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

before

JOINT LEGISLATIVE COMMITTEE TO STUDY
AND REPORT ON MATTERS RELATING TO HIGHWAYS
AND OTHER TRANSPORTATION NEEDS OF THE STATE,
CREATED UNDER ASSEMBLY CONCURRENT RESOLUTION
NO. 9

Held:
March 26, 1964
State Highway Department Building
Trenton, New Jersey

Members of Committee present:

Senator Richard R. Stout [Chairman]
Senator Edwin B. Forsythe
Senator John E. Hunt
Assemblyman William T. Hiering [Vice Chairman]
Assemblyman William H. Everett
Assemblyman Joseph M. Keegan
Assemblyman Richard J. Vander Plaat
Assemblyman Joseph C. Woodcock, Jr.

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New Jersey State Library

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Dwight R. G. Palmer N. J. State Highway Commissioner	29 - 8-A

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ASSEMBLYMAN WILLIAM T. HIERING (Vice Chairman):

Gentlemen, I would like to call the meeting to order in the absence of Senator Stout, our Chairman, whom we expect to arrive here very shortly.

This is a continuation of our hearings under Assembly Concurrent Resolution No. 9 by the Joint Senate and Assembly Highway, Transportation and Public Utilities Committee.

The Associated Railroads of New Jersey has asked that Mr. James Diffenderfer testify first here this morning and I would like him to come forward at this point.

J A M E S W . D I F F E N D E R F E R: I appreciate this opportunity to be here and the Legislature is certainly to be commended for undertaking this study of matters related to the highway and rail transportation needs of the State for both the immediate and long-range future.

Since the enactment of legislation in 1960, creating the Division of Railroad Transportation within the State Highway Department and the beginning of the railroad contract programs, New Jersey has been an outstanding example of a state that decided to do something more than merely study its transportation problems. This legislation, properly recognized as a stop-gap measure, has during these past four years fulfilled its primary purpose of preserving essential rail passenger services for the citizens of New Jersey, pending the development of a long-range program.

There is yet a long yet way to go. Much needs to be done to insure continued preservation of existing rail passenger services and facilities by expansion and

improvement of the interim contract program, as well as the development of a long-range program to meet the future needs of the State.

This program would not be possible without the continuing recognition by the Legislature in making its annual appropriations. However, I would be remiss if I failed to recognize the tireless efforts of Commissioner Palmer and Mr. Thomas to incorporate the railroads into the State's total transportation planning and to achieve the purposes of the interim program. They have certainly created a climate of confidence and trust which previously had not existed.

Progress to date should be gratifying to the people of New Jersey. Essential rail passenger services have been preserved. Certain reduced round-trip fares have been instituted. Trains have been added in some instances. The schedules of others have been expanded and improved. There has been greater coordination of rail and highway planning than ever before. Good progress is being made in North Jersey with the Aldene plan and the assumption by the Port Authority Trans-Hudson Corporation of its responsibilities for high-speed transit service between Newark and Manhattan.

In South Jersey the Delaware River Port Authority is putting up almost half the money as an outright gift toward the construction of South Jersey's first high-speed rapid transit system. This project is certainly another tribute to Commissioner Palmer. Had it not been for his efforts, this project might never have gotten under way.

However, the fact that the Port Authority will have to make such an outright gift in addition to the State Highway funds being provided for grade crossing eliminations, clearly illustrates one of the major reasons why suburban railroads, as private enterprise, cannot continue underwriting the losses sustained in suburban rail operations, much less improve these services. This is why I would like to outline for you, briefly, some of the features of the contract programs with which we have worked and helped to develop in the Philadelphia area.

These programs began with the 1956 Report of the Urban Traffic and Transportation Board formed by the Mayor, and composed of a number of distinguished businessmen in the city, to study future transportation needs of the city. This report recommended a total transportation system in which the inherent advantages of each mode of transport would be utilized to provide the public with the best total transportation system at the least total cost. The report stated that highway construction and maintenance expenditures could be reduced if public transportation were utilized more extensively, particularly to carry the peak-hour loads. Where necessary, public financial support should be used to effect these savings.

Now in these exhibits I have distributed to you, Exhibit 1 is a map of the rail lines in the Philadelphia area. Incidentally, I might say that the lines shown on this map, if they were to be built into a new system such as is being done in the San Francisco area, could not be

reproduced for anything less than about \$2 billion, yet they're existing today. Colored in red are the lines presently under contract with a public agency. A suburban rail experiment was started on October 26, 1958 on two lines, as the first step in implementing one of the recommendations of this Report. Its purpose was to see if traffic congestion in mid-city metropolitan areas could be relieved by stimulating the use of mass transportation.

The effect of this program, and the subsequent expansion of contract programs to other lines, is shown on Exhibit 2. Before the program began in 1958, we were carrying an average of 5,619 passengers per day on the PRR's Chestnut Hill Branch. The first year of the program, this increased by more than 1,000 passengers per day. By last fall, 5 years after the program had begun, there had been a growth of 51% in the number of passengers being carried. This compares with a declining rate of 6% per year being experienced prior to 1958 on just this line. It is also significant, this growth is significant, in view of the fact that in November, 1958, just after this operation began, the six-lane Schuylkill Expressway, virtually paralleling this rail service, was opened to mid-city providing even greater incentive for the commuter to use his automobile.

Typical of the declines being experienced on other lines, are the volumes shown for the Manayunk and Trenton services, on which contract operations were not begun until October, 1960. Even though also affected by the

Expressway, volume on the Manayunk line has increased 52% compared with the year of 1960 prior to the beginning of the contract services. You will note how it had been declining just prior to that time.

Now on the Trenton line the first stage of contract operations began within only the Philadelphia city limits, but in December, 1962 it was expanded to Levittown with a 57% increase in volume for last fall compared with the fall of 1960.

From the success of these initial experiments, the City of Philadelphia recognized the need for having a vehicle by which the program could be continued and improved. Responsibility for contracting for these services was placed in a non-profit corporation composed of a 15-man Board of Directors, consisting of 11 members appointed by the City of Philadelphia, 2 by railway labor unions and one each from the participating railroads.

Certain guidelines were developed by mutual consent of the city and the railroads to aid in the development of a long-range program. These are embodied in the Principles of Agreement contained in Exhibit 3. While these are rather detailed, I just cite them as an example for you to see what was done and what was possible through a spirit of cooperation to get this program under way.

The non-profit corporation (NPC) became known as the Passenger Service Improvement Corporation (PSIC). While no one was bound by these guidelines, it is certainly a fitting tribute to both the public officials and the railroad

representatives that there has been almost complete adherence to these principles, even though the City's responsibility has been subjected to year-by-year renewal of contracts, approvals and appropriations by City Council, and even a change of administration. Availability of funds has limited complete assumption by the city of all expenses for the services as rapidly as contemplated in this program, but it is noteworthy that the railroads are now being reimbursed for all expenses under the program with the exception of certain maintenance of way costs, roadway depreciation and some general overhead expenses.

Exhibit 4 is a copy of the 1964 contract between PSIC and the Pennsylvania Railroad. This contract outlines the payment to be made to the railroad for the services rendered, the schedules and train consists to be operated, the fares to be charged, the expenses which are to be reimbursed, and the advertising and public relations program to be provided. Note on page 8 of Exhibit C, which is toward the ends of Exhibit 4, that the contract program provides for payment not only of payroll taxes, but of all real estate taxes, gross receipt taxes and other taxes chargeable against suburban passenger service operations. It also provides for payment as a reimbursable expense for the cost of passenger train car rentals. This is particularly important, as I will mention later, in any program to provide new equipment.

Simply for your information, Exhibit 5A is a report issued by PSIC, of their rail operations which was released

October, 1963. And Exhibit 5B is an interesting treatise which appeared in the September issue of The American City, written by PSIC's very capable Director, John A. Bailey, telling how non-profit mass transportation is solving transportation ills in the Philadelphia area.

In Exhibit 6 I have outlined briefly for you the suburban railroad passenger service improvements which have been made possible under the contract programs in the Philadelphia metropolitan area. And the time tables, the yellow and blue time tables distributed to you, are simply samples of some of these improvements and also have a picture of the new equipment that has been acquired under this program.

As shown on the second page of Exhibit 6, the total number of trains has increased between 50 and 100% on each of the contract lines, with the addition of mid-day and off-peak evening trains at convenient headways, and even express trains being added in the rush hours. Some of these trains, particularly on the Philadelphia-Trenton line, serve rapidly developing areas, such as the great Northeast section of Philadelphia. The assurance that the city intends to preserve and improve its rail passenger services, has certainly been an instrumental factor in this development and has been beneficial to the growth of the city.

The contract programs also made possible schedules as much as 25% faster. Close cooperation between the contracting agency and the railroad made possible freedom of adjustment of station stops in relation to market demands

and needs, which would not otherwise have been readily possible under the former regulatory approach. The railroad is willing to experiment with such changes, knowing that it will be reimbursed by the contracting agency for its expenses, and that it will not be faced with the usual regulatory restrictions. It has also been possible to eliminate non-essential trains and station stops, to provide faster and better services to the majority of the public.

One of the outstanding developments of the program has been the acquisition of a fleet of new stainless-steel, air-conditioned coaches. These are the finest in the country and have been one of the major factors in speeding schedules and making the service more attractive to the public. We are presently negotiating with the City for the acquisition of twenty more cars. All of the trains on lines under contract with PSIC are now equipped with new cars, as pictured on the time tables. New cars are also operated on other lines under contract with the regional agency, the Southeastern Pennsylvania Transportation Compact.

The contract programs have also provided improved station parking with increased capacity at many stations, and paving and lighting as required. The City has a continuing program of improving station parking.

Beginning this year, we have a program underway for reimbursement of station maintenance costs and snow removal, and at several locations the City is acquiring property and providing new stations. Further, the public has been made aware of the improved rail service through an extensive

advertising promotion and public relations campaign, which has only been possible through public funds earmarked for this purpose.

Marketing surveys have shown that one of the most important factors influencing choice of travel and contributing to the shift from automobile to rail has been the reduction of fares of as much as 45% in the contract services. And the bottom of Exhibit 6, I believe, gives you a few examples of what some of those reductions have amounted to.

Exhibit 7 is a sample of one of the agreements with the City of Philadelphia providing for lease of new cars. The railroad assumes responsibility for the debt service. The present agreement being negotiated with the City for additional cars will also provide an option for ownership by the railroad at the end of the 25-year lease period and will permit use by the railroad of the cars in other than contract services, for payment of an annual nominal sum. These agreements, however, do not prevent the railroad from being reimbursed under a contract program for the cost of repairs and debt service for the cars.

I might say that as a result of this contract program, the negotiations that we made are going to provide a little benefit, maybe a foretaste of what New Jersey might enjoy by running a few of these cars through to New York and back on some of the locals operating between New York and Trenton beginning April 26.

In case there are those who are influenced by false

statements about railroad accounting and are skeptical that costs can be determined accurately, Exhibit 8 is a copy of one of the monthly financial statements furnished to PSIC. These statements show the details of the expense categories reimbursed under the contract, as well as details of the revenues collected. PSIC has the right to audit these figures with an independent Certified Public Accountant, and does so regularly, thereby authenticating these statements.

The financial results of these contract programs can be seen in example given in Exhibit 9. The initial experimental program paid for only the incremental costs of the additional services. The first year of the reimbursable-type contract was 1961, when, as you will note in line II-A contract payments increased to \$563,000 for the Chestnut Hill Branch.

The last two lines are the most significant. Line III shows the railroad's expenses which were not covered, either by revenues or contract payments. These have been reduced from \$797,000 a year in 1958 to \$406,000 in 1964, in spite of the fact that total expenses have increased not only due to inflation and escalation, but also because of service improvements. Thus, as shown by line IV, the portion of expenses which are covered by the sum of revenues and contract payments has increased steadily until this year 77% of the total expenses are being covered. In fact, these are still estimated figures and I believe the actual results for the year may show even a greater percentage of the total expenses have been covered under this program. This ratio

is repeated on each of the contract lines.

In a deficit operation, the acquisition of new equipment does not always help the total financial results. The private carrier can hardly justify spending scarce capital money for new passenger equipment. Much of our MU equipment fleet is close to 50 years old and very costly to maintain. As you will note from Line I-A-1, the repair expenses for the old cars on this one Branch in 1962 were \$493,000. 1964 will be the first complete year of operation with new cars. The effect, financially, has simply been to transfer these funds from repair expenses to debt service. The total cost of repairs and debt service, as shown by lines 1 and 2, will equal or even exceed the former amount being spent for repairs. The public has new cars and much better service, but the economics are virtually a washout.

Therefore, the solution to the equipment problem is not so much in the method of financing of the new equipment, which requires repayment of principal by whatever means it is financed, as much as it is in the type of contractual arrangement which can be made with public agencies to cover the financial results of operations. The success of the Philadelphia program has been the presence of such a contract, which encourages the railroads to enter into arrangements with public agencies for the lease and operation of new equipment.

Compared with the Philadelphia area, the results of operating suburban rail services in New Jersey, as shown in Exhibit 10, presents, on the other hand, a discouraging

picture. The losses over the past four years have ranged between \$7 1/2 million and \$9 million a year. And the estimate for 1963, which I just made roughly there, could just as well be \$9 million and \$8 million. The figures are not yet available.

As shown in Section II the taxes paid by the Pennsylvania Railroad to the State of New Jersey are equivalent to about two-thirds of this suburban passenger service deficit. On the other hand, the passenger service contract payments made by the State to the Railroad for passenger service operations have covered only 22% of these suburban service losses over the past three years. Compare this with the 77% shown for the Philadelphia area operations in Exhibit 9.

Exhibit 11 briefly outlines some of the items needed to improve suburban railroad passenger service in Northern New Jersey. There is no question that the one most readily noticed by the traveling public is equipment. Coupled with improved schedules, additional trains, and reduced fares, new equipment has been a large factor in the success of the Philadelphia program. It would take approximately \$42 million to provide new equipment for the Pennsylvania's suburban rail services in Northern New Jersey. With deficits in the magnitude of \$8 million a year, there is neither the justification nor the funds available for this expenditure. Furthermore, as indicated by column 3, even if there were funds available, the present tax policies of the State discourage our using new equipment for these services, since it would cost us one-half million dollars

annually just for the Class III taxes. Contrast that with out experience in Philadelphia, where the city provides the equipment, where there are no taxes levied on passenger equipment so provided, and where the contract program not only reimburses us for the costs of renting and operating such equipment, but also for all taxes.

Also mentioned in Exhibit 11 are physical improvements other than equipment for such items as stations, parking lots, and grade crossing eliminations. The latter, the grade crossing eliminations, hang as a "Sword of Damacles" over us in the North Jersey Coast service between New York and Red Bank, Asbury Park and Long Branch, where there are over 100 grade crossings.

Incidentally, we have eliminated all the grade crossings on our main line between New York and Trenton and have no further problem there in that respect, the last one having been eliminated in this past year.

It is a known fact that railroad traffic over the State's grade crossings has not increased, but rather decreased in the past 20 yeas. Instead, it has been the highway traffic which has increased. Crossing protection and crossing eliminations are primarily for the benefit and control of highway traffic. Crossing protection for the New York and Long Branch now costs over one-half million dollars annually and would hardly be required for the small amount of freight service there. Therefore, this is another inequitable burden we carry in the operation of suburban passenger service for the benefit of the people of

New Jersey. Certainly the railroads are discouraged from endeavoring to continue, much less improve, their suburban rail services as long as they are faced with the prospect, not only of having these continuing crossing protection costs, but also of having to lay out large capital expenditures for crossing elimination, to benefit highway traffic and to benefit a suburban operation on which they are losing millions of dollars annually.

A reimbursable expense-type contract arrangement needs to be placed into effect in New Jersey to cover New Jersey suburban rail service before there can be any satisfactory arrangement for the acquisition of new equipment, or other service improvements. Assurance of a continuing contract program is the best means by which the railroads will be assured of payment for principal invested in new equipment or other facilities. The only difference between financing arrangements between public and private agencies is the amount of interest charged, based upon the quality of credit ratings or guarantees. The difference in interest rates, even between private and public financing, is minimal when contrasted with the great risk the railroads face in repaying principal.

The experience of many other areas shows that public funds are needed to underwrite the costs of improvements. \$792 million of tax-supported bonds will be used to provide the capital expenditures for the new rapid transit system in the San Francisco Bay area, plus another \$115 million from Bay Bridge tolls. In Toronto, the Metropolitan

Government will assume 70% of the cost of past and future subway construction and the Ontario Provincial Government just recently announced that it would contribute up to one-third of the cost of the structures, exclusive of right-of-way station and equipment costs for a new \$206 million transit line being built in the City of Toronto.

I have already cited the gift of the Delaware River Port Authority, and you are probably familiar with the extent to which the City of New York underwrites the capital expenditures of its subway system by upwards of \$100 million annually.

The significant thing is that the State of New Jersey has an excellent system of rail facilities still available for use, and they are still available. It is much less expensive to improve these existing facilities than it is to replace them, if such were possible, with more costly highways, - that is, to carry the load that the rails are presently carrying - or to endeavor to replace them with new rail systems in the future if the rail systems were permitted to go out of existence.

It will take more money than presently being appropriated to obtain improved rail service, but I sincerely believe that this will be far less costly to the State in the long run.

I hope that my review of the Philadelphia program will help you formulate a long-range program that will provide the funds and tools necessary to give the citizens of New Jersey the best possible total passenger

transportation system at the least total cost.

Thank you.

ASSEMBLYMAN HIERING: Gentlemen, do you have any questions? (No questions.)

I would like to ask this. Is the City of Philadelphia financing this entire transit system that you are speaking of?

MR. DIFFENDERFER: The suburban rail program, the City of Philadelphia is financing all of the program within the city limits and is participating in the regional program which you see in the red lines going beyond the city limits into some of the outlying suburban counties. This is a cooperative effort through the Southeastern Pennsylvania Transportation Compact.

ASSEMBLYMAN HIERING: Well, when you go out of the City of Philadelphia are the counties themselves participating?

MR. DIFFENDERFER: They are. The counties themselves together with appropriations through the Mass Transportation Demonstration Programs of the Housing and Home Finance Agency, in which the Federal Government is participating with two-thirds of the funds. So the counties, the federal government and the city are participating in those programs.

ASSEMBLYMAN HIERING: But the State itself, the State of Pennsylvania, is not participating?

MR. DIFFENDERFER: Not at this time. From the example set by the State of New Jersey there is legislation now in Harrisburg and they are contemplating a similar program, although, of course, the State is not as compact as New Jersey and really a metropolitan area as such. The

Pennsylvania program will be to make appropriations to the metropolitan areas. Here, of course, you have a state embracing practically a metropolitan area in its entirety.

ASSEMBLYMAN HIERING: The information may be here somewhere but what has this program cost to date, the over-all program, approximately?

MR. DIFFENDERFER: The city appropriation runs about \$2.5 million a year, just for the city part. That includes the administration of the program as well as the payments to the railroads. The payment to the Pennsylvania for the services it has under contract runs just a little over \$1.5 million a year on three contract lines.

ASSEMBLYMAN HIERING: What is the over-all cost of the entire program to the city and to the counties, everyone that is participating, per year?

MR. DIFFENDERFER: Counting what the federal government is appropriating, I would say in the magnitude of \$4 to \$5 million a year just on these few lines here and this is intended to be expanded this fall and in the coming year which will take some more money.

ASSEMBLYMAN HIERING: Mr. Chairman, I will turn the meeting over to you.

SENATOR STOUT: You stay with it.

ASSEMBLYMAN HIERING: Do any of you gentlemen have any further questions?

SENATOR STOUT: Yes. I would like to ask some.

What plans have you made with respect to interstate traveling, interstate commuting?

MR. DIFFENDERFER: You mean between New York and Philadelphia?

SENATOR STOUT: No, between Philadelphia and Camden and South Jersey and Burlington County and Mercer County.

MR. DIFFENDERFER: Oh, of course, we have been working very closely with the Highway Department and the Delaware River Port Authority in making possible this transit line development which is going to be one of the big answers down in the South Jersey area. Of course, the rail contract programs here really have preserved what is still considered to be by the State essential rail service in Southern New Jersey because if it hadn't been for the Commissioner negotiating a contract and requiring continued operations, we would have certainly been back to the Interstate Commerce Commission last year for abandonment of rail service in Southern New Jersey. But through the Port Authority program and, of course, making use of existing rail facilities, this is one of the things that has made that possible because of the changes that we agreed to make and turning over the property to them by using existing facilities and being able to do the job at much less cost than building a whole new line, this program has been able to get under way and, as I say, if it had not been for Commissioner Palmer knocking heads together and using his powers and the authority he has under the Rail Contract Program, as well as the Highway Department, in really doing total transportation planning instead of isolating railroads on one side and highways on the other, -- this program really will be under way and I think will be

a big benefit to the citizens of Southern New Jersey.

ASSEMBLYMAN HIERING: Any further questions?

SENATOR HUNT: I assume you were speaking, in the South Jersey vein, about the proposed route to Kirkwood.

MR. DIFFENDERFER: Yes, sir.

SENATOR HUNT: Assuming the fact that the lower portion of the State, especially the county I come from, Gloucester County, has expanded by 50% populationwise in the past decade, what plans are being made to meet our commuter service system down there?

MR. DIFFENDERFER: I think the plans of the Port Authority for a projection of the transit line down into Gloucester County and Woodbury - frankly, I've walked every inch of that territory in helping to plan that and seeing what facilities we could make available to get a rapid transit route down there - are going to be the ones that are really going to be dynamic in helping Gloucester County further this development.

I think if the Mass Transportation or Urban Mass Transportation Act, which is now in the House Committee awaiting to get sufficient votes to get it passed, and which, of course, is supported by Senator Williams and some of the other Senators from New Jersey, could be effectuated this year, you would have funds to see that program really get under way. There again, one leg to Kirkwood, of course, is taking care of a major segment of Camden County, is taking a lot of dollars and research of the Port Authority, but with federal help I think the Port

Authority could - and I am not speaking for them by any means - put a dynamic program into effect down there. I mean it really could feed the people over into Camden and meet the needs of that corridor.

Having been a former resident of Collingswood in Camden County, I am well acquainted with Gloucester County and know some of the problems down that way. I think the big controversy was whether the leg up into Burlington County should be the next one or the one to Woodbury. I would hope that both of them might be next but I will have to let you gentlemen battle that one out.

SENATOR HUNT: So, you having been a resident of Collingswood and myself having been a former employee of Pennsylvania Railroad, I'm somewhat acquainted with your problems too. I am a resident of a small town called Pitman.

MR. DIFFENDERFER: My dad used to live in Pitman.

SENATOR HUNT: Congratulations. I'm sorry he left.

The thing I am so vitally interested in is there has been the curtailment of our service. We have a train that comes up in the morning, a single car, usually, and in the evening one comes down from Philadelphia. We have been speculating as to the feasibility of increased passenger service for that particular locale in the State. Would it be feasible in the future - do you foresee this - that that line which is currently in operation, the old West Jersey Seashore where the old 6000 number locomotives still operate, would have increased passenger service for our people in case of future development other than the projected, somewhere in

the future, spur from Kirkwood.

MR. DIFFENDERFER: Such could be possible under a contract program. I think if you recognize the economics of the problem, with today's level of business and the cost of running the service, that the cost of the crew wages alone in running those trains exceeds the revenue by as much as two and three times even though they only have three trains running each way down there right now. There has not been very much use, in fact a declining use of those trains in recent years, first with the development of the highway system, the north-south Freeway, Route 130 and those roads going down through that area, and also, of course, with the direct access of the bus into Philadelphia, the high speed line where they transfer to it and get into Philadelphia. I think a direct rail route is going to be what is really needed.

In the interim, if the State considers it advisable and worthwhile to contract for service down there on a reimbursable basis, I certainly think something could be worked out.

An example of this is the Manayunk line which I referred to here which really in a lot of ways had no real economic justification for continued operation. It was carrying far more passengers than are being carried down on our Millville line through Gloucester County, but the City considered that this was essential for this total transportation system, it covered a vital area, and they are contracting for it, paying two or three hundred thousand dollars a year toward the cost of its operation. The revenues

from the line are only about \$100,000 a year. So you can see that the cost far exceeds the revenue but it considered it was a worthwhile adjunct and it really complements this Schuylkill Expressway which is, of course, jammed in the rush hours, as many highways are, and is intended to help alleviate some of the Expressway load as well as be an asset to the community. And the service, as I showed on the second page of Exhibit 6, on that line has really more than doubled. They kept increasing the service. In fact, just last spring we added 50% more trains. The City decided it was worthwhile to make that investment. On a basis where we are assured of being reimbursed for cost, I think something can certainly be worked out. But where you are spending three times as much as you get in revenue, just for crew wages, it's obvious that it is not a very worthwhile proposition to be in.

SENATOR HUNT: Sir, along the same lines of revenue, do I understand correctly that the railroads, in so far as freight revenues are concerned, are on the black side of the ledger?

MR. DIFFENDERFER: Not on --

SENATOR HUNT: -- and that the passenger service is on the red side of the ledger?

MR. DIFFENDERFER: If you are speaking of South Jersey and the Seashore Lines, no, even on the freight side. It's a losing proposition there. We think there's a potential for freight traffic development in Southern New Jersey but the freight revenue is short by about \$2 or \$3 million

a year to meet freight expenses in Southern New Jersey.

SENATOR HUNT: The reason I ask this question, it has long been debated that this is the picture, that the freight revenue has been lucrative and the passenger service, of course, has not, and I was wondering whether or not a service in that particular section for commuters, at an hour which was not ungodly, such as 6 or 7 o'clock in the morning, to go up and one train coming back at night, if service were afforded to the Philadelphia area whether or not it would be a paying proposition.

As you know, in Pitman right now we no longer have a person to sell tickets; we no longer have a place to take baggage. That's been torn down.

Your second track was removed from the roadbed about a decade ago.

MR. DIFFENDERFER: In fact, I remember when there were three tracks down through a lot of that country.

SENATOR HUNT: I remember when 54 trains came into there, sir. It runs in my mind I fired on that division at one time. I am a little bit familiar with the previous traffic and I am wondering why the people have abandoned this particular mode of travel which was always one of our main arteries to Philadelphia and the other areas. We always had pretty good train service. The deterioration in the traffic of passenger service might be as a result of the peculiar hour the train goes up and the time that the train comes back, because after we get up there by train, the early morning train, we can't get back until the train gets back

in Pitman at 6 o'clock at night.

MR. DIFFENDERFER: I think you will find that the passengers generally abandon the service long before the train service pattern is changed, and that a lot of this, of course, has been brought about by the development of the highway system and people's concept that the highways don't cost them anything. The Commissioner will tell you later, I guess, how much they cost you.

Also, I think evidence of the profitability or the lack of profitability of such an operation is in what the Port Authority is having to do in even the construction of what they consider to be its more lucrative or larger volume line to Kirkwood. And it is a fact that half the money is being put up as really an outright gift from Port Authority surplusses in order to make the bonds self-supporting out of revenues. This is typical, as I indicated, of the San Francisco operation. There's a billion dollar project but almost \$800 million is coming from tax supported bonds, another \$115 million from bridge tolls, and the other little bit, plus the operating expenses, they hope to be able to carry out of revenues.

Now the problem is that in highway construction, particularly for peak hour loads, you build these 8 and 10 lane highways mostly just to carry peak hour loads, if you look at them in off-peak you can get by with a couple of lanes, the cost is being borne by the public. And particularly in such areas where the cost of construction runs so high, as in these metropolitan areas, these multi-

lane highways become very expensive, and, of course, adding to the congestion and things like that.

Now, this is the difference and there is question whether it is cheaper - and I believe the facts have shown it is to carry large peak-hour loads along high density traveled corridors by rail than it is to build even more or additional lanes of highways. We have made any number of studies on that, even with independent consultants throughout the country. The question is how dense a corridor and which way can you save the money best - this is what we are saying, where you consider the services essential and believe you can save the state money then use the rail systems before they go out of existence to carry those loads; where it would cost you more to do that and it's cheaper to do it by the highways, do it by highways.

SENATOR HUNT: Thank you, sir.

SENATOR FORSYTHE: I have just one question.

Mr. Diffenderfer, you say the Port Authority is putting up a substantial portion for this Kirkwood line. Do you believe that an even greater proportion of the capital investment on both the Moorestown and Woodbury lines will be necessary to make them feasible?

MR. DIFFENDERFER: I believe it will be, yes, sir. We've worked on that project even before the Port Authority really took a sincere look at it - back in 1956, after they got the first report that said it would be too expensive to build a complete system. Then we tried to find ways in which existing facilities could be used to minimize the

initial capital cost. This helped make the Kirkwood line a little more feasible. But that's why I say that I believe, in answer to your question about the line down through Woodbury and Pitman, that with the federal legislation making funds available to meet the capital requirements, that local areas do not do of their own accord, would make this line down in Gloucester County and also Moorestown in Burlington County worthwhile.

But when you have to take a job, like the Port Authority is doing, a \$58 million job and take \$25 million surplus just to do that, you are not going to be able to do it. It is going to take even more, from the figures that we found by working with consultants and all, even more for the job into Gloucester County and Burlington County.

SENATOR FORSYTHE: In the over-all economics of transportation this is sound.

MR. DIFFENDERFER: This is sound but I think when you consider -- I don't know how it is over on this side of the river right now but they're building a new highway, the Delaware Expressway, \$300 million of it being spent down just through Philadelphia there, \$10 million a mile average, and they couldn't begin to carry the number of people in the rush hour. This isn't saying that these highways are not needed because they certainly are, but the question is how are you going to meet the population demands of the future. We all know that the population of automobiles is increasing at a rate faster than the population of people. How are you going to meet this demand, particularly in

areas where you do have rail service today how are you going to carry the load that is today being carried by rail if it were dumped over on the highway system. You know, as well, the problem you face with highway congestion even as it exists today.

SENATOR FORSYTHE: Thank you.

ASSEMBLYMAN HIERING: Any further questions, gentlemen?

ASSEMBLYMAN WOODCOCK: Just one question. We've heard quite a bit about the rail situation in Southern New Jersey. Are you familiar with the situation up in the northern counties?

MR. DIFFENDERFER: Well, particularly as it pertains to the Pennsylvania Railroad. Maybe a little bit of the Jersey Central and Lackawanna. My brother is a commuter on the Lackawanna.

ASSEMBLYMAN WOODCOCK: Particularly Bergen County because that's my county. What would this program do for a county such as Bergen where there has been almost a virtual elimination of passenger service on the railroads?

MR. DIFFENDERFER: Not knowing all the physical facilities - I believe the Erie runs up that way, doesn't it?

ASSEMBLYMAN WOODCOCK: Yes.

MR. DIFFENDERFER: The West Shore used to run up that way and I guess the Susquehanna almost used to.

ASSEMBLYMAN WOODCOCK: They came through Hackensack.

MR. DIFFENDERFER: I would really have to yield to Mr. Thomas or the Commissioner on that one, in so far as what they could recommend doing with those facilities and

services. I wish I could help you further on that. I think things can certainly be done because, as I said, this Manayunk line we have as an example. Really our service between Philadelphia and Trenton, as shown on those blue time tables, is almost in that category. We were down to just a few trains each way and really service something like you mentioned down in Gloucester County, just covering the rush hour. Now it's such that people can get up there almost anytime in the day. In fact, we are going to be adding some more late evening trains, tying them in with people coming in from the Worlds Fair and making changes.

With a spirit of cooperation that has existed and knowing that working with public agencies, such as this, instead of having to go through the regulatory agencies which had no money to work with and always had a -- well, we didn't appreciate the approach they took anyhow -- it wasn't a combined unified highway-rail approach by any means -- we are able to work out schedules which -- we can make recommendations for the people for things that we wouldn't even think of doing before, we wouldn't dare risk doing because once we would stick our neck out before you would never be able to pull it back. Now we have a spirit of cooperation here and I think the same thing can be done if funds are available and if there is an indication of willingness to go ahead.

ASSEMBLYMAN WOODCOCK: You would think that there would be some hopes that the passenger lines that have been abandoned could be reconstituted in a county such as Bergen?

MR. DIFFENDERFER: Where there are dollars there is always hope. And where the facilities still exist and the demand, and I think this is indicated on this line down in Kirkwood in Southern New Jersey. There is no rail service really beyond Haddonfield now, that is so far as local service serving that area. Yet I know any number of people coming from the Pennsylvania side of the river moving out there near that transit line. It's amazing to see the apartment buildings going up out in the middle of farm land because they know that transit line is coming there.

I think that's an example of hope. Where you still have the right-of-ways and still have the rail systems, the thing to do is to preserve them and make use of them. You don't preserve them just by telling a fellow he can't get out of it but by contracting with them or making your plans right now to go ahead and use them.

ASSEMBLYMAN HIERING: Anything further? (No response.)

Mr. Diffenderfer, on behalf of our Joint Committee, I want to thank you for coming over here today and submitting this information. I know it is going to be most helpful to us.

MR. DIFFENDERFER: Thank you.

ASSEMBLYMAN HIERING: Mr. Palmer?

D W I G H T R. G. P A L M E R: Would you care to have me touch on transit first, in view of the atmosphere that has been created?

ASSEMBLYMAN HIERING: I think it might be well,

Commissioner.

COMM'R PALMER: I think so. And although I have prepared a sheet here, a couple of sheets of highlights, I feel in view of some of the questions that have been asked it might be well to read the entire report subject to your shutting me off at a suitable time. I think I can do it in about 15 minutes.

To aid in carrying out the responsibilities assigned you by Assembly Concurrent Resolution No. 9, we have prepared a summary statement of the activities of the Division of Railroad Transportation including statements supported by exhibits on the fiscal situation of the major railroad carriers.

First, permit me to give you a little background on the changes that have taken place in the travel habits of our citizens - which changes have caused, in part, the rendering of railroad passenger service so uneconomic.

During the years following World War II, expansion of the highway system in New Jersey and the suburbanization of its residents caused a steady erosion of the railroad's once dominant role in carrying passengers in this State. Most crowded commuter trains remained but mid-day, evening and weekend travel diminished to a trickle and the financial results to the railroads from providing passenger service grew steadily worse. Attempts by the carriers to obtain relief through higher fares and reductions in service were largely unsuccessful.

In New Jersey the problem came into sharp focus when the Transportation Act of 1958 became law. Under its provisions the New York Central applied to withdraw all passenger service - Assemblyman Woodcock noting - on its West Shore Division which was carrying about 3,500 commuters daily; the Lehigh Valley submitted a similar petition for its remaining trains; the Delaware, Lackawanna and Western posted notices of its intention to discontinue practically all of its suburban service; and other railroads threatened to take similar advantage of the new law.

Realizing the serious effect such a wholesale loss of rail service would have on the citizens and the economy of the State, the Governor in January 1959 asked me to take on the problem. Apparently the Governor recognized that if the suburban railroads did not operate, the people would have to be transported on the highways either in buses or in private cars and the Highway Department would be the most appropriate agency to determine if it could accommodate the added traffic. At this time we expressed the philosophy that the Highway Department's responsibility is to provide for the movement of people and goods and not just vehicles, and our studies soon emphasized the importance of the suburban railroads for without them the master plan for highway development in New Jersey would have to be expanded at costs far in excess of the costs of continuing the rail service. We found that the travel corridors where we have the greatest densities on our highways also contain heavily patronized commuter lines that carry large volumes of our citizens from their homes to employment centers in New Jersey cities,

in Manhattan and in Philadelphia. That is why we consider the railroad system an important ally of the highway network - rather than as a competitor. Altogether, about 250,000 trips per day are made on the facilities of the rail network.

Therefore, a logical development in March 1959 was the creation within the Highway Department of a Division of Railroad Transportation charged with the responsibility of preparing a program which would maintain and improve rail passenger service. However, even before the Railroad Division was created, the New York Central Railroad terminated its trans-Hudson ferry service although it was still required to operate the trains to the ferry slips. This condition would have resulted in about 3,500 people arriving at the river terminal with no way to cross the River had we not assembled representatives of the motor-bus companies who were operating in the territory served by the West Shore Division of the New York Central and worked out bus transportation, from the areas where commuters would normally board trains, through to the midtown bus terminal in Manhattan. As a result, on the morning after the ferry service ended only about 300 people arrived at the terminal and most of these were railroad men employed in the area.

The Railroad Division had not been functioning long before it realized that if material progress were to be made in solving the rail transportation problem a source of funds had to be developed. A plan to obtain such funds was

presented to the Legislature in June 1959. It involved the use of surplus earnings of the New Jersey Turnpike for general transportation improvements including expenditures for suburban railroad projects. Although passed by the Legislature and approved by the Governor, the proposal failed to win a majority of voters when submitted to a state-wide referendum. Despite the failure of the 1959 referendum to carry, the State could not turn its back on the problem for the transportation crisis was worsening. The Division intensified its efforts and in April 1960 issued a comprehensive report containing specific suggestions for immediate and long range action to solve New Jersey's rail transportation problem.

To the Division the most pressing need was to keep the trains running and, as an admittedly "stop-gap" measure, it was recommended that the State compensate the railroads under contractual arrangements for providing at approved fare levels what the Highway Commissioner determined to be essential service. A formula for compensation was proposed based on payment of a rate per car mile to be developed by dividing the estimated car miles for a year into the annual appropriation for this purpose. The Railroad Passenger Service Act embodying these recommendations was enacted into law on June 22, 1960, and the first service

contracts were executed about two months later with the Erie; Delaware, Lackawanna and Western; Jersey Central; Reading; New Jersey and New York and Pennsylvania Railroads. Only the Lehigh Valley, New York, Susquehanna and Western and Pennsylvania-Reading Seashore Lines, all relatively minor passenger railroads, declined to participate, initially.

Since 1960 a primary function of the Division has been to administer this contract program, which was expanded in January 1962 to include ferry service, endeavoring not only to maintain but also improve service under its provisions. Reduced off-peak fares have been inaugurated, experimental service introduced, schedules analyzed and improved and constant inspections made to insure satisfactory service.

Following refusal by the ICC to permit the Pennsylvania-Reading Seashore Lines to end all its passenger service, the P-RSL joined in the State's contract program and the residents of Southern New Jersey then became assured of rail passenger service until June 1964, that is, served by that carrier. Then, with the signing of a contract in July 1963 between the State and the Susquehanna Railroad, 100% of the State's rail passenger service was then covered.

Attached is a tabulation marked Exhibit 1, showing the total earnings of the carriers since the inception of the contract program including estimated earnings for the fiscal year ending June 30, 1964. Over the four year period approximately \$24,000,000 has been

expended or an amount equal to less than four miles, if you will, of high-grade expressways constructed at the current average costs in our State.

Now, I will give you a breakdown of the several carriers if I may:

The Central Railroad Company of New Jersey

This carrier has nearly 70% of its trackage in New Jersey, serves more communities with either freight or passenger service or both than any other carrier and is third in the volume of passengers carried, handling a total of 15,000 passengers in one direction on an average weekday. 78% of its passengers travel in the commuter rush period. Its cash position has become critical. As of January 1, 1963 its working cash was \$3,635,000; by the end of 1963 this reduced to \$1,924,000 and the end of 1964 projections made by the Railroad (prior to application of proceeds of federal loan - see page 7) show a cash deficit of \$555,000. This calendar year the Jersey Central has about \$11,500,000 in obligations to meet in addition to regular operating expenses exclusive of all taxes. These obligations for the month of February included equipment rentals, LC&N rent for leased roadway and payroll taxes amounting to \$1,202,000. In July the first principal repayment on its \$15,000,000 loan acquired under the Transportation Act of 1958 falls due making total obligations for that month of \$2,961,000. In October LC&N rent is again due bringing obligations for that month to \$1,057,000. On December 1st the real estate

taxes will bring the total to \$3,336,000. In other months the obligations vary from \$207,000 to about \$650,000.

In spite of all this the management of the Jersey Central - and this is difficult to understand - is optimistic about the future of this Company. This Railroad anticipates that the combined deficit for 1963 - in excess of \$6,000,000 - will gradually improve so that by 1966 a small profit may result under the following assumptions - and I would like to underscore the word "assumption":

1. That the "Aldene Plan" will become effective in 1965;
2. That firemen on freight and yard diesels can be eliminated;
3. That coordination with the Lehigh Valley between Bethlehem and Laurel Run in Pennsylvania will be effected;
4. That rental payments to the LC&M Railroad will be renegotiated;
5. That earnings under the State contract program will be increased by \$1,500,000 in 1965; and
6. That the real estate tax liability will be reduced 50% with payments due December 1, 1965.

Several of those items we feel are subject to accomplishment but in the over-all not in that same classification.

To have available more working capital and to finance freight consolidation and coordination projects the Jersey Central submitted late in June of 1963 an application to the

I.C.C. for Federal guarantee of an additional loan in the amount of \$5 million. After much work by its president with the I.C.C. for the railroad and after testimony before the I.C.C. presented by the Highway Commissioner, who accompanied the president, a loan in the amount of \$2 million was approved. The I.C.C. indicated that actions contemplated by the State of New Jersey, including plans to reroute passenger trains to Newark and a review of the tax situation, were persuasive in authorizing the loan, and that any further loans made as a result of the application will be dependent upon the progress made on these measures.

In 1962, an annual trend of declining freight revenues was reversed and earnings for that year increased by \$1,700,000. This was due primarily to a recovery in anthracite coal revenues which increased about 30% for the year. This trend continued through 1963. The piggyback service expanded about 25% in 1963 and a new facility in Jersey City for handling this traffic was opened in September.

During the past ten years the Jersey Central's passenger deficits have totaled some \$67 million and in the same period it has paid approximately \$30 million in State taxes.

As to the Pennsylvania Railroad, this carrier provides both an intercity or long distance operation serving Trenton, Princeton, New Brunswick, Newark and New York and a suburban service with trains operating from Bay Head, South Amboy, Rahway, New Brunswick and Trenton. The through trains carry 4,300 New Jersey passengers in one direction per day and the commuter trains handle close to 19,000 or 68.3% of whom travel in the rush period.

In the four year period from 1959 through 1963 this Railroad will have incurred deficits from operating suburban and commuter passenger services of about \$32,000,000. In this same period, it has paid \$21,600,000 in State property taxes. Combined operations of passenger and freight services including related business of the Pennsylvania Railroad Company have produced a profit of \$1,445,500 over the past four years. The assets of the Pennsylvania Railroad Company total more than \$2.3 billion.

A most significant action taken recently by the Pennsylvania to improve its financial position has been its efforts to merge the corporate structure of the New York Central Railroad into the Pennsylvania. Hearings before the I.C.C. have been completed and testimony on the record indicates that with a merged operation savings in operating costs of about \$80 million per year could be effected for the merged carrier. In addition, the Pennsylvania is increasing its earnings from carrying coal by use of integral trains and is continually expanding its trailer-on-flat car business. These "piggyback" operations reduce transportation costs and are a source of continually increasing revenues. With regard to passenger service, this Railroad recently undertook to make its facilities more attractive to its patrons through a clean-up program and has approved expenditures totaling over \$6,000,000 for passenger car improvements. Fifty stainless steel coaches (reconstructed roomette cars) have recently been put into service in the New York-Washington territory and 58 coaches are being rehabilitated including completely new interiors, air-conditioning and improved trucks for better riding qualities and will be used

in New Jersey. Eight of these cars are now in service and the remaining units will be added piecemeal as their reconstruction is completed.

Now as to the Erie-Lackawanna. This carrier is the State's busiest suburban and commuter carrier transporting 36,000 passengers in one direction daily, 83.6% of whom travel in the rush period. It also operates limited inter-city service connecting Hoboken and other New Jersey cities with Port Jervis, Scranton, Binghamton, Buffalo and Chicago. Since October of 1960 when the present company was created by corporate merger of the former Delaware, Lackawanna & Western Railroad into the Erie there has been considerable consolidation of passenger and freight trains. The latest was the combining of the Boonton line with the Greenwood Lake Branch in New Jersey.

This Railroad has incurred passenger service deficits in the State of New Jersey that have totaled over \$15 million in the four years from 1959 through 1963. In this same period State taxes of \$18,800,000 will have been paid upon payment of the balance due on its December 1963 obligations. I might say that about three-fifths of that has been paid and the balance will be received by the State the first week in April.

Because of litigation on matters pertaining to disposition of personnel following the merger, the financial benefits that had been anticipated have been somewhat slow in materializing. Deficits for the combined operation for the current year are about \$17.1 million, about the same as for

1962 and down considerably from the \$26 million deficit of 1961. The Chairman of the Erie-Lackawanna Railroad, Mr. William White, is nevertheless optimistic concerning the future, although expecting the road to continue in the red during 1964, he believes, as he put it, "with a little bit of luck" the road will operate without a loss in 1965. This railroad also has a critical cash problem and applied for a Federal guarantee of a second \$15 million loan under the provisions of the Transportation Act of 1958. The loan was denied by the Federal agency as was a revised submission in the amount of \$5 million. They didn't get that either.

The Erie-Lackawanna has completed a \$12 million electronically operated freight yard in cooperation with the Nickel Plate Railroad at the Buffalo gateway and improved operating efficiency at other yards. It is currently modernizing 3,000 freight cars under a sale and repurchase arrangement and rehabilitating its long haul passenger cars in anticipation of some load of traffic brought about by the World's Fair.

Now, as to some of the other carriers. The New Jersey & New York Railroad, although a separate corporation, has nearly all its securities owned by the Erie-Lackawanna. It continues to be operated in bankruptcy by a trustee under rather favorable trackage, car rent and terminal use agreements with the parent company. The paper work on reorganizing this carrier is continuing slowly.

As to the Susquehanna Railroad, they entered the Contract Program for the first time in 1963 after new manage-

ment took control - that's the company that Mr. Maidman stepped into. The contract required that for an experimental period of six months that it operate six additional trains to determine if patronage could be attracted; and, that the carrier would pursue diligently negotiations with other carriers for the purpose of terminating its trains at a location where passengers could transfer to trans-Hudson ferries or to PATH services - which is a new name for H&M - or both, to reach downtown Manhattan.

The additional trains plus advertising and car improvements increased travel from an average of 212 eastbound passengers to 311; westbound commuters increased from 169 to 211. The combined passenger and freight deficits increased in 1963 to \$440,000 as compared to \$349,000 for the previous year, including \$178,000 out-of-pocket passenger train losses, and the carrier exercised its option contained in the contract and is currently in the process of terminating the experimental service.

Negotiations to extend the passenger trains to Journal Square are progressing and the carrier emphasized that if it is to be able to continue passenger service until such an extension is realized it must conserve its cash. Accordingly, it petitioned to further decrease its passenger service and hearings to discontinue another round trip were completed on February 25, 1964. It is evident that if this carrier is to serve adequately the passengers in its territory substantially large State subsidies will be required.

The Reading Railroad continues to operate two feature commuter trains between Philadelphia and Jersey City serving West Trenton, Hopewell and Belle Mead. One other round trip serving additional stations is also operated. Its fully allocated deficits have been substantial but will be considerably reduced this year as a result of authority by Pennsylvania and New Jersey to eliminate several lightly patronized trains that were operated mainly for the "head end" business. The Reading reports that the combined deficit for its system operations were about \$5,000,000 for the 1963 year.

The Pennsylvania-Reading Seashore Lines entered into the Passenger Service Program in 1962 on a special two-year contract. Prior thereto its attempts to end all its passenger service had failed although regulatory agencies had permitted considerable curtailment resulting in a reduction in fully allocated deficits. A recent decision by the Highway Commissioner has further reduced train service and, correspondingly, the amount of the deficit. Losses for 1963 were about \$2.2 million from passenger operations giving a combined deficit of \$4.5 million for both passenger and freight services. The P-RSL operates entirely in New Jersey. Hearings on a petition filed by the P-RSL to further reduce its passenger services were concluded on February 28, 1964 and a decision is now pending.

Exhibit 2, attached, lists the deficits that have been incurred by the carriers in operating the passenger service in New Jersey and records the total earnings under the contract program since 1960. The last column gives the percentage of the fully allocated deficits that these payments have covered. Exhibit 3, attached, summarizes the system results of passenger and freight operations of the major carriers operating passenger service in New Jersey since 1959.

Now as to other activities of our Rail Division. The Public Utility Commission had under consideration for a number of years a project to eliminate the main line of the former Erie Railroad in the City of Passaic. The tracks paralleled Main Street in Passaic and were at the same level as the street. This condition caused many grade crossings and the consequent friction between the railroad and vehicular traffic resulted in hazard and congestion. To permit removal of the tracks, a section of the Newark Branch of the Erie was elevated and bridges constructed over two streets to make an improved connection between the main line and the Boonton Branch of the former Delaware, Lackawanna and Western Railroad. On April 1, 1963 main line passenger and freight trains were diverted over this improved connection to the Boonton Line and thence over this line to freight passenger terminals in Hudson County. Schedules were set at the Boonton Line stations to accommodate the some 1200 passengers diverted from the Main Line. This action was also one of the factors that made feasible the integration of the Greenwood Lake Division and the Boonton Line, a project announced by the

Railroad Division in its 1962 Report. Hearings were conducted by the Division in September of 1962 on the integration of the passenger and freight schedules and then by the I.C.C. in December on the abandonment of the Boonton Line from Paterson to Wayne Township in Passaic County. A favorable decision was received from the I.C.C. in April of 1963 and our Department purchased the abandoned right-of-way to be utilized for the construction of Route 80 in that territory which will result in construction savings of approximately \$5 million.

I might add, aside, that the purchase of that land for \$2.6 million, and it put the breath of life into the railroad, it saved the federal government and the State a great deal of money and showed the necessity of a combination of treatment of both highways and rails as a package.

Out of the proceeds of the land sale to the Highway Department, the Railroad upgraded the Greenwood Lake Division at a cost of \$1.3 million and the integrated schedules went into effect on October 27, 1963. Performance in the early weeks was not of the quality required for commuter service but after further schedule adjustment and signal changes the operation improved and now appears to be working well.

Also on October 27th, the date of the fall time table change with the end of Daylight Saving Time, there was opened a Park 'N Ride station on the Pennsylvania Railroad at the southwestern edge of the fully developed part of New Brunswick. This project was carried out under provisions in the Federal Housing Act of 1961, which authorized the H&HFA to administer mass transportation demonstration projects. \$25 million was

appropriated to finance two-thirds of the cost of such projects across the nation.

Since the Division of Railroad Transportation had been unsuccessful in its efforts to get its statutes revised to allow it to use part of its funds to match Federal appropriations for demonstration projects, the Park 'N Ride was developed under the aegis of the Tri-State Transportation Committee, utilizing the New York Department of Public Works as the contracting agency.

New York is initially providing the one-third local share for the project - the balance is put up by the Government. This amount will be reimbursed to New York under the terms of the Tri-State agreement. Approximately \$50,000 of this will fall due after September 1, 1964 which accounts for this amount being included in the budget request for 1965 for the Tri-State Transportation Committee. The balance of some \$35,000 will be requested the following year.

It is ironic that the mass transit provisions in the Housing Act grew out of legislation prepared by New Jersey's Senator Harrison A. Williams because of the deteriorated condition of rail transit facilities in this State and it appears that New Jersey will be the recipient of only about \$180,000 in such aid. Had there been legislation enabling a State agency to deal directly with HHFA, this State would have been able to take better advantage of the opportunities the Federal program offers. At least that's our point of view.

The New Brunswick Park 'N Ride carried about 140 commuters per work day in November. In February 1964

it increased to about 170. A survey taken in November indicated that about 75% of the passengers had been diverted from the city center station, which is what we were attempting to do, and emphasized the need for more trains to serve the station particularly in the westbound direction. Effective with the spring time table change certain trains now originating and terminating at other stations will serve the Park 'N Ride with improved frequency and will provide additional express service in the morning and evening rush periods.

I might remind you gentlemen that that is purely a trial installation being watched carefully by the Federal Government and strict accounting is kept of every step and if it is recognized as being successful, which it seems to be approaching at the present time, it may be the nucleus for some national effort. And in so far as we are concerned the present location of it in New Brunswick will probably be switched nearer to the center of population so that it could become more effective as a valuable asset to the community.

In Southern New Jersey the development of a rapid transit system between a number of New Jersey municipalities and the City of Philadelphia - this is some duplication of Mr. Diffenderfer's statement but I will continue - has been in process in recent years by the Delaware River Port Authority. The suburban communities were dissatisfied with the proposal and Governor Meyner withheld approval pending an investigation by the Highway Department. As a

result of our Division's analysis the Authority agreed to depress the railroad and transit track in certain areas and concurrence in the plans was then gained.

In 1962 another impasse resulted when the City of Camden joined by a civic organization supported by a consultant's report requested that the transit line follow a different route through its City. Concurrently, the City's Master Plan for redevelopment was completed - a feature of which was major commercial and residential development in areas now occupied by railroad facilities including a multi-track elevated route traversing the center of the City from east to west.

There was a so-called Chinese Wall, if you will, about 30 feet high, directly in front of the City Hall.

Objection to the Highways Department's location for proposed Interstate Route 80-S was also recorded.

As a result of further study by the Railroad Division, it was determined that: (1) the existing railroad elevated route complicated construction of Route 80-S to a considerable degree; (2) that the cost of re-routing the railroad services would be far less than the cost involved in underpassing the railroad; (3) that the alignment of the highway could be improved by following the route of the proposed transit line in Camden; (4) that the revised alignment provided better service to the City of Camden; and (5) that the route of the transit line selected by the Port Authority would serve best the City of Camden.

The engineering for the transit line is now proceeding rapidly and as in the case of the Boonton Line project the sale of railroad property to the Highway Department - 90% of which, incidentally, is reimbursed by the Federal Bureau of Public Roads - will finance construction of other facilities that will permit rerouting of traffic and eliminating of the wall that I referred to in downtown Camden and a large water front freight yard.

And, incidentally, in eliminating that Chinese Wall we appear to be very bighearted - the material from that will save us quite a bit of money because we will use it instead of having to purchase fill at \$1.50 or \$2.00 a cubic yard.

The Camden redevelopment plan is centered around the use of this property. And in summary it can be said that all parties participated in working out this unusual railroad-highway-redevelopment project and all parties are benefitting.

The plan to route the main line passenger service of the Jersey Central to Newark using Lehigh Valley and Pennsylvania Railroad facilities east of Cranford - the so-called Aldene Plan - and to consolidate the New York and Long Branch service by routing all trains to Newark and New York was scheduled to go under construction in 1963.

The litigation that developed over the World Trade Center - the H&M project delayed implementing the proposal. Rehabilitation of the H&M, including the acquisition of additional cars must be accomplished in order that passengers with downtown Manhattan destinations - which is about 70% of the total - can be adequately transported

from Newark. The litigation has ended in favor of the legislation and new car orders were placed late in January 1964. Rehabilitation of power, signal and roadbeds will soon be in process. Funds have been appropriated to accomplish the connection at Aldene, revise the signaling on both the Lehigh Valley and Pennsylvania tracks, provide storage facilities east of Newark and to make some improvement in Jersey Central equipment.

There exists, however, five grade crossings of county and municipal streets along the Lehigh Valley section of the route. The Highway Department has been sympathetic with the desire of the municipalities to have these grade crossings eliminated prior to rerouting the passenger trains. Preliminary plans were prepared and it was determined that an additional \$3.1 million would be required to accomplish this based on closing one street showing only light traffic volumes, leaving four to take care of. Since the only feasible plan for eliminating the crossings on the western section of the Lehigh Valley required the raising of the railroad a maximum of about 14 feet, the need to accomplish this prior to rerouting the passenger service was emphasized.

The referendum authorizing capital construction financed by bond issues proposed by Governor Hughes that was defeated at the last general election would have provided a source of funds for these grade crossing eliminations. As an alternative, it has been suggested that the \$2,000,000 previously made available to help finance grade crossings on the Kirkwood line of the Camden-Philadelphia transit

system be transferred to the Aldene project so that construction can start this summer.

Transferring these funds that have been lying dormant since 1960 and 1961 will not affect the progress or the completion of the Camden project. I am anticipating you, Senator.

SENATOR HUNT: You're right, sir.

COMM'R PALMER: Anticipating that this would be accomplished or that the funds would be otherwise provided the detailed engineering was authorized early this year on the crossings in Roselle Park and Union. Negotiations are currently in process to work out an acceptable plan to eliminate the one crossing in the City of Hillside. It can be seen then that in addition to the transfer \$1.1 million will be required to eliminate all the grade crossings, that is to make the \$3.1 million, on the section of the Lehigh Valley Railroad that will be used by the Jersey Central passenger trains.

Now, one other aspect of the Aldene Plan should be mentioned. Since the original announcement of this project, it has been subjected to some criticism from various interests. In addition, alternative proposals were made by a commuter organization, railroad union and municipalities affected by the proposal. Although these criticisms and suggestions were considered and reconsidered by the Railroad Division the delay resulting from the litigation over the H&M legislation provided an opportunity to reevaluate all proposals that had been made. Accordingly, in January of 1963

a contract was executed with De Leuw, Cather and Company of Newark, New Jersey to make such a summary study and to prepare preliminary plans for eliminating the grade crossings connected with the Aldene Plan so that in making cost comparisons with other schemes total costs would be known. The results of this review which supported unquestionably the Aldene Plan were set forth in a Report dated June 1963. Copies were distributed in July and a few more are available on request.

Now, I will not attempt to review the figures that are attached but I wanted to mention also that under Concurrent Resolution No. 9, Item 5 requires this Joint Committee to study the requirements and administrative organization and responsibility for coordinated transportation planning including rapid transit and other railroad operations, including consolidation and integration of facilities.

We trust that study of the statement just summarized will enable you to formulate your conclusions in respect to coordinated transportation planning.

Now, some of the realities as we see them. Our experiences have convinced us that rail or rapid transit planning should not be separated from the highway activities, regardless of who is operating the show.

As you will note from the statement, the impasse that developed in the Camden rapid transit project was broken when advantage was taken of highway savings to improve an alternative freight route; the Boonton Line-Greenwood Lake consolidation was a result of the purchase of a

section of the Boonton Line for Route 80; the former H&M is being rehabilitated and operating deficits subsidized by surplus earnings of the Port of New York Authority, much of which comes from highway bridge and tunnel tolls. And, as Mr. Diffenderfer mentioned, in San Francisco the Oakland Bay tunnel which is the key feature of the entire rapid transit system under design for that city will be financed by tolls from the adjacent toll bridges. And in Los Angeles an increase in highway user taxes is being proposed to finance a rail rapid transit system in that area.

The proper functioning of several of our Interstate Routes is dependent upon continuation and improvement of rail passenger routes that serve the same high density corridors. Planning which involves the investment of large sums of money for highway improvements must give consideration to the rail facilities and take best advantage of them. The most economical balance may well involve channeling some of the highway investment dollar into rail improvements - as we have done to some extent in the past.

I might say, to speak on two subjects, one, the Aldene Plan, - Mr. Shoemaker's ambition for a 50% cut in the taxes and some of the additional amounts, I have since had several meetings with Mr. Shoemaker and he has stated to me unequivocally that in the event that we are able to effectuate the Aldene Plan, in the first year of its operation that will cut their losses a million and a half dollars. And that in addition to that, this railroad can

be the recipient of a million and a half, which is substantially doubling up their present subsidy, that he will be able to make the grade through 1965 and look on 1966 optimistically, feeling also that because of those efforts with the State that the I.C.C. will guarantee the additional \$3 million loan. And he also has assurance from the Lehigh Navigation Company that they will reduce their annual rental to him from \$2,017,000, whatever it is, substantially.

So that although he refers to the tax cut, and he refers to a couple of other items in here which will be beneficial, without question, the essentials of keeping him alive are as I cite them, according to his commitment to us.

The jeopardy of that carrier is worse than any other. I would say that the Lackawanna might claim second position there but the Central Railroad has disposed of substantially all of its available surplus assets, its land and equipment, facilities, etc. It's really down to bed rock.. And Mr. Earl Moore was the former President of the Central Railroad and this condition he cited as it exists today. Upon his retirement, Mr. Shoemaker who had been President of the Erie-Lackawanna came over to the Central Railroad. So that the situation that we find ourselves in, in the Central Railroad, is an accumulation of over a considerable period.

Now, as to the so-called 'competition,' if you will, between highways and railroads. It's quite certain to some extent that people would say everytime you build a highway you are competing with the railroads. On the other hand, the highways are essential arteries and they also

cater to our suburban areas which in a number of instances now the railroads no longer do since people have moved out to the outer edges of town. And the convenience of motor transport - the grave question that we all have to face, as we see it in our rail division, is whether if New Jersey did the things that have been done in Philadelphia, which is a long way off if it will at all, - whether or not five years from now, if they had new cars and new this and new that and halfsoled and heeled or refurbished our existing facilities, whether the public would come back.

There is grave danger in order to maintain this service, both on the part of some people in government and also some people in labor to get us down to a socialistic state where the federal government might take over the carriers or even the state government. Certainly, from what little experience I have had in the field, I would say that that would not result in efficiency. It would be a very difficult thing.

We here in the Highway Department and the State, with the railroads present here today, - we have no specific interest in the railroads as such. We are not trying to finance the railroads. We are not trying to make up any of the deficiencies in any category, but we recognize them as an essential to the State's economic life and to the citizenry that uses them as commuters, to small business, to the level of mortgages in communities. If the railroads were to shut down 250,000 passenger trips a day would be spilled on our highways and we have neither the time, nor the money nor the area in which to take care of it. So,

strictly from a highway standpoint, with the selfishness of building highways, and knowing what our program is ahead, we still feel that the carriers are absolutely essential. And even the Port Authority, which has frequently been referred to as being against rail lines, has definitely come out and committed themselves that rail service is essential.

ASSEMBLYMAN HIERING: Gentlemen, do you have any questions?

SENATOR STOUT: Is there any specific legislation that you feel should be adopted in order to continue the effective liaison that the Highway people have had with the railroads?

COMM'R PALMER: Yes.

SENATOR STOUT: In other words, your last statement, as I interpreted it, was a plea that railroad consideration should be judged in accordance with the highway program and that if the two worked together we would have a better balanced and more effective system in the State. Now, is there any special legislation with respect to the railroads that should be adopted in order to carry out what you feel is the proper coordination between the two groups.

COMM'R PALMER: Yes, sir. Senator, we had an all-day meeting yesterday with the Governor's Transportation Committee, which consisted of Mr. Metzger, Mr. Paul Troast and Mr. Ray Wood.

Their duty, as we assume it to be in the over-all picture, is to consider every mode of transportation except Shanks's mare, in other words, the shoe industry. They are supposed to consider air, water, rail, buses, etc. And we emphasized to them yesterday that we here were not trying to

fracture our arms by patting ourselves on the back as to the effectiveness of the Highway Department to function in the over-all transit situation. We did emphasize that it was absolutely essential to have an over-all transportation agency; for competition to be between highways and land use and air and buses is just ridiculous. There has got to be some authority that has the horizon and the perspective and the evaluation with not only the aspects of immediate returns but also of considering where we might be heading. There has got to be a perspective here that's beyond just the bird-in-the-hand.

So we feel that a transportation agency should take over highways, should take over rails, should take over the entire transportation situation.

Now, in so far as we are concerned, as to what legislation we have, we have some drafts of bills that we have under discussion at the present time with Governor's Counsel. And Herb Thomas has been spending some time on those. They are not entirely completed but they have to do with effectuating the disposition of the Aldene Plan, not as the Aldene Plan but to give the Central Railroad more money. For instance, at the present time they get, I think, \$1,447,000, or something of that nature, about \$1.5 million, and under our present statutes we cannot pay that money to them until the bill is passed making that agreeable because the yardstick at the present time is on a per-car mile basis for all of the carriers. So we have to have special legislation on that.

We have not presented any legislation, nor presume to,

on the over-all situation because of the appointment of this Transportation Committee. But yesterday both our Rail Division and our Highway Division had the opportunity to review the situation with them.

I have here the figures - they are in the report also for you - of all of the payments made to the different carriers. And in the case of the Erie-Lackawanna Railroad the payments to them, due to the super-abundance of passenger trips, amounts to about two-thirds of their passenger losses. While in the case of the Central Railroad of New Jersey it amounts to only about 28%. So that's why we are endeavoring and recommending, as I did before the Budget Committee, the opportunity to pay the Central Railroad of New Jersey another million and a half dollars.

SENATOR STOUT: You want a different formula.

COMM'R PALMER: Under a formula of relief, if you want to put it in succinct language, on a needs basis.

Now the contract program for 1963-1964 is at the rate of 28¢ per car mile.

The Erie-Lackawanna, including some slight payment on ferries, gets \$2,343,000. The Jersey Central gets \$1,433,000. Their figure is up slightly with some ferry additions which we now have authorization to provide.

But this over-all transportation situation, regardless of the suggestions, the criticism or the multiplicity of experts or the almost scores of committee meetings that have been held and transit commissions, etc., when it gets down to brass tacks in order to carry on the economy of our State

something definite has got to be done and, as is the case even with individuals, we always need more money.

The HHFA,, if the Williams' Bill succeeds in Washington, would provide two-thirds for many projects. The State then, or the municipalities, would have to put up the other third. We have not even that to do with.

SENATOR STOUT: Well, you mentioned in the report that we only got \$140 or \$180 thousand dollars. We could have gotten more had we had a proper agency to contract with the HHFA.

COMM'R PALMER: That's correct.

SENATOR STOUT: What kind of an agency do we need to do that?

COMM'R PALMER: We need a tri-state agency authorized to accomplish --

SENATOR STOUT: You mean --

COMM'R PALMER: I mean this --

SENATOR STOUT: What do they do in Iowa, for example?

COMM'R PALMER: I don't believe that Iowa does anything of that nature but Russ Mullen is --

SENATOR STOUT: I mean, what do they do in a state that has no problem like this but wants to get some funds? Do they have to join with adjoining states? That's what I'm getting at.

COMM'R PALMER: No, sir.

SENATOR STOUT: I don't understand the philosophy behind the fact that we have to have two other states to do these things.

COMM'R PALMER: Let me say this, Senator. If I have touched on the tri-state thing for just a -- I'm going before a hearing of Senator Stamler on the 22nd as a novice, etc., but let me say this that the objective of the Tri-state Committee was in response to the urgings of the Federal Bureau of Roads and of the HHFA. They proceed on the basis of area. They were the endorsers of the inclusion, if you will, in the New York-New Jersey complex of Connecticut because of the entanglements of both. It is quite true that Connecticut doesn't jump to here and we don't jump to there but the over-all transportation problem was common in those given areas.

Now, at the present time the HHFA, who has money already allocated to the State of Connecticut and to New York State, absolutely refuses to hand that money to them until New Jersey joins up in the tri-state movement.

Now, it so happens that the small amount of money involved is about \$57,000 for the first step. And that was to come from Conservation and Economic Development. And we in the Rail Division were perfectly willing, in order to get this over-all show on the road, to move our \$57,000 over to them and they were agreeable to accepting it but finally one of their attorneys popped up and said it couldn't be done under existing legislation. So at the present time the whole thing is hanging on a hook.

Now, we can make a deal under a bi-state agency, our interest being that, constituted entirely differently from the present one. The present bi-state agency is going to

die at the end of 1965, terminate, and the new agency would have to have all of the facilities that the present tri-state has.

The arrangements between New York - now New York is passing or has passed legislation, probably before the day is out, - their new deal as a result of the visit that the members of the Legislature had with the legislative representatives of New York State. When that legislation is spelled out we, if we do have this new legislation, - New York is hinging on a tri-state instead of a bi-state. And this hearing of Senator Stamler's on the 22nd will determine, as a result of it, whether or not we are going ahead. It's just this way at the present time, I would say more on the negative side than on the positive.

Now, the Federal Bureau of Roads has said that unless we have an area study by 1965 in areas of 50,000 population or more we would be denied federal funds. They do not say that you have to have a tri-state agency but they do say that we've got to have a comprehensive plan, for example, with New York and down in the Camden-Philadelphia area, and also you have got to have one in the Atlantic City area. And it has recently been supplemented by one further down in the Salem-across-the-Delaware area.

The HHFA deals exclusively with their money through Conservation and Economic Development. That's what the clearance is in each one of the states in that activity. What the final determination will be is doubtful. We put in a packet of material, which, incidentally, is represented

by that case that is under the easel there, which we didn't want to frighten you with by putting it on the level although it is all on the level - to tell you that we can supply each one of you with a complete set of that material. Certainly your Committee should have one set and we are going to deliver these. But there is a full description of the facts of the tri-state and also in the reverse of the brochure are the letters from the head of HHFA and the Federal Bureau of Roads as to what their point of view is.

SENATOR STOUT: Does the Federal Government help any community that doesn't have an interstate --

COMM'R PALMER: Of 50,000 and over, yes.

SENATOR STOUT: In other words, a town in the center of the country in a big state that doesn't have commuters coming in from other states, does the HHFA help them at all?

COMM'R PALMER: Yes, Des Moines, Iowa.

SENATOR STOUT: I never can understand why they can't help us on the same basis without getting into other states.

COMM'R PALMER: Well, of course, our basis, Senator, is our intermingling of passengers and our working with New York is absolutely essential. I mean, you can't deal with New Jersey alone. You can't take the City of Trenton. Trenton happens to be included in the Penn-Jersey area. But you can't take a single community in a state where you have a complexity of tie-ins. It's like St. Louis and East St. Louis.

SENATOR STOUT: I get the answer.

COMM'R PALMER: Well, I'm sorry that I'm not able to give you all the answers but thanks for the compliment.

Now, Mr. Chairman, I am ready to answer any questions and I have members of my staff here.

Mr. Thomas, the Director of our Rail Division, is familiar with all of the facets.

We are available at any and all times to detail these.

Then, supplementing the review on transit, I will have another drink of water and then I will be ready to talk about highways subject to your convenience.

SENATOR STOUT: Mr. Chairman, may I ask another question?

ASSEMBLYMAN HIERING: Yes, Senator.

SENATOR STOUT: Now, the purpose of this Committee is to find out what the short-range and long-range needs are going to be. And with respect to the railroad contract program, as you have indicated in your opening statement, is that, as stated at the time it was adopted, it's a stop-gap program.

COMM'R PALMER: Yes, Senator.

SENATOR STOUT: Now, it has been in existence three or four years, I forget which, and there have been some bugs develop such as the formula you mentioned. Now, this year, as I understand it, most of the roads are looming in - at least the Central is - and they are going to ask for more money, additional money.

Now, is the program a successful one, is it one that should be continued, is it one that's going to take more money

before it shows some reall success -- because I notice the presidents of the railroads all appear, in your words, to be optimistic about the future of the railroads - and is it going to get worse before it gets better or is it going to get better?

That question sounds like one of your answers, by the way.

COMM'R PALMER: Well, you have given me the cue and I'll work the same side of the street you are working.

Why, Senator, number one, the present nourishment, unfaithfully referred to as subsidy, that the carriers have is just one bite of the cherry, it is only a palliative, it is simply a stop-gap, it does not solve anything. It prevented the shutdown of passenger service in the State and we now have contracted for 100%. But the Central Railroad of New Jersey, under the plea that we made to the Budget Committee, Legislative Budget Committee, is for the million and a half and the effectuation of the Aldene Plan. But that is simply a present accomplishment and does not spell out the future of that road under any circumstance.

Number two. In so far as the Erie-Lackawanna is concerned, Mr. White is a very competent operator and feels that he has many elements that he can get under his control that gives him his optimism.

And as far as the Susquehanna is concerned, with Mr. Maidman, he cannot exist very long even under our present plan.

The real answer is that back in 1962 the report, which you all have a copy of, if you can stand the volume of stuff,

required an expenditure of around \$41 million for various steps of the railroads, on our part or somebody's part, and about \$85 million for equipment. At the present time there are many locomotives that are in disrepair in the shops because the carriers haven't enough money to put them in shape. The passenger cars, practically all of them, certainly all of them outside of these new ones on the Pennsylvania, are at least 30 years old and some are 50 years old. There is no capillary attraction for customers. Safety and security are our distant end and increasing maintenance costs have to be faced. So the Legislature, plus the Committee, the Transportation Committee, has a terrific problem ahead. And what we have been doing is sprinkling a little human kindness in the form of a few dollars here and there to try to forestall the demise of these barriers until such time as somebody will come up with an effective plan. We are not smart enough to be able to offer such a plan. We discussed some ideas that we have, yesterday, with the Transportation Committee but it's a very substantial program.

I have talked in Chicago and Pittsburg and various places, and met with organizations and I have made available to myself and to members of my organization all the data that we can possibly get and advice.

I sent Mr. Thomas out to Japan and we were the only state represented at that Tokyo line where the Federal Government was anxious to have us attend, and also 15 or 16 other governments attended. We are up to date. We know what

that situation is. We know how it's financed. We know what the equipment is. We have gone into the depths of mono-rail and levacar. Mono-rail is not the answer. When mono-rail gets over 40 miles an hour it vibrates rapidly and when it gets up to 45 it changes the milk to cream and the cream to butter, and it's just a nice attractive system.

Another thing is, if you installed it, you would have another four or five or six million dollars and you would merely wipe out all that you presently have and where would the investors and the insurance companies and so forth and so on go. So this is something that's not just Main Street.

SENATOR STOUT: But you feel the plan so far has been helpful to the economy of the State.

COMM'R PALMER: Seemingly so, sir. And, Senator, it has saved the transportation of people out of our state in order to keep their jobs - it has saved us from having that; it has saved mortgages foreclosing. It has made so many savings and it has also evidenced to the industries that the State still has its public carriers, its mass transportation, and without them there is a grave question as to how much industry we would have in spite of all the highway business that we are putting through.

ASSEMBLYMAN HIERING: Commissioner, as I understand it, at the present time you have no long-term program which you say would be a solution to our rail transportation problem?

COMM'R PALMER: That's correct.

ASSEMBLYMAN HIERING: Now, I presume you have seen this document put out by the Associated Railroads of New

Jersey?

COMM'R PALMER: I have read it carefully, sir.

ASSEMBLYMAN HIERING: -- titled, "First Class
Commuter Service for New Jersey"?

COMM'R PALMER: Yes, sir.

ASSEMBLYMAN HIERING: They have a four-point program
which, in effect, would cost the State of New Jersey
approximately \$25 million per year. What do you think of
this program?

COMM'R PALMER: Well, I think parts of it are good
and other parts, I think, are not the answer.

To begin with, one of the items in there is tax
relief. I had the privilege of testifying before the Tax
Committee and I was asked a question as to whether forgiveness
of taxes of 50% or 40% might be the answer. My point is,
as I made here today, that the over-all package is so great
that to peck at this and peck at that and peck at the other
thing is not the answer. That is not a comprehensive
solution to the rail situation. It will be progress, it
will be beneficial.

Let me get to the tax situation alone. Suppose the
total state taxes today of the railroads are a little in
excess of \$17 million. Of that the State keeps about \$2.4
million. The balance goes to the municipalities. Hudson
County, I believe, get \$11 million of the \$15 million
remaining, and of that the City of Jersey City gets about
eight. The Town of Weehawken depends for its budget upkeep
on those rail taxes for about 42% of its budget. The areas

occupied by the carriers - everybody that occupies an area has to pay taxes. If the railroad taxes are forgiven then the State or somebody would have to make up the deficiency to the municipality. And anyone that has attempted to get more money from the State under the existing conditions knows what kind of a problem they would face on that.

We are not averse to the Associated Railroads making their pleas and we see much merit in much of their approach but that also would be a bigger palliative than the one we are presently administering but it would still only be a palliative, in our opinion.

ASSEMBLYMAN HIERING: Commissioner, one of our problems with this Committee and one of the problems with our State is our future planning. In other words, we are talking money to a large extent here and it appears to me when these studies are made, not only in the field of transportation and highways but in the field of education and institutions and so forth, we have to know, in order to plan for the future to determine whether we need a broad-based tax or what we need, - we have to know what the cost is going to be in the field of highways for the long-term; we have to know what the cost is going to be in the field of rail transportation. Now, it seems to me that we have got to have a long-term plan and we have to know what it's going to cost to, so-called, save the railroads.

COMM'R PALMER: Sir, we certainly have it and will give it to you on the highways. It's very clear. The rail situation, we cited in the 1962 Report that we felt that if

the Pennsylvania Railroad were the recipients of expenditures of \$13,950,000, the Jersey Central of \$2,397,000 in addition to some of these things that we are presently doing, and the Erie-Lackawanna some \$24 or \$25 million, and that we had a ten year period of replacement of obsolete cars to a tune of \$85 million, that for \$126 million the proposed rail improvements to be financed by the State and the railroads with Federal assistance would certainly be facing up to the realities as nearly as we could then contemplate.

But there have been changes effected since then and there has been legislation introduced at the Federal level. And we, in our humble position, would be delighted to give you in writing our own uninitiated, if you will, opinion of what is actually required and we could give it very promptly.

We yesterday, with the Transportation, without attempting to assume their prerogatives dealt with some phases of that but it's got to be considered in the over-all picture of the entire thing. And if you wish, we will give you the same thing on the railroads, our ideas, with apologies that no one is really smart enough to really have that over-all conception proper.

(Discussion off the record.)

ASSEMBLYMAN KEEGAN: My question, Commissioner, is whether or not the Transportation Committee, the Governor's Transportation Committee, has in its records, or has a presentation been made to it setting out the needs so far as rails are concerned?

COMM'R PALMER: Yes, sir, yesterday. That was the

first meeting we have had with them and we were the first ones that they met with. And we supplied them with a bag of material for each one of them and also made ourselves available for any immediate needs.

ASSEMBLYMAN KEEGAN: That's the answer I wanted, Commissioner. In other words, that information is there for us.

COMM'R PALMER: Yes, sir. We also told them about the tracks in Passaic.

ASSEMBLYMAN KEEGAN: I would imagine that was written in letters of gold.

(Discussion off the record.)

COMM'R PALMER: Could I mention very casually two other points in connection with transportation. One has to do with railroad passes, which I think is referred to in there.

I would like to say this that since I became the chief office boy of the Highway Department we have had no railroad passes, none whatever. And from the personal point of view, outside of the convenience - no discourtesy to anyone - I think for the State to contribute \$6 million to the railroads to try to keep them alive and then do the other is somewhat a little out of keeping with the general situation.

But the main thing that I wanted to discuss is this question of mergers.

The Pennsylvania and the New York Central desire to have a merger of those two carriers and they estimate if it

could be accomplished that there would be gains of some \$80 million a year.

We have no objection to mergers whatsoever. As a matter of fact we feel that without mergers it's an impossible situation that the carriers can continue, and that part of the answer to the Transportation Committee and to you gentlemen is the effectuation of satisfactory mergers.

However, the position that we have at the moment on which the State will have to express it's opinion, is that the mergers that go through should still take recognition of the maintenance of the Erie-Lackawanna and of the Central Railroad of New Jersey and the Susquehanna. And Bergen County has already suffered the consequences of loss of carriers due to inadequate transportation into the bigger city.

The Norfolk & Western, the Nickel Plate and the Lackawanna Railroad - the Wabash, the Nickel Plate, the Norfolk & Western and the Delaware Lackawanna and the Erie, as we see it, ought to be tied into that picture; and the Central Railroad and the Philadelphia & Reading with the C&O-B&O complex.

If we were to approve a merger at the present time of just the two main carriers, it certainly is a constructive step, without some assurances that the rail transportation upon which we depend so much in this State is to be continued both from a passenger standpoint and a freight standpoint, we might be negligent in our duty.

The outstanding obligations of the Lackawanna or the

Erie-Lackawanna are to the tune of some \$380 million, I think. So you realize what a formidable situation is faced.

To go on the other swing up in the New England situation, you have the New Haven Railroad with probably obligations outstanding that are only about \$100 million less but which at the present time the New Haven has announced, the Trustees, that it's going to fold up unless the states of Connecticut and New York and Massachusetts and the Federal Government get in the act.

So that in your consideration of the over-all picture you must look at the mergers to see what the developments will be with the I.C.C. and whether the merger, which would be very, very constructive, of the Pennsy and the New York Central will go through. But along with it, as to whether we will be adequately protected with the preservation of our other carriers.

I mentioned simply the north at the moment but it includes all the southern facilities as well.

And with the growth that this State is having, not only intrastate but interstate with new people coming in and developing in our areas, we have got to think of every phase of the situation. And that's why we again emphasize the over-all picture, that it's an essential thing and not just one piece of it.

ASSEMBLYMAN HIERING: Are there any other questions, gentlemen?

SENATOR HUNT: Commissioner, that \$126 million you spoke of, is that a one-year proposition?

COMM'R PALMER: No.

SENATOR HUNT: How far does that extend?

COMM'R PALMER: Ten years on the equipment, on the \$85 million.

SENATOR HUNT: Ten years on the equipment. I just want to get a few questions in because I am due to meet the Hunt Clan in Williamsburg, Virginia at 9 o'clock tonight.

COMM'R PALMER: Do you go by rail, by horseback or bus?

SENATOR HUNT: We're assembling, you see. We are a derivative of the rebel faction which you have been so apropos in expressing today. I will probably have to leave you this afternoon but I do want to get a few questions in.

The rolling stock is included in over a ten year program. Now, Mr. Shoemaker's proposal was a 50% tax cut. At you indicated, at the present time the taxes amount to roughly around \$17 million in this State.

COMM'R PALMER: Yes, sir.

SENATOR HUNT: Mr. Shoemaker's proposal then is that the State or the municipalities give relief in the amount of \$8.5 million.

COMM'R PALMER: That would be it, sir.

SENATOR HUNT: Would this make them healthy? This is on a per annum basis.

COMM'R PALMER: Well, it might be a transfusion of blood to the Central Railroad but the question is, the person that gave up the blood, what would it do to them?

SENATOR HUNT: They'd become anemic.

COMM'R PALMER: Yes, sir.

SENATOR HUNT: The taxpayer.

COMM'R PALMER: Yes, sir.

SENATOR HUNT: Now, of course, we all recognize the fact that we are trying to stay away, as much as possible, from centralized projects governmentwise - and I would assume that you are cognizant of the fact that the Canadian National Railway is operated by the government --

COMM'R PALMER: Yes, sir.

SENATOR HUNT: How do they make out? Is it a paying proposition with them?

COMM'R PALMER: No, sir.

SENATOR HUNT: Is it a losing proposition?

COMM'R PALMER: I happen to know quite a little bit about that, having had some years ago a couple of plants up in Canada and knowing the Board of the Railroad and the government, the deficits up there are very substantial but the contribution by the state is made by the government is made to offset the losses that they would have to take anyway if the service were given up. But they even subsidize the meals for passengers. And if you go to Banff and Lake Louise or Winnipeg or in that area or out in British Columbia, which happens frequently, you would see that outside of holidays and dumping of large groups of people at Banff or Lake Louise or Emerald Lake or something, that the continuity of travel is very light but they still think it's necessary.

SENATOR HUNT: They have a diversified interest.

COMM'R PALMER: Yes, sir.

SENATOR HUNT: And the situation is that they own and maintain many hotels en route.

COMM'R PALMER: That's correct.

SENATOR HUNT: For the purpose of attracting tourists.

COMM'R PALMER: That's right. And in that way they figure on building up the country as people come to the tourist hotels and go out into the hinterland they find attractive places.

SENATOR HUNT: Do they, up there, issue railroad passes to their people?

COMM'R PALMER: Sir, I shouldn't have brought that out at all.

SENATOR HUNT: After listening to this story about the lonely operators of the train, that no passengers were on them, I would think that perhaps the railroad personnel might be happy to have someone ride along with them,, even with a pass, to talk to. My heart is touched with this situation.

COMM'R PALMER: Well, I didn't have any extra handkerchiefs so --

SENATOR HUNT: I brought two.

In so far as the \$2 million you anticipate transferring to the grade crossings in North Jersey, we had no quarrel on that. I have already talked to some of your people about it and we have been assured that it will not be detrimental to the Southern New Jersey Area.

COMM'R PALMER: Absolutely, sir, and we are on record.

SENATOR HUNT: So your fears are unfounded, sir.

COMM'R PALMER: Yes, sir.

SENATOR HUNT: There is something in here that I made a note of. This Tri-State Transportation Committee, this tri-state situation. I don't want to appear presumptuous and jump the gun on Mr. Stamler, the Senator from Union, but we have been the recipient of some information that there are or have been roughly some 700 employees with this organization.

COMM'R PALMER: That's correct.

SENATOR HUNT: Now, where do they get their funds now and where have they obtained their funds for the purpose of employing these people, and who are they?

COMM'R PALMER: I think I can answer probably all the questions.

The peak of employment was sometime last year up in the neighborhood of 700 and at the present time it's down in the neighborhood of 238, or something of that nature.

The great need for additional people, of which there were about 250 in the State of New Jersey, were house-to-house canvassers on this origin and destination and it was a short-lasting program but, nevertheless, it was essential in order to get the basic statistics upon which to base plans.

Of the employees that are presently there, you would be interested to know, and I was interested to know, not having had any part in accomplishing it, that of the people who get \$7500 and over the largest percentage are resident in New Jersey, the people in the ten, eleven, twelve thousand dollar class.

As to where the money comes from, the money is divided 45% New York, 45% New Jersey and 10% Connecticut, at the present time.

In so far as we are concerned, up to date all of the money that we have contributed toward the upkeep of that organization, after the credits of the work that we have done and our credit for whatever the Port Authority has done, we get 50% of that, etc., etc., etc., has come exclusively from our planning money. And our planning money we get from the federal government - say \$67 million for interstate routes and \$16 million for fifty-fifty routes, call it a total of \$80 or \$83 million. One and a half percent of that money is set up in each state of the Union for planning purposes. And in our State that amounts to about \$2.5 million or \$2.6 million.

Up until June or July of last year, if we didn't spend that money on planning, we could convert it into construction but legislation passed last year in Washington determined that unless we spent it on planning the money would go back to the federal government. Therefore, the money, our contributions to the Tri-State Committee to date has been exclusively out of that fund and, therefore, we have not had to go before the Budget Committee to get additional money because the Budget Committee had already approved that construction program and the construction program is where the money comes from.

SENATOR HUNT: The reason I have to ask these questions, Commissioner, - of course, it's quite obvious - as you know I come from South Jersey and we are a little

dense down there at times. But we have never seen any of the proceeds of this and we wondered --

COMM'R PALMER: Well, we have the Penn-Jersey study which has been going on for three or four years where the counties have contributed --

SENATOR HUNT: I am familiar with that.

COMM'R PALMER: But we are now facing up to the hope, and we think that we can, to avoid having the counties contribute because they are in such distress. But two weeks ago we were in Washington and we still have another session with the federal people to determine what the continuity is of the Penn-Jersey study.

SENATOR HUNT: That's exactly what I was driving at. We in the southern part of the State are paying for it through county funds --

COMM'R PALMER: Two-thirds by the federal government.

SENATOR HUNT: That's right.

COMM'R PALMER: And the other is divided into ninths with the counties and the State.

SENATOR HUNT: That's what I was curious about. But the rest is from the federal funds on a planning basis and must be used for that and nothing else.

COMM'R PALMER: Yes. And if it isn't used for that it goes down the drain so far as we are concerned.

SENATOR HUNT: Thank you, sir.

SENATOR STOUT: Would you say that Park 'N Ride project in New Brunswick has been successful?

COMM'R PALMER: Up to date, Senator, as successful to

this date as was contemplated. What is it, 18 months?

MR. THOMAS: 18 months.

COMM'R PALMER: Yes, 18 months. That's been going on only a comparatively short time. It's too early to say but it is on the increase, there are more trains necessary, and our observations and those of the federal government are that it looks like it is headed in the right direction.

SENATOR STOUT: Well, as I read the figure it said 75% of the commuters had come out of the New Brunswick Station.

COMM'R PALMER: That's what we wanted, to bring them out of the congested area and to give them free parking space. We have room for 300 cars at that point.

SENATOR STOUT: But that doesn't increase the number of riders on the train, though. I thought you wanted to induce the people to get back on the trains.

COMM'R PALMER: We think eventually it will, and the studies to date show that there has been some increase but until the thing is in effect for maybe a 12 months period, it's impossible to arrive at any definite conclusion. The hopes seem to be supported by the realities but the realities are of such a short period that they are insufficient.

ASSEMBLYMAN HIERING: Any further questions, gentlemen?

SENATOR HUNT: I would like to come back to this one, Mr. Chairman. I believe a piece of former information today indicates that they have been discussing the feasibility of

removing some more trains from the Pennsylvania Railroad -
Reading setup.

COMM'R PALMER: Yes, sir, before a hearing on
February 28th.

SENATOR HUNT: They only have one more to remove in
my area. Does that mean that we go without anything?

COMM'R PALMER: Herb, do you want to answer that?

MR. THOMAS: Are you talking about Pitman?

SENATOR HUNT: Yes.

MR. THOMAS: There are three trains a day in each
direction serving Pitman currently. There is one round trip
before the Commissioner for discontinuance and the hearings
were concluded --

SENATOR HUNT: Which one is that, sir?

MR. THOMAS: The first one in in the morning and the
last one out at night, trains 754 and 775.

SENATOR HUNT: They want to discontinue that one.

MR. THOMAS: Yes.

COMM'R PALMER: Now, sir, any request for discontinuance
of service - let me give you a poor illustration but
nevertheless a glaring one. There was a train from
Phillipsburg to Trenton that carried 7 passengers of which
4 had railroad passes. And I want to tell you that when we
took that train you would have thought the heavens dropped
in. Now, that is not the report I have of your situation
but I want to show you some of the pleasantries that occurred
in this instance which I know you are all jealous of but
would like to have and anytime you say so you can have it.

SENATOR HUNT: Sir, it has been estimated that roughly around 30,000 of our people in the major Gloucester County area commute to and from their work each and every day out of the county. It has been estimated as such.

COMM'R PALMER: By what means, sir?

SENATOR HUNT: All means of transportation, railroad, car, bus, mule and foot.

COMM'R PALMER: Shanks's mare.

SENATOR HUNT: Whatever we can get down in our area, because we are rapidly coming to this situation railroadwise.

Now, that train in the morning, of course, carries the bulk of our commuters to the Philadelphia-Camden area and returns them in the evening.

For instance when the bus strike - which just got over now, the 16 day ~~fiasco~~ we have gone through, so far as public transportation is concerned, and with our major storm areas, this train is quite heavily traveled and quite extensively used, to the extent that they have not been able to carry out of Philadelphia, on that one train, the people who have been congregated there waiting.

I believe you will find that complaints have been registered in this respect that the train service on the one they want to discontinue has not been adequate at peak hours to carry the people who wanted to get on it.

Is this true, sir?

MR. THOMAS: Just during the bus strike.

SENATOR HUNT: How about the snow storms during the winter? - when people don't drive during the winter?

COMM'R PALMER: That probably would be applicable then too.

SENATOR HUNT: I happen to know that this is true because I went up there to Philadelphia to make sure this was true. And unless I wanted to get in a buffalo stampede, I would have been murdered getting on that little two-car train. I waited then for 35 minutes for additional transportation. But I went there personally to see whether this was right or not. This is the one they want to do away with and I wondered who would make these feasibility studies.

MR. THOMAS: We make them. What we need is a snow storm every day.

SENATOR HUNT: I realize that.

MR. THOMAS: I don't believe the railroads can afford to provide the standby service that would be needed at times when buses find it difficult to operate.

SENATOR HUNT: Don't you find, sir, that we have ample warning so far as impending blizzards and storms are concerned and that it would be feasible in the line of commuter service that they take this into consideration too?

MR. THOMAS: I am sure they would like to be able to financially.

COMM'R PALMER: Senator, let me touch just two points.

So far as the snow season is concerned, every train in New Jersey is so loaded that they can't even collect the tickets when it snows. That is applicable to your area.

SENATOR HUNT: I agree with you there.

COMM'R PALMER: Now, in so far as your situation is

concerned and in so far as the carrier is concerned, we are faced with justification for whatever their losses may be. So the question is what are we willing to pay, how badly do we feel in our pocketbook that this service is essential.

SENATOR HUNT: This is exactly what I am getting at, sir.

COMM'R PALMER: I know you are.

SENATOR HUNT: We in South Jersey have to paint a picture to our people, legislativewise, to justify the need -

COMM'R PALMER: as a subsidy.

SENATOR HUNT: As a subsidy, yes. And then how do we justify this when we have such a situation existing whereby they want to remove from our tracks down there a train which to us is vitally important? Now, how do we say to our people and how do we justify this, sir, - we are going to give you less service but we are going to subsidize them? This is my question.

COMM'R PALMER: Well, you can't subsidize for less service, you have to subsidize to maintain service and to improve it.

SENATOR HUNT: Yes, sir. That's what I'm getting at. Certainly the removal of a train is not an improvement of service.

COMM'R PALMER: Herb, have you any figures here to give the Senator at the moment, offhand?

MR. THOMAS: Well, that round trip under discussion that operated to Millville carries less than 50 people on the average day, that is throughout the summer and winter.

There's room for probably twice that many or two or three times that many on that train but they just are not there.

SENATOR HUNT: Do you think, sir, that public relations might enhance your picture financially?

MR. THOMAS: To a small degree. We have had public relation programs on certain routes and it has helped a little. In one case in particular in South Jersey it didn't appear to bring enough additional people to pay for the advertising.

ASSEMBLYMAN HIERING: Gentlemen, if agreeable we will recess.

COMM'R PALMER: Don't think we will just wash this out, we will focus on what you have to say.

SENATOR HUNT: I hope you do, sir. I am vitally interested in my own area.

(Recess for lunch)

AFTERNOON SESSION

SENATOR RICHARD R. STOUT (CHAIRMAN): I think it is two o'clock and we will go ahead with the hearing. Before we call the first witness or ask those witnesses of this morning to continue, I received a telegram on the 19th of March from P. M. Shoemaker, President of the Central Railroad of New Jersey, as follows; and I will ask this be included in the Committee report:

(Reading)

"Press in reporting on hearing by your Joint Transportation Committee reports Senator Kelly as stating:

"1. There has never been a complete audit of any New Jersey Railroad and all of its assets.

"2. That he suspected the audit of the Jersey Central by a Washington firm was simply a revision of figures submitted by the railroad.

"3. 'I come from Hudson County where the railroads own a great deal of property and have refused to relinquish it.'

"4. Did this audit include the Jersey Central's waterfront property?

"5. Did the audit include all of the assets of the railroad?

"Will appreciate your informing the Committee that the Central Railroad of New Jersey is completely audited annually by Peet, Marwick and Mitchell, nationally-recognized auditors; that its detailed annual reports are sent to the Interstate Commerce Commission with copy to the N. J. Board of Public Utility Commissioners; that the I.C.C. itself audits our reports; that the reports are complete by law and include all assets and liabilities, and are available to the public.

"It should be further stated that in connection with the railroad contract law, the state has twice had the Central Railroad's books further audited and rechecked by individual outside auditors, and annually receives a detailed statement of passenger losses

in the State of New Jersey based upon a formula,
prescribed by the State's auditors.

"It may be of further interest to the Committee to know that while the present ownership of Hudson County waterfront property is fully reflected in our assets, there is obviously no recognition of confiscatory class II taxes having forced us in recent years to abandon to Jersey City and Bayonne more than 850 acres of mostly waterfront property, with annual valuation of over \$18 million. Had we not done so, our tax bill would currently be approximately \$1 and 3/4 million per year more than the \$3 million we are currently paying the state and its municipalities.

"Have given copy to the press and to Commissioner Palmer."

Signed - P. M. Shoemaker
Central Railroad of New Jersey

ASSEMBLYMAN KEEGAN: May I ask if he sent one to
Senator Kelly?

SENATOR STOUT: Well, who got them on the Committee?
Did you get one?

ASSEMBLYMAN HIERING: No.

SENATOR STOUT: It was in the papers. It was released
to the papers last week.

ASSEMBLYMAN KEEGAN: Do we have a communication from
Senator Kelly? Is that what gives rise to this, Senator?

SENATOR STOUT: No. At the last hearing when Mr.
Nasmith was on representing the railroads of New Jersey, the
question of an audit came up and he posed several questions to
Mr. Nasmith which he felt weren't adequately answered and he
asked Mr. Nasmith to get further information for him and this
is a result of that. I haven't seen Senator Kelly. He was to
have been here today.

But, incidentally, Commissioner, the question was who

paid for the audit of the Central Railroad.

COMM'R PALMER: We paid for it, our Rail Division. Not only was it audited by Peet, Marwick and Mitchell, but also we had a Washington firm check up on minute detail on it and there was a variance of about \$442,000 and the Jersey Central accepted the revision. But that is how carefully it was done.

SENATOR STOUT: Are there any further questions by members of the Committee concerning the testimony given this morning by Commissioner Palmer in connection with the railroad program of the New Jersey State Highway Department in the Transportation Division?

ASSEMBLYMAN WOODCOCK: I have just one question. Commissioner, in answer to some of the questions before, you indicated that the transportation needs of New Jersey could not be met in a piecemeal fashion.

COMM'R PALMER: Yes, sir.

ASSEMBLYMAN WOODCOCK: And I believe that you further indicated that the railroads and highways would have to play an equally important part in meeting those needs. And Senator Stout asked concerning the comprehensive plan to bring about both of these things coming into effect and you indicated that there was no plan at present. Well, what would it cost to get a comprehensive plan of this nature or isn't it money that is the only problem?

COMM'R PALMER: Well, it wouldn't cost too much. Let me put it this way: If you could compare the cost to the advantages that could accrue from having the facts instead of dealing with fiction, as we are all having to do, and reach up

in the clouds for answers, it would be a very inexpensive investment. The nearest that we have come to it in written form was back in 1962, which will be part of the exhibits you will all receive, of this \$127 million that we spoke of, which is not the answer to the over all. The responsibility for that, as I would see it, is the existence of this Transportation Committee which was supposed to take everything into consideration which we met with all day yesterday. They have not yet employed any members of their staff, but it is their intention to do so and that really is the proper public vehicle to tackle this job and to recommend to the Legislature and to the Chief Executive what ought to be done and what the costs would be involved.

ASSEMBLYMAN WOODCOCK: Well, would you have any idea how long it would take a committee of that type to formulate a comprehensive plan, assuming that they had the adequate money to operate with?

COMM'R PALMER: Well, this is purely a "guesstimate," but I would say that functioning without restrictions, it could be done within a 12-month period.

ASSEMBLYMAN WOODCOCK: So that at present the only thing that we could hope to get with relationship to the over-all transportation problem --

COMM'R PALMER: -- is palliatives.

ASSEMBLYMAN WOODCOCK: -- and an intermediate program.

COMM'R PALMER: That's correct, sir.

ASSEMBLYMAN WOODCOCK: But not the ultimate.

COMM'R PALMER: No, sir, and with concern also for what we do this year - are they going to come back at us to?

do the same thing next year and the next year and the next year? In other words, in the case of the Central Railroad, as I mentioned this morning, in giving them another \$1½ million, what are they going to want the following year and the year following that? And the way we have observed the disintegration almost of substantial support from the public to the carriers, it is conceivable that this subsidy business will have to go on until somebody comes up with this over-all plan that you and Senator Stout are referring to, which will involve considerable capital outlay and also will involve knowledge of what the Federal government is going to pick up in the way of assisting in this program because it is their problem and not just ours alone.

ASSEMBLYMAN WOODCOCK: I have no other questions.

SENATOR STOUT: Now you are talking solely with respect to rail transportation.

COMM R PALMER: Yes, sir.

SENATOR STOUT: Now one thing you might answer for me, Commissioner, is: A great many people in our state are interested in the rail program and we tell them or they read that the railroads are broke and that they don't have enough money to adequately service the state and they are behind in their taxes and they are seeking money from Washington and all over and they say, "But they don't tell you how much money they are making from their freight revenues." Just yesterday in my office a fellow came in and he said, "You fellows are being bamboozled by these railroads because they are always talking about passenger losses, but they don't tell you how many thousands of dollars they are making from their freight revenues." Now

what is the answer to that question, which I think is pretty prevalent?

COMM'R PALMER: I think, sir, that you will find on the last sheet, Exhibit 3, of the paper that I gave you this morning, the freight income and passenger income, the differentiation, by all the carriers for the Reading, the Pennsylvania-Reading Seashore Lines, the Jersey Central, the Pennsylvania and the Erie-Lackawanna, and the parenthesis, of course, means red figures in the total and also in whichever other, and you will see under the freight situation alone, the Pennsylvania-Reading Seashore Lines and I think in 1961 the Erie-Lackawanna both had red figures even in the freight line. So this is the complete answer, sir, I think to your question.

SENATOR STOUT: I see. Does the formula take into account the revenue they receive from freight service?

COMM'R PALMER: Yes, sir. It takes in everything. That is one of the benefits, incidentally, of this Tri-State situation again, not to try and do Senator Stamler's job one way or the other, but you would be interested to know that the twelve public carriers plus the Port Authority, on a meeting that we initiated three years ago, have finally arrived at a conclusion for a merging of all water-freight transportation on the Hudson River and the number of scows and float boats, etc. that they have among all the carriers, which is about 704, will be cut down to over a 100 and in the Greenville area of Jersey City for an investment of about \$30 million, which we have been going over carefully in Tri-State, after the fifth year, the railroads will show a gain of \$8,900,000 a year in this

consolidation. It saves the equipment. It consolidates all of their services at one location and had it not been for some of these expenditures of Tri-State, we never would have gotten that thing together. But there is another illustration of what is being done in the background to try and help the railroads, and yet no one of these items is in itself sufficient to accomplish the over all.

SENATOR STOUT: If there are no further questions in connection with the railroad program, we will turn over to the highway part of the hearing. But before I do, I would like to state there were several individuals here this morning who desire to testify with respect to the rail transportation setup in Jersey, one of them being Mr. Thomas Tabor of Morris County and Mr. Tom Richardson of the Morris County Board of Transportation and one or two others. They have been asked to be heard at a later date and the Committee will accommodate them then and anyone else who may come along. How about you?

MR. HAGIOS: No.

SENATOR STOUT: And anybody else who may come along as a result of what has been adduced at this hearing.

Before we go into the highway part, I would like to also state that when this resolution was first passed, Assemblyman Hiering and myself discussed with Commissioner Palmer how we should get this information to the Committee who later would evaluate it and turn over its findings to both the Senate and the Assembly and it was agreed that he would prepare as much information as possible and have it in written form to facilitate the work of the Committee. This he has done in connection with

the railroad transportation problem this morning and now we are about to take up the highway part of the Resolution. And in the interest of conserving time because the statement has been typed and all the members of the Committee have a copy of it and many of the questions we had have been answered, I am going to ask the Commissioner's indulgence to submit up to page 15 to the reporters for inclusion in the record and he will read with his usual interpolations the last five pages inasmuch as some of us feel that this is the meat of the statement and we would like a fuller opportunity to examine him on the last five pages.

With that prelude, I will ask the Commissioner if he will resume his very lucid explanation.

D W I G H T R. G. P A L M E R: Thank you, sir, for the compliment as well as for the inferences.

(Following is that part of Comm'r Palmer's statement filed with the Committee, but not read:)

Mr. Chairman, Members of the Committee:

The New Jersey State Highway Department welcomes this opportunity to present its views on the questions raised by Assembly Concurrent Resolutions 6 and 9. We feel particularly honored by the Committee's decision to conduct this hearing at the Highway Department offices, where so much activity of importance to the economic future of our State takes place, and hope you will take the opportunity to inspect any of our facilities which may be of interest to you.

The creation of this Joint Committee underscores Legislative recognition of the fact that New Jersey's highways are the State's prime transportation asset. Our State, already the most urbanized in

the nation, is growing at a tremendous rate. Our highways, already carrying the heaviest traffic volumes in the country and perhaps the world, face even more tremendous demands from commerce and industry as well as private citizens.

It is evident that the State Government's responsibility for the safe, swift and convenient movement of people and goods must be a paramount consideration for the Legislative as well as the Executive branches of Government. Concerted action must be taken to expand and improve our highway transportation network, and to get our existing commuter railroads back on their feet. Otherwise, the congestion and hazard already existing at several locations will become intolerable and the entire economy of New Jersey will stagnate and wither away.

Before addressing myself to the various points enumerated in the Concurrent Resolutions which are the subject of the Committee's deliberations, I would like to first present the Committee, through the Chairman, with various operating procedures, publications and reports regarding the State Highway Department's activities. It would be greatly appreciated if all these could be made a part of the Committee's record. Copies will be delivered to any Member of the Committee who desires to have them, however, as you can see the package is rather bulky and we felt perhaps the individual members would rather not have to carry it around today.

Assembly Concurrent Resolution 9 lists six areas to be considered and, with the Committee's permission, I will deal with them in order:

"(1) The capital requirements which must be provided for New Jersey to meet in full, at the times required, the matching funds for Federal aid highway projects under the Interstate Highway System (90-10) and the primary urban highway systems programs (50-50)."

The National System of Interstate and Defense Highways was first authorized in 1944, and the first three routes in New Jersey were designated in 1947. (Routes U. S. 1, 22 and 46)

No special funds were made available, however, until passage of the 1952 Federal Highway Act, which made approximately \$327,000 available for each of the fiscal years 1954 and 1955 on a 50-50 matching basis. The 1954 Federal Highway Act made approximately \$3,750,000 available for each of the fiscal years 1956 and 1957 on a 60-40 matching basis. The 1954 Act also authorized a highway needs study which provided much of the initial fiscal information used in developing the 90-10 program first authorized in the 1956 Federal Highway Act.

This Act was a milestone in the history of highway construction in the United States. It authorized completion of a 41,000-mile system over a 13-year period (1957-1969). The Federal share of the cost (90 percent) was to be \$25.4 billion.

The initial apportionments under the 1956 Act, covering the fiscal years 1957, 1958 and 1959, were made on a formula basis. However, the Act required all of the States to complete an estimate of the cost of completing the Interstate System and submit it in 1957.

This estimate indicated the System would cost in excess of the original figure and it also became apparent about that time that revenues accruing to the Highway Trust Fund were not keeping pace with disbursements. As a result, the Bureau of Public Roads shortly instituted "reimbursement controls" which limited the amount of money any State could recover during the successive quarters of a fiscal year despite the prior release of the total annual apportionment.

The 1958 Federal Highway Act changed the method of apportionment so that it was based on the relationship of each State's cost estimate to the overall requirement. It also set up the apportionments for

the fiscal years 1960 and 1961 but, due to the increased cost and the financial condition of the Highway Trust Fund, the apportionment for 1961 showed a sharp drop from the previous year.

Both of these apportionments, incidentally, were released approximately nine months before the State of New Jersey provided the necessary matching funds in its own annual Appropriations Bill. For example, the apportionment for 1959-60 was released August 1, 1958, but not matched until July 1, 1959. However, due to the reimbursement controls mentioned above, the Highway Department was not too seriously concerned at that time regarding the delay. But it should be noted that all of those States with sufficient revenues of their own to proceed without anxiety over the timing of Federal reimbursement were able to make faster progress.

A second nationwide cost estimate was prepared in 1960 and formed the basis of the 1961 Federal Highway Act. This Act increased the total authorized cost of the Interstate System to an estimated \$41 billion dollars and provided for completion in 1972. At the same time, the Highway Trust Fund began to build up to the point where there seemed no cause for concern over its ability to finance the program.

It was at this time that the Bureau of Public Roads, recognizing the pressure upon the States to complete the system on schedule, began to accelerate the release of apportionments. And it was at this time that the New Jersey State Highway Department, because of its inability to proceed with its own funds in advance of the apportionments, or even to match them in accordance with the Federal schedule, began to lose ground when compared with more affluent States.

The 1961-62 apportionment was released December 30, 1960, and not matched until July 1, 1961 -- six months later. The 1962-63 apportionment was released October 10, 1961 and not matched until July 1, 1962 -- eight months later. The 1963-64 apportionment was released November 28, 1962 and not matched until July 1, 1963 -- seven months later. The 1964-65 apportionment was released July 8, 1963 and would not have been matched until July 1, 1964 -- one year later -- in the normal course of events.

As it happened, the Highway Department sacrificed its usual program of non-Federal work in order to match this Interstate apportionment on schedule, since any further delay would have been ruinous.

Up to date, therefore, a total of \$515 million in 90-10 Interstate funds has been apportioned to New Jersey for the nine fiscal years 1957 through 1965 and has been fully matched with the exception of approximately one million dollars in one-and-a-half per cent planning funds which will be matched in the 1964-65 Appropriations Bill and form part of the operating budget of our Bureau of Planning and Traffic for next year. However, as aforementioned, the 1964-65 apportionment of \$69.8 million was matched only at a sacrifice of much-needed non-Federal work. We understand that this will not be made up in the Appropriations Bill for next year, which is deplorable.

A new cost estimate is now in process and will form the basis of the Federal Highway Act of 1965 and Interstate apportionments for succeeding years. It should be noted that this estimate will be based on traffic loads expected 20 years from the anticipated date of construction,

instead of the year 1975 as was required under the prior estimates, and therefore some increase in cost can be expected. That information will not be available for several months and so the most accurate figures at present are those derived from the 1960 estimate.

These indicate the Interstate apportionments to New Jersey will be approximately \$458 million dollars for the fiscal years 1966 through 1971. It may be expected that the next apportionment will be released this summer. It is also reasonable to assume that the schedule will be accelerated again so that the six apportionments still due may be released in a five-year period.

In view of the ruling that no vouchers from the States may be honored after October 1972, this would be a natural approach for the Bureau of Public Roads to take, so that all States would be in a position to start final construction at least two years before the deadline.

On this basis, New Jersey should plan on providing a minimum of \$51 million in the next five years, beginning July 1, 1964 in order to match the Federal 90-10 funds on what appears to be a reasonable schedule. It should be emphasized that matching monies must be available when Federal apportionments are released. Any further financial lag would be disastrous.

The Bureau of Public Roads has very stringent standards for its participation in highway projects, and it is the rule rather than the exception for some costs on each project to be non-participating -- for the account of the State alone. For this reason, it is desirable to over-match by

at least \$1 million a year to avoid further depleting the funds available for normal non-Federal work.

The 50-50 program of Federal participation in Primary and Urban projects began many years ago and has grown steadily in size and scope. The States have argued for a nationwide authorization of \$1 billion a year, and it is expected that the funds provided by the 1964 Federal Highway Act will reach this level.

The money is divided among the States on a formula basis, rather than any estimate of the cost of needed projects, and therefore New Jersey's share has not shown much fluctuation. It presently runs a little less than \$17 million a year. Therefore, slightly less than \$102 million can be expected in the next six apportionments and New Jersey must be prepared to put up the same amount. Again, it is suggested that the need may arrive within a five-year period.

The total Federal aid anticipated through the end of the present Interstate program thus amounts to about \$560 million and the State's matching share amounts to about \$153 million. (Complete tables of past, present and anticipated Federal Aid are attached to this statement)

No one knows what will happen after 1972, but there are many who say the Federal Aid program will be continued and even perhaps expanded to include maintenance costs. A study is to be made of nationwide highway needs after 1972 which probably will form the basis of any future program.

While the statement in Concurrent Resolution 9 pertained only to Federal aid, it is obvious from the foregoing that all of the aid which can be

reasonably expected, plus the State matching funds, will not enable the New Jersey Highway Department to complete its Master Plan by 1975. Some discussion of added funds seems required.

The present appropriation for Highway Construction amounts to about \$42 million of which \$6 million is for the operating costs of certain Divisions and \$36 million is for construction itself. The \$36 million normally breaks down into about \$24 million for Federal aid projects and \$12 million for non-Federal projects. This \$12 million was drastically reduced last year in order to fully match the Interstate apportionments on schedule, as described above, and the same procedure will be required this year unless the appropriation recommended in the Budget is increased by about \$6 million. There is presently apportioned to New Jersey that amount of 50-50 funds still unmatched.

Even if we assumed that the past level of \$12 million a year for non-Federal projects were maintained, we would still fall far short of the goal in 1975 -- by about \$1 billion. Most of this "deficit" would represent unbuilt freeways which are not on the Interstate System. Some years ago, recognizing that this situation was developing, we stated that the Highway Department required an additional \$60 million a year to complete the Master Plan on schedule. Now, it would appear much larger increments are required.

If additional funds are provided, we would recommend that it be on a gradually increasing basis, beginning with about \$30 million a year for construction. This would provide an additional \$20 million a year for construction of these badly-needed non-interstate freeways and \$10 million a year for advance purchase of right-of-way. Every dollar spent in this fashion now could eventually save \$5.

In our discussion of Federal aid matching requirements, some may wonder at the confusion inherent in a situation where the "1964-65 apportionment" is matched in 1963-64, and where we look to the 1964-65 Appropriations Bill to match the "1965-66 apportionment" expected this summer. The funds provided by the 1964-65 apportionment which the Highway Department matched without going to the Legislature for an additional appropriation will not be reimbursable until July 1. When then, did they need to be matched?

That leads into the next area mentioned in Concurrent Resolution 9:

"(2) The feasibility of legislative authorization, for planning purposes, of establishing priority of projects for a multi-year State highway program, including grade crossing elimination."

We understand that the national average for completing reasonably long segments of new highways is about seven years. In New Jersey, we have been running about five years from the time funds are first allocated in a Construction Program to the time traffic begins to roll on a completed highway. This varies, of course, depending on the area in which the new project is located and the feeling of the local officials. In urban areas, as you know, opposition to some projects has stalled them for years.

In any event, it is absolutely impossible to start a project from scratch and complete it within one fiscal year. The best that can be done, even if you are starting out with an approved alignment, is to be ready to start construction near the end of the second year. Design of a major project, after the studies are made, the public hearing held,

and the alignment approved, requires a minimum of eight to ten months, and right-of-way acquisition in an urban area may require eight months or longer. The construction itself requires at least two full working seasons in the case of most new highways.

So it can be readily understood that it is unrealistic to expect a Highway Department to wind up any fiscal year with all available funds obligated. For one thing, this would produce very undesirable fluctuations in the volume of construction. Some work must be in the planning stage, some in the design stage, some in process of right-of-way acquisition, and some under construction at all times.

Because of the lead time requirements, the sooner the engineers can get to work on a new project the better. Early authorization is the key. For this reason, it was and is essential to match the Federal apportionments as soon as they are released so that projects can be incorporated in a construction program and the necessary engineering work started, even though the funds may not be obligated for several months and in some cases a full year, when they are reimbursable anyway.

The Highway Department's plan, in matching the 1964-65 apportionment last year, was to have projects ready for obligation of those funds this summer. We gained a year in the engineering stage which could have been obtained in no other way.

If certain obstacles now retarding progress on some urban sections of New Jersey's Interstate Routes are removed, the Highway Department expects to wind up 1964-65 with all Federal aid funds reimbursable during that year fully obligated, and ready to obligate during the first three months of 1965-66 all of the Federal aid funds reimbursable during that entire fiscal year. At that point, the Department will

have made up the financial lag previously described.

As far as Legislative determination of priorities among projects is concerned, this should be done in very general terms if at all.

As will be described later, priorities sometimes shift for unforeseen reasons and, in any event, they should be based on purely planning and engineering considerations and should not become involved in any way with other influences. However, it would seem highly desirable for the Legislature to authorize multi-year programs in terms of money, even if the cash were only forthcoming on a yearly basis. This is the pattern on the Federal level. For example, it would ease the Highway Department's planners considerably if the Department were given Legislative sanction for the expenditure of an estimated \$510 million over the seven years starting July 1, 1965 for completion of the Interstate System. (Federal and State funds combined)

Grade crossing elimination presently is the responsibility of two State agencies. If a highway-rail grade crossing is on a County or municipal road, it is the responsibility of the Public Utility Commission. If it is on a State highway, then it is the responsibility of the Highway Department. Most such crossings in New Jersey are on local roads. Removal of hazardous crossings on State highways is a normal function and some work of this sort is accomplished almost every year.

It is suggested, however, that the funds made available to the Public Utility Commission should be substantially increased, as they have a backlog of projects awaiting attention.

At this point, we wish to thank the Members of the Committee for bearing with such a lengthy discussion of the Department's fiscal affairs, however, money still remains the magic "missing ingredient" of our transportation recipe. The kind of construction required in New Jersey is expensive -- for that the staff of the Highway Department is as regretful as other taxpayers. However, perhaps the answer to the next point raised by Concurrent Resolution 9 will be a bit "easier to take."

"(3) The capital requirements necessary to implement interstate agreements involving transportation facilities."

The Highway Department is directly involved in interstate agreements involving transportation planning, which includes studies of new interstate transportation facilities in some instances. However, the capital funds required for this planning work are provided each year through use of one and one-half per cent of the Federal apportionments plus the State matching funds. This money cannot be used for any other purpose, is provided as a matter of routine, and does not represent any unusual or added drain upon the State treasury.

No interstate agreement now in force or pending obligates the Highway Department to participate in the cost of an interstate transportation facility. All presently planned facilities are either included in the Interstate System cost estimate or assigned to one of the Interstate Authorities which operate on the basis of toll revenues. Should future planning develop a need not now foreseen, it would appear that this also could be assigned to agencies such as the Port of New York Authority and Delaware River Port Authority and others.

The next question raised by Concurrent Resolution 9 is of vital concern to New Jersey's local governments:

"(4) The means of providing State aid to counties and municipalities for highway purposes and the adequacy of present policies and procedures related thereto."

New Jersey was the first State in the nation to provide road aid to its local governmental units in 1891. Since then, the program has grown to a yearly level of approximately \$16 million. It has remained at this level for many years and the Highway Department has often advocated an increase in the funds made available to the Counties and Municipalities.

The Highway Department understands bills are to be introduced in the Legislature to increase both programs, and as much on a needs basis as the present formulae permit.

As we see it, the new Interstate routes and the regular State highways, along with the Turnpike and the Garden State Parkway, constitute a system of major routes which must be supported by distribution and feeder systems. This latter role is presently assigned to the County and Municipal road networks which amount to some 6,700 miles and 23,000 miles respectively.

In order that the people of the State of New Jersey may enjoy the greatest benefits from their transportation resources, all of these systems must be viewed as a whole. The time has passed when we can

propose the construction of Interstate or any other highways without giving due consideration to their impact upon the local systems. The same is true of the respective Authorities.

For all of these reasons, the Highway Department again endorses increases in the amounts of State funds made available for local road building purposes on a needs basis.

The next point raised by Concurrent Resolution 9 was:

"(5) The requirements and administrative organization and responsibility for co-ordinated transportation planning including rapid transit and other railroad operations, including consolidation and integration of facilities."

The material previously submitted to the Chairman of the Committee includes a complete report on the activities and interests of the Highway Department's Division of Railroad Transportation. The Division's staff is present to answer any particular questions which members of the Committee might have at the end of this statement.

The New Jersey State Highway Department has for the past several years endorsed the principle of balanced transportation. All means of transportation facilities available to the people of New Jersey must work in harmony, as a team and not competitively. This principle brings us to the final point raised by Concurrent Resolution 9:

"(6) The authority and organization of the State Highway Department to implement transportation projects with efficiency and expedition."

The State Highway Department has sufficient legal authority to carry out the missions presently assigned to it by the Legislature and the Chief Executive. Our primary job is to locate, design, build and maintain highways. That has always been considered a Highway Department responsibility and the existing statutes and court decisions clearly define it as such.

We also have sufficient authority to carry out our present mass transit duties, but in this area we feel these responsibilities should include participation in capital construction projects in certain instances. This situation is discussed in the material presented to the Chairman.

As far as the organization of the State Highway Department is concerned, the main thing lacking at present is manpower. The \$6 million in State funds presently allocated to the operating cost of our engineering and right-of-way groups, as mentioned previously, is inadequate. An added \$2 million in Federal funds is currently added to the State appropriation, providing a total of \$8 million. We feel, as outlined in the budget analysis presented to the Appropriations Committee last week and to this Committee today, that it should be at least in the neighborhood of \$11 million.

None of this includes added funds for normal maintenance, the cost of which has been increasing steadily, but here again we have presented the Committee with the full story in written form.

(Following is the portion of the statement read by the Commissioner:)

When arrangements were made for today's meeting, it was specifically requested that we provide "the priority of each and every project set forth in the Master Plan; the proposed starting and completion date of each project; and the specific funds required for each project and when said funds should be made available."

At present it is possible to comply with this request only to a degree. The material presented to the Committee includes a complete schedule for completion of the Interstate System, with all of the information requested. This accounts for about a fourth of the Master Plan projects which still remain to be done. It was possible to produce this schedule only because the Interstate System has been authorized on the Federal level for so many years and so many preliminary estimates and other studies have been performed that we are reasonably certain of the location and cost of the various routes.

Also because the Federal Government is paying for the dinner and we are only supplying the "tip," if you will, we have been reasonably certain the necessary funds would be forthcoming within a definite period. Given assurance of cost, general location, and funds, it was not too difficult to come up with a detailed schedule which, incidentally, was developed according to the modern "critical path" method of which there are exhibits for all of you in detail.

While we do have approximate cost estimates for the remaining projects in the Master Plan, as outlined in the report presented to the Committee, funds have not been available to

develop detailed estimates or alignments for a majority of the projects. Furthermore, the cost far exceeds the funds available, which we have no guarantee of receiving in the first place. Therefore, starting and completion dates can only be determined after a project is placed on an approved annual construction program and funds provided for at least a start on the work. Such dates are available for all presently authorized projects within the limits of the funds currently allocated; however, those projects considered in an authorized status were deleted from the latest revision of the Master Plan.

Certain natural priorities do present themselves. Once we have started work on a new freeway, it is generally the policy to keep after it until it is completed. Attached to this statement is a list of non-interstate freeways on which work of one kind or another is under way, showing the extent to which each has progressed. The total funds still needed to complete these 14 routes is in excess of \$445 million. If all of the present level of non-Federal appropriations are continued, it would take the Highway Department more than 10 years to complete just these projects, without any improvement of the existing highway system whatsoever.

Since substantial work must be done each year to improve existing overburdened routes and to eliminate hazardous conditions, it will take much longer than 10 years to complete the 14 freeways listed unless added funds are provided. In the meantime, those which have advanced the furthest up until now are in a position to reach completion in the shortest period. That is the only order of priority which can be established

under our present financial restrictions. The priority of improvements to existing routes also depends on available funds.

In short, no definite priority for construction of highway projects over a period of years can be established without knowledge of the funds to be available during those years. The need is too acute for us to postpone projects until we are forced to do so by fiscal limitations, and so this decision is presently made annually. This is a major drawback of the present system of highway construction budgeting.

That concludes our formal presentation with respect to Assembly Concurrent Resolution 9, Mr. Chairman, giving us credit for the 14 pages. The Highway Department staff is present and we are not only willing but anxious to answer any questions on these points which you or members of this Committee might have.

In closing, allow me to say just a brief word with respect to the question raised by Assembly Concurrent Resolution 6, which deals with the possible consolidation of the New Jersey Highway Authority and the New Jersey Turnpike Authority.

As you know, these agencies presently operate independently of the Highway Department, and the only knowledge we have of their internal operations, overhead, etc. has been gained by personal contact over a period of years, not through any supervision exercised by this Department. For this reason, concrete factual information of the sort required to make the decision contemplated by the Resolution would have to be obtained by us on the basis of a survey and we presently have no authority to do so.

I will exclude the last comment, which I am sure you all

understand, of our appreciation and get down to some of these schedules, if you will, attached, which I think ought to be reviewed.

We will skip the first one for the moment.

You will find on the next sheet under the present matching that we have, how much money we expect to get from the Federal government through the year 1971, what the State matching funds would be, whether the Federal apportionment is on a 50-50 basis with the State matching, and what the total would result in. I want to say this to you, that this will leave us at the end of, say, 1972, with about \$1 billion short of what is needed to put this highway system on an even keel.

We started off a number of years ago with from a \$2 3/4 to \$3 billion need. We have eaten up \$1 billion of it and in the present period plus what is immediately ahead, we think we will come close to the second one. So taking broad figures, that is where we will end up and we have definite knowledge of just what the Federal apportionments will be.

Now on the last sheet of the Non-Interstate Freeways, which I have just spoken of, to a total of \$45 million, I would like to add also that we have not dealt here with the land service routes, routes like 23 and 15 and 206 and many others, and there is another hundred million dollars tucked away in those. They are in bad shape, the congestion is terrific and I would like to add also, which might come into our bailiwick, in connection with State aid which presently is about \$16 million, that every time we build one of these highways, we dump traffic into the counties and into the communities. And going back to

1912 when these formulas were set up for county and municipal aid, they haven't been changed since materially at all and the need is for greatly increased money to go to the counties and municipalities. And while we are dealing with the State, the railroads, the State highways, interstate routes - when you get right down to the heart of things from where you gentlemen hail in your own community, you have needs that transcend your present ability to pay.

Now, Mr. Schuyler is here - he is our Highway Engineer - and other members of the staff who are familiar with every aspect, but in addition to that I would like at this stage with your permission to have Mr. Mullen put some of these cards up, showing exactly what some of the statements are.

R U S S E L L H. M U L L E N: Well, this one speaks for itself. It shows the development of motor vehicle registration in New Jersey, in the period beginning 1946 through the calendar year 1963. You have gone from slightly in excess of a million registered vehicles, one million two, to two, eight. The mileage has increased in terms of billions of vehicle miles from about 12 to more than 30. One of the Highway Department's traffic experts says that this will double in the next 20 years and I think he told me that by the year 2000, Cape May County would be experiencing the sort of traffic that you find in Bergen County now.

More traffic, more accidents. These are the total accidents. The figures for 1963 have not yet been developed by the Division of Motor Vehicles, but you read about them in

the papers every day. The cross-hatched sections are the accidents on state highways alone. The solid black represents the accidents on other road systems.

This chart indicates the Highway Department's annual construction programs, showing the State funds cross-hatched in black and the Federal funds in the red. The State funds remained fairly constant during this period of years. The red increased slightly. At this point to this point (indicating), we got into the interstate program. These two years were 60-40. The 90-10 program began in this year (indicating). State funds then increased and have remained fairly level. In this current year, the Highway Department produced a \$204 million construction program, utilizing two years worth of Federal interstate allocations because the 1964-65 allocation was released in July, 1963, seven days after the Appropriations Bill matched the allocation for the previous year. We sacrificed the non-Federal program to a great extent in order to do that. When the program was promulgated in August of 1963, it was at a level of \$204 million and there was \$14 million in Federal 50-50 funds unmatched. Since that time we have managed to match between \$7 and \$8 million of those 50-50 funds by converting previous non-Federal projects into 50-50 projects. But we will probably wind up the year with still \$6 or \$7 million in the already-released Federal 50-50 allocation unmatched.

One of the Committee's points in Resolution No. 9 dealt with the interstate program, the 90-10, and we have a series of charts here based on the latest analysis by the Bureau of Public Roads which was as of January 1st, 1964. There you

have the total designated mileage of the interstate system, with New Jersey located here (indicating). This is 41st in terms of miles. Incidentally, reproductions of these charts are included in the material to be sent to the Committee. Cross-hatches indicate the total road mileage.

SENATOR STOUT: What year is that, Rus?

MR. MULLEN: Well, this is the total designated system. This is the 41,000 miles that must be completed by 1972. When it is all completed, New Jersey will rank 41st in terms of miles because that is what we rank now in terms of miles.

This is the total cost based on the latest estimate which was approved by the Congress as part of the 1961 Federal Highway Act. This estimate was made in 1960. It is referred to as the 104-B estimate - detailed costs on every segment of each route. New Jersey ranks up near the top in terms of total cost. I believe we are about 8th or 9th. We are exceeded by California, Ohio, New York, Illinois, Texas, Pennsylvania, and Virginia. This bar down at the bottom is undistributed cost held by the Bureau of Public Roads as reserve for the last couple of years of the program.

The system is a 41,000-mile system and the total authorization is \$41 billion, of which the Federal share is approximately \$37 billion. It works out to an average cost per mile of \$1 million a mile. New Jersey has much higher costs than most other states. This is the construction cost per mile for the free mileage that we will build, exclusive of the toll facilities. We are exceeded only by the District of Columbia where the cost per mile is so great that we couldn't even get it

on the chart, Delaware and Hawaii, followed rather closely by Massachusetts and New York. This is entirely due to the urban nature of this state and that is the reason why the District of Columbia leads the list because it is all city.

There are 22 states which have an average cost per mile of \$11 million or more, \$1 million being the nationwide average, you might say, for the whole system. Twenty-two states, including New Jersey, have higher than \$1 million a mile.

This chart compares the money with the percentage of completion to indicate the need for funds. The red bars indicate the percentage of completion of the system within each of these 22 states to what is regarded as full 1975 standards. The 1960 estimate was based on 1975 traffic. The estimate now in preparation is based on traffic load anticipated 20 years from the date of construction. So these will change when the next estimate is approved by Congress. But New Jersey ranks here (indicating) in percentage of completion to full standards. We are exceeded by 14 states, every one of which has had either a large bond issue or dedicated funds.

The bottom chart shows percentage open to traffic, whether it is full 1975 standards or not. There New Jersey, I think, is exceeded by 14 or 15 states. It is the only one without the benefit of either a very large bond issue or dedicated funds.

With the higher cost per mile, you get fewer miles for more cost. The value of the interstate construction projects under way or authorized as of January 1st - New Jersey ranks at this point in the nation (indicating), which is about 9th.

Engineering right-of-way projects under way, New Jersey ranked 6th. Incidentally, let me explain the word "authorized" when used with a construction project. A construction project is authorized when the Bureau of Public Roads approves advertising in a specific contract for bids. So the previous chart included the contracts advertised for bids as of that date or which the Bureau had approved advertised. They are almost synonymous.

On the primary urban secondary projects, the primary and urban are the 50-50 State and Federal. The secondary are the 50-50 Federal-County. In value of construction under way, New Jersey was ranked here (indicating) and in right-of-way engineering under way, second from the top, exceeded only by California.

Now we have a series of charts here on maintenance costs. Maintenance costs were not mentioned in the Resolution which was the subject of this Committee's meeting. We have them if you are interested in them.

SENATOR STOUT: I think we will let them go today. You have a summary of that anyway, haven't you?

COMM'R PALMER: You have it in the book, yes, sir.

Now let me mention as an item of interest that New Jersey with a total land area of 7,909 miles will be occupied upon completion of our present Master Plan and our interstate system - we will occupy 342.5 square miles of the total square miles of the state. So that is how much land will be absorbed.

The accident factor that was dealt with - the Garden State Parkway is down to 1.01 per hundred million miles travelled.

The Turnpike is 1.62 and the state highways are 4.14. That has been a decrease from 1960 of .6 of a per cent. But the constant application of engineering for safety is incorporated in all of our efforts for superelevation of curves, of banking of curves, and central dividers, of which we have 138 miles. So in considering all of this transportation situation, those factors have to come into the picture.

Just one quickie for you, in connection with the Turnpike and the Garden State, the total bonds issued by the Turnpike are \$466 million and they have retired as of January 1st, \$111 million of those bonds. And in so far as the Parkway is concerned, they issued a total of \$370 million and they have retired \$11,355,000. So that when you come down to talk business on the Turnpike and the Garden State, the refunding of those bonds would have to be considered and in so far as the savings that might be accomplished, which as I have said before can only be the result of a minute study and somebody, if the Legislature is serious in pursuing this approach, ought to be delegated to make a further study.

SENATOR STOUT: You mean for consolidation? Is that what you mean?

COMM'R PALMER: If that is what the Legislature is interested in because there is nothing in evidence at the moment that would give you any indication, outside of pulling a figure out of the air of something in excess of so and so, that could be developed and it is a big problem. All the bonds would have to be refunded and, of course, your maintenance and your engineering and your accounting and a lot of things

could be merged. But when you come down to what the net savings might be, it would be largely dependent on what the cost would be of refunding the bonds.

SENATOR STOUT: Anything further?

COMM'R PALMER: No, sir.

SENATOR STOUT: Do any members of the Committee have a question?

ASSEMBLYMAN HIERING: Commissioner, before you leave ACR-6, so to speak, might not this study go another step further, not only the merging of these two, the Highway Authority and the Turnpike Authority, but perhaps their elimination and putting the functions in the State Highway Department?

COMM'R PALMER: Well, sir, for the future, I would have no difference of opinion, but for the present, not only the immediate present but the present present, the inadequacy of staff and the other item that we discussed at lunch that you want to bring up for discussion of the employment of outside talent - the Highway Department would not be in a position, if they were to be given the funds that they have asked for now, for at least three years to take over those other two agencies if the Legislature desired to have them do it because to begin with, we have lost so many people due to retirements. In the period that I have been here there have been 741 retirements in the Department. There are 248 that may retire this year under the intermingling of Social Security and pension, which was a poor move, and also under S-44. We don't know how many of those will retire, but we do know we have about 20 that will retire because of overage that are in key positions and without

any granting of additional people over a period of time that amounts to anything -- It takes two or three years to train people. So if we had the dough today, it would be about three years before we could undertake additional responsibilities, sir.

SENATOR STOUT: Well, let me ask you a question then that is the opposite of Assemblyman Hiering's question. What would you think of permitting or directing either the Turnpike or the Garden State Parkway or both to continue their expansion in order to provide main routes or connecting routes between those two roads and also between those roads and big highways?

COMM'R PALMER: I think, sir, to begin with, our traffic experts have estimated that by 1980 we will need 44 north and south lanes in the state. Taking into consideration all of the developments of our own highway system and the projections and those of the Parkway and those known ones of the Turnpike, we will still be shy materially the number of lanes to carry the increased traffic by 1980. It is absolutely essential that the activities of expansion of the Parkway and the Turnpike be consolidated in planning with the activities of the State Highway Department. It is ridiculous for the Turnpike, if you will, to change an alignment or a widening without consideration of what we are going to do with highways that might be parallel to them. When Mr. Troast was in the picture and when I first came in, I assured Mr. Troast and Mr. de Nooyer of the Parkway, at no time would we build competing roads to either of their agencies until they had reached their point of saturation where they had to expand and that is so essential, not only from the standpoint of protection of the

bondholders, but also for the development of these different areas.

Now to take the Turnpike or the Parkway and begin to widen them and widen them and widen them, you are still in a congested area. What we have to do in this state is to open up new areas. And, therefore, the State Highway Department in its planning even for its interstate routes - Mr. Schuyler and I have been to Washington - is to carry our routes into areas that we know that are going to develop instead of focusing everything and dumping everything in the City of Newark.

SENATOR STOUT: Why not let the Turnpike expand its routes into areas that need expansion because you have indicated right along the Highway Department doesn't have enough money to do many of these things unless we wait another 15 or 20 years?

COMM'R PALMER: Let me tell you this - neither does the Turnpike. The Turnpike has its limitations. For example, at the present time, there is consideration of this Route 280 that goes through Essex County of tying up with the Turnpike in the vicinity of Kearny, east of the Passaic River. That is a \$20 or \$25 million proposition. Unless the Turnpike is to be considered as a bondholders' road for a number of years, we - I was going to say "you" - we, all of us, have got to be watchful of where we are heading. Authorities in general like to hold on to their jobs. There is no question about that. Legislation has been introduced, as I understand it, to perpetuate tolls, but for 1972 when the \$466 million will be paid off instead of 1988 which it is scheduled for, that the

State of New Jersey would have somewhere between \$40 and \$50 million a year to finance its highway problems. But if various toll facilities continue to expand, they are going to have to get more money and, therefore, the tolls will not accrue to the state for its benefit, but would accrue to the bondholders.

SENATOR STOUT: Yes, but there are some roads needed now and not in '72 when the bonds will be paid off. Isn't this the same argument they used in the bond issue last year: Let's do them now and pay for them later?

COMM'R PALMER: Let me say this, Senator: As you know from a banking standpoint it takes 10,000 on an average vehicles per day to finance a bond issue. Many of the connections ought to be made, if you will, with the Turnpike and with the Garden State, but when it comes to taking new territories and opening them up, the whole picture has to be considered and no one of us, the Highway Department or the Turnpike or the Garden State, can run off on the side. That is why this cover-all transportation has to be considered as a package. There is no reason in the world why the Turnpike can't contribute more toll roads, as you say, for connecting up. As you know, we presently have under study this Route 33 down to Asbury Park and we are getting the engineers together because the date that we all had was cancelled out. We are getting the engineers together. One firm of engineers which Mercer County and Monmouth employ says it would average 14,000 vehicles a day and the other engineers that are working on it have different figures. We thought before we got together again that these two had better

get together and make up their minds what the traffic is. It all depends on how wide an area they are pulling the traffic in from.

SENATOR STOUT: What I am really trying to say is - and you will have an answer to another question; I received your letter yesterday - what I am really trying to say is that neither the Turnpike nor the Garden State Parkway have up to now been able to do anything with respect to connector roads or feeder roads in the counties through which they go. Now I think it is about time that they should pay some attention to using some of their revenues to take the burden off the counties through which they go to provide feeder roads because they have changed the whole pattern in these counties.

COMM'R PALMER: I am 100 per cent for that and I think it ought to be prior to this other.

SENATOR STOUT: What I am trying to ask you now is: Do you think it is a good idea or not?

COMM'R PALMER: The answer is "yes." No change in salary though for me.

SENATOR STOUT: O.K. Take the witness.

ASSEMBLYMAN HIERING: In connection with these priorities we asked you about, you indicate that you can't set up a definite priority for construction without knowledge of the funds to be available during these years. Now our problem - and the reason we are asking you this particular question is that we want to know from you how much money you want during these years and when you want it. In other words, do you want \$100 million a year?

COMM'R PALMER: Starting the day before yesterday, I

want \$100 million a year. That is a fact. That's right.

ASSEMBLYMAN HIERING: Let me take this a little further. You are coming to us and saying, "We want X number of dollars a year and then we will set up a priority"? It seems to me that we should be able to have a priority to do first things first. There are a lot of projects in your Master Plan that are not absolutely urgent. There are a lot in there that are urgent and should have been done a long time ago.

COMM'R PALMER: We have listed, Assemblyman, those on this sheet of the \$445,900,000, as to the jobs that are paramount to do and we point out the limited funds that we have against it. So if we wanted to do this job here of those priorities that are absolutely essential, that are crying needs, and of which we have one foot in the door, it would take five years at \$100 million a year to clean the kitchen up on those.

ASSEMBLYMAN HIERING: What specifically then is your request for money for the next ten years as far as your Master Plan is concerned?

COMM'R PALMER: We are going to be shy, sir, at the completion of our Master Plan one billion dollars.

ASSEMBLYMAN HIERING: -- assuming we continue to appropriate money as we are now doing?

COMM'R PALMER: -- as you are now doing. Therefore, I would say if we had one hundred million a year for ten years, we could clean up the job and we have listed for your convenience the vital 50-50 jobs. The interstates we are not concerned about because we are getting money from the Federal government and we only have to put up 10 per cent. But these other jobs

that are listed plus the land service routes are equally important if not more important to all of you gentlemen as far as your constituents are concerned. There are a lot of people who think interstate routes are to carry customers from Wall Street to Chicago. As a matter of fact on Route 80 up in Bergen County, Assemblyman, when it reaches Paterson, 84.2 per cent of the traffic will have its origin and destination right in Paterson. But there are no interstate routes in the southern part of the state so when we are talking about geography and we are considering the state as a whole, we have to remember that these routes other than interstate have to have vital consideration and a great many of these are right down in that area.

ASSEMBLYMAN HIERING: I don't like to beat a dead horse, but getting back to this particular priority list that we are talking about, it seems to me - and when you look at a list of all the project in your Master Plans, it seems to me that your Department, Commissioner, should be able to put a priority on these things. In other words, just looking at it, we have Route 40, Woodstown by-pass in Salem County, 4 miles. We have an item Route 208 from the New York State line to Oakland in Passaic County. I rather suspect that 208 is rather urgent, not knowing, and perhaps this by-pass isn't too urgent. In other words, it seems to me you should be able to say to us, "We have 50 recommended projects. This one should be done first. We should start it this year and finish it a year later. This one should be done second. This one should be done third." And it seems to me that that information should

be available to us so that we can evaluate it as far as going back to the Legislature and saying, "Here are the needs; here is the priority list; now what can we do with it for you?"

COMM'R PALMER: Let me say this, first, sir, that we will respond in facts and figures to every question that you ask so you will have what you need. But let me say this about what is ahead: Time and again we have set up money for a given highway and time and again the fire bell rings and we have to do something else in its place, either through death rates or industry or for access and it is impossible at anything approaching one hundred per cent level to determine the priority of each and every road that we are going to build because it depends upon how much "h---" we get from localities. It depends upon a lot of political consideration. It depends upon a lot of national political considerations. And we present a list every summer to the Governor, giving what we feel are the crying priorities within the limitations of the money that is available to us. We can give you the program for the next ten years with the sequence as we see it now, with the possibility that those sequences will change as either population shifts are made or the demands come up, which is all you could ask, all you could consider, and would be as near to perfection, if you will, as any human being can probably estimate.

ASSEMBLYMAN HIERING: I realize very well, Commissioner, your problem - it is a real problem - political considerations and pressures and everything else.

COMM'R PALMER: You take in your own area, sir, you

know what happened down there. It all depends on how much heat you put on, how many people are killed, what the industry wants, etc.

ASSEMBLYMAN HIERING: I realize all that and I know that you can't have something hard and fast. You will give us this ten-year program; you can't stick by it 100 per cent. Something might happen next year that will change it around. But I do think we should have, even though it is a tentative priority list, we should have something to work from so we know what we are going to spend and where we are going to spend it. This method - and this isn't basically your fault - if we don't give you the money, you can't do the projects - but this method of our saying, "Well, this year you are going to get \$30 million," and you say, "Here are the projects," and you start picking some out on a year-to-year basis, I don't think is good planning, good over-all planning. I think we should have a ten-year plan like you have on a Master Plan, but we should have some sort of a priority list with it.

COMM'R PALMER: Jim, do you want to comment on that and I think I would like Mr. Fritzsche to comment on that. Say a word on that, will you?

O. H. F R I T Z S C H E: Well, in the first place, priorities are set according to need, traffic and the number of accidents - on that basis. Now if you set a priority list, you are asking for it. I am outside of the Department now. I have nothing to do with it. But I am pretty sure that the right way to go about this is to break the state into three sections and

have priorities in each section of the state. Otherwise, you will have all the high priorities concentrated in the metropolitan area where the highest volume of traffic is, the greatest number of accidents and the greatest need. So as far as priorities go, you also will have to be ready and willing to have those priorities change because as you get development in certain areas which you can't anticipate, your priority will change.

COMM'R PALMER: And down in the southern part of the state, there probably wouldn't be any highways built at all unless we were responding to the need for development and the great appeal from many of the legislators in the southern part of the state is "How can we ever get industry?" and "What are we going to do with our tax rate unless you put a highway in?" So from the standpoint of sheer necessity, as Otto Fritzsche has pointed out, they probably all ought to be in Bergen and Essex County or some place else.

SENATOR STOUT: Well, you might get more money if they were sure of getting it in South Jersey. If they were sure of getting it, you would get the larger appropriation, I think.

COMM'R PALMER: Put that in the record, please.

SENATOR STOUT: But it was never put on that basis.

ASSEMBLYMAN VANDER PLAAT: On this list of priorities, I feel along with Assemblyman Hiering that something could really be accomplished here by establishing a list of priorities. I heard Mr. Fritzsche say you have to divide it into maybe three sections or maybe four sections of the state. But simply putting

down a list on a piece of paper and saying that these are the roads that we need and then saying - well, it is hard to stick with a list - it is hard to stick with the need because of various pressures here and there and so forth - it would seem to me that if we could establish priorities, it is not going to be so easy to change. It is going to be easier for the Highway Department to stick with those plans because they are on a priority list and you are not going to be pressured to the extent that you are now. You may be pressured as much, but at least you have something to resist the pressure with. It seems to me that you almost create an impression with the way we are operating - and I don't mean you individually - the impression is being created that we are building highways by emergency or by the wheel squeaking the loudest getting the highways, and we are not accomplishing the things that we have to do. I think any good long-range capital improvement program should have a list firmly fixed. Obviously there has to be allowance for adjustments, but then those adjustments should be explained. I think a major step forward could be taken if we could get such a list.

COMM'R PALMER: Suppose none of those highways came in your particular area, sir?

ASSEMBLYMAN VANDER PLAAT: The way I look at it, right now from what we hear from Bergen County, I am not so sure we want too many more highways because we are not going to have much place left to live. It's just going to be a highway.

But I think we have to face up to the over-all needs of the state. You can't build all these roads. If you took

this whole thing, you couldn't start on all these projects in one year. You are going to have to spread yourself around. It's just like saying if you have to build a highway, you have to build it in sections. You could fit it into what I feel would be a list of priorities. And obviously you are not just going to be able to do all the building in one area of the state at one time.

At least if there was a list established and if we know, "Well, this year, this is going to be done," and although we want this other thing, it just isn't in the cards until next year or the following year - this is the way we are going to do it - we are going to accomplish what we want to accomplish. If we simply say, "Well, wherever the pressure is, we're going to build it," we are just never going to get out of the mess we are in. This is the way I feel about establishing a list of priorities. Firm it up. Let's face it. Then I think you have something to use to resist the pressure.

COMM'R PALMER: I think you ought to be in the Highway Department because your philosophy and ours is the same, but it happens that there are philosophies other than ours.

ASSEMBLYMAN VANDER PLAAT: Well, this Committee is asking you then to develop this list along with your philosophy. Give it to us and let's see if we can do anything with it.

COMM'R PALMER: All right. We will give you the list and, again, there is no change in salary.

SENATOR STOUT: Who makes up that list that appears in the Appropriations Bill?

COMM'R PALMER: I would like Jim to comment on that

list because he knows more about the details of it than anybody else.

SENATOR STOUT: This is a list of maybe 150 projects.

COMM'R PALMER: Oh, easily.

SENATOR STOUT: And I have a question following this.

J. R. SCHUYLER: This is made up on the basis of pressures, number one. It is made up on the basis of needs as we see them along the lines that Mr. Fritzsche has indicated, basically related to traffic volumes that exist on the current state highway system and the data that is gathered by our Planning Division and now it is beginning to filter in from the Tri-State studies and the Penn-Jersey studies.

SENATOR STOUT: When you said "pressure," do you mean ---

MR. SCHUYLER: Along the lines that the Assemblyman ---

SENATOR STOUT: You mean political pressure?

MR. SCHUYLER: Delegations that have come into our department and pointed out a terrific need.

SENATOR STOUT: Citizen pressure.

MR. SCHUYLER: Wall Township or, let's say, "Stay Alive on 35" delegations.

SENATOR STOUT: Well, that's over. Now you have a list of 150 or 200 or 250 projects and many have been in there for ten years.

COMM'R PALMER: That's correct.

SENATOR STOUT: Who determines which ones get started or built in a particular year. I will go further. In many states, legislatures can do this. They can designate which

highways are to be built. But in 1947 our state changed the picture and went on the theory of executive responsibility, that the executive would have the power to do many things, not only in the Highway Department, but in many other departments. Now it is a question in my mind which is better at the moment because I see projects that have been on there six and eight years that haven't been started and they are in the Appropriations Bill and we have nothing at all to say about which project should be started and when.

COMM'R PALMER: I would like to answer that by saying this, that there are not many states in which the legislature either has that right or attempts to exercise it. That is number one.

Number two, if line items were to be the function of the legislature, there would be a cat and dog fight in the legislature that far transcends anything there has been in the past because if Cape May didn't get it or Bergen didn't get it or some place else didn't get you, you would have everybody and his brother pressing for a place for one in their own area and if they didn't press for their own area, they might not be back again. Therefore, it was determined that with all the considerations being given to attention, that the so-called experts, if you will, the people who have been here for years that are trained in traffic and know the needs - and if we listed every one of the 21 counties - I have personally over a period of time dealt with the freeholders in municipalities and their respective delegations that come in here, two and three of them a week - that we would get a much better feeling of what is needed. So the list is made up by Mr. Hartman

and Mr. Rosser in collaboration with the people upstairs of the greatest needs, of which ones should be chosen first, and then we find out how much money we have. Then it comes down to the Highway Commissioner, and the Highway Engineer and the Highway Commissioner present a list to the Governor and the Governor either approves or says, "Due to certain reasons, certain ones should be out." And then we only know that for the first of July when the money is given to us as to what we can do. Now there have been instances - there was an instance in your own county - where there was as much as \$3½ million put up for Route 35 or 18 or whatever it was and where there was a shifting of the sands.

SENATOR STOUT: Literally.

COMM'R PALMER: Yes, literally. It was a good area for sand and I don't know about the shifting part. But that situation was redeemed. But each locality presses to have their own considerations, which is perfectly natural, and each one of you that sits here at the table will admit that you are representing your own people and you have to represent your own people. And we think that up to date, in spite of the fact that we are the recipients of a lot of other things than just money, that we made a reasonably intelligent application of which ones were needed. For example, down in your particular area with this Route 18, we visited every municipality. We have conceded to the locality instead of building the northern route of taking the other one. Then we get letters that we are going to cut up Topemus Cemetery and we find we are 650 feet away from there, which nullifies

the editorials against us. So we think in the final analysis that the best system is the system that we have and which the majority of the other states have as well. But so far as we are concerned, so far as I am concerned personally, it would be a great relief to have somebody else make all of the decisions.

SENATOR STOUT: It is an executive responsibility then?

COMM'R PALMER: Yes, sir.

SENATOR STOUT: -- the final allocation and selection and approval and authorization and all of the rest.

COMM'R PALMER: It is a matter of a study of a year in advance and I can show you the detail which has gone into each one of these things to substantiate it and to verify it as to its need. Does that cover it, Jim?

MR. SCHUYLER: Yes, sir.

SENATOR STOUT: Any more questions?

COMM'R PALMER: He has a question on consultants.

ASSEMBLYMAN HIERING: Commissioner, I notice that more and more the Department appears to be using outside firms to do their engineering.

COMM'R PALMER: Yes.

ASSEMBLYMAN HIERING: Can you tell us why?

COMM'R PALMER: I talked to you at lunch about it. I would like to have Jim Schuyler answer that. He is the one who is in charge of engineering and possibly he would like to comment on that. I would be glad to supplement him and answer any further questions. I know what he is going to say, but I'd rather have him say it.

ASSEMBLYMAN HIERING: The reason I ask the question

is that it appears to me that perhaps this may be the expensive way of doing it.

COMM'R PALMER: It's a much more expensive way of doing it, much more.

MR. SCHUYLER: Basically we have gone from a program of about \$30 million a year, we will say, ten years ago when the Highway Department had a staff that could perform essentially all their own work and in those days the only use of extra help was where there was really a specialty involved, just to give you an example, perhaps, although it never occurred - say we had to build a manmouth suspension bridge like your Delaware Memorial Bridge. We have some people on our staff that are capable and qualified, but we don't have the numbers to do that job, that have had the experience and the background. So ten years ago we were using the consulting engineer for that project that was unique so far as the experience of the bulk of our personnel.

With the advent of the interstate system back in 1946 and with the knowledge that it was only going to be at that time a ten to thirteen year program, the decision was made in view of the fact that the Federal government was participating in 90 per cent of the cost of the engineering, that we would reserve our own forces for the 50-50 work and the 100 per cent state moneys that were used for capital improvements. Now, of course, the interstate system has been stretched out and we started out using consulting engineers exclusively on the interstate system with the idea that, well, in ten to twelve years it will be over and our staff would not have to be

beefed up. We didn't know at that time where we were going so it seemed to be the logical decision to supplement our own forces with consultants. Now getting into this program because of the fact that this work in itself which amounts to in the neighborhood now of \$70 to \$80 some million a year, that doubled our efforts right there and the work that is generated by this interstate program internally within our department has necessitated our depleting our own forces to keep abreast of this obligation. For instance, just to give you an example, there are some places in the northern metropolitan communities where we will be dealing and moving 15,000 people. The right of way involved in it generates contacts with our own engineers, not with the consultants, because the Department is still maintaining control and performing the direct liaison with the communities, with the individuals, and not leaving this up to the consulting engineers. But all this work on the interstate system itself has generated so much work internally for us. Our engineers now, for instance, when we are buying so much property, have to be available for pre-trial conferences in connection with condemnation hearings. They have to be available in court on the condemnation matters. We are now 300 cases behind in condemnation. Again our legal staff had to be increased and it hasn't been increased in the quantities necessary to cope with it.

In addition to that we are coming in contact more with utility companies, with railroads - and a \$30 million program back in 1956 or so has expanded much more and I don't mean to imply it expanded in direct proportion, but it has expanded to

the point and generated work where we are coming more in contact with just the people along the right-of-way that want explanations of what we are going to do and why we are going to do it, by the Federal laws that have been passed and policy and procedure that has been promulgated by the Bureau of Public Roads in Washington. Ten years ago, a public hearing was something that was practically unheard of. Today it is a reality. It takes people to get ready for these public hearings. It takes people to staff these public hearings.

As the result of making the decision in 1956 for a definite stated time and having outside assistance with consultants, we now have found ourselves depleting our own forces with the result that even some of the 50-50 projects and occasionally because we are so busy, we now even have to give out work to consultants to meet obligations, to meet schedules, on moneys that are financed exclusively with state funds. For instance, we don't have a Department of Public Works in this state, but by law if any of the institutions or the colleges or the prisons want parking lots, want roads built, those other state departments come to us and we have to supply them because we are supposed to have the knowledge of how to build roads within the limits of their boundaries, how to build parking lots, how to supervise the engineering. So constantly we have been having to drain our own people and the retirements that the Commissioner has indicated. The competition that exists today in the profession - the consulting engineers, state governments, this mammoth public works program throughout the nation, the advent of new requirements by the

Federal government, for instance. We have heard much discussion today about this continuous comprehensive planning program that must be implemented and must be done by 1965 or else we don't get Federal aid allotments in those portions of the state where these studies aren't being made. All this has put an obligation on us in the Highway Department which has necessitated our contracting our forces all the time and spreading them out to meet these obligations. Now up until this date, we have been able to keep the control of the construction under our own supervision. By that I mean, we have our own engineers on the job. The contracts, the documents, the preparation of the specifications, all the aspects related to the purchase of the right-of-way are being done by our own forces. But to do all those things to get a contract, once the contract is advertised and awarded, we have managed to date to keep our own forces out in the field, to do that, maintain control of the work.

To do that, we have had to deplete again our reservoir, if you will, please, to keep that function going. But at the same time the Bureau of Public Roads has by virtue of the investigations in Congress, the Blatnik Committee, the requirements of the G.A.O., the hysteria that exists around the country today that maybe there is great fraud and swindle involved in this interstate program, this mammoth public works program of highway building, been breathing down our backs all the time in demanding that, for instance, there be more and more inspectors on the job to insure that the things are being done. Hardly a day goes by that I don't get the threat from our

associate in the Federal Bureau of Public Roads, if you don't get more men out on the job inspecting it, you are going to lose your Federal funds. Now Mr. Fritzsche and Commissioner Palmer were approached on that problem two or three times and it was actually an expediency right down to the wire that drastic steps had to be taken.

So this accounts as to why we are doing so much work with consulting engineers. And, of course, it is a matter of record that over the years the Highway Department since 1956 or '57 has been asking each year annually in their budget request for the people and the staff to carry on this work. These requests don't mean it is going to eliminate 100 per cent the consulting engineer from the picture. But it is going to enable us maybe to be a little more prompt and to be able to get answers back to the public on questions of - "Are you going to hit my land or aren't you going to hit my land?" and these things. We have been woefully deficient, for instance, on laboratory inspection and laboratory analysis. We have even had to farm this out.

So all in all, the reason we have been doing this is by virtue of the generation of work that has been created by the interstate program itself, in having to keep up with obligations that are really being forced upon us.

ASSEMBLYMAN HIERING: And as a result of this, you are understaffed in this department, I presume.

COMM'R PALMER: Let me add this, sir, to give you an illustration of the magnitude of the work: Last year our Right-of-Way Division purchased 2200 parcels at an over-all cost

of about \$25 million. In 14 to 16 months, we will be purchasing 6600 parcels a year, three times as many. We are understaffed to do the 2200. We have training courses going on and we are focusing on more training courses not only for our internal people, but our outside appraisers. We have to add materially to the staff and as Jim pointed out, over a period of years, both in engineers and in all categories, we have been denied the addition of these people.

Now when I came in, we started student courses. It was the first time it had ever been started in the state. We sent our people around to the various universities and picked up 20 or 25 students per year. But in competition with industry which was hard to start with, we lose such a large percentage because after they are here a while, they say, "Well, gee, you don't get the money that you want and where are we going? There is a concrete ceiling over us." So we lose them. The upshot is that if today we were given the money to hire the people that we want to get and which one of them alone I mentioned was \$1,006,000 for the temporary positions that we have of people that are on temporarily which we want permanentized -- It takes two or three years to train them to be competent. So the sole purpose of going outside was because we have robbed all of our offices in the field to fill in due to the retirements and the people that have quit in the organization and the great volume of work. The upshot is that the branch offices are not fortified or fitted to do some of this very tricky engineering. And so the Federal Bureau of Roads knows exactly - they approve every contract

that we make - they pay their percentage of it, etc. - and it has been a case of sheer necessity and as a matter of fact we are going to have to hire a lot more. But it is much more expensive than having your own staff and having your own people.

ASSEMBLYMAN HIERING: Well, I think this may have something to do with my next question and that has to do with the time consumed in getting these projects under way. It seems to me that many times here in the Department one of these roads will be approved, but it seems to take a couple of years before you are out there with the first shovel working. I am saying this very generally. It seems to take a great deal of time from the time of approval to the time that the job gets under way.

COMM'R PALMER: It is a good question to ask and when I first came in, I asked it too, and even after I was here awhile. Now Jim will tell you about that.

MR. SCHUYLER: You don't have to apologize for asking such questions at all. As a matter of fact if we were to talk an appreciable stretch of mileage - let's talk the New Jersey Turnpike, let's talk the Garden State Parkway, let's talk some of these non-interstate freeways that have been mentioned in Commissioner Palmer's prepared testimony - throughout the country the national average, whether we are talking New Jersey, New York, the State of Washington, California, New Mexico, we are talking an appreciable stretch of mileage that makes a showing so far as the public is concerned - let's come right back to New Jersey now and let's talk the

Bergen-Passaic Expressway - to get an appreciable stretch of mileage, from the time it becomes a gleam in somebody's eye, which we say is maybe a year before we think we are going to get money, until the time we cut a ribbon, is about seven years. Now you say, "Why does it take --"

SENATOR STOUT: How did they get it so fast in Ocean, I want to know, two years?

MR. SCHUYLER: Naturally, if we are talking a jug handle or a minor revision or improvement, or a repaving, we are talking a couple of years. But if you want to go back originally and talk about the New Jersey Turnpike or the Atlantic City Expressway, I believe work started on the Atlantic City Expressway back in about 1957 or '58 and they will be cutting the ribbon, as I understand it, in about 1964, seven years.

ASSEMBLYMAN HIERING: I don't know what is wrong, but something is.

COMM'R PALMER: Can I inject right there, and not cause you to be through, but to say this, that in the case of the Atlantic City Expressway and the Garden State Parkway and the Turnpike, they were not using Federal money and they, therefore, were not subject to the regulations that we are. But the regulations and the impedance with the communities is the great retardation in our operations. As a matter of fact, three of the principal interstate routes, 287 up in the Morris-town area, 280 in Essex County, and 78 in Newark, I think all of you are pretty conscious of the holdup of two and a half and three years on those due to certain types of consideration

for the movements back and forth at all kinds of levels, political and otherwise. And right now, we know of Route 280 in Essex County. The people there went to court to retard us and now we are going to have the hearing and so forth. So those are the things that the state is up against, that authorities can go right ahead on.

MR. SCHUYLER: Let me say this, Assemblyman, to amplify what the Commissioner has said: He has mentioned 280 and 287. We have a case of Route 440 in Middlesex County on which, I think, we have made twenty some studies and this is a route that we have used consulting engineers on to supplement our forces - twenty some studies - twenty-five or so different studies of different alignments and after eight, nine or ten years, finally we made the decision we are going to build it here. But we gave every consideration in the world to all the interests involved in that area.

COMM'R PALMER: Even the last day when we made the decision, we were told we were cutting the throats of most of them in the Perth Amboy area.

MR. SCHUYLER: Another aspect that is time consuming again if we are talking Bergen County, if we are talking Camden County, is that we are buying property, people's homes and businesses, and the right-of-way time required to negotiate to acquire the property, to give the people an opportunity to move in this state, can vary anywhere from eight months up to four years if we start talking in Newark and in the Oranges and in Bergen County. It can get to that point. And I think we have cut those times down considerably below that. But in

doing so, we have had to use the right of eminent domain as far as the vacant lands go and say, "We will come back and buy that later." We have taken care of the homes and the people there and sometimes, as Senator Stout knows, we don't even get to all the people that have properties. But we are not dealing with something that can be put on an assembly line in a factory and belt out a product in the end. We are dealing with individuals, citizens of this state, that do need the consideration, do need the time to relocate. And as far as the rest of the country goes, in progress we are no different and I think we are a little better in view of what some of our obstacles are.

COMM'R PALMER: Except that Kansas and Nebraska have the wide-open plains to deal with and we have constant things to deal with, congestion. Yet I don't blame you for still having in your mind, "Why the devil don't you guys get going faster than you have been."

ASSEMBLYMAN HIERING: Well, maybe the national average is too high.

SENATOR STOUT: Commissioner, you need more consultants, you need more engineers, you need more labor personnel, you need more staff and you need more money for roads, and every year you submit a budget to the Governor who in turn does something with it and then it comes over to the legislature. Now where is the place here where most of it is cut out?

COMM'R PALMER: You will receive each of you - and you already have a copy preceding this - of our budget application of this year. Now let me give you the machinery.

SENATOR STOUT: The original budget, the one you worked up here?

COMM'R PALMER: Yes, the one that we submit and that has been under discussion. The normal machinery is: The Highway Department and the other departments make up their budgets and we spend two or three months hammering our people down to squeeze down to the minimum and we go before the Budget group and we ask for certain things and I am not talking of huge sums of money at the start-off, but of modest sums. And they say, "Well, we can't give you this." We will say, "Well, last year we spent so and so." "Well, we can't do anything for you on that." By way of illustration, we asked for \$200,000 for laboratory costs of actual costs that have been incurred. We were allowed \$33,900. We asked for \$500,000 for legal expenses, which has to do with expenses incurred by our Right-of-Way Division in our Legal Department in fees and various things on which the prior year we spent \$420,000. They didn't allow us anything.

SENATOR STOUT: Who is "they"?

COMM'R PALMER: The Budget Department. Now what is the answer to that? The answer is "Take it out of concrete." And that is frequently the answer. In other words, "Take it out of the money that is set up for construction because there isn't enough income to balance the budget and, therefore, we can't give you x dollars additional." We asked for \$912,396 worth of new positions. They allocated \$77,000 to us. We asked for Special Services, \$350,000. They allocated \$10,000. The laboratory expense, going back to the \$200,000, we have to

have tests made to prove out our materials. Many of these have to be done on the outside by New Jersey Testing Laboratories and so forth. You have to spend the money. So what do we do? We end up by taking it out of construction. So a lot of people say, "You have all this money for construction; why didn't you spend it for construction?" A great deal of it is diverted because we have an inadequate supply. All right, the old appeal would be, after we got through there, maybe to go to the Governor to make a further plea. The Budget Director says we are only going to get x dollars and we have already allocated the balance. The Highway Department could only have so and so. This year in order to avoid that catastrophe or at least to let the legislature know exactly what the facts were, five days in advance of the Legislative Budget Committee hearing, we supplied each member of it with a copy of our request so they had five days to mull over it. And I and my associates went before the Budget Committee. So now the legislature cannot say to the Highway Department, "Well, neither the Governor or the Budget Director, they were the ones who kept you down. We didn't know what you wanted." Now they know what we want. They know what we have asked for. And having been for a period of years when I was back in industry being on the other side of budgets, I know a little bit about them and what needs to be done. So in presenting these from our standpoint, we have been exceedingly careful and the net result is that going outside for consultants and getting behind on the purchase of right-of-way and a great variety of things is

brought about by the same old thing, the bell on the cash register. I am not saying that the state ought to have a sales tax or an income tax or any other kind of a tax. But the realities of life are that here is the State of New York with a \$3 billion budget and the State of Pennsylvania creeps on up and we are going along at a rate of about \$590 million. I think last year it was \$547 million. And I think the state has to wake up to the reality that in this business of rating, we are the lowest one in the country and there is only one other state that doesn't have an income tax or a sales tax and that some source of revenue has to be found. Otherwise, this business of talking about highways and transportation and everything is just an idle gesture.

SENATOR STOUT: We have had a lot of trouble in our county, as you know, and I suppose in other counties where a route is authorized or it is suggested or talked about and the general alignment is in everybody's mind.

COMM'R PALMER: Yes, sir.

SENATOR STOUT: And people wait around for two or three or four or five years to have an adjuster or an appraiser come around to talk to them about their land. As you and Mr. Schuyler know, we had a couple of bad incidents there where people got tired of waiting and built a development or a factory. What is the answer to that?

COMM'R PALMER: The answer to that question is, sir, and I have been pleading for it for eight years, to have the money for advance purchase of right-of-way. I can cite you

specific instances where we knew where an alignment was to go and the thing has leaked out in general and we cannot go in and buy the land and get Federal participation unless they have already approved the alignment. But the State of California and many other states in the Union have a fund for advanced purchase of right-of-way and it is highly recommended.

SENATOR STOUT: Is this for purchase or for taking of option?

COMM'R PALMER: This is for purchase of right-of-way. And let me say this to you, that the states that do that have made enough money almost to finance their highway program by appreciation and we have instances - we had one up in the Parsippany-Troy Hills area - where we could buy the land for \$1000 an acre, but we were denied it because we hadn't any money to spend and the Federal government wouldn't give us their money. When the time came to buy it, it got up in the realm of \$15,000 to \$18,000 an acre. In the meantime, just as you found down below, these routes are known, and as Assemblyman Hiering speaks of his situation down there - why does it take so long? We can't go in and buy so people put up houses and then we end up by buying the houses and the refrigerators and everything to go with them. So I have been pleading for money for advanced purchase of right-of-way and I could use a substantial amount every year.

SENATOR STOUT: Well, you have been pleading with us, as I know, having been on the Appropriations Committee,

but has anybody been pleading with the Federal government to permit them to release some funds to acquire land that was going to go in this right-of-way?

COMM'R PALMER: They won't do it.

SENATOR STOUT: Yes, but last year they went and took a whole year's money over there and stuck it all in 1963 and '64. In other words, they pushed their whole Federal interstate program up a year.

COMM'R PALMER: They have done that for two or three years, but that's gone.

SENATOR STOUT: I don't know what's behind it, but I have an idea.

MR. MULLEN: Senator, if I may, in the Commissioner's written statement.--

SENATOR STOUT: They accelerated the program, right?

MR. MULLEN: Well, what they did - they accelerated the release of the apportionment. That release has the normal catch in it that we cannot get reimbursement for that Federal money for any apportionment that is labeled by a fiscal year date. For instance, the '64-'65 apportionment was released in July of 1963. The way the Federal Aid Program works, we spend the money, we voucher the Federal Bureau of Public Roads for the Federal share and they then reimburse us. None of the '64-'65 apportionment, although it was released way last July, will be reimbursable until the coming July. In other words, if we went out and obligate that money, spend that money, we are in all cases spending the state money. We can't bill them for it until July. Now in a normal project, the state's

share is enough to carry the engineering work and perhaps part of the right-of-way, let's say on a 50-50 project. We might be able, if the project was just authorized in the fiscal year and we were using the advanced apportionment - most of that fiscal year would be utilized by the engineering and the state's share is enough to finance that.

SENATOR STOUT: Here is my point --

MR. MULLEN: Well, what I am trying to say to you is that we don't have the cash.

SENATOR STOUT: All right, you don't have the cash. The Federal government has got it though.

MR. MULLEN: Yes.

SENATOR STOUT: And I would recommend to my colleague and the Chairman of the House Highway Committee that maybe we should request the Congress of the United States to permit some of this Highway money to be used for advanced acquisition on interstate routes. Is there anything wrong with that, Commissioner?

COMM'R PALMER: There is nothing wrong in requesting it, but there is not a Chinaman's chance of them acceding to it because we have discussed it with them.

SENATOR STOUT: Oh, you have discussed it with them.

COMM'R PALMER: Yes, sir.

SENATOR STOUT: How about our representatives in the Congress - have they ever taken it up?

COMM'R PALMER: I wouldn't know.

SENATOR STOUT: All they need is 51 votes in one House.

COMM'R PALMER: I have talked to Jim Auchincloss about it.

MR. MULLEN: The reimbursement feature is tied by the Federal Highway Act to the financial condition of the Highway Trust Fund, which is supported by the various Federal taxes, and they would have to increase the Federal taxes.

COMM'R PALMER: Let me give a quick answer to the thing and that is this, that there are 35 states in the Union that are in a position to do it but we are not and under bond indentures and under dedicated funds we collect about \$223 million or something like that and we end up by getting half of it and the balance of it goes for other states' activities.

SENATOR STOUT: Well, here is the next question: --

COMM'R PALMER: If we were to confine ourselves to motor vehicle revenues and so forth, we would be sitting on top of the world.

SENATOR STOUT: Here is the next question: When the Federal government accelerated its program and put two years in one, it was necessary for the Highway Department to take state moneys to match it so we would be able to spend.

COMM'R PALMER: Yes, sir.

SENATOR STOUT: Now this is all right for most counties of the state, but as far as Ocean County and Monmouth County are concerned, we have no interstate program there at all.

COMM'R PALMER: That's right.

SENATOR STOUT: And, therefore, we lost a year's state support, didn't we, or did we not?

COMM'R PALMER: You did not because operating on a cash basis, you didn't lose anything.

SENATOR STOUT: Well, where did the extra money come from?

COMM'R PALMER: The money comes off the books.

MR. MULLEN: Well, there was a slight, a partial loss.

COMM'R PALMER: Not to Monmouth County, no.

ASSEMBLYMAN VANDER PLAAT: I just want to make a point. We have been talking all afternoon about money and getting the impression that money is maybe going to solve all our problems. But I want to make a point - Commissioner, you most likely recall I was here in January talking about a specific clover-leaf which everybody admits will have to be built in Bergen County on Route 208 and Fairlawn Avenue in the Borough of Fairlawn. There is no specific area set aside for the land for that clover-leaf. However, three of those corners are vacant. Well, two are vacant and one has a building.

COMM'R PALMER: A wonderful time to buy them.

ASSEMBLYMAN VANDER PLAAT: And I was told that within 30 or 45 days, the Borough of Fairlawn would have a plan showing the requirement of the State Highway Department so that that municipality would be able to sit on that. When anybody came in for a building permit, they could talk to them at that time to acquire the land. This was in January. This is almost April 1st. I am still waiting for that information and we didn't say we wanted it in this period of time; the Highway Department said, "We can give it to you in this amount of time." Now we have a plan for a building on one of those corners and we can't tell them how much land the State Highway Department might need.

COMM'R PALMER: Jim, answer that because you were in that meeting.

MR. SCHUYLER: That's right. You have also been in contact with Mr. English in the last two or three days about it.

ASSEMBLYMAN VANDER PLAAT: Yes, I have.

MR. SCHUYLER: This is exactly what I was trying to indicate to you previously. Our intentions were the best in the world on that 45 days, but it is the work that is generated by everything that goes on in this Department, including getting ready for hearings such as this and other hearings that are coming up in the future, that detracts from the efforts needed to give us the overseeing or the bird-dogging of these projects to really crack the whip and get them done.

ASSEMBLYMAN VANDER PLAAT: When are we going to get it?

COMM'R PALMER: Let me say also, I don't blame you a bit for your criticism of the situation. We are constantly criticizing ourselves on the multiplicity of it. There are many instances where municipalities - and I think I could mention down in Senator Stout's territory - have held people from building and finally reached the point where due to the Highway's delay in the Federal government, they had to go ahead and issue the building permit. So the real answer to this thing is to have the money ahead. And in your particular instance, with the knowledge that we have of the situation, we would have bought that land and that is the way to do it.

ASSEMBLYMAN VANDER PLAAT: Well, the point I am making here is that I think we have a good chance of getting the land,

not having to buy it, but getting the land, if we can tell them now what we want. It isn't going to cost you anything. That is the point I am making, that it is not only money that is going to solve the problem.

ASSEMBLYMAN WOODCOCK: Commissioner, before you indicated that you would require or desire the sum of \$100,000,000 per year for ten years.

COMM'R PALMER: I have a nice tip-off on that too. Go ahead.

ASSEMBLYMAN WOODCOCK: Now is that in addition to the funds that you are currently receiving?

COMM'R PALMER: Yes, sir.

ASSEMBLYMAN WOODCOCK: That doesn't include the funds that you are currently receiving.

COMM'R PALMER: No. This is to make up for the deficiencies and to speed up our entire program and we pointed out to you that \$45,900,000 are freeways. There is about \$100 million of ordinary routes and we still are shy of completing the program.

ASSEMBLYMAN WOODCOCK: With respect to the question of priorities - and let me see if I understand you correctly - that it would be difficult without moneys tabbed or specific amounts of money tabbed for the Highway Department to set up any meaningful priority list. Is that correct?

COMM'R PALMER: It isn't due to that, sir, solely. We can set up a meaningful priority list in the sequence that has been requested here and which we are going to do. But when you talk about a thing being realistic or being able to

adhere to it, there isn't a chance in so far as a big percentage is concerned. I would say that if we could adhere to such a program two-thirds of the way, it would be very difficult to go beyond that because of the shifts in population, the shifts in demand, the tragedies in Paramus or the shopping centers or the new developments in Monmouth County or in any one of the counties. It is enough to kill off any anticipated situation.

ASSEMBLYMAN WOODCOCK: I have no further questions.

SENATOR STOUT: Commissioner, it seems to me that I read somewhere that you had an outside study made of the Department a year ago and a report was made - maybe it was three or four years ago, I don't know when - and that you've already ordered one for now.

COMM'R PALMER: That's correct.

SENATOR STOUT: I think that the Committee ought to know, in view of the publicity that has been given this, your views in connection with this and your purposes and your general attitude toward a matter of this kind being done by the department chief.

COMM'R PALMER: I am delighted to have the opportunity. Number one, back in the 1960 area we had the Automotive Safety Foundation come in to make a study at a cost to us of something like \$38,000. The report was made. We appointed a task force of all of the division heads and they met continuously over a period of months - as a matter of fact over a year - and Mr. Andrews was chairman of that committee and there was an Automotive Safety man sitting on the Committee as well as occasionally people from other agencies. A number of the

suggestions they made were adopted and the studies are a matter of record here that were made. A number of the other recommendations were considered by the Committee as not necessarily objectionable, but not effective and not desirable. Some of them had to do with the movement of personnel.

SENATOR STOUT: Excuse me. This was an internal study of the Department?

COMM'R PALMER: Yes, sir. Some of the recommendations had to do with personnel. Anyone who has ever operated a business or even a department knows that if you start bouncing out in the press recommendations about the changes of personnel, etc., that you are going to start quite a party. And in addition to that, in the over all, the individuals that were handling it from the Foundation, we found were not fully versed in organization and as a matter of fact we were one of the early ones that they applied their efforts to. Therefore, there was nothing secret about the report, but let me say this, that I have yet to find the organization that I have ever been familiar with where when you have your stripped-down-to-your-BVD's studies made of your department, that it is the kind of stuff that is advisable to publish in so far as personnel is concerned or your activities. At the present time, we are being checked up on carefully by the firm of Booze, Allen and Hamilton who have done work for many states in the Union, who have done business for the Federal Bureau of Roads, and who are doing a very substantial job for us. As a matter of fact, up to the present time, they have already, although their outside figure with us is something in the

neighborhood of \$75,000 - they have already picked up something in the \$30,000 area and on top of that I would be willing as an individual, as I have said to some of our fellows before, to pay for the entire thing myself if we didn't more than double or triple the return. Now when you are doing a business of \$204 million, as we are, on a construction program, to finagle around about \$75,000 or \$38,000 is just unconscionable and we here with the deficiencies of personnel that we have and with the predominance of volume of work are doing everything that we can to stretch the dollar to make it as elastic as possible. And we are hopeful that people from the outside who have no axe to grind and who can criticize us all constructively or any other way will come up with knowledge of what should be done.

I would like to mention also that here is an excerpt from the Brookings Research Report about professional personnel crisis of the City of New York: (Reading) "Major changes are necessary in carrying out personnel responsibilities. The management of programs is now too greatly divorced from the management of personnel. Commissioners have little discretion in choosing those who they want to run their programs or promoting them or setting their pay. Department heads are handicapped by budgetary controls over hiring and by centralized examining, promotion and classification procedures. In carrying out their programs, they must use the jobs, the salaries and the people decided upon by others. The Bureau of the Budget decides what positions may be filled and when and essentially at what salary range. The Department of Personnel decides who

shall be appointed and who shall be promoted. The city needs to modify the over-centralization of the system of total management. The central fiscal leadership of departments and agencies should be concerned with major trends and over-all limits rather than as at present with the details of administration. The Department of Personnel should become a planning, facilitating, standard-setting and guiding agency. It should not try to control in detail or centralize the greater part of the city's personnel work." It goes on at great length. The real answer is this, that every company that I have ever been associated with or been a director of or had any contact with, the steel corporation or any other one, are constantly engaged in studies of their organizations with outside experts and the Federal government is in the same boat and the people of Booze, Allen and Hamilton I am sure will be of great benefit to the state and in the evaluation of how we spend the dollars.

I would say also that when they get through that in due season we ought to be doing this periodically and I am sure that the Legislature in its considerations of having Little Hoover Committees has had the same point of view. In the last Little Hoover Committee that Governor Hughes had, their definite recommendation was that we not confine ourselves to what we knew internally, but we step outside and hire experts to come in. For that reason I would hope, outside of the contest that came up as to whether we had authorized the \$75,000 before or after, that it be recognized in order to run the department and to have courage enough to stick

with it and to keep an organization together, that you have just got to try and become as efficient as possible and try and offset some of the destructive influences that deny you the opportunity to have the people you need and have to go outside and pay double the salaries to consultants and so forth.

SENATOR STOUT: Do you know whether or not any of the other departments do this?

COMM'R PALMER: Yes, sir. I know that --

MR. MULLEN: Institutions and Treasury.

COMM'R PALMER: But I don't mean here. I am not talking about our state.

SENATOR STOUT: I am talking about our state.

COMM'R PALMER: I don't know about our state. Rus seems to think that he knows something.

MR. MULLEN: I don't have definite knowledge, except that I do believe --

COMM'R PALMER: I think they all ought to do it.

MR. MULLEN: -- there have been groups working with Institutions and Agencies at various time. I remember a study some years ago about the State Use industries.

SENATOR STOUT: Greystone, I think, too.

Well, how about the authorization part now? Let's get that aired once and for all, about whether it was authorized or wasn't authorized.

COMM'R PALMER: Well, as far as the Automotive Safety Foundation - that was all approved. So far as the \$75,000 was concerned, we sent the papers downtown. They dragged

around until February 24th in the Treasury Department and Senator Stamler picked up the tab someplace. So the thing was fully discussed and I discussed it at the Budget Committee and it was approved. But the question that came up for consideration was: Why did the Highway Commissioner go ahead and authorize \$75,000? There must have been a lot of butterfat in his budget, the assumption being that if you have \$75,000 for that, you must have had an awful lot of money laying around. And I have already advised you and I advised him the other day and the whole Budget Committee that the answer to everything that we asked for recently was taken out of concrete.

SENATOR STOUT: Now does anybody else have any other questions?

COMM'R PALMER: May I also suggest that I think that from a business standpoint it would be a highly desirable thing for all departments to have the opportunity to do that and until it is done, I don't know how anybody can hold their hand up and say, "We are as pure as the driven snow." We can't, I know.

ASSEMBLYMAN VANDER PLAAT: What is your feeling about making these studies available to the Legislature?

COMM'R PALMER: Sir?

ASSEMBLYMAN VANDER PLAAT: What is your feeling about making these studies available to the Legislature?

COMM'R PALMER: I would say to a committee of the Legislature, we would be delighted to do it. We are their child.

ASSEMBLYMAN VANDER PLAAT: Well, I think we should see it. I understand some of the problems with it becoming a public report. I appreciate that.

COMM'R PALMER: We don't want it --

ASSEMBLYMAN VANDER PLAAT: -- to be bandied around.

COMM'R PALMER: I don't want it to be bandied around.

ASSEMBLYMAN VANDER PLAAT: I appreciate that. I think I, for one, would like to be able to have the opportunity.

COMM'R PALMER: If we could sit in a room like this with a committee, we'll say, alone, we could talk turkey.

SENATOR STOUT: All day I think it has been obvious that one of the things missing has been money and you talked about the fire bell ringing and it was necessary for you to shift money from one project to another. But over all, other than the Federal program, I don't know that you have gotten great amounts of money in the last few years, additional moneys. By the same token, the Education people have.

COMM'R PALMER: They have a better lobby. They have a lobby and we have a slobby.

SENATOR STOUT: And mental institution people have and higher education people have and they have all gotten some, but not what they want either. They all have important groups behind them, including your own group in the case of - and I'm looking right at the friend you are looking at too. They all have important groups behind them, including the group most effective, which is the group of the teachers and the school people. Now do you feel a lack of support in our state toward an expanded highway program to meet the needs of

the state?

COMM'R PALMER: In so far as practical results, yes, and in so far as evidence, I will say the Citizens Highway Committee has talked about it and issued papers and talked about it at various meetings. But when you come down to the bell on the cash register, it isn't accomplished by conversation or by publicity. The teachers' program is accomplished by a lot of missionary work that goes on constantly.

SENATOR STOUT: But you are aware of their efforts.

COMM'R PALMER: I am aware of their efforts and I commend them for what they have done and I realize that they have had great limitations on them and they certainly are an ally of the Highway Department.

SENATOR STOUT: Well, how do you get the needs of the Highway Department known to all the people of the state to support you in your endeavor to obtain more money?

COMM'R PALMER: Well, we have one thing. We have a series which we get for nothing. Do you want to comment on our radio broadcast?

MR. MULLEN: Yes, sir. This is an interesting tie-in with the budget. The Commissioner mentioned the request that we made for Special Services and the amount of money that we received. One of the requests for funds for Special Services was from the Highway Department's Bureau of Public Information, an item, I believe, of - I think it was about \$5,000.

COMM'R PALMER: \$6,000.

MR. MULLEN: \$6,000, to pay the cost of a radio

program that we inaugurated last year. This program consists of a taped narrative dealing with various aspects of the highway program in the state, including needs and what is going on. It is taped for us commercially and the tapes are reproduced and sent to radio stations and that is the cost involved, the actual production of the tapes. In return for this \$5,000 or \$6,000 we have now 29 or 30 radio stations in New Jersey, New York and Pennsylvania - Philadelphia and New York City - who are carrying this program, some of them every day of the week, entirely free of charge. We made a computation of the hours of free radio time that we are receiving and it is pretty staggering. This program is costing the State of New Jersey a few cents really. This was one of the items which was not recognized in the appropriation for Special Services. So this money will have to be found somewhere else in the department.

COMM'R PALMER: Out of concrete.

MR. MULLEN: Generally, if I may address myself to this spreading the word, some of the material we will present to the Committee is our publication put out by the Bureau of Public Information. Publications of any kind, no matter how good, can only carry you so far. The most effective means of public information, public relations, if you want to use that word, but actually it is public information, is by personal contact, sending someone around in response to a request from a Kiwanis Club or from a commuters' group or from some other organization, to talk to them and to answer their questions. The Highway Department has no speakers' bureau.

Up until about a year and a half ago, we had no people available for this at all. We now have one man available. He is completely unable to respond to all the requests that are received. We had to take him away from other work in order for him to do this. The effect of the highway program on the public of New Jersey just can't be measured. Mr. Schuyler mentioned one area of the state where a highway is going to require some 15,000 people to move. Well, they want to know: How come? Why? When? What's the procedure? - and all the rest of it. We have booklets, we have procedures, we have news releases, we have radio programs, but that is not enough. They want somebody there to tell them.

COMM'R PALMER: 15,000 families, not just people.

MR. MULLEN: 15,000 families. Excuse me, sir. In most areas there is resentment to the type of a project that will cause this dislocation. The resentment is expressed to local government units and finally perhaps to the Legislature in some instances. This may have an effect on our financial condition and that can only be overcome really by spending time and spending some money on what can be regarded really as a public education program, sending somebody there to say, "Look, you are going to have to move. The right-of-way men will be around such and such a time. They will pay part of your moving cost on such and such a basis. If you want help, you go see so and so." This can't be accomplished by the news release type of thing.

SENATOR STOUT: Any other questions?

ASSEMBLYMAN HIERING: Commissioner, in your statement

you indicated that the Highway Department had often advocated an increase in the road aid to the local governments. I think most of us agree with that. How about the formula? Do you feel that the formula presently being used is fair or have you recommendations on that?

COMM'R PALMER: We have Mr. Faxon who is in charge of State Aid and who is here. He has been spending the better part, off and on, of two or three months in writing up a report for me - it still isn't in final shape - of suggestions as to how the counties and municipalities can receive a greater advantage out of the State Aid Program. As I mentioned before, it dates back to 1912. It is as antique as anything could possibly be. There are the Herrick Funds which are \$100,000 a county. Then there are the other funds that are based on the formula of population and area and mileage and I dare say that in the counties where area and mileage - or area, at least - are so predominant that we would have a fat chance of coming up with a program that would be realistic and probably take some money away from those localities or not give them the same increases. Now there has been tentative legislation put in, as I understand it, to increase the allotments, but those allotments would be on a formal basis. For example, since 1948 the counties have received annually \$9,155,000 apportioned on the basis of area and road mileage. Then they have had another \$2 million apportioned on the basis of road mileage and area and nothing to do with population. Then there is \$1,155,000 of which each of the 21 counties get \$55,000.

That's a total of \$9,155,000. Then there is \$2.1 million of the so-called Herrick Fund which has been allocated since '48 and then there is another \$4½ million apportioned by the formula based on municipal road mileage and population to all municipalities in the state. The money that we get from the Federal government and the principle that we attempt to pursue is based upon need and it certainly would seem logical, if it could be worked out, to have a method of distribution to counties and municipalities based on need. It is that aim that we are working toward. We have been frustrated with some of these idealistic plans that we have all discussed. But we are certainly going to be prepared to come up with a recommendation for more consideration of the counties and so forth.

In connection with the counties, I might remind you of another thing. A bill was passed in the Legislature authorizing the Highway Commissioner to compensate the counties for the roads that were ripped up by the contractors in their pushing of their trucks around from one job to the other. But there was no money set up for it. In spite of the fiscal attitude of the Legislature, there was no money set up for the thing. Neither was there any provision as to whether the Commissioner should go out and take a photograph of all the highways preceding the time the trucks went over them and also to stand there and watch and see what kind of trucks tore up the highway, whether his construction trucks or something else.

Now those are samples of some of the indirect approaches

to the realities of life and we will try to come up with something more specific in this case.

ASSEMBLYMAN HIERING: They probably figured you would take that out of concrete too.

COMM'R PALMER: Yes, sir, no question about it. You are right with us.

ASSEMBLYMAN VANDER PLAAT: Commissioner, one thing you just mentioned - you spoke about trying to revise the formula on the basis of needs of the municipality.

COMM'R PALMER: Yes.

ASSEMBLYMAN VANDER PLAAT: In determining the need of a municipality, is any consideration given to the municipality that has attempted, honestly attempted, to meet its own needs and has maintained its roads and hasn't allowed its local roads to deteriorate? Let's say that the taxpayers of that community have paid to keep their roads in good shape or, at least, in reasonably good shape and then a municipality that has not done that - are they the ones that stand to gain the most under some change in formula to meet the needs of the community? This appears to be the case quite often when you talk about State Aid to municipalities, that the municipality that hasn't taken care of itself gets most of the money under this and I think there is some resistance because of that.

COMM'R PALMER: Mr. Faxon is in charge of State Aid. Do you wish to comment on that?

A. A. F A X O N: At any time there is allowed us a judgment on such conditions, we feel that the old saying

that "God helps them that helps themselves" is applicable and we will stretch a point to help a municipality that is demonstrating a will of their own to both improve and maintain their own streets.

ASSEMBLYMAN VANDER PLAAT: Thank you.

COMM'R PALMER: So in other words, the fellow that doesn't do it does not get the consideration from the State Municipal Aid Division and it is that thing that we are heading into when it is strictly on a needs basis.

ASSEMBLYMAN VANDER PLAAT: Well, that is the point I am making. Is this change in formula going to be geared to fixing up roads in towns that allowed them to go to pot?

COMM'R PALMER: No, not just that, and yet we haven't headed to the last roundup as to what our idea is, but in principle, not that.

SENATOR STOUT: There was a suggestion made this summer or last spring that the budget with respect to the Highway be over a two-year period rather than a one-year period. Is that a good idea?

COMM'R PALMER: It has this benefit: It takes away other funds in order to match the funds. But the majority of the states of the Union are taking advantage of it and we are sufficiently behind due to lack of personnel to warrant us in jumping into the breach and grabbing the second year's allocation. Some states are using up their '65 money already. We hope to be able with that heat on the back of our neck to speed our progress. Whether we will be able to do it another year or not is a question.

SENATOR STOUT: Do you know whether the administration has plans to introduce a bill of that nature?

COMM'R PALMER: Which administration?

SENATOR STOUT: The State of New Jersey, the Democratic administration, Governor Hughes' administration.

COMM'R PALMER: Well, I was thinking you were talking of the one in Washington.

SENATOR STOUT: No, I am talking about the one in the state. There was a plan suggested last Spring that the state satisfy its highway budget on the basis of two years to take advantage of whatever the Federal government was doing.

COMM'R PALMER: Do you want to comment on that?

MR. MULLEN: The Commissioner's statement, the part of it that was just put into the record, deals with that. What happens is this: We get an annual, year-at-a-time appropriation, but the bulk of the money provided each year turns itself into what amounts to a two-year work program from the engineering side. Let me give you an example. This year, for example, in July or August when the new construction program was promulgated, there was money put into various projects - I will supply you with a copy of the program - which had not previously appeared in any construction program and for which no final alignment had been determined. It would be normal, starting from scratch on those projects, for it to be two years before the engineering and right-of-way were completed and the construction begun and there would be another two years before all of the construction money was

paid out. So in reality from a work-load standpoint, we are always working at any particular time on more than a one-year program. The bulk of the projects put under contract in any one year were authorized the previous year. The bulk of the engineering is for projects authorized in the current year. The value of a two-year program or a two-year authorization or even a three-year authorization would be from the planning viewpoint and the starting of the engineering that much earlier. The Highway Department's handicap is that when it initiates a project which it knows is going to cost \$26 million, for example, the most it can afford in the initial construction program authorization is, let's say, \$2 million, \$3 million, or something of that order. It has no certainty as to how much it will be able to put up the next year. Therefore, it can only plan for, let's say, a very short segment of that route. The Federal authorizations come on a staggered basis. The table attached to the Commissioner's statement indicates, for example, that while the '64-'65 apportionment was made last July - and this is what I believe you referred to as putting two years into one - the '63-'64 apportionment was made eight months before that.

SENATOR STOUT: You are talking on a state basis now. This was a suggestion made by ---

MR. MULLEN: It is important for the state to have the matching money at the time the Federal alignment is released.

SENATOR STOUT: Should we do anything about it? Is

that what you recommend? Do you have legislation prepared?

MR. MULLEN: No, we have no legislation, but I think it would be advantageous to our planning group and to our engineering group, very advantageous, to have at least a two-year authorization on money.

SENATOR STOUT: Are there any further questions?

[No response.]

Before we conclude, do you have a legislative program or some suggestions that you feel should be adopted by the Legislature to carry out some of the thoughts you have suggested today?

ASSEMBLYMAN HIERING: Would you like to recommend a sales tax or income tax or something like that?

COMM'R PALMER: Don't talk this way when you talk; just put your hands in your pocket.

ASSEMBLYMAN KEEGAN: I'd like to hear you on the bond issue again.

COMM'R PALMER: Well, 35 states of the Union, as I said before, either have bond issues or dedicated funds.

SENATOR STOUT: Is this on the record?

COMM'R PALMER: Yes.

SENATOR STOUT: All right.

COMM'R PALMER: And whether you gentlemen decide in your superior judgment, having the responsibility for originating ways and means of having funds, to have either one kind of a source of revenue or another, is entirely out of our bailiwick.

SENATOR STOUT: But you want to make sure that any

money raised that way, part would go to highway purposes, wouldn't you?

COMM'R PALMER: We would feel this way; outside of the need for education and the need for institutions and agencies, that the transportation of people and of goods is so paramount even to their lives, as well as to our own, that something material should be done in the way of supplying us with additional money and we are hopeful that out of this accumulation of remarks and data, plus the exhibits that we are going to send to each one of you, some result along that line will bring some order out of our present chaotic condition.

SENATOR STOUT: Incidentally, we have about six members absent. How do we get the material to them. Do you want to turn it over to us or do you want to get the under-worked staff of yours ---

COMM'R PALMER: You don't even have to take your own. We are going to deliver all of it to each one. It is a fabulous amount. This is the list, sir, of what it consists. I don't know if there is time enough left for me to read the list.

SENATOR STOUT: It looks all right.

COMM'R PALMER: There is everything there for your Committee that you could possibly ask for in the way of information and it is all spelled out and we had hoped while you were here, that we would be able to take you down to our computer section.

SENATOR STOUT: We have all day and all night.

COMM'R PALMER: You have? Well, all right. It is a good place to spend the night. But I do want to say if you were free, we would be delighted to have Mr. Woodruff and Mr. Mullen take us down there because I think you ought to see that.

SENATOR STOUT: The meeting will stand adjourned and we will announce the date of the next hearing later.

By the way, is there anybody here who would like to speak on the highway problems this afternoon? [No response,]

We will make an announcement as to the date of the next hearing.

Thank you again, Commissioner.

COMM'R PALMER: Thank you for coming and also I trust that we have been able to give you everything that you could ask for under the circumstances and we will supply you with the data you have asked for.

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STATUS OF FEDERAL AID ALLOTMENTS

1944 Act - P. L. 521 - 78th Congress

<u>Federal Fiscal Year</u> <u>(Apportioned Date)</u>	<u>Primary</u>	<u>Urban</u>	<u>Secondary</u>		<u>Interstate</u>		<u>Total</u>
1946 (Oct. 1945)	2,863,970	5,527,987	1,041,395	(50 - 50)	(60 - 40)	(90 - 10)	9,433,352
1947 (May 16, 1946)	2,864,310	5,527,987	1,041,631				9,433,928
1948 (May 12, 1947)	2,822,379	5,457,116	1,024,832				9,304,327
<u>1948 Act - P. L. 834 - 80th Congress</u>							
1950 (Sept. 1, 1948)	2,547,207	4,911,404	927,053				8,385,664
1951 (Oct. 1, 1949)	2,547,926	4,911,404	927,560				8,386,890
<u>1950 Act - P. L. 769 - 81st Congress</u>							
1952 (Nov. 22, 1950)	2,980,007	5,340,749	873,953				9,194,709
(6-21-51 & 11-14-51)	2,962,486	5,299,454	870,338				9,132,278
1953 (July 14, 1951)							
<u>1952 Act - P. L. 413 - 82nd Congress</u>							
1954 (Nov. 1, 1952)	3,175,262	5,874,465	1,071,050	326,438			10,447,215
1955 (Jan. 1, 1954)	3,183,593	5,904,745	1,071,310	327,310			10,486,958
<u>1954 Act - P. L. 350 - 83rd Congress</u>							
1956 Fiscal Year	4,083,014	7,572,939	1,373,973		3,753,573		16,783,499
1957 Fiscal Year	4,081,077	7,592,209	1,369,283		3,759,671		16,802,240
<u>1956 Act - P. L. 627 - 84th Congress</u>							
1957 Fiscal Year (6-29-56)	746,588	1,375,976	252,837			21,903,382	24,278,783
1958 Fiscal Year (8-1-56)*	6,076,929	8,356,506	1,719,295			37,235,749	53,388,479
1959 Fiscal Year (8-1-57)*	6,198,993	8,563,453	1,747,245			43,533,500	60,043,191
* Transfer of Funds (Approved 6-17-59)							
<u>1958 Act - P. L. 381 - 85th Congress</u>							
1959 Fiscal Year (4-16-58)						4,375,226	4,375,226
1960 Fiscal Year (8-1-58)	5,488,333	9,857,490	1,904,658			80,495,500	97,745,981
1961 Fiscal Year (10-8-59)	4,628,033	9,824,877	1,889,329			57,665,520	74,007,759
<u>1960 Act - P. L. 657 - 86th Congress</u>							
1962 Fiscal Year (12-30-60)	4,904,496	9,668,607	2,006,565			70,079,625	86,659,293
1963 Fiscal Year (10-10-61)	6,127,534	9,959,813	2,180,663			62,402,100	80,670,110
<u>1962 Act - P. L. 866 - 87th Congress</u>							
1964 Fiscal Year (11-28-62)	5,962,020	10,190,574	2,044,966			67,602,275	85,799,835
1965 Fiscal Year (7-8-63)	6,166,540	10,405,791	2,140,434			69,846,907	88,559,672
TOTAL ALLOTTED.....	80,410,697	142,123,546	27,478,370	653,748	7,513,244	515,139,784	773,319,389

ESTIMATED FEDERAL APPORTIONMENTS WITH STATE MATCHING FUNDS

	<u>Federal Inter. Apport.</u>	<u>State Matching Interstate</u>	<u>Federal Apport. 50-50</u>	<u>State Matching</u>	<u>T o t a l</u>	
1966 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	72,996,000	8,110,667			<u>81,106,667</u>	115,090,803
1967 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	75,603,000	8,400,333			<u>84,003,333</u>	117,987,469
1968 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	78,210,000	8,690,000			<u>86,900,000</u>	120,884,136
1969 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	78,210,000	8,690,000			<u>86,900,000</u>	120,884,136
1970 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	78,210,000	8,690,000			<u>86,900,000</u>	120,884,136
1971 Primary			6,371,060	6,371,060	12,742,120	
Urban			10,621,008	10,621,008	21,242,016	
Interstate	75,211,950	8,356,883			<u>83,568,833</u>	117,552,969
 T o t a l	 <u>\$458,440,950</u>	 <u>\$50,937,883</u>	 <u>\$101,952,408</u>	 <u>\$101,952,408</u>	 <u>\$ 713,283,649</u>	

NON-INTERSTATE FREEWAYS
STATUS

ROUTE	COUNTY	FUNDS REQUIRED	PLANNED	STUDY	PUBLIC HEARING	DESIGN	R.O.W.	CONSTRUCTION
18 Freeway	Somerset-Middlesex	\$13,200,000	X	X				
18 Freeway	Monmouth	21,000,000	X	X	X			
20 Freeway (Paterson Peri- pheral) (Not legislated as Fwy.)	Passaic	36,500,000	X	X	X	X	X	Soon
21 Freeway (A)	Passaic-Bergen	34,000,000	X	X	X	X		
24 Freeway	Union-Morris-Hunterdon-Warren	108,000,000	X	X	X	X	X	Soon
29 Freeway (B)	Mercer	17,000,000	X	X	X	X	X	X
35 Freeway	Monmouth	20,000,000	X	X	X	X	X	
55 Freeway	Cumberland-Cape May	66,000,000	X	X	X	X		
75 Freeway	Essex	30,000,000	X	X	X			
76 Freeway	Union	10,000,000	X	X				
92 Freeway	Middlesex-Somerset-Mercer	9,500,000	X	X	X			
322 Freeway	Gloucester	40,000,000	X					
440 Freeway	Middlesex	22,000,000	X	X	X	Soon		
440 Freeway	Hudson	18,750,000	X	X				
TOTAL		\$445,950,000						

(A) Open to traffic from Newark to Route 3-Clifton.

(B) Open to traffic in Trenton from Willow Street to Aberfeldy Drive.

NOTE: Status categories are for portions of proposed routes - not necessarily for the entire route.

