase
5 from fuel taxes to vehicle miles traveled fees
6 where the user pays based on the use of the
7 road.

8 I mentioned that I believe the
9 appropriate strategy for mitigating congestion
10 is to provide alternatives to congestion and
11 specifically, right-of-way transit, ways of
12 providing priority for buses, and there aren't
13 many alternatives because not only are you
14 providing effective alternatives to congestion
15 that everyone can use but this is also the best
16 way to address other social needs such as
17 global warming and reducing energy dependence
18 and the national security concerns that come
19 with that. Improve air quality and improve
20 access to employment. And on that latter
21 point, many of the organizations in the State
22 of Connecticut that have been involved in
23 helping people move out of welfare into the
24 workplace and moving out of poverty into middle

1 class, initially focus on day-care and training
2 as the obstacles. And they've come to the
3 conclusion that the bigger obstacle than
4 training or providing day-care is access;
5 difficulty of access in employing, difficulty
6 of access in jobs, and of coming around to
7 conclude there needs to be an increased
8 investment in transit.

9 And I believe from my own experience,
10 I've managed transit system in California,
11 served in that urban area that was not
12 particularly a transit-friendly area or an area
13 where transit was expected to work and we were
14 able to -- I set an ambitious role of doubling
15 transit ridership when I got there. Well, we
16 actually increased transit ridership six fold.
17 And our capacity transit ridership was five
18 fold so it wasn't all just because of
19 population growth. I believe that you can
20 increase the market share but you need to
21 provide high-quality service, and that -- I'm
22 almost done anyway. And there's been plenty of
23 studies and research shown that providing high
24 levels of service does generate high levels of

1 ridership but that does involve increasing
2 operating funds.

3 Now, I'm not saying that the federal
4 government should get back into providing
5 operating transit funds, but certainly I think
6 if the federal government should increase
7 overall to investment and transportation, all
8 modes, and increasing -- and focusing on
9 increasing capacity of public transportation,
10 does need to at least address the operating
11 issue. And that could be by whether it is
12 providing -- allowing funds to be used for
13 operations or making any additional investment
14 in public transport -- in transportation
15 contingent on individual regions providing a
16 higher level of support for public
17 transportation so that we don't have some areas
18 that are -- so that we have a more consistent
19 investment nationally in public transportation.

20 But this is one area that does definitely
21 need to be addressed; how do we fund the
22 ongoing operations of public transportation?

23 So that sort of sums up my comments, and
24 I'd be happy to answer any questions.

1 MR. SCHENENDORF: Thank you very much,
2 Appreciate your comments. Any questions?

3 MR. McARDLE: I do, I might. It's kind
4 of something that perhaps you could further
5 write to us about because you're sitting in
6 Bridgeport, Connecticut. You have a service
7 area that's just Bridgeport or do you extend
8 beyond Bridgeport?

9 AUDIENCE SPEAKER: We extend beyond
10 Bridgeport. The transit authority itself
11 includes surrounding towns of Stratford,
12 Trumbull and Fairfield, but we also operate
13 routes beyond our service area, and we have one
14 route that runs along Highway One between
15 Norwalk and Milford. It's actually a joint
16 operation of three transit facilities.

17 MR. McARDLE: But I have a certain sense,
18 that, particularly over the last four or five
19 years with kind of the push into Greenwich of
20 the hedge funds which have pushed people into
21 Stamford that have pushed back offices further
22 off the corridor to Norwalk and then further up
23 to Bridgeport and the like, you've had this
24 happy confluence of pockets of population that

1 could be, in fact, enticed back into the
2 marketplace. And jobs on offer as the growth
3 of jobs in the gold coast has been rather
4 substantial, particularly in the Greenwich and
5 Stamford area, to the point they're pulling a
6 lot of their lower income workers out of New
7 York City, Fordham, and Newark.

8 I guess one of the questions that I would
9 ask is: Have you people looked at how much
10 more jitney service really would be functional
11 within your service area to pull more people
12 out of their cars or out of their houses if
13 they don't have cars, so that they can access
14 the rail, you know, in Bridgeport or in Milford
15 or what have you?

16 A, to keep the cars off the corridor, but
17 B, also to give more mobility to people who, if
18 they don't have it through you, get locked into
19 very limited ranges in which they can take
20 jobs. I think it's a point we have not heard
21 before about the rationale, and again, what
22 happens in a community like Bridgeport, that is
23 clearly going through a substantial
24 transformation simply by its own initiative but

1 also simply by the working and the rolling up
2 of the economy eastward in Connecticut.

3 AUDIENCE SPEAKER: We have looked at --
4 I mean we didn't specifically focus on jitneys
5 but we have most of what the --

6 MR. McARDLE: But I mean a collector
7 service. New Jersey has done some of this, but
8 a collector service that will, in fact, --

9 AUDIENCE SPEAKER: Yes, we have.

10 MR. McARDLE: -- do more in getting the
11 cars out of the parking lots or keeping them
12 out of the parking lots because most
13 communities don't want more parking, and, in
14 fact, providing more opportunities for people
15 to use the services that are there.

16 AUDIENCE SPEAKER: We have looked at
17 both as far as access to rail from both angles;
18 how to get -- one thing to make rail more
19 useful to access jobs within Connecticut, if --
20 for jobs that are not within the walking
21 distance of the train stations. For example,
22 in Norwalk, you have the Merritt 7 corridor,
23 two million square feet of Class A office space
24 that's beyond the northeast corridor; you've

1 got 20,000 jobs in Shelton in a concentrated
2 area; Unilever is expanding its facilities in
3 Trumbull. So we have looked at both. How to
4 get more people to the train from their homes
5 and also how to get people from the train to
6 the jobs.

7 We have tried some low cost experiments.
8 We've sponsored, for example, van pools from
9 the Stratford train station to Sikorsky. But
10 the problem is while those programs work for
11 the people that use them, they are very, very
12 limited and we do, in the end, we do need to
13 have more funding to expand services. I mean,
14 we have a long -- a long wish list of -- we've
15 identified the services that need to be there
16 and now we're trying to implement those.

17 I mean there's some JARC money that's
18 come into the state, and we've made our case
19 for what we need there, but right now, you
20 know, when CONDOT went and said what do you
21 want to ask for -- uses for this money, you
22 know, they got about four times as many
23 requests as they could possibly fund.

24 So certainly -- but there are lots of

1 opportunities to expand to increase service,
2 and the key thing is, the services that we've
3 tried, the services that we've been able to
4 fund with JARC money or with transportation
5 strategy board money, which is another pot of
6 funds from the state that's enabled to increase
7 service, for the most part all have been
8 extremely successful.

9 And the coastal link is an example, is a,
10 to me, an excellent example of where a regional
11 route was established where three transit
12 agencies got together and jointly operate this
13 route. We use funding, we've tripled the
14 service in the peak hour, and we are still
15 getting standing loads. We need to expand it
16 even further and so --

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20 (Continued on next page.)

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1 MR. SCHENENDORF: Thank you very much.
2 Appreciate it. Anybody else want to come
3 forward?

4 Well, I want to thank everyone that was
5 here today. I am told that I have to tell the
6 commissioners to hold on to their badges for
7 tomorrow.

8 Thank you very much, and we start
9 tomorrow morning at 8:30. Thank you.

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12 (Whereupon, the hearing was
13 adjourned at 5:15 p.m.)

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