

PUBLIC HEARING

before

ASSEMBLY TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

TRANSPORTATION FUNDING

Held:
May 21, 1984
Room 425
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Wayne R. Bryant, Chairman
Assemblyman Paul Cuprowski, Vice Chairman
Assemblyman Thomas P. Foy
Assemblyman Edward K. Gill
Assemblyman John W. Markert

ALSO PRESENT:

Laurence A. Gurman, Research Associate
Office of Legislative Services
Aide, Assembly Transportation and
Communications Committee

New Jersey State Library

New Jersey State Library

OCT 29 1984

TABLE OF CONTENTS (continued)

	<u>Page</u>
Marlene Z. Asselta Director of Governmental Affairs for Cumberland County	61
Fred Sacco Executive Vice President Fuel Merchants Association	66
William Carpenter Independent Contractor	70
Dan Wettlin President New Jersey Milk Industry Association	71
Alfred A. Miller Executive Secretary New Jersey Industrial Traffic League	72
Robert Kortenhaus Vice President Bilkays Express and Jersey Coast Freight Lines	73
James O'Donnell President Bass Transportation	74
Frank M. Lentine President Lentine Management, Inc.	74
Charles Nicholas Nicholas, Incorporated	75
Pat Iannone Walsh Brothers, Incorporated	76
Willard D. Jayne Jayne's Motor Freight	77
APPENDIX	
Copy of Resolution Submitted by Cumberland County	1x

TABLE OF CONTENTS

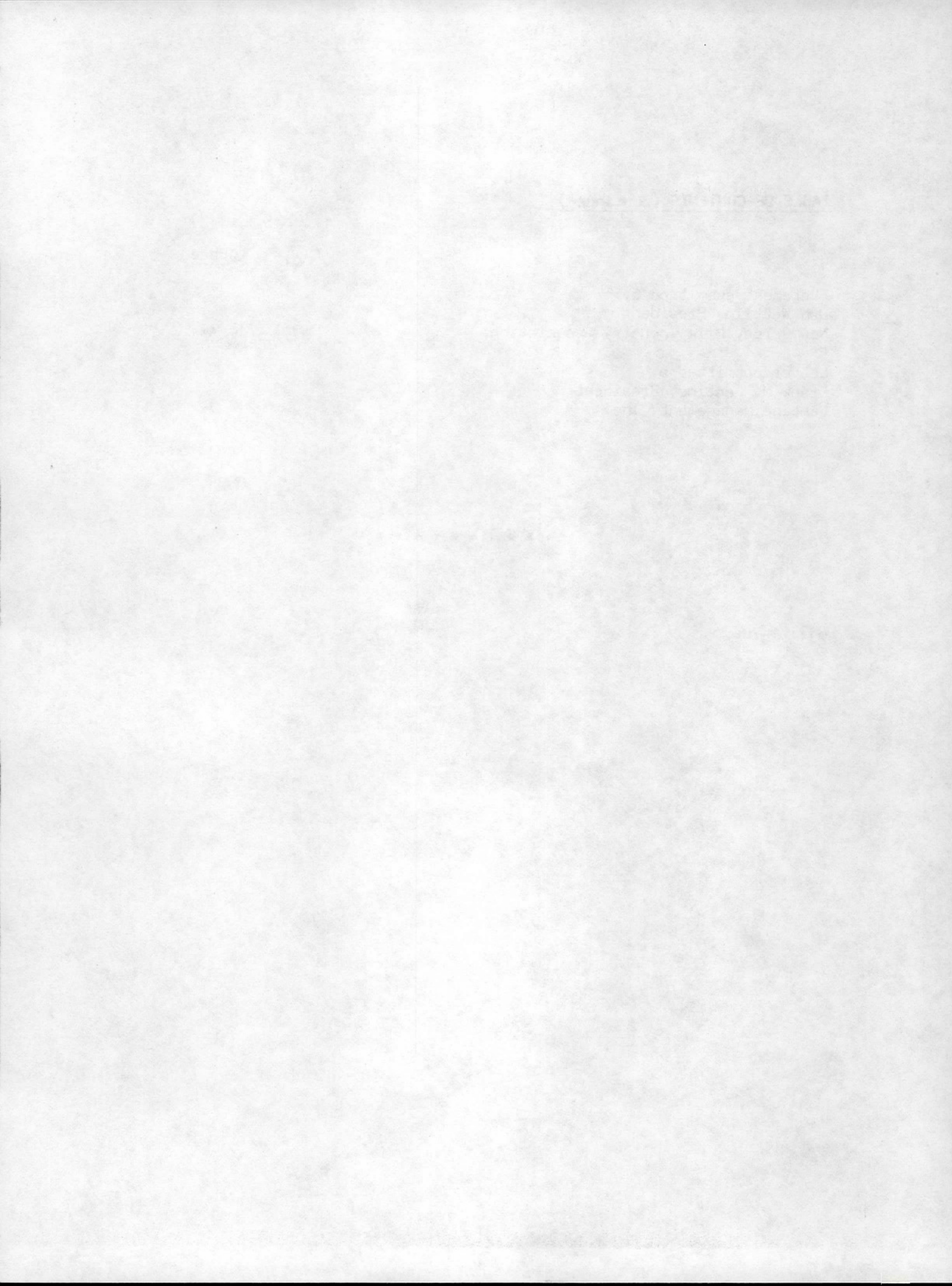
	<u>Page</u>
Thomas Boust Bear Sterns	2
Mark Meyers Dillon Reed	4
John P. Sheridan, Jr. Commissioner New Jersey Department of Transportation	6
Roger E. Nutt Assistant Commissioner for Finance New Jersey Department of Transportation	6
James Weinstein New Jersey Department of Transportation	21
Paul Kiely, Jr. President New Jersey Motor Truck Association	31
Paul Stalknecht Managing Director New Jersey Motor Truck Association	32
Edward Hmieleski Secretary New Jersey Motor Truck Association	37
Larry McGinley Teamsters Joint Council No. 73	52
Oliver Brown Vice President New Jersey Motor Truck Association	54
Gary Bonacci Assistant to the President AAA Trucking Corporation	56

TABLE OF CONTENTS (continued)

	<u>Page</u>
Statement submitted by Dan Wettlin, President New Jersey Milk Industry Association	4x
Letter submitted by Frank M. Lentine, President Lentine Management, Inc.	7x

* * * * *

mjz: 1-78



ASSEMBLYMAN WAYNE R. BRYANT (Chairman): Good morning ladies and gentlemen. I apologize for my tardiness, but a meeting came up earlier this morning. This hearing of the Assembly Transportation and Communications Committee is for the purpose of dealing with truck registration fees.

First, we have a couple of holdovers from a previous hearing, who will speak on the subject of financing. That will probably take us about 15 minutes. So, at this time we will ask the gentlemen from Bear Sterns and Dillon Reed to come forward so we can finish up the financing portion from our last hearing.

I'm sorry, but this was the largest room available today. I know there are a lot of interested people, but I would request that we keep the rumbling down and allow the speakers to speak. We will give everyone a chance to speak. I should remind everyone, because some of you are new, that all questions are directed through the chair, and we will respond accordingly. We will not have a situation where people who are not on the Committee will be permitted to question the different people who are testifying.

ASSEMBLYMAN FOY: Mr. Chairman?

ASSEMBLYMAN BRYANT: Yes, Assemblyman Foy.

ASSEMBLYMAN FOY: I would also like to apologize for being late this morning. I was attending another meeting with the Chairman of the Committee on another matter. I will need to leave at approximately ten o'clock to just go briefly to another committee meeting, because I have a bill up in that committee. I will then return.

ASSEMBLYMAN BRYANT: I have too, but we will continue.

ASSEMBLYMAN GILL: I have one at ten-thirty.

ASSEMBLYMAN BRYANT: You have one at ten-thirty?

ASSEMBLYMAN FOY: We will be moving in and out today, just so you understand our process.

ASSEMBLYMAN BRYANT: I will have the Vice Chairman take over when I have to leave.

ASSEMBLYMAN CUPROWSKI: I am a freshman; I don't have any bills up. (laughter)

ASSEMBLYMAN GILL: We are glad to have you aboard, Assemblyman Cuprowski.

ASSEMBLYMAN MARKERT: That is because all of yours are already on the floor.

ASSEMBLYMAN BRYANT: Okay, let's get started so we can move right along and hear from everyone. First, we will have Mr. Boust and Mr. Meyers, so we can finish our questioning of them. I will start out. Please compare the cost of a 10-year GO bond and a 10-year appropriation bond.

THOMAS BOUST: Could you clarify what you mean by cost, please?

ASSEMBLYMAN BRYANT: What happens when we start comparing-- I want to compare apples to apples, and oranges to oranges. When we talk about GO bonds, we end up talking about bonds that we usually float for 30 years. Therefore, when one does an interest ratio, one says, "Wow, what we are talking about now for a 10-year bond is a lot less than what we are talking about for a GO bond." But, that is comparing apples to oranges. I'm saying, assuming we use the same other revenue sources, we could float a GO bond. I want to know what the cost would be for a GO bond for 10 years, with the ratings taken into account, as compared to the new type of bonds we are talking about.

MR. BOUST: If the State had sold GO bonds last week, in our judgment the 10-year bonds would have had an average interest rate of about 8.6%. If Double A revenue bonds had been sold, the average interest rate would have been about a quarter of a percentage point higher than that. If the revenue bonds had been sold as we think they would need to be sold, with a debt service reserve being funded from bond proceeds and invested during the life of the 10-year revenue bonds, the assets in the debt service reserve would have earned interest at a rate legitimately higher than the interest rate on the bonds. After taking into account the earnings on that debt service reserve, the annual debt service on the revenue bonds would have been approximately equal to the annual debt service on the general obligation bonds.

ASSEMBLYMAN BRYANT: Now, if you fund a debt service on GO bonds--

MR. BOUST: (interrupting) The United States Treasury does not allow a debt service reserve to be funded from the proceeds of general obligation bonds.

ASSEMBLYMAN BRYANT: So, are you saying they are both equal?

ASSEMBLYMAN GILL: Substantially.

ASSEMBLYMAN BRYANT: Okay. Therefore, there is not really a disparity in interest between one and the other?

MR. BOUST: Over the life of the bonds, in the worst-case comparison, it virtually nets out to be a wash.

ASSEMBLYMAN BRYANT: Assemblyman Markert?

ASSEMBLYMAN MARKERT: Thank you, Mr. Chairman. Mr. Boust, you said in the worst-case comparison, what about in a favorable case, not the worst case? Would we then find a better net rate with these bonds over the GO's, because of the investment of the funds? Because you said in the worst case, and I figured if that was the bottom line on the one side, there must be a top side. If you do not feel you can give me that information because it is not available, then that's fine.

MR. BOUST: An alternative really relates to the funding assumptions for the capital program. If there are no earnings at all assumed on bond proceeds-- In other words, if the bond proceed earnings would revert to the General Fund, then the interest costs relating to general obligation bonds could be substantially higher. That would require a larger issuance of general obligation bonds.

ASSEMBLYMAN MARKERT: Thank you. I was just trying to reflect some testimony we heard at our first hearing with reference to the bonds that would be floated by our authorities, and how the costs would net out. I was just trying to find out if that situation would be exactly the same here and, as you said, it is. Thank you, Mr. Chairman.

ASSEMBLYMAN BRYANT: Are there any other questions from the Committee?

ASSEMBLYMAN GILL: None.

ASSEMBLYMAN CUPROWSKI: The only question I have, Mr. Chairman, through you, is, as financial consultants, would this be a preferred method of financing for this stable funding, in your opinion?

MARK MEYERS: My answer would be "yes." I think it takes into account the number of varying positions here. It is part pay-as-you-go and part bond proceeds; it is part new money and part old money. It is trying to address a long overdue problem on a basis that will provide a stable funding. I think it does accomplish that.

ASSEMBLYMAN BRYANT: Let me follow up on that question. When you say it is part pay-as-you-go and part bond proceeds, assuming that you had a 10-year bond and you still also used the same revenue sources, what is the difference? I mean, it is part pay-as-you-go and part using bonds, if you use GO bonds. Please explain the difference so I will understand. Assume that I dedicate \$88 million, \$30 million, and \$25 million every year from these new sources, put it in some kind of trust fund and use it for roads, and then use the 10-year bond, what is the difference?

MR. MEYERS: Between a funding with a GO and a funding with a revenue bond? Is that what you are talking about?

ASSEMBLYMAN BRYANT: Sure.

MR. MEYERS: Well, in the concept, both are dead issues. On the revenue bond, I think what the objective is here is to set up a long-term program to address the funding needs of transportation.

ASSEMBLYMAN BRYANT: Are you telling me it is impossible to set up a trust fund using new revenues, or these revenue sources, setting them aside as we do with the trust fund, and then having an obligation bond to match those funds?

ASSEMBLYMAN MARKERT: Mr. Chairman, I think that since these gentlemen--

ASSEMBLYMAN BRYANT: (interrupting) Excuse me. Since this is my question, they will respond.

ASSEMBLYMAN MARKERT: Not necessarily will they respond; only if they can.

ASSEMBLYMAN BRYANT: Well, if they cannot respond, then they can tell me that.

MR. BOUST: The other policy objectives, if you will, which are served by the proposed Authority are a little outside the realm of investment banking. They are the capital program goals and cash

management goals of the State. It is a difficult question to respond to as a financial consultant on the bonding aspect itself.

I think it is clear that a variety of different kinds of programs could be put together.

ASSEMBLYMAN BRYANT: To achieve State funding?

MR. BOUST: Right. In our judgment, this is a program that serves most of the objectives most of the time, which is really a guided policy judgment by the Administration and by the Department.

ASSEMBLYMAN BRYANT: Are there any further questions?

ASSEMBLYMAN CUPROWSKI: Well, the only additional question I have, Mr. Chairman, is, would you agree with some of the comments that were made by previous speakers who were not financial experts, or at least financial consultants, with reference to the Double A bonding if these bonds were sold? In their opinion, they were talking about the fact that they were probably sold, and rated, if you will, Double A, as opposed to Triple A. Would you agree with that, or do you have another analysis on that?

MR. MEYERS: No, I would agree with that.

MR. BOUST: So would I.

ASSEMBLYMAN CUPROWSKI: Thank you.

ASSEMBLYMAN BRYANT: Are there any further questions? (no response) Thank you, gentlemen. You have been very helpful.

ASSEMBLYMAN MARKERT: We appreciate your coming back, even though it was only for a short period of time.

MR. BOUST: Thank you very much.

MR. MEYERS: It was our pleasure.

ASSEMBLYMAN FOY: You are welcome to stay if you have nothing else to do.

ASSEMBLYMAN BRYANT: Yes, if you would like to listen to all the other things. Now, we are going to get into the main portion of what this hearing is for, dealing with that portion of the Trust Fund Authority relative to the raising of truck registration fees. At this time, I would ask that the Commissioner of Transportation, John Sheridan, come up -- and anyone else you would like to have, Commissioner. We appreciate your coming back to offer whatever information you can.

JOHN P. SHERIDAN, JR.: Thank you, Mr. Chairman. To my left is Roger Nutt, Assistant Commissioner for Finance at the Department.

ASSEMBLYMAN BRYANT: Welcome, Mr. Nutt.

ROGER E. NUTT: Good morning, Mr. Chairman.

COMMISSIONER SHERIDAN: Mr. Chairman, members of the Assembly Transportation and Communications Committee: Thank you for the opportunity, again, to meet with you to continue our discussion of the proposed Transportation Trust Fund.

At our last meeting, I spoke of the tremendous economic benefits this program holds for New Jersey. Not only will it produce thousands of jobs and millions of dollars for the economy of this State, but it will save the traveling public -- including the thousands of trucks that use our highways daily -- millions of dollars in time and repair costs. Perhaps even more importantly, it will greatly enhance the safety of our transportation network.

This program will enable us to make the needed safety and capacity improvements on Route 17 in Bergen County. It will enable us to complete the dualization of Route 38 in Burlington County, and Routes 169 and 185 in Bayonne/Jersey City. It will open up an entire area of South Jersey through the continued construction and completion of Route 55, and will make millions of dollars of needed improvements to the State highway network in Camden County. These are just a few of the projects, the many, many projects that will be done under this program.

These kinds of projects and needs exist in every region of our State. This program is designed to meet these needs so New Jersey will be prepared for the future.

It is a program that will benefit every resident of this State. But, make no mistake about it, in my opinion, no segment of our society will benefit more from this program than the trucking industry.

Having made that statement, I would like to lay out for you the facts on which the decision to propose a \$30 million increase in heavy truck registration fees as part of the Transportation Trust Fund was based.

That \$30 million would be generated by increasing the registration fees on trucks weighing over 5,000 pounds an average of 50%. The actual increase would range from a low of 4.3% for light trucks weighing 5,001 pounds to a high of 87% for the heaviest tractor-trailer weighing 80,000 pounds. The explanation, or the rationale for that is simple. The heavier the truck, the greater the damage it does to our highways and bridges. That realization, based on extensive studies and research, was the basis for the Federal Surface Transportation Assistance Act of 1982, enacted by the Congress of the United States.

The American Association of State Highway and Transportation Officials has released its own report that states one 80,000-pound heavy truck does the same amount of damage to bridges and highways as 9,600 cars.

But, that only tells part of the story. The fact is that New Jersey has been, and under this proposal will continue to be, a very favorable State for the trucking industry. Unlike other states where taxes and fees have increased, New Jersey's taxes and fees have remained stable, or decreased over the last decade.

Our State currently ranks forty-sixth lowest in the nation in combined taxes and fees imposed on trucks. Under the Transportation Trust Fund proposal, New Jersey would rank thirty-seventh. New York ranks fifth, Pennsylvania ranks fifteenth, and Delaware, which is slightly higher than us now, would be slightly lower if this increase is implemented.

However, regarding our relative position to the State of Delaware, I would like to call your attention to a recent survey conducted by Alexander Grant & Company, a national accounting firm based in Philadelphia. That survey shows that, based on an evaluation of 22 different government and non-government factors, New Jersey ranked twenty-ninth in the nation in terms of favorable business climate. I would point out, although it is not in my text, that that is a dramatic increase over our position last year. Delaware ranked thirty-sixth; New York ranked thirty-ninth; and, Pennsylvania ranked forty-first.

It is this kind of data, in my view, that undermines the validity of the assertions by the trucking industry in this State on which they are basing their opposition to the proposed increase in truck registration fees. The reasons that our ranking is, and would continue to be competitive and favorable to the trucking industry are apparent.

The fuel tax in New Jersey, one of the lowest in the nation, has been stable since 1972. I would say that since we are attending to the capital needs of the transportation community, there is a good chance it will remain stable over the next four years, at least.

Truck registration fees have not increased since 1976, despite an 18% increase in auto registration fees approved by the Legislature in 1979.

New trucks and truck parts have been exempt from the State sales tax since 1978 and, based on the New Jersey Motor Truck Association's own figures, that alone would be worth more than \$40 million per year to the industry. When I say their own figures, I would just like to point out that we calculated that amount based on the report they submitted to the Legislature about a month ago, when they gave the purchases for the truck industry in 1982. I think clearly what that sales tax exemption has done, is save the trucking industry somewhere between \$100 million and \$200 million since 1978. I guess the point I would make is that perhaps the motorists should have been so lucky.

Incidentally, the truckers, as you may recall, those of you who were in the Legislature at that time, sold that sales tax exemption on the basis that it would be offset by increased truck registrations in New Jersey. There was a 1977 letter agreement between the Treasury Department and the truckers with respect to that point and, in fact, as early as 1978, Treasury's files indicate that the State was already being short-changed on that negotiated deal by approximately \$12 million per year. The present estimates, based on the numbers I have from DMV, indicate that the State is being short-changed approximately \$30 million per year on that arrangement as of this date.

In addition to all of this, the trucking industry has benefited from several productivity increases in recent years. The maximum allowable weight of trucks on our highways has increased from 73,000 pounds to 80,000 pounds. The fuel efficiencies of heavy trucks has increased 33% since 1974, from 4.5 miles per gallon to 6 miles per gallon. These are not my figures; these are the Motor Trucking Association's figures. That reflects itself, among other places, in the State's fuel tax revenues from the trucking industry. What I am saying is that, in effect, our revenues are going down as their productivity increases. The bigger double-bottom and wider 102-inch heavy trucks are now permitted on a fairly extensive network of highways in the State.

Taking all of this into account, as we did before proposing this fee increase, led us to the conclusion that the increase is both fair and justified. The most graphic illustration of this is seen in the graph which is attached to the copy of my statement, which you have received and which is shown on the chart before you.

Using 1972 as the base year, because that is when the fuel tax was last increased, and taking into consideration the 137% increase in the Consumer Price Index that has taken place since then, you can see that: the eight cent per gallon fuel tax is worth only 3.3 cents today when expressed in 1972 dollars; and, the \$602.00 registration fee for the heaviest truck back in 1972, today is worth only \$298.00 when expressed in 1972 dollars, even when the increase which was implemented in 1976 is factored in.

The bottom line on all of this clearly indicates that the contribution of the trucking industry to New Jersey's transportation needs has declined dramatically over the last decade.

In its rebuttal to the Transportation Trust Fund proposal, the trucking industry goes to great lengths to explain the recent increases in Federal charges imposed on trucks, and indicates we should return to those days before the Federal Surface Transportation Assistance Act of 1982 was passed, when the trucking industry was paying 50% of highway user fees across the nation. In New Jersey, the trucking industry isn't even coming close to paying the share of the

highway user fees and taxes they contend is "fair" at the national level.

In Fiscal Year 1984, the trucks will contribute a total of \$134 million of the \$571 million collected by the State in transportation revenues. This represents 23.5% of the total.

Under the Transportation Trust Fund, the share trucks would pay would increase to 25.9%, or \$164 million of the \$636 million expected to be collected in those same fees. That means, quite simply, that the trucking industry is objecting to paying one dollar out of every four dollars collected in highway user taxes and fees in New Jersey, even though they say that twice that percentage was fair at the national level.

Finally, I would like to point out to you what I have told representatives of the trucking industry on a number of occasions. We are willing to consider any reasonable alternative from them which places some of the \$30 million increase on out-of-state trucks. That offer was first made last February, and has been repeated numerous times since. We still have heard nothing from the Motor Truck Association in that regard. Instead, they have proposed an alternative which increases the costs to the general public. In effect, the industry has said loud and clear: "We like your program; we need its projects because they will benefit our industry, but the other guy should pay for it."

The Transportation Trust Fund proposal is fair and equitable. That is why the Public Affairs Council of the AAA Automobile Clubs of New Jersey, an organization representing some 600,000 motorists throughout this State, is supporting this program and has called on the trucking industry to pay its fair share. That is why the Motor Club of America, representing 100,000 drivers in New Jersey, is supporting it. That is why Bell Telephone of New Jersey, which has 6,000 vehicles affected by this proposed fee increase, has endorsed this program. Bell's own analysis has told them that even though they will be paying higher registration fees, they will realize a net savings of \$600,000 in vehicle maintenance and operating expenses per year once the hundreds of projects this program will enable us to do are completed.

This is not a program designed or intended to undermine the trucking industry in New Jersey. Rather, it is a program designed to prepare New Jersey for the future -- a future in which all of New Jersey, especially the trucking industry, can and will flourish.

Thank you, Mr. Chairman and members of the Committee.

ASSEMBLYMAN BRYANT: Thank you, Commissioner. First of all, let me ask you a couple of questions. The truckers were severely hurt by the Motor Carriers' Act of 1980, in their deregulation. Should the State continue adding to the truckers' problems, as you view it?

COMMISSIONER SHERIDAN: Well, I don't know that the Motor Carriers' Act severely hurt the trucking industry. Maybe some existing trucking firms have seen new firms start up -- new trucking firms -- which are taking part of their business. But, I think the people who have benefited under that Act, under deregulation of the trucking industry, are clearly the public.

ASSEMBLYMAN BRYANT: We have larger companies -- especially down in my area in South Jersey, because we're not that far from Delaware -- that could register fleets in other states, but small businesses couldn't. This increase could have a greater affect on small truckers, and it seems to me that we might be hurting small businesses. Has that been taken into consideration?

COMMISSIONER SHERIDAN: The basic premise we are talking about here is that we want to have a user-fee system, and that means that the people who cause the damage and the people who use the highway system are the ones who ought to pay for it. This program is entirely fair and equitable in that regard. We do not believe that these relatively minor increases, particularly when you look at the history for the past ten years, are going to have any adverse impact on the trucking industry. The question that comes to my mind is, how can a trucker pay three times to the State of New York what he pays to New Jersey? How can a trucker in Pennsylvania pay twice what he pays in New Jersey and still, presumably, stay in business and do well?

ASSEMBLYMAN BRYANT: I guess my basic problem comes with the larger trucks, and there are some fees that go up over 80%. Doesn't that appear to be a dramatic increase? Even though we talk about 1976

when fees went up, it is like anything else. If all of a sudden we had an 80% increase in our income taxes, because we didn't have an income tax increase for, say, four, five, or six years, it would seem very dramatic on any portion of the population to have that 80% increase all at one time.

COMMISSIONER SHERIDAN: Well, I guess the way I would look at it is, you know, if you had a one dollar tax and it went to two dollars, that would be a 100% increase, but it is only a one dollar increase. I think what we are doing is addressing the situation where the truckers, essentially, should have been paying more all along, and we are just doing a little catch-up.

ASSEMBLYMAN BRYANT: When you deal with the 80%-- What are the figures now, and then the figures when you go to 80%, so I will know we are not talking about one dollar or two dollars?

COMMISSIONER SHERIDAN: I think the basic numbers are \$600.00 increased to \$1,400.00. Is that right, Roger?

MR. NUTT: It is a \$600.00 increase.

ASSEMBLYMAN BRYANT: It's about a \$600.00 increase?

COMMISSIONER SHERIDAN: Yes, a \$600.00 increase, gross.

MR. NUTT: Mr. Chairman, if I--

ASSEMBLYMAN CUPROWSKI: (interrupting) Excuse me, could you clarify that?

MR. NUTT: The existing rate for an 80,000-pound truck is about \$687.00, and it would go to \$1,287.00. It is a \$600.00 increase for registration on an 80,000-pound truck. It gets less as you go down the weight classes.

COMMISSIONER SHERIDAN: May I make two points in that regard? First of all, a substantial part of that increase will be borne essentially by the Federal Treasury, because whatever is paid to New Jersey is a deduction from Federal taxes. So, say they are in the 50% bracket, half of the cost immediately goes away. The other thing is, if you calculate this and you use 70,000 miles per year -- which is what the average big truck travels, and I don't think that is an unreasonable figure from what I know about the trucking industry, but I will let them comment on it -- the net effect of that amount is 4/10 of a cent per mile.

ASSEMBLYMAN BRYANT: Under the Federal Surface Transportation Assistance Act, very substantial changes were made in the user fee for trucks but, as you know, it now appears that these fees will be moderated and the tax on diesel fuel will be increased. What is your opinion of this approach, and would this be appropriate for New Jersey?

COMMISSIONER SHERIDAN: One of the things the Legislature could consider if it wanted to move part of the tax to the out-of-state truckers, would be a diesel tax differential. I can just tell you that there was some opposition to moving to a diesel tax differential by the American Association of State Highway and Transportation Officials, basically because they felt it would push the cost down from the heavy trucks to the lighter trucks. They thought that was inequitable. Second of all, they have a fear that some less-than-honest trucking companies -- and I'm not saying that any in New Jersey would do this -- would move to using heating fuel, on which there is not tax, but which can be used in some diesel trucks, instead of using the diesel fuel.

ASSEMBLYMAN BRYANT: Wouldn't that be, in some respects, a method of shifting that burden not only to the New Jersey truckers, but to all truckers which are using New Jersey fuels, if, in fact, all those trucks impact upon the roads?

COMMISSIONER SHERIDAN: Yes. Clearly a diesel tax differential would move some of the burden to the out-of-state truckers.

ASSEMBLYMAN BRYANT: Do you think it is reasonable to do that, since they do use the roads?

COMMISSIONER SHERIDAN: I've told the trucking industry that if they would present a proposal to me which they would support that would raise \$30 million, but would move some of this burden to out-of-state truckers in a method that is legal and legitimate, I would support it.

ASSEMBLYMAN BRYANT: I guess my feeling is, regardless of whether the motor truckers support it, or whether they propose it, it would seem to me that in terms of our own planning in this State, since we have come up with a proposal-- Has the Department looked at any system for making sure that all those that we are saying are damaging

our roads, which are the trucks, regardless of where they come from, pay a portion of this burden?

COMMISSIONER SHERIDAN: Mr. Chairman, you have our proposal after we looked at everything.

ASSEMBLYMAN BRYANT: Were there any proposals dealing with diesel fuel considered?

COMMISSIONER SHERIDAN: More recently, since this problem has been pointed out by the trucking industry, we have taken a look at that.

ASSEMBLYMAN BRYANT: Could our Committee see any proposals that deal with that?

COMMISSIONER SHERIDAN: We do not have a specific proposal, but we could provide you with the estimate of revenues we have.

ASSEMBLYMAN BRYANT: I think it would be helpful if the Committee could get that.

COMMISSIONER SHERIDAN: Mr. Chairman, what I have felt all along though, is that it would be very helpful if the trucking industry, which knows its industry inside out and upside down, would put a proposal on the table that would lay out how this money could move legitimately to out-of-state truckers -- some fair portion of it.

ASSEMBLYMAN CUPROWSKI: May I ask a question, Mr. Chairman? I don't know how you want to work it, whether I should ask most of my questions at once, or just take one at a time and you go around the room.

ASSEMBLYMAN BRYANT: Ask two or three, and then we will come back. I have a few other questions too, but I will give everyone an opportunity to ask their questions first.

ASSEMBLYMAN CUPROWSKI: Commissioner, could you justify the exemption for me as the bill is proposed, and as the stable funding program is proposed, exempting solid waste vehicles?

COMMISSIONER SHERIDAN: We knew that there would probably be, over the next years -- because of the change in the landfill situation, and the need to go to resource recovery plants -- tremendous increases in costs to that industry. That was the reason we exempted it.

ASSEMBLYMAN CUPROWSKI: If this increase goes through, or a reasonable variation of it, if you will, do you anticipate any additional increases in registration fees in the next four to five years within the trucking industry, over and above what we are considering here today?

COMMISSIONER SHERIDAN: I do not anticipate any. Our capital needs would be taken care of for the next four years. But, I think that that is a question which goes beyond my ability to answer. I would have to look into a crystal ball, because, you know, it is the Legislature which passes increases, not the Commissioner of Transportation.

ASSEMBLYMAN CUPROWSKI: But, everything being equal -- which it never is -- you do not anticipate any further increases because the stable funding program we are talking about anticipates the funding over a period of at least four years?

COMMISSIONER SHERIDAN: Yes.

ASSEMBLYMAN CUPROWSKI: Therefore, if those revenues were coming in, the bonds were being sold, etc., and we had moneys to equal the \$3.3 billion for our roads, bridges, and so forth -- you do not see any additional increase in registration fees at this time, for the next four years?

COMMISSIONER SHERIDAN: I do not.

ASSEMBLYMAN FOY: Mr. Chairman, may I ask a question?

ASSEMBLYMAN BRYANT: Surely. We'll rotate the questioning.

ASSEMBLYMAN FOY: I just have a couple of questions. First, I think I better ask you if you are mad at Assemblyman Gill, because in the projects you announced you had Bergen County for Assemblyman Markert, Burlington County for me, Camden County for the Chairman, and Hudson County for the Vice Chairman, so--

ASSEMBLYMAN MARKERT: (interrupting) All the rest of the money is going to his county.

ASSEMBLYMAN FOY: Ed, I don't know whether you are on the outs or not, but you were not listed in that paragraph. (laughter)

COMMISSIONER SHERIDAN: Well, through you, Mr. Chairman, as Assemblyman Gill knows, we have a major project under construction

right now in Union County, Route 78, which has been long-awaited. It is a \$120 million project. We just let the seventh contract on that project, and I can't think of anything that will have more of a benefit toward easing the burdens on one of the major arteries in Union County, Route 22, than the completion of I-78.

ASSEMBLYMAN FOY: I was only kidding.

COMMISSIONER SHERIDAN: I know.

ASSEMBLYMAN FOY: Because we are dealing with the truckers today, I made sure I wore the right tie. As you can see, it has tractors and trailers on it. (laughter and applause)

ASSEMBLYMAN BRYANT: They didn't send me one. Next time, Assemblyman Foy, make sure they send us all one.

ASSEMBLYMAN FOY: All right. I have grave concerns, not so much about the fact that you want to increase the amount of registration and truck fees, but about the way it is being handled. There has not been an increase for some seven or eight years, and my concern is that the impact of that increase will be so dramatic, if it is done immediately, that the industry is going to suffer, particularly those people who are operating on a smaller margin right now -- perhaps the mid-size and the smaller companies, and even some of the bigger companies. I am concerned about the impact on the employees.

You mentioned the possibility of laying off some of the expense on out-of-state truckers as a partial alternative, or through a diesel tax differential, which would also impact on out-of-state truckers. Has any consideration been given to one of three things which could be put together as a mix. I have just come up with these thoughts, and I would like to hear your response to them.

First, the most recent picket number with respect to the surplus is \$444 million. It is anticipated that the surplus, by the Treasurer's admission, will be \$444 million this year. Now I know that both the Democratic leadership in the Legislature and the Governor have a number of different ways to spend that, as does everyone else in State government, and the public. One thought I had was, is there a possibility that some portion of that surplus could be dedicated in the first year to alleviating the impact -- you better write these down,

because I am going to ask three things at once to get them over with -- of that first-year significant hit on the trucking industry, a contribution from the surplus earmarked so that the Administration can make some commitment to this package?

Second, is there a possibility of a phase-down mixture, whereby we would take a large amount from surplus the first year to blunt it, and there would be a reduced amount contributed from the surplus over the four-year period, so that by the end of the four years the truckers may be paying all of the load, but during those four years the impact would be blunted?

The last thing is, I think the Governor was ingenuous, much to his credit, in seeking funds from the toll road authorities, because they are part of this package. He has hit the Atlantic City Expressway Authority, he has hit the Turnpike, and he has hit the Garden State Parkway -- the Highway Authority. My question is, why wasn't the Port Authority of New York and New Jersey hit, if they can be hit legally, and wouldn't it be possible to obtain some funds from the Port Authority, again to blunt the impact of an immediate large increase on the trucking industry?

I am concerned about those jobs; I am concerned about those businesses, and I know you are. I know you are attempting to put together a fair proposal. My search is just to make it fairer, so that we do not jeopardize a significant industry in the State of New Jersey.

I am not playing to the crowd; I have told you this before in private. I am just exposing this publicly now.

COMMISSIONER SHERIDAN: I can answer your question. I would just say with respect to the surplus, I don't think that I am in a position to make judgments on that issue, because I do not, as Commissioner of Transportation, have a feel for all of the calls on that surplus. I understand there have been over \$600 million worth of legislative proposals to deal with the surplus question.

With respect to the phase-in, first of all, there is pretty much of a built-in phase-in right now. As I understand it, registration fees are essentially paid in March, and the March that just went by saw no increase. The truckers will not see this increase until March, 1985, for starters.

The other part of the phase-in, you know, if you are talking about beyond that, the problem I have is that our program -- our \$3.3 billion program, and that list of projects we have -- is predicated on \$30 million. It doesn't work, it doesn't compute without the \$30 million. I don't think any of us can sit here and know whether in Fiscal Year 1986, Fiscal Year 1987, or Fiscal Year 1988 there is going to be a possibility of moneys from other sources for this purpose.

With respect to the Port Authority, I think you are aware that Governors Kean and Cuomo announced a proposal with respect to the Port Authority regarding funds from both the World Trade Center and some increase in tolls. These funds, when the legislation clears, will be available for transportation purposes. The money must be spent in the Port Authority district, and there are large calls on it beyond transportation, sewer and water, to name two. For instance, just two years ago, Jersey City had a substantial water break and people began to find out that the water system, in many respects, was old wooden pipes, 60, 70, 80, 100 years old.

The other thing is, we have purposely left unaddressed, from a transportation point of view, two areas which will need money. What we envisioned was that it would come from the Port Authority. Those two areas are the waterfront area between Hoboken and southern Jersey City, and between northern Jersey City and the George Washington Bridge. The tremendous development potential that developers are talking about is going to need transportation infrastructure. One of the reasons we did not put anticipated funds from the Port Authority in there, is that we are still in the fourth month of an 18-month study with respect to what the project should be. So, it is not possible to even identify -- although we know their needs -- what the projects will be.

The Meadowlands area itself is going to need funds beyond those in the \$3.3 billion program. Let me give you one example. We have a Route 3 Corridor study that is under way right now that will identify potential improvements to Route 3 -- the most heavily traveled road in the United States -- sometime two years from now. The other thing that is not funded within the four-year period is the 17 South

Extension basically from Route 3 to I-280. We have thought through that part of the process with respect to how transportation moneys from the Port Authority program might be used.

ASSEMBLYMAN BRYANT: Assemblyman Gill?

ASSEMBLYMAN GILL: First of all, I would like to point out that because we have Route 1, Route 22, Route 24, Garden State Parkway, New Jersey Turnpike, and several other well-traveled roads, I am intensely interested in transportation in Union County. Having said that, my questions are very simple. Commissioner, we have had considerable testimony on damage done to roads and highways based upon an 80,000 pound truck versus 9,600 cars. Without questioning how that was arrived at, have any of the trucking associations in any of the other states questioned that? I received many letters about this during the last week or two.

COMMISSIONER SHERIDAN: The truckers do question those statistics. I do not think they question the basic premise that the bigger trucks cause more damage. They might say it is 2,000 cars when they do their studies; I don't know. But, the studies I am referring to are the ones that were done by independent agencies which, in my opinion, have no ax to grind. For example, the Federal Highway Administration, why should they care whether it is a car or a truck that pays for it? The American Association of State Highway and Transportation officials -- why should they care whether it is a car or a truck? What they have done is try to allocate the costs to various users on a fair and equitable basis. Several states -- as a matter of fact, many states have moved to what is called a "weight-distance tax," particularly in the West, Arizona, Washington, Oregon, and, I believe, Wyoming. For instance, New York has something that is not quite a weight-distance a ton mile tax. From what I know about the issue, it is the fairest way to go. One of the reasons we did not propose it was that the trucking industry told us they were adamantly opposed to a weight-distance tax, but one clear way, one easy way, to move taxes out of state is the weight-distance tax. Clearly, it would be based on 80,000 pounds times the number of miles you drive in New Jersey, and you could easily put together a formula that would raise \$30 million.

The portion that would be borne by out-of-state truckers would be borne fairly by those out-of-state truckers.

We specifically did not go that route because I know how the trucking industry has fought it for so many years.

ASSEMBLYMAN GILL: Somewhat akin to that, thinking of your willingness, DOT's willingness, and the State's willingness to accept a form of revenue from out-of-state trucks, what would the reciprocity be from other states? If we were to plant an axle tax or a diesel fuel tax, or what have you, would other states reciprocate?

COMMISSIONER SHERIDAN: On the diesel fuel tax, as long as it was applied even-handedly to in-state and out-of-state truckers, I don't think there would be a problem. One state which has tried an axle tax is Pennsylvania, and that has caused reciprocity problems. The reason it has caused reciprocity problems basically, is that they tried to give a credit against registration fees in Pennsylvania for in-state truckers when they implemented that tax. Personally, I do not believe that that tax, the way it was passed in Pennsylvania, would stand up. The other thing is that now the Pennsylvania truckers, which were in favor of it at the time it passed, are opposed to it.

ASSEMBLYMAN GILL: I have just one last question. I do not think you have fully explained your chart, at least to my satisfaction. Could you go into a little more detail on that?

COMMISSIONER SHERIDAN: Well, it's basically that the Consumer Price Index has been rising, and the truck fuel tax costs in terms of those prices-- The constant price of what a dollar is worth is going down. For instance, the eight cents, if adjusted to reflect the Consumer Price Index in 1972 when it was past, is really worth only 3.3 cents in constant dollars.

ASSEMBLYMAN GILL: What do the vertical lines represent, do you know?

COMMISSIONER SHERIDAN: I would have to ask the artist to tell me that; I don't know.

ASSEMBLYMAN GILL: Okay.

ASSEMBLYMAN BRYANT: Mr. Weinstein, you might as well explain it.

ASSEMBLYMAN GILL: That is not a .0, or is it a .0?

JAMES WEINSTEIN: Yes, this is .0. Basically, it's a gradation of the Consumer Price Index from 1972 to present. Also, it is on the same scale as the truck fees, so your 1972 registration costs for the largest vehicle would be here -- in 1972 dollars. (Mr. Weinstein uses chart to demonstrate.)

COMMISSIONER SHERIDAN: In real dollars, they have gone down by about 50% over that same period of time. If we had separate lines here, you would actually see four lines, but what we have done is just try to combine it.

ASSEMBLYMAN BRYANT: What is that index? Is it one cent, two cents -- going up vertically, from 1972 up? You have notches; what do the notches stand for?

MR. WEINSTEIN: Your lines.

ASSEMBLYMAN GILL: If that is zero, what is the next--

MR. WEINSTEIN: It goes up to 300.

ASSEMBLYMAN GILL: Three hundred?

MR. WEINSTEIN: Three hundred percent, and the top of this would be approximately \$600.00 to \$608.00. It is to scale. This is just a general trend chart; it does not show the fluctuations in a given year. However, from the bottom point to the top point is accurate.

ASSEMBLYMAN BRYANT: I have some other questions. The Surface Transportation Assistance Act increased fees for truckers and promised productivity. That increase did not happen, especially in New Jersey. Instead, the license fee was increased from \$240.00 to \$1,600.00 per year, a 600% increase. Recognizing those factors, how can New Jersey now add to the truckers' burden?

COMMISSIONER SHERIDAN: Well, I do not agree with the assumption you're making. The assumption is that there has been no productivity increase. The 102-wide trailers, the 48-foot boxes, and the double-bottoms are now allowed in New Jersey.

ASSEMBLYMAN BRYANT: Yes, the longer vehicles, but I'm saying that based on information I have received, there really has not been an increase in terms of greater productivity based on these truckers, but the fees went up. They went up somewhere around 600%.

In other words, that just happened. It seems to me to allow certain trucks, although they are big trucks, another 80% increase, would be somewhat even more burdensome.

COMMISSIONER SHERIDAN: It was all done on the basis of the same cost allocation studies I am talking about. New Jersey, for instance, received an additional \$100 million out of the Surface Transportation Assistance Act, sponsored by Congressman Jim Howard, who reviewed these allocation studies in his Committee and, along with support in the Senate, passed that bill. The idea was to have a tax that was fair and equitable. I think what was done at the Federal level was fair and equitable. There has been some adjustment backward and downward for the truckers in the legislation that is now going through. I do not think there is any question, from what I know of the studies, that what was done was fair and equitable. Much as we are doing in New Jersey, they were playing catch-up at the Federal level too. The Federal gas tax had not increased in probably 20 years, or 25 years, from 1958, I believe.

ASSEMBLYMAN BRYANT: Well, I guess the question I am really asking is-- It seems as if in the Surface Transportation Assistance Act, the theory behind it, at least in my understanding, was to make truckers pay their fair share.

COMMISSIONER SHERIDAN: Yes.

ASSEMBLYMAN BRYANT: Was that not achieved when that happened?

COMMISSIONER SHERIDAN: Well, there are two components to funding our transportation system -- the Federal portion and the State portion. The Federal portion is now fairly allocated, but the State portion isn't.

ASSEMBLYMAN BRYANT: So, I guess what we are saying is that when everyone supported the Surface Transportation Assistance Act to get truckers to pay their fair share for what they are doing on the highways-- Basically, a game was played on the states, because what we are saying is that is only the Federal share; now we want to come back--

COMMISSIONER SHERIDAN: (interrupting) It is not a game. There are two components. We are proposing to spend under this program, \$108 million to match Federal dollars. Okay? In addition, we are going to spend another \$120 million on things that are not paid for by the Federal program. So, we are paying \$230 million a year, in addition to what we get from the Federal government for transportation purposes. So, what I am saying is, when the Federal government was looking at the issue, they were looking at how the Federal portion was going to be allocated. They did that. Each of the states then has to decide how the users are going to be charged to raise the state money that is needed to match that, plus do things in addition to what the Federal program does. That, also, ought to be allocated on the same fair basis.

ASSEMBLYMAN BRYANT: What I am saying is, part of that Federal Surface Transportation Assistance Act is that funds come back to New Jersey.

COMMISSIONER SHERIDAN: Sure.

ASSEMBLYMAN BRYANT: So, whatever burden they may vent, we benefit directly. As we were wholeheartedly supporting the Federal legislation, why didn't we, at that juncture, worry about what was happening in the State of New Jersey in terms of equity? It seems as if we waited until we got that portion done, and then we decided it was time for us to get what is now projected as our equity.

COMMISSIONER SHERIDAN: When you say "waited" -- we had a proposal two years ago, and now we have a different proposal two years later. But, I would just tell you, Mr. Chairman--

ASSEMBLYMAN BRYANT: (interrupting) Was that the gas tax?

COMMISSIONER SHERIDAN: The gas tax. I tell you, Mr. Chairman, I live and learn. When I saw those cost allocation studies and it became clear to me that trucks were not paying their fair share, we started looking at revenue sources, because I wanted to make sure that they started to pay a little more of their fair share. But, what the numbers point out, is that in New Jersey, even after this increase, they will not be paying their fair share if you accept the cost allocation and the basic premise of the cost allocation study as right

-- if you accept that. If you disagree with it, that is another matter. But, I would just tell you that the trucking industry itself, in its own statements, and you have seen the booklet they put out-- If you read that booklet carefully, what it says is that even prior to the Federal increase, they were arguing that the Federal allocation was on a fair basis. That allocation, prior to the STAA at the Federal Level, was 50% trucks, 50% cars. Okay? In New Jersey, after this proposal is passed, it will go all the way up to 26% of the total amount paid by users of our highways. So, we are at half of what they said was fair.

ASSEMBLYMAN BRYANT: Let me ask another question. I have read a couple of studies from the Federal government dealing with the environment. I don't know whether you have been privy to them, but I will make sure that you get copies. Both of those Federal studies say that truckers are not the main cause of the deterioration of our highways; it is basically the environment, the heat and the cold. Do you agree or disagree with those Federal studies? Or, have you seen any? Have you reviewed them?

COMMISSIONER SHERIDAN: The same studies that we have talked about, the cost allocation studies, deal with environmental factors. Clearly, weather plays a part. Clearly, the amount of salt that is spread plays a part. Those things were taken into consideration when these formulas were developed.

ASSEMBLYMAN BRYANT: How were they taken into consideration in our formulas? See, my problem is that--

COMMISSIONER SHERIDAN: (interrupting) I did not have to take it into account in this proposal, because I know we are at half of what the truckers have said is fair. If we did this on a purely cost allocation basis, I can assure you we would not be talking about \$30 million; we would probably be talking about \$60 million or \$80 million.

ASSEMBLYMAN CUPROWSKI: One question I have-- Maybe I should ask this question to the trucking industry. When riding down toward the shore on vacation every year, like everyone else, you always see tractor-trailers with a sign on the back, which says, "This vehicle pays \$3,425.00 in taxes." I am just wondering how we compute that. What comprises that \$3,425.00 in taxes?

COMMISSIONER SHERIDAN: I'm sure they're talking basically about user fees. I think the number is probably more than that if you combine the State taxes and the new Federal taxes on the big trucks. That has to be related back to the number of miles they drive compared to the average car, and related back to the weight, and therefore, the damage they cause to our bridges and roads based on that heavy weight. All you have to do is ride our interstate system and look at the bridge decks, 20 years old and beat to powder.

ASSEMBLYMAN FOY: Mr. Chairman?

ASSEMBLYMAN BRYANT: Go ahead, Assemblyman Foy.

ASSEMBLYMAN FOY: Earlier, Commissioner, you made a statement. I have been pondering it, and I find it increasingly more disturbing in terms of the consistency of the philosophical approach of what the Administration wants with respect to this program. That statement dealt with the surplus which exists right now. I am not talking about future projected surpluses; I am talking about the surplus right now. It seems to me you indicated you do not have first call on that surplus. But, the whole philosophy behind this proposal by the Administration, and by your Department, is that you want to have stable funding, and you want to be able to take the enormous instrument we have in our existing infrastructure and protect that investment.

So, it seems to me that consistent with that line of thinking in terms of why the proposal exists, that the expenditure of surplus funds ought to go, on a priority basis, to long-term investment in New Jersey. Quite candidly, it seems to me that the political expediency of additional rebates or raises for State workers -- and I am a union man and a supporter of that -- doesn't jibe, if that has first call, with improving New Jersey's infrastructure. If you have not made your bid, or pitch, to the Governor, my strong suggestion to you would be that a call ought to be put in on some of that surplus money. If you haven't done it, I want to know why.

COMMISSIONER SHERIDAN: I think I have explained it as best I can, Assemblyman Foy. My answer is, with all of the budget of the State government to consider, and all of the new proposals on which to spend that money, I don't think it is my particular prerogative to

suggest or to deal with the surplus question. I think that is best dealt with between the Legislature and the Governor.

ASSEMBLYMAN FOY: Well, would you have any objection to an amendment to this bill that would require the Governor to dedicate a portion of the current surplus to financing the projects?

COMMISSIONER SHERIDAN: I think that issue has to be discussed with the Governor and the Treasurer. I don't know that there aren't other equally high priorities in the budget. I don't know that there aren't equally high priorities in proposals that the various members of the Legislature have made for those funds.

ASSEMBLYMAN FOY: Is this the highest priority for you, with respect to that surplus?

COMMISSIONER SHERIDAN: Well, of course. Anything to do with the transportation system is my highest priority.

ASSEMBLYMAN FOY: All right.

ASSEMBLYMAN BRYANT: I guess the question asked by Assemblyman Foy might be, "Has the Department requested this, since we just found another \$127 million?" "Since the surplus went from \$194 million to \$300-plus million, has the Department requested any additional appropriations?" I assume that when this was put together, we only knew about the \$194 million. Therefore, we were making certain assumptions in terms of where revenue would come from based on that limited number. Now, since we have found another \$124 million to \$150 million all of a sudden, has the Department taken a position on requesting -- since transportation is of such a great need -- some of that new-found money?

COMMISSIONER SHERIDAN: No, because we have a proposal to get us the money we need. It is a fair proposal. I think the other important point to consider here is, I really think for the long-term interest of New Jersey, it makes sense to go on a user-fee basis; that is, the revenues being expended are equal to the revenues coming in. I would tell you that under this proposal, the numbers are quite clearly a wash, for the first time in many, many years. One of the things the trucking industry has complained of -- they have said we made payments that never wound up in our highway system, in our bridge system, or in

our mass transit system. Motorists have said the same thing. Under this proposal, we are talking about present motor fuels and registration fees which equal \$570 million. If you add \$25 million from the toll roads, and \$35 million from the truckers, you will see that it is roughly \$630 million. The Department's budget is roughly \$400 million when considered with New Jersey Transit, and if you add to that the \$230 million in State dollars we are talking about, you will see they are in balance.

ASSEMBLYMAN BRYANT: I'm trying to capsulize on what Assemblyman Foy was talking about. Assuming that you could have some phase-in-- Let me give you an assumption. Our budget figures are rising every day, but assuming that we found another million before we got to June 30, would it not seem appropriate that maybe a phase-in portion would be better? We would only be talking about one year; we would not be talking about the future. But, even if we used some portion of the surplus to phase-in in terms of this industry-- I mean, as a request, because it gets to a point where if you keep finding more revenue, and we have present issues where it has to be spent somewhere, and if this is a pressing issue for this Department -- and I think transportation is a pressing issue -- we might want to ask for some more dollars in order to maybe even phase-in.

COMMISSIONER SHERIDAN: I think, as I have indicated, Mr. Chairman, that that is a discussion that has to take place between the Legislature, the Governor, and the Treasurer.

ASSEMBLYMAN BRYANT: I have one further question. In other states, trucks get credit for motor fuel tax and for miles traveled on toll roads, but I know in New Jersey they don't. So, in essence, that is almost like another tax. Was that considered?

COMMISSIONER SHERIDAN: The trucking industry has raised that point with us. I would tell you, I don't know what it cost to give that credit, but if it cost \$2 million, then what I would have had to do was come back and ask for \$32 million, because that is what we need.

ASSEMBLYMAN BRYANT: But, I am saying in terms of computing what they are paying, it would seem to me that that component -- if other states are doing it -- should be part of the total formula, so

people could have a real understanding of what they are paying in terms of, if you want to call it a "tax," or whatever else you want to call it.

COMMISSIONER SHERIDAN: I take it on face value that some states do allow a credit for mileage on toll roads. I think if that credit cost \$2 million, then what I would have been asking for wouldn't be \$30 million, but \$32 million, because that is what is needed to make up the money, and it is still well within what is fair to charge the truckers.

ASSEMBLYMAN BRYANT: But, in terms of projecting those figures, wouldn't it be fair if, in fact, that happened, to add that into the figures so we would know exactly what-- Instead of it being 46, or whatever the number was, we might be higher if we started adding all those different components. In terms of statistics-- I mean, statistics go either way, depending on how you cut them and what you put into the formula. I'm saying that in order for me to have a complete understanding as to what someone is paying, you might as well give me everything that everyone else might pay, so I will understand exactly what they are paying. Then I can get to a fair or equitable position.

COMMISSIONER SHERIDAN: Mr. Chairman, if the point is that they ought not to have to pay this increase with respect to the tolls, I guess I would disagree with that, because I would say that that toll road system is also a self-contained system, and it is a third component of what we are talking about -- Federal, State, and tolls. The money that goes to the toll roads is needed by them to pay to run their system, so they also have to collect what is necessary. Whether every one of these other states, or even most of them, give a credit for the mileage on the toll roads against their motor fuels tax, I do not know the answer to that. I don't know the answer.

ASSEMBLYMAN BRYANT: Do you think it is fair to consider that as a factor in terms of what they are actually paying?

COMMISSIONER SHERIDAN: I think it is fair to consider it a factor. I think the other side of it is though, that if it costs the State \$2 million or \$3 million to give that credit, then what I am

saying to you is we still have our needs on the State system, and instead of proposing \$30 million, I would have been proposing \$32 million or \$33 million.

ASSEMBLYMAN BRYANT: I happened to be down in the Camden area, and they have a paper called the Camden Courier Post. On April 1, 1984, there was a gentleman from the Governor's office named Wolcott, I think, who said that Administration data shows that truckers could absorb higher costs. Do you have that data? Could you explain to me where they got that information?

COMMISSIONER SHERIDAN: I don't know what that quote means. What I suspect he was referring to is, if we were going to charge them on the basis of the cost allocation charges, we would have put together a proposal that was a lot more than \$30 million.

ASSEMBLYMAN BRYANT: Oh, so he probably wasn't talking from any factual data that they could absorb all of this.

COMMISSIONER SHERIDAN: Absorb is going to be very different from trucking company to trucking company.

ASSEMBLYMAN BRYANT: Very possibly.

ASSEMBLYMAN CUPROWSKI: Maybe I can summarize my comments. Is it fair to say, Commissioner, that as the Commissioner of Transportation for the State of New Jersey, if there were other moneys -- another \$30 million -- whether it came from surplus as was suggested as a possibility here today, or even if it came from another source, is it your opinion that the trucking industry should still pay their fair share, and the \$30 million, in effect, is your best estimate of a fair share as to the stable funding program?

COMMISSIONER SHERIDAN: I think the \$30 million is a fairer share than what they are now paying, but I would tell you that I think if we took those cost allocation numbers and did it on a mileage basis, we would be asking for considerably more than what we have proposed. What I am saying is, I think the long-term interest of New Jersey is to go to a user-fee based system, so that cars and trucks, in total, will pay the actual total costs of operating and maintaining our highways, bridges, and mass transit systems.

ASSEMBLYMAN CUPROWSKI: All right; thank you.

ASSEMBLYMAN BRYANT: There were additional penalties placed in this proposed legislation. Can you tell me how substantial they were, and what they will add on to the truckers?

COMMISSIONER SHERIDAN: Roger, can you answer that?

MR. NUTT: Mr. Chairman, I believe they were raised from \$50.00 to \$500.00. That was basically because the existing weight schedule is graduated and there are no serious jumps. In this proposal, there are jumps at \$18,000.00 and \$50,000.00, and there may be some desire to underweigh by a couple of thousand pounds, and we would lose a lot of money. That is only a penalty if they are overweight.

ASSEMBLYMAN BRYANT: Penalties -- what kind of revenues would they produce?

MR. NUTT: Mr. Chairman, we did not do it for the revenue. I don't even know what amount of revenue is done here. It is to make sure that we don't lose revenue from the registration fee increase. It was not aimed at producing revenues from the fines. We assume there will not be a need for that.

ASSEMBLYMAN BRYANT: I understand that, but does the Department have within its purview-- We do earn revenues from penalties; penalties have not imposed increased revenues, but they actually do do that. Do we have any idea, based on the prior figures of the last couple of years -- or can this be obtained -- what kind of revenues that produces?

COMMISSIONER SHERIDAN: Mr. Chairman, I do not think we have an estimate. We would be pleased to give you an estimate, but I would just tell you it is going to be very difficult, because with the relatively small penalties there is an incentive to cheat. That incentive may not be there with large penalties; hopefully, it will not be there with large penalties.

ASSEMBLYMAN BRYANT: I imagine that is why the penalties would be increased. Are there any further questions?

ASSEMBLYMAN GILL: No; thank you very much.

ASSEMBLYMAN BRYANT: Mr. Commissioner, we really appreciate your time.

COMMISSIONER SHERIDAN: Thank you very much, Mr. Chairman and members of the Committee.

MR. NUTT: Thank you.

MR. GURMAN: May we have Freeholder Salmon, from Cumberland County? Is he here? (Freeholder Salmon not present.) Mr. Paul Kiely, President, New Jersey Motor Truck Association.

PAUL KIELY, JR.: Mr. Chairman, with me are Mr. Edward Hmieski, Secretary of the New Jersey Motor Truck Association, and Mr. Paul Stalknecht, Managing Director of the New Jersey Motor Truck Association.

Mr. Chairman, members of the Committee: My name is Paul Kiely, Jr. I am President of the New Jersey Motor Truck Association. Our headquarters are in East Brunswick, New Jersey. Recently, when I looked at the computer printout, we had a little more than 1,300 trucking and trucking-related companies as members. We form the bulk of the 250,000 men and women working in truck transport in the State.

I thank you gentlemen, first, for permitting us to speak here. We have sent you considerable documentation about the truck registration issue. In recent weeks, we sent you a detailed White Paper, a factual booklet on highway pavement damage, and a reply to a letter sent to you by John Sheridan, Commissioner of Transportation.

I hope we have answered most of the questions you might have had about our side of the issue of higher truck taxes. I will not take up your valuable time in repeating arguments we have already presented. I will, however, try to emphasize some points in testimony, and I will be using several charts, with the help of our Managing Director, Paul Stalknecht, whom most of you know.

One other word in preface. We in the trucking industry in New Jersey are most definitely not here to ask for a tax cut or a fee reduction. We are not asking for one dime in State revenue. We are here to object to the higher truck registration fees proposed by Governor Thomas Kean in his Highway Improvement Plan. We are not here to argue about the finer points of the entire Kean package, for example, the bonding mechanism. That is not our purpose today. We are here to oppose the higher truck tax. We want to get that statement into the record early, so there is no confusion.

Gentlemen, I refer you to the first chart held by Paul Stalknecht. This chart shows you the Federal and State taxes on a typical 18-wheeler, the workhorse of the industry. Remember, it does not include other taxes that motor carriers must pay, as do other businessmen. Paul?

PAUL STALKNECHT: We have here the Federal and State taxes we now pay in the industry. As you can see here, the first one, the heavy vehicle use tax is the tax the Chairman alluded to which was raised this year from \$240.00 per year per vehicle, to \$1,600.00 per year per vehicle beginning July 1, 1984. So, that is the Federal tax we pay. We pay a 12% excess tax on the purchase of our equipment; this is a new tax also. We pay a fifty-cent per tire tax on our tires, and that comes to \$143.00 a year. And, we pay a nine-cent per gallon Federal fuel tax. These are Federal taxes that a typical 18-wheeler of 80,000 pounds now pays to the Federal government.

In addition, we have a truck registration fee, including the trailer, of \$708.00. That is our current rate. We pay an eight-cent per gallon fuel tax. This is based upon an 18-wheeler traveling about 100,000 miles a year. So, we pay a total of \$5,899.00 in highway use taxes at both State and Federal levels.

MR. KIELY: Thank you, Paul. I want to point out that one of the big operating costs for our industry is the toll roads. I refer you now to the chart that Paul has, and he will explain it to you. Also, Paul will take you on an imaginary trip down the New Jersey Turnpike.

MR. STALKNECHT: One of the big arguments we have had is that when you look at our taxes, we ask you to look at all taxes. We are continually-- As the Commissioner alluded to today, when you combine all taxes, we rank forty-sixth in the country. That is true, if you only include truck registrations and motor fuel taxes. But, we say that there is another hidden tax that our industry pays, and that is tolls. We in New Jersey, to get in and out of the State, or through the State, paid \$67 million to the toll roads to use those facilities. It is a highway use tax. What we are saying is, if you are going to combine taxes, you should combine all taxes. You do not pick and

choose those which are favorable to your position. You look at all of them, and you must include the tolls. In New Jersey, you have very high utility rates. We have one of the highest property tax rates in our terminal areas and, obviously, the insurance rates for our trucks are very high, according to State regulations.

What we are saying is, look at the whole picture, not just a piece of the pie.

MR. KIELY: You were going to take them for a ride down the Turnpike.

MR. STALKNECHT: We will take you on a trip which is known throughout the nation as the most expensive truck trip in America, and that is traveling through New Jersey. To get into this State, we pay a \$2.50 toll at the Delaware Memorial Bridge, and this is the major truck route that interstate trucks use coming into the State of New Jersey, including our trucks which operate in New Jersey. From end to end, the New Jersey Turnpike is a \$9.10 toll. The one-way fare for the George Washington Bridge is \$3.75. On top of that, as the Chairman alluded to before, we must pay the State of New Jersey, under our motor fuel tax reporting laws, \$2.40 based upon the number of gallons we burn in this State, for the privilege of using the toll roads.

So, that is what we have to pay. It is a one-way rate of \$17.75. That equates to twelve cents per mile, and with that rate New Jersey has no equal. There is no state that comes close to us. The closest one to us has the highest taxes, which run around six and a half to seven cents per mile. You can see here, that we in New Jersey are paying significant fees to operate our vehicles in and through this State.

MR. KIELY: I would like to add another point. The money in the surplus of the toll roads includes money contributed by the trucking industry and the motorists. So, if this toll road surplus goes into the Highway Improvement Plan, it should be understood that truckers helped to create that surplus.

We proceed now to the question of the truck registration fees themselves. Should the fee structure as presented by Commissioner Sheridan be approved, the registration fees will be the ninth highest

in the United States. Paul has a chart to explain that particular issue.

MR. STALKNECHT: This chart shows you the 80,000 pound truck registration fees in some of the miscellaneous Northeastern states, starting off with a low of \$410.00 in Delaware up to the \$1,152.00 currently charged in the State of Pennsylvania. New Jersey is at \$708.00. Again, that includes the power unit and the trailer. An 87% increase will bring us to a \$1,305.00 annual truck registration fee, which will certainly be the highest in the Northeast, and the ninth highest in the country. The nearest state to us will be the State of Illinois.

Now, I would like to point out one thing. Contrary to what the Commissioner has said, there will be a diversion of truck registrations. We will move to the State of Delaware; we will move to the State of Rhode Island, and with our truck registrations -- not necessarily our businesses, but our registrations. We can legally do that, especially if we are involved in interstate operations. If you are involved in multiple state operations, essentially you can almost pick and choose the state in which you want to register. Many trucking companies now register in the State of New Jersey. We have a relatively favorable tax rate in comparison to the other states in the region -- we're right in the middle -- and, second of all, we enjoy good reciprocity with other states. So, the trucking companies have come here to the State of New Jersey.

We can very easily-- There will probably be a shift of registrations from the State of New Jersey to the State of Delaware, again, not businesses, but the registrations of the vehicles. Last year, Florida raised their truck registration fee, and they had a diversion. I just received a letter today from the Department of Highways in the State of Florida. I'll just read you the last sentence in the letter. This comes from the Chief of Registration Services, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles in the State of Florida: "It is obvious that a number of vehicles left the state in 1984 due to the fee increase." When I questioned him further on the phone, I asked him very simply, "Where

did they go?" He said, "They went to three states; they went to Tennessee, Delaware, and New Jersey." So, New Jersey is a friendly State. Interstate truckers are registering their vehicles here because of the fee and the reciprocity. I am afraid that if you raise that to a point where it will be the highest in the Northeast, we will no longer enjoy that tax through the registrations that are coming into the State today.

MR. KIELY: The Commissioner pointed out in his statement that this \$30 million in registration fees is essential, and that it is essential that it be \$30 million. I think Paul's illustration points out very well that we feel strongly that the \$30 million will not be there.

At this point, I would like to show the Committee the comparative tax rates paid by major industries in 1983. It shows that the trucking industry pays more than its fair share of taxes to Uncle Sam.

MR. STALKNECHT: These figures here come from the Joint Tax Committee of Congress. They wanted to show what industries paid, which had the highest tax rate, etc. The Joint Tax Committee for 1981 ascertained that the highest tax rate was on crude oil; trucking was second. So, all of our neighboring industries in the State which we share with -- pharmaceuticals, chemicals -- have a lower overall tax rate than we in the trucking industry. Look at another transportation facility, airlines. Air freight has a comparative tax rate of 17.6%. Then look at our cheap freight competitor, the railroads. The railroads enjoy a negative tax rate of 7.5%; in other words, they get moneys back in credits.

What we are saying is, take a look at the whole picture when you look at our industry and what our industry is paying in taxes.

MR. KIELY: You will get a complete picture of the financial status of our industry following my talk. But the next chart is, I believe, the essence of our argument. Paul Stalknecht is holding up a list of some of the New Jersey-based carriers which have gone out of business -- most of them through bankruptcy -- over the past two years. There are others we could not fit on the chart. Plus, I point

out, there have been failures by big interstate trucking companies with home offices in other states, but with terminals in New Jersey. Thousands of New Jersey workers have suffered when companies like Maislin Transport, Jones Trucking, Wilson Trucking, Hemingway Express, Motor Freight Express, Spector/Red Ball, Eazor Express, Davidson Transfer, and others closed their doors.

Gentlemen, we are not here crying to government, but we are asking you to take a good look at our counterproposal to the Kean Plan. We suggest that the \$30 million a year for two years be drawn from the General Treasury, from the surplus funds we read about. This money, this surplus, was paid in part by the 250,000 men and women of our industry. We are asking for a two-year relief from further taxation by the State. After the two-year period, we think the economy in the trucking industry and in the State will be such that we can consider an increase in motor fuel taxes. We hope so.

I want to emphasize one point. We are not shifting the burden to anyone else. We are not asking anyone to pick up our taxes. As I have shown, we have and are paying our fair share. I remind you that former Transportation Commissioner Louis Gambaccini said: "Nearly \$3 billion in highway use revenue was diverted to non-highway purposes." Of that \$3 billion, our industry paid nearly \$1 billion. It is unreasonable then to ask for a \$30 million a year (for two years) return of those diverted funds?

Gentlemen, we of the trucking industry believe in a stable source of highway funding. We support programs to that end. But, we cannot support an additional tax hike when we have barely recovered from the worst economic recession in our industry since the 1930's. We are moving the trucks again, thank the Lord, but we need a little more time before we can take another tax. Thank you.

ASSEMBLYMAN BRYANT: Let me first ask if, at some point in time, we could have copies of your testimony for the Committee. Could you make those available?

MR. KIELY: Yes, we could.

ASSEMBLYMAN CUPROWSKI: Including the charts?

ASSEMBLYMAN BRYANT: Yes, I was going to say that. If, in fact, you can get someone to do those, we would appreciate that also. They might be helpful to the Committee.

MR. KIELY: Gentlemen, there is a second portion of our presentation by Mr. Hmieleski.

ASSEMBLYMAN BRYANT: Fine; I just wanted to make that point.

EDWARD HMIELESKI: Mr. Chairman, members of the Committee: I want to thank you very much for giving me the opportunity to speak before you. This morning, gentlemen, I wear two hats. I am the Secretary of the New Jersey Motor Truck Association and, also, I am the owner and president of Hmieleski Trucking Corporation based in South Plainfield.

The trucking industry, according to Commissioner Sheridan, I believe, went through a mild recession. My company went through a depression. In order for me to survive -- and, gentlemen, my company started in 1920, and I have 125 people working for me -- all my employees, I'm talking about from top management on down, everybody, took a 12% decrease in pay two years ago. We are in the third year of a union contract, and they are still taking the 12% decrease, in order for me to survive. If they had not done that, I wouldn't be sitting in front of you. I just wanted to let you know the status of my company.

Now, I am going to put the other hat on, and I am going to give you the financial status of trucking in the State of New Jersey. Permit me to begin with several facts about trucking transportation in New Jersey. I emphasize that these facts are as they are presented. All of these facts are documented.

In 1983, as the national and State economies began to turn around, the ICC reported that 22 of the 100 biggest motor carriers showed losses. The net profit margin of the 100 fleets rose from an almost fatal .49% to a still sickly 2.18%. We are now making less than 3% income on each revenue dollar. I repeat: 2.18% net profit. Even during the sometimes difficult operating conditions of the 1970's, the combined net profit was more than 3%.

In addition to the 22 of the 100 companies that showed losses in 1983, American Trucking Associations, Inc. reports 20 other fleets show extremely marginal profitability with operating ratios at near 99%.

Frightfully, on a national scale, there has been no increase in the so-called "hard industrial foundation." Steel production, mining, and manufacturing of durable products have not grown commensurate with overall change in industrial production.

Statewide, this national trend of dislocation and decrease in basic industry is reflected in an absolute and a temporary decrease in manufacturing production. Absolute manufacturing loss has continued for nearly 20 years in the State of New Jersey, and the temporary setbacks relevant to the recent recession have not been reversed fully.

Even in 1984, manufacturing is the slowest of all business sectors in the State. Obviously, any decrease in manufacturing production impacts negatively on truck transport. The trucking industry gains more from new manufacturing plants and from old plants operating at capacity than it does from high-tech industry or the opening of a few more casinos in Atlantic City.

One other point: The trucking industry pays high corporate tax rates. Recently, the American Movers Conference revealed in a study that trucking companies paid corporate tax rates 24% higher than the Fortune 100 companies. A study by the American Business Conference says the Fortune 100 companies paid 16% on an average in corporate taxes.

Recently, the Joint Committee on Taxation of the United States Congress made public, data that shows the trucking industry paid effective corporate tax rates averaging 40.3% during 1980 and 1982. By comparison -- or rather, by contrast -- the chemical industry paid 4.3%; the computer industry, 25.6%; and, strangely, the paper industry enjoyed negative taxes.

Even during the severe national recession -- the worst recession for the trucking industry in New Jersey, it should be noted -- the trucking industry paid a giant 46.1% tax on its income in 1981. During the same year, the biggest banks in the nation paid 2.7% tax on domestic income. The railroads, mind you, received Federal tax credits and refunds of \$1.2 million on an income of \$1.7 billion.

The trucking industry in New Jersey is desperately trying to survive. Small, medium, and even some big motor carriers are

perilously close to closing their doors. I refer you to the chart that we just looked at, which illustrated just some of the major New Jersey companies that have shut down during the past two years. Unfortunately, we lead the nation in this category, according to statistics made public by the American Trucking Associations, Inc. in Washington, D.C. and, be it emphasized, these bankruptcies and closings because of financial difficulties do not reflect the problems of one or two-truck operators.

It is well to make clear the increases in Federal taxes that have impacted upon the trucking industry in the State. On January 3, 1983, President Ronald Reagan signed into law the most expensive piece of highway legislation since 1956. Federal revenues from these highway use taxes will increase to \$8.6 billion in 1983, \$11.7 billion in 1984, and up to \$13.4 billion in 1988.

To finance these increases to the states, the Federal motor fuel tax was increased by a nickel to nine cents a gallon, effective April 1, 1983. In addition, truck operators were hit with a 12% Federal retail sales tax, replacing a 10% manufacturers' excise tax on new trucks and trailers of more than 33,000-pound gross vehicle weight. A similar tax on truck parts and accessories was also imposed. Also, a prorated but higher tax was imposed on big tires used on typical 18-wheelers.

The most difficult tax to bear, however, is the 700% increase that will go into effect July 1 of this year. This is the bottom line of \$1,600.00 a year highway use tax on each truck. This Federal tax cannot be readily passed along, as some observers seem to say. The highly competitive atmosphere in the trucking industry -- partly a reflection of recent congressional legislation and partly a reflection of the recent recession -- precludes the trucking industry from asking shippers, and therefore consumers, to pick up the tab. In the days of runaway inflation, this was perhaps a general practice -- but it isn't the way we do things today. Passing along tax hikes to consumers has been negated by major changes in the industry. We must point this out, because some legislators have suggested we should raise our prices and raise our freight charges. We just can't do it anymore.

Another financial worry of the trucking industry is the interest rate. Since the Carter Administration, prime interest rates of 21% have been reduced substantially. It has been assumed, therefore, that truck operators can readily borrow much needed capital for new equipment. This is not so. Interest rates for truck operators are still high, far above the 11% prime, as of this writing. I think it is 12-1/2% now, or 13%. Truck operators, battered by the recession of the past three to four years, just do not have the up-front investment or cash flow to take advantage of technological improvements and longer lengths permitted in provisions of the Surface Transportation Assistance Act of 1982.

If the combination of increased Federal taxes, high interest rates, and a deregulatory economy has hurt the trucking industry, then increased State taxes -- on the order of 25% to 87% -- are as adding salt to the wound. The constant refrain that trucks damage the highways and, therefore, they should pay for the damage, has been disproven time and time again. But, the refrain is resurrected whenever a State Administration decides it needs additional revenue.

Ignorance of the trucking industry and its problems has been a thorn in our side for years. That is why in our alternative proposal to the increased truck registration fee we have urged there be implemented a regular communication -- perhaps in the form of a permanent committee -- between State government, primarily the Department of Transportation, and the State trucking industry.

It is our hope that through understanding, government officials will discontinue the attitude that trucks are an easy mark for a new tax source, or that the trucking industry should be willing to compromise year in and year out every time Federal or State authorities propose a new tax. When the economic condition of the trucking industry is as desperate as it is today, even "a little tax" can strangle some fleets. Gentlemen, that is why we are now asking for a two-year moratorium, so to speak, on new or increased State taxation on trucks. Thank you very much.

ASSEMBLYMAN BRYANT: Thank you, Mr. Hmieleski. I have a few questions I would like to pose. I am going to ask about three

questions at one time, dealing with New Jersey truckers possibly leaving, or closing due to bankruptcies, and how this new, I'll call it tax on registration -- or registration fee -- will impact. Secondly, I think it is important for the Committee -- and I don't know whether, in fact, you can develop this-- You talk about Federal dollars, and I think that gets lost sometimes because when you start talking about \$3 billion, or \$8 billion nationally, it is hard for people to translate that into what that means in New Jersey. I mean, it's like someone else is paying for it, as opposed to our guys. Maybe it could be broken down as to what that is in a small company, a medium-sized company, and a large company.

Then, I think there is a perception in this whole package that the only persons who might be hurt, and they are not really hurt because they are so big, would be the big company with the 80,000 pounders, and that these truck fees, which will be increasing on a slighter scale on the smaller trucks, will not affect the smaller companies. I think that picture needs to be made clear in terms of what is really being done. Maybe really what we are arguing about is the 80,000 pounder; we are not really arguing about anything else. I do not think that is the case from my understanding. I think maybe that should be pointed out later.

Tell me about the bankruptcies and about how this will affect the smaller companies.

MR. STALKNECHT: This chart may say it all, Mr. Chairman. This shows, essentially, a one-truck operation going 100,000 miles a year. Last year, our industry made a 2.18 cent profit on each one dollar of revenue. Now, if you take a company going 100,000 miles a year, assuming he is doing a \$100,000 gross revenue, that means he has \$97,280.00 in expenses to operate that vehicle, giving him a profit of \$2,180.00 for the year. Now, if you take the \$2,180.00, and take away the new Federal increase that is going into effect July 1, which actually equates to \$1,360.00, because we are currently paying \$240.00, that leaves him a net profit of \$820.00. If you add in the \$600.00 new State registration, he is down to a profit of \$220.00 on \$100,000.00 of gross revenue.

ASSEMBLYMAN BRYANT: I guess my question is -- maybe for the Committee's clarification -- is that based on an 80,000 pounder?

MR. STALKNECHT: Yes, basically an 80,000-pound truck.

ASSEMBLYMAN BRYANT: I imagine you have all varieties of trucks, small, medium-sized, and large. It would seem to me that one might give us some kind of an analysis, but make it a mix of what happens in a particular firm. I don't know whether there is a standard small, standard medium, and standard large truck. However, I would like to know what the impact will be on each one of these, assuming that you have a basic mix of trucks. I am not asking for it today, but that might be something that would be very helpful because that would bring it home to us.

MR. KIELY: Mr. Chairman, I think many of our members have that information. If we do not have it with us today, I think we will be able to forward it to you very shortly in the form of letters and financial analyses of the impact on individual companies. This will show, as you say, that many of the large companies use the larger trucks, but many of the smaller companies have only one or two of those large trucks, and that is their whole business. Our membership is forwarding letters on impact, and I think some of the members are here today to testify.

MR. STALKNECHT: Mr. Chairman, following our presentation, Gary Bonacci from AAA Trucking Corporation has an analysis of his fleet mix, and the impact on his company. So, I will let him present that in his testimony.

ASSEMBLYMAN BRYANT: Okay.

ASSEMBLYMAN GILL: Mr. Chairman?

ASSEMBLYMAN BRYANT: Yes, Assemblyman Gill.

ASSEMBLYMAN GILL: Paul, one of the charts you showed earlier, showed a typical automobile tax of \$60.00. That can't be right, can it?

MR. STALKNECHT: That is just the Federal tax.

ASSEMBLYMAN GILL: Okay, because I know I pay a \$54.00 registration on my car.

MR. STALKNECHT: That was just the Federal tax.

ASSEMBLYMAN GILL: How does the New Jersey Motor Truck Association feel about the treatment given out-of-state trucks? We appreciate the fact that you would like to see New Jersey trucks fairly well treated. But, certainly, you are aware of New Jersey being used -- as far as Route 1, as far as the Turnpike, and so forth -- by all kinds of New Jerseyites and non-state trucks. How do you feel about that? How would you propose that it be done on a more equal basis?

MR. STALKNECHT: Our Association historically supports equitable taxes for all highway users, and that includes all truckers. So, we do not have a position where we say, "Well, the in-state truckers should have an advantage over the out-of-state truckers." If the truck is in New Jersey, we feel taxes should be equitable for all trucks, regardless of whether they are interstate or intrastate. This bill in itself has inequities. You have exempted agricultural vehicles from the registration fee increase. The Commissioner indicated that solid waste vehicles are exempt. It was ironic that his explanation of the solid waste vehicles was for a point that had nothing to do with the operation of the vehicle -- dumping fees at a landfill. So, he is taking into account some third-party fees for the solid waste vehicles, and correspondingly we are arguing about the economic impact to our industry, to our vehicles, and our voices are not being heard.

But, getting back to the original question, taxes on the trucking industry should be equitable for all vehicles. There should be no favoritism for any intrastate or interstate vehicles. It should be equitable across the board.

ASSEMBLYMAN GILL: In other words, you want to see the user tax?

MR. STALKNECHT: No, we don't want to see any tax for two years.

ASSEMBLYMAN GILL: I really wasn't trying to trap you there. You indicated on one of your charts too, that at the moment -- right now -- in New Jersey it cost about \$708.00 to register a truck, on an average, versus, or in comparison to Delaware, where it costs \$410.00. Now, with that almost two to one comparison, why haven't the New Jersey trucks already gone down to Delaware and registered?

MR. STALKNECHT: Well, it's simple. New Jersey enjoys good reciprocity with the other states. Some states have imposed laws with what we call a "third-structure tax." Maybe I should go into a little history of the taxation. In the trucking industry, there are three taxes -- the first, second, and third-structure tax. The first-structure tax is your registration fee. The second-structure tax is your fuel tax. Any other tax would be a third-structure tax -- axle-mile tax, ton-mile tax, etc. So what happens when a state imposes a third-structure tax is, other states retaliate against vehicles from that state, and say, "Well, if you are going to come into our state, as a retaliatory measure you pay our state that third-structure tax equivalent to what our vehicles pay to your state government." So, what happens? The Pennsylvania carriers coming into New Jersey are now paying an axle tax, because we pay an axle tax in Pennsylvania. The carriers in Kentucky, and the carriers in Ohio pay New Jersey a ton-mile tax in retaliation. So, if New Jersey imposes a third-structure tax, what you do -- yes, you will get the revenue from the out-of-state carriers -- but, the New Jersey carriers will be penalized severely in the other states, because now they will have to start paying a ton-mile tax to this state, or an axle tax to that state, whatever is come up with. So third-structure taxes are self-defeating for your own people because they get hit in the other states.

In Pennsylvania, for example-- A Pennsylvania carrier today has to pay eight to ten states an axle tax equivalent to what that vehicle pays here. In other words, they get hit ten times the effective tax rate. So, third-structure taxes are very self-defeating and, more importantly, they are very difficult to administer on a state level. In fact, the Commissioner talked about ton-mile taxes, but there was one thing he did not tell you. More states have repealed the ton-mile tax than have instituted the ton-mile tax, because of administrative problems. It is a self-policing type of tax with very severe administrative costs, and many states which have had the ton-mile tax have gotten out of it.

ASSEMBLYMAN GILL: I have just a couple of more questions, Paul. I know I am -- and I'm sure many members of the Legislature are -- somewhat concerned about the question of whether you can take from the declared surplus moneys enough to offset this amount. This is going to be a loaded question, and you don't have to answer it. When I came into the Legislature, we had forecasted a profit surplus -- someone had forecasted a profit surplus of \$100 million. Instead, we wound up with a deficit of \$200 million. Hence, we started running to catch up, the five-cent gas tax, and so forth. If what you are saying is that the trucking association would be in favor of seeing some of the \$30 million -- some or all -- taken from the surplus, would you also be in favor if we came across a deficit one year, two years, or three years down the pike, of the Motor Truck Association making up the deficit?

MR. STALKNECHT: I'll just answer that in general, why should the trucking industry always be the one to have to pay taxes when we are making up a deficit? There are other citizens; there are other--

ASSEMBLYMAN GILL: (interrupting) Well, the trucking association is the one at the moment which is saying, "We appreciate the fact that you want us to pay \$30 million as our 'fair share' of this additional cost for transportation of \$3.3 billion." Now, if you said, "We do not think that is our fair share; we don't believe we should be paying that," I think we would have a little better explanation of why you shouldn't be paying any more taxes. Or, if you said, "We don't think the money should come out of surplus if, on the other hand at some future time" -- such as our own household accounts -- if we lose money this year, we have to make it up next year, or so forth and so on.

MR. STALKNECHT: I think our proposal addressed that, Assemblyman Gill.

ASSEMBLYMAN GILL: What was your proposal, Paul?

MR. STALKNECHT: We asked for a two-year moratorium, and we asked you to take two years out of the general surplus. Obviously, you have it this year; there is no question about that. And, the

projection is that you will probably have a surplus the following year. We're saying after that, when the economy of the industry allows us to get back on our feet, yes, we will sit down and talk about increasing highway user taxes. We are not saying that we are opposing any taxes; we're saying that we need a break for two years because of the outside economic factors in the industry to get us back on our feet from six consecutive years of declining revenues. So, we didn't say, "No taxes;" we said, "Two years."

ASSEMBLYMAN GILL: Two years ago -- and this will be my last question -- we were fighting rather bitterly on the five-cent per gallon gas tax. Some people agree that it would have solved many of our problems but, nevertheless, we did not pass it. At that particular time, the Motor Truck Association testified that many truck companies would go out of business if, indeed, that five-cent gas tax was passed. We did not pass it in New Jersey. Possibly, in their infinite wisdom, the Federal government did. They said, "It's a good idea; we'll pass it." How many of those failures would you attribute to the five-cent gas tax from the Federal government?

MR. STALKNECHT: Well, that was caused by compounding factors; you can't say it was just one specific factor. When you add up the whole thing, obviously a tax of that magnitude could be the nail in the coffin. I think it would be naive to say the failures were caused by that particular tax, but when you add that to the whole additional cost, yes, it did have some impact.

ASSEMBLYMAN BRYANT: Let me just ask one question, and then I have to step out to another meeting. Assemblyman Cuprowski will act as Chairman in my absence.

I know what your proposal is, but also what I'm hearing is, assuming the Legislature is going to impose the tax which has been proposed by the Commissioner and the Administration, it is too drastic at one time. This would not force you to make a different commitment from what you have said, but is my understanding correct?

MR. STALKNECHT: That is correct.

ASSEMBLYMAN BRYANT: Assemblyman Cuprowski, would you please take over; I will be back in about 10 minutes.

ASSEMBLYMAN CUPROWSKI: Assemblyman Markert?

ASSEMBLYMAN MARKERT: Thank you. If I might -- whichever gentleman would like to respond -- what would be your reaction to replacing the sales tax on trucks and truck parts in the State of New Jersey, to come up with a figure which would allow us to decrease the registration fees for trucks, by whatever the estimated amount of that tax might be?

MR. KIELY: We don't understand.

ASSEMBLYMAN MARKERT: I'm talking about a sales tax on the purchase of trucks, parts, and so forth. If we were to replace that tax on you, give you a sales tax again -- put it on again -- the dollars brought in by that tax to then be used to offset the difference by an increase in registration fees-- Hypothetically, if the tax brings in \$15 million, then we would only have to raise an additional \$15 million. Of course, I'm not saying I am going to put the proposal on the board, because I don't know what can be done with dedicated sales tax, and I think you all know the Constitution, especially Paul. In the State of New Jersey, it would probably have to work through the process as we now do in general appropriations. However, do you have any comment on that thought?

MR. KIELY: Assemblyman Markert, I don't understand. If you are proposing taking \$15 million away from us, and then adding \$15 million more in registration fees, you would still be going after the \$30 million we have just testified we can't afford right now. I don't see the point.

ASSEMBLYMAN MARKERT: The point is, I think the State suffered a loss of revenue by eliminating the sales tax.

MR. KIELY: We admit that.

ASSEMBLYMAN MARKERT: I think it was done basically to help the industry to try to upgrade its equipment, and to enable the industry to sustain a longer period of time without addressing some of its problems.

MR. KIELY: It is my understanding from the history of the sales tax that we were actually playing catch-up football when we finally got our exemption from the tax. The original law, as written, had an exemption in it for the railroads, had an exemption in it for

the buses, and had an exemption in it for manufacturers of new equipment for the new equipment they needed to produce their goods. We played catch-up football when we asked for our exemption; we were only trying to get the same advantage that other businessmen had. In our industry, the truck is the manufacturing equipment; it is our manufacturing equipment. Why shouldn't manufacturers, as well as buses and trains, pay a sales tax on the purchase of their manufacturing equipment when we have to pay it on ours? That is my understanding of the history of the sales tax.

ASSEMBLYMAN MARKERT: All right, thank you.

ASSEMBLYMAN CUPROWSKI: I have a couple of questions. The Commissioner made reference to New Jersey Bell Telephone, or Bell Telephone of New Jersey, as it is known today. He said they had an analysis done -- he didn't specify by whom -- where they claimed they could have a net savings of \$600,000.00 on their vehicles in maintenance and operating expenses, and that is only one company. I am just wondering if your industry has done a similar analysis on a broader scale to find out what it could eventually save in the repair, maintenance, and operation of its vehicles, if this transportation funding was implemented.

MR. STALKNECHT: If I may address the subject of New Jersey Bell Telephone, I'm glad you brought up that question. Here is the internal impact statement from the Public Affairs Department of New Jersey Bell. If you look at this, they are talking about the impact on their company. The Commissioner said they operate 6,000 vehicles, but they only have 4,200 vehicles. More importantly, only 18 vehicles of New Jersey Bell Telephone will be in that higher tax rate of 87% under the registration increase. If our members had the financial wherewithal of New Jersey Bell, and only had 18 vehicles involved in this heavy vehicle use tax, I think we would all support it too.

ASSEMBLYMAN CUPROWSKI: Okay. That is a good point, but you didn't answer my question.

ASSEMBLYMAN GILL: We don't want to accept that answer.

ASSEMBLYMAN CUPROWSKI: You didn't answer my question though.

ASSEMBLYMAN GILL: That's right.

ASSEMBLYMAN CUPROWSKI: My question was, did your industry do an analysis to find out what your companies, in effect, could save on the operation and maintenance of your vehicles, either on a small scale or on a broader scale? I would assume it would be on a broader scale. That was my question.

MR. STALKNECHT: No, we did not.

ASSEMBLYMAN CUPROWSKI: Okay. I think it is safe to say, obviously, that the industry feels that any improvements to the roads, maintenance, and so forth, and any construction of bridges, roads, and so forth, have to be of benefit, and, certainly, a cost to the industry as far as maintenance and operations are concerned. Is that correct?

MR. KIELY: Yes, sir. We have been looking for dedication since it was taken away.

ASSEMBLYMAN GILL: This is what we have here, isn't it -- dedication?

MR. KIELY: We say we are not against the concept.

ASSEMBLYMAN CUPROWSKI: Well, maybe my question is this: If it was a choice, I guess, between funding this particular program out of the \$30 million of registration fees -- although I don't honestly see it coming to that -- this proposal being approved, the improvements being made, and stable funding being implemented, and obviously, the benefits which would derive from that to the roads and bridges-- Would you go so far as to say that maybe we shouldn't implement this program because the industry cannot afford its share, or at least what the Commissioner feels is its fair share, or fairer share, if you will?

MR. KIELY: The question before was, how much money could be saved once this was completed and we would be able to run on better roads and better bridges? What we are asking for is a couple of years' wait down the line. Probably by then some of this work will be done and we may see some savings. At that time, we may be in a better position, and that is what we are saying -- "Wait a couple of years."

ASSEMBLYMAN CUPROWSKI: Okay. What net profit taxes, if you will, does your industry -- your companies -- pay to the State of New Jersey? You made a lot of references to the Federal income taxes that are paid as a result of profits. The reason why I ask this question is

because the Commissioner made reference to the fact that the \$30 million is an expense against your net income on the Federal level, and that the net effect to the industry is not \$30 million. The net result of that would be -- depending on what tax bracket you were in -- 40% of that, or possibly 50% of that. Obviously, for some of the companies which are not making as good a profit, it would be 10%, or whatever. What net profit taxes do you pay to the State of New Jersey? What net profit taxes are your companies obligated to pay to the State of New Jersey?

MR. STALKNECHT: We pay just the routine business taxes -- corporate taxes.

MR. KIELY: We pay the same taxes that anyone else pays.

ASSEMBLYMAN CUPROWSKI: Corporate taxes?

MR. STALKNECHT: Yes.

ASSEMBLYMAN CUPROWSKI: So, the net effect of the corporate tax is based on the net profit. Is that right?

MR. STALKNECHT: That is correct.

ASSEMBLYMAN CUPROWSKI: How much does the State of New Jersey lose, even though we are getting \$30 million from you? I am also interested in an analysis in this way. Okay? How much are we going to lose in net corporate taxes in the State of New Jersey as a result of you guys writing off \$30 million worth of increased taxes, if this goes through? I'm looking at it from both sides of the street; I think we should take a look at that.

MR. STALKNECHT: We've never done that, but I understand your question. I will see if I can get the answer for you.

ASSEMBLYMAN CUPROWSKI: In the State of New Jersey, do you have any idea which counties have the bulk, or a good percentage of the trucking industry? Do you have such statistics?

MR. STALKNECHT: Yes. There are two hubs. You have the Carlstadt/Secaucus area in Bergen County. Then you have Hudson County, Union County, and Middlesex County. To the south, the trucking industry is basically centered around the Camden County area, but it is certainly more to the north. Hudson County has the highest concentration of trucking companies found anywhere in the United States.

ASSEMBLYMAN CUPROWSKI: Okay, thank you. Are there any other questions? Assemblyman Gill?

ASSEMBLYMAN GILL: Paul, I want to get back to New Jersey Bell. I am really not defending New Jersey Bell, except as a member of the Bell system. I think they probably did a pretty fair job in analyzing what their costs and expenses are going to be. I think just logically -- and you will have to grant that we do understand some basics -- if your trucks are now operating on the basis as has been testified to, and if you have a savings in the cost of gasoline per mile because the six cents has now gone to four and a half cents, just looking at some of the new roads and the new routes which are going to be taken, certainly this is going to be an advantage to the trucking industry on a whole, not only an advantage, but an economic advantage. How do you factor that in?

MR. STALKNECHT: We agree with that, Assemblyman, but what we're saying is, essentially that is money from the past which they have taken from our pockets and diverted. Now, the State is playing catch-up with our tax dollars from the past to do these repairs. We recognize there has to be a good highway funding program in New Jersey. It does benefit the trucking industry, but it also benefits all motorists, all consumers, and all bus transit people. You cannot overlook the fact of that \$3 billion of our past diverted taxes. What we're saying is, that is what you're using now, and really that is why it should come out of the general surplus.

You mentioned another thing I would like to address. You mentioned the effective dollar value, or the cents per gallon value to eight cents when you count in the CPI. Yes, it has been diminishing for the trucking industry, and the trucking industry has had a 33% improvement in its miles per gallon. But, don't forget, it also benefits the automobile driver. He, too, is only paying that same fixed eight cents per gallon, and his improvement in miles per gallon, according to EPA standards, has improved 85%. So, their miles-per-gallon improvement has been almost three times greater than the trucking industry's. They are on a sliding scale; their true dollar value of the eight cents per gallon is lower than ours, based upon their improvement in fuel consumption.

ASSEMBLYMAN CUPROWSKI: Are there any further questions?
(negative response) We thank you, gentlemen; thank you very much.

MR. KIELY: Thank you.

MR. GURMAN: Is Freeholder Salmon here? (no response) Mr. Larry McGinley.

LARRY MCGINLEY: I have a very short statement here, although a very important one. We want to talk about jobs. My statement, which I will pass out to the Committee, is as follows: Teamsters Joint Council No. 73 represents 92,000 active members in the State of New Jersey. We are opposed to the funding procedures of Governor Kean's highway financing proposal, although we are not opposed to the concept of the proposal. The main reason for our opposition to the proposal is our fear of the loss of jobs.

The past several years since deregulation of the trucking industry by the Federal government have resulted in a loss of jobs in excess of 5,300 members of the Teamsters Union in the State of New Jersey. At the present time, we are losing jobs because of the bankruptcies of trucking companies in this State. Incidentally, New Jersey leads the country in the number of bankruptcies of trucking companies, and, as of last week, we are still losing members due to bankruptcies. Any increase imposed upon the trucking industry by way of higher registration fees could further accentuate the loss of jobs because of the above-mentioned conditions. Any such increase in highway user fees for the next two years could be taken from the State's ever-increasing surplus budget, which seems to grow higher every day.

Out-of-state trucking companies would not be affected by the increase in registration fees, and companies based in New York, Pennsylvania, Delaware, and Connecticut will be paying less than those based in New Jersey.

I would like to say this: We have paid our dues. We have recognized over the past several years that the trucking industry has been in trouble financially, and we have renegotiated contracts -- which I have heard here before -- at a tremendous cost to the people involved, plus the loss of the 5,300 jobs. Again, if a surplus has

been accumulated here in the State, we have contributed to part of that accumulation. So, we are going to ask the Committee-- We like Assemblyman Foy's proposal that this be spread out over a number of years. Give us a chance to get back on our feet and to try to get some of the 5,300 jobs which we have lost back again. That is the thrust of our proposal -- jobs.

ASSEMBLYMAN CUPROWSKI: Are you finished with your statement, sir?

MR. MCGINLEY: Yes, I am.

ASSEMBLYMAN CUPROWSKI: If you don't mind, you made some references -- and others have too -- to the number of bankruptcies in the State of New Jersey in the trucking industry. If that is a fact, then obviously it is a fact. I just wonder, do you have any idea what some of the causes for those bankruptcies might have been? Were they a result of the costs, or were they a result of companies closing up shop on some occasions, and reopening under another name in a lot of other cases?

MR. MCGINLEY: I would say the bankruptcies were due to deregulation. I think that has hurt us tremendously. I haven't seen any good come from it. I don't know whether we're buying tomatoes, or whatever it may be that is being trucked, any cheaper as a result of deregulation.

ASSEMBLYMAN CUPROWSKI: Are there any other questions?
(negative response)

MR. MCGINLEY: I would like to make one other statement. I have heard some comments here about the effect of trucks on the highways and the damage that is done. I'm sure most of us have had occasion to go out to Kennedy Airport. The worst highway in the tri-state area is the Bell Parkway, and there aren't any trucks that ride on the Bell Parkway. I do not know of any highway that is as hard to ride on, with as many potholes, and with as much damage done to it, and there isn't a single truck that ever goes over it.

Thank you for your attention.

ASSEMBLYMAN CUPROWSKI: Thank you very much for your observations. We appreciate them.

MR. GURMAN: Mr. Oliver Brown.

OLIVER BROWN: Mr. Chairman, members of the Assembly Transportation and Communications Committee: It is indeed a pleasure to come before you to share my views on the Administration's proposed increase in current heavy truck registration fees.

I am Oliver Brown, Vice President of the New Jersey Motor Truck Association, and President of Oliver Brown Trucking Company in Middlesex County. The Governor, in his budget message of January 30, proposed an increase in truck registration fees, which he estimated would generate \$30 million annually, a revenue that would be applied to funding transportation capital improvements.

The Governor, in his budget message, argued that 44 states in this nation impose higher costs on trucks than does New Jersey. When all combined taxes and fees are considered, the Governor further argues that the trucking industry in this State has not had an increase in registration fees since 1974, even though auto registration fees were increased as recently as 1979. Even with the proposed fee increase in place, more than half of the states of this nation will be imposing a greater burden on truckers than New Jersey.

Mr. Chairman and members of the Committee, to increase registration fees would, indeed, be a burden on truckers. To argue that other states may have higher registration fees than our State does not validate increasing registration fees in New Jersey. I also point out that this State is gaining the reputation of being a leader, not a follower.

New Jersey was the first State to have a Public Advocate, the first State to have a pharmaceutical assistance program for our senior and disabled residents, and the first State to enact equal employment opportunity and affirmative action statutes. I hope our State will continue to enact progressive programs to improve the quality of life for those who live, work, and play in New Jersey. However, I have serious doubts about the Administration's proposal to raise additional revenue. Too often, the residents of this State have witnessed various increases in users' fees, not because those fees were warranted, but to meet and balance the budget. These increases become nothing more than hidden taxes.

I have owned my own trucking company for 21 years. Because of the recession, with higher interest rates and inflation, the last three to four years have been the hardest and the most difficult of the 21 years for my company. With the upturn in the economy, there has been an improvement in the trucking industry. Only recently have trucking companies like mine been able to rehire drivers. How long will the economy be on an upbeat? Economies are mixed. Will the high interest rates and wide-spread inflation of 1980, 1981, and 1982 come back before November, or during the first quarter of 1985? There are signs that inflation is raising its ugly head again. What will be the impact on a trucking company like mine if we return to those hard economic times? I will have to cut back on drivers; I will have to lay off drivers. What will happen to the drivers who are laid off? If the downturn in the economy lasts any time at all, the vast majority of them will be forced to go to the public dole for assistance.

To impose an additional financial burden -- for example, the increase in registration fees -- on truckers will only mean that drivers will be put out of work, and trucking companies like mine will be forced out of business. Most of my drivers are black; many white-owned companies hire a large percentage of minority drivers. Where many industries have not been as open to minorities, the trucking industry has. To impose additional burdens on the trucking industry will serve only to imperil the potential for progress and growth for minority drivers that the industry offers.

Mr. Chairman and members of the Committee, I hope you will give some brief attention to my remarks as you consider this issue. I believe the Administration's request for an increase in truckers' registration fees is ill-timed and ill-conceived. I appreciate the seriousness that this Committee is showing to this issue, and I appreciate the opportunity to speak before you.

I would like to add one other thing, Mr. Chairman and members of the Committee. When you speak of the trucking industry, you are talking about a lot of people who are not highly educated, and I have a lot of them, as do many other trucking companies. If you are talking about a driver making an average salary of \$35,000.00, if we

are forced to leave the State with our companies, that will mean we are going to have people who are used to living on a middle-class income who will be forced to go on welfare, or to get some kind of assistance from the State or the government.

I would like you to bear in mind that we have a problem now. We want safe roads, but by the same token, right now, with my company, as well as with a lot of other companies, I don't think we can afford an increase. Thank you.

ASSEMBLYMAN CUPROWSKI: Thank you, Mr. Brown. Are there any questions? (negative response) All right, thank you very much.

MR. GURMAN: Mr. Gary Bonacci.

GARY BONACCI: Mr. Chairman and members of the Committee: My name is Gary Bonacci; I am Assistant to the President of AAA Trucking Corporation, which is headquartered at 3630 Quakerbridge Road, Trenton, New Jersey.

AAA Trucking Corporation is an interstate motor common carrier which operates throughout the Northeast. We presently employ approximately 800 personnel, 200 of which are employed in New Jersey. We have approximately 900 vehicles in our fleet, and currently 610 of them are registered in this State.

I am making this statement on behalf of our corporation, its President, and its employees throughout our system, some of whom, out of real concern, have taken time from their busy schedules to be here today.

I have a prepared statement, but in the interest of time I am just going to take excerpts from it. Also, I will hit some of the questions you asked some of these other people as the subjects pertain strictly to AAA. Our company is a privately-held company, and we have been in business since 1931. We have seen our industry go from complete nonregulation to complete regulation, and back now to what appears to be negligible regulation. You asked some questions about deregulation; I hope I can answer some of them and what it means to a company like ours.

Prior to 1980, our industry was regulated, and costs inflicted upon our company, such as those which Commissioner Sheridan

is imposing, were simply passed on to our consumers. The Motor Carrier Act of 1980, and, more importantly, the total negligence of the Interstate Commerce Commission to enforce that law as it is written, have not made that as easy as it used to be. In fact, at this point, it is probably impossible. On top of that, our industry is in total financial disaster.

We have one of the greatest numbers of trucking company failures in the country in this State, as you have heard. On the Federal level, the ICC, through total neglect of its enforcement of the present laws, has allowed conglomerate-owned trucking companies with huge bankrolls to price their services clearly and obviously below cost in an effort to drive the small and medium-sized -- which we consider ourselves to be -- privately-owned companies out of business. This, coupled with the political power of these conglomerates which is used to create such laws as the ERISA Act, has made it not only impossible to compete, but also impossible to sell, merge, or even die in peace. I say that because the ERISA Act basically leaves us with an unfunded liability that no other company wishing to purchase us would even consider taking on.

It is a fact that the top ten carriers in the country in 1979 -- at a time when the market share was a lot larger than it is today -- owned 39% of that market share. It is also a fact that today -- in a market that is a lot less than it was in 1979 -- those same top ten carriers now own 52% of the market share. They are clearly headed for a conglomeration.

The proposal before this Committee is one of serious consideration. Before I get into the effect to AAA Trucking, I would like to state some of our numbers. In 1983, our company had gross revenues of \$37 million. We operated at a 93% operating ratio. This means that 93% of the revenue I just stated to you went to expenses, so we made seven cents on a dollar. That is basically what it comes down to. This percentage was five points better than the industry average, and of that we are very proud.

ASSEMBLYMAN CUPROWSKI: Excuse me, how many cents per dollar was that?

MR. BONACCI: We grossed \$37 million, and we operated at 93%. Okay? Which means that 93% of that \$37 million went to expenses. All right?

ASSEMBLYMAN CUPROWSKI: Yes.

MR. BONACCI: However, profit after State and local taxes, and then after loan payments with the high interest rates -- we cannot get financing from the government side because we are high risk -- was \$600,000.00. The return on equity for our company was somewhere around 6%. Our President and owner is here today. I know this is of serious concern to him. It is very obvious that he could take his money elsewhere, the CD's and what have you, and make a hell of a lot more money than 6%, and could probably be insured to some degree.

This year, year to date, and I just received this today-- (Mr. Bonacci holds up paper he is referring to.) In case you would like to look at this, our company is now operating at 102. We're in the red. The "red ink," as we call it in the industry, is all over this page. There are 40 carriers reporting here, and out of the 40 reporting, 24 are in the red. Some of the operating ratios as of the first quarter of this year are astronomical. That answers some of the questions you asked about the out-of-state truckers paying fair shares of their roads too. It is a good idea, but I'm telling you, this industry just can't take it anywhere.

Should this proposal be allowed to pass, our company, AAA Trucking, will be faced with an annual increase of \$105,222.00. Using our 1983 operating statistics, this means we will have to generate an additional \$1,618,769.00 to cover just this expense. I just finished telling you that those figures were for the second-best year in our history. Obviously, this year we are nowhere near that. I don't even propose to talk about what we have to generate to cover this expense under these terms.

As I stated earlier, we generated only a profit of \$600,000.00 last year with that high operating ratio. This is not enough to consider expansion, and expansion in our industry is the key to survival. I say this, because in order to compete with the discounts being forced upon us by the major conglomerate-owned

companies, we have to be able to offer our customers service to more points in order to get more freight. More freight means a better discount. It's the same thing as when you go to the store. If you buy more at one time, you get a better discount. We have to offer more points and, obviously, with \$600,000.00, we are not going to expand anywhere to be able to offer more points. So, we see the possibility of expansion in the future as being very dim, at best.

As we see it at AAA Trucking, we have two options to follow should this proposal proceed. The first option is that we will move the bulk of our 610 vehicles now registered in the State to a friendlier state. Indidentally, I should add that we currently pay the State of New Jersey \$128,016.00 in registration fees just in the areas covered by this proposal. I think you asked before, Mr. Chairman, for a breakdown of trucks. In our company, we have the straight truck, the P&D tractor, and the Lionel tractor. So, that is what we would be cutting down on, the \$128,016.00.

Our second option is to reduce the number of employees we now have in order to compensate for the proposed increase. We do not wish to take either of these measures, but would rather work with this Administration toward the betterment of our State through setting and achieving common goals, such as the betterment of our transportation needs. However, if this and other cost proposals continue to be forced upon us, we are in a position, and we will, in fact, not only institute both of the above options, but will also take appropriate measures to leave this State entirely to do business in a state with a friendlier business atmosphere.

I thank you, Mr. Chairman and members of the Committee, for hearing my comments on this issue.

ASSEMBLYMAN CUPROWSKI: Thank you very much. Assemblyman Gill?

ASSEMBLYMAN GILL: I would like to get a copy of your testimony.

MR. BONACCI: I have marked up this copy, sir, but I will make sure that you get one.

ASSEMBLYMAN GILL: I have no questions.

ASSEMBLYMAN MARKERT: I, too, would appreciate having a copy of that.

MR. BONACCI: I will get you all copies.

ASSEMBLYMAN CUPROWSKI: May I ask a question? I just want to make sure that I understand this clearly. If the registration fees go out of state, as you stated one of your alternatives might be, how much total revenue would the State of New Jersey lose under those conditions?

MR. BONACCI: Well, we haven't figured out exactly what we will move out of here, but it will be the bulk. Remember this, I stated that we have-- Did you keep a copy of that sheet I showed you?

ASSEMBLYMAN CUPROWSKI: Yes, we have a copy.

MR. BONACCI: Oh, okay. You will see on this sheet, sir, that we claim we have 40 straight trucks registered in this State at the 30,000 pound range. We also have 145 P&D tractors at 60,000 pounds, and we have 65 line-haul tractors at 76,000 pounds. That is only 250 vehicles. The rest are trailers, service vehicles, and such, which make up the bulk of the 610 vehicles. But, that \$128,016.00 pertains to these 250 vehicles. We will move not only the bulk of these, just keeping a minimum in the State, but we will move the trailers as well. There are plenty of places where trailer registration is substantially lower than ours.

But, we are a family-owned company. My family has owned this company for all of the 50 years. We are New Jerseyites, Trenton residents, and we have kept our things here because of New Jersey's previous friendly business atmosphere, even though the costs are better in some other states.

ASSEMBLYMAN CUPROWSKI: Would you classify your company as a medium-sized company?

MR. BONACCI: Yes, it is medium-sized, that's definite. The figures you see before you are from the Midlantic Conference. They take into account everything from New York to Virginia. It is not all the states we operate in. But, yes, we are medium-size; we are not nationwide.

ASSEMBLYMAN CUPROWSKI: Are there any further questions?
(negative response) Thank you very much, Mr. Bonacci.

MR. BONACCI: Thank you.

ASSEMBLYMAN CUPROWSKI: Is Marlene Asselta who is to represent Freeholder Salmon of Cumberland County here? Are you Marlene?

MARLENE Z. ASSELTA: Yes, I am. Are you Assemblyman Cuprowski?

ASSEMBLYMAN CUPROWSKI: Yes, I am.

MS. ASSELTA: Good afternoon. I am Marlene Asselta, Director of Governmental Affairs for Cumberland County. I am here representing Freeholder Director Edward Salmon who, unfortunately, was unable to attend today. He was called out of the County and, at the last minute, asked me to appear on his behalf.

I would like to read into your record the statement that Mr. Salmon would have made to you today. I will speak as though I were him, although obviously, I am not.

Assemblyman Cuprowski, and members of the Assembly Transportation and Communications Committee: I am here representing the Cumberland County Board of Chosen Freeholders, the residents of Cumberland County, and the trucking industry which exists in Cumberland County.

Over the past several weeks, we have been following proposed Assembly Bill 1574 and Senate Bill 1446 regarding the New Jersey Transportation Trust Fund. It is our understanding that this Trust Fund will provide money for New Jersey Transit and the Department of Transportation's annual capital programs; further, this proposal comes by way of a recommendation from Governor Kean in an attempt to address the major transportation issues that face all residents of the State of New Jersey.

We would first like to preface these remarks by stating that Governor Kean, Commissioner Sheridan, and Assemblyman Bryant and his Committee, along with Senator Rand and his Committee -- all of the legislators who are involved in this program -- should be commended for recognizing the need to improve our roads and highways throughout the entire State and the impact it would have on Cumberland County, more specifically, the completion of Route 55 and the upgrading of other highways in our own area.

Our concern, however, is with the sources of revenue to fund this plan. While the Board of Freeholders does not oppose the entire proposal offered by Governor Kean, it does fear one area of funding in particular, that is, the increase in truck registration fees which amounts to \$30 million of the proposed \$230 million Trust Fund. As you have heard, I'm sure over and over, this increase represents a fee that can range as high as 87%.

The trucking industry in Cumberland County has been facing difficult economic times due in part to numerous local plant closings, fierce competition, and increases in Federal fees. This has already resulted in the closing of two companies and the loss of more than 100 jobs. Presently, Cumberland County has 19 trucking firms -- although I must admit that I just discovered a twentieth over the weekend -- representing approximately 1,500 jobs. All of these companies would be severely harmed by further increases in cost, which could result in further shutdowns and job losses. As you know, Cumberland County continues to have the highest unemployment rate in the State, 14.2% at the time we prepared this statement. However, it has increased, I think, upward toward 16%. This situation, of course, continues to worsen. To impose yet another tax on our already struggling truckers would create such a hardship that we may see our New Jersey truckers moving out of this State, across the bridge, to escape an already burdensome over-regulated industry. The impact on unemployment in this State would drastically escalate. Cumberland County, an already economically-deprived County, would suffer perhaps more than any of the other counties.

No responsible government official disputes the need for wholesale repair of our highway and bridge infrastructure, but to ask a belabored trucking industry, which is already taxed and charged to the limits of its ability to pay and still remain solvent, is going beyond the realm of reason.

The Cumberland County Board of Chosen Freeholders in recognizing the vulnerability of our local economy, and the part that the trucking industry plays in that economy, has unanimously passed a resolution supporting the concept of stable funding for the

transportation project, but opposing increases in truck registration fees. You have in front of you a copy of the resolution passed by the Board of Freeholders, I think back in April. We respectfully request that you consider an alternative to the \$30 million truck registration fee increase, and in doing so, remember that those employed directly by the trucking industry in Cumberland County form a significant percentage of our labor force, and that their well-being has an important bearing on the prosperity of a still larger percentage of people.

Of course, we stand ready to work with you in formulating an alternative to this portion of the proposed funding source, and I speak, again, on behalf of the entire Board of Freeholders in Cumberland County.

I would just like to add a footnote to relate a brief story. On Saturday morning at breakfast, I had occasion to speak to a small trucking firm. The owner said he employs approximately six to eight people between drivers, mechanics, and clerical people. He had no idea of the impact this increased registration fee would have on him, until we got into a very detailed conversation. He said quite frankly that the increase he would have to bear would be passed on to the contractor for whom he carries. That would last for just so long until an out-of-state trucking firm came in and underbid him and, therefore, he would lose not only that contract, but probably several more. He concluded by saying that that would eventually force him out of business, a business he has been involved with for 27 years now. He said not only would he lose, not only would his employees lose, but, of course, the State of New Jersey would lose a very viable industry, would lose corporate taxes, would lose fuel taxes, and would lose whatever else truckers are faced with. But, more importantly to Cumberland County, it would mean the loss of eight more jobs. I know that sounds rather foolish, but the eight more jobs we would lose would mean eight more people involved in unemployment, eight more people who would be faced with, "Now, what?"

I am here to tell you on behalf of the Freeholders that we cannot afford to lose eight more jobs in Cumberland County. We cannot

afford to lose one more job in Cumberland County. We want to increase the number of employment opportunities in Cumberland County. We think we can do that through programs such as this with the increase in activity we see, and with economic development beginning to take a foothold in Cumberland County. Part of that -- or most of that -- has to do with transportation.

We are asking you to please help us, and let us help you to find an alternative, so that our trucking industry can continue to grow and be a part of the economic picture in Cumberland County. Ours is only one county you are hearing from, and I would hope that all of the 20 others would jump on this bandwagon. There must be a way to work something else out so that these carriers are not so adversely affected, so that we do not lose our trucking industry, or have one more person facing unemployment.

I thank you for allowing me to testify. If there are any questions, I will be happy to answer them.

ASSEMBLYMAN CUPROWSKI: Are there any questions? Assemblyman Gill?

ASSEMBLYMAN GILL: Since you said the Cumberland County Freeholders have been studying this since April, what viable alternative have you come up with?

MS. ASSELTA: The only thing we can point to, and I think you have probably heard it over and over, is the surplus. We feel there is something there that can be worked out, and we are more than anxious to become involved in that. I know you have probably heard this story for several hours today.

ASSEMBLYMAN CUPROWSKI: Anyone else?

ASSEMBLYMAN MARKERT: I'm sorry, but I would just like to hear your name again.

MS. ASSELTA: My name is Marlene Asselta. I am with the Office of Governmental Affairs, and I am representing Freeholder Director Edward Salmon, the Board of Chosen Freeholders, some 20 trucking companies in Cumberland County, and more than 1,500 jobs.

ASSEMBLYMAN MARKERT: Through you, Mr. Chairman, with reference to just the small company with the eight employees you were talking about, how many trucks do they have, do you know?

MS. ASSELTA: They have four trucks, and they are all in the 80,000-pound range.

ASSEMBLYMAN MARKERT: All four trucks are in the large category?

MS. ASSELTA: Right, all of them. They are refrigerated trucks used in the business of hauling frozen chicken. So, you can see that it won't take long to pass that increase in fee on to the consumer; then it won't take long for someone else to come in and underbid that trucking firm. The man has no alternative; he has known only the trucking industry for all of his adult life, and he would be unemployed along with the people who work for him.

ASSEMBLYMAN MARKERT: I would just state for the record that I have heard from 12 counties.

MS. ASSELTA: Oh, good.

ASSEMBLYMAN MARKERT: So, other counties are being heard from; however, the position that your County has taken is not that of the other 11.

MS. ASSELTA: Well, I hope we will be able to convince them.

ASSEMBLYMAN MARKERT: I have copies of those resolutions.

ASSEMBLYMAN GILL: We have received many resolutions from many counties.

MS. ASSELTA: Well, Cumberland County, as you know, is unique. Not only is it the County that carries the biggest unemployment burden in the State, but I think your national figures will also point to a very economically-depressed County. So, we are unique in that respect. We want to be on record; we want you to know that Cumberland County may be one that is taking the opposite road on this course. I think you see several people in this room who would support not only Cumberland County, but the concept we are here to talk about.

ASSEMBLYMAN CUPROWSKI: Thank You, Marlene. I would like to add that Freeholder Salmon and all of the other Freeholders have been very well represented here this morning. Thank you very much.

MS. ASSELTA: Thank you very much.

ASSEMBLYMAN BRYANT: Mr. Fred Sacco, Executive Vice President of the Fuel Merchants Association.

FRED SACCO: Thank you, Assemblyman Bryant. My name is Fred Sacco; I am the Executive Vice President of the Fuel Merchants Association of New Jersey. We have a membership of approximately 500, and these members deliver about 90% of the retail home heating oil delivered in New Jersey. Seventy-five of our members are called "gasoline jobbers." They are responsible for supplying about 18% of all the motor fuel distributed in the State of New Jersey.

I would like to give a special thanks to this Committee, as I did to Senator Rand when I had the opportunity to speak before the Senate Transportation and Communications Committee, because the last time a truck fee increase was made, no one was given an opportunity to discuss it.

In 1980, there was a piece of legislation being considered, and it was at the close of the session. This bill was given emergency consideration in the Assembly and was passed with almost no negative votes. It was sent over to the Senate, and was given emergency treatment over there. It was given to the Governor, and it was signed on January 12, which was exactly two years and four months ago. The effect of that was the doubling of truck registration fees for a couple of segments of the industry.

Now, I bring that to your attention because I have read a number of media accounts, and I understand there was a letter circulated by the Department of Transportation. I happened to have been talking to Assemblyman Muziani at a presentation before one of our county organizations, and I saw the letter. I think that letter said there had been no truck fee increases in New Jersey since about 1975 or 1976. So, I come back to you to remind you that when this Legislature and the Administration took away the six-month registration fee opportunity, in essence, they doubled the fees for our industry. We are an industry which operates substantially between November and March of each year. That is when we deliver 90% of the home heating oil needs of our constituency. So, we had no option but to register our vehicles.

We find ourselves again concerned with the prospect of doubling. Eighty-seven percent is very close to doubling our truck

fees again. We appreciate this opportunity to talk to you about this because you will probably be the most influential people in the party conferences when the issue is discussed, since it is going to be a bill that will come out of either one of your Committees.

Before the Senate Committee I used another illustration, because there has been a great deal of public comment on the damage the trucking industry has done to the highway system. I stumbled onto what I think is a similar analogy to the highway being used to go to Kennedy Airport, where there are no trucks. I built my house about 20 years ago. For four consecutive winters, I solved my winter problems by using rock salt and, low and behold, in the seventh year, I had to replace my driveway and all of my sidewalks. Not one truck, not one vehicle of any substance ever passed across my sidewalks. That is just to give you some indication of the real perspective and where the real damage might be coming from.

Another illustration was made here with regard to users paying their fair share. We pay motor fuel taxes in New Jersey, and almost one-fifth of the motor fuel taxes we pay to the State of New Jersey is paid on a vehicle that isn't even moving. We pay that because we have to utilize motor fuel to operate the power takeoffs on our vehicles, and most of that time we are pumping product into someone's heating storage system. However, we have no opportunity to come to the State for rebates or anything like that. We pay what we believe to be a little bit more than our fair share.

We are even more greatly concerned because the majority of our members are second and third-generation family businesses operating throughout New Jersey. We do not have the facility to take our corporate headquarters and move to other states to register our vehicles. So, we are very fearful that if this becomes the initiative of this Legislature, the heating oil industry is going to be socked again with the prospect of an 87% increase in vehicle registration fees.

We would like you to seek some alternatives. You have heard about the surplus. We have even accepted the prospect of a motor fuel tax increase of a cent across the board, notwithstanding that one-fifth

of what we pay will still be on a vehicle that is not moving. But, it would give you almost \$27 million to \$30 million a year. You could utilize the surplus this year, and then next year look to motor fuels as the true barometer, if we are going to talk about all the users in terms of paying some of this cost. You would probably never have to come back in the near future to talk about registration increases, because you could cover it with just a motor fuel tax increase of one penny. You might not have as good an economic picture in New Jersey as you have this year, although I think it is going to be as good.

Regarding truck registrations being moved to other states, I want to point out that if you look at the historical relationship that Delaware has had to New Jersey in terms of corporation income taxes, I'm sure most of you are aware that that became the corporate haven of the whole United States because they had a better corporate tax structure. Since that time, we have done something about that. You had the foresight to do something about that. I hope you have the same kind of foresight when you are talking about these vehicle registration fees, because they become an economic burden where the cost benefits are definitely to the detriment of the trucking industry.

Gentlemen, thank you for giving me the opportunity to visit before your Committee.

ASSEMBLYMAN GILL: Mr. Chairman, two very quick questions, if I may. I know the time is late.

ASSEMBLYMAN BRYANT: Surely, Assemblyman Gill.

ASSEMBLYMAN GILL: Would you say that the fuel merchants, the one industry which is directly related to the consumer, would pass the increases in cost as a result of this bill directly to your consumers?

MR. SACCO: Well, I would say that because of the competitive nature of our business, we will probably not be able to. Senator Rand asked me a similar question. We faced wholesale increases by the major oil companies through this heating season somewhere in the 26-cent per gallon neighborhood. Historically, and it is very evident in your county, Assemblyman Markert, you are probably eight or nine cents under the retail marketplace. So, the retail home heating oil distributors in your county ate as much as eight cents of that increase. Therefore,

the economics of the marketplace, the competition inter-fuel, and the competition for the conservation ethic on the part of your consumers lead to having a severe difficulty in passing on all the operating costs.

ASSEMBLYMAN GILL: My second quick question is-- Since you are representing the Fuel Merchants Association, I take it you have no opposition to raising the fuel tax by one cent, which would be a viable alternative to make up the \$30 million.

MR. SACCO: I do not think you need to do it this year, sir, but you may have to look at it next year and, I believe, you will definitely have to look at it in 1986. I think it is less likely next year with it being a gubernatorial year and the Legislature being up.

ASSEMBLYMAN BRYANT: Are there any further questions?
(negative response) Thank you, Mr. Sacco.

MR. SACCO: Thank you.

ASSEMBLYMAN BRYANT: How many more people want to testify, so I can get an idea timewise. (show of hands from the audience) Can any of you return on Friday? We are having a hearing on May 25. Can any of the individuals who raised their hands come back on Friday? (no response) We are running into party conferences at this time. We will go for at least another 15 minutes if you want to make it short, or if anyone would like to come back on Friday to continue this, I will do that also. I want to be fair and allow--

FROM AUDIENCE: (interrupting) Mr. Chairman, I have an owner/operator here who has to deliver a load of freight. He has given up his day to be here, and he has the freight sitting outside. I sincerely doubt if he can come back on Friday. Will you please give him a minute?

ASSEMBLYMAN BRYANT: Okay, hold on. Who else said they would like to testify? (Several responses from audience from people saying they would be short.)

ASSEMBLYMAN MARKERT: Let's keep the shorts going until we can go no further.

ASSEMBLYMAN BRYANT: Okay. Let me have the gentleman who has the freight outside.

WILLIAM CARPENTER: Mr. Chairman, members of the Committee: My name is William Carpenter. I reside in Hamilton Township, Mercer County. I have been an independent contractor for 13 years, having been leased to Bass Transportation of Flemington all this time. I control all my own costs; I handle all the money and repairs; and, I know exactly what it costs me to operate.

Other states, as you have heard already, are really starting to get into our pockets. Just on a given day, it cost me \$35.00 to go in and out of New York City; plus, they have the highest fuel tax in the state. Pennsylvania has its \$36.00 axle tax. It just seems to me that trucks which come through this State from Florida, using us as a corridor state, which we are, pass through here at eight cents per gallon, with no truck registration fee or anything like that. They come in and go out. They just move freely through here without any big cost to them at all, whereas it seems to me, as a little guy, that we are almost subsidizing the complete trucking industry in the United States, and we have to make up the difference.

It might not sound like a lot of money to you people when you are talking about \$600.00 or \$700.00 extra, but to me it is a major factor. We are an industry that is wracked by excessive costs at every turn, and we can only absorb so much. These costs are already taking a toll on trucking. You have seen the statistics about people going out of business.

As an owner/operator, I have no redress. If I go out of business and am unemployed, there is no unemployment for me. I'm down the road; I have to find some other way to go. I do not think there is any other business in the State which pays as many different taxes or has the expenses we do. Everyone keeps going back to the well, and we are considered the well. Every time someone wants more money, they say, "Go back to the trucking industry." There is every facet in our industry, from a one-man operation like mine to a guy like Mr. Bonacci with six or seven hundred drivers.

One of the things about being an interstate trucker -- I run in 24 different states -- is reciprocity. You have heard this mentioned, but I don't know if you are fully aware of it. It is so

nice to go into other states. When they know you are from New Jersey, you get no hassle at all. This is one of the biggest benefits of being registered in New Jersey. As far as Commissioner Sheridan talking about the fuel credit is concerned, my fuel credit from the State of New Jersey averages \$150.00 every quarter because I don't get money back. So, I feel that I am already paying the \$1,300.00 extra they want for registration. If I can't get the \$150.00 back, then someone has it.

In essence, that is what I have to say. I feel strongly that this should not be passed. There should be another avenue of approach to deal with the problem. Thank you very much.

ASSEMBLYMAN BRYANT: Thank you. Mr. Dan Wettlin, President of the New Jersey Milk Industry Association. Mr. Wettlin had called in prior to the list being developed. After Mr. Wettlin, I am going to go straight down the list.

Mr. Wettlin, we have your written statement. Please do not read your entire statement; just capsulize it so we can hear from everyone.

DAN WETTLIN: Thank you, Mr. Chairman. I was going to suggest that in the interest of time it would be better if I didn't read my statement. Let me just make a very brief statement.

The milk industry in New Jersey deals with a commodity consumed by 99% of all residents. It is an essential commodity. It is highly competitive. Ten years ago, about 10% of the milk consumed by New Jersey residents was processed in out-of-state plants. Today, 30% of the milk consumed by New Jersey residents is processed by out-of-state plants. The reason for that is the economy. We have higher costs in everything in New Jersey, including labor rates, and everything else. Primarily, the cost of milk is more expensive to us than it is to some of our out-of-state competitors.

So, we are faced with a very severe economic competitive disadvantage. An increase in registration fees at the present time, as small as it may seem-- Eighty percent of the trucks operated by this industry are in the 80,000-pound range.

ASSEMBLYMAN BRYANT: Eighty percent?

MR. WETTLIN: Yes, about 80% of them. So, it does make a severe impact upon us. We are an industry that is accustomed to thinking in terms of pennies and fractions of pennies. With your permission, Mr. Chairman, I would like to read to you just the last paragraph of my statement: New Jersey's milk industry already suffers a number of disadvantages in interstate competition. These range from higher property taxes, labor rates, and energy costs to higher costs for raw milk. The increased truck registration fees contemplated by A-1574 would be an enormous new burden, and we ask this Committee to consider apportioning this burden between trucks registered in this State and those registered in other states which travel here to compete with New Jersey businesses. This could be accomplished by a number of methods, one of which would be to increase the charge for truck decals which apply equally to in-state and out-of-state trucks, and other devices which, I am sure, are known to others more expert in truck matters than I.

ASSEMBLYMAN BRYANT: Thank you very much for your testimony, Mr. Wettlin. Are there any questions?

ASSEMBLYMAN GILL: No questions.

MR. WETTLIN: Thank you.

ASSEMBLYMAN BRYANT: Mr. Alfred Miller from the New Jersey Industrial Traffic League.

ALFRED A. MILLER: Mr. Chairman and members of the Committee: My name is Al Miller. I appear before you as the Executive Secretary of the New Jersey Industrial Traffic League. We are the payers of the freight bills, and that is why we are here. We purchase the services of every man who has testified and, also, of those others present.

We also -- and this is a facet that is not recognized -- have had the greatest increase in truck registrations in the State of New Jersey. Of our membership, 85% are private fleets going anywhere from one vehicle to over 100 vehicles. So, we are hit in both ways. The Surface Transportation Assistance Act is resulting in increases of 1% to 2% on truckload charges, and from 5% to 7% on LTL charges. This is nationally, so everyone has to buy it. Okay?

The paradox in this is, some of it comes back in the form of discounts because of the economic situation, and the desire of the carriers who are here to participate in the freight. So, while they will increase the rates, they have to give it back to stay in business.

If passed, this law, as proposed, could result in a mass exodus of licensed equipment in the private fleets, loss of jobs, reduction of service, which is very important, and availability of equipment. Not to be redundant, but this could make New Jersey, not a domicile State, but truly a corridor State.

We polled our membership; 100% of our membership is opposed to the truck tax issue being addressed in this session. So, my message is very simple. The New Jersey Industrial Traffic League -- which is the manufacturers of the State -- fully supports the New Jersey Motor Truck Association in its opposition to this Act as proposed, and in any alternate proposal it has suggested.

Thank you, gentlemen.

ASSEMBLYMAN BRYANT: Thank you, Mr. Miller. Mr. Robert Kortenhaus.

ROBERT KORTENHAUS: I will be brief, Mr. Chairman. My name is Bob Kortenhaus; I am Vice President of Bilkays Express and Jersey Coast Freight Lines in New Jersey. We are a Northeast Corridor carrier.

I would like to just say a few things. Gentlemen, we hear all the fanciness, we see all the charts, but now we are going to hear the real world. We have missed the point. I hope you gentlemen will listen. This industry, from my position as an industry negotiator and as the chairman of two welfare and pension funds, is sick. It is almost bankrupt in its entirety. To give you an idea, if someone were to fall on that floor, you would get them oxygen. You would try to assist them. But, this motor registration fee increase will cut off what little oxygen we have. We need these moneys desperately to continue our operations. As a negotiator of teamster contracts, when the teamsters in 1984 give you something back, you have to be hurting, because they never give you anything. When they start giving you decreases of 10% and 12% in relief, you're getting something.

We are starving; we are ready to go out of business in many cases, and you better recognize it. There are four million cars that we haven't even addressed; there are only 400,000 trucks. Ten bucks apiece will give you \$40 million; that is basic mathematics. Thank you.

ASSEMBLYMAN BRYANT: Thank you, Mr. Kortenhaus. Mr. Jim O'Donnell.

JAMES O'DONNELL: Jim O'Donnell is my name; I am the President of Bass Transportation in Hunterdon County. Over 50% of our independent contractors licensed in New Jersey live out of state -- Illinois, Ohio, Pennsylvania, and Kentucky. If we lose our position in registration, New Jersey will be out \$35,000.00. On the other hand, New Jersey will only receive \$18,600.00 from Bass-owned vehicles. We do not consider this a good trade-off. Thank you.

ASSEMBLYMAN BRYANT: Thank you, Mr. O'Donnell. Mr. Frank Lentine.

FRANK M. LENTINE: Thank you for this opportunity. I have a statement here for you.

ASSEMBLYMAN BRYANT: Thank you. I am going to ask you to summarize your statement; we will read it later.

MR. LENTINE: My name is Frank Lentine; I am the President of Lentine Management, which is an operating and managing company for a number of concrete and construction industries in the State of New Jersey -- Lentine Aggregates, Hunterdon Concrete, and Flemington Block. We have operations in Ocean County, Atlantic County, Somerset County, and Hunterdon County. However, the bulk of our operations are in Hunterdon and Somerset Counties.

Basically what we are experiencing is, we have seen a loss of 20% of our business to the State of Pennsylvania. Pennsylvania costs are lower because the bulk material, which is basically cement, comes from Pennsylvania, but has to be transported further in order to be brought into New Jersey. We are losing 20% of our business at this moment to Pennsylvania. Pennsylvania is selling material in the State of New Jersey, delivering it to the State, and not charging New Jersey sales tax. The buyers of this material immediately save 6%. We have

been forced to hold our prices in order to keep the 80% balance of our business.

We are losing business, and the State of New Jersey is losing tax dollars. I am concerned with constructor registrations. No one has addressed this here today. We pay \$1,122.00 a year for our license plates. Our trucks are parked for three to four months out of the year. Two-thirds of the fuel our trucks burn is burned on the job site, off the road. We are paying fuel tax dollars on fuel that is not even used. Two-thirds of that fuel is burned off the road. We had a 300% increase in Federal excise tax on tires. Our tires are not worn out on the road; they are ruined on off-the-road job sites.

So, we are concerned. Our increase is \$1,000.00. It is the largest of all categories. The bridge formula did not help us. We are limited to 70,000 pounds. As a matter of fact, we lost our 5% tolerance, which gave us seventy-three five by the bridge formula. We are now told, "You will be 70,000 pounds." So, what we are forced to do, in essence, is underload our trucks because they allow no tolerance for scales. So, the bridge formula that was passed last year did us no good. Our industry is in a depressed situation; we are just starting to come out and pick up.

On behalf of our industry, and on behalf of the housing industry -- the construction industry in general -- I would ask that you find an alternative method of funding road repair. Thank you.

ASSEMBLYMAN BRYANT: Thank you, Mr. Lentine. Mr. Charles Nicholas, from Nicholas, Incorporated.

CHARLES NICHOLAS: Thank you, gentlemen. I will be very brief. Nicholas, Incorporated, of which I happen to be President, at this time is happily in the midst of reorganization under Chapter 11. We are one of those companies which almost went out of business, but we think we can make it.

This added tax certainly will not help us. The Surface Transportation Assistance Act did not give us any relief; in fact, it made us cut back our weights because we are liquid bulk. We are planning to rebuild around leased operators, which will certainly not allow us to--

In my prepared statement is a letter which I have sent to every member of the Assembly and the Senate in the State of New Jersey. I don't think I have to read it; you all have it. But, there certainly has to be other alternatives. At the time I wrote that letter, I think we had a \$100 million surplus, which has now grown to a \$450 million surplus, so this is certainly a viable alternative.

Thank you.

ASSEMBLYMAN BRYANT: Thank you, Mr. Nicholas. The next speaker will be Pat Iannone.

PAT IANNONE: Mr. Chairman and members of the Committee: I represent Walsh Brothers, Incorporated. We have been located in the State of New Jersey for over 60 years. We are a specialized carrier, hauling primarily steel, machinery, and building products.

Like the other trucking companies which have had representatives here to give testimony, it has been a difficult fight for us to weather the economic recession with which we are now faced. In view of this, this tax increase would hit us very hard. We cannot pass it on through a rate increase, as some have suggested, since the bulk of our competition comes from the States of Pennsylvania, Connecticut, Massachusetts, and New York. These are states which do not have an increase to contend with, such as is proposed in New Jersey. So, this would definitely put us at a very competitive disadvantage.

Another area we are very concerned about is the independent owner/operator. We employ a large complement of these individuals and we feel that this increase will literally force them out of business. If this tax is passed, we may be forced to register our vehicles in other states where our terminals are located. We would rather not do this. We ask that you seriously consider the damaging effects this tax will have on the trucking industry in New Jersey. Thank you.

ASSEMBLYMAN BRYANT: Thank you, Mr. Iannone. I do not see anyone else who signed up to speak. Is there anyone else in the room who would like to add something at this time? (response from audience) Please give your full name and the name of the company you represent.

WILLARD D. JAYNE: Mr. Chairman and members of the Committee: My name is Willard Jayne. I am from the Union County area, and I am speaking on behalf of my company, Jayne's Motor Freight.

Deregulation has hurt us quite extensively. As a matter of fact, if we could go out of business tomorrow, I probably would go out of business tomorrow, but we have this unfunded liability which keeps us in. My son is in the business today; he wants to stay in the business, so I am here.

I believe there are other ways of committing ourselves, or of getting money to raise the necessary funds. I think the surplus would be the ideal place. You know, I went through the New Jersey Turnpike one time at Exit 13A. I asked them why they were charging us as if we were getting off at Exit 14; I was going north. When you are going south, why do they charge you as if you are getting off at Exit 13? I wrote a letter, but they didn't write back. They called me. They said they checked into it. The only reason they could find was that it was convenient. It is the convenience they are charging us for.

In other words, it is always the trucking industry that is getting hit. It would be a lot easier if I could turn around and get off at Exit 13A. A lot of people don't realize this.

Last year, I think we made maybe one-tenth of a dollar. How long can we stay in business making one-tenth of a dollar? I could take the money and put it in CDs and make that much money. But, I think at this time -- we employ 130 people -- we should take a hard look at the people who are working for us. I think each one of us has a moral obligation to the people who are working today. You shouldn't just keep taking it out on the trucking industry. I don't care, whatever happens, somehow it reverts right back to, "Let's go after the trucking industry."

Thank you. If you have any questions, I will try to answer them.

ASSEMBLYMAN BRYANT: Are there any questions from the Committee? (negative response) No questions. I think you made yourself quite clear. Thank you, Mr. Jayne.

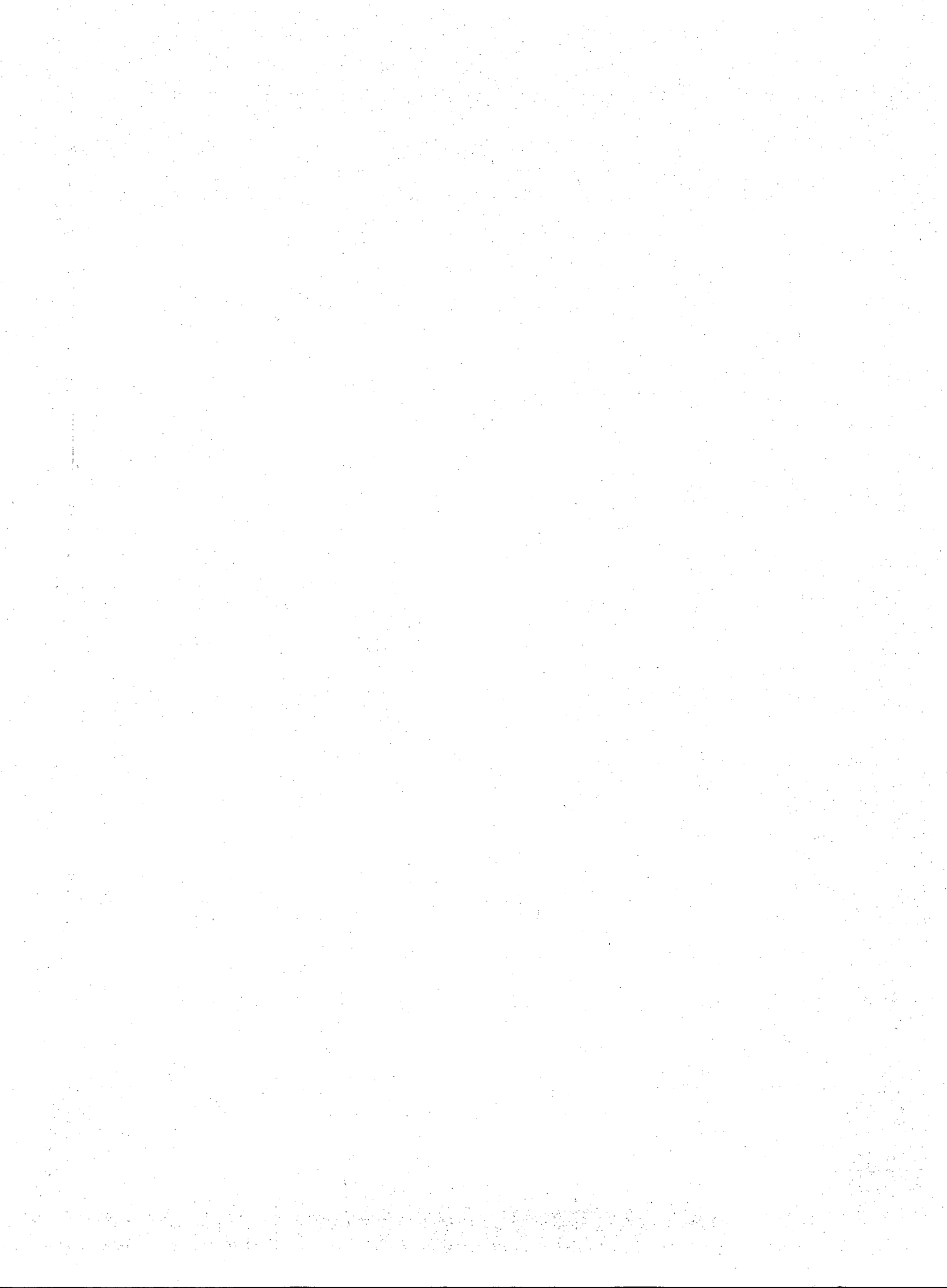
That seems to conclude the input from the Commissioner and the trucking industry regarding the registration fees. I can assure you that both the Assembly Transportation Committee and the house will take into account everything that has been said today in terms of the health of the industry and in terms of alternatives. We will probably be speaking to the Commissioner, and we will be looking to you. It is definite that we are going to do some things for stable transportation. I think you have opened our eyes to a variety of things that could possibly be done to do that.

We appreciate your taking the time and the effort. We will review the entire transcripts. I think I speak on behalf of all the members of the Committee when I say we are glad you came today, and glad that you gave the kind of candid testimony necessary for us to make the kind of valid judgments which will be required in the near future.

Thank you.

(HEARING CONCLUDED)

APPENDIX



BOARD OF CHOSEN FREEHOLDERS
COUNTY OF CUMBERLAND

R E S O L U T I O N - (1984) - 161

MEMBER	AYE	NAY	NOT VOTING	ABSENT
SALMON				
CRISPO				
FISHER				
FORCINITO				
QUINN				
REINARD				
SIMMERMAN				

Offered by: Mr. Crispo

Seconded by: Mr. Fisher

Date: April 12, 1984

Supporting The Concept Of Stable Funding For
Transportation Projects But Opposing
Increases In Truck Registration Fees

WHEREAS, it has been proposed to establish a New Jersey Transportation Trust fund which will provide the funding for NJ TRANSIT's and NJDOT's annual capital programs; and

WHEREAS, it is necessary to have a stable source of funding with dedicated annual revenue in order to plan for and complete multi-year construction projects; and

WHEREAS, it is proposed that \$30 million of the proposed \$230 million trust fund be raised by increases in truck registration fees ranging as high as 87%; and

WHEREAS, such increases in truck registration fees would not be applicable to trucks that are not registered in New Jersey but which still cause wear and tear on our infrastructure; and

WHEREAS, a contradiction in State policy appears to exist inasmuch as (1) the increased State fees elected from trucking

firms will result in small firm cutbacks, relocations and closings--all of which mean job losses and (2) the State's existing policy is to spend tax dollars to retain business and create jobs; and

WHEREAS, the trucking industry in Cumberland County has been facing difficult economic times due to numerous local plant closings, cut-throat competition and increases in federal fees which have already resulted in the closing of two companies and the loss of more than 100 jobs; and

WHEREAS, Cumberland County has nineteen trucking firms, representing approximately 1500 jobs, remaining in our area--all of whom would be "hardpressed" by any further increases in costs (which could result in shutdowns and further job losses); and

WHEREAS, Cumberland County continues to have the highest unemployment rate in the state and the situation is continuing to worsen as plant closings continue; and

WHEREAS, other options are available to the state for raising the \$30 million required for the program;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF CHOSEN FREEHOLDERS OF THE COUNTY OF CUMBERLAND, as follows:

1. That the concept of stable funding for transportation is supported.
2. That this Board is unalterably opposed to any increases in truck registration fees at this time because of the importance of the trucking industry to our vulnerable local economy.
3. That copies of this resolution be forwarded to Governor Kean, NJDOT Commissioner Sheridan, members of the Senate and

Assembly Transportation Committee, New Jersey Motor Trucking Association, New Jersey Alliance for Action, Cumberland County's elected State Representatives, South Jersey Development Council and all other concerned leaders.

Passed and adopted at a regular meeting of the Board of Chosen Freeholders held at the Court House, Broad and Fayette Streets, Bridgeton, New Jersey on Thursday afternoon, April 12, 1984, at 4:00 o'clock prevailing time.

DATED: April 12, 1984

NEW JERSEY MILK INDUSTRY ASSOCIATION, INC.

333 WEST STATE STREET, TRENTON, NEW JERSEY 08618

PHONE 609-396-4597

OFFICERS

CHAIRMAN OF THE BOARD
KURT GOLDMAN
JOHANNA FARMS, INC.

VICE CHAIRMAN OF THE BOARD
RANDALL P. NIELSON
ABBOTTS DAIRIES

SECRETARY/TREASURER
ALVIN J. ROCKOFF
ALL STAR DAIRIES

TRUSTEES FOR LIFE

JOHN C. GILMOUR, JR.
SEYMOUR HAYMAN
WILLIAM TANIS
JOSEPH WARDELL

TRUSTEES

C. CORRELL DURLING
DURLING FARMS

KELLY MARX
CLINTON MILK COMPANY

KURT GOLDMAN
JOHANNA FARMS, INC.

HERBERT E. WHITEHEAD
DELLWOOD FOODS, INC.

ROBERT C. GILMOUR
HOLLY RAVINE FARM DAIRIES

EARLE T. HOLSAPPLE, JR.
WELSH FARMS, INC.

WILLIAM LEVINE
IDEAL DAIRY FARMS, INC.

STEVEN GOLDMAN
FARMLAND FAIR LAWN
DAIRIES, INC.

HAROLD M. HERITAGE
HERITAGE'S DAIRY, INC.

ARTHUR SCHNEIER
CREAM O'LAND DAIRY

RAYMOND G. HAMMELL
LOTZ BROTHERS DAIRY, INC.

RANDALL P. NIELSON
ABBOTTS DAIRIES

ALVIN J. ROCKOFF
ALL STAR DAIRIES, INC.

JOHN STOKES
STOKES DAIRY, INC.

JACOB KRAUSZ
DAIRY STORES, INC.
T/A KRAUSZ'S DAIRY

STATEMENT

BY

DAN WETTLIN, PRESIDENT

NEW JERSEY MILK INDUSTRY ASSOCIATION

BEFORE THE

ASSEMBLY COMMITTEE ON TRANSPORTATION & COMMUNICATIONS

MAY 21, 1984

My name is Dan Wettlin and I am President of the New Jersey Milk Industry Association. We are the trade association of the state's major dairies.

Let me explain why the milk industry is concerned about the outcome of the Administration's plan to drastically hike truck registration fees. First of all, dairies are almost entirely dependent on trucking for carrying milk from the plants to the consumer. Secondly, ours is an extremely competitive business; New Jersey dairies compete not just with each other in the regional marketplace, but with numerous other suppliers from our bordering states--particularly with those in New York and Pennsylvania.

Consequently, our concerns about the higher truck registration fees in A-1574 cut across state lines. Certainly we're unhappy with a bill which would

DAN WETTLIN, JR.
PRESIDENT

DANIEL F. WETTLIN, III
ADMINISTRATIVE VICE PRESIDENT

greatly increase operating expenses for New Jersey dairies, but this concern grows larger in the context of the advantage that the bill would give our out-of-state competitors.

We asked our member companies to analyze the impact of the new registration fees on their fleets and we find that the result would be most damaging. Some 80% of the trucks used in our industry are tractor trailer combinations registered at 80,000 pounds. As you know, the registration fee for this class would jump from \$687 to \$1,287 under A-1574. Most of the remaining trucks used by milk processors are registered at 40,000 pounds. Registration fees for these trucks would jump from \$347 to \$505.

One of our larger firms calculates that A-1574 would increase its \$72,000 annual registration costs to \$127,000, an increase of 77%. Another of our member firms calculated an increase of well over \$50,000.

Operating expenses of this magnitude could well erode our member dairies' competitiveness in the region. While New York and Pennsylvania dairies pay higher truck registration fees, many of their other costs are lower. Under A-1574, New Jersey dairies would be paying higher fees than both their Pennsylvania and New York

competitors. Ironically, New Jersey dairies thus would be paying to improve highways to the benefit of their out-of-state competitors.

New Jersey's milk industry already suffers a number of disadvantages in interstate competition. These range from higher property taxes, labor rates and energy costs to higher costs for raw milk. The increased truck registration fees contemplated by A-1574 would be an enormous new burden, and we ask this committee to consider apportioning this burden between trucks registered in this state and those registered in other states which travel here to compete with New Jersey businesses. This could be accomplished by a number of methods, one of which is increasing the charge for truck decals which apply equally to in-state and out-of-state trucks, and other devices which, I am sure, are known to others more expert than I.

May 17, 1983

Dear Members of the General Assembly of Transportation Committee

I represent Lentine Management, Inc. which is a management company for several businesses in the construction industry. They are Lentine Aggregates, which is in the business of producing and transporting sand and stone for use in the construction industry; Hunterdon Concrete, Inc., which is a manufacturer of Ready Mix Concrete, and; Flemington Block and Supply, which is a manufacturer of Building Block and Ready Mix Concrete. In combination, these companies employ in excess of 200 individuals. Over a period of several years we have been faced with increases operating costs, while the competition has not allowed an offset allowing us to maintain the same operating markup.

Plainly said, costs are up and selling prices are down. The bulk of our operations are located in Hunterdon and Somerset counties. Due to it's proximities to the state of Pennsylvania, we have experienced a loss of approximately 20% of our business and have been forced to hold our prices down to retain the remaining 80%.

As you are surely aware, only cement that is used in the manufacturing of block and concrete must be transported in from the state of Pennsylvania, hence we have a higher cost per ton on this essential component. Secondly, wage rates in Eastern Pennsylvania are lower than the New Jersey wage rates. Thirdly, Pennsylvania suppliers are delivering goods in the state of New Jersey and are not charging sales tax. Hence New Jersey buyers have a 6% savings on tax alone, which costs our companies business, in the state of New Jersey, it's needed revenue.

Another point I'd like to make is that, in the last year we have had 300% increases in Federal excise tax, which is paid on every tire used on our trucks. We have had an increase on fuel used tax and an increase in Federal tax on equipment. Again, in every case we have been unable to raise our prices adequately to maintain our needed profit margin.

The majority of our equipment in this industry requires constructor license plates, currently costing \$1,122.50 per year. I might add that the bridge formula law, which came into existence last year, provided no increase carrying capacity for construction vehicles. As a matter of fact, our carrying capacities were cut by virtue of the fact that the 5% tollerance that was previously allowed by law, has been eliminated, and the state now allows "0" tollerance.

May 17, 1984
G.A.ofT.C.

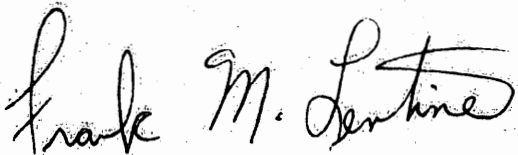
Therefore, to avoid receiving tickets, operators are forced to run at a weight somewhat under the gross allowable weight to compensate for any scale variations.

The proposed new registration fees would be approximately 85% higher. In the construction category, that is an increase of nearly \$1,000.00 This is to be added to the present registration fee, already extremely high when compared Nationwide. Our industry by it's own nature, is seasonal. The majority of our vehicles are parked 3-4 months out of the year. We are already paying dearly for the "privilege" of constructor registration. When you analyze the cost and restrictions, versus the benefits, you'll note that we are already, before any proposed increases, at a questional position.

My company, it's employees and the construction and housing industry ask you to consider, and find an alternative means of raising the revenue that is needed in order to repair New Jersey's roadways.

Thank you for your attention and consideration.

Sincerely,



Frank M. Lentine
President
Lentine Management
P.O. Box 2050
Flemington, New Jersey 08822

