

P U B L I C H E A R I N G

before

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

NEW JERSEY'S CHOICES CONCERNING
OPERATION OF RAIL PASSENGER SERVICE

Held:
March 18, 1982
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Walter Rand (Chairman)
Senator S. Thomas Gagliano

ALSO:

Assemblyman John W. Markert

Joseph P. Capalbo, Research Associate
Office of Legislative Services
Aide, Senate Transportation and Communications Committee

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I N D E X

Anne P. Canby Commissioner Department of Transportation and Jerome Premo Executive Director New Jersey Transit	<u>Page</u> 1
John Hoschek Transportation Director Gloucester County and Chairman, County Transportation Association of New Jersey	9
Frank E. Tilley Director, Bergen County Board of Transportation and Chairman, Rail Subcommittee of Advisory Committee New Jersey Transit Board	9
John D'Amico Irate Shore Commuters and Commuters' Wives	10 & 8X
Rudolph E. Denzler Lackawanna Coalition	15
Irvin McFarland State Legislative Director United Transportation Union	17
Harold Kendler Transportation Consultant	26 & 14X
Peter Garabaldi Atlantic City Railway, Inc.	30

- - - -

Also:

Written Statement of Congressman James J. Florio	1X
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SENATOR WALTER RAND (Chairman): Good morning, ladies and gentlemen.

Before we start, let me introduce the people at the table up here.

On my left is Senator Gagliano and on my extreme left is Assemblyman Markert, who is joining us today for this hearing. On my right is Joe Capalbo, who is the Aide to the Senate Transportation Committee.

We will hear testimony today on one of the most crucial transportation issues facing New Jersey. By April 1st, the State must decide what agency will operate passenger rail service when Conrail terminates its operation by the end of this year. We must decide whether New Jersey Transit or a newly created independent subsidiary of Amtrak, Amtrak Commuter, should operate our passenger trains.

The choice is not an easy one, for there are pros and cons to either option. And the choice is not unimportant, for New Jersey has the third largest rail passenger system in the nation.

Operation by New Jersey Transit would provide greater accountability and control. It can be argued that since we own the rail lines, it makes sense to operate them as well. But such operation is expensive and complex. It would take time and money for New Jersey Transit to gear up to provide the needed support and operational services. Also, if we reject the Amtrak Commuter option now, we cannot affiliate at a later date.

Operation by Amtrak Commuter may provide operational and support coordination. But the new federal commuter agency is not an active operating entity. And when it does become active, we may encounter serious problems:

1. How will Amtrak Commuter allocate contract costs between the states?

2. How will Amtrak Commuter ensure accountability, performance and cost control and not evolve into an amorphous and unresponsive agency?

In many ways, we are between a rock and a hard place and there is no easy answer. But a decision must be made and today's hearing will hopefully lead us to making the correct choice.

Congressman Florio appeared before this Committee on March 8th and I would like to enter his testimony into the record. (See page 1x for statement of Congressman James J. Florio.)

We will start off with an opening statement by Commissioner Canby of the Department of Transportation.

A N N E P. C A N B Y: Thank you very much, Mr. Chairman and members of the Committee. I am very happy to be with you this morning. Let me introduce Jerry Premo, Executive Director of the Transit Corporation, whom you all know; and Ken Merin, who has been appointed by Governor Kean as a member of the Transit Corporation Board. He serves as Deputy Counsel to the Governor.

I have a brief statement that I will read for the record.

As you know, for the past several months, New Jersey Transit has been carefully evaluating how to provide the best possible commuter rail service in New Jersey at the lowest possible cost. Recently enacted federal legislation relieves Conrail of the obligation of operating commuter rail service as of January 1, 1983. Faced with this reality, New Jersey Transit has explored several options for continuing passenger rail services:

1. Retention of an outside party to operate train service.
2. Contract with Amtrak Commuter Service Corporation, the new agency

established as part of the same legislation which authorized Conrail to end its passenger service responsibilities.

3. Direct operation by New Jersey Transit.

On February 26, 1982, the New Jersey Transit Board received a preliminary recommendation from its Rail Subcommittee. Based on the facts then available, the Subcommittee recommended direct operations by New Jersey Transit as the preferred option. This recommendation was conditioned on two key points. As I stated:

1. We must have available federal funds to ensure a smooth transition. We do not want to take any final actions or rule out any options which would deprive New Jersey of its fair share of possible federal funds; and

2. We cannot let the January 1, 1983 transition deadline force us into making ill-advised decisions. If we need additional time to establish critical functions in such areas as purchasing, finance, and personnel, we must know that needed time will be provided.

Since the 26th of February, we have met with officials of Amtrak Commuter and the U. S. Department of Transportation, and we have received from Amtrak Commuter a Proposal for Service, just, in fact, earlier this week.

SENATOR GAGLIANO: When did you receive that?

COMM'R CANBY: Earlier this week.

We are reviewing this proposal to determine what advantages exist by contracting with Amtrak Commuter. There are a number of questions which we are examining and will be discussing with them with regard to labor negotiations and other personnel issues, the provision of support services, including purchasing and accounting systems, retention of our Conrail workforce in New Jersey and continuation of the improved quality of rail service which we have been providing in conjunction with Conrail.

Before we can reach a decision, we must have further clarification on these issues. In addition, at this point we do not have the assurances from Washington we feel we need with respect to funding.

Let me put our financial situation in some perspective. As you know, the Reagan administration budget proposes to reduce our federal operating assistance in fiscal 1983 by \$19 million. We do not yet know whether the Legislature will approve the Governor's request for an additional \$20 million in State appropriations for transit assistance. Even if this request is approved, we are still \$10 million short of the Transit Board's budget recommendation which would provide for a fare increase averaging 15 percent. With this precarious financial situation, we are in no position to hamper our ability to secure the maximum amount of federal funds. It is our belief that the federal government must be a financial partner in arriving at a successful solution to the operation of commuter rail service in New Jersey.

As I indicated at our February 26th Board meeting, without federal assurances, we would seriously examine the Amtrak Commuter option.

We had originally intended to make a selection for an operator of the passenger rail service at our Board meeting on the 23rd of March. I believe that we need some additional time to continue discussions with both the Federal Department of Transportation and Amtrak Commuter, as well as to provide many interested parties an opportunity to comment before the full Board. So we have decided to hold a special meeting on the 31st of March, at which we will make our decision and use the 23rd of March meeting to solicit comments from our various public, so that can become part of our decision-making process.

That ends my formal statement and I will be happy to answer any questions that you may have.

SENATOR RAND: Senator.

SENATOR GAGLIANO: In waiting until March 31st, you obviously won't have much time between the time you make your decision and the time that that is published. I can well understand that you do need all the time that you can get. I think what I would like to know more about - and I know you would - is the status of Amtrak Commuter. You say you have that proposal for service. For example, if we decided on March 31st or even earlier to go with Amtrak Commuter services, what assurances would we have that they would be in business in time to give our commuters and our transit riders service? I think that is the weak point in the whole thing. I am sure the federal government can do lots of things. But what assurance do we have? Is there a save harmless where we wouldn't have to worry, for example, that if they failed come October 15th or October 20th, they would supply us with a bushel of money so that we could then provide service as best we could? This is what bothers me about the Amtrak Commuter situation and I am sure a lot of people are bothered if they think about it at all. Have you talked to them along those lines?

COMM'R CANBY: To the extent that we can garner that information, I think now that we have this proposal, it gives us an opportunity and a basis for more detailed discussions. I think that this is a technical, complicated and complex enough issue that no matter which decision we make, we are not going to know all of the answers on the 1st of April.

SENATOR GAGLIANO: I understand.

COMM'R CANBY: I just think that there are enough questions on that. And, as far as Amtrak Commuter being able to guarantee that they will be able to negotiate a collective bargaining agreement which is acceptable to us, I don't think they can give us those assurances. They haven't to date. I think it is clear to us and to them that we have done more work than they have in looking at all of the issues that it takes to keep a railroad running.

SENATOR GAGLIANO: As you know, I earlier indicated that I felt that New Jersey Transit, being an organization or institution at this point of the State of New Jersey, we would be better off to go with N. J. Transit. I think that the work that was done by Marty Robins and Jerry and you is commendable. It led me to believe that that was the only way to go.

I would like to believe that Amtrak Commuter Services, if that is the name of the organization, could deliver. But I would have grave misgivings myself about saying on March 31st, "we are going to go with you." And then if it failed --- because, as a matter of fact, the whole Board hasn't even been appointed yet I understand. If it failed, we would be in that much worse shape down the line. I know they haven't given assurances - and you don't think they can. What do you think you can get out of the federal government which would give us a feeling, for example, of some comfort that come January 1st they will be in the railroad business in New Jersey.

COMM'R CANBY: Let me back up a little bit. I think it is clear we know ourselves better than we know them. That obviously gives us a level of comfort.

On the other hand, I think that in terms of Amtrak Commuter providing the service, if the work that we have done could be transferred and incorporated and the work that other commuter agencies have done - for instance, SEPTA or the MTA - it could be a common ground for all of us to work together in solving problems, using more than one set of agency brains.

So I think there are some opportunities there.

SENATOR RAND: Mr. Premo, did you want to say something.

MR. PREMO: Since the Board met on the 26th, we have had several meetings with Amtrak Commuter, not only among ourselves, but in conjunction with SEPTA, the MTA of New York, and the other agencies in Connecticut and Maryland. We have worked in a series of task forces to examine not only the explicit role of Amtrak Commuter, but to ensure that the work we have done here in New Jersey is shared with our counterpart commuter agencies and vice versa, so that the work SEPTA has done in financing accounting, for example, is fully known to us and we can build on it.

I think Amtrak Commuter has played an important role as a forum for bringing us together during these past few weeks.

Senator Gagliano, you asked the question about a sense of comfort. Certainly, from a staff perspective, we have had people to deal with. We have been working together in a manner that hadn't occurred prior to our February 26th meeting.

I think it is important that Commissioner Canby and the Rail Committee's statement at that point in time indicated that, based on the facts available at that point in time, the direction was towards an N.J. Transit operation. Since that point in time, we do have this proposal for service which was received just a day and a half ago, but doesn't come as a total surprise to us. It reflects the discussions that we have had and the working group activities that have occurred.

So the potential exists, in summary, for Amtrak Commuter to be possibly an important, viable agency. By no means am I suggesting that any of us has a breeze in front of us. It is going to be an enormous amount of work, irrespective of N.J. Transit or Amtrak Commuter.

SENATOR GAGLIANO: Let me ask one more question, Mr. Chairman.

SENATOR RAND: Go ahead.

SENATOR GAGLIANO: I will address it to Jerry or Anne. Let's say we say on April 1, we are going with Amtrak Commuter Services because we really feel this is the way to go. And let's say sometime in August or September, they negotiate contracts with the various unions involved which are now dealing with Conrail and you are unhappy with the negotiations and, shall we say, some of the things that we have seen happen in the past will be even multiplied in terms of problems of money and cost to the State and to our commuters and to the federal government to a certain extent. What can we do about it at that point? Will we have release clauses; and, even if we did, are we going to hear in the Legislature, "Well, we are too far down the road now. There is nothing we can do. They have negotiated this contract right out from under us"? That is what worries me. I would like some discussion about that.

COMM'R CANBY: I think if we were to contract with Amtrak Commuter, they would negotiate on our behalf. It is unclear today exactly how much veto power we would have over anything that they negotiated for our behalf.

One of the things that David Marstan has talked about is that if two of any of the three major agencies agreed, that would then be the position that was taken on any matter. If SEPTA and MTA were to come to some agreement that we didn't like, we could well find ourselves in a minority position and have to go along in a situation that we were not happy with. That situation could arise.

Those details have not been finally worked out. And the extent of veto power over any piece of this has also not been totally defined yet. I think in terms of fashioning Amtrak Commuter's approach to the labor negotiations, they have mentioned a range of doing a single agreement or doing three separate agreements. I think

that that is right now even wide open.

SENATOR GAGLIANO: I have many more questions, but I will pass.

SENATOR RAND: We will get back to you in a moment.

Commissioner, it would seem to me by April 1st, we would have to make up our minds on two things: whether Amtrak Commuter or New Jersey Transit is the more viable operating agency; and, if they are both in an equal status - in other words if Amtrak Corporation can prove it is a viable operating agency, then we are down to some basics. First of all, how much would it cost for the State to contract with Amtrak Commuter in 1983 and how much would it cost for New Jersey Transit to operate the rail-passenger service in 1983? I am sure you are not prepared to answer that at this time. But I am sure that that is one of the basics that we would have to face.

COMM'R CANBY: That question, as I indicated when we met informally before --- I mean, we are not going to know the answer of the cost of providing this service until we do negotiate a labor agreement, since that makes up about 65 percent of our cost today. So I am not sure that answer will be known.

SENATOR RAND: Would we have an indication, at least, or won't we?

COMM'R CANBY: I think it is too much to expect that we would have an indication of where that would come out. The process is scheduled under the statute to begin the first of May with a fact-finding panel being set up and the beginning of negotiations on an implementing agreement between ourselves and Conrail, or ourselves, Amtrak Commuter and Conrail, as to how many and which of the current Conrail employees would become employees of either Amtrak Commuter or ourselves. Those are going to run through the course of the year. Then the collective bargaining is supposed to begin and be concluded, if we can reach agreement, by the first of September, as I recall now.

Getting back to a point that Senator Gagliano raised, what do we do in September? I suspect - and this is really guessing - that if things really fall apart in the fall and it is clear that no one is going to be ready to make a change on the first of January, that there could be efforts to change the January 1st date or at least allow there to be more maneuvering, because clearly none of the five states involved in providing this service are in a position to see it be jeopardized just because the transition can't get worked out.

SENATOR GAGLIANO: Is there any chance that we wouldn't have service on January 1st?

COMM'R CANBY: I would hope that the answer to that is no.

SENATOR RAND: Assemblyman Markert.

ASSEMBLYMAN MARKERT: Thank you, Mr. Chairman.

Commissioner, in the answer to some of the questions by the Senator and in your opening statement, I am sure that I am getting a very clear message, but I just wanted to confirm that message in my own mind though; that was, that at the subcommittee meeting the basic opinion at that point in time would be a takeover by New Jersey Transit. I have a distinct feeling now that because of additional and further information that is coming before you or has come before you, you are rethinking that decision to a point where now there is consideration for the other viable contender, which would be Amtrak. Is that true that you are now looking at additional information along those lines?

COMM'R CANBY: I would say that we have received additional information which merits our examination. At this point, I don't have enough information to know that doing it ourselves is still not the viable and most preferred choice. I think there are enough questions that we have to look at, that I am in no way ready to

make a decision right now.

ASSEMBLYMAN MARKERT: So we are not locked into that original position of the Subcommittee?

COMM'R CANBY: We are not in any way locked into the original recommendation.

ASSEMBLYMAN MARKERT: Just a statement - with 70,000 train commuters, the wrong decision could absolutely bring chaos to, as you said, the third largest transportation system in the country.

So I appreciate the fact that there has been nothing set in stone and that all of this information that you are compiling and the latest from Amtrak have caused you to be able to continue to look rather than be definitely locked into any decision by a Subcommittee.

SENATOR RAND: Assemblyman Markert, if I may just interject, I would say that the choice of two doesn't mean a traumatic happening. I would say that what we are trying to find out is which is the best of the two or we even have a third option. There is a third option too that we are considering, that an independent could operate the system and I am sure we are going to hear from some of them today. So we have more than just one option. What we would certainly like to extract is where we can get the best for the least amount of money.

COMM'R CANBY: That is obviously our goal.

SENATOR RAND: Senator Gagliano, have you any more questions?

SENATOR GAGLIANO: One final question: Is SEPTA leaning one way or the other?

COMM'R CANBY: From our discussions with SEPTA - and we have been in constant communication with all of our agencies, particularly Philadelphia and New York - our understanding of what their intention is at this point is that they will ask Amtrak Commuter to undertake their labor negotiations and employ their operator pool, but that they will undertake the provision of the full range of support services and have, in fact, already moved to hire over a hundred people to put that support service operation together.

SENATOR GAGLIANO: SEPTA has?

COMM'R CANBY: Yes, SEPTA has.

SENATOR GAGLIANO: So there is a chance that SEPTA would be operating their commuter lines on their own?

COMM'R CANBY: They would ask AMTRAK Commuter to actually operate the trains and to negotiate their collective bargaining agreement, but that they would themselves provide the full range of support services.

SENATOR GAGLIANO: For example, you mean payroll and that sort of thing?

COMM'R CANBY: Right.

SENATOR GAGLIANO: Well, that is an alternative open to us too then, I guess. We could say to Amtrak, operate the trains and assist us with collective bargaining, and we will get our own computer and we will keep our own time, and we will keep our own schedules, etc. That is a possibility?

COMM'R CANBY: Sure.

SENATOR GAGLIANO: So that is sort of, you might say, choice 1-A?

COMM'R CANBY: Yes.

SENATOR GAGLIANO: Thank you.

SENATOR RAND: Commissioner, isn't it realistic to say, if MTA and SEPTA go with Amtrak Commuter, we are left in a very untenable position? Or, if New Jersey Transit goes -- or rather the State goes with SEPTA, then MTA is left in a very untenable position because -- are the big three?

COMM'R CANBY: I think it is fair to say that everybody is looking very carefully at what the other one is thinking about doing.

SENATOR GAGLIANO: So, really, the bottom line could be that Amtrak Commuter could run the trains and each individual organization in each state could run its own computer program, hire its own people, do its own administrative work, set its schedules and say, "run the trains in accordance with our schedule."

SENATOR RAND: Is that a fourth option?

COMM'R CANBY: Well, there are many iterations on exactly what we could ask Amtrak Commuter to do for us. They have made it clear in this proposal that they consider themselves obligated to provide service if we turn over all of the things that Conrail is now providing for us. If we ask only for pieces of that, they would negotiate in good faith. At this point, it is our understanding that there is no commuter agency who will be asking Amtrak Commuter to just lift what Conrail is doing, lock, stock and barrel, and hand it over to Amtrak Commuter.

SENATOR RAND: Which brings us to the question of service, and then there are different levels of service which you can get.

ASSEMBLYMAN MARKERT: I think what we have done so far is just open up this hearing to so many viable opportunities and conditions with which we could come forth. Making the decision by the 31st of March is going to be a monumental task.

COMM'R CANBY: Believe me, I am fully aware of that aspect of this problem.

SENATOR RAND: Evidently, there are no expectations for a delay, not in the December 31st, but in the April 1st deadline?

COMM'R CANBY: At this point, I haven't got a sense that there is any opportunity to change that. I am also not sure, in absence of changing the January 1st date, that changing the April date does anybody any good. Time is time. And getting ready to do anything on January 1st is going to take all we can get.

SENATOR RAND: The pressure is building.

COMM'R CANBY: That is true.

ASSEMBLYMAN MARKERT: Have you thought of a delegation to Washington?

SENATOR RAND: Commissioner, thank you very, very much.

COMM'R CANBY: Mr. Chairman, it is my pleasure as always.

SENATOR RAND: Mr. Premo, the Executive Director of New Jersey Transit.

MR. CAPALBO: I think that is a combined statement.

SENATOR RAND: Is that a combined statement or does Mr. Premo want to say anything?

COMM'R CANBY: No. We have concluded.

SENATOR RAND: Okay. I am sure we will have more discussion. You want to talk to Mr. Premo, don't you? Have you nothing at all to discuss?

SENATOR GAGLIANO: I talk to him all the time.

SENATOR RAND: Let me ask Assemblyman Markert if he has any questions?

ASSEMBLYMAN MARKERT: No. I just want to know whether or not you are going to be available to answer some more questions that we might have when this hearing is over today.

SENATOR RAND: I have a couple of questions to ask Mr. Premo that I think are important. One of them is: How do you plan to use the first year's federal funds plus New Jersey's share of \$19 million?

MR. PREMO: Of the \$45 million appropriated by the Congress, our share is \$16.6 million. As the Commissioner has indicated, we want to be sure that New Jersey gets its fair share. We are going over the needs we have for working capital, for purchase of inventories, for purchase of equipment we are currently leasing, for staff needs.

SENATOR RAND: That is what I wanted to ask you. Is that amount of money to be

used for new additional people or is that to be used to fund present New Jersey Transit employees?

MR. PREMO: It would be used for new people. But there would be an offset. We would integrate the current N.J. Transit staff into the Conrail operation. We don't intend, should we take it over, to have, as we now have, a 30-person rail department cost management of the commuter operation. We would integrate them in. The reason why some additional staff is needed is quite clear. We do receive currently services from Conrail which we are not paying for. That is attributed in part perhaps to our negotiating capabilities in the past and also to the difficulty of Conrail dissecting for selected activities they have done for us New Jersey commuter costs. We estimate that that cost will be in the range of \$5 million. The transition funding is directed to assist us during the first year of operations or to assist Amtrak Commuter Services Corporation during that same time period to cover the cost of this work.

SENATOR RAND: How about after the first year?

MR. PREMO: After the first year, we have to assume it ourselves. And I think that is one of the concerns that the Commissioner has indicated; she says that we want to be sure that the federal government continues to be an important partner in commuter rail passenger service in our State.

SENATOR RAND: Do you anticipate or do you think that the Congress will change its mind about funding the rail lines? Do you think they will come up with a bigger pot?

MR. PREMO: The issue is not only for commuter service, but the broader issue of whether the \$55 million now provided by Uncle Sam in support of N.J. Transit's overall operations is going to be continued or not.

The Commissioner and I, as were others from the State, recently worked hard in Washington to urge the continuation of federal operating support. I know the Governor pushed resolutions at the National Governor's Conference and also at the Northeast and Mid-West Governors' meeting to urge continued support of operations of public transportation.

I sense that the push here and in other states is building. At the risk of being intentionally optimistic on this, because the odds are really against us, I sense the chance of the slowing down of this freight train of a year ago that said we ought to get out of operating subsidies. It is just a feeling that we need to keep working very hard on this issue because it is of enormous importance to us at N.J. Transit, to you in the Legislature, and to the riders as fare increases are considered. I think the push needs to be continued.

I sense that there is momentum building to keep federal support as it has been for the last decade a part of this state's and all the rest of the states' budgets.

SENATOR RAND: Commissioner and Jerry, thank you very much. Your expertise and candor is always appreciated.

MR. PREMO: Thank you, Mr. Chairman.

SENATOR RAND: We hope you will keep us informed as to the quick changes that are going on. I am sure they change every 24 hours.

COMM'R CANBY: Indeed, we will do that.

SENATOR RAND: Thank you very much.

Mr. Hoschek, Chairman of the County Transportation Association. John, I know that you are in a hurry. But I know the statement you have will be important. I know it is short and brief. I don't know whether you sent your resolution to the members of the Committee or rather I was the only one who received it.

J O H N H O S C H E K: My name is John Hoschek and I am the Transportation Director of the County of Gloucester. I am Chairman of the County Transportation Association of New Jersey.

The County Transportation Association of New Jersey includes all of the counties in which passenger rail service now operates. At our meeting on March 2nd, the Association considered the options for Amtrak Commuter, New Jersey Transit, operating the system itself, and others. We were impressed somewhat by the lack of professional railroad operating expertise on the Amtrak Commuter Board as presently made up. We have the same concerns that have already been expressed here by yourselves that we may merely be substituting another Conrail type of operation and we may find ourselves in the same position six months, eight months, or a year from now, as we find ourselves in now, with a deadline that something has to be done.

Therefore, the County Transportation Association unanimously passed a resolution which was sent to Senator Rand, supporting operation of New Jersey commuter railroads by New Jersey Transit Corporation. Thank you

SENATOR RAND: Gentlemen, any questions?

SENATOR GAGLIANO: No questions. Thank you, John.

ASSEMBLYMAN MARKERT: I just wanted to ask this: Mr. Hoschek, you have not had the privilege then of seeing the report and proposal from Amtrak?

MR. HOSCHEK: No, sir.

ASSEMBLYMAN MARKERT: Would you think that you might look at it at the next meeting, with reference to making a decision, since you already made a decision lacking the information that has been forthcoming to the Commissioner?

MR. HOSCHEK: Yes. I don't think the County Transit Association would preclude looking at anything else. We made our decision based on the available information at the time.

ASSEMBLYMAN MARKERT: Thank you.

SENATOR RAND: Thank you very much, John.

Mr. Tilley, do you have a short statement also in support of that? Mr. Tilley is the Director of the Board of Transportation in Bergen County.

F R A N K E. T I L L E Y: Thank you, Senator Rand.

The Bergen County Board of Transportation has been informed by staff of N.J. Transit concerning the problem with regard to the three options that have been presented here today. I would add that I am also the Chairman of the Rail Subcommittee of the Advisory Committee to the N.J. Transit Board.

Our Board of Transportation in Bergen County and the Rail Subcommittee of N.J. Transit's Board have both voted unanimously after hearing extensive descriptions of the three options to support direct operation by N.J. Transit. We feel that the Amtrak Commuter Corporation, as Mr. Hoschek has described, has not shown that it has the expertise, the background, or the knowledgeable personnel who could come in and do better than what we consider to be an exceptionally well qualified staff on N.J. Transit. We have been impressed by the way the N.J. Transit staff has grown in experience and in capability. We are impressed that they could do a good job. We are also impressed with the fact that direct operation is perhaps the only way in which we could be assured that the present workers - the trainmen, the supervisory personnel, the administrative staff - now employed by Conrail could be taken over by one of these options so that the service could continue to be provided by the people who know the railroads best.

So, Senator, the two groups I represent here today are pleased to say that we support the option for direct operation.

SENATOR GAGLIANO: Frank, what would you think if they came up with what

we characterize as Plan 1 A? That would be the plan whereby N.J. Transit would have overall control of the railroads - of course, we own them - and certain parts of the operating aspects of it would be turned over to Amtrak Commuter? Do you think that would work, based on your background in transportation?

MR. TILLEY: It is only adding, Senator, as I see it, another level of control or of administration which is going to cost more money almost inevitably. I, personally, fail to see where it would provide any benefits that would not be available through the direct operation option.

SENATOR GAGLIANO: The only reason I raise it - and I basically agree with you - is that so many of these lines cross the state lines, especially in Philadelphia and New York; and both of them affect New Jersey. Just thinking ahead, there will be certain times when we will want to be in a position whereby we would have a tie-in with what is going on in Pennsylvania and what is going on in New York. And Amtrak owns the corridor. I am kind of thinking along those lines. I just don't know whether it would make any sense. I want to get your reaction on it.

MR. TILLEY: On the corridor, of course, you do have a unique situation where Amtrak does own the railroad. The only other situation I can think of is in our own area in Bergen County where two of our rail lines now operated by Conrail cross the state line into New York. From what I have been able to find out, MTA seems to be leaning toward direct operation itself, rather than going with Amtrak Commuter.

In any event, I can tell you that both of the two counties in New York State that are served by New Jersey Transit's rail lines - Orange and Rockland Counties in New York State - presently are interested in seeing if they can contract directly with N.J. Transit for the continued operation of the present rail service.

SENATOR GAGLIANO: Thank you very much.

SENATOR RAND: Thank you, Frank. You really emphasized what I said before. I don't think anything catastrophic is going to happen to us, even if we had New Jersey Transit take it over or if we had a subsidiary take it over, if it is a viable organization. But I am glad that you have confidence in New Jersey Transit.

MR. TILLEY: Yes, I do.

SENATOR RAND: Thank you very much, Frank.

Mr. John D'Amico.

J O H N D ' A M I C O , J R.: Mr. Chairman, Assemblyman and Senators, thank you very much for affording me the opportunity to testify today on behalf of the approximately 8,500 or more daily riders of the North Jersey Coast Line and their concerned spouses on the subject of the replacement of Conrail as the operator of New Jersey Transit's passenger rail system.

The objective of the Irate Shore Commuters and Commuters' Wives, who I am also speaking for today, is commuter rail service which is safe, dependable, reasonably comfortable and affordable. Our major concern is that as the January 1, 1983 deadline for the replacement of Conrail approaches, that we will not again experience the utter collapse of rail service which resulted from the transition in 1976 from the private rail carriers (Penn Central, Jersey Central and Erie Lackawanna) to Conrail.

It was not, we should recall, until November of 1978 that Conrail appointed Robert Downing as Assistant General Manager of Passenger Service for its Mid-Atlantic Region and not until 1980 that Conrail had a passenger service organization with adequate stature in its corporate structure to deal directly with passenger service separately from freight.

Also, it was not until the enactment of the New Jersey Public Transportation

Act of 1979 that there was created a publicly controlled mass transit agency staffed by rail and bus transportation specialists.

Thus, it took more than three full years to create an institutional framework which was capable of operating the passenger rail system which was abandoned by the private railroads in 1976 - three years, gentlemen, of unreliable, unsafe, inefficient, uncoordinated, uncomfortable and unsanitary service for commuters. Then there was steady improvement in the quality and dependability of service because of the dedicated efforts of Mr. Downing, who has now apparently taken another position in the Conrail freight system, and former D.O.T. Commissioner Louis Gambaccini. But the PATH strike of 1980 and the resulting commuter service breakdowns at that time highlighted very basic flaws in the institutional arrangements whereby Conrail, a freight carrier, operated New Jersey Transit owned equipment over tracks owned by the State of New Jersey and Amtrak.

During 1980, the commuter groups testified before your committee and also the United States Congress on these problems; and Commissioner Gambaccini appointed a task force, of which I was privileged to be a member, to study Commuter Rail Institutional Alternatives. The report of that task force was issued in February of 1981. Later that spring, members of the task force, including Martin Robins, Larry Filler and myself, met regularly in Washington with the Congressional Committee staffers, Conrail, Amtrak, the United States Railway Association, the U.S. D.O.T and others, and assisted the Congress in the drafting of the Northeast Rail Service Act of 1981.

I give you this history to indicate that it is with considerable experience and background that we express our views today on the decision to be made by New Jersey Transit as to the transfer of commuter rail services from Conrail to a new entity. Our recommendation, gentlemen, is that New Jersey Transit assume direct operation and control of the commuter rail system of the State of New Jersey for the following reasons:

1. New Jersey Transit already owns the tracks, stations, equipment and other facilities necessary to run the railroad. It also has an established rail management team and a good working relationship with the Conrail management and labor personnel who conduct current operations, so that the chaos of the 1976 to 1980 transition would probably not be revisited.

2. Most of the Conrail managers and workers are long-time New Jersey residents who have made their careers in railroading and, we think, are likely to prefer the job security of working for New Jersey Transit to the uncertainty of working for another carrier or a new entity of unknown quality, such as Amtrak Commuter Services Corporation. The New Jersey Transit option, therefore, would be more likely than any other option to provide continuous, efficient operation of our commuter rail service.

3. A New Jersey Transit take-over of service would maximize institutional accountability to rail passengers and the taxpayers by entrusting management of the commuter rail network to a publicly-controlled corporation. Let's not forget that New Jersey Transit is publicly controlled. There are four public members and three official State members on that board. New Jersey Transit, because of Senator Gagliano - that should be added ---

SENATOR RAND: Do you want to take a bow?

MR. D'AMICO: New Jersey Transit has in the past, and presumably would continue to be in the future, accountable and responsive to the commuters and the taxpayers.

4. New Jersey Transit would achieve maximum control over the cost and quality of commuter rail service because it would not be dependent upon Conrail, Amtrak Commuter Services Corporation or any other carrier to act as its agent in the provision of day-to-day service or the negotiation of labor agreements facilitating less costly and more productive work rules and bases of pay.

There being no private carrier with the resources to operate such a large rail system as New Jersey's, the only alternative to New Jersey Transit could be Amtrak Commuter Services Corporation. In our opinion, Amtrak Commuter Services is not ready, willing or able to do the job. There is no way that an organization that does not yet even have letterheads can hope in eight months to assume with any degree of efficiency and continuity the employment of 3,000 persons and the operation of 510 trains a day over a 490-mile rail system serving 70,000 daily riders.

One of the critical areas of concern in the transition is the establishment of adequate support services, such as accounting, purchasing, data processing, legal and labor expertise. As opposed to New Jersey Transit, which has been working on these issues for many months under the able direction of Martin Robins and others, Amtrak Commuter Services has done none of the careful planning needed to establish these services. With the MTA, according to public reports or newspaper reports and public pronouncements, likely to take over its own service and Pennsylvania's SEPTA, as the Commissioner indicated, interested in providing its own support services and having Amtrak Commuter Services only employ the train and engine crews, Amtrak Commuter Services would only have to develop and provide passenger rail support services for New Jersey Transit if it chose to go with Amtrak Commuter Services. Why entrust such an important task to an entity so ill-prepared to deal with it when New Jersey Transit could do these things directly with full control over specifications and costs? If New Jersey Transit needs help in this regard, perhaps the Governor could ask the private sector to make available on a voluntary basis its considerable expertise in these areas and perhaps its excess computer capacity.

When we were working on the Northeast Rail Service Act of 1981, you will recall that the task force of New Jersey Transit did come out with a recommendation that a Northeast Corridor Corporation take over the rail service. Now, what has happened to change our minds about that? The simple fact, gentlemen, is that the entity which has, in fact, emerged, Amtrak Commuter Services, is not the entity we had in mind when we made that recommendation.

SENATOR RAND: I was going to ask you that question, Mr. D'Amico.

MR. D'AMICO: We had in mind, Senator Rand, an agency that would be controlled by representatives of the commuter agencies. New Jersey has only one representative on a six-member board of Amtrak Commuter Services, Mr. Dave Pindar, whom we understand was just seated officially yesterday. Thus, New Jersey would have very little more to say about the nature, cost and quality of the services that Amtrak Commuter Subsidiary would provide under contract than it now has in its contract with Conrail.

Furthermore, only two members of the Amtrak Commuter Services Board have a railroad background: Mr. Pindar and the representative of SEPTA. The rest, it appears, are political appointees. And the President of the corporation, Mr. Marstan, has no rail background and was not even elected by the Board as directed by the statute. He was appointed by the Department of Transportation.

Maybe that kind of procedure is okay if you are setting up a Wrestling Commission or something of that nature. But when you are talking about a vast regional passenger railroad system, to me, I have no confidence in a board which does not have railroad expertise on it.

The second reason that we are uneasy about Amtrak Commuter Subsidiary is that it would be part of Amtrak. Now Amtrak, if you know the history and have been in on the negotiations, has consistently opposed any involvement in commuter rail service and has rarely, if ever, cooperated with New Jersey Transit on any issue concerning the use of the northeast corridor. There is a good reason for that. Amtrak's primary mission is to provide intercity service and it is under a congressional mandate by 1987 to meet all of its costs with revenues from the operation of the service. The commuter rail objective, New Jersey Transit, is to provide short turn-around service that is affordable to the commuters. And we know, because we have been through it year after year, that you cannot support a short turn-around commuter service fully out of the fare box.

Also there have been many performance deficiencies of Amtrak in the past. Their dispatching has been deficient, as has their response to emergencies. Their maintenance of New Jersey Transit equipment has been poor. They are still not washing the Coastline trains that lay over in Sunnyside Yard during the day. And the management of the rail terminals, especially Newark Amtrak Station, has been horrible. You can't even get in and out of the doors of the place. And you know how long it took to get the escalators running. But beyond these considerations, there are also some serious financial considerations which you have brought to light. One which you identified, which I think is a key problem, is allocation of cost. How will Amtrak Commuter allocate costs between the different agencies?

SENATOR RAND: Mr. D'Amico, let me interrupt you and ask just one thing. What do you think of the 25 percent increase that is asked by the Governor?

MR. D'AMICO: I think it is impossible because we already lost far more riders with the last 25 percent increase than New Jersey Transit expected. I can name three dozen people that left the Coastline and got into vans and who are car-pooling just from personal acquaintances.

I think until we can provide modernized service, until the electrification projects are completed, and until the new diesel equipment is delivered, that we have to hold fares at current levels because we really are not offering anything to appeal to the car commuter whose gas bill is being reduced. Incidentally, we would favor the Governor's proposal on the 5 percent sales tax or something like that to provide stable funding, only we would say that enough money should be appropriated to New Jersey Transit to hold those fares at current levels until the service is improved. Then you can raise the price because you will be more competitive.

Another consideration on the finances - suppose three agencies - MTA, SEPTA, and New Jersey Transit - do join Amtrak Commuter Service. And let's suppose that MTA or SEPTA has trouble getting money from its legislature to pay its bill. Is New Jersey Transit as part of this Amtrak Commuter Subsidiary prepared to carry the ball financially - and are the other agencies - for any defaulting agency until the service can be dropped? There will be tremendous political pressure to keep that service going. I think that is another hazard that we have to watch.

Now, on funding, on this question of federal funding, the federal law allows New Jersey Transit to get additional money even if it does not join Amtrak Commuter Subsidiary. So the takeover by New Jersey Transit should not prejudice the availability of that funding. Furthermore, I doubt that Congressman Howard, who is really in the driver's seat as Chairman of the Public Works Committee on Federal Operating and Capital Assistance, would do anything short of making sure that New Jersey Transit got its fair share of federal mass transit assistance if any is approved by the Congress, whether or not we go with Amtrak Commuter Subsidiary.

On the other hand, it seems to me we cannot count on any suggestions that

the U.S. D.O.T. will give us better access to federal funding if we go with Amtrak Commuter Service, in view of the administration's attitude, which is to eliminate operating assistance, cut back on capital assistance and also cut back on Amtrak. Remember the pitched battle that had to be fought to preserve even the current Amtrak system under the federal budgets proposed by President Reagan.

It seems to me, Senators and Assemblyman, that the facts make out a prime facia case for New Jersey Transit takeover and that the burden is on the Amtrak Commuter supporters to refute those facts with clear and convincing proof that we would be better off under the Amtrak Commuter Subsidiary.

That would be the sum and substance of my recommendations.

(Written statement submitted by Mr. D'Amico is in the appendix.)

SENATOR RAND: Senator Gagliano.

SENATOR GAGLIANO: As many of you may know, John D'Amico happens to be a constituent of mine. He lives in the 12th District and he is Chairman of the Irate Shore Commuters. I am looking forward to the day when he will be the Chairman of the Happy Shore Commuters.

MR. D'AMICO: So am I.

SENATOR GAGLIANO: John does though make lots of the points we have heard from others and that we have been thinking about ourselves. He goes into it in more depth because he has been working on this for at least five years that I know of.

John, do you feel that there is any role that Amtrak Commuter Services could play in the event that N.J. Transit says, we are taking over on April 1st? Is there any role of any substance that Amtrak Commuter Services could take over on behalf of or as agent of N.J. Transit?

MR. D'AMICO: I would answer the question the same way Mr. Tilley does. In my opinion, there is nothing that Amtrak Commuter Subsidiary could do for us that we could not do at least as well, if not better, and probably at lower cost.

The whole history of the operation of commuter passenger service in the Northeast has been one of entrusting the service to third parties who were not directly in control of their own destiny. And I think it is time to finally cut that Gordian knot and to get our hands on our own destiny.

SENATOR GAGLIANO: Thank you. I have no other questions. That was a very good statement.

SENATOR RAND: Assemblyman Markert.

ASSEMBLYMAN MARKERT: Just one thing - Mr. D'Amico, you realize no matter where we go or how we may go, the problem of funding is going to become a reality and it is going to have to fall upon everyone to look for support systems in any way to come up with the necessary funds.

Certainly, no matter which way we lean or which way the final determination may be made, we are still going to be faced with the bottom line, which is going to be the need for the State of New Jersey to consider additional funding. You do realize that?

MR. D'AMICO: I realize that and I would urge that that funding be provided. I think a lot of people don't realize how important the commuters are to the economy of this State. Commuters who have been working for years and years in Philadelphia and New York and living in New Jersey have poured billions of dollars into the New Jersey economy. If you look at what is going on in Newark around the Pennsylvania Station and the Broad Street Station of Erie Lackawanna where almost \$200 million of office construction is planned or underway, you will see visually the impact and importance of a viable, efficient, affordable rail passenger service.

SENATOR RAND: Mr. D'Amico, I know how important it is for the Board to make its decision. But lest we forget, the Governor has the final power. He can either veto the minutes or accept them. So the truth of the matter is that the decision will be in his hands and not in anybody else's.

I do want to thank you for a very excellent presentation. I know I am going to see you before the Joint Appropriations Committee.

MR. D'AMICO: I hope so.

SENATOR RAND: We will now take a two-minute break.

(Short Recess)

SENATOR GAGLIANO: Ladies and gentlemen, we are going to reconvene.

The next witness will be Rudolph Denzler of the Lackawanna Coalition. Mr. Denzler, Senator Rand has had to go to the Governor's Office for a conference. He will be back as quickly as he can.

RUDOLPH E. DENZLER: Mr. Chairman and members of the Committee, we also appreciate the chance to express our views. I am going to shorten the first part of this and get down to the real business of the two principal choices.

But I would say that we in the Lackawanna Coalition were created to monitor and try to expedite the re-electrification. We are still very much interested in that. But we have in the past year become involved in the matter of funding and now in the matter of what is after Conrail.

We all know there are theoretically three choices. We feel that New Jersey Transit should run the show. We think that Amtrak Commuter is a poor second. Just to dismiss the third possibility, I have a short statement, but we don't think there is any merit in the Boston and Maine kind of approach.

It leads us to look as carefully as we can at the New Jersey Transit running its own show versus Amtrak Commuter. All the rest of the points in my sheet are in that connection.

First of all and most important, only if New Jersey Transit is the management will there be a singleness of loyalty of those who make and those who carry out policies. If Amtrak Commuter is the management, even on the tactical level, there will be divided loyalty between serving it and serving New Jersey Transit as the master. We really think that is the key point and nothing else that comes up is going to change that.

Number two, only if New Jersey Transit makes direct agreements with rail labor can its interests and labor's interests be best served. The existence of a third party, such as Amtrak Commuter, can only mean still another force in the picture seeking to satisfy its own particular needs. And it would mean that New Jersey Transit's influence would at best be indirect. If New Jersey Transit is the operator, it will sit at the bargaining table and be in the best position for reaching agreements attaining greater productivity. And we do feel that greater productivity is one of the things that has to happen. The Legislature is under pressure. Commuters are under pressure. And labor will have to bend a little too, chiefly in the form of beginning to consolidate some of the assorted tasks that have given rise to 17 different unions.

Number three, New Jersey Transit is concerned that it will have trouble getting some 14 support functions in place in time - the Payroll Department, the Legal Department, etc. We acknowledge that getting all this set up is a very large job, but New Jersey Transit does have some experience in some of these areas, whereas Amtrak Commuter has no staff organization at all. Its first employee, the President, was only hired in late January. And there is no assurance that Amtrak - shall I call it Intercity? - would or could take on these support functions.

Fourth, after taking over operations, New Jersey Transit would have some 3,000 employees to run trains. Granted that rail labor payroll-making has some extra complications as compared with industry, New Jersey Transit still would not be the first organization of 3,000 employees to manage its own support services. The New York Times in a March 7th, 1982, article, had what I feel is a misleading statement about the magnitude of this data-processing job - and I am quoting. It stated that "Conrail committed more than \$60 million per year and a staff of 800 to figure its payroll, order spare parts and take care of all other accounting requirements." What they neglected to say was that the Conrail operation is roughly 30 times the size of New Jersey Transit. So you can reasonably divide by 30 and you get down to the kind of staff and operation that is not unmanageable.

Fifth, for day-to-day train operations, it goes without saying that New Jersey Transit would unquestionably hire almost all of the operating employees currently working in Conrail passenger service in New Jersey who did not opt to transfer to Conrail freight. They do have that choice. And the present management nucleus in New Jersey Transit would draw on present Conrail passenger management as needed to fill out the staff positions. Amtrak Commuter, as noted above, has no organization at all below the board of directors and the president.

Sixth, coordination of New Jersey Transit and Amtrak Intercity trains in the Northeast Corridor is a thorny problem. However, we see this as a draw, because whether New Jersey Transit or Amtrak Commuter runs the commuter trains, there is the same conflict with Amtrak Intercity interests. So that part washes out. It is a problem either way.

SENATOR GAGLIANO: I guess it always will be too, because I have even seen them hold trains outside of Newark to let one of the Florida trains come through.

MR. DENZLER: Sort of lumping other obstacles that we can see, it is quite possible that the December 31st deadline for the end of Conrail commuter operation may be unrealistic. It was set by Congress in August, 1981, with little apparent consideration of all the effort that would be required during this short time frame. Amtrak Commuter, seven months later, is still only a paper shell. We support New Jersey Transit's strenuous efforts to get a reasonable extension from this arbitrary deadline as needed. Finally, we point out that the Reagan Administration owes it to New Jersey and to the Congress that created the plan, to pass on to New Jersey its fair share of the transition money specified for this commuter changeover.

In conclusion, we feel that New Jersey Transit should take over the New Jersey rail commuter operation directly. It will take a heroic effort, but it will prove to be a vastly superior choice to the other alternatives. To maybe turn a phrase, the Germans have a word called schwierig geburt, which is a difficult birth. This is going to be a schwierig geburt no matter which decision is made. But we honestly think that if New Jersey Transit takes over, the birth pains will be over somewhat sooner than if Amtrak Commuter tries it.

SENATOR GAGLIANO: And maybe the offspring would grow up.

MR. DENZLER: They might even grow healthier and faster.

SENATOR GAGLIANO: One of the things you talked about, Rudy, was this article from the New York Times where they said, "Conrail committed more than \$60 million per year and a staff of 800 to figure its payroll. . ." I wonder what ADP would say about that. The Board Chairman of ADP wants to be a United States Senator. I wonder what they would say about using 800 people to figure a payroll practically manually, I guess it is?

MR. DENZLER: Well, no. But Conrail is in 16 states. They have at least 100,000 freight cars and thousands of locomotives. It is a huge operation. Before

the Penn and the Central merged, each one of those represented 10 percent of all of the railroading in the United States. So when you put them together, you had 20 percent as Penn-Central. Now, they have consolidated and shrunk some. But it still is a very big chunk of all of the railroading in the United States. And it is misleading, whatever their staff happens to be, to kind of imply that New Jersey would have to have an army of people to figure its paperwork.

ASSEMBLYMAN MARKERT: Rudy, you do realize that there is no way that the project, itself, could just be moved directly into New Jersey Transit. I hope you realize that they would not be capable without additional support systems and additional personnel to set almost another department within the Department of Transportation - New Jersey Transit, that is - to handle the rail. You don't think that it could be just automatically moved into New Jersey Transit, do you?

MR. DENZLER: The present supervisory staff of Conrail would basically have to move in under New Jersey Transit.

ASSEMBLYMAN MARKERT: Providing New Jersey can justifiably create the types of labor contracts that would be necessary to move these people in.

MR. DENZLER: Well, you are talking about hourly people.

ASSEMBLYMAN MARKERT: Yes. I am also talking about making it attractive for management personnel to come in. You must realize it is not an operation that we can take and set within a department and have it operate. It has a total separate identity from what we are now operating as New Jersey Transit. It is not that it can't be done. I am not saying that. But from your comments, it seems as though you feel it could very easily be done.

MR. DENZLER: No.

ASSEMBLYMAN MARKERT: It is certainly going to be a very large task.

SENATOR GAGLIANO: He said it would be difficult. He used a German word to tell you how difficult it would be.

Do you have anything further?

ASSEMBLYMAN MARKERT: No, that will be all.

SENATOR GAGLIANO: Thank you very much, Mr. Denzler. We appreciate your coming here. As always, we appreciate your knowledge of railroading.

I would like to call on Irwin McFarland, the State Director of the United Transportation Union, as our next witness.

I R V I N M C F A R L A N D: Good morning, gentlemen.

My name is Irvin McFarland. I am the State Legislative Director for the United Transportation Union, with offices located at 375 West State Street, Trenton, New Jersey.

The United Transportation Union represents approximately 3700 members in the State of New Jersey, who are employed in various operating crafts, for example, enginemen, firemen, conductors, trainmen and bus operators.

As State Legislative Director, I am responsible for the continuation and improvement of mass transportation services and to protect the interest of the commuters by offering our expertise in the field of rail and bus operations.

The United Transportation Union, as well as other labor organizations, has met with representatives of New Jersey Transit Corporation on at least three dates, the latest being Thursday, March 11, 1982, in Newark, New Jersey, and it appears New Jersey Transit is making an all-out attempt to negotiate fair and equitable rail-labor agreements, which in turn will provide for a smooth transition.

In 1979, the United Transportation Union actively supported the passage of Senate Bill No. 3137, an Act creating the New Jersey Transit Corporation.

We are completely satisfied with the manner in which New Jersey Transit Corporation negotiated and settled the contract between Maplewood Equipment Corporation and our organization.

If the Board of Directors of New Jersey Transit votes favorably on Tuesday, March 23, 1982 - and I must add - or any future date ---

SENATOR GAGLIANO: Up to ---

ASSEMBLYMAN MARKERT: --- the 31st.

MR. MC FARLAND: --- for the takeover of all rail commuter services from Consolidated Rail Corporation and the same spirit of cooperation continues to exist as in the Maplewood Equipment takeover, I can assure you the United Transportation Union will fully participate in all meetings and certainly bargain in good faith.

In conclusion, I would like to take this opportunity to thank you for allowing me to appear before your Committee.

SENATOR GAGLIANO: Mr. McFarland, we appreciate that statement of yours. I think it is an excellent statement. I just have a couple of questions.

With respect to the 3700 members that you have, how many of them are on rail, so to speak, and how many of them are on busses?

MR. MC FARLAND: Approximately 1200 in the bus industry and the remaining in the rail industry.

SENATOR GAGLIANO: What particular crafts or skills are required of those 2500 people in the operation of the railroad?

MR. MC FARLAND: Well, they are the operating personnel. They are the engineers, the firemen, the conductors, the trainmen, the people who have direct responsibility for the operation of the service.

SENATOR GAGLIANO: And how many of them would you say would be available, in terms of percentages, to make the switchover in the event N. J. Transit makes a determination to take over rail service? What percentage of those people do you think would come over?

MR. MC FARLAND: Senator, that is a very complex question for the very reason ---

SENATOR GAGLIANO: I am asking it because I know it is a complex issue. We have already lost one top person in management and I want to have some idea of what you see as the attrition that might occur as a result of any takeover.

MR. MC FARLAND: I will try to be as brief as possible and yet answer your question. I have discussed this with Marty Robins. Of course, work rules is a very touchy subject which we have our problems with and I am sure all the carriers have their problems with.

First of all, in the Amtrak Services, our people working for Conrail have a flow-through of seniority. They can work for Conrail or, when the bids open for Amtrak Services, they can bid over. So to answer your question, on Day One, which may be, say, July 1st, if New Jersey Transit takes over, the number of people that would go over would be based, if we had an opportunity to go back for any reason - reduction in service --- As other speakers have previously mentioned, if this fare increase goes into effect which they are proposing - 25 percent - I am sure there is going to be a decrease in ridership. We went through this spiral after World War II: raise the fares, decrease the service - raise the fares, decrease the service. That is why our transportation system is in the position it is today. There was never an opportunity to get in there, pump some money into it and build the system. It was always: tear it down.

In answer to your question, supposing we had 700 members employed in passenger services that New Jersey Transit would take over, maybe in January 1983 we only have

600, we want some place for those 100 to go, the same as they do with Amtrak. Amtrak, itself, is constantly suffering cuts in its budget. Before the Reagan administration, we had approximately \$822 million to operate Amtrak Services. Today, we are operating Amtrak Services with \$622 million. So the personnel that are without jobs go back to Conrail services. They go back into freight.

So, if we gain this negotiated agreement with New Jersey Transit that the people will have a flow-through of seniority, to answer your question, I think everyone in Amtrak or Commuter Services operated by New Jersey Transit would remain. It would just be a smooth transition. I don't think anyone would leave. I think they would all stay with the provision that if they did lose their jobs, they could exercise their seniority back to Conrail.

SENATOR GAGLIANO: Let me ask you a question on that. In your opinion, does any agreement that we make with Conrail --- or is there legislation that would require that flow-back? In other words, suppose N. J. Transit takes over and they say, instead of 100 people in this particular area, we can only accomodate 95. Rather than have those people on the street, so to speak, is there legislation which would require that they go back to Conrail freight or some other place; or would that be part of an agreement?

MR. MC FARLAND: At the present time, we have that in tact. If you work for Amtrak and you are displaced for various reasons, then you could go back into Conrail service, which is freight basically.

SENATOR GAGLIANO: Then you want the same kind of agreement with N. J. Transit.

MR. MC FARLAND: I think it would be only fair and equitable to have that because we don't know whether New Jersey Transit would go belly up.

SENATOR GAGLIANO: My problem is: How can we bind Conrail? For example, if N.J. Transit - if Jerry and his board says, "It's a good idea. If we can't use them, we want them to work. They are experienced railroaders and they should go to Conrail freight," and Conrail says, "Oh, no, once you have left us, we can't accomodate you anymore," what happens then?

MR. MC FARLAND: Well, you are leading into a crossroads and I don't know the answer. I don't have the answer at this time. I am sure it will be negotiated at a table whether we will have the right to go back. You can see our predicament. If a person has 30 years' service and is an engineman and a conductor on the train has 30 years' service and you say, "Are you going to go with New Jersey Transit or are you going to exercise your seniority with Conrail," that is a pretty big decision with no retracting of your decision.

SENATOR GAGLIANO: Based on your experience, do we need federal legislation for protection here or is it strictly by agreement?

MR. MC FARLAND: I think if we could get an agreement from New Jersey Transit - if they are the takeover agency - that would suffice.

SENATOR GAGLIANO: Would Conrail honor it?

MR. MC FARLAND: I think they would. Like I say, I am not representing Conrail. But from my affiliation with Conrail, having dealt with these people for many years - and prior to that with the old Pennsylvania Railroad - I think it could easily be worked out. Then I understand there are other provisions in the Amtrak conditions that if a man goes over, he would have to stay a period, say, of six months. Something like that is very reasonable rather than have it flip-flop, one week working for Conrail and the next week working for Amtrak and the next week working for New Jersey Transit. I don't think that is a good situation.

SENATOR GAGLIANO: So he would have to stay a reasonable period of time.

MR. MC FARLAND: I think there should be a locked-in period.

SENATOR GAGLIANO: You indicated before that you were completely satisfied with New Jersey Transit and the most recent negotiations. I have heard referred to here 16 or 17 different unions as being involved. How many of those unions are your people? Do you know what I am saying? You are United Transportation Union. I am not that familiar with the setup of unions. How many of those unions are people that would be a part of UTU?

MR. MC FARLAND: Those other 16 organizations?

SENATOR GAGLIANO: Yes.

MR. MC FARLAND: They would not be part of ours.

SENATOR GAGLIANO: None of them?

MR. MC FARLAND: The Brotherhood of Locomotive Engineers is the only other operating representative; that is, the people who operate the trains.

SENATOR GAGLIANO: And how many of them are there?

MR. MC FARLAND: How many of those? I would say within the State of New Jersey, approximately 700.

SENATOR GAGLIANO: And the others would be car cleaners and ticket agents?

MR. MC FARLAND: We term them non-operating personnel - everyone else - ticket agents, car cleaners, car inspectors, electricians, machinists, boiler makers, train dispatchers.

SENATOR GAGLIANO: Switchmen?

MR. MC FARLAND: Switching cars in the yards.

SENATOR GAGLIANO: The people who would be operating the switches, that type of personnel?

MR. MC FARLAND: Tower men.

SENATOR GAGLIANO: What they call tower men?

MR. MC FARLAND: Tower men, yes. There are switch tenders in the yard. When trains come into the yard, they line up the switches for a train to go to a particular track.

SENATOR GAGLIANO: Do you feel the other railroad unions would feel as you do that things could go smoothly, that there could be a smooth transition?

MR. MC FARLAND: I believe there could be. I think the other organizations recognize that we are in a tight situation and there is a give and take. From my experience talking to other organizations, talking to their leaders, I think there is.

SENATOR GAGLIANO: In the event N. J. Transit made a decision on April 1st to go with itself, N.J. Transit, how long thereafter do you think it would be necessary to enter into negotiations in order to come up with union contracts so that we could start out Day One, January 1, 1983, with a so-called smooth transition? I am basing this on your expertise as a union man, representing not only your own union but discussing, in general, the entire umbrella under which the unions will be negotiating.

MR. MC FARLAND: To give you a little background, I mentioned in my statement on Thursday, March 11, we met with the Conrail representatives and New Jersey Transit representatives; and Marty Robins, the Assistant Executive Director of New Jersey Transit, chaired the meeting. Just in that room alone, there was at least 200 representatives. So you can see what our problem is. We have to narrow that down. There is no way you can negotiate with 200 people, 17 crafts or 17 unions. You have to get the top personnel of the unions together, not all in the same room. Each should meet New Jersey Transit on their own basic rules. Our rules are much different, say, than a non-operating union.

In order to complete this, you really have to set up some ground rules and

decide who is going to be the person to represent what organization. And you can't do it with 200 people. It would be better if you had one or two from each organization to sit down. Of course, within our organization, we already have the framework that we can do it. Our general chairman will negotiate the particular agreements.

SENATOR GAGLIANO: But you do feel, once we got down to that point, that there would be a give and take, as you say, and that there would be a recognition on the part of the unions that they are kind of all in this together and they have to have a certain amount of esprit de corps and cooperation with the State of New Jersey to make it work.

MR. MC FARLAND: Yes.

SENATOR GAGLIANO: Do you agree with the statement that was made earlier that many or most of the Conrail employees that we would be hiring as part of our operation reside in New Jersey and would be satisfied to go to work for N.J. Transit? They do reside here? I guess that is my question.

MR. MC FARLAND: Yes. To answer that more specifically, of the 3700 people we represent, I would say 3500 live in New Jersey. The other 200 live elsewhere. At the same time, I have members of my organization that live in other states that belong to locals in the State of New Jersey, such as New York and Pennsylvania. We are so close. They are our sister states and our trains are interstate. So we have that. It totals out to 3700, I would say either way, who are paying taxes in the State of New Jersey and are respectable citizens.

SENATOR GAGLIANO: Getting back to one of my questions earlier which I am not quite sure was answered, maybe you can answer it. Let's try it another way. Do you feel with that spirit of cooperation that we could hammer out the necessary agreements by, say, September 1 of this year?

MR. MC FARLAND: I feel that date could very closely be met if the spirit of cooperation remains. Of course, they are going to give us their proposals and we will be prepared to submit our proposals.

SENATOR GAGLIANO: Do you feel --- I don't want to put you on the spot and maybe this does. If it does, don't answer it, just forget it. Do you feel that in the negotiations there would be any room for discussions with reference to what they call give-backs in other union situations - in other negotiations? I don't really want to put you on the spot because I have found that you are an outstanding person, representing the people the best you can. You did a great job when we talked about the take-over of Transport of New Jersey and your people were always 100 percent, as far as I know or can remember. But we are going to be facing some very bad fiscal problems. For my own purpose - and, of course, this is a public meeting - I would like to know if there is any room for discussion. They call it work rules. I don't know enough about work rules. I am calling it give-backs or whatever you might call it.

MR. MC FARLAND: Presently, our contract expired back in the year of 1981. However, without a contract, we continue to work because the past contract remains in effect until such time as you renew it. In a proposal that we have submitted to the Association of American Railroads on a national base, we would be willing to take a wage deferral of the first 12 percent of any wage negotiation. That is just one give-back that we are going to take on a national level with Conrail, trying to get Conrail back into the black. You understand that?

SENATOR GAGLIANO: Yes, I appreciate that.

MR. MC FARLAND: It is the first 12 percent. If it is a 30 percent increase

and it is over a 3-year period, the first year we won't get the 10 percent. The next year, we would only get 8 percent to make up the 12 percent deferral.

When you talk about work rules, it really irritates me to see the press all the time talking about work rules: how much an engineer or how much a conductor gets between New York and Trenton. I have talked to some of the press and I have asked them to please come to my office and let me discuss this entire subject because it is not a small subject. As an example, back in the '30's, the Pennsylvania Railroad came to our organization - and that was before I came on the road; I have only been on the road a short period of time, coming on in 1944, 38 years. They came to our employees prior to World War II and said, "We will give you an agreement and the agreement is that we will pay you 30 days a month, but we want the right to work you those 30 days. You may be used before an assignment, after an assignment or in between assignments." Now, the catch was --- and, of course, we accepted it. We had to. They offered it. It was almost a mandate. They said, "You are going to work 9 hours a day." In those days, it was 10 hours a day - no overtime. You were to work Saturday, Sunday and holidays with no overtime. So, during World War II, the Pennsylvania Railroad received many millions of hours of work with no pay at all because they gave us that 30-day guarantee.

In the 1960's when the train service started to be deleted from the Saturday and Sunday schedules, these same trainmen and enginemen were sitting there not doing anything; but that same 30-day guarantee still applied. They said, "That is a terrible situation." But they are the ones who mandated it to us. We didn't ask for it. Our people today, if they work a holiday, in passenger services, they don't get time and a half. They don't get double time. They work Saturdays and Sundays - they work 7 days a week - that is straight time - overtime after 9 hours - straight time. So this is a rule that we would like to negotiate because it is unheard of to hire an employee and say, "I am going to work you 9 hours a day, 7 days a week and you are going to get straight time for 8 hours every day."

SENATOR GAGLIANO: You mean that is the same rule today that was put in effect in the '30's?

MR. MC FARLAND: The same rule today. After you complete an assignment and they have another trip for you, they could say, "Will you do that? It is applicable to your guarantee - free."

SENATOR GAGLIANO: Did you hear that, Jerry?

I have no further questions. I appreciate your candor. Thank you.
The Chairman is back now.

SENATOR RAND: Thank you very much, Senator Gagliano.

Irv, maybe I am putting you on the spot, but I would like to know this for my own satisfaction. If you joined the New Jersey Transit, would you submit to binding arbitration? It seems you would have to because you wouldn't have the right to strike under New Jersey Transit's rules.

MR. MC FARLAND: Well, I am not so sure. The reason I answered with a "I am not so sure" is that ---

SENATOR RAND: You are not so sure you would submit to binding arbitration or you are not so sure ---

MR. MC FARLAND: I am not so sure you are accurate in your statement.

SENATOR GAGLIANO: I am not so sure he is either.

SENATOR RAND: You may be right.

MR. MC FARLAND: On March 11th, Mr. Marty Robins addressed some 200 people in Newark, all labor people, and he told us two things: that we would continue under

the Railroad Retirement and that we would come under the Railway Labor Act. They were two assurances; and, believe me, I am not trying to put Marty Robins on the spot. I know he is in this room somewhere.

SENATOR RAND: I would have to address then, how they can treat one arm of labor one way and another arm, another way. You answered my question. You have led me to another question which I will have to address to them. And was that a definitive rule established by the New Jersey Transit or a commitment?

MR. MC FARLAND: It was a statement Mr. Robins made to our labor people. Of course, that kind of settled a lot of things by saying, "We are going to keep you under the Railway Labor Act and we are going to keep you under the Railroad Retirement Act." They are two dear things to a railroad man.

SENATOR RAND: I have no problem with the Railroad Retirement Act. I have a problem with how you can treat two forces in the same jurisdiction in a different situation.

MR. MC FARLAND: What would be the other force? I am not quite clear on that.

SENATOR RAND: The bus drivers.

MR. CAPALBO: The bus drivers can't strike.

MR. MC FARLAND: The bus drivers come under a different law.

SENATOR RAND: I understand that. But you are talking about a public corporation which was sponsored by the Legislature. I remember being here to the wee hours of the morning - three o'clock - when we finally passed that. And that was one of the hangups at that particular time until we settled it. I don't want to open up a Pandora's box.

MR. MC FARLAND: I am sure that we would not become public employees. It would be operated as a separate entity, the same as Transport of New Jersey and the same as Maplewood Equipment Corporation. It is treated as a separate entity. They are not public employees.

MR. CAPALBO: But those employees still don't have the right to strike.

MR. MC FARLAND: They gave that away by an agreement.

MR. CAPALBO: Right.

MR. MC FARLAND: What we are saying is that if you are willing to abide by the provisions of the Railroad Labor Act, the law itself will dictate; that is, the Railway Labor Act.

SENATOR RAND: I understand that. What I am wondering is how we can put ourselves in a contradictory position. That is what disturbs me. I am not concerned that the commitment --- well, I am concerned the commitment was made. I am only concerned that we don't put two arms of labor in an adversary position so one has one thing and the other doesn't have that right.

MR. MC FARLAND: I think I am really unable to answer that question because ---

SENATOR RAND: That is all right.

MR. MC FARLAND: --- it had existed before. Representing bus people myself is a new venture to me. I am really a railroad-oriented man with 38 years' service with the railroad. When the busses came into being and I had to represent them, it was a different situation. We worked under the State law.

SENATOR RAND: I understand in New York, the MTA employees gave up the right to strike just recently.

MR. MC FARLAND: Wasn't that mandated by the court?

MR. CAPALBO: No. It was legislation in the New York Legislature and the Transport Workers Union supported it.

MR. MC FARLAND: It may very well be.

MR. CAPALBO: It was a change of position.

MR. MC FARLAND: We had some litigation on the Long Island Railroad. I am not sure whether that has been settled yet. I haven't received it.

MR. CAPALBO: These are the subway employees.

MR. MC FARLAND: The MTA.

MR. CAPALBO: Right.

SENATOR RAND: That would be one of the points that I would want to address so that we don't create a problem.

SENATOR GAGLIANO: I guess you do understand we do have problems with public employees striking. You know that.

MR. MC FARLAND: Yes.

SENATOR GAGLIANO: You have heard all about that before. My philosophy remains the same and I think from what I am hearing from the Chairman, his philosophy is the same. It is a very difficult situation. I feel extremely strongly about that.

SENATOR RAND: Senator and Assemblyman Markert, no matter what happens, New Jersey Transit is looked upon as a public corporation run by the State and, as you heard testified to here, it is responsive to the citizens of this State. In fact, that is probably why some of them testified in behalf of New Jersey Transit. It is very difficult to differentiate between the various arms of labor when the citizens of the State look at New Jersey Transit as a public body, which it is - a public corporation - which is there to serve them.

Any other questions? Assemblyman Markert.

ASSEMBLYMAN MARKERT: Thank you, Senator.

Mr. McFarland, we have been talking and, in some of the questions and answers, addressing one particular path. I am curious as to what your impressions might be if the path we have just been addressing is not going to be the path that is followed; and that is, that it may not become a part of New Jersey Transit. The Commissioner this morning said, because of additional information, they are going to completely rethink or, at least, rework perhaps the position that they have taken. What happens if Amtrak Commuter is formed? And what happens if we were then to set up that type of control of the mass transit system in the State? Would you feel there would be a change in your position with negotiations if it were to be someone like Amtrak Commuter, which of course is not Amtrak and it is not Conrail. It is a separate entity. Where do you think you would be going then?

MR. MC FARLAND: I think in a case like that, you would have to find out all the determinations: whether Pennsylvania falls under Amtrak Commuter Services, whether New York falls under, Maryland and New Jersey. If they would all fall under Amtrak Commuter Services, I am sure we wouldn't be dealing with one body - one state. It would be dealt with on an entire Amtrak Commuter Services program of negotiation of rules.

ASSEMBLYMAN MARKERT: In other words, your negotiations you feel at that point in time then would take place with this corporation or whatever would be formed and it would reflect your position in all of the states rather than in an individual state?

MR. MC FARLAND: I believe so because, right now, we have Amtrak. And when they borrowed employees from Conrail to operate Amtrak, there were agreements established.

ASSEMBLYMAN MARKERT: Do you feel your operators would be able to move as easily from Conrail to Amtrak Commuter? Would you still be looking for the same type of flow-through guarantee as far as seniority is concerned? Do you think that position would hold there?

MR. MC FARLAND: I think it is already established. We already have flow-through of seniority with Amtrak, itself.

ASSEMBLYMAN MARKERT: But Amtrak Commuter would not be Amtrak.

MR. MC FARLAND: Using the same example Senator Rand did, you couldn't treat one group of employees - Conrail flow-through to Amtrak - and say, no, you can't go to Amtrak Commuter. It would be the same group of employees, but two sets of rules. That is what we try to avoid.

ASSEMBLYMAN MARKERT: That is what would be happening if we were to bring you into New Jersey Transit and then face negotiations as far as striking of public employees is concerned. That is the point that was just brought out by both Senators. So, you see, you, yourself, just addressed the very same problem that we would have if New Jersey Transit became the number one operator.

MR. MC FARLAND: I see what you are pointing out. But the thing that is left out - prior to New Jersey Transit taking over Maplewood Equipment Corporation, I represented people in Maplewood Equipment Corporation, Rockland Coaches, etc. I had five bus companies I represented. Their standards or rules are totally different than the railroad sector. So that is no problem.

SENATOR RAND: But we are trying to preserve a segment of employment by allowing, say, New Jersey Transit to take that over and make it a viable operation and continue that commuter rail service. If we don't have even-handedness along the entire route, then we create a problem internally, ourselves. What I want to continue questioning is: Is there any possibility of negotiations for binding arbitration? So we don't have two sets of different rules.

MR. MC FARLAND: I would say that that certainly is negotiable at this point in time.

SENATOR RAND: That is an honest appraisal and an honest answer, not because we want to take something away from you, but because we don't want to create problems I can see in our own backyard in another situation. God knows I don't think anybody up here is trying to take away anything from labor, rather it is to protect the situation that New Jersey Transit just signed a two-year agreement or a three-year agreement. We are very happy about that. Senator Gagliano was involved in some of those discussions and I was involved in some of those discussions. And I would hate to open up a Pandora's box. But you have answered it. You said, yes, that you would be willing to negotiate.

Assemblyman Markert, I am sorry that I interrupted.

ASSEMBLYMAN MARKERT: That's all right because what we did was really bring the discussion right back to where it started and we did not realize the fact that, if it comes under New Jersey Transit, there certainly has to be an agreement to coincide with the other agreements of the public entity, as far as employment in the State of New Jersey is concerned. On the other hand, I wanted also to bring out the fact if we were to consider Amtrak Commuter or another private company operating the transit lines, there you would be involved additionally in a separate situation, one that might involve, first of all, all the states under Amtrak Commuter, and another one under a private corporation that might take it over. You would then be dealing again with an individual state private corporation, operating only in the State of New Jersey. Another area would be operating this within New Jersey Transit. So we have three different areas. And, in all areas, I guess your negotiations will take separate and different forms because you will be looking at it differently. That is what I was trying to bring out.

MR. MC FARLAND: That could very well be.

ASSEMBLYMAN MARKERT: I am sure you agree with that.

MR. MC FARLAND: Yes.

ASSEMBLYMAN MARKERT: Thank you, Mr. Chairman.

SENATOR RAND: Any other questions, gentlemen? Irv, we thank you very much. We believe that this is an important segment in making up our minds. Certainly, labor contracts and labor negotiations are among the high costs.

SENATOR GAGLIANO: I do have one other thing.

We have heard rumors about Conrail's bookkeeping. I know it is complicated because they have people on freight and they have passengers, etc.

MR. MC FARLAND: To say the least.

SENATOR GAGLIANO: I don't consider you a computer expert and neither am I. But do you think that maybe we could bring that bookkeeping system up to date? If we set it up in New Jersey, do you think we could bring it up to the 20th century, so to speak, and have the railroad union personnel satisfied that at the end of the week or the end of the month they were being paid what they were entitled to get, with a lot less complication? Could that be done?

MR. MC FARLAND: I think so. I don't like to pour a lot of praise on an organization that is not in existence at the present time, which would be the commuter segment of New Jersey Transit, if it comes into being.

I can tell you the Conrail payroll system is something I am constantly confronted with. I have stacks of mail with the Department of Labor and Industry on payment of people. As an example, our people work in Elizabethport. They turn daily time cards in and hand them to the supervisor on duty at that time. He signs them. They go to his supervisor. Then they go from Elizabethport all the way down to Penn Center, which is on John F. Kennedy Boulevard. Sometimes there are batches of time cards lost, totally lost. So here is a man expecting his pay on payday and he gets two days' pay instead of five. Conrail says, "We are doing the best we can." I believe what your statement purports, and I agree, is that we can do a better job if we kept it right in New Jersey and it was handled right in New Jersey rather than having three and four people in one office handling it and three and four people in another office handling it and then losing it.

ASSEMBLYMAN MARKERT: Maybe that is one of the reasons Conrail hasn't been making any money.

MR. MC FARLAND: Oh, we lose boxcars and everything else in Conrail.

SENATOR RAND: Irv, thank you very much.

Harold Kendler.

H A R O L D K E N D L E R: Good afternoon, Senators.

I am Harold Kendler. I reside at 159 Manor Crescent, in New Brunswick. I am a Legislative Representative Emeritus and Chairman Emeritus of the Committee of Adjustment, Consultant to Local 1370, United Transportation Union, New Jersey State AFL-CIO, and our members are the conductors and trainmen employed by Conrail, formerly the Penn-Central Transportation Company, on its long line and suburban passenger trains. They man all of the railroad's commuter trains operated in New Jersey over former Pennsylvania Railroad routes and are the train crews on the inter-city passenger trains operated by Amtrak within the electrified territories serving New York City, Philadelphia, Harrisburg, Pennsylvania, Washington, D. C. and intermediate points.

Our interests are involved and otherwise linked with railroad operations, practices and policies, governmental interests and the public welfare in matters of mass transportation.

From March, 1968, to December, 1973, I served as Consultant to the New Jersey

State Senate Transportation and Public Utilities Committee.

From January, 1962, until May, 1965, I was Assistant Director-Operations Chief in the former Division of Railroad Transportation, New Jersey State Highway Department, now the New Jersey State Department of Transportation.

Since 1977, I have been a member of the Advisory Council of the New Jersey State Department of Energy by appointment of former Governor Brendan T. Byrne.

I have devoted more than 30 years to railroad union activities and/or governmental service.

As I understand the subject under consideration by this Committee, it involves the circumstances and anticipated consequences regarding the recommendation of New Jersey Transit and its Rail Committee to the New Jersey Transit Board of Directors that reflects a disposition for New Jersey Transit to operate the Agency's commuter rail service after the Consolidated Rail Corporation, Conrail, divests itself of that requirement as of December 31, 1982.

The New Jersey Transit recommendation went public in Newark on February 26th, 1982. Absent any expressions from the audience, I questioned Commissioner Canby about the input received by the parties responsible for the recommendation, and I did comment after the hearing about our concerns and rationale that was supportive of Amtrak Commuter Service.

Since that time, a number of clarifications have surfaced.

On March 11, 1982, a meeting of labor representatives was called by Conrail, at which time New Jersey Transit Deputy Director Martin E. Robins expressed major considerations, policy and firm decisions of the agency should New Jersey Transit operate commuter service.

With regard to the need for skilled workers in the various crafts and in the management levels, the agency's clearly stated position to continue labor relationships within the Railway Labor Act, as amended, the United States Railroad Retirement Act and other federal statutes is a distinct giant step to developing and preserving an efficient and productive workforce under a stabilized environment.

Present projects and future improvements planned for optimum commuter service are no less than encouraging confidence in the workforce that there is job security for them as employees of New Jersey Transit.

Commuters should likewise be encouraged with the long-range planning for betterments in rail service because their investments in residences, businesses and their communities will prove more substantive in values than might otherwise be the case were the State's rail transportation system be allowed to collapse.

It is clear that New Jersey Transit is aware of the magnitude of operating the rail commuter services safely and efficiently and is prepared to resolve the problems within the time limitations of the acquisition.

All parties understand new contracts are to be negotiated. We are confident that the agreements will be fair. It is my considered opinion that labor and the State want the rail system to work without giving "away the store," so to speak, and I believe it will be done.

There are problems of funding the service, particularly precarious in the light of federal disposition to reduce and eliminate funds to operate transportation systems and other important functions essential to the well-being of our community, which leaves the State with limited appropriations to spread around.

In April, 1981, a coalition of the United Transportation Union passenger service representatives presented their views at various public hearings throughout the State when New Jersey Transit planned to reduce service and increase fares. I am

attaching that position paper to this statement because I believe there are valuable insights and suggestions worthy of support by the Legislature, Governor Kean and the New Jersey Department of Transportation and New Jersey Transit.

It has been directed to my attention that certain New Jersey Transit construction projects resulted in Conrail workers being furloughed or otherwise reduced in numbers while the work they normally performed was contracted out, which, I am told, required the contractor to hire help and the cost was greater than if the Conrail workers would have been assigned to the work.

I hope that under New Jersey Transit operation all New Jersey Transit workers can look forward to continuing working in their craft when such work is necessary, and will not suffer the experience aforementioned.

In conclusion, as long as New Jersey Transit will implement the arrangements, procedures and cooperation that have been expressed up to this time by the agency, it is my firm belief that the traveling public, organized labor, the State, and the taxpayers shall all benefit from the new relationships and commuter rail services after 1982.

We sincerely appreciate the opportunity to express our views.

In addition to the statement, we would also like to say that we urge the New Jersey legislative and congressional groups' early support essential to New Jersey Transit operation. We urge Governor Kean to lead the efforts to make this New Jersey Transit operation operable, feasible and productive, benefitting the public interest, the economy and the general well-being. Thank you

(Attachment to Mr. Kendler's statement can be found in the appendix of this transcript.)

SENATOR RAND: Senator Gagliano.

SENATOR GAGLIANO: Harold, I appreciate this statement. I just wonder if you feel with respect to the federal law that we could negotiate a non-strike situation in New Jersey if New Jersey Transit takes over the operation of the railroads - if it is a negotiable point?

MR. KENDLER: As a positive position, it is an inconceivable development. What I meant by that is this: I, as a representative up until February when I became a consultant, represented the workers, as I indicated, on the former Pennsylvania Railroad, former Penn-Central; and, as a result, it is my people uniquely that exercise seniority rights on both Amtrak and Conrail. It doesn't exist anywhere else, except for those who had recent seniority developments as a result of the Conrail acquisition April 1, 1976. So, it is essentially our members that operate all the Amtrak service between New York, Philadelphia and Washington, as well as Harrisburg.

The point I want to make is this: we still do not have a contract with Amtrak. We operate under a contract with Conrail and Amtrak contracts with Conrail for the people to operate their trains. I am speaking of enginemen, firemen, conductors and trainmen. Certain maintenance and repair work on Conrail trains is performed by Conrail. Other maintenance and repair work is performed by Amtrak under contract with Conrail who, in turn, is reimbursed by the State. So we have a rather complex situation that has been handled in various degrees of efficiency. One of the reasons that supports the operation of the service by New Jersey Transit is the direct relationship that New Jersey Transit will have over many of the operations - not all. But New Jersey Transit is aware of this. For example, the route miles in commuter service on the former Penn-Central lines, now Amtrak, between New York and Trenton are owned and operated by Amtrak. So, New Jersey Transit is aware that they will have to have a special agreement with Amtrak for that type of operation.

It is New Jersey Transit's property - right-of-way - on the New York and Long Branch Railroad. That doesn't offer any problem. But access to the New York and Long Branch Railroad is via Amtrak facilities between New York and Rahway. Certain maintenance and repair work for the immediate future would be handled in Sunnyside, out of state; Wilmington, Delaware, at an Amtrak facility out of state; Paoli, Pennsylvania, at an Amtrak facility out of state. But New Jersey Transit has made the firm commitment and it is part of their immediate planning to develop a maintenance and repair facility in New Jersey so that to the degree possible that work will be done in the State of New Jersey, in order that there will be a return of the State's investments to workers and such other components as are involved with that type of work. I am confident that that is going to take place immediately. That is one of the situations.

Now, while a little bit round about on that, let's talk about what the future holds. There is certain federal legislation signed by the President August 13, 1981, which has to do with the Northeast passenger service operation, amongst other railroad matters. There are certain standards, if you please, that are incorporated in such legislation that at the present time are beyond the immediate scope of State legislators. There are guidelines designed to protect certain areas of financing, or lack of financing, including its operation. New Jersey Transit has the people who understand these guidelines and understand the federal standards under which they operate and will continue to operate whether it is Amtrak Commuter Service, New Jersey Transit, or whatever.

When our people - and I am speaking for the moment of Local 1370, but my colleague, Mr. McFarland, spoke well regarding other railroad workers - will be invited to work for New Jersey Transit - and, quoting Mr. Robins, he is looking forward to the skilled workforce that organized labor represents - they will then make a determination as to whether they will accept employment in New Jersey Transit or stay with Conrail, which is a limited operation in view of the limited freight operation that they have within the State. While we do not know at this time whether there will be an Amtrak contract between the organization, particularly the UTU, and the Amtrak people, should that develop, then there will be another option for workers to exercise.

Again, resident of New Jersey would, in my opinion, prefer to stay in New Jersey. But we are anticipating that New Jersey Transit will be looking forward to certain accommodations. Forgive me, Senator Gagliano, if I don't use the word "give-backs," because accommodations ---

SENATOR GAGLIANO: You use it your way and I will use it my way.

MR. KENDLER: --- because accommodations have already been exercised by UTU committees. Keep in mind, when we speak of the UTU, it is an autonomous organization. You have separate committees under the former Penn-Central, separate committees under Erie Lackawanna, separate committees under TNJ, etc. Back in January of this year, the representatives of these prior railroads who operate a commuter service under Conrail, speaking of the same EL, CNJ and Penn-Central, who had previously petitioned New Jersey Transit and Conrail to meet with them as a form of coalition to handle items that were anticipated to be for the betterment of the service, held meetings which were very productive. They had to do with revenues, with the quality of service, the conditions of stations and trains, etc. A number of improvements resulted in the service from those meetings.

Now, it turns out that this coalition is in a position to exercise added prerogatives. I am at liberty to say that should the New Jersey Transit recommendation to operate the commuter service be implemented, the coalition is prepared to make

a statement at the earliest possible time, with respect to certain rates of pay and certain conditions of employment that they feel would be acceptable to their membership and in the best interest of the commuter and the State as a whole. I am sure that about that time the State, in turn, will make some of their positions known in this regard.

The point that I am making, without making any further commitment for anyone, is that the parties, especially on the labor side, are exercising a posture that they are prepared to move with alacrity and dispatch and sit down with New Jersey Transit and get this show on the road.

SENATOR RAND: Thank you very much.

Peter Garabaldi, Atlantic City Railway, Inc.

P E T E R G A R A B A L D I: Good afternoon.

I would like to first apologize for not having a formal written statement put together. I was only invited for this presentation as of yesterday afternoon. Nonetheless, as Senator Rand mentioned earlier this morning, there is a third option that has not been discussed very fully this morning. That third option is private operation.

I must say that my entire discussion this morning will be restricted to the Atlantic City-Philadelphia corridor. Granted private operation cannot be considered for all the potential commuter routes that are going to be given up by Conrail by January 1st, nonetheless, the Atlantic City-Philadelphia corridor is one that is viable from a private operator's standpoint.

Before I get into my presentation, I would like to state there are three points that really should be kept in mind as to why private ownership should be considered very seriously.

The first one is: Amtrak Commuter cannot really be considered for the Philadelphia-Atlantic City corridor, the reason being New Jersey Transit has entered into a selection process to which they have committed themselves; and under this process, there will be no decision made on who will be the operator, if there will be a private operator, until after April 1st. As a matter of fact, it will be quite far in the future after April 1st.

The other reason is rather important, in itself; and, that is, that private operation is the only way by which private capital can be attracted to assist New Jersey Transit in operating commuter routes throughout the State.

The third point is that under Title 7 of federal legislation, private operators are going to have somewhat of a clean slate in having negotiations with labor. It is the only way in which labor and management are going to start off on ground floor one and work their way to a negotiated agreement, as opposed to Amtrak Commuter and New Jersey Transit.

A little bit about ourselves now, the company was put together back in 1977 informally, immediately after legislation was passed here in New Jersey for legalized gambling. It became quite obvious that it was going to be necessary for improved passenger service between the shore points and West New Jersey. In 1978, the company was incorporated by Mr. Thomas Froy, the President of the company. From there, we began research and development on this particular corridor.

Initially, our plans called for express passenger service totally. We were not looking at any other aspects of the market, only the express passenger market between Philadelphia and Atlantic City. That seemed to be the cream and the most logical place to make a profit.

After inspecting the corridor and spending two years in research and development

on it, it became quite evident that the only way to really serve the South Jersey counties was to have a full-service railroad, full service being defined as including freight, commuter operations, as well as express passenger service.

This past spring, 1981, we gave a presentation at the newly opened Playboy Club. Attendants were people from DOT, Transit Corporation, Amtrak, FRA, municipal leaders along the route. At that time, we made public our initial document for redevelopment of the Pennsylvania-Reading Seashore Lines. This plan went to New Jersey Transit and New Jersey DOT for negotiation and over the subsequent 40 or 45 days we began negotiating on it.

At the end of this time period, it became evident that the proposal that we were putting forth to them, which called for a long-term contract, a 40-year operation, was not in the best interest of DOT, not because the plan wasn't viable but because New Jersey DOT did not know what its long-term goals were 40 years from now. So they asked us to come back with a short-term plan, an interim operation, that would at the same time provide service for the residents in the area, as well as enable New Jersey Transit and DOT to determine what their long-term goals were for this particular corridor.

So, this past summer, we went back to the drawing board and developed a second and third document. Our second document was an accelerated plan on the same philosophies of the first proposal, but in a condensed manner. At the same time, we put out our third document, which was the Guide to Investors, a financial document detailing how this would actually be financed.

We began negotiating on this in the beginning of August; and, shortly after Labor Day, this discussion also came to a conclusion, not a fruitful one, but nonetheless it did lead on to bigger and better things. The reason for termination of discussion at this time was that DOT and Transit were up until then dealing with one and only one private venture capitalist firm, namely, the Atlantic City Railway. The problem there was that there was the possibility that in the future there might be criticism on the part of DOT and Transit for having discussed this particular corridor - public property - with only one operator.

As usual government policy goes, they turned to their second option, which is to go into the open bidding process.

December 15th, New Jersey Transit and DOT together published a document, "A Guide to Investors for the Atlantic City-Philadelphia Corridor." It was advertised in London, New York, and all the major cities of the world - financial capitals. From that time until January 6th, anyone who purchased this book was then included in a selection process. So between December 5th and January 6th, anyone who bought the book was in the selection. There were 38 firms included. We are now in depth into the selection process. This past Monday, March 15th, was the deadline for concept outlines on the part of New Jersey Transit by any of the interested firms, the initial 38. Of the 38 firms, four have submitted concept outlines. I must add, of those 38 firms, they were not all operators. They were advertising firms, marketing, engineering, people who were looking to supply equipment or services of some type to the new operator.

Now, we are one of the final four proposers for this particular corridor. We feel that we are in the best position, as I will outline later on. But what I would like to do is go into a little slide presentation real quickly which takes about nine minutes. Nonetheless, it will give an overall view, a philosophical view, from the Atlantic City Railway's point, of both the historical perspective, how it is now, and how it can be under Atlantic City Railway operation.

The presentation I am giving today has been given throughout the southern

part of New Jersey. I apologize to anyone who can't see it. Just one point - this presentation that we are giving this morning has been given, I would say, in excess of 60 or 70 times to municipal leaders and to all different types of authorities throughout South Jersey. It has been met with a great deal of acceptance and a lot of positive attitudes. We have shown this to numerous state legislators, as well as federal legislators, and all the municipal leaders along the route, all the different Chambers of Commerce that will be affected, and all the different commuter organizations. Hopefully, you will find it informative as well as somewhat entertaining. And I look forward to comments afterwards.

(At which time a film was shown)

MR. GARABALDI: Thank you.

SENATOR RAND: It looks like you have got me.

MR. GARABALDI: That's fine.

SENATOR RAND: But since I am the most important because I am from South Jersey, keep talking.

MR. GARABALDI: One of the important things involved here is the fact that Atlantic City has become the number one resort in the country. It attracted more visitors to this State than Las Vegas, than Disney World, than Disney Land - than any of these - for two years in a row. Yet there is no mass transportation system going down there. As a matter of fact, the last piece of equipment bought for that particular corridor was bought 31 years ago. Nothing has been bought for this particular rail corridor. Yet we have locomotives and we have hundreds of cars being purchased for North Jersey service. But nothing is being utilized to rehabilitate the service. There is a lot of justification, saying that there is no ridership, that there is no potential here. But that has been refuted by the USRA, this being named the number two corridor in the country. Marketing is one of the key things. There are lots of different reasons why we feel private operation is going to be profitable. The key thing is the fact that it is our dollar. Our dollar is on the table. And the only way we are going to get a return on that dollar is to provide a service that people are going to come back to not once or twice, but for the rest of their lives. It has to be clean and comfortable. The accommodations have to be what everyone perceives as being first class.

I think it is important to note, if anyone who has a map in front of him would care to look at it, who owns what and the fact there are some barriers in going into 30th Street in Philadelphia. The State owns from Lindenwald, the end of the high-speed line, down to Atlantic City, Ocean City and Cape May. Our particular operation revolves around the fact that in its first stages, 60 days after receiving a contract from the State, we will be operating improved commuter service between Lindenwald and Atlantic City. We are presently conducting a research analysis down at the casinos. We have sampled six of the different casinos to date, 10,000 questionnaires. Our analysis to date shows that this is going to be a profitable market.

At the same time, we see the importance, at least to our stockholders, of getting all the way to 30th Street. It is very, very critical that that occur. You have got to tie into the Northeast corridor. You have got to tie into the airport. You have to tie into the airport high-speed line. Those are critical points if the entire venture is going to come about. There are three other property owners involved not just New Jersey Transit. The other three property owners are: First is the Delaware River Port Authority, which owns the third track paralleling the high-speed line. Then from West Haddonfield to Frankford Junction in Pennsylvania. That is owned by Conrail. Then from Frankford Junction down to 30th Street, that is the North Jersey corridor and obviously owned by Amtrak.

Again, we feel that private operation is the way to go and I think once you learn a little bit more about us, you will see that through the selection process, we will be the winners in the final outcome.

SENATOR RAND: Peter, you say March 15th was the final date?

MR. GARABALDI: This past monday - that's correct.

SENATOR RAND: This past Monday. And there are four proposals, yours being among the four?

MR. GARABALDI: The proposals I must clarify a little bit in that they may not all be operating proposals. Due to the fact this is somewhat prioritized material, it can't all be totally discussed. But I suspect very strongly that we may be the only operating plan on the list.

SENATOR RAND: That is one of the reasons I want to be very careful not to ask you a lot of questions about your capital investment and who is going to modernize the beds, etc.

MR. GARABALDI: I will be happy to say yes or no.

SENATOR RAND: Well, I don't think this is the proper forum to discuss that.

MR. GARABALDI: Sure.

SENATOR RAND: We have heard about this proposal. I don't have to re-emphasize how important that corridor is. The major flow of the shift of population is from west to east, down in that southerly direction. But I am sure that we are going to be very interested in the proposal. It is said that when the State of New Jersey subsidized the riders, they spent \$10,000 a year to subsidize each rider that was using that Seashore Line.

MR. GARABALDI: That is somewhat refutable. I am sure the numbers are accurate. But how many of us in this room even know that that particular rail line exists? How many here have ever seen a phone number?

SENATOR RAND: You won't get any argument from me on that. I rode that line down there.

MR. GARABALDI: It's a shame.

SENATOR RAND: It is certainly not a modern method of travel anymore. But we will be very interested certainly to see what that proposal contains. I am sure that the department will be in touch with you and we will be in touch with the department.

Assemblyman Markert, are you going to ask any questions?

ASSEMBLYMAN MARKERT: I have heard the questions and the presentation. As I know, yours is one of the proposals being considered by New Jersey Transit and that will be recommended at its meeting. I will also leave it alone at this point, other than realizing it is the other area that we may address outside of New Jersey Transit, Amtrak Commuter and the private sector. I will be looking forward to some of the input.

SENATOR RAND: And you are right; that is a viable alternative to the other two, especially in that particular area since it is a self-contained railroad system.

MR. GARABALDI: One final point in closing, and that is, as expediency has been found to be imperative in the decision-making process of whether to use NJT or to use Amtrak Commuter, expediency should also be considered when talking about this particular corridor. Along with all the other corridors, this one will be discontinued as of January 1st and all types of leasing arrangements, especially with Atlantic City-owned property, are going to be terminated. And that property will no longer belong to the State or anyone else for that matter. There has to be some type of continuity involved between the changeovers. Therefore, for us, even as quickly as we say we can do it, it is going to take at least 60 days for us

to get our management together as well as to get our labor relations finalized. Therefore, we have to have something at least conditional put together as early as the late summer. Something has to be put down and some type of decision process be formalized. If that is not the case, we are going to have discontinuity between the services.

SENATOR RAND: I know the department is very anxious to resolve this problem. I know they have been in conversation with you since the proposal was initially offered some 15 or 18 months ago.

Any other questions? (No response.) Mr. Garibaldi, thank you very much.

MR. GARIBALDI: Thank you. It was a pleasure.

SENATOR RAND: Mr. David Meyerwitz. (No response.)

Is there anyone else whose name we inadvertently omitted who would like to testify? If not, this hearing is concluded.

(Hearing Concluded)

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3/03/82

REMARKS BY JAMES J. FLORIO

BEFORE

SENATE COMMITTEE ON TRANSPORTATION AND COMMUNICATIONS

ON COMMUTER RAIL SERVICE

MONDAY, MARCH 8, 1982

AS WE ALL KNOW, NEW JERSEY TRANSIT HAS MADE
A PRELIMINARY RECOMMENDATION THAT NEW JERSEY TAKE OVER CONRAIL'S
COMMUTER RAIL SYSTEM AT THE END OF THE YEAR. IN SO DOING, IT
REJECTED THE ALTERNATIVE OF CONTRACTING WITH AMTRAK COMMUTER.
THIS IS AN IMPORTANT AND DIFFICULT DECISION, AND WHILE IT IS
UNDERSTANDABLE FROM ONE PERSPECTIVE, I HAVE SERIOUS RESERVATIONS *ABOUT IT.*

THE NORTHEAST RAIL SERVICE ACT OF 1981 HAD TWO PRIMARY
GOALS -- TO IMPROVE COMMUTER SERVICE AND TO GIVE CONRAIL AN
OPPORTUNITY TO BECOME PROFITABLE; *AS A PREREQUISITE FOR*
CONSISTENT WITH BOTH OF THOSE
GOALS, CONGRESS DECIDED TO TRANSFER COMMUTER SERVICE TO OTHER,
MORE ACCOUNTABLE, OPERATORS.

2.

*9 Conrail...
TO BUYERS OF
PIECES
CONRAIL
NO
BUYERS*

THE ACT WAS THE PRODUCT OF MUCH DEBATE AND COMPROMISE. THE
REAGAN ADMINISTRATION HAD ORIGINALLY PROPOSED BREAKING UP CONRAIL'S
FREIGHT SYSTEM AND REQUIRING LOCAL AGENCIES TO TAKE OVER COMMUTER
LINES BY AUGUST OF THIS YEAR. A BREAK UP OF CONRAIL WOULD HAVE
BEEN DISASTROUS FOR OUR REGION AND STATE. *SINCE NO BUYERS* MUCH FREIGHT SERVICE
~~WOULD HAVE BEEN LOST.~~ *SINCE NO BUYERS* AT THE SAME TIME, IT WOULD HAVE BEEN NEXT
TO IMPOSSIBLE FOR COMMUTER AGENCIES TO TAKE OVER THE COMMUTER
SERVICE BY THIS AUGUST.

A Report on the...
I STRONGLY OPPOSED THIS PROPOSAL LAST YEAR IN CONGRESS.
AS CHAIRMAN OF THE HOUSE SUBCOMMITTEE ON COMMERCE, TRANSPORTATION,
AND TOURISM, I DEVELOPED AN ALTERNATIVE THAT GAVE CONRAIL THE
AS FUNDING...
which...
OPPORTUNITY TO BECOME PROFITABLE AND SET UP A NEW INDEPENDENT
SUBSIDIARY OF AMTRAK -- AMTRAK COMMUTER -- TO BE AVAILABLE AS AN
ACCOUNTABLE CONTRACT OPERATOR OF COMMUTER SERVICE.

My concern was "the..."
10.1...
to use...
I WORKED VERY CLOSELY WITH NEW JERSEY TRANSIT IN DEVELOPING
Prompted by my...
THIS LEGISLATION. I BELIEVED THEN -- AS I DO NOW -- THAT IT IS

*Comm. Gombacini
+ Current OFFIC
of T/N.J.*

3.

NOT DESIRABLE FOR THE STATE TO GET INTO THE RAILROAD BUSINESS.

STATE HAS NEITHER EXPERTISE OR RESOURCES
AT THE SAME TIME, I SHARED NEW JERSEY TRANSIT'S CONCERN THAT A
COMMUTER RAIL OPERATOR HAD TO BE ACCOUNTABLE AND RESPONSIBLE TO
THE COMMUTER AGENCIES THAT PAID THE BILLS.

THE CONCEPT OF AMTRAK COMMUTER WAS DEVELOPED WITH
ACCOUNTABILITY IN MIND. AMTRAK COMMUTER WAS STRUCTURED IN
SUCH A WAY THAT THE COMMUTER AGENCIES WERE TO CONTROL ITS BOARD
OF DIRECTORS AND HIRE ITS PRESIDENT. THE UNDERLYING THEORY WAS
THAT THOSE WHO PAID THE BILLS SHOULD CONTROL THE DECISIONS.

UNFORTUNATELY, AS WE ALL KNOW, ~~DREW LEWIS~~, THE SECRETARY OF
TRANSPORTATION, HAS SINCE IGNORED CLEAR CONGRESSIONAL INTENT AND TAKEN
OVER THE AMTRAK COMMUTER BOARD FROM WASHINGTON AND PUT HIS OWN
PEOPLE ON IT, PEOPLE WHO LACK EXPERIENCE IN RAILROAD OPERATIONS AND
ACCOUNTABILITY TO THE COMMUTER AGENCIES.

STEPHEN BERGER, CHAIRMAN OF THE UNITED STATES RAILWAY
ASSOCIATION, AND A MEMBER OF THE BOARD OF THE NEW YORK

METROPOLITAN TRANSPORTATION AUTHORITY, PUT IT WELL WHEN HE SAID, "THERE'S ALMOST NOBODY ON THAT BOARD WHO WOULD KNOW A COMMUTER TRAIN IF ONE RAN OVER THEM." HE ALSO NOTED THAT THE REAGAN ADMINISTRATION SET UP THE BOARD THE WAY IT DID TO FAIL, FORCING STATES TO TAKE OVER THEIR OWN SERVICE WHICH HE BELIEVES THEY ARE ILL-EQUIPPED TO DO.

SEC OF TRANSY.

I AGREE WITH MR. BERGER THAT ~~DREW LEWIS~~ HAS DONE WHAT HE'S DONE TO DESTROY AMTRAK COMMUTER AS A VIABLE ALTERNATIVE AND FORCE THE COMMUTER AGENCIES TO RUN THE SERVICE DIRECTLY, NO MATTER ^{what} THE ENORMOUS DIFFICULTIES INVOLVED IN THAT PROCESS. ~~IN~~ ^{IF} ~~PARTICULAR, I HAVE SEVERAL SERIOUS APPREHENSIONS ABOUT NEW JERSEY TRANSIT TAKING OVER THE SERVICE ITSELF.~~

FIRST, MUCH OF NEW JERSEY TRANSIT'S SERVICE RUNS OVER THE NORTHEAST CORRIDOR OWNED BY AMTRAK. AMTRAK INTERCITY PASSENGER TRAINS ALSO USE THESE TRACKS. THERE HAVE BEEN MANY DISPUTES

In a word, the system set up by Congress has been sabotaged toward the end of fulfilling the Admin Bids ~~Forward~~ Against having Fed. Govt play any role in maintaining the cost effective, efficient commuter rail system which transports 500,000 people/day in N.E.

*TRANSY
OF N.J.
who help
developed comm
AMTRAK
WERE ABLE
TO BE
CANDID
9 THAT
is only
reason
for going
it alone*

5.

BETWEEN NEW JERSEY TRANSIT AND AMTRAK OVER DISPATCHING PRIORITIES FOR THIS LINE. AMTRAK COMMUTER WAS AFFILIATED WITH AMTRAK TO PROVIDE AN INSTITUTIONAL STRUCTURE TO RESOLVE THESE CONFLICTS IN A WAY THAT COULD IMPROVE BOTH INTERCITY AND COMMUTER SERVICE. THIS ASSOCIATION WITH AMTRAK -- AND PERHAPS THE OPPORTUNITY FOR OPERATIONAL COORDINATION -- WILL BE LOST IF NEW JERSEY TRANSIT TAKES OVER ITS OWN SERVICE.

CURRENTLY, MANY SUPPORT SERVICES FOR THE COMMUTER AGENCIES, SUCH AS PAYROLL, PURCHASING AND DATA PROCESSING, ARE CENTRALIZED IN CONRAIL, WITH RESULTANT ECONOMIES OF SCALE. AMTRAK COMMUTER COULD ACHIEVE SIMILAR ECONOMIES BY CONSOLIDATING SUPPORT AND OVERHEAD FUNCTIONS FOR THE VARIOUS COMMUTER AGENCIES. IF NEW JERSEY TRANSIT TAKES OVER ITS OWN SERVICE, IT WILL HAVE TO START ITS OWN SUPPORT FUNCTIONS FROM SCRATCH. *REQUIRING RESOURCES & TIME*
(I SAW THIS FACT ACKNOWLEDGED BY T.N.T. OFFICIAL WITH SUGGESTION OF NEED FOR TIME IF THIS IMPLIES REQUIRING CONRAIL TO KEEP COMMUTER FUNCTION GOING; NOT GOING TO HAPPEN)
ALONG THE SAME LINES, AMTRAK COMMUTER OFFERED THE POTENTIAL FOR JOINT PURCHASE OF SUPPLIES AND EQUIPMENT, WITH THE POSSIBILITY

6.

OF LOWER PRICES. THIS ADVANTAGE WILL BE LOST IF NEW JERSEY
TRANIST TAKES OVER ITS OWN SERVICE.

AMTRAK COMMUTER PROVIDED THE OPPORTUNITY FOR THE COMMUTER
AGENCIES TO JOINTLY NEGOTIATE NEW COLLECTIVE BARGAINING
AGREEMENTS WITH LABOR. IT ALSO PROVIDED THE OPPORTUNITY FOR
JOINT USE OF PERSONNEL AMONG THE VARIOUS AGENCIES AND WITH
AMTRAK, SUCH AS COMBINED OPERATING CREW ASSIGNMENTS. THESE
ARRANGEMENTS HAD THE POTENTIAL OF REDUCING LABOR COSTS. IF
NEW JERSEY TRANSIT TAKES OVER ITS OWN SERVICE, IT WILL HAVE TO
NEGOTIATE ON ITS OWN AND WILL LOSE THE OPPORTUNITY FOR COORDINATION
OF PERSONNEL.

AMTRAK COMMUTER, AGAIN THROUGH ITS AFFILIATION WITH AMTRAK,
OFFERED THE OPPORTUNITY OF SHARED EXPERTISE IN RAILROAD OPERATIONS.
NEW JERSEY TRANIST HAS A HIGHLY COMPETENT STAFF, BUT THEY
STILL LACK ACTUAL RAILROAD OPERATING EXPERIENCE.

7.

IN THEORY, AMTRAK COMMUTER OFFERS MANY ADVANTAGES.

I RECOGNIZE THE PROBLEM NEW JERSEY TRANSIT FACES IS THAT

WHAT CONGRESS INTENDED FOR AMTRAK COMMUTER IS QUITE DIFFERENT

FROM WHAT THE REALITY IS. VERY SIMPLY, SECRETARY LEWIS

HAS FORCED NEW JERSEY TRANSIT TO CHOOSE BETWEEN TWO LESS

THAN DESIRABLE ALTERNATIVES. WHILE I CAN UNDERSTAND NEW

JERSEY TRANSIT'S REACTION TO THE CHOICE PRESENTED THEM BY ACTIONS OF

4500T
~~SECRETARY LEWIS~~, I AM STILL VERY APPREHENSIVE ABOUT NEW JERSEY

RUNNING ITS OWN RAILROAD SYSTEM, *I would probably come down*

AGAINST N.J. TRANSIT ASSUMING RESPONSIBILITY IN LIGHT OF ~~past~~ ^{ADMINISTRATIVE} ~~failures~~

Elim. of UMPA OPERATIONS ASSIST TO ~~that~~ & ~~proposed~~ Reductions in Capital Assist. ~~that~~
THE NEXT FEW MONTHS WILL BE DIFFICULT ONES FOR NEW JERSEY

TRANSIT. DESPITE MY APPREHENSIONS ABOUT THEIR ^{PRELIM} DECISION, I WILL

BE GLAD TO PROVIDE ANY ASSISTANCE I CAN TO HELP ENSURE AS SMOOTH

A TRANSITION AS POSSIBLE. WE MUST ALL WORK TOGETHER TO IMPROVE

OUR VITAL COMMUTER SERVICE.

*I AM OF THE OPINION THAT
THE COMMUTER RAIL NETWORK IN THE NE IS SUCH
A VALUABLE NATIONAL TRANSPORTATION RESOURCE THAT EVEN
THIS ADMIN WILL BE FORCED TO ACKNOWLEDGE & SUPPORT.*

*THIS WILL ^{happen} WHEN THE PUBLIC REALIZES THAT THE ^{current} COURSE OF
ACTION IN WASH. WILL RESULT IN THE DISMANTLING OF
THAT SYSTEM ^{CONGRESSIONAL} ^{MEANS PART}*

STATEMENT

John D'Amico, Jr., on behalf of
Irate Shore Commuters and Commuters' Wives

N.J. Senate Committee on Transportation and Communications
Trenton - March 18, 1982

I appreciate this opportunity to testify on behalf of approximately 8,500 daily riders of the North Jersey Coast Line and their concerned spouses on the subject of the replacement of Conrail as the operator of N.J. Transit's passenger rail system.

The objective of the Irate Shore Commuters and Commuters' Wives is commuter rail service which is safe, dependable, reasonably comfortable and affordable. Our major concern as the January 1, 1983 deadline for the replacement of Conrail approaches, is that we will not again experience the utter collapse of rail service which resulted from the transition in 1976 from the private rail carriers (Penn Central, Jersey Central and Erie Lackawanna) to Conrail.

Our organization came into being during the winter of 1977-78, when passenger rail service in New Jersey reached its nadir. That year North Jersey Coast Line trains were late 56% of the time--if they showed up at all. In frustration, a group of commuters stopped payment on their checks for monthly tickets and gave them to me to hold in my trust account until service was improved.

I drafted a letter to explain what I was doing and found to my dismay that there was no Conrail manager in New Jersey to whom to address it, so I ended up sending it to the Chairman of the Board. Similarly, there seemed to be no one in charge at the N.J. Department of Transportation, with only three dozen people assigned to mass transit and all the rest to highways; so I sent a letter to the Public Advocate and asked for an investigation.

In the Spring of 1978, N.J. D.O.T. and Conrail added insult to injury by asking for a fare increase. We appealed to the N.J. Superior Court, Appellate Division. The Court remanded the entire proceeding to the Commuter Operating Agency because it based the fare increase on budget projections rather than the actual financial results of the operation of service. In the course of these events, it was revealed that no audits had been made of Conrail's books and, in fact, that Conrail did not even have essential financial data.

It was not until November of 1978 that Conrail appointed Robert Downing as assistant general manager--passenger service for its Atlantic Region. Then, with the enactment of the N.J. Public Transportation Act of 1979, there was finally created a publicly-controlled mass transit agency staffed by rail and bus transportation specialists.

Thus, it took three full years to create an institutional framework which was capable of operating the passenger rail system which was abandoned by the private railroads in 1976--three years of unreliable, unsafe, inefficient, uncoordinated, uncomfortable and unsanitary service for commuters. Then there was steady improvement in the quality and dependability of service because of the dedicated efforts of Mr. Downing and former D.O.T. Commissioner Louis Gambaccini. But the PATH strike of the Summer of 1980 and resulting commuter service breakdowns highlighted some basic flaws in an institutional arrangement whereby Conrail, a freight carrier, operates N.J. Transit trains over tracks owned by the State of New Jersey and uses facilities owned by Amtrak, whose mission is to provide intercity rail passenger service.

During 1980, the commuter groups testified before your committee and the U.S. Congress about these problems; and Commissioner Gambaccini appointed a task force, of which I was privileged to be a member, to study Commuter

Rail Institutional Alternatives. The report of the task force was issued in February of 1981. During the Spring of 1981, members of the task force, including Martin Robins of N.J. Transit, Larry Filler of N.J. D.O.T., and myself, met regularly in Washington with Congressional Committee staffers, Conrail, Amtrak, U.S. Railway Association and U.S. D.O.T. and assisted Congressman James Florio in the drafting of the Northeast Rail Service Act of 1981.

It is therefore with considerable experience and background that we express our views today on the decision to be made by N.J. Transit as to the transfer of commuter rail services from Conrail to a new entity. Our recommendation is that N.J. Transit assume direct operation and control of the commuter rail system of the State of New Jersey for the following reasons:

- 1) N.J. Transit already owns the tracks, stations, equipment and other facilities; has an established rail management team; and has a good working relationship with the Conrail management personnel who conduct current operations, so that the chaos of the 1976-9 transition would probably not be revisited.

- 2) Most of the Conrail managers and workers are long-time New Jersey residents who have made their careers in railroading and are likely to prefer the job security and satisfaction of working for N.J. Transit to the uncertainty of working for another carrier or a new entity of unknown quality such as Amtrak Commuter Services Corporation. The N.J. Transit option would therefore be more likely than any other option to maintain continuous, efficient operation of commuter rail service.

- 3) A N.J. Transit take-over of service would maximize institutional accountability to rail passengers and taxpayers by entrusting management of the commuter rail network to a publicly-controlled corporation which has

been, and would presumably continue to be, accountable and responsive to these constituencies.

4) N.J. Transit would achieve maximum control over the cost and quality of commuter rail service because it would not be dependent upon Conrail, Amtrak Commuter Services Corp. or any other carrier to act as its agent in the provision of day-to-day service or the negotiation of labor agreements facilitating less costly and more productive work rules and bases of pay.

There being no private carrier with the resources to operate such a large rail system as New Jersey's, the only alternative to N.J. Transit is Amtrak Commuter Services Corporation. In our opinion, A.C.S. is not ready, willing and able to do the job. There is no way that an organization that does not yet even have stationery with its name on it can hope in eight months to assume with any degree of efficiency and continuity the employment of 3,000 persons and the operation of 510 trains a day over a 490-mile rail system serving 70,000 daily riders.

One of the critical areas of concern in the transition is the establishment of adequate support services, such as accounting, purchasing, data processing, legal and labor. As opposed to N.J. Transit, which has been working on this issue for many months under the able direction of Martin Robins, A.C.S. has done none of the careful planning required to establish these services. With the MTA likely to take over its own service and Pa.'s S.E.P.T.A. interested in providing its own services and having A.C.S. employ only the train and engine crews, A.C.S. would only have to provide passenger rail support services for N.J. Transit if it contracted with A.C.S. Why entrust such an important task to an entity so ill-prepared to deal with it when N.J. Transit could do it directly with full control over specifications

and cost? If N.J. Transit needs help, perhaps the Governor could ask the private sector to make available on a voluntary basis its considerable expertise in these areas and its excess computer capacity.

By far, the most telling arguments against an Amtrak Commuter Subsidiary takeover, however, are the following:

1) N.J. has only one representative on the 6-member A.C.S. board, Mr. David Pindar, and he has not yet been officially seated. Thus, N.J. would have very little more to say about the nature, cost and quality of the services which A.C.S. would provide under contract than it now does with Conrail.

2) Amtrak has consistently opposed any involvement in commuter rail service and has rarely, if ever, cooperated with N.J. Transit on any issue concerning the use of the Northeast Corridor.

Under these circumstances, what would appear to be a choice is no choice at all. There appears to be no question that N.J. Transit should assume control over its own destiny.

A very important caveat must be added to this conclusion, however. With the assumption by N.J. Transit of the responsibility to operate commuter rail service must come the assumption by the State of New Jersey of the responsibility to provide adequate funding for rail operations.

New Jersey has a tremendous stake in its rail transportation network. It has spent millions of dollars from the 1968 and 1979 bond issues and Transpac to purchase new trains, electrify the North Jersey Coast Line to Matawan and re-electrify the Erie Lackawanna Railroad. At the same time, increasing costs coupled with cutbacks in federal operating assistance and inadequate state appropriations have resulted in fare increases far in excess of the rate of inflation. Subsequent losses in ridership are undercutting

the value of N.J.'s investment in rail facilities and threatening the economic well-being of large areas of the State which are heavily dependent upon passenger rail transportation.

We therefore support the bold concept proposed by Governor Kean of imposing a 5% sales tax on gasoline and allocating the proceeds of transportation. Our only criticism is that an inadequate amount of money has been earmarked for the N.J. Transit Budget, so that another 25% fare increase plus service cutbacks will be required in July to eliminate a projected \$66 million shortfall. There should be no service cutbacks, and fares should be held at present levels until the modernization projects are completed.

New Jersey needs to increase passenger rail ridership in order to remain viable and competitive economically with other regions of the country. Commuters working in New York and Pennsylvania have pumped billions of out-of-state dollars into the N.J. economy. Seeing and understanding this fact, the private sector in Newark alone has planned or built almost \$200 million worth of new office space around the Pennsylvania and Erie Lackawanna Broad Street Railway stations. This activity must be encouraged.

It is therefore to the advantage of all New Jersey citizens to give N.J. Transit adequate financial support so that it can continue to provide efficient, coordinated, safe and responsive rail transportation. In so doing, we shall reap tremendous dividends by promoting the mobility of the transit dependent, conserving energy, reducing air pollution, relieving highway congestion and fostering commerce--especially in our urban centers.



united transportation union

NEW JERSEY PASSENGER SERVICE LABOR COALITION

RAILROAD LABOR'S PUBLIC TRANSPORTATION PROPOSALS TO MAINTAIN
AND IMPROVE RAIL SERVICES AND TO PRESERVE REASONABLE FARES
AND
ASSESSMENT OF RESPONSIBILITIES
INVOLVED WITH
THE NEW JERSEY TRANSIT DISPOSITION
TO INCREASE FARES AND REDUCE RAIL SERVICE

BEFORE

NEW JERSEY TRANSIT PUBLIC HEARINGS

VARIOUS DATES IN APRIL, 1981

Greetings:

Our coalition members are United Transportation Union representatives whose members are employed by the Consolidated Rail Corporation (ConRail) in train and engine service, freight and passenger, on the railroads formerly known as the Central Railroad of New Jersey (CNJ), Erie-Lackawanna Railroad (E-L) and the Penn-Central Transportation Company (P-C). For the purpose of this presentation our remarks are essentially confined to rail passenger service currently operated in the State of New Jersey by both ConRail and the National Passenger Service Corporation (AMTRAK).

In explanation, AMTRAK holds no contract with the organizations representing train and engine service (the operating employees). Consequently AMTRAK's "operating" labor needs are provided from the ranks of ConRail employees and thereafter ConRail is reimbursed by AMTRAK.

Coalition members are:

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We are concerned with recent expressions from Federal and State sources regarding intentions to reduce funding for public transportation and to simultaneously reduce train service operations and increase passenger fares as alternatives to preserving, and improving, our public transportation systems in New Jersey.

We also take strong exception to representations by State Transportation Agencies that train and engine service labor agreements are significantly at fault for the problems at issue that effectively preclude the State from operating a viable rail commuter service and we shall respond to those ill-conceived, self-serving, rabble rousing public expressions in this presentation.

We want the public to understand that our Coalition's objectives are to assist in the development of a satisfactory level of passenger service that will preserve and attract patronage to our rail passenger service operations. So we initiated efforts to meet with ConRail and New Jersey Transit together, and our first meeting took place on February 13, 1981, at which time, amongst other items, we presented the following for attention:

1. Eliminate use of display type tickets because it has no redeeming qualities, is an annoyance to commuters, subjects commuters to financial loss when display tickets are lost or stolen.

2. The failure to satisfactorily service train lavatories.

3. Need for terminal improvements at Penn Station, New York, by making elevators operable on two (2) platforms serving Track Nos. 1, 2, 3 and 4 which are used only by New Jersey Transit commuter trains and which platforms have no escalators. Also at New York we expressed the need for re-establishment of a medical office. AMTRAK Station at Newark is another heavily patronized station that requires a medical office.

4. More economical train schedules on days preceding and following holidays, such as Thanksgiving, Christmas, 1980 New Year's Day, 1981.

5. Need for timely responsiveness for the unsatisfactory conditions directed to the attention of ConRail and New Jersey Transit.

To further assist the public in understanding that we stand as friends of commuters, and possibly the only true friends the commuter has, that we are free of guile, ambiguity or torture of facts is found in our efforts to preserve the level of commuter service threatened with curtailment and/or elimination by the New Jersey State Department of Transportation (NJ DOT) and the former Commuter Operating Agency in 1975.

The State stated there was a lack of funds and absent new appropriations planned the huge service reduction. Our UTU representative and member of the Coalition pressed the position that the State had funds on hand and declined to use this money and was thereby creating an unnecessary transportation dilemma. To prove labor's correct views in this regard, it was necessary to file suit in the Courts at great expense that resulted in the State Agency releasing the funds which preserved the service benefitting commuters and workers alike.

We say again that we have the expertise to offer innovations and proposals that will serve the public interest well and in this regard we believe the following suggestions warrant the earliest possible consideration:

1. Commuter fares to be declared a State tax credit (100 cents on the dollar) for each user of rail, bus, car pool and van pool transportation. This will result in accountability of funds, reduction in appropriations, grants, bond issues, etc. and improved identification of expenditures. The fare box will become the principle source of funding and the commuter will receive a more appropriate tax consideration involved with public transportation services than has been possible to this time. Thereafter, the State's Congressional Delegation should be called upon to develop legislation that

will contribute to this conception and assist the State with significant Federal tax considerations or funding essential to the success of this innovation.

2. The St. Lawrence Seaway Project has been the recipient of federal subsidies since its inception in 1959. It is our belief that the Seaway had created adverse effects on the principle railroads linking the mid-west with the Atlantic Seaboard ports and significantly contributed in changing these railroads from tax rateable properties to become wards of the State. The Eastern Seaboard and particularly its economy surrounding and dependent on the ports of Boston, New York, Philadelphia and Baltimore has also been adversely effected by the Seaway. Less than 3 percent of the vessels and barges using the Seaway fly the United States flag. Even Soviet and Soviet satellite nations are accommodated in this transportation give-away. If our leaders in Washington, D. C. are going to hold back or transportation dollars for the Northeast Corridor States, then we direct their attention to some new priorities for their consideration. Before the Administration impales and/or destroys our railroad networks by denying the funds for continued rail operations on an adequate and serviceable level, we submit that the subsidies for the St. Lawrence Seaway be summarily terminated and that the Seaway tariffs be self-sustaining and also be set on a level that will finance the Seaway Extension improvements and also assist in funding the mass transportation needs in the 4 port urban areas above mentioned. It is high time this country stopped subsidizing transportation systems that results in foreign manufacture of products sold on the world's markets underpricing products made in the U.S.A.

3. Instead of the government supporting two (2) transportation systems as between the railroads and the U.S. Postal Service, we submit that the Postal Service be reoriented to the railroads and utilize the unused Post Office-railroad connected facilities and equipment to be found in New York and other major cities. Everyone who remembers the high quality of mail service when it was carried by rail can attest to the need for change from the present unsatisfactory rubber tired service that is not energy efficient and contributes to our airpollution.

4. Change the legislation and/or administration determination that authorized the Port Authority of N. Y. & N. J. (PANY&NJ) to collect an increased toll of 25¢ per passenger vehicle (more from other than passenger vehicles) per trans-Hudson crossing and then become custodian of such funds.

We find that the increased amount collected and not released to the respective States of N. Y. and N. J. in timely fashion has resulted in a loss of purchasing power by reason of inflation and denied the States access to funds that could have been earlier put to use as cash flow and the establishment of lines of credit.

Now let us address the allegations advanced by ConRail and N. J. Transit regarding certain "obsolete, but costly work rules and bases of pay, ect." which have been well publicized in the news media and the alleged labor blame in this regard has received supporting expressions from commuter group leaders, legislators and others of political persuasions.

We submit that this organized, well orchestrated, rail labor name calling serves no good purpose and labor's true role requires understanding based on truth and facts in sequential order and not out of context of events.

Much has been made of a few crew assignments, approximately 14% of the total number that have long layover time away from home terminals and not all of these in exclusive N. J. Transit commuter service operations, --- which would result in N. J. Transit layover crews to approximately 10% of the total passenger assignments.

In the first place all crew assignments are singular managerial prerogatives and representatives, such as some of the respective members of our labor coalition, may petition the railroad to rearrange assignments only on the basis where labor's proposal is more economical to operate. Away from home layover time for operating crews is not a result of labor-management negotiations; it is a product of a management conceived arrangement of manning passenger trains. Long periods of time at away from home terminals developed from the railroads' successful efforts before State regulatory agencies, after World War One, to eliminate mid-day passenger service. After World War Two these mid-day commuter trains and late night service eliminations continued. It was always represented by the carriers that there would be great labor-cost savings by such train service eliminations. The record supports labor's expressions to the contrary.

Thereafter on the lines of the former Pennsylvania Railroad an arrangement of commuter service trains crew assignments was developed where crews worked into New York in the morning from suburban terminals and thereafter were assigned to assist crews on inter-city trains serving Philadelphia and Harrisburgh, Pa., Washington, D. C. and Atlantic City, N. J., and thereafter completed their assignments to their home terminals. These productive crew

were in effect until ConRail acquired the bankrupt railroads April 1, 1976. Thereafter ConRail and AMTRAK agreed to disagree about these crew assignments and separated ConRail service from AMTRAK so that no single assignment would work both ConRail and AMTRAK trains during one tour of duty. This resulted in longer away from home layover time and more costly operation of passenger service by both railroads, about which labor had no say whatsoever. Labor complained about the additional costs to the carriers and State alike because in our experience we knew a day of reckoning would come and we could anticipate all responsible parties getting on the bandwagon and joining in finger pointing at labor as the culprits responsible for long away from home layover time.

Our terminal facilities leave much to be desired. We do have crews who are work oriented and, where their assignments permit, work part time at another job. The railroads, the State and others would have the public believe that this work-syndrome is some form of wrong-doing. Why? Let us look around our society and examine the work syndrome of others. For example, the New Jersey Legislature is made up of part time workers and they get paid before they perform any work while they continue with their professional and business interests. This N. J. Passenger Service Labor Coalition is made up of part time railroad workers who also work part time during layover time and after work tours as labor representatives. There are other numerous examples of people who work at a profession or business and devote part of their work day to other activities such as a number of people who appeared at a Public Hearing called by the N. J. Senate Transportation Committee on Monday, April 6, 1981, in Trenton at which time they joined in castigating labor as per N. J. DOT & N. J. Transit's "Institutional Alternatives Report." There are always some workers in the transportation industry; air, marine, rubber-tire and rail who have time and willingness to devote to other productive endeavors to increase their personal income. What is wrong about that? We always thought that is the American way; to work hard, produce more, pay taxes on all that you earn and in general be a law abiding, respectable member of one's community.

Well, that is what railroad workers are, just plain hard working, tax paying citizens. We do not have horns growing from our heads, nor fangs from our mouths. The bottom line is essentially this: Labor is not responsible for layover time. The railroad has the right to work men on as many trains as can be programmed. There are not labor negotiated agreements that prevents the assignment of crews to mid-day service, where it exists and where crews are needed.

Wages of railroad workers are based on a monthly basis. In fact the railroads refused to pay their employees weekly until State laws were passed for that purpose.

The so-called 100 mile day is 150 mile day for passenger train service crews, and the reason for a mileage basis in the wage structure that was negotiated was a condition insisted upon by the railroads as an incentive to workers and to pay a lesser hourly rate.

On the former P-C & E-L nine hour tours of duty in commuter service are paid 8 hours under the 8 within 9 hours pay provisions rule. Overtime after nine hours is at less than straight time pay. On the former CNJ there is a 5-day work week, inclusive of a better wage scale which was negotiated predicated on a large number of "give-backs" as a productivity factor.

Since World War I every national settlement of a wage-rules dispute which resulted in increased wages for the employees also resulted in reduced labor costs to the railroads. As an aside, in the 1950's and 1960's the I.C.C. approved several railroad freight tariff increases applied for by the railroads in anticipation of increased labor costs which did not happen.

If there are onerous and service restrictive labor agreements then such agreements have been a very well kept secret by ConRail and N.J. DOT-N.J. Transit because up to this time labor has not been called upon to negotiate changes in rules about which news releases from ConRail and N.J. DOT would have the public believe keeps the railroad and the agency from service improvements. If the situation has been so horrendous for such a long record of time why hasn't the subject surfaced up to this time?

In conclusion we believe there have been extraordinary large expenditures of public funds by omission and commission involved with

electric self-propelled (MU) cars, incompatible coupling systems between series of cars, failure to re-electrify E-L right-of-way to accommodate the arrival of Arrow-3 coaches which are being used on former P-C lines and will be in sorry shape by the time these cars can be assigned to the E-L service, failure to provide for research and development of hybrid locomotives to be used in both electric and non-electric operations without the need for locomotive change which would have permitted greater economies in purchase, train service operations, manipulation of equipment, maintenance and repair, and the extensions of electric service from South Amboy to Matawan, N. J., will prove an extraordinary expense in every aspect including increases in labor costs which is not justified by the service that will be operated after the project is completed.

Too much money has been spent inappropriately and now the transportation "cupboard" is somewhat bare and N.J. DOT-N.J. Transit looks to commuter fare increases, service curtailments and reductions in crew wages to make up the short-fall.

Where we could, labor gave advice to the State over the years re their expenditures which was almost totally disregarded. We stand ready to assist in developing improvements in rail service and to restore public transportation integrity in the operations, if we are premitted to do so. Up to this writing rail labor organizations are conspicuous by their absence in State DOT and N.J. Transit agencies, task forces or advisory groups.

Organized labor is not an adversary group and we are not hostile to the public interest. We submit we are the best transportation informed friends of commuters and taxpayers. We look forward to the opportunity to demonstrate that friendship with our expertise and ability to implement the public transportation systems of the future.

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