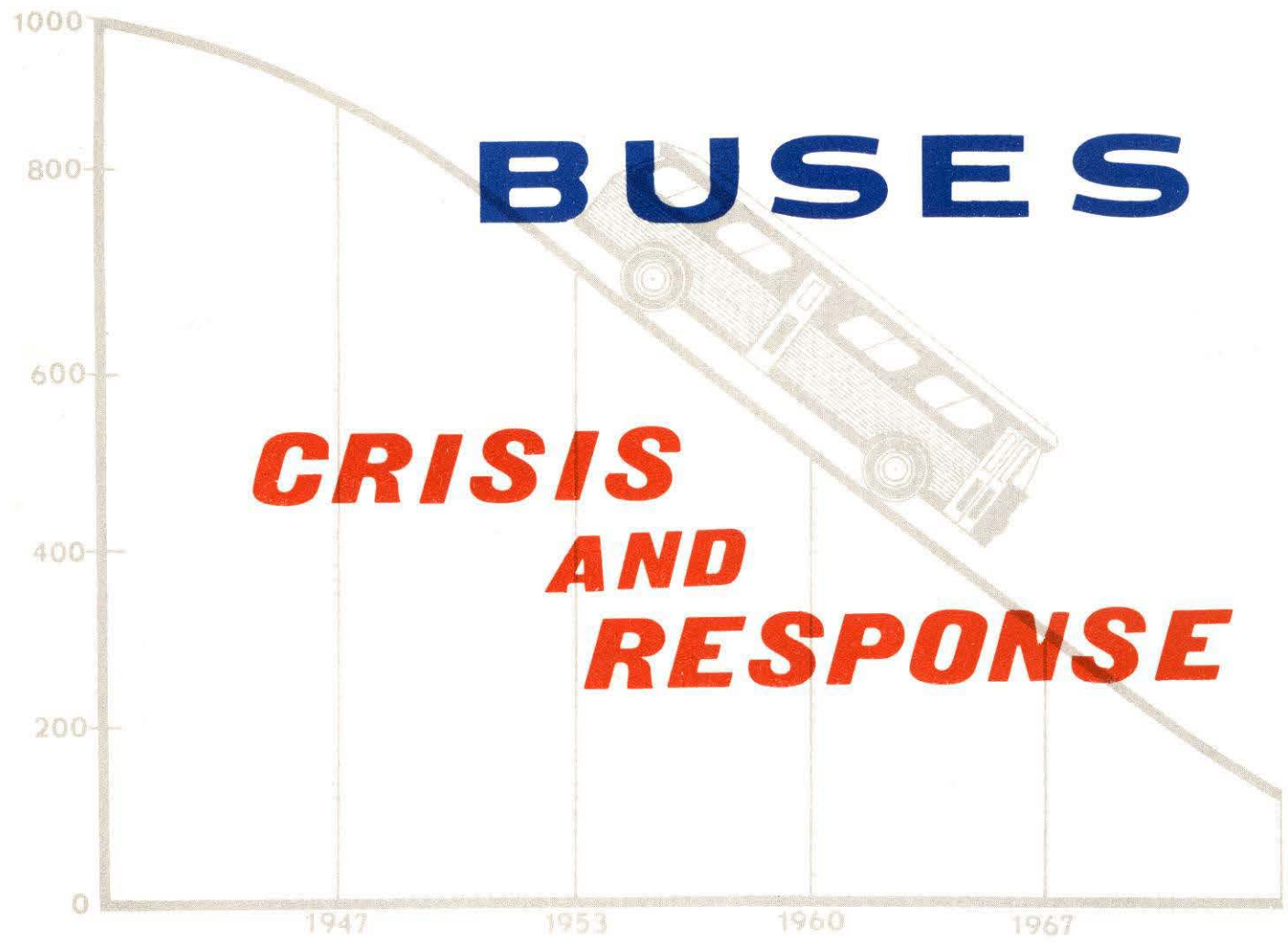


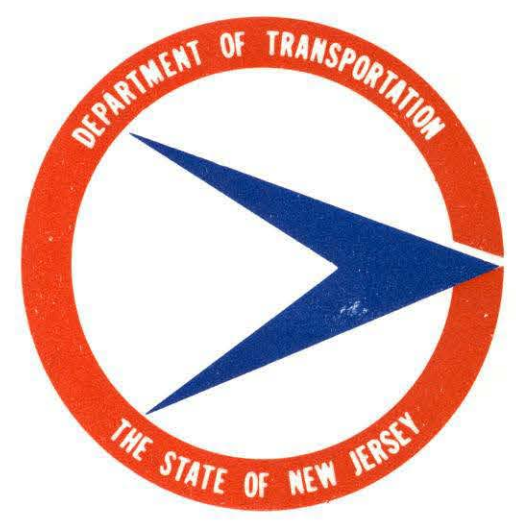
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BUSES

CRISIS AND RESPONSE

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NEW JERSEY DEPARTMENT OF TRANSPORTATION

BUSES

CRISIS AND RESPONSE

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DAVID J. GOLDBERG
COMMISSIONER

STATE OF NEW JERSEY

DEPARTMENT OF TRANSPORTATION

1035 PARKWAY AVENUE
TRENTON, N. J. 08625

May 1, 1969

Honorable Richard J. Hughes
Governor of New Jersey
State House
Trenton, New Jersey

Dear Governor Hughes:

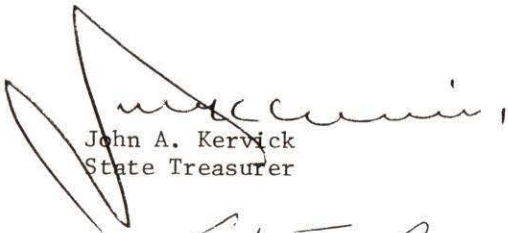
The Department's Master Plan for Transportation, submitted a little more than one year ago, recognized that "emerging transportation requirements in certain areas particularly those concerning mass transit including busses" required further consideration. During the past year, the Department has continued its review of the bus transportation in New Jersey.

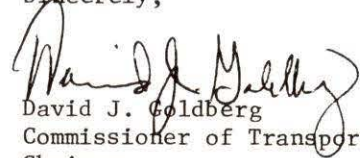
It is now apparent that a number of bus companies have reached a critical point. Without some public intervention, a number of urban centers are threatened with the loss of most, if not all, public transportation. For a large part of the population, the threatened loss of bus service would be, at the least, a serious handicap. For a significant part, it will be a tragedy or a disaster. Invariably, such a loss would strike hardest at the poor, the elderly, the young and the handicapped.


The completion of this report has been accelerated because of the deepening financial difficulties of many bus companies. It is as thorough as time would permit and recommends a program which we believe can successfully handle the most imminent bus problems while pointing the way to a more effective and efficient long-range solution.


Because of the urgency of this problem and the importance we attach to the recommendations in this report, the full membership of the Commuter Operating Agency of the Department of Transportation have joined together in submitting this report to you for your consideration.

Sincerely,


John A. Kervick
State Treasurer


David J. Goldberg
Commissioner of Transportation
Chairman


Brendan T. Byrne
President, Public Utilities
Commission


Ronald Berman
Assistant Commissioner for Public
Transportation, Secretary

HIGHLIGHTS

There is in New Jersey, today, a bus crisis which portends far more serious consequences than did the threat of abandonment of rail services nearly a decade ago. Buses in New Jersey carry approximately 1,200,000 riders daily -- nearly nine times as many as are carried on the entire rail network. Many of these riders do not have alternative means of transportation.

★ ★ ★

Without this large and extensive bus network, a substantial portion of our population would be deprived of the means to move from home to work, shopping and places of recreation. More than half of the State's citizens -- unable to use an automobile by reasons of age, income or personal handicap -- depend on bus transportation for mobility. The mobility for these groups in our society is declining.

★ ★ ★

New Jersey's urban centers are particularly dependent on mass transportation for their economic viability.

- In Newark, 52% of the trips to the central business district are by mass transit.
- In Jersey City, 41% of these trips are by mass transit.

★ ★ ★

Despite the importance of public transportation, there has been a drastic reduction of bus services in New Jersey since World War II.

- Number of passengers down, 934 million to 339 million.
- Number of bus miles down, 181 million to 146 million.
- Number of routes operated down, 467 to 312.

The decline has been most severe on local, intrastate routes. The picture for Public Service is representative of the industry.

- All passengers down 67%.
- Intrastate passengers down 73%.

★ ★ ★

Many specific services are threatened with abandonment or curtailments. Service on the Newark City Subway has been threatened with termination when the Public Service contract expires next January 1. The Inter-City bus lines operating throughout Passaic and Bergen Counties are in bankruptcy and have requested public support in order to continue operations. Financial problems of bus companies in Atlantic City and Trenton have forced consideration of public operations by county authorities. The Millstone bus line in Somerset County has ended all services without notice or authorization. The Marathon Bus Line in Monmouth and Middlesex Counties has reported serious financial difficulties. Coast Cities Coaches and Plainfield Transit Company have reported similar problems. The Southern Division of Public Service, serving large sections of Camden and South Jersey, is in serious financial condition and requires prompt restructuring to

adapt it to the operations of the new high speed Lindenwold transit line. In addition, approximately a dozen other companies scattered throughout the State have reported financial problems of varying severity and have requested public assistance to continue their services.

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Unless there is public involvement in the preservation of bus service, private companies will be forced to continue abandoning unprofitable routes and increasing fares, thereby foreclosing public transportation to many citizens who need it. The areas which will be affected first will be the older urban centers. Many middle-sized communities will be faced in the very near future with the loss of most or all public transportation service unless public support is available. This critical point was reached last year for Atlantic City and Trenton. An increasing number of communities face the same situation this year. There is every reason to believe that the number of bus companies facing similar financial crises will continue to expand over the next several years.

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It is apparent that today's bus crisis is statewide in scope and will continue to grow. It is unlikely that critical services can be preserved if the entire burden, financial and otherwise, is left to local efforts that are uncoordinated and sporadic. In most areas, appropriate agencies do not exist to assume the complex job of preserving bus service, nor are financial resources readily available on the local level. In many cases, the cities with the most serious financial problems are the areas which will be confronted first with a probable loss of bus service.

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Aside from the numerous smaller companies which are confronted with financial problems, the State's largest bus operator, Public Service Coordinated Transport, has been placed on the market for sale. Although this company has operated at a profit throughout most of its history, its earnings have gradually deteriorated despite six fare increases in the last twelve years. Transfer from its parent Public Service Electric and Gas Company to a private investment group carries with it the risk that the bus company will be dismembered, that the profitable long-haul and charter operations will be separated from the less desirable local service which will decline until either abandonment or public operation becomes inevitable. Public Service carries more than 50% of the total

bus passengers in New Jersey, 700,000 riders per day, and is the backbone of the public transportation system in New Jersey.

Inter-City Lines, a bankrupt company which serves some 45,000 passengers daily, faces a similar threat of liquidation or fragmentation of services.

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Because of the immediate problem confronting a number of private bus companies, a short-range subsidy program should be considered to insure the preservation of essential service on these lines for the next year. Experiences in the rail program -- where we have dealt with only three rail companies -- have proven that a long term subsidy arrangement which leaves managerial control in the hands of private companies could be highly expensive and inefficient if applied to the bus area. Many of the private bus companies operating in New Jersey could, within the foreseeable future, be seeking public assistance to preserve essential bus services. Subsidy arrangements with individual companies, operating in most instances with deteriorated equipment and capital plant, would be a very expensive method of providing service for any extended period of time.

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The Department, therefore, recommends authorization of an interim subsidy program to support bus services which would otherwise be terminated between now and July 1, 1970. It is recommended that 75% of the cost of providing such local bus services be provided from State sources and 25% from local sources. A \$750,000 appropriation should cover the State's share. The recommendation for modest local participation will help insure the reasonableness of local requests for maintenance of service.

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Beyond the immediate subsidy program, consideration should also be given to public acquisition of the Public Service and Inter-City bus companies. Public acquisition of these companies would be a positive way of preventing a deterioration of these services and avoiding the type of management which would not be in the public interest. Because of the size of Public Service, extending into more than 400 communities, 20 counties and portions of three adjacent states, the only public body able to undertake this task is the State.

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Public ownership of these companies could

- provide a vehicle to absorb the smaller companies which cannot continue to operate under private ownership;
- provide a practical means of meeting the existing demands for State subsidization of the Newark City Subway and the bus feeder system for the Lindenwold Line;
- enable the State to implement a comprehensive coordinated transportation system, especially feeder systems which are essential to maximize the potential from the State's \$325 million investment in commuter railroads;
- enable the State to make service improvements which are impossible under private enterprise to expanding housing and employment areas of the State.

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It is recognized that direct public involvement in bus operations represents a drastic departure from New Jersey's present governmental policies in this area. Any study of the possible public acquisition of bus companies, therefore, should consider all means of encouraging continued private operation of buses wherever possible as well as all alternatives to actual public operation.

I. THE CRISIS

The New Jersey Department of Transportation, in its Master Plan for Transportation released early last year, included the following analysis of the status of mass transit in New Jersey.

"The steady deterioration of mass transit in the major urban centers and their surrounding metropolitan regions is a very clear and present danger. Such recent events as the announced abandonment of the Newark subway, the threatened abandonment of transit service in Trenton, the bankruptcy proceeding of a major motorbus operator in northern New Jersey, and the generally weakened financial position of other motorbus carriers all indicate an impending crisis in this crucial segment of the State's public transportation system.

Abandonment or substantial curtailment of these systems would cut off essential employment and recreational opportunities for many thousands of New Jerseyans and would adversely affect the central business district in most of our major cities. It is clear that these systems must be preserved."

In the months since that statement appeared, a series of events has occurred which provide firm evidence that the problems facing major segments of the bus industry are intensifying. In addition to the threatened abandonment of the Newark City Subway and bankruptcy of the Inter-City Lines, other bus operators either have discontinued all services or are threatening to do so. Another round of fare increases has been granted, and elsewhere service has continued to decline at alarming rates. The imminent abandonment of bus service in Atlantic and Mercer Counties led to the enactment of legislation authorizing County Improvement Authorities to take over the bus systems in these counties. Negotiations presently under way will likely result in public ownership of the two major carriers in these counties. Meanwhile, the companies are petitioning the New Jersey Board of Public Utility Commissioners for substantial cutbacks in service.

SERVICE ABANDONMENTS

In recent days there has been unmistakable evidence that New Jersey is about to lose a number of critical bus operations. The effect of such losses can only be described as devastating to the urban areas which these smaller companies serve.

Some lines already have terminated operations. In May 1968 the Millstone Bus Line, serving about 1,000 persons a day in Somerset County, closed its doors without advance warning and without applying to the PUC for permission to abandon. The company accomplished this by permitting its insurance to lapse. Last month the PUC was compelled to order East Orange Transit Lines, which was carrying about 2,500 persons daily, to terminate service because of inadequate and unsafe operations.

Marathon Bus Line, with 1,200 riders daily in Monmouth and Middlesex Counties, is about to abandon all operations. A temporary court restraining order keeping the company in business has been dissolved and it is expected that the company will cease operations shortly. Coast Cities Coaches serving nearly 5,000 passengers daily in Monmouth County along the North Jersey coast and which is vital to Asbury Park, and Plainfield Transit Company serving nearly 2,000 people daily in the riot area of Plainfield also are likely candidates to cease operations in a matter of days.

In addition, a number of other companies (Appendix A) have indicated that their financial position is deteriorating seriously and have requested governmental relief--usually in the form of subsidies. The Department believes that a number of these companies are in fact in imminent danger of abandoning or severely curtailing operations. Some 12 companies scattered throughout the State and serving 107 municipalities, and which have a total average daily ridership of 30,000 people, have indicated that it is likely that they will terminate services in the near future. Their equipment is obsolete, averaging almost 20 years in age and their financial picture shows no hope. Whether the near future is measured in days, weeks or months, most of these companies will be forced to terminate operations if nothing is done.

The instances cited account for those companies which are in some immediate danger of closing down. Equally important, however, are reductions which have already taken place in existing services in urban areas and these trends are expected to continue at an accelerating rate.

OPERATIONS THREATENED

In 1967 the City of Newark was notified by Public Service that it was exercising an option to cancel its lease of the Newark Subway and desires to abandon that service. The subway carries 15,000 passengers daily and the continuation of this system appears to be essential for any public transportation proposals for Newark and Essex Counties. Its discontinuance would add considerable traffic to the already overly congested streets of downtown Newark. The City of Newark has requested the State to provide both subsidies and capital improvements to keep the subway in operation.

The Inter-City Lines is comprised of six affiliated operating companies serving 45,000 passengers daily, mostly commuters between Bergen and Passaic Counties and New York City. All of these companies are in bankruptcy and their future is in jeopardy. Continuation of regular service will be threatened if new equipment is not obtained to replace the rapidly deteriorating portions of the fleet or if their cash position declines much further. The system needs working capital and adequate equipment storage and servicing facilities.

FARE INCREASES

In August 1968 Public Service petitioned the PUC for, and subsequently received, a fare increase. It was the sixth increase in the last twelve years. This rise in intrastate fares followed an interstate fare increase which had been allowed in April 1968. Justification for the latest round of increases was clearly stated by the PUC:

"The economics of petitioner's operation are such that it is caught between rising costs and decreased patronage. Wages, salaries and related employee benefits account for approximately 68% of its operating costs. Such a large payroll cost is characteristic of bus operations but not of most other public utilities. The leverage exerted by the large percentage of expenses represented by wages means that any substantial change in this single item of expense cannot be absorbed by petitioner in light of its relatively poor earnings position."

A pattern of continued escalation of costs, declining revenues and subsequent fare hikes is all too familiar to the transit industry. The trend of rising labor costs for Public Service and the industry as a whole is shown in Charts 1 and 2. As fares continue to rise, riders continue to abandon the service, thereby perpetuating the downward economic spiral.

A PRACTICAL LIMIT

A key question is when has the practical limit been reached on fare increases as a solution to the deadly cycle of rising costs and declining patronage in the bus area. This issue was raised by the PUC in its decision on the most recent fare increase application when it stated:

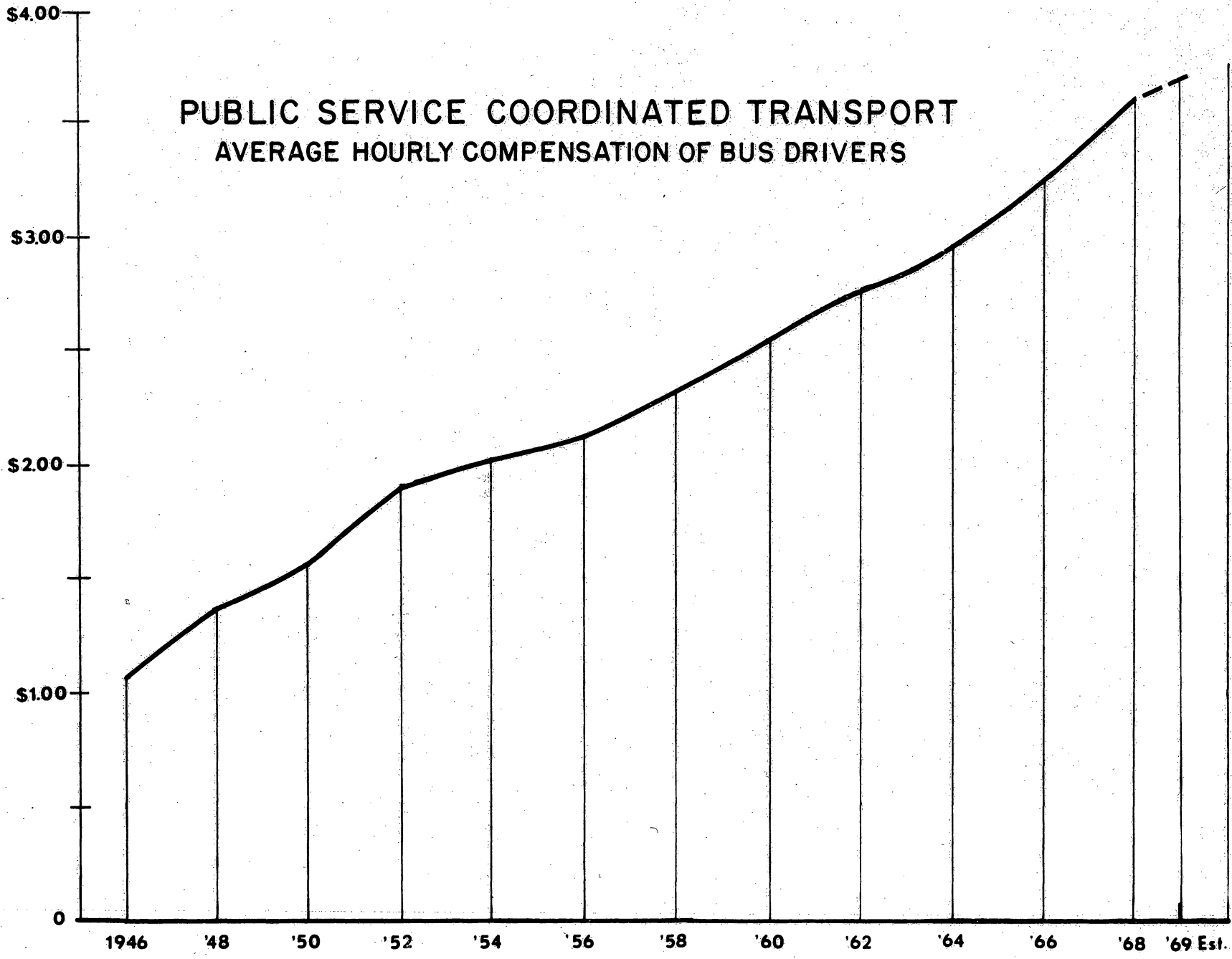


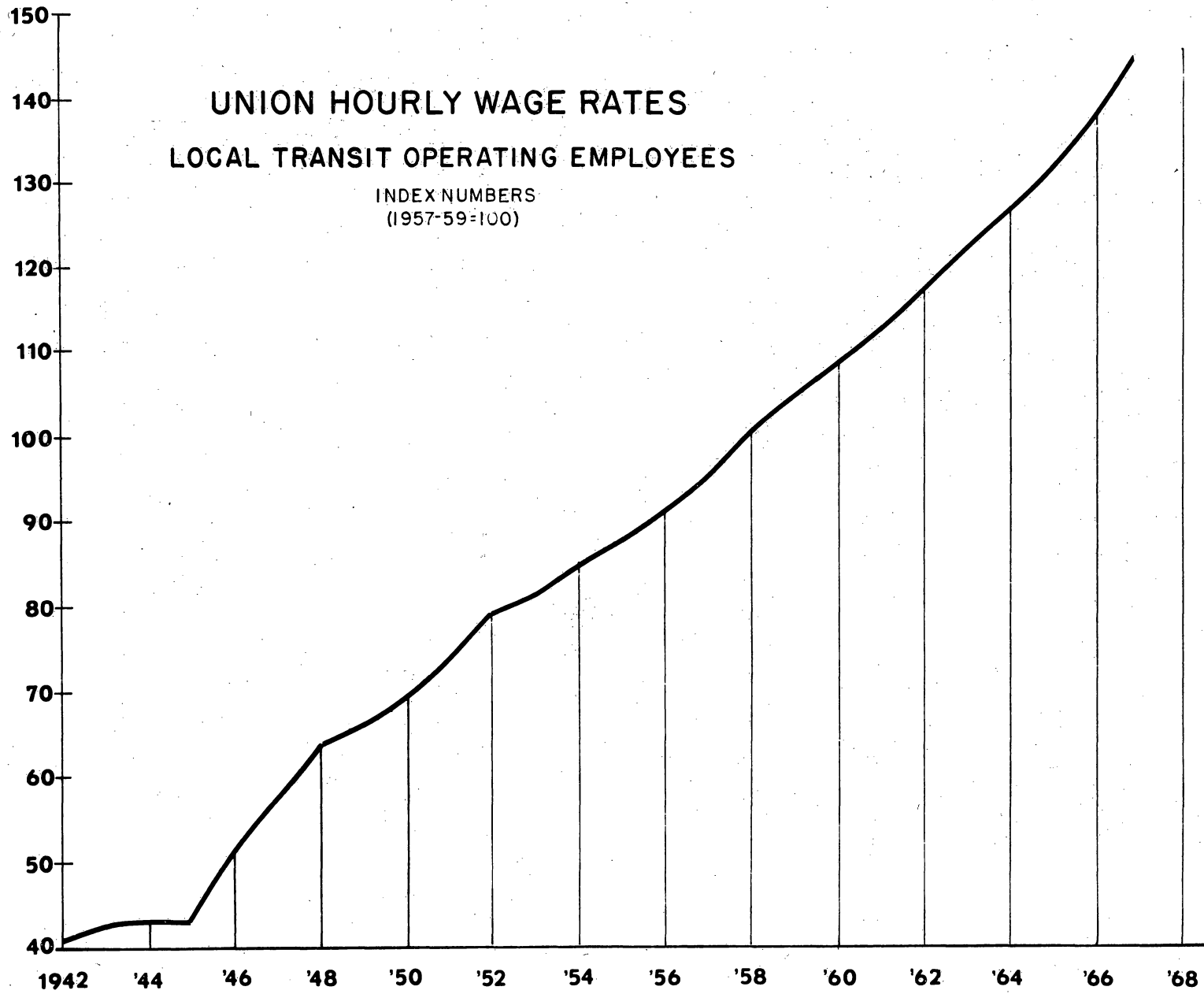
Chart 1

"With the knowledge that higher fares than those proposed by petitioner are now charged by transportation utilities in other areas of the State and Country, the Board is still very much concerned with the upper limit which it can reasonably permit the first zone fare for motorbus transportation to reach. Referring once again, to P.S.C.T. vs. State, supra, the Supreme Court stated that utility rates should not be so low as to be confiscatory nor ever more than the reasonable worth of the service. It is this latter concept of worth of service which is the current concern of the Board. The 25 cent first zone fare in the opinion of the Board is close to the upper limit set by the Court. Obviously, there is no rigid upper limit since such limit should depend upon general economic conditions. However, when a basic service such as bus transportation has increased at such a rapid rate and so much more rapidly than the cost of living index we become increasingly concerned as to how high one zone fares can be permitted to go in light of the public interest in mass transportation in general and in specific fares in particular."

The burden of rising fares and reductions or abandonments of service is a double injustice because it falls upon those who (a) are most dependent upon public transportation services and (b) can least afford the higher costs. The greatest effects are felt by the poor, the elderly and the young -- those who do not have alternative means of mobility and who are living on limited, and in many instances fixed, incomes. Together, these groups represent nearly half the urban population in this State.

The New Jersey Law Journal, a major voice of the bar of the State recently commented on the social inequities of fare increases:

"Who are the riders who must bear the brunt of the \$5,096,000 PSCT increase? For the most part they are the very persons whom the nation, the state, the municipalities, the private sector of commerce and industry and the bar are now making extraordinary efforts to help economically and socially.



SOURCE: U.S. DEPARTMENT OF LABOR - BUREAU OF LABOR STATISTICS

Chart 2

It is noteworthy that without the fare increase the annual loss the bus company would sustain from the wage increases would be substantially less than the losses alleged by the railroads operating suburban passenger service in New Jersey and it is safe to say that the number of 1- and 2-zone bus riders outnumbered by far the train riders. However, the legislature was able to find a way to provide subsidies for the railroads carrying North Jersey interests as well as intrastate passengers to and from Newark, Hoboken and New York (e.g., see L. 1961, c. 32). But for the larger class of commuters who must use buses for home to work travel within New Jersey no such ingenuity has been shown for providing similar relief from the periodic bus fare increases that usually follow wage increases.

This incongruity requires executive and legislative attention."

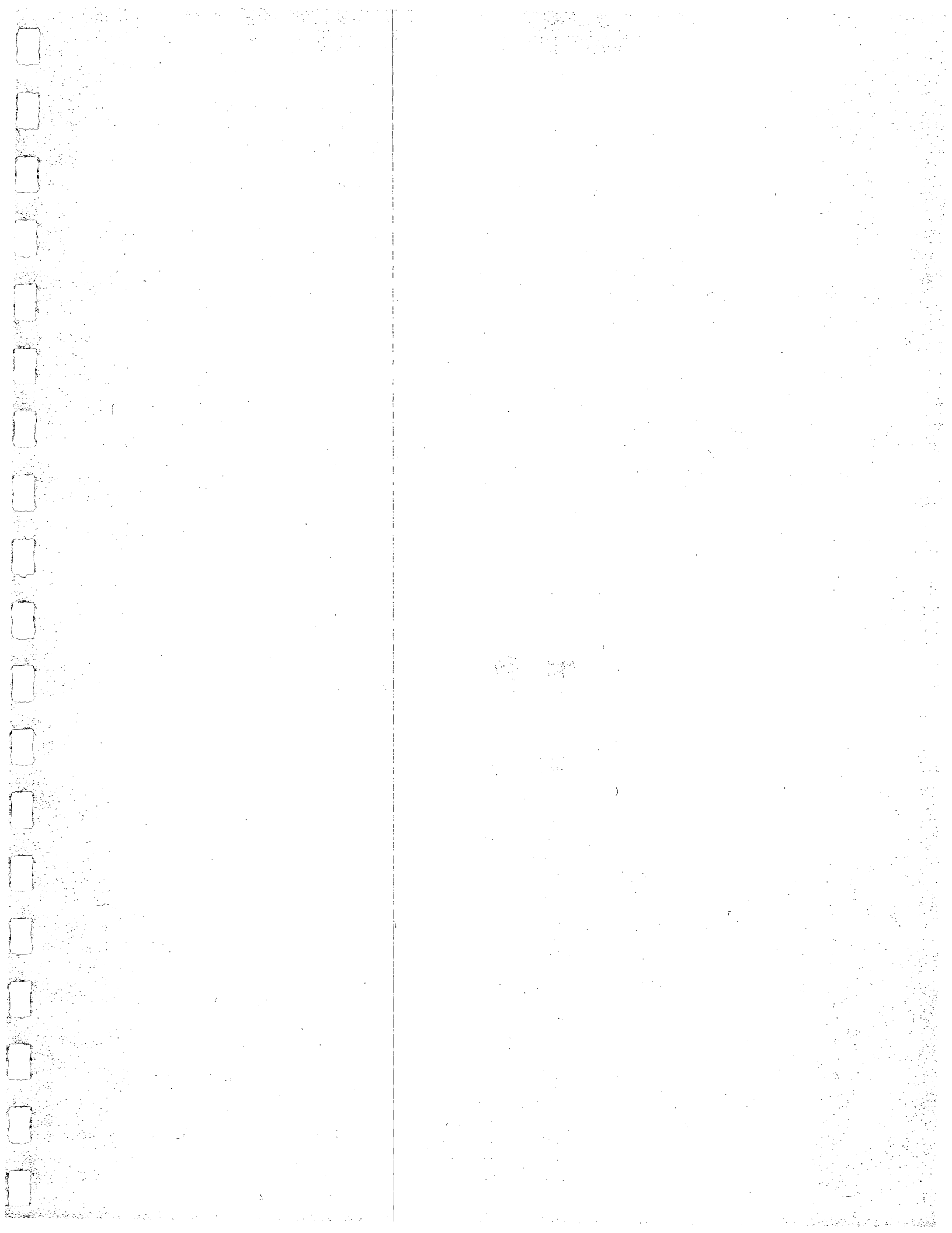
We must ask ourselves whether these fare increases, which may be unavoidable under private operations, do not work contrary to objectives of social welfare programs designed to aid the urban areas and to the general welfare of the community.



Riders transfer between Newark City Subway and bus lines.



Newark City Subway serves 15,000 passengers daily.



II. A DECLINING INDUSTRY

All of the specific critical problems which have been mentioned are only symptoms of the general deterioration of public transportation in New Jersey. Public transportation, especially local bus operations, throughout the State is suffering from declining revenues and rising costs. Equipment is being held beyond its useful life and companies are cutting back on existing services and not providing new, essential services.

STATEWIDE DOWNTREND

Public transit in New Jersey has declined throughout the post-World War II period by whatever measure one may select. Charts 3 through 5 clearly reflect these trends. In summary, from 1947 to 1967:

1. Number of passengers, down 934 million to 339 million.
2. Number of bus trips, down 12.1 million to 6.2 million.
3. Revenue bus miles, down 181 million to 146 million.
4. Number of operating transit companies, down 447 to 267.
5. Number of routes operated, down 467 to 312.

A closer examination of these charts indicates an even more ominous trend for New Jersey. Since 1947, the number of passengers on interstate routes has remained virtually constant, while the number of intrastate passengers declined from 826 million to 235 million - a 72% drop. The same is true for the number of bus miles and bus trips. The evidence clearly indicates that the greatest decline in bus operations has occurred on the local, intrastate bus routes.

PUBLIC SERVICE DECLINE

For the largest bus company in the State, Public Service, which accounts for more than 50% of all the passengers carried in the State, the declining picture is the same. For all Public Service routes between 1947 and 1967:

1. Number of passengers, down 649 million to 214 million.
2. Number of bus trips, down 7.1 million to 3.1 million.
3. Revenue bus miles, down 112 million to 81 million.
4. Revenue bus miles per mile of route, down 18,750 miles to 13,218 miles.
5. Number of bus routes, down 230 to 145.

The decline for Public Service is even more severe than for the average of the United States transit industry. Table 1 shows a comparison of the trend in revenue, revenue passengers and average fare for both the U.S. transit industry and Public Service Coordinated Transport. It can be seen from this table that the number of transit passengers is declining throughout the country. Between 1958 and 1969, the average passenger decline in the United States was 11.4%. However, the decline during the same period for Public Service was 26.4%.

NEW JERSEY BUS COMPANIES

NUMBER OF PASSENGERS REGULAR ROUTES

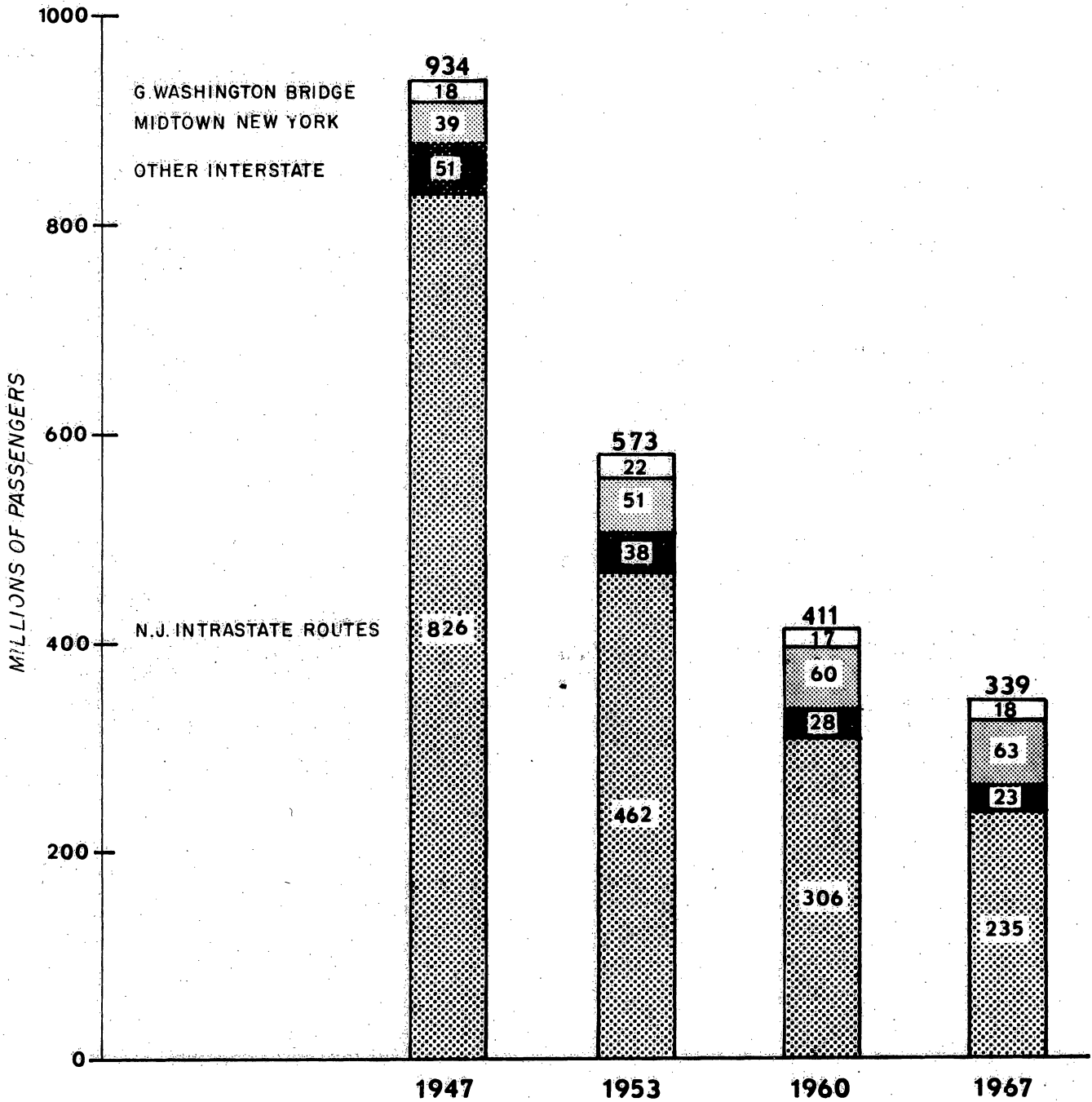


CHART 4

NEW JERSEY BUS COMPANIES

NUMBER OF BUS MILES REGULAR ROUTES

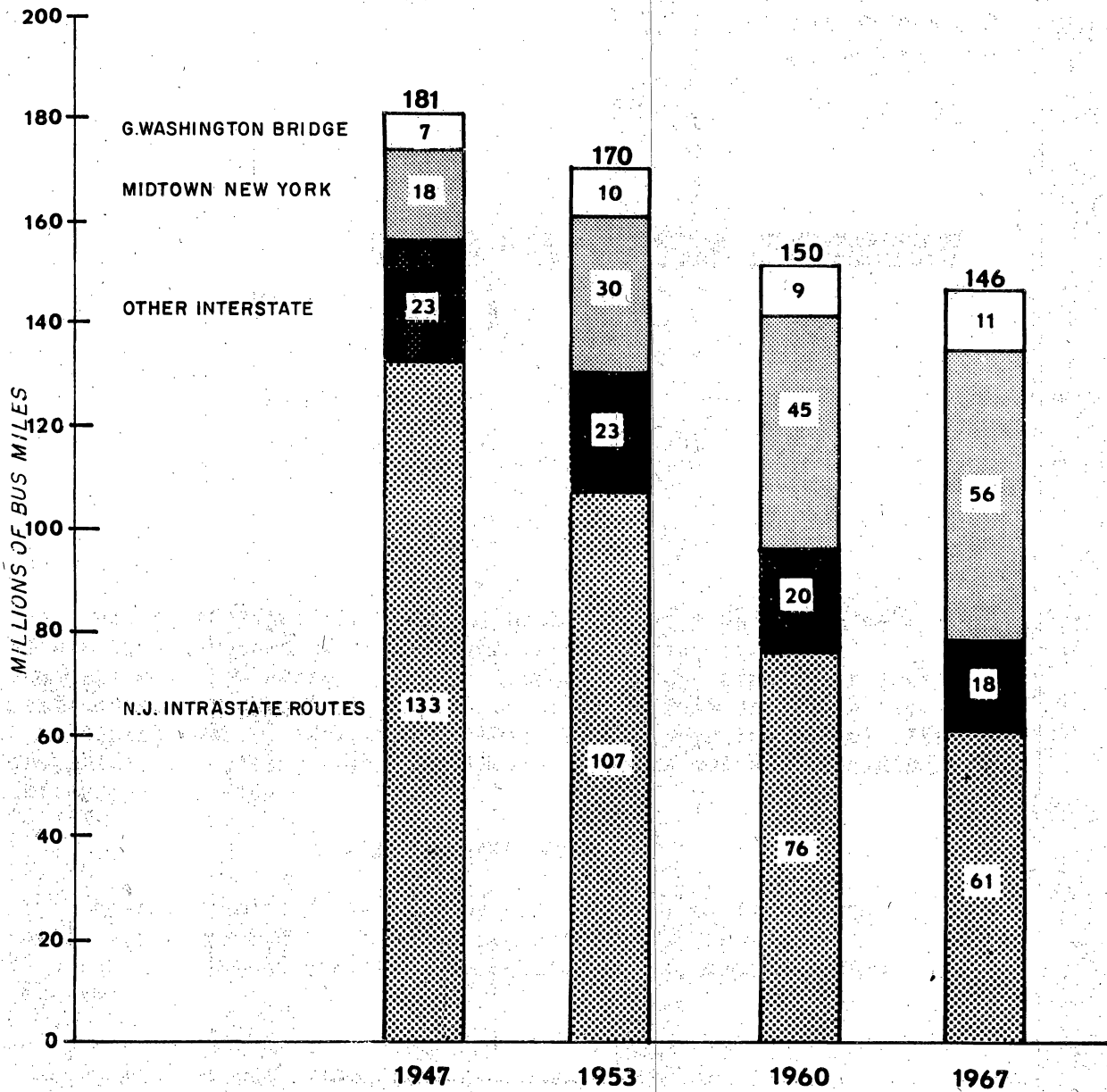


CHART 5

NEW JERSEY BUS COMPANIES

NUMBER OF BUS TRIPS REGULAR ROUTES

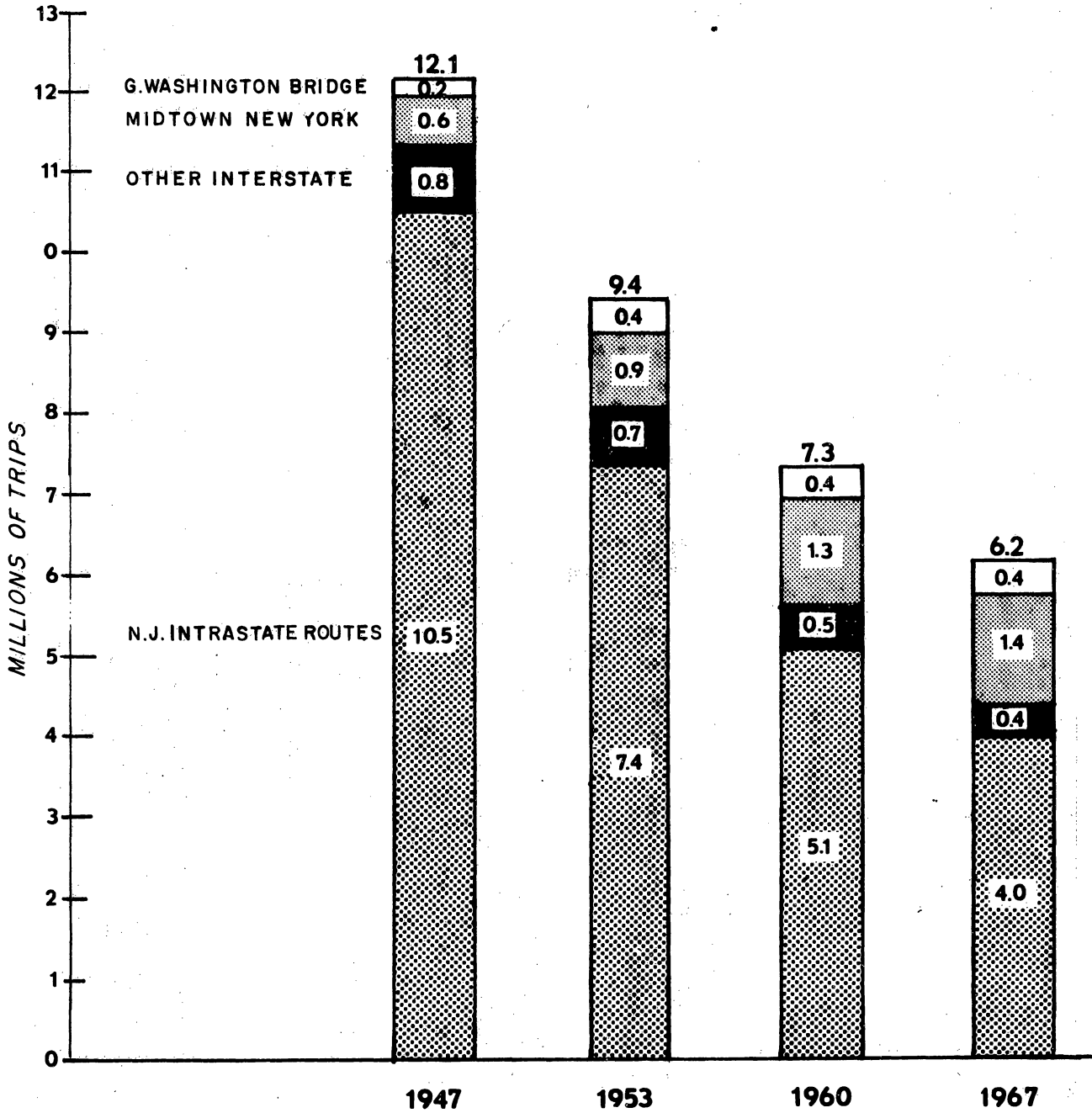


TABLE 1

COMPARISON OF TRENDS IN REVENUE,
REVENUE PASSENGERS AND AVERAGE FARE
U.S. TRANSIT INDUSTRY AND PUBLIC SERVICE COORINDATED TRANSPORT

Year	Passenger Revenue		Revenue Passengers		Average Fare	
	PSCT (thousands)	U.S. (millions)	PSCT (thousands)	U.S. (millions)	PSCT	U.S.
1958	\$48,378	\$1,282.2	288,014	7,778.0	16.8¢	16.5¢
1959	54,342	1,308.3	269,764	7,650.0	20.1	17.1
1960	54,145	1,334.9	264,877	7,521.0	20.4	17.7
1961	55,294	1,320.9	262,416	7,242.0	21.1	18.2
1962	55,374	1,330.2	254,338	7,122.0	21.8	18.7
1963	57,129	1,316.3	247,572	6,915.0	23.1	19.0
1964	55,069	1,326.0	224,354	6,854.0	24.5	19.3
1965	60,564	1,340.1	224,015	6,798.0	27.0	19.7
1966	62,303	1,385.4	219,969	6,671.0	28.3	20.8
Percent Change, 1958-1966	28.8%	8.0%	(23.6)%	(14.2)%	68.5%	26.1%

(decrease)

Source: N. J. Board of Public Utility Commissioners, Docket No. 683-155

(Rate Counsel Exhibit 11)

This table also gives some indication of the result of the Public Service Coordinated Transport pricing policy in comparison with the average firm. Between 1958 and 1966:

1. Average fare for the industry, up 26.1%; for Public Service, up 68.5%.
2. Revenue for the industry, up 8%; for Public Service, up 28.8%.
3. Revenue passengers for the industry, down 14.2%; for Public Service, down 23.6%.

Thus, Public Service has gained more revenue, but lost more passengers than the average transit company.

The investment by Public Service in transportation property as shown in Table 2 has increased faster than the increase in such investments throughout the country even though its total transit ridership has decreased at a greater rate. These diverging trends indicate that even one of the best managed private companies, aware of its public responsibilities and willing to make the necessary investment required to provide a high standard of service, has not been able to stem the tide of underlying economic forces that are at work in the industry.

INTRASTATE DECREASE

As with the industry in New Jersey as a whole, the decrease by Public Service generally took place on intrastate operations. During the postwar period, the total number of interstate passengers remained fairly stable while the number of intrastate passengers declined precipitously. Again, from 1947 to 1967:

1. All passengers, down 67%.
2. Intrastate passengers, down 73%.
3. Trans-Hudson passengers, up 7.6%.
4. Trans-Hudson passengers via the George Washington Bridge, down 27%.
5. Trans-Hudson passengers via the Lincoln Tunnel, up 21%.
6. Passengers on the southern division, down 70.1%.

TABLE 2

COMPARISON OF GROSS INVESTMENT
AND REVENUE PASSENGERS
U.S. TRANSIT INDUSTRY AND PUBLIC SERVICE COORDINATED TRANSPORT

Year	Gross Investment		Revenue Passengers		Ratio PSCT/U.S.	
	PSCT --(thousands)--	U.S.	PSCT --(millions)--	U.S.	Investment	Passengers
1958	\$66,734	\$772,000	288.0	5,135.0	.086	.056
1959	68,137	791,000	269.8	5,108.0	.086	.053
1960	73,860	817,000	264.9	5,069.0	.090	.052
1961	77,059	837,000	262.4	4,834.0	.092	.054
1962	78,572	854,000	254.3	4,773.0	.092	.053
1963	82,195	879,000	247.6	4,752.0	.094	.052
1964	84,077	897,000	224.4	4,729.0	.094	.047
1965	85,097	933,000	224.0	4,730.0	.091	.047
1966	87,151	958,900	220.0	4,702.0	.091	.047
1967	86,569	n.a.	212.3	n.a.	n.a.	n.a.

n.a. = Unavailable

Source: N. J. Board of Public Utility Commissioners, Docket No. 683-155

(Rate Counsel Exhibit 12)

In the southern region of the State where the decline has been greater than the system average, the opening of the Lindenwold Line will have a significant impact on the operations of Public Service. A recent bus feeder study for the Lindenwold transit corridor indicated that the southern division of Public Service is sustaining annual losses of approximately \$2.5 million. Studies by the Department tend to confirm that there is indeed a substantial loss by this division. The diversion of traffic to the Lindenwold Line will have a substantial adverse effect on the operations of Public Service in this region.

DECLINE ON PARTICULAR ROUTES

An examination of particular routes emphasized the decrease in service on local, intrastate bus routes. Table 3 shows the percentage change in the number of scheduled trips per day between 1963 and 1969 for 7 intrastate and 2 interstate bus routes.

On the No. 3 Bergen Route, for example, which serves much of Newark's Central Ward, weekday service was cut by 32% between 1963 and 1969 and had a 40% decline in the number of passengers between 1963 and 1968. Four other intrastate routes experienced service declines ranging from 8% to 20% on weekdays. Saturday and Sunday service curtailments were more severe and in some cases totally eliminated.

On two of these services, patronage actually increased slightly despite a decrease in service. While it is not possible to determine from these data whether passenger increases occurred on weekdays or weekends, it does not appear that the service reductions were justified.

Even the interstate routes have not been immune to service curtailments. On the No. 7 Moorestown-Philadelphia line, certain weekday service was cut by 12% while passengers declined 20%. On the other hand, No. 165 Westwood-New York had an increase in service over the same period but experienced a passenger decline.

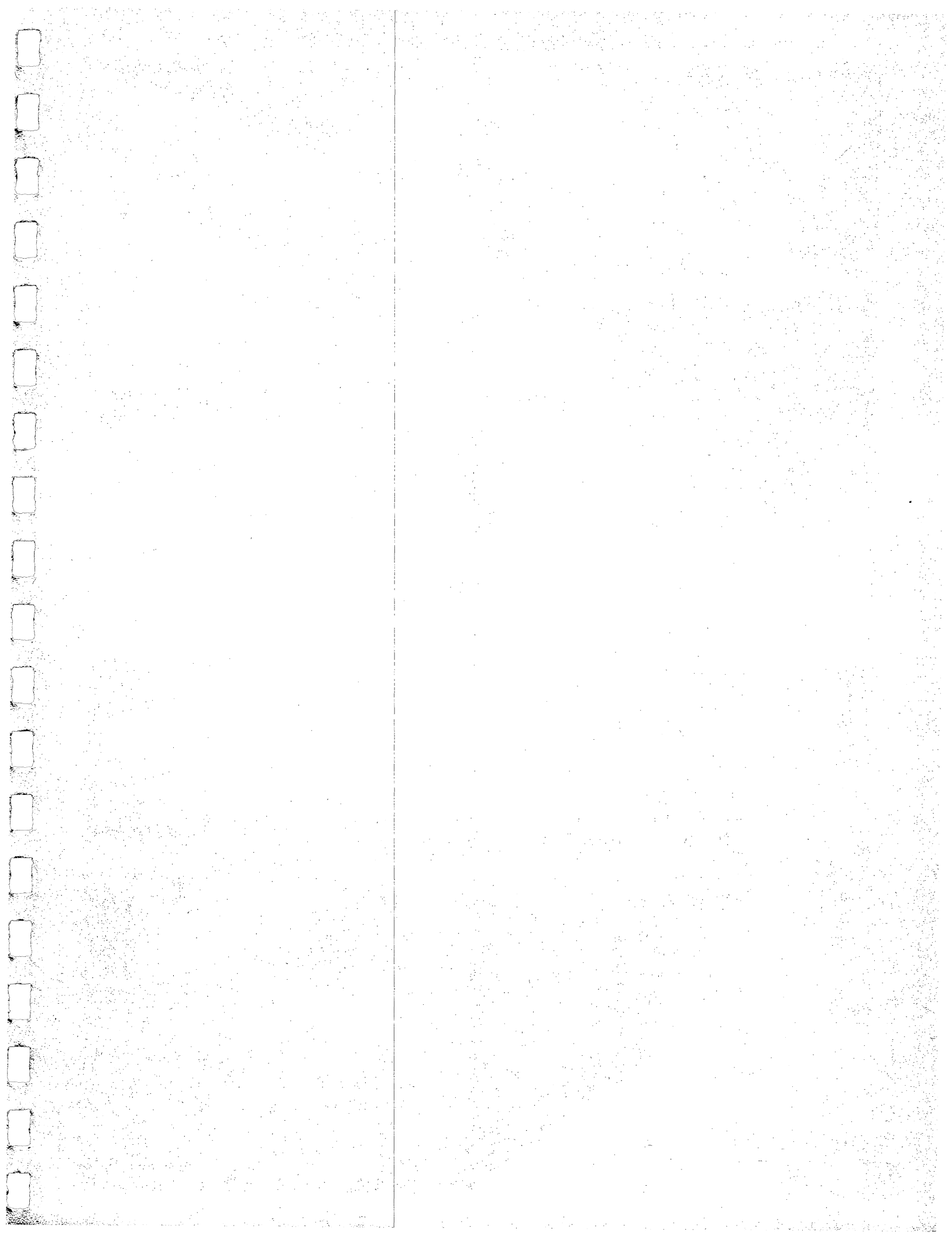
While these are only isolated instances and are not necessarily representative of the entire 145-route Public Service system, they do give some indication that more attention has been given to the preservation of interstate services while substantial curtailments have been the rule on intrastate routes.

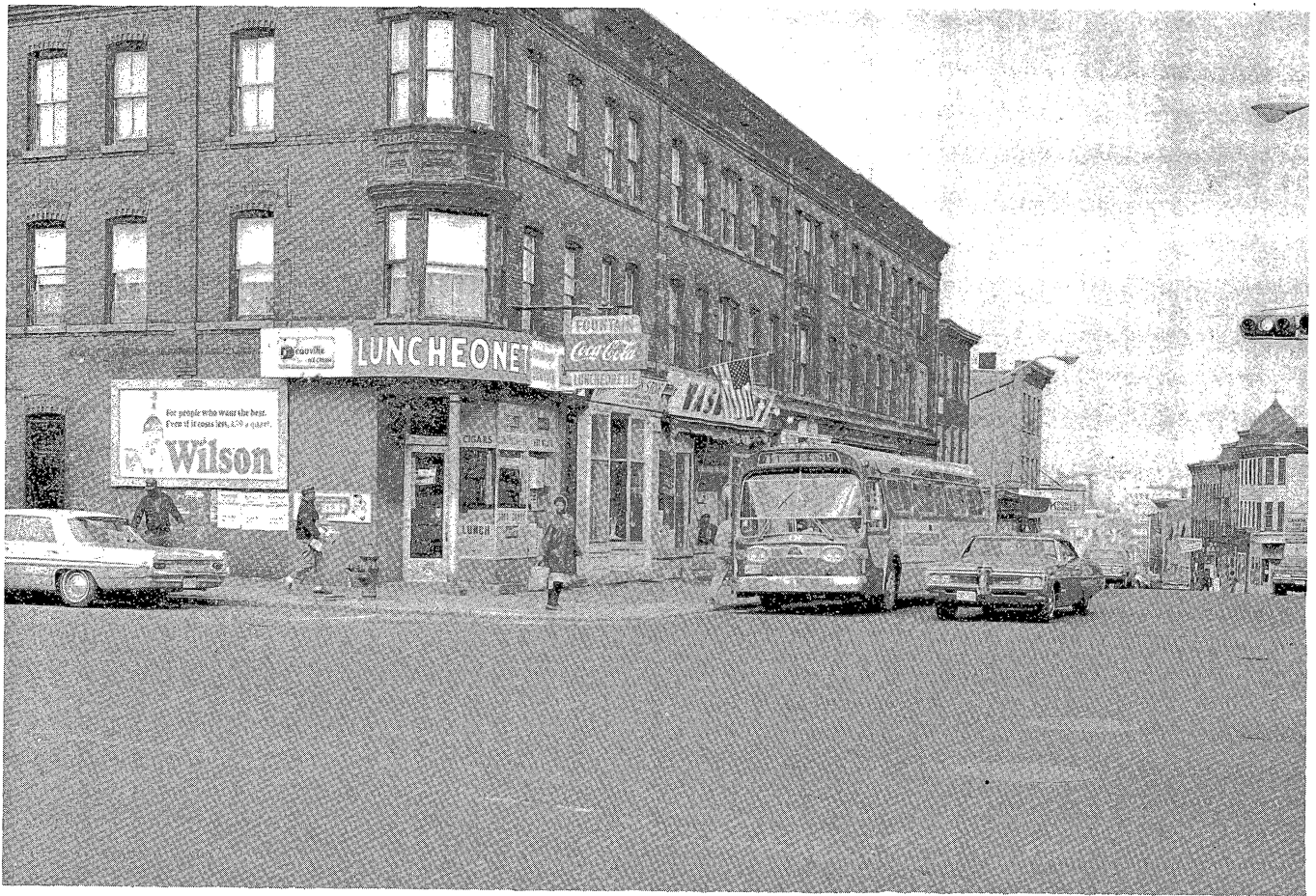
TABLE 3

SELECTED PUBLIC SERVICE BUS ROUTES
 Percent Changes, 1963 to 1968 and 1969
 (Decreases, except where +)

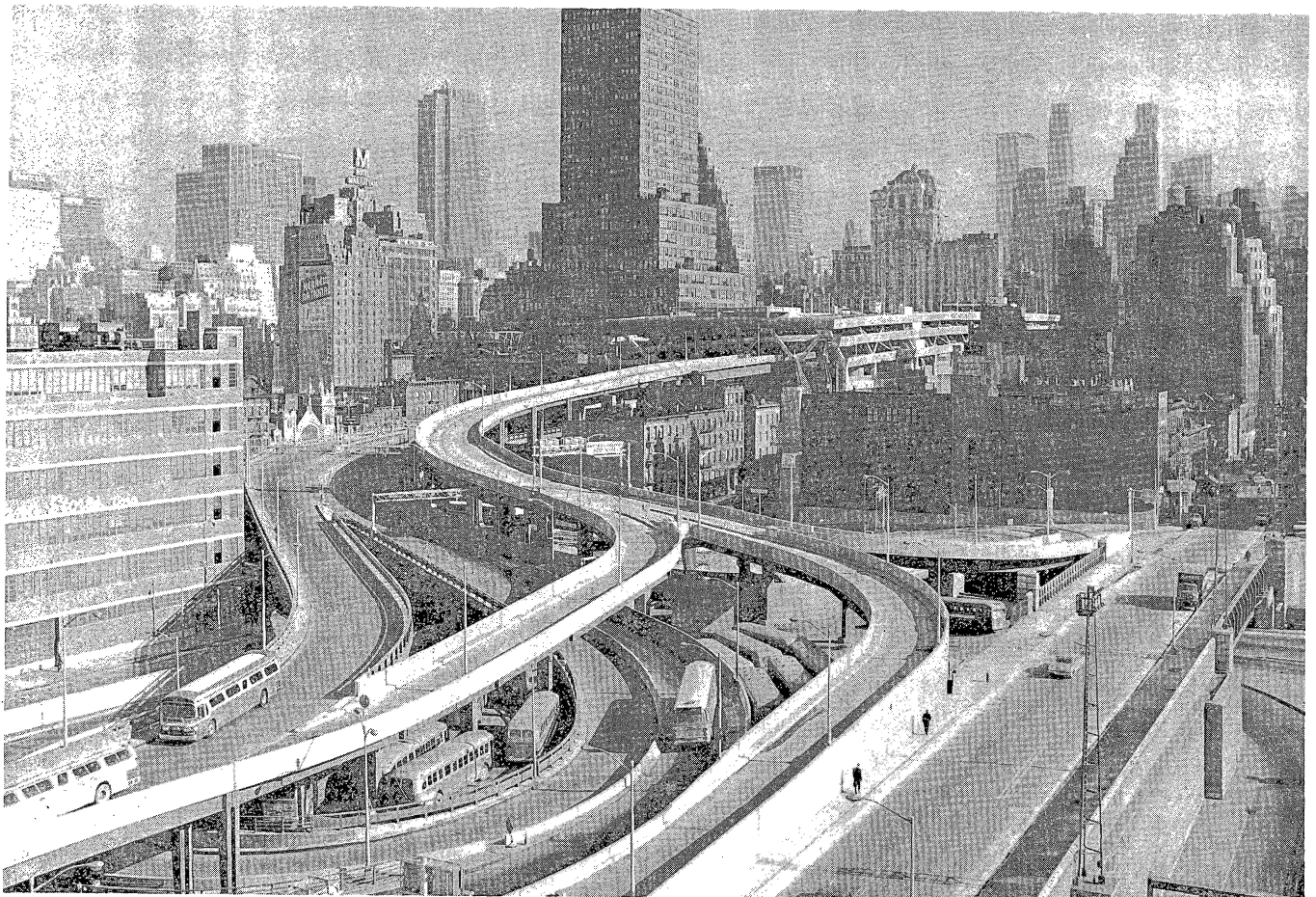
Name and Location of Route	1963-1969			1963-1968		
	Daily Number of Scheduled Round Trips			Annual Number of Bus Trips	Annual Number of Bus Miles Operated	Annual Number of Passengers Carried
	Wk.	Sat.	Sun.			
URBAN INTRASTATE ROUTES:						
3 BERGEN (Newark)	-32%	-31%	-40%	-29%	-27%	-40%
51 PARK (Newark)	-20	-25	-100	-25	-28	-18
44 LODI (Passaic- Lodi-Hackensack)	-15	-12	-32	-16	-12	-21
2 AMPERE (Newark)	-13	- 9	-10	-11	-23	+ 1
6 CROSTOWN (Newark)	- 8	-15	-16	-15	-16	- 8
27 MT. PROSPECT (Newark)		N.A.		-13	- 9	+ 2
28 SUMMER AVENUE (Newark)	- 8	-40	-100	-22	-21	-23
SUBURBAN INTERSTATE ROUTES:						
7 MOORESTOWN (Phila.- Moorestown)	-12	-10	-17	-17	-13	-20
165 WESTWOOD (N.Y.- Westwood)	+16	0	- 3	- 3	+ 5	- 5

Clearly, it is local transit which is caught in this downward spiral. Therefore, New Jersey cities and New Jersey workers are the ones affected by the deterioration of public transportation services. Statistics alone do not indicate the full extent of public transportation problems within the State. How does one quantify ancient and dirty equipment, long waiting times, the lack of new service to rapidly expanding areas within the State and the lack of service coordination which inhibits the ability to transfer easily from one system to another or even to go from one area of the State to another? Without corrective measures, this trend is irreversible. What, then, are the implications of this problem for New Jersey?

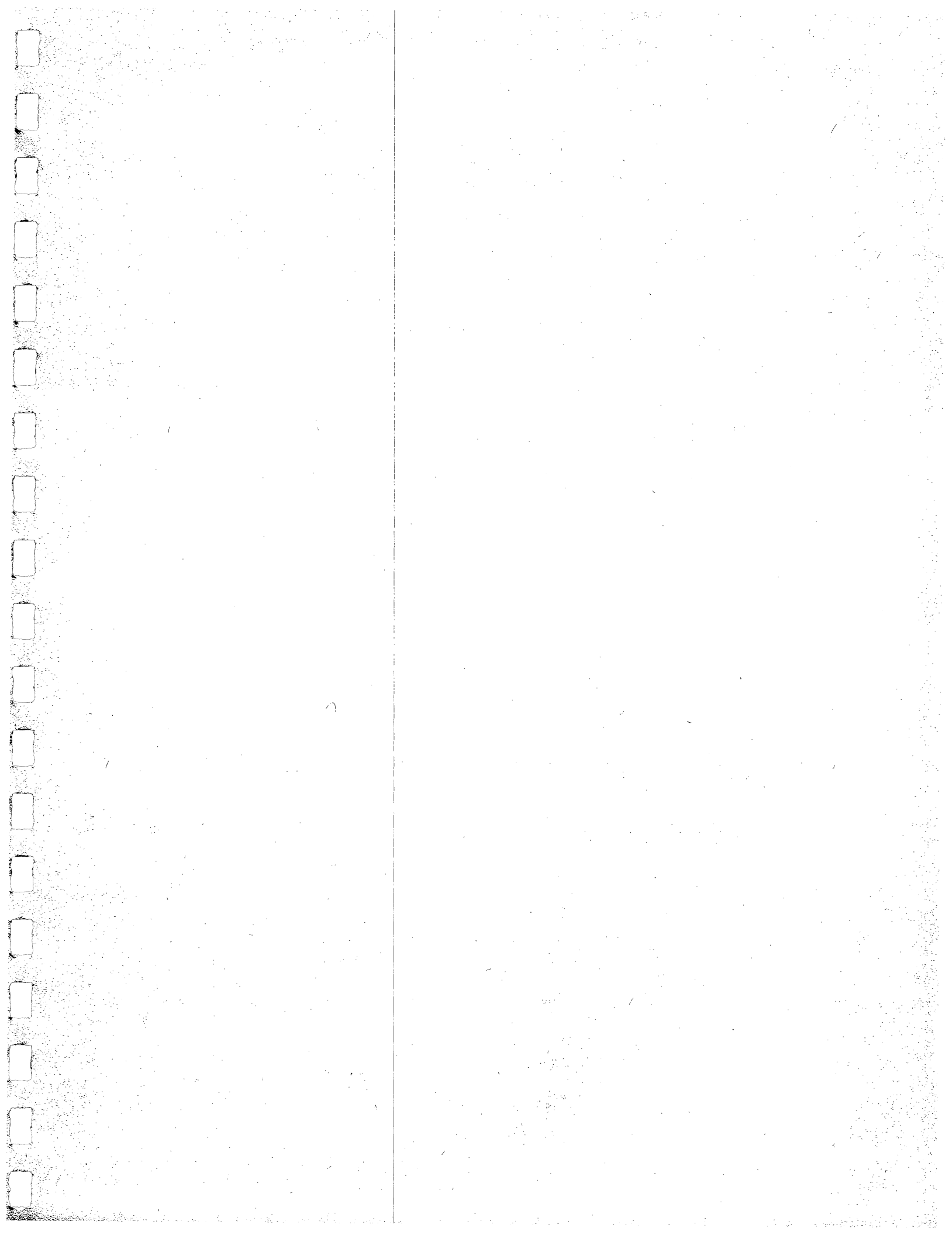




The urban poor depend heavily on local bus service.



More than 275,000 bus riders from New Jersey use midtown terminal daily.



III. THE ROLE OF PUBLIC TRANSPORTATION

The urban crisis is a major concern of government today. A critical element of the urban problem is transportation. How the mobility demands of those who cannot drive by reason of age, poverty or handicaps can be satisfied; how the central cities can be regenerated and new ratables and housing opportunities can be attracted; how those trapped in the ghetto can get to the outlying areas where job opportunities exist, to medical facilities and to shopping and recreation centers; how traffic congestion can be reduced in concentrated urban areas -- all of these are urgent questions demanding solutions.

Public transportation obviously must play a key role in working out solutions. And since rail transit is feasible only in relatively few areas of extremely high population density, such as Manhattan, Newark and Philadelphia, public transportation solutions usually look to buses. Buses are, in fact, the workhorse of New Jersey's public transportation system -- carrying an estimated 1.2 million passengers daily -- more than nine times as many persons as are carried on the entire rail system.

Nearly a decade ago, the critical importance of public transportation was exposed by the threat of curtailment in essential rail commuter service. Faced with this prospect, the State acted, first using stopgap measures and then, in 1968, by laying out an improvement program that won overwhelming support of the voters. It can do no less for those who depend on buses.

WIDER IMPACT

The present bus crisis portends far more serious consequences for New Jersey than did the railroad threat. The bus system touches virtually every citizen, reaches into virtually every city and town of the State. New Jersey is, in fact, the most urbanized state in the country and the urbanized centers depend on this system for their economic viability. Nearly all of the intrastate trips in New Jersey and more than half of the interstate trips by public transportation are carried by buses.

The worker who lives in the urbanized core finds an even greater dependence on mass transit, as indicated by Table 4, showing the number of transit trips originating in the central business districts of northern New Jersey.

Examples for the first and second largest cities in the State show the continued importance of mass transit in older urban areas. In Newark, 52% of all persons travelling to and from the CBD use mass transit. For trips originating within the City of Newark and destined to the CBD, the percentage using mass transit is 57%. In Jersey City, 41% of the total daily trips to and from the Journal Square area use mass transit. Public transportation services must be maintained if these business districts are to survive.

LOCAL TRANSIT HARDEST HIT

Yet, as the previous section indicated, the local transportation systems, those serving the cities, are in the most serious trouble and the short-haul rider faces the severest penalties of an inadequate or overpriced bus system. All of the programs for urban renewal, tax relief, increased job opportunities and the like will count for little if workers cannot get to jobs in the cities and the cities themselves are choked by traffic and inadequate parking.

The economics of long-haul bus operations, however, appear to be more favorable and the longer haul commuter is generally in a better position to bear the rising cost of transit services.

Even if long-haul commuter bus service were curtailed, passengers using these services generally would be able to turn to other alternatives, such as driving to another bus, a railroad station or directly to work. These alternatives would, of course, have an intolerable adverse effect on already congested highways. Half of all peak period rush hour transit trips into Manhattan are by bus. It would be extremely difficult, if not altogether impossible, to accommodate any significant portion of these persons by existing alternative means.

SEVERE SOCIAL EFFECTS

But it is the social effect of declining short-haul or intrastate services which are much more severe. A curtailment in local service affects many who do not have the automobile as an alternative -- the young, the aged, the poor, those who are not poor but who cannot support a second car, and all others who for some reason, are unable to drive. Mobility for these groups in our society is steadily decreasing.

A survey of recruits by PROJECT ACTION from areas of chronic unemployment in New Brunswick shows that only 50% of the prospective workers could drive an automobile and fewer than 30% either owned an automobile or had the use of one. This creates serious problems as job opportunities emerge beyond the terminus of the declining local bus system.

Table 4

Number of Trips Originated by Public Transportation
From Central Business Districts

<u>City</u>	<u>Daily Trips by Transit (One Way)</u>	<u>Percent of Total Trips</u>
Newark	71,046	52.3%
Jersey City	31,373	40.7
Hoboken	16,439	27.8
West New York- North Bergen	18,769	21.3
Paterson	15,492	18.4
Elizabeth	8,624	15.8

Source: Tri-State Transportation Commission, home
interview survey

The McCone report which followed the Watts riots in 1964 emphasized the requirements for adequate transportation to link employment opportunities in the newer suburban industrial parks with areas of low income and high unemployment in the South Central Los Angeles area. The cost, lack of service, poor frequency and slow speeds of bus travel all were cited as obstacles to employment for the unskilled and semi-skilled residents of the urban core.

In New Jersey today, as was the case in Los Angeles, the decline of transit service hits hard at the low income groups. The residents of the older urban areas are dependent on local transit to reach existing centers of employment and desperately need service to new centers of employment in the urban fringe.

RELUCTANCE TO EXPERIMENT

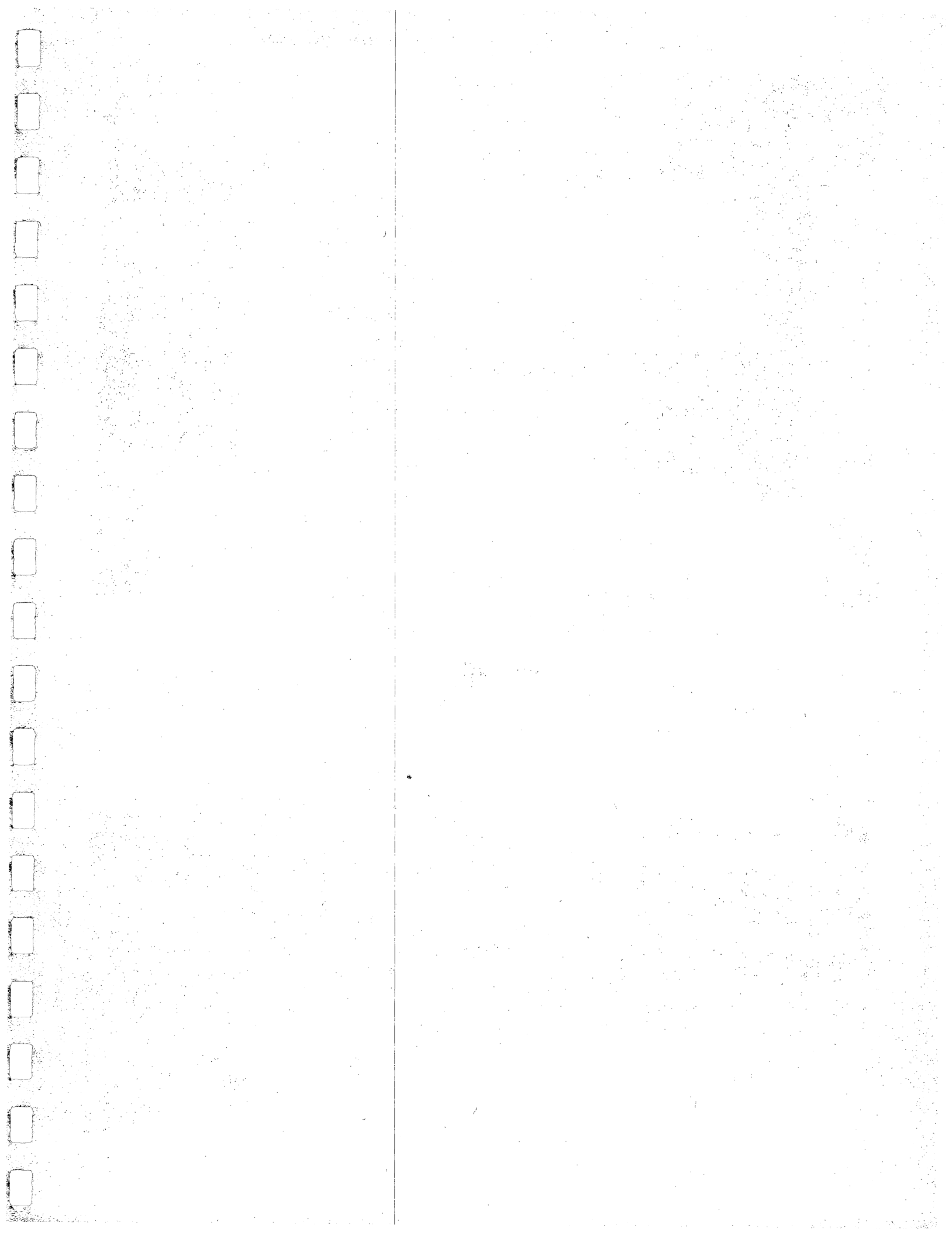
Private operators, however, are unwilling to start new services. They are discouraged by the unpredictability of worker response and the difficulties of determining adequate fares and supporting additional peak hour operations.

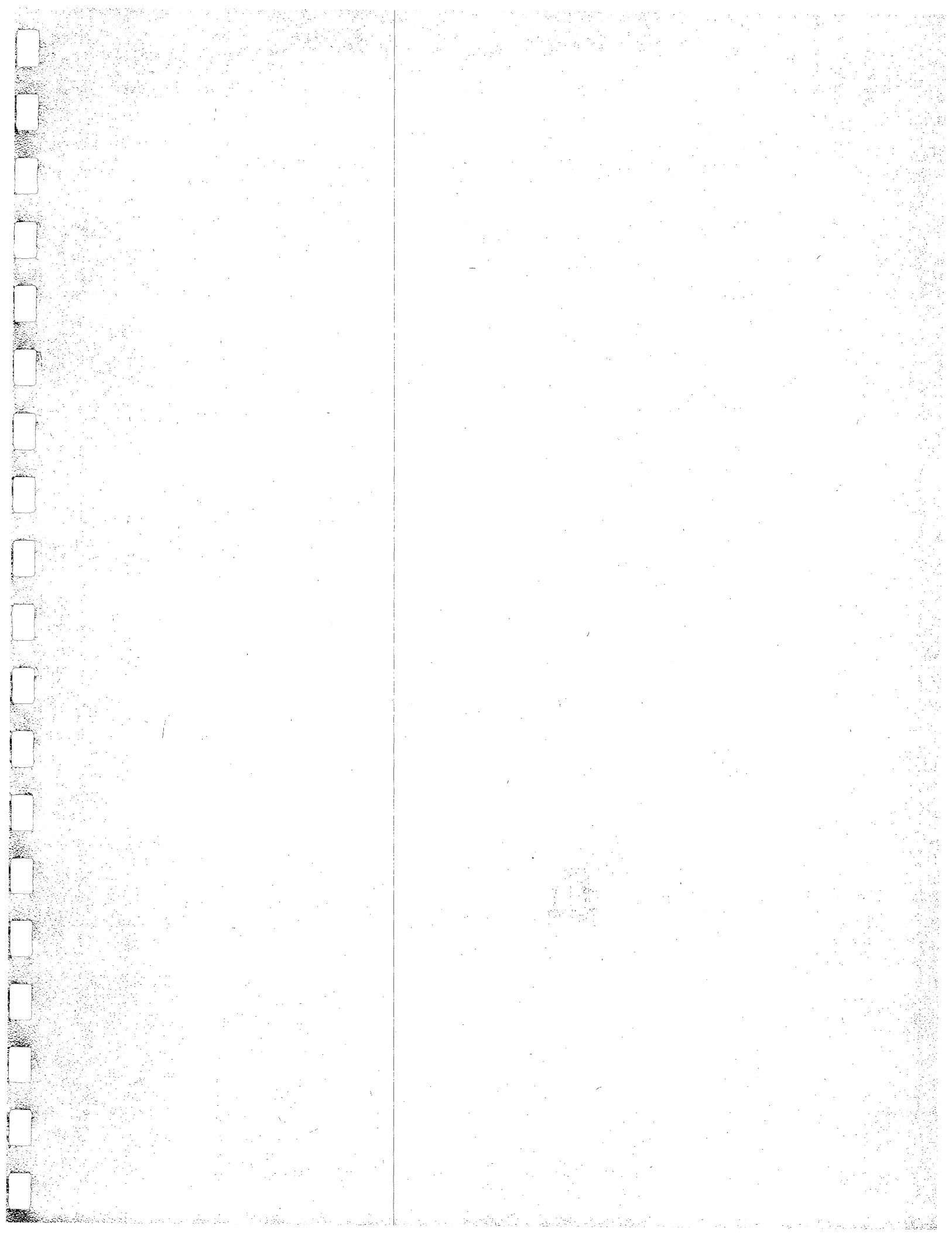
Any reluctance to experiment with new services is aggravated by New Jersey statutes which require permanent franchises of regular routes. This precludes experimental service on the part of private operators who could be burdened by legal requirements to continue unprofitable operations.

Thus we have the paradox:

- Where the need is greatest, the decline is most severe.
- Where there is a need for improved equipment, more flexibility in scheduling and routing and greater attention to those groups dependent on public transportation, nothing is being done.

The present transit situation can no longer be tolerated; most certainly it cannot be permitted to worsen. Too many people and too many cities in New Jersey require adequate public transportation services to survive. Every area in the State has a vital interest to see that bus services are preserved and improved.





IV. A PROPOSED RESPONSE

It is clear from the evidence of abandonments and threatened abandonments, that the crisis facing a number of bus companies must be dealt with immediately if drastic curtailments of service are to be avoided. If we are to preserve existing services and have the opportunity to determine which services must be continued as required for the public convenience and necessity, an interim program must be established.

The Department's recommendation is for a short-term bus transit subsidy program which will maintain essential service in urban areas through July 1, 1970, until the longer-term program of public ownership and acquisition can be developed and implemented.

INTERIM SUBSIDY

Such an interim subsidy program should be a "bare-bones" minimum program to preserve essentially that service which presently exists. The amount of the subsidy in any instance should be sufficient to permit the continuation of operations but should not provide a return on investment for the operator. It is not expected that this program would provide for increases in the quality or quantity of the services provided. In many instances, the operator may still be required to operate at a loss. Subsidy payments should be made available only to those companies where analysis indicates there is a clear and present danger of the abandonment of all or most services.

It is apparent that the transit operations presently in jeopardy are essentially local in nature. Because of the localized nature of these small transit operations, the Department believes there should be local financial participation in the interim program. Such participation would provide firm evidence that when the State is asked to provide a subsidy, the requested service is essential. It will also make for a more responsible decision making process in the determination of the basic services which are necessary in any given area.

It is therefore recommended that the Legislature appropriate the sum of \$750,000 to cover the costs of the State's share of an emergency subsidy bus program as herein outlined for the period to July 1, 1970. It should, in addition, be a condition of eligibility for a State subsidy, that a county or counties in which the proposed service operates must provide one-fourth of the amount of the subsidy. The county is recommended as the responsible local agency to participate in this program because of its broader tax base. It is also unlikely that the 108 municipalities potentially affected by present bus problems could be worked with on a coordinated basis.

A MORE PERMANENT SOLUTION

The proposed interim program will provide a short period of time within which the State must develop the framework of a more permanent solution. The Department recommends that a comprehensive study be carried out as quickly as possible that will explore fully the ramifications of public acquisition of the Public Service and Inter-City Lines. Our studies to date have indicated that the best method for resolving the bus crisis would be through public ownership and operation of these two bus companies. Because this approach would require a substantial departure from past policies, however, all means of encouraging continuing private operation of bus services also should be explored. Moreover, consideration should be given to conducting public operations of bus services on a regional scale in addition to or in place of direct State operations.

The Department's views about public ownership and operation of Public Service and Inter-City have been reached after a careful consideration of these alternatives. While our reviews have not been as complete as the study we are now recommending, we have found that in similar cases throughout the country public ownership and operation of major bus carriers has turned out to be the only favorable solution.

The trend toward public ownership of transit systems in the United States is strong. In the past two decades 85 cities or regions have taken over their systems. In the past two years some 23 areas have publicly acquired local bus companies. Most of the major cities in the

United States and the larger metropolitan areas have publicly-owned systems. There is also a precedent for State ownership. Rhode Island, with a population density very similar to New Jersey's took over its bus system in 1966. Appendix B contains a complete list of publicly owned transit systems.

ADVANTAGES OF ACQUISITION

The basic trends at work in the bus industry have required most of the heavily urbanized regions to turn to public ownership of bus systems. It is unlikely that New Jersey, as the most urbanized State in the nation, can avoid a similar course. If we act soon, there are major advantages to be gained; if we delay, these advantages will be reduced and in some instances lost. The State could derive a number of major advantages from acquisition of Public Service and Inter-City Lines. Acquisition could:

1. Prevent the sale of Public Service to new management--a step which could lead to further deterioration of service and erosion of its assets.
2. Preserve the services of Inter-City by preventing its liquidation or fragmentation.
3. Provide a viable means for preserving the essential services of the growing number of failing bus companies.
4. Meet the present demand for State financial involvement to preserve the Newark subway and to provide bus feeder services to the Lindenwold Line.
5. Maximize the benefits to be gained from major investments in the commuter rail system by creating a coordinated and unified public transportation system for New Jersey.
6. Permit efficiencies in operations and flexibility of routing that will lead to substantial improvements in existing transit service.

EFFECTS OF NEW OWNERSHIP

Public Service is for sale. The company is actively seeking a purchaser and is discussing this possibility with a number of groups. The sale of this company, however, would be detrimental to the public

interest. The Department's analysis of the underlying industry trends and the Public Service operations compels us to the conclusion that the company faces the prospect of ever-increasing costs and an inability to pass these costs on through higher fares without losing much of the market for these services. Given the necessity for highly-capitalized facilities to provide its services and the prospects of a declining market for these services even the best-intentioned management would eventually be compelled to take actions that would reduce the amount of services offered.

Nevertheless, Public Service is an attractive candidate for acquisition by any group which might utilize the low earnings, high write-off possibilities that remain. The effects of the Federal income tax laws are such that any premature retirement of non-depreciated fixed assets can be used as a tax shelter for other earnings. These other earnings might arise from sale of the Company's land and structures or other assets, or through merger with another profitable corporation.

This leaves Public Service highly vulnerable to the type of asset management which would defer maintenance, spin off profitable portions of the system and curtail loss operations; actions which would be diametrically opposed to the interests of the transit riders.

New York, Minneapolis, Dallas and other cities have already experienced the unhappy consequences of the sale of the major transit system to private interests whose basic concern was asset management and not transit operations. The only positive way of preventing this in New Jersey is through public acquisition of the company. Because of the extent of the Public Service system, the only governmental level able to undertake this task without fragmenting the transit system is the State itself.

WIDESPREAD OPERATIONS

Public Service operations reach into almost every part of the State, and would therefore, be a major asset under State ownership. The company operates 144 bus lines and the subway route in more than 400 communities, including the largest cities, 20 counties and portions of three adjacent states. As of December 31, 1968, the system included 2,468 buses and 30 subway cars. The round trip length of routes operated totaled 6,133 miles and the number of passengers carried on regular routes exceeded 207 million in 1968. Today, the system carries nearly 700,000 passengers on an average weekday.

Public Service also operates extensive charter, contract and other special services. In 1968, these specialized operations carried an estimated 9.1 million passengers. Gross revenues of \$68.9 million

in 1967 amounted to almost half of the total revenue of the 274 bus companies reporting regular passenger operations in New Jersey. A more detailed history and financial analysis of Public Service is contained in Appendix C.

TO PREVENT SERVICE LOSS

The same rationale supporting the acquisition of Public Service also supports the acquisition of the Inter-City Lines. The most important reason for bringing Inter-City Lines immediately into a State system would be to prevent loss of services being provided by this bankrupt company.

The Inter-City Lines, the State's fourth largest group, are comprised of six affiliated operating bus companies. Three are in bankruptcy under Chapter 10 proceedings: Inter-City Transportation Co., Inc.; Homestead Transit Co., Inc.; and Lake Region Coach Co., Inc. Three other operating companies are in bankruptcy under Chapter 11 proceedings: Northeast Coast Lines; Orange and Balck Bus Lines, Inc.; and Warwick-Greenwood Lake and New York Transit, Inc.

As a system, these companies serve some 45,000 daily passengers with more than 300 buses on 13 basic routes. Gross revenues in 1968 amounted to \$9.1 million. A more detailed financial analysis for Inter-City Lines is in Appendix D.

Continuation of regular service will be threatened if the companies are unable to finance new equipment to replace rapidly deteriorated portions of the fleet. The present financial capability of this system is unclear due to the extreme complexities of equipment financing in the past and other arrangements involving a total of 26 affiliate corporations with some 4,000 creditors. If the operating segments of this corporate morass could be separated, the cash generated from operations might support all of the services of the six bankrupt companies. Present management, however, lacks working capital and is further impeded by the lack of adequate information on the changing nature of its market.

In addition, separation of these companies into two groups of bankruptcy means that those routes which are least likely to support existing service from passenger fares alone will not have the benefit of possible surplus revenue from a more profitable route.

TO ABSORB SMALLER COMPANIES

The size of Public Service and Inter-City, makes them excellent vehicles into which smaller, failing companies could be absorbed. As

discussed earlier in this report, it seems clear that the State will have to find some mechanism to prevent the loss of essential service provided by these small companies. The operating economies to be gained by absorbing the smaller companies into the Public Service system could not be achieved if the State or any other political unit of the State were to attempt to operate a fragmented system made up of only those companies which have failed. The latter alternative would be inefficient and costly to the citizens of New Jersey, and it would not permit necessary consolidations and service improvements.

Another important consideration reinforcing the acquisition of Public Service is the fact that there are already pressing demands for considerable public financial involvement in at least two critical areas of Public Service operations. One is the request by Newark for the subsidization of the Newark subway and the other is the request to assist the Delaware River Port Authority in establishing a bus feeder system to the new high-speed Lindenwold Line.

SUBWAY DEFICIT UNCERTAIN

The threatened abandonment of the Newark subway and the request by Newark for both subsidies and capital investment are described earlier in this report. Public Service claims that the subway deficit amounts to more than \$120,000 a year. Although the subway may be operating at a loss, it is extremely difficult to determine the exact amount because of the interrelationship of the subway with the bus system. This is particularly true of the Newark subway since it intercepts and serves a number of tributary bus routes. The "system" deficit would have to be taken into account, rather than just the cost and revenues directly attributed to the subway. They would have to include the total costs -- both bus and subway -- of handling transit passengers as well as total system revenues. Without the subway, costs would be incurred in providing additional bus capacity and revenues would be lost from passengers diverted to other modes because of the lost service.

The manner in which Public Service has separated the Newark subway cost is an example of the dangers in attempting to isolate only one part of a system for subsidization. Not only would the cost for subsidization be difficult to determine but once such a program were undertaken, the State still would not be in a position to improve the coordination of bus services with the subway, thereby taking advantage of its high capacity capabilities. These problems would not exist under public ownership.

FEEDER FOR LINDENWOLD

Disruption of Public Service operations resulting from the opening of the new high speed Lindenwold Line in Southern New Jersey

also was mentioned previously. At the present time, there is virtually no feeder bus service to the Lindenwold Line. Public Service's southern division operates in direct competition with the rapid transit service. Indeed, the interests of the transit line and Public Service are diametrically opposed. Rationalization of these operations is a difficult task under existing institutional arrangements.

The opening of the Lindenwold Line, however, introduces the first real opportunity for a public agency to provide a meaningful New Jersey feeder bus service. This innovative rapid transit facility significantly reduces travel time from suburban communities to downtown Camden and Philadelphia. The number of people who will enjoy these advantages, however, will depend upon the quality and quantity of feeder bus services provided.

The State, Delaware River Port Authority and City of Philadelphia jointly sponsored, in cooperation with the Federal Government, a special study for a bus feeder system to the Lindenwold Line. The consultant made a strong recommendation for public ownership to achieve coordination of the services.

The Port Authority may not legally undertake bus operations, and even if this impediment were removed, DRPA would not be in a financial position to operate the system without substantial State subsidies. State ownership seems to be the best solution in achieving the required coordination with the Lindenwold Line and assurance that the southern division of Public Service will continue to operate in the public interest.

It is the Department's judgment that both the Newark Subway and the Lindenwold Bus feeder systems are essential elements of the New Jersey's public transportation system. Thus, there must be a significant and immediate public financial participation in two of Public Services' major operations and the future can only bring more such critical problems.

A COORDINATED PROGRAM

The Department is in the process of implementing a \$325 million program for improving the State's suburban commuter rail system. Electrification and equipment modernization as well as direct access to midtown Manhattan from a number of new areas of the State will enhance the attractiveness of these facilities. While improved parking facilities will accommodate those who previously traveled by automobile and new rail travelers emerging through general growth of the areas served, many of the potential railroad riders will require feeder buses to reach the stations.

In Bergen County for example, where 64% of all commuters to Manhattan begin their trips by bus, any appreciable shifts in travel patterns to utilize the improved rail system of the Master Plan will require feeder bus services in the suburban communities. Without feeder buses, only those commuters who have an auto or walking access to the stations will be able to utilize the rail system.

It is clear that the State will be able to achieve the maximum potential of its major investment in the rail system only by the creation of a feeder bus system on each of the major rail corridors.

LABOR PROTECTIVE AGREEMENTS

Another aspect of the State rail improvement program relating to the bus problem is the Federal requirement that the State enter into labor protective agreements in order to qualify for Federal funds to improve the suburban railroads. In other words, the State must enter into agreements with bus labor unions assuring that there will be adequate compensation for jobs lost as a result of the rail improvement program.

Operation of a major share of the State's bus service by an overall public agency could assure continued employment for bus drivers, mechanics and other employees. In a specific case where a rail improvement project reduced the need for parallel bus service, the otherwise redundant employee could be utilized for coordinated feeder services or be transferred to other experimental and expanding services.

This issue is particularly important where Public Service services to Newark and New York parallel the Penn Central and Jersey Central shore service. It is even more important with respect to the Inter-City Lines and the forthcoming improvements of the Erie Lackawanna in Bergen and Passaic counties. Inter-City's routes largely parallel the EL routes and gained traffic during the last decade as a result of rail abandonment and rail equipment deterioration. With Inter-City Lines bankrupt and unable to expand elsewhere, any shift of traffic from the buses to the railroads will serve to reduce bus service and bus employment. These routes could be rearranged to feed improved rail services without a severe loss of bus employment.

OPERATING ECONOMIES

Public ownership of Public Service and Inter-City would create opportunities for economies. There are, in fact, many areas in which consolidation between the two companies could achieve both operating economies and better service. For example, local bus patrons along State

Highway 4 in Bergen County receive occasional service by Public Service Line 94. The much more frequent services on the interstate routes of Inter-City Lines do not carry intrastate passengers along the entire corridor between Paterson and Fort Lee. They could carry intrastate passengers without hurting interstate service. Thus, while the local traffic is barely sufficient to support an infrequent intrastate service, it could be made profitable on the interstate buses with a very substantial increase in passenger convenience. This is not possible, however, as long as the franchises are held by different operators.

SERVICE IMPROVEMENTS

A further advantage of public ownership of both of these companies would be the ability of a public agency to alter routes and to provide new essential services. As described earlier in this report these services are desperately needed by our urban centers.

But the advantages would not be limited to the cities. The developing areas of the State also require a responsive public transportation system. Extension of service into expanding areas of new housing and employment, new cross-county services, feeder bus systems to the suburban commuter rail network are all examples of programs which are not being undertaken by private operators and, given the current trends of the transit industry, are unlikely to be developed. A State operated transit system could, with local support, provide essential transit services into these developing areas. Public Transportation could, under such a system, be meshed with proper land use planning.

CHANGES ARE DIFFICULT

Modification of existing bus service under private ownership is at best a difficult task. Private management faced with years of declining operations is understandably hesitant to extend these services on the basis of expectant use. Recent requests on the part of the public agency for said services have been countered with offers to provide entirely new service at guaranteed contract rates. In many cases, however, the demand for service could be satisfied with the extension or modification of an existing route or by an increase in the frequency of existing service.

There is, of course, a danger that demands would be created for services which had marginal social benefits and no chance of meeting their operating expenses. However, review by a State agency and budgetary constraints would minimize this danger. Moreover, there should be a requirement that any new services which were of marginal utility would have to be supported financially at the local level. The State agency

could supply essentially local services by contract -- perhaps with the State sharing a portion of the costs with the county or municipal government demanding such services. In any event it is clear that the advantages of public ownership would greatly outweigh any potential costs which may be incurred by unjustified service.

Under public ownership, programs could be developed to provide the new, essential services and to undertake innovative programs, perhaps in cooperation with the Federal government, which the private operators have not been able to undertake. The benefits of these improved services would touch on every area of the State.

FEASIBILITY SEEN

The Department has made a preliminary analysis of the possible acquisition of Public Service and Inter-City Lines. This analysis indicates that State acquisition is feasible. Without the detailed study recommended by the Department, it would appear that the cost of acquisition of these two companies is in the order of magnitude of \$30 to \$35 million.

Cash flow of Public Service amounted to \$4,040,557 in 1968 (\$6,355,775 in 1967). Table 5 shows the trend for 1951-1968 and, for the last seven years, the estimated savings that could be realized in taxes under public ownership, under one of several assumptions. Total funds available for debt service and equipment replacements under public ownership would have been:

With elimination of State taxes and certain Federal taxes	\$5,234,422
With elimination of above and the gross receipts and other local taxes, except real estate taxes	6,303,043
With elimination of above and local real estate taxes	7,372,786

FINANCING IMPROVEMENTS

With some \$5.2 to \$7.4 million available annually in adjusted cash flow, equipment replacements, new service experiments and other improvements financed out of revenues are quite feasible. Public Service invested more than \$33 million in new equipment and facilities during the seven years, 1962-1968. More than 90 percent of these expenditures were for new buses, apparently financed entirely from depreciation accruals.

Cash flow in 1968 was adversely affected by the operating loss which resulted from the lag between labor cost increases and the

fare increase. Accordingly, the trend of cash flow for the period 1962-1968 is more representative than the calendar year 1968 above.

The Inter-City system is similarly viable under public ownership if the bus operations can be severed from the complexities of a bankruptcy involving 19 other financial corporations and associated creditor claims. The exact nature of cash flow under public ownership is difficult to determine at this time without the detailed study called for; nevertheless it would appear from recent financial statements that the operations generate sufficient cash to cover operating expenses and tax savings under public ownership can cover foreseeable cost increases as well as finance certain necessary improvements.

TABLE 5
PUBLIC SERVICE COORDINATED TRANSPORT
ESTIMATED CASH FLOW UNDER PUBLIC OWNERSHIP

	<u>Net Income</u>	<u>Depreciation & Amortization</u>	<u>Cash Flow</u>	<u>Avoidable Taxes</u>	<u>Adjusted Cash Flow</u>
1951 ¹	(4,420,514)	3,562,935	(857,579)		
1952 ¹	131,662	3,775,802	3,907,464		
1953 ¹	135,014	4,113,440	4,248,454		
1954	(1,444,081)	4,322,067	2,877,986		
1955	(1,049,736)	4,036,284	2,986,548		
1956	350,126	4,021,499	4,371,625		
1957	173,170	3,959,855	4,133,025		
1958	(789,545)	3,503,786	2,714,241		
1959	1,125,243	3,706,831	4,832,074		
1960	1,211,658	3,095,041	4,306,699		
1961	858,354	3,615,755	4,474,109		
1962	464,524	4,140,262	4,604,786	1,784,086	6,388,872
1963	819,455	3,756,567	4,576,022	2,262,528	6,838,550
1964	(430,917)	4,035,121	3,604,204	2,214,509	5,818,713
1965	1,939,076	4,267,193	6,206,269	2,355,987	8,562,256
1966	1,503,382	4,421,610	6,068,022	2,352,470	8,420,492
1967	1,791,135	4,564,640	6,355,775	2,300,813	8,656,588
1968	(239,084)	4,279,641	4,040,557	2,262,486	6,303,043

Note: ¹Includes Public Service Interstate Trans. Co.

Acquisition of Public Service and Inter-City Lines and immediate essential improvements can be financed through an application for a Federal capital grant under the Urban Mass Transportation Act of 1964. The State's share of the net project cost of the grant would be in the order of \$10 to \$12 million. This amount can be financed initially from funds available from the Transportation Bond Issue. Such funds would, of course, have to be replaced over the succeeding four years in order to provide sufficient funds to complete the implementation of the rail improvement program. In the Department's Master Plan it was recommended that, in addition to the \$200 million in funds from the Bond issue, \$5 million per year for capital programs would be required from general appropriations to finance improvements in the bus area and in aviation. The amounts required to implement such a proposal would be consistent with that initial estimate.

ALTERNATIVE PROPOSALS

There are several possible alternative solutions to State acquisition of a public transportation system. While a preliminary analysis of these approaches reveals that each has drawbacks, they should be more fully explored before definitive conclusions are drawn.

The solution most often heard is to provide operating subsidies to the private bus operators similar to the program developed for the commuter railroads. Subsidies for bus systems, however, would be considerably more difficult, if not impossible, to determine and administer. The costs for similar type bus services vary widely among companies and even within the same company depending upon a number of factors, including management practices and abilities, types of equipment available and scale of operation.

PROBLEMS OF SUBSIDIES

Once a subsidy program is undertaken, considerable and increasing amounts of public funds will be committed for the preservation of the existing operations, with no perceivable improvement for the benefit of the taxpayer. Subsidies can easily become a crutch for poor management. Once the arrangements are fixed and the threat of service curtailed, some of the chances for making improvements will become difficult.

But even if one were willing to overlook the inefficiencies of small scale operations and duplications of routes inherent in the subsidization approach, there remains the problem of administration. With 274 bus companies in the State, most of which are very small operations with no fiscal control devices, any subsidy program will pose extreme administrative difficulties.

It should be noted that virtually every other city that has attempted to operate with subsidies has abandoned them in favor of public ownership. At best, the cash subsidies bought time in which to develop more meaningful programs. The experience gained from the interim emergency subsidies program should prove valuable in evaluating the efficacy of the subsidy approach for New Jersey.

Special subsidies such as those for carrying school children could be instituted. The basic problem, however, is that there is no way to insure that the amounts which would result from the subsidies would be distributed in such a way as to be related to the bus problem. For example, subsidies of school fares would yield only \$12,000 to Inter-City Lines, hardly enough to guarantee the preservation of that system.

OTHER AIDS

Leasing of equipment and other capital facilities would be very similar to a subsidy program. There are many precedents for public provision of capital facilities for private operators of transit services. Boston, Chicago, New York, Philadelphia and other cities have employed this method to provide necessary public improvements which were beyond the capital resources of the private operators. In every case, this arrangement was later abandoned in favor of public ownership and operation. It became clearly evident in each of these major cities that the investment of the public very quickly equalled or exceeded the magnitude of the investment by the private operator, and the difference of posture eventually necessitated a public take-over.

Leasing of equipment works best with those operations which need a small amount of public assistance to remain viable. Depreciation and maintenance of equipment are not the major expense items of operations. Rather, labor costs account for between 60 and 70 percent of the total cost of many bus operations. Thus, for any transit operation which is in major financial difficulty, including all of the ones referred to in Appendix A, leasing of equipment alone probably would not be sufficient.

Another possible response would be forgiveness of franchise taxes. Here again, while such an alternative may have basic merit, it probably would not afford a significant measure of relief for those companies in the greatest danger. Franchise tax payments are based on a straight 3% tax on gross receipts allocated according to miles operated on each route in each municipality. Thus, the tax has no relation to the profit or loss experience of specific routes and ser-

vices. The annual franchise tax payments, for example, on the companies in Appendix A are relatively small and forgiveness would not appreciably change the financial condition of these companies.

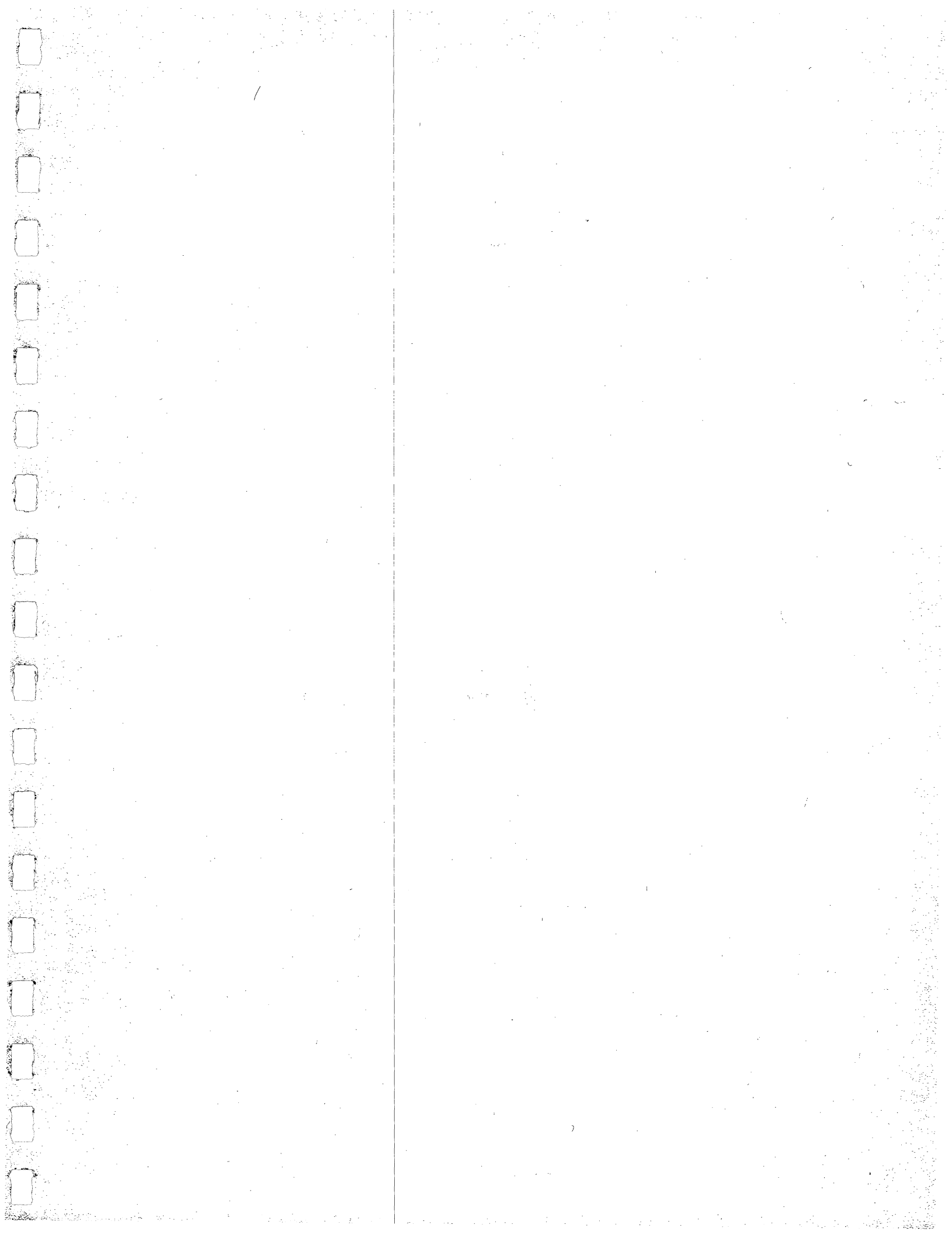
LOCAL OR REGIONAL OPERATION

Operation of transit systems by local government or regional agencies is an alternative which needs further exploration. Both Mercer and Atlantic Counties have taken this approach in order to provide the services which were threatened with abandonment by the private operator. In these counties, the bus system provides only an intra-county service and can be operated by a county organization without fragmenting the service.

The operations of Public Service do not, however, conform to county boundaries and therefore could not be operated by local government without severely disrupting its service patterns. The possibility exists that some type of regional authorities could be created to operate the transit systems for major areas. The advantages and disadvantages of regional authorities, especially as opposed to State operations, are too numerous to be listed in this report. A key question is whether or not the boundaries of a regional agency could be determined and the agency created in sufficient time to provide an adequate response to the problem.

State operation, of course, does not preclude the operation by local government of any system it felt was in its interest to control. The primary advantage of local or regional ownership is the localizing of the determination of essential transit services. It does, however, place an additional burden on local government for financing the local system. The total cost of all the local systems could be higher than that for a single system because of the fragmentation of services to fit local or regional boundaries.

Local or regional operation of bus operations still would leave open the problem of the long-haul commuter services. These services, particularly into Manhattan, may be difficult to provide by a local or regional agency. The question of how government is to organize to meet the demands for local and regional bus services in all areas of the State needs to be carefully evaluated.



V. SUMMARY

The Department's recommendations for a response to the bus crises are:

- The creation of short term emergency subsidy programs to preserve essential bus services in imminent danger of abandonment. A \$1 million subsidy program is recommended to be financed by a \$750,000 State appropriation which would be matched by \$250,000 from the counties in which such subsidized bus operations are located.
- A definitive study of the feasibility of public acquisition, through a negotiated purchase, of Public Service and Inter-City bus companies and of the various alternative proposals to meet the bus crisis in New Jersey. This study should be completed by January 1970.

SCOPE OF STUDY

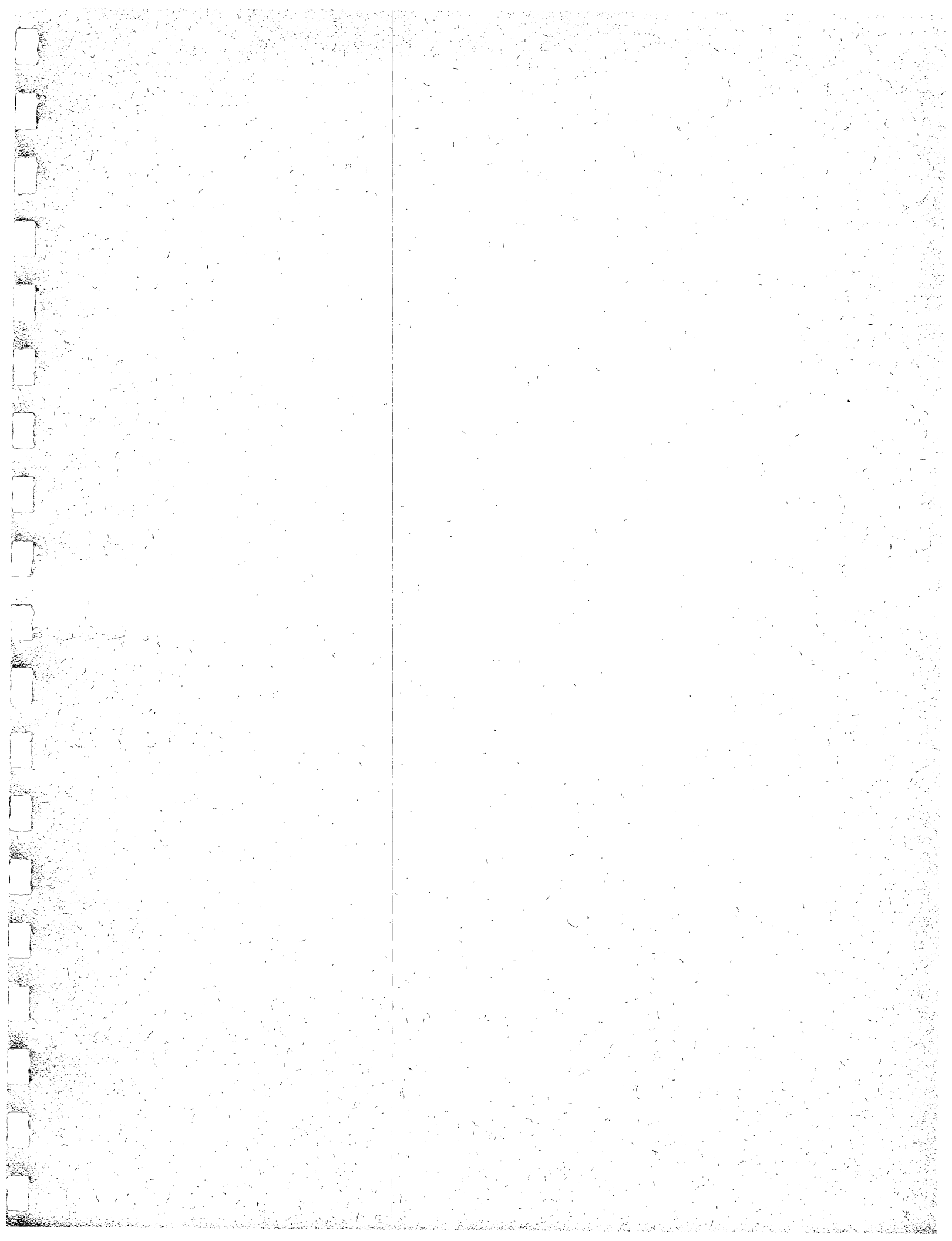
The evaluation of the feasibility of public acquisition should include a detailed financial evaluation of these companies, recommendations regarding the organization and functions of the most appropriate entity - state, local, regional or a combination of these - to acquire and operate these lines, as well as recommendations for service consolidations and essential capital improvements which could be made under public ownership.

The proposed study should consider proposals for strengthening the bus industry. There are a number of companies providing essential public transportation services which are in a relatively healthy condition. Consideration should be given to policies designed to enhance the viability of these operations. Possible courses of action would be elimination of the gross receipts tax, leasing of equipment, grants for two-way radio and temporary franchises to permit experimentation.

The study must further determine the effects of a publicly owned transit system on existing private operations. Care must be taken so that any public system does not become an unfair competitor to existing private carriers. In some areas where competition may exist, it might be possible to effectuate voluntary exchanges of franchises. Where extensive portions of a private carrier's intrastate operations become completely unprofitable those portions may be taken over by the public system -- with the remainder remaining in private hands. These are but examples of the type of policies that must be carefully considered. A definitive analysis must await the fuller study called for by the report.

APPENDIX





COMPANIES INDICATING DANGER OF TERMINATING
SERVICE AND REQUESTS FOR STATE ASSISTANCE

<u>Companies</u>	<u>Number of Passengers Carried On Regular Routes</u>		<u>Number of Municipalities Served</u>	<u>Average Age of Buses or Cars Operated</u>	<u>Request for Assistance</u>
	<u>Daily</u>	<u>Annual</u>			
Associated Bus Company) Associated Bus Company) of Hawthorne)	4,700	968,890	11	19	Subsidy
Boro Busses Company	4,600	1,388,758	51	16	Subsidy
Coast Cities Coaches, Inc.	5,700	1,300,000	24	17.3	Subsidy
Community Bus Lines, Inc.	3,900	1,294,488*	6	19	Subsidy
Garfield-Passaic Bus Co., Inc.	2,440	652,825*	5	20	Subsidy
Garfield & Passaic Transit Company	3,000	816,619*	4	20	Subsidy
Marathon Bus Line, Inc.	1,200	429,008	9	20	Subsidy
Passaic-Athenia Bus Co., Inc.	2,150	751,637*	6	20	Subsidy
Plainfield Transit, Inc.	1,600	500,000	9	18	Subsidy
Public Service- Newark City Subway	15,000	4,149,619	1	21	Subsidy
Rancocas Valley Bus Service, Inc.	200	9,346	1	21	Subsidy
West Morris Transit, Inc.	<u>1,200</u>	<u>328,660</u>	<u>12</u>	16	Subsidy
Totals (excluding duplications)	45,690	12,589,850	108		

*1967 Data

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ASSOCIATED BUS COMPANY - One route is operated which runs from Haledon to the Erie Lackawanna Railroad Station in Paterson.

ASSOCIATED BUS COMPANY OF HAWTHORNE - Operates three routes from Paterson to (1) Prospect Park, Hawthorne and Wyckoff; (2) Glen Rock, Ridgewood, Midland Park, Waldwick and Allendale; (3) a local route in Paterson.

BORO BUSES COMPANY - Operates eight routes; six of which serve the shore communities of Monmouth County from Asbury Park to Long Branch, Red Bank and Atlantic Highlands. One route extends from Long Branch to Newark serving communities adjacent to Route 35. The last route extends from Phillipsburg to Asbury Park and is operated seasonally.

COAST CITIES COACHES, INC. - Operates mainly within Monmouth County serving the shore communities from Long Branch to Point Pleasant Beach with service oriented towards Asbury Park. The Casino Bus Terminal in Asbury serves as the hub from which five routes radiate.

COMMUNITY BUS LINES, INC. - Operates four routes, one of which serves as a local route within the City of Passaic. The other routes serve the areas of Allwood, Bloomfield, Rutherford and Lyndhurst, as well as Passaic.

GARFIELD-PASSAIC BUS CO., INC. - Operates three routes within the area of East Paterson, Garfield, Plauderville, Passaic and Clifton.

GARFIELD & PASSAIC TRANSIT COMPANY - Operates three franchised routes in Garfield, the Borough of East Paterson and the Township of Saddle River.

MARATHON BUS LINES, INC. - Franchised to operate over one route. This carrier performs local service within the area of Perth Amboy-Keyport and Keansburg.

PASSAIC-ATHENIA BUS CO., INC. - A short-haul carrier that operates two routes between Passaic and Clifton in Passaic County.

PLAINFIELD TRANSIT, INC. - The service area ties together North and South Plainfield with Plainfield. Some service extends to surrounding areas as Fanwood, Piscataway and others.

RANOCAS VALLEY BUS SERVICE, INC. - A small, one-bus operation which connects Willingboro Shopping Plaza on Route 130 with the Township of Willingboro. All route operations on local streets within Willingboro.

WEST MORRIS TRANSIT, INC. - One route extends from Morristown to Dover, Netcong and Stanhope and other points in Morris and Sussex counties.

COMPANIES INDICATING DANGER OF
CURTAILING SERVICES ON CERTAIN
FRANCHISED OPERATIONS

<u>Company</u>	<u>Number of Passengers Carried On Regular Routes</u>		<u>Number of Municipalities Served</u>	<u>Number of Buses Operated</u>	<u>Average Age Of Buses</u>	<u>Request For Assistance</u>
	<u>Daily</u>	<u>Annual</u>				
<u>Inter-City Lines</u>	45,000	13,212,947	92	301	7.4	Subsidy and/or lease of new equipment
(Inter-City Trans. Co., Inc.)						
(Homestead Transit Co.)						
(Northeast Coach Lines)						
(Lake Region Coach Co.)						
(Warwick-Greenwood Lake & N.Y. Transit, Inc.)						
(Orange & Black Bus Lines)						
Trackless Transit	10,000	3,264,000	5	24	14.2	Subsidy

Appendix B

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES

<u>City</u>	<u>Date Publicly Acquired</u>	<u>Transit System</u>
Monroe, La.	July 15, 1906	Municipal Bus Department
Seattle, Wash.	April 1, 1910	Seattle Transit System
San Francisco, Calif.	May 1, 1912	San Francisco Municipal Railway
Pekin, Ill.	May 15, 1915	City of Pekin Municipal Bus System
Alexandria, La.	- , 1916	Municipal Bus Lines
St. Petersburg, Fla.	July 1, 1919	Municipal Transit System
Detroit, Mich.	May 15, 1922	Detroit Department of Street Railways
Ashtabula, Ohio	August 1, 1922	City of Ashtabula Division of Transportation
Radford, Va.	August 1, 1922	City of Radford Department of Public Utilities
Greenfield, Mass.	August 1, 1924	Greenfield and Montague Transportation Area
Coral Gables, Fla.	- , 1927	Coral Gables Municipal Bus System
Culver City, Calif.	March 1, 1928	Culver City Municipal Bus Lines
Montebello, Calif.	July 27, 1931	Montebello Municipal Bus Lines
San Angelo, Texas	August - , 1932	City of San Angelo Bus Company
New York, New York	September 10, 1932	New York City Transit Authority
Maple Heights, O.	- , 1935	Maple Heights Transit
Torrance, Calif.	- , 1941	Torrance Municipal Bus Lines
San Buenaventura, Calif.	- , 1942	Citizens Transit Lines
Cleveland, Ohio	April 29, 1942	Cleveland Transit System
Shaker Heights, O.	September 6, 1944	City of Shaker Heights, Department of Transportation
Springfield, Mo.	March 26, 1945	City Utilities of Springfield
Boston, Mass.	August 29, 1947	Massachusetts Bay Transportation Authority
Staunton, Va.	September 1, 1947	Staunton Transit Service
Chicago, Ill.	September 30, 1947	Chicago Transit Authority
Winchester, Va.	September 30, 1950	Winchester City Transit Lines
Long Beach, New York	September 1, 1951	City of Long Beach Bus Department
Santa Monica, Calif.	September 10, 1951	Santa Monica Municipal Bus Lines
Janesville, Wis.	June - , 1952	City of Janesville Bus Department
Merrill, Wis.	December 4, 1954	Merrill City Bus Lines
Michigan City, Ind.	August 18, 1955	Municipal Coach Service
Sacramento, Calif.	September 23, 1955	Sacramento Transit Authority
Panama City, Fla.	March 22, 1956	City of Panama City
Oxnard, Calif.	April 1, 1956	Oxnard Municipal Transit

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<u>City</u>	<u>Date Publicly Acquired</u>	<u>Transit System</u>
Bakersfield, Calif.	August 1, 1956	Bakersfield Transit Authority
Jackson, Mich.	December 1, 1956	Jackson Public Transportation Company
Henderson, Ky.	July 26, 1957	City of Henderson Transit Commission
Kalamazoo, Mich.	October 1, 1957	Department of Transportation, City of Kalamazoo
Haltom City, Texas	- , 1958	Haltom City Transit Service
Pueblo, Colo.	February 1, 1958	Pueblo Transportation Company
Los Angeles, Calif.	March 3, 1958	Southern California Rapid Transit District
Santa Rosa, Calif.	August 4, 1958	Santa Rosa Transit System
New Castle, Pa.	March 1, 1959	New Castle Public Transportation Authority
San Antonio, Texas	May 1, 1959	San Antonio Transit System
Ashland, Wis.	September - , 1959	Ashland Bus Line
Altoona, Pa.	November 1, 1959	Transportation and Motor Buses for Public Use Authority
Greeley, Colo.	November 3, 1959	Greeley Municipal Bus System
Fernandina Beach, Fla.	March 15, 1960	Fernandina Beach Bus Lines
Savannah, Ga.	July 7, 1960	Savannah Transit Authority
Saginaw, Mich.	September 1, 1960	Saginaw Transit, Inc.
Oakland, Calif.	October 1, 1960	Alameda Contra Costa Transit District
Memphis, Tenn.	January 8, 1961	Memphis Transit Authority
Tacoma, Wash.	February 1, 1961	Tacoma Transit Department
Los Angeles, Calif.	February 15, 1961	Metropolitan Transit Authority
San Bernardino, Calif.	July 5, 1961	Municipal Transit System
Ithaca, New York	August 14, 1961	Ithaca Community Transit System
Rome, Ga.	October 1, 1961	Rome Transit Department
Fresno, Calif.	November 1, 1961	Fresno Municipal Lines
Miami, Fla.	February 9, 1962	Metropolitan Transit Authority
Columbus, Ind.	March - , 1962	Columbus Municipal Transit System
New York, New York	March 23, 1962	Manhattan and Bronx Surface Transit Operating Authority
Jamestown, New York	July 1, 1962	Jamestown Motor Bus Operating Acct.
New York, New York	September 1, 1962	Port Authority Trans-Hudson Corporation
Commerce, Calif.	- , 1963	City of Commerce
St. Louis, Mo.	April 1, 1963	Bi-State Transit System
Long Beach, Calif.	September 1, 1963	Long Beach Public Transportation Company
Palo Alto, Calif.	December 1, 1963	City of Palo Alto

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<u>City</u>	<u>Date Publicly Acquired</u>	<u>Transit System</u>
Pittsburgh, Pa.	- , 1964	Port Authority of Allegheny County
Dallas, Texas	January 1, 1964	Dallas Public Transit Department
Grand Rapids, Mich.	February - , 1964	Grand Rapids Transit Authority
Flint, Mich.	May 1, 1964	Flint Transit Authority
Terre Haute, Ind.	September - , 1964	Terre Haute Municipal Transit System
Abilene, Texas	October 23, 1964	Abilene Transit System
Niagara Falls, New York	January 1, 1965	Niagara Falls Transit System
Albuquerque, N. M.	February 1, 1965	Albuquerque Transit Lines
Stockton, Calif.	June 1, 1965	Stockton Metropolitan Transit District
Columbia, Mo.	September 1, 1965	Columbia Municipal Bus Lines
Pomona, Calif.	January 1, 1966	Pomona Valley Municipal Transit System
Lafayette, La.	January 1, 1966	Lafayette Transit System
Jackson, Tenn.	April 4, 1966	Jackson Transit Authority
Providence, R. I.	July 1, 1966	Rhode Island Public Transit Authority
Salem, Ore.	July 1, 1966	City of Salem Department of Public Works Transit Division
Oklahoma City, Okla.	September 1, 1966	Central Oklahoma Transportation and Parking Authority
Jefferson City, Mo.	September 1, 1966	Jefferson City Transit Authority
Corpus Christi, Texas	September 26, 1966	Corpus Christi Transit System
Yakima, Wash.	October 1, 1966	Yakima Transit Commission
Wichita, Kan.	December 6, 1966	Metropolitan Transit Authority
Amarillo, Texas	December 27, 1966	Amarillo Transit System
Cedar Rapids	April 1, 1967	Regional Transit Authority
Santa Barbara, Calif.	April 16, 1967	Santa Barbara Metropolitan Transit District
Lake Charles, La.	May 1, 1967	Lake Charles Transit Company
Utica, New York	July 1, 1967	Utica Transit Commission
San Diego, Calif.	July 1, 1967	San Diego Transit Corporation
Columbus, Ga.	August 1, 1967	Columbus Transportation System
Knoxville, Tenn.	October 17, 1967	City of Knoxville
Erie, Pa.	November 1, 1967	Erie Metropolitan Transit Authority
Elgin, Ill.	- , 1968	City of Elgin, Department of Transportation
Battle Creek, Mich.	January 1, 1968	Battle Creek Coach Company
Asheville, N. C.	January 1, 1968	Asheville Transit Authority
Rome, New York	January 2, 1968	V. I. P. Transportation
South Bend, Ind.	January 2, 1968	City of South Bend Transportation Corporation

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<u>City</u>	<u>Date Publicly Acquired</u>	<u>Transit System</u>
Redwood City, Calif.	April 10, 1968	City of Redwood City
Rochester, New York	May 23, 1968	City of Rochester
Binghamton, New York	June 2, 1968	Broome County Transit System
Spokane, Wash.	June 11, 1968	Spokane Transit System
Springfield, Ill.	July 1, 1968	Springfield Mass Transit District
Fort Wayne, Ind.	July 19, 1968	Public Transportation Corporation
Philadelphia, Pa.	September 30, 1968	Southeastern Pennsylvania Transportation Authority
Tuscon, Arizona	January 1, 1969	Tuscon Transit
Kansas City, Mo.	February 1, 1969	Kansas City Area Transportation Authority

Source: American Transit Association

Appendix C

PUBLIC SERVICE COORDINATED TRANSPORT
CORPORATE HISTORY AND FINANCIAL STATISTICSArea Served and Size of PSCT

Public Service Coordinated Transport serves practically the entire State of New Jersey, operating 144 bus lines and one subway route in more than 400 communities, including the largest cities in the State, 20 counties and portions of three adjacent states. As of December 31, 1968 the system included 2,468 buses and 30 subway cars. The round-trip length of routes operated totaled 6,133 miles and the total number of passengers carried on regular routes was over 207 million in 1968. Today, the system carries nearly 700,000 passengers on an average weekday.

The Company also operates extensive charter, contract and other special services. For the year 1968, these specialized operations carried an estimated 9.1 million passengers.

Management and Control

The company is wholly-owned by the Public Service Electric and Gas Co. and managed separately from its headquarters at 180 Boyden Avenue, Maplewood, N. J.

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History of Corporation

Public Service Coordinated Transport was incorporated in New Jersey on January 31, 1928 as a consolidation of the Public Service Transportation Co. and Public Service Railway Co. Public Service Transportation Co. was a consolidation of the Jersey City, Hoboken and Paterson Street Railway Co., North Jersey Street Railway Co. and United Street Railway of Central Jersey on August 20, 1907.

Public Service Coordinated Transport took over the operation of bus lines of the Morris County Traction Co. on Feb. 19, 1928. On May 31, 1937 the company sold its wholly owned subsidiary, Port Richmond and Bergen Point Ferry Co. to Electric Ferries, Inc. On July 6, 1937, two former subsidiaries were merged: the Bergen Turnpike Co. and Paterson and State Line Traction Co. On August 1, 1939, the company leased all of its properties in and south of Trenton to Public Service Interstate Transport, a company which was merged into Public Service Interstate Transportation Co. on August 3, 1939.

A plan of reorganization was consummated on June 28, 1940 providing for the merging into Public Service Coordinated Transport of the following former lessor companies:

Consolidated Traction Co.

Rapid Transit Street Railway Co. of City of Newark

Riverside Traction Co.

Camden and Suburban Railway Co.

Camden Horse Railroad, Co.

New Jersey and Hudson River Railway & Ferry Co.

South Orange and Passaic Valley Railway Co.

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And on November 30, 1940:

West Jersey Traction Co.,
Camden and Trenton Traction Co.,
Highland Improvement Co., formerly wholly-owned subsidiaries of
lessor companies, were merged into Public Service Coordinated
Transport.

On December 30, 1941, the company merged the properties of the
Camden, Gloucester and Woodbury Railway Company which were formerly
operated under lease. On October 31, 1946, Newark Plank Road Co.,
a wholly-owned subsidiary was also merged. On November 15, 1949,
Riverside and Fort Lee Ferry Co., a wholly-owned subsidiary, was
dissolved. On March 31, 1953 the company merged its wholly-owned
subsidiary, Public Service Interstate Transportation Co. Yellow
Cab, Inc., which discontinued operations on October 14, 1952, was
dissolved in 1956.

Capital Structure

Long-term debt consists of first and refunding mortgage bonds as follows:

<u>Rate</u>	<u>Authorized</u>	<u>Outstanding in hands of the public 12/31/68</u>
4%	\$14,640,300	\$707,400
5%	210,500	71,300
5 3/4%	401,100	188,100
6%	<u>701,100</u>	<u>172,500</u>
Totals	\$15,953,000	\$1,139,300

All bonds are dated Jan. 1, 1940 and mature on Jan. 1, 1990.

Capital stock consists of no-par common stock with a stated value of \$60 a share. Of the two million shares authorized, 487,479 were issued and are outstanding, with a stated value of \$29,248,740.

There is no preferred stock, nor any long-term debt or equipment obligations other than described above.

Assets

Carrier operating property amounted to \$90,469,209 as of December 31, 1968. Revenue equipment accounted for 81 percent of this amount. After deducting accrued depreciation and amortization, net operating property amounted to \$34,601,947.

Non carrier operating property (mostly land listed for sale) amounted to \$34,222 after accrued depreciation on structures. Total net tangible property, therefore was \$34,636,169.

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The Table on page C-6 shows the trend of investment in operating property for the years 1951-1968. During the early post-war period, Public Service retired sizable investments in street railways, an entire fleet of all-service vehicles, and the generation of small buses that were designed to reflect the low traffic volume of the 1930's. Accordingly, investment was still being written down as late as the mid-1950's. From 1956 to 1968 net operating property increased 28 percent, from \$27 million to \$34.6 million.

C-6

PUBLIC SERVICE COORDINATED TRANSPORT
 OPERATING PROPERTY--INVESTMENT AND DEPRECIATION
 (Thousands of Dollars)

	<u>Investment in Operating Property</u>	<u>Reserve for Depreciation</u>	<u>Net Operating Property</u>	<u>PSCT % of Total Bus Companies</u>
Dec. 31, 1951	68,188	34,339	33,849	71.8
" '52	61,134	32,900	28,234	60.0
" '53	60,641	33,146	27,495	58.8
" '54	60,237	36,041	24,196	57.6
" '55	62,867	36,947	25,920	60.4
" '56	63,993	36,967	27,026	62.7
" '57	65,493	38,213	27,280	61.4
" '58	66,734	38,559	28,175	67.1
" '59	68,137	41,517	26,620	69.2
" '60	73,860	41,954	31,906	70.8
" '61	77,059	42,491	34,568	71.5
" '62	78,572	45,065	33,507	70.6
" '63	82,195	47,233	34,962	72.6
" '64	84,077	48,556	35,521	71.8
" '65	85,097	50,610	34,487	70.0
" '66	87,151	51,644	35,507	71.8
" '67	86,569	53,698	32,871	
" '68	90,469	55,867	34,602	

Share of Market

Public Service Coordinated Transport had gross revenues of \$68.9 million in 1967, which were 48 percent of total revenues of the 274 companies reporting regular passenger operations in the State of New Jersey.²

Public Service's share of the market has declined over recent years; considering only New Jersey operators (companies reporting to the PUC), Public Service's share of gross revenues declined from 56.9 percent in 1951, to 49.4 percent in 1967.³

Sources of Revenues

Table C-9 shows operating revenues by source for the year 1968. Passenger revenue (regular franchised services) accounts for 90.6 percent of total operating revenues. Of the \$65 million passenger revenue, 62.1 percent is from New Jersey intrastate operations.

Special service revenues, including chartered service, school and other contract services, accounted for 8.5 percent of total operating revenues. Of the \$6.1 million revenue from these sources, only 43 percent is intrastate, reflecting the importance of special trips out-of-state.

Operating Expenses

Operating expenses, including operation and maintenance, depreciation expense, operating taxes and licenses, and operating rents, absorbed 101.2 percent of total operating revenues in 1968.

²Excludes charter and other special service companies not affiliated with regular-route operators and certain long-distance carriers performing incidental service in the State.

³See Page C-8.

C-8

N. J. BUS COMPANIES

TOTAL OPERATING REVENUES

(Thousands of Dollars)

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Total</u> ¹	<u>Public Service Coordinated Transport</u>	<u>Percent of Total Companies</u>
1951	74,104	2,775	5,065	81,944 ^{QR}	46,643 ^I	56.9
1952	83,400	2,737	5,487	91,624 ^{QR}	53,416 ^I	58.3
1953	84,900	2,888	6,018	93,806 ^{QR}	52,949 ^I	56.4
1954	81,301	2,988	5,415	89,704 ^{QR}	50,055	55.8
1955	80,899	2,978	5,280	89,157 ^{QR}	48,981	54.9
1956	84,025	2,767	5,206	91,998 ^{QR}	51,674	56.2
1957	86,900	3,074	5,058	95,032 ^{QR}	52,115	54.8
1958	86,212	3,045	5,198	94,455 ^R	51,309	54.3
1959	92,154	3,457	6,248	101,859	55,739	54.7
1960	96,703	4,091	6,038	106,832	57,761	54.1
1961	100,925	4,554	5,926	111,405	59,092	53.0
1962	103,560	4,529	5,621	113,710	59,478	52.3
1963	107,256	5,134	5,602	117,992	61,473	52.1
1964	109,965	5,372	6,055	121,392	60,238	49.6
1965	118,189	5,890	6,138	130,217	66,434	51.0
1966	122,344	5,428	5,924	133,696	68,324	51.1
1967	127,326	5,877	6,347	139,550	68,910	49.4

Notes: ¹ Companies reporting to New Jersey PUC; excludes American Bus Lines, Inc., Greyhound Corp., and Safeway Trails

^Q Includes Quaker City Bus Co.

^R Includes Rolo Transit Corp

^I Includes Public Service Interstate Trans. Co.

PUBLIC SERVICE COORDINATED TRANSPORT
1968 OPERATING REVENUES

	New Jersey intrastate revenues			Interstate and out of state intrastate revenues	Total revenues for year
	Bus	Subway	Total		
Passenger revenue	\$39,647,714	\$741,875	\$40,389,589	\$24,639,940	\$65,029,529
Special service revenue					
Chartered service revenue	768,672		768,672	2,378,057	3,146,729
Special contract service revenue					
School revenue	1,142,246		1,142,246	175,813	1,142,246
Other revenue	483,856		483,856	942,801	659,669
Other special service revenues	243,547		243,547	5,630	1,186,348
Mail revenue				5,630	5,630
Express revenue	2,890		2,890	49,985	52,875
Newspaper revenue	6,510		6,510	7,869	14,379
Miscellaneous station revenue	56,084	3,036	59,120		59,120
Other operating revenue	319,586		319,586	188,223	507,809
Total	\$42,671,105	\$744,911	\$43,416,016	\$28,388,318	\$71,804,334

Source: Public Service Coordinated Transport, Annual Report to
New Jersey Board of Public Utility Commissioners, 1968.

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C-10

Total compensation of employees (including administrative and supervisory) amounted to \$44.8 million--62.4 percent of total operating revenues in 1968. The cost of labor (which includes overtime, bonuses, sick leave, holidays and vacation) increased 33.5 percent from 1960 to 1967, compared with a 19.3 percent growth in gross revenues.⁴

Operating Taxes and Licenses

All Federal, State and local taxes and license fees amounted to \$5.2 million in 1968--7.2 percent of total operating revenues. Federal taxes (\$2.3 million) are the largest share, followed by local taxes (\$2.2 million). State taxes account for the smallest share.

⁴The average number of employees decreased from 6,275 in December 1960 to 5,515 in December 1968. Employment is somewhat seasonal with an increase of about 200 during the summer months each year.

THE EXISTING INTER-CITY LINES

AREA SERVED AND SIZE

The Inter-City group consists of six affiliated operating bus companies serving 45,000 daily passengers in northeastern New Jersey. Four of these companies have interstate franchises to operate between New York City and various cities and towns in New Jersey serving mostly commuters in Bergen and Passaic Counties. About 300 buses are operated on twelve basic routes with more than thirty rush-hour variants. For the year 1968, the system carried 13.2 million passengers over regular routes with a total round-trip length of 670 miles.

BANKRUPTCY STATUS

In August, 1967, six operating bus companies known as Inter-City Lines were brought under bankruptcy proceedings in accordance with Chapter 11 of the Federal Bankruptcy Act, together with twenty other financing corporations involved in the failing financial empire of Theodore J. Richmond of Paterson, New Jersey. Subsequently the Securities and Exchange Commission, alleging violations of securities laws in loans and interest payments as high as 15 per cent annually, brought suit in U. S. District Court to force the Richmond companies into bankruptcy proceedings under Chapter 10.

Subsequently, three of the operating companies were placed under Chapter 10 proceedings:

Homestead Transit Co., Inc.

Inter-City Transportation Co., Inc.

Lake Region Coach Co., Inc.

Three other operating companies remain in bankruptcy under

D-2

Chapter 11 proceedings:

Northeast Coach Lines

Orange & Black Bus Lines, Inc.

Warwick, Greenwood Lake & New York Transit, Inc.

The system is managed by the Trustee for the Chapter 10 companies, Donald A. Robinson.

Continuation of regular service will be threatened if the trustee is unable to finance new equipment to replace rapidly deteriorating portions of the fleet. At present, the financial capability of this system is unclear due to the extreme complexities of past equipment financing and other arrangements involving a total of 26 affiliated corporations with some 4,000 creditors.

If the operating segments of this corporate morass could be separated, the cash generated from operations could probably support the service in total. Present management, however, lacks working capital and has been impeded by lack of information on cost of operations. Further, the separation of these companies into two groups of bankrupts has raised the possibility that those routes which are least likely to support present service from passenger fares alone would not have benefit of possible surplus revenues of the more self-sustaining routes.

It is clear that Richmond (the basic owner and former president of these companies) was operating the system as one economic entity, with inter-company transfers of cash, equipment, materials

D-3

and servicing facilities. His plans for integration of garage and servicing were well advanced when the increasing cost of capital in 1967 exposed his unorthodox financial structure.

REVENUES AND SHARE OF MARKET & DEFICIT

The consolidated Inter-City system had total operating revenues of \$9.1 million in 1968 making it the third largest operation in New Jersey by that measure.

The system suffered an operating loss of \$463,580 in 1968. This does not reflect the purely financial transactions of non-operating affiliated corporations also involved in the bankruptcy.

D-4

OPERATING STATISTICS
INTER-CITY LINES - CONSOLIDATED SYSTEM
1968

Number of Passengers:

Regular Routes	13,212,947
Charter and Special	1,156,786
Total	<u>14,369,733</u>

Number of Route Miles:

Regular Routes, Round-Trip	670
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Gross Revenues:

Regular Router	\$ 7,137,284
Charter and Special	\$ 1,920,422
Total Operating Revenues	\$ 9,066,045

Net Income (Loss)	\$ (463,580)
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Appendix E

THE NEW JERSEY BUS INDUSTRY

The State of New Jersey has a vital interest in the total operations of bus services which are presently provided by 274 different operating entities. All of these companies are privately-owned and range in size from one-bus, owner-driver units to the giant Public Service Coordinated Transport.

Size of the Market

The size of these operations in terms of revenues, passengers carried and bus-miles operated in 1967, is shown in the Table on page E-2. Significantly, about 82 percent of gross revenues are from passengers carried on regular franchised routes. The major interest of the private companies, however, is developing charter and other special services which, although accounting for only 15.6 percent of the bus business (and only 5.3 percent of total passengers), most companies consider to be more profitable.

The Decline of Services

Thus, with the exception of certain commuter and longer-distance bus services into midtown Manhattan, the private companies are not interested in further expansion or improvement of regular franchised operations. The present regulatory framework precludes wholesale abandonment of these services by surviving companies but this is insufficient to preserve the service where either of the following occur:

1. Where the operator has separated charter and special service operations from the corporation which operates franchised routes;
2. Where experience demonstrates that the amount of service provided by the company is gradually decreasing over a period of years, irrespective of regulation.

Ownership Interests

The 16 largest ownership interests, ranked by the 1967 gross revenues of their respective affiliated companies, are shown in the Table on page E-3. These 16 groups (identified by family name of the controlling stockholder) include 50 operating bus companies which account for 89 percent of the business, by gross revenues.

E-2

1967 Operating Results for
274 Bus Companies

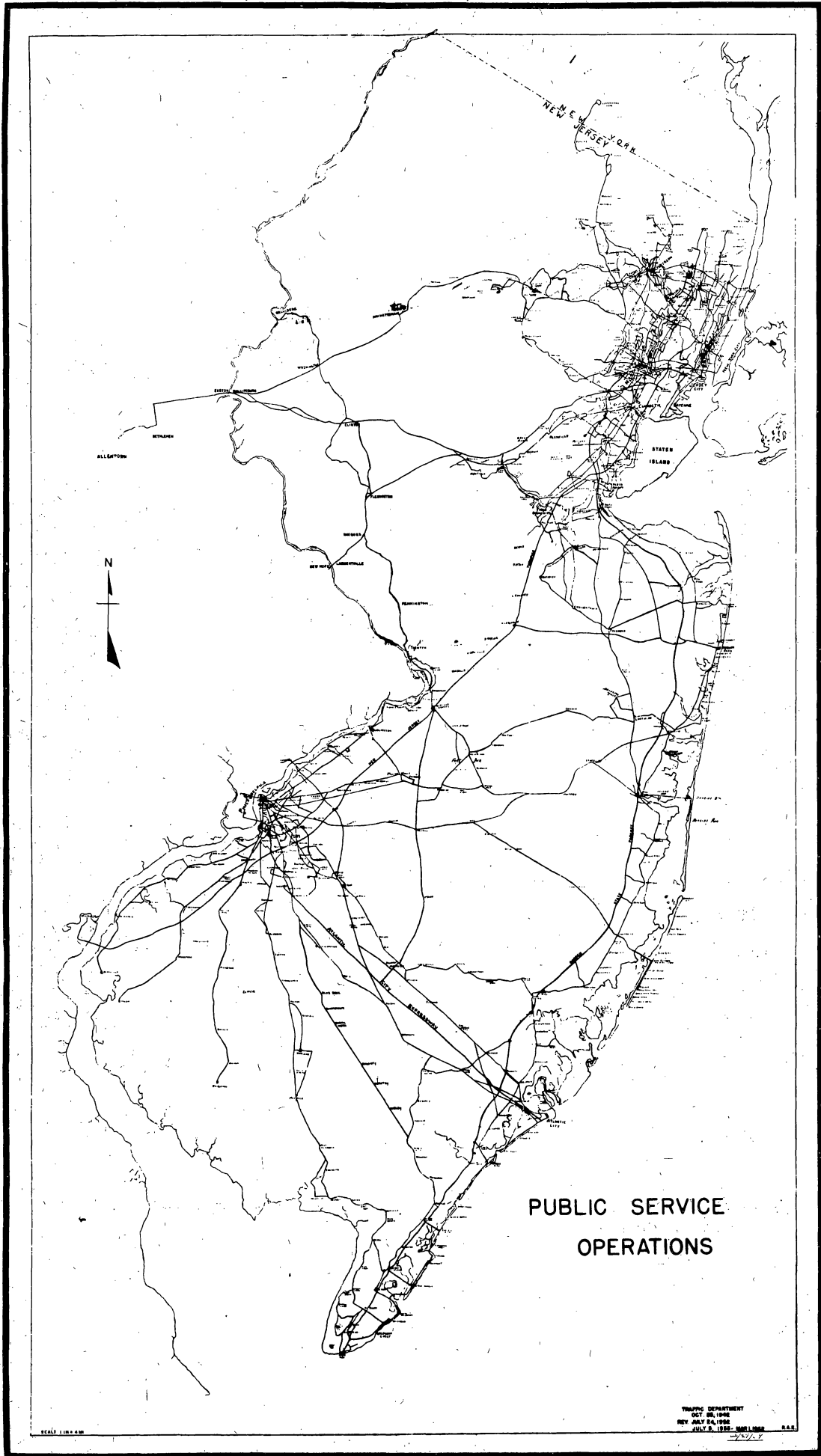
Total Operating Revenues	<u>\$143,441,394</u>	<u>100.0%</u>
Passenger Revenue	117,509,189	81.9
Charter & Other Special	22,316,755	15.6
Miscellaneous	3,615,450	2.5
Total Passengers Carried	<u>368,743,578</u>	<u>100.0%</u>
Regular Routes	349,113,519	94.7
Charter & Other Special	19,485,324	5.3
Total Bus Miles	<u>187,870,906</u>	<u>100.0%</u>
Regular Routes	158,510,633	84.4
Charter & Other	29,108,103	15.5

E-3

New Jersey Bus Operations in 1967
Ranked by Gross Revenues of
Ownership Groups--Groups Over \$1 Million

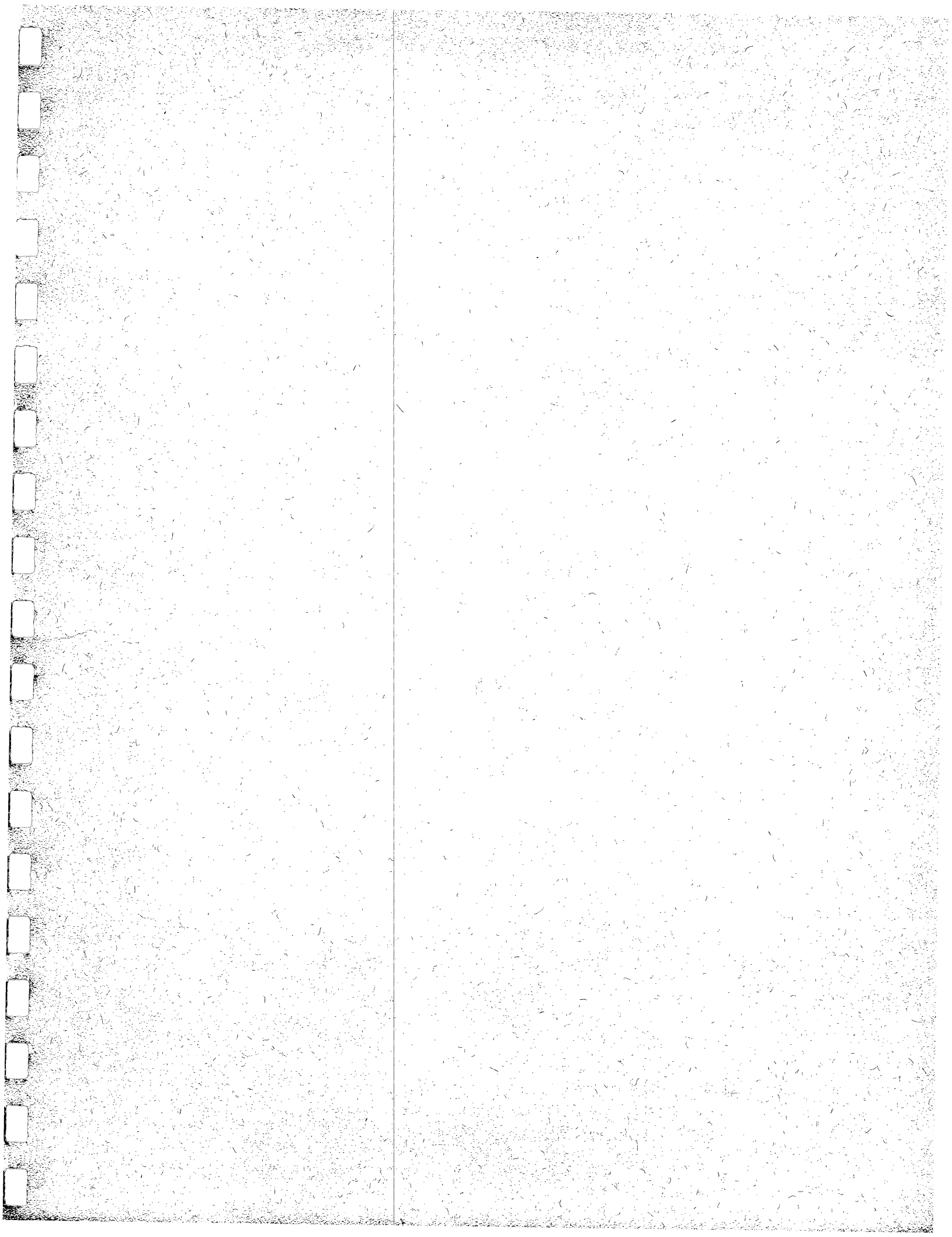
	Number of Operating Companies	Total Revenues
1. Public Service Electric & Gas Co.	1	\$ 68,910,204
2. Casser (and family)	5	9,601,498
3. Capitani (and family)	6	9,409,896
4. Richmond (bankruptcy)	6	9,098,852
5. Rukin (and family)*	1	5,838,215
6. De Camp (and family)	1	4,944,596
7. Lipshitz-Kuchin	3	3,494,484
8. Mc Shain (and associates)	2	3,460,522
9. Noll (and family)	1	3,320,978
10. Rollo (and family)	<u>3</u>	<u>2,056,968</u>
Sub Total	29	\$120,136,213
11. Taylor	1	1,620,939
12. Gelhaus	1	1,553,270
13. Di Domenico	3	1,199,121
14. Russell-Parsons	1	1,057,804
15. Flynn-York	1	1,034,896
16. Drogin	<u>14</u>	<u>1,019,602</u>
TOTAL	50	\$127,621,845

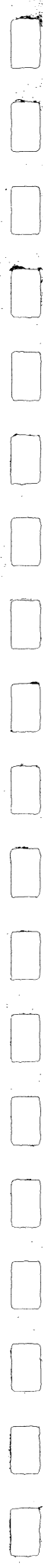
*Substantially out-of-state but serves Bergen County commuters.



**PUBLIC SERVICE
OPERATIONS**

TRAFFIC DEPARTMENT
OCT. 28, 1946
REV. JULY 24, 1946
JULY 9, 1952. 50011002. N.S.P.
1/1/52





Published May 1969
N. J. Department of Transportation
Division of Central Services
1035 Parkway Avenue, Trenton 08625