

# NJ TRANSIT SPECIAL REPORT

April, 1981

## To Our Riders:

As an NJ TRANSIT rider, you are entitled to know what the financial condition of your transit system is and why we are forced to propose major fare increases and some reductions in service within the next three months.

NJ TRANSIT faces a large gap between what it must spend to keep the buses and trains operating and what we expect in the way of revenues, which we get from fares, federal grants, and state aid. Briefly stated, we are facing an \$80 million shortfall between expected revenues and projected operating expenses for the fiscal year starting July 1.

Only two options are available to us:

- Reduce expenses, but that involves serious cutbacks in rail and bus service.
- Increase revenues, but that involves raising fares.

NJ TRANSIT has only three sources of revenue:

- Fares, which now cover 55% of operating costs.
- State aid, which now amounts to 29% of the budget.
- Federal aid, which supports the remaining 16% of the budget.

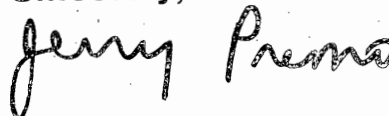
For the first time in nearly a decade, federal and state aid are not expected to increase. Therefore, the entire burden of meeting the higher costs of running New Jersey's public transportation system must be borne by you who use it.

Large fare increases and some service cutbacks appear inevitable. You have a need and a right to know why these fare increases are necessary; what NJ TRANSIT is doing to control costs and to upgrade New Jersey's bus and rail systems; and how you can express your views on this whole situation. That's why we've prepared this special report.

Please take the time to read through this report. It includes a schedule of public hearings which will be held throughout the state, beginning April 13, where we shall spell out in detail our proposals for dealing with our fiscal problems and invite your review and comments. I encourage you to participate in these hearings by expressing your views on how transit should be funded and how much riders should be expected to pay for service. If you are unable to attend a public hearing, please write me. I can assure you that we shall carefully consider your ideas.

Thank you for your interest and for riding NJ TRANSIT.

Sincerely,



Jerome C. Premo  
Executive Director

McCarter Highway & Market St., P.O. Box 10009, Newark, N.J. 07101

New Jersey State Library

# NJ TRANSIT

NJ TRANSIT was created by the Legislature in 1979 as a public corporation charged with overseeing and improving bus and rail services throughout the state. The corporation owns and operates Transport of New Jersey (TNJ) and Maplewood Equipment Company which together carry 216,000 bus and subway customers a day, and it partially subsidizes service provided by 16 privately-owned bus companies which provide daily transit to another 39,000 riders. NJ TRANSIT owns 490 route miles of track, 140 stations, and most of the rail rolling stock in the state used for passenger service. Train service is operated under contract to Conrail

which carries another 71,000 people each day throughout the state and into neighboring New York and Pennsylvania.

NJ TRANSIT's shareholders--the people of New Jersey--are represented by a seven member Board of Directors who are appointed by the Governor. Four of these members must be private citizens. Two 15-member Citizen Advisory Committees, one representing the northern part of the state and the other the south, advise the Board and the corporation's staff on service and policy issues.

## Budget overview and recommendations

### What is NJ TRANSIT's financial outlook for the coming year?

Budget projections indicate that expenses will be approximately \$80 million more than revenues for fiscal year 1982, which begins July 1, 1981, and ends June 30, 1982.

Specifically, expenses are anticipated to be \$416 million and revenues \$336 million, leaving an \$80 million difference, or shortfall between what is coming in and what is going out.

### FY81 and 82 Operating Budget Summary

(\$ in millions)

	FY81	FY82	% Change
Expenses	\$351	\$416	19%
Revenues	\$351	\$336	(4%)
<b>Shortfall</b>		<b>\$80</b>	

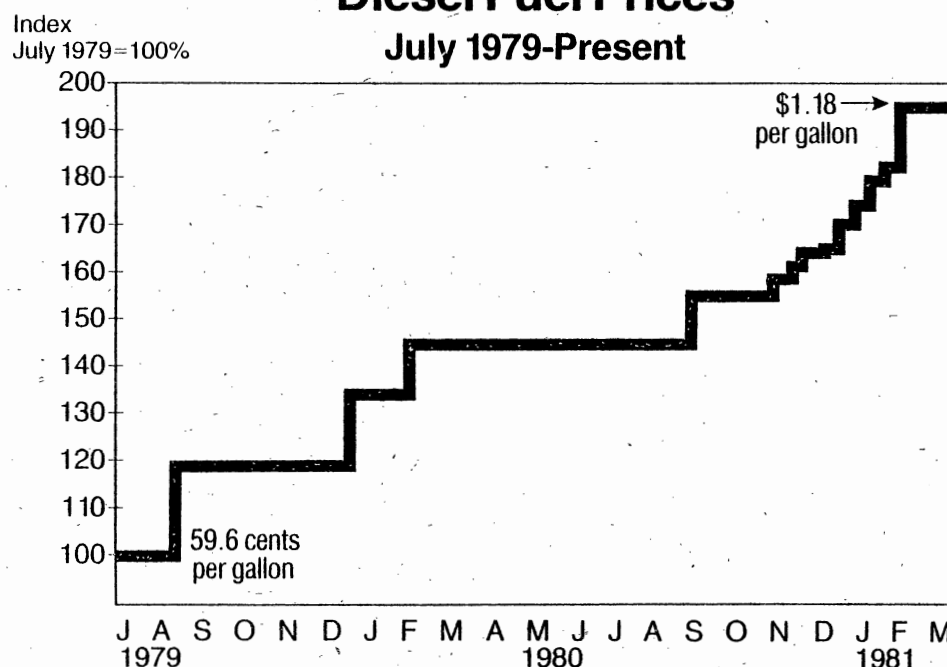
### Why is the shortfall so large?

There is no single cause. As every consumer knows, inflation has incessantly driven up prices for products and services. Diesel fuel has jumped 8¢ a gallon since January, with no relief in sight. As an example, in FY81, TNJ expects to use

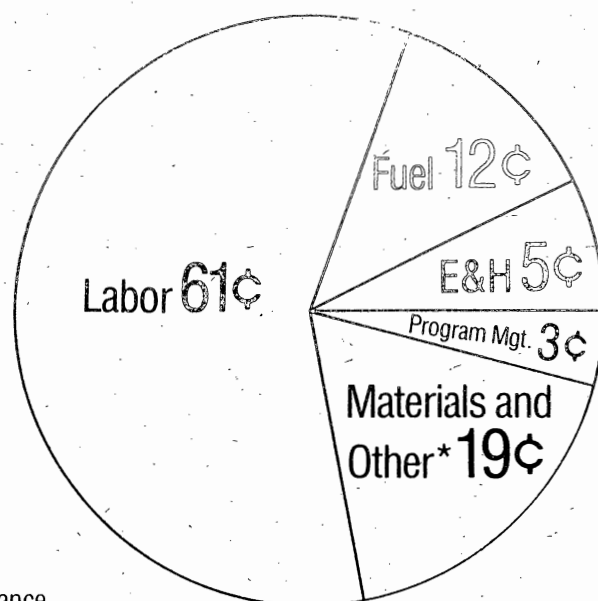
12.6 million gallons of diesel fuel. For every two cent increase in diesel price per gallon, the cost increase to NJ TRANSIT is a quarter million dollars. In all, fuel and power costs for bus and rail services are projected to increase 30 percent (\$11 million) in the coming year.

### Diesel Fuel Prices

July 1979-Present



FY82  
NJ TRANSIT  
Dollar  
(expenses)



\*Other includes claims, insurance

One of the largest increases will be labor costs, as transit is a labor intensive industry. Payments for Conrail labor alone are expected to increase 19 percent (\$18 million), on the assumption that the patterns of wage and cost of living increases as well as work rules and bases of pay, are continued in a new collective bargaining contract. NJ TRANSIT also anticipates that it will have to assume additional costs of some Amtrak service between New York and Philadelphia, amounting to \$2 million, because of federal cuts in the Amtrak budget. All of these increases add up to an overall 19 percent rise in expenses required to operate the system.

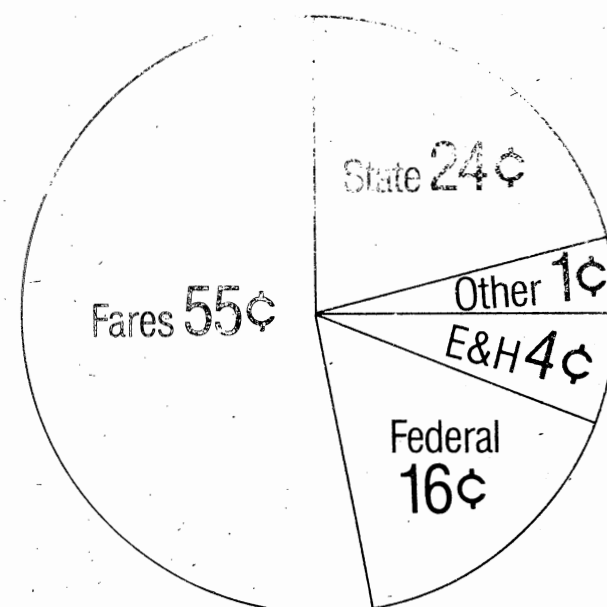
### How does NJ TRANSIT propose to cover this shortfall?

NJ TRANSIT staff has proposed to the Board of Directors that bus fares be increased 50 percent on June 27 and rail fares be increased 50 percent on July 1. These increases are estimated to produce an additional \$55 million in revenue. In addition, staff has identified \$14 million in cost reduction measures to be put into effect by July 1. Together, these two measures cover \$69 million of the shortfall.

### Can't NJ TRANSIT make up the shortfall without raising fares?

Unfortunately, no. Federal operating aid is expected to decline 18 percent (\$12 million), state aid is remaining stable (meaning an actual decrease in buying power) and farebox revenue, which originally was computed on a projected 5 percent increase in ridership, is also down as ridership began leveling off at the end of 1980 rather than increasing as anticipated. With no additional revenue coming from the state or federal government, the only other source is the farebox.

FY82  
NJ TRANSIT  
Dollar\*  
(revenues)



\* Excludes revenue needed to offset \$80 million shortfall

### What about service reductions?

NJ TRANSIT staff proposes making modest reductions in bus and rail service which will save \$14 million without severely inconveniencing most riders. These service reductions include: consolidating bus and rail telephone information service; reducing the number of station agents, car cleaners, and certain other service personnel; reducing service frequency on some underutilized off-peak bus routes and eliminating one peak hour train from each of the state's more heavily traveled rail lines. The proposed July 1 fare increase and these measures will cover only \$69 million of the \$80 million shortfall, but staff rejected any higher fare increase at this time because it would drive away too many riders and so be counterproductive.

### How does NJ TRANSIT plan to cover the remaining \$11 million of the shortfall?

First, NJ TRANSIT hopes to offset some of the remaining shortfall by reducing excessive Conrail labor costs. Obsolete, but costly, work rules and bases of pay on NJ TRANSIT's commuter lines have been identified and NJ TRANSIT is working with commuter agencies in other states to encourage Conrail management to seek changes as part of current labor negotiations. At the same time, NJ TRANSIT is seeking federal legislation to give it a direct voice in future labor negotiations which set wage rates and work rules on New Jersey's commuter lines. Those negotiations are now handled entirely by Conrail which in its first few years of operation demonstrated little interest in keeping costs down for passenger operations, since losses on its commu-

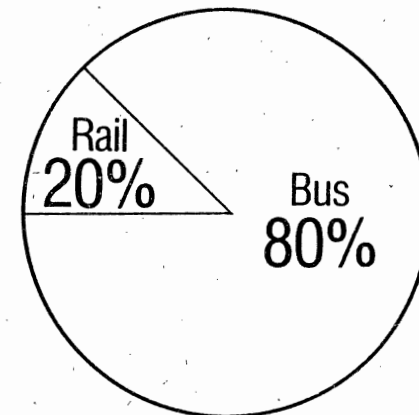
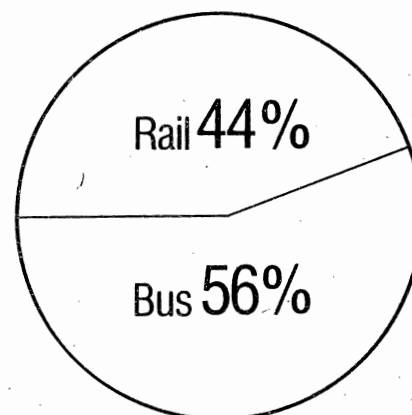
ter operations must be covered entirely by local contracting agencies such as NJ TRANSIT. If Conrail labor costs cannot be significantly reduced, a rail fare increase as high as 20 to 40 percent will probably be required by January 1, 1982. Several additional service reductions also may be unavoidable. Rail service on the lightly-used Seashore Line between Lindenwold and South Jersey shore points would be replaced by bus service. All North Jersey Coast Line trains originating in Bay Head would end in Newark, where transfers to New York-bound trains can be made. Selected weekend and late evening rail service would be eliminated.

### Why would a second round of fare increases fall so heavily on rail customers?

For two reasons. First, rail service is more expensive than bus service to operate; and second, train riders are currently more heavily subsidized than bus riders. Even with a January 1 fare increase, the average train customer would be paying 53 percent of the cost of a ride while the average bus customer will be paying 77 percent. Moreover, about 20 percent of all transit customers in the state ride on trains, compared to approximately 80 percent on buses; and yet 44 percent of the labor budget goes to support rail service.

## FY82 Rail/Bus Labor Expense Comparison

Labor Budget (\$ in millions)		Riders Carried (in millions)	
Rail	\$111 ( 44%)	Rail	37 ( 20%)
Bus	\$142 ( 56%)	Bus	149 ( 80%)
Total \$253 (100%)		Total 186 (100%)	



### Why can't NJ TRANSIT use some of the millions of dollars now being spent to purchase new equipment and upgrade facilities to keep fares down?

By law, capital funds for equipment purchases, rehabilitation, and construction cannot be used to subsidize operating costs. The funds being used to modernize and upgrade the system in New Jersey come from federal capital grants and state bond issues.

## Transit / auto cost comparison

### Won't rising transit fares drive people back into their cars?

Some people will presume that increased fares will make automobile commuting more cost-effective. But it simply isn't so. For most trips, especially longer distance commuting to and from congested urban areas, the train and bus will still be significantly cheaper and more convenient than driving. For instance, commuting by bus from Freehold to New York City will cost \$156 a month if the fare is increased 50 percent. Making the same 94-mile round trip by compact car would cost \$270 a month for gas, tolls, and parking (wear and tear, tires, insurance, and depreciation are not included). As another example, commuting by train from Morristown to New York City would cost \$111 a month if fares are raised 50 percent. The comparable cost of driving would be \$228 a month. Other cost comparisons are illustrated below.

### MONTHLY RAIL/BUS TRIP VS. AUTO COST TO NEW YORK CITY

(After proposed July 1 fare increase)

TRIP MILEAGE	RAIL	BUS	AUTOMOBILE*
10 miles	\$ 63	\$ 67	\$152
20 miles	\$ 92	\$ 95	\$184
30 miles	\$126	\$124	\$215
40 miles	\$141	\$162	\$247
50 miles	\$147	\$193	\$279

\*Based on average compact car estimated at 7.6 cents per mile plus \$100 per month New York parking and \$20 per month tolls.



# NJ TRANSIT improvements and cost reduction efforts

## What is NJ TRANSIT doing to boost ridership?

As most riders know, much of New Jersey's bus and rail system is neglected, out-of-date and hard-to-use. Too many rail cars have been in service for 50 years or more, and too many buses have been on the road for 20 years or more. Train stations are run down and bus shelters are a rarity. Bus routes sometimes duplicate one another or compete with rail lines. And, in many cases, bus routes have not been changed to follow shifts in people's living, working, and shopping patterns. Fares and transfers are unnecessarily complicated and information is hard to get.

*Rail System Improvements:* Since December, 1979, when it was formally organized, NJ TRANSIT has been working to modernize this system in a variety of ways. After years of delay, New Jersey's two major commuter rail electrification projects, on the Morristown Line and the North Jersey Coast Line, are on schedule. Seventeen long-promised new diesel locomotives and 117 modern coaches have been ordered for the Raritan Valley Line and the North Jersey Coast Line and will be delivered next year. Meanwhile, more than 120 miles of track have been replaced and more than 30 neglected rail stations around the state have been repaired.

*Bus System Improvements:* For bus riders, NJ TRANSIT took a major step last October when it bought Transport of New Jersey (TNJ) and Maplewood Equipment Company, the state's two largest bus companies, from their previous owner, Public Service Electric and Gas. This purchase has opened the way for long overdue improvements in the state's bus system. Routes in South Jersey were overhauled last fall to permit better coordination between bus and rail lines. This June 27, NJ TRANSIT will carry out the first major revamping of bus routes in the Newark-Elizabeth area since World War II. Similar route changes to accommodate changed living, working, and shopping patterns will be carried out in Passaic and Middlesex counties before the end of the year. Along with these changes, NJ TRANSIT is reinforcing TNJ's depleted force of street supervisors to ensure more reliable service on both its city and commuter routes. In addition, through a major bus rehabilitation program at TNJ's Newark shop, NJ TRANSIT will be stretching the life of more than 500 existing buses while improving service reliability and rider comfort. Items such as heaters,

air conditioners, windows, seats, and suspension parts are being either replaced or rebuilt. Long neglected bus garages and terminals are being repaired to increase comfort and productivity.

*Shelters, Passes, and Information:* A program to install several thousand bus shelters statewide has been started and should be completed in three to four years. A simplified statewide bus and rail fare system is under design. Bus and train information will be available at a single toll-free telephone number by this fall. For local bus riders, the Board has approved a new monthly discount pass for one-zone riders, to be sold starting in late June. Up until now, local bus riders have never had discount tickets or passes available similar to those used by many longer distance bus and train commuters in the state.

## Isn't it also important to keep costs down? What is NJ TRANSIT doing in this area?

The proposed service reductions, both in July and January, are further steps in NJ TRANSIT's drive to reduce costs and increase efficiency. Already, the acquisition of TNJ and Maplewood Equipment Company, using federal funds, has allowed NJ TRANSIT to save more than \$5 million a year in pension and insurance costs previously paid by the state. Ownership of these two companies paves the way for acquisition of additional companies to allow further operational savings through the consolidation of duplicative routes and garages and reductions in overhead costs. The revision of bus routes in various parts of the state which started last fall not only improves service and helps ridership, but increases efficiency and reduces costs. Money saved through this streamlining of routes is being used to put more supervisors on the street to make operations not only more reliable but more productive. Inefficient and unreliable operators have been dropped from the bus subsidy program and replaced, resulting in both better service and lower costs. The Senior Citizen half-fare program has been changed to make promotional trips to Atlantic City casinos ineligible, for an annual saving in excess of \$500,000.

# Transit trends: present and future

Is this problem something that is unique to New Jersey?

No. Bus and rail systems all over the United States are facing similar budget problems forcing them to seek large fare increases to meet their shortfalls. Chicago's bus and subway fare is now 80 cents and is scheduled to go to \$1 by Labor Day. New York City's bus and subway fare is expected to rise to 75 cents or more on July 1. Other cities, such as Pittsburgh, Los Angeles, Philadelphia, Detroit, San Diego, Miami, and Washington, D.C., which have higher one-zone bus fares than New Jersey now has, are expected to have fare hikes this year, too. In regard to train fares, a monthly ticket for a New Jersey commuter riding 40 miles to Manhattan now costs \$94. A 50 percent increase would bring that to \$141 per month, which is considerably less than the current \$172 being paid by a Philadelphia commuter traveling the same distance on a SEPTA train.

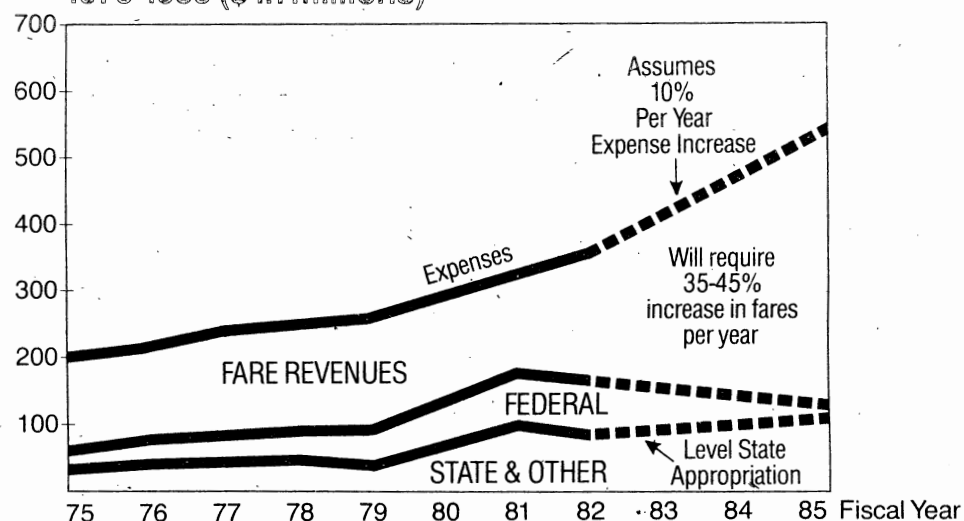
**Does this mean NJ TRANSIT fare increases will be an annual reality?**

Unfortunately, yes, unless present trends in state and federal support of transit operations are reversed. While the state appropriation for fiscal year 1982 reflects a leveling off, the federal government has announced its intention to completely phase out transit operating funds by 1985. Given the reality of escalating costs for fuel, labor, and materials, it appears that the ongoing rise in expenses must be borne by the transit rider unless other sources of revenue are forthcoming. The prospect of continuing fare increases has already provoked a nationwide debate on what future policies toward mass transit ought to be.

**How can I make the NJ TRANSIT Board of Directors aware of my view on fare increases and service reductions?**

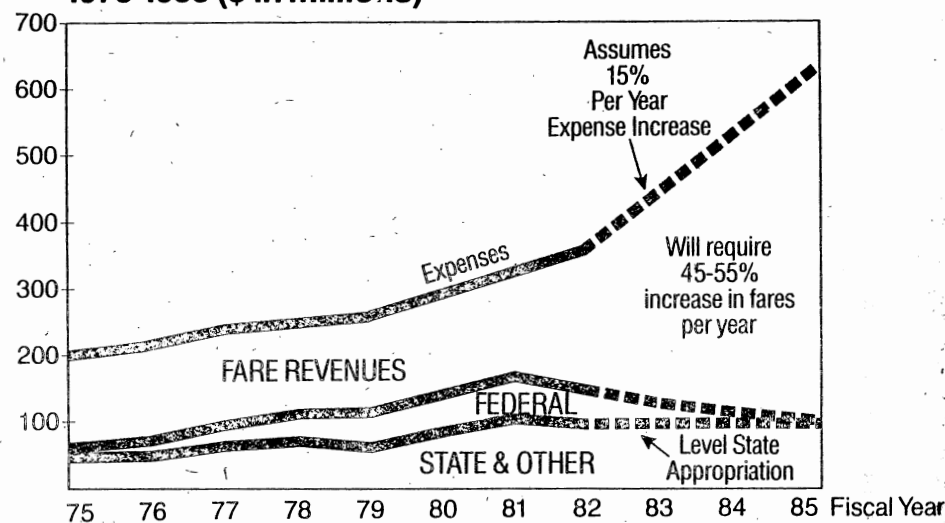
NJ TRANSIT will conduct 16 public hearings throughout the state between April 13 and 23. All public hearings will be held in the evenings, beginning at 8 p.m., and you are encouraged to attend and share your comments, which will be recorded and incorporated into the official hearing record. NJ TRANSIT's Board of Directors will review the record before making a decision about fares and service at a public meeting in May. The complete schedule of public hearings is provided on the next page.

**NJ TRANSIT Revenue Sources**  
1975-1985 (\$ in millions)



Assuming operating expenses increase 10% per year, federal dollars decrease to zero after 1985 and state appropriations remain level, fares would increase 35-45% per year between now and 1985.

**NJ TRANSIT Revenue Sources**  
1975-1985 (\$ in millions)



Assuming operating expenses increase 15% per year, federal dollars decrease to zero after 1985 and state appropriations remain level, fares would increase 45-55% per year between now and 1985.

## SCHEDULE OF PUBLIC HEARINGS

(all begin at 8 p.m.)

DATE	TOWN	PLACE
Monday, April 13	SALEM	Old Court House, Main Floor, Broadway and Market Streets
Monday, April 13	TRENTON	State Museum Auditorium 205 West State Street
Tuesday, April 14	NEW BRUNSWICK	Middlesex County Court House Court Room No. 101, Bayard Street
Tuesday, April 14	HACKENSACK	Bergen County Administration Building, Freeholders' Chambers, Main Street
Wednesday, April 15	CAMDEN	Camden City Hall Council Chambers Broadway and Market Streets
Wednesday, April 15	JERSEY CITY	Hudson County Court House, Jury Assembly Room 595, Newark Avenue, 5th Floor
Thursday, April 16	NEWARK	Newark City Hall Council Chambers 920 Broad Street
Thursday, April 16	MADISON	Madison City Hall Council Chambers Municipal Building, Hartley Dodge Memorial Building, Kings Road
Monday, April 20	LITTLE SILVER	Red Bank Regional High School Cafeteria 101 Ridge Road, Little Silver
Monday, April 20	PATERSON	Paterson City Hall Council Chambers 155 Market Street, 3rd Floor
Tuesday, April 21	FREEHOLD	Public Safety Building, Main Meeting Room Municipal Plaza Schanck and Stillswells Corner Roads
Tuesday, April 21	WOODBURY	Gloucester County Court House Court Room No. 1, 1 No. Broad Street
Wednesday, April 22	PHILLIPSBURG	Phillipsburg City Hall Council Chambers 675 Corliss Avenue
Wednesday, April 22	WESTFIELD	Westfield City Hall Council Chambers 425 East Broad Street
Thursday, April 23	ATLANTIC CITY	Atlantic City Municipal Bldg., Commission Chambers - Room 206, 1301 Bacharach Blvd.
Thursday, April 23	SOMERVILLE	Freeholders' Conference Room, County Administration Building No. Bridge & East High Street

## WE'D LIKE TO HEAR YOUR COMMENTS!

**If you can't attend one of the public hearings listed on the previous page, please write your comments in the space below, place in an envelope and mail to:**

**FARE INCREASE, NJ TRANSIT**  
**Mc Carter Highway & Market Streets, PO Box 10009**  
**Newark, New Jersey 07101**

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**Thank you for your interest and comments.**