

**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 crystalball, 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.

1

2

MR. SCHENENDORF: Any questions?

3

MR. WEYRICH: No.

4

5

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

6

7

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

8

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

9

10

11

12

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.

13

14

15

16

17

18

19

20

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

22

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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