

## EXECUTIVE OFFICE



## INTER-COMMUNICATION

From: Bruce M. Benedetti  
Aide to the Governor  
Authorities Unit

To: Dorothy E. Bargholz  
Briefing Secretary

Date: September 22, 1986

RE: Unification of the Ports of Philadelphia/Scranton for Governor -  
Philadelphia Fundraiser (September 25, 1986)

Inasmuch as the Governor's recent trade mission may encourage port and trade related questions during the press conference at the above event, I thought it might be helpful to review the question of port unification in the Delaware River Valley. It is also important to note that one of the chief fundraisers for Scranton is Charles C. Kopp, a Delaware River Port Authority (the "DRPA") Commissioner.

The DRPA has assumed a leadership role in bringing about the "unification" of the ports of Philadelphia. The exact definition of port "unification" has remained illusive but in a generic sense it is the creation of a central port entity that has both the responsibility and commensurate authority for regulating port related activity, i.e. marketing, terminal operations, capitol programs, etc. It appears that most port players are conceptually committed to the port unification effort.

The DRPA dialogue on unification has, at times, been acrimonious. The controversy is centered on the funding source for the project. DRPA Commissioner Joseph W. Cowgill is extremely vocal in his opposition to using bridge toll revenue to fund what he anticipates will be a deficit port operation. Camden State Senator Walter Rand, an associate of Cowgill, has expressed the same concern as well as to question the effect regionalization or unification would have on the South Jersey Port Corporation. Senator Rand conducted a State Senate Independent Authorities Sub-Committee meeting at the DRPA Administration Building on Tuesday, August 16, 1986. The focus of the hearing was port unification with emphasis on the DRPA's role. Attached is a Newark Star Ledger Article; "Port Agency Boosted for Camden - Philly Harbour" which summarizes the hearing.

On the following day, September 17th, the DRPA became embroiled in yet another unification related controversy. The Pennsylvania's Democrat Auditor General Donald Bailey was requested to conduct a performance audit of the DRPA by another Commissioner from Pennsylvania as a first step in the unification process. The motion was defeated along state lines with Pennsylvania casting a yes vote and New Jersey voting no or abstaining.

At this time, we have not taken a public position in the unification negotiations. It now appears that we must either get involved or the process will break down. Todd Caliguire recently sent memos to the Governor suggesting that we join with Pennsylvania in establishing a bi-state gubernatorial panel to look into the unification question. I am presently exploring that possibility.

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A suggested response to a question on port unification, should it be raised on September 25th, is that the Governor's office has been closely monitoring the negotiations at the DRPA. Furthermore, the hearings conducted by Rand should be viewed as a positive step toward developing a better understanding of related issues and finally, that the Governor is willing to enter into the discussions should that be necessary to further the dialogue.

I am advised by Robert (Robin) Ross, a DRPA Commissioner and former Deputy Chief of Staff to Governor Thornburg, that he has met with Congressman Florio, at Florio's request, to discuss the unification issue. Florio indicated that he will involve himself in this issue as soon as he concludes his efforts related to the sale of Conrail.

Enclosed is a copy of a Philadelphia Inquirer Article, "The Future of the Port Is Questioned", which appeared this morning, Monday, September 22nd.

Background Points on the Issue:

1. Port unification is a growing phenomena in American port communities. Most efforts to date however, with the exception of the long-standing New Jersey - New York Port Authority, have been accomplished by single states with their own ports, i.e. Maryland Port Administration - Port of Baltimore; South Carolina Port Authority - Port of Charleston and the Virginia Port Authority - Ports of Hampton Roads.
2. At this time, the facilities on the New Jersey side - the South Jersey Port Corporation (Camden) and Holt Cargo Systems Inc. (Gloucester City) are having successful years. This is not to say that this will always be the case. There are many variables that can change that picture, i.e. increased funding from Pennsylvania to the Philadelphia Port Corporation.

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3. The unification question is more complicated for New Jersey inas-  
muchas we are one of the most complex maritime states in the  
nation. New Jersey borders three other maritime states with  
sizable port operations - New York, Pennsylvania and Delaware.  
We also has ports facilities that are simultaneously involved in  
inter-state and intra-state competition, i.e. Gloucester City and  
Camden with Philadelphia and Wilmington, while Gloucester City  
and Camden compete, for certain cargoes, with Newark and  
Elizabeth.

  
B.M.B.

cc: J. Weinstein  
E. McGlynn  
M. Cole

# Philadelphia Business

The Philadelphia Inquirer

Monday, September 11, 1979

A weekly report on business and the economy in the 8-county metropolitan area

## The future of port is questioned

### Finances trouble local officials

By James Asher Staff Writer  
 The future of Philadelphia's port is being questioned by local officials because of the port's financial problems. The Delaware River Port Authority (DRPA) last week and soberly described the shaky fortunes of the region's port. "The port is handicapped," Johnson told a roomful of politicians and maritime executives. "I would say that the problem will develop past the critical stage if it takes more than a year to fix."

Financing a solution will be no easy task. Consider the following:

- Recently compiled statistics on the tonnage of goods imported and exported through Philadelphia in 1985 show a decline in 48 of 63 categories of exported goods and in 38 of 65 of imported goods.
- The two biggest terminal operators in Philadelphia, Lavino and LTO Corp., are pressuring Philadelphia Port Corp. to lower the fees they must pay to lease their facilities from the city. To gain leverage, in the negotiations, the companies have bid \$169 million in fees and

• The Lavino subsidiary that operates Philadelphia's largest dock, the Packer Avenue Marine Terminal, is on the verge of being sold to a New Jersey firm because, as one knowledgeable source put it, the subsidiary "is bleeding to death." Losses have hit \$300,000 a month, the source said.

• The port corporation itself is on shaky financial footing. It was revealed last week that it owes Philadelphia \$5.5 million to cover the debt service on bonds used to rebuild the city's piers in the 1970s.

• While New Jersey legislators study the merits of unifying the management and ownership of the region's piers under the auspices of the DRPA, Pennsylvania lawmakers have taken no public action to correct problems at Philadelphia's port or to react to the unification plan.

• As maritime officials contemplate what path to take in restructuring the region's hobbled port, some have begun to wonder aloud whether it is worth saving.

• One could reach the conclusion that Philadelphia/Camden's day has passed, and the future lies in other development of the waterfront.

DRPA Commissioner Robert S. Ross said during the same New Jersey (See PORTS on 6-F)

## Future of the port is questioned

PORTS, from 1-F  
 Senate subcommittee hearing at which Johnson made his doleful remark.

An executive of a major local maritime firm, who declined to be identified by name, added later in the week, "Philadelphia doesn't have to be any smaller than it is, but it is not likely to be any bigger. It is a major port, but it is not one of the premium container ports in the world. That is for sure."

Many within the port community believe that only a massive infusion of public money will solve the port's problems.

As part of the unification plan New Jersey legislators are assessing, DRPA president James R. Kelly has proposed that the authority purchase all of the river's terminals for upward of \$100 million.

New Jersey State Sen. Walter Rand (D, Camden) said that an appropriation for such an acquisition could easily be obtained, but that he would oppose using bridge tolls or fares from the PATCO High Speed Line to finance the purchase, as some have proposed.

Other large sums would be needed to rehabilitate the existing terminals in Philadelphia. Henry H. Reichner Jr., chairman of the Philadelphia Port Corp., said last week that it would cost about \$80 million to repair the city's piers, which have de-

teriorated despite a \$60 million refurbishment only 15 to 20 years ago.

Even that kind of money might not be enough, in the view of some.

"Long-term, you are looking at a very serious demise in port business," Ross said. "The big missing ingredient in what is being proposed is a subsidy. As long as it is missing, we are not going to be able to compete, and cargo will go elsewhere."

For years now, the contribution to port operations from local and state governments has paled in comparison with the contribution of federal agencies. The state and the city have provided a total of about \$4 million a year for the last several years. In the current fiscal year, Maryland and Virginia contributed a total of \$115 million to the operations of the ports of Baltimore and Norfolk.

"If government wants to have a part in it, it has to invest in it," the executive of the local maritime firm said. "If it doesn't want to have a part, I think the erosion that is taking place will continue. There will always be a part, but it will be less of a port and less of an economic engine than it has been."

But he added: "I would say for the foreseeable future in this market, the Philadelphia port is not going to be a good financial investment."

Not everyone believes that money is the answer.

"I find the more serious lacking element here is a plan to do what everyone says must be done," Ross said.

Most maritime officials believe that, except for the reconstruction of the city's piers two decades ago, Philadelphia maritime agencies have never developed a comprehensive and cooperative plan for attracting business and that, therefore, the business has gone to other ports.

As recently as this spring, Philadelphia Port Corp. officials admitted having no strategic plan, no consistent direction. A plan has been drafted internally since, but it remains loosely worded and full of generalities.

"There has been no chief executive," the maritime executive said, "no one to decide what the direction is, what the resources are and how to allocate them. It is a headless organization."

Since the departure of W. Oliver Leggett in June after allegations of mismanagement, John Larkue, a deputy city commerce director, has acted as interim executive director of the port corporation.

To Ross, the port's decline "may be a natural evolution in the economy, much like the heavy industries that have left Pennsylvania" over the last two decades.

# Port agency boosted for Camden-Philly harbor

By JOSEPH D. McCAFREY

## Witnesses cite patchwork system at Jersey hearing on 'unification'

A major private marine terminal operator in South Jersey said the Port of Philadelphia could be the greatest in the United States if it would unify under a plan proposed by the Delaware River Port Authority (DRPA).

Thomas J. Holt, president of Holt Marine Terminals in Gloucester, testified before a subcommittee of the New Jersey Senate Independent Authorities Committee yesterday in the DRPA headquarters in Camden.

The hearing, conducted by Sen. Walter Hand (D-Camden), was on a proposal advanced in July by the DRPA to unify the port under one agency.

Under that proposal, one agency would own and operate all piers and terminals in the port area, would do marketing and promotions, maintain the facilities and set rates.

Holt told the subcommittee yesterday, "If you recognize the potential, and with a desiring labor force, you can have the greatest port in the United States."

The recommendation for unifica-

tion suggested that the DRPA be the unifying agency.

The DRPA neither owns nor operates any port facilities.

The port facilities in the Delaware River operate under several arrangements: some privately owned and operated, some publicly owned and operated, and some a combination.

Holt pointed out that ports such as in New York, Baltimore and the Norfolk area are unified and some are subsidized.

"Virginia is a newcomer in the marketplace but they're kicking the stuffing out of us," he said.

Holt pledged his support to the proposal. "If you do not elect to unify, you'll still have cargo in Philadelphia. But you'll only have 500,000 manhours a year instead of the 3 million now (of

work for the dockworkers).

"We're not moving fast enough," he said. The West Coast has long-range plans in place, "North Jersey is there, they're doing it."

Holt pointed out that the Delaware River ports also are at a disadvantage because "there is no toll to bring cargo from the Midwest to New York or to Baltimore, but there is to Philadelphia."

Nontoll highways connect the Midwest to those two ports, he said, but the Pennsylvania Turnpike, a toll road, is the main route to Philadelphia from the Midwest.

Alexander Talmadge, a DRPA member and an official in the International Longshoremen's Association, told the subcommittee, "I am for unification. I represent longshoremen who live

in Philadelphia and New Jersey, and all of my men are for unification."

He said all nearby ports are unified and subsidized.

"The Virginia legislature gave the port of Norfolk \$65 million, Maryland gave the port of Baltimore \$50 million.

"To compete in those areas you must be subsidized," he said.

Port Authority member Joseph W. Cowgill said a major question was how the unification would be paid.

"You can't ask the people who cross our bridges to pick up the tab for any more losers," Cowgill said, such as the Port Authority's rapid transit rail line, PATCO, which is subsidized \$10 million a year from bridge tolls.

He pointed out that the DRPA's entire budget is paid for from bridge tolls on its four bridges.

Chairman Rand said the hearings were being conducted to get the answers to a number of questions he had about unification.

He said it was not known if new legislation would be needed for unification of the Delaware River ports.