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VOLUME I

COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC MEETING
BEFORE THE COMMITTEE OF THE WHOLE

- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 10, 1997
10:25 a.m.

- - -
RES. 970801 - Approving the execution of a Lease and
a Master Agreement between the Commonwealth of
Pennsylvania, the Delaware River Port Authority,
the Philadelphia Authority for Industrial
Development and Kvaerner, Inc., for the
development by Kvaerner of a shipbuilding
facility within the Philadelphia Naval Business
Center Tax Increment Financing District.

- - -
PRESENT:

COUNCILMAN JOHN F. STREET, Chair

COUNCILWOMAN HAPPY FERNANDEZ
COUNCILMAN JAMES F. KENNEY
COUNCILMAN W. THACHER LONGSTRETH
COUNCILWOMAN AUGUSTA A. CLARK
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK RIZZO
COUNCILMAN ANGEL ORTIZ
COUNCILMAN FRANK DiCICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN BRIAN J. O'NEILL

- - -
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2 PRESIDENT STREET: May I have your
3 attention, please. What I would like to do, while
4 we wait for the Mayor, who is on the way, is to
5 explain what will happen in the Council chambers
6 today.

7 As is usually the case, coming to
8 this end of a portion of our session, there are a
9 number of things that have been scheduled.

10 We have today scheduled a Council
11 Committee of the Whole. What we are getting ready
12 to do right now is take testimony on a resolution
13 which will be read later, which essentially provides
14 for a conditional approval of the Kvaerner
15 Shipbuilding deal.

16 (Applause.)

17 PRESIDENT STREET: Thank you.

18 We also have in front of the Council
19 Committee of the Whole a resolution regarding the
20 PGW/QST proposal, that PGW joint venture with QST to
21 sell electricity.

22 This resolution will be heard after
23 the resolution regarding the Kvaerner deal. And if
24 there is anyone here who would like to testify on
25 that resolution, I can tell you it will be not

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2 coming up until later in the day.

3 We will notify representatives of PGW
4 when they should return to the chambers. So I don't
5 want to keep people here unnecessarily, if you are
6 interested in the PGW/QST resolution.

7 At 1 o'clock we have a scheduled
8 meeting of the Council Committee on Labor and Civil
9 Service. It is our plan at this time to proceed
10 with that hearing.

11 It is my understanding, at the
12 request of Councilman Mariano, that we proceed with
13 that hearing. Significant arrangements have been
14 made to have witnesses, and we want to have that
15 hearing.

16 It is also my understanding that we
17 have a 3 o'clock Licenses and Inspections scheduled
18 hearing that we wish to have.

19 So that we will have the 1 o'clock
20 hearing. We will have the 3 o'clock hearing. In
21 the meantime, we will get as far as we can on the
22 resolution on the Kvaerner deal.

23 If we do not get finished by 1
24 o'clock and by 3 o'clock, we will recess. And we
25 will either continue with the hearing either later

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2 on this afternoon, depending on how long those other
3 hearings take, or early in the morning.

4 But we will finish this whole
5 Kvaerner discussion in time to consider it at the
6 Council session for tomorrow.

7 I appreciate very much the
8 Administration's cooperation with City Council in
9 this.

10 We will have our discussion completed
11 in time to vote on that resolution at our Council
12 session tomorrow, even if we have to delay the
13 session, have part of it, recess. But we will make
14 sure we complete this discussion.

15 Is there any member of Council who
16 has any question about what we would like to do in
17 this regard?

18 As soon as the Mayor arrives, we will
19 start testimony on Resolution No. 970801, and we
20 will proceed with the consideration of the Mayor's
21 testimony and other witnesses' testimony, and we
22 will work through lunch, if necessary, until it is
23 time for the Labor and Civil Service hearing.

24 If we have to do the PGW/QST meeting
25 tomorrow, hear the resolution tomorrow, we will do

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2 that. We will go as far as we can on the Kvaerner
3 resolution.

4 It is my understanding that the Mayor
5 is here. And we would appreciate very much if the
6 Mayor would take the witness stand at this time.

7 (Applause.)

8 PRESIDENT STREET: Thank you very
9 much.

10 At this time the Council Committee of
11 the Whole will come to order.

12 Today we will take testimony on
13 Resolution No. 970801, which is a Resolution
14 approving the execution of a Lease and Master
15 Agreement between the Commonwealth of Pennsylvania
16 and the Delaware River Port Authority, Philadelphia
17 Authority for Industrial Development, and Kvaerner,
18 Inc., for the development by Kvaerner of a
19 shipbuilding facility within the Philadelphia Naval
20 Business Center Tax Increment Financing District,
21 under certain terms and conditions.

22 We appreciate very much the Mayor
23 being with us. And at this time, if there are no
24 questions from any member of Council, we will
25 proceed directly with the Mayor's statement.

1 RESOLUTION 970801

2 Good morning, Mr. Mayor.

3 MAYOR EDWARD G. RENDELL: Good
4 morning, Mr. Council President. I would like to
5 thank you all for that ordinary and typical welcome
6 for my arrival.

7 (Applause.)

8 MAYOR RENDELL: Mr. President, let me
9 begin by thanking you for the opportunity and
10 thanking all the members of Council for the
11 opportunity to come before you and address some,
12 what I believe, are legitimate concerns that have
13 been raised by this Council.

14 This has been an unusual deal, but it
15 has been an unusual deal because of what have been
16 from the very beginning, from 1991 when this city
17 and this region received the word that the
18 Philadelphia Naval Shipyard would be closed, it has
19 set off a very painful, unusual, and unique in this
20 city's history chain of events.

21 That chain of events went through our
22 efforts to convince Meyer-Worth to come to the naval
23 shipyard, and other efforts which I will delineate a
24 little bit later, that culminated with the
25 Memorandum of Understanding that the Governor and I

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2 signed with the Kvaerner officials in Rastatt,
3 Germany.

4 And it has been an unusual chain of
5 events and an unusual period of time. But I believe
6 it was one of the most crucial things that we as a
7 city had to deal with.

8 And I believe for reasons that I
9 will, again, set forth in my brief testimony, I
10 believe it is a tremendously beneficial resolution
11 that we are close to reaching here today, tomorrow
12 in City Council, and hopefully as early as next
13 week, when Kvaerner folks will be in Philadelphia
14 again, hopefully, and the Governor and I and others
15 from the Delaware River Port Authority and others
16 will sign a final document.

17 Council had every reason to be
18 concerned about what was in that document. I think
19 the Project Summary that Mr. Hankowsky has prepared
20 and has been distributed to City Councilmembers
21 addresses the elements of this deal as fully and
22 completely and as forthrightly as possible.

23 During my testimony, I will offer an
24 amendment -- or, not an amendment in the legislative
25 sense, but I will ask that we delete one brief

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2 portion of that Project Summary and replace it with
3 some what I believe is very good news for all of us,
4 and for this City Council, as well.

5 So with that, let me begin by
6 focusing. And my testimony is going to break down
7 into the following areas:

8 One, I am going to talk about the
9 financing of the deal. Two, I want to talk about
10 the nature of the shipbuilding industry worldwide.
11 Three, I want to talk about what the City of
12 Philadelphia's return on this deal will be. And
13 then, fourth, I do want to, as I say, offer
14 clarification, or a change, in part of the Project
15 Summary that has been offered up.

16 I know that many of the
17 Councilmembers are aware of this, of these figures.
18 But I do think it is important to outline the
19 figures as to what public financing is going into
20 bringing Kvaerner, what we call Kvaerner
21 Philadelphia, Inc., to the Navy shipyard to
22 rehabilitate two buildings, to build two new
23 buildings, and to build a huge roof over one of our
24 dry docks, and really to change forever 144 acres
25 and two dry docks of our defunct Philadelphia Navy

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2 Shipyard.

3 The Commonwealth of Pennsylvania is
4 providing \$227 million towards the total public
5 financing of this project.

6 \$182 million of it, as you know, is
7 in a Capital Budget grant that was approved by the
8 Pennsylvania legislature. \$25 million comes in
9 training dollars, JPTA dollars. And there is a \$20
10 million PIA loan, which amounts to the \$227 million
11 of public financing from the Commonwealth.

12 The Delaware River Port Authority,
13 led by Ed, its great Chairman, and Mr. Stamatakis,
14 who is with us here today, has granted this project
15 \$65 million in funding.

16 The federal government, in a
17 combination of Defense Department grant and
18 Department of Labor grant that Vice-President Gore
19 announced last week, will give 75 million to the
20 direct costs of this project.

21 The City of Philadelphia is putting
22 into this project a \$19 million grant from our
23 Economic Conversion Fund.

24 This is \$50 million that we received
25 from the Clinton Administration in 1994 to help with

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2 the economic conversion of the Navy Yard and base.
3 We have used some of that money already on other
4 projects.

5 It is a fund that must exclusively be
6 used to help convert the base property and the yard
7 property economically. It cannot be used in any
8 area of this city other than the yard.

9 It is federal pass-through monies
10 that we do control, but must be solely used for the
11 conversion of the base and yard property.

12 We were also going to offer into this
13 project financing a \$10 million HUD 108 loan. All
14 of you are very familiar in Council with 108 loans.

15 It is a program that was really
16 expanded dramatically by Secretary Sisnarose, where
17 we are able to borrow against future CDBG
18 allocations for both housing and economic
19 development projects.

20 And in addition to that \$29 million,
21 \$30 million of the financing of this will be a Tax
22 Increment Financing Note, which will be, in fact,
23 financed by approximately just over \$3 million a
24 year in the taxes that will be produced in Real
25 Estate taxes, Use and Occupancy taxes, and Business

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2 Privilege taxes from the operation of these 144
3 acres and two dry docks by Kvaerner Philadelphia.

4 All told, it brings the public
5 financing to \$429 million.

6 Kvaerner has agreed to contribute
7 \$215 million in financing to this project. \$80
8 million of that is in the three ships that they will
9 produce and take the responsibility of selling. But
10 that is a direct Kvaerner investment.

11 \$15 million of that is in their
12 initial equity investment over the first five
13 years. And \$120 million is their requirement that
14 they invest in the yard from Year 6 through Year
15 15.

16 The total altogether of Kvaerner's
17 investment in this project is \$215 million, which
18 brings the total investment in the project, both
19 public and private, to \$644 million.

20 The incentive that Council is asked
21 at this hearing to vote for is the \$30 million Tax
22 Increment Financing Note.

23 It is less than 7 percent of the
24 total government financing and 4 percent of the
25 total investment made in this project.

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2 If you take all of the money that the
3 city is putting in, which is Economic Conversion
4 Fund, federal pass-through money, HUD 108 loans, HUD
5 pass-through money, federal pass-through money, and
6 the \$30 million TIF, our \$59 million represents 9
7 percent, 9 percent of the total project costs of
8 this transaction.

9 And Council is being asked to confirm
10 the use of these future tax revenues consistent with
11 the already created Philadelphia Navy Yard Tax
12 Increment Financing Districts.

13 And, as I said, these revenues are
14 projected to total just over \$3 million a year.

15 So that is a brief, but concise and
16 correct, outline of the federal funds, state funds,
17 DRPA funds, city pass-through dollars that are going
18 into this project, and the investment by Kvaerner
19 itself.

20 When we look at this \$644 million
21 package, of which \$429 million are government public
22 funds, the question has been raised by a number of
23 people, isn't this a very rich subsidy?

24 Well, to answer that question, I
25 think, first you have to look at the nature of the

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2 shipbuilding industry worldwide.

3 There is probably no industry in this
4 world that is as highly subsidized throughout the
5 world as shipbuilding.

6 We face competition from Asia,
7 Europe, Latin America, and the competition is
8 fierce.

9 American shipbuilding was at its low
10 ebb in the last three years of the decade of the
11 '80s, when only one commercial ship was produced by
12 American yards. Only one in three years. That was
13 the extent of the battering we were getting by the
14 subsidized foreign competition.

15 Thanks to President Clinton and
16 Vice-President Gore's shipbuilding initiative that
17 was launched also in 1994, we are doing better.

18 Right now American yards across the
19 length and breadth of this country have in
20 production 19 ships, 19 commercial ships. A
21 significant improvement from where we were in the
22 late '80s, but nowhere near where we were when this
23 country dominated the shipbuilding industry
24 throughout the world.

25 We believe, and so does President

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2 Clinton and Vice-President Gore, that having a
3 shipbuilding company like Kvaerner, with its skill
4 and its talent, its technology, its reach, and its
5 breadth come to Philadelphia is not only a great
6 thing for Philadelphia, for this region, and for the
7 state, but a great thing for the United States of
8 America, and, most of all, for the working men and
9 women who will build these ships and produce the
10 goods that are necessary to fuel these ships.

11 So if you understand the nature of
12 the industry and the history of the industry, this
13 is a good deal. And let me just give you one frame
14 of reference.

15 As you know, Governor Ridge and
16 myself and Bill Hankowsky and Terry Gillen went to
17 Rastatt, where we signed the Memorandum of
18 Understanding with the Kvaerner officials.

19 And in Rastatt, we saw a shipyard
20 that had essentially been totally rebuilt by
21 Kvaerner. It had been taken from a moribund, dead
22 shipyard, and revitalized into one of the most
23 active and productive shipyards in the world.

24 The German government, the unified
25 German government, gave Kvaerner Mosel a \$600

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2 million subsidy in public German funds to recreate
3 that yard, basically along similar lines to the way
4 that the 144 acres of the Philadelphia Naval
5 Shipyard will be recreated.

6 So it is fair to say that Germany
7 spent almost a third, again, what the public
8 investment is in this project for, basically, the
9 same results, the total revitalization of a
10 once-dead, dying shipyard.

11 And, again, I wish funds would have
12 allowed every member of this Council, every member
13 of the Pennsylvania legislature, every member of
14 Mannie's Board -- and, of course, Mannie accompanied
15 us and signed the documentation -- to allow every
16 one of them to have gone to Rastatt.

17 Because I am sure Mannie will tell
18 you in his testimony, it was incredible what we saw,
19 the technology, the vibrance, the dynamism of that
20 yard, working men and women earning good, terrific
21 salaries and good benefits.

22 It was an inspiration to see the way
23 this yard had come to life.

24 So I think in balance, looking at the
25 deal overall, it is an excellent deal for the

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2 citizens of Pennsylvania and for the people of the
3 Delaware Valley.

4 For Philadelphia, it is a great
5 deal. No if's, and's, and but's about it. It is a
6 great deal.

7 Because understand that we are
8 receiving -- and I want to make sure I have the
9 exact amount -- \$585 million of investment; \$215
10 million from Kvaerner, 370 million from DRPA, the
11 federal government and the state government.

12 We are receiving that investment,
13 that total of \$585 million of investment, and we are
14 not spending \$1 of our current Operating or Capital
15 Budget.

16 We are getting \$585 million in
17 investment into the City of Philadelphia, and not
18 spending \$1 of Capital or Operating funds.

19 (Applause.)

20 MAYOR RENDELL: The \$19 million in
21 the Economic Conversion Fund are federal dollars
22 given to the city by the Clinton Administration.
23 They can only be used down at the Navy Yard.

24 The \$10 million HUD 108 loan is, in
25 fact, a loan, but is guaranteed by a federal

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2 program, HUD 108.

3 And the \$30 million that we will
4 expend on the Tax Increment Financing Note, those
5 are dollars -- and I will get into this just a
6 little bit later -- that would never have existed
7 without this deal.

8 We are giving up nothing. Because if
9 we don't do this deal -- and I know that is not
10 going to happen; I know that every member of this
11 Council realizes how significant this is to the
12 working people of Philadelphia and this region --
13 but if we were not to do that deal, understand the
14 tax revenues we are giving up, Business Privilege
15 tax, Use and Occupancy tax, and Real Estate tax,
16 wouldn't exist.

17 Nor -- and I will talk about this in
18 a moment -- is there an alternative for use of this
19 144 acres that would produce any tax revenues.

20 Understand, this acreage is not
21 producing tax revenue now. And without the Kvaerner
22 project, there is an overwhelming likelihood that it
23 would not produce tax revenues in the future.

24 So we are giving up nothing for \$585
25 million of investment. And what will our return as

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2 a city be?

3 Our return as a city will be, number
4 one, and most importantly, jobs.

5 (Applause.)

6 MAYOR RENDELL: Now, in my six years
7 as Mayor -- and while I was not here and while I
8 wasn't Mayor for the base closure announcement --
9 but in my six years as Mayor, I have had many
10 occasions to go down to the yard, to go down to the
11 yard as we were working on the last several ships.

12 I was down at the yard as the KENNEDY
13 sailed, the USS KENNEDY sailed, and to the yard to
14 begin the final work.

15 I was there as the KENNEDY left. I
16 looked into the faces of the men and women who were
17 really heroes and heroines.

18 To this day, my mind boggles at the
19 effort that the remaining almost 4,000 workers put
20 forth on the KENNEDY.

21 They knew that when the KENNEDY
22 sailed out of Philadelphia, their jobs were over.
23 But they cared so much about what they had done and
24 what they had created at the Philadelphia Navy
25 Shipyard -- and understand that the day that it was

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2 closed, announced to be closed, the Philadelphia
3 Naval Shipyard was the only government shipyard
4 turning a profit. The only government shipyard in
5 the United States of America turning a profit.

6 I don't believe that that type of
7 skill and energy and dedication should have been
8 rewarded with closure in the first place. It was
9 the only government shipyard turning a profit.

10 And these men and women had enough
11 pride in what they did, that they finished the
12 KENNEDY on budget and two weeks early.

13 They finished it and worked
14 themselves out of the last two weeks of remaining
15 salary. And many of these men and women had no idea
16 where the next paycheck was coming.

17 And I, over six years, have looked in
18 the faces of those individuals. I have talked to
19 many of them. I have talked to them in large
20 groups; I have talked to them one on one. And it is
21 a sad and tragic tale.

22 And today and tomorrow and next week,
23 all of us will have the opportunity to bring hope
24 back to that work force and hope back to that Navy
25 Yard.

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2 There is no doubt that there will be
3 a thousand direct jobs created by this project.

4 There is also no doubt that there
5 will be a thousand direct and immediate supplier
6 jobs, what Bill Hankowsky refers to as "outside the
7 fence," created by this project. Then the
8 multiplier effect is subject to much debate.

9 Carnegie-Mellon, a very respected
10 university, one of the most respected in the state
11 and in the nation, has produced a study that, over
12 the next 20 years, Kvaerner will be responsible for
13 13,800 jobs. So a multiplier of almost 12,000 jobs,
14 on top of the 2,000 direct jobs.

15 I tend to be a little bit more
16 conservative. I believe that the multiplier we'll
17 see in the next half decade or decade will be three
18 to five thousand jobs.

19 Take the most conservative, the most
20 conservative cut of that, and those 3,000 multiplier
21 jobs, added to the 2,000 direct jobs, will produce
22 5,000 jobs.

23 And they are not just 5,000 jobs. As
24 the men and women who are here today in City Council
25 chambers can tell you, they are 5,000 good jobs.

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2 They pay in living wage. They have
3 significant benefits.

4 (Applause.)

5 MAYOR RENDELL: They allow workers to
6 not only provide the immediate needs of their
7 families, but to save money so that they can send
8 their kids to college, or that they can some day buy
9 their dream house. To do things that every American
10 family hopes that they have the opportunity to do.

11 There are very few things on the
12 horizon, almost none that will produce even the
13 low-ball estimate of 5,000 jobs for the City of
14 Philadelphia.

15 Many of you have heard me talk often
16 about riverboat gambling. And one of the reasons I
17 am such a strong advocate of riverboat gambling is,
18 it will produce six to seven thousand jobs for
19 Philadelphia and for Philadelphians. And jobs that
20 you don't have to have a college degree to hold.

21 But those five to six or seven
22 thousand riverboat gambling jobs are at the lower
23 end of the wage spectrum. Not at minimum wage.
24 They will be 18, 19, 20, 21 thousand dollar jobs
25 multiplied by overtime, but not jobs with the

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2 significance of these jobs.

3 And if we are going to have a vital
4 Philadelphia economy, we need those hospitality
5 jobs.

6 And the hospitality jobs have been a
7 God send to us. And in my judgment we will create
8 more and more and more of them in the next half
9 decade to a decade.

10 But we also need the good, hard,
11 honest, blue-collar jobs that pay good living wages,
12 that pay living wages, that pay wages that you can
13 build a family's hopes and dreams on and that you
14 can have an assured future.

15 So that's our number one return. It
16 is a return for people. It is a return for that
17 50-year-old who gave 31 years of his life to the
18 Philadelphia Navy Shipyard, and who was smart and
19 tough and effective and well trained and all of the
20 sudden, through no fault of his own, found himself
21 without a job.

22 That's the most immediate return. It
23 is the return of hope for many Philadelphians.

24 But, secondly, we will net as a city
25 a significant amount of tax revenues from this.

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2 Number one, although Business
3 Privilege, U & O, and Real Estate taxes go into the
4 TIF for the first 20 years, we will garner all of
5 the wage taxes of those 2,000 direct jobs. We will
6 garner all of the post-TIF taxes.

7 We anticipate, knowing Kvaerner's
8 skill, that this is going to be a yard that our
9 grandchildren and our great-grandchildren are going
10 to get the benefits of, because this yard will still
11 be going 30, 40, 50 years down the road.

12 And all of those post-TIF Real Estate
13 taxes, U & O taxes, and Business Privilege taxes
14 will be kicking into the city's treasury.

15 We will also get the wage tax of any
16 of the multiplier vendors that are located in
17 Philadelphia. We will get their Wage tax, their
18 Business Privilege taxes, all of their growth.

19 And we will get the Business
20 Privilege tax of any of the vendors, even whether
21 they be in Jersey or Delaware or in the Philadelphia
22 suburbs, who do business with Kvaerner.

23 Because if you are doing business
24 with Kvaerner, you are doing business with the City
25 of Philadelphia, and you are subject to our Business

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2 Privilege tax.

3 There will be no company that
4 supplies any good, item, or service to the Kvaerner
5 project that will be not subject to our Business
6 Privilege tax.

7 So the reward in increased revenue
8 for the City of Philadelphia is great. And I don't
9 have to remind this Council that the needs for that
10 increased revenue are enormous.

11 They are enormous so that we can
12 continue our economic development programs. They
13 are enormous so that we can continue the very proud
14 record we have of being the first Council and
15 Administration in decades to contribute money to
16 housing programs.

17 The needs are great because we can
18 use those revenues to continue and maybe even deepen
19 the tax cuts that we have given in Business and Wage
20 taxes, that are taking us down from being the number
21 one, most highly taxed business tax city in America,
22 and the number one highest Wage tax of any city in
23 America.

24 And we can use those revenues to deal
25 with the number of needs we have in our

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2 neighborhoods, whether it be after-school programs
3 in the rec center, whether it be street trees,
4 whether it be an expansion of our wonderful library
5 system, whether it be additional policemen or
6 additional firemen.

7 Whatever the needs, these additional
8 revenues will help meet those needs as we look to
9 the future of the City of Philadelphia.

10 Thirdly, the third benefit -- jobs,
11 revenues -- the third benefit will be that Kvaerner
12 Philadelphia will rekindle the Navy Yard portion of
13 the entire base and yard in a way that nothing else
14 can.

15 And I am going to let my colleague
16 and good friend, Mannie Stamatakis, tell you about
17 that from the perspective of the port and from the
18 perspective of the shipping industry, what a
19 dramatic effect having Kvaerner Philadelphia in the
20 Navy Yard will have on rekindling that yard.

21 I believe ten years from now you will
22 see an absolute virtual beehive of activity in the
23 yard because Kvaerner is here, even in businesses
24 that have no direct or even indirect relationship
25 with Kvaerner. And I will let Mannie go into that.

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2 And, lastly, where are we if we don't
3 do the deal?

4 Well, I said to you just a few
5 minutes ago that I believe that there was an extreme
6 likelihood that these 144 acres that are currently
7 generating practically no revenue would continue to
8 generate practically no revenue.

9 And why do I say that? Well, I say
10 that because I think I have been one of the primary
11 actors in the effort to redevelop this shipyard,
12 from the day that I became Mayor. And it has been a
13 rollercoaster. It has been an incredible
14 rollercoaster.

15 As we began to close in on the
16 Meyer-Worth deal, I cannot tell you the emotions
17 that I felt. I cannot tell you the optimism and the
18 anticipation I felt. I cannot tell you how I
19 worried over that deal like an expectant father.

20 And when it came crashing down around
21 us, it was a brutal reality to deal with.

22 We dispatched Mr. Cohen to
23 Papenburg. And literally I was on the phone at 2:00
24 in the morning Philadelphia time trying to reach
25 Meyer-Worth officials in that fateful weekend when

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2 our effort to reconstruct the deal also fell apart.

3 And then after my work fell apart --
4 we are nothing, if we are not dogged -- and at my
5 direction Mr. Hankowsky and Ms. Gillen sent out
6 letters to virtually every shipbuilding company in
7 the world, every company that we thought had the
8 financial wherewithal to develop a yard here in
9 Philadelphia.

10 And with the exception of Kvaerner --
11 and I will talk about Kvaerner in a second -- we
12 were met with a veritable stone wall. Nobody was
13 interested. Nobody was interested enough to even
14 begin preliminary discussions with us.

15 Fortunately, Kvaerner showed some
16 interest because of its overall expansion plans.

17 And even with Kvaerner, we had to do
18 an incredible sales job. And the Governor of the
19 State of Pennsylvania deserves an enormous amount of
20 credit for being the leader of that sales team.

21 And the trips to Norway and Finland,
22 and the trips of Kvaerner officials here, all done
23 without virtually anybody knowing what was going on,
24 those trips were frequent, the selling was intense.
25 The bartering and the negotiations was as focused as

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2 like to substitute, Mr. President, the following
3 language in that Project Summary to read as
4 follows.

5 That bullet should read, "To
6 implement an MBE/WBE program for the project which
7 would include good-faith goals for construction,
8 subcontracting, and construction employment similar
9 to those in the MBE and WBE plan for the CoreStates
10 Center," which I can add parenthetically this
11 Council approved, "and good-faith efforts to include
12 MBE/WBE firms in the operation of the shipyard and
13 the supplier/subcontractor infrastructure."

14 And the reason that we cannot set
15 even specific goals for the latter is because
16 Kvaerner does not know what the existing
17 contractor/supplier network is in the Philadelphia
18 region. They have no idea.

19 Some of their needs, for example,
20 will probably not be supplied by anyone in this
21 region; need for radar equipment, for example.
22 There is no one in this region that does that type
23 of production.

24 But they have indicated to us a real
25 good-faith interest in, once they are in operation,

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2 trying to develop, as best they can, legitimate and
3 achievable goals for suppliers/subcontractor
4 infrastructure.

5 And I think that is good news. And
6 they did it under their own volition, and they did
7 it because I told them that is something that we in
8 the City of Philadelphia consider to be very
9 important.

10 It is goals that are consistent with,
11 in terms of construction, the men and women who are
12 gathered here with us today did projects like the
13 Pennsylvania Convention Center and the CoreStates
14 Center under the operation of these goals.

15 And I will tell you without
16 hesitation -- and I am accused of being a cheer
17 leader or a chauvinist for the city -- but I will
18 tell you that these men and women and their
19 colleagues, under these goals, created flat out the
20 best convention center in America and the best
21 indoor sports arena in America.

22 (Applause.)

23 MAYOR RENDELL: And the reason I say
24 that is, conventioners, every convention that's in
25 town, just rave about our convention center. All of

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2 them say it is flat out the best that they have ever
3 seen.

4 And for those that access the center,
5 the CoreStates Center, say the same things.

6 I had the occasion Monday night in
7 Washington to go to the new MCI Center. And it is a
8 very, very nice building. Can't hold a candle to
9 the CoreStates Center. Not a candle to the
10 CoreStates Center.

11 We did a great job, and we did it
12 pursuant to those goals. And we will do it again,
13 working with the great folks at Kvaerner.

14 And I am real pleased. And I want to
15 thank Detreich specifically. As I said, he is
16 leaving Kvaerner to become head of the largest oil
17 company in Norway.

18 And someone told me that's the best
19 job in the Country of Norway, the one that he is
20 going to.

21 But he has been a champion. He has
22 understood Philadelphia and our environment. He has
23 worked hard to do that. And I think this is going
24 to be a great, great relationship.

25 I thank Council for its support up to

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2 now. And, again, I thank you for all agreeing to
3 this compromise. I think it will work tremendously
4 well for Council and the people of Philadelphia, and
5 well for Kvaerner, additionally.

6 So, Mr. President, I would, with your
7 permission, yield the microphone to Mr. Stamatakis.

8 (Applause.)

9 PRESIDENT STREET: The Chair
10 recognizes Mr. Stamatakis and asks him to please
11 identify himself for the record and identify his
12 official role at the Delaware River Port Authority.

13 MR. MANUEL STAMATAKIS: My name is
14 Mannie Stamatakis, and I am Chairman of the Delaware
15 River Port Authority.

16 PRESIDENT STREET: We would also like
17 to know, do you have your limousine with you today?

18 MR. STAMATAKIS: It is out front.

19 Good morning, Mr. President and
20 members of City Council.

21 My name is Mannie Stamatakis, and I
22 am the Chairman of the Delaware River Port
23 Authority.

24 I am honored to appear before you
25 today to discuss one of the most significant

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2 people and understand the challenges confronting
3 them, I am sure you will do the right thing and
4 contribute to the revitalization of the Philadelphia
5 Naval Shipyard and the restoration of America's
6 pride of place as a center of shipbuilding and
7 repair.

8 As such, it is important that
9 everyone recognizes that this project is much more
10 than an economic development project. This project
11 is about revitalizing an industry. First in this
12 region, and then in our country.

13 It is ironic that Philadelphia should
14 be the place to jump-start commercial shipbuilding
15 once again, because shipbuilding began right in this
16 country, right here, over 200 years ago.

17 For years the United States was one
18 of the top shipbuilding companies of the world.
19 Today we rank 23rd.

20 Since 1990 we have lost 25,000
21 shipbuilding jobs. And if we don't reverse this
22 trend, we could lose 50,000 more jobs by the turn of
23 the century.

24 The Industrial College of the Armed
25 Forces, which is part of the National Defense

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2 University located in Washington, D.C., recently
3 published a study on shipbuilding that stated, "The
4 shipbuilding industry is vital to the United States
5 national security strategy."

6 Recent cuts in the Department of
7 Defense procurement budgets have called into
8 question the viability of an industry that has
9 relied exclusively upon naval ship construction for
10 the last two decades.

11 Even if a few U.S. shipyards are to
12 remain in business, they must reenter the commercial
13 shipbuilding market.

14 To regain even a small percentage of
15 that market, U.S. shipbuilding firms must learn to
16 build ships competitively by streamlining their
17 management structures, employing new manufacturing
18 processes, and revitalizing their labor force.

19 Today, only seven privately owned
20 yards are producing large vessels in the United
21 States.

22 I believe this is why the President
23 and Congress felt this project was important enough
24 to appropriate \$75 million.

25 The study goes on to say, "U.S.

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2 shipbuilders are losing ground to foreign
3 competition." But as the market grows, U.S.
4 shipbuilders have a chance to regain some of the
5 market share lost in the '80s and '90s, and can do
6 so if they streamline their operations, make
7 significant capital investments, and adopt process
8 improvements to raise productivity."

9 The study noted that in order to be
10 profitable in the international shipbuilding market,
11 U.S. shipbuilders must overcome the technological
12 advantages enjoined by foreign competitors.

13 Their challenge is to choose the
14 right new technologies, to recapitalize the U.S.
15 shipbuilding industry.

16 The new technologies include
17 state-of-the-art computer-assisted design and
18 computer-assisted manufacturing systems for the
19 design, installation, and future maintenance of ship
20 hulls, models, modules, and systems.

21 Foreign shipbuilders concentrate on
22 perfecting methods of ship design, steel work,
23 outfit drawing preparation, production, design, and
24 project planning before assessing the need for
25 computers to support them.

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2 In particular, the Norwegians have
3 significantly reduced their production times and
4 costs by improving processes.

5 They are considered to be the best in
6 class for modularization and other production
7 processes.

8 In addition, Norwegian shipbuilders
9 are particularly successful in ergonomically
10 planning the yards themselves. They consider the
11 space needs of the fabricators, installers, and
12 assemblers involved in the production process, and
13 make significant investments in process improvement
14 techniques.

15 Their finely tuned yard layouts are
16 fully integrated with their production methods,
17 which result in cost benefits in processes such as
18 fabrication, grinding, painting, and fit-up.

19 The study states that the commercial
20 shipbuilding forecast looks promising, compared to
21 that of naval shipbuilding. And this study was
22 written before we undertook this project.

23 Some forecasts show that there is an
24 estimated 300 to 400 billion in existing pent-up
25 demand for the new building of world fleets.

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2 the world with a proven track record in turning
3 around the shipyard in shipbuilding communities.

4 And as the Mayor mentioned, Kvaerner
5 did this in the Varner Yard in Rastatt, Germany.

6 When they took that yard over in
7 1992, the yard was dying. The German government was
8 unifying, and they could have selected a German
9 shipbuilding company. But, instead, they chose a
10 Norwegian company by the name of Kvaerner.

11 And after five years, which is the
12 amount of time that we have allocated for our
13 transition period, they have turned that yard around
14 to the point where recently they took orders for
15 container ships in competition with Korea, Japan,
16 and the Far East.

17 Clearly, the Varner yard is now
18 globally competitive, and Kvaerner's plan is to make
19 this Philadelphia yard competitive globally.

20 Kvaerner is a large company. It has
21 the financial wherewithal to take this project on.
22 Their operating revenues are \$9 billion. Their
23 assets are \$8 billion. They made \$160 million last
24 year shipbuilding. And their net worth is \$1.5
25 billion.

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2 Why Philadelphia? Because the
3 Philadelphia yard provides the best infrastructure
4 for reestablishing commercial shipbuilding.

5 The dry docks that we have at that
6 yard are impossible to replace, and their value is
7 in the hundreds of millions of dollars.

8 And Philadelphia also has a work
9 force, a work force that knows what to do, with
10 years of experience.

11 It has a history and, most important,
12 it has the leadership from Governor Ridge and Mayor
13 Rendell and other elected officials to make this
14 project happen.

15 Kvaerner's vision for Philadelphia is
16 to create a world-class competitive yard, a yard
17 that will focus on container ships and tanker ships,
18 and hopefully will ultimately build cruise ships
19 here.

20 Kvaerner would like to build nine
21 ships during the transition period. And their
22 Business Plan calls for building five ships a year
23 thereafter.

24 The efficiency of the yard will be of
25 compact layout, modern building strategies, steel

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2 people worked a long time to bring this project to
3 the point that we are.

4 The Mayor mentioned the study
5 prepared by the Carnegie-Mellon University. And I
6 just want to share with you some of the comments
7 from that study.

8 The study says that the analysis
9 concludes that the proposed project will yield
10 substantial returns to the region and to the
11 Commonwealth, in terms of the number of
12 high-quality, high-skilled permanent new jobs that
13 will be created.

14 Increased tax revenues will accrue to
15 both the state and local governments as a result of
16 the new business venture, the introduction of
17 dynamic new technologies and manufacturing
18 techniques that will be diffused throughout the
19 region, and the potential for Philadelphia to become
20 the shipbuilding center of the United States.

21 There are other advantages. The
22 Philadelphia yard will be Kvaerner's most extensive
23 use of just-in-time production.

24 Kvaerner will, therefore, become an
25 agent for introducing new techniques and technology

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2 faster, the system will make Pennsylvania the launch
3 point for a range of technologies.

4 Kvaerner brings to Philadelphia and
5 to the United States high-value manufacturing,
6 high-value ship design and construction, new labor
7 management practices, new relationships and
8 opportunities for suppliers and vendors across the
9 region and the state and the nation.

10 In short, Kvaerner is a radical and
11 necessary departure from the status quo here in the
12 United States.

13 The United States has demonstrated
14 that it can hold onto its high-value manufacturing
15 base. We only need to look to the rebirth of the
16 U.S. auto industry for proof.

17 A few years ago people were thinking
18 that maybe Japan was going to take over Detroit's
19 place, but today Detroit is back.

20 We can also see evidence in other
21 industries, like steel and aircraft.

22 Kvaerner can be to Philadelphia what
23 Boeing is to Seattle, or what Honda is to Ohio.

24 We will once again be able to stand
25 tall in the world market. And the economic

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2 generator that makes this possible will be located
3 right here at the foot of Broad Street.

4 This project is also critical to
5 reinvigorate our ports, so that we as a port
6 community can stand tall.

7 A great part of our regional economy
8 depends on the many industries along the waterfront;
9 port facilities, railroads, steel mills, refineries,
10 and, hopefully, the shipyard.

11 And we cannot forget the important
12 role that our unions will play in this project.

13 (Applause.)

14 MR. STAMATAKIS: To succeed, union
15 workers must be an integral part of the project.

16 (Applause.)

17 MR. STAMATAKIS: While we have every
18 reason to believe that we will successfully conclude
19 our agreement with Kvaerner, we are not there yet.

20 And even when we do conclude the
21 agreement, it will take hard work and cooperation to
22 make this effort succeed.

23 I believe we can succeed, but it is
24 critical to our success to bring our entire
25 community on board.

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2 I applaud Governor Ridge and Mayor
3 Rendell for having the courage and the vision to
4 move this project forward.

5 And I want to thank City Council and
6 President Street for their willingness to listen and
7 to help with this project.

8 In conclusion, ladies and gentlemen
9 of City Council, I want to thank you for giving me
10 the opportunity to speak with you this morning.

11 As I indicated earlier, the future is
12 quite literally in your hands. Many people of good
13 will have worked very, very hard to make the
14 Kvaerner dream a reality. Today I invite you to
15 fulfill your historic role.

16 Thank you.

17 (Applause.)

18 PRESIDENT STREET: Thank you very
19 much.

20 I would like to express my personal
21 appreciation to the Mayor for being willing to be
22 with us today and for bringing Mr. Stamatakis.

23 (Applause.)

24 PRESIDENT STREET: I have to tell you
25 that over the course of the last six years in

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2 particular, he and I have had a unique working
3 relationship.

4 And I think the fact that he is here
5 today, and that we have placed ourselves in a
6 position where we can meet the objectives of this
7 Council, satisfy its legislative prerogatives, and
8 get done what we need to get done, on time and in a
9 way that's fair and reasonable to this Council and
10 to the citizens of Philadelphia, is, once again, a
11 tribute to what we regard as being the best run and
12 the best operated local government in the entire
13 country.

14 The Mayor has informed me that he
15 really does have a number of other things that he
16 has to do today. He is willing to entertain as many
17 questions as possible, although he is on a little
18 bit of a string. We appreciate his willingness to
19 be here.

20 Mr. Hankowsky will be around to
21 answer all of the hard questions, as always is the
22 case.

23 But I believe that there are a couple
24 of Councilmembers who would like to be heard at this
25 time. And I will hear them in this order: First,

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2 Councilwoman Tasco.

3 COUNCILWOMAN TASCO: Thank you.

4 Good morning, Mr. Mayor and

5 Mr. Stamatakis.

6 I just want to make a comment to say
7 that I thank you for coming this morning and want
8 you to know that I can appreciate the need to create
9 economic and employment opportunities here in
10 Philadelphia.

11 But I want you to know that I was not
12 going to sign off on a Don-King-type contract, with
13 nothing in the middle.

14 What I want to say to you, and the
15 Mayor, that you can appreciate the concern of us on
16 City Council, who sought to have additional
17 information before we signed and agreed to the
18 resolution.

19 Because in this morning's Inquirer,
20 relative to First Union, Backtrack On Area's Role In
21 Merged Bank, we can see that you weren't aware of
22 some things that were going on relative to that
23 merger.

24 And so the need to know is very
25 important to those of us who have a responsibility

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2 to the taxpayers of this City of Philadelphia.

3 So that's why we require, at least I
4 require, that we have some information relative to
5 this contract.

6 And I have a lot of questions that we
7 will ask Mr. Hankowsky. But I want to make it
8 clear, and I hope the people in this room will
9 understand, and that you, Mr. Hankowsky and
10 Mr. Stamatakis, will make it very clear that this is
11 not going to be the kind of Navy Yard that we are
12 used to.

13 Mr. Stamatakis, during your
14 testimony, you kept talking about new technology.
15 And new technology brings different kinds of jobs.

16 And we have to make it very clear to
17 the members of this union in this room that these
18 jobs are highly skilled, technical positions. There
19 are only a few, 500-and-some.

20 And we need to be clear on what kind
21 of jobs they are. Are they going to be the jobs
22 that these union members can qualify for, or are
23 they going to be jobs for engineers and those people
24 who know how to use computers? I want those
25 questions answered.

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2 So my concern, in knowing what the
3 details are, are in the interest of the residents of
4 the City of Philadelphia, so that you know what you
5 are in here for, agreeing to, and applauding. That
6 you in the end will benefit, and not that you
7 supported something that you will not benefit from.

8 So I am very concerned about what
9 kinds of jobs they are and the levels of jobs.
10 Because it is new technology; it is not the Navy
11 Yard as we know the Navy Yard to be. It is a
12 different kind.

13 And I am sure Mr. Hankowsky will make
14 that clear during the course of the testimony.

15 Again, Mr. Mayor, thank you. And I
16 am glad that you and the President were able to work
17 out some way that we would be able to give
18 consideration to this contract today.

19 (Applause.)

20 MAYOR RENDELL: If I can just respond
21 very briefly, Mr. President.

22 I did, and I think at all times I
23 understood, the concerns of Council.

24 But the First Union analogy I don't
25 think is an accurate one because we were not a party

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2 to that negotiation. We were not the negotiating
3 party.

4 In this transaction, we are a party
5 to the negotiation. And the Project Summary that's
6 being submitted to you by Mr. Hankowsky does, in
7 fact, include every important element of this
8 transaction.

9 Having said that, I think the
10 compromise that we worked out was beneficial for
11 everyone.

12 And, secondly, as to the training, it
13 is true that this is a different type of yard. But
14 let me begin by saying the construction jobs -- and
15 there will be many construction jobs, which I didn't
16 mention in my testimony --

17 (Applause.)

18 MAYOR RENDELL: -- those construction
19 jobs will be done the same way the CoreStates Center
20 was and the Convention Center. Because those are
21 the best methods available for construction in this
22 country, and we have them here.

23 (Applause.)

24 MAYOR RENDELL: Secondly, as to the
25 displaced workers, Navy Yard workers, what

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2 (Applause.)

3 PRESIDENT STREET: The Chair
4 recognizes Councilwoman Clark.

5 COUNCILWOMAN CLARK: Thank you,
6 Mr. President.

7 I would like to express my
8 appreciation for the explanation which we have
9 received in detail today, because understanding
10 permits us to make an informed judgment.

11 And when we were insisting on greater
12 information, it was so that we could more fully
13 carry out our elected duties, which is to represent
14 all the people in the City of Philadelphia.

15 I am particularly pleased that the
16 language which the Mayor had circulated to us today,
17 which substitutes for a shorter paragraph, gives us
18 an example of a recent large-scale development.

19 We won't fight over what a good-faith
20 effort is. But between us we will know that it
21 means more than passing, more than a hit and a miss,
22 as my mama used to say; but the real go shape the
23 bushes, do everything to make sure that inclusivity
24 marks this project of all people who in the past
25 have watched their jobs go somewhere else.

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2 I thank you for the intensity of this
3 explanation. And I am glad that, Mr. President, we
4 have reserved the right, on further examination of
5 these and all of the supporting documents from which
6 this summary was drawn, to again either approve or
7 raise a question, so that at all times we will all
8 be on the same page.

9 And again to you and Mr. Stamatakis,
10 I appreciate the briefing today.

11 MAYOR RENDELL: Thank you,
12 Councilwoman Clark.

13 And I want to say that when you get
14 the final documents, there will be specific goals as
15 to the construction portion of this project, very
16 much similar to what we all approved for the
17 CoreStates Center.

18 PRESIDENT STREET: Thank you very
19 much.

20 The Chair recognizes Councilman
21 DiCicco.

22 COUNCILMAN DiCICCO: Thank you,
23 Mr. President.

24 Good morning, Mayor. I want to take
25 this opportunity to thank you for being here today.

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2 And during the approximately two
3 years that I have been in Council, I have had the
4 pleasure of standing next to you on a number of
5 occasions where we had both either cut the ribbon or
6 threw the switch to create new jobs and development.

7 And each of those things that we have
8 performed, as recent as last night at the Reading
9 Terminal, are all important to the City of
10 Philadelphia, to the economic growth, and in
11 creating jobs and doing the things that are
12 important for this region.

13 But, in my opinion, there is probably
14 nothing, as you have stated in your testimony and
15 Mr. Stamatakis has stated this morning, is probably
16 nothing more important than what is going to take
17 place at the Philadelphia Navy Yard.

18 On behalf of myself, my constituents,
19 the great men and women here today representing the
20 unions and the union leaders who worked hard, and in
21 particular PIDC and all the folks over at PIDC, I
22 want to take this opportunity to thank you for
23 moving this great city forward.

24 And it has been a pleasure. Anything
25 you need me for, I will be there. You had my vote

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2 from the beginning, and you have my vote to the
3 end.

4 (Applause.)

5 MAYOR RENDELL: Mr. President, I
6 would like to thank Councilman DiCicco for those
7 remarks, and particularly for clearing up what he
8 meant about throwing the switch.

9 There has been a prior Mayor who
10 talked about throwing the switch, as well. But he
11 meant throwing the switch to turn on lights or
12 signs, or whatever.

13 So with that explanation...

14 PRESIDENT STREET: Thank you very
15 much.

16 The Chair recognizes Councilwoman
17 Fernandez.

18 COUNCILWOMAN FERNANDEZ: Thank you,
19 Mr. President.

20 I too want to thank you, Mr. Mayor,
21 Mr. Stamatakis, for coming today, and mainly laying
22 out in such a clear, concise way the economic
23 benefits of this project, and also so clearly
24 articulating, essentially, what the cost is for us
25 here in the city.

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2 And as you so clearly stated, the
3 costs, there are no investments here out of our
4 current Operating or Capital Budget, but basically
5 funds and tax resources from the Business Privilege
6 tax, part of the Property tax, and part of the U &
7 O.

8 Those monies that we will get if the
9 project goes through will be used to pay back the
10 loan. So, again, unless the project goes forward,
11 those are tax monies we would not realize.

12 And, in addition, as the backup
13 material notes, there are other taxes, Wage taxes,
14 that will come both to the city and the School
15 District.

16 So it will be a net plus for us, in
17 addition to all the jobs and employment for people
18 in the region.

19 So I want to thank you for laying it
20 out so clearly. But also wanted to ask, you had
21 said quickly, and I wasn't certain if I heard you
22 right, that you expect to conclude the negotiations
23 next week?

24 MAYOR RENDELL: Hopeful.

25 VOICE: Do it now.

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2 Mr. President.

3 Good morning, Mr. Mayor. And before
4 I make any of my usual caustic remarks, I also
5 wanted to welcome you to Council.

6 We have been looking for you for some
7 time. I am glad you were able to make it to be here
8 with us this morning. I do have a couple of
9 questions for you.

10 From the Project Summary on Page 3,
11 there is mention made of the Philadelphia Shipyard
12 Development Corporation, PSDC.

13 And I just wanted to inquire as to
14 whether or not the creation of this entity in some
15 way limits the city's control or involvement as to
16 what happens down at the shipyard, given the
17 composition of the appointments to be made.

18 I understand that you will be making
19 some appointments, the Governor makes some, and the
20 DRPA.

21 Could you comment on PSDC?

22 MAYOR RENDELL: It only affects the
23 Kvaerner tract. It doesn't affect the yard in
24 general, number one.

25 And, number two, our ability to

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2 oversee this agreement in no way, shape, or form is
3 compromised.

4 COUNCILMAN NUTTER: Okay.

5 Lastly, in terms of questions for
6 yourself, I also notice on the same page, in that
7 same section, it talks about the initial term of the
8 deal being 17 years, with options to renew at least
9 for an additional 82 years, although previous news
10 reports just seem to indicate that it was a flat out
11 99-year lease.

12 Can you just comment on how it was
13 arrived at 17 years, and what are the various
14 renewal options and terms?

15 MR. HANKOWSKY: The 17 --

16 PRESIDENT STREET: Mr. Hankowsky,
17 please identify yourself for the record.

18 MR. WILLIAM P. HANKOWSKY: I am Bill
19 Hankowsky, President of the Philadelphia Industrial
20 Development Corporation.

21 The 17 years is derived as a function
22 of, that's what's remaining on our terms with our
23 lease by the Navy for the shipyard.

24 We signed the lease approximately 3
25 years ago; it is a 20-year lease. So we can sign an

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2 initial 17-year base term. And then the renewal is,
3 basically, an extended term.

4 The agreement would provide that if
5 we get title from the Navy sooner, then there would
6 just be a simple lease.

7 This is the way we have to
8 accommodate it, given that we don't own it right
9 now.

10 COUNCILMAN NUTTER: Actually,
11 Mr. Mayor, I do want to say with you that I am quite
12 thrilled from your testimony that you chose today to
13 announce your full support for full funding for
14 street trees here in the city.

15 And while I do expect to support this
16 deal, I do have some additional questions that I
17 will ask Mr. Hankowsky and his people.

18 I think that it is a stunning moment
19 in your Mayoralty to propose this opportunity.

20 MAYOR RENDELL: I do want to just
21 make clear, if we can read back the record, I said
22 when these future revenues are realized, we can use
23 them for things like street trees.

24 And that will probably be, knowing
25 the project schedule here, that will probably be

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2 after I am gone.

3 COUNCILMAN NUTTER: Mr. President,
4 can we make sure the notes of testimony from this
5 hearing are available soon.

6 Thank you, Mr. Mayor.

7 PRESIDENT STREET: Thank you very
8 much.

9 The Chair recognizes Councilman
10 Kenney.

11 COUNCILMAN KENNEY: Thank you very
12 much, Mr. President.

13 Mayor, during the course of the last
14 six years I have been in this Council, I have
15 watched this Administration do a number of
16 tremendous things, from our budget deficit, to the
17 way we deliver services, to the change in attitude
18 of the people in the city as it relates to what our
19 government is all about.

20 This may be, if I can say, your
21 Administration's -- perhaps will be shown to be your
22 Administration's -- greatest legacy.

23 And I know you have many things to do
24 in the future and it is not the end of your public
25 service, I hope.

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2 But I think this is an opportunity
3 for men and women from Northeast Philadelphia to
4 Southwest, from South Philly to Northwest, to work
5 at dignified, family-raising jobs in this city and
6 in this region.

7 Because this is a regional asset, it
8 is very important that with Mr. Stamatakis at the
9 table here, we recognize that parochial
10 Philadelphia, as myself or Councilman DiCicco may
11 be, this is a regional asset, with regional dollars
12 from the state and from the DRPA.

13 And I just want to make sure that we
14 thank you for all your efforts, both yours,
15 Mr. Stamatakis, Bill Hankowsky, Miss Gillen, and all
16 your entire team for sticking with this to the end.

17 And I really want to thank you for
18 the opportunity today and tomorrow to cast the two
19 easiest votes I ever have to cast as a member of
20 this Council.

21 (Applause.)

22 MAYOR RENDELL: Mr. President.

23 PRESIDENT STREET: Mr. Mayor.

24 MAYOR RENDELL: Mr. President, if I
25 might, of course, thank Councilman Kenney for his

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2 remarks. Secondly, echo his remarks to DRPA.

3 It has been that way even before
4 Mannie took over as Chairman. But since he has been
5 Chairman, there has been a renewed energy to using
6 DRPA as an economic development motivator and
7 incentivizer. And it has just been terrific.

8 And we have enjoyed a great
9 relationship in not only making the city better
10 economically, but the region.

11 And I think we all do,
12 notwithstanding our parochialism, all do understand
13 the benefits of regionalization. And the DRPA has
14 been an important part of that.

15 Mr. President, if I might, unless
16 there is anybody who has any question that Mr.
17 Hankowsky can't answer -- and I don't think there
18 are any -- if Mr. Stamatakis and I can take our
19 leave. I have a meeting upstairs about another
20 construction project. Another big one.

21 (Applause.)

22 PRESIDENT STREET: Mr. Mayor, there
23 are three additional Councilmembers whose lights are
24 on. If you could give us just about another
25 minute.

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2 The Chair recognizes one of the least
3 tall members of the City Council of Philadelphia,
4 Councilman Mariano.

5 (Applause.)

6 COUNCILMAN MARIANO: Thank you,
7 Mr. President. They already know I am short. They
8 have been reminding me for 20 years. But thanks for
9 reminding them now.

10 Mr. Mayor, as one of these people on
11 this side of the rail who has actually worked at the
12 Navy Yard, I would like to thank you. Because I
13 remember the faces and the names of those displaced
14 workers.

15 And one of my Council colleagues here
16 talked about we may not be ready for the
17 technology. Since the Meyer-Worth deal fell down a
18 couple of years ago, I happen to know that the
19 building trades has been trained.

20 The electricians, the sprinkler
21 fitters, the sheet fitters, the sheet metal workers,
22 and the painters, they have been working on the
23 metric system. But the electricians have been
24 working on the metric system, robotic welding.

25 So it is things that Meyer-Worth --

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2 they may be surprised, Kvaerner, when they get here,
3 to see just how trained these workers are.

4 (Applause.)

5 COUNCILMAN MARIANO: I would just
6 like to take another minute just to thank you,
7 Terry, Mr. Hankowsky, Mr. Stamatakis.

8 But I would like to thank the
9 leadership of the building trades. Because I know
10 how you guys sweated this for a couple of years
11 because I am there with you. I walk with you. I
12 talk with you. I know what's happening. And we
13 appreciate it.

14 And let me tell you, I was ready to
15 vote for this deal the first time we were briefed in
16 Council eight months ago. Because it is about jobs,
17 jobs, jobs, and jobs.

18 Thank you.

19 (Applause.)

20 COUNCILMAN MARIANO: Thank you,
21 Mr. President.

22 PRESIDENT STREET: The Chair
23 recognizes Councilman Rizzo.

24 COUNCILMAN RIZZO: Thank you,
25 Mr. President.

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2 Mayor, I want to also congratulate
3 you and your team for bringing this Navy Yard back
4 to life.

5 Thank you, sir.

6 (Applause.)

7 PRESIDENT STREET: The Chair
8 recognizes Councilman Cohen.

9 COUNCILMAN COHEN: Mr. Mayor, I think
10 everybody here feels awfully good about the
11 prospects from the Navy Yard.

12 But considering the fact that Council
13 from time to time has to deal with these situations,
14 could you explain to us why it is not possible to
15 have all the documents available at the time we make
16 the decision?

17 MAYOR RENDELL: Well, number one,
18 that was a request by Kvaerner and by the
19 Commonwealth.

20 But, number two, if I can add -- and,
21 again, I don't want to open this up because I think
22 we have reached a successful resolution -- but when
23 we voted, for example, on the PSFS TIF, or on the
24 Marriott Courtyard TIF, you didn't have the
25 documents there to look at. You didn't have the

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2 that. Because I think what the Council President
3 and many of you have come up with as an alternative
4 here works very, very well.

5 PRESIDENT STREET: Mr. Mayor, thank
6 you very much.

7 Mr. Stamatakis, we appreciate your
8 being here.

9 (Applause.)

10 PRESIDENT STREET: At this time
11 Council will take a five-minute recess, a
12 five-minute recess.

13 (Short recess.)

14 PRESIDENT STREET: May I have your
15 attention, please. Can we resume the Public
16 Hearing.

17 Can we please ask the media to leave
18 the floor of Council. Can we please get Mr.
19 Hankowsky and those folks back, so we can proceed
20 with the hearing.

21 At this time we will continue with
22 our Public Hearing. The Chair recognizes Mr.
23 Hankowsky.

24 Mr. Hankowsky, do you have opening
25 remarks?

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2 MR. HANKOWSKY: I do not,
3 Mr. President. I think the Mayor sufficiently
4 summarized where we are at. So I would be happy to
5 entertain questions.

6 PRESIDENT STREET: All right. Thank
7 you very much.

8 If I could have your attention. Can
9 we, those people who are in the chamber, if you
10 really do have to talk, we would appreciate it very
11 much if you could leave the chamber.

12 Other than that, we would appreciate
13 it very much if we could give our attention to the
14 Public Hearing.

15 The Chair recognizes Councilman
16 Nutter.

17 COUNCILMAN NUTTER: Good morning, Mr.
18 Hankowsky.

19 The last question I asked, I believe,
20 was regarding the term of the lease. And you
21 explained about the 17 years and the remaining 82
22 years.

23 Can you further expound on the rest
24 of the statement from Page 3 that talks about
25 options to renew the lease for an additional 82

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2 years?

3 Is that five renewal options, at 16
4 years a piece?

5 MR. HANKOWSKY: It is, in addition to
6 the base term of 17, which is code terminus with our
7 lease with the Navy, then there are four renewal
8 periods over the 82 years, which I think are three
9 20s and a 22. Right, three 20s and a 22.

10 COUNCILMAN NUTTER: Okay. Where did
11 this idea of the PSDC come from? Why did that need
12 to be created?

13 MR. HANKOWSKY: It came for a couple
14 of reasons.

15 One was, the Commonwealth, as a
16 function of using their capital funding as a
17 contribution -- and I am not a tax expert, but I
18 will say the words as they have been described to
19 me -- needed an indicia of ownership.

20 So if they are a member of a
21 nonprofit, that gives them the indicia of ownership
22 to give them the capital dollars to invest in the
23 probability. So it had a technical funding origin.

24 Secondly, Kvaerner was looking for --

25 COUNCILMAN NUTTER: I am sorry to

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2 transaction, to use their general Capital funding
3 approach, which I would typify as kind of the DGS
4 model, versus Redevelopment Capital Assistance;
5 ergo, the need for them to have some indicia of
6 ownership in the asset to which the state capital
7 funds are invested.

8 The second reason to create PSDC was
9 from a Kvaerner perspective.

10 Kvaerner was looking for, to use the
11 term, a one-stop shop. In other words, as Mr.
12 Stamatakis indicated, there is sort of this myriad
13 of players coming together in the transaction,
14 various kinds of federal dollars, DRPA, state,
15 city.

16 And that there would be a single
17 point where those dollars would all flow in and flow
18 out, so that there would be a single disbursement
19 agent and vehicle.

20 And PSDC is the vehicle that will
21 serve that role.

22 COUNCILMAN NUTTER: Okay. And with
23 regard to the appointment and the number of members
24 of this Board of Directors, is there any information
25 on that at this point?

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2 MR. HANKOWSKY: The entity has not
3 been formally incorporated.

4 What is clear is that the three local
5 governmental funding agents -- the Commonwealth,
6 DRPA, and the city -- would have seats and would
7 appoint.

8 With the Governor being the
9 appointing power, the Mayor being the appointing
10 power, and the Chairperson of DRPA being the
11 appointing power for those respective entities.

12 The number of seats hasn't been
13 totally determined. But the concept is that the
14 seats would be in relationship to the funding.

15 And I think that comes out -- I am
16 doing this -- I think that about 60 percent of the
17 seats would be what I would call Commonwealth seats,
18 20 percent city seats, and 20 percent DRPA seats.

19 That's a little bit of a rounding,
20 because it is not exactly that way in the funding
21 approach.

22 So if you had five, 3, 1, and 1. If
23 you had ten, 6, 2, and 2, something like that.

24 COUNCILMAN NUTTER: Now, who appoints
25 all the people to the DRPA Board?

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2 MR. HANKOWSKY: Who appoints to the
3 DRPA Board? The DRPA Board has a modestly
4 complicated appointment structure.

5 On the New Jersey side, they are all
6 Gubernatorial appointments.

7 On the Pennsylvania side, there are a
8 couple of seats filled by officials by virtue of
9 their office. The Auditor General, as an example,
10 has a seat, and I believe the State Treasurer has a
11 seat.

12 And then the remaining seats are
13 Gubernatorial appointments. And I think it is eight
14 and eight.

15 COUNCILMAN NUTTER: They are what?

16 MR. HANKOWSKY: Eight seats per
17 side.

18 So on the Pennsylvania side, two are
19 by virtue of their office, six are Gubernatorial
20 appointments.

21 And then they also have very -- there
22 is a requirement, I think, that a majority of each
23 side's eight must vote in the affirmative for an
24 action to happen. So, in a sense, there is a
25 backward veto by each state over an action.

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2 COUNCILMAN NUTTER: Okay. So the
3 Mayor doesn't appoint anyone to the DRPA Board?

4 MR. HANKOWSKY: He does not.

5 COUNCILMAN NUTTER: So our
6 representation on PSDC is, Governor appoints people
7 to the Board. Governor appointments, except
8 statutorily designated state office holders,
9 appointments everyone else to the DRPA Board, and
10 then the Mayor gets whatever is left?

11 MR. HANKOWSKY: I wouldn't quite
12 characterize it that way. But, yes, I mean,
13 basically you have a three-way split. That's
14 correct.

15 COUNCILMAN NUTTER: Okay. Let me ask
16 you this question early. I don't know if the
17 gentleman is still in the room.

18 But one of my constituents, who
19 somehow miraculously is not fully convinced about
20 the deal, inquired as to what, if any, guarantees
21 exist to ensure that Kvaerner continues its presence
22 at the Navy Yard.

23 And, as seems to happen in the
24 private sector, is there a possibility that Kvaerner
25 could somehow be bought out of the yard, and a

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2 subsequent negative impact by way of employment?

3 MR. HANKOWSKY: Right. Those are, I
4 think, correctly two different questions. So let me
5 try to deal with them in pieces.

6 On the sort of proactive side of,
7 what is Kvaerner required to do to be there, the
8 transaction is structured in what I would call sort
9 of three phases over that lease term: What's
10 characterized as the transition period, Years 1 to
11 5; the initial operating period, Years 6 to 15; and
12 then the remaining term of the lease.

13 During that first 15-year period, the
14 transition/initial operating periods, Kvaerner is
15 required to operate the yard in conformance with the
16 business plan that would be an exhibit and
17 attachment to the agreements, that lays out sort of
18 the steel production activity and the kinds of
19 ships, and that kind of detail.

20 So that they basically have a, to use
21 a term, kind of an affirmative operating covenant to
22 be there and run a shipyard. They can't make kites,
23 or whatever.

24 Secondly, there are requirements in
25 the transaction that provide for Kvaerner to employ

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2 to affirmatively -- I mean, they can only sell it
3 pursuant to all the penalties and requirements, et
4 cetera, et cetera. But could, you know, 20 years --

5 COUNCILMAN NUTTER: If the number two
6 shipbuilder --

7 MR. HANKOWSKY: Yes.

8 COUNCILMAN NUTTER: You don't have to
9 be too heavy into this question.

10 If the number two shipbuilder in the
11 world came along and decided to buy --

12 MR. HANKOWSKY: Where that would have
13 its most adverse impact, because of all the other
14 provisions, would be from Years 16 on, where some of
15 these provisions no longer apply.

16 At which point, then, there is what's
17 called a recapture provision. That deals with the
18 fact that if you are not using it and you fall below
19 another employment threshold number, then the public
20 has a right to take it back.

21 So that to use a very stark example I
22 hope will never be the case, the number two
23 shipbuilder does buy it and says, "I am going to buy
24 it and moth ball it to get it off the market, so it
25 is not competing with me," in that scenario they

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2 either have to be doing something at a certain level
3 or the public could recapture it.

4 COUNCILMAN NUTTER: But your basic
5 response is, based on the documents and leases and
6 national leases and penalties, Kvaerner is fairly
7 locked into operating a shipyard at the Philadelphia
8 Naval Shipyard and Naval Business Center?

9 MR. HANKOWSKY: Yes. Right.

10 COUNCILMAN NUTTER: Page 4 of the
11 Project Summary seems to indicate, it talks about
12 the installation of modern, state-of-the-art steel
13 fabrication equipment capable of producing
14 approximately 37,500 tons of steel per year.

15 MR. HANKOWSKY: It is not a steel
16 mill, if that's the question.

17 COUNCILMAN NUTTER: Yes.

18 MR. HANKOWSKY: No. The steel would
19 be delivered from a steel mill, or mills.

20 COUNCILMAN NUTTER: And then they do
21 something to it?

22 MR. HANKOWSKY: And then they do a
23 lot to it, right.

24 These are steel production lines. So
25 if they would do it, for example, the way they do it

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2 in Germany, it comes in 16 meter lengths,
3 pre-coated, and then it is cut, fabricated, bent,
4 turned.

5 COUNCILMAN NUTTER: I never made the
6 conversion to the metric system. It was starting to
7 pass me by in school.

8 MR. HANKOWSKY: Nor have I.

9 COUNCILMAN NUTTER: Okay. But it is
10 okay for the testimony.

11 MR. HANKOWSKY: 50 feet, I am told by
12 those who have converted.

13 COUNCILMAN NUTTER: Okay.

14 MR. HANKOWSKY: So, and then in some
15 places there are things, the pickling of steel and
16 other painting of steel.

17 So it is the processing of that
18 amount of steel, through what is in fact -- and then
19 there is robotic welding and plasma cutters and
20 stuff.

21 COUNCILMAN NUTTER: Okay. Let's talk
22 about the \$45 million in professional services
23 costs.

24 MR. HANKOWSKY: Right.

25 COUNCILMAN NUTTER: Somewhere in

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2 either this document or another document, it kind of
3 mentions that a component of that is architectural
4 and engineering fees.

5 And, to be honest, I don't know
6 whether that is a lot or a little bit.

7 But I assume that various
8 professionals at some level will be involved in
9 this. And, actually, I would like to go back to, I
10 guess, kind of where we are now and then going
11 forward.

12 Who are the people and/or firms that
13 are presently representing the various parties to
14 the transaction?

15 I assume that you have some
16 representation somewhere at the negotiating table?
17 I think I recall at one of the briefings, for
18 instance, I saw Marilyn Cutler --

19 MR. HANKOWSKY: Right.

20 COUNCILMAN NUTTER: -- in the room.
21 Now, I think she mentioned to you that she was
22 PIDC's attorney.

23 MR. HANKOWSKY: Yes.

24 COUNCILMAN NUTTER: So I assume that
25 PIDC has representation, the state has

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2 representation, the city has representation, DRPA
3 has representation, and Kvaerner has
4 representation.

5 MR. HANKOWSKY: Okay.

6 COUNCILMAN NUTTER: Who is
7 representing who, and who are the individual
8 parties?

9 MR. HANKOWSKY: PIDC, in terms of
10 legal support, is represented by Schnader, Harrison,
11 Segal & Lewis on what I would call the document
12 phase.

13 We have also been using -- which we
14 were using prior to this specific transaction --
15 Manko, Gold on environmental legal issues.

16 COUNCILMAN NUTTER: Who are the
17 actual people who are doing this work?

18 MR. HANKOWSKY: For Manko, Gold,
19 Jonathan Rinde has been the point lawyer.
20 Occasionally Joe Manko.

21 And we actually have, it is kind of
22 interesting, at a law firm they actually have a
23 technical person, Darryl Borelli, who actually can
24 read an environmental assessment and understand the
25 engineering and technical implications.

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2 Kvaerner is represented by Drinker,
3 Biddle & Reath, and they have been using a variety
4 of attorneys. Bob Strause has been what I would
5 call the point attorney.

6 But there has also been real estate
7 counsel, attorneys who have expertise in real
8 estate, Fisher. John Fisher, Drinker's
9 environmental lawyer.

10 The Commonwealth is represented by
11 Saul, Ewing. And basically Saul, Ewing -- I
12 actually am not sure I should say this.

13 DRPA does not have outside Council.
14 But I guess it would be fair to say DRPA technically
15 representing -- or Saul, Ewing is representing the
16 state. Fred Strober has been the point attorney.

17 And, again, there have been
18 environmental lawyers and real estate lawyers at
19 that firm. For example, there are lease documents
20 and, you know, environmental clauses. And so they
21 have been dealing with those various provisions.

22 To your first question -- because I
23 did want to make sure I responded to it -- with
24 regard to the professional fee category in the
25 project budget, fundamentally there are two

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2 any other firms that are providing either
3 representation or plan assistance?

4 I mean, it seems like Kvaerner has a
5 fair amount of work to do before they get to --

6 MR. HANKOWSKY: Yes, they do.

7 COUNCILMAN NUTTER: -- fabricating
8 the steel or building the ships.

9 MR. HANKOWSKY: Right.

10 COUNCILMAN NUTTER: I have other
11 questions about the MBEC plan. There are questions
12 about how people are getting hired. There are
13 curriculum issues.

14 What other firms are working with
15 Kvaerner presently to assist them in any of their
16 plans going forward?

17 MR. HANKOWSKY: I think, to the best
18 of my knowledge -- which I think is pretty good
19 knowledge -- I think in terms of third-party firms
20 they have engaged, they have engaged only two
21 others.

22 I believe Ballard, Spahr is providing
23 certain representation as it relates to labor
24 issues. And an environmental firm, O'Brien & Geary,
25 they have engaged, who is reviewing -- there are a

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2 whole bunch of environmental reports the Navy had
3 done on the conditions of the facilities. There's
4 EPA, DEP kind of reports. So they are environmental
5 consultants.

6 Kvaerner had not engaged any of the
7 other professional service firms, design firms,
8 architects, engineers, et cetera.

9 And have done in all of their work to
10 date, in terms of laying -- you know, there is what
11 is called the infrastructure plan that sort of lays
12 out where buildings might go and what kind of
13 equipment.

14 They have been doing those in-house,
15 given that they are in all these shipyards and have
16 people that, you know, know how to buy cranes and
17 things like that.

18 So they have in-house expertise that
19 they have utilized.

20 And I don't think they would be
21 engaging any of those kinds of firms until after,
22 quote, unquote, all the approvals are in place,
23 documents are executed, et cetera.

24 And I do know, again as late as last
25 evening, that they are even thinking through under

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2 been engaged to date. And, in fact -- which I
3 probably would surprise no one in this room, we have
4 been taking in a lot of calls.

5 We have had 400 resumes today and
6 over a thousand phone calls that we have logged of
7 individuals just saying, once there is a process, I
8 would like to be part of it, however that gets
9 done.

10 The discussion -- and perhaps this is
11 the point to which you are inquiring -- has been
12 that, given a variety of factors, one is that there
13 are all these funding sources.

14 And some of these funding sources
15 have mechanical requirements, particularly the
16 Federal Job Training dollars, as they relate to who
17 is eligible, under what circumstances, to be
18 eligible to be trained via those dollars.

19 So if you sort of think of funding
20 eligibility on one side of the matrix, and then you
21 have skill sets that are looking for, and aptitudes
22 and backgrounds and whatever.

23 And so, for example, you would be
24 looking at the universe of laid-off shipyard
25 workers, and then there would be perhaps people who

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2 would -- the skill set would be what would be called
3 ship outfitting, which is the kind of more minute
4 finishing off of the ship, where you are installing
5 the radar and, you know, various kinds of component
6 aspects to it. And that has a whole skill set to
7 it.

8 The thought has been that the
9 project, to make all that work fast and well, might
10 be the engagement of a third-party firm with a
11 background in that, who would work for the company
12 you were asking about earlier, the nonprofit, the
13 Shipyards Development Corporation, as a way to
14 review, interview, assess, figure out, okay, this
15 person is going to need this training regimen to go
16 from their current skill set to the skill set they
17 will ultimately need.

18 And this can be funded in part from
19 some of the state money and some of the federal
20 money and some of the DRPA money, and sort of figure
21 out almost a mini-budget per person of the training
22 aspect of moving those individuals along.

23 And perhaps that's the firm you are
24 talking about, in terms of that function. But they
25 would have sort of a host of responsibilities in

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2 terms of making all that come together.

3 It has been done that way in some of
4 the large automotive plants that have been
5 developed, where, you know, a thousand jobs are
6 being created by Saturn, and how do you kind of get
7 everybody in the various discrete skill sets that
8 are needed, and train people to the degree there is
9 a gap between those skill sets and the job.

10 COUNCILMAN NUTTER: I would like to
11 come back to that. But lastly for this round -- the
12 President has been most accommodating -- the Mayor
13 put forward amendment language to this shorter
14 version of the reference to MBE/WBE program. And I
15 just have one question about that.

16 It is clearly focused on good-faith
17 goals for construction subcontracting and
18 construction employment, similar to those in the
19 MBE/WBE plan for the CoreStates Center, which, I
20 have to be honest with you, I have not put to
21 memory.

22 MR. HANKOWSKY: Would you like me
23 to --

24 COUNCILMAN NUTTER: Maybe you have.
25 But we can talk about that in a second.

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2 And good-faith efforts to include
3 MBE/WBE firms in the operation of the shipyard and
4 the supplier/contractor infrastructure.

5 Is the terminology MBE/WBE firms in
6 the operation of the shipyard put there to create a
7 distinction between firms involved, MBE/WBE firms
8 involved, in the operation of the shipyard, as
9 opposed to workers involved in the employment
10 operations at the shipyard?

11 MR. HANKOWSKY: Oh, there is a
12 distinction. I mean, so, I am not sure that the
13 phraseology was meant. But there is a distinction,
14 to be fully responsive.

15 The phraseology that was distributed
16 earlier this morning is specific to firms. An
17 operation being somebody, maybe the security firm
18 for the operation or the janitorial firm or the --
19 you know, you hire somebody to keep your boilers
20 working, or whatever all those things are you do to
21 keep a thing functioning; that's the operational
22 aspect.

23 The supplier/subcontractor
24 infrastructure are references which are mentioned in
25 another part of the Project Summary, to actually

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2 that vendor network that's going to deliver engines
3 and bolts and the steel that goes into the ship.

4 And on the full-time permanent
5 employment side, distinct from the construction,
6 which is mentioned in that phraseology, yes, I think
7 it is fair to say that there would not be specific
8 goals.

9 COUNCILMAN NUTTER: So your testimony
10 is that with regard to the 953 full-time direct
11 jobs, there is no commitment anywhere with regard to
12 good-faith goals or good-faith efforts to have any
13 level of minority, female, disadvantaged individuals
14 as a part of the 953 full-time workers,
15 nonconstruction?

16 MR. HANKOWSKY: To put it -- I mean,
17 yes.

18 COUNCILMAN NUTTER: That's your
19 testimony.

20 MR. HANKOWSKY: Yes.

21 In part, that emanates from, going
22 back to an earlier question you had raised, the
23 notion of the way the funding lays itself out. In
24 terms of being able to utilize that funding, a
25 portion of the funding relates directly to training

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2 laid-off shipyard workers.

3 A portion, if you thought of them as
4 almost concentric circles, a portion relates to
5 training more generally displaced or dislocated
6 workers.

7 So those are the sort of affirmatives
8 who should you go out and try to get into this mix.

9 At some earlier Council briefings the
10 question was raised as a point of information, sort
11 of, what was the nature of the work force at the
12 shipyard prior to its closure.

13 COUNCILMAN NUTTER: I asked you
14 that.

15 MR. HANKOWSKY: And I think at one
16 briefing, to be blunt -- because I sort of did it
17 off the top of my head, then went back -- I was
18 slightly in error.

19 COUNCILMAN NUTTER: Okay. The
20 testimony at that time was 90 percent male, 10
21 percent female; 85 percent white, 15 percent black.
22 I think I read different figures in the newspaper.

23 MR. HANKOWSKY: Yes. In fact, going
24 back and looking at the snapshot when the yard
25 closed, it was approximately 75 percent caucasian,

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2 22 percent -- thank you. I will be even more
3 precise here.

4 22 percent African-American, 2
5 percent Hispanic, and 1 percent other. And that was
6 the snapshot when it closed.

7 And it was 93 percent male and 7
8 percent female. Again, the snapshot when it
9 closed.

10 COUNCILMAN NUTTER: Well, then, let
11 me ask you this -- this will be my last question in
12 this area -- if your earlier statement was that
13 there are no good-faith goals or good-faith efforts
14 with regard to the 953 full-time direct jobs as it
15 relates to minority, female, or disadvantaged
16 individuals, in securing employment, then is it
17 theoretically possible in a worst-case scenario that
18 there would be none?

19 MR. HANKOWSKY: Well, there are, in
20 the agreements, affirmative provisions that Kvaerner
21 and its parents and subsidiaries, whatever, cannot
22 discriminate on the basis of any characteristic of a
23 human being.

24 So though I guess as a theoretical
25 question, the answer is, I guess theoretically the

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2 answer could be yes. I think as a practical matter,
3 that is not what is going to happen.

4 COUNCILMAN NUTTER: Councilwoman
5 Clark. I yield to the Councilwoman.

6 PRESIDENT STREET: Councilman, you
7 have had the floor for about 30 minutes. You are
8 now going to yield to the Councilwoman?

9 COUNCILMAN NUTTER: Mr. President, I
10 had said that that was it for me.

11 PRESIDENT STREET: I understand
12 that.

13 COUNCILMAN NUTTER: But she
14 specifically wants to talk on that issue.

15 PRESIDENT STREET: Councilwoman Clark
16 wants to use the yield maneuver.

17 COUNCILMAN NUTTER: I yield the
18 balance of my time to the Councilwoman.

19 PRESIDENT STREET: That's real cute.
20 Right? The balance of what time?

21 Councilwoman Clark, can I ask for
22 what purpose you wish to have the floor yielded to
23 you?

24 COUNCILWOMAN CLARK: Mr. President, I
25 would like, so as to create a cohesive record, to

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2 follow on some questions that Mr. Nutter started.

3 But if you need to adhere to some
4 kind of structure, I will open this again at another
5 point.

6 PRESIDENT STREET: All right.

7 COUNCILWOMAN CLARK: This is a
8 hearing. It is not a good thing to have more than a
9 question or two --

10 PRESIDENT STREET: That is your
11 characterization of it.

12 What I would really like to do, with
13 your permission, is move on to another Councilmember
14 whose light has been flashing for a long, long time,
15 and I think we will have to come back to it.

16 And would like to recognize
17 Councilwoman Tasco.

18 COUNCILWOMAN TASCO: Thank you very
19 much.

20 Somewhat on the same track that
21 Councilman Nutter is on, I would like to go back to
22 the professional services contracts.

23 There is work being done, I thought I
24 heard you say something about environmental work,
25 some preliminary work that's being done now at the

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2 I am trying to get to is, how do they identify these
3 individuals to engage in work for them?

4 Do you make recommendations? Do they
5 ask you who are companies, environmental companies,
6 or law firms?

7 Or just how do they identify
8 companies to do business with here in this area?

9 MR. HANKOWSKY: Well, I think there
10 are two responses to that question.

11 With regard to their current team,
12 which is a moderately small team, they selected
13 their own law firm, which they did.

14 And then that law firm provided
15 them -- because they were looking for somebody,
16 because environmental issues, as are often the case,
17 are the subject of the legal documents you negotiate
18 in these transactions, and they wanted somebody at
19 their shoulders, so to speak.

20 COUNCILWOMAN TASC0: How did they
21 pick the law firm?

22 Did they ask you? Did they ask
23 anybody?

24 MR. HANKOWSKY: Well, I would find
25 it -- they did not ask me. And, generally, as a

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2 matter of just policy, I generally don't tell the
3 party I am going to negotiate with who they might
4 want to hire as the lawyer that's going to --

5 COUNCILWOMAN TASCO: I thought
6 someone locally may have recommended some law firms
7 to them.

8 MR. HANKOWSKY: That may be the case,
9 but I didn't.

10 Could I respond to the second half of
11 it? Because I would like to for clarity.

12 And as I indicated to Councilman
13 Nutter, I don't think Kvaerner is going to be, in
14 the near term, hiring probably anybody else at this
15 point.

16 Because until there is a transaction
17 and people know where we are going and whether they
18 are going and whether it is all going to happen, I
19 wouldn't see them or us, to be blunt, necessarily
20 spending any additional resources.

21 At the point where now Kvaerner would
22 have to sort of flush out a full team, who is going
23 to design it, who is going to do the engineering,
24 who is going to do the survey work, all of those
25 things that will flow out of the project, I have

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2 talked to them about providing them with information
3 about firms in Philadelphia, and an inclusive list
4 of those firms, so that they would have a good sense
5 of who is out there, what's available, who can do
6 what. And we would provide that assistance at that
7 point.

8 COUNCILWOMAN TASC0: Yes. Because
9 there is a lot of up-front work that will be done
10 prior to construction and the employment phase.

11 And certainly we want to have some
12 assurances that design firms, architectural firms,
13 environmental firms that represent the community
14 that I come from are included in that process.

15 Because a lot of money is made up
16 front in that process. That's where the bulk of the
17 money, the professional services, really, that's
18 where the dollars come from.

19 So I would like to be kept abreast,
20 informed, as to what they are looking for. We will
21 give you a list of people we know in the Delaware
22 Valley area who have capabilities.

23 We would like to know who they are
24 looking for, so maybe we could recommend two or
25 three design firms. It could be their choice. But

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2 we want to see a diverse team from the design to the
3 end.

4 We have been talking. You know my
5 concern is about these jobs. And in your briefing
6 you told us that a lot of the former -- some of the
7 former employees will come back, that they will be
8 retrained.

9 What is Kvaerner's commitment to the
10 older worker? You know, the older worker probably
11 made more money than a younger worker might make.

12 What is their commitment to the older
13 worker?

14 MR. HANKOWSKY: Well, there is no --
15 I am not a lawyer, but I am not sure you could do it
16 anyhow. I'm not sure you could -- as we all know,
17 there is a federal law that relates to, you cannot
18 discriminate on the basis of age, either. I think
19 it is the Older Americans Act, I think is the
20 correct title. And Kvaerner is, therefore,
21 obviously obligated to adhere to all those laws.

22 I think it also kind of works in the
23 converse. Which is, I am not sure you can
24 affirmatively obligate somebody to do it the other
25 way.

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2 Their obligation is to go into the
3 laid-off shipyard worker pool as the first resource
4 to fill the positions.

5 They have no percentage goal -- I'm
6 not sure how best to say this -- that they should
7 hire so many people over 50, or so many people over
8 40, or whatever. That's the fact.

9 COUNCILWOMAN TASCO: Now, how do you
10 identify the former workers from the Navy Yard?

11 MR. HANKOWSKY: There are a variety
12 of ways that that will be done.

13 There was an office that the Navy
14 maintained at the base, which was called the Career
15 Transition Center, that was available to former
16 workers to help try to find other employment.

17 That office, though no longer -- I
18 think it is fair to say is no longer functioning,
19 but had information, at least sort of where was the
20 first place the person went, you know, if they went
21 to work for, I don't know, Strawbridge's.

22 In other words, we know they went
23 there. And they have their -- there is personal
24 information, they used to live here.

25 The Private Industry Council also was

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2 actively involved during the phase where workers
3 were being laid off, again in terms of training and
4 placement, et cetera. And they have an information
5 base.

6 The unions that had represented those
7 workers, which is generally characterized as the
8 Metal Trades Council -- in fact, there were a set of
9 unions that represented the shipyard workers -- also
10 has information about their membership and where
11 they are now.

12 And to be quite candid, as I think I
13 mentioned earlier, the media has been somewhat
14 helpful, simply from the standpoint that we have had
15 over a thousand people call back in and say, "If you
16 are looking for my number and address, here is where
17 I am at. And as soon as you are ready, tell me what
18 the process is to go through."

19 So I cannot sit here and in all
20 honesty tell you where to find every one of those
21 5,000 people. Because if they went to a different
22 job after the first one, and if they moved from
23 where they used to live, we may not find them.

24 But the vast majority of them are
25 accessible through those various databases.

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2 the three categories are, there would be a cluster
3 that would be shipbuilding.

4 Going back to Councilman Nutter's
5 question again, these would be sort of the
6 individuals who would be on the steel production
7 lines and the fabricating modules, bending metal.
8 What we would generally term kind of sheet
9 metal/boilermaker trades. There would be a cluster
10 that would be the outfitting trades.

11 So those are the folks that now the
12 ship is kind of coming together, and now you are
13 doing the most detailed electronic work, the HVAC
14 systems, the engine propulsion systems, and sort of
15 doing what's called the outfitting as you put all
16 those together and connect them all up.

17 And the third cluster, kind of
18 interesting, but with all this metal and all this --
19 if you sort of think of the size of these ships,
20 there is also a cluster that is painting and the
21 metal preparation. There is so much of that going
22 on, that that's actually its own cluster.

23 The Shipyard College, which is a
24 consortium of Philadelphia, Camden, and Delaware
25 County Community Colleges, and Drexel University,

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2 have been working with Kvaerner to look at
3 developing curriculum related to those five clusters
4 I just described. Some stuff is, I would tend to
5 call, basic across the line.

6 A good example -- going back to
7 another earlier question -- is metric. These ships
8 will be built metric because all ships in the world
9 today are metric; except U.S. Navy, because they are
10 our ships and the U.S. Navy uses the American
11 system.

12 So everybody is going to need to be
13 able to add and subtract and divide with metric.
14 That's a basic skill.

15 Kvaerner doesn't presume that all 953
16 workers will know metric. So it is the case that
17 many of the workers would need that element of it.

18 So there would sort of be these
19 common elements, or across the top of all five
20 clusters. And then there would be specific aspects
21 that would fall off that would be related to the
22 five skill sets.

23 We have been looking at a
24 curriculum -- in fact, tapping into the existing,
25 for example, Philadelphia Community College, and

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2 Mr. Hankowsky, I thank you for this
3 opportunity to follow on to comments that were made
4 both by Councilmembers Tasco and Nutter.

5 In retraining workers, Community
6 Colleges, both Philadelphia and Delaware County,
7 have you thought of suggesting to Kvaerner, since
8 you know the resources of this Delaware Valley so
9 much better than they ever will know, you, for
10 instance, could be expected to know that OIC is a
11 good place for training workers for totally
12 different kinds of skills than they ever had
13 before.

14 And I would think you would want to
15 involve the OIC whole structure in the retraining
16 efforts, as well as Lions Institute.

17 Again, I am offering you institutions
18 that permit you to get the diversity that we are
19 insisting that you have.

20 We are not daring you to do it; we
21 are helping you to do it by giving you these
22 resources.

23 MR. HANKOWSKY: Councilwoman, I did
24 not mean by my response to imply that no one else
25 would be involved.

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2 COUNCILWOMAN CLARK: I understand.

3 MR. HANKOWSKY: What I meant was, to
4 date, we have tapped into a resource on-site to work
5 through in exactly the way you are characterizing
6 it.

7 Because Kvaerner doesn't know, okay,
8 if we need somebody to learn something, who can do
9 it, who can provide that training --

10 COUNCILWOMAN CLARK: True.

11 MR. HANKOWSKY: -- Curriculum or
12 module, or whatever.

13 COUNCILWOMAN CLARK: And if they stay
14 here long enough, they would likely encounter the
15 people that come to us firsthand.

16 So I would want this record to show
17 that we are going to go to those institutions which
18 have a history of retraining adults to usable skills
19 for an industry that we are building up.

20 In the same way that OIC built up for
21 the hospitality industry --

22 MR. HANKOWSKY: Very successfully.

23 COUNCILWOMAN CLARK: -- so too could
24 you build up for this shipbuilding capability.

25 I would like to now refer you to the

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2 practitioner, they would be a firm. If that's the
3 nature of the question, yes.

4 COUNCILWOMAN CLARK: Just for
5 clarity, though, when you say individuals and/or
6 firms, so that all of us are using the language to
7 mean the same thing --

8 MR. HANKOWSKY: Right. There would
9 be definitions in the exhibit, as there have been in
10 prior plans.

11 COUNCILWOMAN CLARK: Now, Marian
12 Tasco talked about what is your commitment to
13 identifying and assisting older workers.

14 And she suggested that perhaps one of
15 the drawbacks to hiring older workers is their
16 higher salary requirement.

17 And you suggested that it cuts both
18 ways. So that since you can't discriminate against
19 older workers, chances are you can't do anything for
20 them. Let me argue with that just a little bit.

21 Because this is that constant tension
22 that runs between rank, fresh, brand-new,
23 inexperienced employees, neophytes, and experienced
24 trade workers.

25 MR. HANKOWSKY: Right.

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2 COUNCILWOMAN CLARK: And there is
3 always a range, and, therefore, an opportunity, for
4 the experienced worker to not start at the
5 beginning.

6 MR. HANKOWSKY: Right. Let me both
7 respond to your comment and make a point of
8 clarification to Councilwoman Tasco's.

9 Because I guess I really wasn't
10 responsive to one -- an element which you have
11 raised, which I appreciate.

12 Without divulging, because Kvaerner
13 hasn't done this yet, the nature of what would be
14 their final labor management agreements with
15 whatever unions or union might represent them -- so
16 on the one hand I think we can all appreciate that I
17 am not in a position to give out a schedule of
18 salaries by position.

19 But I think --

20 COUNCILWOMAN CLARK: Nobody asked
21 that.

22 MR. HANKOWSKY: But I think I can say
23 that the fact that a 50-year-old worker who had been
24 at the shipyard, was at the high end of a range
25 because of years in experience, in no way, from

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2 Kvaerner's perspective, is a constraint economically
3 to hiring that person. That will not be the issue.

4 Secondly -- and I think it is very
5 consistent with the comments you just made -- is
6 that Kvaerner is probably, in that balancing act, as
7 you just characterized it, more interested in -- if
8 they had to pick between -- more interested in the
9 experience and skill set history, which would tend
10 to move it more on the bell curve to the somewhat
11 mid to older worker, than they would be in the
12 neophyte.

13 They want somebody that knows how to
14 build ships now.

15 COUNCILWOMAN CLARK: It seems to me
16 that one of the things that, in addition to having
17 some dry docks, was that in this work, this
18 statistical Metropolitan area, are experienced
19 workers who have worked so recently that they are
20 not hopelessly obsolete in their skills.

21 MR. HANKOWSKY: No.

22 COUNCILWOMAN CLARK: That they are
23 trainable and retrainable, and that may have had,
24 hopefully, a good deal to do with their choosing
25 us.

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2 MR. HANKOWSKY: Oh, yes.

3 As Councilman Mariano pointed out,
4 and as our experience points out, even to the degree
5 that we were able to mitigate the layoffs with the
6 shipyard and work with that labor pool to retrain
7 them into something else, this is a trainable labor
8 pool.

9 COUNCILWOMAN CLARK: Right.

10 MR. HANKOWSKY: And that is a
11 characteristic, in the much earlier comments of the
12 Mayor and Mr. Stamatakis, in the sales job piece of
13 this to Kvaerner, was, there is a trainable labor
14 force here.

15 If you come, that will not be your
16 problem.

17 COUNCILWOMAN CLARK: Right.

18 Mr. President, I know you are ready to go back to
19 Marian Tasco.

20 PRESIDENT STREET: Mr. Hankowsky, we
21 are obviously not going to be able to finish this
22 this afternoon, but I would like to try to get at
23 least one thing clear on this record.

24 One of the most important and
25 exciting things about this whole development is the

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2 infrastructure investment in our port, because it is
3 not going to remain with us.

4 It is also my understanding that of
5 the \$187 million training money, that that training
6 money, in addition to everything else, is a labor,
7 the cost of labor subsidy, to build those first
8 ships.

9 And that that money, in effect, will
10 roll on out of our port with the ships. Because the
11 ships will be gone, and the \$187 million will have
12 been used to supplement the costs of the labor in
13 building those ships.

14 So I see 187, plus 80, as being money
15 that clearly will not be an infrastructure
16 investment in the Navy Yard. Is that fair to
17 conclude?

18 So if you add the 80 and the 187
19 million, you have \$267 million, leaving roughly \$377
20 million.

21 Now, when I look at the documents --
22 I am looking at Page 4 of the Project Summary -- I
23 see another part of the \$215 million Kvaerner
24 investment as being \$15 million of its own funds in
25 capital improvements after two years.

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2 And then I see another \$120 million
3 capital improvement and purchases for the project
4 during Years 6 through 15.

5 So I suspect that if I add the 80,
6 the 15, and the 120, that brings me to the total of
7 \$215 million.

8 Now, of the \$215 million, 80 of it is
9 the cost of materials to build the ships. 15 of it
10 appears to be an infrastructure investment, which is
11 what I am going to ask you. I would like to know
12 whether or not that's going to be cranes, or just
13 what that is envisioned to be for.

14 And then under the \$120 million, it
15 says, "To invest approximately 120 million in
16 capital improvements and purchases for the project
17 during Years 6 through 15."

18 How much of the \$215 million Kvaerner
19 investment will actually be in infrastructure at the
20 Navy Yard, something that will be able to be around
21 for a long period of time in the form of a
22 revitalized Navy Yard for the City of Philadelphia
23 and for the region?

24 MR. HANKOWSKY: Okay. If I could
25 have a minute. Let me walk back -- much of what you

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2 said is accurate. But I also want to provide
3 clarity.

4 PRESIDENT STREET: I would like to
5 deal with the \$215 million.

6 MR. HANKOWSKY: The addition you went
7 through to get to 215 was right. It was 80, 15,
8 120.

9 The 80 million for the material for
10 the ships, if I could spend just a second on that.

11 On the one hand you are absolutely
12 right as characterizing that as not an
13 infrastructure investment, in the sense that it is
14 actually right. Hopefully those ships go down the
15 river.

16 The aspect of Kvaerner committing to
17 buy three ships, I think, has to be placed in the
18 context of the overall transaction. And why is it
19 important?

20 Because without sort of -- and it is
21 always hard to take two years of discussions and
22 try, in such a compressed framework, to get the full
23 spirit of it.

24 As the Mayor indicated this morning,
25 when it was first discussed with Kvaerner, what do

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2 you think about doing something here, they went
3 through it in what I think all of us would probably
4 consider a fairly logical process.

5 At one point they came and they
6 looked at it. And they brought some engineering
7 people, and they looked some more.

8 And they said, yes, physically it is
9 a yard. You can do something here. But then they
10 began to think about, but is it a business, would it
11 ever work.

12 And one of the issues they were
13 concerned about was, you know, this is a closed
14 yard. It has never built commercial ships. So now
15 we are going to announce to the world, ships for
16 sale, and invest in infrastructure and build the new
17 facilities and train workers, and then sit there and
18 wait for an order.

19 And shipbuilding, in this case, is
20 not analogous to automobiles. You don't build them
21 and put them in a yard and wait for people to order
22 the red Mustang. You only build a ship when you
23 have an order.

24 And so the chicken and egg problem
25 was, how are we ever going to get an order if we

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2 have never built one and have no credibility. How
3 are we going to get the workers trained if there are
4 no ships to be worked on to do the on-the-job
5 training? What do you think about that?

6 And we said, well, we think you
7 should do something to make that problem go away.
8 And it took a while. And ultimately Kvaerner said,
9 all right, we will take the responsibility of saying
10 that no matter what happens, three ships will get
11 built there out of the gate, and we'll buy them for
12 the cost of the materials.

13 And we will take the risk that we can
14 sell them or not sell them, and whatever the market
15 price is for ships at the time.

16 And to the degree there might be a
17 profit, yes, they have the right to it. And to the
18 degree that there might not be, they take the risk.

19 And what it does is, it guarantees
20 the shipyard you can train the worker and know there
21 is going to be a ship that's going to get built, and
22 you can begin the process.

23 In that sense it is a commitment to
24 kick it off. You might characterize it better as a
25 working capital commitment. But, you are right, it

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2 is not an infrastructure commitment.

3 With regard to the training dollars,
4 the 187 million, on the one hand, again --

5 PRESIDENT STREET: If I could ask you
6 to stay on the Kvaerner 215 million for the moment.

7 MR. HANKOWSKY: I am sorry.

8 PRESIDENT STREET: So that we know
9 where the 80 million comes from, that's the cost of
10 materials for the three ships.

11 MR. HANKOWSKY: Right.

12 PRESIDENT STREET: We know that the
13 labor to build the three ships will be paid out of
14 the 187 million; right?

15 What about the difference between 80
16 and 215 million dollars as it relates to Kvaerner's
17 infrastructure investment in the Navy Yard?

18 MR. HANKOWSKY: The 15 million in the
19 last two years, the five-year transition period, is
20 for capital. There has been no specific
21 identification as to what it is.

22 I think when you had been asking, is
23 it cranes, it is not as if there is a budget that
24 says, it is for two more cranes or one more welding
25 machine.

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2 PRESIDENT STREET: Is it something
3 that can stay, or has to stay, or something that --

4 MR. HANKOWSKY: It stays. It is an
5 asset of the yard.

6 And from Kvaerner's perspective, as
7 we get this thing up and we are going along, maybe
8 there is a gap. Maybe we should have gotten one
9 more of something, a robotic welder, or maybe we are
10 missing something that would have made a
11 difference.

12 And as we have done this, as this is
13 being built out the first couple of years, we will
14 take that last 15 and sort of fill the gap.

15 But, yes, it is for capital that is
16 in the yard.

17 PRESIDENT STREET: Now, what about
18 the 120?

19 MR. HANKOWSKY: The 120 million --

20 PRESIDENT STREET: That's the Years 6
21 through 15.

22 MR. HANKOWSKY: That is correct.

23 The 120 million -- and, you are
24 right, there is a distinction. So you are right to
25 note the distinction.

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2 It could be for capital improvements
3 that, I think the term, are depreciable under GAP as
4 a capital asset, as a standard to differentiate it
5 from paying for -- for example, they can't spend it
6 on -- when you say the word "purchases," it
7 specifically excludes the cost to operate the yard
8 or to do normal maintenance, repair.

9 That's their obligation as the
10 tenant, to just do what you are supposed to do to
11 run a business.

12 So they don't get credit against the
13 120 for those normal operating expenses, what I
14 think we would all normally characterize as the
15 normal working capital requirements.

16 Those are Kvaerner's expenses, for
17 them to fill. And they don't get credit for this.

18 To the degree they do spend in Years
19 6 to 15 on additional capital improvements, replace
20 a crane, buy a new one, expand the building yet
21 again, or something like that --

22 PRESIDENT STREET: What's the
23 purchases part of it?

24 MR. HANKOWSKY: The purchases part is
25 to deal with what I would call non-capital softer

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2 issues. And I am not a total accounting expert.

3 They want to -- I will give you an
4 example. They are building container ships and oil
5 tankers. And they decide, you know, there is a
6 market for cruise ships. Let's develop a
7 medium-sized cruise ships, and let's invest \$5
8 million on the design cost to create that spec, to
9 market that spec, to induce people to order another
10 kind of ship from this yard.

11 That would be an eligible cost, to
12 procure the design services to do that. It is
13 not -- I don't believe it is a capital depreciable
14 asset. I mean, you have drawings and a spec, and
15 you go out and market it.

16 So it is to cover, I will use the
17 term softer -- with the understanding of what I am
18 trying to convey with that -- costs that aren't
19 capital, in the hard sense it is something you can
20 keep.

21 PRESIDENT STREET: So that is not an
22 investment in our Navy Yard --

23 MR. HANKOWSKY: It is an investment,
24 I think it is fair to say, to the degree it creates
25 further business opportunity, activity in the

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2 facility.

3 But it is not an infrastructure
4 investment.

5 PRESIDENT STREET: All right.

6 MR. HANKOWSKY: If I could make one
7 comment on the training.

8 PRESIDENT STREET: I wanted to now
9 move to the other \$429 million. I really am trying
10 to figure out how much of all of this money is going
11 to be for improvements in the yard, improvements
12 that will be there, that we will have, that, you
13 know, for the foreseeable future will make our yard
14 a working yard.

15 MR. HANKOWSKY: Right.

16 PRESIDENT STREET: And my
17 understanding now is that of the 215 million, there
18 is possibly 15 million, and maybe some part of 120
19 million, that might go in the activities of the
20 yard, but it is not an infrastructure improvement in
21 the yard.

22 MR. HANKOWSKY: The 15 is; the 120,
23 not necessarily.

24 PRESIDENT STREET: All right. Now,
25 if we can turn to the 429.

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2 187 million of it is the cost of
3 labor to build the ships.

4 MR. HANKOWSKY: And training.

5 PRESIDENT STREET: Well, but it is
6 on-the-job training; right?

7 MR. HANKOWSKY: It is both classroom
8 and on-the-job.

9 PRESIDENT STREET: I mean
10 fundamentally --

11 MR. HANKOWSKY: The vast majority is
12 on-the-job. And that's the point I wanted to make.

13 We may not agree to interpret it the
14 same way, but I at least wanted to have the
15 opportunity to give this perspective.

16 The fact that we are paying a worker
17 to learn how to do robotic welding, while he is in
18 fact doing robotic welding, and it has the benefit
19 of it is producing a piece of steel that's going to
20 be on a ship and go away, the training aspect of
21 making this yard competitive, Kvaerner anticipates
22 that sort of the first ship that would go out might
23 take over 500,000 person hours to produce.

24 It is just that much activity that
25 will be required to kind of learn how to do it the

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2 first time.

3 That, in fact, to be competitive, it
4 should be below 300,000 hours.

5 So there is a gap between the
6 capabilities of the work force, the first couple of
7 ships they do, and what is the competitive
8 productivity that would allow that ship to be priced
9 in the market normally.

10 And, so, I would view the 187
11 million, totally agreeing that the vast majority is
12 on-the-job training, but it is being invested in
13 that work force.

14 So the net end result is that it
15 provides a work force that can produce ships on a
16 productivity man hour, person hour basis that are
17 competitive.

18 And, in that sense, it is not a piece
19 of infrastructure in a capital sense, but we would
20 then have human infrastructure that -- and unless
21 you have both of the pieces, human infrastructure
22 and capital infrastructure, you don't have a
23 competitive shipyard.

24 PRESIDENT STREET: Mr. Hankowsky,
25 maybe this helps me. Of the \$429 million, 187 of it

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2 is the labor/training?

3 MR. HANKOWSKY: Yes.

4 PRESIDENT STREET: Difference between

5 187 and 429 is the 242?

6 MR. HANKOWSKY: Yes.

7 PRESIDENT STREET: Is that the 242

8 that is referenced on Page 3 in the Project Summary,

9 "In order to develop this shipbuilding facility,

10 KPI will make significant improvements to the

11 project site totaling \$242 million"?

12 MR. HANKOWSKY: Yes.

13 PRESIDENT STREET: I think that

14 statement is a bit confusing, at best. Because this

15 \$242 million is a part of the government investing.

16 MR. HANKOWSKY: Oh, it is the

17 government investment, yes.

18 PRESIDENT STREET: So it sounds here

19 like, it sounds like -- KPI is defined as who?

20 MR. HANKOWSKY: It is Kvaerner

21 Philadelphia.

22 PRESIDENT STREET: Kvaerner.

23 Kvaerner Philadelphia isn't making that -- Kvaerner

24 Philadelphia, pursuant to some contract, is making

25 the investment. But it is really the investment of

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2 save the 15.

3 PRESIDENT STREET: Yes. That's
4 basically our money.

5 And I am trying to understand this
6 transaction. And I am bearing in mind, you know,
7 Germany maybe did \$600 million, and just brought
8 them in to do the site.

9 I mean, I don't know about all of
10 that. But I am just trying to understand this
11 transaction.

12 It seems to me fundamentally what we
13 have agreed to do is take city, state, federal, and
14 Delaware River Port Authority money, and agreed to
15 bring our site -- make that investment in our site.

16 Kvaerner agrees to come in and
17 supervise a work force that we substantially pay
18 for, and build these ships, and then Kvaerner agrees
19 to buy them at the cost of materials.

20 And whether or not it can make a lot
21 of money off of them or a little bit of money off of
22 them, that's up to Kvaerner.

23 But what we have is a Navy Yard that
24 now has the capacity to build ships with the number
25 one shipbuilder in the world.

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2 MR. HANKOWSKY: Right.

3 PRESIDENT STREET: Is that a fair,
4 fair recitation of what this thing is all about?

5 MR. HANKOWSKY: I think it is.

6 PRESIDENT STREET: And the
7 expectation is that if we bring the number one
8 shipbuilder in the world, and put it in a business
9 down at our Navy Yard, invest the 242 plus
10 Kvaerner's 15, to be able to show we can build ships
11 at a competitive cost at our Navy Yard, then
12 Kvaerner will want to stay in business here and
13 continue to build ships and continue to hire people
14 and do all of the things necessary in order for us
15 to have an operating, competitive shipbuilding yard
16 facility in this country down at our Navy Yard.

17 MR. HANKOWSKY: Yes. That's right.

18 And if, again, even to say it another
19 way, same point, but just another way, in the world
20 today -- and Mr. Stamatakis talked a little bit
21 about the nature of the shipbuilding in the world --
22 in the world today there is excess shipbuilding
23 capacity. What does that mean?

24 That means there are a lot of closed
25 shipyards that sit there analogous to ours, old

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2 ones, not up to date, not improved.

3 In fact, there are a few that the
4 U.S. government closed. There is one in Long
5 Beach. There is one in Charleston. There is one in
6 Mare Island, near San Francisco, all part of this
7 base closure process.

8 What are the value of those shipyards
9 in the market today? Zero.

10 Even if we invest and make them
11 state-of-the-art, 242 million to make them
12 technologic, and yet a work force that was totally
13 productive and sophisticated after five years of
14 training, it just gets you in the game. And then
15 you have to compete.

16 So, basically, to say it another way,
17 Kvaerner is saying, "We think we, Kvaerner, and you
18 with this facility, with these two investments, a
19 capital investment and a human
20 infrastructure/training investment, you can get in
21 the game. And we are prepared to be in the game.

22 "And we will make sure you get
23 started in the game by buying the first three
24 ships. And we will produce designs for
25 Philadelphia, ship models that we are going to go

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2 after.

3 "And we will provide, we will do the
4 working capital and run the business, from the
5 standpoint you have made it a business. Today it
6 isn't a business; it is a piece of ground and some
7 workers who have a skill set, but not enough."

8 PRESIDENT STREET: And is it fair to
9 say that the non-compete here is to say to Kvaerner,
10 "Oh, yes, we will make the infrastructure, the
11 government will make the infrastructure investment
12 here in order to help us form a joint partnership,
13 to go into business and build some ships, which we
14 will be responsible for building, and we will buy at
15 the cost of materials."

16 And the people who negotiated this
17 deal said, "We will do that. But you can't go into
18 business anyplace else in this country."

19 MR. HANKOWSKY: That's right.

20 PRESIDENT STREET: "If you are going
21 to be in business, if we are going to do this, this
22 is where you are going to do it."

23 MR. HANKOWSKY: In America.

24 PRESIDENT STREET: "You are going to
25 do it here in America, and only here."

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2 MR. HANKOWSKY: That's right. That's
3 right.

4 PRESIDENT STREET: I am starting to
5 understand it a little bit. I mean, I can
6 understand this.

7 But, Mr. Hankowsky, it didn't come
8 out this way. It really didn't come out this way.

9 And it would have been very helpful
10 to everybody, at least for me, if it had been
11 explained in a different way.

12 Because what happened to us here is,
13 it came out different. We thought, I thought -- I
14 have to tell you, I thought -- Kvaerner was coming
15 in and making this big investment in our facilities,
16 and it really isn't.

17 And maybe it is totally unreasonable
18 to think that Kvaerner or anyone else is going to
19 come in and make this kind of investment down at our
20 Navy Yard. And maybe this is the only reasonable
21 way it could have ever happened.

22 I don't know. I mean, we weren't
23 there. None of us was involved in any of this.

24 But if this was the only reasonable
25 way that we would be able to have an opportunity to

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2 member of this Council would love to think that a
3 way will be figured out to get some of those workers
4 back on the job down there.

5 But I got to tell you, I have a hard
6 time envisioning at this point how that happens,
7 given what we are now piecing together as being the
8 overall vision for what that work force is going to
9 be like, and how it will be trained, and the kind of
10 expectations that Kvaerner and anyone else is going
11 to have of it. That does it for me.

12 Is there anything else you would like
13 to add at this time?

14 MR. HANKOWSKY: No.

15 I mean, to be candid, I probably
16 regret that it hasn't been clearer sooner. Maybe I
17 am -- as they said, the forest from the trees,
18 sometimes it is hard to step back.

19 But one other story to just recite
20 for context, which is, again, I think, just in the
21 spirit of, again, confirming this theory.

22 The German government, when East
23 Germany consolidated with West Germany, faced the
24 fact that there was more than one shipyard in East
25 Germany that were not state-of-the-art and had work

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2 forces, and would never be able to compete in the
3 world marketplace.

4 And how did they compete before
5 that? Well, because the East German Communist
6 government just ordered their ships from them. It
7 was a state-owned monopoly, and they only bought
8 their ships from their own company.

9 And in addition to getting Kvaerner
10 to take over one yard, they asked a German
11 shipbuilder to take over another yard, and provided
12 an equivalent amount of government money, like \$500
13 million. "Here. Go fix this yard and make it
14 competitive."

15 That German shipbuilder went
16 bankrupt, and that yard was never reopened, trying
17 to do it. So this is a very competitive, difficult
18 environment to be in.

19 And the Council President is right.
20 Unless the government at every level, federal,
21 state, local, and regional, is prepared to make
22 significant comments, you can't even play. And that
23 is the nature of this transaction.

24 PRESIDENT STREET: At this time I am
25 going to reluctantly ask Councilmembers to allow us

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2 to recess this hearing until tomorrow morning.

3 There are two other scheduled
4 hearings that need to go on because they have been
5 previously scheduled, and people are here. And we
6 knew they were going to be here. And it is unfair,
7 I think, to disappoint them at this time.

8 This, we can do tomorrow. Those, I
9 don't think we can.

10 Councilwoman Tasco says she has one
11 little, itty-bitty question.

12 Councilman Nutter never has an
13 itty-bitty question.

14 COUNCILWOMAN TASCO: Well, since I am
15 known for itty-bitty.

16 PRESIDENT STREET: Councilwoman Tasco
17 for an itty-bitty question.

18 COUNCILWOMAN TASCO: On Page 6 --
19 this is just a question about the tax impact -- on
20 the Summary, it says, "Of the 96.7 million in taxes
21 generated by the project, approximately 29 million,
22 or 30 percent, of the total will accrue to the
23 city. 6.1 million, or 7 percent, will accrue to the
24 School District," which is a very small amount for
25 over a 20-year period.

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2 But "61.1 million, or 63 percent of
3 the total, will be used to fund the debt service on
4 the TIF loan."

5 I mean, isn't that a kind of high
6 cost of doing business?

7 MR. HANKOWSKY: No. I think the
8 answer is, it is not.

9 I am not denying it is expensive.
10 But that is based on borrowing the 30 million that
11 will go into the project, at an estimated rate of a
12 little over 8 percent, and then paying the principal
13 and interest.

14 It is like a mortgage over the term
15 of the debt service for that note. And that's what
16 that figure includes.

17 So it is like when you buy a home,
18 and you take a \$100,000 mortgage. And they are
19 forced to give you the freedom of disclosure. And
20 they say this mortgage is actually going to cost you
21 \$350,000 over 20 years, when you look at the
22 interest. And that's the analogy.

23 On the School District comment, I
24 don't want to ignore it. As you might recall, we
25 had a fair amount of discussion about the TIF

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2 revenues at the Navy base in relationship to the
3 district back in the spring, when the TIF district
4 was, in fact, established.

5 And one of the kind of unfortunate
6 aspects of the TIF process is what taxes you can TIF
7 and whose are they.

8 And the district, as you know, has
9 certain dedicated Real Estate and U & O taxes. So
10 we actually provided in the June TIF district
11 structure that the percentage of U & O that would be
12 TIFed would decline by percentages in five-year
13 increments. So that at least over time, more
14 dollars would go to the district.

15 And we also provided that, to the
16 degree the Business Privilege Tax is throwing off
17 money, we would also begin to slowly give, quote,
18 unquote, begin to give the district a portion of its
19 real estate taxes.

20 So there was an attempt in June, when
21 we did the whole district, to try to mitigate -- the
22 numbers would look even worse if you all, if we
23 hadn't collectively, changed that plan in June.

24 PRESIDENT STREET: Okay. Thank you
25 very much.

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2 I would like to make it clear that
3 this committee is going to stand in recess until
4 8:30 in the morning. I think we are now going to
5 have the Council Committee on Labor and Civil
6 Service.

7 We are going to do QST at 8:30 in the
8 morning. QST will be done. We already told PGW.
9 We will do them at 8:30 in the morning.

10 So the Council Committee of the Whole
11 will stand in recess until tomorrow morning at
12 8:30.

13 VOICE: The public hasn't had a
14 chance to say anything. I am one guy.

15 PRESIDENT STREET: What is your
16 name?

17 MR. SATILLI: Vincent Satilli. I
18 live in Manayunk.

19 PRESIDENT STREET: Can we have him
20 right now. I am sorry. I apologize. And you know
21 what, and I have your name, too. And that is
22 absolutely my fault.

23 I saw all these other names. And
24 these other names are more the city professional
25 witness.

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2 Pennsylvania gave \$37 million, to the CoreStates
3 Bank to create jobs in the Philadelphia area.

4 CoreStates is leaving, merging with
5 First Union, and leaving us with a net loss of
6 \$7,000, without refunding the \$37 million to the
7 people in the State of Pennsylvania.

8 My concern as a citizen is, my tax
9 money is going to be used to support the Kvaerner
10 shipyard deal. And it is a great thing for
11 Philadelphia, and I support it.

12 But what I worry about is, what's
13 going to prevent the same thing happening to my tax
14 money?

15 PRESIDENT STREET: Excuse me. Mr.
16 Hankowsky, we can hear you here.

17 And I know you are very anxious to
18 talk to these reporters. But if you could do it at
19 another place, it would be very helpful.

20 Please, sir, continue.

21 MR. SATILLI: And so I am concerned
22 about my tax money being spent in that way.

23 I am willing to make the investment.
24 But what is going to be the return on my
25 investment? And I am concerned with that, as I am

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2 sure many citizens in Philadelphia are.

3 I am concerned about what the
4 Chairman of the Delaware River Port Authority
5 indicated, was a large part of the work appears to
6 be outsourcing. And as an old union man, that means
7 to me contracting out.

8 I wonder if there is going to be a
9 provision, whether Council can assure --

10 PRESIDENT STREET: I can answer that
11 for you. When he says outsourcing, he means that
12 Kvaerner itself won't make a lot of the parts, do a
13 lot of the work on the site.

14 It will have a contract with
15 somebody, someplace. But that's all union work.

16 MR. SATILLI: I hope that's unionized
17 jobs.

18 PRESIDENT STREET: Yes, it is all
19 union. I am pretty sure of that.

20 I can tell you all these union people
21 wouldn't have been here today if that had not been
22 covered.

23 I mean, I could almost risk my life
24 on that, that they are not talking about outsourcing
25 in a way that's not going to protect the interests

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2 of the union worker.

3 I can tell you that no Councilmember
4 here would be interested in supporting that. And I
5 think the Mayor tried to make that point when he
6 said these are all good.

7 The jobs that get created, both on
8 the site and the other jobs, are good union,
9 living-wage kinds of jobs. I think that's good for
10 everybody.

11 MR. SATILLI: My last point,
12 Councilman, is provisions. Will there be
13 provisions, can there be provisions, ensured or made
14 for for folks, for poor people?

15 A lot of people have been kicked off
16 Welfare recently, and they could use the training
17 for the kind of unionized jobs at the shipyard.
18 Will Kvaerner consider poor people?

19 And that finishes my comments.
20 Everyone here is for, and I am not against.

21 PRESIDENT STREET: And I will answer
22 the question for you. Because we covered that
23 turf. Right?

24 The jobs that are going to be created
25 at the Navy Yard, and the training that's going to

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2 require it, fundamentally, is not work for people
3 who have been put off of the Welfare rolls as a
4 result of this Welfare and all. It really isn't.

5 And it would be unfair, and I am
6 certainly not going to try to fool anybody about any
7 of it. I think that was part of what Councilwoman
8 Tasco was saying.

9 We don't want to fool anybody about
10 any of this. These jobs are not the kind of jobs
11 that those people, for the most part, are going to
12 qualify for.

13 There may be some. I am not going to
14 rule it out; there may be some. But in the main,
15 it's not for that.

16 And I tell you, when we first heard
17 \$187 million of training, there were some people who
18 said, "Wow, this could be great. Maybe we could get
19 some former Welfare recipients," this, that, and the
20 other. It is really not for those people.

21 Maybe some can. And I don't want to
22 rule it out. Nobody here is saying it can't
23 happen. But in the main, this is a very different
24 kind of work force that it is proposed to be
25 assembled at that Navy Yard.

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2 It is a work force that's going to be
3 as high tech as any work force that exists in the
4 country. Because the competition -- I agree with a
5 lot of it.

6 The competition is serious in this
7 area. And this country -- not this city or this
8 region; this country -- isn't competing.

9 And I think it is going to be a very
10 high-tech work force out there. It is probably not
11 going to be composed -- I am talking about the
12 people now making the ships -- of a lot of the folks
13 that we sometimes worry about.

14 Not that they aren't good jobs and it
15 isn't worth doing. But I appreciate your comment.

16 MR. SATILLI: Thank you, Councilman.

17 PRESIDENT STREET: Is there anyone
18 else here from the general public?

19 Yes, sir. Please come up, identify
20 yourself for the record, and proceed with your
21 statement. And we will try to get our next hearing
22 underway briefly.

23 But under no circumstances did we
24 want to disrespect the public in this process. And
25 I appreciate your patience.

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2 Good afternoon, Mr. President. I
3 want to say, first of all, good afternoon to you and
4 to the Council.

5 PRESIDENT STREET: Sir, I need you to
6 identify yourself for the record.

7 MR. RONALD WILLIAMS, SR.: My name is
8 Ronald Williams, Sr. I am the President and CEO of
9 Aerospace Technologies, LLC, located in Southern New
10 Jersey.

11 I want to thank you, first of all,
12 for these hearings and for the wording that has been
13 cleared up on a lot of these matters involving the
14 Kvaerner deal this day.

15 But, Mr. President, I still have a
16 concern. And my concern is even heightened by some
17 of the language here this morning, in regard to
18 involvement and inclusivity of small, minority, and
19 women-owned businesses in the dealings and in the
20 sharing of the money that's going to be involved
21 with Kvaerner and the shipyard.

22 I am all for the deal. I think it is
23 going to be a very good thing for the Delaware
24 Valley and for its people.

25 But we also have people here that are

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2 in small business, that are in high-tech businesses,
3 that do have viable professional services that they
4 can offer, but have not been touched, have not been
5 called, have not been asked, have not been entered.

6 And my concern is, even after hearing
7 that there are no provisions for small or minority
8 businesses to be involved in this process, what is
9 going to happen? And how will it be addressed, if
10 it at all will be addressed?

11 PRESIDENT STREET: It is being
12 addressed. I have to tell you the Mayor testified
13 that it is being addressed.

14 He has offered a potential amendment
15 to the resolution that really provides a mechanism
16 whereby this whole project will be subject to the
17 same kind of goals for minority and small business
18 and MBE/WBE kind of participation similar to one of
19 our more successful economic development projects in
20 the city.

21 The Mayor is very concerned about
22 it. The Councilmembers have raised the question.

23 This is a different process here.
24 And, you know, if this were just a local process, if
25 this was just the city, and only the Mayor and City

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2 Council were involved, we would be able to be
3 really, really specific about everything.

4 It is not that way. It is the state,
5 it is the region, it is Delaware River Port
6 Authority.

7 But I will tell you that the Mayor is
8 committed to work, you know, with Kvaerner in making
9 sure that this project is inclusive of all of the
10 various segments of the community, including small
11 businesses, disadvantaged businesses, minority
12 businesses, female-owned businesses. And hopefully
13 you won't be disappointed.

14 But it is something that is very
15 important to the Mayor and to the Council. And it
16 is being worked on aggressively.

17 MR. WILLIAMS: Well, Your Honor, I
18 appreciate that. And I thank you very much for
19 taking that time.

20 But I must tell you that my concerns
21 stem from the fact that I am only one small
22 businessperson here doing business in the Delaware
23 Valley.

24 And I myself have taken the steps
25 initially to go through the process step by step, to

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2 come forward. We would like to hear you, but we
3 also want to make sure that the committee that's
4 waiting to go into session has an opportunity to
5 have its hearing.

6 Please identify yourself for the
7 record.

8 MR. LEON NORRIS: My name is Leon
9 Norris, and I am representing ITTI, welding training
10 facility here in Philadelphia. And I am more or
11 less echoing Mr. Williams' request.

12 I, as well as my CEO, Mr. Jessie
13 Turner, we have made several attempts to be part of
14 this history-making event that's going to go on down
15 here at the Philadelphia Naval Shipyard, the former
16 Philadelphia Naval Shipyard.

17 We are a welding training facility.
18 And we have been here in Philadelphia since 1992,
19 March, and we are located in the Frankford Arsenal
20 area.

21 And we have trained welders for the
22 City of Philadelphia, such as the Philadelphia Water
23 Department, fleet management, and the bridge
24 maintenance people from the Streets Department.

25 And this is all through the

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2 general public here?

3 If not, this committee, the Council
4 Committee of the Whole, will stand in recess until
5 8:30 in the morning.

6 I believe that we will now have a
7 hearing by the Council Committee on Labor and Civil
8 Service, chaired by Councilman Mariano.

9 Thank you very much for being with
10 us.

11 (Public Hearing adjourned at 1:45
12 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Wednesday, December 10, 1997, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COMMITTEE OF THE WHOLE

DEBRA A. WHITEHEAD, RPR