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PUBLIC HEARING

before

ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE

To take testimony concerning the New Jersey Turnpike Authority

March 22, 1988
Room 341
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman William "Pat" Schuber, Chairman
Assemblyman Ralph A. Loveys, Vice Chairman
Assemblywoman Marion Crecco
Assemblyman Louis J. Gill

ALSO PRESENT:

Edward P. Westreich
Office of Legislative Services
Aide, Assembly Independent Authorities Committee

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Request

GENERAL INVESTIGATIVE AUTHORITY COMMITTEE

To take testimony concerning the New Jersey Telephone Antitrust

March 22, 1988

Book 341

Space House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Michael "Bil" Scudder, Chairman
Assemblyman Robert A. Lovano, Vice Chairman
Assemblywoman Barbara Cea
Assemblyman Paul J. Otti

STAFF MEMBERS:

Chairman's Office, Legislative Services
State Assembly Independent Committee

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New Jersey State Legislature

ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE

STATE HOUSE ANNEX, CN-068
TRENTON NEW JERSEY 08625
TELEPHONE (609) 984-7381

March 9, 1988

NOTICE OF A PUBLIC HEARING

The Assembly Independent Authorities Committee will hold a public hearing on Tuesday, March 22, 1988 beginning at 10:00 a.m. in Room 341 of the State House Annex to take testimony concerning the New Jersey Turnpike Authority.

The Committee is presently examining independent authorities in the State. This hearing represents the second in a series of hearings to be held this year on the subject of independent authorities.

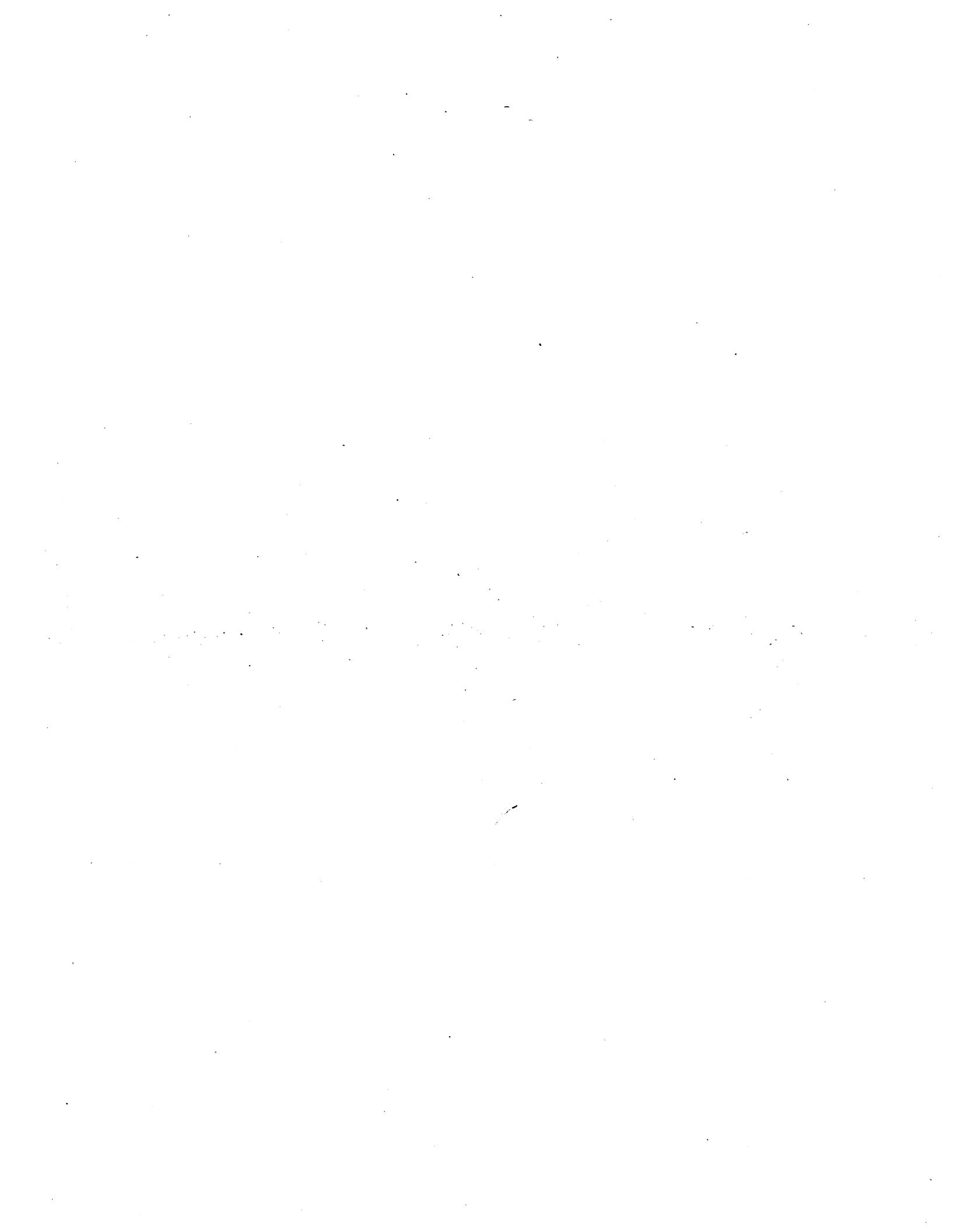
Anyone wishing to testify at the hearing is requested to contact Edward Westreich, Aide to the Committee, at (609) 984-7381 for scheduling.

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ASSEMBLYMAN WILLIAM "PAT" SCHUBER (Chairman): This is a regularly scheduled meeting of the Assembly's Independent Authorities Committee, and the purpose of the meeting today is the continuing series of hearings of this Committee into the issue of our independent authorities. In particular the focus at this point is the highway authorities of our State. For those of you who were with us at the previous hearing several weeks ago, our first hearing -- other than those we had done separately under separate resolution on the Garden State Parkway toll hike increase -- looked into the issue of the Atlantic City Expressway. Today, the second of those hearings, examines the operations of the New Jersey Turnpike Authority.

Joining me on the Committee -- who are regular members of our Committee - are Vice Chairman Ralph Loveys of Morris County, Marion Crecco of Essex, and Lou Gill of Passaic and Bergen.

Let me preface the remarks by indicating -- as I did at the beginning of the last hearing -- that the purpose of these hearings is an ongoing, in-depth, investigation and analysis of the state of our independent authorities in this State; and to make a recommendation to the Legislature as to what the role of the independent authorities should be in the future; and what recommendations we would make for any legislative reform of those agencies; or, in the final analysis, should those independent authorities continue to be independent, and separate and apart from other aspects of State government?

As I've indicated, today's hearing concerns itself with the New Jersey Turnpike Authority. Our next hearing will take place with the beleaguered members of the Garden State Parkway Authority, at a date to be set, probably in April.

Without any further ado, our first witness is the Chairman of the Commissioners of the New Jersey Turnpike Authority, Joseph "Bo" Sullivan. Good morning, Mr. Sullivan.

J O S E P H A. " B O " S U L L I V A N: Good morning, Mr. Chairman, and members of the Committee. My name is Joseph A. "Bo" Sullivan, and I am Chairman of the New Jersey Turnpike Authority. During series of hearings of this Committee into the affairs of On behalf of the entire New Jersey Turnpike Authority, I want you to know that we appreciate this opportunity to appear here today, in order to provide this Committee and its staff with as complete an overview of the New Jersey Turnpike as is possible. I am not appearing to testify in favor of or against any particular legislation, but rather to inform the Committee of the operations of the Turnpike and to provide as much background information as is possible.

With the permission of the Chair, I have accompanying me today a variety of staff and special advisory personnel, so that should any particular technical questions arise, with your permission, I'll call upon them to answer directly and will identify them as needed.

In accordance with the wish of your Committee's staff, this morning I will touch on the operation of the Turnpike, its budgets -- both capital and operating; hopefully clear up misperceptions regarding the Turnpike, and discuss the financial structure of our Authority and some of the implications which would arise regarding the structure of our bond indebtedness.

I would certainly welcome at any time, Mr. Chairman, you or the members of the Committee or staff, to feel free to interrupt at any time and ask questions as we go along.

During the Depression decade of the 1930s, the national and New Jersey infrastructure needs were sadly neglected, simply because there were no financial resources available during those economically troubled years. In the 1940s, with the nation totally mobilized toward the winning of World War II, only national war effort needs were addressed. Hence, as New Jersey entered the late 1940s and began to look

forward to the 1950s, it became apparent that many infrastructure requirements would have to be met, including of course, the rehabilitation of roads and bridges and other transportation needs.

At that time, New Jersey was seen as an economic corridor state, providing a bridge between Philadelphia in the south and New York City in the north. Clearly, a through, all-purpose road, in addition to the existing Route 1, was needed.

Therefore, the New Jersey Turnpike was created by statute in 1948, in order to provide a modern road system that would provide for the regional transportation needs of the areas, and also provide a link in our road network that would enhance the economic role of the State.

The Turnpike was created as an independent authority so that it could borrow public funds from the private sector on a tax-free basis, and use toll revenues to pay off debt. At the time the Turnpike was created, there were other competing needs in the State budget, and it was foreseen that the only way in which the Turnpike would be able to obtain the funding necessary to be built was to use this independent authority approach.

In its 37-year operating history, the Turnpike has raised more than \$4 billion through debt offerings, financed five major expansion programs, and provided services to travelers represented by more than 3 billion toll transactions. The New Jersey Turnpike today is viewed as the safest and most efficient all-purpose roadway in the world. Governor Kean frequently refers to the Turnpike as the backbone of New Jersey's transportation skeleton.

In recent testimony before the U.S. Army Corps of Engineers and U.S. Coast Guard, Commissioner Charles Serraino of the New Jersey Department of Labor, noted that the Turnpike, "has become one of the State's greatest assets, facilitating

efficient movement of goods, easy access of markets to suppliers, labor mobility, and the economic expansion that has created jobs and raised the standard of living of the vast majority of our residents." Commissioner Serraino went on to note that 10 years ago it was found that approximately 40% of the State's offices and industrial parks were within five miles of the Turnpike, and it is expected that this number is even higher today.

When considering the Turnpike's impact on the State's economy, Commissioner Serraino points out that there are over 2700 trucking and warehousing firms employing more than 50,000 persons in northern New Jersey alone. In addition, about 14,000 persons are directly employed in the area's water transportation industry, and another 15,000 are employed at Newark International Airport and the other air transportation facilities in the area.

Finally, Commissioner Serraino notes that, "in addition to providing vital transportation access to business and industry located directly along its path, the New Jersey Turnpike and the major highways with which it is linked, have had far-reaching impacts on economic and social life throughout New Jersey. This highway network has made possible the large scale movement of population and business to the suburbs that has occurred over the past few decades, and is now vital to the continued viability of what has become a highly decentralized, but regionally interdependent, economy. It has also contributed significantly to the State's flourishing tourism industry by providing quick movement of vacationers and day trippers to our beaches, boardwalks, casino hotels, and other attractions along the shore."

Fully understanding its legislative mandate, "to provide for the construction of modern express highways, embodying every known safety device," the New Jersey Turnpike has been an innovator in safety measures, including separating

passenger car traffic from heavy vehicles such as trucks as buses; developing improved, safer, median barriers, providing breakdown shoulders on bridges, development of an electronic traffic surveillance system, and automatic variable message signs and roadway closure devices, among others.

The New Jersey Turnpike is recognized as the world leader in traffic movement operations and safety. We are frequently visited by transportation experts from all over the world seeking our advice and input.

As you are all aware, the Turnpike operates as a free-wheeling roadway; with stops for the payment of tolls only required in off-roadway interchanges.

In the first full operating year in 1952, approximately 18 million vehicles used the New Jersey Turnpike and they produced approximately \$18 million in total revenues for that year. Last year in 1987, over 183 million vehicles used the New Jersey Turnpike, and they produced a total of \$208 million in total revenues. In both cases, the increases in the last 37 years are in excess of 10 times the original usage of the Turnpike. Since 1981, vehicle usage has gone from 127.2 million to 183.2 million in 1987, an increase of 44%. In those same years, however, total employment has only risen from 1634 in 1981 to 1847 in 1987, an increase of only 13%.

Thus in 1981, each Turnpike employee was serving an average of 77,800 vehicles per year, while in 1987 each employee was serving 99,200 vehicles per year, a productivity increase of 28%.

We are proud of our Turnpike employees who are represented by Local Union 194, IFPTE, AFL/CIO, and its Business Manager Frank Forst. It is only through the cooperation of these fine employees and their skill and dedication that productivity improvements like these can be accomplished, while maintaining the safety and integrity of the road.

In response to the request by your Committee staff, extensive budget figures, both operational and capital, have been submitted to you. We will be glad to take questions on these budgets later on if you so desire.

On page 13 of our 1987 annual report, which has also been submitted to you -- page 13 is unnumbered, but it's the first buff colored page -- comparative budget figures for the year 1987, and this year, 1988, are presented. It should be noted that the budget only shows an increase, over 1987, of about 6.6%, this in spite of the fact that the Turnpike is engaged in planning, engineering, and implementing, the largest single roadway improvement program in the history of the State.

With respect to the Turnpike widening and improvement program, it should be noted that in late January, the U.S. Army Corps of Engineers and the U.S. Coast Guard conducted hearings and took testimony with respect to the applications that the Turnpike has filed with agencies relative to the project. Accordingly, testimony was presented on behalf of the Turnpike, encouraging and supporting the widening and improvements by the Port Authority of New York, the City of Newark, the New Jersey Sports and Exposition Authority, the New Jersey Departments of Labor, Commerce, the Department of Transportation, Environmental Protection, and New Jersey Transit; also, the American Trucking Association, the New Jersey Motor Truck Association, and most of the businesses that are conducting operations in the Newark airport, Port Newark, and Port Elizabeth areas. Should you, Mr. Chairman, or any of your Committee members or staff, wish copies of that testimony and the submissions that were submitted to the Army Corps and the Coast Guard, please let us know and we will be happy to provide them to you.

With further reference to the widening program, I would like to take this opportunity to make clear the fact that the New Jersey Turnpike, in its 37 years of existence,

including its present \$2 billion widening and improvement program, has never once received one cent of State or Federal tax money. Our capital programs are financed entirely through private sector borrowings and our operations and debt service are paid strictly through toll revenues. And, in fact, the Turnpike contributes \$12 million per year to the State under the terms of our contract with the New Jersey Transportation Trust Fund Authority.

It is interesting also to note that there seems to be a national mood swing towards the use of private sector financing for many of the infrastructure improvements that must be made across the country. Last year, the United States Congress authorized the charging of tolls on Federally assisted interstate highways. The Turnpike, today, is looked at across this country as an example of how government can establish a quasi-governmental system which employs all the benefits of privatization, in order to provide needed infrastructure and services in the same efficient manner as the private sector would.

A widespread misperception regarding the Turnpike is that when the Authority was created, it was intended that after the road was built and the bonds paid off, it should go out of business. Nothing could be further from the truth.

Title 27, Chapter 23, Section 5 of the original Turnpike Legislation provides, in part, that the "the Authority shall be a body corporate and politic and shall have perpetual succession." Title 27, Chapter 23, Section 9 provides that when tolls are not required for the purpose of carrying out and performing the terms and provisions of the bond covenants, "the Authority shall cause tolls for the use of the Turnpike projects to be charges and collected at the same rates as were last charged." Further, in 1964, the Legislature added to the perpetuation of the Authority in Section 16 of Chapter 23 when they provided that when the bonds and interest on them had been

paid and there was a sufficient amount of money on hand that "all such Turnpike projects shall thereafter be operated and maintained by the Authority as toll roads." Under authority of the Legislature. Therefore, it is quite clear that the Legislature in establishing and continuing the New Jersey Turnpike, never intended that it should someday go out of business and become a drain on the taxpayers of this State. I think the idea that once the project was built, the Turnpike Authority should go away, started because I believe that was the original intent with the Holland Tunnel, but never with the New Jersey Turnpike Authority.

Another widespread misperception regarding the Turnpike is that we are a completely autonomous independent authority that is responsible to no one. Again, nothing could be further from the truth.

In the first place, all actions of the New Jersey Turnpike are subject to the scrutiny and veto of the Governor of the State of New Jersey. Every New Jersey Turnpike Authority meeting, whether it be public or held in executive session, is attended by at least one member of the Governor's Independent Authorities Unit and by a representative of the Office of the State Treasurer. I might add, Mr. Chairman, that any time you or any member of your Committee or staff, or for that matter any members of the Legislature, would care to visit us, attend our meetings -- whether it's a meeting day or whether it's just a normal operations day -- please let me extend on behalf of the Authority an invitation. Anytime you want to come, give us a call. We're happy to have you there.

ASSEMBLYMAN SCHUBER: How long has the representative of the Governor's Independent Authorities Unit been attending the meetings?

MR. SULLIVAN: Prior to the establishment of the Governor's Independent Authorities Unit -- which I believe was established around 1983-- Prior to that, a member of the

Governor's Counsel used to attend -- Counsel staff -- going back to when I became Chairman at least, in 1982.

ASSEMBLYMAN SCHUBER: How about a representative of the Office of the State Treasurer?

MR. SULLIVAN: Since I've been there in 1982. Also, most meetings are also attended by a representative from the Department of Transportation.

ASSEMBLYMAN SCHUBER: By around the same time?

MR. SULLIVAN: Yes. Since I've been here in 1982.

ASSEMBLYMAN GILL: How frequently are your meetings held?

MR. SULLIVAN: The third Tuesday of every month. All major financings are pre approved by Office of the Treasury.

With reference to our ongoing widening program, we are under the direct jurisdiction of the U.S. Army Corps of Engineers and the U.S. Coast Guard, and must also work with 11 additional Federal agencies, including the U.S. Environmental Protection Agency and the U.S. Fish and Wildlife Service. We also work closely with the Regional Transportaton Authorities, the Port Authority, and the Regional Plan Association. Almost every executive department of State government is also involved in the planning and implementation of this major project, and we must receive permits from four soil conservation districts, and deal with five counties. We also work with every municipality that we pass through, and interact with a large number of environmental and public interest organizations.

Secondly, we have a high degree of responsibility towards the traveling public; the motorists, truckers, and mass transit users, all of whom are our patrons. We owe them the duty and responsibility of providing a safe and efficient means of travel, and must provide them with their money's worth since they are paying for the use of the road. We are also responsible to the entire State and region to make sure that we provide the essential transportation link in our road network

so that the economy of the State can continue to grow and prosper; - for certainly if the Turnpike is to gridlock, the economy of the State of New Jersey will very rapidly begin to fall office of the State Treasurer?

We also have a further responsibility to the citizens of New Jersey to operate and conduct the Turnpike in a manner which is consistent with our policy of improving the environment. As part of our widening and improvement program, we will be conducting the largest, single, environmental cleanup and improvement program in the history of the State.

Finally, the New Jersey Turnpike Authority owes a high degree of responsibility to the private citizens, banks, pension funds, financial institutions, that purchase Turnpike bonds, and thereby loan us the money to build and continually improve our Turnpike system.

A key element in the process of debt financing is to be able to provide a secure revenue stream -- dedicated tolls -- and an efficient operation so that the bond rating agencies -- Standard & Poors, and Moodys -- assign a high rating to the bonds in order to be able to sell the bonds at relatively low rates of interest. Thus, the independence of a toll road such as the Turnpike is viewed as an essential element in its financial soundness and credit-worthiness.

A complete report relating to the financial structure of the New Jersey Turnpike has been submitted, Mr. Chairman, to you and to the members of your Committee. Included in that report is a memorandum regarding the rights of covenants of the bondholders and the obligations which are owed to those lenders by the New Jersey Turnpike Authority and the State of New Jersey. Without, at this time, going into great detail regarding this report, it should be noted that in the opinion of bond counsel the, "enactment of legislation materially altering and impairing the contractual holders of bonds, under the resolution in contravention of the State pledge, would

violate, under existing judicial decisions, the prohibitions against the impairment of contracts and could not be sustained in an economy. Also, it should be noted that for the State of New Jersey to assume only the \$2.5 billion Turnpike debt would have the effect of approximately doubling the State's general obligation, tax-supported, debt. The consequences of such action, surely, would result in the re-evaluation of the present coveted AAA bond rating which our State enjoys; and would also substantially use up low cost AAA capacity of the State to issue future low-cost bonds for much needed social and infrastructure requirements, such as prisons, health care, education, housing, transportation, and environmental protection.

A review of the pertinent financial data shows New Jersey is already at this high end of some key financing ratios. Only through a robust economy and good government management do we maintain the top bond ratings and continue to keep our financing costs down.

Absorption of the Turnpike debt, however, could push New Jersey to lower bond ratings, and could cost the taxpayers of this State millions of dollars in additional debt service.

Mr. Chairman, with your permission at this time, I'd like to just further elaborate on some of these remarks by working with the charts.

ASSEMBLYMAN SCHUBER: Yes. I'd just like to ask one question if I might.

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: What is the present bond rating of the Turnpike bonds?

MR. SULLIVAN: The Turnpike bonds are rated A.

ASSEMBLYMAN SCHUBER: Single A?

UNIDENTIFIED MEMBER OF AUDIENCE: By Moodys, and Standard & Poors.

ASSEMBLYMAN SCHUBER: That's the current issue?

UNIDENTIFIED MEMBER OF AUDIENCE: Yes, sir.

MR. SULLIVAN: Both the widening bonds and the prior bonds -- the refunded bonds. They are not full faith and credit bonds of the State.

ASSEMBLYMAN SCHUBER: Why are they single A?

MR. SULLIVAN: Because they're not full faith and credit bonds of the State.

ASSEMBLYMAN SCHUBER: Is that the reason?

MR. SULLIVAN: Yes.

UNIDENTIFIED MEMBER OF AUDIENCE: They're secured by the toll revenues alone.

ASSEMBLYMAN SCHUBER: They're secured by toll revenues alone?

UNIDENTIFIED MEMBER OF AUDIENCE: Right.

ASSEMBLYMAN SCHUBER: If I may ask the devil's advocate question: What happens if the toll revenues are not sufficient to pay for the bonds?

MR. SULLIVAN: You have to raise the tolls. Each year, by bond covenant, in September at our September board meeting -- the third Tuesday in September -- we make a certification to the trustee of the bonds, and the bondholders and to the State, as to whether or not, in the opinion of our Authority, we will have sufficient revenues to meet the obligations of the Authority for the ensuing year. For example, last September we made the assertion that in the opinion of the best experts at the Authority, we will have sufficient toll revenues to meet all our obligations; which includes operational costs, capital expenditure costs, and interest and amortization of the bonds. That certification is made each year in September for the next ensuing year. And we try to make a businesslike guess, although it's not required, we make a projection as to what the following year would be. So last September we certified that there would be no toll increase necessary in 1988, and based upon our projections, estimated that there would be no toll increase required in 1989.

ASSEMBLYMAN LOVEYS: Mr. Sullivan, I'm surprised that you didn't mention that once your bonds are on the marketplace, they're not there for a very long period of time. And whether Moody's or Standard & Poors say Single A, the general public is saying it's AAA as far as they're concerned.

MR. SULLIVAN: That's right, sir. They do trade as if they're AAAs, and they're used in the bond buyer indexes, and they are the most widely quoted bonds. We can give you copies of these if you'd like.

ASSEMBLYMAN SCHUBER: Before you go to the chart, I just want to ask you a couple of questions on bonding. We'll save the rest of the questions for later, but while we talked about it I just wanted to get some questions out of the way. This certification that you make in September for the following year is made to the rating houses?

MR. SULLIVAN: No. It's made to the trustee and the holders of the bonds.

ASSEMBLYMAN SCHUBER: Okay. Each year do you meet with the representatives of the rating agencies, like Standard & Poors and that?

MR. SULLIVAN: It's not done on a regularly scheduled basis. It's usually done-- When you are going to do an issue, you meet with them more than once a year.

ASSEMBLYMAN SCHUBER: Right.

MR. SULLIVAN: You meet with them frequently. After that, I don't think I've met with them since '86, '87, I guess.

ASSEMBLYMAN SCHUBER: When was the last--

MR. SULLIVAN: We do provide them with the financial data of the Turnpike.

ASSEMBLYMAN SCHUBER: Well don't they meet with you once, or don't they have representatives that come by once a year to most of the State departments and ask what you are planning to do for the following year?

MR. SULLIVAN: That do that on a more regularly scheduled basis with the State than they do with us.

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: The State has so many different types of bond issues out over a very long period of time. ASSEMBLYMAN SCHUBER: No, I appreciated that, but the Authority as a bond issuing authority, it's my understanding, I thought that the rating houses meet or come by once a year, or they send representatives down to Trenton and try to meet with everybody or speak with everybody as to what their future plans are, so that they can issue their reports as to what they see for the economy of the State, etc. Do they meet on a yearly basis -- let me ask you that -- with the Turnpike Authority?

MR. SULLIVAN: Not necessarily, because we're not issuing bonds each year.

ASSEMBLYMAN SCHUBER: When was the last time you met with those individuals?

MR. SULLIVAN: Uh, '87? (confers with Harry Tyson)

HARRY TYSO N: (from audience) After the bond issue, I believe you met with-- (inaudible)

MR. SULLIVAN: Late '86?

MR. TYSON: Well, no, '87.

MR. SULLIVAN: '87?

MR. TYSON: In the middle of '87, I would say.

ASSEMBLYMAN SCHUBER: All right, if someone else is going to talk from the audience they're going to have to identify themselves for the purpose of the reporter.

MR. SULLIVAN: This is Harry Tyson of Smith, Barney.

ASSEMBLYMAN SCHUBER: Okay. I have no problem with that. I just want to make sure that-- When we make a transcript of this there will be an unidentified voice from the crowd.

MR. SULLIVAN: A voice from outer space.

ASSEMBLYMAN SCHUBER: For the 1987 bond issue you had met with them in '86?

MR. TYSON: '86 and in '87. In February of '87, the \$2 billion of variable rate bonds were converted to fixed rate. At that time, there were quite a number of meetings with the rating agencies, both Standard & Poors and Moodys... but the Authority ASSEMBLYMAN SCHUBER: When was the Turnpike expansion officially announced for the first time?

MR. SULLIVAN: May, 1985. Here's the press release. In May 10, 1985, we issued a press release announcing the expansion program of the Turnpike. With your permission, Mr. Chairman, the reason we did it in May of '85 -- and what we announced really were some preliminary plans. Historically, back in the early '70s, the Turnpike had planned and was on the verge of implementing a project called, "The Toms River Expressway." Some refer to it as the Governor Driscoll Expressway. In 1973, the gubernatorial election campaign, that Expressway became an issue of political debate. Senator Russo, and then candidate Byrne, opposed the building of that Expressway. Candidate Sandman -- Congressman Sandman -- was in favor of it. In November of 1973, Mr. Byrne was elected Governor Byrne, and in the early part of 1974 -- after having been inaugurated -- Governor Byrne canceled the project. We're still in the process of selling off the real estate that we had acquired to build that project.

We had started our survey as to whether or not we were going to have to do our widening back in '84. And as these preliminary results were coming in, it really looked as though we were going to have to go through with this project. Knowing that history, I wanted to get the Turnpike widening into the political debate of 1985, it being a gubernatorial election year and a legislative election year. Because the Democratic side of the aisle was having a primary campaign, I wanted to get the issue out early enough so it could become, if desired, a part of the debate on that side of the aisle. Therefore, the May 10 date becomes critical because we wanted this issue to be

a part of this political debate, because I didn't want to move forward and spend a lot of money on engineering and plans, if I had two candidates running for governor, both of who were agreeing that they were going to cancel the project. So we tried to get it into the public debate very early.

ASSEMBLYMAN SCHUBER: To my recollection-- Did it become part of the debate in any--

MR. SULLIVAN: No one ever mentioned it.

ASSEMBLYMAN SCHUBER: I don't think it did.

MR. SULLIVAN: No one ever mentioned it.

ASSEMBLYMAN SCHUBER: To me it didn't. I don't remember it appearing on any debate or anything.

MR. SULLIVAN: I can only presume that both Governor Kean and Mr. Shapiro were in favor of it.

ASSEMBLYMAN SCHUBER: It represents quite a contrast to the Parkway's handling of the same issue, I think. But back to the issue of expansion, if I might. This is with regard to the bonding and the financial analysis of that. This was announced in May of '85.

MR. SULLIVAN: Correct.

ASSEMBLYMAN SCHUBER: And I assume it had been under discussion or planned for quite awhile before that, I would assume.

MR. SULLIVAN: What had happened really was -- and I guess it was 1983 -- Commissioner Creamer, who was then serving the HMDA, came to me and said, "We have to start to look at building a resource recovery system for Bergen County. And the best place in our judgment is going to be someplace along the New Jersey Turnpike, along the westerly spur." And we were literally working off pencil sketches at that time. I went back to the Turnpike and said to our engineering staff, "Bergen County is going to need a resource recovery plant. They've asked us if we can find a place that would be convenient along the New Jersey Turnpike, to try to keep those garbage trucks

off the local city streets." At that point we started to look at the capacity of the roadway to handle the trucks and the traffic conditions -- permitting new Governor. Both of who were engineering simultaneously with that, then Governor had appointed a task force of individuals under the chairmanship of Gary Stein -- who was then the Director of Policy and Planning -- to look at the Route 3 corridor and the gridlock that we continually experience there along the Meadowlands. As time went on and we started to plug the data in, it became obvious to all of us that, A) we did not have enough capacity on the westerly spur to do the things that we wanted to do, B) the lack of capacity on the westerly spur was adding to the gridlock that was developing on Route 3 by the Sports Authority. From that data, in 1984 -- which you can see in this press release -- in February of '84 the Turnpike issued an order for professional services to conduct a conceptual engineering study to determine the best way of accommodating the increasing traffic volume in the northern corridor.

So that following these studies and discussions and group meetings in '83, in February of '84 we commissioned a formal engineering study to see what we could do. It was then about 16 months later that the plans had jelled to such a point -- although they weren't final -- but as I said, we tried to get it into the public domain quickly. We were criticized for going public with plans that were incomplete, but I still think it was the best course of action; to take what we had and go public with it.

ASSEMBLYMAN SCHUBER: As I read this press release, I don't see anything in here about toll hikes, though. I think it's kind of hinted at but it's not necessarily spelled out. The question is, do you remember when the first time was that the Turnpike announced that it would have to raise tolls for that expansion?

MR. SULLIVAN: I know I certainly did it when we issued the bonds in November of 1985. Wait a minute; here we go. (audience member gives Mr. Sullivan information) I've just been given this document. This meeting, where we announced this plan, was covered. Alan Yoder of The Bergen Record has a headline, "Turnpike Widening Will Lift Tolls."

ASSEMBLYMAN SCHUBER: What date is that?

MR. SULLIVAN: May 12, 1985.

ASSEMBLYMAN SCHUBER: But I think there was an official announcement that you folks made later on where you said that you would have to do that. I was just trying to figure out what date that was?

MR. SULLIVAN: That was November of '85 when we did the \$2 billion bond issue.

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: I'm quoted as saying here, "Tolls will go up, but we don't know how much said the Chairman."

ASSEMBLYMAN SCHUBER: Okay. And at that point you announced a \$2 billion-- In November of '85 you announced a \$2 billion bond issue?

MR. SULLIVAN: Correct.

ASSEMBLYMAN SCHUBER: Now, the question I have on that is simply this: Just prior to the issue, when was the last time you might have met with the representatives of Moodys or Standard & Poors prior to that time, with regard to the operation of the Turnpike in general, to your knowledge?

MR. SULLIVAN: Prior to November of '85?

ASSEMBLYMAN SCHUBER: Yes.

MR. SULLIVAN: I think we met with them imminently prior to the issuance of those bonds. We had to get ratings for those bonds. If I can go back a step again, with your permission. In 1984, we had about \$750 million worth of outstanding bonds.

ASSEMBLYMAN SCHUBER: Correct.

MR. SULLIVAN: Under the terms of the agreement contract that we reached with the Transportation Trust Fund Authority, it's provided that we pay the State \$12 million annually. Given this document this meeting, where we

~~ATTACHED~~ ASSEMBLYMAN SCHUBER: Right. Alvin Mader of the Bergen

MR. SULLIVAN: We couldn't do that under the terms and conditions of those bonds that were outstanding. So in order to come into compliance with the contract with the Transportation Trust Fund Authority, we had to do a refunding of those existing bonds. When we did that in '84, we were meeting frequently with the rating agencies to set this new bond -- this new refunding issue -- up in the proper way. We do a low to high refinancing, as a result of which we cleared out the \$250 million worth of debt. So that when we finished with the refunding, we only had a half a billion dollars of debt outstanding. However, what we did do was take that and reduce it to a secondary lien position, leaving first lien on the toll revenues open, in anticipation of doing another bond issue for a major expansion project. So that we were meeting all through the year 1984 frequently with these rating agencies and their representatives. We did that refunding issue, and then as we got along in '85 with the widening plans, continued to meet with them to bring them up-to-date on what the widening program and project was going to look like.

ASSEMBLYMAN SCHUBER: When did it become obvious to you that you needed a \$2 billion expansion, I mean, as far as a determination was finally made in your minds that you would need \$2 billion for this expansion?

MR. SULLIVAN: In May of '85, I had estimated -- and it's on the public record -- that the cost would be in excess of a billion dollars.

ASSEMBLYMAN SCHUBER: Right.

New Jersey State Library

MR. SULLIVAN: And I must say, in May of '85 we were thinking we were going to have to expand the road from Interchange 9 north along the westerly terminus. From the time of May until the autumn, when we were refining plans, outside traffic consultants came back to us and said, "You don't have to widen between Interchange 9 and Interchange 11. You already have the capacity there for the next 20 years. What you should widen is from Interchange 9 south to Interchange 8A." And if you recall, that rather enraged some citizens in the East Brunswick-Milltown area.

ASSEMBLYMAN SCHUBER: Right, and in Elizabeth.

MR. SULLIVAN: So the bond issue became quantified, I'm going to guess around the late September early October period, when we were working with the rating agencies; because the bond issue at that time also included some capitalized interests and other costs.

ASSEMBLYMAN SCHUBER: In putting aside for a second of dealing with the rating agencies for the purpose of rating your bonds, it's my understanding that the rating agencies -- as I was indicating before -- periodically, I think annually in fact, send teams to the State House to meet with all of the departments and the various and sundry folks who might incur debt during the course of the year, to establish, I guess, an overall credit rating for the State, I assume, and they issue a report on that basis. Now the question I really have here is simply this: When was the last time that representatives of the Turnpike Authority may have met with representatives of the rating agencies, not for the rating of your bonds necessarily, but with regard to that analysis that they make on an annual basis, prior to this May 1985 statement that the Turnpike was going to expand?

MR. SULLIVAN: When have we met with them prior to that?

ASSEMBLYMAN SCHUBER: Right, the last time prior to that.

MR. SULLIVAN: It would have been relative to the 1984 refunding, so it would have been 1984.

ASSEMBLYMAN SCHUBER: Which would have been when?

MR. SULLIVAN: 1984.

MR. TYSON: (from audience) It was during 1984. I'm not sure, was it May?

MR. SULLIVAN: Well, August '84 is the date of the prospectus on the half a billion dollar issue, so we were probably meeting with them over the summer.

ASSEMBLYMAN SCHUBER: The summer of '84?

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: Was there any discussion with the folks from the rating agencies in the summer of '84 that you would have to do a \$2 billion expansion in 1985?

MR. SULLIVAN: No. Because I remember going back to them and they were rather surprised.

MR. TYSON: (from audience) There was however, as a result--

MR. SULLIVAN: Harry Tyson of Smith, Barney.

MR. TYSON: There was however, because of the structure of the '84 issue, there was definitely an indication that there would be a future issue of bonds because of the fact that the '84 issue was set up as a second lien to allow for the issuance of a future series of bonds in front of that 1984 issue.

ASSEMBLYMAN SCHUBER: Harry, I appreciate the fact that there might have been an indication. The question is, did you tell them at that time that you were going to expand to that extent?

MR. SULLIVAN: No. We didn't know it, Chairman.

ASSEMBLYMAN SCHUBER: In fact, why don't you come on up? (Mr. Tyson complies) It would be easier I think if we-- I just want to finish this line of questioning, then I'll let you go on, Bo. I just want to finish this up.

See my concern is simply-- The issue that we're looking at here is with regard to-- As I indicated to the people from the Atlantic City Expressway, he and I think we indicated to the folks at the Garden State Parkway Authority, we have no real problems with the projects that you have done, or the way that you maintain or run those particular roads. They're done very very well. And the Turnpike I think excels at that. We would all agree with that. My concern is with regard to the fact -- and this is an issue that is partly our fault as a Legislature, and partly the Executive's fault also -- in that we don't necessarily spend our time, because of the limited time I guess that we have, really analyzing and looking over many of the operations that go on in these authorities. One of the concerns that I have with regard to that is sometimes that when things are done that are for good public purposes, but for whatever the reason there is an air of secrecy with regard to them or whatever, and not everything is always put out on the table.

My concern with this, as I had indicated from talking with various and sundry folks in the business, was that in the prior time when you had met with those folks you were planning this expansion. It might not have gotten to the point where you wanted it to, but you really were not necessarily candid with the financial folks at that time. And that's a concern that I have, because of the fact that-- You know, that's one of the issues we're looking at here -- that whole issue of whether in fact that should be allowed and how were you going to rectify that?

MR. SULLIVAN: Mr. Chairman, let me address that issue, especially since it relates to the questions of candor. When we issued in 1984 the order for professional services to study feasibility requirements, necessity for the potential future widening, one of the things that we do and do well at the Turnpike is we give those jobs to outsiders to do, so that

we do not influence their study. - We make a conscious effort not to have, what we're accused of having, which is a self-perpetuating bureaucracy. Therefore, you give hints to independent outsiders to do it and if you were to ask those independent outsiders every day, or every week, or every month, how their study was coming, you would put yourself in the position of influencing the answers they're going to come up with. We intentionally try not to do that. So that the last time I met with the rating agencies in 1984, relative to the refinancing of the existing debt, we did not have the reports, we did not know there was going to be a widening, if there was, nor did we know the size and scope of it.

When I went back to them, they said, "Well, you should have told us last year you were going to widen the road." I said, "I didn't know last year I was going to widen the road." And frankly, I was surprised, and I think most of the staff at the Turnpike was surprised at the capacity utilization ratios that were developed by the independent study.

ASSEMBLYMAN SCHUBER: Okay. That's all I wanted on that question. Go ahead, Bo. Why don't you proceed?

MR. SULLIVAN: (moves to charts) This is referring back to some of the operations of the Turnpike. This gives you an idea of the growth in traffic. This indicates the vehicles served per day. Using 1980 as a base, you can see we were serving approximately 330,000 vehicles per day. I think the growth line speaks for itself, whereby 1987 -- last year -- we finished up averaging in excess of a half million vehicles a day.

This is the aggregate incremental vehicles per day. Again in bar graph form, showing the increases, whereby in '81 we were averaging about 11,500 vehicles per day more than in '80. By the time we get to 1987, the growth is up close to 170,000 vehicles per day extra. That's more vehicles per day extra than some states have registered in the entire state; a lot of vehicles.

These are percentage increases....It's a corresponding graph line showing the total aggregate percent increases in growth. Using 1981 as the base, we are now at a rate where we are almost 50% more vehicles per day than we were in 1980. A tremendous growth, and again, related to the economy as much as anything else.

Interestingly enough, the Turnpike seems to have even managed small growth figures during the gas crisis of the '70s, so that we've really never had a down line. Although it's been-- (inaudible) --as to where that would go. But with the economic boom -- I guess I can say politically -- of the Reagan/Kean years, you can trace what's happened to the economy, not only in New Jersey but in the whole northeast region. If you read the testimony of people like the Port Authority, regarding the number of trips in and out of Newark Airport, and the tremendous growth that they expect in the future, certainly we're struck against constraints regarding the capacity.

ASSEMBLYMAN LOVEYS: Bo, how many automobiles a day do you get?

MR. SULLIVAN: We're averaging today slightly in excess of a half a million autos per day. I would certainly suggest that on the Wednesday night before Thanksgiving you do not try to go south on the New Jersey Turnpike. Nor, if we have a four day Christmas weekend, do you try to get over the Delaware Memorial Bridge heading back to Virginia on that Sunday night. We were backed up 32 miles, Sunday night, Christmas weekend, because we get down to two lanes down there. And everybody, from the Governor-- I got a lot of letters from out-of-state people. Just because they don't vote here, you still have to answer them. (laughter) If I could go over--

ASSEMBLYMAN SCHUBER: Yes, please.

MR. SULLIVAN: (witness moves to another set of charts) These are some charts showing Moodys--[based upon numbers received from] Moodys rating agency. This relates to the financing of the State of New Jersey as per day [line we were in] 1988. As I mentioned in my testimony, New Jersey enjoys an AAA rating. Only seven states in the nation have an AAA rating from both Standard & Poors, and Moodys. Those seven states are referred to in the blue color on these charts, and this is the net tax supported debt per capita. In New Jersey our debt per capita is \$491. The media of the seven AAA rated states is \$208. The United States median is \$300. If the State were to assume to take over the Turnpike debt, it would balloon the debt per capita to \$803.

Now, these charts indicate one of the types of things that the rating agencies look at. They also look at the efficiency in operations of the State government, the willingness of the government to make the hard decisions as to provide revenue to finance their debt, the robustness of their economy, and so on. So this is clearly-- I'm not intending to say this is the only criteria by which the rating agencies rate the State debt, but this starts to give you an overview as to the type of ratios that they look at.

This is a very similar chart. This is tax supported debt per total personal income of the State. Again, in New Jersey our debt is 2.6% of personal income. The media of the seven AAA rated states is 1.9. The United States median is 2.3. And again, if the State were to take over the New Jersey Turnpike debt, it would balloon to 4.3%.

This is another way that the rating agencies look at the debt, as to whether or not a state can afford it. It's the debt as a percentage of estimated full valuation of the assets of the State. New Jersey right now is 1.5%. The median of the AAA rated states is .6%. The United States of America is 1.1%. And again, if the State were to assume and take over the

\$2.5 billion worth of Turnpike debt, that again would balloon to 2.5%. We can only guess at what the consequences might be, you know. Here's a guess. What we've done here is we've taken just over \$2.4 billion Turnpike debt, and say the State would take over that debt. If it could, in spite of those ratios, maintain an AAA rating, there wouldn't be any additional cost. But if, however, because of those types of ratios going awry, the rating agencies decided to downgrade, not the entire State debt, but just downgrade the \$2.4 billion portion of it to AA, it would cost the State taxpayers \$113 million in additional interest charges. If the economy took a blip, again with those numbers, if the rating went down to A, it would cost the taxpayers an additional \$246 million in additional interest charges; interest being funded in the State out of tax revenues. And probably the worst case scenario, if the rating agencies downgraded just this portion -- not the entire State debt, but just this portion -- it would cost the taxpayers \$411 million in additional interest.

And that does not address the question of how much capacity the State of New Jersey has, to do AAA rated debt. And as I mentioned in my testimony, with all the other important social programs that we have -- prisons, hospitals, mortgage finance, and environmental protection things. There's a capacity at which you can sell debt AAA. Once you exceed that capacity-- It's like mortgaging your house. The second mortgage costs you more than the first.

This chart shows New Jersey's general obligation debt currently is \$2.8 billion. This is direct, tax supported, G.O. debt of the State. If you took over just the Turnpike-- The Turnpike, incidentally, represents 85% of the independent toll road debt.

ASSEMBLYMAN SCHUBER: Eighty-five percent?

MR. SULLIVAN: Eighty five percent of it, yes. And if the State were to take over the Turnpike debt, it would balloon the State's G.O. debt to \$5.2 billion; numbers which we think are troublesome with respect to the financial credibility of the State in the marketplace.

ASSEMBLYMAN SCHUBER: Thank you, Bo. Then it would be your testimony, if I asked you the question -- as I asked the Atlantic City Expressway folks -- about why you should continue to exist as an authority, I assume that your answer would be that there would a financial difficulty visited upon the State for us to assume the financial responsibilities and outstanding debt of this authority. Is that correct?

MR. SULLIVAN: Yes. I think what we would probably be looking at somehow would be a coming into play of the law of unintended consequences. To me, to add to the State general obligation debt an additional \$2.5 billion -- almost doubling what it is in existence today -- would threaten the capacity to do the other things which we all know we have to do.

Connecticut, you know, ran into terrible problems with the toll revenues from the Connecticut Turnpike going into the general treasury. Those toll revenues were not being efficiently turned back in to the Connecticut Turnpike. They didn't do their bridge repairs, and the Mianus bridge fell down.

One of the reasons why the Turnpike works, one of the reasons we don't have potholes -- and believe me, going at 55 mph next to a tractor trailer truck you don't want to hit a pothole -- is the fact that being independent we can run our operations and use the toll revenues for the repairs, maintenance, as needed. And when we have to do a major project to benefit the State, we don't burden the taxpayers or the State with that debt. We just go as if we were a private sector independent group, and borrow the money on our own.

ASSEMBLYMAN SCHUBER: Let me ask you this then. I believe there was a proposal more than 12 years ago, I guess, in the Legislature to unite all of the toll road authorities into one authority. Since you all do kind of the same thing in a general sense, why should there be three separate ones?

MR. SULLIVAN: I recall that, I believe there was an independent management survey done at the time, and they concluded, I believe, that there would not have been any operational savings..

There are two problems that I could anticipate. One would be, again, how do you meld the debt without paying some sort of penalties for refinancing? And I should note also that, I know we got a lot of headlines in '85 when we did the \$2 billion bond issues, but there was a reason for it. If you recall, in November of 1985, what had started out as tax simplification -- which became the tax reform bill in Washington -- at that time was in conference committee between the House and Senate, and it was imminent to be acted upon. There was talk about at that time some severe restrictions on tax-exempt financing for a variety of purposes. We were faced with a high degree of uncertainty as to what was going to come out of that bill.

Had that tax reform bill not been in existence or imminent, probably this project would have been financed by a number of serial bond issues, which would have been issued as we needed the money -- similar to past projects. But because we didn't know what was going to happen-- We didn't even know in November of 1985 whether tax-exempt bonds would be allowed for any purpose. So therefore what we tried to do was do the \$2 billion dollars, and become grandfathered into the existing law. That's what we accomplished, and through some better financing, and inventive bond construction, we were able to take the proceeds of the \$2 billion bond issue and invest them in a parallel debt facility, which pays us a premium

differential in basis points between our tax-exempt costs and the taxable selling price that they get by investing it. So that we've been earning money on our investment proceeds, as the project has been delayed through the permitting process. That's the word. We would have three separate ones.

ASSEMBLYMAN LOVEYS: And that is permitted?

MR. SULLIVAN: Under the old law. So long as we have a project. You just can't go out and borrow money for the purposes of earning arbitrage earnings.

ASSEMBLYMAN LOVEYS: Even with that, I didn't believe that that was permitted.

MR. TYSON: Yes. That law was changed in the beginning of 1986. If the transaction were delayed until January, we would not have been able to accomplish that structure.

ASSEMBLYMAN LOVEYS: That's interesting.

MR. TYSON: That was one of the reasons it was done.

ASSEMBLYMAN LOVEYS: You're borrowing at how much and you're investing at how much right now?

MR. SULLIVAN: Well, right now we're borrowing at 7.2%, and we're earning at least 100 basis points.

MR. TYSON: Over eight and a quarter percent. Under the original structure--

ASSEMBLYMAN LOVEYS: Just keep it going. Keep delaying the project. (laughter)

MR. TYSON: Under the original structure there was a guarantee by Fannie Mae that the rate that they would pay to the Turnpike would be a minimum of 100 basis points -- or 1% -- over whatever the Turnpike rate was. That was a guarantee.

MR. SULLIVAN: They got caught for a time frame and--

ASSEMBLYMAN LOVEYS: So how much have you earned?

MR. SULLIVAN: By 1990 we'll have earned about \$120 million.

MR. TYSON: One hundred twenty million dollars in excess income.

ASSEMBLYMAN LOVEYS: So then if the project is going to cost more money than previously planned, you've almost made up the cost, so you won't necessarily have to go into another bond issue. It has been delayed through the permitting process.

MR. SULLIVAN: Well, at the rate construction costs are inflating, I don't know whether I can agree with you 100%.

ASSEMBLYMAN SCHUBER: Let me ask you some of the questions we've asked everybody here -- the Garden State Parkway questions -- with regard to the operations of the authorities. One of the concerns that I have with regard to the proposed expansions of any of the authorities as far as the work of any of the highway authorities is: How does your authority network with the State Department of Transportation with regard to how your expansion would fit into what they consider to be their overall centralized plan for transportation in the State, recognizing that they seem to have one now? Whether they had one then, we're not sure. But it appears to me that obviously this State is moving to a more centralized transportation plan. Obviously we're working on it here in the Legislature. And the question is -- and one of the concerns I have is -- with three independent authorities doing road expansion, all of them at different times, how does that dovetail into what the State may think should be its part in the plan?

Secondly, that brings up the question -- Bo, I know you and I have talked about this, on television in fact -- of the Governor's proposal to add the Commissioner of Transportation officially as a member of the Board of Commissioners of the authorities?

MR. SULLIVAN: To take the first part of your question first, how we interact: Referring back to what I referred to before when the Governor asked Gary Stein to chair a committee on transportation coordination in the Route 3 corridor area. We worked then very closely with the Port Authority, DOT, New

Jersey Transit, The Sports Authority, HMDC, all the different agencies on that region. When we first announced our Turnpike expansion program, if you recall the Governor asked, I guess it was Commissioner Bodman at that time, to take a look at our program, see if it could be "scaled back" or changed in any way. We worked very closely with the DOT going over every mile of our program, and also trying to tie in with them the impacts on adjacent feeder roads; and worked with also the Northern Transportation Coordinating Council on that. As a result, Commissioner Gluck and I had a press conference whereby we announced the agreement that had been reached between DOT and the New Jersey Turnpike, as to how our expansion would mesh with their plans, and several things we were doing together.

For example, we are currently in the planning stage of a possible park and ride at Interchange 8A. We have been working with the private sector and DOT with respect to the Tower Center buildings that went up in East Brunswick. And again, we had to close a park and ride, transfer it over to the East Brunswick Municipal Parking Authority. DOT is building the bridge over Lawrence Brook. We're expanding Interchange 9, building a new ramp and a new bridge, and we've got public and private sector participation in that.

We are currently working and have under construction, a joint effort for the renovation of Interchange 15E. We are working with the DOT relative to Interchange 11, where we'll be expanding our toll lane capacity at that interchange. At Interchange 10 we're working with DOT to redesign some of the feeder roads at that interchange, and again, build a park and ride facility.

ASSEMBLYMAN SCHUBER: So your testimony would be that there is already a coordination de facto with regard to the DOT as far as the Turnpike is concerned?

MR. SULLIVAN: That's right. To be very honest with you, Mr. Chairman, I don't meet with the DOT as frequently as the staff does.

ASSEMBLYMAN SCHUBER: I appreciate that. MR. SULLIVAN: But I try to meet with them every six weeks. each program. If you recall the Governor asked, I guess it was you ASSEMBLYMAN SCHUBER: No, I appreciate that. Now, the question comes with regard to the Governor's bill -- or the Rand bill -- with regard to the addition of the Commissioner of Transportation on the authorities.

MR. SULLIVAN: Well, I have no objection. As I said before, I'm not here to testify in favor of or against any particular bill.

I'd like to point out, however, that I think it might be unfair to the Commissioner. To do a good job -- and the Turnpike Commissioners do -- we receive a heavy packet of information Friday night -- Saturday morning at the latest -- of the weekend preceding our Tuesday meeting. It takes a full day of preparation, of reading, understanding, and studying that material. As a result of getting it over the weekend, that gives the Commissioners Monday, if they have questions of the staff to get those questions answered and ironed out before the meeting on Tuesday. And then Tuesday, the best case is a half a day there. So you're talking a day and a half of time just to participate in a meaningful way at that Commission meeting. If you take that and multiply it, times three, you're at four and a half days of time for an already quite -- I think -- overburdened Commissioner of Transportation.

Now the alternative to that, it said, is that the Commissioner of Transportation won't attend, but will send a representative. I already have a representative from DOT who comes to every meeting. I have staff people who meet with the representatives of DOT everyday, and New Jersey Transit. So I'm not sure whether we're just putting a coat of clear varnish on something that already exists.

ASSEMBLYMAN SCHUBER: Well, I have not taken a position, necessarily, with regard to the bill -- Just to explore this with you a second-- Isn't there theoretically a conflict, potentially, with the Commissioners sitting on the same board that also gives money to the Transportation Trust Fund?

MR. SULLIVAN: There's a potential conflict, and great legal minds I'm sure could litigate it for a long time. The answer to that really is that if anytime a potential conflict would arise at a Commission meeting, certainly it would be the counsel of the Authority could raise the possibility that there's a conflict, and the Commissioner could recuse him or herself.

ASSEMBLYMAN SCHUBER: The scope of this Committee's review I think is really broader than that particular bill. I know the Governor has promoted it, but I don't think it really goes far enough to do what we would like to do with regard to bringing the authorities on line more responsively.

Some questions now, again, along those same lines as we had asked the other authorities. Let me also, for the record, indicate -- and I forgot to welcome -- Frank Holman, the Executive Director of the Authority, and welcome him here also. I assume the Authority has executive sessions?

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: Okay. Who keeps the minutes for those sessions?

MR. SULLIVAN: Herb, who keeps the minutes from-- Herb Olarsch, our counsel.

H E R B E R T I. O L A R S C H, E S Q.: (from audience) The attorney's office does.

ASSEMBLYMAN SCHUBER: The attorney's office keeps them--

MR. OLARSCH: Yes.

ASSEMBLYMAN SCHUBER: Are they recorded?

MR. OLARSCH: Yes.

ASSEMBLYMAN SCHUBER: Are they then transcribed? Just to review-- MR. OLARSCH: Yes, sir. I think there should really a conflict. ASSEMBLYMAN SCHUBER: (Are they then approved or given to the Commissioners?) Given money to the Transportation Fund.

MR. OLARSCH: They're made part of the formal minutes.

ASSEMBLYMAN SCHUBER: Of the public meeting?

MR. OLARSCH: Yes, sir. They're incorporated, and they have been for the last 25 years approximately.

ASSEMBLYMAN SCHUBER: By incorporated you mean they're put on separately or attached or what?

MR. OLARSCH: They're attached for the public session.

ASSEMBLYMAN SCHUBER: Okay. And they're indicated as being executive session minutes?

MR. OLARSCH: Yes, sir.

ASSEMBLYMAN SCHUBER: And then each Commissioner gets one?

MR. OLARSCH: Yes, sir.

ASSEMBLYMAN SCHUBER: And then they are therefore then approved in the normal course of--

MR. OLARSCH: Yes, sir. And they also go to the other agencies once they are approved.

ASSEMBLYMAN SCHUBER: Have you been doing that for the last several years?

MR. SULLIVAN: Herb has been the Senior Attorney at the Turnpike for how many years, Herb?

MR. OLARSCH: Twenty-three years.

ASSEMBLYMAN SCHUBER: Would you like a job at the Parkway? (laughter) Mr. Loveys thinks that might be a conflict of interest. I don't know.

Let me ask you some of the other questions that certainly-- Again, obviously we're asking you questions that have come up as a result of our review of that. The Commissioners themselves, obviously, the statute does not allow

for compensation. That's correct, right? We all agree with that?

MR. SULLIVAN: You betcha.

ASSEMBLYMAN SCHUBER: Okay. Now, can you tell me, are any of the Commissioners provided with any other benefits such as credit cards, travel or entertainment expenses, free tolls on the Turnpike, Parkway, or Atlantic City Expressway?

MR. SULLIVAN: We get free tolls, as provided by statute.

ASSEMBLYMAN SCHUBER: On the Turnpike?

MR. SULLIVAN: On the Turnpike.

ASSEMBLYMAN SCHUBER: You don't have reciprocal privileges on the other authorities?

MR. SULLIVAN: No. (laughter)

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: Someone, in their ultimate wisdom, provided statutorily for the issuance of Turnpike passes, which relieves the Chairman and the Executive Director of a great political burden as to who would otherwise get them.

ASSEMBLYMAN SCHUBER: Who does get them by statute, I assume the Commissioners?

MR. SULLIVAN: Yes, the Commissioners, and employees, and the Governor, former governors, there's a whole--

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: Attorneys--

ASSEMBLYMAN GILL: Along that same line--

ASSEMBLYMAN SCHUBER: Go ahead, Lou.

ASSEMBLYMAN GILL: How many of those free passes do you have out. Do you have any idea?

MR. SULLIVAN: Twenty-five.

ASSEMBLYMAN SCHUBER: Twenty-five?

ASSEMBLYMAN GILL: Total?

MR. SULLIVAN: Yes.

ASSEMBLYMAN GILL: And those are the only free passes issued?

MR. SULLIVAN: Well, other than the employees' passes. Other than to employees.

ASSEMBLYMAN GILL: Now, when you say employees you mean all the employees, toll collectors, etc., who matter what their proximity may be to work? deal with any other benefits such

MR. SULLIVAN: -- Herb Olarsch, our Senior Attorney.

MR. OLARSCH: (from audience) The terms of the bond resolution and the statute provide for the following procedures: All Turnpike employees in actual performance of their duties, all Turnpike Commissioners as part of their responsibilities to the Authority, all State Police, all police forces of the State of New Jersey, and all emergency vehicles of the State of New Jersey, receive free revenue passes. In addition, the bond resolution provides the Authority with 25 passes for State officials of the State of New Jersey who wish to utilize the free passage of the Authority. It's a combination of statute and the bond resolution. The bond resolution incorporates the statute. That is the procedure.

ASSEMBLYMAN GILL: May I continue, Mr. Chairman?

MR. OLARSCH: The lead term "police forces," Mr. Chairman, includes any statutory definitions of police forces, Department of Corrections, and State personnel, sheriffs' offices of the State of New Jersey.

ASSEMBLYMAN SCHUBER: The 25 free passes -- or the 25 discretionary passes -- who distributes those?

MR. SULLIVAN: They're not discretionary. There's people provided that you can give them to. The Governor--

MR. OLARSCH: They're provided for State officials, the Governor, cabinet members, etc. That's been done for 35 years. That's in the original bond resolution. It goes back to 1951, 1952.

ASSEMBLYMAN SCHUBER: Do the Commissioners receive other types of compensation, other benefits -- let me ask you that?

MR. SULLIVAN: I believe the Chairman -- I'm not sure of the other Commissioners -- I believe the Chairman, if he or she wishes, can have a gasoline credit card or an American Express type credit card. I have never taken one. It used to be in going back to the days when Governor Driscoll was Chairman of the Turnpike -- they provided a car for the Chairman of the Turnpike, and a driver if he wished. When I became Chairman in 1982, I took over the vehicle that was being used by then Chairman Frank Fitzpatrick. Again, in 1985, with the tax reform legislation, they changed the law of compensation regarding non owned vehicles for personal use, and said it was taxable under the IRS code if used beyond a de minimis number of miles. At that time I turned the car back in to the Turnpike and bought my own car.

ASSEMBLYMAN SCHUBER: What other benefits of any type do the Commissioners have?

MR. SULLIVAN: The Commissioners are entitled to a free physical -- not the Commissioners. The Commissioners get health insurance, which is a secondary -- supplemental -- which will cover everything that's not covered.

ASSEMBLYMAN GILL: Where is that physical provided?

MR. SULLIVAN: For the senior staff? Lahey Clinic.

ASSEMBLYMAN GILL: Which is?

MR. SULLIVAN: In Boston.

ASSEMBLYMAN GILL: In Boston. How often is that given?

MR. SULLIVAN: Once a year to senior staff.

ASSEMBLYMAN GILL: Where do the other employees get their physicals?

MR. SULLIVAN: I think the other employees -- right in the admin. building, the medical part.

ASSEMBLYMAN SCHUBER: Let me stay with the health compensation for a second, because this has certainly been in the papers in the last several weeks. As I understand it, the Commissioners have secondary coverage for health benefits. Is that correct?

MR. SULLIVAN: I guess you'd call it supplemental.

ASSEMBLYMAN SCHUBER: Supplemental, okay. I understand, from what I've read in the paper, that one of the Commissioners had utilized it for primary taken one. It used to

MR. SULLIVAN: He doesn't have any other, yes.

ASSEMBLYMAN SCHUBER: Okay. But obviously the statute does not provide for that, or that is not in accordance with the policy of the Authority. Is that correct?

MR. SULLIVAN: The policy-- In 1982, the Turnpike Authority decided to go private with its health insurance, self-insured.

ASSEMBLYMAN SCHUBER: Right.

MR. SULLIVAN: At that time, the health coverage -- since it was a private, internal plan -- was extended to the Commissioners. At that time we had a Commissioner -- since deceased -- who was rather elderly and I don't think he had any other health insurance, and I recall that he was very interested in providing this. And since he at that time was sitting on some other boards of directors -- around the State of companies in the private sector -- so that it's not uncommon for boards of directors to receive health insurance in the same way that they receive public director's liability insurance. So that's when it was put in. I believe it was the summer of '82.

ASSEMBLYMAN SCHUBER: Well it's my indication, from what I've read, that in this particular case this individual was utilizing it because he had no other coverage, I assume; but that that was in violation of either the Turnpike's ostensible policy on this area, or could be considered almost to be a benefit that really in the end becomes compensation.

MR. SULLIVAN: Yeah. I think there's some confusion on the part of some of the Commissioners as to how the policy -- not the insurance policy, but the policy of the Turnpike -- was to be implemented. I really can't comment on any

individual Commissioner other than myself, because of an existing order which says I'm not supposed to. But the question of whether or not the provision of health insurance is compensation, under the terms of Title 27 and the intended of Title 27, I've been advised that it isn't by our counsel.

ASSEMBLYMAN SCHUBER: Has your counsel issued an opinion on that?

MR. SULLIVAN: Dave Samson, who is General Counsel to the Turnpike, is here. You can ask him.

ASSEMBLYMAN SCHUBER: Okay. We'd like to get a copy of that because we have some concern that it does look to us like compensation in another form. We have asked OLS to give us a legal opinion with regard to that. Just from what I've seen in the paper, I see that the Attorney General has indicated that he would look at it also. You know, I appreciate the fact of what may be done there, but the question simply is, is it compensation by some other means? And it might be. We'll have to wait to see what the opinions of the experts are on it. But I would like to get for our records the opinion of your counsel with regard to that. The question simply is this then for Frank, I guess you have established a policy now for all the Commissioners so they understand where their coverage is?

F R A N K B. H O L M A N: Mr. Chairman, I think that there was some confusion initially after the Commissioners received this benefit, as to whether it was primary coverage or supplemental coverage. I don't think that was ever made clear. At least in my research, it appears to the Personnel Department that it was not made clear. In most all other cases, the individual Commissioners who signed up for it already had primary coverage, so that that was supplemental coverage. In this one case where the individual did not have primary coverage, the Personnel Department signed them up for the total insurance package. So that I think the major problem

was it was not clear. I am proposing to the Chairman that that be clarified by the Commissioners, and suggest what the policy is on insurance coverage for Commissioners or health insurance is concerned. ASSEMBLYMAN SCHUBER: With regard to the annual health physical that was also in the paper, let me ask you this. As I understand, that's available to, what, the senior executives of the Authority?

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: Is that also available to the Commissioners?

MR. HOLMAN: I don't believe any of the Commissioners have ever utilized it though, not to my knowledge. It was a purely a policy for the senior executives of the staff. At that time, that type is a standard type of corporate physical.

ASSEMBLYMAN SCHUBER: Well, how many folks qualify for that, then?

MR. HOLMAN: The department heads, approximately 12 people.

ASSEMBLYMAN SCHUBER: But then the other employees then have an annual physical which is given on the premises. Is that correct?

MR. HOLMAN: I'm not sure they have an annual physical. They have a physical when they first go to work for the Turnpike, and we have a nurse and we have a doctor on board. The doctor is a part-time person. So I do not believe they get an annual physical. They get a physical when they first come on board, and there are facilities available to them if they are sick -- something happens while they are working on the Turnpike.

ASSEMBLYMAN SCHUBER: Let me ask you this, then. I understand what may done in corporate America with regard to the same thing, but let me ask you this. Are you aware of any other department in government that does the same thing with regard to these types of physicals for their senior executives? I don't know the answer to that. I'm just--

MR. HOLMAN: The Federal government does, obviously.

MR. SULLIVAN: Especially the Air Force. (laughter)
is on in MR. HOLMAN: The Federal government has exactly the same type of policy for senior executives. I think the pertinent question there is -- Certainly since we've been self-insured -- Then it would be my recommendation to the Commissioners -- and I've discussed this with the Chairman already -- I think that the high paid personnel, is especially critical with a self-insurance program where you're paying, that preventive medicine becomes more important than ever before, because now you're paying yourself the insurance claim out of the proceeds of the Turnpike, since you are self-insured. So that, perhaps the most important single aspect -- and it should be looked at even further for employees -- is preventive medicine becomes absolutely critical when you're paying your own bill.

ASSEMBLYMAN SCHUBER: But shouldn't that then therefore expand onto the employees themselves?

MR. HOLMAN: Absolutely.

ASSEMBLYMAN SCHUBER: I mean, what's done for senior executives, it would seem to me should be done for the employees also.

MR. HOLMAN: I am looking at that, very much so. That's critical in the self-insurance program.

ASSEMBLYMAN SCHUBER: Two questions that come off of this issue, then. What does the annual physical for the 12 senior executives cost?

MR. HOLMAN: Well, from what I've seen of the expense so far, it's relatively a very reasonable physical. The average is about \$500. Now I personally take the Duke physical every year, and that physical costs me \$2500. So I would say the physical rate is very reasonable. It would be competitive anywhere, even as far as downtown Newark or Camden, or anywhere else where there's a major medical facility. The problem is

transportation involved to the Lahey Clinic. It would be the only difference as far as the costs are concerned. (Laughter)

ASSEMBLYMAN GILL: Who pays that transportation? By the way, by MR. HOLMAN: The Turnpike. The other problem would be that this started some 20 years ago. Continuity is a physical, as you know, is very important.

ASSEMBLYMAN SCHUBER: I appreciate that.

MR. HOLMAN: And I think my recommendation again to the Commissioners -- whether we're older employees who have been involved for many years taking the physical in the same place. As you well know, a cardiogram is worthless unless you get five years up to that point. This is true of all of the health records. So continuity is extremely important in a physical.

ASSEMBLYMAN SCHUBER: But, Frank, are there no clinics in New Jersey that would do the same thing?

MR. HOLMAN: I'm not sure that there are, certainly there weren't 25 years ago. If you were to do it today, what physicals would you use? Cornell maybe? I'm not sure that they're particularly interested in that type of thing. The ones that did it around the United States were Duke, Mayo, and Lahey. Those are the ones that are standardly used in the business. I don't know of any New Jersey organization that's basically in that business.

MR. SULLIVAN: It's our intention to examine the situation. If we could find adequate physical facilities in New Jersey, our recommendation is going to be that as people come on board and become eligible for department head physicals, that they begin their records in New Jersey. The ones who have their records already in existence -- the blood workups, the EKGs, and stuff like that -- at Lahey, I think it's--

ASSEMBLYMAN GILL: I think it's a good policy, and I think it would help alleviate some of the questions that people

have about why go out-of-state, for a physical? The out-of-state costs must be substantial just in transporting the patients there. I think if you did implement that policy in New Jersey, it would be good...like. The other problem would be that the MR. SULLIVAN: And it's an overnight stay, because the physical is so extensive. They have to control your blood work and that stuff.

ASSEMBLYMAN SCHUBER: I mean, I have no objection to the fact of preventive medicine. Obviously not. Certainly our concern was going out-of-state for that, when I think there may be facilities in New Jersey. For instance, I know that judges in the State, before final confirmation have to go through a very exhaustive physical, which is given here in the State of New Jersey by the School of Medicine in Newark. That is a well received facility, and it would seem to me I think it's something that should be looked at as far as that goes.

MR. SULLIVAN: Yeah. I'm on the Board at Robert Wood Johnson too. We're developing--

MR. HOLMAN: We are reviewing that.

ASSEMBLYMAN SCHUBER: Absent what we just talked about then, are there any other means of benefits that are provided to any of the Commissioners, or senior executives, let's put it that way.

MR. SULLIVAN: Well, senior executives have--

ASSEMBLYMAN SCHUBER: Well, they have salary. And we appreciate that.

MR. SULLIVAN: Salary, and they have credit cards and the like. The print media has rather exhaustively gone through our expense records over the last number of weeks. I presume, having seen nothing in the papers, that they didn't find anything to complain about.

ASSEMBLYMAN SCHUBER: Then your testimony would be that, as far as the Commissioners go, there are no other benefits than what you've testified to.

MR. SULLIVAN: By statute, the Commissioners are entitled to transportation or transportation costs to and from meetings. I think it was the replacement that policy in 1979.

ASSEMBLYMAN SCHUBER: How about a scholarship fund? Now I know that was a bone of contention with the Parkway and I saw just a little bit of that talked about with the Turnpike. But it seemed to be much smaller program.

MR. SULLIVAN: We have a scholarship fund named after Harry Laderman, who was the first Turnpike employee who was killed in the line of duty. We award that scholarship each year to the child of an employee, based upon merit. In addition to that, Turnpike employees -- not Commissioners, but Turnpike employees -- who seek additional education have their tuition reimbursed.

MR. HOLMAN: After successfully completing the course.

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: Yes, and the grades.

MR. SULLIVAN: Which we encourage and I think it's a terrific program. We have people that move up through the ranks. They're hard working. They go to night school. And if they want to improve themselves we're certainly there to help them.

ASSEMBLYMAN SCHUBER: Now, just a couple budgetary -- if I might. The Authority statement for expenses from '82 to '86 has shown a payout of between \$300,000 to \$500,000 annually for professional fees, and the '87 statement that I saw shows a payout of \$240,000 for professional fees. Could you please identify what those might be for the Committee? (witness looks through annual report) I was indicating to you that your professional fees were down \$60,000 from the year before.

MR. SULLIVAN: I think it's going to be -- (Mr. Sullivan speaks to member of his staff in audience) It's General Consultant, General Counsel, accountants and auditors, and the Turnpike physician.

ASSEMBLYMAN SCHUBER: Do you have a breakdown of those? Do they breakdown in there?--part of it costs to run them
outlines MR. SULLIVAN: I have them for '86. For '87--

ASSEMBLYMAN SCHUBER: Well in '86 would give us an example. It was a little more in '86 than--with the Parkway and

MR. SULLIVAN: In '86 was, General Consultant -- round numbers -- \$40,000; General Counsel, \$85,000; accountants and auditors, \$123,000; Turnpike physician, \$53,000.

ASSEMBLYMAN SCHUBER: The General Consultant, what is that?

MR. SULLIVAN: Under the terms of the bond covenants, we have a general engineering consultant who we pay, but who kind of looks over our shoulder on behalf of the trustee and bondholders. When we, for example, approve a contract or a bid, or accept a contract as completed, we have to have the signature of the General Consultant. It's the private sector watchdog.

ASSEMBLYMAN SCHUBER: Now, your statement of your expenses for the last five years has also shown a payout of between \$17 million and \$29 million annually for other charges. In 1987 these charges came to \$25.9 million on the annual report. I was wondering if you could identify what those other charges might be?

MR. SULLIVAN: John is our--

ASSEMBLYMAN SCHUBER: You better stay here.

MR. SULLIVAN: Let me ask our Comptroller.

ASSEMBLYMAN SCHUBER: Why don't we identify--

MR. SULLIVAN: Mr. John Carroll, C-A-R-R-O-L-L.

J O H N C A R R O L L: They are recurring charges. Well, the road is now 37 years old. Going back to 1954, '55, we had none of these charges. But they are extraordinary maintenance bridge deck repairs, anything of that nature that's not covered in the operating end of the budget.

ASSEMBLYMAN SCHUBER: And for 1987, do you know what they might have been?

MR. CARROLL: See what the problem is with that figure, is that it's all the extraordinary charges going back; some of them may be three or four years. For we appropriate somewhere around \$16 million to \$17 million a year out of revenues. This \$25.9 million in 1987, and 24.5 million in '86 would encompass projects dating back to '82 and '83. The money is in the till, so to say.

ASSEMBLYMAN SCHUBER: Is that data available?

MR. SULLIVAN: Yeah. Mr. Chairman, what I might do-- We provided you with the budget numbers.

ASSEMBLYMAN SCHUBER: Right.

MR. SULLIVAN: And if you look on the left-hand side, they're identified with numbers and dashes. For example -- I don't know what you page you have first -- but you have bridge deck repairs 1-85. The 85 refers to the year in which the project was started.

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: As you flip through, you can see, for example, there's a lot of '86 projects still ongoing. What we have to do-- We have to keep our funds segregated in accordance with the bond resolutions, so that they'd have to draw funds -- force projects -- from the proper fund sources. So we have whichever is leftovers. You just can't do all the work in one year.

ASSEMBLYMAN SCHUBER: Okay. I assume that each year you annually -- the Commissioners -- adopt a budget. Is that correct?

MR. SULLIVAN: Absolutely.

ASSEMBLYMAN SCHUBER: When is that done during the course of the year?

MR. SULLIVAN: We've got the preliminary budget in November, and the final budget in January.

ASSEMBLYMAN SCHUBER: Does the Turnpike appear before the Appropriations Committee at all?

MR. SULLIVAN: No.

ASSEMBLYMAN SCHUBER: To your knowledge, do any of the authorities-- maybe three or four years, be appropriate

for MR. SULLIVAN: No. I mean the \$17 million a year out of revenues ASSEMBLYMAN SCHUBER: Is I assume and then the budget is adopted at a public session? In, back to '82 and so, the money

MR. HOLMAN: Oh, yes.

ASSEMBLYMAN SCHUBER: Is that advertised?

MR. HOLMAN: Yes.

MR. SULLIVAN: Oh sure, with press coverage.

ASSEMBLYMAN SCHUBER: Commissioner-- Oh, Commissioner, not you. (laughter) Assemblyman--

ASSEMBLYMAN LOVEYS: At least wait until after the hearings. (laughter)

ASSEMBLYMAN SCHUBER: Assemblyman Loveys has some questions.

ASSEMBLYMAN LOVEYS: I have a few questions. Has the recent unfortunate experience of the New Jersey Highway Authority affected the way that maybe the Turnpike Authority is conducting its general course of business these days?

MR. SULLIVAN: Well, it hasn't changed anything. We've perhaps-- We've had, I guess, the fortunate experience of having gone first in the expansion business. And as I said, from having the experience in 1973 with Governor Byrne, and I was counseled by senior staff who had been through that experience, and through our investment banking counselors, the best policy is to get it out in the public debate. Let's find out where we stand. And if you recall, what we went through with the widening program when it started. I personally conducted many public discussions -- they weren't really hearings -- with East Brunswick, we had 600 or 700 people there, with Milltown, I've been to people's homes, spoken at chambers of commerce and Rotaries, to try to explain what we're doing and to try to listen.

We had held last August an environmental seminar at the Hackensack Meadowlands Development Commission Environmental Center, where we invited in the environmentalists, who are traditionally viewed as the opponents of road construction widening. We invited them in because we felt then, and still feel today, that if you're going to do large projects -- in the private sector or public -- you have to come to grips with improving the environment. If you don't, you meet with these people in court sooner or later. So our policy is, bring them in, "Let's hear your suggestions. Help us improve."

We've completely revised the plan for Interchange 15Wa, where we were originally going to put a new interchange on top of the Sisselman Track, there by Berry's Creek. We've now moved that interchange a bit to the south. We're planning to build the interchange on top of the Avon Landfill. We will environmentally close that landfill. We will take the leachate out -- which is millions and millions of gallons a year of stuff going into north Berry. We'll pipe it into a sewage treatment facility, we'll compact it, we'll put nonpermeable walls, we'll put a lid on it, we'll vent the methane, close the landfill, move the interchange. We're still going to buy the Sisselman Track, but we're going to take the Sisselman Track and create an environmental park where we will enhance the environment. It will fit in with the park system up there. It will provide a better habitat for birds and other nesting animals and wildlife.

We found that to be as public as you can, is the best policy.

ASSEMBLYMAN LOVEYS: You've answered some of the other questions that I had. I assume, when you indicated about the landfill etc., that this was part of the statement you made on page 12, as part of your widening and improvement program, you would be conducting the largest environmental cleanup.

MR. SULLIVAN: Correct.

ASSEMBLYMAN LOVEYS: This is your reference to that area? ~~the Hackensack Meadowlands Development Commission~~
Yes. ~~the environmentalists, who are~~
~~testifying~~ ASSEMBLYMAN LOVEYS: ~~and also the Hackensack Meadowlands Development Commission~~ did have some concerns--~~about~~

MR. SULLIVAN: Yes, they did. ~~about the Hackensack Meadowlands Development Commission~~

ASSEMBLYMAN LOVEYS: --about their housing and their future commercial usage there. You have--

MR. SULLIVAN: We've worked with them

ASSEMBLYMAN LOVEYS: You have worked with them?

MR. SULLIVAN: Yes, we worked with them. As a matter of fact, they testified in favor of the project before Army Corps.

ASSEMBLYMAN LOVEYS: Talking about the widening project just for a moment-- Initially, I believe, in Elizabeth there was some 95 or 96 houses to be taken and a couple of churches, and the road in the Brunswick area is going to be very close to a residential area. Now with your modification plan and your ideas, how does that affect and relate to those other issues?

MR. SULLIVAN: Well, specifically in Elizabeth -- and anyone who's been on the Turnpike in that area knows how close those homes are to the Turnpike. Incidentally, when the Turnpike was built through there, most of those people wanted to stay. What we did was rearrange and reconfigure the additional lanes we're going to add to that. So that we'll be adding those lanes to the existing structure -- which is a bridge, it's elevated through Elizabeth -- and we will not be taking any properties, displacing any homes or businesses, in Elizabeth.

ASSEMBLYMAN LOVEYS: None at all?

MR. SULLIVAN: None at all. We're very proud of it, and proud of the fact that Mayor Dunn came out and acclaimed us as good citizens. That's not always easy to do with Mayor Dunn.

ASSEMBLYMAN LOVEYS: How about in East Brunswick?

MR. SULLIVAN: In East Brunswick, we came to a meeting of the minds with the East Brunswick Ad Hoc Committee. What we have done is where the Turnpike widening and expansion is going to come within 75 feet of the people's homes, we have offered voluntarily to buy those homes at a fair market appraisal value, at the homeowner's option. We're not forcing it. It's not a taking. Some of the homeowners have elected to exercise that option, and we have bought the homes, and will be reselling them. If there's a loss of valuation as a result, we're absorbing that lost valuation.

In addition, we'll be putting up sound barriers. Where the Turnpike is coming closer to a residence, we're going to put up a sound barrier guaranteeing that the decibel level will be below 67 DBA. And also we've just recently reached further agreement with the citizens of East Brunswick, which will also apply to Milltown, that where the sound barriers are erected we will go into a landscaping program, so that someone looking out their back window just won't simply see what looks like a cardboard wall. They'll be various trees planted, shrubs, climbing vines, and what have you. That program was put together for us by the Cook College Agriculture School at Rutgers. It was done independently. We agreed that to use independent consultants would be the best.

ASSEMBLYMAN LOVEYS: When you originally estimated your cost, I believe it was somewhere in the area -- for the widening -- 1.5 billion, then it went to 1.7 billion, and now it's 2.1 billion. Does the \$2.1 billion reflect the modified plan?

MR. SULLIVAN: Yes, that's the latest number. And what it reflects is inflation in construction costs over the last three years, and also, additional costs for environmental cleanup. We're estimating that the environmental cleanup will probably cost us around \$200 million. We're going to be impacting and cleaning up, at least to a partial extent--

ASSEMBLYMAN LOVEYS: Is this figure a lot higher than the original thought?

MR. SULLIVAN: Well, I think the original number was around 1.8.

ASSEMBLYMAN LOVEYS: Okay. And what we alluded to a little earlier--

MR. SULLIVAN: In the environmental cleanup there are 32 sites -- industrial, private sector sites -- that we've identified as potentially being hazardous or toxic contaminants in the ground there. We don't know yet, because we're going to have to do the drillings and soil borings to find out. But we do know that there are 32 potential sites that have to be cleaned up. In addition to that we've got 11 landfills that we'll be touching, plus we have the environmental park. We do have--

ASSEMBLYMAN LOVEYS: You have friends in the DEP, Mr. Sullivan?

MR. SULLIVAN: Yes.

ASSEMBLYMAN LOVEYS: You're going to need them.
(laughter)

MR. SULLIVAN: The Army Corps of Engineers, too. It's a complicated program, but I think that we're in the right direction. I think we're setting a standard not only for the State but for the nation, where you can take something that's a needed project -- and certainly if you listen to the testimony of everybody who's involved with industry and commerce and the labor unions, especially the people who don't have single job site, construction workers that have job sites that change every week or month, they absolutely have to be able to get to work. We're taking valuable time away from these people, and presenting them with a dangerous experience every morning and every night. If you say this project has to be done, then say, "Let's do it in such a way that the environment is better off for it having been done." And the environment will be better off.

I know that you read in the paper that we're going to be impacting wetlands, 180 acres of wetlands. The fact of the matter is that the 180 acres of wetlands is not one big piece. It's little, disconnected parcels, which are primarily drainage ditches for the Turnpike. And in return for that we're going to be creating over 300 acres of first grade, first class, environmental park. The State is going to be better off for it.

ASSEMBLYMAN LOVEYS: I asked earlier, as far as the financing is concerned, about your 2.1 billion figure. When you originally started with the '85 issue, I think you had approximately \$1.8 billion to spend on that project. Even with the arbitrage, there is a shortfall, probably 1.5 billion or 1.6 billion now in your present program?

MR. SULLIVAN: No. Maybe 100 million.

ASSEMBLYMAN LOVEYS: Well, with the original 2 billion issue, after cost, did you not have a 1.8 billion available for the project? And now that it's jumped to 2.1, and you indicated that you probably made 1.8 on arbitrage, you're still going to have a shortfall. Will you be cutting back your program or will you be have another issue?

MR. SULLIVAN: If there is a shortfall in the end, the normal procedure is to issue completion bonds.

ASSEMBLYMAN LOVEYS: Okay. And it wouldn't matter to you whether it be 100 million or 200 million?

MR. SULLIVAN: Oh sure it would matter. I care about the hundreds of millions.

ASSEMBLYMAN LOVEYS: No, what I'm trying to get as is, if you see the program is getting a little out of line, will you again modify your present program or will you move forward with another issue to complete your original plans?

MR. SULLIVAN: I would say we would move forward with another issue. I can't see, in view of the traffic numbers -- again, we get them updated yearly. Again, this year in '88, we're blowing the lights out in terms of the traffic. I don't

know where it's all coming from or going. If the economy continues to move along, I can't see where we can drop lanes. And I certainly would not recommend under any circumstances a reduction in the environmental mitigation plans.

MR. SULLIVAN: ASSEMBLYMAN LOVEYS: You've talked about the environmental problems, that you will be probably proceeding in eliminating these problems. I understand too that in the draft of the environmental impact statement that you had, there were some deficiencies as to the project itself and how they would affect adjacent roadbeds and roadways. Now, in your final statement, have you finalized your plans, and what effect will it have on adjacent roadways?

MR. SULLIVAN: Right. The reason we do the draft environmental impact statement is precisely what you pointed out, to get that out in the public, get people to look at it and study it. And if there's a deficiency, let us know so we can go back and correct it. We hired independent traffic engineers, have worked closely with the Federal and State Department of highways and county roads, to determine the impact on feeder roads. That's the issue as to: Make the Turnpike bigger, what happens to Route 17 in Bergen County? We expanded the scope of that report, worked closely with DOT. Those figures are all in the final environmental impact statement. And I might add that the no build scenario -- as to what happens if the Turnpike doesn't expand -- is disastrous in terms of traffic congestion on those feeder roads.

We all know, I'm sure we've all been at one time or another diverted from going home by a fire truck or a road under repair, and you change your normal route. That's called a diversion. We are finding already with the Turnpike, when we get peak hours of congestion, truckers and motorists divert, get off the Turnpike, and take another route.

The diversions will be massive. Diversions...in themselves are bad, but what we're also doing by trying to provide a free flow of traffic, is a tremendous compliment to cleaning up the air quality. Catalytic converters in automobiles work most efficiently at 50 mph, 55 mph. When you start to slow a vehicle down from 50 to 35 to 25, the quantities of carbon monoxide -- a deadly poison -- and the other hydrogens which are ozone formation elements, increase geometrically. So that the best thing we can do for air quality -- and the Federal Department of Environmental Protection agrees with us -- is to keep the traffic moving. You wouldn't want to be stuck in a nursing home adjacent to a roadway, where there's cars and trucks and buses pumping those noxious fumes, hydrocarbons, and carbon monoxides into the air. So we feel that the State will never meet the clean air standards if the Turnpike is jammed up.

ASSEMBLYMAN LOVEYS: When the Sports Authority first came in to being, and the Department of Transportation and the Turnpike Authority and the Sports Authority had their meetings to finalize what their needs might be, I guess in the course of the development the Turnpike did build access roads, bridges, etc., for that area.

MR. SULLIVAN: Yes.

ASSEMBLYMAN LOVEYS: Does the Turnpike receive any revenues from the Sports Authority for any reason, and if so, why, and how much?

MR. SULLIVAN: Well, there's a dispute on some of the numbers. We've been receiving revenues from the Sports Authority for a number of years, and there is a dispute over the language of the contract with the Sports Authority. You'll remember back when the Sports Authority was built--

ASSEMBLYMAN LOVEYS: You're receiving monies but you're still--

MR. SULLIVAN: We have received monies. We're not receiving any at the present time. We've got a dispute that's in abeyance. Now I think, as it stands now, we're going to disband ASSEMBLYMAN LOVEYS: You mean they're not paying their bill? What would be particularly at \$2 million, I think. When you

MR. SULLIVAN: That's right. We are \$2 million off.

MR. HOLMAN: That's correct.

ASSEMBLYMAN LOVEYS: What was their bill, and how much--

MR. SULLIVAN: It's calculated by a treadle count. A treadle is an underground counter that counts the vehicles, and they are supposed to reimburse us for the number of vehicles that use it.

ASSEMBLYMAN LOVEYS: For the improvements that you've made?

MR. SULLIVAN: That we've made.

ASSEMBLYMAN LOVEYS: Is there a dollar amount, a single dollar amount? What is that?

MR. SULLIVAN: About a million dollars.

ASSEMBLYMAN LOVEYS: About a million dollars?

MR. SULLIVAN: Left.

ASSEMBLYMAN LOVEYS: Oh, left. Left to that.

MR. CARROLL: No. They owe us a million dollars right now since they've stopped paying us a few years ago. Originally we put \$17 million worth of roads in there, and they inadvertently left it out of their prospectus. They couldn't pay us. So we sat down and drew up an agreement.

ASSEMBLYMAN LOVEYS: Were they to pay the full 100% of the improvements?

MR. CARROLL: No. We did the--

ASSEMBLYMAN LOVEYS: You did the \$17 million in improvements.

MR. SULLIVAN: They were to reimburse us.

ASSEMBLYMAN LOVEYS: They reimbursed you how much of that \$17 million? Zip?

MR. CARROLL: At the time-- Let's say a few years went by and we didn't have a prospectus. And they said, "We'll have to sit down and draw up an agreement and pay you." So they said, "You know you're going to do a lot of business in 16E on the way into the Sports Complex. You're going to give us a credit for that."

ASSEMBLYMAN LOVEYS: That's if the baseball stadium were successful.

MR. CARROLL: So they built up a credit there. There's traffic going through that interchange. They deserve a cut of it, they said. So the agreement was drawn up. And then there was also another ramp that comes down from 17E -- I think it is -- and they gave us a quarter and 35 cents for each vehicles. They paid us for years, and then suddenly they said, "Well we're building up such credit on this other end, we don't think we owe you any more money."

MR. SULLIVAN: That's the dispute.

MR. CARROLL: That's the dispute.

ASSEMBLYMAN LOVEYS: How much money have they paid the Turnpike Authority?

MR. CARROLL: Over the years I'd say they paid in the millions for that ramp fee.

ASSEMBLYMAN LOVEYS: What does that mean to me, in the millions?

MR. CARROLL: I'd say they paid about--

ASSEMBLYMAN LOVEYS: Annually.

MR. CARROLL: Let's say we put the roads in the middle '70s, they paid us until about 1980, on the basis of maybe \$250,000 a year. So that's about five or six years at \$250,000, maybe a million and a half.

ASSEMBLYMAN LOVEYS: They've paid about a million and a half, and they stopped paying you about a year ago?

MR. CARROLL: No, back in 1980, I'd say.

ASSEMBLYMAN LOVEYS: Oh, so six or seven years ago?

MR. CARROLL: And it's built up now. Just the ramp fees have built up to a million dollars. MR. HOLMAN: The original expenditure was somewhere near \$17 million for the ramps, which has never been recovered.

ASSEMBLYMAN LOVEYS: That's what I was trying to get at. The original agreement, if you were to expend \$17 million, was the agreement that they were to pay that in full?

MR. HOLMAN: The inference was there that they would pay that back.

ASSEMBLYMAN LOVEYS: They would pay it back?

MR. HOLMAN: That's right.

ASSEMBLYMAN LOVEYS: And they've paid about a million of the \$17 million, and for the last seven years they haven't paid you anything?

MR. SULLIVAN: Not seven years.

ASSEMBLYMAN LOVEYS: Well, it's six years.

ASSEMBLYMAN SCHUBER: Last two years, I guess it was.

ASSEMBLYMAN LOVEYS: From early '80s, I assume that's '81 or '82?

MR. HOLMAN: Whenever the racing proceeds started to slip, they stopped paying. More like four years.

MR. CARROLL: When we raised the tolls in 1980 a dime at 16E-- I know this is a little complicated, but it ties into Interchange 16E. When we raised the tolls-- See, we said, "You're going through our interchange and--" Or they said--

MR. SULLIVAN: They wouldn't pay the toll increase.

MR. CARROLL: Yeah, that's in '80. Then about three years later they stopped paying everything, the ramp fee -- that's the other ramp that we put in coming down from the north for the people from New York.

ASSEMBLYMAN LOVEYS: So you're getting enough, is that the analogy?

MR. SULLIVAN: Pardon me?

ASSEMBLYMAN LOVEYS: They say that you're getting enough?

MR. SULLIVAN: Yes, they do.

ASSEMBLYMAN LOVEYS: That's their analogy?

MR. SULLIVAN: Yes.

MR. CARROLL: That's because all the traffic that's built up going through our interchange--

MR. SULLIVAN: The contract--

ASSEMBLYMAN LOVEYS: What are you going to do about that?

MR. HOLMAN: We're going to sue them. (laughter)

MR. SULLIVAN: The contract -- I think General Counsel will support me in this-- The contract is less than clear.

ASSEMBLYMAN LOVEYS: The only reason I ask that, Bo, is there other agencies doing the same thing to the Turnpike Authority?

MR. SULLIVAN: No, the Transportation Trust Fund makes sure that we pay them.

ASSEMBLYMAN LOVEYS: Okay. All right.

MR. SULLIVAN: The contract that was drawn up between the Sports Authority and the Turnpike Authority, is less than clear. Let me ask Dave Samson, General Counsel, to talk about that.

ASSEMBLYMAN LOVEYS: Yes.

DAVID SAMSON, E.S.Q.: Assemblyman, the contract was drafted between the two authorities back in the mid '70s, and it basically reflected a reimbursement mechanism to reimburse the Turnpike Authority for monies which were laid out up-front to pay for road improvements from which, not just the Sports Authority but primarily the Sports Authority, would benefit. It contained an extremely intricate arrangement for determining how the monies would be paid and calculated -- the reimbursement money. It would be a gross understatement to say that the agreement is not a model of clarity. And it invites some uncertainty, particularly by those who were not present at the time the agreement was drafted, to determine what was

intended. I've had a number of meetings with the Counsel for the Sports Authority on this subject. It is a matter that's in dispute and has not been resolved yet.

ASSEMBLYMAN SCHUBER: Is there any dispute as to the fact that there is money owed?

MR. SAMSON: Yes. Well the issue is--

ASSEMBLYMAN SCHUBER: I mean, that there is an obligation to pay money?

MR. SAMSON: That's the dispute.

ASSEMBLYMAN SCHUBER: There's a dispute as to the obligation?

MR. SAMSON: There's a dispute as to the obligation because that's tied in to how you calculate the reimbursement money. Let me give you a for instance. John Carroll made reference to toll increases. There is this -- and I won't attempt to explain to this Committee because it's so complicated, how the actual monies get calculated for reimbursement. One issue is, if there are any future toll increases after the agreement was executed, should those toll increases be included in the calculations for the pay back? The contract is silent about that.

ASSEMBLYMAN SCHUBER: Well, let me ask you this--

MR. SULLIVAN: Here's what you've got -- if I could interject for a second. You've got on the one hand a system of payments for treadle fees, and on the other hand a system of calculation of credits. And again, depending on how you read and interpret the language, the Sports Authority is saying that the credits present and projected exceed what is owed for the cash payments, and indeed will make the case that someday we'll have to pay them.

ASSEMBLYMAN SCHUBER: Let me ask you this. Is there any dispute as to the fact that it was the intention of the parties at the time that the Turnpike should be reimbursed by the Sports Authority for these improvements?

MR. HOLMAN: Logic should handle that argument. That the Turnpike, out of the goodness of their heart, would give them \$22 million for nothing? That's the logic of the whole thing.

ASSEMBLYMAN SCHUBER: Is there any dispute as to the fact that ASSEMBLYMAN SCHUBER? Well, that's the point. There's no dispute as to that being the main issue, correct?

MR. HOLMAN: Absolutely.

MR. SULLIVAN: There's a different administration in charge, and I really can't comment on what the heck they're doing.

ASSEMBLYMAN LOVEYS: Well, fine. We can go on for hours on this. What are you going to do about it? Are you just going to let this continue to fester, or are you going to try to resolve the problem?

MR. SULLIVAN: Upon the advice of counsel, we had put the dispute aside pending the resolution of the baseball stadium, to further complicate it.

ASSEMBLYMAN SCHUBER: Well, Ralph, unfortunately remembers that.

ASSEMBLYMAN LOVEYS: I remember that only too well.

MR. SULLIVAN: If the Sports Authority goes forward with a baseball stadium, we're going to have probably -- if it's sited where they originally wanted to site it -- we're going to have a similar issue of joint provision of ramps, access roads, etc. And I had a gentlemen's agreement with the Chairman of the Sports Authority that this issue will backburner. When we go forward and write the agreement with Sports for the new ramps, we'll fold that in and settle the whole matter.

ASSEMBLYMAN LOVEYS: I would suggest -- the fact that the bond issue was defeated -- that unless the private sector comes into this picture, you're not going to see a baseball stadium. And I would also suggest that if you see the private sector entering into the area, you're going to be a vital part

of it, and it's a brand new ball game.... What I'm really suggesting is you get together with the Authority now and get this other matter straightened out. Clear the books and clear the record for us.

MR. SAMSON: We intend to resolve this matter. It was really back burnered because of the immediacy and the likelihood of the need for additional work and improvements in the area. We are certain that there's going to be some sort of equitable solution to the dispute.

ASSEMBLYMAN LOVEYS: I would not want to see that intertwined if you will, if the private sector is involved. Let's get your other matter straightened away completely. Tomorrow somebody might be in here to build a stadium. Who knows? But I think it's most important that the records be brought up-to-date and corrected by all.

MR. SULLIVAN: And the widening project does include expansion of Interchange 16W, and improvement of the existing ramps, and further access.

ASSEMBLYMAN SCHUBER: Is that still going to go on? Is that still going on?

MR. SULLIVAN: Pardon me?

ASSEMBLYMAN SCHUBER: Is that widening still going to go on?

MR. SULLIVAN: Sure, as soon as I get the Federal permits.

ASSEMBLYMAN SCHUBER: Okay. The one question that I would just indicate is that-- As you know, the Sports Authority has indicated to us that their revenue is up. The race track did better last year than they expected. So this might be time to ask for-- (laughter) You better strike while the iron is hot.

MR. SAMSON: It increases our negotiating leverage.

MR. HOLMAN: It was up from zero to 10.

ASSEMBLYMAN LOVEYS: Let me ask you something else. As you were indicating the number of automobiles that are traversing this road every day. Do you have any idea-- First of all, how many gasoline stations do you have on the Turnpike? --

Mr. SULLIVAN: Fourteen is it? (asking member of his staff) Thirteen.

ASSEMBLYMAN LOVEYS: Thirteen. Do you have any idea how many gallons of gasoline you sell per day?

MR. HOLMAN: We know exactly, every day.

ASSEMBLYMAN LOVEYS: You know, Alan Karcher has got a proposal, and I'm very interested; because depending on how many gallons of gas we buy, maybe we don't have to have the industry selling us automobile insurance. I don't know if you knew that. So, I'm curious, just on the Turnpike alone, how many gallons of gas do you sell a day?

MR. HOLMAN: They are monumental numbers. I get the report every morning. They are so big that I don't even remember it. Does anybody know that's here from the staff?

ASSEMBLYMAN LOVEYS: Let me ask you another question you probably can't answer, of the--

MR. SULLIVAN: Why don't we-- Does somebody know what the revenues are?

ASSEMBLYMAN LOVEYS: Bo, of the half a million automobiles, what would you say, quote, percentage wise are out-of-state automobiles on that 500,000 figure?

MR. SULLIVAN: Eighty-five percent of the traffic that travels the New Jersey Turnpike -- autos, buses, trucks -- 85% of the traffic has either/or an origin or destination or both from the State of New Jersey. Yes, because in my earlier testimony I said that back in the '40s when it was first conceived, New Jersey viewed itself as a corridor state. The Legislature and the Executive Branch viewed the Turnpike to be a through-state corridor, and if it could help the economy, well that would be good too. The fact of the matter is that

today, New Jersey is an economic entity of its own. And I'll make a case here or any place, a better economic entity than either our neighbors to the north, New York, or our neighbors to the south, Philadelphia. We're the place to be. That's why the New Jersey Turnpike has evolved over the years from being an interstate corridor to becoming the major transportation backbone of the State of New Jersey.

ASSEMBLYMAN LOVEYS: Let me ask you a couple more, and then--

ASSEMBLYMAN SCHUBER: Ralph you weren't going to make the Turnpike the savior of auto insurance, were you? (laughter)

ASSEMBLYMAN LOVEYS: No. I just wanted to get some numbers if I could.

MR. SULLIVAN: The number we have on the gasoline is about 15 million gallons per year.

ASSEMBLYMAN LOVEYS: Fifteen million per year?

MR. SULLIVAN: Yeah. That's what, 1.2--

ASSEMBLYMAN LOVEYS: Then we can equate that with the other roads.

MR. SULLIVAN: One point two million gallons per month, 450,000 gallons a day.

ASSEMBLYMAN LOVEYS: Okay.

MR. HOLMAN: It's pretty close-- (inaudible)

ASSEMBLYMAN LOVEYS: Getting back to employees and staff. In your report you indicated you have 1847 employees. What is the starting salary for a toll collector?

MR. HOLMAN: Mr. Forst is here. He can tell you. Frank Forst is here.

F R A N K F O R S T: (from audience) Nine fifty an hour.

MR. SULLIVAN: Nine dollars and fifty cents per hour.

ASSEMBLYMAN LOVEYS: Would you have the average salary of the toll collectors? Is that available? What would be the average salary?

MR. SULLIVAN: The average annual take home pay?

ASSEMBLYMAN LOVEYS: Yes.-

MR. SULLIVAN: Let me ask Mr. Forst, who I'm proud is here. Do you know that, Frank? in New York, or just neighbors to the MR. FORST: No, but it's probably around 27,000 a year.

MR. SULLIVAN: Yes, about 27,000.

ASSEMBLYMAN LOVEYS: About 27,000.

MR. SULLIVAN: Yes.

ASSEMBLYMAN LOVEYS: And how about your overtime figures, do you have any numbers for us as to--

MR. SULLIVAN: There's no averages, really, that's a meaningful number. We can produce the numbers if you wish. Overtime is a tricky thing at the Turnpike, because you don't want to necessarily bring on a shift if you're only going to have to handle a two-hour peak period. It's the same as you do in the private sector. You're not going to put on a full second shift if you can handle it with an overtime situation. The overtime opportunities are big within the union contract on the basis of seniority. Some people avail themselves continually and regularly of overtime opportunities. Others don't. Therefore averages are misleading.

MR. HOLMAN: The other problem is that it's not only -- what Bo said -- with trying to schedule the time. When a person is sick and doesn't show up, you don't have time to start making calls when you've got a lane blockage and you've got a line closed. The person that's in that booth that would ordinarily be off work, has got to stay there, unless there's a volunteer.

MR. SULLIVAN: Just keep him on. There's nothing worse than being the sixteenth in line of a green arrow, and somebody changes it to red. It makes you crazy. (laughter)

ASSEMBLYMAN SCHUBER: I meant to talk to you about that.

MR. SULLIVAN: Let me throw out another one that drives everybody crazy, if I get a chance to explain it. I get

more letters-- People say to me, "I was driving to work Monday morning and there was a half a mile of cones, a lane was closed, the traffic was backed up for an hour, and there was nobody working." And I check, and I find out, and here's the answer: It takes time for concrete to dry. We can't let you drive on wet concrete. And when concrete is drying it doesn't require any labor. I mean you don't have to have a guy out there fanning it. (laughter)

ASSEMBLYMAN SCHUBER: Now the Parkway might, but I don't know about the Turnpike. (laughter)

ASSEMBLYMAN LOVEYS: I didn't say that. How many State Police patrol the Turnpike?

MR. SULLIVAN: We have approximately 180, 182 State Police. We hope to get another 20 this year. (Mr. Sullivan's staff informs him it's 186) 186?

ASSEMBLYMAN LOVEYS: What is that in cost? What does that cost the Turnpike?

MR. SULLIVAN: (witness looks for figure among his papers) We're supposed to get 20 more this year. I might add that we are, I think, leading the world in drug arrests. Did you see the paper?

ASSEMBLYMAN SCHUBER: Yes, I saw the article yesterday.

MR. SULLIVAN: We're doing a very good job. We need the extra troopers not only for traffic enforcement--

MR. HOLMAN: Fourteen million.

ASSEMBLYMAN SCHUBER: Fourteen million dollars.

MR. SULLIVAN: We need them not only for traffic enforcement, but we are doing a tremendous amount of drug arrests, and aid to motorists. We're trying to implement an additional program where we may be able to provide civilian aid to motorists. We're finding that a high percentage of people that are stuck on the Turnpike, are merely out of gas. We're trying to develop a system whereby we can put more of our own civilian trucks out there, and if 85% of the aid to motorists

are for a gallon of gas, we'll quick pop them a gallon of gas and get them moved up to the next service area, and try to free the police up for more-- backed up for an hour, and there was nobody --ASSEMBLYMAN LOVEYS: The last question I have, the last increase in tolls--I think you said was in '81?

-- MR. SULLIVAN: 1980.

ASSEMBLYMAN LOVEYS: 1980? And your present bond issue, your debt right now is at 2.5?

MR. SULLIVAN: Two point five.

ASSEMBLYMAN LOVEYS: And in how many years will that be paid up?

MR. SULLIVAN: The bonds?

ASSEMBLYMAN LOVEYS: The bond issue. What is the issue--

MR. SULLIVAN: We're at 32--

MR. TYSON: Two thousand eighteen.

MR. SULLIVAN: Two thousand eighteen.

ASSEMBLYMAN LOVEYS: Two thousand eighteen?

MR. SULLIVAN: For 30 years.

ASSEMBLYMAN LOVEYS: Okay. Thank you.

ASSEMBLYMAN SCHUBER: Assemblyman Gill?

ASSEMBLYMAN GILL: Mr. Loveys took most of my time, but there's a few small points left.

ASSEMBLYMAN SCHUBER: Go ahead, Lou.

ASSEMBLYMAN GILL: Mr. Sullivan, of the 1847 employees you have employed by the Turnpike, how many would be women?

MR. SULLIVAN: In total how many women? I really don't know.

MR. FORST: (from audience) About 150 or 180.

MR. SULLIVAN: A hundred fifty, a hundred eighty.

ASSEMBLYMAN GILL: And minorities?

MR. SULLIVAN: Frank? (confers with Mr. Forst) Let me explain the policy. The policy of the Turnpike right now, and since I came on board, was to give hiring preference to

minorities, women, and Vietnam veterans. That's the policy that we've been following. Through the normal course of hiring and promotion, a person hired by the Turnpike starts as a toll collector, and then bids up for a maintenance job. We have changed the policy so that at the maintenance department is directly hiring on a minority basis only.

ASSEMBLYMAN GILL: Would you please restate that, or could you say that once again? In the maintenance department am I to understand that all the hirings are minority at this point?

MR. SULLIVAN: If not all, a great majority.

ASSEMBLYMAN GILL: But you don't know what percentage you have on staff at this point?

MR. HOLMAN: It's about 5%.

ASSEMBLYMAN GILL: About 5% of all employees?

MR. HOLMAN: Right.

ASSEMBLYMAN GILL: And how many of those 5% are earning over \$40,000 today?

MR. SULLIVAN: I don't know.

ASSEMBLYMAN GILL: Do you have anybody in middle management or upper management?

MR. SULLIVAN: Oh you mean as to management?

ASSEMBLYMAN GILL: Upper management, middle management, with minorities?

MR. SULLIVAN: I'd have to count them. I don't do numerics. I don't believe in doing numerics.

MR. HOLMAN: By minority you're referring to women also?

ASSEMBLYMAN GILL: I'm talking women separately and distinct from minorities.

MR. SULLIVAN: Minorities, Hispanics, Asian Americans?

ASSEMBLYMAN GILL: Latins, Asians, and blacks. You don't have a number as to how many of these minorities you've hired since you've come on board, do you, Mr. Sullivan?

MR. SULLIVAN: I can get the number.

ASSEMBLYMAN SCHUBER: Could you provide the Committee with the number on that please? On the Turnpike staff -- by a toll collector MR. SULLIVAN says he would say that if there's 1150 minorities currently working on the road, probably 145 have been hired since I was Chairman.

ASSEMBLYMAN GILL: That's good to hear.

MR. SULLIVAN: Without criticizing the former Chairman who used to be here, there used to be kind of a policy that you had to be an Irish Catholic from Bayonne.

ASSEMBLYMAN GILL: Mr. Sullivan, do you have a policy on the Turnpike which prohibits posters or billboards at present?

MR. SULLIVAN: We have a policy of opposing the erection of billboards adjacent to the roadway.

ASSEMBLYMAN GILL: Adjacent to the roadway?

MR. SULLIVAN: Yes. We don't allow them on the roadway. Our policy is that whenever someone applies to a municipality for permission to erect a billboard that will be seen from the Turnpike, our legal department intervenes in that zoning application -- whatever type of municipal application may be processed -- and our policy is to oppose them. The reason we oppose them is that, based upon our own safety engineers, the National Safety Council, is that if you are operating a vehicle on a high speed, through, nonstop roadway, that we don't want you to be distracted with a lot of misinformation that's going at your senses. And believe me, some of the billboards I've seen in the area of Newark Airport advertising vacations in some exotic places in the world, are distracting, at least to a middle-aged grandfather like myself.

ASSEMBLYMAN GILL: I would assume your policy to prohibit or intervene will continue in the future?

MR. SULLIVAN: Yes, sir.

ASSEMBLYMAN LOVEYS: Yes. Continue that policy, please. Only for aesthetic reasons, I think it's most important.

MR. SULLIVAN: I believe we-- Didn't we win a case?

UNIDENTIFIED MEMBER OF AUDIENCE: Yes, sir. The court sustained the Authority and the Expressway's position in a Philadelphia outdoor case, saying that all site advertising you can regulate it specifically to show that it's dangerous to the public. We have sustained-- (inaudible)

MR. SULLIVAN: We have been overruled by the DOT.

ASSEMBLYMAN GILL: Even if it isn't dangerous, aesthetically-- (inaudible)

ASSEMBLYMAN SCHUBER: I know we were talking park and ride facilities before in the expansion plans. Is the park and ride facility at the Lombardi Center-- Is that completed now?

MR. SULLIVAN: The expansion?

ASSEMBLYMAN SCHUBER: The expansion of that.

MR. SULLIVAN: No, it's still under engineering.

ASSEMBLYMAN SCHUBER: Okay. What is your estimate on that, as far as time?

MR. SULLIVAN: Probably a couple of years. Right now interestingly enough, Mr. Chairman, we're seeing a decrease in the usage of that.

ASSEMBLYMAN SCHUBER: The existing facility?

MR. HOLMAN: At all of our park and rides.

MR. SULLIVAN: We put up a new system. We work with New Jersey Transit closely on that.

ASSEMBLYMAN SCHUBER: Right.

MR. SULLIVAN: We started to see a drop-off, and New Jersey said, "Well you know it may be that a lot of people have the perception that it's full." If you think it's full don't go in there, because you're going to have to just drive around and come out again, and you don't get to park anyhow. So we just spent some money and put up some new signing, so that

people approaching it noticed on the road, "Space is available." That's what we have up everyday. Usage still seems to be going down. Now, we've got New Jersey Transit cross checking to see if some of the users who used to use Vince Lombardi may now be using the Sports Authority.

ASSEMBLYMAN SCHUBER: Okay.

MR. SULLIVAN: In my opinion, the one great thing we've got going for us in the future is to get to fully utilize that Sports Authority parking facility. We've worked out a procedure with DOT and Transit where we're going to run contra lane buses on 3, and we're all working together to change the configuration of the Route 495 helix, our Interchange 16E. If we can get the westerly widened and get that new interchange, so we can get people to come up the westerly and park at the Sportsplex, put them on contra buses, I think we're going to make some tremendous progress on trans Hudson crossings.

ASSEMBLYMAN SCHUBER: Has the Sports Authority cooperated with you on that?

MR. SULLIVAN: Absolutely.

ASSEMBLYMAN GILL: No. They will be paying the Sports Authority I can-- (laughter)

ASSEMBLYMAN SCHUBER: I can see that. Does the Sports Authority utilize the park and ride at all at this time?

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: There's a facility--

MR. SULLIVAN: Yes. It's there and the buses are there in the morning.

ASSEMBLYMAN SCHUBER: Frank, what's the down on the utilization of park and ride at this point?

MR. HOLMAN: It's down-- Mr. Burke reported to me it was down like 38% at the various locations. It seems to dovetail with New Jersey Transit's problems too.

ASSEMBLYMAN SCHUBER: Right.

MR. HOLMAN: It's down all over. I think that it's a major problem of people basically don't want to ride buses. That's a classic problem that California has had. Everybody has the same problem. I think it's something that you have to address from a broader base as to how important and essential this is in the Transportation system, otherwise it's going to totally cripple the State. People basically don't want to do that. They want to ride in their own car. That's the simple answer. Unless you can figure out some way to encourage it and get them out of their cars and into buses, you've got a problem.

MR. SULLIVAN: Trans Hudson, we're finding that so many firms in New York really do everything to encourage people to use their cars. They reimburse them for tolls. They either reimburse them or give them free parking. And the way that cars are being made these days, it's not like in the old days -- at least when I was a kid -- in the wintertime you froze and in the summer you roasted. Today you're in an air conditioned climate controlled comfort. You can listen to all the financial news on the radio; plug in a tape and learn Spanish, or Italian, or some language while you're sitting there. And if you ever go through, there's people reading books, woman putting on make-up, I mean, there's all kinds of crazy things. (laughter) Ever get to one of the stop and goes and you're next to a woman putting lipstick on? It's crazy.

ASSEMBLYMAN SCHUBER: I just have a couple more questions, Bo. You've installed a new data processing system which you call Ethernet. Is that completed now? That installation, is that completed?

MR. SULLIVAN: The hardware is in. We're still working on the software and training.

ASSEMBLYMAN SCHUBER: We're quite sensitive to these types of things here, you know, in the Legislature, with regard to these types of systems, ever since the Motor Vehicle agencies experimented with these types of things.

MR. SULLIVAN: This one does not have-- There is no photo ID involved. (laughter)

ASSEMBLYMAN SCHUBER: Okay. Prior to that you had a Univac system, is that correct?

MR. SULLIVAN: Yes.

ASSEMBLYMAN SCHUBER: And that's dismantled now?

MR. SULLIVAN: The Univac is out. We're now using the Digital Equipment, which we buy under State contract.

ASSEMBLYMAN SCHUBER: Okay. What happened to the Univac system?

UNIDENTIFIED MEMBER OF AUDIENCE: We gave it to Stevens Institute.

MR. SULLIVAN: Oh, yeah.

ASSEMBLYMAN SCHUBER: For the museum? (laughter)

MR. SULLIVAN: The computer does a lot of things for us, and I have to say that I have high compliments for the people that run the computer system at the Turnpike. In the last number of years you may have noticed we've gone from punch cards to magnetically striped cards.

ASSEMBLYMAN SCHUBER: Right.

MR. SULLIVAN: Obviously we can do the data more accurately and better with that. With the new system we have now, we can get hourly updates as to what's going on at a interchange or all the interchanges, so that the data is cross checked more quickly, which puts us in a position of helping our toll collectors balance out at the end of a shift with their money. We're putting on now a system whereby we'll have a centralized computer system for our Parks Department, because we've got at various locations our own service buildings, so our maintenance department will be plugged into the computer, we've got traffic control on it. They've done a good job. One of the reasons obviously-- As I testified the productivity gains -- man-hour productivity gains that we've made over the years -- are partly due to the capital investment and the

expertise the Turnpike has plugged in, in terms of using the best scientific means, plus the cooperation and excellence of our employees.

ASSEMBLYMAN SCHUBER: Okay. Prior to that you had a

UNIVAC.

ASSEMBLYMAN SCHUBER: What do you spend each year on printing those tickets?

MR. CARROLL: Toll tickets, \$1,200,000.

ASSEMBLYMAN SCHUBER: One million two?

MR. CARROLL: Yes.

ASSEMBLYMAN SCHUBER: You have two vendors for this?

MR. SULLIVAN: We have two and I'm trying to get three. It's such an essential thing. A lot of people aren't making tickets any more, anyways. But if you have one vendor, and the vendor fails, or blows up, or goes out of business, you've got a problem. A number of years ago we had a vendor who went bankrupt. The machinery disappeared. We had the legal department chase the machinery up to Chicago. The Turnpike doesn't work without those toll tickets. So we, in our last contract for toll tickets, issued two contracts; one to the highest and one to the second highest bidder. I would like to see, personally, next year we go to three contractors.

The other thing we have done is purchase the equipment, backup equipment. So that if all of these vendors go out of business, we, in a very short period of time, will go into the business ourselves to make those tickets. A half million dollars a day of revenue is too big a number to have to rely upon--

ASSEMBLYMAN SCHUBER: How do you work it with two vendors. Do you split the business?

MR. SULLIVAN: Split the business, yes.

ASSEMBLYMAN SCHUBER: Have you looked at the cost of what it would be for you folks to do the making of the tickets themselves?

MR. SULLIVAN: We just got the equipment fairly recently.

MR. HOLMAN: We are looking at that.

ASSEMBLYMAN SCHUBER: As a possibility?

MR. SULLIVAN: Yes. And maybe even have an outsider operate the equipment for us.

ASSEMBLYMAN LOVEYS: May I lastly say this. I'd like you to keep Mr. Forst very happy, because if there's one publication I enjoy reading periodically it's his. As Howard Cosell would say, you say it as it is.

MR. SULLIVAN: We try to keep Mr. Forst very happy.

ASSEMBLYMAN SCHUBER: Are there any other questions from members of the Committee? (no response) Then we appreciate Mr. Sullivan, Mr. Holman, and the members of the Turnpike Authority, we appreciate you being here to help the Committee in its deliberations with regard to the future of the independent authorities. If you would provide us with -- as Mr. Gill has asked for -- the statistics on the minority hiring and status, we'd appreciate it. We'd like to see a legal opinion with regard to the issue of the health benefits, obviously, for our records.

ASSEMBLYMAN LOVEYS: And keep us up-to-date on the Sports Authority.

ASSEMBLYMAN SCHUBER: And yes, as Mr. Loveys has indicated, since we do review the Sports Authority's activities, and we spent a considerable amount of time on that last year, we would like to be kept up-to-date with regard to the ongoing saga of the road widening monies.

Thank you. The meeting stands adjourned.

MR. SULLIVAN: Thank you for the opportunity to appear. If there's any questions of staff or anybody, get back to us.

ASSEMBLYMAN SCHUBER: Thank you.

(HEARING CONCLUDED)