

ECONOMIC DEVELOPMENT

HIGHER EDUCATION

and

ENERGY COMMITTEE

of the

SUFFOLK COUNTY LEGISLATURE

Minutes

A regular meeting of the Economic Development, Higher Education & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on Wednesday, November 13, 2009.

MEMBERS PRESENT:

Legislator Wayne Horsley - Chairman
Legislator Steve Stern - Vice-Chair
Legislator Cameron Alden
Legislator Vilorio-Fisher
Legislator John Kennedy

ALSO IN ATTENDANCE:

George Nolan - Counsel to the Legislature
Joe Schroeder - Budget Review Office
Joe Muncey - Budget Review Office
Barbara LoMoriello - Deputy Clerk of the Legislature
Patrick "Skip" Heaney - Commissioner of Economic Development
Carolyn Fahey - Economic Development
John Coraor - SC Cultural Affairs
Kevin Rooney - Oil Heat Institute
Moke McGowan - LICVB
Anthony Catagnola - Director of Marketing and Sales - Southampton Inn
Debra Alloncius - AME
Ernest M. Fazio - LIMBA
All other interested parties

MINUTES TAKEN BY:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 2:29 P.M.*)

CHAIRMAN HORSLEY:

Good afternoon, everybody. Please all take a seat. Welcome to the Economic Development, Higher Education and Energy Committee Meeting of November 13th, 2009. May we all please stand for the Pledge of Allegiance.

SALUTATION

May we all stand for a moment of silence for the men and women protecting our freedoms both home and abroad.

MOMENT OF SILENCE

CHAIRMAN HORSLEY:

All right. Again, good afternoon, everybody. We have a full agenda, mostly through presentations. And I know there's a lot of interest coming from both of our presentations today. But, first, is our public portion, those people that have signed cards for -- to be presented. Of course, we will have three minutes to discuss whatever you would like to discuss. May I first call up Mr. John Coraor from the Suffolk County Cultural Affairs Citizen Advisory Board. John.

MR. CORAOR:

Thank you. Good afternoon, Chairman Horsley and distinguished committee members. My name is John Coraor. I'm a resident of Huntington and speaking to you today as chairman of the Suffolk County Cultural Affairs citizens Advisory Board. The advisory board applauds the Legislature's recent quadrupling of the County's Hotel/Motel Tax. This expanded tax is projected to revenues designated for discretionary grant support of cultural programs, museums and historical organizations totaling \$983,854 in aggregate in 2010. That's almost twice the 511,000 and change in total grant support awarded by the Legislature to the Office of Cultural Affairs in 2009.

During the current recession when other sources of cultural program support had been significantly reduced and several long-standing cultural organizations have canceled their programming and all but gone out of business, this increased County support is both heartening and much needed. Unfortunately it's my reluctant duty to report to you today that ironically, the Legislature's very generosity in allocating these newly expanded funds has jeopardized the stronger, more diverse and more accessible cultural programming that you're seeking to foster.

Specifically, a comparison of the line items -- line item allocations with cultural affairs grant funding awarded -- sorry. The 2010 line item allocations with cultural affairs grant funding awarded in 2009, reveals that the core programs previously supported by County cultural affairs funding this year have either been left unfunded or underfunded with the current 2010 allocations by approximately \$300,000.

Although this is before the County has allocated grants based on review by the Cultural Affairs Citizens Advisory Board of 2010 grant applications, there is only about \$200,000 left for allocation based on these recommendations, still leaving in eventual shortfall of roughly \$100,000 for those core cultural programs that have been enjoyed and attended by the County's residents and visitors for the past several decades. Let me say that again. At a time when the Hotel-Motel Tax had quadrupled and discretionary County cultural affairs funding had almost doubled, the County's core cultural organizations who have consistently been supported based on merit and a demonstrated ability to cost efficiently provide quality programming to sizeable and diverse audiences, will be experiencing an aggregate decrease in County support of roughly \$100,000 in the coming year.

Something is clearly wrong with this outcome. And the advisory board is committed to proving you with the assistance to address this problem that we were charged with offering when created by the Legislature in 1975. For 34 years, the legislatively appointed members of the advisory board have

carefully reviewed all cultural affairs grant applications and made annual recommendations based on objective evaluation of a wide range of relevant criteria.

The current failure to utilize this review process for the bulk of 2010 cultural affairs grant allocations is an unfortunate new precedent in a long-standing and successful tradition. The advisory board in its grant review process have been repeatedly praised over the years by the media, the cultural community and Legislators of both major parties for its objectivity and fairness.

Furthermore, members of the advisory board are appointed by the Legislature and its recommendations are nonbinding and advisory in nature, so final approval of grant allocation either with or without advisory board review always rests ultimately with the Legislature. We urge you not to abandon this proven competitive review process just when it could clearly help avoid the problem that I've outlined to you today.

Because of the serious projected shortfall and the balance of remaining discretionary funding, the advisory board has no other option but to reluctantly request that the County Executive veto the line item allocations made recently in the Omni Code DO 33 portion of Budget Amendment 2.

We hope that this requested veto will provide the Legislature with the opportunity to make a second examination of these allocations in light of the evident shortfall in funding for core cultural programs. While we hope that the Legislature returns to reliance on the 34 year history of service provided by the advisory board in consolidated review of all cultural affairs grant applications regardless of whether allocations are eventually made with or without benefit of this review, it is evident that significant adjustment of the current allocations is needed for the continued wellbeing of the County's core cultural programs and the benefit of the large and devoted audiences that they serve. I thank you for this opportunity to brief you on this topic of vital importance to Suffolk County's cultural community and its citizens.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Coraor. Thank you. Carolyn Fahey from, of course, our Economic Development Agency.

MS. FAHEY:

Good afternoon. I'm here to talk to you two seconds on Resolution 643 of '09 which the Legislature adopted in August of this past year. This resolution directed the Department of Economic Development to establish a "Shop Suffolk" promotional campaign to encourage our County residents to shop locally and to support our local businesses.

In the 4th Resolved Clause it also says that the Department of Economic Development shall work with local chambers of commerce and businesses to direct and establish such a campaign. The 3rd Resolved clause resolves that the department will notify this Legislature within 90 days of the effective date of this resolution if additional funding is necessary to implement the Shop Suffolk Program.

As you might recall, the County Department of Economic Development has on contract a marketing advertising firm. We've relied on them and their expertise to decide and to determine what would be the best and most effective way to get this message across. Our marketing firm has come back with a program that run about \$50,000 in order to do it and do it to its best ability.

I just wanted to inform the Legislature that I'm working with the sponsor, Legislator Cooper. I have advised him of the cost analysis, I've given him a copy of it, and we hope to come back to you shortly with a resolution to fund this program.

CHAIRMAN HORSLEY:

Are there any questions of Ms. Fahey? Thank you much, Carolyn. I'd like to call up Kevin Rooney of the Oil Heat Institute.

MR. ROONEY:

Mr. Chairman, members of the committee, for the record, my name is Kevin Rooney, I'm the Chief Executive Officer of the Oil Heat Institute of Long Island. I rise to speak today on Introductory Resolution 1873.

The ultimate goals and objectives of this resolution are in deed laudable; to promote increased awareness of the many benefits energy conservation and to encourage homeowners to take positive proactive steps to reduce their energy conservation -- consumption, I should say. It is a given that the less energy each and every one of us uses in our daily lives means real consumer savings, which directly translates into jobs and increased economic activity.

The less energy we use means a cleaner environment, improved air quality, improved public health and reduced public health expenditure. The less energy we use moves us ever closer toward the elusive goal of relative energy independence, improves our balance of trade and diplomatic leverage and enhances our national security. No one in his or her right mind can argue with these broad objectives. Unfortunately, the devil is always in the details.

The effective administration and implementation of energy conservation programs, enhancements and financial incentives is regrettably balkanized through the County -- throughout the County with various Federal, State, County, Town and private sector interests all jockeying for recognition and standing. The net result is that homeowners and energy consumers are all too often overwhelmed by a virtual avalanche of well-intended but nonetheless confusing material, information and services available to them and constantly buffeted by the competing homeowner savings claims of various interested parties. Again, all too often confusion invariably leads to inaction, which is exactly the opposite reaction which all parties wish to achieve.

As elected officials, you all know only too well that different branches and levels of government tend to become extremely parochial when guarding what they view as their territorial or administrative prerogatives. This resolution which calls for multi-entity task force on energy conservation would hopefully help to foster a greater sense of corporation on an intergovernmental level and so facilitate the implementation of a comprehensive and cohesive energy conservation strategy throughout the County.

While the three major energy suppliers; LIPA, National Grid and the oil industry are not designated members of the task force per se, we each have a great deal of experience in this area. Thus we would hope that the prime sponsor envisions an active participatory role for each of the major energy providers to advise and assist the task force in the development of their strategy and in the final report to be delivered by the group. Such assurances would, I believe, be most welcome. And I strongly encourage your support for resolution. Thank you, Mr. Chairman.

CHAIRMAN HORSLEY:

Thank you very much, Kevin. Do you want on, is that what this means? Do you want on, onto this committee?

MR. ROONEY:

No.

CHAIRMAN HORSLEY:

Okay. Legislator Viloría-Fisher.

LEG. VILORIA-FISHER:

Thank you, Mr. Chair. Thank you for come down, Mr. Rooney. And you have my assurance on the record that we have the providers -- the suppliers' names on our list of contacts when the task force is set up. And we have meetings, you will certainly receive the calendar of meetings so that you can participate, because we know that we can learn a great deal from the professionals who deal with

this day in and day out. Thank you for being here.

MR. ROONEY:

Thank you very much.

CHAIRMAN HORSLEY:

Mr. Alden. Legislator Alden.

LEG. ALDEN:

Kevin, do you sit on -- isn't there a New York State Task Force for Energy Conservation, and isn't there a Federal Task Force? Do you or a representative --

MR. ROONEY:

I hate to say it, but in any given point in time, I'm wearing at least, I don't know, 13 or 14 different hats. So, yes, I do sit on a national research group and energy task force, I'm an advisor to NYSERDA on their energy task force. So -- as are the other major players, be they the electric and gas utility industries. So we all -- we compete like crazy, but we all work together on, you know, common issues.

LEG. ALDEN:

Thanks, Kevin.

MR. ROONEY:

You are more than welcome. Thank you, Mr. Chairman.

CHAIRMAN HORSLEY:

You are welcome. All righty. We're going to move to presentations at this point in time. If I may, I see that the agenda notes that Moke McGowan was going to be first up, but I think I'm going to make a little switch if Moke doesn't mind. Will you let Ernie speak first?

MR. MCGOWAN:

The gentleman with me needs to leave by ten to three.

CHAIRMAN HORSLEY:

Ten to three. Boy, that -- okay. That's five minutes. Ernie, how about you then? Would you mind if we put you off to second?

MR. FAZIO:

No. I assume I'm going to be given enough time.

CHAIRMAN HORSLEY:

We will give you enough time. That's an absolutely, because you have a very important message concerns Mag-Levs.

So then let me call up Moke McGowan of LICVB and give us the 2010 Marketing Plan for the Hotel/Motel Tax. Moke, I thought since you were an insider, I'd, you know, put you off. So much for well made plans. Gentlemen, welcome. Moke, why don't you start?

MR. MCGOWAN:

Thank you very much. But I do appreciate, Chairman Horsley, the opportunity to be present today and to address the committee. I would like to first very quickly introduce the two gentlemen who have joined me. They are on our Board of Directors, and they represent various segments of our tourism lodging community. Mr. Kevin Moran on my right is the general manager of the Courtyard at Marriott at Exit 60. And the gentleman on my left is Mr. Anthony Catagnola, who is the Director of Marketing and Sales for the Southampton Inn. And they both have relevant input into some of the considerations that you'll be undergoing today.

As we look ahead, I'm just going to cover very briefly both market conditions and the focus, if you will, of the Suffolk Specialty Program. You all know that we undertake a regional approach to our marketing with the exception of those dollars that is the difference between what is collected in Nassau County and Suffolk County that becomes the Suffolk Specialty Program.

We are facing unprecedented challenges in the industry. And questionably with the great recession, we have seen an incredible drop off in business. Occupancy -- we look at lodging performances as an indicator as how well we're doing in the health of our industry. Occupancy in Suffolk County, year-to-date has been off as much as 12%. As we look at the room rates that our lodging community has been able to command, that's down almost 6%. An overall demand for our lodging is down 9%.

That said, it is -- and I have to back up, and I apologize, because I gave you errant figures. Those are all Nassau County figures. We compare Nassau and Suffolk to see how both are doing. Within Suffolk County, we're down 10% in occupancy, same time last year year-to-date versus 12% in Suffolk County -- Nassau County. The room rates in Suffolk County are down about 6%, likewise in Nassau County. The demand in Suffolk County is down about 8% versus nine, almost nine and a half percent in Nassau County.

And there's good reason for that difference, and that is that the biggest segment of our industry that is -- that has declined the most has been business transient or the business travel and the corporate group segments of our market. Leisure has actually kept us fairly well afloat. It's not been as strong as it has been in the past years, but it has been our savior, if you will. And that's both domestic and more importantly international leisure, which is a segment of the industry that we had not worked to attract prior to 2006.

As we look ahead, we do see probably a return to norm for the corporate meetings and convention side of the business, not for another two to four years, but we do see very optimistic signs that leisure travel will continue to be healthy and robust as we move ahead and certainly in the international marketplace.

I'd like Mr. Catagnola to address that from East End perspective, because truly all of our efforts in the international arena, the beneficiaries are the East End of Suffolk County. There is some, but very little interest in the other parts of Long Island on behalf of the international community. So if I may ask Mr. Catagnola just to address that briefly.

CHAIRMAN HORSLEY:

Yes, absolutely. Moke, can I just ask you a quick question on the -- on your statistics? I see that we have the possibility of bringing on two new hotel ventures; one at Stony Brook and one in possibly Riverhead. And there's been talk of others. Is this going to impact this -- you were talking about you're down 10%. Are you okay with this? Are you pushing along? Because we've looked at it, at least I have personally, as a positive sign for our economy that financing can be done for two new hotel ventures and an optimistic view of Long Island. What do you think?

MR. MCGOWAN:

Well, I think it's going to be difficult in the early goings. It's certainly -- you know, certain properties such as the Stony Brook property, because of the University's ties and things of that nature, may find it easier than the new Hyatt that will be going up out in Riverhead, albeit it's tied into an attraction, so it has some opportunities.

It is a tough time. With demand -- we're seeing worse conditions now than we saw post 9/11. The problem with 9/11, it took us two to five years to recover from that. But we started a recovery based on a patriotic move that traveling was patriotic, that spending was patriotic, that people still had equities in their homes to travel and they still banked on credit cards. And the corporate community was definitely tied into the need for meetings and business travel. We don't see that

today. In fact, it's almost the opposite.

From a leisure standpoint, there's very little equity to tap into. People are paying down their debt instead -- and saving instead of spending. And in the corporate group market, travel budgets, business travel budgets, have been tightened significantly. We think that we're probably going to see a turnaround in that within the next 24 months. But a true return to the level of rates that we enjoyed pre great recession, we don't anticipate seeing that until 2013 or 14. And that's our biggest problem.

CHAIRMAN HORSLEY:

These two new ventures that will be coming on will -- at least before breaking ground, we're talking at best probably next year, and it will probably take them another year to actually open the doors. So that might be good timing.

MR. MCGOWAN:

And I think that at the time that they open the doors, the market conditions will have turned significantly in their favor. It will take us two to four years -- I'm going to say it's going to take us three to four years to get demand back to where it was prior to the recession. But by the time those doors open, it will still be difficult. It's been -- it's tough really developing market demand. We finally got from a two to 3% per year to a five to 7% per year, and then, boom, September of last year. But that's the nature of the business. But both of these gentlemen can address that. And because Mr. Catagnola does have to head back out to Southampton to pick up his daughter --

CHAIRMAN HORSLEY:

You've got three minutes.

MR. MCGOWAN:

I would like him to address a part of that.

MR. CATAGNOLA:

I'm here actually just to say that the LICVB has brought to us the international market. Over the last two years, I've been working with one of the sales managers, Isabelle Gonzales. And we've managed to increase international by over 309% year-to-date. Our property is definitely a destination. We're located in the Village of Southampton. It sells well to the international market. And that has been able to -- that has taken over the corporate business that we used to have and has, you know, maintained a pretty stable occupancy for us.

I go the trade shows with the Long Island Convention and Visitors Bureau, I work directly with them. I see that they take part and they sell the entire Island as a destination. Not -- we don't take any single portion of the Island and, you know, just sell Nassau, just sell Suffolk. We sell Montauk, North Fork, South Fork. And without their efforts -- and, you know, if their dollars are going to be diluted, I think that's going to hurt, you know, all of us. And I think at this point we need to really stick together and have that centralized -- that centralized organization that knows the Island, knows my portion of the Island, knows the wineries, knows Montauk as well as Nassau and Suffolk. I think it should continue to sell the Island as a destination and not, you know, a particular region.

CHAIRMAN HORSLEY:

You are good. That's about three minutes. But we do have some questions so you can't run away yet. Legislator Stern.

LEG. STERN:

Thank you, Mr. Chairman. Welcome. As you look towards the international market, are there particular regions, are there particular countries that you would direct that marketing to? And, of course, you know, the financial downturn, economic challenges are worldwide, but there are regions, there are countries that are doing better than others. I'm wondering if this is just a one-size-fits-all marketing effort beyond our shores, or are you targeting certain areas of the world to come visit us?

MR. MCGOWAN:

It's an excellent question. And the fact of the matter is we have to target. As we say, you know, trying to be all things to the world is pretty tough. We chose to focus on the United Kingdom, visitors from the United Kingdom, and Germany and German speaking back in 2005, when we first laid out our program to attract international visitors. And the reason for that was that those were the top two countries that were coming into New York City.

What we looking at was we are the gateway to the international community of those countries and that New York City is the primary draw. So how do we get a portion of their itinerary while they're coming over for seven to ten days? They can't afford to take in all that New York City has to offer during a seven to ten day period. They would go home absolutely broke. But we also know they want to explore, they want to get out. We formed a partnership with New York City and Company whereby on their educational website to the travel trade, we are the only region known as "beyond New York City."

We started attending trade shows with them on a co-op basis and also with the State of New York attracting and working with UK tour operators German and German-speaking tour operators. That's really where we have consolidated and focused our efforts. Obviously, there are a lot of internationals from France, from Spain, from Italy, from Japan, new markets out of China and India that are being developed and things of that nature. That's further down the road. But as I basically told our board in the very beginning, we want to be the biggest crumb snatchers you can find so that we can take advantage of those folks who are already going to be coming here to know that we want to be part of their itinerary. And fortunately, that particular strategy has paid off for us very well so far.

CHAIRMAN HORSLEY:

Legislator Alden.

LEG. ALDEN:

I don't want to butcher your name.

MR. CATAGNOLA:

Catagnola.

LEG. ALDEN:

Thank you. How sensitive is your product to pricing? Is it a two dollar, is it a ten dollar, is it a 20 dollar type of price point that actually causes your market to evaporate, or is it a larger number?

MR. CATAGNOLA:

During the season, we haven't gotten any resistance on rates for the past -- past season. Off season we're finding now that the competition is dropping their rates down to a point really where we cannot compete because we are full-service property, we are year-round, we have meeting space, you know, we are one of the largest properties out there. So rate is really affecting us now. But in our season, we were able to maintain the same rates that we've had for the past -- we haven't raised our rates in the past three years. But we were able to get that rate, you know, for our season.

LEG. ALDEN:

But off season, do you find a two dollar or five dollar or is it larger than that?

MR. CATAGNOLA:

More like a \$20 to a \$40 difference.

LEG. ALDEN:

Okay. Thanks.

CHAIRMAN HORSLEY:

I know you have to, Mr. Catagnola, but a couple of quick questions. One, I bet the fact that the dollar is down at this point in time that may or may not help you. I assume that it would help your business. But I have a question. How do -- going back to Moke's promotion, how do you know that the peoples that are ending up in your inn are there because of Moke's promotions?

MR. CATAGNOLA:

We actually negotiate contracts with these tour operators and receptors. And all the reservations that come in, come in through my office, which come through contracted rates. They can't just call up the hotel and get an international tour operator or, you know, any rate like that. It has to be contracted. So we have -- there is right now producing in our hotel about six of the major tour operators and receptors which I have -- you know, just by a strike of key on the computer can see their -- what they picked up throughout the year.

CHAIRMAN HORSLEY:

And those tour operators are hooked into LICVB?

MR. CATAGNOLA:

Absolutely. Because when I go to --

CHAIRMAN HORSLEY:

Interesting.

MR. CATAGNOLA:

Pow Wow, which is a trade show, that's when I negotiate the contracts, and that what's I do with co-op with the LICVB.

CHAIRMAN HORSLEY:

I can see why you brought them. That's a good answer. That's good for us to hear that these dollars are going in the right location and they're bringing actual business to the East End. That's good news.

MR. MCGOWAN:

Tony and I were talking about this earlier. It's our resources that help open the doors for businesses in these communities to engage in discussions of rates, of potentially coming to their properties and things of that nature. Beyond that, it's creating that awareness that we are open for business.

Three years ago -- and when you talk European and international markets, you generally -- we can't mount any kind of a consumer marketing program in the UK or in German or any place on the continent. It's entirely too expensive. We rely on our public relations bringing over travel riders from various media in Europe and the UK. We rely on meeting with tour operators, wholesale receptive operators at three significant shows, engage them in discussions about their desire to include Long Island as part of their itinerary, and then put them in touch with the people who have indicated on Long Island that they would like to work with international tour operators.

We have developed seminars to teach businesses how to deal with international tour operators and their customers. And that has been relatively a slow process, because nobody's ever done it before and there's been a very little bit of understanding about it. We very started off three years ago with zero tour operators working or including Long Island product in their catalog offerings. We have close to two dozen today, and that is continuing to build.

CHAIRMAN HORSLEY:

Very interesting. Legislator Fisher.

LEG. VILORIA-FISHER:

I'm going to pass since Mr. Catagnola has to leave.

CHAIRMAN HORSLEY:

Let me just say, one more quick question before I let you go because I want to get the three of you. I have one quick question. And I've already asked Moke and I know how he feels about this. But if there was the possibility of down the road that there was a casino to open on Long Island in Suffolk County, and this particularly goes to the Exit area around Suffolk County where apparently the Marriott is, what do you guys feel about it? It's good or bad?

MR. CATAGNOLA:

We feel that it's good actually. I think it's only going to bring more business to Long Island. Exit 60 may not directly affect us. A little further out would affect us more. We'd have more people coming out that maybe don't want to stay at the casino hotel, want to branch out into, you know, one of the villages or extend their stay and come out to Hamptons or the vineyards. So I feel positive about it.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Catagnola. Did you guys want to answer this now or you want to wait until after the -- let him go. Mr. Catagnola, thank you very much for being here. Drive safe back.

MR. MORAN:

Do you fix speeding tickets for people who testify? As far as the casino concerned, that's a whole different part of the hospitality industry. It very unique, and it's difficult to say how it would affect the hotel community on Long Island. Obviously, it would, I assume, attract a lot of people who are now going to other places to gamble.

In general right now, my feeling is that there are plenty of hotel rooms in Suffolk County. And that it's going to be a while before demand is able to catch up to supply, particularly considering the recession. We had -- you had mentioned the two new offerings that were under are under consideration. And while, as Moke said, the hotel at Stony Brook will have it's own internal generators, that's true, but everything they generate is taking away from an existing property, because if they're not staying there now, they're staying someplace else. We do business with people who are going to Stony Brook. So you can't just look at a hotel by itself, it's how it affects the entire market. So that's -- those are my feelings on that.

CHAIRMAN HORSLEY:

Do you feel that they are -- that these two new operatives may have gotten financing for their hotel? Is that a sign that business is going to be picking up in general or that the marketplaces at obviously your end of the world is saying that, you know, maybe they could handle it? Or do you just think it's a negative?

MR. MORAN:

I don't know they have financing, maybe they -- maybe they don't. You know, trying to -- talking about building a hotel or anything else right now and then getting the financing are two different things. So I don't know where they stand in that respect.

CHAIRMAN HORSLEY:

Legislator Fisher.

LEG. VILORIA-FISHER:

Okay. What the university has posited at this point is that they would be attracting more conventions and meetings. But you would still see that as a negative because it is drawing people who would have been staying at local hotels would be staying at Stony Brook. Although they would be attracting more conventions, you still see it as a net negative?

MR. MORAN:

Well, I don't know how much meeting space they have. Obviously, if they have a convention center

and attract certain meetings, that would help. But meetings are a part -- you know, they're one fraction of your business. Our hotel primarily is a businessman's hotel during- - you know, transient business, yes, during the week, and then more social on the weekends. So, yeah, it would still be cutting into people's business in my opinion.

LEG. VILORIA-FISHER:

Thank you.

CHAIRMAN HORSLEY:

Legislator Alden.

LEG. ALDEN:

I actually had a couple of questions for you. How sensitive is your pricing to the area as far as competitiveness? If you had to raise room rates \$2, \$5 -- I asked the same question a while ago -- where is your price point -- where does it become critical?

MR. MORAN:

That's a difficult question to answer actually. Our rates are down considerably from last year. And we --

LEG. ALDEN:

Even though operating cost and expenses are up.

MR. MORAN:

They're up -- we've maintained them fairly well, fairly level, but our revenues are down.

LEG. ALDEN:

Again, so it's too difficult to answer as far as where the price point would be? A ten dollar increase in room rates, does that make you noncompetitive?

MR. MORAN:

It would it make us noncompetitive? Sure. Sure. I mean, right now, you base your rates on the season and your demand. There are certain times our demand is high and we can command a good rate, but overall and compared to last year, we don't have as many peak demand times as we did in the past.

LEG. ALDEN:

I ask that because we just went through a pretty long or lengthy debate on whether we should increase the Hotel-Motel Tax. And the East End was pretty adamant and very well representative as far as that they didn't want to see an increase in tax. They said it would actually put some of them out of business, whereas the West End, we really didn't hear too much comments from hotel owners or operators from the West End of Suffolk County. So again, I had to make the assumption that it wasn't that much of an impact or wouldn't be that much of an impact. Even a five or ten dollar increase in a room rate would not impact your business.

MR. MORAN:

Well, when you quote rates, you don't talk about taxes. So people aren't going to know what the tax is until they get here and find out that it's 3% versus three-quarters of 1%. We don't say it's \$159. We say it's plus tax, but we don't not say it's plus X amount of dollars. So when we talk about quoting --

LEG. ALDEN:

So it's an after-the-fact -- it's an after-the-fact that they find out what the tax is.

MR. MORAN:

Sure.

LEG. ALDEN:

And then I just have one other quick question. Technology advances and the telemarketing that going on, is that a natural -- it's not a natural phenomenon, but as technology advances, you are going to see less and less business travel. And that seems to be a trend. Is that something that you've looked at or that you've seen as far as a trend, or is it just this economic down trend that has affected your business?

MR. MORAN:

I think it's the economic down trend. And I think part of that is people are traveling less, companies are traveling less and they're doing more through electronic means. But this goes in cycles. And eventually you have to go out and see your customer. You know, you can so much over the phone, you can do so much over the internet. And certainly there's more and more of that happening, but eventually, you have to go out and talk to your customer. And I think that we'll see that coming back. And new businesses are going to be coming on board and they're going to have to go out and solicit new customers. So there will be travel generated in that respect, I believe, when the recession ends.

LEG. ALDEN:

The composition of your customers or clients -- they would be customers, right? So the composition is 90% business, 10% recreational, or is it -- is that a fair statement as far as the break up or break down?

MR. MORAN:

During the week it's probably 75% business and during the weekend it's 75% leisure.

CHAIRMAN ALDEN:

So the 10% decrease actually for your hotel would have been more than a 10% decrease, right?

MR. MORAN:

I'm not a mathematician, I'm not following you.

LEG. ALDEN:

Mr. McGowan said a little while ago that Nassau County is down 12%, Suffolk County is down 10%, but that's an average throughout the whole County. You are on the West End, you rely more on a business-type of client. Are you down more than that 10% as far as overall business?

MR. MORAN:

No. We're down just about that.

LEG. ALDEN:

So right in line with the average?

MR. MORAN:

Yes.

LEG. ALDEN:

Okay. Thanks.

MR. MCGOWAN:

The figures that I gave earlier, Legislator Alden, were from Smith Travel Research which monitors both counties. They don't differentiate east versus west in Suffolk County. One of the difficulties that Nassau County is faced with is they are overwhelmingly tied into the corporate group; the meetings, conventions and the business travel element and with very well leisure to help keep them afloat. We're so much fortunate obviously in Suffolk County.

CHAIRMAN HORSLEY:

As follow up question, Legislator Stern had --

LEG. STERN:

Thank you, Mr. Chair. I was going to ask the very same question that Legislator Alden had. Legislator Alden, you have to be right on, because, you know, as we go forward with improvements and technology, there's going to have to be lasting impact on business travel in the future as companies become more productive and search for ways to keep costs down, cuts to business travel whether it be teleseminars, webinars, teleconferencing. There has to be an impact that we're going to see, not just now, but in the future even after we come out of the economic downturn just as a way of doing business.

I'm wondering if the industry as a whole has started to ask members of trade associations, not just here locally, but across of country, whether or not business travel is going to be something that they look to get back to or is it something that's going to be permanent change for their businesses and their industries?

MR. MCGOWAN:

Well, actually, you know, business travel associations -- National Business Travel Association does look at that on a continuing -- they survey their members, corporate meeting planners as well as business travel departments within corporate entities. And there is going to be no question an increased use of web-based meetings and thing of that nature, but they also are saying that they fully expect a good return or healthy return to business travel itself. It really depends on the various segments that we're talking and the level of meetings maybe they had in the past or the level of meetings they need in the future.

CHAIRMAN HORSLEY:

Legislator Kennedy. And we're going to be moving this along because we have a second presentation.

LEG. KENNEDY:

I'll make it fast. And most of the questions actually were asked already about the nature and composition of business travel. Actually, I just wanted to say it's nice to have a fellow Hibernian in front of me as well. But nevertheless, is it your sense that the majority of your patrons are people that are coming into our area out of Suffolk County? I mean, give me just a little bit more of a sense. And then the only other thing I guess I'll ask you to speak to is if you have any familiarity with your lodging tax in adjoining jurisdictions and where we're at now regarding that.

MR. MORAN:

Legislator Kennedy, I don't have that last information handy. As far as the guests that we have during the week, the business people are primarily from off Long Island. On the weekend, it's a different story. On the weekend we get a lot more Long Island traffic than anybody would believe, just people wanting to get away and that kind of thing. So it -- we have a combination. Again, we're kind of two hotels; during the week, it's the traveling businessman, and on the weekends, it's more of a social clientele.

LEG. KENNEDY:

Okay. All right.

CHAIRMAN HORSLEY:

So it sounds like to be successful we have to be both a business community as well as tourist destination.

MR. MORAN:

That's correct, because you have seven days a week and you're trying to sell your room seven days

a week, so you have different markets that you have to cater to.

LEG. KENNEDY:

Mr. Chair, there's just one other item that I had spoken with Moke about before, and I don't know if it's appropriate for this venue or if we're going to have them back, but we talked little bit about what the intentions were for the LICVB with some of that expanded marketing in those different areas. One in particular was some of the historic trade that we had talked about or historic promotions. And I was just curious whether or not Moke is going to speak to us now or it's going to be at another time.

MR. MCGOWAN:

I certainly hadn't planned on getting waylaid on international and the business community, because I had planned on addressing that. As we look ahead to 2010, we formulated our marketing plan back in August and had it approved, reviewed and approved by our board in September. We have projected for the Suffolk Specialty Program for next year based on the increase in the lodging tax and the funding that would be coming to us to be about \$935,000. What we're looking to expend those dollars on are two primary areas; certainly an enhanced expansion of our consumer advertising. But primarily with that consumer advertising is to drive visitors to our website, which is under redesign/redevelopment as we speak. And we look at a relaunch of that within the month of January.

Within that context, however, will be a very strong focus on the cultural assets, the cultural heritage assets of Suffolk County. We know that that is important. You have spoken obviously by your actions in supporting that. And we also realize and see the value of being able to drive a better awareness and hopefully better visitation to those assets across the board.

The second thing is that we were looking -- and in line with that is not just consumer advertising driving eyeballs to the website but the development of micro websites or micro sites that focus on the cultural heritage assets of Suffolk County, but also a development separate from our new website of a micro site that likewise gives a focus to the Eastern End, the Peconic region of Long Island, if you will. Both the North and the South Forks have the two iconic, if you will, attractions for leisure travel visitors. And that, if you will, are the beaches and beach activities, the water activities and the wine country, feel field of relaxation and enjoyment. Those two experiences wrapped up in a micro site that focuses on the East End was yet another one of the programs that we would be employing.

And then the third one, we actually are looking at developing a micro site around the epicurean experiences of Suffolk County that ties together, if you will, the vineyards, from production of wine to restaurants to the production of the produce and even the fishing and seafood activities, bringing those together under an epicurean experience that we can then likewise sell.

So we are looking at laying the groundwork, if you will, through the development of these micro sites for future promotions and activities. Those are the three -- the two main things that we were going to be looking at focusing on to develop those things. As we look at the budget and the increased dollars that we would be receiving, we will be increasing our expenditure on video content development. So videography, photography, that will become the content for the signs.

In line with all those discussions, we have a major concern about a resolution that you are going to be discussing and deciding on here. And I will tell you that -- let me back up a half step. One of the other things we formulated or developed four years ago -- five years ago actually, was a matching grants program that went to funding trying to help assist tourism promotions entities in Suffolk County predominantly on the Eastern End in their promotional efforts. And we were looking at an expansion. That had started out at about \$32,000 a year, very limited. In 2009, it's roughly \$50,000. We were looking at doubling the expansion of that to \$105,000 in 2010.

This is already, by the way, in our budget, in our marketing plan that was developed back in

September. So it's nothing new in response to the resolution before you. One of the major recipients, because we believe in the development of cooperative partnerships, was going to be the formation and assistance of the eastern -- East End Tourism Alliance that was working to bring together the voices of the Hampton's Visitor's Council and the North Fork Promotion Council.

So we were already looking at moving that program ahead and assisting with that. As we look at the resolution before you, the first thing that caught my attention aside from the consideration of the dollars was the rationale or justification for this particular resolution, which if I might quote basically says, "the Legislature finds, while regional tourism promotion draws many visitors to the largest attractions in Suffolk County, it lacks the specialized knowledge of the Peconic region to know best how to promote its attractions."

On our board, we have ten members of the East End or the Peconic region. If you will and if I may read who these folks are: From Montauk we have Ken Walles, who's the President of the Oceanside Beach resort; Paul Monte, General Manager of Gurney's Inn; Jim Zaborski, owner of Dune Management. In the Hamptons we have Andrea Gurvitz, Executive Director of the Hamptons Visitors Council; Don Sullivan, owner of Southampton Publik House; Anthony Catagnola, whom you just met and who is actually coming on the board on Monday; Lou Salvatico, owner of the Holiday Inn express and the Best Western in Riverhead; Bryan DeLuca, General Manager of Atlantis Marine World; Joe Gergella, the Executive Director of the Long Island Farm Bureau and Steve Bate, the Executive director of the Long Island Wine Council.

These folks represent 30% of our board in total -- I'm sorry, 30% of the elected board members on your board. I can't imagine not having the specialized knowledge to help us develop our programs, review our programs, assist us with those programs and put them in place. So I'm very surprised by that rationale and certainly can't agree to it. The second thing is we are -- I'm going to actually give my voice a half rest and defer to Kevin for a moment, because he was one of the members of the lodging community back in the early '90s who approached the Legislature to request a tax to help develop a collective voice.

CHAIRMAN HORSLEY:

Moke, just quickly, what you are saying then is other than the Montauk Chamber of Commerce, the other two entities that are quoted in the resolution are on your board and are part of the decision makers in how this money is being spent?

MR. MCGOWAN:

They are.

MR. MORAN:

Thanks, Moke. It's probably not often that an industry approaches government and asks to be taxed, but that precisely what we did.

CHAIRMAN HORSLEY:

You are right about that.

MR. MORAN:

It was a wild guess. But that's what we did in the early '90s because Long Island was not being well representing vis a vis our competitors on the East Coast with whom we had to compete on a regular basis. So as you all know, this legislation was passed and there was a certain amount of money earmarked for the bureau and some for other things. We feel it's very important to speak with one voice. And we feel that parceling this money out to different entities is just going to make us less effective in your approach, in our message to people out there about what Long Island is, because I've been on Long Island about 20 years, but before moving here, I didn't know anything about Long Island and I certainly don't know anything -- didn't know anything about Suffolk County versus Nassau County and didn't care. And most of the people west of the Hudson don't.

Long Island is the destination. And we need to promote it as an entity, and that includes obviously the East End, Suffolk County. We have so many great things going on on Long Island and so many good reasons for people to come. But if we fractionalize this budget, our message is going to be fractionalized and it's going to be much for ineffective. And I don't think we can afford to this at this time.

MR. MCGOWAN:

I'd like to also say we have gone through the RFP process, the bid process for this contract. We had to demonstrate our capabilities, our abilities of professionalism of our people and the experience of our people and our knowledge of destination tourism marketing. We had to also provide and demonstrate our compliance with Legislative mandates such as fair wage with fair hiring legislation. For us to now be told to take a portion of this budget that we are prepared as always to commit to the benefit of this County with accountability and transparency, to turn over to a fledgling organization that has no real history, is just starting out, does not have a paid staff, currently does not have, if you will, a program of work, an operation plan, any of those things.

I almost question why we would be held accountable we do under those circumstances. We operate off of metrics. We lay down metrics that we use to adjust our programs, to evaluate our programs, to shift -- to adjust to the changing market place. And this is a very fluid marketplace that we deal with. And it is with that kind of activity that we are able to show a return to this County. We always wondered, for instance, what is the direct return on investment of what we do. And in certain areas we can tell you exactly what it is. We can tell you with specifics regarding our sales activities.

We undertook a research study two years ago -- I'm sorry, last year to identify the return on investment of consumer advertising, the largest portion of expenses that we undertake each year. And the consumer advertising, we contracted with a research firm out of Southern California to develop and initiate this program or this research. To make a long story short, as was reported in your annual reports from us for 2008, we identified a 39 to 1 return on investment. For every dollar we spend advertising to consumers, we got that report -- that kind of a return.

It's a very focused research program that only looked at that phase or that particular segment of what we do. It didn't look at our PR or our online marketing. It only look at those people who responded to our ads and requested a travel guide. It did not look at the people who responded to our ad by going to our website, got the information they needed and decided to come or not come. We really couldn't go that far. But that gives, I think, an idea of the responsible nature in which we take our responsibilities and the way we utilize the County's investment in its tourism development.

CHAIRMAN HORSLEY:

Thank you very much for your comments. And, of course, Moke, we do appreciate your professionalism as well. Vivian, did you have that quick question, because we have to wrap up.

LEG. VILORIA-FISHER:

We have a public hearing on this, so we'll be able to discuss it at greater length. But I just wanted you to quickly explain to me what you were describing earlier regarding those micro sites. That was just with regards the website that you're developing?

MR. MCGOWAN:

Yes. We're developing -- we taking discoverLongIsland, our major website and redesigning and developing that. We're also developing micro sites. These are -- don't go as deep or what not. And certainly it does connect back to our website, but it gives us the opportunity to do a much more in depth, focused site on various aspects of our destination.

LEG. VILORIA-FISHER:

Thank you.

CHAIRMAN HORSLEY:

Historical and the like?

MR. MCGOWAN:

Absolutely. Our first micro website that we developed last year was fishingonLongIsland. It was -- the url was fishonLI.com. It really focused on the saltwater activities, saltwater fishing activities.

CHAIRMAN HORSLEY:

Now you have to promote that you have to have a license.

MR. MCGOWAN:

It gives us an opportunity to develop focused-niche programs. And I will say that focused-niche programming is expensive, and it is something that we've not been able to do in the past with the budget and resources that we've had.

CHAIRMAN HORSLEY:

All righty. Gentlemen, we appreciate you coming here today. Moke, I think your message was delivered. We understand why you are here. Not only to give us your update, your 2010 agenda, but we understand your concerns. Thank you very much for being here. We appreciate it. Moke, are you going to be here for the public hearing?

MR. MCGOWAN:

Yes. I'll stay around.

LEG. VILORIA-FISHER:

On Tuesday, the public hearing.

MR. MCGOWAN:

Yes, I do plan to be here.

CHAIRMAN HORSLEY:

Yeah. It's wise to be around. Okay. Let me introduce at this time Mr. Ernest M. Fazio, Chairman of LIMBA. He wants to talk about Mag-Lev, that it make sense for Long Island. And let me just first state that I've known Ernie for a number of years now, and he's certainly one of the -- one of the most outspoken and premiere business people on Long Island who took over LIMBA a number of years ago and has led it to involved itself with Mac Arthur Airport, for Republic Airport, transportation issues and so many important issues that relate to the business community of Long Island, which relates to everybody on Long Island.

So, Ernie, let me introduce you and bring you up front here. First of all, you have to figure out how to use the microphone. It's a button pushing issue. And then the floor is yours.

MR. FAZIO:

Would that be right here?

CHAIRMAN HORSLEY:

Yeah, you have to push it to talk. Keep your hand on it.

MR. FAZIO:

Okay. I had no idea I was relinquishing so much time. When I said that I though I was relinquishing about ten minutes. So I should have asked that question before I started. But in any case, I have -- I have been asked by the inventors of the Mag-Lev Train -- I'll give you a little background on it. The Mag-Lev was invented here in Brookhaven in 1966 and it was -- I should say it was patented in 1966. It's been built in China, it's been built in Japan. The concept of a magnetically levitated train goes back to the little toys you had as children where you had the dogs and you put the magnetic poles against each other and they would push apart rather than be

attracted to.

And of course, that's part of the invention of the Mag-Lev, but it's also far more complex than that because it also holds the vehicle down. So if it's going out of range of that, it has a tremendous force. So that's the -- I have been on the train in China, and in that particular time, I think we were going 274 miles an hour. The train -- and that's about their top speed for that train. And that's only because it's a very short run, it's only twenty miles. But in Japan, they have had it go up 361 miles an hour. So we know the technology works.

What has happened in the meantime, what the Germans did was they built for the Chinese original design of the Mag-Lev as Doctors Gordon Danby and James Powell created here on Long Island. By the way, these are very formidable scientists. Doctor Danby is the magnetic specialist that designed all the magnets for the MRI for Doctor Damadian many years ago, and I think is still a consultant on some of his projects, what he is doing right now. And James Powell was a notable physicist. They're also personal friends, and that's how they got to talking about it and doing it.

So here it is, a Long Island technology, and we don't even have it. Now, the old technology that they built for the Germans and the Germans -- I say designed for Germans and the Germans built for to the Chinese, runs on a three-eighths to half an inch of magnetic cushion. And the structures for that have to be like a pool table, they have to be very smooth so that you can go from one section to the next without any interference. They saw that as being a big flaw because it cost so much to build. Grumman, when they were proposing to go build -- you know, to design it, they say it would cost about \$39 million, around 1989 they said that. The Chinese actually built it few years ago. It cost them better than \$60 million a two-way mile. That's prohibitive, you cannot build out a system.

So what they did was they created a system using super conductivity magnets. Now those super conductivity magnets floats the vehicle between four and a half and six inches above the track. That means you don't need a very precise track, and that is the design they have now. It allows for you to use this on a Long Island Railroad track as it is today by just putting the magnetic panels on the outside of the rails. It also allows you to run the convention train in between. And that system, to put those down, is only four million dollars a two track mile. That is far less than doing the Mag-Lev train that we believe we can do for about \$23 million. That's for going on the monorail going out.

I have some pieces of -- some notes here. If someone would take them around to the Legislators, give them -- it's a double-sided sheet. And it will help you understand what we have here. Now, what is happening right now is that the -- there are calls for building another German technology in America. That German technology is wheel and rail. Wheel and rail will never ever do what Mag-Lev can do. And what I mean by that is if you know -- for example, on the Long Island Railroad we have a forty nine mile an hour speed limit on freight. We have 79 mile an hour on passenger trains.

Even if you make a very, very robust roadbed like the Japanese have done, you have a constant maintenance on that. With the four and a half to six-inch rise over the roadbed, you're impervious to ice and snow. If you have an ice storm and you have two or three inches of ice, which I don't believe ever happened in my lifetime, you would still be able to run that train, because ice is magnetically transparent. So the magnetic rays would go right through it, and we wouldn't be -- you wouldn't be stuck. If you go on the Long Island Railroad on an icy day, you'll see flames coming out of the switches in -- when you go through Jamaica. And what that is is propane lines that they have built into the system so that they can melt the ice so they can make the switches work.

We don't have any of that. And we have electronic switching which is another advantage. We have no mechanical switching which is very cheap to build. That means by just changing the fields, you can move the train from one track to another, you can go around another train and skip stops. What I'm going to show you here is another feature that you could never, never do with wheeled tracks -- wheel and track, and that is move heavy, heavy freight. Let me see how this thing works here.

Now, if you look at that screen you are going to see a truck -- two trucks. This particular vehicle they designed for two trucks. Now, this is an aerodynamically designed vehicle so that when you put these two trucks into that vehicle, you can now move them across the country at 300 miles an hour. Assuming that you're going from say someplace like Newark to California, there's about \$3000 worth of tolls and gasoline that that truck has to pay to make that trip. We can do that for \$1500 and make a profit. Moreover, it's a one-day trip and not a four-and-a-half-day trip.

The driver goes in a passenger part where he can read, make telephone calls, make his reports and sleep so that when he gets off this vehicle and drives his truck to his final destination which may be 100 or a 150 miles away from it, he can come back to this vehicle and be back in day and a half, given that time to -- that he has on the road in this locale. So we feel that by making this profitable, we can make this available to the country. The lift is unbelievable. I mean it's really an amazing thing. We had \$10 million that was -- I'm speaking as spokesman for the Mag-Lev people, by the way, at this point.

We had \$10 million that the State of Florida gave us and we were making -- going to make a run from Orlando to Cape Canaveral. And that money dried up. That was through the Bush Administration of Florida, I mean Jeb Bush, not the Federal Government. And those funds dried up, but what we got out of that was built vehicles. We have the parts in Melville, they are in a warehouse there. It's one of Dr. Damadian's warehouses as a matter of fact because of the friendship between the scientists. And we want to do is we want to see a test track built at Calverton. We now have a \$59 million grant that is a TIGER Grant in cooperation with the Town of Riverhead. To do this without having the sponsorship of a municipality or railroad would be not practical or possible, but we do have that.

The reason why I'm bringing this up here, because I want everyone to be aware of it. There's going to be disparagement of this particular technology, because the Germans have built a high-speed convention rail, and they're selling it. They have a tremendous big lobby, and they want to -- you know, they're -- you know funding the campaigns of some very important Senators and Congressmen. By the way, this was funded by Senator Moynihan in 1992, I believe it was, and he appropriated \$750 million in the Senate. It went to the House of Representatives. It was killed by the House of Representatives by the interest in the airplane industry, because we can tie our cities together with this, we don't need to wait an hour in the airport or travel and to the airport. We can get in Grand Central Station and go from there or from Penn Station.

Now, because of the adaptation where we can get on conventional rails, we have a proposal too to go from Grand Central Station, come out on convention rail, go on to the thruway where it would go on a high-speed monorail and go to Stewart Airport, and we could actually get to Stewart Airport before you can drive to Laguardia from New York City. And that makes -- airports have what they call a catch basin where all the people within this radius are expected that they could use this facility. And by doing this, we put New York City in the catch basin of the new International Airport at Stewart. I've been to Stewart, it's small. And if they ever think that they're going to be an international airport of any importance, they're wrong unless they have this kind of connection.

I have a build-out plan for New York where we show how we start by going from New York to Stewart then to Albany. Now, when you get into Albany, you can go back into conventional rails and wind up in Union Station. No other Mag-Lev in the world can do this. What had happened was that the inventors never stopped inventing. While other people were building out their systems or trying to build out their systems, they went back to the drawing board. And working with these individuals, you have to imagine, is quite an experience and a lot of fun. It's like going to school again and learning all kinds of wonderful things.

So with the advance of these things, employing them, a lot of electronic switching -- by the way, the Japanese have a switch system, which is a linear switch that you have to have the whole train on, and it moves parallel to the -- and moves over to the other track. This is an extremely expensive

system. And they're building a 300 mile line now. I mean, they will do well, because they have a lot of traffic on that, but we will do much, much better, because even though there is no train in the country or any country in the world that is -- operates without subsidy, this can operate without subsidy. And the reason why it can is because it's profitability and the in freight is so great.

We can pay for the system if we get the volume of freight that we think we will get in five years, and that is unheard of in any conventional rail. And it's more -- it's impossible, you know, for passengers in any case. Whether that be European or the Japanese -- I should say the Japanese or the Chinese system, they'll never pay for that system the way it's built. But we have it. We have it, and I'm wondering why we're not doing. Senator Schumer on board. He was very interested in this. He wanted to fulfill the legacy of Mr. Moynihan. And apparently, something happened in the meantime. We can only guess, but he is not talking to us any more.

I want -- I don't want Long Island to miss out on an opportunity to build these because this is high-tech. Nobody is more able to build high-tech than the workforce we have here. And I believe that one day Grumman will have less -- a lot less airplanes to build, and this will be -- they can do this easily. I would just love to see it. Now, President Obama talks about this system and he wonders why -- I don't know if we can play it here, but -- let me go back to the home -- this thing doesn't work to well. But he -- I don't know if we're going to have the audio. By the way, this thing you just saw has no audio that I showed you. I'm writing a script for that at the moment. But -- and I'll probably do the voice over on it, but I don't think we are going to get this.

(A VIDEO WAS PLAYED FOR THE COMMITTEE)

MR. FAZIO:

All right. One of the thing that Dr. Powell was saying in that was that there was no motor. It's all coils and windings and magnetic fields. And what makes it go forward is what we call a linear synchronias motor. And as those pulses pull that train forward -- you know, it has a theoretical speed of the speed of light, of course, but that's not happening because you have wind resistance and other things. And we find that the best -- you know, the best efficiency is when you don't go over 300 miles an hour, that's -- because you have exponential forces increasing on the -- on the vehicle. But that's pretty darn fast at sea level. Now, if you do that at sea level, that's better than going at 550 miles an hour at 30,000 feet, because you don't have to get to 30,000 feet and you don't have to get to the place where the vehicle that goes at 30,000 is, and you don't have to travel back and take a taxi back. You're central city to central city.

The beauty of this is that when you -- it has no brakes. That's of concern to some people. But the truth of the matter is it actually stops faster than a conventional train. And the reason why it stops faster -- and it accelerates faster than a conventional train. And while it accelerates faster than a conventional train, it's similar to what you feel in a good car. You don't feel the G forces, you're just moving very fast -- it's, I think, zero to 60 in about 11 seconds. That would take at least double that time in a conventional train, probably about three times that amount. But it breaks fast. And it brakes -- the way it brakes is it changes the -- the direction of the pulses so that it takes all of that kinetic energy that is in that car and pushes it right back into the rail. That means that 95% of the energy that it took to get up to speed is pushed right back into the rail.

Now, that's really significant on a line like Long Island Railroad because so many stops. It's even more significant when you're in New York City and you're using it on a subway, because you have only eight blocks before you hit another stop. And another thing, if you are in the subway in New York City and you see that brown and black smudge on the wall, what that is break dust and steal dust from the wheels and the brake pads, not very good to breath, but it's also dirty on the walls. So this is a cleaner technology. It's just got so many -- so many advantages over what we're doing. I'm going to slow down now and let you guys start asking some questions. It's something we just have to do.

CHAIRMAN HORSLEY:

Ernie, do you see that this is to become manufactured on Long Island? Or what is -- what is the Doctors' visions? You know, is this something that's going to -- how will this affect the local economy if you became the center of the Mag-Lev?

MR. FAZIO:

Well, we do expect to do some manufacturing, probably not the big -- you know, the cars themselves, but all of electronics. We are no -- there's nobody better at doing the electronics than the people here right on Long Island. We probably could -- we built planes, we probably could build the chaises as well. But we see all of the innovations and electronic switching, all of the innovations in propulsions, all of the innovations of on-board systems -- all on-board systems are powered by induction. That means there is no electrical connected to the -- to the train. The lights, the heaters, the communications, everything aboard the training is going to be made by induced electricity because of the magnetic fields under it.

CHAIRMAN HORSLEY:

One more quick question. On your test, the pilot that you're envisioning, from Calverton to where, where's that?

MR. FAZIO:

Mr. Chairman, it's a three mile track that Grumman owned at Calverton that's no longer in use and Riverhead is the owner. So that's the test. Now, what we want to demonstrate there is that we can get that lift that we say we can get. We want investors to be able to see that thing move along the track. We want to show that the linear motors work, we want to show that the lift works and that -- we can't to the high speed testing. But we want to do a high speed test from Ronkonkoma to Riverhead, so that will require the pads be laid on the -- on the track. We don't -- we don't include -- we don't include the cost of those pads in the original \$59 million. Incidentally, the \$59 million was recommended to us. Our numbers tell us it's going to be a lot less. You know, but for all kinds of contingencies and failures and whatever, the \$59 million was requested.

CHAIRMAN HORSLEY:

Legislator Fisher.

LEG. VILORIA-FISHER:

Thank you for coming down. It's fascinating. What distance does it take to reach maximum speed, and how much distance does the train take to come down from that maximum speed to stop?

MR. FAZIO:

Well, the progression that I give you is constant. In other words, if I say zero to 60 in 11 seconds, just process it out and you would get that.

LEG. VILORIA-FISHER:

Because I'm thinking in terms of -- I mean, would this be practical for a place Long Island where we have so many stops? I mean, it certainly couldn't achieve that kind of speed --

MR. FAZIO:

No. We wouldn't be doing that kind of speed on Long Island. But the beauty of this is that it doesn't have to be fast. It can be slow. In fact, one of the applications that we designed was mining operations. You know, those big spiral mines where those monster trucks come up, this has such lift and force, it can actually climb those walls at that angle. That's about a 30 degree angle. You cannot do that with a conventional train. That's another beautiful thing about the vehicle; when you design conventional rail, you have to have it within certain parameters of grade. And if it's -- if it's too high, you can't do it, so we can do much more. That means a lot less construction cost too because you don't have to level hills to get it to where you want it to go.

CHAIRMAN HORSLEY:

Ernie, it seems like there would be a natural alliance between your efforts and the green movement.

It seems like this would be certainly a lot less of a carbon footprint. You're not running it by electricity, so you're not producing electricity and all that comes along with making electricity.

MR. FAZIO:

You're making electricity because that's what powers the linear synchronias motor.

CHAIRMAN HORSLEY:

Oh, it is? I misunderstood that. I thought it was magnetic. I see. The magnetic is caused by -- the magnetic, I got it -- engine.

MR. FAZIO:

The magnetic keeps it floating. The synchronias motor keeps it moving. And of course, from that motion, you're also deriving a concern amount of energy from the track to operate the on-board systems.

CHAIRMAN HORSLEY:

Any further questions.

LEG. STERN:

Question quickly. I look forward to seeing how the testing process out East goes. Ernie, my question for you is this is existing technology and as we've seen, there are examples of it all over the world and why not here. I guess my question is what is necessary in going through the pilot project and having to prove to municipalities and other investors, what's different about that model as opposed to the technology that's already in use? I mean, why isn't this already a project that speaks for itself.

MR. FAZIO:

Well, the basic technology is proved. Operating, you know, and doing the electronic switching is not proved, okay? Doing high list is not proved. We know the mathematics of it. If you take -- you know -- you know, extrapolate what we know we've done and the power of these magnets, we know we can get two 50 ton trucks lifted on that vehicle. But you know what? You have to show it. Because if I'm an investor with Burlington National and I want this vehicle on my line, I want to see it operate. I want to see -- I want to see that lift and I want to see it happen.

We're talking -- actually, we're to Buffet. But it's very political and it's very -- you know, there's very big political forces that want to see another rail -- you know, another type of rail happen. By the way, if we put high speed rail all over this country using wheels and track, we could never ever be able to attract people to go from here to California by train. It's just -- it's too many hours aboard even at -- because they're going to go 150 miles an hour. At 150 miles an hour, what is that across the country, assuming you don't even make a stop? I mean, that's many, many hours. Here we can do this at 300 miles an hour. And the beauty of it is we'll be accelerating faster. And when we do stop, our curve up and down to get back to zero is low. You know, it's short, it's compressed. It's as compressed as an automobile.

CHAIRMAN HORSLEY:

Any further questions from the Legislature? We're good? All right.

LEG. VILORIA-FISHER:

I'm just wondering what kind of G forces that would be.

MR. FAZIO:

When in your car and you stop, make a normal stop, you're going down Sunrise highway and you see a red light two blocks away, you know you're going to have to stop for that. And you're doing 75 or 80 miles an hour, I don't know how fast you drive. But seriously, if you're doing 60 miles an hour, you know you're going to come down to that stop and you are not going to be ripped out of your seat. So that's -- that's the comparison. And I was on the train and I can tell you that at 274

miles an hour, we came into Shanghai Airport, it was -- I mean, it was just very, very smooth. There were no problems. That is not -- that is not a factor in this one. Our factor is we want to show that it's usable for freight, it has the lift and we can move it.

CHAIRMAN HORSLEY:

I certainly see why you're interested in the freight aspects of it, because freight moves at a snails -- at a truck's pace on Long Island, which is very, very slow.

MR. FAZIO:

Whatever a trucks's pace is on Long Island.

CHAIRMAN HORSLEY:

Exactly. I think this would be welcome. But it sound so much bigger that, you know, it boggles me -- how do you get it from here to there? You know, to get this thing across Long Island.

MR. FAZIO:

Well, the way we see it, we're going to have a 30 year build out on this, and it's all going to be done with private money. You know, when President Eisenhower started the Interstate Highway, we had no idea how long it was going to take, but it took more than 30 years. And we thought it was going to \$50 billion, but it was a lot, lot, lot more.

But in any case, it was a successful system. And we think that we're going to see those kinds of jobs, 30 years of construction jobs, 30 years of electronics and electrical jobs. The Electrical Union is interested in this because they see it as a, you know, boom to their industry. One more thing, if I may.

CHAIRMAN HORSLEY:

Yeah, sure. We do have to get on though.

MR. FAZIO:

You know, the Smart Grid, the New Grid, all of that will be very, very helpful to this. They work hand in glove. You can be producing electricity in the desert, you can be feeding it into the lines right on the rail and -- using that as your distribution point as well as feeding rails for the purpose of making the trains move.

CHAIRMAN HORSLEY:

Very interesting. All right. Any further questions? We good? Ernie, this has been a fascinating concept and we wish you luck with it. You're going to keep us advised. And anything that we can do to move the Long Island economy in your efforts, we are here for you, okay?

MR. FAZIO:

I just think it's tens of thousands of jobs.

CHAIRMAN HORSLEY:

That's nice. We can use tens of thousands of jobs. All right. If I may go to the agenda.

First we have **1873, Establishing a Local Home Energy Efficiency Task Force. (Viloria-Fisher)**

LEG. VILORIA-FISHER:

Motion to approve

CHAIRMAN HORSLEY:

Motion to approve by Legislator Viloria-Fisher, seconded by Legislator Stern.

LEG. ALDEN:

Are they going to look at reducing the home energy tax also, or is that --

P.O. LINDSAY:

As soon as you leave they are going to do that.

LEG. VILORIA-FISHER:

Well, Cameron, there will be public hearings, you can come in to oppose it.

LEG. ALDEN:

There you go.

CHAIRMAN HORSLEY:

I'm not sure you got an answer there.

LEG. ALDEN:

I got my answer.

CHAIRMAN HORSLEY:

We have a motion on the floor to approve. All those in favor? Opposed? So moved. **APPROVED (VOTE:5-0-0-0).**

1896, Adopting Local Law No. -2009, A Local Law to preserve the Montauk Point Lighthouse by amending Resolution No. 805-2009, A Local Law to reauthorize the hotel and motel tax. (Schneiderman).

LEG. STERN:

Motion to table.

CHAIRMAN HORSLEY:

We have to make a public hearing on this anyway. Motion to table, I'll second the motion. All in favor? Opposed? So moved.

TABLED (VOTE:5-0-0-0)

1900, Adopting Local Law No. -2009, A Local Law to reallocate hotel and motel tax revenues to enhance tourism promotion in the Peconic region. (Schneiderman.)

Same motion, same vote. All in favor? Opposed? So moved. **TABLED (VOTE:5-0-0-0)**

1904, Accepting and appropriating a grant award amendment from the New York State Education Department for a Liberty Partnerships Program 100% reimbursed by State funds at Suffolk County Community College. (Co. Exec.)

LEG. ALDEN:

Motion.

CHAIRMAN HORSLEY:

Motion by Legislator Alden and placed on the Consent Calendar, seconded by Legislator Fisher. All in favor? Opposed? So moved. **APPROVED** and placed on the **CONSENT CALENDAR (VOTE:5-0-0-0).**

We good? Anything else we'd like to have before this committee? If not, motion to adjourn.

(*THE MEETING WAS ADJOURNED AT 4:07 P.M. *)

{ } DENOTES BEING SPELLED PHONETICALLY