

Post-Conference Report: 1992 Southeastern Pennsylvania State Legislators' Conference

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INTRODUCTION

The broad agenda at the Seventh Annual Southeastern Pennsylvania State Legislators' Conference was to create an opportunity for elected officials -- this year from federal, state and local levels of government -- to meet with corporate leaders to consider opportunities for regional cooperation. While this general purpose of the Conference was not forgotten, on May 14-15 a more specific agenda selected by elected officials dominated the discussion. This agenda was three-fold:

- Changing Relations between Federal, State and Local Governments
- The Economic Transition at the Philadelphia Naval Base and Shipyard
- Expansion and Governance Needs at the Philadelphia International Airport

This Post-Conference Report, though by no means a transcript, is a record of the proceedings at the day-and-a-half long meeting, and the goal is to present both the substance and the tone of the discussion. Not surprisingly, the Report begins as the Conference did at the Thursday evening session.

URBAN AMERICA IN AN ERA OF CHANGING INTERGOVERNMENTAL RELATIONS

A Welcome and a Wake Up Call

The Conference was held at The Rittenhouse Hotel and David Marshall, Chairman and CEO of Amerimar Realty Company, served as host and offered a unique kick-off to the event. From within the luxurious surroundings of The Rittenhouse, Marshall used a multi-media slide show to remind his audience that there is another side to urban America. Set to a soundtrack of Petula Clark's "Downtown," the slide show juxtaposed positive and negative images of big city life. Positive images included colorful depictions of all that is right in urban American -- shots of white-collar workers lunching at outdoor cafes flagged by new skyscrapers and decorated with fountains and banners, for example. In contrast, black and white slides painted a stark if not out-and-out depressing picture of poverty, homelessness, violence and despair. Clark's lyrics "Forget all your troubles, forget all your cares" rang ironic when accompanying this second view of the city.

Following the slide show, Marshall delivered some brief but hard-hitting remarks about the abandonment of the nation's cities. The Los Angeles riots which had occurred just about two weeks prior to the Conference set the context. Marshall began:

If Watts was the nation's first wake up call, surely the Los Angeles riots are the second. . . . Rodney King was an excuse, not a cause. The cause is urban neglect and the systematic abandonment of our cities by our federal government and our state government as well. If your collar starts getting a little tight, please unbutton the top button -- it's not meant to be comfortable.

Marshall proceeded to list a host of programs to address the problems of the city, with special emphasis on programs that promote self sufficiency and encourage people to become stakeholders in their community. Other initiatives such as enterprise zones and tax incentives to encourage businesses to locate in the inner city were also deemed essential for the economic survival of the city. Marshall recognized that if any of these jobs and housing programs are to succeed, we must make a substantial investment in human capital development, beginning with school reform. "If we think these programs are a waste of money," Marshall asked, "what did L.A. cost all of us? Early estimates are that 14,000 jobs were lost. Some \$1.1 billion of property was destroyed, and 53 lives were lost. And what is the cost of the permanent scars left to the hearts and minds of all who witnessed that devastation?"

Aside from the consequences of urban unrest, Marshall offered another reason for attendees to be concerned about the fate of the cities:

Who does not have life insurance? Who does not have money on deposit in banks or savings & loans? Who does not have a pension plan? Where do you think the vast amount of money is invested by these firms? In cities, and if we don't protect and enhance the value of our cities, we have destroyed all of our financial institutions and all of our investment in America.

Thomas F. Donovan, Chairman of Mellon PSFS and Conference Co-Chair, followed Marshall with a welcome and some brief remarks that, too, made reference to violence in L.A. Observing that the riots show what can happen when the system breaks down, Donovan concluded, "The cities and the suburbs are in this game together."

Keynote Address: Alice M. Rivlin

Robert J. Hall, Chairman of Philadelphia Newspapers, Inc. and Conference Co-Chair, set the context for the evening's keynote address. Delivered by Alice M. Rivlin, Senior Fellow at the Brookings Institution and founding Director of the Congressional Budget Office, the address was entitled "A New Vision of American Federalism." Rivlin began with an overview of the big picture, saying, "My thesis is that our best shot at reviving the economy is dividing the responsibilities between the federal government and the states." Like Marshall, Rivlin used the L.A. riots to set the context for her remarks on federalism and the economy. She termed the "policy confusion of the last couple of weeks" a "tragic metaphor for the policy paralysis that we find ourselves in."

Rivlin considered the nation's response to the crisis in L.A., particularly with regards to the implied division of responsibilities between federal, state and local governments for dealing with the situation. She was perplexed that, "in an essentially

local crisis, albeit one with major national ramifications, the national media focuses more on the President than on the Mayor or the Governor. . . . And everyone seems to feel that the federal government should do something or should have done something, but nobody is very clear about what." With the spotlight on the White House and the federal Government, federal officials offer up reasons why the riots were not their fault, all the while tacitly accepting the notion that urban unrest falls squarely in their domain. Rivlin explained:

The President appears to accept federal responsibility in the sense that he's blaming the Congress and Lyndon Johnson. In effect he's saying, "It did happen on my watch, but it's not my fault because the ship was off course when I took it over, and besides, Congress won't let me steer."

Rivlin disagreed with this division of responsibility, arguing that looking for federal solutions to urban tension smacks of looking for "magic wands." Programs such as enterprise zones, tenant ownership and weed-and-seed efforts may have an effect, but a marginal effect at best. Rivlin argued that the federal government lacks both the resources and the leadership capacity to make much of a difference in the nation's cities:

The federal government can facilitate or obstruct. It can create a climate where it is easier or harder, but it can't make people work together to create livable communities. Whether our major metropolitan areas rebuild and become great cities again with hope and opportunity for everyone depends on the people in those areas reaching out to each other across economic and racial lines. It does not depend very much on what happens in Washington.

In short, while Marshall calls for an infusion of resources from above, Rivlin believes that the fate of the cities depends on the actions of the people who live in and around the urban core. Both speakers agree, however, that the Los Angeles riots of 1992 constitute a wake-up call that must not be ignored.

Rivlin next turned to economic policy. If, as she posited, the central national economic policy objective is to have a rising standard of living shared by broad segments of the population, then our economy has not performed well for some time. The average standard of living has been stagnant for about twenty years, and the last decade has been characterized by rising inequality. And most economists contend that the outlook, even after the recession ends, is for more of the same. Rivlin offered a three-part prescription for reviving the economy, noting that "the major maxims are worthy of Philadelphia's own Benjamin Franklin: save and invest."

(1) Eliminate the federal deficit. The Congressional Budget Office estimates that even taking into account the recession, the S&L bailout, and the bank insurance crisis, the underlying federal budget deficit looms in the \$200 billion range. Absent significant changes in the nation's spending and/or tax programs, the federal deficit is projected to rise near the end of the decade. Rivlin pointed to accelerating spending in the Medicaid and Medicare programs as the major factor behind the rising budget gap. While there's

little evidence that the deficit has squelched private investment, it has likely reduced the level of investment somewhat and fostered U.S. dependence on foreign savings and investment.

(2) Increase public investment. Rivlin cited two broad areas for investment. The first, investment in human capital development, includes education and skills training, childcare and job training initiatives. A serious effort must be made to ratchet up the skills of the present and future generations of the labor force. The second area is to modernize investment in infrastructure. Rivlin was quick to emphasize that we need both types of investment and, as will be explained below, has specific recommendations for what level of government is best suited to undertake each program element.

(3) Control health care costs and provide universal access to health care facilities. Noting that the "dividend from cutting health care costs' growth in half would at least equal the likely peace dividend," Rivlin characterized health care reform as economic policy, not social policy. Absent reform, increases in the rate of spending on Medicaid and Medicare will outpace any savings from the peace dividend. More specifically, the fraction of the nation's GNP spent on health care -- now 13 percent -- is forecast to rise to 17 percent by the year 2000. Rivlin calculated that if we are able to cut the rate of growth of spending in half, health care costs would "only" amount to 15 percent of GNP instead of 17 percent by the year 2000, freeing up 2 percent of GNP which then could be invested elsewhere.

While Franklin's save and invest maxim captures the general gist of what needs to be done, the central thesis of Rivlin's address was that absent a new division of responsibilities between federal, state and local levels of government, reviving our economy will be difficult if not impossible. Rivlin offered several reasons why the federal government cannot revive the economy on its own, including lack of resources (the federal deficit), lack of voter confidence, and the need to devote more resources to foreign affairs as the increasingly global economy takes hold. Given this upward limit on how much Congress and the Executive Branch can be expected to do, Rivlin offered a scheme that reassigns tasks among different levels of government. There are three basic components of Rivlin's vision.

(1) The federal government must reform the health care finance system. The case for revamping the nation's health care system is not difficult to make (see above), and the two essential ingredients of reform, in Rivlin's opinion, are universal access to medical care and some form of cost controls (probably some form of wage-price controls). Rivlin does not view national health insurance as a necessity, but does anticipate that the new system would subsume Medicaid. In all probability, the new system would be funded through some form of dedicated financing. Rivlin cites Social Security as proof that people are less resistant to new taxes if they know exactly which program they are funding.

(2) States must take charge of the nation's productivity agenda. While the feds would takeover health care, states would take the lead on what Rivlin calls the "nation's

productivity agenda." By this she means education reform, job training, community development, economic development, housing and most infrastructure financing. States are best suited to this portfolio, argued Rivlin, because these programs demand local accountability, public-private cooperation, variation and experimentation in order to adapt to local conditions. One advantage of this approach is that it answers the question of who's in charge. "People have to know that if they want better services, they have to pressure their state and local governments," Rivlin explained. Investment in the productivity agenda does not come cheaply, and part of Rivlin's prescription requires the federal government to devolve \$75-100 billion in financing to the states and to stop passing unfunded mandates.

(3) State and local revenue systems must be strengthened. One of the difficulties of moving from the federal to the state level of service provision is that states have different fiscal capacities, to say nothing of different propensities to tax. To neutralize these factors, Rivlin proposed that states implement "common shared taxes," most likely of the sales or value-added variety. "The nation's states must act as a unit to implement new taxes," Rivlin explained, "Otherwise mobile resources -- especially service producers -- and competition between the states will thwart any major revenue reform package." New revenues would, of course, be required to finance the various elements of the productivity agenda devolved from the federal government. In addition to shared taxes between the states, Rivlin urged localities to consider revenue sharing along regional lines, including schemes that cross state and county lines.

ECONOMIC TRANSITION AT THE PHILADELPHIA NAVAL BASE AND SHIPYARD

The Navy's decision to phase out the Philadelphia Naval Base and Shipyard carries with it grave implications for the complex's workers and capital stock and the economy of the city and region. Through the Herculean efforts of the region's Congressional delegation, additional work has been brought to the Shipyard that will keep it operating through mid-decade. Nonetheless, the time to act is now. In February 1992, the region's elected officials from federal, state and county levels of government assembled at the initial meeting of the Regional Agenda-Setting Process and identified the future of the Naval Base and Shipyard complex as one of the key issues facing the region. Consequently, the Center for Greater Philadelphia placed the issue on the agenda for the legislators' Conference and spent the next few months researching the topic and identifying the leading authorities on the issue. The Friday morning working session, which was chaired by Joseph F. Paquette, Jr., Chairman and CEO of the Philadelphia Electric Company and a Conference Co-Chair, was devoted to the Naval Yard transition and the program began with remarks from Congressman John Murtha.

Keynote Address: John P. Murtha

A ten-term Congressman, Murtha serves as the Chairman of the Appropriation Committee's Subcommittee on Defense and has proven to be a strong ally of economic development efforts in Southeastern Pennsylvania. Murtha began by taking a look at defense spending in the context of the overall federal budget. In round numbers, out of a

total federal budget of \$1.5 trillion, discretionary spending accounts for approximately \$500 billion, with \$300 billion for defense and \$200 billion for domestic programs. The remaining \$1 trillion goes for entitlement programs and interest payments on the deficit. One consequence of this realignment of the federal budget is that the annual interest expense now exceeds yearly defense spending, as Murtha explained:

This year for the first time ever, interest on the federal deficit will exceed defense spending. Here to now, defense has always been the largest single item in our budget. To put this in perspective, realize that our defense budget (at around \$300 billion) is larger than the budgets of all of the other countries in the world except three nations. Now at [a] six percent [interest rate], the interest payments on the deficit exceed defense spending.

These twin forces of rising interest payments and expanding entitlement obligations are unlikely to abate and are in large part, along with the reduced military threat presented by the disintegration of the former Soviet Union, responsible for the heightened pressure on the defense budget and vocal calls for additional base closings. Murtha cautioned that the mathematics of base closings can be deceiving, saying, "There are costs to cutting defense. The environmental cleanup costs at the Philadelphia Naval Base are projected at \$1 billion. Don't expect cuts in the military to solve the problems of the deficit."

Murtha then turned to the prognosis for the Philadelphia Naval Base and Shipyard. He was upbeat -- to a point. "The Philadelphia Naval Yard is a premiere base at a premiere location -- and it hasn't always been this way. Some of the best minds in Philadelphia are here, some of the best institutions. . . . You have a skilled workforce and everything can fall into place, but you still have to have a plan." Murtha emphasized that absent a well thought out, cost-effective plan for the reuse or continued use of the Naval Yard, there was little likelihood of substantial new dollars flowing from Washington. "We're looking at additional work, but can we keep this thing going government-operated for the next few years? I'm not sure." Rather than rely on political might, Murtha urged advocates of the Naval Yard to make sure that they develop a fundamentally sound and cost effective plan for the Shipyard. "There's a continuing battle as defense spending gets smaller to change the process," he noted, "and what usually prevails is who is right and what is cost effective."

Murtha concluded with an encouraging message to all of the participants in the Conference engaged in planning for the future of the Philadelphia Naval Base:

The timing couldn't be better for this Conference to convene so that you have an opportunity to put a proposal forward and get it to your Congressional delegation to present to the Congress and then we'll see what we can do about it. So I commend you for the work that you're doing because it's absolutely imperative, not only for Philadelphia, but for the entire state.

Murtha's message was clear. Federal budget politics are difficult, and it is up to local and regional leaders to develop a plan for the future. But come up with a thoughtful, cost-effective plan and the Congressional delegation will go to bat for the Philadelphia Naval Yard.

Panel Discussion

Many of the very people most likely to be called upon to develop and carry out a plan for the future of the Philadelphia Naval Base and Shipyard appeared on the panel that followed Congressman Murtha. Members of the panel included: Congressmen Tom Foglietta and Curt Weldon, Diane Reed of the Pennsylvania Economy League, Retired Admiral Thomas U. Seigenthaler, William P. Hankowsky of the Philadelphia Industrial Development Corporation, and Philip Singerman of the Ben Franklin Technology Center. Each member of the panel offered a different perspective on the task that lay ahead, and a brief summary of their collective remarks follows.

U.S. Congressman Tom Foglietta. Congressman Foglietta emphasized the need to work with the Navy. "We share a common goal with the Navy," he declared, "to preserve the Navy Yard's precious assets, its workforce and its dry docks for a possible future national emergency." To that end, Foglietta recounted how in January he convened a group of regional and national experts to brainstorm ideas to bring more work to the Naval Yard by employing a market-based approach. This group attempted to determine where markets were headed in the Navy, the Defense Department, and the private sector in order to position the Philadelphia Navy Yard to be ready to compete on a cost-effective basis. The report that grew out of this two-day brainstorming, Philadelphia Naval Shipyard: Center of Excellence for Ship Building, Repair, Modernization and Training, lists 49 different types of public and private projects that could be accomplished at the Naval Yard. Foglietta offered several examples including modernizing Fast Sealift and Ready Reserve Fleets, re-fitting double-hulled tankers, and building bridge and highway sections. Overall, Foglietta was characteristically optimistic, saying; "I see a bright future for the Philadelphia Naval Yard. Its workforce is second to none, and we will never give up fighting for them every session, everyday, every vote."

Diane Reed, Pennsylvania Economy League.

Reed spoke of the tremendous human, economic and fiscal costs associated with the closing of the Naval Yard. She is uniquely well qualified to speak to the topics as the Pennsylvania Economy League has previously prepared a highly regarded study on the Naval Yard closing. The League calculated the costs of closing to include:

- 13,000 civilian jobs lost;
- 29,000 direct and indirect jobs lost in total;
- \$2.5 billion in lost economic activity, including \$500 million in foregone retail sales;
- \$44 million in lost revenue to the states of Pennsylvania, New Jersey and Delaware; and
- \$50 million in lost revenue to the City of Philadelphia.

Reed focused on the costs to individual workers, noting that their transition will be more difficult because many of them are in high paying, yet declining industries, meaning that replacement jobs will be harder to come by. The average salary of a worker at the Naval Yard is \$511 per week, while replacement jobs come in at about \$300 per week. The Pennsylvania Economy League estimated that perhaps as few as 40 percent of displaced Shipyard workers will be able to find full-time work -- in any occupation. The rest will either drop out of the labor force or leave the region. Overall, Reed painted a picture showing that while the economic and fiscal impacts of the base closing will be quite serious, the human costs will be devastating.

U.S. Congressman Curt Weldon. Congressman Weldon analyzed the Naval Yard situation in the larger context of the propensity for regional cooperation in Southeastern Pennsylvania. Failure to develop a coordinated approach has hurt the region in the past, leading to plant closings, a loss of government jobs through agency consolidations, and a paucity of discretionary federal highway funds. Similarly, while the region's Congressional delegation has had its share of successes at the Naval Yard, they have come at a price. "For twenty years we have tweaked the Navy's nose," said Weldon, "and forced them to put work in Philadelphia that in most cases they did not want to put there." This approach will work no longer. Instead, Weldon urged the leadership to put themselves in the mindset of the Navy, and offered two examples of projects that fit into the Navy's plans:

- Make Philadelphia the surface ship center for the eastern part of the United States by building on its existing strengths (NAVSSES and AEGIS); and
- Create the National Sealift Center for America at Philadelphia charged with upgrading the nation's merchant marine capability and acquiring new hulls for Fast Sealift.

Weldon noted that approximately \$3.1 billion has already been authorized and appropriated for Fast Sealift. These specific projects aside, Weldon urged different levels of government and business and labor leaders from across the region to work together to set priorities. "Our [Congressional] delegation is tight," he declared,

"But it's tight only when we have an identified set of regional priorities." Weldon concluded by challenging his audience to make the Navy Yard an example of cooperation across party and government boundary lines.

Thomas U. Seigenthaler, Retired Rear Admiral and Former Shipyard Commander. Seigenthaler injected a heavy dose of reality into the discussion, reminding the audience that "the base closing process has been started and is happening even as we speak." Budgets have been restructured, downsizing plans are being finalized, and consolidation of base activities including dispersal of the base's 38 commands is underway. Base clean up requirements have been identified and even the preliminary totals indicate that the clean up will not come cheaply. The start-up estimate totals \$160 million: \$5 million for the Naval Hospital, \$15 million for the Naval Base and \$140

million for the Shipyard. Seigenthaler cautioned that the true magnitude of the contamination is not yet known and that these figures will escalate once soil samples and other drilling have been completed. Seigenthaler saw great potential for maritime redevelopment along the waterfront, yet his main message was that the time to act is now. "The train is moving down the track," Seigenthaler concluded. "Closure is in process and closure means another Boston, another Hunter's Point, another New York Shipyard."

William Hankowsky, President, Philadelphia Industrial Development Corporation. Hankowsky brought another level of concreteness to the discussion by defining the basic elements of the Naval Base and Shipyard. Overall, the facility covers 1,400 acres, a parcel about the size of the area between Vine Street and Locust Street and between the two rivers. The first Naval facility slated to close is the Naval Hospital, a 49-acre site covered by 50 buildings with 600,000 square feet of floor area. In terms of the Shipyard and Base, 900 acres belong to Shipyard where ship repair, research and development and office work take place. The remaining 500 acres belong to the Base, with primary land uses including housing, schools and recreation. Together the Naval Base and Shipyard amount to between 9 to 11 million square feet of buildings in 500 structures. This includes 1.5 million square feet of office, 2.5 million square feet of functioning ships and 800,000 square feet of labs and R&D facilities. These mind-boggling statistics underscore the enormity of the facility and the complexity of any proposed reuse plan. Hankowsky also outlined several different strategies that are currently being pursued to save the Base, including the pending lawsuit to block Base closure, efforts by the Congressional delegation to maintain the current workload by bringing in new ships, and other public and private reuse strategies.

Phillip Singerman, President, Ben Franklin Technology Center. Singerman reported that the Ben Franklin Technology Center is assisting efforts to plan for the future of the Naval Base and shipyard. This effort involves a broad-based coalition from the public and private sectors, including participation by Penn State, the Fels Center of Government at the University of Pennsylvania, Penjerdel, the Governor's Office and the City Commerce Department. The City has committed senior professional staff to the project, and half-day working sessions take place weekly. Next steps include creating a high level task force, broadening the effort to include principals in Delaware and New Jersey, submitting an application to the Department of Defense's Office of Economic Adjustment (OEA) for a planning grant, and working with the Private Industry Council on job retraining programs for displaced workers.

Themes Emerging from the Small Group Discussions

After the morning keynote and the panel on the economic transition at the Shipyard, conferees broke up into seven small groups, each led by a neutral moderator and staffed by a resource person (typically a member of the morning panel). Although participants shared a common body of knowledge from the morning's presentations, the complexity of the situation at the Naval Base and Shipyard meant that many questions and areas of controversy arose. After an hour of discussion, participants reassembled in a plenary session to hear reports from the small groups. While no two group deliberations were alike, a number of themes emerged from the small group discussions.

The Need for Institutional and Individual Leadership.

Nearly every group addressed the question of institutional leadership, or, as one group put it, "Ownership of the Navy Yard issue must be established." The consensus in most groups was that the Philadelphia City Commerce Department is the logical candidate to take the institutional lead, both because the Commerce Department is the agency designated to apply for OEA funds from the Defense Department and because the City is the single largest stakeholder in the outcome of the process. Mayor Rendell has applied for a \$187,000 OEA planning grant and is expected to name an OEA Task Force later this summer. At this point, the issue of strong individual leadership will come into play. Several groups described the need for an easily identifiable, strong central figure to assume the leadership mantle, and cited Father Nicholas Rashford's leadership role on port issues as a case in point. Absent strong leadership, the tasks grow more difficult and the odds against successful reuse of the facility grow longer.

The Need for a Specific, Market-Based Plan.

Both of the Congressmen on the morning panel articulated the need for public and private sector leaders to develop a specific plan that they could take and sell to the Navy, and Conference participants echoed this idea in the small groups. Corporate leaders, in particular, were quick to endorse the notion of a market-based plan, but there was no consensus as to which alternative use schemes would pass the market test. More specifically, the viability of shipbuilding, ship repair and other maritime uses was hotly debated in several groups. Considerable support was voiced for the "blended" or mixed-use development approach for the yard.

The Environmental Wildcard.

Environmental problems including PCB contamination, leaking underground tanks and disposal areas were universally recognized as a serious obstacle to reuse of the Shipyard site. One group expressed concern about the worst-case scenario that the federal government would "mothball" the site without cleaning it up. "We're in bed with the feds whether we like it or not," they concluded. Although all groups shared the impression that environmental problems were serious and that clean-up would be costly, little in the way of hard facts were available. Latitude in the definition of clean-up, (i.e., lower cost alternatives that contain the hazard but significantly reduce the usability of the site), also threw another variable into the equation. It was clear that all groups want the federal government to clean up the site, but there was little in the way of specific suggestions or concrete strategies to achieve this end.

The Ownership Question.

Many of the groups focused on the question of transfer of ownership of the property from the U.S. government to some other public or private entity. This issue is especially important for those who share a vision of a private ship yard at the League Island complex capable of bidding on military and commercial work. Those who articulate this vision argue that the best way to keep the yard viable in the event of a national emergency is to keep it in use. Public-private or purely private schemes for reuse of the Shipyard facility may require some sort of property transfer, yet neither the

process that governs the transfer nor the Navy's willingness to part with the facility are well known. A recent federal law called the Stewart B. McKinney Homeless Assistance Act creates a hierarchy for the disposal of surplus federal property: federal agencies have the first shot followed by programs for the homeless, states, localities, and, finally, everyone else. The Naval Hospital, which is slated to close under an earlier base closing bill, is much further along in this process and may provide a useful test case.

Broadening the Effort.

No one questioned that the Navy Yard transition is a regional issue -- the cohesiveness of the tri-state Congressional delegation drove that point home -- yet no clear mechanism for meaningful regional participation was evident. In several of the groups, corporate leaders expressed both a desire to play a bigger role in the transition and frustration at the lack of obvious avenues for private sector involvement. SEPTA's Area Coalition for Transportation (ACT) was the most frequently mentioned model for shaping the business community's response, yet many people questioned whether the ACT-model was well suited to tackling the Navy Yard issues. Similarly, although the need for inter-governmental cooperation was acknowledged throughout the morning's discussion, the vehicle for this cooperation was unclear. Some people argued in favor of an authority to oversee Naval Yard operations while others complained of being "authoritied to death." Most likely, the emergence of strong institutional and individual leadership will help to clarify the best mechanisms for private sector involvement and inter-governmental cooperation.

The Time to Produce a Plan is Now.

There was near universal recognition that now is the time to produce a specific plan for the Naval Base and Shipyard. The Congressional delegation succeeded in bringing the U.S.S. KENNEDY and U.S.S. FORRESTAL to Philadelphia, beating back last minute attempts to send the FORRESTAL to Florida. These ships will keep the Yard operating until 1995, effectively creating some breathing room for the region to develop a plan for the future of the facility. There was a general consensus that the goals of this plan should be to preserve the assets of the Naval Base and Shipyard -- its land, workforce and capital -- and that activity at the yard is far preferable to mothballing. However, there was a growing realization that the time frame for action must be measured in weeks, not months or years.

Post Script on the Naval Yard

In the approximately two months since the Conference concluded, several significant public and private sector developments affecting the Naval Yard have come to fruition. To begin with, the City received a \$187,000 grant for planning activities from the Defense Department's Office of Economic Adjustment. The City's Commerce Department, with the Philadelphia Industrial Development Corporation, also applied for a \$2.7 million grant from the Economic Development Authority and while the grant is not yet secured, the EDA has invited the City to advance to the next stage in the review process. The Commerce Department, in conjunction with the State Department of Labor, is also in the process of seeking a \$500,000 demonstration grant for worker retraining activities.

Earlier this summer, the Delaware River Port Authority awarded the City a \$100,000 grant to undertake studies about the technological and business feasibility of alternative uses of the Shipyard. A portion of these funds is underwriting a Coopers & Lybrands' assessment of the feasibility of the various market opportunities generated by the Congressional delegation and other experts at a conference convened by Congressman Foglietta earlier this year. This assessment is due out later this year.

Finally, Metro Machine Corporation, a large shipbuilder headquartered in Norfolk, VA, is negotiating to buy the Pennsylvania Shipbuilding Company in Chester, PA to convert it to a facility for building double-hulled commercial tankers. Metro Machine owns the rights to a radical new modular design for doubled-hulled tankers, and has already secured Governor Casey's support -- in the form of \$15 million in subsidized state loans, partial property tax abatement, and money to train the long-term unemployed -- for the project. By 2015, only double-hulled tankers or equally spill resistant designs will be allowed to sail in American waters. Congressman Weldon has reported that the Chester deal could also be good for the Philadelphia Naval Shipyard because Metro/Chester could work with the Naval Yard to build new merchant marine ships for the U.S. Navy. The Naval Yard might also construct new bows and sterns that could be welded to the modular ship bodies produced at Chester. Weldon believes that the Chester deal will also make the region an even more attractive site for a national sealift center.

STATE PERSPECTIVES ON INTERGOVERNMENTAL RELATIONS

After the morning working sessions on the Navy Yard, the Conference then returned to the notion of inter-governmental affairs as articulated by the region's two highest ranking members of the General Assembly: House Speaker Robert W. O'Donnell and Senate Majority Leader F. Joseph Loeper. These two veterans of state government spoke candidly and offered substantially different views of the present and future states of inter-governmental relations. Senator Loeper spoke first.

Senator Loeper's Remarks

"We've seen over the years a spirit of regional cooperation, a dedication to working together which certainly wasn't the case many years ago," began Loeper, who focused his remarks on the state of regional cooperation in Southeastern Pennsylvania. Loeper argued that the region had made great strides in the last few years, and credited the Southeastern Pennsylvania State Legislators' Conference for playing a supporting role in this transformation:

A new spirit of cooperation in working together as a region has occurred since we've convened these Southeastern Pennsylvania State Legislators' Conferences. As I think back, one of the first times that many of us as legislators -- the House and Senate and Democrats and Republicans -- had an opportunity to really sit together in an atmosphere of interest and cooperation outside of Harrisburg was when we first started with some of the Southeastern Pennsylvania State Legislators' Conferences.

Loeper was at no loss for examples of cooperative action leading to successes in Southeastern Pennsylvania. The creation of SEPTA and, more recently, the Philadelphia Regional Port Authority, the Convention Center legislation, retention of the professional sports teams, the Pennsylvania Intergovernmental Cooperation Authority agreement, and creation of a dedicated revenue source for mass transit are all recent examples of successful regional initiatives. Loeper expects the next concrete success to be the creation of a regional Airport Authority, and has sponsored enabling legislation to turn that proposal into a reality.

Looking forward, Loeper predicted the evolution of the concept of regional cooperation in Southeastern Pennsylvania from a five-county affair to a more broadly-based effort that would include the outer counties of the region. Overall, his remarks underscored his optimism that we can "build the coalitions necessary in the General Assembly, with the cooperation of the business community and local officials, in order that we can effect change and positive change for the region and all of Pennsylvania, and we look forward to continuing that tradition."

House Speaker O'Donnell's Remarks

O'Donnell began by reflecting on Rivlin's keynote address and on the need for a new division of responsibilities between different levels of government. He acknowledged the relevance of her topic, noting that it repeats on a larger scale discussions between Pennsylvania state and local governments about who is responsible for addressing the problems of the homeless. O'Donnell then proceeded to probe an unspoken assumption behind the notion of realigning governmental responsibilities. "The underlying premise," noted O'Donnell, "is that government is actually engaged in purposeful activity. Now this, in my opinion after years of observation, is a premise that really is worthy of a little further attention."

While there are undoubtedly many enemies of purposeful governmental activity, O'Donnell focused on just two. The first is the idea that "government is really a pie to get whacked up." Under the divvying-up-a-pie school of government, the players jostle with each other to make sure that they get their "fair share" of public resources, with little regard for the underlying mission of government. Taking the analogy a step further, the emphasis is on the size of the slice, not the flavor of the pie. "Government is a way of getting from one place to another. It is a tool we have available to us. It is not a pie to get whacked up," explained O'Donnell.

O'Donnell's second enemy of purposeful government is ideology as distinguished from principles and convictions. "Ideology becomes a problem when it becomes a set of ideas that are rigidified and that claim our allegiance over the practical vindication of our principles," maintained O'Donnell. "It freezes people in place. We can't deal with the problem of homelessness. Instead we get trapped in a debate between liberals and conservatives over very, very philosophical ideas." Obstructionist ideologues and clever-wheeling pie-whackers are, then, the two major enemies of purposeful government according to O'Donnell.

O'Donnell proceeded to offer his vision of what would be necessary in order to return a sense of purpose to government. He endorsed the notion, most recently popularized by H. Ross Perot, that people should view themselves as the owners of government, not just as consumers. Owners demand accountability and can work to establish the mission and set specific goals. Only once this mindset is established can discussions about the division of responsibilities between different levels of government take place in a meaningful way.

O'Donnell concluded by acknowledging the successes that the region has had on specific regional projects such as the Convention Center. He cautioned, however, that these successes are hard to replicate in areas where reform meddles with existing players and entrenched systems:

To create a Convention Center where there was none is a very substantial undertaking, to be sure. But it starts from scratch. That's very different than articulating a set of goals for, say, public education, in which you have an enormous system already in place, and then rolling those goals, those purposes of government activity up against that system. We here in this region have a lot of problems rolling up against existing systems.

O'Donnell rallied against entrenched interests and chided the economic development community for their inability to articulate a set of economic development priorities for the region that represented the region's best interests, not just each agencies' current agenda. To conclude, he urged his audience to consider the region's successes and failures and determine what is needed to advance new public purposes in the face of existing systems.

EXPANSION AND GOVERNANCE AT PHILADELPHIA INTERNATIONAL AIRPORT

The afternoon working session focused on expansion and governance needs at the Philadelphia International Airport. State Senator Earl M. Baker, Chairman of the Intergovernmental Affairs Committee, chaired a panel discussion of members of state and local government, industry and airport representatives, and a spokesperson for the business community. This panel was in some sense an abbreviated version of Senate hearings held in Philadelphia and chaired by Baker last spring. Baker opened the discussion by emphasizing the Airport's regional importance, noting that the airport has a \$5 billion economic impact on the regional economy each year. Confident that the Philadelphia International Airport "could be a truly world class airport which this metropolitan area badly needs," Baker turned to Director of Aviation James DeLong to answer the question "how do we get there from here?"

James DeLong, Director of Aviation, Philadelphia International Airport

"Transportation and aviation are critical to the viability and survivability of any region," DeLong contended. "They're more important now than ever before because we're now in a global economy." DeLong cited the Dallas-Fort Worth example to make

his case, arguing that "Dallas and Fort Worth were quite frankly falling far behind the Houstons and Atlantas until they built the Dallas-Fort Worth Regional Airport." Closer to home, DeLong explained that the Philadelphia International Airport's strengths include excellent access and outstanding proximity to Center City. Additionally, the Airport's ongoing capital improvement program approaches \$1 billion and includes \$350 million in recently completed or underway investment. Another \$350 million in improvements awaits the airlines' approval, approval that is linked to borrowing costs which is, in turn, linked to Airport governance issues. Projects include the newly completed Terminal A, renovations in terminals B, C, D, and E, an HVAC overhaul and new signage. DeLong concluded by arguing that the Airport's importance was magnified by the twin forces of regionalization and globalization.

Senator Vincent Fumo, Chairman, Minority Appropriations Committee

Fumo conceded the need for an authority to replace the current governance structure, but questioned whether it should be a local or a regional authority. He expressed frustration with "barbed wire that gets erected around the City of Philadelphia" as he laid out his central dilemma:

I would love to see a regional authority. I would love to see true regional cooperation between the counties. And I think the burden for that rests upon the suburban counties. As a Philadelphia Senator and as one who is charged with the responsibility of having to fight and literally fight for the City of Philadelphia's interests in Harrisburg, I'm a bit tired of that effort. I'd like to see Southeastern Pennsylvania fight for Southeastern Pennsylvania, as opposed to Philadelphia fight the rest of the state for itself. If we're going to have true cooperation in the region, then I would support a regional authority. If not, then I think we should go it alone.

The Fumo concept of "true regional cooperation" involves the suburbs' sharing not only the "pin-stripe patronage" that is a byproduct of creating a new regional authority, but some of Philadelphia's problems as well. "A crack baby in Philadelphia is also a citizen of Pennsylvania," he reminded his audience. Fumo suggested that in this case, in exchange for the City giving up the Airport to a regional authority, suburban Republicans should accept the mandatory tax withholding legislation that would require suburban employers to withhold taxes owed to the City from their employees' paychecks. Fumo also expressed concern about the dominance of USAir and the implications for competition and fare structures for passengers flying out of Philadelphia. He concluded by acknowledging the advantages of a regional authority, citing recent successes at the Philadelphia Regional Port Authority, but reiterated the need for bona fide regional cooperation, saying "On this issue I fully suspect we will hold the line, we will not be unreasonable but we look to this to become the first in a series of true regional issues to be resolved."

David L. Cohen, Chief of Staff, Office of the Mayor, City of Philadelphia

Rendell's Chief of Staff acknowledged problems with the current operation of the Philadelphia International Airport and showed a keen awareness of the impact of the City's bond rating on airport borrowing costs. While Cohen argued that these problems

could be solved in a variety of ways, (e.g., Charter reform), he conceded that creating an authority is a good option. According to Cohen, Mayor Rendell favors a regional authority assuming other issues, including those expressed by Senator Fumo, can be worked out. Cohen framed Rendell's willingness to transfer the airport from the City Commerce Department to a regional authority as evidence of the administration's larger commitment to the concept of regional cooperation. "It's important to underscore for the purposes of this Conference that we've begun to see regional cooperation working around the dialogue of this issue," remarked Cohen. "The very fact that we can all stand up here and talk about this in this context is a sharp differentiation from the kind of dialogue that would have occurred on this issue three or four or five years ago."

Patricia Goldman, USAir

As Senior Vice President of Corporate Communications of the largest airline operating out of the Philadelphia, Goldman was well positioned to provide the airlines' perspective. She began by underscoring USAir's commitment to Philadelphia and Pennsylvania. From modest beginnings as All American Airways in 1949, USAir now operates 294 flights a day out of Philadelphia with 53 non-stop destinations. The airline believes that Philadelphia is a strong market that has not yet reached its full potential. Goldman cautioned, however, that Philadelphia has the second highest operating costs out of a total of 130 airports in the USAir system. The cost per gate in Philadelphia is \$750,000 per annum versus a systemwide average of \$350,000 and cost per enplanement comparisons show similar disparities. USAir, which, as the largest carrier, is responsible for the largest share of airport operating and capital costs, wants to divorce the airport's bond rating from the City's and address the other governance issues that reduce the Airport's operating efficiency. Goldman said that the airline favors a regional authority on the grounds that they work well in other airports including Tampa, Memphis, Cincinnati and Orlando.

Robert McClements, Jr.

McClements used his position as the final speaker on the panel to step back and reflect on how the morning program on the Naval Yard fit in with the afternoon program on the Airport. He saw a world of contrasts. "No matter how you think of it," McClements said, the Shipyard is a "business of diminishing horizons." The predominant concerns are what will happen to the yard's employees, service providers and the regional economy. At the other end of the spectrum, the airport is fundamentally healthy and growing. Airport managers are concerned with maximizing growth, not stemming decline. In terms of policy prescriptions, McClements argued that the Shipyard has no obvious solution. Big picture questions like "is there another use for this tremendous site?" have no easy answers. In contrast, McClements found with the airport "if not an agreement, at least a leaning toward a regional authority."

McClements' emphasis on the differences between the economic transition at the Philadelphia Naval Base and Shipyard and the expansion and governance issues at the Philadelphia International Airport overlooked one commonality: both issues are regional in scope. Progress on both the governance issues at the Airport and the economic

transition at the Philadelphia Navy Yard will require sustained cooperative efforts that cross city-suburban boundary lines and coordination that spans federal, state, county and local levels of government. Both sets of issues also raise questions about the evolving roles and responsibility of different levels of government. These, then, were the underlying themes of the Seventh Annual Southeastern Pennsylvania State Legislators' Conference.

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