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NEW JERSEY DEPARTMENT OF TRANSPORTATION

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New Jersey Public Transit
Corporation Proposed
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NEW JERSEY PUBLIC TRANSIT CORPORATION PROPOSED

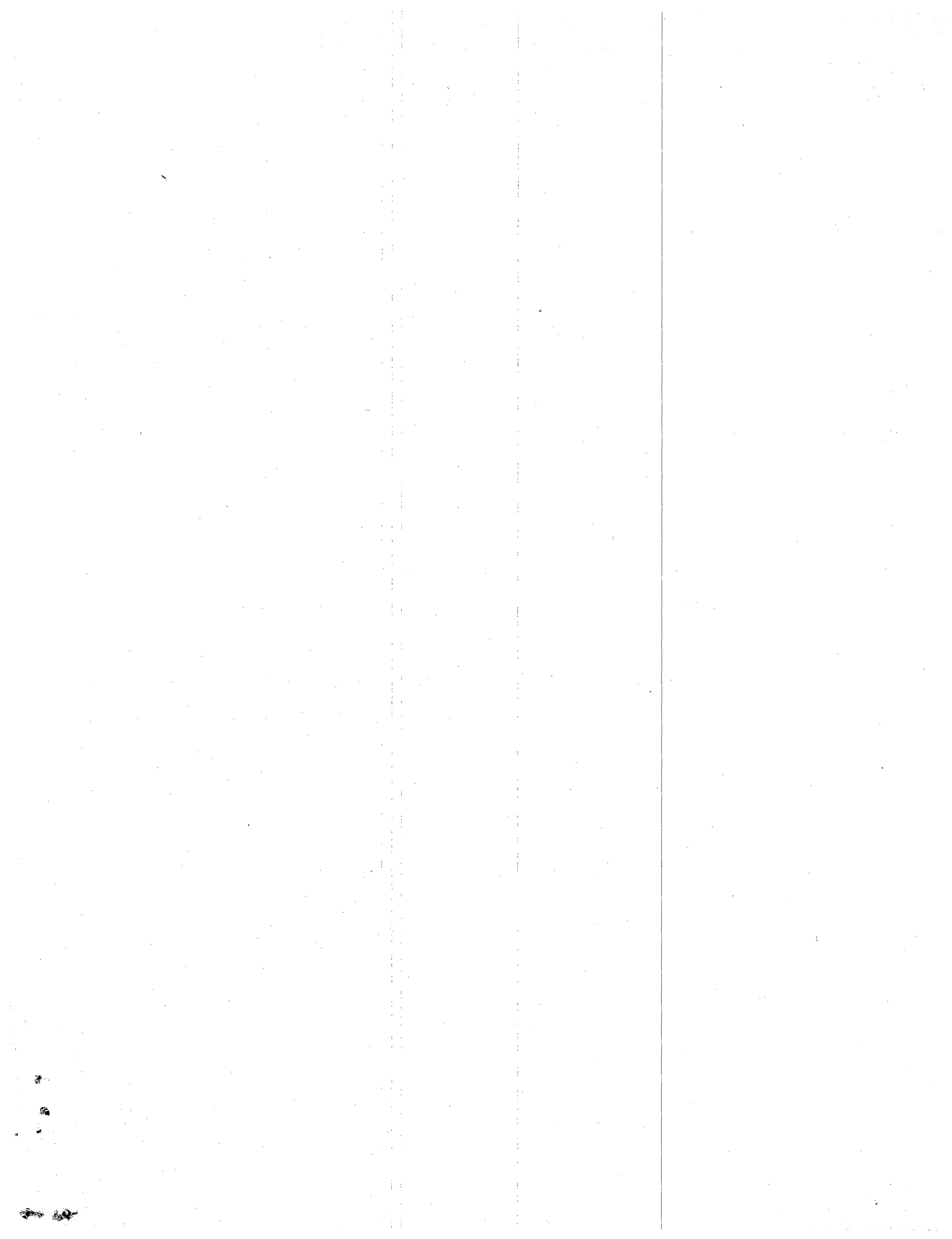
State Transportation Commissioner Louis J. Gambaccini today recommended that the State create a public transit corporation with the ability to acquire bus companies when it is deemed to be in the public interest, to operate service directly or through contract with private professional transit managers, and to provide some financial assistance to private carriers.

The public corporation would replace the Commuter Operating Agency (COA) and its much criticized \$50 million a year subsidy program for private bus carriers. The corporation would receive funds through the State Appropriation process and from the federal government as is presently the case.

"New Jersey desperately needs to stabilize and improve its bus system. We need to to reduce congestion and pollution on our overburdened roads, to give citizens a reasonable alternative to the ever-rising cost of gasoline, and to assure mobility for the elderly and poor who are without cars and have no choice," said the Commissioner.

"The existing system of paying private carriers with virtually no public control over the quality of service hasn't met the need in a decade, and there is no reason to believe it ever can, although it will require more and more public dollars. Without public support, more than 80% of the bus transportation in the state would shut down. If we are going to continue to support bus service -- and we should -- there must be corresponding control to ensure quality service for taxpayers and riders."

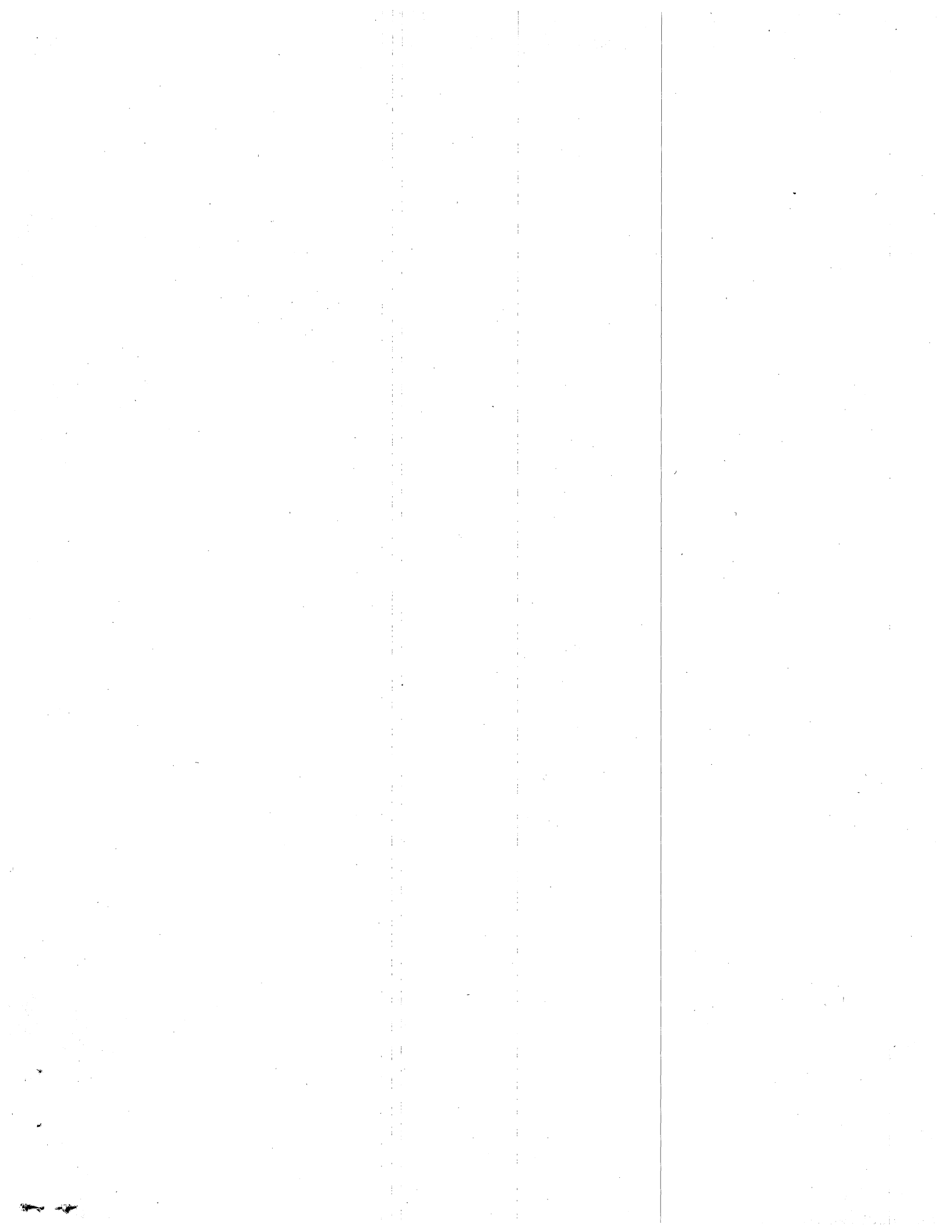
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The semi-autonomous public corporation -- N.J. Transit -- which would have a five member Board of Directors, including two public members appointed by the Governor, and the Commissioner of Transportation, the Assistant Commissioner for Public Transportation, and the State Treasurer. The corporation would establish two operating regions, for North Jersey and South Jersey. A Citizen's Advisory Committee would be created in each region to insure public participation in planning and meeting the region's transit needs.

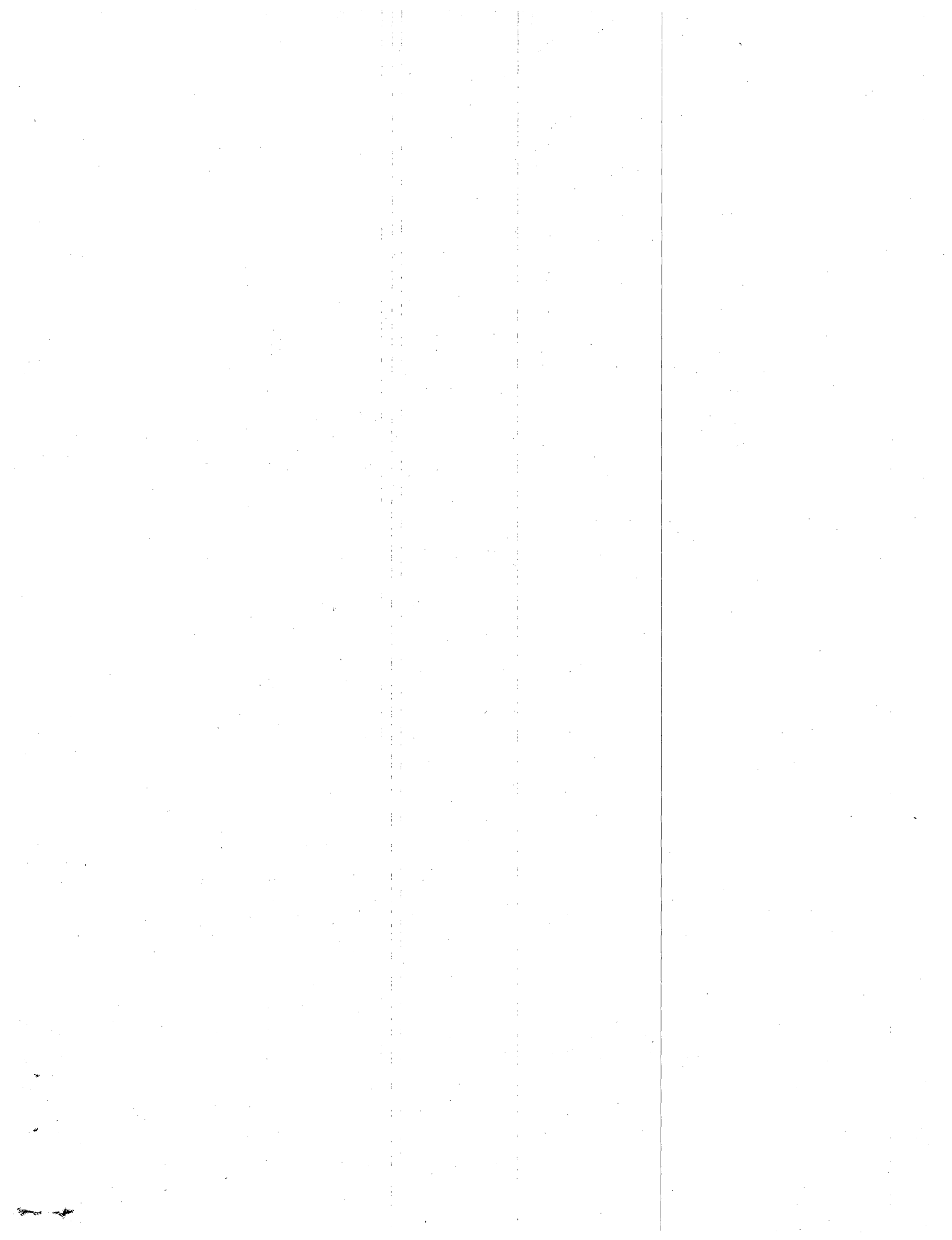
The recommendation is the culmination of a series of NJDOT studies of:

- * the 10-year-old bus subsidy program which was found to be both a costly and ineffective way of providing efficient high quality bus transit in the State.
- * the performance of the largest private carrier in the subsidy program, Transport of New Jersey (TNJ), compared to large publicly-owned systems around the country, which indicated that overall TNJ is comparable, although it is substantially inferior in terms of ridership growth.
- * the public institutional arrangements used by some other states and regions in the country, which indicated that the best operation is achieved by placing ownership, financial responsibility and operating responsibilities in the same structure. (New Jersey and New Orleans are the only major urban areas that do not own their major bus carriers and provide service solely through contracts with private carriers.)



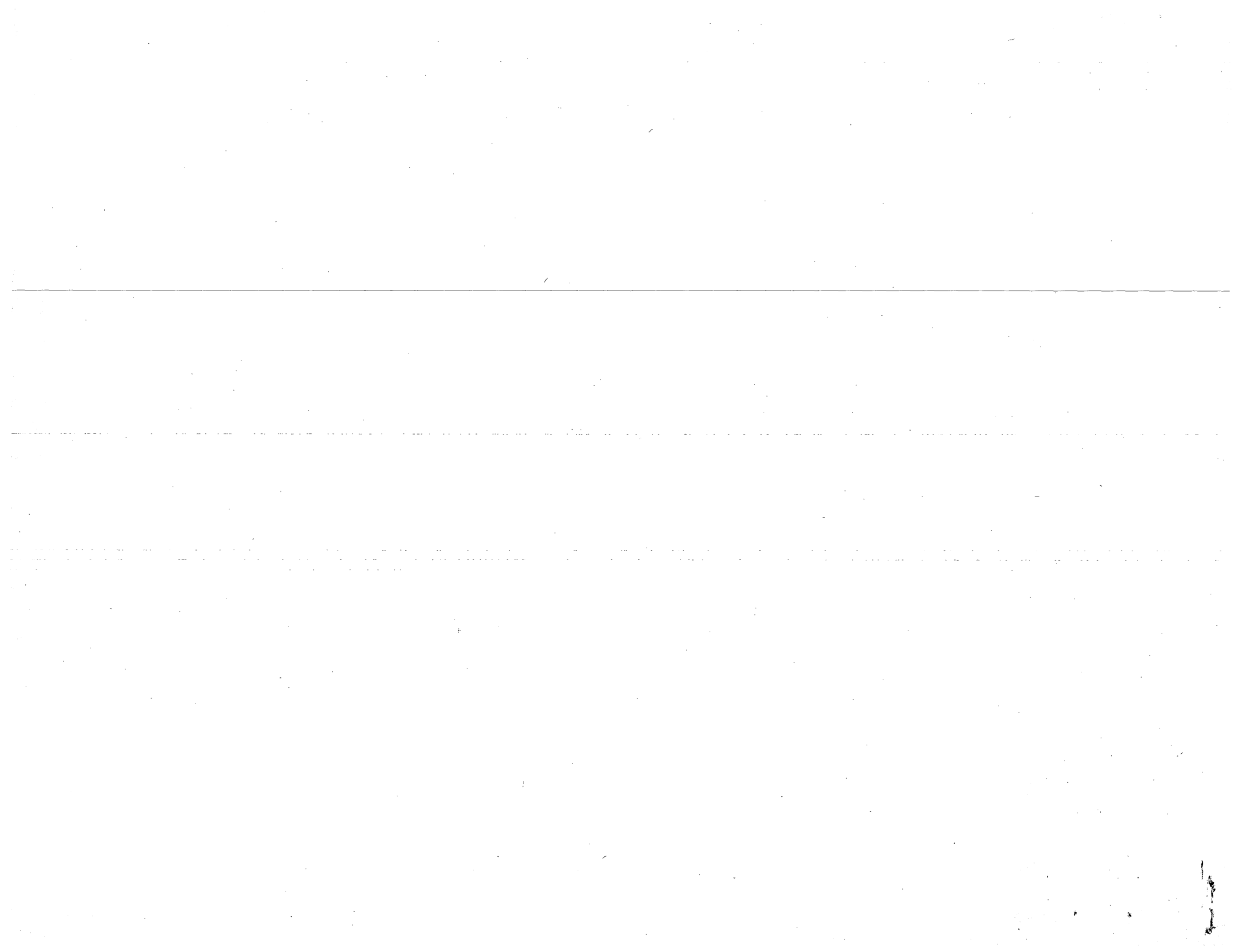
The recommendation report makes the following points:

- The corporation should acquire the bus and rail assets of the COA and the assets of the subsidized and unsubsidized private carriers whose acquisition is deemed to be in the public interest.
- Cost of acquisition is eligible for 80% funding from the federal Urban Mass Transportation Administration (UMTA). As a point of reference, the total value of physical assets (buses, garages, machinery and equipment) of the 22 subsidized private carriers is \$23.7 million. State funds required if these assets were to be purchased with federal funds, would be \$4.7 million, less than the monthly cost of the current subsidy program. Actual acquisition costs would involve carrier liabilities, such as TNJ's substantial pension obligation, would reduce acquisition costs. While possible consideration of intangible assets of carriers could also alter acquisition costs.
- The corporation could contract for the provision of public transportation services with private management firms or county agencies, or could operate bus service directly or could contract with unacquired profitable or unprofitable carriers. Acquisitions deemed to be in the public interest will be carried out during an orderly process of transition. The corporation could operate or contract with rail carriers for services.
- Some private bus carriers, both subsidized and unsubsidized, would continue to operate. Unsubsidized carriers would be subject to regulation by the ICC or the DOT, and would receive continued capital assistance. Mercer County may, at local option, continue to operate its own services with State support.
- By consolidating functions and rationalizing services, the public corporation will provide existing services, at better quality, within a similar or smaller budget level than would have been required by the current fragmented system to provide the existing service levels.
- In order to locate decisions on service close to the needs for services, regional operating divisions should be established for North and South Jersey, and local officials should be encouraged to participate actively in the planning of public transportation service improvements.
- The counties may contract with the corporation for services in addition to those existing today, or may operate or contract with other carriers for additional services which are not in competition with the corporation.
- The DOT will maintain budgetary control over the corporation's capital and operating expenditures, will do long-term planning, and will continue to regulate private carriers not under contract to the corporation.



- In order to achieve tight cost control and accountability to the Executive and the Legislature, the corporation's budget should be divided into three cost categories: support for existing services; special social programs; and service expansions.
- The corporation acting with the authority to acquire bus companies in the public interest could establish a plan for prompt implementation of service and cost reduction improvements including transfers, coordination of services, service rationalization, coordinated marketing, consolidation of maintenance and support functions, better fleet assignment and improvements in management procedures.

A copy of the report is attached.



BUS TRANSPORTATION IN NEW JERSEY:
THE LONG TERM SOLUTION

RECOMMENDATIONS OF THE NEW JERSEY
DEPARTMENT OF TRANSPORTATION

JANUARY 24, 1979

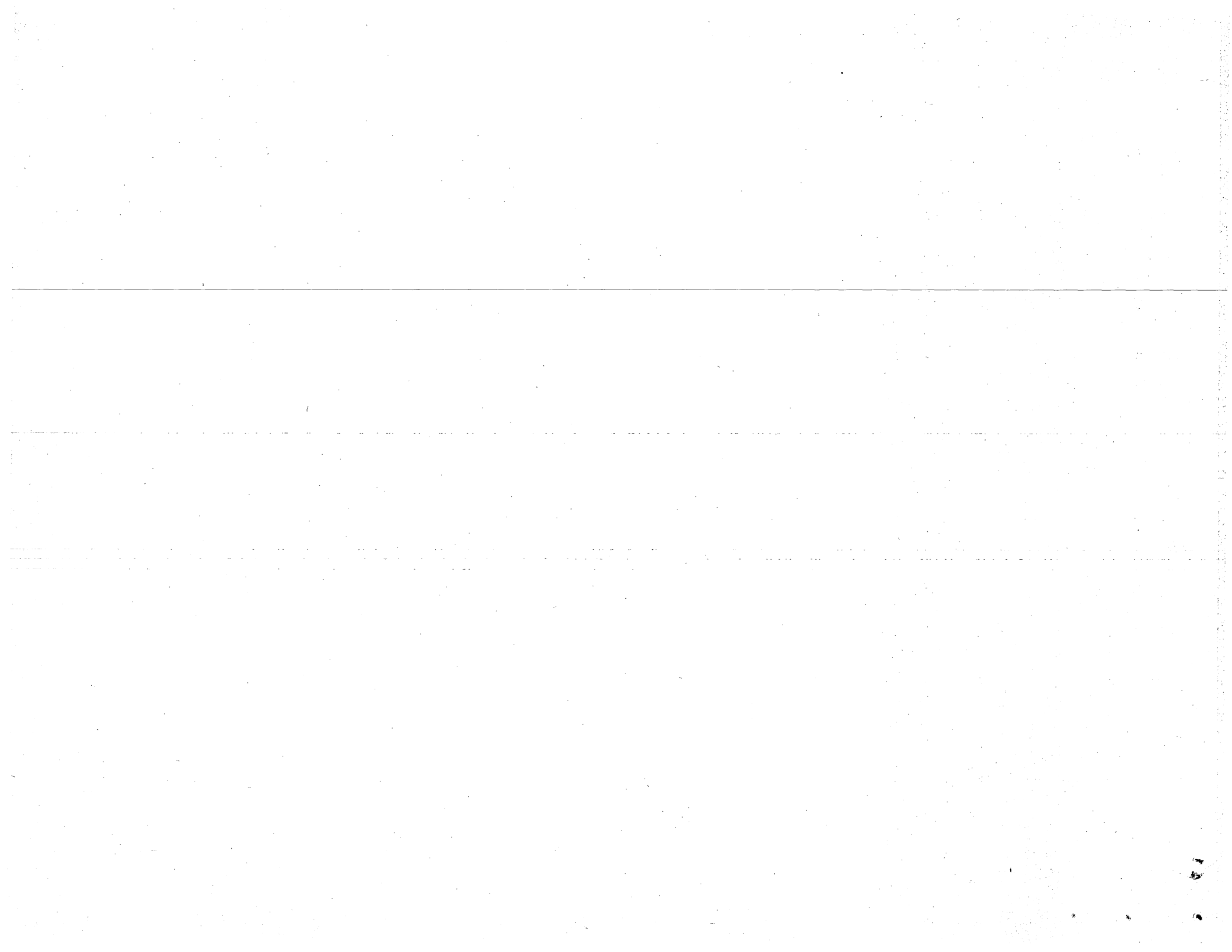
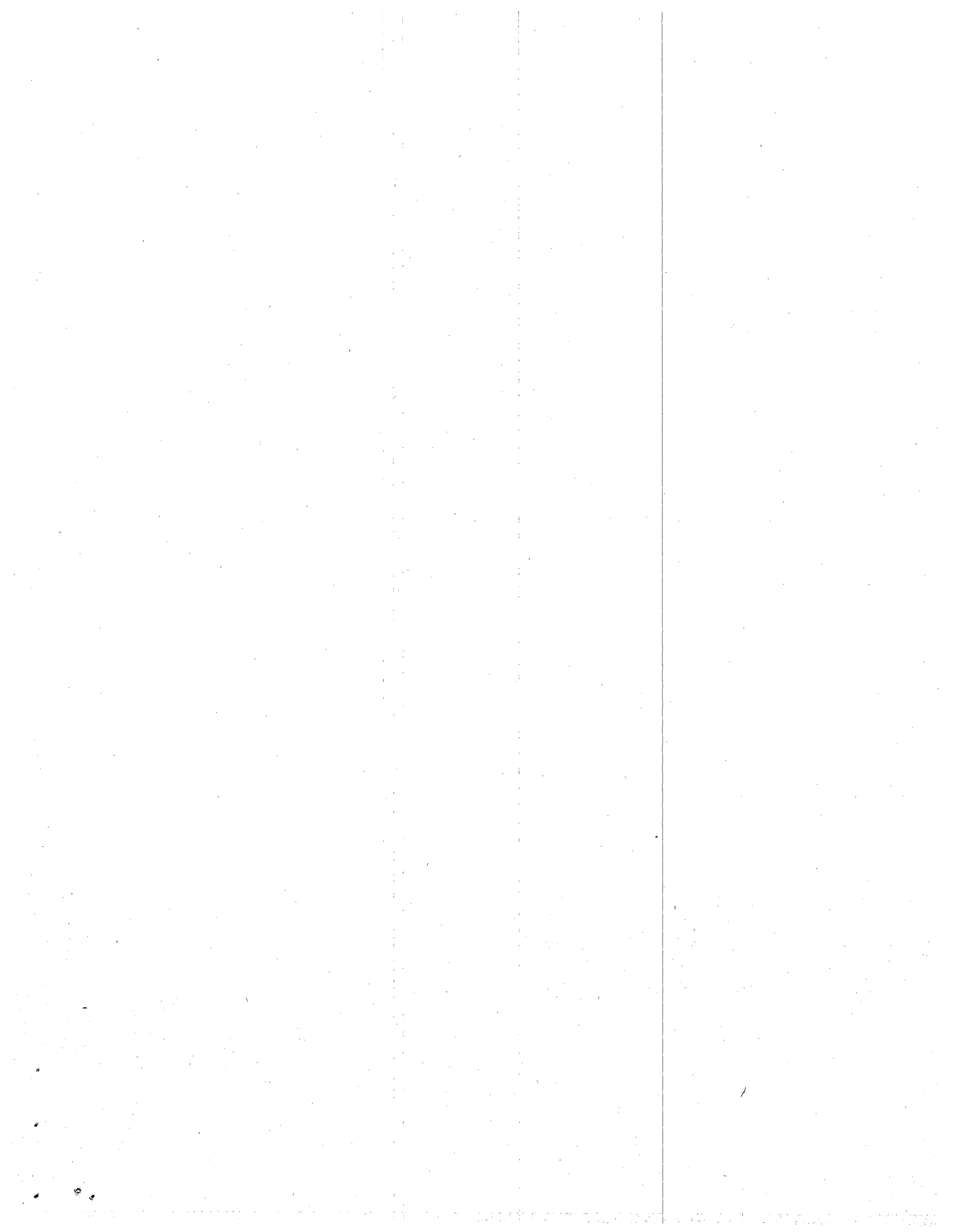


TABLE OF CONTENTS

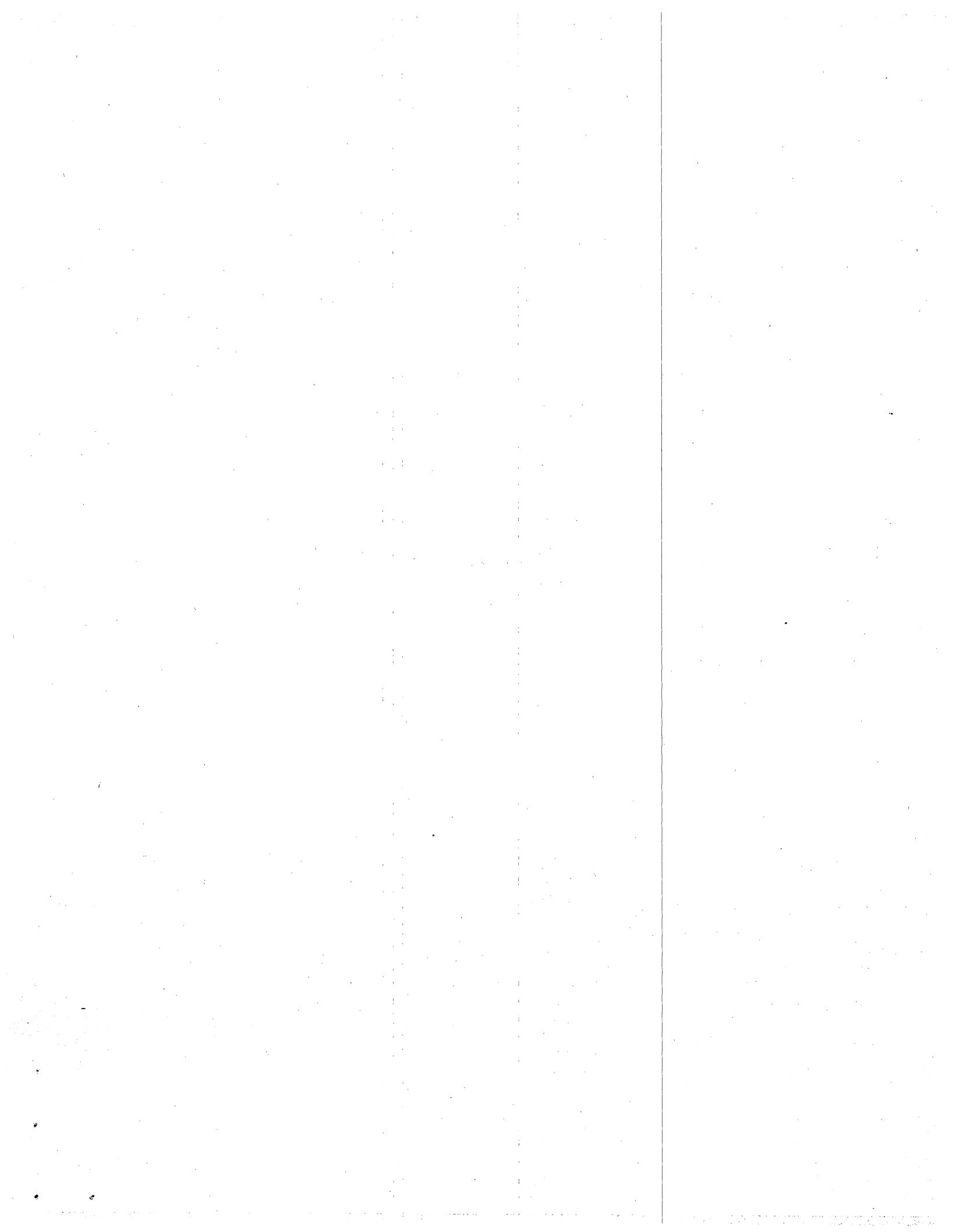
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|---|----|
| A. SUMMARY OF PROBLEMS WITH THE EXISTING SYSTEM. . . | 1 |
| B. THE CONTINUING NEED FOR A LONG-TERM SOLUTION. . . | 2 |
| C. PUBLIC OWNERSHIP VS. PRIVATE ENTERPRISE:. FACTS VS. ILLUSIONS | 3 |
| D. CRITERIA FOR INSTITUTIONAL CHANGE | 9 |
| E. RECOMMENDATION: THE PUBLIC TRANSIT CORPORATION . | 10 |
| F. SERVICE AND COST-REDUCTION IMPROVEMENTS | 14 |
| G. COSTS OF OPERATION AND ACQUISITION. | 16 |
| H. SUMMARY | 18 |
| I. CONCLUSION. | 20 |



A. SUMMARY OF PROBLEMS WITH THE EXISTING SYSTEM

The January 9, 1979 DOT report, "New Jersey Motor Bus Assistance: A Review and Analysis of the Current Program", concluded that:

- In spite of massive public investments in capital and operating assistance during the past decade, the existing bus system in New Jersey has failed to increase ridership, stabilize fares, and substantially rationalize and improve services:
 - The contract assistance program has grown from \$0.5 million in Fiscal Year 1970 to \$49.9 million in Fiscal Year 1978.
 - New Jersey's carriers decreased service, particularly in inner city areas, and increased fares before joining the voluntary assistance program.
 - New Jersey's remaining bus trips are now mostly long distance, reflected in an average New Jersey fare of 70¢, which is over twice as high as the average fare in the rest of the country.
 - Nationwide, the number of bus passengers has increased 11 per cent since 1970, while in New Jersey, ridership has fallen by 41 per cent during the same period.
 - Service deficiencies and lack of service coordination still exist, making it difficult for the public to use public transportation.
 - Public transportation, as it currently exists in New Jersey, cannot serve effectively as an instrument for meeting important public goals of mobility, energy conservation, air quality, and urban revitalization.
- The program of state assistance to private owner-operators was designed ten years ago only as an interim measure until a long-term program could be developed. It is gravely deficient as the basis of a stable and effective bus transportation network for the State:
 - The program is a financial morass, with many carriers in poor financial health and continuing to threaten discontinuances of service.
 - There are severe administration burdens because the State contracts with 22 carriers for operating assistance, leases State-owned buses to 129 carriers, and regulates and coordinates the fares, routes, and schedules of over 200 carriers.
 - The existing program does not provide the means to enforce policies of service improvement, service rationalization, adequate maintenance, or better management.
 - There are inherent conflicts of interest between private operators who wish to maximize revenues and profits and the interest of the public in low fares and stable levels of service.

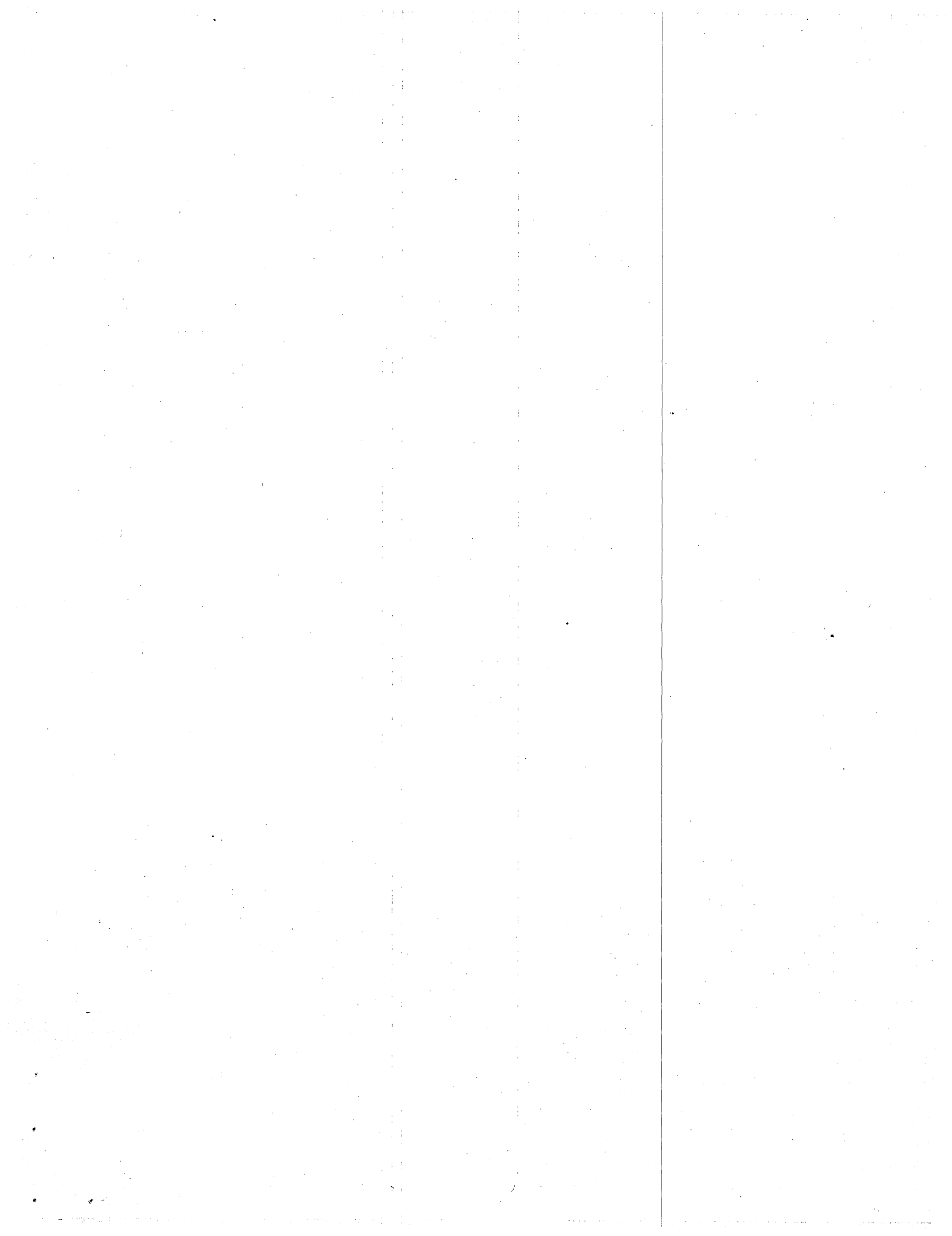


B. THE CONTINUING NEED FOR A LONG TERM SOLUTION

New Jersey still needs to create a long term, stable program for providing public transportation services. Public transportation is not like some other public services, because its success depends so fundamentally on the long term expectations that the public has about service quality and stability. The decision to use public transportation is not made on a day-to-day basis. Instead, when the commuter makes a long term decision about where to live and where to work, that decision generally includes a choice of whether to use an auto or public transportation for the daily work trip.

A potential public transportation user wants assurances that the service will be there for the long term, that it will still be convenient and reliable, and that the fares will be acceptable. Without trust in public transportation, the commuter will choose a residence that is dependent on auto transportation and will purchase an auto to make the work trip. Likewise, the businessman will choose an office, commercial, or industrial location which is totally dependent on auto and highway transportation, if there is no assurance that public transportation will adequately serve employees and customers.

A stable arrangement for delivery of public transportation services will provide these assurances that the potential user and the businessman need in order to make decisions in favor of public transportation. With a stable program, the public transportation user will not face the prospect of fare increases which are greater than the level of general inflation, and will not face threats of potential service discontinuance or service cuts. The user will be assured that the vehicle will be clean and well-maintained, and that the air conditioning will be operated in the summer. The business community will be assured that investments in areas reliant upon public transportation are sound investments.



C. PUBLIC OWNERSHIP VS. PRIVATE ENTERPRISE: FACTS VS. ILLUSIONS

Public ownership and operation of public transportation services is now the norm throughout the world. Of 106 urban areas in the United States with a population greater than 200,000, only five areas outside New Jersey have private carriers, rather than public agencies, providing most public transit services.

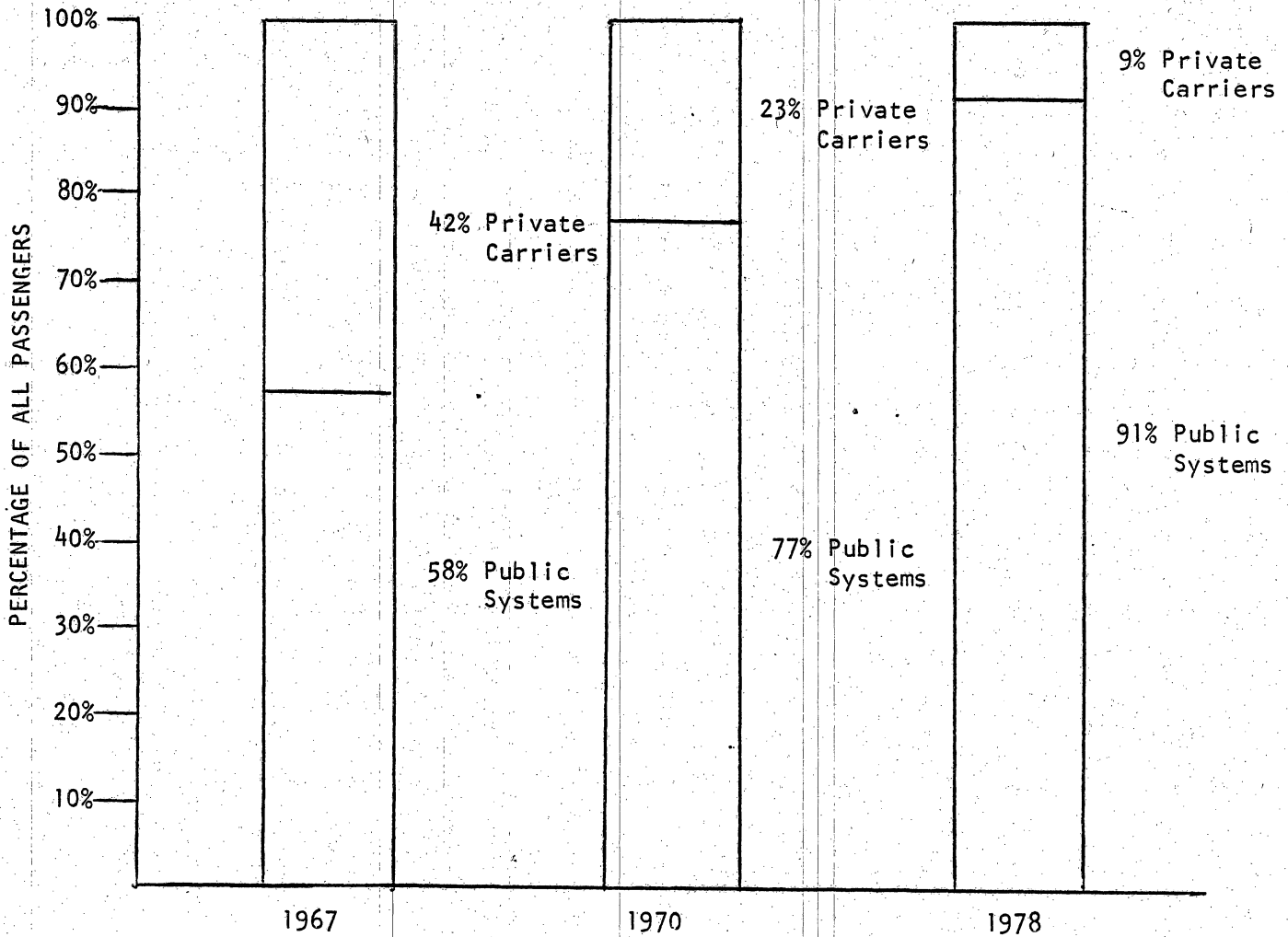
Public systems in the U.S. now carry 91 per cent of the public transportation passengers, as shown in Figure 1. This is up from 77 per cent since 1970 when New Jersey's emergency bus subsidy program first started, and from 58 per cent since 1967. The trend toward public ownership has thus been very rapid and consistent across the country.

Over the past decade the public role in financing transit in New Jersey has grown dramatically in both capital and operating assistance. Private enterprise control of New Jersey's bus transit operations has been artificially preserved only through large infusions of public funds. The State now provides one-third of the operating costs for the services run by the carriers in the assistance program. Without this State assistance, these services which carry 80 per cent of New Jersey's bus passengers would come to an immediate halt. Figure 2 shows the proportion of passengers carried today by assisted carriers.

State and federal funds now provide virtually 100 per cent of the capital costs of bus acquisition. The State owns 1,637 buses which it leases rent free to 129 carriers, whether or not they also receive operating assistance. This represents nearly one-half of the current fleet of buses available for transit service in the State, as illustrated in Figure 3. After the acquisition by the State of approximately 1,000 new buses from among the \$120 million available for bus improvements using Transpac funds, a similar number of privately-owned buses will be retired from the overall fleet. As a result, the State will own most of the assets of the State's bus industry, and there will be little left of the private investment which

FIGURE I

NATIONWIDE:
THE SHRINKING ROLE OF
PRIVATE OWNERSHIP IN SERVING
PUBLIC TRANSPORTATION PASSENGERS



UNITED STATES PUBLIC TRANSIT PASSENGERS

FIGURE 2

PERCENTAGE OF BUS PASSENGERS
CARRIED BY ASSISTED CARRIERS

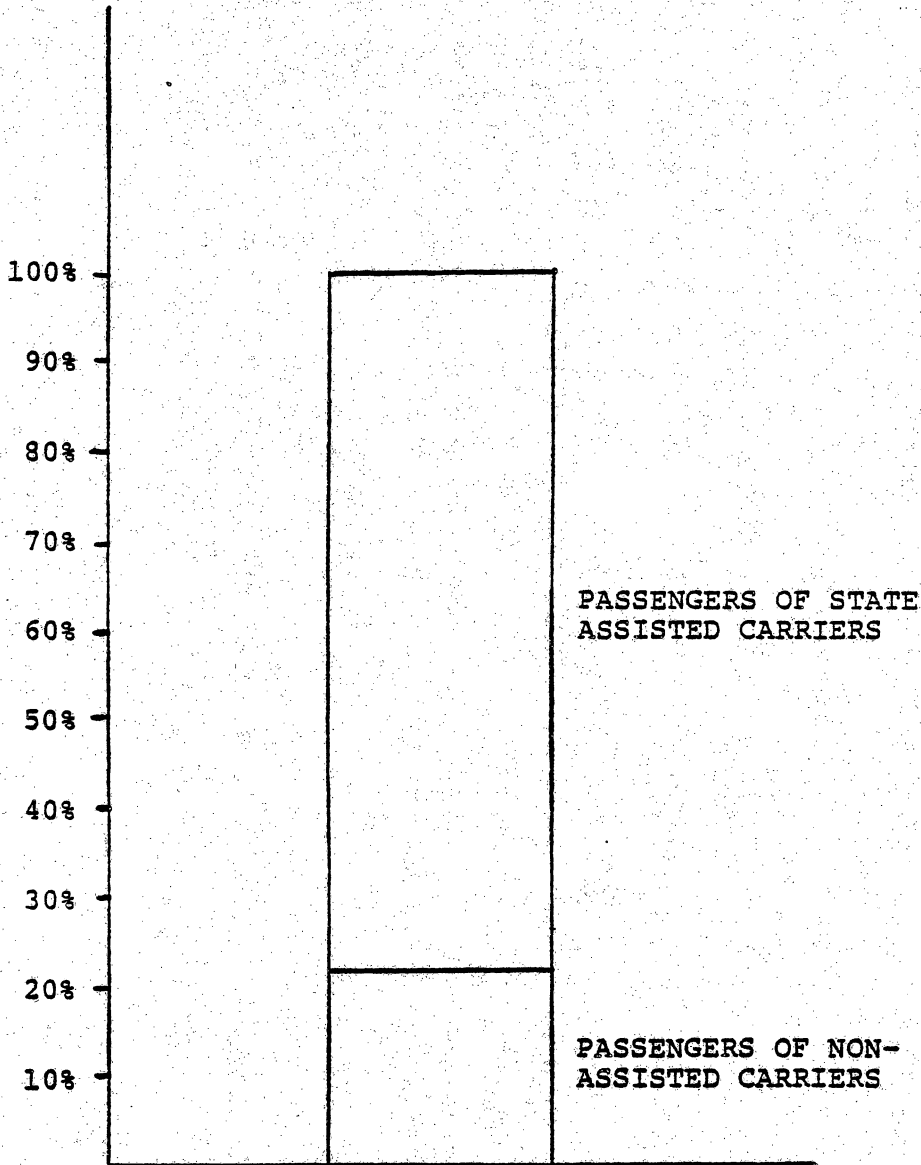
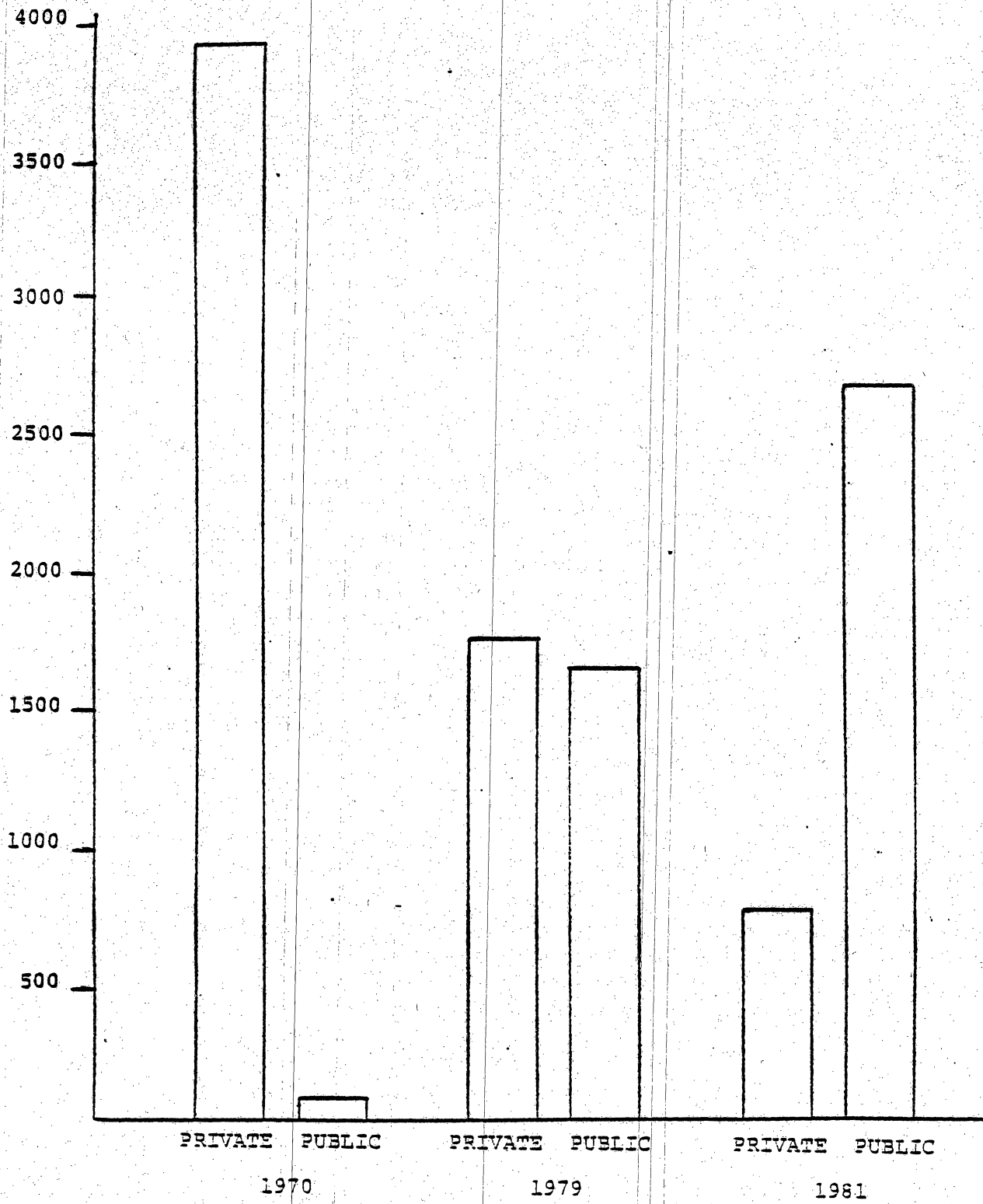


FIGURE 3
OWNERSHIP OF
NEW JERSEY BUSES



an operating program must preserve. The question in fact, is who should administer this large investment of public funds in the State's bus industry?

It can be emphatically stated that public funds will continue to be used for capital investments in the State's bus system. The reasons for this are quite practical. It costs much less for New Jersey transit users and taxpayers if capital investments are public rather than private. This occurs because the Federal government, through the Urban Mass Transportation Administration (UMTA), makes capital grants to pay up to 80 per cent of the capital costs of buses and other facilities, if the buses or other facilities are publicly owned. This means that New Jersey's taxpayers or transit users must put up only 20 per cent of the funds necessary to purchase publicly-owned buses or other facilities.

If, on the other hand, a private operator purchases an additional bus or other capital facility using his own money, he must recoup his investment by charging higher fares or by getting higher payments of operating assistance. Since federal operating assistance is fixed, the extra cost of repaying the private operator for his investment will be borne 100 per cent by the New Jersey taxpayer through increased taxes or by the New Jersey transit user through increased fares. It is thus one-fifth as costly for New Jersey taxpayers or transit users when public, rather than private, capital is invested in the State's bus transportation system. Moreover, it is unthinkable for federal funds which the State now receives for operating assistance to be charged to a private carrier's depreciation account for capital replenishment, since this will decrease the valuable federal dollars used to support bus operations, while leaving untapped the other federal funds available for bus replacement. Therefore, basic considerations of dollars and cents indicate that public ownership of capital assets is both desirable and inevitable, because of the enormous financial benefits of public ownership to New Jersey's taxpayers and public transportation users.

Since most recent investments have been made with public funds, the assets of the private carriers have been decreasing rapidly. Therefore, the acquisition of the private carriers would not be costly. The total physical assets of those carriers in the subsidy program are valued at less than half the current yearly subsidies. Recent figures included in carrier reports to the Board of Public Utilities and recent estimates of bus valuations by the NJDOT Bus Bureau place the total physical assets of all subsidized carriers at about \$23.7 million.

Thus, even if the current physical assets of all subsidized carriers were acquired with 80 per cent federal assistance, the State share of that cost could be around \$4.7 million. This is the equivalent of one month's worth of expenditures necessary to keep the current subsidy program going. Carrier liabilities such as TNJ's substantial past pension obligations could reduce the costs of acquisition, while considerations of intangible assets could also alter costs. However, this is a small price to pay to gain control over something as important to New Jersey's future as its bus transportation system. When viewed reasonably, there is no real issue of whether the assets related to publicly supported bus transportation should be owned by the public or by private enterprise.

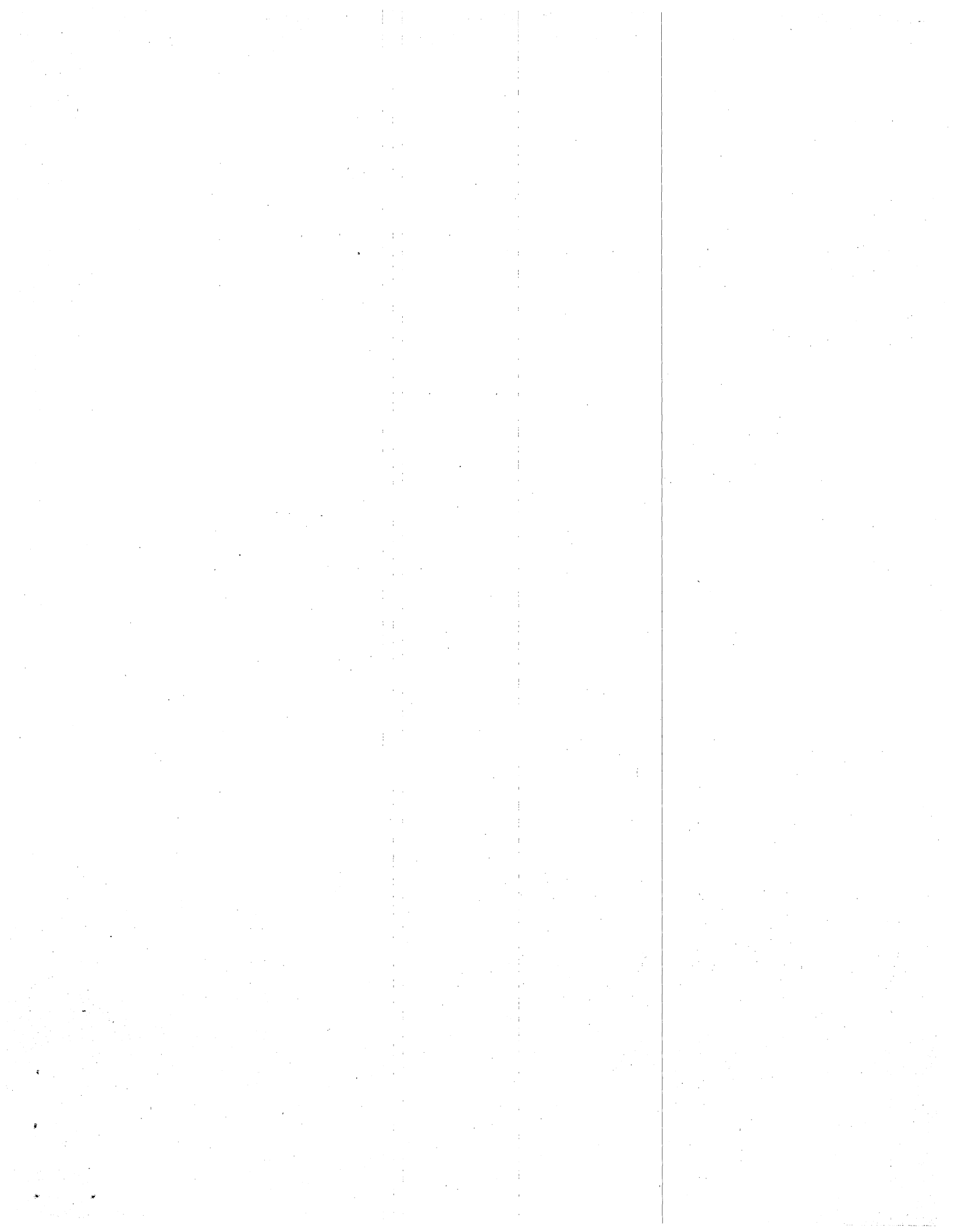
D. CRITERIA FOR INSTITUTIONAL CHANGE

In order to replace the existing unworkable system of contract assistance now provided to private motor carriers, a clear and precise articulation of program goals and criteria must first be developed. Stated alternatively, what can the public reasonably expect to get in return for its massive investment in public transportation? As the January 9, 1979 DOT report entitled "New Jersey Motor Bus Contract Assistance: A Review and Analysis of the Current Program" shows, the current system has failed to create a stable, well-managed and reliable system capable of meeting public goals and adapting to changing needs and demands. Figure 4 sets forth the criteria against which the performance of a valid and desirable public transportation system should be measured. These criteria are basic to the success of an institutional arrangement for the delivery of public transportation service in New Jersey.

FIGURE 4

THE IDEAL CRITERIA

- Assure ability to increase ridership and re-shape service to meet public goals of mobility, air quality, energy conservation, and urban revitalization.
- Provide quality service in a cost-effective manner.
- Assure opportunity for intermodal coordination and service rationalization.
- Provide public control over personnel, equipment, and facilities at a level commensurate with the degree of public financial involvement.
- Assure responsiveness to the Governor's policy direction and foster close interaction with the other state agencies.
- Recognize and include local and regional interests in the transportation decision-making process.
- Assure ability to attract and keep a highly competent professional staff to be responsible for day-to-day operational decisions.



E. RECOMMENDATION: THE PUBLIC TRANSIT CORPORATION

The Department of Transportation recommends the creation of a statewide public transportation corporation to provide or arrange for the provision of quality public transportation services.

As outlined in the report entitled "Institutional Arrangements for Public Transportation in Some Other States and Urban Areas", this approach is similar in form to the public ownership solutions successfully implemented in Maryland and Connecticut.

This recommendation includes the following features:

1. The corporation would be separate from the Department of Transportation and would be governed by a five member board, including two public members appointed by the Governor and three ex officio members, the Commissioner of Transportation, who would serve as chairman, the Assistant Commissioner for Public Transportation and the State Treasurer.
2. The corporation would acquire the assets of those private bus carriers for whom such action is deemed to be in the public interest. Acquisitions would be made with deliberation during an orderly process of transition.
3. The corporation would be authorized to contract with management companies for public transportation services, operate services, contract with private carriers, or contract with county agencies for services.
4. One or more private management companies may be hired to run the operations. Managers would be hired from among existing New Jersey bus operations, or from elsewhere.
5. The corporation would establish a plan for prompt implementation of service improvements and cost-reduction improvements including transfers,

coordination of services, service rationalization, coordinated marketing, consolidation of maintenance and overhead functions, better fleet assignment, and improvements in management procedures.

6. By consolidating functions and rationalizing services, the public corporation will provide existing service, at better quality and with fewer costs, than would have been required to provide existing service levels through the current fragmented system.
7. Some private bus carriers, both subsidized and unsubsidized, would continue to operate. Unsubsidized carriers would remain subject to regulation by the ICC or the DOT, and would continue to receive capital assistance. Mercer Metro may, at local option, continue to operate its own services with State support.
8. The corporation would be self regulating, as far as fares and service levels are concerned, for services it operates or supports. It shall also have the authority to apply for and receive federal funds.
9. Regional operating divisions would be established, in order to locate service decisions close to the users. These divisions, as well as any private management firms with whom the corporation contracts, will consult closely with advisory groups composed of county and municipal officials who will be encouraged to assist in the planning and marketing of service improvements.
10. Counties may contract with the corporation for services in addition to those existing today, or may run, or contract with others, for services which are not in competition with the corporation.
11. Employees of the acquired companies, and other staff, would become employees of the corporation or of the private management firm or firms, and in any event will be exempt from civil service.

12. The corporation would submit its annual operating and capital budget to the DOT. The Commissioner shall, after review of the budget, submit a request for appropriations to the Governor, which may vary from the corporation's budget request. The DOT shall continue to develop long range transit plans and combined transit and highway improvement projects in cooperation with the corporation, as well as continue to regulate private carriers not under contract to the corporation.
13. State appropriations, federal assistance, and county contracts will continue to be the sources from which financial support is provided for public transportation.
14. In order to achieve tight cost control and accountability to the Executive and the Legislature, the corporation's operating budget should be submitted in three cost categories: support for existing services, special social programs, and service expansions.

This form of organization was designed to best meet the ideal criteria. The public transit corporation, armed with the power to acquire assets related to bus transit,

- provides a stable institutional structure through which public policies can be carried out effectively in order to improve mobility, conserve energy, enhance air quality and revitalize New Jersey's urban areas.
- will provide quality service in a cost-effective manner, by eliminating duplicative functions, selecting and rewarding the most effective managers and being subjected to the rigorous Executive-Legislative appropriations process.
- will be able to rationalize bus services, coordinate bus and rail services and, with the Commissioner of Transportation as chairman, cooperate with DOT on combined transit and highway improvements.
- will be able to select managements and assure public control over operations commensurate with continued substantial public financial investments.
- will have a board composition which will assure that decisions on public transportation will be well integrated with other state policies and that interdepartmental communication can be fostered.
- will be responsive to county, local and public interests through its public board members and regional operating divisions.
- will be able to attract and keep competent professional staff, can select from among the best of private management capabilities, and can make competent professional managers accountable to the corporation for providing effective day-by-day management expertise.

F. SERVICE AND COST-REDUCTION IMPROVEMENTS

By exercising its power to acquire bus companies when it is determined to be in the public interest, the public corporation could make immediate service and cost-reduction improvements in order to provide better quality service at lower cost, using the best techniques from elsewhere in the county.

The service improvements would include:

- Service rationalization - All supported bus and rail service could be redesigned into an integrated and complementary system, and harmful competition among supported services could be eliminated.
- Coordination of Services - Services could be scheduled so as to allow well-timed transfers between transit services and so as to minimize passenger waiting time.
- Coordinated Marketing - Ridership could be encouraged through joint state/regional/county marketing programs which show people how transit can meet their travel needs.
- Service Quality - Buses could be cleaned and well maintained, driver training and driver courtesy will be improved wherever necessary, and air conditioners (the largest source of rider complaints) will be used when needed.
- Service Reliability - Reliability of services will be improved and assured because runs will be made in accordance with accurate and well-publicized schedules and breakdowns will be reduced as buses will be maintained at a uniform, adequate level.

Cost-reduction and management improvements would include:

- Administrative and Management Efficiency - There will be savings from the elimination of duplicative overhead and administrative expenses.
- Standardized Fare Collection and Accounting - Fare collection will be consolidated and performed more efficiently in accord with adequate standards of accounting and control.

- Maintenance Consolidation - Maintenance can be performed at lower unit cost and with consistently high quality by consolidating maintenance functions at those facilities and under those staffs with proven superior capabilities.
- Modern Cost-Saving Methods - Efficient data processing techniques can be applied to many functions, including accounting and scheduling of manpower and equipment.
- Management Skills - Special skills can be pooled and the most effective managers can be utilized to improve overall performance.

G. COSTS OF OPERATION AND ACQUISITION

Comparisons of the costs of operation of public and private bus system around the country show no significant differences based upon whether the systems are publicly or privately owned. Every bus system has faced the same kinds of cost increases for fuel, insurance, and wages. Thus, it is not surprising that New Jersey's private carriers are comparable to the other carriers around the country, both in terms of their costs today and in terms of how their costs have increased in recent years. However, it should be noted that two previous studies^{1,2} have concluded that public ownership of most bus services would be less expensive than the continued subsidy program, because of economies of scale and opportunities for cost-reduction improvements.

Under the recommended public corporation, there would be straightforward savings in costs due to the elimination of equipment and garage rental fees. All buses and facilities could be purchased with 80 per cent federal funds. As additional bus assets are acquired over time, additional opportunities for cost savings will arise through service rationalization, elimination of duplicative overhead functions, improvements in bus-rail coordination, and economies of scale in purchasing, fixed costs, and major maintenance functions. The amount of such savings each year, compared to what the current system would have cost, will depend on the degree and speed of implementation of acquisitions and cost-saving improvements. The existing level of services could, however, be provided at lower costs under the recommended system than under the existing program.

As discussed in section B, the costs of acquiring the physical assets of all the subsidized carriers would be very low -- perhaps less than one-month's State subsidy. Since acquisition of all such carriers is not contemplated in the very

¹Buses - Crisis and Response, New Jersey Department of Transportation, 1969

²System Design Concepts, Inc., and Simpson & Curtin (Division of Booz, Allen, Hamilton, Inc.) Final Recommendations: Organization and Finance of Public Transportation in New Jersey, prepared for the New Jersey Department of Transportation, October 1976

short term, even this low level of capital expenditure may not be required. Therefore, the total costs to New Jersey would be lower under the recommended program, for the same level of services, than the costs of the current system.

H. SUMMARY

- Facts about the public ownership vs. private enterprise issue:
 - Private enterprise in public transportation has virtually disappeared around the world.
 - The bulk of New Jersey's private bus system could not operate without public funds.
 - Eighty per cent of New Jersey's bus passengers are carried by subsidized carriers.
 - State and federal funds provide at least one-third of the total operating costs of subsidized carriers.
 - State and federal resources will soon provide virtually 100 per cent of the capital costs for buses. By 1981, it is projected that the State will own approximately 80 per cent of the bus fleet.
 - The value of the remaining capital assets of the subsidized bus carriers is about one-half the State's yearly subsidy to the carriers. Acquisition of those capital assets, considering 80 per cent federal funding would require State funding equivalent to one-month's subsidy.
- A new institutional arrangement is needed for providing public transportation in New Jersey, and it should meet these criteria:
 - Assure ability to increase ridership and re-shape service to meet public goals of mobility, air quality, energy conservation, and urban revitalization.
 - Provide quality service in a cost-effective manner.
 - Assure opportunity for intermodal coordination and service rationalization.
 - Provide public control over personnel, equipment, and facilities at a level commensurate with the degree of public financial involvement.
 - Assure responsiveness to the Governor's policy direction and foster close interaction with the other state agencies.
 - Recognize and include local and regional interests in the transportation decision-making process.
 - Assure ability to attract and keep a highly competent professional staff to be responsible for day-to-day operational decisions.

- Evaluation of the options available to improve New Jersey's bus system indicates that the public transportation corporation can best meet the criteria for a solution to the public transportation needs of New Jersey riders and taxpayers.
 - A public transportation corporation should be created with a separate Board of Directors.
 - The corporation should acquire the bus and rail assets of the COA and the assets of the subsidized and unsubsidized private carriers whose acquisition is deemed to be in the public interest.
 - The board of the corporation should include the Commissioner, the Assistant Commissioner for Public Transportation, the Treasurer, and two other members appointed by the Governor.
 - The corporation could contract for the provision of public transportation services with private management firms or county agencies, or could operate bus service directly or could contract with unacquired profitable or unprofitable carriers. Acquisitions deemed to be in the public interest will be carried out during an orderly process of transition. The corporation could operate or contract with rail carriers for services.
 - Some private bus carriers, both subsidized and unsubsidized, would continue to operate. Unsubsidized carriers would be subject to regulation by the ICC or the DOT, and would receive continued capital assistance. Mercer County may, at local option, continue to operate its own services with State support.
 - By consolidating functions and rationalizing services, the public corporation will provide existing services, at better quality, within a similar or smaller budget level than would have been required by the current fragmented system to provide the existing service levels.
 - In order to locate decisions on service close to the needs for services, regional operating divisions should be established for North and South Jersey, and local officials should be encouraged to participate actively in the planning of public transportation service improvements.
 - The counties may contract with the corporation for services in addition to those existing today, or may operate or contract with other carriers for additional services which are not in competition with the corporation.
 - The DOT will maintain budgetary control over the corporation's capital and operating expenditures, will do long-term planning, and will continue to regulate private carriers not under contract to the corporation.

- In order to achieve tight cost control and accountability to the Executive and the Legislature, the corporation's budget should be divided into three cost categories: support for existing services; special social programs; and service expansions.
- The corporation acting with the authority to acquire bus companies in the public interest could establish a plan for prompt implementation of service and cost reduction improvements including transfers, coordination of services, service rationalization, coordinated marketing, consolidation of maintenance and support functions, better fleet assignment and improvements in management procedures.

I. CONCLUSION

The ten year history of the State bus subsidy program is a case of a limited and temporary expedient being applied to an increasingly complex and long-term problem. The fact is that virtually no one defends the present system. For most bus lines, the notion of a private free market is fiction. Operating losses are picked up by the State, and capital improvements including new buses are nearly 100 per cent publicly financed.

In reality, the State already serves as the party responsible for the buses. Both those who ride the buses and the taxpayers who help support them look to the State government for accountability about service and cost. Yet, under the present subsidy program, the State in fact lacks the day to day oversight to respond to public complaints and needs. The systems are financially supported by a different group of officials from those private managers who actually run the lines. Thus, it seems no one is accountable for what happens -- an unacceptable arrangement.

Elsewhere, across the nation, the response to these circumstances has been the creation of a public agency with direct responsibility for bus transportation. The public agency then selects qualified managers, either public or private, who are fully accountable for assuring that bus services support important public goals. Rather than patch-up the present system which isn't working, the time has come for New Jersey to take this action.

The recommendation for a public corporation is a recognition of present realities about the bus business in New Jersey. The arrangement would place operational management responsibility in the same agency that has the fiscal responsibility. This would be a return to sound business principles that apply to either private or public sector services. It offers New Jerseyans the best chance for an improved and efficient bus system.

