

MINUTES

JOINT TRANSPORTATION OVERSIGHT COMMITTEE

Wednesday, January 23, 2008
10:00 a.m.
Room 1228, Legislative Building

The Joint Transportation Oversight Committee met on Wednesday, January 23, 2008, at 10:00 a.m. in Room 1228 of the Legislative Building. Senators Hoyle, Hunt, Stevens, Boseman and Shaw; Representatives Cole, Allred, Carney, Coates, Crawford, Harrell, McComas, Saunders and Jones attended.

Representative Nelson Cole, Chair, called the meeting to order at 10:05 a.m.

Representative Cole introduced David Joyner, Executive Director, North Carolina Turnpike Authority. Mr. Joyner talked of operating the Turnpike Authority like a business, constantly looking for new ways to finance new projects. The debts are repaid from earnings. They leverage and maximize state provided funds. The year 2007 was one of focusing on improving some ways of doing environmental work, engineering and finance. Any money not borrowed from bond markets has to come from the Legislature. A Request for Expressions of Interest was taken last year from the private sector to fund the Gap. Revenue on the western Wake project was where they thought it would be. The Gap is still where expected to be at 20 million dollars. The operation and maintenance costs went up. We were able to reconfigure a plan of finance for that project. The Gap was kept at 20 million dollars but the terms of the project in such a way that this alternative form of private Gap financing may be adversely affected. They want to go out 75-80 years or more. Currently in North Carolina, the cap for a bond is forty years. "Innovative Briefs" and "Roads to the Future" presentations are attached.

Senator Hoyle asked why the Legislature should care about what happens in 80 years. Putting a balloon on it was suggested by Senator Hoyle.

Mr. Joyner said that the Legislature would have to guarantee the balloon. It is an alternative way at looking at this. It is certainly something we could look at.

Representative McComas suggested that if the Legislature would guarantee the balloon, shouldn't it be put to a vote?

Staff said it would need to be studied.

Mr. Joyner said that there would be a lot of controls on whatever the arrangements would be.

Senator Hunt asked if the toll revenue would be sufficient to service the bond debt as well as the additional equity debt from whatever source we get it from.

Mr. Joyner stated that that was the key question. The refinancing schedule for Western Wake, most of the cash flow would be consumed by current debt. The current debt forecasted through the first 40 years. It would not be the way that it is being looked at right now; much of any excess revenue over debt. You would be looking at 200 million dollars of accumulated accrued debt beyond the forty year period. We would have to have the authority to go out 80-90 years perhaps. One other option being looked into to is a Predevelopment Agreement with the private sector. This process allows us to go out early in the process to identify potential private investors who will work with us through the design and engineering process. If we don't get Gap funding this year, the cost of the project obviously goes up due to inflation substantially. The last five years inflation costs have gone up nationwide about fifteen to eighteen percent on construction costs. With an inflation rate of about ten percent on the Triangle Expressway, we are looking at inflation cost increase of about 100 million dollars on a one billion dollar project. The Gap increases from 20 million to 30 million. The second piece of legislation we are going to need this year is critical. The rating agencies won't give us a bond grade rating, which we have to have in order to get a TIFIA loan without very strict enforcement legislation. The strongest piece that we are proposing in enforcement legislation is registration withholding if violators don't pay their tolls

Senator Shaw stated the main focus of DOT is to the Turnpike Authority, because a billion here and a half billion here is more money than DOT takes in. Most other states aren't doing it this way. They are doing a turn key operation. They bring in the operation who designed it, facility, construct the facility, operate the facility. They may have a 30 year lease renewable for another 30 years. Illinois and Indiana are states that do not have the fines tied up in them. They get money from the state. I don't think we are looking at this as clearly as we need to. We take on the debt service and everything else to it.

David Joyner stated that the Illinois project that I think you are referring to, the sale to the private sector; the Indiana Toll road was a 75 year concession. The Chicago Skyway was a 99 year concession. Our current law limits us to bond deals beyond 40 years. The private sector has lots to offer in terms of financing. We are learning a lot by going to the Mid Currituck Bridge and going to the private sector. We meet with them just about every week. There is a lot of interest in what we are doing. We have had funds come in and offer to build all our projects. The problem is what they, want in return. They want about a 95 year project schedule and they want to control the toll rates. The Indiana toll rate has an automatic built in inflation cost of living adjustment. That toll could run on the Indiana project and in 20 years the toll could theoretically be, at a 2% inflation rate compounded annually, could be \$99 a year.

Senator Shaw stated that they also had ? pricing. In prime time you pay a premium.

David Joyner said that we will be able to do that too, congestion pricing.

Senator Shaw said that the best way is to get those people the project that now make the money for us; pay us whether it is 99 or 100 years, whatever, it gets us out of the business. We still have the option to kick them out if they don't it or not. We have bridges that are 40 to 50 years old. We need to talk about this new money that is coming down the pipe line.

David Joyner stated that Indiana and Illinois were existing projects. We don't have an existing project.

Representative Allred stated that Senator Shaw made some very, very good points. Virginia's toll road on 95 was recently completed and the toll was taken off. It looks to me like on this Triangle Expressway here, if you're going to, if the Triangle Expressway is going to run from 147 to Durham Freeway all the way to 540; it looks to me like you are going to be putting a toll on that section of it. Is that what you're proposing?

David Joyner responded by saying yes sir.

Representative Allred said that he didn't like that at all. Where did you get the authority to do that?

David Joyner said that thanks to our enabling legislation gave us the authority.

Representative Allred asked when we approved that.

David Joyner said in 2002. That is what created us.

Representative Allred said that we didn't approve a toll on that particular project until we approved a toll on the section of 540, did we?

Representative Cole said yes we did, about two years ago.

Senator Hoyle said that the Toll Authority was established because of the work of a group of bipartisan group of House and Senate members from the great state of Mecklenburg. If you think it was easy, it was not because Cary would not have voted for it. I just wanted to remind you that it was created with one project and that one project was the Garden Parkway. I don't know whether these things are put in priority or not

David, but you said there were five projects, when I count six. I wonder which one is going to get dropped out? The Garden Parkway project is the genesis of the Toll Authority. It deserves some attention for that reason. I know it is expensive, but it is regional in nature. It is not for Gastonia. It is not for David Hoyle. I already have one road named after me and don't need another. I'm just telling you that this road is important for a lot of people and I want it to be given due consideration. There is no way

you can build a piece of this road and dump that traffic on New Hope Road. What in the world are you going to do with 600 trucks driving in a mobile yard, or take in on 321 and dump it on 321. We can't handle the traffic that is on those roads now. We have to build a whole project. I drove from Gastonia to Charlotte last weekend. I left my office at 8:00 and got to Charlotte at 9:10 and it is 22 miles. If you don't think we have a problem up there folks, come and join us. I got off of 85 after 30 minutes of frustration, and got on the back of 2974 and it was worse. I apologize for jumping on you David, but I did try to communicate with you that I have a keen interest, not just me, but there people sitting at this table that were authors of the Toll Authority legislation. It was not easy to pass. That project is important to a lot of people, not just me. When I start voting for money for other projects, you're going to have trouble in the Senate.

Senator Shaw stated that in Virginia anything over 20 mph is a \$1,000 fine. I looked at how many tickets we had in excess of over 20 mph last year and there were about 500,000 that got a Prayer for Judgment. Anything over 20 mph there, is an excessive fee of \$100 or \$200. We need to think outside the box. We can fund some of these projects by charging excessive speeders \$100. If you have 500,000 people that adds up quickly.

Representative Carney stated that Virginia is under a lawsuit because of what they were doing with excessive fines.

Senator Shaw said that \$100 was not excessive.

Representative Cole stated that our technical staff tells us that all the fines and forfeitures have to go to education.

Representative Allred said that he voted for the Garden Road, Garden thing. I voted against the 540 toll or whatever they call it. I didn't know that we, I thought, they're three projects, Jim Crawford, that you were arguing for that needed to be done. Five projects that have expanded to six. Did we specifically give authority to put a toll on an existing interstate highway?

Representative Cole said that in 2006, yes.

Representative Allred stated that has got to change.

Representative Cole said he did not think so at this point.

Representative Coates made a statement in the form of a comment. A lot of you around this table go across the Yadkin River Bridge every time you come to Raleigh. There isn't anybody that goes 55 mph across that bridge. An interesting thing is that we know what happened to the bridge in Minnesota. Do you know that most of the vehicles that went across the bridge in Minnesota were cars, not 18 wheel trucks. You heard David say earlier that 25% of the vehicles that go across the Yadkin River Bridge are 18 wheel trucks. This is a serious concern. The bridge is 53 years old. I understand there is a lawsuit in Minnesota. Are we going to wait until somebody falls in that river? Whether

this is a toll bridge or its not, we've got to have a bridge. As far as trucks going Spencer, I think they might go through there one time.

Representative Jones asked if there was a standard or criteria set to determine which projects get priority.

David Joyner stated that all of the projects looked at today are over 50% bondable, including the Garden Parkway. When you get over 60% bondability, you bond to your Gap funding, you've got a very good toll project. That is the criteria generally that we look at.

Representative Jones asked if a particular criteria was needed to determine an objective way to prioritize projects.

David Joyner stated that was an excellent question. It is a question they have been looking at regularly for the last year or more. Setting thresholds to where they will define a project as being financially feasible. Remember, we are here as a financing arm for the state. If you didn't need money, we wouldn't be here. If certain key projects did not need funding and the funds could be paid for by motorists who are willing to pay, we wouldn't be here. We have looked at two projects where neither one of those projects would even pay for the maintenance cost. One was 70, the bypass around Kinston, Goldsboro and Havelock. Those bypasses wouldn't pay for the maintenance cost of the toll road, let alone the bond indebtedness to build them. We have to be able to take the money that our engineers, and these people are good because the bond markets would not lend money and issue bonds if these people weren't good. If I have, for example, a billion dollar project, I can only issue bonds for six hundred million dollars, I've got a four hundred million Gap. That means I've got to find a way to repay that Gap.

Representative Jones asked if you have a highway or a bridge getting ready to fall down, and you have another area that by all expert testimony or examination that would last for another 15 years, but the finance is going to fit this one verses the one that is getting ready to fall down; so you don't use a physical defect as a criteria?

David Joyner stated that they build to every kind of engineering standard for defects. We work very closely with DOT. We work with their engineers. We use consultants for a lot of our engineering work. We have contracts. We have five different contracts with the Department of Transportation. Our construction guide lines are built to our state standards and other standards. We build to national and state standards. With regard to the Yadkin River Bridge, we think that project is almost 100% bondable. We would need very little Gap money to complete the financing on that project.

Senator Hoyle reminded all that when legislation was passed to authorize those notes was six years ago. If we immediately built these projects, probably the tolls would have paid most if not all of the cost. Six years later the cost has doubled and the tolls would not go up by two; therefore, we've got a gap. The longer we wait to address issues of transportation that is so vitally important to our economy, whether it be tolls or whether it

is our transportation improvement program, we need to get a hold of that problem. If we keep putting it off, the cost is going to go up and up and up. It will get worse and North Carolina will fall behind further and further.

Representative Cole stated that we have a 65 billion dollar shortfall and it will not be filled with promises; it will need to be filled with real money.

Representative Cole introduced and recognized Colonel Fletcher Clay. Colonel Fletcher Clay, Commander of NC State Highway Patrol, stated that he appreciated the opportunity to share information about things he thinks are good news in the area of Viper and the Highway Patrol. A status of the review process, that I'm sure you have all read about, that resulted from some of our internal affairs cases getting into a very public venue. As it continued to bubble along, the Governor asked for an independent review of several functions within the State Patrol. One of those, was the hiring and selection process for state troopers, as well as the ethics training across the board, not only for new recruits, but also for incumbent employees. The other was an assessment of the duties and responsibilities assigned to our first line supervisors. That process is under way. An out of state company was contracted to conduct the review, which began in December. They made their first bit after the start of the new year to talk to members of the highway patrol and review various members of the command staff and captains for across the state. They will be returning to do a secondary interview as well as focus group interviews. They are moving along very well. We asked for a 90 day target completion. When the findings are complete, somewhere between 90-120 days, findings and recommendations will be made public. We feel good about our selection process and all the things that are built in there. We do know that the challenges of first line supervisors. There is a lot of work and a lot of things they have to do. We think that our ethics training is pretty broad throughout the Highway Patrol. I do hope that they do come back with some recommendations. If they say these things look sufficient, that they also give us an idea on how we can improve any of the areas they look at.

Representative Cole recognized and introduced Captain Melvin. Captain Alan Melvin, Director VIPER Unit. Please see the VIPER presentation which is attached.

Senator Hunt stated that Wake County was not on here.

Captain Melvin that Wake County was first.

Representative Allred asked why there were four towers in Rockingham County and only one in Alamance County.

Captain Melvin stated that it was all about the lay of the land. Propagation maps are based on where the best coverage is.

Representative Cole recognized and introduced Lt. Colonel Woody Sandy, Director Field Operations Section. We conducted 76,458 commercial motor vehicle inspections which

resulted in \$856,000 worth of fines. More to the point, Representative Coates, in the history of motor carrier enforcement in North Carolina, we had a banner year of assessing 213,928,241 pounds in violation on our highways. That in itself resulted in the fines and penalties in excess of \$10 million in over weight penalties. One of the things I would like to touch on is following up on the VIPER project. There was a special provision in last year's budget, or this year's budget, that allowed us to spend up to \$10 million in excess funds that we may have in our budget. I'm sad to tell you that with the current fuel situation, we do not anticipate having any internal funds that we can spend toward VIPER. I would like to report that we experienced a very slight reduction in collisions investigated by the Highway Patrol. Unfortunately, our fatalities are up. We hope to get a handle on that, but when you have a good year the year before, it is hard to match that every year. In our joint projects with DOT, we are meeting on a regular basis. We have subcommittees that are getting together, in fact, this afternoon. We have a couple of projects we are working on to try to enhance the traffic flow in responses to incidents in North Carolina. The first is the Triangle Traffic Management Center here in Wake County, where the dispatchers not only will be able to monitor the highways and cameras around the greater Triangle area; but will be getting video feeds from all over the state into that facility. That will allow us, when we see traffic slowing down, maybe we can get out there and find out what is going on and prevent anymore interstate stoppages or any collisions. Our work zone patrols are working closely with DOT right now to reevaluate and determine how to do that. We have come up with a plan that we think will be more efficient and affective way of staffing and getting dedicated troopers to work in those work zones. We are working very closely with DOT engineers. DOT is really interested in getting the Highway Patrol involved in all factions of interstate highways. Right now those accidents in municipal areas are handled by the municipal agencies and they sometimes don't take into consideration that when the interstate is stopped, it is a tremendous economic impact on the state of North Carolina. We are tuned into that. When we get out there we understand that preservation of life, evidence in the crash and keeping traffic rolling is our mission. That is what we try to get done. For ort motoring public on these cold days has been a critical thing for us.

There are people stranded on the side of the road, certainly we don't want to leave them there and they suffer hyperthermia situations. In other situations we have been working with DOT to look at methods of spreading their interstate assists on motor assistance program, across the interstate system to give better coverage to help us. We can get some assistance out there to get gas or change tires or help us move vehicles off the road and to get debris off the highway. One of things is a little known fact, all across the state our troopers are working really closely with DOT on a local basis where we have high crash rates. In situations where maybe all we need to do is repair the shoulder where it is a high turn area where people are running off the road causing accidents. The DOT engineers are very responsive to our recommendations. We look at this together and discuss whether we put in a turn lane here or maybe just something simple like signage, helps to reduce those collisions. You were gracious enough to give us ten additional troopers; five this year and five the coming year. The previous five trooper positions have been filled. State personnel will not allow us to even assign position numbers for

the remaining five until June. Once those positions are established, we will work diligently to fill them.

Senator Hoyle asked if we have met any of the troopers yet, up close and personal.

Lt. Colonel Woody Sandy said that speeding on a bridge down your way, I don't know if you have me them or not. If I may, Mr. Chairman, the helicopter is ordered and you were very gracious to give us that. Our pilots are extremely excited about the delivery of this. We are anticipating delivery in September. As you can imagine, with the war going on, the helicopter industry is booming right now. The helicopter is ordered and under construction.

Representative Coates asked if there were vacancies and how they were filled and training the new troopers.

Colonel Fletcher Clay said yes, there are vacancies. They plan to start a school in April as an ongoing process as you well know, because our attrition rate takes people away on a regular basis. There are approximately around 57 vacancies right now.

Representative Saunders said that in Mecklenburg County there are a lot of trucks that come through. They seem to be caught in the lurch on the issue of 53 foot trailers and I think the state law is 48 feet. As a manufacturer, I understand they are not making them at that length and I assume that we will be something in the short session to take care of that issue. Is there anything in the interim that we can do to give them some relief on this?

Colonel Fletcher Clay stated that one thing they have done in other parts of the state primarily in the eastern part of the state, is try to go out and do some educational projects

with some of the trucking industry to let them know where and on what highways they can operate specific length trailers. Some of these regulations come from the federal government so there may be little latitude in what we can do. We can match up our motor carrier enforcement administration office with whoever you like to try to answer some of those questions and add some clarity to the issue.

Senator Shaw said that when you spoke about enforcement as coming through in 90 days, because this is really unacceptable in North Carolina. You guys have had a sterling image since I was a kid, and I was born and raised here. Some of the officers would take advantage of a culture, or seems to be, or taking advantage of people. The public is not going to tolerate that. You want your message to be loud and clear. You are here to protect and serve. I would hate for some of my family members, or even myself, to take some unnecessary or immoral act.

Colonel Fletcher Clay stated that if it gives you any comfort, I would tell you that we don't either. The command staff and I are not going to tolerate those types of behaviors. As a matter of fact drew a very firm line in July of 2004 when I assumed this position,

and anybody that gets outside of this expected conduct and behaviors, is separated from the agency. Unfortunately, when you take those types of actions that makes talk and rumor news. I want to assure you that from my perspective, I would not describe it as a systemic culture of the Highway Patrol; rather the actions of some that is unacceptable.

Representative McComas asked of the personnel vacancies. Do you have a number of the turnover rates compared to other states?

Colonel Clay stated that he was not sure how it would compare to other states. Our attrition takes somewhere around 30 every six months or 60 per year. That can vary because when we start basic schools, sometimes we start at two at a time; but when we do that, 30 years down the road that class of 59 or if we are running two, 118 reach retirement. It fluctuates a bit, but somewhere in the neighborhood of 30-35 every six months.

Representative Allred said that he was surprised that there was not more funding that ten new patrolmen. You could get more than that out of the Alamance County Board of Commissioners. If you need anymore, go over to see the Alamance County Board of Commissioners. They'll approve anything that you ask for in law enforcement and raise the property taxes to pay for it.

Representative Cole stated that Representative Allred was speaking as a former Alamance County Commissioner who never raised taxes.

Representative Cole thanked all of them for being here and appreciated their presentations.

Representative Cole recognized and introduced Tom Eagar. Tom Eagar, Chief Executive Officer, North Carolina Ports Authority was the next speaker. Please see attached presentation. Mr. Eagar spoke on attached presentation entitled " NC State Ports Authority Presentation Outline".

At the conclusion of the presentation, Mr. Eagar welcomed questions from the committee.

Representative McComas stated you mentioned to mandate to not encumber the state. Where does that come from?

Tom Eagar said that it came from the Governor's Office.

Representative McComas asked if there was something in writing to that affect?

Tom Eagar said no, nothing in writing.

Representative McComas stated that Mr. Eagar also eluded to ? detector. Have you narrowed it down to one, two or three?

Tom Eagar said yes sir.

Representative McComas asked if it was public

Tom Eagar said no sir, not yet.

Representative McComas asked if there was a commitment to be made with that partner before this General Assembly?

Tom Eagar said absolutely. Yes, anything that we develop will be presented. It has to go through the Governor's Counsel of State and obviously key members of the General Assembly before we would move forward with it.

Representative McComas asked if it would be made public to the General Assembly before we move forward.

Tom Eagar said yes.

Representative Gillespie said, Mr. Eagar I sure did appreciate your presentation. You've done a good job as far as looking ahead and planning on what is taking place in North Carolina and on the eastern seaboard. Mr. Chairman, my question would be to you and the chairs is maybe in the future either something from DOT as far as how they are looking ahead and planning on this as far as the impact on the road systems with the trucks. I know that Representative McComas might not like that but as far as what we plan on doing as far as handling this surge of new trucks that are going to be on the road systems and what we can do to offset that; whether it would be looking at bills similar to the one that is Congress now as far as tax credits for infrastructure improvements for

railroads and things like that as far as—instead of putting it on our highways, putting it on the rail and also hear from DOT regarding deals on the inland ports, possibility from western North Carolina and what we can do to mitigate some of this traffic on our roads.

Representative Cole said that staff will take a look at these things.

Representative Cole said he had one question that was raised to him by a citizen with regards to security and terrorism that might take place in the Sunny Point area and how that would impact, or would it impact the Port and the close proximity of it, and what kind of requirements are we going to have to make sure that it is secure?

Mr. Eagar said that this last quarter we did receive a federal grant of \$500,000. We matched approximately \$200,000 to that fund. In order to give a regional assessment, first time it has been done in this country, a regional assessment security for NCIP, Progress Energy, Matsu and the other, regulatory as well as city, state and groups in that area. That will answer a lot of the questions. Certainly the exposure that the new port would raise, we've had discussions with Progress Energy on this, are evident today. If

you were going to have an incident, these ships pass that area on a daily basis, it doesn't have to be necessarily parked in a yard, it can be on a ship. More importantly, the real threat is not so much the containers or the ships. I've said the real threat is what we saw happen September 11th and that is really by air. I don't mean to downplay it by any means, I think this security assessment that we have a grant for and we are proceeding with, it will take approximately three years to accomplish that study. Progress Energy will be very much involved and we are already in discussions will certainly answer a lot of the questions that have.

Representative Cole asked with regards to the two class one railroads that you were speaking to, do we have their concurrence that they are willing to service us to participate in this project?

Tom Eagar stated that CSX has been very supportive towards to the NCIP project, and they will support the project. Two railroads is something we need to work towards. I think we all know just how strong a position the railroads will take to safe guard their track age rights. It is going to have to take something of a large incentive, I think, to be able to open up NCIP to bode Norfolk Southern and CSX and quite honestly, I don't have an answer for that.

Representative Cole recognized and introduced John Koch, CSX Transportation, Director of International Sales and Marketing

Representative Allred stated, Mr. Chairman, before all of them leave I'd like to bring up the issue about drivers license complaints about DMV not being allowed to mail drivers licenses to P.O. boxes. There has been an awful lot of concern expressed about that issue. I'd like to bring that up before we hear another dry presentation about something that we already know about, that we've heard about before.

Representative Cole stated he wasn't sure we already know about this. I don't remember them making a presentation lately, but you have already brought the issue up. He asked is DOT had a response with regards to that issue? Does everybody understand the issue? What it amounts to is I can tell you because I was a victim of it in another situation. The postal service will only deliver to one address for you; it is a post office box or your home address. Well, some people get their drivers license with their home address on it, but when we go to send it to them, they don't get mail at their home address. They get their mail at a post office box and it has created a problem. Can DOT speak to that?

Johanna Reese stated that DMV original plan, when they first started working on a solution, was to mail drivers' licenses only to home residences. We did not realize, at the time, had not considered how many people received their mail at post office boxes. We are very aware of that. The DMV is working with the USPS on a solution. We will have a solution where everyone will be able to receive their drivers' licenses. They are aware of it and are working on it.

Representative Allred stated that the issue is that there are a lot of senior citizens and individuals that don't maintain a physical residential address they have a post office box for security reasons. That is the issue, not that the USPS won't deliver, but to what address. The issue is that some people want their drivers' licenses sent to the post office box because they don't have a mail box out there at the road or a mail box. Also, the other complaint

Representative Cole stated that we needed to speak to this one right quick. At this point in time I want to direct staff to look into that and report back at the next committee meeting on what we can and can't do and what we need to do relative to the legislation to make it happen.

Representative Allred asked if he was getting a commitment now from the spokesman for the DMV, that people will be able to get their drivers' licenses delivered to a post office box; either by the US mail, FedEx, or UPS or DHL?

Johanna Reese stated that the DMV is going to insure that people will receive their drivers' licenses. I don't know exactly where and how right now. We have not achieved that solution yet.

Representative Allred asked what kind of answer that was.

Representative Cole stated to Representative Allred that he felt that was a valid answer, because she doesn't know what the mechanics are that they have to go through. I will assure you that we can have them delivered by the Highway Patrol if necessary, that is a possibility.

Representative Allred stated there were concerns expressed about the use of the 20 day certificates, because they can be loaned to a non-licensed friend. The cumbersomeness of that, getting the information and sending it to Raleigh, issuing a 20 day certificate and then mailing the drivers' licenses; why can't people who already have a valid license, if the information is verified, why shouldn't they be able to get a driver's license issued on the spot?

Representative Cole asked if anyone from DMV wanted to speak to that situation.

Representative Allred asked why couldn't DMV issue a driver's license to somebody who has been driving. We're going to start issuing eight year drivers' licenses in this state; at the same time, we're not going to issue drivers' licenses on the spot at the DMV, we're going to go through this bureaucratic red tape process and issue a certificate of 20 days that they can loan to a friend and if they don't give the driver's license back with 20 days, they'll be SOL.

Johanna Reese stated that the 20 day certificate is going to have a photograph on it; you can't just share it with anyone.

Representative Allred asked why can't a person who has already been getting a valid driver's license and has valid information, why can't we issue them a driver's license on the spot?

Johanna Reese stated that DMV would be glad to do a full presentation for central issuance at a future meeting.

Representative Cole stated that might be the best thing to do. Check with our staff to make that presentation.

Representative Cole stated to Representative Allred that for his information this is in preparation for the real ID act.

Representative Allred said that he understood that. We can't stop the illegal immigrants from getting drivers' licenses and still let ten licenses be sent to one post office box.

Representative Cole stated that this will do it now, since we are not going to mail them.

Representative reintroduced John Koch, CSX Transportation, Director of International Sales and Marketing. Mr. Koch stated that when we think about the demographics in the supply chain, I'd like you to think about the population base. Basically the consumptive population base is in the eastern part of the county. It represents basically our population 2/3 east of the Mississippi and 75% of the consumption is east of the Mississippi. When we start to think about the growth within the east, that population growth is moving to the south. When you think about that aggressive growth, North Carolina lies in the heart of that new growth and presents opportunities for all of us. Multimodal investment is needed to address that growth; a way to remove the congestion that you all must experience on the highways today. Is the country ready for this challenge? Tom pointed out that the traffic moves from the west coast towards the east coast. That is all shifting to the east coast. Vessels are going to come through what is the new expanded Panama Canal. They are already coming through the Suez Canal from Asia and tackling the east coast at quite a voracious pace. Our highways are congested and will continue to get worse. If we start to look at what we have today, this is an example of volume and capacity on our highway network as represented by the national level. If we start to look at what it looks like in 2020, it has a lot to do in corresponding with volume growth and container flow into the United States. That challenge that you feel is a challenge that we feel. It is not just about the highways, it is also about the rail networks. I live in Jacksonville, Florida and have to go to Miami occasionally and it takes three hours to get from West Palm Beach to Miami anytime during the day. They expanded I95 to as many as eight lanes. When we talk about lane expansion, it does not fix the problem. In the United States, I can't speak for North Carolina, in the past 20 years there has been less than 1% lane miles added to our highway network. A lane mile is one lane in one direction, one mile long. All of our highway dollars have been going to reconstructing those roadways that already exist. I am sure there are examples in your community. Here in North Carolina that is not the case, you have expanded your highway network. This is a national average. The impact of that is affecting trade in the United States. It is

driving trade to the east coast. There is tremendous demand on the east coast for ports that can handle this growing capacity. When you think about solutions, CSX is proposing a solution and we're asking for North Carolina's support. I am sure it is hard to read and I apologize for not having handouts for the committee, but we'll be happy to provide those. If you look at where Wilmington is, on this map just above that call out box, basically says that CSX has double stacked cleared our route to Atlanta and the Midwest from Wilmington. We have that capability today. We can handle double stack. Out of the port of Wilmington today that 8'6 container on top of an 8'6 container. We can go to Atlanta and serve the southeast and the Midwest out of Wilmington and out of NCIP when it is developed. We cannot go over the top and take a more direct route to Chicago. In order to help North Carolina to remain competitive and help North Carolina to secure more of this import cargo; what CSX is proposing is a national gateway, which will take a clearance route north through Virginia, through Maryland, through Pennsylvania and Ohio to Chicago. We are proposing this to you today, in a general

sense. We will have future meetings with North Carolina DOT and the Port to discuss our combined involvement in building political force. We feel this is a national issue. The is trade imbalance from the west coast to the east coast, but what we need is to come up with a solution to move this cargo away. Chicago is another major Midwest consumptive base. We could be talking about Nashville, Memphis or movements to beyond the Mississippi River. We're using Chicago in this example because it is the largest market, other than New York. Right there (pointing to a picture) there are two containers in a rail car. When we look at that rail car we call that a well. The reason we call it a well is because an inter mobile rail car really has five of those. There are two containers stacked on top of each other, that is called a double stack. It sits in a well car and that well car is really five of those wells, five buckets. A double stacked train handles a minimum of 250 of those; picture 25 of those 5 well double stacked cars. When you start to think about what this means to the state, we are talking about taking trucks off the highway. We are talking about moving the cost from the highway budget, in the sense of maintenance and moving it to a rail product and thereby saving you ultimately money. Saving the nation money because we cannot afford to repair all these roads. When we start to think about the public benefits, we think we can take 200,000 trucks off the highways every year with this product. We think we can provide a green alternative and we can improve safety by removing those trucks off the highway. We can also reduce those highway maintenance costs. We think that value to the public, national program, \$3.2 billion is what we think the savings are every year. What does that really mean for you? What does it do for North Carolina, other than that you are developing a port and this creates a new opportunity and a new gateway for you to move cargo and potentially bring more trade into your state. What it does is just that. It opens up where you can get to from Wilmington, where you can get to from the NCIP. Basically all of those new locations become available. This is the same map I showed you earlier. It is the same call out box, CXS double stack already cleared to Atlanta. The national gateway gives you that opportunity to reach all of those respondents. Today those are truck markets for the port of Wilmington. It is a hindrance for North Carolina Ports Authority to be able to sell vessel operators to come to North Carolina to be able to serve those markets. We have the potential to bring those forward. We are very excited about what it does for

North Carolina. This is about a public-private partnership. We are looking for your support. We are not necessarily here asking for a bunch of dollars. The follow up conversations with DOT will obviously talk to costs that we do have to bear in the state of North Carolina and there are several. When we think about this project, it is not a billion dollar project, it is not that big. It starts here in North Carolina. What does that mean in terms of investment for North Carolina? Today to come out of the port of Wilmington; when you see to Hamlet on the drawing of this map that is the CSX line coming out of the port of Wilmington. Where that call out box is that says additional yard capacity, that is our yard that serves both the port of Wilmington and will also serve the NCIP. There is a small amount of investment that is required in order to handle double stack with NCIP. It is a clear and smooth transition from the Military Ocean

Terminal at Sunny Point Railroad to connect with CSX. There is a minimal investment there and there is some yard capacity required in order for us to handle these large trains that I described to you earlier; which are basically about 6 thousand feet long. That smooth transition where we are not blocking traffic and are able to make head on head end moves as locomotive moving forward. Today this does impact Wilmington. Today Wilmington cannot handle a double stacked train out of Wilmington unless the containers are 8'6 on top of 8'6. The trend in the international shipping community is to go to containers that are 9'6 on top of 9'6. That trend is inhibited by two bridges. The bridges that cross the Cape Fear River and the adjacent creek that goes behind it and goes into our yard. We are limited to 8'6 on top of 8'6. That is an area we will talk to DOT specifically about are those bridges. From our perspective, we are extremely excited about NCIP and what we can do. We can handle that product pretty much today, as mentioned, all the way to Charlotte. We can handle that product all the way to Atlanta and beyond. We have today, a product for Tom and the Port and for the State of North Carolina. Let's talk about what we are doing in North Carolina at CSX. Number one, we are expanding our Charlotte terminal and we are well on our way throughout 2007 into expanding this facility. I think many of you are aware of the Norfolk Southern's facility which is at the airport. That is a wonderful operation. It is not our operation. We looked at our Charlotte terminal and felt that we needed to invest in it. We've invested significantly. What we have done is take the track from 4,000 feet in length to 7,400 feet. We have added 385 spaces. We can now do a 120 lifts per year. A lift is picking one of those boxes up, putting it on a truck chassis for delivery or taking it off a truck and putting it on a rail car. We are very excited about what we have been able to accomplish. We have more capacity than we have business for and we are open for business in Charlotte and would love the business to grow, including from the port. We are investing in new technology. Someone asked a technology question a little while ago. The kind of technology we are investing in at our terminals, including Charlotte, is radio frequency technology that allows a truck that comes in to be able to find their box, the container instantly. When they pull it, the radio frequency is attached to the container and it is also attached to the truck, they zip right to their spot. It makes a more environmentally sound product; less fuel wasted, less emissions and allows that truck driver to get back out on the road. Other investments we are making is new gate technology. We are changing the face of what is looks like. familiar with this in terms of what he is looking at with his Port. Someone brought up security earlier. More and more the

railroads are bound to be responsible for other peoples' security, just like the Ports have. The difference is we are not a public entity. We don't come to you and ask for funding for that, we're funding that ourselves, it is part of our business. We are creating these new gates that allow a truck basically to start moving a very slow rate of speed, never have to come to a stop other than to identify themselves. That radio frequency process begins immediately. We move them into the proper lane and ultimately be able to check for radio active materials and be fully accountable for a secure shipment. We are investing in these in all of our terminals. Finally, moving away from diesel products

that create emission problems for you in the state, we are moving to electric cranes. These wide span electric cranes allow us to eliminate all of those emissions. It is better for our people, it provides a more safe environment. It eliminates the need for more yard trucks running around and would create more emissions damage. Finally, when you look at what a train has, basically it is the equivalent of 240-250 trucks. It could be as many as 600, and that is because we do have trains that run out there in excess of 10,000 feet. Rail transportation produces 1/3 the emissions when moving a ton of freight versus the highway. Our inter mobile terminals enable warehouse and distribution opportunities for industrial development. Mr. Koch asked if there were any questions.

Representative Allred asked what Mr. Koch was asking the General Assembly for. I appreciate everything you are doing but is there something I missed? Is there anything the state needs to do to accommodate a double decker.

Mr. Koch stated that over the next month, we are going to be coming to North Carolina with a full presentation of the National Gateway. We will be looking for you to support this effort with your federal counterparts, so that we can draw on what is clearly a national need; the ability to move cargo from the ports. We think that Wilmington has a bright future but we think that NCIP has a tremendous future. It is a great opportunity for the state of North Carolina and we are very, very excited to be a part of it. We think it is wonderful. We think in the long run you're not going to want to see those trucks on your highways. We don't think your constituents are going to want to see those trucks on your highways, nor do we think you are going to want to fund all those highways. We think we have a great alternative by rail. What we'd like to do is get your support; to promote that on a national level to make you more competitive.

Representative Allred asked why private enterprise could not do that on their own. I am hearing you are going to be asking us for money. Is that what I am hearing?

Mr. Koch stated that you didn't hear me say that directly. I did point out that there were two bridges from Wilmington, that as Wilmington develops, for us to go to full double stack 9'6"-9'6" for Tom's marketing purposes.

Representative Allred asked if that money would come from the North Carolina railroad instead of the Legislature?

Mr. Koch state that we are not a part of the North Carolina Railroad, and we are a private enterprise.

Representative Allred stated that he knew that; we own the railroad.

Mr. Koch stated that our rail is not a part of the North Carolina railroad.

Representative Allred said that he appreciated their work.

Mr. Koch stated that he skipped over the slide in a very fast way. CSX spent this year 1.7 billion dollars of our hard earned money. This past year it was 17% of what we earned. So, 17% of the money we earned, we put back into our infrastructure. ??? predicts that railroads are going to need to invest somewhere around 175-200 million dollars just to keep pace with the volume of growth. That is the railroad industry as a whole in the United States. We are about as far pressed as we can be at 15-17% of what we make. We are the most capital intensive industry in the United States. We spend more of what we make than any other industry. We are kind of at our limit. Our stockholders will not allow us to spend more.

Representative Jones asked if it would be more feasible, we shouldn't have the responsibility of taking care of the financial load completely. Private industry is not responsible for national security. You mentioned a system that I think you have in the planning stage where you have a container that goes through that security and be able to identify with a monitor or set an alarm off as to radio active activity. I would have a problem with private industry having that responsibility and the public sector not be a part of it in order to insure that you have some type of mechanism in place to identify those elements. I think it is important to have a public-private partnership in this case versus just the private sector carrying it on its own. It is important for the public sector to be involved and be involved in a way of providing some type of funding as well in order to make sure to meet certain national security mandates.

Mr. Koch thanked Representative Jones and stated he appreciated their support.

Representative Cole thanked Mr. Koch and stated he looked forward to his coming back to talk to DOT.

Representative Cole recognized and introduced Roberto Canales, NCDOT, Deputy Secretary for Transit was the next to speak. Please see "Raid & Ports" Presentation which is attached.

There were no questions.

Representative Cole thanked everyone for their attention and the meeting adjourned at 12:30 p.m.

