

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

before

SPECIAL SENATE COMMITTEE TO STUDY PASSENGER AND FREIGHT
RAILROAD OPERATIONS WITHIN THIS STATE AND THE ADVISABILITY
OF PROVIDING FOR THE CREATION OF A PUBLIC AUTHORITY WITH
POWER TO ACQUIRE AND OPERATE PASSENGER AND FREIGHT RAILROAD
FACILITIES, CREATED UNDER SENATE RESOLUTION NUMBER 4.

Held:
December 21, 1965
County Administration Building
Somerville, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator William E. Ozzard [Chairman]

Senator Thomas J. Hillery

Senator John A. Lynch

Also:

Samuel A. Alito, Secretary

* * * *

I N D E X

	<u>Page</u>
Dr. William J. Ronan Chairman, Metropolitan Commuter Transportation Authority [of New York]	2
John A. Bailey Deputy General Manager Southeastern Pennsylvania Transportation Authority	30
Paul MacMurray Executive Director Delaware River Port Authority	47
Louis T. Klauder Louis T. Klauder and Associates Philadelphia, Pennsylvania	57

- - -

SENATOR WILLIAM E. OZZARD [Chairman]: I would like to call the meeting to order at this point and for the record Senator Stamler has communicated with me and finds it impossible to be here. Senator Woolfenden is in the hospital undergoing spinal surgery and will not be here. Senator Lynch is on his way and should be here now and I expect him to walk in at any moment. And for those of you who haven't met us, I am Senator Ozzard and this is Senator Hillery.

Dr. Ronan, I want to ask you to come forward please. First, I would like to make a comment to you Dr. Ronan and to the other gentlemen who are here; I believe Mr. Klauder is here and Mr. MacMurray. Is Mr. Bailey here?

MR. BAILEY: Yes.

SENATOR OZZARD: This is the first and probably will be the only meeting we have had where we have called upon persons who didn't have some direct or indirect interest in the New Jersey problem, at least this North New Jersey problem. We have had the commuter groups and the rail interests, the State officials, all with some sort of interest in this and this meeting this morning I think is probably our most productive in that you can tell us very frankly what has happened in other places where you are making this commuter problem work out and we are deeply appreciative of the time being given and the opportunity we have of getting on the record here, a record that is now quite voluminous and is being studied very carefully, your experiences. We trust with your help this morning we will have some sort of a sensible recommendation when we get through.

Dr. Ronan, suppose you start this off. We are particularly

interested in knowing how you came to get an Authority act and what you are doing with it in New York State at the present time.

D R. W I L L I A M J. R O N A N: Senator Ozzard, Senator Hillery, members of the Committee: Let me first say that it is a pleasure to be here and to have an opportunity to discuss with you some of the problems that we faced in New York and how we are going about them. We have always had a very fine and close relationship with the State of New Jersey in solving mutual problems and the problem to which your Committee is addressing itself today, while it is a New Jersey problem, it is also a problem that affects us very materially in New York, as it does our neighboring State of Connecticut as well.

As a background for what New York State did in the way of creating a Metropolitan Commuter Transportation Authority, I should like with your indulgence to run over a few key points of history in connection with this problem, going back to the year 1959 because against that background only, I think, can we understand what New York has done in more recent times.

The year 1959 was a crucial one in terms of the railroads that render commuter service in New York because it was the year in which the Legislature under the recommendation of Governor Rockefeller passed a real property tax relief program for the railroads. The railroads in New York State were heavily taxed in comparison with most other states in the Union and the laws of 1959 provided roughly for a cut of 50 per cent; half of the railroad real property taxes were abated. The

State, of course, had no real property taxes. These were local government taxes levied on rail property. And the State in order to compensate the local governments for part of the loss of this revenue appropriated roughly half of the tax abated to the local governments. So the local governments have been receiving half of the money back from the State treasury. Currently the total tax relief on the railroads runs in excess of \$24 million a year and the State is contributing roughly half back to the local governments.

A further step was taken in tax relief in the year 1961 when additional tax relief was provided for commuter railroads on the passenger facilities of those railroads, that is, properties which were devoted to passenger service. And as a result of the laws of 1961, virtually all of the property of railroads that were in the New York commuter service, all of the property related to transportation of people, was relieved of taxation. This relief, however, was conditional, this second type of relief - the first was rather unconditional, just general relief -- the second type of relief was conditional upon the railroads' meeting standards of service which are proclaimed annually by the State Office of Transportation and also conditional upon the railroads' joining in the New York State Commuter Car Program.

The year 1959 also saw the birth of the New York State Commuter Car Program, of which I will have more to say later.

With respect to the tax relief, just to finish off this area, the standards of service are set annually and the procedure might be of some interest to your Committee. Each year the

railroads which seek to qualify for this tax relief - and these are the three major New York State commuter railroads - the New York Central, the Long Island and the New Haven - submit their plans for the year, what we call their plans for rehabilitation. On November 1st, the Office of Transportation having reviewed these and having looked at the condition of the railroads and their services, issues a tentative schedule of standards of service. The railroads have an opportunity to react to this, as do the taxing districts. This period of time allows the taxing districts to point up things that they think might be included in the standards of service or to which they might object. And on January 1st of the ensuing year, the Office of Transportation promulgates the standards of service. The three commuter railroads in the New York area now have all qualified for this tax relief.

The Commuter Car Program which was inaugurated in 1959 and inaugurated with the cooperation of your State of New Jersey, because the vehicle used for it was the Port of New York Authority, has provided the commuter railroads in New York State with an opportunity to finance equipment, passenger equipment, commuter equipment, at relatively low cost. The program began with an initial advance of \$20 million to the Port of New York Authority after enabling legislation had been passed in the states authorizing the Port of New York Authority to act in this capacity, and the Legislature in the State of New York passed for the first time in 1959 a constitutional amendment which would permit the pledging of \$100 million of State credit behind Port Authority bonds as a \$100 million

revolving fund for the building of commuter cars and the leasing of these cars to commuter railroads. Under our Constitution, another election of the Assembly must intervene before second passage of such an amendment, and the second passage was achieved in 1961 and it was referred to the electorate and the electorate approved the amendment to the Constitution, authorizing the State guarantee of this \$100 million of Port Authority bonds.

Under this Commuter Car Program to date the three railroads have all participated in varying degrees. The New York Central has purchased 87 new multiple-unit cars under the program. The Long Island has purchased 30 and the New York, New Haven and Hartford is participating by having technically - well, actually - sold some of its old equipment to the Port of New York Authority for rehabilitation so that that service on the New Haven can be maintained during the period of the demonstration grant which is currently under way and which has until July 1, or if the option is exercised to extend it six months, until January 1, 1967, to run. The Commuter Car Program offers for the future the opportunity for further financing of commuter cars and the plans with respect to the Long Island Railroad calling for some 500 new multiple-unit cars as a starter and the New Haven's need of some 80 multiple-unit cars will give your Committee some idea of the scope of the need on the commuter railroads to the east of the Hudson.

In 1961 there was also enacted in New York a statute which permitted local governments to make contributions to commuter railroads for what we call station maintenance. Station

maintenance is not the cost of painting the station or cleaning the washrooms, but it is the cost necessary to maintain a station. This is a figure ascertainable from the accounts of the railroad as they are set up under the Interstate Commerce Commission. In 1965, insofar as the Metropolitan Commuter Transportation Authority's activities are concerned with respect to local governments, there is a mandatory feature on the station maintenance contribution which I will return to when I discuss the Commuter Authority.

The State has also embarked upon a more intensive look at all transportation in the State and there was created in the State government in 1959 also an Office of Transportation. The Office of Transportation has a responsibility for transportation statewide and is also the agency to which the State looks to represent its interests in merger cases, rate cases, discontinuance cases, etc. It is not a regulatory body; it is the body which represents the State's interest before regulatory bodies.

On direction really of the Governor and his office, the Office of Transportation embarked upon some cost studies of commuter railroads and crucial to the future of the State's program on commuter railroads, it was felt adequate cost data had to be developed. Specifically, we were deeply concerned at the time with the alleged deficits being produced by certain commuter services, most specifically the New York, New Haven and Hartford, which had alleged to be producing a deficit in its West End commuter service as much as \$9 million per year. The cost study which the State undertook, engaging

the firm of Edwards and Peabody, an outstanding rail-cost firm, showed conclusively that the New York, New Haven and Hartford West End service was not the major contributor to the New Haven's deficit at all; on the contrary, if you added the Grand Central ground rents which were related to transportation service into Grand Central by the New Haven, that service was breaking even and in more recent years yielding a slight excess of revenue above out-of-pocket expenditure. This, of course, did not include any return on the investment, but just a cash-in and cash-out basis. So as of today, the New York, New Haven and Hartford West End commuter service has an excess of income over expenditure on just a straight cash operation including the ground rents of about one million one. This cost study of Edwards and Peabody was updated a year ago. In testimony before the Interstate Commerce Commission, it was really not controverted in cross examination and very recently the Interstate Commerce Commission's own Bureau of Accounts completed a study which substantially validates the Edwards and Peabody study. As a matter of fact, the excess of revenues is a little higher in the ICC study, as I recall it, than the Edwards and Peabody study.

The State, in addition to moving into the area of trying to ascertain actual costs by engaging competent cost accountants in this area who were given complete freedom and independence to come up with whatever the figures showed, has also supported very strongly the regional transportation land-use planning activities of the Tri-State Transportation Commission which has just recently been enacted into law in the three states of the

Tri-State Transportation Commission. And the State has taken advantage of the work of the Tri-State Transportation Commission in its own transportation planning activities.

In October of 1964, the Governor of the State appointed a special committee on the Long Island Railroad. The Long Island Railroad for eleven years had been what we in the State call a redevelopment corporation. The Long Island Railroad following a very serious series of accidents needed rehabilitation. Some eleven years ago the Pennsylvania Railroad and the State of New York came to an understanding that the Long Island Railroad would be rehabilitated and the railroad was given substantial tax relief from real property taxation and the Pennsylvania Railroad agreed to forego interest and amortization on its outstanding indebtedness on the railroad. But despite the heroic efforts of those eleven years, the Long Island Railroad had not been modernized to the extent that many had desired and it faced an uncertain future with the expiration of the redevelopment corporation status due in August of 1966.

The special committee on the Long Island Railroad made an inquiry into the finances of the railroad and the possibilities of the railroad for the future. The committee ascertained that the railroad was absolutely essential for the economic growth of the State and particularly for the large segment of the State's population on Long Island. The committee also came to the conclusion, however, that the railroad was not a viable private enterprise, that despite tax relief, despite voluntary station maintenance contributions by the County of Nassau and the City of New York and a one-time contribution by the County

of Suffolk, there was no real prospect for this railroad continuing under private enterprise because no private enterprise, as the committee viewed it, would invest the necessary capital in the railroad to modernize it and assure that its services would be continued and would attract people to its services. It was also the committee's judgment that the State had no real alternative but to rehabilitate this railroad and to modernize it because the alternative of highway construction to take care of the 260,000 people that ride that railroad every day was just unthinkable. There was not adequate space to build 26 lanes of new expressway in one direction, which would mean at least a feedback of 13 lanes in the other direction we were told, so that the State could not countenance building several more Long Island expressways through very high-valued property on Long Island and in the City of New York. This would require also the building of several new tubes under the East River, some five or six of them, and when the automobiles got to Manhattan, there would be no place to put them. Also the costs would run over \$2 billion in our estimation and, therefore, it seemed like there was no real alternative but to update the railroad.

The estimated cost of putting the railroad in reasonably good modern condition was some \$200 million to \$290 million.

The recommendation was made by the Committee that the State purchase the railroad provided a reasonable price could be obtained from the owner of the railroad, the Pennsylvania. The Pennsylvania Railroad owns all of the capital stock of the railroad and it holds the outstanding debt, the mortgage

debt, on the railroad.

The Committee also recommended that the State not only buy the railroad, but create an authority to operate it and that the authority so created be also empowered rather broadly to represent the State's interest in commutation in the New York State sector of this great metropolitan region.

The Governor to whom the report was made endorsed the report and recommended to the Legislature that this step be taken. The report was filed in February of 1965 and the Governor's recommendation ensued shortly thereafter to the Legislature. The Legislature thereupon authorized negotiation. A person was selected by the Legislature, another by the Governor, to represent the State in negotiations with the Pennsylvania Railroad to see if a reasonable price could be obtained for the railroad. Those negotiations lasted some seven weeks and at the conclusion of the negotiations, the negotiators recommended a purchase price of \$65 million which was agreed to by the representatives of the Pennsylvania and the negotiators, with the State not really buying the Bay Ridge Branch and providing for certain air rights to be conveyed to the Pennsylvania Railroad.

The Legislature acted upon this recommendation and voted \$65 million as an advance to an authority which it created called the Metropolitan Commuter Transportation Authority to purchase the railroad. That purchase will be consummated during the next 30 days. The contract for purchase will be signed tomorrow in New York and the final closing is set for January 20, 1966.

The Legislature, as I indicated, created the Metropolitan Commuter Transportation Authority to act as its agent in this area. The Metropolitan Commuter Transportation Authority has five members appointed by the Governor with the consent of the State Senate. They represent generally, although the statute does not require it, the areas of the State served by the metropolitan commuter railroads.

The legislation empowers the Authority to purchase commuter transportation facilities. It empowers it to enter into contracts with other public agencies or with private entrepreneurs in the commuter transportation field. It has the power to inaugurate omnibus services. It has very broad jurisdiction over not only rail service, but, as I have indicated, buses. It has authorization to go into commuter services through the air or on water and it also is given power by the Legislature to represent the State's interest in general aviation; that is, the private corporate aircraft type of aviation field as distinct from the common carrier airports handled by the Port of New York Authority in this region.

The Authority has complete power over fares of its own transportation services. It is exempted from the Public Service Commission of the State in this respect. It is also, of course, tax exempt.

It has the power to purchase and sell real property. It has the power to acquire actually corporations and to continue them in being, which was the method of acquisition of the Long Island Railroad which I will describe subsequently.

It has authorization to contract with similar agencies

in other states so that it could contract with an agency which might be set up by the State of New Jersey. It has already been in negotiation for some time and had discussions with the Connecticut transportation agency or Connecticut Transportation Authority actually with respect to the New York, New Haven and Hartford commuter service from New York to New Haven and is cooperating in the demonstration grant which is keeping that railroad's services in the commuter zone at their full level of service during the interim period while the long-range plans for that railroad's services are worked out.

The Metropolitan Commuter Transportation Authority's finances will be of interest, I think, Senator Ozzard. The State, as I indicated before, voted \$65 million to purchase the railroad. This is technically an advance of State funds to the Commuter Authority. In order that the Authority not be burdened with the necessity of first of all paying for the railroad, which the State had commanded be purchased, the State subordinated its interest in any repayment of \$200 million of bonds which can be issued by the Authority. It also subordinated the State's interest back of the administrative expenses of the Authority. The Authority was authorized to issue \$200 million in bonds and also to engage in administrative expenses which would include the lease of equipment as such an expense. The State also voted the Authority \$5 million for the administrative purposes of the Authority to get the Authority started. This money is payable to the Authority on vouchers from the Chairman of the Authority through

the Budget Director and with the pre-audit by the State Controller.

The State in addition provided a backup of sorts for the bonds of the Authority through a device which has been used in New York State in other areas. The legislation creating the Authority authorized the Legislature to appropriate to the debt reserve fund of the Authority a sufficient amount of money to insure that at any time or rather that at all times, in essence, the debt reserve of the Authority would be sufficient to meet two years' interest and amortization payments on outstanding debt. There is no State guarantee of the Authority's bonds, but this device which had been used previously in middle-income housing financing, State University financing, which provides that the Legislature in its discretion may vote moneys to build up a debt reserve or to keep the debt reserve at a certain level, was employed in this legislation. As an act of its good faith, the Legislature at its 1965 session when it created the Authority also voted \$5 million to this debt reserve fund, even though there was no debt at that time outstanding and there is not as of the moment.

The Legislature also in its 1965 session voted \$5 million for new equipment - this would be a capital sum - for the New Haven commuter service. It conditioned the use of this \$5 million upon the making available by the State of Connecticut of a similar sum of \$5 million and a matching grant by the Federal government of \$10 million. The estimated need of the New York, New Haven and Hartford commuter service for new multiple-unit cars is some 80 cars which will run around \$20 million. These

funds will not be used until the long-term solution of the New Haven Railroad's commuter service problem is worked out and the intention is that this will be worked out during the calendar year 1966 during the demonstration grant period.

The Metropolitan Commuter Transportation Authority members were appointed in the summer of 1965 in June and confirmed by the Senate and immediately began to pursue the acquisition of the Long Island Railroad. In the meantime, the members of the Authority also announced their plans to carry forward a modernization program and began discussions with engineering consultants and invited proposals for the modernization program for the railroad.

The Long Island Railroad negotiations having been carried on earlier and a memorandum of understanding having been reached with the Pennsylvania on the \$65 million figure which I mentioned previously, the Authority has now, working with the Pennsylvania and the Long Island management, reached the point where tomorrow the contract of purchase by the Authority will be executed. At that time a \$10 million down payment will go to the Pennsylvania Railroad. The acquisition of the railroad brings to the State of New York a going-concern railroad with a management and a work force which will carry on the railroad and with assets of the railroad which in the judgment of the negotiators were worth every dollar of the \$65 million which will be paid. There are going with the purchase some 31 hundred, I believe it is, and 45 acres of land, some 55 buildings and more than 1200 railroad cars, many of them multiple-unit electric cars, 32 per cent of them air conditioned,

and some \$65 million having been invested actually in the last eleven years in the rolling stock and the signal equipment at stations, etc. of the railroad.

The Committee may be interested in what will happen after the consummation of the purchase. The purchase is a purchase of the corporation. We are buying the capital stock of the Long Island Railroad from the Pennsylvania Railroad. The Long Island Railroad Corporation will continue to exist. The present management of the Long Island Railroad will remain. The present work force will remain. By this method of acquisition the transition will be very easy in the judgment of all of us who have been working on the problem. The method of acquisition also makes it possible for the employees to continue to receive the benefits they now receive under collective labor agreements. They can continue to receive the benefits under the Railroad Retirement Act. They do not come under the Civil Service Law of the State. And by this method of acquisition also, there is no difficulty which we have yet seen in terms of relationships with the regulatory body on the Federal level, the Interstate Commerce Commission. This method of acquisition also permits us to acquire the Long Island Railroad without Interstate Commerce Commission approval for that acquisition because under the Federal statute, one can acquire one railroad through the capital stock route without the Interstate Commerce Commission approval. Should we endeavor to acquire another, we would have to have Interstate Commerce Commission approval.

The Long Island will therefore become wholly owned by

the Metropolitan Commuter Transportation Authority and the plan is to substitute the present directors of that railroad, substitute for them, the members of the Metropolitan Commuter Transportation Authority so that the Long Island Railroad will be run as a wholly-owned corporation with the Metropolitan Commuter Transportation Authority directors directing its policies and, of course, with its present management running the railroad.

The plan is for almost immediate entering into engineering consulting contracts looking to the improvement of the railroad, extension of electrification, new equipment, improvement of stations, elimination of the Jamaica bottleneck which slows down so much of the traffic on the railroad and the further study and the cost estimating of bringing the Long Island Railroad into Downtown Manhattan over the BMT subway tracks from Downtown Brooklyn and the study of a possible new Eastside Manhattan station for the railroad. This in brief is the modernization program which the Metropolitan Commuter Transportation Authority is about to progress.

You may well ask, "How do you plan to finance such a program?" As I indicated before, the railroad comes to the Authority through the State purchase. The railroad will throw off as it has for some eleven years some moneys in excess of its expenses, particularly inasmuch as it will pay no taxes of any consequence and, of course, there will be no interest or amortization paid on any investment. In addition, the station maintenance costs which I mentioned earlier come into the picture. When the Metropolitan Commuter Transportation

Authority was established, the station maintenance costs which were voluntary up to that point became involuntary or mandatory insofar as a facility which would be acquired by the Metropolitan Commuter Transportation Authority. The counties of Suffolk and Nassau and the City of New York are now mandated once the acquisition of the railroad is achieved by the Metropolitan Commuter Transportation Authority to pay to the Authority the station maintenance costs. In addition, the Authority if it demonstrates need therefor can certify that it needs additional sums beyond the station maintenance costs and the statute provides for local government contributions on a mandatory basis of station-operating and maintenance costs - station-operating costs as well as maintenance. To give you some idea of the range of figures, station maintenance costs combined for Nassau, Suffolk and New York City will be in the neighborhood of \$2 million. If you add the operating costs, you about double it so that the Authority could receive, if it needed it, as much as \$4 million a year from these mandatory contributions.

The Authority, as I indicated before, is not only working on this Long Island problem; it is working on the New Haven. There have also been conversations with the New York Central with respect to further improvements of the New York Central service, particularly looking toward extension of electrification north of White Plains on the Harlem Branch and looking toward possible electrification up to Poughkeepsie on the Hudson River Branch.

You may well ask: Why did New York State take this

route? Why was the Authority chosen? I think this brief history will give you some indication of the reason. The particular form chosen goes back to New York State's experience with the public authority as a device. It helps to overcome jurisdictional barriers. It provides a flexible instrument. As you can see here, it is able to acquire a corporation, keep the corporate shell and have the flexibility of management. It also went this route because if the State directly purchased a railroad, it might find itself in difficulty which we understand by hearsay the State of Vermont did when it bought the Rutland Railroad and found that it might have to have approval of the Interstate Commerce Commission for all of its bonds, whether related to railroads or not. We also followed this route to provide continuity of policy. The Authority has staggered-term membership, the statutory term being eight years, but they are staggered terms. And last but not least, as part of this element of flexibility, we have an instrument which could work without violation of the State Constitution and yet be adaptable so that Federal statutes relating to the Interstate Commerce activities of this railroad and of any future railroads that might be acquired or entered into on a lease arrangement or a contract of some sort would not stand in the way of effective service. I have already mentioned the Civil Service Law as it might apply here. We have a constitutional provision in New York which, if this had been a regular agency of State government rather than an authority, the Civil Service Law would undoubtedly have applied in the judgment of our counsel.

So this is our story to date and the State of New York is about to write a new chapter in its relationships to commuter railroads during the ensuing year when the 17 million people plus of the State of New York are going to find themselves owning a railroad. Thank you.

SENATOR OZZARD: Thank you, Dr. Ronan.

I have a few questions. The long Island - is it strictly a passenger railroad or does it handle freight?

DR. RONAN: It handles both freight and passenger. It is overwhelmingly passenger. It is more than 90 per cent passenger. But it does have important freight service and the acquisition will include the acquisition of freight service.

SENATOR OZZARD: You will have both.

DR. RONAN: Yes.

SENATOR OZZARD: Now in taking over the Long Island, you are taking over a railroad that is totally within the State of New York. It is an intrastate railroad.

DR. RONAN: That's right. It is completely within the State.

SENATOR OZZARD: Now what is your approach with the New Haven where you are dealing with an interstate railroad?

DR. RONAN: There our approach has been to work with our sister agency in Connecticut, the Connecticut Transportation Authority, to develop a joint approach and the Governors of the two states have been cooperating in this respect for a number of years, not only the present Governor of Connecticut, but his predecessor and our Governor. And we have been working with Federal authorities and we have discussed many times the

problems of the New Haven with the Interstate Commerce Commission because they have jurisdiction over the interstate services.

The plan which is very - I wouldn't want to indicate that it is very firm at the moment, but it is an intended plan, is for the two authorities to contract with the New York, New Haven and Hartford trustees and ultimately the Penn-Central, which we anticipate will take it over, for the maintenance of that service, probably on a contract-for-service basis.

SENATOR OZZARD: This would not be an ownership approach then in this instance?

DR. RONAN: That has not been the approach which we have taken to date because of the complications, among other things, of ownership and the very high value of properties involved.

SENATOR OZZARD: Now what about the situation with the New York Central? This is a commuter line also into New York.

DR. RONAN: The New York Central commuter line is in better shape financially in our judgment than the others and here we are exploring with the New York Central the possibilities of improvements, endeavoring to encourage the New York Central to do as much as we can encourage them to do, the difficulty being in this business that the marginal utility of the dollar invested is much greater in freight services and so on than it is in rail-passenger, including commuter services. There we are exploring with the New York Central the possibility

of improvements. We have not reached any formula as of the moment. We do have the power to contract for service or to lease or to enter into an arrangement of some kind with the Central which might improve their services.

SENATOR OZZARD: When you speak of contracting, Dr. Ronan, you are using the same approach that we use in New Jersey of a subsidy, are you not, contract miles on passenger service?

DR. RONAN: This is one aspect of it. Actually on the New Haven we are looking into a broader area. Because we have to have equipment on that railroad and the only way we are going to get the equipment is by either public investment or public underwriting of the equipment, we actually are looking into the possibility of the State providing the equipment through the program I mentioned before where we already have moneys appropriated in both states and the possibility of Federal grant and the possibility of acquiring perhaps the remainder of the equipment and then having the service operated for the account of the two Authorities by the railroad. Ultimately we envisage - what we would like to see happen - is a single service operated out of Grand Central, that is, a single management of a service run by the New York Central management so that we would have the economies that we believe could be achieved by having a single Grand Central service rather than two, the New Haven and the New York Central, out of that area. We think there are great economies that could be made in the New Haven commuter service. We think the New York Central is more effectively and efficiently run frankly.

SENATOR OZZARD: Why do you continue a management that has proved to be unsuccessful in the past? Why isn't the Authority moving in itself and running this railroad?

DR. RONAN: On the New Haven? I mean the Long Island.

SENATOR OZZARD: The Long Island.

DR. RONAN: Actually in our judgment the management has been effective in the redevelopment period, the eleven-year period, because the railroad has become one of the safest railroads in the country. Its on-time performance is very good and it is now the largest passenger railroad, leaving aside urban rapid transit lines like the subways, in the United States. And it has had a good record. The management has had a good record. We think it is an effective and efficient management. The management has not been able to do all that needed to be done by any means on the railroad and much of the reason for that is the lack of capital investment in the railroad. So we will continue the management. We think it is effective. We pass no judgment on the management prior to the redevelopment corporation.

SENATOR OZZARD: By substituting your Authority members for the Board of Directors, you do make one major step in direct control of management and the right to hire, fire and change personnel.

DR. RONAN: We have an absolute right in the Authority to change the management of the railroad should it be so indicated.

SENATOR OZZARD: Why was it necessary to exempt your operation from the Public Utilities Commission?

DR. RONAN: This goes back to a long history. It was

felt that if the Authority was going to have the responsibility for maintaining the service that it ought to be free to raise or lower the fares without going to the Public Service Commission, there being no profit involved in the enterprise at all at this point, it being a State agency, also to give the Authority the opportunity to meet its obligations by direct action without reference to a third party. This has been the general pattern followed also in our State with respect to enterprises in which the State enters itself as an entrepreneur. The State Power Authority was exempted from Public Service Commission regulation. There is a provision in the law creating the Metropolitan Commuter Transportation Authority that before it can raise the fares, it must hold a public hearing.

SENATOR OZZARD: Very well. The PUC procedures at least provide a method whereby the public can be heard on rates.

DR. RONAN: That's right. The right to be heard has been secured in the statute by the requirement of this public hearing.

SENATOR OZZARD: Within the Authority.

DR. RONAN: Yes. We assume that also applies to lowering the fares, having a public hearing.

SENATOR HILLERY: Dr. Ronan, I want to compliment you on the fact that you have moved forward this way. Our hearings are documented with litanies of complaints by the railroads of their failures to do anything about commuter service and their absolute lack of interest in trying to solve the problem. I was wondering if you could tell me how you have segregated

the freight costs from the commuter costs in this property tax feature where the municipality was given 50 per cent?

DR. RONAN: Fortunately, Senator Hillery, we have in our State Equalization Board very excellent records of the real property and the use of that property, so that passenger stations and trackage only used for passenger purposes could be segregated very readily. So they were able to do this for us with - well, a good bit of work, but with no great travail frankly.

SENATOR HILLERY: Was there any complaint on the part of the municipalities involved that they got only 50 per cent of the tax revenues under this program?

DR. RONAN: Yes. There were some vigorous complaints. The volume of complaints, I would say, was less than had been anticipated. There are still some communities in the State that complained. I won't say "communities." There are some community leaders who complained, office holders as well, about the burden. But in general I would say it has been very well accepted. The complaints have not been such as to lead to any great movement for repeal, for example, although there have been bills introduced in the Legislature trying to do that.

SENATOR HILLERY: In New Jersey there are only a few communities affected by the property tax and, of course, they have asked for full reimbursement and it is a sizable amount of money.

DR. RONAN: I might say, Senator, the philosophy here was that many of these services were going to be abandoned. If

that was the case, then, of course, there would be no tax revenue anyway.

SENATOR HILLERY: Was there any plan to have the community -- You say they have a plan here for maintaining the railroad stations. Was there any plan ever to sell these stations to the community?

DR. RONAN: Some of the stations actually have been sold to the community. But even if the station itself were sold to the community, there would be cost incident to maintaining the station there. When we talk about station maintenance and operating costs, these are the costs which are actually incident to having a station in the community and when you add the operating cost to the maintenance cost, it's all of costs incident to stopping the train and starting it at that community.

SENATOR HILLERY: Your Department of Transportation, is that included in another department of the State or is it a separate department?

DR. RONAN: It is a separate agency in what we call the Executive Department of State government. The Executive Department includes rather a heterogeneous group of agencies running from the Atomic Energy Office to the Office of Transportation to the Division of Veterans' Affairs. It is sort of a catchall department.

SENATOR HILLERY: How many departments - how many divisions do you have in your State government?

DR. RONAN: I would say - and I am stretching my memory here - about 26.

SENATOR HILLERY: Why did you include private air transportation in this Authority's control?

DR. RONAN: The general aviation airports you are referring to, Senator?

SENATOR HILLERY: Yes.

DR. RONAN: The Legislature included it, I think, largely as a result of the problem having been pointed up by the Tri-State Transportation Commission study which showed that there was a very great economic importance to these airports and that these airports were disappearing very rapidly because the private entrepreneurs were finding that the land was getting so valuable, it didn't pay to keep it as an airport and, therefore, were selling them for shopping centers or residential subdivision development. And it was feared that these airports might be completely lost if something wasn't done because of the rapid spread of residential, industrial and commercial development on the Island. Actually a couple of important airports had disappeared in this fashion. So the Legislature decided that the State ought to do something. The initiative is still with the local governments should they choose to exercise the initiative to keep these airports. They could move in and buy them. The State thought there was a State interest in reserving some of these areas for development.

SENATOR HILLERY: Does this have anything to do actually with commuter service via air or not?

DR. RONAN: As of the moment, it doesn't. But it could in the future have something to do with it and that was behind

some of the thinking with respect to this. There also had been some discussion because of the location of some of these airports about tying these airports into what we call transportation centers and on Long Island there are some areas where it tentatively looks as though it would be advantageous to develop a transportation center with express service from that center direct to key points in Manhattan or in Queens or in Brooklyn. And these centers would encompass large parking lots, feeder buses and in some cases could actually have alongside of them because of the proximity of these general aviation airports a general aviation airport.

SENATOR HILLERY: Do you think there will be any cry out of the fact that the Public Utility Commission such as we have in New Jersey will have no control over the setting of fares under the Authority?

DR. RONAN: We don't believe so. Interestingly enough, I don't recall a single letter that has come in complaining about this feature which was fully advertised.

SENATOR HILLERY: Senator Ozzard brought up this question about continuing the management of the Long Island Railroad. Were they continued on the same salaries that they had under their former operation?

DR. RONAN: Everything is staying exactly as it was. Of course, the Authority has full power once it takes over to do what it chooses.

SENATOR HILLERY: I see. What is the future estimate on a breakeven basis for the Authority's operation?

DR. RONAN: We are under statutory command that the

revenues of the Authority from whatever source they may be derived must be sufficient to make the operation self-sustaining. Insofar as one can guess - and this, of course, relates to present price levels - it looks to us at this juncture that we can maintain the services of the railroad and carry through an improvement program with the revenues that will be available to us. Of course, we cannot foresee what the future is going to bring. If there is an inflation and rising cycle of cost of materials, wages and so on, this would upset this balance.

SENATOR HILLERY: In your thinking with the Authority, have you come to any agreement of how much you might increase commuter fares?

DR. RONAN: We have not contemplated any immediate increase in commuter fares, no. Our assumption is, at least for the time being, that we will not have to disturb the fare structure. We do have labor negotiations on the Long Island Railroad coming up, I think it is August of '66. Of course, the Long Island Railroad is an interstate railroad and so it has been traditionally part of the national picture with respect to bargaining.

SENATOR HILLERY: Thank you.

SENATOR OZZARD: Senator Lynch.

SENATOR LYNCH: I arrived too late; I will pass.

SENATOR OZZARD: I have just a couple of other questions, Dr. Ronan. In talking of the funds made available by your New York Legislature, does the New York Constitution require referendum for capital purposes in pledging the State's credit

for borrowing?

DR. RONAN: Yes.

SENATOR OZZARD: The \$65 million - how is this money raised?

DR. RONAN: The money comes out of the capital construction fund of the State government and it is an advance to the Authority. The Authority is obligated to pay that money back, but the obligation has been subordinated, as I indicated, to the \$200 million bonds. And we actually execute an agreement that we recognize that and it will be repaid; that is, we as an Authority do.

SENATOR OZZARD: You spoke of the power to acquire bus operations.

DR. RONAN: Right.

SENATOR OZZARD: Do you have any plans to expand and tie in bus operations with the railroad activities of the State?

DR. RONAN: As of the moment - and we are only just moving into this area - we have no immediate bus arrangement which we would want to progress. I would say, however, that the Long Island Railroad has an existing contract with a bus operator which provides a feeder bus service both on the North Shore and the South Shore of the Island. It is an area where we will be actively pursuing the possibilities, however, because we are very much interested in the development of these transportation centers as I indicated before.

SENATOR OZZARD: Dr. Ronan, thank you very much. We appreciate your time.

DR. RONAN: I don't know whether your Committee has received this [indicating]. It gives some of the background on the Long Island purchase which you may wish to have for your records.

SENATOR OZZARD: I wanted to call on Mr. Bailey next. However, I want to give the stenographer just a five-minute break. It will be only five minutes.

[Five-minute Recess]

After Recess

SENATOR OZZARD: Mr. Bailey, please.

J O H N A. B A I L E Y: It's a pleasure to give you our views on the programs that have been developed in Southeastern Pennsylvania. These have been accomplished through a series of clearly separated but logically related steps.

1. A broad-based Citizens Committee appointed by the then Mayor of Philadelphia, Senator Joseph Clark, presented to the region a plan and program in 1955 which stated that:

- a. transportation decisions had to be comprehensive by mode,
- b. transportation decisions also had to be comprehensive geographically; and that
- c. a region-wide transportation organization for all modes of transportation should be developed.

There was general - if rarely expressed - agreement on the first two positions, but the idea of a separate organization to handle all kinds of transportation never got off the ground.

2. One of the secondary recommendations of this Urban Traffic and Urban Transportation Board was that the railroad commuter system should be utilized to carry an increasing share of the home-to-work trips to the central core.

In 1958, a rail demonstration program was developed by an ad hoc committee working under the direction of the then Mayor, Richardson Dilworth. In the summer of 1960, this program was turned over to a specially created, non-profit corporation, the Passenger Service Improvement Corporation of Philadelphia, for management. The program has been expanded

and enlarged almost continuously since that time.

And, parenthetically, I might add that cost studies and knowledge, such as Dr. Ronan mentioned, are an important aspect in determining the size of needed funds when you begin to put governmental aid into what had been traditionally private operations.

This program was broadened into the region in 1961 by the creation of an ad hoc, semi-formal agreement called the Southeastern Pennsylvania Transportation Compact. Federal funds were used to develop demonstrations on three lines in 1962. The availability of federal funds and the City appropriations, and the widespread understanding of the need for action brought parallel appropriations from Bucks and Montgomery Counties, and full participation in decision-making by a third, Chester County. This initial step by city and suburban officials to develop railroad support programs and to carry them out clearly showed that Philadelphia and suburban county officials could work together harmoniously for programs that benefited both central city and the suburban areas, although I'm certain you are aware both were operated or controlled by different parties.

Modest capital funds have been made available by the City and Federal Government to carry out a program such as Dr. Ronan just discussed with you.

After two disastrous transit strikes end-to-end in early 1963, the first in the City and the second primarily in the suburbs to the west and southwest, it was concluded that further governmental structural changes would be necessary.

The Mayor of Philadelphia, Hon. James H. J. Tate, and Elkins Wetherill, then Chairman of the Montgomery County Commissioners, developed explicit agreement among the regional elected officials for the creation of a new agency through the mechanism of the Regional Conference of Elected Officials. A small drafting committee of the County and City Solicitors, working with some technical transportation people in government, quickly reached agreement on the text of a desired bill.

The Pennsylvania Legislature gave its assent by enacting the bill in the closing minutes of the 1963 session, and Governor Scranton signed the "Metropolitan Transportation Authorities Act of 1962" into law in July 1963.

Pursuant to this legislation, SEPTA was organized in early 1964.

SEPTA is an instrumentality and an agency of the Commonwealth of Pennsylvania, but its board members are appointed locally, - two by the City of Philadelphia and two by each of the four suburban counties, with the Governor having one appointee. The terms of the ten locally-appointed members are staggered, five-year terms, and the term of the Governor's appointee is coincident with that of the Governor.

This mechanism provides a bridge or connection between the local area and the state administration.

The Authority is exempted from regulation by the Public Utility Commission for services provided within its own area. Of course, it has to get their approval for services outside the five-county area.

SEPTA is free of U. S. taxes, as is any other instru-

mentality of the state, but it is not free of State Fuel Taxes.

In addition to SEPTA, which covers the five Southeastern Pennsylvania counties, the Delaware River Port Authority has been assigned the transit function between Southern New Jersey and Philadelphia. I anticipate an even closer relationship between that authority and SEPTA once SEPTA becomes an operating transit agency some time in 1966. At that time, it seems likely that SEPTA will operate the existing facilities of the Port Authority, because we'll take over the company, which I'll discuss later, that is presently operating there.

SEPTA's program is a simple, five-point program:

1. Acquisition of the privately-owned Philadelphia Transportation Company, which, using its own facilities and leased facilities from the City and the Port Authority, serves Philadelphia, largely.

2. Acquisition of the properties of the Philadelphia Suburban Transportation Company, which interconnects with PTC at two major points and provides transportation to and in the Western and Southwestern suburbs.

3. Development of a broad program for the support of the regionwide commuter railroad system.

Incidentally, SEPTA now manages a commuter railroad system for its predecessor agencies, the Passenger Service Improvement Corporation and SEPAC.

4. Acquisition of some five or six of the more important, smaller bus companies which are scattered around

the fringes of the urbanized area. There are some 23 as I recall but only 5 or 6 of them seem to have services related to the SEPTA service area.

5. Mold all of these components into a rational integrated system to provide the maximum of convenience for trips between any two points within the five-county region.

This fifth point is the goal that the Legislature has clearly assigned to us in the basic legislation.

SEPTA has no taxing powers, but it can issue revenue bonds whenever the revenues are adequate to support the bonds. We believe it will be possible to acquire the Philadelphia and the Philadelphia Suburban Transportation system utilizing revenue bonds. An agreement of purchase for the former, and considerably larger, system is in process of being consummated, under the guidance of the Common Pleas Court to settle litigation between the Authority and the Company.

The other sources of funds are governmental grants.

We expect continued City appropriations in the amount of about \$2.5 million a year and we expect the City to lease their transit facilities to us at a cost less than their having to pay on their debt service which amounts to support of four or five million dollars per year.

In furtherance of our third objective, the commuter system, the State Legislature has appropriated 12.9 million dollars in Act 104 of this year to support public transportation systems throughout the Commonwealth, and SEPTA expects to receive amounts considerably above the \$128,000 already

under agreement between the State and us. Actually, our check came in yesterday, after this was written. We would expect to have about \$7 million and this is to carry through the biennium ending June 30, 1967.

The Suburban Counties have also supported SEPTA with administrative and program grants, and we expect to have a continuation of these grants; however, county budgets are relatively small, so we don't expect large sums from them.

SEPTA has not yet received a federal grant, although we are managing several grant programs for our predecessor organizations. We look hopefully toward an increasing flow of money from the Federal Government, so the total mass transportation system can be slightly extended and greatly modernized.

In order to obtain those funds, of course, we must meet the regulations on planning and we look toward the Delaware Valley Regional Planning Commission to help do the over-all work in regional and transportation planning.

We also have to have a regional transit development program which would bring together all the agencies on both sides of the river into fairly close agreement on projects and their relative importance. Involved in this will not only be the local agencies, but the Commonwealth of Pennsylvania and the State of New Jersey.

Just as you have found here, funds will be needed in Pennsylvania to support operating deficits until the transit and railroad systems can be modernized. It is not certain whether the need for operation subsidies can be completely

eliminated, but we believe they certainly can be reduced. Direct beneficiaries, the riders, will be expected to pay as much of the cost as they can. However, we think fares cannot be raised to the point where they drive the desired ridership away from the system, for this will reduce the economic potential of the region and cause very heavy increases in highway and parking costs that will fall directly on the local and state governments.

Parenthetically, the staff believes that replacement expressway facilities for these commuter railroad systems in our area would cost more than \$700 million or \$77 million on an annual basis, and we believe that compares to something in the order of \$7 million a year of governmental support to keep those commuter railroad facilities in operation.

We believe the proper balance between transit and highway facilities is essential, just as the Urban Traffic Board suggested.

In summary, we look to the planning for regional planning in transportation in the Philadelphia-Camden metropolitan areas to be accomplished by an agency covering the 11 counties in both states. Well, I'm a little high there because we are now at nine counties in the two states.

Corporate planning, construction, and operation in the area of public mass transportation will be accomplished by two agencies, SEPTA and the Port Authority serving the areas between the two states. Of course, these agencies will have to cooperate closely.

SEPTA is exempt from regulation by the Public Utility

Commission of Pennsylvania, except when it serves outside its area.

We expect to acquire transportation companies using revenue bonds.

SEPTA has to look forward to capital grants from City, State, and Federal governments in order to modernize the system, and in order to attract riders to meet the planning goals. There is clear evidence in all our programs that riders will use good quality mass transportation systems.

Nothing better illustrates what can be accomplished with imagination and hard work than the results achieved on the three-year Mass Demonstration project on two of our regional commuter lines, which was conducted with funds contributed by the City, Federal Government and counties. During the demonstration, the Reading Company's North Penn-Hatboro line experienced a 43.3 percent increase in passengers and a 15.5 percent increase in revenue. The other line involved in the demonstration was the Pennsylvania Railroad's Levittown line. Here, the passenger growth was an astounding 137.2 percent, with revenue increasing by 91.8 percent.

SEPTA needs governmental funds to meet operating deficits, a better alternative, we believe, than reducing transit and railroad service, driving riders to an already overloaded highway system. We, of course, expect an even greater growth of automobiles. Our analysis shows that continued governmental support, although hopefully at a reducing level, is essential until the system can be made so attractive that riders will change their attitudes about

travel en masse.

I will be pleased to answer any questions you might have.

SENATOR OZZARD: Mr. Bailey, the last couple of paragraphs of your summary are very interesting. This Committee has taken a dual position or a dual attitude - one is to save the railroads of New Jersey in some manner; but more than that, we think that a good program might take more of the cars off the highways, which are already overly congested in the northern part of New Jersey, and put the riders back on the railroads. This is part of the function we think the State is going to have to perform. "There is clear evidence in all programs that riders will use good quality mass transportation systems." And then you refer to a demonstration of the Reading Company's North Penn-Hatboro line, etc. Could you tell us what was done which brought about this passenger increase?

MR. BAILEY: The programs were imaginative but simply the things you would think about if you attacked it with some logic. We tried to find what people really wanted by going out and asking them with a controlled market survey. Then we found that they wanted frequent trains, they wanted a seat and wanted a place to park their cars, and they had in their mind a price they were willing to pay, and the price just wasn't as much as we think the cost is. So we got the railroads to add cars and add trains. They made the schedule fit what people indicated they wanted and then we priced it at the level they were willing to pay and negotiated a payment

to the railroad based on projections of cost and projections of revenues and we did not cover the full deficit but government covered a substantial part of it.

After we got started on those we were able to plough in some new cars, air-conditioned, and later, some rehabilitated cars partly air-conditioned, to a place where today we are limited by shortage of cars and crews at peak hours rather than by shortage of riders.

SENATOR OZZARD: I note on page 5 of your statement that "It is not certain whether the need for operating subsidies can be completely eliminated, but they certainly can be reduced." In other words, you don't have high hopes or you don't appear to have high hopes for a break-even operation in your authority, do you.

MR. BAILEY: We haven't attacked it that way, Senator Ozzard. Literally what we have done is say that region transportation planners have a fairly good understanding of what ought to be done to support the region as they think it should be developed. And to do that, they suggested that we need to have a substantially larger number of people coming to the dense areas on commuter railroads. So what we are trying to do is find what it would take to get those people. And then we have to go to some governmental agencies, and if it takes a subsidy, as it has, say "We need this much money to get the number of riders that we think the system should have." And then if the government agencies, the cities, the counties, the state, appropriate the money we go back and persuade the railroads to do what we want with the money

there to pay a substantial part of the difference. But we haven't gone at it on the basis we should make money. Our law, just as in New York, requires that we cannot pay out money we don't have. But if we show the appropriating agencies the benefits to be received and they give us the money then we are wholly self-supporting in that sense but not from the fare payers.

SENATOR OZZARD: Now you've been trying to make the counties and municipalities full partners in this activity, have you not?

MR. BAILEY: They are very close partners. At times we seem to be working for them much more than the State. We have closer communication with them, we see them much more often, they appoint our board members, and they are very aware of changes in schedules and service. I think this may be unique and it causes a great deal of communication because we try to keep in touch with them so they know what we're doing. But we think it is conducive to on-going programs because they are themselves carrying on governmental programs and they hear complaints just as we do. So we think they should be informed and be a party to what we do.

SENATOR OZZARD: The program set forth on page 3, Mr. Bailey, items 1 and 2 about the acquisition of the privately-owned Philadelphia Transportation Company and acquisition of the properties of the Philadelphia Suburban Transportation Company - are these rail or bus, or both?

MR. BAILEY: They're both. The Philadelphia Transportation Company built the first subway in Philadelphia

in 1902, or at least its predecessor did, and it owns them. However, most of the subway and elevated lines are owned by the City of Philadelphia. They have invested a great deal more money than the private company. That company also owns electric trolleys, trolley buses, and about 1500 or 1600 buses, as I recall.

The Philadelphia Suburban Transportation Company runs one high-speed inter-urban line which is completely free of street congestion, and 3 electrified trolley routes that operate over their own rights-of-way for part of their distances. And, in addition, they run I think about 250 buses, some of them in South Jersey serving between Philadelphia and New Jersey suburbs.

SENATOR OZZARD: Now when you speak of acquisition, do you mean that this Authority is actually going to take over and operate with its own personnel or is it going to be something similar to Dr. Ronan's situation in New York?

MR. BAILEY: The Authority hasn't determined just how it will operate. It has entered into, or nearly entered into an agreement with the Board of the present Philadelphia Transportation Company. It depends on some tax problems and the actual opinion of the Internal Revenue Department. But if that is a favorable decision, we will have an agreement to acquire the private facilities of Philadelphia Transportation Company. They will, if that agreement is executed in the next few days, operate the system on our account until we have a settlement sometime later this year. During this time the Authority will have to decide whether it will use a management

company or use its own officials and I don't know what they are going to do.

SENATOR OZZARD: Senator Hillery?

SENATOR HILLERY: Through you, Mr. Chairman - Mr. Bailey, have you any plans to get in the area of air transportation as the New York Authority has?

MR. BAILEY: No, we haven't any plans at all for air transports.

SENATOR HILLERY: I see. Could you tell us, I mean estimate, the percentage of deficit that you anticipate in this operation and the projection for the future, how you hope to bring that up to a normal -- is it a large deficit or is it --

MR. BAILEY: It's difficult for me to give you a good figure. If we run these 7 public transportation companies that I've mentioned and the two railroad systems and completely modernize them, I anticipate, and the Board has not looked at this, - my own anticipation is that something between 85% and 90% of the cost can come out of the direct users, and between 10% and 15% would have to come from --

SENATOR HILLERY: Between 10% and 15% would be the deficit.

MR. BAILEY: -- government. It seems to me very good because, you see, highways are not priced this way at all. We provide the highway and street system completely out of governmental funds many of which, of course, come through user taxes but in Philadelphia a very substantial sum comes from the general taxpayer out of the City's general fund - something in the order of \$25 million, by my estimation, of direct

and indirect services to the street system. And this is beyond the amount that the state contributes through its motor license bureau and --

SENATOR HILLERY: Your contributing municipalities, do they own the station or pay for the maintenance of the station facilities?

MR. BAILEY: I don't know of any station facility owned by a municipality in our area. There are several city groups which actually do housekeeping work at some railroad stations. And, of course, the City owns some high-speed transit stations and have built parking lots at stations and provided part of the capital for modernizing one or two subway stations.

SENATOR HILLERY: But they do provide the parking lots for the railroads.

MR. BAILEY: The City has begun a program to provide parking at commuter railroad stations and has had parking at transit stations for many years.

SENATOR HILLERY: All right. Now, do they have a consolidation of parking areas? For instance, would several areas decide to drive to a central parking area to use this commuter service, or did they maintain the original stations and then put parking lots there?

MR. BAILEY: They have generally put parking at land the railroads owned for other purposes, where they abandoned a freight station, or where they had some excess land this has generally been paved and rented or provided free to passengers. We know that a great expansion has to take place

but we don't have to go ahead with it until we find out how to get the added railroad cars so those people can have a place to ride. Our long-range projection calls for quite a few millions of dollars for expansion parking in the five-county area.

SENATOR HILLERY: Well, your operation is very encouraging, I might say that, to us on the Committee.

MR. BAILEY: Thank you very much.

SENATOR OZZARD: Senator Lynch?

SENATOR LYNCH: Through you, Mr. Chairman. As of this date SEPTA is not an operating agency, is that correct?

MR. BAILEY: We are not running any transportation facilities with our own system. We are managing quite a few programs on the two railroads, using railroad employees and contracting with them.

SENATOR LYNCH: Do you anticipate that you will become an operating agency by the acquisition of these facilities?

MR. BAILEY: Sometime in 1966.

SENATOR LYNCH: Where is the money going to come from?

MR. BAILEY: Well, we think we can obtain the money from the sale of revenue bonds to acquire the two transit companies. And we will lease the facilities of the City and we will have contracts with the State of Pennsylvania to contribute several million dollars to our railroad support program and agreements with the counties to contribute several hundred thousands of dollars, and with the City to

contribute two and a half million dollars a year for railroads. With these we think we will be in balance between expenses and income.

SENATOR LYNCH: I notice on page 4 that the City of Philadelphia presently appropriates \$2.5 million per year.

MR. BAILEY: That's right.

SENATOR LYNCH: And you expect that appropriation to continue annually hereafter.

MR. BAILEY: Yes. The City has made such an appropriation for next year already, it's to the Passenger Service Improvement Corporation. They will pay us to carry out these programs that we're managing for them.

SENATOR LYNCH: And the State Legislature in 1965 appropriated \$12.9 million.

MR. BAILEY: That's right.

SENATOR LYNCH: Is that the last appropriation you expect from the State or do you expect a continual annual appropriation?

MR. BAILEY: This is an interesting point. The most we could get the administration and the Legislature to say was that this was a temporary emergency service program for the two years ending June 30, 1967. They just weren't willing to acknowledge in 1965 that they had a long-term need to be involved in public transportation. But I am convinced in my own mind that we will be back in 1967 in that regular session of the Legislature showing what our program is, what we've been able to do with the money they have given us,

and ask for some continued support. This is a very modest amount, of course, compared to the Highway Department's budget in Pennsylvania. They've just gotten a new bill through the Legislature to authorize the borrowing of \$980 million for some added highway facilities, and the Governor has recommended a quadrupling of the State's construction budget from \$250 million to roughly a billion dollars a year. So we think that our few millions for public transportation is just an efficient utilization of governmental funds and if we're persuasive, we would anticipate continued support.

SENATOR HILLERY: Mr. Bailey, from what I've seen this is the year for quadrupling.

MR. BAILEY: We'll remember that now when we get to '67.

SENATOR OZZARD: Just one other thing, Mr. Bailey. This is not a State agency, this is strictly a regional agency, - is that correct?

MR. BAILEY: No. Our legislation says we're an agency and instrumentality of the Commonwealth of Pennsylvania. We don't stand in line to get money as a regular appropriation, as other departments do. We have no money in our legislation from the State, as the New York Authority has. We've had to go to them and ask for support. Our Board is appointed locally by the county commissioners in the four counties and by the Mayor of Philadelphia with the consent of the City Council. The Governor appoints only

one of eleven members.

SENATOR OZZARD: You're created within the region - the state merely gives you enabling legislation, isn't that correct?

MR. BAILEY: No, I don't think that's the way it is. The State provided enabling legislation and it's in the frame of general legislation but there is no other area of the Commonwealth which fits the requirements. This is the classification which is utilized in Pennsylvania to produce general legislation. It authorized the creation of an authority to come into being when six or eight members were appointed. And as soon as those six members were appointed the Secretary of State gave us a charter. So, legally, we are an instrumentality of the Commonwealth. The words are "agency" and "instrumentality."

SENATOR OZZARD: Thank you very much, Mr. Bailey.

Mr. MacMurray, please.

P A U L M a c M U R R A Y: Mr. Chairman, it's a pleasure for us too to be here as a bi-state agency to be of any assistance we can to your Committee in trying to solve a problem that we've been working with and pondering about for a good many years.

SENATOR OZZARD: Thank you, sir.

MR. Mac MURRAY: You know that the Port Authority is, of course, a bi-state organization created by the Legislatures of Pennsylvania and New Jersey with the consent of Congress and we have several main responsibilities - one is to develop

mass transportation within the Camden-Philadelphia area. I think the compact states, within a radius of 35 miles of Camden. Well, that is how the Port Authority has gotten into the transit business to the extent we are today.

We have, in recent years, made a number of studies and as a result of these studies we have a generally approved plan for three transit lines. The first and the one which we think is most probably to succeed is the Haddonfield line, as we call it, the one on which we have now started construction.

In addition to this, we have studied to some extent a second line to Woodbury and a third line to Moorestown.

Each of these lines will be an extension of our present facility for about 10 to 11 miles further into New Jersey.

We now have a short 4 mile line, which we call a high speed facility, that operates over our Benjamin Franklin Bridge, on the bridge. It also uses the present Locust Street Subway in Philadelphia, which is owned by Philadelphia. We've been operating this line since 1936. This line has not been too successful and ridership is now dropping off, probably 10 to 15% less this year than last year. The reasons, we are confident, are the lack of parking facilities and lack of modern acceptable equipment, really not the sort of line that is too attractive.

As a result of a number of studies, we know, or feel quite confident, that we can develop a facility which will be acceptable.

At the present time there are about 75% of the transient people entering Philadelphia by the way of mass transit. While in New Jersey that number is only about 30%. We think we can do pretty much in New Jersey what is being done in Philadelphia.

Now this is going to be necessary to relieve the traffic situation on our highways and on our bridges.

Along with our studies in transit we've made studies for bridges. We have located the need for bridges and their general locations up to the year 2000. But we found in our study that, unless we do get into mass transit to a fairly substantial degree, we are going to need more bridges but we would be at a loss as to where to put all the highways that would be needed, really, to serve the bridges necessary.

There are today about 70 million crossings in our Port District of vehicles. By the year 2000 we expect that to increase to over 170 million. So you see there is a lot of traffic coming and we're trying to get ready for it.

We are now proceeding with a rail rapid transit line that will extend from the Jersey terminus of our present line at Broadway in Camden to the Lindenwold - what will be a Lindenwold Station in New Jersey, 10 1/2 miles. This will be a totally grade-separated facility with really high-speed equipment, speeds up to 75 miles an hour, and the time of travel from the Lindenwold Station to Locust in Philadelphia is figured to be 22 minutes.

We think that this type of a line equipped with very substantial parking facilities, mostly free parking facilities,

with provisions for shuttles, buses or buses to our stations, will handle approximately 60,000 riders daily and this, in turn, is going to get some of the people out of the automobiles and relieve the bridges and the city areas.

We don't contemplate any additional extensions beyond these that I've mentioned simply because of the very high cost of this work.

Now the line to Lindenwold, like all the lines, will be on present railroad lines. We have purchased the right-of-way from Camden to Lindenwold from the railroad and I think that would be the pattern in any future extension, although it might be done by lease.

We expect the cost will be in the neighborhood of \$69 million for this 10 1/2 mile stretch. This also, however, includes operating equipment by about 75 cars. But it is a very expensive undertaking and how fast we will be able to go ahead on the other two lines and in the extensions will depend on funds.

The Port Authority has no taxing power. Our only income is from tolls on the Walt Whitman and Ben Franklin Bridges and also from the fare box on the short line we operate, and there is very little opportunity of anything further except possibly the Home Finance Agency where some transit fund may possibly be available. Of course, that Agency did not exist when we began our plans for this line. We knew then that the line would not sustain itself and for that reason the Authority had planned to contribute approximately half of the reconstruction cost and new equipment

cost. And they have obligated themselves to a cash contribution to this project of \$25 million.

Now, since that time the cost of the line - this has been about five years - has risen from some \$55 million to maybe \$69 million. I think still the Authority probably will be obligated to come up with about 50% of the cost to rehabilitate and build this line. And beyond that point the facility would be self-sustaining. But you can see that it is quite expensive.

We have actually now projects to which we have obligated ourselves, which we consider a package, that consist, first, of the high speed line extension and two major Delaware River Bridges. These three will be financed together as a package. The total cost will be about \$170 million. The fact is one of the bridges could not be financed alone nor could the transit line be financed alone. but together with the two bridges - the main one, the Delair Bridge expected to be a revenue raiser for us - these things can be done.

We have enjoyed excellent cooperation in the development of the plans for this work. We have advertised major construction, the first bids will be received on the 4th of January. This has been and is a very difficult project. There are many facets to it, including the city's redevelopment efforts, the new highways, utilities, and all of these things have to be considered especially in a metropolitan area. Therefore, it is most important that there be very close coordination between the Highway Department and other

governmental agencies. We've been fortunate in that we've had excellent cooperation all around, in fact, without the cooperation, I doubt if one agency alone could actually put the package together.

The Authority has not studied Senate Resolution 4 to any extent. We don't, at the moment, care to take a position but I would like simply to give to you our experiences and hope they will be helpful.

It is obvious to us that rail rapid transit cannot be accomplished without some subsidy or help from government just as government is helped in building airports and highways. The highway help, of course, has resulted in help to mass transit by bus.

Of course, you heard Mr. Bailey tell about the operations of SEPTA. We do not operate the rapid transit line that we now own. It has been operated since its construction in '36 by the PTC Company which is the operator of the Philadelphia Subways and their own equipment in Philadelphia.

We would expect that our operation would be by an operator; whether it would be PTC or some other nationally known group we haven't determined and we probably will not for some time. We expect though that SEPTA will be in a position and may well be our operator. We are really the tail of the dog at the moment in respect to Philadelphia with a 4 mile line compared to their quite a number of lines and an operation by a larger operator has many advantages.

I would like to also mention the Delaware Valley

Regional Planning Commission. They have done a great deal in studying the needs for routes in our area.

When the three routes that we contemplate are completed there will be only the Pennsylvania-Reading-Seashore Line route to Atlantic City with limited access to Ocean City and other places. That will be all of the railroad rapid transit or railroad commuter lines in our area.

It is important we think, too, that whatever is tried that it must encompass not only rapid transit but highways, bus routes, any mode of transportation. With each in its own orbit or its own proper space we think we can develop not only an acceptable but the best type of over-all transportation that the area certainly deserves.

I believe that is pretty much the picture as it is today and what we have experienced.

I'll be glad to answer any questions.

SENATOR OZZARD: I have one that's somewhat related. You have an operating area of 30 to 35 miles and as a Port Authority it's interesting that you've developed and are proceeding to become involved in a rail system whereas the Port of New York Authority has told us recently as they have told us in the past that they couldn't care less. Now, having compared the two enabling statutes, is this statute any different than their's in that you can get into rail transportation and they can't?

MR. MacMURRAY: Our statute obligated us to promote rapid transit in this area. This is one of our duties and obligations and it's in line with that duty and obligation

that we've been getting into it. Our two other main obligations are the construction and operation of bridges and the promotion of the River as an avenue of commerce. We are endeavoring also to get into the port facility business.

SENATOR OZZARD: You anticipate the line, the Haddonfield line, to handle about 60,000 riders a day.

MR. MacMURRAY: Correct.

SENATOR OZZARD: And what's the present load? You have this 4 mile line now that goes into --

MR. MacMURRAY: Well, our 4 mile line - well, there's about 3 million riders a year. Now that would be about 10,000 a day. However, of course, there are railroad riders that use the lower part of the line which we will take over who now come to Camden and change to a bus and continue. They do not all go on to the rapid transit.

SENATOR OZZARD: Senator Hillery?

SENATOR HILLERY: Through you, Mr. Chairman, Mr. MacMurray, did this request for this new spur come from the Haddonfield area or was it a planned operation by your Port Authority?

MR. MacMURRAY: This was a planned operation after a number of studies.

SENATOR HILLERY: The people who would be your customers on this new spur, are they going directly into Philadelphia via the bridge?

MR. MacMURRAY: Our customers can - there will be six stations in New Jersey.

SENATOR HILLERY: No, no. I wanted to know - presently,

how are they getting to their jobs? Are they driving across the bridge?

MR. MacMURRAY: Some are coming in by railroad to the subway station at the Broadway end of our line and taking our line to Philadelphia. Others are coming in by railroad and then taking a bus to Philadelphia. The bulk of them, however, are taking buses from their communities into Philadelphia.

SENATOR HILLERY: The reason for my question, you said this could be a self-sustaining operation and you hope that it will be and I was wondering if the fees that they're paying in tolls would balance out with the commuter fares they are going to pay. Would this balance out the loss of toll fare against commuter fares?

MR. MacMURRAY: Well, we really have not considered seriously the loss of tolls on the bridges. We expect fares to be about that of bus fares. Now we hope to wean people from cars on to the high speed line and that will be some loss to us. We consider that to be one of the negative features of this project. However, our bridge ridership is going up about 5% a year.

SENATOR HILLERY: You can't take it much longer in that case.

MR. MacMURRAY: So there is going to come a time when we will save the cost of building an additional bridge.

SENATOR HILLERY: Thank you.

SENATOR OZZARD: Senator Lynch do you have any questions?

SENATOR LYNCH: Mr. MacMurray, do I understand this line that you are going to build to Haddonfield you will not operate, the Port Authority will not operate this.

MR. MacMURRAY: We will not operate it, right. We expect to have an operator.

SENATOR LYNCH: You will contract it out to an operator.

MR. MacMURRAY: Yes, sir.

SENATOR LYNCH: And will that be a self-liquidating contract?

MR. MacMURRAY: Well, I don't know what we can say to our possible operator but we hope it will be self-liquidating after the contribution that the Authority will be making to it.

SENATOR LYNCH: In other words, you don't think you will have to subsidize the operators.

MR. MacMURRAY: I don't think so beyond these contributions.

SENATOR LYNCH: Will your Authority provide all the equipment, the cars, etc.?

MR. MacMURRAY: We'll provide everything.

SENATOR LYNCH: Thank you, sir.

SENATOR HILLERY: Thank you, Mr. MacMurray.

We will take a five minute recess.

(After recess)

SENATOR OZZARD: Mr. Klauder, please.

Mr. Klauder, I appreciate your coming up here and, of course, you have a most remote connection with our problem but having spent an interesting few hours with you in Trenton some months ago it was my request that you be invited to come up because the things you told me that day I think the Committee should hear.

I would, among other things, like you to tell us who you are because these other men all have been at least state officials and, too, the Committee has had from several sources, and some of its own members, queries as to the total modernization of rail lines, going into monorail, etc. and I know you are rather qualified in this area. If you could give us something about this and anything else you would like to tell us in line with our problem.

L O U I S T. K L A U D E R: Senator Ozzard, Senator Hillery and Senator Lynch, I'm delighted to be present and only too happy to come as a citizen of the State, first of all, and I hope with some public interest in the State's affairs and then in my capacity as engineer in this field I am very much interested.

About myself, I live in Moorestown in Burlington County; I have served as a member of the Board of Freeholders of Burlington County; I have owned a couple of newspapers, the Moorestown paper and the Haddonfield paper; I was Moderator of the Monmouth Presbytery of the Presbyterian

Church and am still a member of the General Council of the West Jersey Presbytery; I am a former President of the New Jersey Society of Professional Engineers; I've served on the State Board of Professional Engineers of New Jersey; Director of the First National Bank in Moorestown; Treasurer and member of the Executive Committee of the Penn-Jer-Del which is a Ford Foundation organization dedicated to studying the problems that enter governmental cooperation within the Philadelphia Metropolitan Area; I am a partner in the firm of Louis D. Klauder and Associates and we have been consultants to a number of transit and transportation projects including all of the publicly-owned authority in the Philadelphia area which Mr. Bailey just spoke about, and Mr. MacMurray; we were consultants to the Delaware Port Authority, to Passenger Service Improvement Corporation, to Southeastern Pennsylvania Transportation Compact and to Southeastern Transportation Authority - that's SEPTA, and to the City of Philadelphia; and for the past 7 years I've served as the City's member on the Service Standards Committee which is the arbitration board between the City of Philadelphia and the Philadelphia Transportation Company. Our firm has designed the extension to the electrification for the Reading Railroad. We've worked for the State of New Jersey on various projects since 1948 when the Department of Economic Development asked us to study the South Jersey High Speed Line that Mr. MacMurray just described. This is now going ahead since that first study in 1948 for the State.

We have been consultants to the National Capital Transportation Authority in Washington, studying ways in which the railroads there can be made more useful and improving mass transportation in and out of the Washington Metropolitan Area. We are consultants to the Massachusetts Bay Transportation Authority on various consulting problems, particularly the design of their new cars for the South Shore Line which is the Old Colony Line of the New Haven. We're employed by the United States Department of Commerce on studies of high speed passenger service between Boston and Washington, the design of high speed test cars and the design of high speed passenger cars. And we are supervising the high speed tests of 160 miles an hour between Trenton and New Brunswick right here in New Jersey.

We're engaged by the Department of Commerce of the State of Pennsylvania on extensions of the high speed service that Washington is planning between New York and Washington, from Philadelphia to Harrisburg.

We are engaged by the State of Delaware in trying to find ways to keep the passenger service on the Del-Mar Peninsula Line going.

That takes care of who I am.

A little of my philosophy here. It's very simply that I'm convinced that our existing railroads are a tremendous asset, particularly in metropolitan areas, and they shouldn't be neglected or lost. And once the railroad service is abandoned it doesn't take long for that right-of-way to be dissipated and once it's gone, it's gone forever.

With very modest investments, it seems to me, they can be made most useful in carrying passengers in the metropolitan areas.

As John Bailey has just told you, our Philadelphia experiments have shown a very modest improvement in the form of a few more trains, a little better speed, a few more parking spaces and lower fares. It has attracted passengers to the railroads which were losing passengers every year since 1946.

The Fox Chase Branch of the Reading alone has increased almost five times its number of passengers on that line.

In South Jersey, as Mr. MacMurray just told you, they are replacing a service that has about 1,000 passengers a day with one that he hopes will have about 60,000 passengers a day. That's a tremendous increase and there just isn't any other way that you could carry 60,000 people into Philadelphia and Camden for anything like the investment of \$70 million.

In Boston the former Old Colony Railroad and the former Highland Branch of the Boston to Albany, both of them went out of business because there weren't enough passengers to support a railroad. The Old Colony is being rehabilitated as a transit line. The Highland Branch has been and the very first year the Highland Branch carried 25 times as many passengers as the former Boston to Albany Railroad carried when it was a railroad.

We haven't been involved in studying the North

Jersey problem, particularly the Erie Lackawanna, and I realize there are serious problems here consisting of a lot of grade crossings, the inability to get into New York City without a transfer, so I'm not going to try to give you the answers to that one but I'm convinced from my experience in other places that these problems could be solved at a fraction of the capital cost for the same number of people to be carried by any other means. For instance, this has happened in South Jersey and Long Island and San Francisco. They've all found that they could do the job with the transit line better than they could do it any other way, particularly by highway. And it seems to me that there is no reason to believe that we can't do the same thing.

SENATOR OZZARD: Now, Mr. Klauder, you worked in the Philadelphia area and I believe your firm also had some activities in the Midwest. Is that correct?

MR. KLAUDER: No, we have not.

SENATOR OZZARD: You are familiar with that, aren't you?

MR. KLAUDER: I am familiar with it, yes. You did ask about monorails and I don't think I've ever made a speech anywhere that somebody in the audience didn't jump up and ask if we ever considered monorail as if it were something that they were introducing for the first time. Well, everyone who has ever been involved in transit problems, particularly in metropolitan areas where land is at a premium and where elevated railroads, such as the old Third Avenue in

New York or the Frankford El are just impossible eyesores and couldn't be countenanced in this day and age immediately suggest that perhaps the monorail is the easy answer.

Monorail has not only the glamor of public acceptance but it has some very energetic and enthusiastic promoters. So that in Los Angeles, in San Francisco, the Old Colony Line in Boston, in Atlanta, in Washington too, Washington, D. C., there have been very energetic efforts to get started on a monorail project to solve their local commuter and transit problems.

In every one of those cases they have been tried and tried. In the case of the Boston one it was tried very sincerely and very effectively, but in every case it has not proven to be quite the secret to all the answers that people thought it would be. One of the reasons for it is that you have a much more expensive structure to carry the monorail. I'm assuming that you're talking about a hung monorail and not supported from underneath because if you support it from underneath it is not a monorail at all. That has more tracks than a regular railroad has and has none of the advantages so that - the one in Seattle just doesn't meet the public's idea of a monorail. A monorail should be like they have in Wuppertal, Germany, which hangs. The theory, of course, is that it would swing free on curves and you can just see the old car riding out at 45 degrees as the train goes around it at 200 miles an hour. Well, this is the furthest thing from the fact. The cars are not free to swing at all. They are not pendulums that swing in the wind

whenever the wind blows, they are rigidly supported and this is the first rude awakening a person gets when he starts to look into monorails.

And to go on from there, the fastest one that we know of anywhere is 60 miles an hour. The one from the Tokyo Airport to Tokyo - and by the way, the Japanese are very aggressive and very imaginative and certainly are pushing all forms of mass transit much more energetically than most of the rest of the world is. And because there was enthusiasm for monorail they've built one and it does not go at the speed of their railroad trains by a longshot. It was built to go 60 miles an hour but has not been able to make the 60 miles an hour, and it has turned out to be quite a disappointment to them over there whereas their subways and their high speed railroads have been just fabulously successful. I was over there and had a chance to ride it. It's a beautiful ride. At 150 miles an hour it seems less bumpy than the Lackawanna going into Hoboken. That may be an unfair comparison but it's a very beautiful ride at that speed and they had it organized so that they would put the number of cars on each train that the customers required. They had a computer setup so that if you bought a ticket it showed on the computer and they knew how many cars to put on the train because so many tickets were sold. Well it turns out that every seat on every train is taken three days in advance and all the trains run at 12 cars all day long. And it has been a fantastically successful plan as well as solving the transit problem.

SENATOR OZZARD: You spoke of this test into New Brunswick at 160 miles an hour.

MR. KLAUDER: Yes.

SENATOR OZZARD: What's the proposal there? What's the design?

MR. KLAUDER: The Department of Commerce, of course, is trying to find out what they can do or what can be done to increase the speed of railroad travel so that it becomes more attractive in the inter-city areas, the run like from Philadelphia to New York, New York to Washington, and New York to Boston. If the speed could be increased it would make it unnecessary to use an airplane from Philadelphia to New York, for instance, or New York to Washington.

The question of how fast a train can really go, until recently, has been very debatable. The proverbial railroad operators, with every wreck it ever had firmly imbedded in their minds, doesn't want to go any faster than possible or than they have to go. And they have tended to reduce speeds rather than increase them. The Japanese experiments at 150 miles an hour have kind of awakened and shakened us a little bit. And now the Germans are running at 125 miles an hour on regular inter-city passenger service. The French lines average 75 miles an hour on runs as long as from Paris down to Nice. So we better find out a little bit more about speed here.

So the Department of Commerce made an agreement with the Pennsylvania Railroad to buy 50 new cars capable of running 150 miles an hour and bought 4 test cars to run

at 160. And we are going to run some tests. We will be actually handling the test procedures and organizing the tests and supervising it to see just what problems we get into with 150 miles an hour speed.

SENATOR OZZARD: This is going to treat merely with interstate.

MR. KLAUDER: Intercity.

SENATOR OZZARD: Intercity rather than pure commuting.

MR. KLAUDER: That's right.

SENATOR OZZARD: This is an impractical speed for stopping every mile or two.

MR. KLAUDER: Yes. As a matter of fact, in a place like the South Jersey operation those cars could easily be capable of running 85 miles an hour but they never have a chance to go that fast even though they accelerate at 3 miles per hour per second because there just isn't enough distance between stations. It takes a run of about 4 miles just to get up to 85 miles an hour and back down again, you see. So that for a commuter run which normally would have station stops at least every four miles you would never get faster than 85.

SENATOR OZZARD: On this South Jersey run, Mr. Klauder, do you have an opinion as to whether the improved service and the increase in usage that you anticipate there will put that road, that 10 1/2 mile road, on a break-even basis?

MR. KLAUDER: Well, you just heard it from the Authority. Mr. MacMurray is the operating head of that Authority. And while we are very much involved as consultants to them I

wouldn't want to disagree with him but I'll be delighted if he's pessimistic and we do a little better than he said.

SENATOR OZZARD: I don't think we touched on the area of improved service. Can you tell me how often trains are going to run on this 10 1/2 mile run?

MR. KLAUDER: Yes, that I can tell you about. We happened to make a study on that part. We will have service every six minutes all day long up through - oh, 6:30 and 7 in the morning until 7 at night, then every 15 minutes until 9, then every half hour right on through the evening until 1.

In the peak hours of the commuter rush, in the morning and evening, we will have short turns and long turns, with the long turns being expresses and missing some of the shorter intervening stations in order to reduce the travel time from the end of the line into the city. And there we'll have 2 minute headways across the bridge from Camden to Philadelphia and 3 minute headways - an average of 3 minute headways to Haddonfield, and an average of 6 minutes then from Haddonfield to the end of the line. In the middle of the day we will have 3 minute headways from Philadelphia to Camden too. So that we are going from 4 trains a day, at the present Haddonfield service on the railroad, to one every 6 minutes from Haddonfield. You see, they've increased the service tremendously.

SENATOR OZZARD: You have eliminated waiting almost entirely, haven't you?

MR. KLAUDER: Yes. The idea is, - well, parking for

about 6,000 cars, you see. And every major highway intersection with the railroad - for instance, the White Horse Pike at Lindenwold will have a station for 1500 cars and this will take care of the entire shore area from Atlantic City, Ocean City - anybody driving up that way can stop there and get a ride to Philadelphia making the trip in 22 minutes and they couldn't possibly drive it in any time less than 40 and if they had any kind of congestion in traffic it would be more than that, 45 minutes to an hour. Plus the fact that they'll be able to park free. And if they were just to drive across the bridge it would cost them a quarter. So with this 45¢ fare and free parking and you get into Philadelphia in half the time you would get there by car you really have a tremendous improvement to the service.

And the people coming from down the river, down 130 from Woodbury and in that area, until the Woodbury line is completed will have to get the line at the White Horse Pike Circle which is at City Line in Camden. And they'll be able to get in town in 9 minutes. They couldn't possibly drive it in less than 15 even at midnight when there's no traffic on the road.

SENATOR OZZARD: This is very interesting. We've talked of the crossing problem in North Jersey. We have roughly 72,000 to 78,000 passengers a day now. You anticipate handling almost that many.

MR. KLAUDER: Yes, 60,000, on one line.

SENATOR OZZARD: You do this on one line with

increased service and rapid service.

MR. KLAUDER: We're going from 1,000 a day to 60,000 a day on the same railroad track, besides giving them -- this, by the way, will be the best service in the United States or in the world, for that matter. There is nobody else that has this frequency of service, the speed of service, air-conditioned cars, a seat for everybody, outside of the crossing across the river, parking for 6,000 cars free. Nobody else has this. This will really attract people. It may not make money, as Paul said, but I think it will probably come closer than he said but it will certainly provide service to the South Jersey people and a darn sight cheaper than you could do it by highways and new bridges.

SENATOR OZZARD: The peak loads and the off-peak loads - if you are running this often you are going to have times when there aren't too many people using this service. What are you going to do --

MR. KLAUDER: We'll be running 1 car trains.

SENATOR OZZARD: That's what I wanted to know. You'll have self-propelled cars --

MR. KLAUDER: All day long there will be a 1 car train, 6 minutes headway, 3 minutes across the bridge headway, one car trains will be plenty. And when Paul says that it won't make money, this will be the reason why it didn't, because with this service all day long it wouldn't be used the way the on-peak load would be used.

SENATOR OZZARD: On this Committee we've dealt with

a number of ideas as to how we can best accomplish an improved railroad service - contracting with the railroads in this form of contract service subsidy that we use now; for today, the Authority idea which we've had expressed before - as a consultant in this field do you have an opinion as to the best way the State of New Jersey could approach this North Jersey problem? How does it get into the railroad business? It's in there now but how does it get in it properly?

MR. KLAUDER: Senator, I don't know enough about the North Jersey problem to know which of these devices is the best one. I have tremendous respect for Dwight Palmer and Herb Thomas and my guess is that they must have been approaching this problem very seriously. I can say this, that we are associated in work in New York on the Long Island and in Philadelphia and in Boston. In Boston the Massachusetts Bay Transportation Authority actually is the operating agency. They hire the trainmen and the men who put the track down. They are employees of the Authority. And on the Long Island, with the Long Island Railroad in Philadelphia. We've been associated with all John Bailey's projects since they started. And it works out very well on a contract basis. The Department of Commerce is contracting with the Pennsylvania Railroad to run their service. And I don't know that I have any - I don't think it makes an awful lot of difference.

SENATOR OZZARD: In each of these instances, including Boston, there's an Authority between the state and the --

MR. KLAUDER: Oh, yes, in every one of those. Even

in South Jersey there's an Authority that will contract with either the PTC, if that is the operating agency, or such as it is. The Authority actually owns the property and puts up the capital money in every one of these cases.

SENATOR OZZARD: And the one in South Jersey will be on a revenue basis, won't it.

MR. KLAUDER: Yes. Of course, you are talking now about the revenue now from the Delaware bridges.

SENATOR OZZARD: Yes.

MR. KLAUDER: In other words, the bond buyers really don't care whether there's a transit line or not, they are financing the bonds, the revenue bonds, on the basis of the earnings of the bridges.

SENATOR OZZARD: I see.

MR. KLAUDER: It's like having state tax base behind you when you have that kind of income.

SENATOR OZZARD: Like having a rich uncle.

SENATOR HILLERY: No questions.

SENATOR LYNCH: I have no questions.

SENATOR OZZARD: Mr. Klauder, we appreciate this very much. I enjoyed your comments before but I wanted it on the record, and I want to thank you very much for coming here today.

MR. KLAUDER: Thank you. I am delighted to be here, Senator.

SENATOR OZZARD: Thank you again, sir.

Now this concludes the hearing for today.

For the press, I can't tell you when the first, of what

I trust will be a few conference meetings will take place but it will be ~~some~~ time after the first of the year. I will have to contact all of the members of the Committee.

The plan now is to hold no further hearings but to start digesting the wealth of material we have gathered in several months and to come up with some proposals and put them in report form and then sell them to the full Legislature and the Governor.

(Hearing concluded)

